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SIDC Module 6, 7 and 12: 21 Practice Questions and Answers

21 original practice questions in the style of the SC Licensing Examinations, 7 for each module, with the answer, the working or the rule, and the dated source for each. Questions first, answers after, so you can test yourself.

> **Original practice questions, not exam questions.** These were written by SIDC Prep from the SIDC study outlines, the Acts, SC guidelines and Bursa rules. Real exam questions are confidential and are not published or sold, and none of these is a past, actual or recalled question.

The real exams, as SIDC publishes them

Module	Questions	Time	Pass mark	Book rule
Module 6	60 MCQs, 4 options	1 hour 30 min	60%	Open book
Module 7	60 MCQs, 4 options	1 hour 30 min	60%	Closed book, calculator
Module 12	60 MCQs, 4 options	1 hour 30 min	70%	Closed book, calculator

Source: SIDC Study Outlines for July to December 2026 examinations (issued May 2026) and SCLE Terms and Conditions 2026, checked 12 October 2026. SIDC can change the format, so confirm on sidc.com.my before you register.

Module 6

QUESTION 1 · THE MALAYSIAN STOCK MARKET AND ITS REGULATORS

An exchange holding company finds that a fee change which would lift its profits would also weaken protection for retail investors. How does the CMSA require it to resolve this?

A. It must refer the conflict to the Minister, whose written decision on the matter is final

B. The public interest, especially the protection of investors, must prevail over its own interest

C. Its duties to its own shareholders prevail, as it is itself a public company listed on the exchange

D. It may adopt the fee change if its Risk Management Committee approves it in advance

QUESTION 2 · BUSINESS STRUCTURES AND THE PARTICIPATING ORGANISATION

Lima Bhd, a public company, has exactly two directors, both ordinarily resident in Malaysia. One director hands in his resignation and no replacement has been appointed. What is the effect?

A. It takes effect, but a replacement must be appointed within 6 months

B. It takes effect after 30 days' notice is lodged with the Registrar

C. It is ineffective until a replacement director is appointed

D. It takes effect at once, as one director is enough for a company of this kind

QUESTION 3 · TRADING ON BURSA MALAYSIA SECURITIES

A share's Reference Price today is RM2.40 and it is not a first day of listing. What is the highest price at which the ATS will accept a board-lot buy order?

A. RM2.59

B. RM2.70

C. RM3.12

D. RM12.00

QUESTION 4 · CONTRACT LAW, THE STOCKBROKER-CLIENT RELATIONSHIP AND NEGLIGENT MISSTATEMENT

Aziz tells his PO to buy 10,000 shares at no more than RM2.00. The dealer's representative buys at RM2.10, and the price then falls to RM1.80. Under section 164 of the Contracts Act 1950, who bears the loss?

A. The PO, which as agent departed from Aziz's directions and must make good the loss

B. Aziz and the PO equally, as both of them knowingly accepted the market risk of the trade

C. Aziz, as the contract made on Bursa Securities binds him once the orders are matched

D. The selling PO, which must cancel the trade as it was done above the client's limit

QUESTION 5 · SECURITIES OFFENCES

Lim, a taxi driver, overhears two directors of Saujana Bhd discussing an unannounced take-over offer and buys Saujana shares the next morning. Which statements are correct under CMSA s.188?
(i) Lim can be an insider although he has no connection with Saujana
(ii) Lim is an insider only if he knew or ought reasonably to have known the information was not generally available
(iii) Lim escapes liability because he came by the information by chance
(iv) The prosecution must prove that Lim made a profit on the purchase

A. (i) and (ii) only

B. (ii) and (iii) only

C. (iii) and (iv) only

D. (i), (iii) and (iv) only

QUESTION 6 · SECURITIES OFFENCES

Daniel instructs his dealer's representative to sell 10,000 Mutiara Bhd shares that he neither owns nor has borrowed, planning to buy them back before settlement. Under CMSA s.98, the sale is:

A. Prohibited if the sale pushes the Mutiara price down, but otherwise permitted as an ordinary day trade

B. Permitted, provided his dealer's representative tags the order as a short sale when keying it in

C. Prohibited, as he has no presently exercisable and unconditional right to vest the shares in the buyer

D. Permitted, as long as he buys back the same number of shares before the trade is due for settlement on T+2

QUESTION 7 · TAKE-OVERS AND MERGERS

Before its offer for all remaining shares, an offeror held 40% of an offeree. Acceptances bring in another 51%, taking it to 91%. Can it compulsorily acquire the rest under section 222 of the CMSA?

A. Yes, as its total holding of 91% exceeds nine-tenths of the offeree's shares

B. Yes, as acceptances of 51% exceed half of the offeree's voting shares

C. No, as compulsory acquisition needs acceptances from 95% of the offer shares

D. No, as acceptances are only 85% of the offer shares, short of nine-tenths

Module 7

QUESTION 8 · FINANCIAL STATEMENTS AND THE REPORTING FRAMEWORK

Kenanga Bhd's profit before tax was RM160 million after depreciation of RM30 million. Trade receivables rose RM20 million, inventories rose RM15 million, trade payables rose RM10 million and tax paid was RM40 million. Using the indirect method, what is its net cash from operating activities?

A. RM115 million

B. RM125 million

C. RM145 million

D. RM165 million

QUESTION 9 · FINANCIAL STATEMENTS AND THE REPORTING FRAMEWORK

A retailer's sales were RM900,000. Opening inventory was RM100,000, purchases RM600,000 and closing inventory RM120,000. What was its gross profit?

A. RM200,000

B. RM280,000

C. RM300,000

D. RM320,000

QUESTION 10 · FINANCIAL STATEMENT ANALYSIS AND RATIOS

Alpha Bhd (RM million): cash and cash equivalents 50; trade receivables 120; inventory 130; current liabilities 200. What is Alpha's cash ratio?

A. 0.25 times

B. 0.85 times

C. 1.50 times

D. 4.00 times

QUESTION 11 · FIXED INCOME AND MONEY MARKETS

A 3.90% MGS is quoted at a clean price of RM101.35. Settlement is 61 days into a 182-day coupon period. What is the dirty (full) price per RM100?

A. RM100.70

B. RM101.35

C. RM102.00

D. RM102.66

QUESTION 12 · EQUITY MARKETS AND VALUATION

A share trades at RM1.70 cum-rights. The company offers 2 new shares for every 5 held at RM1.00. What is the theoretical ex-rights price?

A. RM1.35

B. RM1.50

C. RM1.58

D. RM1.70

QUESTION 13 · TECHNICAL ANALYSIS

Over the last 14 sessions a Bursa-listed share's average gain was RM0.30 and its average loss RM0.10. Using Wilder's formula, what is its Relative Strength Index?

A. 25.0

B. 66.7

C. 75.0

D. 300.0

QUESTION 14 · EXCHANGE-TRADED FUNDS

Over a year an index returned 7.8% and an ETF tracking it returned 7.2%. What was the tracking difference, and what is its most likely main cause?

A. −0.6 percentage points; the exchange's trading halts

B. +0.6 percentage points; fees and costs

C. −7.2 percentage points; the market falling

D. −0.6 percentage points; fees and costs

Module 12

QUESTION 15 · FUNDAMENTALS OF ECONOMICS

An economy reports (RM billion): household consumption 900, investment 300, government spending 250, exports 800 and imports 700. What is GDP by the expenditure approach?

A. RM1,450 billion

B. RM1,550 billion

C. RM2,250 billion

D. RM2,950 billion

QUESTION 16 · RISKS AND RETURNS

Kenari Bhd can invest RM1,000,000 today for cash inflows of RM300,000, RM400,000 and RM500,000 at the end of years 1 to 3. Its cost of capital is 10%. What is the project's NPV and decision?

A. −RM21,037: reject

B. RM978,963: accept

C. RM90,909: accept

D. RM200,000: accept

QUESTION 17 · PORTFOLIO THEORY

The risk-free rate is 3.5%, the expected market return is 9.5% and a share's beta is 1.3. What is the share's required return under the CAPM?

A. 9.50%

B. 11.30%

C. 12.35%

D. 15.85%

QUESTION 18 · PORTFOLIO MANAGEMENT AND PERFORMANCE EVALUATION

A fund returned 15% with a beta of 1.2. The risk-free rate was 5% and the market returned 12%. What is the fund's Jensen's alpha?

A. 1.6%

B. 3.0%

C. 6.6%

D. 10.0%

QUESTION 19 · DEBT FINANCING

A five-year bond with a 6% annual coupon and a RM100 face value is priced to yield 5%. What is its price?

A. RM95.90

B. RM100.00

C. RM104.33

D. RM108.35

QUESTION 20 · EQUITY FINANCING, DIVIDEND POLICY AND VALUATION

Sentosa Bhd has just paid a dividend of RM0.40. Dividends are expected to grow at 5% a year forever and investors require 10%. What is the share's value under the constant-growth model?

A. RM4.00

B. RM4.20

C. RM8.00

D. RM8.40

QUESTION 21 · OPTIONS, FUTURES AND SWAPS

An investor buys a call with a strike of RM5.00 for a premium of RM0.30. At expiry the share is RM5.80. What is the profit per share?

A. RM0.30

B. RM0.50

C. RM0.80

D. RM1.10

Answers and explanations

QUESTION 1 · ANSWER B

Answer: The public interest, especially the protection of investors, must prevail over its own interest. Section 21(2) of the CMSA requires an exchange holding company to act in the public interest, with particular regard to protecting investors, and where its own interest, or an interest it must serve under corporations law, conflicts with the public interest, the public interest prevails.
Why not the others:
• Refer the conflict to the Minister: nothing in s.21 sends such conflicts to the Minister for a decision; s.21(2) itself settles them.
• Its duties to its own shareholders prevail: s.21(2) puts the public interest above any interest it serves under corporations law, so its duties to shareholders give way.
• Adopt it if its Risk Management Committee approves: the committee under s.22 formulates risk policies for the board and cannot authorise a departure from s.21(2).
Rule: When an exchange holding company's own interest conflicts with the public interest, the public interest, especially investor protection, prevails.

Source: CMSA 2007 ss.21(2), 22 (as at October 2026).

Ref M6-REG-004

QUESTION 2 · ANSWER C

Answer: It is ineffective until a replacement director is appointed. Section 196(1) of the Companies Act 2016 requires a public company to have at least two directors, and section 196(3) deems a resignation that would take the board below that minimum ineffective unless a person is appointed in the director's place.
Why not the others:
• It takes effect, but a replacement must be appointed within 6 months: the Act sets no 6-month grace period here; the resignation simply does not take effect.
• It takes effect after 30 days' notice is lodged with the Registrar: the Act gives no 30-day notice route that lets the resignation stand.
• It takes effect at once, as one director is enough: one director is the minimum only for a private company, and Lima Bhd is public.
Rule: A resignation that would leave the company below its minimum, which is two directors for a public company, is ineffective unless a replacement is appointed.

Source: Companies Act 2016 (Act 777) s.196(1), (3) (as at October 2026).

Ref M6-BUS-001

QUESTION 3 · ANSWER C

Answer: RM3.12. Under Rule 8.13(1) the ATS does not accept a board-lot order priced above the Upper Limit Price. For a Reference Price of RM1.00 or more, Trading Manual para 4.4 sets that limit at 30% above the Reference Price, rounded down to the nearest bid.
Working:
1. Upper Limit Price = Reference Price x 1.30.
2. 2.40 x 1.30 = RM3.12.
Why not the others:
• RM2.59: applies the 8% Dynamic Price Limit, which governs matching in the main trading phase, not order acceptance.
• RM2.70: adds the flat 30 sen band, which applies only to securities priced below RM1.00.
• RM12.00: uses the 400% upper band, which applies only on the first day of listing or quotation.
Rule: Order acceptance uses the static 30% limit for shares of RM1.00 or more; the 8% dynamic limit is for matching.

Source: Rules of Bursa Malaysia Securities Rule 8.13(1) (as at 28 August 2026); Participating Organisations' Trading Manual para 4.4 (as at 28 August 2026) (as at October 2026).

Ref M6-TRD-001

QUESTION 4 · ANSWER A

Answer: The PO, which as agent departed from Aziz's directions and must make good the loss. A PO executing a client's order acts as the client's agent (s.135), and Contracts Act 1950 s.164 binds an agent to follow the principal's directions and, when it acts otherwise, to make good any loss the principal sustains (and account for any profit). Buying at RM2.10 against a RM2.00 limit is such a departure.
Why not the others:
• Aziz and the PO equally: Aziz never accepted a trade above RM2.00, and s.164 puts the loss from departing from his directions on the agent.
• Aziz, as the contract binds him once matched: the matched market contract binds the PO on the market, but that does not shift the loss to Aziz as between agent and principal.
• The selling PO, which must cancel the trade: nothing makes the selling PO cancel a trade validly matched at RM2.10.
Rule: The market trade stands, but between client and broker the broker that ignores the client's directions bears the loss (s.164).

Source: Contracts Act 1950 (Act 136) ss.135, 164; SIDC Module 6 Study Outline (Jul-Dec 2026) Topic 8, 8.1 and 8.5 (as at October 2026).

Ref M6-CTR-026

QUESTION 5 · ANSWER A

Answer: (i) and (ii) only. Section 188(1) defines an insider by the information held, not by any link to the company: a person is an insider if he has information that is not generally available and would be expected to have a material effect on price, and he knows or ought reasonably to know it is not generally available.
(i) True. The test looks only at the information and Lim's knowledge, so a taxi driver with no connection to Saujana can be an insider.
(ii) True. The knowledge limb of s.188(1) requires that Lim knew or ought reasonably to have known the information was not generally available.
(iii) False. How the information was obtained is irrelevant, so overhearing it by chance gives no defence.
(iv) False. The s.188(2) offence is complete when the insider acquires or disposes of the securities, so no profit need be shown.
Only (i) and (ii) are correct, so the answer is (i) and (ii) only.
Rule: An insider is anyone holding non-public price-sensitive information who knows or ought to know it is non-public; links, source and profit do not matter.

Source: CMSA 2007 s.188(1), (2) (as at October 2026).

Ref M6-OFF-002

QUESTION 6 · ANSWER C

Answer: Prohibited, as he has no presently exercisable and unconditional right to vest the shares in the buyer. Section 98(1) bars a sale unless, at the time of sale, the seller has (or reasonably believes he has) that right, and Daniel neither owns nor has borrowed the shares.
Why not the others:
• Prohibited if the sale pushes the price down: the price effect of the sale has nothing to do with s.98, which looks at the seller's right to vest the shares.
• Permitted, provided the order is tagged as a short sale: tagging helps only for a sale within the s.98(4)(c) exception, which needs a class of securities and manner of sale permitted by the exchange's rules, and an uncovered sale is not one.
• Permitted if he buys back before T+2 settlement: an intention to buy back before settlement does not create the right to vest the shares at the time of sale.
Rule: Selling without a present, unconditional right to vest breaches s.98(1); intending to cover or labelling the order does not cure it.

Source: CMSA 2007 s.98(1), (4)(c), (6) (as at October 2026).

Ref M6-OFF-004

QUESTION 7 · ANSWER D

Answer: No, as acceptances are only 85% of the offer shares, short of nine-tenths. CMSA s.222(1) allows compulsory acquisition where the offeror receives acceptances of not less than nine-tenths in nominal value of the offer shares, and s.222(1A) excludes shares already held by the offeror or persons acting in concert at the date of the offer.
Working:
1. Offer shares = the 60% the offeror did not already hold.
2. Acceptances as a share of the offer shares: 51% / 60% = 85%.
3. 85% is below 90%, so the nine-tenths test is not met.
Why not the others:
• Total holding of 91% exceeds nine-tenths: counts the 40% already held, the pre-2015 approach that the amendment removed. The 91% total does, however, give remaining holders a sell-out right under s.223.
• Acceptances of 51% exceed half: a simple majority is irrelevant; the test is nine-tenths of the offer shares.
• Needs acceptances from 95%: the threshold is nine-tenths, not 95%.
Rule: For compulsory acquisition under s.222, measure acceptances against the offer shares only; shares the offeror already held do not count.

Source: CMSA 2007 ss.222(1), 222(1A), 223; Rules on Take-overs, Mergers and Compulsory Acquisitions (SC-GL/1-2016 (R2-2021), revised 28 December 2021) para 22.01 and note (as at October 2026).

Ref M6-TKO-002

QUESTION 8 · ANSWER B

Answer: RM125 million. Under the MFRS 107 indirect method, profit before tax is adjusted for non-cash depreciation and for working capital movements, and tax paid is then deducted.
Working:
1. Profit before tax plus depreciation = 160 + 30 = RM190 million.
2. Working capital = −20 (receivables rise) − 15 (inventories rise) + 10 (payables rise) = −RM25 million.
3. Net cash from operating activities = 190 − 25 − 40 = RM125 million.
Why not the others:
• RM115 million: leaves out the RM10 million rise in payables, which provides cash (160 + 30 − 20 − 15 − 40).
• RM145 million: leaves out the RM20 million rise in receivables, which uses cash (160 + 30 − 15 + 10 − 40).
• RM165 million: forgets to deduct the RM40 million of tax paid (160 + 30 − 20 − 15 + 10).
Rule: In the indirect method, add back non-cash charges, deduct increases in receivables and inventories, add increases in payables, then deduct tax paid.

Source: SIDC Module 7 Study Outline (Jul-Dec 2026) Topic 2 Elements of Financial Statements, 2.5; MASB, Malaysian Financial Reporting Standards (MFRS 101 Presentation of Financial Statements; MFRS 107 Statement of Cash Flows; MFRS 116; MFRS 10 and MFRS 3 for groups) (as at October 2026).

Ref M7-FS-001

QUESTION 9 · ANSWER D

Answer: RM320,000. Gross profit is sales less cost of sales, and cost of sales is opening inventory plus purchases less closing inventory, because unsold goods are carried forward as an asset under MFRS 102.
Working:
1. Cost of sales = 100,000 + 600,000 – 120,000 = RM580,000.
2. Gross profit = 900,000 – 580,000 = RM320,000.
Why not the others:
• RM200,000: leaves out the closing inventory deduction, so cost of sales is 100,000 + 600,000 = RM700,000.
• RM280,000: swaps opening and closing inventory, so cost of sales is 120,000 + 600,000 – 100,000 = RM620,000.
• RM300,000: ignores inventory altogether and deducts only purchases (900,000 – 600,000).
Rule: Cost of sales = opening inventory + purchases – closing inventory; gross profit = sales – cost of sales.

Source: SIDC Module 7 Study Outline (Jul-Dec 2026) Topic 2 Elements of Financial Statements, 2.3; MFRS 102 Inventories (as at October 2026).

Ref M7-FS-002

QUESTION 10 · ANSWER A

Answer: 0.25 times. The cash ratio counts only cash and cash equivalents against current liabilities, the strictest liquidity test.
Working:
1. Cash ratio = 50 ÷ 200 = 0.25 times.
Why not the others:
• 0.85 times: is the quick ratio, which adds receivables ((50 + 120) ÷ 200).
• 1.50 times: is the current ratio, which also adds inventory ((50 + 120 + 130) ÷ 200).
• 4.00 times: inverts the ratio (200 ÷ 50).
Rule: Cash ratio = cash and cash equivalents ÷ current liabilities; it ignores receivables and inventory.

Source: SIDC M7 Study Outline Topic 3.2 Techniques of Analysis (liquidity ratios) (as at October 2026).

Ref M7-RAT-038

QUESTION 11 · ANSWER C

Answer: RM102.00. MGS are quoted clean, so the buyer pays the dirty price: the clean price plus the interest accrued since the last coupon.
Working:
1. Accrued interest = (3.90 ÷ 2) × (61 ÷ 182) = RM0.65 per RM100.
2. Dirty price = 101.35 + 0.65 = RM102.00.
Why not the others:
• RM100.70: deducts the accrued interest, 101.35 − 0.65, which reverses the adjustment.
• RM101.35: is the clean price, which leaves out the accrued interest owed to the seller.
• RM102.66: accrues the full annual coupon over the half-year period, 3.90 × 61 ÷ 182 = 1.31, and adds that.
Rule: Dirty price = clean price + accrued interest, and an MGS accrues half the annual coupon over the actual days in the coupon period.

Source: SIDC M7 Study Outline Topic 4 Section B.6 Pricing a Bond; BNM Financial Markets Information Portal, Trade Mechanism (MGS proceeds include accrued interest) and Types of Securities; CFA Institute Level I, 'Fixed-Income Bond Valuation: Prices and Yields' (as at October 2026).

Ref M7-FI-032

QUESTION 12 · ANSWER B

Answer: RM1.50. The theoretical ex-rights price (TERP) is the weighted average of the cum-rights price of the old shares and the subscription price of the new shares, spread over the enlarged share count.
Working:
1. Value of 5 old shares = 5 × 1.70 = RM8.50.
2. Cost of 2 new shares = 2 × 1.00 = RM2.00.
3. TERP = (8.50 + 2.00) ÷ 7 = RM1.50.
Why not the others:
• RM1.35: averages the cum price and the issue price equally ((1.70 + 1.00) ÷ 2), ignoring that five old shares outweigh two new ones.
• RM1.58: treats the issue as 1-for-5, giving (5 × 1.70 + 1.00) ÷ 6.
• RM1.70: is the cum-rights price itself, ignoring the dilution from issuing new shares below the market price.
Rule: TERP = (old shares × cum price + new shares × subscription price) ÷ total shares after the issue.

Source: SIDC Module 7 Study Outline (Jul-Dec 2026) Topic 5 Equity Markets; Bodie, Kane and Marcus, Investments, chapters on equity valuation (as at October 2026).

Ref M7-EQ-001

QUESTION 13 · ANSWER C

Answer: 75.0. Wilder's RSI = 100 − 100 ÷ (1 + RS), where RS = average gain ÷ average loss, so an average gain three times the average loss gives 75.0.
Working:
1. RS = 0.30 ÷ 0.10 = 3.
2. RSI = 100 − 100 ÷ (1 + 3) = 100 − 25 = 75.0.
Why not the others:
• 25.0: is 100 ÷ (1 + RS), the second term on its own, never subtracted from 100.
• 66.7: is 100 − 100 ÷ RS, which drops the 1 from the denominator.
• 300.0: reports RS of 3 as a percentage instead of converting it to the 0 to 100 scale.
Rule: RSI = 100 − 100 ÷ (1 + RS), with RS = average gain ÷ average loss, so the result always lies between 0 and 100.

Source: SIDC Module 7 Study Outline (Jul-Dec 2026) Topic 6 Technical Analysis, 6.6 Indicators; J. W. Wilder, New Concepts in Technical Trading Systems (1978) (as at October 2026).

Ref M7-TA-001

QUESTION 14 · ANSWER D

Answer: −0.6 percentage points; fees and costs. Tracking difference is the fund's return less the index return, and a passive fund lags its index mainly because of management fees and trading costs, plus cash drag and sampling.
Working:
1. Tracking difference = 7.2% − 7.8% = −0.6 percentage points.
Why not the others:
• −0.6 points; the exchange's trading halts: the figure is right, but trading halts do not explain a full-year gap between the fund and its index.
• +0.6 points; fees and costs: gets the sign wrong, because the fund lagged the index.
• −7.2 points; the market falling: mistakes the fund's own return for the difference, and the market rose over the year.
Rule: Tracking difference = fund return − index return; it is usually negative, mainly because of fees and costs.

Source: SIDC Module 7 Study Outline (Jul-Dec 2026) Topic 7 Exchange-traded Funds (as at October 2026).

Ref M7-ETF-007

QUESTION 15 · ANSWER B

GDP = C + I + G + (X − M) = 900 + 300 + 250 + (800 − 700) = RM1,550 billion. RM2,250 billion adds exports but forgets to deduct imports. RM1,450 billion leaves out net exports altogether. RM2,950 billion adds imports instead of deducting them; imports are spending on foreign output and are subtracted.

Source: SIDC Module 12 Study Outline (Jul-Dec 2026) Section 1 Topic 2 Fundamentals of Economics; N. G. Mankiw, Macroeconomics (as at October 2026).

Ref M12-ECO-001

QUESTION 16 · ANSWER A

NPV = −1,000,000 + 300,000 ÷ 1.10 + 400,000 ÷ 1.10^2 + 500,000 ÷ 1.10^3 = −1,000,000 + 272,727 + 330,579 + 375,657 = −RM21,037. A negative NPV at the cost of capital means the project earns less than investors require, so it is rejected. RM200,000 ignores the time value of money. RM90,909 discounts all inflows by one year only. RM978,963 is the present value of the inflows, forgetting to deduct the outlay.

Source: SIDC Module 12 Study Outline (Jul-Dec 2026) Topic 5 Risks and Returns, 5.2 Capital Budgeting; Brealey, Myers and Allen, Principles of Corporate Finance, ch. on net present value (as at October 2026).

Ref M12-RR-001

QUESTION 17 · ANSWER B

CAPM: E(Ri) = Rf + βi[E(Rm) − Rf] = 3.5% + 1.3 × (9.5% − 3.5%) = 3.5% + 7.8% = 11.30%. Quoting 9.50% ignores beta and treats the share as if it carried market risk only. Multiplying beta by the whole market return (1.3 × 9.5% = 12.35%) forgets that beta scales only the risk premium. Adding the risk-free rate to that figure (3.5% + 12.35% = 15.85%) counts the risk-free rate twice, once on its own and once inside the market return.

Source: SIDC M12 Study Outline Topic 6.3 Capital Asset Pricing Model; Bodie, Kane and Marcus, Investments, chapter 'The Capital Asset Pricing Model'; CFA Institute, Portfolio Risk and Return: Part II (2026 Level I): E(Ri) = Rf + βi[E(Rm) − Rf] (as at October 2026).

Ref M12-PT-002

QUESTION 18 · ANSWER A

Jensen's alpha = Rp − [Rf + βp(Rm − Rf)] = 15% − [5% + 1.2 × (12% − 5%)] = 15% − 13.4% = 1.6%. Comparing the fund with the market, 15% − 12% = 3.0%, ignores the fund's higher beta. Deducting only the beta-scaled premium, 15% − 1.2 × 7% = 6.6%, forgets the risk-free intercept of the CAPM benchmark. 10.0% is the fund's excess return over the risk-free rate, 15% − 5%, with no adjustment for market risk at all. A positive alpha means the fund beat the return the CAPM requires for its systematic risk.

Source: SIDC M12 Study Outline Topic 7.4 Evaluation of Investment Performance; Bodie, Kane and Marcus, Investments, chapter 'Portfolio Performance Evaluation'; CFA Institute, Portfolio Risk and Return: Part II (2026 Level I) (as at October 2026).

Ref M12-PM-002

QUESTION 19 · ANSWER C

Price = Σ 6 ÷ 1.05^t (t = 1 to 5) + 100 ÷ 1.05^5 = 25.98 + 78.35 = RM104.33. Because the coupon (6%) is above the yield (5%), the bond trades at a premium. RM100.00 is the price only when coupon equals yield. RM95.90 is the price at a 7% yield, the wrong direction. RM108.35 adds the five coupons (RM30) to the discounted face value without discounting the coupons.

Source: SIDC Module 12 Study Outline (Jul-Dec 2026) Section 5 Topic 9 Debt Financing; F. J. Fabozzi, Bond Markets, Analysis and Strategies (as at October 2026).

Ref M12-DEBT-001

QUESTION 20 · ANSWER D

Gordon growth: P0 = D1 ÷ (r – g), where D1 = D0 × (1 + g) = 0.40 × 1.05 = 0.42. P0 = 0.42 ÷ (0.10 – 0.05) = RM8.40. RM8.00 uses the dividend just paid (D0) instead of next year's. RM4.20 divides D1 by r alone, ignoring growth. RM4.00 divides the dividend just paid by the required return alone.

Source: SIDC Module 12 Study Outline (Jul-Dec 2026) Section 6 Topics 10-12 (Equity Financing, Dividend Policy, Valuation); A. Damodaran, Investment Valuation (as at October 2026).

Ref M12-EQV-001

QUESTION 21 · ANSWER B

A call's payoff at expiry is max(S – K, 0) = 5.80 – 5.00 = RM0.80. Profit deducts the premium paid: 0.80 – 0.30 = RM0.50. RM0.80 is the payoff before the premium. RM1.10 adds the premium instead of deducting it. RM0.30 is the premium itself, the maximum loss, not the profit.

Source: SIDC Module 12 Study Outline (Jul-Dec 2026) Section 7 (Topics 13 Options, 14 Futures, 15 Swaps and Interest Rate Options); J. C. Hull, Options, Futures, and Other Derivatives (as at October 2026).

Ref M12-DER-001

Next step: time yourself. Take the free 20-question timed mock, marked against the real pass mark, at sidcprep.my/free-mock.

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