Duck Company has the following capital structure. Its corporate tax rate is 35%.

Security	**Book Value**	**Market Value**	**Cost**
Debt	$18 million	$20 million	6%
Common stock	$27 million	50 million	14%

Compute WACC ________________%

CAMPCO has only one bond issue outstanding. The bonds carry an annual coupon of 8%, mature in 19 years, and currently trade at 105. Berber's tax rate is 35%.

What is the after-tax cost of debt? __________________%

Atlas Corp has 30% debt and 70% equity. Its cost of debt is 6% and the cost of equity 11%. The tax rate is 40%.

What is the WACC? _______________%

Morton Salt free cash flow is expected at $38 million next year. The free cash flow is expected to grow at 4% forever. Using the WACC computed in #3, compute the total enterprise value of the firm.

Given the 30% debt / 70% equity capital structure, what is Morton's market value of the equity? $_________

Incipio Inc. has $30 million debt, $20 million preferred stock and $50 million common stock. The costs of debt, preferred and common are 7.5%, 10% and 12%, respectively. Incipio's tax rate is 35%.

What is its WACC? _______________%

Medtronic capital structure is 50% debt and 50% equity. The company is planning to build a plant to manufacture a new semi-automatic gearbox called SLICK. BASF produces only SLICK gearboxes. BASF's beta is 1.2 and BASF's capital structure is 30% debt and 70% equity. The risk free-rate is 3%, the market premium is 7%, and Medtronic's after-tax cost of debt is 6%.

What discount hurdle rate should Medtronic apply to the new plant? Use the proxy firm beta method.

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