**RVS COLLEGE OF ARTS AND SCIENCE, (AUTONOMOUS), SULUR, COIMBATORE – 641 402 SCHOOL OF COMMERCE - PG**

**SUBJECT: MICRO ECONOMICS DATE: 2nd SEP 2024**

**TOPIC: SUPPLY FIFTH WEEK: Quiz, Activities (Individual, Group) and Assignments**

**INDIVIDUAL ACTIVITIES**

1. Pakistan’s paper industry is growing. In 2017 there were approximately 100 manufacturing firms producing writing paper, printing paper, wrapping paper and chip board. One well-known firm is Pakistan’s Paper Products Ltd. **a** What effect would a rise in the supply of Pakistan’s Paper Products have on the market supply of paper?

**b** What would cause an extension in the supply of paper?

1. Since 2006, the world production of rice has increased from 600 million tonnes to 748 million tonnes in 2016. This has largely been the result of breakthroughs in seed generation and cultivation techniques.

**a** Draw a diagram showing the change in supply of rice since 2006. **b** Identify two factors that can cause the supply curve for rice to move in the opposite direction.

**GROUP ACTIVITIES**

1. A firm employs ten workers and pays $50 a day to each of them. The total output of ten workers is 100 units initially. The firm then raises the wage rate to $60 a day and the output per worker rises to 20. **a** Showing your workings, calculate: **i** the initial unit cost **ii** the new unit cost. **b** Will supply decrease, stay the same or increase? Explain your answer.

**ASSIGNMENTS**

**DEFINITIONS:** Match the following terms with an appropriate definition.

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| 1. A market economy | 1. A measure of the sensitivity of demand for a product to a change in its price |
| 1. Extension in demand | 1. This is where the quantity demanded of a product is equal to the quantity supplied |
| 1. Increase in demand | 1. A situation where market forces do not result in an efficient outcome |
| 1. Supply | 1. Products that are more harmful for consumers than they realize and which have external costs |
| 1. A contraction in supply | 1. Products which are both non-rival and non-excludable |
| 1. Market supply | 1. The willingness and ability to sell a product |
| 1. Equilibrium price | 1. The total benefits arising from producing or consuming a product |
| 1. A subsidy | 1. Spending by central and local government |
| 1. A shortage | 1. Products bought to be used together |
| 1. Price elasticity of demand | 1. A situation where demand exceeds supply |
| 1. Elastic demand | 1. A shift in the demand curve to the right |
| 1. Complements | 1. A movement along a demand curve as a result of a fall in the price of the product |
| 1. Market failure | 1. A movement along a supply curve as a result of a fall in the price of the product |
| 1. External costs | 1. The total supply of a product |
| 1. Social benefits | 1. A measure of the sensitivity of supply to a change in price |
| 1. Demerit goods | 1. A payment to encourage the production or consumption of a product |
| 1. Public goods | 1. An economic system which relies on the price mechanism to allocate resources |
| 1. Government failure | 1. Harmful effects on third parties |
| 1. Public expenditure | 1. When a change in price causes a greater percentage change in quantity demanded |
| 1. Price elasticity of supply | 1. When government intervention increases inefficiency |

**DEMAND AND SUPPLY**

**SIMILARITIES: Identify one way in which, each of the following pairs is similar.**

1. A demand curve and a demand schedule
2. Taxes and subsidies

**DIFFERENCES: Identify one way in which, each of the following pairs is different.**

1. Individual demand and Market demand
2. Extension in supply and an increase in supply

**DRAWING DIAGRAMS: In each case, use a demand and supply diagram to illustrate the effect on the market for a newspaper of:**

1. A rise in the price of a rival newspaper
2. A rise in the cost of print
3. A subsidy given to the newspaper producers
4. More people finding news information from the internet
5. A major news story breaking

**QUESTIONS IN SUPPY ONLY**

1. Explain why supply and price are positively related.
2. Analyse, using a supply diagram, the effect of an improvement in the quality of the training car workers receive on the supply of cars.
3. Discuss whether or not changes in demand or changes in supply have a larger influence on the market for tomatoes.