Teaching guidance

2 The factors of production

The following are the key points of understanding for students in relation to this chapter:

* The factors of production are the resources required to produce a good or service and are divided into four categories: land, labour, capital and enterprise.
* Each factor of production has its own reward: land = rent; labour = wages and salaries; capital = interest; enterprise = profit.
* The quantity and quality of factors of production will change if there is a change in the demand for and/or supply of land, labour, capital and enterprise.
* Students should be able to define and give examples of land, labour, capital and enterprise, and should also be able to explain causes of changes in the quantity and quality of the various factors.

Once they have completed the chapter, students can evaluate their knowledge and understanding using the end-of-chapter interactive test provided in this Teacher’s Guide and also available in the student etextbook. In addition, the revision checklist can be used to help highlight any areas that may need to be revisited.

Ideas for extension

* Ask students to discuss which factors of production are most/least available in their city/country.
* Arrange for students to interview a local entrepreneur. Students should ask them about the challenges they face and their motivations for setting up the business.