Assingnment 4

1) Explain the allonphoos In toreat in the dividents donot matter school.

* A well-known professor of finance often provides detailed In lights into the dividend Irrelevance Thought explaining the accumptions behind the dividends do NOT matter "school of throught.

This Theory, originally proposal by modigliaiand millbo(m&m) assets that a Firmsdividend policy hasno impact on itsvalue in an ideal world.

There are notaxes or if they exist, capital gains and dividend taxes are Fixed act the same rates

Buying and selling shares is costless, meaning there are no brokeragefees, bid ask sprode, or any other Tranaction related expenses.

A company can raise funds without facing the risk Of financial distrecus or bankruipty.

Investors are indifferent to receiving dividends versw capital gains. In other words, they don't care whether their retors come from dividend or From the apprOliation of the stock.

Dividends convey noadditional Information to Invators about the company's fotureprospects or performance.