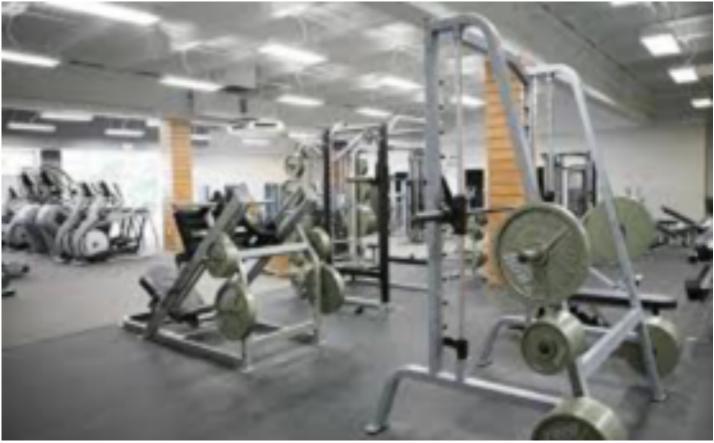
You take \$100,000 out of your savings account where you were earning 7% interest, to buy equipment for your business







You did not give up \$100,000, you still have the money

No longer in Cash

But in Assets

What you gave up when you transformed cash into equipment, was your opportunity to earn interest

Casherest

Assets don't earn interest

































= interest you no longer earn with your money tied up in equipment

Cost = What you give up

What is the cost of the equipment?

\$100,00 in Cash

\$100,000 in Assets























=7,000 in missed interest

Transformed

Opportunity Cost

You take \$100,000 out of your savings account where you were earning 7% interest, to buy equipment for your business

Casherest

Transformed



interest

\$100,00 in Cash
No longer in Cash

\$100,000 in Assets
But in Assets

What is the cost of the equipment?

Opportunity Cost = 7,000 in missed interest

The Cost of Capital