

# *The Stock Market Bakery*

## **What Students Learn**

Students learn why their savings can increase when invested in the stock market.

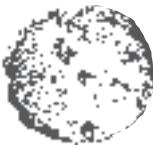
## **Summary**

Students assume the roles of savers who invest in the stock market. They also take the roles of companies by producing “chocolate-chip cookies” and by selling stock to raise money for new equipment and research. The companies make “cookies” and use some of their earnings to pay dividends to stockholders.

Required time: one class period

## **Required Resources**

- ✓ 1 SMG dollar for each student (master in booklet)
- ✓ 6 paper bags (not included)
- ✓ 6 pairs of scissors (not included)
- ✓ 7 cookie templates (in booklet)
- ✓ Number of shares of stock equal to the number of students (master in booklet)
- ✓ 6 recipes for making chocolate-chip cookies (in booklet)
- ✓ 48 sheets of blank paper (not included)
- ✓ 1 cardboard box labeled “Stock Market” (not included)
- ✓ One Word List for each student (master in booklet)
- ✓ Pencils or pens (not included)
- ✓ Real chocolate-chip cookies for all students (not included)



## **Getting Ready**

Check with the teacher to determine the number of students in the class. Ask if the teacher can provide six pairs of scissors. If not, obtain those you lack. Have the teacher identify how each company group should select its treasurer and cashier.

Photocopy the following:

- one SMG dollar for each student and at least 48 for you to buy each company's cookies. Assemble one pile (one dollar for each student) for distribution to students and one (at least 48) for your purchase of cookies.
- one share of stock for each student.
- one Word List for each student.

Use a felt-tip pen to prepare a large label, "Stock Market," and affix the label to a large cardboard box.

Cut out the seven cookie templates. Keep one for classroom demonstration and keep the others for distribution to the six company groups. Cut out the six cookie recipes.

Obtain six paper bags and insert one cookie template, one cookie recipe, and one pair of scissors in each bag.

Choose a company and product to apply the basic lesson.

	<b>Word List</b>
<input type="radio"/>	<b>Earnings:</b> Money left after all expenses are subtracted from sales.
	<b>Dividends:</b> Earnings a company pays to stockholders for using their savings.
	<b>Investment:</b> Putting savings into something like stock that can make your savings grow over the years.
<input type="radio"/>	<b>Sales:</b> Money received from selling something.
	<b>Savings:</b> Money set aside for spending in the future.
	<b>Stock:</b> A share of ownership in a company.
	<b>Stockholder:</b> One of many owners of a company.
<input type="radio"/>	<b>Stock Market:</b> People buying and selling stock.

## How To Present the Lesson

**1** Introduce yourself and briefly describe your job or company.

Ask the students if they like chocolate-chip cookies. Explain that they are going to do an activity about them.

Give one SMG dollar to each student and have the class determine the total number of cookies they could buy at \$1 each. Write the number on the chalkboard. (Equals the number of students.)

<input type="radio"/>	<b>Savings:</b> Money set aside for spending in the future.
~ ~ ~ ~ ~	

**2** Give each student a copy of the *Word List* and explain that it shows the important words they will use today. Call on a student to read the definition of **savings**. Explain that instead of buying cookies, the students are going to save.

Ask the students to identify two or three places where they might put their savings (piggy bank, bank, stock, etc.)

	<b>Investment:</b>
<input type="radio"/>	Putting savings into something like stock that can make your savings grow over the years.
<input type="radio"/>	
~ ~ ~ ~ ~	

**3** Point out that their savings can grow if put in a bank or the stock market.

Tell them they are investing if they buy a stock. Have a student read the definition of **investment** from his or her *Word List*.

**4** Explain that they are going to invest their savings in stock. Call on a student to read the definition of **stock** from his or her *Word List*.

Point out that a share of stock is a like a single cookie in a company's "cookie jar" of ownership. Point to the box labeled "Stock Market." Use the *Word List* to briefly explain the stock market.

Explain that they are now going to buy stocks in the stock market. Have the students take turns putting their \$1 of savings into the stock market box. Ask if they want to find out what company they now own.

<input type="radio"/>	<b>Stock:</b> A share of ownership in a company
~ ~ ~ ~ ~	

You might want to carry the box around the room to collect the savings.

**5** Divide the class into six groups and explain that each is a company that bakes chocolate-chip cookies. Make sure each student has a pencil or pen and a *Word List*. Have each company pick a treasurer and a cashier.

Show them one of the cookie templates and explain that you want them to make cookies of this size. (They need only make round pieces of blank paper.)

Give four sheets of blank paper to each group and explain that they have two minutes to make as many cookies as possible. Ask them to do the best they can. (They will have to tear the paper to make a cookie.)

While the groups are making cookies, make a list of Company 1 through Company 6 on the chalkboard.

Call time after two minutes and use your list on the chalkboard to note the number of cookies each produced. Add the amounts and write the total on the board. Collect the cookies and unused sheets of paper and set them aside.

Have the groups follow the teacher's suggested method for picking treasurers and cashiers.

**6** Ask the students if the companies could make more cookies if they had new and better equipment and baking methods. Explain that they are going to find out. But first the companies must raise money to spend on new equipment and research. Point out that they will do this by selling stock.

Business spending for new equipment and research also is called investment. But the word is omitted here to avoid confusion.

Give each group a number of shares of stock *equal to the number of students in the group*. These are the shares they are going to sell.

Have each treasurer go to the Stock Market box with the company's shares. Have them sell the shares for \$1 each. (They put the shares in the box and take the money in exchange.) Ask the Treasurers to return to their groups and record on a piece of paper the number of shares the company sold.

When investors buy stock, the money they spend is usually received by other investors who sell the shares, not by the company. Only when the company sells new shares does it receive money from investors. This difference is explained in *Market Discovery*. For simplicity, it is ignored in this activity..

**7** Explain that they have raised money for new equipment and research. Show them the paper bags containing these things. Let them know you are going to trade each of them a bag for the money they raised in the stock market.

Walk to each company and exchange a paper bag for *all* the money each group raised in the stock market. Give them a minute or two to examine the contents.

Let them know they are going to bake more cookies. Make sure each group knows what to do with the materials in its bag. Distribute four more sheets of blank paper to each group. Give them two minutes to bake their cookies.

**8** Call time after two minutes. On the chalkboard, list the number of cookies the companies baked next to the list you recorded earlier. Have them add the results. Explain that their companies' new equipment and research have enabled them to bake more cookies.

The teacher might want to play the role of the buyer.

Tell them you will now buy their cookies. Have each cashier collect the company's cookies. Take the pile of dollars you prepared earlier and go to each cashier and exchange \$1 for each cookie.

Explain that the money received is called sales and that it is used to pay the expenses of making cookies. Have students identify some of these expenses (chocolate, flour, milk, wages, etc.)

○	<b>Earnings:</b> Money left after all expenses are subtracted from sales.
---	---

Explain that any money remaining is called **earnings**. Have a student read the definition of earnings from his or her *Word List*.

Point out that the earnings belong to the companies' owners. Ask them who the owners are. Be sure they understand that stockholders own the companies.

**9** Tell each group that it will now pay all earnings to stockholders. Explain that such company payments are called dividends. Have another student read the definition of **dividends** from his or her *Word List*.

○	<b>Dividends:</b> Earnings a company pays to stockholders for using their savings.
---	--

Ask the treasurer of each group to check the number of shares he or she recorded during the company's sale of stock. Ask the treasurer to bring \$2 for each

share to the “Stock Market” and pay the dividends by putting the money in the box.

Now have students return to their seats. Remind them of their initial roles as savers. Point out that they invested in the stock market and became part owners of the cookie companies. Carry the “stock market” box around the class and have each student collect his or her \$2 in dividends. Explain that the dividends are payment for the companies’ use of their money.

Most companies do not distribute all earnings as dividends. Wait until the next section, *Applying the Lesson*, to point this out..

**10** Ask the students how much money they now have, not counting their savings in the stock market. (Each has \$2 of cash) Ask them how many cookies they could buy at \$1 each if they spent all their cash. Write the number on the chalkboard next to the number recorded at the beginning of the activity. Point out that the number is much higher now.

## Applying the Lesson

**A** Emphasize the basic lesson of the activity:

*Your savings can increase when invested in the stock market because companies can use your money to make more “cookies” for everyone.*

**B** Illustrate the basic lesson by using a real company and product. You may want to include some of the following:

- the number of shares outstanding to show the company raising funds in the past;
- the fact that companies don’t usually distribute all earnings as dividends;
- past performance of the company’s stock;
- the company’s current stock price, which students may want to look up in a newspaper.

**C** Distribute the real chocolate-chip cookies and thank the teacher and the students. Be sure to leave your name, title, address, and telephone number with the teacher. If you have an e-mail address or fax number, include those too. You may want to invite the class to communicate with you in the future.

# Outline for Classroom Presentation

## A. How To Present the Lesson

- 1** Briefly explain your job or company. Distribute one SMG dollar to each student and have the students determine how many chocolate-chip cookies they could buy with the money.
- 2** Distribute a *Word List* to each student and define savings.
- 3** Point out that savings can grow in the stock market and have a student read the definition of investment.
- 4** Have students invest their money.
- 5** Divide the class into six company groups and have each make cookies.
- 6** Distribute shares of stock and have each company select a treasurer to sell the shares in the stock market.
- 7** Trade the paper bags containing equipment and research for all money each company has raised in the stock market.
- 8** Have the companies use their equipment and research to make more cookies.
  - Buy each cookie for \$1 each.
  - Explain earnings.
- 9** Have the treasurer of each group distribute dividends.
- 10** Have the students explain why they can now buy more cookies than before.

## B. Applying the Lesson

- A** Emphasize the basic lesson of the activity.
- B** Use a real company and product to illustrate the basic lesson.
- C** Thank the class and teacher and encourage future communication.

Name: \_\_\_\_\_

## Word List



**Earnings:** Money left after all expenses are subtracted from sales.

**Dividends:** Earnings a company pays to stockholders for using their savings.

**Investment:** Putting savings into something like stock that can make your savings grow over the years.



**Sales:** Money received from selling something.

**Savings:** Money set aside for spending in the future.

**Stock:** A share of ownership in a company.

**Stockholder:** One of many owners of a company.

**Stock Market:** People buying and selling stock.



# Cookie Templates

Cut out the seven cookie templates. Use one template for demonstration in class, and include the other six in the paper bags distributed to company groups.



# Cookie Templates





**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

**The Stock Market Bakery**  
 ne Share

