Ans-4) Definition of Capital structure

⇒ Capital structure refers to the mix of long-term sources of funds, such as debentures long term debts Preferance share Capital and equity share Capital including reserves and surplus.

⇒ Elements of Capital Structure

- Increase in the value of the firm
- Utilisation of available founds.
- Maximisation of Cost of Capital
- Solvency or liquidity Position.
- Flexibility

• Undistrurbed Cantralling:

• ~~Explaining~~ Explaining

A sound Capital structure of a Company helps to increase the market price of share and securities which, in turn, lead to increase in the value of the firm.

3) Utilisation of avaliable funds:
A good Capital structure enables a business enterprise to utilise the available funds fully. A properly designed capital structure ensures the determination of the financial requirements of the firm and raise the funds in such proportions from various sources for their best possible utilisation. A sound Capital structure protects the business enterprise from over capitalisation and under capitalisation.

3) Maximisation of return - A Sound Capital

A Sound Capital structure of any business enterprise maximises shareholders wealth through minimisation to the equity shareholder increase in earning per share.

4) Minimisation of Cost

A Sound Capital Structure of any business enterprise maximise share holders wealth through maximisation of the overall Cost of Capital

2) A Sound Capital Structure never allow a business enterprise of go for too much raising of debt Capital because of the time of poor earning the solvency is disturbed for Company.

8) A sound capital structure provides a room for expansion or reduction of debt capital so that according to changing conditions adjustment of capital can be made.

9) A good capital structure does not allow the equity share holders control on business to be diluted.