Instructions to candidates (Please Read Carefully):

1. Time Allowed: Reading: 15 minutes  
   Writing: 03 hours.

2. All questions should be answered.

3. Answers should be in one language, in the medium applied for, in the booklets provided.

4. State clearly assumptions made by you, if any.

5. Action Verb Check List with definitions is attached. Each question begins with an action verb excluding OTQ’s. Candidates should answer the questions based on the definition of the verb given in the Action Verb Check List.

6. 100 Marks.

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 The main elements of an insurance contract are:

   (1) Indemnity, premium and subrogation.
   (2) Proposal, premium and exemption clauses.
   (3) Premium, uncertainty and insurable interest.
   (4) Proposal, history of the assured and exemption clauses.

1.2 Which one of the following is not considered as a good under the Sale of Goods Ordinance?

   (1) a motor car.
   (2) harvest which is to be severed from land before sale.
   (3) a building.
   (4) a copyright.
1.3 Select from the following the insurance in which the principle of indemnity is **not** involved:

(1) Life Insurance.          (2) Fire Insurance.
(3) Marine Insurance.       (4) Health Insurance.

1.4 Which one of the following is a negotiable instrument?

(1) a Bills of Exchange.    (2) a Cheque.
(3) a Promissory Note.      (4) All of the above.

1.5 According to the Sale of Goods Ordinance, which one of the following is **not** an implied condition?

(1) The goods shall correspond with the description.
(2) The seller has a right to sell.
(3) The goods shall correspond with the sample.
(4) The goods shall be free from any change.

1.6 Which one of the following is **not** a duty of an agent?

(1) Duty to exercise care and skill.    (2) Duty to receive commission in time.
(3) Duty of accountability.            (4) Duty for not making secret profit.

1.7 Consider the following statements related to contracts used in international trade:

(a) FOB contracts normally follow the name of the port of departure.
(b) Under FOB contracts, the seller has an obligation to place the goods on board of a ship that is berthed at the departure port.
(c) Under CIF contracts, cost of putting the goods into the ship has to be borne by the seller.

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

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

**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) powers of the Supreme Court of Sri Lanka as provided for in the Constitution of 1978.

1.9 State the difference between Personal Law and Territorial Law.

1.10 State two(02) primary functions of the Board of Investment (BOI) of Sri Lanka.  

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

Question 02

Amal and Bimal are the only shareholders and directors of A&B Ltd. Hemal who is a friend of Amal and Bimal was introduced to OM Land Developers Ltd. as a director of A&B Ltd. by Amal and Bimal. However, he was not yet appointed as a director of the company. Hemal bought an expensive land from OM Land Developers Ltd. for A&B Ltd. However, A&B Ltd. refused to pay for the land saying that they have never appointed Hemal as a director and they have never asked him to buy the land. OM Land Developers Ltd. sue A&B Ltd. to recover the money.

Explain, whether A&B Ltd. is liable to pay for the land purchased by Hemal. (05 marks)

Question 03

Dhanapala wrote a cheque for Rs.100,000/- in favour of Dhanasiri. The name of the banker and words “not negotiable” were written on the face of the cheque across it. However, the signature on the cheque is not clear and the amount in numbers stated Rs.100,000/- while in letters it says “ten thousand rupees only”. Dhanapala’s account balance has only Rs.5,000/-. 

Explain the responsibility of the bank, with regards to this cheque. (05 marks)

Question 04

Payment system used in international trade is really a significant factor. It includes different currencies in different countries. Normally in every contract of international trade, a clause dealing with payment system is included.

(a) State two(02) methods of payment used in international trade. (02 marks)

(b) Explain any one of the payment methods stated at (a) above. (03 marks)

(Total 05 marks)

Question 05

Bindu obtained a life insurance policy from JJ Insurance Ltd. The insurance company asked him whether he has suffered from a serious illness during the past year. Though, Bindu had recently suffered from a serious heart attack and had undergone surgery, he did not disclose that fact to the insurance agent or anywhere in the application. However, after entering into the contract Bindu again suffered a serious heart attack and was hospitalized for a few weeks. In the meantime, the insurance company got to know that Bindu was a heart patient and rejected Bindu’s claim.

Explain whether the insurance company can reject Bindu’s claim. (05 marks)
Question 06

Compliance with the fundamental principles in professional ethics may be subject to threats such as self-interest threat, self-review threat, advocacy threat, familiarity threat and intimidation threat, etc. However, there are safeguards that may reduce or eliminate such threats.

(a) **State** two (02) safeguards created in the work environment. (02 marks)

(b) **State** three (03) safeguards created by profession, legislation and regulation. (03 marks)

(Total 05 marks)

---

SECTION C

Three (03) compulsory questions

(Total 30 marks)

Question 07

Abhi, Bhumi and Sumi are partners of **ABS Partnership**. XYZ Ltd. is a competitor of **ABS Partnership**. Sumi bribed one of the Directors of XYZ Ltd. to obtain confidential information of their clients and provided advice to **ABS Partnership** based on that information. XYZ Ltd. got to know that one of their directors was bribed by one of the partners of **ABS Partnership** and they filed a case against all the partners of **ABS Partnership**.

You are required to:

Discuss the liability of the other partners of **ABS Partnership** in this regard. (10 marks)

Question 08

Nanda wrote a book titled “Veera Purushaya” in 1990 and obtained the copyright for it. He had given the authorization to Ranga to translate the book. However, Nanda passed away in 2000. After publishing the translation, Ranga started publishing new books under the same title “Veera Purushaya”. Nanda’s children wish to sue Ranga under the copyright law.

You are required to:

(a) **Explain** the works protected by copyright law under the Intellectual Property Act No. 36 of 2003. (05 marks)

(b) **Explain** whether Ranga has any liability under the copyright law. (05 marks)

(Total 10 marks)
Nimal, Malani and Asha, permanent employees of RIO Lanka PLC resigned from the company with effect from 30th June 2017. They have submitted applications to withdraw their Employees’ Provident Fund (EPF) benefits.

You are required to:

Explain with reasons whether they can withdraw their EPF balance under each of the following circumstances according to the Employees’ Provident Fund Act No. 15 of 1958.

(a) Nimal, resigned from the company attaining the age of 50 years, to start his own business.  
(03 marks)

(b) Malani, resigned from the company to get married in December 2017.  
(03 marks)

(c) Asha, resigned from the company after getting an employment in a foreign company on a contract basis. 
(04 marks)

(Total 10 marks)

SECTION D
A compulsory question

(Total 25 marks)

Question 10

(a) Amal and Amali got married in 2012 and they are separated in December 2016. They are thinking of getting a divorce. Amal promised Amali on their son’s birthday to make a monthly payment of 50,000/- for her. Amali requested this to be in writing and said “if you do not pay as you promised I will take you to court”. After the third month, he stopped the payment. Amali told him that she will sue him. Amal said “Good luck with that! No court will enforce an agreement between husband and wife!”

He also said “I have been paying money for you to do nothing! Guess what love and taking care of family is not a good consideration for a contract!”.

Very upset from the argument she had with Amal she took her son for shopping. The son saw the latest “gadget man” toy through a shop window and asked Amali to buy it for him. Amali saw a label that says “half-price sale! Come grab your toy!” . Amali picked up a “gadget man” toy and asked for the price. Shop keeper said that it is Rs.20,000/- and it could be bought for Rs.15,000/-. Amali was not happy with the price and she returned the toy. She tried to walk away. The shop keeper said “you cannot return it now. You have made a contract when you picked up the toy.”

Discuss the legal rights of Amali regarding:

(i) Amal.  
(07 marks)

(ii) Shop Keeper.  
(06 marks)
(b) **Perera** sold a car to **Silva**. He described the car as “barely used, almost in the original condition and it is the latest model of BMW”. **Silva** paid outright and took the car. After driving it for a few days the car broke down. **Silva** took the car to a garage. The repairman told him “this is a very badly used car. They have completely ruined the engine you will have to replace it. But this is such an old model I don’t think they even make these engines anymore.” **Silva** said “but the seller told me it was in great condition” to which the repairman laughed and said “sellers will tell anything! If you bothered to check the car before you bought it, you would have easily seen the issues. You just had to check!”.

Later that day, an unknown person called **Silva** and said “I saw my car in the garage and I got your number from them. They said that you told them you are the owner of the car. You wait will you I am taking you to the police! You thief!”. Surprised by this **Silva** decided to talk to the caller and realized that **Perera** had not the title to the car which he sold. The real owner was the caller who was the brother-in-law of **Perera**.

**Discuss** the rights and remedies available to **Silva** as a buyer. (12 marks)

(Total 25 marks)

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