



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

LEVEL II EXAMINATION - JULY 2025

(203) BUSINESS LAW

• **Instructions to candidates** (Please Read Carefully):

- (1) **Time Allowed:** Reading : 15 minutes.
Writing : 03 hours.

26-07-2025
Afternoon
[01.45 – 05.00]

No. of Pages : 07
No. of Questions : 07

- (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 will begin 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)

(Total 25 marks)

Question 01

Select the most correct answer for question No. **1.1** to **1.6**. Write the number of the selected answer in your answer booklet with the number assigned to the question.

1.1 Which one of the following courts has the jurisdiction relating to the final appellate?

- (1) District Court. (2) Supreme Court.
(3) Magistrate's Court. (4) High Court.

1.2 Which one of the following laws is applicable only to Tamil inhabitants of the Jaffna peninsula in northern Sri Lanka?

- (1) Muslim Law. (2) English Law.
(3) Kandyan Law. (4) Thesawalamai Law.

1.3 Which one of the following is **not** a characteristic of a negotiable instrument?

- (1) The title to the instrument may pass upon delivery.
(2) Negotiable instruments are not transferable.
(3) The holder of the instrument can sue on it in his / her own name.
(4) The transferee obtains a good title of the instrument.

1.4 Which one of the following is **not** a method of payment used in the International Trade?

- | | |
|------------------------------------|----------------------|
| (1) Bills of Exchange. | (2) Cheques. |
| (3) Payment through Open Accounts. | (4) Advance Payment. |

1.5 Which one of the following is a remedy available to the seller?

- (1) Action against the goods not delivered.
- (2) Right of re-sale.
- (3) Right to claim damages for breach of warranties.
- (4) Obtaining a specific performance.

1.6 Which one of the following is **not** correct with reference to the Law of Sale of Goods?

- (1) There must be a monetary consideration in a contract of sales of goods.
 - (2) The seller must transfer the ownership of the goods to the buyer or agree to do so.
 - (3) A contract of the sale can be made only in writing.
 - (4) There are implied conditions as well as warranties pertaining to the law of sale of goods.
- (02 marks each, 12 marks)

*State whether each of the following statements in question No.1.7 to 1.9 is **TRUE** or **FALSE**. Write the answer (True/False) in your answer booklet with the number assigned to the question.*

1.7 As per a contract of sale of goods, subject matter of the contract must be goods.

1.8 Ascertained (specific) goods refer to goods that the parties have agreed upon but have not yet properly identified.

1.9 The drawee of a bill of exchange is always a bank. (01 mark each, 03 marks)

Write short answers for question No. 1.10 to 1.14 in your answer booklet with the number assigned to the question.

1.10 State two(02) documents to be submitted by the seller to the buyer in a “CIF (Cost, Insurance and Freight) Agreement”.

1.11 State the main objective of prevention of Money Laundering Act No.05 of 2006.

1.12 Explain briefly, what is meant by an endorsement of a bill of exchange.

1.13 State two(02) functions of the Board of Investment.

1.14 State two(02) examples for negotiable instruments. (02 marks each, 10 marks)

(Total 25 marks)

End of Section A

SECTION B

(Total 50 marks)

Question 02

Minuki is an owner of a small business, selling electronic equipment. She recently appointed **Shama** as her agent to handle sales in islandwide. **Shama** was given the authority to negotiate contracts to purchase electronic equipment for resale purpose and to sign agreements on behalf of **Minuki**. One day, **Shama** entered into a contract with a supplier for a large amount of electronic equipment, but she did not inform **Minuki** about the details of the deal. Upon receiving the order, **Minuki** realized that the price is higher than what she typically paid for the same equipment. Therefore, **Minuki** had to incur a loss from this transaction.

You are required to:

- (a) **Explain** whether **Minuki** is bound by the contract signed by **Shama** under the Law of Agency in the above context. (04 marks)
 - (b) **Explain** whether **Minuki** can recover the costs of damage from **Shama**. (06 marks)
- (Total 10 marks)

Question 03

Ann joined a private limited company on 01st April 2016 for a salary of Rs.100,000/-. She got an opportunity to work in a BPO Company from 01st July 2025. Hence, she has submitted her letter of resignation with effect from 30th June 2025. Her last month salary was Rs.300,000/-.

You are required to:

- (a) **Calculate**, **Ann's** gratuity entitlement at the time of resignation. (04 marks)
 - (b) **State** three(03) types of leave entitled by employees under the Shop and Office Employees Act No. 19 of 1954. (03 marks)
 - (c) **Identify** three(03) human rights that employees are entitled in a work place. (03 marks)
- (Total 10 marks)

Question 04

Samantha owns a small retail store in Colombo. She obtained an insurance policy from **Secure Insurance Ltd.** to protect her store against theft and property damages. While completing the insurance application, she was asked whether her store has a functional CCTV camera system. She has mistakenly stated "Yes", believing that all the cameras installed a few years ago are still operating in a good condition. However, the CCTV system is not functioning properly since last three months and she had not checked or repaired it.

A few months later, a burglary occurred in **Samantha's** store and she submitted a claim to **Secure Insurance Ltd.** for the loss incurred. During the investigation, the insurance company discovered that the CCTV system was not functioning at the time of the burglary. Further, it was revealed that it did not function when obtaining the insurance policy.

You are required to:

- (a) **Discuss** whether **Samantha** could recover the insurance claim for the loss on burglary from **Secure Insurance Ltd.** (04 marks)
 - (b) **Explain** the “Principle of Subrogation” in insurance. (03 marks)
 - (c) **State** three(03) elements of a contract of an insurance. (03 marks)
- (Total 10 marks)

Question 05

Amara is a young entrepreneur who established **XYZ (Pvt) Ltd.**, a company specialized in property management. Though she is the sole shareholder and the director of the company, she follows all legal formalities. **XYZ (Pvt) Ltd.** obtained a loan of Rs.500,000/- from **National Bank** for the expansion of the business. Unfortunately, due to an economic downturn, the company struggled financially and defaulted on the instalment payments of the bank loan.

The bank filed a lawsuit against **Amara** personally, arguing that since she owns the company entirely, she should be responsible for repayment of the loan.

You are required to:

- (a) **Explain** whether **Amara** is personally liable for **XYZ (Pvt) Ltd.**'s debts, with reference to the principle of “separate legal personality”. (04 marks)
 - (b) **List** three(03) statutory books and registers that a company should keep. (03 marks)
 - (c) *“A company should undertake any business or activity, do any act or enter into any transaction based on the Articles of the Association of the Company.”*
Explain whether you agree with the above statement. (03 marks)
- (Total 10 marks)

Question 06

A small village in Haputale is famous for producing a unique type of tea, “**Haputale-Tea**” known for its distinct flavour due to the specific climate and soil conditions of the region. A tea producer from Galle District began to market a similar tea under the same name, claiming it comes from Haputale. Tea producers of Haputale village are concerned that this misrepresentation could harm their reputation and sales.

You are required to:

- (a) **Explain** the following intellectual properties protected under the Intellectual Property Act:
- (i) Trade Mark.
 - (ii) Patent. (04 marks)
- (b) **Explain** how the tea producers of Haputale village can use Intellectual Property Law to protect the unique identity of their tea from being misused by the producer of Galle District. (06 marks)
- (Total 10 marks)
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End of Section B

SECTION C

(Total 25 marks)

Question 07

- (A) **Dinuka** and one of his friends, **Hasini**, attended a much-anticipated musical show at an Indoor Stadium in Colombo. The event featured popular Sri Lankan and international artists, attracting a large crowd.

Dinuka parked his car in the park of the stadium with the direction of parking attendant. The parking attendant informed **Hasini** and **Dinuka** that organizers do not take responsibility for theft or damage to vehicles parked there. Before entering the venue, they purchased their tickets at the ticket counter.

As they received their tickets, the cashier pointed them to a note mentioned in the ticket:

“By purchasing this ticket, you agree that the event organizers are not responsible for any lost or stolen belongings inside the venue.”

At the entrance, another board was prominently displayed, stating:

“The event organizers will not be responsible for any lost, theft or damage to personal belongings inside the stadium.”

Inside the stadium, **Hasini** noticed a promotional stall showcasing of **ABC Music Centre** stating that limited-edition of Compact Disks (CDs) of a famous Sri Lankan artist are available in the stall priced at Rs.12,500/- per disk. As a passionate music creations collector, she was eager to buy a compact disk. However, when she approached the staff of the promotional stall to purchase it, they informed her that those CDs were not for sale but only for display purposes.

After the show, **Dinuka** and **Hasini** returned to the parking lot, they found that **Dinuka's** car window had been broken and his laptop was also missing. **Hasini** later realized that her mobile phone, which she had placed in her handbag before the concert, was missing.

You are required to:

- (a) **Explain** whether there is a valid contract between **Hasini** and **ABC Music Centre** for the limited-edition Compact Disks (CDs). (04 marks)
- (b) **Discuss** the legal rights of **Dinuka** and **Hasini** against the event organizers for their lost belongings. (07 marks)
- (c) **Explain** the legal obligations of the event organizers regarding the lost items of the audience. (04 marks)

(B) **Mala**, a freelance graphic designer, decided to purchase a high-performance laptop for her work. She visited a well-known electronics store and informed the sales representative that she needed a laptop suitable for graphic designing and video editing, with high processing power and excellent display quality. The sales representative assured her that a particular model would meet all her professional requirements.

Following this advice, **Mala** purchased the laptop without conducting a detailed inspection. However, after setting up the laptop at home, she encountered the following multiple issues:

- (1) The display resolution was subpar, making it difficult to work on high-quality designs.
- (2) The laptop frequently overheated, making it unsuitable for video editing.
- (3) After two weeks of use, the battery stopped charging properly, further disrupting her work.

Frustrated, **Mala** contacted the store, but they refused to accept a return or provide a refund, claiming that the product was already sold.

You are required to:

Explain the legal rights of **Mala** covering the following areas relating to facts in the above scenario:

- (a) Breach of implied conditions under the Sale of Goods Ordinance.
 - (b) Legal remedies available to **Mala**. (10 marks)
- (Total 25 marks)

End of Section C

ACTION VERBS CHECK LIST

Level of Competency	Description	Action Verbs	Verb Definitions
Knowledge (1)	Recall Facts and Basic Concepts.	Draw	Produce a picture or diagram.
		Relate	Establish logical or causal connections.
		State	Express details definitely or clearly.
		Identify	Recognize, establish or select after consideration.
		List	Write the connected items.

Level of Competency	Description	Action Verbs	Verb Definitions
Comprehension (2)	Explain & Elucidates Ideas and Information.	Recognize	Show validity or otherwise, using knowledge or contextual experience.
		Interpret	Translate into understandable or familiar terms.
		Describe	Write and communicate the key features.
		Explain	Make a clear description in detail using relevant facts.
		Define	Give the exact nature, scope or meaning.

Level of Competency	Description	Action Verbs	Verb Definitions
Application (3)	Use and Adapt Knowledge in New Situations.	Reconcile	Make consistent / compatible with another.
		Graph	Represent by graphs.
		Assess	Determine the value, nature, ability or quality.
		Solve	Find solutions through calculations and/or explanation.
		Prepare	Make or get ready for a particular purpose.
		Demonstrate	Prove or exhibit with examples.
		Calculate	Ascertain or reckon with mathematical computation.
		Apply	Put to practical use.

Level of Competency	Description	Action Verbs	Verb Definitions
Analysis (4)	Draw Connections Among Ideas and Solve Problems.	Communicate	Share or exchange information.
		Outline	Make a summary of significant features.
		Contrast	Examine to show differences.
		Compare	Examine to discover similarities.
		Discuss	Examine in detail by arguments.
		Differentiate	Constitute a difference that distinguishes something.
		Analyze	Examine in details to find the solution or outcome.