

**Year 11 Economics Worksheet 8**

**Strand 2 – Microeconomics**

Read the article below and answer the questions which follow.

Last year Litea had a job as a manager of a cafeteria for a Food Company which paid her \$65,000 a year. She had \$50,000 in her bank account which gave her a return of 5%. She wanted to own a restaurant herself, so she gave up her job and invested \$50,000 of her savings in buying farming machineries. In the first year she gained \$40,000. Her expenses were only \$5,000. Costs are usually high in the first year, because she was getting the business established.

(a) Define the following terms:

(i) **Accounting Costs** **(1 mark)**

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(ii) **Implicit Costs** **(1 mark)**

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(iii) **Economic Profit** **(1 mark)**

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(b) Calculate her accounting profit. **(1 mark)**

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(c) Calculate her economic profit. **(1 mark)**

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(d) Assume that you are a business adviser. Advise Litea whether her option is sustainable or not. **(2 marks)**

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