

Corporate Finance Fundamentals

Module 6: Capital Financing – Optimal Structure

| Term | Definition |
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| Addition Method | A technique used in capital structure analysis to assess incremental impacts on financing decisions. |
| Capital Addition | The act of increasing a company's capital base through additional funding or investments. |
| Cost of Capital | The required return necessary to make a capital budgeting project worthwhile. |
| Debt Refinancing | The process of restructuring existing debt to improve terms, such as lower interest rates or extended repayment schedules. |
| Optimal Capital Structure | The mix of debt and equity financing that minimizes a company's cost of capital while maximizing its value. |
| Refinancing | Replacing existing debt with new debt, often to achieve better terms or reduce costs. |
| Weighted Average Cost of Capital (WACC) | The average rate of return a company is expected to pay its capital providers, weighted by the proportion of debt and equity. |