

Principles of Economics (English Medium) - ICOM Part 1 Economics English Medium Chapter 7 Short Questions Preparation

Q1. What is production function ?

Ans 1: Production function shows the physical relationship between inputs and output. Classical production function concerned with short-run. This production function depends upon units of labour only while capital is held constant.

$$Q = f(L) K$$

Q2. Describe the application of law of constant returns.

Ans 1: According to neo-classical economics, the law of constant return is mostly applicable in those sectors where natural and human forces are balanced. This law is applicable in handicraft, poultry farms, fisheries and forestry etc.

Q3. Define law of increasing returns.

Ans 1: When marginal production increases, by applying more units of variable factors with fixed factor known as law of increasing returns if other things remain the same.

Q4. Describe the assumptions of law of diminishing returns.

Ans 1:

1. No change in fixed factor. (land)
2. No change in technique of production.
3. Variable factors are equally efficient.
4. Factors are perfectly substitutes.
5. Short period situation.

Q5. Define law of increasing cost.

Ans 1: When Marginal Cost increases with the increase of variable factor with fixed factor, it is known as law of increasing cost. Another name of this law is law of diminishing return.

Q6. Define law of constant cost.

Ans 1: By applying units of variable factor with fixed factor, marginal cost remains constant. It is known as law of constant cost. Another name of law of constant cost is law of constant return.

Q7. Write the application of law of increasing returns.

Ans 1: Law of increasing return is applicable in every field of production. But this law is more applicable in industrial sectors because Marshall says.

"Law of increasing returns is applicable in those sectors where human beings work more effective than nature."

Q8. What are other names for laws of return ?

Ans 1: Other name of laws of returns is laws of cost which consist on three laws:

1. Law of diminishing cost.
2. Law of constant cost.
3. Law of increasing cost.

Q9. What is fixed factor of production ?

Ans 1: That factor which cannot be change in short period of time is known as fixed factor of production. Land is such kind of fixed factor.

Q10. Describe the application of law of diminishing returns.

Ans 1: According to neo-classical economics, the law of diminishing return is mostly applicable in agricultural sector because Marshall say law of diminishing returns is applicable in the field where nature works more effective than that of human management.
