

- 39.** A firm has a debt ratio of 0.4 . The firm also has a debt beta of 0.75 and an equity beta of 1.50 . The expected return on the market is currently 11% and the risk-free interest rate is 5% .

What is the required return on an investment project that expands the firm's existing operations while maintaining the current target capital structure?

- (A) 10%
- (B) 11%
- (C) 12%
- (D) 14%
- (E) 15%