ASSIGNMENT

Course Code	**:**	**MMPF-004**
Course Title	**:**	**Security Analysis and Portfolio Management**
Assignment Code	**:**	**MMPF-004/TMA/JAN/2026**
Coverage	**:**	**All Blocks**

Note: Attempt all the questions and submit this assignment to the coordinator of your study centre. Last date of submission for January 2026 session is 30th April, 2026 and for July 2026 session is 31st October, 2026.

1. Explain the concept of investment. Discuss in detail the steps involved in the investment process.

2. (a) Critically evaluate the role of SEBI as stock market developer and regulator.

   (b) The common stock of GVK Ltd. is currently selling for Rs. 70 per share. Dividend per share has grown from Rs. 2 to the current level of Rs. 6 over the past ten years and this dividend growth is expected to continue in future also. What is the required rate of return of the GVK Ltd.?

3. "Economic forecasting is the heart of economic analysis." Explain this statement and describe the various techniques of economic forecasting.

4. Explain the Dow Theory. Is it useful in predicting the price behaviour of stocks? Is the Dow Theory applicable to the Indian stock market?

6. Discuss the CAPM and its application in portfolio selection. Explain the relationship between SML, CML and Characteristic Line.

1. Explain the concept of investment. Discuss in detail the steps involved in the investment process.

Answer

Investment means committing money or other resources to an asset today with the expectation of receiving benefits in the future. The investor gives up present purchasing power for future income, capital appreciation, or both. In securities markets, an investment can take the form of shares, bonds, debentures, government securities, mutual fund units and similar financial assets. Investment can also be made in real assets such as property, gold or business assets. The essential idea is that the decision is made for a future reward and therefore always involves some degree of uncertainty.

A proper investment decision balances three closely related considerations: return, risk and liquidity. Return is the income and increase in value expected from the asset. Risk is the possibility that the actual result will differ from the expected result or that part of the capital may be lost. Liquidity shows how easily the asset can be converted into cash at a fair price. Safety, tax implications, inflation protection and the time period of the investment may also matter. An investor should therefore not judge an asset only by its promised return. A high return may be accompanied by high risk, poor liquidity or an unsuitable time horizon.

Investment is also different from speculation. Investment is normally based on a reasoned assessment of value, risk and the investor's objectives, while speculation gives greater importance to short-term price changes and usually accepts more uncertainty. A disciplined investment process therefore reduces dependence on rumours, excitement and temporary market movements.

Steps involved in the investment process

(1) Formulation of investment objectives and policy. The first step is to decide what the investor wants the money to achieve. The objective may be preservation of capital, regular income, long-term growth, funding education or retirement, or a combination of these goals. The investor's required return should be considered together with risk tolerance. Time horizon, liquidity needs, tax position, legal restrictions, existing assets and future liabilities are also important. For example, a person investing for retirement after twenty years can normally tolerate more short-term fluctuation than a person who needs the money after one year. A written investment policy gives direction to later decisions and reduces the possibility of emotional trading.