

Mezzanine Financing

Stefanie Welz

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Stefanie Welz : Mezzanine Financing before purchasing it in order to gage whether or not it would be worth my time, and all praised Mezzanine Financing:

Seminar paper from the year 2006 in the subject Business economics - Investment and Finance, grade: A-, University of applied sciences, Munich (FOM), course: Financial Mangement, 27 entries in the bibliography, language: English, abstract: The term Mezzanine resounded throughout the land. Mezzanine financing instruments, which represent a mixed form between equity and debt capital, are considered as the financing alternative particularly to medium-size enterprises, whose financial situation substantially worsened due to the difficult overall economic situation in the last

years. Particular with regard to Basel II and the more restrictive granting of loans lead to an intensification of the situation due to the fact that German medium-size companies traditionally have a little equity ratio which is however relevant for their rating and thus make it difficult to revert to the financing practice of the house bank so far. In order to improve the equity situation, Mezzanine financing instruments can be used, which are at least economically assigned to equity depending on the definition during the rating process. This assignment however primarily addresses the issue of economic aspects of the financing instrument which have relevant influence on the representation of the balance sheet.

1.2 Scope of work

The assignment Mezzanine financing starts with the introduction which includes the executive summary and the scope of work that is realized in here. The second chapter deals with a detailed definition of the problem that causes the relevance of this assignment, the determination of the objectives as well as the methodology that describes the assignment's structured procedure. Chapter three is focused on the underlying theories of Mezzanine financing. At this juncture in particular the principal agent, the transaction cost and the property rights theory according to Mezzanine financing are being analyzed. Chapter four is about basics, typical characteristics and the application areas of Mezzanine capital whereas the chapter five deals with the benefits of Mezzanine capital. Finally, the results of this assignment are summarized; especially whether the set objectives are reached as well as critical comments about the assignment are given in the last chapter.