

SUPPLY



Multiple choice

- 1 C
- 2 A
- 3 D
- 4 A
- 5 C

Matching terms

The quantity of a commodity supplied generally varies directly with the price of the commodity ('directly' means "in the same direction" indicating that as price increases, supply will also increase and vice versa).	law of supply
The quantity of a good or service that all firms in a particular industry are willing and able to offer for sale at different price levels, in a given period of time.	supply schedule
The percentage change in quantity supplied due to a change in price.	price elasticity of supply
A fall in price reduces the quantity supplied to zero.	perfectly elastic supply
A change in price has no effect on quantity supplied.	perfectly inelastic supply
A change in price will result in a significant change in supply for the good.	relatively elastic supply
A change in price will result in very little change in supply for the good.	relatively inelastic supply
A change in a characteristic within the economy that shifts the supply curve to the left.	decrease in supply

True or false

Select the alternative true or false that best answers the question. Place a tick in the space provided.

	True ✓	False ✓
1 Supply refers to the total quantity of a good or service that a firm produces over a given period of time.	_____	✓ _____
2 If the price received for washing machines increased, the supply of clothes dryers would be likely to decrease.	_____	✓ _____
3 If the wages paid to grape-pickers increased, the quantity of wine supplied would contract.	_____	✓ _____
4 The law of supply explains why the supply curve is upward sloping.	✓ _____	_____
5 An increase in the price received for televisions will lead to an expansion of their supply.	✓ _____	_____
6 The longer the time after a price change, the more inelastic is supply.	_____	✓ _____
7 The supply of a particular good is affected by the price of other similar goods.	✓ _____	_____
8 The price elasticity of supply of milk is generally higher than that of bicycles, produced in a firm with excess capacity.	_____	✓ _____
9 A plague of locusts will contract the supply of barley.	_____	✓ _____
10 When supply is perfectly elastic, the supply curve is vertical.	_____	✓ _____

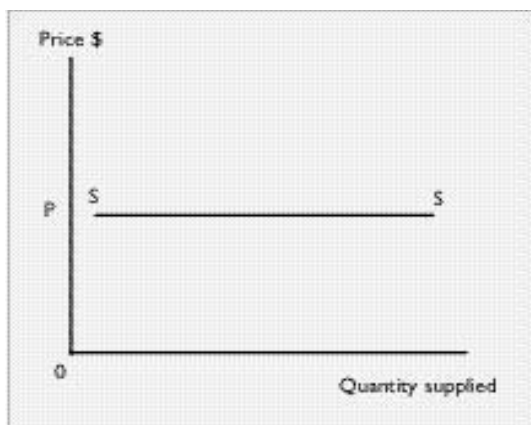
Short answers

Question 1

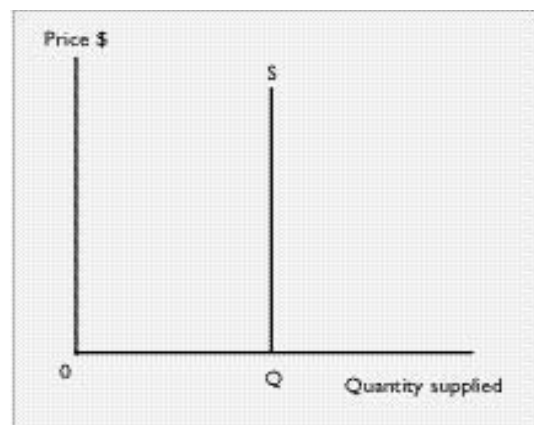
1. The level of wages in the industry. An increase in wages would cause a decrease in supply.
2. The price of oranges. Any fall would cause an increase in supply.
3. The available technology used in the production process. An improvement in the efficiency and productivity of capital will increase supply.
4. A drought or poor season. Any decrease in the supply of inputs will decrease supply.

Question 2

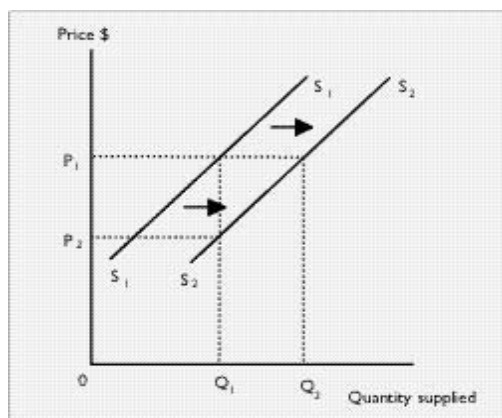
a) a product which has perfectly elastic supply



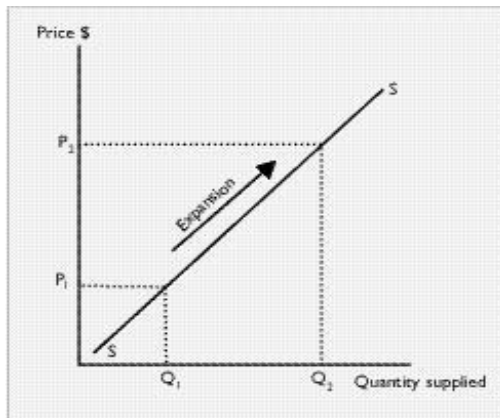
b) a product which has perfectly inelastic supply



Question 3



An increase in supply is a movement of the supply curve to the right. It is caused by a fall in the price of inputs to the production process



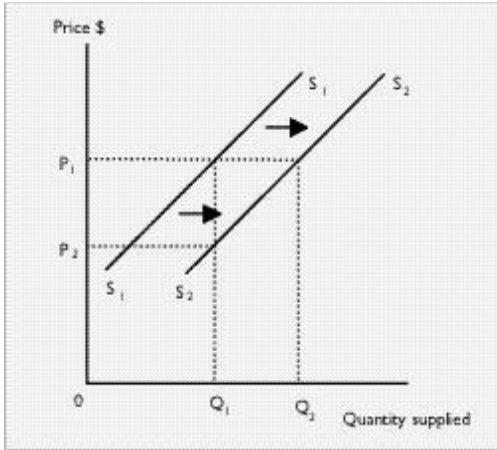
An expansion of supply is a movement along the supply curve, up and to the right. It is caused by an increase in the price paid by consumers for a good.

Question 4

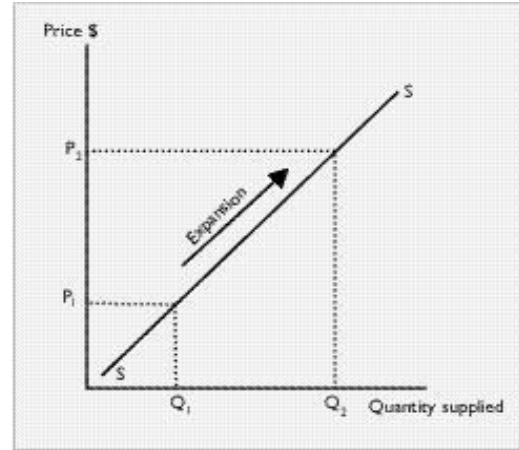
- a) The responsiveness of the quantity of a good supplied to changes in price.
- b)
 - (i) Bracelet. Thickened cream cannot be stored for long periods, and its production cannot be increased significantly in a short period of time.
 - (ii) The industry that operates 7 days per week. It will be able to respond quickly to changes in demand.
 - (iii) The industry aware of the change for a month. It will be able to adjust its level of output far quicker than one only aware of the price change for a week.
 - (iv) Tickets to the opening ceremony - they are strictly limited to one evening.

Question 5

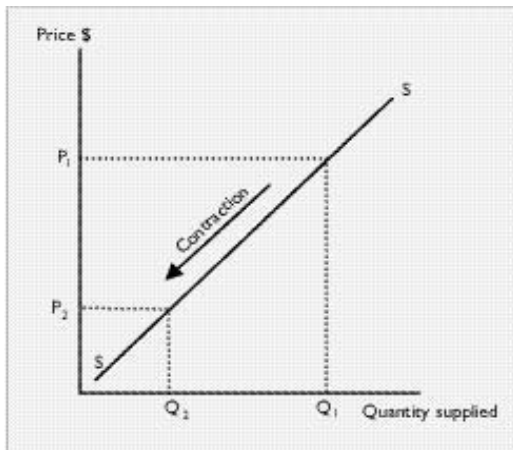
a) A decrease in the price of willow (wood used for cricket bats)



b) The success of the Australian cricket team in the Ashes Series in 2001



c) An increase in the price of cricket balls



d) A decrease in the price received for cricket bats

