

Supply

- 1) A vertical supply curve parallel to Y axis implies that the elasticity of supply is:
 - a. **Zero**
 - b. Infinity
 - c. Equal to one
 - d. Greater than zero but less than infinity

- 2) An increase in the supply of a good is caused by:
 - a. Improvements in its production technology
 - b. Fall in the prices of other goods which can be produced using the same inputs
 - c. Fall in the prices of factors of production used in its production
 - d. **all of the above**

- 3) A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is:
 - a. Zero
 - b. **Infinite**
 - c. Equal to one
 - d. Greater than zero but less than one

- 4) Contraction of supply is the result of:
 - a. Decrease in the number of producers.
 - b. **Decrease in the price of the good concerned.**
 - c. Increase in the prices of other goods.
 - d. Decrease in the outlay of sellers.

- 5) Supply is the
 - a. limited resources that are available with the seller
 - b. cost of producing a good
 - c. **entire relationship between the quantity supplied and the price of good**
 - d. Willingness to produce a good if the technology to produce it becomes available

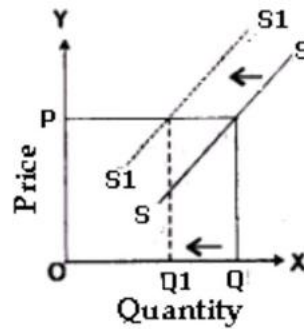
- 6) In the book market, the supply of books will decrease if any of the following occurs except:
 - a. a decrease in the number of book publishers
 - b. **a decrease in the price of the book**
 - c. an increase in the future expected price of the book
 - d. an increase in the price of paper used.

- 7) If price of computers increases by 10% and supply increases by 25%. The elasticity of supply is
 - a. **2.5**
 - b. 0.4
 - c. -2.5
 - d. -4

- 8) An increase in the number of sellers of bikes will increase the
- The price of a bike
 - Demand for bikes
 - The supply of bikes**
 - Demand for helmets
- 9) If the supply of bottled water decreases, other things remaining the same, the equilibrium price ————— and the equilibrium quantity —————
- increases; decreases**
 - decreases; increases
 - decreases; decreases
 - increases; increases
- 10) In a very short period, the supply
- can be changed
 - cannot be changed**
 - can be increased
 - none of the above
- 11) When supply curve moves to the right, it means
- supply increases and more quantity is supplied at a given price**
 - supply decreases and less quantity is supplied at a given price
 - supply remains constant at a given price
 - none of the above
- 12) Elasticity of supply is measured by dividing the percentage change in quantity supplied of a good by —————
- Percentage change in income
 - Percentage change in quantity demanded of goods
 - Percentage change in price**
 - Percentage change in taste and preference
- 13) Elasticity of supply is greater than one when
- Proportionate change in quantity supplied is more than the proportionate change in price.**
 - Proportionate change in price is greater than the proportionate change in quantity supplied.
 - change in price and quantity supplied are equal
 - None of the above

- 14) The supply function is given as $Q = -100 + 10P$. Find the elasticity using point method, when price is Rs. 15.
- 4
 - 3
 - 5
 - 3**
- 15) The supply curve shifts to the right because of _____
- improved technology**
 - increased price of factors of production
 - increased excise duty
 - all of the above
- 16) Which of the following statements is correct?
- When the price falls the quantity demanded falls
 - Seasonal changes do not affect the supply of a commodity
 - Taxes and subsidies do not influence the supply of the commodity
 - With lower cost, it is profitable to supply more of the commodity.**
- 17) If the demand is more than supply, then the pressure on price will be
- Upward**
 - Downward
 - Constant
 - None of the above
- 18) The supply curve for highly perishable commodities during very short period is generally _____
- Elastic
 - Inelastic
 - Perfectly elastic
 - Perfectly inelastic**
- 19) Supply is a _____ concept.
- Stock
 - Flow and stock
 - Flow**
 - None of the above
- 20) Data on production of vegetables for the past two years showed that, despite stable prices, there is a substantial decline in output of cabbage leading to lower supply into the market. Which of the following can possibly be the reason?
- An increase in the price of cauliflower which is equally preferred by consumers**
 - Announcement of a subsidy by government on vegetable production
 - More farmers producing cabbage and the increasing competition among them
 - A substantial decrease in the price of capsicum

21) Which of the following alternatives would be true if the event presented in the following diagram occurs?



- A fall in wage costs of the firm along with a fall in consumer incomes
- A shortage of raw materials and consequent increase in raw material price**
- An increase in subsidy by the government and a reduction in taxes
- Decrease in the market price of the commodity in question

22) If a short run supply curve is plotted for the following table which presents price and quantity of fighter aircrafts, what will be its shape?

Price in millions of \$	Number of Aircrafts
124	28
140	28
150	28
160	28
175	28

- Horizontal straight line parallel to the quantity axis
- Steeply rising with elasticity less than one
- Vertical straight line parallel to Y axis**
- A perfectly elastic supply curve

23) If there is decrease in quantity supplied of a commodity, there will be-

- Upward movement on same supply curve
- Rightward shift in supply curve
- Downward movement on same supply curve**
- Leftward shift in supply curve

24) Relationship between slope of supply curve and elasticity of supply can be defined as

- Product of slope of supply curve and ratio of quantity supply to price
- Elasticity of supply is equal to the slope of supply curve.
- Product of reciprocal of supply curve and ratio of price to quantity supplied**
- Elasticity of supply is equal to reciprocal of slope of supply curve.

- 25) A new technique of production reduces the marginal cost of producing paper. How will this affect the supply curve of writing material like notebook, register & notepad etc.?
- Upward movement on same supply curve
 - Downward movement on same supply curve
 - Leftward shift in supply curve
 - Rightward shift in supply curve**
- 26) Supply and stock are _____
- same things
 - different**
 - having no comparison
 - Both (B) and (C)
- 27) Elasticity of demand and supply are _____ concepts.
- Relative**
 - Absolute
 - Both (A) and (B)
 - Neither (A) and (B)
- 28) Yesterday, seller A supplied 400 units of a good X at Rs. 10 per unit. Today, seller A supplies the same quantity of units at Rs. 5 per unit. Based on this evidence, seller A has experienced a (an)
- Decrease in supply
 - Increase in supply.**
 - Increase in the quantity supplied.
 - Decrease in the quantity supplied.
- 29) Suppose we are drawing a supply curve of a farmer which of the following will not be held constant?
- Price of Inputs
 - Weather Conditions
 - Technology
 - The price of the Commodity under consideration**
- 30) Behavior of Supply depends upon:
- Phenomenon Considered
 - Degree of possible adjustment in supply
 - Time Period under Consideration
 - All the above**
- 31) If the supply of mangoes decreases, other things remaining the same, the equilibrium price and the equilibrium quantity _____
- Increases; decreases**
 - Decreases; increases
 - Decreases; decreases
 - Increases; increases

- 32) The supply function is given as $Q = -50 + 15p$. Find the elasticity using point method, when price is Rs. 20.
- 1.2**
 - 0.83
 - 0.86
 - None of the above
- 33) When price of a good rises from Rs. 20 to Rs. 30 the producer supplies 20% more, the price elasticity of supply is:
- 0.5
 - 0.4**
 - 1
 - None of the above
- 34) The supply curve shows:
- The minimum quantity that supplier is willing to supply at each price
 - The minimum price which will induce suppliers to offer the various quantities for sale**
 - The maximum price which will induce suppliers to offer the various quantities for sale
 - Both a & c
- 35) The flatter the curve, supply elasticity is:
- Less
 - More**
 - zero
 - 1
- 36) Commodities which requires specialized resources for production may have:
- Less elastic supply**
 - More elastic supply
 - Unitary elastic supply
 - Infinite elasticity
- 37) The market demand curve is: $Q_d = 10 - 2p$ and the market supply curve is: $Q_s = -2 + 10p$. The market will be in equilibrium if:
- $P = 1$ and $Q = 12$
 - $P = 5$ and $Q = 8$
 - $P = 1$ and $Q = 8$**
 - None of the above
- 38) Producer surplus is represented by the area:
- Above the supply curve and below the demand curve
 - Below the supply curve and above the demand curve
 - Above the supply curve and below the price line**
 - Below the supply curve and above the price line

- 39) In case there are fewer barriers of entry into the market, elasticity of supply will be:
- a. Low
 - b. High**
 - c. Zero
 - d. None of the above
- 40) Commodities which can be easily and inexpensively stored without losing value may have
- a. Inelastic supply
 - b. Perfectly inelastic supply
 - c. Elastic supply**
 - d. Any of the above
- 41) Slope of supply curve is 0.6, calculate elasticity of supply when initial price is Rs. 30 per unit and initial quantity is 100 units
- a. 0.5**
 - b. 5.5
 - c. -0.5
 - d. -0.18
- 42) Supply will be _____ if firms are not working to full capacity
- a. Inelastic
 - b. Perfectly inelastic
 - c. Elastic**
 - d. Any of the above
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