

III. THE RATIO OF CAPITAL STOCK TO TOTAL EQUITIES

The Capital Stock as discussed here includes all common and preferred stock combined in one total, except in a very few cases where the preferred stock was preferred as to assets and dividends, cumulative, and non-voting. In these few cases the preferred stock was classified with the long term debt. In Parts V and VI of this bulletin the ratios of Preferred Stock to Total Equities and Common Stock to Total Equities are discussed individually. The importance of this ratio (Capital Stock) lies largely in the indication which it gives as to the types of financing; i.e., whether financing is done primarily with bonds or with stocks, and what is the thickness of the buffer over which the bonds are placed.

Chart 3a shows the distribution of 1,578 cases ranging from 00-.96. Three cases having ratios above .96 were omitted. Eighty per cent of the cases are located in the five highest bars out of twelve, while 52 per cent of all the cases are located in three bars out of the twelve. Stated differently, slightly more than half of all the ratios of Capital Stock analyzed were between .32 and .56 of the Total Equities of their respective companies. The approximated mode is .417, and is clearly typical of this distribution.

THE GEOGRAPHIC DISTRIBUTIONS

Differences in types of financial structure and the different proportions of capital stock used in different sections of the country are brought out by a regrouping of the data into those companies located in the East, Middle West, West, and South.

Results obtained in this grouping are as follows:

	<i>East</i>	<i>Middle West</i>	<i>West</i>	<i>South</i>
Modal ratio.....	.413	.445	.519	.452
Concentration about the mode.....	47%	58%	41%	75%

The smallest ratio of Capital Stock to Total Equities of .413 is for those companies located in Eastern United States, followed by the Middle West, South, and West in order of size of their ratios of .445, .452, and .519 respectively. The West, which has the highest ratio, .519, has only 41 per cent of the cases concentrated about this ratio; the East, which has the lowest ratio, has 47 per cent of the cases grouped about the mode. On the other hand, the South and Middle West, whose respective ratios lie between the extremes of the West and East, have higher degrees of concentration about the modes, es-