Eagle electronics

 The company needs additional capital to finance its business expansion project and in particular, the capacity expansion projects. The planned capacity addition under the next five years is setting up of a new production plant and adoption of the most sophisticated production technology. The company plans to spend approximately E 500 millions over the coming years to fund the capacity addition, which will enhance the production capacity of the company.

The expansion plans will result in growth of ales of 30% per year and this will enhance the growth capacity of the company. The ability to finance the capital expenditures is subject to a number of risks, contingencies and other factors, some of which are beyond the control of the company and which includes, tariff regulations, interest rates, borrowing or lending restrictions and the ability to obtain financing on acceptable terms (Swart & Jennie, 2004).

Events in product market that could influence the share price of the Eagles Electronics Stiff competition from other producers could limit the selling capacity of the company. Poor marketing strategies adopted by the company, which could adversely affect its selling capacity. The decline in production capacity reducing the volume production of the products limits the amount of revenue to be generated because of sale. Events in capital market that could influence the share price of the Eagles Electronics General down turn in the capital market undermines the investment capability of investors.

Announcements such as dividend cut, which could make investment in the company by the investors be slowed down Sources of capital available to Eagles Electronics Capital markets-companies wishing to acquire more capital to finance various investments do so by floating shares on stock markets, under initial public offer arrangement, where the public is invited to buy a certain stake in the company (Girded & Holler, 2010). Venture capital, which is offered by organizations who engage in financing relatively high-risk investments, which other lenders of capital may be unwilling to provide.

These organizations also offer screening of the projects that are undertaken by the companies seeking their funds; as a result, venture organizations are given a share of the profits that these businesses make (Myers, 1984). Family and friends-Entrepreneurs tend to seek support of friends and family members after exhausting their own initial investment funds. They seek funds for expansion purposes or for settling debts that fall due.

Debt in terms of borrowed capital from banks and other financial institutions The companies repay the borrowed capital and the accruing interest has to be noted that the lender assess the viability of the company before advancing the loan (Maimed, 2002). Strategies to enhance share price value of Eagles Electronics Managers managing the shareholder mix so that there are many people waiting in the wings they have met and impressed with the company's performance can achieve this. This can ensure stronger stability on the downside, so that the company does not encounter big downdrafts.

Firms are reluctant to opt for dividend cuts and they only do so under extreme circumstances (Roberts, 2008). Residual theory of dividends Divided is a case where the company is forced to retain funds through lack of alternative financing options, with the explicit assumption that the firm is capital- rationed with access only to internal sources of finance. Dividends should be paid only when there are no further worthwhile investment opportunities.

Having decided on the optimal set of financing, the firm should distribute to shareholders only those ends not required for investment financing (Modeling & Miller, 1961) Reasons why sometimes firms opt for dividend cuts Dividend omissions are strategically motivated to preserve financial flexibility within the firm and violations of company covenants, as dividend cuts occur frequently even among healthy firms and are not necessarily indicator of financial distress (Bulla, 2009).

Brinkman & Annul (2009) point out that countries with weaker creditor rights, firms adopt more restrictive payout policies in order to mitigate the agency cost of debt. Powell & Viet (2002) emphasize the importance of achieving stable dividend logic. They suggest that managers tend to maintain a stable dividend payment because managers feel that a dividend increase should not occur unless there is confidence that the business could sustain the higher level in near future.

Dividends should never be missed and that the market places a higher value on a business that maintains a stable level of dividends paid than on one that pays a constant proportion of its profit as a dividend. Impact of dividend cut on Eagles Electronics Firms that cut their dividends report very low earnings in the year of dividend hangs, in large part due to the recognition of negative special item, these firms report substantial earnings per share increase in subsequent years.

Dividend cut trigger negative stock returns, are unrelated to future earnings after controlling for current earning, and are associated with an increase in firm risk, thus dividend cut announcements signal an increase in risk, which in turn triggers a negative market response (Grunion et al. , 2002).