

CH
07

ACCOUNTING FOR BILLS
OF EXCHANGE

Question 1

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Mr. X sold goods for ` 15,000 to Mr. Y and immediately drew a bill upon him on Jan. 01, 2022 payable after 3 months. On maturity the bill was dishonoured and ` 50 were paid by the holder of the bill as noting charges. The journal entries will be recorded in the books of Mr. X and Mr. Y as given below under the following circumstances:

- (i) When the bill was kept by Mr. X till maturity.
- (ii) When the bill was discounted by Mr. X with his bank immediately @ 12% p.a.
- (iii) When the bill was endorsed by Mr. X in favour of his creditor Miss. Z.

Question 2

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On February 01, 2022 X sold goods to Y for ` 18,000; ` 3,000 were paid by Y immediately and for the balance he accepted three months bill drawn upon him by X. On the date of maturity of the bill Y requested X to cancel the old bill and draw a new bill upon him for a period of 2 months. He further agreed to pay interest in cash to X @ 12% p.a. X agreed to Y's request and cancelled the old bill and drew a new bill. The new bill was met on maturity by Y.

Pass necessary journal entries in the books of drawer and drawee.

Question 3

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X sold goods ` 10,000 to Y on January 01, 2022 and immediately drew a bill on Y for three months for the same amount, Y accepted the bill and returned it to X. On March 04, 2022 Y retired her acceptance under rebate of 6% per annum. You are required to:

- (a) Pass the journal entries to record the above transactions in the books of X and Y;
- (b) Prepare Y A/c and Bill Receivable A/c in the books of X; and
- (c) Prepare X A/c and Bill Payable A/c in the books of Y.



Question 4

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X draws a bill for ₹ 1,200 and Y accepts the same for mutual accommodation in the ratio of 4:2. X discounts the bill for ₹ 1,110 and remits 1/3rd of the proceeds to B. Before the due date, Y draws another bill for ₹ 1,800 on X in order to provide funds to meet the first bill. The second bill is discounted for ₹ 1,740 by Y and a sum of ₹ 360 is remitted to X after meeting the first bill. The second bill is duly met. Show journal entries in the books of both X and Y.



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Question 5

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On 1.1.2021, X sold goods to Y valuing ₹ 30,000. On 4.1.2021 X received from Y a cheque of ₹ 10,000 and drew a bill payable 3 months after date for the balance. On the same date, X endorsed the accepted bill to Z for full settlement of a debt of ₹ 21,000. On the due date, the bill was dishonored and Y having become insolvent, met on 12.4.2021, 80% of his acceptance as full and final dividend. You are required to pass journal entries to record the above transactions.



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Question 6

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On 1st July, 2021 A drew a bill for ₹ 8,00,000 for 3 months on B for mutual accommodation. He accepts the bill of exchange. He purchased goods worth ₹ 1,81,000 from C on the same date. A endorsed B's acceptance to C in full settlement. On 1st September 2021, C purchased goods worth ₹ 1,90,000 from B. C endorsed the bill of exchange received from A to B and paid ₹ 9,000 in full settlement of the amount due to B.



On 1st October 2021 B purchased Goods worth ` 1,00,000 from A. He paid the amount due to A by Cheque.

Pass necessary journal entries in the books of B.

PREVIOUS EXAM QUESTIONS

Question 1

Exam Dec 24

Indra drew upon Chandra a bill for 90,000 on April 1, 2024 for 3 months, for mutual accommodation. Chandra accepted the same immediately on receipt. On April 4, Indra got it discounted at 6% p.a. and remitted 1/3rd of the proceeds to Chandra. At maturity, Indra was not able to send the required sums and asked Chandra to receive a 2 months Promissory Note for 60,900 which Chandra did. Chandra got the Note discounted for ₹ 60,000 and met his acceptance. Indra became insolvent just before his Promissory Note was due for payment. Only 25% was received from his estate. You are required to pass journal entries in the books of Indra

Question 2

Exam Dec 23

On 1st July, 2023, G drew a bill for ₹ 80,000 for 3 months on H for mutual accommodation. He accepted the bill of exchange. G had purchased goods worth ₹ 81,000 from J on the same date. G endorsed H's acceptance to J in full settlement. On 1st September, 2023 J purchased goods worth ₹ 90,000 from H. J endorsed the bill of exchange received from G to H and paid 9,000 in full settlement of the amount due to H.

On 1st October, 2023 H purchased goods worth ₹ 1,00,000 from G. H paid the amount due to G by cheque. Give the necessary Journal entries in the books of H.

