PCF-14.

ASSIGNMENT

LAKSHMI
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1) Explain the assumptions Inherent in the Dividends do not matter school.

* A well-known professor of finance often provides detailed Insights Into the dividend Irrelevance theory, explaining the assumptions behind the "dividends do Not Matter" School of thought.

* This theory, originally proposed by Modigliani and Miller (M&M), asserts that a firm's dividend policy has no impact on its value in an ideal world.

* There are no taxes or, if they exist, capital gains and dividend taxes are taxed at the same rate.

* Buying and selling shares is costless, Meaning there are no brokerage fees, bid ask spreads, or any other transaction-related expenses.

* A company can raise funds without facing the risk of financial distress or bankruptcy.

* Investors are indifferent to receiving dividends versus capital gains. In other words, they don't care whether their returns come from dividends or from the appreciation of the stock.

* Dividends convey no additional information to Investors about the Company's future prospects or performance.