

"A man is
great by
deeds, not by
birth"

-Chanakya

Welcome to IIMK



INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



Case Study

IIMK/CS/134/FIN/2021/04

March 2021

In the world of MM

**S S S Kumar¹
Sony Thomas²**

©

All rights belong to their respective authors.

Please contact the corresponding authors if you would like to access the full case.

¹Professor, Finance, Accounting and Control, Indian Institute of Management, Kozhikode, IIMK Campus, Kunnamangalam, Kozhikode, Kerala 673570, India; Email: ssskumar@iimk.ac.in,
Phone number: +91 495 2809

²Associate Professor, Finance, Accounting and Control, Indian Institute of Management, Kozhikode, IIMK Campus, Kunnamangalam, Kozhikode, Kerala 673570, India; Email: sony@iimk.ac.in,
Phone number: +91 495 2809249

ABSTRACT

This caselet attempts to highlight the common mistakes made by students while grasping the concept of arbitrage associated with Capital Structure. Further, the students will have to show the irrelevance of leverage with a situation involving a gentle increase in the borrowing unlike common text book problems which posits arbitrage between levered and unlevered firms. This caselet is most suitable after discussing Modigliani and Miller's irrelevance theory without corporate taxes. It is recommended to use after discussing the idea of arbitrage.

Research Office
Indian Institute of Management Kozhikode
IIMK Campus P. O.,
Kozhikode, Kerala, India,
PIN - 673 570
Phone: +91-495-2809238
Email: research@iimk.ac.in
Web: <https://iimk.ac.in/faculty/publicationmenu.php>

