R18

Time: 3 Hours   **Max. Marks: 75**

Answer any five questions
All questions carry equal marks
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1.a) Examine the structure of business firm and brief on the types of business entities.
  b) What is preference share? What are its advantages as a source of long-term finance for the company?   [9+6]

2.a) Explain how National Income is different from Gross Domestic Product (GDP).
  b) What is business cycle? What are its phases?   [8+7]

3.a) An Open University for its popular degree programme faces the following demand function:
  $P = 12000 - 0.04Q$ where P is the price, which, in the context is tuition fee.
  Q is the number of students seeking admission. The current price is Rs.10,000. The university is considering a 1 percent hike in the tuition fee. Is it a wise decision? Show your working and substantiate your answer.
  b) Briefly explain the following two methods of demand forecasting.
  i) Expert opinion
  ii) Opinion polls.   [10+5]

4.a) Illustrate the law of demand and brief on the methods of demand forecasting.
  b) Brief on law of supply and supply function.   [8+7]

5.a) What are the laws of returns to scale? Briefly explain.
  b) What is a production function? What is its role in the analysis of a firm's production activities?   [7+8]

6.a) A small tool manufacturer produces a product, whose selling price is Rs.250. The firm's fixed cost is Rs. 10,00,000. The variable cost per unit is Rs.150. What is the firm's break-even quantity? What is the sales volume at break-even? What happens if due to intense competition, the company must improve its product by incurring additional fixed cost of Rs.1,50,000 and the price has to be reduced by Rs.25. (The variable cost per unit does not change in the new situation).
  b) What is monopoly market? What are its essential features?   [7+8]

7. Prepare a Trial Balance as on 31.3.20 from the following data. [15]

Particulars	Rs.	Particulars	Rs.
Purchases	1,65,625	Trade expenses	2,314
Sales	2,56,650	Rent, rates and taxes	3,517
Sales returns	4,250	Bad debts	525
Purchases returns	3,120	Interest on investments	800
Stock 1-4-19	26,725	Loan to A	3,000
Sundry debtors	40,200	Investments	11,500
Wages	20,137	Capital	28,000
Salaries	8,575	Outstanding wages	2,017
Furniture	6,575	Outstanding rent	750
Bad debts reserve	5,200	Prepaid insurance	524
Sundry creditors	25,526	Cash in hand and bank	5,725
Parents	4,500	Bills receivable	17,070
Postage	3,226	Drawings	6,000
Bills payable	8,950	Depreciation on furniture	675
Lighting	350	---	--

8.a) The following information is taken from a firm:

Particulars	Rs.
Sales	33,984
Sales returns and allowances	380
Stock at the beginning	1,378
Stock at the end	1,814
Gross profit for the year	8,068

Calculate: i) rate of stock turnover and ii) percentage of gross profit to turnover.

b) Explain the Current ratio and Quick ratio. How do the two ratios differ? [8+7]

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