

Glossary & Market Terminology

Terms	Explanation
Annual Report	Formal financial statements, the Auditors' Report, together with the Directors' Report issued by a company. These financial statements are usually prepared at the close of the company's financial year.
Arbitrage	The simultaneous purchase and sale of the same security on different stock exchanges at prices which yield a profit.
Bear	An investor who anticipates for a decline in stock prices.
Bear Market	A market in which stock prices are declining in general. A serious decline is called a depression. A short decline in a generally rising market is looked upon as a technical correction.
Bid and Ask	The bid is the highest price any one has offered to pay for a security at a given time; the asked is the lowest price any one has offered to accept for a security at a given time.
Blue Chip	A large well-established company with a history of profitable operation.
Book Closing	The closure of books by a company to determine the shareholders' rights to receive bonus, dividend, rights, etc. No transfers are recorded during this period.
Boom	Denotes greater activity on the stock exchange
Bull	An investor who anticipates for a rise in stock prices.
Bull Market	A market in which stock prices are rising in general. If the market is recovering from a deep decline, the early stage of the uptrend is called an up reversal, turnaround, rally or recovery.
Capital Gain/ Loss	Profit or loss arising from the sale of securities.
Capital Gain tax	Tax payable on profit arising from appreciation in value of investment, realized at the time of selling or maturity of investment.
Clearing	Settlement or clearance of dues accounts in stock exchanges.
Collateral	Securities or other properties pledged by a borrower to secure the repayment of a loan.
Commission	The fees payable by a client to the stock broker for trading in securities on his behalf.
Contract	A statement sent to a client by the stockbroker, giving details of securities purchased or sold.
Cum-dividend	The term implies that the buyer is entitled to the dividend currently declared.
Cum-right	Shares having the right to receive the upcoming rights issues offered by the company.
Dividend	That part of a company's profits which is distributed among shareholders, usually expressed in rupee per share or percentage to paid up capital. It could be in the form of cash or stock (Bonus Share).
Earnings per Share (EPS)	A profitability indicator calculated by dividing the net after tax earnings available to common stockholders during a period by the average number of shares outstanding at the end of that period.
Equity	The owners' interest in a company's capital usually referred to as ordinary shares.
Exposure	Aggregation of unsettled amount of purchases and sales under each Market with no netting applicable to respective Market. The exposure is calculated using real-time values. All trades are counted as exposure unless they are marked for delivery.
Face Value	The value of a security that appears on the face of the certificate unless the value is otherwise specified by the issuing company. It is also termed as par value.
Initial Public Offering (IPO)	The offering of equity shares of a company to the general public for the first time.
Insider Trading	Insider trading normally occurs when an insider, that is, a director, an officer, a banker or a favored customer, due to his access to special information about

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	the company's affairs, which has not been made available to the market influence the value of shares to his advantage.
Limit Price	The price beyond which an investor would not consider executing a transaction involving the purchase or sale of securities.
Margin	Securities and cash held with broker against any outstanding unsettled amount/exposure
Market Price	In case of a security, market price is usually considered the last reported price at which the security is sold.
Nominee	An individual who is designated by the account-holder to receive all cash and custody in case of the account holder's demise.
Odd-Lots	A quantity of stock less than the established/ allowed unit of trading in regular market.
Ordinary Shares	The most common form of shares, which entitle the owners to jointly own the company. Holders may receive dividends depending on profitability of the company and recommendation of directors.
Power of Attorney	An individual who is designated by the account-holder to operate the account with the same privileges as the account holder.
Portfolio	A collection of investments.
Price/Earnings Ratio (P/E)	The P/E ratio is a measure of the level of confidence (rightly or wrongly) investors have in a company. It is calculated by dividing the current share price by the last published earnings per share.
Private Limited Company	A company that is not a public company and which is not allowed to offer its shares to the general public.
Public Limited Company	A company whose shares are offered to the general public and traded freely on the open market and whose share capital is not less than a statutory minimum.
Regular Market.	Regular market available for shares trading with regular settlement of T+2.
Right Issue	The issue of additional shares to existing shareholders when companies want to raise more capital.
Securities	A broad term for shares, corporate bonds or any other instrument of investment in the capital market.
Settlement	Once a trade has been executed, the settlement process transfers shares from seller to buyer and arrange the corresponding exchange of money between buyer and seller.
Short Sale	It occurs when a person sells shares that he does not own. A short sale is usually made in the hope that a subsequent market decline will enable the seller to 'cover his position' at a profit, that is, to buy at a later date and at a lower price the shares he needs to deliver against his original short sale.
Spread	The difference between the bid and offer price of a market maker.
Stock Broker	A member of the stock exchange who deals in shares for his own and behalf of clients.
Stock Exchange	The market place where shares of public listed companies are bought and sold.
Upper & Lower Circuits	For overall market risk management, the KSE has built in checks to curb drastic market movement, and has placed a 5% positive and negative limit on all scrip prices.
Yield	Also known as return. The dividend or interest paid by a company expressed as a percentage of the current price or, if you own the security, of the price you originally paid. The return on stock is calculated by dividing the total of dividend paid in the preceding 12 months by the current market price.