



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

LEVEL II EXAMINATION - JULY 2024

(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.**

10-08-2024

Afternoon

[01.45 – 05.00]

No. of Pages : 06

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 courts has the prime instance criminal jurisdiction in Sri Lanka?

(1) Supreme Court.

(2) Court of Appeal.

(3) Magistrate's Court.

(4) District Court.

1.2 Which one of the following is a fundamental element according to a contract for sale of goods?

(1) The subject matter of the contract must be goods.

(2) The seller must transfer the ownership of the goods to the buyer.

(3) The agreement must be underlined by monetary consideration.

(4) All of the above.

1.3 Which one of the following is **not** a non-judicial resolution in international trade?

- (1) Arbitration. (2) Mediation.
(3) Chamber of Commerce. (4) International Laws.

1.4 You are provided the following example for an endorsement of a bill of exchange:

Pay only receipt is signed
N.S. Perera

The above endorsement of the bill is:

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

1.5 Which one of the following is a method of terminating a contract?

- (1) By performance. (2) By breach.
(3) By frustration. (4) All of the above.

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

- (1) It acts as a receipt for shipped goods.
(2) It includes quantity, size and weight of goods.
(3) It is used as a payment method in international trade.
(4) It is used to prove the ownership of the 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 The court of appeal has the jurisdiction to interpret the constitution.

1.8 There are remedies available to a seller against goods under the sale of goods ordinance.

1.9 A cheque is not a bill of exchange. (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) powers of the supreme court.

1.11 State the difference between the “General Crossing” and the “Special Crossing”.

1.12 State two(02) duties of the Consumer Affairs Authority.

1.13 State two(02) responsibilities of a seller of a CIF (Cost, Insurance and Freight) Agreement.

1.14 List two(02) examples for non-negotiable instruments. (02 marks each, 10 marks)

(Total 25 marks)

End of Section A

SECTION B

(Total 50 marks)

Question 02

Bandara is a Lawyer by profession and he is conducting a foreign visa consultancy firm. **Videshika** has been authorized to manage the business activities of **Bandara's** firm. As a part of their contract document, **Videshika** was instructed not to advise or handle any visa matter relating to France. But, **Videshika** advised **Frank** and handled his visa issue with France at a high rate. Unfortunately, it went wrong due to **Videshika's** fault and **Frank** claimed compensation from **Bandara**. However, **Bandara** refused to pay the compensation.

You are required to:

- (a) **Explain** the nature of the agency relationship between **Bandara** and **Videshika**. (04 marks)
- (b) **Explain** whether **Frank** could claim compensation from **Bandara**. (06 marks)
- (Total 10 marks)

Question 03

- (a) **A, B** and **C** are partners of **ABC Partnership**. **Cooray Ltd.** is a competitor of **ABC Partners**. **B** has given a bribe to marketing manager of **Cooray Ltd.** to obtain confidential information of their clients and provided those to **ABC Partnership**. The chairman of the **Cooray Ltd.** got to know that the marketing manager was bribed by one of partners of **ABC Partnership** and the company filed a case against all the partners of **ABC Partnership**.

You are required to:

Discuss liability of partners of **ABC partnership** in this regard. (06 marks)

- (b) The applicable law in Sri Lanka for companies is the Companies Act No. 07 of 2007. The company has different features and the legal personality is one of its features.

You are required to:

Explain the concept of legal personality with reference to a company. (04 marks)

(Total 10 marks)

Question 04

Malini is the wife of a well-known Drama producer, **Professor Gamini**. In 1985, he produced a well-known stage drama, "Bari-Nana" and presented it in public. In 2010, **Professor Gamini** died and consequently, **Malini** continued her husband's drama works. In 2015, the "Bari-Nana" drama was selected as a part of G.C.E. (A/L)'s Sinhala subject by the Department of Education. One of the famous Sinhala tuition masters, **Anil** printed the script of this drama as a book, "Beri-Nena" and sold the same to his tuition students at a considerable price.

Malani took legal action against **Anil** on publishing this book.

You are required to:

- (a) **State** four(04)Intellectual Properties protected under the Intellectual Property Act No. 36 of 2003. (04 marks)
- (b) **Explain** whether **Malani** can succeed with her legal action against **Anil**. (06 marks)
(Total 10 marks)

Question 05

Perera has obtained two insurance policies to cover his house for fire from **ZZ Insurance Ltd.** for Rs.5,000,000/- and **AZ Insurance Ltd.** for Rs.3,500,000/-. Subsequently, the house caused a damage due to fire caused by a leakage of electricity and loss of damage was Rs.1,400,000/-. **Perera** believes that he is entitled to recover Rs.1,400,000/- each from both the insurance companies.

You are required to:

- (a) **Explain** whether **Perera** is entitled to claim Rs.1,400,000/- each from both the insurance companies. (06 marks)
- (b) **Explain** two(02) parties of an insurance agreement. (04 marks)
(Total 10 marks)

Question 06

Mahanama went to 'Dilip Fish Shop' owned by **Dilip** to buy fresh shrimps. After visiting the shop, **Dilip** handed over a bag of shrimps to **Mahanama** and he mentioned that a bag of shrimps is fresh. **Mahanama** brought them home and consumed them with his family. The following day, he realized that everyone in the family including himself has fallen ill. The doctor stated that the cause of the illness was a food allergy. **Mahanama** found that **Dilip** has sold very old shrimps to him instead of fresh shrimps.

You are required to:

- (a) **Explain** the legal rights of **Mahanama**. (06 marks)
- (b) **Explain** two(02) types of goods under the Sale of Goods Ordinance. (04 marks)
(Total 10 marks)

_____ *End of Section B* _____

SECTION C

(Total 25 marks)

Question 07

(A) **Savarika** is a habitual traveler who has travelled more than 25 countries in the World. Therefore, her Passport is a remarkable one of its kind. Unfortunately, **Savarika's** house was robbed last Friday night. The robbers have stolen many items, including **Savarika's** Passport. While logging a police complaint, **Savarika** decided to put up a notice on her home gate offering a reward of Rs.100,000/- for whoever finds and returns her passport. She did this as she is planning to migrate UK in which her passport has a tremendous value in the visa application process.

Pirisindu is a young cleaner at the local supermarket, **C-Gills Super**. As he was emptying the store bins, a passport was found from a bin. **Pirisindu** noticed that name “**Ms. Christopherge Savarika Columbus**” appears on the detail page of the Passport. **Pirisindu** knows that **Savarika**, is a regular customer of the **C-Gills Super**. On the same day at noon, when **Savarika** visited the supermarket, **Pirisindu** handed over the passport to **Savarika**. In the evening, on his way back home, when he passed **Savarika**’s house, **Pirisindu** saw the notice on the gate. He claimed the reward of Rs.100,000/- which **Savarika** refused. **Pirisindu** is now going to sue against **Savarika**.

You are required to:

- (a) **Explain** whether **Pirisindu** could take a legal action against **Savarika**. (06 marks)
- (b) **Explain** four(04) requirements of a valid Contract. (08 marks)

- (B) (a) **Silva** joined **Lanka Air Ltd.**, the national air carrier, as a member of its pet control unit, on the 01st of February 2022. As a member of **Lanka Air Ltd.**’s pet control unit, he was found to be suitable for carrying out pet inspections, assessments, investigations, and controlling pets such as “Rats” in airplanes. According to the contract entered between parties, **Silva** is bound to work for the benefit of **Lanka Air Ltd.** If he fails to do so, the company can terminate his employment. **Silva** should report to the office before 9.30 am every day. **Lanka Air Ltd.** provided all necessary pet control equipment and other relevant expenses for the above-mentioned job description.

Two years later, on 29th February 2024 **Lanka Air Ltd.** terminated the services of the **Silva**. In this occasion, **Silva** argued that he was an employee of the company. However, **Lanka Air Ltd** said he is an independent contractor.

You are required to:

Explain whether **Silva** is an employee or an independent contractor based on the following tests:

- The Integration Test.
- The Control Test.
- The Equipment Test (06 marks)

- (b) **Nazeer** joined a private limited company on 01st April 2016 for a salary of Rs.80,000/- and he is entitled to Employees’ Trust Fund (ETF) and Employees’ Provident Fund (EPF) as an employee of the company. He has submitted his letter of resignation with effect from 30th June 2024 for a permanent job of a Government Ministry. His last month salary was Rs.300,000/-.

You are required to:

- (i) **Calculate Nazeer’s** gratuity entitlement at the time of resignation. (03 marks)
- (ii) **Explain Nazeer** on his right to withdrawal of EPF. (02 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.