Calculating WACC - Python Exercise

# Question:

Calculate the Weighted Average Cost of Capital (WACC) using given values: 18% cost of equity, 12% cost of debt, 35% tax rate, and equal debt/equity proportions.

# Question Explanation (20 words):

We calculate WACC by combining weighted equity and after-tax debt costs, based on given interest rates and proportions.

# Answer (Code):

# The proportion of debt vs equity financing is predefined  
percent\_debt = 0.50  
percent\_equity = 0.50  
  
# Set the cost of equity  
cost\_equity = 0.18  
  
# Set the cost of debt  
cost\_debt = 0.12  
  
# Set the corporate tax rate  
tax\_rate = 0.35  
  
# Calculate the WACC  
wacc = (percent\_equity \* cost\_equity) + (percent\_debt \* cost\_debt \* (1 - tax\_rate))  
print("WACC: " + str(round(100 \* wacc, 2)) + "%")

# Answer Explanation (20 words):

WACC is derived using the formula: (equity weight \* cost of equity) + (debt weight \* cost of debt \* after-tax rate).

