Instructions to candidates

(1) This paper consists of two (02) Sections A & B.
(2) Five (05) questions should be answered as follows:
   - Question No.01 of Section A
   - Any four (04) questions from Section B
(3) Answers should be in one language, in the medium applied for, in the booklets provided.
(4) 100 Marks.

SECTION - A
Multiple Choice Questions
All questions of this Section should be answered.
40 marks

01. Select from (1), (2), (3) and (4) the most correct answer to each of the following questions. Write the number of the selected answer in your answer booklet with the English letter assigned to the question.

(A) Commerce includes activities relating to trade and:
   (1) Production. (2) Subsidies to trade.
   (3) All auxiliary services to trade. (4) None of these.

(B) Which one of the following is incorrect in relation to the services provided by Sri Lanka Export Credit Insurance Corporation?
   (1) Issuing insurance policies that will minimize the financial and non financial risks faced by the exporters.
   (2) Providing necessary credit guarantees and security.
   (3) Providing market information available to individuals who require it.
   (4) Providing training needs to meet international competition.

(C) A partner, who has retired from a partnership business, but leaves behind his capital in the partnership, and continues to enjoy profits is known as a:
   (1) Limited partner (2) Quasi partner.
   (3) Sleeping partner. (4) Silent partner.
(D) Out of the following, a common feature for both partnerships and sole proprietorships is:

(1) Owners are personally responsible for business debts.
(2) Distribution of risk.
(3) Registration is compulsory.
(4) Considered as a separate legal entity.

(E) Select the correct statement regarding using the name of a company under the Companies Act, No.7 of 2007:

(1) All companies should include the word “Ltd” at the end of the name of the company.
(2) All quoted companies should include the word “Ltd” at the end of the name of the company.
(3) If it is a private company, the word “Private” should include before the word “company”.
(4) If it is a public company the word “corporation” should be used before the name of the company.

(F) From the following the incorrect statement in relation to a cheque is:

(1) A bearer cheque can be transferred to any other party without an endorsement.
(2) A person who takes an open cheque to the bank can encash it over the counter.
(3) A cheque endorsement means the drawer signing on the overleaf of a cheque.
(4) A cheque without any crossing on its face is known as an open cheque.

(G) A company listed in Colombo Stock Exchange has not submitted its Annual Report on time. As a result of that the Colombo Stock Exchange transfers that company to the:

(1) Main Board. (2) Second Board.
(3) Default Board. (4) None of these.

(H) Which one of the following is not a feature of a Treasury bill?

(1) Risk free, gilt edged financial instrument.
(2) A negotiable instrument.
(3) Maturity period is 30 days.
(4) Issued in scriptless form.
(I) The investment promotion agency of Sri Lanka is:

(1) Ceylon Chamber of Commerce.  (2) Board of Investment.

(J) Selling goods in foreign countries at a price below the cost of production is known as:

(1) Export promotion.  (2) Dumping.
(3) Sale at a discount.  (4) Bargaining imports.

(K) The principle of indemnity in insurance means:

(1) The insurance company will not pay out claims more than what the insured has paid in premium.
(2) The insured will get part of his money back if he makes no claims.
(3) The insured is to be compensated only for actual loss suffered.
(4) The insured receives new goods in lieu.

(L) Which one of the following is not a right of an insurance agent?

(1) To claim commission as per agency agreement.
(2) To carry out any transaction as an employee.
(3) To be reimbursed any sums spent on behalf of the principal.
(4) To claim a lien.

(M) Which one of the following is correct in relation to brokers in the share market?

(1) No legal regulations.
(2) Regulated by the Central Bank of Sri Lanka.
(3) Regulated by the Securities and Exchange Commission.
(4) Regulated by the Insurance Board.

(N) Direct buying and selling of shares (dealing with shares) at Colombo Stock Exchange means:

(1) Purchase / sell shares from the company.
(2) Purchase / sell shares through internet using the password obtained from a broker.
(3) Purchase / sell shares through a broker.
(4) Purchase / sell shares through internet directly.
(O) Which one of the following is incorrect in relation to capital market?

(1) Capital market facilitates and promotes the process of economic growth in the country.
(2) An efficient capital market can be seen in less-developed countries.
(3) Capital market facilitates lending to the businessman and the government and thus encourages investment.
(4) Capital market tends to stabilise the values of stocks and securities and reduce the fluctuations in the prices to the minimum.

(P) A post dated cheque is a cheque:

(1) Issued with a future date.
(2) Issued with a past date.
(3) In which the validity period is expired.
(4) In which the validity period is extended.

(Q) A bill of lading is issued by:

(1) An importer.
(2) The agent of the importer.
(3) The owner of the ship.
(4) An exporter.

(R) Out of the following who will benefit due to the depreciation of the Sri Lanka Rupee?

(1) Sri Lankan exporters.
(2) Commercial Banks.
(3) Importers in Sri Lanka.
(4) Sri Lankan who travel abroad.

(S) Trade between two countries can benefit both countries, if:

(1) Each country exports the good in which it has a comparative advantage.
(2) Each country enjoys superior terms of trade.
(3) Each country has a more elastic demand for the imported goods.
(4) Each country has a more elastic supply for the supplied goods.

(T) The institution that is empowered to sign trade agreements of Sri Lanka is:

(1) Chamber of Commerce.
(2) Department of Commerce.
(3) Department of External Affairs.
(4) Ministry of Finance and Planning.

(02 marks each, Total 40 marks)
SECTION - B
Answer any four (04) questions only from this Section.
60 marks

02. (a) State five (05) disadvantages of Division of Labour. (05 marks)

(b) Compare the advantages and disadvantages of a partnership over a sole
proprietorship. (06 marks)

(c) State four (04) principal contents in Articles of Association as per the Companies
Act, No.07 of 2007. (04 marks)

(Total 15 marks)

03. (a) What are the types of Government security instruments available in Sri Lanka?
Who can invest in such instruments? (06 marks)

(b) Explain what is meant by general crossing and special crossing in relation to a
cheque with an example for each. (05 marks)

(c) Give possible reasons for the recent decline of share prices in the Colombo Stock
Exchange. (04 marks)

(Total 15 marks)

04. (a) List four (04) differences between life insurance and property insurance. (04 marks)

(b) Explain the types of motor vehicle insurance policies operated in Sri Lanka. (06 marks)

(c) List the recent supervisory developments over insurance companies operated in
Sri Lanka. (05 marks)

(Total 15 marks)

05. (a) List four (04) common types of Letters of Credit (LCs) and briefly explain two (02)
of them. (06 marks)

(b) Briefly explain the following in relation to international trade:
   (i) Custom Duty. (04 marks)
   (ii) Preferential Duty.

(c) (i) What is meant by theory of comparative advantage?
   (ii) State three (03) assumptions of theory of comparative advantage. (05 marks)

(Total 15 marks)
06. (a) List five (05) benefits of International Trade. (05 marks)

(b) What are the obstacles / barriers for free trade between two countries? (05 marks)

(c) State five (05) factors that determine the exchange rate of a country. (05 marks)

(Total 15 marks)

07. Write short notes on the following:

(a) Non-voting shares.
(b) Customs Union.
(c) Refer to Drawer.
(d) Over Insurance.
(e) Primary Dealers. (03 marks each, Total 15 marks)