

**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF COMMERCE AND MANAGEMENT**  
**FIRST YEAR SECOND SEMESTER EXAMINATION IN BACHELOR OF**  
**BUSINESS ADMINISTRATION HONOURS/ BACHELOR OF COMMERCE HONOURS**  
**(2021/2022)**  
**PROPER/REPEAT (APRIL/MAY 2024)**  
**COM 1023 BUSINESS LAW**

**Three (03) Hours**

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1. A negotiable instrument is a written order or an unconditional promise to pay a fixed sum of money on demand or at a certain time. It can be transferred from one person to another, and once transferred, the holder obtains full legal title to the instrument.
- a) State three (03) advantages of using a cheque. **(06 Marks)**
- b) State requisites of a valid endorsement **(08 Marks)**
- c) List three (03) duties of Bank under bill of exchange. **(06 Marks)**
- (Total 20 Marks)**

2. Suresh is a businessman residing in Ampara who sells organic fertilizer to farmers in his area. Suresh signed a contract to buy 10,000 kg of organic fertilizer from Rajani's warehouse situated in Colombo. Rajani is an importer of organic fertilizer to Sri Lanka. Before the contract was entered into, Suresh checked the quality of a sample of organic fertilizer presented by Rajani. Suresh received 10,000 kg of organic fertilizer in sacks of 50kg each and sold them to local farmers. After two days, farmers complained about the poor quality of the fertilizer, and they returned the sacks they purchased from Suresh. Later, Suresh realized that the quality of the organic fertilizer did not match the quality of the sample he had personally checked before entering into the contract. Further, he learned that this bulk of fertilizer is not suitable for organic vegetable farming due to its poor quality and chemical content.

Discuss the legal rights of Suresh against Rajani under the Sale of Goods Ordinance of Sri Lanka No.11 of 1896.

**(Total 20 Marks)**

3.

a) Discuss "Crossing on cheque" with reference to the Bills of Exchange Ordinance of Sri Lanka No.25 of 1927. **(10 Marks)**

b) Can a person whose name is indicated in the "Account Payee Only" cheque endorse it to any other person? **(10 Marks)**

**(Total 20 Marks)**

4. Mr.Kamal is a well-known businessman in Sri Lanka who owns one of the biggest jewellery businesses in Anuradhapura called "The Kamal Gold Centre". On 4<sup>th</sup> of May 2024, "The Kamal Gold Centre" sent Five Million (LKR 5,000,000/=) worth of diamond jewellery to Mrs. Nandhini on approval, specifying that in case of non-acceptance, it should be returned within fourteen (14) calendar days. On 21<sup>st</sup> May 2024, Mrs. Nandhini attended a wedding in the hotel "Sea Moon Garden" and received many compliments from her in laws for her new diamond jewellery. On the 30<sup>th</sup> of May 2024, the diamond jewellery sent by "The Kamal Gold Centre" was stolen from the house of Mrs. Nandhini along with some other jewellery that she owned. Mrs. Nandhini has not yet informed her acceptance of diamond jewellery to "The Kamal Gold Centre".

a) Can "The Kamal Gold Centre" recover the price of the diamond jewellery from Mrs. Nandhini? **(10 Marks)**

b) Mrs. Nandhini decided to pay Sri Lankan Rupees Three Million (LKR 3,000,000/=) in cash and the balance Sri Lankan Rupees Two Million (LKR 2,000,000/=) by providing some of her old gold jewellery. Does this payment satisfy the requirement of a "money consideration" as stipulated in the Sale of Goods Ordinance No: 11 of 1896 of Sri Lanka? **(10 Marks)**

**(Total 20 Marks)**

5.

a) Identify and explain **three (3)** implied conditions stipulated in the sale of Goods Ordinance No: 11 of 1896 of Sri Lanka. **(10 Marks)**

b) Write brief notes on **any TWO (02)** of the followings;

I. Deviation at sea under the Hague - Visby Rules

II. Seaworthiness

III. Price

IV. Postdated and ante-dated cheques

V. Elements of a valid contract

**(05 Marks × 2 = Total 10 Marks)**

**(Total 20 Marks)**