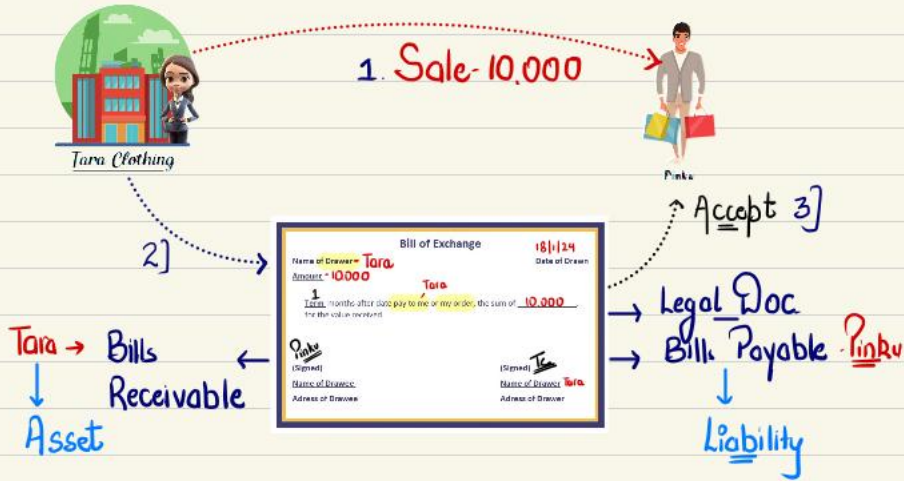


Bills of Exchange



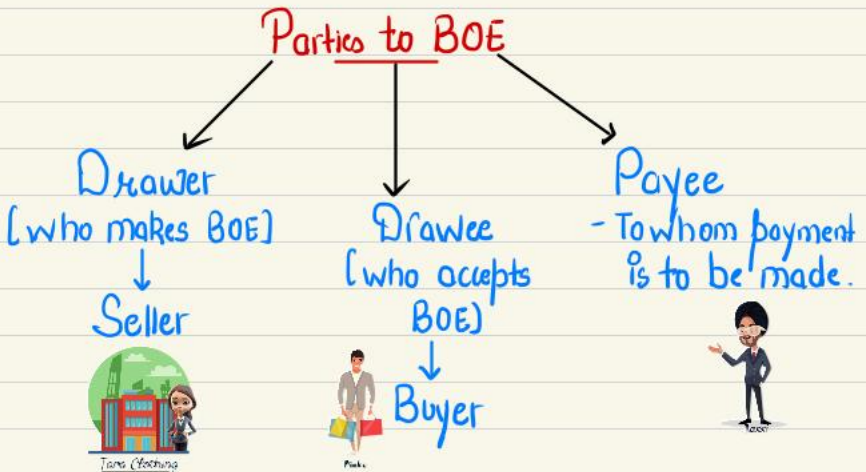
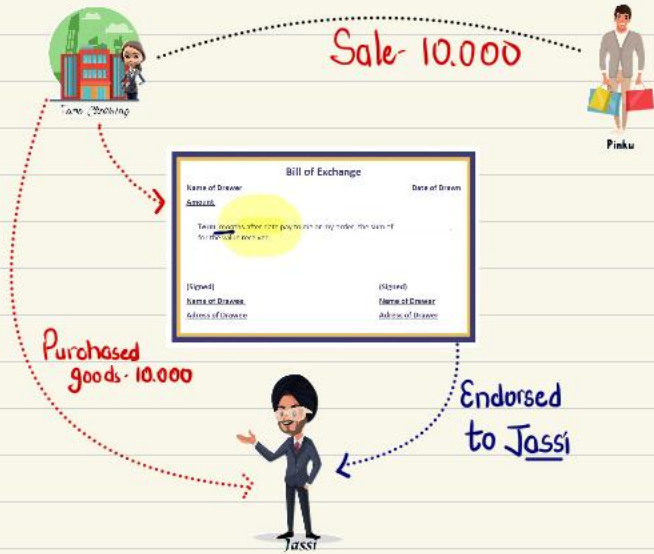
Bills of Exchange



→ BOE has the foll. characteristics:

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

→ Endorsement



→ Drawer & Payee can be the same person.

Imp Terms:

1. Term of the Bill

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

2. Expiry of the Bill

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

BOE

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

a) When Term of the Bill is in Months

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

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

The date of the Bill is excluded.

b) Term - Days

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

3] Date of Maturity → Due date

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

Imp points:

Maturity Date

Public Holiday

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

Preceding Working Day

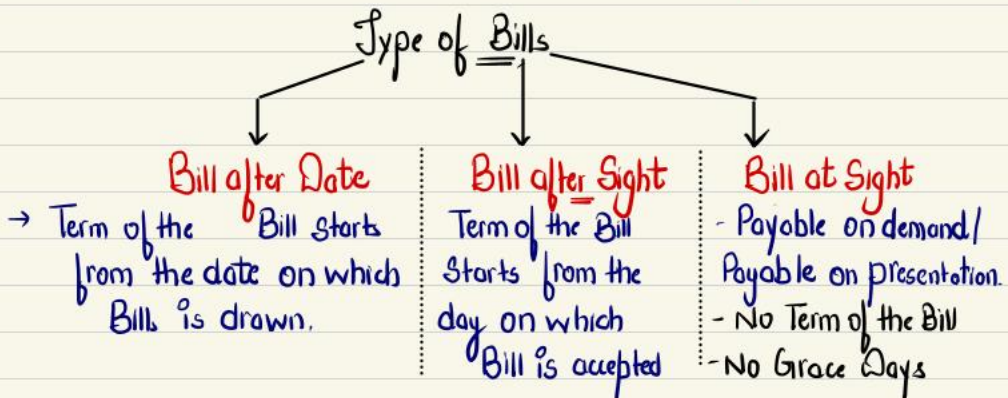
26th Jan → 25th Jan,
In case 25th Jan is a Sunday then
Maturity Date: 24th Jan.

Emergency Holiday

Next Working Day

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

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



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

Bill after Date
 Maturity - 23rd Mar, 24

Bill after Sight
 27th Mar, 24

JOURNAL



Books of Tara

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

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

Asset

Books of Pinku

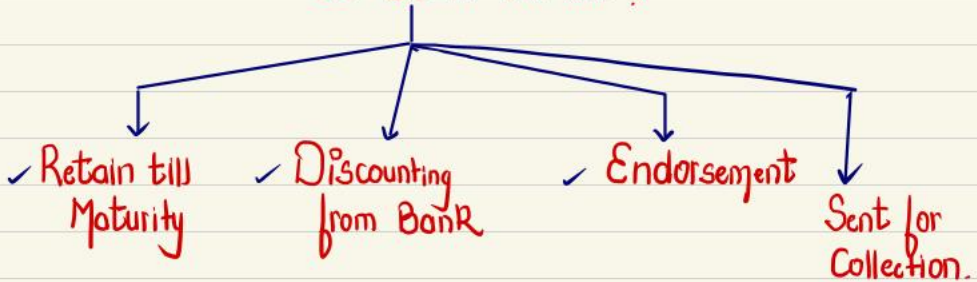
20/1/24 Purchases A/c Dr. 10,000
 To Tara 10,000

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

Liability



9s Bill का क्या होगा ?



1 Retain till Maturity

a] Honour [Amt Received on Maturity]

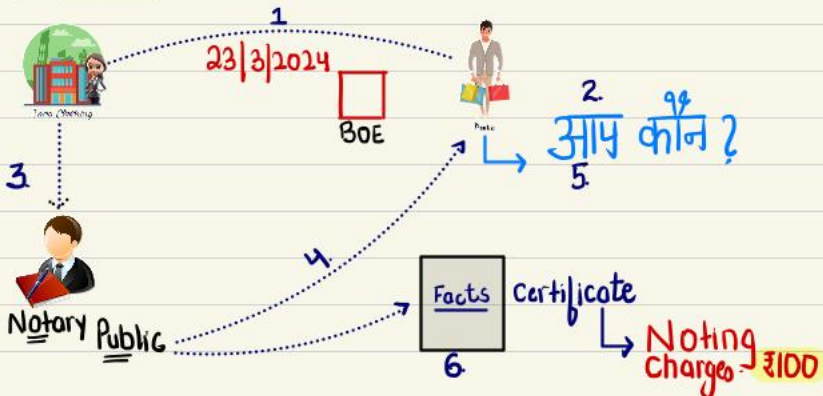
Books of Tara

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

Books of Pinku

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

b] Dishonour



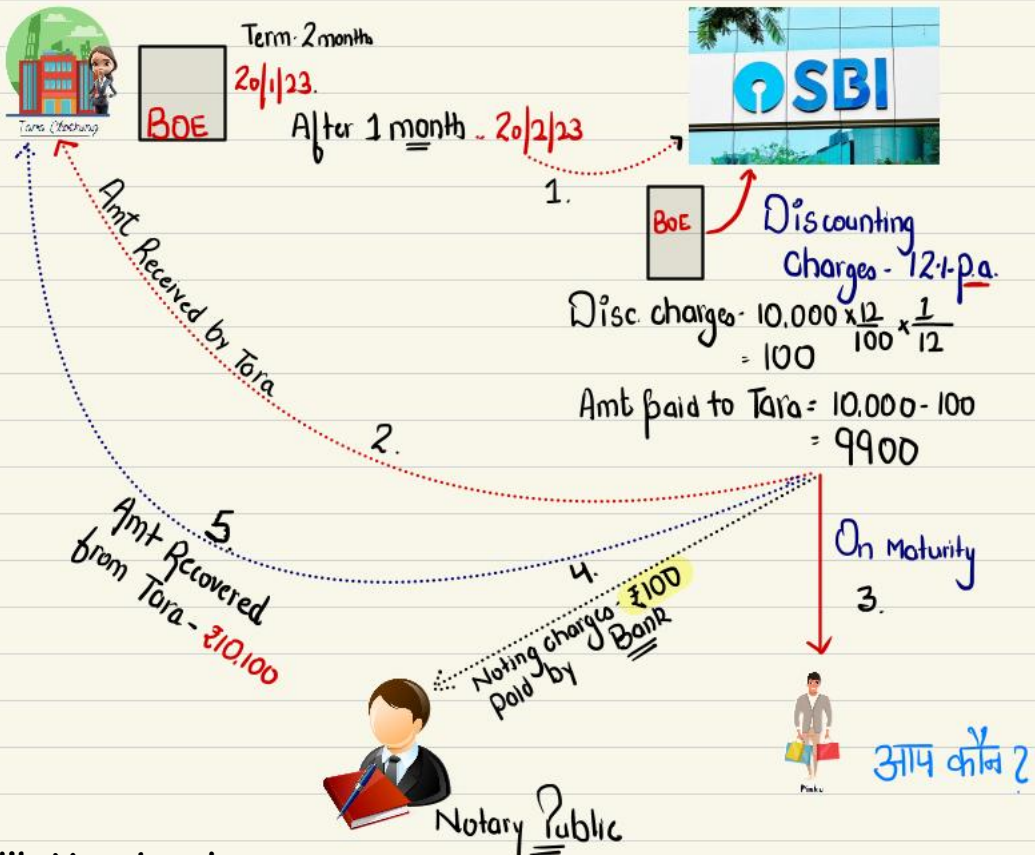
Books of Tara

23/3 Pinku Dr. 10,100 ^{Receivable}
 Asset x To Bills Rec. 10,000
 Asset ↓ To Cash 100

Books of Pinku

Bills payable Dr. 10,000 ^{liab x}
 Noting charges Dr 100
 To Tara 10,100
 ↓
Payable

21 Discounting from Bank



Books of Tara

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

Books of Pinku

No Entry

a) Honour

23/3/24 NO Entry

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

b) Dishonour

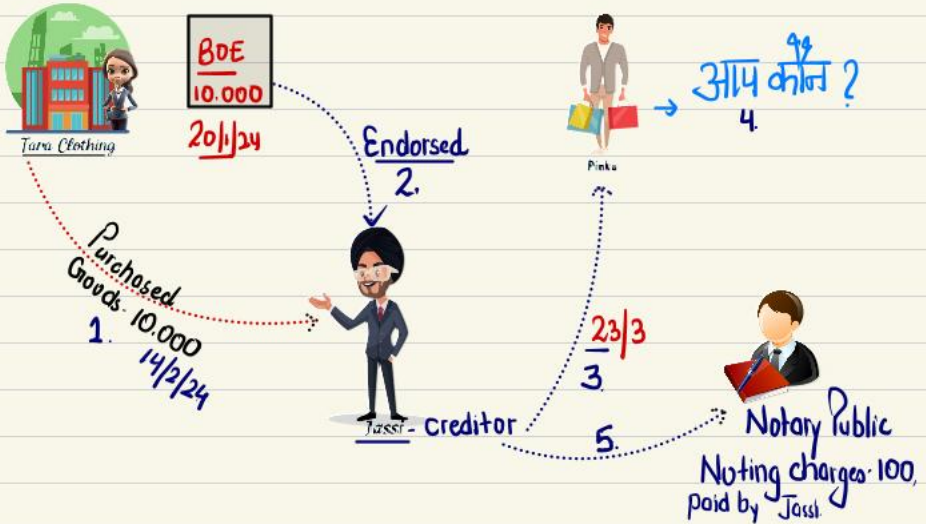
23/3/24 Pinku Dr. 10,100
To Bank A/c 10,100

Receivable

Amt recovered by SBI Bank

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

3 Endorsement



Books of Tara

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

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

Books of Pinku

No Entry

Books of Jassi

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

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

a) Honour

23/3/24 No Entry

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

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

b) Dishonour

Books of Tara

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

Books of Pinku

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

Books of Jassi

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

4. Bill Sent for Collection.



Tara Clothing



BOE

Sent for
Collection
25/1/24



Bank

In the Books of Tara

25/1/24

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

Books of Pinku

NO Entry

a) Honour

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

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

b) Dishonour

Books of Jara

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

Books of Pinku

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

1 min

Renewal of bill



Sale - 10,000

BOE 11/4/23
2 months



SORRY! Mere pas $\frac{49}{4}$ nahi hai.

4/6/23
Bill Dishonour

Request, New Bill

2 months

Interest @ 12% p.a.

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

$$\Rightarrow ₹ 200$$

No Int on Amt paid at the time of Renewal

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

Int paid in Cash at the time of Renewal.

Int amt included in the Bill.

If nothing is mentioned about Interest

JOURNAL

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

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

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

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

ILLUSTRATION 2

Vijay sold goods to Pritam on 1st September, 2022 for ₹1,06,000. Pritam immediately accepted a three months bill. On due date Pritam requested that the bill be renewed for a fresh period of two months. Vijay agrees provided interest at 9% p.a. was paid immediately in cash. To this Pritam was agreeable. The second bill was met on due date. Give Journal entries in the books of Vijay and Pritam.

Books of Vijay

2022
Sep 1

Pritam Dr 106000
To Sales A/c 106000

Sep 1

Bills Rec Dr 106000
To Pritam 106000

Dec 4

Pritam Dr 106000
To B/R A/c 106000

Dec 4

Cash Dr 1590
To Interest 1590
 $\left[106000 \times \frac{9}{100} \times \frac{2}{12} \right]$

Dec 4

B/R A/c Dr 106000
To Pritam 106000

2023

Feb 7

Bank A/c Dr 106000
To B/R 106000

Books of Pritam

2022
Sep 1

Purch A/c Dr 106000
To Vijay 106000

Sep 1

Vijay Dr 106000
To B/P A/c 106000

Dec 4

B/P A/c Dr 106000
To Vijay 106000

Dec 4

Int A/c Dr 1590
To Cash A/c 1590

Dec 4

Vijay Dr 106000
To B/P A/c 106000

Feb 7

B/P Dr 106000
To Bank 106000

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

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

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

Books of X

2023
Jan 1

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

Jan 1

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

Jan 4

Bank Dr. 39,400
Disc. charges Dr. 600
To B/R 40,000
[$40,000 \times \frac{6}{100} \times \frac{3}{12}$]

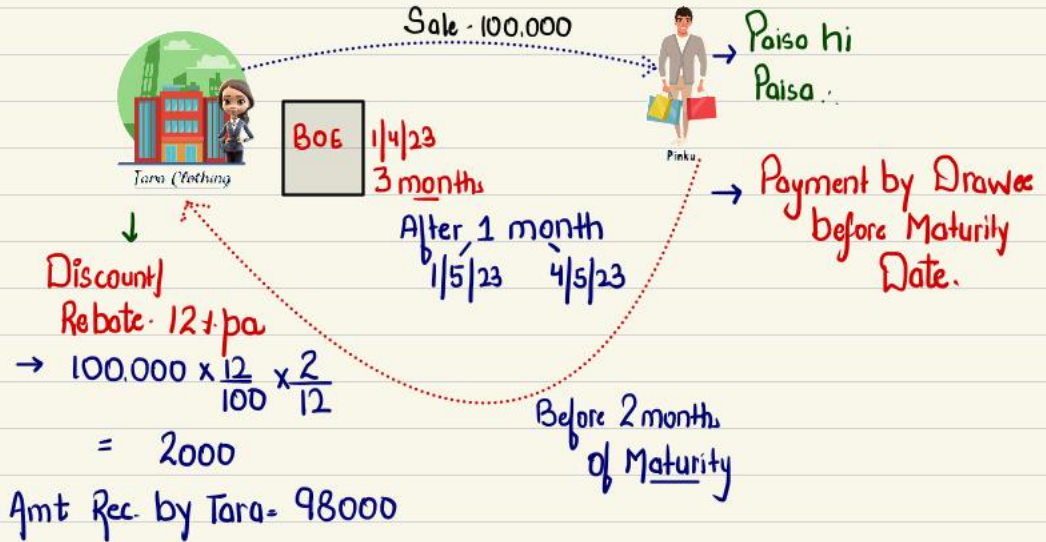
Apr 4

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

Apr 4

B/R A/c Dr. 41,406
To Y 40,200
To Int 1,206
[$40,200 \times \frac{12}{100} \times \frac{3}{12}$]

Retirement of bill



Tara	Pinku
<p>1/5/23 Bank Dr. 98000 Discount / Rebate Dr 2000 To B/R 100.000</p>	<p>1/5/23 Bill pay Dr. 100,000 To Bank 98000 To Rebate 2000</p>



ILLUSTRATION 3

On 1st January, 2022, Ankita sells goods for ₹5,00,000 to Bhavika and ~~draws~~ a bill at three months for the amount. Bhavika accepts it and returns it to Ankita. On 1st March, 2022, Bhavika retires her acceptance under rebate of 12% per annum. Record these transactions in the journals of Ankita and Bhavika.

Ankita

2022
Jan 1 Bhavika Dr. 500,000
 To Sales A/c 500,000

Jan 1 B/R Dr. 500,000
 To Bhavika 500,000

Mar 1 Bank A/c Dr. 495,000
 Rebate Dr. 5,000
 To B/R 500,000

WN- Rebate - $500,000 \times \frac{12}{100} \times \frac{1}{12}$
= 5,000

Bhavika

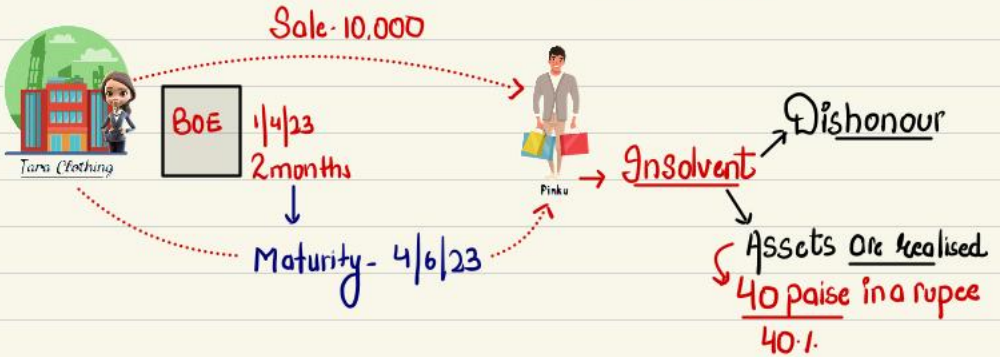
2022
Jan 1 Purch A/c Dr. 500,000
 To Ankita 500,000

Jan 1 Ankita Dr. 500,000
 To B/P 500,000

Mar 1 B/P Dr. 500,000
 To Bank 495,000
 To Rebate 5,000

INSOLVENCY

Liab > Assets



Tara

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

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

Pinku

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

4/6/23 Tara Dr. 10,000
To Bank 4000
To Deficiency 6000

↓
Assets ki dhoi

7th May

Bank A/c	Dr	3090
Bad debts	Dr	3090

To Thomas 6180

ILLUSTRATION 8

Rita owed ₹1,00,000 to Siriman. On 1st October, 2021, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for ₹99,000 on 3rd October, 2021. Before the due date, Rita approached Siriman for renewal of the bill. Siriman agreed on the conditions that ₹50,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the balance, Rita should accept a new bill at three months. These arrangements were carried out. But afterwards, Rita became insolvent and 40% of the amount could be recovered from his estate.

Pass journal entries (with narration) in the books of Siriman.

<u>Siriman</u>		<u>Rita</u>	
1.10.21	B/R Dr. 100,000 To Rita 100,000	1.10.21	Siriman Dr 100,000 To B/P 100,000
3.10.21	Bank Dr 99,000 Disc ch Dr 1,000 To B/R 100,000		
<u>4.1.22</u>	Rita Dr 100,000 To Bank 100,000	<u>4.1.22</u>	B/P Dr 100,000 To Siriman 100,000
<u>4.1.22</u>	Bank A/c Dr 51,500 To Rita 50,000 To Int 1,500 [$50,000 \times \frac{12}{100} \times \frac{3}{12}$]	<u>4.1.22</u>	Siriman Dr 50,000 Interest Dr 1,500 To Bank 51,500
<u>4.1.22</u>	B/R Dr 50,000 To Rita 50,000	<u>4.1.22</u>	Siriman Dr 50,000 To B/P 50,000
<u>7.4.22</u>	Rita Dr 50,000 To B/R 50,000	7.4.22	B/P Dr 50,000 To Siriman Dr <u>50,000</u>

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

ILLUSTRATION 4

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

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

In the books of K. Katrik

(i) a) B/P Dr 2500
To Basu 2500 -

b) Basu Dr 1000
To Cash 1000

c) Basu Dr 1500
Int Dr 50
To B/P 1550

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

a) G. Gupta Dr 4020
To M. Mehta 4020

b) M. Mehta Dr 4020
To Bank 4020

(iii) Bank Dr 1990
Discount 10
To B/R 2000

(iv) B/P 5000 Katrak → Patel
B/R 5000 ← Mody

⇒ B/P Dr 5000
To B/R A/c 5000

Accommodation Bill

v. easy

~~Self financing~~

Ex. 1



BOE

1/4/23

Accept



₹ 9600

B/R - 10,000

₹ 10,000, 3 months

B/P - 10,000

Discounting

4800

← 9600 →

4800

200

400

→ 400 × $\frac{4800}{9600}$ = 200

5000

10,000

5000

5000

10,000 - paid to Bank

On Maturity

Tara

Jassi

Amt Rec

1/4/23 B/R A/c Dr 10,000
To Jassi 10,000

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

↓ payable to Jassi on Maturity.

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

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

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

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

4/7/23 Bank Dr 5000
 To Tara 5000

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

Drawer

Bill #1

Drawee



1960
 40
2000

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

1960
2000



Drawee

Bill #2 (2 months)

Drawer



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

← 6600 →
7000

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



On
Maturity

Insolvent
Dishonour of
Bill

(7000) → Paid to Bank

Net
Position

+ 3500

(3500)

40% amt is Recovered.

(1400)

2100 - Deficiency

+ 1400

2100 - Bad debt

Tara

Jassi

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

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

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

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

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

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

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

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

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

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

4/7/23 Bank Dr. 1300
Disc. charges Dr. 200
To Jassi 1500

$$\left[\frac{400 \times (1300 + 2000)}{6600} \right]$$

7/9/23 Tara Dr. 1000
To Bank A/c 7000
[Dishonour]

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

7/9/23 B/P Dr. 1000
To Jassi 7000
[Dishonour]

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

ILLUSTRATION 10

X draws on Y a bill of exchange for ₹ 30,000 on 1st April, 2022 for 3 months. Y accepts the bill and sends it to X who gets it discounted for ₹ 28,800. X immediately remits ₹ 9,600 to Y. On the due date, X, being unable to remit the amount due, accepts a bill for ₹ 42,000 for three months which is discounted by Y for ₹ 40,110. Y sends 6,740 to X. Before the maturity of the bill X becomes bankrupt, his estate paying fifty paise in the rupee. Give the journal entries in the books of X and Y.

	<u>Bill #1</u>		
Drawer		Drawee	
<u>X</u>	$\begin{array}{r} 19200 \\ 800 \\ \hline 20,000 \end{array}$	$\begin{array}{r} 28,800 \\ 1200 \\ \hline 30,000 \end{array}$	$\begin{array}{r} 9600 \\ \left[\frac{9600 \times 1200}{28800} \right] - 400 \\ \hline 10,000 \end{array}$
	←	→	<u>Y</u>
Drawer		Drawee	
	6740	← 40,110 →	33370
			(30,000) Payment of 1st Bill
Net position	+26740	← 1890 →	+13,370
	$1890 \times \left[\frac{26740}{40,110} \right]$		(10,000 + 33370 - 30,000)
	= 1260		630
Dishonour	✓ 28000	← 42000 →	14000 ✓
	-		(42000) - Paid to Bank
	<u>+28000</u>		<u>(28000)</u>
Deficiency	-14000		+14000
	14000		14000 - Bad debt

Dec-23

R draws a bill of exchange on P for ₹ 2,00,000 on 1st July, 2022 for 4 months P accepted the bill and sent it to R. R discounts the bill with his bankers for ₹ 1,88,000 R. immediately remits ₹ 75,200 to P. On the due date, R, being unable to remit the amount due accepts a bill for ₹ 2,50,000 for 4 months which is discounted by P for ₹ 2,36,250. P sends ₹ 56,700 to R. Before the bill is due for payment R becomes insolvent and his estate is paying fifty paise in a rupee.

Give the journal entries in the books of P. Also show R's account in P's books.

Rough

Drawer
R ✓

112800
7200

120.000

Bill #1

188000 →
12000 →

200.000

✓ P ✓
75200
[$\frac{75200 \times 12000}{188000}$] 4800

80.000

Drawer

56700 ← 236250 ✓

Bill #2

Drawer

179550
(200.000)

59550

Net position

176100

176100 ✓
236250

← 13750

3466

= 10284

✓ 186984

250.000

63016 ✓
(250.000)

(93492)
93492 Def

(186984) ✓
+ 93492 ✓
Bad debt - (93492)

Journal in the books of P

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

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

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

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

B/P 200,000
To Bank 200,000

5. R Dr 66,984
To Bank 56,700
To Disc. Ch. A/c 10,284

$\left[\frac{120,000 + 56,700 \times 13.15\%}{236,250} \right]$

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

7. Bank Dr 93,492
Bad debt Dr 93,492
To R 186,984

Unit over! :)