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Cool! I'am really happy

#Markus Jensen



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#Diego Butler



so many fake sites. this is the first one which worked! Many thanks

SOLUTIONS TO END-OF-CHAPTER PROBLEMS

2-1 Corporate yield = 9%; T = 35.5%
AT yield = $9\%(1 - T)$
 $= 9\%(0.645) = 5.76\%$

2-2 Corporate bond yields 8%. Municipal bond yields 6%.

Equivalent pretax yield on taxable bond	Yield on muni
8%	6%
$0.08 - 0.08T = 0.06$	
$-0.08T = -0.02$	
$T = 25\%$	

2-3 NI = \$3,000,000; EBIT = \$6,000,000; T = 40%; Interest = ?
Need to set up an income statement and work from the bottom up.

EBIT	\$6,000,000		
Interest	1,000,000	\$3,000,000	\$3,000,000
EBT	\$5,000,000	EBT = $\frac{\$3,000,000}{0.6}$	
Taxes (40%)	2,000,000		
NI	\$3,000,000		

Interest = EBIT - EBT = \$6,000,000 - \$5,000,000 = \$1,000,000.

2-4 EBITDA = \$7,500,000; NI = \$1,800,000; Int = \$2,000,000; T = 40%; DA = ?

EBITDA	\$7,500,000		
DA	2,500,000	EBITDA - DA = EBT; DA = EBITDA - EBT	
EBIT	\$5,000,000	EBIT = EBT + Int = \$3,000,000 + \$2,000,000	
Int	2,000,000	(Given)	
EBT	\$3,000,000	\$1,800,000	\$1,800,000
Taxes (40%)	1,200,000	$\frac{\$1,800,000}{(1 - T)} = 0.6$	
NI	\$1,800,000	(Given)	

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