

**EXAMINER'S REPORT****LEVEL II EXAMINATION - JANUARY 2026****(203) BUSINESS LAW**

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The January 2026 (203) Business Law Question Paper consisted of 07 compulsory questions in three sections, namely **A**, **B** and **C**. This question paper was designed to assess the overall business law knowledge of the candidates.

General Observations from the evaluation process have been summarized as follows:

**Section - A****Question No. 01**

This question consisted of 14 OTQs for 25 marks.

This question has been attempted by most of the candidates and scored more than half of the total marks allocated to this question.

It was noted that a considerable number of candidates have failed to answer question No. **1.10** and **1.14**.

- 1.10** It was noted that few candidates lack an understanding of the nature, functions and powers of the Securities and Exchange Commission of Sri Lanka (SEC).
- 1.11** Many candidates have identified the methods that can be used to resolve international trade disputes and earned marks for this question.
- 1.12** Although candidates appeared to have a general understanding of the responsibilities of the banks relating to cheques, many failed to state these duties clearly and accurately in their answer sheets.
- 1.14** Many candidates failed to identify the functioning of the Financial Intelligence Unit in Sri Lanka.

Candidates should have a good knowledge about Civil law, Criminal law, Sale of good ordinance, international law & Negotiable instrument to obtain high marks for Section- A. Therefore, Candidates should improve their knowledge on all parts of the business law subject.

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

## Section - B

This section comprised of 5 compulsory questions each carrying 10 marks with a total of 50 marks. The performance level of majority of candidates for these 5 questions was at a satisfactory level.

### **Question No. 02**

This question has tested the knowledge on Law of Insurance. This is a fairly simple question. Most of the candidates have attempted this question and provided half correct answers.

- (a) The principle of insurable interest has been explained only by a very few candidates and applied it to the answer. Most of the candidates have mentioned utmost good faith and principle of indemnity. Though, some candidates had identified the insurable interest correctly they have failed to define it.
- (b) Most of the candidates have given correct answers for 2(b).

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

### **Question No. 03**

- (a) This question has tested the knowledge on Consumer Affairs Authority. Most of the candidates have attempted this part and have given correct answers. However, some candidates were unable to properly identify the objectives and duties of the Consumer Affairs Authority. It was observed that specific answers were not given to the questions and the objectives and functions of an institution were written in general terms.
- (b) This part has tested the knowledge of Intellectual Property. Most of the candidates have given half correct answers for this part. Students should increase their knowledge of the relevant Acts.

**As a whole, performance for this question was at an average level.**

### **Question No. 04**

This question has tested the knowledge of Law of Agency. Most candidates have attempted this question and earned marks.

- (a) Some candidates have correctly identified that **Nimal** had implied authority to sell the goods and negotiate discounted prices based on the nature of the business. Accordingly, the sale contracts are likely binding on Kumara due to **Nimal's** implied authority.
- (b) Most candidates have given correct answers for 4(b). Some candidates have mentioned law of Necessity. Most candidates have mentioned agent's duties and that occasion was a duty of **Nimal**.

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

### **Question No. 05**

This question has tested the knowledge of Company law. This is a fairly simple question. Most of the candidates have attempted this question and they have provided correct answers for 5(a), 5(b)&(c).

- (a) Many candidates are well aware of the key contents of a company's articles of association.
- (b) It was observed that many candidates answered this part of the question correctly by identifying the qualifications required to be fulfilled to become a director of a company as per the Companies Act No. 07 of 2007.
- (c) Many candidates have been unable to identify an understanding of the circumstances under which the position of director of a company is vacant.

**As a whole, performance for this question was at an average level.**

### **Question No. 06**

This question has tested the labor law. Most candidates have attempted this question and provided correct answers.

- (a) The tests used to distinguish between an “employee” and an “independent contractor” in employment law were correctly identified by many candidates and were appropriately applied in answering this question. Many candidates have correctly concluded that Priyanka was an employee.
- (b) While many candidates correctly identified the opportunities for employees to receive ETF benefits, some had confused these with EPF entitlements.
- (c) A moderate number of candidates correctly identified those not covered by the Termination of Employment Act No. 45 of 1971. However, most candidates answered in accordance with the Shops and Offices Act.

**As a whole, performance for this question was at an average level.**

## **Section - C**

### **Question No. 07**

This question is comprised of two parts.

#### **Part (A)**

This part is based on the law of contracts.

- (a) Only a moderate number of students were able to identify the elements of a valid offer. Some had written only about the contract without mentioning the offer. Some had given answers without understanding the dates.
- (b) The majority of candidates had successfully identified the ‘postal rule’ and applied it correctly.
- (c) Although many candidates mentioned the elements of an agreement, a significant number had failed to provide explanations, and some candidates skipped the question entirely.

**As a whole, performance for this question was at an average level.**

## **Part (B)**

- (a) This part is based on the Sale of Good Ordinance. Most candidates correctly identified the relevant implied terms as prescribed in the Sale of Goods Ordinance No. 11 of 1896 as well as the relevant rules governing the transfer of ownership of goods. **Nimal** was able to sue **Sunil**.
- (b) This part is also based on the sale of good ordinance. It was observed that many candidates showed limited knowledge of uncertain goods and future goods. Answers of most candidates were satisfactory for this part.

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

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As a whole performance for this paper was good. Most of the candidates have earned marks above average level for the whole paper. It was observed that candidates answers for the questions allotted low marks were too long. It was generally observed that candidates need to be more knowledgeable in each area and answer by following the guidelines on the question paper. Another observation is candidates attempted to re write question as an answer.

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### **Common matters to be considered to improve the competency level of candidates:**

- (1) Study the syllabus completely and pay special attention to frequently tested subject matters.
- (2) Read the question with due care and answer only what is asked in the question.
- (3) Action verb Check List with definitions is attached to the question paper itself and each question will begin with an action verb excluding Objective Test Questions (OTQs). Candidates should answer the questions based on the definition of the verb given in the Action Verb Check List.
- (4) Refer specially the Self-Study Texts, additional books, magazines and any other material related to this subject.
- (5) Build competencies that are necessary to correctly identify and compare the fundamental theoretical concepts when answering the question paper.
- (6) Ensure that hand writing is legible and question numbers are written accurately.
- (7) Adhere to the instructions given in the question paper.
- (8) Improve practical experience by answering past papers and comparing with suggested answers.
- (9) Pay attention to proper time management.
- (10) Re-check whether question numbers and index numbers had been recorded correctly before handing over the answer script.
- (11) Sit for the exam with prior preparation and an utmost determination to pass the exam.

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