



Article may be transmitted to your email. Other transmissions are prohibited.

Your email address: Include pictures? 

 Moderate
 Source & Summary  Subjects  Pictures  Print



Scholastic Math
(Vol. 29, No. 5)
Nov 24, 2008, pp. 4+

Copyright © Scholastic Inc. Nov 24, 2008. All rights reserved. Reprinted with permission.

Taking Stock of the Economy

By Jack Silbert

- Read a stock price chart to examine one day in the U.S. financial crisis.

Problems in the U.S. economy, which had simmered for many months, finally came to a boil in late September. That's when Congress passed a bill allowing the government to spend up to \$700 billion to improve the economy.

What led to this? There are many factors, but a major one deals with *mortgages*. These are large loans that banks make so people can buy houses. In recent years, banks gave out too many of these loans to families who weren't able to pay the money back. "That proved catastrophic to the banks," David Wessel, economics editor of the *Wall Street Journal* newspaper, said to *MATH*. And many of these families lost their homes.

Banks--who had lost huge amounts of money--then became less willing to give out loans for houses, cars, college tuition, and other major purchases. Without these loans, people spent less money. And less money being spent can hurt all companies.

One way to tell how U.S. companies and the economy are doing is by looking at the *stock market*. A stock represents a fraction, or *share*, of a company. So when you purchase stock, you own a part of the company. You "share" in the company's gains and losses.

"The stock market responds to a weakening economy because a weaker economy means companies sell less and make fewer profits," Wessel explained. This is what happened in late September. Congress decided it had to take action.

What to Do?

Read "Understanding Stock Prices" below. Then use the information in the stock price chart to answer the questions. The prices, which are listed in dollars and cents, are from September 29, 2008, a day of record declines in the stock market.

Understanding Stock Prices

It's easy to look up the price of any company's stock on the Internet. People who own stock want to see the price of one share of that stock, and how much that price changed since the previous day.

Internet stock listings include information such as: The highest and lowest price for one share of that stock in the past year (52 weeks); the highest and lowest price paid that day for one share of the stock; the *close* price--price for one share at the end of the day; and the *change* between the close price and the previous day's close.

If there is a plus sign or an up arrow next to the change amount, the price of the stock went up. If there is a minus sign or a down arrow, the price went down.

1. What was the day's high price for one share of Coca-Cola stock on September 29? _____
2. Of the 500 main companies in the stock market, only one had its stock price go up on September 29. We've put it on our list. Which stock was it? _____
3. Which listed stocks reached a 52-week low at one point during September 29? _____
4. Let's find the close price for these stocks at the end of the stock market's previous day. To do it, look at the close price and the change amount. If the change amount is negative, you'll add those dollars and cents (ignore the minus sign) to the close price. If the change amount is positive, you subtract it from the close price. (For example: Abercrombie & Fitch closed at \$35.74, and the change was -3.11. So the previous day's close was \$35.74 plus \$3.11 or \$38.85.)
 - a. Campbell's Soup: _____
 - b. Coca-Cola: _____
 - c. Electronic Arts: _____
 - d. Google: _____
 - e. Netflix: _____
 - f. Nike: _____
5. To know what your stock is worth, you'd multiply the number of shares you have by the current price of the stock. Let's say you have 50 shares of Google stock.
 - a. What was the total value of your shares at the close of September 29? _____
 - b. How much more were those shares worth at the close of the previous day? _____
 - c. How much more were those shares worth at the stock's 52-week high than at the close of September 29? _____

SELECTED STOCK PRICES: SEPTEMBER 29, 2008						
STOCK	52-WEEK HIGH	52-WEEK LOW	DAY'S HIGH	DAY'S LOW	CLOSE	CHANGE
Abercrombie & Fitch	85.77	35.14	38.97	35.14	35.74	-3.11
Campbell's Soup	40.85	30.19	38.99	37.14	37.75	+1.2
Coca-Cola	65.59	49.44	52.96	50.41	51.03	-1.45
Electronic Arts	61.62	34.47	39.56	36.00	36.00	-3.63
Google	747.24	380.71	423.51	380.71	381.00	-50.04
Netflix	40.90	20.35	32.91	31.10	31.60	-1.27
Nike	70.60	51.50	67.35	64.63	65.05	-2.74

Chart: Stock Prices

(Credit: SCHOLASTIC MATH)

Answers

1. \$52.96

2. Campbell's Soup

3. Abercrombie & Fitch and Google

4a. \$37.63

b. \$52.48

c. \$39.63

d. \$431.04

e. \$32.87

f. \$67.79

5a. \$19,050.00

b. \$2,502.00 more

c. \$18,312.00 more

[Home Page](#) | [Current Events](#) | [Spotlight of the Month](#) | [World Almanac](#) | [Encyclopedia Dictionary](#) | [Thesaurus](#) | [Help](#) | [Tips](#) | [Cite](#) | [Workbooks](#) | [Tutorial](#) | [Research Topics](#)

[Educator's Resources](#) | [Privacy](#) | [Accessibility](#) | [License](#) | [Contact](#)

Copyright © 2010 ProQuest LLC.
All rights reserved.

