* + 1. The Down and Out Co. just issued a dividend of $2.06 per share on its common stock. The company is expected to maintain a constant 6 percent growth rate in its dividends indefinitely. If the stock sells for $55 a share, what is the company's cost of equity? **(Do not round your intermediate calculations.)**
    2. The Up and Coming Corporation’s common stock has a beta of 1.2. If the risk-free rate is 5 percent and the expected return on the market is 11 percent, what is the company's cost of equity capital? **(Do not round your Intermediate calculations.)**
    3. Stock in Country Road Industries has a beta of 0.64. The market risk premium is 8 percent, and T-bills are currently yielding 5.5 percent. The company's most recent dividend was $1.8 per share, and dividends are expected to grow at a 4.5 percent annual rate indefinitely. If the stock sells for $37 per share, what is your best estimate of the company's cost of equity? **(Do not round your Intermediate calculations.)**
    4. Holdup Bank has an issue of preferred stock with a $7 stated dividend that just sold for $93 per share. What is the bank's cost of preferred stock?
    5. Waller, Inc., is trying to determine its cost of debt. The firm has a debt issue outstanding with 9 years to maturity that is quoted at 102 percent of face value. The issue makes semiannual payments and has an embedded cost of 12 percent annually.

1. What is the company's pretax cost of debt? **(Do not round your intermediate calculations.)**
2. If the tax rate is 34 percent, what is the after tax cost of debt? **(Do not round your intermediate calculations.)**

#### Jiminy's Cricket Farm issued a 3O-year, 7 percent semi-annual bond 9 years ago. The bond currently sells for 87 percent of its face value. The book value of the debt issue is $23 million. The company's tax rate is 34 percent.

In addition, the company has a second debt issue on the market, a zero coupon bond with 9 years left to maturity; the book value of this issue is $85 million and the bonds sell for 80 percent of par.

1. What is the company's total book value of debt? **(Do not round your intermediate calculations.)**
2. What is the company's total market value of debt? **(Do not round your intermediate calculations.)**
3. What is your best estimate of the after tax cost of debt? **(Do not round your intermediate calculations.)**
   * 1. Sixx AM Manufacturing has a target debt-equity ratio of 0.53. Its cost of equity is 18 percent, and its cost of debt is 12 percent. If the tax rate is 31 percent, what is the company's WACC?
     2. Fama's Llamas has a weighted average cost of capital of 11 percent. The company's cost of equity is 17 percent, and its pretax cost of debt is 8 percent. The tax rate is 34 percent. What is the company's target debt-equity ratio? **(Do not round your Intermediate calculations.)**

#### Filer Manufacturing has 9.1 million shares of common stock outstanding. The current share price is $47, and the book value per share is $3. Filer Manufacturing also has two bond issues outstanding. The first bond issue has a face value of $66 million, has an 8 percent coupon, and sells for 93 percent of par. The second issue has a face value of $62.79 million, has an 8 percent coupon, and sells for 95.9 percent of par. The first issue matures in 10 years, the second in 7 years.

**Requirement 1:**

1. What is Filer's capital structure weight of equity on a book value basis? **(Do not round your intermediate calculations.)**
2. What is Filer's capital structure weight of debt on a book value basis? **(Do not round your intermediate calculations.)**

**Requirement 2:**

1. What is Filer's capital structure weight of equity on a market value basis? **(Do not round your intermediate calculations.)**
2. What is Filer's capital structure weight of debt on a market value basis? **(Do not round your intermediate calculations.)**
   * 1. Filer Manufacturing has 5 million shares of common stock outstanding. The current share price is $84, and the book value per share is $7. Filer Manufacturing also has two bond issues outstanding. The first bond issue has a face value of $60 million, has a 7 percent coupon, and sells for 94 percent of par. The second issue has a face value of $35 million, has an 8 percent coupon, and sells for 107 percent of par. The first issue matures in 22 years, the second in 4 years.

The most recent dividend was $5.6 and the dividend growth rate is 8 percent. Assume that the overall cost of debt is the weighted average of that implied by the two outstanding debt issues. Both bonds make semiannual payments. The tax rate is 35 percent.

# Required: What is the company's WACC? (Do not round your Intermediate calculations.)