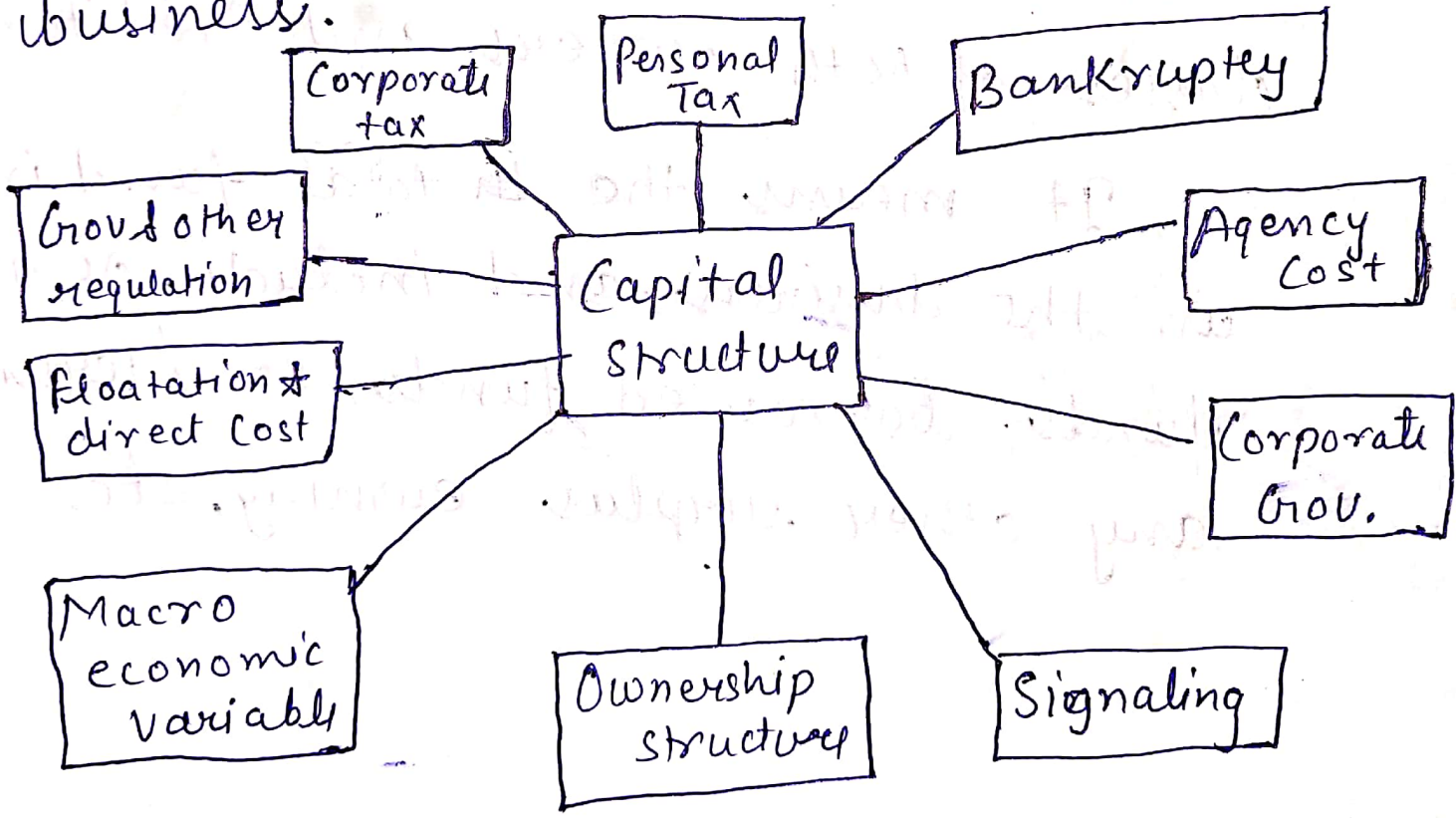


Capital structure

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. It is nothing but the valuation of long-term funds invested in the business. It refers to the way in which its long-term obligation are distributed b/w. different classes of both owners and Creditors.

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

Calculating EOD by given formula:-

$$EOD = \sqrt{\frac{2 \times O \times S}{H}}$$

Here $O = 500$

Holding Cost = 110 p_y

O.D = 125 Per order

$$EOD = \sqrt{\frac{2 \times 500 \times 125}{110}}$$

$$= \sqrt{\frac{1000 \times 125}{110}}$$

$$\approx \sqrt{1136.36}$$

$$= 33.70 \text{ Ans}$$