1.**(Defining Capital structure weights)**Company is considering the acquisition of a chain of cemeteries for $430 million. Since the primary asset of this business is real estate, the company’s management has determined that they will be able to borrow the majority of the money needed to buy the business. The current owners have no debt financing but Templeton plans to borrow $310 million and invest only $120 million in equity in the acquisition. What weights should the company use in computing the WACC for this acquisition?

The appropriate w/d weight is \_\_\_\_\_\_\_\_% (Round to tow decimal places)

**1a.** Same example different numbers: Acquisition for $230 million/borrow $260 million/invest $90 million.

The appropriate w/d weight is \_\_\_\_\_\_\_\_\_% (Round to tow decimal places)

2.**(Individual or component cost of capital)** Compute the cost of capital for the firm for the following:

A bond that has a $1,000 per value (face value) and a contract or coupon interest rate of 10.9%. The bonds have a current market value of $1,126 and will mature in 10 years. The firm’s marginal tax rate is 34%.

The cost of capital from this bond is \_\_\_\_\_\_% (Round to tow decimal places)

**2a**. Same example different numbers: $1,000 per value/10.6%/market value $1,122

The cost of capital from this bond debt is \_\_\_\_\_\_\_% (Round to two decimal places)

3. **(Individual or component cost of capital**) Your firm is considering a new investment proposal and would like to calculate **its weighted average cost of capital**. To help with this, compute the cost of capital for the firm the following:

A bond that has a $1,000 per value (face value) and a contract or coupon interest rate of 10.9%. The bonds have a current market value of $1,126 and will mature in 10 years. The firm’s marginal tax rate is 34%.

The cost of capital from this bond debt is \_\_\_\_\_\_\_% (Round to two decimal places)

**3a**. Same scenario different numbers: $1,000 per value/11.3%/market value $1,128

The cost of capital from this bond debt is \_\_\_\_\_\_\_% (Round to two decimal places)