

# **Course– PRINCIPLES OF ECONOMICS**

## **Lecture 11 SUPPLY**

**July, 2015**



# TOPICS TO BE DISCUSSED

## 1. Supply

- Meaning of supply
- Supply schedule- individual and market supply schedules

## 2. Law of supply

- Statement
- Assumptions
- Explanation- supply schedule and supply curve

# SUPPLY

- Meaning- Quantity of a product that a firm would be willing and able to offer for sale at given prices during a given period of time.
- Generally, producers are willing to offer greater quantities for sale at higher prices.
- There is a positive relationship between price and quantity supplied, *ceteris paribus*.

# SUPPLY SCHEDULE

**Supply Schedule-** is a table showing quantities of a product, firm will offer for sale or supply at different prices.

- Individual Supply Schedule-** is a table showing quantities of a product, a firm will offer for sale or supply at different prices.

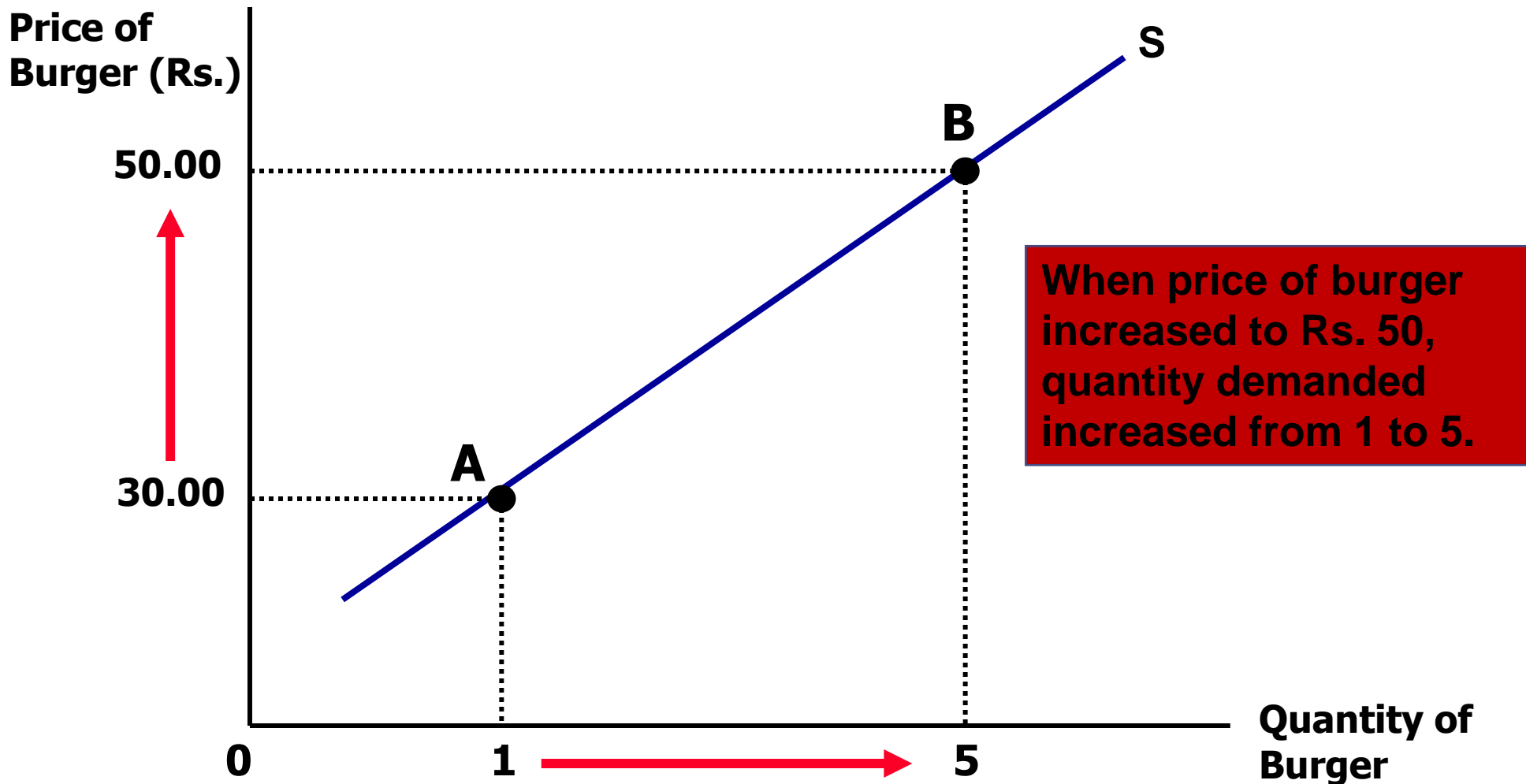
- Market Supply Schedule-** a table depicting quantities of a product, all firms together will offer for sale at different prices in the market

# INDIVIDUAL VS MARKET SUPPLY SCHEDULE

Supply Schedule for Milk: Individual & Market				
Price (Rs)	Quantity Supplied (Kg)			
	A	B	C	Total (Market)
1	2	2	2	6
2	3	4	3	10
3	4	5	5	14
4	5	7	6	18
5	6	9	7	22

# SUPPLY CURVE

-a graphical presentation of quantities of a product that firms will offer for sale at different prices in the market



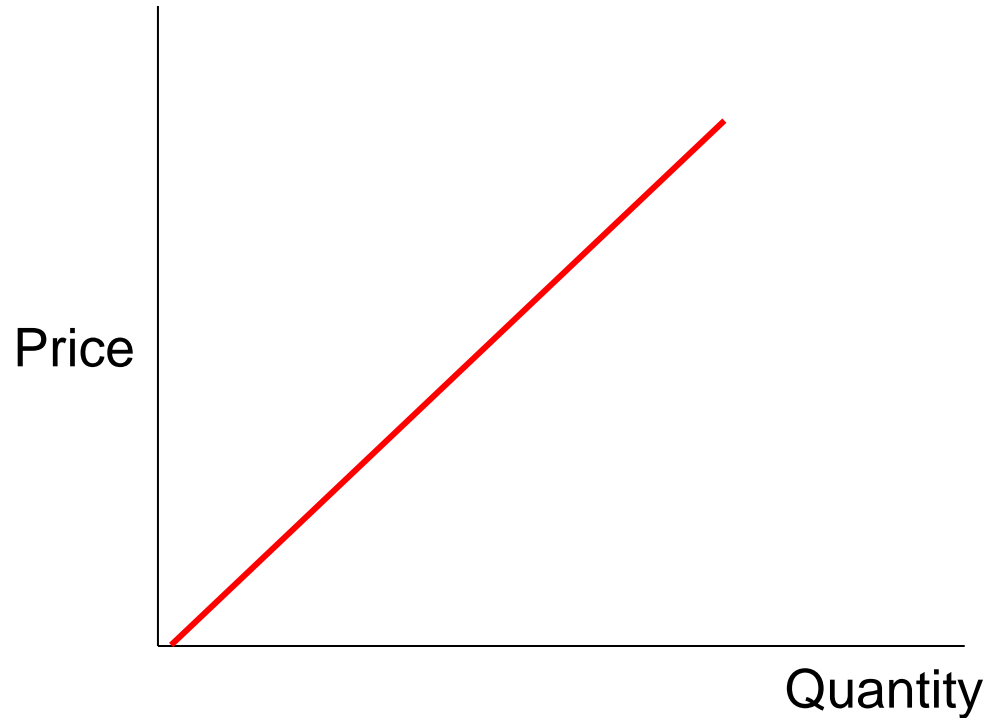
# LAW OF SUPPLY

**Law of Supply-** states that there is a positive relationship between price and quantity supplied of a product, *ceteris paribus*.

- ▶ Supply curve has a positive slope.

# LAW OF SUPPLY: SUPPLY SCHEDULE & CURVE

Supply of Milk	
Price (Rs.)	Quantity (Kg.)
1	10
2	20
3	30
4	40



**Supply Curve Slopes Upwards**



# DETERMINANTS OF SUPPLY

- Price of the good or service- Positive relationship

## ➤ Non-Price Determinants:

- Cost of producing the good, which in turn depends on:
  - price of required inputs (land, labor, capital, raw material)
  - Technologies- innovations like automation, computer hardware & software use
- Prices of related products
- Future expectations
- Number of buyers

**Thank You 😊**