SEMESTER II

INVESTMENT MANAGEMENT

Programme: M.Com (Applied Finance) **Max Marks: 100**
Course Code:P20/COM/DSC/203 **Max Hours 75**
Course Type: DSC **Hours per week: 5 hrs**
No. of Credits: 4

Course Objective:

The objective of the course is to familiarize the students with the principles and practice of Investment Management. The course will also acquaint the students with the functioning of the Indian Capital Market.

Course Outcomes:

CO1: Describe and to analyze the investment environment, different types of investment vehicles.
CO2: Enumerate and describe the various financial assets
CO3: Describe the nuances of Indian capital market
CO4: Discuss and apply the trading procedures applicable to Indian capital market
CO5: Describe and calculate risk and expected return of various investment securities
CO6: Calculate and analyse expected return of various investment tools and the investment portfolio
CO7: Describe and examine the theory of Portfolio Management
CO8: Discuss and apply the Markowitz model
CO9: Describeand apply the Portfolio Management Models in the construction of an efficient Portfolio
CO10: Discuss and applySharpe Single Index Model
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MODULE I - INTRODUCTION: **(15 Hrs)**

Investment: Meaning – Characteristics – Importance – Objectives – Factors of Sound Investment – Investment Environment – Investment Media – Principles of Investment – Speculation – Gambling – Investment Process (Theory).

Financial Assets: Meaning – Classification – Shares – Debentures – Bonds – Innovative Financial Assets- Properties of Financial Assets (Theory).

MODULE II - INDIAN CAPITAL MARKETS - AN OVERVIEW: **(15 Hrs)**

Primary Market: Meaning – Growth and Development – Role of NIM – Methods of Issues – Parties Involved – Allotment Process – Investor Protection – Recent Trends (Theory).

Secondary Market: Meaning – History – Functions – Regulatory Framework – Listing and Delisting of Securities – Trading Procedure – Stock Exchanges in India – Growth of Stock Exchanges in India – SEBI – Its Functions and Role (Theory).

MODULE III - RISK AND RETURN ANALYSIS: ***(*15 Hrs)**

Return: Meaning – Holding Period Return – Equivalent Annual Return – Expected Value of Return – Measuring Returns from Historical Data – Measuring Average Returns over Multiple Period – Arithmetic Average – Geometric Average – Rupee Weighted Average Return (Including Problems).

Risk: Meaning – Sources of Risk – Market Risk – Interest Risk – Interest Rate Risk – Purchasing Power Risk – Business Risk – Financial Risk – Types of Risk – Systematic Risk – Unsystematic Risk – Risk Aversion and Risk Premium – Measurement of Risk – Range as a Measure of Risk – Standard Deviation as a Measure of Risk –β as a Measure of Risk (Including Problems).

MODULE IV - PORTFOLIO ANALYSIS: **(15 Hrs)**

Portfolio Analysis: Meaning – Traditional Vs Modern Portfolio Analysis – Return on Portfolio – Risk on Portfolio – Diversification of Investments – Reduction of Portfolio Risk through Diversification – Security Returns Perfectly Positively Correlated – Security Returns Perfectly Negatively Correlated – Security Returns Uncorrelated (Including Problems)

Markowitz Model: Assumptions – Parameters – Effect of Combining Two Securities – Interactive Risk Through Covariance – Coefficient of Correlation – Change in Portfolio Proportions – Concept of Dominance – Limitations of Markowitz Model (Including Problems).

MODULE V - PORTFOLIO SELECTION: **(15 Hrs)**

Portfolio Selection: Meaning – Feasible Set of Portfolios – Efficient Set of Portfolios Selection of Optimal Portfolios (Including problems).

Sharpe Single Index Model: Measuring Security Return and Risk – Measuring Portfolio Return and Risk – Multi Index Model (Including Problems).

Suggested readings:

1. Agarwal: A Guide to Indian Capital Market, New Delhi;
2. Avadhani, V.A: lndian Capital Markets, Himalaya;
3. Mayo: Investments, 7e Thomson;
4. Bhalla, V.K: Investment Management. S. Chand & Co.;
5. Reilly: Investment Analysis and Portfolio Management, Thomson;
6. Kevin, S: Security Analysis Portfolio Management, PHI;
7. Fabozzi, Frank J: Investment Management, Prentice Hall;
8. Fischer, Donald, E. and Ronald, J.Jordan: Security Analysis & Portfolio Management, PHI;
9. Strong: Portfolio Construction and Management, PHI;
10. Sharpe etal: Investments, PHI;
11. Machi Raju, H.R: Working of Stock Exchanges in India: Wiley Eastern Ltd;
12. Preeti Singh: Investment Management, Himalaya;
13. Sulochana, M: Depository System - Problems & Prospects, Kalyani.
14. Sulochana, M: Investment Management, Kalyani;
15. Shashi K. Gupta and Rosy Joshi: Security Analysis and Portfolio Management, Kalyani;
16. Gangadhar V. And G. Ramesh Babu: Investment Management, Anmol.

INVESTMENT MANAGEMENT

MODEL QUESTION PAPER

COURSE CODE: P20/COM/DSC/203 **MAX.MARKS: 60**
TIME: 2 ½ HRS

SECTION A

I. Answer any FIVE **5 X 2 = 10**

1. Capital Market
2. NSE
3. Efficient Portfolio.
4. Systematic Risk Vs Unsystematic Risk
5. Investment Vs Gambling
6. Efficient portfolio
7. Portfolio Selection
8. Financial Assets

SECTION – B

II. Answer any FIVE **5 X 10 = 50**

9. Explain the concept of Financial Assets and list out the Properties of Financial Assets.

Distinguish between the major financial assets debt and equity.

OR

10. Explain investment process and enumerate the guiding principles of investment.

11. Explain about the Functions and Role SEBI

OR

12. What is capital market? Explain the structure of capital market?

13. Explain the concept of risk and the types of risk in detail.

OR

14. Calculate the Find the expected rate of return and standard deviation:

Probability	Return
20%	-24%
30%	0

30%	5%
20%	25%

15. Explain the Markowitz model

OR

16. The historical rates of return of two securities over the past 10 years are given. Calculate the covariance and the correlation of the two securities.

Year	Security 1 Return (%)	Security 2 Return (%)
1	12	20
2	8	22
3	7	24
4	14	18
5	16	15
6	15	20
7	18	24
8	20	25
9	16	22
10	22	20

17. Consider a portfolio of four securities with the following characteristics:

Security	Weight	α_i	β_i	Residual variance (σ_{ei}^2)
1	0.2	2	1.2	320
2	0.3	1.7	0.8	450
3	0.1	-0.8	1.6	270
4	0.4	1.2	1.3	180

Calculate the return and risk of the portfolio under single index model, if the return on market index is 16.4% and the standard deviation of return on market index is 14%.

OR

18. Explain the concept of efficient frontier in the context of portfolio selection. What is an optimal portfolio and how is it identified?