Ans 2 Cost of Capital is the return (%) expected by investors who provide Capital for a business. Once this Cost is paid for, the remaining money is profit. Since it generates a specific number that determines profitability it's used to determine the hurdle rate.

For investors, cost of Capital represent the degree of perceived risk. An investor always wants to put money into a company that will exceed the cost of capital and thus generate return that are proportionate with the risk.

⟹ Cost of Capital formula.

Cost of capital involves debt, equity, and any type of Capital ~~Accou~~ Accountants and financial analysis use the ...

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(WACC). formula to Calculate cost of Capital.

~~WACC = (CG~~

$$WACC = ((E/V) \times Re) + [((D/V) \times Rd) \times 1-T)$$