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### CONTRADICTIONS IN COST OF CAPITAL APPROACHES

#### **Abstract:**

An important business economics category is the cost of capital, which defines the core entrepreneurial purpose in the private ownership-based economy where property owners determine decision-making and investment. The cost of capital includes the estimated price of the capital used (risk-free interest rate) and the required risk premium. Determining the required rate of return depending on the capital structure (WACC) and using it in finance to measure a firm's cost of capital is becoming increasingly widespread. The present study examines how the cost of capital can be approached from business economics and finance perspectives. The paper analyses the comparable factual profitability indicators (return on investment, return on equity, etc.), and the contradictions between them, as well as determining if there are deductible economic meanings behind the comparisons. The study presents the results with a graphic analytical framework.

#### **Keywords:**

cost of capital

WACC

return on investment (ROI)

return on equity (ROE)

**JEL Classification:** M20, G30