

Distinguish, differentiate, compare and explain what is the difference between Stocks and Bonds. Comparison and Differences.

Differences between Stocks and Bonds

S.No.	Basis of difference	Stocks	Bonds
1	Meaning	An Equity Instrument representing an ownership interest in a corporation.	A Debt Instrument with a promise to pay back the principal amount with interest.
2	Who Are the Issuers?	Corporates	Government Institutions, Financial Institutions, Companies etc.
3	Major Risks Associated	Market Risk, Business Risk.	Interest Rate Risk, Inflation Risk.
4	Status of Holders	Shareholders are the owners of the company.	Bondholders are the lenders to the company.
5	Risk Level	High since it depends upon the performance of the issuer so no guaranteed returns.	Relatively low since bondholders are prioritized for repayments.
6	Additional Benefit	Shareholders get the right to vote.	Bondholders get the preference in terms of Repayment and also on liquidation.
7	Form of Returns	Profits earned by the company are paid in the form of Dividends.	Interest payments are made in the form of Coupon Payments.