

Assignment - 14

12 Explain the assumptions inherent in the Dividends do not Matter school?

=> Dividend - A portion of a company's earnings distributed to its shareholders as a return on their investment.

=> Dividend do not Matter:-

Modigliani
Miller
model

- There is no cost - direct or indirect of new stock.
- No difference between the tax treatment for capital gain and dividend.
- The company do not destroy value of unpaid dividend.

=> Assumptions:-

- The "dividends do not matter" school assumes that dividend policy is irrelevant to a firm's value.

- It posits that investors can create their own income through selling shares and that market efficiency ensures stock prices reflect all available information.
- Thus, changes in dividends do not impact overall firm valuation.

Q. 10