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Research on the capital structure of Guidong Electric Power Co., Ltd

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Abstract

Power generation industry has always been the main basic industry of socialist national economy. In recent years, China's power industry has also expanded significantly, which has made an important contribution to promoting the steady development of China's economy. However, owing to the continuous adjustment of national macro policies and the reform of power energy industry, the sustainable development and capital structure optimization of power enterprises are very important. Therefore, it is of great significance to explore the capital structure of listed power companies, and then discuss and study this aspect of the whole power industry. Taking Guidong Electric Power Co., Ltd. as an example, based on the analysis of the industry environment and external environment, this paper carefully studies and calculates the financial status and financial indicators of Guidong electric power company from 2016 to 2020, calculates and analyzes its asset structure, debt structure, shareholder's equity structure and financial lever, and then compares its capital structure with that of other companies in the same industry. Eventually,the potential problems are found and the optimization countermeasures are put forward.

Keywords

Capital structure; Analysis of financial statements; Power industry; Equity and debt.

1. Introduction

Because Chinese domestic scientific research in the field of asset architecture related began relatively late, the main definition of the concept of capital structure, has been divided into the narrow sense of asset structure concept and broad asset structure definition, and the enterprise's short-term liabilities is not included in the scope of asset architecture research, generally believed that the capital assets mainly refers to the right in the balance sheet shows the concept of all assets. According to the research results of the financing structure of many research enterprises in China, it focuses more on the selection of financing methods. China's financing market after more than ten years of development has begun to take shape, however, due to China's listed companies is mainly produced by previous state-owned enterprises through transformation, so the equity of listed companies is not reasonable, so the study of understanding listed company equity constitute decision, standardize the investment activities of listed companies, improve the economic strength of listed companies has a certain theoretical value and practical significance. However, because the socialist management system in the Chinese market has not been formed for a long time, China's research on the share capital composition of listed companies is still in the initial stage. Due to the current listed companies have increasingly become an important part of the national economy, with the increasing number of listed companies and the important position in the national economy, further study of listed companies equity, scientific and reasonable equity composition not only make the company comprehensive financing cost minimized, but also can optimize the enterprise management structure, so as to improve the company's operation management level. Choose GuiDong electric power company for the study of capital structure because through the accounting annual report and audit report found in 2017 and 2014 certified public accountants issued by the standard audit report, at the same time as the power company its main business is gradually transformed into oil business, and it as an established listed companies, may have the same characteristics in other listed companies, so I think the company has research value.

Capital structure refers to the price portfolio and matching relationship of all assets of the company, which is the result of the financing portfolio of the company at a specific time. The financing structure of the company, also known as the investment and financing structure, reflects the ratio between the company's debt and equity. To a large extent, it determines the company's debt repayment and reinvestment ability, and also determines the company's future profit ability. It is a key indicator of the company's overall financial position. The scientific and reasonable investment and financing structure can reduce the investment cost, realize the adjustment role of financial leverage, and make the company obtain a greater rate of return of its own funds. To study whether the capital structure has the rationality of existence, which directly affects the operation strategy and future development prospects of the enterprise, and is related to the long-term development and survival of the enterprise.

2. Research status, both at home and abroad

2.1. Current situation of overseas research; status quo of overseas research

After consulting and analyzing foreign literature, it is found that as early as in the middle and late 20th century, economists shifted their attention to the study of capital structure. Titman And Wessels (1988) selected the financial data reports of 1972 and 1982 of 469 listed manufacturing companies in the United States as a sample to study the cause of the impact on the investor structure. The analysis shows that there is no obvious correlation between surplus change ability, non-asset tax shield, growth ability and the ratio of assets and liabilities, and the profitability is obviously negatively correlation with the ratio of assets and liabilities. Rajan and Zingales (1995) analyzed the data of major western manufacturing developed countries, and showed that although the listed companies in these countries are generally consistent in the choice of equity composition, the profit ability is negatively correlated with corporate performance, and the company size and negative correlation are directly proportional to . Frank and Goyal (2003) chose all non-financial companies in the United States in 1950-200050 years, including nearly 200 thousand observations of large historical data as the main research sample, and draw the following conclusions: between asset-liability ratio is related to bankruptcy cost, related to the company dividend policy, and negative correlation between market price financial leverage ratio . Akhtar (2005) Taking the data of the last ten years from 1992 to 2001, the main determinants of multinational companies and state-owned enterprises. The research results show that: for any type of enterprise, company size, profitability and growth ability will significantly affect the financing leverage; bankruptcy cost is a major problem facing multinational enterprises; for all local companies, mortgage asset price has an important influence on financial leverage; for all enterprises, the influence factors of asset structure change with the change of sample time.

2.2. Status quo of domestic research

Compared with foreign countries, in China, the research on capital structure is still in the stage of late start and less research. In recent years, with the development of market economy, the number of companies is increasing, many economists are concerned about the capital structure of the company, after a lot of practical research work, they mainly consider from two aspects, first, how to plan the optimal and most perfect existing capital structure of the company; second, which aspects may have a significant impact on the capital structure of the enterprise . The representative one is that Professor Hu Yuancheng (2008) spent three years to study the essence of the complex relationship between the corporate capital structure and the economic benefit and efficiency in the process of operation by using mutual analysis and multi-element regression method. Mr.Hu believes that there is no obvious causal relationship between the liability and the enterprise capital ratio, the use benefit and the years of debt; but there is a great correlation between the ratio of asset liability and the negative economic benefit of the company. In addition, professors Zhang Zhaoguo (2007), Chen Huadong (2010) and other professors also introduced the two special functions of social asset structure, fiscal policy leverage and the effect of social management. Their research results show that the equity composition of listed companies is weaker in these two effects. On this issue, they also discussed how to optimize the capital structure of listed companies in China from other aspects of the enterprise, such as employee compensation incentive, management of state-owned shares, strengthening creditor supervision and other levels. Hong Yi inquiry (2011) by the end of 2007 in the deep Shanghai two city listed companies in 1999-200810 data to study the macroeconomic outlook and the relationship between the dynamic adjustment of capital structure of listed companies in China, the results show that when the macroeconomic prospects positive, listed companies will tend to improve solvency, and the sample debt in the company capital structure adjustment faster, and lower debt of the company capital structure adjustment speed is slow, that the adjustment of capital structure has anti-cyclical . Lu bin (2014) in 1998-2012 deep Shanghai two city listed companies as a sample, based on industrial heterogeneity studied the financing constraints between different industries, product market competition and the relationship between capital structure dynamic adjustment, the results show that the financing constraints and the target capital structure has significant negative correlation, and the size of the financing constraint degree can affect the enterprise capital structure adjustment speed . Later, Zhang Hong, Yang Fei and Zhang Zhifeng (2016) found that the capital structure of enterprises has the ability to recover to the optimal level, and the optimization of the capital structure is a dynamic process.

3. Theory of capital structure correlation

3.1. Concept of capital structure

Capital structure refers to the value composition and proportion of various capital of an enterprise, which is the result of the financing combination of a certain period. In the broad sense, the capital structure refers to the composition and proportion of all the capital of an enterprise. The capital of an enterprise in a certain period can be divided into debt capital and equity capital, or also divided into short-term capital and long-term capital. In the narrow sense, capital structure refers to the composition and proportion of various long-term capital of an enterprise, especially the composition and proportion between long-term debt capital and (long-term) equity capital, which generally does not include short-term liabilities.

3.2. Related basic theory

3.2.1. Important capital structure theory

(1) Net income theory. This theory suggests that the use of liabilities can reduce the overall financing cost of enterprises. Since the overall debt cost of a company is usually lower, the higher the total debt level, the less the overall financing cost, and the greater the value of the company. When the total debt ratio reaches 100 percent, the business value will also be maximized.

(2) Net operating income theory. This theory holds that the capital structure of an enterprise is not directly related to the value of the enterprise, and the most important factor to measure the value of the company is the net operating income of the company. Although the enterprise increases the debt financing with a lower cost, it also increases the risk of the enterprise, thus

resulting in the increase of the equity financing cost, although the overall financing cost of the enterprise remains unchanged. However, no matter how high the financial leverage of the enterprise is, the overall financing cost will remain the same, and the company's stock price will not be affected by the maximum asset composition, so the asset structure of the company is not optimal.

(3) The MM theory. MM theory can be divided into the following two situations: in the complete absence of small and medium-sized enterprises and individual income tax, the price of an enterprise, with no assets, is equal to all the benefits of the risk of no assets and debts, and considering the personal income tax, the price of the increase of the debt, the company can get more income. Therefore, the more money is owed, the more valuable the company will be.

(4) Agency theory. The theory points out that the composition of the company's assets will affect the work level of management personnel and their behavior, and then affect the company's future cash income and the company's market price. The theory points out that creditor financing has a great stimulus effect, and regards debt as a guarantee system. This mechanism can help company managers to work more hard, reduce personal enjoyment and make better business decisions, thus reducing the agency cost of the separation of two rights; however, financing through debt can also generate another agency cost, such as because the company is regulated by creditors. The equilibrium corporate ownership composition is determined according to the equilibrium relationship between the ownership agency cost and the creditor agency cost.

(5) Signal theory. The theory point of view is the enterprise is very familiar with and understand, but if external personnel want to invest in the company, can only through the enterprise management official information content evaluation and decisions, so the enterprise if release good news, external personnel for enterprise business development will be very recognized. This theory is greatly influenced by the internal factors of the enterprise, and the capital structure of the enterprise is also changing.

(6) Trade-off theory. The theory is that excessive debt can put the company in a financial situation, so use the debt carefully, and when the cost of the debt yields exactly equal, the debt level is the best point.

3.2.2. Capital structure optimization method -- Optimum capital structure method and comparative capital cost method

(1) Optimal capital structure. The optimal capital structure refers to the financing structure that can minimize the capital cost of the enterprise and maximize the enterprise value, and maximize the enthusiasm of stakeholders. The optimal capital structure is changing. The optimal capital structure is not fixed, because the optimal capital structure is different in time and operating conditions, and the capital structure is different under each time and development strategy. In order to realize the optimal expected asset structure in the last period, we should not think that the asset structure in this period is also optimal. Therefore, the pursuit of the optimal expected asset structure is not achieved overnight, but a long and continuous optimization process. Many of the factors affecting the composition of assets are variables, and even if the total assets remain unchanged, the company cannot respond to multiple changes with the same asset composition.

(2) Comparative capital cost method. In terms of financing method, the common method is to compare the cost of capital method, which is to compare the weighted average cost of capital of different capital structures, and then choose the method of the lowest weighted average cost of capital structure.

4. Case analysis of the public capital structure of Guidong Electric Power Company

4.1. Overview of Guidong Electric Power Company

4.1.1. Introduction of Guidong Electric Power Company

Guangxi province GuiDong power generation group co., LTD., is the Guangxi zhuang autonomous region people's government of Guangxi zheng letter one hundred and ten 4 approved, is the Guangxi province zhuang region of the People's Republic of China Hezhou electric power company (now renamed "Guangxi is run development group co., LTD.") the sponsor, the lion hydropower and power co., LTD., operational power supply and grid capital injection, on December 4,1998, the registration of the national holding company. As of December 31,2020, the asset-liability ratio of the company was 20.191 billion yuan, the net assets were 2.76.6 billion yuan, the main business income was 18.754 billion yuan, and the net profit was 288 million yuan. There are 26 wholly-owned and holding enterprises and 11 joint-stock enterprises, with power generation as the main business, mainly engaged in power generation, oil and gas trade, new building materials and other businesses. In 2020, the company ranked the 7th among the top 50 service enterprises in Guangxi. While steadily developing the main business of electric power, the group actively integrates into the market economy, effectively uses the operation qualifications of existing oil products, and gradually develops into a refined oil operation chain integrating product processing, petrochemical logistics, refined oil marketing, international trade and supply chain, and constantly strengthens and improves the assets of Guidong Electric power.

4.1.2. Environmental analysis of the electric power industry

In 2020, the growth rate of China's electricity consumption gradually recovers, and the demand for agriculture is also growing rapidly. The total electricity consumption for the whole year reached 7.5 trillion KWH, up 3.1% from the same period of last year. By industry, the agricultural electricity consumption was 85.9 billion KWH, up 10.2% over the same period of last year, mainly due to the acceleration of rural grid transformation; the electricity use of industrial production was 5.1 MKWH, up 2.5% over the same period of last year; the power consumption of the tertiary industry was 1 MKWH, up 1.9% over the same period of last year; the electricity consumption of urban residents was 1.1 MKWH, up 6.9% over the same period of last year. The electricity consumption in primary industry, urban and rural industry (tertiary) accounted for 68.19% and 16.09% respectively, 0.13 and 0.33 percentage points lower than the same period in 2019. The scale of power production in China is increasing steadily, but thermal power generation is still the main way of power generation.

4.2. Analysis of the capital structure status quo of Guidong Electric Power Company

The capital structure of Guidong Electric Power Company should be formulated according to the actual development status and financial status of the enterprise. This paper analyzes and summarizes the financial data of the five years from 2016 to 2020 through the balance sheet, income statement and change statement of owner's equity published on Sina Finance, and obtains the following results.

4.2.1. Overall analysis of the capital structure

Table 1 Overall analysis of the capital structure of Guidong Electric Power Company from 2016 to 2020

project	2016	2017	2018	2019	2020
asset-liability ratio (%)	72.3043	80.2418	83.4209	83.9426	86.3017
equity ratio (%)	128.257	258.389	452.228	397.331	526.885
equity multiplier (%)	228.257	358.389	552.228	497.331	626.885

(1) Asset-liability ratio analysis. The ratio of assets and liabilities in different industries is different. According to statistics, the debt ratio of the financial industry is usually the highest, the asset-liability ratio is generally over 90%, and the real estate industry is similar. In 2020, the average asset-liability ratio of the power industry is 56.36%.According to the table above, it can be seen that the asset-liability ratio of Guidong Electric Power Company in 2016-2020 is growing at a high level, even in 2016, when the asset-liability ratio is the lowest. This is due to the Guidong Electric Power Company too large-scale investment in the construction of oil collection, power generation business caused by. Large-scale investment promotes the asset-liability ratio of Guidong Electric Power to be stable at more than 80%. The company increases the scale and benefit of the enterprise by expanding the investment amount, so it brings high liabilities, and eventually leads to a high asset-liability ratio. Guidong Electric Power Company is a company mainly engaged in thermal power generation and oil products. Its profitability is affected by the price of coal and oil. The sudden COVID-19 has greatly increased the business volume, and it is difficult for the business funds to keep up with the debt level, which seriously affects its profitability. These reasons together lead to the phenomenon of high asset-liability ratio.

(2) Property right ratio analysis. The lower the property ratio, the company's own capital is sufficient, while the high property ratio indicates that the company's debt level is relatively high. In other words, the property right ratio is the guarantee of the company's ability to repay liabilities.Guidong electric power company in 2016,2017 property right ratio in the electric power industry is normal, after three years like a roller coaster, more capital debt, high debt and project in the stage of owner equity, 2019 outbreak, in 2020 is due to high interest, so the owner's equity, late outbreak is better at the same time, large-scale investment and acquisition, so the debt capital increase at the same time, the company should reduce its debt ratio.

(3) Equity multiplier analysis. The reciprocal of the proportion of shareholders 'equity is called the equity multiplier, which is how many times the total assets of the enterprise are the total amount of shareholders' equity. The equity multiplier reflects the size of the financial leverage of the enterprise and the balance sheet of the company. The larger the equity multiplier is, the smaller the proportion of the capital invested by shareholders in the assets is, and the greater the financial leverage is.The equity multiplier of Guidong Electric Power Company from 2018 to 2020 is also a high trend, with 2016 and 2017 in a normal range. In general, the company has great debt pressure. In 2019, the assets generally decrease, and some of them are used for debt repayment, while the debt financial capital of new projects in 2020 is increased, so the equity multiplier is large in 2020.

4.2.2. Debt structure and rationality analysis

Debt structure mainly refers to the relationship between different debt structures and various debt ratios. Debt structure analysis usually reflects the relationship between the company's current liabilities and non-current liabilities and debt financing preferences, that is, the ratio between short-term and long-term liabilities to total liabilities. The change of the debt structure will affect the value of the company, and a reasonable debt structure is helpful to realize the maximization of the enterprise value, so it is particularly important to study the debt structure. The following is the balance sheet for 2016-2020.

Debt structure analysis. The structure analysis of liabilities is to find that the proportion of liabilities of Guidong Electric Power Company is more current liabilities and non-current liabilities. The enterprise's preference for liabilities will affect its ability to repay debts and its ability to bear risks, which also significantly affects the capital structure of the company.

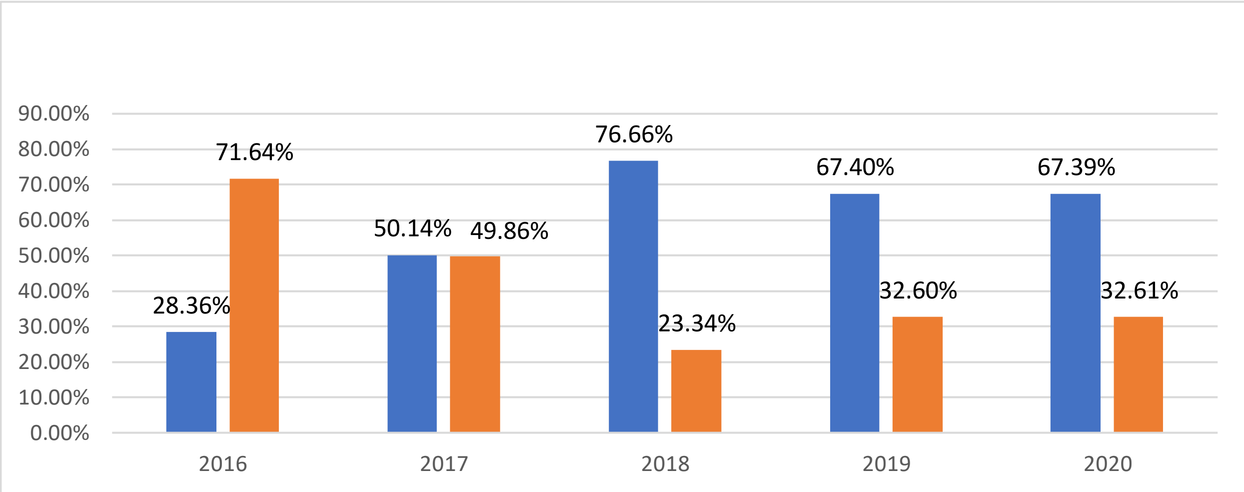

Fig. 1 The proportion of current liabilities and non-current liabilities from 2016-2020

From Fig.1 ,This blue bar represents the ratio of current liabilities to total liabilities, while the yellow bar represents the proportion of non-current liabilities to total liabilities.we can find Guidong electric power company debt proportion of change is larger, from 16 years of current liabilities higher than current liabilities of nearly 43%, to 17 years current liabilities and current liabilities basic right half, to 18-20 years 3 years current liabilities accounted for twice higher than the current liabilities or even more, so the current east power company is current liabilities as the main way. GuiDong electric power company liabilities mainly current liabilities, the company power generation business is need to expand production, the construction of new power plants and development expand oil processing business, enterprises will be most of the money in the main long-term projects, the current liabilities will be short-term current liabilities into long-term projects, this is called short debt long, expect the future can quickly return this part of the money. Although the current debt is relatively high, due to the particularity of the power industry, it is supported by the state, so the state has support for its loan expansion, and the debt repayment risk is not very big.

(2) Debt type analysis. The analysis of debt types is conducive for us to understand the financial situation of the enterprise, grasp the specific debt types of Guidong Electric Power Company, so as to better judge its debt repayment risk and have a deep understanding of the debt structure of its capital structure. Therefore, I calculated the statements of assets and liabilities of Guidong Electric Power Company and the calculation of the proportion of various types of liabilities in the total liabilities, and listed the table.

Table 2 The proportion of various debts of Guidong Electric Power Company from 2016 to 2020

project	2016	2017	2018	2019	2020
short loan	16.19%	30.82%	24.72%	25.52%	14.86%
Notes payable and accounts payable	4.38%	6.52%	12.65%	20.29%	16.21%
item received in advance	0.77%	2.69%	2.76%	2.70%	0.02%
Non-current liabilities arising due within one year	3.02%	4.82%	31.16%	6.97%	12.31%
money borrowed for long term	20.77%	13.49%	13.22%	8.61%	16.24%
bond payable	46.86%	33.84%	0	6.30%	8.82%

other liabilities	8.01%	7.82%	15.49%	29.61%	31.54%
total indebtedness	100%	100%	100%	100%	100%

From above table,the current liabilities and non-current liabilities of Guidong Electric Power Company have changed greatly in the past five years. When we look at each debt project, we can see the most short-term borrowing in 2017, it is likely that due to more bonds payable in 16 and 17, the capital operation is relatively difficult, and new projects need to be developed, so using short-term debt to maintain the capital operation; short-term borrowing is a rising and then decline, indicating that the enterprise realizes the financial risk caused by excessive short-term debt, so repayment on time, enhance its solvency and optimize its debt financing structure. In 2018, there should be a large number of bonds due in 18 years and no new bonds are issued, so we can also find that the non-current liabilities due in 18 years are the peak in five years; the accounts payable and notes payable in 2019 and 2020 are at a high level, indicating that its business is still expanding. Since Guidong Electric Power is a subordinate enterprise of Guangxi SASAC, it has good reputation, so it has more accounts payable and bills; in general, Guidong Electric Power Company mainly uses short-term borrowing and payable, with short-term borrowing as its main financing method.

(3)Reasonable analysis of liabilities. Reasonable liabilities are the result of excellent financing portfolio and reasonable operation of funds. If the liabilities can be properly arranged, even if the funds have problems, the debt can be repaid on time, and the company will not fall into financial difficulties and operational difficulties.In the past five years, the current liabilities of Guidong Electric Power Company have increased rapidly, then decreased, and eventually flattened out.

4.2.3. Equity structure analysis

Equity structure means different corporate governance methods, which is also an important component of the capital structure. Different shareholding ratios of shareholders indicate different powers in the company. If a shareholder holds too high shares, absolute control may occur.

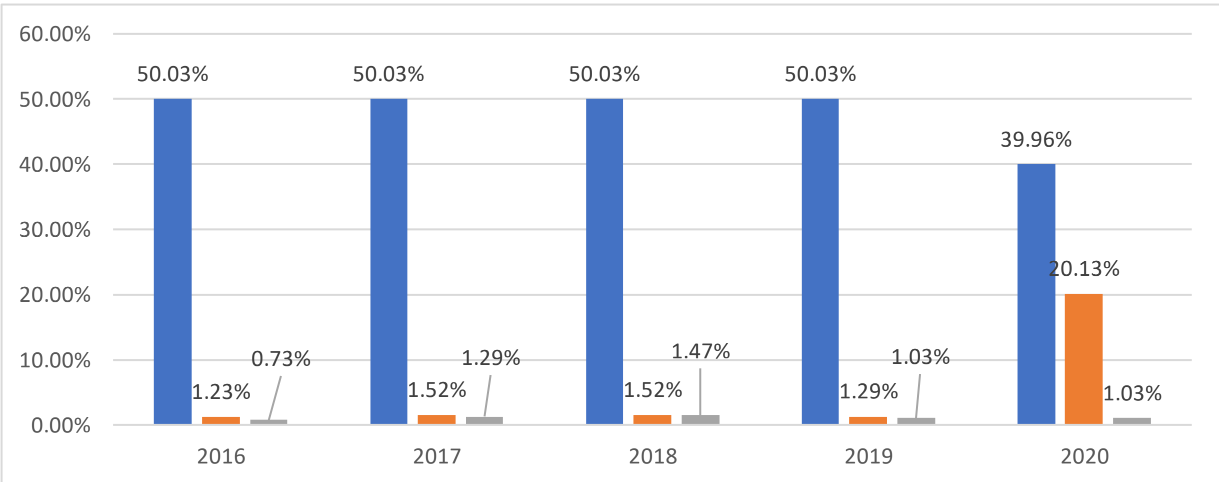

Fig. 2 In the past five years, the top three shareholders of Guidong Electric Power Company shareholding ratio

In the above figure,the blue bar represents the share held by the largest shareholder, the yellow bar represents the second largest shareholder, and the gray bar represents the share held by the other shareholders.The largest shareholder of Guidong Electric Power Company has always been in a dominant position, Equity is more concentrated, Its major shareholder, Guangxi Zhengrun Development Group Co., Ltd., is a wholly state-owned enterprise, In 16-19 years, the equity holding of Guidong Electric Power Company is more than 50%, Deced slightly in 20 years, But also for nearly 40%; According to the data, the second largest shareholder, Guangxi Guangtou Energy Group Co., Ltd. is a new capital, Through the announcement of Guidong Electric Power Company, This is due to 20 years of Guidong Electric Power additional shares, raised funds, The wide investment company has thus entered; And the number of shares held by the largest shareholder has not changed, Its share decreased in 20 years because of increased stocks, So it has diluted its stake. For the Guidong Electric power Company, we should pay attention to prevent a dominant situation.

5. Problems and optimization countermeasures of the capital structure of Guidong Electric Power Company

5.1. Problems existing in the capital structure of Guidong Electric Power Company

5.1.1. The asset-liability ratio is too high

The asset-liability ratio of enterprises is generally between 40% and 60%, while the power company is relatively special, - -keeping at more than 75%. According to the financial data in 2020, the asset-liability ratio of Guidong Electric Power Company is as high as 86%. Although the asset-liability ratio of the power enterprise has been high, the high assets and liabilities of the company should also be paid attention to. Due to the large development demand of the enterprise and the increased investment, the rising operating cost due to the high salary and high price of raw materials caused by the epidemic is the reason for the high asset-liability ratio of the company.

5.1.2. The debt structure is unreasonable

Short-term liabilities and long-term liabilities constitute the debt structure. In general, it is more common that about 50 percent of all liabilities are short-term liabilities. According to the actual data above, the short-term debt of Guidong Electric Power Company accounts for a high proportion of its total assets, indicating that it uses a large amount of short-term debt in its operations and development activities. Moreover, due to the traditional characteristics of power enterprises emphasizing distribution rather than accumulation, once the market environment changes, such as interest rate increase, inflation, capital withdrawal, etc., the operation of the company's funds will be directly affected by the excessive short-term debt ratio. As a result, the company faces many threats and risks, and the increased short-term liquidity risks and credit risks will also produce potential dangers, causing the company to cope with the sudden risk factors such as the epidemic.

5.1.3. Mainly with equity financing

Companies need to be listed after the system reform, so that the financing channels will be diversified, such as retained earnings, rights offering, bank credit, issuance of corporate bonds and additional issuance of new shares. According to the analysis of the current situation, the three channels of long-term capital sources of listed companies are equity financing, retained income and long-term liabilities, which belong to internal financing are retained income, and the other two are external financing. According to the order of the advantages and disadvantages of investment and financing, the lowest cost is internal financing, then debt financing, and the highest is equity financing. Therefore, the internal financing, debt financing, equity financing as the order of financing order. According to the basic financing.

5.2. Countermeasures of optimizing the capital structure of Guidong Electric Power Company

5.2.1. We will strengthen enterprises' awareness of optimizing their capital structure

First of all, the company should be aware of the huge risks that may occur in financing. It should not blindly pursue too large, too strong and too new, and set up branches at will to avoid the capital risks caused by excessive debt. Secondly, the managers of the power enterprise should pay attention to the cost of capital of the power enterprise, especially the opportunity cost and marginal cost of capital. Before raising capital, the target financing cost of the enterprise should be planned first, so as to ensure that the capital structure of the company is optimal, rather than considering after capital raising.

5.2.2. National policy support is the key element for enterprises to optimize their capital structure

The electric power industry is a special industry related to the people's life and the stable development of the national economy. We should actively strive for the government's capital construction investment and non-interest and discount loans from local finance to minimize the investment in investment and operation projects. The government can formulate relevant laws and regulations, formulate relevant policies, standardize the financing operation of the company, promote the normal operation of capital, so as to achieve the leverage effect of financial leverage, avoid capital risks, and ensure the effective use of financial funds.

5.2.3. Strengthening enterprise internal management is fundamental

According to the EBIT / EPS analysis principle, only when all the capital earnings over the debt interest, debt management to make shareholders get excess returns, so the electric power enterprise to constantly improve the profitability to grasp the initiative of capital structure, only the enterprise achieved sustained earnings, enterprise to continuously to capital structure optimization. In order to improve the profitability of the enterprise, Guidong Electric Power Company should continuously reduce the operating cost and the expenditure level; second, use a combination of financing methods to reduce the asset-liability ratio; finally, improve the profit margin of the company. When the income increases, it can alleviate the passive situation of unreasonable capital structure, thus increase the internal accumulation, and further optimize the capital structure.

6. Conclusion

In the actual production and life, a good capital structure is conducive to the sustainable development of the enterprise, so that the enterprise can continuously optimize for the future production and operation, and turn a loss into a profit, which will have a positive effect on the profit of the company's profit. In this paper, Guidong Electric Power Company is selected as a case analysis, which studies its capital structure, and puts forward the corresponding optimization countermeasures for the existing problems. The following conclusion: Guidong Electric Power Company has three main problems: high asset-liability ratio; large current liabilities and poor liabilities; equity financing and large financing methods; major shareholders have large share, thus large power. At the same time, Guidong Electric Power Company is not in a dominant position in the industry, and even takes oil products business as the main source of income. Therefore, managers should strengthen internal management and use policy advantages to improve relevant awareness, so as to optimize the capital structure, solve the current problems and prevent future risks, so as to make Guidong Electric Power Company become the industry leader.

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