

Lineaer technology assignment



**ASSIGN
BUSTER**

Times New Roman font, double-spaced, with 1-inch margins all around. The assignments are due at the beginning of class on Thursday, September 26, 2013. This case is designed to provide an introduction to payout policy and Modeling and Miller's dividend irrelevance proof.

Consideration is given to why profitable technology firms like Cisco Systems, Microsoft and Intel used no debt, retained large cash balances and preferred to return cash to shareholders in the form of purchases rather than dividends; how the tax and market environment for dividends has changed over time; and what impact the proposed dividend tax reforms and market environment of 2003 will have on future payout policy. Answer the following questions in your report: 1 .

Describe Linear Technology payout policy. You should examine the company's historical payout ratio, dividend yield, (split-adjusted) dividends per share, and (split- adjusted) repurchases per share. 2. What are Liner's financing needs? (Consider Liner's historical capital expenditures and its cash balances.) Should Linear return cash to its shareholders? What are the tax consequences of keeping cash inside the firm? [For questions 3 and 4, assume a 3% rate of interest.] 3.

If Linear were to pay out its entire cash balance as a special dividend, explain what effects there would be on: The value of the firm rhea share price Earnings Earnings per share 4. Repeat the analysis of the previous question, explaining what effects there would be if Linear repurchased shares instead. 5. If dividends result in higher taxes, why do firms pay dividends? Why has the rate of dividend initiations changed over time? 6.

Should Linear Technology increase its dividend this quarter? What is your recommendation?