

Capital structure of wal-mart essays examples

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The capital structure of the company refers to sources of financing which the company has employed to finance itself. The major sources of capital structure are Debt and Equity and for every firm, choosing the best proportion of each source and how it will satisfy the capital hunger of the entity, is a crucial decision.

Analyzing Capital Structure of Wal-Mart:

Referring to the financial statements of the company, we can conclude that the company is following Pecking Order Theory of capital structures as it relies heavily on retained earnings followed by debt financing and then equity financing.

As for the year 2012, the capital structure of the company is more financed with Retained Earnings which account for 35.5% of total Liabilities + Equity, followed by long term debt accounts for 21.6% of the total capital structure. Below is the information on the capital structure of the company:

Retained Earnings:

In an extensive analysis, by the end of financial year on 31st January, 2012, the retained earnings of the company were \$68691, accounting for 35.5% of the total financing in the capital structure. The amount was arrived after a consolidated net income amount of \$15699 was added to the opening balance of \$63967 and also by deducting the transaction amount relating to purchase of company stock and cash payments, amounting to \$5930 and \$5048, respectively.

Debt Financing:

As of long term debt, by 31st January, 2012, debt accounted for 21. 6% of the total funding sources in the capital structure of the company and amounted to \$44070. The total long term debt of the company was in multiple currencies and included both variable and fixed interest rate debt borrowings. The extract from the annual report below, gives complete information on the long term debt funds of the company.

Equity Financing:

Equity contributes only 0. 32% of the total sources in the capital structure of the company. Over the years, the company has never issued any preferred stock. During 31st January, 2012, the company had common stock outstanding amounting to \$342 Million, of which 3418 shares were issued only during 2012.

Works Cited

Wal-Mart Inc. (2012). Annual Report 2012. Wal-Mart.

Works Cited

Capital structure. (2012, January 6). Retrieved from <http://ablogaboutfinance.wordpress.com/>: <http://ablogaboutfinance.wordpress.com/2012/01/06/topic-5-capital-structure-trade-off-theory-vs-pecking-order-theory/>