1. Discuss the factors influencing the supply of a product.

*Answers may include:*

The supply curve shows the quantity producers are willing and able to produce at each and every price all other factors unchanged. The supply will depend on:

- The price - changes in the price will lead to a movement along the supply curve
- Other factors such as technology, the number of producers, costs, indirect taxes and subsidies to producers.

If, for example, there is an increase in technology, a reduction in costs, more firms in the industry or greater subsidies to producers this means more can be supplied at each and every price and the supply curve shifts outwards.

2. Discuss the main determinants of the price elasticity of supply.

*Answers may include:*

The price elasticity of supply measures the change in quantity supplied when the price changes. It measures the movement along the supply curve. If the percentage change in quantity supplied is greater than the percentage change in price this means supply is price elastic. If the percentage change in quantity supplied is less than the percentage change in price then supply is price inelastic. The quantity supplied usually increases if price increase meaning the supply curve is upward sloping and the price elasticity if supply is positive.

The price elasticity will depend on factors such as:
- The time period - over time more resources can move in or out of an industry making supply more price elastic;
- The nature of the production process - in agriculture there is a long production period which makes supply price inelastic; in manufacturing when the amount of capital or labour can be increased more quickly supply is likely to be more price elastic.

(For more on the determinants of price elasticity if supply see page 175)

3. Discuss the ways in which managers can seek to shift supply to the right.

*Answers may include:*

The supply curve shows the quantity producers are willing and able to produce at each and every price all other factors unchanged. The supply will depend on:

- The price - changes in the price will lead to a movement along the supply curve
- Other factors such as technology, the number of producers, costs, indirect taxes and subsidies to producers.

Managers cannot control some of these factors such as the rate of indirect tax but they can influence factors such as:
Costs- by focusing on where they buy their supplies from they may be able to get better prices through negotiating well. They may also change their production processes- for example by using lean production or by taking over suppliers- to reduce costs.

Productivity- through adopting better management techniques, working with their teams and motivating and training their staff this may include employees' productivity and shift supply outwards.