

FACTORS OF PRODUCTION

ECONOMICS CHAPTER – 1

Very Short Answer Type Questions

1. Give one example of fixed capital.

Answer: A machine is an example of fixed capital.

2. What is technology?

Answer: Technology is the application of scientific knowledge to improve production processes.

3. Why is education important for labour?

Answer: Education improves workers' skills, productivity, and earning opportunities.

4. What responsibility do businesses have towards workers?

Answer: Businesses must ensure fair wages, safety, and good working conditions.

Short Answer Type Questions

1. Differentiate between labour and entrepreneurship.

Answer: Labour and entrepreneurship differ in the following ways: labour provides physical and mental effort for production, whereas entrepreneurship organizes resources, takes risks, and makes business decisions.

2. Why is health important for human capital formation?

Answer: Health is important for human capital formation because healthy individuals work efficiently, learn better, reduce absenteeism, and contribute more productively to economic development.

3. How does technology help in the production process?

Answer: Technology helps in the production process by increasing efficiency, improving product quality, saving time, reducing costs, and enhancing productivity.

4. Why must producers use natural resources responsibly?

Answer: Producers must use natural resources responsibly because these resources are limited, and their conservation ensures sustainable development for future generations.

Long Answer Type Questions

1. Explain the four factors of production. Describe the role of each with suitable examples.

Answer: The four factors of production and their roles are as follows:

1. Land provides natural resources used in production, such as water, minerals, and agricultural land.
2. Labour contributes physical and mental effort to produce goods and services.
3. Capital includes man-made resources like machines, tools, and buildings that assist production.
4. Entrepreneurship organizes all resources, takes risks, and makes important business decisions.

Together, these factors ensure the smooth functioning of the production process.

2. What is human capital? Discuss the importance of education, training and health in improving the quality of labour.

Answer: Human capital refers to the knowledge, skills, abilities, and health possessed by individuals that enhance productivity. Its importance includes:

1. Education improves knowledge and decision-making abilities.
2. Training develops technical and professional skills.
3. Good health increases efficiency and reduces absenteeism.
4. Improved labour quality leads to higher productivity and income.
5. A skilled and healthy workforce contributes to national economic development.

3. Describe the role of an entrepreneur in the production process. Why is entrepreneurship called a driving force of production?

Answer: Entrepreneurship is called the driving force of production because entrepreneurs coordinate all productive activities. Their roles include:

1. Organizing land, labour, and capital effectively.
2. Taking risks involved in business operations.
3. Making important managerial decisions.
4. Introducing innovation and new ideas in production.
5. Ensuring efficient utilization of resources to achieve business objectives and economic growth.

4. What is Corporate Social Responsibility (CSR), and how do companies contribute through it?

Answer: Corporate Social Responsibility (CSR) refers to a company's commitment to contribute towards social and environmental welfare. Companies contribute through CSR by:

1. Supporting educational programmes and scholarships.
2. Improving healthcare and sanitation facilities.
3. Undertaking environmental conservation activities.
4. Promoting community development and rural welfare.
5. Encouraging sustainable and ethical business practices for the benefit of society.