

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
Final Year First Semester Examination in Business Administration/ Commerce
(Specialization in Human Resource Management)
(Specialization in Marketing Management)
(Specialization in Enterprise Development)-
2007/2008 (October 2008) (Proper/Repeat)



MGT 4123 – Instruments of Trade

Answer all questions.

Time: 03 Hours

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01. (i) What is a negotiable instrument and what are the kinds of negotiable instruments? What are the formal requirements for negotiability? (05 marks)
- (ii) Define the terms of “Cheque” according to the “Bills of Exchange Act 1882” and what are the contents of cheque? What are the main and special types of cheques? (05 marks)
- (iii) What are the common reasons for dishonoring cheques by banks? (05 marks)
- (iv) What are the procedures of cheques clearing? (05 marks)
- (Total 20 marks)**
02. (i) What is bill of exchange? Who are the drawer and drawee? (05 marks)
- (ii) What do you understand in the terms of “Acceptance” in the case of bill of exchange? (05 marks)
- (iii) What does the standing of a bill of exchange depend on and why is it important? (05 marks)
- (iv) What is meant by (a) discounting and (b) dishonoring a bill? (05 marks)
- (Total 20 marks)**
03. (i) What are the instruments used in foreign and domestic trade? (05 marks)
- (ii) What is a “Letter of Credit”? How is a letter of credit established? (05 marks)
- (iii) Examine the rights and obligations of the different parties involved in a letter of credit? (05 marks)
- (iv) Explain the advantages to the exporter of a letter of credit? (05 marks)
- (Total 20 marks)**

04. (i) What are the essential features of a letter of credit? In this "Letter of Credit" context explain arrangements between the buyer and the opening bank? (05 marks)
- (ii) Distinguish between (a) with recourse and without recourse letters of credit, and (b) Clean and clause bill of lading? (05 marks)
- (iii) What do you mean by "Back to back credit"? How does it differ from transferable credit? (05 marks)
- (iv) What is bill of lading and what are the natures of the document? What are the purposes of bill of lading? (05 marks)

(Total 20 marks)

05. Write short notes on the followings
- (i) Promissory notes and Certificates of Deposit.
- (ii) Drafts and Cheques
- (iii) General and Special crossings of cheques
- (iv) Straight and Order bill of lading
- (v) MICR encoding?

(Total 05 x 04 = 20 marks)