

Bill of Exchange

1: A bill of exchange for Rs. 25,000 is drawn by A on B on 1st April, 2013 for 3 Months, B accepted the bill on 10th April, 2013. Find the DUE DATE and DATE OF MATURITY if

Cash I: The bill is Bill After date

Case II: The bill is Bill After Sight

Solution: Due Date Date of Maturity

Case I - When the Bill is "Bill After date" 1st July, 2013 4th July, 2013

Case II - When the Bill is "Bill After Sight" 10th July, 2013 13th July, 2013

2: Ram sold goods to shyam for Rs. 30,000 at credit on 1st April, 2015 Ram discounts the bill with his bank on 4th May 2013 @ 9% per annum find out:

(i) The amount of discounting charges.

(ii) The amount that Ram will receive from his bank at the time of discounting the bill.

Solution:

(i) Discounting Charges =

$$\begin{aligned} & \text{Amount of Bill Discounted} \times \frac{\text{Rate}}{100} \times \text{Rate} \times \text{Unexpired Period} \\ &= 30,000 \times \frac{9}{100} \times \frac{2}{12} \\ &= \text{Rs. 450} \end{aligned}$$

(ii) Ram will receive from his bank Rs. 29,550 (i.e. Rs.30,000-Rs. 450) at the time of discounting the bill.

EXCERCISE

Q.No 1 A sold goods to B on 1st May,2015 for Rs. 20,000 and drew 3 bills on B for (i) 7,000 payable after 1 months, (ii) 7,500 payable after 2 months and (iii) 5,500 Payable after 3 months. All the bills duly accepted. The first bill is retained by A till maturity. The second bill is endorsed to C (A Creditor of A) immediately after receiving and third bill was discounted from bank for Rs. 5,250 on 5th May 2015. All the 3 bills were duly met on



maturity. Pass entries in the books of A and B.

Q.NO 2 A sold goods to B on May 1st, 2015 for Rs. 30,000 on credit and drew upon him a bill for the same amount payable after 2 months. B accepted the bill and returned it to A. On date of maturity, B fails to make payment of bill. Noting charges amounted to Rs.100. Pass Journal Entries in the books of A and B if.

Q.No 3 P sold goods to Q for Rs. 10,000 on January 1, 2015 and on the same day draws a bill on Q for the same amount for 3 months. Q accepts it and returns it to P, who discounts it on 10th January, 2015 with his bank for Rs. 9850. The acceptance is dishonored on the due date and the Noting charges were paid by bank being Rs.50. On 4th April, Q paid Rs. 2,050 (including Noting charges) in cash and accepted new bill at 3 months for the amount due P together with interest @ 12% per annum. Make Journal Entries in the books of P and Q to record transaction.

Q.No 4 Rajiv sold goods to Pankaj for Rs. 40,000 on January 1st, 2015. On the same date Rajiv drew a bill of the same amount 3 months on Pankaj. The bill was accepted by Pankaj. Rajiv discounted the bill with his bank on 4th February, 2015 @ 12% per annum. On date of maturity, the bill was dishonored and Noting charges Rs. 200 Pankaj agreed to Pay Rs. 10,200 and accepted another bill for the remaining amount for 3 months together with interest @ 9% per annum. On due date Pankaj make the payment. Give Journal Entries in the books of Rajiv and Pankaj.

Q.No 5 On 1st March 2015, Amit drew three bills of exchange on his debtor Shyam. First for Rs. Rs. 7000 for 1 month, second for Rs. 8,000 for two months and third for Rs. 10,000 for 4 months. Shyam accepted these bills. Amit endorsed the first bill to his creditor, Ram in full settlement of his account Rs. 7,100. This bill was met on maturity on 1st April, amit discounted the second bill from his bank for Rs. 7,800. This bill was dishonored on due date and bank paid Rs. 100 towards noting charges. Amit drew another bill on shyam for the amount due along with Rs. 200 towards interest for 2 months for which shyam agreed.

