

Supply - meaning.

* Supply mean the total stock of goods in existence. It may also mean the amount of goods offered for sale per unit of time.

* Sometimes the term "Market supply" is used to denote the supply of perishable commodities with the retailers only.

* Prof McConnell defines "supply may be defined as a schedule which shows the various amounts of a product which a producer is willing to and able to produce and make available for sale in the market at each specific price in a set of possible prices during some given period"¹²

* Supply and demand are two concepts that link the market behaviour of the consumer with price.

* Supply depends on scarcity,

Supply schedule - Meaning.

* Supply of different quantities placed on the market at different prices are mentioned with the help of the schedule called supply schedule.

* The supply schedule represents the functional relationship between the quantity supplied and the prices.

Supply Schedule of commodity X

Price in Rs.	Quantity supplied in units
3	40
4	50
5	60
6	75
7	90

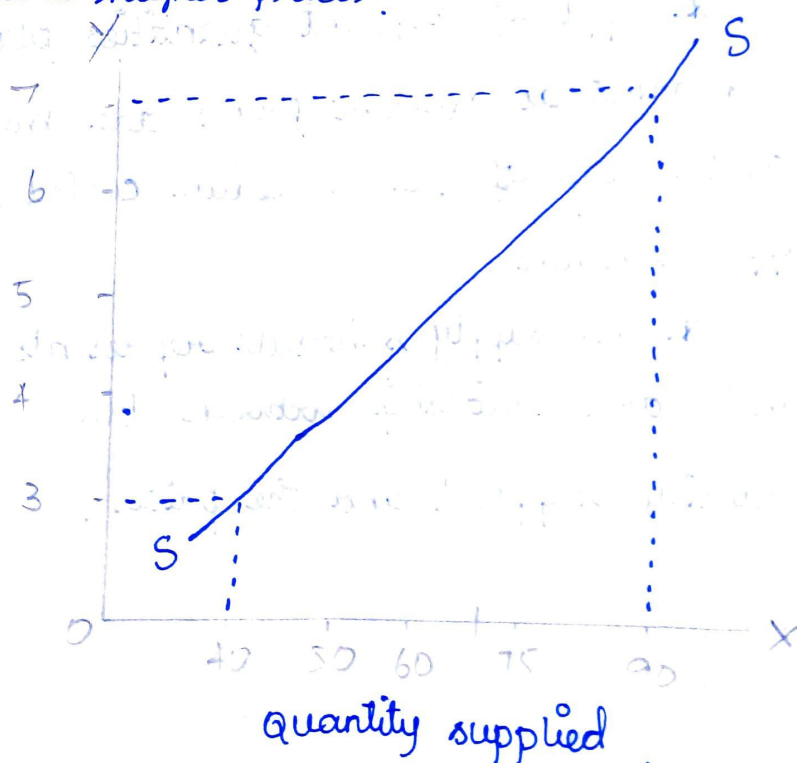
The Law of Supply.

*. The law of supply states that "other things being constant, the price of a commodity has a direct influence on the quantity supplied."

*. Large quantities are supplied at higher prices and small quantities are supplied at lower prices.

The supply curve

The supply curve SS slopes upwards from left to right showing larger supplies at a higher prices.



Cost & Revenue - Meaning

Money cost of production.

*. Economist concept of cost of production is somewhat different from the Accountant's cost of production.

*. wages, interest, rent, depreciation charges on fixed capital, taxes paid and other sundry expenses come under this cost. These items together constitute explicit cost of production.

*. They are (i) wages for the work performed by the entrepreneur; (ii) interest on the capital supplied by him; (iii) rent of land and buildings belonging to the producer and used in production and (iv) such profits as are considered usual or normal in that line of business. Items (i) to (iii)

Economic costs = Explicit costs + Implicit costs.

Opportunity cost or Alternative cost

*. It depends on the sacrifice of alternative product that could have been produced.

*. This means "cost of using something in a particular venture is the benefit foregone by not using it in its best alternative use"

Fixed cost and variable cost

*. The fixed capital of term. eg., equipment, machinery, land, buildings and permanent staff come within the class. These costs incurred in these are called fixed costs.

*. when once engaged, the factors can be used over a period of time. There are other inputs which are exhausted by a single use. eg. raw materials