



**ASSOCIATION OF ACCOUNTING TECHNICIANS
OF SRI LANKA**

CURRICULUM 2025

PILOT PAPER

Level 01

1604 - BUSINESS ENVIRONMENT (BEN)

A publication of the Education and Training Division

Association of Accounting Technicians of Sri Lanka
1604- Business Environment (BEN)
Pilot Paper

Instructions to Candidates (Please Read Carefully)

Time Allowed:

Writing : 03 hours

Structure of Question Paper:

- This paper consists of three Sections: Section A, Section B and Section C.
- All the questions of Section A, Section B and Section C should be answered.

Marks:

- Allocation of marks for each section:

Section	Marks
Section A	40
Section B	40
Section C	20
Total	100

- Marks for each question are shown with the question.
- The pass mark for this paper is 50.

Answers:

- All answers should be written in the booklet provided, answers written on the question paper will not be considered for marking.
- Begin your answer of each question on a new page.
- All workings should be clearly shown.
- Do not write on the Margins.

Answer Booklets:

- Instructions are shown on the front cover of each answer booklet.

Calculators:

- Candidates may use any calculator except those with the facility for symbolic algebra and differentiation. No programmable calculators are allowed.

Attached:

- Action verb checklist – 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 checklist.

(Two marks for each -Total 40 marks)

Question 01

Select the most appropriate answer for question numbers **1.1** to **1.10**. Write the number of the selected answer in your answer booklet with the number assigned to the question.

1.1 The minimum number of shareholders of a Public Limited Company is:

(1) 1. (2) 2. (3) 20. (4) 100.

1.2 Which one of the following is **not** considered as a main element of an organization?

(1) Common goals. (2) Group of people.
(3) Structure. (4) Profit.

1.3 Which one of the following is a participant in the Money Market?

(1) Government. (2) Commercial Banks.
(3) Insurance Companies. (4) All of the above.

1.4 Consider the following statements:

(a) Implementing a code of business ethics ensures customers' confidence in businesses.
(b) Businesses that have implemented code of ethics will be able to compete successfully.
(c) Adhering to the code of ethics results in decreasing the reputation of the company.

Of the above, the correct statement/s with reference to the benefits of business ethics in a business is/are:

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

1.5 Which one of the following is **not** a feature of a Joint Venture?

(1) There is no going concern.	(2) It is created for a short term purpose.
(3) Registration is compulsory.	(4) Participation of two or more parties.

1.6 Which one of the following is **not** a principle of Insurance?

(1) Confidentiality.	(2) Indemnity.
(3) Proximate Cause.	(4) Utmost Good Faith.

1.7 Which one of the following institutions is **not** supervised by the Central Bank of Sri Lanka?

(1) Employees' Provident Fund (EPF).	(2) Licensed specialized banks.
(3) Registered leasing companies.	(4) Employees' Trust Fund (ETF).

1.8 Unless otherwise stated, the validity period of a cheque is:

(1) 30 Days.	(2) 3 Months.	(3) 4 Months.	(4) 6 Months.
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1.9 Which one of the following is considered as a function of money?

(1) A medium of exchange.	(2) Store of value.
(3) Standard of value.	(4) All of the above.

1.10 Which one of the following statements is correct relating to E-money?

(1) E-money cannot be used for online shopping.
(2) E-money is only available as physical coins.
(3) Credit cards are used as E-money.
(4) E-money transactions always require face-to-face meetings.

State whether each of the following statements **1.11** to **1.15** is True or False. Write the answer (**True / False**) in your answer booklet with the number assigned to the question:

- 1.11** The financial market in Sri Lanka only includes the stock market.
- 1.12** One way the government influences businesses is by offering tax incentives.
- 1.13** Activities of Corporate Social Responsibility (CSR) are classified only as financial donations.
- 1.14** The bank can cancel the crossing in a cheque.
- 1.15** When the cheque is not written properly, it can be dishonoured.

Write answers for question Nos. **1.16** to **1.20** in your answer booklet with the number assigned to the question.

- 1.16** State two (02) participants in the “Real Time Gross Settlement System”.
- 1.17** State two (02) differences between the “money market” and the “capital market”.
- 1.18** Explain briefly what is the “Sustainable Development”.
- 1.19** List two (02) facilities provided to enhance the performance of SMEs in Sri Lanka.
- 1.20** List two (02) objectives of the Government.

(02 marks each, 40 marks)

End of Section A

Four (04) compulsory questions

SECTION B

(Total 40 marks)

Question 02

BrightTech Solutions operates in the technology industry, specialized in software development. As a private limited company, its purposes are profit generation and technological innovation. It is a medium-sized business with 150 employees and follows a hierarchical organizational structure with clear reporting lines. Operating within the IT industry, its characteristics include rapid innovation, reliance on skilled labour, and a highly competitive environment. **BrightTech's** structure and industry focus allow it to adapt quickly to market demands while maintaining operational efficiency.

You are required to:

- (a) **Explain** three (03) key characteristics of a private limited company operating in the technology industry, using **BrightTech Solutions** as an example. (03 marks)
- (b) **State** three (03) characteristics of a sole Proprietorship. (03 marks)
- (c) **Explain** how business organizational characteristics (eg, purpose, ownership, size, structure, and industry classification) impact the **BrightTech Solutions** operations. (04 marks)

(Total 10 marks)

Question 03

SpeedLink Logistics is a transportation and logistics company that supports retail businesses by delivering goods quickly and safely. With the rise of online shopping, **SpeedLink Logistics** plays a vital role in ensuring that products reach customers on time. Effective communication channels help them to track orders and update customers in real time. By offering reliable transportation and insurance, **SpeedLink Logistics** enhances business efficiency and boosts customer satisfaction.

You are required to:

- (a) **Explain** two (02) reasons why transportation is important for **SpeedLink Logistics**. (04 marks)
- (b) **State** four (04) qualities of an effective communication system. (02 marks)
- (c) **Explain** two (02) importances of communication for companies like **SpeedLink Logistics** in providing supportive services. (04 marks)

(Total 10 marks)

Question 04

Lanka Organics (Pvt) Ltd., a Sri Lankan exporter of organic spices and tea, embraced a new trend by shifting to e-commerce platforms to reach global markets. In response to the growing demand for sustainably sourced products, the company partnered with fair-trade suppliers and adopted blockchain technology to ensure transparency across its supply chains. Simultaneously, domestic retailers began importing eco-friendly packaging solutions from Southeast Asia to align with global environmental standards. These changes reflect how new trends in retail, import, and export are influenced by the global environment and the international trade regulations focused on sustainability and digital transformation.

You are required to:

(a) **Explain** three (03) ways how new trends in retail and export have impact businesses like **Lanka Organics (Pvt) Ltd.** (06 marks)

(b) **Explain** how global environment influences import and export decisions in developing countries like Sri Lanka. (04 marks)

(Total 10 marks)

Question 05

Tharindu, a young graduate from Galle, started an Small and Medium-Sized Enterprise (SME) producing eco-friendly coir-based household items. With limited capital, he secured a startup loan under the “Enterprise Sri Lanka” scheme. He also received business training from the National Enterprise Development Authority (NEDA) to improve his marketing and financial management skills. With growing local demand and online sales, **Tharindu** was selected by the Sri Lanka Export Development Board (EDB) to showcase his products at an international trade fair. His journey demonstrates how entrepreneurship and SME support programs can lead to innovation, job creation, and increase export potential, boosting national economic development.

You are required to:

(a) **Explain** two (02) ways how financial and institutional support contribute to the success of **Tharindu's** business. (04 marks)

(b) **Explain** three (03) ways that SMEs like **Tharindu's** business contribute to the economic development of the country. (06 marks)

(Total 10 marks)

End of Section B

A compulsory question.

SECTION C

(Total 20 marks)

Question 06

Green Valley Organics (Pvt) Ltd. (GVO) is a Small and Medium-Sized Enterprise (SME) in Sri Lanka that produces organic food products. It operates in a competitive market where health consciousness is rapidly increasing. As a result the organization's customer base has increased over the years.

GVO offers a wide range of hard-to-find organic products. It is located in a high traffic area with a strong demand for organic food. As a result, **GVO** has established a strong brand presence among consumers. However, **GVO** faces higher operating costs due to sourcing of organic products. Additionally, fluctuations of raw material supply are caused by frequent changes in regulations governing organic products. **GVO** has taken its first steps towards building an online presence. Furthermore, **GVO** is actively carrying out researches with the aim of introducing new products to satisfy the diverse preferences of its customers.

The business operates as a private limited company, which offers advantages such as limited liability and easier access to loans. However, it also faces restrictions on share transfers and must comply with strict regulatory requirements. Supportive services, such as supply chain management, IT support, and quality assurance, are critical for **GVO's** success. Efficient management of these services ensures timely production and consistent product quality.

However, like many SMEs in Sri Lanka, **Green Valley** faces challenges such as lack of access to finance, inadequate technological knowledge, and difficulties in expanding to international markets. Stakeholders, including customers, suppliers, employees, government agencies, and investors play a vital role in carrying out the operations of the organization. Positive relationships with these stakeholders ensure business sustainability and future growth.

You are required to:

- (a) **Assess** the business environment of **GVO** using SWOT analysis. (06 marks)
- (b) **State** two (02) advantages and two (02) disadvantages of **GVO** being a private limited company. (04 marks)
- (c) **List** three (03) supportive services required for **GVO's** operations. (03 marks)
- (d) **Explain** two (02) challenges faced by **GVO** as an SME in Sri Lanka. (03 marks)
- (e) **Identify** two (02) stakeholders of **GVO** and **explain** their impact on the business. (04 marks)

(Total 20 marks)

End of Section C

Action Verbs Check List

Level	Action Verb	Definition	Detailed Instructions for Students
REMEMBER Recalling facts, terms, basic concepts, or answers without necessarily understanding what they mean.	Identify	Recognition of someone or something.	Find and name key parts of the topic.
	Define	Meaning of a word or concept.	Provide a clear meaning of a term or concept.
	Recognise	Awareness of something seen before.	Spot and acknowledge something from previous learning.
	State	Clear and concise expression of information.	Express key facts or concepts in a straightforward way.
	List	A series of names, numbers, or items.	Write down key points in an organized manner.
	Record	Entry of details into a system (not accounting).	Enter relevant details clearly and accurately.
UNDERSTAND Comprehending the meaning of informational materials and being able to interpret or explain it.	Construct	Formation of something by combining elements.	Bring together different parts into a meaningful whole.
	Differentiate	Recognition of differences between two or more things.	Highlight distinctions between concepts or items.
	Discuss	Consideration of different ideas and opinions about a topic.	Explore various perspectives and provide insights.
	Explain	Clarification of something in greater detail.	Provide a logical and detailed description.
	Illustrate	Use of examples, charts, or visuals to clarify a point.	Support explanations with appropriate examples or visuals.
	Interpret	Explanation of the meaning of information or actions.	Explain what something means in your own words.
	Describe	A detailed account of something.	Provide relevant details in a structured manner.
	Summarise	A brief statement of the main points.	Present key information concisely.
APPLY Using learned material in new and concrete situations. It requires the practical application of knowledge and skills.	Apply	Use of knowledge, skills, or rules in a situation.	Utilise relevant knowledge or techniques to achieve an outcome.
	Calculate	Determination of a value through mathematical or logical methods.	Use numerical or logical processes to reach a solution.
	Determine	Establishment of something through research or calculation.	Find out or conclude something after calculation or research.
	Demonstrate	Display of a process or method.	Show a clear example through structured steps.
	Prepare	Organisation of materials or information for use.	Arrange necessary details before engaging in a task.
	Use	Application of a concept, tool, or method for a purpose.	Implement relevant knowledge or resources appropriately.
	Present	Sharing of information effectively.	Deliver key insights clearly and professionally.

Level	Action Verb	Definition	Detailed Instructions for Students
ANALYSE 1Breaking down information into its components to understand its structure and relationships.	Analyse	Detailed examination of something to understand its components.	Break down information into key parts for better understanding.
	Compare	Examination of similarities and/or differences.	Point out the key commonalities and distinctions.
	Distinguish	Recognition of unique characteristics.	Identify what makes things different from each other.
	Examine	Inspection of something to determine its nature.	Look at something closely to understand it better.
	Outline	Summary of the main points.	Provide an organised overview of key aspects.
	Conduct	Organisation of elements for an experiment, survey, or study.	Follow structured steps to carry out a task systematically.
	Report	Structured presentation of findings.	Present analysed information in a clear and logical format.
EVALUATE Making judgments about the value or quality of ideas or materials based on criteria or standards.	Advise	Offering of suggestions or recommendations.	Provide informed guidance based on analysis.
	Evaluate	Critical assessment of value, effectiveness, or impact.	Judge the quality or relevance of something based on criteria.
	Formulate	Development of a structured approach or plan.	Create a well-defined method or strategy.
	Recommend	Suggestion of a suitable course of action.	Propose an approach backed by logical reasoning.
CREATE Combining elements in novel ways to form a coherent or functional whole; the ability to generate new ideas, products, or ways of understanding.	Create	Generation of something new.	Develop something original and purposeful.
	Assess	Estimation or evaluation of quality, ability, or nature.	Provide a reasoned judgment based on available information.
	Develop	Expansion or refinement of an idea, product, or concept.	Strengthen and improve an idea over time.
	Propose	Suggestion of a plan or concept for consideration.	Present an idea or structured recommendation.
	Synthesis	Combination of different elements to form a coherent whole.	Integrate multiple ideas or insights into a meaningful conclusion.
	Design	Creation of a structured plan for something	Formulate a detailed structure for a product or process.
	Compile	Assembly of information from various sources.	Organise collected data into a comprehensive format.



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CURRICULUM 2025

SUGGESTED ANSWERS

Level 01

1604 - BUSINESS ENVIRONMENT (BEN)

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Objective Test Questions (OTQs)

Twenty (20) compulsory questions

SECTION A

(Total 40 marks)

Answers for Question 01

1.1 - 1

1.6 - 1

1.11 - False

1.2 - 4

1.7 - 4

1.12 - True

1.3 - 4

1.8 - 4

1.13 - False

1.4 - 2

1.9 - 4

1.14 - False

1.5 - 3

1.10 - 3

1.15 - True

(02 marks each, 30 marks)

1.16 (1) Central Bank of Sri Lanka.

(2) Licensed commercial bank.

(3) Primary dealers in government securities.

(4) Employees' Provident Fund.

(01 mark each, 02 marks)

1.17 .

Features	Money Market	Capital Market
Duration of Funds	Deals with short-term funds for a period of not exceeding one year.	It is a market for long-term funds exceeding period of one year.
Supply of Funds	Supplies funds for financing current business operations working capital requirements of industries and short period requirements of the government.	Supplies funds for financing the fixed capital requirements of trade and commerce as well as the long-term requirements of the government.
Deals with Instruments	It deals with instruments like commercial bills, bill of exchange, treasury bill, commercial papers, etc.	It deals with instruments like shares, debentures, Government bonds, etc.
Role of Major Institution	The central bank and commercial banks are the major institutions in the money market.	Development banks and Insurance companies play a dominant role in the capital market.
Availability of Instruments	Money Market instruments generally do not have secondary market.	Capital market instruments generally have secondary markets.
Subdivision	In money market there is no such subdivision.	In capital market there is a division of primary market and secondary market.
Place of Transaction	Transactions mostly take place over the phone and there is no formal place.	Transactions take place at a formal place. Eg. stock exchange.

(01 mark each, 02 marks)

1.18 The development which is achieved by utilizing resources optimizing for current usage as well as future consumption is called as sustainable development. (02 marks)

1.19 (1) Enabling Environment.
(2) Modern Appropriate Technology.
(3) Entrepreneurial Culture and Skills Development.
(4) Access to Finance.
(5) Market Facilitation.
(6) Research and Development.
(7) Using Resource Efficiency.
(8) Regional Balance. **(01 mark each, 02 marks)**

1.20 (1) Economic growth and development.
(2) Full employment.
(3) Economic stability.
(4) Equitable distribution of income.
(5) Creating good international trade.
(6) Sustainable development. **(01 mark each, 02 marks)**
(Total 40 marks)

End of Section A

Four (04) compulsory questions

SECTION B

(Total 40 marks)

Answers for Question 02

Unit 1 – Concepts of a business, Business Environment and its Effect on Business Organizations.

Unit 2 – Different Types of Organizations.

Learning outcomes - Explain different classification of organizations including their purpose, ownership, size, structure, and industry with characteristics.
- Explain the business environment and its effects on an organization.

(a) A private limited company like **BrightTech Solutions** has several key characteristics.

Private Limited Specific:

- (1) **Limited Liability:** The personal assets of shareholders are protected, reducing personal financial risk in case the business faces losses or legal issues.
- (2) **Private Ownership:** Shares are not publicly traded and are usually held by a small group, allowing the company to maintain greater control over decisions and strategies.
- (3) **Legal Personality:** Company exists independently of its owners. It has power to enter into contracts, sue or be sued in its own name.

Industry Specific:

- (1) **Focus on Innovation:** Operating in the technology sector, **BrightTech** needs to constantly innovate and upgrade its products to stay competitive.
- (2) **Skilled Workforce:** The company depends on technically skilled employees, which shapes its hiring and training strategies.
- (3) **Agility and Adaptability:** The tech industry demands quick responses to market changes, and **BrightTech's** structure enables it to implement new ideas swiftly.

(01½ marks each, 03 marks)

(b)

Ownership	Owned by a person.
Capital	Capital is provided by the owner alone.
Administration and decision making	Business is administered by the owner or under his supervision. Therefore, business decisions are made by the businessman himself.
Liability	There is a limited liability.
Separate Legal personality	No separate legal personality.
Registration	Registration is not mandatory.
Profits and Losses	Bears alone.
Tax Payment	Taxes should be paid personally in the name of the businessman.
Accounting and Auditing	Accounting and auditing are not mandatory.
Going Concern	There is no going concern.

(01 mark each, 03 marks)

(c)

- (1) **Purpose:** BrightTech's dual focus on profit and innovation means it invests in developing high-quality software solutions that meet market demands.
- (2) **Ownership:** As a private limited company, it avoids public market pressures, enabling focused decision-making and long-term planning.
- (3) **Size:** With 150 employees, BrightTech can efficiently manage its teams while remaining flexible enough to grow or change direction quickly.
- (4) **Structure:** Its hierarchical structure provides clear reporting lines, enhancing accountability and effective project management.
- (5) **Industry Classification:** Operating in the IT sector requires BrightTech to continuously adopt emerging technologies and respond to fast-changing consumer needs.

(Expect only 2 characteristics to get full marks)

(04 marks)

(Total 10 marks)

Answers for Question 03

Unit 3 – Supportive Services to Businesses.

Learning outcomes - Explain the role and importance of supportive services.

- List and explain characteristics of each supportive service.

(a) (1) Increasing the Operations Effectively:

Transportation is a complicated process that involves handling, transporting, and storing products of customers and a good transport system helps to carry out the options efficiently and effectively.

(2) Timely delivery of goods:

The time it takes to deliver goods depends on several factors, including the delivery service, the distance, and the destination country. However, with a good transportation system goods can be delivered on time.

(3) Resulting in lower costs:

Consolidating shipments is an effective way to reduce per-unit transportation costs. It results to overall operational cost at the business.

(4) Good quality goods at low cost:

Ensuring goods are packaged safely and supply the goods to the customer in good quality. Also, due to the low cost in transportation the customer is in a position to receive the good quality products at low cost.

(5) Reaching employees on time:

Most of the garment entities have deployed transport facility to transport their staff. Hence, organization is in a position to bring down employees to their factories on time.

(6) Getting the production materials to the factories on time:

Organization can use the fastest method of transport with low cost while paying attention to maintain the quality of the materials. This will ensure that materials are reached to the factory on time. It will result to increase the customers' base of the company.

(02 marks each, 04 marks)

(b)

- (1) Completeness.
- (2) Brief Consideration.
- (3) Concreteness.
- (4) Politeness.
- (5) Correctness.
- (6) Secret / Safety.
- (7) Low Cost.
- (8) Availability.
- (9) Speed.

(½ mark each, max. 02 marks)

(c)

- (1) **Real-time Tracking:** Enables customers to monitor deliveries, improving transparency and trust.
- (2) **Efficient Problem Solving:** Quick responses to delays or issues reduce negative customer experiences.
- (3) **Operational Coordination:** Ensures smooth communication between drivers, warehouse staff, and management, avoiding confusion and delays.
- (4) **Customer Service:** Clear and timely updates help to build strong client relationships, which is vital for long-term success.
- (5) **Reputation Management:** Good communication helps to maintain the company's image as reliable and customer-focused.

(02 marks, 04 marks)

(Total 10 marks)

Answers for Question 04

Unit 4 – Trade in Business Organizations.

Learning outcomes - Explain new trends in retail, wholesale, import and export trade.

- Explain the impact of the global environment on international trade.

(a)

(1) E-commerce and Digitalization:

The shift towards online shopping and digital platforms has expanded market reach for businesses, enabling them to connect with customers globally and offer a wider range of products. This also necessitates investments in online infrastructure, digital marketing, and robust supply chain management systems.

(2) Personalized Customer Experiences:

Consumers increasingly expect tailored interactions and personalized product recommendations. Businesses must leverage data analytics and customer relationship management (CRM) systems to understand individual preferences and deliver customized experiences, enhancing customer satisfaction and loyalty.

(3) Sustainability and Ethical Practices:

Growing consumer awareness of environmental and social issues is driving demand for sustainable products and ethical business practices. Businesses must integrate sustainability into their operations, from sourcing materials to manufacturing and distribution, to meet consumer expectations and build brand reputation.

(4) Supply Chain Optimization:

Efficient and transparent supply chains are crucial for meeting customer demands for faster delivery and product availability. Businesses are adopting technologies like blockchain and IoT to enhance supply chain visibility, track products, and optimize logistics.

(5) Adapting to Changing Consumer Preferences:

Consumer preferences are constantly evolving, influenced by social trends, technological advancements, and cultural shifts. Businesses need to monitor these changes, analyze market data, and adapt their product offerings and marketing strategies accordingly to stay relevant.

(6) Global Competition:

New trends in retail and exports have intensified global competition. Businesses need to differentiate themselves through unique product offerings, exceptional customer service, and efficient operations to succeed in the global marketplace.

(7) Navigating Regulatory Landscape:

International trade is subject to various regulations and compliance requirements. Businesses need to stay informed about trade laws, tariffs, and other regulations to ensure smooth operations and avoid legal complications.

(8) Innovation and Technology Adoption:

Staying ahead of the curve requires continuous innovation and adoption of new technologies. Businesses must invest in research and development, experiment with new technologies, and be willing to adapt to changing technological landscapes.

(9) Building Strong Brands:

In a competitive market, building a strong brand identity is essential. Businesses need to focus on developing a unique brand personality, communicating their values effectively, and fostering strong customer relationships.

(10) Focus on Customer Experience:

Creating a positive customer experience is paramount to success. Businesses need to prioritize customer satisfaction at every touch point, from initial product research to post-purchase support.

(02 marks each, 06 marks)

(b) The global environment affects trade policies, consumer behaviour and environmental standards. In Sri Lanka's context, this has resulted in:

- **Eco-friendly Imports:** Local businesses import sustainable packaging to meet global environmental standards.
- **Export Strategy Adjustments:** Companies like **Lanka Organics (Pvt) Ltd.** adjust their products (such as organic tea and spices) with international trends, demands for organic improving their chances in foreign markets.
- **Compliance Pressure:** Sri Lankan exporters must adapt to international trade regulations to maintain access to foreign markets.

(02 marks each, 04 marks)

(Total 10 marks)

Answers for Question 05

Unit 6 – Contributions of Entrepreneurship and Small and Medium Enterprises (SMEs) to the Development of an Economy.

Learning outcomes

- List the facilities and assistance available to enhance the performance of SMEs.
- Explain the importance of entrepreneurship and SMEs to economic development.

(a)

- (1) **Tharindu** received a startup loan from "Enterprise Sri Lanka Scheme," which provided essential capital for production.
- (2) He also benefited from NEDA's training, improving his skills in marketing and finance. Institutional recognition from Sri Lanka Export Development Board (EDB) enabled him to gain international exposure by showcasing his products at a global trade fair.
- (3) This combination of funding and knowledge, support allowed him to grow his business, access new markets and contribute to economic development.

(02 marks each, 04 marks)

(b)

- (1) **Job Creation:** SMEs employ local people, which helps reduce unemployment and boosts regional development.
- (2) **Export Growth:** By entering global markets, SMEs like **Tharindu's** earn foreign currency and increase the country's trade revenue. This also promotes Sri Lanka's image as an exporter of eco-friendly goods.
- (3) **Promoting Innovation:** SMEs often bring innovative products and services to the market. Eco friendly coir based items promote sustainable innovation.
- (4) **Support for Rural and Regional Development:** Most SMEs are located out of the major cities. Businesses like **Tharindu** help to stimulate economic activity in regions such as Galle contributing to balance the national development.
- (5) **Use of Local Resources:** Boosting purchasing power and contributing more to economic growth and full employment.
- (6) **Pay Taxes Properly:** Providing necessary funds for government through paying taxes.

(02 marks each, 06 marks)

(Total 10 marks)

End of Section B

(Total 20 marks)

Answers for Question - 06

Unit 1 – Concepts of a business, Business Environment and its Effect on Business Organizations.

Unit 2 – Different Types of Organizations.

Unit 3 – Supportive Services to Businesses.

Unit 6 – Contributions of Entrepreneurship and Small and Medium Enterprises (SMEs) to the Development of an Economy.

Learning outcomes

- Assess the business environment using SWOT and PESTLE.
- Explain the advantages and disadvantages of each type of organizations.
- List and explain characteristics of each supportive service.
- Explain challenges faced by Sri Lankan SMEs and entrepreneurship.
- Identify stakeholders of a business and its impact on the business.

(a) (1) Strengths:

- Offers a unique range of hard to find organic products appealing to health-conscious consumers.
- Strong brand presence and located in a strategic location in high traffic area.

(2) Weaknesses:

- High operating costs resulting from the sourcing of organic raw materials.
- Inadequate technological knowledge and basic level of online presence.

(3) Opportunities:

- Rising global demand for healthy, organic products creates growth potential.
- Potential to expand online sales and introduce new products through ongoing research and development.

(4) Threats:

- Changing regulations and rising costs can reduce profit margins.
- Difficulty in accessing to finance and expanding international markets. **(06 marks)**

(b) Advantages of Private Limited Companies:

- (1) Ability to maintain the rights of relatives in the family.
- (2) Ability to retain control of the company among a limited number of people.
- (3) Ability to share profits among a limited number of people.
- (4) Ability to raise more capital.
- (5) Liability is limited.
- (6) Being a legal personality.
- (7) Lack of legal impact compared to public companies.
- (8) There is a continuity of business (Going Concern).
- (9) Effective management of the board by management.
- (10) Ability to perform most of the work of the company without holding any unanimous resolution of all the shareholders.
- (11) Ability to distribute dividends to shareholders without a solvency test.
- (12) Various tax incentives.

(01 mark each, 02 marks)

Disadvantages of Private Limited Companies:

- (1) There is less capital mobilization compared to public companies.
- (2) The stock market cannot be documented / cannot be an official listed company.
- (3) Unable to transfer the shares freely.
- (4) To comply with the legal requirements of the Companies Act.
- (5) Incorporation can be complex and costly.
- (6) High Cost of Administration.

(01 mark each, 02marks)

(c)

- (1) Banking.
- (2) Communication.
- (3) Insurance.
- (4) Transportation.
- (5) Logistics.

(01 mark each, 03 marks)

(d) (1) The ability to access strategic resources is critical for SME competitiveness:

Specific barriers and market failures may prevent SMEs from accessing strategic resources, including finance, management capacity and skills, and knowledge networks, placing them at a competitive disadvantage in the global and digitalized economy.

(2) Skills shortages, poor management practices and workforce training limit SME productivity and innovation:

There is evidence that SMEs have higher skills deficiencies than large firms and SME training effort is on average significantly weaker per employee than in larger firms. SMEs often face challenges in attracting and retaining highly qualified personnel and staff with relevant skills, and have greater difficulties in identifying workers with sought-after skills in the labor market.

(3) Digitalization offers new opportunities for SMEs to participate in the global economy:

Digital technologies allow SMEs to improve market intelligence, reach scale without mass and access global markets and knowledge networks at relatively low cost. The digital transition facilitates the emergence of “born global” small businesses and provides new opportunities for SMEs to enhance their competitiveness in local and global markets, through product or service innovation and improved production processes.

(4) Increased market competition and concentration from large multinational enterprises caused by globalization and economic integration; inability to compete against larger firms in terms of R&D expenditure and innovation (product, process, and organization).

(1½ marks each, max. 03 marks)

(e)

(1) **Customers:**

- Demand healthy, quality products, influencing production decisions.
- Demand for organic product increases sales and product development.

(2) **Suppliers:** Ensure timely and reliable delivery of organic raw materials.

(3) **Employees:** Their skills and motivation directly affect productivity and innovation & smooth daily operations.

(4) **Government & Investors:** Provide regulatory guidance and funding support, shaping business operations and growth potential.

(02 marks each, 04 marks)

(Total 20 marks)

End of Section C