

## **REVIEW**

of the doctoral thesis “THE INTERNAL AND EXTERNAL FACTORS INFLUENCING  
THE COST OF EQUITY CAPITAL”

of Natalia MOKHOVA from Brno University of Technology

written by professor, Dr. oec. Natalja Lace from Riga Technical University (Latvia)

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Having got acquainted with the doctoral thesis of Natalia MOKHOVA I'd like to make the following statement regarding its content.

Work is devoted to the development of innovative approach for cost of equity capital management in a company.

The author of the thesis demonstrates knowledge and skills in qualitative and quantitative analysis, ability to conduct research of scientific literature and apply the results for the empirical part of the research.

### **Topicality and aim of the study**

Without any doubt the research has high topicality for achieving the corporate goal to maximize the value of a company. The topicality of the research in the thesis is grounded by author's three arguments on: significance of cost of equity capital in corporate finance and decision-making process in a company; multi-factor influence on cost of equity capital; the necessity of accumulating and transmitting knowledge to users of equity capital.

The insufficient study, topicality, theoretical and practical significance of the research issues determined the choice of the topic, aim of the research and its objectives.

The **aim** of the doctoral thesis is to elaborate methodology for supporting financial specialists' decision making to reduce the cost of equity capital.

The author could have formulated the aim more clearly without unnecessary explanations. The aim of any research is to show what is to be achieved in the end of the study without showing the procedures. However the author mixes up the aim of the research with the description of activities to be undertaken. The fragment of the aim “/.../based on the comprehensive review of the theoretical literature on the internal and external factors influencing the cost of equity capital and a subsequent primary empirical research towards testing the identified theoretical approaches on a sample of Czech companies to transform the gained knowledge into a methodology /.../” should be excluded.

In order to achieve the aim, the author has identified four objectives that have been realized in the doctoral thesis.

### **The structure of the doctoral dissertation, methodology of the research**

The thesis is structured in eight chapters. First four chapters give theoretical insight into category of capital and factors, which influence cost of equity capital of a company. The methodology and research design are analysed in chapter five, which is followed by the discussion of the findings of the survey (chapter six). Chapter seven provides the analysis of

elaboration of the methodology of decrease the cost of equity capital. In the final chapter eight of the thesis the author provides the concluding remarks and recommendations for further research.

The author has asked three research questions and put forward four hypotheses. The author conducted survey with further analysis of qualitative data using statistical tests; built index of internal factors, which influence the cost of equity capital, as well as verified the methodology modelling corresponding conditions.

The volume of the doctoral thesis - 130 pages (without appendices), the author has used 201 literature sources.

### **The scientific novelty of the doctoral dissertation**

The reviewer agrees that the main scientific novelty of the thesis is the methodology for cost of equity management of a company.

The main findings of the research are presented in author's 11 publications, which are articles published in reviewed periodical academic journals and in reviewed scientific proceedings.

### **Some comments**

The reviewer states that analysis of relevant statistics of current situation in Czech Republic was not provided in the thesis.

In Table 16 «Rating of internal factors» (p. 98) the author presents «Board independence» (F15), «Board of directors structure» (F16) and «Corporate ethics» (F17) as independent internal factors, while they are part of «Corporate governance»; thus all these factors should be considered as one.

Is positively surprising that the CFO, who were surveyed, are competent in all the methods asked about in Table 3 (see appendix D); the author hasn't provided any explanations of any of seven methods in survey form.

### **Conclusion**

The doctoral thesis represents a research in the sphere of cost of equity capital management in a company where the personal contribution of the author to the development of the science of economics is manifested. Therefore, further investigation in this field by the author of the thesis would be welcomed.

Summarizing it can be stated that Ms. N. MOKHOVA's thesis represents itself an innovative approach to cost of equity management.

It is recommended to accept this thesis as proof of the scientific abilities of the author.

Professor Natalja Lace, Dr.oec.  
Riga Technical University  
Faculty of Engineering Economics and Management

Post address: 6 Kalnciema Str., Riga, LV-1007, Latvia  
e-mail: natalja.lace@rtu.lv

“I confirm the signature of Professor Natalja Lace”

The vice dean for research of the Faculty of Engineering Economics and Management  
Professor Dr.oec. Elina Gaile-Sarkane