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UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EBB30803
COURSE TITLE	:	INVESTMENT MANAGEMENT
PROGRAMME NAME	:	BACHELOR IN ISLAMIC FINANCE WITH HONOURS
DATE	:	30 JUNE 2026
TIME	:	2.00 PM - 5.00 PM
DURATION	:	3 HOURS

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 consist of ONE sections.
4. Section A consist of five questions. Answer FOUR (4) questions only.
5. Please write your answer on the answer booklet provided.
6. Please answer all questions in English only.
7. Refer to the attached Formula/ Appendies. ☐ *Tick if applicable*

THERE ARE 6 PAGES OF QUESTIONS INCLUDING THIS PAGE

SECTION A (Total: 100 marks)

Answer FOUR (4) questions.

Please use the answer booklet provided.

Question 1

An efficient market is a market in which the prices of all securities fully and instantaneously reflect all possible information.

(a) Describe the THREE (3) forms of market efficiency.

(6 marks)

(b) List THREE (3) assumptions of the efficient market hypothesis (EMH).

(6 marks)

(c) Unit trust is a form of collective investment that allows investors to pool their funds to be invested in a diversified portfolio. With regard to this, briefly explain TWO (2) potential sources of return available to unit trust investors.

(4 marks)

(d) Calculate the ten-day simple moving average if the latest daily closing prices are RM5, RM7, RM8, RM5, RM4, RM6, RM7, RM8, RM9, RM10.

(4 marks)

(e) Briefly explain your understanding of Random Walk Hypothesis and how it applies to stock prices.

(5 marks)

Question 2

The following questions are about risk and return:

(a) Calculate the coefficient of variation (CV) of an instrument with standard deviation of 9% and an average return of 16%. Explain when the coefficient of variation (CV) is more useful than standard deviation in measuring risk.

(5 marks)

(b) Based on the table below, Widad, a first-time investor, wants to select one of two alternative investments, X or Y. The average return, the standard deviation, and the beta coefficient for each of these investments are as follows:

	Investment X	**Investment Y**
Average return	30%	16%
Standard deviation	15%	12%
Beta Coefficient	2.0	0.5

i. Identify and justify the investment with the higher total risk.

(3 marks)

ii. Identify and justify the investment with the higher systematic risk.

(3 marks)

iii. Advise Widad on the better investment considering all the given factors.

(3 marks)

(c) Systematic risk is difficult to eliminate whereby unsystematic risk can be reduced through diversification. Explain how this is achieved.

(6 marks)

(d) Geliga stock is currently selling for RM160 per share and the firm's dividends are expected to grow at 5% indefinitely. In addition, Geliga most recent dividend was RM5.50. The expected risk free rate of return is 3%, the expected market return is 8%, and Geliga has a beta of 1.20.

i. Calculate the expected return.

(2 marks)

ii. Calculate the required return based on Capital Asset Pricing Model

(2 marks)

iii. Evaluate whether Geliga is a suitable investment at this time.

(1 marks)

Question 3

Dunkin purchased 300 shares of DONUT Co's stock at RM55 per share using the prevailing minimum initial margin requirement of 50%. She held the stock for exactly four months and sold it without any brokerage costs at the end of that period. During the four month holding period, the stock paid RM1.50 per share in cash dividends. DONUT Co was charged 9% annual interest on the margin loan. The minimum maintenance margin was 25%.

(a) Calculate the initial value of the transaction, the debit balance and the equity position on Dunkin's transaction.

(5 marks)

(b) At RM45 share price calculate the actual margin percentage, and indicate whether Dunkin's margin account would have excess equity, would be restricted or would be subject to a margin call.

(5 marks)

(c) Calculate the dollar amount of dividends and interest paid on the margin loan during the four-month holding.

(5 marks)

(d) At RM50 sale price at the end of the four month holding period to calculate Dunkin's rate of return on the DONUT Co's stock transaction.

(5 marks)

(e) Differentiate between a 'bull market' and a 'bear market'.

(5 marks)

Question 4

An investor bought bonds from King Bhd. The investor's required rate of return is 12%. The bonds has a par value of RM1000 and a coupon interest rate of 8%. If the bonds matures in 10 years, and coupon is payable on a semi-annual basis, answer the followings.

(a) Calculate the price of the bond.

(4 marks)

(b) Calculate the price of the bond if coupon interest rate is 12%.

(4 marks)

(c) Calculate the price of the bond if maturity period is increased to 12 years.

(4 marks)

(d) Explain with relevant theories about the changes calculated in (a), (b) and (c)

(6 marks)

(f) "All bonds expose investors to risk. The degree of risks varies with the type of bond and the reputation of the issuer."
Explain how can rating agencies help the investors in assessing the reputation of the issuer.

(7 marks)

Question 5

Answer all the following questions regarding common shares.

(a) Jementah Bhd is a firm operating in a mature industry. The firm is expected to maintain a constant dividend payout ratio and a constant growth rate of earnings for the foreseeable future. The firm's earnings for the current year is RM5 per share. The dividend payout ratio has been constant at 40% in the recent years. Jementah Bhd's return on equity (ROE) is expected to remain at 10% in the future. Required return on similar risk investment is at 12%. Determine whether Jementah Bhd's stock is correctly priced if it is selling for RM25 per share.

(6 marks)

(b) The accountant of Paint Bhd provides you with the following information

	PPG Corp	**KP Corp**
Current ROE	12%	8%
Current EPS	RM5	RM1.50
Current DPS@D	RM1.80	RM0.50
Current Market Price	RM22	RM7

You are required to:

i. Compute the dividend payout ratio of PPG and KP.

(6 marks)

ii. Compute the intrinsic value of each stock. (assume the r = 14%)

(8 marks)

iii. Choose the stock that you will invest and give reasons.

(5 marks)

END OF EXAMINATION PAPER