

# STUDY GUIDELINES

## FIN3701 - STUDY UNIT 8

### 1 GENERAL

This study unit is covered in chapter 13 of the prescribed textbook. This study unit is a combination of study unit 2, 3 (investment decisions) and 7 (financing decisions). The combined effect of the capital structure and the chosen projects (through the NPV technique) of the company on the dividend payout rate is also explored in study unit 8.

### 2 FORMAT OF ASSESSMENT

The content of this study unit will be assessed by means of multiple choice questions. No formulae will be provided in the examination for this study unit.

### 3 IMPORTANT AREAS IN THE STUDY UNIT

Pay attention to the following:

- The relevance theory of dividends.
- The irrelevance theory of dividends.
- The residual theory of dividends.
- Factors influencing the dividend policy.
- Types of dividend policies.
- Share splits.
  
- The most important formulae:
  - The Dividend per share formula (textbook page 543-544).

### 4 Study Guide Errata

Areas to correct:

#### Page 96: Activity

Question c

The question should read “a residual-dividend policy is maintained and 40% of the 2010 investment is financed with debt”