

ABSTRACT

Before we go any further with this topic, it is essential to state that this paper is part of the course requirements to finish up Advanced Diploma In Business Studies (Finance).

This project paper is a brief study on beta coefficient for 52 companies listed on the Second Board in Kuala Lumpur Stock Exchange (KLSE) as stated on 31st December, 1992. This study is conducted mostly through secondary data and based on monthly basis. The purpose of this study is to determine beta of each company. We calculate beta using Sharpe Market Model and with this model we come with the best fit line for a regression that is characteristic line for each company.

The result of the study appear to show the level of risk of each company. We came out with the findings; that from the samples, CCP has the highest beta (4.83) and TREENERGY has the lowest beta (-0.23). At the end of the study, we recommend new study to be explored in the next research by students majoring in finance.

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1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

This project paper is an attempt to find out the beta coefficient of companies listed on the Second Board in the KLSE. Beta is a measure of systematic risk and calculating beta will help us to find out under what level of risk the companies are in.

Besides, it is useful for those who are involved in investment. If investors are the risk-takers, therefore, they will choose securities that give them a higher risk but if they are the risk-averses, they will choose securities that give them a lower risk. This is because, the higher the risk, the higher the return and the lower the risk, the lower the return that could be achieved.