Production , costs and productivity :

1.1 Production: Is the process of combining various inputs to create outputs (products) in order to satisfy human needs and wants .By input we mean both physical and material resources .Production can be found in various types of businesses such as :manufacturing, trading , construction and services.

1.2 Factors of production:(resources used in production): All four factors (inputs) are combined in order to create a product (output)

1.Land : land is the natural resource used in production .It includes: soil , water and forests.The income earned from land is called Rent.

2.Labour : Are the human efforts (workers) used in production.

3.Capital: Are the tangible assets used in the production of goods and services, such as buildings, machinery, tools, and equipments.

Example: in a bakery
Labour : Baker
Capital: ovens, mixers , machines

4.Entrepreneurship: An entrepreneur is a person who creates an enterprise.Ie entrepreneurship is the ability to organise a business that carries out commercial activities by producing or providing goods and services to . Example: A supermarket is an entreprise.

2. Fixed and variable costs : Fixed and variable costs are two types of costs that businesses spend on their activities.

Fixed costs : Are the expenses that do not change over a specific period of time, regardless of the level of production or sales like : rent .
Example: A perfume store owner pays 40000 da in monthly rent whether he sells 100 or 900 bottles of perfumes.

Variable costs : Are the expenses that change depending on the level of production and sales .It includes raw materials, packaging, and transportation.

Example: The cost of perfume bottles and packaging increases when the shop buys more during Aid-el fitr .

Total cost is the sum of fixed cost+ variable cost .

3.Difference between Productivity and efficiency :

Productivity refers to how many goods, services are created within a specific period of time using a specific set of resources.**Example** :A toy factory A produces 1000 toys per day but some of toys are broken (wasting material).

Efficiency refers to produce more goods and services while using fewer resources.
Example: A toy factory B produces 800 toys per day but zero of them are broken .Its more efficient than factory A.

4.Production process : A Series of steps used to transform raw materials / inputs(land , labour, capital) into finished goods and services(outputs).

Example of production process: Clothing factory
1.First , the fabric is cut into pieces
2. Second ,the pieces are sewn together
3.Then ,the clothes are checked for quality
4.After that , products are packaged
5.Finally , clothes are sold to customers

5.Revenue and profit:

5.1 Revenue: Refers to the money a business
earns from selling its products and services. **Revenue = price × quantity**

Example: Aperfume shop sells 100 bottles of perfumes:
Price of one bottle =500 da
Quantity sold = 100

Revenue = 500×100 =50000 da

5.2 Profit : Refers to the amount of money a business earns after paying all its costs and expenses.
Pr**ofit = Revenue -total cost**

Example: A perfume shop has :Revenue 50000da
Total cost:1500 da

Profit =50000-1500 =48500da

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