

Cost of capital - theory and estimation

Quorum Books - Cost of Capital Definition



| | A | B | C |
|----|---------------------|---------------|---|
| 1 | Given | | |
| 2 | Outstanding debt | \$50,000,000 | |
| 3 | Preference shares | \$15,000,000 | |
| 4 | Common equity | \$70,000,000 | |
| 5 | | \$4,000,000 | |
| 6 | | \$1,500,000 | |
| 7 | | 34% | |
| 8 | Cost of debt | 4% | |
| 9 | Beta | 1.3 | |
| 10 | Market return | 11% | |
| 11 | Total capital | \$135,000,000 | |
| 12 | Weightage of equity | 0.519 | |
| 13 | | | |

Description: -

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Corporations -- Finance
Capital investmentscost of capital - theory and estimation
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Notes: Includes bibliographical references and indexes.
This edition was published in 1995



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Tags: #Cost #of #Capital #Formula

Cost of Capital, Debt, Equity, Borrowing: Defined with Examples

Pedersen, 2005, Asset Pricing with Liquidity Risk, Journal of Financial Economics, v77, 375-410. To build several projects of such an order of magnitude concurrently could drive up the costs and strain the availability of all resources required to complete the projects. Conversely, scale diseconomies exist if average costs increase with greater size.

Best Practices in Estimating the Cost of Capital: Survey and Synthesis Essay

The corporate default risk is the premium above the government bond rate that corporations pay to obtain funds.

Cost of Capital, Debt, Equity, Borrowing: Defined with Examples

Estimation of Proxies for Expected Growth.

Estimating Working Capital Requirement: Top 5 Methods

Thus, the itemized costs submitted by the winning contractor may be used as the starting point for budget control. Much of the book consists of explanations of theories, and many of the theories are demanding.

Best Practices in Estimating the Cost of Capital: Survey and Synthesis Essay

The individual items of current assets and current liabilities can also be estimated on the basis of the past experience as a percentage of sales. Allocations of cost from existing accounts may be used to develop a cost function of an operation. WACC also appears sometimes as a hurdle rate, or threshold return rate, that a potential investment must exceed to receive funding.

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