E-CONTENT PREPARED BY

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NAAC Accredited "A" Grade College

(Recognized under Section 2(f) and 12(B) of UGC Act 1956)

E-Content prepared for students of

B.Com. Honours and Honours and Programme (Semester-6th) in Accounting

Name of Course: Financial Management

Topic of the E-Content

Dividend Decision

Dividend Decision

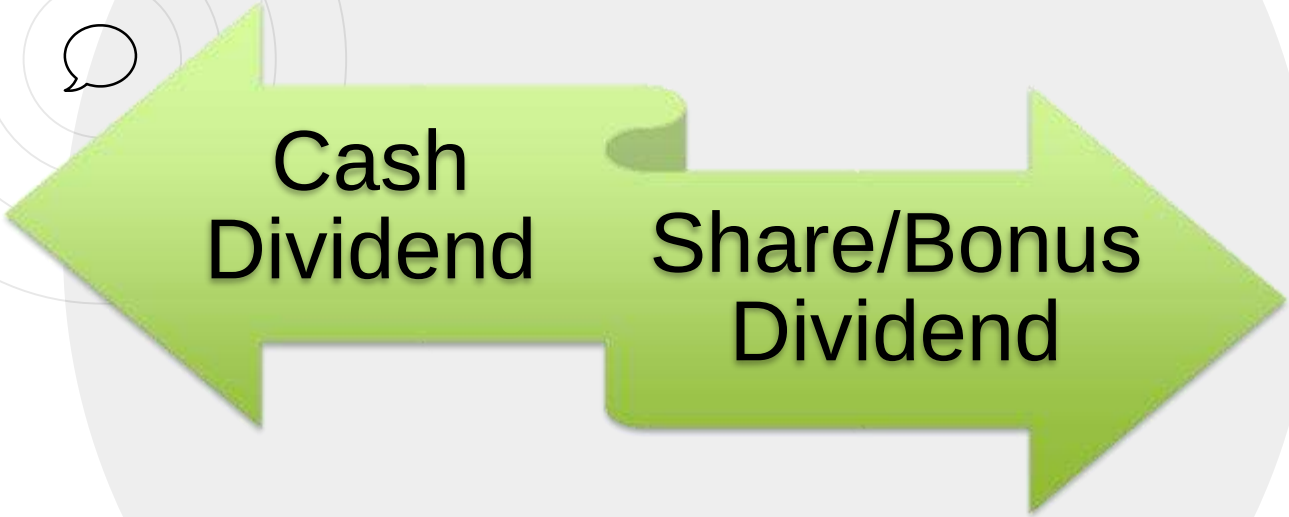
Dividend Meaning

Classification of Dividends

- Sources from which they are paid
- Medium in which they are paid
- Regularity with which they are paid

Sources from which they are paid

Medium in which they are paid



Regularity with which they are paid

Dividend Pay-out Ratio and Retention Ratio

Dividend Pay-out ratio

$$\frac{\textit{Dividend Per Share}}{\textit{Earning Per Share}}$$

Retention Ratio

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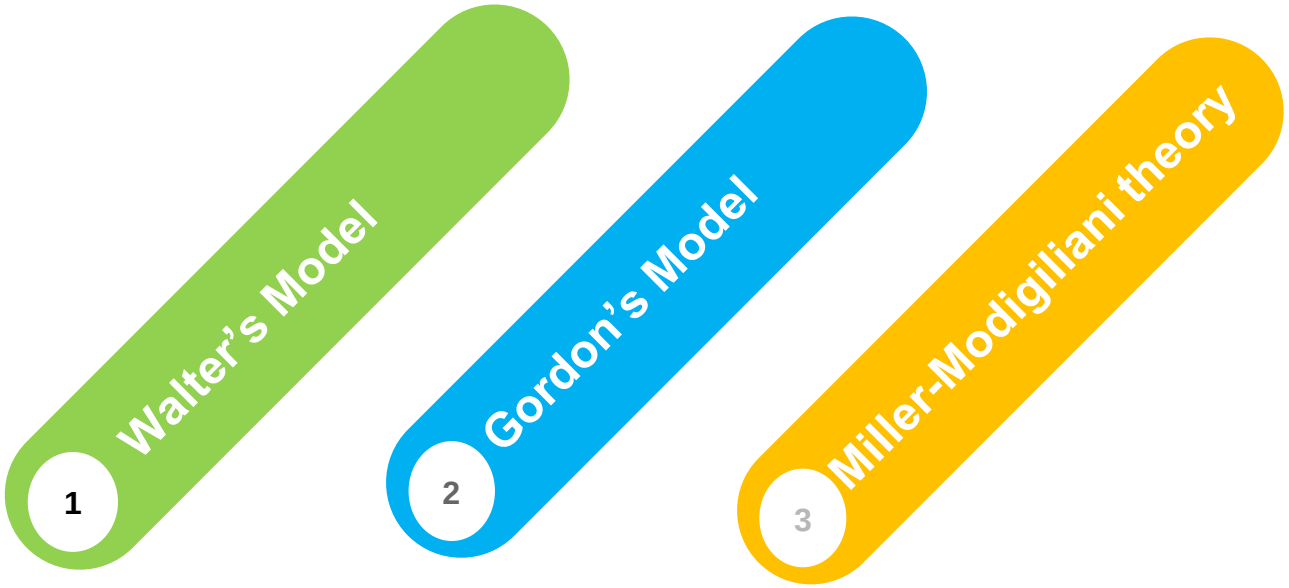
Determinants of Dividend Policy

- Fund needs of the Company
- Liquidity
- Ability to raise external finance
- Shareholders Preference
- Difference between cost of external equity and cost of retained earnings
- Control
- Taxation

Dividend Theories



1

Walter's Model

$$P = \frac{D + \frac{n}{k}(E - D)}{k}$$

2

Gordon's Model

$$P = \frac{E\,(1-b)}{k-b}$$

3

Miller-Modigiliani Theory

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Thanks!

Any questions?