Kerala Bank Assistant Manager - Finance & Management - Model Exam 1

1. ----- utility offers products to the customers in a usable form

A   **Form utility**

B   Place utility

C   Time utility

D   Possession utility

Solution

1 . Form utility : Offers products to the customers in a usable

- This utility covers the physical characteristics and shape of a product .

- For example , toilet soap in bar form or liquid form is most convenient the users .

2 . Place Utility : It offers products at the place of customers so as to ensure the easy availability .

- Time Utility Time utility ensures the availability of the products and services as and when required by the customers .

- For example , ATM services are open for 24 hours .

3 . Possession Utility : It is the utility which gives the buyer the right to own and use a product or service at his own will .

- As a result of marketing , the to the buyer . ownership and possession of a commodity is transferred from the seller

2. **---- is the first stage in the process of marketing.**

A   Assembling

B   Quoting price

C   **Buying**

D   Selling

Solution

1. **Buying and Assembling**
2. Buying is the first stage in the process of marketing .
3. The manufacturer has to purchase raw materials for producing goods .
4. Similarly a wholesaler is required to buy goods from the manufacturer to sell them to the retailer
5. A retailer has to buy goods from the wholesaler to sell it to the consumers .
6. **Assembling** is the process ofbringing together similar goods purchased from different sources for the purpose of selling .
7. Assembling starts after the buying of goods .
8. It is creation and maintenance of the stock of goods purchased from different

2 . **Selling**

- It is the stage where ownership and possession of the goods and services are transferred from the seller to the buyer .
- It is the act of offering products and services to the buyer in return for money .

3. **Arrange the following market segmentation process in correct order:**

   1. **Identification**
   2. **Correction**
   3. **Positioning**
   4. **Segmentation**
   5. **Targeting**
   6. **Evaluation**

A $3 \to 4 \to 5 \to 1 \to 6 \to 2$

B $1 \to 3 \to 5 \to 4 \to 6 \to 2$

C $1 \to 5 \to 4 \to 3 \to 6 \to 2$

D $1 \to 4 \to 5 \to 3 \to 6 \to 2$

Solution

STEPS IN MARKET SEGMENTATION

- Segmentation is the process of dividing a heterogeneous market into different homogeneous segments to facilitate the marketing of products in the target market .

- Market segmentation helps the marketers to formulate and implement relevant strategies to promote their products in the target market

- A market segment consists of consumers who have similar choices , interests and preferences .
- They generally possess similar perceptions and are interested in buying similar products .
- Through a process of segmentation , firms can easily select the best suited market segments and formulate strategies and plans to make their brands popular in the selected segments .
- The segmentation process is enerally regarded as consisting of stages ; identification , segmentation , targeting , and positioning .

The following are the segmentation process :

Identification

↓

Segmentation

↓

Targeting

↓

Positioning

↓

Evaluation

↓

Correction
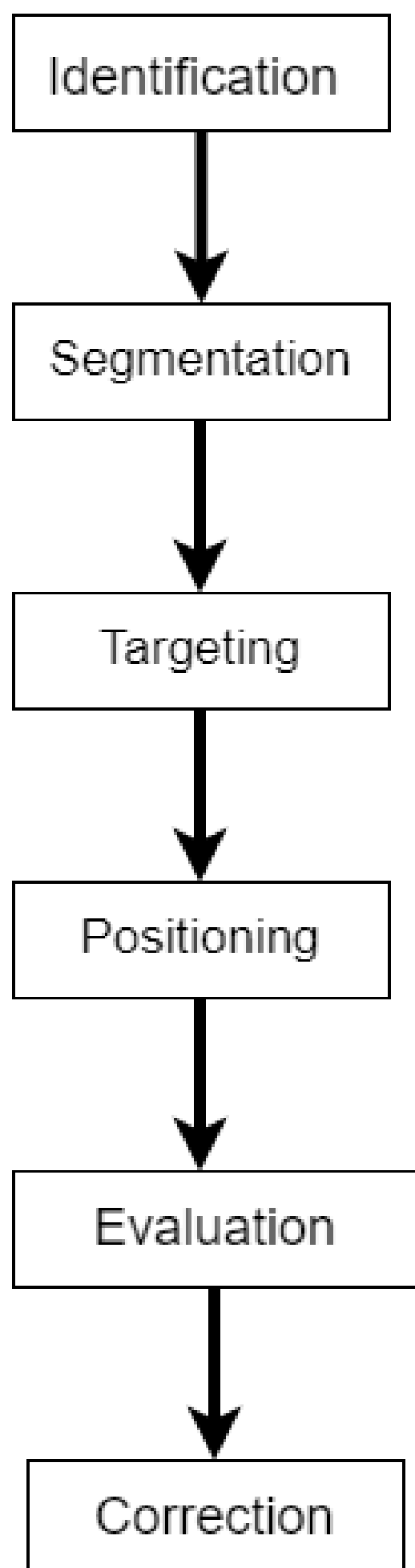
4. **Match the following :**

LIST 1	LIST 2
1 . Demographic Segmentation	a . Personal traits, interest and lifestyles
2 . Geographic Segmentation	b . Population density
3 . Psychological Segmentation	c . Income, Education, Family life cycle
4 . Socio - cultural Segmentation	d . Knowledge, attitude towards the product
5 . Behavioural Segmentation	e .Social values, nationality

A 1 - d , 2 - b , 3 - c , 4 - e , 5 - a

B **1 - c , 2 - b , 3 - a , 4 - e , 5 - d**

C 1 - a , 2 - b , 3 - c , 4 - e , 5 - d

D 1 - d , 2 - c , 3 - d , 4 - e , 5 - a

Solution

LIST 1	LIST 2
Demographic Segmentation	Income, Education, Family life cycle
Geographic Segmentation	Population density
Psychological Segmentation	Personal traits, interest and lifestyles
Socio - cultural Segmentation	Social values, nationality
Behavioural Segmentation	Knowledge, attitude towards the product

5. **Who defined market segmentatiom as grouping of buyers or segmenting the market ?**

A Philip Kotler

B Business Dictionary

C R.S.Davar

D Cundiff and Still

Solution

1. According to Cundiff and Still , market segments are grouping of consumers according to such characteristics as income , age , degree of urbanization , race , or either classification , geographic location or education " .

2. According to R.S.Davar , " grouping of buyers or segmenting the market is described as market segmentation " .

3. According to Philip Kotler , " market segmentation is the act of dividing a market into distinct groups of buyers who might merit separate products and / or marketing mix " ,

4. As per the Business Dictionary , " market segmentation is the process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs , wants , or demand characteristics . Its objective is to design a marketing mix

that precisely matches the expectations of customers in the targeted segment " .

6. **Which of the following is the second phase of market segmentation?**

A   Segmentation

B   **Targeting**

C   Positioning

D   Branding

Solution

MARKET TARGETING

- It is considered as the second phase in the Segmentation , Targeting and Positioning (STP) process
- Market targeting is defined as " the process of evaluating each market segment's attractiveness (feasibility) and selecting one or more segments to enter .
- With the help of market targeting , a firm identifies specific market segments that are highly likely to become loyal customers .
- The marketing efforts of the firm will focus primarily on creating good relationship with the identified market segments or consumers by offering a marketing mix required by them .

7. **zero segmentation marketing is also known as -----**

A Concentrated marketing

B **Undifferentiated marketing**

C Differenciated marketing

D Niche marketing

Solution

- Undifferentiated Marketing (Mass Marketing / Zero Segmentation) Undifferentiated marketing is also referred to as mass marketing or zero segmentation In this case , the firm may decide to focus (select) the entire with one particular product .
- Coca Cola during its beginning stage followed this type of market targeting .
- The major objective of undifferentiated marketing is to cover large number of buyers with the same product .

8. **---- shows the space of a product in the target market.**

A   Market targeting

B   **Market positioning**

C   Market segmentation

D   None of the above

Solution

MARKET POSITIONING

- Positioning is the last phase in the STP process .
- During the course of positioning , marketers try to create an image or identity in the minds of their target market for its product , brand , or organisation It is a process by which firms create impression in the customers mind .
- According to Philip Kotler , " positioning is the act of designing the company's offering and image so that they occupy a meaningful and distinct competitive position in the target customers ' minds Positioning is viewed as the battle for conquering the minds of the target market .
- It is also defined as " the aggregate perception the market has of a particular company , product or service in relation to their

perceptions of the competitors in the same category " .

- Positioning shows the space of a product in the target market .

9. **Match the following :**

LIST 1	LIST 2
1 . One product - entire market	a . Niche market
2 . One company - several market segments	b . Differentiated marketing
3 . One company - one particular segment	c . Undifferentiated marketing

A   1 - a , 2 - b , 3 - c

B   **1 - c , 2 - b , 3 - a**

C   1 - c , 2 - a , 3 - b

D   1 - b , 2 - c , 3 - a

Solution

LIST 1	LIST 2
1 . One product - entire market	Undifferentiated marketing

LIST 1	LIST 2
2 . One company - several market segments	Differentiated marketing
3 . One company - one particular segment	Niche market

10. **Identify the statements which are not true regarding consumer behavior?**

   1) Age of a consumer does not affect consumer buying behavior

   2) Reference groups, family, roles and status etc are Personal factors

   3) Culture means a set of shared values, goals, customs etc of a community and transmitted from generation to generation within that community

   4) A person's life style is well reflected in his buying behavior

   A   **1 & 2 Only**

   B   1 & 3 Only

   C   1 & 4 only

   D   1 , 2 , 3 & 4

   Solution

   - Statement 1 is false because Age of a consumer affects consumer buying behavior.

   - Statement 2 is false because Reference groups, family, roles and status etc are Social factors.

- Culture means a set of shared values, goals, customs etc of a community and transmitted from generation to generation within that community

11. -------- is a marketing strategy where the constituent of business is branded as a separate entity.

A Umbrella Branding

B **Ingredient Branding**

C Salience Branding

D Co-Branding

Solution

Ingredient Branding

- Ingredient branding is a marketing strategy where the constituent of business is branded as a separate entity.
- It helps in adding value to the parent company which makes their product rank higher than the products of its competitors.
- It is a particular type of brand collaboration that is different from co-branding.
- It highlights a particular feature or a brand attribute that enhances the product or service which can become a point-of-parity.
- For example, Intel's Intel Inside, Intel Inside is actually credited with the conception of ingredient branding back in the '90s, and was the

first success story of having an ingredient helping to promote their business.

12. **Which of these does not fall under ethical code?**

A Legality

B Respect for colleagues

C **Lifestyle**

D Competence

Solution

Different types of codes of ethics

1. Integrity.
2. Objectivity.
3. Professional competence.
4. Confidentiality.
5. Professional behavior
6. Legality
7. Respect for colleagues
8. Competence

13. Match the following :

LIST 1	LIST 2
1 . Modern marketing	A . Inside sales
2 . Direct marketing	B . Consumer oriented marketing
3 . Email marketing	C . Channel free distribution of products
4 . Telemarketing	D . Internet marketing

A   **1 - B , 2 - C , 3 - D , 4 - A**

B   1 - C , 2 - A , 3 - D , 4 - B

C   1 - D , 2 - A , 3 - C , 4 - D

D   1 - B , 2 -D , 3 - C , 4 - A

Solution

LIST 1	LIST 2
Modern marketing	Consumer oriented marketing
Direct marketing	Channel free distribution of products
Email marketing	Internet marketing

LIST 1	LIST 2
Telemarketing	Inside sales

14. **Which of the following statements are not true regarding viral marketing?**

1. **Viral marketing is otherwise known as Word of mouth marketing**
2. **It is a mouth publicity of a product or service**

A 1 only

B 2 only

C Both 1 & 2

D **Neither 1 nor 2**

Solution

Both of the statements are true regarding viral marketing

VIRAL MARKETING (WORD - OF - MOUTH MARKETING)

- The concept of viral marketing is that people pass or tell what they know about a product to others .
- The messages communicated include both the likes and dislikes of a person with regard to a product .
- The main objective of viral marketing is to create product awareness among potential customers and among the target market .
- Viral marketing is also as viral advertising ' or ' marketing buzz .

- Buzz may be in the form of a soft talk (small conversation) , telephone call , SMS or E - mail message related with a product or service .
- It is called viral because product information is transmitted from consumer to consumer .
- The message spreads in a viral form in a manner similar to the spreading of a common cold virus from person to person .
- A person transmits and infects other person .
- It is a mouth publicity of a product or service.

15. **------- is a situation when a person fails to come for work when he is scheduled to work.**

A Employee Turnover

B **Absenteeism**

C Jingoism

D Leisure

Solution

Absenteeism

- Absenteeism is a situation when a person fails to come for work when he is scheduled to work .
- While estimating demand for manpower , the prevailing rate of absenteeism in the organisation should be considered .
- The rate of absenteeism can be calculated with the help of the following formula : $Rate \: of \: Absenteeism$ = $\frac{Man\: days \:lost \:due\: to \:absenteeism}{Man\: days\: worked + Man \:days \:lost}$
- The management should try to find out the causes of absenteeism and attempt to reduce far as possible .

- While estimating manpower requirements , the planning committee will have to consider the known rate of absenteeism

16. -------- acknowledges that the staff will not be with an organization indefinitely and it provides a plan and process for addressing the changes that will occur when they leave.

A Tactical Planning

B Contingency Planning

C **Succession Planning**

D Operational Planning

Solution

- A succession plan is a component of good HR planning and management .
- Succession planning acknowledges that the staff will not be with an organization indefinitely and it provides a plan and process for addressing the changes that will occur when they leave .
- Most of the times , succession planning focuses on the senior management , however , all the key positions should be included in the plan .
- Key positions can be defined as those positions that are crucial for the operations that will be hard to replace because of skill , seniority and / or experience .

17. **Which of the following statements are not a pre requisite of a Recruitment Policy?**

    1. **It should match the qualities of the employees with the requirements of the work for which they are employed .**
    2. **It should highlight the necessity of establishing job analysis.**
    3. **It should not provide suitable jobs to handicapped , women and minority groups.**
    4. **The recruitment policy is concerned with only qualifications of the particular job**

A   1 & 2 Only

B   2 & 3 Only

C   **3 & 4 Only**

D   1 & 4 Only

Solution

Recruitment Policy The recruitment policy of an organisation must satisfy the following conditions :

1. It should be in conformity with the general personnel policies .
2. It should be flexible enough to meet the changing needs of an organisation

3. It should provide employees with job security and continuous employment .

4. It should integrate organisational needs and employee needs

5. It should match the qualities of the employees with the requirements of the work for which they are employed .

6. It should highlight the necessity of establishing job analysis .

7. It should provide suitable jobs to handicapped , women and minority groups .

To summarise , according to Yoder , " The recruitment policy is concerned with quantity and qualifications " .

18. The Factories act 1948 is a ------ factor among situational factor affecting recruitment.

A	Social

B	**Legal**

C	Political

D	Economic

Solution

LEGAL FACTORS AFFECTING RECRUITMENT

The different legislative policies governing child labour , night shifts bonded labour , contract labour etc. have brought the legal environment to be a major factor be looked into carefully by all companies intending to recruit people for various positions . Some of the important legislations affecting recruitment are :

(i) The Factories Act , 1948. The Factories Act prohibits the employment of women and children below 14 years of age in certain jobs which involve night work , underground jobs , carrying heavy loads etc.

(ii) The Apprentices Act , 1961. The Apprentices Act provides for a machinery to lay down syllabi and specify period of training , mutual obligations of apprentices and employees etc.

(iii) The Employment Exchanges Act , 1959. The Employment Exchanges Act , 1959 requires all employers to notify the vacancies arising in their establishments to prescribed exchange before these are filled . The Act covers all establishments in public sector and non - agricultural establishments employing 25 or more workers in the private sector .

(iv) The Contract Labour Act , 1970. The Contract Labour Act is applicable to every establishment (contractor) employing 20 or more persons . It tries to regulate the employment conditions of contract labour in certain establishments and also provides for the abolition of contract labour in certain circumstances .

(v) Bonded Labour System (Abolition) Act , 1976. This Act provides for the abolition of bonded labour (system of forced labour to liquidate debts payable to parties who are bent on exploiting the vulnerability of the victim) or his family members .

(vi) The Child Labour Act , 1986. The Child Labour Act prohibits the employment of children below 14 years of age to certain employments . This has become a serious issue in India recently when German firms refused to accept carpets exported from Uttar Pradesh , objecting the employment of child labour in carpet industry.

19. **Which of the following is/are not an external recruitment?**

    1. Advertisment

    2. Employee referal

    3. Unsolicited exchange

    4. Proffessional organization

    5. Data bank

    6. Previous applicants

A   1 , 2 , 3 , & 6 only

B   **2 & 6 only**

C   2 & 3 Only

D   5 & 6 only

Solution

EXTERNAL SOURCES

1. *Advertisement* :Advertisement is the best method of recruiting persons for higher a experienced jobs . The advertisements are given in local or national press , trade or professiong journals .

2. *Employment Exchanges* :Employment exchanges run by the government are also a good source of recuitment . Unemployed persons get themselves registered with these exchanges . The

vacancies may be notified with the exchanges , whenever there is a need . The exchange supplier a list of candidates fulfilling required qualifications .

3. *Unsolicited Applicants*:Persons in search of employment may contact employers through telephone , by post or in person . Generally , employers with good reputation get unsolicited applications . If an opening is there or is likely to be there then these persons are considered for such jobs .

4. *Professional Organisations* : Professional organisations maintain complete bio - dia of their members and supply it to companies on demand . These organisations also act as exchange between the members and recruiting firms . Firms can seek clarifications and clear doubts about persons they want to recruit . This source of recruitment is found reliable for recruiting persons at middle and upper levels of management .

5. *Data Banks* : The recruiting firms can prepare a data bank about various persons in different fields . They can collect information from educational institutions , employment exchanges , professional organisations etc. It will become another source and the firm can get the particulars as and when it needs to recruit .

6. *Similar Organisations* :The organisations producing similar products or having the same fine of business act as an important source of recruitment . The persons having same experience as required by the recruiting firms will be available in similar organisations .

7. *A Casual Callers*:Management may appoint persons who casually call on them for meeting short - term demands . This will avoid following a regular procedure of selection .

20. **Which of the following items are included in JCQ?**

A Task requirements

B Physical Environment

C Customer Characteristics

D **All of the above**

Solution

Job Compatibility Questionnaire

- JCQ is used to determine whether an applicant's preferences for work matches the characteristics of the job .
- Greater the compatibility between these two , greater will be the probability of employee effectiveness and longer the tenure of employees .
- JCQ is designed to collect information on all aspects of a job which have a bearing on employee performance , absenteeism , turnover and job satisfaction .

Items in JCQ covers the following factors :

- Task requirements
- Physical Environment

- Customer Characteristics
- Peer Group
- Leader characteristics
- Compensation preferences
- Task variety
- Job autonomy
- Physical demands of the Job
- Work schedule

21. Basic managerial functions of HRM area.

A Planning, organising and co-ordinating

B Planning, organising, staffing

C **Planning, organising, directing and controlling**

D None of these

Solution

Planning

- Planning is the fundamental management function, which involves deciding beforehand, what is to be done, when is it to be done, how it is to be done and who is going to do it.
- It is an intellectual process which lays down an organisation's objectives and develops various courses of action, by which the organisation can achieve those objectives.
- It chalks out exactly, how to attain a specific goal.

Organizing

- Organizing is the second key management function, after planning, which coordinates human efforts, arranges resources and

incorporates the two in such a way which helps in the achievement of objectives.

- It involves deciding the ways and means with which the plans can be implemented.

Coordination

- Coordination can be described as that invisible cord, which runs through all the activities of the organization and binds them together. It is not a function of the management, rather it is the essence of management, which is needed at all levels and at each step of the firm, to achieve the objectives of the organization.

22. **On the job training includes**

A Coaching

B Conference

C Understudy

D **All of these**

Solution

On-the-Job Training Methods

- **Coaching:** Under this method, the superior or an experienced staff gives instructions to the workers to perform a job. It is one-to-one training designed for the workers where they can find answers to their queries through the instructions and demonstrations given by the superior.

- **Mentoring:** This training is given to the managerial level people, wherein the senior or the manager gives instructions to the immediate subordinate to carry out the day to day functioning. It is again a one-to-one training method, where the manager is considered as a mentor to the subordinate and guides him in the situations of difficulty.

- **Job Rotation:** Under the job rotation, an employee is often shifted to the other related jobs, with the intention to make him well versed with other job backgrounds. This helps him to escape the boredom caused by performing the same kind of work again and again and also helps in developing a rapport with other people in the organization.

- **Job Instructional Training:** Under this training, a trainer designs a step by step training program, wherein the worker is given the instructions to perform the job as required. Firstly, the overview of the job along with the desired results is explained to the trainee, and then the skills required for the job is demonstrated by the trainer. Then a worker is allowed to perform the job as per his acquired skills or expertise, and then finally the workers are asked to give their feedback and ask for any query arising out of the training program.

- **Understudy:** Here, the superior gives training to the subordinate as an understudy or an assistant who is likely to perform a superior's job in case of the vacancy arising out of superior's retirement, transfer, promotion or death.

- **Apprenticeship:** This type of training is generally given to the people in crafts, trade and technical fields that require a long-term learning before they actually gain the proficiency in their respective disciplines.

23. **---- is a device or situation that replicates job demands at on the job site**

A Brainstorming

B **Simulation**

C Artificial intelligence

D Transactional analysis

Solution

- Simulated Training is a devised job training that is not on the job but away from the job.
- It teaches a complicated, critical and hazardous task.
- Enough practice gives the trainees enough exposure and renders him better prepared for the real life problem.
- Simulation is the mimicry of the real world problems.
- The model developed contains the key characters of the process it is trying to simulate.
- These simulation models are extensively used in training programs across different sectors of business right from IT.

24. **Under which method is ,the trainees are given the situation or a problem in the form of a case study, and are required to solve it as per their learning from the training program?**

A Vestibule Training

B Syndicate

C Sensitivity training

D **Case Studies**

Solution

Off-the-Job Training Methods

- Special lectures: This is also called as classroom training wherein the employees are given lectures about the job requirements and the necessary skills required for implementing the job.
- Simulation: Under this training, the trainee is required to learn the operations of machines and equipment, that are reasonably designed to look similar to those installed at the actual work floor.
- Vestibule Training: This type of training is specifically given to the technical staff, office staff and the employees who learn the operations of tools and equipment assembled at a place away from the actual work floor.

- Case Studies: Under this method, the trainees are given the situation or a problem in the form of a case study, and are required to solve it as per their learning from the training program.

- Role playing: This type of training is essential in case of customer services. Under this, the trainees assume roles and enact as per the given situations. It is also called as socio-drama or psycho-drama, wherein the employees act as if, they are facing the situation and have to solve it spontaneously without any guidance.

- Management Games: Under this method, the trainees are divided into groups and then they are presented with the simulated marketplace or the situations, wherein they are required to apply their learning and solve the problems accordingly.

25. -------- **refers to the kinds of securities and the proportionate amounts that make up capitalization.**

A **Capital Structure**

B Capital Budgeting

C Capital Securities

D Capital employment

Solution

Capital Structure

- Capital structure refers to the kinds of securities and the proportionate amounts that make up capitalization.

- It is the mix of different sources of long-term sources such as equity shares, preference shares, debentures, long-term loans and retained earnings.

- The term capital structure refers to the relationship between the various long-term source financing such as equity capital, preference share capital and debt capital.

- Deciding the suitable capital structure is the important decision of the financial management because it is closely related to the value of the firm.

- Capital structure is the permanent financing of the company represented primarily by long-term debt and equity.

26. ------ **is the capital structure at which the weighted average cost of capital is minimum and thereby the value of the firm is maximum.**

A **Optimum capital structure**

B Equity Capital structure

C Debt Capital structure

D None of the above

Solution

OPTIMUM CAPITAL STRUCTURE

- Optimum capital structure is the capital structure at which the weighted average cost of capital is minimum and thereby the value of the firm is maximum.
- Optimum capital structure may be defined as the capital structure or combination of debt and equity, that leads to the maximum value of the firm.

Objectives of Capital Structure

Decision of capital structure aims at the following two important objectives:

1. Maximize the value of the firm.

2. Minimize the overall cost of capital.

27. **Match the following :**

List 1	List 2
1 . Explicit Cost	a . The cost of each sources of capital such as equity, debt, retained earnings and loans.
2 . Average Cost	b . The rate that the firm pays to procure financing
3 . Historical Cost	c . The weighted average cost of each component of capital employed by the company
4 . Specific Cost	d . The cost which as already been incurred for financing a particular project

A   1 - b , 2 - c , 3 - d , 4 - a

B   1 - a , 2 - c , 3 - d , 4 - b

C   1 - b , 2 - c , 3 - d , 4 - a

D   1 - b , 2 - d , 3 - a , 4 - c

Solution

List 1	List 2
Explicit Cost	The rate that the firm pays to procure financing
Average Cost	The weighted average cost of each component of capital employed by the company
Historical Cost	The cost which as already been incurred for financing a particular project
Specific Cost	The cost of each sources of capital such as equity, debt, retained earnings and loans.

28. **Which of the following formula is used to measure Dividend price approach ?**

A $K_{e} = PVf \times D$

B $K_{e} = \frac{D}{N_{p}} + g$

C $K_{e} = \frac{D}{N_{p}}$

D $K_{d} = (1-t)R$

Solution

Dividend Price Approach

- The cost of equity capital will be that rate of expected dividend which will maintain the present market price of equity shares.

Dividend price approach can be measured with the help of the following formula:

$$K_{e} = \frac{D}{N_{p}}$$

Where, k_{e} = Cost of equity capital

D = Dividend per equity share

N_{p} = Net proceeds of an equity share

29. **Bond dividend is also known as -------.**

A   Cash Dividend

B   **Script Dividend**

C   Stock Dividend

D   Property Dividend

Solution

Cash Dividend

- If the dividend is paid in the form of cash to the shareholders, it is called cash dividend.
- It is paid periodically out the business concerns EAIT (Earnings after interest and tax).
- Cash dividends are common and popular types followed by majority of the business concerns.

Stock Dividend

- Stock dividend is paid in the form of the company stock due to raising of more finance.
- Under this type, cash is retained by the business concern. Stock dividend may be bonus issue.

- This issue is given only to the existing shareholders of the business concern.

Bond Dividend

- Bond dividend is also known as script dividend.
- If the company does not have sufficient funds to pay cash dividend, the company promises to pay the shareholder at a future specific date with the help of issue of bond or notes.

Property Dividend

- Property dividends are paid in the form of some assets other than cash.
- It will distributed under the exceptional circumstance.
- This type of dividend is not published in India.

30. **According to MM approach , under a perfect market condition, the dividend policy of the company is -------.**

A Irrelevant

B It does not affect the value of the firm

C **Both A & B**

D Neither A nor B

Solution

Modigliani and Miller's Approach

- According to MM, under a perfect market condition, the dividend policy of the company is i rrelevant and it does not affect the value of the firm.
- "Under conditions of perfect market, rational investors, absence of tax discrimination between dividend income and capital appreciation, given the firm's investment policy, its dividend policy may have no influence on the market price of shares".

Assumptions

MM approach is based on the following important assumptions:

1. Perfect capital market.

2. Investors are rational.

3. There are no tax.

4. The firm has fixed investment policy.

5. No risk or uncertainty.

ENTRI
(https://www.entri.me)

(https://play.google.com/store/apps/details?
id=me.entri.entrime)