

RWSL

(16.17)
$$V_L = \frac{E_{\text{fin}}(1-t)}{r_0} + Bt$$

$E_{\text{fin}} = 50000$

$t = 34\%$

$r_B = 8\%$

$r_0 = 15\%$

$B = 90000$

$$V_L = \frac{50000(1-0,34)}{0,15} + 90000 \cdot 0,34 = 281400$$

$0,15$

As long as MM Prop I holds, that is, there are no bankruptcy costs and so forth, then the company should continue to increase its debt/equity ratio to maximize the value of the firm."

D.W.H.