

NCERT Solutions for Class 11 Accountancy

Financial Accounting Part-1 Chapter 8

Bills of Exchange

Short answers : Solutions of Questions on Page Number : 322

Q1 :

Name any two types of commonly used negotiable instruments.

Answer :

The two types of commonly used negotiable instruments are:

1. Cheques
2. Bills of exchange

Q2 :

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

Answer :

| Basis of Difference | Bills of Exchange | Promissory Note |
|---------------------|--|---|
| Drawer | It is drawn by a creditor. | It is drawn by a debtor. |
| Parties | There are three parties involved, namely drawer, drawee and payee. | There are two parties involved, namely maker and payee. |

Q3 :

State any four essential features of bill of exchange.

Answer :

The four essential features of bills of exchange are:

1. It must be a written document.
2. It is an unconditional order to pay by the drawer to the drawee.
3. The maker of bill must sign it, without which it will **not** be a legal proof.
4. The amount to be paid along with its expiry date must be specifically mentioned (both in figures and words) in a bill of exchange.

Q4 :

State the three parties involved in a bill of exchange.

Answer :

The following three parties are involved in a bill of exchange.

1. **Drawer** who makes the bill
2. **Drawee** who accepts the bill
3. **Payee** who receives the payment

Q5 :

What is meant by maturity of a bill of exchange?

Answer :

Maturity of a bill means a date on which the bill is due for payment. Maturity date of the bill differs on the basis of the terms and conditions of the bill. There are three types of bill, viz. after date bill, after sight bill and at sight bill.

1. After date bill: In case of after date bill, the payment of the bill is made on the maturity date of the bill. The maturity date of the bill is ascertained by adding three days of grace period with the specified period of the bill (**which starts from the date of drawing**). For example, if a bill is drawn on 1st March, 2011 and payable after one month; its maturity date is 4th April. If the maturity date happens to be a gazetted holiday, then the bill is due for payment one day before. However, if the maturity date happens to be a casual holiday, then the bill is due for payment after one day.

2. After sight bill: In case of after sight bill, the payment of the bill is made on the maturity date of the bill. The maturity date of the bill is ascertained by adding three days of grace period with the specified period of the bill (**which starts from the date of acceptance by the drawee**). For example, if a one month bill is drawn on 1st March, 2011 and is accepted by the drawee on 5th March, 2011; its maturity date is 8th April. In this case, the date of the bill starts from 5th March and **not** from 1st March. If the maturity date happens to be a gazetted holiday, then the bill is payable one day before. However, if the maturity date happens to be a casual holiday, then the bill is payable after one day.

3. At sight bill: In case of at sight bill, the due date of the bill is considered as and when the bill is presented for payment by the holder of the bill. In this case, there is **no** grace period. The bill becomes due whenever it is presented for payment.

Q6 :

What is meant by dishonour of a bill of exchange?

Answer :

Dishonour of a bill happens when the acceptor of the bill fails to make the payment on the date of maturity of the bill. Hence, liability of the acceptor is restored. Entries made for recording dishonour of the bill of exchange are reverse of the entries of recording drawing of the bill.

In the books of drawer

Acceptor A/c Dr.

To Bills Receivable A/c

(Bill dishonoured)

In the books of acceptor/drawee

Bills Payable A/c Dr.

To Drawer A/c

(Bill dishonoured)

Q7 :

Name the parties to a promissory note

Answer :

The parties to a promissory note are given below.

1. **Promissor**, who makes the note and undertakes to pay the amount of promissory note.
2. **Payee**, who receives the payment.

Q8 :

What is meant by acceptance of a bill of exchange?

Answer :

A bill is drawn in favour of a person from whom the amount is due. In other words, a bill of exchange is drawn by the creditors on his/her debtors to make payment of specific amount, on a mentioned date. Generally, a bill is drawn by a seller to a purchaser. Purchaser accepts the bill for the amount due on account of the credit sales. The bill may be accepted for the amount due other than credit purchases, such as commission payable, salary outstanding, etc. A bill cannot come into existence without the acceptance of a debtor.

Q9 :

What is Noting of a bill of exchange.

Answer :

When a bill is presented for payment and acceptor fails to make payment, the bill gets dishonoured. In order to keep a legal proof of dishonour, the bill gets noted by the Notary public (which is approved by the government). In exchange of the Notary service, Notary public charges fees, known as Noting charges. Notary public notes the following facts:

1. Date and amount of the bill
2. Reasons for dishonour
3. Amount of Noting charges

Q10 :

What is meant by renewal of a bill of exchange?

Answer :

When an acceptor of a bill does **not** have sufficient fund to meet the obligations of the bill on time, he/she requests the drawer for extension (of time) for payment. If the drawer agrees, then a new bill is drawn which is known as renewal of bill. Generally, a bill is renewed on the condition that the drawee has to pay interest for the extended period.

Q11 :

Give the performa of a Bills Receivable Book.

Answer :

| Serial Number of Bill | Date Received | Date of Bill | Received From Whom | Drawer | Acceptor | Where payable | Term | Due date | Ledger Folio | Amount | Cash Book Folio | Remarks |
|-----------------------|---------------|--------------|--------------------|--------|----------|---------------|------|----------|--------------|--------|-----------------|---------|
| | | | | | | | | | | | | |

Q12 :

Give the perform of a Bills Payable Book.

Answer :

| Serial Number of Bill | Date of Bill | Given To Whom | Drawer | Payee | Payable Where | Term of Bill | Due Date | Ledger Folio | Amount Paid | Date | Cash Book Folio | Remarks |
|-----------------------|--------------|---------------|--------|-------|---------------|--------------|----------|--------------|-------------|------|-----------------|---------|
| | | | | | | | | | | | | |

Q13 :

What is retirement of a bill of exchange?

Answer :

When a holder receives the amount of a bill before the maturity date on the request of the acceptor, then it is called retirement of the bill of exchange. Holder of the bill may give discount for such earlier payment. This discount is termed as 'rebate'.

Entry in the books of the holder of the bill

Cash A/c

Dr.

Rebate A/c

Dr.

To Bills Receivable A/c

(Bill amount received before maturity and rebate allowed)

Entry in the books of the acceptor (drawee) of the bill

| | |
|-------------------|-----|
| Bills Payable A/c | Dr. |
| To Cash A/c | |
| To Rebate A/c | |

(Bill paid and received rebate for early payment)

Q14 :
Give the meaning of rebate.

Answer :

If the drawee expresses his/her wish to pay the bill before the due date to the holder, and if the holder accepts his/her request, then on account of the early payment, the holder may give some discount. This discount is termed as rebate. In other words, rebate is a discount given by the holder to the drawee (or acceptor) for his/her request of early payment of the bill before the due date. It is an expense for the drawer and hence, is debited to the drawer's books. On the other hand, as it is a gain for the acceptor of bill, so it is credited in the drawee's books.

Entry in the books of drawer of the bill:

| | |
|-------------------------|-----|
| Cash A/c | Dr. |
| Rebate A/c | Dr. |
| To Bills Receivable A/c | |

(Bill honoured before maturity)

Entry in the books of drawee of the bill:

| | |
|-------------------|-----|
| Bills Payable A/c | Dr. |
| To Cash A/c | |
| To Rebate A/c | |

(Bill paid and rebate received)


Q15 :
Give the performa of a Bill of Exchange.

Answer :

Performa of a Bill of exchange is given below.

| | | |
|--------------------|--|--------------|
| Mr. X (The Drawer) | | New Delhi |
| Rs 25,000 | | May 01, 2011 |

Two months after date pay to me or my order, the sum of rupees twenty five thousand only, for value received

| | |
|--|--|
|  Stamp | (Signed) Mr. X Janak Puri, New Delhi 110032 |
| Accepted (Signed) To Mr. Z (The Drawee) May 01, 2011 Tilak Nagar, New Delhi 110018 | |

Long answers : Solutions of Questions on Page Number : 322

Q1 :

A bill of exchange must contain an unconditional promise to pay. Do you agree with a statement?

Answer :

According to Negotiable Instrument Act, 1981, "A bill of exchange is defined as an instrument in writing, containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument."

A bill of exchange contains an unconditional promise to pay a certain sum of money on an agreed date to the drawer or the bearer by the drawee of the bill.

An unconditional order to pay: It is one of the important characteristic of a negotiable instrument. Unconditional order implies **no** condition should be attached by the acceptor regarding the payment. The conditions like, payment of bill (only in case of profit on sales), payment of bill (only if the prices of goods increase), etc. should **not** be attached with the bill. Moreover, the language of the bill should **not** be ambiguous.

Q2 :

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

Answer :

When a bill is presented for payment and the acceptor fails to make the payment, the bill gets dishonoured. In this situation, liability of the acceptor is restored.

Entry in the books of drawer (if Noting charges are not paid):

Drawee

Dr.

To Bills Receivable A/c

(Bill dishonoured)

Entry in the books of drawee:

Bills Payable A/c
To Drawer

Dr.

(Bill dishonoured)

Noting charges are charged by the notary public for keeping a proof that the bill is dishonoured. The noting charges are paid by the holder of the bill but actually due on the drawee or the acceptor of the bill..

Notary public notes the below given facts.

1. Date and amount of bill
2. Reasons for dishonour
3. Amount of noting charges

Effect of Noting charges in the books of holder of bill (if Noting charges are paid):

Drawee

To Bills Receivable A/c

To Cash A/c (Noting charges)

Dr.

(Bill dishonoured and Noting charges paid)

In the books of drawee:

Bills Payable A/c

Noting charges A/c

To Drawer

Dr.

Dr.

(Bill dishonoured and Noting charges due)

Q3 :

Explain briefly the procedure of calculating the date of maturity of a bill of exchange? Give example.

Answer :

The procedure to calculate the date of maturity of a bill of exchange is given below.

1. Ascertain the date on which the bill will be honoured.
2. Add three days of grace to the above date.

For example, a bill with maturity period of one month is drawn on 1st July and due date is 1st September. Then add 3 days of grace and payment will be made on 4th September.

Days of grace depend on the following situations:

1. Declared holidays: If the payment day happens to be a national holiday or Sunday, then the preceding day becomes the payment day.

For example,

1. If a bill is drawn on 12th July and its due date is 12th August, then after adding 3 days of grace the maturity day is 15th August. However, as 15th August is a national holiday; so, 14th August becomes the payment day.
2. If a bill is drawn on 1st May and the maturity period is of one month, then the due date is 1st June. After adding 3 days of grace, the payment date becomes 4th June. However, if 4th June happens to be a Sunday, then the payment will be made on 3rd June.

2. Undeclared holidays: If the payment day happens to be an emergency holiday, then the succeeding day becomes the payment day. For example, if a bill is drawn on 1st May and is payable after 15 days, then, after adding 3 days of grace period, the due date becomes 18th May. However, if a national strike is declared on 18th May, then 19th May becomes the due date of the bill.

Q4 :

Distinguish between bill of exchange and promissory note.

Answer :

| Basis of Difference | Bills of Exchange | Promissory Note |
|----------------------------|---|---|
| Order or promise | It is an order to pay. | It is a promise to pay. |
| Parties | There are three parties involved, drawer, acceptor and payee. | There are two parties involved, maker and payee. |
| Drawer | It is drawn by the creditor. | It is drawn by the debtors. |
| Acceptance | It needs acceptance by the drawee. | As it is prepared by promissor, so no acceptance is required. |
| Payee | Drawer and payee may be the same. | Promissor cannot be the payee. |
| Noting | In case of dishonour of the bill, the bill may get noted. | Noting is not necessary. |
| Liability | Drawer is not primarily liable. | Promissor is the primarily liable. |

Q5 :

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

Answer :

When a holder receives the amount of a bill before the maturity date on request of the acceptor, it is called retirement of the bill of exchange. Holder of the bill may give discount for such earlier payment. This discount is termed as 'rebate'.

Rebate is given by the holder to the acceptor of the bill on account of payment before the due date. Rebate is a loss for the holder of the bill; so, it is debited in the books of the holder when payment is received.

Cash A/c

Dr.

Rebate A/c

Dr.

To Bills Receivable A/c

(Payment received and rebate allowed for early payment)

Acceptor of the bill gets rebate for the payment made before the due date. The rebate is a gain for the drawee; so, it is credited in the books of the drawee.

Bills Payable A/c

Dr.

To Cash A/c

To Rebate A/c

(Bill paid before the due date and rebate received for early payment)

Q6 :

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

Answer :

Bills Receivable Book is a special purpose book that is maintained to keep records of bills received from the debtors. It contains details such as acceptor's name, date of bill, due date, amount, etc. for future references. It is totalled periodically and its balance is transferred to the debit side of the bills receivable account.

Benefits of Maintaining the Bill Receivable Book

- 1. Availability of information:** All the information related to the bills receivable, such as amount, due date, etc., are recorded at one place and hence are easily accessible.
- 2. Possibility of fraud:** Since all the bills are recorded at one place, possibility of fraud is minimised.
- 3. Responsibility:** The person who maintains the bills receivable book will also be responsible for any errors or omissions. Therefore, higher degree of accountability and responsibility exists. Also, if any error is detected, then it can be fixed quickly.
- 4. Time efficient:** Recording of bills receivable through the bills receivable book takes lesser time than that of journal entry. Therefore, it saves time of the accountant in recording numerous transactions of repetitive and routine nature.

Q7 :

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

Answer :

A Bills Payable Book is a special purpose book, maintained to keep records of acceptance of bills, given to the creditors. It contains details of the amount, date of bill, due date, to whom acceptance is given, etc., for future references. It is totalled periodically and its balance is transferred to the credit side of the bills payable account.

Benefits of Maintaining Bills Payable Book

- 1. Availability of information:** All the information related to the bills payable are recorded at one place, such as the amount, due date, etc.
- 2. Possibility of fraud:** Since all the bills are recorded at one place, possibility of fraud is minimised.
- 3. Responsibility:** All the transactions are recorded by the same person. Therefore, errors can be easily detected and rectified. This leads to a higher degree of responsibility and accountability of the accountant.

Numerical questions : Solutions of Questions on Page Number : 323

Q1 :

On Jan 01, 2006 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 transactions in the books Rao and prepare of Rao's account in the books of Reddy.

Answer :

Books of Rao
Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------|-----------------------|------------------------|
| 2006 Jan.01 | Reddy To Sales A/c (Goods sold to Reddy) | Dr. | 10,000 | 10,000 |
| Jan.01 | Cash A/c To Reddy (Cash received from Reddy) | Dr. | 5,000 | 5,000 |
| Jan.01 | Bills Receivable A/c To Reddy (Bill received for 30 days accepted by Reddy) | Dr. | 5,000 | 5,000 |
| Feb.03 | Cash A/c To Bills Receivable A/c (Reddy's acceptance met on due date) | Dr. | 5,000 | 5,000 |

Books of Reddy
Rao's Account

Dr.

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|------|-------------|------|--------|
|------|-------------|------|--------|------|-------------|------|--------|

| | | | Rs | | | | Rs |
|--------|------------------|--|--------|--------|-----------|--|--------|
| Jan.01 | Cash | | 5,000 | 2006 | | | |
| Jan.01 | Bills Receivable | | 5,000 | Jan.01 | Purchases | | 10,000 |
| | | | 10,000 | | | | |

Q2 :

On Jan 01,2006, Shankar purchased goods from Parvati for Rs 8,000 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 Act 1881. Since, Parvati was unaware about the provision of the law regarding the date of 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 | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|--------------------|---------------------|
| 2006 Jan.01 | Shankar To Sales A/c (Goods sold to Shankar) | Dr. | 8,000 | 8,000 |
| Jan.01 | Bills Receivable A/c To Shankar (Promissory Note received from Shankar for three months) | Dr. | 8,000 | 8,000 |
| Apr.05 | Cash A/c | Dr. | 8,000 | |

| | | | | |
|--|--|--|--|-------|
| | To Bills Receivable A/c (Cash received for Promissory Note one day after the maturity date on account of holiday declared by Govt.) | | | 8,000 |
|--|--|--|--|-------|

Books of Shankar
Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------|--------------------|---------------------|
| 2006 Jan.01 | Purchases A/c To Parvati (Goods purchased from Parvati) | Dr. | 8,000 | 8,000 |
| Jan.01 | Parvati To Bills Payable A/c (Promissory note for three months sent to Parvati) | Dr. | 8,000 | 8,000 |
| Apr.5 | Bills Payable A/c | Dr. | | |

Q3 :

Vishal sold goods for Rs 7,000 to Manju on Jan 05, 2006 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 books of Vishal and Manju.

Answer :

Books of Vishal
Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------------|--------------------|---------------------|
| 2006 Jan.05 | Manju To Sales A/c (Goods sold to Manju) | Dr. | 7,000 | 7,000 |
| Jan.05 | Bills Receivable A/c To Manju (Manju's acceptance received for two months) | Dr. | 7,000 | 7,000 |
| Jan.05 | Bank A/c Discount A/c To Bills Receivable A/c (Bill Receivable discounted with the bank @ 12 % p.a. for two months) | Dr. Dr. | 6,860 140 | 7,000 |

**Books of Manju
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------|--------------------|---------------------|
| 2006 Jan.05 | Purchases A/c To Vishal (Goods purchased from Vishal) | Dr. | 7,000 | 7,000 |
| Jan.05 | Vishal To Bills Payable A/c (Bill drawn by Vishal accepted) | Dr. | 7,000 | 7,000 |

Q4 :

On Feb 01, 2006, John purchased goods for Rs 15,000 from Jimmy. He immediately made a payment of Rs 5,000 by cheque and for the balance accepted the bill of exchange drawn upon him by Jimmy. The bill of exchange was payable after 40 days. Five days before the maturity of the bill, Jimmy 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 Jimmy. Prepare John's account in the books of Jimmy and Jimmy account in the books of John.

Answer :

**Books of Jimmi
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|-----------------------|------------------------|
| 2006 Feb.01 | John To Sales A/c (Goods sold to John) | Dr. | 15,000 | 15,000 |
| Feb.01 | Bank A/c To John (Cheque received for Rs 5,000 from John) | Dr. | 5,000 | 5,000 |
| Feb.01 | Bills Receivable A/c To John (Bill received from John for 40 days) | Dr. | 10,000 | 10,000 |
| Mar.10 | Bill Sent for Collection A/c To Bills Receivable A/c (John's acceptance sent to bank for collection) | Dr. | 10,000 | 10,000 |

| | | | | |
|--------|--|-----|--------|--------|
| Mar.15 | Bank A/c To Bill Sent for Collection A/c (John's acceptance met on due date and bank received the payment) | Dr. | 10,000 | 10,000 |
|--------|--|-----|--------|--------|

Ledger
John's Account

Dr.

Cr.

| Date | Particulars | J.F. | Amount Rs | Date | Particulars | J.F. | Amount Rs |
|----------------|-------------|------|--------------|------|-------------|------|--------------|
| 2006 Feb.01 | Sales | | | 2006 | | | |

Q5 :

On Jan 15, 2006, Kartar Sold goods for Rs 30,000 to Bhagwan and drew upon him three bills of exchanges of Rs 10,000 each payable after one month, two month, 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 by him immediately @ 6% p.a. All the bills were met by Bhagwan. Journalise the above transactions in the books of Kartar and Bhagwan. Also prepare ledger accounts in books of Kartar and Bhagwan.

Answer :

Books of Kartar
Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|-----------------------|------------------------|
| 2006 Jan.15 | Bhagwan To Sales A/c (Goods sold to Bhagwan) | Dr. | 30,000 | 30,000 |

| | | | | |
|--------|---|------------|--------------|--------|
| Jan.15 | Bills Receivable A/c To Bhagwan (Three bills of Rs 10,000 each, received from Bhagwan – the first bill for one month, second bill for two months and third bill for three months) | Dr. | 30,000 | 30,000 |
| Jan.15 | Ratna To Bills Receivable A/c (The second bill endorsed to Ratna) | Dr. | 10,000 | 10,000 |
| Jan.15 | Bank A/c Discount A/c To Bills Receivable A/c (Bill discounted at 6% p.a.) | Dr. Dr. | 9,850 150 | 10,000 |
| Feb.18 | Cash A/c To Bills Receivable A/c (The first bill met by Bhagwan, on due date) | Dr. | 10,000 | 10,000 |

Books of Bhagwan

Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|--------------------|---------------------|
| 2006 Jan.15 | Purchases A/c To Kartar (Good purchased from Kartar on credit) | Dr. | 30,000 | 30,000 |

| | | | | |
|--------|--|-----|--------|--------|
| Jan.15 | Kartar To Bills Payable A/c (Three bill Rs 10,000 each drawn by Kartar – the first bill for one month, the second bill for two months and the third bill for three months, accepted and returned them to Kartar) | Dr. | 30,000 | 30,000 |
|--------|--|-----|--------|--------|

Q6 :

On Jan. 01, 2006 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 Instrument 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 | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------------|--------------------|---------------------|
| 2006 Jan.01 | Sunil To Sales A/c (Goods sold to Sunil) | Dr. | 30,000 | 30,000 |
| Jan.01 | Cash A/c Discount Allowed A/c To Sunil (Half of the amount due from Sunil was received and allowed him 2% Cash Discount) | Dr. Dr. | 14,700 300 | 15,000 |

| | | | | |
|--------|--|-----|--------|--------|
| Jan.01 | Bills Receivable A/c To Sunil (Promissory note received for balance amount which due from Sunil) | Dr. | 15,000 | 15,000 |
| Jan.23 | Cash A/c To Bills Receivable A/c (Cash received from Sunil one day before the maturity date, as per negotiable instrument act, if the date of maturity is public holiday, negotiable instrument will be met one day before maturity) | Dr. | 15,000 | 15,000 |

Date of maturity of the promissory note is Jan. 24, 2006, on account of public holiday; it will be presented one day earlier that is on Jan. 23, 2006.

Book of Sunil

Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------|--------------------|---------------------|
| 2006 Jan.01 | Purchases A/c To Arun (Goods purchased from Arun) | Dr. | 30,000 | 30,000 |

Q7 :

Darshan sold goods for Rs 40,000 to Varun on 8.1.2006 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 Journal entries in the books of Darshan and Varun in the following circumstances.

- When the bill was retained by Darshan till the date of its 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 three days before its maturity, the bill was sent by Darshan to his bank for collection.

Answer :

Case (i): When the bill was retained by Darshan till the date of its maturity

Books of Darshan

Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|-------------|--------------------------------|---------------------------------|
| 2006 Jan.08 | Varun To Sales A/c (Goods sold to Varun) | Dr. | 40,000 | 40,000 |
| Jan.08 | Bills Receivable A/c To Varun (Varun's acceptance received) | Dr. | 40,000 | 40,000 |
| Mar.11 | Cash A/c To Bills Receivable A/c (Bill met on due date) | Dr. | 40,000 | 40,000 |

Books of Varun

Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|-------------|--------------------------------|---------------------------------|
| 2006 Jan.08 | Purchases A/c To Darshan (Goods bought from Darshan) | Dr. | 40,000 | 40,000 |

| | | | | |
|--------|---|-----|--------|--------|
| Jan.08 | Darshan | Dr. | 40,000 | |
| | To Bills Payable A/c | | | 40,000 |
| | (Bill of two months accepted for Darshan) | | | |
| Mar.11 | Bills Payable A/c | Dr. | | |

Q8 :

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

| Date | Amount |
|--------------|--------|
| | Rs |
| Dec.21, 2005 | 1,000 |
| Dec.26, 2005 | 1,200 |
| Dec.18, 2005 | 2,000 |
| Dec.31, 2005 | 5,000 |

For all the purchases Mohan Traders drew promissory note in favour of Bansal Traders payable after 30 days. The promissory note for the sale of Dec. 21, 2005 was retained by Bansal Traders with them till the date of its maturity. The promissory note drawn on 26.12.2005 was discounted by Bansal Traders from their bank at 12% p.a. The promissory note drawn on Dec. 28, 2005 was endorsed by Bansal Traders in favour of their creditor Dream Soaps in full settlement of a purchase amounting to Rs 1,900. On 25.1.2006 Bansal Traders sent the promissory note drawn on Dec. 31, 2005 to their bank for collection. All the promissory notes were met by Mohan Trade Rs Record the necessary journal entries for the above transactions in the books of Bansal Traders and Mohan Traders and prepare Mohan Traders account in the books of Bansal Traders and Bansal Traders account in the books of Mohan Trade Rs

Answer :

Books of Bansal Traders
Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|--------|---|------|--------------------|---------------------|
| 2005 | | | | |
| Dec.21 | Mohan Traders To Sales A/c (Goods sold to Mohan Traders list price Rs 1,000 at 10% trade discount) | Dr. | 900 | 900 |
| Dec.21 | Bills Receivable A/c To Mohan Traders (Promissory Note received from Mohan Traders payable after 30 days) | Dr. | 900 | 900 |
| Dec.26 | Mohan Traders To Sales A/c (Goods sold to Mohan Traders list price Rs 1,200 at 10% trade discount) | Dr. | 1,080 | 1,080 |
| Dec.26 | Bills Receivable A/c To Mohan Traders | Dr. | 1,080 | |

Q9 :

Narayanan purchased goods for Rs 25,000 from Ravinderan on Feb. 01, 2006. Ravinderan drew upon Narayanan a bill of exchange for the same amount payable after 30 days. On the due date Narayanan dishonoured his acceptance. Pass the necessary journal entries in the books of Ravinderan and Narayanan in 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 with his bank @ 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 it maturity.

Answer :

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

Books of Ravinderan
Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|-----------------------|------------------------|
| 2006 Feb.01 | Narayanan To Sales A/c (Goods sold to Narayanan) | Dr. | 25,000 | 25,000 |
| Feb.01 | Bills Receivable A/c To Narayanan (Narayanan's acceptance received for 30 days) | Dr. | 25,000 | 25,000 |
| Mar.05 | Narayanan To Bills Receivable A/c (Narayanan failed to meet his acceptance and bill dishonoured) | Dr. | 25,000 | 25,000 |

Books of Narayanan
Journal

| |
|-------------|
| Date |
|-------------|

Q10 :

Ravi sold goods for Rs 40,000 to Sudershan on Feb 13, 2006. 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 to 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 | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------------|--------------------|---------------------|
| 2006 Feb.13 | Sudershan To Sales A/c (Goods sold to Sudershan) | Dr. | 40,000 | 40,000 |
| Feb.13 | Bills Receivable A/c To Sudershan (Four bills from Sudershan received: the first for Rs 5,000, the second bill for Rs 10,000, the third bill for Rs 12,000 and the fourth bill for Rs 13) | Dr. | 40,000 | 40,000 |
| Feb.13 | Bank A/c Discount A/c To Bills Receivable A/c (The first bill discounted with bank at 6% p.a.) | Dr. Dr. | 4,975 25 | 5,000 |

Q11 :

On Jan 01, 2006 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 transaction in the books of Neha and Muskan.

Answer :

**Books of Neha
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------------|-----------------------|------------------------|
| 2006 Jan.01 | Muskan To Sales A/c (Goods sold to Muskan) | Dr. | 20,000 | 20,000 |
| Jan.01 | Bills Receivable A/c To Muskan (Muskan's acceptance received) | Dr. | 20,000 | 20,000 |
| Feb.04 | Cash A/c Rebate on bill A/c To Bills Receivable A/c (Muskan's acceptance retired one month before maturity and allowed rebate at 12% p.a.) | Dr. Dr. | 19,800 200 | 20,000 |

**Books of Muskan
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--------------------------|------|-----------------------|------------------------|
| 2006 Jan.01 | Purchases A/c To Neha | Dr. | 20,000 | 20,000 |

| | | | | |
|--------|--|-----|--------|--------|
| | (Goods bought from Neha) | | | |
| Jan.01 | Neha To Bills Payable A/c (Bill drawn by Neha payable after 2 months accepted) | Dr. | 20,000 | 20,000 |
| Feb.04 | Bills Payable A/c | Dr. | 20,000 | |

Q12 :

On Jan 15, 2006 Raghu sold goods worth Rs 35,000 to Devendra and drew up to 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 dishonoured 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 | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|--------------------|---------------------|
| 2006 Jan.15 | Devendra To Sales A/c (Goods sold to Devendra) | Dr. | 35,000 | 35,000 |

| | | | | |
|--------|---|------------|---------------|--------------|
| Jan.15 | Bills Receivable A/c To Devendra (Three bills received from Devendra-the first bill Rs 5,000, the second bill Rs 20,000, the third bill Rs 10,000) | Dr. | 35,000 | 35,000 |
| Jan.15 | Dewan To Bills Receivable A/c To Discount Received A/c (The first bill endorsed to Dewan in full settlement of amount due to him) | Dr. | 5,200 | 5,000 200 |
| Jan.15 | Bank A/c Discount A/c To Bills Receivable A/c (The second bill discounted with bank at 6% p.a.) | Dr. Dr. | 19,700 300 | 20,000 |
| Apr.18 | Devendra To Bank A/c (The second bill dishonoured and bank paid Rs 30 for noting charges) | Dr. | 20,030 | 20,030 |
| May14 | Bill Sent for Collection A/c | Dr. | 10,000 | |

Q13 :

Vimal purchased goods Rs 25,000 from Kamal on Jan 15, 2006 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 days before its maturity the bill was sent by Kamal to his bank for collection.

Answer :

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

**Books of Kamal
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|-----------------------|------------------------|
| 2006 Jan.15 | Vimal To Sales A/c (Goods sold to Vimal) | Dr. | 25,000 | 25,000 |
| Jan.15 | Bills Receivable A/c To Vimal (Vimal's acceptance received) | Dr. | 25,000 | 25,000 |
| Mar.18 | Vimal To Bills Receivable A/c (Vimal acceptance dishonoured) | Dr. | 25,000 | 25,000 |

**Books of Vimal
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|------|-------------|------|-----------------------|------------------------|
| 2006 | | | | |

Q14 :

Abdulla sold goods to Tahir on Jan 17, 2006 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 | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|-----------------------|------------------------|
| 2006 Jan.17 | Tahir To Sales A/c (Goods sold to Tahir) | Dr. | 18,000 | 18,000 |
| Jan.17 | Bills Receivable A/c To Tahir (Tahir's acceptance received) | Dr. | 18,000 | 18,000 |
| Mar.06 | Tahir To Bills Receivable A/c To Cash (Tahir's acceptance dishonoured and Rs 40 paid as noting charges) | Dr. | 18,040 | 18,000 40 |
| Mar.06 | Tahir To Interest A/c (Interest charged from Tahir on account of bill dishonoured) | Dr. | 660 | 660 |

| | | | | |
|--------|--|-----|--------|--------|
| Mar.12 | Cash A/c To Tahir (Tahir cleared his account by paying cash) | Dr. | 18,700 | 18,700 |
|--------|--|-----|--------|--------|

Ledger
Tahir's Account

| Dr. | | | | Cr. | | | |
|--------|------------------|------|--------------|--------|------------------|------|--------------|
| Date | Particulars | J.F. | Amount Rs | Date | Particulars | J.F. | Amount Rs |
| 2006 | | | | 2006 | | | |
| Jan.17 | Sales | | 18,000 | Jan.17 | Bills Receivable | | 18,000 |
| Mar.06 | Bills Receivable | | 18,000 | Mar.11 | Cash | | 18,700 |
| Mar.06 | Cash | | 40 | | | | |
| Mar.06 | Interest | | 660 | | | | |
| | | | 36,700 | | | | 36,700 |
| | | | | | | | |

Books of Tahir
Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|--------|--|------|-----------------------|------------------------|
| 2006 | | | | |
| Jan.17 | Purchases A/c To Abdula (Goods bought from Abdula) | Dr. | 18,000 | 18,000 |

Q15 :

Asha sold goods worth Rs 19,000 to Nisha on March 02, 2006. Rs 4,000 were paid by Nisha 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 noting charges.

Record the necessary journal entries in the books of Asha and Nisha.

Answer :

**Books of Asha
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------------|-----------------------|------------------------|
| 2006 Mar.02 | Nisha To Sales A/c (Goods sold to Nisha) | Dr. | 19,000 | 19,000 |
| Mar.02 | Cash A/c Bills Receivable A/c To Nisha (Cash and Nisha's acceptance received) | Dr. Dr. | 4,000 15,000 | 19,000 |
| Mar.02 | Bank A/c Discount A/c To Bills Receivable A/c (Nisha's acceptance discounted with bank at 10% p.a.) Note: In this question rate of discount is not given, the rate of discount (10% p.a.) has been assumed). | Dr. Dr. | 14,635 375 | 15,000 |
| June.05 | Nisha To Bank A/c (Nisha's acceptance dishonoured and bank paid Rs 30 as noting charges) | Dr. | 15,030 | 15,030 |

| | | | | |
|--|--|--|--|--|
| | | | | |
|--|--|--|--|--|

Books of Nisha
Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|-----------------------|------------------------|
| 2006 Mar.02 | Purchases A/c To Asha (Goods bought from Asha) | Dr. | 19,000 | 19,000 |

Q16 :

On Feb. 02, 2006, 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 5,000 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 in the books of Verma. And also Sharma.s account in the books of Gupta.

Answer :

Books of Sharma
Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|-------------|------|-----------------------|------------------------|
| 2006 Feb.02 | Verma | Dr. | 17,500 | |

| | | | | |
|--------|--|-----|--------|--------|
| | To Sales A/c (Goods sold to Verma) | | | 17,500 |
| Feb.02 | Cash A/c | Dr. | 2,500 | |
| | Bills Receivable A/c | Dr. | 15,000 | |
| | To Verma | | | 17,500 |
| | (Cash Rs 2,500 and Promissory Note Rs 15,000 received from Verma for 60 days) | | | |
| Feb.02 | Gupta A/c | Dr. | 15,400 | |
| | To Bills Receivable A/c | | | 15,000 |
| | To Discount Received A/c | | | 400 |
| | (Promissory Note endorsed to Gupta in full settlement of amount due to him) | | | |
| Apr.05 | Discount Received A/c | Dr. | 400 | |
| | Verma | Dr. | 15,050 | |
| | To Gupta | | | 15,450 |
| | (Promissory Note issued by Verma dishonoured and Gupta paid Rs 50 as noting charges) | | | |
| | Note: In this question Rs 5,000 is given as noting charges, there is mistake. Here Rs 50 has been taken as noting charges instead of Rs 5,000). | | | |
| Apr.06 | Interest A/c | Dr. | 50 | |
| | To Gupta | | | 50 |
| | (Interest of Rs 50 debited to Gupta, on account of dishonour of Promissory Note) | | | |
| Apr.06 | Gupta | | | |

Q17 :

Lilly sold goods to Mathew on 1.3.2006 for Rs 12,000 and drew upon Mathew 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 Mathew and Lilly paid Rs 45 as noting charges. Mathew 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 Mathew 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 | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------------|-----------------------|------------------------|
| 2006 Mar.01 | Mathew To Sales A/c (Goods sold to Mathew) | Dr. | 12,000 | 12,000 |
| Mar.01 | Bills Receivable A/c To Mathew (Mathew's acceptance payable after two months received) | Dr. | 12,000 | 12,000 |
| Mar.01 | Bank A/c Discount A/c To Bills Receivable A/c (Mathew's bill discounted at 9% p.a.) | Dr. Dr. | 11,820 180 | 12,000 |
| May03 | Mathew A/c To Bank A/c (Mathew's acceptance dishonoured bank paid Rs 45 as noting charges) Note: In this question, May 04 has been considered as Holiday, so the date of maturity will be May 03, 2006 in | Dr. | 12,045 | 12,045 |

| | | | | |
|-------|---|-----|--------|--------|
| | place of May 04, 2006. | | | |
| May08 | Mathew To Interest A/c (Interest @ 12% credited to Mathew on account of bill dishonoured) | Dr. | 241 | 241 |
| May08 | Bank A/c To Mathew (Cheque received from Mathew for the amount due from him) | Dr. | 12,286 | 12,286 |

Ledger
Mathew's Account

| Dr. | | | | Cr. | | | |
|-------------|--------------------|-------------|----------------------|-------------|--------------------|-------------|----------------------|
| Date | Particulars | J.F. | Amount Rs | Date | Particulars | J.F. | Amount Rs |
| 2006 | | | | 2006 | | | |
| Mar.01 | Sales | | 12,000 | Mar.01 | Bills Receivable | | 12,000 |
| May03 | Bank | | 12,045 | May08 | Bank | | 12,286 |
| May08 | Interest | | 241 | | | | |
| | | | 24,286 | | | | 24,286 |
| | | | | | | | |

Books of Mathew
Journal

| Date | Particulars | L.F. | Debit Amount Rs |
|-------------|--------------------|-------------|--------------------------------|
|-------------|--------------------|-------------|--------------------------------|

Q18 :

Kapil purchased goods for Rs 21,000 from Gaurav on 1.2.2006 and accepted a bill of exchange drawn by Gaurav for the same amount. The bill was payable after one month.

On 25.2.2002 Gaurav sent the bill to his 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 books of Kapil and Gourav.

Answer :

**Books of Gaurav
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------|-----------------------|------------------------|
| 2006 Feb.01 | Kapil To Sales A/c (Goods sold to Kapil) | Dr. | 21,000 | 21,000 |
| Feb.01 | Bills Receivable A/c To Kapil (Kapil's acceptance received) | Dr. | 21,000 | 21,000 |
| Feb.25 | Bills Sent for Collection A/c To Bills Receivable A/c (Bill Receivable sent to bank for collection) | Dr. | 21,000 | 21,000 |
| Mar.04 | Kapil To Bill Sent for Collection A/c To Bank A/c (Kapil's acceptance dishonoured) | Dr. | 21,100 | 21,000 100 |

**Books of Kapil
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|-----------------|------------------|
| 2006 Feb.01 | Purchases A/c To Gaurav (Goods bought from Gaurav) | Dr. | 21,000 | 21,000 |
| Feb.01 | Gaurav | Dr. | 21,000 | |

Q19 :

On Feb. 14, 2006 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, 2006 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 | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|-----------------|------------------|
| 2006 Feb.14 | Alka To Sales A/c (Goods sold to Alka) | Dr. | 7,500 | 7,500 |
| Feb.14 | Cash A/c | Dr. | 500 | |
| | Bills Receivable A/c | Dr. | 7,000 | |

| | | | | |
|--------|---|-----|-------|-------|
| | To Alka (Cash received Rs 500 and the bill accepted by Alka) | | | 7,500 |
| Apr.10 | Alka To Bills Receivable A/c (Alka got the bill cancelled) | Dr. | 7,000 | 7,000 |
| Apr.10 | Cash A/c To Alka (Received cash from Alka) | Dr. | 2,000 | 2,000 |
| Apr.10 | Alka To Interest A/c (Interest charged on the amount due from Alka) | Dr. | 500 | 500 |
| Apr.10 | Bills Receivable A/c To Alka (Alka's acceptance payable of two months received) | Dr. | 5,500 | 5,500 |

Q20 :

Nikhil sold goods for Rs 23,000 to Akhil on Dec. 01, 2005. 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 Akhil.

Answer :

Books of Nikhil
Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|-------------|---|------------|-----------------------|------------------------|
| 2005 | | | | |
| Dec.01 | Akhil To Sales A/c (Goods sold to Akhil) | Dr. | 23,000 | 23,000 |
| Dec.01 | Bills Receivable A/c To Akhil (Akhil's acceptance received) | Dr. | 23,000 | 23,000 |
| Dec.01 | Bank A/c Discount A/c To Bills Receivable A/c (Akhil's acceptance discounted at 12% p.a with bank) | Dr. Dr. | 22,540 460 | 23,000 |
| 2006 | | | | |
| Feb.04 | Akhil To Bank A/c (Akhil's acceptance dishonoured, bank paid Rs 100 as noting charges) | Dr. | 23,100 | 23,100 |
| Feb.04 | Akhil To Interest A/c (Interest credited on account of bill dishonoured at 10% p.a. for two months) | Dr. | 385 | 385 |
| Feb.04 | Bills Receivable A/c To Akhil | Dr. | 23,485 | 23,485 |

Q21 :

On Jan 01, 2006 Vibha sold goods worth Rs 18,000 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 Geeta. 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 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 | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|-----------------------|------------------------|
| 2006 Jan.01 | Sudha To Sales A/c (Goods sold to Sudha) | Dr. | 18,000 | 18,000 |
| Jan.01 | Bills Receivable A/c To Sudha (Sudha's acceptance received) | Dr. | 18,000 | 18,000 |
| Jan.01 | Geeta To Bills Receivable A/c (Sudha's acceptance endorsed in favour of Geeta) | Dr. | 18,000 | 18,000 |
| Feb.27 | Sudha To Geeta | Dr. | 18,000 | 18,000 |

| | | | | |
|--------|--|-----|--------|--------|
| | (Sudha cancelled the bill five days before the maturity) | | | |
| Feb.27 | Geeta To Cash A/c (Cash paid to Geeta) | Dr. | 18,000 | 18,000 |
| Feb.27 | Sudha To Interest A/c (Interest credited to Sudha on account of cancelling the bill) | | 200 | 200 |
| Feb.27 | Bills Receivable A/c | Dr. | 18,200 | |

Q22 :

Following was the position of debtor and creditor of Gautam as on 1.1.2006.

| | Debtors | Creditors |
|-------------|---------|-----------|
| | Rs | Rs |
| Babu | 5,000 | - |
| Chanderkala | 8,000 | - |
| Kiran | 13,500 | - |
| Anita | 14,000 | - |
| Anju | - | 5,000 |
| Sheiba | - | 12,000 |
| Manju | - | 6,000 |

The following transactions took place in the month of Jan 2006:

- Jan. 02 Drew on Babu at two months after date at full settlement for Rs 4,800. Babu accepted the bill and returned it on 5.1.2006.
- Jan. 04 Babu's bill discounted for Rs 4,750.
- Jan. 08 Chanderkala sent a promissory 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 2006 | Date Received 2006 | From whom of Bill | Drawer whom received | Acceptor | Where | Term Payable | Due date 2006 | L.F. | An |
|-----|----------------------|-----------------------|----------------------|----------------------------|----------|-------|-----------------|------------------|------|----|
| 01 | Jan.02 | Jan.05 | Babu | Self | Babu | | 2 months | Mar.05 | | 4 |
| | | | | | | | | Total | | 4 |

Bills Payable Book

| No. | Date of Bill 2006 | To Whom Given | Drawer | Payee | Where payable | Term | Due date 2006 | Ledger | Amount Rs |
|-----|----------------------|------------------|--------|-------|------------------|----------|------------------|--------|--------------|
| 01 | Jan.12 | Sheiba | Sheiba | - | | 2 months | Mar.15 | | 12,000 |
| 02 | Jan.25 | Anju | Anju | - | | 2 months | Apr.28 | | 5,000 |

Q23 :

On Jan. 01, 2006 Harsh accepted a month bill for Rs 10,000 drawn on him by tanu 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 | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------|-----------------------|------------------------|
| 2006 Jan.01 | Bills Receivable A/c To Harsh (Harsh's acceptance received) | Dr. | 10,000 | 10,000 |
| Jan.01 | Bank A/c Discount A/c To Bills Receivable A/c (Harsh's acceptance discounted at 8% p.a. for one month) | Dr. | 9,933 67 | 10,000 |
| Feb.04 | Harsha To Bank A/c (Harsh's account settled by paying amount due to Harsh through cheque) | Dr. | 10,000 | 10,000 |

**Books of Harsh
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------|--------------------|---------------------|
| 2006 Jan.01 | Tanu To Bills Payable A/c (Bill drawn by Tanu accepted) | Dr. | 10,000 | 10,000 |
| Feb.04 | Bank A/c To Tanu (Cheque received from Tanu) | Dr. | 10,000 | 10,000 |
| Feb.04 | Bills Payable A/c | | | |

Q24 :

Ritesh and Naina were in need of funds temporarily. On August 01 2005 Ritesh drew upon Naina a bill for Rs 12,000 for 4 months. Naina accepted the bill and returned to Ritesh. Ritesh discounted the Bill @ 8% p.a. Half amount of the discounted bill remitted to Naina. On due date, Ritesh sent the required sum to Naina, who met the bill. Journalise the transaction in the books of both the parties.

Answer :

**Books of Ritesh
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------|--------------------|---------------------|
| 2005 Aug.01 | Bills Receivable A/c To Naina (Naina's acceptance received) | Dr. | 12,000 | 12,000 |
| Aug.01 | Bank A/c | Dr. | 11,680 | |

| | | | | |
|--------|--|-----|-------|--------|
| | Discount A/c | Dr. | 320 | |
| | To Bills Receivable A/c | | | 12,000 |
| | (Naina's acceptance discounted at 8% p.a. with bank) | | | |
| Aug.01 | Naina | Dr. | 6,000 | |
| | To Cash A/c | | | 5,840 |
| | To Discount A/c | | | 160 |
| | (Bill discounted with bank for four months at 8% p.a.) | | | |
| Dec.04 | Naina | Dr. | 6,000 | |
| | To Cash A/c | | | 6,000 |
| | (Balance amount paid to Naina, in order to met the bill) | | | |

**Books of Naina
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|---|------|--------------------|---------------------|
| 2005 Aug.01 | Ritesh To Bills Payable A/c (Bill payable after four months accepted by Harish) | Dr. | 12,000 | 12,000 |

Q25 :

On Jan. 01, 2006, Bhanu and Naman drew on each other a bill for Rs 8,000 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 acceptance. Give journal entry in the books of Bhanu and Naman.

Answer :

Books of Bhanu

Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|-------------|------------------------|-------------------------|
| 2006 Jan.01 | Bills Receivable A/c To Naman (Received Naman's acceptance for mutual help) | Dr. | 8,000 | 8,000 |
| Jan.01 | Naman To Bills Payable A/c (Naman's acceptance accepted, payable after 3 months for mutual help) | Dr. | 8,000 | 8,000 |
| Jan.01 | Bank A/c Discount A/c To Bills Receivable A/c (Naman's acceptance discounted at 5% p.a. with bank for three months) | Dr. Dr. | 7,900 100 | 8,000 |
| Apr.04 | Bills Payable A/c To Bank A/c (Naman's acceptance cleared) | Dr. | 8,000 | 8,000 |

Books of Naman

Journal

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|----------------------|-------------|------------------------|-------------------------|
| 2006 Jan.01 | Bills Receivable A/c | Dr. | 8,000 | |

| | | | | |
|--------|---|-----|-------|-------|
| | To Bhanu (Bhanu's acceptance received for mutual help) | | | 8,000 |
| Jan.01 | Bhanu To Bills Payable A/c | Dr. | 8,000 | |

Q26 :

On Nov. 01, 2005 Sonia drawn a bill on sunny for Rs 15,000 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 met 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 meet his second acceptance on due date. Record the necessary journal entries in the books of sonia and sunny.

Answer :

**Books of Sonia
Journal**

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
|----------------|--|------------|--------------------|---------------------|
| 2005 Nov.01 | Bills Receivable A/c To Sunny (Sunny's acceptance received) | Dr. | 15,000 | 15,000 |
| Nov.01 | Bank A/c Discount A/c To Bills Receivable A/c (Bill discounted with banker at 6% p.a. for 3 months) | Dr. Dr. | 14,775 225 | 15,000 |
| Nov.01 | Sunny | Dr. | 5,000 | |

| | | | | |
|--------|---|-----|--------|--------|
| | To Cash A/c | | | 4,925 |
| | To Discount A/c | | | 75 |
| | (1/3 rd amount of discounted bill remitted to Sunny) | | | |
| 2006 | | | | |
| Feb.04 | Sunny | Dr. | 10,000 | |
| | To Cash A/c | | | 10,000 |
| | (Balance amount bill remitted to Sunny) | | | |
| Feb.04 | Sunny | Dr. | 15,000 | |
| | To Bank A/c | | | 15,000 |
| | (Bill discounted with bank dishonoured) | | | |
| Feb.04 | Bank A/c | Dr. | 15,000 | |
| | To Cash A/c | | | |