CASE SUMMARY- Gainesboro

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**Statement of Problem:**

For years, Gainesboro Machine Tools Corporation has struggled with declining sales (down to $756 million from $858 million two years ago). This has led to a stock price collapse and a drop of dividends paid to shareholders ($.25 per share versus $.77 per share in 2002). However, with the advent of Artificial Workforce, a profitable and promising new product developed by Gainsboro, there is optimism by management for the firm’s performance. Gainesboro must now decide what dividend policy to adapt.

**Discussion:**

Gainesboro has three possible options for their dividend policy. The Company can choose a zero- payout, a 40% payout ratio or a residual payout. If Gainesboro was   
**Recommendation:**