



CHAPTER08

Bill of Exchange

Question 1

Name any two types of commonly used negotiable instruments.

Answer: Following are the two types of negotiable instruments which are commonly used:

1. Cheque – Cheque is a written negotiable instrument which orders a bank to pay the stated amount of sum to the bearer holding the instrument.
2. Promissory note – Promissory note is a written negotiable instrument which issues a promise from the issuer to the bearer to pay the sum amount of money after a specified date in future.

Question 2

Write two points of distinction between bills of exchange and promissory note.

Answer: The two points of distinction between the bills of exchange and the promissory note are as follows:

1. Bills of exchange is a financial instruments which contains the amount owned by the creditor to debtor whereas promissory note on the other hand refers to the instrument in which the issuer promises to pay the due amount of sum to the creditor after the specified date in future.
2. The bills of exchange are thus prepared by the creditor whereas the promissory notes are made by the debtor.

Question 3

State any four essential features of the bill of exchange.

Answer: The four essential features of the bills of exchange are as follows:

1. The bill of exchange is always given in the written format and it cannot be issued orally.
2. The bill of exchange orders the drawee to pay the due amount of sum to the drawer positively.
3. The bill of exchange is signed by the drawer in order for it to be considered as a valid bill.
4. The bill of exchange places an unconditional order which does not comprise of any conditions.

Question 4

State the three parties involved in a bill of exchange.

Answer: The three parties involved in a bill of exchange are:

1. Drawer –The person or the party (creditor) which prepares the bill of exchange.
2. Drawee –The person or the party (debtor) who is ordered to pay the due amount of sum to the creditor.
3. Payee – Payee is the beneficiary person or party to whom the bill of exchange is payable.

Question 5

What is meant by maturity of a bill of exchange?

Answer: The maturity of the bill of exchange refers to the date after which the bill of exchange is due for payment between debtor and creditor.

Question 6

What is meant by dishonour of a bill of exchange?

Answer: The dishonour of the bill of exchange refers to the failure of the payment of the due amount of sum is between the parties on the date of the maturity. A bill dishonours in the either of the two mentioned scenarios:

- Dishonor of the bill due to the non- acceptance of the drawee for any reasons.
- Dishonor of the bill due to the non-payment of the sum amount on the date of the maturity by the debtor to creditor.

Question 7

Name the parties to a promissory note.

Answer: The two parties which are involved in a promissory note are :

1. Drawer – The concerned person or the party who is responsible for the making of the promissory note.
2. Drawee – The concerned person or the party who is favored to receive the sum amount of money by drawer.

Question 8

What is meant by the acceptance of the bill of exchange?

Answer: The acceptance of the bill of exchange happens when it is signed by the drawee. The acceptance of the bill of exchange makes it an unconditional statement for the due payment of the sum amount after the date of maturity by debtor to creditor.

Question 9

What is Noting of a bill of exchange.

Answer: Noting of a bill of exchange refers to the process of making the memorandum by the notary after the bill gets

dishonoured. These cannot be prepared before the 24 hours of the of the bill as per the Bills of Exchange Act.

Question 10

What is meant by renewal of a bill of exchange?

Answer: Renewal of bill of exchange refers to the request made by the drawee to consider his/her inability to pay the due amount of sum on the due date to the drawer. The drawee in such cases is thus required to pay the interest of the payment for the extended date.

Question 11

Give the performa of a Bills Receivable Book.

Answer: The performa of a bills receivable book is as follows:

S. No	Date	From whom the bill is received	Drawer's name	Payee's name	Where the bill is payable	Term	Date of maturity	Ledger Folio	Amount	Cash book Folio	General Remarks

Question 12

Give the performa of a Bills Payable Book.

Answer: The performa of a bills payable book is as follows:

S. no	Date	To whom the bill is given	Drawer's name	Payee's name	Where the bill is payable	Term	Date of maturity	Ledger Folio	Amount	Cash book Folio	General Remarks

Question 13

What is retirement of a bill of exchange?

Answer: The retirement of the bill of exchange refers to the agreement of the drawee to pay the due amount of sum before the date of maturity. The drawer will have to likely offer and provide some amount of discount to the drawee based on the days remaining for the maturity of the bill.

Question 14

Give the meaning of rebate.

Answer: Rebate is referred to as the prompt encouragement of the bill by the drawer to drawee for the retirement of the bill in form of some discount. Rebate is calculated by determining the period remaining for the maturity of the bill.

Question 15

Give the performa of a Bill of Exchange.

Answer: The Performa of a bill of exchange

Mr. XY Chennai Rs. 20,000 Jan 01, 2018

Pay to me or to my order a sum of twenty thousand rupees only after three months from the date of the bill.

Stamp

Accepted

(Signature)

(Signature)

Mr. YZ

Mr. XY

120, Saidapet

10, Ashok Nagar

Chennai

Chennai

(Date when the bill is accepted)

To
Mr. YZ
120, Saidapet
Chennai

Here Mr. XY is the drawer of the bill and Mr. YZ is the drawee or acceptor of the bill.

Question 16

A bill of exchange must contain “an unconditional promise to pay”. Do you **agree with this statement?**

Answer: Yes, the bill of exchange is rightly an unconditional promise of the payment between drawee and drawer. The bill of exchange is a negotiable financial instrument which is issued in writing to mandate the payment in a compulsory manner. The features of a bill of exchange are as follows:

1. A bill of exchange places an order upon the drawee to pay due amount to the drawer as and when the bill matures.
2. The order so placed is unconditional and hence no orders can be attached to this financial instrument.
3. A bill of exchange is issued in written format and cannot be issued orally.
4. For a bill of exchange to be legally valid it must comprise of the signature of the drawer.
5. The date of the payment should be specifically mentioned in the bill.
6. The bill must be stamped in the manner recognized by the Negotiable Instruments Act, 1881.

Question 17

Briefly explain the effects of dishonour and noting of a bill of exchange.

Answer: A bill is deemed to get dishonoured if the payments from the bill are not made on the date of maturity. The of the bill comprise of two causes of such dishonour – dishonour due to non acceptance of the bill, dishonour due to non-payment.

- Dishonor by non- acceptance of the bill – If the bill is not duly accepted by the drawee, the bill gets eventually dishonored.
- Dishonor by non-payment – If the drawee fails to make the payment on the date of the maturity, such default gives rise to dishonor of the bill.

The bill after being dishonored has to be presented before the notary for it to get noted. The bill thus gets noted by the notary public by preparing a minute or memorandum on the bill. However it is important to

learn the fact that no such actions should be taken place before the 24 hours of the date of the maturity as per the Bills of Exchange Act.

Question 18

Explain briefly the procedure of calculating the date of maturity of a bill.

Answer: The date of the maturity of the bill is considered to be the date on which the due payment has to be made out of the bill. In order to calculate the date of the maturity three additional days of grace must be added to the date mentioned in the bill. In case if the date of maturity lies on the day of holiday, the business date proceeding to it is considered to be the date of the maturity. In the cases when the emergency holiday is declared, the next business day to the date mentioned in the bill is considered to be the date of maturity. Here is the example of the calculation of the date of maturity– A bill is issued on April 01, 2018 which is payable after one months of the issuance date. The date of maturity thus will be calculated by adding three days to the stipulated 30 days making the date of maturity after 33 days after the issuance of the bill. Thus the date of maturity of such bill is May 04, 2018. If in case any public holiday lies on the date of the maturity, i.e. on May 04, 2018 the date of maturity will be the date preceding to it which is May 03, 2018. If in case the emergency holiday is declared on the date of the maturity, the date of maturity so calculated will be payable on May 03, 2018.

Question 19

Distinguish between bill of exchange and a promissory note.

Answer: The bill of exchange and promissory note are different as:

1. The bill of exchange is financial instrument which is made by the creditor whereas the promissory note is made by debtor.
2. The bill of exchange comprises of the amount which is payable on the day of maturity and while on the other hand the promissory note comprises of the written promise of the due payment of the amount to the creditor after a specified date in future.
3. The parties involved in bill of exchange are : drawer, drawee and payee. While the parties involved in promissory note are drawee and payee.
4. The party who draws bill of exchange is creditor whereas the party which draws the promissory note is debtor.
5. The dishonor of the bill of exchange requires the due notice being given to the parties involved in the bill. The dishonor of the promissory note however does not require such notice to be provided to the maker.
6. The bill of exchange is defined under the section 5 of Negotiable Instruments Act, 1881, while the promissory note is defined under the section 4 of Negotiable Instruments Act, 1881.

Question 20

Briefly explain the purpose and benefits of retiring a bill of exchange to the debtor and the creditor.

Answer: The retirement of the bill of exchange occurs when the drawee agrees to pay the bill before the date mentioned in the bill. The benefit of retiring the bill before the due date is that the drawee may receive some amount of discounts from the drawer. The discount so calculated is derived on the basis

of the days remaining for the maturity of the bill. The benefit on the other hand for the creditor is that he/she may receive the prompt payment of the bill before the date of the maturity which can improve the prospects of his/her business.

Question 21

Explain briefly the purpose and advantages of maintaining of a Bills Receivable Book.

Answer: A bills receivable book is a subsidiary book which records the bill of exchanges of the business which are to be received. The maintenance of the journal entries for every bill of exchange can be a cumbersome task for any business when they receive a large amount of bills on daily basis. Therefore the preparation of the separate subsidiary book is useful in consuming the time and efforts of the business when the total value of the bills receivable for any accounting period can be transferred into books of accounts. Thus, a Bill Receivable Book is helpful in:

- Recording of all the bills in a single place.
- Saving of the time and efforts of the business.
- Reduces the scope of clerical complexities and errors.

Question 22

Briefly explain the benefits of maintaining a Bills Payable Book and state how is its posting done in the ledger?

Answer: A bills payable book is a subsidiary book which records the bill of exchanges of the business which are to be paid. The maintenance of the journal entries for every bill of exchange can be a cumbersome task for any business when they have to pay a large amount of bills on daily basis. Therefore the preparation of the separate subsidiary book is useful in consuming the time and efforts of the business when

the total value of the bills payable for any accounting period can be transferred into books of accounts. Thus, a Bill Payable Book is helpful in:

- Saving the time and effort for the business.
- Reducing the scope of clerical errors.
- Enabling the business to make the due payment of the bill on the date specified.

The posting of bills payable in the ledger book is done in the following manner:

The bills payable is recorded in the debit column of the book by crediting the purchase in the drawer's account in the book. The total of all such bills payable is recorded in the bills payable account by entering balance c/d in the debit side and the sundries receivable in the credit side.

Question 23

On Jan 01, 2016 Rao sold goods Rs.10,000 to Reddy. Half of the payment was made immediately and for the remaining half Rao drew a bill of exchange upon Reddy payable after 30 days. Reddy accepted the bill and returned it to Rao. On the due date Rao presented the bill to Reddy and received the payment.

Journalise the above transaction in the books of Rao and prepare Rao's account in the books Reddy.

Answer:

Books of Rao

Journal			
Date	Particular	Debit	Credit
2016	Reddy a/c Dr	10000	

Jan 01	To Sales a/c (Goods sold to Reddy)		10000
Feb 03	Cash a/c Dr Bills Receivable a/c Dr To Reddy's a/c (Cash received from Reddy and bill received for 30 days accepted by Reddy)	5000 5000	10000

Books of Reddy

Rao's A/c					
Date	Particular	Amount	Date	Particular	Amount
2016			2016		
Jan- 01	Cash	5000	Jan- 01	Purchase	10000
Jan- 01	Bills Receivables	5000			
		10000			10000

Question 24

On Jan 01, 2016, Shankar purchased goods from Parvati for Rs. 8000 and immediately drew a promissory note in favour of Parvati payable after 3 months. On the date of maturity of the promissory note, the Government of India declared holiday under the Negotiable Instrument Government Act, 1881. Since Paravati was unaware about the provision of the law regarding the date of the maturity of the bill, she handed over the bill to her lawyer, who duly presented the bill and received the payment. The amount

of the bill was handed over by the lawyer to Parvati immediately. Record the necessary Journal entries in the books of Parvati and Shankar.

Answer:

Books of Parvati

Journal			
Date	Particular	Debit	Credit
2016 Jan- 01	Shankar A/c Dr To Sales A/c (Goods sold to Shankar)	8000	8000
	Bills Receivables A/c Dr To Shankar A/c (Promissory note received from Shankar for the period of 3 months)	8000	8000
Apr- 05	Cash A/c Dr To Bills Receivables A/c (Cash received for promissory note 1 day after the maturity date on account of holiday declared by government)	8000	8000

Books of Shankar

Journal			
Date	Particular	Debit	Credit

2016			
Jan-01	Purchase A/c Dr To Parvati A/c (Goods purchased from Parvati)	8000	8000
	Parvati A/c Dr To Bills Payable A/c (Promissory note for the duration of 3 months sent to Parvati)	8000	8000
Apr-05	Bills Payable A/c Dr To Cash A/c (Cash paid on maturity of promissory note)	8000	8000

Note: On the account of the emergency holiday on April 04, 2016, the date of the maturity of the bill has been assumed to April 05, 2016.

Question 25

Vishal sold goods for Rs 7000 to Manjur on Jan 05, 2016 and drew upon her a bill of exchange payable after 2 months. Manju accepted Vishal's draft and handed over the same to Vishal after acceptance. Vishal immediately discounted the bill with his bank @12% p.a. On the due date Manju met her acceptance.

Journalise the above transactions in the book of Vishal and Manju.

Answer:

Books of Vishal

Journal			
Date	Particular	Debit	Credit
2016 Jan- 05	Manju A/c Dr To Sales A/c (Goods sold to Manju)	7000	7000
	Bills Receivables A/c Dr To Manju A/c (Promissory note received from Manju for 2 months)	7000	7000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Bills receivables discounted with the bank @ 12% p.a. for 2 months)	6860 140	7000

Books of Manju

Journal			
Date	Particular	Debit	Credit
2016 Jan- 05	Purchase A/c Dr To Vishal A/c (Goods purchased from Vishal)	7000	7000

Mar-08	Vishal A/c Dr To Bills Payable A/c (Bill drawn by Vishal accepted)	7000	7000
	Bills Payable A/c Dr To Bank A/c (Amount of Bill Payable paid to bank on maturity)	7000	7000

Question 26

On Feb 01, 2016, John purchased goods for Rs. 15000 from Jimmi. He immediately made a payment of Rs. 5000 by cheque and for the balance accepted the bill of exchange drawn upon him by Jimmi. The bill of exchange was payable after 40 days. Five days before the maturity of the bill, Jimmi sent the same to his bank for collection. The bank duly presented the bill to John on the due date who met the bill. The bank informed the same to Jimmi.

Books of Jimmi

Journal			
Date	Particular	Debit	Credit
2015 Feb 01	John A/c Dr To Sales A/c (Being goods sold to John)	15000	15000
	Bank A/c Dr. To John A/c	5000	5000

	(Being cheque received from John)		
	Bill receivable A/c Dr. To John A/c (Being bill received for 40 days from John)	10000	10000
Mar 11	Bill sent for collection A/c Dr. To Bills Receivable A/c (Being the acceptance of John sent to the bank for collection)	10000	10000
Mar 16	Bank A/c Dr. To Bill sent for collection A/c (Being John's acceptance met)	10000	10000

John's Account							
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2015 Feb 01	To Sales A/c		15000	2015 Feb 01	By Bank A/c		5000
					By bills receivable A/c		10000
			15000				15000

Books of John

Journal			
Date	Particular	Debit	Credit
2015 Feb 01	Purchase A/c Dr. To Jimmi A/c (Being goods purchased)	15000	15000
	Jimmi A/c Dr. To Bank A/c (Being cheque paid to Jimmi)	5000	5000
	Jimmi A/c Dr. To Bills Payable A/c (Being being bill drawn accepted for 40 days from Jimmi)	10000	10000
Mar 11	Bill sent for collection A/c Dr. To Bills Receivable A/c (Being the acceptance of John sent to the bank for collection)	10000	10000
Mar 16	Bills Payable A/c Dr. To bank A/c (Being payment made)	10000	10000

Jimmi's Account							
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2015 Feb 01	To bank A/c		5000	2015 Feb 01	By purchases		15000
	To bills payable		10000				
			15000				15000

Question 27

On Jan 15, 2015, Kartar sold goods for Rs. 30,000 to Bhagwan and drew upon him three bills of exchange of Rs. 10,000 each payable after one month, two months, and three months respectively. The first bill was retained by Kartar till its maturity. The second bill was endorsed by him in favour of his creditor Ratna and the third bill was discounted immediately by him @6%p.a. All the bills were met by Bhagwan. Journalise the above transactions in the books of Kartar and Bhagwan.

Answer:

Books of Kartar

Journal			
Date	Particular	Debit	Credit
2015 Jan- 15	Bhagwan A/c Dr	30000	

Feb-19	To Sales A/c (Goods sold to Bhagwan)		30000
	Bills Receivables A/c Dr To Bhagwan A/c (3 bills of Rs.10000 each, received from Bhagwan for the respective three months.)	30000	30000
	Ratna A/c Dr To Bills Receivables A/c (2nd bill endorsed to Ratna)	10000	10000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Bills receivables discounted)	9850 150	10000
	Cash A/c Dr To Bills Receivables A/c (1st bill for 1 month met by Bhagwan on due date)	10000	10000

Bhagwan A/c					
Date	Particular	Amount	Date	Particular	Amount
2015			2015		
Jan-15	Sales	30000	Jan-15	Bills Receivables	30000
		30000			30000

Ratna A/c					
Date	Particular	Amount	Date	Particular	Amount
2015			2015		
Jan-15	Bills Receivables	10000	Jan-15	Balance c/d	10000
		10000			10000

Bills Receivables A/c					
Date	Particular	Amount	Date	Particular	Amount
2015			2015		
Jan-15	Bhagwan	30000	Jan-15	Ratna	10000
			Jan-15	Bank	9850
			Jan-15	Discount	150
			Feb-19	Cash	10000
		30000			30000

Cash A/c					
Date	Particular	Amount	Date	Particular	Amount
2015			2015		
Feb-19	Bills Receivables	10000	Feb-19	Balance c/d	10000
		10000			10000

Bank A/c					
Date	Particular	Amount	Date	Particular	Amount
2015			2015		
Jan-15	Bills Receivables	9850	Jan-15	Balance c/d	9850
		9850			9850

Books of Bhagwan

Journal			
Date	Particular	Debit	Credit
2015 Jan-15	Purchase A/c Dr To Kartar A/c (Goods purchased from Kartar on credit)	30000	30000
	Kartar A/c Dr To Bills Payable A/c (3 bills of Rs.10000 each, drawn by Kartar for the respective three months.)	30000	30000
Feb-19	Bills Payable A/c Dr To Cash A/c (1st bill was paid on due date)	10000	10000
Mar-	Bills Payable A/c Dr	10000	

19	To Bank A/c (2nd bill was paid on due date to Ratna)		10000
Apr-19	Bills Payable A/c Dr To Bank A/c (3rd bill was paid on due date to bank)	10000	10000

Kartar A/c					
Date	Particular	Amount	Date	Particular	Amount
2015			2015		
Jan-15	Bills Payable	30000	Jan-15	Purchase	30000
		30000			30000

Bills Payable A/c					
Date	Particular	Amount	Date	Particular	Amount
2015			2015		
Feb-19	Cash	10000	Jan-15	Kartar	30000
Mar-19	Bank	10000			
Apr-19	Bank	10000			
		30000			30000

Cash A/c					
Date	Particular	Amount	Date	Particular	Amount
2015			2015		

Feb-19	Balance c/d	10000	Feb-19	Bills Payable	10000
		10000			10000

Bank A/c					
Date	Particular	Amount	Date	Particular	Amount
2015			2015		
Apr-19	Balance c/d	20000	Mar-19	Bills Payable	10000
			Apr-19	Bills Payable	10000
		20000			20000

Question 28

On Jan. 01, 2016 Arun sold goods for Rs. 30,000 to Sunil. 50% of the payment was made immediately by Sunil on which Arun allowed a cash discount of 2%. For the balance Sunil drew a promissory note in favour of Arun payable after 20 days. Since the date of maturity of bill was a public holiday. Arun presented the bill on a day, as per the provisions of Negotiable Instruments Act which was met by Sunil. State the date on which the bill was presented by Arun for payment and journalise the above transactions in the books of Arun and Sunil.

Answer:

Books of Arun

Journal			
Date	Particular	Debit	Credit
2016 Jan-01	Sunil A/c Dr To Sales A/c	30000	30000

	(Goods sold to Sunil)		
	Cash A/c Dr	14700	
	Discount Allowed A/c Dr	300	
	To Sunil A/c		15000
	(Half of the amount due from Sunil was received and allowed him 2% cash discount)		
	Bills Receivables A/c Dr	15000	
	To Sunil A/c		15000
	(Promissory note received for 20 days from Sunil for balance amount due from Sunil)		
Jan-23	Cash A/c Dr	15000	
	To Bills Receivables A/c		15000
	(Cash received from Sunil for bills receivables 1 day before maturity, as per negotiable instrument act, if the date of maturity is holiday, negotiable instrument will be met 1 day before maturity)		

Note: The date of maturity of the promissory note in the above case will be Jan 23, 2016 as there is a public holiday on the stipulated date of 24, 2016.

Books of Sunil

Journal

Date	Particular	Debit	Credit
2016 Jan- 01	Purchase A/c Dr To Arun A/c (Goods purchased from Arun)	30000	30000
	Arun A/c Dr To Cash A/c To Discount Received A/c (Half amount due to Arun paid by cheque and 2% discount allowed by him)	15000	14700 300
	Arun A/c Dr To Bills Payable A/c (Promissory note issued in favour of Arun for 20 days)	15000	15000
Jan- 23	Bills Payable A/c Dr To Cash A/c (Promissory note met 1 day before the maturity day)	15000	15000

Question 29

Darshan sold goods for Rs. 40, 000 to Varun on 8.1.2016 and drew upon him a bill of exchange payable after two months. Varun accepted the bill and returned the same to Darshan. On the due date the bill was met by Varun.

Record the necessary entries in the books of Darshan and Varun in the following circumstances.

- **When the bill was retained by Drashan till the date of maturity.**
- **When Darshan immediately discounted the bill @6%p.a. with his bank.**
- **When the bill was endorsed immediately by Darshan in favour of his creditor Suresh.**
- **When the three days before its maturity, the bill was sent by Darshan to his bank for collection.**

Answer: (a) In the case when the bill was retained by Darshan till the date of the maturity.

Books of Darshan

Journal			
Date	Particular	Debit	Credit
2016 Jan- 08	Varun A/c Dr To Sales A/c (Goods sold to Varun)	40000	40000
	Bills Receivables A/c Dr To Varun A/c (Promissory note received from Varun for 2 months)	40000	40000
Mar- 11	Cash A/c Dr To Bills Receivables A/c (Payment for bills receivables)	40000	40000

	received from Varun)		
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Books of Varun

Journal			
Date	Particular	Debit	Credit
2016 Jan- 08	Purchase A/c Dr To Darshan A/c (Goods purchased from Darshan)	40000	40000
	Darshan A/c Dr To Bills Payable A/c (Promissory note for 2 months sent to Darshan)	40000	40000
Mar- 11	Bills Payable A/c Dr To Cash A/c (Cash paid on maturity of promissory note)	40000	40000

(b) In the case when Darshan discounted the bill immediately @ 6% p.a. with the bank.

Books of Darshan

Journal			
Date	Particular	Debit	Credit
2016 Jan-	Varun A/c Dr	40000	

08	To Sales A/c (Goods sold to Varun)		40000
	Bills Receivables A/c Dr To Varun A/c (Promissory note received from Varun for 2 months)	40000	40000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (B/R discounted from bank @ 6% p.a.)	39600 400	40000

Books of Varun

Journal			
Date	Particular	Debit	Credit
2016 Jan- 08	Purchase A/c Dr To Darshan A/c (Goods purchased from Darshan)	40000	40000
	Darshan A/c Dr To Bills Payable A/c (Promissory note for 2 months sent to Darshan)	40000	40000
Mar-	Bills Payable A/c Dr	40000	

11	To Bank A/c (Varun cleared his acceptance on due date)		40000
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(c) In the case when the bill was immediately endorsed in favour of his creditor Suresh.

Books of Darshan

Journal			
Date	Particular	Debit	Credit
2016 Jan- 08	Varun A/c Dr To Sales A/c (Goods sold to Varun)	40000	40000
	Bills Receivables A/c Dr To Varun A/c (Promissory note received from Varun for 2 months)	40000	40000
	Suresh A/c Dr To Bills Receivables A/c (Varun acceptance endorsed in favour of Suresh)	40000	40000

Books of Varun

Journal			
Date	Particular	Debit	Credit
2016			

Jan-08	Purchase A/c Dr To Darshan A/c (Goods purchased from Darshan)	40000	40000
	Darshan A/c Dr To Bills Payable A/c (Promissory note for 2 months sent to Darshan)	40000	40000
Mar-11	Bills Payable A/c Dr To Cash A/c (Cash paid to the holder of bill)	40000	40000

(d) In the case when the bill was sent 3 days before its maturity to the bank for collection.

Books of Darshan

Journal			
Date	Particular	Debit	Credit
2016 Jan-08	Varun A/c Dr To Sales A/c (Goods sold to Varun)	40000	40000
	Bills Receivables A/c Dr To Varun A/c (Promissory note received from Varun for 2 months)	40000	40000

Mar-08	Bill Sent for Collection A/c Dr To Bills Receivables A/c (Bill sent for collection sent to the bank)	40000	40000
Mar-11	Bank A/c Dr To Bill Sent for Collection A/c (Bill amount was met)	40000	40000

Books of Varun

Journal			
Date	Particular	Debit	Credit
2016 Jan-08	Purchase A/c Dr To Darshan A/c (Goods purchased from Darshan)	40000	40000
	Darshan A/c Dr To Bills Payable A/c (Promissory note for 2 months sent to Darshan)	40000	40000
Mar-11	Bills Payable A/c Dr To Bank A/c (Bill paid to the bank)	40000	40000

Question 30

Bansal traders allow a trade discount of 10% on the list price of the goods purchased from them. Mohan traders who run a retail shop made the following purchases from Bansal Traders.

Date	Amount
Dec. 21, 2016	1000
Dec. 26, 2016	1200
Dec. 18, 2016	2000
Dec. 31, 2016	5000

Answer:

Books of Bansal Traders

Journal			
Date	Particular	Debit	Credit
2016 Dec- 21	Mohan Traders A/c Dr To Sales A/c (Goods sold to Mohan Traders list price Rs.1000 at 10% trade discount)	900	900
	Bills Receivables A/c Dr To Mohan Traders A/c (Promissory note received from Mohan Traders payable after 30 days)	900	900

Dec-26	Mohan Traders A/c Dr To Sales A/c (Goods sold to Mohan Traders list price Rs.1200 at 10% trade discount)	1080	1080
	Bills Receivables A/c Dr To Mohan Traders A/c (Promissory note received from Mohan Traders)	1080	1080
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Promissory note discounted from the bank)	1071 9	1080
Dec-28	Mohan Traders A/c Dr To Sales A/c (Goods sold to Mohan Traders list price Rs.2000 at 10% trade discount)	1800	1800
	Bills Receivables A/c Dr To Mohan Traders A/c (Promissory note received from Mohan Traders)	1800	1800
	Dream Soaps A/c To Bills Receivables A/c To Discount Received A/c	1900	1800 100

	(Promissory note of Rs.1800 sent to Dream Soap in full settlement of amount due to him)		
Dec-31	Mohan Traders A/c Dr To Sales A/c (Goods sold to Mohan Traders list price Rs.5000 at 10% trade discount)	4500	4500
	Bills Receivables A/c Dr To Mohan Traders A/c (Promissory note received from Mohan Traders for 30 days)	4500	4500
2017 Jan-23	Cash A/c Dr To Bills Receivables A/c (Promissory note issued on Dec 21, 2016 was met on maturity)	900	900
Jan-25	Bill Sent for Collection A/c Dr To Bills Receivables A/c (Promissory note issued on Dec 31, 2016 was sent for collection to bank)	4500	4500

Feb-02	Bank A/c Dr To Bill Sent for Collection A/c (Bank got payment of bill sent for collection on due date)	4500	4500
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Mohan Trader's A/c					
Date	Particular	Amount	Date	Particular	Amount
2016			2016		
Dec-21	Sales	900	Dec-21	Bills Receivables	900
Dec-26	Sales	1080	Dec-26	Bills Receivables	1080
Dec-28	Sales	1800	Dec-28	Bills Receivables	1800
Dec-31	Sales	4500	Dec-31	Bills Receivables	4500
		8280			8280

Books of Mohan Traders

Journal			
Date	Particular	Debit	Credit
2016 Dec-21	Purchase A/c Dr To Bansal Traders A/c (Goods bought from Bansal Traders list price Rs. 1000 at 10% trade discount)	900	900
	Bansal Traders A/c Dr	900	

	To Bills Payable A/c (Promissory note issued Bansal Traders for Rs.900)		900
Dec-26	Purchase A/c Dr To Bansal Traders A/c (Goods bought from Bansal Traders list price Rs. 1200 at 10% trade discount)	1080	1080
	Bansal Traders A/c Dr To Bills Payable A/c (Promissory note issued to Bansal Traders)	1080	1080
Dec-28	Purchase A/c Dr To Bansal Traders A/c (Goods bought from Bansal Traders list price Rs. 2000 at 10% trade discount)	1800	1800
	Bansal Traders A/c Dr To Bills Payable A/c (Promissory note issued to Bansal Traders)	1800	1800
Dec-31	Purchase A/c Dr To Bansal Traders A/c (Goods bought from Bansal Traders list price Rs.	4500	4500

	5000 at 10% trade discount)		
	Bansal Traders A/c Dr To Bills Payable A/c (Promissory note issued to Bansal Traders)	4500	4500
2017			
Jan-23	Bills Payable A/c Dr To Cash A/c (1st promissory note discharged on its due date)	900	900
Jan-28	Bills Payable A/c Dr To Bank A/c (2nd promissory note discharged on its due date)	1080	1080
Jan-30	Bills Payable A/c Dr To Cash A/c (3rd promissory note discharged by paying Rs.1800 to Dream Soaps)	1800	1800
Feb-02	Bills Payable A/c Dr To Bank A/c (4th promissory note discharged by paying Rs.4500 to bank)	4500	4500

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Bansal Trader's A/c					
Date	Particular	Amount	Date	Particular	Amount
2016			2016		
Dec-21	Bills Payable	900	Dec-21	Purchase	900
Dec-26	Bills Payable	1080	Dec-26	Purchase	1080
Dec-28	Bills Payable	1800	Dec-28	Purchase	1800
Dec-31	Bills Payable	4500	Dec-31	Purchase	4500
		8280			8280

Question 31

Narayan purchased goods for Rs. 25000 from Ravinderan on Feb. 01, 2016. Ravinderan drew upon Narayanan a bill of exchange for the same amount payable after 30 days. On the due date Narayanan dishonoured his acceptance. Record the necessary journal entries in the books of Ravinderan and Narayanan in the following cases:

- When the bill was retained by Ravinderan with him till the date of its maturity.
- When the bill was discounted by Ravinderan immediately @6%p.a.
- When the bill was endorsed to his creditor Ganeshan.
- When the bill was sent by Ravinderan to his bank for collection a few days before its maturity.

Answer: (i) When the bill was retained by Ravinderan with him till the date of its maturity.

Books of Ravinderan

Journal			
Date	Particular	Debit	Credit
2016 Feb- 01	Narayanan A/c Dr To Sales A/c (Goods sold to Narayanan)	25000	25000
	Bills Receivables A/c Dr To Narayanan A/c (Narayanan acceptance received for 30 days)	25000	25000
Mar- 05	Narayanan A/c Dr To Bills Receivables A/c (Narayanan failed to meet his acceptance and bill dishonoured)	25000	25000

Books of Narayanan

Journal			
Date	Particular	Debit	Credit
2016 Feb- 01	Purchase A/c Dr To Ravinderan A/c (Goods bought from Ravinderan)	25000	25000
	Ravinderan A/c Dr To Bills Payable A/c	25000	25000

	(Ravinderan's bill accepted)		
Mar-05	Bills Payable A/c Dr To Ravinderan A/c (Bill dishonoured on maturity)	25000	25000

(ii) When the bill was discounted by Ravinderan immediately with his bank @6% p.a.

Books of Ravinderan

Journal			
Date	Particular	Debit	Credit
2016 Feb-01	Narayanan A/c Dr To Sales A/c (Goods sold to Narayanan)	25000	25000
	Bills Receivables A/c Dr To Narayanan A/c (Narayanan acceptance received)	25000	25000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Narayanan acceptance got discounted with bank @6% p.a.)	24875 125	25000
Mar-	Narayanan A/c Dr	25000	

05	To Bank A/c (Narayanan acceptance dishonoured)		25000
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Books of Narayanan

Journal			
Date	Particular	Debit	Credit
2016 Feb- 01	Purchase A/c Dr To Ravinderan A/c (Goods bought from Ravinderan)	25000	25000
	Ravinderan A/c Dr To Bills Payable A/c (Ravinderan's bill accepted)	25000	25000
Mar- 05	Bills Payable A/c Dr To Ravinderan A/c (Bill dishonoured on maturity)	25000	25000

(iii) When the bill was endorsed to his creditor Ganeshan.

Books of Ravinderan

Journal			
Date	Particular	Debit	Credit
2016			

Feb-01	Narayanan A/c Dr To Sales A/c (Goods sold to Narayanan)	25000	25000
	Bills Receivables A/c Dr To Narayanan A/c (Narayanan acceptance received)	25000	25000
	Ganeshan A/c Dr To Bills Receivables A/c (Narayanan acceptance endorsed in favour of Ganeshan)	25000	25000
Mar-05	Narayanan A/c Dr To Ganeshan A/c (Narayanan acceptance dishonoured)	25000	25000

Books of Narayanan

Journal			
Date	Particular	Debit	Credit
2016 Feb-01	Purchase A/c Dr To Ravinderan A/c (Goods bought from Ravinderan)	25000	25000

Mar-05	Ravinderan A/c Dr To Bills Payable A/c (Ravinderan's bill accepted)	25000	25000
	Bills Payable A/c Dr To Ravinderan A/c (Bill dishonoured on maturity)	25000	25000

(iv) When the bill was sent by Ravinderan to his bank for collection a few days before its maturity.

Books of Ravinderan

Journal			
Date	Particular	Debit	Credit
2016 Feb-01	Narayanan A/c Dr To Sales A/c (Goods sold to Narayanan)	25000	25000
	Bills Receivables A/c Dr To Narayanan A/c (Narayanan acceptance received)	25000	25000
	Bill Sent for Collection A/c Dr To Bills Receivables A/c (Bill sent to bank for collection)	25000	25000

Mar-05	Narayanan A/c Dr To Bill Sent for Collection A/c (Bill got dishonoured)	25000	25000
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Books of Narayanan

Journal			
Date	Particular	Debit	Credit
2016 Feb-01	Purchase A/c Dr To Ravinderan A/c (Goods bought from Ravinderan)	25000	25000
	Ravinderan A/c Dr To Bills Payable A/c (Ravinderan's bill accepted)	25000	25000
Mar-05	Bills Payable A/c Dr To Ravinderan A/c (Bill dishonoured on maturity)	25000	25000

Question 32

Ravi sold goods for Rs.40.000 to Sudershan on Feb 13, 2016. He drew four bills of exchange upon Sudershan. The first bill was for Rs.5.000 payable after one month. The second bill was for Rs. 10.000 payable after 40 days: the

third bill was for Rs. 12,000 payable after three months and fourth bill was for the balance amount payable after 19 days. Sudershan accepted all the bills and returned the same to Ravi. Ravi discounted the first bill with his bank at 6% p.a. He endorsed the second bill to his creditor Mustaq for the full settlement of a debt of Rs. 10,200. The third bill was kept by Ravi with him till the date of maturity. Five days before the maturity of the fourth bill, Ravi sent the bill to his bank for collection. All the four bills were dishonoured by Sudarshan on maturity. Sudershan settled Ravi's claim in cash three days after the dishonour of each bill along with Interest @ 12% p.a. for the terms of the bills.

You are requested to record the necessary journal entries in the books of Ravi. Sudershan, Mustaq and bank for the above transaction. Also prepare Sudershan's account and Mustaq's account in the books of Ravi.

Answer:

Books of Ravi
Journal

Date	Particular	Debit	Credit
2016 Feb- 13	Sudarshan A/c Dr To Sales A/c (Goods sold to Sudarshan)	40000	40000
	Bills Receivables A/c Dr To Sudarshan A/c (4 bills from Sudarshan received: 1st bill for Rs.5000, 2nd bill for Rs.10000, 3rd bill for Rs.12000 and	40000	40000

	4th bill for Rs.13000)		
	Bank A/c Dr	4975	
	Discount A/c Dr	25	
	To Bills Receivables A/c (1st bill discounted with bank @6% p.a.)		5000
	Mustaq A/c Dr	10200	
	To Bills Receivables A/c		10000
	To Discount Received (2nd bill endorsed to Mustaq in full settlement of amount due to him)		200
Mar-03	Bill Sent for Collection A/c Dr To Bills Receivables A/c (4th bill sent to bank for collection)	13000	13000
Mar-07	Sudarshan A/c Dr To Bill Sent for Collection A/c (4th bill dishonoured on due date)	13000	13000
	Sudarshan A/c Dr To Interest A/c (Interest due on the 4th bill Rs.13000 for 19 days at 12% p.a.)	81	81
Mar-10	Cash A/c Dr	13081	

	To Sudarshan A/c (Cash received from Sudarshan)		13081
Mar-16	Sudarshan A/c Dr To Bank A/c (1st bill dishonoured)	5000	5000
	Sudarshan A/c Dr To Interest A/c (Interest due on the 1st bill Rs.5000 for 1 month at 12% p.a.)	50	50
Mar-19	Cash A/c Dr To Sudarshan A/c (Sudarshan paid the amount due on account dishonoured for the 1st bill plus interest)	5050	5050
Mar-28	Sudarshan A/c Dr Discount Received A/c Dr To Mustaq A/c (2nd bill dishonoured, which has endorsed in favour of Mustaq)	10000 200	10200
	Sudarshan A/c Dr To Interest A/c (Interest charged at 12% on amount	132	132

	due on account of dishonour of 2nd bill Rs.10000)		
Apr-01	Cash A/c Dr To Sudarshan A/c (Sudarshan paid the amount due on account dishonoured for the 2nd bill plus interest)	10132	10132
May-16	Sudarshan A/c Dr To Bills Receivables A/c (3rd bill dishonoured on due date)	12000	12000
	Sudarshan A/c Dr To Interest A/c (Interest at 12% for 3 months charged on amount due on account of dishonour of 3rd bill Rs.12000)	360	360
May-19	Cash A/c Dr To Sudarshan A/c (Sudarshan paid the amount due on account dishonoured for the 3rd bill plus interest)	12360	12360

Sudarshan's A/c

Date	Particular	Amount	Date	Particular	Amount
2016			2016		
Feb-13	Sales	40000	Feb-13	Bills Receivables	40000
Mar-07	Bill Sent for Collection	13000	Mar-10	Cash	13081
Mar-07	Interest	81	Mar-19	Cash	5050
Mar-16	Bank	5000	Apr-01	Cash	10132
Mar-16	Interest	50	May-19	Cash	12360
Mar-28	Mustaq	10000			
Mar-28	Interest	132			
May-16	Bills Receivables	12000			
May-16	Interest	360			
		80623			80623

Mustaq's A/c					
Date	Particular	Amount	Date	Particular	Amount
2016			2016		
Feb-13	Bills Receivables	10000	Mar-28	Sudarshan	10000
Feb-13	Discount Received	200	Mar-28	Discount Received	200
		10200			10200

Books of Sudarshan

Journal			
Date	Particular	Debit	Credit
2016 Feb- 13	Purchase A/c Dr To Ravi A/c (Goods bought from Ravi)	40000	40000
	Ravi A/c Dr To Bills Payable A/c (4 bills drawn by Ravi accepted: 1st bill for Rs.5000 for 1 month, 2nd bill for Rs.10000 for 40 days, 3rd bill for Rs.12000 for 3 months and 4th bill for Rs.13000 for 19 days)	40000	40000
Mar- 07	Bills Payable A/c Dr To Ravi A/c (4th bill dishonoured)	13000	13000
	Interest A/c Dr To Ravi A/c (Interest charged for the amount of 4th bill @12%p.a.)	81	81
Mar- 10	Ravi A/c Dr To Cash A/c (Cash paid to Ravi for amount due on account of	13081	13081

	dishonour of the 4th bill along with interest at 12% p.a. For 19 days)		
Mar-16	Bills Payable A/c Dr To Ravi A/c (1st bill dishonoured)	5000	5000
	Interest A/c Dr To Ravi A/c (Interest charged for the amount of 1st bill @12% p.a. For 1 month)	50	50
Mar-19	Ravi A/c Dr To Cash A/c (Cash paid to Ravi for amount due on account of dishonour of the 1st bill along with interest @ 12% p.a. For 1 month)	5050	5050
Mar-28	Bills Payable A/c Dr To Ravi A/c (2nd bill dishonoured)	10000	10000
	Interest A/c Dr To Ravi A/c (Interest charged for the amount of 2nd bill @12%	132	132

	p.a. For 40 days)		
Apr-01	Ravi A/c Dr To Cash A/c (Cash paid to Ravi for amount due on account of dishonour of the 2nd bill along with interest @ 12% p.a. For 40 days)	10132	10132
May-16	Bills Payable A/c Dr To Ravi A/c (3rd bill dishonoured)	12000	12000
	Interest A/c Dr To Ravi A/c (Interest charged for the amount of 3rd bill @12% p.a. For 3 months)	360	360
May-19	Ravi A/c Dr To Cash A/c (Cash paid to Ravi for amount due on account of dishonour of the 3rd bill along with interest @ 12% p.a. For 3 months)	12360	12360

Journal			
Date	Particular	Debit	Credit
2016 Feb- 13	Bills Receivables A/c Dr Discount Allowed A/c Dr To Ravi A/c (Bills receivables received from Ravi and discount allowed)	10000 200	10200
Mar- 28	Ravi A/c Dr To Bills Receivables A/c To Discount Received A/c (Bill dishonoured)	10200	10000 200

Books of Bank
Journal

Books of Bank Journal			
Date	Particular	Debit	Credit
2016 Mar- 03	Bills Receivables A/c Dr To Bills for Collection A/c (Bill received from Ravi for collection)	13000	13000
Mar- 07	Bill for Collection A/c Dr To Bills Receivables A/c (Bill dishonoured)	13000	13000

Question 33

On Jan 01, 2016 Neha sold goods for Rs. 20,000 to Muskan and drew upon her a bill of exchange payable after two months. One month before the maturity of the bill Muskan approached Neha to accept the payment against the bill at a rebate @12%p.a. Neha agreed to the request of Muskan and Muskan retired the bill under the agreed rate of rebate.

Journalise the above transactions in the books of Neha and Muskan.

Answer:

Books of Neha			
Journal			
Date	Particular	Debit	Credit
2016 Jan- 01	Muskan A/c Dr To Sales A/c (Goods sold to Muskan)	20000	20000
	Bills Receivables A/c Dr To Muskan A/c (Muskan acceptance received)	20000	20000
Feb- 04	Cash A/c Dr Rebate on Bill A/c Dr To Bill Receivables A/c (Muskan's acceptance retired 1 month before maturity and allowed rebate at	19800 200	20000

	12% p.a.)		
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Books of Muskan

Journal			
Date	Particular	Debit	Credit
2016 Jan- 01	Purchase A/c Dr To Neha A/c (Goods bought from Neha)	20000	20000
	Neha A/c Dr To Bills Payable A/c (Bill drawn by Neha payable after 2 months accepted)	20000	20000
Feb- 04	Bills Payable A/c Dr To Cash A/c To Rebate on Bill A/c (Bill paid 1 month before maturity and received rebate at 12% p.a.)	20000	19800 200

Question 34

On Jan 15, 2016 Raghu sold goods worth Rs. 35,000 to Devendra and drew upto the latter three bills of exchanges. The first bill was for Rs.5,000 payable after one month, the second bill was for Rs.20.000 payable after three months and third bill for balance amount for 4

months. Raghu endorsed the first bill in favour of his creditor Dewan in full settlement of a debt of Rs.5.200. The second bill was discounted by Raghu @ 6 % p.a. and the third bill was retained by Raghu till the date of maturity. Devendra dishonoured the bill on maturity and the bank paid Rs. 30 as noting charges. Four days before the maturity of the third bill Raghu, sent the same for collection to his bank. The third bill was also dishonored by Devendra and the bank paid Rs.200 as noting charges. Five days after the dishonour of the bill Devendra paid the entire amount due to Raghu along with interest Rs. 1.000 for this purpose Devendra obtained a short term loan from his bank.

You are requested to record the necessary journal entries in the books of Raghu Devendra and Dewan and also prepare Devendra's account in Raghu's books and Raghu's account in Devendra's account.

Answer:

**Books of Raghu
Journal**

Date	Particular	Debit	Credit
2016 Jan- 15	Devendra A/c Dr To Sales A/c (Goods sold to Devendra)	35000	35000
	Bills Receivables A/c Dr To Devendra A/c (3 bills from Devendra received: 1st bill for Rs.5000, 2nd bill for Rs.20000, 3rd bill for	35000	35000

	Rs.10000)		
	Dewan A/c Dr	5200	
	To Bills Receivables A/c		5000
	To Discount Received A/c		200
	(1st bill endorsed to Dewan in full settlement of amount due to him)		
	Bank A/c Dr	19700	
	Discount A/c Dr	300	
	To Bills Receivables A/c		20000
	(2nd bill discounted with bank at 6% p.a.)		
Apr-18	Devendra A/c Dr	20030	
	To Bank A/c		20030
	(2nd bill dishonoured and bank paid Rs.30 for noting charges)		
May-14	Bill Sent for Collection A/c Dr	10000	
	To Bills Receivables A/c		10000
	(3rd bill sent to bank for collection)		
May-18	Devendra A/c Dr	10200	
	To Bill Sent for Collection A/c		10000
	To Bank A/c		200
	(3rd bill dishonoured and bank paid Rs.200 as noting		

	charges)		
May-23	Devendra A/c Dr To Interest A/c (Interest due to Devendra on account of bills dishonoured)	1000	1000
	Cash A/c Dr To Devendra A/c (Cash received from Devendra)	31230	31230

Devendra's A/c					
Date	Particular	Amount	Date	Particular	Amount
2016			2016		
Jan-15	Sales	35000	Jan-15	Bills Receivables	35000
Apr-18	Bank	20030	May-23	Cash	31230
May-18	Bill Sent for Collection	10000			
May-18	Bank	200			
May-23	Interest	1000			
		66230			66230

Books of Devendra

Journal			
Date	Particular	Debit	Credit

2016			
Jan-15	Purchase A/c Dr To Raghu A/c (Goods bought from Raghu)	35000	35000
	Raghu A/c To Bills Payable A/c (3 bills drawn by Raghu accepted: 1st bill for Rs.5000 payable after 1 month, 2nd bill for Rs.20000 payable after 3 months, 3rd bill for Rs.10000 payable after 4 months)	35000	35000
Feb-18	Bills Payable A/c Dr To Cash A/c (1st bill discharged on the due date)	5000	5000
Apr-18	Bills Payable A/c Dr Noting Charges A/c To Raghu A/c (2nd bill dishonoured and noting charges Rs.30)	20000 30	20030
May-18	Bills Payable A/c Dr Noting Charges A/c To Raghu A/c (3rd bill dishonoured and noting	10000 200	10200

	charges Rs.200)		
May-23	Interest A/c Dr To Raghu A/c (Interest charged Rs.1000 on account of bill dishonoured)	1000	1000
	Cash A/c Dr To Bank Loan A/c (Bank loan taken for setting Raghu's account)	31230	31230
	Raghu A/c Dr To Cash A/c (Cash paid to Raghu)	31230	31230

Raghu's A/c					
Date	Particular	Amount	Date	Particular	Amount
2016			2016		
Jan-15	Bills Payable	35000	Jan-15	Purchase	35000
May-23	Cash	31230	Apr-18	Bills Payable	20000
			Apr-18	Noting Charges	30
			May-18	Bills Payable	10000
			May-18	Noting Charges	200
			May-	Interest	1000

			18		
		66230			66230

Books of Dewan

Journal			
Date	Particular	Debit	Credit
2016 Jan- 15	Bills Receivables A/c Discount Allowed A/c Dr To Raghu (Bill receivable received from Raghu for 1 month and allowed him discount of Rs.200)	5000 200	5200
Feb- 18	Cash A/c Dr To Bills Receivables A/c (Bill met on maturity)	5000	5000

Note: Since the information regarding the honour of the first bill is not provided in the above given question, it has been assumed that the bill has been duly met on the date of the maturity.

Question 35

Viami purchased goods Rs.25.000 from Kamal on Jan 15, 2016 and accepted a bill of exchange drawn upon him by Kamal payable after two months. On the date of the maturity the bill was duly presented for

payment, Vimal dishonoured the bill.

Record the necessary journal entries in the books of Kamal and Vimal when:

- The bill was retained by Kamal till the date of its **maturity.**
- The bill was immediately discounted by Kamal with his **bank @ 6% p.a.**
- The bill was endorsed by Kamal In favour of his creditor **Sharad.**
- Five d ays before its maturity the bill was sent by Kamal to his bank for collection.

Answer: (i) The bill was retained by Kamal till the date of its maturity.

Books of Kamal

Journal

Date	Particular	Debit	Credit
2016 Jan- 15	Vimal A/c Dr To Sales A/c (Goods sold to Vimal)	25000	25000
	Bills Receivables A/c Dr To Vimal A/c (Vimal acceptance received)	25000	25000
Mar- 18	Vimal A/c Dr To Bills Receivables A/c (Vimal acceptance dishonoured)	25000	25000

Books of Vimal

Journal			
Date	Particular	Debit	Credit
2016 Jan- 15	Purchase A/c Dr To Kamal A/c (Goods bought from Kamal)	25000	25000
	Kamal A/c Dr To Bills Payable A/c (Bill drawn by Kamal accepted)	25000	25000
Mar- 05	Bills Payable A/c Dr To Kamal A/c (Bill drawn by Kamal dishonoured)	25000	25000

(ii) The bill was immediately discounted by Kamal with his bank @6% p.a.

Books of Kamal

Journal			
Date	Particular	Debit	Credit
2016 Jan- 15	Vimal A/c Dr To Sales A/c (Goods sold to Vimal)	25000	25000

Mar-18	Bills Receivables A/c Dr To Vimal A/c (Vimal acceptance received)	25000	25000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Vimal's acceptance discounted at 6% p.a. with bank)	24750 250	25000
	Vimal A/c Dr To Bank A/c (Vimal acceptance dishonoured)	25000	25000

Books of Vimal
Journal

Date	Particular	Debit	Credit
2016 Jan-15	Purchase A/c Dr To Kamal A/c (Goods bought from Kamal)	25000	25000
	Kamal A/c Dr To Bills Payable A/c (Bill drawn by Kamal accepted)	25000	25000
Mar-	Bills Payable A/c Dr	25000	

18	To Kamal A/c (Bill drawn by Kamal dishonoured)		25000
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(iii) The bill was endorsed by Kamal in favour of his creditor Sharad.

Books of Kamal

Journal			
Date	Particular	Debit	Credit
2016 Jan- 15	Vimal A/c Dr To Sales A/c (Goods sold to Vimal)	25000	25000
	Bills Receivables A/c Dr To Vimal A/c (Vimal acceptance received)	25000	25000
	Sharad A/c Dr To Bills Receivables A/c (Vimal's acceptance endorsed to Sharad)	25000	25000
Mar- 18	Vimal A/c Dr To Sharad A/c (Vimal's acceptance endorsed to Sharad dishonoured)	25000	25000

Books of Vimal

Journal			
Date	Particular	Debit	Credit
2016 Jan- 15	Purchase A/c Dr To Kamal A/c (Goods bought from Kamal)	25000	25000
	Kamal A/c Dr To Bills Payable A/c (Bill drawn by Kamal accepted)	25000	25000
Mar- 18	Bills Payable A/c Dr To Kamal A/c (Bill drawn by Kamal dishonoured)	25000	25000

(iv) Five days before its maturity the bill was sent by Kamal to his bank for collection.

Books of Kamal

Journal			
Date	Particular	Debit	Credit
2016 Jan- 15	Vimal A/c Dr To Sales A/c (Goods sold to Vimal)	25000	25000

Mar-18	Bills Receivables A/c Dr To Vimal A/c (Vimal acceptance received, payable after 2 months)	25000	25000
	Bills Sent for Collection A/c Dr To Bills Receivables A/c (Vimal's acceptance sent to bank for collection)	25000	25000
	Vimal A/c Dr To Bill Sent for Collection (Vimal's acceptance dishonoured)	25000	25000

Books of Vimal
Journal

Date	Particular	Debit	Credit
2016 Jan-15	Purchase A/c Dr To Kamal A/c (Goods bought from Kamal)	25000	25000
	Kamal A/c Dr To Bills Payable A/c (Bill drawn by Kamal accepted)	25000	25000
Mar-	Bills Payable A/c Dr	25000	

18	To Kamal A/c (Bill drawn by Kamal dishonoured)		25000
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Question 36

Abdulla sold goods to Tahir on Jan 17, 2017 for Rs. 18,000. He drew a bill of exchange for the same amount on Tahir for 45 days. On the same date Tahir accepted the bill and returned it to Abdulla. On the due date Abdulla presented the bill to Tahir which was dishonoured. Abdulla paid Rs.40 as noting charges. Five days after the dishonour of his acceptance Tahir settled his debt by making a payment of Rs. 18,700 Including interest and noting charges.

Record the necessary journal entries in the books of Abdulla and Tahir. Also prepare Tahir's account in the books of Abdulla and Abdulla's account in the books of Tahir.

Answer:

Books of Abdulla

Journal			
Date	Particular	Debit	Credit
2017 Jan- 17	Tahir A/c Dr To Sales A/c (Goods sold to Tahir)	18000	18000
	Bills Receivables A/c Dr To Tahir A/c	18000	18000

	(Tahir acceptance received)		
Mar-06	Tahir A/c Dr To Bills Receivables A/c To Cash A/c (Tahir's acceptance dishonoured and Rs.40 paid as noting charges)	18040	18000 40
	Tahir A/c Dr To Interest A/c (Interest charged from Tahir on account of bill dishonoured)	660	660
Mar-12	Cash A/c Dr To Tahir A/c (Tahir cleared his account by paying cash)	18700	18700

Tahir's A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Jan-17	Sales	18000	Jan-17	Bills Receivables	18000
Mar-06	Bills Receivables	18000	Mar-11	Cash	18700
Mar-06	Cash	40			

Mar-06	Interest	660		
		36700		36700

Books of Tahir

Journal			
Date	Particular	Debit	Credit
2017 Jan-17	Purchase A/c Dr To Abdulla A/c (Goods bought from Abdulla)	18000	18000
	Abdulla A/c Dr To Bills Payable A/c (Bill drawn by Abdulla accepted, payable after 15 days)	18000	18000
Mar-06	Bills Payable A/c Dr Noting Charges A/c Dr To Abdulla A/c (Abdulla bill dishonoured)	18000 40	18040
Mar-07	Interest A/c Dr To Abdulla A/c (Interest charged on account of bill dishonoured)	660	660
Mar-11	Abdulla A/c Dr	18700	

	To Cash A/c (Cash paid to Abdulla)		18700
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Abdulla A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Jan-17	Bills Payable	18000	Jan-17	Purchase	18000
Mar-11	Cash	18700	Mar-06	Bills Payable	18000
			Mar-06	Noting Charges	40
			Mar-06	Interest	660
		36700			36700

Question 37

Asha sold goods worth Rs. 19000 to Nisha on March 02, 2017 Rs. 4000 were paid by isha immediately and for the balance she accepted a bill of exchange drawn upon her by Asha payable after three months. Asha discounted the bill immediately with her bank. On the due date Nisha dishonoured the bill and the bank paid Rs. 30 as the noting charges. Record the necessary journal entries in the books of Asha and Nisha.

Answer:

Books of Asha

Journal			
Date	Particular	Debit	Credit
2017 Mar-02	Nisha A/c Dr	19000	

Jun-05	To Sales A/c (Goods sold to Nisha)		19000
	Cash A/c Dr	4000	
	Bills Receivables A/c Dr	15000	
	To Nisha A/c (Nisha acceptance received)		19000
	Bank A/c Dr	14635	
	Discount A/c Dr	375	
	To Bills Receivables A/c (Nisha's acceptance discounted with bank at 10% p.a.)		15000
	Nisha A/c Dr	15030	
	To Bank A/c (Nisha's acceptance dishonoured and bank paid Rs.30 as noting charges)		15030

Books of Nisha

Journal			
Date	Particular	Debit	Credit
2017 Jan-15	Purchase A/c Dr To Asha A/c (Goods bought from Asha)	19000	19000
	Asha A/c Dr	19000	

	To Bills Payable A/c		15000
	To Cash A/c		4000
	(Asha bill accepted and payable after 3 months and Rs.4000 paid in cash)		
Mar-18	Bills Payable A/c Dr	15000	
	Noting Charges A/c Dr	30	
	To Asha A/c		15030
	(Asha bill dishonoured)		

Note: In this question, the rate of discount is not given and hence the rate of discount has been assumed as 10% p.a.

Question 38

On Feb. 02. 2017, Verma purchased from Sharma goods for Rs. 17.500. Verma paid Rs.2.500 immediately and for the balance gave a promissory note to Sharma payable after 60 days. Sharma immediately endorsed the promissory note in favour of his creditor.

Gupta for the full settlement of a debt of Rs. 15,400. On the due date of the bill Gupta presented the bill to Verma which the latter dishonoured and Gupta paid Rs.50 noting charges. On the same date Gupta informed Sharma about the dishonour of the bill. Sharma settled his debt to Gupta by cheque for Rs.15,500 which includes noting charges and interest. Verma settled Sharma's claim by cheque for the same amount.

Record the necessary journal entries in the books of Sharma. Gupta and Verma for the above transaction and prepare Verma's and Gupta's accounts in the books of

Sharma. Sharma's account i n the books of Verma. And also Sharma's account in the books of Gupta.

Answer:

Books of Sharma

Journal			
Date	Particular	Debit	Credit
2017 Feb- 02	Verma A/c Dr To Sales A/c (Goods sold to Verma)	17500	17500
	Cash A/c Dr Bills Receivables A/c Dr To Verma A/c (Cash Rs.2500 and promissory note Rs.15000 received from Verma for 60 days)	2500 15000	17500
	Gupta A/c Dr To Bills Receivables A/c To Discount Received A/c (Promissory note endorsed to Gupta in full settlement of amount due to him)	15400	15000 400
Apr- 05	Discount Received A/c Dr Verma A/c Dr To Gupta A/c (Promissory note issued by Verma	400 15050	15450

	dishonoured and Gupta paid Rs.50 as noting charges)		
Apr- 06	Interest A/c Dr To Gupta A/c (Interest of Rs.50 debited to Gupta on account of dishonour of promissory note)	50	50
	Gupta A/c Dr To Bank A/c (Gupta's A/c settled)	15500	15500
	Bank A/c Dr To Verma A/c (Cheque received from Verma for the amount due from him)	15050	15050

Verma's A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Feb- 02	Sales	17500	Feb- 02	Cash	2500
Apr- 06	Gupta	15050	Feb- 02	Bills Receivables	15000
			Apr- 06	Bank	15050
		32550			32550

Gupta's A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Feb-02	Bills Receivables	15000	Apr-01	Balance b/d	15400
Feb-02	Discount Received	400	Apr-06	Verma	15050
Feb-02	Bank	15500	Apr-06	Discount Reserved	400
			Apr-06	Interest	50
		30900			30900

Books of Verma
Journal

Date	Particular	Debit	Credit
2017 Feb-02	Purchase A/c Dr To Sharma A/c (Goods bought from Sharma)	17500	17500
	Sharma A/c Dr To Bills Payable A/c To Cash A/c (Cash Rs.2500 paid and promissory note made for the balance)	17500	15000 2500
Apr-06	Bills Payable A/c Dr	15000	

Noting Charges A/c Dr To Sharma A/c (Promissory note dishonoured on maturity)	50	15050
Sharma A/c Dr To Bank A/c (Payment made to Sharma through cheque)	15050	15050

Sharma's A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Feb-02	Cash	2500	Feb-02	Purchase	17500
Feb-02	Bills Payable	15000	Apr-06	Bills Payable	15000
Apr-06	Bank	15050	Apr-06	Noting Charges	50
		32550			32550

Books of Gupta

Journal			
Date	Particular	Debit	Credit
2017 Feb-02	Bills Receivables A/c Dr Discount Allowed A/c Dr To Sharma A/c (Promissory note Rs.15000 received from Sharma in full settlement for 60 days)	15000 400	15400

Apr-06	Sharma A/c Dr To Bills Receivables A/c To Discount Allowed A/c To Bank A/c (Promissory note received from Sharma, dishonoured)	15450	15000 400 50
	Sharma A/c Dr To Interest A/c (Interest Rs.50 credited on account of promissory note dishonoured)	50	50
	Bank A/c Dr To Sharma A/c (Cheque received from Sharma)	15500	15500

Sharma's A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Feb-01	Balance b/d	15400	Feb-02	Bills Receivables	15000
Apr-06	Bills Receivables	15000	Feb-02	Discount Allowed	400
Apr-06	Discount Allowed	400	Apr-06	Bank	15500
Apr-06	Bank	50			
Apr-06	Interest	50			

		30900			30900
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Note: In the above given question the amount of noting charges of Rs. 5000 is made by mistake when the actual amount of the noting charges is Rs. 50.

Question 39

Lilly sold goods to Methew on 1.3.2017 for Rs. 12.000 and drew upon Methew a bill of exchange for the same amount payable after two months. Lilly immediately discounted the bill with her bank at 9% p.a. The maturity date of the bill was a non business day (holiday), therefore, Lilly had to present the bill as per the provisions of the Indian Instruments Act. 1881. The bill was dishonoured by Methew and Lilly paid Rs.45 as noting charges. Methew settled the claim of Lilly five days after the dishonour of the bill by a cheque, which includes interest @ 12% for the term of the bill.

Journalise the above transactions in the books of Lilly and Methew and prepare Mathew's account in the books of Lilly and Lilly's account in the books of Mathew.

Answer:

Books of Lilly

Journal			
Date	Particular	Debit	Credit
2017			
Mar-01	Mathew A/c Dr To Sales A/c (Goods sold to Mathew)	12000	12000

May-03	Bills Receivables A/c Dr To Mathew A/c (Mathew acceptance payable after 2 months received)	12000	12000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Mathew bill discounted at 9% p.a.)	11820 180	12000
	Mathew A/c Dr To Bank A/c (Mathew's acceptance dishonoured, bank paid Rs.45 as noting charges)	12045	12045
May-08	Mathew A/c Dr To Interest A/c (Interest @12% credited to Mathew on account of bill dishonoured)	241	241
	Bank A/c Dr To Mathew A/c (Cheque received from Mathew for the amount due from him)	12286	12286

Mathew's A/c

Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Mar-01	Sales	12000	Mar-01	Bills Receivables	12000
May-03	Bank	12045	May-08	Bank	12286
May-08	Interest	241			
		24286			24286

Books of Mathew

Journal			
Date	Particular	Debit	Credit
2017 Mar-01	Purchase A/c Dr To Lilly A/c (Goods bought from Lilly)	12000	12000
	Lilly A/c Dr To Bills Payable A/c (Lilly's acceptance payable after 2 months accepted)	12000	12000
May-03	Bills Payable A/c Dr Noting Charges A/c Dr To Lilly A/c (Promissory note dishonoured on maturity)	12000 45	12045
May-08	Interest A/c Dr	241	

To Lilly A/c (Interest charged @12% from Lilly on account of bill dishonoured)		241
Lilly A/c Dr To Bank A/c (Payment made to Lilly through cheque)	12286	12286

Lilly's A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Mar-01	Bills Payable	12000	Mar-01	Purchase	12000
Mar-09	Bank	12286	May-03	Bills Payable	12000
			May-03	Noting Charges	45
			May-08	Interest	241
		24286			24286

Note: The date of the maturity in the above given question has been assumed to May 03, 2017 instead of May 04, 2017 as it is a holiday on this date.

Question 40

Kapil purchased goods for Rs. 21000 from Gaurav on 1.2.2017 and accepted a bill of exchange drawn by Gaurav for the same amount. The bill was payable after one month. On 25.2.2017 Gaurav sent the bill to bank for collection. The bill was duly presented by the bank. Kapil

dishonoured the bill and the bank paid Rs.100 as noting charges.

Record the necessary journal entries for the above transactions in the book of Kapil and Gourav.

Answer:

Books of Gaurav

Journal			
Date	Particular	Debit	Credit
2017 Feb- 01	Kapil A/c Dr To Sales A/c (Goods sold to Kapil)	21000	21000
	Bills Receivables A/c Dr To Kapil A/c (Kapil acceptance received)	21000	21000
Feb- 25	Bills Sent for Collection A/c Dr To Bills Receivables A/c (Bill receivables sent to bank for collection)	21000	21000
Mar- 04	Kapil A/c Dr To Bills Sent for Collection A/c To Bank A/c (Kapil acceptance dishonoured)	21100	21000 100

Books of Kapil

Journal			
Date	Particular	Debit	Credit
2017 Feb- 01	Purchase A/c Dr To Gaurav A/c (Goods bought from Gaurav)	21000	21000
	Gaurav A/c Dr To Bills Payable A/c (Gaurav bill accepted and payable after 1 month)	21000	21000
Mar- 04	Bills Payable A/c Dr Noting Charges A/c Dr To Gaurav A/c (Gaurav bill dishonoured)	21000 100	21100

Question 41

On Feb. 14, 2017 Rashmi sold good Rs.7,500 to Alka. Alka paid Rs.500 in cash and for the bank balance accepted a bill of exchange drawn upon her by Rashmi payable after two months. On Apr. 10, 2017 Alka approached Rashmi to cancel the bill since she was short of funds. She further requested Rashmi to accept Rs.2.000 in cash and draw a new bill for the balance including interest Rs.500. Rashmi accepted Alka's request and drew a new bill for the amount due payable after 2 months. The bill was accepted by Alka. The new bill was duly met by Alka on maturity.

Record the necessary journal entries in the books of Rashmi and Alka and prepared Alka's account in the books of Rashmi's and Rashmi's account in the books of Alka's

Answer:

Books of Rashmi

Journal			
Date	Particular	Debit	Credit
2017 Feb- 14	Alka A/c Dr To Sales A/c (Goods sold to Alka)	7500	7500
	Cash A/c Dr Bills Receivables A/c Dr To Alka A/c (Cash Rs.500 and promissory note Rs.7000 received from Alka)	500 7000	7500
Apr- 10	Alka A/c Dr To Bills Receivables A/c (Alka got the bill cancelled)	7000	7000
	Cash A/c Dr To Alka A/c (Received cash from Alka)	2000	2000
	Alka A/c Dr To Interest A/c	500	500

	(Interest charged on amount due from Alka)		
	Bills Receivables A/c Dr	5500	
	To Alka A/c		5500
	(Alka's acceptance payable for 2 months received)		
Jun-13	Cash A/c Dr	5500	
	To Bills Receivables A/c		5500
	(Alka's acceptance met on due date)		

Alka's A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Feb-14	Sales	7500	Feb-14	Cash	500
Apr-10	Bills Receivables	7000	Feb-14	Bills Receivables	7000
Apr-10	Interest	500	Apr-10	Cash	2000
			Apr-10	Bills Receivables	5500
		15000			15000

Books of Alka

Journal			
Date	Particular	Debit	Credit
2017 Feb-14	Purchase A/c Dr	7500	

	To Rashmi A/c (Goods bought from Rashmi)		7500
	Rashmi A/c Dr	7500	
	To Cash A/c		500
	To Bills Payable A/c (Cash paid to Rashmi Rs.500 and a bill for Rs.7000 drawn by Rashmi accepted)		7000
Apr- 10	Bills Payable A/c Dr	7000	
	To Rashmi A/c (Bill cancelled before maturity)		7000
	Rashmi A/c Dr	2000	
	To Cash A/c (Cash paid to Rashmi)		2000
	Interest A/c Dr	500	
	To Rashmi A/c (Interest due to Rashmi)		500
	Rashmi A/c Dr	5500	
	To Bills Payable A/c (Rashmi's acceptance payable after 2 months accepted)		5500
Jun- 13	Bills Payable A/c Dr	5500	
	To Cash A/c (Bill met on due date)		5500

Rashmi's A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Feb-14	Cash	500	Feb-14	Purchase	7500
Feb-14	Bills Payable	7000	Apr-10	Bills Payable	7000
Apr-10	Cash	2000	Apr-10	Interest	500
Apr-10	Bills Payable	5500			
		15000			15000

Question 42

Nikhil sold goods for Rs.23,000 to Akhil on Dec. 01, 2017. He drew upon Akhil a bill of exchange for the same amount payable after 2 months. Akhil accepted the bill and sent it back to Nikhil. Nikhil discounted the bill immediately with his bank @12 p.a. On the due date Akhil dishonoured the bill of exchange and the bank paid Rs. 100 as noting charges. Akhil requested Nikhil to draw a new bill upon him with interest @ 10% p.a. which he agreed. The new bill was payable after two months. A week before the maturity of the second bill Akhil requested Nikhil to cancel the second bill. He further requested to accept Rs. 10,000 in cash immediately and drew a third bill upon him including interest of Rs.500. Nikhil agreed to Akhil's request. The third bill was payable after one month. Akhil met the third bill on its maturity, record the necessary journal entries in the books of Nikhil and Akhil and also prepare

Akhil's account in the books of Nikhil and Nikhil's account in the books of ARhil.

Answer:

Books of Nikhil

Journal			
Date	Particular	Debit	Credit
2017 Dec- 01	Akhil A/c Dr To Sales A/c (Goods sold to Akhil)	23000	23000
	Bills Receivables A/c Dr To Akhil A/c (Akhil acceptance received)	23000	23000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Akhil acceptance discounted at 12% p.a. With bank)	22540 460	23000
2018 Feb- 04	Akhil A/c Dr To Bank A/c (Akhil's acceptance dishonoured, bank paid Rs.100 as noting charges)	23100	23100
	Akhil A/c Dr To Interest A/c	385	385

	(Interest credited on account of bill dishonoured at 10% p.a. For 2 months)		
	Bills Receivables A/c Dr To Akhil A/c (Akhil's new acceptance received for next 2 months)	23485	23485
Apr-01	Akhil A/c Dr To Bills Receivables A/c (2nd bill cancelled 1 week before maturity)	23485	23485
	Cash A/c Dr To Akhil A/c (Cash received from Akhil)	10000	10000
	Akhil A/c Dr To Interest A/c (Interest due from Akhil for the bill)	500	500
	Bills Receivables A/c Dr To Akhil A/c (Bill from Akhil received)	13985	13985
May-04	Cash A/c Dr To Bills Receivables A/c (3rd bill met on due date)	13985	13985

Akhil's A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Dec-01	Sales	23000	Dec-01	Bills Receivables	23000
2018			2018		
Feb-04	Bank	23100	Feb-04	Bills Receivables	23485
Feb-04	Interest	385	Apr-01	Cash	10000
Apr-01	Bills Receivables	23485	Apr-01	Bills Receivables	13985
Apr-01	Interest	500			
		70470			70470

Journal			
Date	Particular	Debit	Credit
2017 Dec-01	Purchase A/c Dr To Nikhil A/c (Goods bought from Nikhil)	23000	23000
	Nikhil A/c Dr To Bills Payable A/c (Bill drawn by Nikhil payable after 2 months accepted)	23000	23000
2018 Feb-04	Bills Payable A/c Dr Noting Charges A/c Dr	23000 100	

	To Nikhil A/c (Bill dishonoured on due date and Rs.100 paid as noting charges)		23100
	Interest A/c Dr To Nikhil A/c (Interest due to Nikhil for the bill dishonoured)	385	385
	Nikhil A/c Dr To Bills Payable A/c (New bill payable after 2 months accepted)	23485	23485
Apr- 01	Bills Payable A/c Dr To Nikhil A/c (Bill cancelled before maturity)	23485	23485
	Nikhil A/c Dr To Cash A/c (Cash paid to Nikhil)	10000	10000
	Interest A/c Dr To Nikhil A/c (Interest due to Nikhil for the bill cancellation)	500	500
	Nikhil A/c Dr To Bills Payable A/c (New bill payable after 1 months accepted)	13985	13985

May-04	Bills Payable A/c Dr To Cash A/c (3rd bill met on maturity)	13985	13985
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Nikhil's A/c					
Date	Particular	Amount	Date	Particular	Amount
2017			2017		
Dec-01	Bills Payable	23000	Dec-01	Purchase	23000
2018			2018		
Feb-04	Bills Payable	23485	Feb-04	Bills Payable	23000
Apr-01	Cash	10000	Feb-04	Noting Charges	100
Apr-01	Bills Payable	13985	Feb-04	Interest	385
			Apr-01	Bills Payable	23485
			Apr-01	Interest	500
		70470			70470

Question 43

On Jan 01, 2017 Vibha sold goods worth Rs. 18000 to Sudha and drew upon the latter a bill of exchange for the same amount payable after two months. Sudha accepted Vibha's draft and returned the same to Vibha after acceptance. Vibha endorsed the bill immediately in favour of her creditor. Five days before the maturity of the bill Sudha requested Vibha to cancel the bill since she was

short of funds. She further requested to draw a new bill upon her including the interest of Rs. 200. Vibha accepted Sudha's request. Vibha took the bill from Geeta by making the payment to her in cash and cancelled the same. Then she drew a new bill upon Sudha as agreed. The new bill was payable after one month. The new bill was duly met by Sudha on maturity. Record the necessary journal entries in the books of Vibha.

Answer:

Books of Vibha

Journal			
Date	Particular	Debit	Credit
2017 Jan- 01	Sudha A/c Dr To Sales A/c (Goods sold to Sudha)	18000	18000
	Bills Receivables A/c Dr To Sudha A/c (Sudha's acceptance received)	18000	18000
	Geeta A/c Dr To Bills Receivables A/c (Sudha's acceptance endorsed in favour of Geeta)	18000	18000
Feb- 27	Sudha A/c Dr To Geeta A/c (Sudha cancelled the bill 5 days	18000	18000

	before maturity)		
	Geeta A/c Dr To Cash A/c (Cash paid to Geeta)	18000	18000
	Sudha A/c Dr To Interest A/c (Interest credited to Sudha on account of cancelling the bill)	200	200
	Bills Receivables A/c Dr To Sudha A/c (New bill received from Sudha)	18200	18200
Mar-02	Cash A/c Dr To Sudha A/c (Sudha's acceptance met on due date)	18200	18200

Question 44

Following was the position of debtor and creditor of Gautam as on 1.1.2017.

	Debtors Rs.	Creditors Rs.
Babu	5,000	-
Chanderkala	8,000	-
Klran	13,500	-
AnIta	14,000	
Anju	-	5,000

Sheiba	-	12.000
Manju	-	6,000

The following transactions took place in the month of Jan 2017:

Jan 2

Drew on Babu at two months after date at full settlement for Rs.4, 800.

Babu accepted the bill and returned It on 5. 1.2017.

Jan. 04

Babu's bill discounted for Rs.4,750.

Jan. 08

Chanderkala sent a promissioiy note for Rs.8.000 payable three months after date.

Jan. 10

Promissory note received from Chanderkala discounted for Rs. 7,900.

Jan. 12

Accepted Sheiba draft for the amount due payable two months after date.

Jan. 22

Anita sent his promissory note payable after two months.

Jan. 23

Anita's promissory note endorsed in favour of Manju.

Jan. 25

Accepted Anju's draft payable after three months.

Jan. 29

Kiran sent Rs.2.000 in cash and a promissory note for the balance payable after three months.

Record the above transactions In the proper subsidiary books.

Answer:

Bills Receivable Book												
No.	Date of Bill 2017	Date Received 2016	From whom of Bill	Drawer whom received	Acceptor	Where	Term Payable	Due date 2016	L. F.	Amount	Cash Book Folio	Remarks
1	Jan -02	Jan-05	Babu	Self	Babu		2 months	Mar-05		4800		
								Total		4800		

Bills Payable Book												
No.	Date of Bill 2017	To Whom Given	Drawer	Payee	Where payable	Term	Due date 2017	L. F.	Amount	Date paid	Cash Book Folio	Remarks

1	Jan-12	Sheeba	Sheeba	-		2 months	Mar-15	12000			
2	Jan-25	Anju	Anju	-		2 months	Apr-28	5000			
							Total	17000			

Cash Book							
Date	Particular	Cash	Bank	Date	Particular	Cash	Bank
2017				2017			
Jan-04	Bills Receivables		4750	Jan-31	Balance c/d	2000	12650
Jan-10	Bills Receivables		7900				
Jan-29	Kiran	2000					
		2000	12650			2000	12650

Books of Gautam

Journal			
Date	Particular	Debit	Credit
2017 Jan-05	Discount Allowed A/c Dr To Babu A/c (Babu's acceptance received and	200	200

	allowed him discount Rs.200)		
	Discount A/c Dr	50	
	To Bills Receivables A/c (Babu's acceptance discounted with a discount charge of Rs.50)		50
Jan- 08	Bills Receivables /c Dr To Chanderkala A/c (Promissory note from Chanderkala received)	8000	8000
Jan- 10	Discount A/c Dr To Bills Receivables A/c (Chanderkala's promissory note discounted with bank at discount of Rs.100)	100	100
Jan- 22	Bills Receivables /c Dr To Anita A/c (Promissory note received from Anita)	14000	14000
Jan- 23	Manju A/c Dr To Bills Receivables A/c (Anita's promissory note endorsed to Manju)	14000	14000

Jan-29	Bills Receivables /c Dr To Kiran A/c (Promissory note from Kiran received)	11500	11500
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Question 45

On Jan 01, 2017 Harsh accepted a months bill for Rs. 10,000 drawn on him by Tany for latter's benefit .Tanu discounted the bill on same day @8% p.a. On the due date Tanu sent a cheque to Harsh for honour the bill. Harsh duly honoured his acceptance. Record the journal entries in the books of Tanu and Harsh.

Answer:

Books of Tanu

Journal			
Date	Particular	Debit	Credit
2017 Jan-01	Bills Receivables A/c Dr To Harsh A/c (Harsh acceptance received)	10000	10000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Harsh's acceptance discounted at 8% p.a. For 1 month)	9933 67	10000

Feb-04	Harsh A/c Dr To Bank A/c (Harsh's account settled by paying amount due to Harsh through cheque)	10000	10000
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Books of Harsh

Journal			
Date	Particular	Debit	Credit
2017 Jan-01	Tanu A/c Dr To Bills Payable A/c (Bill drawn by Tanu accepted)	10000	10000
Feb-04	Bank A/c Dr To Tanu A/c (Cheque received from Tanu)	10000	10000
	Bills Payable A/c Dr To Bank A/c (Bill drawn by Tanu met on due date)	10000	10000

Question 46

Ritesh and Naina were in need of funds temporarily. On August 01, 2017 Ritesh drew upon Naina a bill for Rs. 12000 for 4 months. Naine accepted the bill and returned to Ritesh. Ritesh discounted the bill @8%p.a. Half amount

of the discounted bill remitted to Naina. On the due date, Ritesh sent the required sum to Naina, who met the bill. Journalise the transaction in the book of both the parties.

Answer:

Books of Ritesh

Journal			
Date	Particular	Debit	Credit
2017 Aug-01	Bills Receivables A/c Dr To Naina A/c (Naina acceptance received)	12000	12000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Naina's acceptance discounted at 8% p.a. with bank)	11680 320	12000
	Naina A/c Dr To Cash A/c To Discount A/c (Bill discounted with bank for 4 months at 8%p.a.)	6000	5840 160
Dec-04	Naina A/c Dr To Cash A/c (Balance amount paid to Naina in order to met the bill)	6000	6000

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Books of Naina

Journal			
Date	Particular	Debit	Credit
2017 Aug- 01	Ritesh A/c Dr To Bills Payable A/c (Bill payable after 4 months accepted)	12000	12000
	Cash A/c Dr Discount A/c Dr To Ritesh A/c (Half amount of the discounted bill received from Ritesh)	5840 160	6000
Dec- 04	Bank A/c Dr To Ritesh A/c (Balance amount received from Ritesh)	6000	6000
	Bills Payable A/c Dr To Bank A/c (Bill paid on maturity)	12000	12000

Question 47

On Jan 01, 2016 Bhanu and Naman drew on each other a bill for Rs. 8000 payable 3 months after the due date for

their Mutual Benefit. On January 02 they discounted with their bank each other's bill at 5% p.a. on the due date each met his own's acceptance. Give journal entries in the books of Bhanu and Naman.

Answer:

Books of Bhanu

Journal			
Date	Particular	Debit	Credit
2016 Jan- 01	Bills Receivables A/c Dr To Naman A/c (Naman acceptance received for mutual help)	8000	8000
	Naman A/c Dr To Bills Payable A/c (Naman's acceptance accepted, payable after 3 months for mutual help)	8000	8000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Naman's acceptance discounted at 5% p.a. With bank for mutual help)	7900 100	8000
Apr- 04	Bills Payable A/c Dr To Bank A/c (Naman's acceptance cleared)	8000	8000

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Books of Naman

Journal			
Date	Particular	Debit	Credit
2016 Jan- 01	Bills Receivables A/c Dr To Bhanu A/c (Bhanu acceptance received for mutual help)	8000	8000
	Bhanu A/c Dr To Bills Payable A/c (Bhanu's acceptance accepted, payable after 3 months for mutual help)	8000	8000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Bhanu's acceptance discounted at 5% p.a. With bank for mutual help)	7900 100	8000
Apr- 04	Bills Payable A/c Dr To Bank A/c (Bhanu's acceptance cleared)	8000	8000

Question 48

On Nov 01, 2016 Sonia drawn a bill on Sunny for Rs. 15000 for 3 months for mutual accommodation. Sunny accepts the bill and return it to Sonia. Sonia discounted the same with his bankers @6%p.a. The proceeds are shared between Sonia and Sunny in proportion of 2/3rd, 1/3rd respectively. On the due date Sonia remits his proportion to Sunny who fails to meet the bill and as a result Sonia has to meet it. Sunny give a fresh acceptance for the amount due to Sonia plus interest of Rs. 100 Sunny met his second acceptance on the due date. Record the necessary journal entries in the books of Sonia and Sunny.

Answer:

Books of Sonia			
Journal			
Date	Particular	Debit	Credit
2016 Nov- 01	Bills Receivables A/c Dr To Sunny A/c (Sunny acceptance received)	15000	15000
	Bank A/c Dr Discount A/c Dr To Bills Receivables A/c (Bill discounted with banker at 6% p.a. For 3 months)	14775 225	15000
	Sunny A/c Dr To Cash A/c Dr To Discount A/c (1/3 rd amount of discounted bill remitted to Sunny)	5000	4925 75

2017 Feb- 04	Sunny A/c Dr To Cash A/c (Balance amount bill remitted to Sunny)	10000	10000
	Sunny A/c Dr To Bank A/c (Bill discounted with bank dishonoured)	15000	15000
	Bank A/c Dr To Cash A/c (Cash paid to bank on account of dishonour of bill)	15000	15000
	Sunny A/c Dr To Interest A/c (Interest due from Sunny on account of bill dishonoured)	100	100
	Bills Receivables A/c Dr To Sunny A/c (Sunny's fresh acceptance received)	15100	15100
	Cash A/c Dr To Bills Receivables A/c (Cash received on due date)	15100	15100

Books of Sunny

Journal			
Date	Particular	Debit	Credit
2016 Nov- 01	Sonia A/c Dr To Bills Payable A/c (Bill accepted payable after 3 months drawn by Sonia)	15000	15000
	Cash A/c Dr Discount A/c Dr To Sonia A/c (1/3rd amount of the discounted bill received from Sonia)	4925 75	5000
2017 Feb- 04	Cash A/c Dr To Sonia A/c (Balance amount of bill due from Sonia received)	10000	10000
	Bills Payable A/c Dr To Sonia A/c (Bill drawn by Sonia dishonoured on due date)	15000	15000
	Interest A/c Dr To Sonia A/c (Interest due to Sonia)	100	100

	Sonia A/c Dr To Bills Payable A/c (2nd bill accepted)	15100	15100
	Bills Payable A/c Dr To Cash A/c (Sonia's acceptance met on due date)	15100	15100

