

Grades 9-12

Lesson 6



SECURITIES ORIENTATION

Rationale: The following lesson includes an introduction to securities concepts and is intended to prepare students for participation in the Stock Market Game. The lesson should last for approximately 40 minutes and includes an activity that can be completed independently after the instruction has been provided. The lesson is recommended for high school students and works best in a participative environment. Throughout the lesson facilitators will be able to assess student knowledge of stock related concepts while building an awareness and interest in furthering that current level of understanding. Beyond establishing a familiarity with regard to why and how the stock market operates, this lesson also grants exposure to different sources of media and teaches students how to interpret data found within those sources.

Lesson Objectives: Students will be able to:

- Explain how the stock market benefits investors as well as companies.
- Read stock tables for investment related information.
- Demonstrate knowledge of the stock market.
- Recommend options for handling accumulated money/earnings including types of investments.
- Distinguish between primary and secondary markets.
- Contrast attitudes of the bull, bear, and pig.

Materials:

- Three shoeboxes
- Six of the same item students may want to possess in an abundance; dollars, candy bars, movie tickets, etc.
- Chart paper
- Markers
- 22 index cards (blue)
- 44 index cards of a different color than the first 22 (yellow)
- Newspapers with business section

Setting the Stage:

Background Builder #1: Create a game show atmosphere where the contestant gets to select one of three shoeboxes given that they answer a question correctly. The boxes should contain multiples of the same item where you'd prefer to have a greater amount of the object (candy, dollars, fast food gift certificates for ice cream, movie tickets, etc.) The question is as follows: "Provide one option for handling money you've accumulated/earned." So long as they give you a reasonable response, grant them the shoebox requested. Make the point that people generally prefer a larger return when given the option. Explore: "How can you manage your money so that you get the most back?" Record ideas the class brainstorms on the board or chart paper. Possible answers are savings accounts, CDs, bonds, stocks, etc.

The items in the boxes are representative of what you can do with your money. You can choose from many options as far as what to do with money you've earned or accumulated. The stock market gives individuals the potential for earning a greater return when compared with other options. The majority of people want to get the most out of their money and in that case stocks are a good choice for investing your disposable income provided you can leave it untouched for a prolonged period.

State the Objective: tell the students what they will be able to do upon conclusion of the lesson.

"Before the end of our time today, you should be able to explain how the stock market benefits investors as well as companies. You should also be able to read stock tables to find information as it relates to your investments and how they're performing."

The Lesson Procedure:

Stock Market Discussion/Orientation

Inform students that they may get a term or an explanation for a term. The job is to find the student who holds the card that will make a match. Hand each student an index card and direct him or her to find the matching card/student. The facilitator can then go around the room and get the match from each pair of students and elaborate or respond to questions on the specific topics which relate to the stock market. The goal is to assess student knowledge of stock related concepts, to build awareness of stock related terms that are unfamiliar to the group, and to stimulate discussion. If there are individuals who can't locate a match have the class figure out those issues together once the familiar terms have been visited. The activity should be timed so that valuable discussion time is not lost. Ease/Difficulty of task can be adjusted by using all one color index cards or two colors to correlate with term or definition. **Terms and definitions on cards should be as follows:**

SECURITIES TERMS	SECURITIES DEFINITIONS
Stock	Ownership of companies
Benefit to Corporations	Funding/ Economic Resources
Benefit to Consumers	Financial Gain
Bear	Thinks prices will fall
Bull	Thinks prices will rise
Pig	Makes high-risk investments
Risk	Chance outcomes will differ from those expected
Portfolio	Collection of investments
Dividends	Portion of profit returned to investors
Broker fees	Amount paid to person who buys/sells stock for you
Stock Splits	Grant more shares to owners to reduce price per share
Bond	Money borrowed by a company
Primary Market	Market where securities are initially issued
Secondary Market	Market where pre-owned securities are traded
Common Stock	Units of ownership in a corporation that entitle a stockholder to dividends after preferred stockholders have been paid
Preferred Stock	Ownership with fixed dividends paid before owners of common stock
Organized Securities Exchanges	Exchanges where securities are resold
Over The Counter Exchanges	Market for new and outstanding securities not listed on an exchange
Authorized Shares	Number of shares a company is allowed to sell
Issued Shares	Shares that have been put into circulation
Outstanding Shares	Shares held by the public
Treasury Stock	Stock repurchased by the firm

Given the introduction to many terms relative to securities, you get a clearer picture of the diverse interests and concepts linked to the stock market. Let's try and make sense of all of that information to give you a solid conceptual basis of why a stock exchange exists and how it operates to the benefit of corporations and consumers. Building an outline will help to follow the process from start to finish. Create an outline placing terms appropriately and taking pupils from a general to a more specific understanding of how securities concepts relate.

- I. Purpose of Stock Market
 - A. Funding for companies
 - B. Investment for consumers
- II. Types of Investments
 - A. Bonds
 - B. Stocks
 - 1. Common
 - 2. Preferred
 - 3. Authorized
 - 4. Issued
 - 5. Outstanding
 - 6. Treasury
 - 7. Stock Splits
 - 8. Portfolio of Investor
 - C. Ways to purchase
 - 1. Over The Counter Stock Exchange
 - 2. Organized Securities Exchange
 - D. Initial Purchase or Trade
 - 1. Primary Market
 - 2. Secondary Market
- III. Financial Obligations or Indicators of Performance
 - A. Broker Fees
 - B. Dividends
 - C. Price as it equates to Gain/Loss; Risk as it relates to return
- IV. Attitudes toward Stock Performance
 - A. Bear
 - B. Bull
 - C. Pig

Once you understand the exchanges, if you decide to invest in securities through an organized exchange market or OTC exchange you will want to keep abreast of your investments. Stocks fluctuate on a constant basis and with the associated risk, investors generally keep a close eye on performance. You can check the worth of bonds or stocks in several ways. Quotes are typically accessed via the following sources: TV, Internet, and Newspapers. It is wise to use the most current information when making decisions regarding the use of your personal funds. We will focus on stock quotes since you are only dealing with those in your upcoming stock game.

How to Read Stock Information

Information is presented in various forms depending upon the media you choose to use for review. (Show samples from different newspapers. If possible, show a snapshot of a quote from a web site.) Hence, you should be prepared to recognize the pieces of information that may be presented given that no set format is used by all sources. While using the most complete source, you may

encounter 13 pieces of information. Point them out and explain them while using a demonstration chart.

The 52 week high and low

Volume traded per 100 per day

High, Low, and Close for the day

Name of the stock and its ticker

Annual cash dividend

Net change from yesterday's closing price to the present day

Dividend Yield

Closing Share Price/ Dividend

PE ratio

Amount investors will pay for each dollar of the firm's earnings (Closing Price/ Earnings Per Share)

Beta Coefficient

measures the change of a stock compared to the response of the market; deals with risk that cannot be controlled

Display an actual clip from two different sources including newspaper, TV, or Internet sites and walk through the sample in order to show and reinforce the different pieces that appear. Pass around the clips if possible to show students how bonds, mutual funds, and preferred stocks are presented.

Have students focus on a different stock. Ask them a question from one of the following.

- What is the 52-week high?
- What is the 52-week low?
- What is the Ticker symbol?
- What can I expect to be paid per stock at year's end?
- What was the stock worth at the end of the day?
- How much did the stock close for on the previous day?

Assign students a Scavenger Hunt to locate information online or via newspapers and TV sources. (See Attached Worksheet)

Closing the Lesson:

Review with students the key vocabulary for stocks and trading. Review how students would obtain information about stocks and how they would follow a particular stock. See the suggestions page for "Ways to End and Review Lessons", for additional ideas.

National Council of Teachers of Mathematics Principles and Standards for School Mathematics, 2000.

Number and Operations – (Students will) Understand numbers, ways of representing numbers, relationships among numbers, and number systems.

Data Analysis and Probability – (Students will) Formulate questions that can be addressed with data and collect, organize, and display relevant data to answer them.

Communication – (Students will) Organize and consolidate their mathematical thinking through communication.

Communication – (Students will) Communicate their mathematical thinking and strategies of others.

Connections – (Students will) Recognize and use connections among mathematical ideas.

Ways to End and Review Lessons

Quizbowl: Separate the students into two teams and ask questions related to the lesson, i.e. What is preferred stock? Are brokers ever paid a fee?

Jigsaw: Jigsaw students into three groups and assign each a specific question from the lesson to answer together, with one person from each team acting as the spokesperson.

Sample questions:

What is treasury stock?.

What is a bear market?

Discuss how person would create a portfolio.

Misinformation: Quote information from the day's lesson purposely erroneous. Call on various students to restate the information correctly.

What's left out? Supply students with statements that have some information missing. This can be done orally or it can be done on a blackboard. Ask students to provide the missing information.

Pair and Share: Group students into pairs and ask each pair to exchange two or three new things learned during the day's lesson. Call on select pairs to share with the whole class what has been learned.

Name: _____

Date: _____

SCAVENGER HUNT

Please use a newspaper, the Internet, or a television station to secure the most complete information possible in order to address the following questions.

1. Name a stock you would like to follow. _____
2. Provide the ticker symbol for that stock. _____
3. What source have you chosen to use in order to follow this stock? _____
4. At what price did your stock close yesterday? _____
5. How many shares were traded on the day shown? _____
6. What was the highest price paid for this stock during the last year? _____
7. Locate and list the name of a preferred stock. _____
8. Locate and list the name of a stock that split within the past 52 weeks. _____
9. How will the stock table help when playing the stock market game? _____

10. How does the stock market benefit companies and consumers? _____

11. Would you invest in the market in the future? Why or Why Not? _____

