Question1

A company issues 15-year, $1,000 par-value bonds, with a coupon rate of 6%. The bonds are sold for $619.70. The tax rate is 45%. Compute the cost of debt before taxes and after taxes

Question2

Suppose a company issues common stock to the public for $50 a share. The expected dividend is $3.50 per share and the growth in dividends is 9%. If the flotation cost is 12% of the issue proceeds, compute the cost of external equity, re

Question 3

Calculate the cost of preferred stock (rPS) with the given information:

Par Value = $300

Current Price = $308

Flotation Cost = $17

Annual Dividend = 13% of Par

Question4

A company is investigating the effect on its cost of capital with respect to the tax rate. Suppose there is a capital structure of 30% debt, 20% preferred stock, and 80% common stock. The cost of financing with retained earnings is re = 13%, the cost of preferred stock financing is rPS = 6%, and the before-tax cost of debt is rd = 10%. Calculate the weighted average cost of capital (WACC) given a tax rate of 45%.