YES, I CAN BUY SOME SHARES OF UNVI.SOUTH.CAL FOR YOU

HOW MANY SHARES WOULD YOU LIKE TO BUY? 100

O.K. NOW ENTER YESTERDAY'S CLOSING PRICE? 100.13

O.K. SAM ALLEN

NOW LET ME MAKE SURE THAT I GOT IT STRAIGHT

YOU WANT ME TO BUY 100 SHARES OF UNVI.SOUTH.CAL AT $ 100.13 PER SHARE

IS THIS CORRECT? YES

GREAT!!! I'LL GET ON IT FIRST THING TOMORROW MORNING, OH, BY THE WAY, MY COMMISSION WILL BE $ 139.39

IS THERE ANYTHING ELSE I CAN DO FOR YOU? NO

O.K. I'LL TALK TO YOU LATER

USING THE SIMSEX PROGRAM

IS THIS A NEW DAY? YES

ALL PORTFOLIOS HAVE BEEN SUMMED. END OF TRACE FOUND. "PRICES" HAS BEEN RECORDED. PLAYER = 22 PORTFOLIO IS LOADED. TRANSACTION MADE.

************ NEW REGISTRATION ************

PLAYER : PATTY PRESTON
STOCK NAME : OCCIDENTAL PERTOL INITIAL : OXY EXCHANGE : NYS PRICE : 14.5

DO YOU APPROVE? YES

STOCK HAS BEEN LOCATED

************ PRICE CHECK ************

TRANSACTION - 1 PLAYER: PATTY PRESTON
STOCK NAME : OCCIDENTAL PERTOL INITIALS:OXY EXCHANGE : NYS REQUESTED AT : $ 14.5 ON DATE : 345 LAST LISTED AT : $ 14.5 ON DATE : 345 VARIANCE IS : 0.00 %

DO YOU APPROVE? YES

COMMISSIONS HAVE BEEN CALCULATED

PORTFOLIO HAS BEEN RELOADED
A SIMULATED STOCK EXCHANGE

BY ED PEARSON & MIKLOS VASARHELYI

Reading about the stock market is a pretty dry way to figure out what it's all about. And investing your own money to learn how the market works may be an expensive educational experience. Here's an alternative way to explore the market.

Students at the University of Southern California School of Business can learn about the practices and operations of the stock market, and can try their luck (on a limited scale) in stock trading, by utilizing the computerized SIMSEX (Simulated Stock Exchange) program developed by Professors Miklos Vasarhelyi and Ted Mock and Mr. Sam Allen of the Department of Accounting at USC.

The SIMSEX system was designed as a research tool to attempt to understand the decision-making process, especially in regard to stock market analysis and performance; students act as the "traders" in the market whose decisions are monitored so that the researcher can discover the type and amount of information used, and the method in which it is used in the decision process.

From the student's viewpoint, the simulation is a valuable learning experience. The student can trade freely in whichever stocks he or she finds attractive. In doing so, the student is exposed to the terminology of the market and to the practices and operation of major financial institutions and corporations. The student receives ample "money" to invest (at least $100,000 in SIMSEX dollars) and then buys and sells the fictional stocks of real companies at the actual prices of the real stock exchange.

The student further is given the option of receiving more SIMSEX-trading dollars by investing real money into the game (up to $20). Rewards are then given based on the performance which the investing student achieves. For instance, if a student invests $20 and receives for trading purposes an opening cash level of $200,000 and by the end of the game has built a "portfolio" worth $250,000, then that student would receive $25, the equivalent amount of "real" dollars.

Many aspects and features of the market are reproduced in the simulation. Players can buy, sell, sell short, trade on margin, invest their money more "safely" in savings accounts, earn dividends, receive stock dividends and stock splits. They must also pay commissions for their broker's services. Because every stock listed on any major exchange is eligible, the player has a wide range of choices and can review the past performance of companies and make forecasts of their future potential, thus refining the skills they have acquired in their business education.

The earliest versions of the simulation were programmed in the APL language. The expanded and revised version is programmed in BASIC (in the HP2000 and 2000 Access versions); it is a conversational on-line system in which the user speaks with his "broker," Hal Pearson (the computer) by typing at a terminal. By answering Hal's questions, the user completes his stock transaction and, if he chooses, receives a report of his portfolio status, including the amount of cash. The user must know certain information in order to trade; for example, in the "buy" transaction, the user must know the stock name, the stock "code" used by the exchange (as found in any stock guide, such as Standard and Poor's), the stock exchange it is traded on, and the selling price (of the previous day, as quoted in the newspaper's financial section). Before any transaction is finalized, an "auditor" must check the accuracy of the information provided by the player. If the auditor approves, the trade is recorded and the player's portfolio updated. The auditor usually performs his function daily, reviewing all transactions which occurred after the previous audit.

The simulation is usually included as part of the required work in certain courses (although students still have the option to invest their own money or not), so the trading period is a rather short one, one semester. Even so, the user is given an excellent opportunity to observe the stock market and to become familiar with stock market methods and with many of the companies whose stocks are traded.

The following runs of the SIMSEX and AUDIT programs indicate the type of student interaction that occurs. Student input in each program is underlined.