

UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT

DESIGN CAPITAL STRUCTURE

Control practices

The following
the process of design
the associated business risks and control practices. That information can serve as a checklist
when you begin

This business risk and control information can help you assess your internal control environment
and assist with the design
information is at the beginning
nyc companies will need to go
g
non-financial disclosures being
control information with your industry-specific knowledge
environment when conducting
recommendations.

Effectiveness and efficiency of operations

capital requirements, and financial ratios.

Effectiveness and efficiency of operations

A. Select the best source of capital based on the company's needs and market conditions.

Business risks

- Excessive cost of capital.
- Dilution of ownership interests.
- Increased financial risk.

Control practices

1. Obtain the services of investment bankers to help research the options of
cap. 125 of the future), restrictions (debt covenants), flexibility, expected inflation
trends, current and expected profitability and liquidity position, stability and maturity of
operations, and tax implications.
3. Consider the advantages
bondholder share of earnings
diluting
financial stability risks when money is tight

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4. Consider the disadvantages when profits are low and losses increased; debt repayment at maturity; high increases financial risk and interest costs; and provisions that restrict activities.)
5. Consider the advantages of pay fixed charge and an improved credit rating (stock issuance)
6. Consider the disadvantages for dividends; diluted ownership interest; earning preference stock or debt
7. Consider the advantages of preferred stock during payments during

