

## SUPPLY WORKSHEET

I. Supply schedules and graphs:

A. Use the following schedule to graph Acme Company's willingness and ability to supply widgets at various prices (label the curve S1).

Supply Schedule		P	\$
		5	
		4	
Price	Quantity (in thousands)	3	
\$5	5	2	
\$4	4	1	
\$3	3		
\$2	2		
\$1	1		

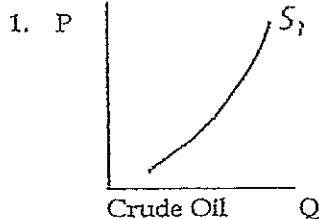
Show on this graph what happens when the market price changes from \$2 to \$3. Is this a change in supply or a change in quantity supplied?

B. Now suppose that Acme Co. has acquired a new machine which reduces their labor costs. Because their profit potential is now greater, they are now willing to provide twice as many widgets at each price. Complete this new supply schedule below and then graph this new curve with a dashed line (---) on the graph above and label it S2.

New Supply Schedule

Price	Quantity (in thousands)
\$5	
\$4	
\$3	
\$2	
\$1	

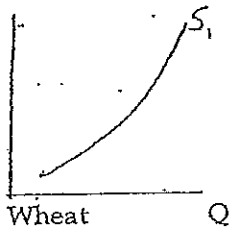
II. Read the description for each of the following graphs. Determine if a change in supply ( $\Delta S$ ) or a change in quantity supplied ( $\Delta QS$ ) is described. Remember, the only thing that can cause a change in quantity supplied ( $\Delta QS$ ) is a change in the price of that good. Give the reason for each change. Then sketch the result on the curve. Label new supply curves S2.



The price of crude oil increases 50%.  
Will this cause  $\Delta S$  or  $\Delta QS$ ? \_\_\_\_\_

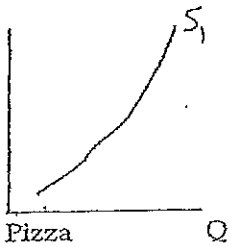
Reason? \_\_\_\_\_

2. P



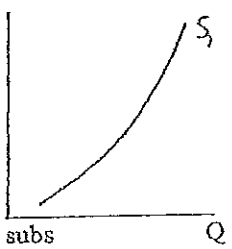
A severe drought damages over 60% of the nations wheat. Will this cause  $\Delta S$  or  $\Delta QS$ ? \_\_\_\_\_  
 Reason? \_\_\_\_\_

3. P



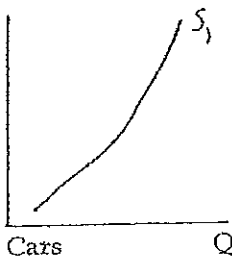
The producer of pizza is able to get tomatoes for half the regular price. What will be the impact on pizza?  $\Delta S$  or  $\Delta QS$ ? \_\_\_\_\_  
 Reason? \_\_\_\_\_

4. P



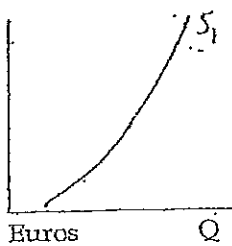
A school district has just announced that because of budget cuts they must decrease the salary of substitute teachers from \$85 per day to \$75 a day. What happens to the number of people willing to substitute teach?  $\Delta S$  or  $\Delta QS$ ? \_\_\_\_\_  
 Reason? \_\_\_\_\_

6. P



If the average cost of labor increases from \$40/hr to \$50/hr in the auto industry, what will be the impact on the supply of cars?  $\Delta S$  or  $\Delta QS$ ? \_\_\_\_\_  
 Reason? \_\_\_\_\_

7. P



Currency traders holding Euros think that the US\$ price of the Euro will drop in the near future (the Euro will be worth fewer dollars). How will this impact the supply of Euros?  $\Delta S$  or  $\Delta QS$ ? \_\_\_\_\_