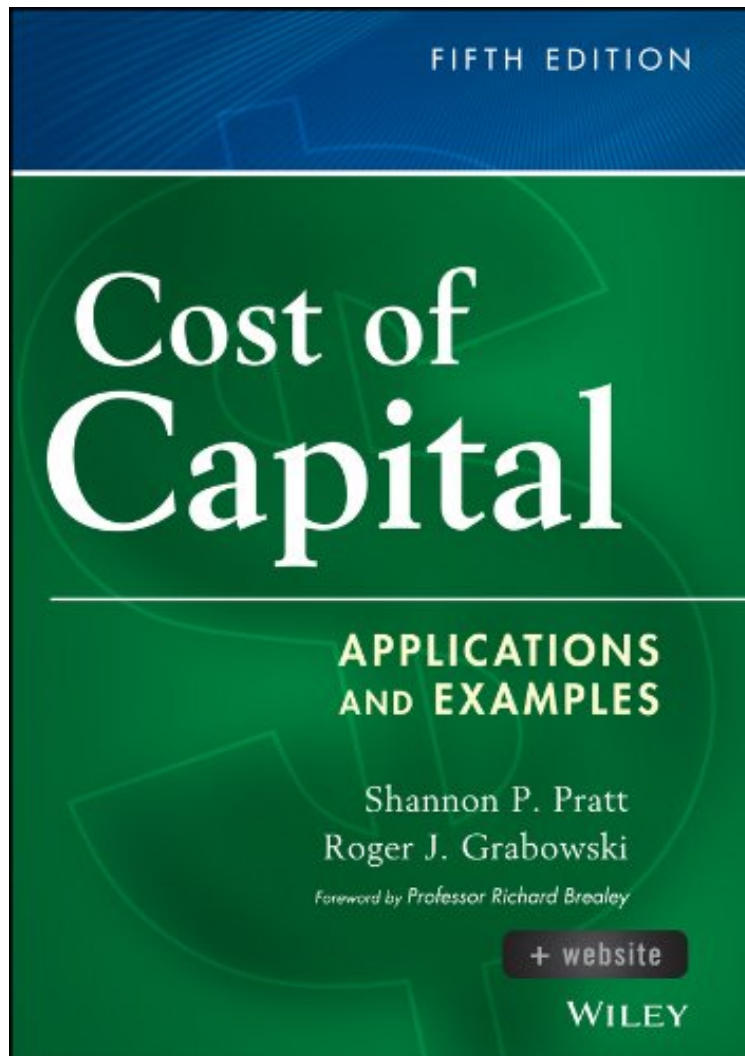


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## Cost of Capital: Applications and Examples (Wiley Finance)

Shannon P. Pratt, Roger J. Grabowski  
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**Shannon P. Pratt, Roger J. Grabowski : Cost of Capital: Applications and Examples (Wiley Finance)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Cost of Capital: Applications and Examples (Wiley Finance):

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volume is a thorough, wide-ranging reference book and guide to the subject matter. The cost of capital is one of those topics that seems straight-forward until one has to apply it in practice. This book covers its application across a broad range of situations. Prepared as it is by expert practitioners who are familiar with the latest theoretical approaches, it will be valuable to those seeking to estimate the appropriate cost of capital applicable to any number of situations, and to those needing to evaluate those estimates. 0 of 0 people found the following review helpful. Five Stars By CustomerGreat book

A one-stop shop for background and current thinking on the development and uses of rates of return on capital. Completely revised for this highly anticipated fifth edition, *Cost of Capital* contains expanded materials on estimating the basic building blocks of the cost of equity capital, the risk-free rate, and equity risk premium. There is also discussion of the volatility created by the financial crisis in 2008, the subsequent recession and uncertain recovery, and how those events have fundamentally changed how we need to interpret the inputs to the models we use to develop these estimates. The book includes new case studies providing comprehensive discussion of cost of capital estimates for valuing a business and damages calculations for small and medium-sized businesses, cross-referenced to the chapters covering the theory and data. Addresses equity risk premium and the risk-free rate, including the impact of Federal Reserve actions. Explores how to use Morningstar's Ibbotson and Duff Phelps Risk Premium Report data. Discusses the global cost of capital estimation, including a new size study of European countries. *Cost of Capital, Fifth Edition* puts an emphasis on practical application. To that end, this updated edition provides readers with exclusive access to a companion website filled with supplementary materials, allowing you to continue to learn in a hands-on fashion long after closing the book.

From the Inside Flap: *Cost of Capital, Fifth Edition: Applications and Examples* is published with updated authoritative text, applications, workbook examples and cases, a technical supplement, and website. Completely revised for this highly anticipated fifth edition, there are expanded materials on estimating the basic building blocks of the cost of equity capital, the risk-free rate, and equity risk premium. There is an expanded discussion on the volatility created by the financial crisis in 2008, the subsequent recession and uncertain recovery, and how those events have fundamentally changed how we need to interpret the inputs to the models we use to develop these estimates. *Cost of Capital* includes new case studies providing comprehensive discussion of cost of capital estimates for valuing a business and damages calculations for small and medium-sized businesses, cross-referenced to the chapters covering the theory and data. Teeming with new quotes and citations to relevant material from the leading authorities on capital valuation, the new edition includes updated discussion of the following issues: Equity risk premium and the risk-free rate, including the impact of Federal Reserve actions; How to use Morningstar's Ibbotson and Duff Phelps Risk Premium Report data; Criticisms of CAPM and reasons why multiple procedures should be used in developing discount and capitalization rates; Global cost of capital estimation, including a new size study of European countries; Adjusting discount and capitalization rates for different measures of economic income, including pretax discount rates. *Cost of Capital: Applications and Examples* puts an emphasis on practical application. To that end, this updated fifth edition provides readers with exclusive access to a companion website filled with supplementary materials, allowing you to continue to learn in a hands-on fashion long after closing the book.

From the Back Cover: Praise for *Cost of Capital: Applications and Examples, Fifth Edition* "Shannon Pratt and Roger Grabowski have produced a remarkably comprehensive review of the subject; it is a work that valuation practitioners, CFOs, and others will find an invaluable reference." —Professor Richard Brealey, London Business School (from the Foreword) "Estimating the cost of capital is critical in determining the valuation of assets, in evaluating the capital structure of corporations, and in estimating the long-run expected return of investments. Shannon Pratt and Roger Grabowski have the most thorough text on the subject, not only providing various estimation methods, but also numerous ways to use the cost of capital." —Professor Roger G. Ibbotson, Yale School of Management; Former chairman and founder of Ibbotson Associates; Chairman, founder, and CIO of Zebra Capital "The fifth edition of *Cost of Capital* is the most thorough and best treatment of the cost of capital now available." —Jerald E. Pinto, PhD, CFA, Director, Curriculum Projects, CFA Institute "Cost of Capital, Fifth Edition is the most comprehensive, up-to-date, accessible treatment of concepts related to estimating cost of capital. Shannon Pratt and Roger Grabowski do an exceptional job of blending together theory and practice. This book clearly describes the concepts and illustrates the methods used for estimating cost of capital for a broad range of purposes, under virtually any circumstances that a practitioner is likely to encounter. This is the cost of capital book that every practitioner should have in his or her valuation library." —Professor Robert Parrino, CFA, Lamar Savings Centennial Professor of Finance, University of Texas at Austin "This book helps managers, valuers, students and professors to estimate in a sensible way the cost of capital of any company. It also helps the reader to think about the nature of the required return to equity rather than to just apply a recipe." —Professor Pablo Fernandez Loacatepez, PricewaterhouseCoopers; Professor of Corporate Finance, IESE Business School, University of Navarra "Valuation practitioners and others who use the cost of capital in their valuation measurements are faced with the dilemma of how

to be broadly aware of all there is to know about the development of the cost of capital. Shannon Pratt and Roger Grabowski have done a masterful job of creating a single source of knowledge for those who calculate and use the cost of capital in their analyses. Cost of Capital, Fifth Edition blends information about theory, practice, and common sources of data, with a comprehensive overview of specific areas of application. Contrasting points of view are furnished, allowing the practitioner to decide which theory or practice is best suited for a particular set of facts and circumstances. All who measure value should be aware of this important work." —Anthony V. (Tony) Aaron, Quality and Risk Management Leader, Ernst Young Valuation and Business Modeling Services; Vice Chairman, Board of Trustees of the Appraisal Foundation "Despite years of study, thinking on the cost of capital continues to evolve. Cost of Capital, Fifth Edition is a highly accessible text that provides a comprehensive review of theory, data, practice and applications in developing and applying cost of capital estimates. The fifth edition includes expanded content and has been restructured in several areas to further enhance its readability. The text carefully balances the need for an in-depth treatment that is accessible to busy professionals. It is required reading for all finance professionals including corporate managers, investment professionals and appraisers. As college-level education focusing on valuation increases, educators will find the fifth edition invaluable with numerous supplemental materials." —Raymond Rath, ASA, CFA, Managing Director, Globalview Advisors LLC; Author, "Private Company Valuation" in CFA Institute's second edition of Equity Asset Valuation About the Author Shannon P. Pratt, CFA, FASA, ARM, MCBA, CMAA, referred to as the father of business valuations, is the author of several bestselling Wiley business valuation books and a sought-after speaker at business valuation industry conferences. He is the managing owner of Shannon Pratt Valuations, Inc., and has served as supervisory analyst for over 3,000 business valuation engagements in forty years and as an expert witness in numerous state and federal courts on contested business valuations. Dr. Pratt is co-author of the upcoming Lawyers' Guide to Cost of Capital. Roger J. Grabowski is managing director of Duff Phelps LLC. Roger has testified in court as an expert witness on the value of closely held businesses and business interests, matters of solvency, valuation, and amortization of intangible assets, and other valuation issues. He testified in the Northern Trust case, the first U.S. Tax Court decision that adopted the discounted cash flow method to value the stock of a closely held business with the discount rate based on the capital asset pricing model. Grabowski authors the annual Duff Phelps Risk Premium Report and is co-author of the upcoming 2014 Valuation Handbook: Guide to Cost of Capital and co-author of the upcoming Lawyers' Guide to Cost of Capital.