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# Microeconomics

## Supply

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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 (Rs) | Quantity (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.

$$Qs = 25 + 25P$$

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

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# Determinants of Supply

(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

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# 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%.

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

1. Nature of the commodity

   (Durable, Non-Durables, Perishable)

2. Cost of production of additional units of a good

3. Time Period taken for production

# Equilibrium

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.

At Equilibrium, Qd= Qs

250 -50P =25 + 25 P

250-25 = 25P+50P

225= 75P, P = 225/75=3