

in size and improve in quality. Production should also help in the determination of the price of the factors so that the amount of the income generated be appropriately spent on the factors of production.

Glossary

- **Production:** An activity that transforms input into output.
- **Factors of Production:** Four factors are Land, Labour, Capital and Organisation. Factor services are used in the process of production.
- **Land:** All gifts of Nature.
- **Labour:** Physical or mental effort of human being in the process of production.
- **Capital:** Man-made material source of production.
- **Organisation:** which takes decisions and bears risk.
- **Production function:** Technological relationship between inputs and output.
- **Supply:** The quantity of output which producers are willing and able to offer to the market at various prices.
- **Elasticity of Supply:** Responsiveness of the quantity supplied of a good to a change in its price.
- **Iso-quant:** All the combination of two inputs which are capable of producing same level of output.
- **Iso-cost:** All combination of two inputs showsthat a firm can purchase with the same amount of money.
- **Short-run Production Function:** Relationship between inputs and output, when there is at least one fixed factor in the production process.
- **Long-run Production Function:** Relationship between inputs and output when all factors are variable.
- **Economies of Scale:** A proportionate saving in costs gained by an increased level of production.