Corporate finance quiz assignment

Business

Annual depreciation = $300, 000/5 = 60, 000 Depreciation for 3 years = 180, 000 kick value = 300, 000 – 180, 000 = 120, 000 Answer A market value of its risk-free debt is $5 million. The beta of the company's common stock is 1. 25, and the market risk premium is 8%. If the Treasury bill rate is 5%, what is the company's cost of capital? Ignore taxes. (CAMP, Chapter 8) b. 14. 6% Response: re = 5+ 15 ; rd + 12 = Answer C = 5%; Company Cost of capital = 5 (5/25) + Use this information to answer questions 8 and 9: Manmade is a full service broker that is considering expanding into internet roughage business.

The project is expected to last 5 years. The firm has market capitalization (market value of assets) of $1 billion and it has a market value of Debt/ Equity ratio of 0. 5. Trade is a pure internet brokerage Company and it has an equity beta of 1. 2 and a debt beta of 0. 2. Trade has 60% debt and 40% equity in market value terms. The 5-year Treasury (risk free) rate is 5% per year and the risk premium on the market is 5%. What is your estimate of the cost of capital for Madras's investment in the internet brokerage business?

Ignore taxes. (Based on Emirate Case Concepts) 8. What is the unleavened beta of equity for Trade? A. 05 b. 01 c. 0. 8 d. 06 In this example, Manmade is considering a project involving the internet business. Fortunately we have a pure play company in this business. Therefore we can use the asset beta from Trade to determine the cost of capital for the project. Enliven the beta of equity for Trade 9. Using CAMP, what is the cost of capital for Madras's project? C. 7. 2% Use CAMP to calculate cost of capital for Midstream's project 10.