

8th WEEK ASSIGNMENT
Explain each costs and benefits of debt

Costs of Debt

are a direct lost of debt reducing Cash flows.

Default Pisk: it in meases with high debt levels, damaging breditworthings and limiting future borrowing

Reclired flexibility high debt levels limit a company's ability to stespond to now oppositionities or challenges.

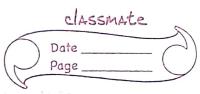
Increased Resk high debt to equity

Matios increase bankriuptry risk,

negalinely impacting stock prices.

Benefits of Debt:

-> Tou Benefets: intoest payments are tou -decleratible, reducing taxable income



Than equity especially for companies with Stable Cash glows. => Increased Loaverage: debt jurining Can camplify earnings potential Risk Management: Domodaran Eseplains how debt lan hedge against buseness risks
Such as commolity price fluctuations To Evaluate debt's lost and benefits => Estemating the cost of debt

> Calculating the debt - to equity statio

> Assessing default stick

=> Evaluating debt Servicing Costs

> Considering tax benefits and xisk

> management

By applying this framework, Companies can make informed decisions about debt financing.