Solutions

Each answer shows the steps, then the **result**.

2.1

- accounting profit subtracts only explicit costs; economic profit subtracts both explicit and implicit costs

2.2

- $200 - 120 - 50 = \$30\text{k}$

2.3

- the profit earned when economic profit is exactly zero

3.1 C

3.2 B

3.3

(a)

- $150 - 90 = \$60\text{k}$

(b)

- $150 - 90 - 60 = \$0$

(c)

- yes — it earns normal profit, matching the next-best alternative