



"ज्ञान, विज्ञान आणि सुसंस्कार यांसाठी शिक्षण प्रसार" - शिक्षणमहर्षी डॉ. बापूजी साळुंखे
Shri Swami Vivekanand Shikshan Sanstha, Kolhapur.

VIVEKANAND COLLEGE, KOLHAPUR

(An Empowered Autonomous Institute)

Affiliated to Shivaji University

NAAC Reaccredited "A+" CGPA 3.29 | College with Potential for excellence | ISO 9001:2015

Department of Management Studies



Course Name Managerial Economics

Course Code DSC37ECO11

Year & Semester MBA I Semester I

Unit No. 01

Unit Name Demand and Supply Analysis

Faculty Name Mrs. S.N. Kore (MBA)

ELASTICITY OF SUPPLY

ELASTICITY OF SUPPLY

- Elasticity of supply is defined as the degree of responsiveness of supply of product in the market to a change in its price.
- The value of elasticity of supply will give the quantity of change in supply to change in price.

$$\text{Elasticity of Supply} = \frac{\text{percentage change in quantity supplied}}{\text{percentage change in price}}$$

$$E_s = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

Where,

E_s = elasticity of supply

ΔQ = change in Quantity supplied ($Q_2 - Q_1$)

ΔP = change in price ($P_2 - P_1$)

P = Initial Price

Q = Initial quantity

TYPES OF ELASTICITY OF SUPPLY

Perfectly Inelastic supply ($e_s=0$)

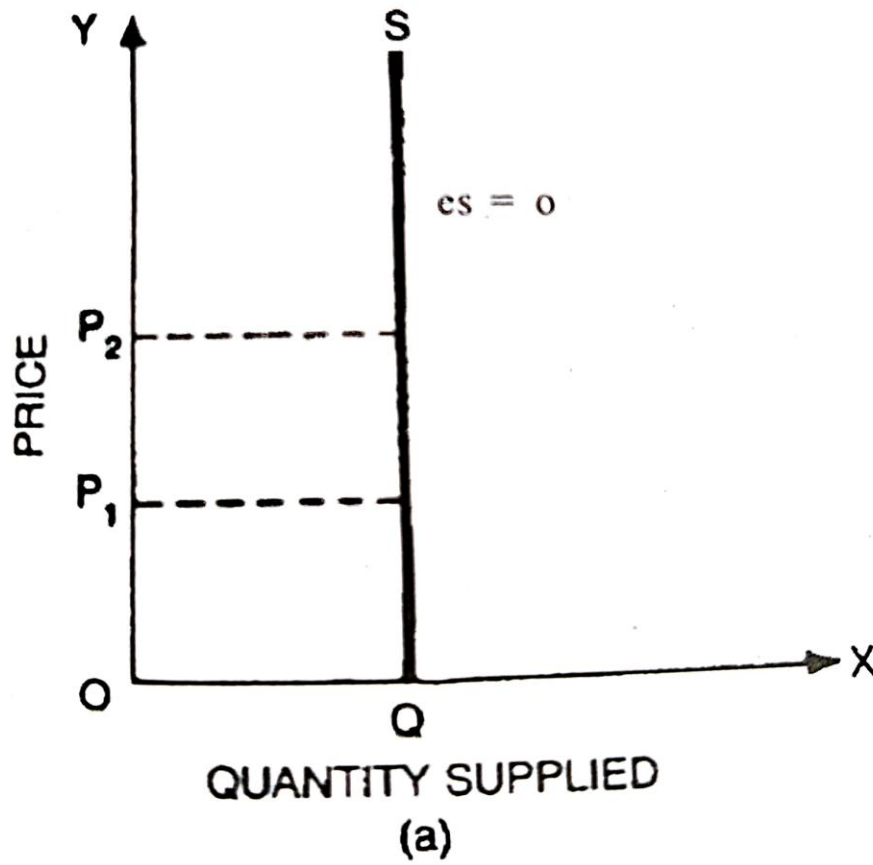
Perfectly Elastic supply ($e_s=\infty$)

Unitary Elastic supply($e_s=1$)

Relatively Elastic supply ($e_s > 1$)

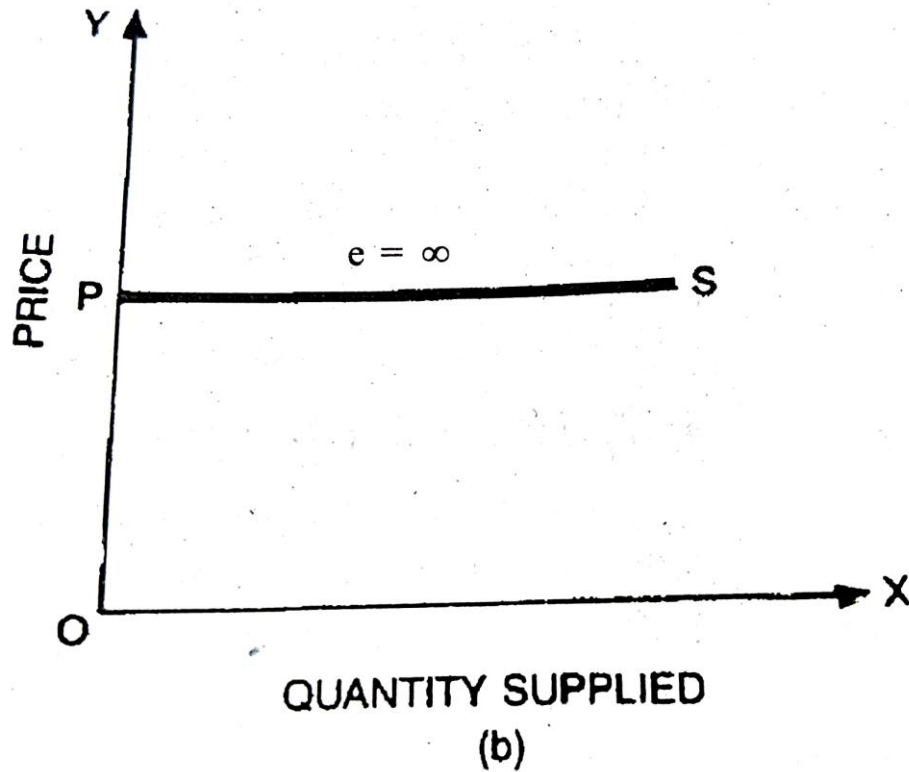
Relatively Inelastic supply ($e_s < 1$)

Perfectly Inelastic supply ($e_s=0$)



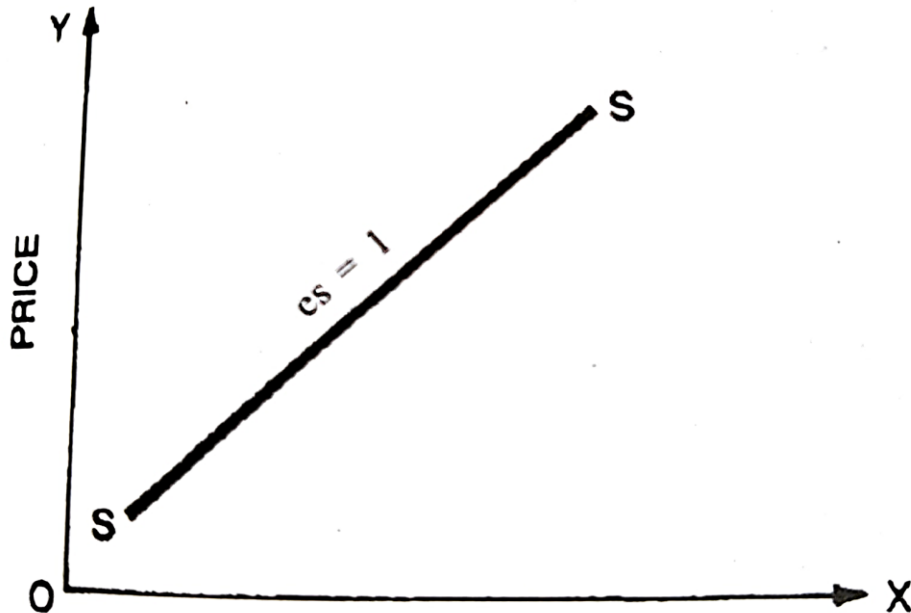
When supply of commodity does not change irrespective of any change in its price it is called as Perfectly Inelastic supply ($e_s=0$)

Perfectly Elastic supply ($e_s = \infty$)



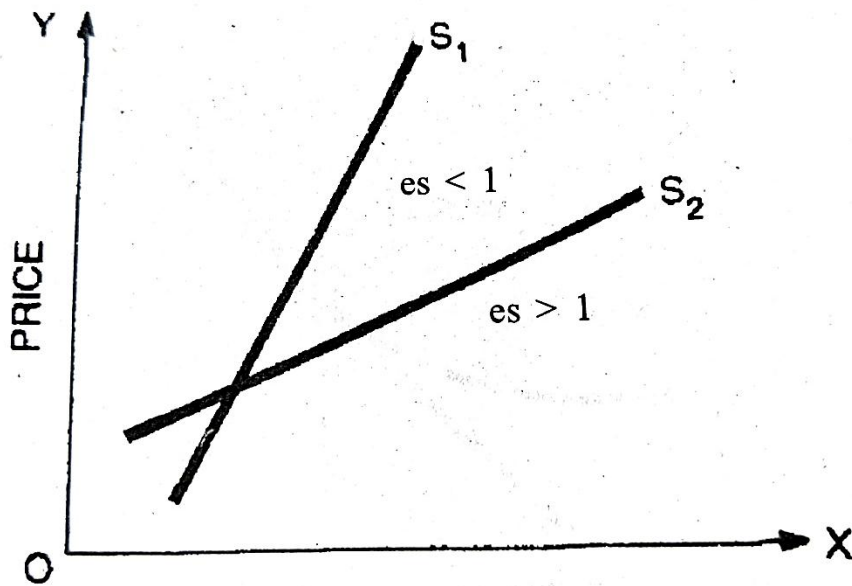
When its supply rises or falls to any extent without any change in its price it is called as **Perfectly Elastic supply ($e_s = \infty$)**

Unitary Elastic supply ($e_s=1$)



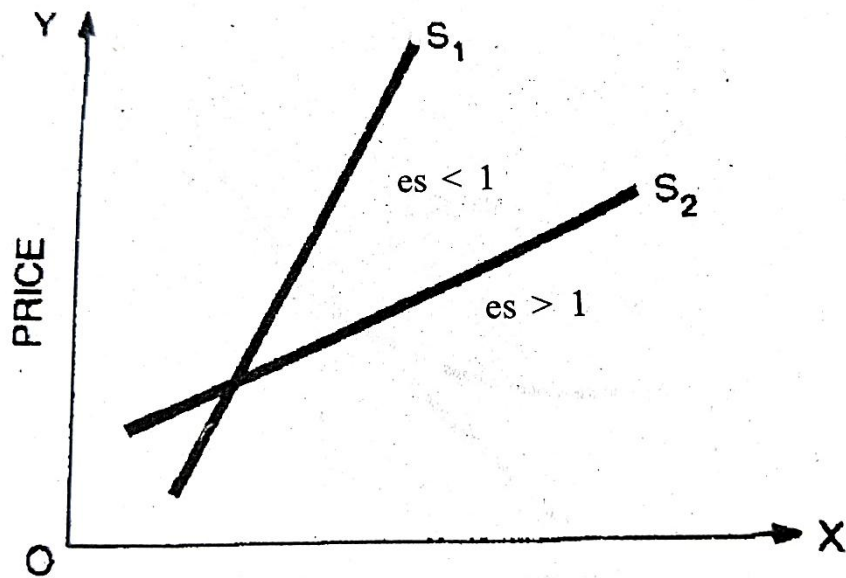
When percentage change in supply equals the percentage change in price it is called as **Unitary Elastic supply ($e_s=1$)**

Relatively Elastic supply ($e_s > 1$)



When percentage change in supply more than the percentage change in price it is called as **Relatively Elastic supply** ($e_s > 1$)

Relatively Inelastic supply ($e_s < 1$)



When percentage change in supply more than the percentage change in price it is called as **Relatively Inelastic supply** ($e_s < 1$)

FACTORS DETERMINING ELASTICITY OF SUPPLY

| | |
|---------|----------------------------|
| Factors | 1) The nature of commodity |
| | 2) Time Period |
| | 3) Scale of Production |
| | 4) Technique of Production |
| | 5) Size of firm |
| | 6) Natural Factors |
| | 7) Mobility of Factors |

PROBLEM ON ELASTICITY OF SUPPLY

Q.1 Suppose at a price of Rs 10/unit, firm supplies 50 units of commodity. When a price rises Rs 2/unit i.e. Rs. 12 firm increase the supply to 70 units. Calculate price elasticity of supply.

Q.2 The price increases from Rs 10 to Rs 15 and the result quantity supplied increases from 100 units to 120 units. Calculate price elasticity of supply.