PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC - DETERMINANTS OF SUPPLY OF COMMODITY

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* DETERMINANTS OF SUPPLY OF COMMODITY

(1) Price of Commodity -
Direct relationship between the price of a commodity and its quantity supplied. i.e if the price of a commodity rises, its supply also increases.

(2) Price of Related Goods -
The supply of a commodity indirectly depends upon the price of other related goods.

(3) Technological Level -
Technological advancement means the production of new goods, new efficiency level in production, the development of new industries as a result of reduce cost of production and its supply increases.

(4) Objectives of the firm -
If firm objective is the maxise profit then it will increase supply at high price. On the contrary if firm's objective is to increase sale, production or employment, more quantity will be supplied at same price.

(5) Government Policy -
Taxation and subsidy policies also influences the supply of a commodity.

⑥ Expected future Price -
If seller expected that prices may increase in future, they would like to reduce the present supply of their commodities and vice-versa.

⑦ Numbers of firms -
If the numbers of firms in the market is more, the supply of goods will increase and vice-versa.