

# PILOT PAPER – 2023-2027 SYLLABUS

## OL2.4 Business Law & Taxation (Taxation)

Operational Level

**Time allowed:** 1 and ½ Hours.

**Total Marks:** 50

### Exam Structure

This exam is consisting with three parts:

#### Part-I

- 10 Multiple Choice Questions (MCQ)
- Each 02 marks and 20 marks in total.

#### Part-II

- one Case Based Objective Test Question.
- 10 marks in total

#### Part-III

- Two Structured Questions.
- Each containing a case which relates to one or more requirement(s).
- Answers are required be provided in spreadsheet on given format.
- Each 10 marks and 20 marks in total

All questions are compulsory.

# Practice Examination – Part I

## Exam Structure

- 10 Multiple Choice Questions (MCQ)
  - Segment A 02 MCQs
  - Segment B 02 MCQs
  - Segment C 02 MCQs
  - Segment D 02 MCQs
  - Segment E 02 MCQs
- Each 02 marks and 20 marks in total.

## Segment A

1. An individual with different levels of income shall be taxed at different rates.  
Which of the following principles is applicable to the above statement:  
  
a) Equity.                      b) Progressivity.              c) Economy.              d) Convenience.
  
2. Sources of tax law are categorized into primary sources of tax laws, and secondary sources which are listed below. Which of the following are not considered primary sources of tax law:  
  
a) Taxation statutes passed by the Parliament (Acts)  
b) Legal Dictionaries, Commentaries  
c) Gazette Notification and Rulings issued by the Inland Revenue Department  
d) Decided Cases by the Court (Case Laws)

## Segment B

3. Srimal is employed by Care Holdings PLC for Rs.275,000/- per month. He is provided with a house in Bambalapitiya. The Rating Assessment of the house is Rs.275,000/- for the year 2023.  
What is Srimal's taxable housing benefit for the year of assessment 2022/2023:  
  
a) Rs.480,000/-              b) Rs.412,500/-              c) Rs.137,500/-              d) Rs.240,000/-
  
4. Which of the following transaction has a business character:

- a) Kamal entered into an agreement with Sumal to purchase an estate and sold part of the estate at a profit.
- b) As a hobby, Wimal bought different types of motor cars and sells them after he is satisfied with the motor car purchased. During the year, he sold 12 motor cars and earned Rs.5,000,000/- profit.
- c) Amarapala purchased a house in Kandy to give his daughter at her wedding. Since the wedding was getting delayed, he sold this house at a profit and purchased a new house in Dehiwala.
- d) Somasiri purchased shares from Silicon PLC with the intention of holding for five years to gain the benefit of increasing the value of shares.

### Segment C

5. The following individuals are planning to open a tax file to pay their income taxes for the year of assessment 2022/2023 and currently assessing their resident status.

- Ramesh is a Sri Lankan citizen who returned after his foreign assignment in December 2022 and lives in Panadura with his family and carrying out a vehicle service centre.
- Andrew came from the UK on 3rd November 2022 to attend consultancy in a Sri Lankan company, and he left the country after finishing his assignment on 31<sup>st</sup> May 2023.

Which of the above individuals is a resident for the year assessment 2022/2023 for income tax in Sri Lanka:

- a) Ramesh only.
- b) Both Ramesh and Andrew.
- c) Andrew only.
- d) None of the above.

6. The following statements are applicable for the Unit Trust and Mutual Fund. Which of the statements are correct for Unit Trust and Mutual Fund:

- a) Unit Trust or Mutual Fund does conduct an eligible business considered as a company.
- b) A unit holders of Unit Trust or Mutual Funds shall be a shareholder in that company.
- c) Dividend distributed to unit holders are exempted from tax.
- d) Remuneration paid to the manager of Unit Trust or Mutual Fund shall not be considered as the expenses incurred in the production of income.

### Segment D

7. The Which of the following items are exempted from Value Added Tax (VAT):
- a) Supply or import of energy-saving bulbs.
  - b) Repair foreign ships.
  - c) Supply of goods under any tender agreement.
  - d) Supply of locally manufactured coconut oil.
8. Under the Social Security Contribution Levey (SSCL) Act, 25 of 2022, taxable persons are required to pay the SSCL based on their liable turnover, under four categories as given below.
- 100% of liable turnover.
  - )85% of the liable turnover.
  - 50% of the liable turnover.
  - 25% of the liable turnover.

What is the liable turnover of manufacturers of any articles:

- a) 100% of liable turnover.
- b) 50% of the liable turnover.
- c) 85% of the liable turnover.
- d) 25% of the liable turnover.

### Segment E

9. Niranjala's estimated income tax liability for the year of assessment 2022/2023 is Rs.875,140/-. She paid Rs.432,235/- to settle her first two instalments. And She received rent



**Question 01 - each question 02 marks in maximum, total 10 marks – Segment A & B**

Kamani is a retired government school teacher living in Nugegoda. She retired from government service in the year 2015 when she attained the age of 55. In 2021, Kamani started a tuition class for Advanced Level students in Nugegoda as a sole proprietorship. During 2022, she relocated the class to a place with more space, facilities and easy access for students.

Kamani declared the following information for the year of assessment 2022/2023.

Monthly Pension	Rs. 45,000/-
Profit from the business	Rs. 1,345,000/-
Interest on fixed deposit	Rs. 675,000/-
Dividend income	Rs. 35,000/-

**Practice Question 01 - Total 10 Marks – Segment A & B**

1. Which of the above income is liable for income tax, and which are exempted:

Income	Liable	Exempted
Monthly Pension		
Profit from the business		
Interest on fixed deposit		
Dividend income		

2. What is the aggregated assessable income of Kamani for the year of assessment 2022/2023:

(Rs.)

3. What is the most appropriate rule applicable to deduct the following expenses.

**Description of the Expenses**

**Deduction Rule**

Salaries paid to employees work in the tuition class

Interest paid to bank for the loan obtained to purchased digital boards

General Rule

Main Rule

Specific Rule

4. Select the correct accounting basis applicable to account the following sources of income for tax purpose.

Accounting basis	Cash Basis / Accrual Basis
Interest from fixed deposit.	
Profit from tuition class	

Cash Basis

Accrual Basis

5. Select the correct statement given below.

- a) Person who has a taxable income shall be liable to pay income tax.
- b) Direct tax liability cannot be shifted to another person.
- c) Both tax evasion and tax avoidance are illegal.
- d) Increasing savings and capital formation is the primary function of income tax.

## Practice Examination – Part III

### Exam Structure

- Two Structured Questions.
- Each containing a case that relates to one or more requirement(s).
- Answers are required to be provided in a spreadsheet in the given format.
- Each 10 marks and 20 marks in total.

### Practice Question 01 - Total 10 Marks – Segment B

Major General Himaru Jayagoda is the Chairman of Y.K Holdings PLC. He is also an owner of Jayagoda Enterprises which is a security service firm. The following information for the year of assessment 2022/2023 is declared by General Jayagoda.

#### Remuneration:

- Y.K Holdings PLC paid a gross remuneration of Rs.650,000/- per month.
- In addition to monthly remuneration, he is given a 1,650 CC petrol car maintained by the company.
- APIT deducted by Y.K Holdings PLC for the year is Rs.1,582,500/-.

#### Self-employment:

The income statement of Jayagoda Enterprises shows Rs.895,465/- profit for the year. The profit is calculated after deducting donations given to a political party for Rs.350,000/- and General Jayagoda's professional membership of Rs. 25,000/- and Rs.45,000/- golf club membership fees.

#### Other Information:

During the year General Jayagoda received Rs.45,000/- dividend from Y.K Holdings PLC. The Company paid the dividend out of the dividend received from shares invested on another resident company.

### You are required to:

1. Calculate income tax payable by General Jayagoda for the year of assessment 2022/2023.

Major General Himaru Jayagoda
Computation of Income Tax Payable for the Year of Assessment 2022/2023



			Remarks/Notes
Exempted and Excluded Income			
Medical claim			
Employee's Provident Fund			
Employees' Trust Fund			
Dividend			
Interest income			
Capital Gain			
Sales Proceeds			
Less: Expenses			
Cost of Purchase			
Open Market Value			
Improvements			
Rent Income			
Secondary employment income			
Total Exempted/Exclude Income			
Employment Income:			
Primary Employment			
Salary			
Fixed Allowance			
Vehicle Benefit			
Value of the benefit			
Open market value			
Housing Benefit			
Value of the benefit			
Open market value			
Bonus			
Travel Expenses			
Value of Shares option			
Leave Pay			
Telephone Bill			
Medical claim			
Employee's Provident Fund			

Employees' Trust Fund			
Primary employment Income			
Secondary Employment			
Total income			
Less: Expenses			
Secondary employment Income			
Assessable Income from Employment			
Business Income			
Net Profit			
Add: Disallowable Expense			
Less: Allowable Expenses			
Assessable Income from Business			
Investment Income			
Interest Income			
Dividend			
Gain on sales of shares			
Sales Proceeds			
Less: Expenses			
Cost of Purchase			
Open Market Value			
Improvements			
Other Expenses			
Rent Income			
Rent income			
Less: Expenses			
Repairs and improvements			
Commission			
Rates			
Bad debts			
Assessable Income from Investment			
Total Assessable Income			

Less: Qualify Payments and Reliefs			
Personal relief			
Rent Relief			
Donation to approved charity			
Donation to government/government institution/fund			
Other donations			
Deductible donations			
Total Qualify Payments and Reliefs			
Taxable Income			
Tax Payable			
First Slab			
Second Slab			
Third Slab			
Fourth Slab			
Fifth Slab			
Sixth Slab			
Gross Tax Payable			
Less: Tax Credits			
APIT			
Self-Assessment Payment			
WHT/AIT			
Balance Tax Payable/(Refund)			

Kamal and Amal commenced on a Partnership Business in the month of April 2022 for sharing profit equally. The Partnership's net loss for the year ended 31<sup>st</sup> March 2023 is Rs.1,134,150/-.

- Both Kamal & Amal paid Rs.100,000/- salary for a month.

- Business was started from the loan given by Amal and he is paid Rs.65,000/- loan installment per month including Rs.23,182/- as interest.

**You are required to:**

2. Calculate income tax payable by the Partnership for the year of assessment 2022/2023.

Kamal and Amal Partnership			
Computation of Income Tax Payable for the Year of Assessment 2022/2023			
	(+)	(-)	Remarks/Notes
Net Profit			
Salaries to Partners			
Interest payment for partner's capital			
Interest on loan			
Capital Allowance			
Other Expenses			
Adjusted Business Profit/(Loss)			
Less: Qualify Payments and Relief			
Partnership Relief			
Donation to approved charity			
Donation to government/government institution/fund			
Other donations			
Deductible qualify payments and relief			
Taxable Partnership Profit/(Loss)			
Gross Tax Payable			
Less: Tax Credits			
Self-Assessment Payment			
WHT/AIT			
Balance Partnership Tax Payable/(Refund)			

Child Care Lanka (CCL) is a Non-Governmental Organization provides inhouse facility for displaced children. During the year of assessment 2022/2023, CCL received Rs.3,500,000/-

worth of donation from foreign donors and interest income of Rs.275,125/- from fixed deposits.

**You are required to:**

3. Calculate income tax payable by Child Care Lanka for the year of assessment 2022/2023:

Child Care Lanka			
Computation of Income Tax Payable for the Year of Assessment 2022/2023			
	(+)	(-)	Remarks/Notes
Interest Income			
Business Income			
Other Income			
Taxable Income			
Donation			
Total amount liable for tax			
Total Tax Payable			

**Practice Question 02 - Total 10 Marks – Segment C& D**

Aircon Pvt. Ltd is a company engages in the business of import and selling general equipment. During the year ended 31st March 2023, the following transactions were reported in the books of the company and the transactions are excluded from tax.

Sales:

Sales of general equipment	Rs. 32,140,520
Repair charges of equipment	Rs. 1,325,125

Expenses:

Import of general equipment	Rs. 25,675,195
Accessories purchased locally	Rs. 4,565,725
Maintenance charges of MD's motor car	Rs. 285,625

Other information:

- VAT installment paid for the quarter ended 31st March 2023 is Rs. 320,860/-
- SSCL installment paid for the quarter ended 31st March 2023 is Rs. 315,620/-

4. What is the annual value of supply/turnover/income threshold applicable to register for the following taxes:

Compulsory registration for VAT (Rs.)

Social security Contribution Levy (Rs.)

5. Calculate VAT Payable by Aircon Pvt. Ltd for the quarter ended 31<sup>st</sup> March 2023.

Aircon Pvt. Ltd				
Computation of VAT Payable for the quarter ended 31.03.2023				
Out Put Tax	Value of Supply	Rate	Tax	Remarks/ Notes
Liabe Supply				
Excluded Supplies				
Exempted Supplies				
Wholesale and Retail Taxable Supplies				
VAT Suspended Taxable Supplies				
Zero Rated Supplies				
<b>Total Output Tax</b>				
Input Tax				
VAT Liabe Imports				
Local Purchases on which VAT is not charged				
Goods Purchased from Non VAT Registered Persons				
VAT Exclude purchases				
Disallowable Input Tax on Imports				
Adjustments				
Disallowable Input Tax Other Purchases				

Allowable Input Tax Excluding B/F Amounts				
Brought Forward Input Tax				
Allowable Input Tax				
Zero Rated Supplies/Suspended Supplies/22(7)				
Not belongs to above				
Allowable Input				
Unabsorbed Excess Input Tax				
Gross VAT payable				
Less: Installment Payment				
Total Tax Credits				
Balance VAT Payable				
Balance VAT Refund				

6. Calculate SSCL Payable by Aircon Pvt. Ltd for the quarter ended 31<sup>st</sup> March 2023.

Aircon Pvt. Ltd						
Computation of SSCL Payable for the quarter ended 31.03.2023						
Sector	Turnover	%	Liabe Turnover	Rate	Tax	Notes
Manufacturing						
Services						
Wholesale/Retail						
Distributor						
Financial Service						
Exempt Articles						
Exempt Services						
Any other Non-Liable						
Total						
Tax Credits						
B/F excess payments						
Installments						
Total Tax Credits						

Balance Tax payable						
Excess Credits Carry Forward						

7. What are the services liable for telecommunication Levy imposed under the Telecommunication Levy Act, No. 21 of 2011 and amendments there to:

8. Nevil brought 10,000 shares in Gama PLC for Rs.150/- each in February 2023. In April 2023, there was a 1 for 4 bonus issue when the share had a market value of Rs.142/- each. At the end of April 2023 Nevil sold all his shares in Gama PLC for Rs.153/- each.

What is the total Share Transaction Levy paid by Nevil on the above transactions:

Nevil							
Computation of STL Payable							
Company	Transaction	No. Shares	Price	Gross	Rate	STL	Notes
Total							



Incorporated by  
Act of Parliament No. 23 of 2009

# PILOT PAPER – 2023-2027 SYLLABUS

## OL2.4 Business Law & Taxation (Business Law)



## Practice Examination – Part I

### Exam Structure

- 10 Multiple Choice Questions (MCQ)
  - Segment B 02 MCQs
  - Segment C 02 MCQs
  - Segment D 03 MCQs

## Segment B

1. Nilame, a paddy farmer agrees to sell a pile of hey to Mohomed, an owner of a chicken farm. Without knowing both of them the pile of hey was set fire and completely destroyed. This contract could be discharged by:
  - a) Frustration.
  - b) Agreement.
  - c) Operation of Common Law.
  - d) Change in the Law.
2. In a classroom discussion, following statements are made by students.

Seetha - "Equitable remedies supplement the common law and are broad in scope, more adaptable, and direct in application."

Suneetha - "The most common remedy for breach of contract is damages."

Vineetha - "However, depending on the context, damages may not be a satisfactory remedy."

In their opinions:

  - a) Only Seetha and Suneetha are correct.
  - b) Only Suneetha and Vineetha are correct.
  - c) Only Seetha and Vineetha are correct.
  - d) All of them are correct.

## Segment C

3. Anti-Qs Ltd, an Antique broker Company, was entrusted by Menike to sell some of her old jewelries for cash only. Anti-Qs Ltd sold the old jewelries to Riffsy on credit and before payment, Riffsy died of a heart attack. Menike demanded the payment from Anti-Qs Ltd, but Anti-Qs Ltd refused on the basis that the contract between the company and Riffsy was frustrated due to Riffsy's untimely death. Is Anti-Qs Ltd liable:
- a) Yes. Anti-Qs Ltd is liable as Menike's agent, as they failed to follow her instructions.
  - b) Yes. Anti-Qs Ltd is liable as they were acting as Menike's seller.
  - c) Yes. In terms of the Law of Agency, whether Anti-Qs Ltd follows or fails to follow Menike's instructions, they are liable.
  - d) Yes. Due to the operation of estoppel by conduct, Anti-Qs Ltd is liable to pay Menike.
4. Which of the following is a correct description of a 'contract for work and material':
- a) Mr. Sunil-Dath enters into a contract with Dr. Sanjaya-Dath to buy himself a completed pair of dentures.
  - b) Mala sees a beautiful painting done by Chithra and enters into a contract with Chithra to buy the painting.
  - c) Asha commissions Sittara-Gurunnanse to paint her a portrait for Rs. 350,000, which includes the cost of materials and skill.
  - d) Swarna agrees to buy a necklace for Rs. 200,000 from Ran-Ran Jewellers and pays an advance of Rs. 60,000 to Ran-Ran Jewellers.

## Segment D

5. Malin owns a small business and needs to make a payment to his supplier. He decides to use a financial instrument to complete the transaction. However, he is considering whether to use a Cheque or a Promissory note to make the payment. What is the primary difference between a cheque and a promissory note:
- a) A cheque is a written promise to pay, while a promissory note is an order to pay.
  - b) A cheque cannot be crossed and discounted, while a promissory note can be crossed and discounted.
  - c) A cheque is payable to the person or entity holding the instrument, while a promissory note is payable to the person or entity named on the instrument.
  - d) There are three parties involve in both cheques and promissory notes. They are drawer, drawee, and payee.
6. Rahul owes a debt to his friend, Arjun. Rahul makes a payment to Arjun using a promissory note. Arjun then transfers the promissory note to his cousin, Rohit, as payment for a debt owed to him. Rohit is unaware of the initial debt between Rahul and Arjun. Later, Rahul disputes the payment and refuses to pay, claiming that Arjun had coerced him into signing the promissory note. Rohit sues Rahul to enforce the promissory note. Who is the holder in due course in this scenario:
- a) Rahul
  - b) Arjun
  - c) Rohit
  - d) Mahin
7. What is the primary function of a bill of exchange:
- a) To order the bank to pay a sum of money to the person or entity named on the instrument.
  - b) To order the person or entity named on the instrument to pay a sum of money to the person holding the instrument.
  - c) To order the person or entity holding the instrument to pay a sum of money to the person or entity named on the instrument.
  - d) To order the person or entity holding the instrument to pay a sum of money to the person or entity named on the instrument.

## Segment E

8. Lakshmi, a marketing executive at a company, is tasked with collecting personal data from potential customers. She intends to use this data for marketing purposes. However, she is unsure about the legality of collecting and using personal data under the Personal Data Protection Act of Sri Lanka. What is 'personal data' under the Personal Data Protection Act of Sri Lanka:
- Any data that relates to an identifiable individual, including their name, address, contact details, and financial information.
  - Any data that relates to a company or organization, including their financial information and commercial operations.
  - Any data that relates to a government agency or public entity, including their financial information and public records.
  - Any data that relates to property, medical details, including their financial information.
9. The government of Sri Lanka has passed the National Environment Act to regulate and protect the environment in the country. Rajitha, a factory owner, is unsure about his obligations under the Act and the penalties for non-compliance. What are the obligations of Rajitha under the National Environment Act:
- To ensure that his factory does not cause environmental pollution or degradation, and to obtain environmental clearance from the relevant authorities.
  - To pay a fee to the government for using natural resources, and to report any environmental incidents that occur in his factory.
  - To obtain a license from the relevant authorities for operating his factory, and to comply with the standards set by the government.
  - To ensure that his factory does not cause harm to animals and people in the area.
10. Which government organization is responsible for protecting consumers' interests and ensuring fair market competition in Sri Lanka:
- Central Environmental Authority.
  - Consumer Affairs.
  - Department of Labour.
  - National Water Supply and Drainage Board.

## Practice Examination – Part II

### Exam Structure

- Four Case-Based Objective Test Questions.

- Segment A 01 Question

**Question 01 - each question 02 marks in maximum, total 10 marks - Segment A**

Rachel was shopping at a mall in Colombo when she slipped and fell on a wet floor in a shop. She shattered her arm and was hospitalized for several days. Rachel complained that the shop was negligent in ensuring the safety of its customers. As Rachel was the sole breadwinner of her family, Rachel hopes to seek compensation from the store as a result of her injuries.

1. What is the difference between criminal law and civil law:
  - a) Criminal law involves disputes between individuals or entities, while civil law involves charges against the accused by the state for violating public laws.
  - b) Criminal law involves private disputes between individuals or entities, while civil law involves charges against the accused by the state for violating public laws.
  - c) Criminal law involves charges against the accused by the state for violating laws against the State, while civil law involves private disputes between individuals or entities.
  - d) Criminal law and civil law are the same.
  
2. What is the primary court where Rachel would file her lawsuit against the store:
  - a) Magistrate Court.
  - b) District Court.
  - c) High Court.
  - d) Supreme Court.
  
3. What is the burden of proof in a civil case:
  - a) Beyond reasonable doubt.
  - b) Preponderance of the evidence.
  - c) Clear and convincing evidence.
  - d) Balance of probability.
  
4. What is the order of proceedings in filing this lawsuit in regular procedure:

<b>Order</b>	
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	1. Case fixed for trial.
	2. Fiscal officer serves summons on the Defendant.
	3. Defendant files the answer.
	4. Plaintiff files a Plaintiff.

5. In a criminal case, who is responsible for proving the guilt of the accused:

- a) The accused.                      b) The victim.                      c) The prosecution.                      d) The judge.

**Question 02 - each question 02 marks in maximum, total 10 marks - Segment B**

Malki enjoys shopping online and recently discovered a stunning gown on an e-commerce platform. She opted to make a purchase and entered her information, chose a payment method, and clicked the 'Buy Now' button. Soon after, she received an email from the vendor confirming her transaction and stating that the garment would be delivered within 10 working days. However, the outfit did not arrive within the time frame she had chosen. Malki, frustrated, phoned the vendor to inquire about the delivery status. The vendor informed Malki that he was unable to deliver due to stock depletion. Malki was outraged and misled as a result of this event, forcing her to seek legal assistance to initiate legal action against the store.

6. In the scenario, what was the offer made by Malki:

- a) Paying for the dress.
- b) Clicking on the 'Buy Now' button.
- c) Emailing the seller.
- d) Receiving the dress within 10 working days.

7. Which of the following are essential elements of a valid contract:

Elements	Yes /NO
Termination	
Acceptance	
Lapse of time	
Postal rule	
Consideration/Just cause	
Offer	
Social bonds	
Capacity	

Invitation to treat	
Intention to create legal relations	

**Yes**

**No**

8. What was the acceptance made by the seller in the scenario:

Statement	Acceptance
Delivering the dress within 10 working days.	
Confirming Malki's order via email.	
Refunding Malki's payment.	
Cancelling Malki's order.	

**Yes**

**No**

9. In the scenario, what are the possible legal remedies available to Malki:

- a) Specific performance.
- b) Termination.
- c) Rescission.
- d) Damages.
- e) All of the above.

10. An "invitation to treat" can also be referred to as a "invitation to make an offer." This act, as the words suggest, is simply an invitation to the public to make an offer. An offer should be distinguished from an invitation to treat. Choose the case/s from the list that is a decided case to explain the principle on Invitation to treat:

Case	Explained / Not explained
Carlill Vs Carbolic Smoke Ball Co [1893].	
Gunthing Vs Lynn (1831).	
Edwards v Skyways [1969]	
Fisher Vs Bell (1960).	
Balfour Vs Balfour (1919)	
Pharmaceutical Society of Great Britain v Boots Cash Chemists (Southern) Ltd [1953]	
Dunlop v Selfridge (1915)	

**Explained**

**Not Explained**

**Question 03 - each question 02 marks in maximum, total 10 marks - Segment C**



There was an agreement between Management of Kotagala Tea Factory (Kotagala-T) and Mr. Dalu-Banda (DB), who is an expert in Tea producing process, to employ DB as an agent, Operation Manager of the Kotagala-T Factory for a four-year period. Kotagala-T employed DB for the period. January 2021, DB started his operations in Kotagala-T Factory. DB was asked to insure the Kotagala Tea Factory before the end of 2021. But, DB failed to do so. A year after the agency agreement, the tea factory was burned down. Kotagala-T found that DB has failed to obtain the insurance and questioned DB about it. When questioned, DB stated that he appointed Miss Rekawaruna, a 3rd party insurance facilitator of Unsure-Insure Insurance Ltd, to work on obtaining the insurance for the factory. Kotagala-T terminated the agency agreement with DB.

11. Which of the following statement is/are relevant according to the “general rules governing agency”:

	<b>Statement</b>	<b>Relevant/ Irrelevant</b>
a	Whatever a person may do himself, he may do through an agent except acts that involve personal skill and qualifications.	
b	Where the contract to be performed is of a personal nature, agent can be employed.	
c	The acts of an Agent are, for all legal purposes, the acts of the principal.	
d	Whatever a person may do himself, he may do through an agent includes acts that involve personal skill and qualifications.	

**Relevant**

**Irrelevant**

12. The law governing Agency in Sri Lanka is:

- a) Roman Dutch Law, according to the Section 3 of the Civil Law Ordinance No. 5 of 1852
- b) Roman Dutch Law, according to the Section 30 of the Civil Law Ordinance No. 5 of 1852
- c) English Law, according to the Section 3 of the Civil Law Ordinance No. 5 of 1852
- d) English Law, according to the Section 30 of the Civil Law Ordinance No. 5 of 1852

13. Which of the following are NOT duties of an agent to his principal):

<b>Duties of an agent</b>	<b>Yes / No</b>
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Agent's duty to exercise reasonable diligence, care and skill.	
The agent must act in person and not delegate his duties	
Agent's duty to act in the principal's interest.	
Agent's duty to undertake illegal or unethical activities	
Agent's duty to divulge/reveal confidential information.	
Agent's duty to guarantee profits	

**Yes**

**No**

14. According to the above scenario, select the statement which best describes the agency relationship between Kotagala Tea Factory (Kotagala-T) and Mr. Dalu-Banda (DB).
- DB was appointed as an Agent through the mode of necessity.
  - DB was appointed as an Agent through an Implied Agreement.
  - DB was appointed as an Agent through the mode of Operation of Law.
  - DB was appointed as an Agent through an Express Agreement.

15. According to the above scenario, would Kotagala-T be able to justify the termination of the agency agreement with DB. Select the correct statement/s.

<b>Statement</b>	<b>Correct / Incorrect</b>
Yes, as the DB was failed to follow the given instruction by Kotagala-T.	
Yes, as the DB was failed to take necessary actions to settle down the fire.	
No, as the DB was follow the given instruction by Kotagala-T.	
No, as the DB appointed Miss Rekawaruna, a 3rd party insurance facilitator of Unsure-Insure Insurance Ltd.	

**Correct**

**Incorrect**

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