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LICENSING EXAMINATION STUDY OUTLINE

**For January to June 2024 Examinations
(Issued in November 2023)**

Module 12 Investment Management and Corporate Finance

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(This document consists of 12 pages including the cover page)

STUDY OUTLINE

MODULE 12: INVESTMENT MANAGEMENT AND CORPORATE FINANCE

This examination is designed to test candidate's knowledge and understanding of the financial issues relevant to the investment advisory and corporate finance services in the Malaysian capital market. It is one of the examinations to be passed by individuals who:

- (1) intend to apply for a Capital Markets Services Representative's License (CMSRL) to carry on any of the following regulated activities:
 - Advising on Corporate Finance;
 - Investment Advice;or
- (2) intend to be employees of registered persons who carry out the capital markets activities as stipulated in Items 2 and 3, Part 1 of Schedule 4 of the Capital Markets and Services Act 2007.

Candidates are advised to refer to the Licensing Handbook for detailed combination of examinations required for each regulated activity.

Candidates are expected to possess good knowledge and understanding of the subject matter provided in this study outline and specified reference. In addition, candidates are expected to have relatively strong capability in the application and analysis of information in this study outline and its reference. It is estimated that this module will require a minimum of 120 hours of study time. Candidates may need less or more depending on the education background and work experience.

Candidates are expected to update themselves with the latest changes relevant to this examination as all questions will be continuously updated to reflect these changes. Module 12 examination is a closed-book test and candidates are not allowed to use any reference material during the examination.

Candidates are required to comply with the terms and conditions of the SC licensing examination. Severe penalties will be taken against candidates for any misconduct during the examination.

At the end of this study outline are 5 sample questions of various formats used in the Module 12 examination. The samples provided do not in any way reflect the level of difficulty or the subject

matter distribution of the actual examination. They are merely intended to familiarise candidates with the styles of multiple-choice questions used in the examination.

EXAMINATION STRUCTURE

Details of this examination are as follows:

Type of Questions	Multiple-Choice
Number of Questions	60 questions
Passing Mark	70%
Time Allocated	90 minutes
Reference /Text	<u>Study Guide</u> eGuide Module 12: Investment Management & Corporate Finance (First Edition 2022)

REFERENCE MATERIAL

The reference material for this examination can be purchased from SIDC website at www.sidc.com.my

LEARNING OBJECTIVES

Candidates are expected to have good knowledge, understanding and ability to apply in the following areas:

- Investment environment of the Malaysian capital market
- Economic fundamentals
- Inter-relationship between corporate finance, investment and strategic management
- Concept of shareholder value and its determinants
- Techniques of financial statement analysis and use of various ratios to gain insights into a company's performance measure
- Methods of computing economic value added and market value added
- Concept of time value of money and opportunity cost of capital
- Capital budgeting techniques used in making project decisions
- Relationship between risks and returns and how they are measured
- Levels and implications of market efficiency on technical and fundamental analysis and portfolio management
- Basic portfolio theory
- Process of portfolio management and evaluation of its performance
- Common forms of financing and factors to consider in determining the optimal capital structure
- Financing decisions which covers debt financing, equity financing and dividend policy
- Definitions of value and role of valuation
- Valuation methodologies and their limitations
- Various forms of derivatives used to hedge financial risks arising from the financing and investment decisions of a company
- Interaction of financing and investment decisions in corporate restructuring, mergers and acquisitions

EXAMINATION SYLLABUS

The syllabus for this examination is divided into 8 sections and the maximum composition of questions from each section is as follows:

Section	Composition of Questions (Maximum)	Number of Questions (Maximum)
Section 1	20%	12
Section 2	20%	12
Section 3	25%	15
Section 4	20%	12
Section 5	25%	15
Section 6	25%	15
Section 7	20%	12
Section 8	25%	15

Details of the syllabus are as below:

SECTION 1

Topic 2: Fundamentals of Economics

1. Economic Fundamentals
2. The Real Economy
3. The Public Sector
4. Monetary Policy
5. The International Sector
6. International Economics
7. Economic Analysis and Investment Strategy
8. Economic Indicators - Usefulness and Practicality for Market Participants

SECTION 2

Topic 5: Risks and Returns

1. Present Value and Opportunity Cost of Capital
2. Capital Budgeting
3. Measurement of Risk
4. Measurement of Investment Returns

SECTION 3

Topic 6: Portfolio Theory

1. Risk Aversion and Utility
2. Markowitz Portfolio Theory
3. Capital Asset Pricing Model
4. Arbitrage Pricing Theory

SECTION 4

Topic 7: Portfolio Management

1. Market Efficiency
2. Security Analysis
3. An Introduction to Portfolio Management
4. Evaluation of Investment Performance

SECTION 5

Topic 9: Debt Financing

1. Key Categories of Debt Financing services
2. Valuation of Bonds
3. Price Volatility
4. Convertible Bonds

SECTION 6

Topic 10: Equity Financing

1. Types of Equity Financing
2. Valuation of Equity
3. Effects of Corporate Exercises

Topic 11: Dividend Policy

1. Definition of Dividend Policy
2. Dividend Theories
3. Dividend Policy Issues
4. The Dividend Policy
5. Other Forms of Dividend

Topic 12: Valuation

1. The Role of Valuation
2. What is Value?
3. Valuation Models, Approaches and Applications
4. Discounted Cash Flow Valuation
5. Dividend Discount Model
6. Relative Valuation
7. Asset-based Valuations
8. Discounts, Premiums and other Considerations
9. Alternative Valuation Models

SECTION 7

Topic 13: Options

1. Definition and Concept of Options
2. Trading of Options
3. Option Payoffs
4. Option Strategies
5. Option Valuation
6. Options in Portfolio Management

Topic 14: Futures

1. Definition and Concept of Futures
2. The Futures Market
3. Futures Pricing Review
4. Commodity Futures
5. Equity Futures
6. Interest Rate Futures
7. Bond Futures: The Malaysian Government Securities Futures

Topic 15: Swaps and Interest Rate Options

1. Definition and Concept of Swaps
2. Types of Swaps
3. Other Options on Debt Instruments and Interest Rates

SECTION 8

Topic 1: Overview of the Investment Environment

1. Development of the Capital Market and its Technology
2. The Malaysian Markets
3. Growth of Capital Market Products and Services in Malaysia
4. Regulatory Framework of the Malaysian Capital Market

Topic 3: Strategic Management

1. Overview of Strategic Management
2. Linking Corporate Finance with Strategic Management
3. Shareholder Value

Topic 4: Financial Statement Analysis and Performance Measurement

1. The Importance of Financial Statement Analysis
2. Financial Statement Analysis
3. Economic Value Added
4. Market Value Added

Topic 8: Financing Decisions

1. The Financing Decision
2. Capital Structure
3. Financial Decisions in a Perfect Market
4. The Stakeholder Theory

Topic 16: Corporate Restructuring and Mergers and Acquisitions

1. Types of Corporate Restructuring Exercises
2. Mergers and Acquisitions
3. Divestitures
4. Leveraged Buyout
5. Capital Reduction and Consolidation
6. Recapitalisation
7. Liquidation and Winding-up
8. Schemes of Arrangement and Reconstruction
9. Motives and Determinants
10. Regulatory Framework
11. International Mergers and Acquisitions

Topic 17: Structured Products

1. What is a Structured Product?
2. Issuers of Structured Products in Malaysia
3. Uses and Benefits of Using Structured Products
4. Components of a Structured Product
5. Features and Payout Structures of Structured Products
6. Risks of Investing in Structured Products

SAMPLE QUESTIONS AND ANSWERS

Sample Question 1

Which statements CORRECTLY describe macroeconomics and microeconomics?

- (i) Macroeconomics studies economic aggregates at the overall level of the economy
- (ii) Microeconomics studies individual units in determining the trend of production and distribution of goods and services
- (iii) Macroeconomics includes studies on the total level of spending in the economy as well as total output of the economy
- (iv) Microeconomics includes studies on how regulations and taxes affect the markets

- (A) (i) and (ii) only
- (B) (iii) and (iv) only
- (C) (i), (ii) and (iv) only
- (D) All of the above

Sample Question 2

Which of the following statements BEST describe a bond's duration if all other factors remain constant?

- (A) The shorter the duration the higher the interest rate risk of the bond
- (B) The longer the duration the lower the volatility of prices of the bond
- (C) The higher the duration the higher the default risk of the bond
- (D) The lower the coupon rate the greater the bond's duration

Sample Question 3

Which of the following statements is TRUE about a call option on futures contract traded on Bursa Malaysia Derivatives Berhad when the option is exercised?

- (A) The holder will receive a short position of the underlying futures contract
- (B) The writer will receive a long position of the underlying futures contract
- (C) The holder will receive a gain/loss (cash) that equals the difference between the futures settlement price and the exercise price of the option
- (D) The writer will receive a loss that equals the difference between the futures settlement price and the exercise price of the option

Sample Question 4

AA Builder Bhd has issued an RM1,000,000 nominal value of zero coupon bond with a life of 20 years to finance its business project. If the bond is expected to yield 9%, what is the intrinsic value of this bond?

- (A) RM178,430.89
- (B) RM194,489.67
- (C) RM277,058.48
- (D) RM555,555.56

Sample Question 5

In fundamental analysis, the top down approach involves performing analysis in which of the following sequences?

- (A) Economic analysis, company analysis, industry analysis
- (B) Industry analysis company analysis, economic analysis
- (C) Economic analysis, industry analysis, company analysis
- (D) Industry analysis, economic analysis, company analysis

Answer

Sample Question 1 - D

Sample Question 2 - D

Sample Question 3 - D

Sample Question 4 - A (RM1,000,000 / (1.09)²⁰)

Sample Question 5 - C