

5.1 Introduction to Factors of Production

1. Factors of production are inputs used to produce goods and services.

5.2 Land

2. Land refers to all natural resources used in production. The return on it is called rent.

3. The wind used to produce wind energy (belongs to / does not belong to) land.

5.3 Capital

4. Capital is the man-made resources used in production. The return on it is called interest.

5. Which of the following is/are the difference(s) between capital and land? Tick (✓) the appropriate box(es).

The quantity of land cannot be controlled while the quantity of capital can.

Using land incurs no cost while using capital incurs costs.

Capital has gone through man-made processes while land has not.

6. When the amount of capital formation is greater than that of capital consumption, the amount of capital stock (increases / decreases).

7. An increase in interest rate is (favourable / unfavourable) to capital accumulation.

8. Identify which of the following is/are capital. Tick (✓) the appropriate box(es)

<input checked="" type="checkbox"/> trees planted in a garden	<input type="checkbox"/> penguins living in the South Pole
<input type="checkbox"/> sunshine	<input checked="" type="checkbox"/> filtered tap water
<input type="checkbox"/> sand in the Sahara Desert	<input checked="" type="checkbox"/> fertilised soil

5.4 Labour

9. Labour is the human effort used in production. The return on it is called wage.

10. The table below shows the production information of firm X and firm Y.

	Firm X	Firm Y
Number of workers	100	90
Number of working hours per worker	7	8
Total output (units)	1,400	2,160

- (a) The labour supply of firm X = (100×7) man-hours = 700 man-hours
- (b) The average labour productivity of firm X = $1,400$ units / 700 man-hours = 2 units per man-hour
- (c) The labour supply of firm Y = (90×8) man-hours = 720 man-hours
- (d) The average labour productivity of firm Y = $2,160$ units / 720 man-hours = 3 units per man-hour
- (e) Which of the following is/are the possible reason(s) for the difference in average labour productivity between firm X and firm Y? Tick (✓) the appropriate box(es).
- Workers in firm X are more educated.
- The working conditions in firm Y are better.
- Less advanced producer goods are used in firm X.

11. Which of the following will cause the labour supply of an economy to decrease?

Tick (✓) the appropriate box(es).

- The number of days of statutory paternity leave for male employees increases.
- The legal minimum working age is lowered.
- The government reduces the transport subsidy for working people.

12. Occupational mobility refers to the ability and willingness of a factor of production to change from one occupation to another.

13. Geographical mobility refers to the ability and willingness of a factor of production to move from one place to another.

14. If most public transport fares rise, the (*occupational* / geographical) mobility of labour will (*increase* / decrease).

15. If more retraining programmes are provided by the government, the (occupational / *geographical*) mobility of labour will (increase / *decrease*).

16. Study the following descriptions about two jobs.

<u>Job A</u> Broadband service promoter Working hours: 18:00-22:00 Salary: \$100 per day plus \$50 per contract signed
--

<u>Job B</u> Broadband service promoter Working hours: 18:00-22:00 Salary: \$200 per day

(a) Wage payment method for job A is **basic salary plus commission**.

Wage payment method for job B is **time rate**.

(b) Determine if each of the following statements about the above jobs is true or false.

(i) For job A, the promoters have a greater incentive to work hard. (**True / False**)

(ii) For job B, the cost of supervising the promoters' performance is lower.
(**True / False**)

(iii) For job B, it is easier for the employer to maintain a static team. (**True / False**)

5.5 Entrepreneurship

17. Entrepreneurship refers to **those human efforts that make decisions and bear business risks**. The return on it is called **profit**.

18. The shareholder of a listed company who does not involve in the company's decision-making (**belongs to / does not belong to**) entrepreneurship.