



Learning outcomes: Lesson 3

Why do share prices change?

Students

- **Predict** the impact on share price of various influences on the sharemarket.
- **Research** the current exchange rates.
- **Calculate** exchange rates against other currencies.
- **Investigate** influences on share price and are able to articulate this knowledge in written and oral form.

Students learn about the internal and external influences on share price, including economic influences. They learn how to calculate exchange rates relative to the Australian dollar and how this may impact on a business. Finally, they explore an area of interest to them on how investing has been impacted in various areas by the COVID-19 pandemic. They then have the opportunity to share this knowledge with others by creating a presentation based on their research.

General Capabilities related to this lesson

- Literacy
- Numeracy
- Information and Communication Technology (ICT) Capability

Terminology (Skill Directives)

Identify – Recognise and name; Establish or indicate who or what someone or something is.

Predict – Suggest what may happen based on available information.

Calculate – Ascertain/determine from given facts, figures or information.

Links to Curriculum

Australian Curriculum

Subject: Economics and Business

- Year 8
- Year 9
- Year 10

NSW

Subject: Commerce

- Core 2: Economic and Business environment
- Option 1: Our Economy
- Option 2: Investing
- Option 4: Running a Business

Subject: Business Studies – Preliminary

- Nature of Business

QLD

Subject: Business (General Senior Syllabus)

- Topic 1: Fundamentals of Business

VIC

Subject: Business Management (VCE)

- Unit 1: Planning a Business

SA & NT

Subject: Business Innovation

- Stage 1
- Stage 2

WA

Subject: Accounting and Finance

- Year 12 – Unit 3 & 4

ACT

Subject: Business

- Business Opportunities
- Leading a Business

Glossary

Corporate action

An action taken by a company that impacts its stakeholders and may include a corporate takeover, additional dividend payments, or any other important action that changes the structure of the company, requiring the board of directors to approve it before it being implemented.

Corporate takeovers

When one company tries to take control over another company by making an offer to buy a large amount of its shares.

Capital growth

The appreciation in the value of an asset over a period of time.

Importing

To bring in goods or services into a country from another country as part of the business process.

Exporting

To send out goods or services to another country for the purposes of selling them.

Infrastructure

The basic physical facilities needed by a country such as buildings, roads, power supplies, and ports needed for the operation of a society.

Commodity

A basic good that is produced by a country that is raw material used to manufacture finished goods. This could include basic farming products or mined materials.

Profitability

The money made left after all expenses have been paid from operating activities.

Destabilising

To upset the stability of an economy causing unrest.

Consumer confidence

The degree of optimism that consumers have regarding the economy when managing their financial affairs.

Mortgage

A type of loan with an agreement between a borrower and a lender that gives the lender the right to take the property if the owner fails to repay the money borrowed.



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Solutions

Activity 1

Scenario	Rise	Fall
a. Fancy Fashions Ltd has signed a contract to supply dresses and jackets to a chain of retail stores in London.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. A shock announcement to the press that the Managing Director of XYZ Ltd has fraudulently taken funds from the company for several years.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c. Sigma Medical Ltd has found a cure for baldness.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d. Eureka Ltd, a mining company has just released a drilling report stating that more oil than first anticipated had been found and is now being drilled.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e. Success Ltd has just released its annual report showing record profit for the last financial year and projected profit in the next financial year is to be even better.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Activity 2

Scenario

1. Research the current exchange rate. **Calculate** how much would a chair cost to the U.S. importer based on the current rate? Use the above as an example of how you would complete the calculation:

Answer: $\$10 \times \text{Current exchange rate} = \text{cost of chair to US importer}$

2. **Calculate** the price of one chair if the Australian Dollar were to rise to USD \$1.05:

Answer: \$10.50 AUD

3. **Calculate** the price of one chair if the Australian Dollar were to fall to USD \$0.50:

Answer: \$5.00 AUD

4. Using your calculations, **identify** which of the above scenarios would lead to greater sales, and therefore profitability for Caro Ltd?

Answer: When the Australian dollar falls to \$5.00 as it means they can buy more chairs from Caro Ltd.