

SET-1

Fill in the Blanks

Choose appropriate word/term and fill in the blank:

1. Market supply curve is a _____ presentation of market supply schedule. (graphic/geometric)
2. In the case of agricultural goods, the law of supply is _____. (applicable/not applicable)
3. Elasticity of supply for _____ goods will be low. (perishable/durable)
4. _____ refers to the total quantity of the commodity available with the producer for the present or future sale. (Supply/Stock)
5. Supply of goods whose technique of production is _____ is less elastic in nature. (simple/complex)
6. A straight line positively sloped supply curve starting from X-axis indicates _____. ($E_s > 1$, $E_s < 1$)
7. _____ in the price of inputs will lead to an increase in supply. (Rise/Fall)
8. _____ is the price below which the producers will not sell any quantity of the commodity. (Minimum supply price/Maximum supply price)
9. Law of supply states that, other things remaining constant, there is a _____ relationship between own price of a commodity and its quantity supplied. (positive/negative)
10. Increase in number of firms will lead to an _____ in supply. (extension/increase)

SET-2

Multiple Choice

Choose the correct option:

1. The specific amount offered for sale at a specific price of the commodity is called:
 - (a) supply
 - (b) quantity supplied
 - (c) stock
 - (d) supply function
2. Supply schedule of an individual firm in the market is called:
 - (a) individual supply schedule
 - (b) market supply schedule
 - (c) individual supply curve
 - (d) market supply curve
3. Supply function studies the functional relationship between:
 - (a) supply of a commodity and its price
 - (b) supply of a commodity and its various determinants
 - (c) supply of a commodity and its market price
 - (d) none of these
4. In the case of extension of supply, we move:
 - (a) from lower point to upper point on the same supply curve
 - (b) from upper point to lower point on the same supply curve
 - (c) to right on the another supply curve
 - (d) to left on the another supply curve

5. **In the case of contraction of supply:**
 (a) there is rightward shift in supply curve
 (b) there is leftward shift in supply curve
 (c) there is upward movement along the supply curve
 (d) there is downward movement along the supply curve
6. **Shift in supply curve occurs due to _____.**
 (a) increase in own price of the commodity
 (b) decrease in own price of the commodity
 (c) change in factors other than own price of the commodity
 (d) both (a) and (b)
7. **Improvement in technology causes:**
 (a) increase in supply
 (b) decrease in supply
 (c) increase in quantity supplied
 (d) decrease in quantity supplied
8. **Increase in excise tax causes:**
 (a) increase in supply
 (b) decrease in supply
 (c) increase in quantity supplied
 (d) decrease in quantity supplied
9. **Reduction in factor price causes:**
 (a) fall in cost of production
 (b) rise in cost of production
 (c) increase in supply of a commodity
 (d) both (a) and (c)
10. **Supply curve shifts forward due to _____.**
 (a) increase in input price
 (b) decrease in input price
 (c) increase in price of the substitute good
 (d) both (a) and (c)
11. **Subsidy is offered to the producers:**
 (a) to maximise the profit
 (b) to decrease the supply
 (c) to increase the production of the commodity
 (d) to decrease the production of the commodity
12. **Elasticity of Supply =**
 (a) $\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$
 (b) $\frac{1}{\text{Slope of supply curve}} \times \frac{\Delta Q}{\Delta P}$
 (c) $\frac{1}{\text{Slope of supply curve}} \times \frac{P}{Q}$
 (d) Both (a) and (c)
13. **When a straight line positively sloped supply curve starts from the point of origin:**
 (a) $E_s = 0$
 (b) $E_s = 1$
 (c) $E_s > 1$
 (d) $E_s < 1$
14. **When supply curve starts from Y-axis, elasticity of supply is:**
 (a) less than one
 (b) greater than one
 (c) equal to one
 (d) equal to zero
15. **When supply curve is a vertical straight line parallel to Y-axis, elasticity of supply will be equal to _____.**
 (a) zero
 (b) one
 (c) greater than one
 (d) less than one
16. **Over a longer period of time, elasticity of supply will be:**
 (a) high
 (b) low
 (c) zero
 (d) unity

17. In case of infinite elasticity of supply, supply curve will be:
 (a) a vertical straight line parallel to Y-axis (b) a horizontal straight line parallel to X-axis
 (c) a straight line starting from Y-axis (d) a straight line starting from X-axis
18. When slope of supply curve = ∞ , the elasticity of supply is _____ .
 (a) 0 (b) 1
 (c) ∞ (d) none of these
19. When $E_s = 1.6$, supply is:
 (a) perfectly elastic (b) perfectly inelastic
 (c) elastic (d) inelastic
20. When the price of a commodity rises from ₹ 4 to ₹ 5 per unit, its quantity supplied rises from 100 units to 120 units, its price elasticity of supply is:
 (a) 0 (b) 0.8
 (c) 1 (d) 1.2

SET-3

True or False

State whether the following statements are True or False:

1. Introduction of cost saving technology results in a leftward shift in the supply curve. (True/False)
2. Supply will be elastic if commonly available inputs are used. (True/False)
3. Contraction of supply occurs due to change in factors other than own price of the commodity. (True/False)
4. Price elasticity of supply is greater than one in case the supply curve forms a 60° angle from the origin. (True/False)
5. Percentage change in quantity demanded is equal to percentage change in price in case of unitary elastic supply. (True/False)
6. Fall in productivity leads to a downward movement along the same supply curve. (True/False)
7. If the producer expects the price of the commodity to rise in the near future, current supply of the commodity will reduce. (True/False)
8. Supply function studies the functional relationship between supply of the commodity and its various determinants. (True/False)
9. Perishable products are exceptions to the law of supply. (True/False)
10. Quantity supplied of a commodity increases due to rise in own price of the commodity. (True/False)

SET-4

True-False Alternatives

In the following questions (1-5), two statements are given. Read the statements carefully and choose the correct alternative among those given below:

Alternatives:

- (a) Both the statements are true
- (b) Both the statements are false
- (c) Statement 1 is true and Statement 2 is false
- (d) Statement 2 is true and Statement 1 is false

1. **Statement 1** : Law of supply indicates the direction of change in supply due to change in price.
Statement 2 : Elasticity of supply indicates the degree of change in supply due to change in price.
2. **Statement 1** : Supply will be less elastic in case increase in production causes a substantial increase in the cost of production.
Statement 2 : Goods involving simple techniques of production have less elastic supply.
3. **Statement 1** : Price elasticity of supply is identical with slope of supply curve.
Statement 2 : Price elasticity of supply is more than one in case of elastic supply.
4. **Statement 1** : Perishable goods are not an exception to the law of supply.
Statement 2 : Law of supply does not hold true if sellers expect a fall in price in the near future.
5. **Statement 1** : Supply curve shifts to the right in case the goal of the firm is sales maximisation.
Statement 2 : Rightward shift in supply is always accompanied by rise in price level.

SET-5

Choose the Correct Pair of Statements/Identify the Correct Sequence of Alternatives

1. From the set of statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. Improvement in technology	(i) Extension of supply
B. Stock	(ii) A part of supply
C. $E_s < 1$	(iii) A positively sloped straight line supply curve starting from Y-axis
D. Downward movement along the same supply curve	(iv) A situation of contraction of supply

Alternatives:

- (a) A—(i) (b) B—(ii)
(c) C—(iii) (d) D—(iv)

2. Identify the correct sequence of alternatives given in Column II by matching them with respective items in Column I:

Column I	Column II
A. Stock	(i) More elastic supply
B. Slope of supply curve	(ii) Not related to price of the commodity
C. Extension of supply	(iii) $\frac{\Delta P}{\Delta Q}$
D. Durable goods	(iv) Leads to an upward movement along the supply curve from left to right

Alternatives:

- (a) A—(iv), B—(i), C—(ii), D—(iii) (b) A—(ii), B—(iii), C—(iv), D—(i)
(c) A—(iv), B—(iii), C—(i), D—(ii) (d) A—(iii), B—(ii), C—(i), D—(iv)

SET-6

Assertion and Reasoning

In the following questions (1-5), a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct alternative among those given below:

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
- (c) Assertion (A) is true but Reason (R) is false
- (d) Assertion (A) is false but Reason (R) is true

1. **Assertion (A)** : Supply is different from stock.

Reason (R) : Supply is discussed with respect to present and future sale while stock is not.

2. **Assertion (A)** : Price elasticity of supply can be equal to zero.

Reason (R) : In case of perishable goods, a producer is unable to change supply in accordance with change in price level.

3. **Assertion (A)** : Discovery, innovations and technological development leads to increase in supply.

Reason (R) : It increases the profit margin of the producer by reducing his cost of production.

4. **Assertion (A)** : Fall in own price of a commodity leads to contraction of supply.

Reason (R) : Contraction of supply is not a type of movement along the same supply curve.

5. **Assertion (A)** : Fall in price of inputs leads to increase in supply.

Reason (R) : Expectation of price rise in the near future leads to rise in the current supply.

ANSWERS

SET-1

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|-------------|-------------------|---------------|-------------------------|
| 1. graphic | 2. not applicable | 3. perishable | 4. Stock |
| 5. complex | 6. $E_s < 1$ | 7. Fall | 8. Minimum supply price |
| 9. positive | 10. increase | | |

SET-2

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|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. (b) | 2. (a) | 3. (b) | 4. (a) | 5. (d) | 6. (c) | 7. (a) | 8. (b) | 9. (d) | 10. (b) |
| 11. (c) | 12. (d) | 13. (b) | 14. (b) | 15. (a) | 16. (a) | 17. (b) | 18. (a) | 19. (c) | 20. (b) |

SET-3

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|----------|---------|----------|----------|---------|----------|---------|---------|---------|----------|
| 1. False | 2. True | 3. False | 4. False | 5. True | 6. False | 7. True | 8. True | 9. True | 10. True |
|----------|---------|----------|----------|---------|----------|---------|---------|---------|----------|

SET-4

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|--------|--------|--------|--------|--------|
| 1. (a) | 2. (c) | 3. (d) | 4. (d) | 5. (c) |
|--------|--------|--------|--------|--------|

SET-5

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|--------|--------|
| 1. (d) | 2. (b) |
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SET-6

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|--------|--------|--------|--------|--------|
| 1. (c) | 2. (a) | 3. (a) | 4. (c) | 5. (c) |
|--------|--------|--------|--------|--------|