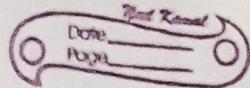


Ch-6 Bills of Exchange



Calculation of Due Date : Types of bill

(a) Bill after date : Due date = DOB + Bill term (time period)
(Date of bill)

(b) Bill after sight : Due date = DOA + Bill term (time period)
(Date of Acceptance)

• Date of Maturity = Due Date + 3 Days

Books of A [Creditor]

Drawer, Payee, Promisee

Book of B [Debtor]

Drawee, Maker, Acceptor, Promisee

1. Goods sold by A to B

(DOT)
B'S A/c
To Sales A/c

Dr. Purchase A/c
To A'S A/c
Dr.

2. Cash Cheque received from B or paid by B or BOE received by B

(DOA)
B/R A/c
To B'S A/c

Dr. A'S A/c
Dr. To Cash/Bank A/c
To B/P A/c
Dr.

3. Bills settled / Discharge / paid / honoured by B

(DD/DOM)
Cash/Bank
To B/R A/c

Dr. B/P A/c
To Cash/Bank
Dr.

OR

4. Bills Discounted with bank

(DD)
Bank A/c
Discount A/c
To B/R

Dr. ——— No Entry ———
Dr.

OR

5. Bills Endorsed to 3rd person

3rd person
To B/R

Dr. ——— No Entry ———

OR

6. (a) Bills sent for collection
 Bills sent for collection A/c Dr. — No Entry —
 To B/R

[+]

(b) Bills collected by bank/Agent
 Cash/Bank A/c Dr. B/P A/c
 Collection Charges A/c Dr. To Cash/Bank A/c
 To B/R sent for collection A/c

OR

7. Premature settlement of bills
 Cash/Bank A/c Dr. B/P A/c
 Rebate A/c Dr. To Cash/Bank A/c
 To B/R To Rebate A/c

(After 1st & 2nd Entry any one entry from 3 to 7 will have to be reversed)

8. Dishonour of bills
 B/S A/c Dr. B/P A/c
 To B/R To A/S A/c
 To Bank A/c
 To 3rd person
 To Bills sent for collection

9. Adjusting for Noting Charges
 B/S A/c Dr. Noting Charges A/c
 [paid by A] To Cash A/c To A/S A/c
 [paid by bank] To Bank A/c
 [paid by 3rd person] To 3rd person

10. Interest Charge by A (creditor) on B (Debtor)

B's A/c To Interest A/c	Dr. Interest A/c To A's A/c
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11. New bill & cheque/cash received from B

B/P A/c Cash/Bank A/c To B's A/c	Dr. A's A/c Dr. To B/P A/c To Cash/Bank A/c
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12. Adjustment for Insolvency of B

(a)

B's A/c To B/P	Dr. B/P A/c To A's A/c
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[+]

(b)

Bank A/c Bad Debt A/c To B's A/c	Dr. A's A/c Dr. To Bank A/c [Imp] To Deficiency A/c
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Ch-5 Depreciation & Ammortisation

Methods of Charging Depreciation

1. SLM / Fixed Instalment method / Original cost method

$$\text{Depreciation} = \frac{\text{Original cost} \times \text{Rate} \times \text{Effective period}}{100}$$

If rate of Dep is not given

$$\text{Depreciation} = \frac{\text{Original cost} - \text{Scrap Value}}{\text{Total estimated useful life}}$$

$$\text{Rate of Depreciation} = \frac{\text{Amt of Depreciation} \times 100}{\text{Original cost}}$$

3. Sum of digit method

$$\frac{\text{Remaining years} \times \text{Original cost}}{\text{Total years}}$$

2. WDV / Diminishing balance method

$$\text{Depreciation} = \frac{\text{WDV} \times \text{rate}}{100}$$

4. Revaluation method

5. Methods based on prod.

- a. Prod units methods
- b. K/M method
- c. Machine hour rate method
- d. Depreciation method.

Journal Entries

1. Purchase of fixed asset

Fixed Assets A/c
To Cash/Bank

To Creditors

To B/P

To Bank loan

2. Installation or other direct expenses

Dr. Fixed Assets A/c
To Cash A/c

To O/S Expenses A/c

3. For Depreciation Depreciation A/c
To Fixed Assets

4. For sale of fixed asset

Dr. Cash or Bank A/c
OR

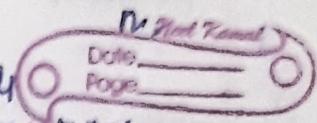
Debtors A/c

To Fixed Assets A/c

(Resale value)

5. For loss on sale of fixed assets
 loss on sale of fixed assets A/c
 To fixed assets A/c

6. For profit on sale of fixed assets
 Dr. Fixed Assets A/c
 To Profit on sale of fixed assets A/c



7. To Transfer Depreciation A/c & loss
 P/L A/c
 Capital & Revenue A/c
 To Depreciation
 To loss on sale of F.A -

Dr.
 Cr.

8. To Transfer on profit on sale of FA
 Profit on sale of fixed assets A/c
 To Profit/Loss A/c

Dr.
 Cr.

Thus are 2 methods of Depreciation

2. Dep charged to P.V for Dep
 (i) Depreciation A/c
 To P.V for Depreciation
 (ii) P/L A/c
 To Depreciation

1. Dep charged on fixed assets

(i) Depreciation A/c
 Dr. To fixed assets A/c
 (ii) P/L A/c
 Dr. To Depreciation A/c

Dr.
 Cr.
 Dr.

Assets Disposal A/c

OR
 P/L A/c
 To P.V for Dep A/c

To Fixed assets [Historical cost]	By P.V for Dep [Accumulated + C.Y. Dep]
To Profit on sale [B/F]	By Bank
	By loss on sale [B/F]