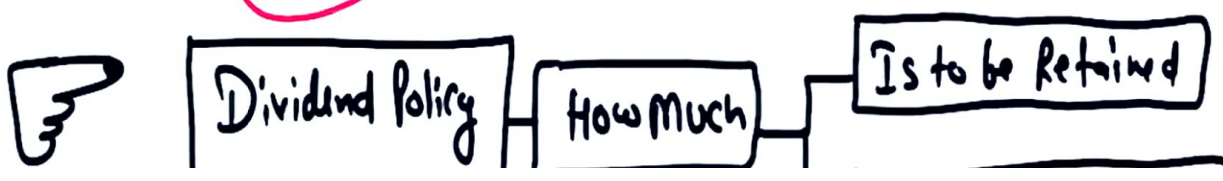
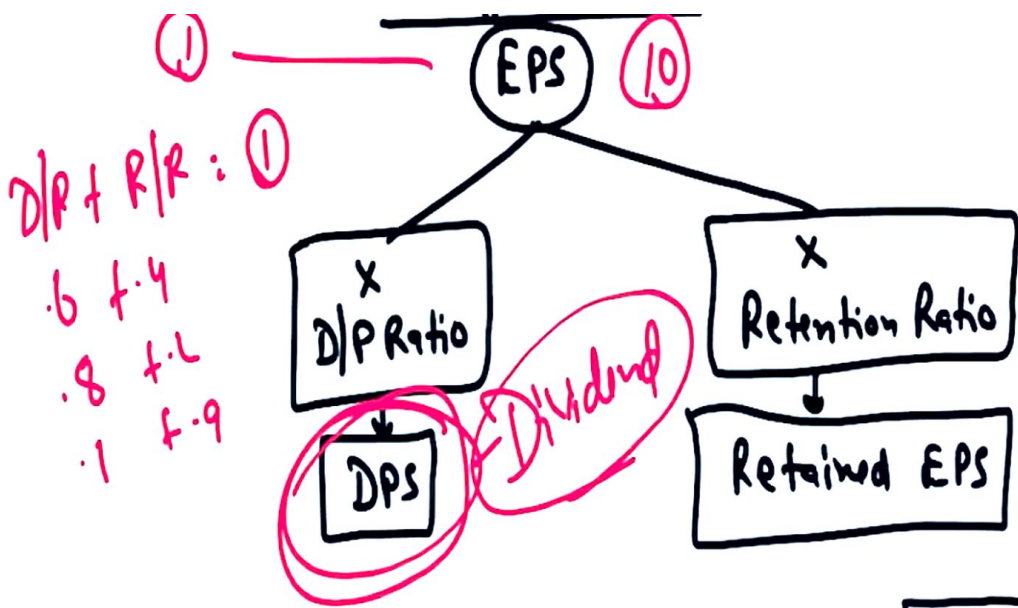
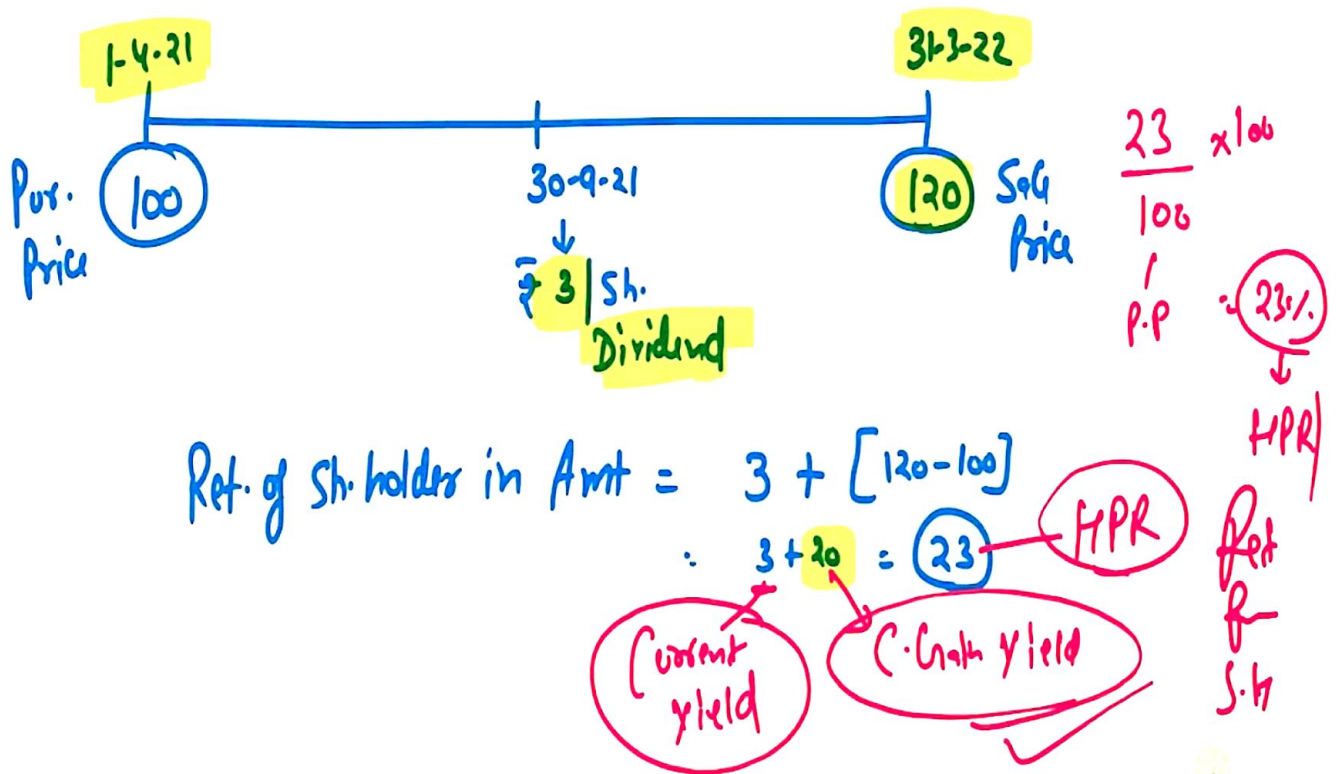


$$\begin{array}{r}
 \text{Sale} \\
 - \text{V.C} \\
 \hline
 \text{Contribution} \\
 - \text{F.Cost (Operating)} \\
 \hline
 \text{EBIT [Earning Before Int \& Tax]} \\
 - \text{Int [Dtg]} \\
 \hline
 \text{EBT [Earning Before Tax]} \\
 - \text{Tax} \\
 \hline
 \text{EAT} \\
 - \text{Pref Div} \\
 \hline
 \text{Earning for Equity} \\
 \div \text{No of Share} \\
 \hline
 \text{(FPS)}
 \end{array}$$





(Company ke 2 View Points)

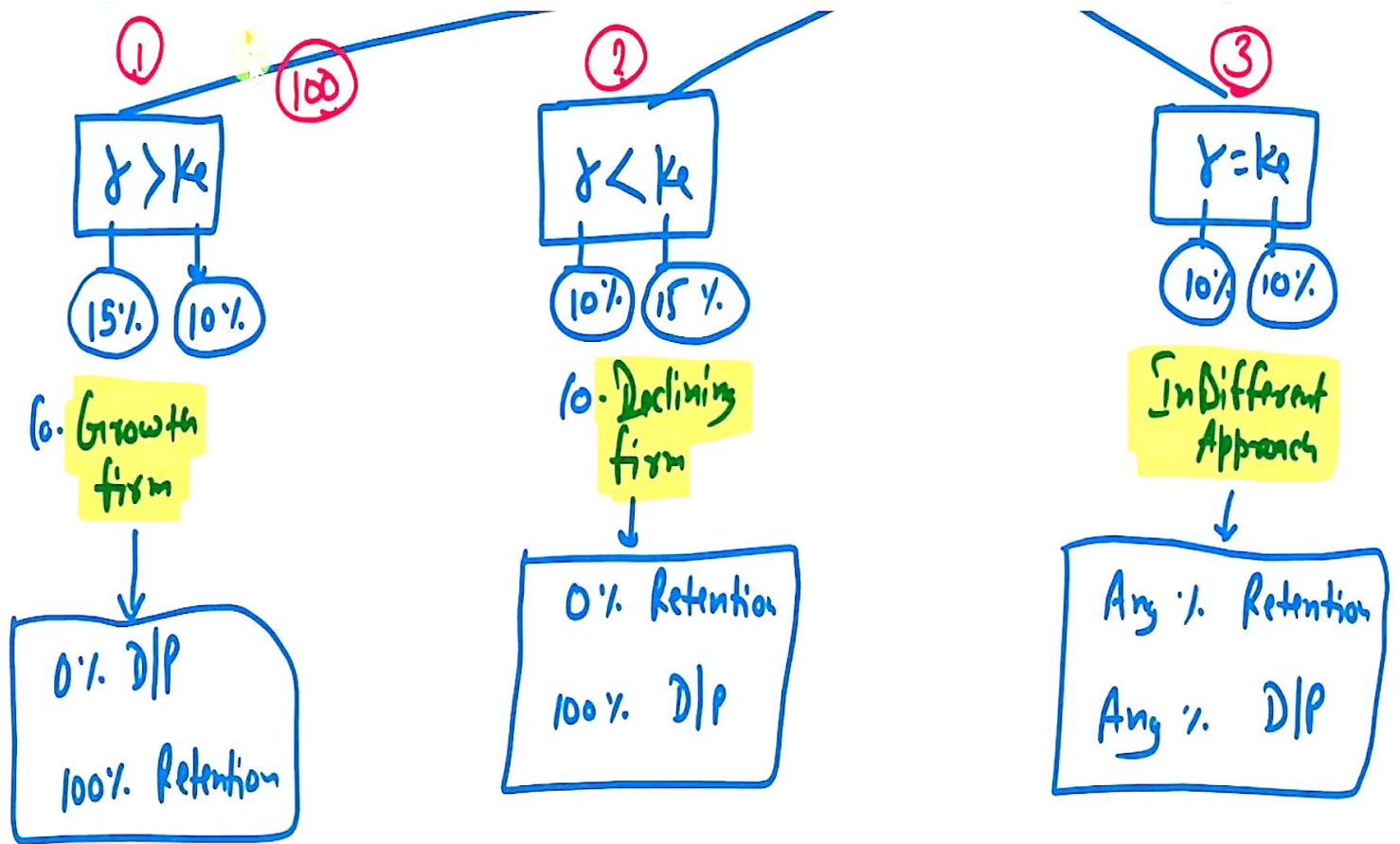
Tata (1)

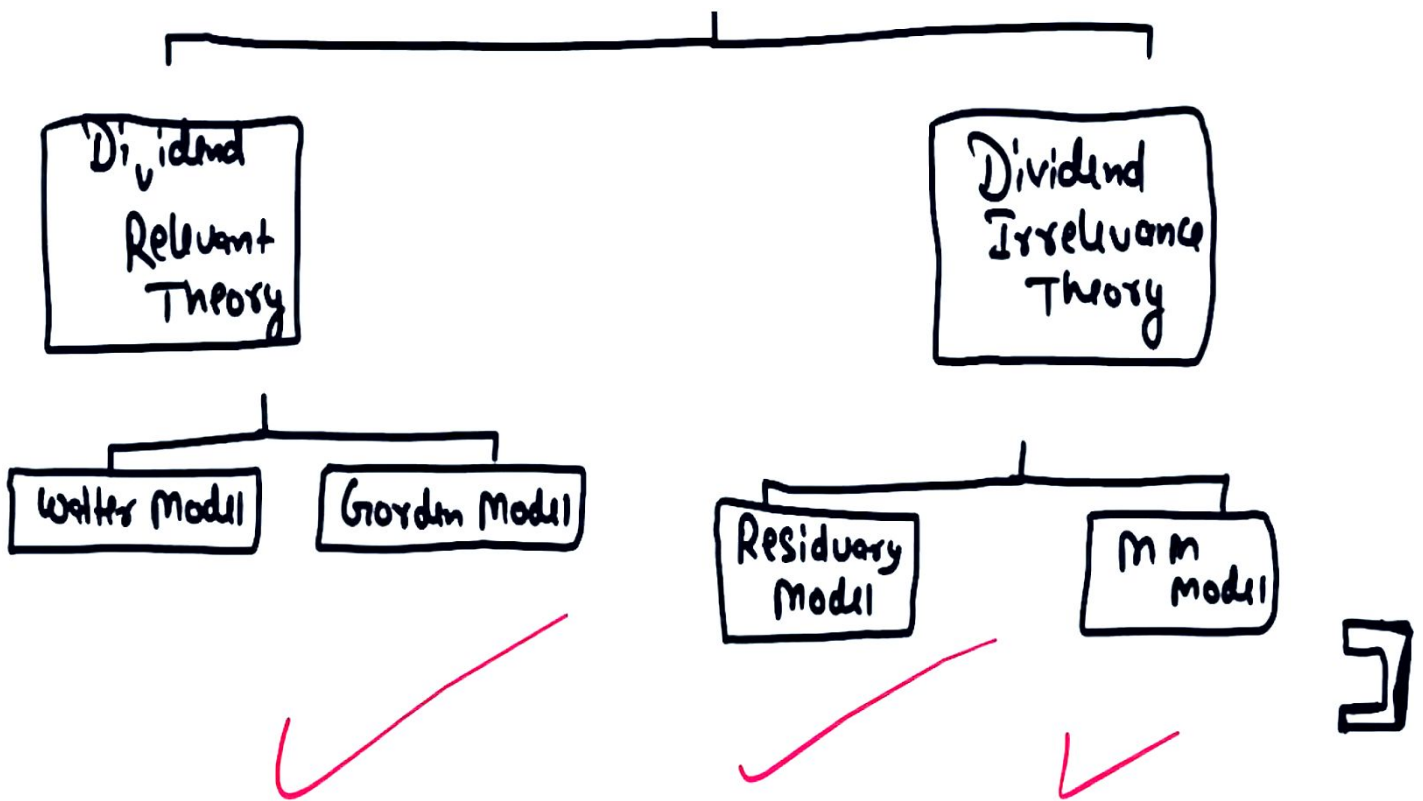
Shareholder
Regular Dividend expect
करता है

Dividend
Relevant
Approach

Shareholder Regular Div. नहीं
Wealth Max. meaning
Sh. Price को Inc. करवाना
चाहता है।

Dividend
Irrelevant
Approach





What is Dividend Policy :

“ Dividend policy determines the division of earnings between payments to shareholders and retained earnings”.

- Weston and Bringham

Dividend Theories

Relevance Theories

(i.e. which consider dividend decision to be relevant as it affects the value of the firm)

Walter's Model

Gordon's Model

Irrelevance Theories

(i.e. which consider dividend decision to be irrelevant as it does not affect the value of the firm)

Modigliani and Miller's Model

Traditional Approach

Walter's Model

- Prof. James E Walter argued that in the long-run the share prices reflect only the present value of expected dividends. Retentions influence stock price only through their effect on future dividends. Walter has formulated this and used the dividend to optimize the wealth of the equity shareholders.

Assumptions of Walter's Model:

- Internal Financing
- constant Return in Cost of Capital
- 100% payout or Retention
- Constant EPS and DPS
- Infinite time