Financial Leverage And Capital Structure Policy Chapter

Thesis (M.A.) from the year 2009 in the subject Business economics - Economic Policy, grade: M.B.A, University of Dhaka, course: Master of Finance, language: English, abstract: Capital structure is one of the most converse and vital issues both in finance literature and practical research. This research deals with the theoretical and empirical aspects of capital structure decision. It is observed that the determination of debt ratio is subtle and sophisticated to determine, and its estimation is still a matter of debate, and yet there is no entirely satisfactory theoretical model for forecasting the optimal debt ratio in the firm's capital structure. There is little consensus on how firms choose their capital structure and how the firm-specific factors influence the shape of the capital structure. This research develops a link between theory and practice of capital structure. This study has supported a set of sample firms to show the impact of six factors determinants on the financial leverage and how they comply with the findings derived by different previous theories regarding these factors. Least Square method has been used to assess the influence of defined explanatory variables on the capital structure by using the dataset of Bangladeshi manufacturing firms for the period 2000 to 2004. Out of Six examined explanatory variables-agency-equity, agency debt, Bankruptcy, profitability are statistically significant determinants of financial leverage. Otherwise, growth rate and operating leverage are found to be insignificant. Agency-equity, agency debt, bankruptcy operating leverage, profitability, growth rate, all these are showing a negative relation with the dependent variable. Also, this paper suggests that the institutional context and macroeconomic events play an essential role in the capital structure decisions of Bangladeshi companies. It would seem appropriate that further research should focus on the role played by the institutional framework, such as the impact of taxation, the practice of good corporate governance, legal and regulatory structure.
A Tea Reader contains a selection of stories that cover the spectrum of life. This anthology shares the ways that tea has changed lives through personal, intimate stories. Read of deep family moments, conquered heartbreak, and peace found in the face of loss. A Tea Reader includes stories from all types of tea people: people brought up in the tea tradition, those newly discovering it, classic writings from long-ago tea lovers and those making tea a career. Together these tales create a new image of a tea drinker. They show that tea is not simply something you drink, but it also provides quiet moments for making important decisions, a catalyst for conversation, and the energy we sometimes need to operate in our lives. The stories found in A Tea Reader cover the spectrum of life, such as the development of new friendships, beginning new careers, taking dream journeys, and essentially sharing the deep moments of life with friends and families. Whether you are a tea lover or not, here you will discover stories that speak to you and inspire you. Sit down, grab a cup, and read on.
A comprehensive guide to making better capital structure and corporate financing decisions in today's dynamic business environment Given the dramatic changes that have recently occurred in the economy, the topic of capital structure and corporate financing decisions is critically important. The fact is that firms need to constantly revisit their portfolio of debt, equity, and hybrid securities to finance assets, operations, and future growth. Capital Structure and Corporate Financing Decisions provides an in-depth examination of critical capital structure topics, including discussions of basic capital structure components, key theories and practices, and practical application in an increasingly complex corporate world. Throughout, the book emphasizes how a sound capital structure simultaneously minimizes the firm's cost of capital and maximizes the value to shareholders. Offers a strategic focus that allows you to understand how financing decisions relates to a firm's overall corporate policy Consists of contributed chapters from both academics and experienced professionals, offering a variety of perspectives and a rich interplay of ideas Contains information from survey research describing actual financial practices of firms This valuable resource takes a practical approach to capital structure by discussing why various theories make sense and how firms use them to solve problems and create wealth. In the wake of the recent financial crisis, the insights found here are essential to excelling in today's volatile business environment.
The following thesis tries to take benefit of the unique setting of a corporate spin-off transaction in order to investigate capital structure determinants. The study reveals evidence that companies involved in a European spin-off transaction allocate financial leverage ratios according to the pecking order theory. Profitability of post-spin-off companies affects financial leverage ratios negatively. Growth, lower financial distress costs and the size of a company influences the financial leverage ratio positively. No relation is observed between non-debt tax shield and financial leverage. Even though post-spin-off companies emerging from the spin-off transaction with lower leverages are associated with higher business risk, no evidence is found that risk influences financial leverage ratios.
Essay from the year 2012 in the subject Business economics - Investment and Finance, grade: 9, Maastricht University (SBE), course: intermediate financial management (IFM), language: English, abstract: Questions 1A) Business risk is the risk to firm’s stockholders without debt. Business risk can be measured by the standard deviation (later referred to as: SD) of “return of capital invested” ROIC= (EBIT (1-T))/Capital. Typical sources of business risk are factors associated with day-to-day operations of the business, such as input price-, demand-, sales price- and currency variability or the ability to innovate and the extent of operating leverage used. The establishment of long-term contracts can mitigate business risk with suppliers or distributors or with hedging strategies in case of currency risks. On the other hand, financial risk is the risk stockholders bear, because of the use of debt. In the case of debt usage the stockholders bear all the business risk, because debt holders receive a fixed interest payment. 1B/C) The additional risk from the debt can be measured, if one compares the levered beta to the unlevered beta. The levered beta should be higher than the unlevered and therefor react more severe to broad market movements, reflecting the additional risk. Moreover, since the beta is part of the CAPM model, the required return for equity holders rises which makes perfect sense, since equity holders want to be compensated for the additional risk from financial leverage. Leverage increases stockholders ROE, because

the denominator of (Net income)/Equity is smaller since V_L consists of debt and equity, in contrast to a all equity financed company. Finally one can compare the SD of a levered and unlevered firm. The higher ROE comes at the cost of an increased SD, because of the higher variability of ROE.

The research reported in this volume represents the second stage of a wide-ranging National Bureau of Economic Research effort to investigate "The Changing Role of Debt and Equity in Financing U.S. Capital Formation." The first group of studies sponsored under this project, which have been published individually and summarized in a 1982 volume bearing the same title (Friedman 1982), addressed several key issues relevant to corporate sector behavior along with such other aspects of the evolving financial underpinnings of U.S. capital formation as household saving incentives, international capital flows, and government debt management. In the project's second series of studies, presented at the National Bureau of Economic Research conference in January 1983 and published here for the first time along with commentaries from that conference, the central focus is the financial side of capital formation undertaken by the U.S. corporate business sector. At the same time, because corporations' securities must be held, a parallel focus is on the behavior of the markets that price these claims.

Praise for The handbook of Financing Growth "Once again, Kenneth Marks and company have hit the mark with a comprehensive analysis of corporate and commercial finance, which is both readable and up-to-date. This book is a must for any entrepreneur, middle-market company CFO, or graduate student looking for a thorough presentation of real world financial solutions. I highly recommend it." —Barry D. Yelton, Senior Vice President and Region Manager, Federal National Payables, Inc. "This is a valuable tool to anyone raising capital. I've seen firsthand how the current environment is filled with dead ends for those seeking to grow their business. Having a blueprint for the process will save time and resources; two things any growth company can ill afford to spend. By looking at the process and explaining the various components of how capital forms, the authors provide necessary insight toward a productive effort. Anyone considering a capital raise should embark on that journey with this resource." —Christopher Gaertner, Head of Technology Investment Banking, Managing Director, Merrill Lynch "All principals involved in financing their growth should keep a copy of this book handy and refer to it frequently for guidance. It provides clear guidelines and case studies that can be used by any of the 27 million firms in the U.S. that want to grow." —James F. Smith, PhD, Chief Economist, Parsec Financial Management "Ken Marks and team have done a great service here to top management of middle-market companies, their advisors, as well as the investment community in understanding growth financing. This book is a perfect combination of being comprehensive (the glossary alone contains over 650 terms) yet very understandable. Too bad that more books written on this subject aren't written the way this one is." —Bob Grabill, President and CEO, Chief Executive Network "I am enthusiastic about this Second Edition of The Handbook of Financing Growth. The authors have updated chapters throughout and introduced a very useful, 'new project leadership' tool in Chapter 2. I can't imagine a more complete business financing guide. And, because of the tremendous amount of business wisdom contained herein, this book is valuable for its general business planning guidance alone. Highly recommended; a copy belongs in every entrepreneur's library!" —Peter Pflasterer, entrepreneur and founder, JPS Communications, Inc. "Considering the many financing challenges in the midst of our global recession, as a leading trade association for M&A professionals, we believe the new edition of The Handbook of Financing Growth is essential reading for any business owner, advisor, or investor. This ambitious sharing of 'hands on' experiences will surely prove to be very rewarding for any decision maker in the private capital marketplace today!" —Michael R. Nall, CPA, CM & AA, and founder, Alliance of M&A Advisors

Cost of Capital, Capital Budgeting, Capital Structure : Theories and Determinants, Operating and Financial Leverage, Dividend Policy and Models, Management of Working Capital

Empirical Capital Structure reviews the empirical capital structure literature from both the cross-sectional determinants of capital structure as well as time-series changes.

Seminar paper from the year 2013 in the subject Business economics - Investment and Finance, grade: B-, University of Bedfordshire, course: MSc FINANCE & BUSINESS MANAGEMENT, language: English, abstract: The central focus of this research project is to guide the relatively medium sized car dealership company towards making decision on the appropriate security financing option so that it would permit the given company to expand its operation while minimises its cost and maximises its profitability. In general there are three types of security financing (Equity Securities, Debt Securities and Asset-Backed Securities). Security Financing is also considers being a good financing source which involves the issuance of securities either in the stock market or in the capital market. In general, the companies' financial decision subject to the composition of its Capital Structure. The Capital Structure is made up of two factors: debt & equity. The trade-off theory was originated out of debate over the Modigiliani Miller theorem. The term trade-off theories was been used by different authors to state different group or similar related theories. The static trade-off theory confirms that the firm has perfect capital structure which they gain by trading off cost from the benefits of the use of equity and debt. The dynamic trade-off theory relates to the role of profit, role of retained earnings and path dependence. The concept of agency theory is emphasised more on the approach of concentrating on the nature of relationship existing between the company's shareholders (Principal) and their managers (Agents). Pecking order theory stressed that the company should first prefer to use internally generated income for the purpose of raising as it would restrict the company to expose itself towards financial leverage. The marketing timing theory state that firm value their equity in the way that when the stock price is perceived to be overvalued then they issue new stock and gain their share back. After the careful analysis of all possible options, it seemed better for the medium sized Car Dealership Company to go for option of debt security instrument known as Debentures for the purpose of pursuing expansion.

1. Financial Management : Nature, Scope and Objectives, 2. The Time-Value of Money, 3. Risk and Return (Including Capital Asset Pricing Model), 4. Valuation of Securities : Bonds and Equities, 5. Capital Budgeting and Investment

Decisions, 6. Cost of Capital and Financing Decision], 7. Operating and Financial Leverage, 8. Capital Structure : Theories and Determinants, 9. Dividend Policy and Models, 10. Management of Working Capita, 11. Management of Cash, 12. Management of Receivables, 13. Inventory Management.

Essay from the year 2012 in the subject Business economics - Investment and Finance, grade: 9, Maastricht University (SBE), course: intermediate financial management (IFM), language: English, abstract: Questions 1A) Business risk is the risk to firm's stockholders without debt. Business risk can be measured by the standard deviation (later referred to as: SD) of "return of capital invested" ROIC= (EBIT (1-T))/Capital. Typical sources of business risk are factors associated with day-to-day operations of the business, such as input price-, demand-, sales price- and currency variability or the ability to innovate and the extent of operating leverage used. The establishment of long-term contracts can mitigate business risk with suppliers or distributors or with hedging strategies in case of currency risks. On the other hand, financial risk is the risk stockholders bear, because of the use of debt. In the case of debt usage the stockholders bear all the business risk, because debt holders receive a fixed interest payment. 1B/C) The additional risk from the debt can be measured, if one compares the levered beta to the unlevered beta. The levered beta should be higher than the unlevered and therefor react more severe to broad market movements, reflecting the additional risk. Moreover, since the beta is part of the CAPM model, the required return for equity holders rises which makes perfect sense, since equity holders want to be compensated for the additional risk from financial leverage. Leverage increases stockholders ROE, because the denominator of (Net income)/Equity is smaller since V_L consists of debt and equity, in contrast to a all equity financed company. Finally one can compare the SD of a levered and unlevered firm. The higher ROE comes at the cost of an increased SD, because of the higher variability of ROE.

Corporate finance is a complex field composed of a broad variety of sub-disciplines, each involving a specific skill set and nuanced body of knowledge. This text is designed to give you an intuitive understanding of the fundamentals to provide a solid foundation for more advanced study.

In 1958 an academic paper on corporate finance written by two professors (Merton Miller and Frances Modigliani, who were later awarded the Nobel prize for their research efforts) was published in The American Economic Review. One prime conclusion of their paper was that the exact form of a firm's capital structure did not affect the firm's value. Later papers by the same two authors and by many others modified the assumptions and changed this conclusion. We now think that capital structure decisions do affect a firm's value and corporate managers should understand better the financing alternatives that are available. One of the most important financial decisions is the decision to buy or lease assets. The leasing industry is large and getting larger. Unfortunately, it is very easy for a firm to evaluate incorrectly lease alternatives (see Chapter 12). The capital structure decision is one of the three most important financial decisions that management make (the distribution of earnings and the capital budgeting decisions are the other two contenders). Managers should increase their understanding of capital structure alternatives and remember that choosing the best capital structure is an art and not an exact simple calculation. But applying the art can be improved with understanding.

Essay from the year 2004 in the subject Business economics - Investment and Finance, grade: 1, University of Applied Sciences Kempten (University of Ulster), 9 entries in the bibliography, language: English, abstract: In accordance with the Signalling model by Ross (1977) an increase in gearing represents, in term of a company’s prospective cash flows, a positive signal to external investors. Because, due to the higher risk of financial distress, companies with less optimistic market prospective tend to avoid additional financial obligations. This implies that an increasing indebtedness means a higher quality of business and therefore better valuation. This leads, in turn, to the assumption that the corporate management can influence a firm’s value by changing its capital structure. If capital structure can affect value, how can firms identify an optimal capital structure and what will it look like? It is that mix of debt and equity that maximises the value of a firm and, at the same time, minimise overall cost of capital. In their seminal article, published in 1958 and 1963, Modigliani and Miller argue that under certain assumptions the value of a firm i s independent of its capital structure, but with tax-deductible interest payments, they are positively related. Moreover, there are other approaches with partly contradictory perceptions. For instance, Myers (1998, cited in Fairchild 2003, p.6) argues that there is no universal optimal mix of debt and equity; in fact it depends on firms or industries, and therefore should be considered on a case-by-case basis. Other researchers have added market imperfections, such as bankruptcy costs, agency costs, and gains from leverage- induced tax shields to the analysis and have maintained that an optimal capital structure may exist (Hatfieldet al.1994, p.1). First, this paper shows the basic determinants of a firm’s value in association with the impact of financial leverage on payoffs to stockholders. Secondly, it considers some arguments of capital structure theories, particularly the Modigliani and Miller theorem and the Traditional approach and contrasts them. Finally, the underlying factors of the model assumptions are examined and shown that they are important in the choice of a firm’s debt-equity ratio.

REA's Essentials provide quick and easy access to critical information in a variety of different fields, ranging from the most basic to the most advanced. As its name implies, these concise, comprehensive study guides summarize the essentials of the field covered. Essentials are helpful when preparing for exams, doing homework and will remain a lasting reference source for students, teachers, and professionals. Financial Management includes the finance function, business organization, financial statements, depreciation and cash flow, financial statement analysis, financial planning, operating and financial leverage, time value of money, risk and return, valuation, capital budgeting, cost of capital, capital structure, cash and marketable securities, accounts receivables and inventories, and financing smaller firms and startups.

This paper explores how corporate taxes affect the financial structure of multinational banks. Guided by a simple theory of optimal capital structure it tests (i) whether corporate taxes induce subsidiary banks to raise their debt-asset ratio in light of the traditional debt bias; and (ii) whether international corporate tax differentials vis-a-vis foreign subsidiary banks affect the intra-bank capital structure through international debt shifting. Using a novel subsidiary-level dataset for 558 commercial bank subsidiaries of the 86 largest multinational banks in the world, we find that taxes matter significantly, through both the traditional debt bias channel and the international debt shifting that is due to the international tax differentials. The latter channel is more robust and tends to be quantitatively more important. Our results imply that taxation causes significant international debt spillovers through multinational

banks, which has potentially important implications for tax policy.
?????LEARNING STARTS WITH VIEWING THE WORLD DIFFERENTLY. ????? Knowledge flow — A mobile learning platform provides Apps and Books. Knowledge flow provides learning book of Financial Management. This book is for all management students and professionals across the world. Financial management deals with the management of money in a very effective and efficient manner. This book of financial management covers the entire basic concepts like sources, capital structure, budgeting and dividend policy related to business finance. Contents: 1. Introduction to Financial management 2. Analysis of financial statement 3. Sources of Finance 4. Capital Structure 5. Capitalization 6. Cost of capital 7. Capital Budgeting 8. Leverage 9. Working capital management 10. Dividend policy
This study Investigates the influence of the type of investment opportunities facing a firm on its choice of capital structure. It is shown that the more discretionary investment opportunities a firm faces, the lower its financial leverage. Inclusion of other possible determinants of capital structure, such as availability of internal funds, tax effects and risk, while significant, do not affect the importance of discretionary investment. The evidence supports (1) the existence of a moral bazzard problem which inversely relates risky debt and discretionary investment choice, and (2) a desire by most firms to use sources of internal funds prior to entering the capital market
Corporate Capital Structures in the United StatesUniversity of Chicago Press
The firm s financing policy is not only influenced by trade-off between the tax advantages of debt financing, recapitalization and financial distress costs but also by exogenous financial developments and liberalization policies. In recent years after the recurrent financial crisis the leverage behaviour has attracted considerable interest as the high debt ration signals out a major cause of financial crisis. The book extends the theoretical study of optimal capital structure by introducing the financial development in the corporate sector in a deterministic capital structure theory. The firm s financing behaviour is described in a dynamic model with firm specific variables and the state of financial liberalization. The study s aim is to propose and test a natural explanation of how financial liberalization might affect financial leverage. If liberalization policy has a significant linkage with financial leverage and it tends to increase use of debt relative to equity financing, this will this will have implications for the likelihood of bankruptcy and for the pace and amplitude of business cycle fluctuations.
Inhaltsangabe:Abstract: In corporate finance two major decisions have to be made. One is the investment decision which means companies must decide which available opportunities they should invest in. The other one, the financing decision, also known as the capital structure decision, tries to answer the question of from where the money to finance investment projects should come. Money can either be raised internally, through retained earnings, or externally. Mezzanine capital, as a special type of external finance, therefore falls into the area of the financing decision. Although the use of mezzanine capital has increased in Europe in recent years, this special type of finance is still relatively unknown in some countries. Therefore, the purpose of my thesis is to familiarise the reader with this particular type of finance. It is structured in a way that it sequentially deals with the following questions: How did mezzanine develop? Can it offer an advantage compared to financing only with debt and equity? Which basic types of mezzanine instruments exist and how are they valued? When and where is mezzanine used? At the end, an example of a management buy-out in which mezzanine is used is provided. This will give important insights into the practical use of multiples to structure the deal, the mezzanine investment process, the investment criteria and the various exit routes that exist. The paper will be concluded with an overview on the European mezzanine landscape and on how recent stock market developments and the new Basel capital accord (Basel II) may impact the future of mezzanine capital. Special terminology or important information that is used in the private equity area is written in bold letters if mentioned for the first time in the text. The issue of a convertible promissory note to raise funds to build a canal in the UK is believed to be the first mezzanine instrument. It was issued in 1798 by the Company of proprietors to the Canal Navigation from Manchester to or near Ashton-under-Lyne and Oldham . However, the idea of converting debt into equity was already used after the War of Spanish Succession when in 1711 the British government had a heavy debt burden. As the debt was trading at a substantial discount it made the refinancing more difficult. A solution was found in creating a new body, the South Sea Company , whose newly issued shares were to be swapped for £9.5m of floating debt - thereby reducing the interest [...]
1.Financial Management : Nature, Scope and Objectives, 2. Cost of Capital and Financing Decision, 3. Capital Budgeting, 4. Capital Structure : Theories and Determinants, 5.Operating and Financial Leverage 6. Dividend Policy and Models, 7. Management of Working Capital.
The book that fills the practitioner need for a distillation ofthe most important tools and concepts of corporate finance In today's competitive business environment, companies must findinnovative ways to enable rapid and sustainable growth not just tosurvive, but to thrive. Corporate Finance: A PracticalApproach is designed to help financial analysts, executives,and investors achieve this goal with a practice-orienteddistillation of the most important tools and concepts of corporatefinance. Updated for a post-financial crisis environment, the SecondEdition provides coverage of the most important issuessurrounding modern corporate finance for the new globaleconomy: Preserves the hallmark conciseness of the first edition whileoffering expanded coverage of key topics including dividend policy,share repurchases, and capital structure Current, real-world examples are integrated throughout the bookto provide the reader with a concrete understanding of criticalbusiness growth concepts Explanations and examples are rigorous and global, but makeminimal use of mathematics Each chapter presents learning objectives which highlight keymaterial, helping the reader glean the most effective businessadvice possible Written by the experts at CFA Institute, the world's largestassociation of professional investment managers Created for current and aspiring financial professionals andinvestors alike, Corporate Finance focuses on the knowledge,skills, and abilities necessary to succeed in today's globalcorporate world.
An in-depth look at the strategies, capital structure, and fund raising techniques for emerging growth and middle-market companies. Here is a comprehensive and practical guide to understanding and applying the basics of corporate finance to emerging growth and middle-market companies. Using empirical data and actual company cases to illustrate capital structures and financing approaches, the book provides a detailed discussion of the many funding instruments, from traditional bank loans and asset-based financing to different types of private equity and other creative solutions; the types of funding sources and their expected rates of returns; and typical deal terms.
Wissenschaftlicher Aufsatz aus dem Jahr 2015 im Fachbereich BWL - Investition und Finanzierung, , Sprache: Deutsch, Abstract: This paper is an attempt to determine the capital structure of listed firms of the cement industry in the Pakistan stock exchange (KSE). The main objectives of this empirical study is to forecast the relationship of dependent variable (financial leverage) with independent variables (size, tangibility, profitability, liquidity, tax rate and growth rate). The study showed a positive and significant association of firm size, tangibility and tax rate with financial leverage of the firm but in contrast to this, profitability, liquidity and growth rate showed a negative relationship with financial leverage.
Seminar paper from the year 2004 in the subject Business economics - Investment and Finance, grade: 85%, Stellenbosch Universitiy, 21 entries in the bibliography, language: English, abstract: The financing strategy is the mix of capital chosen by each enterprise. This strategy is of extreme importance, because it can have a profound effect on the value of the enterprise. In general, firms have different possibilities to

design its capital structure. Debt can be issued in a large quantity or only in a small amount. Furthermore, warrants, convertible bonds, caps, callers or preferred stock can be issued. Firms can use lease financing, bond swaps or forward contracts. The variations in capital structures are infinite, due to the endless number of financing instruments. Variables such as demand and supply, the capital requirement, the price of capital (interest rates), types of security, etc. are given at a particular point in time. We will discuss how a firm should finance in order to establish an optimal combination of equity and debt capital in the interests of the welfare of the owners. Uncertainty and risk are central to the financing problem and therefore financing must in essence be dynamic by nature. The single most important basis for making any financial decision is prognosis. The techniques used are mainly those of budgets and analysis by means of ratios. Prognosis, income expectations and developments in the money and capital markets, play a central role as the single most important basis of each financing decision. The optimal combinations of equity capital and debt to maximise the interest of the owners, are achieved by means of the sensible use of debt. The question thus arises to what extent this approach can be utilised and therefore the determining factors of the financial structure must be considered in more detail. This paper will focus on these factors. It will not discuss sources of financing in detail, which should be treated as a separate topic.

In the present financial world, various niche markets play an increasingly important role. One of the fastest-growing niches is, without a doubt, Islamic finance. Indeed, sustainable finance needs constantly evolving innovations, and this book offers valuable insights into Islamic capital structure and Shari’ah equity screening enriching academic discourse. "In recent years, we have witnessed the emergence of a new generation of academics and professionals specializing in various aspects of Islamic finance as knowledge and practice. This has brought about a new dynamism and also further sophistication. This book is one of such contributions, as it develops knowledge which is then transformed into practice whereby practical impact is also achieved. Being an academic book, it provokes readers’ thoughts, offering a critique of the implications of the currently applied Shari’ah screenings methodologies. As a transformative practical piece, by developing an innovative screening ratio, in this book, Dr. Yildirim extends his focus on the risk-sharing based financing hierarchy, covers thoughts and the underlying philosophy, and proposes an Islamic version of a pecking order hierarchy. This framework can be considered the foundation for developing an Islamic capital structure theory. This book will benefit academics, professionals, investors, as well as policymakers working in the Islamic finance industry and would like to explore more." (Professor Dr. Mehmet Asutay, Durham University Business School, UK) "This book offers, for the first time after the inception of Shari’ah screening methodologies, a groundbreaking new stock screening solution that is comprehensible, practical, and foremost entirely derived from the primary sources of Islam (Qur’an and Sunnah). Congratulations to Dr. Ramazan for his outstanding contribution to Islamic finance and capital markets." (Associate Professor Dr. Ahcene Lahsasna) "This excellent book is a must-have for all corporate finance students/researchers interested in the theoretical aspect of capital structure and the religious discussion of Shari’ah equity screening. This book should become a companion to those involved in a quantitative research environment and aim to conduct a comparative analysis; an ideal resource for everyone, from Shari’ah scholars to Islamic finance practitioners and beginners to experts." (Professor Dr. M. Kabir Hassan, University of New Orleans, USA)

Judging by the sheer number of papers reviewed in this Handbook, the empirical analysis of firms’ financing and investment decisions—empirical corporate finance—has become a dominant field in financial economics. The growing interest in everything “corporate is fueled by a healthy combination of fundamental theoretical developments and recent widespread access to large transactional data bases. A less scientific—but nevertheless important—source of inspiration is a growing awareness of the important social implications of corporate behavior and governance. This Handbook takes stock of the main empirical findings to date across an unprecedented spectrum of corporate finance issues, ranging from econometric methodology, to raising capital and capital structure choice, and to managerial incentives and corporate investment behavior. The surveys are written by leading empirical researchers that remain active in their respective areas of interest. With few exceptions, the writing style makes the chapters accessible to industry practitioners. For doctoral students and seasoned academics, the surveys offer dense roadmaps into the empirical research landscape and provide suggestions for future work. *The Handbooks in Finance series offers a broad group of outstanding volumes in various areas of finance *Each individual volume in the series should present an accurate self-contained survey of a sub-field of finance *The series is international in scope with contributions from field leaders the world over

Seminar paper from the year 2010 in the subject Economics - Finance, grade: 1.3, University of Regensburg, language: English, abstract: Since Modigliani/Miller’s famous theorem (1958) that capital structure is irrelevant for firm valuation, firms’ capital structure choice has been one of the most significant subjects in the modern finance theory. The subsequent theoretical literature has found evidence to negate the irrelevance theorem. Most empirical studies applied a static framework and are capable to explain differences in the optimal leverage ratios across firms, using observed leverage ratios as proxies for the optimal target leverage, but do not explain observed differences in firms’ leverage ratios itself. One broadly accepted reason for a firm’s deviation from their target leverage ratio is the existence of adjustment costs. In the presence of adjustment costs, firms may deviate from their target leverage and find it not cost effective to adjust their leverage ratio frequently or fully within one period, even if they recognize that their existing capital structure is not optimal. This shows the need for developing and using a dynamic approach in order to examine firms’ capital structure. The paper is organized as follows. Section 2 provides a brief overview of the three main theories of capital structure. Section 3 specifies the dynamic partial-adjustment model and describes the variables that may affect the target capital structure as well as the adjustment speed. Section 4 reports the empirical results and Section 5 concludes the paper

1. Financial Management : Nature, Scope and Objectives, 2. The Time-Value of Money, 3. Risk and Return (Including Capital Asset Pricing Model), 4. Valuation of Securities : Bonds and Equities, 5. Capital Budgeting and Investment Decisions, 6. Cost of Capital and Financing Decision], 7. Operating and Financial Leverage, 8. Capital Structure : Theories and Determinants, 9. Dividend Policy and Models, 10. Management of Working Capita, 11. Management of Cash, 12. Management of Receivables, 13. Inventory Management

A major element in utility regulation is the setting of just and reasonable allowed rates of return. This rate is a weighted average of the costs of the types of capital employed by the firm, and the weights should reflect the firm's target capital structure. The information required to set the target, or optimal, capital structure includes the relationships between the component costs of capital and the amount of financial leverage used. The primary objective of this study is to empirically estimate the relationships between financial leverage and the costs of common equity and debt for electric utilities. Two different approaches were used to estimate these relationships. First, an econometric model was developed with the component cost as the dependent variable and leverage as the independent variable. Other factors were included as independent variables to account for nonconstant business risk. Second, a model was developed using the bond rating guidelines and bond yields reported by Standard & Poor's Corporation. The data set consisted of about 70 electric utilities for 1983 and 1984. The results indicated a strong positive relationship between financial leverage and the costs of debt and equity. Several leverage measures were used, and the relationship was strongest when leverage was measured by market value debt-to-equity ratios. The relationships were stronger than reported in previous studies, and there was no indication that the relationships were nonlinear when leverage was measured by debt-to-equity ratios. Further, the two most important business risk factors to both debt and equity investors were nuclear construction programs and reserve margins. Somewhat surprisingly, regulatory climate did not affect debt or equity costs.