**Can someone please provide some assistance with responding to the students Cynthia’s post below. The question the student answered was: what are the most critical concepts involved with successful capital structure patterns? Can certain steps be overlooked? Why or why not?**

**I need help with writing a response to the students post below. My response has to be significant and advanced the discussion and needs to be between 250 and 350 words. Thank you so much in advance for all your help. I really appreciate it!**

**Cynthia’s post below**

Capital structure refers to the division of the cash flows of a firm. The firm divides the cash flows by following two concepts; that is, a fixed component as well as a residual component. The fixed component looks at meeting obligations that are concerned with debt capital, while the residual component is more concerned with the equity shareholders. In the arrangement of capital, short term borrowings are excluded. A certain degree of permanency is employed when dealing with the exclusion of financing from short-term sources. The structure involves the following pattern: First, cost minimization. When the firm determines the proper way to arrange its sources of funds, then cost can be kept at the lowest level (Baker & Martin, 2011).

     Secondly, the firm increases in the price of shares. In this case, it maximizes the shares' market price, through the process of raising earnings for every share of an ordinary shareholder. Third is the investment opportunity. Through capital structure, a firm is able to find new funds, thereby creating opportunities in investment. It might also raise the confidence that the suppliers of debt have. Fourthly, the capital structure increases a country's investment and growth rate, through expanding the opportunity of a firm to engage in investments that generate wealth, in the future (Baker & Martin, 2011).

     No step can be overlooked, because each plays a critical role in the maximization of wealth. For instance when a firm minimizes its costs, it is able to save more funds that can further be used in more investments. These investments could be expanded internationally, when the country's growth rate increases (Chang, 2008).