**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 4: ACTIVITY 1**

**The role of capital markets and the efficient markets hypothesis**

The mix of equity and debt financing together represents a business’s financial structure. Any imbalance will lead to inefficiency.

#### Individually, and then in pairs

Identify a business with which you are familiar. This could be a multinational company from which you have purchased goods/services, a business that owns your favourite brand or the business for which you work (or wish to work in the future).

Note that the business that you select must have raised finance from an equity or debt market.

From your research:

1. Discuss the nature of equity and debt finance.
2. Explain the relationship between equity and debt finance in the financial structure of a business.
3. Consider the financial structure of your chosen business. Discuss the mix of equity and debt finance and its potential effects on your chosen business. the sources of equity and debt finance that are used by your chosen business.
4. Define the term ‘cost of capital’ and its importance in a business.
5. Prepare a short presentation on your findings.