

# UNIVERSITY OF KARACHI

## SECURITY ANALYSIS

BS – VII

**Course Title : SECURITY ANALYSIS**

**Course Number : BA (H) – 603**

**Credit Hours: 03**

### **OBJECTIVE OF THE COURSE:**

The below mentioned syllabus covers variety of areas pertaining to 'equity securities' and 'debt securities' which include implementation of knowledge brought forward from previous studies in the advance studies. On the completion of this course students would be able to *conduct valuation of companies, evaluating risk & returns, choosing investment alternatives, understanding securities under banking policy, evaluating bonds, analyzing equity securities.*

### **Concepts of Securities Risk, Return & Investments**

- Types of securities
- Types of risks
- Measuring risks

### **Securities Markets and Market Mechanics**

- The Primary Market
- The Secondary Market: The Players
- The Secondary Market: The Four Components
- The Secondary Market: The Transaction
- Securities Markets Regulation
- Other Issues

### **Valuation Theory & Concepts**

- The Discounted Dividends Valuation Method
- Shortcut Forms of Earnings-Based Valuation
- The discounted Cash Flow Model

- Comparing Valuation Methods

### **Valuation Implementation**

- Computing a Discount Rate (WACC using various Models)
- Detailed Forecasts of a Performance
- Terminal Values
- Computing Asset & Equity Values
- Some Practical Issues in Valuation

### **Equity Security Analysis**

- Investor Objectives & Investment Vehicles
- The Process of Comprehensive Security Analysis
- Performance of Security Analysts and Fund Managers

### **Credit Analysis & Distress Prediction**

- Why do Firms use Debt Financing?
- The Market for Credit
- The Credit Analysis Process in Private Debt Markets
- Financial Statement Analysis & Public Debt
- Prediction of Distress and Turnaround

### **Collateral Securities Under Banking Policy:**

- Mortgages
- Hypothecation specific & General Charges

#### Pledge of Goods

- Lien over accounts
- Assignment of Receivables

### **Mergers & Acquisitions**

- Motivation for Merger or Acquisition
- Acquisition Pricing
- Acquisition Financing & Form of Payment
- Acquisition Outcome
- Synergies (Practical Scenarios post mergers out come)

### **Alternative Securities Investments**

## 1. Investment Companies

- Valuing Investment Company Shares
- Fund Management Fees
- Investment Strategies
- Exchange Traded Funds

## 2. Private Equity

- Stages of Venture Capital Investing
- Investment Characteristics
- Types of Liquidation/Divestment
- Valuation & Performance Measurement

## 3. Commodity Markets

- Commodity Futures
- Active Investment
- The Example of Gold
- Commodity-Linked Securities

## **Global Bond Investing**

### 1. The Global Bond Market

- Bond Indexes
- The International Bond Market
- Emerging Markets & Brady Bonds

### 2. Major Differences Among Bond Markets

- Types of Investments
- Quotations, Day Count, and Frequency of Coupons
- Legal and Fiscal Aspects

### 3. A Refresher on Bond Valuation

- Zero-Coupon Bonds
- Bond with Coupons
- Duration and Interest Rate Sensitivity
- Credit Spreads

### 4. Floating-Rate Notes and Structured Notes

- Floating Rate Notes (FRNs)
- Bull FRNs/ Bear FRNs
- Dual-Currency Bonds
- Currency-Option Bonds
- Collateralized Debt Obligations (CDOs)

### **Market Efficiency**

- Types of Investment Analysis
- The Efficient Market Hypothesis
- Testing the Weak Form of the Efficient Market Hypothesis
- Semistrong and Strong-Form Tests of the EMH (Anomalies)

### **Recommended Books:**

1. **Modern Investments & Security Analysis by Russell J. Fuller & James L. Farrell.**
2. **Global Investments by Bruno Solnik & Dennis McLeavey**
3. **Business Analysis & Valuation by Palepu & Healy**