Answer to the Question No:1

Commodity matter in Economics:

Commodity is an essential part of trade for many years. Materials or commodities are usually used to produce other products or items as inputs. If there is no commodity then there will be no production. Without commodity, there is no economic. Our economic is directly based upon commodities. For example, if we shut down our clothing factors or garments then we can not continue our economic market with the outside countries. Slowly our economic situation will be harder. So, commodity matters in economics.

Answer to the Question No:2

Relativity of Production and Cost:

The production theory is the concept through that a business company makes the decision how many of every good or service it wants to sell, produces and how much it uses of labor, raw materials, fixed capital goods, etc.

The question is normally how many are produced, unlike the components to be used. To reduce cost and increase benefits, how enough must we create? These are the concepts of cost theory.

So, the production and cost theory are directly related to each other. When we want to create or produce a product, we will try to produce maximum product within minimum cost. How much of products we want to produce will change our production inputs.

The overall expenditure of a company depends on the amount of input used by the company and the expense of all those ingredients to the company. The manufacturing structure of the company shows how much supply the company generates with certain sums of money. Cost tends to increase as the company generates increased output amounts. This is quite straightforward, because generating more production needs more raw materials, that cost too much money to be obtained.

An economy concept which will eventually decrease or reduce per unit of production of the variable input if one production factor, e.g., number of workers, is enhanced while other factors such as machinery and working space are stable.

Example for Production Function:

We assume that, to be simple, the baker produces a bread only with two inputs: oven and labor. A function in production tells us how much bread he can produce for a certain number of stoves he uses and how many hours he works. Assume you are producing a maximum of 200 bread with 2 hours of work/day and 1 oven. A function describing this relationship is then called a production function.

A possible example is: $q=K \times L$, where, q is the quantity of the bread, K is the quantity of the oven and L is the number of hours of work per day.