production

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- ☆ Iso-quants are the product lines
- ☆ MP & AP curve are so related that when average product increases
- ☆ Increasing Return to scale can be Explained in term of External & Internal Economics.
- ☆ An isoquant is tangent to an isocost line at the equilibrium point.
- ☆ At the point of Inflextion, the Marginal product is Maximum.
- ☆ Diminishing Marginal Return implies Increasing Marginal Cost.
- ☆ law of variable proportion is valid, when only one input is fixed & all other inputs are Kept variable.
- ☆ Increase in all input leading to less than proportional increases in output is called Decreasing Return to Scale.
- ☆ During 2nd stage of law of diminishing Return MP & AP are Decreasing.
- ☆ Schumpeter gives the concept of Innovative Enterpreneurship.
- ☆ External Economics of Scale are obtained by group of firms
- ☆ when firm's output is zero — AVC will zero & AFC will positive
- ☆ law of diminishing Returns is applicable in any Economic activity at a point of time.
- ☆ labour force wants more leisure.
- ☆ In first stage of LOVP, the total product increases at Increasing Rate.
- ☆ The concept of Return to Scale is Related to Long Run
- ☆ production activity in Long Run is analysed with the help of law of variable proportion.
- ☆ External Economics can be archieved through - Extension of transport & credit facility.
- ☆ External Economies arise due to Growth of ancilliary Industries.

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- ☆ production function is purely a technical Relationship b/w Input & output.
- ☆ The concept of Return to Scale is Related with long-run.
- ☆ In Cobb-Duglus production function 2 inputs are labour & Capital.
- ☆ Linear Homogeneous production function is based on :- Decreasing Return to scale.
- ☆ Production is defined as creation of utility in matter.
- ☆ In Cobb douglas function, labour contribute $3/4^{th}$ & Capital About $1/4^{th}$.
- ☆ Iso-quant also known production Indifference Curves.
- ☆ Human Capital Refers to Human skill & abilities.
- ☆ When AP rises result increase in Qty. of variable factor MP is More than Average product.
- ☆ Cobb-douglas production function is based on production of Manufacturing industries in USA.
- ☆ In Economics, Entire process of production is nothing but creation of utilities in form of goods & services.
- ☆ Cobb-Douglas function is given by $Q = KL^{a}C^{b} \longrightarrow$ if $\alpha + \beta > 1$, Increasing Return to Scale.
- ☆ Man cannot create Matter, Man can create only utility in Matter.
- ☆ At the point of Inflextion, the Marginal product is Max.
- ☆ In Cobb-douglas prod. function, we ll get Constant Ret. to Scale.
- ☆ MP, AP & TP of firm in short run will not comprise with when marginal product is at max., AP & MP & TP is rising.
- ☆ Supply of land is perfectly InElastic.
- ☆ MP is a slope of TP.

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cost

- ☆ Oppourtunity cost is cost of forgone oppourtunity.
- ☆ As output increases, Average fixed cost starts falling.

  AFC ⇒ $\frac{\text{fixed cost}}{\text{No. of units produced.}}$

- ☆ AFC can be obtained through ⇒ AFC ⇒ $\frac{TFC}{TU}$
- ☆ AFC curve is convex & downward sloping.
- ☆ U shaped avg. fixed cost is Based on law of variable proportion
- ☆ Shape of avg. cost curve is upward; MC must be rising.
- ☆ Accounting cost Exclude - Accounting + Explicit cost
- ☆ Total fixed cost curve never be 'U' shaped.
- * External Economics accrue due to Increasing Return to Scale.
- ☆ At lowest point MC intersect the AVC & Short Run Avg Total cost curve.
- ☆ Implicit cost defined as money payment which the self Employed could have Earned in their best alternative Employment.
- ☆ Return to Scale comes into operation when all inputs wheather fixed or variable are changed in same proportion i.e. the scale of production changes.
- ☆ AFC curve never touches any axis but its slopes downward.
- ☆ Long Run Average cost curve also known as Enveloping curve.
- ☆ long Run does not have fixed cost
- ☆ MC ⇒ Diff. in TC ÷ Diff. in total unit
- ☆ Payment made to outsiders for their goods & services are called Explicit cost.
- ☆ Long Run price also known as Normal price.
- ☆ fixed cost also known as overhead cost.
- ☆ Avg. Revenue curve also known as demand curve.
- ☆ An increase in Demand without a change in supply lead to rise in price & Qty.

☆ In long Run all factors are variable.

☆ Explicit cost & Total cost (-) Implicit cost (-) Normal profit.

☆ Cost in term of pain, Discomfort, disability involved in Supplying the various factor of production by their owners are termed as real cost.

☆ A firm Should close down in Short run, if it is not able to Recover AVC.

☆ MC & $TC_n - TC_{n-1}$

☆ when AC curve is Rising, MC curve Must be above to it

☆ Direct cost are also known as traceble cost.

☆ AVC is alway Decling when when output Increases.

☆ Diminishing Marginal Return implies Increasing Marginal cost

☆ Since TFC is a costant amount, AFC will Steadily fall as output Increases.

☆ AFC curve never 'U' Shaped because it Slopes Downward through it length & Never touch X axis.

☆ fixed cost Normally horizontal line.

☆ A Rational producer will produce in the Stage when MP<AP & MP is positive. [TC & TFC + TVC]

☆ In Short Run output of firm increases, its AFC Decreases

☆ ~~LODR~~ LODR - applies to Short Run, not in Long Run.

☆ Linear Homogenous production function is Based on:, Constant Return to Scale.

☆ AFC & TFC ÷ Q

☆ The verticle Diff. b/w TVC & TC Curve Equal to TFC.

☆ price of Commodity is best Expressed as Exchange value

☆ Accounting cost is less than Economic cost

☆ profit Maximation is Seen when MC & MR

☆ LOP not include least cost of production.

☆ AFC Curve is 'U' Shaped curve.