The agricultural marketing company limited assignment

Before going into the dept of analysis we tried to be well clear about the subject matter. And after that we Introduced the mall financial analysis. Secondary level : I have got my secondary data from various reports and analysis mound from internet containing information about the securities, growth, problems and challenges of money market and capital market of Bangladesh. Limitations: While working on the term paper, we had to deal with a lot of struggles and problems..

As the submission time was not enough for such kind of vast report , we took this term paper was a challenge for us. We had to work for other course assignments and the matter which made us suffer most was the recent political situations like strike. We faced problem because we had to deal with the vast info. Given In the annual report of MCCALL(BAD) financial and accounting information was not to attach or upload any kind of information that can help us in further financial calculation. The head office of MCCALL (PARA) was not supportive enough for our project.

They it'd gave us any kind of information ; instruction that can help us. We had to face a lot of hazards on collecting information. But we believe that in between many disturbing factors we have succeed to prepare a better report with best of our affords. Some more time would have given us chance to prepare more better finish of the assignment we believe. Another important thing is that this report does not carry neither any investment occasional failure responsibility nor any other responsibility.

There are many of the theories like dividend irrelevance theory, relevance theory, residual theory etc Dividend Relevance Theory The theory was

developed by Gordon and Lintier who identified that there is a direct relationship between a firm's dividend policy and its market value. Both identified that current dividend payments reduce investor uncertainty which causes the investor to discount the firm's earnings at a lower rate and place a higher value on Dividend irrelevance theory: Dividend irrelevance theory is one of the major theories concerning dividend policy in an enterprise.

It was first developed by Franco Midmorning and Morton Miller in a famous seminal paper minion. The authors claimed that neither the price of firm's tock nor their costs of capital are affected by its dividend policy. According to MM, only the firm's ability to earn money and rockiness of its activity can have an impact on the value of the company. The dividend irrelevance theory is a concept that is based on the premise that the dividend policy of a given company should not be considered particularly important by investors.

Further, the terms of that dividend policy should not have any bearing on the price of the shares of stock issued by that company. With this particular financial theory, the idea is that investors can always ell a portion of their shares if they want to generate some amount of cash flow. As with most investment theories, the dividend irrelevance theory has its share of supporters and detractors. Dividends are not in the final equation! Therefore, dividends are irrelevant to value!

Those who find that the dividend irrelevance theory has merit, the usual stance is that many investors use dividend payments to purchase more shares, thus increasing the holdings that the investor has in the company. The same general effect could possibly be achieved if dividends are not

issued, and those funds are invested in various projects and activities that ultimately increase the value of the shares already owned by investors. Since the investor stands to benefit from either scenario, he or she should not be concerned about the company's dividend policy one way or the other.

In the end, the impact will be the same. Some Investor did not believe in or agree with the Dividend Irrelevance Theory because one point of contention is that by not considering the type of dividend policy that a given company follows, the investor does not have the opportunity to make investment decisions that are in line with his or her financial goals. For example, if the investor wants to create steady cash flow from investments that can be used for day to day living expenses, buying securities where dividends are paid on some sort of consistent basis will go a long way toward establishing that desired cash flow.

If the investor does not consider the dividend policy prior to buying the shares, there is a good chance that this goal will not be met, even though the value of the stock may increase as the company diverts resources into expanding the business. In summary, M & M argue that, all else being equal, an investors required return – ND therefore the value of the firm – is affected by the dividend policy for three 1. The firm's value is unaffected by dividend policy. Firm's value is reasons: determined solely by the basic earning power & risk of its assets. 2.

If dividends do effect value, they do so solely because their informational content. 3. A clientele effect exists that causes a firm's shareholders to receive the dividends they expect. Plans that enable stockholders to use

dividends received on the firms stock to acquire additional shares , even fraction of shares at little or no transaction cost. When an investor enrolls in a dividend reinvestment plan, he will no longer receive dividends in the mail or directly deposited into his brokerage account. Instead, those dividends will be used to purchase additional shares of stock in the company that paid the dividend.

Other word, A plan offered by a corporation that allows investors to reinvest their cash dividends by purchasing additional shares or fractional shares on the dividend payment date. Residual Theory of Dividends: The dividend paid by a firm should be measured as a residual , the amount left after meeting up all the acceptable investment opportunities. According to this approach, if the firm's equity need exceeds the amount of retained earnings, no cash dividend is paid. By This way the management is certain that the company has the money it needs to compete effectively.

Information Content Hypothesis: The term " Information content of dividends" is widely cited in the finance literature. The information content of dividend hypothesis is a firm-specific hypothesis which contends that managers of a firm use the dividend to signal asymmetric information about the firm's future earnings. Miller and Midmorning (1961) suggested that vividness may serve as a surrogate for future earnings, if earnings consist of permanent and transitory components, and if dividends depend on permanent earnings.

This study decomposes the current earnings of thirty firms into permanent and transitory components using the Kalmia filter. Empirical results from

Granger's test of causality show a more robust relationship between dividends and permanent earnings compared to dividends and current earnings. * The theories thus far have assumed that investors and managers have the same information set. * When it comes to prospect for the company, managers may have better information than investors. * Therefore unexpected changes in dividends may relay information to the market that it didn't know before. Managers don't cut dividends unless the firm is in financial distress. * It is therefore believed that firms do not increase dividends beyond Wall Street's expectations unless managers anticipate stronger earnings than expectations. * Unexpected changes in dividends relay information to the market. Clientele effect: The clientele effect is the idea that the set of investors attracted to a particular kind of security will affect the price of the security when policies or circumstances change.

For instance, some investors want a company that doesn't pay dividends but instead invests that money in growing the business, whereas other investors prefer a stock that pays a high dividend, and still others want one that balances payout and reinvestment. If a company changes its dividend policy substantially, it is said to be subject to a clientele effect as some of its investors (its established clientele) decide dividend or coupon (interest) rates, it can also be used in the context of leverage (debt levels), changes in line of business, taxes, and other aspects of the company.

The argument that a firm attracts shareholders whose preferences for the payment and stability of dividends correspond to the payment pattern and stability of the firm itself. * Tax-free foundations and retirees at lower marginal tax rates prefer cash now and on a predictable basis. * Investors at

higher marginal tax rates might prefer capital gains to dividends. With capital gains they can better time their tax liabilities. * Each firm, therefore, attracts the type of investor that likes its dividend policy.