LESSON PLAN – 29

TOPIC - PAYMENTS OF FACTORS OF PRODUCTION

Instructional Objectives

After the instruction are over, student will be able to–

i) Explain meaning of the rent.
ii) Describe meaning of the wages.
iii) Explain meaning of the interest.
iv) Discuss meaning of the profit.
v) Discriminate among different factors of production.

Entry Behaviour:

It is consumed that the students know about the factors of production.

Instructional Aids:

i) Transparency showing payments of factors of production.
ii) Overhead projector.
iii) Block board, chalk and pointer etc.

Content Sequence

1) Rent: paid for the use of land.
2) Wages: earning and price of the factor of production i.e. labour.

Two types of wages

a) Money wages
b) Real wages

3) Interest: earning of capital. It has two types :-

a) Gross interest
b) Net interest

4) Profit: Profits is the reward which an entrepreneur gets for bearing the list of business. It has two types :-

a) Gross Profit.
b) Net Profit

Graphic Sequence:

Instructional Program

Content Sequence (Oi)

Teacher tells students
“Today, we will learn about the rent”.
“Teacher will ask the students.
“What are the factors of the production”.
“What to do you mean by land factor of production.
“What is rent”.
Student Respond
Teacher will explain
There are four factors of production, that are land, labour, capital, entrepreneur. The enterprise distribute total income to all factors of production. Payment, an divided according to the factor.
(1) **RENT:** The price which is paid for the use of land is called rent. Rent is the factor income of land. It is a payment made to the land on account of the ‘original and indestructible powers’ of the soil.

Teacher asks students
“How many factors of production are there”?
“What is Rent”?
For which factor of production rent is paid”?
Students Respond
Confirmative/corrective feedback is provided as and when required.

**Content Sequence (O₁)**
Teacher tells learners
“Next, we will learn about wages”.
Teacher asks students
“How is the second factor of production”?
What we paid to labour”?
What do you mean by wages”?
Students Respond

(2) **Wages:** Wages are the earnings and the labour price of the factor of production called labour. The payment given to the workers in return for all mental/physical work is known as wages.

Wages has two types
(i) **Money wages/Nominal wages**
(ii) **Real wages**

(i) **Money wages:** Amount of wages paid in terms of money is called money/nominal wages. Money wage may be given daily, weekly, fortnightly or monthly.

(ii) **Real wages:** Money wages and wages received by a worker in the form of goods and services can be regarded as real wages. In other words, Rent wages = Money wages + other facility

Teacher asks students
“What are wages”?  
“How many types of wages are there”?  
“What is difference bet, money and real wages.  
Student respond
Confirmative/corrective feedback is provided as and when required.

**Content Sequence (O₂)**
Teacher tells students
“Next, we will learn about interest”.
Teacher asks
“What is the third factor of production”? 
“What is paid for use of capital”? 
“What is interest”? 
Student respond
Teacher explains
PAYMENTS OF FACTORS OF PRODUCTION

LAND FACTOR
  ↓
RENT
    ↓
Price paid for the use of land only.

LABOUR FACTOR
  ↓
WAGES
    ↓
Payment given to the workers in return for all mental or physical work.

CAPITAL FACTOR
  ↓
INTEREST
    ↓
Payment by the borrower to the lender for the use of money over a specified period of time.

ENTERPRISES FACTOR
  ↓
PROFIT
    ↓
Reward which an entrepreneur gets for bearing the risk of business.

TYPES OF WAGES

MONEY WAGES
  ↓
Amount of wages paid in terms of money.

REAL WAGES
  ↓
Real wage=money wage+other facilities.

TYPES OF WAGES

GROSS INTEREST
  ↓
Total amount received by the owner of capital by way of interest.

NET INTEREST
  ↓
Payment made to capitalist purely for the use of capital.

GROSS PROFIT
  ↓
Gross profit=total revenue-explicit costs.

NET PROFIT
  ↓
Net profit=total revenue - (explicit cost+implicit costs).
INTEREST: Interest has been regarded as the factor earning of capital. Interest is the payment by the borrower to the lender for the use of money over a specified period of time.

Interest has two types –
(i) Gross Interest
(ii) Net Interest
(i) Gross Interest: Gross interest is the gross payment which the lender of funds gets and the borrower pays. It includes net interest, compensation for risk-taking, and wages of management and other elements. So gross interest is the total amount received by the owner of capital by way of interest.
(ii) Net Interest: Net interest is the payment made to capitalist purely for the use of capital. The net interest is the payment made purely for the use of money after all these elements i.e. compensation for risk bearing, wages of management etc. have been deducted from the gross interest.

Teacher asks students
“What do you mean by interest”? 
“How many types of interest are there”? 
“What is gross profit”?
Students respond
Confirmative & corrective feedback is provided as and when required.

Content Sequence (Oa)
Teacher tells students
“Next, we will learn about profit”>
Teacher asks students.
“Which is the fourth factor of production”? 
“What is paid to enterprises”? 
“What do you mean by profit.”
Students response
Teacher explains
4) Profit: 
Profit is the reward which an entrepreneur gets for bearing the risk of business. In other words, profit is that part of national income which an entrepreneur gets for bearing risk and uncertainty. If total costs are deducted out of total revenues of the firm are get profit.

Profit has also two types –
(i) Gross profit
(ii) Pure/Net profit
(i) Gross profit: Gross profit refers to that part of the income of a businessman which is available to him after all payments to the contractually hired factors and other current obligations like taxes and depreciaions charges.

Gross profit = Total Revenue – Explicit cost
(ii) **Net Profit**: Net profit is the amount that occurs to the entrepreneur for assuming the risk inseparable from all business in anticipation of demand.

Net profit = Gross profit − Implicit cost.

Implicit cost is the entrepreneur's own land, interest on entrepreneur's own capital, wages.

Teacher asks students
“What is profit”?
“What is gross profit”?
“What is the difference between gross and net profit.

Student respond
Confirmation/corrective feedback is provided as and when required.