Verizon communications inc.

[Sociology](), [Communication]()

While VZ has maintained the same number of outstanding common shares (2, 967, 610, 119), its total market capitalization has decreased by $13, 532, 302, 142 or 14% from December 2008 to July 2009 and then by $31, 189, 582, 351 or 24% from December 2007 to December 2008. Meanwhile, one way to determine the approximate value of a company's stock is by computing its Weighted Average Cost of Capital (WACC). It is the weighted average of the component costs of debt, preferred stock, and common equity. The weights assigned for the debt, preferred shares, and common equity are to be based on the proportions targeted by the company for such capital items. WACC is equal to the weight used for debt multiplied by the after-tax cost of debt, plus weight used for preferred shares multiplied by the cost of preferred shares, plus weight used for common equity multiplied by the cost of retained earnings.

Thus, the formula for WACC is as follows: WACC = wdkd(1-T) + wpskps + wceks. .

The current rates are as follows: the prime rate at 3. 25%, 1-month LIBOR at 0. 29%, 3-month LIBOR at 0. 50%, and the 5-year average rate at 4. 62% (Bloomberg website 2009). Given these rates, the cost of debt is conservatively pegged at 5% for the computation of the WACC. The federal tax rate of 35% is due to almost all corporations. Adding the state income taxes that corporations also have to.

Reference

1. Brigham, E. & Houston, J. (1998).

2. Fundamentals of Financial Management. Orlando, Florida: The Dryden Press. Yahoo! Finance. (2009).

3. Venizon Communications Inc. (VZ). Retrieved July 13, 2009

4. http://finance. yahoo. com/q/ks? s= VZ. Verizom Communications. (2009).

5. Consolidated Balance Sheets. Retrieved July 13, 2009

6. http://investor. verizon. com/financial/annual/2008/fin04. html. Bloomberg. (2009).

7. http://www. bloomberg. com/markets/rates/keyrates. html ay, the marginal tax rate (T) is then generally pegged at 40% (Brigham & Houston, 1998, p. 354).