Cost of Capital Estimation Worksheet

\[ WACC = wd \times kd \times (1-t) + ws \times ks \]

wd = Percent of Debt = Low estimate _________ High estimate __________

kd = Yield to Maturity on Debt = Low estimate _________ High estimate __________

t = Tax Rate = Best Guess ______________

ws = Percent of Equity = Low estimate _________ High estimate __________

(note, ws + wd = 100%

ks1 = required return on stock using Dividend Growth Model

d1 = Stock Price =

Growth rate = Low estimate _________ High estimate __________

d1/p0+ g = Low estimate _________ High estimate __________

ks2 = required return on stock using Capital Asset Pricing Model

krf = _________________ Market Risk Premium = ______________

Beta = Low estimate _________ High estimate __________

krf + B *(MRP) = Low estimate _________ High estimate __________

ks3 = required return on stock using Bond Yield +4% = _____________

Overall estimate for required return on stock =

Low estimate _________ High estimate __________

Low Estimate

\[ WACC = \text{_____} = wd\text{_____} \times kd\text{_____} \times (1-t\text{_____}) + ws\text{_____} \times ks\text{_____} \]

High Estimate

\[ WACC = \text{_____} = wd\text{_____} \times kd\text{_____} \times (1-t\text{_____}) + ws\text{_____} \times ks\text{_____} \]

Best Estimate

\[ WACC = \text{_____} = wd\text{_____} \times kd\text{_____} \times (1-t\text{_____}) + ws\text{_____} \times ks\text{_____} \]