

## Assignment 18

Explain each cost of ~~debt~~ <sup>equity</sup> benefits of debt.

### Cost of Debt:

\* The Cost of debt is the effective interest rate that a Company pays on its debts, such as bonds and loans.

\* The Cost of debt is the total interest expenses owned on a debt.

\* The Pre-tax interest rate is a Company pays on its debts, such as loans, Credit Cards, or invoice financing.

### Benefits of Cost of debt:

#### Benefits

#### \* Interest Payments:

debt is the <sup>the primary cost associated with</sup> interest that must be paid to lenders.

#### \* Credit Risk:

Credit Risk is the possibility of a lender losing money due to a borrower's Failure to meet their debt obligations.

#### \* Collateral

#### \* Time Commitment:

Time Commitment means the measure of active work an advisor dedicates to a project which influences their duties and remuneration.

Improved Cash Flow:-

Improved Cash Flow refers to the ~~enhancement~~  
of a Company's ability to generate and manage  
its cash inflows and outflows.

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