Solution to Question Book for Lecture Note 8

Cost of Capital

9-1 a. 13%.
b. 10.4%.
c. 8.45%.

9-2 5.2%.

9-3 9%.

9-4 5.41%.

9-5 13.33%.

9-6 10.4%.

9-7 9.17%.

9-8 13%.

9-9 7.2%.

9-10 a. 16.3%.
b. 15.4%.
c. 16%.

9-11 a. 8%.
b. $2.81.
c. 15.81%.

9-12 a. g = 3%.
b. EPS1 = $5.562.

9-13 16.1%.

9-14 $(1 - T)r_d = 5.57\%$.

9-15 a. $15,000,000.
b. 8.4%.

9-16 Short-term debt = 11.14%;
Long-term debt = 22.03%;
Common equity = 66.83%.

9-17 w_d(Short) = 0%; w_d(Long) = 20%;
w_{ps} = 4%; w_s = 76%;
r_d(After-tax) = 7.2%;
r_{ps} = 11.6%; r_s # 17.5%.