1. A company is operating in three areas of the economy (sectors or industries) and the divisional betas are presented below:

Beta Value

Division A .75 $200,000

Division B 1.35 $300,000

Division C 1.80 $500,000

What is the company’s beta?

1. Foe Corporation’s has the capital structure given below:

Debt (at market value) $2,000,000

Preferred stock (at market value) $800,000

Common stock (at market value) $ 3,000,000

Assuming the market weight are also the target weights for Foe Corp. please calculate the weights that should be used to find the weighted average cost of capital for Foe Corp.

1. For the problem above, if the after tax cost of debt is 6% the cost of preferred stock is 9% and the cost of common stock is 12%, what is the weighted average cost of capital?
2. Kay Corporation has a marginal cost of capital schedule as follows:

**Weighted average Cost**

**First $1 million pool of money 12%**

**Second $2 million pool of money 13%**

**Amounts above $3 million 15%**

The company is considering the following assets:

**Net Present Value at WACC of**

**Asset Cost IRR 12% 13% 15%**

**A $1,000,000 17% $400,000 $350,000 $250,000**

**B 900,000 16 200,000 190,000 150,000**

**C 600,000 15 200,000 180,000 0**

**D 500,000 14 100,000 60,000 -50,000**

**E 500,000 13.8 150,000 80,000 -70,000**

**F 500,000 13.5 80,000 30,000 -100,000**

In which assets should the company invest( in which order)?