Accounting Profit vs. Economic Profit

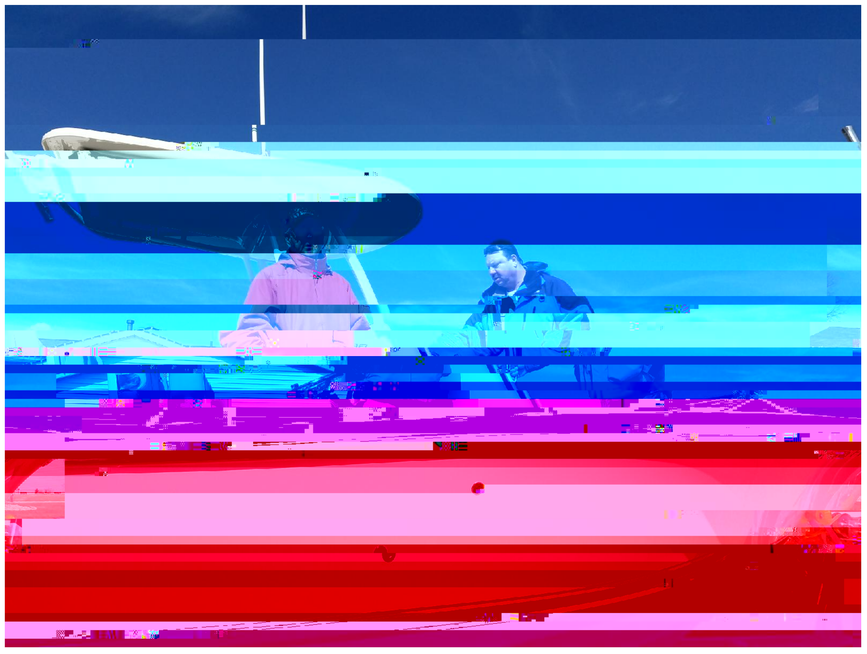
Michael Mishak and CJ Roth, Kent State University

Introduction

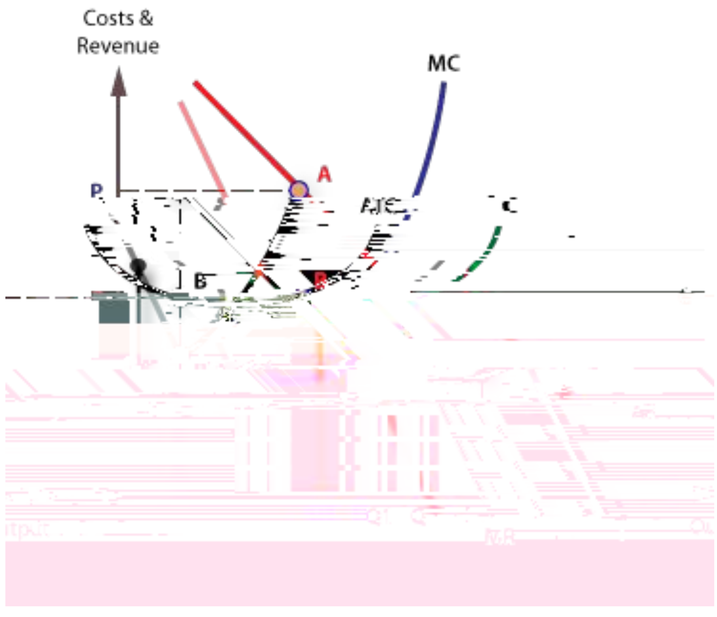
Accounting profit and Economic profit represent two models for identifying a business's overall profit and success. Both are good tools to use. However, through some research and economic theory, it seems that Economic Profit would make more sense and leave accounting profit out of date.

Methods:

To figure if accounting profit or economic profit is more applicable, we looked at two case studies. One was a charter at Lake Erie, a small business. The other we looked at a very large company, such as Apple.



Results:

Economic profit is more efficient for classifying profit for small business

Accounting profit is more efficient at classifying profit for big business