

## BILLS OF EXCHANGE CHALLENGES

1.

*R draws a bill of exchange on P for ₹ 2,00,000 on 1<sup>st</sup> July, 2022 for 4 months P accepted the bill and sent it to R. R discounts the bill with his bankers for ₹ 1,88,000 R. immediately remits ₹ 75,200 to P. On the due date, R, being unable to remit the amount due accepts a bill for ₹ 2,50,00 for 4 months which is discounted by P for ₹ 2,36,250. P sends ₹ 56,700 to R. Before the bill is due for payment R becomes insolvent and his estate is paying fifty paise in a rupee.*

*Give the journal entries in the books of P. Also show R's account in P's books.*

2.

*T draws on J a bill of exchange for ₹ 1,80,000 on 1<sup>st</sup> 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.*

3.

*On 12<sup>th</sup> May, 2020 A sold goods to B for 36,470 and drew upon the later two bills one for ₹ 16,470 at one month and the other for ₹ 20,000 at three months. B accepted both the bills.*

*On 5<sup>th</sup> June, 2020 A sent both the bills to his banker for collection on the due dates. The first bill was duly met. But due to some temporary financial difficulties, B failed to honour the second bill on the due date and the bank had to pay ₹ 20 as noting charges.*

*However, on 16<sup>th</sup> August, 2020 it was agreed between A and B that B would immediately pay ₹ 8,020 in cash and accept a new bill at 3 months for ₹ 12,480 which included interest for postponement of the part payment of the dishonoured bill. A immediately sent new acceptance to its bank for collection on the due date. On 1<sup>st</sup> October, 2020 B approached A offering ₹ 12,240 for retirement of his acceptance A accepted the request.*

*You are required to pass journal entries of all the above transactions in the books of A.*

4.

*Suresh draws a bill for ₹15,000 on Anup on 15<sup>th</sup> April, 2020 for 3 months, which is returned by Anup to Suresh after accepting the same. Suresh gets it discounted with the bank for ₹ 14,700 on 18<sup>th</sup> April, 2020 and remits one-third amount to Anup. On the due date Suresh fails to remit the amount due to Anup, but he accepts bill of ₹ 17,500 for 3 months, which Anup discounts for ₹ 17,100 and remits ₹ 2,825 to Suresh. Before the maturity of the renewed bill Suresh becomes insolvent and only 50% was realized from his estate on 31<sup>st</sup> October, 2020.*

*Pass necessary Journal entries for the above transactions in the books of Suresh.*

5.

Mr. Y accepted a bill for ₹ 50,000 drawn on him by Mr. X on 1<sup>st</sup> August, 2022 for 3 months. This was for the amount which Y owed to X. On the same date Mr. X got the bill discounted at his bank for ₹ 49,000.

On the due date, Y approached X for renewal of the bill. Mr. X agreed on condition that ₹ 10,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Y should accept a new bill for 3 months. These arrangements were carried through. On 31<sup>st</sup> December, 2022, Y became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. X

6.

Mr. Y accepted a bill for ₹ 50,000 drawn on him by Mr. X on 1<sup>st</sup> August, 2021 for 3 months. This was for the amount which Y owed to X. On the same date Mr. X got the bill discounted at his bank for ₹ 49,000.

On the due date, Y approached X for renewal of the bill. Mr. X agreed on condition that ₹ 10,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Y should accept a new bill for 3 months. These arrangements were carried through. On 31<sup>st</sup> December, 2021, Y became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. X