

EXAMINER'S REPORT**LEVEL I EXAMINATION - JANUARY 2026****(104) BUSINESS ENVIRONMENT**

As the entire question paper has been covered almost all the areas of Business Environment subject specified to the level I, the aim was to check the candidates' overall knowledge and understanding of the subject area. As a whole, most of the candidates' performance were satisfactory while others had been failed to answer well. Observing how the candidates have been answered the question paper, it had been realized that important points to prevent issues when understanding the questions and answering to obtain sufficient marks.

SECTION A**Question No. 01**

Overall areas of the subject of Business Environment have been covered from this section and almost all the candidates have been attempted this question. Most of candidates had not successfully answered the question **1.1, 1.4, 1.8, 1.16** and **1.17**. The observations regarding the questions are as follows:

- 1.1** Candidates did not aware of the maximum number of shareholders of a Private Limited Company and the have answered as 20 shareholders instead of 50.
- 1.4** Most of the candidates had not identified instrument which is not used in the Money Market and they have answered "Treasury Bills" instead of "Treasury Bonds" (3).
- 1.8** Candidates were not aware of the Blank Endorsement and marked answer number 4 instead of correct answer number (3).
- 1.16** Though the majority of the candidates had explained the "Formal Organization", they have not provided an example. Hence, the got 1 mark out of 2.
- 1.17** A few number of candidates had not identified characteristics of good money and they had answered functions of good money. The candidates who earned marks had commonly mentioned general acceptance, divisibility, durability, profitability, etc.

However, except above questions, most of the candidates have answered this part well.

As a whole, performance for this question was at a satisfactory level.

SECTION B

This section consisted with four compulsory questions. Each question had been given 10 marks.

Question No. 02

The question was based on the subject of “The Sole Proprietorship “, “Partnership” and “Limited Liability Company”.

- (a) It was requested to explain whether **DK Juice Bar** can be classified as a business. Most of the candidates identified this as a partnership business. However, some candidates identified it generally as a business organization and described its characteristics rather than relating the characteristics to the given case.
- (b) Most of the candidates correctly stated the differences between a partnership business and a sole proprietorship.
- (c) Candidates generally compared a partnership business with a private limited liability and explained its advantages in a simple manner. However, a small number of candidates had compared it with a sole Proprietorship without reading the question properly.

As a whole, performance for this question was at a satisfactory level.

Question No. 03

- (a) Candidates presented various types of insurance policies. However, some candidates answered by mentioning the two main types of insurance policies, life insurance and property insurance. This is a question that can be answered by using their general knowledge.
- (b) Most of the candidates correctly stated the principle of insurance. Indemnity, proximity case, utmost good faith & insurable interest and earned marks.
- (c) Candidates answered this question by discussing two aspects:
 - The importance of insurance to businesses.
 - The importance of insurance to economic development.

However, the examiners believe that candidates practical knowledge on the importance of insurance was comparatively low.

As a whole, performance for this question was at a satisfactory level.

Question No. 04

This question was based on a company which engages in export trade and this question tested the logistic services included in the supportive services.

- (a) Most of the candidates correctly and practically stated the factors to be considered for an effective candidate had logistic system. The correct answers provided by the candidates were transportation, cost, warehousing, packaging, inventory management, etc.
- (b) This part tested candidates practical understanding of the disadvantages that may occur in distribution if it is not properly managed. Most of the candidates answered this section from various perspectives. Majority had explained “Loss of Profits”, “Loss of Reputation”, “Increasing Legal Costs”, etc.
- (c) It was requested to explain the term “Unilateral Trade Agreement” under international trade. Only a small number of candidates had provided correct answers.

As a whole, performance for this question was at a satisfactory level.

Question No. 05

This question was based on the SMEs and Corporate Governance.

- (a) It was requested to state three ways how the performance of the given organization could enhance as a SME in Sri Lanka. This could have been answered with candidates general knowledge. However, only a small number of candidates provided specific answered.
- (b) Most of the candidates successfully explained the ways how the government influences businesses, considering practical aspects.
- (c) This part mainly expected candidates to demonstrate knowledge about fulfilling social responsibility towards stakeholders under four main sectors.

A small number of candidates did not provide full correct answers.

Majority had provided answers similar to the expected answers as per study text.

As a whole, performance for this question was at a satisfactory level.

SECTION C

Question No. 06

This question was based on the given scenario where that particular organization engaged in agribusiness initiated in export trade with multiple challenges. A vast amount of data had been given on the organizational strengths, opportunities available in the market and challenges faced by the entity internally and externally.

- (a) It was requested to assess the business environment using SWOT Analysis and majority of the students had correctly identified factors of SWOT from the case and earned marks.

- (b) Two explanations were requested as the ways how the global business environment impacts on the entity's business. Most of the candidates had attempted to give answers related to this case. Although, almost average number of students have correct answers some had not have a clear understanding on how globalization affects the business. Majority had mentioned only the general impacts of globalization and some points not directly related to this question.
- (c) Elements of transport system was requested to mention and majority had answered correctly and earned marks. However, some candidates had not read the question and understand properly and noted the advantages of transportation systems.
- (d) Candidates had properly stated the advantages of an effective transport system to the given entity and majority of the candidates earned marks.
- (e) Majority of candidates had correctly explained the social and economic benefits of entrepreneurship while very few numbers had given answers without a clear understanding on that area.

As a whole, performance for this question was at a satisfactory level.

General points to be considered in developing the level of understanding of candidates:

- (1) Candidates should study the relevant study packs before sitting for examinations.
- (2) It is very much important to practice answering past question papers and Action Verb Checklist with definitions attached to respective papers.
- (3) Candidates must read the instructions and questions carefully before answering the questions.
- (4) Do not write answers in the question paper itself and forward with the answer script.
- (5) Never try to give up compulsory questions as this habit may lead to achieve low marks.
- (6) Make use of recently published magazines, handbooks, newspapers and text books to update the knowledge.
- (7) Use a separate sheet to answer new question.

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