DETERMINATION OF THE CATEGORY OF EQUITY CAPITAL

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Effective management of an enterprise primarily means the high-quality management of its capital, so the definition of a concept “Company’s equity capital” is an important element in the structure of financial resources of the economic entity at all stages of the Company’s life cycle as the optimum capital structure affects the general financial position of the Company, its competitiveness, and creditworthiness. The high-quality management of the Company’s equity capital will allow its owner to form a composition of assets, not affected by the persons who are not identified as the Company’s owners, increasing the independence of the Company. Therefore, a search for improvements and theoretical foundation of the concept “Company’s equity capital” is an important part of the financial management.

Under the terms and conditions of the unstable economy that has developed as of date, and which has caused a payments crisis, the high cost of credit resources, loss of investor confidence, the Company’s equity is the main source, on which the basic financial and investment activities of the Company are based. That is why the quality financial management in the sphere of the equity is the key to its successful operation in the shortage of other financial resources. Each of the stages of development of the economic thought characterizes different views on the equity capital but they all agree in one: the equity capital is associated with the ability to generate income. Most scientists consider the monetary form of the equity capital. Most theoretical definitions on the equity capital mainly describe the composition and structure of the equity capital, reflecting the calculation procedure of this economic category.

The financial position of the economic entity is deemed to be the best when the share of the equity capital prevails in the structure of the Company’s entire capital, this indicator is stipulated by the functioning of the environment external factors and types of the financial and economic activity of the Company.

Therefore, we can determine that the Company’s equity capital plays a special role in the Company’s operation, as its sufficient scope points out to the good managements of the Company’s financial state under the conditions of the limited resources, allowing potential investors to consider such a company to be investment-attractive.