

Date - 21/03/2025

10 marks

Accounts

Ch06 → Bills of Exchange :-

Sec. 01

3 options After shopping

1. Pay By Cash

2. Pay By Card

3. Ask for Credit → Record

↓

Directing a certain Person ← unconditional & promising order

↳ To Pay a certain Some of money.

What is Bills of Exchange

As per Sec. 5 of NIA - 1881

Bills of Exchange :-

1. an instrument in writing.

2. Containing an unconditional order.

3. Signed by the maker → shopkeeper

4. Directing a certain Person.

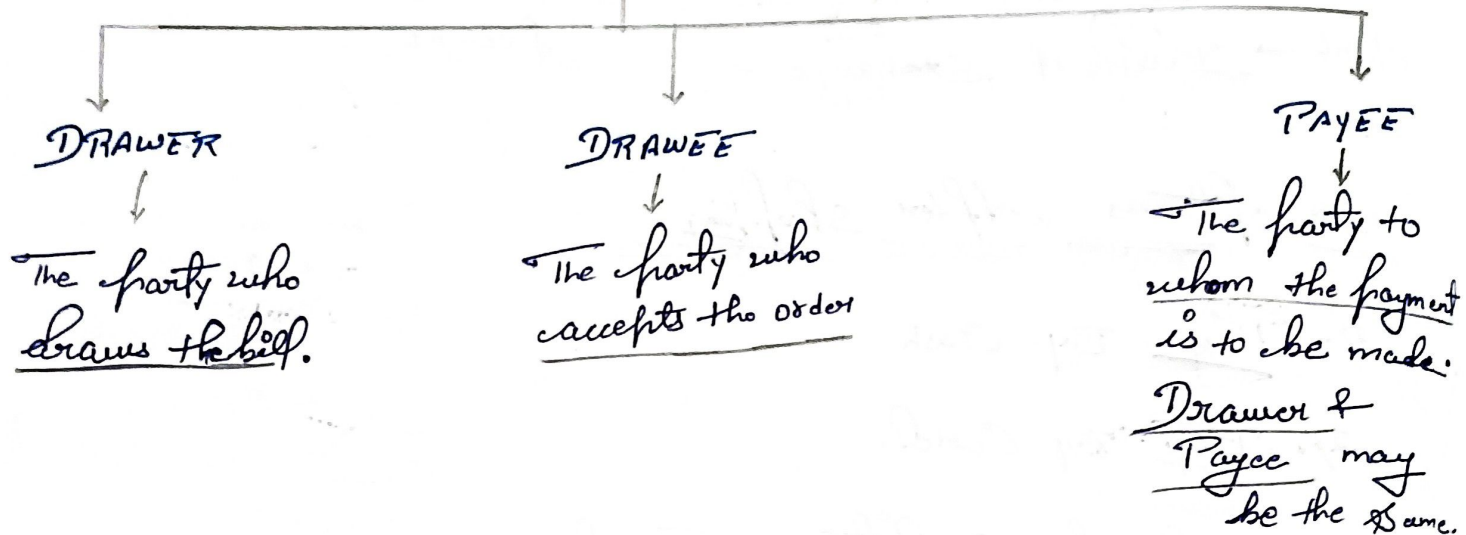
5. To Pay a certain Some of money

6. or to the order of a certain Person

→ Bearer of the Instrument

↳ (Endorse)

Parties to Bill of Exchange



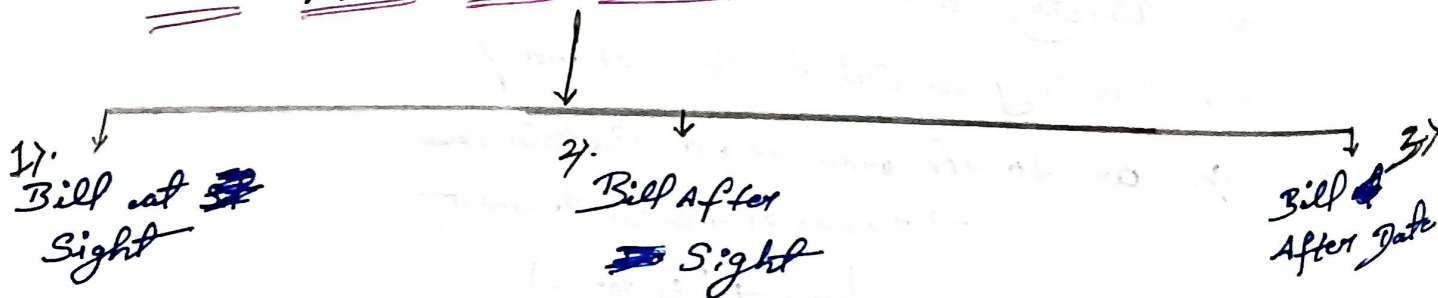
What is Promissory Note

as per Sec. 4 of NIA, 1881

Promissory note is :-

- An instrument in writing (Bank Note & Current note)
- Containing an unconditional undertaking
- Signed by the maker → Customer
- To pay a certain sum of money
- To a certain person or order

Types of Bills



Bill of Exchange

Bill at sight
or
Bill on Demand
or
Bill on Presentment

X • No Time Period.

X • No Grace Days (3 Days).

when Bill Demanded
Needs to make
payment.

Bill after
sight

1. Due Date Considered
from Date of
Acceptance of Bill.

Ex - Bill Draw - 15th April 2025
Bill Accepted - 25th May 2025
Date Considered
↓
Due Date of Bill - 25th May, 2025

2. Time Period mentioned.
✓ 3 Days of Grace.

Bill After
Date

1. Due Date Considered
↳ Date of Drawing
of Bill

2. Time Period
mentioned.

✓ 3 Days of Grace.

Due Date → Date of maturity

Due Date =
Bill after sight → 1. Date of Acceptance of Bill + Term of Bill +
3 Days of Grace.

Bill after Date → 2. Date of Drawing of Bill + Term of Bill +
3 Days of Grace.

Date of Maturity is Holiday

Public Holiday

Emergency Holiday

1). Previous working (Date/Days).

Question $\rightarrow$ Silent.

$\rightarrow$ 26th January

$\rightarrow$ 15th August

$\rightarrow$ 2nd of Oct.

$\rightarrow$ Sunday / Dinoli / Holi / Eid /

2). Next working Date.

Question $\rightarrow$ Specifically mention

Calculation of Dates

Bill after sight

Bill after Date

1). Date of Acceptance / Drawing

+

2). Term of Bill - Days / Months

=

3). Expiry / Due Date

+

4). Grace Days - 3 Days

=

5). Maturity Date

Case - I

→ A Draw a Bill on B ₹ 7,000 Payable on 20th June 2024

Due Date = 20th June 2024.

Case - II

A Draw a Bill on B ₹ 7,000 on 20th June 2024,
Payable after 3 months.

Due Date = 20th June + 3 months

1> 20th July

2> 20th Aug.

3> 20th Sept

Case - III

A Draw on Bill on B ₹ 7,000 on 20th June, Payable
after 30 Days

Payable at a stated Number of Days After Date

→ (Due Date) : Days which comes after adding
started Number of Days

Solution = Date of Bill + Term = Due Date

20th June + 30 Days = 20th July

June → 30 Day - 20/10

July → 20th

Case - IV

Due Date is Public Holiday

→ A Draw on Bill on B ₹ 7,000 on 15th July for 1 month

15th July + 1 month = 15th Aug

Preceding Date → 14th Aug

• Case — V

Due Date is Emergency Holiday

A Draw on Bill B for ₹ ₹,000 on 10th July
Payable after 1 month,

on 10th Aug, it was Declared an Emergency Holiday.

Date of Bill + Term = Due Date

10th July + 1 month = 10th Aug. → Emergency Holiday
└──────────→ 11th Aug

Date → 26/03/2025

Accounts

Sec 202

Ch. 06 → Bills of Exchange +

Mind map → Bill of exchange

Drawer

1. Credit sales
2. Bill Draw [B/R → Assets]
3. Payment Received
4. Discount Allow → (Expenses) Dr.
5. Discount Charge → (Income) Cr.
6. Discounted with bank
Discount allow → Dr.
7. Endorse to Creditors
8. Bill sent to Bank
for collection

Drawee

1. Credit Purchase
2. Bill Acceptance [B/S → Liab.]
3. Payment → Pay
4. ~~Retirement~~ Retirement of Bill
Pre-Payment Before
maturity Date
5. ~~Renewal~~ Renewal of Bill
Lack in Payment on
maturity Date
6. Payment
Holder of the bill
7. Payment
Holder of the bill

Journal Entry

Assets & Expenses → + Dr, - Cr
Liabilities & Income → + Cr, - Dr

Drawer → A

Drawee → B

1. Credit Sales

B's A/c Dr. (Debtor) ^{A+}
To Sale

1. Credit Purchase

Purchase A/c Dr. (Exp) ^{B+}
To A's (Cr) ^{B+}

2. Bill Drawn (Assets)

B/R A/c Dr. ^{A+}
To B's A/c ^{A-}

2. Bill Accept (Liability)

A's A/c Dr.
To B/P A/c

Condition for Drawer

Transaction	1	2	3	4
1. Event	Bill Hold till maturity date No Entry	Bill discounted with the bank Bank A/c Dr. Discount A/c Dr. To B/R	Bill Endorse to creditor's Endorse A/c Dr. To B/R	Bill sent to Bank for collection Bill sent to Bank for collection Dr. To B/R
2. On maturity				
1. Honour —	Bank A/c Dr. To B/R	No Entry	No Entry	Bank A/c Dr. To B's B/c A/c
2. Dishonour X	B's A/c Dr. → Bill + N.C. To B/R → Bill To (Noting charge) Bank _{N.C.}	B's A/c Dr. To Bank (Amt + Noting charge)	B's A/c Dr. To C's A/c (Dishonour - Reverse) # Bill + N.C.	B's A/c Dr. To B's B/c To Bank _{N.C.}

Accounting Treatment in the Books of Drawee → Payment

Payment

B/P A/c Dr. 7,000
To Bank 7,000

Dis-Honour

B/P A/c Dr. 7,000
Noting charge Dr. 500
To Bank 7,500

1. Retirement of Bill → Pre Payment

1. Drawee → Is Ready to Pay the Amount Before Due Date.
2. Drawee → Request → The Drawer → Settlement → Before Due Date.
(Accepter) (Payee) ↳ 'with Benefit'
3. Retirement of Bill
4. Accepter (Drawee) → Interest / Discount / Rebate
↳ Discount → Income → Cr.
5. Payee (Drawer) → Discount → Expenditure → Dr.

Drawer

Bank A/c Dr.
Discount A/c Dr.
To B/R

Drawee

B/R A/c Dr.
To Bank
To Discount

$$\text{Bill Amount} \times \text{Rate} \times \frac{\text{month}}{12} \rightarrow \text{Remaining}$$

• Renewal of Bill → No Payment on Due Date

1. when Acceptor of a B/E is unable to Pay the Amount on Due Date.
2. Acceptor → Request → Payee → Extension of Time Period.
(Drawee) (Drawee)
3. Renewal of Bill
4. Existing Bill → Cancelled → (Lost like Dishonour) → Entry → Reverse
5. New Bill → Made → Amount of old Bill + Interest

$$\text{Interest} = \text{Amount of old bill} \times \text{rate} \times \frac{\text{Months}}{12}$$

→ Remaining

Bad debts

• Insolvency of Drawee
(Dishonour)

Not able to Pay his liability

Drawer

Drawee

1. for Dishonour of B/R

Drawee A/c Dr.
To B/R

1. for Dishonour of Bill

B/R A/c Dr.
To Drawer

2. Recording final Amount (If Any)

Bank A/c Dr.
Bad debts A/c Dr.
To Drawee

2. Recording final Amount (If Any)

Drawer A/c Dr.
To Bank/cash
To Deficiency (Balance figure)

Date → 26/03/2025

Accounts

lec. 03 + 04

ch. 06 → Bills of Exchange

Accommodation of Bill → Helping hand for Both the Parties

1. Bills of Exchange is generally drawn in support of Trade Transaction.
[Credit sales]
2. Bills of Exchange is also utilized for Raising Finance.
[Bank] → without Trade Transactions
3. when Bills of Exchange is used for financing Purchase.
→ [Accommodation of Bill]
→ (Note)
4. Raising Finance from → Bank.
5. Bank charged from Discount → Discount charge bear by both the Parties
6. Charges → Bear → Benefit Received.
7. BOE → unconditional order → Repayment → Liability →
→ Accommodation of Bill
→ Both the Party & Payment on Respective Date → to the bank.

<u>Basis of Difference</u>	<u>Trade Bill</u>	<u>Accommodation Bill</u>
1. Purchase	Trade Purchase for some Consideration. Drawer → F Drawee → Pur. of Stock	Financial need purpose No Consideration
2. Need	Settle → Business cn. Transaction	Satisfy the financial need of Both the Party
3. Legal status	Drawer → legal action	Drawer can not take legal actions
4. Discount with the Bank	may, or may not discount from Bank	Always Discount from Bank.
5. Discounting Charges	Drawer Bear the Cheque	Both the the Party Bear the cheque.

Accommodation Bill

1. Bill Draw
2. Discounted from the Bank.
3. Remitt to ~~the~~ 2nd Party
4. Acceptance given to 3rd party
- #5. Discounted from the Bank
6. Dishonour → Returns

Insolvency $\rightarrow$ Partial Payment / no payment due to insolvency
 $\rightarrow$ Bad debts
 $\rightarrow$ Deficiency

Question $\rightarrow$ Credit & Trade Transaction $\times$

I.M.T.

$\rightarrow$ financial need satisfy $\checkmark$

$\rightarrow$ when Both Party transfers / Pay the money to each other $\rightarrow$ the called accommodation of Bill.