

PRESIDENCY COLLEGE (Autonomous)

Microeconomics



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Supply



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AFFILIATED TO BENGALURU CITY UNIVERSITY, APPROVED BY AICTE, DELHI & RECOGNISED BY THE GOVT. OF KARNATAKA

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Law of Supply

All other factors remaining constant, there is a direct relationship between price and quantity supplied of a commodity.

| Price | Quantity |
|-------|----------|
| (Rs) | (Kgs) |
| 6 | 10 |
| 7 | 20 |
| 8 | 30 |
| 9 | 40 |
| 10 | 50 |

Draw the Supply Curve for the given data



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Supply schedule & the Supply curve.

$$Q_{S} = 25 + 25P$$



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For the above equation, derive the supply schedule and the supply curve.







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Determinants of Supply



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- (i) Price of the commodity
- (ii) Price of other related good
- (iii) Price of inputs/factors
- (iv) Taxation policy of government
- (v)Objective of the firm







Elasticity of Supply



Calculate the value of price elasticity of supply of commodity A if the percentage change in price of the commodity is 10% and percentage change in its quantity supplied is 18%.

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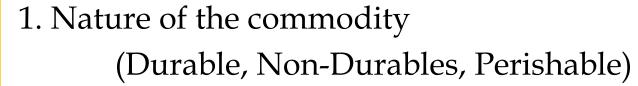
A firm sells 40 units of commodity X when its price is `10. At what price it will sell 60 units of the commodity if its price elasticity of supply is 0.8.







Factors Influencing Price Elasticity of Supply



- 2. Cost of production of additional units of a good
- 3. Time Period taken for production



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Equilibrium



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The demand and supply function of raw cotton are Qd = 250 -50P and Qs=25 + 25 P, find the equilibrium price and the equilibrium quantity demanded and supplied.

Prove that any price other than the equilibrium price leads to either excess supply or excess demand.







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At Equilibrium, Qd= Qs 250 -50P = 25 + 25 P 250-25 = 25P+50P 225= 75P, P = 225/75=3



