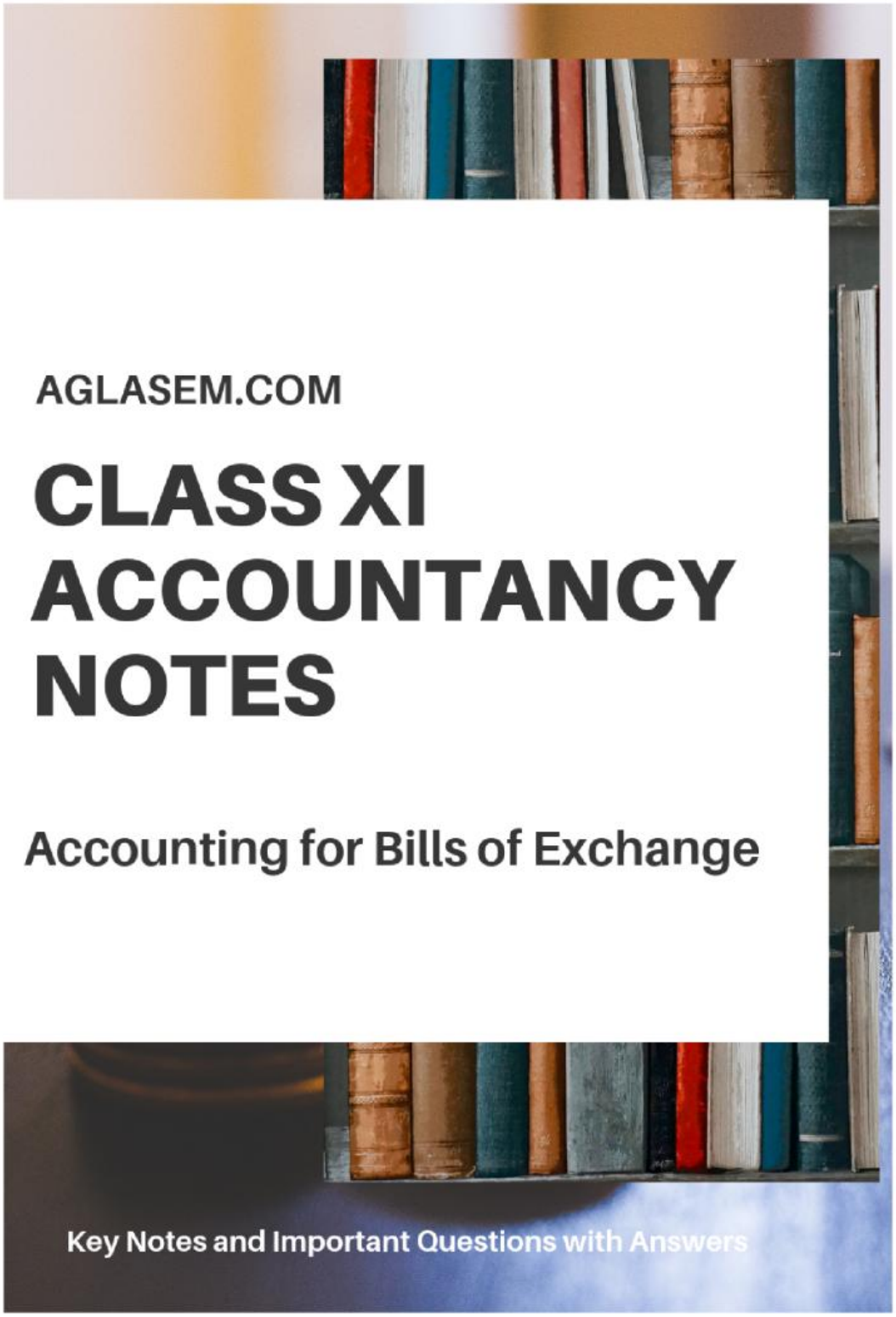


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CLASS XI ACCOUNTANCY NOTES

Accounting for Bills of Exchange

Key Notes and Important Questions with Answers

CHAPTER 7

ACCOUNTING FOR BILLS OF EXCHANGE

LEARNING OBJECTIVES

After studying this chapter, students shall be able to:

- Understand the concept of Bill of Exchange and Promissory Note
- Distinguish between Bill of Exchange and Promissory Note.
- Define Important terms of Bill Exchange and Promissory Note. Record the Accounting Treatment of Bill of Exchange under different circumstances.

Suggested Methodology :- Illustration-cum-Explanation Method.

A Bill of Exchange and Promissory Note both are legal Instruments which facilitate the credit sale of goods by assuring the seller that the amount will be recovered after a certain period of time. Both of these are legal instruments under the Negotiable Instruments Act, 1881.

BILL OF EXCHANGE

"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 the order of, a certain person or to the bearer of the instruments". Section 5 of the Negotiable instrument Act, 1881

Features of a Bill Exchange are

1. A bill of exchange must be in writing.
2. It must contain an order (and not a request) to make payment.
3. The order of payment must be unconditional.
4. The amount of bill of exchange must be certain.
5. The date of payment should be certain.
6. It must be signed by the drawer of bill.
7. It must be accepted by the drawee by signing on it.

8. The amount specified in the bill exchange in payable either on demand or on the expiry of a fixed period.

9. The amount specified in the bill is payable either to certain person or to his order or to the bearer of the bill.

10. It must be stamped as per legal requirement.

Parties to a bill exchange

1. **Drawer or maker :-** Drawer is the person who makes or writes the bill of exchange. Drawer is a person who has sold goods on credit or granted credit to the person on whom the bill of exchange is drawn. The drawer is entitled to received money from the drawee (acceptor).

2. **Drawee or Acceptor :-** Drawee is the person on whom the bill of exchange is drawn for acceptance. Drawee is the person who purchase goods on credit or to whom credit has been granted by drawer. The drawee is liable to pay money to the creditor/drawer.

3. **Payee:-** Payee is the person who receives the payment from the drawee. Usually the Drawer and the payee is the same person. In the following cases, drawer and payee are two different persons.

    (i) When the bill is discounted by the drawer from his bank- payee is the bank.

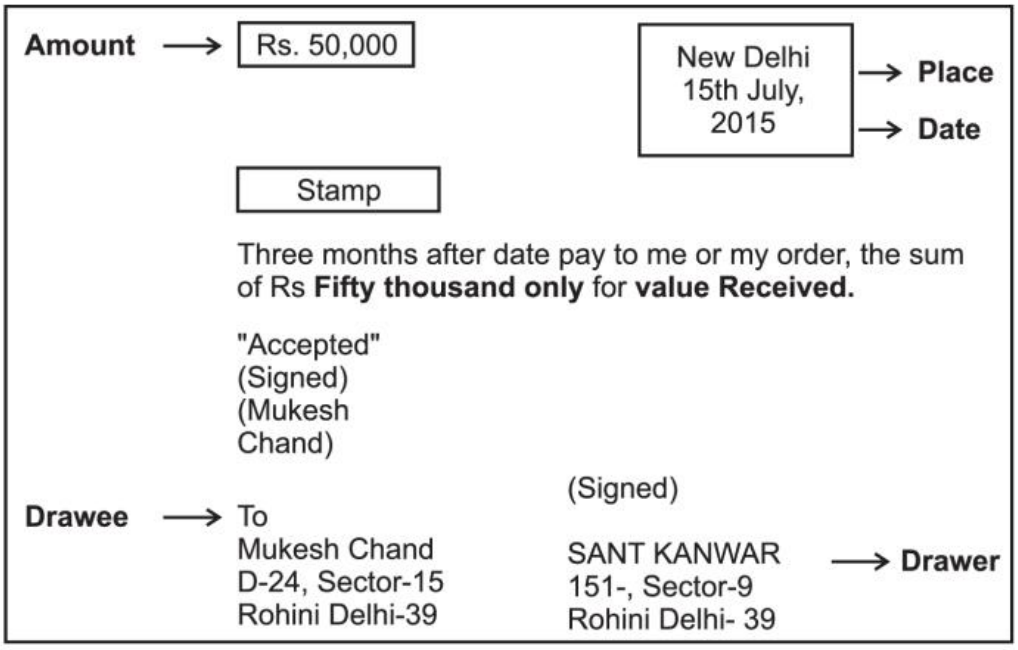
    (ii) When the bill is endorsed by the drawer to his creditors, payee is the endorsee.

Kinds of Bills of Exchange

1) **Trade Bills :-** Those bills that are written because of business transactions are called trade bills.

2) **Accomodation Bill :-** Those bills that the business writes for mutual help are called accomodation bill.

Specimen of Bill of Exchange



Note :- Value Received means the bill has been issued in exchange of some consideration. These words are very important because law does not consider those agreements which have been made without consideration.

PROMISSORY NOTE

A Promissory note is an instrument in writting (not beings a bank note or a currency note) containing an **unconditional undertaking** signed by the maker to pay a certain sum of money only for the order of a certain person or to be the bearer of the instrument

Features of promissory note

1. There must be an unconditional promise to pay a certain sum of money on a certain date.
2. It must be signed by the maker.
3. The name of the payee must be mentioned on it.
4. It must be stamped according to its value.

PARTIES TO PROMISSORY NOTE

1. **The maker:** The maker is the person who makes the promise to pay the amount on a certain date. Maker of a bill must sign the promissory note before giving to the payee.
2. **The payee:** The payee is the person who is entitied to get the payment from the maker of promissory note. Payee is the person who has granted the credit.

Specimen of Promissory Note

Amount ⟶ Rs. 50,000 Place ⟶ Delhi

Date ⟶ Nov. 1, 2015

Stamp

Two months after date, we promise to pay M/S Ram & Co.
Or order sum of Rupees **fifty thousand only** for **value received.**

(Signed)

To
Ram & Co.
20, Karol Bagh, New Delhi-05

Sohan Lai & Sons
8, Chauhan Bangar
Delhi

Distinction between Bills of Exchange and Promissory Note :

S.No	Basis of difference	Bills of Exchange	Promissory Note
1.	**Drawer**	The Drawer is the creditor.	The Drawer is the debtor.
2.	**No. of parties**	It has three parties namely: • The drawer • The drawee • The payee	It has two parties namely: • The Maker • The payee
3.	**Order or promise**	It contains an order to make the payment.	It contains a promise to make the payment.
4.	**Acceptance**	It is valid only when accepted by the drawee.	It does not require any acceptance from the drawee.
5.	**Payee**	In case of bill of exchange, drawer can be the payee of the bill	Drawer or maker cannot the payee of promissory note.
6.	**Noting**	It case of dishonour of bill Noting becomes important.	Noting is not necessary in case of dishonour of promissory note.
7.	**Liability**	The liability of the drawer arises only if the drawee fails to make payment	The liability of the drawer (maker) is primary.

Important terms

1. **Term of Bill :.** The period intervening between the date on which a bill is drawn and the date on which it becomes due for payment is called "Term of Bill".
2. **Due Date :** Due date is the date on which the payment of the bill is due.

(i) In case of 'Bill at Sight':- Due date is the date on which a bill is presented for the payment

(ii) In case of 'Bill after date' :- Due Date = Date of Drawing + Term of Bill.

(iii) In case of 'Bill after sight' :- Due date = Date of Acceptance + Term of Bill.

3. **Days of Grace:** Drawee is allowed three extra days after the due date of bill for making payments. Such 3 days are known as 'Days of Grace'. It is a custom to add the days of grace.

4. **Date of Maturity: The date which comes after adding three days of grace to the due date of a bill is called** "Date of Maturity".

Illustration 1: A bill of exchange for Rs. 25,000 is drawn by A on B on 1st April, 2013 for 3 Months, B accepted the bill on 10th April, 2013. Find the DUE DATE and DATE OF MATURITY if

Cash I : The bill is Bill After date.

Cash II : The bill is Bill After Sight.

Solution :

	Due Date	Date of Maturity
Case I- When the Bill is "Bill After date".	1st July 2013	4th july, 2013
Case II- When the Bill is " Bill After Sight".	10th July 2013	13th July, 2013

5. **Discounting of Bill:** When the bill is encashed from the bank before the due date, it is known as discounting of bill. Bank deducts its charges from the amount of bill and it disburses the balance amount.

Illustration 2 : Ram sold goods to shyam for Rs. 30,000 at credit on 1st April, 2015 and draw a bill for same, accepted by Shyam. Ram discounts the bill with his bank on 4th May 2013 @ 9% per annum find out. If maturity date is 1st July 2013.

(i) The amount of discounting charges.

(ii) The amount that Ram will receives from his bank at the time of discounting the Bill.

Solution:

(i) Discounting Charges = Amount of Bill Discounted $X\frac{\text{Rate}}{100} X \frac{\text{Unexpired Period}}{12}$

$$= 30{,}000\ X\frac{9}{100}X\frac{2}{12}$$

$$= \text{Rs. } 450$$

(ii) Ram will receive from his bank Rs. 29,550 (i.e Rs. 30,000-Rs. 450) at the time of discounting the bill.

6. **Endorsement of Bill :** Endorsement of bill means the process by which drawer or holder of bill transfer the title of bill in favour of his/her creditors. The person transferring the title is called "Endorser" and the person to whom the bill is transferred called "Endorsee'. Endorsement is executed by putting the signature at the back of the bill.

7. **Bill sent for collection:** It is a process when the bill is sent to back with instruction to keep the bill till maturity and collect its amount from the acceptor on the date of maturity.

8. **Dishonour of Bill:** When the drawee (or acceptor) of the bill fails to make payment of the bill on the date of maturity, it is called Dishonour of Bill.

9. **Noting of Bill:** To obtain the proof of dishonour of a bill, it is re-sent to the drawee through a legally authorized persons called Notary public who charges a small fee for providing this service known as Noting charges.

10. Retirement of a Bill: When the drawee makes the payment of the bill before its due date it is called 'Retirement of a bill'.

11. Renewal of a Bill: Sometimes drawee is not in the position to pay the amount of the bill on maturity. Thus drawee request to the drawer to cancel the old bill & write a new bill with interest and if drawer agree, new bill is drawn with new maturity date. This process is called the 'Renewal of Bill'. The interest may be paid in cash or may be added in the amount of the new bill.

Illustration 3 : A requests B to renew his acceptance for Rs. 25,000 for 3 month together with interest @ 18% p.a. Calculate the amount of new bill drawn on A.

Solution:

$$\text{Interest} = \text{Amount Outstanding} \times \frac{\text{Rate}}{100} \times \frac{\text{Period of New Bill}}{12}$$

$$= 25{,}000 \times \frac{18}{100} \times \frac{3}{12}$$

$$= 1{,}125$$

Amount of New Bill = Rs. 25,000 + Rs. 1,125 = Rs. 26,125

Amount Outstanding = Amount of Bill cancelled - any part payment made cash at the time of renewal of bill.

ACCOUNTING TREATMENT OF BILL TRANSACTIONS

A. On the Due Date bill is Honoured:-

Transactions	In the Books of Drawer	In the Books of Drawer
When goods are sold on credit by drawer	Drawee's A/c Dr To sales A/c (good sold on credit)	Purchase A/C Dr To Drawer's A/c (goods Purchased)
When Bill is drawn & Accepted by the Drawee	Bill Receivable A/c Dr To Drawee's A/c (Bill received from drawee)	Drawer's A/c Dr To Bill Payable A/c

Note:- First Two entires are common in all the cases which we are going to discuss below.

Case -1 When the bill was retained by drawer till maturity

Transactions	In the Books of Drawer	In the Books of Drawee
All the time of Maturity of bill	Cash/Bank A/C Dr To Bill Receivable A/C (Being bill met on maturity	Bill Payable A/C Dr. To Cash/Bank/A/C (Being bill met on maturity)

Case -II When the bill was discounted from the bank by owner before maturity .

Transactions	In the Books of Drawer	In the Books of Drawer
At the time of Discounting the bill from Bank	Bank A/C Dr Discount A/C Dr To Bill Receivable A/C	No Entry
At the time of Maturity of bill	No Entry	Bill Payable A/C Dr. To Cash/Bank/A/C (Being bill met on maturity)

Case -III When the bill was endrose in favour of creditor by drawer/holder

Transactions	In the Books of Drawer	In the Books of Drawer
At the time of endorsing of bill	Endorsee's A/c Dr To Bill Receivable A/C (bill endrose in favour of Endorses)	No Entry
At the time of Maturity of bill	No Entry	Bill Payable A/C Dr. To Cash/Bank/A/C (Being bill met on maturity)

Note :- In this case one additional book may be asked to maintained i.e. Endrosee Book

Transactions	In the Books of Endorse	
At the time of Receiving the bill from Drawer/ Debtor	Bill Receivable A/C To Drawer (Being Bill received from drawer)	Dr
At the time of Maturity of bill	Cash/Bank A/C To Bill Receivable A/C (Being Bill met on maturity)	Dr.

Case -IV When the bill is sent to bank for collection

Transactions	In the Books of Drawer	In the Books of Drawer
At the time of bill sent for collection to bank	Bill sent for collection A/C Dr To Bill Receivable A/C (Being bill sent from collection to bank)	No Entry
At the time of Maturity of bill	Bank A/C To Bill sent for collection (Being bill sent for collection realised of maturity)	Bill Payable A/C Dr. To Cash/Bank/A/C (bill met on maturity)

Note:

- There will be no effect in the books of Drawee either the bill is discounted from the bank or endorsed to a creditor or sent to the bank for collection. The drawee makes the payment in normal manner.
- It is only in the books of drawer where an additional entry is passed to record the effect of the above transaction.

Illustration 4: X sold goods to Y on 1st April, 2015 for Rs. 20,000 on credit and drew upon him a bill for the same amount payable after 3 months. Y accepted the bill and returned it to X. On the date of maturity bill was presented to Y for the payment and he honoured it.

Pass the journal Entries in the books of both the parties when:

Case I : Bill is retained by the X till the date of maturity.

Case II : Bill is discounted by X from his bank on 4th April @ 6% per annum.

Case III: Bill is sent to Bank for collection on 1st July, 2013.

Also record the Journal Entries in the books of Z (Case-III)

In the Book of Y (Drawee)

Date	Particular	L.F.	Dr. Amount	Cr. Amount
2015 Apr-01	Purchase A/C Dr To X (Being Goods purchased)		20,000	 20,000
2015 Apr-01	X Dr. To Bills Payable A/C (Bill accepted returned to Ram)		20,000	 20,000
2015 July-04	Bills payable A/C Dr. To Cash A/C (Being bill met on maturity)		20,000	 20,000

Note: In the books of drawee these three entries remains same in all the cases

In the Book of (X)

Date	Particular	L.F.	Dr. Amount	Cr. Amount
2015 Apr-01	Y Dr. To Sales A/C (Being Goods sold on credit to Y)		20,000	 20,000
2015 Apr-01	Bills Receivable A/C Dr. To Y (bill received from Y)		20,000	 20,000

1. First two entries passed on April 1,2013 will be same in the books of X (Drawer) in all the 4 cases.

Case -1 When the bill was retained by drawer till the date of maturity				
2015 Apr-01	Cash A/c Dr. To Bill receivable A/c (Bill met on maturity)		20,000	 20,000
Case -II When the bill was discounted by owner before maturity				
2015 Apr-01	Bank A/C Dr. Discount A/C Dr. To Bill receivable A/C (bill discounted from bank)		19,700 300	 20,000
Case -II When the bill was endorse in favour of creditor by drawer/holder				
2015 May-04	Z Dr. To Bill receivable A/C (Bill endrose in favour of Z)		20,000	 20,000

Case - IV When the bill is sent to bank for collection				
2015 Apr-01	Bill sent for the collection A/C Dr. To Bill receivable A/C (Bill sent for collection)		20,000	 20,000
2015 July 04	Bank A/C Dr. To Bill sent for collection A/C (bill sent for collection realised on maturity)		 20,000	 20,000

In the Book of Z (Endorsee)

2015 May - 04	Bill Recivable Dr. To X (bill received from Ram)		20,000	 20,000
2015 July-04	Cash A/C Dr. To Bill receivable (bill met on maturity)		20,000	 20,000

NO ENTRY is passed on the date of maturity in the books of drawer if.

- Bill is discounted from the bank ; or
- Bill is endorsed in favour of creditor.

B. When Bill is dishonoured on the date of maturity.

Case I: Bill is retained by the drawer till the date of maturity.

Transactions	In the Books of Drawer	In the Books of Drawee
When bill is dishonoured	Drawee Dr. To Bills Receivable To Cash A/C (bill dishonoured & Nothing charges paid)	Bills Payable A/C Dr. Noting Charges A/C Dr. To Drawer (bill dishonoured)

Note:

Entry passed in the book of Drawee will be SAME in all cases.

Case I : When the bill was discounted by owner before maturity

Transactions	In the Books of Drawer	In the Books of Drawee
When bill is dishonoured	Drawee Dr. To Bank A/C (Being bill dishonoured & Nothing charges paid by bank)	Bills payable A/c Dr Noting charges A/c Dr To Drawer (Bill dishonoured)

Case III : When the bill was entered in favour of creditor by drawer/holder

Transactions	In the Books of Drawer	In the Books of Endorsee
When bill is dishonoured	Drawee Dr. To Endorsee (bill dishonoured & Nothing charges and paid by endorses)	Drawer Dr. To Bills Receivable A/C To Cash A/C (Being bill dishonoured & Nothing Charges paid)

Case IV When the bill is sent to bank for collection

Transactions	In the Books of Drawer
When bill is dishonoured	Drawee Dr. To Bank A/C To Bill Sent for collection (Being bill dishonoured & Nothing charges paid by bank)

Illustration 5 : A sold good to B on April 1, 2013 for Rs. 20,000 on credit and drew upon him a bill for the same amount payable after 3 months. B accepted the bill and returned it to A. On the due date bill was dishonoured.

Case I : Bill is retained by A till the date of maturity.

Case II : Bill is discounted by A from his bank on 4th April, 2013 @ 6% per annum

Case III : Bill is endorsed in favour of C on April, 4th, 2013

Case IV : Bill is spent to bank for collection on July 1, 2013

(Note : Nothing charges paid ₹ 50 in each case)

Solution :-

In the Book of A (Drawer)

Date	Particular	L.F.	Dr. Amount	Cr. Amount
2015 Apr-01	B Dr. To Sales A/C (Goods sold on credit to Babu Lal)		10,000	 10,000
2015 Apr-01	Bills Receivable Dr. To B (bill received from B)		10,000	 10,000

Note:

1. First two entries passed on April 1, 2015 will be same in the books of X (Drawer) in all 4 Cases

Case -1 When the bill was retained by drawer till the date of maturity				
2015 Jul-04	B Dr. To Bill receivable A/C To Cash A/C (bill receivable on maturity & noting charges paid)		10,050	 10,000 50
Case -II When the bill was discounted by owner before maturity				
2015 Jul-04	B Dr. To Bank A/C (bill receivable on maturity & noting charges paid)		10,050	 10,050
Case -III When the bill was endorse in favour of creditor by drawer/holder				
2015 Jul-04	B Dr. To C (bill receivable on maturity & noting charges paid)		10,050	 10,050
Case -IV When the bill sent to bank for collection				
2015 Jul-04	B Dr. To Bill receivable A/C To Bank A/C (bill dishonoured on maturity & noting charges paid by Bank)		10,050	 10,000 50

In the Book of C (Endorsee)

Date	Particular	L.F.	Dr. Amount	Cr. Amount
2015 Jul-04	A Dr. To Bill receivable A/C To Cash A/C (Nothing charges) (bill dishonoured on maturity & noting charges paid)		10,050	 10,000 50

Note: In the books of drawee following three entries remains same in all the cases.

Date	Particular	L.F.	Dr. Amount	Cr. Amount
2015 Apr-01	Purchases A/c Dr. To A (Being Goods Purchased)		10,000	10,000
2015 Apr-01	A Dr. To Bills payable A/C (Being bill accepted & returned to A)		10,000	10,000
2015 July-04	Bills Payble A/C Dr. Nothing charges A/C Dr. To Cash A/C (Being bill met on maturity)		10,000 50	10,050

C. Renewal of a Bill

Transactions	In the Books of Drawer	In the Books of Drawee
Cancelling the original Bill	Drawee Dr. To Bill Receivable A/C (Being the cancellation of bill receivable)	Bills Payable A/c Dr. To Drawer (Being the cancellation of bill payable)
Amount of Interest paid in cash	Cash A/C Dr. To Interest A/C (Interest received in cash)	Interest A/C Dr. To cash A/C (Interest paid in cash)
Recording of Interest for extended period	Drawee Dr. To Interest A/C (interest charged for extended period)	Interest A/C To Drawer (Interest payable for extended period)
Part payment Received or paid	Cash/Bank A/C Dr. To Drawee (Being the part payment Received)	Drawer Dr. To Cash/Bank A/C (Being the part payment paid)
New bill Drawn/ Accepted	Bill Receivable A/c Dr. To Drawee A/C (Bills receivable drawn)	Drawer A/C Dr. To Bills Payable A/c (Bill accepted)

Illustration 6: On 1st April,2015 Anil accepts a bill drawn by Sunil for 2 months for Rs. 15,000 in payment of a debt. Before the date of maturity Anil request sunil that he is not in the position to pay the due amount, so kindly cancel the bill & draw a new bill for the amount due 3 months Sunil agreed to draw a new bill for 3 months but he charged interest @ 15% per annum in cash. This bill is duly met on the maturity. Pass Journal entires in the books of both the parties.

Solution: In the Book of Anil (Drawee)

Date	Particular	L.F.	Dr. Amount	Cr. Amount
2015 Apr-01	Sunil Dr. To Bills payable A/C (Bill accepted & returned Sunil)		15,000	15,000
2015 Jun-01	Bills Payable A/C Dr. To Sunil (Bill Cancelled)		15,000	15,000
2015 Jun-01	Interest A/C Dr. To Sunil Dr. (Interet payable on due amount)		563	563
2015 Jun-01	Sunil Dr. To Bills Payable A/C To Cash A/C (New Bill sell accepted & returned to sunil and interest paid in cash)		15,563	15,000 563
2015 Sep-04	Bills Payable A/C Dr. To Cash A/C (bill met on maturity)		15,000	15,000

In the Book of Sunil (Drawer)

Date	Particular	L. F.	Dr. Amount	Cr. Amount
2015 Apr-01	Bill Receivable A/C Dr. To Anil (Bill received from Anil)		15,000	15,000
2015 Jun-01	Anil Dr. To Bill Receivable A/C (bill Cancelled)		15,000	15,000
2015 Jun-01	Anil Dr. To Interest A/C Dr. (Interet payable on due amount)		563	563
2015 Jun-01	Cash A/C Dr. Bill Receivable A/C Dr. To Anil (New bill received from anil and interest received in cash)		563 15,0000	15,563
2015 Sep-04	Cash A/C Dr. To Bill Receivable A/C (bill met on maturity)		15,000	15,000

D. Retiring a bill under Rebate

Transactions	In the Books of Drawer	In the Books of Endorsee
When Drawee retires the bill before Maturity	Cash A/C Dr. Rebate A/C Dr. To Bill Receivable A/C (The bills is retire under rebate before the date of maturity)	Bills Payable A/c Dr. To Cash A/C To Rebate A/C (The bills is retired under rebate before the date of maturity)

Illustration 7: Mukesh sold goods to Jitender on July 1,2015 for Rs. 30,000 and drew a bill for the same amount for 3 months. Jitender accepted the bill and returned it to Mukesh, Jitender retired his acceptance on 4th August, 2015 under rebate of 8% per annum. Give Journal entries in the books of Mukesh and Jitender.

Solution : In the Book of JITENDER (Drawee)

Date	Particular	L.F.	Dr. Amount	Cr. Amount
2015 Jul-01	Purchase A/c Dr. To Mukesh (Being Goods Purchased)		30000	30000
2015 Jul-01	Mukesh Dr. To Bills payable A/C (Being bill accepted & returned to mukesh)		30000	30000
2015 Aug-04	Bills Payble A/C Dr. To Cash A/C To Rebate A/C (Being bill retire under rebate)		30000	29,600 400

In the Book of Mukesh (Drawer)

Date	Particular	L.F.	Dr. Amount	Cr. Amount
2015 Jul-01	Jitender Dr. To Sales A/C (Being Goods sold on credit)		30,000	30,000
2015 Jul-01	Bills receivable A/C Dr. To Jitender (Being bill received from Jitender)		30,000	30,000
2015 Aug-04	Cash A/C Dr. Rebate A/C Dr. To Bills Receivable A/C (Being bill retire under rebate)		29,600 400	30,000

$$\text{Rebate} = 30000 \times \frac{8}{100} \times \frac{2}{12}$$
$$= 400$$

POINTS TO REMEMBER

1. **While calculating Date of Maturity the following point must be considered :**

   (i) In case "Bill at Sight" or "Bill on demand" 3 days of grace are NOT allowed.

   (ii) When the term of bill is mentioned in no. of days, then

   - Date of drawing the bill is not included.
   - Date of payment is included in determining date of maturity.
   - If date of maturity falls on a day which is public holiday; the maturity date of the bill shall be "PRECEEDING DAY'.
   - If maturity date is on an emergent holiday declared under the Negotiable Installment Act. 1881, the next working day immediately after the holiday will be considered as the date of maturity.

2. When the period is stated in months the date of maturity shall be calculated in terms of calender months ignoring the no. of days in a month.

EXCERSICE

Q. No.:-1 A sold goods to B on 1st May 2015 for Rs. 20,000 and drew 3 bills on B for (i) 7,000 payable 1 months (ii) 7,500 payable after 2 months and (iii) 5,500 payable after 3 months. All the bills duly accepted. The first bill is retained by A till maturity. The second bill is endorsed to C (Creditor of A) immediately after receiving and third bill was discounted from bank for Rs. 5,250 on 5th May 2015. All the 3 bills were duly met on maturity. Pass entires in the books of A and B.

Q.No. 2 A sold goods to B on May 1st, 2015 for Rs. 30,000 on credit and drew upon him a bill for the same amount payable after 2 months. B accepted the bill and returned it to A. On date of maturity, B fails to make payment of bill. Noting charges amounted to Rs. 100. Pass Journal Entires in the books of A and B if.

Case 1: A retains the bill till the date of maturity and also paid the noting charges.

Case 2: A discounts the bill from his bank on 4th june @ 12% per annum. Noting charges has been paid by bank.

Case 3: A endorses the bill in favour of C on June 1,C paid the noting charges.

Case 4: A sent the bill to his bank for collection on July 1, Bank and paid the noting charges.

Q.No.:-3 P sold goods to Q for Rs. 10,000 on Janauary 1, 2015 and on the same day draws a bill on Q for the same amount for three months. Q accept it and returns it to P, who discounts it on 10th January, 2015 with his bank for Rs, 9850. The acceptance is dishonoured on the due date and the Noting charges were paid by bank being Rs.50. On 4th April, Q paid Rs. 2,050 (including Nothing charges) in cash and accepted new bill at 3 months for the amount together with interest @ 12% per annum. Make Journal Entries in the books of P and Q to record transaction.

Q.No.:- 4 Rajiv sold goods to Pankaj for Rs. 40,000 on January 1st, 2015. On the same date Rajiv drew a bill of the same amount for 3 months on Pankaj. The bill was accepted by Pankaj. Rajiv discounted the bill with his bank on 4th February, 2015 @ 12% per annum. On date of maturity, the bill was dishonoured and Noting charges amounted Rs. 200. Pankaj agreed to Pay Rs. 10,200 and accepted another bill for the remaining amount for 3 months together with interest @ 9% per annum. On due date Pankaj make the payment.

Give Journal Entries in the books of Rajiv and Pankaj.

Q.No.:- 5 On 1st March 2015, Amit drew three bills of exchange on his debtor Shyam. First for Rs. Rs. 7000 for 1 month, second for Rs. 8,000 for two months and third for Rs. 10,000 for 4 months. Shyam accepted these bills.

Amit endorsed the first bill to his creditor, Ram in full settlement of his account Rs. 7,100. This bill was met on maturity on 1st April, amit discounted the second bill from his bank for Rs. 7,800. This bill was dishonoured on due date and bank paid Rs. 100 towards noting charges. Amit drew another bill on shyam for the amount due along with Rs. 200 towards interest for 2 months for which shyam agreed.

The third bill was paid by shyam under rebate of 12% p.a. One month prior to date of maturity. The fourth bill was lodged with bank for collection and it was duly met. Pass neccessary Journal entries in the books of amit and shyam.

Q.No. 6: What Journal Entry will be passed in the banks of drawer & drawee at the time of dishonour of bill in the following cases:-

(i) It bill of ₹ 10,000 was discounted from bank and noting charges paid by the bank were ₹ 100.

(ii) If B/R of ₹ 10,000 was endorsed in favour of C. Noting charges paid by the C were ₹ 100.

(iii) If B/R is retained with drawer and noting charges were ₹ 100.

Q.No 7: Journalise the following in the books of Mohan under following circumstances:-

(i) A bill of ₹ 4500 is drawn by Mohan & co. on Ram & Co. and accepted by later.

(ii) If bill is retained till the date and realised on maturity.

(iii) He discounted the bill with Bank of Baroda for ₹ 4380.

Q. No 8: Ashok sold goods to Susheem for ₹ 2,00,000 on 1st July 2015. Susheem immediately accepted the bill for ₹ 1,20,000 only for the 3 month and send the balance by a Cheque. A discounted the bill with his bank on 4 August 2015 at 5% p.a. On the due date, the bill was dishonoured, bank paying ₹ 500 as noting charges. Susheem paid cash ₹ 40,000 and accepted another bill for the due amount for the further period of 2 months together with interest at 10% p.a. On due date bill was honoured. Give journal Entries in the books of Ashok & Susheem.

Q.No 9: Journal of ----------

Date	Particular	L.F.	Dr. Amount	Cr. Amount
2015 Jan-01	Vikas Dr. To Sales (Pradeep sold goods to Vikas on 1 Jan 2015 for 3 months)		5,00,000	5,00,000
--------	---------- Dr. To ---------- (Acceptance received from Vikas on the same date)		5,00,000	5,00,000
Jun-04	---------- Dr. To ---------- Dr. (Bill endorsed to Anirudh)		5,00,000	5,00,000
Apr-04	---------- Dr. To ---------- (Bill dishonoured and noting charges said by Anirudh for ₹1000)		----------	---------
---------	---------- Dr. To ---------- (the ₹3,00,000 Received as part payment)		----------	---------

---	---------- Dr. To ---------- (₹2000 Interest due for renewal & Bite)		---	---
---	---------- Dr. To Vikas (New acceptance received)		---	---
---	---------- Dr. To ---------- (The amount of the bell received)		---	---