



**Association of Accounting Technicians of Sri Lanka**

**Level I Examination - January 2023**

**Suggested Answers**

**(104) BUSINESS ENVIRONMENT (BEN)**

**Association of Accounting Technicians of Sri Lanka**

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ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

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**(104) BUSINESS ENVIRONMENT**

**SUGGESTED ANSWERS**

**Twenty (20) Compulsory Questions  
(Total 40 Marks)**

**SECTION - A**

*Suggested Answers to Question One:*

1.1 (4)

1.2 (3)

1.3 (1)

1.4 (1)

1.5 (4)

1.6 (3)

1.7 (2)

1.8 (1)

1.9 (4)

1.10 (3)



*(02 marks each, Total 20 marks)*

1.11 False

1.12 True

1.13 False

1.14 True

1.15 False

*(02 marks each, Total 10 marks)*

**1.16.** Vision is the dream of the business in its prospects. Vision guides the business towards the mission. Vision is not a destination, but a unique expectation that leads to business.

Mission is a statement that describes how the organization differs from other competitors. It explains the existence of the business. Business could achieve the mission, for the vision provides the right direction.

**(02 marks)**

**1.17. Ways of enhancing performance of Small & Medium Enterprises (SMEs) in Sri Lanka**

- 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 Resource Efficiency
- 8 Regional Balance

**(02 marks)**

**1.18. Porters' Five Forces Analysis**

- 1 Threat of new entrants to the industry
- 2 Bargaining power of suppliers
- 3 Bargaining power of buyers/customers
- 4 Threat of substitutes products
- 5 Rivalry among existing competitors in the industry

**(02 marks)**

**1.19.**

Intra-entrepreneurship is the innovations that employees in business organizations generate through creativity. Entrepreneurship emerges from within the enterprise, as creative people who hold key positions in an existing business organization often use their creative talents to develop the products and products of the business. This emerges within the organization when creative people hold key positions, and convert their creativity into innovations.

**(02 marks)**

### 1.20.

As different countries and different authors have defined Corporate Social Responsibility (CSR) in different ways based on the context, there is no universally accepted idea for CSR. Below mentioned are several interpretations of the meaning of CSR.

- It is the responsibility of businesses to be committed to the upliftment of the living standards of the country, its employees and their families, and to contribute to the development and morality of the country.
- The social responsibility of business is to use its resources and engage in activities designed to increase its profits so long as it stays in the rules of the game, which is to say, engages in open and free competition, without deception or fraud.
- Social responsibility is the responsibility of a business for its business activities and its impact on society
- It is the social responsibility to create a business framework that is committed to promoting good economic development for the people, respecting employees, enhancing employee skills, protecting the environment and promoting moral enterprises.
- What businesses give back to society is social responsibility.
- Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

**(02 marks)**

**(Total 40 marks)**

***End of Section A***

*Suggested Answers to Question Two:*

**Chapter 01 Part II - Business Organizations**

(a)

- Company name and number
- Date of incorporation of the company
- Whether the company is a limited liability company or unlimited company
- Whether the company is a private company
- Whether the company is an offshore company

**(03 marks)**

(b) **Benefits to the economy from public limited companies**

- 1 Increased contribution to GDP
- 2 Generate a large number of job opportunities
- 3 Could face the competition in the economy (including global economy) successfully
- 4 Could use modern technology and promote it in the country
- 5 Help developing the stock market, capital market and related institutions
- 6 Due to the increased number of registration in stock market, the stock market will be developed.
- 7 The savings of the general public will flow to the economy by way of investments in public limited companies, through the share market.

**(04 marks)**

(c) **As per the Section 06 of the Companies Act:**

- Limited company other than a listed company shall end in the word 'Limited' or by the abbreviation 'Ltd'.
- Private company shall end in the words '(Private) Limited' or by the abbreviation '(Pvt) Ltd'.
- Limited company which is a listed company shall end in the words 'Public Limited Company' or by the abbreviation 'PLC'.

**(03 marks)**

**(Total 10 marks)**

## ***Suggested Answers to Question Three:***

### **Chapter 03 – Business Support Services**

**(a)**

- 1 Motor Vehicle Accidents
- 2 Fire
- 3 Natural Disaster

**(02 marks)**

**(b)**

**1 The uncertainty of business losses is reduced.**

In the business world, a huge number of properties are employed. These properties might be damaged due to various reasons. Damage can be reduced from an insurance policy.

**2 Increasing business efficiency**

The uncertainty of loss may affect the mind of businessmen adversely. The insurance removing the uncertainty stimulated the businessmen to work hard.

**3 Business Contribution**

If any business particularly may discontinue at the death of any partner. The insurance policies provide adequate funds at the time of death, of the partner. With the help of Property insurance the business is protected against disaster tremendous wasters or losses.

**4 Enhancement of credit**

The business can obtain a loan by pledging the policy as collateral for the loan. The insured persons are getting more loans due to the certainly of payment at their deaths.

**5 Welfare of Employees**

The welfare of employees is the responsibility of employer. Providing an insurance facility to the employees will enhance welfare facilities of them. It results to increase motivation towards works.

**(04 marks)**

(c)

- 1 Delays in delivery of goods, so that collapse of the customer base
- 2 Additional cost of transport
- 3 Accidents and compensation
- 4 Difficulty of getting the materials to the production process on time
- 5 Delays in transporting employees to the organizations

(04 marks)

(Total 10 marks)

### ***Suggested Answers to Question Four:***

***Chapter 04 - Trade in the Business Organizations***  
***Chapter 05 - Influences of the Government to Business, the Importance of Business Ethics and Social Responsibility of a Business***

(a) **Business to Customer [B2C]**

This is the type of electronic trade which carries out by the business to the consumer through internet. This is often popular as electronic retailing or e-tailing.

Ex - Reservation of a seat of train from Colombo to Jaffna through internet

(02 marks)

(b)

<b>Advantages of Electronic Trading for Consumers</b>	<b>Disadvantages of Electronic Trading for Consumers</b>
Expansion of product selection opportunities	Inability to physically inspect goods
Easy to order	Initial cost of setting up electronic devices
Save time and effort / less time consuming	Unawareness of the security of transactions
Opportunity to use new items	Consumer distrust / Negative attitudes towards electronic trading (The customer has a distrust feeling that he or she would receive the same product which he or she has ordered)
No need to withdraw cash balances and be able to use electronic money	There is a huge initial cost of using electronic devices

(04 marks)

(c)

Name of the Institute	Role of the Institute
<b>Sri Lanka Business Development Center</b>	<ol style="list-style-type: none"><li>1 Improve management skills through training and guidance.</li><li>2 To create the necessary infrastructure for Sri Lanka's private and public sector organizations to plan and do business effectively.</li><li>3 Promote entrepreneurship</li></ol>
<b>National Institute of Design</b>	<ol style="list-style-type: none"><li>1 Organization of new design contests.</li><li>2 Introducing new designs/ industrial designs.</li><li>3 Introducing new designs that could be offered to the export market/s</li></ol>
<b>Industrial Technology Institute</b>	<ol style="list-style-type: none"><li>1 Provide technical advisory services to industries.</li><li>2 Conducting technical training programs.</li><li>3 Dissemination of technical knowledge through information centers.</li></ol>
<b>Sri Lanka Institute of Packaging</b>	<ol style="list-style-type: none"><li>1 Introducing new packaging methods</li><li>2 Organizing packaging courses</li><li>3 Identify and address the bottlenecks in packaging</li></ol>
<b>National Apprentice and Industrial Training Authority</b>	<ol style="list-style-type: none"><li>1 Organizing various vocational courses for school leavers</li><li>2 Creating employment opportunities through attaching skilled workers to different occupations</li><li>3 Formulation of service standards on occupations</li></ol>
<b>National Institute of Business Management</b>	<ol style="list-style-type: none"><li>1 Management Development - Training of Public and Private Sector Managers and Related Supervisory Officers</li><li>2 Conduct managerial research - research and collect</li></ol>



	<p>data in the relevant field</p> <p>3 Computer Services - Organization of training courses and preparation of computer programs for various institutions under the contract method</p>
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**(04 marks)**

**(Total 10 marks)**

***Suggested Answers to Question Five:***

<p><b>Chapter 03 - Business Support Services</b>  <b>Chapter 07 - Contribution of Entrepreneurship</b></p>
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**(a) Qualities of a good Transportation System**

- 1 Speed
- 2 Safety
- 3 Low Cost
- 4 Capacity
- 5 Availability
- 6 Standard and International Norms
- 7 Legality



**(03 marks)**

**(b) Other serviced on Commercial Banks**

- 1 Issuing bank drafts
- 2 Realization of Cheques / Crummy or Bad realization of cheques
- 3 Fulfillment of Standing Orders
- 4 Remittances
- 5 Issuing Letters of Credit
- 6 Stock Underwriting
- 7 Leasing services
- 8 Buying and selling of foreign Exchange
- 9 Agent Services

- 10 Pawning services
- 11 Telephone Banking
- 12 Internet Banking
- 13 Bank loans

**(03 marks)**

**(c)**

Entrepreneurship is the whole process of innovating and managing the risk, and satisfying human needs. Business can be defined as Production, distribution and all related activities which are in place to satisfy human needs. Entrepreneurship creates business through innovations and creativity. **To start a business, entrepreneurs must identify opportunities and exploit them creatively using innovations. Hence it is clear that** Entrepreneurship plays a key role in identifying business opportunities, risk management and innovation planning to satisfy the human needs. Businesses often commercialize those innovations. **However it is clear that not all businesses are entrepreneurs, but all entrepreneurs create businesses.**

This means that the businesses in the business world are not all entrepreneurial ventures, nonetheless a business that originates or runs another business to do the same. However, all of them are not entrepreneurs and they are not just creating new opportunities and lacking creativity or innovation, they are just business ventures.

**(04 marks)**

**(Total 10 marks)**

**End of Section B**

***Suggested Answers to Question Six:***

**(a) Factors to be considered when conducting a business ethically**

1. Nature of the Business
2. Who are the owners of the business, their attitudes, perceptions, norms, values, etc.
3. Who are the employees of the business, their attitudes, perceptions, norms, values, etc.
4. Customer Care
5. Competitors and their intentions
6. Understanding of the social culture of the business
7. Organizational culture
8. The cost of implementation

**(03 marks)**

**(b)**

**1. Improved Efficiency**

Use of new technology in C Soft would speed up the operations process improving its efficiency. As a result, orders are placed automatically to an implemented computer application, and could experience a smooth running of the production.

**2. Reduce cost of production**

Use of new technology would lower the manufacturing and distribution cost allowing the company to have a greater profit margin.

**3. Boost Organizational productivity**

Use of new technology helps the company to easily access new markets and segments without additional costs. Easy payments and monitoring of the market behavior using the data driven apps facilitate market research as well.

**4. Manage eco friendly**

Use of new technology allows the company to manage the waste in an effective, eco-friendly manner. As an example, the company has established a waste water treatment plant for that purpose.

**5. Ability to track online transactions**

**6. Ability to develop a mobile app for business**

**7. Ability to provide high quality quick customer support services**

**(05 marks)**

**(c)**

1. Use of recycling process [like waste water treatment plant]
2. Proper management of waste [especially, chemical waste and e-waste]
3. Obtain up-to-date instructions from regulatory authorities
4. Moving to green products and green packaging that are eco-friendly
5. Preventing from activities that harm environment
6. Planning production processes that minimizing the impact on the environment.
7. Moving to green products and following green policy during the production process.
8. Gather knowledge and implement programs on environment protection.
9. Use an eco-friendly packaging system for preventing post damages that occur to the environment by disposing of packages.
10. Obtain necessary instruction from regulatory organizations on the environment.
11. Include an environment report to the final account of the business.

**(04 marks)**

**(d)**

- 13 acre land at Weyangoda bounded by Weyangoda Oya
- Computer application to indicate the fruits requirements at a particular week
- Manufacturing Plant
- Employees [Labor factor]
- Entrepreneurship

**(03 marks)**

**(e)**

The term "Society" can be taken to encompass all those with whom an organization has a relationship which is not a direct business relationship. This will include local communities in which businesses operate, as well as a range of pressure and interest groups of various kinds which are concerned with the particular type of business or the impact of its activities on the environment in general. In respect of the local community, there will be interest in the overall business performance of organization as it affects local employment and prosperity. The success of many small local businesses is likely to be linked to the continued presence and success of big local businesses. However there may be other issues related to the quality of life such as use pollution, traffic flows etc. which affect the local community.

For C Soft, society is considered an important stakeholder. Indeed, no business could survive in a social vacuum. All the suppliers, distributors, customers, and other institutes connected with C Soft are the agents of the general society. Inputs are taken from the society, output is sold to the society, employees are coming from the society, and wastes are disposed to the society. Also, villages around the company are keen on the business operations of C Soft and its waste management. Hence, C Soft has to take initiatives to protect the environment, especially, the water resource, and the public interest of the villages around in its business operations.

***(05 marks)***

**(Total 20 marks)**



***End of Section C***

**Notice:**

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These should be understood as Suggested Answers to question set at AAT Examinations and should not be construed as the “Only” answers, or, for that matter even as “Model Answers”. The fundamental objective of this publication is to add completeness to its series of study texts, designs especially for the benefit of those students who are engaged in self-studies. These are intended to assist them with the exploration of the relevant subject matter and further enhance their understanding as well as stay relevant in the art of answering questions at examination level.



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