DETERMINATION OF OPTIMAL CAPITAL STRUCTURE. EXAMPLE OF TWO RUSSIAN COMPANIES OJSC MAGNIT AND OJSC LUKOIL
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Abstract
The paper presents a study of capital structure of such joint stock companies as «Magnit» and «Lukoil» using the weighted average cost of capital method, EBIT - EPS method and operating profit method. The analysis reveals that the use of different methods may lead to contradictions in choosing of the optimal capital structure as shareholders’ interests do not always converge with the interests of creditors. In addition, standard models do not take into account side effects of changes in capital structure, for example, fluctuations in operating profit, and do not allow us to estimate the effect of the use of sophisticated tools to attract financing, e.g. convertible bonds.

Keywords: optimal capital structure, weighted average cost of capital method, EBIT – EPS method, operating profit method, convertible bonds

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Referens
