



**ASSOCIATION OF ACCOUNTING TECHNICIANS
OF SRI LANKA**

CURRICULUM 2025

PILOT PAPER

Level 02

2803 - BUSINESS LAW (BLA)

A publication of the Education and Training Division

Association of Accounting Technicians of Sri Lanka
2803 - Business Law (BLA)
Pilot Paper

Instructions to Candidates (Please Read Carefully)

Time Allowed:

Reading : 15 Minutes
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	25
Section B	50
Section C	25
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).
- Students should answer the questions based on the definition of the verb given in the checklist.

(Total 25 marks)

Question 01

Select the most correct answer to question No.1.1 to 1.5. 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 is the primary role of the Constitution of Sri Lanka?

- (1) To regulate international treaties, foreign policy decisions and guarantee fundamental rights.
- (2) To serve as the supreme law of the country, establishing the framework of government and guaranteeing fundamental rights.
- (3) To outline the historical development of Sri Lankan kingdoms.
- (4) To provide guidelines for religious institutions and cultural practices.

1.2 Which one of the following courts has the prime instance criminal jurisdiction in Sri Lanka?

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

1.3 Goods which are produced or acquired by the seller after making the contract of sales are:

- (1) Unascertained goods.
- (2) Existing goods.
- (3) Specific goods.
- (4) Future goods.

1.4 Which one of the following is **not** a negotiable instrument as identified by the Bills of Exchange Ordinance No. 25 of 1927?

- (1) Cheques.
- (2) Promissory Notes.
- (3) Money Orders.
- (4) Bills of Exchange.

1.5 Which of the following correctly describes a 'Holder in Due Course' with reference to a bill of exchange under Sri Lankan law?

- (1) A person who merely finds a lost bill and tries to claim payment.
- (2) A person who holds the bill after its maturity.
- (3) A person who obtains the bill for value, in good faith, before it is overdue, and without notice of any defect in title.
- (4) A person who draws the bill and retains it without endorsing.

1.6 Which one of the following is **not** a feature of a valid Bill of Exchange?

- (1) It should bear unconditional orders.
- (2) It should be in writing.
- (3) It should be in printed form with durable ink.
- (4) It should be signed by the person who issues it. (02 marks each, 12 marks)

State whether each of the following statements in questions 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 Alternative Dispute Resolution (ADR) mechanisms such as mediation, arbitration, and the ombudsman system function alongside the formal court system to provide faster and more flexible means of resolving disputes.

1.8 The common law in Sri Lanka is English Law.

1.9 A contract of sales of goods is an agreement whereby the seller transfers or agrees to transfer the ownership of goods to the buyer for a price. (01 mark each, 03 marks)

Write short answers for question No.1.10 to 1.14 in your answer booklet with the number assigned to the question:

1.10 State two (02) differences between sale of goods contracts and other types of contracts.

1.11 List two (02) objectives of Personal Data Protection Act.

1.12 State two (02) types of cheque crossings.

1.13 List two (02) types of companies incorporated under the Companies Act No 07 of 2007.

1.14 State two (02) functions of the Colombo Stock Exchange (CSE). (02 mark each, 10 marks)

(Total 25 marks)

End of Section A

Five (05) compulsory questions**SECTION B**

(Total 50 marks)

Question 02

Mr. U. Riya operates a business that imports chemical fertilizers into Sri Lanka. He purchased chemical fertilizers worth Rs. 100 million from Vietnam, and the goods were being transported to Sri Lanka using a vessel named **Sea Breeze**. However, due to increasing opposition within Sri Lanka towards the use of chemical fertilizers, the ship was left stranded near the Indian coastline for nearly a month.

The ship's captain, **Captain Silva**, noticed that the prolonged exposure at sea was causing the fertilizer containers to undergo chemical reactions. In order to prevent further damage and potential environmental harm, he decided to offload and store the fertilizer at Chennai Port, incurring the storage expenses personally. Despite several attempts, he was unable to reach **Mr. U. Riya** to inform about the situation.

After two weeks and having run out of funds to continue storage, **Captain Silva** decided to sell the fertilizer for Rs. 75 million. He later remitted the proceeds from the sale to **Mr. U. Riya**.

You are required to;

(a) **Explain** whether **Captain Silva** can claim to have acted as an agent on behalf of **Mr. U. Riya** in taking the steps that he did. (06 marks)

(b) **Explain** whether **Captain Silva** is entitled to recover the storage costs from **Mr. U. Riya**. (04 marks)

(Total 10 marks)

Question 03

Anura, Bimal, and Chamika started a business together to run a chain of eco-friendly grocery stores in Sri Lanka under the name "**Green Basket**". They agreed to share the profits equally. While **Anura** and **Chamika** managed the day-to-day operations, **Bimal** invested capital but remained silent and uninvolved in management decisions.

Without informing **Anura** or **Bimal**, **Chamika** obtained a large loan from a supplier in the name of **Green Basket** to finance the business expansion. Unfortunately, the expansion failed, and the business incurred significant losses. The supplier is now demanding repayment from all three partners.

Meanwhile, **Bimal** claims he is not liable because he was not involved in the management or decision-making.

You are required to:

- (a) **Explain** whether **Bimal** can be liable for the loan taken by **Chamika** under the Partnership Law. (06 marks)
- (b) **Explain** the legal position of **Chamika's** actions and whether the supplier can recover the payments from the partnership. (04 marks)
- (Total 10 marks)

Question 04

Dilani is a graphic designer who works at **EcoPack (Pvt) Ltd.**, a company specializing in sustainable product packaging. She works at the Company office five days a week, adheres to set working hours, uses company equipment, and reports to the marketing manager. She receives a fixed monthly salary along with paid leave benefit.

At the same time, the Company hired **Ruwan**, a freelance video editor, to create promotional videos for a new product launch. **Ruwan** works from home, uses his own equipment, sets his own working schedule, and is paid per project upon completion. He has also taken up similar freelance work for two other companies.

Recently, **EcoPack** terminated the service of both **Dilani** and **Ruwan** due to budget cuts. **Dilani** is seeking compensation under employment laws, but the Company claims that she was an independent contractor like, **Ruwan**.

You are required to:

- (a) **Explain** the legal difference between a Contract of Service and a Contract for Services under the labour law. (04 marks)
- (b) **Explain** whether **Dilani** was an employee or an independent contractor, and whether she is entitled to employment protections. (06 marks)
- (Total 10 marks)

Question 05

Mr. Senaka decided to insure his home, and answered a number of questions related to the 'Insurance Proposal Form'. Finally, he holds a home insurance policy with **SafeGuard Insurance PLC**, which covers damages resulting from burglary. One night, his house was broken into, and the burglars damaged several windows and doors while entering. A few days later, heavy rainfall entered through the damaged windows and caused significant water damage to the interior.

Mr. Senaka filed a claim for the total damage. However, **SafeGuard Insurance PLC** refused to cover the full claim, arguing that only burglary-related damage is insured.

You are required to:

- (a) **Explain** two (02) principles of insurance. (04 marks)
- (b) **Discuss** whether **SafeGuard Insurance PLC** is liable for the full damage. (06 marks)
- (Total 10 marks)

Question 06

- (a) Money laundering which is the fraudulent system in which money earned from illegal activities is introduced into the formal financial system to conceal its illegal origin. Sri Lanka introduced prevention of Money Laundering Act No.05 of 2006 to cover this area.

You are required to:

State four (04) offences (unlawful activities) covered under the Prevention of Money Laundering Act in Sri Lanka. (04 marks)

- (b) There are many types of intellectual property recognized under the Intellectual Property Act No. 36 of 2003.

You are required to:

Explain the following types of intellectual property recognized in Intellectual Property Act:

- (i) Copy right.
- (ii) Trade Names. (04 marks)
- (c) The Financial Transactions Reporting Act No. 06 of 2006 plays a vital role in strengthening the integrity of Sri Lanka's financial system and aligning the country with international standards on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT).

You are required to:

State two (02) Objectives of the Financial Transactions Reporting Act No. 06 of 2006. (02 marks)

(Total 10 marks)

End of Section B

One (01) compulsory question**SECTION C**

(Total 25 marks)

Question 07

(A) **Kalani Perera**, a well-renowned professional popular classical violinist, entered into a written agreement with **Golden Stage Productions (Pvt) Ltd** to perform in a prestigious two-month concert tour across major cities in Sri Lanka. The contract expressly stated:

“Kalani Perera must attend all five full days of technical rehearsals scheduled one week before the first show.”

These rehearsals were critical for coordinating with the lighting and sound engineers. Three days before the rehearsals began, **Kalani Perera** had a mild allergic reaction and, on medical advice, missed the first two days of rehearsal. She recovered quickly and attended the final three days, performing flawlessly during the final full-stage run. She was fully prepared for the concerts.

However, **Golden Stage Productions** terminated the contract, claiming that the missed rehearsals constituted a breach of an essential term of the agreement. **Kalani Perera** sued, arguing that the missed days did not constitute a breach of a condition, but rather a warranty, and that she remained fully capable of delivering the contracted performance.

Separately, the contract also included a printed clause stating:

“The company shall not be liable for any claims or compensation arising from cancellation or replacement of performers under any circumstances.”

Golden Stage Productions relied on this clause to argue they owed no liability, even if the termination was unjustified.

You are required to:

- (a) **State** three (03) “contractual remedies” available to a party seeking relief for breach of contract. (03 marks)
- (b) **Explain** whether the missed rehearsal days constituted a breach of condition or warranty, and whether **Golden Stage Productions** was justified in terminating the contract. (06 marks)
- (c) **Discuss** whether the exception clause in the contract protects **Golden Stage Productions** from liability in this case. (06 marks)

(B) **Dr. Leka**, the head of the Medicine Supply Division at **Sri-Pura Hospital**, placed an order for 1,000 boxes of a specific antibiotic after inspecting a sample provided at the supplier's store, **Medi-Co Ltd**. The sample displayed was sealed and labeled from a reputed pharmaceutical Company. Convinced of its authenticity, **Dr. Leka** finalized the purchase based on this sample. However, upon delivery, the hospital received medicine boxes that were from a different manufacturer, lacking proper certification and packaging, raising doubts about their efficacy and safety.

In a separate personal transaction, **Dr. Leka** purchased a second-hand luxury car from a local seller, **Mr. Wanka**, who presented seemingly legitimate ownership documents. A few weeks later, she was approached by law enforcement, revealing that the car had been reported as a stolen property. The real owner presented legal proof of ownership, and **Dr. Leka** had to surrender the vehicle, incurring financial and reputational loss.

You are required to:

- (a) **Assess** whether the supplier, **Medi-Co Ltd**, breached an implied condition under the Sale of Goods Ordinance. (05 marks)
- (b) **Explain** whether the car seller, **Mr. Wanka** breached a condition under the Sale of Goods Ordinance. (05 marks)

(Total 25 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 02

2803 - BUSINESS LAW (BLA)

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Objective Test Questions (OTQs)
Compulsory questions

SECTION A

(Total 25 marks)

Suggested Answers to Question 01

1.1 2 1.4 3

1.2 2 1.5 3

1.3 4 1.6 3

(02 marks each, 12 marks)

1.7 True

1.8 False

1.9 True

(01 mark each, 03 marks)

1.10

	Sale of Goods Contract	Other Contracts
Transfer of Ownership	Main focus on transfer of ownership of goods.	May or may not involve transfer of ownership.
Subject Matter	Transfer of ownership of goods.	Can involve services and employment loans.
Expectation of the Buyer	Buyer does not expect any expertise or competence from the seller.	Buyer expects some personal expertise or competence from the seller.

(01 mark each, 02 marks)

1.11

- To protect the personal data of individual in Sri Lanka from unauthorized access, misuse and disclosure.
- To facilitate the growth and innovation of Sri Lanka's digital economy to ensure data is processed lawfully, fairly and responsibility.
- To grant individuals greater control over these personal data and a range of rights related do its use.

(01 mark each, 02 marks)

1.12

- General Crossing.
- Special Crossing.

(01 mark each, 02 marks)

1.13

- Limited Companies.
- Unlimited Companies.
- Company Limited by guarantee.

(01 mark each, 02 marks)

1.14

- Facilitating capital formation.
- Providing a market for securities.
- Ensuring liquidity.
- Price discovery.
- Promoting investment opportunities.
- Monitoring and regulation.
- Information dissemination.

(01 mark each, 02 marks)

(Total 25 marks)

End of Section A

Five (05) compulsory questions

(Total 50 marks)

SECTION B

Suggested Answers to Question 02

Unit 4 - Law of Agency

- Learning outcomes - Explain the circumstances under which a relationship of principal agent would be recognized.
- Explain the duties and rights between principal and agent.
 - Explain the liability of the state for acts done by its agents.

(a) To determine whether **Captain Silva** can claim an agency relationship with **Mr. U. Riya**, it is required to consider the concept of agency by necessity, a type of implied agency.

Agency by necessity arises when the following conditions are met:

- (1) There is a real emergency.
- (2) The agent is unable to communicate with the principal.
- (3) The agent acts in good faith and in the best interest of the principal.
- (4) The actions taken are reasonable and necessary to protect the principal's property.
- (5) Principal must not have given prior express instructions to the contrary.

In this case:

- There was a clear emergency due to the chemical reactions occurring in the fertilizer containers, which posed significant risks of damage or loss.
- **Captain Silva** made multiple attempts to contact **Mr. U. Riya**, but received no response, satisfying the condition of inability to communicate.
- His decision to store the goods at Chennai Port was done at his own expense, demonstrates that he acted in good faith.
- After a further two weeks without contact and with insufficient funds to continue storage, he made the decision to sell the fertilizer. This was a reasonable step to prevent further deterioration and loss.

Furthermore, he remitted the Rs. 75 million proceeds to **Mr. U. Riya**, reinforcing the conclusion that he acted not for personal gain, but to safeguard **Mr. U. Riya's** interests.

Therefore, based on the above, **Captain Silva** can claim an agency by necessity, making his actions legally justifiable under the law of agency.

(06 marks)

(b) Yes, **Captain Silva** is entitled to recover the costs of storage from **Mr. U. Riya**.

Under the doctrine of agency by necessity, the agent (in this case, **Captain Silva**) is entitled to be reimbursed for any reasonable expenses incurred while acting in good faith to protect the principal's (**Mr. U. Riya's**) property.

Since:

- The storage was necessary to prevent damage.
- The cost was incurred due to **Mr. U. Riya's** non-responsiveness.
- The actions were reasonable and proportionate to the circumstances, **Captain Silva** can legally claim reimbursement for those costs from **Mr. U. Riya**.

(04 marks)

(Total 10 marks)

Suggested Answers to Question 03

Unit 5 - Corporate Law and Partnership Law.

- Learning outcomes
- State the relationship between partners and third parties.
 - List and explain the liabilities of a partner.

(a) Under the Partnership Ordinance, a partnership is a relationship between persons who have agreed to carry on a business in common with a view to profit. This also establishes that all partners are jointly liable for the debts and obligations incurred in the course of the partnership business.

In this case:

- **Anura, Bimal and Chamika** formed a valid partnership by agreeing to share profits and run a business together.
- **Bimal** contributed capital and was entitled to a share of the profits, which clearly indicates his status as a partner, regardless of his lack of involvement in daily operations.
- Under the Partnership Act, a partner is an agent of the firm and his other partners and actions taken by one partner within the scope of business bind the entire firm.
- Since the loan was taken by **Chamika** in the name of the firm and for business expansion, it falls within the usual course of business.

Therefore, **Bimal** cannot escape from liability simply because he did not participate in management. As a partner, he is jointly and severally liable for the debts of the partnership, including the loan taken by **Chamika**. **(06 marks)**

(b) **Chamika's** actions fall within the scope of partnership business (expanding the grocery chain), and he acted in the name of the partnership. Under partnership law:

- A partner has implied authority to bind the firm in transactions carried out in the usual course of business.
- Unless **Chamika** acted outside this authority (e.g., borrowing money for personal use or unrelated activities), the firm is bound by his actions.
- Since the supplier had no reason to believe **Chamika** lacked authority, the firm is liable to the supplier.

Therefore, the loan is enforceable against the partnership, and the supplier can demand repayment from all partners jointly, including **Anura, Bimal, and Chamika**. **(04 marks)**

(Total 10 marks)

Suggested Answers to Question 04

Unit 7 - Labour Law.

Learning outcomes - Identify an employee & an independent contractor and differentiate an employee & an independent contractor using applicable tests.

(a) Under labour law, distinguishing between a Contract of Service and a Contract for Services is crucial in determining whether a person is classified as an employee or an independent contractor.

- A Contract of Service refers to an employment relationship, where a person works under the direction, control and supervision of an employer. The employee is entitled to statutory protections such as termination benefits, EPF/ETF contributions, and paid leave.
- A Contract for Services refers to an arrangement with an independent contractor or freelancer who provides specific services to a client while remaining self-employed. Individuals under this type of contracts are generally not entitled to most labour law protections afforded to employees. **(04 marks)**

(b) Courts generally apply different tests to determine the nature of a working relationship:

- (1) Control Test – Does the employer control how, when, and where the work is done?
- (2) Integration Test – Is the person integrated into the organization?
- (3) Economic Reality Test – Does the person bear business risk and control their earnings?
- (4) Equipment Test – Does the individual uses his own tools equipment?

Applying the legal tests to the facts:

- Control Test: **Dilani** worked under supervision, followed company working hours, and reported to a manager. This indicates a high degree of control by the employer.
- Integration Test: She worked at the company premises and was involved in daily operations. This shows that she was integrated into the company structure.
- Economic Reality Test & equipment test: **Dilani** used the company's equipment, received a fixed monthly salary, and was entitled to paid leave, all features of an employee relationship.

In contrast, **Ruwan** set his own schedule, used his own tools, worked for multiple clients, and was paid per project, upon completion indicating he was a freelancer, working under a Contract for Services.

Therefore, **Dilani** was working under a Contract of Service, making her an employee, and she is entitled to labour law protections, including notice or compensation upon termination. She is an employee of the company. **(06 marks)**

(Total 10 marks)

Suggested Answers to Question 05

Unit 8 - Law of Insurance.

Learning outcomes - Explain the applicable principles in a contract of insurance, including utmost good faith, insurable interest, indemnity, proximate clause, and subrogation.

(a)

- **Insurable interest:**

A contract of insurance should be supported by an insurable interest or else the contract of insurance will be invalid. Accordingly, insurable interest can be defined as insured's right to insure the subject matter.

- **Indemnity:**

This is the notion that the insured is entitled to be compensated for his or her loss but no more than this. In other words this is to make good or compensate for loss or damage suffered and must not make a profit out of the insurance. 'In insurance contracts the insurer indemnifies the insured to pay the amount of the insured's actual loss up to the amount covered by the insurance policy.'

- **Subrogation:**

When the insurance company has settled the loss for the damage caused to the insured property, transfer of other advantages and rights from external parties that the insured can obtain, to the insurer is known as subrogation. This concept arises as a consequence of the principle of indemnity.

- **Principle of utmost good faith:**

This is the duty imposed on the person applying for the insurance cover to exercise good faith in making full disclosure without being asked of 'all material circumstances' because the insurer knows nothing and the insured knows everything. So, the insured should disclose not only all what he knows but also everything he ought to know for the insurer to properly evaluate the risk he will be undertaking.

(02 marks each, 04 marks)

(b) In this scenario, **SafeGuard Insurance PLC** may argue that the proximate cause of the extensive damage was the heavy rainfall, not the burglary itself. In insurance law, proximate cause refers to the dominant or most effective cause that directly leads to the loss.

If the insurance policy only covers burglary-related damage and excludes damages caused by natural elements such as rain, the insurer might deny liability for the water damage.

However, if the burglary directly caused the windows to be broken, which then allowed the rain to enter and damage interior, the initial insured danger (burglary) may be considered the proximate cause of the entire chain of events. In such a case the water damage, could be seen as a natural consequence of the burglary. Therefore, **SafeGuard Insurance** may still be liable to compensate for the full damage, including water damage, if it can be shown that the burglary set in motion the chain of events leading to the loss.

(06 marks)

(Total 10 marks)

Suggested Answers to Question 06

Unit 9 - Offences relating to the Business Environment & New regulations and Security Trading.

Learning outcomes - Identify and explain the application of relevant Acts regarding the business environment (Prevention of Money Laundering Act, Right to Information Act, Financial Transactions Reporting Act and Intellectual Property Act, Electronic Transactions Act, and Personal Data Protection Act).

(a)

- (1) Offences in relation to drugs.
- (2) Trafficking of persons.
- (3) Bribery.
- (4) Exchange control violations.
- (5) Terrorism.
- (6) Transnational organized crimes.
- (7) Cyber-crimes, offences under fire arms ordinance, explosives.
- (8) Offences against children.
- (9) Offences punishable by death or imprisonment.
- (10) Pyramid scams.

(01 mark each, 04 marks)

(b) (i) Copy right: The economic and moral rights given to classical, artistic, and scientific works of creators are known as copyrights. According to the section 06 of the Intellectual Property Act the creators are entitled for the economic and moral rights. **(02 marks)**

(ii) Trademark: Any sign, word, symbols, devices, colors, shapes or combination of both which distinguish goods of one enterprise from those of another enterprise can be defined as a “trade mark”. **(02 marks)**

- (c)**
- To prevent money laundering and terrorist financing and to discover such activities.
 - To establish an authority for investigation and prosecution of the offences of money laundering and the financing of terrorism.
 - To require certain institutions to undertake due diligence measures to combat money laundering and the financing of terrorism.
- (01 mark each, 02 marks)**

(Total 10 marks)

End of Section B

One (01) compulsory question

SECTION C

(Total 25 marks)

Suggested Answers to Question 07

Unit 2 - Law of Contracts.

Unit 3 - Law of Sales of Good.

- Learning outcomes
- Explain the terms of a contract (conditions, warranties, exemption clauses) and the effect of exemption clauses and the unfair contract terms Act No 26 of 1997.
 - Discuss remedies for breach of contract.
 - Discuss the time at which there is a passing of risk and a transfer of title.
 - Explain the remedies available to a buyer and seller.

(A) (a)

- To bring an action for damages.
- To sue for specific performance.
- Rescission.
- To sue for an injunction.
- Reformation [Rectification].

(01 mark each, 03 marks)

(b) In contract law, a condition is a fundamental term that goes to the root of the contract. A breach of a condition allows the innocent party to terminate the contract and claim damages. A warranty, on the other hand, is a minor term, and its breach gives rise only to a claim for damages, not to termination.

In this case:

- The clause requiring attendance at all five days of technical rehearsals was included in the contract, suggesting it was considered important to the parties.
- However, **Kalani Perera** missed only the first two days due to medical reasons and she promptly attended the remaining sessions.
- She performed flawlessly during the final full stage run and was fully prepared for the concert tour.
- Her absence did not prevent the purpose of the contract from being fulfilled.

Given that the missed days did not affect the **Kalani's** overall readiness or quality of performance, the clause is likely to amount to a warranty, not a condition. Therefore, **Golden Stage Productions** may have wrongfully terminated the contract. **(06 marks)**

(c) The relevant exception clause states that,

"The company shall not be liable for any claims or compensation arising from cancellation or replacement of performers under any circumstances."

Such clauses are known as exemption or exclusion clauses, and their validity depends on several legal principles:

- (1) **Incorporation** – The clause was included in the written agreement, so it is contractually valid.
- (2) **Clarity** – The wording is broad ("under any circumstances"), but courts usually interpret such clauses narrowly, especially where one party holds significantly more bargaining power.
- (3) **Unfairness or unreasonable terms** – If the clause leads to an unjust outcome (e.g., denying payment to a performer ready to fulfill the contract), courts may strike it down or limit its scope.
- (4) **Fundamental breach** – Modern law accepts that even in the event of a serious breach, exemption clauses might still apply - but only if the clause clearly and explicitly covers the particular type of breach that occurred.

In this case:

- The clause could potentially shield **Golden Stage productions** from liability, but courts may find it unreasonable to apply the clause to a situation where **Kamal** was wrongfully terminated despite being capable of performing.
- Therefore, the clause is unlikely to fully protect **Golden Stage Productions** from liability in this context due to concerns of unfairness, potential misuse in the event of wrongful termination. **(06 marks)**

(B)

- (a)** Yes, the supplier, **Medi-Co Ltd.**, breached an implied condition under the Sale of Goods Ordinance relating to sale by sample.

Under the Sale of Goods Ordinance, when goods are sold by sample, there are implied conditions that,

- (1) The bulk must correspond with the sample in quality.
- (2) The buyer shall have a reasonable opportunity to compare the bulk with the sample.
- (3) The goods shall be free from any defect that would not be apparent on reasonable examination of the sample.

In this case, **Dr. Leka** inspected a sample of medicine at the supplier's store. However, the delivered medicine boxes were not from the same manufacturer as the sample and lacked proper certification and packaging. This represents a clear deviation from the sample in terms of quality and identify (description of the sample) and thus breaches the implied condition.

Therefore, **Dr. Leka** (or the hospital) is entitled to reject the goods and claim a refund or damages for breach of contract under the implied condition of "sale by sample".

(05 marks)

(b) Yes, the car seller, **Mr. Wanka** breached a fundamental condition of the Sale of Goods Ordinance the right to sell.

Under Section 14(a) of the Sale of Goods Ordinance, there is an implied condition that the seller has the right to sell the goods. If the seller is not the true owner or lacks the authority to sell the buyer acquires no title, and the original owner can reclaim the goods.

In this case, **Dr. Leka** purchased a car from **Mr. Wanka** who turned out not to be the legal owner, as the car was reported stolen. The true owner reclaimed the car, meaning the seller did not have the right to sell it.

This is a serious breach of condition, entitling **Dr. Leka** to:

- Repudiate the contract,
- Seek a refund of the purchase price, and,
- Potentially claim damages from the seller (if traceable and solvent).

(05 marks)

(Total 25 marks)

End of Section C