



SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore - 641 107

An Autonomous Institution

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Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

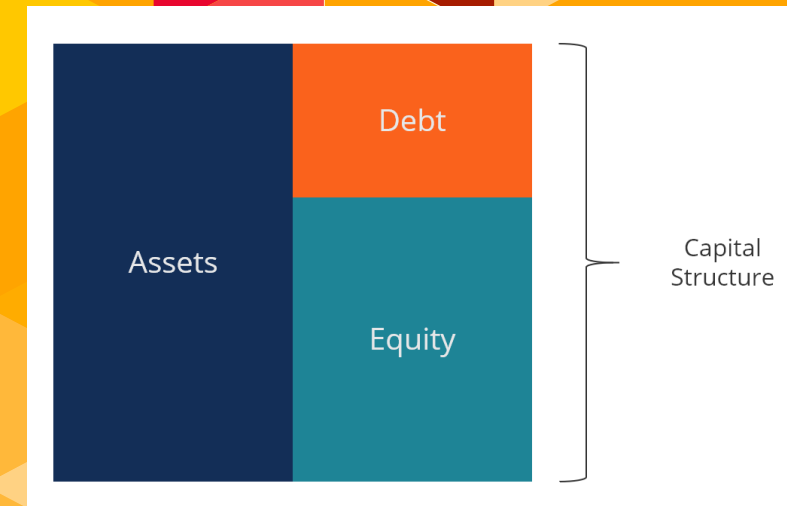


DEPARTMENT OF MANAGEMENT STUDIES

COURSE NAME : 19BA201 FINANCIAL MANAGEMENT

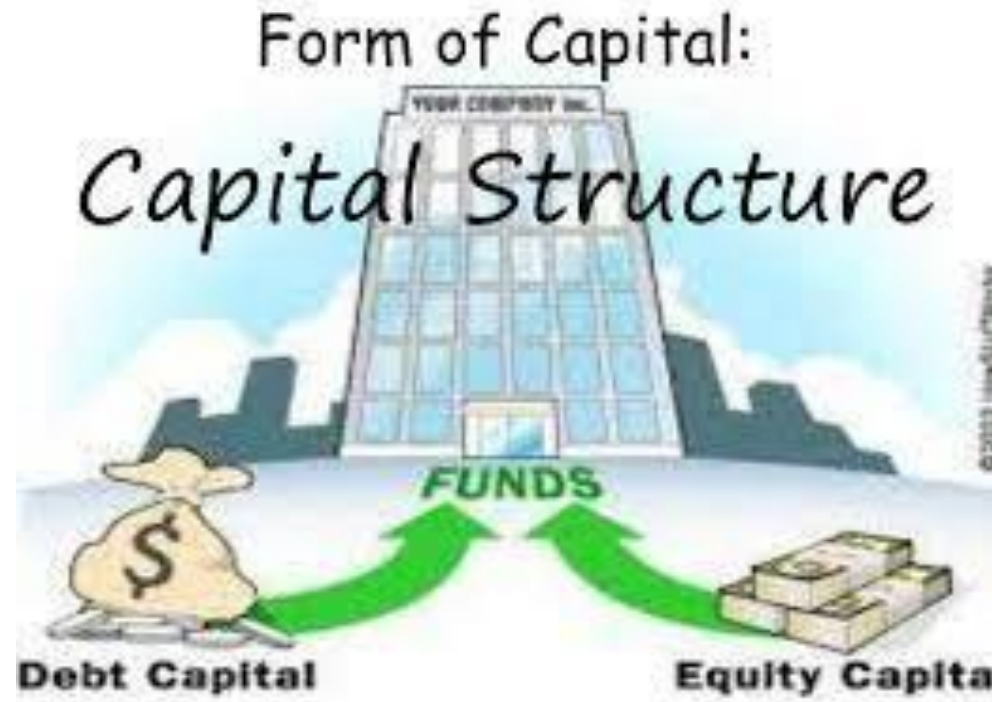
I YEAR / II SEMESTER

UNIT 3 - COST OF CAPITAL & CAPITAL STRUCTURE



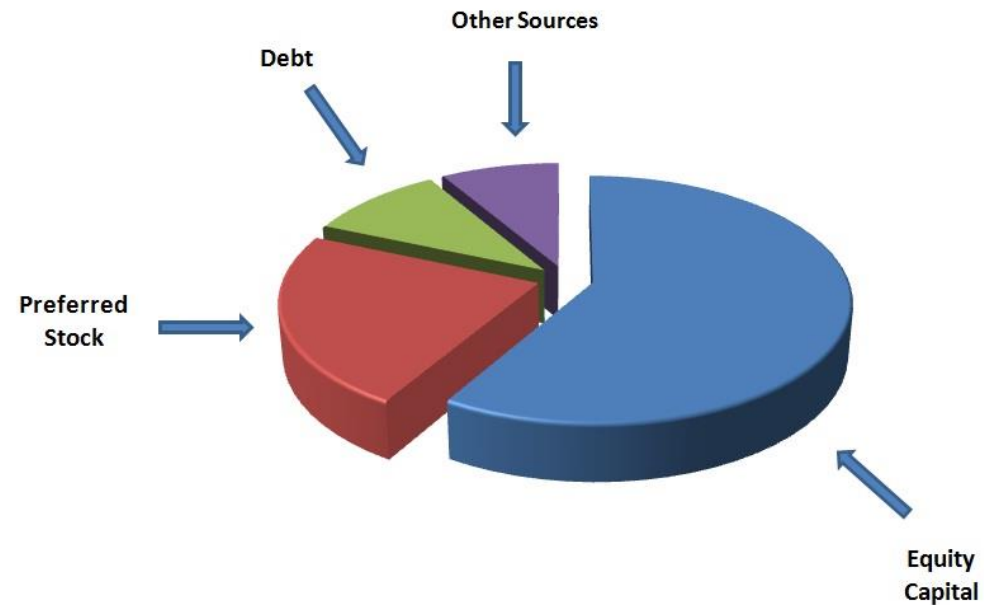
CAPITAL STRUCTURE

The capital structure is the particular combination of debt and equity used by a company to finance its overall operations and growth.



CAPITAL STRUCTURE

Equity capital arises from ownership shares in a company and claims to its future cash flows and profits. Debt comes in the form of bond issues or loans, while equity may come in the form of common stock, preferred stock, or retained earnings. Short-term debt is also considered to be part of the capital structure.



IMPORTANCE OF CAPITAL STRUCTURE

IMPORTANCE OF CAPITAL STRUCTURE

- 1 MAXIMIZATION OF RETURN**
- 2 MINIMIZES THE FINANCIAL RISK**
- 3 ENHANCES FIRM VALUE**
- 4 PROVIDES FLEXIBILITY**
- 5 EFFICIENT UTILIZATION OF FUNDS**
- 6 TAX PLANNING TOOL**

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FACTORS AFFECTING CAPITAL STRUCTURE

THEORIES OF CAPITAL STRUCTURE

unacademy

NET INCOME APPROACH

NET OPERATING INCOME APPROACH

TRADITIONAL APPROACH

MODIGLIANI AND MILLER APPROACH



Thank You