

**FINAL EXAM (VA) Fina 210 Section CX (SUMMER 2011)**  
**THIS EXAM MUST BE RETURNED INTACT (Do not remove staple)**  
**Read Instructions carefully**

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**Question #49**

A property has 21,000 square feet of rental space. The vacancy and credit losses is expected at 8% and operating cost (without capital cost allowance) is 28 percent of effective gross income.

Financing details for this property is as follows: down payment is 30%; the loan is \$400,000; Interest rate is 10% per annum compounded semi-annually; term of loan is 12 years.

The cost of the down payment is 6.50% above the effective cost of borrowing and 50% of the capital gains is taxed.

What is the effective cost of borrowing if you have cash on hand and there is a 2% processing fees based on the loan?

- a. 10.46%
- b. 10.67%
- c. 10.41%
- d. 10.25%

**Question #50**

A property has 21,000 square feet of rental space. The vacancy and credit losses is expected at 8% and operating cost (without capital cost allowance) is 28 percent of effective gross income.

Financing details for this property is as follows: down payment is 30%; the loan is \$400,000; Interest rate is 10% per annum compounded semi-annually; term of loan is 12 years.

The cost of the down payment is 6.50% above the effective cost of borrowing and 50% of the capital gains is taxed.

What is the weighted cost of capital if the tax rate is 40%; if there are no processing fees and you have cash on hand?

- a. 9.33%
- b. 12.20%
- c. 13.57%
- d. 7.90%