

# SMG2 TEST

1. How much money does each team start with?
2. Can you trade preferred stocks (those ending in pf)?
3. Do you have to request to buy on margin?
4. What stock exchanges must stocks be listed on in order for your team to trade them in the SMG?
5. How many weeks do teams have to invest?
6. Can a team transact a mutual fund?
7. What is the minimum number of shares that may be transacted?
8. What percent do you pay for the broker's fee?
9. What do you call a warning that a team is overextended?
10. What is the volume market?
11. Are transactions made on the basis of daily opening prices or daily closing prices?
12. What is the minimum number of shares necessary to sell a stock?
13. Does your team need to sell all of its shares at the end of the game?
14. Your team will receive a "mark to market" value when you have stocks in what position?
15. Can you sell a stock you don't have in your portfolio?
16. If you have margin extended to your team, what charge do you pay?
17. Can you purchase stocks valued at less than \$5.00?
18. Can you sell stock that is valued at less than \$5.00? (Hint: this is a trick question!)
19. How do SMG investing strategies differ from actual investing strategies?

**ANSWERS ON PAGE 2.**

## **ANSWERS**

1. Each team begins the game with \$100,000.
2. No, SMG teams may only trade common stocks.
3. No, the game automatically lends up to \$100,000.
4. Stocks must be listed on the American Stock Exchange (amex.com), the NASDAQ Stock Market (nasdaq.com), and the New York Stock Exchange (nyse.com), to be traded in the SMG.
5. The SMG program lasts ten weeks.
6. No, teams can only invest in common stock.
7. The SMG requires a minimum buy order of 100 shares.
8. Broker's fees are 2%.
9. A margin call is issued to teams that have become overextended.
10. The volume market is the number of shares of a stock that actually traded.
11. All transactions are made on the daily closing prices of a stock.
12. Though buy orders must be at least 100 shares, sell orders will be permitted for less than 100 shares.
13. No, the SMG program automatically liquidates all assets at the end of the ten-week game. By allowing the program to do this, a team can save money on broker's fees.
14. A "mark to market" is the correct value of a stock in a short position.
15. No, though a team may sell short (sell borrowed stock) they may not purchase a stock that they do not have in their portfolio.
16. Interest in the amount of 7% will be charged to your team on any margin extended to you.
17. SMG T-Shirts are awarded to the top three teams in each division at the annual SMG Awards luncheon in the spring.
18. No, the SMG requires a minimum price of \$5.00 per share for buys and short sells.
19. Yes, if your stock drops below the minimum of \$5,00 per share, you are allowed to either hold the stock or sell it at its current price
20. Actual investors in the stock market may have goals such as: high dividend yield, capital gain, or safety. In our ten week simulation, teams are considering stocks that will increase in price in a limited time frame.

## **SCORING:**

24 and below - You need to read the SMG rules again, carefully!

25-27 - You should do just fine!

28-30 - You should be the SMG Coordinator!