Accounts

Ch-6 Bills of exchange (5-10 Marks)

Bills

Bills of exchange | Promissory note

Bills of exchange → Trade Bills, Accomodation Bills

Accounting & Theory

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* Bunty

DRAWER

Mr. Roky you will pay 10000 after 3 Months to Mr. Monty

accept

Rocky

DRAWEE

Bills of exchange

Monty

PAYEE

Drawer – Who makes the bill

Drawee – Accept i.e who is liable to pay

Payee – Who receives the money

* Bunty

DRAWER

I Promise to Pay 10000 after 3 Months to Mr. Monty

accept

Monty

PAYEE

Promissory Note

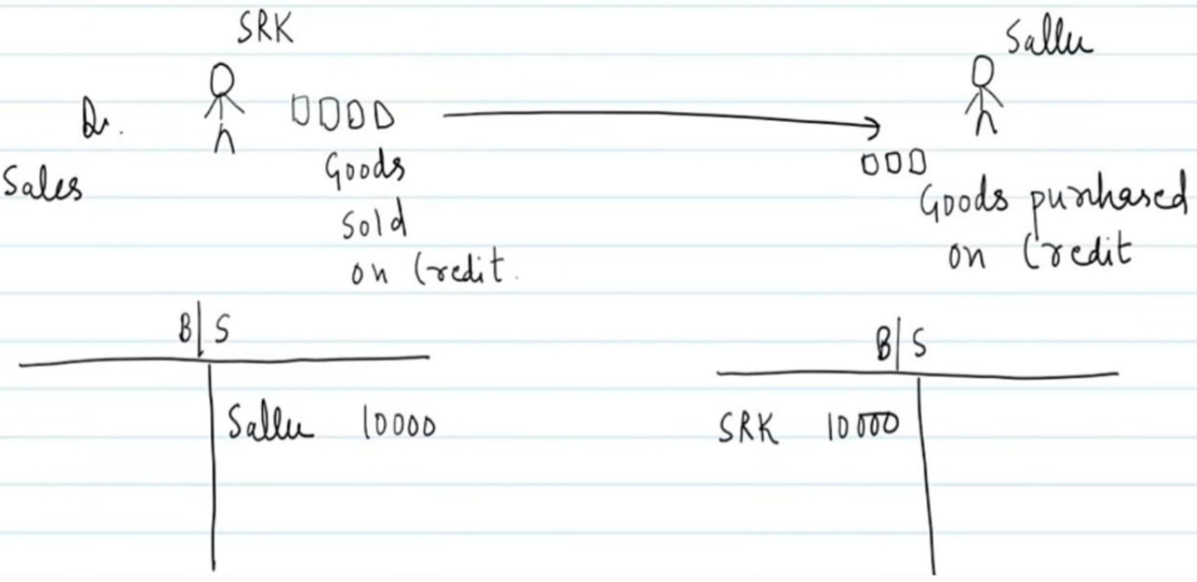
Maker – Who makes promissory note & is liable to pay

Payee – who receives the money

*

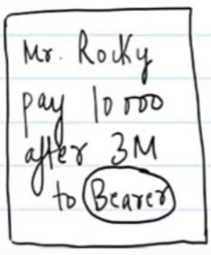
	Bills of Exchange	Promissory Note
1.	A bill contains an order to pay	It contains promise to pay
2.	There are 3 parties – Drawer, Drawee & Payee	There are 2 parties – Maker, Payee
3.	Bill is paid by acceptor i.e. drawee	A promissory note is paid by maker
4.	Bill is drawn by CREDITOR	A promissory note is made by DEBTOR
5.	Bills of exchange can be accepted conditionally	A promissory note cannot be made conditionally
6.	In Bills of exchange notice of dishonour must be given	No notice is required

Sallu Dr.
To Sales



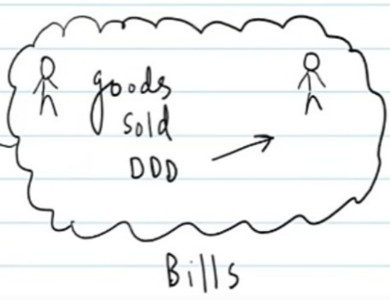
→ Bills of exchange

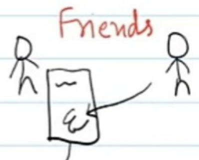
- It is an instrument in writing containing an unconditional order signed by the maker directing a certain person to pay a certain sum of money only to or to the order of certain person or the bearer of the instrument



- There are 3 parties – Drawer, Drawee & Payee
- Bills of exchange can be :-
  - a) Trade bill – Debtor & Creditor wali story
  - b) Accomodation bill – Two Friends (Betrayal story)

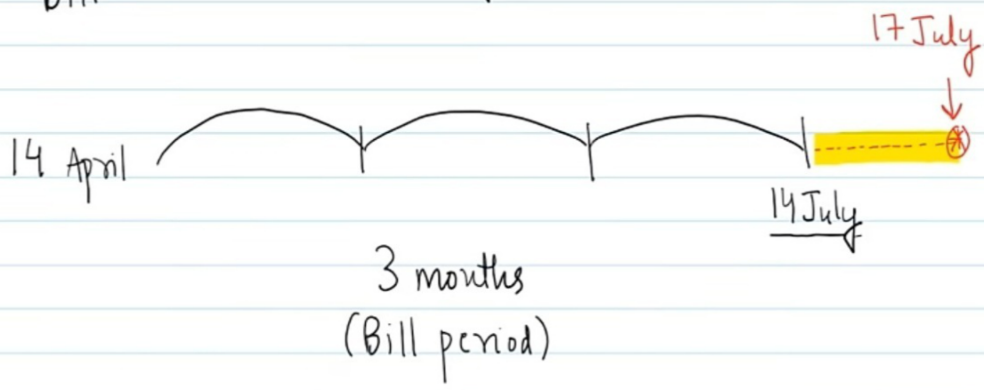
धोखा





→ Due date of Bills of Exchange

period of Bill (+) 3 Days Grace



If due date falls on :-

Public holiday (26 Jan, 15 Aug, 2 Oct)
OR
SUNDAY

ONE DAY BEFORE

Emergency Holiday

ONE DAY AFTER

Q - find due date

	Date of Bill	Period of Bill	Due date
1)	1 Jan 2019	3 months	4 April 2019
2)	16 June 2019	30 days	19 July 2019
3)	12 Nov 2019	147 days	10 April 2020
4)	12 July 2019	1 month.	14TH Aug 2019

Nov, Dec 2019, Jan 2020, Feb 2020, March 2020, April 2020

$\underbrace{\text{18 Days (+) 31 days (+) 31 days (+) 29* Days (+) 31 Days (+) 7 days}}$

2000 → Leap year [Divisible by 4]

→ Types of Bill

a) Bill at Sight / Bill on Presentation

→ No time period & No grace days

→ Payable on Demand

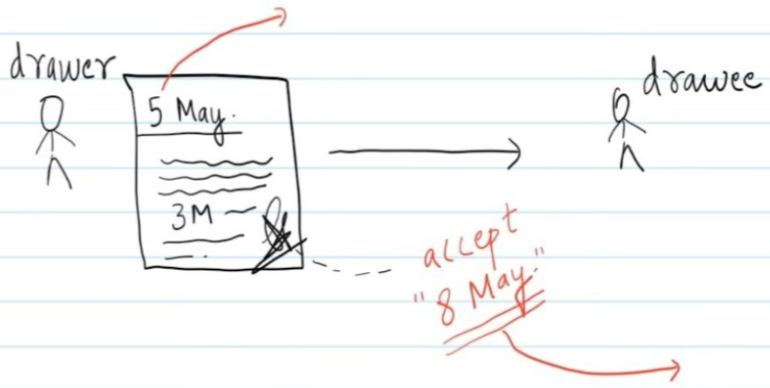
b) Bill after Sight

→ Period begins after date of Acceptance

By default

c) Bill after Date

→ Period begins after date of drawing of bill



→ Foreign Bills of Exchange

A bill drawn in one country and is payable in another country

eg :- Bill drawn in India, payable outside India

- A bill drawn outside India, payable in India

* Important points related to due dates.

(i) Count in months if months are given and count in days if days are given.

(ii) While counting days $\boxed{\text{exclude}}$ the date of bill

~~count~~ ← 29 March

10 days Period.

March

Remaining days 2

eg (1) Date of bill 30th August → 30th Sep

Period 1 month.

Due date. **3rd Oct**

eg (2) Date of bill 31st August → 30 Sep ~~31 Sep~~

Period 1 month

Due date **3rd Oct.**

eg (3) Date 31st January → ~~31~~ Feb 28

Period 1 month

Due date **3 March.**

eg (4) Date 28th Feb → 28 March

Period 1 month.

Due date **31 March**

eg (5) Date 1 March — March (Remaining) 30 days. (31 March)

Period 30 days

Due date **3 April**

eg (6) Date 1 April

Period 30 days

Due date **4 May**

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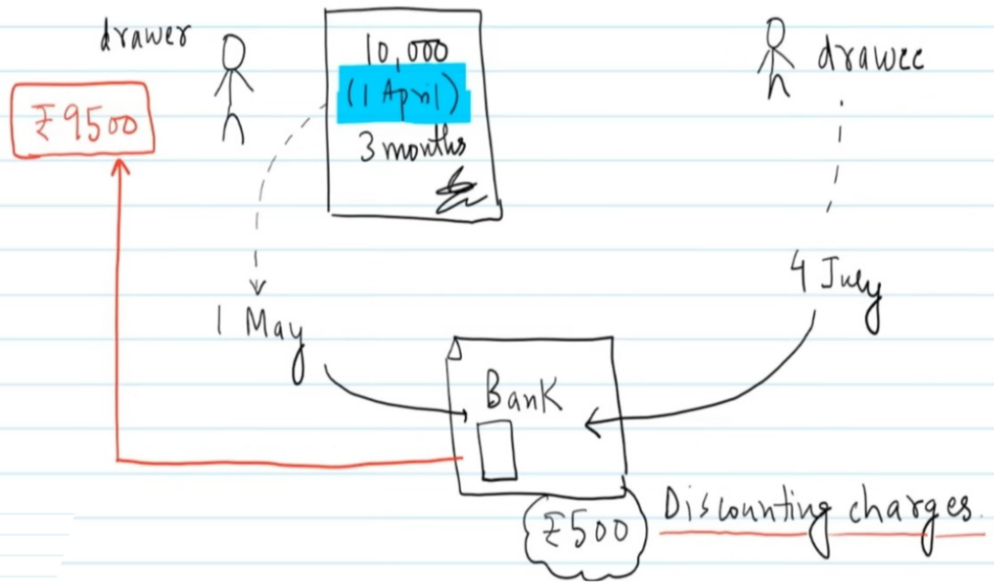
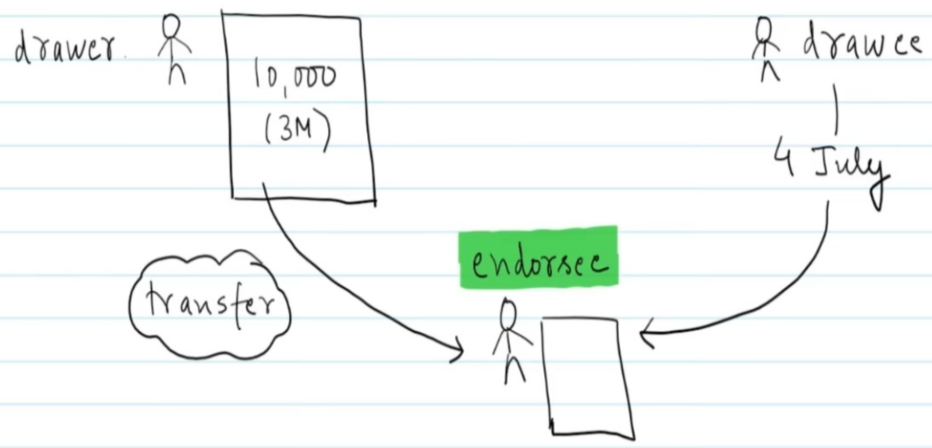
* Concepts *

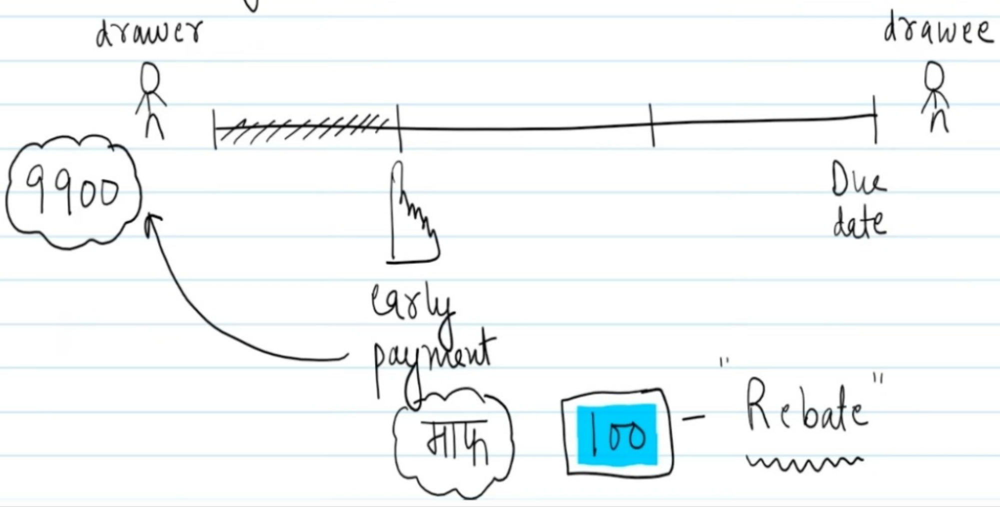
(1) Discounting of Bill



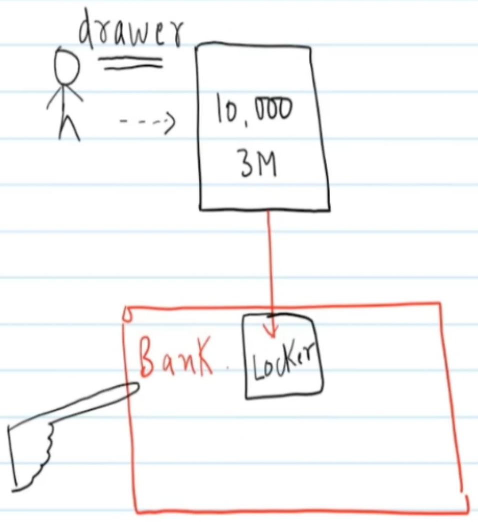
(2) Endorsement of Bill



(3) Retirement of Bill



(4) Bills Sent for Collection (BSFC)



https://chat.whatsapp.com/Bf0K8vZXyAiEAgyvlweSBC

5 Dishonour of Bill

SRK

10 000
3M
Sallu

Sallu (drawee)

On due date

refuses to pay money

Noting charges = 50

Notary public

Sallu

6 Renewal of Bill

Dishonour of old bill + Drawee requests for New Bill

No Noting Charges

Interest

2 Months extension.

7 Insolvency of Drawee

10 000
3M

BAD DEBT

unable to pay his debt

8 Accomodation Bill

Two friends

9000 9000

Ramu (drawer)

Shamu (drawee)

Shamu will pay 20 000 after 5 months
Shamu

drawer

35000
Ramu

Ramu (drawee)

Betrayal

in Question

After 5 months

20K

Revenge

Bank

20000

18 000

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$$\text{Proportionate discount} = \frac{\text{Benefit of } 1^{st} \text{ Bill } (+) \text{ Amount remitted of } 2^{nd} \text{ Bill}}{\text{Amount of } 2^{nd} \text{ bill after discount}} \times \text{Discount}$$