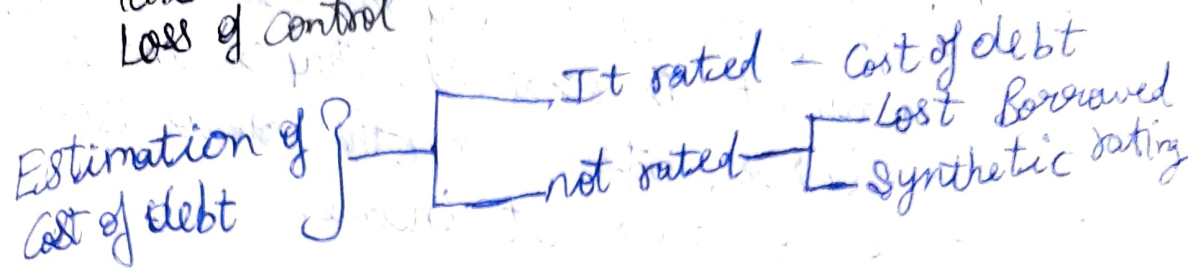


Assignment 3

Cost of debt
General Rules

Fixed Payment
Tax deduction
Loss of control



Estimating Synthetic Ratings

The rating for a firm can be estimated using the financial characteristic of the firm.

$$\text{Interest coverage ratio} = \frac{\text{EBIT}}{\text{interest} + \text{Expenses}}$$

Cost of debt formula

$$= \text{Risk free rate} + \text{Default spread (1-D)}$$

[Handwritten signature]