

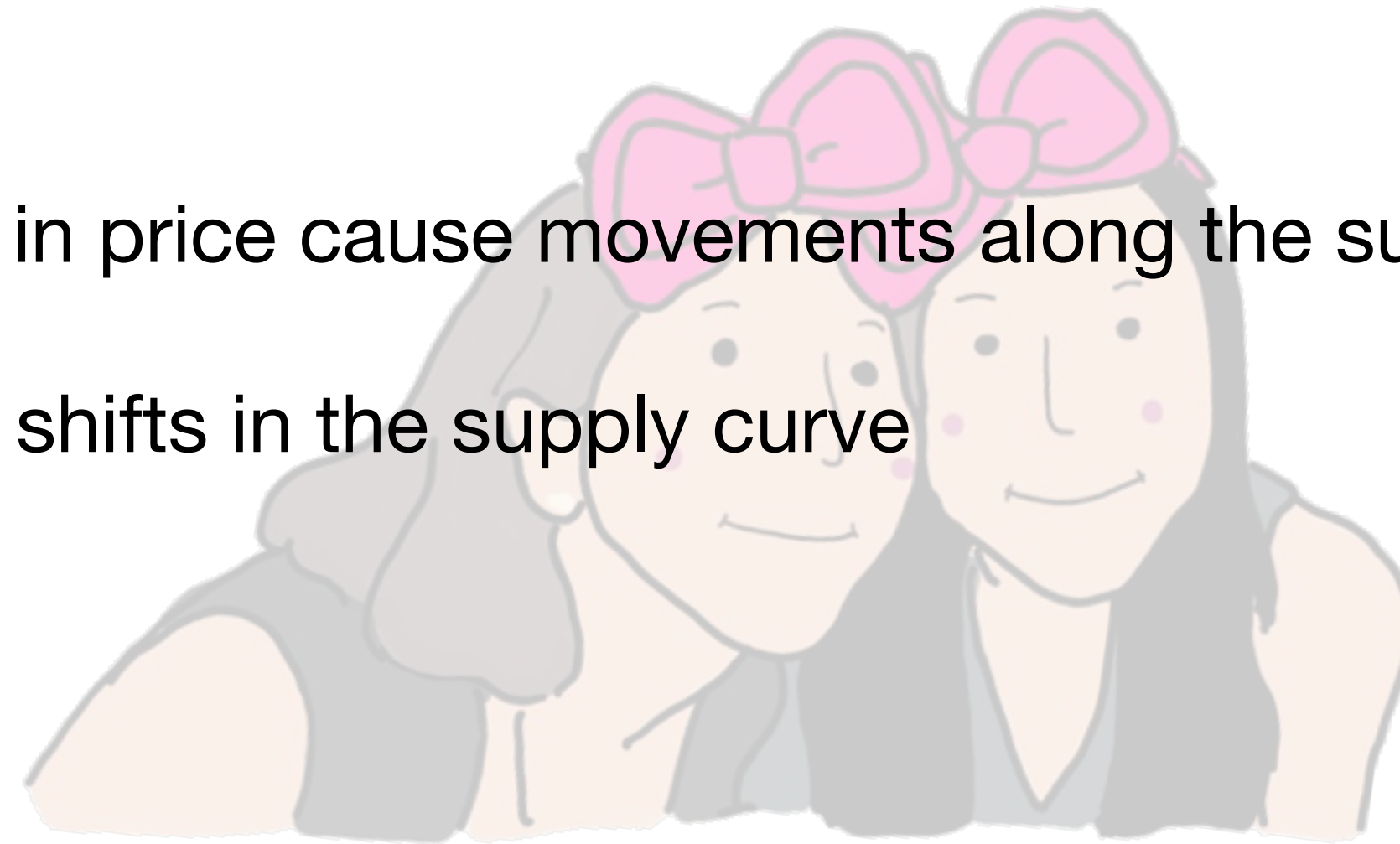


MICROECONOMICS - Supply

By Kru P'Eve and Kru P'Da Knockout.Economics

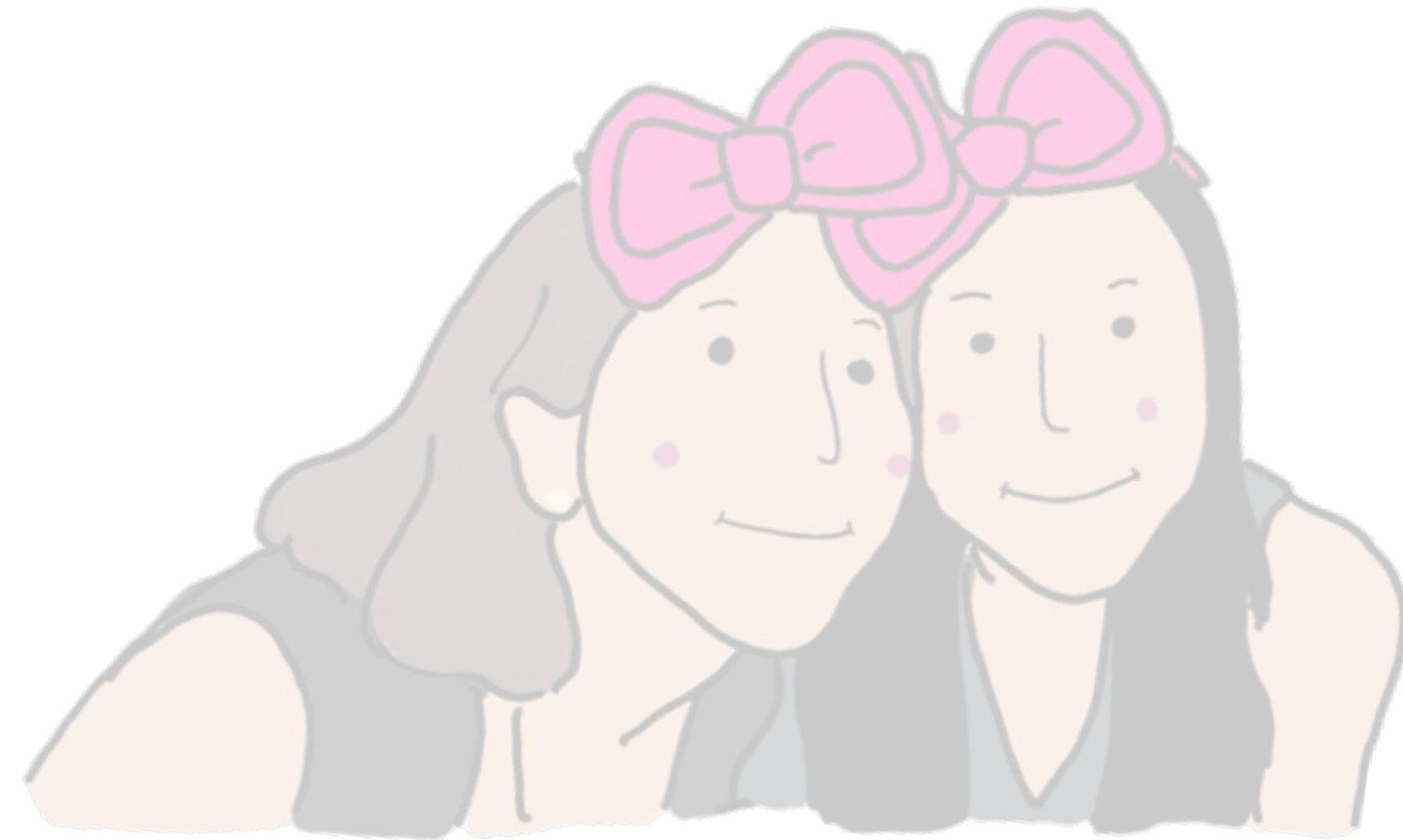
Overview

1. What is supply?
2. Draw the supply curve
3. Understand how changes in price cause movements along the supply curve
4. Understand the causes of shifts in the supply curve



1. What is supply?

- Supply means the **willingness** and **ability** of producers to sell a given quantity of product

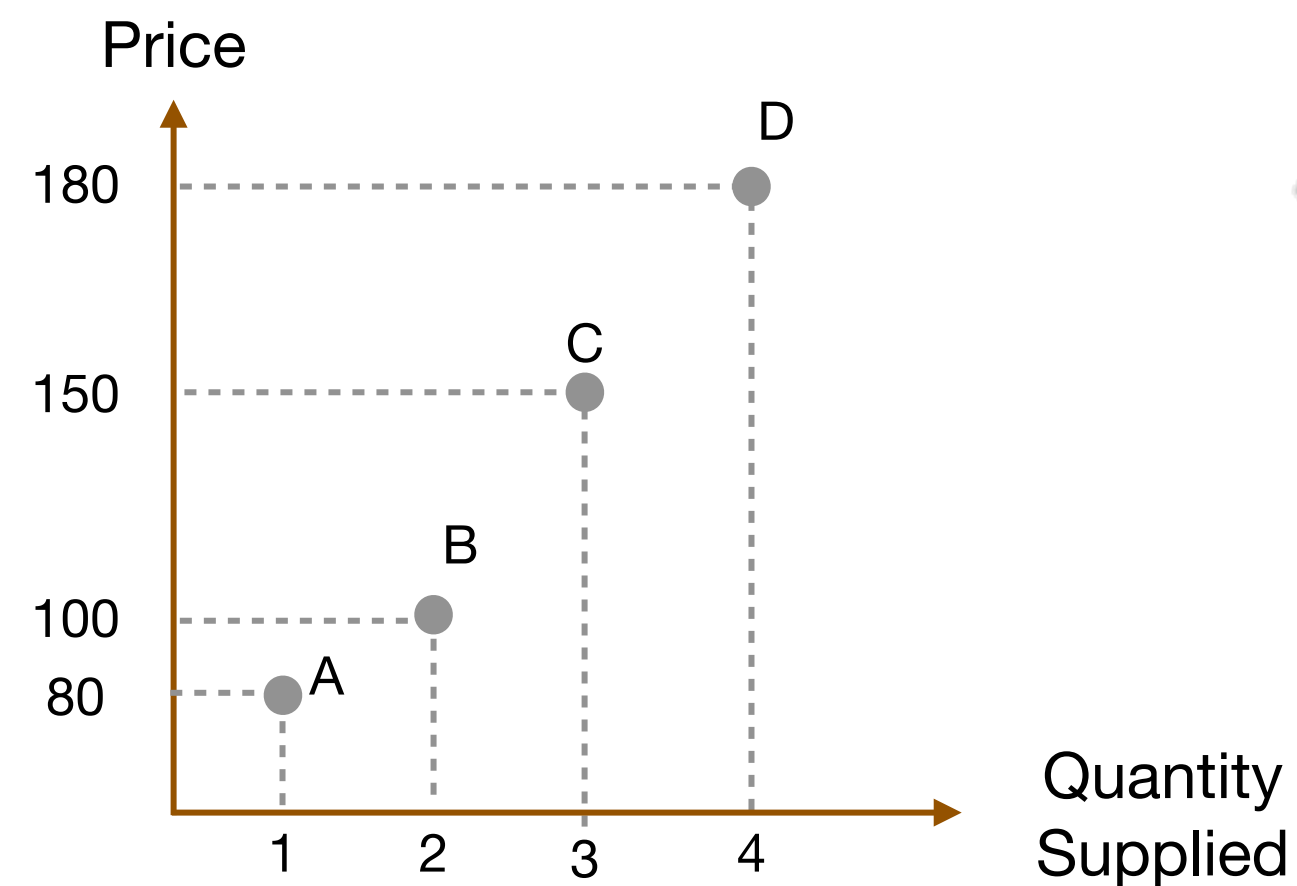


2. Draw the supply curve





- **Supply schedule** : table of the quantity supplied of a product at different price levels

Price (Baht)	80	100	150	180
Quantity supplied (Cup)	1	2	3	4

- **Supply Curve** :

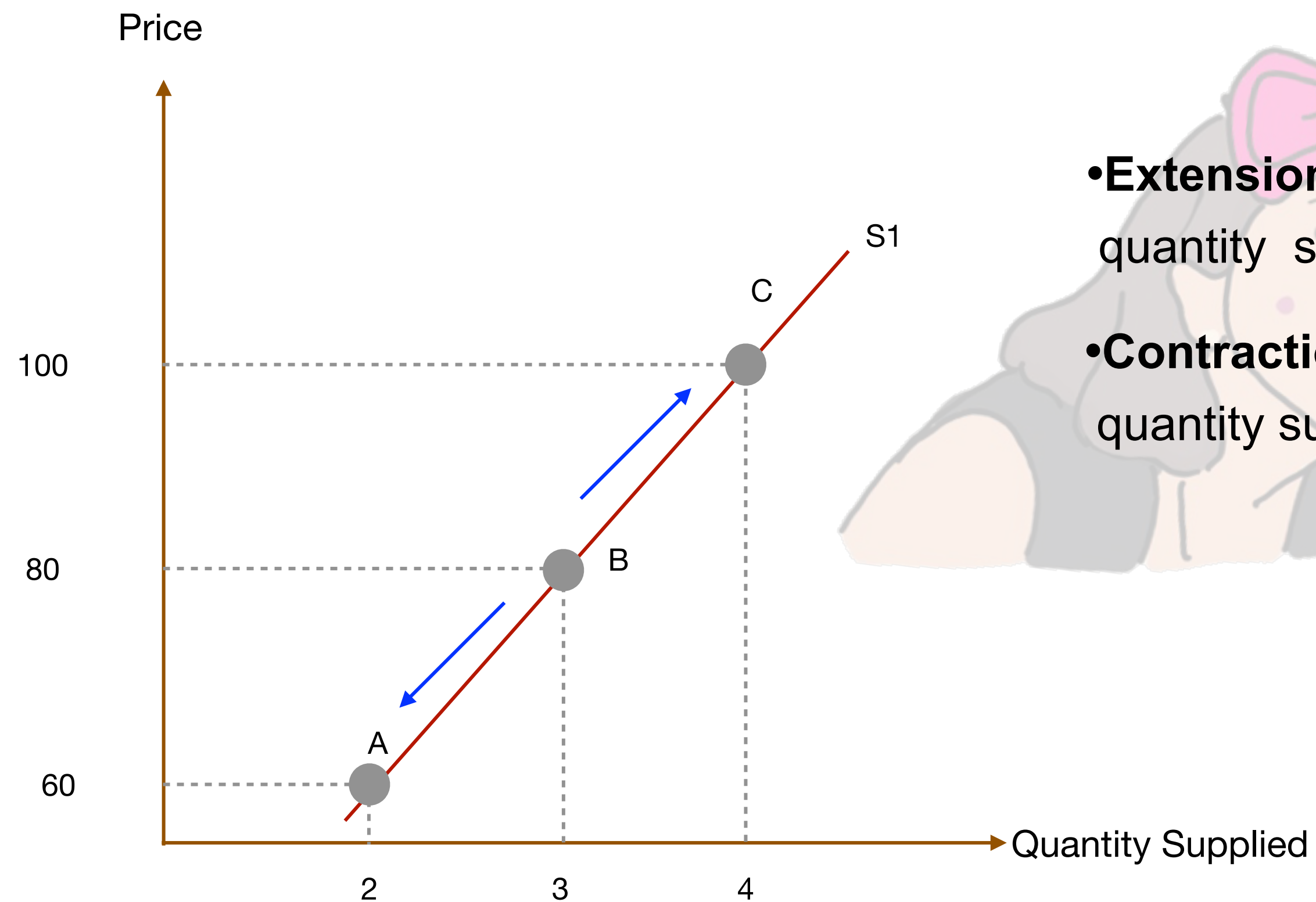


The supply curve : positive relationship between price and quantity supplied

- When the prices  , demand will 
- When the prices  , demand will 

3. Understand how changes in price cause movements along the supply curve

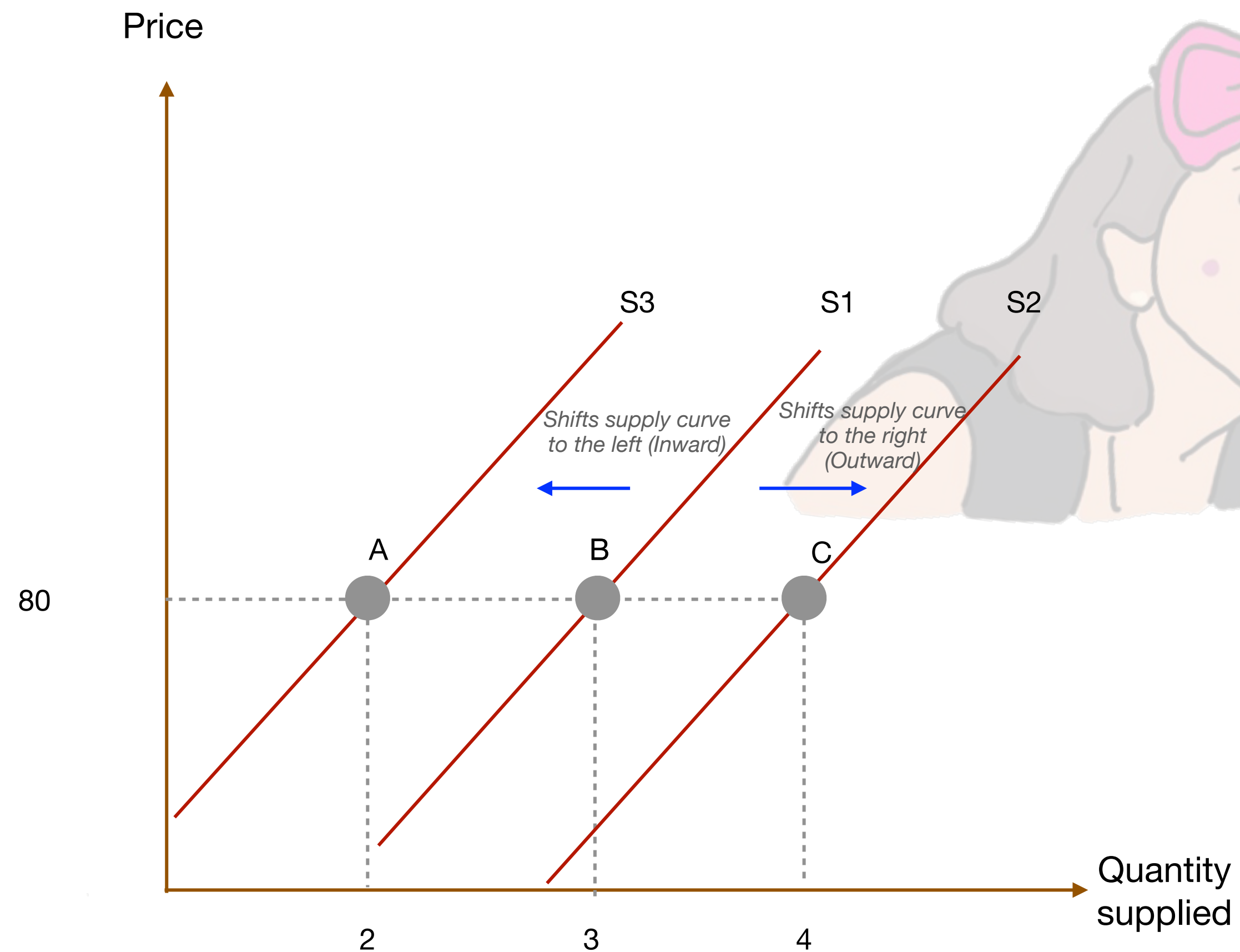
The effect of a change in price on supply:



- **Extension in supply** : A rise in the price of product results in a rise in the quantity supplied.(B to C)
- **Contraction in supply**: A fall in the price of product results in a fall in the quantity supplied.(B to A)

4. Understand the causes of shifts in the supply curve

Causes of shifts in the supply curve :

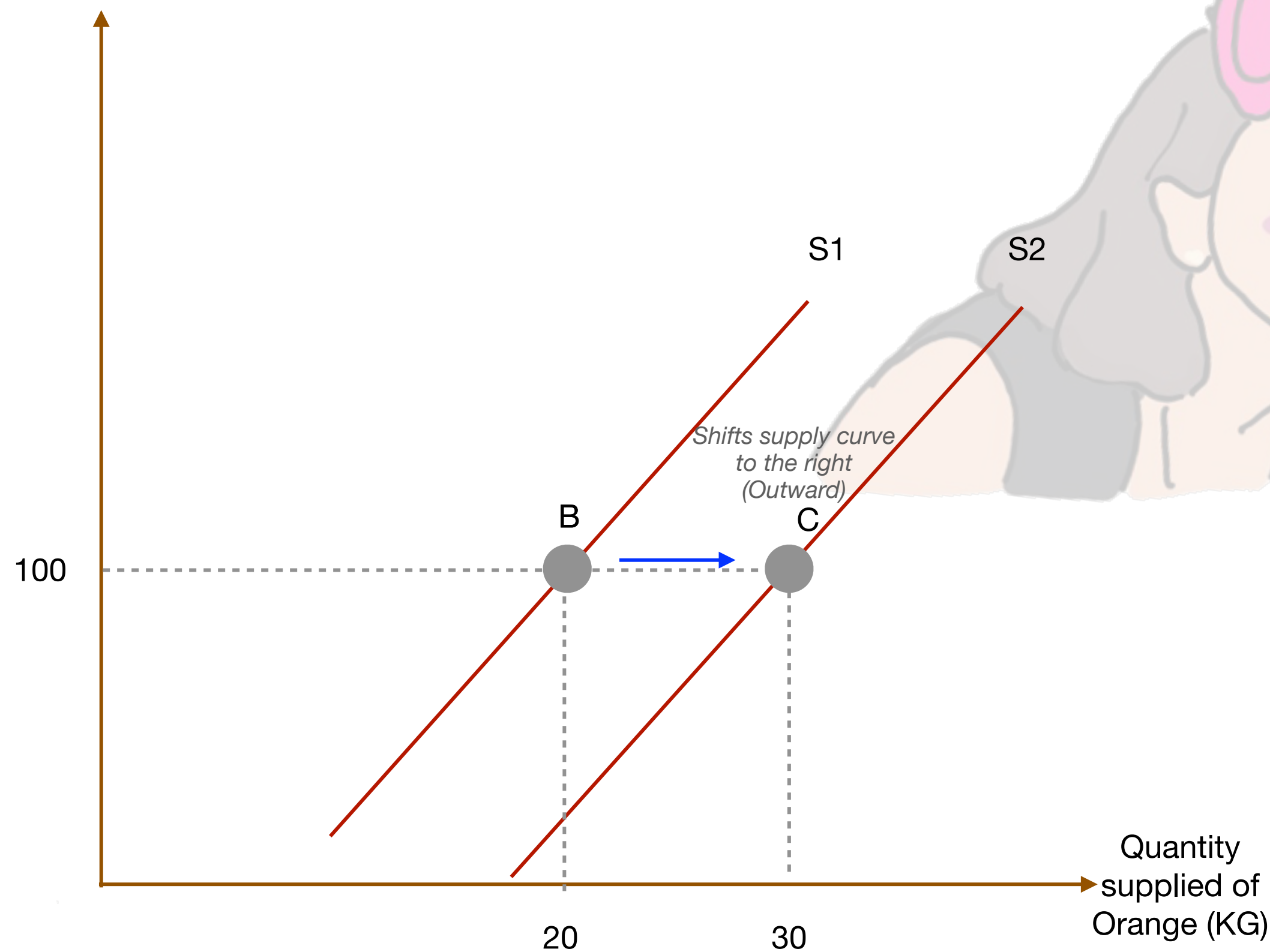


- **Increase in supply** : A rise in supply at any given price. As a result, the supply curve shifts to the right (outward) from S1 to S2.
- **Decrease in supply** : A fall in supply at any given price. As a result, the supply curve shifts to the left (inward) from S1 to S3.

4. Understand the causes of shifts in the supply curve

For example : Factors that shift the supply of Orange to the right

Price Orange (Thai Baht)



“C S I T H”

C : Cost of production

Eg. Lower Labour cost / raw material / water supply
 : enable to gain higher profit
 : supply orange shifts to the right

S : Subsidy

Subsidy : grants from government which are provided to producers.
 => lower cost of production
 => supply orange shifts to the right

I : Indirect tax

Indirect tax : tax imposed on goods and services
 Eg. Excise tax
 : Gov. reduces rate of indirect tax
 : lower cost of production
 : supply orange shifts to the right

T : technology

Eg. Technological advance
 : productivity increases
 : lower cost of production
 : supply orange shifts to the right

H: Harvest

Eg. Favour weather condition
 => supply orange shifts to the right

Knockout Economics



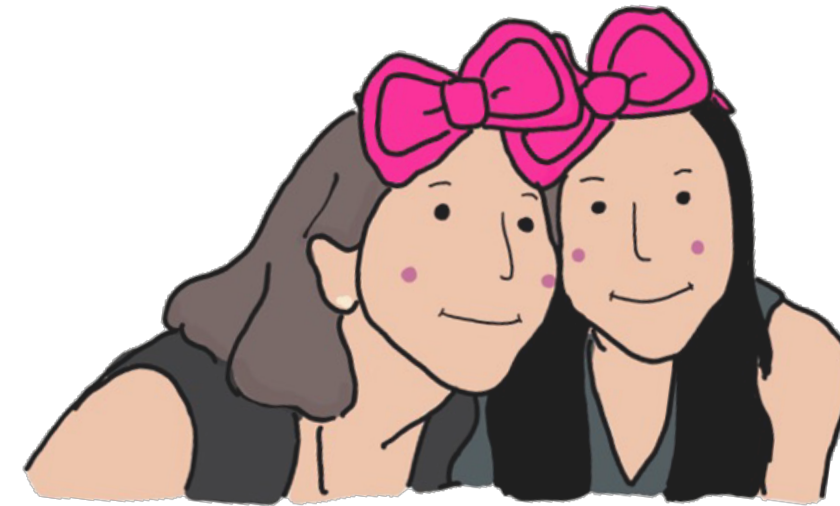
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MICROECONOMICS - Exercise : Supply

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Exercise: MCQ

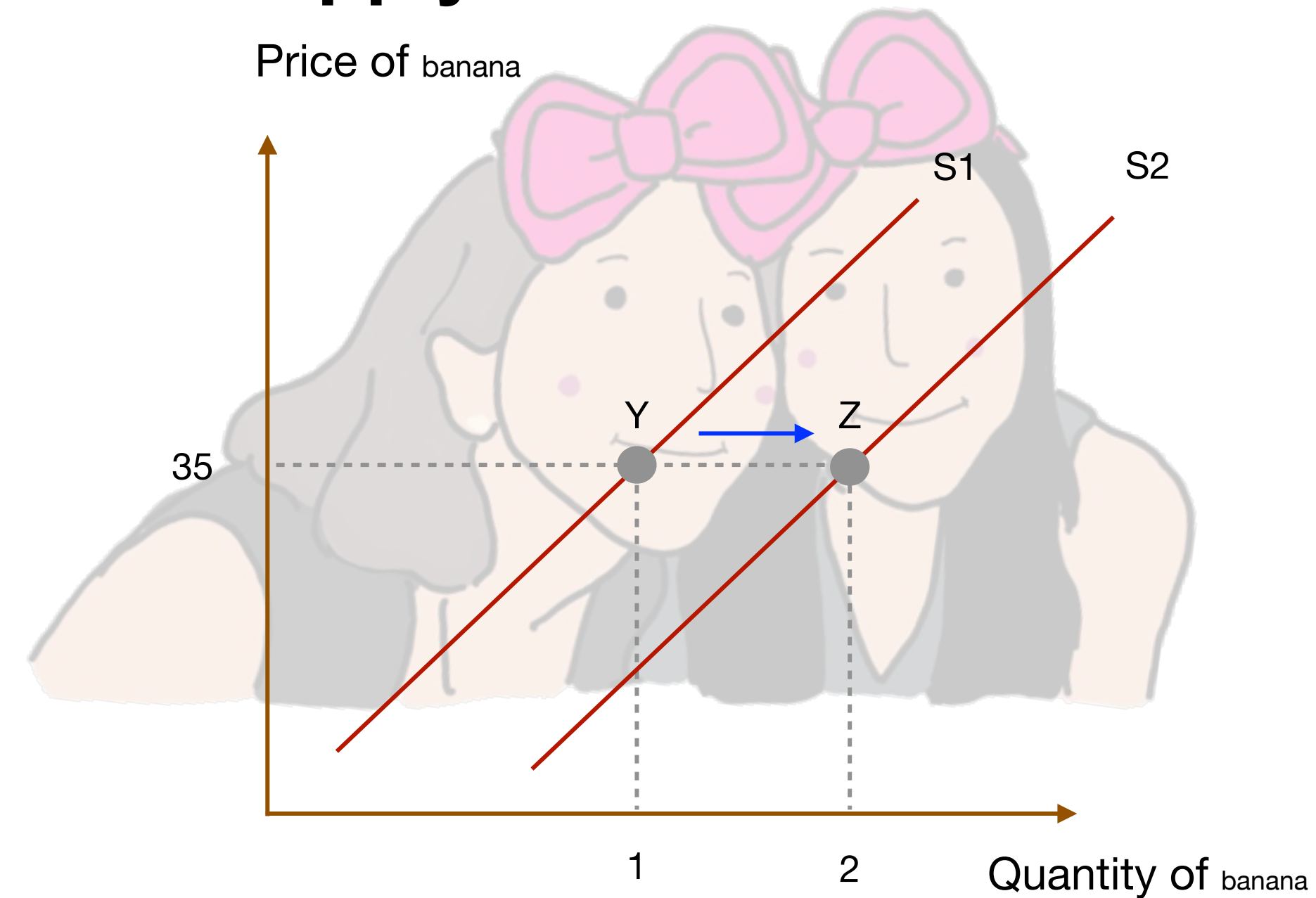
1. What can cause the supply curve for a product shifts to the right?

- A. An increase in demand for the product
- B. A fall in government subsidies to producers
- C. An increase in the cost of raw materials
- D. A fall in indirect tax



Exercise: MCQ

2. The diagram shows a shift in the supply curve for banana. What is the most likely cause for this shift in the supply curve?



- A. An increase in labour cost
- B. An increase in price of banana
- C. A fall in grants from government
- D. An increase in advance technology for planting banana

Exercise: Essay

1. Analyse the difference between an extension in supply and an increase in supply. [4]

Command Word:

Analyse: examine in detail to show meaning, and identify components and the relationship between them

Knockout Tips:

- **Up to 2 marks** : Diagrams + **2 marks** : examines the difference
- Or **maximum 2 marks** : extension in supply and **maximum 2 marks** : increase in supply

Exercise: Essay

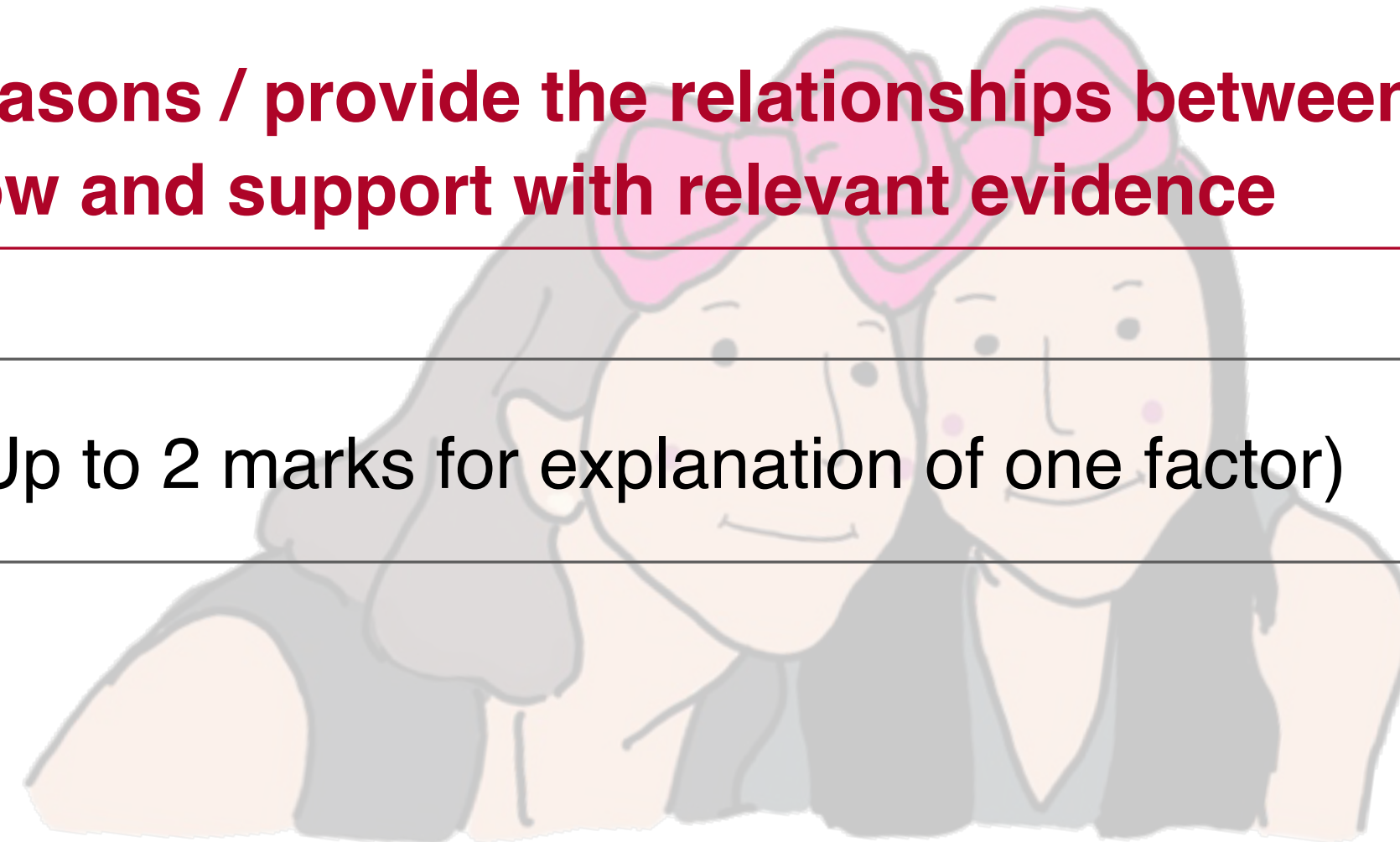
2. Explain two reasons why the supply of apples may increase. [4]

Command Word:

Explain: set out purposes or reasons / provide the relationships between things clear / say causes and consequences , why and /or how and support with relevant evidence

Knockout Tips:

- 2 Factors + Supporting detail (Up to 2 marks for explanation of one factor)



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