

ECONOMICS ASSIGNMENT

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CLASS: SSS 2 SCIENCE A

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Questions:

1. What is elasticity of supply?
2. When is supply elastic?
3. Explain any four factors that influence elasticity of supply

Answers;

1. Elasticity of supply is the responsiveness of the quantity supplied of a good or service to a change in its price. It is also the percentage change. It is computed as the percentage change in quantity supplied divided by the percentage change in price.
2. A supply is elastic when percentage change in quantity supplied is greater than the percentage change in its own price of commodity.
3. Contracts: if the producer has entered into a long term contract to supply particular customers with his products he cannot suddenly withhold supplies when price increases.
4. Versatility: this is how the factor of production can be switched from one use to another.
5. Cost of production: if commodities are too expensive supply will be inelastic. On the other hand, if cost of production is low, producers can quickly adjust the level of production. In this case supply will be elastic.
6. Availability of market: if producers have alternative markets in which to sell his product, the supply of a commodity will be elastic.