

Q16. How does an increase in the price of an input affect the supply curve of a firm?

Ans: An increase in the price of an input increases the cost of production, which in turn increases the marginal cost of the firm. Consequently, the MC curve will shift upward to the left and the supply curve will also shift leftward upward. Therefore, an increase in the input price negatively affects the supply of the firm.

Q17. How does an increase in the number of firms in a market affect the market supply curve?

Ans: The market supply curve is a horizontal summation of all the supply curves of individual firms in the market. If the number of firms in a market increases, then the market supply curve will shift rightward as there will be more number of firms supplying more amount of output.

Q18. What does the price elasticity of supply mean? How do we measure it?

Ans: Price elasticity of supply (e_s) is defined as the degree of the responsiveness of quantity supplied, to the change in the price of a good. It is expressed as:

$$e_{\scriptscriptstyle \mathcal{S}} = \frac{\text{Percentage change in quantity supplied}}{\text{Percentage change in price}}$$

$$= \frac{\frac{\Delta Q}{Q} \times 100}{\frac{\Delta P}{P} \times 100}$$

$$= \frac{\Delta Q}{Q} \times \frac{P}{\Delta P}$$

$$= \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

Where,

 ΔQ = change in quantity supplied

 ΔP = change in price

P = initial price

Q = initial supply

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