

Section - 2

Q. 1-5 What do you understand by capital structure? Also explain the concept of capitalization.

Assume you have a product with the following parameters:

Demand = 500

Holding Cost per year = Rs 110 per unit

order cost = Rs 125 per order

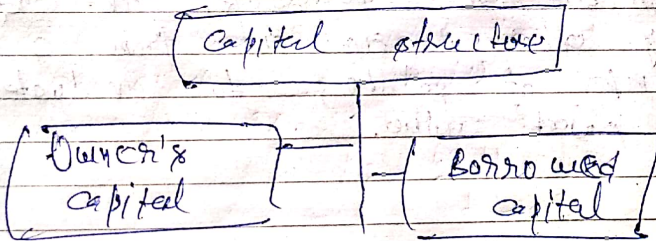
What is the EOQ?

Ans: Capital structure is capital structure or capital framework of a company comprises of long term capital funds raised by it from different sources for the conduct of its business.

Concept of capitalization

① Cost theory of capitalization

② Earning theory of capitalization



EOQ: - Economic order quantity (EOQ) in inventory management, economic order quantity is the order of quantity that minimizes the total holding costs and ordering costs. It is one of the oldest classical production scheduling models.

$$EOQ = \sqrt{\frac{2 \times D \times S}{H}}$$

D = Annual demand (units)

S = Cost of order (\$)

C = Cost of unit (\$)

I = Holding cost (%)

H = Holding cost (\$) = I x C