

Cost of Capital

	Rs'000	%	Before Tax	After Tax	Weighted Avg. Cost
			%	%	%
1	2	3	4	5=4 Less 30%	6=3x5
Capital	6000	30		20.0	6.00
Loans	14000	70	15	10.5	7.35
Total	20000	100			13.35
Before Tax = 13.35 divided by 0.70 = 19.07 % (IT @ 30 %)					

Rs'000

PBIT	19.07 % of 20000		3814
Less: Interest	15 % on 14000		2100
PBT			1714
Less: Income Tax	30 % on 17.14		514
PAT			1200
Dividend	20 % on 6000		1200
Retained earnings			-----