Exercise walk-through

Supply ▪ 2.2

eXercise

You must be able to

- state the **law of supply 供给定律** and the direct price-quantity relationship
- explain the upward slope in terms of rising **marginal costs 边际成本**
- distinguish a movement **along** supply from a **shift**
- derive **market supply** by horizontally summing individual supply

Method — The law of supply

As price rises, quantity supplied rises — the supply curve slopes **upward** because 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 determinant change (input prices, technology, taxes, expectations, number of sellers) **shifts** it.

Method — Market supply

The horizontal sum of all individual firms' supply curves.

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 why the supply curve slopes upward.

Solution 2.2

Method: The law of supply

Worked steps

producing extra units costs more (rising marginal cost), so a higher price is needed to supply more **B1**.

Practice 2.3 ▪ 1 mark

State how market supply is derived from individual supply curves.

Solution 2.3

Method: Market supply

Worked steps

by horizontally summing all individual firms' supply curves at each price **B1**.

Exam-style 3.1 ▪ 1 mark

The supply curve slopes upward because of rising

A demand

B marginal costs

C taxes

D incomes

Solution 3.1

Method: The law of supply

A demand

B marginal costs ✓

C taxes

D incomes

Worked steps

B.

Exam-style 3.2 ▪ 1 mark

An improvement in technology shifts the supply curve

A to the left

B to the right

C not at all

D vertically

Solution 3.2

Method: Movement vs shift

A to the left

B to the right ✓

C not at all

D vertically

Worked steps

B.

Exam-style 3.3 ▪ 1 mark

The wage paid to workers producing a good rises.
(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, taxes/subsidies, expectations, number of sellers **B1**.