

HSC Business studies

Topic 2 – Financial Planning and Management

UNIT 2.2 – FINANCIAL MARKETS RELEVANT TO BUSINESS FINANCIAL NEEDS

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Unit Test

- (1) Explain what is meant by a financial market? (1 mark)
- (2) Why are financial markets important? (1 mark)
- (3) List the major participants in the financial markets. (7 marks)
- (4) What are financial institutions called financial intermediaries? (1 mark)
- (5) ASX stands for?
- (6) Explain the difference between the ASX primary market and the ASX secondary market (2 marks)
- (7) Outline seven environmental influences (both domestic and overseas) which have implications for business financial needs. (7 marks)

The answers to the questions are...

(1) Explain what is meant by a financial market? (1 mark)

- **Financial Markets** are places where the people and the institutions with surplus funds can make transactions directly with the business that wants loans and investment.

(2) Why are financial markets important? (1 mark)

- They provide capital from investment for business's to expand and diversify.

(3) List the major participants in the financial markets. (7 marks)

- Insurance companies
- Finance companies
- Banks
- Merchant banks
- Companies
- Superannuation / Mutual funds
- Government (Reserve Bank of Australia)

(4) What are financial institutions called financial intermediaries? (1 mark)

- They are the 'channel' between the investors and the business needing that money for expansion.

(5) ASX stands for?

- The ASX stands for the Australian Stock Exchange.

(6) Explain the difference between the ASX primary market and the ASX secondary market (2 marks)

- ASX Primary markets
 - Where new securities are sold (floated) on the market
- ASX Secondary market
 - Where existing securities are bought and sold.

(7) Outline seven environmental influences (both domestic and overseas), which have implications for business financial needs. (7 marks)

- Technology Developments
- Globalisation of Financial Markets
- Taxation
- Commodity Prices
- Risk Management Securities
- Accounting Standards
- Share Ownership