



Cost of Capital



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Cost of Capital is the cost of acquiring the funds.

- *On raising funds from the various sources, the company has to pay some additional amount in the form of Interest, apart from the principal amount*
- *This additional cost is Cost of Capital*



Definition

The cost of capital is the minimum rate of return that the company must earn on its investments to fulfill the expectations of investors.



Cost of Capital also referred as

Break even rate

Minimum rate

Cut-off rate

Target rate

Hurdle rate

Standard rate