INVESTMENT MANAGEMENT

1. Define investment?

   According to Ronald J.Jorden., An investment is a commitment of funds made in the expectation of some positive some rates of returns. If the investment is properly undertaken the returns will commensurate with the risk investor assumes.

2. What are the classification of investment?
   - Financial investment
   - Economic investment
3. What is financial investment?

Financial investment means employment of funds in the forms of assets with the objects of earning additional income or appreciation in the value of investment future.

4. What is economic investment?

Economic investment is different from financial investment. The term economic investment signifies net addition to the capital stock of the society.

5. What is speculation?

Speculation consists in buying and selling commodities or securities or other hope of a profit from anticipated changes of value.

6. What are the process of investment process?

- Investment policy
- Investment analysis
- Valuation of securities
- Portfolio construction.

7. What are the components of wealth maximisation?

The term wealth maximisation is divided into three components namely cash return, capital appreciation and safety.

8. Write a short note on portfolio construction?

Portfolio construction is a combination of securities. The objective of portfolio construction is to realise the investors goals and objectives.

9. What is risk?

Risk and uncertainty are integral part of an investment decision. Technically, ‘risk’ can be defined as a situation where the possible consequences of the decision that is to be taken are known. “Uncertainty” is generally defined to apply to situations where the probabilities cannot be estimated.

10. Distinguish between systematic and unsystematic risk?

Systematic risk	Unsystematic risk
➢ Systematic risk is non-diversifiable risk.	➢ Unsystematic risk is unique to a firm or industry. It does not affect an average investor .
➢ Systematic risk associated with securities market as well as the economic, sociological, political, and legal considerations of the prices of all securities in the economy.	➢ Unsystematic risk is caused by factors like labour strike, irregular disorganized management policies, and consumer preferences.

10. What is financial risk?

Financial risk in a company is associated with the method through which it plans financial structure. Financial risk and business risk are somewhat related. Financial risk can be states being between earnings before interest and taxes (EBIT) and earnings before taxes (EBT).

11. What is the factor of external risk of business?

- Business cycle
- Demographic factors
- Monetary policy
- Environment

12.What are the three categories bank deposits?

- Savings deposits account
- Fixed deposits account
- Current deposits accounts

13. What are the features of postal schemes?

- The investment is absolutely risk-free.
- The customer can choose to nominate another individual to receive the benefits in the event of his/her unfortunate death.
- The scheme provides the option of a recurring deposit into which the funds can be moved.

14.what is capital market?

A capital market is a financial market in which long-term debt (over a year) or equity-backed securities are bought and sold. Capital markets channel the wealth of savers to those who can put it to long-term productive use, such as companies or governments making long-term investments.

15. Mention some life insurance schemes?

Endowment plans :

- Single Premium Endowment Plan
- New Endowment Plans
- New Jeevan Anand
- Jeevan Raskshak
- Limited Premium Endowment Plans

Money back plans :

- New Money Back Plan-20 Years
- New Money Back Plan-25 Years
- New Bima Bachat
- New Children’s Money Back Plan
- Jeevan Tarun

16. Why do investors invest in gold and silver?

Generally, investors like to invest in jewellery instead of pure gold. Gold is the primary form of housewives. Though it is believed that gold price appreciates many times, the price of had declined in late 1990s.certain banks and agencies were allowed to import gold which led to huge stocks of gold.

17. What are the four types of provident fund?

- Statutory provident fund
- Recognized provident fund
- Unrecognized provident fund and
- Public provident fund

18. What mutual funds ?

A mutual funds refers to a fund raised by a financial service company by pooling the savings of the public. It is invested in a diversified portfolio with a view to spreading and minimizing risk. The fund provides investment avenue for small investors who cannot participated in the equities of big company.

19.Write any two importance of mutual funds.?

- Mobilizing the savings from among the investors and channelising then for investment.
- Offering a wide scope for portfolio investment.

20.what is money market securities?

Money market securities are short-term investments that are highly secure and liquid. According to the Richmond Federal Reserve Bank, money market securities typically come in blocks of at least $1 million and have maturities that can be any where from one day to a year.

21.What is mean by Time Value of Money?

The time value of money (TVM) is the concept that money you have now is worth more than the identical sum in the future due to its potential earning capacity. This core principle of finance holds that provided money can earn interest, any amount of money is worth more the sooner it is received.

22. What is mean by Current money?

The currency of the country whatever is intended to and does actually circulate as currency; every species of coin or currency. Money is current which is received as money in the common business transactions, and is the common medium in barter and trade.

23. What is Future Money?

A currency future, also known as an FX future or a foreign exchange future, is a futures contract to exchange one currency for another at a specified date in the future at a price (exchange rate) that is fixed on the purchase date; see Foreign exchange derivative. Typically, one of the currencies is the US dollar.

24. What is Present value Interest Factors?

The present value interest factor (PVIF) is a formula used to estimate the current worth of a sum of money that is to be received at some future date. Pvifs are often presented in the form of a table with values for different time periods and interest rate combinations.

25. What is present value interest factors of an annuity?

The present value interest factor of an annuity is used to calculate the present value of a series of future annuities. It is based on the time value of money, which states that the value of a currency received today is worth more than the value of currency received at a future date.

26. What are the two techniques of time value money?

Discounting is the technique that calculates the present value of a future sum of money (that can be received or paid). Discounting requires computing the discounted (present) value of the amount of money (cash flows) that are going to be received at future moments in time.

27. What are the importance of Time Value?

The time value of money (TVM) is an important concept to investors because a dollar on hand today is worth more than a dollar promised in the future. Provided money can earn interest, this core principle of finance holds that any amount of money is worth more the sooner it is received.

28. What is Primary Market?

The primary market is the part of the capital market that deals with the issuance and sale of equity-backed securities to investors directly by the issuer. Investors buy securities that were never traded before. Primary markets create long term instruments through which corporate entities raise funds from the capital market. It is also known as the New Issue Market (NIM).

29. What is Secondary Market?

The term "secondary market" is also used to refer to the market for any used goods or assets, or an alternative use for an existing product or asset where the customer base is the second market (for example, corn has been traditionally used primarily for food production and feedstock, but a "second" or "third" market has developed for use in ethanol production).

30. What is Fundamental Analysis?

Fundamental analysis (FA) is a method of measuring a security's intrinsic value by examining related economic and financial factors. ... The end goal is to arrive at a number that an investor can compare with a security's current price in order to see whether the security is undervalued or overvalued.

31. What is Industry Analysis?

An industry analyst performs primary and secondary market research within an industry such as information technology, Research Sciences, Applied Chemistry, Chemistry for chemicals, consulting or insurance. Analysts assess sector trends, create segment taxonomies, size markets, prepare forecasts, and develop industry models. Industry analysts usually work for research and advisory services firms, and some analysts also perform advisory (consulting) services.

Part B

1.Difference between investment and speculation?

	Investment	speculation
Meaning	The purchase of an asset with the hope of getting returns is called investment.	Speculation is an act of conducting a risky financial transaction, in the hope of substantial profit.
Basis for decision	Fundamental factors, i.e. performance of the company.	Hearsay, technical charts and market psychology.
Time horizon	Longer term	Short term
Risk involved	Moderate risk	High risk
Intent to profit	Changes in value	Changes in prices
Expected rate :of return	Modest rate of return	High rate of return
Funds	An investor uses his own funds.	A speculator uses borrowed funds.
Income	Stable	Uncertain and Erratic
Behavior of participants	Conservative and Cautious	Daring and Careless

2, Briefly Explain the types of Risks?

Business Risk:

When entering a market, every company is exposed to business risk in that there are various factors that may negatively impact profits and might even lead to the business' demise - including things like government regulations or the overall economy. Within the general blanket of business risk are various other kinds of risk that companies examine, including strategic risk, operational risk, reputational risk and more. In a larger sense, anything that might hinder a company's growth or lead it to fail to meet targets or margin goals is considered a business risk, and can present in a variety of ways.

Volatility Risk:

Particularly in investment, volatility risk refers to the risk that a portfolio may experience changes in value due to volatility (price swings) based on the changes in value of its underlying assets - particularly a stock or group of stocks experiencing volatility or price fluctuations.Volatility risk is often examined in reference to options trading, which tends to have a higher risk of volatility due to the nature of options themselves.

Inflation Risk

Although inflation risk may not be the primary concern for investors, it definitely is and should be on their minds when dealing with cash flows over a long period of time in investment vehicles or when calculating expected returns. The longer cash flows are exposed, the more time inflation has to impact the actual returns of an investment and eat away at profits - specifically if inflation is at an accelerated rate.

Market Risk:

Market risk is a broad term that encompasses the risk that investments or equities will decline in value due to larger economic or market changes or events. Under the umbrella of "market risk" are several kinds of more specific market risks, including equity risk, interest rate risk and currency risk.

Liquidity Risk:

Liquidity risk is involved when assets or securities cannot be liquidated (that is, turned into cash) fast enough to ride out an especially volatile market. This kind of risk affects businesses, corporations or individuals in their ability to pay off debts without suffering losses. As a general rule, small companies or issuers tend to have a higher liquidity risk due to the fact that they may not be able to quickly cover debt obligations.

3. Discuss about the types of bank account?

- Savings Accounts:

Savings accounts offer account holders interest on their deposits. However, in some cases, account holders may incur a monthly fee if they do not maintain a set balance or a certain number of deposits. Although savings accounts are not linked to paper checks or cards like current accounts, their funds are relatively easy for account holders to access.

In contrast, a money market account offers slightly higher interest rates than a savings account, but account holders face more limitations on the number of checks or transfers they can make from money market accounts.

- Call Deposit Accounts:

Financial institutions refer to these accounts as interest-bearing checking accounts, Checking Plus or Advantage Accounts. These accounts combine the features of checking and savings accounts, allowing consumers to easily access their money but also earn interest on their deposits.

Time Deposit Accounts:

- A time deposit account is an investment vehicle for consumers. Also known as certificates of deposit (CD), time deposit accounts tend to offer a higher rate of return than traditional savings accounts, but the money must stay in the account for a set period of time. In other countries, time deposit accounts feature alternative names such as term deposits, fixed-term accounts, and savings bonds.

4. Explain about the advantages of investing in gold?

1. Gold is a hedge against inflation

Gold is popularly considered as a hedge against inflation. It has a direct relationship with inflation. During the periods of inflation, investors fear, stocks and debt funds could underperform. But, gold has historically performed well during inflation.

2. Liquidity

One of the factors which makes gold a good investment is liquidity. Gold can be easily converted into cash whenever you want. When compared to other investments, gold is the only investment which has high liquidity.

3. Diversification

To reduce the risk in investment, it is important to diversify your investment portfolio. Gold is an easy and convenient way to diversify the investment portfolio. Gold is inversely correlated with the stock market and currencies. This means gold moves in the opposite direction to rupee and stock market movements.

4. Holds its value over a long period of time

Gold holds an inherent value over a period of time. Even if the price falls, the underlying value of gold does not change much. This is mainly because it is a commodity, whereas Indian Rupee, which is a form of fiat currency, holds no intrinsic value.

5. Most desired commodity

Indians buy gold more than any other country in the World and gold has been a favourite commodity for both men and women. Gold is used in jewellery since ages. Gold is not subject to any political chaos and signifies how wealthy a country.

5. Difference between primary market and secondary market?

The basis of Comparison Between Primary market vs Secondary market	Primary Market	Secondary Market
Meaning	A market place for new shares is Primary Market	Place where formerly issued securities are traded is Secondary Market
Type of Purchasing	Direct	Indirect
Financing	It helps to supply funds to budding enterprises and also to existing companies for expansion and diversification	It does not provide funding to enterprises
Buying and Selling	Buying & selling is between Company and Investors	Buying & selling is only between Investors
Price	Fixed price	Fluctuates depends on the demand and supply force
Intermediary	Underwriters	Brokers
Organizational difference	Not rooted in any specific spot or geographical location	It has a physical existence

PART-C

1. Explain about investment process?

Investment Analysis

When an individual has arranged a logical order of the types of investments that he requires on his portfolio, the next step is to analyse the securities available for investment. He must make a comparative analysis of the type of industry, kind of security and fixed vs. variable securities. The primary concerns at this stage would be to form beliefs regarding future behaviour or prices and stocks, the expected returns and associated risk.

Valuation of Securities:

The most important consideration of the valuation of investments. Investment value, in general, is taken to be the present worth to the owners of future benefits from investments. The investor has to bear in mind the value of these investments.

An appropriate set of weights have to be applied with the use of forecasted benefits to estimate the value of the investment assets. Comparison of the value with the current market price of the asset allows a determination of the relative attractiveness of the asset. Each asset must be valued on its individual merit. Finally, the portfolio should be constructed.

Portfolio Construction:

Under features of an investment programme, portfolio construction requires a knowledge of the different aspects of securities. These are briefly recapitulated here, consisting of safety and growth of principal, liquidity of assets after taking into account the stage involving investment timing, selection of investment,allocation of savings to different investments and feedback of portfolio.

2. Discuss about the Savings Schemes under Post Office Investments?

- Post Office Savings Account
- 5-Year Post Office Recurring Deposit Account (RD)
- Post Office Time Deposit Account (TD)
- Post Office Monthly Income Scheme Account (MIS).
- Senior Citizen Savings Scheme (SCSS)
- 15 year Public Provident Fund Account (PPF)
- .National Savings Certificates (NSC)
- .Kisan Vikas Patra (KVP)
- Sukanya Samriddhi Accounts (SSA)

Comparison of the various Post office savings schemes

Scheme	**Interest Rate**	**Minimum Investment**	**Maximum Investment**	**Eligibility**
Post Office Savings Account	4% per annum (p.a.)	–Rs 20 –Non-cheque facility – Rs 50	No limit	Resident Indian, minor and majors
Post Office Time Deposit Account (TD)	First year – 6.9% p.a. Second year – 6.9% p.a. Third Year – 6.9% p.a. Fourth Year – 7.7% p.a.	Rs 200	No limit	Individual
Post Office Monthly Income Scheme	7.6% per annum payable monthly	Rs 1,500	For one account holders – Rs 4.5 lakh	Individual

Account (MIS)			Joint account holders – Rs 9 lakh	
Senior Citizen Savings Scheme (SCSS)	8.6% p.a. (Compounded annually)	Rs 1,000	Maximum deposit over the lifetime allowed at Rs 15 lakh	Individual of age> 60 years or age >55 years who have opted for VRS or superannuation
15-year Public Provident Fund Account (PPF)	7.9% p.a. (Compounded annually)	Rs 500 per financial year	Rs 1.5 lakh per financial year	Individual
National Savings Certificates (NSC)	7.9% p.a. (Compounded annually)	Rs 100	No limit	Individual
Kisan Vikas Patra (KVP)	7.6% p.a. (Compounded annually)	Rs 1,000	No limit	Individual (Adult)
Sukanya Samriddhi Accounts	8.4% p.a. (Compounded annually)	Rs 1,000 per financial year	Rs 1.5 lakh per financial year	Girl Child – up to 10 years from birth and one additional year of grace

3.explain in detail the types of mutual funds?

1. **Money market funds**

These funds invest in short-term fixed income securities such as government bonds, treasury bills, bankers' acceptances, commercial paper and certificates of deposit. They are generally a safer investment, but with a lower potential return then other types of mutual funds. Canadian money market funds try to keep their net asset value (NAV) stable at $10 per security.

2. Fixed income funds

These funds buy investments that pay a fixed rate of return like government bonds, investment-grade corporate bonds and high-yield corporate bonds. They aim to have money coming into the fund on a regular basis, mostly through interest that the fund earns. High-yield corporate bond funds are generally riskier than funds that hold government and investment-grade bonds.

3. Equity funds

These funds invest in stocks. These funds aim to grow faster than money market or fixed income funds, so there is usually a higher risk that you could lose money. You can choose from different types of equity funds including those that specialize in growth stocks (which don’t usually pay dividends), income funds (which hold stocks that pay large dividends), value stocks, large-cap stocks, mid-cap stocks, small-cap stocks, or combinations of these.

4. Balanced funds

These funds invest in a mix of equities and fixed income securities. They try to balance the aim of achieving higher returns against the risk of losing money. Most of these funds follow a formula to split money among the different types of investments. They tend to have more risk than fixed income funds, but less risk than pure equity funds. Aggressive funds hold more equities and fewer bonds, while conservative funds hold fewer equities relative to bonds.

5. Index funds

These funds aim to track the performance of a specific index such as the S&P/TSX Composite Index. The value of the mutual fund will go up or down as the index goes up or down. Index funds typically have lower costs than actively managed mutual funds because the portfolio manager doesn’t have to do as much research or make as many investment decisions.

6. Specialty funds

These funds focus on specialized mandates such as real estate, commodities or socially responsible investing. For example, a socially responsible fund may invest in companies that support environmental stewardship, human rights and diversity, and may avoid companies involved in alcohol, tobacco, gambling, weapons and the military.

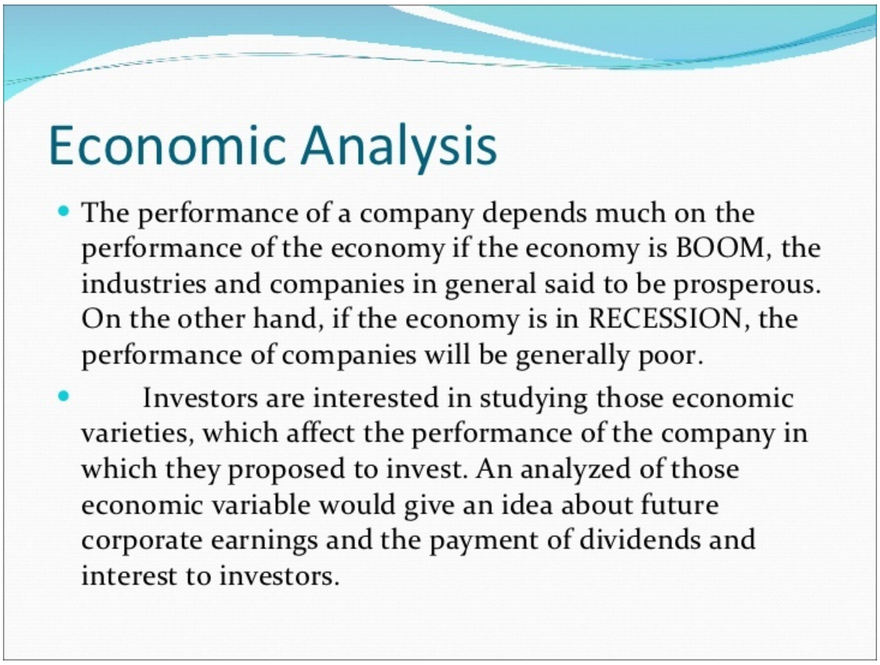
7. Fund-of-funds

These funds invest in other funds. Similar to balanced funds, they try to make asset allocation and diversification easier for the investor. The MER for fund-of-funds tend to be higher than stand-alone mutual funds.

4..Discribe the fundamental analysis?

Fundamental analysis consists of three main parts:

- Economic analysis
- Industry analysis
- Company analysis



Industry Analysis

Industry analysis indicates to an investor whether the industry is a growth industry or not. It gives an investor a choice of the industry in which the investments should be made.

Industry analysis refers to an evaluation of the relative strength and weakness of particular industries which can be divided in to three parts, viz.,

1. Life cycle of an industry
2. Characteristics of an industry
3. Profit potential of an industry

Company Analysis

It involves a close investigative scrutiny of the companies financial and non financial aspects with a view to identifying its strength, weaknesses and future business prospects.

The financial and non financial aspects are as follows:

- Marketing success
- Accounting Policies
- Profitability