# The Chart of difference between Accounting and Economic Profit

| Points of differences | Accounting Profit | Economic Profit |
|---|---|---|
| **Meaning** | It refers to the net income earned by a business firm during an accounting period. | It refers to the surplus obtained by deducting total costs from the total revenue. |
| **Calculation** | It can be calculated as the difference between Total Revenue and Total Cost where Total Cost includes the only explicit cost. | It can be calculated as the difference between Total Revenue and Total Cost where TC includes both explicit as well as implicit cost. |
| **Highlights** | It highlights the profitability of the business firm. | It highlights the efficiency of the business firm in the allocation of resources. |
| **Relevance** | Accounting profit is practical from the viewpoint of the financial perspective. | Economic profit doesn't provide a precise picture. |
| **Considered By** | It is considered by the accountants. | It is considered by economists. |
| **Formula** | Accounting Profit = Total Revenue - Explicit costs | Economic Profit = Total Revenue - (Explicit + Implicit Costs) |
| **Consideration** | It doesn't consider Opportunity Costs. | It considers Opportunity Costs. |
| **Inter - Relation** | Accounting profit is normally more than economic profit. | Economic profit is normally less than accounting profit. |
| **Can also be referred to** | It can also be referred to as the revenue obtaining post-meeting all economic costs | It can also be referred to as the profit when total costs exceed opportunity cost. |
| **Relevance in the Long run** | It is basically a short-run phenomenon as it tells the financial health of the business. | It is used for long term strategies in business. |
| **Reliability** | It is the real profit of the firm. | It is the abnormal profit of the business firm. |