

JOANNA BEREŻNICKA  
TOMASZ PAWLONKA  
Warsaw University of Life Sciences  
Warsaw

## THE CAPITAL OPTIMUM IN THE EVALUATION OF PROFITABILITY OF SELECTED MEAT PROCESSING ENTERPRISES

### Abstract

*The objective of the article was to identify the relationship between structure of capital and profitability of the enterprises in the meat processing sector. The research pointed to the negative linear relationship between index of capital structure and return on assets and return on sales. It was also found that the relationship between the return on equity and capital structure ratio is non-linear in nature. It was also noted, due to the diagnosed paradox, that ROE ratio is not the proper measure of enterprise's "success". Identified parabolic relationship between structure of capital and return on invested capital and degree of financial leverage suggests the possibility of identifying an optimal structure of capital. During the research it was also found that the cost of equity depends on the structure of capital, as well as the annual interest rate.*

**Keywords:** capital structure, profitability, meat processing, quartile, explanatory variable.

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### Preface

The 2001-2010 period was an exceptionally essential decade for the meat processing industry, diversified and full of transformations. Between 2001 and 2006 meeting the stringent sanitary and quality requirements set by the European Union and adjustment of production to the West European standards were the