

## HW - Chapter 4 - Cost of Capital - Q14

### Statement showing Market value of equity and value of firm

	Rs.
EBIT	5,00,000
Less: Interest on debentures (10% of Rs. 20,00,000)	(2,00,000)
Earnings available for equity holders i.e. Net Income (NI)	3,00,000
÷ Equity capitalization rate (Ke)	16%
Market value of equity (E)	18,75,000
(+) Market value of debt (D)	20,00,000
Total value of firm $V = E + D$	38,75,000
$K_o = EBIT \div V$	12.90