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**For – LNMU B. Com part -1 , Subsidiary PAPER -
I ,Business Economics and Environment**

Unit:3 Production function



Ques-Who is an Entrepreneur?

Easy to Understand the concept

Ans-

- ✓ *The task of organization is undertaken by a specialized class of people in modern industry who are generally known as entrepreneurs.*
- ✓ *The fundamental function of the enterprise/entrepreneur is to visualize the possible situations which can be easily utilized for the expansion of the productive capacity so that the standard of living of the people may be raised rapidly.*
- ✓ *For this he takes efforts to organize production by bringing together land, labour and capital.*

Type of Entrepreneur:

❖ *On the basis of Nature:-*

- i. Innovative*
- ii. Imitative*
- iii. Fabion Drone*

❖ *On the basis of Ownership :-*

- i. Government*
- ii. Private*
- iii. Joint Sectors*
- iv. Co-operative Sector*

❖ *On the basis of Size:-*

- i. Small*
- ii. Large*

❖ **On the basis of Number:-**

1. **Single**
2. **Group**

❖ **On the basis of Social Utility:-**

- i. **Model**
- ii. **Exploitative**

1. Functions of an Entrepreneur :- An entrepreneur performs the following main functions :-

(i) **Planning and Initiating Business**

(ii) **Organizing the Business**

(iii) **Risk Bearing function**

(iv) **Innovations**

2. Problems of Entrepreneur : An enterprise faces a number of Problems from its inception till its closure. Some of them are Discussed as under:

(i) Problems Relating to Objectives:

(a) Organic Objectives

(b) Economic Objectives

(c) Social Objectives

(d) Human Objective.

(e) National Objectives

(ii) Problem Relating to Locations and Size of the Plant

(iii) Problems Relating to Finance

(iv) Problems Relating to Marketing

(v) Problems Relating to Legal Formalities

Ques-What is Production function?

Ans.: *Production function means functional relationship between physical Inputs of factors of production and physical output of a firm. It indicates Maximum rate of output that can be obtained from different combinations Of productive factors during a certain period of time and for a given state Of technical knowledge and marginal ability.*

$$P = f (a, b, c, d \dots .)$$

Whereas,

P = Quantity of production

$A b c d \dots$ = Quantities of various factors of production

F = Function of (depends upon)

Two things are important to be noted is this respect :-

- (i) Production function should be considered with reference to a Particular period of time.**

- (ii) Production function is determined by the state of given technology.**

If there is any change in technological know how, production Function will also change.

Nature or Characteristics of Production Function :

- (i) It shows relationship between physical quantities of output and Input.***
- (ii) It is totally independent of the price of product and also of the Factors of production.***
- (iii) It should be considered with a given state of technology.***
- (iv) It should be considered with reference to a particular period of Time.***
- (v) Change in inputs is essential to change a production function.***

Quantity of a factor of production should be measured in terms of The length of time for which it is used.

Ques-What are the various concepts of Product?

Ans.: Concept of Product :

1.Total Product (TP) : TP is the total quantity of goods produced by a Firm during a specific time period. It can be increased by increasing The quantity of variable factor. As shown in the figure, the T.P Curve starts from the origin, increases at increasing rate, rises at a Decreasing rate, reaches, the maximum and then starts falling

2.Marginal Product (MP) : MP is the change in the T.P by producing One more unit of output. That is, it is the difference made to T.P From the use of an additional unit of variable factor (labour).

$$MP = T.P_n - T.P_{n-1}$$

Where n = Number of units produced

3.Average Product (AP) : It is the amount of output per unit of the Various factor employed.

$$AP = \frac{\text{Total Output}}{\text{No. of Labour Input}}$$

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Or $AP = TP/n$

Easy to Understand the concept