**Please help with the following 3 business finance questions. Thanks**

**Textbook**

Fundamentals of Financial Management (Custom) Author: Brigham. Publisher: Thomson South-Western Publishers, 2006, ISBN #0-324-34705-0

**1. Project Selection** – Midwest Water Works estimates that its WACC is 10.5 percent. The Company is considering the following capital budgeting projects:

Project A Size Rate of Return

A $1 million 12.0%

B 2 million 11.5

C 2 million 11.2

D 2 million 11.0

E 1 million 10.7

F 1 million 10.3

G 1 million 10.2

Assume that each of these projects is just as risky as the firm’s existing assets, and the firm may accept all the projects or only some of them. Which projects should be accepted? Explain.

1. Capital Budgeting criteria; mutually exclusive projects. A firm with a WACC of 10 percent is considering the following mutually exclusive projects

**Project A**

0 1 2 3 4 5

-400 $55 $55 $55 $225 $225

**Project B**

-600 $300 $300 $50 $50 $49

Which project would you recommend? Explain

You are a financial analyst and you have gathered the following information regarding AT&T.

* AT&T has a capital structure that is 80% equity and 20% debt.
* The yield to maturity on their bonds is 10%
* AT&T is expected to pay a dividend of $0.75 per share at the end of the year.
* The expectation regarding AT&T in terms of growth is a constant 11% per year.
* AT&T is currently quoted at $32 a share.
* The tax rate is 40%
* You have spoken with investment bankers who estimate that total flotation costs for new common stock will be 10% of the amount issued.

Given the above information calculate AT&T’s Weighted Average Cost of Capital? Show all your work.