

## Assignment-71

~~Explain the difference between the Cost of Capital decrease~~  
Explain the difference between the operating income approach and the Cost of Capital approach?

### Operating Income approach:

Operating Income Approach	Cost of Capital Approach
The operating Income Approach is a method used to estimate the Value of a business or asset.	The optimal debt ratio is the one that minimizes the cost of Capital for a firm.
Profit from core operation in the focus	Overall profitability considering cost of financing in focus
Operating income (includes / excludes interest, taxes and non-operating income)	WACC (includes cost of equity, cost of debt, tax rate).
Evaluate operational efficiency in the purpose	Assess investment viability and required returns in purposes.
Internal performance analysis and Comparisons primary use	Investment, project evaluation and Value assessment. Primary Use.

Done ✓