**Question and Answer**

1. Define Supply.
Answer: Supply refers to the quantity of a commodity offered for sale at a given price in a given market at a given time.

Here commodity means products or service.
(Example) Hand wash, Soap, Beverages, Dress materials, etc.

2. Distinction between Supply and Stock
Answer: Supply is that part of stock which a seller is ready to sell

3. Factors determining Supply
Answer: Px, Pz, T, C, Ex, Gp
Px - Price of commodity X
Pz - Price of related good, Z
T - State of Technology
C - Cost of Production
Ex - Expected price of commodity X
G - Government policy

4. Define law of supply.
Answer: The law of supply states that the higher the price, the greater the quantity supplied or the lower the price the smaller the quantity supplied.

5. Explain Elasticity of Supply.
Answer: The percentage change in quantity supplied by percentage change in price.

**ANSWER IN DETAIL.**

6. List out the factors influencing supply.

Answer:

**Price of commodity:** At a higher price, producer offers more quantity of the commodity for sale and at a lower price, less quantity of the commodity

**Price of related good:** If the price of the substitute goods goes up, producers are intended to direct their resources to the production of the substitute commodity.

**State of Technology:** If there is a change in the technique of production leading to a fall in the cost of production, supply of commodity will increase.

**Cost of Production:** With the rise in cost of production, supply tends to fall.

**Expected price of commodity X:** If the producers expect an increase in price in the near future they will reduce the current supply so as to offer more goods at higher prices in the future.

**Government policy:**  If heavy taxes are imposed on commodity, it will discourage producers and as result, its supply will decrease.

7. Supply Schedule

**Supply Schedule of an Individual Firm**

 The following tabular statement shows the different quantities of a commodity supplied by an individual firm within a given period of time at different prices.

|  |  |
| --- | --- |
| **Price****(Rs./Per kg)** | **Quantity supplied (kg/month)** |
| 1 | 5 |
| 2 | 10 |
| 3 | 15 |

The supply schedule in the form of law of supply i.e. as price of Orange rises, its supply also rises.

**Market Supply Schedule**

 The market supply schedule shows the total quantities of a product which all of its producers jointly offer for sale at different prices.

 For example there are only two sellers of oranges A and B in the market. By adding up the quantities which these firms offer at different prices, we get the market supply schedule which is given in a table as

|  |  |  |
| --- | --- | --- |
| **Price****(Rs./Per kg)** | **Quantity supplied (kg/month)** | **Total supply in the market in Kg.** |
| 1 | 5 | 10 | 15 |
| 2 | 10 | 15 | 25 |
| 3 | 15 | 20 | 35 |

 The market supply is obtained by aggregating the supplies of all firms selling that commodity at alternative prices.

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