BUS-123 Fall 2025 | Buying on Margin and Selling Short | Name: ________________
Instr: F. Paiano | | Chapter 14 **Study Guide**

No assignment for chapter 14

Note: The questions on the final exam about buying on margin and selling short will be provided to you.

cash accounts

margin accounts

margin trading

buying on margin (*Borrowing money to invest. You have to deposit at least 50%.*)

margin (*The amount that you have invested, the rest is borrowed*)

financial leverage – aka leveraged position (*You have borrowed money to invest. Can be dangerous!*)

margin requirement, aka initial margin

margin loan, aka debit balance

restricted account

maintenance margin

margin call (*If your equity falls below the limit, you will be required to either sell your shares or deposit more money.*)

excess margin

pyramiding

margin = (value of security - margin loan) / value of security

account balance sheet

margin using account balance sheet = account equity / total assets

long purchase, aka "going long"

short selling, aka "selling short" "shorting a stock" "going short" (*Don't do it! It's dangerous!*)

margin for short sales = (margin deposit + proceeds from short sale - value of security) / value of security

margin for short sales using account balance sheet = account equity / short position

margin call price level = [(margin deposit + short proceeds) / number of shares] / (1 + maintenance margin)

short squeeze

Note: Please concentrate on the ***bolded*** *terms. There will be no calculations from this chapter on the final exam.*