

FACTORS DETERMINING THE FIRM'S COST OF CAPITAL

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Abstract:

This study is ready to connect the firm's investment decisions with its financing decisions. The cost of capital provides this fundamental connecting link. The term cost of capital may be used interchangeably with the firm's required rate of return, the hurdle rate, the discount rate, and the firm's opportunity cost of funds. This study is about the concepts behind the cost of capital, as well as the procedures for estimating the firm's cost of capital. For the most part, we will assume a constant debt-to-equity mix when computing a company's cost of capital.

Keywords: *the cost of capital, financial decisions.*

JEL codes:: *L00, D24, F21*