

Investment Planning 1 (IP1)

Overview

Investment Planning 1 describes and helps you evaluate investment options in Australia, enabling advisers to offer appropriate investment solutions.

Learning Outcomes

Module 1: The Basics of Investments

On successful completion of this module, you should be able to:

- List and describe the participants in the financial services industry
- Define the main asset classes
- Define investment risk and return
- Describe the different types of risk
- Calculate investment risk and return
- Explain the relationship between risk and return
- Define diversification and explain its effect on risk
- Describe and evaluate the implications of investment gearing taxation, liquidity, flexibility and social security on investments and investment portfolios
- Identify the elements of the investment planning process.

Module 2: The Mathematics of Investment

On successful completion of this module, you should be able to:

- Explain the difference between simple and compound interest and calculate both
- Calculate powers, both positive and negative
- Explain and calculate present value, net present value, future values and effective rates of return
- Calculate annuity payments and their present values
- Explain and calculate discount rates, internal rate of return and the rule of 72
- Use financial calculators and/or Excel to perform the calculations previously discussed.

Module 3: Shares and the Stock Market

On successful completion of this module, you should be able to:

- Give a brief history of the Australian stock market
- List and explain the roles of the participants in the stock market
- Outline the operation of the stock market and describe the process of buying and selling shares
- Describe the different types of shares
- Evaluate shares using different methods
- Describe the various share categories within the stock market
- List and explain takeover methods, listing requirements and reporting requirements
- Describe and explain the workings of share indices
- Outline the different types of share analysis styles
- Explain the factors that affect share prices
- Describe the characteristics of international investments.

Module 4: Prospectuses, Other Disclosure Documents and Evaluating Share Offers

On successful completion of this module, you should be able to:

- Define prospectuses and product disclosure statements (PDS)
- Explain when a prospectus and PDS must be used
- Describe the different types of disclosure documents
- List and explain the various parts of different disclosure documents

- Evaluate prospectus share offerings
- Evaluate post listing share offerings
- Show the uses of various financial ratios for a share offering
- Explain the implications of company debt on share prices
- Use the financial media to assist in reviewing share offerings.

Module 5: Derivatives

On successful completion of this module, you should be able to:

- Define derivatives
- Explain the use and workings of options
- Explain the use and workings of forward rate agreements
- Explain the use and workings of futures
- Explain the use and workings of swaps
- Explain the use and workings of the various warrants available
- Determine the particular derivative that is most appropriate for a particular requirement
- Analyse the risk and reward that is possible using derivative products.

Module 6: Fixed Interest Investments

On successful completion of this module, you should be able to:

- Define fixed interest investments
- Describe the different types of fixed interest investments
- Describe and explain the roles of participants in the fixed interest market
- Explain the workings of the primary and secondary fixed interest markets
- Explain the relevance of yield curves to fixed interest investments
- Describe the influences on fixed interest prices
- Explain the impact of interest rates, taxation and inflation on the attractiveness of fixed interest investments.

Module 7: Property Investments

On successful completion of this module, you should be able to:

- Explain the characteristics of property investments
- Describe the advantages and disadvantages of property investment
- Outline the various factors which make property investment different from other investments
- Explain the property market and the risks associated with property investment
- Calculate valuations of property and their returns on investment
- Describe the impact of taxation and negative gearing on property investment
- List and briefly explain the characteristics of the various property based managed investments
- Explain international property investment.

Module 8: Managed Investments

On successful completion of this module, you should be able to:

- Define managed investments
- List and describe characteristics of the various managed investment products and structures
- List the advantages and disadvantages of managed investment products
- Explain the legal structure of managed investments
- List the various issuers of managed investment products
- Describe the managed investments market in Australia
- Explain how managed investments operate
- Identify key issues affecting particular managed investment risks and returns
- Explain the various criteria that should be considered when evaluating managed investments
- Explain the characteristics of master trusts, wraps and IDPSs.