

Hello Day Traders!!!

Welcome to your new job - All you have to do is make money! You and your team will be learning about the market economy through a stock trading simulation run by the North Carolina Council on Economic Education. Most of you are brand new and that means growing together in different ways! Keep in mind we play the stock market game but, we study the stock market and the American economy, while playing the game. Ms. Henry and Mrs. Miller will be collaborating to bring you integrated, thematic lessons which include language arts, social studies and math skills. The game runs from Feb 1 - April 22nd as part of our unit.

This is PACKET #1 reference material for you to help you understand this new area of study. READ IT CAREFULLY- it really explains the process well. You will be getting other packets and assignments along the way.

**PACKET #1 PACKET #2- STOCK TRACKER - PACKET #3 -
TRADING / CASH RESERVE RECORD - STOCK PICK PARAGRAPH WRITING -
INVESTWRITE ESSAY - WRITERS WORKSHOP RUBRICS - Economics Poster-**

Enjoy the adventure of buying and selling with \$100,000 on the real stock market at real time prices even though it is FAKE money ☺ Use these websites and more to research and get started:

**<http://money.msn.com> <http://www.morningstar.com> <http://google.com/finance>
<http://www.fool.com> <http://finance.yahoo.com> <http://www.investopedia.com>
<http://www.smqwww.org> <http://www.smartmoney.com>
<http://www.themint.org/kids/what-is-the-stock-market.html>**

and the list is endless just click around the internet (SAFELY) and you will see ☺

Please e mail Ms. Miller if you have any questions @ straeymiller@chatham.k12.nc.us

REMEMBER: BUY LOW and SELL HIGH!!! AND WORK AS A TEAM!!!

GOOD LUCK Money Makers ☺

Mrs. Miller & Ms. Henry

Stock Market Game Begins...

Name:

Note 3 or more local businesses that are most likely sole proprietorships:

DUE
January 27

Note at least three businesses in your community that are most likely partnerships:

Note at least three businesses in your community that are most likely corporations:

List 10 companies that you may be interested in purchasing.
<<Consult online resources to fill in the info below>>

Company Name	Stock Symbol	Details. What do they do? How much is a share? What industries/sectors do they belong to?

<http://www.svgwww.org>

<http://money.msn.com>

<http://www.fool.com>

<http://finance.yahoo.com>

<http://google.com/finance>

<http://www.investopedia.com/>

<http://beginnersinvest.about.com>

<http://www.thewint.org/kids/what-is-the-stock-market.html>

Business Ownership

Types of Business Ownership

In a **capitalistic** economy, businesses are owned and operated by people (as opposed to the government). People engage in business because they want to make a **profit**. By investing **capital** (usually money, but sometimes property and equipment), they can start a business. The intent of these business owners is to use these assets to make goods or offer services that other people will buy. They then can make a profit.

There are three main types of ownership of businesses. They are:

■ Sole Proprietorship

These businesses are owned and operated by one person (though the owner may hire employees to do some of the work). It is the most widespread form of small business ownership.

■ Partnership

These businesses are owned by two or more people who are co-owners of the business. In most cases, they share the expenses, the work, and the profits from the business.

■ Corporation

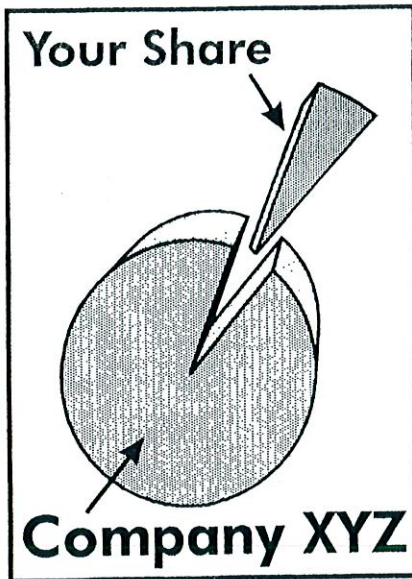
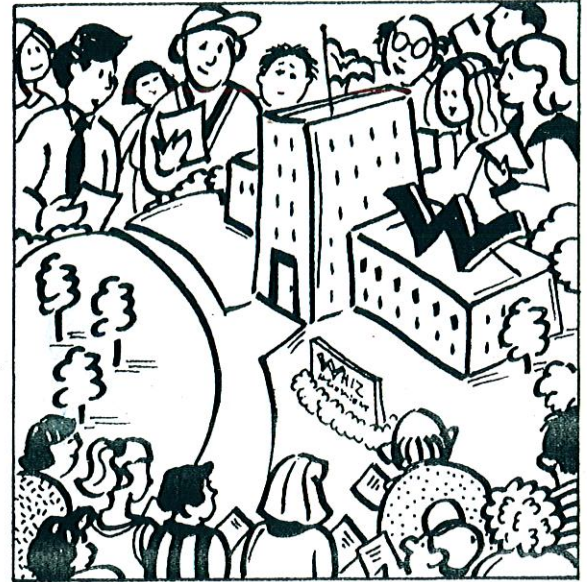
A corporation is a legal entity. It is an association of individuals created by law that has powers and liabilities independent of its members. Legal papers must be filed with the state in which a business operates before it can become a corporation. Most businesses do not begin as corporations. Sole proprietorships and partnerships may eventually change the ownership to a corporation because of legal or economic reasons or because they want to raise capital by selling shares of the business. Forming a corporation is expensive and legally complicated.



Read Carefully

Corporate Ownership

Corporations are owned by people who own stock in the business (stockholders). Some corporations may have many shareholders, and some may have only a few owners. In some corporations, the person or persons who started the business may own all the stocks. Other corporations may offer to sell stock in their business to other individuals. This is usually done when there is a need to raise money so the business can make more products or expand what they are presently doing. If the shares in the business are sold to other people, the sale of these shares is regulated by the Securities and Exchange Commission.



★ What Are Stocks? ★

Read
↓
Talk about it!!

Stocks are shares of ownership of a corporate-owned business. If you own a stock, you are a part-owner in the business. **Common stocks** are the kind of stocks that most people own. If a business has issued 10 stocks and you own 1 of them, you are a one-tenth owner in that business. If it makes a profit, you will share in that profit. If the company loses money, your stock will be worth less than the price you paid for it originally. You can attend stockholders' meetings and vote for the board of directors. You can sell your stocks (or part ownership) at any time.

Something To Do

→ This assignment is on the back of your letter.

- List at least three businesses in your community that are most likely sole proprietorships.
- List at least three businesses in your community that are most likely partnerships.
- List at least three businesses in your community that are most likely corporations.
- Look at the business section of the newspaper and find the stock listings. List five companies with which you are familiar.

FYI: →

Glossary of Terms

Do you speak stock market?

Read through these →

American Stock Exchange - a stock exchange in New York City. Most of the stocks on this exchange are relatively small companies.

assets - things that are owned by individuals or businesses that can be converted into cash, such as money in bank accounts, accounts receivable, land, buildings, fixtures, and machinery.

bear market - stock prices are falling.

blue chip stocks - high-priced common stocks that have been strong, profitable stocks for a long period of time.

bonds - certificates of ownership of a portion of a debt that is due to be paid by a government or corporation to an individual; usually bearing a fixed rate of interest.

bull market - stock prices are rising.

capital - the wealth, money or property owned by an individual or business.

capitalism - an economic system in which goods and services are produced by private individuals and groups who control the production, compete with one another, and whose goal is to make a profit.

capital gains - money that is made (a profit) by selling an asset like a home or stocks.

commission - the price a stock broker charges to take care of buying or selling stock.

common stock - fractional shares of ownership in a business; partial ownership of a corporation through the ownership of stocks. Most people who own stock, own common stock.

corporation - an organization created by law whose shareholders have limited legal and financial liability.

diversify - to buy a variety of stocks.

dividend - money from profits of a company that is paid to the stockholders. Payment can be in cash or stock shares and is usually paid quarterly.

Dow Jones Industrial Average - a measure of stock market prices based on thirty leading companies of the New York Stock Exchange.

incorporation - the process of forming a corporation-type ownership of a business. This establishes a standard unit of accounting that makes it possible to exchange units of ownership.

initial public offering - the first time a corporation's stock is offered for sale to the public.

initial value - the value of the stock when it is first offered for sale. The price of stock at this point is determined by the total assets of the company.

investment - the use of resources (capital) to create wealth.

investor - someone who uses his or her money to purchase stocks with the expectation of making a profit.

market value - the value of a business in terms of what it can be sold for on the open market.

mutual fund - a portfolio or selection of stocks that is owned by many shareholders and managed by a professional stock manager. It allows people to pool their money with other people to buy a variety of stocks. Each

fund will have a stated purpose that will guide the manager in buying and selling stocks. **Share price** is the value of all the assets (stocks) divided by the number of shares.

NASDAQ - National Association of Securities

Dealers Automated Quotations. This computerized network provides prices and trading for more than 5,000 over-the-counter stocks.

New York Stock Exchange - the largest stock exchange, located in New York City. Most of the companies on this exchange are larger companies with higher-priced stock.

over-the-counter (OTC) - stocks that are traded with individual investment firms rather than at major or regional exchanges. These stocks are "unlisted." Companies traded over-the-counter are usually small companies. There are approximately 20,000 OTC stocks that are traded via a computer-telephone network that allows dealers to communicate directly with one another.

par value - the value printed on the face of a stock or bond; the same as **face value**.

point - the measurement of the value of stocks, usually divided into eighths. One point equals one dollar.

portfolio - the group of stocks that you own.

price - what you pay for a stock. Prices are quoted in points, a system in which one point equals one dollar. The price is determined by supply and demand. If there are only a few bidders or buyers for a stock, the price will be lower than when there are a lot of buyers.

price-earning ratio (P/E) - the price of the stock divided by its earnings for the last year. It is listed in most stock quotes and gives an idea of how cheap or expensive a stock is compared to other stocks.

or expensive a stock is compared to other stocks.

profit - money that is made or gained as a result of an investment.

securities - stocks and bonds.

Securities and Exchange Commission

a governmental agency that was established in 1934 to protect investors in securities (stocks and bonds). It registers all securities, licenses brokers, hears complaints, and penalizes people or companies who don't follow the rules.

share - one portion of ownership in a corporation.

shareholder - someone who owns shares of stock in a company.

speculation - to engage in business dealings that involve some risk in hopes of making a profit.

stocks - shares of ownership in a corporate or public body.

stockbroker - a professional who is licensed to buy and sell stocks.

stock exchange - a place where stocks and bonds are bought and sold.

stockholder - someone who owns shares of stock in a company; same as a shareholder.

stock certificate - a certificate that shows ownership of one or more shares of stock in a corporation.

stock split - when a company divides its stocks into smaller, more economical shares. If a stock splits 2 for 1, it means that stockholders get 2 shares for every one they own. The price of the new stock would be adjusted downward.

Read through these

Know the Lingo.

Prices and Events

Name _____

Think about it !!

On the left is a listing of companies. On the right is a listing of events and newspaper headlines. For each event, tell which company would be affected and whether the effect would be positive (+) or negative (-).

Banana Computers - manufactures computers and software for personal and home use.

Global Communications - owns newspapers, magazines, radio and television stations.

Hip Hop - manufactures clothes, shoes and accessories for 12 to 18 year olds.

Biotec - manufactures a variety of mechanical devices to replace, repair or regulate human body parts.

ChocoBear - a chain of stores that sells chocolate and chocolate-related items.

SunCitrus - grows, harvests and processes citrus fruit.



Write name of company

& (+)
or (-)

1. Florida Reports the Best Crop of Oranges in 10 Years

2. Spending habits report shows that teenagers have more money to spend.

3. Patients who received the Biotec heart implants have threatened to sue to cover costs to correct design flaws

4. Study Claims Chocolate Prevents Tooth Decay

5. Banana's Revolutionary New Computer is a Fizzle

6. Global Communications wins 3 Pulitzer Prizes

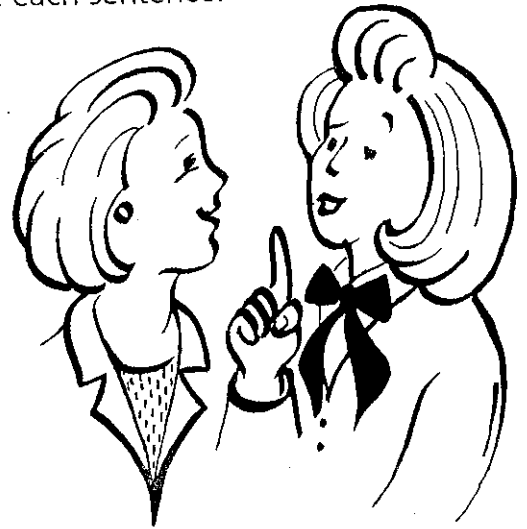
7. Spending for food and personal products is up, but spending on entertainment and technology is down.

Stock Phrases

Name _____

Refer to the glossary and fill in the words that best complete each sentence.

Glenda Goodsense inherited some money when her uncle died. She decided that she wanted to become an _____, so she could make more money with her inheritance. She decided to buy _____ in a company that she knew was a solid company and that paid out _____ each quarter. She visited her _____, Molly Money, and told her what she wanted to do.



Molly advised Glenda to _____. "Don't put all your eggs in one basket," she said. She told Glenda how to put together a _____ of several stocks, and thereby reduce the risk of losing money if the market goes down (a _____ market).

Glenda chose four _____ stocks of companies that were sound and had been leading companies for a long time. She also decided to buy three stocks that she found on the _____, rather than listed on either the New York or American _____. She asked Molly to check the current _____ for each stock and then decided to buy 100 _____ of each company. She paid the cost of buying the 700 shares plus a _____ to Molly for her services.

Glenda now had a _____ of stocks. Over the year she found that some of her stocks went up in price and some went down. One stock even _____ 3 for 2, so she ended up with more stocks than she started with. She was one happy _____.

Stock Prices

Business owners usually will decide to “go public” or to sell stock in their business to other people when they need to raise money to expand the business or to fund new endeavors. They divide their business ownership into pieces (shares) and offer these for sale to other people. When people buy the stocks, the money from the sale is then available for the company to use to build new plants, install up-to-date machinery, develop new products, or do more advertising.

Initial Prices

When a business first offers its stocks for sale to the public it is called an **initial stock offering**. The price of the stock is based on the assets of the business (money, buildings, machinery, and property) divided by the number of stocks. For instance, if a business had \$1 million in assets and offered 500,000 shares for sale, each share would be worth \$2.00. This price is called the **initial value** or **par value**.

Prices = Points

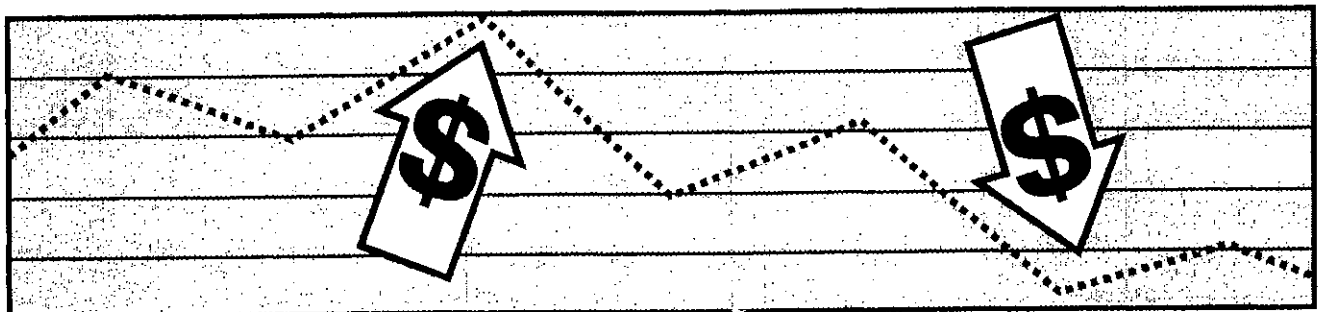
All stock prices are listed in points. One point equals one dollar. If a stock is listed at 57 points, this means each share is worth \$57.00. If you wanted to buy ten

shares, you would pay \$570.00. If you wanted to buy 300 shares, you would pay \$17,100.00 (300 x 57).

Prices Go Up and Down

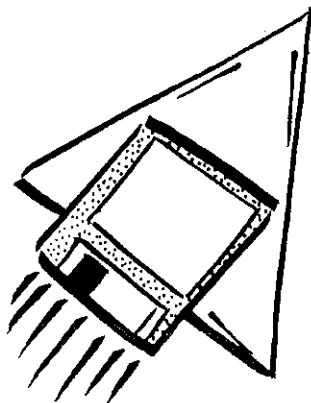
Once stocks are offered for sale on the stock market, their prices can rise or fall depending on what people are willing to pay. There are no rules on what price should be charged. If people think a company has great potential for making money, they will want to own stock in that company. All the people wanting to buy the stock create a demand that drives the price up. If only a few people want to buy the stock of the company, there is little demand for the stock and the company's stock prices may fall.

Many times the price of a company's stock is affected by conditions that have nothing to do with the performance of the business. Things that happen with the national economy or with the stock market in general can cause the company's stocks to rise or fall in price. The stock prices are determined not only by how well the company is doing, but also by how much confidence people have in the company's ability to make a profit and in the national economic picture.



Example

Here are the stories of three companies that went public and what happened to their stock. All of the companies initially offered their stock at \$5.00 per share.



■ **Company A** is a manufacturer of software for the Internet. Because its product had been reviewed favorably by several magazines and people who already used it were very happy with it, many people thought that this was a company whose sales would skyrocket once it had the money to do some intensive advertising. The company also arranged to have its software installed in computers manufactured by one of the largest computer companies. Therefore, the price of the stock skyrocketed. It was soon worth \$10.00 per share, twice its initial offering price.



■ **Company B** is a manufacturer of fertilizer that is used by corn farmers. The owners decided to sell stock in the company so they could raise the money to develop a new kind of fertilizer. Shortly after their stock was offered for sale, farmers in Iowa brought legal action against the company, saying that their fertilizer made the corn more susceptible to worms and that they had lost 40 percent of their crops to worms — more than any previous year. The case had not gone to court, but the threat of a lawsuit scared off investors. No one wanted to own stock in a company that might go bankrupt. People who already owned the stock, sold their shares. The price of the stock fell to \$1.20 per share.



■ **Company C** is a business that provides temporary employees for other businesses. The owners decided to sell stock so they could expand and open offices in more locations. People saw this as a well-managed company that offered a needed service and the price for the stock quickly went up to \$7.50 per share. However, two months after the initial stock offering, a report on national employment was released by the government. The report said that unemployment was higher than it had ever been in the last 20 years and that most companies did not plan on hiring any employees (temporary or permanent) to replace workers they had laid off. The economy was in a sad state of affairs and it was not expected that things would improve anytime in the near future. People who owned stock in Company C sold their stock in record numbers and the stock prices fell to \$2.30 per share.

Stock Centers

Name: _____

If I bought \$50,000 worth of STOCK of Company A at \$5.00 per share.

How many shares could I buy? _____

Read the stock story for company A. Imagine this story happened after I bought in.
If you sold your stock at the end of the story, what is the value of the stock?

How much profit have you made?

If I bought \$50,000 worth of STOCK of Company B at \$4.00 per share.

How many shares could I buy? _____

Read the stock story for company B..
If you sold your stock at the end of the story, what is the value of the stock?

How much profit or loss did you incur?

If I bought \$50,000 worth of STOCK of Company C at \$6.00 per share.

How many shares could I buy? _____

Read the stock story for company C..
If you sold your stock at the end of the story, what is the value of the stock?

How much profit/loss have you made?

WHICH STOCK WAS THE BEST INVESTMENT? Why?

How would you advise an investor in each of these cases at the beginning middle and end of each story?

Figuring Prices

Name _____

Prices on the stock market are listed in points. One point equals one dollar. Changing from points to decimals is easy. Here are three examples.

Company XYZ = 63 points = \$63.00

Company ABC = 75.43 points = \$75.43

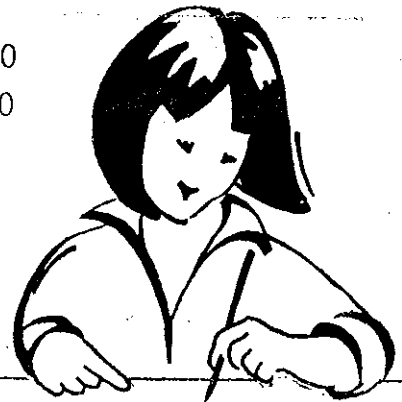
Company CDE = 14.125 points = \$14.125 (which may be rounded off to \$14.13 in the newspapers).

To figure the price for buying or selling a stock, you multiply the number of shares by the price. Here are prices for the three companies listed above.

100 shares of Company XYZ = $100 \times \$63.00 = \$6,300.00$

200 shares of Company ABC = $200 \times \$75.43 = \$15,086.00$

300 shares of Company CDE = $300 \times \$14.125 = \$4,237.50$



Find the price to buy the following stocks with the quantities and prices that are indicated.

at means multiply.

example

1. 200 GnMotr at 56.75 = _____

8. 1000 USCan at 16.75 = _____

2. 100 Penny at 47.5 = 4,750⁰⁰

9. 800 SciGames at 26.625 = _____

3. 500 PepsiCo at 32.25 = _____

10. 400 WalMart at 23.875 = _____

4. 600 Safeway at 46.375 = _____

11. 250 Zenith at 10.25 = _____

5. 100 Disney at 75.125 = _____

12. 150 Gateway at 14.5 = _____

6. 300 BkNY at 26.875 = _____

13. 350 IBM at 26 = _____

7. 400 Allstate at 62.375 = _____

14. 850 NikeB at 63.125 = _____

15. If you had \$100,00.00 with which to buy stocks, which of the stocks listed above would you choose?
