



Australian Government

Department of Education, Employment and Workplace Relations

FNSFLT205A Develop understanding of the Australian financial system and markets

Revision Number: 1

FNSFLT205A Develop understanding of the Australian financial system and markets

Modification History

Not applicable.

Unit Descriptor

Unit descriptor	<p>This unit describes the performance outcomes, skills and knowledge required to understand the financial systems and markets operating in Australia, including identifying the main participants in financial markets, the role of the central bank, the impact of its decisions on business and consumers, key factors that influence the Australian economy and the role of financial regulators.</p> <p>No licensing, legislative, regulatory or certification requirements apply to this unit at the time of endorsement.</p>
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Application of the Unit

Application of the unit	<p>This unit has wide application and may be used in workplaces, schools, adult and community learning organisations or Registered Training Organisations (RTOs) in order to build the financial literacy of learners. The unit may also be used as part of pre-vocational or new apprenticeship programs or as part of services provided by counselling or advisory organisations.</p>
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Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Prerequisite units		

Employability Skills Information

Employability skills	This unit contains employability skills.
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Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.	Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.
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Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Describe what is meant by the Australian financial markets	<p>1.1. Specific <i>financial markets in Australia</i> are identified and discussed</p> <p>1.2. <i>The purpose of financial markets</i> and when they emerged in Australia is researched and discussed</p> <p>1.3. The <i>participants in the financial markets</i> and the roles of banks and financial institutions as financial intermediaries are identified and their roles analysed and discussed</p>
2. Explain the function and role of the Reserve Bank of Australia (RBA)	<p>2.1. The <i>role of the RBA</i> as Australia's central bank is researched and discussed and contrasted with other banking institutions</p> <p>2.2. The importance and <i>effect of the RBA's monetary policy</i> on the Australian economy and everyday consumers is researched and discussed</p>
3. Explain Australia's monetary system	<p>3.1. The various <i>functions of money</i> are explained and society's <i>motivations for holding money</i> are outlined</p> <p>3.2. The monetary cycle within the economy and on a global scale and <i>instruments traded on the short term money market</i> are described</p> <p>3.3. The impact of increases and decreases in the money supply and the importance of regulating the money supply of any country is analysed and discussed</p>
4. Explain the key factors that influence the Australian economy	<p>4.1. The role and impact of Commonwealth and State government actions on the economy is explored with reference to current events and issues</p> <p>4.2. The impact of a change in domestic interest rates on different sectors of the economy is analysed and discussed</p> <p>4.3. The impact of changes in <i>consumer activity</i> on the Australian economy is analysed and discussed</p>
5. Describe the role of regulators	<p>5.1. The <i>main regulators</i> of the financial system are identified</p> <p>5.2. The role of each regulator in protecting investors and consumers and promoting confidence in the financial system is explained using examples</p>

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

Required skills

- communication skills to:
 - clearly explain Australia's financial system and markets
 - use questioning to develop clear understanding
 - liaise with others, share information, listen and understand
 - use language and concepts appropriate to cultural differences
- IT skills to use internet information
- literacy skills for interpreting relevant information
- learning skills to maintain knowledge of the Australian financial system

Required knowledge

- roles and relationships between participants within the Australian financial services industry, including banks and other financial intermediaries
- relevant and current awareness of the Australian financial system and markets, and the economic environment

Evidence Guide

EVIDENCE GUIDE

The Evidence Guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.

Overview of assessment

Critical aspects for assessment and evidence required to demonstrate competency in this unit

Evidence of the ability to:

- develop awareness of the features and roles of the participants within the Australian financial system and markets
- understand the monetary system
- identify Australia's financial regulators and their role.

Context of and specific resources for assessment

Assessment must ensure:

- competency is demonstrated in the context of the the range statement
- access to and the use of a range of common office equipment, technology, software and consumables
- access to information about Australia's financial system and other markets, basic economics, software and other relevant resources.

Method of assessment

A range of assessment methods should be used to assess practical skills and knowledge. The following examples, in combination, are appropriate for this unit:

- evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency
- verbal or written questioning on underpinning knowledge and skills
- setting and reviewing simulations or scenarios
- group discussion to determine and confirm understanding.

Guidance information for assessment

Range Statement

RANGE STATEMENT

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

<i>Financial markets in Australia</i> can include:	<ul style="list-style-type: none"> • bond market • equity or share market as traded on the Australian Securities Exchange (ASX) • derivatives markets • foreign exchange market • money market including the short term money market • options and futures markets.
<i>The purpose of financial markets</i> includes:	<ul style="list-style-type: none"> • enabling participants to invest surplus funds by buying securities • enabling participants to raise required funds by issuing securities.
<i>Participants in the financial markets</i> may include	<ul style="list-style-type: none"> • banks and non-banking financial institutions • investors: <ul style="list-style-type: none"> • corporations • individuals • local and international governments • speculators: <ul style="list-style-type: none"> • corporations • individuals.
<i>The role of the RBA</i> includes:	<ul style="list-style-type: none"> • banker to the Commonwealth government, banks and other financial institutions • maintaining financial stability and regulating the Australian Payments System • managing government debt • regulating the payments system • setting and implementing monetary policy.
The <i>effect of the RBA's monetary policy</i> may include:	<ul style="list-style-type: none"> • changes in interest rates • flow on changes to employment, prices and production levels • increases or decreases in the supply of money in the Australian economy • acting to avoid or minimise a systemic collapse of financial institutions.

RANGE STATEMENT	
	<p>The role of the RBA in regulating the Australian Payments System may include:</p> <ul style="list-style-type: none"> • fulfilling its regulatory responsibilities by controlling risks and promoting efficiencies • participating in the financial system as banker to the Commonwealth government • providing facilities for final settlement of transactions.
The different <i>functions of money</i> may include:	<ul style="list-style-type: none"> • as a means of exchange for acquiring goods and services • indications of relative values between goods and services • measure of liquidity.
<i>Motivations for holding money</i> may include:	<ul style="list-style-type: none"> • precautionary demand for money to pay future expenses which may not be anticipated • speculative demand for money to be able to take advantage of future price changes in favour of the purchaser • transactions demand for money to pay everyday predictable expenses.
<i>Instruments traded on the short term money market</i> include:	<ul style="list-style-type: none"> • bills of exchange • commercial bills • government bills • promissory notes • treasury notes.
<i>Consumer activity</i> may include:	<ul style="list-style-type: none"> • applications for home loans • purchase of private health insurance • purchase of university education • purchase or building of residential accommodation • retail spending • tourism within Australia by Australians.
<i>Main regulators</i> in the financial system may include:	<ul style="list-style-type: none"> • Australian Prudential Regulation Authority (APRA) • Australian Securities and Investments Commission (ASIC).

Unit Sector(s)

Unit sector	Financial literacy
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Competency field

Competency field	
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Co-requisite units

Co-requisite units		