Unit I — Investments & Capital Market

Investment and Portfolio Management | BMB FM 01 / KMBN FM 01

Unit I: Investments and the Capital Market

Syllabus: Overview of capital market — market of securities, stock exchange and new issue markets: nature, structure, functioning and limitations; trading of securities — equity and debentures/bonds; securities trading — types of orders, margin trading, clearing and settlement procedures; regulatory systems for equity markets; types of investors; aim and approaches of security analysis.

Exam Blueprint (2022–2025 papers)

Topic	Years asked	Marks
Stock exchange — functions, structure, importance	2022, 2024, 2025	2, 7 & 10
Regulatory system / SEBI powers	2022, 2024, 2025	2, 7 & 10
New issue (primary) market & its functions	2022, 2025	2, 7 & 10
Securities trading, clearing & settlement	2022, 2025	7 & 10
Types of orders in securities trading	2025	7
Types of investors	2025	2
Approaches to security analysis	2025 (Dow, EMH links)	2

YE QUESTION BAAR-BAAR AAYA HAI

2025-26 ke paper me **is unit se chhe questions** aaye — Section A me do, Section B me do, aur Section C me do. Ye IPM ka sabse zyada marks dene wala unit hai.

---

1. Investment — Basic Concepts

DEFINITION - RATTA MAARO

Investment is the **commitment of funds made in the expectation of some positive rate of return in the future**, involving the sacrifice of present consumption for future benefits.

1.1 Investment vs Speculation vs Gambling

Basis	Investment	Speculation	Gambling
Time horizon	Long (1 year and above)	Short (days to months)	Very short / instant
Risk	Moderate, calculated	High	Extreme, artificial

Basis	Investment	Speculation	Gambling
Return expectation	Regular income + capital appreciation	Large capital gain from price change	Windfall
Basis of decision	**Fundamental analysis**, intrinsic value	Market psychology, tips, rumours	Pure chance
Funds used	**Own funds**, planned savings	Often **borrowed** funds	Disposable/surplus
Risk created?	Risk is **assumed** (already exists)	Risk is assumed	Risk is **artificially created**

YAAD RAKHNE KA JUGAAD

Investment = soch samajh kar lamba paisa lagana. Speculation = short-term price movement par daav. Gambling = risk khud paida karna.

1.2 Investment Objectives

Primary: return (current income + capital appreciation), **safety of principal**, and **liquidity**. **Secondary:** hedge against inflation, tax planning benefits, and legality and freedom from care.

YAHAN 90% STUDENTS GALTI KARTE HAIN

These objectives **conflict**. High return means low safety. High liquidity means low return. An investor must **trade off** among return, risk and liquidity — this is the **investment triangle**, and no investment scores high on all three.

1.3 Investment Avenues

Category	Instruments
Financial assets — marketable	Equity shares, preference shares, debentures, bonds, government securities, mutual fund units, derivatives
Financial assets — non-marketable	Bank deposits, PPF, NSC, post office schemes, EPF, company fixed deposits
Real assets	Real estate, gold and precious metals, commodities
Others	Insurance, art and collectibles, cryptocurrency (unregulated in India)

1.4 Types of Investors — 2-mark question

DEFINITION - RATTA MAARO

An **investor** is an individual or institution that commits money to an asset with the expectation of earning a return, having assumed and evaluated the associated risk.

A. By nature and size:

Type	Description
Retail / individual investor	Small investors trading with their own limited funds
High Net Worth Individual (HNI)	Individuals with large investible surplus