**6TH WEEK ASSIGNMENT**

1 How to estimate cost of capital by using CAPM?

2 Why cash flows across time are not comparable?

**ACTIVITIES**

In December 2015, LMW stock had a beta of 0.95. The Treasury bill rate at the time was 5.8%, and the Treasury bond rate was 6.4%. The firm had debt outstanding of RS. 1700 crores and a market value of equity of Rs 1500 billion; the corporate marginal tax rate was 36%. (use the historical premium of 8.5% to estimate expected returns)

a. Estimate the expected return on the stock for a short term investor in the company.

b. Estimate the expected return on the stock for a long term investor in the company.

c. Estimate the cost of equity for the company.