

**THE INFLUENCE OF CAPITAL STRUCTURE TOWARDS COMPANY VALUE:
INDUSTRIAL PRODUCT SECTOR**

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**Submitted in Partial Fulfillment of the Requirement for the
Bachelor of Business Administration (Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT
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DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION (HONS)
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JOHOR**

"DECLARATION OF ORIGINAL WORK"

I, MOHD KHAIRUNNIZOM MAHMUD, I/C NUMBER: 850218-10-5587

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature:

Date: 1 MAY 2008

LETTER OF TRANSMITTAL

Faculty of Business and Management
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(Date)

Rabiatul Alawiyah Bt. Zainal Abidin
The Head of Program
Bachelor of Business Administration (Hons) Finance
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Dear Madam,

THE INFLUENCE OF CAPITAL STRUCTURE TOWARDS COMPANY VALUE: INDUSTRIAL PRODUCT SECTOR

I'm required to do a project paper on the above topic. I hereby submitted this report and I really hope that this work will fulfill the requirement for the Bachelor of Business Administration (Hons) Finance.

Thank you.

Yours sincerely,



MOHD KHAIRUNNIZOM MAHMUD
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ABSTRACT

Over a century capital structure had been used in financing both the major and minor player in the industrial sector in Malaysia. Capital structure is basically related to the debt-equity ratio. A company that issue bonds originally will increase their debt-equity ratio but instead if they issue stock their debt-equity ratio will be lesser. This is why the debt policy and equity ownership structure associated with each other. The study use time- series regression method to see the relationship between dependent and independent variables. The company value is the dependent variable of this study which total asset will be the proxy of the company value, while the independent variable is total debts to assets ratio, pre-tax income margin and total debt

According to the analysis for the year 1998 to 2007, which based on multiple linear regression found that, total debt and total debt to asset ratio are significantly influence the value of a firm while pre-tax profit margin do not significantly influence the value of a firm. This result had showed that only two of the outstanding independent variables can be used to measure the value of a firm