a. What is Weighted Average Cost of Capital (WACC)? Identify **TWO (2)** factors that affect

the WACC of a company.



1. Using debt can help reduce the agency problem that may arise between the

management of a company and its shareholders. Explain.

1. Explain the effects of the following on the company’s weighted average cost of capital:
2. Floatation cost
3. Reduction in corporate tax