

The factors of production

- 1 Sanjay is a risk taker and sets up a restaurant in Chennai. Sanjay works for the business as a chef. He leases the restaurant building from Raghav and employs him to serve the customers.

Which income is earned by Sanjay and Raghav?

	Sanjay	Raghav
A	interest and profit	wages only
B	interest and wages	profits and rent
C	profits and wages	rent and wages
D	profits only	interest and wages

- 2 Which statement about the factors of production is correct?

- A** Capital is a financial resource and includes savings in banks.
- B** Enterprise is limited in supply and includes office workers.
- C** Labour is a human resource and includes pensioners and children.
- D** Land is a natural resource and includes trees and fish.

- 3 What could cause an increase in demand for a factor of production?

- A** decrease in the efficiency of the factor of production
- B** decrease in the price of an alternative factor of production
- C** increase in the demand for the good or service produced
- D** increase in the price of the factor of production

- 4 Which factor has the correct factor reward identified?

	factor	factor reward
A	capital	profit
B	enterprise	wages
C	labour	interest
D	land	rent

- 5 An airline needs people and equipment. These can be divided into factors of production.

What is allocated to its correct factor of production?

	people or equipment	factor of production
A	aircraft	capital
B	airline owners	labour
C	computer network	land
D	pilots	enterprise

- 6 Which group linked to a firm always bears the risk of the decision to produce?

- A** creditors
- B** managers
- C** owners
- D** workers

- 7 Reena makes a living by selling paintings of the town in which she lives. She sells them in an open-air market once a week.

In order to be able to sell more pictures in a week she decides to buy a studio, pay someone to help in the studio and try to increase demand by advertising in the local paper.

Which factors of production were changed?

- A** capital and enterprise
 - B** enterprise and labour
 - C** labour and capital
 - D** labour only
- 8 In which case is it possible to set the level of reward before production takes place for the first factor of production but **not** for the second?

	first factor	second factor
A	capital	land
B	enterprise	labour
C	labour	capital
D	land	enterprise

- 9 In a region of high unemployment, a manufacturer applied for a loan from the government so that the number of machines in an existing factory could be increased. It was hoped this would also enable more workers to be employed.

Which factors of production does this decision involve?

- A labour and capital only
 - B labour, capital and enterprise only
 - C land, labour and capital only
 - D land, labour, capital and enterprise
- 10 What is most likely to reduce the supply of factors of production in an economy?
- A increasing the age of retirement
 - B introducing new methods of irrigation
 - C lowering the cost of borrowing from banks
 - D raising the rate of tax on profits