

## P E O S - R & U - Reason-Based Questions

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**Q.1. Price elasticity of supply measures the direction of change in supply in response to a given change in own price of the commodity.**

**Ans.** False. Price elasticity of supply measures the degree of extension and contraction of supply in response to a given change in own price of the commodity.

**Q.2. Zero elasticity of supply refers to a vertical straight line supply curve.**

**Ans.** True. Zero elasticity of supply refers to a vertical straight line supply curve, showing constant supply, no matter what the price is. In this situation, supply does not at all respond to change in price of the commodity.

**Q.3. Elasticity of supply = Slope of supply curve.**

**Ans.** False. We know that,

$$\text{Elasticity of supply (E}_s\text{)} = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

$$\text{Slope of supply curve} = \frac{\Delta P}{\Delta Q}$$

So that, we can write that

$$\text{Elasticity of supply (E}_s\text{)} = \frac{1}{\text{Slope of supply curve}} \times \frac{P}{Q}$$