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BILLS OF EXC.



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Bills of Exchange





Bills of exchange

1. Important Journal entries

	<u>Drawer</u>	<u>Drawee</u>
1. Bill drawn & Accepted	B/R A/c Dr To Debtor A/c	Creditor A/c Dr To B/P A/c ✓
2. <u>Drawer</u> has 3 options i. Hold till maturity	No entry -	No entry
ii. Endorse the Bill	Creditor A/c/ Dr B/P A/c To B/R A/c	No entry
iii. Discount the Bill	<u>Drawer</u> Bank A/c Dr Discount A/c Dr To B/R	<u>No entry</u>





	<u>Drawer</u>	<u>Drawee</u>
3. On <u>Maturity</u> (A) <u>Bill honoured</u> i. <u>Bill held</u>	Cash/Bank Dr To B/R A/c	B/P A/c Dr To Cash/Bank A/c
ii. Bill <u>endorsed or discounted</u>	<u>No entry</u>	<u>Same</u>
(B) Bill was <u>dishonoured</u> on maturity i. <u>Bill held</u>	<u>Drawer</u> Debtor A/c Dr 120 To B/R 100 To Bank A/c 20 (<u>Noting Charges</u>)	<u>Drawee</u> B/P A/c Dr 100 <u>Noting Charges Dr 20</u> To Creditor A/c 120
ii. Bill was <u>endorsed earlier</u>	Debtor A/c Dr 120 To Creditor A/c 120 (100+20)	<u>Same</u> ↓ <u>Same</u>





iii. Bill was discounted earlier	Debitor A/c Dr/20 To Bank A/c 120 (100 + 20)	<u>Same</u> as above.





2. Renewal of Bill - Extension of due date

Drawer

Drawee

i. Cancellation of old Bill	Debtor A/c Dr To B/R cr.	B/R A/c Dr To Creditor A/c cr
ii. Interest adjustment	Debtor A/c Dr 2.5 To <u>Interest</u> 2.5 ($100 \times 10\% \times \frac{3}{12}$)	Interest A/c Dr 2.5 To Creditor A/c 2.5
iii. New Bill drawn	B/R A/c Dr 52.5 Cash A/c Dr 50 To Debtor 102.5	<u>Creditor A/c</u> 102.5 To B/R 52.5 To Cash 50





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3. Retirement of Bill - Early Settlement

Drawer

Drawee

i. Rebate of early Settlement

Bank Ac Dr 98
Rebate Ac Cr 2
To B/R 100
 $(100 \times 12\% \times \frac{2}{12})$

B/P Ac 100
To cash 98
To Rebate recd. 2





→ Live + Recorder

4. Insolvency

	<u>Drawer</u>	<u>Drawee</u>
1. Cancellation existing of old Bill	Debtor A/c Dr 100 To B/R 100	B/P A/c Dr 100 To Creditor A/c 100
2. Settlement of Account	Bank A/c Dr 25 Bad Debt A/c Dr 75 To Debtor A/c 100	Creditor A/c Dr 100 To Bank A/c 25 To Deficiency A/c 75

Imp. Theory.

Noting Charges → Short Note





5. Accommodation Bill

i. All Journal entries are same as discussed above

ii. You need to focus on calculation of discount

iii. Discount = $\frac{\text{Proceeds received}^{\text{by the person to be charged to any person}}}{\text{Total proceeds of discounting of Bill}} \times \text{Total discount}$

$$= \frac{205}{100} \times 10 = 2.1$$

① B/P 3500
To Bank 3500

② Bank A/c Dr 3575
To B/P 2075
To Cash 1500

② Int 75
To Bank 75



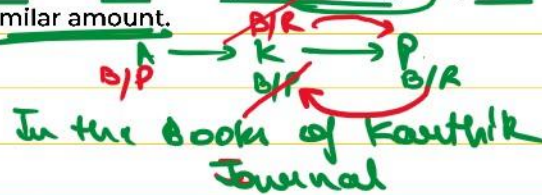


Question 1:

Journalise the following transactions in the books of Karthik:

- (i) Karthik accepted a bill of Balu for ₹ 3,500 discharged by a cash payment of ₹ 1,500 and a new bill for the balance plus ₹ 75 for interest.
- (ii) Gopal acceptance for ₹ 4,500 which was endorsed by Karthik to Mohan was dishonoured. Mohan paid ₹ 50 as noting charges. Bill was withdrawn against cheque.
- (iii) Doshi retires a bill for ₹ 2,500 drawn on him by Karthik for ₹ 25 discount.
- (iv) Karthik's acceptance to Prem for ₹ 6,500 discharged by Prem. Ashok's acceptance to Karthik for a similar amount.

(Source: Jun'2023)



Solution:

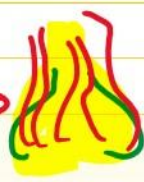
S.No.	Particulars	Dr.	Cr.	Dr. Amt (₹)	Cr. Amt (₹)
(i)	Bills payable A/c	Dr.		3,500	
	Interest A/c	Dr.		75	
	To Cash A/c				1,500
	To Bills payable A/c (2,000 + 75)				2,075
	(— Self —)				
(ii) a)	Gopal A/c	Dr.		4,500	
	To Mohan A/c				4,500
	(— K —)				
b)	Mohan A/c	Dr.		4,500	
	To Bank A/c				4,500
	(— K —)				





(ii)	Bank A/c	Dr	2,475	
	Discount A/c	Dr	25	
	To Bills Receivable A/c (Being Bill retired by dish)			2,500
(iv)	Bills payable A/c	Dr	6,500	
	To Bills Receivable A/c (\leftarrow $\xrightarrow{\quad}$)			6,500
	Total		<u>2,1675</u>	<u>21,675</u>



fine \rightarrow 



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Jan 26 May 26

Question 2:

T draws on J a bill of exchange for ₹ 1,80,000 on 1st April, 2022 for 3 months. J accepts the bill and sends it to T, who gets it discounted from his banker for ₹ 1,72,800. T immediately remits ₹ 57,600 to J. On the due date, T, being unable to remit the amount due, accepts a bill for ₹ 2,52,000 for three months, which is discounted by J from his banker for ₹ 2,40,660. J sends ₹ 40,440 to T. Before the maturity of the bill, T becomes bankrupt and his estate paying fifty paise in a rupee. Give the journal entries in the books of T & J → H.W.

(Source: Dec'2022)

Solution:

In the Books of T
Journal

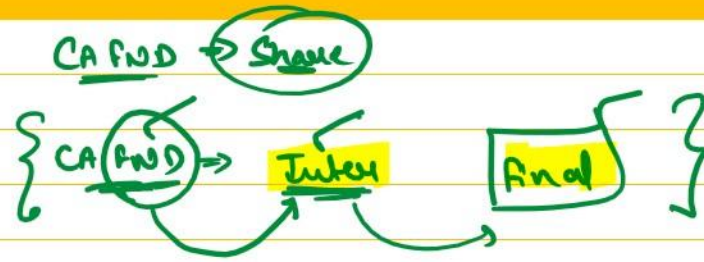
S.No.	Particulars	IF	Dr. Amt (₹)	Cr. Amt (₹)
1.	Bills Receivable A/c Dr To J A/c		180,000	180,000
2.	Bank A/c Dr Discount A/c Dr To B/R A/c		172,800 7,200	180,000
3.	J A/c Dr To Bank A/c To Discount A/c $(\frac{57,600}{172,800} \times 7,200)$		60,000	57,600 2,400
4.	J A/c Dr To Bills payable A/c		2,52,000	2,52,000





5.	Bank A/c	Dr	40,440	
	Discount A/c (+ w/o)	Dr	756	
	To J A/c			48000
6.	Bill payable A/c	Dr	2,52,000	
	To J A/c			2,52,000
7.	J A/c	Dr	168,000	
	To Bank A/c			84,000
	To Deficiency A/c (Being account settled with J)			84,000
	Total		<u> </u>	<u> </u>





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