Scenario 1

Initial Transaction: An investor places S$5,000 cash into his margin account.

Maximum amount of shares he can buy = $5,000 x 3.5 = $17,500

Total Equity = $17,500

Total Financed = $17,500 - $5,000 = $12,500

Margin Percentage = $\frac{\text{Total Equity}}{\text{Total Financed}}$ x 100%

= $\frac{\$17,500}{\$12,500}$ x 100%

= 140%

Scenario 2

Initial Transaction: An investor places S$10,000 worth of marginable securities into his margin account.

Maximum amount of shares he can buy = $10,000 x 2.5 = $25,000

Total Equity = $10,000 + $25,000 = $35,000

Total Financed = $25,000

Margin Percentage = $\frac{\text{Total Equity}}{\text{Total Financed}}$ x 100%

= $\frac{\$35,000}{\$25,000}$ x 100%

= 140%

	Scenario 1	**Scenario 2**
MARGIN CALL **(Margin Percentage less than 140%)**		
E.g. Equity falls by 5%	Margin % = $\frac{\text{Total Equity}}{\text{Total Financed}} = \frac{\$16,625}{\$12,500}$ = 133%	Margin % = $\frac{\text{Total Equity}}{\text{Total Financed}} = \frac{\$33,250}{\$25,000}$ = 133%
Cash Top-up to 140%	$\frac{\text{Total Financed X 1.4 - Total Equity}}{1.4}$ = $625	$\frac{\text{Total Financed X 1.4 - Total Equity}}{1.4}$ = $1,250
Shares Top-up to 140%	Total Financed X 1.4 - Total Equity = $875	Total Financed X 1.4 - Total Equity = $1,750
Company Force-Selling **(Margin Percentage less than 130%)**		
E.g. Equity falls by 10%	Margin % = $\frac{\text{Total Equity}}{\text{Total Financed}} = \frac{\$15,750}{\$12,500}$ = 126%	Margin % = $\frac{\text{Total Equity}}{\text{Total Financed}} = \frac{\$31,500}{\$25,000}$ = 126%
Cash Top-up to 140%	$\frac{\text{Total Financed X 1.4 - Total Equity}}{1.4}$ = $1,250	$\frac{\text{Total Financed X 1.4 - Total Equity}}{1.4}$ = $2,500
Liquidation of Shares to 140%	$\frac{\text{Total Financed X 1.4 - Total Equity}}{0.4}$ = $4,375	$\frac{\text{Total Financed X 1.4 - Total Equity}}{0.4}$ = $8,750