

LESSON 14

HOW TO CHOOSE A STOCK

INTRODUCTION

In this lesson, students match stock selections to stock purchasing strategies; they gain experience in finding the company that produces a particular product and in identifying the parent company of a particular business.

ECONOMICS BACKGROUND

Like everybody else, people who buy stocks face scarcity. Their money is limited, so they must choose among stocks. In choosing, they try to weigh potential costs and benefits, hoping to maximize the benefits. They rely heavily on various types of information about the stocks they consider, and they pay a cost (in money or effort) to obtain this information. Information about economic expansions and contractions is especially valuable.

LANGUAGE OF ECONOMICS

Capital: Human-made resources used to produce goods and services. Capital goods are used by people to produce and distribute goods and services.

Cyclical Stocks: Stocks, such as high-priced consumer goods and capital goods, that are significantly affected by business cycle fluctuations. These stocks generally decline more during recessions and show more growth during expansions, than other stocks.

Defensive Stocks: Stocks, such as medicine, food, clothing, and public utilities, that are relatively unaffected by business cycle fluctuations, generally decline less during recessions, and show less growth during expansions than other stock.

Dividends: The amount of profit a company pays to its stockholders.

Early Phase of Development: The condition of a company that puts a product or service on the market for the first time; its sales are expected to grow rapidly.

Economize: To base decisions on an assessment of costs and benefits, choosing the best combination of costs and benefits from among the alternatives.

Growth Stock: A stock whose earnings and price are expected to show big increases in the future.

Income Stock: A stock that has paid sizable dividends in the past and is likely to do so in the future.

Industry: A group of companies that produce or sell the same kind of product or service.

Late Phase of Development: The condition of a company whose product or service has been on the market for awhile, and its sales are no longer expected to grow rapidly.

Long-term Investing: Buying stock and keeping it for many years in an effort to have one's money grow in step with stock prices in general.

Parent Company: A business that owns and controls another company.

Recession: A decline in Real Gross Domestic Product (GDP) for a period of at least six months. During a recession, businesses produce fewer goods and services.

Risk: The chance of losing money. Risk is the opposite of safety.

Short-Term Investing: The buying of stocks in order to sell them quickly in an effort to have one's money grow faster than the general level of stock prices.

Stock Table: An alphabetical listing of the transactions on the stock exchanges.

CROSS CURRICULUM SKILLS

Students develop skills in writing, speaking, reading, and group participation.

OBJECTIVES

1. Students describe strategies for stock selection as they identify factors that might result in greater benefit than cost.
2. Students analyze stock choices and identify the appropriate stock selection strategies.

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3. Students identify the company that produces a particular product and the parent company of a particular business.
4. Students identify characteristics of economic cycles and predict the influence of cycles on consumer choices and stock performance.

MATERIALS

- ◆ Visuals 1 and 2
- ◆ Activities 1, 2, 3*, 4*, and 5*
- ◆ Newspaper stock tables

TIME REQUIRED

Two class periods

PROCEDURE

- A. Now that the students have decided to invest in the stock market, they need a few tips on selecting stocks wisely. Remind the class that there are costs and benefits involved in any decision, including decisions about stock selection. This lesson will help them select a stock and find the name under which it is traded. To select, they need a strategy. Explain that a strategy is a way of methodically pursuing a goal. A strategy is a way of reducing risk.
 - B. Ask the students to imagine for a moment that buying a stock involved no risk. Ask: What are the characteristics of a perfect stock? Encourage some speculation. Display Visual 1, *Wombat, Inc.* Would this company be a good choice? Discuss each characteristic, encouraging students to explain why these factors tend to make this a perfect choice. *(There must be a market for the product; if people are buying the product, especially if they buy lots of it, the company will do well, the stock will be valued, and the price will rise. The company will probably have higher profits since the cost of distribution and production, the major determinant of supply, is low. The expected long life of the company and excellent earnings will support the value and price of the stock.)*
 - C. Explain that *Wombat, Inc.* is not a real company, and no company has all these characteristics, but the example helps us to think about what we might look for when choosing stocks.
- D. Tell students that they are now going to examine strategies that others have suggested for reducing the risk involved in buying stocks. Distribute Activity 1, *Strategies for Stock Selection*. Read and discuss each section. Tell students that there are many other strategies, but these examples should get them started.

Answers to Activity 1

1. What is Peter Lynch's advice for picking stocks?
(Buy what you know. Stock tips are all around us. You can spot a good stock before Wall Street does.)
 2. Give an example of a stock that you think has a growing market.
(Answers will vary.)
 3. What is an example of a good stock to buy in a recession?
(A stock in a defensive industry such as medicine, food, clothing, public utilities.)
Example of a good stock to buy in an expansion?
(A stock in cyclical industries such as cars and appliances, or raw materials like aluminum, steel, tools, and equipment.)
 4. Why should you beware of front-page stories?
(If the stock is news, then everyone else knows about it.)
 5. Explain how changes in technology affect stock prices.
(Changes in technology could make the product obsolete, thus depressing the stock's price, or changes could increase demand for the product, thus increasing the stock's price.)
- E. Ask students to use the Peter Lynch strategy of "buy what you know." Ask the students to name a product or service that they think is as good as or better than other products or services on the market. When they have come up with several examples, settle on one or two to examine further. Display Visual 1 again and

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ask students how this product or service compares to the fictional Wombat, Inc. Then display Visual 2, *Strategies for Stock Selection—Summary*, a summary of the reading. Ask students to take the product or service they selected through each of the considerations in stock selection. For example, what are the current markets for this product? Who will buy it? Can it be sold overseas? How would it fare in good times or lean times? Discuss each question, then decide whether the company warrants further research.

- F. Continue to display Visual 2. Distribute Activity 2, *Matching Strategies to Stock Selections*. Divide the class into groups. Ask students to read and discuss each statement. For each statement they are to identify and describe the strategy they would use. Would they buy the stock(s) or not? Explain. Ask each group to report. Do students agree? Discuss their answers.

Answers to Activity 2

1. Widget Manufacturing Company
Strategy: *Avoid obvious risk—specific stock situation*
Reasoning: *Although the technology factor is important, the risk of losing the lawsuit is probably more important.*
2. WonderWalkers
Strategy: *Peter Lynch—Buy what you know; markets*
Reasoning: *Recognize a good product before everyone else; early phase of development means markets could expand and sales could grow rapidly.*
3. GM
Strategy: *Economic Cycle—Good times and Cyclical stocks*
Reasoning: *During periods of expansion, automobile stocks, which are cyclical, are more likely to show greater growth than defensive stocks. People are more confident about the present and future so they are more willing to make a large expenditure.*

4. Kellogg's, Wisconsin Valley Electric Company, GM

Strategy: *Economic Cycle—Not so good times and Defensive stocks.*

Reasoning: *During periods of recession, Kellogg's and Wisconsin Valley Electric Company, both defensive stocks, generally decline less than other stocks. However, GM, a cyclical stock, would be likely to decline more than stocks in other industries.*

- G. Summarize Activity 2. Explain that when you select a stock you are making a reasoned judgment, using information you deem important to maximize the benefit and minimize the cost. Since you have limited funds to invest in *The Stock Market Game*, you must choose and give up your next best alternative. This is the opportunity cost.
- H. In the next Activity, students will search for stocks using newspaper stock tables, a brand-name index, and a parent-company index. Tell students that they will search for the names of companies that make many of their favorite products. This search is necessary because if you can't find the listing in the stock market table, you can't buy the stock.
- I. Distribute copies of Activity 3, *A seemingly Simple Search for Selected Stocks*, Activity 4, *Brand Name and Parent Company Index*, and Activity 5, *Stock Search Activity Sheet*. Ask the students to read Activity 3 aloud. As a group, read and discuss directions 1, 2, and 3, perhaps doing a few of the tasks as examples.
 - J. Students might be unable to find particular stocks in the newspaper. For example, RJR Nabisco was purchased by Kohlberg Kravis Roberts & Co., so the stock of RJR Nabisco is not publicly traded. Consequently, students will not find RJR Nabisco in the stock tables if they begin with a popular product, such as Oreo cookies or Ritz crackers, which is made by Nabisco Brands, which is now part of KKR.

The stocks of Pillsbury Company are no longer traded because the business was purchased by the British company, Grand

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Metropolitan. Other companies may not be publicly traded, so their stocks, too, will not be listed. And some, like Nintendo, are foreign companies whose stocks are not traded in U.S. stock markets. Finally, the list of companies in Activities 4 and 5 might require periodic updating, for particular companies might be purchased by other businesses in the same way RJR Nabisco was purchased by KKR.

CLOSURE

Ask students to look in their kitchen cabinets at home. Boxes of cereal or cans of vegetables will give the company name and sometimes the parent company. For example, Nabisco Shredded Wheat is now one of the Post cereals, which is owned by Kraft, which is owned by General Foods, which is owned by Philip Morris. Often companies furnish 800 numbers on their products, so students can call to ask about parent companies. Ask students to add to the Brand Name and Parent Company index when new connections are discovered.

ASSESSMENT

Multiple Choice Questions

1. A business that owns or controls another company is a(n) _____ company.
 - a. brand name
 - *b. parent
 - c. subsidiary
 - d. industry
2. Individuals selecting stock would need to consider
 - a. economic cycle.
 - b. markets available.
 - c. technological changes.
 - d. current industry conditions.
 - *e. all of these.

ESSAY

👉 Your friend asks you for your opinion on buying American Manufacturing Limited stock. What information would you need to know before you could give a reasoned answer? Explain.

(You need to know what the company does and whether it makes good products/services. How is the company doing? How is the industry doing? What are its current and future markets? What is the financial position of the company? What is the

company debt [assets to liabilities ratio], earnings growth over the past five years, high and low prices for the year [stock tables], and dividend payments? Is it in the early or late phase of development? Are new developments in progress? What other businesses does the company own? Is there diversity in the products they make? This information would help you determine the financial condition of the company, its markets, and potential growth.)

👉 What choices about daily expenditures and stock purchases do you think your parents, neighbors, employers, and so on, would make depending on the economic cycle? For example, if the economy went into recession, would they continue to buy bread and milk? How about a new car? To learn more about this, prepare a set of questions and interview several adults. Be sure you clearly differentiate between economic expansion and economic recession. Record people's answers and the reasons they give. Then write a report explaining the impact of the economic cycle on consumer and stock purchase decisions. Use your data for examples.

JOURNAL

👉 Choose an industry. Collect information about the industry from the newspaper financial pages, magazines such as *Business Week*, and television programs such as *Wall Street Week* and *Nightly Business Report*. Record the date and source for each item of information. Write a report describing the industry, its products, companies in the industry (successful and other), changes taking place—technological and political, domestic and global—and the probable future of this industry.

ANSWER SHEET FOR ACTIVITY 5

STOCK SEARCH ACTIVITY SHEET

1. Aunt Jemima: The Quaker Oats Company. **Quaker Oats.**
2. Band-Aid: Johnson & Johnson. **JohnsJohns.**
3. Betty Crocker: General Mills, Inc. **GenMills.**
4. Bisquick: General Mills, Inc. **GenMills.**
5. Cheerios: General Mills, Inc. **GenMills.**
6. Comet: Procter & Gamble Company. **ProctGam.**
7. Coppertone: The Coppertone Corporation, which is a part of Schering-Plough Corporation. **ScheringPl.**
8. Crest: Procter & Gamble Company. **ProctGam.**
9. Disney: The Walt Disney Company. **Disney.**
10. Eveready: Eveready Battery Company, Inc., which is a part of Ralston Purina Company. **RalstonPur.**
11. Ford Motor Company. The Ford Motor Company. **FordMotor.**
12. Fritos: The Frito-Lay Company, which is a part of PepsiCo. **PepsiCo.**
13. Ivory: Procter & Gamble Company. **ProctGam.**
14. Jell-O: General Foods Corporation, which is a part of Philip Morris Companies, Inc. **PhilipMor.**
15. Jif: Procter & Gamble Company. **ProctGam.**
16. Juicy Fruit: The Wm. Wrigley Jr. Company. **Wrigley.**
17. Kentucky Fried Chicken: Kentucky Fried Chicken Corporation, which is a part of PepsiCo. **PepsiCo.**
18. Kool-Aid: General Foods Corporation, which is a part of Philip Morris Companies, Inc. **PhilipMor.**
19. L. A. Gear: L. A. Gear, Inc. **LAGear.**
20. McDonald's: McDonald's Corporation. **McDonalds.**
21. Minute Maid: The Coca-Cola company. **CocaCola.**
22. Pepperidge Farm: Pepperidge Farm Inc., which is a part of Campbell Soup Company. **CamblSoup.**
23. Pepsi-Cola: PepsiCo. **PepsiCo.**
24. Pizza Hut: Pizza Hut, Inc., which is a part of PepsiCo. **PepsiCo.**
25. Polaroid: Polaroid Corporation. **Polaroid.**
26. Reebok: Reebok International. **Reebok.**
27. Raisin Bran: The Kellogg Company. **Kellogg.**
28. Sony: Sony Corporation. **Sony Cp.**
29. Star-Kist: Star-Kist Foods, which is a part of H. J. Heinz Company. **Heinz.**
30. Taco Bell: Taco Bell, Inc., which is a part of PepsiCo. **PepsiCo.**
31. Tender Vittles: Ralston Purina Company. **RalstonPur.**
32. Trident: American Chicle Company, which is a part of Warner-Lambert Co. **WarnerLam.**
33. Tylenol: McNeil Consumer Products Company, which is a part of Johnson & Johnson. **JohnsJohns.**
34. Valvoline: Valvoline Oil Company, which is a part of Ashland Oil Company. **Ashland Oil.**
35. Ziploc: Dow Chemical Company. **DowChem.**

VISUAL 1
WOMBAT, INC.

Wombat, Inc., Makes a Product That...

- Everyone needs
- No one has
- Is used daily
- Cannot be duplicated
- Will be needed in the future
- Costs little to produce and ship
- Doesn't need to advertise
- Will enjoy a growth rate of 50% per year for the next ten years
- Never had a down year in its 100-year history

VISUAL 2

STRATEGIES FOR STOCK SELECTION—SUMMARY

1. Peter Lynch: Go with what you know (after some research)
“During a lifetime of buying cars or cameras, you develop a sense of what’s good, what’s bad, what sells, and what doesn’t... and... you know it before Wall Street knows it.”
2. Markets: Current and Future
A project must have customers today and even more tomorrow or it isn’t growing.
Phase of Development—Early or Late?
Global Markets—Can the product/service be sold overseas?
Demographics—Will a large percentage of the population want this product?
3. Economic Cycle: Is the economy expanding or slowing?
The performance of many stocks will be affected by economic cycles.
Good times: Most people who want to work are employed. People and businesses are spending money.
Not so good times: More people than usual are out of work or worried about being out of work. People and businesses are not buying as much.
Defensive industries: Even in difficult times, people use toothpaste, eat food, and use electricity.
Cyclical stocks: High-priced consumer goods like cars, appliances, new houses
Raw materials like aluminum, steel, and cement

VISUAL 1 (CONTINUED)

4. Avoid Obvious Risks

Front page companies and this year's winners
Current industry condition
Changes in technology
Specific stock situation

5. Selecting Stock for *The Stock Market Game*

Very Short Term
Growth Stocks—Small companies, newer companies,
Stocks listed on the Nasdaq Stock Market

ACTIVITY 1

STRATEGIES FOR STOCK SELECTION

Name _____

Date _____

PETER LYNCH: BUY WHAT YOU KNOW

Go with what you know. That is the advice of Peter Lynch, former portfolio manager of Fidelity Magellan Fund. “During a lifetime of buying cars or cameras, you develop a sense of what’s good, what’s bad, what sells, and what doesn’t. If it’s not cars you know about, you know something about something else, and the most important part is, you know it before Wall Street knows it.”

Think about what you know. What product do you really like? What is popular among your friends? Who makes it? Do you think it will continue to be popular? The point Peter Lynch makes is that stock tips are all around us. Often, we might spot a good company before it is well known. He does caution, though, that you have to do your homework. If you can’t explain what the company does, then you shouldn’t buy it. In addition to knowing what the company does and whether it makes good products/services, you also need to know how the company is going, the financial position of the company, and other important information.

MARKETS: CURRENT AND FUTURE

A product must have customers today and even more tomorrow or it isn’t growing. When selecting a stock, you must consider the markets available for the product/service. Does almost everyone already own one? In the early phase of development, a company first puts a product or service on the market and its sales are expected to grow rapidly because not everyone has what it sells. In the late phase, a company’s product or service has been on the market for a while, and its sales are no longer expected to grow rapidly. The stock of a rapidly growing company is more likely to increase in price, especially in the short term of *The Stock Market Game*.

Global markets are important as well. Examine prospects for U.S. companies in foreign markets. U.S. companies moved into Mexican markets with NAFTA (the North American Free Trade Agreement), Eastern Europe with the fall of com-

munism, and into China and Russia with economic reform. McDonald’s is a good example of a company that had saturated the U.S. market, and, as a result, its sales and growth were flat. It moved aggressively into foreign countries, developed new markets, and continues to grow. Remember that the product or service must be appealing to businesses or consumers in these countries.

Demographics (population) also affects current and future markets. Will a large percentage of the population want this product? Imagine that your age group was the largest age group in the population. Companies that produced what you bought would do very well. In the 1950s and 1960s, the baby boomers were teenagers, and there were more of them than any other group. Record companies, fast-food restaurants, and other companies that targeted teenagers did very well. Because many products/services are targeted to a certain age group, you have to consider who will buy the product and the number of potential customers when you make a judgment on current and future markets.

ECONOMIC CYCLE**Is the economy booming or slowing down?**

The performance of many stocks will be affected by economic cycles. Buyers of stocks need to know which ones and why. When the economy is growing, most people who want to have jobs have them, and people and businesses are spending money. Individuals might decide to purchase a new car, and businesses might decide to buy some new machinery. When the economy slows down, more people than usual are out of work or worried about being out of work, and people and businesses cut back on their spending; they are not likely to spend money on items or services they do not absolutely need. They are not as likely to purchase a new car, build a house, take a trip to Hawaii, or—in the case of a business—build a new plant or buy new equipment. But

ACTIVITY 1 (CONTINUED)

even in bad economic times, people still buy some products. They brush their teeth, eat cereal for breakfast, take a pill for that awful cold, and heat their homes. They might be a little more careful about expenditures, but some items will be purchased despite the downturn.

Understanding the economic cycle helps you make judgments about when to buy which stocks. During recessions, stocks in defensive industries (medicines, food, clothing, public utilities, etc.) generally decline less than stocks in other industries. During expansions, defensive stocks often show less growth and return. Companies in cyclical industries (high-priced consumer goods like cars and appliances; raw materials like aluminum, steel, and cement, and tools and equipment) are often highly affected by business cycle conditions. During recessions, stocks in cyclical industries generally decline as much as or more than stocks in defensive industries. During expansions, cyclical stocks offer much higher returns and growth potential.

AVOID THE OBVIOUS RISKS**Front-page stories and this year's winners**

Beware of front-page stories. Of the 20,000 stocks publicly traded, only two or three will be found on page one. This year's winners are unlikely to be next year's winners. Most stocks don't get headlines, and when they do, everyone else knows about it as well, including Wall Street. Stick with the boring stocks. You will have to work a little harder, but your chances of picking a good stock are much better.

Current Industry Condition

To what industry (group of companies that produce or sell the same kind of product or service) does your potential stock selection belong? Industry classification includes transportation, automotive, food and beverage, retail/apparel, health care, entertainment, communication, utilities, financial, and several others. Will current events in the United States or other nations affect businesses in a specific industry? Is that industry in trouble? For example, when the Clinton administration was developing a plan for govern-

ment-sponsored health care in 1994, there was speculation that prices would be regulated for some medicines. As a result, the pharmaceutical companies experienced a sharp drop in their stock prices. Merck, a strong company with an excellent record of growth and income, dropped right along with the others. A given company might be a good company, but a given time might not be a good time for its stock. (Merck later recovered.)

Changes in Technology

You also have to consider whether your selection will be affected by changes in technology. IBM, known as Big Blue, staked its growth on main-frame computers. But growth in personal computers surged, and companies producing personal computers clearly outdistanced IBM. IBM stock recovered later, too, but until it caught up to market technology its prices were affected.

Sometimes, the choice isn't as obvious as it seems. In the music industry, CD players virtually replaced turntable record players. Recently, however, some music lovers have argued that CDs do not last as well as records and do not have the same quality of sound. Many older people have not parted with their records and wish to purchase new record players. *IF* this were the case, would the market for CD players and record turntables be affected? Would it affect their stock? You bet!

Specific Stock Situation

Even if the markets, industry, economic cycle, and technology angles all check out, stock buyers still have to check the specific stock situation. If a particular company is in trouble or could be in trouble, then it is not a good choice. For example, although the contact lens industry had been relatively strong and healthy, one of the companies, Bausch and Lomb, experienced significant problems when its management sought an unrealistic growth rate. The impact of this goal on production and distribution resulted in large unsold inventories and eventually a precipitous drop in profit and in the price of a stock. Bausch & Lomb stock would not have been a wise choice at that time.

ACTIVITY 1 (CONTINUED)

DO YOUR HOMEWORK

Once you have a general idea about how your selection fares in each of these categories, it is time to use some common sense and do a little research. You should know what the company does and whether it makes good products/services. How is the company doing? What is the financial position of the company? What is the company debt (assets to liabilities ratio), earnings growth over the past five years, high and low prices for the year (stock tables)? What about dividend payments? Is the company in an early or late phase of development? Are new developments in progress? What other businesses does the company own? Is there diversity in the products it makes? Information can be found by writing to the company for an annual report, by looking at newspaper stock tables, by calling or visiting the business department at your city library, by calling an area broker, etc. The bottom line is that YOU have to do some thinking, some research, some more thinking, and then make a selection.

SELECTING STOCK FOR THE STOCK MARKET GAME

Selecting stock for *The Stock Market Game* differs significantly from real-life stock buying—which is definitely not a game. Generally, stock buyers' concerns for safety and need for long-term commitment influence decisions in real life. Stock buyers generally have two main reasons for investment. First, they expect the business to share the money it makes with its shareholders. Usually, firms share these profits through payments, called dividends, every three months. Stocks known to pay regular dividends are called income stocks. Second, stock buyers expect the stocks to increase in value so that they will be able to sell them later at a higher price. Stocks expected to increase in value are called growth stocks.

Income stocks, which are mature industry stocks, may not change much in the short 10-week period of *The Stock Market Game*. *Game* participants therefore should consider growth stocks. These stocks tend to be smaller, newer companies

whose earnings and price are expected to show big increases in the future. Because of the 10-week limit, you need stocks that will show greater than average appreciation. Because growth stocks tend to be issued by the smaller companies, you will most likely have to select unlisted stocks on the Nasdaq Stock Market. But, remember, you are using hypothetical money in *The Stock Market Game*. Your only risk is losing. Placing savings in real markets involves a long-term commitment, a well understood stock purchase plan, and diligent research.

Questions for Discussion

1. What is Peter Lynch's advice for picking stocks?
2. Give an example of a stock that you think has a growing market.
3. What is an example of a good stock to buy in a recession? Expansion?
4. Why should you beware of front-page stories?
5. Explain how changes in technology affect stock prices.

ACTIVITY 2

MATCHING STRATEGIES TO STOCK SELECTIONS

Name _____ Date _____

For each of the following, read and discuss each statement. Using *Strategies for Stock Selection* (Activity 1), consider each stock(s) mentioned, then identify and describe the strategy you would use for stock selection. Decide whether you would buy the stock(s) or not. Explain your reasoning.

1. **Widget Manufacturing Company** has been on the leading edge of technological change. Widget's sales and profits have been very strong. However, it is currently being sued for patent infringement, and the evidence against it appears strong.

STRATEGY: _____

REASONING: _____

2. I love my **Wonder Walkers**. They are the best shoes I have ever worn. My friends all wear them. I'm surprised more people haven't discovered them, but the company that produces them is small, so their distribution is limited.

STRATEGY: _____

REASONING: _____

3. The economy is rolling along, and so am I. My friends and I have great jobs, and our futures are looking bright. I think I'll treat myself to some **General Motors** stock.

STRATEGY: _____

REASONING: _____

4. It's rough out there. The economists say we are in a recession. I still have my job, but a lot of others don't. I'd better be careful with my stock selections. I think I'll buy **Kellogg's** or **Wisconsin Valley Electric Company**. Or maybe it would be safer to buy **General Motors** stock. After all, everybody needs a car—even when times are rough.

STRATEGY: _____

REASONING: _____

ACTIVITY 3

A SEEMINGLY SIMPLE SEARCH FOR SELECTED STOCKS

Name _____

Date _____

When picking stocks, you are likely to think of popular brand names. If you are a big fan of Pizza Hut or Juicy Fruit gum, you might consider buying stocks in these businesses. But, no matter how hard you look in the newspaper stock tables, you will not find these two stocks.

Pizza Hut stock is not listed in the newspaper because Pizza Hut is owned by PepsiCo, Inc. In this case, PepsiCo is a parent company, one that owns and controls another business. So to purchase part ownership of Pizza Hut, you must first know that it is owned by PepsiCo. You can then buy stock in PepsiCo and thereby, indirectly, own part of Pizza Hut.

You might also get stuck when trying to buy stock in Juicy Fruit gum. Juicy Fruit is a brand name, which is the popular name of a product. Brand names can be different from the names of the businesses that make those products. In this case, the product is made by the Wm. Wrigley Jr. Company. So if you want to be part owner of the company producing Juicy Fruit gum, you would purchase Wrigley stock.

When trying to find a stock in the newspaper, you often become an explorer of unknown business territories. As illustrated by Juicy Fruit gum, you might have to search for the name of the company that produces the item. Or, in the case of Pizza Hut, you might have to search for the name of the parent company. In other cases you might not have to explore at all. For example, if you want to buy stock in Ford Motor Company, you will find that business listed under that name in the newspaper stock tables.

Stock Search Directions

1. Now it is your turn to search for stocks. All the stocks used in this Activity are listed on the New York Stock Exchange. Begin by trying to find the brand names listed in Activity

5, *Stock Search Activity Sheet*, in the newspaper stock table under the New York Stock Exchange Composite transactions. The newspaper presents companies in alphabetical order and usually abbreviates their names. If you find the name in the stock table, write it as it appears in the table in the blank next to the brand name. For example, the Ford Motor Company is listed in the stock table as Ford Motor, so this name has been written in the blank next to the name Ford Motor Company.

2. You won't find all the brand names listed in Activity 5, *Stock Search Activity Sheet*, in the newspaper stock table, because the name of the product is not always the same as the name of the company. You need to take a second step in your stock search. Check the Brand Name Index in Activity 4, *Brand Name and Parent Company Index*, for an alphabetical listing of the information you need to continue your search. For example, Juicy Fruit appears in the index. The producer of Juicy Fruit is the Wm. Wrigley Jr. Company. Now check the newspaper stock table, and you will find the company listed as Wrigley. Write Wrigley next to Juicy Fruit on Activity 5, *Stock Search Activity Sheet*. See how many of the brand names in this index you can also find in the newspaper stock table.
3. No one said this would be easy. For some of the brand names, the search won't be over. You won't be able to find some of the companies listed in the Brand Name Index in the newspaper stock tables because the company that makes the product is owned by another company. For example, the Frito-Lay company produces Fritos. But Frito-Lay Inc. is owned and controlled by a parent company, so the parent company, not Frito-Lay, is listed in the stock tables. You must search further by checking the Parent Company Index in

ACTIVITY 3 (CONTINUED)

Activity 4, *Brand Name and Parent Company Index*. The parent company of Frito-Lay is PepsiCo. Find PepsiCo in the newspaper stock table. This completes your search. Write PepsiCo next to Fritos on Activity 5, *Stock Search Activity Sheet*.

Complete Activity 5, *Stock Search Activity Sheet*. Remember there are three steps to help you in your search.

1. The newspaper stock table for the New York Stock Exchange.
2. The Brand Name Index in case the company name is different from the product; then back to the newspaper stock table.
3. The Parent Company Index in case the company that produces the product is owned by another company; then back to the newspaper stock table.

Whether your search ends with step 1, 2, or 3, record the company name as listed in the newspaper stock table on Activity 5, *Stock Search Activity Sheet*.

HAPPY HUNTING!

ACTIVITY 4

BRAND NAME AND PARENT COMPANY INDEX

Name _____ Date _____

Brand Name Index

- Aunt Jemima:** Pancake mixes, syrup, flour, etc. The Quaker Oats Company.
Band-Aid: Adhesive bandages. Johnson & Johnson.
Betty Crocker: Prepared foods, baking mixes, etc. General Mills, Inc.
Bisquick: Baking mix. General Mills, Inc.
Cheerios: Cereal. General Mills, Inc.
Comet: Cleanser. Procter & Gamble Company.
Coppertone: Tanning lotion. The Coppertone Corporation.
Crest: Toothpaste. Procter & Gamble Company.
Eveready: Batteries. Eveready Battery Company, Inc.
Fritos: Corn chips. Frito-Lay, Inc.
Ivory: Soap and hair-care products. Procter & Gamble Company.
Jell-O: Gelatin. General Foods Corporation.
Jif: Peanut butter. Procter & Gamble Company.
Juicy Fruit: Chewing gum. Wm. Wrigley Jr. Company
Kentucky Fried Chicken: Food franchises. Kentucky Fried Chicken Corporation.
Kool-Aid: Soft-drink mixes. General Foods Corporation.
L.A. Gear: Athletic and leisure footwear and apparel. L.A. Gear, Inc.
Minute Maid: Fresh and frozen fruit juices and soft drinks. The Coca-Cola Company.
Pepperidge Farm: Baked goods. Pepperidge Farm, Inc.
Pizza Hut: Pizza Hut, Inc.
Reebok: Athletic footwear. Reebok International.
Raisin Bran: Cereal. The Kellogg Company.
Star-Kist: Tuna. Star-Kist Foods.
Taco Bell: Fast-food franchise. Taco Bell, Inc.
Tender Vittles: Cat products. Ralston Purina Company.
Trident: Sugarless gum and mints. American Chicle Company.
Tylenol: Analgesic. McNeil Consumer Products Company
Valvoline: Motor oil. Valvoline Oil Company.
Ziploc: Storage bags. Dow Chemical Company.

Parent Company Index

- American Chicle Company:** Part of Warner-Lambert Company
General Foods Corporation: Part of Philip Morris Companies, Inc.
Coppertone Corporation: Part of Schering-Plough Corporation.
Eveready Battery Company, Inc.: Part of Ralston Purina Company.
Frito-Lay, Inc.: Part of PepsiCo.
Kentucky Fried Chicken Corporation: Part of PepsiCo.
McNeil Consumer Products Company: Part of Johnson & Johnson.
Pepperidge Farm, Inc.: Part of Campbell Soup Company.
Pizza Hut, Inc.: Part of PepsiCo.
Star-Kist Foods: Part of H. J. Heinz company.
Taco Bell, Inc.: Part of PepsiCo.
Valvoline Oil Company: Part of Ashland Oil Company.

ACTIVITY 5

STOCK SEARCH ACTIVITY SHEET

Name _____ Date _____

Brand Name	Company Name as Listed in Newspaper	Brand Name	Company Name as listed in Newspaper
1. Aunt Jemima	_____	19. L.A. Gear	_____
2. Band-Aid	_____	20. McDonald's	_____
3. Betty Crocker	_____	21. Minute Maid	_____
4. Bisquick	_____	22. Pepperidge Farm	_____
5. Cheerios	_____	23. Pepsi-Cola	_____
6. Comet	_____	24. Pizza Hut	_____
7. Coppertone	_____	25. Polaroid	_____
8. Crest	_____	26. Reebok	_____
9. Disney	_____	27. Raisin Bran	_____
10. Eveready	_____	28. Sony	_____
11. Ford Motor Co.	<u>FordMotor</u>	29. Star-Kist	_____
12. Fritos	_____	30. Taco Bell	_____
13. Ivory	_____	31. Tender Vittles	_____
14. Jell-O	_____	32. Trident	_____
15. Jif	_____	33. Tylenol	_____
16. Juicy Fruit	_____	34. Valvoline	_____
17. Kentucky Fried Chicken	_____	35. Ziploc	_____
18. Kool-Aid	_____		