

Chapter → 1  
Unit → III  
Supply.

Supply → Willingness  
Ability

- \* Supply → refers to what a firm offer for sale in market.
- \* Supply is a flow concept (day, week, month, year)
- \* Supply is a part of stock.
- \* what is offered may not get sold [and not ~~change~~ <sup>necessarily</sup> also].
- \* offer for sale = available for sale
- \* Supply ≠ Sale.

Determination / influence supply  
factor affecting supply

① Selling Price of Goods :- Ceteris Paribus  
Cother things being constant

Cost = same Price ↑ Supply ↑ (Bcz Profit ↑)  
Cost = same Price ↓ Supply ↓ (Bcz Profit ↓)

② Price of related commodity

CAeco B → original		C.Seco → other.	
Other Good.		Original Good.	
C.Seco	P ↑	CAeco	S ↓
C.Seco	P ↓	CAeco	S ↑

→ Bcz they will [CAeco] shift to C.Seco bcz their prices are high & hence they will earn more profit and vice-versa.

11/11/11

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CSeco P ↑	CAeco S ↓		
CSeco P ↓	CAeco S ↑		

→ Bcz they will [CAeco] shift to CSeco bcz their prices are high & hence they will earn more profit and vice-versa.

③ Prices of Factors of Production :-

Cost = [Land, Capital, Labour, entrepreneurs]

Cost ↑ Supply ↓ [less Profit Margin]

Cost ↓ Supply ↑ [more Profit Margin]

But with automobiles. Will same small effect.

④ State of technology :-

Capital Intensive  
technique

Labour Intensive  
technique

[superior] T ↑ S ↑ [Bulls in Prod ↑ Cost ↓ Profit ↑]

[Outdated] T ↓ S ↓ [Prod ↓ Cost ↑ Profit ↓]

⑤ Govt. Policies :-

Subsidies

✓ Profit ↑  
Supply ↑

X Profit ↓  
Supply ↓

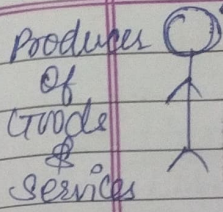
Taxes

Less  
Profit ↑ Supply ↑

More  
Profit ↓ Supply ↓

⑥ Other factors :-

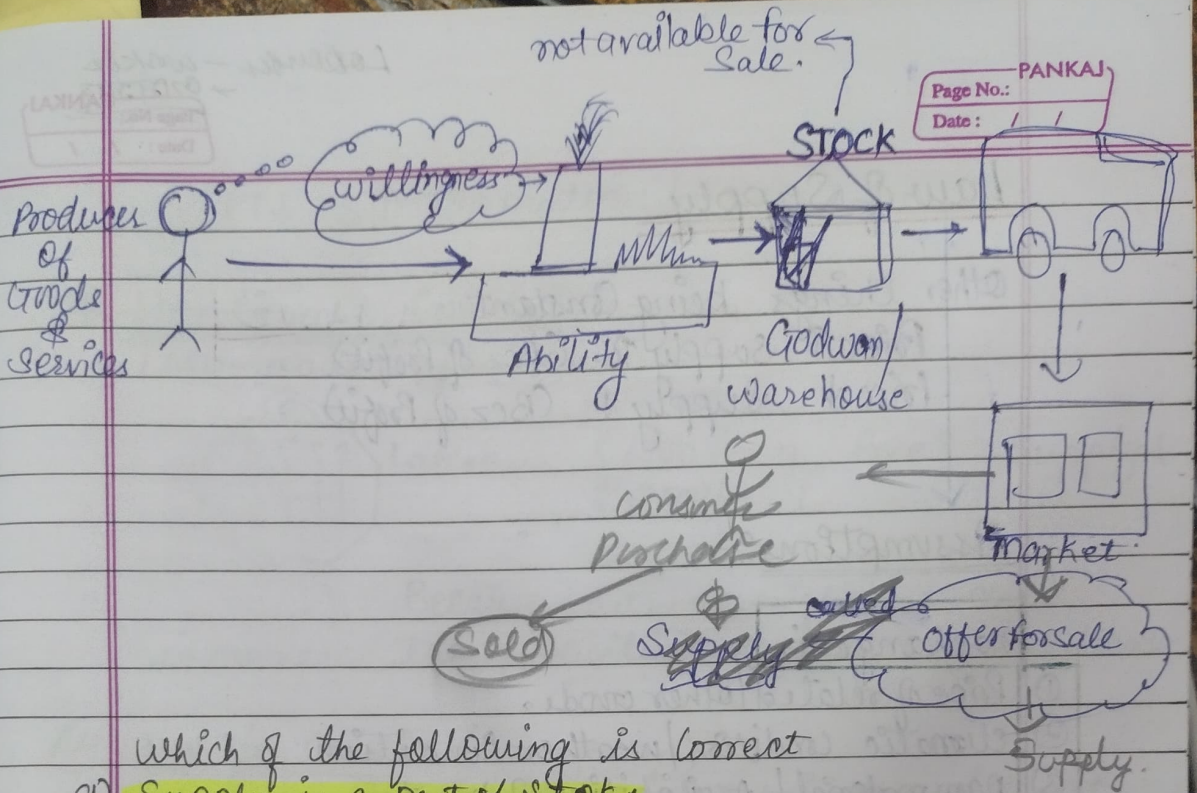
Govt Industry	✓	S ↓	X	S ↑	
Foreign policies	✓	S ↓	X	S ↑	Import/Export
Goal of firm	✓	S ↑	X	S ↓	Target
Industrial facilities	✓	S ↑	X	S ↓	Licence
Natural factor	✓	S ↓	X	S ↑	Weather
Market structure	✓	S ↑	X	S ↓	Market
Infrastructure facilities	✓	S ↑	X	S ↓	Road/Internet



- which of
- a) Supply
  - b) Stock
  - c) Either
  - d) none of
- Supply flow
- a) flow
  - b) Stock
  - c)
  - d)

Insurance/Auto  
condition  
diti on

Producers  
[it Margin]  
[Margin]  
all effect.  
  
re  
  
[Profit]  
[Profit]



which of the following is correct

- a) Supply is a part of stock.
- b) Stock is a part of supply.
- c) Either a or b
- d) none of these.

Supply is a \_\_\_\_\_ concept

- a) flow
- b) Stock
- c)
- d)

pplyx  
  
Import/Export  
Target  
License  
Weather  
Market  
Road/Internet

Pakistan # Import X  
  
Insurance/Automobile Business  
condition  
dition  
  
Livestream - internet 7+

Labour - worker

Page No. \_\_\_\_\_  
Date: / /

## Law of Supply

Other things being constant

Price ↑ Supply ↑ (Bcz of Profit)  
Price ↓ Supply ↓ (Bcz of Profit)

### Assumptions:-

no change in

- ① Price of related / other goods.
- ② climatic condition / weather condition
- ③ Raw material / Availability of inputs
- ④ Technology
- ⑤ Transport and communication / Infrastructure facilities
- ⑥ Exports and Imports / foreign Policy
- ⑦ no. of sellers / suppliers

### Exception:-

#### ① Supply of Labour :-

₹500/hr	5hr
₹600/hr	4hr
₹700/hr	3hr
₹1000/hr	1hr
₹1500/hr	-

we are human → so - fatigue.

Kuki (work) utar jati hai

Price ↑ Supply ↓

#### ② Perishable Goods / Agriculture Goods :-

e.g. → Eggs, bread.

e.g. fruit, vegetable

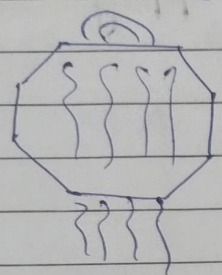
Agar jaldi kharab ho jaye to Apni kheti

par wait nhi kera ge ki koi bhi price ↑ ho

$P \downarrow$   $S \uparrow$  [no matters]

③ Handicraft Goods:-

[Man-made] handmade



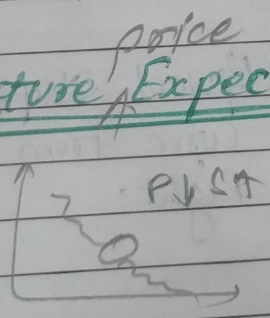
Lata ₹ 1000/-  
₹ 1500/- } Price ↑ Supply ↓  
₹ 2000/- }

Because over a night we can't increase the production as they are handmade.

④ Need for Cash:- (Emergency)

Jab logo ko paisa ki zarurat hai, they will not see prices in the market for eg of [Gold, Silver, diamond]  
 $P \downarrow$   $S \uparrow$

⑤ Future Expectation:-



If Supplier thinks to future  $\uparrow$  Price then in Present his supply ↓

⑥ Cost of Storing:-

Assumed that future में Price ↑ की taken storage means Gradually the cost increase  $\uparrow \uparrow \uparrow$  हो रही है

Irrespective of Price  
 $P \downarrow$   $P \uparrow$  Supply ↑

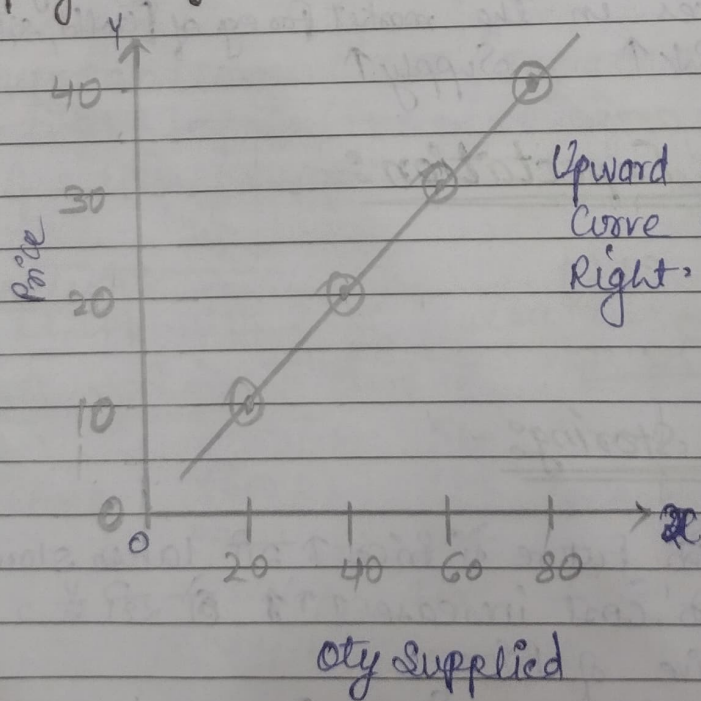
Bez  $\frac{P_0}{P_1}$   $\frac{P_0}{P_1}$   $\frac{P_0}{P_1}$  we can have loss in near future.

Time Period. → Short Run → Supply  
Long Run

Expansion and contraction of supply  
Supply Schedule

P	Qty Supplied
10	20
20	40
30	60
40	80

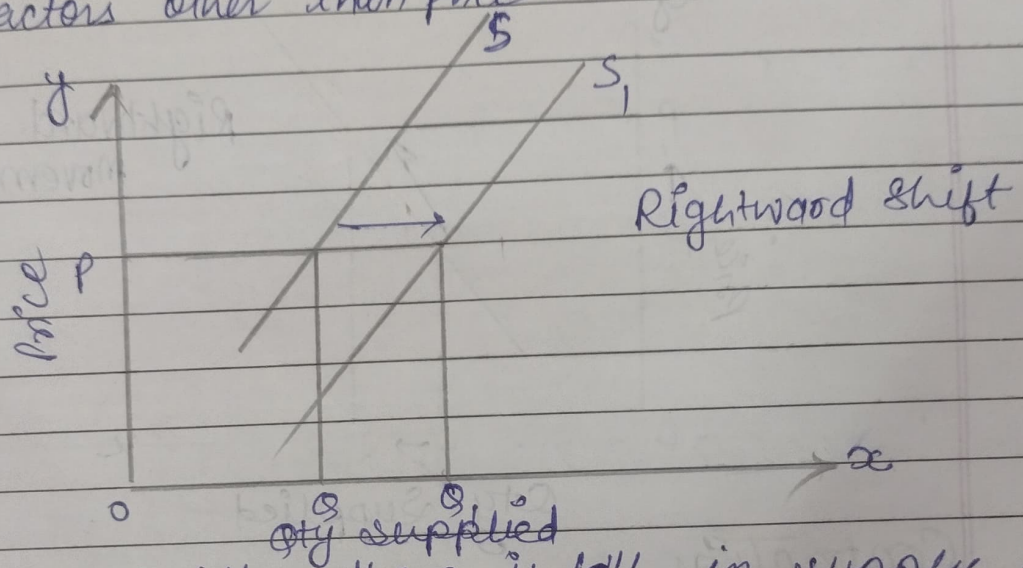
Supply diagram



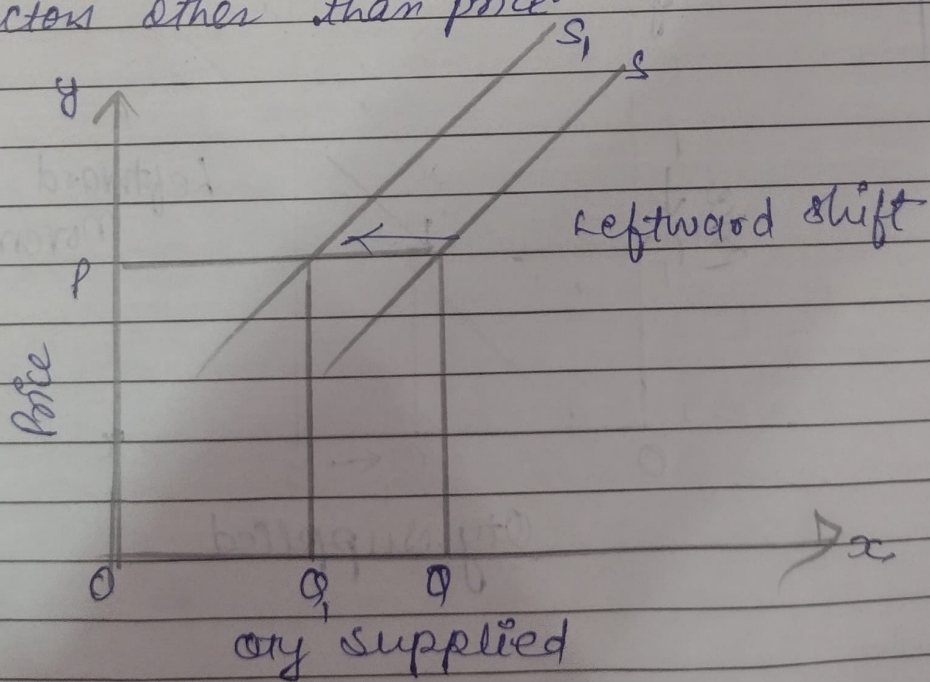
there is direct relationship between Price & Supply

13 Increase and Decrease of Supply  
 When there is change supply due to factors other than price.

Increase :- When there is rise in supply due to factors other than price.



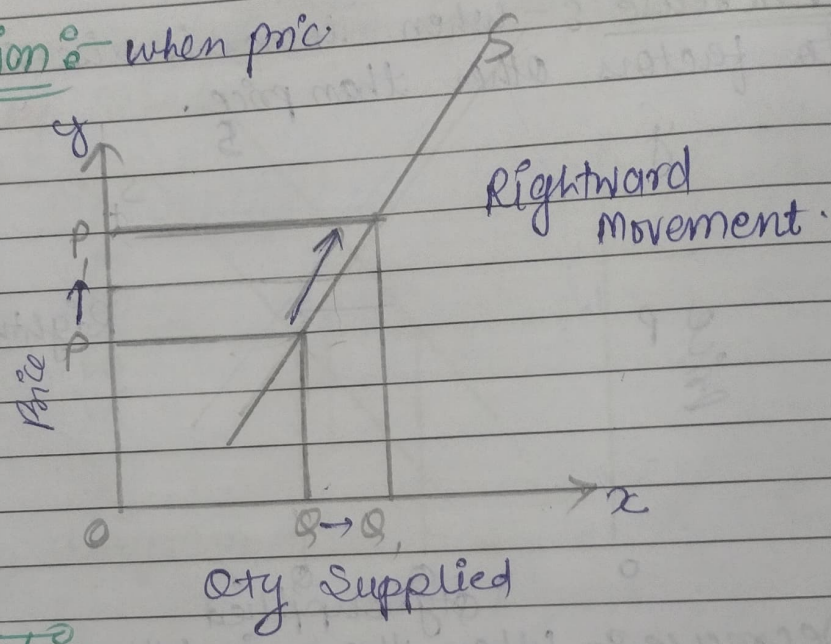
Decrease :- When there is fall in supply due to factors other than price.



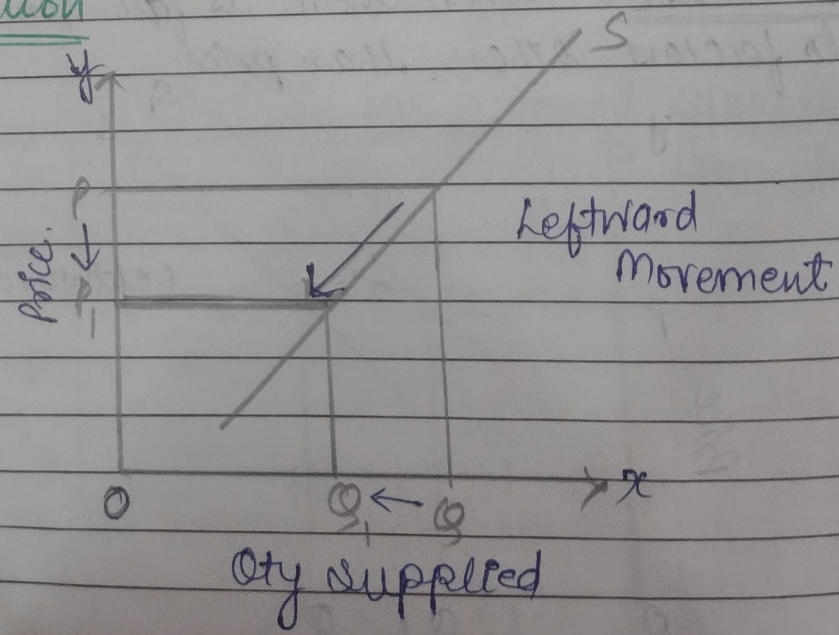


Expansion & Contraction of Demand Supply :-  
When there is change in supply due to Price.

Expansion :- when price



Contraction



## Elasticity of Supply

Logic :- Price ke wajah se supply effect ho rhi hai.  
Price is the basis affecting supply.

Formula :-

$$\frac{\text{New S} - \text{Old S}}{\text{Old S}} \times 100$$

$$\frac{\text{New P} - \text{Old P}}{\text{Old P}} \times 100$$

Point elasticity →

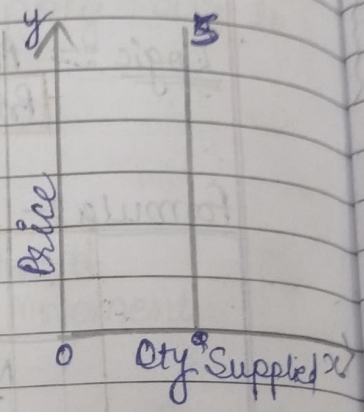
[ arc-elasticity ]

$$\frac{\text{New S} - \text{Old S}}{\frac{\text{New S} + \text{Old S}}{2}} \times 100$$

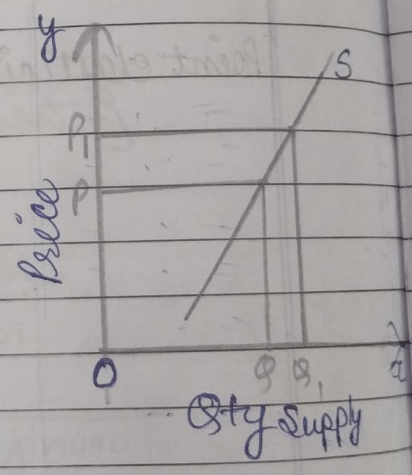
$$\frac{\text{New P} - \text{Old P}}{\frac{\text{New P} + \text{Old P}}{2}} \times 100$$

Types of Supply Elasticity :-

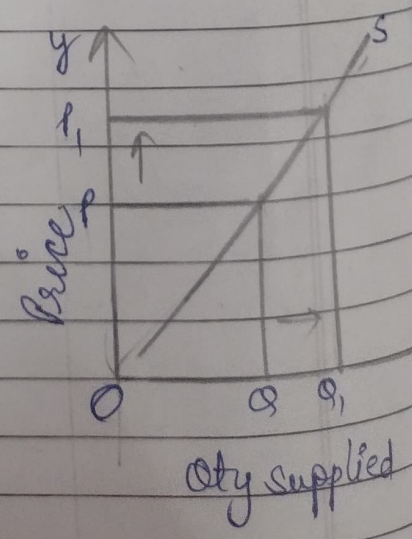
•  $e=0$   
 → Perfectly Inelastic  
 •  $\% \Delta S = 0$   
 •  $\% \Delta P = \checkmark$   
 Parallel to y-axis



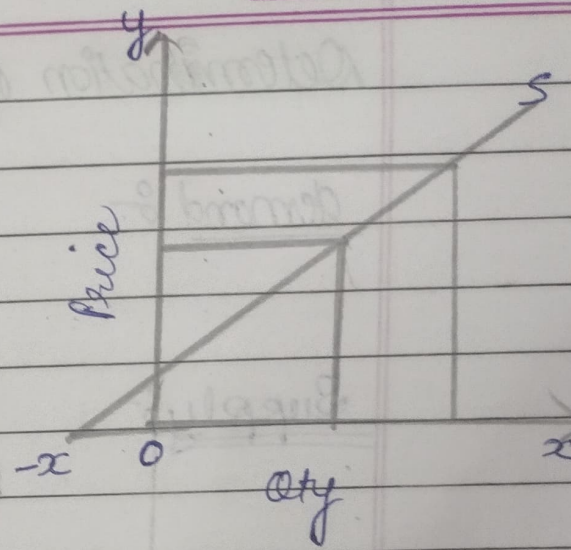
-  $e < 1$   
 → Relatively Inelastic  
 •  $\% \Delta S < \%$   
 •  $\% \Delta P$



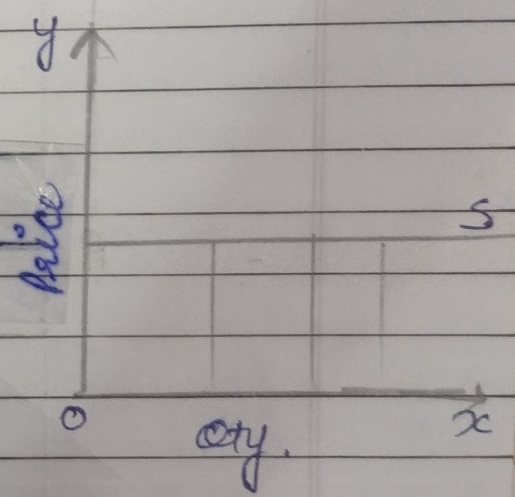
$e=1$   
 Unit Elastic  
 →  $\% \Delta S = \% \Delta P$   
 Straight line Between x & y-axis.



- $e > 1$
- Relatively Elastic
- $\% \Delta S > \% \Delta P$

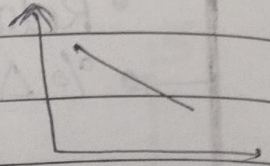


- $e = \infty$
- Perfectly elastic
- $\% \Delta S = \infty$
- $\% \Delta P = \text{slight}$
- Parallel to x-axis

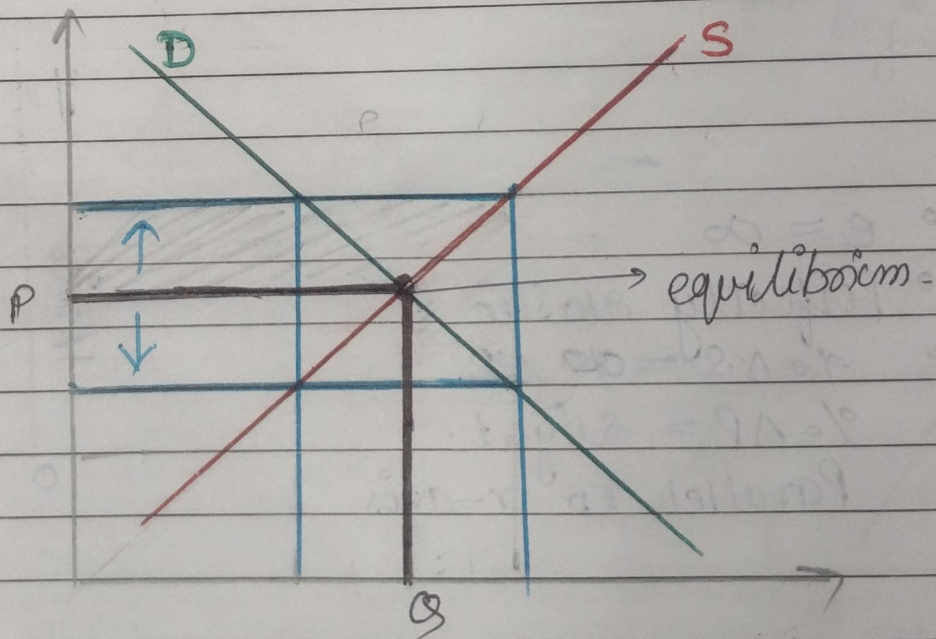
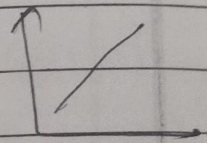


## Determination of Equilibrium Price.

demand :- Price ↑ Demand ↓  
Price ↓ Demand ↑



Supply :- Price ↑ Supply ↑  
Price ↓ Supply ↓



eg. Equilibrium price is decided by market forces that is by demand & supply.