Week-11

1.Compute the cost of debt capital. X Ltd issues RS.50,000,8% debenture at par. The tax rate applicable to the company is 50%.

2. Compute weighted average cost of capital.

Risk free rate – 8%

Beta- 1.2

Market risk premium- 7%

Cost of debt- 10%

Market value of equity- RS. 15000

Market value of debt- Rs.5000

Book value of equity- Rs.5000

Tax rate- 30%