

# Law of Supply

## Homework

### DIRECTIONS

This activity has two sections. On the front side, fictional newspaper headlines illustrate the market for chocolate. Determine if the quantity supplied changed (which means only the price of chocolate has changed), or if the entire supply has changed. If only quantity supplied changed, circle "No Change." If the entire supply has changed, identify if it was an increase or a decrease, and identify which determinant of supply is responsible. On the back side, there is a similar activity.

### DETERMINANTS OF SUPPLY

#### Events That Increase Supply

- A) Costs of production decrease
- B) Technology improves
- C) Sellers expect good things in the future
- D) More sellers enter the market
- E) Opportunities in different markets are bad
- F) Favorable natural events (e.g. weather)

#### Events That Decrease Supply

- G) Costs of production increase
- H) Technology becomes outdated
- I) Sellers expect bad things in the future
- J) Sellers leave the market
- K) Opportunities in different markets are good
- L) Unfavorable natural events (e.g. weather, war, riots, etc.)

### INTERPRET HEADLINES FROM THE CHOCOLATE MARKET

#### 1) Heavy Rain in South America Equals Large Crop of Cocoa Beans

Increase                  Decrease                  No Change                  Determinant of Supply: \_\_\_\_\_

#### 2) High Gas Prices Causing Problems for the Chocolate Industry

Increase                  Decrease                  No Change                  Determinant of Supply: \_\_\_\_\_

#### 3) Companies Expect Valentine's Day Will Be Biggest Chocolate Sales Day in History

Increase                  Decrease                  No Change                  Determinant of Supply: \_\_\_\_\_

#### 4) Profits from Fruit-Flavored Candy Skyrocket

Increase                  Decrease                  No Change                  Determinant of Supply: \_\_\_\_\_

#### 5) Hershey's Chocolate Company Plans to Close Seven Factories

Increase                  Decrease                  No Change                  Determinant of Supply: \_\_\_\_\_

#### 6) Price of Chocolate Expected to Increase 30% This Year

Increase                  Decrease                  No Change                  Determinant of Supply: \_\_\_\_\_

#### 7) New Assembly Line Machines Added to Hershey's Chocolate Factory

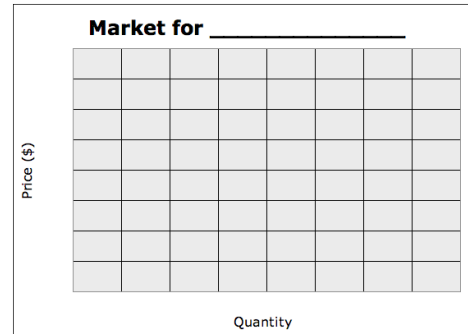
Increase                  Decrease                  No Change                  Determinant of Supply: \_\_\_\_\_

CREATE YOUR OWN HEADLINES

For each problem below, a Determinant of Supply has been provided. Create a fictional newspaper headline that would illustrate supply changing in the indicated way. (You can use whichever market you like. If you have trouble thinking of headlines, use the Car Market in your headlines.) Once you have created a headline, complete the graph using appropriate labels.

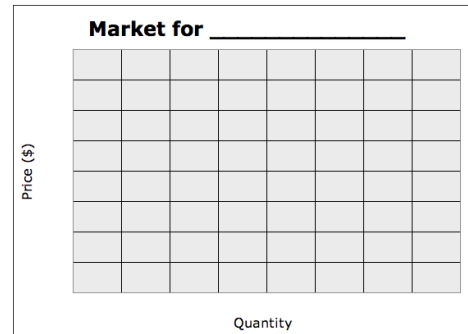
**8) More sellers enter the market**

Headline: \_\_\_\_\_



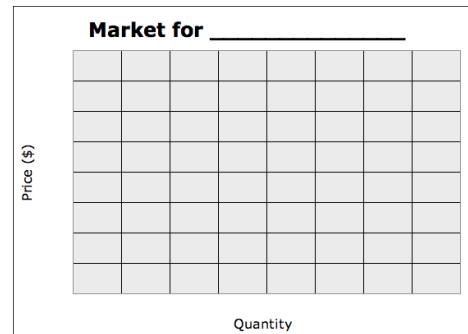
**9) Costs of Production Increase**

Headline: \_\_\_\_\_



**10) Technology Improves**

Headline: \_\_\_\_\_



**11) Sellers Expect Bad Things in the Future**

Headline: \_\_\_\_\_

