# Victoria University

## of Bangladesh

## Assessment Topic:

**Mid Assessment**

Course Title: Fundamentals of Investment

**Course Code: FIN-402**

## Submitted To:

## Mrs. Joyeeta Datta

**Lecturer, Department of B.B.A (Bachelor of Business Administration)**

Victoria University of Bangladesh

## Submitted by:


### MD SHUMAN HOSSAIN

ID: 110506221

Department: B.B.A

Semester: Summer-2023

**Batch**: $6^{th}$


Submission Date: 18th August 2023

FIN 402

## Answer to the question no - 1

Ans:- Investment:- Investment is the Commitment of funds with a long-term time framework the objective being additional income to regular receipt and growth in the value of funds of an investor. Investment involves waiting for a future reward in ~~it~~ terms of income through regular interest, dividends, premiums appreciation in the value of the principal capital. The term Investment is understood differently by economists and financial experts. Economists consider it as ~~a~~ new and productive capital and financial experts emphasize on allocation and transfer of resources from one person to another. It is also different to the terms speculation and gambling and they differ in terms of risk, time frame-work and gains.

Investment Important:- Investment is an effective way to put your money to work and potentially build wealth. Smart investment may allow your money to outpace inflation and increase in value.

P.T.O

The greater growth potential of investment is primarily due to the power of compounding and the risk return tradeoff.

<u>The power of Compounding</u>:- Compounding occurs when an investment generates earnings or dividends which are then reinvested. These earnings or dividends then generate their own earnings. So in ~~th~~ others words compounding is when your investment generate earnings from previous earnings.

<u>The risk return tradeoff</u>:- Different investments offer varying of potential return and mark risk.

/ Risk is investments chance of producing a lower-than-expected return or even losing value.

/ Return is the amount of money you earn on the assets you have ~~inte~~ invested or the investments overall increase in value.

The amount of risk you carry depends on your appetite-tolerance for risk. An increase in risk provide more ~~pro~~ potential for your money to grow.

— 0 —

Answer to the question no - 4

Ans:- Arbitrage:- Arbitrage is the mechanism of minimizing risk through hedging and taking advantage of price different markes. An arbitrage transaction is the simultaneous purchase of the same or similar security in two different markes. Short-term gains can be expected through such transactions. An investor can also be an arbitrageur if he buys and sells ~~a~~ securities in more than one stock exchange to ~~k~~ take advantage of the price differentials in such exchange. Derivatives introduced in the Indian market have a great potential for arbitrage transaction ~~Trans~~ Arbitrage transactions help in enhancing efficiency and liquidity in the stock market and in increasing the value of trade.

Real Asset:- Real asset are used to produce goods or service. They are tangible assets that have a physical form. Some examples of real asset are land and building, furniture, gold, silver, diamonds or artifacts.

P.T.O

They may be marketable or non marketable. They may also have the feature of being moveable or non-moveable.

Financial Asset:- Financial asset are called "paper securities". Some example of these assets are shares, bonds, bills, Loans, lease derivatives and fixed deposits. Financial assets represent a clim by securities on the income generated by real assets of some other parties.

Investment Process:- The investment process is generally described in four stage. These stage are investment policy, investment analysis, valuation of securities and ~~Pro~~ portfolio Construction.

Capital Gain:- Speculation is buying low and selling high in a short time to make Large capital gains. The motive in speculation is primarily to achieve profit through price changes. This Can be distinguished from investment where securities are purchased by an investor through proper evaluation, ~~any~~ analysis and review with the view of receiving a stable return over a long term period of time.

P.T.O

Commodity Assets:- Commodities are a new form of investment in India. Examples of Commodity assets are, wheat, suger, potatoes, rubber, coffee and other grains. Commodities are also form of metal like gold, silver, aluminum and copper. Cotton crude oil and foreign currency are other examples of Commodities. Importers and exporters invest in Commodities to diversify their portfolios. A National Commodity and Derivatives Exchange Ltd (NCDEX) has been setup in India in 2003 as a public limited Company to transact in Commodities.

— x —