

**EXAMINER'S REPORT**  
**AA2 EXAMINATION - JANUARY 2017**  
**(AA25) BUSINESS LAW AND ETHICS**

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**Part A**

**Question No. 01**

This question consisted of 10 OTQs. for 20 marks.

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

It was noted that many candidates had failed to answer the question no. **1.3, 1.5** and **1.8**.

In question number **1.3**, some candidates have ignored the fact that the irrelevant function of the Securities and Exchange Commission of Sri Lanka was expected as the answer. AS a result, they have marked the incorrect answers by selecting the functions of the Securities and Exchange Commission of Sri Lanka.

Some candidates have given incorrect answers for question number **1.5** because they have mixed up the remedies available to a buyer with remedies available to a seller in a Sale of Good Contract in answering.

For question number **1.8**, many candidates have failed to state two (02) types of intellectual properties recognized under the Intellectual Property Act No.36 of 2003 although this was a simple and straightforward question.

Candidates should possess an overall understanding of the entire syllabus to obtain high marks for the **Section A**.

**On the whole performance of the candidates on this question was satisfactory.**

**Part B**

**Question No. 02**

This question was based on the International Trade and required to explain how the letter of Credit Method is operated. Most of the candidates have failed to understand the question correctly and minimal numbers of candidates have explained the letter of credit method correctly. Some of the candidates have provided irrelevant answers such as benefits of letter of credit method, other methods of payments in international trade.

**As a whole, the performance for this question was not satisfactory.**

**Question No. 03**

The question tested on negotiable instruments providing a practical scenario. Most of the candidates have attempted this question and provided satisfactory answers. But certain candidates have provided irrelevant answers relating to crossing of cheques, bank procedures relating to cheques with crossings instead of explaining the effect of crossing as "Not Negotiable" in the given scenario. Certain candidates have not earned marks because they have merely stated whether **D** is entitled to claim the amount of cheque or not without explaining the legal background.

**As a whole, the performance for this question was fairly satisfactory.**

### Question No. 04

It was required to state three (03) offences covered under the Computer Crimes Act. No. 24 of 2007 from part (a) and two (02) other legal statutes prevailing in Sri Lanka regarding Information communication technology from part (b) of this question. Most of the candidates have attempted this question. Certain candidates have scored fewer marks for part (a) of this question due to the fact that they have mentioned several irrelevant points or repeating the same offence by giving the examples. Some have stated irrelevant and incorrect legal statutes for part (b) in relation to legal statutes prevailing in Sri Lanka regarding Information communication technology.

**On the whole, the performance for this question was satisfactory.**

### Question No. 05

This question was based on the gratuity entitlement of employees. Some of the candidates have scored well. Majority of the candidates failed to state two (02) criteria to be fulfilled by an employee to get entitled to gratuity payment at the date of resignation. They have just given general and irrelevant answers, without referring to the legal provisions.

From part (b), it was required to calculate the amount to be paid to **Dilan** as the gratuity assuming that he is entitled for the gratuity payment. Some have taken the full month salary erroneously instead of taking half month salary to calculate the gratuity payment. Some have made the arithmetical errors in calculating the gratuity entitlement.

**On the whole, the performance for this question is not satisfactory.**

### Question No. 06

This question was to explain what is meant by “Independence” as a fundamental principle of professional ethics. It was observed that some of the candidates were not familiar with this topic and provided completely irrelevant and incorrect answers. Many candidates have ignored the fact that the independence has two facets. One being independence of mind and the other being independence in appearance. Some of the candidates have explained the meaning of Independence in general terms without explaining it is as a fundamental principle of professional ethics.

**On the whole, the performance for this question was not satisfactory.**

## Part C

### Question No. 07

Part (a) of this question was to test the knowledge of candidates regarding the Law of Insurance. There were certain instances noted where candidates have only mentioned whether **Saparamadu** is entitled to receive the compensation under the insurance policy from **XYZ Insurance Ltd.** or not, without giving proper facts to justify the answer in relation to the relevant concepts of the Law of Insurance. Certain candidates have not related this case with the indemnity concept in insurance in explaining their answers and have applied irrelevant concepts of insurance. It is utmost necessary to understand the question properly before answering.

Part (b) was a fairly simple question and required to state four (04) characteristics of a cheque. Many candidates have answered well for this part and obtained high marks. Some of the candidates have explained the characteristics of a cheque in detail although the question has clearly specified to “State”. Candidates should understand what is expected from the question before answering.

**On the whole, the performance of this question was satisfactory.**

### **Question No. 08**

The majority of the candidates have given suitable answers for the question on explaining the requirements to be satisfied in converting sole proprietorship business into a private limited liability company for part (a) and explaining three (03) features of a private limited liability company for part (b). Only a few candidates had made mistakes in answering this question.

Certain candidates have not specified the documents related to the incorporation of a private limited liability company in explaining the requirements to be satisfied in converting sole proprietorship business in to a private limited liability company for part (a). A handful of candidates have incorrectly explained features of a public limited company instead of explaining features of a private limited liability company for part (b) of the question.

**On the whole, the performance for this question was satisfactory.**

### **Question No. 09**

This question tested the knowledge on law of agency. Many candidates have scored well for both part (a) and part (b). It was required to explain whether ex-principal is liable for contracts entered by the ex-agent in the given scenario. Certain candidates have failed to identify the principal agent relationship by estoppel has arisen in the given scenario. It was observed that a handful of candidates have just written whether **Silva** is entitled to claim compensation from **Kumar** or not without rationalizing the answer based on the given facts in the scenario and correct theoretical base. Majority of the candidates were successful in stating four (04) duties of an agent for part (b).

**On the whole, the performance for this question was satisfactory.**

## **Part D**

### **Question No. 10**

This question comprised of 2 parts.

Part (a) of the question was to discuss the legal right of **B**, referring to the given scenario based on postal contract under Law of Contracts. This part has been answered well by majority of the candidates. However, there were certain candidates who have just mentioned the facts given in the question itself as the answer, without referring to the Law of Contracts. Those candidates have not reached at a conclusion about the legal right of **B** in the given scenario. Certain candidates have ignored the fact that the postal rule has to be applied since the parties intend the means of acceptance as the post.

**On the whole, the performance for this part of the question is satisfactory.**

Part (b) of the question was to discuss whether **Kamal** should bear the loss of 100 computers based on the facts given in the scenario. This was relating to Sale of Goods Ordinance. Majority of the candidates have failed to identify the correct legal facts relating to existing goods, unascertained goods and specific goods in relation to the given scenario. As a result, they had failed to arrive at a conclusion with supportive facts. This question has been very poorly answered by majority of the candidates. In most of the cases candidates have given irrelevant facts and in some other cases they have reproduced the facts given in the question itself as the answer. Some candidates have mixed up that this scenario has been tested under the law of contracts.

**On the whole, this part of the question was the question where majority of the candidates have gone wrong.**

**Common facts to consider in order to improve the competency level of the exam candidates:**

1. Study of the syllabus completely and thoroughly and paying high concentration on new subject matters.
2. Should not write unnecessary explanations/details when it is expected to write certain and direct answers after reading the question several times.
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 Text, books, manuals, letters, magazines and any other material related to this subject.
5. Build competencies that are necessary to correctly identify and compare fundamental theoretical concepts, when answering.
6. Should ensure that hand writing is legible and question numbers are placed accurately and accordingly.
7. Adhere to the instructions given in the paper.
8. Improve your knowledge by referring past papers and answers.
9. Proper time management.
10. Properly check whether question numbers are placed accordingly before handing over of the answer scripts.
11. Sit for the exam with prior a preparation and an utmost expectation of getting through.

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