Exercise walk-through

Supply ▪ 1.5

eXercise

You must be able to

- state the **law of supply 供给定律** and explain the direct price-quantity relationship
- distinguish a change in **quantity supplied** (movement) from a change in **supply** (shift)
- identify the **determinants of supply 供给的决定因素**
- explain how the upward-sloping supply curve reflects rising marginal costs

Method — The law of supply

As price **rises**, quantity supplied **rises** (a direct relationship), so the supply curve slopes **upward** — higher prices cover the rising marginal cost of extra output.

Method — Movement vs shift

A change in the good's **own price** is a **movement along** the curve. A change in a **determinant** shifts the whole curve.

Method — Determinants of supply

Input prices, technology, expectations, taxes and subsidies, and the number of sellers.

Practice 2.1 ▪ 1 mark

State the law of supply.

Solution 2.1

Worked steps

as the price of a good rises, the quantity supplied rises (other things equal) **B1**.

Practice 2.2 ▪ 1 mark

State whether a fall in input prices causes a movement along or a shift of the supply curve.

Solution 2.2

Method: Movement vs shift

Worked steps

a shift of the supply curve (input price is a determinant) **B1**.

Practice 2.3 ▪ 2 marks

List three determinants of supply.

Solution 2.3

Method: Determinants of supply

Worked steps

any three of: input prices, technology, expectations, taxes/subsidies, number of sellers **B1** **B1** *for two; for three*.

Exam-style 3.1 ▪ 1 mark

The supply curve slopes

- **A** downward
- **B** upward
- **C** vertically
- **D** horizontally

Solution 3.1

Method: The law of supply

A downward

B upward ✓

C vertically

D horizontally

Worked steps

B.

Exam-style 3.2 ▪ 1 mark

A new technology that lowers production costs shifts the supply curve

A to the left

B to the right

C not at all

D vertically

Solution 3.2

- **A** to the left
- **B** to the right ✓
- **C** not at all
- **D** vertically

Worked steps

B.

Exam-style 3.3 ▪ 1 mark

The government places a tax on producing a good.

(a) State the effect on supply.

(b) State the direction the supply curve shifts.

(c) Name one other determinant of supply.

Solution 3.3

Method: Movement vs shift

Worked steps

(a) supply falls **B1**. (b) to the left **B1**. (c) any one of: input prices, technology, expectations, number of sellers **B1**.