



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

LEVEL I EXAMINATION - JANUARY 2023

(104) BUSINESS ENVIRONMENT

05-03-2023

Afternoon

[02.00 – 5.00]

• **Instructions to candidates** (Please Read Carefully):

(1) **Time:** 03 hours.

No. of Pages : 07

(2) **All questions should be answered.**

No. of Questions : 06

(3) **Answers should be in one language, in the medium applied for, in the booklets provided.**

(4) **State clearly assumptions made by you, if any.**

(5) **Action Verb Check List with definitions is attached. Each question will begin with an action verb excluding OTQ's. Candidates should answer the questions based on the definition of the verb given in the Action Verb Check List.**

(6) **100 Marks.**

SECTION A

Objective Test Questions (OTQs)

(Total 40 marks)

Question 01

Select the most correct answer for question No. 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 Which one of the following is an internal stakeholder of a business?

- (1) Society. (2) Creditors. (3) Competitors. (4) Owners.

1.2 Which one of the following is **not** an example for a formal organization?

- (1) Ministry of Education. (2) Google PLC.
(3) Facebook chat group. (4) University of Colombo.

1.3 Which one of the following group consists only of human needs?

- (1) Shelter, Food and Clothes. (2) Bread, Food and Safety.
(3) Bread, Houses and Shirts. (4) Shelter, Shirts and Electricity.

1.4 Which one of the following is a characteristic of a formal business?

- (1) It has a continuous process. (2) There is no uncertainty.
(3) It does not have an economic activity. (4) It is not motivated by profit.

1.5 Which one of the following is an advantage of using cheques over cash?

- (1) Easy to prove the payment made.
- (2) Safer to make the payment.
- (3) Ability to state a post-date.
- (4) All of the above.

1.6 Consider the following statements with reference to the Colombo Stock Exchange:

- (a) It manages the official foreign reserves of Sri Lanka.
- (b) It provides a regulated environment for both institutional and individual investors operated in the capital markets.
- (c) It helps investors to convert their shares into cash.

Of the above, the correct statement/s regarding the Colombo Stock Exchange is/are:

- (1) **(b)** only.
- (2) **(c)** only.
- (3) **(b)** and **(c)** only.
- (4) **(a)** and **(c)** only.

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

- (1) State owned banks.
- (2) Unit trusts.
- (3) Licensed commercial banks.
- (4) Registered finance companies.

1.8 Which one of the following is a feature of the whole sale trade?

- (1) Involves a considerable level of credit transactions.
- (2) Buyer's intention is for own consumption.
- (3) Retailers and consumers are the involved parties.
- (4) Transactions are completed always by cash or cash equivalents.

1.9 Consider the following characteristics:

- (a) Vision.
- (b) Creativity.
- (c) Self-confidence.

Of the above, characteristic/s of an entrepreneur is / are:

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

1.10 Consider the following statements:

- (a)** Contributes to the gross domestic product of the country.
- (b)** Lack of continuity.
- (c)** Generates employment opportunities.
- (d)** Helps to alleviate poverty.

Of the above, the importances of SMEs are given in:

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

*State whether each of the following statements from 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 A cheque is an example for electronic money.

1.12 A Letter of Credit is a payment method used in international trade.

1.13 Capital market is a market for short-term finance.

1.14 If the name of the transferee is used only as the endorsement, it is a blank endorsement.

1.15 Indemnity principle is considered only for life insurance.

Write the answers for question No. 1.16 to 1.20 in your answer booklet with the number assigned to the question.

1.16 State the difference between Vision and Mission of an organization.

1.17 State two(02) ways of enhancing performance of Small & Medium Enterprises (SMEs) in Sri Lanka.

1.18 State two(02) forces in Porter's Five Forces Analysis.

1.19 Explain briefly the meaning of Intra-Entrepreneurship.

1.20 Explain briefly what is meant by Corporate Social Responsibility (CSR).

(02 marks each, Total 40 marks)

End of Section A

SECTION B

(Total 40 marks)

Question 02

Ann is following a Business Studies course in a private educational institute. As part of the curriculum, she was required to make a presentation on the Companies Act of Sri Lanka and its applicability to businesses in Sri Lanka. **Ann** seeks your help to find answers for the following questions:

You are required to:

- (a) **Identify** three(03) information contained in the Certificate of Incorporation. (03 marks)
 - (b) **State** four(04) benefits of a public limited company to the economy of a country. (04 marks)
 - (c) **Explain** how to use the name of a company as per the Companies Act of Sri Lanka. (03 marks)
- (Total 10 marks)

Question 03

Expressway is a transport service provider with a fleet of highway buses, passenger vans, luxury cars and lorries for hire. **Nevil** is the owner and the manager of **Expressway**. He incurs a considerable amount of money every year to insure these vehicles. However, he believes that the cost is negligible compared to the risk of public transportation.

You are required to:

- (a) **Identify** the type of insurance policy which **Nevil** can insure his fleet of vehicles. (02 marks)
 - (b) **Explain** two(02) reasons why insurance is important for a business organization. (04 marks)
 - (c) **State** four(04) difficulties that an organization will have to face due to non-availability of an effective transportation system. (04 marks)
- (Total 10 marks)

Question 04

E-way is a Malaysian company that is in the business of retail trading of electronic bikes. They advertise their products through their website "www.eway.com". Potential customers can visit their website and place orders by paying 50% of the price of the bike. Their agents are in several Asian countries. After placing the order by the customers, **E-way** exports the bikes through the respective agent.

You are required to:

- (a) **Explain** the type of electronic trade that **E-way** is engaged in. (02 marks)
 - (b) **State** two(02) advantages and two(02) disadvantages of Electronic Trade for consumers. (04 marks)
 - (c) **Identify** two(02) government institutions which facilitate the businesses in Sri Lanka and **Explain** their respective role. (04 marks)
- (Total 10 marks)

Question 05

Tharindu graduated from Thailand State University recently. As an undergraduate, he visited several areas in Thailand and came across to see how the waterways are used in Thailand in transporting coconut. As an heir of a coconut estate, **Tharindu** wonders whether Sri Lanka can develop waterways for the transportation of coconut from estates to coconut mills and other factories which use coconut as a raw material. Now **Tharindu** is planning to start the new business focusing the export market as an entrepreneur.

You are required to:

- (a) **Identify** three(03) qualities of a good waterway transportation system as a transportation system. (03 marks)
 - (b) **State** three(03) services that a licensed commercial bank in Sri Lanka provides for an exporter. (03 marks)
 - (c) **Explain** the relationship between entrepreneurship and business. (04 marks)
- (Total 10 marks)

End of Section B

SECTION C

(Total 20 marks)

Question 06

C Soft is a soft drinks manufacturer located in a 13 acre land at Weyangoda bounded by Weyangoda Oya. They buy fruits from different regions of the country including Monaragala, Gampaha, Anuradhapura and Wellawaya. **C Soft** is having a good relationship with small-scale farmers in the above areas. **C Soft** has developed a computer application to indicate the requirements of different fruits at a particular week. The small-scale farmers, who are registered with **C Soft** can access this system through their mobile phones. They updated the system regarding their availability of fruits. Orders are placed automatically by the system and fruits are transported to Weyangoda plant from respective farmers.

During the year, they had to face lot of problems due to rumours spread in the village regarding dumping of wastewater by the manufacturing plant without treatment. Villagers suspected that their water resources, including their domestic wells are at a threat due to this wastewater. Once a group of villagers organized a protest in front of the main entrance of **C Soft** accusing them of environment pollution. This protest was settled with the interference of the police in the area. During that week, a national newspaper published an article on this incident. Further, the newspaper also pointed out the use of artificial food colors and flavors by **C Soft** in some of their products. Later, the board of directors of **C Soft** informed at a press conference, the initiatives they have taken in getting relevant environmental certificates, SLS and ISO certificates and the establishment of the wastewater treatment plant. Further, they invited the representatives of the villagers to visit the factory and to witness these initiatives and rely on facts rather than rumours.

You are required to:

- (a) **Identify** three(03) factors which should be considered by **C Soft** in conducting their business ethically. (03 marks)
 - (b) **Explain** three(03) advantages of using new technology to the business of **C Soft**. (05 marks)
 - (c) **State** four(04) actions that can be taken by **C Soft** to prevent environment pollution. (04 marks)
 - (d) **Identify** three(03) economic resources that **C Soft** is currently having according to the above case. (03 marks)
 - (e) **Explain** why society is considered as an important stakeholder of **C Soft**. (05 marks)
- (Total 20 marks)

End of Section C

ACTION VERBS CHECK LIST

Level of Competency	Description	Action Verbs	Verb Definitions
Knowledge (1)	Recall Facts and Basic Concepts.	Draw	Produce a picture or diagram.
		Relate	Establish logical or causal connections.
		State	Express details definitely or clearly.
		Identify	Recognize, establish or select after consideration.
		List	Write the connected items.

Level of Competency	Description	Action Verbs	Verb Definitions
Comprehension (2)	Explain & Elucidates Ideas and Information.	Recognize	Show validity or otherwise, using knowledge or contextual experience.
		Interpret	Translate into understandable or familiar terms.
		Describe	Write and communicate the key features.
		Explain	Make a clear description in detail using relevant facts.
		Define	Give the exact nature, scope or meaning.

Level of Competency	Description	Action Verbs	Verb Definitions
Application (3)	Use and Adapt Knowledge in New Situations.	Reconcile	Make consistent / compatible with another.
		Graph	Represent by graphs.
		Assess	Determine the value, nature, ability or quality.
		Solve	Find solutions through calculations and/or explanation.
		Prepare	Make or get ready for a particular purpose.
		Demonstrate	Prove or exhibit with examples.
		Calculate	Ascertain or reckon with mathematical computation.
		Apply	Put to practical use.

Level of Competency	Description	Action Verbs	Verb Definitions
Analysis (4)	Draw Connections Among Ideas and Solve Problems.	Communicate	Share or exchange information.
		Outline	Make a summary of significant features.
		Contrast	Examine to show differences.
		Compare	Examine to discover similarities.
		Discuss	Examine in detail by arguments.
		Differentiate	Constitute a difference that distinguishes something.
		Analyze	Examine in details to find the solution or outcome.