

Investment planning in australia

[Business](#)



1. Question 1 a) In order to provide detailed and qualified financial investment counseling, a great variety of different laws and bylaws shall be considered. The most significant instrument is Foreign Acquisitions and Takeovers Act 1975 and various codes of procedures that specify the peculiarities of the different investment operations. Another set of the laws includes Corporations Act 2001, Australian Securities and Investments Commission Act 2001, Insurance Contracts Act 1984, and National Consumer Credit Protection Act 2009. These laws explicitly define the rights and obligations of those, who commit the investment and of those, who accept the investment. The types of financial products that are specified in the provisions of the Australian investment law are shares, bonds, investment funds, warrants, and options.

As far as the provisions of the Australian laws and the present situation are concerned, the client insisted on having shares and bonds, while she abrogated from having investment funds and options as her investment prospective. b) Providers of the financial services are subject to the obligatory government regulation in Australia. Their activity is primarily governed by the Australian Financial Institutions Commission. Those, who have been licensed by the Australian Financial Institution commission, bear a wide set of responsibilities of various natures with regard to their authorized representatives. In particular, they are legally mandated to issue the power of attorneys, in where the set of legal powers of the representative is defined.

Besides, it is legally obligatory for them to finance the work of their respective representatives and to provide them with the respective

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remuneration, which must correspond to the work perpetrated by them. 2.

Question 2 a) The role of the stockbrokers involves providing financial counseling for the client and the representation of the client on the stock markets. Under the current Australian investment and stock market laws, it is legally forbidden for individuals to participate on the stock markets directly; therefore, the stockbrokers are engaged in this process in order to ensure that the interests of the clients are observed. The relationship between the client and the stockbroker is strictly regulated by the current Australian legislation, where the rights and obligations of both parties are explicitly defined.

The broker is obliged to exercise the instructions given by the client with the deviations possible only if these actions are required to safeguard the financial securities and stocks of the client. Further assent of these actions is required. The client, in his turn, is obliged to pay for the services rendered by the broker and usually to pay the interest. This relationship should be differed from the relationships that arise between the client and the financial planner. The major difference is that while the financial planners in their overwhelming majority merely provide counseling services and do not bear any sort of legal responsibilities for the actions conducted in their capacity, the stockbrokers directly participate in the financial processes of the client and are legally responsible for the negative outcomes of a specific transaction, if this liability is specified under the agreement between the parties or under the statutory financial law of Australia. In order to serve the needs of the customer the most effective way, it is highly desirable to ensure the cooperation between stockbrokers and financial planners.

While the first group may be actively engaged in representing the interests of the client on the stock market, the second group may counsel clients on the issues of their finance planning. The stock brokers may obtain information from the second group of the team and understand what financial resources are at their disposal. b) Overview of different asset classes and types and evaluation of the risks. Usually, the following types of assets are defined by the scholars: Current assets - everything which is disposable on the moment when the financial statement of a certain individual is being comprised; Long-term investment assets - this group of assets is used to finance the investment projects that are of a long-term nature. It involves machinery, land assets, and capital banking accounts; Tangible assets are those that can be physically sensed - machinery, buildings, tools of production, and other facilities.

The most secured and legally protected under the law are the long-term assets, which are additionally guaranteed by the agreement concluded with the banking or other financial institution. If the securities cannot be sold on the primary market, the resources of the second market and the buyers' capacity are used by the participants of the financial markets. If the buyers on the first market are not willing to purchase the shares, the second market is the attractive opportunity to sell them. During the period of six years, the value of the bonds is likely to reach \$144 per parcel. 3. Question 3 a) The different discounted cash flows use different discounting rates because the market of a certain commodity or of a certain asset dictates the value of those rates.

Annual vacillations are dictated by the changes in the market; in particular, by the changes in the supply and demand for a certain commodity. To illustrate, the annual rent income for the property, which is leased by Isabella in the 1st year, is \$ 24, 960 while the second and the third years define that the income is slightly increasing. As far as the investment issues are concerned, these peculiarities must be always considered while compounding the investment policy of the individual. Therefore, for the given case study, the NVT is \$ 1, 243 Therefore, the IRR for the first year is 10, 11 %, and for the second year - 11, 2 %, respectively. b) The price ration is the following: $1200 * 8, 50$ (Spencer's formula) = 10 6250. The eps value stands for 7, 6199.

My strong recommendation is to hold the currently possessed shares, before the market situation will be clarified. c) The issue price for the shares is \$ 10, 64 per share. Considering my calculations, the values specified by the case study are correct. The most reliable sources with regard to the performance of the company are located in the annual financial statements of the company and in the balance sheets of the firm, which shares are considered to be purchased or not. Neither the expert opinions nor the financial bloggers' guidance shall be considered as a good counseling. Considering the present conditions of the case study, I am strongly convinced that the market lucrativeness of the IPO shares clearly indicate that they must not be purchased; however, the transaction is highly possible in the foreseeable future.

1. Question 4 As far as the situation with the assets and liabilities of Isabella is concerned, it shall be highlighted that proper strategy of the management <https://assignbuster.com/investment-planning-in-australia/>

investment must be undertaken. To be more exact, the major part of Isabella's assets is located in her real estate and her retirement fund. The value of the derivative is specified by the value of the underlying financial instruments, which are associated with this derivative. Therefore, considering that the rest of the information is not available, the derivatives shall not be purchased.

2. Question 5 The most effective strategy of debt management involves the re-allocation of the funds and gradual and comprehensive planning of the liabilities in the proper order. The rest of the regarded items, including superannuation strategies and derivatives strategies, purport careful and meticulous planning as a key element of the financial strategy, which is the most desirable for her. Question 6a) Financial service guide is a commercial prospectus used by the company to inform the customer about the services which are rendered by the companies and to reveal the differences between various aspects of financial planning. Product disclosure statement provides the client with basic information about a specific service, which is rendered by the financial company, tax, or personal financial planning. This instrument is used to give the peculiarities of a certain financial service and how these types of products differ from the rest of the services.

Statement of Advice is used to provide an official counseling for the customer. The institution that provides the counseling is ultimately responsible for the outcomes that have been caused by the actions of the client who followed the pieces of advice outlined in the Statement of Advice.

b) The prospectus is usually required when a specific provision of the law mandated that the prospectus must be issued. To decide whether the

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prospectus shall be registered, the first issue to be considered is the type of the shares. The share, whose prospectus is subject to the compulsory state registration, is defined under the law.

The prospectus, both full and short term, is required when the prospective shareholders request to be notified about the peculiarities of a certain transaction. Supplementary and fixed interest prospectuses are issued when the law directly prescribes that these types of prospectuses must be issued (in particular, because of the specific subject matter of the shares).