Supply

➢Refers to ***different quantities*** of a commodity offered for sale at ***different prices***

➢ For Example: ***Different quantities*** that are tabulated against ***different prices*** at which they are offered for sale

Quantity Supplied

➢Refers to ***particular amount*** of a commodity offered for sale at a ***specific price***

➢ For Example: **15 units** of a commodity is offered for sale at **Rs 3**

Price (in Rs)	Quantity (in units)
1	5
2	10
3	15
4	20
5	25

⇨ Quantity Supplied

This whole table is known as ***Supply Schedule***

Supply

Market Supply

Tabular presentation representing different quantities of a commodity offered for sale corresponding to different prices is ***supply schedule***

Individual Supply Schedule

Represents ***quantities supplied*** by ***individual producer*** at different prices

Market Supply Schedule

Represents ***total quantities supplied*** by ***all producers*** at different prices

Price	Quantity by A
1	5
2	10
3	15
4	20
5	25

+

Price	Quantity by B
1	10
2	20
3	30
4	40
5	50

=

Price	Quantity by A	Quantity by B	Market Supply (1 + 2)
1	5	10	15
2	10	20	30
3	15	30	45
4	20	40	60
5	25	50	75

Supply Curve

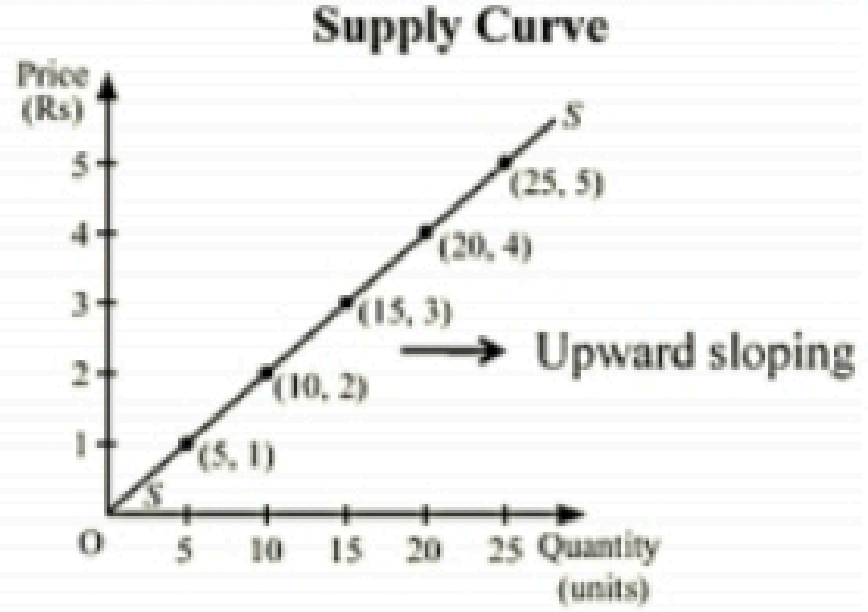
Graphical presentation of supply schedule showing different quantities of a commodity offered for sale at different prices

Price	Quantity Supplied
1	5
2	10
3	15
4	20
5	25

$P\uparrow \longrightarrow Q\uparrow$

$P\downarrow \longrightarrow Q\downarrow$

Positive Relationship



Slope of Supply Curve

Expresses the ***rate*** at which ***quantity supply changes*** with ***change in price***

$$\text{Slope of Supply Curve} = \frac{\text{Change in quantity supplied}}{\text{Change in price}} = \frac{\Delta Q_S}{\Delta P}$$

Individual Supply Curve

Graphical presentation of quantities supplied by an ***individual*** firm or producer at different prices

Market Supply Curve

Graphical presentation of ***aggregate*** quantities supplied by ***all*** the firms or producers at different prices

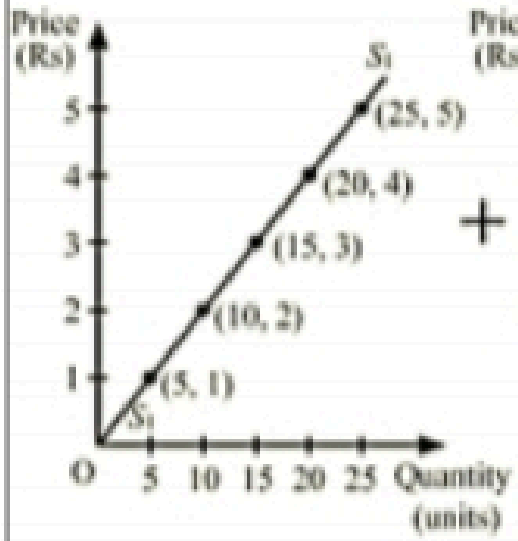
Price	Qty by A
1	5
2	10
3	15
4	20
5	25

+

Price	Qty by B
1	10
2	20
3	30
4	40
5	50

=

Price	Qty by A	Qty by B	Mkt. Supply
1	5	10	15
2	10	20	30
3	15	30	45
4	20	40	60
5	25	50	75



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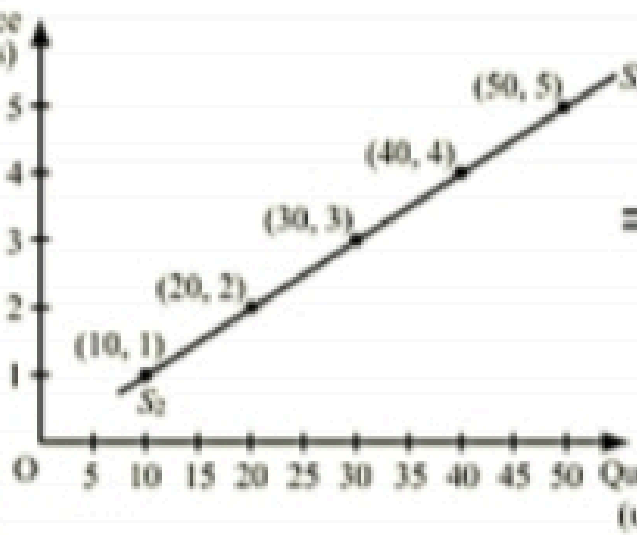

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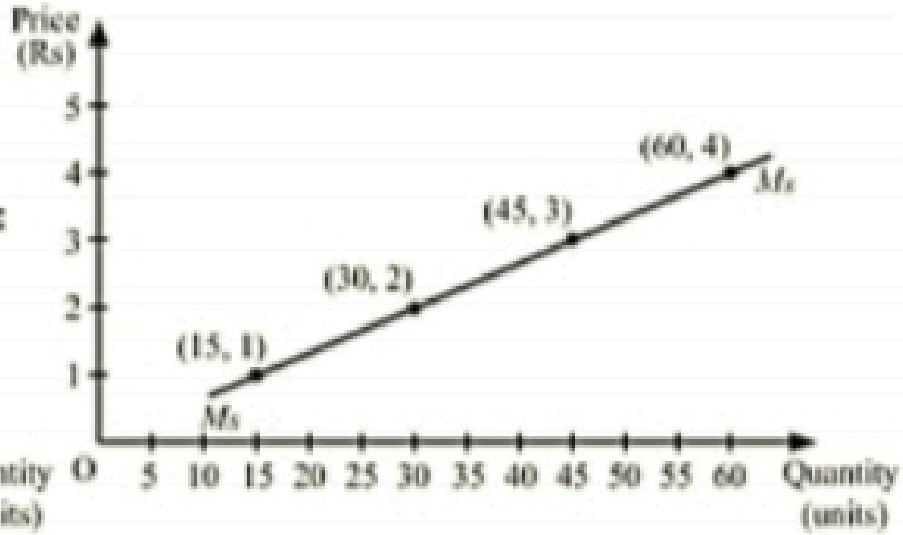
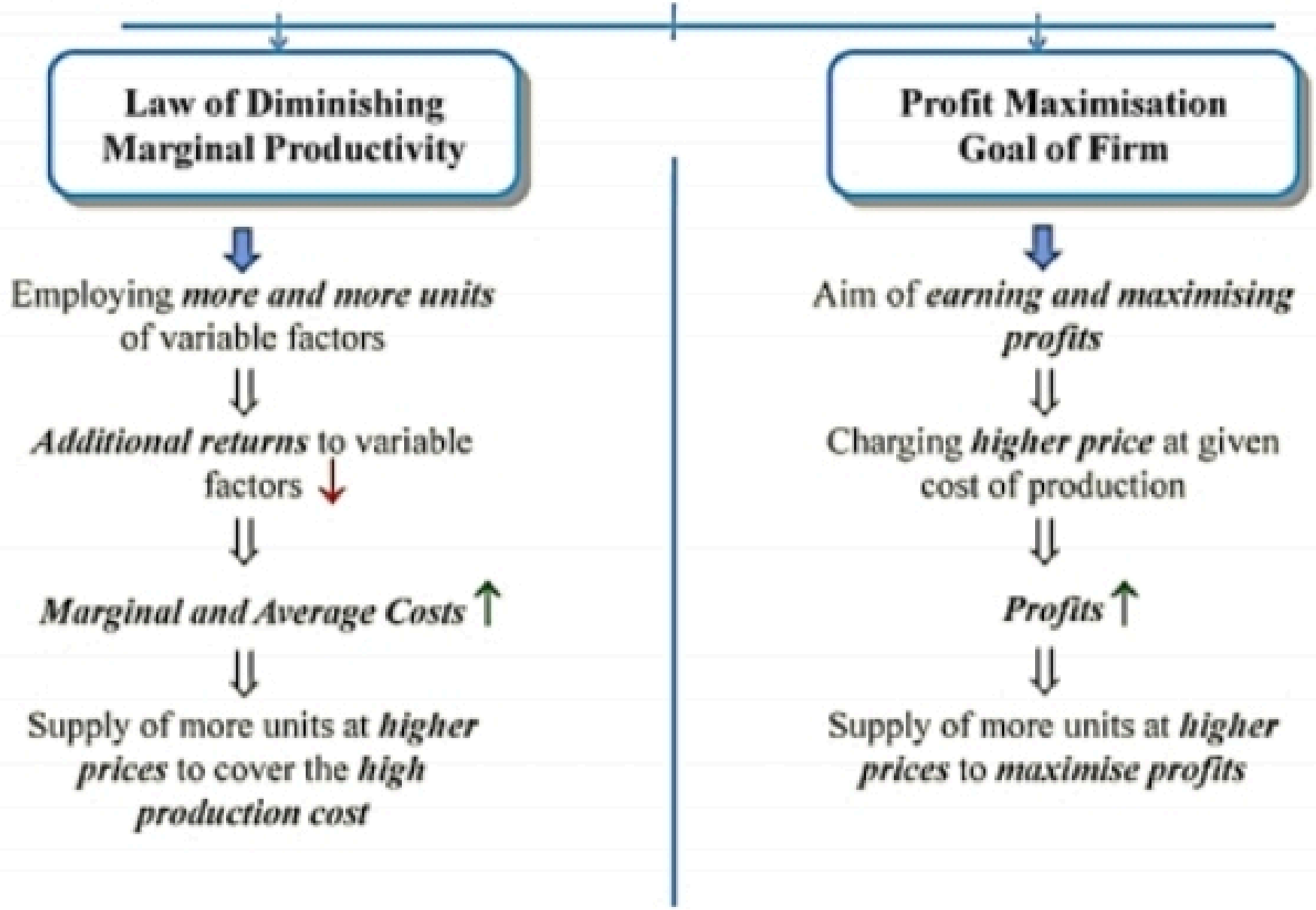


Why Supply Curve slopes upwards?



Supply Function

Relationship between different ***variables and supply*** of a commodity expressed in a ***functional form***

$$Q_x = f(P_x, P_y, T, P_i, G, G_F, N_F)$$

Here,

Q_x = Quantity Supplied of Commodity 'x'

P_x = Price of Commodity 'x'

P_y = Price of Related Goods

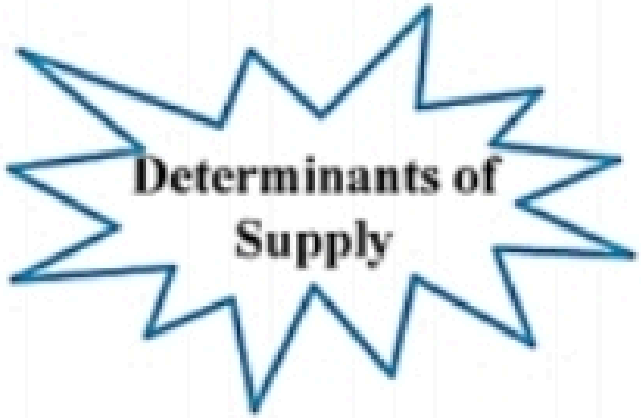
T = State of Technology

P_i = Price of Inputs, Raw Materials or Cost of Production

G = Government Policy

G_F = Goal of the Firm

N_F = Natural Factors



Determinants of Supply

- Price of Commodity (P_x)
- Price of Related Goods (P_y)
- State of Technology (T)
- Price of Inputs (P_i)
- Government Policy (G)
- Goal of Firm (G_f)
- Natural Factors (N_f)

$P_x \uparrow \Rightarrow Q_x \uparrow$

OR

$P_x \downarrow \Rightarrow Q_x \downarrow$

Positive Relationship

Related Goods

Substitute

$P_y \uparrow \Rightarrow Q_x \downarrow$

(Coffee) (Tea)

OR

$P_y \downarrow \Rightarrow Q_x \uparrow$

(Coffee) (Tea)

Positive Relationship

Complimentary

$P_y \uparrow \Rightarrow Q_x \uparrow$

(Ink) (Pen)

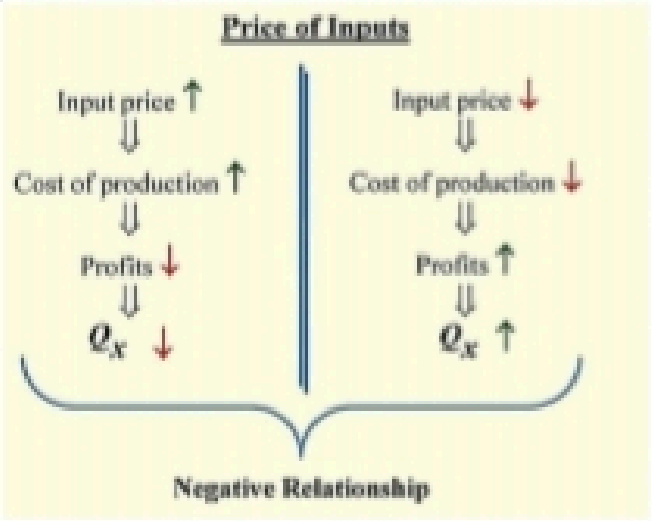
OR

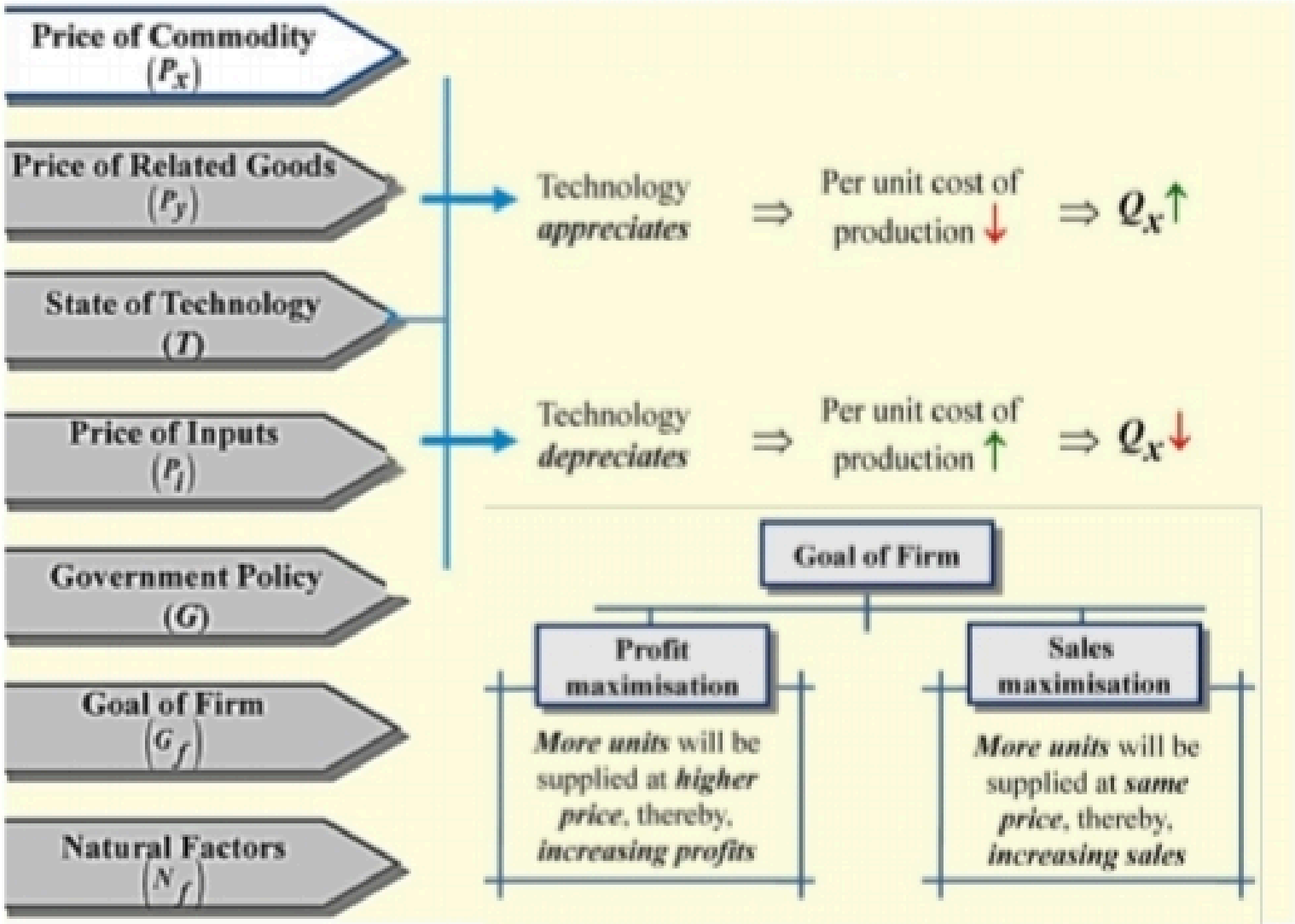
$P_y \downarrow \Rightarrow Q_x \downarrow$

(Ink) (Pen)

Negative Relationship

Determinants of Supply





- Artistic goods
- Perishable goods
- Underdeveloped & backward countries
- Agricultural sector products

Law of Supply

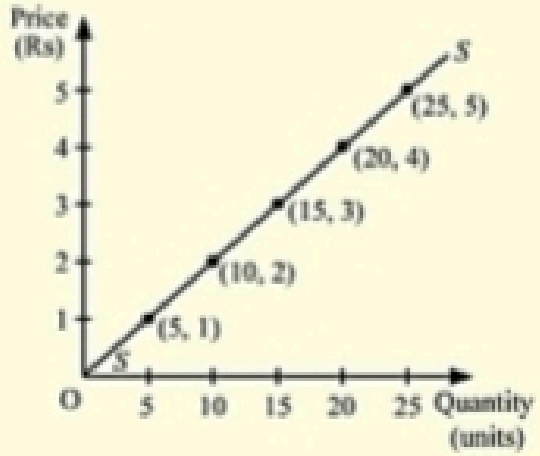
According to the law of supply, ***quantity supplied*** of a commodity is ***positively related*** to the ***price*** of the commodity, ***other things remaining constant (ceteris paribus)***

Algebraically,

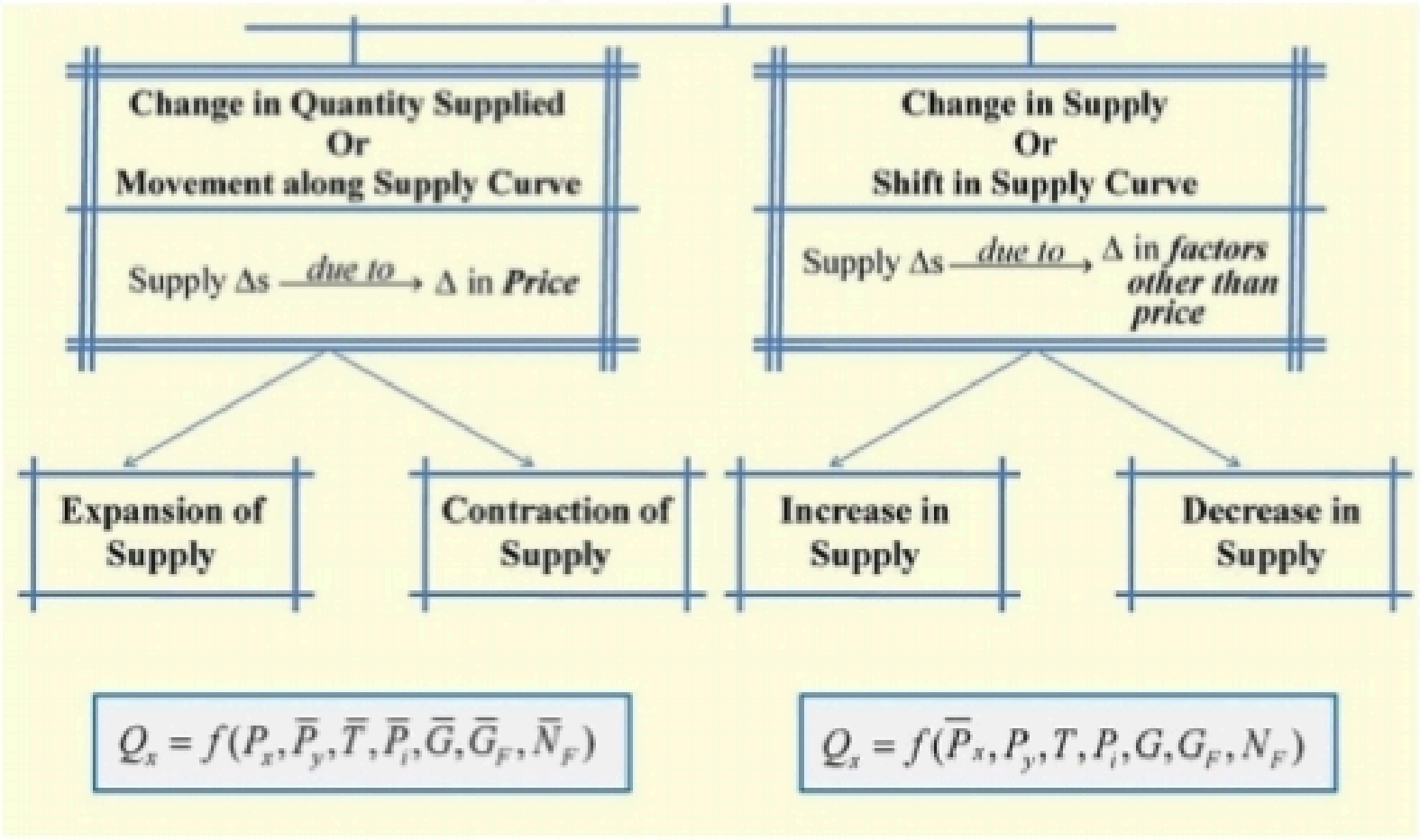
$$Q_x = f(P_x, \overline{P}_y, \overline{T}, \overline{P}_i, \overline{G}, \overline{G}_F, \overline{N}_F)$$

* $\overline{\ }$ bar represents that variables are constant

Price	Quantity Supplied
1	5
2	10
3	15
4	20
5	25

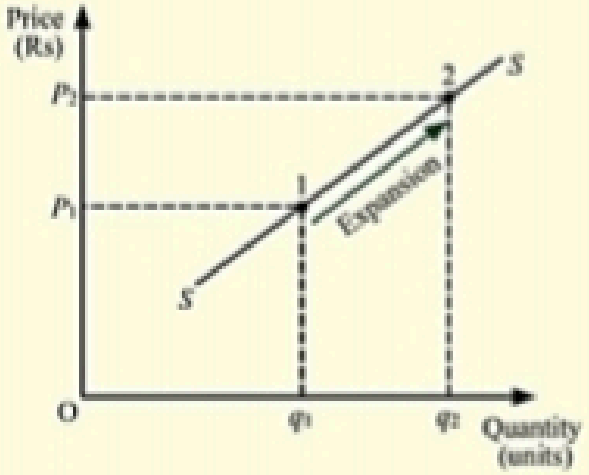


Law of Supply



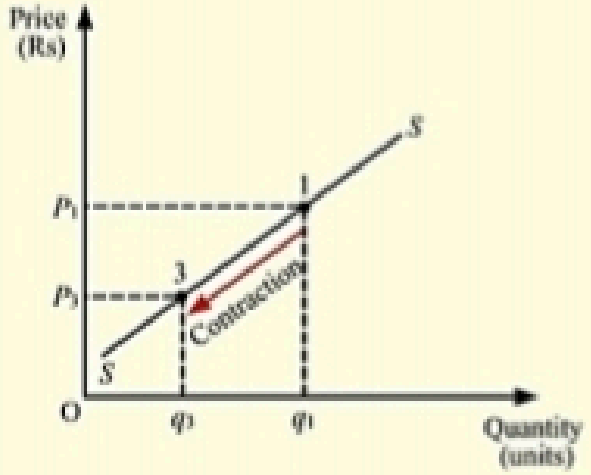
Change in Quantity Supply

Expansion of Supply



Due to ↑ in Price ⇒ Upward movement from 1 to 2 ⇒ Expansion of Supply

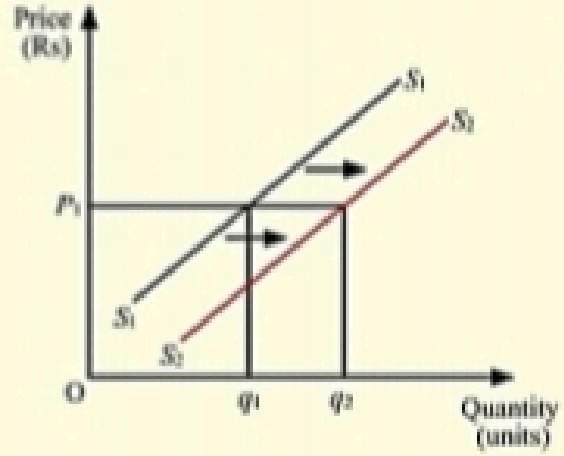
Contraction of Supply



Due to ↓ in Price ⇒ Downward movement from 1 to 3 ⇒ Contraction of Supply

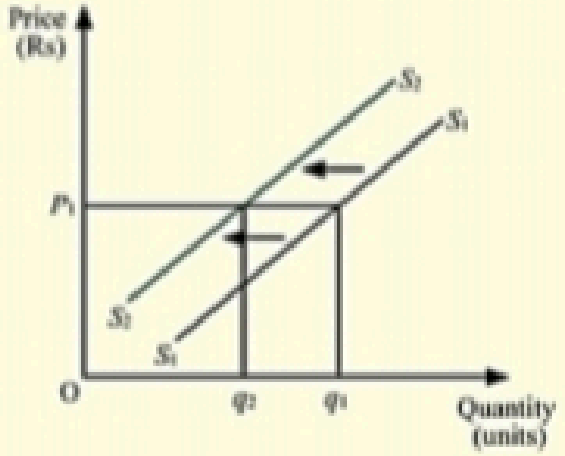
Change in Supply

Increase in Supply



Due to ↑ in Supply ⇒ S_1S_1 shifts to S_2S_2 ⇒ No Δ in Price

Decrease in Supply



Due to ↓ in Supply ⇒ S_1S_1 shifts to S_2S_2 ⇒ No Δ in Price

Difference

Change in Quantity Supplied	*V/S*	Change in Supply
Caused due to ***change in the price*** of the commodity		Caused by ***factors other than change in price***
Shown by ***movement*** along the supply curve		Shown by ***shift*** in the supply curve
Types are: • Expansion of Supply • Contraction of Supply		Types are: • Increase in Supply • Decrease in Supply