



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION
JANUARY 2016 SEMESTER

SUBJECT CODE : EBB 30803
SUBJECT TITLE : INVESTMENT MANAGEMENT
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)

c) 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]

Question 2

- a) Describe THREE (3) features of cash dividend and stock dividend. (6 Marks)
- b) With regards to cash dividend; what are the FOUR (4) dates that the investors should know? (4 Marks)
- c) Elyssa Zaharah received her pay of RM 1,000 this year. Next year she will be paid another RM 1,000.
Calculate her wealth if the discount factor is 10% per annum, and 20% per annum. (6 Marks)
- d) Seroja Berhad profit after tax for common shareholders is RM50 Million. The company has 100 million shares and share price is RM 5.
How much are the investors willing to pay for Seroja shares? (4 Marks)

[Total: 20 Marks]

Question 3

Following information was provided pertaining to Viron Technologies Berhad:

Common share	RM 20,000,000
Premium	RM 26,000,000
Retained Earnings	RM 16,000,000
Tot. Shareholders Equity	RM 62,000,000

The company declares an 8% stock dividend. The current market price and par value is RM 30.00 and RM 5.00 respectively.

- a) Calculate the effect of stock dividend issuance on the common share (6 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]

Question 5

- a) Differentiate between open-end and closed end unit trust

(8 Marks)

- b) Market value of portfolio is RM200 Million while liabilities of fund is RM2Mil. Total number of Rm 5 Million units have been distributed. Determine the net asset value.

(4 Marks)

- c) Discuss FOUR advantages and FOUR disadvantages of investing in unit trust

(8 Marks)

[Total: 20 Marks]

END OF QUESTION PAPER

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