Define Stock.

Stock refers to total quantity of a particular commodity that is available with the firm at a particular point of time.

Define Supply.

It refers to the quantity of a commodity that a firm is willing and able to offer for sale, at each possible price during a given period of time.

In other words, supply is that part of stock which is actually brought into the market for sale. Stock can never be less than supply.

For example, a seller has a stock of 50 tonnes of sugar in the go down. If the seller is willing to sell 30 tonnes at a price of Rs. 37 per kg, then supply of 30 tonnes is a part of total stock of 50 tonnes.

Define Market supply.

It refers to the quantity of a commodity that all firms present in the market are willing and able to offer for sale at each possible price during a given period of time.

What are the Factors affecting supply?

1) **Price of the commodity:**

Positive relationship exists between price of the commodity and supply of that commodity. It means, with the rise in price of the commodity, the supply of that commodity also rises and vice-versa.

2) **Price of the factors of production:**

This also influences the supply since price of factors (rent, wages, interest, profit) constitutes the cost of production of a commodity. An increase in the price of a factor of production may lead to fall in production of a commodity shifting the supply curve to the left. As against it, a producer may supply more of a commodity at a given price if the prices of factors fall shifting the supply curve to the right.

3) State of technology:

When there is technological progress in the firm, then cost of production will decrease causing an increase in the supply.

4) Number of firms in the market:

When the number of firms in the industry increases, market supply also increases due to large number of producers producing that commodity. However, market supply will decrease, if some of the firms start leaving the industry due to losses.

5) Future Expectation regarding price:

If sellers expect a rise in price in near future, current market supply will decrease in order to raise the supply in future at higher prices. However, if the sellers fear that the prices will fall in the future, they will increase the present supply to avoid losses in future.

What is a Supply schedule?

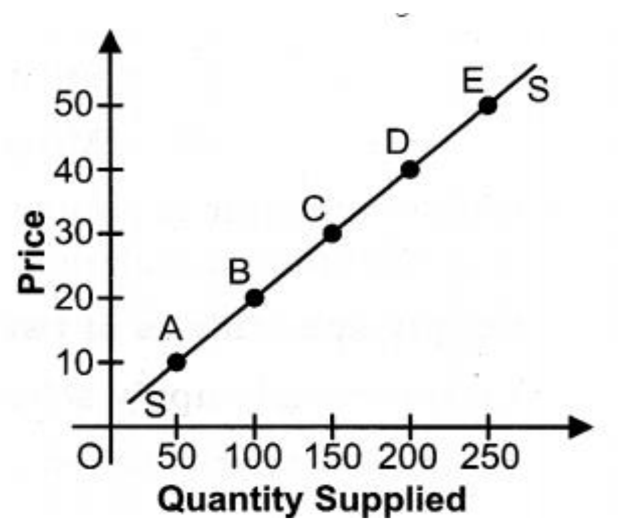
It is a table showing various quantities of a commodity offered for sale corresponding to different possible prices of that commodity. Supply schedule is of two types:

Price (₹)	Quantity supplied of good x (units)
10	50
20	100
30	150
40	200
50	250

What is a Supply curve?

It refers to a graphical representation of supply schedule. It shows direct relationship between price and quantity supplied, keeping other factor constant.

With the help of information given in supply schedule above the supply curve for an individual firm can be drawn as follow:



State Law of Supply.

Ceteris Paribus, quantity supplied of the commodity rises due to rise in price of the commodity and vice-versa.

What is meant by Changes on Supply?

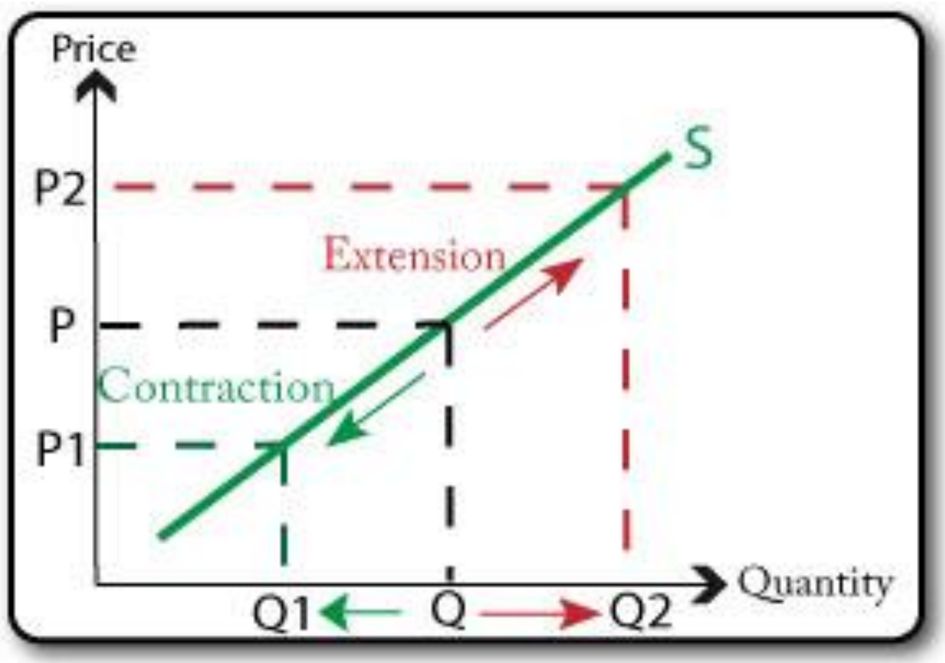
Changes in supply can be of two types:

1) Movement along a supply curve
2) Shifts in the supply curve

1) **Movement Along the Supply Curve Or Change In Quantity Supplied**

The change in quantity supply due to the change in the price of the commodity is known as Movement along the supply curve. It may be of two types; namely,

- Expansion in supply (increase in quantity supplied): The rise in quantity supplied due to the rise in price of the commodity is known as expansion in supply.
- Contraction in supply (decrease in quantity supplied): The fall in the quantity supplied due to the fall in price of the commodity is known as contraction in supply.



2) Shift in Supply Curve or Change In Supply

- **Increase in supply:** An increase in supply means that producers now supply more at a given level of price of a commodity.
- **Decrease in Supply:** A decrease in supply means that producers now supply less at a given level of price of a commodity.