

FINANCIAL LITERACY LESSON PLAN

GRADE: 9-12 [Specifically 12]
SUBJECT: Civics
UNIT/LESSON TOPIC: Economics – NCAA Stock Market Simulation

College- and Career Readiness Standards:

SS.C.39 Assess and develop financial habits that promote economic security, stability and growth: SS.C.39 investments (e.g., stocks, mutual funds, certificates of deposits and commodity trading) and SS.C.39 insurance (e.g., life insurance, health insurance, automobile insurance, home and renters insurance and retirement plans).[

BASES CSO Investigate means of saving and investing to maintain long-term financial stability.[ALP.SS.4.2.6]

BASES CSO Evaluate the consequences of spending related to debt and debt and management.[ALP.SS.4.2.7]

Financial Literacy Content Objective: Financial investing and protecting and insuring

1. Engage:

- This is an economics unit that will be done over the course of approximately 4-5 weeks. Time will vary between 15 minutes to about 45 minutes per class on the project depending on what is being accomplished.
- As a prerequisite to this project, students should have already been introduced to the concepts of opportunity costs, supply and demand, as well as the use of the basics of Microsoft Office.
- Introduce students to the stock market, show PowerPoint and video clip on how the stock market work. [30 min]
 - <https://www.youtube.com/watch?v=GnJCOof2HJk>
- Show PowerPoint on Stock Market terminology, or if available, the appropriate chapter in the civics or economics textbook. Students should understand the concept of shares, stocks, corporations, dividends, the relationship of price to supply and demand, stock markets, investments, and trading.
- The big questions: 1] What makes the price of something go up when the quantity is limited? 2] Why would a person or group finance a company through selling shares in the company? 3] Why would individuals want to invest in company stocks versus putting money in a savings account?

2. Explore:

- Introduce the NCAA stock market simulation. You are comparing the NCAA Basketball Tournament to the NY Stock Exchange. [20 min]
 - Companies that make profits are successful and issue dividends (in most cases). Successful companies see an increase in their stock value. Investors tend to drive up the prices on companies perceived as a good investment because they seek higher

returns on the investment. Companies that don't make profits go bankrupt and cease to exist. Investors who own stock in bankrupt companies lose their investment, thus the stocks become worthless. The simulation looks at the NCAA basketball tournament as a stock market and each team as a company. Students become investors who can buy stock in these teams/companies and track their investments in a much shortened business cycle. Teams that win a game are successful and issue dividends. Teams that lose become bankrupt and are worthless, thus the result of losing in the tournament equals bankruptcy.

- After students understand how the simulation works, explain the groundwork on how the simulation will start. [15-20 min]
 - Students will be randomly divided into investment groups of 3 members. Use index cards or the selection grid to divide the groups. Each group will be given \$10,000.00 dollars to invest. There will be only 20 shares of stock issued for any 1 team. The teacher is the investment banker and will issue stock based on the best overall offer from the open stock exchange. Allow students about 5 minutes to discuss their strategy. If time allows, start the next day of class, if not, allow about 5 minutes of discussion. Students do not need to know basketball teams, or how the tournament works. The basic NCAA bracket is already rated or projected for students. Explain that teams rated as "1" have the best chance of success (or winning), and teams ranked "16" have the least chance of success (or winning). The teams are ranked from 1 to 16. Students must decide how they want to invest their money.
- Run the Stock Market Simulation for Round One [45 min]
 - The teacher will go down the brackets one team at a time, Region by Region. Use the Stock Market PowerPoint to keep track of the shares and the prices. If time runs out before a team can come up on the market, then the market closes and the stock is unissued in that class. The stock market is like an auction, the teacher will say "I have 20 shares of "X", is there an offer?" Students will respond with the number of shares they want at what price per share. For example, "I want 20 shares of "X" at \$5 a share." The teacher will conclude with "Going once, twice, sold, " to show that the sale on that team has concluded for those shares. Fill out stock certificates to signify that ownership has passed to the group. The students must turn in the stock certificates when the project concludes, even if the stock has become worthless. Students may outbid each other, thus driving up the price of the stock like the real market forces. Students may not use more money than they start the game with, otherwise they will be assessed a \$2500.00 penalty fee for each day the overdrawn amount is not paid back to the bank.. Students will keep a journal of what they did and what they wanted to do. Students need to create an Excel spreadsheet to keep track of their income and expenses.
 - When all stocks have been issued, allow students time to get their finances in order and access their investment portfolio.

AFTER EACH ROUND OF TOURNAMENT PLAY, or when there is enough class time, do the following:

- Dividend time - go over winners and losers. (After each round of games is played) [20 min]
 - in round 1, winning teams issue \$50 per share. Go over how to track the financial information in the spreadsheet. After going over the winners allow students to access their outcomes. Each day that games have been played, do the dividends and allow students to update their results. The dividend payouts per round are as follows; Round 1 - \$50 per share, Round 2 - \$200 per share, Round 3 - \$500 per share, Round 4 - \$1000 per share, in the Finals \$3000, per share, and Champion

\$5000 per share if you want to go that far.

- After each dividend round, ask students if anyone has any stock to sell. [10 min] They do the same process that the teacher did. They have the right to reject any final offer. If the offer is accepted, the groups fill out the stock certificate and corrects their original certificate.

3. Explain:

Teams that win games are like companies that have gone through a successful business cycle. Successful companies will declare dividends for their financial gains, but not usually at the amounts used in this simulation. As teams/firms drop out of the market, the value/price of the remaining teams/firms will go up due to the law of supply and demand. Some stockholders may be willing to part with their investments because the next round looks risky, where other groups who may have met with failure are willing to buy for the opportunity to get back into the market. The open market determines the price consumers/investors are willing to pay. If no one is willing to sell, the market is closed. Remind students that if a team loses, the value of the stock is worthless. This reflects hostile market place externalities and downward market trends. Students may only sell on the open market, and side deals are considered insider trading and will be hit with a grade penalty. Students may decide to “hedge” their investments by buying shares of the other team at a very low rate on the off-chance the weaker team has success.

4. Elaborate/Extension:

- These rounds will continue until the entire tournament has concluded, or the teacher decides that the simulation has gone on long enough to achieve the desired learning experience.
- Have students look at a Dow Jones stock timeline and compare historical trends. What has caused the ups and downs? Economic downturns? Government regulations? How can the government influence the stock market? What can make a company look more favorable for investing?

As enrichment, students can select a Fortune 500 company and create a PowerPoint presentation about that company. Students should address historical information of the company, if it is a corporation, if it trades stock, what it does, its value, who are the important people of the company, its Fortune 500 ranking, and if there is anything else of interest about the company.

- Each student should choose 1 company, and no two students should have the same company.

5. Evaluate:

- Students will be responsible for all the requirements of the project — brackets, stock certificates, spreadsheets, analysis worksheets, journals, and any other ancillary materials as required. Be sure to allow a group assessment to ensure all students participated and no one tried to ride to coat tails of the other members of the group.