

Resumé / English summary

Title of the thesis:

Optimal capital structure of an enterprise

Summary:

The purpose of my thesis is to analyse optimal capital structure of an enterprise and important factors in the capital structure decision making, because the enterprise's capital structure is one of the most important decisions management has to make.

The capital structure is how a firm finances its overall operations and growth by using different sources of funds and the capital structure optimisation is relatively a complex issue.

The thesis is composed of eight chapters. Chapter One is introductory and explains my choice for the purpose of this thesis and describes content of following chapters.

Chapters Two a Three define basic terminology used in the thesis, particularly the basic items of the property and capital structure of an enterprise.

The aim of Chapter Four is to survey the most important capital structure theories, especially the Modigliani–Miller theorem (of Franco Modigliani, Merton Miller) that forms the basis for modern thinking on capital structure.

Chapter Five describes the most significant determinants of optimal capital structure of an enterprise and how those factors might affect optimal capital structure. The chapter is subdivided into five parts: the advantages and disadvantages of debt and equity financing, the weighted average cost of capital (a general formula for the WACC, cost of debt, cost of equity, capital asset pricing model, build-up methods, arbitrage pricing theory, the Gordon growth model), return on equity (the traditional formula and the DuPont formula, return on assets, return on sales, total asset turnover, asset to equity ratio, financial leverage), asset structure as a determinant of capital structure an enterprise, others determinants of capital structure.

Chapter Six focuses on the most important sources of financing of an enterprise. The sources of financing comprise some combination of debt and equity financing.

Conclusions are drawn in Chapter Seven. Defining the optimal capital structure is a critical decision for any enterprise. I suggest that management must identify the "optimal mix" of financing and the most relevant determinants of optimal capital structure of an enterprise are weighted average cost of capital, financial leverage, structure of assets, risk attitude and financial freedom.