



MAGIC INSTITUTE OF
EXCELLENCE




VISHAL BHOJANI

INVESTMENT BANKER

MBA Finance



What Company will do of Profits ?



Retained
Earnings



Dividends

Dividends

Cash Dividend

- When company decides not to use money for operations but transfer economic value to Investors
- Company share price falls
- It gives you Income but shareholders has to pay tax on them

Stock Dividend

- No cash available or if they want to invest cash somewhere else
- Avoid Tax and price doesn't falls
- They may come with Cash

Dividend

- A dividend is the share of profits that is distributed to shareholders in the company and the return that shareholders receive for their investment in the company
- The company's management must use the profits to satisfy its various stakeholders, but equity shareholders are given first preference as they face the highest amount of risk in the company. A few examples of dividends include:

- **1. Cash Dividend**

A dividend that is paid out in cash and will reduce the cash reserves of a company.

- **2. Bonus Shares or Stock Dividend**

Bonus shares refer to shares in the company are distributed to shareholders at no cost. It is usually done in addition to a cash dividend, not in place of it.

Dividends

- **Declaration date:** The day the Board of Directors announces their intention to pay a dividend. On the declaration date, the Board will also announce a date of record and a payment date
- **Date of record (ex-dividend date):** The day when the stockholders are entitled to the dividend payment. A stock will usually begin trading ex-dividend or ex-rights the fourth business day before the payment date. In other words, only the owners of the shares on or before that date will receive the dividend
- **Payment date:** The date the dividend will actually be given to the shareholders.



Case Study

On March 15 a board of directors approves dividend of \$0.40 per share to pay on May1 to stockholders of record on April 15 (Shares 2,000)

Declaration Date 15 th March	Retained Earnings (2,000 X \$0.40)	800	
	Dividends Payable		800

Record/Ex Date 15 th April	No Entry The record date merely determines the names of the stockholders that will receive the dividends
---	--

Payment Date 1 st May	Dividends Payable	800	
	Cash		800

Dividend Policy

- A company's dividend policy dictates the amount of dividends paid out by the company to its shareholders and the frequency with which the dividends are paid out.
- When a company makes a profit, they need to make a decision on what to do with it.
- They can either retain the profits in the company (retained earnings on the balance sheet), or they can distribute the money to shareholders in the form of dividends.

Dividend Policy

- Regular Dividend
- Stable Dividend
- Irregular Dividend
- No Dividend



MAGIC INSTITUTE OF
EXCELLENCE



vishal@mieindia.in

www.mieindia.in

+91 9920418496

THANK YOU