



2. (i) (a) Name **four** institutions established in Sri Lanka to which you can make complains regarding trade malpractices. (02 marks)  
 (b) Briefly describe **two** trade malpractices committed by traders. (02 marks)
- (ii) (a) Describe what is meant by a 'formal organization'. (02 marks)  
 (b) Mention **four** characteristics of public limited companies. (02 marks)
- (iii) (a) Define 'franchise businesses'. (02 marks)  
 (b) Describe how a listed public company differs from an unlisted public company. (02 marks)
- (iv) Keerthi runs an exporting company by purchasing fish from local suppliers. Due to the COVID-19 pandemic, the export price of fish declined from U.S. \$ 16 to \$ 06 per kg. Therefore, Keerthi decided to close down the business but employees and residents in the area were agitated over this decision.  
 (a) What is meant by 'social responsibility' of this business? (01 marks)  
 (b) Name **three** parties who are interested in the above business and state one reason for each party to show interest in it. (03 marks)
- (v) Explain the way in which a rational consumer behaves in the market using **four** facts. (04 marks)  
 (Total 20 marks)
3. An airline operated by the government was integrated with a private airline named 'Air Alpha', with the intention of increasing its market share.
- (i) (a) What is meant by 'business merger' ? (02 marks)  
 (b) Name the type of integration that occurred between the above two companies and describe that integration type. (02 marks)
- (ii) (a) Write **four** advantages that a businessman can obtain from leasing companies. (02 marks)  
 (b) State **four** agency activities of the Central Bank of Sri Lanka. (02 marks)
- (iii) (a) Describe **two** differences between licensed commercial banks and licensed financial companies. (02 marks)  
 (b) Describe the **two** main settlement systems of 'Lanka Settle' system. (02 marks)
- (iv) (a) Describe the importance of air transportation for the economy giving **two** reasons. (02 marks)  
 (b) Describe **two** current trends in the road transport sector in Sri Lanka with **two** examples. (02 marks)
- (v) Explain what is meant by 'quantitative factors' in defining small and medium size enterprises and provide **two** examples for those. (04 marks)  
 (Total 20 marks)
4. (i) (a) What is meant by a 'Letter of Credit'? (02 marks)  
 (b) Name **four** fields of cooperative activities of the South Asian Association for Regional Cooperation (SAARC). (02 marks)
- (ii) (a) Name the parties that should contribute to the Employee Provident Fund (EPF) and mention the minimum percentages of contribution they should make. (02 marks)  
 (b) State **four** ways of identifying **non-insurable** risks. (02 marks)
- (iii) (a) State **four** points that should be considered when writing a cheque. (02 marks)  
 (b) Briefly explain, the importance of restricted endorsement giving **two** reasons. (02 marks)

- (iv) (a) What is meant by 'general liability insurance'? (01 marks)  
 (b) Explain the importance of communication for business affairs giving **three** reasons. (03 marks)
- (v) Explain why 'barcodes' are important for a business using **four** reasons. (04 marks)  
 (Total 20 marks)

### Part II

5. (i) (a) Describe what is 'an organization'. (02 marks)  
 (b) Explain the relationship between 'effectiveness' and 'efficiency'. (02 marks)
- (ii) (a) Write **two** advantages and **two** disadvantages of decentralizing an organization. (02 marks)  
 (b) State **four** reasons on the importance of control process. (02 marks)
- (iii) (a) What is 'value added' of a product? (02 marks)  
 (b) Briefly explain 'cell layout' with an example. (02 marks)
- (iv) (a) State **two** benefits of resource analysis in the planning process. (01 marks)  
 (b) Explain why conceptual skills are more important for top managers giving **two** reasons. (03 marks)
- (v) The actual and forecasted information of Saravanas Shoe Manufacturing Company are given in the table below.

Description	2020 (Actual)	2021 (Forecasted)
Pair of shoes (units)	500	1 000
Fixed costs	Rs. 212 000	increased by 50%
Variable cost (per pair)	Rs. 200	Rs. 200
Selling price (per pair)	Rs. 730	Rs. 730

Calculate the following for the year 2021.

- (a) Total production cost  
 (b) Production cost of a pair of shoes  
 (c) Break-even point in quantity  
 (d) Difference of break-even quantity compared to 2020 (04 marks)  
 (Total 20 marks)
6. (i) (a) State **four** issues that a business may face when using new technology. (02 marks)  
 (b) Explain how shopping goods differ from speciality goods with an example. (02 marks)
- (ii) A merchant sets the prices of his goods 20% less than the competitors' price.  
 (a) What is the prime objective of the above pricing method? (01 marks)  
 (b) Briefly explain the effect to gross profit of the merchant when using such a pricing method. (03 marks)
- (iii) (a) State **four** benefits that can be claimed to a business through trade promotion. (02 marks)  
 (b) "Channel of distribution will vary based on the nature of consumer goods." Explain this statement giving **two** examples. (02 marks)
- (iv) (a) List **four** objectives of financial management. (02 marks)  
 (b) Describe **two** advantages that shareholders can obtain through effective financial management. (02 marks)
- (v) Explain **four** benefits that a businessman can gain through market segmentation. (04 marks)  
 (Total 20 marks)

7. (i) Using the given information, calculate each of the following ratios.

	Rs.
Net profit (before tax)	60 000
Preferred dividend	15 000
Preference shares	200 000
Ordinary shares	300 000
Sales	100 000
Income tax payable	10 000
Loan interest	5 000

- (a) Net profit ratio.
- (b) Return on equity ratio.
- (c) Debt equity ratio.
- (d) Interest coverage ratio. (04 marks)
- (ii) (a) What is 'capitalization of reserves'? (02 marks)  
 (b) State **four** advantages of investing in government securities for an investor. (02 marks)
- (iii) (a) Mention the importance of share price indices to investors giving **four** reasons. (02 marks)  
 (b) Describe **two** advantages that a business can obtain through recruiting employees on a temporary basis. (02 marks)
- (iv) (a) List **four** possible ways in which employee mobility can be done after performance evaluation. (02 marks)  
 (b) Differentiate between employee absenteeism and employee turnover. (02 marks)
- (v) Explain **four** factors that can influence human resource demand of a firm. (04 marks)  
(Total 20 marks)
8. (i) (a) List **two** advantages and **two** disadvantages of internet banking service for a businessman. (02 marks)  
 (b) Identify 'computer security threats' and name **two** such threats. (02 marks)
- (ii) (a) Mention **four** functions expected to be accomplished through an effective information system. (02 marks)  
 (b) Describe for which purpose do employees use knowledge level information system. (02 marks)
- (iii) (a) Describe the importance of a finance plan for a business using **two** facts. (02 marks)  
 (b) Briefly describe **four** reasons as to how an estimated cash flow is important for an entrepreneur. (02 marks)
- (iv) (a) Write **two** ways of increasing the working capital of a business. (01 marks)  
 (b) State **two** reasons for delisting a listed company from the Colombo Stock Exchange and explain them. (03 marks)
- (v) A person intends to invest a part of his money in either stock market or make a fixed deposit in a commercial bank. Explain **two** advantages and **two** disadvantages of each alternative investment method. (04 marks)  
(Total 20 marks)