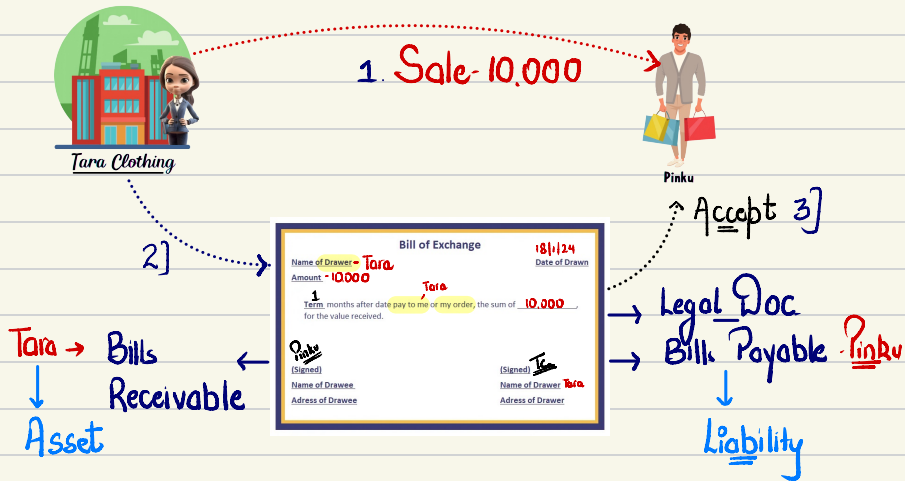


Bills of Exchange



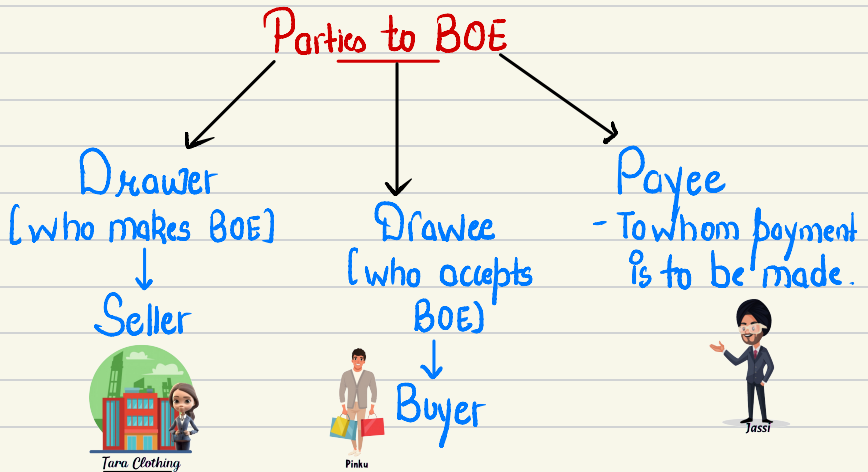
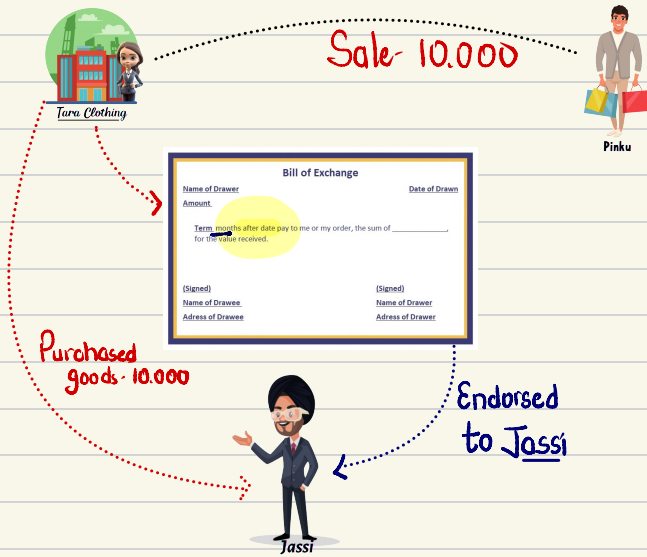
Bills of Exchange



→ BOE has the foll. characteristics:

1. Must be in Writing.
2. Must be Dated.
3. Must contain an order to pay certain sum of Money.
4. The promise to pay must be unconditional.
5. It should be properly Stamped.
6. It must be accepted.

→ Endorsement



→ Drawer & Payee can be the same person.

Imp Terms:

1. Term of the Bill

- Period of the bill / Duration of the bill
- Does not exceed 90 days.

2. Expiry of the Bill

- The date on which the term of the bill expires.



18/1/24, Term 2 months. Expiry - 18th Mar.

a) When Term of the Bill is in Months

	Date of Bill	Term	Expiry
1.	31/12/2023	3 months	31st March, 24
2.	31/12/2023	2 months	29th Feb. 24
3.	28/2/2023	2 months	28th Apr. 23
4.	30/6/23	2 months	30th Aug. 23
5.	31/3/23	3 months	30th June. 23
6.	30/9/23	3 months	30th Dec. 23

Imp Note:- If the month in which the period of the bill expires has no corresponding day, the period shall expire on the last date of such month.

b) Term Days

The date of the Bill is excluded.

Date of Bill	Term	Expiry
1. 18 th Jan. 24 $31-18=13+29=\frac{42}{18}$	60 days	13 days + 29 days + 18 days 18 th March ←
2. 10 th Jan. 24	45 days	21 days + 24 days 24 th Feb
3. 20 th Feb. <u>23</u>	40 days	Feb-8 Mar-31 Apr-1 → 1 st April
4. 10 th Apr. 23	<u>90</u> days	Apr-20 } 51 May-31 } +30 = 81 June-30 } July-9 → 9 th July
5. 15 th May, 2023	79 days	May-16 } 46 June-30 } 31 = 77 July-31 } Aug-2 - 2 nd Aug.

3) Date of Maturity → Due date

Expiry of the Bill + 3 days of Grace [3rd day]
→ 2nd Aug, 23 + 3rd day
→ 5th Aug, 23

Imp points:

Maturity Date

Public Holiday

Ex- 26th Jan, 15th Aug, 2nd Oct.
Sunday

Preceding Working Day

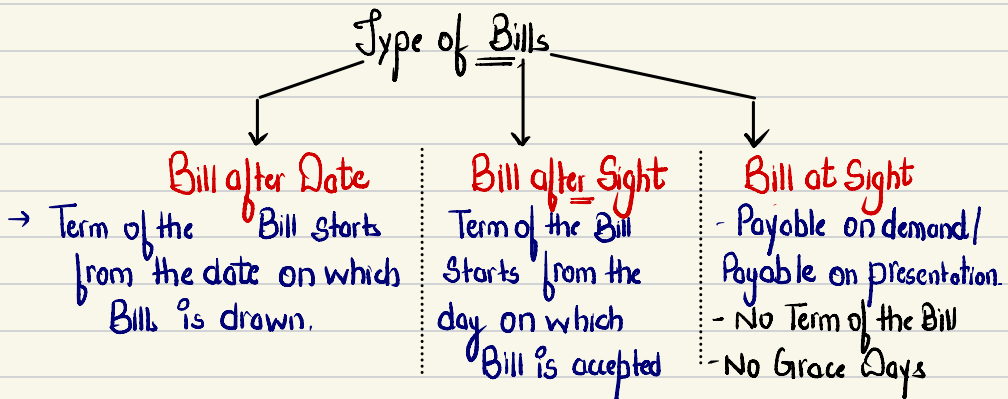
26th Jan → 25th Jan.
In case 25th Jan is a Sunday then
Maturity Date - 24th Jan.

Emergency Holiday

Next Working Day

Expiry - 15th Jan, 2024
* 18th Jan is Emergency Holiday
Maturity - 19th Jan 24

Date of Bill	Period	Date of Maturity
1. 13th Feb, 2020	45 days	Feb - 16 days Mar - 29th - Expiry Maturity - 1st April, 20
2. 30th Nov, 23	3 months	Expiry - 29th Feb, 24 Maturity - 3rd Mar, 24
3. 30th June, 23	43 days	July - 31 Aug - 12th Expiry Maturity - 14th Aug, 23
4. 15th July, 2023	3 months	18th Oct, 2023
5. 31st Dec, 2022	2 months	3rd Mar, 2023
6. 1st July, 2023	90 days	July - 30 Aug - 31 Sep - 29th - Expiry Maturity - 1st Oct, 23



Example: Bill drawn on 20th Jan, 24
 Term of the Bill - 2 months
 Bill accepted on 24th Jan, 24

Bill after Date
 Maturity - 23rd Mar, 24

Bill after Sight
 27th Mar, 24

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Tara Clothing

1. Sale - 10,000



Pinku

B/R

2

Bill of Exchange	
Drawee	Date of Draw
Drawn payable after date pay to order of the order of the value stated	
Drawn	Drawn
Drawn of Drawee	Drawn of Drawee
Address of Drawee	Address of Drawee

Accepted
 - B/P

BOE - 20/1/24, 2 months

Books of Tara

20/1/24 Pinku Dr. 10,000
 To Sales A/c 10,000

20/1/24 Bills Rec. A/c Dr. 10,000
 To Pinku 10,000

Asset

Books of Pinku

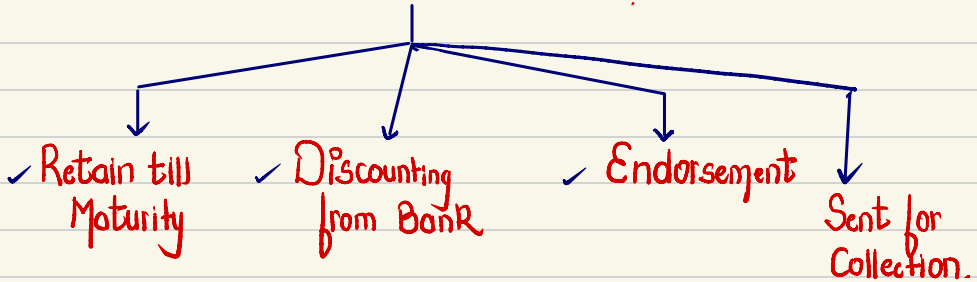
20/1/24 Purchases A/c Dr. 10,000
 To Tara 10,000

20/1/24 Tara Dr. 10,000
 To Bills Pay A/c 10,000

Liability

Bill of Exchange	
Name of Drawer	Date of Drawn
Amount	
Term, months after date pay to me or my order, the sum of _____ for the value received.	
(Signed)	(Signed)
Name of Drawee	Name of Drawer
Address of Drawee	Address of Drawer

9s Bill का क्या होगा ?



1 Retain till Maturity

a) Honour [Amt Received on Maturity]

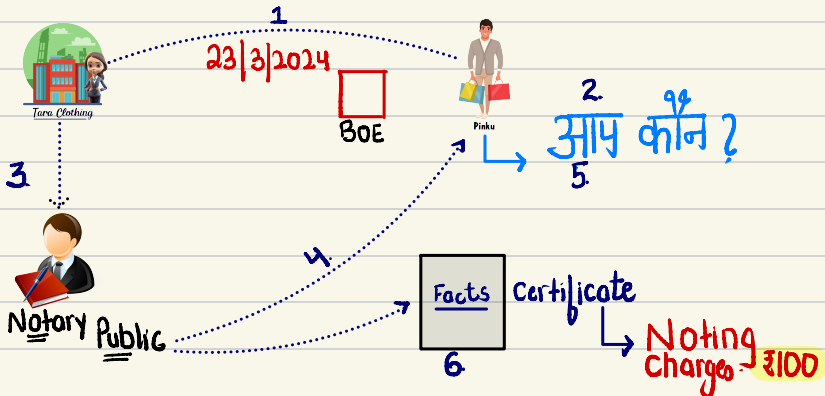
Books of Tara

23rd March Bank Dr 10,000
To B/R 10,000

Books of Pinku

23rd Mar Bills Payable A/c Dr 10,000
To Bank A/c 10,000

b) Dishonour



Books of Tara

23/3

Asset x
Asset ↓

Pinku Dr. 10,100
To Bills Rec. 10,000
To Cash 100

Receivable

Books of Pinku

liab x

Bills payable Dr. 10,000
Noting charges Dr. 100
To Tara 10,100

Payable

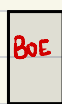
2) Discounting from Bank



Term: 2 months

20/1/23

After 1 month - 20/2/23



Discounting
Charges - 12% p.a.

$$\text{Disc. charges} = 10,000 \times \frac{12}{100} \times \frac{1}{12} = 100$$

$$\text{Amt paid to Tara} = 10,000 - 100 = 9900$$

1. Amt Received by Tara

2.

3. Amt Recovered from Tara - ₹10,100

4. Noting charges - ₹100 Paid by Bank

On Maturity 3.



Notary Public



आय कौन ?

Books of Tara

20/2/23 Bank A/c Dr. 9900
Discounting ch Dr. 100
To Bills Rec. 10,000

Books of Pinku

No Entry

a) Honour

23/3/24
NO Entry

23/3/24 Bills pay Dr. 10,000
To Bank A/c 10,000

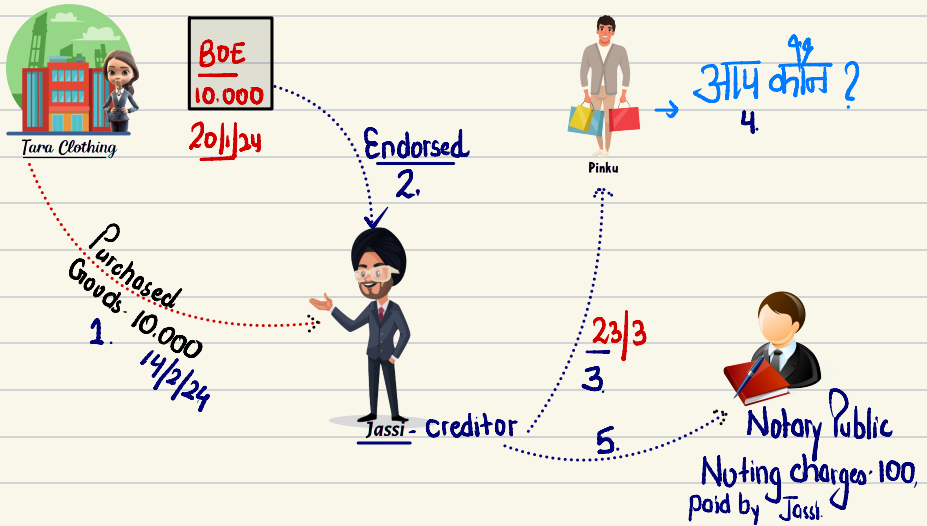
b) Dishonour

23/3/24 Pinku Dr. 10,100
To Bank A/c 10,100
↓
Amt recovered by SBI Bank

Receivable

23/3/24 Bills pay Dr. 10,000
Noting ch Dr. 100
To Tara 10,100

3 Endorsement



Books of Tara

14/2/24 Purch A/c Dr 10,000
To Jassi 10,000

14/2/24 Jassi Dr 10,000
To Bills Rec A/c 10,000

Books of Pinku

No Entry

Books of Jassi

14/2/24 Tara Dr 10,000
To Sales A/c 10,000

14/2/24 B/R Dr 10,000
To Tara 10,000

a) Honour

23/3/24 No Entry

23/3 B/P Dr 10,000
To Bank 10,000

23/3 Bank Dr 10,000
To B/R A/c 10,000

b) Dishonour

Books of Tara

23/3 Pinku Dr. 10,100
To Jassi 10,100

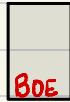
Books of Pinku

Bills pay Dr. 10,000
Noting ch Dr. 100
To Tara 10,100

Books of Jassi

23/3 Tara Dr. 10,100
To Cash 100
To B/R 10,000

4. Bill Sent for Collection.



Sent for
Collection
25/1/24



Bank

In the Books of Tara

25/1/24

Bill sent for collection Dr. 10,000
To B/R A/c 10,000

Books of Pinku

No Entry

a) Honour

23/3/24 Bank A/c Dr. 10,000
To Bill sent for coll A/c 10,000

23/3 Bills pay Dr. 10,000
To Bank 10,000

b) Dishonour

Books of Jara

23/3/24 Pinku Dr. 10,100
 To Bill sent for collection 10,000
 To Bank 100

Books of Pinku

23/3/24 Bills pay Dr. 10,000
 Noting ch Dr. 100
 To Jara 10,100

1 min

Renewal of bill



Sale - 10,000

BOE

11/4/23
2 months



SORRY! Mere pas ~~421~~ nahi hai.

4/6/23

Bill Dishonour

Request, New Bill

2 months

Interest @ 12% p.a.

$$\Rightarrow 10,000 \times \frac{12}{100} \times \frac{2}{12}$$

$\Rightarrow ₹ 200$

No Int on Amt paid at the time of Renewal

Int is calculated on Amt Receivable from Debtor, inc. Noting charges

Int paid in Cash at the time of Renewal.

Int amt included in the Bill.

If nothing is mentioned about Interest

JOURNAL

1. Dishonour $\rightarrow$ Pinku Dr. 10,000 ^{Debtor}
To B/R A/c 10,000

a) Int is Received in Cash
i) Cash Dr. 200
To Interest A/c 200

ii) B/R Dr. 10,000
To Pinku 10,000

b) Int is included in Bill.
 $\rightarrow$ B/R A/c Dr. 10,200
To Pinku 10,000
To Int A/c 200

ILLUSTRATION 2

Vijay sold goods to Pritam on 1st September, 2022 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.

Books of Vijay

2022
Sep1

Pritam Dr 106000
To Sales A/c 106000

Sep1

Bills Rec Dr 106000
To Pritam 106000

Dec4

Pritam Dr 106000
To B/R A/c 106000

Dec4

Cash Dr 1540
To Interest 1540
 $\left[106000 \times \frac{9}{100} \times \frac{2}{12} \right]$

Dec4

B/R A/c Dr 106000
To Pritam 106000

2023

Feb7

Bank A/c Dr 106000
To B/R 106000

Books of Pritam

2022
Sep1

Purch A/c Dr 106000
To Vijay 106000

Sep1

Vijay Dr 106000
To B/P A/c 106000

Dec4

B/P A/c Dr 106000
To Vijay 106000

Dec4

Int A/c Dr 1540
To Cash A/c 1540

Dec4

Vijay Dr 106000
To B/P A/c 106000

Feb7

B/P Dr 106000
To Bank 106000

X sells goods for Rs 40,000 to Y on 1st January, 2023 and on the same day draws a bill on Y at three months for the amount. Y accepts it and returns it to X, who discounted it on 4th January, 2023 with his bank at 6% p.a. The acceptance is dishonoured on the due date and the noting charges were paid by bank being Rs 200.

On 4th April, 2023, Y accepts a new bill at three months for the amount then due to X together with interest at 12% p.a.

Make Journal entries to record these transactions in the books of X.

Books of X

2023
Jan 1

Y Dr. 40,000
To Sales A/c 40,000

Jan 1

B/R Dr. 40,000
To Y 40,000

Jan 4

Bank Dr. 39,400
Disc. charges Dr. 600
To B/R 40,000

$$\left[40,000 \times \frac{6}{100} \times \frac{3}{12} \right]$$

Apr 4

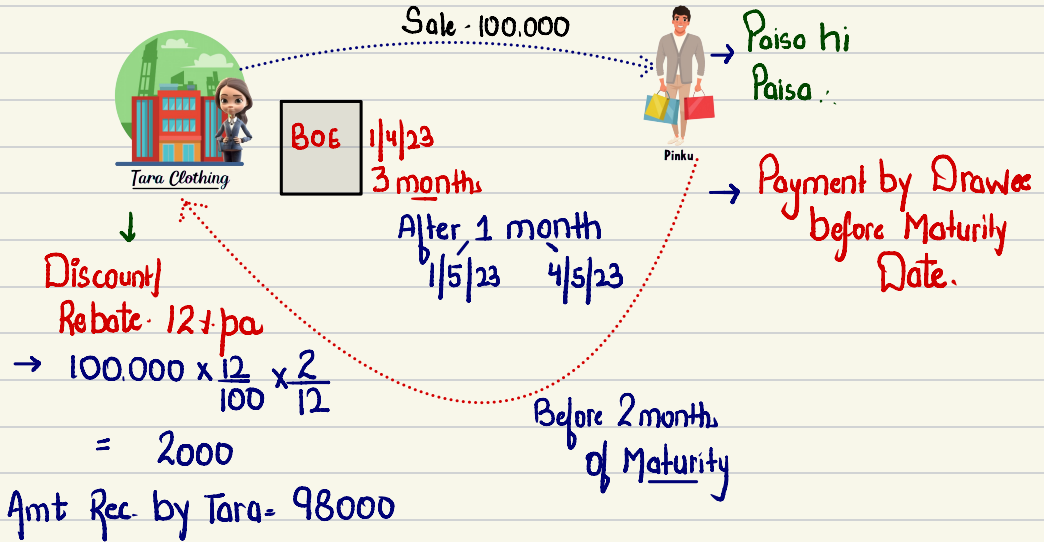
Y Dr. 40,200 ✓ → Dishonoured
To Bank A/c 40,200 ✓

Apr 4

B/R A/c Dr. 41,406
To Y 40,200
To Int 1,206

$$\left[40,200 \times \frac{12}{100} \times \frac{3}{12} \right]$$

Retirement of bill



Tara	Pinku
1/5/23 Bank Dr 98000 Discount / Rebate Dr 2000 To B/R 100,000	1/5/23 Bill pay Dr 100,000 To Bank 98000 To Rebate 2000

1/1/22 1/2 1/3 1/4

ILLUSTRATION 3

On 1st January, 2022, 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, 2022, Bhavika retires her acceptance under rebate of 12% per annum. Record these transactions in the journals of Ankita and Bhavika.

Ankita

2022

Jan 1

Bhavika Dr. 500.000
To Sales A/c 500.000

Jan 1

B/R Dr. 500.000
To Bhavika 500.000

Mar 1

Bank A/c Dr. 495000
Rebate Dr. 5000
To B/R 500.000

W.N. Rebate - $500.000 \times \frac{12}{100} \times \frac{1}{12}$

= 5000

Bhavika

2022

Jan 1

Purch A/c Dr. 500.000
To Ankita 500.000

Jan 1

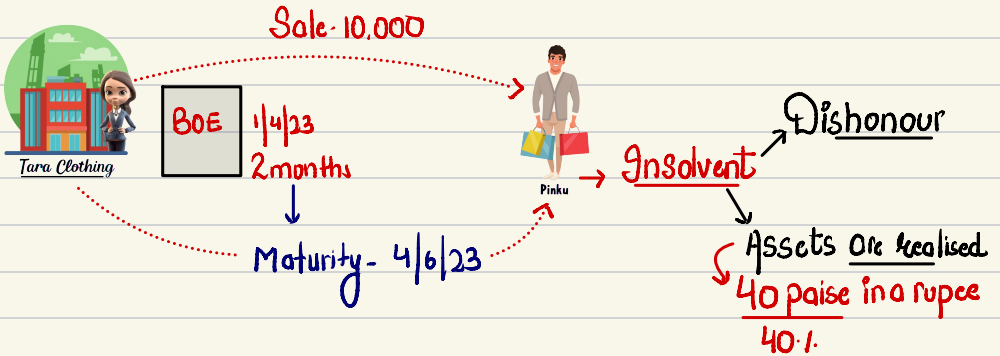
Ankita Dr. 500.000
To B/P 500.000

Mar 1

B/P Dr. 500.000
To Bank 495000
To Rebate 5000

INSOLVENCY

Liab > Assets



Tara

4/6/23 Pinku Dr 10,000
To B/R 10,000

4/6/23 Bank Dr 4000
Bad debt Dr 6000
To Pinku 10,000

Pinku

4/6/23 B/P Dr 10,000
To Tara 10,000

4/6/23 Tara Dr 10,000
To Bank 4000
To Deficiency 6000
↓
Assets ki kami

ILLUSTRATION 7

2m - 4/3

Mr. David draws two bills of exchange on 1.1.2022 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 4.3.2022, 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 20.3.2022, 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.

50%

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

Journal

1.1.22

B/R (1) Dr 6000
B/R (2) Dr 10,000 ✓
To Thomas 16000

4.3.22

Thomas Dr 6000 ✓
To B/R (1) 6000

4.3.22

B/R (3) Dr 6180
To Thomas 6000
To Interest 180
($6000 \times \frac{18}{100} \times \frac{2}{12}$)

20.3.22

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

7.5.2022

Thomas Dr 6180
To B/R (3) 6180

7th May

Bank A/c	Dr	3090
Bad debts	Dr	3090

To Thomas 6180

ILLUSTRATION 8

Rita owed ₹1,00,000 to Siriman. On 1st October, 2021, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for ₹99,000 on 3rd October, 2021. Before the due date, Rita approached Siriman for renewal of the bill. Siriman agreed on the conditions that ₹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.

Siriman

1.10.21 B/R Dr. 100,000
To Rita 100,000

3.10.21 Bank Dr 99,000
Disc ch Dr 1000
To B/R 100,000

4.1.22 Rita Dr 100,000
To Bank 100,000

4.1.22 Bank A/c Dr 51,500
To Rita 50,000
To Int 1500
[$50,000 \times \frac{12}{100} \times \frac{3}{12}$]

4.1.22 B/R Dr 50,000
To Rita 50,000

7.4.22 Rita Dr 50,000
To B/R 50,000

Rita

1.10.21 Siriman Dr 100,000
To B/P 100,000

4.1.22 B/P Dr 100,000
To Siriman 100,000

4.1.22 Siriman Dr 50,000
Interest Dr 1500
To Bank 51,500

4.1.22 Siriman Dr 50,000
To B/P 50,000

7.4.22 B/P Dr 50,000
To Siriman Dr 50,000

<u>7.4.22</u>	Bank Dr 20,000	7.4.22	Sriraman Dr 50,000
	Bad debt Dr 30,000		To Bank 20,000
	To Rita 50,000		To Deficiency 30,000

ILLUSTRATION 4

Journalise the following transactions in K. Katrak's books.

- (i) B/P ✓ Katrak's acceptance to Basu for ₹ 2,500 ✓ discharged by a cash payment of ₹ 1,000 and a new bill for the balance plus ₹ 50 for interest. 1500 ✓ B/R
- (ii) B/P ✓ G. Gupta's acceptance for ₹ 4,000 which was endorsed by Katrak to M. Mehta was dishonoured. Mehta paid ₹ 20 noting charges. Bill withdrawn against cheque. ✓
- (iii) B/P D. Dalal retires a bill for ₹ 2,000 drawn on him by Katrak for ₹ 10 discount.
- (iv) B/P Katrak's acceptance to Patel for ₹ 5,000 and Mody's acceptance to Katrak for a similar amount were duly discharged. B/R

In the books of K. Katrak

- (i) a) B/P Dr 2500
To Basu 2500 -
- b) Basu Dr 1000
To Cash 1000
- c) Basu Dr 1500
Int Dr 50
To B/P 1550

- (ii) Katrak Drawee
G. Gupta Drawee
- → M. Mehta Noting ch - ₹ 20

a]

G. Gupta Dr 4020

To M. Mehta 4020

b]

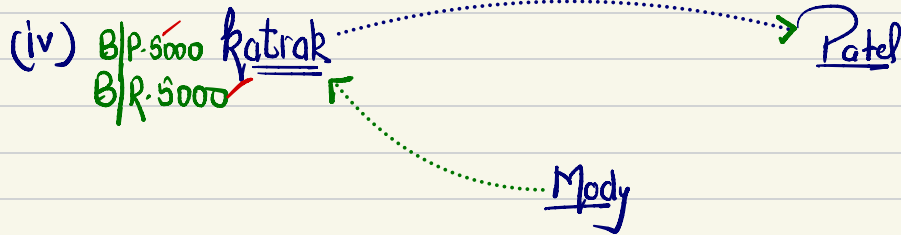
M. Mehta Dr 4020

To Bank 4020

(iii)

Bank Dr 1990
Discount 10

To B/R 2000



⇒

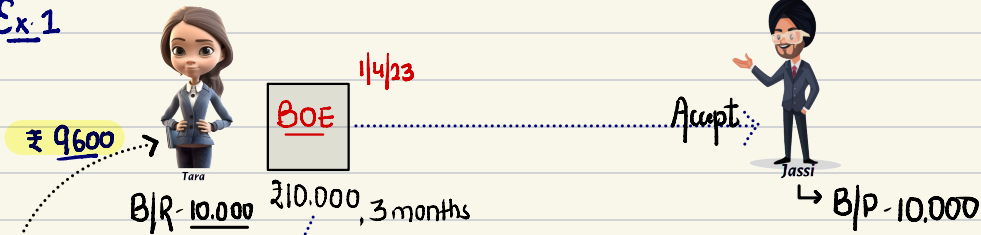
B/P Dr 5000

To B/R A/c 5000

Accommodation Bill

→ ~~Self financing~~
v. easy

Ex. 1



$$\begin{array}{rcl}
 4800 & \leftarrow 9600 \rightarrow & 4800 \\
 \underline{200} & & \underline{400} \\
 5000 & \rightarrow & 400 \times \frac{4800}{9600} = 200 \\
 & & \underline{5000} \\
 & & 5000 \\
 & & \underline{10000} \text{ - paid to Bank}
 \end{array}$$

On Maturity

Tara

1/4/23 B/R A/c Dr 10,000
To Jassi 10,000
↓ payable to Jassi on Maturity.

1/4/23 Bank Dr 9600
Disc ch Dr 400
To B/R 10,000

Jassi

1/4/23 Tara Dr 10,000
To B/P A/c 10,000

Amt Rec.



1/4/23 Jassi Dr. 5000
 To Bank 4800
 To Disc ch A/c 200
 $\left[400 \times \frac{4800}{9600} \right]$

1/4/23 Bank Dr. 4800
 Disc ch Dr 200
 To Tara 5000

4/7/23 Jassi Dr 5000
 To Bank A/c

4/7/23 Bank Dr 5000
 To Tara 5000

4/7/23 B/P Dr 10,000
 To Bank 10,000

Drawer



Tara

1960
 40
 2000

Bill #1

← 3920 →
 80 → $1960 \times \frac{80}{3920} = 40$
 4000
 2000

Drawee



Jassi

Drawee



Tara

1300
 On Maturity of Bill #1
 Net Position +3300
 $400 \times \left[\frac{3300}{6600} \right] = 200$
 3500

Bill #2 (2 months)

← 6600 →
 400
 7000

Drawer



Jassi

5300 (4000)
 +3300
 $400 \times \left[\frac{3300}{6600} \right] = 200$
 +3500

On
Maturity

Insolvent
Dishonour of
Bill

(7000) → Paid to Bank

Net
Position

+ 3500

(3500)

40% amt is Recovered

(1400)

2100 - Deficiency

+ 1400

2100 - Bad debt

Tara

Jassi

1/4/23 Bills Rec. Dr. 4000
To Jassi 4000 Cr.

1/4/23 Tara Dr. 4000
To B/P 4000

1/4/23 Bank A/c Dr. 3920
Disc. charges Dr. 80
To B/P 4000

1/4/23 Bank Dr. 1960
Disc. ch Dr. 40
To Tara 2000

1/4/23 Jassi Dr. 2000
To Bank 1960
To Disc ch 40

4/7/23 B/P Dr. 7000
To Tara 7000

4/7/23 Jassi Dr. 7000
To B/P 7000

4/7/23 Bank Dr 1300
Disc charges Dr 200
To Jassi 1500
$$\left[400 \times \frac{(1300+2000)}{6600} \right]$$

7/9/23 B/P Dr 1000
To Jassi 1000
[Dishonour]

7/9/23 Jassi Dr 3500
To Deficiency 2100
To Bank 1400

4/7/23 Bank Dr 6600
Disc ch. Dr 400
To B/P 7000

4/7/23 B/P 4000
To Bank 4000

4/7/23 Tara Dr 1500
To Bank 1300
To Disc ch. 200

7/9/23 Tara Dr 1000
To Bank A/c 1000
[Dishonour]

7/9/23 Bank Dr 1400
Bad debt Dr 2100
To Tara 3500

ILLUSTRATION 10

X draws on Y a bill of exchange for ₹ 30,000 on 1st April, 2022 for 3 months. Y accepts the bill and sends it to X who gets it discounted for ₹ 28,800. X immediately remits ₹ 9,600 to Y. On the due date, X, being unable to remit the amount due, accepts a bill for ₹ 42,000 for three months which is discounted by Y for ₹ 40,110. Y sends 6,740 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.

Bill #1	
Drawer	Drawee
$\begin{array}{r} \text{X} \\ 19200 \\ 800 \\ \hline 20.000 \end{array}$	$\begin{array}{r} \text{Y} \\ 28.800 \leftarrow 9600 \\ 1200 \rightarrow \left[\frac{9600}{28800} \times 1200 \right] - 400 \\ \hline 30.000 \quad 10.000 \end{array}$
Bill #2	
Drawee	Drawer
$\begin{array}{r} 6740 \\ 40.110 \\ \hline \end{array}$	$\begin{array}{r} 33.370 \\ (30.000) \text{ Payment of 1st Bill} \\ \hline +13.370 [10.000 + 33.370 - 30.000] \\ 630 \end{array}$
$\begin{array}{r} \text{Net position} \\ +26740 \\ 1890 \times \left[\frac{26740}{40.110} \right] \\ \hline = 1260 \\ \checkmark 28000 \end{array}$	$\begin{array}{r} 1890 \\ \hline 42000 \end{array}$
$\begin{array}{r} \text{Dishonour} \\ +28000 \\ -14000 \\ \hline \text{Deficiency } 14000 \end{array}$	$\begin{array}{r} 14000 \checkmark \\ (42000) - \text{Paid to Bank} \\ \hline (28000) \\ +14000 \\ \hline 14000 - \text{Bad debt} \end{array}$

Dec-23

R draws a bill of exchange on P for ₹ 2,00,000 on 1st 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 ₹ 2,50,000 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.

Rough

Drawer
R ✓

112800
7200
✓
120,000

Bill #1

188000
12000

→

75200

✓ P ✓

12000 →

$\left[\frac{75200 \times 12000}{188000} \right]$ 4800

200,000

80,000

Drawer

Bill #2

Drawer

56700

←

236250 ✓

179550

(200,000)

59550

Net position

176100

$\frac{176100}{236250} \times 13750$

← 13750

3466

=

10284

✓ 186984

250,000

63016 ✓

(250,000)

(186984) ✓

(93492)

93492 Def.

+ 93492
Bad debt - (93492) ✓

Journal in the books of P

1. R Dr. 200,000
To B/P 200,000

2. Bank Dr. 75,200
Disc. ch. Dr. 4,800
To R 80,000

3. B/R Dr. 250,000
To R 250,000

4. Bank Dr. 236,250
Disc. ch. Dr. 13,750
To B/R 250,000

B/P 200,000
To Bank 200,000

5. R Dr. 66,984
To Bank 56,700
To Disc. Ch. A/c 10,284
 $\left[\frac{120,000 + 56,700}{236,250} \times 13,750 \right]$

6. R Dr. 250,000
To Bank A/c 250,000

7. Bank Dr. 93,492
Bad debt Dr. 93,492
To R 1,86,984

Unit over !