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 residuary / common law in Sri Lanka is:

1. English Law.  
2. Roman Dutch Law.  
3. Thesawalamai Law.  

**1.2** The law which deals with civil wrong and concerns, breach of duties (other than those arising out of a contract) is known as:

1. Family Law.  
2. Trusts Law.  
3. Torts Law.  

**1.3** Of the following, the final appellate court in Sri Lanka is:

1. Magistrate’s court.  
2. High court.  
3. District court.  
4. Supreme court.
1.4 Which one of the following is not considered as a document for creation of agency by expression in writing?

(1) Proxy by a shareholder.  
(2) Power of attorney.  
(3) Letter of authority.  
(4) Deed of gift.

1.5 Consider the following statements in determining whether a person is an employee or an independent contractor:

(a) Only employees are entitled to certain benefits and security such as Employees Provident Fund (EPF), Employees Trust Fund (ETF), Gratuity, etc.
(b) The employer is liable to pay PAYE under income tax law for employees’ employment.
(c) If the employer is bankrupt, the employees do not have priority claim over arrears of salary, compensation for termination of employment.

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

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

1.6 Which one of the following is not a characteristic of a Bill of Exchange?

(1) It is a conditional order in writing.  
(2) It is signed by the person giving and requiring the person to whom it is addressed to pay.  
(3) There is a sum certain in money for payment.  
(4) It should be written to pay on demand at a specified time or at a determinable future time.

1.7 Which one of the following is not considered as an intellectual property as per the Intellectual Property Act No. 36 of 2003?

(1) Patent.  
(2) Growing Crop.  
(3) Industrial Design.  
(4) Copyright.

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) civil issues handled by the District Court.

1.9 Identify two(02) features of a cheque.

1.10 Identify the number of days entitled as annual leave for the year 2018 by an employee who joined an organization on 30th July 2017 (Assume that the organization is covered under the Shop and Office Employees’ Act No. 19 of 1954): (02 marks each, Total 20 marks)

End of Section A
SECTION B

Five (05) compulsory questions

(Total 25 marks)

**Question 02**

Sunil authorized Piyal to buy 1,000 kg of sugar at Rs.80/- per kilogram. Piyal went to wholesale market and got to know that the sugar price has gone up. However, Piyal bought 1,000 kg of sugar from Nimal at Rs.100/- per kilogram. Piyal bought the bulk of sugar in his own name without mentioning that he is buying sugar on behalf of Sunil. However, later Sunil ratified this transaction. Subsequently, Piyal refused to pay Nimal and claimed that he did not buy sugar for himself.

You are required to:

Explain the legal rights of Nimal to recover his money.  

(05 marks)

**Question 03**

Accountants are required to accept the responsibility to act in the interest of public. Hence it is the responsibility of an accountant not only to satisfy the needs of an individual client or employer, but also to satisfy the needs of the public. In order to act in the interest of the public, there are six fundamental principles of professional ethics.

You are required to:

Explain two (02) fundamental principles of professional ethics.  

(05 marks)

**Question 04**

A obtained a loan from B and gave an order cheque written in favour of B as a security. B crossed it with a general crossing. Later, C has stolen this crossed cheque and presented it over the counter of the bank. The bank overlooking the crossing on it, paid the value of the cheque to C. A intends to file an action against the bank.

You are required to:

Explain whether A is entitled to recover the amount from the bank.  

(05 marks)

**Question 05**

The main law applicable for companies in Sri Lanka is Companies Act No. 07 of 2007. A company has different features and legal personality is one of those features.

You are required to:

Explain the concept of legal personality with reference to a company.  

(05 marks)

**Question 06**

Amal and Ramal were in a partnership business of buying and selling cars named AutoZone. There was no partnership agreement between them. Amal bought a car at a discount of Rs.50,000/- on behalf of the partnership. However, he did not reveal regarding the discount to Ramal and earned a secret profit of Rs.50,000/- out of that transaction. Later, Ramal discovered about this secret profit.

You are required to:

Explain the legal rights of Ramal.  

(05 marks)
SECTION C
Three (03) compulsory questions
(Total 30 marks)

Question 07

(a) Raja agreed to sell a pack of beauty cream to Rani which was described as “Sea Minerals Mixed Cream” and guaranteed that it was equal to the sample. Raja delivered the beauty cream pack to Rani which was equal to the sample but sea minerals were not mixed to the content of the cream.

You are required to:
Discuss the legal rights of Rani in this regard. (05 marks)

(b) Hassan wants to import five motor cars from Japan. You are the banker of Hassan. Hassan seeks your advice in selecting a method of payment to be used in international trade.

You are required to:
Explain a suitable payment method which could be used by Hassan. (05 marks)
(Total 10 marks)

Question 08

Amali and Sunali are best friends. They attended a seminar held by Rich Life Insurance Co. Ltd. As a result, Amali wanted to obtain life insurance policies for insuring the lives of herself and her husband Sumith. Sunali also wanted to obtain life insurance policies for insuring the lives of her elder brother Saman and her parents.

Both Amali and Sunali applied for the above purposes and insurance company rejected the applications made by Sunali. Amali’s applications are still pending at the insurance office.

You are required to:
(a) Discuss whether applications made by Amali would be successful. (05 marks)

(b) Explain the reasons for rejecting the applications made by Sunali. (05 marks)
(Total 10 marks)

Question 09

(a) The Consumer Affairs Authority Act No. 09 of 2003 created the establishment of the Consumer Affairs Authority. The Consumer Affairs Authority imposes certain obligations to the traders to protect consumers.

You are required to:
(i) State two(02) main functions of the Consumer Affairs Authority. (04 marks)

(ii) State two(02) obligations of the traders as imposed by the Consumer Affairs Authority. (02 marks)

(b) The objective of the Act of Employees’ Provident Fund (EPF) is to ensure retiring benefits to employees through a contributory provident fund.

You are required to:
State four(04) instances where a person is entitled to claim his / her EPF. (04 marks)
(Total 10 marks)
SECTION D
A compulsory question
(Total 25 marks)

Question 10

(a) **Mala** offered to sell her house to **Kumari** at Rs.2 million. **Kumari** said she will buy the house at Rs.2 million but payment will be made in 4 installments of Rs.0.5 million each. **Mala** refused to receive payments in installments. Then, **Kumari** agreed to pay the full consideration of Rs.2 million at once. But, **Mala** refused to sell her house to **Kumari**.

**Mala**’s brother **Piyal** is doing a research on cultural heritage of Sri Lanka. He made a room reservation in the **Paradise Hotel** in Galle to view the main annual procession (perahara) in Galle. The procession is cancelled due to a security issue. **Piyal** requested the hotel to repay the money paid on room reservation. The hotel refused and asked him to stay at the hotel on the booked date. **Piyal** is disappointed about the decision of the hotel.

You are required to:

Discuss the following:

(i) Whether there is a valid contract between **Mala** and **Kumari**. (08 marks)
(ii) The legal rights of **Piyal** regarding the hotel room reservation payment he made. (06 marks)

(b) **Kusal** is a dealer in computer accessories and electrical equipments such as scanners, key boards and printers. Three customers namely **Maya**, **Ravindu** and **Dayal** visited **Kusal**’s shop on 30th March 2018 and the following transactions have taken place:

• **Kusal** agreed to sell a scanner to **Maya**. He did not have the exact model of the scanner which she was looking for at the time of order, in his stocks. He promised her that he will import the exact model of the scanner after a month.

• On the same day **Ravindu** ordered a key board from **Kusal** and he delivered the said key board on the same day to **Ravindu**.

• On the same day, **Kusal** agreed to sell a printer to **Dayal** and promised to deliver it in 3 days before the New Year festival day. Although **Dayal** paid the full amount, **Kusal** has neglected to deliver the printer as agreed.

You are required to:

(i) Explain whether there is a contract of sale of goods between **Kusal** and **Maya**. (03 marks)
(ii) Explain whether there is a contract of sale of goods between **Kusal** and **Ravindu**. (03 marks)
(iii) Discuss the legal rights and remedies available to **Dayal** as a buyer. (05 marks)

---------------------------------------------------------------------------------------- End of Section D----------------------------------------------------------------------------------------
# ACTION VERB CHECK LIST

<table>
<thead>
<tr>
<th>Knowledge Process</th>
<th>Verb List</th>
<th>Verb Definitions</th>
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<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>
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<tr>
<td></td>
<td>Identify</td>
<td>Recognize, establish or select after consideration.</td>
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<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>
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<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>
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<tr>
<td></td>
<td>Explain</td>
<td>Make a clear description in detail revealing relevant facts.</td>
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<tr>
<td></td>
<td>Interpret</td>
<td>Present in an understandable terms.</td>
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<tr>
<td></td>
<td>Recognize</td>
<td>To show validity or otherwise, using knowledge or contextual experience.</td>
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<tr>
<td></td>
<td>Record</td>
<td>Enter relevant entries in detail.</td>
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<tr>
<td></td>
<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>
<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>
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<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>
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<tr>
<td></td>
<td>Prioritize</td>
<td>Arrange or do in order of importance.</td>
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<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>
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</tbody>
</table>

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<td><strong>Level 03</strong></td>
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<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>
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<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>
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<tr>
<td></td>
<td>Outline</td>
<td>Make a summary of significant features.</td>
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</tbody>
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