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# *Midland Energy Resources, Inc.: Cost of Capital*



# *Introduction*

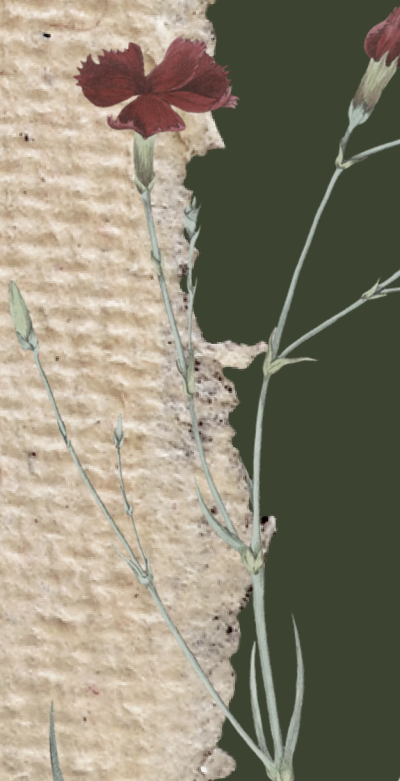
**Midland Energy Resources, Inc. is one of the most renowned energy organization performing oil and gas exploration, production, refining and marketing. Here in this case solution, the company is exposed to what may be its most challenging decision**



# *Cost of Capital*

**Geometric mean of the cost of capital reflects the overall cost that is required to safeguard the investors' interests through minimum return expected on investment.**

**The overall concept of cost of capital is therefore very relevant to Midland Energy especially in evaluating prospective investment projects**



# Difficulties

Midland Energy has a number of situations that make the determination of its cost of capital complex they include changes in market conditions, interest rates, and volatility of energy prices. They directly impact cost of debt and the risk factor related corporate equity adding to the difficulty of computing the correct cost of capital.



# Conclusion

**In conclusion, Midland Energy has a significant implication of the correctness of cost of capital of an organization in its competitiveness and profitability. Using such accurate techniques as WACC, the company is capable of evaluating investments and have sound and sustainable financial development.**



# Resource

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