

RETEACHING**Activity 5****SUPPLY**

The concept of supply explains important economic behaviors. Several factors can influence supply. Understanding the Law of Supply and the factors that can change supply provides a basis for learning the theory of production and how cost is measured.

Directions: Complete the following outline to organize concepts about supply.

- I. Supply is _____
 - A. The Law of Supply states that _____.
 - B. The market supply curve shows _____.
 - C. A change in quantity supplied is shown as _____.
 - D. A change in supply is a change in _____
 1. An increase in supply is shown by a shift of the supply curve to the _____.
 2. A decrease in supply is shown by a shift of the supply curve to the _____.
 3. The factors that cause a change in supply are _____.
 - E. Supply elasticity explains how a change in _____ responds to a change in _____
 1. Supply is elastic when _____.
 2. Supply is inelastic when _____.
 3. Supply is unit elastic when _____.
- II. In the theory of production, labor is often thought of as the _____ factor of production.
 - A. _____ shows how total output changes when the amount of a single input changes.
 - B. Output is measured by the marginal product, which is _____.
 - C. The three stages of production help companies determine _____
 1. _____ is when the marginal product of each additional worker increases.
 2. _____ is when production still grows but by smaller amounts.
 3. _____ begins when too many workers are hired and total output decreases.
- III. Businesses must analyze _____ to make production decisions.
 - A. There are four types of cost.
 1. _____ is the cost that a business incurs even if there is no activity.
 2. _____ is a cost that changes when the business's rate of operation or output changes.
 3. _____ is the sum of the fixed and variable costs.
 4. _____ is the extra cost incurred when a business produces one additional unit of a product.
 - B. The break-even point is _____.
 - C. Total revenue is equal to _____.
 - D. Marginal revenue is _____.
 - E. Marginal analysis is _____.
 - F. When marginal cost is exactly equal to _____, the _____ quantity of output occurs.