

# *The Stock Market*

PwC's *Earn Your Future*<sup>™</sup> Curriculum

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# ***Introduction***

*“The reality is that all children don’t know the basics of saving and investing. It’s a skill they need to be successful in our economy.”*

– Education Secretary Arne Duncan, April 2011.

Recent history underscores the immediate need for youth to develop skills in math and financial literacy, and yet current data shows there is a lack of access to curricula for students to learn:

- A 2011 survey conducted by American Express found that a majority of parents with children in high school or college gave schools below-average or failing grades in teaching responsible spending.
- A 2012 survey by Junior Achievement and Allstate Foundation showed 23 percent of teens are uncertain about their ability to budget successfully.
- Despite the fact that 13 states mandate personal finance coursework as a high school graduation requirement, there is no national legislation mandating that it be a requirement in schools.\*

The enclosed lesson plan about financial literacy is designed to increase students’ proficiency in financial literacy. Your expert knowledge and real-life examples, coupled with this one- hour lesson plan aligned to national standards in personal finance education, will fill a critical gap in our current education system, and better prepare the next generation of leaders to make sound financial decisions and be productive citizens.

We applaud your efforts to bolster students’ understanding of concepts critical to the health of our economy and stability of our nation. Furthermore, we thank you for serving as an ambassador for PwC, reinforcing our commitment to helping students improve their skills in financial literacy and to youth education overall.

## ***Lesson description***

Students will learn how the stock market works and investigate how different companies’ stocks have performed. Then, students will calculate gains and losses of specific stocks when bought and sold. Finally, a stock market game will simulate buyers in the stock market with a goal of making the most money.

## ***Grade(s)***

9–12

## ***Lesson time***

One 90-minute lesson or two 45-minute lessons. See Activity D for transition suggestions.

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# *Pre-visit prep*

- Review the 5-minute prep to familiarize yourself with the lesson topic and vocabulary.
- Review handouts to familiarize yourself with their structure and requirements.
- Obtain lesson materials listed under “Materials” section below.

## *Student learning objectives*

Students will:

1. Define diversification, exchange, financial goals, income, investing, and stock.
2. Explain the benefits of stocks to the company and the investor.
3. Calculate the earnings of a stock.
4. Explain where and how stocks are bought and sold.
5. Explain how to choose a company to invest in.
6. Explain how the economy affects the value of stocks.

## *Materials*

For up to 30 students, obtain ahead of time:

### *Class/group*

- Handout A.3 Answer Key (one copy for the facilitator)
- Handout B Answer Key (one copy for the facilitator)
- Stock Market PDF

### *Student*

- Calculators (one for each student)
- Handouts A.1 and A.2 (15 copies of each)
- Handout B (one for each student)
- Handouts C.1, C.2 and C.3 (6 copies of each)

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## 5 Minute Prep

# Background

Investing money early in life is a way to develop wealth over time. The earlier it is invested, the more time the money has to grow. The stock market is one way of investing. Though the stock market has some risk, wise decisions can lead to a healthy portfolio. Because it is beneficial to start investing early, students should learn about the stock market at a young age. The stock market is not difficult to navigate, and with a little understanding, motivation and background knowledge.

## Vocabulary

- **Broker:** An individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor.
- **Diversification:** A strategy for reducing certain risks by selecting a wide variety of investments.
- **Exchange:** An organized market where securities are bought and sold.
- **Financial Goals:** Desired results from one's efforts to achieve personal economic satisfaction.
- **Income:** Money earned from investments and employment.
- **Investing:** Purchasing securities such as stocks, bonds, and mutual funds with the goal of increasing wealth over time, but with the risk of loss.
- **Initial Public Offer (IPO):** The first time a company offers stock to the public.
- **Stock:** An investment that represents a share of ownership in the assets and earnings of a corporation.

## Sources

- \*Council for Economic Education 2011 Survey of the States
- <http://www.stockpricetoday.com/goog-google-stock-price/profile>
- <http://www.nyx.com//who-we-are/history/new-york>
- <http://www.biography.com/people/warren-buffett-9230729>
- <http://finance.yahoo.com>
- [http://www.stockmarketsreview.com/companies\\_dowjones30](http://www.stockmarketsreview.com/companies_dowjones30)
- <http://www.fool.com/investing/general/2012/06/05/the-3-mistakes-facebook-investors-are-making.aspx>
- <http://www.investopedia.com/dictionary/#axzz1yTHc9shS>

## Pre and Post Assessments

Before beginning the lesson, facilitators should introduce themselves and distribute the Pre-Assessment to the students. If time allows, consider conducting a mini icebreaker before the Pre-Assessment.

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Note: It is highly recommended that facilitators read the questions aloud to the students and encourage students to select answers as they move through the questions. Reassure the students that the assessments are not graded tests or quizzes, and they do **not** need to put their names on the assessments. The assessments are a tool to measure classroom comprehension of a given module and gauge effectiveness of instructor delivery.

**Collect the Pre-Assessments** once completed.

Facilitators should teach the lesson to the students and administer and collect the Post-Assessment at the end of class, **keeping in mind the same considerations outlined above**. Again, students do **not** need to put their names on Post-Assessments.

# *Lesson activities*

## *Greeting*

### *Materials*

Class/group

- PowerPoint Slide 1

**Show:** PowerPoint Slide 1.

**Say:** Hello, my name is \_\_\_\_\_. Thank you for inviting me into your class today. I am very excited about what we are going to discuss and learn. We are going to talk about the stock market and how it works, so that you will be able to make wise decisions about investing when the time comes.

## *Activity A—Stock Market Introduction (10 minutes)*

### *Materials*

Class/group

- PowerPoint Slides 2 and 3

**Show:** PowerPoint Slide 2.

**Ask:** Does anyone know what this is?

**Say:** Raise your hand if you think you do.

**Select:** One or more students to answer. If students do not guess correctly, inform them that the images are of the New York Stock Exchange.

**Say:** What is a stock exchange?

**Select:** one or two students to answer.

**Say:** A stock exchange is a place where stocks are traded. It serves as the link between buyers (known as investors) and sellers (or companies). The New York Stock Exchange is by far the world's largest stock exchange.

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**Say:** Some of you might be thinking: What does this have to do with me? If you think that buying and selling stocks is an activity for adults only, you'll understand that it's not by the end of this lesson! Warren Buffett, who is considered one of the best investors in the world, bought his first stocks at the age of 11. Money is important to all of us, and learning about the stock market and investing wisely is something to start now so that you can invest wisely in the future.

**Show:** PowerPoint Slide 3.

**Click** to advance the PowerPoint slide animation to reveal the question "What is a stock?"

**Say:** What is a stock?

**Click** to advance the PowerPoint slide animation to reveal the answer.

**Say:** A stock is a share in the ownership in a company.

**Click** to advance the PowerPoint slide animation to reveal the question "Who sells stocks and why?"

**Say:** Who sells stocks and why?

**Click** to advance the PowerPoint slide animation to reveal the answer.

**Say:** A company that needs more cash flow to expand and grow might sell stock. A company can either get a loan to expand its business, or sell stock. If the company decides to take out a loan, the debt (which includes the original loan amount plus interest) must be paid back. If the company decides to sell stocks, the profits are shared among those who own the stocks. These people who own stocks are called shareholders. The amount paid to the shareholders depends on the success of the company. If the company makes money, then its investors also make money. If the company does not do well, then its shareholders don't profit either. With stocks, the company does not guarantee that its shareholders will be paid back. This is a risk that shareholders take when they invest in stocks.

**Click** to advance the PowerPoint slide animation to reveal the question "Who buys stocks and why?"

**Say:** Who buys stocks and why?

**Click** to advance the PowerPoint slide animation to reveal the answer.

**Say:** Any investor can buy stock to try to make money. This investor is therefore also called a shareholder.

**Say:** It used to be that buying stocks was only for the wealthy and highly educated. Today, more people are getting involved. With an understanding of the stock market, anyone can begin to invest wisely.

**Click** to advance the PowerPoint slide animation to reveal the question "What causes stock prices to change?"

**Click** to advance the PowerPoint slide animation to reveal the answer.

**Say:** Stock prices change every day as a result of supply and demand. If more people want to buy a stock (which is "demand") than sell it, then the price of the stock increases because there is a low supply of the stock. If more people want to sell a stock than buy it, then the price of the stock decreases. The stock prices decrease in this circumstance because there is a greater supply of the stock than demand for it.

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## **Activity B—When should you buy stock? (20 minutes)**

### **Materials**

#### **Class/group**

- PowerPoint Slide 4
- Handout A.3 Answer Key (one copy for the facilitator)
- Blackboard or white board
- Chalk or markers
- Handouts A.1 and A.2: 15 copies of each handout

**Show:** PowerPoint Slide 4.

**Say:** You have just learned that companies decide to sell stock for several reasons. When a company decides to sell stock, it is said to be “going public.” This is because members of the public now have the opportunity to become part-owners of the company. The first time a company sells stock is referred to as the Initial Public Offering or IPO.

**Write:** “Initial Public Offering (IPO)” on the board.

**Ask:** Many companies sell stock. Which companies’ stock would you want to buy and why? Think about it for a minute and then tell the person next to you.

**Wait** for a few moments for the students to think and share.

**Say:** Many people choose to buy stock in companies they recognize or that have products they think are popular. The strategy to “buy what you know” works in some instances but not others. It is important to research a company before deciding to invest. Companies will release financial information on how they are doing in terms of income, debt, and growth. Most companies have an investor relations department where the company gives information to potential investors. This department holds press conferences, conference calls, and sometimes even one-on-one meetings.

**Say:** It is also important to look at the history of the company’s stock prices. Whether the prices are at a low point or on an upswing can help you decide what stocks to purchase. There is no perfect formula when it comes to investing, but being fully educated about the company should be a priority before any investment is made.

**Say:** You are now going to look at a couple case studies of companies. You will be given a case study and will be divided into groups to look at the case study together. We’ll then talk about each case study as a class.

**Do:** Distribute Handouts A.1 and A.2 randomly to the class. Each student should receive one case study.

**Say:** You are each holding a case study of a company. The name of the company is at the top of your handout. The letters in the brackets refer to the ticker symbol for each stock. This is the abbreviation that the stock exchange uses when reporting on stock prices.

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**Do:** Ask everyone with Handout A.1 to raise their hands. Split this group in half and instruct one group to sit in one corner of the room and the other half to sit in another corner.

**Do:** Split the remaining students (with Handout A.2) into two groups and instruct each group to find their own space to work together within the classroom. The class should now be divided into four groups of students.

**Wait** for everyone to sit down.

**Say:** Take the next 8 minutes to read your case study and answer the questions at the end. Each group member does not each need to answer every question. Instead, divide the questions up among the members of your group. Each group will be asked to share your answers when you are done, so make sure that everyone in your group is working on at least one question. Please write down your answers.

**Wait** 8 minutes.

**Walk** around the room and answer questions as they arise.

**Say:** Now you are going to quickly meet with the other group who has the same case study and compare your answers. Together, you will give a brief presentation to the class about your case study. Each person must make a statement about one of the questions. Several people can discuss the same question. Take a few moments to organize what you will each present.

**Wait:** 1 minute or until students are organized.

**Say:** When I call out your case study, I'd like you to come to the front of the class and present.

**Do:** Call out each profile in order [A.1: eToys; A.2: Facebook] and have the students present their answers.

**Pause** to clarify and answer any questions that arise.

**Note:** As students answer the last question in each case study, remind them that the case study does not provide enough information to make a decision about investing. In all cases, more research should be done in order to make a decision on the best investment on any given day.

Once all of the groups have presented, **write** on the board: "Factors that can affect stock prices."

**Ask:** From your case study and the other case studies you just learned about, what are some things that can affect stock prices?

**Select** several students to share their ideas.

As they answer, **write** their answers on the board. Sample answers include: change in management, advertisement, competition from other companies, lawsuits, public opinion, public interest, rate of expansion, customer service, handling of the IPO, foreign markets.

**Say:** As you can see, companies issue stock with the hope that the company will grow and become more successful. However, these companies don't always succeed. Investors therefore need to develop a strategy to decide where and when to invest.

**Ask:** What could you do to learn more about the stock market?

**Say:** Raise your hand to share.

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**Select** several students to answer.

**Say:** Newspapers, television news programs, reliable Internet sources, and experienced traders are all resources we can use to learn more about the stock market and how it works. Remember, the case studies that you looked at today do not provide enough information to actually decide if a stock is a good investment. If you decide to invest in the stock market, you must compare different stocks in order to determine the best choice for your situation.

## **Activity C – Calculating profit and loss (10 minutes)**

*Note: If running short on time, consider skipping Activity C and review instructions for the students to complete at their leisure after the lesson.*

### **Materials**

Class/group

- PowerPoint Slides 5–7
- Handout B Answer Key—Calculating Profit and Loss (one copy for the facilitator)

Student (one per each student)

- Handout B—Calculating Profit and Loss
- Calculators

**Distribute** Handout B to each student.

**Say:** We are now going to look at a scenario in which a person named Manuel has invested in two different companies: Apple and The Home Depot. We're going to calculate how much this shareholder has earned after he sells these stocks.

**Click** to advance the PowerPoint to Slide 5.

**Say:** To calculate his earnings, you will find the amount he spent on the stock by multiplying the number of shares that he bought by the purchase price per share. Then, you can calculate the amount the stock sold for by multiplying the number of shares by the selling price per share. Lastly, you will subtract the two numbers to find the total gain or loss. If the amount the stock was sold for was greater than the purchase price, then there will be a gain. If the amount the stock was sold for was less than the stock purchase price, then there will be a loss.

**Say:** Let's start with question 1.

**Say:** Take about 4 minutes to work on this question individually. Let me know if you have any questions.

**Allow** the students to work quietly 4 minutes.

**Walk** around the room and **answer** questions as they arise.

**Say:** Let's review.

**Click** to advance the PowerPoint slide animation.

**Say:** Manuel bought 5 shares. Each share cost \$86, so he paid 5 times \$86, which equals \$430.

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**Click** to advance the PowerPoint slide animation.

**Say:** He then sold the 5 shares for \$342 each, so he received 5 times \$342, which equals \$1,710.

**Click** to advance the PowerPoint slide animation.

**Say:** Since he sold the stock for more than he paid for it, he made a profit. Subtract the amount he paid from the amount he sold it for to calculate how much of a profit he made.

**Click** to advance the PowerPoint slide animation.

**Say:** Manuel made \$1,280 profit.

**Click** to advance the PowerPoint slide animation.

**Say:** Now let's try question 2.

**Say:** Take about 3 minutes to work individually on the second question. Let me know if you have any questions.

**Allow** the students to work quietly for 3 minutes.

**Walk** around the room and **answer** questions as they arise.

**Say:** Let's review together now.

**Click** to advance the PowerPoint slide animation.

**Say:** Manuel bought 10 shares of the Home Depot stock. The stock cost \$40 a share, so he paid 10 times \$40, which equals \$400.

**Click** to advance the PowerPoint slide animation.

**Say:** Manuel then sold the 10 shares for \$36 each, so he received 10 times \$36, which equals \$360.

**Click** to advance the PowerPoint slide animation.

**Say:** Since he sold the stock for less than he originally paid for it, he lost money. Subtract the amount he initially paid from the amount for which he later sold it.

**Click** to advance the PowerPoint slide animation.

**Say:** Manuel lost \$40.

**Ask:** Which company's stock was a better investment at the given time?

**Select** one volunteer to answer.

**Ask:** Was it a good idea for Manuel to buy stock in both companies or should he have chosen just one? Explain.

**Select** one or two volunteers to answer.

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**Note:** Be sure to select a variety of students to answer, not the same students each time.

**Say:** Since Manuel bought both of these stocks, the loss of one balanced with the profit of the other, and he still made money. When investments are spread out between different companies, risk is minimized. This is called diversification.

**Ask:** Not all investors diversify. Why might an investor choose not to diversify? Raise your hand if you have an idea.

**Select:** several volunteers to answer.

**Say:** If an investor has researched a company and is confident in the company's growth potential, he or she might choose not to diversify. This could result in higher gains since the investor is only choosing companies that he or she feels confident will make a profit.

## **Activity D—Transition (5 minutes)**

### **Materials**

Class/group

- PowerPoint Slide 8

**Note:** This lesson can be delivered as two 45-minute lessons over two days *or* one 90-minute lesson in one day. The facilitator should only use the section below (Option A: Two Day *or* Option B: One Day) that refers to his/her specific lesson structure.

### **Option A – Use for two-day lesson**

#### **Closure of Day 1:**

**Show** PowerPoint Slide 8.

**Say:** Let's summarize what we talked about today.

**Ask:** Companies often need money to expand their business. What can a company do to raise money?

**Select** one or two students to answer.

**Say:** A company often issues stock to the public. The company uses the money that is generated by the sale of stock to grow its business.

**Ask:** Why do investors buy stock?

**Select** one or two students to answer.

**Note:** Be sure to select a variety of students to answer and not the same students each time.

**Say:** Investors hope that the company grows, the value of the stock increases, and they earn a profit.

**Ask:** What is the risk involved in buying stock in a company?

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**Select** one or two students to answer.

**Note:** Be sure to select a variety of students to answer and not the same students each time.

**Say:** If the company does not do well, then the investor can lose the money he or she invested.

**Ask:** How does diversifying decrease risk?

**Select:** one or two students to answer

**Say:** By buying stocks from many companies, the expectation is that if one stock does poorly, others will do well, and gains and losses will be balanced.

**Say:** Next time I come, you will put all that you have learned into action. We will play a game where you will invest money in companies and try to make a profit.

### **Warm-Up on Day 2:**

**Display** PowerPoint Slide 8.

**Say:** Hi everyone! I'm excited to be back in your classroom again today. As a reminder, my name is \_\_\_\_\_. Today, we're going to continue learning about the stock market so you will be able to make wise investment decisions.

**Say:** First, let's summarize what we learned last time I was here.

**Ask:** Companies often need money to expand their business. What can the company do to raise money?

**Select** one or two students to answer.

**Say:** A company often issues stock to the public. The company uses the money that is generated by the sale of stock to grow the business.

**Ask:** Who can remind us why investors buy stock?

**Select** one or two students to answer.

**Say:** Investors hope that the company grows, the value of the stock increases, and they earn a profit.

**Ask:** What is the risk involved in buying stock in a company?

**Select** one or two students to answer.

**Note:** Be sure to select a variety of students to answer and not the same students each time.

**Say:** If the company does not do well, then the investor can lose the money that he or she invested.

**Ask:** Who remembers how diversifying lowers risk?

**Select** one or two students to answer.

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**Say:** By buying stocks from many companies, the expectation is that if one stock does poorly, there will be others that do well, and gains and losses will be balanced.

**Say:** Now you're going to put everything you've learned to good use by playing a game where you will invest money in companies and try to make a profit.

## ***Option B – Use for one-day lesson***

**Display** PowerPoint Slide 8.

**Say:** Let's summarize what we have learned today so far.

**Ask:** Companies often need money to expand their business. What can the company do to raise money?

**Select** one or two students to answer.

**Say:** A company often issues stock to the public. The company uses the money that is generated by the sale of stock to grow the business.

**Ask:** Why do investors buy stock?

**Select** one or two students to answer.

**Note:** Be sure to select a variety of students to answer and not the same students each time.

**Say:** Investors hope that the company grows, the value of the stock increases, and they earn a profit.

**Select** one or two students to answer.

**Say:** If the company does not do well, then the investor can lose the money he or she invested.

**Ask:** How does diversifying lower risk?

**Select** one or two students to answer.

**Say:** By buying stocks from many companies, the expectation is that if one stock does poorly, there will be others that do well, and gains and losses will be balanced.

**Say:** Now you're going to put everything you've learned to good use by playing a game where you will invest money in companies and try to make a profit.

## ***Activity E – Stock market simulation (35 minutes)***

### ***Materials***

**Class/group**

- PowerPoint Slide 9
- Blackboard or white board
- Chalk or markers

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## Student

- Handouts C.1, C.2 and C.3 (6 copies of each): one copy per group
- Calculator (one per student)

**Say:** Please get back into the same groups you were in before.

**Wait** for everyone to get in his or her group.

**Note:** If the groups have more than six students, instruct each group to split in half.

**Display** PowerPoint Slide 9.

**Say:** You will now play the role of investor. Your group will be given information on 30 different companies and the current prices of their stock. From this group, you will choose up to 3 companies in which you will invest a total of \$10,000. Next, you will be given the stock prices after one month has passed. Your group will choose to either sell and buy different stocks, or hold onto the stocks that you have. You will then be given the stock prices for the next month. At that point, all of your investments will be sold and your total profit will be determined.

**Say:** Don't worry about remembering all of these directions, though! There are more specific directions on the handout you are about to receive.

**Do:** Pass out Handout C.1, one for each group.

**Say:** There are 3 steps in this simulation. This handout describes the first step.

**Say:** You have \$10,000 to invest in the companies listed in the chart I just gave you. Your group may choose up to 3 companies from this chart. You may invest different dollar amounts in each company. Your goal is to make money, so invest in companies that you believe will be profitable.

**Say:** Work with your group to follow the step-by-step instructions on this handout. You will choose your companies, decide how much you want to invest in each company, and calculate how many shares you can buy of each stock. You will then calculate how much you have invested in all. You should invest as close to \$10,000 as possible, so if your final calculations show that you are able to buy one more share, please do so!

**Say:** I will walk around the room to answer questions as you are working. I will also announce when it is time to start Step 2 of the simulation.

**Say:** You may now start working. Do not hesitate to ask questions.

**Walk** around the room and **answer** questions that arise.

**Allow** the students 7 minutes for this step.

**Say:** Let's move on to Step 2.

**Do:** Pass out Handout C.2, one for each group.

**Say:** One month has gone by and it is April 2, 2012. You now have an opportunity to review how well your stocks have performed over the course of a month and make adjustments to your portfolio. As a group, you will review the prices of your stocks after a month, calculate gains or losses, and determine whether you want to keep your

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portfolio as it is or sell some stocks and buy others. If you decide to sell and buy stocks, remember that the maximum number of stocks that you own still must be three. Read the directions on the handout carefully and let me know if you have any questions.

**Say:** I will walk around the room to answer any questions as you are working. I will also announce when it is time to begin Step 3.

**Say:** You may now start working. Do not hesitate to ask questions.

**Walk** around the room and **answer** questions that arise.

**Give** the students 10 minutes for this step. [**Note:** If it seems like the students are done early, move on sooner.]

**Say:** Ok, it looks like everyone is ready! Let's move on to Step 3.

**Do:** Pass out Handout C.3, one for each group.

**Say:** Another month has gone by and it is May 1, 2012. Using May 1's stock prices, you are now going to calculate the value of the stocks you own. Then you will use the second chart to calculate your total gain or loss over the course of the simulation.

**Say:** I will walk around the room to answer any questions as you are working.

**Say:** You may now start working. Raise your hand if you have any questions.

**Walk** around the room and **answer** questions that arise.

**Give** the students 8 minutes for this step.

**Say:** Now that your gains and losses have been calculated, how did you do? One at a time, I would like a representative from each group to announce to the class your total gains or losses.

**Do:** Point to each group to allow them to respond.

**Write** each group's total gains or losses on the board.

**Say:** Now, in your small groups, reflect on why you chose the companies you invested in. Do you think they were wise choices? Were your reasons for choosing them valid? I am going to give you 2 minutes to discuss your answers to these questions and then I will call on a volunteer from each group to share your thoughts.

**Allow** the students 2 minutes for this step.

**Do:** Ask a volunteer from each group to share their findings.

**Say:** Congratulations to the team that earned the most money and to all of you for navigating stocks and making decisions about buying and selling. I'd like to point out that most investors do not sell stocks after just one month, as we did in this simulation. Investors have to pay taxes every time they sell their stock. The money paid on these taxes could instead be earning more money if left invested in a successful company. It is risky to sell a stock as soon as it loses value unless you are confident the company is going to continue to lose value and fail. Reassessing and making changes to your portfolio is important, but it's also important to recognize that the market fluctuates and that sometimes it's in your interest as an investor to be patient in order to realize long-term gains. I hope that you

see that this process is not difficult and that, with some studying of the companies, wise decisions on investments can be made.

## **Activity F – Correct the statement (5 minutes)**

### **Materials**

Class/group

- PowerPoint Slide 10

**Display** PowerPoint Slide 10.

**Say:** Now let's see what you have learned! I am going to make a statement, and it's up to you to decide if it is true or false. Raise your hand to respond after I read the statement. If the statement is true, say so. If the statement is false, explain why.

1. **Say:** The primary reason for buying stock is to receive free merchandise.  
*Correct response:* False. Investors buy stocks so that they can share in the earnings of the company.
2. **Say:** A stock is considered a wise investment if the company has popular and quality products, good service, and has shown growth in its revenue.  
*Correct response:* This statement is true.
3. **Say:** The price of a stock may fall when a company shows a decline in profit and their debts increase.  
*Correct response:* This statement is true.
4. **Say:** A company issues stock primarily to downsize the company.  
*Correct response:* False. A company issues stock to raise money to expand the company. This may involve increased hiring but the company can be expanded in other ways as well.
5. **Say:** An investor may buy stocks from many different companies in order to reduce risk.  
*Correct response:* This statement is true.
6. **Say:** To find the profit or loss of a stock, subtract the price you paid for the stock from the price you sold the stock for.  
*Correct response:* This statement is true.
7. **Say:** People under 18 are not allowed to purchase stocks in the stock market.  
*Correct response:* False. There is no minimum age to start investing.
8. **Say:** Stocks should be bought and sold quickly, even daily, in order to maximize profit.  
*Correct response:* False. Over the long term, stocks can return a higher profit than many other types of investments. But over the short term, stocks are a relatively risky investment and they sometimes lead to loss in the long run.

### **Closing reflections**

**Say:** We have certainly learned many things about the stock market together! I hope that this lesson has inspired you to look more into what investing in the stock market has to offer. If you'd like to continue learning about how stocks work, I would recommend visiting [smartstocks.com](http://smartstocks.com) [or one of the other simulation websites listed in the Extensions section below]. You'll be able to strengthen your understanding of stocks as you create your own virtual investment portfolios. Having a thorough understanding of how the stock market works will help you make wise and informed decisions when you begin investing.

## **Evaluation/assessment of**

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# *student learning*

## *During lesson/in-class*

- Students explain the process of buying and selling in the stock market.
- Students make decisions about which stocks to buy.
- Students calculate gains and losses of stocks.

## *Ideas for post-lesson assessments*

- Students calculate gains and losses of company stocks during certain time periods.
- There is rarely only one reason a stock is a failure or a success. Students use the companies presented in the lesson as a starting point and do further research to determine why the companies' stocks succeeded or failed.
- Students choose a company not discussed in this lesson and conduct research about how the stock value has changed over time. Students should pay particular attention to why the stock price changed to better understand the stock market.
- Students research reasons why a company may or may not pay a dividend or split stocks.

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# *Extensions/enrichment*

- Students can use online simulation websites such as:
  - [www.smartstocks.com](http://www.smartstocks.com)
  - [www.smgww.org](http://www.smgww.org)
  - <http://www.weseed.com/>
  - <http://www.howthemarketworks.com/trading/index.php>

Using these websites, students can establish their own virtual investment portfolios and track their performance to determine the effectiveness of their risk diversification.

- Students can continue the stock market simulation by looking at future dates.
- Students can calculate the percent of change for each stock they bought.
- Students can calculate the rate of return for each stock they bought.
- Students can research different careers involved in the stock market.
- Students can research different companies and analyze how their stock value has changed over time.
- Students can conduct research to find a current analysis of each company discussed in the case studies in order to determine the outlook in today's market.