

Assignment - 8

1). Explain each cost and benefit of debt.

Cost of debt :-

⇒. The Cost of debt is the rate at which you can borrow at currently. It will reflect not only your default risk but also the level of interest rates in the Market.

Benefits of Debt :-

⇒. Tax Benefits → Interest deductions [e.g. Mortgage Interest] reduce taxable income.

⇒. Access to Capital → Debt provides funds

↓
• Investments

↓
• Expenses

↓
• Emergencies.

⇒ Liquidity → Debt addresses short-term
Cash Flow needs.

⇒ Convenience → Credit Cards and Loans
offer easy payment options.

⇒ Low Interest Rates → Affordable borrowing
Cost make debt more attractive.

Debt