

# Investment and portfolio management essay

[Business](#), [Management](#)



Interest and dividends differ in their strength of claim, interest being a fixed charge which if not paid entitles the creditors to legal recourse in event of default; whereas dividends are not fixed charges, being dependent upon availability of funds therefore as well as decision by the management of the entity whether or not to pay dividends. An Interest-bearing Instrument is a claim against the Issuer of the loan. The yield is usually the Interest rate paid to the owner of the security. There are different kinds of interest-bearing instruments, depending on the issuer of the instrument, the lateral the issuer has for the loan, its maturity and the details of how and when interest is to be paid. The interest (coupon) is normally paid on a bond on a yearly basis. For some bonds, the interest is paid only once and at the end of the bond's maturity, i. e. On the redemption date. The latter kind of bond is called a zero-coupon bond.

Another kind of Interest payment involves the Instrument being sold at a discount instead of, or in Dalton to, Interest being paid. At the time of sale, the issuer sets the price of the instrument by discounting the loan, including the interest payments not being made over the life of the bond, to calculate a net present value. The net present value is less than the nominal amount to be received at the instrument's maturity date, and the difference between the two thus represents aggregate Interest paid at the maturity of the bond. The potential purchaser can discount this aggregate terminal Interest payment over the life of the bond, and thus calculate its equivalent compound interest rate. This enables the investor to compare its investment merits with non-discounted instruments.

Commercial papers, bank certificates and government bonds are typically discounted in this way. There are also interest-bearing securities and other forms of investment where the interest is protected against inflation and the investment therefore has a guaranteed real Interest rate Investment & portfolio management By rose\_on Investment management is the professional asset management of An interest-bearing instrument is a claim against the issuer of the loan. The yield is usually the interest rate paid to the owner of the security. There are different kinds of maturity, I.

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