

# **Using the Stock Market Game as a Tool in Your Classroom**

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# Steps for Integrating Stock Market Game

## 1. Introduction

- Business Cycles
- Supply and Demand
- Unit 3 –NEFE-Making Money Work for You
- Company Research
- Investing in the Stock Market Game

## 2. Integrate with:

- Word
- Excel
- Power Point

# Introduction to the Stock Market

- [Economics and Stock Market](#)
- <http://www.econedlink.org>

- [The Stock Market Game™ - Overview](#)
- [www.stockmarketgame.org](http://www.stockmarketgame.org)

## Before You Invest Post Test (HS)

1. Common stock ownership gives investors
  - a. voting rights in shareholders meetings
  - b. guaranteed dividends
  - c. low risk with a high rate of return.
2. The statement "risk and reward are related" implies:
  - a. making money in the stock market is risky
  - b. the lower the risk the lower the reward
  - c. there is no reward in taking a risk
3. Dividends can be paid out to investors in the form of
  - a. stock
  - b. cash
  - c. stock or cash
4. If you own 100 shares of PEP stock, valued at \$15.45 per share, and this stock has split 2 for 1, then this means that
  - a. you now own 100 shares of PEP stock worth \$772.50
  - b. you now own 200 shares of PEP stock worth \$1,545.00
  - c. you now own 200 shares of PEP stock worth \$3,090.00
5. Some investors place a greater priority on high earnings than on safety. They prefer \_\_\_\_\_ stocks.
  - a. no beta
  - b. low beta
  - c. high beta
6. Usually when interest rates rise, bond prices:
  - a. rise
  - b. fall
  - c. stay the same
7. Short selling is a way to make money when:
  - a. you don't have enough money to buy a round lot
  - b. the market is going down
  - c. you use the Internet and not a broker

Use the following table to answer questions 8-13.

STOCK TABLE as of 4/20/06											
52 Week		Stock	Sym	Div	Yld %	P/E	Vol 100s				Net Chng
Hi	Lo							Hi	Lo	Close	
60.25	55.75	CocaCola	KO	1.98	3.1	16.0	31600	56.66	55.90	56.50	+0.45
44.48	21.40	Dell	DELL			38.2	16540	29.91	29.15	28.80	+2.22
19.60	6.40	Ford pf	F	0.55	1.3	18.4	23200	9.15	9.01	9.12	-0.35
38.80	18.34	Intel	INTL			59.8	9990	30.23	32.20	32.23	-0.29

8. Which stock's closing price showed the least change from the previous day?
  - a. Intel
  - b. Dell
  - c. Ford

# Introduction to Students

- Pre-Test HS and post test
- [SMG](#)

# Teaching Business Cycles



## What Goes Around: Teaching Business Cycles

### Suggested Grade and Mastery Level

High School - all levels

Middle School - apprentice, master, grandmaster

### Suggested Time

Duration of the game

### Project Background

This project gives SMG teams the opportunity to investigate the impact of business cycles on stock price. SMG teams extend their knowledge of business cycles by determining whether the stock market has followed these economic fluctuations. They discover that different categories of stocks have often behaved differently during economic fluctuations. They will use their knowledge of business cycles to plan an investment strategy for the present economic conditions.

### Teacher Background

"Everyone talks about the weather, but nobody does anything about it." Perhaps that's because the weather follows a cycle - a sequence of events that repeats itself over a period of time. Warm seasons gives way to cold ones, rainy days replace sunny ones, and so on. Cycles are all around us - even in the stock market.

Another kind of cycle impacting the stock market is the business cycle - a pattern of repeated fluctuations over time in which the economy expands, peaks, contracts, and then reaches a trough or bottom from which a new expansion begins. Business cycles are short-term fluctuations of the economy around its long-term growth path. Contractions don't inevitably follow expansions, however, nor does the strength of one phase foretell the strength of the next.

As the economy experiences expansions, contractions, peaks, and troughs, different kinds of stocks react differently. Some stocks, such as those of companies producing consumer durables (a new car) or capital goods (a machine) are very responsive to the ups and downs of business cycles. Not surprisingly, stocks of these companies are called cyclical stocks. In contrast, other companies, such as utilities or food companies, often suffer less during downturns but may also rise less during expansions. Stocks of these companies are known as non-cyclical, counter-cyclical, or defensive stocks.

The following site of the National Bureau of Economic Research (NBER) provides information about business cycles and their dates. The NBER defines and dates business cycles in our economy.

<http://www.nber.org/cycles.html>

# Teaching Business Cycle-Lesson Plan

- **Vocabulary**
- **Business Cycle** – A pattern of repeated fluctuations over time, in which the economy expands, peaks, contracts, and then reaches a trough or bottom from which a new expansion begins. Business cycles are fluctuations of the economy around its long-term growth path.
- **Contraction** - is a general slowdown in economic activity in a country over a sustained period of time
- **Cycle** – A sequence of events that repeats itself over a period of time
- **Cyclical Stock** – A stock that closely follows the ups and downs of the economy because its company's earnings are very sensitive to the business cycle.
- **Defensive Stock** – A stock that tends to remain relatively stable during economic contractions. Also called a non-cyclical or counter-cyclical stock because it is relatively unaffected by the business cycle.
- **Dow Jones Industrial Average (Dow)** – A popular index of stock prices consisting of 30 large well-known companies in major sectors of the economy.
- **Economic Fluctuation** – Expansion or contraction of the economy around its long-term growth path. Repeated expansions and contractions over time are known as the business cycle.
- **Exchange-Traded Fund (ETF)** – An investment company whose shares trade in the stock market just like a stock. The fund pools savers' money to invest in a basket of stocks or bonds that closely follows an index of stocks or bonds.
- **Expansion** - An increase in the level of economic activity, and of the goods and services available in the market place. Its is a period of economic growth as measured by a rise in real GDP.
- **Mutual Fund** – An investment company that pools money to invest in a portfolio of stocks or bonds. Investors trade shares with the mutual fund, not with other investors. Open-ended funds are actively managed by professionals who research companies and trade stocks or bonds based on what they think is best for shareholders.
- **Non-Cyclical Stock** – A stock that tends to remain relatively stable during economic contractions. Also called a defensive or counter-cyclical stock because it is relatively unaffected by the business cycle.
- **Sector** – A broad group of industries or companies that produce similar products or services. Energy and utilities are two examples.
- **Standard & Poor's Depositors Receipts (SPDRs)** – Pronounced spiders, these investments are exchange-traded funds that track the Standard & Poor's 500 index.

# Supply and Demand

- **Lesson Summary**
- **Name: What Causes Stock Prices to Change? (High School)**
- [Activities](#) for this lesson.
- **Description: This lesson explores the influences that affect stock prices.**  
**Students will be able to: Analyze and interpret market indices, which influence change in the price of stock.**
- **Discuss the various ways stock prices are influenced.**
- **Evaluate the ways investors can be affected by the change in market prices when choosing to buy, sell or hold.**
- **Interpret charts and graphs to better understand the growth and change in stock prices.**
-

NEFE-

[www.hsfpp.nefe.org](http://www.hsfpp.nefe.org)

**to order Free Material-Instructor's Tab**

- [NEFE](#)
- [www.nefe.org](http://www.nefe.org)
- **Unit 3 Investing: Making Money Work for You**

# What is a Company?

## Suggested Grade & Mastery Level

High School – all levels

## Suggested Time

50 minutes

## Teacher Background

A company is a business or association usually formed to manufacture or supply products or services for profit. A company can be a partnership, a limited liability partnership (LLP), a corporation or owned by a single individual.

All companies are set up in accordance with government regulations. In a partnership the partners share the profits or losses of the business in which they have all invested; they are personally liable for the company's debt. A limited liability partnership (LLP) transfers much of the firm's personal liability from the partners to the partnership, for example, accounting and law firms are generally set up as limited liability partnerships.

A public corporation is a company with publicly traded shares that anyone can buy in a stock market. A public corporation is also legally separated from the stockholders who own it and the managers who run it. A corporation offers these advantages:

- Stockholders' are not responsible for the company's debt;
- A corporation continues to exist even if its stockholders or managers change;
- Stockholders can easily sell their ownership shares through the stock market.

A private corporation may be owned by an individual or privately sell stock to fund the business. The partners in the company are called shareholders. They receive shares for their contributions to the business. Shareholders have ownership and some decision making power in the company. The company does not sell shares to the public; you cannot buy shares of a private company on the stock market.

## Vocabulary

**Company:** A business or association usually formed to manufacture or supply products or services for profit.

**Corporation:** A company legally separate from stockholders who own it and the managers who run it.

**Entrepreneur:** A person who organizes, operates, and assumes the risk for a business venture.

**Partnership:** A company owned and managed by two or more people who share its profits or losses. A partnership is not separate from its owners, who are liable for the company's debts.

**Private corporation:** A corporation that doesn't sell shares to the public. You can't buy shares of a private company in the stock market.

**Public corporation:** The stock of a public company is owned and traded by individual and institutional investors. In contrast, the stock is held by company founders, employees, and sometimes venture capitalists.

# Source for Finding Company's to Research

- Jim Cramers Mad Money
  - [www.cramers-mad-money.com](http://www.cramers-mad-money.com)

## Activity Sheet 2: Researching a Company

Name of Company:

Identify the type of business organization	List highlights of the history of the company/product	Benefits to the company from the type of business organization it formed	Source(s) of Research

Would you invest in this company? Explain.

# Internet Sources

- Use these resources in different ways
  - [www.yahoo.com/finance](http://www.yahoo.com/finance)
- [MSN](http://www.msn.com) money tab [www.msn.com](http://www.msn.com)
- [NASDAQ Stock Market](http://www.nasdaq.com) [www.nasdaq.com](http://www.nasdaq.com)

# Handout for Learning Calculations

Calculate the Price of each stock

Stock Price X Number of Shares = \_\_\_\_\_



**TARGET®**

1. \_\_\_\_\_ X \_\_\_\_\_ = \_\_\_\_\_

**WAL★MART®**

2. \_\_\_\_\_ X \_\_\_\_\_ = \_\_\_\_\_

3.

## Activity Sheet 2: Researching a Company

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# For the Stock Market Game

- I allow students to pair up with partners but I have them complete their own reports of what they are done in the game.

# Students Teams

- Have the students start on their trades
- I let students get into the game and make trades every so many days or if they are finished with an assignment they may work on their trades

# Word Documents-End of Semester Report

Have students create a report of their findings of the initial research

## Guidelines for Stock Market Report

1. The Report is due by the end of the day on \_\_\_\_\_
2. Cover Sheet which includes: 5 points
  - a. All members Names
  - b. Log-in #
  - c. Password
  - d. Date
  - e. Period
3. Summaries of ALL companies invested in. Included in the summaries will be: 25 points
  - a. Where the home office is located—city and state or city and country if foreign
  - b. Type of Industry the company is in
  - c. Brief history of the company
  - d. Stock Market the company is listed on
  - e. Why you invested in the company
4. Graphs of ALL companies invested in. Include 25 points
  - a. Day and price bought or short sold
  - b. Day and price sold or short covered or end of the game (Dec.)
  - c. Use same Fridays as in #5 as plot points
5. Total Equity Graph – Start at \$100,000 on \_\_\_\_\_. Include all Fridays until the end of the game. Dates to use are: (Every Friday from start to end) 10 weeks 15 points
6. Printout of the final Account Summary 5 points
7. Printout of the Account Holdings 5 points
8. Printout of Gains and Losses 5 points
9. Printout of Transaction History in **Ascending Order**. (Every Friday dates) 5 points
10. Printout of the Transaction Notes. 5 points
11. Individual Summaries of what you learned from the game. Include anything you would like to add including if you would invest your own money. 5 points
12. The length of the report will be based on the number of companies that each team invested in and how much information each team can find on these companies.

# Investwrite

- [Welcome to InvestWrite](#)
- [www.investwrite.org](http://www.investwrite.org)

# Invest Write-Fall Topics

## **Double Space Paper with 5 space paragraph indention**

### **9-12 Background:**

Imagine you are a “Financial Advisor for a Day.” You are assigned to develop a portfolio for a couple in their late-twenties who want to save for their retirement. They also have a shorter term goal of saving for their children’s college.

### **9-12 Questions:**

Start with a “sales pitch” and explain why your participation in The Stock Market Game makes you an excellent source of information on investing. What questions would you ask the couple in order to assess their goals and develop a financial plan? Based on their answers, would you advise stocks, bonds, mutual funds or a combination, and in what proportions of each? What specific companies, funds or bonds would you suggest and why? This couple will want to know what you based your recommendations on, so be specific about explaining why things like PE ratios, risk and reward, dividends and compound interest are important.

# Investwrite: Spring 2011 Topic

- **9-12 Grade Background:**  
Imagine you have been chosen for a space flight that will explore a distant galaxy. The spacecraft will travel at nearly the speed of light, which causes time to slow down in the spacecraft compared to time on earth. It will seem like you are gone only one month, but when you return 40 years will have passed on earth. Before you leave on your mission, you have \$100,000 to invest.
- **9-12 Grade Question**  
Explain how you would invest the money, which will have 40 years to grow on earth during your mission. Research the stocks, bonds or mutual funds you would choose, and explain why their risk and potential return make them your best investment. Would you change your investment strategy if your trip was the equivalent of only 5 years on earth? If so, explain why their risk and potential return make them your best investment

- *Judging Process*
- *The first round judge is you, the teacher. Once you have selected the top six essays from your class and submitted them to the national InvestWrite competition they will be scored by two additional judges. The national judges are members of the Securities Industry that support the Foundation for Investor Education. Each essay is scored based on the following three criteria which are equally weighted.*

# Invest write

## *Understanding of the Subject Matter*

*Does the student exhibit knowledge regarding the concept of researching and planning an investment strategy? The student should address the scenario using relevant terminology and display an understanding of the core concepts of the stock market in the scenario.*

## *Rationale*

*Is the essay thoughtful? The written argument should be presented in a manner that indicates there was a logical thinking process involved in addressing the assignment.*

## *Writing Style*

*Is the student's work interesting to read? Does the written response encourage the reader to continue reading to the conclusion of the essay? Students have an opportunity in this exercise to exhibit the ability to communicate thoughts in an engaging and inviting manner, rather than focusing on grammar and spelling.*

# Rubric for InvestWrite

- InvestWrite Paper Rubric
- 
- Cover page 5 pts \_\_\_\_\_
- 
- Minimum of words (450-700) 40 pts \_\_\_\_\_
- 
- Understanding of Subject Matter 15 pts \_\_\_\_\_
- 
- Financial Advisor of the Day
- Couple want a retirement account and Children's college fund
- 
- Rationale – why they should invest 15 pts \_\_\_\_\_
- 
- Writing Style 15 pts \_\_\_\_\_
- 
- Works Cited 10 pts \_\_\_\_\_
- 
- Total Points 100 points \_\_\_\_\_

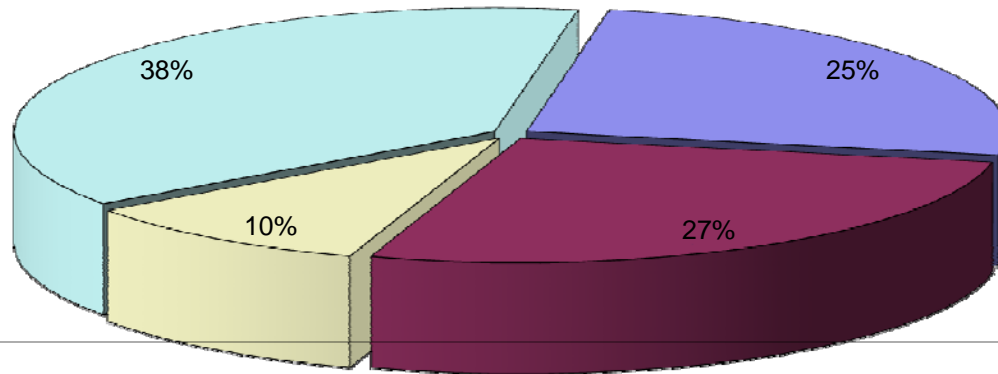
# Excel

- Create a worksheets that will list stock and changes in the stock daily/weekly changes

STOCK MARKET GAME				
Ticker	Price at Purchase	Current price	Gains/Losses	% of Gains/Loss
EBAY	24.64	22.67	-2367.84	-8
MSFT	26.28	30.36	60,720	15.5
LUV	9.83	11.24	67,440	14.39
WAG	36.71	36.6664	-27.92	-0.19
Stocks Traded due to Loss				
Ticker	Price at Purchase	Current price	% of Gains/Loss	
DELL	16.04	14.86	-7.34	
WMT	52.01	48.24	-7.24	

# Charts

Price at Purchase



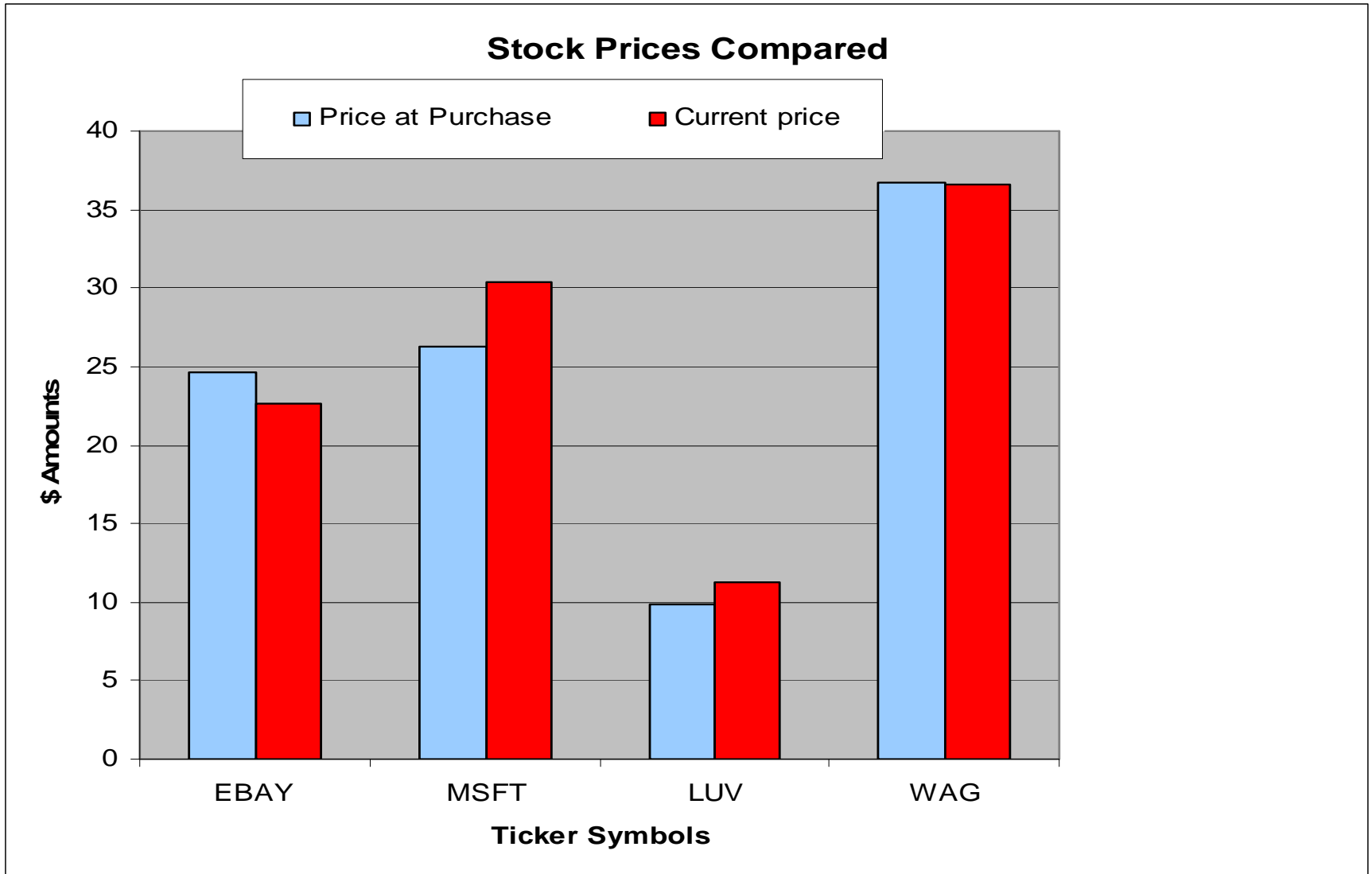
■ EBAY

■ MSFT

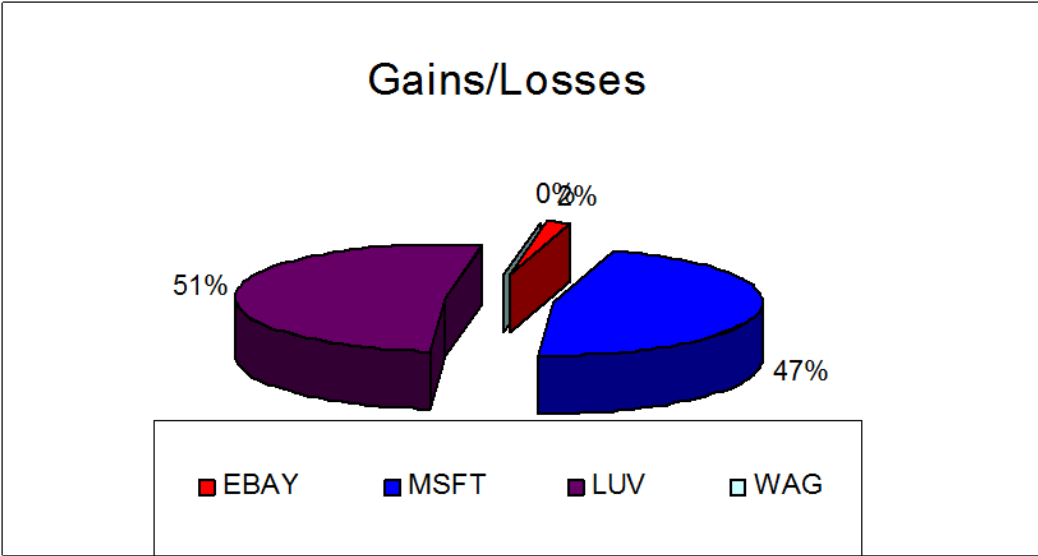
■ LUV

■ WAG

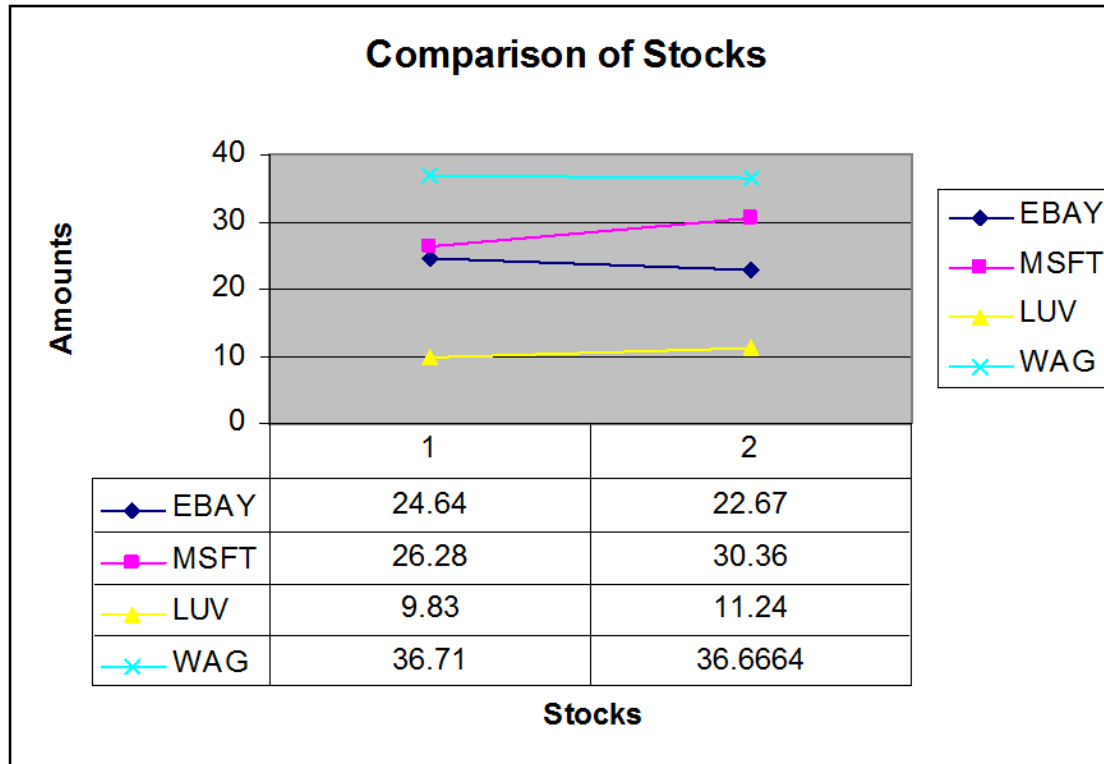
The chart below reflects the comparison of each stock owned through the end of the game.



# Gains per Stocks owned:



# Charts



# DECA Competitive Event- Word Document

I. Executive Summary

II. Analysis of Portfolio Performance Rationale

- a. Explanation of Research conducted prior to selection of stocks and/or funds
- b. Strategy used to diversify investment portfolio
- c. Description of how selected stocks and/or funds fit strategy

IV. Conclusions and Findings

- a. Explanation of Strategy Effectiveness
- b. Proposed changes in strategy for future investments

V. Charts/Diagrams of Portfolio Performance

VI. Bibliography

VII. Appendix

# PowerPoint

Develop a Power point from the Word Documents created, Excel worksheets

# Classroom Presentation

- Allow the students to present their projects to the classroom

# Housekeeping for the Stock Market Game

- I have all student write down their username and password (make two copies) one for me
- Contact the Stock Market Game and see if you can participate with out paying a fee
- DECA sponsors are covered for free by game sponsors
- The Game runs in the Fall for counting under the DECA Competitive Events

# DECA Competitive Events

- [www.DECA.org](http://www.DECA.org)

- State of Texas Stock Market Game
- Debbie Mackey  
Stock Market Game Coordinator  
Texas Council on Economic Education

1-888-SMG-TCEE

[smg@economicstexas.org](mailto:smg@economicstexas.org)

[debbie.raymond@plainview.k12.tx.us](mailto:debbie.raymond@plainview.k12.tx.us)

Questions????