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)

(a) Communication
(b) Legal Services
(c) Packing

Out of the above, those relating to commercial services are:

(1) (a) and (c) only.       (2) (a) and (b) only.
(3) (b) and (c) only.       (4) (a), (b) and (c).

(B) Of the following, which Act is not relevant to a sole proprietorship?

(1) Consumer Protection Act.
(2) Companies Act.
(3) Shops and Offices Employees Act.
(4) Employees’ Trust Fund Act.

(C) Which of the following partners is entitled to receive salaries & wages?

(1) Secret partner.       (2) Limited partner.
(3) Silent partner.       (4) Dormant partner.
(D) Which one of the following is correct in relation to a public company limited by shares?

(1) The company must have at least one Director.
(2) All public limited companies are listed on Colombo Stock Exchange.
(3) The company must have a qualified company secretary.
(4) The company can commence trading as soon as it receives the Certificate of Incorporation.

(E) 

(a) Provide hire purchases and lease facilities
(b) Provide bridging loan facilities
(c) Accept demand deposits

Out of the above, the correct statement/s with respect to facilities provided by registered finance companies is / are:

(1) (a) only.  
(2) (a) and (b) only. 
(3) (a) and (c) only.  
(4) (a), (b) and (c).

(F) The organization which facilitates smooth functioning of international trade is:

(1) World Bank (WB).
(2) International Monetary Fund (IMF).
(3) World Trade Organization (WTO).
(4) Asian Development Bank (ADB).

(G) The **main** objective of the Export Development Board is:

(1) Encouraging exporters by expanding export market and thereby increasing the contribution of exports to national economy.
(2) Providing insurance covers for exporters.
(3) Providing financial facilities for exporters.
(4) Supplying foreign markets with high quality export goods.

(H) The indemnity principle is **not** applicable to:

(1) Fire Insurance.  
(2) Motor Vehicle Insurance. 
(3) Personal Accident Insurance.  
(4) Agricultural Insurance.

(I) Which one of the following insurance policies is compulsory for Motor Vehicles to be used for traveling?

(1) Comprehensive insurance policy.  
(2) Third party insurance policy. 
(3) Third party fire and theft policy.  
(4) General insurance policy.
(J) Select from the following, the main objective of “REPO” market:

(1) Preventing reduction of interest rate of call money market to a very low level.
(2) Preventing increase of interest rate of call money market to a very high level.
(3) Introducing a secondary market for the Treasury Bills.
(4) Introducing a discount counter for the Treasury Bills.

(K) Real exchange rate of Sri Lanka depreciates in relation to the sterling pound, when:

(1) Rate of inflation in Sri Lanka rises.
(2) Rate of inflation in Britain declines.
(3) Nominal foreign exchange rate between Sri Lankan rupee and sterling pound rises.
(4) Nominal foreign exchange rate between Sri Lankan rupee and sterling pound declines.

(L) Which one of the following is a function of share brokers?

(1) Helping the purchase of the most profitable shares.
(2) Registration of secondary share transacting customers.
(3) Settlement of transactions.
(4) Issuing monthly statements to customers.

(M) Which one of the following is not a feature of Treasury Bond?

(1) A short term debt instrument.
(2) They are sold on the basis of auctioning.
(3) A coupon rate is visible with half yearly payment of interest.
(4) Issued by the Central Bank.

(N) Which of the following is incorrect with respect to “advance payment” in foreign trade?

(1) Buyer remits the money to seller after goods are received.
(2) Buyer remits the money to seller before goods are dispatched.
(3) Buyer has full confidence about the seller.
(4) The exchange control authorities permit the remittance of advances to the seller.

(O) Document required by an importer to claim goods on arrival is:

(1) A shipment manifest.  (2) Custom specification.
(3) Bill of lading.    (4) Certificate of origin.
(P) Select from the following, the best definition in relation to price quotation under “Ex-ship Pricing Method” in international trade:

(1) Price quotation includes all expenses up to the warehouse of importer.
(2) Price quotation includes all shipping charges and cost of consignment.
(3) Price quotation includes all expenses up to the port of importer and all the cost borne by the exporter.
(4) Price quotation includes only the factory price.

(Q) The following table shows the required number of labour hours to produce one unit of computer and one unit of calculator in Japan and South Korea.

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>South Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 unit of Computer</td>
<td>50</td>
<td>80</td>
</tr>
<tr>
<td>01 unit of Calculator</td>
<td>25</td>
<td>40</td>
</tr>
</tbody>
</table>

Of the following, what is the correct statement?

(1) Japan has comparative advantage in the production of computer.
(2) Japan has comparative advantage in the production of both computer and calculator.
(3) South Korea has comparative advantage in the production of calculator.
(4) Both nations have no comparative advantage in the production of both.

(R) Which of the following is the common barrier faced by the garment exporters of Sri Lanka?

(1) High tariff imposed by the importers.
(2) Reduction of quota.
(3) Lack of quality goods.
(4) Inadequate supply of goods.

(S) Which one of the following is not a key goal of International Monetary Fund (IMF) in granting standby credit facility for Sri Lanka?

(1) Rebuilding Sri Lanka’s reserves to avoid crisis.
(2) To support post-conflict reconstruction efforts.
(3) Protection for poor and assisting the most vulnerable.
(4) Assisting the Sri Lankan Garment industry, which has suffered as a result of the global financial crisis.

(T) Which one of the following is not an objective of Securities and Exchange Commission of Sri Lanka?

(1) Establishment of a formal and an equitable securities market in Sri Lanka.
(2) Safeguarding the investors.
(3) To activate a compensation fund to protect investors.
(4) Settlement of transactions.

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

02. (a) Briefly explain the following concepts of production.
   (i) Product diversification. (04 marks)
   (ii) By products. (04 marks)

(b) Compare and contrast a partnership with a company limited by shares. (06 marks)

(c) Define the term “Minimum Subscription” and list the activities in which it can be used. (05 marks)
(Total 15 marks)

03. (a) (i) What is meant by “Negotiable Instruments”?
(ii) List three(03) main features of Negotiable Instruments. (05 marks)

(b) Briefly explain the importance of “Inter Bank Call Money Market”. (05 marks)

(c) State differences between banks and finance companies. (05 marks)
(Total 15 marks)

04. (a) State five(05) functions of the Chamber of Commerce. (05 marks)

(b) List five(05) advantages available for members of a Trade Association. (05 marks)

(c) Briefly describe the services provided by the Industrial Development Board to small and large scale businesses. (05 marks)
(Total 15 marks)

05. (a) List five(05) services provided by the insurance industry for business organizations. (05 marks)

(b) Briefly describe the following principles of insurance:
   (i) Contribution. (06 marks)
   (ii) Subrogation. (06 marks)
   (iii) The proximity clause. (06 marks)

(c) List benefits available for an insuree from a life insurance. (04 marks)
(Total 15 marks)
06. (a) What are the main reasons for recent depreciation of foreign exchange rate in Sri Lanka? (05 marks)

(b) List five(05) advantages of “Flexible (Floating) Exchange Rate”. (05 marks)

(c) List five(05) functions of World Trade Organization (WTO). (05 marks)

(Total 15 marks)

07. Write short notes on the following:

(a) Silent Partner.

(b) Credit Rating.

(c) Principle of “UBERIMAEFIDEI”.

(d) Dumping.

(e) Effective Rate of Protection.

(03 marks each, Total 15 marks)