

Internally generated (pay bills later and encourage speedier payment from customers) Furthermore, the cost-of-capital interest rate a company experiences is affected by the risk associated with its business type. The market perceives the risk of the business and applies an after-tax discount rate to the future wealth it expects to derive from the firm. Consequently, the rate banks charge for borrowed funds cannot be taken alone as the company's cost-of-capital interest rate when evaluating investment alternatives.