

Important Terms:

1. Term of the bill / Period the Bill
2. Expiry of the bill

□ BOE - 23rd Oct

a)	<u>Term</u>	<u>Expiry</u>
	2 months	23rd Dec
	<u>60 days</u>	8 + 30 + 22 22nd Dec

→ 31/12/2020	<u>2 months</u>	28th Feb
→ 28/2/2020	<u>2 month</u>	28th Apr
30/6/2023	<u>2 months</u>	30th Aug.
31/8/23	<u>1 month</u>	30th Sep

31/8/23 1 month 30th Sep

10th Jan 23 45 days 21 + 24
Feb 24th

3. Date of Maturity / Due date

Expiry Date + 3 Grace days

↓
3rd day

23rd Oct - 2 months

23rd Dec Exp

↳ Mat. Date - 26th Dec

Maturity Date

Public Holiday
Sunday

↓

Preceding work day

Maturity Date - 26th Jan
↳ 25th Jan

Emergency Holiday

↓
Next working Day

Date of bill

Period

Maturity

1)	13th Feb. 2022	45 days	2nd Apr	Feb-15 Mar-30th Mar
2)	30th Nov. 2022	3 months	3rd Mar	Exp-28th Feb
3)	23rd Oct. 2022	3 month	25th Jan	
4)	30th June. 2023	43 days	14th Aug.	31 + 12

*

Types of Bills

Bill after

Bill after

Bill at

Bill after Date

Ex- Bill drawn 23rd Oct
3 months after date

Maturity - 25th Jan

Bill after Sight

3 months after sight
Acceptance date - 28th Oct

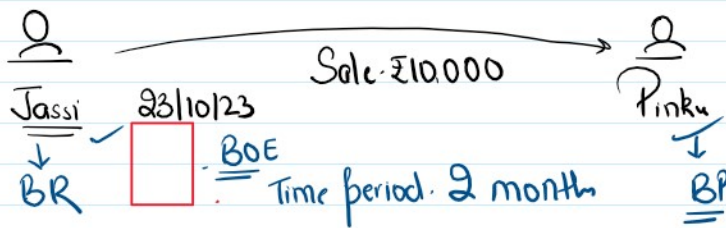
Mat - 31st Jan

Bill at Sight

Payable on Demand

No Grace Days

Journal



Jassi

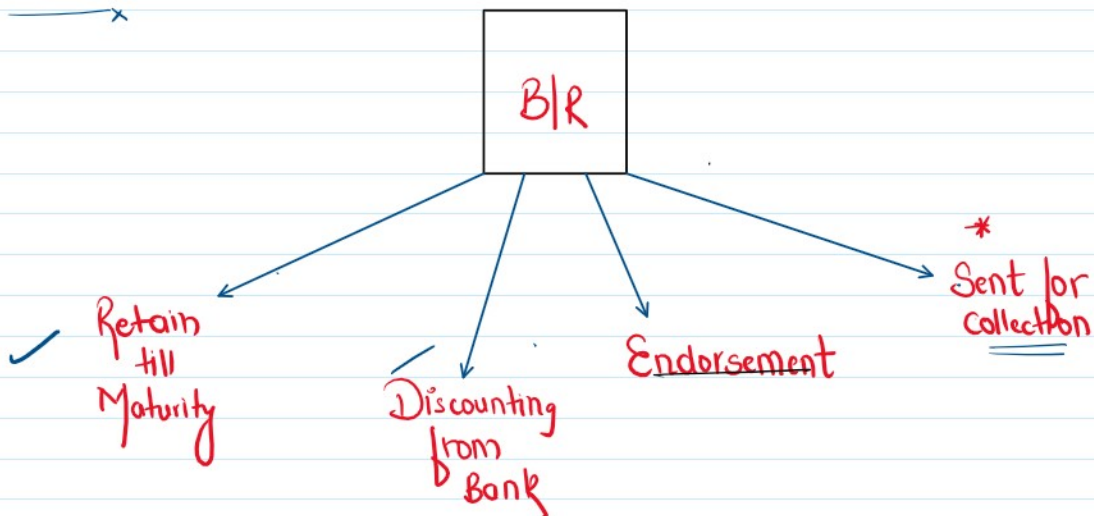
23/10 Pinku Dr. 10,000 ✓
To Sales A/c 10,000

Pinku

Purch. A/c Dr. 10,000
To Jassi 10,000

Asset ↑ Bill Receiv Dr 10,000 ✓
Asset ↓ To Pinku 10,000

Jassi Dr. 10,000
To Bill pay. A/c 10,000 ✓



- 1) Retain till Maturity ✓
 - a) Amt Rec. on Maturity

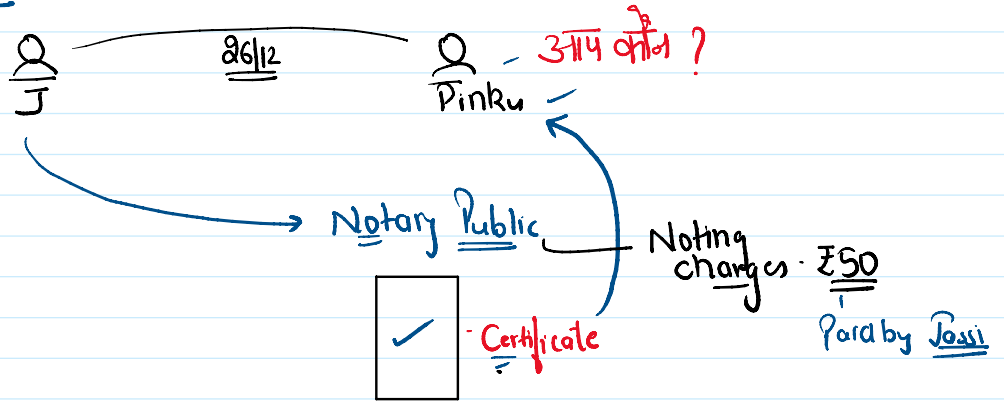
a) Amt Rec. on Maturity

26/12

Jassi
Bank At. Dr. 10,000
To BIR 10,000

Pinku
Bills pay. Dr. 10,000
To Bank 10,000

b) Dishonour

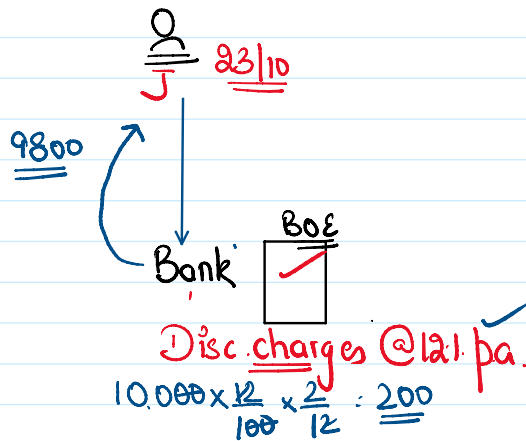


26/12

Pinku Dr. 10,050
To BIR 10,000
To Cash At. 50
Noting charge

Pinku
Bills pay. Dr. 10,000
Noting ch. Dr. 50
To Jassi 10,050
Creditor - Liab

2) Discounting from Bank



Pinku

23/10

Jassi
Bank Dr. 9,800
Disc. ch. Dr. 200

Pinku
No Entry

23/10 Bank Dr. 9800
 Disc. ch. Dr. 200
 To B/R 10,000

No Entry

At Maturity

a) Met on Maturity: Honour

26/12 No Entry

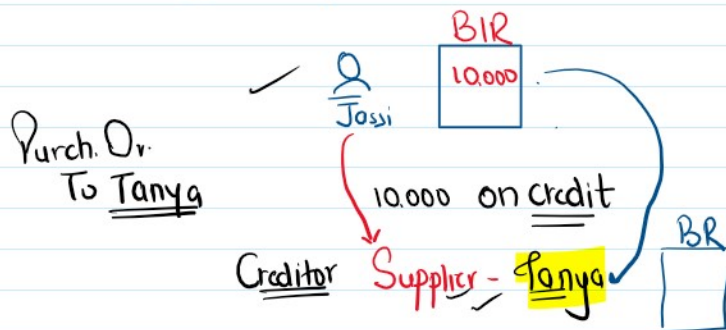
26/12 Bill pay. Dr. 10,000
 To Bank A/c 10,000

b) Dishonour

26/12 Pinky Dr. 10,050 ^{Receivable}
 To Bank A/c 10,050
 (10,000 + 50) _{↳ Paid}

26/12 Bill pay. Dr. 10,000
 - Noting ch. Dr. 50 - Expense
 To Jassi 10,050

c) Endorsement



Pinky

Sale (Jassi Dr. To Sale)

Tanya

B/R Dr. 10,000 ✓
 To Jassi 10,000

23/10 Tanya Dr. 10,000
 To B/R 10,000

Pinky
No Entry

a) Honour

26/12 No Entry

Bill pay. Dr. 10,000
 To bank 10,000

Bank Dr. 10,000
 To B/R 10,000

b) Dishonour

26/12 () () ()

Jassi Dr. 10,050 ✓

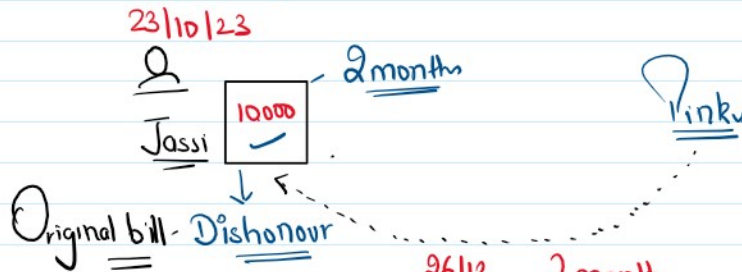
v) Disposal

26/12 Pinku Dr. 10,050 ✓
 To anya 10,050
Liab

Bills pay Dr. 10,000
 Noting ch. Dr. 50
 To Jassi 10,050

Jassi Dr. 10,050 ✓
 To cash A/c. 50 ✓
 To B/R 10,000

* Renewal of Bill



Interest @ 12% p.a.
 $10,000 \times \frac{12}{100} \times \frac{2}{12}$

200

In cash

Included in the bill

Same

Jassi
Dishonour - Pinku Dr. 10,000
 To B/R 10,000

Renew 26/12 Cash Dr. 200 ✓
 To Int A/c. 200

B/R Dr. 10,000 ✓
 To Pinku 10,000

B/R Dr. 10,200 ✓
 To Pinku 10,000
 To Int A/c. 200

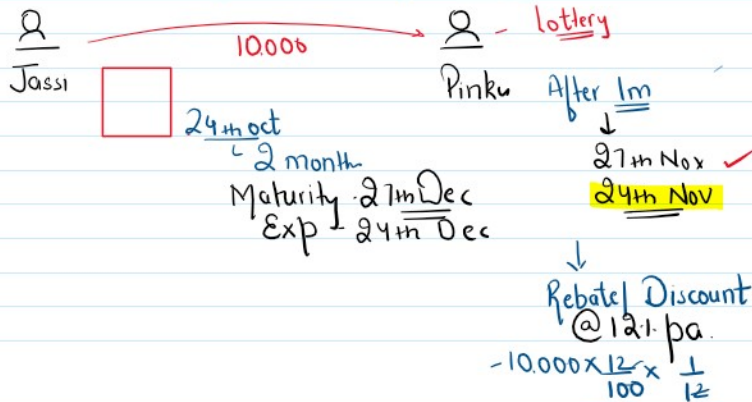
Vijay sold goods to Pritam on 1st September, 2019 for ₹ 1,06,000. Pritam immediately accepted a three months bill. On due date Pritam requested that the bill be renewed for a fresh period of two months. Vijay agrees provided interest at 9% p.a. was paid immediately in cash. To this Pritam was agreeable. The second bill was met on due date. Give Journal entries in the books of Vijay and Pritam.

bill. On due date Pritam requested that the bill be renewed for a fresh period of two months. Vijay agrees provided interest at 9% p.a. was paid immediately in cash. To this Pritam was agreeable. The second bill was met on due date. Give Journal entries in the books of Vijay and Pritam.

	<u>Vijay</u>	<u>Pritam</u> ✓
<u>Sep 19</u>	Pritam Dr. 106000 To Sales 106000	Purch. A/c Dr. 106000 To Vijay 106000 ✓
<u>Sep 1</u>	Bill. Rec Dr. 106000 To Pritam 106000	Vijay Dr. 106000 To B/P 106000
<u>Dec 4</u>	Pritam Dr. 106000 To B/R 106000	B/P Dr. 106000 To Vijay 106000 ✓
<u>Dec 4</u>	Cash Dr. 1590 To Int. A/c 1590 ($106000 \times \frac{9}{100} \times \frac{2}{12}$)	Int. Dr. 1590 To Cash A/c 1590
<u>Dec 4</u>	B/R Dr. 106000 To Pritam 106000	<u>Dec 4</u> Vijay Dr. 106000 To B/P 106000
<u>Feb 7</u>	Bank Dr. 106000 To B/R 106000	B/P Dr. 106000 To Bank 106000

x → 5pm

Retirement of a Bill



Jassi
 27/11 Bank A/c Dr. 9900
 Discount Dr. 100
 To B/P 10,000

Pinku - 100
 Bill pay Dr. 10,000
 To bank 9900
 To Disc. 100

1/3 $\xrightarrow{\quad}$ 1/4

On 1st January, 2020, Ankita sells goods for ₹5,00,000 to Bhavika and draws a bill at three months for the amount. Bhavika accepts it and returns it to Ankita. On 1st March, 2020, Bhavika retires her acceptance under rebate of 12% per annum. Record these transactions in the journals of Ankita and Bhavika.

$$5L \times \frac{12}{100} \times \frac{1}{12}$$

Ankita

Jan1 Bhavika Dr. 5,00,000
 To Sales A/c 5,00,000

Jan1 Bill Rec. Dr. 5,00,000
 To Bhavika 5,00,000

Mar1 Bank A/c Dr. 4,95,000
 Discount Dr. 5,000

Bhavika

Purch. Dr. 5,00,000
 To Ankita 5,00,000

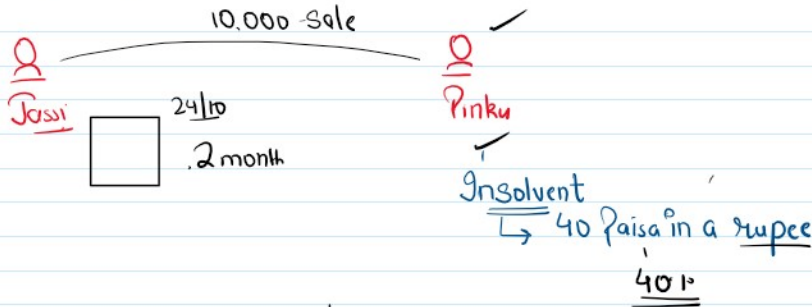
Ankita Dr. 5,00,000
 To B/P 5,00,000

Bills pay Dr. 5,00,000

Mar 1 Bank A/c Dr. 495000
 Discount Dr. 5000
 To B/R 500,000

Bills pay Dr 500,000
 To bank 495000
 To Disc. 5000

* INSOLVENCY



27/12 Dishonour

~~Pinku Dr. 10,000
 To B/R 10,000~~

B/R Dr. 10,000
 To Jassi 10,000

→ Bank Dr. 4000
 Bad debt Dr. 6000
 To Pinku 10,000

Jassi Dr. 10,000
 To bank 4000
 To deficiency 6000

⇒ Bank 4000
 Bad debt 6000
 To B/R 10,000

⇒ B/R Dr. 10,000
 To bank 4000
 To Def. 6000

Drawer
 Mr. David draws two bills of exchange on 1.1.2020 for ₹6,000 and ₹10,000. The bills of exchange for ₹6,000 is for two months while the bill of exchange for ₹10,000 is for three months. These bills are accepted by Mr. Thomas. On 4.3.2020, Mr. Thomas requests Mr. David to renew the first bill with interest at 18% p.a. for a period of two months. Mr. David agrees to this proposal. On 20.3.2020, Mr. Thomas retires the acceptance for ₹10,000, the interest rebate i.e. discount being ₹100. Before the due date of the renewed bill, Mr. Thomas becomes insolvent and only 50 paise in a rupee could be recovered from his estate.

You are to give the journal entries in the books of Mr. David.

B/R1 - 6000 - 2m 4,320
 B/R2 - 10,000 - 3m 4,420
 1.1.20

$$\text{W.M Int. } 6000 \times \frac{18}{100} \times \frac{2}{12} = 180$$

In the book of Mr. David
Journal

1.1.20

Bill. Rec. (1) Dr. 6000 ✓
 Bill. Rec. (2) Dr. 10,000 ✓
 To Mr. Thomas 16000

4.3.20

Thomas Dr. 6000 ✓
 To B/R (1) 6000

⇒ 4.3.20

Thomas Dr. 180 +
 To Int. 180 - 6180 ✓

4.3.20 Thomas Dr. 6000 ✓
To B/R (1) 6000

4.3.20 2m B/R (3) Dr. 6180
To Thomas 6000
To Int. A/c 180 ✓

20.3.20 Bank A/c Dr. 9900
Disc Dr. 100
To B/R (2) 10,000

7.5.20 ✓ Bank A/c Dr. 3090
Bad debt Dr. 3090 ✓
To B/R 6180

⇒ 4.3.20 Thomas Dr. 180⁺ - 6180
To Int 180

4.3.20 B/R (3) 6180
To Thomas 6180

⇒ 7.5.20 Thomas Dr. 6180
To B/R 6180
↓
Bank Dr. 3090
Bad debt 3090
To Thomas 6180

8. buyer Priya owed ₹5,00,000 to Pratika seller. On 1st October, 2022, Priya accepted a bill drawn by Pratika for the amount at 3 months. Pratika got the bill discounted with his bank for ₹4,95,000 on 3rd October, 2022. Being unable to pay the amount on due date, Priya approached Pratika for renewal of the bill. Pratika agreed on the conditions that ₹2,50,000 be paid immediately together with interest on the remaining amount at 10% per annum for 3 months and for the balance, Priya should accept a new bill at three months. These arrangements were carried out. But afterwards, Priya became insolvent and 60% of the amount could be recovered from his estate.

Pass journal entries (with narration) in the books of Pratika.

In the books of Pratika

1/10/22 Bills Rec. Dr. 500,000
To Priya 500,000

3/10/22 Bank A/c Dr. 495,000
Disc. ch. Dr. 5,000

3/10/22

BANK A/c Dr. 445000
Disc. ch. Dr. 5000

To BIR 500000

4/1/23

Priya Dr. 500,000 ← Dishonour
To Bank A/c 500,000 ✓

4/1/23

Bank Dr. 256250

To Priya 250,000 ✓
To Interest 6250
($250,000 \times \frac{10}{100} \times \frac{3}{12}$)

4/1/23

Bills Rec Dr. 250,000

To Priya 250,000

7/4/23

Bank A/c Dr. 150,000
Bad debt Dr. 100,000

To BIR 250,000

a) Priya Dr. 250,000
To BIR 250,000
↓
Bank Dr. 150,000
bad debt Dr. 100,000
To Priya 250,000



Prepare Journal entries for the following transactions in Samarth's books.

(i) Samarth's acceptance to Aarav for ₹ 1,250 discharged by a cash payment of ₹ 500 and a new bill for the balance plus ₹ 25 for interest.

(ii) G. Gupta's acceptance for ₹ 4,000 which was endorsed by Samarth to Sahni was dishonoured. Sahni paid ₹ 20 noting charges. Bill withdrawn against cheque. *

(iii) Harshad retires a bill for ₹ 5,000 drawn on him by Samarth for ₹ 20 discount.

(iv) Samarth's acceptance to Patel for ₹ 19,000 discharged by Sandeep Chadha's acceptance to Samarth for a similar amount.

In the books of Samarth

(i) a. Bill pay. Dr. 1250
To Aarav 1250 ✓

b. Aarav Dr. 500
To Cash A/c 500 ✓

Samarth BIP 19000
Patel BIR 19000
Sandeep BIP

b. Aarav Dr. 500 ✓
To Cash A/c 500

✓ Sandeep
B/P

c. Aarav Dr. 750
Interest Dr. 25
To B/P 775

(ii) a) G. Gupta Dr. 4020* -
To Sahni 4020

b) Sahni Dr. 4020 -
To Bank A/c 4020 -

(iii) Bank A/c Dr. 4980
Disc Dr. 20
To BIR 5000

(iv) BIP Dr. 19000
To BIR 19000

↔

Accommodation Bill

(a) T draws on J a bill of exchange for ₹ 1,80,000 on 1st April, 2022 for 3 months. J accepts the bill and sends it to T, who gets it discounted from his banker for ₹ 1,72,800. T immediately remits ₹ 57,600 to J. On the due date, T, being unable to remit the amount due, accepts a bill for ₹ 2,52,000 for three months, which is discounted by J from his banker for ₹ 2,40,660. J sends ₹ 40,440 to T. Before the maturity of the bill, T becomes bankrupt and his estate paying fifty paise in a rupee.

Give the journal entries in the books of T and J.

(15 Marks)

Rough

	<p><u>T</u> Drawer</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">115 200 (213)</td></tr> <tr><td style="text-align: right;">48 000</td></tr> <tr><td style="text-align: right; border-top: 1px solid black;">120 000</td></tr> </table>	115 200 (213)	48 000	120 000	<p>2:1</p>	<p>←</p>	<p>→</p>	<p><u>J</u> Drawee</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">57 600 ($\frac{57600}{172800} \times 180000$)</td></tr> <tr><td style="text-align: right;">24 000</td></tr> <tr><td style="text-align: right; border-top: 1px solid black;">60 000</td></tr> </table>	57 600 ($\frac{57600}{172800} \times 180000$)	24 000	60 000
115 200 (213)											
48 000											
120 000											
57 600 ($\frac{57600}{172800} \times 180000$)											
24 000											
60 000											

4/7/2022	<p>Net position</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">+120,000</td></tr> </table>	+120,000			<table border="0" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">(180,000)</td></tr> <tr><td style="text-align: right;">(120,000)</td></tr> </table>	(180,000)	(120,000)
+120,000							
(180,000)							
(120,000)							

	<p><u>2:1</u> <u>2nd bill</u></p> <p>Drawee</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">40,440</td></tr> <tr><td style="text-align: right;">160,440 × 11340</td></tr> <tr><td style="text-align: right;">240,660 = 7560</td></tr> <tr><td style="text-align: right; border-top: 1px solid black;">48,000</td></tr> </table>	40,440	160,440 × 11340	240,660 = 7560	48,000	<p>←</p>	<p>→</p>	<p>Drawer</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">200,220</td></tr> <tr><td style="text-align: right;">3,180</td></tr> <tr><td style="text-align: right; border-top: 1px solid black;">204,000</td></tr> </table>	200,220	3,180	204,000
40,440											
160,440 × 11340											
240,660 = 7560											
48,000											
200,220											
3,180											
204,000											

	<p>2nd bill pay</p> <p>Net position</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">+168,000</td></tr> <tr><td style="text-align: right;">(84,000)</td></tr> <tr><td style="text-align: right; border-top: 1px solid black;">84,000</td></tr> </table> <p>Deficiency</p>	+168,000	(84,000)	84,000			<p>(252,000)</p> <p>(168,000)</p> <p>+ 84,000</p> <p>Bad debh (84,000)</p>
+168,000							
(84,000)							
84,000							

Journal

Book of T

Books of J

1st Bill Rec Dr. 180,000

T Dr. 180,000 Rec

1/4 Bills Rec. Dr. 180,000
To J 180,000 Payable

T Dr. 180,000 Rec.
To B/P 180,000

1/4 Bank Dr. 172,800
Disc ch Dr. 7,200
To B/P 180,000

x

1/4 J Dr. 60,000
To Disc ch 2,400
To Bank 57,600

Bank Dr. 57,600
Disc ch Dr. 2,400
To T 60,000 ✓

4/7 x

Bill. pay Dr. 180,000
To bank 180,000

4/7 J Dr. 252,000
To B/P 252,000

Bill. Rec. Dr. 252,000
To T 252,000

4/7 x ✓

Bank Dr. 240,660
Disc ch Dr. 11,340
To B/P 252,000

4/7 Bank Dr. 40,440
Disc. ch Dr. 7,560
To J 48,000

T Dr. 48,000
To Disc. ch. 7,560
To Bank 40,440

7/10 B/P Dr. 252,000
To J 252,000

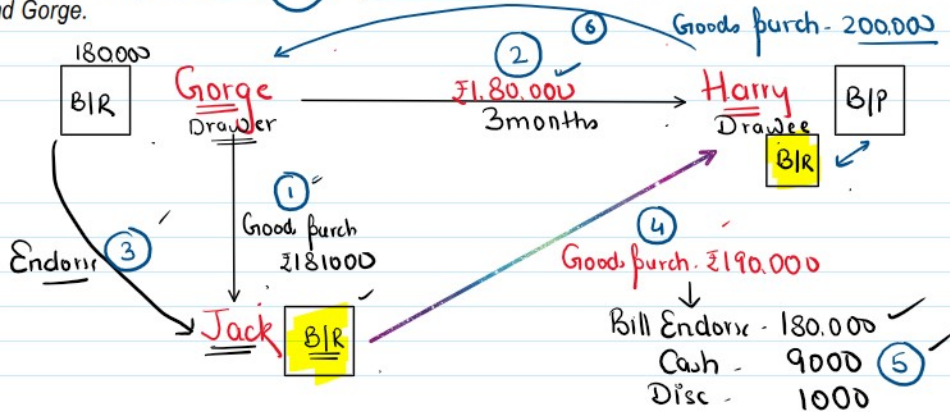
T Dr. 252,000
To bank A/c. 252,000

→ J Dr. 168,000
To bank 84,000
To def. 84,000

Bank Dr. 84,000
Bad debt Dr. 84,000
To T 168,000

9/11/9

On 1st July, 2019 Gorge drew a bill for ₹1,80,000 for 3 months on Harry for mutual accommodation. Harry accepted the bill of exchange. Gorge had purchased goods worth ₹1,81,000 from Jack on the same date. Gorge endorsed Harry's acceptance to Jack in full settlement. On 1st September, 2019, Jack purchased goods worth ₹1,90,000 from Harry. Jack endorsed the bill of exchange received from Gorge to Harry and paid ₹9,000 in full settlement of the amount due to Harry. On 1st October, 2019, Harry purchased goods worth ₹2,00,000 from Gorge. Harry paid the amount due to Gorge by cheque. Give the necessary Journal Entries in the books of Harry and Gorge.



Book of Gorge

Book of Harry

1st July

Purch. Dr. 181000
To Jack 181000

1/7

BIR Dr. 180000 ✓
To Harry 180,000 - Credit Payable

Gorge Dr. 180,000 - Debit bal. ✓
To BIP 180,000 ✓

1/7

Jack Dr. 181000
To BIR 180,000
To Disc Rec 1000

x

1/9

Jack Dr. 190,000
To Sales A/c 190,000

1/9

Bills Rec Dr. 180,000 ✓
Cash Dr. 9,000 ✓
Disc. All. Dr. 1,000 ✓

To Jack 190,000

1/9

Bills pay. Dr. 180,000
To BIR 180,000

1/10/19

Harry Dr. 200,000 Debit
To Sales 200,000

1/10

Purch. Dr. 200,000
To Gorge 200,000 -

—

J To Sales 20000

—

To George 200.000 -

110

Bank Dr. 20000

To Harry 20.000

110

George Dr. 20.000
To bank 20.000

x — x

Chapter Over

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