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THE COST OF CAPITAL: THEORY AND EVIDENCE

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Abstract.This article describes the scientific and theoretical aspects of valuing the value of capital, as well as the views of foreign scholars. It is based on theoretical problems in capital valuation as well as the advantages of several valuation models. In addition, the characteristics of the models widely used in the practice of capital valuation are described.
Keywords: Capital, debt, bankruptcy, CAPM, WACC, APT

A number of studies have been conducted to assess the value of the company's capital. In the 50s of the last century, the emergence of the practice of valuation of companies taking into account the risks in the financial market in the valuation of capital, the theory of valuing capital and determining the optimal composition of capital emerged. It should be noted that Modigliani and Miller, foreign economists, studied the structure of capital and the assessment of the value of capital and explained the princi ples of capital formation. In particular, Modigliani and Miller based their theory on determining the structure of capital and valuing capital without estimating the factors that affect the real economy, such as taxes, bankruptcy, unstable capital markets, inflation, and determining the structure of capital . According to Modiglian and Miller's theory, in determining the optimal composition of capital, it considers the relationshi p between the composition of debt capital and private capital. It should be noted that Modigliani and Miller's theory mainly determined the value of a company's capital by considering factors such as the company's capital value, profit, company value, which affect the company's capital structure. According to Modigliani and Miller, if the optimal capital structure is chosen in a company, the average weighted capital value is minimized, resulting in an increase in the value of the company.

Foreign economist Stiglitz, on the other hand, showed in his research that there were five flaws in Modigliani and Miller's theory. In his view, it does not take into account how the company's bankruptcy will affect the average tortilla value of capital. In particular, Modigliani and Miller's theory does not take into account the bankruptcy and financial difficulties of the enterprise, but bankruptcy is one of the main factors in assessing the capital value of the enterprise .

Donaldson, in his research, used the theory of capital structure in the implementation of various financial strategies of several companies in the United States and concluded that the capital structure of a company depends on the hierarchy of this company . In turn, the goal of a company's hierarchy is not financial leverage, but the importance of asymmetric information in assessing a company's capital value. Mayers and Majluf's research highlighted the use of retained earnings, debt capital, and private equity in determining a company's capital value .

Russian economists Nikolai Goloveckij and Anna Lebedeva studied the problems of estimating the capital value of construction companies in their research. The advantages of use are not modest in the empirical analysis of the company, which in turn reflects the determination of the capital structure of the company and its financial policy .

Blajevich Oleg and Kirilchuk Nadezhda noted in the study that one of the most important conditions for effective management of a company's capital is the assessment of its capital value. In particular, the valuation of capital not only reflects the value of the financial resources of the enterprise, but also reflects the minimum return on investment capital made by the enterprise to avoid losses. In addition, the assessment of the capital value of the enterprise, in turn, primarily assesses the investment efficiency of the enterprise. The most basic models in assessing the capital value of an enterprise are as follows. These include the BUM (Build-Up Method), the CAPM (Capital Asset Pricing Model), the WACC (Weighted Average Cost of Capital), and the APT (Arbitrage Pricing Theory) models for the Investment Project the use of these models in estimating the value of capital is one of the most popular methods in the world .

Analyzing the specifics of the research of foreign scholars discussed above, we believe that the most widely used method of valuing a company's capital today is the valuation of financial assets, valuation of average weighted capital, discounted cash flows. Through these methods, developing countries have the opportunity to measure risk in the valuation value of capital. When using the method of estimating the value of capital in developed countries, the market value of the company's private capital, the value of debt capital, as well as the financial instruments of these companies allow to determine the market value and business value of the company.