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) Which one of the following is an example for a direct service?
   (1) Banking.  (2) Insurance.  (3) Legal.  (4) Transport.

(B) A person is engaging in an activity in which he can perform in the most efficient manner. This is known as:
   (1) Division of labour.  (2) Segregation of duties
   (3) Specialization.  (4) Diversification.

(C) Consider the following relating to a company:
   (a) The objects of the company.
   (b) The rights and obligations of shareholders of the company.
   (c) The management and administration of the company.

Of the above, provisions included in the Articles of Association of the company relate to:
   (1) (a) only.  (2) (b) and (c) only.
   (3) (a) and (b) only.  (4) All of the above.
(D) Which one of the following remarks is used by a commercial bank in dishonoring a cheque when adequate funds are not available in an account to pay the value of a cheque presented for payment?

(1) Exceeds arrangements.  (2) Not arranged for.
(3) Refer to drawer.  (4) Effects not realized.

(E) Recently the Central Bank of Sri Lanka has renamed the policy rates, and accordingly, the ‘Reverse Repo Rate’ was renamed as:

(1) Standard Deposit Facility Rate.  (2) Standard Lending Facility Rate.
(3) Standing Deposit Facility Rate.  (4) Standing Lending Facility Rate.

(F) Which one of the following statements is incorrect with regard to services provided by the Board of Investment (BOI) of Sri Lanka?

(1) Evaluating applications and providing concessions, where applicable, to the project.
(2) Providing assistance during the implementation of the project.
(3) Advising investors on environmental norms and facilitating environmental approvals.
(4) Arranging banking and insurance facilities for the project.

(G) The major function of the Export Credit Insurance Corporation of Sri Lanka is:

(1) Insurance of export marine cargo.
(2) Insurance of the risk of non-settlement of export invoices.
(3) Assurance of the life of exporter / importer.
(4) Insurance of exported goods to a certain destination within a specified period.

(H) Select from the following, the insurance in which the principle of indemnity is not involved:

(1) Fire insurance.  (2) Marine insurance.
(3) Health insurance.  (4) Life insurance.
Which one of the following cannot be claimed by an employee as an entitlement under the Employee Compensation Insurance?

1. Claiming wages for the period of absence due to injuries sustained in the course of employment.
2. Claiming medical benefits for injuries caused in the course of employment.
3. Claiming general damages due to employer’s negligence.
4. Sue his or her employer for tort due to negligence of the employer.

Which one of the following is incorrect with respect to unit trusts?

1. The risk is reduced due to diversified investments.
2. It is managed by a professional fund manager.
3. It is more liquid than share.
4. None of the above.

Off-shore banking activities are performed by:

1. Commercial banks.
2. Specialized banks.
3. Finance companies.

Which one of the following is not a capital market instrument?

1. Ordinary shares.
2. Development Bonds.
3. Treasury Bills.

Which one of the following documents is required by an importer to claim goods on arrival in a port?

1. A shipment manifest.
2. Customs specification.

The main function of the World Trade Organization is:

1. Removal of the obstructions to international trade by providing tariff reductions and other concessions.
2. Providing a forum for settling disputes.
3. Assisting developing countries in international trade.
4. Acting as an administrator and operator of the multilateral Trade Agreements.
ISO 9,000 is issued for:

(1) Environment Management. (2) Quality Management.
(3) Risk Management. (4) Food Safety Management.

According to the demand and supply, the exchange rate should be US 1 Dollar = Rs.150/-. But the prevailing exchange rate is US 1 Dollar = Rs.133/-. This is known as:

(1) Over valuation of foreign exchange rate.
(2) Under valuation of foreign exchange rate.
(3) Depreciation of foreign exchange rate.
(4) Devaluation of foreign exchange rate.

An argument against trade protection is:

(1) Protection of Infant industry. (2) Misallocation of global resources.
(3) Protection of employment. (4) Preventing dumping.

Which one of the following is included in the "Income Account" of the current account of the Balance of Payment Account?

(1) Income from exports on agriculture. (2) Receipts on private transfers.
(3) Service income. (4) Interest income on investments.

Which one of the following is not an assumption of the Theory of Comparative Advantages?

(1) No government intervention in production.
(2) Availability of trade barriers.
(3) Only two countries and two types of goods are taken into account.
(4) In both countries resource ownership is stable or constant.

When the Central Bank of Sri Lanka is engaged in reverse purchase agreements with Commercial Banks, it leads to:

(1) Decrease in the money supply.
(2) Decrease in reserves.
(3) Set an upper limit for the interest rates in the call money market.
(4) Set a lower limit for the interest rates in the call money market.

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

02. (a) What are the incentives provided by the Government for the recent development of industries in Sri Lanka?  
(b) Briefly explain the following with respect to companies:
   (i) Minimum subscription.
   (ii) Share underwritings.
   (iii) Stated capital.
(c) An invitation to public offering shares or debentures for subscription in the form of a notice or advertisement is called the prospectus. List four (04) contents in a prospectus.

03. (a) State five (05) functions of the Central Bank of Sri Lanka.
(b) “Cheques play an important role as a negotiable instrument and provide protection to both drawer and payee due to a special feature of crossing”.
   List the parties who can:
   (i) Add crossing to cheques.
   (ii) Cancel a crossing of a cheque.
(c) “A registered (Licensed) finance company provides greater protection for clients when providing financial services”.
   (i) What is meant by a registered finance company?
   (ii) Briefly explain two (02) benefits available for customers, when dealing with a registered finance company over an unregistered finance business.

04. (a) State five (05) benefits available for members from the Sri Lanka Chamber of Commerce.
(b) What are the incentives available for an investor for locating the project within the investment processing zone or industrial park in Sri Lanka?
(c) What are the advantages of Export Credit Insurance Policies?
05. (a) Briefly explain the following with reference to insurance:
   (i) Dual insurance. (04 marks)
   (ii) Re-insurance. (04 marks)

(b) State three(03) differences between property insurance and life insurance (assurance). (06 marks)

(c) List the benefits available to a businessman from insurance. (05 marks)

(Total 15 marks)

06. (a) Explain the importance of a bill of lading with reference to international trade. (05 marks)

(b) State five(05) remedies for balance of payment deficit. (05 marks)

(c) State five(05) objectives of International Monetary Fund (IMF). (05 marks)

(Total 15 marks)

07. Write short notes on the following:

(a) Main Board. (03 marks)

(b) Dirty Bill of Lading. (03 marks)

(c) Quasi Partner. (03 marks)

(d) Real Exchange Rate. (03 marks)

(e) Undervaluation of Exchange Rate. (03 marks)

(03 marks each, Total 15 marks)

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