Weighted Average Cost of Capital = WACC

@wikipedia

In case the company is financed with only shareholder equity E and debt D, the average cost of capital is computed as follows:

(1) $$\mathrm{WACC} = \frac{E}{D+E} K_E + \frac{D}{D+E} K_D \cdot (1 - T_c)$$

where

K_E	Cost of Equity	
K_D	Cost of Debt	normally means interest rate on the company loans
T_c	Corporate Tax Rate	usually between 15% and 30%, with median average close to 20%

The value of WACC is usually used to set a reference point for discount rate in investment projects.

See also

Economics / Investment / Financial Investment

[Profitability Index (PI)][Discount rate][Net Present Value (NPV)] [Internal Rate of Return (IRR)]