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# *Midland Energy Resources Inc: Cost Of Capital*

# *Introduction*

Midland Energy Resources Inc. is a multinational energy company which is involved in exploration of oil, and processing of the extracted crude and production of petrochemicals. This case is mainly a measurement of the firm's cost of capital, which is essential for investment appraisal, capital expenditure, and financing decision-making.

# *Midland's business*

Midland operates in three primary segments: These are; E&P, R&M, and Petrochemicals. The opportunity, threats and capital structure of each segment also differ markedly. To have the right cost of capital estimate when taking into consideration the above factors, the variances in risk have to be reflected for the segment concerned.

# *Strategic Implications*

High WACC estimation provides a way for Midland to make efficient capital investments. It makes sure that various projects embarked on will yield a return more than the cost of capital in reality fulfilling the goal of shareholder wealth maximisation.

# *Conclusion*

This case underscores the importance of undertaking cost of capital calculations on a segment by segment basis in organizations with diversified businesses. It also points to the concept of financial strategy as a key contribution to the firm's continued competitive advantage in a volatile and competitive energy industry business environment.

# Resource

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