

Honors Economics

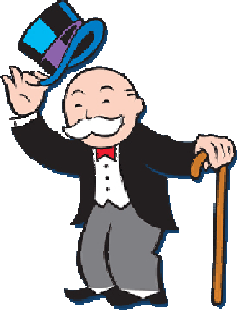
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Unit 1

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



OBJECTIVE

HOW ARE BUSINESS FIRMS ORGANIZED?

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

SOLE PROPRIETORSHIP



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

Unit 1

Business Finance



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

Pearson Textbook Chapter 11
Section 3 pp. 291-300

OBJECTIVE

HOW ARE BUSINESS FIRMS FINANCED?

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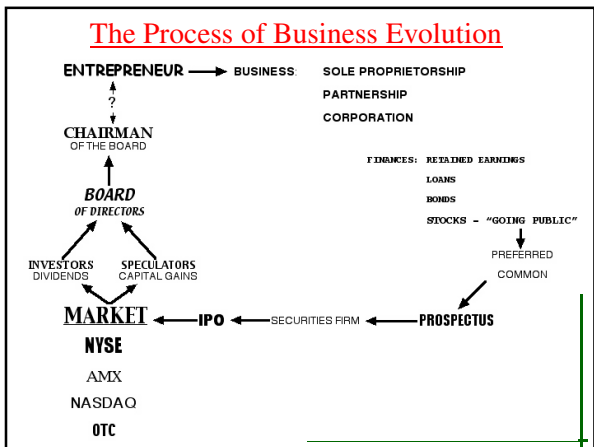
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Review: Types of Business Firms

- **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

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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The NYSE



NASDAQ/AMEX






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Floor Broker Hand Signals

Buy / Sell
When indicating you want an offer to buy (signaling a bid), the palm of the hand always faces toward you. You can remember this by thinking that when you're buying, you're bringing something in toward you. When making an offer to sell (offering), the palm always faces away from you. Think of selling as pushing something away from you.




buy




sell


Quantity
To indicate quantity - the number of contracts being bid or offered - touch your face.
To signal quantities one through nine, touch your chin.
To show quantities in multiples of 10, touch the forehead.
To show quantities in multiples of 100, make a fist and touch the forehead.



one




ten



one hundred

Unit 1

Business Finance




Students will understand the economic functions of the stock market

Pearson Textbook Chapter 11
Section 1 pp. 276-283

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

52 Weeks		Stock	Sym	Div	Yield	PE	Vol	Highest & lowest price over day		Last price at which the stock traded	Net
Hi	Lo			%		100s	Hi	Lo	Close	Chg	
26 7/8	23 1/8	ColFrl	TOPS	2.09	8.6	...	59	24 1/8	23 1/8	24 1/8	+ 1/16
12%	6%	Coastcast	PAR	...	17	171	11 1/8	10 1/8	11 1/8	+ 3/8	
75%	47%	CocaCola	KO	0.64	1.3	40	39384	51	49 1/8	51	+ 1 1/16

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

Facebook, Inc. (FB)

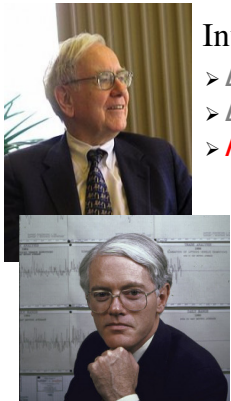
NasdaqGS Follow

57.20 +2.64(4.84%) Jan 6, 4:00PM EST | Pre-Market: 57.58 +1.38 (0.95%) 7:45AM EST - Nasdaq Real Time Price

Prev Close:	54.56	Day's Range:	54.05 - 57.26
Open:	54.39	52wk Range:	22.67 - 58.58
Bid:	57.61 x 300	Volume:	69,102,960
Ask:	57.63 x 6000	Avg Vol (3m):	75,237,900
1y Target Est:	59.80	Market Cap:	140.42B
Beta:	NA	P/E (ttm):	146.29
Next Earnings Date:	29-Jan-14	EPS (ttm):	0.39
		Div & Yield:	NA (N/A)

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Investors

- Long term
- Dividends and growth
- **Fundamental analysis**
 - ❖ Qualitative:
 - management, product, market
 - ❖ Quantitative:
 - profits, assets, earnings


Key Executives	Pay	Percent
Mr. Mark Zuckerberg, 30 Founder, Chairman and Chief Exec. Officer	1.99M	28.2%
Mr. David A. Eberman, 45 Chief Financial Officer	507,00K	7.6%
Ms. Sheryl K. Sandberg, 45 Chief Operating Officer and Director	597,00K	5.4
Mr. Michael Schroepfer, 38 Chief Technology Officer and VP of Engineering	487,00K	4%
Sean Parker, 42 VP of Marketing and Bus. Partnership	869,00K	4%

Facebook, Inc. operates as a social networking company worldwide. It builds various tools that enable users to connect, share, discover, and communicate with each other on mobile devices and computers. The company's Facebook Platform is a set of development tools and application programming interfaces that enables developers to integrate with Facebook for creating social apps and Websites. As of December 31, 2013, it had 1.86 billion monthly active users and 618 million daily active users. The company has a strategic partnership with Trend Micro Inc. for educating and protecting users' digital lives against malicious sites and malware. Facebook, Inc. was incorporated in 2004 and is headquartered in Menlo Park, California.

Financial Highlights

Profitability	
Profit Margin:	15.15%
Operating Margin:	33.52%
Valuation Measures	
Market Cap (Intraday):	142.18B
P/E:	148.13
Book Value Per Share:	5.35
Income Statement	
Revenue:	6.87B
Revenue Per Share:	2.86
Qtrly Revenue Growth:	59.70%
Gross Profit:	3.72B
Balance Sheet	
Total Cash:	9.33B
Total Debt:	575.00M
Total Cash Per Share:	3.80
Cash Flow Statement	
Operating Cash Flow:	3.67B
Levered Free Cash Flow:	2.70B

Speculators

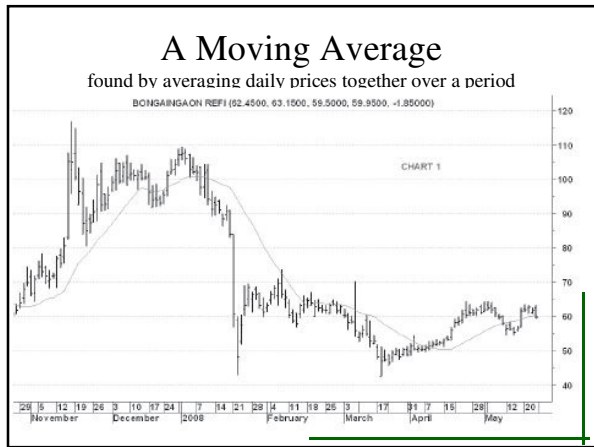


- Short term
- Capital gains
 - ❖ changes in the market price
- **Technical analysis:**
 - ❖ Price trends
 - ❖ PE ratio

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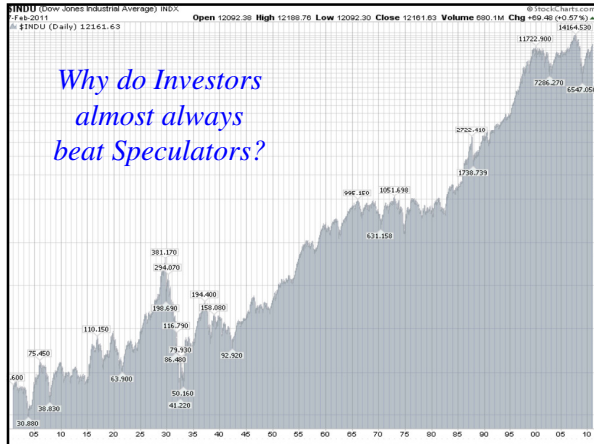


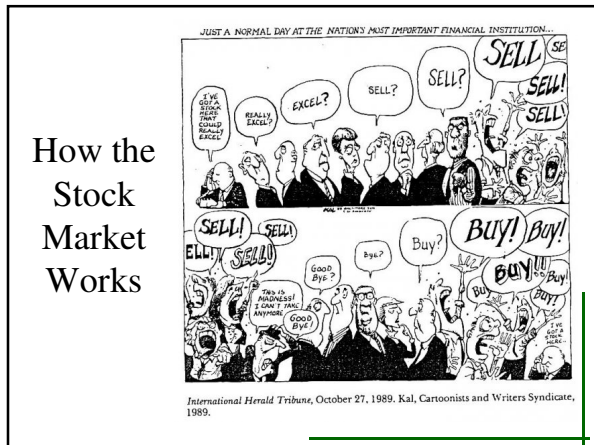




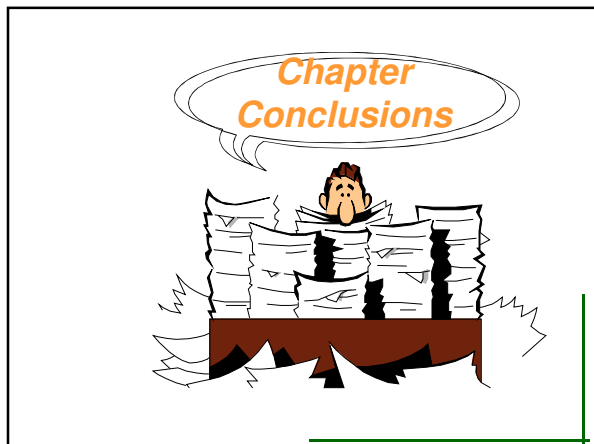
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How the Stock Market Works



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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	
