

Chapter - 7 | Factors of Production

QUIZ-01

1. Which of the following is NOT considered a factor of production?

- A. Land
- B. Labour
- C. Capital
- D. Entertainment (D)

**Explanation:** Entertainment is not required for producing goods or services.

2. What does 'land' include as a factor of production?

- A. Only soil
- B. All natural resources
- C. Only agricultural fields
- D. Only water (B)

**Explanation:** Land includes soil, water, forests, minerals, and all natural resources.

3. What is the main feature of labour?

- A. It is man-made
- B. It cannot move
- C. It involves human effort
- D. It is unlimited (C)

**Explanation:** Labour refers to the physical and mental efforts of humans.

4. Which of the following is an example of capital?

- A. A river
- B. A tractor
- C. A forest
- D. Rainfall (B)

**Explanation:** A tractor is a man-made asset used to produce goods.

5. Which factor of production organizes and manages all other factors?

- A. Capital
- B. Labour
- C. Entrepreneur
- D. Land (C)

**Explanation:** The entrepreneur coordinates land, labour and capital to produce goods.

6. What type of capital includes tools, machinery and buildings?

- A. Working capital
- B. Fixed capital
- C. Natural capital
- D. Liquid capital (B)

**Explanation:** Fixed capital includes long-term assets like machines and buildings.

7. Payment made to labour for their work is called what?

- A. Rent
- B. Wage
- C. Profit
- D. Interest (B)

**Explanation:** Labour receives wages as payment for their efforts.

8. What is the reward for the use of capital?

- A. Profit
- B. Rent
- C. Interest
- D. Wage (C)

**Explanation:** Capital earns interest for the owner.

9. Which factor receives 'rent' as its reward?

- A. Labour
- B. Land
- C. Capital
- D. Entrepreneur (B)

**Explanation:** Payment for the use of land is called rent.

10. The risk-taking ability of an entrepreneur mainly helps in what?

- A. Reducing profits
- B. Increasing natural resources
- C. Starting and running a business
- D. Avoiding labour (C)

**Explanation:** Entrepreneurs take risks to establish and manage business activities.