Class :- B.Com - 1

Subjects : Business Economics and Environment

Paper : 1

Unit : II

Topic : Supply Curve & Slopes

Lecture sequence No : 8

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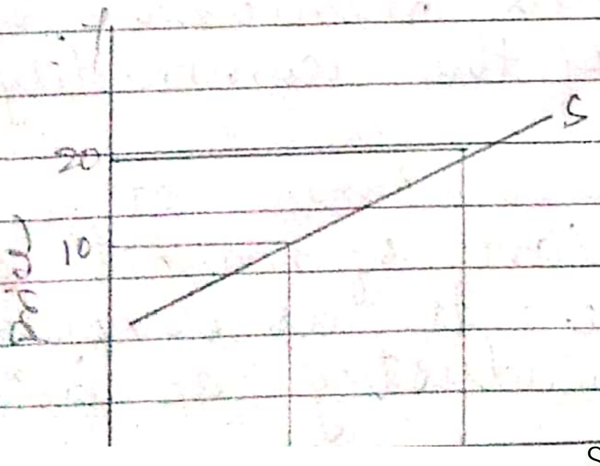
Supply Curve And Its Slope

Supply curve is a graphic presentation of supply schedule, showing various quantites of a commodity offered for sale at different possible prices of that commodity. It shows the positive relationship between price of a commodity and its quantity supplied: Higher quantity is offered for sale at higher price of the commodity. Supply curve has two aspects.

1) Individual Supply Curve
2) Market Supply Curve.

1) **Individual Supply Curve**: Individual supply curve is a graphic presentation of supply schedule of an individual firm in the market. sloping upwards, it indicates positive relationship between price of a commodity and quantity supplied. S curve



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This figure is drawn on the basis of individual supply schedule. S curve has a positive slope, showing that quantity supplied increases in response to an increase in own price of the commodity, and it decreases in response to a decrease in own price of a commodity. Thus, if the price is ₹15 per unit, the firm is ready to sell 20 units of the commodity. And when price increases to ₹20 per unit, the quantity supplied increases to ₹30 units. However, there is often a minium price of the commodity in the market. In the above schedule and diagram, it is ₹15. Supply starts only if market price is at least equal to the min price. It is called minium supply price of the commodity.

(2). Market Supply Curve: It is a graphic presentation of market supply schedule. It is supply curve of the industry as a whole.

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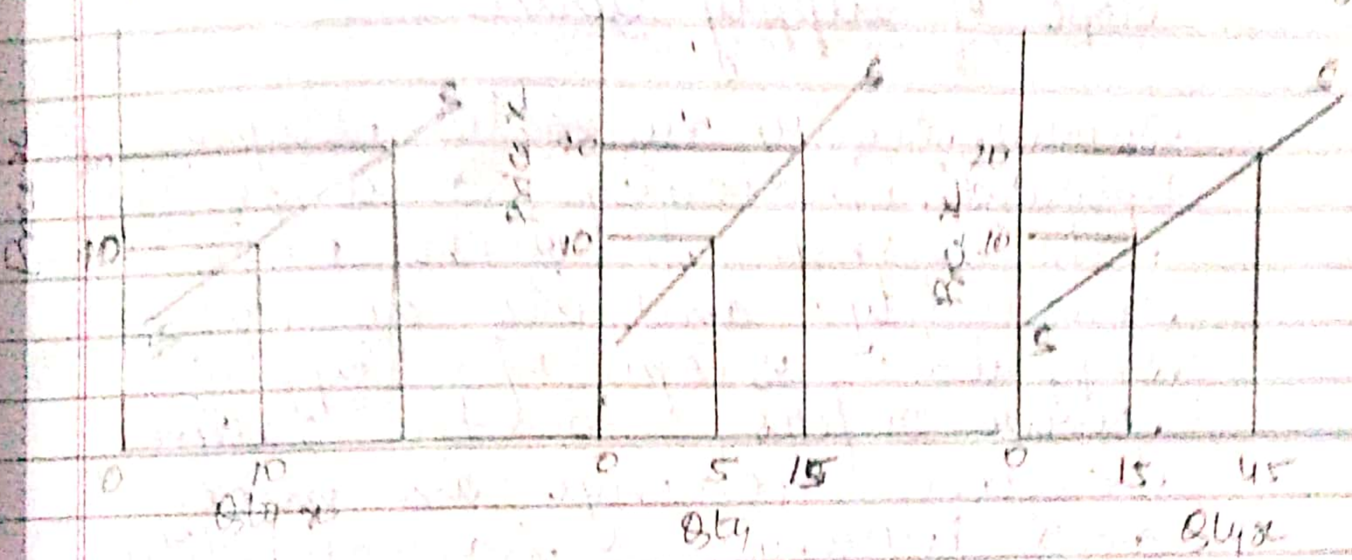
It is a horizontal summation of supply curves of all the firms in the industry. Like individual supply curve, it shows +ve relationship between price and quantity supplied of a commodity.



A' supply curve

B' supply curve

Market supply curve

A and B panels show individual supply curves, while panel C shows market supply curve. It shows that when price is ₹ 10 per unit, market supply is (10+5) units = 15 units, when price is ₹ 15 per units market supply is (20+10) units = 30 units, and when price ₹ 20 per unit market supply is (30+15) units = 45 units.

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Market supply curve is a horizontal summation of the individual supply curves of all the firms producing a particular in the market.

Slope of supply Curve.

Supply curve normally slopes upward, indicating a positive relationship between price of a commodity and its quantity supplied. Slope of supply curve refers to the ratio between 'change in price' and 'change in quantity supplied'.

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