

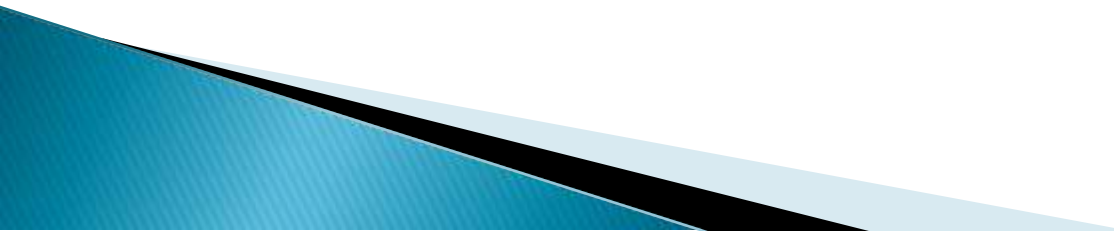
Theory of Production

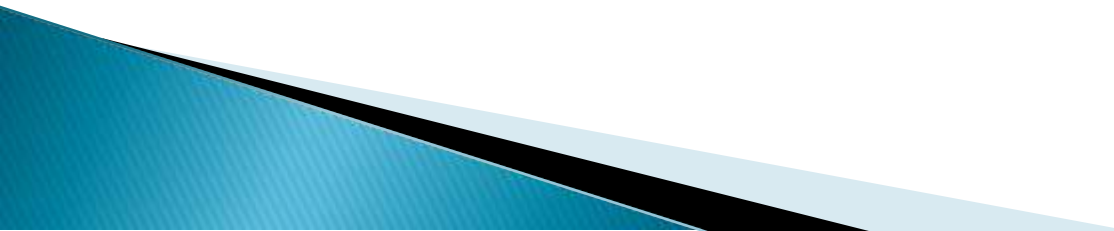
THEORY OF PRODUCTION

By

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Introduction

- ▶ • How can production be optimized or cost optimized?
 - ▶ • How does output respond to change in quantity of inputs?
 - ▶ • How does technology matter in reducing the cost of production?
 - ▶ • How can the least cost combination of input be achieved?
 - ▶ • Given the technology, what happens to the rate of return when more plants are added to the firm?
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- ▶ 'Production' means a process by which resources are transformed into a different and more useful commodity or service.
 - ▶ Input is anything which a firm buy for use in its production & output is goods that come out of production.
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- ▶ Fixed Input : is one whose supply is inelastic for short-run.
 - ▶ Variable Input is one whose supply in the short-run is elastic.
 - ▶ Short-run & Long- run are the period involve in the production process.
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