ECONOMICS PROJECT

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EXAMINATION NO. : 1603945

GUIDED BY :-

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Supply And It's Determinates

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cknowledgment

It Gives me immense pleasure to present the project on Economics Supply and its Determinates.

It would not have been possible without the kind support of my teacher in charge, mr. Santlal kumar, under whose guidance and constant supervision the project was brought to the present state

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Certificate

This is to certify that Miss. Trusha solanki is student of class XII commerce has success-fully completed the reserch on the project :- title Supply And its Determinates under the guidance and Supervision of Mr. santlal kumar (PGT Economics) during session 2018-19 in partial fulfillment of economics project work - conducted by central Board of Secondary - Education. (CBSE)

Kumar

Mr. santlal kumar
(PGT Economics)

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Introduction

Meaning Of Supply :

Supply is the quantity of a good which offered for sale at a given price at a particular time. "The amount of a product that firms are able to offer. for sale is called the quantity supplied."

Supply is a disired flow. it measures how much they actually are willing to sell and not how much they actually sell. It is to be semembered that the firms may not supply the entire amount of a commodity that they produce per period of time. Supply may exceed or fall short of production. Supply in a particular year is the total production plus - minus stocks of the commodity.

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Market Supply:

Refers to the quantity of a commodity that all firms are willing and able to offer for sale at each possible price during a given period of time.

It's Determinates

Supply of a commodity depends not only on the price of that commodity but also on other factors.

1. factors affecting individual Supply:

a] price of the commodity:

i] positive relationship exists between price of the commodity and Supply of that commodity.

ii] It means, with the rise in price of the commodity the Supply of that commodity also rises and vice-versa.

b] price of the factors of production:

i] This also influences the Supply since price of factors constitutes the cost of

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production of a commodity.

ii] An increase in the price of a factor of production may lead to fall in production of a commodity shifting the supply curve to the left.

iii] As against it, a produces may supply more of a commodity at a given price of the factors fall shifting the supply curve to the right.

c] State of technology:

i] When there is technological progress in the firm, the cost of production will decreases, which leads to increase in the profit margin of the firm and there by shift the supply curve rightward.

ii] Supply of those goods which are being produced with old and inferior technology causing increase in cost of production will decrease the total output and shift the supply curve to the left.

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d] unit tax :

i] A unit tax is a tax that the govt. Imposed per unit sale of output.

ii] Suppose, that the unit tax imposed by the govt. is ? 3. Then if the firm produces sells 20 units of the goods. the total tax that the firm must pay to the govt. is 20*3 = 60.

iii] So, if the unit tax increase, the firms cost of production increases which will shift the curve leftward similarly, if the unit tax decreases, the firms cost of production decrease, which will left the suppy curve righeward.

e] price of other goods :

i] Suppose a firm produces more than product with its given resources.

ii] An increase in the price of the other goods induces the firm to produce more of other good. to earn more profit less of goods whose prices remained unchanged

F] objective of the firm:

i] Sometimes a firm may be indiced to increase supply of a commodity not because it is more profitable but because its supply is a source of status and prestige in the market.

ii] Similarly, a firm increase production just a to achieve the goal of maximum sale or maximum employment.

2. factors affecting market supply:

a] price of the commodity.

b] price of the factors of production

c] state of technology.

d] unit tax

e] price of other goods.

f] objective of the firm

g] No. of firms in the market

h] future expectation regarding price.

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g] Number of firms in the market :

i] when the number of firms in the industry increases market supply also increases. due to large number of produces. producing that commodity.

ii] However, market supply will decreases if some of the firms start leaving the industry due to losses.

h] future Expectation regarding price :

i] If Sellers expect a rise in price in near future current market supply. will decreases in order to raise the supply in future at higher prices.

ii] If the sellers fear that the prices will fall in the future, they will increase the present supply to avoid losses in future.

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Supply Function

Shows the relationship between quantity supplied for a particular commodity and the factor influencing it.

1. Individual Supply function:

Refers to the functional relationship between supply and factors affecting the supply of a commodity.

It is expressed as, $S_x = f(P_x, P_o, P_F; T, O)$ where S_x = Supply of the given commodity. x.

P_x = price of the given commodity. x

P_o = price of other goods.

P_F = price of factor of production.

S_t = state of technology

T = Taxation policy.

O = objective of the firm.

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Individual Supply schedule

Price	QS of good -x
10	50
20	100
30	150
40	200
50	250

2. Market Supply function:

refers to the functional relationship between market supply and factors affecting the market supply of a commodity.

~~Market~~ supply is affected by all ~~the~~ factors affecting the individual supply. it is also affected by some other factors like numbers of the firms, future expectations regarding price and means of transportation and communication market supply function is expressed as =

$S_x = f\ (P_x, P_o, P_f, St, T, O, N, F, M]$

P_x = price of the given commodity

P_o = price of other commodity

P_f = price of factors of production

St = State of technology.

T = Taxation policy

O = objective of the firm

N = number of the firms

F = future expectation regarding price of the x

M = Means of transportation and communication.

Supply Schedule :

is a table showing various quantities of a commodity offered for sale corresponding to different possible prices of that commodity.

Supply Schedule is of two types:

a) individual supply schedule

b) Market supply schedule.

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Price	quantity of good-x
5	0
10	10
15	20
20	30

individual supply schedule

refers to the supply schedule of an individual firm in the market.

Table shows a hypothetical supply schedule for commodity x.

As seen in the schedule quantity supplied of commodity x. Increases with the increase in price the producer is willing to sell 50 unit of x at a price of 10. when the price rises to 2 do, supply also rises to 100 units.

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Market Supply Schedule

refers to supply schedule of all the firms in the market producing a particular commodity.

It is obtained by adding all the individual supplied at each and every level of price, market supply is calculated as Sm = SA + SB ... where Sm is the market supply and SA + SB + ... are the individual supply of supplier A, supplier B.

Let us understand the derivation of market schedule with the help of Table.

As seen in table market supply is obtained by adding the supplies of supplies. At price of Rs. 10 market supply is 150 units. When prices rises to Rs. 20 market supply rises to 300 units. So, market supply schedule also shows the direct relationship b/w

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price and quantity supplied.

Price	Q_x - A	Q_x - B	Market Supply
5	0	0	0
10	10	5	10 + 5 = 15
15	20	10	20 + 10 = 30
20	30	15	30 + 15 = 45

Fig: Market Supply schedule.

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Supply curve

refers to a graphical representation of supply schedule. It shows direct relationship between price and quantity supplied keeping other factors constant. Supply curve is of two types.

a] individual supply curve

refers to a graphical representation of individual supply schedule.

with the help of information given in supply schedule. The supply curve for an individual firm can be drawn as shown in figure.

In figure, quantity supplied is taken on the horizontal axis and price on the vertical axis. At each possible price, there is a quantity, which the firm is willing to sell.

point 'A' shows that 50 units are supplied at the price of Rs. 10.

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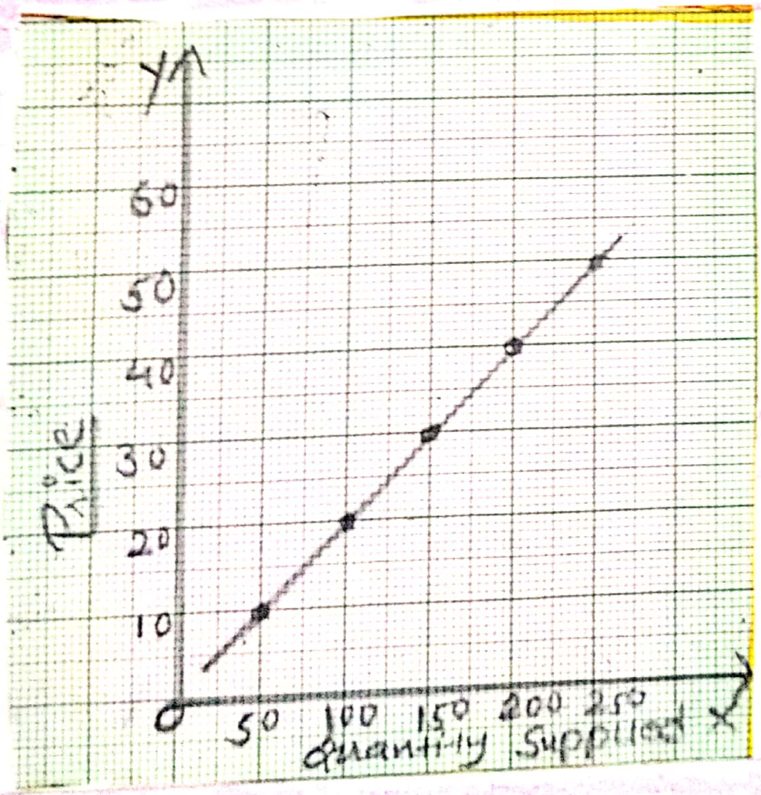
point 'B' shows that 100 units are supplied at RS. 20.

By joining all the points, we get a curve that slopes upward. The supply curve as SS, slopes upward due to positive relationship b/w price and quantity supplied.

individual Supply curve



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Market Supply curve

a] Refers to a graphical representation of a market supply schedule. It is obtained by horizontal summation of individual supply curve.

b] let us graphically convert the market supply schedule into a market supply curve.

c] As seen in the diagram, quantity supplied is shown on the horizontal axis and price on the vertical axis and so are the individual supply curve. Market supply curve is obtained by horizontal summation of the individual supply curve.

d] At the price of Rs. 10 per unit both the firms will supply a total no. of 150 units when price rises to Rs. 20 per unit market supply rises to 300 units.

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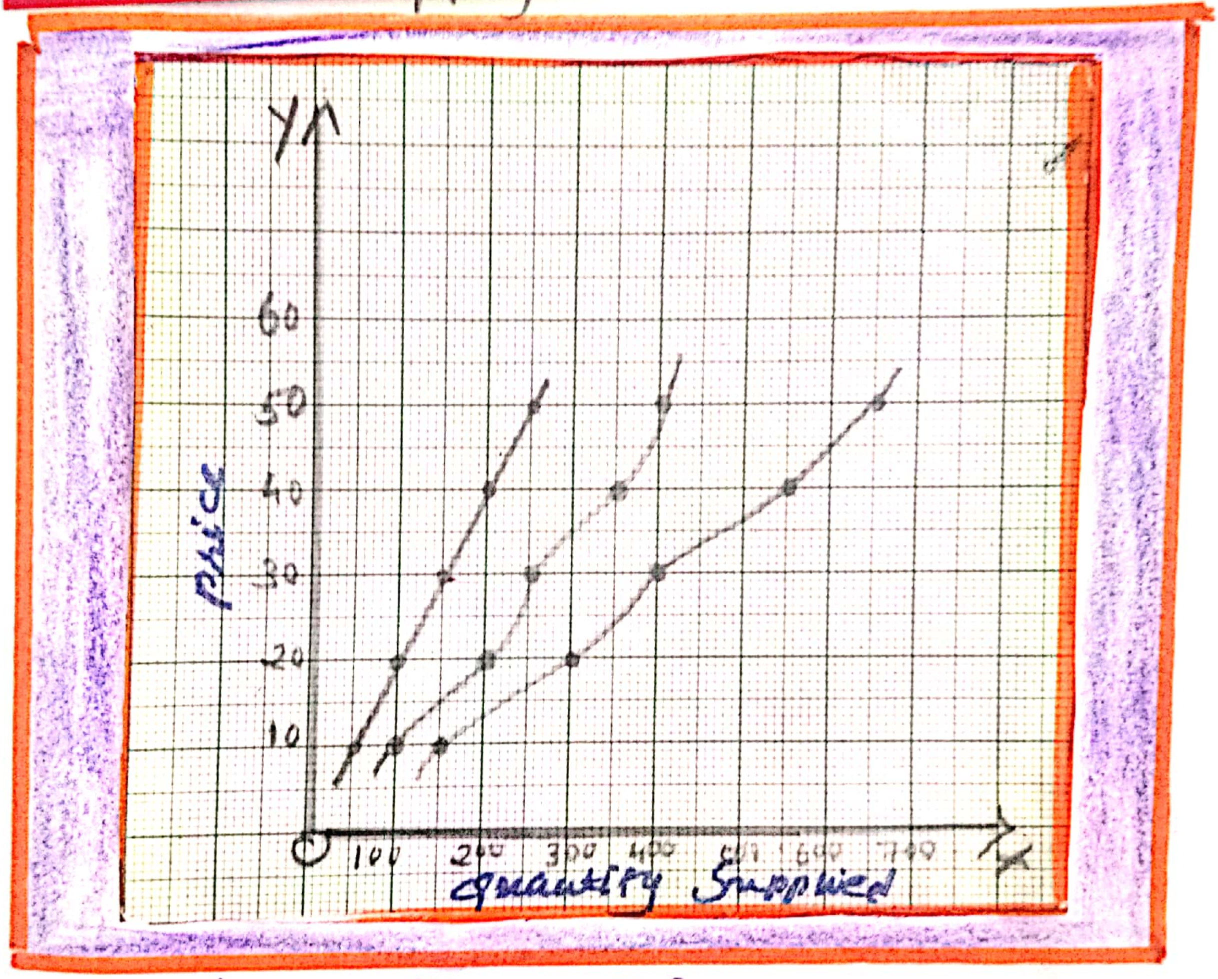
e] Market Supply curve is also positively sloped due to positive relationship b/w price and quantity supplied.

Market Supply curve



Market supply curve:

is flatter than all individual supply curves. It happens because with a rise in price, the proportionate rise in market supply is more than the proportionate rise in individual supplies.

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a] other things remain constant

Based on price of the commodity then it is known as law of Supply. It means, quantity Supplied of the commodity rises due to rise in price of the commodity. and vice-versa.

b] ceteris peribus means :-

i] price of other commodity remains constant.

ii) Technology of production should not change.

iii) cost of production remain constant

iv) Taxation policy of the govt. should not change.

v) objective of the firm remains constant.

c] The law of supply

makes a qualitative statement only & not quantitative. It indicates the direction of change in amount Supplied and it does not indicated the magnitude of change.

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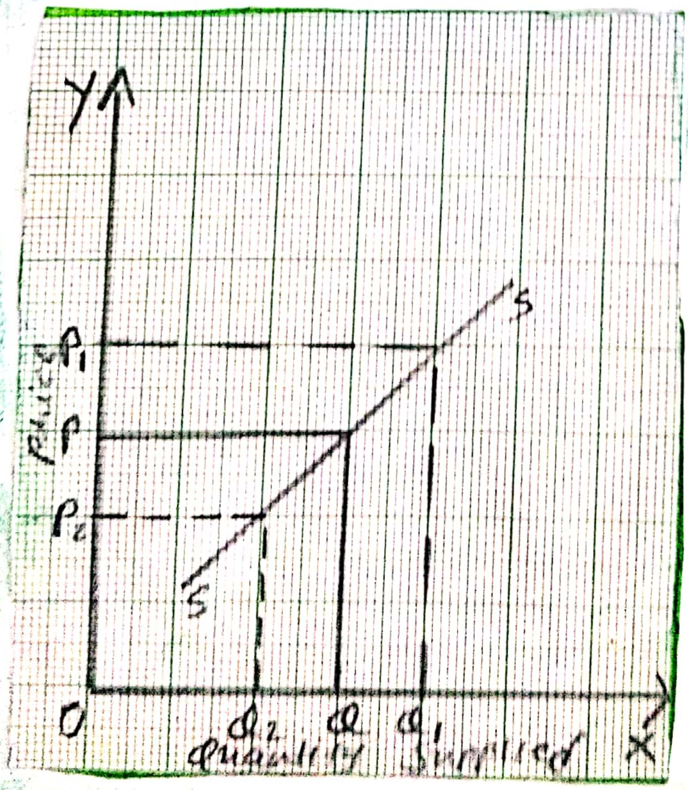
E] The shedule Ee diagram are follow

Price	Supply
1	10
2	20
3	30
4	40
5	50



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Causes & Exception to the law of Supply

There is a positive relationship b/w price of the commodity and quantity supplied for that commodity which causes supply curve to slope upward from left to right.

It is because of the following reasons:

a] change in stock

i) with the increase in the price of the commodity. sellers are ready to sell more from their old stock of goods.

ii) on the other hand, when price of a commodity decreases, sellers would like to increase their stock of avoid losses.

b] profit & loss

with the rise in price producers generally increase their production in view of higher profit possibilities and vice-versa.

c) Entry or Exit of firms.

i] when the price of a commodity increases, new firms entre into the industry with the view to earn profits which in turn increases the supply..

ii) On the other hand, when price starts falling marginal firms leave the market to avoid expected losses which thereby decreases the supply.

Exception to law of supply are

a] future Expectation:

The law will not apply if there are future expectations for further change in price.

ii) for example, if sellers expect further fall in prices in future, they would be ready to sell more even at law price.

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b] Agricultural Good

The Suppy of agricultural goods depends more on natural factors such as drought, floods, natural calamities etc. and less on their prices.

c] perishable goods

The Suppy of perishable goods like milk vegetables, fish, eggs, etc. is also not affected by their prices sellers cannot hold these goods for long.

d] Rare Articles

i] In case of some precious and rare goods also the law of supply does not appy.

ii) Artistic goods of high quality and poems written by top class poets come under this category. Their suppy cannot be increased even when their prices rise.

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c) Backward countries

The law of supply losses its applicability in backward countries where production and supply cannot be increased marely because of rise in prices.

ii) Here, resources which are urgently required for production are lacking.

Movement along a Supply curve or change in Quantity Supplied

1. It is base on law of supply which states that quantity supplied of the commodity changes due to the change in price of the commodity.
2. The change in QS due to the change in the price of the commodity is known as movement along the supply curve. It may be of two types.

a) Expension in supply

b) contraction in supply.

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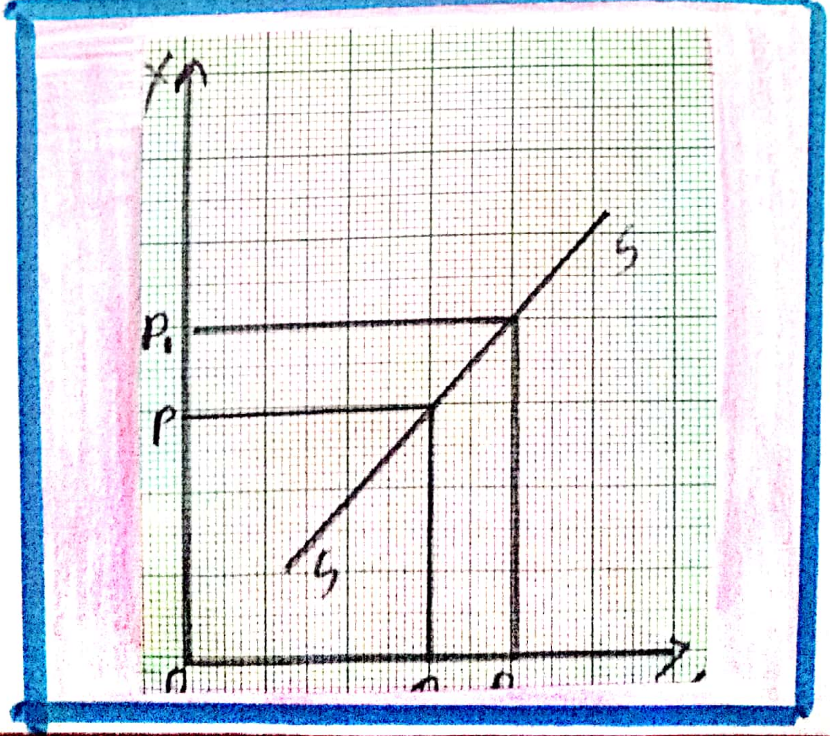
a) **Expension in Supply**

i) It is based on law of supply which states that quantity supplied of a commodity rise due to the rise in price of the commodity..

ii) The rise in quantity supplied due to the rise in quantity supplied due to the rise in price of the commodity is known as expansion in supply.

iii) In the given diagram price is measured on vertical axis whereas quantity supplied is measured on horizontal axis.

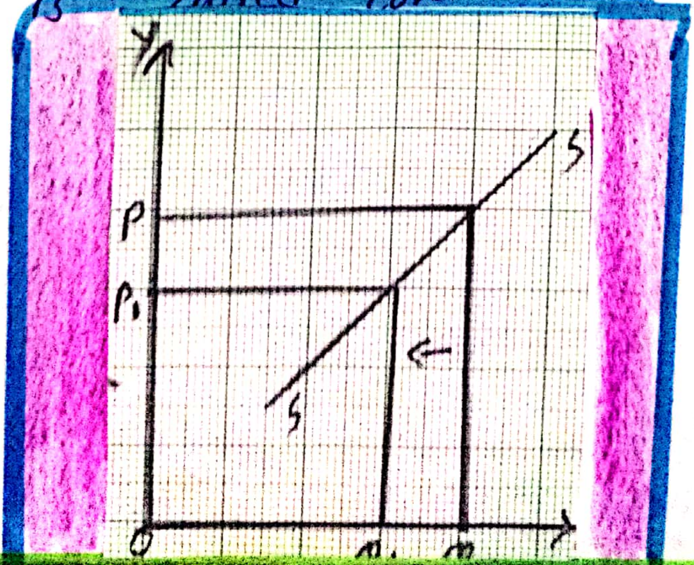


Contraction in Supply

it is based on law of supply which states that quantity supplied of a commodity falls to the fall in the price of the commodity.

b) The falls in the quantity supplied due to the fall in price of the commodity is known as contraction in supply.

c) In the given diagram, quantity supplied is measured on horizontal axis and price is measured on vertical axis. A producer is supplying OQ quantity at OP, But due to fall in price from OP to OP1 the quantity supply falls from OQ to OQ1 which is called contraction in supply.



Shift in Supply curve or change in Supply.

1. it is based on factor other than price. if supply changes due to the change in the factors other than price, then it is known as shift in supply curve.

It may be two types.

i) increase in supply

ii) Decrease in supply.

increase in supply

i) An increase in supply means that producers now supply more at a given level of price of price of a commodity.

ii) Its conditions are:

* fall in ~~the~~ price of the other commodities.
* improvement in technology.
* Taxation policy of govt. falls.
* change in objective of producer.

iii) in the given diagram price is measured on vertical, horizontal axis. A producer is supplying OO quantity at OP price.

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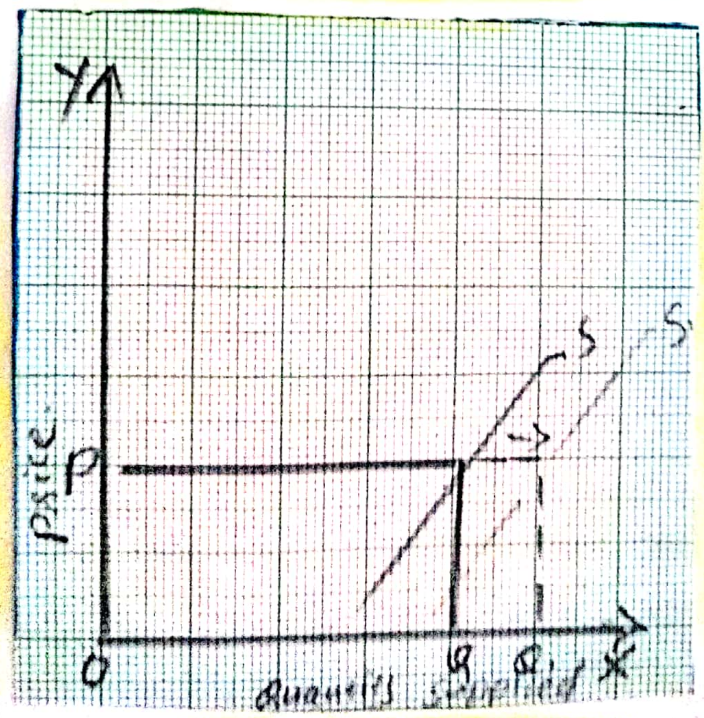
But due to the changes in the factors other than price, the supply curve shifts rightward from SS to S_1S_1.

with the rightward shift in supply curve from SS to S_1S_1, the quantity supplied rises from OQ to OQ_1 which is known as increase in supply.

Price	Supply
2	40
2	20



Decrease in Supply

i) A decrease in supply means that producers now supply less at a given level of price of a commodity.

ii) Its conditions are:

* Rise in price of remuneration of factors of production
* Rise in the price of other goods.
* when the price of other goods.
* when the technology becomes outdated.
* Taxation policy of Govt. rises.
* change in objective of producer.

iii) In the diagram, quantity supplied is measured on horizontal axis whereas price is measured on verticle axis. A producers is supplying OQ quantity at OP price.

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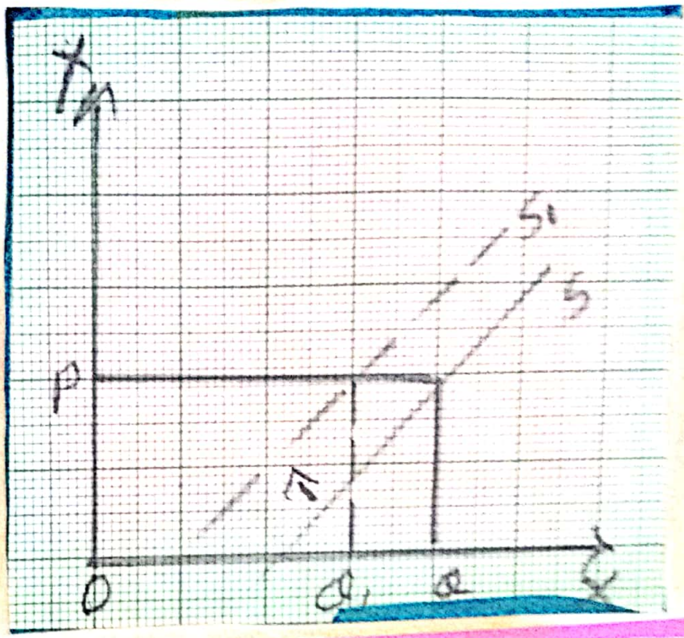
price	Supply
2	20
2	40



But due to changes in the factors other than price the Supply curve shifts leftward from SS to S1S1

with the leftward shift in the Supply curve from SS to S1S1 the quantity falls from OQ to OQ1 which is known a decrease in Supply.

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Conclusion

Finally. We conclude that supply has positive relation with price means as the price of food uses quantity supplied also uses. These are fore supply curve steps upward in addition to the price other determinates of How much produce want to sell conclude input price. Expectation of number of sellers If one of these fact changes the supply curves shifts on the basis of research on product.

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Learning Experience

A project from the point of view of students can be purposeful lerning activity includes practicle problems and some theory and required out in a real life manner to achieve specific goal.

In other word the project work refers to a ~~Successful~~ competition of a study.

This project work has been helpful in understanding the meaning. Define, law and functions of supply ~~and~~ its determinates in a manner which ~~is~~ better.

Analysis of supply and its determinates is process of understanding the objectives of process of supply which are as followed.

1. understand the use of suppy. Theoritical and Historical analysis.
2. Supply curve.
3. Law of Supply
4. Appreciate the Difference between the theory of supply in the real world.

Thus, this project was of immense benefit for me.

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