IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A STUDY ON COST OF CAPITAL WITH REFERENCE TO LION DATES PVT LTD AT TRICHY.

J.SRI DEVI

MBA (FINAL YEAR)

DEPARTMENT OF BUSINESS ADMINISTRATION

DHANALAKSHMI SRINIVASAN COLLEGE OF ARTS AND SCIENCE FOR WOMEN (AUTONOMOUS) – PERAMBALUR

MS. BINIJA CS

Assistant professor of business administration

Dhanalakshmi srinivasan college of arts and science for women (Autonomuous) - Perambalur

ABSTRACT

As one of the core concepts of corporate financial management, the cost of capital is the cost of corporate financing and related to the financing behavior of firms, on the other hand, cost of capital is the necessary rate of return for investors, which decides investment activities. How to calculate cost of capital? What are the influencing factors for cost of capital? These two questions will play a fundamental role in judging whether cost of capital is high in China and promoting the cost reduction task proposed by the current supply-side reform.

Keywords: Cost of Capital, Influencing Factors, Literatures Review

INTRODUTION

The project's cost of capital is the minimum required rate of return on funds committed to the project, which depends on the riskiness of its cash flows. The firms cost of capital will be the over all, or average, required rate of return on the aggregative of investment project.

The cost of capital is the company cost of using funds provided by creditors and shareholders. A company cost of capital is the cost of its long-term sources of funds: debt, preferred equity, and common equity.

REVIEW OF LITERATURE

Review of literature was done to have in-depth idea related to the field of study. It gives us background and research gap in earlier studies. It also enables to enhance the knowledge base and provides direction for further study. In this way it prepares the background for justification of present research plan. In this chapter an attempt has been made to review the studies related to different aspects of relationship between capital structure and cost of capital in India as well as abroad.

OBJECTIVE OF STUDY

- To examine the effectiveness of cost of capital management policies with the help of accounting ratio.
- To study liquidity position of the company by taking various measurement.
- To evaluate the financial performance of the company.
- To make suggestion for policy makers for effective management of cost of capital.

RESEARCH METHODOLOGY

Research design is need for making efficient research and for yielding maximum information with minimum expenditure of effort, time and money. The research design used in the project work is survey method. It is a fact finding study. It involves collecting of data from the population or a sample of respondent at a particular time. Data may be collected using observation interview and mailing questionnaire.

METHODS OF DATA COLLECTION

In this study the method used is secondary data. Secondary data means data already variable. i.e. they referred to data which have already been collected and analyzed. The data is collected from few reports and company's website.

DATA ANALYSIS AND INTERPRETATION

Educational qualification of the respondents.

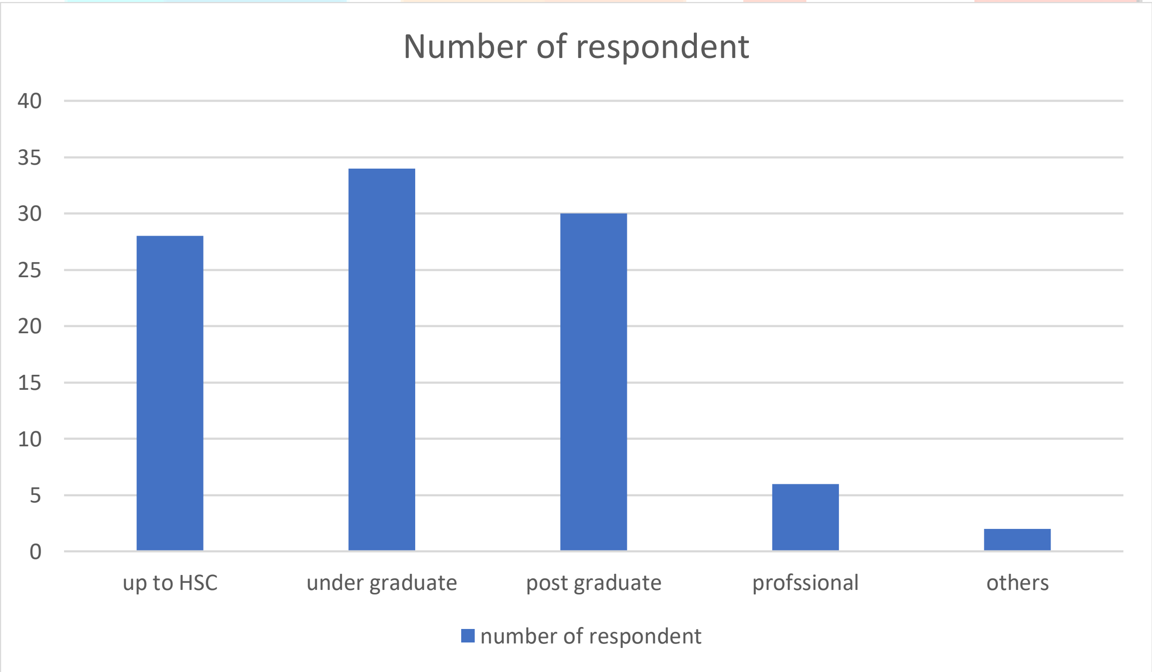
Qualification	Number of respondents	Percentage (%)
Up to HSC	28	28
Under graduate	34	34
Post graduate	30	30
Professional	6	6
Others	2	2
Total	100	100

Source : Primary data

It could be inferred that the literacy level of consumer. Among the sample of respondent, 28% of the respondents have completed up to HSC, 34% of the respondents have finished under graduation, 30% of the respondent have finished post graduation, 6% of the respondent were professionals and another 2% of the respondent were comes under others.

It could be inferred that 34% of respondent were under graduate.

Figure : Educational qualification of the respondent



Gender classification of the respondent

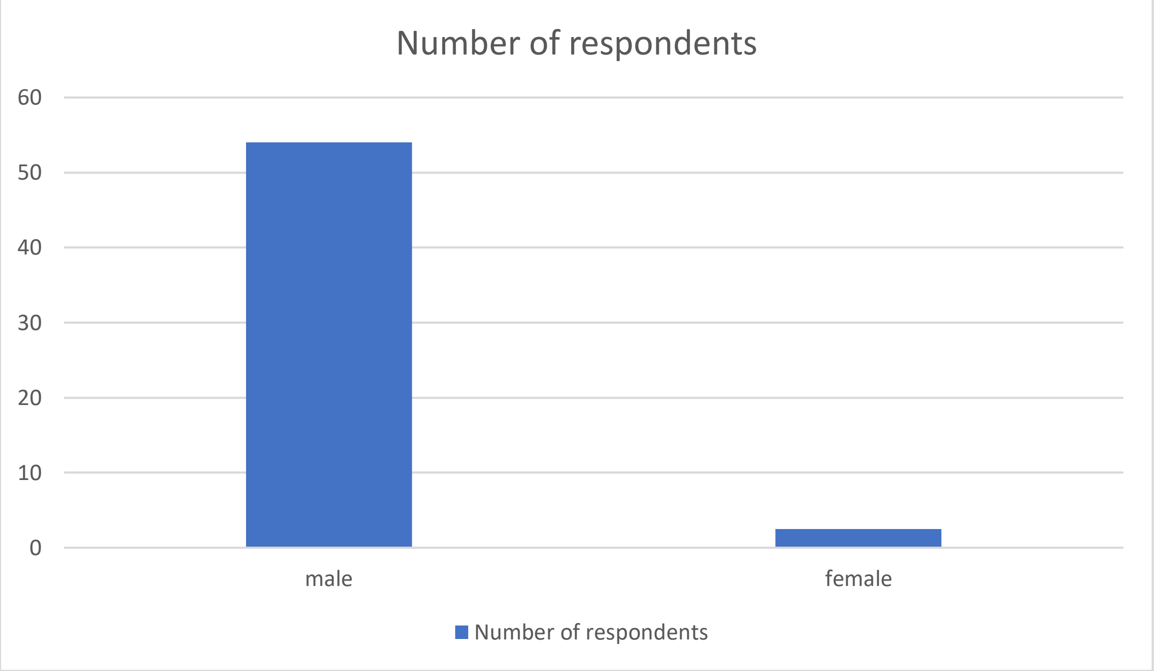
Gender	Number of respondent	Percentage (%)
Male	54	54
Female	46	46
Total	100	100

Source : primary data

It could be found table that shown 54% of the respondent is male and 46% were female respondents.

It could be able table found shown that the 54% of male respondent were using the lion dates more in number.

Figure: classification of the respondents



FINDINGS

- It could be found that 34% of the respondent were under graduate.
- It could be inferred that 24% of the respondents prefer lion dates.
- It could be inferred that 42% of the respondents are influenced by friends & relatives.
- It could be understood 40% of the respondents expressed their opinion that the price are reasonable for purchase lion dates.

SUGGESTIONS

- Debt is cheaper source of financing, as compared to equity. Companies on benefit from their debt instruments by expensing the interest payment made on existing debt and thereby reducing the company's taxable income.
- However, at some point, the cost of issuing additional debt will exceed the cost of issuing new equity.
- For a company lot of debt, adding new debt will increased its risk of default, the inability to meet its financial obligation.
- However some companies, equity financing may not be a good option, as it will reduce the control of current shareholders over the business.

CONCLUSION

This article reviews the literatures about calculation methods and influencing factors of capital cost, which gives us a comprehensive view. To be more specific, the article compares all the calculation methods and elaborates the relationships and differences among them, what's more, it reviews their popularity in China. Calculation methods are abundant and using different methods to calculate the cost of capital can test the robustness of methods. Besides, the article also concludes the factors which influence cost of capital significantly, such as operation and governance of the company, information disclosure, external macro environment and so on. Previous literatures only analyze the influence of a single factor and pay little attention to the joint effect. In next, we can calculate cost of capital in different ways to make sure the validity of calculation, in other way we should actively explore other influencing factors and pay more attention to the joint effect of influencing factors rather than influence of a single one, which is useful for evaluating and reducing cost of capital and responding positively to calls put forward by supply-side structural reform.

References

[1] Miller, M.H. and Modigliani, F. (1966) Some Estimates of the Cost of Capital to the Electric Utility Industry, 1954-57. The American Economic Review, 57, 333-391.

[2] Shen, Y. and Tian, J. (1999) Quantitative Research on Cost of Capital of Listed Companies in China. The Economic Research, 62-68.

[3] Pittman, J.A. and Fortin, S. (2004) Auditor Choice and the Cost of Debt Capital for Newly Public Firms. The Journal of Accounting & Economics, 37, 113-136.

[4] Garcíameca, E. (2011) Ownership Structure and the Cost of Debt. European Accounting Review, 20, 389-416.

[5] Wang, P. and Lan, J. (2016) Will Mixed Ownership Affect Capital Cost? The Economic and Management Studies, 129-136.