



320en11

# 11

## BILLS OF EXCHANGE



You know that now-a-days in business transactions on credit are on the rise. When goods are sold on credit a huge amount of capital is blocked. Then there is no certainty when the amount will be paid. A solution of the problem is giving this fact in writing in proper form so that the buyer or debtor has to pay a definite sum to the seller/creditor on demand or after the expiry of a certain period. Such a formal document duly signed by both the parties is called a Bill of Exchange.

When such a document is given by the debtor/buyer from his own side it is called a promissory note. These two documents when prepared as per provisions of the Negotiable Instruments Act, 1881 attains the position of money and are used for settlement of the amount due. In this lesson you will learn about these two instruments and their accounting treatment in the books of parties concerned.



### OBJECTIVES

*After studying this lesson you will be able to:*

- define the terms 'Bill of Exchange' and 'Promissory Notes';
- distinguish between 'Bill of Exchange' and 'Promissory Note';
- define the terms such as drawer, drawee, days of grace, noting charges etc;
- make entries in the books of drawer and drawee/payee with respect to drawing & accepting the bill of exchange and meeting the bill of exchange on maturity;
- dishonour of a Bill;
- renewal of Bill;
- insolvency of the acceptor;



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- retiring a bill under rebate;
- discounting the bill from bank; and
- dishonour of bill in various conditions.

## 11.1 BILLS OF EXCHANGE - MEANING

According to section 5 of the Negotiable Instruments Act, 1881, a bill of exchange is an instrument in writing containing an unconditional order signed by the maker, directing a certain person to pay a 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 is an instrument drawn by the creditor upon his debtor.
2. It contains an unconditional order to pay a specified amount.
3. The specified amount is payable to the person named in the bill or to his order or to the bearer.
4. The bill must be signed/accepted by the maker.
5. The bill specifies the date by which the amount should be paid.
6. It can be payable to the bearer.

### *Parties to a Bill of Exchange*

1. **Drawer :** Drawer is a person who writes/makes the Bill of Exchange. He is generally the creditor who had sold goods on credit.
2. **Drawee :** Drawee is a person upon whom the bill is drawn. He is generally the debtor to whom goods have been sold on credit. Bill is generally signed and accepted by the Drawee.
3. **Acceptor :** He is the person who accepts the bill of exchange. Generally debtor/drawee is the acceptor but sometimes a bill of exchange may be accepted by some one also on behalf of the debtor/drawee. Normally the drawee and acceptor are the same parties.
4. **Payee :** Payee is the person named in the Bill of exchange. The amount in the bill is paid to the payee. In most cases Drawer and the payee will be the same.

## SPECIMEN OF A BILL OF EXCHANGE

New Delhi, June 17, 2014	
₹ 45,000	
Stamp	Three months after date pay Sh. Raj Kumar or order the sum of Rupees Forty Five Thousand only, value received.
To	Rohit Banerji
	Shri Nand Kishor Shakarpur, Delhi



Notes

**11.1.1. Promissory Note**

According to section 4 of the Negotiable Instruments Act, 1881, A Promissory Note is 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 of money only to or to the order of a certain person.

Promissory Note is an unconditional undertaking in writing by the maker to pay the specified amount to the specified person or to the bearer of the promissory note.

**Features of a Promissory Note**

1. It is an unconditional written undertaking to pay the specified amount.
2. It is drawn and signed by the maker/promisor.
3. It specifies the name of the payee.
4. The specific amount is payable to the specified person or to his order or to the bearer.
5. Proper stamp duty is paid on Promissory Note.
6. It is not payable to the bearer.

**Parties of a Promissory Note**

1. **Drawer :** He is the person who makes the promise to pay the amount. He is the debtor.
2. **Drawee :** He is the person in whose favour the promissory note is drawn. Generally he is the creditor. In a promissory note the drawee and payee are the same parties.
3. **The Payee :** The payee is a person to whom payment is to be made. He is the creditor.



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**SPECIMEN OF A PROMISSORY NOTE**

New Delhi, June 17, 2014

₹ 25,000

Stamp

Three months after date we promise to pay M/s Rajesh Enterprises or order a sum of Rupees Twenty Five Thousand only with interest at ten percent per annum, value received.

Rahim Brothers

**11.1.2 Difference between Bill of Exchange and Promissory Note**

<i>Bill of Exchange</i>	<i>Promissory Note</i>
1. It contains an order to pay.	1. It contains a promise to pay.
2. It requires acceptance.	2. It does not need acceptance.
3. Creditor is the Drawer.	3. Debtor is the drawer.
4. The liability of the drawer arises only if the acceptor does not pay.	4. The promisor has the primary liability to pay.
5. The drawer, and payee are generally the same parties. Acceptor and drawee is the Same party.	5. Drawee and Payee are the parties



**INTEXT QUESTIONS 11.1**

Fill in the blanks :

- i. Acceptance is not required in \_\_\_\_\_.
  - a) Bill of Exchange
  - b) Promissory Note
  - c) Receipt
  - d) None of the above
- ii. \_\_\_\_\_ prepares the bill of exchange
  - a) Drawer
  - b) Drawee
  - c) Endorsee
  - d) Bank
- iii. Payment of the bill is made to \_\_\_\_\_.
  - a) Drawee
  - b) Endorsee
  - c) Payee
  - d) Bank

## 11.2 TERMS OF BILL

1. **Due Date :** It is the date on which the payment of the bill becomes due.
2. **Days of Grace :** To ascertain the period of the bill, three extra days are added, which can be called as 'Days of Grace' to calculate the date of maturity.
3. **Bill at Sight :** Bills which are payable on presentation to the Drawee are known as 'Bill at Sight or Demand'.
4. **Bill After Date :** The period is counted from the date of acceptance of the bill in 'Bill After Date'.
5. **Discounting of Bill :** The process of receiving the bill amount at a date earlier than the due date from the bank, is known as 'Discounting the Bill'. When the bill is discounted the bank credits the trader's account after deducting some discount. The discount is calculated at the lending rate of the bank for the period that extends between the date of discounting of the bill to the date of maturity.
6. **Endorsement of the Bill :** The drawer may transfer the bill in favour of his creditor to settle the creditor's account. The process of transferring the ownership of the bill in favour of somebody by putting the signature of the holder at the back of the instrument and delivering the same to transferee is known as endorsing the bill. The person who delivers it is endorser and the person to whom it is delivered is called the endorsee.
7. **Terms of the Bill :** Bills is generally drawn for a certain period, say for two months or three months. Bills may be drawn payable at sight on demand, on presentation, after date and so on.
8. **Date of Maturity :** It is the date of which the payment of the bill is due. It is calculated by adding three days of grace. For example a bill drawn on 1.1.2013 for a period of two months will mature on (2 months + 3 days) 3rd March, 2013.
9. **Dishonour of a Bill :** Dishonour means that the bill is not paid by a Drawee on the due date. It arises when the acceptor refuses or is unable to pay the amount of bill, *i.e.*, Bill of Exchange, Promissory Note or cheque.
10. **Notary Public :** Notary Public is an officer appointed by the Central or State Government to exercise the power and functions relating to noting and protesting of negotiable instruments for dishonour. 'Noting' authenticates the fact of dishonour.
11. **Noting Charges :** Noting Charges is the fee paid to the Notary Public for noting and protesting the Bill of Exchange of it's dishonour.
12. **Renewal of Bill :** When the acceptor of a bill is not in a position to meet the bill on due date, he may, with the consent of the holder accept a fresh bill in place of



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the old bill, it is called **Renewal of a Bill**. The fresh bill may include interest for the extended period (or it may be paid separately), stamp duty and other incidental expenses incurred by the holder.

- 13. Retirement of Bill :** When the Drawee pays the bill before its due date, it is called **Retirement of a Bill**. The holder allows him a rebate of certain amount calculated at a certain rate per cent per annum, from the date of retirement to the date of maturity.

**11.3 RECORDING OF BILL TRANSACTIONS**

Before starting recording the bill transactions there are certain important aspects related to recording that you must understand clearly. A bill transaction can be recorded in the books of all the parties related to a bill of exchange if that transaction affects the concerned party in any way. As you know that the person who draws the bill of exchange is called the drawer. He is generally a creditor of the person upon whom the bill of exchange is drawn. The person upon whom bill of exchange is drawn is called the drawee. He is generally the debtor of the person who draws the bill of exchange. For the drawer who receives the bill of exchange after its acceptance by the drawee, the bill of exchange is a bills receivable since he will receive the payment on the maturity of the bill. Bills receivables are assets. For the drawee upon whom the bill of exchange is drawn and who accepts it, the bill of exchange becomes a bills payable because he has to make the payment of the amount on the maturity of the bill when the bill will be presented to him. Bills payables are liabilities. The following procedure is followed for recording the bill transactions boths in the books of the drawer/creditor and drawee/acceptor/debtor in a comparative form.

**Books of Seller/Creditor/Drawer**

**Books of Buyer/Drawee/Acceptor/Debtor**

- |   |  |
|---|--|
| <p>i. For Sale of goods</p> <p style="padding-left: 40px;">Buyer's A/c                      Dr.</p> <p style="padding-left: 40px;">    To Sales A/c</p>           | <p>i. For purchase of goods</p> <p style="padding-left: 40px;">Purchases A/c                      Dr.</p> <p style="padding-left: 40px;">    To Seller's A/c</p>   |
| <p>ii. For drawing and receiving bill</p> <p style="padding-left: 40px;">Bills Receivables A/c      Dr.</p> <p style="padding-left: 40px;">    To Buyer's A/c</p> | <p>ii. For accepting bill</p> <p style="padding-left: 40px;">Seller's A/c                      Dr.</p> <p style="padding-left: 40px;">    To Bills Payable A/c</p> |

A bills receivable can be treated by its receiver in any of the following ways before its maturity.

- i. He may retain the bill with him till the date of its maturity and present the same to the acceptor for payment on the date of its maturity.
- ii. He may discount the bill with his bank.
- iii. He may endorse the bill in favour of his creditor.









## MODULE - 2

### Trial Balance and Computers



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## Bills of Exchange

Mukesh A/c To Bills Receivable A/c (Mohan's acceptance in our favour endorsed in favour of Mukesh)	Dr.	5,000	5,000
(d) Entry (i) & (ii) will be same as in (a) above			
Bills sent for collection To Bills Receivable A/c (Mohan acceptance in our favour sent to bank for collection)	Dr.	5,000	5,000

## Books of Mohan Journal

(a) (b) (c) & (d) Purchases A/c To Ravi's A/c (Purchased goods)	Dr.	5,000	5,000
Ravi's A/c To Bills Payable (Accepted Ravis draft)	Dr.	5,000	5,000
Bills Payable A/c To Cash/Bank (Our acceptance in favour of Ravi met on maturity)	Dr.	5,000	5,000

**Note :** Whatever may happen to the bill before the date of maturity the acceptor is not affected. He will meet the bill on maturity & pass the same entry in all the cases.

## 11.4 DISHONOUR OF A BILL

If the acceptor fails to pay the amount of the bill on the due date, the bill is said to have been dishonoured. When the bill is dishonoured all the previous transactions in connection with the bill are treated as cancelled. Hence, the acceptor is liable to the drawer, the drawer to the endorsee and the endorsee to the bank, with which it is discounted.

The dishonoured bill must be noted with the Notary Public. When the dishonoured bill is noted with the Notary Public, it is a valid evidence of dishonour. The fees charged by the Notary Public is termed as 'Noting Charges.'

**On Dishonour of a bill the journal entries will be as under :**

**In the books of Drawer**

a) When the bill was retained by drawer and dishonoured and noting charges are paid

Drawee	Dr.
To Bills Receivable	
To Cash	
(Being B/R dishonoured on due date and noting charges paid)	

b) When the bill was endorsed and dishonoured and noting charges are paid by endorsee.

Drawee	Dr.
To Endorsee	
(Being B/R received from drawee and endorsed is dishonoured, noting charges ₹ .....)	

c) When the bill was discounted with the bank and dishonoured and bank paid noting charges

Drawee	Dr.
To Bank	
(Being discounted bill is dishonoured and noting charges being ₹ .....)	

d) When the bill was sent to bank for collection and dishonoured and bank paid noting charge.

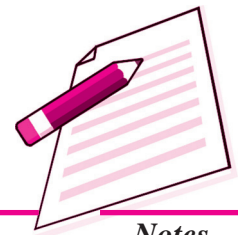
Drawee	Dr.
To Bills sent for collection	
To Bank	
(Being B/R sent to bank for collection is dishonoured and noting charges Rs ..... paid by bank)	

In the books of Drawee, the journal entry will be as under in all the four conditions:

Bills Payable	Dr.
Noting Charges	Dr.
To Drawer/creditor	
(Being B/P dishonoured and noting charges ₹ .....)	

**11.5 RENEWAL OF BILL**

If the acceptor finds it difficult to honour the bill on the due date, he can request the drawer or the holder of the bill to substitute the old bill with a new one *i.e.*, to extend the period of the bill. When the drawer agrees to extend the period of the bill, the old



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bill is cancelled and a new bill is drawn. When the old bill is cancelled, it is treated as dishonoured. Drawee will be charged with interest for the extended period. If the interest is not paid in cash, the new bill amount will include interest also. Therefore, the cancellation of the existing bill and drawing a new bill in its place to allow more time to the acceptor is known as renewal of the bill. On renewal of a bill the entries will be as under :

<i>In the books of Drawer</i>		<i>In the books of Drawee</i>	
i. Drawee	Dr.	i. Bill Payable	Dr.
To Bills Receivable		To Drawer	
(Being old bill cancelled)		(Being cancellation of bill payable)	
ii. Drawee	Dr.	ii. Interest	Dr.
To Interest		To Drawer	
(Being interest charged for the extended period)		(Being interest due to Drawer for the extended period)	
iii. Bills Receivable	Dr.	iii. Drawer	Dr.
To Drawee		To Bills Payable	
(Being a new bill received from Drawee including the interest)		(Being a new bill issued for the amount plus interest)	

**Illustration 2**

A sold goods to B for ₹ 10,000 and drew a bill on him for the same amount for 3 months. Before the due date, B requests A to cancel the bill, to accept ₹ 3,000 as part payment and to draw a fresh bill on him for ₹ 7,200 for a further period of 2 months - ₹ 200 being the interest for the extended period. A agrees to the proposal. The new bill is duly honoured. Pass the necessary Journal entries and other party's account in the books of both the parties.

**Solution :**

**In the Books of A  
JOURNAL**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
	B ...Dr. To Sales A/c (Being the goods sold to B on credit)		10,000	10,000
	Bills Receivable A/c ...Dr. To B (Being the bill drawn on B for 3 months)		10,000	10,000

## Bills of Exchange

<i>B</i>	...Dr.	10,000	10,000
To Bill Receivable A/c (Old bill cancelled)			
Cash/Bank A/c	...Dr.	3,000	3,000
To <i>B</i> (Being cash received as a part-payment)			
<i>B</i>	...Dr.	200	200
To Interest A/c (Being the interest charged for the extended period)			
Bills Receivable A/c	...Dr.	7,200	7,200
To <i>B</i> (Being a new bill drawn for the balance plus interest)			
Cash/Bank A/c	...Dr.	7,200	7,200
To Bills Receivable A/c (Being the new bill honoured)			

Dr. ***B's Account*** Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Sales A/c		10,000		By Bills Receivable A/c		10,000
	To Bills Receivable A/c		10,000		By Cash/Bank A/c		3,000
	To Interest A/c		200		By Bills Receivable A/c		7,200
			20,200				20,200

### In the Books of *B* JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Purchases A/c ...Dr. To <i>A</i> (Being the goods purchased on credit from <i>A</i> )		10,000	10,000
	<i>A</i> ...Dr. To Bills Payable A/c (Being the acceptance of a bill from <i>A</i> )		10,000	10,000
	Bills Payable A/c ...Dr. To <i>A</i> (Being the bill cancelled for renewal)		10,000	10,000

## MODULE - 2

### Trial Balance and Computers



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## MODULE - 2

### Trial Balance and Computers



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## Bills of Exchange

A	...Dr.	3,000	3,000
To Cash/Bank A/c (Being a part payment made)			
Interest A/c	...Dr.	200	200
To A (Being the interest payable to A for the extension period)			
A	...Dr.	7,200	7,200
To Bills Payable A/c (Being the acceptance of a new bill for the balance plus interest)			
Bills Payable A/c	...Dr.	7,200	7,200
To Cash/Bank A/c (Being the new bill honoured by payment)			

Dr.				A's Account				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
	To Bills Payable		10,000		By Purchases		10,000				
	To Bank		3,000		By Bills Payable		10,000				
	To Bills Payable		7,200		By Interest		200				
			20,200				20,200				

### Illustration 3 : (When the bill is renewed)

B owed to A ₹ 60,000 on 1st January, 2009. On the same date, A drew upon B a bill for the amount at 2 months and B returned the bill duly accepted. A got the bill discounted at his bank @ 15% p.a. Before the bill was due for payment, B told A that he was not able to pay the full amount and requested A to accept ₹ 20,000 immediately and drew upon him another bill for the remaining amount for 2 months together with interest @ 18% p.a. A agreed. The second bill was duly met. Give the Journal entries in the books of both A and B.

### Solution :

#### A's JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2009 Jan. 1	Bills Receivable A/c To B (Being the receipt of B's acceptance to clear the amount due from him)	...Dr.	60,000	60,000

## Bills of Exchange

Jan. 1	Bank A/c ...Dr. Discount on Bill A/c ...Dr. To Bills Receivable A/c (Being discounting of the bill @ 15% p.a.)	58,000 1,500	60,000
Mar. 4	B ...Dr. To Bank A/c (Being the dishonour [for renewal] of B's Bill)	60,000	60,000
Mar. 4	Cash/Bank A/c ...Dr. To B (Being the receipt of ₹ 20,000 from B)	20,000	20,000
Mar. 4	B ...Dr. To Interest A/c (Being the interest due from B for 2 months on ₹ 40,000 @ 18% p.a.)	1,200	1,200
Mar. 4	Bills Receivable A/c ...Dr. To B (Being the new acceptance received from B for ₹ 40,000 balance, plus ₹ 1,200 interest)	41,200	41,200
May 7	Cash/Bank A/c ...Dr. To Bill Receivable A/c (Being the amount of the bill received)	41,200	41,200

## MODULE - 2

### Trial Balance and Computers



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### B's JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2009				
Jan. 1	A ...Dr. To Bills Payable A/c (Being the acceptance of A's draft)		60,000	60,000
Mar. 4	Bills Payable A/c ...Dr. To A (Being the entry required to got the bill renewed)		60,000	60,000
Mar. 4	A ...Dr. To Cash/Bank/A/c (Being the amount paid to A as per arrangement)		20,000	20,000

## MODULE - 2

### Trial Balance and Computers



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## Bills of Exchange

Mar. 4	Interest A/c To A (Being the amount of interest due to A on ₹ 40,000 for 2 months @ 18%)	...Dr.	1,200	1,200
Mar. 4	A To Bills Payable A/c (Being the new acceptance in favour of A)	...Dr.	41,200	41,200
May 7	Bills Payable A/c To Cash/Bank A/c (Being the payment of the bill due this day)	...Dr.	41,200	41,200



### INTEXT QUESTIONS 11.3

Fill in the blanks :

- i. Acceptance is not required in \_\_\_\_\_.
  - a) Bill of Exchange
  - b) Promissory Note
  - c) Receipt
  - d) None of the above
- ii. \_\_\_\_\_ prepares the bill of exchange.
  - a) Drawer
  - b) Drawee
  - c) Endorsee
  - d) Bank
- iii. Payment of the bill is made to \_\_\_\_\_.
  - a) Drawee
  - b) Endorsee
  - c) Payee
  - d) Bank
- iv. The number of days allowed as Days of Grace of Bill of Exchange is \_\_\_\_\_.
  - a) One
  - b) Two
  - c) Three
  - d) Five
- v. When the amount in a bill of exchange is received from the bank on a date earlier than the due date, it is called \_\_\_\_\_.
  - a) Retiring the bill
  - b) Renewing the bill
  - c) Discounting the bill
  - d) None of the above
- vi. The process in which the drawer puts his signature in the bill indicating that the bill should be paid to the person whose name is written at the back of bill is called \_\_\_\_\_.
  - a) Discounting the bill
  - b) Endorsing the bill
  - c) Retiring the bill
  - d) Renewing the bill





## MODULE - 2

### Trial Balance and Computers



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## Bills of Exchange

(ii)	Interest A/c ...Dr. To Sohan (Being interest due to Sohan @ 18% for 3 months on ₹ 20,000)	900	900
	Sohan ...Dr. To Bills Payable A/c (Being new bill accepted in favour of Sohan)	20,900	20,900
	Shyam ...Dr. To Bills Receivable A/c (Being cancellation of Shyam's acceptance for purpose of renewal)	15,000	15,000
	Shyam ...Dr. To Interest A/c (Being interest due from Syam @ 10% for two months, the period of the new bill)	250	250
	Bills Receivable A/c ...Dr. Cash/Bank A/c ...Dr. To Shyam (Being cash ₹ 250 and new bill for ₹ 15,000 received from Shyam)	15,000 250	15,250

### 11.7 RETIRING A BILL UNDER REBATE

Sometimes the acceptor pays the amount of his bills payable before the due date. The payment of bill amount by the acceptor to the holder before the due date, is known as 'retiring the bill'. In such cases, the holder of the bill would grant some concession to the acceptor. This concession is called as rebate. Rebate is a loss to the holder. It will be a gain to the acceptor.

Entries for rebate are

#### In the books of Drawer

Cash	Dr.
Rebate	Dr.
	To Bills Receivable
(Being the B/R retired under rebate)	

#### In the books of Drawee

Bills Payable	Dr.
	To Cash
	To Rebate
(Being B/P retired)	

#### Illustration 5

Rohit draws a bill on Vikram for ₹ 10,000 payable 3 months after date. The bill is duly accepted by Vikram. One month before due date Vikram meets the bill and gets a rebate @ 12% p.a. Make Journal entries in the books of Rohit and Vikram.

<b>In the books of Rohit</b>		<b>In the books of Vikarm</b>	
Bills Receivable ...Dr.	10,000	Rohit ...Dr.	10,000
To Vikram	10,000	To B/P A/c	10,000
(Received Vikram's acceptance)		(Accepted Rohit's draft)	
Cash A/c ...Dr.	9,900	B/P A/c ...Dr.	10,000
Rebate A/c ...Dr.	100	To Cash A/c	9,900
To B/R A/c	10,000	To Rebate A/c	100



*Notes*

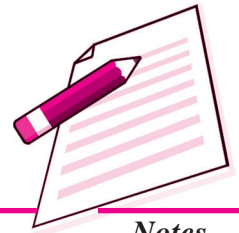


**INTEXT QUESTIONS 11.4**

*Fill in the blanks :*

- i. \_\_\_\_\_ account is debited in the books of drawer when bill is duly met and the bill is retained up to the maturity date.
  - a) Cash
  - b) Cash and Discount
  - c) Discount
  - d) Bills Receivable
- ii. In the books of endorsee when endorsement occurs \_\_\_\_\_ account is credited.
  - a) Bills Receivable
  - b) Bills Payable
  - c) Endorsee
  - d) Endorser
- iii. The balance in the Bills sent for collection Account is shown in Balance Sheet as \_\_\_\_\_.
  - a) Asset
  - b) Liability
  - c) Capital
  - d) None of the above
- iv. If the payment of the bill is not made on the due date, it is called \_\_\_\_\_.
  - a) Discounting the bill
  - b) Dishonour of a bill
  - c) Retiring the bill
  - d) Renewal of a bill
- v. In the books of drawer, when a bill is dishonoured \_\_\_\_\_ account is debited.
  - a) Drawee's
  - b) Cash
  - c) Discount
  - d) None of the above
- vi. When the acceptor request the holder to extend the period of bill, it is called.
  - a) Retiring the bill
  - b) Discounting the bill
  - c) Renewing the bill
  - d) Endorsing the bill



*Notes*

4. Who are the parties to bill of exchange? Explain them.
5. Explain the following terms :
  - i. Renewal of a bill
  - ii. Retirement of a bill
  - iii. Noting charges
  - iv. Days of grace
6. What is meant by a Promissory Note? Describe the parties to a Promissory Note.
7. Briefly explain the characteristics of a Promissory Note.
8. On 1st January, 2008, *A* sold goods to *B* for ₹ 5,000 and drew upon him a bill for this amount payable 3 months after date. The bill was duly accepted by *B*. *A* retained the bill till due date. On the due date, the bill was paid.

Pass the Journal entries in the books of *A* and *B*. Also, show the necessary accounts in the books of both parties.
9. Dinesh received from Shridhar an acceptance for ₹ 3,000 on 1st September, 2008 at 3 months. Dinesh got the acceptance discounted at 9% p.a. from his bank. On the due date, Shridhar paid the required amount.

Give the Journal entries in the books of Dinesh and Shridhar.
10. *A* sold goods to *B* for ₹ 20,000 on credit of 3 months. He drew on the latter a bill for the amount. The bill was endorsed in favour of *C*, who got the payment on maturity. Give the Journal entries in the books of *A*.
11. *A* sold goods to *B* for ₹ 2,000. *B* accepts two bills of ₹ 1,000 each for 3 months. *A* endorsed one bill to *C*. On due date both bills are met.

Pass the entries in the books of *A* and *B*.
12. Mohan Singh draws a bill on Jagat for ₹ 1,000 payable 2 months after date. Immediately after its acceptance, Mohan Singh sends the bill to his bank for collection. On due date, bank gets the payment. Make the entries in the books of all the parties.
13. On 1st March, 2009 *R* accepted a Bill of Exchange of ₹ 20,000 from *S* payable 3 months after date in full settlement of his dues. On the same day *S* endorsed the Bill of Exchange to *T* together with a cheque for ₹ 5,000 in settlement of his debt to the latter. On 2nd March, 2009, *T* discounted the bill of exchange @ 6% p.a. with his bankers. On maturity the Bill of Exchange was dishonoured.

Pass the Journal entries in the books of *S* and *R*.
14. Record the following transactions in the books of Mehra :
  - i. Ram's acceptance for ₹ 20,000 renewed for 3 months, plus interest at 5% p.a.



Notes

- ii. Shyam's acceptance for ₹ 4,500, due this day, returned dishonoured. Noting charges, ₹ 10.
15. A sold goods to the value of ₹ 12,000 to B, taking a bill at 3 months, therefore dated 1st July, 2009. On 4th August, A discounted the bill at 5% p.a. with his bankers. At maturity the bill was renewed and drew another bill dishonoured, B paid Rs. 3,000 and noting charges and accept another bill at 3 months for ₹ 9,000 at 6% interest, but before maturity he had become insolvent, and ultimately paid his creditors 75 paise in the rupee.

Make the entries in A's Journal recording the above transactions.



**ANSWERS TO INTEXT QUESTIONS**

- 11.1** (i) b                      (ii) a                      (iii) c
- 11.2 I.**                      (i) b                      (ii) c
- II.**                      (i) a                      (ii) b                      (iii) b
- 11.3** (i) b                      (ii) a                      (iii) c  
           (iv) c                      (v) c                      (vi) b
- 11.4** (i) a                      (ii) b                      (iii) d                      (iv) a                      (v) b  
           (vi) a                      (vii) c                      (viii) c                      (ix) b