THE RELATIONSHIP BETWEEN GEARING RATIO AND MARKET PRICE OF A SHARE (TRADING / SERVICES SECTOR ON THE KUALA LUMPUR STOCK EXCHANGE)

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TABLE OF CONTENTS

		Page
ACKNOWLEDGEMENT		i
ABSTRACT		ii
LIST OF ABBREVIATIONS		iii
LIST OF TABLES		iv
a) Table 1		
b) Table 2		
CHAPTER 1 : INTRODUCTION		
1.1	Introduction	1
1.2	Objectives of the study	2
1.3	Methodology	3
1.4	Scope and limitation	3
CHAPTER 2 : LITERATURE REVIEW		
2.1	Introduction	5
2.2	What is gearing ratio	5
2.3	Determining debt equity ratio	6
2.4	Business and financial risk	8
	2.4.1 Business risk	8
	2.4.2 Financial risk	9

2.5 Early theories of capital structure 9

2.5.1 The net income approach 10

2.5.2 The net operating income approach 11

2.5.3 The traditional approach 11

2.6 Modigliani and Miller 12

2.6.1 The Modigliani and Miller Models (MM) 12

2.6.2 The Miller Model 15

2.6.3 Critisms of MM and Miller theories 17

2.7 Evolution and choice of capital structure 19

2.8 A model of corporate financing decisions 20

CHAPTER 3 : FACTORS AFFECTING THE SHARE PRICE -SOME PRELIMINARY CONSIDERATIONS 22

CHAPTER 4 : ANALYSIS OF THE STUDY

4.1 Methodology of the analysis 24

4.1.1 SPSS 25

4.1.1.1 Correlation test 25

4.1.1.2 Coefficient of determination 26

4.1.1.3 Scatter diagram 27

4.1.1.4 Regression 28

4.1.1.5 t distribution test 29

4.1.2 Nonparametric approach 31

Spearman's rank correlation coefficient

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ABSTRACT

This project paper is mainly to study the relationship between gearing ratio and market price of a share for the companies listed under the trading/services sector on the Kuala Lumpur Stock Exchange (KLSE).

It is believed that the relationship exist between the two variables.

Statisticals tests were applied, such as correlation, regression, degree of coefficient, scatter diagram and t distribution test to provide numerical evidence on the relationship. The nonparametric approach is used to support the first result.

The results throw some light to the question of the relationship. Based on the numerical testimony, there exist a weak positive relationship between gearing ratio and market price of a share.

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