



## **Part-A Question-Bank With Answer**

### **UNIT-1**

#### **1. Define merchant banking:(April/may2013)**

A merchant bank is historically a bank dealing in commercial loans and investment. In modern usage in the United States, the term additionally has taken on a more narrow meaning, and refers to a financial institution providing capital to companies in the form of share ownership instead of loans.

#### **2. What are the various services rendered by a merchant banker?**

- Business loans.
- Checking accounts.
- Savings accounts.
- Debit and credit cards.
- Merchant services (credit card processing, reconciliation and reporting, check collection)
- Cash management (payroll services, deposit services, etc.)

#### **3. Discuss in details about the Indian Financial System:**

A financial system is a system that allows the exchange of funds between lenders, investors, and borrowers. Financial systems operate at national, global, and firm-specific levels. They consist of complex, closely related services

#### **4. State the recent Developments and Challenges regarding Merchant Banking**

The recent development in banking industry is use of technology. This allows for use of mobile and internet banking conveniently.

#### **5. Mention the Legal and Regulatory Framework behind merchant banking system**

Merchant banking comprises a wide set of banking activities which involves issues management by trading in securities, underwriting security issuances (e.g. an IPO), undertaking valuation of businesses and setting up and packaging M&A deals.

#### **6. SEBI guidelines for Portfolio Management Services and Registration of Portfolio Managers**

Amendments to the SEBI (Portfolio Managers) Regulations, 1993 to provide a framework for registration of fund managers for overseas funds, pursuant to introduction of Section 9A in the Income Tax Act, 1961.

#### **7. List out the regulation of SEBI on Merchant Bankers**

- Conformance to requirements
- Furnishing of information
- Consideration of application
- Capital adequacy requirements

#### **8. What is OTCEI**

The over-the-counter exchange of India (OTCEI) is an electronic stock exchange based in India that consists of small- and medium-sized firms aiming to gain access to the capital markets like electronic exchanges in the U.S. such as the Nasdaq.

#### **9. Role of SEBI**

The SEBI is the regulatory authority in India established under Section 3 of SEBI Act to protect the interests of the investors in securities and to promote the development of, and to regulate, the securities.

#### **10. Define SCRA**

The Securities Contracts (Regulation) Act, 1956 “Act” was enacted in order to prevent undesirable transactions in securities and to regulate the working of stock exchanges in the country. The provision of the Act came into force with effect from 20th February, 1957 vide Notification No.

#### **11. Define FEMA: (April/may 2013)**

The Foreign Exchange Management Act, 1999 (FEMA) is an Act of the Parliament of India "to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India".

#### **12. Functions of SEBI: (April/may 2013)**

The main functions of SEBI (Securities and Exchange Board of India) are to draft regulations, conduct investigation, take enforcement actions and pass rulings.

#### **13. Define financial system**

The financial system is the system that enables lenders and borrowers to exchange funds. The global financial system is basically a broader regional system that encompasses all financial institutions, borrowers and lenders within the global economy.

#### **14. Define scope of merchant banking: (April/may 2013)**

Merchant banking Scope in India. 1) Growth of new issues market Indian market largest emerging market Domestic and foreign investors setting up their biz here. Many public and private issues coming up

#### **15. Functions of merchant bankers**

- Underwriting
- Banking
- Broking
- Registration
- Portfolio management

#### **16. Powers of SEBI : (April/may 2013)**

- power to seek information
- Powers of inspection
- Power to issue information
- Power of search and seizure

#### **17. Role of financial system**

- Increase the output of the economy
- Accelerate the volume and rate of savings
- Makes innovation
- Risk management studies

#### **18. weakness of financial system**

- Lack of co ordination between financial institution
- Monopolistic market structures
- Inactive and erratic capital markets
- Imprudent financial practices

## 19. SEBI guidelines

Investors looking for investment avenues must be aware of certain rules and regulations that govern the Indian mutual fund sector – SEBI guidelines for mutual funds.

## 20. Define NSE

The National Stock Exchange of India Limited (NSE) is India's largest financial market. Incorporated in 1992, the NSE has developed into a sophisticated, electronic market, which ranked fourth in the world by equity trading volume in 2015.

### Unit-2

1. Explain the role of merchant bankers in appraisal of project ?

**Role of Merchant Banking in Appraisal of projects**, Designing Capital Structures and Instruments – Issue Pricing - Preparation of prospectus selection of **bankers**, Advertising Consultants etc. – **Role** of Registrars – Underwriting Arrangements. Dealing with **Bankers** to the Issue, Underwriters, Registrars, and Brokers.

2. Explain the role of merchant bankers in designing instruments?

This forms the main **function** of the **merchant banker**. He assists the companies in raising funds from the market. The undergoing tasks include **instrument designing**, pricing the issue, registration of the offer document, underwriting support, marketing of the issue, allotment and refund and listing on stock exchanges.

3. What is prospectus?

A Prospectus is a formal legal document that is required by and filed with the Securities and Exchange Commission (SEC) that provides details about an investment offering for sale to the public.

4. What do you mean by book building?

**Book building** is a systematic process of generating, capturing, and recording investor demand for shares during an initial public offering (IPO), or other securities during their issuance process, in order to support efficient price discovery.

5. What is the banker an issue?

A scheduled bank carrying on all or any of the **issue** related activities namely acceptance of application and application monies; acceptance of allotment or call monies; refund of application monies; and payment of dividend or interest warrants.

6. Who is an underwriter?

An underwriter is any party that evaluates and assumes another party's risk for a fee, such as a commission, premium, spread or interest. Underwriters operate in many aspects of the financial world, including the mortgage industry, insurance industry, equity markets, and common types of debt securities.

7. Define green shoe option?

**Greenshoe Options:** An IPO's Best Friend. ... One of these ways is through a legal mechanism called the **greenshoe option**. A **greenshoe** is a clause contained in the underwriting agreement of an initial public offering (IPO) that allows underwriters to buy up to an additional 15% of company shares at the offering price.

8. Process of E-IPO?

The proposed e-IPO will reduce the post-issue timelines (time taken from closure of issue for subscription to the date of listing) from 12 to six working days. Once the process stabilizes, SEBI proposes to reduce it to two or three days.

8. What is private placement?

Private placement is a common method of raising business capital through offering equity shares. Private placements can be done by either private companies wishing to acquire a few select investors or by publicly traded companies as a secondary stock offering.

9. Bought out deals?

A **bought out deal** is a method of offering securities to the public through a sponsor (a bank, financial institution, or an individual). The securities are listed in one or more stock exchanges within a time frame mutually agreed upon by the company and the sponsor.

10. What are the various advertising

Strategies followed related to issue of process?

- Define the target population
- Test your audience
- Consider marketing strategies
- Evaluate those strategies

#### 11. Define issue management?

**Issue management** is the process of identifying and resolving **issues**. Problems with staff or suppliers, technical failures, material shortages – these might all have a negative impact on your project.

#### 12. What is capital structure instrument?

- ✓ Equity shares
- ✓ Preference shares
- ✓ debentures
- ✓ Sweat equity
- ✓ warranty
- ✓ Derivatives

#### 13. What is initial public offer?

An initial public offering (IPO) is the first time that the stock of a private company is offered to the public. IPOs are often issued by smaller, younger companies seeking capital to expand, but they can also be done by large privately owned companies looking to become publicly traded.

#### 14. What is pre issue management?

Issue management as provided by "merchant bankers". Pre issue and post issue obligations.

#### 15. What is issue marketing?

**Market Audience**. Selective **marketing** is used to discourage demand from so-called undesirable **market** sectors or disenfranchise them altogether. ... Another ethical **issue** relates to vulnerable audiences in emerging markets in developing countries, as the public there may not be sufficiently aware of skilled **marketing** ploys.

16. What is right issue?

A **rights issue** is a dividend of subscription **rights** to buy additional securities in a company made to the company's existing security holders. When the **rights** are for equity securities, such as shares, in a public company, it is a non-dilutive pro rata way to raise capital.

17. What are the equity shares?

Equity shares were earlier known as ordinary shares. The holders of these shares are the real owners of the company. ... They have a control over the working of the company. Equity shareholders are paid dividend after paying it to the preference shareholders.

18. What is Debentures?

A debenture is a type of debt instrument that is not secured by physical assets or collateral. Debentures are backed only by the general creditworthiness and reputation of the issuer. Both corporations and governments frequently issue this type of bond to secure capital.

19. What is NRI marketing?

We are B2B NRI marketing agency. Offering customized solution in marketing. Indian real estate and financial products to NRIs and. chalk out advertising strategies in reaching out.

20. Benefits of book building?

The prime objective of **book building** process is to determine the highest market price for shares and securities and demand level from highest quality investors in order to adjust pricing and allocation decision. ... Investors need not lockup huge amounts of capital with the Issuer as they pay at the end of the process.

### **Unit-3**

#### **1. Write a note on M&A (Apr/may2016)**

Mergers and acquisitions (M&A) is a general term that refers to the consolidation of companies or assets. M&A can include a number of different transactions, such as mergers, acquisitions, consolidations, tender offers, purchase of assets and management acquisitions.

## **2.Explain the steps involved in M&A with suitable examples(Apr/may2016)**

- ✓ Develop an acquisition strategy
- ✓ Set the M&A criteria
- ✓ Search for acquisition targets
- ✓ Begin acquisition planning
- ✓ Perform valuation analysis

## **3.What do you mean Portfolio Management Services(Nov/Dec2013)**

Portfolio Management Services (PMS), service offered by the Portfolio Manager, is an investment portfolio in stocks, fixed income, debt, cash, structured products and other individual securities, managed by a professional money manager that can potentially be tailored to meet specific investment objectives.

## **4.Write a note on Credit Syndication(Nov/Dec2013)**

A syndicated loan is a loan offered by a group of lenders (called a syndicate) who work together to provide funds for a single borrower .

## **5.Explain the process of credit syndication?(Apr/May2011)**

Loan syndication is the process of involving several different lenders in providing various portions of a loan.

## **6.What is Credit Rating?(Apr/may2011)**

A credit rating is an evaluation of the credit risk of a prospective debtor, predicting their ability to pay back the debt, and an implicit forecast of the likelihood of the debtor defaulting.

## **7.Explain the different steps involved in process of credit rating?(Apr/may2008)**

- Business Profile
- Operating Segment and Industry Standing
- Business Risk
- Historical Performance Analysis

## **8.Types of credit rating? (Nov/Dec2010)**

- ✓ Bond/debenture rating
- ✓ Equity rating
- ✓ Preference share rating

- ✓ Commercial paper rating

### **9.What are Mutual funds?(Nov/Dec2010)**

A mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities. These investors may be retail or institutional in nature.

### **10.What are the merits and demerits of Mutual Funds (Apr/May2009)**

*Merits:* Diversification

- ✓ Professional Management
- ✓ Liquidity
- ✓ Tax Efficiency

*Demerits:*Costs and Dilution

### **11.Steps and process involved in business valuation(Apr/May2009)**

- ✓ Planning and preparation
- ✓ Adjusting the historical financial statements
- ✓ Choosing the business valuation methods
- ✓ Reaching the business value conclusion

### **12.Types of mergers(Nov/Dec2012)**

1. Horizontal merger
2. Vertical merger
3. Conglomerate merger
4. Congener merger
5. Reverse merger

### **13.Define acquisition(Apr/may2011)**

An acquisition is a corporate action in which a company buys most, if not all, of another firm's ownership stakes to assume control of it.

### **14.Define portfolio manager(Apr/may2012)**

A portfolio manager is a person or group of people responsible for investing a mutual, exchange-traded or closed-end fund's assets, implementing its investment strategy and managing day-to-day portfolio trading.

### **15.charges of credit syndication(Nov/Dec2008)**

- ✓ Managing fee
- ✓ Participation fee
- ✓ Committee fee
- ✓ Agency fee

### **16.What are financial factors?(Apr/May2010)**

- ✓ Financing policies
- ✓ Flexibility of financial structure
- ✓ Track record
- ✓ Quality of accounting policy

### **17.Define credit rating agency(Nov/Dec2012)**

A credit rating agency (CRA, also called a ratings service) is a company that assigns credit ratings, which rate a debtor's ability to pay back debt by making timely interest payments and the likelihood of default.

### **18.what do you mean by business evaluation?(Apr/May2015)**

Business valuation is a process and a set of procedures used to estimate the economic value of an owner's interest in a business.

### **19.what is conglomerate merger?(Nov/Dec2015)**

A conglomerate merger is a merger between firms that are involved in totally unrelated business activities. Pure conglomerate mergers involve firms with nothing in common, while mixed conglomerate mergers involve firms that are looking for product extensions or market extensions.

### **20.What are the factors in credit rating?(Nov/Dec2013)**

- Business factor
- Financial factor
- Growth factor

## **UNIT-5**

### **1.what do you mean by business evaluation?(Apr/May2015)**

Business valuation is a process and a set of procedures used to estimate the economic value of an owner's interest in a business

## **2.charges of credit syndication(Nov/Dec2008)**

- ✓ Managing fee
- ✓ Participation fee
- ✓ Committee fee
- ✓ Agency fee

## **3.Write a note on M&A (Apr/may2013)**

Mergers and acquisitions (M&A) is a general term that refers to the consolidation of companies or assets. M&A can include a number of different transactions, such as mergers, acquisitions, consolidations, tender offers, purchase of assets and management acquisitions

## **4.What is Prospectus?(NOV/DEC2014)**

A formal legal document, which is required by and filed with the Securities Exchange Board of India that provides details about an investment offering for sale to the public. A prospectus should contain the facts that an investor needs to make an informed investment decision. It can also be called as offer document.

## **5.What do you mean by book building?(Apr/may2016)**

Book building is a process by which corporate determine the demand and the price of a proposed issue of securities through public bidding. The objective is to determine the quantum of the issue on the basis of the price book-built.

## **6.What is private placement?(NOV/DEC2010)**

Private placement means sale of securities to a limited number of sophisticated investors like financial institutions, venture capital funds, mutual funds, banks and so on.

## **7.Who is an underwriter?(Apr/may2012)**

An underwriter is a securities dealer who helps government entities bring bond issues to market. The key role it plays is to buy the bonds from the issuer and then resell them to investors.

## **8.Define green shoe option.(Apr/may2014)**

Green shoe option means an option of allocating shares in excess of the shares included in the public issue and operating a post-listing price stabilizing mechanism for a period

not exceeding 30 days in accordance with the provisions of chapter VIIIA of DIP guidelines, which is granted to a company to be exercised through a Stabilizing Agent.

**9.What do you mean by consumer credit?(NOV/DEC2015)**

The term consumer credit refers to the activities involved in granting credit to consumers to enable them possess own goods meant for everyday use.

**10.Write a short note on real estate financing.(Apr/may2011)**

Real estate finance can be defined as a branch of finance, which deals with investing money in real estate. It deals with allocation, generation and use of monetary resources over time, which is invested in the real estate business.

**11.What is called as bills discounting? (NOV/DEC2013)**

Bills discounting is a type of lending. Under this, bank takes the bill drawn by borrower on his customer and pays him immediately by deducting some amount as discount/commission. The bank then presents the bill to the borrower's customer on the due date of the bill and collects the total amount.

**12.Define the term factoring.(Apr/may2010)**

"Factoring is the outright purchase of credit approved account receivables with the afctor assuming bad debt losses".C.S. Kalyanasundaram

**13.What is venture capital?(Apr/may2013)**

Venture capital is a long term equity investment in novel technology

**14.Explain the role of credit card in consumer credit by commercial banks.(NOV/DEC2011)**

A credit card is a plastic card bearing an account number assigned to a cardholder with a credit limit that can be used to purchase goods and services and to obtain cash disbursements on credit, for which a cardholder is subsequently billed by an issuer for repayment of the credit extended at once or on installment basis

**15.Forfeiting:(Apr/may2012)**

Forfeiting is a form of financing of receivables pertaining to international trade. It denotes the purchase of trade bills/promissory notes by a bank/financial institution without

recourse to the seller. The purchase is in the form of discounting the documents covering the entire risk of non-payment in collection. All risks and collection problems are fully responsibility of the purchaser(forfeiter) who pays cash to seller after discounting the bills/notes.

**16.Procedures of bills discounting:Examination of bill(Apr/may2016)**

- Crediting customer account
- Control over accounts
- Sending bills for collection
- Action by the branch

**17.Define HP agreement(Apr/may2013)**

Section 4 of the hire purchase act 1972 , every hire purchase agreement should consists the following contents

- The hire purchase price of the goods
- The cash price of the goods
- The date of commencement of agreement
- The number of instalments by which the hire purchase is to be paid , the amount of each of those instalments, the date upon which it is payable , the person to whom and the place where it is payable

**18.List out the types of interest calculated in HP transaction(NOV/DEC2013)**

- Effective rate of interest (or)annual percentage rate method
- Sum-of –years digits method
- Straight line method

**19.What is SCRA?(Apr/may2016)**

SCRA refers securities contract regulation act 1956 .This was enacted in order to prevent undesirable transactions in securities and to regulate the workings of a stock exchange in a country . This act came into force at 20<sup>th</sup> February 1957. The objectives of the SCRA is to prevent undesirable transactions in securities by regulating the business

**20.List out the conditions for financial lease(NOV/DEC2013)**

- It is non-cancellable by the lessee prior to the date of its expiry
- Its contract period covers essentially the expected useful life of the asset
- It provides the lessee an option of renewing the lease for further period at a nominal cost

**Unit-4**

**1. Give any two examples of fee based management of financial services?(NOV/DEC2011)**

- Capital Market Advisory
- Demand Drafts and Pay Orders

**2. Give examples of fund based financial services(APR/MAY2012)**

- Leasing
- Hire purchase
- Bill discounting
- Venture capital
- Factoring

**3. Who are the important parties involved in leasing(NOV/DEC2013)**

- Lesser
- Lessee
- Vendor

**4. What is cross border lease(APR/MAY2011)**

Cross-border leasing is a leasing arrangement where lesser and lessee are situated in different countries. This presents significant additional issues related to tax avoidance and tax shelters.

**5. What is hire purchase(NOV/DEC2008)**

A system by which a buyer pays for a thing in regular installments while enjoying the use of it.

**6. What is a contract of lease(APR/MAY2010)**

A lease is a contract outlining the terms under which one party agrees to rent property owned by another party. It guarantees the lessee, also known as the tenant, use of an asset and guarantees the lesser, the property owner or landlord, regular payments from the lessee for a specified number of months or years.

**7. What is down payment(NOV/DEC2014)**

A down payment is a type of payment made in cash during the onset of the purchase of an expensive good or service.

### **8.What is leasing(APR/MAY2013)**

A lease is a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset. Property, buildings and vehicles are common assets that are leased. Industrial or business equipment is also leased.

### **9.Distinguish between leasing and hire purchase(NOV/DEC2010)**

In a lease, ownership lies with the lessor. The lessee has the right to use the equipment and does not have the option to purchase. Whereas in hire purchase, the hirer has the option to purchase. The hirer becomes the owner of the asset/equipment immediately after the last installment is paid.

### **10.What is meant by leverage lease(APR/MAY2013)**

A leveraged lease is a lease agreement that is partially financed by the lessor through a third-party financial institution.

### **11.Who are the parties involved in hire purchase agreement(NOV/DEC2016)**

Presently, there are three parties involved in India consisting of seller, financier and the hirer / purchaser. Thus, a seller arranges a hire purchase agreement through a finance company with the customer. So, it is a tripartite agreement.

### **12.Name some fund based financial services(APR/MAY2013)**

- Leasing
- Credit card services
- Factoring
- Portfolio management

### **13.How is hire purchasing different from leasing(NOV/DEC2009)**

The installment paid in hire purchasing includes the principal amount and interest. In contrast to Leasing, in which the lessee has to pay the cost of using the asset only. In hire-purchasing, the ownership is transferred to the hirer only if he pays all the outstanding installments.

### **14.State the important clause in a hire purchase agreement(APR/MAY2015)**

- The goods the agreement refers to, for example, a car or computer.

- The cash price of the goods
- The hire purchase price, which is the total sum payable over the life of the loan in order to complete the purchase of the goods.

### **15. Define doctrine of caveat emptor (NOV/DEC2014)**

Caveat Emptor. Latin for "let the buyer beware." A doctrine that often places on buyers the burden to reasonably examine property before purchase and take responsibility for its condition. Especially applicable to items that are not covered under a strict warranty.

### **16. What are debit cards (APR/MAY2015)**

A debit card is a plastic payment card that can be used instead of cash when making purchases. It is similar to a credit card, but unlike a credit card, the money comes directly from the user's bank account when performing a transaction.

### **17. What is sale and leaseback (NOV/DEC2010)**

A "sale/leaseback" or "sale and leaseback" is a transaction in which the owner of a property sells an asset, typically real estate, and then leases it back from the buyer. In this way the transaction functions as a loan, with payments taking the form of rent.

### **18. What are the basics of hire purchasing (APR/MAY2016)**

Agreeing to purchase goods in installments over a period of time is the foundation of hire purchase. It is almost identical to an installment plan, except that in a hire purchase, the seller owns the goods until you make the final payment (like lease-to-own or rent-to-own).

### **19. What is the responsibility of a merchant banker (NOV/DEC2016)**

Merchant bankers play an important role in public issue process. While acting as a banker to an issue, a merchant banker has to disclose full details to the Securities Exchange Board of India (SEBI). Fundamentally, merchant banks are financial institutions.

### **20. What is hire purchase financing (APR/MAY2015)**

Hire purchase/leasing. Add This Sharing Buttons. Hire purchase (HP) or leasing is a type of asset finance that allows firms or individuals to possess and control an asset during an agreed term, while paying rent or installments covering depreciation of the asset, and interest to cover capital cost.

## **Unit-5**

### **1. Return to scale (APR/MAY2013)**

The term returns to scale refers to the changes in output as all factors change by the same proportion.

**Types of return to scale**

- Increasing returns to scale
- Constant returns to scale
- Decreasing return to scale

**2. Market equilibrium(NOV/DEC2014)**

Equilibrium is used to suggest a state of “balance” between supply forces and demand forces.

This situation in which, at the prevailing price, consumers can buy all of a goods they wish and producers can sell all of the goods they wish.

**3. Consumer surplus(APR/MAY2015)**

Alfred Marshall defined, “excess of the price which a consumer would be willing to pay rather than go without a thing over that which the consumer actually does pay, is the economic measure of this surplus satisfaction.

**Consumer surplus = What a consumer is ready to pay --- What he actually pay.**

**4. Law of demand(NOV/DEC2012)**

According to Marshall, “The amount demanded increases with a fall in price, and diminishes with a rise in price”. Thus, it express an inverse relation between price and demand.

**5. Diseconomies of scale(NOV/DEC2016)**

In microeconomics, **diseconomies of scale** are the cost disadvantages that firms and governments accrue due to increase in firm size or output, resulting in production of goods and services at increased per-unit costs. This typically follows the law of diminishing returns , where further increase in size of output will result in even greater increase in average cost. The concept is the opposite of economies of scale.

**6. Economies of scale(APR/MAY2016)**

**According to Porter**, Economies of scale is the “declines in the unit’s cost of production”.

It is long-run concept and refers to reductions in unit cost as the size of a facility and the usage levels of other inputs increase.

**7. Consumer equilibrium(NOV/DEC2015)**

The point at which a consumer reaches optimum utility, or satisfaction, from the goods and services purchased given the constraints of income and prices. This is based on the assumption that consumers attempt to get maximum utility from their purchases and that competition exists for the item in question.

**8. Consumer behavior(APR/MAY2015)**

Consumer behaviour is the study of when, why, how, and where people do or do not buy product.

**9. Elasticity of demand(NOV/DEC2010)**

The term 'elasticity of demand' is used to denote a measure of the rate at which demand changes in response to the change in prices.

$$\text{Elasticity of demand (ED)} = \frac{\% \text{Change in quantity demanded}}{\% \text{Change in prices}}$$

**10. Price elasticity of demand(NOV/DEC2010)**

According to Prof.Lipsey, “ *Elasticity of demand may be defined as the ratio of the percentage change in demand to the percentage change in price.* ”

$$\text{Price Elasticity (Ep)} = \frac{\% \text{Change in quantity demanded}}{\% \text{Change in prices}}$$

**11. Competitive equilibrium(APR/MAY2011)**

Competitive equilibriums is an equilibrium condition where the interaction of profit-maximizing producers and utility-maximizing consumers in competitive markets with freely determined prices will give rise to an equilibrium price. At this equilibrium price, the quantity supplied is equal to the quantity demanded.

**12. Factors of production(NOV/DEC2014)**

Land

Labour

Capital

Entrepreneur

**13. Supply function(NOV/DEC2014)**

The supply function is the mathematical expression of the relationship between supply and those factors that affect the willingness and ability of a supplier to offer goods for sale.

**14. Factors influences demand(APR/MAY2009)**

- Price of the commodity
- Income of the consumer
- Taste and preferences
- Prices of related goods

**15. Income elasticity of demand** measures the responsiveness of the quantity demanded for a good or service to a change in the income of the people demanding the good,

**16. Distinguish between utility and marginal utility.(NOV/DEC2013)**

The utility of commodity is its power to satisfy a want or desire. The term utility literally means usefulness.

**17. Law of supply(APR/MAY2011)**

According to this law other things being equal, the supply of commodity increases with an increase in its price and decreases with a fall in price.

The relation between price and supply is direct and positive.

**18.Economic growth(APR/MAY2015)**

Economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP, usually in per capita terms

**19. Mention any four factors which affect economic growth of a country. (NOV/DEC 2013)**

- Role of government
- FDI-Foreign Direct Investment
- Education

Population growth

**20. Externalities (APR/MAY 2015)**

Externalities are a concept that is used to analyze possible market failure.