

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD  
(Department of Business Administration)**

**INVESTMENT AND SECURITIES MANAGEMENT (8545)**

**CHECKLIST**

**SEMESTER: SPRING 2014**

This packet comprises the following material:

1. Text Book (one)
2. Course Outlines
3. Assignment No. 1, 2
4. Assignment Forms ( 2 sets )

In this packet, if you find anything missing out of the above mentioned material, please contact at the address given below:

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**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD**  
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**WARNING**

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENT(S) BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

**ASSIGNMENT No. 1**

**Course: Investment and Securities Management (8545)**  
**Level: MBA (3½ Years / 2½ Years)/M.Com**

**Semester: Spring 2014**  
**Total Marks: 100**  
**Pass Marks: 50**

- Q. 1 List down the money and capital market securities. Discuss the important features of these securities in detail. **(20)**
- Q. 2 Discuss in detail the functions and processes of an open-end and close-end investment company operating in Pakistan. **(20)**
- Q. 3 Discuss the role of Securities and Exchange Commission of Pakistan (SECP) and Stock Exchanges in strengthening of the financial markets operating in Pakistan. **(20)**
- Q. 4 (a) The YTM for an 8 percent, 15-year bond is 10 percent. Calculate the price of a bond. **(08)**  
(b) A 10 percent coupon bond with 12 years to maturity is currently selling for Rs.912.50. Determine the modified duration for this bond. **(12)**
- Q. 5 (a) Explain the features of various determinants of required rate of return. **(05)**  
(b) During the past 5 years, Ahmad owned two stocks that had the following annual rates of return:

<b>Year</b>	<b>Stock T</b>	<b>Stock B</b>
1	0.19	0.08
2	0.08	0.03
3	-0.12	-0.09
4	-0.03	0.02
5	0.15	0.04

**Required:**

- (i) Compute the Arithmetic mean annual rate of return for each stock. Which stock is most desirable by this measure?
- (ii) Compute the Geometric mean rate of return for each stock.
- (iii) Discuss the difference between Arithmetic mean return and the Geometric mean return for each stock you calculated in part (i) and (ii). **(15)**

## **GUIDELINES FOR ASSIGNMENT No. 1**

You should look upon the assignments as a test of knowledge, management skills, and communication skills. When you write an assignment answer, you are indicating your knowledge to the teacher:

- Your level of understanding of the subject;
- How clearly you think;
- How well you can reflect on your knowledge & experience;
- How well you can use your knowledge in solving problems, explaining situations, and describing organizations and management;
- How professional you are, and how much care and attention you give to what you do.

To answer a question effectively, address the question directly, bring important related issues into the discussion, refer to sources, and indicate how principles from the course materials apply. The student must also be able to identify important problems and implications arising from the answer.

The references should be given at the end of the assignment. For citing references, writing bibliographies, and formatting the assignment, APA format should be followed.

## **ASSIGNMENT No. 2**

**Total Marks: 100**  
**Pass Marks: 50**

This assignment is a research-oriented activity. You are required to obtain information from a business/commercial organization and prepare a report of about 1000 words on the issue allotted to you to be submitted to your teacher for evaluation.

You are required to select one of the following issues according to the last digit of your roll number. For example, if your roll number is P-3427180 then you will select issue # 0 (the last digit):-

### **ISSUES/TOPICS:**

0. Direct and Indirect Investing in Pakistan
1. Capital and Money Market Securities
2. Investment Company and Its Functions
3. Market Analysis
4. Fundamental analysis
5. Strategies for Investment in Bonds
6. Measurement of Risk and Return for Long-term Investment
7. Non-Marketable Financial Assets in Pakistan
8. Behavioral Finance
9. Significance of Portfolio Management for an Investor

## **GUIDELINES FOR THE PREPARATION OF ASSIGNMENT # 2**

### **The report should follow the following format:**

1. Title page
2. Acknowledgements
3. An abstract (one page summary of the paper)
4. Table of contents
5. Introduction to the issue (brief history & significance of issue assigned)
6. Data collection methods
7. Conclusion (one page brief covering important aspects of your report)
8. Recommendations (specific recommendations relevant to issue assigned)
9. References (as per APA format)
10. Annexes (if any)

### **Other Guidelines:**

- 1.5 line spacing
- Use headers and subheads throughout all sections
- Organization of ideas
- Writing skills (spelling, grammar, punctuation)
- Professionalism (readability and general appearance)
- Do more than repeat the text
- Express a point of view and defend it.

You should use transparencies and any other material for effective presentation. The transparencies are not the presentation, but only a tool; the presentation is the combination of the transparencies and your speech. Workshop presentation transparencies should only be in typed format.

You are required to prepare two copies of 2nd assignment. Submit one copy to your tutor/ teacher for evaluation and the second copy for presentations in the workshop in the presence of the resource person and classmates, which will be held at the end of the semester prior to the final examination.

### **GUIDELINES FOR WORKSHOP PRESENTATION:**

- Make eye contact and react to the audience. Don't read from the transparencies or from report, and don't look too much at the transparencies (occasional glances are acceptable to help in recalling the topic to cover).
- A 15-minute presentation can be practiced several times in advance, so do that until you are confident enough. Some people also use a mirror when rehearsing as a substitute for an audience.

### **WEIGHTAGE OF THEORY & PRACTICAL ASPECTS IN ASSIGNMENT # 2 & WORKSHOP PRESENTATIONS:**

Assignment # 2 & workshop presentations are evaluated on the basis of theory & its applicability. The weightage of each aspect would be:

Theory	60%
Applicability (practical study of the organization)	40%

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Course: **Investment and Securities Management**  
Level: **MBA (3½ Years / 2½ Years)/M.Com**

Course Code: **8545**  
Credit Hours: **03**

**Unit–1 Investments and Financial Securities**

- 1.1. Background for Understanding Investment
  - 1.1.1 Nature of Investment
  - 1.1.2 Understanding Investment Process
  - 1.1.3 External Factors Affecting Decision Process
- 1.2. Organizing Financial Assets
  - 1.2.1 Direct and Indirect Investing
  - 1.2.2 Non-Marketable Financial Assets
  - 1.2.3 Capital and Money Market Securities
  - 1.2.4 Derivative Securities

**Unit–2 Indirect Investment and Financial Markets**

- 2.1. Investment Company and Its Types
- 2.2. Investing Indirectly through Investment Companies
- 2.3. Major Types of Mutual Funds
- 2.4. Mechanics of Investing Indirectly
- 2.5. Performance Measures of Investment Company
- 2.6. Future Prospects of Indirect Investing in Pakistan
- 2.7. Hedge Funds
- 2.8. Securities Markets
  - 2.8.1 Primary and Secondary Markets
  - 2.8.2 Bond Markets
  - 2.8.3 Changing Securities Markets
  - 2.8.4 Globalization of Securities Market

**Unit–3 Trading of Securities and Risk Concepts**

- 3.1. Trade of Securities
  - 3.1.1 Brokerage Transactions
  - 3.1.2 Orders on Stock Exchanges
  - 3.1.3 Investor Protection in Securities Markets
  - 3.1.4 Short Sales
- 3.2. Investment Risk and Return
  - 3.2.1 Measuring Returns and Risk
  - 3.2.2 Estimating Returns and Risk
  - 3.2.3 Return-Risk Relationship

**Unit–4 Portfolio Management and Capital Market**

- 4.1. Portfolio Management
  - 4.1.1 Portfolio Risk and Return
  - 4.1.2 Use of Markowitz Portfolio Selection Model
  - 4.1.3 Selection of Optimal Asset Classes
  - 4.1.4 Impact of Diversification on Risk

- 4.2. Capital Market
  - 4.2.1 Capital Market Theory and Assumptions
  - 4.2.2 Equilibrium Risk-Return Trade Off
  - 4.2.3 Security Market Line and Its Estimation
  - 4.2.4 Arbitrage Pricing Theory

**Unit–5 Common Stock: Analysis, Valuation and Management**

- 5.1. Common Stocks
  - 5.1.1 Reason for Investors to Buy Stocks
  - 5.1.2 Common Stock Risk and Return
  - 5.1.3 Historical Returns and Risk for Common Stock
- 5.2. Common Stock Valuation
  - 5.2.1 Present Value Approach
  - 5.2.2 P/E Ratio Approach
  - 5.2.3 Other Valuation Techniques
- 5.3. Common Stock: Analysis and Strategy
  - 5.3.1 Building Stock Portfolios
  - 5.3.2 Active and Passive Strategies for Common Stock
- 5.4. Market Efficiency
  - 5.4.1 Efficient Markets and Its Types
  - 5.4.2 Evidence on Market Efficiency
  - 5.4.3 Behavior Finance and Market Anomalies
  - 5.4.4 Earnings Announcements

**Unit–6 Security Analysis**

- 6.1. Market Analysis
  - 6.1.1 Economy Assessment
  - 6.1.2 Understanding the Stock Market
  - 6.1.3 Forecasting Changes in Market/Economy
- 6.2. Industry Analysis
  - 6.2.1 Industry and Its Classification
  - 6.2.2 Performance of Industries Over Time
  - 6.2.3 Analyzing Industries
- 6.3. Company Analysis
  - 6.3.1 Fundamental Analysis
  - 6.3.2 Accounting Aspects of Earnings
  - 6.3.3 Companies Profitability Analysis
  - 6.3.4 P/E Ratio
- 6.4. Technical Analysis
  - 6.4.1 Technical Analysis and Its Framework
  - 6.4.2 Stock Price and Volume Techniques
  - 6.4.3 Technical Indicators
  - 6.4.4 Testing Technical Analysis Strategies

**Unit–7 Fixed Income Securities: Analysis, Valuation and Management**

- 7.1. Bond Prices and Yields
  - 7.1.1 Valuation of Bonds
  - 7.1.2 Fluctuations in Bond Prices

- 7.2. Bond Analysis and Strategy
  - 7.2.1 Reasons to Buy Bonds
  - 7.2.2 Consideration in Managing Bond Portfolio
  - 7.2.3 Bond Strategies and Management

**Unit–8 Derivative Securities**

- 8.1. Reasons to Buy Derivative Securities
- 8.2. Options
  - 8.1.1 Options: Concept and Valuation
  - 8.1.2 Payoffs and Profits from Basic Option Position
  - 8.1.3 Some Basic Option Strategies
  - 8.1.4 Investors Perspective on Puts and Calls
  - 8.1.5 Stock Index Options and Interest Rate Options
- 8.3. Future Market
  - 8.2.1 Future Market: Structure and Types
  - 8.2.2 Mechanics of Trading
  - 8.2.3 Using Future Contracts

**Unit–9 Additional Investment Opportunities**

- 9.1. Warrants and Its Valuation
- 9.2. Speculative Value of a Warrant
- 9.3. Convertible Bonds
- 9.4. Risk and Return on Convertibles
- 9.5. Convertible Preferred Stock and Its Valuation

**Recommended Books:**

Jones, C. P. (2006). *Investment Analysis and Management* (10<sup>th</sup> ed.). U.S.A.: Wiley John & Sons

Fischer, D. E. & Jordan, R. J. (2006). *Security Analysis and Portfolio Management* (6<sup>th</sup> ed.). New Delhi: Prentice-Hall of India Private Ltd.

Reilly, F. K. & Brown, K. C. (2005). *Investment Analysis and Portfolio Management* (8<sup>th</sup> ed.). Ohio, U.S.A.: South-Western College.

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