Dividends on the cost ledger

> **EX-DIVIDEND DATE**
>
> The day a share first trades without its declared dividend: buyers from this day on are not owed it, and the price opens lower by roughly the amount, mechanically. Every wrapper and both directions settle against this date - owners receive, CFD longs receive an adjustment, and shorts of either kind pay - which puts dividends on the cost ledger, not just the income line.

Dividends read as income, and for a long-term owner they are. On a trading ledger they are also a scheduled mechanical event that credits some positions, charges others, and moves the chart without anyone trading.

The ex-date mechanics

The price drop is arithmetic: a share carrying a declared 20p dividend opens the ex-date roughly 20p lower - the entitlement left the share; no value was created or lost, and no chart pattern should be read into the step.Owners receive the cash on the later payment date; the entitlement was fixed by holding through the ex-date.CFD longs receive an adjustment approximating the dividend - approximating, because withholding treatment can differ from direct ownership, a jurisdiction-dependent detail worth checking where it matters.

The short side pays the dividend

A short position - borrowed shares or CFD - held through the ex-date owes the dividend: the lender still expects the income their shares would have earned, so the short pays it over. On a high-yield name this is a material scheduled cost, and it arrives on a published date. A short thesis carried across an ex-date has bought a known bill; lesson 6's borrow fee plus this makes the short side's ledger two lines longer than the long's, both checkable before entry.

The reading and the ledger

Two habits close the lesson. Reading: ex-date price steps are mechanical - a name 'down 2%' on its ex-date for a 2% dividend is unchanged, and screeners that ignore this manufacture false signals every ex-date morning. Ledger: dividend dates are published well ahead; any position planned across one has the credit or charge priced in advance - the platform's oldest rule, applied to the gentlest scheduled event it has: no surprises that were on the calendar.

Check your understanding

1. A share opens 20p lower on its ex-dividend date. What happened?

a. Sellers reacted to the dividend announcement

b. The 20p entitlement left the share mechanically - no value moved, and no signal should be read from the step

c. Market makers marked it down on thin volume

Answer: b. Buyers from the ex-date are not owed the dividend, so the price sheds it arithmetically. Screeners and charts that ignore ex-dates manufacture false moves every dividend season.

2. What does a short position held through an ex-date owe, and why?

a. Nothing - dividends only affect owners

b. The dividend, paid to the share lender whose income the borrow displaced - a known bill on a published date

c. Double the dividend, as a penalty

Answer: b. The lender keeps economic ownership; the short makes them whole. High-yield names make this a material scheduled cost, checkable before the trade like everything in this module.