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CLASS: VIII	SUB: SOCIAL SCIENCE	TOPIC: ECONOMICS	CH-8

Factors of Production

A. Tick (✓) the correct option:

1. Factors of Production refer to **(ii) basic inputs required to produce goods and services.**
2. The reward for Labour in production is called **(iii) wages**.
3. Which of the following is an example of Fixed Capital? **(iii) Factory building**
4. Human Capital refers to **(ii) knowledge, skills, and health of workers**.
5. The entrepreneur earns **(ii) profit.**
6. The factor of production that includes minerals, water, and sunlight is **(ii) land**.
7. Technology increases production by **(iii) improving productivity and reducing waste**.

B. Fill in the blanks:

1. The basic inputs used to produce goods and services are called **factors of production.**
2. Education and healthcare help in developing **human capital**.
3. The return received on Capital is called **interest.**
4. Fixed capital includes long-term assets such as machines and **buildings**.
5. The person who brings together the other factors of production and takes risk is called an **entrepreneur**.
6. Working capital includes raw materials, fuel and **money**.
7. Corporate Social Responsibility is the commitment of businesses to work for the **well-being of society.**

C. Write 'T' for true and 'F' for false statements:

1. Land is limited in quantity and cannot be created. — **True**
2. Working capital is used repeatedly in production. — **True**
3. Technology helps reduce waste and increase efficiency. — **True**
4. Human Capital and Labour mean exactly the same thing. — **False**
5. Entrepreneurship combines Land, Labour, Capital, and Technology. — **True**
6. CSR ensures ethical and responsible business practices. — **True**
7. A disruption in one part of the supply chain affects the entire production system. — **True**

D. Answer the following in brief:

1. **What are Factors of Production?**

Economic activities, like making goods or providing services, require certain basic inputs like land, labour, capital, technology, called factors of production.

2. **What is the difference between Labour and Human Capital?**
   Labour refers to the physical and mental effort applied in production. For example, a construction worker carrying bricks.
   Whereas, **Human Capital** represents the enhanced productive value of humans through skills, education and health. It is developed through investment in people.

3. **What is Working Capital? Give an example. Omitted**
4. **What role does an entrepreneur play in production? Omitted**

5. **How does Technology improve productivity?**
   Technology enables faster and more efficient production by saving time, reducing waste, increasing efficiency, and improving quality of goods. For example: a farmer using modern tractors and drone for spraying fertilizers, in irrigation system etc. can cultivate much more land in less time compared to traditional methods with ploughs and oxen.

6. **What is a Supply Chain? Omitted**

7. **What is Corporate Social Responsibility (CSR)?**
   CSR or Corporate Social Responsibility is a company's commitment to ethical conduct and contributing to society's well-being.

E. Answer the following questions in detail:

1. **Explain the significance and main characteristics of Land as a factor of production.**
   In economics, land is much more than just soil. It includes all the free gifts of nature that are used in the production of goods and services.
   Main characteristics of land:
   Finite: land is limited in quantity; it cannot be created.
   Immobile: it cannot be moved from one place to another.
   Enhanced Productivity: Although fixed in quantity, the productivity of land can be improved through human efforts.

2. **Describe Human Capital. Why is investment in education and healthcare important for economic growth?**
   Human Capital represents the enhanced productive value of humans through skills, education, and health. It is developed through investment in people.
   (a) Education: Formal schooling, technical training, and professional education improve skills. For example, an engineer designing a bridge, a doctor performing surgery, or a software developer coding an application.

(b) Healthcare: Good health, nutrition, and wellness increase productivity and working life. Healthy individuals can work efficiently and contribute more to economic growth.

3. **Differentiate between Fixed Capital and Working Capital with examples.**

Fixed Capital	Working Capital
These are long term assets that are used repeatedly in the production process.	This includes resources that are consumed or used up during production.
Example: machinery, factory buildings, computers, tools, bridges and infrastructure.	Example: raw material (cotton, metal sheets), fuel and money or loans needed to pay immediate costs such as daily wages.
Fixed capital help increase efficiency and output over multiple production cycles.	Working capital is essential to keep production running smoothly.

4. **What are the major functions of an entrepreneur? Explain with examples.**
An entrepreneur performs four crucial functions:
i. Initiation: The entrepreneur takes the first step in starting a business or production activity. They identify opportunities in the market and decide what goods or services to produce.
ii. Organisation: They combine Land, Labour, Capital, and Technology in the most efficient way to achieve maximum output. Proper organisation ensures resources are used wisely without wastage.
iii. Innovation: Entrepreneurs introduce new ideas, methods, products, or markets to gain a competitive advantage. Innovation drives economic growth by creating better products, services, and processes.
iv. Risk-taking: Every business involves uncertainty. The entrepreneur bears the risk of success or failure. If the venture fails, they may lose their investment; if it succeeds, they earn a profit, which is their reward for taking the risk.

For example: A business owner starting his/her own bakery, arranges ingredients, hires workers, and sells product.

5. **Discuss the impact of Technology on modern production systems.**
Impact of Technology on modern production system:
1. Increase productivity: Technology helps in faster and more efficient production by shifting from traditional methods to newer advanced methods of production.
2. Creates new products: Technological innovations lead to entirely new goods and services that meet the emerging demands for example: smartphones.
3. Improve Efficiency: technology helps producers reduce waste, optimise resources, and lower production costs. It contributes to sustainability.

4. Support for Entrepreneurship and Capital: technology enables entrepreneurs to innovate, launch new products, and expand businesses. It also enhances the productivity of physical and working capital, making investment more profitable.

6. **Explain the importance of Supply Chains in today's global economy.**
   The supply chain is the entire sequence of processes involved in producing and delivering a product, from acquiring raw material (land) to transforming them using Labour, Capital, Entrepreneurship, and technology, and finally delivering the finished products to the consumers. A disruption in one link of the chain can affect the whole process. For example: A closure of a port can delay the delivery of essential goods worldwide.

7. **Discuss how CSR and Sustainability contribute to ethical economic development.**
   CSR and Sustainability contribute to ethical economic development in the following ways:
   i. Funding education and skill development programs.
   ii. Ensuring fair wages and safe working conditions for employees.
   iii. Ethical sourcing of raw materials to protect workers and the environment.
   iv. Supporting local communities through healthcare, sanitation, and infrastructure initiatives.