**Solution 1.60**

In order to finance a new project costing $30 million, a company borrowed $21 million at 16% per year interest and used retained earnings valued at 12% per year for the remainder of the financing. The company’s weighted average cost of capital for the project was closest to:

(*a*) 12.5%

(*b*) 13.6%

(*c*) 14.8%

(*d* ) 15.6%

*Solution:*

WACC = 0.70(16%) + 0.30(12%)

= 14.8%

Answer is (c)