

# Capital Structure

Capital structure is a percentage of capital (money) or 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 what describes the relationship of the financing sources as they appear in Balance sheet.

- REFINANCEMENT OF CAPITAL STRUCTURE:
- 1. Fixed cost position.
  - 2. Tax advantages.
  - 3. Debt to equity ratio.
  - 4. Risk characteristics.
  - 5. Flexibility for future.
  - 6. Right compensation.
  - 7. Corporate tax policies.
  - 8. Global and national financing strategies of the company.
  - 9. Requirement of resources.

HOW TO DETERMINE THE CAPITAL STRUCTURE:

Determination of capital structure is crucial because only the companies and personal investors. The ideal structure does not only leads better risk but also increases the profitability of shareholder's returns.



### WHAT IS DEBT ?????

Debt is a liability that must be repaid, usually with interest. It is a financial obligation that is not owned by the company.

### WHAT IS EQUITY ?????

Equity is the residual interest in the assets of the company after all liabilities are paid. It is the ownership stake in the company.

### WORKING CAPITAL

Working Capital is used for the day-to-day operations of the company. It is the difference between current assets and current liabilities.

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**REDETERMINATION OF CAPITAL STRUCTURE**  
1. Why to determine??  
1. Financial position  
2. Financially required  
3. Reduce capital costs  
4. Tax considerations  
5. Expansion for future  
6. Legal requirements  
7. Corporate strategy  
8. Actual and purpose of financing  
9. Size of the company  
10. Requirement of investors.

**HOW TO DETERMINE THE CAPITAL STRUCTURE**  
Determinations of capital structure has to be made because capital companies and potential investors. The ideal structure means the only think that the firm does increases the probability of shareholder's return.



## WHAT IS DEBT????

It is a loan which is repaid later. It is a liability which is to be repaid by interest and principal to the lender in an agreed time & manner of payment.

**DEBT**  
1. Senior debt  
2. Subordinated debt  
3. Mezzanine debt  
4. Equity

## WHAT IS EQUITY????

Equity is the residual interest in the assets of a company after all liabilities are paid. It is the ownership stake of the company. It is the ownership stake of the company. It is the ownership stake of the company.

## WORKING CAPITAL

Working Capital is the amount of capital which is required to run the business. It is the amount of capital which is required to run the business. It is the amount of capital which is required to run the business.



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**WHAT IS DEBT????**  
It has a claim on the assets of the company before the claims of the owners and is paid back to the lender or the bondholder.

**DEBT**  
Senior debt  
Mezzanine debt  
Subordinated debt

**WHAT IS EQUITY????**  
Equity is the residual interest in the assets of the company after all liabilities are paid. It is owned by the owners of the company.

**EQUITY**  
Common stock  
Preferred stock

**WORKING CAPITAL**  
Working Capital is the difference between current assets and current liabilities. It is the amount of cash and cash equivalents available to the company.

**REDETERMINATION OF CAPITAL STRUCTURE**  
1. Why to determine??  
1. Financial goals  
2. Growth required  
3. Risk capacity  
4. Tax considerations  
5. Regulatory factors  
6. Legal requirements  
7. Operating conditions  
8. Initial and purpose of financing  
9. Size of the company  
10. Requirement of investors.

**HOW TO DETERMINE THE CAPITAL STRUCTURE**  
Determinations of capital structure has to be made because of the company and personal objectives. The final structure must be only made after the risk has been assessed the probability of shareholder's return.



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**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.

### WHAT IS DEBT ?????

A Debt is borrowing 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 then negative equity exists  
In other words equity capital refers to

### WORKING CAPITAL

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

MAZZANINE DEBT

SENIOR DEBT

They are also referred to as SENIOR LOANS.

It is basically a Debt that gives

It is a debt that takes priority over other