

## 5.4: Rights and Privileges of Common Stockholders

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Common stockholders have a right to the residual income of the firm. This means that any income generated beyond what is required to pay preferred dividends belongs to the common stockholders. This income may be distributed to common stockholders in the form of dividends or it may be reinvested in the firm.

Stockholders control the firm through the election of the board of directors and some other key corporate issues. However, this control is often limited through diverse ownership, institutional ownership, staggered boards (where only certain board members are elected each period), and dual-class shares where shares typically held by the public have limited voting rights.

Stockholders have the right to obtain information from management about the firm's operations. This information is usually present on the Investor Relations page of a firm's corporate web page. For example, see the [Investor Relations page for Amazon](#).

Common stockholders can usually lose no more than the value of their investment, because they have no liability for the debts incurred by the firm beyond the value of the stock that they own. This is related to the limited liability aspect of corporations raised in Chapter One.

Common stockholder may transfer ownership of shares to other investors in the secondary market. These transfers are done at the current market price which is constantly changing.

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