



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

LEVEL II EXAMINATION - JANUARY 2021

(203) BUSINESS LAW

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

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

20-03-2021
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 court has the jurisdiction relating to Fundamental Rights?

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

1.2 Which one of the following is the common law in Sri Lanka?

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

1.3 Which one of the following is a document submitted by the seller to the buyer in a CIF Agreement?

- (1) Bill of lading. (2) Invoice.
(3) Insurance certificate. (4) All of the above.

1.4 Select the correct statement with reference to “Acceptance” as per the Contract Law:

- (1) Acceptance is a conditional assent made by the offeree to the offeror.
- (2) Acceptance is a conditional assent made by the offeror to the offeree.
- (3) Acceptance is an unconditional assent made by the offeree to the offeror.
- (4) Acceptance is an unconditional assent made by the offeror to the offeree.

1.5 According to the Companies Act No. 07 of 2007, a person is **not** qualified to be appointed as a director, if that person is:

- (a) Under 18 years old.
- (b) Adjudged to be of unsound mind.
- (c) A Director of another company.
- (d) An undischarged insolvent.

Of the above, the correct statements are:

- (1) **(a), (b)** and **(c)** only.
- (2) **(a), (b)** and **(d)** only.
- (3) **(b), (c)** and **(d)** only.
- (4) **(a), (c)** and **(d)** only.

1.6 Which one of the following is **not** correct with reference to the “Bill of Lading”?

- (1) It acts as a receipt for shipped goods.
- (2) It is a method of payment used in international trade.
- (3) It is used to prove the ownership of the goods.
- (4) It includes quantity, size and weight 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 Contractual capacity of parties is an element of a valid contract.

1.8 Assisted contracts are generally not valid, and they are not binding on minors.

1.9 Any amount of money misappropriated by the workman during the course of employment, could not be deducted from the gratuity payable amount.

(01 mark each, 03 marks)

Write short answers for question Nos. 1.10 to 1.14 in your answer booklet with the number assigned to the question.

1.10 State two(02) remedies available for a seller under the “Sale of Goods Ordinance”.

1.11 State two(02) fundamental elements of a contract for sale of goods.

1.12 State two(02) methods by which an offer gets rejected.

1.13 List two(02) rights which can be enjoyed by an owner of a registered Trademark.

1.14 State two(02) main dispute resolution methods that can be used to resolve an international trade dispute. (02 marks each, 10 marks)

(Total 25marks)

End of Section A

SECTION B

(Total 50 marks)

Question 02

Following the outbreak of the COVID-19 pandemic, most people believe that Turmeric (a traditional spice in Sri Lanka as well as in Asia) possesses antiviral properties. This automatically increased the demand for authentic Sri Lankan Turmeric. **Sanjaya**, a Turmeric farmer, agreed to sell **Banda**, a local seller, 500 bags of Turmeric described as “Sri Lankan grown Turmeric”. When **Banda** visited **Sanjaya’s** Turmeric warehouse, **Sanjaya** showed him a sample of the same Turmeric. After delivering the agreed 500 Turmeric bags, **Banda** discovered that only 200 bags of total stock were similar to the sample shown and the remaining 300 bags were imported from India and not Sri Lankan grown.

In the meantime, another buyer, **Amaris** contracted with **Sanjaya** via telephone and requested 1000 bags of Turmeric from him. In their telephone conversation, **Sanjaya** described that he sells Turmeric as “Sri Lankan grown Turmeric”. **Amaris** was never shown a sample of the Turmeric by **Sanjaya**. After the ordered Turmeric had been delivered, **Amaris** realised that all the bags of Turmeric were originated in India.

You are required to:

(a) **Explain** the legal rights of **Banda** against **Sanjaya**. (06 marks)

(b) **Explain** the legal rights of **Amaris** against **Sanjaya**. (04 marks)

(Total 10 marks)

Question 03

Siripala, a buffalo farmer who lives in Polonnaruwa, handed over 10,000 curd pots to the Railway Department at Polonnaruwa Station in order to be transported to Colombo. On the way to Colombo, the train which carried the curd pots was unfortunately derailed in a remote area on the outskirts of Kekirawa. The train driver realized that it would take 4 to 6 days to repair the rail road and he made all possible efforts to contact **Siripala** but it was unsuccessful in doing so. Then, the train driver sold all 10,000 curd pots locally, below their actual value, because the curd began to spoil due to the delay in transporting it. Later, train driver sent money received from sale of 10,000 curd pots to **Siripala**. However, **Siripala** is planning to take legal action against train driver claiming the losses incurred by him.

You are required to:

Discuss whether the train driver is liable to pay for the losses incurred by **Siripala**. (10 marks)

Question 04

A, B and **C** are in a partnership business, to plan and decorate events including weddings and birthday parties. **A** proposed to buy a reception hall for the purpose of renting out for events and parties by obtaining a loan from **PQ Finance Ltd**. **B** gave his consent for **A's** proposal, whereas **C** refused to give his consent. As discussed, **A** and **B** obtained the loan and bought the reception hall. However, few months later, due to the COVID-19 pandemic, the demand for events and related decorations have been reduced and the partnership went bankrupt. **PQ Finance Ltd**. filed an action to recover the debt naming all three partners as defendants.


C is in the view that, as he has not signed the loan agreement, he is not liable to pay the loan obtained by **A** and **B**.

You are required to:

- (a) **Discuss** the validity of **C's** view. (07 marks)
 - (b) **State** three(03) instances where the court can dissolve a partnership. (03 marks)
- (Total 10 marks)

Question 05

Consider the following Bill of Exchange:

03.06.2020
To: Sitha Ranawaka Perera, No. 75, Nawala Road, Rajagiriya.
Pay to Rajiv Silva a sum of rupees eighty thousand (Rs.80,000/-) for value received.
 Ranjan Sivaganesh

You are required to:

- (a) **Identify** the main parties involved in the above Bill of Exchange. (03 marks)
 - (b) **State** four(04) features of a valid bill of exchange. (04 marks)
 - (c) **Identify** three(03) differences between a bill of exchange and a cheque. (03 marks)
- (Total 10 marks)

Question 06

Amidst COVID-19 global pandemic, the relevance of the electronic transactions has become more prominent in the day to day life of general public in the country and simultaneously, the number of reported cyber related offences has also been risen drastically. Law enforcement officials are trying their level best to address the situation within the existing legal framework of Sri Lanka. Electronic Transactions Act No.19 Of 2006 is one of the main legal act which helps to regulate this field.

Further, due to the global pandemic, there were restrictions in importing certain products to Sri Lanka. As a result, some traders have done various malpractices when selling goods.

You are required to:

- (a) **State** three(03) objectives of Electronic Transactions Act in Sri Lanka. (03 marks)
- (b) **Identify** two(02) articles/legal instruments which have been excluded from the scope of application of Electronic Transactions Act No. 19 of 2006. (02 marks)
- (c) **Explain** three(03) functions / duties of Consumer Affairs Authority Act No. 09 of 2003. (05 marks)

(Total 10 marks)

End of Section B

SECTION C

(Total 25 marks)

Question 07

(A) **Dinu** and **Ram** planned to have their wedding on 15th October 2020 and they booked a beach hotel by paying half of the amount of the hotel in January 2020. There was nothing in writing as to the terms and conditions of the agreement between both parties, but **Dinu** kept the receipt of down payment safely in a file. However, due to the second wave of COVID-19 outbreak in the country, the government imposed a ban on conducting any private functions since 13th October 2020 until further notice. **Dinu** and **Ram** decided to cancel the reception and just registered the marriage on the same date. When **Dinu** informed the manager of the hotel regarding the cancellation on the same date, he refused to return the money paid by the couple. **Dinu's** brother **Sam** has gifted a car for wedded couple.

Ram is an IT Engineer and he wanted to apply for a motor insurance cover for his new car, from **Janahitha Insurance Co.** When filling the application, it was inquired "Have you or any other person who will drive been ever convicted for any offence in connection with the driving of a motor car?". However, **Ram** answered the above question saying "No", though he was convicted for 5 years for a technical offence. **Janahitha Insurance Co.** rejected his application.

In the meantime, he was obtained a full insurance cover for his car from **Sahana Insurance Co.** However, after few months from obtaining the cover, his car was damaged by a protest of people.

You are required to:

- (a) **Discuss** the remedies available to **Dinu** and **Ram** regarding the down payments they made. (07 marks)
- (b) **Explain** whether **Janahitha Insurance Co.** can reject the application made by **Ram**. (05 marks)
- (c) **Explain** the legal rights of **Ram** regarding the car damage. (05 marks)

(B) **Hameed** is working for **Foodmart**, a medium scale supermarket as a cashier since 15th November 2020. **Foodmart** has only 10 employees, including 2 Cashiers, 5 Sales Reps, 1 Security Officer, 1 Cleaning Staff and a Manager. On the 01st March 2021 the manager noticed that the cash in hand balance of **Hameed** was less, when comparing with the balance that should have been with him as per the accounting system. The manager of the **Foodmart** suddenly blamed **Hameed** and terminated his employment and asked him to leave the place immediately without conducting a proper internal disciplinary inquiry.

You are required to:

Discuss the legal rights of **Hameed** in terms of Termination of Employment of Employees (special provisions) Act No. 19 of 1954. (08 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.