



ECONOMICS

BOOKS - GOYAL BROTHERS

PRAKASHAN ECONOMICS (HINGLISH)

**SUPPLY AND PRICE ELASTICITY OF
SUPPLY**

Problems

1. Price elasticity of supply of a good is 5 . A producer sells units 500 units of this good at Rs.5 per unit . How much will be willing to sell at Rs. 6 per unit ?



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2. Price elasticity of supply of a good is 2. A producer sells 60 units of a good at a price of Rs.6 per unit .At what price will he sell 40 units ?



Exercises

1. A statement about supply of a good includes information on :

- A. Quantity
- B. Price
- C. Period of time
- D. All of above

Answer: D



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2. "Changes in quantity supplied" of a good is caused by :

- A. Change in 'own price ' of the good
- B. Change in prices of other goods
- C. Change in taxes on the good
- D. Any other factor

Answer: A



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3. Upward sloping supply curve shows that :

- A. When supply rises price rises
- B. When supply falls price rises
- C. When price rises supply rises
- D. When supply rises price falls

Answer: C



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4. "Change in supply" of a good can be caused by :

A. Change in technology

B. Change in price of other goods

C. Change in government policy on
production

D. All of above

Answer: D



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5. Price elasticity of supply measure shows :

A. Response of supply to change in price

B. Response of price to change in supply

C. The rate at which supply responds to one percent change in price.

D. The rate at which price responds to one percent change in supply.

Answer: C



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6. Price elasticity of supply of a good is 2. It shows that :

A. When price falls by 1 % supply rises by 2 % .

B. When supply falls by 1 % ,price rises by 2 % .

C. When price rises by 1 % , supply rises by 2 % .

D. When supply rises by 1 % , price rises by 2 % .

Answer: C



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Short Answer Questions

1. Define supply and state the assumptions behind this definition.



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2. Explain the relation between change in technology and supply of goods.



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3. Explain the relation between price of inputs and supply of a good.



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4. Explain the relation between prices of other goods and supply of the given good.



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5. State the law of supply and the assumption behind the law.



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6. Explain the meaning of market supply schedule.



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7. Explain the concept of 'change in supply'.



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8. Explain the concept of 'change in quantity supplied.'



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9. Explain shifts of supply curve.



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10. Distinguish between 'increase' and 'extension' of supply.



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11. Distinguish between 'decrease' and 'contraction' of supply.



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12. Explain 'movement along the supply curve'.



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13. Explain the meaning of price elasticity of supply.



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Short Answer Questions Ii

1. Explain any two factors determining supply.



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2. Explain the meaning of movement along the supply curve.



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Long Answer Questions

1. Explain any three factors determining supply of a good.



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2. Explain the distinction between 'shift of supply curve' and 'movement along the supply curve'.



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Numerical Questions

1. A producer is willing to supply 150 units of good X at a price of Rs. 10 per unit. When price of X rises to Rs. 11, he is willing to supply 200 units. Calculate E_s .



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2. Given that E_s is 3 and the producer supplies 200 units at a price Rs.4 per unit. Price falls to Rs. 3 per unit. How much quantity will producer now supply ?



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3. Given that E_s is 4 and a firm supplies 300 units at a price Rs. 8 per unit. At what price will

the firm be willing to supply 600units ?



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4. When price of a good rises by Rs.10 per unit, the supply by firm increases from 400 units to 8000 units . What was the original price, if $E_s = 1$?



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5. The price of a good falls from Rs. 6 to Rs. 5.

As a result, supply by a firm falls by 600 units.

If $E_s = 2$, find out the quantity supplied at Rs.

6.



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6. When price of a good rises by 20%, the

supply by a firm rises by 50%. Find out E_s .



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7. When price of a good rises by 10%, the supply remains the same. What is E_s ?



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Some Important Questions

1. What causes a downward movement along the supply of a commodity ?



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2. What causes an upward movement along the supply curve of a commodity ?



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3. What causes a movement along the supply curve of a commodity ?



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4. State the law of supply ?



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5. Define supply.



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6. When is the supply of a commodity called 'elastic' ?



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7. Price elasticity of supply of a good is 0.8 . Is the supply 'elastic' or 'inelastic' and why ?



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8. Price elasticity of supply is 1.2 . Is its supply elastic or inelastic and why ?



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9. Define market supply .



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10. At price of Rs. 8 per unit, the quantity supplied of a commodity is 200 units. Its price elasticity of supply is 1.5 . If its price rises to Rs. 10 per unit , calculate its quantity supplied at the new price .



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11. The price elasticity of supply of a commodity is 2.5 . At a price of Rs. 5 per unit, its quantity supplied is 300 units. Calculate its quantity supplied at a price Of Rs. 4 unit.



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12. The price of a commodity is Rs.12 per unit and its quantity supplied is 500 units. When its price rises to Rs. 15 per unit , its quantity

supplied rises to 650 units. Calculate its price elasticity of supply. Is supply elastic ?



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13. List any three determinants of supply of a commodity.



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14. Give three reasons for a rightward shift of supply curve of a commodity.



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15. Give three reasons for 'increase' in supply of a commodity.



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16. State any three causes of leftward shift of supply curve.



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17. Define market supply of a good. Give three causes of a rightward shift of supply curve.

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18. What is meant by 'change in supply' ? State three factors that can cause 'change in supply'.

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19. When the price of a commodity falls from Rs. 10 per unit to Rs. 9 per unit , its quantity supplied falls by 20 percent . Calculate its price elasticity of supply.



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20. The price of a commodity is Rs. 5 per unit and its quantity supplied is 600 units. If its price rises to Rs. 6 per unit , its quantity

supplied rises by 25 percent. Calculate its price elasticity of supply.



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21. Due to a 10 percent rise in the price of a commodity , its quantity supplied rises from 400 units to 450 units. Calculate its price elasticity of supply. Is its supply elastic ?



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22. The price elasticity of supply of a commodity is 2. When its price falls from Rs. 10 to Rs. 8 per unit, its quantity supplied falls by 500 units . Calculate the quantity supplied at the reduced price.



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23. Distinguish between 'change in supply' and 'change in quantity supplied' of a commodity.



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24. The price elasticity of supply of a commodity Y is half the price elasticity of supply of commodity X. 16 percent rise in price of X results in 40 percent rise in its supply. If the price of Y falls by 8 percent, calculate the percentage fall in its supply.



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25. How does subsidy the supply of a good by a firm ? Explain.



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Value Based Questions

1. What can government possibly do to promote pollution-free vehicles through the market ? Explain.



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2. A crucial input used in production of health friendly product is available only from the government production units. Explain what can be done to "increase" the supply of this product?



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