

VAISHALI EDUCATION POINT

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BILLS OF EXCHANGE

Class :- XI

Subject :- Accountancy

QNo.

Questions

1 Find out the due dates of the bills in the following cases:

Date of the Bills	Period
I. 29th May, 2009	4 months
II. 31st March, 2009	1 month
III. 21st July, 2009	60 days
IV. 14th May, 2009	90 days
V. 28th January, 2008	1 month
VI. 31st January, 2008	1 month

2 On January, 1, 2006, Tarun purchased goods from Arun for Rs. 20,000 and immediately drew a promissory note in favour of Arun payable after 1 month. Date of maturity of the promissory note was declared emergency holiday by the Government of India under the Negotiable Instrument Act 1881. Tarun met the promissory note according to the provisions of law.

Pass the necessary Journal entries in the books of Arun and Tarun.

3 X draws on Y a bill for Rs. 4,000 which was duly accepted by Y. Y meets the bill on its due date. Show what entries would be passed in the books of X and Y under each of the following circumstances:

(i) If X retains the bill till due date.

(ii) If X discounts the same with his banker paying Rs. 100 for discount.

(iii) If X endorses the same to his creditor Z, in full settlement of his debt of Rs. 4,080.

(iv) If X sends the bill to his banker for collection.

4 A sold goods for Rs. 40,000 to B on Jan. 01, 2006. He drew upon B a bill of exchange for the same amount payable after 1 month. B accepted the bill and sent it back to A. A discounted the bill immediately with his bank @ 9% p.a. On the due date B dishonoured the bill of exchange and the bank paid Rs. 200 as noting charges. B requested A to draw a new bill upon him with interest @ 12% p.a. which he agreed. The new bill was payable after 1 month. One week before the maturity of the second bill B requested A to cancel the second bill. He further requested to accept Rs. 15,000 in cash immediately and draw a third bill upon him including interest of Rs. 1,000. A agreed to B's request. The third bill was payable after one month. B met the third bill on its maturity. Record the necessary journal entries in the books of A and B also prepare B's account in the books of A and A's account in the books of B.

5 On Feb. 01, 2006, Mohan sold goods worth Rs. 25,000 to Naresh and drew upon him a bill payable after 90 days. Naresh accepted the bill and Mohan endorsed the

bill immediately in favour of his creditor Raja in full settlement of his account of Rs. 25,300. One week before the maturity of the bill Naresh requested Mohan to cancel the bill and draw upon him a new bill including interest of Rs. 400. Mohan agreed to it. Mohan immediately took the bill from Raja by making the payment to him and then drew upon Naresh a new bill for 30 days which was duly met by Naresh on due date.

Pass necessary entries in the books of Mohan.

- 6 X draws upon Y a bill of Rs. 10,000 for three months on 1st July, 2011. The bill was duly accepted and returned by Y. On due date bill became dishonoured and noting charges paid under each of the following circumstances Rs. 75. Pass entries in the following cases:
- (i) If drawer retains the bill with him till due date.
 - (ii) If drawer discounts the same with his Banker and noting charges paid by the Banker.
 - (iii) If drawer endorses the same to his creditor Z and noting charges paid by Z.
 - (iv) If drawer sends the bill for collection to his Banker and noting charges paid by the Banker.
- 7 On July 1, 2007, Amita draws a bill on Ramlakhan for Rs. 10,000 payable after three months for goods sold of the same amount. Amita gets the bill discounted with her bank on August 4, 2007 at a discount of 9% p.a. On due date bank returned the bill as dishonoured with noting charges of Rs. 50. Ramlakhan paid Rs. 2,050 in cash and requested to draw another bill on him for the balance amount for 2 months with interest @ 12% p.a., which Amita did. Before due date Ramlakhan became insolvent and his estate paid 40% as first and final instalment.
- Give Journal entries in the books of Amita.
- 8 On 1st August, 2008, Pradeep drew a bill on Raju for Rs. 75,000 for 3 months. This was for the amount which Raju owed to Pradeep. On Aug. 4, 2008, Pradeep discounted the same at 14% p.a. from Bank. On November 1, 2008, Raju requested Pradeep for renewal of the bill. Pradeep agreed on the condition that Rs. 35,000 be paid immediately together with interest on the remaining amount @ 18% p.a. for 3 months and that for the remaining amount Raju should accept a new bill for 3 months. These arrangements were duly carried out. The new bill was dishonoured on due date as Raju became insolvent. Pradeep received 40 paise in a Rs. From Raju's estate.
- 9 On 1st January, 2012, A accepts a two months bill of Rs. 10,000 drawn on him by B for their mutual accommodation. The bill is then discounted on 4th January by B with his Bank @ 12% per annum, half the proceeds being handed over to A. On due date B sent a cheque for Rs. 5,000 to A who then pays the bill.
- Pass Journal entries to record these transactions in the books of both the parties.
- 10 Jones, for the mutual and temporary accommodation of himself and Brown, draws upon the latter a bill of exchange at three months for Rs. 1,20,000 dated 1st January, 2003. Jones discounts this bill immediately at his bank, the rate of discount being 10 per cent per annum, and hands over half the proceeds to Brown. Brown, for a similar purpose, and at the same time draws a bill at three months on Jones for Rs. 60,000. This he discounts at his bank at 10 per cent annum, and hands half the proceeds to Jones. Brown becomes bankrupt on 31st March, 2003 and a first and

final dividend of 25 P. in the Rs. Is paid from his estate on 30th June, 2003. Give the journal entries and the Rs. Is paid from his estate on 30th June, 2003. Give the journal entries and the account of Brown in the books of Jones. Assume, in each case, that one-half of the charge for discounting the bill is chargeable to Brown and one-half to Jones.

- 11 On 1st May, 2011 Anand draws a bill for Rs. 15,000 for four months and Parkash accepts the same for the mutual accommodation of both of them to the extent of Anand $\frac{2}{3}$ and Parkash $\frac{1}{3}$. Anand discounts the same from Bank @ 15% p.a. and remits $\frac{1}{3}$ of the proceeds to Parkash. On 1stSept., 2011 Parkash draws another bill for Rs. 21,000 for four months in order to meet the first bill. The Second bill is discounted @ 15% p.a. with the help of which first bill is met and Rs. 3,300 are remitted to Anand.
Before the due date of Second bill, Anand becomes bankrupt and Parkash received a dividend of 75 paise in a Rs. In full satisfaction.
Pass the necessary Journal entries and personal accounts in the books of Anand and Parkash.
- 12 Anil sold goods to Mukul for Rs. 20,000, taking a bill of exchange at three months, dated 1st August, 2006. On 4th October, 2006, Anil got the bill discounted at 6% p.a. with his bankers. At maturity the bill was returned by the bankers dishonoured with Rs. 50 as nothing charges. Mukul paid Rs. 10,000 and expenses immediately and accepted another bill at three months for the balance amount and interest at 6% p.a. But before maturity Mukul became insolvent and ultimately paid 60 paise in a Rs. Pass journal entries in the books of Anil.
- 13 On 1stApril, 2009, Rohit sold goods to Mahesh for Rs. 10,000 and drew upon him a bill for the amount at 3 months. Mahesh accepted the bill. On 4th April, 2009, Rohit got the bill discounted with his bankers @ 10% per annum. Just before the due date, Mahesh approached Rohit with a request for renewal of the bill for 3 months. Rohit agreed on the condition that the new bill was for Rs. 10,310 which included Rs. 310 by way of interest. Mahesh found the condition as reasonable and accepted the new bill on 4thJuly, 2009. On 29th September, 2009 Mahesh was declared insolvent, On 2nd November, 2009, a first and final dividend of 40 paise in a Rs was received from the insolvents receiver.
Pass journal entries in the books of Rohit for all the above mentioned transactions.
- 14 On 1st April 2001, Gopal drew a bill on Mahesh for Rs. 1,00,000 for 3 months for the mutual accommodation. He discounted the bill at 16% p.a. and remitted Rs. 24,000 to Mahesh. On the same date and for the similar purpose, Mahesh drew a bill on Gopal for Rs. 60,000 for 3 months. He also discounted the bill at 16% p.a. and remitted Rs. 14,400 to Gopal. Mahesh becomes bankrupt on 4th July 2001 and a first and final dividend of 40 paise per Rs. is received from his estate. Give the journal entries in the books of both the parties and the account of Mahesh in the books of Gopal.