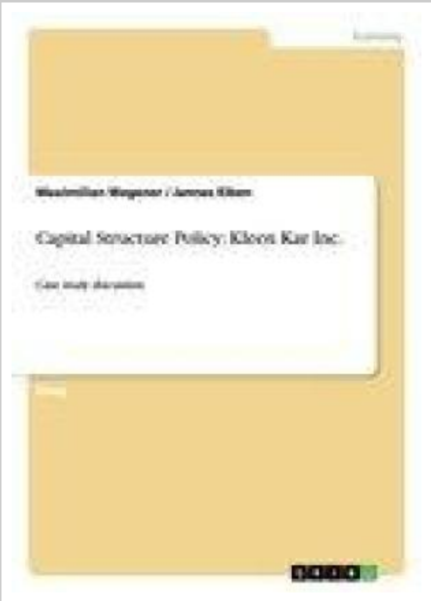

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Capital Structure Policy: Kleen Kar Inc.

By Maximilian Wegener

GRIN Verlag Gmbh Aug 2013, 2013. Taschenbuch. Book Condition: Neu. 208x62x17 mm. This item is printed on demand - Print on Demand Neuware - 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...

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