



MUTHAYAMMAL ENGINEERING COLLEGE

(An Autonomous Institution)

(Approved by AICTE, New Delhi, Accredited by NAAC & Affiliated to Anna University)
Rasipuram - 637 408, Namakkal Dist., Tamil Nadu.



MUST KNOW CONCEPTS

MKC

MBA

2021-2022

Course Code & Course Name : 19MBC013-SECURITY ANALYSIS AND PORECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Year/Sem/Sec : II/III/-

S.No.	Term	Notation (Symbol)	Concept / Definition / Meaning / Units / Equation / Expression	Units
Unit-I : OVERVIEW OF INVESTMENT				
1.	Investment		Asset acquired for the purpose of producing income and/or capital gains for its owner.	I
2.	Intrinsic value		Difference between the strike price of a traded option and the market value of the underlying security	I
3.	Investment strategy		Investor's long-term distribution of assets among various asset classes, taking into consideration, for example, goals of the trustee group, attitude to	I
4.	Speculation		Investment in highly risky securities with the expectation of making a profit from price increases. In some instances, the speculator's decisions are not based on sound investment principles.	I
5.	Risk		Likelihood of a return different from that expected and the possible extent of the difference. Downside risk is the	I
6.	Return		Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period	I
7.	Equities		Commonly used term for ordinary shares	I
8.	Dividend yield		Return to investors represented by a company's dividend per share divided by its current share price.	I
9.	Earnings		Net profits of a company available for distribution to shareholders	I

10.	Present value		Value in today's terms of future cash flows discounted at some appropriate rate of interest	I
11.	Exchange rate		Measure of the value of one country's currency in terms of another	I
12.	Primary market		Market in which securities are sold at the time they are first issued.	I
13.	NASDAQ		National Association of Securities Dealers Automated Quotations System.	I
14.	Market price		Security's last reported sale price	I
15.	Market risk		Risk, representing the probability of an adverse change in value, which is common to an entire class of assets or	I
16.	Maturity date		Date upon which the last payment is made under a fixed interest stock or bond.	I
17.	Bear market		Period of sustained stock market decline. Opposite of bull market.	I
18.	Bond		Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.	I
19.	NSE		National Stock Exchange	I
20.	BSE		Bombay Stock Exchange	I
21.	OTCEI		Over-the-Counter Exchange of India	I
22.	Economic analysis		Economic analysis is the study of economic systems. It may also be a study of a production process or an industry.	I
23.	Industry Life Cycle		Industry Life Cycle refers to the five stages an industry goes through: Introduction, Growth, Shakeout, Maturity, Decline.	I
24.	Company analysis		Company analysis is a process carried out by investors to evaluate securities, collecting info related to	I
25.	Market share		The portion of a market controlled by a	I

			particular company or product	
Unit-II : STOCK MARKETS				
26.	Market share		The portion of a market controlled by a particular company or product	II
27.	Profit		A financial gain, especially the difference between the amount earned	II
28.	Forecasting		Predict or estimate (a future event or trend).	II
29.	Valuation		An estimation of the worth of something, especially one carried out by a professional valuer.	II
30.	Investor		A person or organization that puts money into financial schemes, property, etc. with the expectation of achieving a profit.	II
31.	AMC		Annual management charge.	II
32.	Annuity		Contract designed to provide regular payments to the policyholder in return for an initial lump sum payment.	II
33.	Market indicators		Technical measurements used by market analysts to forecast the market's direction, such as the volume of trading or the direction of interest rates.	II
34.	Cyclical trend		Recurring movements in prices or interest rates, usually linked to stages in the business cycle.	II
35.	Money market		Market for short-term loans and deposits.	II
36.	NPV		Net present value	II
37.	Option		Right, but not obligation, to buy or sell a security at an agreed price within an agreed time period.	II
38.	oscillator		A device for generating oscillatory electric currents or voltages by non-mechanical means.	II
39.	Performance		A task or operation seen in terms of how successfully it is performed.	II
40.	Technical analysis		Attempt to predict share price	II

			movements on the basis of past patterns.	
41.	Portfolio		Block of assets generally managed under the same mandate.	II
42.	Portfolio manager		Fund manager.	II
43.	CAPM		The Capital Asset Pricing Model	II
44.	Mutual fund		Aan open-ended pooled fund operated by an investment manager	II
45.	Present value		Value in today's terms of future cash flows discounted at some appropriate rate of interest.	II
46.	Asset manager		Firm or individual who manages (i.e. buys and sells) a portfolio of assets.	II
47.	Mean		Average amount or value	II
48.	Alternative investments		Investments that do not fit into the mainstream areas of equities, bonds and property, and which would normally only form a small proportion of pension plan portfolios.	II
49.	Hedging		Action taken to protect the value of a portfolio against a change in market prices, often by offsetting the exposure to a specific risk by entering a position in an investment with the exact opposite pay-off pattern.	II
50.	Voting rights		Entitlement of an ordinary shareholder to participate in the running of a company by voting on resolutions.	II

Unit-III : FUNDAMENTAL ANALYSIS

51.	Allotment Letter		Document of title issued to investors by companies stating allotment of shares/debentures /other securities to applicants subscribing for such securities	III
52.	Alpha		In a Jensen Index, a factor to represent the portfolio's performance that diverges from its beta, representing a measure of the manager's performance	III
53.	AMBI		Association of Merchant Bankers in India	III

54.	Analyst		A firm / company / an individual who is engaged either on his own behalf or on behalf of any other firm or organization that is regularly publishing securities recommendations based on research either through print media and /or electronic media.	III
55.	Appreciation		A rise in the price of a security or in the value of one currency in terms of another.	III
56.	Arbitration		An alternative dispute resolution mechanism provided by a stock exchange for resolving disputes between the trading members and their clients in respect of trades done on the exchange.	III
57.	Asian option		An option whose pay-off depends on the average value of an underlier over a specified period.	III
58.	Asset Allocation		The process of determining the optimal division of an investor's portfolio among different assets. Most frequently this refers to allocations between debt, equity, and cash	III
59.	Asset allocation fund		A mutual fund that splits its investment assets among stocks, bonds, and other vehicles in an attempt to provide a consistent return for the investor.	III
60.	Asset-backed securities		Securities backed by assets that are not mortgage loans. Examples include assets backed by automobile loans, credit card receivables and others	III
61.	Asset Management Company		The company which handles the day to day operations and investment decisions of a unit trust.	III
62.	At-the-Money Option		Term used to describe an option or a warrant with an exercise price equal to the current market price of the underlying asset	III
63.	Auditor		A person who is professionally qualified to examine and scrutinize accounts. He/she inspects records and reports on the profitability and financial position of the company	III

64.	Basis of Allotment		An allotment pattern of an issue among different categories of applicant	III
65.	Bear		A pessimist market operator who expects the market price of shares to decline	III
66.	Bear Market		A weak or falling market characterized by the dominance of sellers	III
67.	Bench Mark		Security used as the basis for interest rate calculations and for pricing other securities. Also denotes the most heavily traded and liquid security of a particular class	III
68.	Bond Trust		Public unit trust which invests in government fixed interest or corporate fixed interest securities and investments.	III
69.	Bonus Shares		Shares issued by companies to their shareholders free of cost by capitalization of accumulated reserves from the profits earned in the earlier years.	III
70.	Book Value		The net amount shown in the books or in the accounts for any asset, liability or owners' equity item	III
71.	Broker		A member of a Stock Exchange who acts as an agent for clients and buys and sells shares on their behalf in the market.	III
72.	Brokerage		Commission payable to the stockbroker for arranging sale or purchase of securities. Scale of brokerage is officially fixed by the Stock Exchange	III
73.	Bull Market		A rising market with abundance of buyers and relatively few sellers.	III
74.	Buy on margin		To buy shares with money borrowed from the stockbroker, who maintains a margin account for the customer	III
75.	Cash Market		A market for sale of security against immediate delivery, as opposed to the futures market.	III

Unit-IV : TECHNICAL ANALYSIS

76.	Certificate of Deposit		A negotiable certificate issued by a bank, usually for a period of one month to a year, as evidence of an interest bearing time deposit. This may also be offered at a discount.	IV
77.	Clearing		Settlement or clearance of accounts, for a fixed period in a Stock Exchange.	IV
78.	Commercial Paper		A short term promise to repay a fixed amount that is placed on the market either directly or through a specialized intermediary.	IV
79.	Common stock		Units of ownership of a public corporation. Holders of common stock typically have voting rights and receive dividends, but there is no guarantee of dividend payment.	IV
80.	Coupon Rate		The interest rate stated on the face of coupon	IV
81.	Credit rating		Credit ratings measure a borrower's creditworthiness and provide an international framework for comparing the credit quality of issuers and rated debt securities	IV
82.	Credit Risk		The risk that a counterparty will not settle an obligation for full value, either when due or at any time thereafter	IV
83.	Delivery Order		An output given to each member of the Stock Exchange at the end of a settlement period containing particulars such as number of shares, value of shares, names of the receiving members etc	IV
84.	Delivery Price		The price fixed by the Stock Exchange at which deliveries on futures are invoiced. Also the price at which the future contract is settled when deliveries are made.	IV
85.	Depository		A system of organisation, which keeps records of securities, deposited by its	IV

			depositors. The records may be physical or simply electronic records.	
86.	Depth of Market		The number of shares of a security that can be bought or sold at the best bid or offer price	IV
87.	Derivative Market		Markets such as futures and option markets that are developed to satisfy specific needs arising in traditional markets.	IV
88.	Disclosure		Full and material information given by a company that may allow an investor to take an informed investment decision	IV
89.	Discount		When a security is quoted at a price below its nominal or face value, it is said to be at a discount.	IV
90.	Distribution		Return to investors of the accumulated income of a trust or mutual fund and distribution of capital gains	IV
91.	Dividend		Payment made to shareholders, usually once or twice a year out of a company's profit after tax	IV
92.	Dividend Cover		Denotes the number of times equity earnings per share covers the equity dividend per share.	IV
93.	Dividend Payable		A current liability showing the amount due to stock holders/shareholders for dividend declared but not paid.	IV
94.	Downside risk		An estimate of the amount of loss the holder of a security might suffer if there is a fall in its value.	IV
95.	Emerging Markets		Term used to describe the financial markets of developing countries. Definitions vary of which countries are emerging and which are not	IV
96.	Equity		The ownership interest in a company of holders of its common and preferred stock	IV
97.	Equity premium		The difference between the expected return from holding stock and from holding riskless bonds.	IV
98.	Equity Trust		Unit Trust which invests mainly in	IV

			equity shares with a component in cash and in fixed interest investment.	
99.	Exit Fees		Fees charged by mortgage trusts/mutual funds on a sliding scale as penalty for early withdrawal.	IV
100.	Expected Return		The return an investor might expect on an investment if the same investment were made many times over an extended period.	IV

Unit-V : PORTFOLIO MANAGEMENT

101.	Extrinsic Value		The amount by which the market price of an option exceeds the amount that could be realized if the option were exercised and the underlying commodity liquidated.	V
102.	Fixed Asset		An item of value used in current operation that would normally be of use for more than one year	V
103.	Fixed Liability		An obligation of a company payable more than a year hence	V
104.	Floor price		The minimum offer price below which bids cannot be entered	V
105.	Foreign Exchange Rate		The price of one currency in terms of the other.	V
106.	Free cash flow		Calculated by adding depreciation to net income, and subtracting capital expenditures	V
107.	Growth Fund		Unit trusts or Mutual Funds which invest with the objective of achieving mostly capital growth rather than income	V
108.	Hedge		An asset, liability or financial commitment that protects against adverse changes in the value of or cash flows from another investment or liability	V
109.	Hedge Ratio		The proportion of one asset required to hedge against movements in the price of another.	V
110.	Hybrid		Any security which has the character of more than one type of security,	V

			including their derivatives.	
111.	Index Fund		A mutual fund which invests in a portfolio of shares that matches identically the constituents of a well known stock market index.	V
112.	Initial margin		The initial amount which customers have to put in before taking up a futures contract to guarantee the transaction.	V
113.	Initial Public Offering (IPO)		The first public issue by a public limited company	V
114.	Interim Dividend		A dividend payment made during the course of a company's financial year. Interim dividend, unlike the final dividend, does not have to be agreed in a general meeting	V
115.	Internal Rate of Return (IRR)		The rate at which future cash flows must be discounted in order to equal the cash cost of the investment	V
116.	Investment Profit		Profit which results from the difference between the purchase and selling prices of a security. Trading profit is short term while investment profit is medium or long term.	V
117.	ISIN		ISIN (International Securities Identification Number)A unique identification number allotted for each security in the depository system by SEBI.	V
118.	Issuer		An entity which is in the process of issuing its securities. Also known as the "Originator"	V
119.	Junk Bond		High yield bond issued by low rated companies.	V
120.	Lay Off		The sell off by an issuer of any or all unsubscribed shares in a rights offering to the underwriters at the subscription price.	V
121.	Legal risk		The risk of loss because a law or regulation is applied in an unexpected way or because a contract cannot be enforced.	V

122.	Leverage		The use of borrowed money to finance an investment	V
123.	Liquid Assets		Proportion of listed unit trust's or mutual fund portfolio that is kept in cash or easily encashable assets to meet any request for redemption.	V
124.	Listing		Formal admission of a security into a public trading system	V
125.	Market Price		The last reported sale price for an exchange traded security	V

General Questions

126.	What is Primary market?		What is Primary market?	
127.	What are financial intermediaries?		What are financial intermediaries?	
128.	Who is a Custodian?		Who is a Custodian?	
129.	Why are you interested in Investment Banking?		Why are you interested in Investment Banking?	
130.	What is a formula to calculate working capital?		What is a formula to calculate working capital?	
131.	What is typically higher the cost of debt or the cost of equity?		What is typically higher the cost of debt or the cost of equity?	
132.	What does WACC mean?		What does WACC mean?	
133.	What are the essential qualities to become Investment Bankers?		What are the essential qualities to become Investment Bankers ?	
134.	What are your long-term career goals as an Investment Banker?		What are your long-term career goals as an Investment Banker ?	

135.	What is the monetary policy?		What is the monetary policy?	
136.	What is Money laundering?		What is Money laundering?	
137.	As an Investment Banker what you think an analyst does on a		As an Investment Banker what you think an analyst does on a typical day?	
138.	What is a deferred tax asset?		What is a deferred tax asset?	
139.	What is a fairness opinion?		What is a fairness opinion?	
140.	What is Beta?		What is Beta?	
141.	When should need to value a company using a revenue multiple vs. EBITDA?		When should need to value a company using a revenue multiple vs. EBITDA?	
142.	Why would two companies merge?		Why would two companies merge?	
143.	What is CAPM?		What is CAPM?	
144.	How to calculate beta for a specific company?		How to calculate beta for a specific company?	
145.	What makes a good financial model?		What makes a good financial model?	
146.	What is the formula to calculate Enterprise Value?		What is the formula to calculate Enterprise Value?	

147.	What is a swap?		What is a swap?	
148.	What is DCF?		What is DCF?	
149.	What is a leveraged buyout?		What is a leveraged buyout?	
150.	What is Primary market?		What is Primary market?	

Faculty Team Prepared

1. **P.Keerthi**

Signatures

DESIGNING YOU **HoD** FUTURE

Estd : 2000