



**MARA INSTITUTE OF TECHNOLOGY
SHAH ALAM**

**CAPITAL ASSET PRICING MODEL :
AN EVALUATION OF ITS RELEVANCE IN
TRADING AND SERVICES SECTOR OF
KUALA LUMPUR STOCK EXCHANGE**

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**A PROJECT PAPER SUBMITTED TO
INSTITUTE TECHNOLOGY MARA
IN PARTIAL FULFILLMENT FOR
BACHELOR OF BUSINESS STUDIES
(FINANCE)**

NOVEMBER 1996

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ACKNOWLEDGEMENT

All praise to the Almighty Allah s.a w for His blessing upon initiating this research till its completion. It has been the most fruitful experience to me since able to do this BBA project paper with the support from advisor, lecturers, practitioners, parents and my friends.

First and foremost, I would like to record my deep appreciation and heartfelt to my supervisor, Dr. Rosalan Ali for his unstinting help and encouragement during the development and completion of this project paper.

Next, I would like to express my appreciation to Dr. Rokiah Hassan and Professor Madya Lee Keng Choon for their advice on this project paper. To Mr. Dasrul Jaafar from Malaysian National Insurance, Mr. Zuraimi Suratman from TA Securities and Mr. Mohd Amin Abbas from Perbadanan Permodalan Nasional Berhad thank you very much for their support and help in finding the information needed.

My appreciation also include my beloved family for their unparalleled love and exhaustive encouragement. For Mr. Muzafar Abd Karim, thanks for his support and motivation. Finally, my deep and sincere thanks to all my everlasting friends who are involved directly and indirectly in preparation of this project paper.

ABSTRACT

This project paper is a study to determine the relevancy of CAPM in Trading and Services Sector that are listed in the Kuala Lumpur Stock Exchange. The data used for analysis were monthly last transaction stock price and the monthly Kuala Lumpur Stock Exchange Composite Index . It is collected for sixty months period commencing on the 1st January 1991 to 31st December 1995. Expected return and actual return of the stock is used to determine the relevancy of the CAPM and Simple Regression Analysis is used to obtain the relationship between the return on stock and return on market. Security Market Line then is plotted to examine the pricing characteristic of the portfolio for period of study covers. The result of the analysis revealed that CAPM is not hold in Trading and Services Sector of Kuala Lumpur Stock Exchange for the period covers. Beta and market return are found influenced the risk - return relationship of the stock and the overall pricing characteristic of the portfolio is considered underpriced.