

VISUAL 1

WHAT IS ECONOMICS?

Economics: The Decision-Making Science

VISUAL 2

SMALL FIRM, INC.

INCOME STATEMENT

Small Firm, Inc.

Revenue\$100,000

Expenses

Rent\$24,000

Materials16,000

Labor30,000

70,000

70,000
\$30,000

Small Firm, Inc. is showing a profit of \$30,000 – OR IS IT?

VISUAL 3

SMALL FIRM, INC.'S ACCOUNTING PROFIT

INCOME STATEMENT**Small Firm, Inc.**

Revenue \$100,000

Expenses

Rent \$24,000

Materials 16,000

Labor 30,000

70,000

Accounting Profit \$30,000

VISUAL 4

SMALL FIRM, INC.'S ECONOMIC LOSS

INCOME STATEMENT									
Small Firm, Inc.									
Revenue	\$100,000								
Expenses									
Explicit costs {	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Rent</td> <td style="text-align: right; width: 15%;">\$24,000</td> </tr> <tr> <td>Materials</td> <td style="text-align: right;">16,000</td> </tr> <tr> <td>Labor</td> <td style="text-align: right;">30,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">70,000</td> </tr> </table>	Rent	\$24,000	Materials	16,000	Labor	30,000		70,000
Rent	\$24,000								
Materials	16,000								
Labor	30,000								
	70,000								
	Accounting Profit \$30,000								
Implicit cost {	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Normal Profit</td> <td style="text-align: right; width: 15%;">60,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">Economic Profit (Loss) (\$30,000)</td> </tr> </table>	Normal Profit	60,000		Economic Profit (Loss) (\$30,000)				
Normal Profit	60,000								
	Economic Profit (Loss) (\$30,000)								

VISUAL 5

WHERE DID THE PROFIT GO?

INCOME STATEMENT	
Small Firm, Inc.	
Revenue	\$130,000
Expenses	
Explicit costs {	Rent \$24,000
	Materials 16,000
	Labor 30,000
	70,000
	Accounting Profit \$60,000
Implicit cost {	Normal Profit 60,000
	Economic Profit - 0 -

