



## **[Glossary]**

### **Production Function**

<b>Subject:</b>	Business Economics
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<b>Paper No. &amp; Title:</b>	Paper – 101 Microeconomics – I
<b>Unit No. &amp; Title:</b>	Unit – 3 Production Function
<b>Lecture No. &amp; Title:</b>	Lecture – 1 Production Function

## **Glossary**

**Equilibrium:** A condition where there is no tendency for an economic variable to change

**Constant Returns to Scale:** A long run production concept where a doubling of all factor inputs exactly doubles the amount of output.

**Decreasing Returns to Scale:** A long run production concept where a doubling of all factor inputs results in less than double the amount of output.

**Diminishing Marginal Productivity:** A short run production concept where increases in the variable factor of production lead to less and less additional output.

**Factors of Production:** An exhaustive list of inputs required for any type of production.

**Final Goods:** Goods and services that are produced for direct sale.

**Increasing Returns to Scale:** A long run production concept where a doubling of all factor inputs more than doubles the amount of output.

**Production Function:** A technical relationship between a certain level of factor inputs and the corresponding level of output.

**Short Run Production:** Production activity where only one factor of production may vary in quantity. All other factors of production are fixed in quantity. Substitution among factors is not possible.

**Variable Costs of Production:** Production costs related to changing quantities of a variable factor of production in the short run.