Supply Lesson 1

* Identify the relationship between the price of a good and the quantity supplied.
* Identify what happens when there is an increase or a decrease in supply.
* State factors that determine supply.
* State factors that would cause a supply curve to shift.

1. What do you understand by the term “supply”?

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1. The amount of a good or service that producers are willing and able to supply is known as **quantity supplied.**



1. What is the primary motivator of firms?

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1. What therefore will be the relationship between the price of a good and the quantity supplied?

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1. On the diagram below illustrate the relationship between price and quantity supplied.

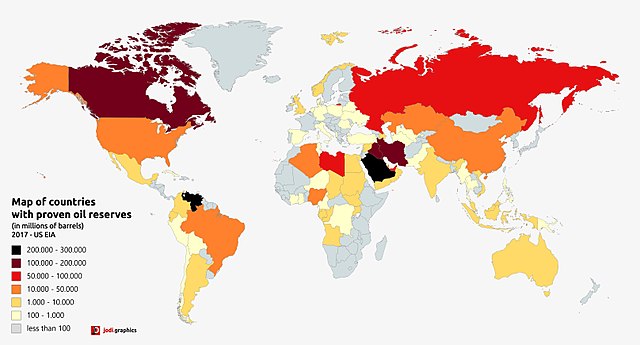


**Quantity supplied**

1. What is market supply?

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1. On the diagram below illustrate what happens when there is an increase or decrease in the price of apples.



**Quantity supplied**

1. When the price of a **product increases** what happens to the **quantity supplied**?

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1. When the price of a **product falls** what happens to the **quantity supplied**?

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1. What factors, other **than price**, determine the supply of a product to the market?

|  |  |
| --- | --- |
| Factor costs |  |
| Technology |  |
| Taxes/subsidies |  |
| Climate |  |
| Number of firms |  |
| Expectations |  |

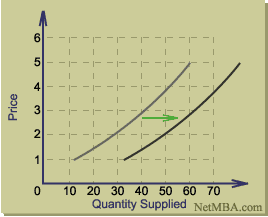
**11)** On the diagram below can you illustrate an **extension and a contraction** of supply.

**Quantity supplied**

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Supply Lesson 2

1. **Factors that cause the supply curve to shift.**
2. **The difference between an extension/contraction of supply and a shift.**



1. Draw a supply curve like the one on the board.
2. The supply curve represents the market for toy cars.

# Price

Quantity demanded/supplied

**10**

S

**1**

1. As well as representing the price of the good **£10** also represents the additional (marginal) cost of producing the product.
2. Let us assume that firms acquire **new technology that is more efficient** and means that firms see a reduction in their costs. Will the cost of producing **1 unit** be **£10 or less**?

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1. Or, put another way, would firms be willing to supply **more or less** now that they have acquired new technology?

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1. Draw the new supply curve faced by firms in the market after they acquire **new, more efficient technology**.
2. On the diagram **below** we have the same firm producing toy cars. You need to draw the new supply curve for the market after workers demand an **increase in wages**.
   * If it used to cost **£10** to produce one unit and now firms have to pay their workers **more** how much will it cost to produce a unit then?

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# Price

Quantity demanded/supplied

10



S

**1**

1. Draw the new supply curve for the market.
2. From the list below try to identify the factors that would cause the supply curve **of firms in the market for wheat** to shift to the **right** and those that would lead to a shift to the **left**.
3. ***There has been a drought?***
4. ***Workers become more productive***
5. ***An increase in the price of raw materials***
6. ***The firm receives a grant from the government.***
7. Illustrate the above on the diagrams on the next page.



**Quantity supplied**

[](http://dothr.ost.dot.gov/careers/workers.gif)

**Quantity supplied**

**Quantity supplied**



**Quantity supplied**



1. In the table on the next page identify as many factors as you can that would cause the supply curve to shift.

|  |  |
| --- | --- |
| **Supply shifts to the left** | **Supply shifts to the right** |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |