

BILLS OF EXCHANGE

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Question 1

Journalise the following transactions in the books of Vinay:

- (a) Our acceptance to M. Madan for ₹ 5,000/- retired before due date, rebate allowed ₹ 10/-.
- (b) K. Kaku's acceptance for ₹ 400/- renewed for a further period of 3 months, interest charged at 15 per cent.
- (c) Our acceptance to P. Swamy for ₹ 800/- renewed for 3 months on the condition that ₹ 200/- is paid in cash immediately and the remaining balance to carry interest at 12 per cent.
- (d) D. Dutt's promissory note for ₹ 700/- which we had endorsed in favour of P. Mukherjee dishonoured. P. Mukherjee paid ₹ 10/- as noting charges. We pay P. Mukherjee by cheque and accept from D. Dutt another bill for the amount due plus interest ₹ 15/-.
- (e) Our promissory note for ₹ 500/- in favour of A. Alam returned unpaid due to lack of instructions to the bank. A. Alam claim ₹ 510/- which we pay by cheque.
- (f) Our promissory note for ₹ 500/- in favour of Patel settled by sending him Tanna's acceptance of ₹ 500/-.

Question 2.

X draws on Y a bill of exchange for ₹ 1500 on 1st April, 2005 for 3 months. Y accepts the bill and send it to X who gets it discounted for ₹ 1470. X immediately remits ₹ 490 to Y. On the due date, X, being unable to remit the amount due, accepts a bill for ₹ 2100 for three months which is discounted by Y for ₹ 2055. Y sends ₹ 370 to X. Before the maturity of the bill X becomes bankrupt his estate paying fifty paise in the rupee. Give the journal entries in the books of X and Y. Also show X's account in Y's books.

Question 3.

On 1st January 2018, Vinay draws two bills of exchange for ₹ 16,000 and Rs. 25,000. The bill of exchange for ₹ 16,000 is for two months while the bill of exchange for ₹ 25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2018, Vishal requests Vinay to renew the first bill with interest @ 15% p.a. for a period of two month Vinay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for Rs. 25,000, the interest rebate i.e. discount being ₹ 250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paise in a rupee could be recovered from his estate. Show the Journal Entries (with narrations) in the books of Vinay.

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