

# The Enterprise Trading Game

# 1



## Age group

14-16

16-18

## Curriculum focus

Science, Careers, Enterprise, Business Studies, Mathematics

## Learning objectives

### Student will:

- ▣ describe future trading in simple terms
- ▣ list some factors that can affect supply and demand in a market
- ▣ work as a team to make, buy or sell decisions based on market information
- ▣ calculate profit or loss
- ▣ explain the importance of business planning to guide decisions
- ▣ explain how corporate values can guide team working and shape business performance.

## Time needed

**115 mins**

### About this activity

- ▣ This activity uses a realistic simulation of oil futures trading to explore supply and demand, market forces, and risk, in a fast-moving enterprise activity.
- ▣ Students first explore the concept of futures trading and establish a basic understanding of how buy and sell trades are set up to create a profit based on a combination of trades on a set date in the future. They share ideas on how world events might shape the market for oil and how this might affect the price.
- ▣ Working in teams, students complete some practice trades to make sure they understand how to complete futures contracts to create a profit and balance their position on the trade date.
- ▣ Teams then compete in a series of trades, responding to news events by executing a buy or sell decision to create a balanced position and the most profit at the end of the game.
- ▣ Students can use what they learn to explore the importance of business planning to meet future commitments and the importance of responsible risk management in business.
- ▣ They review their decisions and how well they worked as a team and can consider the types of enterprising qualities and values that can help them in their studies and future working lives.

# The Enterprise Trading Game

## 2

### What you will need

- ▣ Introductory slideshow or How to play: Introduction film (WMV file)
- ▣ Students' pack (PDF) (one per team)
- ▣ News bulletins (PPT)
- ▣ Master results spreadsheet (Excel)
- ▣ Results table (PDF, optional)
- ▣ Two laptops (one for PPTs; one for spreadsheet)
- ▣ Projector or interactive whiteboard
- ▣ Stopwatch or timekeeper
- ▣ Calculators (one per team)

### Timings and structure

**Total time: 115 mins**

Activity	Time (mins)
Introduction and Q&A	5
Activity 1: Introduction to trading	10
Activity 2: Roles and how to play	15
Activity 3: Practice trades	20
Activity 4: Real trades	40
Activity 5: Results and reflection	20
Round up	5

### Prior knowledge and preparation

**This activity requires a minimum of three BP volunteers:**

- ▣ **Controller:** facilitating the game, presenting the **Introductory slides**, managing the presentation of **News bulletins** and ensuring teams keep to time limits.
- ▣ **Assistant Controller:** managing the **Master results spreadsheet**, which is used to input the trades that each team makes and calculate final profit; needs to familiarise themselves with the spreadsheet in advance.
- ▣ **Advisers:** (at least one floating between teams) providing advice on how to play the game and prompting students to think through the concepts.

### Deliver the activities

#### Introduction and Q&A (5 mins)

**Introduce yourself and the topic of oil futures trading.**

1. Introduce yourselves and what you do at BP.
2. Explain that you're going to help students experience what it's like to be an oil futures trader for BP.
3. Use slide 2 to review what will happen during the session.

# The Enterprise Trading Game

## 3

### Activity 1: Introduction to trading (10 mins)

**Briefly explore the concept of trading and how price is dependent on supply and demand and the factors that shape them.**

1. Use slides 3 – 5 to introduce the idea of trading (for now, don't go into the idea of futures).
2. Make sure students are clear that supply and demand are affected by many factors that might increase or decrease each one.
3. Establish that oil traders need to be able to interpret events and predict accurately how they will affect supply, demand and the future trading price of oil.

### Activity 2: Roles and how to play (15 mins)

**Student teams assign roles and explore how they will trade in oil futures contracts.**

1. Brief teams with the following information so they are clear on the objective of the game and the rules:

*"Your mission is to work as an expert group of traders within BP to make the most profit from trading oil futures. Your team:*

- ▣ *will be buying and selling oil futures contracts to make a profit*
- ▣ *will start with no trading position (no stock or funds)*
- ▣ *will not need access to any oil or money until the date of your futures contract.*

*Your objective is to make more profit than your rival teams, while demonstrating the skills and values that can contribute towards success in business. This objective will be met by interpreting market news and accurately predicting the impact it will have on the price of oil. To help maximize profit, you will need to agree to buy oil at the lowest price possible and sell oil at the highest price possible.*

*The challenge is to ensure you have enough oil to satisfy all of your futures contracts."*

2. Show slide 7. If you have not done so, split teams into groups of 4 – 6 students and ask teams to assign roles.

# The Enterprise Trading Game

## 4

3. Work through slides 8 – 15 using the trader packs to help students identify what to use and when.
  - a. Be clear that, in a single trading round, students must choose to buy OR sell (not both) OR do nothing.
  - b. Establish that this decision must be based on the current price of oil in the futures market (e.g. the current price for buying or selling at the end of the game) and whether they think the news event will make it go up or down in the next round (e.g. the decision to buy or sell now will be influenced by whether teams think it might be better to buy or sell in the future).
  - c. Teams need to plan ahead so they have a 'flat position' at the end (i.e. no outstanding oil futures), and consider this when debating what to do in each round.
  - d. Clarify that at the end, when all trades go through, teams will be buying oil from the market and their objective is to set up their trades so they make an overall profit by buying at a low price and selling at a high price.

### Activity 3: Practice trades (20 mins)

#### Students complete four practice trades to 'learn the ropes'.

1. Start by playing the four practice rounds. Warn students that any profit they make at the end of the practice rounds will not be carried over to the 'real' trading rounds – they will start the game afresh.
2. Make sure teams have four copies of the **Trading request forms** for the practice rounds and review the **Key information** sheet.
3. Start each round by displaying the relevant **News bulletin** onto a whiteboard or screen for four minutes. Each news bulletin contains a news flash and a price update (the price at which oil is traded during that round). Make it clear that the next price (e.g. the 'result' of the event in the news bulletin) will appear in the next bulletin.
4. The BP employee advisers should sit with each team or float between them and encourage the students to think through each scenario and how it will affect the price of oil.
5. Once four minutes is up, ensure all teams have handed in a **Trading request form**. Remind them to update the accounts table on their **Financial report** (they do not need to hand this in).

# The Enterprise Trading Game

## 5

6. The Assistant Controller should input the data from the trading forms into the **Master results spreadsheet**. If a team goes over the -100 / +100 lots trading limit during a round, a warning message will appear on the spreadsheet. The Assistant Controller will need to either cancel the team's trade for that round or ask the team to re-submit their trade for an amount under this limit. (Choose which approach you will take and make this clear to students.)
7. Continue as above, until you reach the penultimate round (round 3). Remind teams that by the end of the game their goal is to be 'flat'. There are penalties if they hold either insufficient or excess stock at the end of the game. This means they need to:
  - ▣ ensure they have enough oil to satisfy all of their future contracts after the final market price is revealed
  - ▣ ensure that they haven't bought more oil than is needed to meet their futures contracts.

They can either do this by agreeing to buy or sell oil in the last trading round – or they can choose to take a risk and wait until the final market price, to balance their position, but:

  - ▣ If a team is '**short**' (has sold more than they have bought) after the 'Trade out round', a final trade will be automatically made at the final market price to balance their position. The cost of this purchase will be deducted from the teams' final profit. They will also be penalised \$5 per barrel to balance their position.
- ▣ If a team is '**long**' (has bought more than they have sold) after the 'Trade out round', they will be penalised \$5 per barrel to balance their position, and no income will be gained from any remaining stock they have.
8. Briefly review what students have learned and ensure all teams are clear on what to do:
  - a. Did they think about the current price and where it is within the trading limits (\$40 - \$140 a barrel)?
  - b. Did they think about whether the news event might make the price of oil go up or down?
  - c. Did they choose to buy or sell – and how much – based on their confidence in what would happen?
9. Remind students that in the real trading rounds, by the end of the game their goal is to be 'flat'. Discuss how students' experiences in the four practice rounds should have alerted them to the idea of 'risk' in their decisions.

# The Enterprise Trading Game

## 6

### Activity 4: Real trades (40 mins)

**Students complete seven real trading rounds and calculate their final profits or losses.**

1. Remember not to carry over any profits or losses into the real trading rounds.
2. Make sure teams have seven copies of the **Trading request forms** for the real trading rounds.
3. Repeat as above, with advisers circulating between teams to help as before.
4. Warn students in round 6 that they must balance their position by agreeing to buy or sell oil in the last trading round, or they can choose to take a risk and wait until the final market price to balance their position, but at the risk of penalties.

### Activity 5: Results and reflection (20 mins)

**Students determine their total profit or loss and evaluate their performance.**

1. Make sure that teams are not 'long' (bought more than they have sold) or 'short' (sold more than they have bought).
  - a. If long, penalize the team \$5 per excess barrel. The team cannot gain profit on this remaining stock.
  - b. If short, penalize the team by make trade at the final market price to balance their stock, deducting this from their profits, and also penalize the team \$5 per barrel.

2. Ask students to ensure their **Financial reports** are complete and that they have determined their total profit or loss. Teams can be disqualified from winning for incorrect accounting.
3. Display the results from the sheet of the **Master results spreadsheet**. Before presenting the results, you may like to invite teams to share the profit they have calculated (at bottom of their **Financial report**), to see whether they have calculated their income accurately – disqualify any teams who are incorrect.
4. Help students reflect on how they worked as a team:
  - ▣ How did the chair lead and manage the team?
  - ▣ How did they make their decisions to buy, sell or not trade?
  - ▣ How successful were they with interpreting the news flashes?
  - ▣ Did their 'market view' reflect their position?
  - ▣ What happened, or what would happen if they didn't manage risk responsibly? What would the consequences be in the real world?
  - ▣ What did the values of determination, respect and excellence mean to them in the context of this game?
  - ▣ What key qualities do they think are required to perform well in this kind of environment?

# The Enterprise Trading Game

# 7

## Round up (5 mins)

1. Thank students for listening and for the effort they have put into taking part.
2. Review what students have learned about:
  - ▣ the significance of futures trading
  - ▣ the predictability or unpredictability of the market
  - ▣ the types of factors that can affect the supply, demand and price of oil
  - ▣ the risk and reward of business decisions
  - ▣ the importance of business planning.
3. If you wish, invite students to share their career ideas for the future and briefly discuss how these lessons might have value in any business career: anticipating changes in the business or operating environment, risk management, decision-making and planning are core business skills.
4. Wish students well for the future and remind them to put their learning into practice. BP recruits business and finance specialists across all its business areas, and one day students might put their learning to work in BP.

