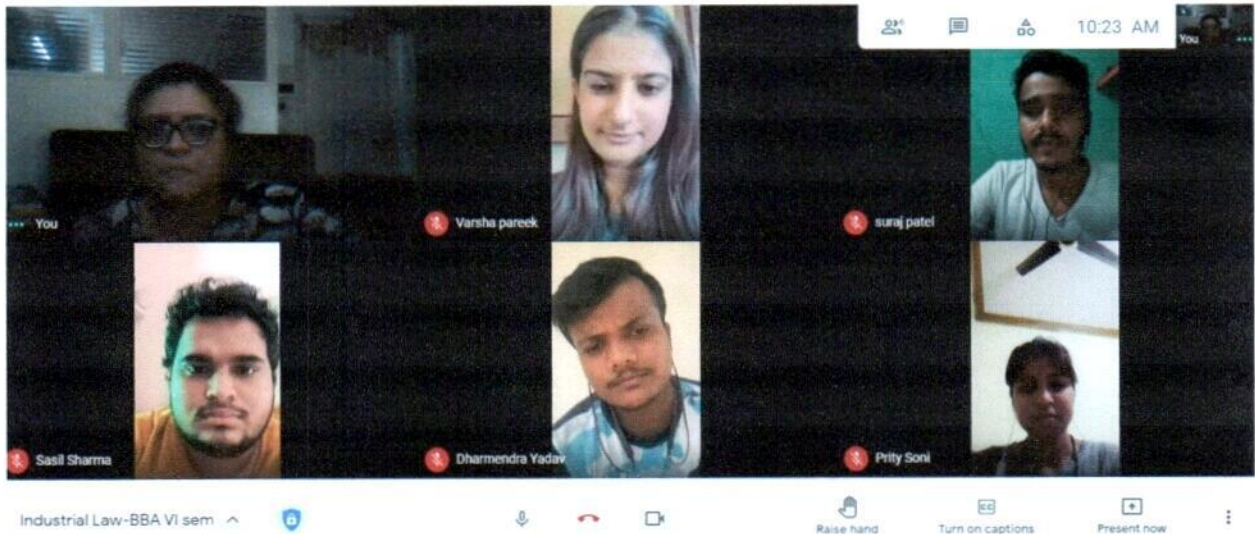
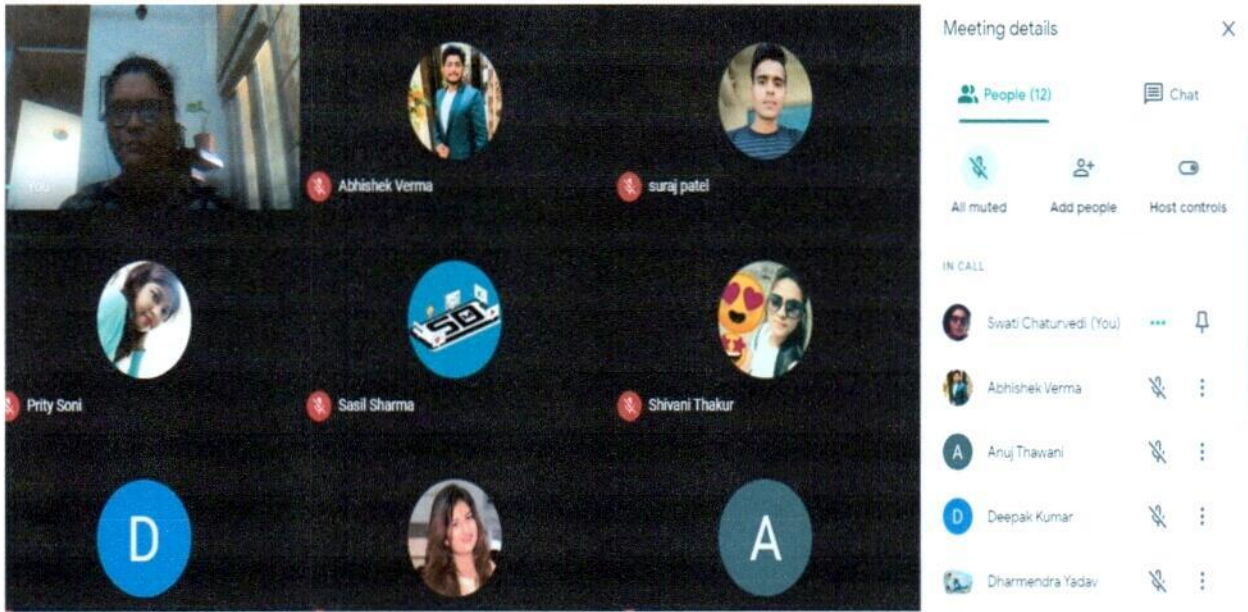


# Screenshot of online classes



Certified True Copy  
Registrar  
Jagan Nath University, Jaipur



Riya



Manvi



Gauri



Sampada



You

5,000 Equity Shares of Rs. 100 each	5,00,000
Retained Earnings	2,00,000

The earnings per share of the company in the past many years has been Rs. 20. The shares of the company are sold in the market at book value. The company's tax rate is 35% and shareholders personal tax liability is 30%. Find out the weighted average cost of capital. [Raj. Univ. B. Com. 2007]

Solution :

(i) Cost of Equity Capital :

$$K_e \text{ (after tax)} = \frac{\text{EPS}}{\text{MP}} \times 100 = \frac{20}{140} \times 100 = 14.286\%$$

$$\text{MP} = \frac{5,00,000 + 2,00,000}{5,000} = 140$$

(ii) Cost of Debentures (first issue)

$$K_d \text{ (after tax)} = \frac{I}{\text{NP}} \times 100 (1-T) = \frac{7}{100} \times 100 (1-0.35) = 7 \times .65 = 4.55\%$$

(iii) Cost of Debentures (second issue)

$$K_d \text{ (after tax)} = \frac{I}{\text{NP}} \times 100 (1-T) = \frac{8}{100} \times 100 (1-0.35) = 8 \times 0.65 = 5.2\%$$

(iv) Cost of Preference Share Capital

$$K_p \text{ (after tax)} = \frac{\text{EPS}}{\text{NP}} \times 100 = \frac{9}{100} \times 100 = 9\%$$

(v) Cost of Retained Earnings

kapil is presenting



k

kapil



Hemant Chaurasia



k

You

Stop presenting



Mayank Jha



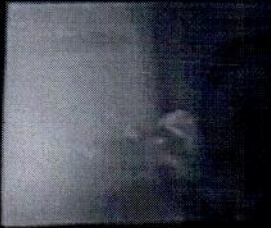
Deepika Patel



Sonali Singh



Kuldeep J ban



Prashansa Gupta



Kratika Counder



Pragya Kumari



sachin chauhan

Meeting details



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