

## **P F - R & U - Very Short - Info & Con**

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### **Q.1. What is meant by production function?**

**Ans.** Production function studies the functional relationship between physical inputs and physical output.

### **Q.2. What are the fixed factors of production?**

**Ans.** Fixed factors of production are those factors of production the application of which does not change with the change in output.

### **Q.3. What are the variable factors of production?**

**Ans.** Variable factors of production are those factors of production the application of which changes with the change in output.

### **Q.4. Define short period.**

**Ans.** Short period is a time period in which, for any change in output, the producer can change only the variable factors while the fixed factors are constant. Scale of output remains constant.

### **Q.5. Define long period.**

**Ans.** Long period is a time period when the scale of output can be changed. All factors are variable factors in the long run.

### **Q.6. What is the basic difference between short run production function and long run production function?**

**Ans.** Short run production function is variable proportions type production function. Scale of output remains constant. Long run production function is constant proportions type production function. Scale of output does not remain constant.

### **Q.7. Spell out the basic difference between the 'law of variable proportions' and 'returns to scale'.**

**Ans.** Law of variable proportions is a short period concept when output can be increased only by increasing the application of the variable factor. Fixed factor (indicating scale of output) remains constant. Returns to scale is a long period concept when output can be increased by increasing the scale of output. Increasing returns, constant returns and diminishing returns tend to operate when the scale of output is expanded, even when all the factors are variable factors.

**Q.8. What is meant by returns to a factor?**

**Ans.** Returns to a factor refers to the behaviour of output when only the variable factor of production is changed, fixed factors remaining constant.

**Q.9. What is meant by increasing returns to a factor?**

**Ans.** Increasing returns to a factor is a situation when due to increasing application of the variable factor marginal product (MP) of the factor tends to rise.

**Q.10. What leads to increasing returns to a factor?**

**Ans.** Fuller utilisation of the fixed factor along with better coordination among different factors leads to increasing returns to a factor.

**Q.11. State the law of variable proportions**

**Ans.** Law of variable proportions states that, as more and more of the variable factor is used along with the fixed factor, marginal product of the variable factor must ultimately fall, even when it may initially rise and subsequently stabilise.

**Q.12. What leads to a diminishing returns to a factor?**

**Ans.** Over-utilisation of the fixed factor along with poor coordination among different factors leads to diminishing returns to a factor.