Barbow Enterprises, Inc., is considering an expansion in their operations. One of the first items they want to examine is their cost of capital. According to the accounting department, the following items and their respective costs have been identified:

* The cost of Common Equity: 15%
* The before tax cost of debt: 12%
* No Preferred stock

They have also calculated the marginal tax rate to be 40% and the stock sells at its book value.

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| **Barbow Enterprises Inc.** | | | | | |
| **Balance Sheet** | | | | | |
| **Assets** |  |  | **Liabilities and Owners' Equity** |  |  |
|  |  |  |  |  |  |
| Cash | $240 |  | Long Term Debt |  | $2,304 |
| Accounts Receivable | 480 |  | Equity |  | 3,456 |
| Inventories | 720 |  |  |  |  |
| Net P&E | 4,320 |  |  |  |  |
| Total Assets | $5,760 |  | Total Liabilities and owners' Equity |  | $5,760 |

Calculate Barbow’s after-tax weighted average cost of capital, using the data in the balance sheet above.