

KARACHI UNIVERSITY BUSINESS SCHOOL

UNIVERSITY OF KARACHI

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

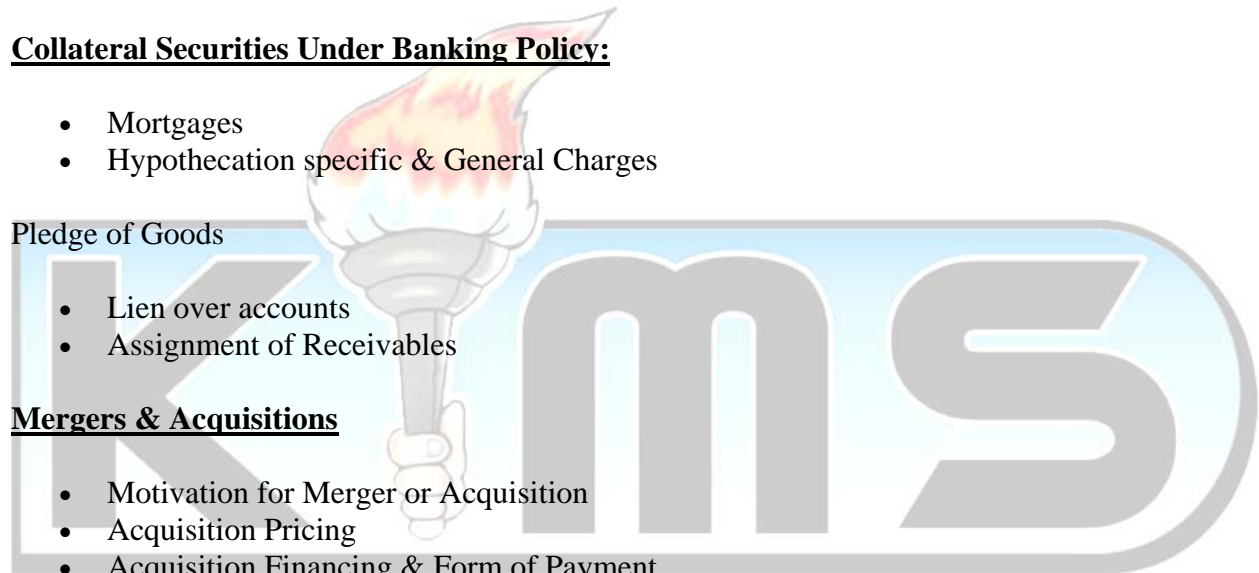
- Motivation for Merger or Acquisition
- Acquisition Pricing
- Acquisition Financing & Form of Payment
- Acquisition Outcome
- Synergies (Practical Scenarios post mergers out come)

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**

