**CORPORATE FINANCE**

**Learning Outcome 2: ACTIVITY 1**

## **Alternative approaches to sources of equity and debt**

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

Using your chosen business from previous Activities (if it has raised finance from an equity or debt market – if not, choose one that has):

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.