

TOPIC: " MALAYSIAN STOCK MARKET IS NOT
A SPECULATIVE MARKET "

A Paper Submitted To the School of Accountancy,
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PREFACE

This research paper was carried out to determine the speculative nature of stocks traded on the Kuala Lumpur Stock Exchange (KLSE). Specific attention is to test the hypothesis that the active stocks traded are based not on the fundamental factors.

To prove the hypothesis the researcher look at one component of fundamental factors, that is dividend announcement and whether the factor has any effect on the weekly share prices and volume traded in KLSE.

As this research paper was prepared in partial fulfillment of the requirements of the Advance Diploma in Accountancy the content was therefore not meant for official use. As the researcher of this research paper has had limited knowledge and experience in this subject, it would do injustice to compare this research paper with works produced by prominent contributors to the study of this subject.

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1.0 INTRODUCTION

1.1.0 History of Formation (KLSE)

1.1.1 Definition of Stock Exchange

The Stock Exchange is also known as Stock Market. It is a highly organised market facilitating the purchases and sale of securities and operated by professional stockbrokers and stockjobbers according to fixed rules. According to H.D. Berman (1971), the Stock Exchange is the market which deals in Government loans, loans to foreign government, loans to companies (debentures) and in the capital of companies.

1.1.2 Purpose of a Stock Exchange

The purpose of a Stock Exchange is to provide trading rooms where share changed hands based on share prices. The Stock Exchange is a private undertaking. Only members and their clerks are admitted to the trading rooms. In order to handle the purchase and sale of the securities, members of the public has to employ a broker to transact their business for them.