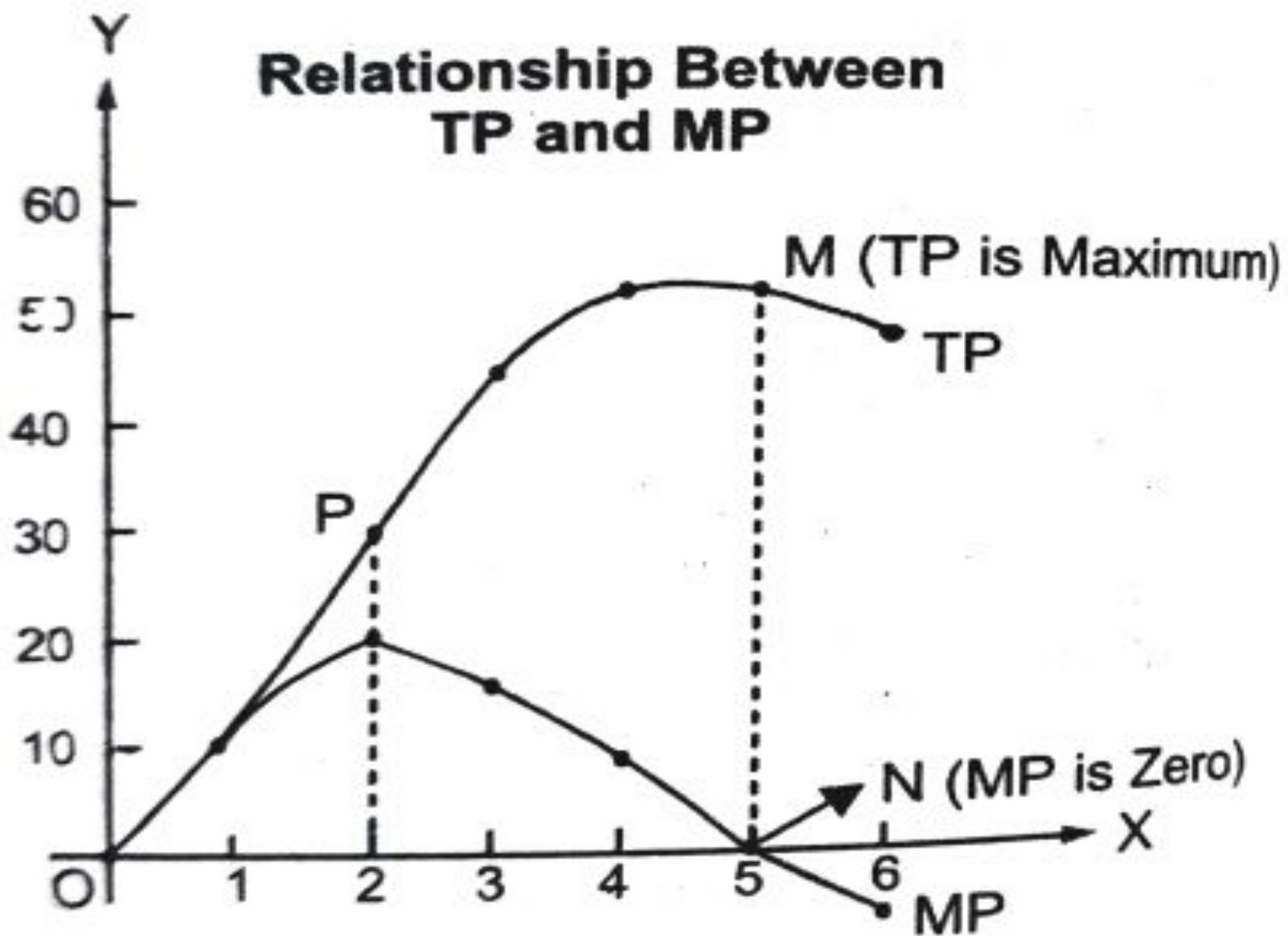


PRODUCTION FUNCTION

RELATIONSHIP BETWEEN TP AND MP

<i>Fixed factor (land) (in acres)</i>	<i>Variable factor (labour) (in units)</i>	<i>TP (units)</i>	<i>MP (units)</i>
1	0	0	—
1	1	10	10
1	2	30	20
1	3	45	15
1	4	52	7
1	5	52	0
1	6	48	-4

Relationship Between TP and MP



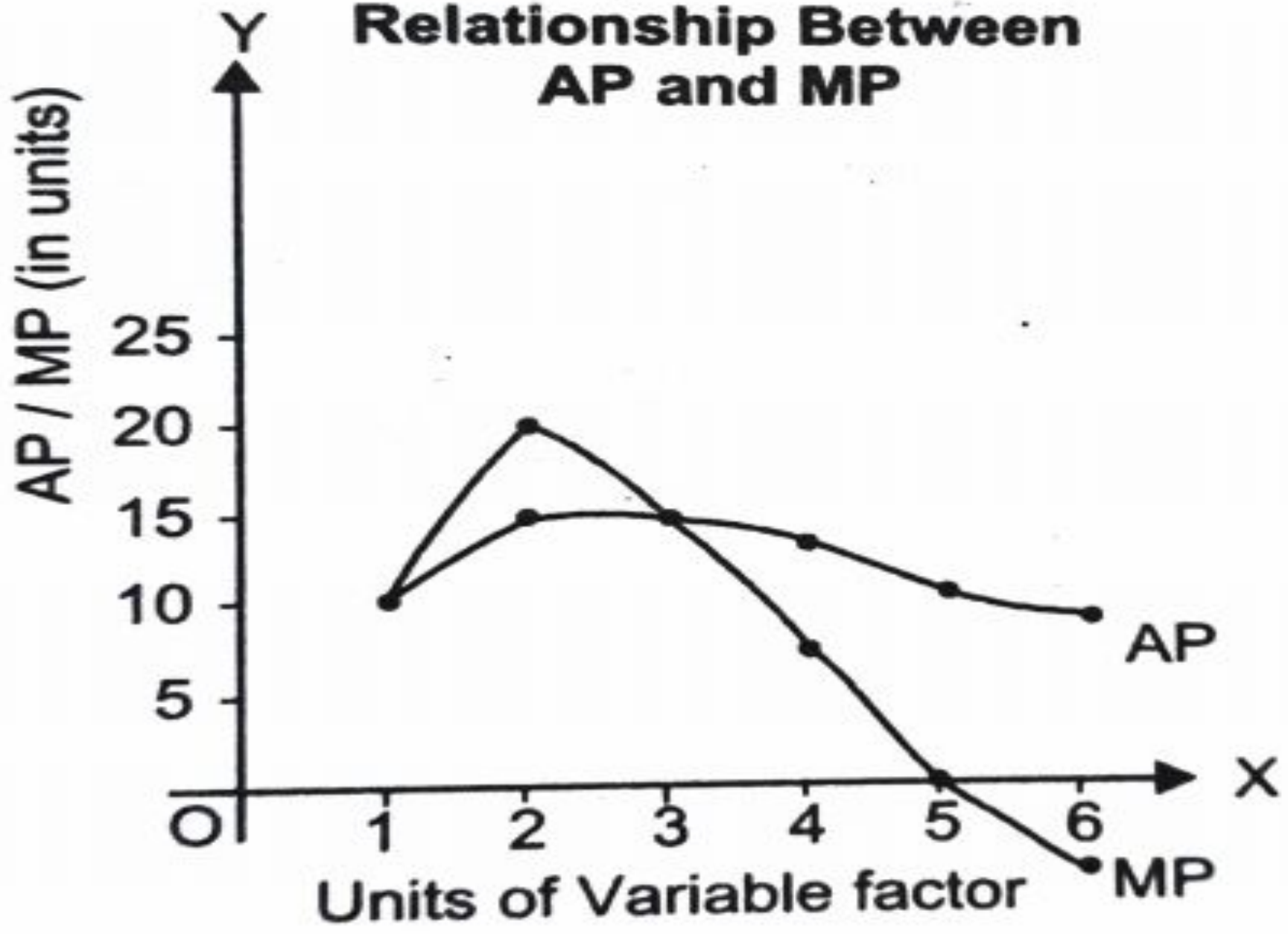
Units of Variable factor

- As long as TP increases at increasing rate (till point P), MP also increases.
- When TP increases at diminishing rate, MP decreases.
- When TP reaches its maximum point, MP becomes zero.
- When TP starts decreasing, MP becomes negative.

RELATIONSHIP BETWEEN AP AND MP

<i>Fixed factor (land) (in acres)</i>	<i>Units of Variable factor (labour)</i>	<i>AP (units)</i>	<i>MP (units)</i>
1	0	—	—
1	1	10	10
1	2	15	20
1	3	15	15
1	4	13	7
1	5	10.40	0
1	6	8	-4

Relationship Between AP and MP



- As long as MP is more than AP, AP rises.
- When MP is equal to AP, AP falls.
- When MP is less than AP, AP falls.
- Thereafter, both AP and MP fall, MP becomes negative, whereas, AP remains positive. MP falls at faster rate in comparison to fall in AP.