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STATED IN NOMINAL TERMS; COST OF CAPITAL EQUALS THE DISCOUNT RATE; DISCOUNT RATE IS NOT THE SAME AS CAPITALIZATION RATE; SUMMARY

Chapter 2: Introduction to Cost of Capital Applications: Valuation and Project Selection INTRODUCTION; NET CASH FLOW IS THE PREFERRED ECONOMIC INCOME MEASURE; COST OF CAPITAL IS THE PROPER DISCOUNT RATE; PRESENT VALUE FORMULA; EXAMPLE: VALUING A BOND; APPLICATIONS TO BUSINESSES, BUSINESS INTERESTS, PROJECTS, AND DIVISIONS; SUMMARY; Chapter 3: Net Cash Flow: Preferred Measure of Economic Income; INTRODUCTION; DEFINING NET CASH FLOW; NET CASH FLOWS SHOULD BE PROBABILITY-WEIGHTED EXPECTED VALUES; WHY NET CASH FLOW IS THE PREFERRED MEASURE OF ECONOMIC INCOME; RESIDUAL EARNINGS; SUMMARY
ADDITIONAL READING Chapter 4: Discounting versus Capitalizing; INTRODUCTION; CAPITALIZATION FORMULA; EXAMPLE: VALUING A PREFERRED STOCK; FUNCTIONAL RELATIONSHIP BETWEEN DISCOUNT RATE AND CAPITALIZATION RATE; MAJOR DIFFERENCE BETWEEN DISCOUNTING AND CAPITALIZING; CONSTANT GROWTH OR GORDON GROWTH MODEL; COMBINING DISCOUNTING AND CAPITALIZING (TWO-STAGE MODEL); EQUIVALENCY OF DISCOUNTING AND CAPITALIZING MODELS; MIDYEAR CONVENTION; MATCHING PROJECTION PERIODS TO FINANCIAL STATEMENTS: PARTIAL FIRST YEAR; CAPITALIZING RESIDUAL EARNINGS; SUMMARY

Chapter 5: Relationship between Risk and the Cost of Capital INTRODUCTION; DEFINING RISK; HOW RISK IMPACTS THE COST OF CAPITAL; TYPES OF RISK; COST OF EQUITY CAPITAL; COST OF INVESTED CAPITAL OR OVERALL COST OF CAPITAL; SUMMARY; Chapter 5A: FASB's Concepts Statement No. 7: Cash Flows and Present Value Discount Rates; Chapter 6: Cost Components of a Company's Capital Structure; INTRODUCTION; DEBT CAPITAL; PREFERRED EQUITY; CONVERTIBLE DEBT AND PREFERRED EQUITY; EMPLOYEE STOCK OPTIONS; COMMON EQUITY; SUMMARY; Part 2: Estimating the Cost of Equity Capital and the Overall Cost of Capital
Chapter 7: Build-up Method

Sommario/riassunto

In this long-awaited Third Edition of Cost of Capital: Applications and Examples, renowned valuation experts and authors Shannon Pratt and Roger Grabowski address the most controversial issues and problems in estimating the cost of capital. This authoritative book makes a timely and significant contribution to the business valuation body of knowledge and is an essential part of the expert's library.
