

# Assignment - 1

## PART - A

1) Define Investment?

Investment is a monetary asset purchased with the idea that the asset will provide income in the future or will be sold at a higher price for a profit.

2) What are 4 concepts of investment?

- \* General Investment
- \* Business Investment
- \* Economic Investment
- \* Financial Investment

3) What is meant by securities forms of investment?

Investment Securities are purchased by the investors, with or without any middlemen or agent, only for the purpose of investment and to hold it for the long term.

4) What is meant by non-securities forms of investment?

Non-security forms are the securities that are difficult to buy and difficult to sell in the market because they are not being traded in any major secondary market and are traded generally sold and bought through the private transactions.

## PART - B

1) What are the objectives of financial investment?

\* Safety :-

Investors will invest their money always in safe & secure securities. The intuition of safety makes the investor to make more investment.

\* Income :-

The investor will have more interest on, more returns in short term.  
ex :- Corporate bonds

\* Capital growth :-

If a security is sold for a price that is higher than the price at which it was originally purchased is called as capital growth.

\* Tax exemption :-

The investor may pursue certain investments to leverage tax minimisation as part of their investment strategy.

\* Liquidity :-

The securities which can be immediately sold and easily converted into cash.

2) Explain concepts of Investment?

\* General investment :-

Investing in the private goods for the consumption is called as general investment. ex :- Gold, Vehicle, etc.

\* Business investment :-

Investing in the process of starting new business is called Business investment.

\* Economic investment :-

Investing in the matters like Production process is called as economic investment.

\* Financial investment :-

Investing in the shares, bonds, securities are called financial investments.

3) Short note on investment instrument?

Financial instruments can be real or virtual documents representing a legal agreement involving any kind of monetary value.

Types of financial instruments :-

\* Cash instruments :-

The values of cash instruments are directly influenced and determined by the markets. These instruments are easily transferable.  
ex :- deposits & loans.

\* Derivative instruments :-

- \* Company & Govt bond issues
- \* Stocks & equity investments
- \* Mutual funds & ETFs
- \* other investments.

#### 4) Methods of investment :-

##### \* Debt investments :-

Debt investments are any investments that can be purchased or traded in open debt markets.

##### \* Equity investments :-

Equity based investments are purchased or traded in markets.

##### \* Hybrid investment :-

These are investment type that mix both debt & equity.

ex:- Convertible bond - In which an investor has purchased a bond that has a feature whereby it is exchangeable for a certain no of stock shares of the issuing company.

#### 5) What are the nature & characteristics of investment?

##### \* Returns :-

It is an important factor, which determines investment decision with the main objective of deriving a return. The return is of two types namely, yield and capital appreciation. The dividend or interest received from the investment is known as yield, whereas the difference between the sale price and the purchase price is called capital appreciation.

##### \* Risk :-

Risk is inherent in any investment. It may relate to loss of capital, delay in repayment of capital, non-payment of interest, etc. The risk depends upon certain factors such as (1) Maturity period, (2) Credit worthiness of the borrower, (3) Nature of investment.

### \* Safety :-

It refers to the certainty of return of capital without loss of money or time. Every investor ~~has to~~ expects to get back his capital on maturity without loss and delay. As errors are unavoidable, in order to ensure safety of capital, investor should consider diversification of assets.

### \* Liquidity :-

An investment, which is easily saleable or marketable without loss of money and without loss of time, is said to possess liquidity  
(ex :- Equity shares)

## 6) Importance of investment?

### \* Planning for retirement :-

Investment decisions have assumed importance because people retire b/w the ages of 55 to 60. Therefore, the earnings (should) from employment should be calculated in such way that a portion of it should be saved. Savings do ~~not~~ not increase wealth. That must be invested to get returns.

### \* Increasing rates of tax :-

There are various forms of savings outlets in our country in the form of investments, which help in reducing the tax level by offering deductions in personal income.

### \* Interest rates :-

Interest rates differ depending upon the degree of risk. A high rate of interest

may not be the only factor to decide about the investment, stability of interest is also to be given importance.

### \* Increasing state of inflation :-

The investor has to think the factors for inflation and make a right choice which will act as a hedge against inflation. The medium selected should be capable of ensuring a high state of return as well as safety of principal.

### \* Larger incomes :-

Income of the people increases due to the increase in the employment opportunities will consequently, increase the capacity of people to save and willingness to invest.

### \* Availability of a complex no of investment outlets :-

The growth & development of a country led to greater economic activity. Hence the investors search for other investment medias, which can give higher state of return / capital appreciation. (ex :-) Shares, debendure, FD, life insurance policies, etc.,

### \* Other factors :-

- Legal safeguards
- Stable currency
- Existence of financial institutions
- Forms of business organisation.

- 1) Explain types of investment? (or)  
Discuss the securities & non-securities forms of investment?

Securities form of Investment :-

- 1) Direct Investment alternatives :-

Direct investment alternatives are those where the individual makes his own choice & investment decision. These include :- (i) Fixed principal investments  
(ii) Variable principal securities  
(iii) Non-security investments

- (i) Fixed principal investments :-

These investments are those whose principal amount and the terminal value are known with certainty. These investments includes the following :-

- (a) Cash :-

Cash has a definite & constant value. It does not earn any return, while in hand.

- (b) Savings A/c :-

Savings a/c have a fixed return. They differ only in terms of time period. However, only a very low return can be received but the principal amount is fixed plus interest earned.

- (c) Savings certificate :-

Here also the principal amount is fixed plus interest earned over time.

Ex :- National Savings certificate, bank Savings Certificate.

- (d) Government bonds :-

State gorts & central gort issue

govt bonds. These bonds are having a fixed maturity value. (ie) fixed rate of return over time.

### (e) Corporate bonds & debendures :-

Corporate bonds & debendures also have a fixed maturity value and a fixed rate of return over time.

### 2) Variable principal Securities :-

The variable principal Securities are those whose terminal values are not known with certainty. These investments include the following :-

#### (a) preference shares :-

Even though preference shares have a fixed return, the price of preference shares is determined by demand & supply forces.

#### (b) Equity shares :-

It is a security that represents ownership interest in a company. They have neither fixed return nor maturity period.

#### (c) Convertible Securities :-

It can be such as convertible into equity shares with prescribed conditions thus it have features of fixed principal securities (supplemented by the possibility of a variable terminal value.



## Non - security forms of investments :-

### 1) Real estate :-

It denotes the ownership of residential as well as commercial properties. The terminal value of real estate is uncertain.

### 2) Mortgages :-

It denotes the financing of real estates. Principal is recovered at a stated maturity date.

### 3) Commodities :-

In purchase of goods, we pay price for them.

### 4) Business Ventures :-

It denote direct ownership investments in new or growing business before firms sells securities on a public basis.

### 5) Art, Antiques & other variables :-

There are also another type of special investments, which offer as aesthetic qualities also.

## Indirect - Investment Alternatives :-

- \* Pension fund
- \* Provident fund
- \* Insurance
- \* Investment companies
- \* UTI & other trust companies.

3) Explain the (Sources of investment information)

Sources of investment information:

1) Affairs of the world :-

- 1) Indian financial journals
- 2) Foreign publications
- 3) Indian publications
- 4) other foreign publications

2) Domestic economic factors :-

- 1) Daily news papers
- 2) Financial journals
- 3) Business India
- 4) Business today
- 5) Economic Survey
- 6) Fortune India

3) Domestic political factors :-

- 1) General Newspapers
- 2) Financial newspapers
- 3) Journals
- 4) Papers of political parties

4) Industry related information :-

- 1) Commerce chambers
- 2) Merchants chambers
- 3) Agencies
- 4) Planning Commission
- 5) Govt of India
- 6) Industrial publications
- 7) Commerce ministerial publications

5) Corporate data :-

- 1) Daily financial papers
- 2) Journals
- 3) BSE
- 4) Computer Softwares
- 5) Write ups of financial analysts

## 6) Stock market information :-

- 1) News Letters
- 2) Financial journals
- 3) chartered financial analyst
- 4) Financial papers
- 5) SEBI

## 7) Stock market quotations :-

- 1) Daily quotation
- 2) Papers
- 3) OTCEI
- 4) NSE
- 5) Price quotation of RBI, BSE
- 6) Capital market
- 7) Dalal Street
- 8) Index by financial dailies.

## 8) Market information :-

- 1) Money market
- 2) Forex market
- 3) RBI Bulletin
- 4) CMIE report
- 5) London Economist
- 6) Far eastern economic review
- 7) Wall Street journal
- 8) Govt. Securities market.

## 9) Data on mutual funds :-

- 1) Investment weekly
- 2) Investors india
- 3) Daily financial papers
- 4) Report on Stock market
- 5) Association of mutual funds.

## 10) Data on primary market :-

- 1) PRIME
- 2) Merchant bankers
- 3) RBI
- 4) SEBI
- 5) Dept. of company affairs.