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Supply

Q1 what do you mean by supply ?

A1 supply refers to a qty that a firm is willing & able to offer for sale at a given price during a given period of time. As per this defination there are 4 essential element of supply :-

1. qty of commodity
2. willingness to sell
3. At a particular price
4. During a given period of time.
5. Able to sell

Q2 Diff b/w supply & stock.

Basis	Supply	Stock
Meaning	It is the qty that a firm is able & willing to offer for sale at a given price during a period of time.	It refers to the total qty i.e available with the firm at a particular point of time.
Concept	supply is a flow concept because it is related to a period of time.	It is not a flow concept because it is not related to a period of time.
Relation with price	It is related to price of commodity directly.	It is not related to price since it is a fixed qty.

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Q8 what are the factors that affect individual supply?

A8 Among various factors following are imp -:

(1) Price of commodity →
In general price & supply of commodity are positively related to each other i.e. when price increases qty supply increase & vice ~~va~~ versa because seller is able to get higher profits at higher prices

(5)

(6)

(2) Price of related goods →
The supply of a commodity depends not only on its price but also on the price of related goods. Increase in price of related goods makes them more profitable & seller shifts its resources to supply that commodity having higher prices. For eg - a farmer is producing rice but if he gets higher price for wheat, he will shift to produce more of wheat.

(3) Price of factors of production →
like labour, raw material, cap. etc are the components of cost of production, if the price of any of these factors increase the cost of production increases, profit margin reduces as a result seller decreases the supply. On the other hand, if price of these factors decrease profit margins increase & supply increases.

(4) State of technology →
changes or advancement of technology also affect supply of commodity as advancement of tech reduces cost of production that raises the profit margin & supply is increased. On the other hand, due to

degradation of the cost of production increase, profit margin decrease & supply decreases.

(5) Taxation policies →

Increase in tax rate raises the cost of production reduces the profit margin decrease the supply. On the other hand, tax concessions reduce cost of production & lead to increase in supply.

(6) Goals of the firm →

Supply also depends on goal of the firm. A firm may have diff goals like sales maximisation, profit ~~maxim~~ maximisation, etc. In case of sales maximisation firm will try to supply as much as possible. Similarly, if a firm wants to get higher market share, it will ~~sell m~~ sell more & more.