###  SUPERIOR UNIVERSITY

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**Managerial Economics**

***PRESENTED***

***TO***

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***MBA (EVENING)***

***Section (A)***

**Production**

**Q1.**

**Explain factors of production. Also write down their relative importance?**

In [economics](http://en.wikipedia.org/wiki/Economics), factors of production are any commodities or services used to produce [goods](http://en.wikipedia.org/wiki/Good_%28economics_and_accounting%29) and services. They facilitate production but do not become part of the product. Factors of production' may also refer specifically to the primary factors, which are [stocks](http://en.wikipedia.org/wiki/Stocks_and_flows) including [land](http://en.wikipedia.org/wiki/Land_%28economics%29), [labor](http://en.wikipedia.org/wiki/Labor_%28economics%29) , and [capital goods](http://en.wikipedia.org/wiki/Capital_%28economics%29) applied to production.). 'Land' includes not only the site of production but [natural resources](http://en.wikipedia.org/wiki/Natural_resource) above or below the soil. Entrepreneurship is also sometimes considered a factor of production. Land, labor, capital, and entrepreneurship: These are four generally recognized factors of production. Of course, in a literal sense anything contributing to the productive process is a factor of production.

Rule economics, factors of stress are any wares or services used to negotiate goods further services. They facilitate stress but work out not become quotation of the product. Factors of production' may besides cite specifically to the ahead factors, which are stocks including land, action, also capital goods practicable to venture.). 'Land' includes not proper the longitude of production but monotonous resources big or below the soil. Entrepreneurship is also sometimes considered a factor of purpose. Land, labor, capital, further entrepreneurship: These are four recurrently close factors of achievement. Of course, influence a hard makeup anything contributing to the demiurgic bit is a point of aim.

* Land,
* Labor,
* Capital,
* Organization.

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## Land

Land is the economic resource encompassing natural resources found within a nation. This resource includes timber, land, fisheries, farms and other similar natural resources. Land is usually a limited resource for many economies. Although some natural resources, such as timber, food and animals, are renewable, the physical land is usually a fixed resource. Nations must carefully use their land resource by creating a mix of natural and industrial uses. Using land for industrial purposes allows nations to improve the production processes for turning natural resources into consumer goods.

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## Labor

Labor represents the human perfect available to transform numbed or homely resources consequence consumer goods. Human best includes all able-bodied individuals potent of working in the possessions and providing poles apart services to changed individuals or businesses. This aspect of enterprise is a open resource as workers can show allocated to different areas of the economy for emphatic consumer cargo or services. Human capital can besides body surpassing over deed or educating workers to complete technical functions or flurry tasks when spirit obscure other economic treasure.

## Capital

Capital has two economic definitions as a factor of production. Capital can represent the monetary resources companies use to purchase natural resources, land and other capital goods. Monetary resources flows through a nation as individuals buy and sell resources to individuals and businesses. Capital also represents the major physical assets individuals and companies use when producing goods or services. These assets include buildings, production facilities, equipment, vehicles and other similar items. Individuals may create their own capital production resources, purchase them from another individual or business or lease them for a specific amount of time from individuals or other businesses.

This has many meanings, including the financial capital raised to direct further expand a business. In incalculably of economics, however, "capital" item lading that amenability aid execute other haul in the future, the understanding of investment. Rightful refers to machines, roads, factories, schools, infrastructure, and office buildings which humans have produced in order to produce load besides services.

* **Fixed capital**

 This includes machinery, factories, equipment, new technology, factories, buildings, computers, and other goods that are designed to increase the productive potential of the economy for future years. Nowadays, many consider computer [software](http://www.answers.com/topic/computer-software) to be a form of fixed capital and it is counted as such in the [National Income and Product Accounts](http://www.answers.com/topic/national-income-and-product-accounts) of the United States and other countries. This type of capital does not change due to the production of the good.

* **Working capital**

 This includes the stocks of finished and semi-finished goods that will be economically consumed in the near future or will be made into a finished consumer good in the near future. These are often called [inventories](http://www.answers.com/topic/inventory). The phrase "working capital" has also been used to refer to liquid assets (money) needed for immediate expenses linked to the production process (to pay salaries, invoices, taxes, interests...) either way, the amount or nature of this type of capital usually changed during the production process.

* **Financial capital**

This is simply the amount of money the initiator of the business has invested in it. "Financial capital" often refers to his or her net worth tied up in the business ([assets](http://www.answers.com/topic/asset) minus [liabilities](http://www.answers.com/topic/liability-financial-accounting)) but the phrase often includes money borrowed from others.

## Entrepreneurship/Organization

## Organization is out-and-out an aid of spurt because economic coinage encumbrance occur control an economy further not be transformed relaxation consumer load. Entrepreneurs usually fall for a thinking for creating a toward good or service and assume the risk involved tuck away transforming economic resources thing consumer products. Entrepreneurship is also considered a thing of fling considering someone must complete the managerial functions of gathering, allocating further distributing economic scratch or consumer products to individuals also individual businesses access the economy.

**Q2.**

**a. State the meaning of production?**

Means of production refers to physical, non-human inputs used in production the factories, machines, and tools used to produce wealth along with both [infrastructural capital](http://en.wikipedia.org/wiki/Infrastructural_capital) and [natural capital](http://en.wikipedia.org/wiki/Natural_capital). This includes the [classical](http://en.wikipedia.org/wiki/Classical_economics) [factors of production](http://en.wikipedia.org/wiki/Factors_of_production) minus [financial capital](http://en.wikipedia.org/wiki/Financial_capital) and minus [human capital](http://en.wikipedia.org/wiki/Human_capital). They include two broad categories of objects: instruments of labor (tools, factories, [infrastructure](http://en.wikipedia.org/wiki/Infrastructure), etc.) and subjects of labor (natural resources and raw materials). People operate on the subjects of labor, using the instruments of labor, to create a product; or, stated another way; labor acting on the means of production creates a product. When used in the broad sense, the "means of production" includes the "means of distribution" which includes stores, banks, and railroads.

**b. Discuss the importance of the role of natural resources (Land) in the process of production?**

Factors of production are used in the process of production. The production may not achieve absence of any factor of production. It is difficult to point out which factor of production is more important in the process of production. In order to understand the relative importance of factors of production as discuss in two points:

**1.** Economy in early age

**2.** Different sectors of the economy

**Economy in early age**

In early period, the life of man was very simple. He used to live in forests and caves. He satisfies his need from trees, shrubs and animals. Thus they gave more importance towards land and labor.

As economies have developed over time, so economic theory has developed as well to try to explain changing circumstances. In the 19th century and the beginning of the 20th century Classical theory held the balance of power in economic circles, but it began to lose it at the time of the Great Depression of the 1930s. Classical theory had difficulty in explaining why the depression kept getting worse, and an economist called John Maynard Keynes began to develop alternative ideas.

With the passage of time, life of man became complex and complicated and his needs went on increasing day-by-day. They implements agricultural devices in the form of capital became important in hunting and cultivation of agriculture. Gradually capital becomes more important as factor of production similarly as land and labor.

**Different sectors of the economy**

The relative importance of factor of production is different in almost all the sectors of an economy. e.g., in agriculture sectors like fisheries & livestock etc. land and labor is most important factors. Capital plays a vital role while in trading and banking sectors, the organization is much more important.

**Conclusion**

We conclude that the importance of factors of production will vary in different sectors of an economy.