

paid employees - 500 thousand dollars
interest for loan - 1 million dollars,
depreciation - 500 thousand dollars,
raw materials, maintenance - 300 thousand dollars,
total income - 3 million dollars.
owner as an employee - 40 thousand dollars.
investing capital in another business - 100 thousand dollars.

Determine:

1) Accounting costs = $500,000 + 1,000,000 + 500,000 + 300,000 = \$2,300,000$

2) The economic costs are the same as accounting costs = $\$2,300,000$.

3) accounting profit = Total income - total costs = 3 million - 2.3 million = $\$0.7$ million.

4) Economic profit includes also profit, that could be gained from the alternative sources of income.

Economic profit = 3 million + 0.04 million + 0.1 million - 2.3 million = $\$0,84$ million.

5) Should the owner of the company continue their work?

As the alternative income sources are comparatively small, the owner should continue his work.