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## B. Com. Sem IV

### \* What is Investment Decisions :-

Capital funds are scarce and involve cost. Thus, the aim should be that they are put to maximum utilisation. Out of a number of available projects, the objective should be to invest funds in the most profitable project or projects after assessing the probable costs and benefits and the extent of risk involved. Investment decisions are of two types :-

#### (a) Long-term investment decisions -

- Time Horizon: Typically, 5 years or more
- Goals: Wealth creation, retirement savings, or long-term financial security.
- Risk Tolerance - Higher risk tolerance, as market fluctuations can be ridden out over time.
- Investment options - stocks, real estate, mutual funds, or index funds.

#### (b) Short-term investment decisions -

- Time Horizon: Typically, less than 5 years.
- Goals: Liquidity, capital preservation or short term financial needs
- Risk Tolerance - lower risk tolerance, as market fluctuations can be more pronounced in the short term.