

# Honors Economics

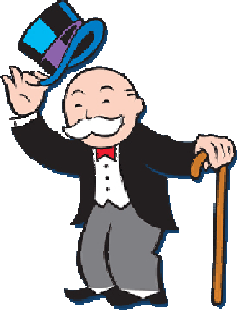
## Uschool - Crawford

Unit 1

### Business Organization

*Students will understand basic business organizations*

Pearson Textbook Chapter 8  
-Section 1 pp. 190-195; Section 2 pp. 197-200; Section 3 pp. 202-206



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OBJECTIVE

## HOW ARE BUSINESS FIRMS ORGANIZED?

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### ENTREPRENEURS

- INNOVATE
- ORGANIZE
- TAKE RISKS
- KEEP PROFITS



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**Types of Business Firms**

- **Sole Proprietorship:** Owned by a single individual
- **Partnership:** Two or more people own and manage a business
- **Corporation:** A fictitious legal person separate and distinct from its owners

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**SOLE PROPRIETORSHIP**



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**Types of Business Firms**

- **Sole Proprietorship:** Owned by a single individual
- **Advantages**
  - Easy and inexpensive to establish
  - Owners have complete control of business
- **Disadvantages**
  - Limited resources
  - Unlimited liability

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### Types of Business Firms

- **Partnership:** Two or more people own and manage a business
- Advantages
  - Easy and inexpensive to establish
  - Access to greater resources
  - More specialization
- Disadvantages
  - Limited life
  - Unlimited liability
  - Shared control
  - Split profits

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**Types of Business Firms**

- **Corporation:** A fictitious legal person separate and distinct from its owners
- Advantages
  - Limited liability
  - Unlimited life
  - Unlimited access to resources
- Disadvantages
  - Shared profits (dividends)
  - Double taxation
  - Lack of control

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**Unit 1**

**Business Finance**



*Students will understand the economic functions of the stock market*

Pearson Textbook Chapter 11  
Section 3 pp. 291-300

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OBJECTIVE

**HOW ARE BUSINESS FIRMS FINANCED?**

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**Review: Types of Business Firms**

- **Sole Proprietorship:** Owned by a single individual
- **Partnership:** Two or more people own and manage a business
- **Corporation:** A fictitious legal person separate and distinct from its owners

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**Business Finance**

- **Retained Earnings/Reinvestment**
  - Revenue not kept as profits but instead reinvested in the company
- **Commercial Paper**
  - Loans from Banks.
- **Bonds**
  - Loans from Individuals
- **Stock**
  - Selling Ownership by Going Public

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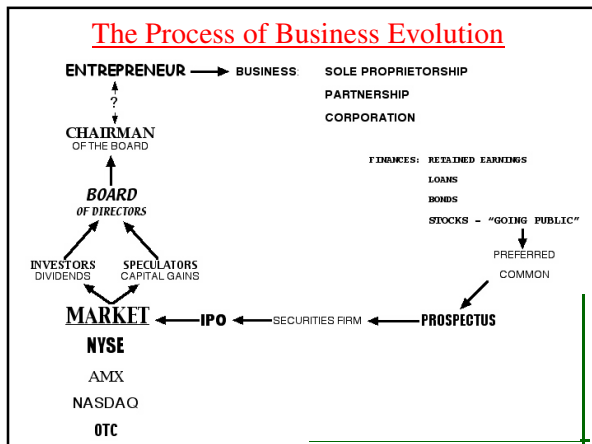
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The NYSE



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NASDAQ/AMEX



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### Unit 1

## Business Finance



*Students will understand  
the economic  
functions of the stock  
market*

Pearson Textbook Chapter 11  
-Section 1 pp. 276-283

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OBJECTIVE

### Why do people buy stock?



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**People buy the stock of a corporation because:**



- Each share of stock represents partial *ownership* in a corporation
- They get future *dividends* paid from corporate earnings
- they get *capital gains* derived from increases in share prices.

Stockholders may resell their shares on the market, but resales do not put any money in the hands of the corporation.

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### How to read a Stock Table

Diagram illustrating the components of a stock table:

- Highest & lowest price over past year
- Name of company
- Symbol for company's stock
- Dividend Amount
- Dividend Yield
- Price-earnings ratio
- Trading volume over previous day
- Highest & lowest price over day
- Last price at which the stock traded
- Change in closing price

52 Weeks		Stock	Sym	Div	Yield	PE	Vol	Highest & lowest price over day		Close	Net
Hi	Lo			%	%	100s	Hi	Lo		Chg	
26%	23%	CsIFnl	TOPRS	2.09	8.6	...	59	24%	23%	24%	+ 1/16
12%	6%	Coastcast	PAR		...	17	171	11%	10%	11%	+ 3/8
75%	47%	CocaCola	KO	0.64	1.3	40	39384	51	49%	51	+ 1 1/16

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### How to read a Stock Table

The table below shows a sample stock table. Each item gives you some clues about the current state of affairs for a particular company.

52-Wk High	52-Wk Low	Name (Symbol)	Div	Vol	Yld	P/E	Last	Net Chg
21.50	8.00	<i>SkyHighCorp (SHC)</i>		3143		76	21.25	+25
47.00	31.75	<i>LowDownInc (LDI)</i>	2.35	2735	5.7	18	41.00	-50
25.00	21.00	<i>ValueNowInc (VNI)</i>	1.00	1894	4.5	12	22.00	+10
83.00	33.00	<i>DoinBadlyCorp (DBC)</i>		7601			33.50	-75

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**Speculators**

- *Short term*
- *Capital gains*
  - ❖ *changes in the market price*
- **Technical analysis:**
  - ❖ Price trends
  - ❖ PE ratio



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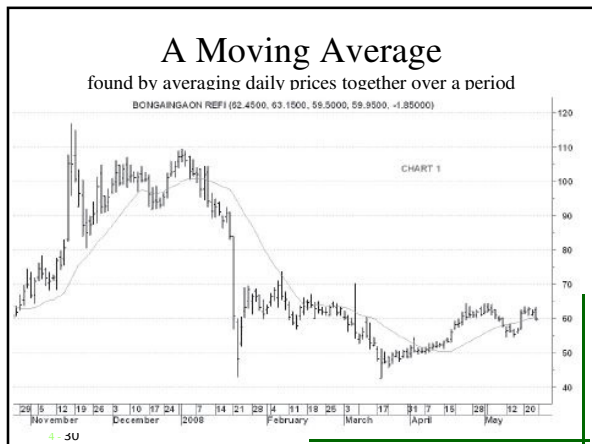
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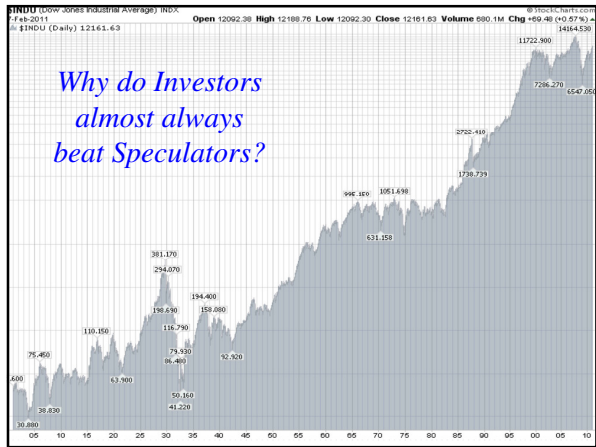
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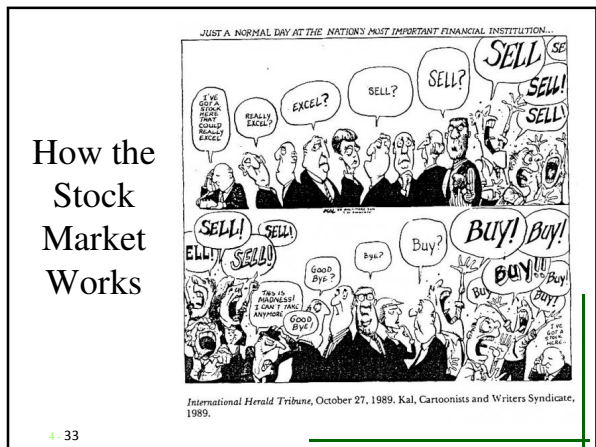
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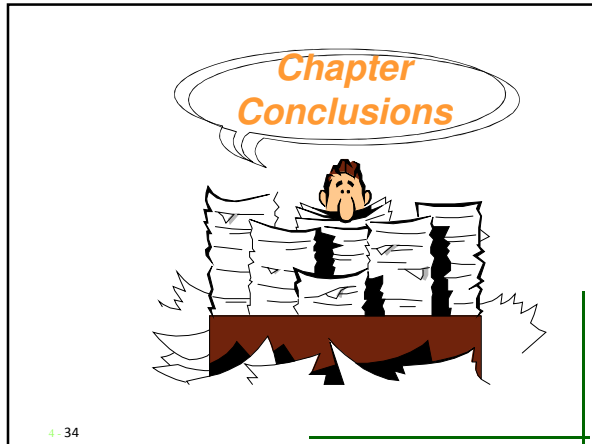
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### KEY TERMS

TRADITIONAL	FINANCIAL CAPITAL	CEO, CIO, COO, and CFO
BARTER	CONSUMER	REINVESTMENT
TRANSACTION COSTS	SOVEREIGNTY	COMMERCIAL PAPER
COINCIDENCE OF	HOUSEHOLD	BOND
WANTS	RESOURCE MARKET	PUBLIC OFFERING
CAPITALISM	PRODUCT MARKET	UNDERWRITER
PRIVATE PROPERTY	REVENUE	STOCK
LAISSEZ FAIRE	INCOME	CAPITAL GAIN
ENTREPRENEUR	WAGES, RENT,	DIVIDEND
INVENTION	INTEREST	FUNDAMENTAL
INNOVATION	BUSINESS FIRM	ANALYSIS
MASS PRODUCTION	LIABILITY	TECHNICAL ANALYSIS
DIVISION OF LABOR	SOLE	INVESTOR
SPECIALIZATION	PROPRIETORSHIP	SPECULATOR
CIRCULAR FLOW	PARTNERSHIP	SHORT SELL
	CORPORATION	
	BOARD OF DIRECTORS	

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