**FINANCIAL MANAGEMENT**

**ASSIGNMENT – 7**

**Cost of Capital**

1. X Ltd issues Rs. 75,000 8% debentures at a discount of 5%. The tax rate is 50%. Compute the after tax cost of debt capital.

2. A company issues Rs. 1,00,000, 10% preference shares of Rs. 100 each redeemable after 5 years at a premium of 10%. The cost of issue is Rs.2 per share. Calculate cost of preference capital.

3. The shares of a company is selling at Rs.60 per share and it had paid a dividend of Rs.6 per share last year. The investor expects a growth rate of 8% per year. Compute the equity cost of capital.

4. A firm Ke is 15%, the average tax rate of the shareholders is 50% & it is expected that 2% is brokerage cost. What is the cost of retained earnings?