7 Bills of Exchange

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Competency Statements

❑ *Students are able to :*

- *Know the meaning of bill of exchange*
- *Understand the different concepts used in bills of exchange.*
- *Prepare a draft of bill of exchange & know the various types of bills of exchange*
- *Understand retaining, sending bill for collection, discounting, endorsing, honour, renewal & retiring of the bill.*
- *Learn various accounting treatment of bills of exchange.*

7.1 Introduction :

The ability of a customer to obtain goods or services before payment, based on trust. When goods or services are obtained and payment will be made in the future it is known as credit transaction. Credit transaction play a significant role in the world of business. Credit motivates the customers to increase the amount of their spending. Moreover, business enterprises offer credit to gain a competitive advantage in the market. To balance the potential for increased sales with the risk of decreased cash flow and large outstanding debts the seller requires some

sort of commitment or promise from the costumer that he would pay the amount of goods, due from him on a particular date in future. To avoid any conflict or misunderstanding about payments, instruments of credit like Bill of Exchange and Promissory Notes are issued. In India instruments of credit have been in use a long time and are popularly known as Hundies.

7.1 a. Necessity :

Commercial practice has flourished to treat bill of exchange and promissory notes as valuable instruments of credit to an extent that when a written promise is made in proper form and on proper stamp paper it is understood that the customer has discharged his debt and the seller has received payment. Also, these written promises are accepted by bank and money is advanced against it. Moreover, the instruments being negotiable instruments, can be transferred from one person to another.

7.1 b. Meaning :

Negotiable instrument Act, 1881 states that Negotiable instrument means promissory note, bill of exchange or cheque payable either to order or bearer. A bill of exchange is a written acknowledgment of debt and also a promise to pay the debt according to the terms of the bill. A bill of exchange is generally drawn by the creditor on his debtor and should be accepted by the debtor.

7.1 c. Definition of Bill of Exchange and Promissory Note :

Section 5 of the Negotiable Instruments Act, 1881 defines Bill of Exchange as :

"A bill of exchanges is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay certain sum of money only to, or to the order of a certain person, or to the bearer of the instrument".

Features of Bill of Exchange :

1. It should be in writing.
2. It must be stamped as per the Indian Stamp Act, 1899.
3. It must be dated.
4. It must contain an order to pay certain sum of money.
5. The order must be unconditional.
6. The amount must be payable either to a certain person or his order to the bearer of the bill.
7. It must be signed by the maker.

Section 4 of he Negotiable instruments Act, 1881defines Promissory Note as :

"A Promissory Note is defined as an instrument in writing, not being a bank note or a currency note, containing an unconditional undertaking signed by the maker, to pay a certain sum money only to or to the order of certain person, or the bearer".

7.2 Parties to a Bill Exchange :

1. **Drawer :** Drawer is person who draws or makes the bill and signs on it. He is the creditor, who is entitled to receive the money from debtor. For the Drawer the instrument is his "Bills Receivable", since he has to receive the amount of the bill.
2. **Drawee :** Drawee is the person on whom the bill is drawn. He has to accept the bill drawn on him. He is the debtor who has to pay money to creditor. For the Drawee the instrument is his "Bills payable", since he has to pay the amount of the bill.
3. **Payee :** Payee is the person to whom the payment is to be made.

Parties to a Promissory Note :

1. **Maker or Drawer :** He is person who draws the promissory note. He is the one who promises to pay a certain amount as specified in the promissory note. He is also called the promiser.
2. **Drawee or Payee :** He is the person in whose favor the promissory note is drawn. He is also called the promisee.

Additional Information

There are varieties of hundies used in our country like Shahjog hundi, Darshani hundi, Muddati hundi, Nam-jog hundi, Dhani-jog-hundi, Jawabee Hundi etc.

Contents of format of Bill of Exchange :

1. **Date :** The date on which bill has been drawn must be written at the top right-hand corner below the address of Drawer. Date of bill is essential for calculation of maturity date. A bill without date has no meaning.
2. **Term :** Term of bill must be specified in months or in days.
3. **Amount :** Amount of bill in figures should be specified below the stamp and amount in words must be specified in the body of the bill.
4. **Stamp :** Stamp of proper value according to Indian Stamp ACT, 1889 should be affixed.
5. **Parties :** Name of the Drawer, Drawee and Payee and their addresses must be mentioned in the bill of exchange.
6. **'For value received' :** Law does not consider agreements that are made without consideration. Consideration means in lieu of, and in context of bill of exchange, it means that the bill is issued in exchange of some benefit received.
7. **Acceptance :** A bill of exchange drawn by Drawer is termed as draft. It must be presented to the Drawee of acceptance. When Drawee signs with his name along with date across the face of the bill, with the words "Accepted", the bill is said to be accepted and this act of Drawee is called acceptance of bill. Drawee cannot be made liable for payment of bill before the acceptance of bill. Only on acceptance the draft becomes a bill of exchange.

Additional Information

The Indian stamp Act of 1899 of the Government of India is in force for the charging stamp Duty on instruments recording transactions.

Specimen of a bill of exchange :

BILL OF EXCHANGE

STAMP

(Drawer's Name)

(Drawer's Address)

(Date of bill drawn)

₹

(Amount in figures) .....

_____ **after date, pay Mr. /Ms.** _____

(Period of bill) *(Name and address of payee)*

_____ **or his / her order, the sum of Rupees** _____

_____ **only for the value received.**

(Amount in words)

Sd. /-

(Drawer's Name)

(Drawee's Name)

(Drawee's Address)

(Accepted)

(Drawee's Name)

Date of bill accepted

Types of Acceptance :

a. General Acceptance : When the Drawee accepts the draft without any charges or condition, it is called general acceptance. It is also known as unconditional acceptance.

b. Qualified Acceptance : When Drawee accepts the bill with certain qualifications, to the order of the Drawer it is called qualified acceptance.

Following are the types of qualified Acceptance :

i) Qualified as to time : When Drawee accepts the bill subject to change in tenure or term of bill it is known as qualified acceptance as to time.

ii) Qualified as to Place : When the Drawee mentions that bill will be payable at a particular place only, it is known as qualified acceptance as to place.

iii) Qualified as to amount : When the Drawee accepts the bill, for a part of the amount of the bill it is known as qualified as to amount.

iv) **Qualified as to parties :** When the Drawee is not ready to pay the amount of bill to the payee named in the bill, it is known as qualified acceptance as to parties.

v) **Qualified as to condition :** When the Drawee accepts the bill subject to certain conditions being fulfilled by the Drawer it is known as qualified acceptance as to conditions.

Illustration 1. (Format of After Date Bill with General Acceptance)

From the following details prepare a format of bill of exchange.

1. Drawer : Mr. Prakash Rao, 648, Coral Plaza, S. B. Road, Pune
2. Drawee : Mr. Rahul Deo, 236, Rajapur Road, Jalgaon.
3. Amount ₹ 44,500.
4. Tenure or term :Three months.
5. Date of Bill : 3rd June, 2019.
6. Date of acceptance : 7th June, 2019.

Bill of Exchange

STAMP

Mr. Prakash Rao,
648 A, Coral Plaza,
S. B. Road, Pune.
Date : 3rd June, 2019.

₹ 44,500

Three months after date pay to me or my order the sum of Rupees Forty Four Thousand Five Hundred only, for the value received.

Sd/-
(Prakash Rao)

To,
Rahul Deo,
236, Rajapur Road,
Jalgaon.

"Accepted"
Sd/-
(Mr. Rahul Deo)
Date : 7th June, 2019.

Illustration 2. (Format of After Date Bill with General Acceptance and Payee's name is given)

From the following details prepare a format of bill of exchange.

1. Drawer : Mr. Mukund Desai, No.14, Heritage Heights, Nagpur.
2. Drawee : Mr. Yogesh Tilak, Narayan Peth, Pune.
3. Amount ₹ 30,000.
4. Tenure or term :90 days.
5. Date of Bill : 16th July, 2019.
6. Date of acceptance : 20th July, 2019.
7. Payee : Shravan Dave, Panvel.

Bill of Exchange

STAMP

₹ 30,000

Mr. Mukund Desai,
No. 14, Heritage Heights,
Nagpur
Date : 16th July, 2019.

Ninety days after date pay to Shravan Dave, Panvel, or his order the sum of Rupees Thirty Thousand Only, for the value received.

Sd/-
(Mr. Mukund Desai)

To,
Mr. Yogendra Tilak,
Narayan Peth,
Amravati.

"Accepted"
Sd/-
(Mr. Yogendra Tilak)
Date : 20th July, 2019.

Illustration 3. (After Sight Bill)

Anuratha Patil, 37-A ICC Towers, Goregaon, Mumbai drew a bill on 23rd January, 2020 for 57,450 Bill was drawn for 2 months 'After Sight' on Shanti Vishwakarma, No. 43, Bhosalenagar, Solapur, payable to Shyamala Kate, Nashik. The bill was accepted on 27th January, 2020.

From the above details prepare the format of bill of exchange.

Bill of Exchange

STAMP

₹ 57,450

Anuratha Patil,
37-A ICC Towers,
Goregaon, Mumbai.
Date : 23rd January, 2020.

Two months after sight pay to Shyamala Kate, Nashik, or her order a sum of Rupees Fifty Seven Thousand Four Hundred and Fifty only, for the value received.

Sd/-
(Anuradha Patil)

To,
Shanti Vishwakarma,
No. 43, Bhosalenagar,
Solapur,

"Accepted"
Sd/-
(Shanti Vishwakarma)
Date : 27th Januay, 2020.

Illustration 4. (Qualified Acceptance as to Amount)

Prepare a format bill of exchange from the following details.

Mr. Amol Sane, 42, Gangadham, M. G. Road, Ratnagiri draws a 45 days bill on Mrs. Sagarika Mane, 345, Kumthekar Road, Pune, for ₹ 18,750 on 1st March, 2020 which was accepted on 4th March, 2020 for ₹ 15,000 only, by Mrs. Sagarika Mane.

Bill of Exchange

STAMP

₹ 18,750

Mr. Amol Sane,
42, Gangadham,
M. G. Road, Ratnagiri
Date : 1st March, 2020.

Forty Five days after date pay to me or my order a sum of Rupees Eighteen Thousand Seven Hundred and Fifty only, for the value received.

Sd/-
(Amol Sane)

To,
Mrs. Sagarika Mane,
345, Kumthekar Road,
Pune,

Accepted for ₹ 15,000 only
Sd/-
(Sagarika Mane)
Date : 4th March, 2020.

Illustration 5. (Qualified Acceptance as to time)

Partners of Neerja Publishing House, Nariman Point, Mumbai, Sameer Gupta, draws a bill of exchange for 1 month on 9th February, 2020 for ₹ 62,000 on Namrata Kokil, Panvel Road, Kharghar, payable to M/s Vidya Traders, Lonavala. The bill was accepted on the same day for 2 months.

From the above details prepare a format of bill of exchange.

Bill of Exchange

STAMP

₹ 62,000

Neerja Publishing House,
Nariman Point,
Mumbai

Date : 9th February, 2020.

One month after date pay to M/S Vidya Traders, Lonavala, or their order a sum of Rupees Sixty Two Thousand only, for the value received.

Sd/-
(Sameer Gupta)
Partner for Neerja Publishing House

To,
Namrata Kokil,
Panvel Road,
Kharghar

Accepted for Two months

Sd/-
(Namrata Kokil)
Date : 9th February, 2020.

Illustration 6. (Demand Bill)

Prepare a format of bill of exchange from the following details.

1. Drawer : Kedar Pandit, 22/1, Kalpataru Estate, Pirangut, Pune.
2. Drawee : Gauri Mulay, Vashi, Navi Mumbai.
3. Date of Bill : 14th August, 2019.
4. Date of acceptance : 17th August, 2019.
5. Amount ₹ 38,740

Bill of Exchange

STAMP

₹ 38,740

Kedar Pandit,
22/1, Kalpataru Estate,
Pirangut, Pune.
Date : 14th August, 2019.

On demand pay to me or my order a sum of Rupees Thirty Eight Thousnad Seven Hundred and Forty only, for the value received.

Sd/-
(Kedar Pandit)

To,
Gauri Mulay,
Vashi,
Navi Mumbai.
Date 17th August, 2019.

Accepted
Sd/-
(Gauri Mulay)
Date 17th August, 2019.

(Note : Period of bill is not mentioned in a Demand Bill. Amount is to be paid by the acceptor on presentation of bill by the Drawer)

Format of Promissory Note

Promissory Note

STAMP

Mamta Samant,
13/A, Business Centre,
L. B. S. Road, Mulund,
Mumbai.

₹ 20,000

Date : 10th January, 2019.

Three months after date I promise to pay Beena Sharma or her order a sum of Rupees Twenty Thousand only, for the value received.

Sd/-
(Mamta Samant)

To,
Sunita Karve,
M. G. Road,
Surat.

Important trems of Bill of Exchange :

1. **Term or Tenor or Tenure of bill :** The term of bill is period of time after which a bill becomes payable. Term of bill may be in months or days.
2. **Draft :** A bill before acceptance is known as draft.
3. **Days of grace :** Three extra days allowed by law over and above the term of bill to the Drawee in order to make arrangement for payment of the amount of the bill is known as days of grace.
   However, days of grace is not allowed for bill payable on 'Demand' or 'At Sight'.
4. **Date of maturity or Due date of bill :** The date on which a bill falls due for payment is known as date of maturity or due date.
   If the due date falls on a public holiday the payment of bill is to be made on the preceding working day. For example, if the due date of a bill is 26th January or 15th August which is a public holiday then the payment of the bill be made on the preceding day i.e. 25th January or 14th August.
   However, if the due date for some reason has been declared as emergency holiday the payment of bill must be made on the immediate or next working day.

Types of due date :

a. **Nominal Due Date :** Date which is calculated without adding days of grace to the period of bill is known as nominal due date.

b. **Legal Due Date :** Date which is arrived at after adding three days of grace to nominal due date is known as legal due date.

Calculation of due date :

A) In case of Bills Payable 'After Date'

i) Tenure of bill given in months :

A bill dated 12th June, 2019 is payable 2 months after date. Calculate the due date of the bill.

	DAY	MONTH	YEAR
Date of Bill	12	6	2019
(+) Tenure of bill		2 (months)	
Nominal due date	12	8	2019
(+) Days of grace	3		
Legal due date	15	8	2019

i.e. 15th August, 2019

Since 15th August is a public holiday on account of Independence Day the bill will fall due for payment on 14th August 2019.

ii) Tenure of bill given in days :

A bill dated 14th December, 2019 is payable 90 days after date. Calculate the due date of the bill.

MONTH	Actual days	Unexpired Days
December 2019	31	(31-14) 17
January 2020	31	31
February 2020	29	29
March 2020	31	13
		Total 90 days

Thus, Nominal due date = 13th March, 2020
(+) Grace days + 3
Therefore, Legal due date = 16th March, 2020

B) In case of Bills Payable 'After Sight' :

Method of calculation of due date is same of 'After Date' and 'After Sight' bill. The only difference is that the term of bill is counted from the date of acceptance and not from the date of drawing in case of Bills Payable 'After Sight'.

A bill dated 27th December, 2019 is payable 2 months after sight. It was accepted on 31st December, 2019. Calculate the due date of the bill.

Date of acceptance = December, 2019

Therefore, 31st December, 2019 to 31st January, 2020 = 1 month
31st January, 2020 to 29th February, 2020 = 2 months
Nominal due date is 29th February, 2020
(+) Grace days = 3 days of March
Therefore, Legal due date is 3rd March, 2020.

5. **Holder:** Any person who is in possession of bill of exchange, and is entitled in his own right to receive the amount thereon is known as holder.

6. **Holder in due course :** A holder in due course is a person who obtains a negotiable instrument,
   i) for valuable consideration,
   ii) in good faith and
   iii) before maturity.

7. **Types of Bill of Exchange :**

   i) **Trade Bill :** A bill of exchange which is drawn by a creditor on his debtor with valuable consideration is known as trade bill. It is a bill drawn and accepted for genuine trade transactions.

   ii) **Accommodation Bill :** A bill of exchange which has been drawn for mutual financial accommodation of parties involved in is known as accommodation bill. Such bills are drawn and accepted without any valuable consideration. The main objective of such bill is to oblige friends.

   iii) **Inland Bill :** A bill of exchange which is drawn between two parties that are located or reside in the same country and thus, are made payable in the same country is known as inland bill of exchange.

   iv) **Foreign Bill :** A bill which is drawn in one country and made payable in another country is known as foreign bill. For example, a bill drawn in India and is made payable in Australia or vice versa.

   A further classification of Bill of Exchange are as follows :

   i) **After Date Bill :** After date bill is payable at a fixed period. The due date of this bill is calculated from the date of drawing. Grace period of three days are allowed on these bills.

   ii) **After Sight Bill :** The due date of this bills calculated from the date of acceptance. Grace period of three days are allowed on these bills.

   iii) **Bill payable on Demand or At sight :** These bills are payable immediately on presentation to the Drawee. Time period is not mentioned for these bills. Also grace days are not allowed for such bills.

7.3 Honouring of Bill of Exchange : A bill of exchange drawn for a certain period becomes due for payment on the due date. If the Acceptor or Drawee pays the amount of the bill on the due date it is known as honouring of bill. The bill must be presented by the holder to the acceptor for payment on or before the due date. Failing to do so discharges the acceptor and every endorser of bill from the liability to pay the amount of the bill.

Dishonouring of Bill of Exchange : If the accepter does not or is not able to pay the amount of bill to the holder of the bill it is known as dishonour of bill.

A bill may be dishonoured in two ways;

i) **Dishonour by non-acceptance :** i.e. when Drawee does not accept the bill.

ii) **Dishonour by non-payment :** i.e. when Drawee makes default in payment on due date.

On dishonour of bill acceptor becomes liable to pay the amount along with legal expenses if any incurred by the holder on account of dishonour.

Noting of dishonour : Noting means recording of the fact of dishonour of bill of exchange by a Notary Public. When a bill of exchange is dishonoured the holder can, after giving due notice of dishonour, sue the Drawee. But before filling such a suit holder will require some authenticated proof of the fact to be put up before the court that the bill is actually dishonoured. The holder takes the bill to the Notary Public who in turn makes a demand for acceptance or payment upon the Drawee formally and on his refusal to do so, notes the same on the bill. Noting should be done within reasonable time after dishonour.

Protesting : After getting the fact of dishonour of bill authenticated by getting it noted the Notary Public then certifies the same. This certificate is known as protest. Thus, protest is a certificate which is formal in nature and attests the fact of dishonour of a bill based on noting.

Notary Public : A Notary Public is a legal practitioner or other public servant appointed by Central or State Government under Section 3 of the Notaries Act, 1952. He is entrusted with the power of attestation of foreign documents and of noting and protesting of dishonoured bills exchange and promissory notes.

Noting Charges : The holder of the bill has to get the fact of dishonour noted by the Notary Public. Noting of bill is done by recording the fact of dishonour, date of dishonour and reasons of dishonour. For this the Notary Public, charges certain fees which is known as Noting Charges. Noting Charges are initially paid by the holder of the bill, who gets the bill noted for dishonour and subsequently recovers the amount from the person from whom the bill has been received. Noting Charges are ultimately borne by the person who is primarily liable for it. Thus, Noting Charges are paid by the holder and borne by the Drawee.

Classification of Bills for Accounting :

Bills Receivable : A bill of exchange is treated as Bills Receivable by the person who draws the bill. Bills Receivable is an asset for the Drawer.

Bills Payable : A bill of exchange is treated as Bills Payable by the person who accepts the bill drawn on him. Bills Payable is a liability to the Drawee.

Specimen of Bills Receivable Book

No. of Bill	Date received	Date of Bill	From whom received	Drawer	Acceptor	Where payable	Term	Due date	Ledger folio	Amount ₹	Cash Book Folio	Remarks

Specimen of Bills Payable Book

No. of Bill	Date of Bill	To whom given	Drawer	Payee	Where payable	Term	Due Date	Ledger folio	Amount paid ₹	Date	Cash Book Folio	Remarks

Accounting treatment of Bill of Exchange

Bills Receivable being an asset can be dealt in the following ways by the Drawer :

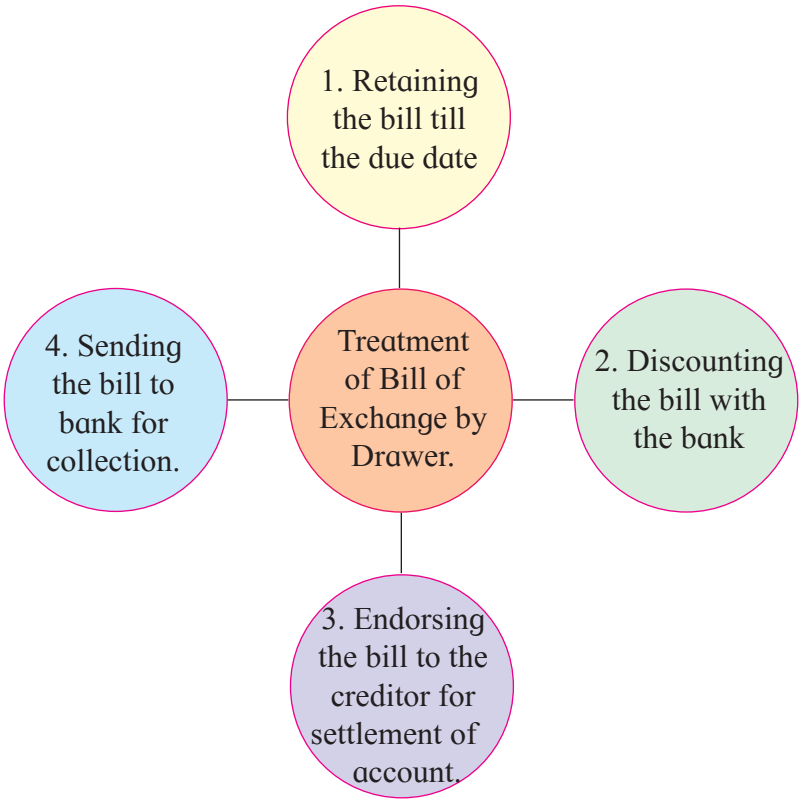
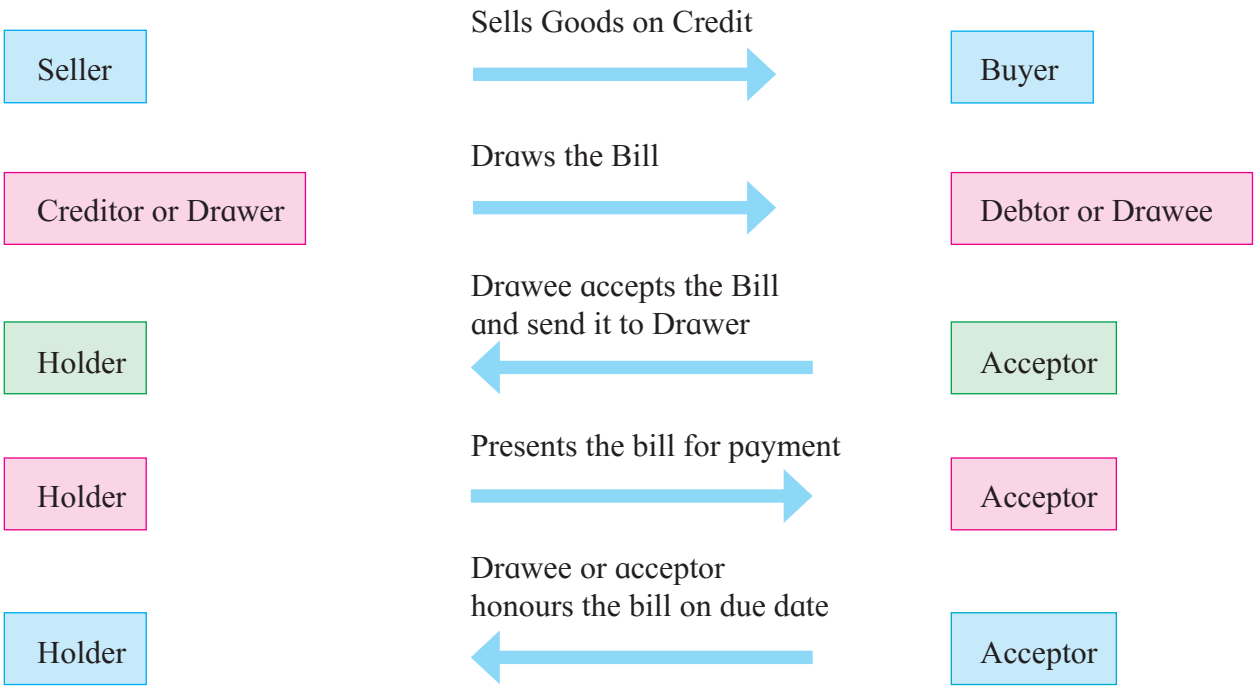


Fig.7.3 (a)

1. **Retaining the bill till the due date :** Drawer can retain the bill till the due date. On the due date he presents the bill to the Drawee for payment which can be honoured or dishonoured by the Drawee.



Accounting treatment in the books of Drawer and Drawee :

	Transaction	Books of Drawer / Creditor	Books of Drawee / Debtor
1	Creditor sells goods on credit	Debtor's A/c Dr. To Sales A/c (Being goods sold on credit)	Purchases A/c Dr. To Creditor's A/c (Being goods purchased on credit)
2	Creditor or Drawer draws a bill and acceptance received	Bills Receivable A/c Dr. To Drawee's A/c (Being bill drawn and acceptance received)	Drawer's A/c Dr. To Bills Payable A/c (Being acceptance given)
3	Retained bill honoured on the due date.	Cash / Bank A/c Dr. To Bills Receivable A/c (Being retained bill duly honoured on the due date	Bills Payable A/c Dr. To Cash / Bank A/c (Being our acceptance honoured)
4	Retained bill dishonoured on the due date.	Drawee's A/c Dr. To Bills Receivable A/c (Being retained bill dishonoured on the due date.)	Bills Payable A/c Dr. To Drawee's A/c (Being our acceptance dishonoured on the due date)
5	Retained bill dishonoured on the due date and noting charges paid by Drawer.	Drawee's A/c Dr. To Bills Receivable A/c To Cash A/c (Being retained bill dishonoured on the due date and Noting Charges paid	Bills Payable A/c Dr. Noting Charges A/c Dr. To Drawer's A/c (Being our acceptance dishonoured and Noting Charges payable)

When retained bill is dishonoured, the duty of establishing the fact that the bill was presented to Drawee for payment is of the Drawer. Drawer pays the Noting Charges which will ultimately be recovered from Drawee.

Illustration on Retained Bill

On 1st June, 2019 Pratap sold goods to Sujit worth ₹ 82,000. Sujit accepted a bill drawn upon him by Pratap for 2 months for ₹ 82,000. Give Journal entires in the book of Pratap and Sujit for the following cases :

a) Bill is honoured on the due date.

b) Bill is dishonoured on the due date.

c) Bill is dishounoured on the due date and Noting charges ₹ 250 paid by Pratap.

In the books of Pratap

Journal

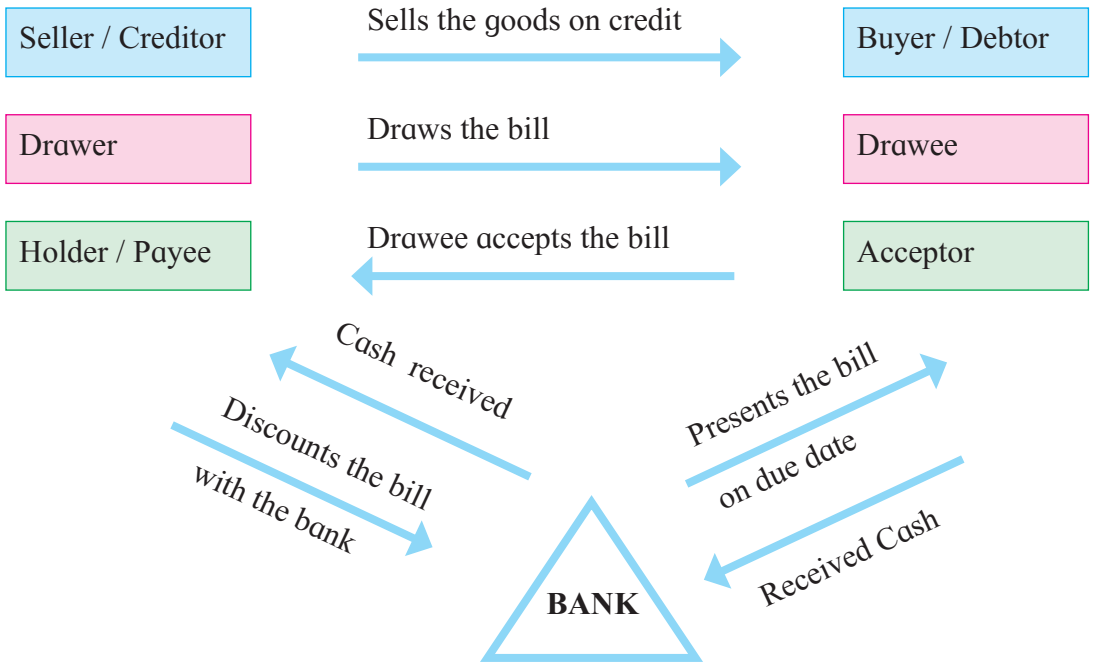
Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 June 1	Sujit's A/c.....Dr. To Sales A/c (Being goods sold on credit)		82,000	82,000
June 1	Bills Receivable A/c .....Dr. To Sujit's A/c (Being bill drawn and acceptance received)		82,000	82,000
a) Aug. 4	Cash / Bank A/c .....Dr. To Bill Receivable A/c (Being Sujit's acceptance honoured on the due date)		82,000	82,000
b) Aug. 4	Sujit's A/c.....Dr To Bills Receivable A/c (Being Sujit's acceptance dishonoured on the due date)		82,000	82,000
c) Aug. 4	Sujit's A/c.....Dr. To Bills Receivable A/c To Cash A/c (Being Sujit's acceptance dishonoured and Noting charges paid)		82,250	82,000 250

In the books of Sujit

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 June 1	Purchases A/c.....Dr. To Pratap's A/c (Being goods purchased on credit)		82,000	82,000
June 1	Pratap's A/c.....Dr. To Bills Payable A/c (Being our acceptance given)		82,000	82,000
a) Aug. 4	Bills Payable A/c .....Dr. To Cash / Bank A/c (Being our acceptance honoured on the due date)		82,000	82,000
b) Aug. 4	Bills Payable A/c .....Dr. To Pratap's A/c (Being our acceptance dishonoured on the due date)		82,000	82,000
c) Aug. 4	Bills Payable A/c .....Dr. Noting Charges A/c To Pratap's A/c (Being our acceptance dishonoured and Noting charges paid)		82,000 250	82,250

2. Discounting the Bill of Exchange : A bill is drawn for a particular term and the acceptor pays the amount of bill on the due date. Drawer or Holder can obtain payment from bank before its due date by discounting the bill. Discounting is a device to convert the bill into its present value. A bill can be generally discounted with the bank where the Drawer has an account. Bank deducts certain amount of bill for the services rendered which is known as discounting charges. Discount being an expense for Drawer is debited in his books of accounts.



Calculation of Discount

Illustration 1 :

Rahul draws a bill on Atul for ₹ 15,000 on 1st April, 2019 payable after 4 months. Calculate the amount of discount in the following cases :

i) The bill has been discounted @ 10% p.a. on 1st April, 2019.

ii) The bill has been discounted @ 10% p.a. on 1st June, 2019.

Solution :

i) $\text{Discount} = \text{Amount of Bill} \times \frac{\text{Rate}}{100} \times \frac{\text{Unexpried months}}{12}$

$= 15{,}000 \times \frac{10}{100} \times \frac{4}{12}$

$= ₹\ 500$

(Note: The bill is with the bank for 4 months)

ii) $\text{Discount} = \text{Amount of Bill} \times \frac{\text{Rate}}{100} \times \frac{\text{Unexpried months}}{12}$

$= 15{,}000 \times \frac{10}{100} \times \frac{2}{12}$

$= ₹\ 250$

(Note : The bill is with the bank for 2 months only)

Illustration 2 :

Shivam drawn a bill on Ganesh for 21,900 on 15th May, 2019 for 60 days. He discounts the bill on the same day with his Bank at 8% p.a. Calculate the amount of discount.

Solution :

$$\text{Discount} = \text{Amount of Bill} \times \frac{\text{Rate}}{100} \times \frac{\text{Unexpried days}}{365}$$

$$= 21{,}900 \times \frac{8}{100} \times \frac{60}{365}$$

$$= ₹\ 288$$

Illustration 3 :

Pankaj drawn a bill on Sanjay for ₹ 25,620 on 1st March, 2020 for 90 days. He discounts the bill on the same day with his back at 10% p.a. Calculate the amount of discount.

Solution :

$$\text{Discount} = \text{Amount of Bill} \times \frac{\text{Rate}}{100} \times \frac{\text{Unexpried days}}{366}$$

$$= 25{,}620 \times \frac{10}{100} \times \frac{90}{366}$$

$$= ₹\ 630$$

(Note 2020 is a leap year, therefore it is 366 days)

Accounting Treatment in the Books of Drawer and Drawee :

	Transaction	Books of Drawer	Books of Drawee
1	Drawer discount the bill with the bank	Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (Being Drawee's acceptance discounted with the bank)	There will be no entry because Drawee is not a party to the transaction.
2	Discounted bill honoured on the due date	There will be no entry because Drawer has already received the Cash	Bills Payable A/c Dr. To Cash / Bank A/c (Being our acceptance honoured)
3	Discounted bill dishonoured on the due date	Drawee's A/c Dr. To Bank A/c (Being discounted bill dishonoured on the due date)	Bills PayableA/c Dr. To Drawer's A/c (Being our acceptance dishonoured)
4	Discounted bill dishonoured and noting charges paid by bank	Drawee's A/c Dr. To Bank A/c (Being discounted bill dishonoured on the due date and Noting Charges paid by bank) Amount = Amount of bill + Noting Charges)	Bills Payable A/c Dr. Noting Charges A/c Dr. To Drawer's A/c (Being our acceptance dishonoured and Noting Charges payable)

Additional Information

A bill broker is a discount house, a firm which buys and sells bills of exchange for a fee.

Illustration on Discounting the bill with the bank

Ajinkya owes ₹ 45,000 to Ashwin. On 12th July, 2019 Ashwin received a crossed cheque of ₹ 15,000 from Ajinkya and for the balance ₹ 30,000 Ajinkya accepted a bill for 3 months. Ashwin got the bill discounted with his bank at 15% p. a. on the same day. Give journal entries in the books of Ashwin and Ajinkya for the following cases :

a) Bill honoured on due date.

b) Bill dihonoured on due date.

c) Bill dishonoured on due date and noting charges ₹ 300 paid by bank.

In the books of Ashwin

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019	Bank A/c .....Dr.		15,000	
July 12	Bill Receivable A/c .....Dr.		30,000	
	To Ajinkya's A/c			45,000
	(Being cheque received and for balance bill drawn and acceptance received)			
July 12	Bank A/ .....Dr.		28,875	
	Discount A/c.....Dr.		1,125	
	To Bills Receivable A/c			30,000
	(Being Ajinkya's acceptance discounted with the bank)			
a) Oct. 15	No Entry			
b) Oct. 15	Ajinkya's A/c .....Dr.		30,000	
	To Bank A/c			30,000
	(Being Ajinkya's acceptance discounted with bank dishonoured)			
c) Oct. 15	Ajinkya's A/c .....Dr.		30,300	
	To Bank's A/c			30,300
	(Being Ajinkya's acceptance discounted with bank dishonoured and Noting charges paid by Bank)			

Note : Noting Charges paid by bank is added to the amount.

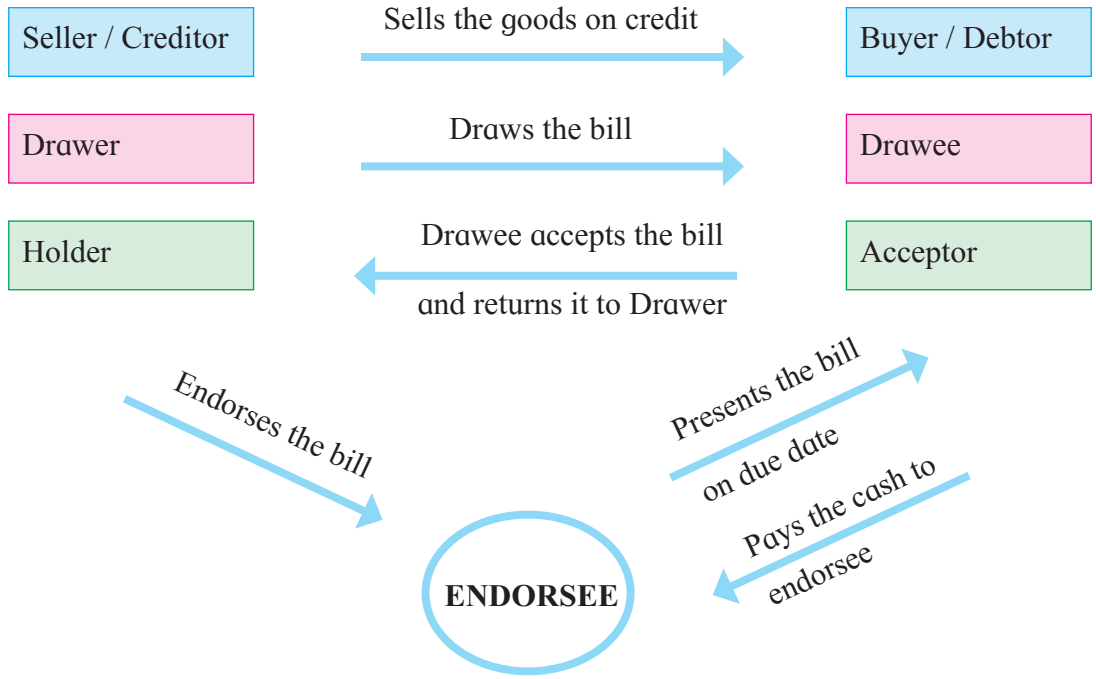
In the books of Ajinkya

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 July 12	Ashwin's A/c.....Dr. To Bank A/c To Bills payable A/c (Being paid by cheque and accepted a bill for balance)		45,000	 15,000 30,000
July 12	Bills payable A/c.....Dr. To Cash/Bank A/c (Being our acceptance dishonoured on the due date)		30,000	 30,000
b) Oct. 15	Bills payable A/c.....Dr. To Ashwin's A/c (Being our acceptance dishonoured)		30,000	 30,000
c) Aug. 4	Bills payable A/c .....Dr. Noting charges A/c.....Dr. To Ashwin's A/c (Being our acceptance dishonoured and Noting charges payable)		30,000 300	 30,300

3. Endorsement of Bill of Exchanges :

A further use of exchange is to settle a debt that Drawer or holder owes to their creditors. Endorsement is words written at the back of the bill of exchange along with signature of transferor for transferring the title of bill. A bill of exchange being negotiable instrument can be transferred from one person to another in due course. The holder who transfers the title of the bill is called endorser and the person in whose favor the bill is transferred is called endorsee. The process of endorsement may continue till the due date



Accounting Treatment in the Books of Drawer, Drawee and Endorsee :

1	Drawer endorses the bill to Endorsee		
	Books of Drawer / Endorser	**Books of Drawee**	**Books of Endorsee**
	Endorsee's A/c Dr. To Bills Receivable A/c (Being Drawee's acceptance endorsed to our creditor)	There will be no entry as Drawee is not a party to the transaction	Bills Receivable A/c Dr. To Endorser's A/c (Being Bills Receivable received from our debtor)
2	**Endorsed bill honoured on the due date**		
	Books of Drawer /	**Books of Drawee Endorser**	**Books of Endorsee**
	There will be no entry as Drawer is not a party to the transaction	Bills Payable A/c Dr. To Cash / Bank A/c (Being our acceptance honoured)	Cash / Bank A/c Dr. To Bills Receivable A/c (Beign Bills Receivable received honoured)
3	**Endorsed bill dishonoured on the due date**		
	Books of Drawer /	**Books of Drawee Endorser**	**Books of Endorsee**
	Drawee's A/c Dr To Endorsee's A/c (Being endorsed bill dishonoured on the due date)	Bills Payable A/c Dr. To Drawer's A/c (Being our acceptance dishonoured)	Endorser's A/c Dr. To Bills Receivable A/c (Being Bills Receivable received dishonoured)
4	**Endorsed bill dishonoured and noting charges paid by Endorsee**		
	Books of Drawer /	**Books of Drawee**	**Books of Endorsee**
	Drawee's A/c Dr. To Endorsee's A/c (Being endorsed bill dishonoured and Noting Charges paid by endorsee) (Amount = Amount of bill and Noting Charges)	Bills Payable A/c Dr. Noting Charges A/c Dr. To Drawer's A/c (Being our acceptance dishonoured and Noting Charges payable)	Endorser's A/c Dr. To Bills Receivable A/c To Cash A/c (Being Bills Receivable received dishonoureed and Noting Charges paid)

Illustration on Endorsement of Bill

Pallavi sold goods of ₹ 25,000 to Vandana at 10% Trade discount on 16th Feb. 2019. On the same day Vandana accepted a bill drawn on her for the amount due for 3 months. Pallavi endorsed the bill to her creditor Purva on 18th Feb. 2019.

Give journal entries in the books of Pallavi, Vandana and Purva for the following :

a) Bill was honoured on the due date

b) Bill was dishonoured on the due date

c) Bill was dihonoured on the due date and noting charges paid by Purva ₹ 175.

In the books of Pallavi

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 Feb. 16	Vandana's A/c .....Dr. To Sales A/c (Being goods sold on credit at 10% Trade Discount)		22,500	22,500
Feb. 16	Bills Receivable A/c .....Dr. To Vandana's A/c (Being bill drawn and acceptance received)		22,500	22,500
Feb. 18	Purva's A/c.....Dr. To Bills Receivable A/c (Being Vandana's acceptance endorsed)		22,500	22,500
a) May 19	No Entry			
b) May 19	Vandana's A/c.....Dr. To Purva's A/c (Being Vandana's acceptance endorsed dishonoured)		22,500	22,500
c) May 19	Vandana's A/c.....Dr. To Purva's A/c (Being Vandana's acceptance endorsed dishonoured and noting charges paid by Purva)		22,675	22,675

In the books of Vandana

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 Feb. 16	Purchases A/c ..... Dr. To Pallavi's A/c (Being goods purchased on credit at 10% Trade Discount)		22,500	22,500
Feb. 16	Pallavi's A/c ..... Dr. To Bills Payable A/c (Being our acceptance given)		22,500	22,500
a) May 19	Bills Payable A/c ..... Dr. To Cash / Bank A/c (Being our acceptance honoured on the due date)		22,500	22,500
b) May 19	Bills Payable A/c ..... Dr. To Pallavi's A/c (Being our acceptance dishonoured on the due date)		22,500	22,500
c) May 19	Bills Payable A/c ..... Dr. Noting Charges A/c..... Dr. To Pallavi's A/c (Being our acceptance dishonoured and Noting Charges payable		22,500 175	22,675

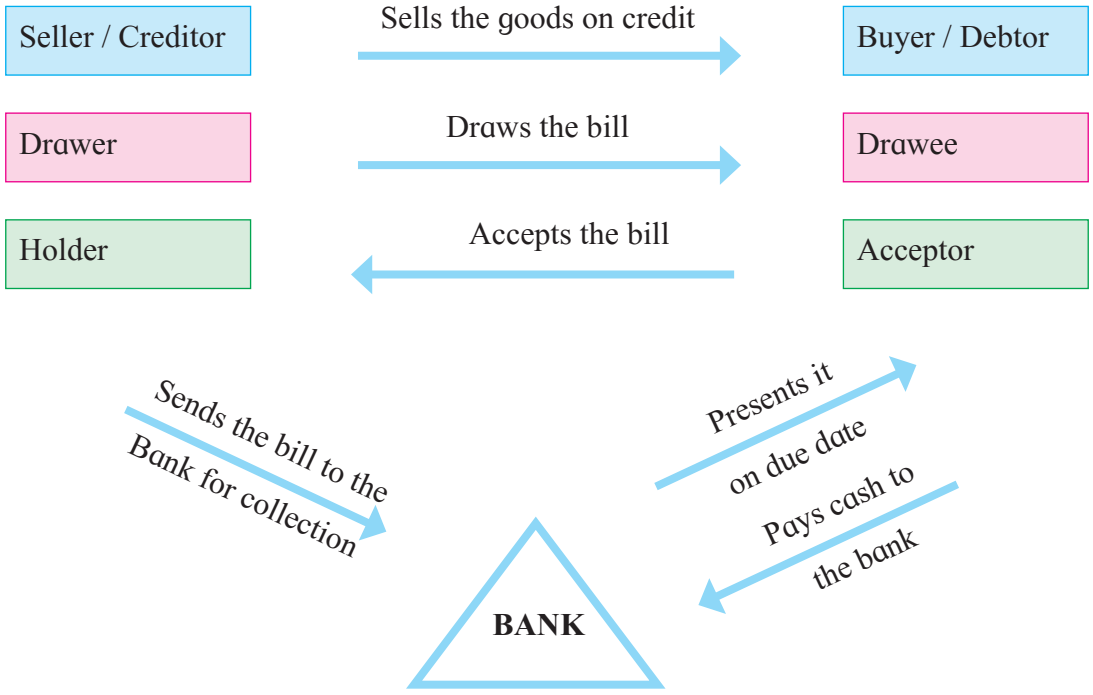
In the books of Purva

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 Feb. 18	Bills Receivable A/c .....Dr. To Pallavi's A/c (Being Bills Receivable received)		22,500	22,500
a) May 19	Cash / Bank A/c .....Dr. To Bills Receivable A/c (Being cash received on Bills Receivable)		22,500	22,500
b) May 19	Pallavi's A/c.....Dr. To Bills Receivable A/c (Being Bills Receivable dishonoured)		22,500	22,500
c) May 19	Pallavi's A/c.....Dr. To Bills Receivable A/c To Cash A/c (Being Bills Receivable dishonoured and Noting Charges paid)		22,675	22,500 175

4. Bills sent to Bank for Collection

Holder of the bill can send the bill to bank for collection. In business enterprises a large number of bills receivable are received regularly and it is difficult to remember to present various bill to different Drawees on different due dates. In such cases the Drawer sends the bill to his/her bank who will collect the amount of these bills on due date on behalf of the Drawer. For this service bank charges certain fees known as Bank Charges. Drawer opens a temporary account for this purpose known as "Bill sent for collection A/c". This account closes on the due date of the Bill.



Accounting Treatment in the Books of Drawer and Drawee :

	Transaction	Books of Drawer	Books of Drawee
1	Bill sent to bank for collection	Bill sent for collection A/c ...Dr. To Bills Receivable A/c (Being bill sent to bank for collection)	There will be no entry because Drawee is not a party to the transaction.
2	Bill sent to bank for collection honoured on the due date and Bank charges debited by bank.	Bank A/c .....Dr. Bank Charges A/c .....Dr. To Bill sent for collection A/c (Being bill honoured)	Bills Payable A/c ..... Dr. To Cash / Bank A/c (Being our acceptance honoured)
3	Bill sent to bank for collection dishonoured on the due date	Drawee's A/c.....Dr. To Bill sent for collection (Being bill sent for collection dishonoured)	Bills PayableA/c..... Dr. To Drawer's A/c (Being our acceptance dishonoured)
4	Bill sent to bank for collection dishonoured on due date and Noting Charges paid	Drawee's A/c.....Dr. To Bill sent for collection A/c To Bank A/c (Being bill sent for collection dishonoured and Noting Charges paid)	Bills Payable A/c Dr. Noting Charges A/c Dr. To Drawer's A/c (Being our acceptance dishonoured and Noting Charges payable)

Illustration on Bill sent to the Bank for collection

Anita sold goods to Nita ₹ 33,500 8th May 2019. On the same day Anita draws a bill of ₹ 22,500 on Nita for 4 months was accepted by Nita. On 4th April 2019 Anita sent the bill to bank for collection.

a) Bill is honoured on the due date and Anita paid bank charges ₹ 200.

b) Bill is dishonoured on the due date.

c) Bill is dishonoured on the due date and noting charges paid ₹ 150.

In the books of Anita
Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 Mar. 8	Nita's A/c .....Dr.		33,500	
	To Sales A/c			33,500
	(Being goods sold for cash)			
Mar. 8	Bills Receivable A/c .....Dr.		22,500	
	To Nita's A/c			22,500
	(Being bill drawn and acceptance received)			
Apr. 4	Bill sent to Bank for Collection A/c .....Dr.		22,500	
	To Bills Receivable A/c			22,500
	(Being bill sent to bank for collection)			
a) Jul. 11	Bank A/c .....Dr.		22,300	
	Bank Charges A/c .....Dr.		200	
	To Bill sent to Bank for Collection A/c			22,500
	(Being bill honoured and bank charges paid)			
b) Jul. 11	Nita's A/c .....Dr.		22,500	
	To Bill sent to Bank for Collection A/c			22,500
	(Being bill sent to Bank for collection dishonoured)			
c) Jul. 11	Nita's A/c .....Dr.		22,650	
	To Bill sent to Bank for Collection A/c			22,500
	To Cash / Bank A/c			150
	(Being bill sent to bank for collection dishonoured and Noting Charges paid			

In the books of Nita
Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 Mar. 8	Purchases A/c .....Dr.		33,500	
	To Anita's A/c			33,500
	(Being goods purchased on credit)			
Mar. 8	Anita's A/c A/c.....Dr.		22,500	
	To Bills Payable A/c			22,500
	(Being our acceptance given)			
a) Jul. 11	Bills Payable A/c .....Dr.		22,500	
	To Cash A/c			22,500
	(Being our acceptance hounoured on the due date)			
b) Jul. 11	Bills Payable A/c .....Dr.		22,500	
	To Anita's A/c			22,500
	(Being our acceptance dishounoured on the due date)			
c) Jul. 11	Bills Payable A/c .....Dr.		22,500	
	Noting Charges A/c.....Dr.		150	
	To Anita's A/c			22,650
	(Being our acceptance dishounoured and Noting Charges payable)			

Renewal Bill of Exchange

Cancellation of bill on maturity in return of a new bill for an extended period of credit is known as renewal of bill of exchange. When the acceptor of the bill after acceptance has some doubt that he would not be able to honour the bill on the due date, he requests the Drawer to cancel the original bill and to draw a fresh bill on him for a further period of time. If the Drawer agrees to such on offer the Drawee gets extra time of credit for which Drawee has to pay interest. Amount of interest can be paid along with part payment or with the new bill.

Steps in Renewal of Bill

i. Cancellation or Dishonour of old bill.
ii. Interest due on balance.
iii. Receiving / Paying of part payment.
iv. Drawing and acceptance of new bill.

Accounting Treatment in the Books of Drawer and Drawee :

	Transaction	Books of Drawer	Books of Drawee
1	Cancellation of old bill or Dishonour of bill	Drawee's A/c..... Dr. To Bills Receivable A/c **or** To Bank A/c **or** To Bill Sent for Collection A/c **or** To Endorsee's A/c (Being old bill cancelled for renewal)	Bill Payable A/c..... Dr. To Drawer's A/c (Being our acceptance cancelled for renewal)
2	Interest due on balance amount	Drawee's A/c..... Dr. To Interest A/c..... Dr. (Being Interest due)	Interest A/c..... Dr To Drawer's A/c (Being Interest due)
3	Receving / Paying part payment	Cash / Bank A/c..... Dr. To Drawee's A/c (Being part payment received along with interest) **(Amount of interest will be added to this amount if interest is received along with part payment)**	Drawer's A/c..... Dr. To Cash / Bank A/c (Being part payment made along with interest)
4	Drawing and acceptance of new bill	Bills Receivable A/ ..... Dr. To Drawee's A/c (Being new bill drawn and acceptance received) **(Amount of interest will be added to this amount if interest is receivable along with new bill)**	Drawer's A/c..... Dr. To Bills Payable A/c (Being new bill accepted for the balance)

Note : Whenever the bill is dishonoured Drawee's account is always debited.
Bills Receivable account is credited if the bill is retained.
Bank account is credited if the bill is discounted with the bank.
Bill sent for collection account is credited if the bill is sent to bank for collection.
Endorsee's account is credited if the bill is endorsed.

Different ways to pay interest, part payment and acceptance of new bill.

a. Amount of interest paid in cash.
   New bill drawn and accepted for full amount.

b. Part payment including interest.
   New bill drawn and accepted for the balance amount.

c. Part payment excluding interest.
   New bill drawn and accepted for the balance amount along with interest.

Alternate Accounting Treatment (When interest paid in cash immediately)

	Transaction	Books of Drawer	Books of Drawee
1	Cancellation of old bill	Drawee's A/c Dr. To Bills Receivable A/c **or** To Bank A/c **or** To Bill sent for collection A/c **or** To Endorsee's A/c (Being old bill cancelled for renewal)	Bill Payable A/c Dr. To Drawer's A/c (Being our acceptance cancelled for renewal)
2	Interest paid in cash along with part payment	Cash / Bank A/c Dr. To Drawee's A/c To Interest A/c (Being part payment received along with interest)	Drawee's A/c Dr. Interest A/c Dr. To Cash / Bank A/c (Being part payment made along with Interest)
3	New bill drawn for the balance and acceptance received	Bill Receivable A/c Dr. To Drawee's A/c (Being new bill drawn and acceptance received)	Drawer's A/c Dr. To Bill payable A/c (Being acceptance given)

Retirement of Bill under Rebate :

Making payment of bill well before the date of maturity is known as retirement of bill. When the acceptor of bill makes payment to the holder before the due date it is known as retiring a bill. Drawer allows some Discount or Rebate to the Drawee for the unexpired period. This rebate in an expense to the Drawer or Holder and income to the Drawee or Acceptor.

Accounting Treatment in the Books of Drawer and Drawee :

Books of Drawer	Books of Drawee
Cash / Bank A/c Dr. Rebate / Discount A/c Dr. To Bills Receivable A/c (Being bill retired and rebate allowed)	Bills Payable A/c Dr. To Cash / Bank A/c To Rebate / Discount A/c (Being our acceptance retired and rebate received)

Insolvency of Drawee :

Person whose liabilities are more than the assets and is not in a position to pay off his liabilities is known as insolvent person. When the Acceptor or Drawee is declared insolvent by the court, bills

accepted by him will obviously be dishonoured. In this case entry for cancellation of bill will be passed in the books of Drawer and Drawee. Drawer may receive some amount from the Drawee's estate which is called final dividend. The amount which is not recoverable will be written off in the books of Drawer as bad debts. The same amount will appear in the books of Drawee as deficiency.

Accounting Treatment in the Books of Drawer and Drawee :

	Transaction	Books of Drawer	Books of Drawee
1	Cancellation of old bill	Drawee's A/c Dr. To Bills Receivable A/c or To Bank A/c or To Bill sent for collection A/c or To Endorsee's A/c (Being old bill cancelled)	Bill Payable A/c Dr. To Drawer A/c (Being our acceptance cancelled)
2	Receiving final dividend and bad debts written off	Cash / Bank A/c Dr. Bad Debts A/c Dr. To Drawee's A/c (Being final dividend received and bad debts written off)	Drawer's A/c Dr. To Cash / Bank A/c To Deficiency A/c (Being final dividend paid and balance credited to deficiency account)

Illustrations

1. (Honour of bill under different circumstances)

Akash drew a bill on Deepak for 25,000 on 23rd December, 2019, for 3 months. Deepak accepted the same and returned it to Akash. On the due date the bill was duly honoured by Deepak. **Give journal entires in the books of Akash and Deepak under each to the following cases :**

a) If Aksah retained the bill till maturiry.

b) If Akash discounted the bill with the bank at 6% p.a. on the same day.

c) If Akash sent the bill to bank for collection on 23rd December, 2019.

d) If Akash endorsed the bill to his creditor Viren.

In the books of Akash

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 Dec. 23	Bills Receibable A/c .....Dr. To Deepak's A/c (Being bill drawn on Deepak for 3 months adn acceptance received)		25,000	25,000
a) 2020 Mar. 26	Cash / Bank A/c .....Dr. To Bills Receivable A/c (Being Deepak's acceptance hounoured on the due date)		25,000	25,000
b) 2019 Dec. 23	Bank A/c .....Dr. Discount A/c.....Dr. To Bills Receivable A/c (Being Deepak's acceptance disounted with the bank at 6% p.a. for 3 months)		24,625 375	25,000
c) 2019 Dec. 23	Bill sent for collection A/c .....Dr. To Bills Receivable A/c (Being Deepak's acceptance sent to the bank for collection)		25,000	25,000
2019 Mar. 26	Bank A/ .....Dr. To Bill sent for Collection A/c (Being bill honoured on the due date)		25,000	25,000
d) 2019 Dec. 23	Viren's A/c .....Dr. To Bill Receivable A/c (Being Deepak's acceptance endorsed to Viren)		25,000	25,000

In the books of Deepak

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 Dec. 23	Akash's A/c .....Dr. To Bill Payable A/c (Being bill accepted)		25,000	25,000
2020 Mar. 26	Bill Payable A/c.....Dr. To Cash / Bank A/c (Being our acceptance honoured on the due date)		25,000	25,000

Note : In case of b, c and d enties in the Books of Drawee will be same as above.

2. (Dishonour of bill under different circumstances)

Gautam sold goods of ₹ 40,000 to Harsh on 1st May 2019. For this purpose, Gautam drew a bill on Harsh for 2 months. Harsh accepted the same and returned it to Gautam. On matutity the bill was dishonoured by Harsh. **Give journal entries in the books of Gautam and Harsh under the following circumstances :**

a) If Gautam retained the bill till maturiry.
b) If Gautam discounted the bill with the bank at 12% p.a. on 1st June, 2019.
c) If Gautam sent the bill to bank for collection on 15th May, 2019.
d) If Gautam endorsed the bill to his creditor Arnav.

In the books of Gautam
Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 May 1	Harsh's A/c .....Dr. To Sales A/c (Being goods sold on credit)		40,000	40,000
May 1	Bills Receivable A/c .....Dr. To Harsh's A/c (Being bill drawn and accepted by Harsh for 2 months)		40,000	40,000
a) Jul. 4	Harsh's A/c .....Dr. To Bills Receivable A/c (Being Harsh's acceptance dishonoured on the due date)		40,000	40,000
b) i) May 1	Bank A/c .....Dr. Discount A/c .....Dr. To Bills Receivable A/c (Being Harsh's acceptance Discounted with the bank at 12% p.a. for 2 months)		39,600 400	40,000
b) ii) Jul. 4	Harsh's A/c To Bank A/c .....Dr. (Being Harsh's acceptance discounted with the Bank dishonoured)		40,000	40,000
c) i) May 15	Bill sent for collection A/c .....Dr. To Bill Receivable A/c (Being Harsh's acceptance sent to the bank for collection)		40,000	40,000
c) ii) Jul. 4	Harsh's A/c .....Dr. To Bill sent for collection A/c (Being Harsh's acceptance sent to bank for collection dishonoured)		40,000	40,000
d) i) May 1	Arnav's A/c .....Dr. To Bill Receivable A/c (Being Harsh's acceptance endorsed to Arnav) Harsh's A/c		40,000	40,000
c) ii) Jul. 4	Harsh's A/c .....Dr. To Arnav's A/c (Being Harsh's acceptance endorsed dishonoured on the due date		40,000	40,000

In the books of Harsh

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 May 1	Purchases A/c .....Dr.		40,000	
	To Gautam's A/c			40,000
	(Being good purchased on credit)			
2019 May 1	Gautam's A/c .....Dr.		40,000	
	To Bills Payable A/c			40,000
	(Being bill accepted)			
a) 2019 July 4	Bills Payable A/c .....Dr.		40,000	
	To Gautam's A/c			40,000
	(Being our acceptance dishonoured)			

Note : In case of b, c and d entries in the Books of Drawee will be same as above.

3. Kabir owes Rahul ₹ 37,000 on 1st Dec. 2019, Kabir accepts a three months bill for ₹ 35,500 in full settlement. On the due date the bill is dishonoured by Kabir and Rahul paid noting charges ₹ 500. **Give journal entries in the book of Kabir and Rahul. Also prepare Kabir's A/c in the books of Rahul and Rahul's A/c in the books of Kabir.**

In the books of Rahul

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 Dec. 1	Bills Receivable A/c .....Dr.		35,500	
	Discount A/c .....Dr.		1,500	
	To Kabir's A/c			37,000
	(Being bill drawn in full settlement and acceptance received)			
2020 Mar. 4	Kabir's A/c .....Dr.		37,500	
	To Bills Receivable A/c			35,500
	To Discount A/c			1,500
	To Cash A/c			500
	(Being Kabir's acceptance dishonoured and noting charges paid)			

Note : Discount previously allowed has been cancelled on dishonour.

In the books of Rahul

Kabir's A/C

Dr. **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2019				2019			
Dec.1	To Balance b/d		37,000	Dec.1	By Bills Receivable A/c		35,500
2020				Der. 1	By Discount A/c		1,500
Mar.4	To Bills Receivable A/c		35,500	2020			
Mar.4	To Discount A/c		1,500	Mar.4	By Balance c/d		37,500
Mar.4	To Cash A/c		500				
			74,500				74,500
Mar.4	To Balance b/d		37,500				

In the books of Kabir

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019	Rahul's A/c.....Dr.		37,000	
Dec. 1	To Discount A/c			1,500
	To Bills Payable A/c			35,500
	(Being bill accepted in full settlement)			
2020	Bills Payable A/c .....Dr.		35,500	
Mar. 4	Discount A/c.....Dr.		1,500	
	Noting Charges A/c.....Dr.		500	
	To Rahul A/c			37,500
	(Being our acceptance dishonoured and noting charges payable)			

In the books of Kabir

Rahul's A/C

Dr. **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2019				2019			
Dec.1	To Discount A/c		1,500	Dec.1	By Balance c/d		37,000
Dec.1	To Bills Payable A/c		35,500	2020			
2020				Mar.4	By Bills Payable A/c		35,500
Mar.4	To Balance c/d		37,500	Mar.4	By Discount A/c		1,500
				Mar.4	By Noting Charges A/c		500
			74,500				74,500
				Mar.4	By Balance b/d		37,500

4. Sneha receives Magha's acceptance for ₹ 15,000. Before due date of the bill Megha approaches Sneha with a request to accept ₹ 5,000 and draw a fresh bill on her for the balance for 3 months including interest at 8% p.a. Sneha agrees and draws a fresh bill which was duly accepted by Megha.

On the due date Megha meets the bill.

Give journal entires in the books of Sneha and prepare Sneha's account in the books of Megha.

In the books of Sneha

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
1.	Bills Receivable A/c ..... Dr.		15,000	
	To Megha's A/c			15,000
	(Being bill drawn and acceptance received)			
2.	Megha's A/c ..... Dr.		15,000	
	To Bills Receivable A/c			15,000
	(Being Megha's acceptance cancelled for renewal)			
3.	Megha's A/c ..... Dr.		200	
	To Interest A/c			200
	(Being interest due on balance)			
4.	Cash / Bank A/c ..... Dr.		5,000	
	To Megha's A/c			5,000
	(Being part payment received)			
5.	Bills Receivable A/c ..... Dr.		10,200	
	To Megha's A/c			10,200
	(Being new bill drawn along with interest and acceptance received)			
6.	Cash / Bank A/c ..... Dr.		10,200	
	To Bills Reveivable A/c			10,200
	(Being new bill duly honoured on the due date)			

In the books of Megha

Sneha's A/C

Dr. **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
	To Bills Payable A/c		15,000		By Balance b/d		15,000
	To Cash/Bank A/c		5,000		By Bills Payable A/c		15,000
	To Bills Payable A/c		10,200		By Interest A/c		200
			30,200				30,200

Working Note :-

Calculation of interest and amount of new bill.

Amount of old bill = ₹ **15,000**

Part Payment	Balance (New Bill)
₹ 5,000	₹ 10,000
	₹ (+) 200
	₹ **10,200**

$$\text{Interest on Balance} = 10{,}000 \times \frac{8}{100} \times \frac{3}{12}$$

= ₹ 200 (added to new bill)

5. Amol draws a bill on Atul for ₹ 24,000 on 6th Oct. 2019 for 3 months. Atul accepts the bill on the same date. Amol sends the bill to Bank for collection on 20th Oct. 2019. Before due date Atul finds himself unable to make the payment of bill and request Amol to renew it. Amol agrees to the proposal on condition that Atul should pay ₹ 10,000 in cash along with interest ₹ 800 and accept a new bill for 2 months for the balance. Atul retired the bill on 12th Jan. 2020 by paying ₹ 13,500.

Give journal entires in the books of Amol.

In the books of Amol

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019	Bills Receivable A/c .....Dr.		24,000	
Oct. 6	To Atul's A/c			24,000
	(Being bill drawn and acceptance received)			
Oct. 20	Bill sent for collection A/c .....Dr.		24,000	
	To Bills Receivable A/c			24,000
	(Being Atul's acceptance sent to bank for collection)			
2020	Atul's A/c .....Dr.		24,000	
Jan. 9	To Bill sent for collection A/c			24,000
	(Being Atul's acceptance cancelled for renewal)			
Jan. 9	Atul's A/c		800	
	To Interest A/c			800
	(Being interest due)			
Jan. 9	Cash / Bank A/c .....Dr.		10,800	
	To Atul's A/c			10,800
	(Being part payment received along with interest)			
Jan. 9	Bills Reveivable A/c .....Dr.		14,000	
	To Atul's A/c			14,000
	(Being new bill drawn and acceptance received)			

Mar. 12	Cash / Bank A/c .....Dr.		13,500	
	Discount / Rebate A/c .....Dr.		500	
	To Bills Receivable A/c			14,000
	(Being Atul's acceptance retired and rebate allowed)			

Alternate entry for Renewal (When interest is received in cash)

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019	Bills Receivable A/c .....Dr.		24,000	
Oct. 6	To Atul's A/c			24,000
	(Being bill drawn and acceptance received)			
Oct. 6	Bill sent for collection A/c .....Dr.		24,000	
	To Bills Receivable A/c			24,000
	(Being Atul's acceptance sent to bank for collection)			
2020	Atul's A/c .....Dr.		24,000	
Jan. 9	To Bill sent for collection A/c			24,000
	(Being Atul's acceptance cancelled for renewal)			
Jan. 9	Cash / Bank A/c .....Dr.		10,800	
	To Atul's A/c			10,000
	To Interest A/c			800
	(Being part payment and interest received)			
Jan.	Bills Receivable A/c .....Dr.		14,000	
	To Atul's A/c			14,000
	(Being new bill drawn and acceptance received)			
Mar. 12	Cash / Bank A/c .....Dr.		13,500	
	Discount / Rebate A/c .....Dr.		500	
	To Bills Receivable A/c			14,000
	(Being Atul's acceptance retired and rebate allowed)			

6. Nisha sold good to Asha worth ₹ 34,000, Asha paid ₹ 10,000 immediately and accepted the bill for the balance ₹ 24,000 at 2 months. Nisha discounted the bill with Bank of Maharashtra after one month at 15% p. a. The bill was dishonoured on the due date and Asha requested Nisha to accept ₹ 4,000 and interest in cash on remaining amount at 11% p.a. for 3 months. Nisha agreed and for the balance Asha accepted a new bill at 3 months. But Asha became insolvent and only 40% could be recovered her estate.

Prepare Journal of Nisha.

In the books of Nisha
Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
1.	Asha's A/c .....Dr.		34,000	
	To Sales A/c			34,000
	(Being goods sold on credit)			
2.	Bills Receivable A/c .....Dr.		24,000	
	Cash A/c .....Dr.		10,000	
	To Asha's A/c			34,000
	(Being part of the amount received in cash and for balance bill drawn and acceptance received)			
3.	Bank of Maharashtra A/c .....Dr.		23,700	
	Discount A/c .....Dr.		300	
	To Bills Receivable A/c			24,000
	(Being Asha's acceptance discount for 1 month @ 15% p.a.)			
4.	Asha's A/c .....Dr.		24,000	
	To Bank of Maharashtra A/c			24,000
	(Being Asha's acceptance dishonoured)			
5.	Asha's A/c .....Dr.		550	
	To Interest A/c			550
	(Being interest due from Asha)			
6.	Cash / Bank A/c .....Dr.		4,550	
	To Asha's A/c			4,550
	(Being part payment received along with interest)			
7.	Bills Receivable A/c .....Dr.		20,000	
	To Asha's A/c			20,000
	(Being new bill drawn for balance and acceptance received)			
8.	Asha's A/c .....Dr.		20,000	
	To Bills Receivable A/c			20,000
	(Being Asha's acceptacne dishonoured)			
9.	Cash / Bank A/c .....Dr.		8,000	
	Bad Debts A/c .....Dr.		12,000	
	To Asha's A/c			20,000
	(Being amount received in full settlement and bad debts written off)			

Working Note :-

Calculation of interest and amount of new bill.

Amount of old bill = ₹ **24,000**

Part Payment		Balance (New Bill)
₹ 4,000		₹ 20,000
(+) ₹ 550	Interest	
₹ 4,550		

Interest on Balance = ₹ $20,000 \times \frac{11}{100} \times \frac{3}{12}$

= ₹ 550 (added to part payment)

7. On 15th September, 2019 Kunal purchased goods from Kishorilal for ₹ 38,000 and Kunal gave his acceptance after sight for 60 days on18th September, 2019 for the amount due. Kishorilal deposited the bill into bank for collection on the same day. Kunal honoured his acceptance on the due date. Bank charged ₹ 150 as bank charges.

Give journal entries in the books of Kishorilal and Kunal.

In the books of Kishorilal

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019	Kunal's A/c .....Dr.		38,000	
Sept. 15	To Sales A/c			38,000
	(Being goods sold on credit)			
Sept. 18	Bills Receivable A/c .....Dr.		38,000	
	To Kunal's A/c			38,000
	(Being after sight bill drawn and acceptance received)			
Sept. 18	Bills sent for collection A/c.....Dr.		38,000	
	To Bills Receivable A/c			38,000
	(Being Kunal's acceptance sent to bank for collection)			
Nov. 20	Bank A/c .....Dr.		37,850	
	Bank Charges A/c .....Dr.		150	
	To Bill sent for collection A/c			38,000
	(Being bill sent for collection honoured on the due date and bank charges debited)			

In the books of Kunal

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019	Purchases A/c..... Dr.		38,000	
Sept. 15	To Kishorilal's A/c			38,000
	(Being goods purchased on credit			
Sept. 18	Kishorilal's A/c ..... Dr.		38,000	
	Bills Payable A/c			38,000
	(Being acceptance given to bill drawn on us)			
Nov. 20	Bills Payable A/c ..... Dr.		38,000	
	To Cash / Bank A/c			
	(Being our acceptance duly honoured on the due date)			38,000

8. Shalini owes ₹ 26,000 to Anand. Anand draws a bill for ₹ 21,000 on Shalini for 3 months period and received the balance by a crossed cheque. The bill was duly accepted and returned to Anand. On the same day Anand endorsed Shalini's acceptance to Vikram. On the due date Vikram informed Anand that Shalini dishonoured her acceptance and noting charges ₹ 280 were paid. Anand then drew a new bill for 1 month on Shalini including noting charges and interest ₹ 650. On the due date Shalini honoured her acceptance by cheque.

Give journal entries in the books of Anand and prepare Anand's account in the books of Shalini.

In the books of Anand

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
1.	Bills Receivable A/c .....Dr. Bank A/c .....Dr. To Shalini's A/c (Being cheque and acceptance of bill received)		21,000 5,000	 26,000
2.	Vikram's A/c ..... Dr. To Bills Receivable A/c (Being Shalini's acceptance endorsed in favour of Vikram)		21,000	 21,000
3.	Shalini's A/c..... Dr. To Vikram's A/c (Being endorsed bill dishonoured)		21,280	 21,280
4.	Shalini's A/c..... Dr. To Interest A/c (Being interest due)		650	 650
5.	Bills Receivable A/c ..... Dr. To Shalini's A/c (Being new bill drawn along with noting charges and interest and acceptance received)		21,930	 21,930
6.	Bank A/c ..... Dr. To Bills Receivable A/c (Being Shalini's acceptance duly honoured on the due date)		21,930	 21,930

In the books of Shalini

Anand's Account

Dr. **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
	To Bank A/c		5,000		By Balance b/d		26,000
	To Bills Payable A/c		21,000		By Bills Payable A/c		21,000
	To Bills Payable A/c		21,930		By Noting Charges A/c		280
					By Interest A/c		650
			47,930				47,930

9. On 3rd July, 2019 Ravi drew a bill of ₹ 12,000 for 90 days after date on Dhruv which was accepted by Dhruv. On 9th July, 2019 Ravi endorsed the bill to Harish in full settlement of his account ₹ 12,750. On the same day Harish discounted the bill with bank for ₹ 11,750.

Government declared emergency holiday on the due date and as per the provisions of Negotiable Instruments Act the bill was duly met by Dhruv.

Give journal entries in the books of Ravi, Dhruv and Harish.

In the books of Ravi

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019	Bills Receivable A/c ..... Dr.		12,000	
July 3	To Dhruv's A/c			12,000
	(Being bill drawn and acceptance received)			
July 9	Harish 's A/c ..... Dr.		12,750	
	To Bills Receivable A/c			12,000
	To Discount A/c			750
	(Being bill endorsed in full settlement)			

In the books of Dhruv

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019	Ravi's A/c ..... Dr.		12,000	
July 3	To Bills Payable A/c			12,000
	(Being our acceptance given)			
Oct. 5	Bills Payable A/c ..... Dr.		12,000	
	To Cash / Bank A/c			12,000
	(Being our acceptance honoured)			

In the books of Harish

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019	Bills Receivable A/c ..... Dr.		12,000	
July 3	Discount A/c..... Dr.		750	
	To Ravi's A/c			12,750
	(Being Bills Receivable received in full settlement and Discount allowed)			
July 9	Bank A/c ..... Dr.		11,750	
	Discount A/c ..... Dr.		250	
	To Bills Receivable A/c			12,000
	(Being bill discounted with the bank)			

Calculation of due date :

Bill drawn on 3rd July for 90 days.

Unexpired days of July	=	28
No. of days in Aug.	=	31
No. of days in Sep.	=	30
No. of days in Oct.	=	01
		90

1st Oct. 2019 + 3 days of grace = 4th Oct. 2019

But 4th Oct. 2019 has been declared emergency holiday therefore, the due date will be the next Working date i.e. 5th Oct. 2019.

10. On 18th June, 2019 Rohan sold goods on credit for ₹ 40,000 to Navin. Rohan draws a bill for the amount due for 3 months on the same day. Navin accepted the bill and returned it to Rohan. On 19th June, 2019 Rohan discounted the bill with the bank at 15% p. a.

    On the due date Navin dishonoured his acceptance and bank paid noting charges ₹ 350. Navin then requested Rohan to renew the bill. Rohan agreed on the condition that Navin should pay interest on balance at 12% p.a. plus noting charges by cheque and should accept a new bill for the balance for 2 months.

    These arrangements were carried through. But before the due date Navin was declared insolvent. Rohan received 60 paise in a rupee as first and final dividend from the private estate of Navin on 23rd Dec. 2019.

    Give journal entires in the books of Navin.

In the books of Navin

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 June 18	Purchases A/c.....Dr. To Rohan's A/c (Being goods bought on credit)		40,000	40,000
June 18	Rohan's A/c.....Dr. To Bills Payable A/c (Being our acceptance given)		40,000	40,000
Sep. 21	Bills Payabe A/c .....Dr. Noting Charges A/c.....Dr. To Rohan's A/c (Being our acceptance dishonoured and noting charges payable)		40,000 350	40,350
Sep. 21	Interest A/c .....Dr. To Rohan's A/c (Being interest due)		800	800
Sep. 21	Rohan's A/c.....Dr. To Bank A/c (Being interest and Noting charges paid to Rohan)		1,150	1,150
Sep. 21	Rohan's A/c.....Dr. To Bills Payable A/c (Being acceptance given to new bill drawn)		40,000	40,000
Nov. 24	Bills Payable A/c .....Dr. To Rohan's A/c (Being our acceptance dishonoured due to insolvency)		40,000	40,000
Dec. 23	Rohan's A/c.....Dr. To Cash A/c To Deficiency A/c (Being 60% paid as full and final settlement and amount credited to deficiency account)		40,000	24,000 16.000

11. Nishant draws a bill for ₹ 25,000 on Abhinav for 3 months on 17th July, 2019. Nishant discounts the bill with his Bankers at 12.5% p.a. on the same day. On the due date of bill Abhinav requested Nishant to accept a crossed chequee of ₹ 5,800 including ₹ 1,800 for interest and to draw bill for the balance for 3 months. Nishant agrees to this proposal. Before due date of new bill Abhinav retires the bill for ₹ 20,250 one month before the due date.

Pass necessary journal entries in the books of Nishant.

In the books of Nishant

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 July 17	Bills Receivable A/c .....Dr. To Abhinav's A/c (Being bill drawn and acceptance received)		25,000	25,000
July 17	Bank A/c .....Dr. Discount A/c.....Dr. To Bills Payable A/c (Being Abhinav's acceptance discounted with bank at 12.5% p.a. for 3 months)		24,219 781	25,000
Oct. 20	Abhinav's A/c ..... Dr. To Bank A/c (Being discounted bill dishonoured)		25,000	25,000
Oct. 20	Abhinav's A/c .....Dr. To Interest A/c (Being interest due)		1,800	1,800
Oct. 20	Bank A/c .....Dr. To Abhinav's A/c (Being Cheque received)		5,800	5,800
Oct. 20	Bills Receivible A/c .....Dr. To Abhinav's A/c (Being acceptance given to new bill drawn)		21,000	21,000
Dec. 20	Cash / Bank A/c.....Dr. Rebate / Discount A/c .....Dr. To Bills Receivable A/c (Being new bill retired one month before due date and rebate allowed)		20,250 750	21,000

12. Sanjay sold goods of ₹ 45,000 to Govind at 10% Trade discount. Govind paid 1/3rd of the amount immediately at a cash discount of ₹ 1,000 and for the balance accepted a bill for 3 months. Sanjay endorsed the bill to Aadesh on the same day in full settlement of his account ₹ 27,500. On the due date the bill was dishonoured by Govind and noting charges paid by Aadesh ₹ 450. Govind requested Sanjay to renew the bill. Sanjay agreed on condition that Govind should pay ₹ 5,250 immediately along with noting charges and for the balance Govind should accept a new bill for 2 months alosg with interest ₹ 1,500. Govind agreed to these contritions and these arrangements were carried through. Sanjay paid Aadesh balance due to him. On the due date of the new bill Govind dishonoured the bill.

Give journal entries in the books of Sanjay and prepare Sajnay's account in the books of Govind.

In the books of Sanjay
Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
1.	Govind's A/c .....Dr.		27,000	
	Cash A/c.....Dr.		12,500	
	Discount A/c.....Dr.		1,000	
	To Sales A/c			40,500
	(Being goods sold on credit and cash subject to Trade discount and cash discount)			
2.	Bills Receivable A/c .....Dr.		27,000	
	To Govind's A/c			27,000
	(Being acceptance received)			
3.	Aadesh's A/c .....Dr.		27,500	
	To Bill Receivable A/c			27,000
	To Discount A/c			500
	(Being Govind's acceptance endorsed in full settlement)			
4.	Govind's A/c .....Dr.		27,450	
	Discount A/c		500	
	To Aadesh's A/c			27,950
	(Being Govind's acceptance endorsed in full settlement dishonoured and discount cancelled)			
5.	Govind's A/c .....Dr.		1,500	
	To Interest A/c			1,500
	(Being interest due)			
6.	Cash / Bank A/c .....Dr.		5,700	
	To Govind's A/c			5,700
	(Being cash received along with noting charges)			
7.	Bills Receivable A/c .....Dr.		23,250	
	To Govind's A/c			23,250
	(Being new bill drawn along with interest and acceptance received)			
8.	Aadesh's A/c .....Dr.		27,950	
	To Cash / Bank A/c			27,950
	(Being cash paid to Aadesh)			
9.	Govind's A/c .....Dr.		23,250	
	To Bills Receivable A/c			23,250
	(Being Govind's acceptance dishonoured)			

In the books o Govind

Sanjay's Account

Dr. **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
	To Bills Payable A/c		27,000		By Purchases A/c		27,000
	To Cash A/c		5,700		By Bills Payable A/c		27,000
	To Bills Payable A/c		23,250		By Noting Charges A/c		450
	To Balance c/d		23,250		By Interest A/c		1,500
					By Bills Payable A/c		23,250
			79,200				79,200
					By Balance b/d		23,250

Problems on single Drawer and multiple Drawees

13. Give journal entries the books of Bipin.

1. Sonal's acceptance for 3 months of ₹ 20,000 was discounted with Bank of India at ₹ 19,750.
2. Brinda's acceptance of ₹ 14,400 retired one month before the due date at rebate of 12% p.a.
3. Rekha's acceptance of ₹ 8,500 is endorsed in favour of Gayatri in full settlement of her account ₹ 8,650.
4. Sold goods to Vinaya ₹ 20,000 at 8% Trade Discount. Received half the amount immediately on which 10% Cash Discount was allowed. For the balance a bill was drawn on Vinaya which was accepted by her.

In the books of Bipin

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
1.	Bank of India's A/c.....Dr.		19,750	
	Discount A/c.....Dr.		250	
	To Bills Receivable A/c			20,000
	(Being Sonal's acceptance discounted with the Bank)			
2.	Cash A/c.....Dr.		14,256	
	Discount A/c.....Dr.		144	
	To Bills Receivable A/c			14,400
	(Being Brinda's retired at 12% p.a. for one month)			
3.	Gayatri's A/c.....Dr.		8,650	
	To Bill Receivable A/c			8,500
	To Discount A/c			150
	(Being Rekha's acceptance endorsed in full settlement)			

4. (a)	Vinaya's A/c.....Dr. Discount A/c.....Dr. Cash A/c.....Dr. To Sales A/c (Being goods sold on cash and credit)		9,200 920 8,280	 18,400
4.(b)	Bill Receivable A/c.....Dr. To Vinaya's A/c (Being bill drawn and acceptance received)		9,200	 9,200

Calculation for transaction No. 4

Gross Price = ₹ 20,200
(-) 8% T. D. = ₹ 1,600
₹ 18,400

	Cash	Credit (50%)
(50%)	₹ 9,200	₹ 9,200
(-) C.D.10%	₹ 920	
Cash received	₹ 8,280	

14. Jouranlise the following transactions in the books of Mayur.

1. Vishwas renewed his acceptance for ₹ 22,000 by paying ₹ 12,000 in cash and accepting a fresh bill for the balance with interest @12% p.a. for 2 months.
2. honoured our acceptance to Ashwin of ₹ 17,750 by endorsing Hari's acceptance of ₹ 17,500 in full settlement.
3. Prakash who accepted Mayur's bill for ₹ 21,000 was declared insolvent and only 25% of the amount could be recovered from his esatae.
4. Bank informed us that Shailaja's acceptance for ₹ 32,000 sent to bank for collection had been dishonoured and noting charges paid were ₹ 275.

In the books of Mayur

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
1. (a)	Vishwas's A/c.....Dr. To Bills Receivable A/c (Being bill cancelled for renewal		22,000	 22,000
(b)	Vishwas's A/c.....Dr. To Interest A/c (Being part payment received)		200	 200
(c)	Bank A/c .....Dr. Vishwas's A/c (Being part payment received)		12,000	 12,000

(d)	Bill Receivable A/c .....Dr. To Vishwas's A/c (Being new bill drawn and acceptance received along withe interest)		10,200	 10,200
2	Bill Payable's A/c .....Dr. To Bill Receivable A/c To Discount A/c (Being our acceptance honoured by giving acceptance received from Hari and discount received)		17,750	 17,500 250
3 (a)	Prakash's A/c .....Dr. To Bill Receivable A/c (Being Prakash's acceptance cancelled on account of insolvency)		21,000	 21,000
(b)	Bank A/c .....Dr. Bad Debts A/c .....Dr. To Prakash's A/c (Being 25% received in final settlement and bad debts written off)		5,250 15,750	 21,000
4.	Shailaja's A/c.....Dr. To Bill sent for collection A/c To Bank A/c (Being bill sent for collection dishonoured and noting charges paid)		32,275	 32,000 275

15. Jouranlise the following transactions in the books of Aaditya.

a) Bank informed that Surya's acceptance for ₹ 15,750 sent to bank for collection has been honored and bank charges debited ₹ 150.

b) Asha informs Aditya that Nisha's acceptance for ₹ 23,000 endorsed to Asha, has been dishonoured. Noting charges paid by Asha amounted to ₹ 330.

c) Bank informed that Jaydeep's acceptance of ₹ 32,400 which was discounted with bank was dishonoured, bank paid Noting charges ₹ 460.

d) Shrikant's acceptance of ₹ 19,800 was honoured which was deposited with bank for collection.

In the books of Aditya

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
a)	Bank A/c .....Dr.		15,600	
	Bank Charges A/c .....Dr.		150	
	To Bill sent for collection A/c			15,750
	(Being bill sent to bank for collection honoured and bank charges paid)			
b)	Nisha A/c .....Dr.		23,330	
	To Asha's A/c			23,330
	(Being ednorsed bill dishonoured and noting charges paid by Asha)			
c)	Jaydeep's A/c .....Dr.		32,860	
	To Bank A/c			32,860
	(Being Jaydeep's acceptance discounted with bank, dishonoured and bank paid noting charges)			
d)	Bank A/c .....Dr.		19,800	
	To Bill sent for collection A/c			19,800
	(Being bill sent to Bank for collection honoured on the due date)			

16. Journalise the following transactions of Arvind as on 24th October, 2019.

a) Renewed Sainath's acceptance of ₹ 18,000 with interest of ₹ 380 for 2 months.

b) Sahil informs Arvind that Meenal's acceptaance of ₹ 13,000 endorsed to Sahil was dishonoured and noting charges paid ₹ 195.

c) Accepted a bill of ₹ 16,400 at 2 months drawn on Chand and Sons for the amount due to them ₹ 19,000 and balance paid in cash.

d) Bank informed that Vidya's acceptance of ₹ 14,000 which was discounted was dishououred and bank paid noting charges ₹ 105. Renewed bill on Vidya's request for 2 months with interest ₹ 295.

e) Nandita retired her acceptance to Arvind of ₹ 13,550 by paying cash ₹ 13,000.

In the books of Arvind

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
2019 a)	Sainath's A/c .....Dr.		18,000	
i) Oct. 24	To Bills Receivable A/c			18,000
	(Being Sainath's acceptance cancelled)			
ii) Oct. 24	Sainath's A/c .....Dr.		380	
	To Interst A/c			380
	(Being interest due)			
iii) Oct. 24	Bills Receivable A/c .....Dr.		18,380	
	To Sainath's A/c .			18,380
	(Being new bill drawn along with interest for 2 months and acceptance received)			
b) Oct. 24	Meenal's A/c .....Dr.		13,195	
	To Sahil's A/c			13,195
	(Being endorsed bill dishonoured and noting charges paid)			
c)	Chand and Sons A/c.....Dr.		19,000	
	To Bills Payable A/c			16,400
	To Cash A/c			2,600
	(Being bill accepted and cash paid)			
d)	Vidya's A/c.....Dr.		14,105	
i)	To Bank A/c			14,105
	(Being discounted bill dishonoured and noting charges paid)			
ii)	Vidya's A/c.....Dr.		295	
	To Interest A/c			295
	(Being Interest due)			
iii)	Bills Receivable A/c .....Dr.		14,400	
	To Vidya's A/c			14,400
	(Being bill drawn along with interest and acceptance received)			
e)	Cash A/c.....Dr.		13,000	
	Rebate / Discount A/c .....Dr.		550	
	To Bills Receivable A/c			13,550
	(Being Nandita's acceptance retired and rebate allowed)			

17. Journalise the following transactions in the books of Apoorva.

a) Prashant's acceptance for 60 days ₹ 12,750 deposited into bank for collection.

b) Apoorva sold goods to Kirti for ₹ 20,000 and received her acceptance for the same amount for 2 months. The bill was endorsed to Rekha.

c) Received 30% of the amount due from the private estate of Mukta who was declared insolvent. Mukta had dishonoured her acceptance of ₹ 23,850 and noting charges paid were ₹ 150.

d) Apoorva renews her acceptance of 36,000 to Anuradha by paying cheque of 6,000 and accepting a new bill for 2 months for balance along with interest @ 14.5% p. a.

In the books of Apoorva

Journal

Date	Particulars	L. F.	Debit Amount ₹	Credit Amount ₹
a)	Bill sent for collection A/c .....Dr.		12,750	
	To Bills Receivable A/c			12,750
	(Being bill deposited into bank for collection)			
b) i)	Kirti's A/c.....Dr.		20,000	
	To Sales A/c			20,000
	(Being goods sold on credit)			
ii)	Bill Receivable A/c .....Dr.		20,000	
	To Kirti's A/c .			20,000
	(Being drawn and accepted)			
iii)	Rekha's A/c.....Dr.		20,000	
	To Bills Receivable A/c .....Dr.			20,000
	(Being Kirti's acceptance endorsed)			
c) i)	Mukta's A/c.....Dr.		24,000	
	To Bills Receivable A/c			23,850
	To Cash A/c			150
	(Being Mukta's acceptance dishonoured and Noting Charges paid)			
ii)	Cash / Bank A/c .....Dr.		7,200	
	Bad Debts A/c .....Dr.		16,800	
	To Mukta's A/c			24,000
	(Being amount received and bad debts written of on account of insolvency)			
d) i)	Bills Payable A/c .....Dr.		36,000	
	To Anuradha's A/c			36,000
	(Being our acceptance dishonoured)			
ii)	Interest A/c .....Dr.		725	
	To Anuradha's A/c			725
	(Being Interest due)			

iii)	Anuradha's A/c .....Dr. To Cash Bank A/c (Being part payment paid)		6,000	 6,000
iv)	Anuradha's A/c .....Dr. To Bills Payable A/c (Being acceptance given to new bill drawn along with interest)		30,725	 30,725

EXERCISE - 7

Objective Questions

A. Select the correct option and rewrite the sentence:-

1) The person on whom a bill is drawn is called a _____.
a) Drawee b) Payee c) Drawer d) Acceptor.

2) Before acceptance the bill is called a _____.
a) Order b) Request c) Draft d) Instrument.

3) When the due date of bill drawn falls due on a public holiday, the payment must be made on the _____ day.
a) Same b) preceding c) next d) any.

4) The due date of the bill drawn for 2 months on 23rd Nov. 2019 will be
a) 23rd Jan. 2020 b) 25th Jan. 2019 c) 26th Jan. 2019 d) 25th Jan. 2020.

5) Nothing charges are borne by _____.
a) Notary Public b) Drawee c) Drawer d) Endorsee.

6) There are _____ parties to bill of exchange.
a) five b) four c) three d) two.

7) When a bill is drawn for 2 months after date on 3rd Jan. 2020, its due date will be _____.
a) 3rd Jan. 2020 b) 3rd Mar. 2020 c) 5th Mar. 2020 d) 6th Mar. 2020.

8) Notary Public is _____.
a) Govt. Officer b) Drawer c) Payee d) Endorsee

9) When Acceptor or Drawee does not pay the amount of bill to the holder on the due date it is known as _____ the bill.
a) returning b) discounting c) honouring d) dishonouring.

10) The person who accepts the bill treats the bill as _____.
a) Bills Payable b) Promissory note c) Draft d) Bills Receivable.

B. Give one word / phrase / term which can substitute each of the following ststements:-

1) Three extra days which are allowed over and above the term of bill.
2) Fees charged by Notary Public for getting the fact of dishonour noted.
3) A person who is entitled to receive the amount of bill of exchange.
4) A person in whose favour a bill endorsed.

5) Officer appointed by goverment for noting of dishonour of bill.
6) Cancellation of bill on maturity in return of a new bill for extended period of credit.
7) Bill of exchange drawn and accepted without any valuable consideration.
8) Person who is in possession of Bill of Exchange.
9) Conversion of Bill of Exchange into its present value.
10) Amount which is not recoverable from Drawee on account of insolvency.

C. State True or False with reasons:-

1) Inland bill is one which is drawn in one country and payable in another country.
2) Retirement of bill means payment of the bill before due date.
3) Drawee can transfer the ownership of Bill.
4) Acceptance of bill without making any changes in the terms of bill is called qualified acceptance.
5) Discounting is a device to convert the bill into its present value.
6) A bill of exchange must be presented to the acceptor on the due date.
7) If a bill is discounted by the holder, no entry is passed in his book when bill is honoured on the due date.
8) Noting charges are to be borne by the drawer.
9) If a bill is drawn payable "on demand" no grace days are allowed.
10) There are three parties to a Promissory Note.

D. Find the odd one:-

1) a) Retaining b) Noting
   c) Discounting d) Endorsing
2) a) Trade bill b) Accommodation bill
   c) After date bill d) Demand bill.
3) a) Notary Public b) Drawer
   c) Drawee d) Payee.
4) a) Discounting charges b) Rebate
   c) Bank charges d) Noting charges.
5) a) Stamp b) Acceptance
   c) Draft d) Amount.

E. Complete the sentence:-

1) Making payment of bill before the due date of maturity is known as ..... .
2) Person whose liabilities are more than his assets and is not in position to pay off his liabilities is ..... .
3) Amount that cannot be paid by acceptor on account of inslovency is known as .....
4) A bill of exchange payable after certain period is known as ..... .
5) A bill which is drawn and accepted with valuable consideration is known as .....
6) A person who draws the bill of exchange is known as ..... .
7) A bill whose due date is calculated from the date of acceptance is known as .....

8) Recording the fact of dishonour of Bill is known as ..... .

9) When Drawee accepts the bill payable at a particular place only, it is known as .....

10) Fees charged by the bank for collection of bill on behalf of holder is ..... .

F. Answer in sentence:-

1) What do you mean by bill of exchange?
2) What are days of grace?
3) What do you mean by discounting a bill of exchange?
4) What is noting of the bill?
5) What are noting charges?
6) What is relationship between Drawer and Drawee?
7) Who is payee of the bill?
8) What do you mean by rebate?
9) What is legal due date?
10) What is bills payable on demand?

G. Do you agree or disagree with the following statements:-

1) A bill of exchange is a conditional order.
2) The party which is ordered to pay the amount is known as payee.
3) The person in whose favour the bill is endorsed is known as endorsee.
4) Rebate or discount given on retiring a bill is an income to the Drawee.
5) A bill from the point of view of debtor is called Bills payable.
6) In case of bill drawn payable 'on demand' no grace days are allowed.
7) A bill is required to be accepted by Drawer.
8) A bill of exchange need not be dated.
9) A bill before acceptance is called Promissory Note.
10) Renewal is request by Drawee to extend the credit period of the bill.

H. Calculations:-

1) Ganesh draws a bill for ₹ 40,260 on 15th Jan. 2020 for 50 days. He discounted the bill with Bank of India @15% p.a. on the same day. Calculate the amount of discount.

2) Shefali Traders drew a bill on Maya for ₹ 30,000 on 1st Oct. 2019 payable after 3 months. Calculate amount of discount in the following cases:-
   i) Shefali Traders discounted the bill on the same day @ 12% p.a.
   ii) Shefali Traders discounted the bill on 1st Nov. 2019 @ 12% p.a.
   iii) Shefali Traders discounted the bill on 1st Dec. 2019 @ 12% p.a.

3) Veena who had accepted Sudha's bill for ₹ 28,000 was declared bankrupt and only 35 paise in a rupee could be recovered from her estste. Calculate the amount of bad debts.

4) Nitin renewed his acceptance for ₹ 72,000 by paying ₹ 22,000 in cash and accepting a new bill for the balance plus interest @ 18% p.a. for 4 months. Calculate the amount of new bill.

5) Nisha's acceptance for ₹ 16,850 sent to bank for collection was honoured and bank charges debited were ₹ 125. Find out the amount actually received by Drawer.

6) A bill of ₹ 16,000 was drawn by Keshav on Gopal on 12th June 2019 for 2 months. What will be the due date, if all of sudden, the legal due date is declared as emergency holiday?

I. Prepare the following Specimens :-

1) Prepare a bill of exchange form the following information :

Drawer : Shankar, Vadodara, Gujrat.

Drawee : Vinayak, Somwarpeth, Pune.

Amount : ₹ 16,000

Period : 3 months

Date of Bill : 6th Sept. 2019.

Date of acceptance : 11th Sept. 2019.

2. Prepare a bill of exchange from the following information :

Drawer : Dinesh, P. R. Road, Andheri West.

Drawee : Mahesh, L. B. S. Road, Mulund.

Payee : Amit, Thane West.

Amount : ₹ 9,500

Period of Bill : 4 months after sight.

Date of Bill : 26th Nov. 2019.

Date of acceptance : 29th Nov. 2019.

3. Kantilal, 343/D, Palm Heights, Jogeshwari, drew a bill on 10th Oct. 2019 for ₹ 63,490 for 45 days after date on Shantilal, B2, Himalaya Towers, Baramati, payable to Priyanksa, Satara.\

The bill was accepted on 13th Oct. 2019 for 60 days.

Prepare a format of bill of exchange from the above detalis.

4. Prepare a format of bill exchange from the following details :

Rahul Sane, 86-D, Raviwar Peth, Nagpur accepted the bill drawn on him by Prithviraj, Icon Heights, Wardha for ₹ 87,000 on 30th July 2019.

The bill was drawn on 26th July 2019 for ₹ 1,00,000 for 90 days after date.

5. Prepare a format of bill of exchange from the followings.

Drawer : Kashmira Shah, Partner M/S Shah and Shah, 2-C, Matruchaya Building, Akola.

Drawee : Dhanashree Traders, Bangalore Road, Belgaum. (Signed by Jayashree, Partner)

Payee : M/S Janki Traders, Akola.

Amount : ₹ 64,500

Period of Bill : 3 months

Date of drawing : 12th Sept. 2019

Date of acceptance : 15th Sept. 2019

6. Prepare a demand bill with imaginary Drawer, Drawee, Address , Amount and Date.

J. Complete the following Table

1.

	Date of Drawing	Date of Acceptance	Payable	Due Date
i.	30.1.2019	1.2.2019	60 days after date	
ii.	17.8.2019	21.8.2019	3 months after sight	
iii.	23.12.2019	26.12.2019	1 months after date	
iv.	28.1.2020	28.1.2020	1 months after date	
v.	30.6.2019	2.7.2019	45 days after date	

2.

Sr. No.	DATE OF DRAWING	Date of acceptance	Tenure	Type	Nominal due date	Legal due date
i)	3rd January, 2020	5th January,2020	45 days	after date	?	?
ii)	9th April, 2019	12th April, 2019	4 months	After sight	?	?
iii)	23rd November 2019	23rd November, 2019	2 months	after date	?	?
iv)	16th August, 2019	20th August, 2019	4 months	After sight	?	?
v)	23rd December, 2018	24th December, 2018	60 days	after date	?	?

Practical Problems

1. On 1st Jan. 2020 Hemant sold goods of ₹ 18,500 to Nitin. On the same date Hemant drew a bill of exchange for ₹ 18,500 at 2 months. On the due date the bill was duly honoured.

   Give Journal Entries in the Books of Hemant and Nitin. Prepare Hamant's account in the books of Nitin.

2. Neha sold goods to Rohan ₹ 42,000 on 6th Sept. 2019. Neha drew a bill of exchange at 3 months for the amount which was accepted by Rohan. Neha disounted the bill with her bankers at ₹ 41,000. On the due date of the bill Rohan dishonoured the bill and bank paid ₹ 300 as Noting Charges.

   Show Journal Entries in the Books of Neha and Rohan.

3. Jyoti owes ₹ 31,000 to Swati for which was draws a bill on Jyoti for 2 months. The bill was duly accepted by Jyoti. Swati sends the bill to bank for collection. Jyoti honoured the bill on the due date and bank charges ₹ 475 as bank charges.

   Give Journal Entries in the Books of Swati.

4. Pankaj purchased goods of ₹ 20,000 from Omprakash on credit on 15th April 2019. Omprakash draws After Sight bill for the amount due on Pankaj for 3 months which was accepted by Pankaj on 18th April, 2019. On 20th April, 2019 Omprakash endorsed the bill to his creditor Jagsish in full settlement of his amount ₹ 21,000. On the due date the bill was dishonoured by Pankaj.

Give Journal Entires in the Books of Omprakash, Pankaj and Jagdish.

5. Siddhant sold goods to Sudhir of ₹ 43,800 on 18th March, 2019. Siddhant draws a bill on Sudhir on the same day for ₹ 43,800 for 3 months which was duly accepted by Sudhir. Siddhant discounted the bill on the same day at 8% p.a. the bill was dishonoured on the due date and Sudhir requested Siddhant to accept ₹ 13,800 and interest in cash on remaining amount at 12% p.a. Siddhant agreed and for the balance amount accepted a new bill at 2 months. Before the due date of new bill Sudhir retired the bill by paying ₹ 29,700.

Pass necessary Journal Entries in the Books of Siddhant.

6. Sangeeta accepted a bill for ₹ 18,000 drawn by Geeta at 3 months. Geeta discounted the bill for ₹ 17,400. Before the due date Sangeeta approached Geeta for renewal of the bill. Geeta agreed on the condition that Sangeeta should pay ₹ 6,000 immediately and for the balance she should accept a new bill for 4 months along with interest ₹ 550. The arrangements were carried through. But on the due date of new bill Sangeeta became insolvent and 35 paise in a rupee could be recovered from her estate.

Give Journal Entries in the Books of Sangeeta and prepare Sangeeta's account in the books of Geeta.

7. Priyanka owed Meena ₹ 18,000, Priyanka accepted a bill drawn Meena for the amount at 4 months. Meena endorsed the same bill to Sagar. Before due date Priyanka approached Meena for renewal of bill. Meena agreed on condition that ₹ 6,000 be paid immediately together with interest on the remaining amount of 8 % p. a. for 3 months and Priyanka should accepte a new bill for the balance amount. These arrangements were carried through. However, before the due date Priyanka became insolvent and only 50 % of the amount could be recovered from her estate.

Give Journal Entries in the Books of Meena.

8. Seema purchased goods from Roma on credit on 1st August, 2019 for ₹ 37,000, Seema accepts bill for 2 months drawn by Roma for the same amount on the same day Roma discounts the bill with the bank for ₹ 36,200 on 3rd August 2019. On the due date the bill is dishonoured and Noting Charges of ₹ 160 is paid by the bank. Seema pays ₹ 19,000 and Noting Charges in cash immediately. A new bill is drawn by Roma for the balance including interest ₹ 650 for 2 months, which is accepted by Seema. The new bill is retired one month before the due date at a rebate of ₹ 300.

Give Journal Entries in the Books of Seema and prepare Seems's Account in the books of Roma.

9. Uday purchased goods from Shankar on credit for ₹ 35,000 at 10 % Trade discount. Uday paid ₹ 1,500 immediately and for the balance accepted a bill for 3 months. Before due date Uday approached Shankar with a request to renew the bill. Shankar agreed but with condition that Uday should accept a new bill for 3 months including interest at 12 % p.a.

Give Journal Entries in the Books of Shankar.

10. Sagar drawn an after sight bill on 21st Nov. 2019 for ₹ 21,000 at 3 months on Prasad. The bill is discounted by Sagar at 8 % p. a. with his bank. On maturity, Prasad finds himself unable to make payment of the bill and requests Sagar to renew it. Sagar accepts the request and draws a new bill at one month for ₹ 21,750 including interest which was duly accepted by Prasad. Sagar deposits the bill into bank for the collection. Prasad honours the bill on the due date and Bank charges ₹ 250 as Bank Charges.

Pass necessary Journal Entries in the Books of Sagar and prepare Sagar's account in the books of Prasad.

11. **Journalise the following transaction in the books of Abhishek :-**

a) Siddhant informs Abhishek that Vineet's acceptance for ₹ 23,000 endorsed to Siddhant has been dishonoured. Nothing Charges amounted to ₹ 430.

b) Kajal renews her acceptance to Abhishek for ₹ 39,000 by paying 3,000 in cash and accepting a fresh bill for the balance along with interest at 11.5 % p.a. for 3 months.

c) Radhika retired her acceptance to Abhishek for ₹ 23,000 by paying ₹ 22,250 by cheque.

d) Abhishek sent a bill of Subodh for ₹ 9,000 to bank for collection. Bank informed that the bill has been dishonoured by Subodh.

12. **Journalise the following transactions in the books of Narendra: -**

a) Narendra retires his acceptance to Upendra by paying ₹ 4,000 in cash and endorsing a bill accepted by Ramlal for ₹ 5,000.

b) Vikram's acceptance to Narendra ₹ 6,000 retired one month before the due date at rebate of 12% p.a.

c) Dilip renews his acceptance to Narendra for ₹ 12,000 by paying ₹ 4,000 in cash and accepting a fresh bill for the balance plus interest at 12% p.a. for 3 months.

d) Bank informed Narendra that, Kartik's acceptance for ₹ 13,000 to Narendra, discounted with the bank was dishonoured and Noting Charges paid by bank ₹ 140.

13. **Journalise the following transactions in the books of Bharti:-**

a) Bank informed that Amit's acceptance for ₹ 15,750 sent to bank for collection was honoured and bank charges debited were ₹ 150.

b) Nitin renewed his acceptance for ₹ 22,200 by paying ₹ 2,200 in cash along with interest on balance amount at 10% and accepted a fresh bill for the balance for 3 months.

c) Dhanshri who had accepted Bharti's bill for ₹ 17,500 was declared insolvent and only 40% of the amount due could be recovered from his estate.

d) Discharged our acceptance to Savita for ₹ 9,450 by endorsing Pravin's acceptance to us ₹ 9,000.

14. **Journalise the following transactions in the books of Sudha:-**

a) Endorsed Sonali's acceptance at 2 months for ₹ 6,000 in favour of Urmila and paid cash ₹ 3,500 in full settlement of her account ₹ 10,000.

b) Discounted 2 months acceptance of Surya for ₹ 7,800 with bank at 10% p.a.

c) Bank informed that Anuradha's acceptance of ₹ 4,800 which was discounted was dishonoured and bank paid Noting Charges ₹ 125.

d) Pooja honoured her acceptance of ₹ 16,400 which was deposited into bank for collection.

15. **Journalise the following transactions in the books of Mrunal :-**

a) Bank informed that Aishwarya's acceptance of ₹ 24,000 which was discounted had been dishonoured and bank paid Noting Charges ₹ 220. Bill was renewed at the request of Aishwarya for 2 months with interest of ₹ 480.

b) Received ₹ 4,630 from private estate of Ankur who was declared insolvent against bill accepted by him for ₹ 6,000.

c) Accepted a bill of ₹ 15,000 at 3 months drawn by Anushka for the amount due to her ₹ 20,000 and balance paid by cheque.

d) Dishonoured our acceptance to Vivek ₹ 27,000 and Noting Charges paid by Vivek ₹ 700.

Activity

1. Visit retailers near your college and home and find out if they are using bill of exchange.
2. Visit any Bank and find out if they are performing the function of discounting bill of exchange.
3. Visit Banks and find out the rate of discount changed by bank for discounting bill of exchange.
4. Find out Indian names of bill of exchange.
5. Collect specimens of Bill of Exchange and Promissory Note.