

14 - Assignment

Explain the assumption interest in the dividends do not matter school.

x dividend policy irrelevance
dividend payment don't affect stock price.

* Informational irrelevance: dividend convey no information about future earnings.

* capital market efficiency investors can create home made dividends by selling shares.

* dividend signal commitment to pay out cash.

* Information assignment exists dividends convey information

* Transaction costs, taxes and other frictions affect home made dividends.