Cost of Capital

1. A company issues 10% debentures at parto raisers. 5,00,000 , calculate cost of debt.
2. A company issues 10,000 15% irredeemable debentures of Rs. 100. The company paid following floatation charges: Underwriting commission 1.5%, brokerage 0.5% and other charges Rs. 10,000. If the tax rate is 50%, calculate the cost of debenturs under following circumstances:
   i. Issued at par
   ii. Issued at a discount of 10%
   iii. Issued at a premium of 10%
3. A company issued seven year 10% debentures at a price of Rs. 93 to raise Rs. 5,00,000. The face value of the debentures is Rs. 100. The tax rate is 50%. Calculate the post tax cost of this issue.
4. A company issued 10% debentures of Rs. 100 each at par. The debentures are to be repaid after 10 years. Floatation costs are 4% and the tax rate is 55%. Calculate the cost of debt.
5. A company issues10% irredeemable preference shares of Rs. 100 each. The floatation cost is 4% and the shares are issued at par. Compute the cost of capital. If the shares are issued at 5% premium and at 5% discount what will be the cost of capital?
6. Sandhya Ltd. Issued 1,000 11% redeemable preference shares of Rs. 100 each at a discount of 5%. The cost of share issue amounted to Rs. 3,000. These shares are to be redeemed at par after 10 years. Compute the cost of capital. What will be the cost of pref. capital if the shares are irredeemable?
7. Market price of equity share of a company is Rs. 50 and the dividend is Rs. 2 per share. The growth rate of dividend is 8% per annum. Calculate the cost of equity shares.
8. A company wants to issue equity shares of Rs. 100 each. The floatation cost per share is 4% of the share price. The company wants to pay a dividend of Rs. 6 per share. The growth rate of dividend is estimated to be 5%. Calculate the cost of new equity capital.
9. Present earnings of a company amounts to Rs. 3,60,000 and the number of shares are 30,000. The current market price is Rs. 100 per share. The company has no debts in the capital structure. The company wants to issue new equity shares at 10% discount to raise Rs. 9,00,000 to finance its expansion scheme. The floatation cost of new equity shares is 6%. If the company's earnings are constant, what will be the cost of equity capital?
10. The ex-dividend market value of equity share of a company is Rs. 120. The annual growth rate of dividend is 5% and the current rate of dividend of Rs. 30 is considered satisfactory. Calculate the cost of equity capital as per Gordon Dividend Growth Model.
11. A company's stock J has a risk free rate of 8.5% and beta of 2. The return on market portfolio is 15%, then calculate the expected rate of return.
12. A company's expected rate of return is 10%. The rate of brokerage is 3%. The company's annual earnings amount to Rs. 1,20,000. If the company wants to retain its earnings with it, at what rate should it make earnings? Tax rate is 30%