



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

LEVEL II EXAMINATION - JANUARY 2023

(203) BUSINESS LAW

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

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

(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.

25-02-2023

Afternoon

[01.45 – 05.00]

No. of Pages : 07

No. of Questions : 07

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 law operates as the residual law of Sri Lanka?

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

1.2 Which one of the following is **not** a power of the High Court?

- (1) Fundamental Jurisdiction. (2) Appellate Jurisdiction.
(3) Testamentary Cases. (4) Arbitration Cases.

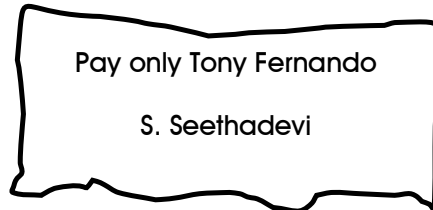
1.3 Which one of the following is **not** a characteristic of a negotiable instrument?

- (1) The holder can sue on it in his own name.
(2) Transferee obtains a defective title when the title of the transferor is defective.
(3) Title to the instrument may pass on delivery and endorsement.
(4) No notice to be given to the person who is liable to pay regarding the transferring an instrument.

1.4 Which one of the following is a document to be submitted by the seller to the buyer in a CIF agreement?

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

1.5 Consider the following endorsement:



The above depicted endorsement is known as:

- (1) a special endorsement. (2) a restrictive endorsement.
(3) a blank endorsement. (4) a conditional endorsement.

1.6 As per the Sale of Goods Ordinance, when the goods are sold by sample;

- (a) buyer shall have a reasonable opportunity of comparing the bulk with the sample.
(b) the bulk shall be free from any defect other than those were present in the sample.
(c) the bulk shall correspond with the sample in general.

Of the above, the correct statements as per the implied condition that the goods shall be corresponded with the sample are:

- (1) (a) and (b) only. (2) (a) and (c) only.
(3) (b) and (c) only. (4) All of the above.

(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 Inquiring and conducting investigations into activities of a trustee of a unit trust is one of the functions of the Securities & Exchange Commission.

1.8 Letter of Credit can be identified as a condition of acceptance of the payment upon receipt of determined documents to the exporter.

1.9 Under a cheque, “drawer” is the bank on whom the cheque is drawn.

(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 Explain briefly, what is meant by consent defence in money laundering.

1.11 State two(02) importances of a Bill of Lading.

1.12 State two(02) types of crossing in a cheque.

1.13 State two(02) remedies available to a buyer under the Sale of Goods Ordinance.

1.14 State two(02) types of companies to be registered under the Companies Act No. 07 of 2007. (02 marks each, 10 marks)

(Total 25 marks)

End of Section A

SECTION B

(Total 50 marks)

Question 02

Nimal brought a motor car from **Sri-Lak Enterprises**, in January 2022 under a hire purchase agreement to pay the agreed price in 60 monthly installments. In September 2022, the car met with an accident and **Nimal** had to use alternative transportation to go to work. Therefore, **Nimal** did not pay the agreed installments for 6 months as agreed. **Sri-Lak Enterprises** is keen on recovering the possession of the motor car and they have employed two people to bring back the car. Meanwhile, **Nimal** is trying to resell the vehicle to a third party, as the selling prices of the motor vehicles have gone up drastically.

You are required to:

(a) **Explain** the legal rights and duties of **Nimal** in this regard. (05 marks)

(b) **Explain** the legal rights and obligations of **Sri-Lak Enterprises**. (05 marks)

(Total 10 marks)

Question 03

Law of agency recognizes different forms of agency created by implied means. One way of creating an agency between a principal and an agent is by ratification. When an agent has acted outside the authority granted, the principal is not bound by the actions carried out by his agent. However, principal can choose to ratify such action and grant legal authority by way of ratification.

You are required to:

(a) **Explain** two(02) relevant rules governing ratification with a suitable example for each.

(06 marks)

(b) **State** four(04) pre-requisites to be fulfilled for the creation of agency by necessity.

(04 marks)

(Total 10 marks)

Question 04

Azar and **Ameer** started a partnership business, **A&A** to sell sports items for cricketers. They both worked together to develop their business which basically imports cricket items from India. However, **Azar** found that though **Ameer** has purchased cricket bats at a discounted price from **Bat-Man Ltd.** of India, he has sold it to the **A&A** business at the existing market price which is 40% higher than the price at which he bought them. **Ameer** earned a secret profit out of this transaction, and he did not share it with **Azar** as well.

You are required to:

- (a) **Explain** the duties breached by **Ameer** as a partner. (04 marks)
 - (b) **Explain** the legal rights of **Azar** in this regard. (04 marks)
 - (c) **State** two(02) instances in which the court can order a dissolution of the partnership. (02 marks)
- (Total 10 marks)

Question 05

Various regulations have been introduced to protect consumers regardless of the way they perform their transaction. Sri Lankan consumers are protected by the laws and regulations stated in the Consumer Affairs Authority Act No. 9 of 2003. The Computer Crimes Act No.24 of 2007 is also an important act operated in Sri Lanka.

You are required to:

- (a) **Explain** two(02) objectives of the Consumer Affairs Authority which established under the Consumer Affairs Authority Act No 09 of 2003. (04 marks)
 - (b) **Identify** the purpose of the Computer Crimes Act. (03 marks)
 - (c) **State** three(03) offences covered under the Computer Crimes Act. (03 marks)
- (Total 10 marks)

Question 06

Darshi bought 1,000 kg of sugar from **Yaso** on Monday. When **Yaso** prepared to deliver them, **Darshi** requested **Yaso** to keep the stock of sugar in **Yaso's** warehouse until **Darshi** comes and takes them to her warehouse. On Tuesday night, there was a heavy storm in the area and **Yaso's** warehouse got flooded. Sugar stock was damaged due to flood. Therefore, **Darshi** claimed money back and refused to take the sugar stock.

You are required to:

- (a) **Discuss** the legal rights of **Darshi** and **Yaso** under the Sale of Goods Ordinance. (06 marks)
 - (b) **Explain** two(02) circumstances under which an unpaid seller is permitted to re-sale the goods. (04 marks)
- (Total 10 marks)

End of Section B

SECTION C

(Total 25 marks)

Question 07

- (A) **Mr. Ginikana**, a recently retired lawyer who lives in Colombo, decided to move to remote area in Monaragala. **Mr. Ginikana** will be moving to this new place at the end of 2023. Therefore, he will no longer need his car, a five year old Benz. On 11th Sunday of December 2022, he placed an advertisement in the notice board of court premises.

FOR SALE

Benz-1948 in excellent condition.

Will be sold to the first person who sends notice in writing that he wish to buy it for Rs. 3 Million to the following address:

666, Hulftsdorp, Colombo-12.

On 12th Monday morning, **Mr. Ginikana** rings **Ms. Kalpana**, a newly qualified lawyer and offers his car to her with the same details on the advertisement. On the same day, she posts a letter stating that she wants to buy **Mr. Ginikana's** car on next 16th Friday morning. This letter was reached to Colombo-12 address by 14th Wednesday.

On 12th Monday morning, when **Ms. Podimenike**, **Mr. Ginikana's** junior lawyer, saw the advertisement in the notice board and posted a postcard to **Mr. Ginikana** on the same day stating that she is willing to pay Rs. 3 million for the car. **Mr. Ginikana** received the postcard on 13th Tuesday.

On 13th Tuesday evening **Mr. Ginikana** went for a dinner with **Mr. Wilfried** and while having the dinner, **Mr. Ginikana** promised to sell the car to **Mr. Wilfried** for Rs.2.5 million.

You are required to:

- (a) **Explain** whether there is a valid contract between **Ms. Kalpana** and **Mr. Ginikana**.
(05 marks)
- (b) **Explain** whether there is a valid contract between **Ms. Podimenike** and **Mr. Ginikana**.
(05 marks)
- (c) **Explain** the legal rights of **Mr. Wilfried**.
(05 marks)

(B) A lady mechanical engineer, **Suraksha**, had joined **Sure Insurance Corporation Ltd.** as a professional Motor Assessor as she was found to be suitable to carry out inspections, assessments and investigations connected with motor insurance claims made by the customers to **Sure Insurance Corporation Ltd.** **Suraksha** joined the **Sure Insurance Corporation Ltd.** on 01st June 2020. According to the contract entered into between parties, **Suraksha** was bound to work for the benefit of **Sure Insurance Corporation Ltd.** If she fails to do so, the company has the ability to terminate the employment. **Suraksha** should report to the office before 9.30 am every day. **Sure Insurance Corporation Ltd.** provided all necessary equipment to assessors and re-imbursed the transport and other relevant expenses with regard to valuations.

Two years later, on 18th June 2022, **Sure Insurance Corporation Ltd.** had terminated the service of **Suraksha**. In this juncture, **Suraksha** argued that she was an employee of the company. However, company said she is an independent contractor.

You are required to:

- (a) **Explain** the difference between an employee and an independent contractor referring to applicable tests. (05 marks)
- (b) **Discuss** whether **Suraksha** could claim her position as an employee against **Sure Insurance Corporation Ltd.** (05 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.