Abstract. Corporate capital structure is a major factor which influences corporate governance structure. At present, our country’s enterprise reform is developing more deeply, weather the capital structure is reasonable will have a directly impact on the enterprise’s long-term development in the market. Therefore, we should optimize the capital structure without any delay. This paper introduces the concept of capital structure first, and then studies its meaning and the main factors that affect the capital structure of listed companies in China. Finally we combined with practical case to analyze the capital structure’s impacts on corporate performances and put forward some specific optimization tips.

Keywords: Capital Structure, Corporate Governance, Ways of Financing.

1 Introduction

To choose the Capital structure has always been the core of financial theory study of corporate, it not only affects the company's financing costs and market value, but also affects the efficiency of corporate governance, it has a very significant meaning for enterprises. Capital structure refers to the component proportion ratio of all capital in the company’s total capital (total finance), also known as finance structure. Reasonable arrangements for the proportion of debt capital can reduce the overall cost of capital, obtain financial leverage benefits, and improve corporate governance efficiency.

Capital structure is the essence and core of corporate governance structure; it affects corporate value from the capital costs, risks and benefits arrangements, the power arrangement of property rights and the interest’s distribution pattern and other aspects, and then affecting the survival and development of the corporate. Capital structures irrational are the deepest and most essential reason that leads to poor corporate governance performance. How to arrange the company's assets and liabilities properly is of great significance in achieving optimal capital structure and thereby enhancing its performance on the development of enterprises.

According to SFC statistics, by July 2011, the number of domestic listed companies in China is 2249, 108 of them issued B shares of the company. Overseas listed companies (H shares) make up 168. Market capitalization of domestic listed companies reached 26.338069 trillion yuan, the market value in circulation is 20.002349 trillion yuan. Geographical distribution covers all the provinces, autonomous regions and
municipalities of the country except Taiwan Province. Industrial structure gradually shifted to has machinery, metallurgy, chemicals, electronics and other basic raw material industries, pillar industries as well as transportation and energy infrastructure as leading industries. After a big boom and bust of macroeconomic fluctuations and capital market from scratch naive and imperfect, the companies which are still in good condition behaved more maturely, it also retained some historic things in the growth.

2 The Factors That Affect the Capital Structure of Listed Companies

Under today's capital market structure while the market economy system in China is still imperfect, and factors affecting the company's capital structure are more complex and diverse, this is mainly limited by the special mechanism of current capital market in China. In general, the main factors that affect the company's capital structure are: solvency, ability to make full of interest tax relief, to prevent deterioration of the flow capacity in the capital market's expectations of funding and time-varying dynamic factor, etc.

2.1 Solvency

The timely repayment of debt is an important indicator of the financial situation of a corporate, and it affects investors' evaluation of the enterprise. A prudent financial manager must not allow the company to bear too much debt after carefully considered the external financial environment. Generally speaking, companies should maintain a margin of safety or unused debt capacity available to control financial crisis and maintain fund-raising capacity.

2.2 Ability to Take Advantage of Interest Tax Relief

One of the benefits to be liability is companies could relief from interest tax, but at the same time it requires the company must operate to obtain sufficient income to pay interest. When total assets profit margin is greater than the interest rate, debt has an active and positive impact on the enterprise. On the contrary, when total assets profit margin is lower than the interest rate, debt has a negative impact on the enterprise. Companies should consider carefully when it comes to make funding decisions.

2.3 The Ability to Prevent Deterioration of the Flow

If the company is insolvent, then it should be cautious when borrowing additional liabilities. Ability to pay depends not only on the expected debt service support capabilities and ability to control risk, but also on the company's cash, the capacity to sale equity securities or assets.

2.4 The Expectations of Funding in the Capital Market

Mainly refers to the company's credit. Companies which plan to implement an important capital expenditure projects will want to use appropriate methods to finance