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CLASS: SS2 SCIENCE B

SUBJECT: ECONOMICS

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INSTRUCTION: ANSWER ALL QUESTIONS

1a. What is elasticity of supply?

Elasticity of supply is a measure of the degree of the responsiveness of the quantity applied to the change in the price of a given commodity.

1b. When is supply elastic?

Supply is elastic if the elasticity of supply is greater than 1, unit price elastic if it is equal to 1 and it is inelastic if less than 1.

1c. Explain any four factors that influence elasticity of supply.

- i. Time to produce; the amount of time it takes producers to respond to price changes is extremely important to the elasticity of supply. If the price of an output increases, and producers have time to adjust supply, supply will be more elastic.
- ii. Availability of scarce resources; if an economy is using the majority of its scarce resources, businesses will not be able to increase production and supply will remain stagnant.
- iii. Number of producers; the more producers available to produce an output, the easier the supply can be increased.
- iv. Production cost; the cost of the output is high then the supply will increase but since there is less demand, supply will be stagnant.