AP MACROECONOMICS • EXERCISE SHEET

1.5 Supply

Name: ____________ Class: ________ Date: __________ **Total: 9 marks**

KEY WORDS supply 供给 • determinants of supply 供给的决定因素 • law of supply 供给定律 • subsidies 补贴

Objective

Build the skills to answer exam questions on **supply**.

You must be able to:

- state the **law of supply 供给定律** and explain the direct price-quantity relationship
- distinguish a change in **quantity supplied** (movement) from a change in **supply** (shift)
- identify the **determinants of supply 供给的决定因素**
- explain how the upward-sloping supply curve reflects rising marginal costs

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ The law of supply

As price **rises**, quantity supplied **rises** (a direct relationship), so the supply curve slopes **upward** — higher prices cover the rising marginal cost of extra output.

■ Movement vs shift

A change in the good's **own price** is a **movement along** the curve. A change in a **determinant** shifts the whole curve.

■ Determinants of supply

Input prices, technology, expectations, taxes and subsidies, and the number of sellers.

2 Practice

2.1 State the law of supply. [1]

2.2 State whether a fall in input prices causes a movement along or a shift of the supply curve. [1]

2.3 List three determinants of supply. [2]

3 Exam-style questions

3.1 The supply curve slopes [1]

- **A** downward
- **B** upward
- **C** vertically
- **D** horizontally

3.2 A new technology that lowers production costs shifts the supply curve [1]

- **A** to the left
- **B** to the right
- **C** not at all
- **D** vertically

3.3 The government places a tax on producing a good.

(a) State the effect on supply. [1]

(b) State the direction the supply curve shifts. [1]

(c) Name one other determinant of supply. [1]

Solutions

2.1 as the price of a good rises, the quantity supplied rises (other things equal).

2.2 a shift of the supply curve (input price is a determinant).

2.3 any three of: input prices, technology, expectations, taxes/subsidies, number of sellers.

3.1 B.

3.2 B.

3.3 (a) supply falls. (b) to the left. (c) any one of: input prices, technology, expectations, number of sellers.