

Theory of Production (Frequently asked Questions)

Part 1: Lecture 5 & 6

Q.1. Define Average Product (AP) and Marginal Product (MP).

Ans. AP is the total product per unit of a variable input. MP is the change in total product consequent upon a change in variable input.

Q.2. What is meant by 'Short Run' and 'Long Run' in the analysis of a firm.

Or

Distinguish between 'short-run' and 'long run' in the context of production.

Ans. Short run is that time period when a firm cannot change all its inputs; some are held fixed. Output can, therefore, be increased by changing only variable inputs. Long period is that time period when the firm can change all its inputs including fixed inputs. In the long run, all inputs are, therefore, variable.

Q.4. What is meant by production function?

Ans. A production function is a technological or an engineering relationship between inputs and output.

A production function is usually written as:

$$Q = f(a, b, c, d...)$$

where Q is the amount of output; and a, b, c, d, etc., are inputs.

Though production function refers to a technological relationship, the concept is useful in economic theory as it is related to the costs of production of a unit.

Q.5. What is an isoquant?

Ans. An isoquant shows different combinations of two inputs that produces a specified amount of output. On an isoquant, same level of output is obtained by using different combinations of two inputs. That is why an isoquant is called production indifference curve.