Cost of Capital is WACC

Businesses may use both	and		to finance
the growth of their business. Each source	e of capital requires	a certain return c	on the money they
lend or invest in the business. This is	called the		, or the
required rate of return. The interest	rate that you pa	y on a loan is	considered the
	_; the return that in	vestors require o	n their investment
is considered the			
What are some of the benefits of using	g debt to finance you	ır business?	
2. What are some of the benefits of using	g equity to finance yo	our business?	
3. What is meant by the "optimal capital business?	structure" for a bus	iness? Why is it	different for every
4. What is WACC and why do business v	vant to minimize it?		

The Capital Budgeting Process Is Wild

The capital budgeting process may be viewed in 5 steps below. Write each step in order in the boxes provided. Then, in the lined area, describe an action a company might take related to each step.

The Capital Budgeting Process 1. 2. 5. 3. **Forecast Cash Flows Identify Cost of Capital and Risks Determine Potential Projects** Select and Implement Project **Set Capital Spending Goals**

Which one of the 5 steps in the capital budgeting process do you think would be the most challenging for a business? Why?