

The Stock Market Game Teacher's Guide

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Introduction

Welcome to The Stock Market Game™!

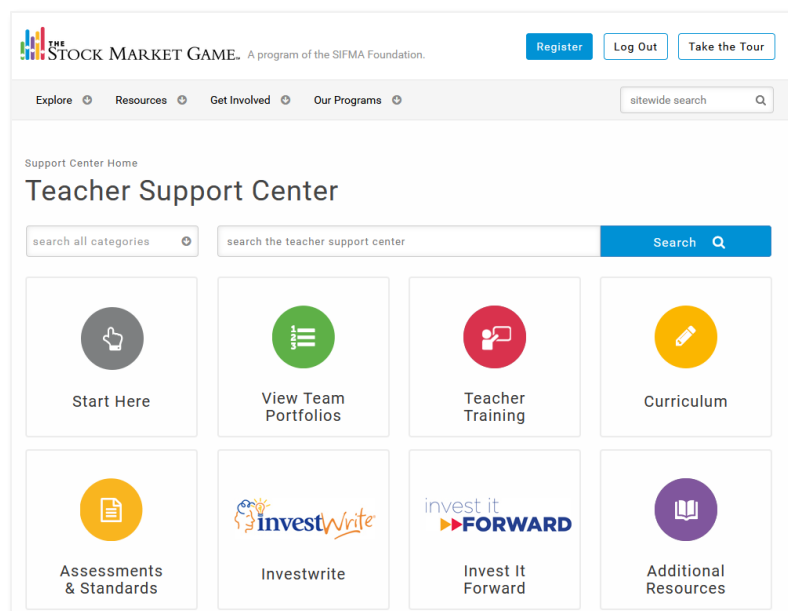
You are an **SMG Advisor**. Just like a real-world financial advisor, your role in The Stock Market Game (SMG) is to provide your student teams with foundational information and access to resources that help them grow their investment portfolios.

The purpose of this Teacher's Guide is to provide you with an effective desk reference for successfully implementing the SMG program with your students. This guide addresses the most commonly asked questions about the SMG program -- *Where do I start? What do I need? How much time does it take?*

This guide also addresses commonly asked questions about SMG's Teacher Support Center – *What's in the Teacher Support Center? How do I find the right lesson? Who should I contact for additional help?*

Teacher Support Center

Full access to the Teacher Support Center is available only to teachers with teams registered in the current semester of the SMG program. The Teacher Support Center is a searchable library of classroom lessons, activities, handouts, technical guides, projects, and other financial education teaching resources. Its goal is to provide you with the best documentation and resources for implementing the SMG program in your classroom.



SMG lessons and activities support the creation and management of an online investment portfolio, while providing real world opportunities for students to apply and extend content knowledge and skills in subjects like math, English Language Arts, economics, social studies, business, technology, personal finance, and Family Consumer Sciences.

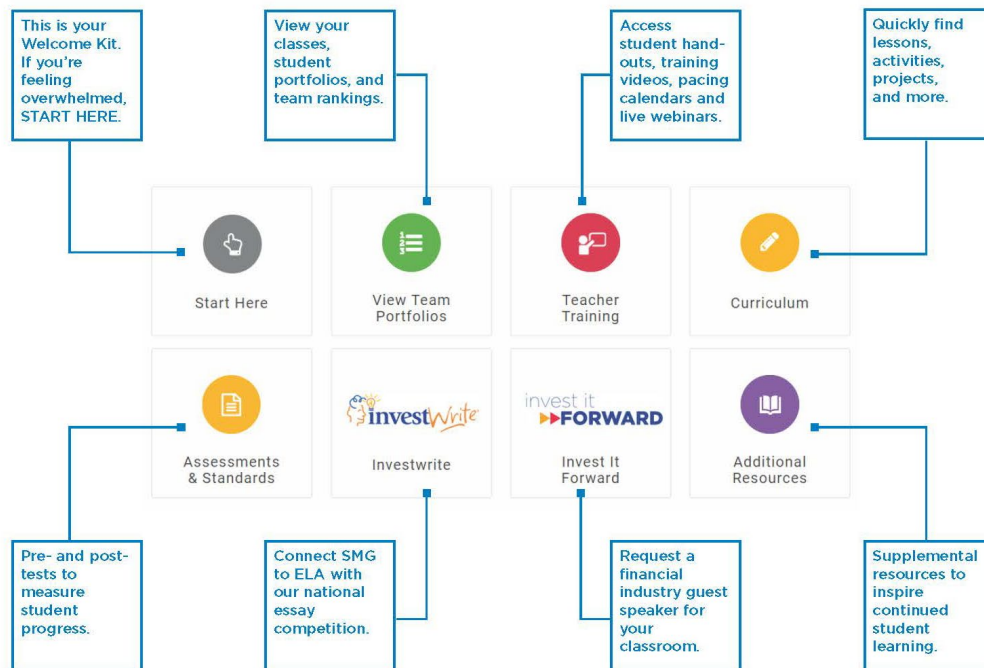


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You have immediate access to the Teacher Support Center once you have successfully submitted your SMG registration. After submitting your registration, check your email for a message from your SMG Coordinator with your SMG Advisor ID and password. Use the information to log into the Teacher Support Center at www.stockmarketgame.org.

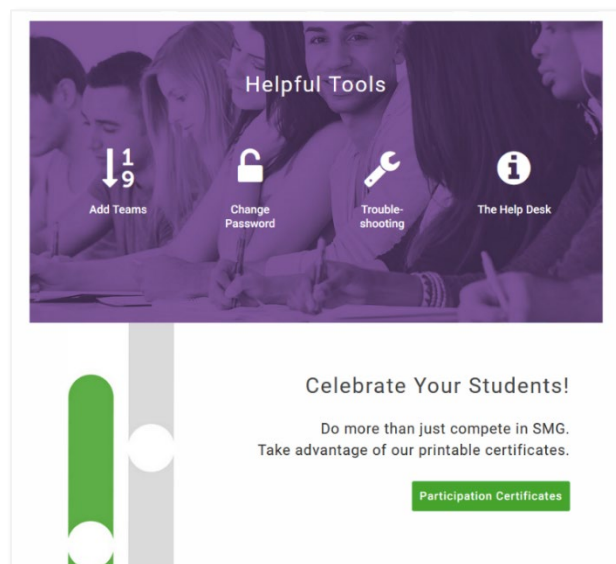
We encourage you to click the tiles to explore the resources available to you.



In addition to the clicking the tiles, try searching for resources using the main search bar right above them. Enter a keyword like "stocks" for a list of lessons and activities related to stocks. Use the filters on the left side of the screen to narrow down the results.

Use the links in the **Helpful Tools** section to manage the logistics of your SMG registration. The [Add Teams](#) link provides you with a form to request teams be added to your registration. [Change Password](#) allows you to change the complex series of characters and digits you were assigned to something simpler and easier to remember.

Celebrate Your Students and acknowledge the time and energy



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they've devoted to their financial education with a Participation Certificate. The certificate is an Adobe PDF form so you can either print them out and write in your students' names or you can download and type in the information.

We've done our best to provide you with what you need to immerse your students in investing and the capital markets. If you do not find the answers to your questions, contact your SMG Coordinator for assistance.

Getting Started

Creating Teams

The Stock Market Game is a collaborative project-based learning activity. Before introducing your class to the SMG program, organize them into teams of three to five students. We recommend smaller groups for students unaccustomed to working collaboratively. Experienced collaborators may work in groups of up to five.

Peer collaboration and group work in the SMG program provides your students with opportunities to practice the 4C's defined by the Partnership for 21st Century Learning including

- Collaboration
- Communication
- Critical thinking
- Creativity

Assigning Roles

Assigning roles to team members help them organize their activities and set general expectations. Assigned roles also give each team member an opportunity to participate in the learning process. In the **Appendix** of the guide is a table of SMG Team Roles and a description of their associated responsibilities. If you prefer, you may create your own roles or use a combination of the roles provided. You may also rotate roles, so every student has the benefit of experiencing each one of the team duties and responsibilities.

Consensus and Team Building

Consensus and team building are skills that need to be practiced and honed like math and English skills. If your students are unaccustomed to working in groups, use the consensus building exercise in the **Appendix** to help them practice.



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Involving Parents

In addition to engaging students in learning, the SMG program is also an excellent opportunity to meaningfully involve parents in your classroom. Parents who work in the banking or financial industry could be invited to speak to the class. Parents with an interest in the investing might describe some of the resources they use in their research. Parents might also discuss money lessons they've tried to impart to their children, your students, or they might share money lessons they learned from their parents (your students' grandparents).

Time Commitment

The amount of time you spend on SMG program depends on you and your goals. Depending on how eagerly your students engage in the activities, it may take just a few class periods before your students begin discussing and entering trades.

Experienced SMG Advisors have found that their students easily manage the technical aspects of the SMG program and can work on their own once they've made their first trades. Many others use one or two class periods a week to introduce students to investing through the lessons in the **Curriculum** section of the Teacher Support Center.

It is not necessary for students to enter trades at every meeting -- but they can. The team meetings are opportune times for students to review portfolio holdings and discuss whether to buy, sell, or hold. Many students often do their investment research and read up on current economic events before or after class, or these activities are integrated into class lessons.

Internet Access

The Stock Market Game is an online investment portfolio simulation. Even when your teams are not trading, they are most likely online conducting research and catching up on current events. If your students do not have immediate or convenient access to the internet, do not let it deter you from participating in SMG.

The SMG program is effective regardless of whether you have only one or two computers in a room, or weekly access to a computer lab. If you only have one computer in your class, you will need to rotate teams -- giving each time to look at their portfolio, enter transactions, and/or research stocks and mutual funds. If students have access to computers at home (or after school), ask them to research their investments as homework. If time and access is still insufficient, assign one student (or parent) to enter team transactions and print out team portfolio reports.

If you have regular access to a computer lab, please encourage your students to utilize other forms of research like the business columns in the newspaper, magazines, and other printed materials.



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We also have a mobile app. Search for "SIFMA Foundation" in your phone's app store. However, please note that you will be charged for data usage based on your phone plan.

Know the Rules

It is important you and your teams know the *SMG Rules and Code of Participation*. As their Advisor, it is your most important responsibility. SMG Advisors and their teams need to understand the national SMG rules and their local SMG program rules (if there are any).

You can view national and local Stock Market Game rules by visiting **Program Rules** in the **Start Here** section of the Teacher Support Center. Your students can view the rules by clicking the "Rules of the Game" link in the **Resources** tab in their team portfolios.

Use the "Do You Know the Rules?" quiz to evaluate your teams' understanding.

Extended Activities

The following are suggested extended activities from teachers who have successfully used SMG in their classrooms.

1. **Financial publications** - creating a "financial literacy" rich environment is helpful for encouraging students to continue learning about investing. Contact local brokers or bankers to see if they would donate their old issues of investment magazines and newspapers (*Money, Forbes, Fortune, Value Line, Barron's, Wall Street Journal, etc.*)
2. **Local Brokers** - Contact local brokers, bankers, or financial advisors to make presentations to your students. If the broker or banker cannot show up in the class, see if they wouldn't mind responding in writing to prepared questions from students.
3. **Teams of Mutual Fund Managers** - Make each team a Mutual Fund Manager. Have each team develop their portfolio by selecting a variety of stocks from different industries to form their own mutual fund. This is an excellent way to teach students about mutual funds and about diversification within a portfolio.
4. **PowerPoint Presentation** - As a culminating activity, have each team develop a PowerPoint presentation to present their portfolio to an audience of parents, investment professionals, other classes, etc. Evaluate teams on their research, technology, and presentation skills. (See Team Folders for suggested material for presentation.)
5. **"Take Stock in your own State"** - Have students only select stocks from their own state - or "stocks of regional interest" for their portfolio. You can find these stocks (and ticker symbols) in a local newspaper or from a broker. This is an excellent way to teach students about their state geography, businesses,



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economics and investments. Have students present their portfolios to CEOs or business leaders in the state. (See PowerPoint presentations).

6. **Opening Bell** - Begin and end each period with the ringing of a bell (just like the real stock market), to indicate beginning and ending of trading time for students.
7. **Websites for Research** - Provide each team with a website that offers stock data research (many search engines do). Have each team find out all the information they can from the website, then make a presentation to other class members. This can give students an idea of all the research material available and how/where to find it.
8. **Client Portfolio** - Have each team develop a portfolio for a "client", in the same way that a broker would do. Make up fictitious client profiles - based on different investing styles. This is an excellent way to teach students about diversification and the role of brokers and financial planners.
9. **Stock Market Skit** - Have students write their own skit to role play a stock trade with a broker or a broker trying to convince a potential buyer that a particular stock would be profitable.
10. **SMG Bingo!** - Create a bingo game with stock terms. Read definitions of the terms for students to create a "Bingo!"
11. **Bulletin Board** - Keep a classroom bulletin board with headlines and articles of economic, industry, or stock market news that can affect student team portfolios (either positively or negatively).
12. **SMG Scavenger Hunt** - Create a scavenger hunt to help familiarize students with stock market terminology, reading stock data in the newspaper, and local, state, and worldwide events that affect the stock market.
13. **Investment Newscast** - If your school has a daily or weekly newscast - have students make weekly "investment reports", with the Dow Jones data, market news, top ranked teams, etc.

You should also consider having your students submit an essay in our **InvestWrite** national essay contest and invite a financial industry volunteer to share first-hand experiences about the industry through our **Invest It Forward** program.

Team Portfolios

The SMG program's team portfolio has the same functionality as the online trading platforms provided by companies like Ameritrade, eTrade, Sharebuilder, etc. As an SMG Advisor, you do not have your own team portfolio. Your SMG ID and password only provide access to the Teacher Support Center. If you would like your own portfolio to alongside your students, please contact your SMG Coordinator to request one.

You may view your students' portfolios by clicking **View Team Portfolios** link in the Teacher Support Center.

Your SMG Advisor ID does not provide you with a trading portfolio like the one your students will use. Visit **Tools for Students** in the **Start Here** section of the Teacher Support Center to watch videos that familiarize you with the SMG trading portfolio



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and download handouts that help your students find their way around their portfolios.

Conducting Research

Good research is a key element in building and managing a successful investment portfolio. Students in the SMG program are expected to do their research before entering their first SMG trade. Their team portfolios provide access to a variety of research tools. As soon as they login, they are presented with an **Account Analyzer** page, which provides them with a snapshot of their portfolios' performance, access to ticker lookup functionality, stock data and charts, a feed of current financial news, and company descriptions.

Their SMG team portfolios also provide them with access to third-party sites through **Outside Links** in the **Resources** section of their portfolio.

Start with What They Know

To get students thinking about the companies they might invest in, start with what they already know. Ask your students to create a list of the products they have at home like cleaning products, dish soap, bath soap, laundry detergent, food items in the refrigerator or cupboard, etc. (avoid clothing or status items like cell phones). In addition to the product name, they should also record the company that makes the product. This information is usually found on the product's label. In class, they explore where the product was bought, who makes the product, and possibly other products the company produces.

Parent Companies

As your students create a list of companies from the products they found in their home, they will come across companies that are "not listed." When a company is "listed" investors like us can buy the company's stock. We cannot invest in a company that is "not listed" because it is either

- privately owned
- or owned by another country
- or a subsidiary of another company
- or a brand name

For example, students may want to invest in the Tropicana company because it makes a lot of their favorite juices. However, they cannot find its ticker symbol (the one- to five-letter name that stock exchanges use to identify companies). This is because Tropicana is owned by Pepsico (its parent company). To invest in Tropicana, they would find the ticker symbol for Pepsico (PEP).



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Most financial news and stock price quote sites provide a company ticker search. Many teachers find Yahoo! Finance (<http://finance.yahoo.com/>) a good starting point because it is easy to use and the language is accessible to new investors.

Please note it is a third-party consumer sites sometimes have a lot of advertising and can contain information you may feel is inappropriate for your students. You should always visit this site and other websites first before introducing it to your class.

Industries

To help students narrow down their investment selections and focus their research, some teachers have found it helpful to ask their students to group their companies into industries. An industry is a category used to organize companies into types of services and products they provide.

Organizing companies into industries helps students make generalizations about the performance of a specific company compared to companies providing similar goods or services. They will be better able to address questions regarding how the industry's outlook is being perceived: Is the industry profitable? Will it continue to be? What factors will affect the industry's prospects?

Use the "Industry Research Sheet" in the **Appendix** to help your students research companies and their industries.

Reading Stock Data

The SMG core lesson, "Identifying Ticker Symbols and Interpreting Stock Quotes", available in the **Curriculum** section of the Teacher Support Center teaches you and your students how to read and understand stock quotes. There is also a handout included the **Appendix** named, "How to Read a Stock Quote".

Assessments

It is recommended that students maintain journals where they record meeting minutes, trades, track data, and build company profiles. The journals encourage students to reflect on their team's investment strategies, articles they have read, and any writing they may be assigned. The journals are useful instruments in measuring student progress. Use the Journal Template in the Appendix as a guide.

In addition to the SMG lessons and journals, you can find mini-units or projects in the **Curriculum** of the Teacher Support Center that assist in evaluating a student's application of multiple concepts. The **InvestWrite** national writing competition is a project that provides students with an opportunity to apply what they have learned through the SMG program to resolving hypothetical scenarios. You are encouraged to have all your students participate in **InvestWrite**.



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Team Assessment Portfolios

Below are some suggestions from experienced SMG teachers for assembling an assessment and work sample portfolio to demonstrate student progress:

1. Create a brief company profile for each stock your team owns during the game. Include a summary of the company's products, where it operates, strengths and weaknesses - especially in comparison to competitors - and copies of the most recent annual income statement and balance sheet (obtained from the company's annual report or other source).
2. Collect basic data about stocks in portfolio including: 52-week high and low; PE ratio; volume of trading; Beta; etc.
3. Clippings about stock or mutual funds in the portfolio - these can be newspaper clippings, Internet news articles, magazine ads or articles, etc.
4. Current price of each stock or mutual fund the team owns at the close of the market each day or week. Put information in an Excel spreadsheet and create charts for each stock or mutual fund.
5. Detailed record of any buy or sell transactions including stock or fund name and ticker symbol, date of transaction, number of shares, price per share, total costs, broker's fees, and current equity. (Justify calculations in portfolio.)
6. Create your own math problems using information in the portfolio.
7. Compare data by charting your team holdings with the S&P or Dow Jones averages.
8. Create a glossary of terms learned throughout the SMG program.
9. Use SMG program activities as writing prompts journals. Using persuasive writing skills, students can cite their research and "persuade" team to buy or sell certain stocks or mutual funds.
10. Using reflective writing skills, students can reflect on why a stock or fund did or didn't do well, why they disagree with a team's decision, why and how the economy is affecting their stock or particular industry, etc.
11. Describe a current event and the economic environment that could affect investment decisions.
12. Write an essay explaining an investment strategy and why it was successful or was not successful.

Additional assessment tools like pre- and post-tests and writing rubrics are available in the **Assessments & Standards** section of the Teacher Support Center.

Ranking

There are two ways your students' SMG portfolios are ranked: (1) Equity-based and (2) Percentage Growth. In an Equity-based competition, teams are ranked based on portfolio equity. The team with the highest equity at the end of the trading session is recognized as being the SMG winner.



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In a Percentage Growth competition, team portfolios are ranked based on their percentage growth compared to the Standard & Poor's (S&P) 500 Index. The S&P 500 consists of 500 large companies that represent the major sectors of the US economy.

Contact your SMG Coordinator to learn how your portfolio is ranked and for information about your local SMG portfolio competition.

You may track the progress of your teams by clicking **View/Print All Rankings** link on the right-hand corner of the **View Team Portfolios** section of the Teacher Support Center.

Conclusion

The Stock Market Game is an educational program of the SIFMA Foundation. It is an online simulation of the global capital markets that engages students (grades 4-12) in the world of economics, investing and personal finance, and prepares them for financially independent futures.

An independent study funded by FINRA, the securities industry's largest independent regulator, found The Stock Market Game had a positive impact on student math achievement and financial literacy. It also found that the SMG program positively influenced the investment habits of the teachers who taught it.

Appendix

These are supplemental materials for your SMG program. They appear in the order that they were mentioned.

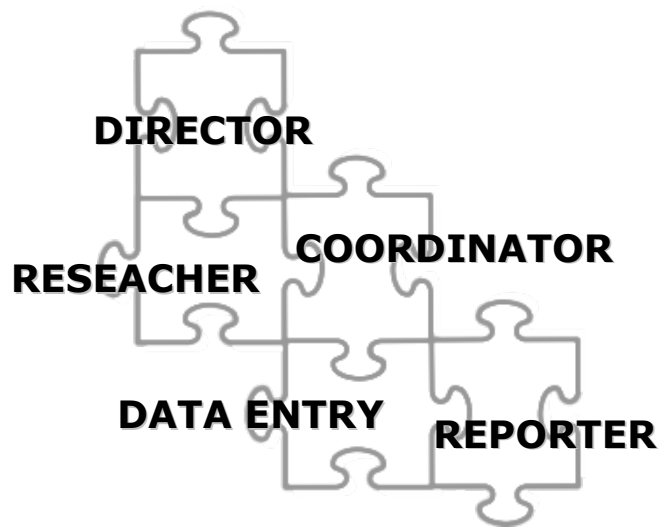
1. SMG Team Roles
2. Consensus Building
3. Do You Know the Rules?
4. Industry Research Sheet
5. How to Read a Stock Quote
6. Terms You Should Know
7. Journal Template



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SMG Team Roles



DIRECTOR

The Director leads the team. It is the Director's responsibility to coordinate the efforts of the entire team, ensure that activities are being completed successfully, and that everyone on the team is being treated fairly. If the occasion arises, the Director is responsible for summarizing the team's activities to the teacher and other teams. The Director is responsible for resolving disagreements among team members.

HEAD RESEARCHER

Everyone on the team is responsible for gathering and sharing research on potential investments and trades. The Head Researcher is responsible for coordinating the team's findings and summarizing them into a cohesive presentation that can be easily shared.

PORTFOLIO COORDINATOR

The Portfolio Coordinator may not have much to do at first but will be busy a week into the game. The Coordinator monitors the team's portfolio transactions, records of all transactions the team makes, and ensures the portfolio data displayed is correct. The Coordinator reviews the *Transaction History*, *Transaction Notes*, *Account Summary*, and *Account Holdings* pages for accuracy.

DATA ENTRY COORDINATOR

Each team member should have a chance to logon and enter trades. The Data Entry Coordinator is responsible for ensuring those trades are entered and executed correctly. No member of the team, including the Director, should enter a trade without the Data Entry Coordinator knowing about it. The Coordinator checks the portfolio's *Transaction Notes* page for error messages.

LEAD REPORTER

The Lead Reporter compiles the team's meeting notes. The Reporter's job is to maintain a current journal of the team's activities and the status of their portfolio. The Reporter works with other members of the team to collect and organize their reports.



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Consensus Building

Building consensus means coming to an agreement about something. You will be building consensus when you come together as a team to decide which stocks, bonds, and mutual funds you wish to include in your portfolio.

Stages of Consensus

1. LISTEN	Be sure that each team member has a full understanding of what other team members are saying.	2. CONTRIBUTE	Share all relevant information even if it conflicts with personal interests.
3. INCLUSION	Ensure that everyone is included in the decision-making process.	4. EVALUATE	Determine what points team members agree on and what points they disagree on. Spend time evaluating the differences.
5. TIME	Don't waste time discussing those points that team members already agree on.	6. VIEW	Conflict about ideas, solutions, rationales, and predictions helps ensure that all sides of an issue are explored to the satisfaction of all team members.
7. LOOK	Observation of both verbal and non-verbal signs from team members will help determine when consensus has occurred. In many cases a formal vote on an issue is not necessary.	8. COMPROMISE	It doesn't mean that a team member gives up a position. It means that the opinions of all team members are equally important, that each member will discuss an issue with an open mind and is willing to fully support a decision made by the entire team.



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Consensus Practice

Let's practice consensus building by agreeing on a name for your Stock Market Game team.

First:

B R A I N S T O R M

Everyone on the team creates a list of names. Don't think too much about it, just get all the ideas you can on paper as fast as you can.

Second:

E V A L U A T E

Each team member chooses their top two choices for names and provides a reason why they are good names.

Third:

D I S C U S

The team Director asks each person to give a reason why particular name is a good name and why that same name might not be a good name.

Fourth:

D E C I D E

After discussing the pros and cons of the names the team votes on a name, if a consensus has not yet been reached.



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Do You Know the Rules?

1. Excluding interest earned, with how much cash does each team begin The Stock Market Game?
2. Does The Stock Market Game pay dividends?
3. Will transactions entered with a limit price be held past the initial pricing transaction?
4. What is one reason a team will not appear in *Rankings*?
5. In an End-of-Day game, which day's closing price will a trade entered on a Friday at 6:30pm receive?
6. What is the minimum number of shares for a buy order?
7. What is the amount of commission charged on all trades?
8. What is the annual percentage rate charged to teams with a negative cash balance?
9. What is the annual percentage interest rate that cash balances (money not yet spent) will earn?
10. Do teams have to liquidate (sell everything off for cash) their portfolios at the end of their trading session?



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Do You Know the Rules? ANSWER KEY

1. Excluding interest earned, each Stock Market Game team begins the game with a cash balance of \$100,000. This is stated in The Stock Market Game's first rule: "Each team begins the simulation with \$100,000 in cash."
2. Yes, The Stock Market Game pays dividends. It can be inferred from Rule 16, where it states: "Stock and cash dividends and stock splits are automatically computed into portfolios."
3. No, trades entered with a limit price that is not met at the initial attempt to price the transaction will not be held. This is stated in Rule 11: "Transactions entered with a limit price will not be held past the initial attempt to price the transaction during market hours. This applies to both Real-Time and End-of-Day games."
4. One reason a team will not appear in *Rankings* is that they have not successfully entered their first trade. This is stated in Rule 5: "A team will not receive a portfolio ranking nor be listed in regional rankings until its initial transaction is entered successfully."
5. In an End-of-Day game, a trade entered on Friday at 6:30PM ET will receive the following Monday's closing price. If the following Monday is a holiday and the markets are closed, it will receive Tuesday's closing price. This is stated in Rule 10: "Stock trades entered after close of market (4PM ET) or on weekends and market holidays will be priced at the next business day's opening price for Real-Time games and at the next business day's closing price for the End-of-Day games."
6. According to Rule 8, "All stock and mutual fund buy orders and stock short sell orders must be for a minimum of 10 shares."
7. Rule 13 states: "A \$5-per-trade commission fee is charged on all transactions."
8. According to Rule 2, "Interest is charged weekly on negative cash balances at an annual rate of 7%, and credited weekly on positive cash balances at an annual rate of 0.75%."
9. According to Rule 2, "Interest is charged weekly on negative cash balances at an annual rate of 7%, and credited weekly on positive cash balances at an annual rate of 0.75%."
10. No, according to Rule 6, "Teams do not have to liquidate their portfolios at the end of the game."



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Industry Research Sheet

Name_____

By grouping stocks into sectors and industries, it is easier for investors to evaluate stocks within the same industry and assess the economic strength or weakness of that industry. Go to a stock research web site and find one stock in an industry under each sector listed below. Provide the stock name, ticker symbol, current stock price, and products/services of that company.

SECTOR	COMPANY NAME	TICKER	PRICE	PRODUCTS/SERVICES
Basic Materials				
Consumer, Cyclical				
Consumer, Noncyclical				
Energy				
Financial				
Healthcare				
Industrial				
Technology				
Telecommunications				
Utilities				



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How to Read A Stock Quote

A stock quote provides you with pricing information. This information helps you determine whether a particular stock is a good investment or not. Different financial news and research sites may organize

provide essentially the same information. The example below is taken from a NYSE stock quote.

Company			
The name of the company.			
Symbol	Last Trade	Change	Volume
The company's stock/ticker symbol	The last trading price (or closing price if the trading day is over) of the stock on this particular day.	The increase or decrease in the stock's price between today's last price and the closing price of the previous trading day.	The total number of shares traded so far today.
Today's			
Open	High	Low	
The first trade of stock today is its opening price.	This entry shows the highest price the stock has traded at so far today.	This entry shows the lowest price the stock has traded at so far today.	
Previous Day's			
Close		NYSE Only Close	
The previous close is the stock's closing price on the previous trading day.		The previous day's NYSE Only Close is recorded at 4:30PM ET and is specific to the NYSE.	
52 Week			
High		Low	
This is the highest price of the stock within 52 weeks.		This is the lowest price of the stock within 52 weeks.	
P/E Ratio	A company's closing price divided by its latest annual earnings per share.		
Indicated Annual Dividend	A dividend is a portion of the company's profits that it pays to stockholders.		
Beta Coefficient	Beta is a measure of a stock's price volatility relative to the market.		
Earnings per Share	A company's profit or earnings divided equally among all the shares investors own		
Yield (%)	Yield is calculated as (Annual Dividend/Previous Day Close Price)*100.		
Market Cap (billion)	The total current market value of all outstanding shares of a company.		
Shares Outstanding	The shares outstanding value (SHO) on nyse.com contains the number of shares of outstanding stock held by shareholders, it does not encompass treasury shares.		

their stock information differently but will



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Terms You Need Know

Available Equity: The amount of equity available for supporting additional buy and short sell transactions. If this figure is negative, all buy and short sell transactions will be rejected.

Available Equity = Total Equity - Buy Margin Requirement.

Buying Power: The total amount of money available for stock, mutual fund, and bond purchases, as well as short sales. Buying Power is one and one half Available Equity. For example, each SMG team begins the game with \$100,000 but they have a buying power of \$150,000.

Buying Power = Available Equity x 1.5

Cash Balance: The amount of cash left from the initial \$100,000. Once trading begins, the cost of all stock purchases is deducted along with any interest payments and realized losses. Any interest payments received, dividends, and realized gains are added back to the cash balance. Your cash balance earns 0.75% interest. If the cash balance is zero, any new buy or short sell transactions will be funded through borrowing on margin. If the cash balance is negative, this is the amount of money borrowed on margin.

Commission & Fees: A \$5 fee is charged on all transactions. The total of all fees is listed in the Account Summary. Each individual commission fee is listed in the Transaction History.

Cost Averaging: Averaging the cost of multiple trades (buys or short sells) of the same security. Like trades of the same security will be combined into one line in Account Holdings and Realized Gains/Losses. Cost averaging is done by dividing the total cost of all like trades in the same security by the total number of shares traded.

Delisted: A stock that has been delisted has been removed from an exchange and cannot be traded. A company's stock may become delisted if it files for bankruptcy, merges with another company, moves from one exchange to another, or fails to meet exchange minimum standards. If you try to trade a stock that has been delisted, your order will be rejected. If a stock you own is delisted, it will be liquidated and any gain or loss will appear on the Gains & Losses page.

Initial Margin Requirement: The percent (50% in SMG) of collateral required to finance a purchase or short sell transaction. The concept of a margin requirement is aimed at: 1) limiting the amount of money that may be borrowed to finance trading in stocks (the Federal Reserve sets margin requirements); and 2) providing protection to the broker making the loan of money (for purchases) or stock (for short sales) against adverse changes in the market value of the collateral (long and short positions). See Maintenance Margin Requirement.

Initial Margin Requirement = (Value of Longs + |Value of Shorts|) x 0.50

IPO (Initial Public Offering): When a company switches from being privately owned to publicly owned (or "goes public"), the initial offering of stock for sale is called an IPO. IPOs will be available for trading after they have been added to the SMG system.

Interest on Cash: Money received for cash held in a bank account. In SMG, your average daily cash balance is calculated and you are paid interest weekly at an annual rate of 0.75%.

Interest on Cash = Cash Balance x (0.075/52)



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Interest on Loans: Similar to the interest on cash balances, your average daily balance of money borrowed on margin is calculated and you are charged interest weekly at an annual rate of 7%.

$$\text{Interest on Loans} = \text{Money Borrowed on Margin} \times (0.07/52)$$

Liquidate: To liquidate a stock holding, the stock must be either sold or short covered. To liquidate a portfolio, all open positions must be closed. Teams do not need to liquidate their portfolios at the end of the session.

Maintenance Margin Requirement: Also known as Minimum Maintenance, this is the minimum margin requirement (30% in SMG) that a team portfolio must maintain after borrowing on margin. If the total equity in your portfolio falls below 30% of the value of your long and short stock positions + mutual fund positions + (.024 x value of treasury bonds) + (.06 x value of municipal bonds) + (.15 x value of corporate bonds), your team will receive a margin call.

$$\text{Minimum Maintenance} = 0.30 \times (\text{Value of Stocks} + \text{Mutual Funds} + |\text{Value of Shorts}|) + (.024 \times \text{Value of Treasury Bonds}) + (.06 \times \text{Value of Municipal Bonds}) + (.15 \times \text{Value of Corporate Bonds.})$$

Margin Call: A warning that the total equity in your portfolio has fallen below the 30% maintenance margin requirement; a request for additional equity in to meet the maintenance margin requirement. If you receive a margin call, you will have three weeks to meet the 30% requirement. This can be accomplished if the value of your holdings increases or by selling or short covering a stock(s). The proceeds of any sale or short cover will be used to pay off some of the money you borrowed (i.e., reduce the amount on margin). If the requirement is not satisfied within three weeks, SMG will sell or short cover long and short positions, beginning with the lowest priced stocks, until the minimum maintenance requirement is met.

Net Equity Gain: The amount of money your team has gained or lost since the beginning of SMG.

$$\text{Net Equity Gain} = \text{Total Equity} - \$100,000$$

Net Cost/Share: For stocks in the long position, the amount of money spent on each share of stock, including the commission. If multiple trades of the same stock were made, the net cost per share will be an average of the net costs per share of each trade.

$$\text{Net Cost/Share} = \text{Cost of Trade} / \text{Number of Shares}$$

$$\text{Cost of Trade} = (\text{Price per Share} \times \text{Number of Shares}) + \text{commission/fees}$$

Percent Return: The percent gained or lost in the team's portfolio since the beginning of the SMG session.

$$\text{Percent Return} = \text{Net Equity Gain} / \$100,000$$

Price Limit: The maximum you are willing to pay per share when buying or short covering a stock or the minimum you are willing to sell each share for when selling or short selling a stock. You may enter a price limit when entering a transaction in the Enter a Trade section. The use of price limits is optional and serves to protect you against sharp market movements.

Realized Gains & Losses: The total amount of profit or loss realized from the sale or short cover of a stock. Interest received or paid and dividends received are also considered realized



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gains or losses. Any stock that is still held in your portfolio will not be listed in Realized Gains & Losses.

Realized Gains & Losses = Proceeds - Original Cost

Short Cover: Buying stock to replace the stock you originally borrowed from the broker for a short sell transaction. When you short cover, you are closing the short position.

Short Sell: Borrowing shares of a stock from your broker to sell on the open market. At some point, you must cover the short or buy enough shares to return those you borrowed. Short selling is a strategy used by those who think the price of a stock is going to decrease in the short term. The idea is to sell the borrowed stock now at a higher price, and once the value of the stock falls, to buy it to replace the borrowed stock. The profit is the difference between what is paid per share and what is received per share. Beware if the price of the stock begins to rise, because at some point the stock must be bought back (short covered) and returned to the broker. The value of a short position is the current price per share times the number of shares sold short.

Team Portfolio: A record of all transactions, activity, and stock positions of a team. It is typically updated daily.

Total Equity: The sum of the Cash Balance plus the Total Value of Longs.

Total Value of Longs = long stocks + mutual funds + treasury bonds + municipal bonds + corporate bonds.

Unrealized Gain & Loss: The difference in the initial purchase price of a stock and the current value of the stock. The gain or loss is unrealized, because the stock has not been sold or short covered (i.e., the position has not been closed).



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SMG Journal Entry

Team Name		Date	
Team Members			
Objectives			
Actions			
Research			
Decisions			
Conclusions			



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