

Stock Market



Companies issue **stock** to raise money to finance business operations. Stock represents ownership in a company. Thus, if you are a **stockholder**, you own part of a company. A **stock certificate** shows how many shares you own.

People buy and sell shares of stock, usually in a **stock market**. Often, they use a **stock broker** to help them. Stock markets help buyers and sellers from all over the world to exchange shares quickly and easily!

Questions About the Stock Market

1. Why do companies issue stock? *(to raise money to start or expand the business)*
2. Stocks are often called equities. What does this mean? *(Equity means ownership. If you are a stockholder, you own part of the company.)*
3. What are two other main ways companies raise money (financial capital)? *(borrowing, or using the profits the company has earned, i.e. retained earnings)*
4. What is a stock market? *(places or ways in which people can buy and sell stocks)*
5. How are stock markets helpful? *(They make it much easier for buyers and sellers of stocks to get together to make trades.)*
6. Why do people buy stocks? *(They hope to make a good return on their investment. Since 1926, returns on common stocks have averaged about 11% per year. Of course, this is an overall average. During specific periods, such as the Great Depression, people have lost a lot of money in the stock market.)*
7. How do stock prices change? *(The price is determined by the supply and demand for stock shares. For example, if people expect company earnings to go way up, the demand for the stock will increase, causing its price to rise.)*
8. What are dividends? *(profits distributed to shareholders. Sometimes companies don't pay dividends, but reinvest the profits back into the company.)*

Other Activities and Questions for Your Students

1. Review basic stock market concepts using the "Stock Market Basics" worksheet.
(1. represents ownership in a company. 2. to raise financial capital 3. profits 4. part of profits distributed to shareholders 5. where stocks are traded 6. See 2. below. 7. dividends or capital gains i.e. buy low — sell high! 8. Buy high — sell low!)
2. What are the three major stock markets in the United States? *(New York Stock Exchange, American Stock Exchange, NASDAQ). Graph these indices using the "Stock Market Ups and Downs" worksheet.*
3. Stock Reports: Have small groups of students research a stock and give a presentation to the class. Require the use of some graphs.
4. Discuss risk and return with students. What makes a stock very "risky?" *(Small, start-up company; company about to go bankrupt, etc.)* Explain why a "balanced" portfolio is wise for most people. *(A balanced portfolio - stocks, bonds, savings accounts, certificates of deposit, etc.- spreads the risk.)* Have students create hypothetical \$50,000 portfolios. Discuss whether the portfolios are balanced.
5. To enroll in realistic stock market simulations, check out Stock Market Simulation (www.nationalsms.com) or Stock Market Game (www.stockmarketgame.com).

Literature Connection: See Appendix A for children's literature lessons.

Stock Market Basics



Directions: Research the answers to the following questions.
Do your parents know the answers?

1. What is a stock? _____
2. Why do companies issue stock? _____

3. What are a company's earnings? _____
4. What are dividends? _____
5. What is a stock market? _____
6. What are the three main stock markets in the United States? _____

7. How do you make money on stocks? _____

8. How can you lose money on stocks? _____

9. Choose three companies. Research each company to get the following information. (If you have access to the Internet, you can find lots of information like this!)

Company name

Stock symbol

Stock exchange in which stock is listed

Products or services the company produces

Current price of the stock

Does the company give dividends? How much per share?

What current business news is there about the company?

Stock Market Ups and Downs



1. Label and graph one of the following stock indices for a week:
Dow Jones Industrial Average, the S & P 500, or NASDAQ.

Mon.	Tues.	Wed.	Thurs.	Fri.

2. Choose one stock and graph its price changes for a week. Using the Internet or newspaper, identify events that caused the stock value to change.

Mon.	Tues.	Wed.	Thurs.	Fri.

3. Answer these questions about the single stock in 2. above.
 - a. If you purchased 50 shares on Monday, how much would it cost? _____
 - b. If you purchased 50 shares on Friday, how much would it cost? _____
 - c. How much did the shares increase/decrease in value during the week? _____
 - d. If you purchased 50 shares on Monday and sold them on Friday, how much would you have made or lost? _____
 - e. What were some events that happened during the week that caused the price of the stock to change or that caused the stock indices in 1. above to change?

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