# Chp-7 Factors of Production

## Answer Key

**GEAR UP** **PAGE 128**

Students will do it by themselves.

**PROGRESS MILESTONE** **PAGE 135**

1. factors
2. human
3. machines, buildings
4. demographic
5. risk-taking

**PROGRESS MILESTONE** **PAGE 137**

**1.** (×) **2.** (✓) **3.** (✓) **4.** (×)



**LET US PRACTISE** **PAGES 140–141**

**A.** **1.** (d) Entrepreneurship

**2.** (b) It improves the quality of labour

**3.** (c) Capital

**4.** (b) Reusing and recycling resources

**B.** **1.** technology

1. production

2. entrepreneurship

3. future generations

**C.** **1.** A machine is one example of fixed capital.

**2.** Technology is the practical application of scientific knowledge to improve the way work is done.

**3.** Education is important for labour because it improves skills, efficiency and productivity.

**4.** Businesses must provide fair wages, safe working conditions and legal protection to workers.

**D.** *1.*

| Labour | Entrepreneurship |
|---|---|
| (i) Labour refers to the physical and mental effort used in production. | (i) Entrepreneurship refers to planning, organising, decision-making and risk-taking. |
| (ii) Labour performs tasks in the production process. | (ii) Entrepreneurship brings together land, labour and capital. |
| (iii) Labour follows instructions and uses skills. | (iii) Entrepreneurship creates opportunities and starts businesses. |

**2.** Health is important for human capital formation for the following reasons:

(i) Healthy workers are more productive and efficient.

(ii) Good health reduces absenteeism from work.

(iii) It improves the quality of labour.

(iv) It increases the economic output of a country.

**3.** Technology helps the production process in the following ways:

(i) It increases efficiency and speed.

(ii) It improves the quality of goods and services.

(iii) It reduces manual effort.

(iv) It lowers production costs in many cases.

**4.** Producers must use natural resources responsibly because:

(i) Natural resources are limited.

(ii) Overuse can harm the environment.

(iii) Sustainable use protects resources for future generations.

(iv) Responsible production ensures long-term economic growth.

**E.** **1.** The four factors of production and their roles can be explained as follows:

(i) Land: Land includes all natural resources such as soil, water, forests, minerals, air and space. It provides raw materials and space for farming, factories, transport and markets.

For example, farmland is used to grow crops and minerals are used in industries.

(ii) Labour: Labour refers to the physical and mental effort of people used in production. It includes farmers, factory workers, teachers, engineers and doctors. Labour becomes human capital when supported by education, training and health.

(iii) Capital: Capital includes man-made resources such as machines, tools, buildings, vehicles and money. It helps workers produce goods efficiently and in large quantities. For example, a sewing machine helps a tailor stitch clothes faster.

(iv) Entrepreneurship: Entrepreneurship involves planning, organising, decision- making and risk-taking. Entrepreneurs bring together land, labour and capital to start and manage businesses. For example, a factory owner plans production and takes financial risks.

**2.** Human capital refers to labour that is educated, skilled, trained, experienced and healthy, focusing on the quality and efficiency of work rather than only the quantity of labour.

Importance of education and training:

(i) Education develops knowledge and understanding.

(ii) Training builds job-specific skills.

(iii) Together they help people use technology, solve problems and adapt to changing jobs.

Importance of health:

(i) Good health allows workers to work regularly and productively.

(ii) It reduces absence due to illness.

(iii) Healthy workers contribute more effectively to production and economic growth.

3. An entrepreneur identifies business opportunities, plans and organises the use of land, labour and capital and makes decisions about production and prices.

   The entrepreneur also takes financial risks and introduces innovation and improvements in the production process.

   An entrepreneurship is the driving force because:

   (i) It starts the production process.

   (ii) It coordinates all other factors of production.

   (iii) It creates employment and new goods and services.

   (iv) Without entrepreneurship, land, labour and capital remain unused.

4. Corporate Social Responsibility means that businesses work for the welfare of society and the environment along with earning profits.

   Companies contribute through CSR in the following ways:

   (i) Companies support education and healthcare.

   (ii) They help local communities.

   (iii) They protect the environment.

   (iv) They improve living conditions around their workplaces.

   (v) In India, some companies are legally required to spend part of their profits on CSR activities.

**F.** 1. Four factors of production used

- Land: rented space for the stall
- Labour: two helpers
- Capital: utensils, gas stove and savings
- Entrepreneurship: planning, pricing and risk-taking

2. Entrepreneurship was shown by Riya because she planned the business, decided prices and took the risk of starting the stall.

3. Technology helped Riya by enabling online payments and improving hygiene to attract more customers.



## ASSERTION-REASON PAGE 141

1. (d) (A) is false but (R) is true.
2. (a) Both (A) and (R) are true and (R) is the correct explanation of (A).

## PICTURE-BASED QUESTIONS PAGE 141

1. The factors shown are labour and capital.
2. This is an example of labour-intensive production because more human effort is used than machines.

## HOTS (HIGHER-ORDER THINKING SKILLS) PAGE 142

The importance of factors of production varies by industry in the following ways:

(i) Different industries require different combinations of land, labour, capital and entrepreneurship.

(ii) A software company depends mainly on skilled labour and human capital.

(iii) Education, training and technical knowledge are crucial in software production.

(iv) A cement factory depends more on capital such as heavy machinery and equipment.

(v) It also requires natural resources like limestone under the factor of land.

(vi) Some industries are labour-intensive, while others are capital-intensive. Thus, the relative importance of each factor depends on the nature of production.

## LIFE SKILLS — PAGE 142

A business can balance profit-making with responsibility in the following ways:

(i) Use natural resources carefully and avoid overexploitation.

(ii) Adopt sustainable production methods.

(iii) Reduce waste and promote recycling.

(iv) Provide fair wages and safe working conditions to workers.

(v) Invest in skill development and training.

(vi) Follow Corporate Social Responsibility practices. Real-life example:

Many companies install pollution-control equipment and adopt eco-friendly practices while ensuring fair wages and workplace safety. This helps them earn profits while protecting the environment and supporting workers.

**A.** *Project Work* *Page 142*

Students will do it by themselves.

**B.** *Gathering Information* *Page 142*

Students will do it by themselves.

## GIVE IT A TRY — PAGE 142

Students will do it