

Capital structure of the coca-cola company essay sample

[Business](#), [Company](#)



Introduction

The capital structure of a company can be defined as the way through which the company finances its undertakings or operations using various funds sources. These sources may include common or preferred equity, long and short-term debts amongst others.

In case of the Coca Cola Company, the company acquires funds from earnings and the issuing of stocks and debt. Operating earnings are the main source of funds closely followed by long-term debt financing and common equities. The amount of stocks in the company has been maintained at a relatively lower rate than that of debt.

The debt and stock levels of the company are maintained at levels that the company deems appropriate and that are based on inflows and outflows of cash the debt to capital percentage ratio and that interest coverage. Below is a table that shows the totals and ratios of the company's long-term debts and equity between the years 2002 and 2006.

The company uses the funds obtained from the different sources for its daily activities and operations and the cash that is generated from operations is used for various purposes including; payment of dividends and shares returns for acquisitions amongst others

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The company's capital structure has not been changing significantly over time. From the table given above it is clear that the ratio of long-term debt to equity has been relatively constant over a number of years. It is also visible that the burdens of long-term debt of a particular year are always less than the earnings that means that the business is always making profit. This

can be accredited to effective business strategies that create a balance in the capital structure of the organization such that there is general avoidance of financial uncertainty.

I am of the opinion that this is a good capital structure that can work in any organization. This is because the above sources of funds are in most instances reliable and the proper management and coordination of this capital structure will ensure a smooth running of the business with no financial hiccups

Work cited

Lagos, Theresa, Schirf, Lisa. Analysis of the Coca-Cola Company. New Jersey, NY: Valanium Associates. 2012.