

**BILLS OF EXCHANGE & PROMISSORY NOTES****DANGAL QUESTIONS***ICAI RTP Questions**ICAI Past Questions**TOTAL Questions***3****7****10****BASIC CONCEPTS**





## Lets DANGAL with ICAI RTP QUESTIONS

**MAY 2018**

Q1> Mr. B accepted a bill for Rs. 10,000 drawn on him by Mr. A on 1st August, 2017 for 3 months. This was for the amount which B owed to A. On the same date Mr. A got the bill discounted at his bank for Rs. 9,800. On the due date, B approached A for renewal of the bill. Mr. A agreed on condition that Rs. 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2017, B became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. A

ANS.:

### **Journal Entries in the Books of Mr. A**

Date		Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
2017 August	1	Bills Receivable A/c To B (Being the acceptance received from B to settle his account)	Dr.	10,000	10,000
August	1	Bank A/c Discount A/c To Bills Receivable (Being the bill discounted for ₹ 9,800 from bank)	Dr. Dr.	9,800 200	10,000
November	4	B To Bank Account (Being the B's acceptance is to be renewed)	Dr.	10,000	10,000
November	4	B To Interest Account (Being the interest due from B for 3 months i.e., $8000 \times 3/12 \times 12\% = 240$ )	Dr.	240	240
November	4	Cash A/c Bills Receivable A/c To B (Being amount and acceptance of new bill received from B)	Dr. Dr.	2,240 8,000	10,240
December	31	B A/c To Bills Receivable A/c (Being B became insolvent)	Dr.	8,000	8,000

December	31	Cash A/c	Dr.	3,200	
		Bad debts A/c	Dr.	4,800	
		To B			8,000
		(Being the amount received and written off on B's insolvency)			

**MAY 2019**

Q2> Rita owed Rs.1,00,000 to Siriman. On 1st October, 2018, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for Rs.99,000 on 3rd October, 2018. Before the due date, Rita approached Siriman for renewal of the bill. Siriman agreed on the conditions that Rs.50,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the balance, Rita should accept a new bill at three months. These arrangements were carried out. But afterwards, Rita became insolvent and 40% of the amount could be recovered from his estate. Pass journal entries (with narration) in the books of Siriman.

ANS. **In the books of Siriman**

**Journal Entries**

Particulars	L.F.	Dr. ₹	Cr. ₹
Bills Receivable A/c To Rita (Being a 3 month's bill drawn on Rita for the amount due)		Dr. 1,00,000	1,00,000
Bank A/c Discount A/c To Bills Receivable A/c (Being the bill discounted)		Dr. 99,000 Dr. 1,000	1,00,000
Rita To Bank A/c (Being the bill cancelled up due to Rita's inability to pay it)		Dr. 1,00,000	1,00,000
Rita To Interest A/c (Being the interest due on ₹ 50,000 @ 12% for 3 months)		Dr. 1,500	1,500

Bank A/c To Rita (Being the receipt of a portion of the amount due on the bill together with interest)	Dr.	51,500	51,500
Bills Receivable A/c To Rita (Being the new bill drawn for the balance)	Dr.	50,000	50,000
Rita To Bills Receivable A/c (Being the dishonour of the bill due to Rita's insolvency)	Dr.	50,000	50,000
Bank A/c Bad Debts A/c To Rita (Being the receipt of 40% of the amount due on the bill from Rita's estate)	Dr. Dr.	20,000 30,000	50,000

**NOV 2018**

Q3> Prepare Journal entries for the following transactions in K. Katrak's books.

(i) Katrak's acceptance to Basu for Rs. 2,500 discharged by a cash payment of Rs. 1,000 and a new bill for the balance plus Rs. 50 for interest.

(ii) G. Gupta's acceptance for Rs. 4,000 which was endorsed by Katrak to M. Mehta was dishonoured. Mehta paid Rs. 20 noting charges. Bill withdrawn against cheque.

(iii) D. Dalal retires a bill for Rs. 2,000 drawn on him by Katrak for Rs. 10 discount.

(iv) Katrak's acceptance to Patel for Rs. 5,000 discharged by Patel Mody's acceptance to Katrak for a similar amount.

ANS.

*Books of K. Katrak  
Journal Entries*

(ii)	(a) G. Gupta To M. Mehta (G. Gupta's acceptance for ₹ 4,000 endorsed to M. Mehta dishonoured, ₹ 20 paid by M. Mehta as noting charges)	Dr.	4,020	4,020
	(b) M. Mehta To Bank Account (Payment to M. Mehta on withdrawal of bill earlier received from Mr. G. Gupta)	Dr.	4,020	4,020
(iii)	Bank Account Discount Account To Bills Receivable Account (Payment received from D. Dalal against his acceptance for ₹ 2,000. Allowed him a discount of ₹ 10)	Dr. Dr.	1,990 10	2,000
(iv)	Bills Payable Account To Bills Receivable Account (Bills Receivable from Mody endorsed to Patel in settlement of bills payable issued to him earlier)	Dr.	5,000	5,000

## Lets DANGAL with ICAI PAST QUESTIONS

Q1> Arun and Anand were friends and in need of funds. On 1<sup>st</sup> Jan., Arun drew a bill for Rs. 2,00,000 for 3 months on Anand. On 4<sup>th</sup> Jan. Arun got the bill discounted at 10% p.a. and remitted half of the proceeds to Anand. At maturity, Anand could not meet the bill, instead, Arun accepted Anand's bill for Rs.1,20,000 on 4<sup>th</sup> April for two months. This was discounted by Anand at 12% p.a. Out of this, Rs.19,600 was paid to Arun after deducting Rs.400 discounting charges. Due to financial crisis, Arun became insolvent and the bill drawn on him was dishonoured and his estate paid 50%. Days of grace for discount purposes may be ignored. Give journal entries in the books of Arun. Also prepare Anand's Account in Arun's books and Arun's Account in the books of Anand.

Sol

### JOURNAL OF ARUN

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Jan. 1	Bills Receivable A/c To Anand (Being the bill for ₹ 2,00,000 drawn on Anand)	Dr.	2,00,000	2,00,000
Jan. 4	Bank A/c Discount A/c To Bills Receivable A/c (Being the bill discounted @ 10% p.a.)	Dr. Dr.	1,95,000 5,000	2,00,000
Jan. 4	Anand To Bank A/c To Discount A/c (Being half the proceeds sent to Anand)	Dr.	1,00,000	97,500 2,500
April 4	Anand To Bills Payable A/c (Being the bill of Anand accepted)	Dr.	1,20,000	1,20,000
April 4	Bank A/c Discount A/c To Anand (Being proceeds received from Anand)	Dr. Dr.	19,600 400	20,000
July 7	Bills Payable A/c To Anand (Being the bill dishonoured)	Dr.	1,20,000	1,20,000
	Anand To Bank A/c To Deficiency A/c (Being 50% payments made to Anand and unpaid balance transferred to Deficiency A/c)	Dr.	1,20,000	60,000 60,000



Dr.		ANAND'S ACCOUNT IN THE BOOKS OF ARUN		Cr.	
Particulars	₹	Particulars	₹		
To Bank A/c	97,500	By Bills Receivable A/c	2,00,000		
To Discount A/c	2,500	By Bank A/c	19,600		
To Bills Payable A/c	1,20,000	By Discount A/c	400		
To Bank A/c	60,000	By Bills Payable A/c	1,20,000		
To Deficiency A/c	60,000				
	3,40,000				3,40,000

Dr.		ARUN'S ACCOUNT IN THE BOOKS OF ANAND		Cr.	
Particulars	₹	Particulars	₹		
To Bills Payable A/c	2,00,000	By Bank A/c	97,500		
To Bank A/c	19,600	By Discount A/c	2,500		
To Discount A/c	400	By Bills Receivable A/c	1,20,000		
To Bank A/c	1,20,000	By Bank A/c	60,000		
		By Bad Debts A/c	60,000		
	3,40,000				3,40,000

Q2> Record the following transactions in the Journals of Ram and Hari:

Ram sells goods for Rs.1,00,000 to Hari on 1<sup>st</sup> January and on the same day draws a bill on Hari at three months for the amount. Hari accepts it and returns it to Ram, who discounts it on 4<sup>th</sup> January with his bank at 12% per annum. The acceptance is dishonored on due date and the bank pays Rs.250 as noting charges.

Sol: **RAM'S JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Jan. 1	Hari's A/c Dr. To Sales A/c (Being the goods sold to Hari on credit)		1,00,000	1,00,000
	Bills Receivable A/c Dr. To Hari's A/c (Bill accepted Hari for the amount due)		1,00,000	1,00,000

Jan. 4	Bank A/c	Dr.	97,000	
	Discount A/c	Dr.	3,000	
	To Bills Receivable A/c			1,00,000
	(Bill accepted by Hari discounted with the bank at 12% p.a.)			
	Hari's A/c	Dr.	1,00,250	
	To Bank A/c			1,00,250
	(Being the amount of bill dishonoured and noting charges paid thereon, debited to Hari's account)			

**HARI'S JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Jan. 1	Purchases A/c	Dr.	1,00,000	
	To Ram's A/c			1,00,000
	(Being the goods purchased from Ram on credit)			
	Ram's A/c	Dr.	1,00,000	
	To Bills Payable A/c			1,00,000
	(Being the Acceptance given on the bill drawn by Ram)			
Jan. 4	Bills Payable A/c	Dr.	1,00,000	
	Trade Expenses A/c	Dr.	250	
	To Ram's A/c			1,00,250
	(Dishonour of the bill accepted by Ram on the due date)			

Q3> On 1<sup>st</sup> Jan, A drew and B accepted a bill at three months for 2,000. On 4<sup>th</sup> Jan, A discounted the bill at 15% p.a. and remitted half the proceeds to B. On 1<sup>st</sup> Feb., B drew and A accepted a bill at four months for 1,500. On 4<sup>th</sup> Feb. B discounted the bill at 15% p.a. and remitted half the proceeds to A. A and B agreed to share the discounts equally. At maturity, A met his acceptance but B failed to meet and recourse was had to A. A drew and B accepted a new bill at three months for the amounts of the original bill plus interest at 18% p.a. On July 1, B became a bankrupt and paid to his creditors only 50

*50 paise in the rupee. Record these transactions in A's journal and prepare B's Account.*

Sol

**A'S JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Jan. 1	Bills Receivable A/c To B (Being the acceptance of a bill received from B)	Dr.	2,000.00	2,000.00
Jan. 4	Bank A/c Discount A/c To Bills Receivable A/c (Being the bill discounted @ 15% p.a.)	Dr. Dr.	1,925.00 75.00	2,000.00
Jan. 4	B To Bank A/c To Discount A/c (Being half of the proceeds remitted to B)	Dr.	1,000.00	962.50 37.50
Feb. 1	B To Bills Payable A/c (Being the acceptance of a bill given to B)	Dr.	1,500.00	1,500.00
Feb. 4	Bank A/c Discount A/c To B (Being half of the proceeds of the bill received from B)	Dr. Dr.	712.50 37.50	750.00
April 4	B To Bank A/c (Being the bill dishonoured)	Dr.	2,000.00	2,000.00
April 4	B To Interest A/c (Being the interest charged for 3 months on ₹ 2,000 @ 18% p.a.)	Dr.		90.00 90.00
April 4	Bills Receivable A/c To B (Being the acceptance of a bill received from B)	Dr.	2,090.00	2,090.00
June 4	Bills Payable A/c To Bank A/c (Being the bill discharged at maturity)	Dr.	1,500.00	1,500.00
July 1	B To Bills Receivable A/c (Being the bill dishonoured)	Dr.	2,090.00	2,090.00
July 1	Bank A/c Bad Debts A/c To B (Being a dividend of 50 paise in a rupee received from estate of B and the balance written off as bad debts)	Dr. Dr.	920.00 920.00	1,840.00

Dr.

**B'S ACCOUNT IN A'S LEDGER**

Cr.

Date	Particulars	₹	Date	Particulars	₹
Jan. 4	To Bank A/c	962.50	Jan. 1	By Bills Receivable A/c	2,000.00
Jan. 4	To Discount A/c	37.50	Feb. 4	By Bank A/c	712.50
Feb. 1	To Bills Payable A/c	1,500.00	Feb. 4	By Discount A/c	37.50
Apr. 4	To Bank A/c		Apr. 4	By Bills Receivable A/c	2,090.00
	(B/R dishonoured)	2,000.00	July 1	By Bank A/c	920.00
Apr. 4	To Interest A/c	90.00	July 1	By Bad Debts A/c	920.00
July 1	To Bills Receivable A/c				
	(Dishonoured)	2,090.00			
		6,680.00			6,680.00

Q4> Anil draws a bill for Rs.9,000 on Sanjay on 5th April for 3 months, which Sanjay returns it to Anil after accepting the same. Anil gets it discounted with the bank for 8,820 and remits one-third amount to Sanjay.

On the due date Anil fails to remit the amount due to Sanjay, but he accepts a bill for 12,600 for three months, which Sanjay discount it for 12,330 and remits Rs. 2,220 to Anil. Before the maturity of the renewed bill Anil becomes insolvent and only 50% was realised from his estate on 15th October.

Required: Pass necessary Journal entries for the above transactions in the books of Anil.

Sol:

**JOURNAL OF ANIL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr. 5	Bills Receivable A/c To Sanjay's A/c (Being acceptance received from Sanjay for mutual accommodation)	Dr.	9,000	9,000
	Bank A/c Discount A/c To Bills receivable A/c (Being Bill discounted with bank)	Dr. Dr.	8,820 180	9,000

	Sanjay's A/c	Dr.	3,000	
	To Bank A/c			2,940
	To Discount A/c			60
	(Being one-third proceeds of the bill sent to Sanjay)			
July 8	Sanjay's A/c	Dr.	12,600	
	To Bills payable A/c			12,600
	(Being acceptance given)			
	Bank A/c	Dr.	2,220	
	Discount A/c $\left( 270 \times \frac{(6,000 + 2,220)}{12,330} \right)$	Dr.	180	
	To Sanjay's A/c			2,400
	(Being proceeds of second bill received from Sanjay)			
Oct. 11	Bills payable A/c	Dr.	12,600	
	To Sanjay's A/c			12,600
	(Being bill dishonoured due to insolvency)			
Oct. 15	Sanjay's A/c (6,000 + 2,400)	Dr.	8,400	
	To Bank A/c			4,200
	To Deficiency A/c			4,200
	(Being insolvent, only 50% amount paid to Sanjay)			

Q5> Shubham draws on Rajendra a bill for Rs. 45,000 on 1<sup>st</sup> June for 3 months. Rajendra accepts the bill and sends it to Shubham who gets it discounted for 44,100. Shubham immediately remits 14,700 to Rajendra. On the due date Shubham, being unable to remit the amount due, accepts a bill for 63,000 for three months which is discounted by Rajendra for 61,650. Rajendra sends 11,100 to Shubham. On the due date Shubham becomes insolvent, his estate paying forty paise in the rupee. Give Journal Entries in the books of Shubham and Rajendra.

Sol **JOURNAL OF SHUBHAM**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
June	Bills Receivable A/c To Rajendra (Being acceptance received from Rajendra)	Dr.	45,000	45,000
June 4	Bank A/c Discount A/c To Bills Receivable A/c (Being bill discounted with Bank)	Dr. Dr.	44,100 900	45,000
June 4	Rajendra To Bank A/c To Discount A/c (Being 1/3rd proceeds of the discounted bill remitted to Rajendra)	Dr.	15,000	14,700 300
Sept. 4	Rajendra To Bills Payable A/c (Being acceptance given to Rajendra)	Dr.	63,000	63,000
Sept. 4	Bank A/c Discount A/c To Rajendra (Being amount received from Rajendra)	Dr. Dr.	11,100 900	12,000
Dec. 7	Bills Payable A/c To Rajendra (Being bill dishonoured due to insolvency)	Dr.	63,000	63,000
	Rajendra To Bank A/c To Deficiency (Being 40% share paid to Rajendra from our estate)	Dr.	42,000	16,800 25,200

*Working Note: Calculation of discount to be borne by Shubham*

<i>A . Amount due by Shubham but not remitted to Rajendra ( 45,000 – 15,000)</i>	<i>30,000</i>
<i>B. Add: Amount received by Shubham from Rajendra</i>	<i>11,100</i>
<i>C. Total amount due to Rajendra</i>	<i>41,100</i>
<i>D. Discount to be borne = Rs 1350 x <math>\frac{14,110}{61,650}</math> = Rs 900</i>	

**JOURNAL OF RAJENDRA**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Dr. (₹)</b>	<b>Cr. (₹)</b>
June 1	Shubham To Bills Payable A/c (Being the acceptance given to Shubham)	Dr.	45,000	45,000
June 4	Bank A/c Discount A/c To Shubham (Being 1/3rd proceeds of discounted bill received from Shubham)	Dr.	14,700 300	15,000
Sept. 4	Bills Receivable A/c To Shubham (Being acceptance received from Shubham)	Dr.	63,000	63,000
	Bank A/c Discount A/c To Bills Receivable A/c (Being the bill discounted with the bank)	Dr. Dr.	61,650 1,350	63,000
	Bills Payable A/c To Bank A/c (Being the bill discharged)	Dr.	45,000	45,000
	Shubham To Bank A/c To Discount A/c (Being the amount paid to Shubham)	Dr.	12,000	11,100 900
Dec. 7	Shubham To Bank A/c (Being bill dishonoured due to Shubham's insolvency)	Dr.	63,000	63,000
	Bank A/c Bad Debts A/c To Shubham (Being 40% share received from Shubham)	Dr. Dr.	16,800 25,200	42,000

Q6> On 1<sup>st</sup> July G drew a bill for 80,000 for 3 months on H for mutual accommodation. H accepted the bill

of exchange. G had purchased goods worth 81,000 from J on the same date. G endorsed H acceptance to J in full settlement.

On 1<sup>st</sup> September J purchased goods worth 90,000 from H.J. endorsed the bill of exchange received from G to H and paid 9,000 in full settlement of the amount due to H.

On 1<sup>st</sup> October H purchased goods worth 1,00,000 from G. He paid the amount due to G by cheque. Give the necessary Journal Entries in the books of H.

Sol:

**JOURNAL OF H**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
July 1	G To Bills Payable A/c (Being Bill accepted)	Dr.	80,000	80,000
Sept. 1	J To Sales A/c (Being the goods sold to J)	Dr.	90,000	90,000
	Bill Receivable A/c Cash A/c Discount A/c To J's Capital A/c (Being B/R of ₹ 80,000 & Cash ₹ 9,000 received from J and allowed him discount of ₹ 1,000.)	Dr. Dr. Dr.	80,000 9,000 1,000	90,000
	Bills Payable A/c To Bills Receivable A/c (Being own acceptance received from J's endorsement, cancelled)	Dr.	80,000	80,000
Oct. 1	Purchases A/c To G A/c (Being the goods purchased from G)	Dr.	1,00,000	1,00,000
	G To Bank A/c (Being the Balance paid by cheque)	Dr.	20,000	20,000



Q7> On 1st January 2018, Akshay draws two bills of exchange for Rs 16,000 and Rs 25,000.

The bill of exchange for Rs 16,000 is for two months while the bill of exchange for Rs 25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2018, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for Rs 25,000, the interest rebate i.e. discount being Rs 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 Akshay.

SOL.:

*Journal Entries in the books of Akshay*

2018			Dr. (₹)	Cr. (₹)
Jan. 1	Bills receivable (No. 1) A/c Bills receivable (No. 2) A/c To Vishal A/c (Being drawing of bills receivable No. 1 due for maturity on 4.3.2018 and bills receivable No. 2 due for maturity on 4.4.2018)	Dr. Dr.	16,000 25,000	41,000
March 4	Vishal's A/c To Bills receivable (No.1) A/c (Being the reversal entry for bill No.1 on renewal)	Dr.	16,000	16,000
March 4	Bills receivable (No. 3) A/c To Interest A/c To Vishal 's A/c (Being the drawing of bill of exchange no. 3 due for maturity on 7.5.2018 together with interest at 15%p.a. in lieu of the original acceptance of Vishal)	Dr.	16,400	400 16,000
March 25	Bank A/c Discount A/c To Bills receivable (No. 2) A/c	Dr. Dr.	24,750 250	25,000

May 7	(Being the amount received on retirement of bills No.2 before the due date) Vishal's A/c To Bills receivable (No. 3) A/c (Being the amount due from Vishal on dishonour of his acceptance on presentation on the due date)	Dr.	16,400	16,400
May 7	Bank A/c To Vishal's A/c (Being the amount received from official assignee of Vishal at 50 paise per rupee against dishonoured bill)	Dr.	8,200	8,200
May 7	Bad debts A/c To Vishal's A/c (Being the balance 50% debt in Vishal's Account arising out of dishonoured bill written off as bad debts)	Dr.	8,200	8,200