# Task 15 - Weighted Average Cost of Capital (WACC)

You are a financial analyst at Green Horizon Industries, a fast-growing sustainable manufacturing company.

The leadership team is evaluating the company’s cost of capital to be used in future investment appraisals. You have been asked to calculate the company's Weighted Average Cost of Capital (WACC), using provided financial data, and prepare Excel/Google Sheets outputs including tables and graphs.

## Company Data (for Excel input table)

|  |  |
| --- | --- |
| Item | Value |
| Market Value of Equity | £4,000,000 |
| Market Value of Debt | £2,000,000 |
| Cost of Equity (CAPM) | 12% |
| Cost of Debt (before tax) | 6% |
| Corporate Tax Rate | 25% |

## Tasks (Excel Spreadsheet Outputs Required)

### 1️⃣ WACC Calculation Table

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Component | Value | Weight | After-Tax Cost | Weighted Cost |
| Equity |  |  |  |  |
| Debt |  |  |  |  |
| WACC |  |  |  | [Result] |

- Calculate each component’s weight (Equity / Total Capital, Debt / Total Capital).
- Calculate after-tax cost of debt.
- Calculate weighted cost for equity and debt.
- Sum to find WACC.

### 2️⃣ Sensitivity Analysis Table

|  |  |
| --- | --- |
| Cost of Equity | WACC (%) |
| 10% |  |
| 12% |  |
| 14% |  |
| 16% |  |

- Recalculate WACC as cost of equity changes.

### 3️⃣ Graphs (Excel or Google Sheets Chart Suggestions)

- Line Chart: WACC vs Cost of Equity (from sensitivity table)

- Pie Chart: Capital Structure Breakdown (Equity vs Debt)

### 4️⃣ Strategic Discussion (Text Output / Discussion Slide)

- What is the company’s current WACC?

- How sensitive is WACC to changes in the cost of equity?

- How does the capital structure influence WACC?

- Discuss implications for investment appraisal and risk management.

## Deliverables

- Excel / Google Sheets file with:

 - WACC Calculation Table

 - Sensitivity Analysis Table

 - Graphs (at least one)

 - Strategic Discussion Slide