



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION  
JANUARY 2016 SEMESTER

**SUBJECT CODE** : EAB 40203  
**SUBJECT TITLE** : INVESTMENT ANALYSIS  
**LEVEL** : BACHELOR  
**TIME** : 2.00 PM - 5.00 PM  
**DURATION** : 3 HOURS  
**DATE** : 29th MAY 2016

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consists of FIVE (5) questions. Answer ALL questions.
4. Please write your answers on the answer booklet provided.
5. All questions must be answered in English (any other language is not allowed).
6. This question paper must not be removed from the examination hall.

THERE ARE FOUR (4) PAGES OF QUESTIONS EXCLUDING THIS PAGE.

**INSTRUCTION: Answer ALL questions.**

**Please use the answer booklet provided.**

**Question 1**

- a) Explain the following terminologies; growth stock; income stock; blue chips stock; cyclical stock; defensive stock; speculative stocks

(8 Marks)

- b) Hafizuddin Abdullah divided his investment of RM 10,000 on 5 different assets types as follows::

Assets	Return
A	5%
B	2%
C	-10%
D	-2%
E	6%

Calculate the return of his investment.

(4 Marks)

Setiawangsa Berhad's dividends are expected to grow at a rate of 30% per year for the next three years. At the end of three years, the growth is expected to grow at 6% per year. The company has just paid a dividend of RM 0.80 per share. The required rate of return for its common stock is 15%.

What is the value of Setiawangsa's stock?

(8 Marks)

**Total: 20 Marks**

b) How much is the increase on Paid-in Capital (Premium) and the total paid capital  
(4 Marks)

c) What is the effect of stock dividend issuance on the retained earnings?  
(6 Marks)

d) Construct the new capital account of Balance Sheet  
(4 Marks)

**Total: 20 Marks**

**Question 4**

a) Differentiate between options and warrant  
(5 Marks)

b) The cost of put option for Stars MK Berhad is RM 150 per lot. The strike price is RM 12. You wish to buy 3 lots. The market price of the share is RM 15.

Determine your profit or loss if you exercise the option at 1 lot for RM 7 per share, and 2 lots for RM 8 per share. Assume 1 lot is 100 shares.

(6 Marks)

c) The call option for AK Holdings Berhad stock has a strike price of RM 20 and a cost of option RM 2 per share with one month expired date. The current market price of the share is RM 16.

If you buy 2 lots of shares, calculate the profits or losses at the expiration date for each of the following prices:

- i. RM 20
- ii. RM 30
- iii. RM 18

(9 Marks)

**Total: 20 Marks**