

ADDITIONAL PROBLEMS FOR CHAPTER 9

- 9-23** Calculate the after-tax cost of debt under each of the following conditions:
After-tax cost of debt
- Interest rate, 13 percent; tax rate, 0 percent.
 - Interest rate, 13 percent; tax rate, 20 percent.
 - Interest rate, 13 percent; tax rate, 35 percent.
- 9-24** A company's 6 percent coupon rate, semiannual payment, \$1,000 par value bond that matures in 30 years sells at a price of \$515.16. The company's federal-plus-state tax rate is 40 percent. What is the firm's component cost of debt for purposes of calculating the WACC? (Hint: Base your answer on the *nominal* rate.)
After-tax cost of debt