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Original Articles

Weighted average cost of capital in the theory of Modigliani–Miller, modified for a finite lifetime company

Peter Brusov , Tatiana Filatova, Natali Orehova & Nastia Brusova Pages 815-824 | Published online: 04 Jan 2011

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solved the obtained equation for a 2 year company and compared this result with those of Myers and MM. It shows that WACC values for 2 year company is closer to MM (perpetuity) limit than to Myers (1 year) one at small equity cost (just above the debt cost) while at bigger equity cost, it is closer to Myers limit than to MM one. Algorithm for finding of WACC in the case of arbitrary lifetime of the project has been developed. The use of the obtained equations for the projects of n years, and for companies operating in the market n years significantly alters the assessment of the WACC of the company.

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