

**ROUND 1: THE SIMULATION CHALLENGE**

**Phase 3 (Weightage 40%)**

**Round Duration:** 10 minutes | **Submit response by:** 2315 hours or (11:15 PM)

**Google response sheet link:** <https://goo.gl/forms/DbxIIAvnk9kQEJF11>

Once the teams have finalised their investment decisions and submitted their answers at the end of the second round, you are required to decide basic capital structure to fund the investment.

Market pre-tax cost of debt is as per table below and cost of equity is 11.0%. You must have a minimum of 30% equity in your structure to finance the investment.

<b>Cost of debt</b>	<b>Range of debt raised</b>
4.50%	0% - 10%
5.00%	11% - 20%
5.50%	21% - 30%
6.00%	31% - 40%
6.50%	41% - 50%
7.00%	51% - 60%
7.50%	61% - 70%

You need to submit your calculation of ROE and WACC based on your choice of capital structure, which should ideally try to maximize ROE with low cost of capital.

**Points distribution:**

**Round 3 (40% weightage)**

Points will be awarded based on following three outcomes:

- I. Accurate calculation of ROE and WACC
- II. Rank given based on ideal ROE calculation for each team