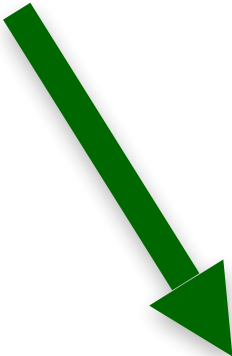


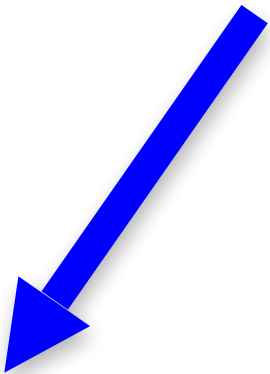
Out of pocket
expense



Explicit cost

Implicit cost

\$interest you no
longer earn



\$interest you pay
to the bank



If you borrow
money



If you use your
own money



Explicit Cost = 0

You do not *pay*
interest

Opportunity Cost

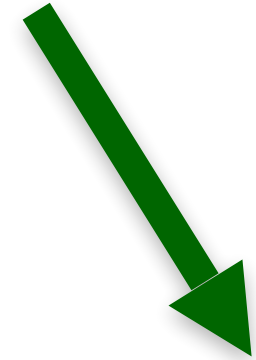
The Cost of Capital

The Cost of Capital

If you borrow
money



Explicit cost



Out of pocket
expense

\$interest you **pay**
to the bank

If you use your
own money

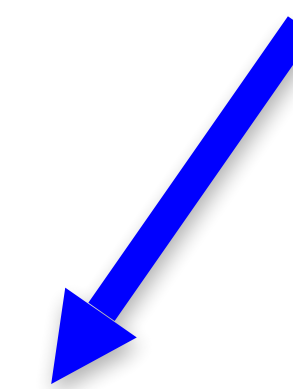


Explicit Cost = 0

You do not **pay**
interest



Implicit cost



\$interest you **no**
longer earn

Opportunity Cost

The Cost of Land