SECTION A

Objective Test Questions (OTQs)

Ten (10) compulsory questions
(Total 20 marks)

Question 01

Select the most correct answer for question No. 1.1 to 1.7. Write the number of the selected answer in your answer booklet with the number assigned to the question.

1.1 Consider the following statements regarding the Constitution of 1978 of Sri Lanka:

(a) It deals with the presidential powers and functions.
(b) It deals with the issues in relation to separation of powers between the Legislation, Executive and the Judiciary.
(c) It deals with establishment, power and duties of the police commission.

Of the above, the correct statement/s is/are:

(1) (a) only.
(2) (b) only.
(3) (a) and (c) only.
(4) All of the above.

1.2 Which one of the following is not a special law in Sri Lanka?

(1) Kandyan law.
(2) Muslim law.
(3) English law.
(4) Thesawalamai law.
1.3 Which one of the following is **not** an example for a Private Law?

1. Family Law.  
2. Contract Law.  
3. Administrative Law.  

1.4 Which one of the following is a main ethical issue faced by an Accountant?

1. Pressure from management.  
2. Lack of ethical sensitivity.  
4. All of the above.

1.5 Which one of the following is a negotiable instrument?

1. Bill of lading.  
2. Letter of credit.  
4. Money order.

1.6 Which one of the following is **not** a main requirement for the formation of a valid contract?

1. Consideration.  
2. Capacity to contract.  
3. Agreement between parties.  
4. Location to enter into the contract.

1.7 Consider the following terms relating to a CIF contract:

(a) The seller is responsible to ship the goods of the description contained in the contract.  
(b) The seller should arrange an insurance policy that is available for the benefit of the buyer.  
(c) The seller should pay all the import duties and wharfage charges if any.

Of the above, the correct statement/s is/are:

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

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**Write short answers for question Nos. 1.8 to 1.10 in your answer booklet with the number assigned to the question.**

1.8 State two(02) methods for creation of the principal agent relationship under the Law of Agency.

1.9 State two(02) regulatory institutions in Sri Lanka.

1.10 Briefly explain what is meant by “confidentiality” as a fundamental principle of professional ethics.  

(02 marks each, Total 20 marks)
SECTION B
Five (05) compulsory questions
(Total 25 marks)

Question 02

Dayabaran, as an agent for Daya Trading Company in Polonnaruwa bought a large stock of steel from a store in Colombo to be dispatched to Daya Trading Company in Polonnaruwa. Due to heavy rains and floods in Polonnaruwa, it was impossible for Dayabaran to send the stocks to Polonnaruwa. Communication had also been failed due to floods. Dayabaran sold all the steel stock to a buyer in Colombo being unaware of the fact that the price of steel had been increased due to the new tax introduced by the government. Later Dayabaran sent money received from sale of steel to Daya Trading Company.

You are required to:

Explain whether Daya Trading Company is entitled to claim losses from Dayabaran. (05 marks)

Question 03

There are laws and regulations for community to ensure rights as citizens. The Consumer Affairs Authority Act No. 09 of 2003 and the Money Laundering Act No. 05 of 2006 are important acts operating in Sri Lanka.

You are required to:

(a) State three(03) offences under the Consumer Affairs Authority Act. (03 marks)
(b) State two(02) unlawful activities as per the Money Laundering Act. (02 marks)
(Total 05 marks)

Question 04

The law governing sale of goods is contained in the Sale of Goods Ordinance No. 11 of 1896. It is important to distinguish between sale of goods contracts and other supply contracts such as gifts and free promotional offers, hire purchase agreements, contract for work and material, etc.

You are required to:

(a) Define “a contract of sale of goods”. (02 marks)
(b) Explain why gifts and free promotional offers cannot be considered as contracts of sale of goods. (03 marks)
(Total 05 marks)
Sam issued a cheque to Paul in the morning for a service rendered by Paul to Sam. But, in the afternoon, Sam got to know that the task performed by Paul was not up to the acceptable quality. Therefore, in the afternoon, Sam issued a countermand (a stop payment) order to the bank to stop the payment to Paul. However, the letter containing the stop payment order had not been reached the manager of the bank until 2 days had lapsed, and by that time the cheque had been encashed by Paul. Sam filed a case action against the bank to recover the amount of the cheque.

You are required to:

Explain whether Sam is entitled to recover the amount from the bank. (05 marks)

Question 06

International trade is a trade between two countries or between residents of two countries. The buyer and seller reside in two different countries and the goods are delivered from one country to another. There are number of modes of payment used in international trading transactions such as letters of credit, bills of exchange, collection agreements, payments in open accounts, payments in advance, etc.

You are required to:

Explain how a Letter of Credit is operated. (05 marks)

(End of Section B)

SECTION C

Three (03) compulsory questions
(Total 30 marks)

Question 07

(a) Nayani received a temporary appointment in Sethsewa Foundation, a charitable organization as the Accounts Clerk for a period of one year. Employees’ Provident Fund (EPF) entitlement was not mentioned in the appointment letter. Nayani needs to know whether she is entitled for the Employees’ Provident Fund during her one year period of working.

You are required to:

Discuss the applicability of the provisions of Employees’ Provident Fund Act in the above case. (05 marks)
(b) **Berty** is working for **ABC (Pvt) Ltd.** for a long period. He joined the company as a Management Trainee on 01\(^{st}\) December 2005 for a monthly salary of Rs.10,000/-. Now he is serving as the Chief Executive Officer (CEO) of the company with a monthly salary of Rs.300,000/-. He has decided to resign from the company effective from 31\(^{st}\) January 2019.

You are required to:

**Calculate, Berty's gratuity entitlement according to the provisions of the Payment of Gratuity Act.**

(Kamal, Geetha and Raja) started a partnership business to carry out an advertising agency contributing to the capital equally. There was no partnership agreement and they agreed to follow the Partnership Ordinance 1890. Geetha is very active in the business and she attends all the business meetings with clients. Though Kamal equally contributed to the capital of the business, he wants to keep away from day to day activities of the advertising agency. Further, he wants to introduce his wife as a partner to this business. However, Geetha objected to that decision and she informed that she should get an extra share from the profit of the partnership. Further, Raja is also in the view that he should get paid a salary for his contribution towards the management of the business. Moreover, Raja and Kamal wanted to change the nature of the business and Geetha strongly objected to that also.

You are required to:

**Discuss the rights and duties of Kamal, Geetha and Raja respectively.**

**Question 09**

**Madura**, a sole proprietor sold his sole proprietorship to **XYZ (Pvt) Ltd.**, in which he is a shareholder. At the time of the sale of the business, all the properties of the sole proprietorship, which were insured in Madura's name, have also been transferred to **XYZ (Pvt) Ltd.** After transferring those properties, one of the properties was destroyed by fire and Madura claimed damages for this from the insurance company as insurance policy had been originally obtained in his name. However, insurance company refused to compensate Madura.

You are required to:

(a) **Discuss whether insurance company can reject Madura's claim.**

(b) **Explain the concept of insurance, “indemnity”**.

<table>
<thead>
<tr>
<th>Question 09</th>
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SECTION D
A compulsory question
(Total 25 marks)

Question 10
(a) Priya came to know that her friend Romesh was trying to sell his car. Priya made an offer by e-mail to buy the car and stated “If I do not hear from you, I consider the car is mine for Rs.2 million.” Though Romesh intended to accept the offer, he did not communicate his acceptance to Priya. Subsequently, Romesh sold the car to Ann for Rs.2.5 million.

Priya has planned her wedding with Paul and she went to Mal Mal Florist to place an order for her wedding. Florist agreed to arrange all the floral decorations with natural red and white roses according to the theme that they have selected. Priya paid 75% of the amount in advance and agreed to pay the balance on the wedding day. The day before the wedding date, there was a heavy rain all around the island and roads were blocked due to heavy flooding. Mal Mal Florist could not supply adequate natural red and white roses and instead they had to use some artificial white roses with the natural roses that they had in their cool store rooms, in the flower arrangements at the wedding of Priya and Paul. Priya got to know the mistake made by the florist and she refused to pay the balance amount.

Priya wants to claim damages from Romesh and Mal Mal Florist.

You are required to:
Discuss the following:
(i) Whether there is a valid contract between Priya and Romesh. (06 marks)
(ii) Legal rights of Priya regarding Romesh and Mal Mal Florists. (09 marks)

(b) Tina bought a “face cream” from “Skin and Hair Care” saloon. A few minutes after she applied the cream on her face, she suffered from a skin rash. She was taken to hospital and the doctor diagnosed that the skin rash was caused due to a substance which was in the face cream. Tina had to stay in the hospital for 5 days and she was unable to report to work due to this.

Tina’s brother Suraj ordered a teak dining table from Beautiful Homes (Pvt) Ltd. They promised Suraj that they will deliver it within 2 weeks. Suraj, specifically instructed about the particulars of the design to the manager. Beautiful Homes (Pvt) Ltd. delivered the dining table within the time agreed, but it was not made of teak and it was not in accordance with the specific design he asked for.

You are required to:
Discuss the following under the Sale of Goods Ordinance:
(i) Legal rights and remedies available to Tina. (05 marks)
(ii) Legal rights and remedies available to Suraj. (05 marks)

(Total 25 marks)
# ACTION VERB CHECK LIST

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<tr>
<th>Knowledge Process</th>
<th>Verb List</th>
<th>Verb Definitions</th>
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<tbody>
<tr>
<td><strong>Level 01</strong></td>
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<tr>
<td>Comprehension</td>
<td>Define</td>
<td>Describe exactly the nature, scope, or meaning.</td>
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<td></td>
<td>Draw</td>
<td>Produce (a picture or diagram).</td>
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<td></td>
<td>Identify</td>
<td>Recognize, establish or select after consideration.</td>
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<td></td>
<td>List</td>
<td>Write the connected items one below the other.</td>
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<td></td>
<td>Relate</td>
<td>To establish logical or causal connections.</td>
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<td>State</td>
<td>Express something definitely or clearly.</td>
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<td>Calculate/Compute</td>
<td>Make a mathematical computation</td>
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<td></td>
<td>Discuss</td>
<td>Examine in detail by argument showing different aspects, for the purpose of arriving at a conclusion.</td>
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<td>Explain</td>
<td>Make a clear description in detail revealing relevant facts.</td>
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<td>Interpret</td>
<td>Present in an understandable terms.</td>
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<td></td>
<td>Recognize</td>
<td>To show validity or otherwise, using knowledge or contextual experience.</td>
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<td>Record</td>
<td>Enter relevant entries in detail.</td>
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<td>Summarize</td>
<td>Give a brief statement of the main points (in facts or figures).</td>
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<tr>
<td><strong>Level 02</strong></td>
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<tr>
<td>Application</td>
<td>Apply</td>
<td>Put to practical use.</td>
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<td></td>
<td>Assess</td>
<td>Determine the value, nature, ability, or quality.</td>
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<td></td>
<td>Demonstrate</td>
<td>Prove, especially with examples.</td>
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<td></td>
<td>Graph</td>
<td>Represent by means of a graph.</td>
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<td>Prepare</td>
<td>Make ready for a particular purpose.</td>
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<td>Prioritize</td>
<td>Arrange or do in order of importance.</td>
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<td>Reconcile</td>
<td>Make consistent with another.</td>
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<td>Solve</td>
<td>To find a solution through calculations and/or explanation.</td>
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<tr>
<td><strong>Level 03</strong></td>
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<tr>
<td>Analysis</td>
<td>Analyze</td>
<td>Examine in detail in order to determine the solution or outcome.</td>
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<td>Compare</td>
<td>Examine for the purpose of discovering similarities.</td>
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<tr>
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<td>Contrast</td>
<td>Examine in order to show unlikeness or differences.</td>
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<td></td>
<td>Differentiate</td>
<td>Constitute a difference that distinguishes something.</td>
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<td></td>
<td>Outline</td>
<td>Make a summary of significant features.</td>
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