

HW - Chapter 4 - Cost of Capital - Q13

Calculation of Weighted Average Cost of Capital (WACC)

Source	Amount (Rs.)	Weight	% Cost	Cost
Equity Capital	65,00,000	61.9	16.3%	10.09
12% Preference Capital	12,00,000	11.4	12%	1.37
15% Redeemable Debentures	20,00,000	19	10.5%	2.00
10% Convertible Debentures	8,00,000	7.60	7%	0.53
Total	1,05,00,000	100		Ko = 13.99%

Cost of 15% Redeemable Debentures (after tax)

$$= 15 (1 - 0.30) = 10.5\% \text{ or } 0.105$$

Cost of 10% Convertible Debentures (after tax)

$$= 10 (1 - 0.30) = 7\% \text{ or } 0.070$$

Weighted Average Cost of Capital (WACC) = 13.99%