<b>Inputs</b> for	synthetic	rating estii	nation			
Enter the type of	of firm =	1	(Enter 1 if larg	e manufacturing	firm, 2 if small	er or riskier firm
Enter current Earnings before interest and taxes			s (EBIT) =		10000	(Add back only
Enter current interest expenses =					2000	(Use only long
Enter current long term government bond rate			=		6.00%	
Output						
Interest covera	ge ratio =		5.00			
Estimated Bond Rating =			А			
Estimated Default Spread =			1.00%			
Estimated Cost of Debt =			7.00%			
For large manufacturing firm		18			For financial service firms	
If interest coverage ratio is					If long term interest coverage r	
>	? to	Rating is	Spread is		greater than	? to
-100000	0.199999	D	10.00%		-100000	0.049999
0.2	0.649999	С	7.50%		0.05	0.099999
0.65	0.799999	CC	6.00%		0.1	0.199999
0.8	1.249999	CCC	5.00%		0.2	0.299999
1.25	1.499999	B-	4.25%		0.3	0.399999
1.5	1.749999	В	3.25%		0.4	0.499999
1.75	1.999999	B+	2.50%		0.5	0.599999
2	2.499999	BB	2.00%		0.6	0.799999
2.5	2.999999	BBB	1.50%		0.8	0.999999
3	4.249999	A-	1.25%		1	1.49999
4.25	5.499999	А	1.00%		1.5	1.99999
5.5	6.499999	A+	0.80%		2	2.49999
6.5	8.499999	AA	0.50%		2.5	2.99999
8.50	100000	AAA	0.20%		3	100000
For smaller an	nd riskier firms					
If interest coverage ratio is						
greater than	? to	Rating is	Spread is	-		
-100000	0.499999	D	10.00%			
0.5	0.799999	C	7.50%			
0.8	1.249999	CC	6.00%			
1.25	1.499999	CCC	5.00%			
1.5	1.999999	B-	4.25%			
2	2.499999	В	3.25%			
2.5	2.999999	B+	2.50%			
3	3.499999	BB	2.00%			
3.5	4.499999	BBB	1.50%	_		
4.5	5.999999	A-	1.25%			
6	7.499999	A	1.00%	4		
1.5	9.499999	A+	0.80%			
9.5	12.499999	AA	0.30%			
12.5	100000	AAA	0.20%			

, 3 if financial service firm)									
long term interest expense for financial firms)									
term interest expense for financial firms)									
	_	-							
<i></i>									
atio is	G 1:	i I D	1.						
Rating is	Spread is	ating Income De	ecline						
D	10.00%	-50.00%							
C	7.50%	-40.00%							
CC	6.00%	-40.00%							
CCC	5.00%	-40.00%							
B-	4.25%	-25.00%							
В	3.25%	-20.00%							
B+	2.50%	-20.00%							
BB	2.00%	-20.00%							
BBB	1.50%	-20.00%							
A-	1.25%	-17.50%							
А	1.00%	-15.00%							
A+	0.80%	-10.00%							
AA	0.50%	-5.00%							
AAA	0.20%	0.00%							
	L								