Assignment-14

Explain the assumptions inherent in the dividends do not matter school.

The Dividend don't matter" school, also known as the "Dividend Irrelevance Theory", proposes that dividend payments have no impact on a company's stock price or shareholder wealth. This theory developed by miller and Modigliani (1961).

* <u>Perfect Capital markets:</u>

Investors can easily buy or sell securities without transaction costs, taxes, or other market frictions.

* <u>Rational Investors:</u>

Investors make informed decisions based on expected returns and risks.

* <u>Homemade dividends:</u>

Investors can create their own dividend stream by selling portions of their shares.

* <u>Information symmetry:</u>

All Investors have access to the same information.

* <u>No agency problems:</u>

managers act in the best interests of shareholders.