

## The Stock Exchange

### Assessment Task:

#### **Investing on the stock exchange (Individual activity) (LO2 AS3)**

Read the information below and answer the questions that follow.

#### **What is the JSE and what's it got to do with me?**

The JSE is the engine-room of the South African economy. Here, companies from across the spectrum of industry and commerce gather to raise the public capital that will allow them to expand, in the process creating new jobs, products, services and opportunities.

If you own an insurance policy, a retirement annuity, a unit trust or even a simple savings account, the JSE is where much of your money goes to make more money for you. Directly or indirectly, the movements of the market matter to millions of South Africans, and that's why more and more South Africans are choosing the direct route to the market – by investing on the JSE.

#### **How do I buy or sell shares on the JSE?**

You could pay a visit to your bank and ask an investment consultant to conduct the necessary transactions on your behalf. But the more common route is to go directly to one of the many member firms. Using the sophisticated JSE Trading System, your stockbroker will buy or sell shares on your instructions. Alternatively, you could open a managed account with the stockbroker where, for a fee, he will make the decisions of when and what to buy or sell on your behalf. In either case, you will be charged a negotiated brokerage fee, plus VAT and applicable duties.

Aside from acting as an intermediary between the stock exchange and the investor, a stockbroker will also offer all the advice, guidance and assistance required to take you through what may seem a daunting and intimidating process – which makes it all the more essential to choose the right stockbroker for your individual needs and investment goals.

(Source: [www.jse.co.za/beginners\\_guide.jsp](http://www.jse.co.za/beginners_guide.jsp))

- a) What does JSE stand for? [1 mark]
- b) Why is the JSE called the engine-room of the South African economy? [1 mark]
- c) Why does the performance of the JSE matter even to an unemployed person who does not invest in shares? [1 mark]
- d) Use a dictionary to look up the meaning of the following words: [5 marks]
- commerce  
stockbroker  
duties  
consultant  
intermediary
- e) What could happen if you choose the wrong stockbroker to handle your investments? [1 mark]
- f) Name one investment goal the average family might have (for example: investing to build funds for a child's education). [1 mark]

[Total: 10 marks]