

SECTION 1

*All questions are compulsory.
Total marks for Section 1 is 30 marks.
Recommended time for the section is 54 minutes.*

Section 1(a)

Question 1

You are required to choose the most appropriate answer.

(Total 20 marks)

1.1. Which of the following statements is correct?

- A. The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is entrusted with the regulation of the Sri Lanka Accounting and Auditing Standards Monitoring Board.
- B. Department of Registrar of Companies is entrusted with the task of implementing the provisions of the Public Contract Act No. 3 of 1987.
- C. The Securities and Exchange Commission (SEC) is the principal stock exchange in Sri Lanka.
- D. The Board of Investment's (BOI) has been created under the provisions of the Exchange Control Act No 24 of 1953.

(2 marks)

1.2 Which of the following statements is correct, in relation to the Prevention of Money Laundering Act No. 5 of 2006?

- A. The main objective of the Act is to regularise money laundering in Sri Lanka.
- B. Money laundering is the movement of criminally derived funds, for the purpose of concealing the true identity of the source of the owner.
- C. The only punishment for money laundering is the imposition of a fine.
- D. To prevent the commission of money laundering, a freezing order can be issued only by a magistrate.

(2 marks)

1.3 Which of the following statements is correct, in relation to negotiable instruments?

- A. A bill of exchange is a conditional order in writing.
- B. A holder of a negotiable instrument, cannot sue in his own name.
- C. A cheque is crossed when two parallel lines are drawn across it.
- D. The payee is the person who gives the order to pay.

(2 marks)

1.4 Which of the following statements is correct in relation to bills of exchange and cheques?

- A. A cheque is a special form of bill of exchange that is drawn specifically against a banker and is payable on demand.
- B. A bill of exchange is a written order to pay a specified sum of money to a named party, only if the payment is demanded.
- C. A bill of exchange can be an oral promise, to pay a specified sum of money to a named party.
- D. A cheque is a written promise to pay a specified sum of money to a named party on a specific date.

(2 marks)

1.5 Which of the following statements best describes a Mercantile Agent?

- A. A person who has authority to bind his principal to buy or to sell goods, or to consign goods for sale, or to raise money by pledging goods as security.
- B. A person who is entrusted to sell the principal's goods at an auction.
- C. A person who acts as an agent with the principal's express authority.
- D. A person who acts as an agent with the principal's express or apparent authority.

(2 marks)

1.6 Meena goes to a supermarket and sees an ironing board with a price label for Rs. 2000. She takes the board to the cashier and gives Rs. 2000 for the price. But the cashier tells her that the label is wrong and the correct price should be Rs.3000.

Which of the following answers best describes the price label in terms of a contract?

- A. An offer
- B. A counter-offer
- C. An invitation to treat
- D. An acceptance.

(2 marks)

1.7 The following statements are in relation to the Payment of Gratuity Act, No. 12 of 1983.

Which of the following statements is correct?

- A. The employer should have a minimum of five employees, in order to fall within the purview of the Act.
- B. An employee must work for a minimum of ten years for the same employer, to be entitled for gratuity.
- C. If an employee contract is terminated for fraud, the losses suffered by the employer cannot be deducted from the gratuity entitlement of the employee.
- D. The Act does not apply to employees entitled for a pension under a non-contributing pension scheme.

(2 marks)

1.8 Under the Employees Provident Fund Act No. 15 of 1958, EPF is payable on an employee's "earnings".

Which of the following answers is considered as an "earning" in computing EPF?

- A. Overtime payment
- B. Rent allowance
- C. Meal allowance
- D. Reimbursement of travelling expenses

(2 marks)

1.9 Which of the following answers is not an essential element of a valid contract?

- A. The contract must be in writing
- B. There must be a genuine consent of the parties
- C. There must be a valid offer
- D. The parties must intend to create legally binding relations

(2 marks)

1.10 A common classification of law is “Public law” and “Private law”.

Which of the following answers falls within the scope of “Private law”.

- A. Family law & Commercial law
- B. Commercial law & Criminal law
- C. Constitutional law & Property law
- D. Law of Trusts & Administrative law

(2 marks)

Section 1(b)

Question 2

You are required to provide short answers to all questions with attention given to action verbs. **(Total 10 marks)**

(2.1) The courts will recognise a custom as a source of law upon the fulfillment of certain conditions.

State two (02) such conditions.

(2 marks)

(2.2) **State** two (02) conditions that have to be satisfied before an agency can be created by necessity.

(2 marks)

(2.3) **Explain** the effect, a ratification has on a contract entered into by an agent.

(2 marks)

(2.4) **List** the four (04) main requirements, which are necessary to form a partnership, under the Partnership law applicable in Sri Lanka.

(2 marks)

(2.5) **State** two instances that fall within the scope of an invitation to treat, in the law of contracts.

(2 marks)

SECTION 2

Compulsory Questions.

Total marks for Section 2 is 20 marks.

Recommended time for the section 2 is 36 minutes.

Question 03

1 January 2016: Suni made an offer to Runi to sell his land for a sum of Three Million Rupees. Suni's offer clearly stated that the offer should be accepted only by post, on or before 10 January 2016.

8 January 2016: Runi posted the duly stamped and addressed acceptance letter, by putting it into a post box.

9 January 2016: Suni decided not to sell the land, and informed Runi over the telephone that he wanted to revoke his offer immediately.

Required:

Explain;

- (a) the legal principles relating to an acceptance by post; **(3 marks)**
- (b) the legal principles relating to a revocation of an offer; **(3 marks)**
- (c) whether a valid contract has been formed between Suni and Runi. **(4 marks)**

(Total = 10 marks)

Question 04

Amal, a shop owner, tested a reasonable sample of red basmati rice from Kamal, a whole seller.

Being satisfied with the test results, Amal purchased 100 bags of red basmati rice from Kamal.

Subsequently, Gayani bought 1 bag of this red rice from Amal's shop.

Upon going home and opening the bag of rice, she found red dhal mixed with the red basmati rice.

Required:

(a) Explain under the Sale of Goods Ordinance, the legal principles applicable to this scenario from the point of view of;

(i) Gayani, as a buyer;

(3 marks)

(ii) Amal, as a buyer.

(3 marks)

(b) Identify the remedies available to both Gayani & Amal, under the Sale of Goods Ordinance, in relation to the given scenario.

(4 marks)

(Total = 10 marks)