

MARKING SCHEME
ENTREPRENEURSHIP (066)

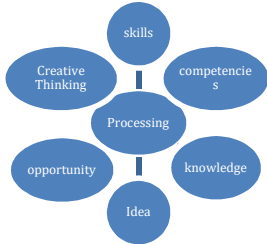
PAPER CODE - 98

2019

S.no	Questions and Answers		Marks
1.	What is meant by a ‘business opportunity’?		1
Ans.	It is an economic idea which can be implemented to create a business enterprise and earn profit.		
OR	What is meant by ‘idea fields’?		1
Ans.	Idea Fields can be described as 'Convenient frames of reference for streamlining the process of generation of ideas’.		1
2.	Differentiate between a ‘logo’ and a ‘tagline’.		1
Ans.	Logo	Tagline	½+ ½ =1
	It can be any distinctive design, mark, sign which stands associated with the entrepreneur's offering.	These are basically simple but powerful messages that help to communicate an enterprise's goals, mission, distinct qualities.	
	It can be vocalized	It cannot be vocalized	
	It is an identifying symbol for a product or business.	It is a small amount of text which serves to clarify a thought	
	(Any Two points)		
3.	‘ First School Ltd’. is an acclaimed infrastructure development company. It designs the buildings for educational institutions in a unique way to give the maximum benefits of nature to the different stakeholders in the institution. Generally, the buildings have been designed by them in such a way that during the day maximum sunlight is utilized and solar panels conserve solar energy for the rest of the day. This helps to conserve electricity and reduce the electricity bill. Identify the type of value added by ‘First School Ltd.’.		1
Ans.	Environmental added Value		1
4.	Name any two key aspects of financial decision-making.		1
Ans.	I. Investment II. Financing III. Dividends (any two)		½ x 2 = 1
OR	Give the two forms of budgeting process.		1

Ans.	Two forms of budgeting process are: (a) Traditional budgeting (b) Zero – based Budgeting	$\frac{1}{2} \times 2 = 1$
5.	Name the specialized financial institution that was incorporated by a special Act of Parliament to provide medium and long term credit to eligible industrial enterprises in the corporate sector, particularly to those industries to which banking facilities are not available. Also state any one of its objectives, other than the one mentioned above.	1
Ans.	Industrial Finance Corporation of India. Objectives : (any one) a) The period of credit can be as long as 25 years and should not exceed that period. b) To grant credit to a single concern up to a maximum amount of rupees one crore. This limit can be exceeded with the permission of the government under certain circumstances. c) Guarantee loans and deferred payments. d) Underwrite and directly subscribe to shares and debentures issued by companies. e) Assist in setting up new projects as well as modernization of existing industrial concerns in medium and large scale sector, and f) Assist project under co-operatives and in backward areas.	$\frac{1}{2} + \frac{1}{2} = 1$
6.	Apart from verbal information from the customers, wholesalers, retailers, distributors and consultants, state any other four sources of collecting information for scanning the environment.	2
Ans.	a) Records of companies b) Government publications c) Publications by various financial institutions d) Formal studies conducted by strategic planners (In case the examinee has mentioned any other correct source , he/she should be awarded full marks)	$\frac{1}{2} \times 4 = 2$
OR	State the two basic qualities of a successful entrepreneur.	2
Ans.	a) Identification of business opportunity in the environment b) Initiating steps to produce and sell goods and services to make the best use of that opportunity. (In case the examinee has mentioned any other suitable quality , he/she should be awarded full marks)	1+1 = 2

7.	Yash was not too keen to take up his family run business of making bamboo baskets. But due to the bad condition of the family business he had no option except to take up this business. He started thinking about the new ways of using bamboo. One day while having lunch in a restaurant he overheard the owner talking about the difficulty in disposing the plastic and thermacol crockery that was being used in the restaurant. This provided him the stimulus for a new venture creation. Yash started looking into various options of making bamboo plates which could be used in the restaurants. He discussed the idea with his father who advised Yash that ideas should lead to commercially viable forms in order to survive and grow. Identify and explain the concept discussed in the above situation.	2
Ans.	Creativity It is the first stage in the process of innovation, providing the stimulus for opportunity discovery and new venture creation.	1+1=2
8.	Why is it important for an entrepreneur to do break – even analysis?	2
Ans.	The calculation of BEP is quite useful for the entrepreneur as it helps in assessing: (any two) 1) The minimum level of output to be produced. 2) The effect of change in quantity of output upon the profits. 3) The selling price of the product. 4) The profitable options in line of production. 5) It helps in determining how many units must be sold or how much sales volume must be achieved in order to break–even. 6) It helps to indicate the volume of sales needed to cover total variable and fixed expenses by the new enterprise.	1+1=2
OR	Why is a company called an ‘artificial person’?	2
Ans.	A company is created by law. Though, it has no body and no conscience, it still exists as a person, having a distinct personality of its own. Because like a human being it can buy, sell and own property, sue others, be sued by others, therefore its called as an artificial person.	1+1=2
9.	Kamal Ltd. are manufactures of textiles, having their plant in Surat, a city of Gujarat. Vastra Ltd. are the manufactures of readymade garments and sell their products throughout the country. They also export their products to America and European countries. Vastra Ltd. source their textiles from Kamal Ltd. The management of the two companies decided to merge to have economies of large scale production. (a) Identify the type of merger entered into by Kamal Ltd. and Vastra Ltd. (b) Also, explain a type of merger other than the one identified in (a) above.	2

Ans.	a) Vertical Merger b) (any one) Conglomerate: A merger between firms that are involved in totally unrelated business activities. Horizontal merger: A merger occurring between companies in the same industry. Market extension mergers: A market extension merger takes place between two companies that deal in the same products but in separate markets. Product extension mergers: A product extension merger takes place between two business organizations that deal in products that are related to each other and operate in the same market.	1 + 1 = 2
10	Abhiraj Ltd. an Indian company, started functioning in 1999 and was registered under the companies Act, 1956. The Securities and Exchange Board of India performed one of its functions and conducted investigations against Abhiraj Ltd. The investigations resulted into the fact that the company did not follow the proper procedure. Therefore the Securities and Exchange Board of India imposed penalty upon the company. (a) Identify the function being performed by the Securities and Exchange Board of India (SEBI). (b) Can Abhiraj Ltd. appeal against SEBI's decision? If yes, where?	2
Ans.	a) Quasi Judicial and Quasi Executive b) Yes, Abhiraj Ltd. can appeal against SEBI's decision to Securities Appellate Tribunal	$\frac{1}{2} + \frac{1}{2} = 1 + \frac{1}{2}$ $+ \frac{1}{2} = 1$
11.	Explain the process of transformation of an idea into a viable opportunity with the help of a diagram.	3
Ans	While the initial spotting of ideas (i.e., basic idea) is of a random nature, the development of ideas after scanning the environment (i.e., post scanning) idea is a more purposeful activity. All basic ideas have to undergo a vigorous process of examination, evaluation, analysis and synthesis to identify viable opportunities. This process of a basic idea becoming an opportunity is shown in the diagram below: 	1+2=3 1 mark for diagram + 2 marks for explanation
OR	Explain the first three steps in the process of idea and opportunity assessment.	3
Ans	a) <u>Product identification</u>: See whether the product is already available in the market or not. If so, then identify the reason for introducing the	1+1+1=3

	same product or service in the market. b) <u>Application and use</u>: Ideas should be examined for their real life use and application. If already existing in the market, find out its present use, and modify it for better use. c) <u>Level of operation</u>: Depending on the use of the product/service the entrepreneur will produce it in a cottage industry or a small-scale industry or a large-scale industry. (In case the examinee gives correct explanation without the heading, full marks should be awarded)	
12	What is meant by 'Analysis of Environment'? State any four sources of collection of information for environmental scanning.	3
Ans.	Environment analysis is the process of monitoring the economic and non-economic environment, to determine the opportunities and threats to an organisation. Several sources of information include: (Any four) a) Verbal information from customers, wholesalers, retailers, distributors, consultants, etc. b) Records of companies c) Government publications d) Publications by various financial institutions e) Formal studies conducted by strategic planners.	1+2=3
13	Prerna is a sole proprietor. Over the past decade, her business has grown from operating a neighbourhood corner shop, selling accessories such as artificial jewellery, bags, hair clips and nail art to a retail chain with three branches in the city. Although she looks after the varied functions in all the branches, for better management of the business she is thinking to convert her sole proprietorship into some other form of business. She also has plans to open branches countrywide. However, she is afraid of the fact that in case the business incurs losses, her personal property may be called upon to pay the business debts. She is also feeling that she may not be able to effectively manage a large business because of her deteriorating health. (a) Identify and explain the features of sole proprietor business highlighted in the above case. (b) Also suggest to her the form of business organization which will help her in continuing her business, stating reason in support of your answer.	3

Ans.	(a) 1. Unlimited liability: The proprietor is liable/responsible for all losses arising from business. 2. Individual management and control: All affairs are managed and controlled by the sole proprietor. 3. Individual ownership: This business is exclusively owned by a single person (b) Joint stock company Benefits (any two) 1. Limited liability- The liability of the shareholders of a company is normally limited to the amount of shares held or guarantee given by them. 2. Diffusion of ownership and management- Entrepreneur should clearly understand there exists separation of ownership from management. 3. Number of members Private company: Minimum required members : 2 Maximum members : 50 (excluding employees) Public company: Minimum requirement : 7 Maximum number : No limit	$1\frac{1}{2}+1\frac{1}{2}=3$
14	What is meant by 'goal setting' ? S.M.A.R.T goals help the businesses to go beyond the realm of goal setting into an actionable plan for results. What do A and S stand for? Describe the two.	3
Ans.	"Establishing short or long term objectives, usually incorporating deadlines and quantifiable measures." Attainable: Small businesses can set goals beyond reach. No one has ever built a multi-crore business overnight. Specific : Goals based on time period can be set.	$1+2=3$
OR	What is meant by 'skimming pricing method' ? State any two advantages and any two disadvantages of skimming pricing method.	
Ans.	In case of Skimming price , goods are sold at higher prices so that fewer sales are needed to break even. Advantage : 1. Price skimming helps the company in recovering the research and development costs which are associated with the development of a new product. 2. If the company caters to consumers who are quality conscious rather than price conscious, then this type of strategy can work in a great way for a company. Disadvantages of skimming price (any Two) 1. This strategy can backfire if there are close competitors. 2. Price skimming is not a viable option when there are strict legal and government regulations regarding consumer rights. 3. If the company has history of price skimming then consumers will never buy a product when it is newly launched, they would rather wait for a few months and buy the product at lower price.	$1+1+1=3$

15	Beta Ltd. is a steel manufacturing company having its headquarters at Mumbai. It is the tenth largest steel manufacturing company of the world. Gama Ltd. are also steel manufacturers with their headquarters in Rangoon, the capital of Myanmar. For a long period the company (Gama Ltd) had been facing workers unrest and it decided to sell its business to an international bidder. The highest bid for this was made by Beta Ltd. for Rs. 10 lakh crores. Afterwards Beta Ltd. realized that the assets of Gama Ltd. were overvalued and liabilities were under – assessed and hence the price paid by them was higher. The employees of the two entities have different corporate cultures and styles of leadership which led to the problem of co-ordination. Ultimately Beta Ltd. had to close its business. (a) Identify the growth strategy adopted by Beta Ltd. (b) Quoting lines from the above paragraph, explain any two reasons for the failure of Beta Ltd. after it took over the business of Gama Ltd.	3
Ans	a) Acquisition b) Reasons for failure of Beta Ltd : I. Unrealistic Price paid : The process of M&A involves valuation of the target company and paying a price for taking over the assets of the company. <i>Lines : “The assets of Gama Ltd. higher.”</i> II. Difficulty in the cultural integration: Every merger involves combining of two or more different entities. These entities reflect different corporate cultures, styles of leadership, differing employee expectations and functional differences. <i>Lines: The employees co-ordination</i>	1 for identifying + ½ for quoting + ½ for reasoning 1+1+1=3
16	Aditya Bearings Ltd. are the manufactures and suppliers of ball bearings to fan manufacturing companies. The company requires 900 kg of wrought iron for its production process. The cost of placing each order is Rs. 50 and carrying cost is Rs. 100. Calculate Economic Order Quantity.	3
Ans	Economic Ordering Quantity = $EOQ = \frac{\sqrt{2 \times P \times D}}{C}$ Annual demand(D)= 900 kgs Order cost(P) = Rs. 50 Annual carrying cost of 1 unit(C) = Rs. 100 $EOQ = \frac{\sqrt{2 \times 900 \times 50}}{100}$ = 30 kgs	1+1½+ ½ =3

17	State any three functions of stock exchange.	3
Ans	Functions of Stock exchange are: (any three) 1. Continuous and ready market for securities: It provides ready and continuous outlet for buying and selling of securities. 2. Facilitates evaluation of securities: It publishes price quotation of the shares of the companies that have been listed with them after thorough analysis of demand and supply position. 3. Checks on brokers: Stock exchanges control the activities of brokers and protect the investors from being deceived. 4. Provides safety and security: Activities of the stock exchange are controlled by the provisions of the Securities Control (Regulation) Act. Fraudulent practices stand checked effectively ensuring safety, security and justice in dealings. 5. Regulates company management: Listed companies have to comply with rules and regulations of concerned stock exchange. 6. Intensifying capital formation: Stock exchange accelerates the process of capital formation through creating the habit of saving, investing and risk taking among the investing class by converting their savings into profitable, safe investments. 7. Facilitates raising of new capital: Because of stock exchange the need for more capital by the existing companies is easily met out. 8. Facilitates public borrowing: It enables government to raise public debt easily and quickly. 9. Facilitates healthy speculation: Excessive speculation is undesirable as it is dangerous to investors & the growth of corporate sector. 10. Serves as economic barometer: Stock exchange indicates the state of health of companies and the national economy. 11. Facilitates bank lending: Banks offer loans to customers against corporate securities.	1 x 3 = 3
OR	State any three points of importance of stock exchange from the viewpoint of investors.	3
Ans	From the viewpoint of investors: (any three) (a) Dissemination of useful information: Stock exchange publishes useful information regarding price lists, quotations, etc., of securities through newspapers and journals. (b) Ready market: Persons desirous of converting their shares into cash may easily do so through a member of stock exchange. (c) Investors' interests protected: Stock exchanges formulate rules and regulations so that members may not exploit the investors. (d) Genuine guidance about the securities listed: The investors can safely depend upon the information provided by the stock exchanges.	1 x 3 = 3

	(e) Barriers of distance removed: Stock exchange removes the barriers of distance with regard to securities listed there. (f) Knowledge of profit or loss on investments: By comparing the original amount invested and the price of securities on a particular day.	
18.	Dhanwantri Ayurveda Ltd. (DAL) are the manufactures of soaps, detergents, dental care products, cosmetics, grocery products and even medicines based on Ayurveda. It has grown since its inception. The reasons for the growth and popularity of DAL can be attributed to the fact that it started its operations at a time when the Government in the country is moving towards making the country self-reliant. DAL is following government initiatives like 'Make in India' campaign. Government is promoting Ayurveda through the "Ayush Ministry" that promotes Yoga, Ayurveda and other traditional and complementary medicines. This gives DAL a huge boost as it itself claims to be an Ayurvedic company. DAL's input cost increases or decreases based on the taxation policies of the government. Implementation of Goods and Service Tax (GST) has benefited DAL as the genre of DAL is not taxable. With inflation rate increasing continuously, people are looking for cheaper and effective substitutes which are provided by the extensive range of products provided by DAL. The people of India are becoming more health conscious and want to consume organic products. The company focuses only on retailing in India through its own retail chain stores and also through online mode through its E-commerce website AyurPro. The detergent products of the company are non-polluting. The packing material used for the products is also bio degradable. DAL has a separate department to prosecute and get penalized those who misrepresent its brand and its name. Quoting lines from the paragraph, analyse the success of Dhanwantri Ayurveda Ltd. (DAL) on the basis of any four points of the PESTEL Model.	4
Ans	On the basis of PESTEL model (Any four) <u>Political</u>- DAL's input cost increases or decreases based on the taxation policies of the government. Implementation of Goods and Service Tax (GST) has benefited DAL as the genre of DAL is not taxable <u>Economic</u> - With inflation rate increasing continuously, people are looking for cheaper and effective substitutes which are provided by the extensive range of products provided by DAL. <u>Social</u> - The people of India are becoming more health conscious and want to consume organic products. <u>Technological</u>- Through online mode through its E-commerce website AyurPro. <u>Ecological</u> - detergent products of the company are non-polluting. The packing material used for the products is also bio degradable. <u>Legal</u> - DAL has a separate department to prosecute and get penalized those who misrepresent its brand and its name.	1 x 4 = 4
19.	"In spite of certain restrictions imposed on a private company, it enjoys certain privileges under the Companies Act and a substantial number of entrepreneurs prefer to form a private company." Comment.	4

Ans	In spite of certain restrictions imposed on a private company, it enjoys certain privileges under the Companies Act. A substantial number of entrepreneurs prefer to form a private company because of the following important privileges: (Any four) 1) Only two members are required to form a private company. 2) Only two directors are required to constitute the quorum to validate the proceedings of the meetings. 3) Such company can file a statement in lieu of prospectus with the Registrar of Companies. 4) It can commence its business immediately after incorporation. 5) Holding of a statutory meeting or filing of a statutory report is required by a private company. 6) A non-member cannot inspect the copies of the profit and loss A/c filed with the Registrar. 7) Limit on payment of maximum managerial remuneration does not apply to a private company. 8) Restrictions on appointment and reappointment of managing director do not apply. 9) Maintaining of index of members is not required by a private company. 10) Directors of the private company need not have qualification shares.	1x4 = 4
20.	Explain any four advantages of franchising to a franchisee?	4
Ans	Advantages to the franchisee (Any four) 1. Product acceptance 2. Management expertise 3. Capital requirements 4. Knowledge of the market 5. Operating and structural controls (½ mark for heading and ½ mark for suitable explanation for each point)	1 x 4 = 4
OR	Explain the different types of franchising.	4
Ans.	Types of franchising: 1. Product franchise business opportunity. 2. Manufacturing franchise opportunity. 3. Business franchise opportunity ventures. 4. Business format franchise opportunity. (½ mark for heading and ½ mark for suitable explanation with suitable example)	1 x 4 = 4
21.	Explain the following as methods of new issues : (a) Public issue; and (b) Rights issue	4
Ans	a) Public issue / going public: This involves raising of funds directly from the public through the issue of prospectus. When an entrepreneur offers shares to the public for subscription he/she is required to comply with all the restrictions	

	and formalities pertaining to the initial issues, prospectus drafting and launch. b) Rights issue: Rights issue is a method of raising additional finance from existing shareholders by offering securities to them on pro-rata basis i.e. giving them a right to a certain number of shares in proportion to the shares they are holding. This method of issuing securities is considered to be inexpensive as it does not require any brokers, agents, underwriters, prospectus or enlistment, etc.	
OR	What is meant by Capital Market? Why is it considered as the most important source of raising finance?	4
Ans	Capital Market may be defined as an organised mechanism meant for effective and smooth transfer of money capital from investors to the entrepreneurs. Importance: 1. Mobilise the financial resources on a nation-wide scale. 2. Secure the required foreign capital and knowhow to promote economic growth. 3. Ensure effective allocation of mobilized financial resources.	1 + 3 = 4
22.	Abhimanyu Industries Ltd. had a team of professionals and experts to draft a comprehensive yearly document with all the relevant details of internal and external elements in managing the venture. This document acts as a decision – making tool for the management. The Chief Executive Officer of the company always pays special focus on one element of this document that ensures the orderly flow of materials from raw state to finished product with a proper system of quality control, as according to him ‘work your plan’ is more important than ‘plan your work’. (a) Identify the ‘comprehensive yearly document’ being prepared by Abhimanyu Industries. (b) How is this plan a ‘decision-making tool’ for the management? (c) Identify the element that is the priority of the CEO of the company. (d) Why is the element as identified in (c) important?	6
Ans	a) Business plan b) Business plans are decision-making tools: (any four) 1) Describing all necessary inputs for the enterprise. 2) Explaining the mode of utilization of the resources. 3) Detailing the strategies for the execution of the project 4) Outlining the desired goals 5) Assessing market sensitivity and the profitability of the venture. c) Operational plan d) Importance : (any four) i) Ensuing orderly flow of materials in the manufacturing process from the beginning (raw state) to the end (the finished products)	1 $\frac{1}{2} \times 4 = 2$ 1 $\frac{1}{2} \times 4 = 2$

	ii) Facilitating continuous production, lesser work-in-progress, minimization of wastage. iii) Co-ordinating the work of engineering, purchasing, production, selling and inventory management. iv) Describing the flow of goods / services from production point to the consumers. v) Introducing a proper system of quality control vi) Undertaking the best and most economic production policies and methods.	
23.	Aryan started a Super Specialty Store, 'Sampada'. It's products are sourced from hand-picked suppliers. These products are sold under Sampada's own brand. Its promotion strategy is very specific and focuses on targeted groups of customers. The purpose of this promotion strategy is to develop the brand 'Sampada' by creating awareness among the customers. To do this, Sampada's Facebook and Twitter pages encourage two-way communication with customers. These social media channels provide a platform through which Sampada can interact with customers. It can then assess their opinions about the brand. a) Identify the promotion strategy adopted by Sampada. b) List the activities that are included in the strategy identified in (a) above for creating brand awareness. c) Also, explain the promotion strategies other than the one identified in (a) above.	6
Ans.	A) Below-the-line B) Activities (any four) 1. sponsorship 2. sales promotions 3. public relations 4. personal selling 5. direct marketing C) Above-the-line, through-the-line (suitable explanation desired)	1 + (½x4) + (1½x2) (1+2+3=6)
OR	'Handiwala' is a biryani delivery chain having franchisee outlets all over the country. They started their operations in the country in the year 2012. Since Biryani is not a new item for Indian Kitchens, they knew that they had to face a lot of challenge from the competitors. Therefore, they decided to maintain highest quality standard to add new customers and retain the old. Their idea was to collect, manage and link customer information with the goal of marketing the products effectively. For this purpose they started offering lot of discounts when customers ordered online. They offered free home delivery in case the order exceeded Rs 500. They also offered to supply free-of-cost, the	6

	ordered items of biryani in case of a complaint. The company also spent a substantial amount in maintaining the database of all the customers. They were sure that through these initiatives they will be able to gain more market share. (a) Identify and explain this concept. (b) How is this concept used in the present day? (c) What is the impact of technology on this concept? (d) Enlist two benefits of this concept.																						
Ans.	a) Customer relationship management- It is the process of carefully managing detailed information about individual customers in order to manage loyalty. b) CRM solutions enable companies to provide excellent real-time customer service through the effective use of individual account information. c) With each new advancement in technology customer relationship is being managed electronically. Good CRM system will collect, manage and link information about the customer with the goal of letting market and sell services effectively. d) 1) Storing all the data from all departments in a central location gives management and employees immediate access to the most recent data when they need it. 2) Departments can collaborate with ease 3) View of all customer information, knowledge of what customers and the general market wants.	2+1+1+2 = 6																					
24.	Parvesh has started a restaurant in a small town by the name of 'Spices of India' by spending Rs. 50,00,000. He invested Rs. 10,00,000 of his own and took a loan of 40,00,000 from State Bank of India @ 6% per annum. His monthly sales revenue is Rs. 20,00,000 and monthly cost of goods sold is Rs 10,00,000. He pays a monthly salary of Rs 200,000 to his employees. The GST rate is 18% Calculate (a) Return on Investment, and (b) Return on Equity.	6																					
Ans.	<table> <tr> <td>Equity</td> <td>10,00,000</td> <td></td> </tr> <tr> <td>Debts</td> <td><u>40,00,000</u></td> <td></td> </tr> <tr> <td>Capital employed</td> <td>50,00,000</td> <td></td> </tr> <tr> <td colspan="3"> </td> </tr> <tr> <td>Sales revenue (20,00,000*12)</td> <td></td> <td>2,40,00,000</td> </tr> <tr> <td>Less Cost of goods sold (10,00,000*12)</td> <td></td> <td>1,20,00,000</td> </tr> <tr> <td></td> <td></td> <td>-----</td> </tr> </table>	Equity	10,00,000		Debts	<u>40,00,000</u>		Capital employed	50,00,000					Sales revenue (20,00,000*12)		2,40,00,000	Less Cost of goods sold (10,00,000*12)		1,20,00,000			-----	2+2+2 = 6
Equity	10,00,000																						
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	Gross profit1,20,00,000 Less fixed expenses (2,00,000*12)24,00,000 Interest on loan (40,00,000 *6/100)2,40,00026,40,000 Net profit before tax93,60,000 Less tax@18% (93,60,000*18/100)16,84,800 Net profit after tax/ net income76,75,200 ROI = Net profit after tax/ capital employed *100 = 76,75,200/50,00,000 * 100 = 153.50% ROE = Net Income / Owner’s fund (equity) *100 = 76,75,200/ 10,00,000 *100 =767.52% Note: In case an examinee calculated ratios taking into consideration GST, full credit may be given.																													
OR	A hotel had varying number of guests during five weeks. The information regarding the number of guests and the average weekly billing is presented in the following table: <table><tr><td>Week</td><td>No. of Guests</td><td>Average Billed Amount Rs.</td></tr><tr><td>1</td><td>240</td><td>300</td></tr><tr><td>2</td><td>120</td><td>410</td></tr><tr><td>3</td><td>140</td><td>292</td></tr><tr><td>4</td><td>160</td><td>442</td></tr><tr><td>5</td><td>180</td><td>480</td></tr></table> (a) What is the ‘Unit of Sale’ and “Unit Price’ in this case? If the cost of goods sold or variable cost is 60% of the sales price, calculate the ‘unit cost’ and the gross profit’.	Week	No. of Guests	Average Billed Amount Rs.	1	240	300	2	120	410	3	140	292	4	160	442	5	180	480	6										
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Week	No. of Guests	Average Billed Amount Rs.	Total Billed Amount Rs.																											
1	240	300	72,000																											
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4	160	442	70,720																											
5	180	480	86,400																											
Total	840		3,19,200																											

	a) Unit of sale = No. of customers = 840 Unit price = total billed amount/no. of customers = 3,19,200/840 = ₹ 380 b) Unit cost = 60% of Unit price = 380x60/100 = ₹ 228 Gross margin = Unit Price - Unit Cost = 380 – 228 = ₹ 152	
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