[Frequently Asked Questions]

Production Function

Subject:	Business Economics
Course:	B. A. (Hons.), 1st Semester, Undergraduate
Paper No. & Title:	Paper – 101 Microeconomics – I
Unit No. & Title:	Unit – 3 Production Function
Lecture No. & Title:	Lecture – 1 Production Function

Frequently Asked Questions

Q1. What does the theory of production explain?

A1. Theory of production, explains the principles by which a business firm decides how much of each it will produce, and how much of each kind of labour, raw material, fixed capital good, etc., that it employs it will use.

Q2. What is production function?

A2. The act of production involves the transformation of inputs into outputs. The relation between the inputs and output of a firm is known as the production function.

Q3. Over which period the law of variable proportions is relevant?

A3. The law of variable proportions is relevant for short run because in the short run some factors such as capital equipment, machines, land, etc remain fixed and factors such as labour and raw materials are increased to expand output.

Q4. What does the term total physical product say in production function?

A4. Total physical product (TPP) of a factor is the amount of total output produced by a given amount of the variable factor, and keeping supply of other factors like capital and capital as constant.

Q5. Can we measure the marginal product of labour from the slope of the curve?

A5. Yes. At any given level of labour employment, the marginal product of labour can be obtained by measuring the slope of the total product.

Q6. What does the law of variable proportions say?

A6. The law of variable proportions is the new name given to the 'Law of Diminishing Returns' of the classical economics.

Q7. In which situation the Law of variable proportions is applicable?

A7. The Law of variable proportions examines the production function with one factor variable, keeping the quantities of other factors fixed. Thus it refers to the input-output relation.

Q8. What is isoquant ? when do we use isoquants?

A8. An isoquant represents all those factor combinations which are capable of producing the same level of output.

For the analysis of production function with two variable factors, the concepts of iso-quants or iso-product curves are used which are similar to indifference curves of the theory of demand.

Q9. Can we label the isoquants to identify production level?

A9. Yes. Isoquants can be labeled in physical units of output without any difficulty. Since each isoquant represents a specified level of production, it is possible to say by how much production one isoquant represents.

Q10. What does the term 'returns to scale' stands for?

A10. The study of changes in output due to the changes in the scale forms the subject matter of 'returns to scale'. The returns to scale may be constant, increasing or decreasing.