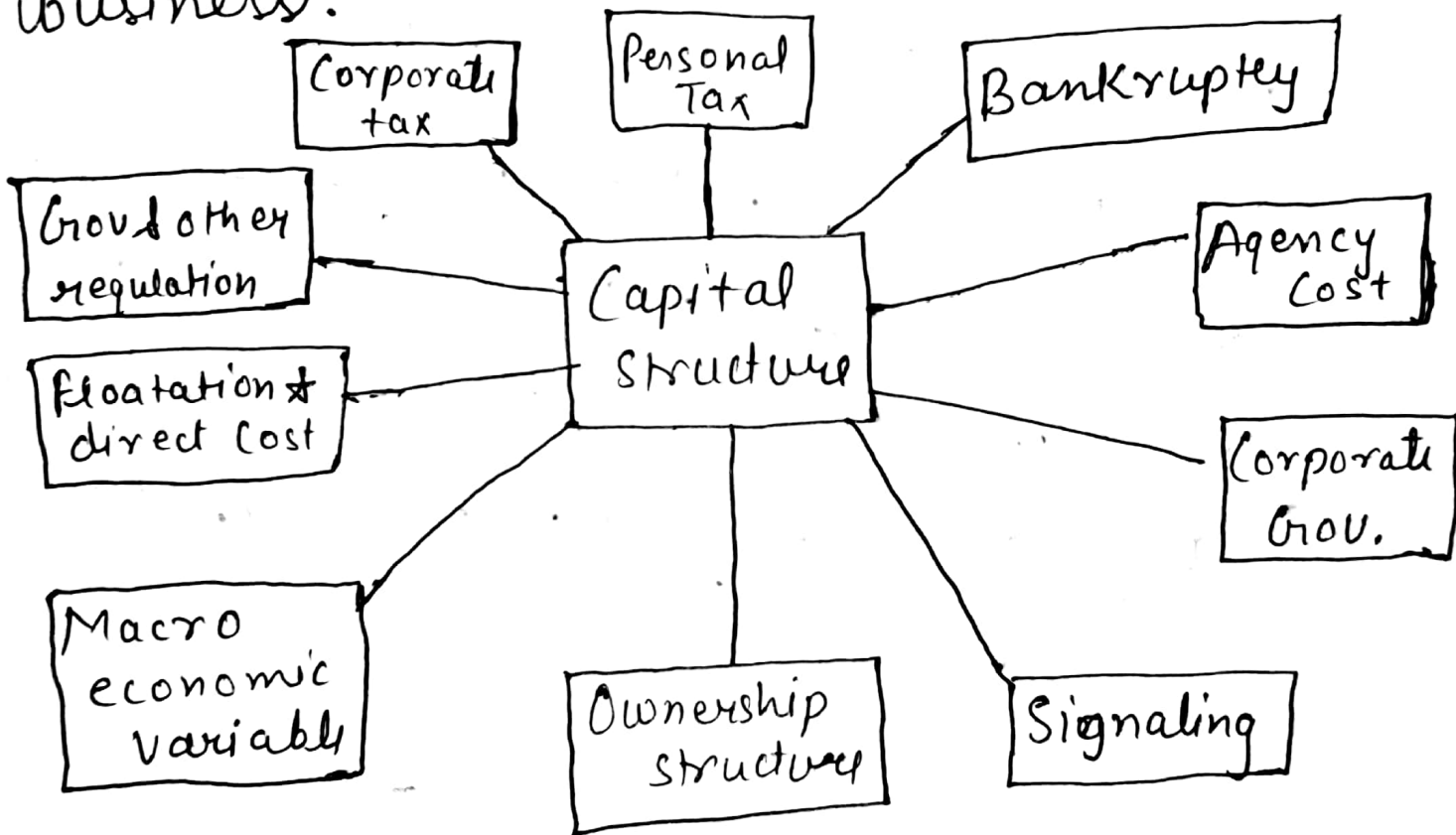


# Capital structure

Capital structure refers to the proportions or combination of equity share capital, preferences, long-term loans, retained earnings and other long-term sources of funds in the total amount of capital which a firm should raise to run its business.



## Concept of Capitalization

Capitalization refers to the valuation of the total business it is the sum total of owned capital and Borrowed capital.

~~The~~ It is nothing but the valuation of long-term funds invested in the business.

It refers to the way in which its long-term obligations are distributed b/w different classes of both owners and Creditors.

It means the ~~the~~ total fund invested in the business and includes owner's funds, borrowed funds, long term loans, any other surplus earning, etc.