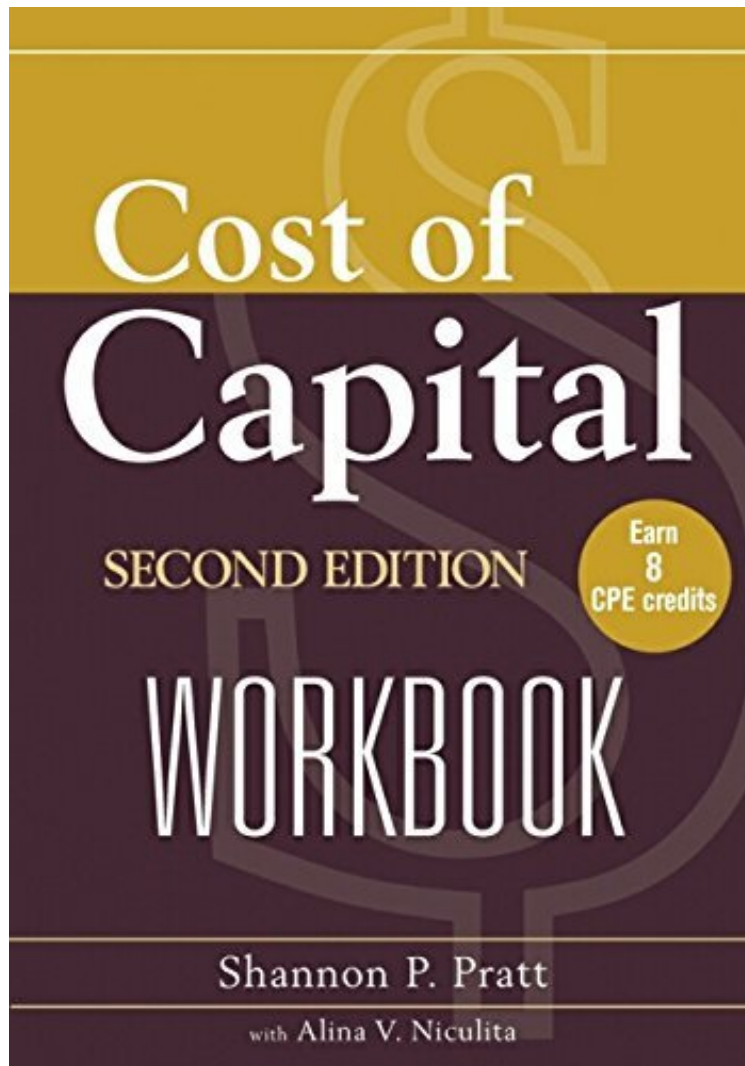


Cost of Capital Workbook

Shannon P. Pratt

*DOC | *audiobook | ebooks | Download PDF | ePub*



#4449619 in eBooks 2002-10-25 1998-05-31 File Name: B000PY48BS | File size: 59.Mb

Shannon P. Pratt : Cost of Capital Workbook before purchasing it in order to gage whether or not it would be worth my time, and all praised Cost of Capital Workbook:

1 of 1 people found the following review helpful. Five StarsBy ApollinairePratt has lots of useful insights. Well worth reading.4 of 7 people found the following review helpful. Best Valuation Tool AvailableBy Michael J. RemshaPratt took his many years of valuation experience and put it in this one book. The book reviews the theory and practice of how to derive a discount rate for use in a DCF. At present, it's the best book in print for appraisers.24 of 49 people found the following review helpful. 101 Fudge Factors For Those Ignorant of Risk Neutral PricingBy A CustomerThis book should be titled "I do not know how to price all risks when valuing companies so here are 101 fudge factor guesses I use instead". This is the wrong way to value companies and is inconsistent with financial asset pricing

theory. Look elsewhere for better resources.

This book presents proven, practical techniques for estimating the cost of capital. "I would recommend "Cost of Capital" and the companion "Cost of Capital Workbook" as excellent tools for passing the various professional exams that lead to valuation accreditations and designations." - James R. Hitchner, Phillips Hitchner Group, Inc., Atlanta, Georgia. "As a discussion leader for the AICPA ABV exam review course, this set of questions is perfect for people to use for practice for that exam and others (ASA and NACVA from my experience), for that matter. The mix of formats, including exercises, is great." - Ronald L. Seigneur, Seigneur Company, PC, CPAs, Lakewood, Colorado. "The exercises are particularly good." - Stephen J. Bravo, Apogee Business Valuations, Framingham, Massachusetts. Cost of capital estimation has long been recognized as one of the most critical elements in business valuation, capital budgeting, feasibility studies, and corporate finance decisions it is also, however, one of the most difficult procedures to perform and assess. The "Cost of Capital Workbook" will help financial officers of small, midsize, and even multibillion dollar companies estimate required rates of return and tackle the myriad issues associated with cost of capital. It will also help business valuation professionals of all levels to gain a greater understanding of cost of capital concepts and procedures. Using hands on exercises designed to implement procedures described in "Cost of Capital, Second Edition", the "Cost of Capital Workbook" provides a deeper understanding of cost of capital problems by offering a practical experience in applying solutions. The "Workbook" includes multiple choice, true or false, and fill in the blank questions as well as: exercises estimating cost of capital by the build up model and the Capital Asset Pricing Model Exercises using Ibbotson Associates "Stocks, Bonds, Bills, and Inflation Valuation Edition Yearbook Applications" using discounted cash flow (DCF) methods, based on forecasted earnings and cash flows; Examples covering valuing a business by both equity and invested capital procedures, making project selections, and utility rate determinations; numerous exercises using Ibbotson data from the "Cost of Capital Workbook". Business appraisers, corporate finance officers, CPAs, and attorneys will find the "Cost of Capital Workbook" an indispensable guide to the effective estimation and application of cost of capital.

From the Publisher Cost of capital refers to the cost of borrowing money for the purpose of raising funds and the effect of that acquired debt on shareholder's or owner's equity. This book develops a more defined method of calculating the true cost of capital with regard to equity valuation. From the Inside Flap Cost of capital estimation has long been recognized as one of the most critical elements in business valuation, capital budgeting, feasibility studies, and corporate finance decisions. It is also the most difficult procedure to perform and assess. In the second edition of Cost of Capital: Estimation and Applications, renowned author and valuation expert Shannon Pratt addresses the most controversial issues and thorny problems in estimating the cost of capital. In a clear, concise, and easily understandable manner, he tackles all of the problems in calculating rates of return and offers sensible, well-thought-out solutions that apply to small business and midsize companies, as well as to multibillion-dollar corporations. Dr. Pratt lays out the basic tools that anyone can use immediately when estimating cost of capital or reviewing someone else's estimate. He presents basic theory and explains how it is used in valuation of businesses and business assets, as well as in capital expenditure decision making, and he provides clear explanations for each of the mathematical formulas used. Citing comprehensive sources of information, Dr. Pratt also offers clear and complete definitions of all common terminology used in cost of capital estimation. He points out the errors that are common to the process, and gives practical advice on how to avoid them when making an estimation and how to identify them in other people's work. The revised and expanded Second Edition offers several new features, including: * A new chapter covering cost of capital in Economic Value Added (EVA) * A new chapter on reconciling cost of capital in the income approach with valuation multiples in the market approach * An expanded chapter on "Handling the Discount for Marketability," including sources of restricted stock and pre-IPO studies * Expanded coverage of cost of capital in the courts * New exhibits to reflect the new 10a and 10b breakdowns of Ibbotson Associates' 10th decile Generously supplemented with tables, graphical diagrams, and step-by-step examples, Cost of Capital is an indispensable resource for business appraisers, valuation professionals, and consultants attached to accounting firms, as well as corporate finance executives, investment bankers, venture capitalists, private equity firm executives, and others who must make important decisions based on their understanding of cost of capital estimations. From the Back Cover An authoritative text on cost of capital for both the nonprofessional and the valuation expert-now revised and expanded In endeavoring to practice sound corporate finance, there is perhaps nothing so critical, nor slippery, as cost of capital estimation. The second edition of Cost of Capital: Estimation and Applications combines a state-of-the-art treatise on cost of capital estimation with an accessible introduction for the nonprofessional. This comprehensive yet usable guide begins with an exposition of basic concepts understandable to the lay person and proceeds gradually from simple applications to the more complex procedures commonly found in the marketplace. New features of the revised and expanded Second Edition include chapters on Economic Value Added (EVA) and reconciling cost of capital in the income approach with valuation multiples in the market approach, as well as expanded coverage of cost of capital in the courts and handling discounts for marketability. Cost of Capital remains an incomparable resource for all parties interested in

effective business valuation.