

HW - Chapter 4 - Cost of Capital - Q4

$PV = FV \times DF \text{ Factor for 25 years}$

$2,500 = 1,00,000 \times DF \text{ Factor for 25 years}$

$0.025 = DF \text{ Factor for 25 years}$

Using interpolation between 15 and 16 percent. See discounting factor tables in 25th year. If this problem will be asked, they will give you tables to search

$K_d = 15.89\%$