

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

INVESTMENT AND SECURITIES MANAGEMENT (8715)

CHECK LIST

SEMESTER: AUTUMN, 2012

This packet comprises following material:-

1. Text Book
2. Course Outline
3. Assignment No.1, 2.
4. Assignment Forms (two 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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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 ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

Course: Investment and Securities Management (8715) Semester: Autumn, 2012
Level: MS (Management Sciences) Total Marks: 100
Pass Marks: 50

ASSIGNMENT No. 1

Note: All questions are compulsory.

- Q. 1 Discuss in detail the nature and performance of investment firms functioning in Pakistan. **(20)**
- Q. 2 (a) Discuss the scope of mutual funds in Pakistan. **(12)**
(b) Many people advocate mutual funds for small investors. They suggest that the best strategy for small investors is to buy shares in a good mutual fund and put them away. What do you think of this advice? **(08)**
- Q. 3 The following are annual rates of return for U.S government T-bills and U.K. common stocks:

Year	U.S. Government T-Bills	U.K. Common Stock
2006	0.063	0.150
2007	0.081	0.043
2008	0.076	0.374
2009	0.090	0.192
2010	0.085	0.106

Required:

Compute the Arithmetic mean rate of return and the geometric mean rate of return for each of these investments. Compare the arithmetic mean return and geometric mean return for each investment. **(20)**

- Q. 4 Discuss in detail the different kinds of risk associated with investments in Pakistan for the foreigners and locals institutional investors. **(20)**
- Q. 5 As a bond investor, which investing in corporate bonds, which bonds strategy(ies) would you like to prefer in case of high fluctuations in the rate of interest in Pakistan? **(20)**

ASSIGNMENT No. 2

Total Marks: 100

Note: All questions are compulsory.

- Q. 1 (a) Describe why estimating the value for a bond is easier than estimating the value for common stock? (08)
(b) Give an example of and discuss a stock that has temporary, supernormal growth where it would be appropriate to use the modified dividend discount model (DDM). (12)
- Q. 2 (a) Explain the main investment attractions of put and call options. (08)
(b) Discuss in detail the variables involved in estimating the value of a call option. Which variable do you think is the most important? (08)
- Q. 3 “Convertible bonds are hybrid instruments that produce a non-linear distribution of returns.” Discuss the statement in detail. (20)
- Q. 4 Select two financial institutions of your choice and analyze those companies using the technique of fundamental analysis. (20)
- Q. 5 Select a financial institution and discuss its process of measuring portfolio performance for its generated investment portfolios. (20)
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INVESTMENT AND SECURITIES MANAGEMENT (COURSE OUTLINE–8715)

UNIT–1 BACKGROUND

- 1.1 Nature of Investment
- 1.2 Understanding Investment Process
- 1.3 Types of Securities Available Worldwide

UNIT–2 INVESTMENT ALTERNATIVES

- 2.1 Investment Companies and Its Types
- 2.2 Types of Mutual Funds
- 2.3 Investment company Performance
- 2.4 Future Prospects of Indirect Investing in Pakistan
- 2.5 Securities Markets and Its Types
- 2.6 Globalization of Securities Market in Pakistan

UNIT–3 TRADING OF SECURITIES AND RISK CONCEPTS

- 3.1 Trade of Securities
 - 3.1.1 Brokerage Transactions
 - 3.1.2 How Orders Work

- 3.1.3 Investor Protection in the Securities Markets
- 3.1.4 Short Sales
- 3.2 Return and Risk Concepts
 - 3.2.1 Return
 - 3.2.2 Measuring Returns and Risk
 - 3.2.3 Estimating Returns and Risk
 - 3.2.4 The Return-Risk Relationship
- 3.3 process of Securities Trading in Pakistan
- 3.4 Types of Risk Associated with Investment in Pakistan

UNIT-4 FIXED INCOME SECURITIES: ANALYSIS, VALUATION AND MANAGEMET

- 4.1 Bonds and Its Types
- 4.2 Bond Returns and Risks
- 4.3 Bond Prices and Yields
- 4.4 Bond: Analysis and Strategy
 - 4.4.1 Reasons to Purchase Bonds
 - 4.4.2 Important Consideration in Managing a Bond Portfolio
 - 4.4.3 The Risk Structure of Interest Rates-Yield Spreads
- 4.5 Bond Strategies and Management in Pakistan

UNIT-5 COMMON STOCK: ANALYSIS, VALUATION AND MANAGEMENT

- 5.1 Concept of Common Stocks
- 5.2 Common Stock Market: Buying & Selling Stock
- 5.3 Common Stock Risks and Returns
- 5.4 Common Stock Valuation Techniques
- 5.5 Common Stock: Analysis and Strategy

UNIT-6 DERIVATIVE SECURITIES

- 6.1 Understanding Options
- 6.2 Some Basic Option Strategies
- 6.3 Option Valuation
- 6.4 An Investors Perspective on Puts and Calls
- 6.5 Stock Index Options and Interest Rate Options
- 6.6 Understanding Futures Market and Its Structure

UNIT-7 ADDITIONAL INVESTMENT OPPURTUNITIES & EFFICIENT MARKET

- 7.1 Warrants and Convertible Securities
 - 7.1.1 Warrants and its Valuation
 - 7.1.2 Speculative Value of a Warrant
 - 7.1.3 Convertible Securities
 - 7.1.4 Risk and Return on Convertibles
 - 7.1.5 Convertible Preferred Stock

- 7.2 Market Efficiency
 - 7.2.1 Concept of Efficient Market
 - 7.2.2 Implication of Efficient Market Hypothesis
 - 7.2.3 Evidence of Market Anomalies

UNIT-8 SECURITY ANALYSIS

- 8.1 Market Analysis
 - 8.1.1 Understanding the Stock Market
 - 8.1.2 Market Valuation
 - 8.1.3 Forecasting Changes in the Market/Economy
- 8.2 Industry Analysis
- 8.3 Company Analysis
 - 8.3.1 Fundamental Analysis
 - 8.3.2 Additional Company Analysis
- 8.4 Technical Analysis

UNIT -9 INVESTMENT MANAGEMENT

- 9.1 Portfolio Management as a Process
- 9.2 Portfolio Selection
 - 9.2.1 Use Markowitz Portfolio Selection Model
 - 9.2.2 Consider Borrowing and Lending Possibilities
 - 9.2.3 Choose the Final Portfolio Based on Preferences
 - 9.2.4 Implication of Portfolio Selection
- 9.3 Capital Market
 - 9.3.1 Assumption of CAPM
 - 9.3.2 Market Portfolio
 - 9.3.3 Estimating SML

Recommended Books:

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

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

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

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