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) Of the following, select the group which consists only of human needs:

(1) Shelter, Food, Clothes.
(2) Electricity, Food, Clothes.
(3) Transportation, Communication, Education.
(4) Shelter, Clothes, Education.

(B) Which one of the following statements is incorrect with respect to a General / Active Partner?

(1) He involves in daily operations of the partnership.
(2) He is entitled to share of profits or losses of the partnership based on his share of the partnership.
(3) Public does not know that he is a partner.
(4) He is personally responsible for the liabilities of the partnership.

(C) Assume that a business has been registered as Didula Publication (Pvt) Ltd. In accordance with the Companies Act No. 07 of 2007, this company is:

(1) A Public Limited Company.  (2) A Listed Public Limited Company.
(D) Which one of the following is a negotiable instrument?

(1) Bill of exchange.  (2) Bank draft.  
(3) Share certificate.  (4) Money order.

(E) Image Clearing System on cheques in Sri Lanka is operated by:

(1) Lanka Clear (Pvt) Ltd.  (2) Securities and Exchange Commission.  

(F) Registered Finance companies are supervised by:

(1) Securities and Exchange Commission.  
(2) Central Bank of Sri Lanka.  
(3) Ministry of Finance and Planning.  
(4) Colombo Stock Exchange.

(G) Entrepreneurs engaged in commercial activities in the Export Processing Zones (EPZ) are entitled to special incentives. Which of the following is not an incentive, provided by the EPZ to such entrepreneurs?

(1) Providing opportunities to commence investment projects with 100% foreign investments.  
(2) Salary payment of all employees is fully exempted from taxes.  
(3) Equipment, construction materials and all production inputs are exempted from import taxes.  
(4) Dividend paid to shareholders is exempted from taxes.

(H) Which of the following is not a service provided by the Sri Lanka Industrial Development Board?

(1) Providing technical facilities for small and medium sector enterprises.  
(2) Offering training facilities.  
(3) Introducing low cost manufacturing methods.  
(4) Providing re-finance loan schemes.

(I) An example for a non-insurable risk is:

(1) Life of a person.  
(2) An asset belonging to a person.  
(3) A loss arising from a technological discovery.  
(4) A loss arising from a fire that occurred in the business premises.
(J) A fact that is not revealed in the life insurance under the principle of utmost good faith is:

(1) Estimated life time.  (2) Information regarding dependants.
(3) Benefits of the policy.  (4) Maturity date of the policy.

(K)
(a) Short term borrowing by one bank from another bank on trust.
(b) Both Licensed Commercial Banks and Licensed Specialized Banks are participated in the call money market transactions.
(c) Banks which have surplus funds act as suppliers and banks which have deficiency of funds act as borrowers.

Of the above statements, with respect to inter-bank call money market, the correct statements are:

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

(L) If you want to earn interest income with high level of safety and liquidity, which one of the following instruments is the most appropriate?

(1) Debentures.  (2) Treasury bills.
(3) Unit trusts.  (4) Share warrants.

(M) Which one of the following is not an institution in the capital market?

(1) Unit trusts.  (2) Insurance institutions.
(3) Pawn brokers.  (4) Venture capital companies.

(N) Which one of the following is correct with respect to Golden Shares?

(1) This is a type of ordinary shares with special controlling power.
(2) These are issued to the promoters of the company.
(3) These shares have a right to influence the decisions taken by the Board of Directors at the Annual General Meeting.
(4) All of the above.
(O) The document prepared by a shipping company certifying that the goods have been accepted with an undertaking to deliver at the end of the voyage is:

(1) Import Entry.    (2) Bill of Lading.
(3) Delivery Note.   (4) Invoice.

(P) What is meant by “Dumping”?

(1) Excess production is being destroyed by the producers in order to maintain higher price in the market.
(2) Producers sell their goods in foreign countries at a price below the cost of production.
(3) Producers sell their goods in foreign countries at prices lower than those prevailing in their own countries.
(4) None of the above.

(Q) A benefit from the international trade is:

(1) Increase in world’s output of goods and services.
(2) Greater efficiency in the use of the world’s limited resources.
(3) Higher standards of living throughout the world.
(4) All of the above.

(R) Of the following, what is included in the “financial account” of the balance of payments statement?

(1) Service income.    (2) Direct investments.
(3) Income from export of goods.   (4) Private remittances received.

(S) The rise in value of one currency relative to another is:

(1) A devaluation of the currency.    (2) An appreciation of the currency.
(3) A depreciation of the currency.   (3) A weakening of the currency

(T) Of the following, a country which does not belong to the South Asian Preferential Trade Agreement (SAPTA) is:

(1) Sri Lanka.    (2) Bangladesh.
(3) Afghanistan.   (4) Myanmar.
SECTION - B
Answer any four(04) questions only from this section  
60 marks

02. (a) What are the incentives provided by the Government Budget of the year 2014 for promoting industries in Sri Lanka? (06 marks)

(b) List five(05) disadvantages of a sole proprietorship business in comparison with a partnership business. (05 marks)

(c) “The main source of finance of limited liability companies for starting up, or even for expanding the business comes from issuing shares”.

Briefly explain the following types of shares.
(i) Cumulative preference shares. (04 marks)
(ii) Founders shares. (Total 15 marks)

03. (a) What are the facilities provided by the Sri Lanka Export Credit Insurance Corporation for promoting industries in Sri Lanka? (05 marks)

(b) Briefly explain the following with respect to motor vehicle insurance policies:
(i) Third (3\text{rd}) Party Insurance policy. (06 marks)
(ii) Comprehensive / Full Insurance policy.

(c) State two(02) conditions followed by the private insurance companies. (04 marks) (Total 15 marks)

04. (a) Briefly explain the importance of having an efficient money market and capital market for the development of Sri Lankan economy. (07 marks)

(b) State four(04) main activities of the Central Depositary Systems (Pvt) Ltd. (CDS). (04 marks)

(c) List two(02) steps taken by the Government recently for the development of the capital market. (04 marks) (Total 15 marks)
05. (a) Explain what is meant by a crossed cheque. Give two(02) examples for each type of main crossing. (06 marks)

(b) (i) What is meant by dishonour of a cheque?
(ii) State three(03) reasons for dishonouring of a cheque. (05 marks)

(c) Two(02) remarks made by a commercial bank in dishonoring a cheque are given below:
(i) Refer to Drawer.
(ii) Effects not Realized.
Briefly explain the above two(02) remarks. (04 marks)
(Total 15 marks)

06. (a) Briefly explain why countries impose trade barriers against free trade. (06 marks)

(b) State five(05) disadvantages of “Fixed Exchange Rate”. (05 marks)

(c) In respect of international trade, briefly explain the following:
(i) Trade agreements.
(ii) Non-tariff trade barriers. (04 marks)
(Total 15 marks)

07. Write short notes on the following:

(a) Lay Days.
(b) Stated Capital.
(c) Blank Endorsement.
(d) No Claim Bonus.
(e) Over Value of Foreign Exchange. (03 marks each, Total 15 marks)