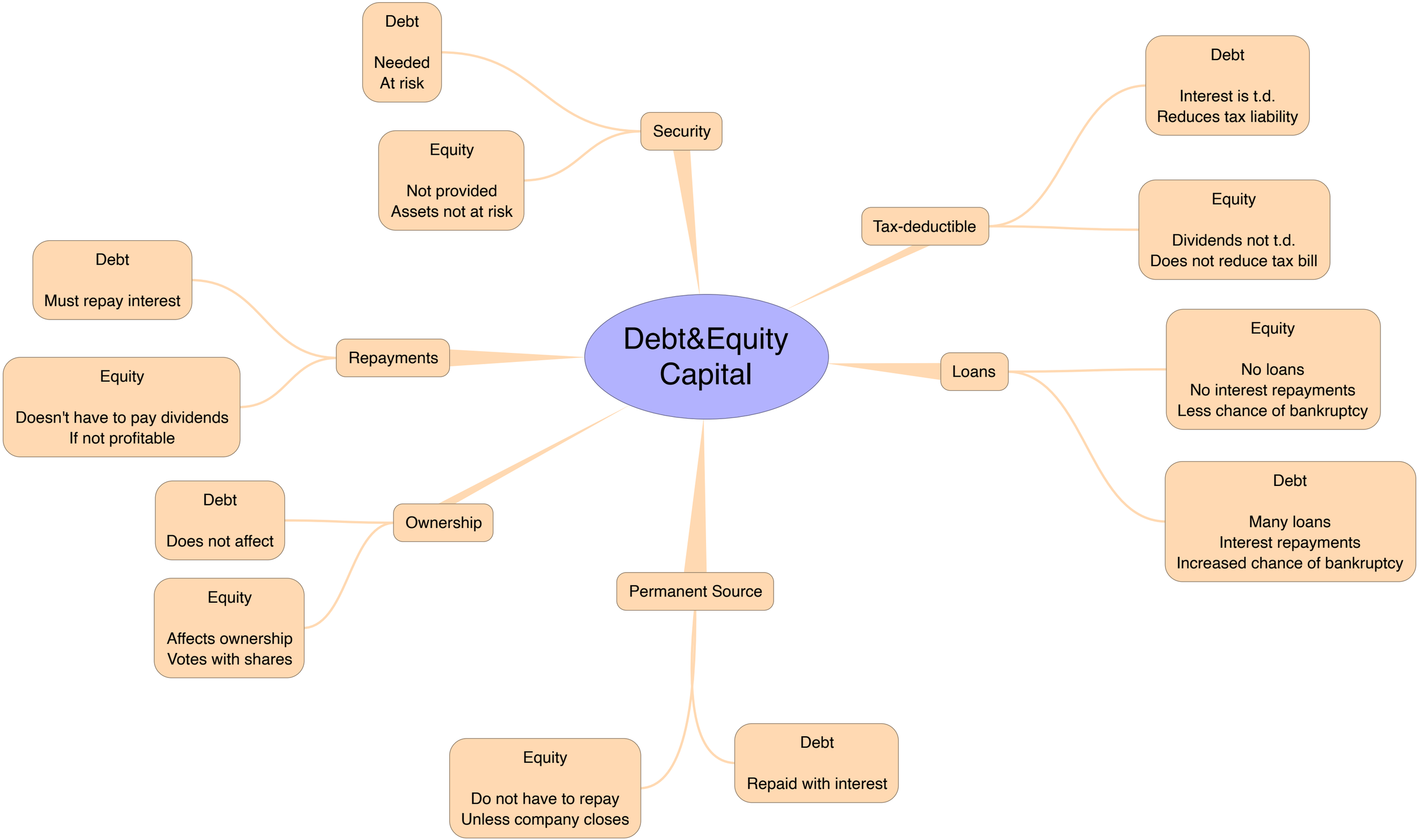
Debt&Equity Capital
Security
Debt
Needed
At risk
Equity
Not provided
Assets not at risk
Tax-deductible
Debt
Interest is t.d.
Reduces tax liability
Equity
Dividends not t.d.
Does not reduce tax bill
Loans
Equity
No loans
No interest repayments
Less chance of bankruptcy
Debt
Many loans
Interest repayments
Increased chance of bankruptcy
Permanent Source
Debt
Repaid with interest
Equity
Do not have to repay
Unless company closes
Ownership
Debt
Does not affect
Equity
Affects ownership
Votes with shares
Repayments
Debt
Must repay interest
Equity
Doesn't have to pay dividends
If not profitable