Capital Structure

Capital Structure is a percentage of capital (money) at work in a business by type.

CAPITAL STRUCTURE shows or describes how a corporation finances its assets. The structure is usually a combination of several sources of senior debt , mezzanine debt and equity. Wise companies use the right combination of these ,to keep their true cost of capital as low as possible .Capital structure is is what describes the relationship of the financing sources as they appear in Balance sheet.

DETERMINATION OF CAPITAL STRUCTURE:
1. WHY TO DETREMINE???
- Financial position.
-The cash required.
-Debt to equity ratio.
-Tax consideration.
-Provision for future.
-Legal requirements.
-Government policies.
-Period and purpose of financing
-Size of the company.
-Requirement of investors.

HOW TO DETERMINE THE CAPITAL STRUCTURE :
Determination of capital structure is a crucial business step for companies and potential acquirers. The ideal structure does not only limits thethe risk but also increases the profitability of shareholder's return.

WHAT IS DEBT ?????

A Debt is loan using money from an outside source with the promise to return the principal, in addition to an agreed-upon level of interest.

WHAT IS EQUITY ?????

Equity is the residual claimant or interest of most junior class of investors in assets after all liabilities are paid . If liability exceeds assets their negative equity exits.
In other words equity capital refers to the money put up and owned by the Share Holders.

WORKING CAPITAL

Working Capital is one of the basic metrics to evaluate the company's financial health. Working Capital adequacy assess the performance and there the capitalization structure of the company.

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MAZZANINE DEBT

It is basically a Debt that gives

SENIOR DEBT

They are also referred to as SENIOR LOANS.
it is a debt that take priority over other

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