

PROFITS AND COSTS

Suppose a firm has an annual budget of \$100,000 in wages and salaries, \$50,000 in materials, \$20,000 in new equipment, \$10,000 in rented property, and \$20,000 in interest cost on capital. The opportunity cost for stockholder investments is \$30,000 per year and there is an owner-manager who could receive income of \$50,000 by working elsewhere. The firm earns revenues of \$210,000 pr year.

- 1. The annual accounting costs for the firm described above are:**
- 2. The annual explicit costs for the firm described above are:**
- 3. The annual implicit costs for the firm described above are:**
- 4. The annual economic costs for the firm described above are:**
- 5. The accounting profit/loss for the firm described above is:**
- 6. The economic profit/loss for the firm described above is:**
- 7. What must the above firm do to receive a normal profit?**