

# INTRODUCTION TO THE SHAREMARKET

# 1

## ACTIVITY ONE

### Quick sharemarket quiz

If you can answer the following questions, you already understand some of the basics of how the sharemarket works.

1. If you were selling a smartphone, would you rather sell at a high price or a low price?  
☐ low price   ☐ high price
2. If you were buying a smartphone, would you rather buy at a high price or a low price?  
☐ low price   ☐ high price
3. At a fruit market what happens to the price of fruit when it is in season and there is a lot available?  
☐ the price tends to be lower  
☐ the price tends to be higher  
☐ prices don't change
4. While you are bargaining for something, which of the following is unknown?  
☐ number of items are you buying  
☐ final price you will pay  
☐ what you are buying
5. At a house auction, if there are many buyers who wish to purchase a house, the final sale price for the house is likely to?  
☐ be higher   ☐ be lower

### RATING SCALE

3–5 correct answers: congratulations, you've got the basics

2 correct answers: well done but be alert to our next lesson

0–1 correct answer: take the quiz again after our next lesson

### Learn about...

[WHAT IS A SHARE?](#)

[WHAT IS A LISTED COMPANY?](#)

### DID YOU KNOW?

The Australian sharemarket is open for normal trading from 10 a.m. to 4 p.m. Sydney time each trading day. The US market trades from 11:30 p.m. to 6 a.m. when most of us are asleep.

### ASK YOUR PARENTS, GRANDPARENTS, AND FRIENDS

Ask members of your family or friends whether they own shares and in which companies. Are the shares worth more today compared to when they were purchased? Have they learned any lessons from investing?

### HERE'S AN IDEA

Have a mini auction in the classroom. Bring in some items to sell and see which item/s fetch the highest price and then discuss why.

If this works well: Follow this on with another auction where different students (secretly) have different budgets for the auction. See how the different budgets affect bidding behaviour.

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## WHAT IS A SHARE?

Do you know friends or family who own their own business? The business may be a one-owner business (sole proprietorship) or the business may be a partnership between two or more people.

Some businesses become so large they choose to become listed companies with many part owners or shareholders.

BHP for example has over 500,000 shareholders.

**A share is a unit of ownership in a company.** A publicly listed company means the shares in that company are available for purchase on a market such as the Australian Securities Exchange (ASX).

They are called listed companies because the original form of trading shares in companies involved the names of the companies being “listed” on large boards.

Shares in publicly listed companies are sometimes known as equities, stocks or securities.

On a typical day, there would be few Australians who do not buy or use the goods and services produced by one or more of the 2,000+ companies listed on ASX.

## ACTIVITY TWO

Use the clues below to guess the names of some of these publicly listed companies.

COMPANY SLOGAN/JINGLE	ANSWER
1. “Lowest Airfares Guaranteed”	
2. “Lowest prices are just the beginning.”	
3. “Australia’s No. 1 Vitamin Brand”	
4. “Compare, select and save”	
5. “The New Force in Iron Ore”	

## ACTIVITY THREE

Find out which listed companies are associated with the following products.

PRODUCT/SERVICE	ANSWER
1. My Kitchen Rules	
2. Funerals	
3. Bushwalking gear	
4. Pizzas	

### DID YOU KNOW?

The actual price you pay per share is not an indication of whether the company is better compared to another less expensive company. Price is determined by demand and supply.

### ASK YOUR PARENTS, GRANDPARENTS, AND FRIENDS

Whether they know the listed companies behind these popular brands

1. The Australian newspaper
2. Bonds
3. Bunnings
4. Uncle Toby’s
5. Mount Franklin water

### HERE’S AN IDEA

Have you or your friends ever thought of a business idea that earned you some money?

If the business was a success and you wanted to make it a bigger success how would you go about getting more money to grow the business?

### FAMOUS QUOTE

*“Small opportunities are often the beginning of great enterprises.”*

Demosthenes (384 BC - 322 BC)

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## ACTIVITY FOUR

Pick one of the companies from the list below. Do you think it is a good business to be in? Give reasons.

Use [www.asx.com.au](http://www.asx.com.au) as a starting point for your research.

- ARB Corporation
- CarSales.com
- Transurban Group
- Village Roadshow
- Blackmores
- Downer EDI
- Cochlear
- Origin Energy
- Resmed
- Telstra

**Company:**

**Reasons why it might be a good business:**

### Do your homework

Pick one listed company and find out what its main activities are.

What type of industry does it operate in? Visit the company website and list the products it produces.

A list of all companies can be found at [www.asx.com.au](http://www.asx.com.au)

Use the Prices & Research navigation area > Company information > view the complete list

You can also find lists of companies in the finance section of the newspaper.

### FAMOUS QUOTE

**Warren Buffet**, one of the world's famous investors gives his words of wisdom on investing.

*"Rule No.1: Never lose money. Rule No.2: Never forget Rule No.1."*