

**THE EFFECT OF BONUS ISSUE
ANNOUNCEMENT TO STOCK PRICE
MOVEMENTS**

BY

SITI NORAHAYU BTE YUSO

ADVANCED DIPLOMA IN BUSINESS STUDIES
(FINANCE)

*A PROJECT PAPER SUBMITTED TO THE SCHOOL OF BUSINESS
AND MANAGEMENT, INSTITUT TEKNOLOGI MARA
IN PARTIAL FULFILMENT TOWARD THE
ADVANCED DIPLOMA IN BUSINESS STUDIES
(FINANCE)*

MAY 2 , 1995

ABSTRACT

In line with Malaysian development, securities market is observed to expand as what it is today. The companies are able to obtain their capital needed by issuing shares to the public. However, efforts to attract and maintain their shareholders is crucial in order to safeguard their capital structure. Giving out additional shares or bonus issues to the shareholders may provide confidence towards the company whereby people generally believe that it is good signalling device to the market on the profitability of the company. The purpose of this paper is to test the Malaysian stock market upon the announcement of bonus issues even though theoretically, it is known that proportional of ownership is remain unchanged. Furthermore, this paper explores on the nature of price movements using statistical measures such as mean, standard deviation and t-ratio. In most cases, price tends to follow the same pattern whereby slowly move upward prior to bonus issues announcement until its peak level at 1 to 3 days after the announcement date before declining to its normal level. Therefore, perhaps there are insiders who might obtain abnormal returns due to the price fluctuations. Finally, Malaysian stock market is consider efficient towards the bonus issues announcement as the market react actively when receive news.

ACKNOWLEDGEMENT

Completion of this research is a considerable task involving the participation of many people. Therefore, I would like to take this opportunity to forward my utmost appreciation to various people. First and foremost, a debt of gratitude is due to my advisor, Puan Siti Khalidah Bte Mohd Yusof, Course Tutor of Diploma In Investment Analysis (DIIA) for unending assistance and encouragement in making this research a reality. Without her, this research would never have seen the light of day.

My deep appreciation also goes to :

- i. *Dr. Rokiah Bte Hassan*
Course Tutor
ADBS (Finance)
School of Business and Management
ITM Shah Alam
- ii. *Puan Gurmit Kaur & Puan Khatijah Bte Kasim*
School of Business and Management
ITM Shah Alam
- iii. *Theresa Hooi*
Company Secretary
Omega Holdings Bhd
15th Floor, Plaza Perangsang
Persiaran Perbandaran
40990 Shah Alam
- iv. *All the librarians of*
 - a. *Kuala Lumpur Stock Exchange (KLSE)*
 - b. *Bank Negara*
 - c. *PTAR 2, ITM Shah Alam*

Finally, I would also like to thank my family and colleagues for their understanding and support. It will not be possible to thank them all who participated by individual names. However, their contributions will always be appreciated, even if unrecorded. I pray to ALLAH swt that they would succeed in the course of their life.

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