

## Chapter 12- Accounting for Bills Exchange

**Q.1 Calculate the due dates of the bills in the following cases:**

Date of Bill	Tenure (Period)
(i) 1st December, 2018	60 Days
(ii) 30th April, 2019	2 Months
(iii) 28th January, 2019	1 Month
(iv) 23rd November, 2018	2 Months
(v) 29th May, 2018	4 Months

The solution can be presented as follows

Date of Bill	Tenure	Calculation	Due Date
(i) December 01, 2018	60 Days	30 (December) + 30 (January) + 3 days of grace	February 02, 2019
(ii) April 30, 2019	2 Months	2 Months from April 30, 2019 is June 30, 2019 + 3 days of grace	July 03, 2019
(iii) January 28, 2019	1 Month	1 Month from January 28, 2019 is February 28, 2019 + 3 days of grace	March 03, 2019
(iv) November 23, 2018	2 Months	2 Months from November 23, 2018 is January 23, 2019 + 3 days of grace	January 26, 2019, as it is a national holiday therefore the due date would be one day before i.e. on, January 25, 2019
(v) May 29, 2018	4 Months	4 Months from May 29, 2019 is September 29, 2019 + 3 days of grace	October 02, 2019 but it being a national holiday the due date would be one day before i.e., on October 01, 2019



**Q.2** On 10th March, 2019, A draws on B a bill at 3 months for ₹ 20,000 which B accepts immediately and returns to A. The bill is honoured due date.

Pass necessary Journal entries in the books of both the parties.

The solution can be presented as follows

**Journal  
in the books of A (Drawer)**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar 10	Bills Receivable A/c Dr. To B's A/c (Bill received)		20,000	20,000
June 13	Cash A/c Dr. To Bills Receivable A/c (Cash received against bill)		20,000	20,000

**Journal  
in the books of B (Drawee)**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar 10	A A/c Dr. To Bills Payable A/c (Bill accepted)		20,000	20,000
June 13	Bills Payable A/c Dr. To Cash A/c (Cash paid against bill)		20,000	20,000



**Q.3** On 1st January, 2019, A sold goods to B for ₹ 5,000 *plus* IGST @ 18%. A received ₹ 900 by cheque from B and drew on him a bill for the balance amount payable 3 months after date. The bill was duly accepted by B. A retained the bill till due date. On due date, the bill was paid. Pass Journal entries in the books of A and B. Also, show necessary accounts in the books of both the parties.

The solution can be presented as follows

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	B Dr. To Sales A/c To Output IGST A/c (Goods sold to B plus IGST @ 18%)		5,900	5,000 900
Jan.01	Bills Receivable A/c Dr. Bank A/c Dr. To B (B accepted the bill and paid IGST by cheque)		5,000 900	5,000
Apr.04	Cash A/c Dr. To Bills Receivable A/c (Amount of bill received on its maturity)		5,000	5,000

**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Purchases A/c Dr. Input IGST A/c Dr. To A (Goods bought from A plus IGST @ 18%)		5,000 900	5,900
Jan.01	A Dr. To Bills Payable A/c To Bank A/c (Bill drawn by A accepted and IGST paid by cheque)		5,900	5,000 900
Apr.04	Bills Payable A/c Dr. To Cash A/c (Payment of bill was made on its due date)		5,000	5,000



**Q.4 Vinod sold goods to Darbara Singh for ₹ 1,000 on 1st January, 2019. He drew on the latter a bill for the amount payable 3 months after date. He discounted the bill with his bank for ₹ 990 on 4th January, 2019. On maturity, the bill is duly met. Make the Journal entries in the books of Vinod and Darbara Singh.**

The solution can be presented as follows

**Books of Vinod  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.1	Darbara Singh To Sales A/c (Goods sold to Darbara Singh)	Dr.	1,000	1,000
Jan.1	Bills Receivable A/c To Darbara Singh (Bills accepted by Darbara Singh)	Dr.	1,000	1,000
Jan.4	Bank A/c Discount Charges A/c To Bills Receivable A/c (Darbara Singh's acceptance discounted at 9% p.a. for 3 month)	Dr. Dr.	990 10	1,000

**Books of Darbara Singh  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.1	Purchases A/c To Vinod (Goods bought from Vinod)	Dr.	1,000	1,000
Jan.1	Vinod To Bills Payable A/c (Bill drawn by Vinod accepted)	Dr.	1,000	1,000
Mar.4	Bills Payable A/c To Bank A/c (Payment of bill was made on its due date.)	Dr.	1,000	1,000



**Q.5** On 1st January, 2019, X sold goods of ₹ 20,000 to Y and drew a bill on Y at three months for the amount. Y accepted the bill. The bill is met on maturity. Pass the necessary Journal entries in the books of X and Y, if X discounted the bill @ 12% p.a. from bank on 4th January.

The solution can be presented as follows

**In the books of X  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 January 01	Y's A/c To Sales A/c (Being goods sold to Y on credit)	Dr.	20,000	20,000
January 01	Bills Receivable A/c To Y's A/c (Being bill drawn on Y for three months)	Dr.	20,000	20,000
January 04	Bank A/c Discounting Charges A/c To Bills Receivable A/c (Being bill discounted with bank and charges paid @12% p.a.)	Dr. Dr.	19,400 600	20,000

#### Working Notes

Discount Charges =  $(20,000 \times 12/100 \times 3/12)$

= ₹ 600

**In the books of Y  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan. 01	Purchases A/c To X's A/c (Being goods purchased from X on credit)	Dr.	20,000	20,000
Jan. 01	X's A/c To Bills Payable A/c (Being acceptance given to X)	Dr.	20,000	20,000
April 04	Bills Payable A/c To Bank A/c (Being bill paid on maturity)	Dr.	20,000	20,000

**Q.6 Dinesh received from Shridhar an acceptance for ₹ 3,000 on 1st September, 2018 at 3 months. Dinesh got the acceptance discounted at 9% p.a. from his bank. On the due date, Shridhar paid the required amount. Give the Journal entries in the books of Dinesh and Shridhar.**

The solution can be presented as follows

**Books of Dinesh**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Sep.01	Bills Receivable A/c Dr. To Shridhar (Shridhar acceptance was received)		3,000	3,000
Sep.01	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (Shridhar's acceptance was discounted with bank)		2,932.50 67.50	3,000

**Books of Shridhar**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Sep.01	Dinesh Dr. To Bills Payable A/c (Bills drawn by Shridhar accepted)		3,000	3,000
Dec.04	Bills Payable A/c Dr. To Bank A/c (Shridhar's acceptance discharged on its due date)		3,000	3,000



**Q.7 A sells goods of ₹ 10,000 on 1st March, 2019 to B on credit. B accepts a bill on the same date for the amount payable three months after date. A discounts the bill at 6% p.a. from bank on 4th April. On maturity, the bill is met by B. Pass the necessary Journal entries in the books of both the parties.**

The solution can be presented as follows

**In the books of A  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 March 01	B's A/c To Sales A/c (Being goods sold to B on credit)	Dr.	10,000	10,000
March 01	Bills Receivable A/c To B's A/c (Being bill drawn on B for three months)	Dr.	10,000	10,000
April 04	Bank A/c Discounting Charges A/c To Bills Receivable A/c (Being bill discounted with bank and charges paid @6% p.a.)	Dr. Dr.	10,000 100	9,900

**Working Notes:**

Discounting Charges =  $(10,000 \times 6/100 \times 2/12)$

= ₹ 100

**In the books of B  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 March 01	Purchases A/c To A's A/c (Being goods purchased from A on credit)	Dr.	10,000	10,000
March 01	A's A/c To Bills Payable A/c (Being acceptance given to A)	Dr.	10,000	10,000
June 04	Bills Payable A/c To Bank A/c (Being bill paid on maturity)	Dr.	10,000	10,000

**Q.8 A drew a bill of ₹ 1,000 on B for 3 months which was duly accepted by the latter. A endorsed the bill to C in full payment of his own acceptance to C for a like amount. C endorsed the bill to B. Pass the Journal entries in the books of A, B and C.**

The solution can be presented as follows

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Receivable A/c Dr. To B (B's acceptance was received)		1,000	1,000
	C Dr. To Bills Receivable A/c (B's acceptance endorsed in favour of C)		1,000	1,000

**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	A Dr. To Bills Payable A/c (Bill drawn by A was accepted)		1,000	1,000
	Bills Payable A/c Dr. To Bills Receivable A/c (Amount owed from C was settled by Bill Payable)		1,000	1,000





**Books of C  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Receivable A/c Dr. To A (Bills Receivable was received from A)		1,000	1,000
	B Dr. To Bills Receivable A/c (Amount owed to B was settled by Bills Receivable)		1,000	1,000

**Q.9 A owed B ₹ 8,000. He gave a bill for the same on 1st August, 2018 payable after 4 months at the Bank of India, Chandni Chowk, Delhi. Immediately after receiving the bill, B endorsed it to C in payment of his debt. On 1st September, C discounted the bill at 12% p.a. The bill is met on due date. Pass the necessary Journal entries in the books of A, B and C.**

The solution can be presented as follows

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Aug.01	B Dr. To Bills Payable A/c (Bill drawn by B was accepted)		8,000	8,000
Dec.04	Bills Payable A/c Dr. To Bank A/c (Payment made to meet the bill on its maturity)		8,000	8,000

**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Aug 01	Bills Receivable A/c Dr. To A (A's acceptance was received)		8,000	8,000
Aug 01	C Dr. To Bills Receivable A/c (A's acceptance endorsed in favour of C)		8,000	8,000

**Books of C  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Aug 01	Bills Receivable A/c Dr. To B (Bills Receivable was received from B)		8,000	8,000
Sep 01	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (Bill discount at 12% p.a. for 3 months)		7,760 240	8,000

**Working Note:**

Discount Charges =  $8,000 \times \frac{12}{100} \times \frac{3}{12}$

= 240

**Q.10 A sold goods to B for ₹ 20,000 *plus* CGST and SGST @ 9% each on credit 3 months. B paid A ₹ 3,600 by cheque and accepted a draft for the balance amount. The draft was endorsed in favour of C, who got the payment on maturity.**

**Give Journal entries in the books of A.**

The solution can be presented as follows

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	B Dr.		23,600	
	To Sales A/c			20,000
	To Output CGST A/c			1,800
	To Output SGST A/c			1,800
	(Goods sold to B plus CGST and SGST @ 9% each)			
	Bills Receivable A/c Dr.		20,000	
	Bank A/c Dr.		3,600	
	To B			23,600
	(B accepted the bill and paid GST by cheque)			
	C Dr.		20,000	
	To Bills Receivable A/c			20,000
	(B's acceptance endorsed in favour of C)			

**Q.11 Mohan Singh draws a bill on Jagat for ₹ 1,000 payable 2 months after date. Immediately after its acceptance, Mohan Singh sends the bill to his bank for collection. On due date, bank gets the payment. Make the entries in the books of all the parties.**

The solution can be presented as follows

**Books of Mohan Singh  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Receivable A/c Dr. To Jagat (Jagat acceptance was received)		1,000	1,000
	Bills Sent for Collection A/c Dr. To Bills Receivable A/c (Bill Receivable sent to bank for collection)		1,000	1,000
	Bank A/c Dr. To Bills Sent for Collection A/c (Payment of bill received by bank)		1,000	1,000

**Books of Jagat  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Mohan Singh Dr. To Bills Payable A/c (Bills drawn by Mohan Singh was accepted)		1,000	1,000
	Bills Payable A/c Dr. To Bank A/c (Payment was made to meet the bill)		1,000	1,000

**Q.12 X draws on Y a bill for ₹ 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 under each of the following circumstances:**

- If X retains the bill till due date.
- If X discounts the same with his banker paying ₹ 100 for discount.
- If X endorses the same to his creditor Z in full settlement of his debt of ₹ 4,080.
- If X sends the bill to his banker for collection the next day.

The solution can be presented as follows

Case (a)

**Books of X  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Receivable A/c Dr. To Y (Y's acceptance was received)		4,000	4,000
	Cash A/c Dr. To Bills Receivable A/c (Amount of bill received on its maturity)		4,000	4,000

Case (b)

**Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Receivable A/c Dr. To Y (Y's acceptance was received)		4,000	4,000
	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (Y's acceptance discount with bank)		3,900 100	4,000

Case (c)

**Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Receivable A/c Dr. To Y (Y's acceptance was received)		4,000	4,000
	Z Dr. To Discount Received A/c To Bills Receivable A/c (Y's acceptance endorsed in favour of Z and discount allowed by Z is ₹ 80)		4,080	80 4,000



Case (d)

Journal				
Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Receivable A/c Dr. To Y (Y's acceptance was received)		4,000	4,000
	Bills Sent for Collection A/c Dr. To Bills Receivable A/c (Y's acceptance sent to bank for collection)		4,000	4,000
	Bank A/c Dr. To Bills Sent for Collection A/c (Y's acceptance net on maturity)		4,000	4,000

**Q.13 Ram draws a bill for ₹ 2,000 on Shyam on 15th September, 2018 for 3 months. On maturity, Shyam failed to honour the bill.**

**Pass the necessary Journal entries in the books of Ram and Shyam.**

The solution can be presented as follows

Books of Ram Journal				
Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Sep.15	Bills Receivable A/c Dr. To Shyam (Shyam's acceptance received)		2,000	2,000
Dec.18	Shyam A/c Dr. To Bills Receivable A/c (Shyam's acceptance dishonoured)		2,000	2,000

**Books of Shyam  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Sep.15	Ram To Bills Payable A/c (Bill drawn by Ram was accepted)	Dr.	2,000	2,000
Dec.18	Bills Payable A/c To Ram (Bills Payable dishonoured)	Dr.	2,000	2,000

**Q.14** On 20th March, 2019, Naresh sold goods to Kailash to the value of ₹ 1,250, taking a bill at 3 months for the amount. On maturity, the bill was dishonoured. Naresh paid ₹ 10 as noting charges. On 1st July, Kailash cleared his account by paying ₹ 1,260.

**Make the entries in the books of both the parties to record the above transactions.**

The solution can be presented as follows

**Books of Naresh  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar.20	Kailash To Sales A/c (Goods sold to Kailash)	Dr.	1,250	1,250
Mar.20	Bills Receivable A/c To Kailash (Kailash's acceptance was received)	Dr.	1,250	1,250
Jun.23	Kailash To Bills Receivable A/c To Cash A/c (Bill received from Kailash dishonoured and ₹ 10 paid for Noting the bill)	Dr.	1,260	1,250 10
July 01	Cash A/c To Kailash (Received cash from Kailash)	Dr.	1,260	1,260



**Books of Kailash  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar.20	Purchases A/c To Naresh (Goods were bought from Naresh)	Dr.	1,250	1,250
Mar.20	Naresh To Bills Payable A/c (Bill drawn by Naresh was accepted)	Dr.	1,250	1,250
Jun.23	Bills Payable A/c Noting Charges, A/c To Naresh (Bill Payable was dishonoured)	Dr. Dr.	1,250 10	1,260
July 01	Naresh To Cash A/c (Paid cash to Naresh)	Dr.	1,260	1,260

**Q.15** On 1st January, 2019, X sold goods to Y for ₹ 25,000 and immediately received from Y ₹ 10,000 by cheque and drew a bill on Y at three months for the balance amount. Bill is accepted by Y. Bill was dishonoured on the due date and Y paid ₹ 150 as noting charges. Ten days later, Y pays the due amount to X. Pass the Journal entries in the books of both the parties.



The solution can be presented as follows

**In the books of X  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan. 01	Y's A/c To Sales A/c (Being goods sold to Y on credit)	Dr.	25,000	25,000
Jan. 01	Bills Receivable A/c Bank A/c To Y's A/c (Being bill drawn on Y for three months and part payment received)	Dr. Dr.	15,000 10,000	25,000
April 04	Y's A/c To Bills Receivable A/c (Being bill dishonoured by Y)	Dr.	15,000	15,000
April 14	Bank A/c To Y's A/c (Being amount due paid by Y after 10 days)	Dr.	15,000	15,000

**In the books of Y  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan. 01	Purchases A/c To X's A/c (Being goods purchased from X on credit)	Dr.	25,000	25,000
Jan. 01	X's A/c To Bank A/c To Bills Payable A/c (Being acceptance given to X and part payment given)	Dr.	25,000	10,000 15,000
April 04	Bills Payable A/c Noting Charges, A/c To X's A/c To Cash A/c (Being bill dishonoured and noting charges paid)	Dr. Dr.	15,000 150	15,000 150
April 14	X's A/c To Bank A/c (Being due amount paid to X)	Dr.	15,000	15,000



**Q.16** On 1st July, 2019, A drew a bill for ₹ 5,000 on B payable after 3 months. A discounted it with the Bank for ₹ 4,850. On maturity, B failed to pay the amount of his acceptance and the bank had to pay ₹ 50 as noting charges.

Pass the necessary Journal entries in the books of A and B.

The solution can be presented as follows

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jul.01	Bills Receivable A/c To B (B's acceptance was received)	Dr.	5,000	5,000
Jul.01	Bank A/c Discount Charges A/c To Bills Receivable A/c (B's acceptance discounted with bank)	Dr. Dr.	4,850 150	5,000
Oct.04	B To Bank A/c (B's acceptance became dishonoured, bank paid Noting Charges ₹ 50)	Dr.	5,050	5,050

**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jul.01	A To Bills Payable A/c (Bill drawn by A was accepted)	Dr.	5,000	5,000
Oct.04	Bills Payable A/c Noting Charges, A/c To A (Bills Payable dishonoured)	Dr. Dr.	5,000 50	5,050

**Q.17** On 15th June, 2019, Mohan sold goods to Sohan valued at ₹ 2,000. He drew a bill at 3 months for the amount and discounted the same with his bank for ₹ 1,960. On the due date the bill was dishonoured and Mohan paid to the bank the amount due plus the noting charges of ₹ 10.

**Draft the Journal entries in the books of all parties.**

The solution can be presented as follows

**Books of Mohan  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 June 15	Sohan Dr. To Sales A/c (Goods sold to Sohan)		2,000	2,000
June 15	Bills Receivable A/c Dr. To Sohan (Sohan's acceptance was received)		2,000	2,000
June 15	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (Sohan's acceptance discounted with bank)		1,960 40	2,000
Sep.18	Sohan Dr. To Bank A/c (Sohan's acceptance became dishonoured and Bank paid ₹ 10 Noting Charges)		2,010	2,010
Sep.18	Bank A/c Dr. To Cash A/c (Liabilities on account bill dishonoured was discharged)		2,010	2,010

**Books of Sohan  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 June 15	Purchases A/c Dr. To Mohan (Goods were bought from Sohan)		2,000	2,000
June 15	Mohan Dr. To Bills Payable A/c (Bills drawn by Mohan was accepted)		2,000	2,000
Sep.18	Bills Payable A/c Dr. Noting Charges A/c Dr. To Mohan (Bills Payable became dishonoured)		2,000 10	2,010

**Q.18** On 1st March, 2019, *R* accepted a Bill of Exchange of ₹ 20,000 from *S* payable 3 months after date in full settlement of his dues. On the same day *S* endorsed the Bill of Exchange to *T* together with a cheque for ₹ 5,000 in settlement of his debt to the latter. On 2nd March, 2019, *T* discounted the Bill of Exchange @ 6% p.a. with his bank. On maturity the Bill of Exchange was dishonoured. Journalise the transactions in the books of *R* and *T*.

The solution can be presented as follows

**Books of R  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar.01	S Dr. To Bills Payable A/c (Bill drawn by S was accepted)		20,000	20,000
June 04	Bills Payable A/c Dr. To S (Bills Payable dishonoured)		20,000	20,000



**Books of T  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar.01	Bank A/c Dr. Bills Receivable A/c Dr. To S (Bill Receivable and cheque received from S)		5,000 20,000	25,000
Mar.02	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (R's acceptance discounted with bank at 6% p.a. for 3 months)		19,700 300	20,000
June 04	S Dr. To Bank A/c (Bill received from S was dishonoured)		20,000	20,000

**Q.19 On 1st January, 2019, A drew a bill on B for ₹ 10,000 payable after 3 months. B accepted the bill and returned it to A. After 10 days, A endorsed the bill to his creditor C. On the due date, the bill was dishonoured and C paid ₹ 50 as noting charges. Record the transactions in the books of A, B and C.**

The solution can be presented as follows

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan. 01	Bills Receivable A/c Dr. To B (B's acceptance was received)		10,000	10,000
Jan. 11	C Dr. To Bills Receivable A/c (B's acceptance endorsed in favour of C)		10,000	10,000
April 04	B Dr. To C (Bill endorsed in favour of C was dishonoured and C paid ₹ 50 Noting Charges)		10,050	10,050



**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan. 01	A Dr. To Bills Payable A/c (Bill drawn by A was accepted)		10,000	10,000
April 04	Bills Payable A/c Dr. Noting Charges A/c Dr. To A (Bill Payable dishonoured)		10,000 50	10,050

**Books of C  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.11	Bills Receivable A/c Dr. To A (Bill Receivable received from A)		10,000	10,000
April 04	A Dr. To Bills Receivable A/c To Cash A/c (Bill Receivable received from A became dishonoured and Noting Charge paid ₹ 50)		10,050	10,000 50



**Q.20 Y owes X ₹ 4,000. On 1st January, 2019, Y accepts a 3 months bill for ₹ 3,900 in satisfaction of his full claim. On the same date, it was endorsed by X to Z in satisfaction of his claim of ₹ 3,980. The bill is dishonoured on the due date. Give the Journal entries in the books of X.**

The solution can be presented as follows

**Books of X  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Bills Receivable A/c Dr. Discount Allowed A/c Dr. To Y (Y's acceptance received in full settlement of amount due from him and allowed with discount)		3,900 100	4,000
Jan.01	Z Dr. To Bills Receivable A/c To Discount Received A/c (Y's acceptance endorsed in favour of Z and discount received)		3,980	3,900 80
Mar.04	Y Dr. Discount Received A/c Dr. To Z To Discount Allowed A/c (Y's acceptance was endorsed to Z, now dishonoured)		4,000 80	3,980 100



**Q.21** On 1st January, 2019, A draws a bill on B for ₹ 1,000 payable after 3 months. Immediately after its acceptance, A sends the bill to his bank for collection. On the due date, the bill was dishonoured. Record the transactions in the Journals of A and B.

The solution can be presented as follows

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Bills Receivable A/c Dr. To B (B's acceptance was received)		1,000	1,000
Jan.01	Bills Sent for Collection A/c Dr. To Bills Receivable A/c (B's acceptance sent to bank for Collection)		1,000	1,000
April 04	B Dr. To Bills Sent for Collection A/c (B's acceptance became dishonoured)		1,000	1,000

**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	A Dr. To Bills Payable A/c (Bill drawn by A was accepted)		1,000	1,000
April 04	Bills Payable A/c Dr. To A (Bills Payable to A became dishonoured)		1,000	1,000



**Q.22** A bill for ₹ 1,000 is drawn by A on B and accepted by the latter payable at the New Delhi, Bank of India. Show what entries should be passed in the books of A under each of the following circumstances:

(a) If A retained the bill till the due date and then realized it on maturity.

(b) If A discounted it with his bank for ₹ 950.

(c) If A endorsed it to his creditor C in full settlement of his debt.

(d) If A sent it to his bank for collection.

Also, give the necessary entries in each of the cases if the bill is dishonoured.

The solution can be presented as follows

(a)

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bills Receivable A/c Dr. To B (B's acceptance was received)		1,000	1,000
	<u>On honouring of the bill</u> Bank A/c Dr. To Bills Receivable A/c (B's acceptance honoured)		1,000	1,000
	<u>On dishonour of the bill</u> B Dr. To Bills Receivable A/c (B's acceptance dishonoured)		1,000	1,000

(b)

**Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bills Receivable A/c Dr. To B (Bills Receivable received from B)		1,000	1,000
	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (Bill acceptance discounted with bank)		950 50	1,000
	<u>On dishonour of the bill</u> B Dr. To Bank A/c (B's acceptance dishonoured)		1,000	1,000

(c)

**Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bills Receivable A/c Dr. To B (B's acceptance was received)		1,000	1,000
	C Dr. To Bills Receivable A/c (B's acceptance endorsed in favour of C)		1,000	1,000
	<u>On dishonour of the bill</u> B Dr. To C (B's acceptance which had transferred to C now became dishonoured)		1,000	1,000



(d)

Journal				
Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bills Receivable A/c Dr. To B (B's acceptance was received)		1,000	1,000
	Bills Sent to Bank for Collection A/c Dr. To Bills Receivable A/c (Bill Sent to bank for collection)		1,000	1,000
	<u>On dishonour of Bill</u> B Dr. To Bill Sent to Bank for Collection A/c (B's acceptance dishonoured)		1,000	1,000

**Q.23** On 1st January, 2019 for goods sold, Ramesh drew a Bill of Exchange on Mahesh for ₹ 4,000, for a period of 3 months. Mahesh accepts it and returns to Ramesh. Ramesh then endorses it to Mukesh who in turn endorses it to Suresh on 1st February, 2019. The bill is then discounted by Suresh on the same date with his bank at 5% p.a. On the due date the bill is dishonoured. Pass the necessary Journal entries in the books of all the four parties.

The solution can be presented as follows

**Books of Ramesh  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Mahesh To Sales A/c (Goods were sold to Mahesh)	Dr.	4,000	4,000
Jan.01	Bills Receivable A/c To Mahesh (Mahesh's acceptance was received)	Dr.	4,000	4,000
Jan.01	Mukesh To Bills Receivable A/c (Mahesh's acceptance was endorsed in favour of Mukesh)	Dr.	4,000	4,000
April 04	Mahesh To Mukesh (Mahesh's acceptance was dishonoured)	Dr.	4,000	4,000

**Books of Mahesh  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Purchases A/c To Ramesh (Goods were bought from Ramesh)	Dr.	4,000	4,000
Jan.01	Ramesh To Bills Payable A/c (Bill drawn by Ramesh was accepted)	Dr.	4,000	4,000
April 04	Bills Payable A/c To Ramesh (Bill Payable was dishonoured)	Dr.	4,000	4,000

**Books of Mukesh  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Bills Receivable A/c To Ramesh (Bill received from Ramesh)	Dr.	4,000	4,000
Feb.01	Suresh To Bills Receivable A/c (Bills which had received from Suresh, endorsed to Suresh)	Dr.	4,000	4,000
April 04	Ramesh To Suresh (Bill received from Ramesh was dishonoured)	Dr.	4,000	4,000

**Books of Suresh  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Feb.01	Bills Receivable A/c To Mukesh (Bill Receivable received from Mukesh)	Dr.	4,000	4,000
Feb.01	Bank A/c Discount Charges A/c To Bills Receivable A/c (Bill discount with bank at 5% p.a. for two months)	Dr. Dr.	3,967 33	4,000
April 04	Mukesh To Bank A/c (Bill received from Mukesh was dishonoured)	Dr.	4,000	4,000



**Q.24** A purchases goods worth ₹ 6,200 from B and gives him his acceptance for ₹ 6,000 in full satisfaction. B purchases goods worth ₹ 10,000 from C and endorses the bill to him, paying the balance by cheque. On maturity the bill is dishonoured, noting charges amounted to ₹ 100. Give the Journal entries in the books of A, B and C.

The solution can be presented as follows

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Purchases A/c Dr. To B (Goods purchased from B)		6,200	6,200
	B Dr. To Bills Payable A/c To Discount Received A/c (Bill drawn by B accepted and discount allowed by him)		6,200	6,000 200
	Bills Payable A/c Dr. Discount Received A/c Dr. Noting Charges A/c Dr. To B (Bill payable dishonoured)		6,000 200 100	6,300

**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	A To Sales A/c (Good sold to A)	Dr.	6,200	6,200
	Bills Receivable A/c Discount Allowed A/c To A (B's acceptance received and discount allowed)	Dr. Dr.	6,000 200	6,200
	Purchases A/c To C (Goods bought from C)	Dr.	10,000	10,000
	C To Bills Receivable A/c To Bank A/c (Bills Receivable and Cheque given to C to settle due)	Dr.	10,000	6,000 4,000
	A To C To Discount Allowed A/c (Bill accepted by B was dishonoured and C paid ₹ 100 as Noting Charges)	Dr.	6,300	6,100 200

**Books of C  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	B To Sales A/c (Goods sold to B)	Dr.	10,000	10,000
	Bills Receivable A/c Bank A/c To B (Bill Receivable and Cheque received from B)	Dr. Dr.	6,000 4,000	10,000
	B To Bills Receivable A/c To Cash A/c (Bills Receivable received from B dishonoured and ₹ 100 paid for noting the bill)	Dr.	6,100	6,000 100



**Q.25** X sells goods for ₹ 40,000 to Y on 1st January, 2019 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, 2019 with his bank at 6% p.a. The acceptance is dishonoured on the due date and the noting charges were paid by bank being ₹ 200.

On 4th April, 2019, 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.

The solution can be presented as follows

**X's Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Y A/c To Sales A/c (Goods sold on credit to Y)	Dr.	40,000	40,000
Jan.01	Bills Receivable A/c To Y A/c (Acceptance received from Y)	Dr.	40,000	40,000
Jan.04	Bank A/c Discounting Charges A/c To Bills Receivable A/c (Bill discounted at 6% p.a.)	Dr. Dr.	39,400 600	40,000
Apr.04	Y A/c (40,000+200) To Bank A/c (Bill dishonoured and noting charges of ₹ 200 paid by bank)	Dr.	40,200	40,200
Apr.04	Y A/c To Interest A/c (Interest due for three months from Y on renewal of bill)	Dr.	1,206	1,206
Apr.04	Bills Receivable (New) A/c (40,200+1,206) To Y A/c (Acceptance received from Y)	Dr.	41,406	41,406

**Working Notes:**

1. Amount of Discounting Charges

$$= 40,000 \times 6 \times 3 / 100 \times 12$$

$$= 200$$

2. Amount of Interest on Renewal of Bill

$$= 40,200 \times 12 \times 3 / 100 \times 12$$

$$= 1,206$$





**Q.26** Ram owes ₹ 2,000 to Mohan on 1st January, 2019. On this date, he accepted a draft for the amount for 3 months. Mohan got the bill discounted at his bank @ 6% p.a. On the due date, the bill was dishonoured, nothing charges ₹ 20. Ram agreed to pay ₹ 520 immediately and accept another bill for the remaining amount for 3 months together with interest at 9% p.a. This bill was met on the due date. Give the Journal entries in the books of both the parties.

The solution can be presented as follows

**Books of Mohan  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Bills Receivable A/c Dr. To Ram (Ram's acceptance received)		2,000	2,000
Jan.01	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (Ram's acceptance was discounted at 6% p. a. for 3 months)		1,970 30	2,000
Apr-04	Ram Dr. To Bank (Ram's acceptance which was discounted with bank dishonoured)		2,020	2,020
Apr-04	Cash A/c Dr. To Ram (Cash received from Ram)		520	520
Apr-04	Ram Dr. To Interest A/c (Interest due from on amount outstanding at 9% p. a. for 3 months)		34	34
Apr-04	Bill Receivable A/c Dr. To Ram (Ram's acceptance received for outstanding amount including interest)		1,534	1,534
Apr-04	Cash A/c Dr. To Bills Receivable A/c (Cash received on honouring of bill)		1,534	1,534



**Books of Ram  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Mohan Dr. To Bills Payable A/c (Bill drawn by Mohan was accepted)		2,000	2,000
Apr-04	Bills Payable A/c Dr. Noting Charges A/c Dr. To Mohan (Bill dishonoured on its due date)		2,000 20	2,020
Apr-04	Mohan Dr. To Cash A/c (Cash paid to Mohan)		520	520
Apr-04	Interest A/c Dr. To Mohan (Interest due to Mohan on outstanding balance for 3 months)		34	34
Apr-04	Mohan Dr. To Bills Payable A/c (Bill accepted for the amount outstanding including interest to Mohan)		1,534	1,534
Apr-04	Bills Payable A/c Dr. To Cash A/c (Bill discharged on maturity)		1,534	1,534

**Q.27** On 15th June, 2019, X sold to Y goods to the value of ₹ 15,000 drawing upon the latter two bills, one for ₹ 10,000 payable 2 months after date and other for ₹ 5,000 payable 3 months after date, X discounted the first bill with his bank at 6% p.a. and endorsed the second bill in favour of his creditor, Z. The first bill was met on maturity but the second was dishonoured. Z paid ₹ 50 as noting charges. On 1st October, Y cleared his account to X by paying ₹ 5,100 which included ₹ 50 as interest. Record the necessary Journal entries in the books of both X and Y.

The solution can be presented as follows

**Books of X  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jun-15	Y To Sales A/c (Goods were sold to Y)	Dr.	15,000	15,000
Jun-15	Bills Receivable A/c (Bill no 1) Bills Receivable A/c (Bill no 2) To Y (Y's acceptance was received)	Dr. Dr.	10,000 5,000	15,000
Jun-15	Bank A/c Discount Charges A/c To Bills Receivable A/c (Bill no 1) (Bill no 1 which was issued for two months discounted at 6% p.a. for two months)	Dr. Dr.	9,900 100	10,000
Jun-15	Z To Bills Receivable A/c (Bill no 2) (Y's acceptance Bill no 2 endorsed in favour of Z)	Dr.	5,000	5,000
Sep.18	Y To Z (Y's acceptance which had endorsed in favour Z dishonoured)	Dr.	5,050	5,050
Oct.01	Y To Interest A/c (Interest due from Y)	Dr.	50	50
	Cash A/c To Y (Amount due from Y received)	Dr.	5,100	5,100



**Books of Y  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jun-15	Purchases A/c To X (Goods were bought from X)	Dr.	15,000	15,000
Jun-15	X To Bills Payable A/c (Bill no 1) To Bills Payable A/c (Bill no 2) (Bills drawn by X were accepted)	Dr.	15,000	10,000 5,000
Aug.18	Bills Payable A/c (Bill no 1) To Bank A/c (Payment made for bill on maturity)	Dr.	10,000	10,000
Sep.18	Bills Payable A/c (Bill no 2) Noting Charges A/c To X (Bill dishonoured)	Dr. Dr.	5,000 50	5,050
Oct.01	Interest A/c To X (Interest due to X)	Dr.	50	50
Oct.01	X To Cash A/c (Payment made to X)	Dr.	5,100	5,100

**Q.28 X draws a bill on Y for ₹ 2,000 on 1st January, 2019, Y accepts the same and returns it to X. The bill was drawn by X in full settlement of a debt owing by Y amounted to ₹ 2,050. X discounts the bill on the same date with the Central Bank of India for ₹ 1,980. On maturity the bill was duly met by Y.**

**Give the entries in the books of X and Y.**

**Suppose the bill is dishonoured, what entries will be passed?**

The solution can be presented as follows

**Books of X  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Bills Receivable A/c Dr. Discount Allowed A/c Dr. To Y (Y's acceptance was received and discount allowed)		2,000 50	2,050
Jan.01	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (Y's acceptance was discounted with bank)		1,980 20	2,000

**Books of Y  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	X Dr. To Bills Payable A/c To Discount Received A/c (Bill drawn by X was accepted)		2,050	2,000 50
	Bills Payable A/c Dr. To Bank A/c (Payment made for meeting the bill)		2,000	2,000

Journal entries – In case the bill is dishonoured

**Books of X  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	Bills Receivable A/c Dr. Discount Allowed A/c Dr. To Y (Y's acceptance was received and discount allowed)		2,000 50	2,050
Jan.01	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (Y's acceptance was discounted with bank)		1,980 20	2,000
	Y Dr. To Bank A/c To Discount Allowed A/c (Y's acceptance became dishonoured)		2,050	2,000 50

**Books of Y  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan.01	X Dr. To Bills Payable A/c To Discount Received A/c (Bill drawn by X was accepted and discount received)		2,050	2,000 50
	Bills Payable A/c Dr. Discount Received A/c Dr. To X (Bill became dishonoured)		2,000 50	2,050



**Q.29** On 1st June, 2019, *A* sold goods to *B* for ₹ 250. *B* gave to *A* his acceptance payable 1 month after date. Before maturity *B* requests *A* to renew it, which *A* does by adding ₹ 10 to the new bill for interest. Make the necessary Journal entries to record these transactions in the books of both *A* and *B*.

The solution can be presented as follows

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 June 01	B To Sales A/c (Goods were sold to B)	Dr.	250	250
June 01	Bills Receivable A/c To B (B's acceptance was received)	Dr.	250	250
July 04	B To Bills Receivable A/c (B's acceptance was cancelled)	Dr.	250	250
July 04	B To Interest A/c (Interest due from B on account cancelling the bill)	Dr.	10	10
July 04	Bills Receivable A/c To B (New bill including interest was accepted by B)	Dr.	260	260



**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 June 01	Purchases A/c To A (Goods were bought from A)	Dr.	250	250
June 01	A To Bills Payable A/c (Bills drawn by A was accepted)	Dr.	250	250
July 04	Bills Payable A/c To A (Bill got cancelled)	Dr.	250	250
July 04	Interest A/c To A (Interest due to for cancelling the bill)	Dr.	10	10
July 04	A To Bills Payable A/c (New bill including interest drawn by A was accepted)	Dr.	260	260

**Q.30 A sold goods to B on 1st September, 2018 for ₹ 16,000. B immediately accepted a 3 months bill. On the due date, B requested that the bill be renewed for a further period of 2 months. A agreed provided interest at 9% p.a. was paid immediately in cash. To this B was agreeable. The second bill was met on the due date. Give the Journal entries in the books of A.**

The solution can be presented as follows





**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Sep.01	B To Sales A/c (Goods were sold to B)	Dr.	16,000	16,000
Sep.01	Bills Receivable A/c To B (B's acceptance was received)	Dr.	16,000	16,000
Dec.04	B To Bills Receivable A/c (B's acceptance was cancelled)	Dr.	16,000	16,000
Dec.04	B To Interest A/c (Interest due from at 9% for 2 months on the amount due)	Dr.	240	240
Dec.04	Cash A/c To Interest A/c (Amount for interest were received from B)	Dr.	240	240
Dec.04	Bills Receivable A/c To B (B accepted a new bill)	Dr.	16,000	16,000
2019 Feb.07	Cash A/c To Bills Receivable A/c (Payment received on honouring of the bill)	Dr.	16,000	16,000

**Working Note:**

Interest calculation =  $16,000 \times 9 \times 2 / 100 \times 12$

= 240

**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Sep.01	Purchases A/c To A (Goods were bought from A)	Dr.	16,000	16,000
Sep.01	A To Bills Payable A/c (Bills drawn by A was accepted)	Dr.	16,000	16,000
Dec.04	Bill Payable A/c To A (Bill got cancelled due to inability to pay)	Dr.	16,000	16,000
Dec.04	Interest A/c To A (Interest due to A at 9% p.a. for 2 months)	Dr.	240	240
Dec.04	A To Cash A/c (Payment for interest to A)	Dr.	240	240
Dec.04	A To Bills Payable A/c (New bill drawn by A was accepted)	Dr.	16,000	16,000
2019 Feb.04	Bills Payable A/c To Cash A/c (Payment of the bill made on due date)	Dr.	16,000	16,000

**Q.31** On 1st May, 2019 *Merchant & Co.* sold goods to *AB & Co.* valued at ₹ 500 and drew upon them a bill at 3 months for the amount. *AB & Co.* accepted the draft on presentation. When the bill was about to mature. *AB & Co.* expressed their inability to meet it, and offered to pay *Merchant & Co.* ₹ 200 in cash and to accept a fresh bill for the balance *plus* interest at 6% p.a. for 3 months. *Merchant & Co.* agreed to the proposal and bill was renewed. On maturity, the bill was duly met.  
Make the entries in the books of both the parties to record the above transactions.

The solution can be presented as follows

Books of Merchant & Co. Journal				
Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 May 01	AB & Co To Sales A/c (Goods were sold to AB & Co)	Dr.	500	500
May 01	Bills Receivable A/c To AB & Co (AB & Co's acceptance was received)	Dr.	500	500
Aug.04	AB & Co To Bills Receivable A/c (AB & Co's acceptance was cancelled)	Dr.	500	500
Aug.04	Cash A/c To AB & Co (Cash received from AB & Co)	Dr.	200	200
Aug.04	AB & Co To Interest A/c (Interest-due from AB & Co at 6% p.a. for 3 months)		4.50	4.50
Aug.04	Bills Receivable A/c To AB & Co (AB & Co's acceptance was received including the interest for 3 months)	Dr.	304.50	304.50
Nov.07	Cash A/c To Bills Receivable A/c (Payment received on maturity the bill)	Dr.	304.50	304.50

**Working Note:**  $300 \times 6 \times 3 / 100 \times 12$   
= 4.50

**Books of AB & Co  
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 May 01	Purchases A/c To Merchant & Co (Goods were bought from Merchant & Co)	Dr.	500	500
May 01	Merchant & Co To Bills Payable A/c (Bill drawn by Merchant & Co was accepted)	Dr.	500	500
Aug.04	Bills Payable A/c To Merchant & Co (Bill got cancelled)	Dr.	500	500
Aug.04	Merchant & Co To Cash A/c (Cash paid to Merchant & Co)	Dr.	200	200
Aug.04	Interest A/c To Merchant & Co (Interest due to Merchant & Co at 6% p.a. for 3 months on the amount due)	Dr.	4.50	4.50
Aug.04	Merchant & Co To Bill Payable A/c (New bill drawn by Merchant & Co was accepted)	Dr.	304.50	304.50
Nov.07	Bills Payable A/c To Cash A/c (Cash paid for honouring the bill)	Dr.	304.50	304.50



**Q.32 A owed B ₹ 400. A accepted a Bill of Exchange at 3 months for this amount which B discounted for ₹ 380.**

**Give the necessary Journal entries in the books of A and B if this bill is:**

**(a) dishonoured on the due date;**

**(b) met at maturity and**

**(c) retired under rebate at 6% p.a. 2 months before its maturity.**

The solution can be presented as follows

Case (a) If the bill is dishonoured

**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Receivable A/c Dr. To A (A's acceptance was received)		400	400
	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (A's acceptance was discounted with bank)		380 20	400
	A Dr. To Bank A/c (A's acceptance dishonoured)		400	400

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	B Dr. To Bills Payable A/c (Bill drawn by A was accepted)		400	400
	Bills Payable A/c Dr. To B (Bill drawn by B was dishonoured on maturity)		400	400



Case (b) The bills met at maturity

**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Receivable A/c Dr. To A (A's acceptance was received)		400	400
	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (A's acceptance was discounted with bank)		380 20	400

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	B Dr. To Bills Payable A/c (Bills drawn by A was accepted)		400	400
	Bill Payable A/c Dr. To Cash A/c (Payment made meeting the bill on maturity)		400	400

Case (c) If bill is retired under rebate at 6% p.a. 2 months before its maturity

**Books of B  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Receivable A/c Dr. To A (A's acceptance was received)		400	400
	Cash A/c Dr. Rebate A/c Dr. To Bills Receivable A/c (Payment received 2 months before its maturity and gave rebate)		396 4	400

**Working Note:**

$$\text{Rebate} = 400 \times 6 \times 2 / 100 \times 12$$

$$= 4$$

**Books of A  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	B Dr. To Bills Payable A/c (Bill drawn by B was accepted)		400	400
	Bills Payable A/c Dr. To Cash A/c To Rebate A/c (Bill discharge before 2 months of its due date and rebate was received)		400	396 4

**Q.33 Amar sells goods to Bhola for ₹ 10,000 and draws upon him a bill for the amount payable 3 months after date. The bill is accepted by Bhola. Amar discounts the bill with his bankers at a discount of ₹ 150 inclusive of all charges. Bhola fails to meet this bill on maturity. Amar pays off his banker and his expenses amounting to ₹ 100. Bhola gives a fresh bill, 2 months' date to Amar for ₹ 10,250, which he met at maturity.**

**Show the necessary Journal entries in Amar's books.**

The solution can be presented as follows



**Books of Amar  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bhola To Sales A/c (Goods were sold to Bhola)	Dr.	10,000	10,000
	Bills Receivable A/c To Bhola (Bhola's acceptance was received)	Dr.	10,000	10,000
	Bank A/c Discount Charges A/c To Bills Receivable A/c (Bhola's acceptance discounted with bank)	Dr. Dr.	9,850 150	10,000
	Bhola To Bank A/c (Bhola's acceptance declared dishonoured)	Dr.	10,100	10,100
	Bank A/c To Cash A/c (Payment made to bank with noting charges for dishonouring of the bill)	Dr.	10,100	10,100
	Bhola To Interest A/c (Interest due from Bhola for on account of bill dishonour)	Dr.	150	150
	Bills Receivable A/c To Bhola (New bill accepted by Bhola for the amount due including rating charges and interest)	Dr.	10,250	10,250
	Cash A/c To Bills Receivable A/c (Amount received)	Dr.	10,250	10,250

**Q.34 Give the Journal entries for the following:**

- (a) B's acceptance to us for ₹ 1,000 due this day, renewed at his request for 3 months with interest @ 6% p.a.
- (b) Our bill to *Chandra* for ₹ 5,000 renewed for 2 months with interest @ 6% p.a.
- (c) B's acceptance of ₹ 3,000 is discharged on his paying us cash ₹ 1,000 and accepting a fresh bill for the balance with interest ₹ 100.





The solution can be presented as follows

(a)

Journal				
Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	B To Bills Receivable A/c (B's acceptance was cancelled)	Dr.	1,000	1,000
	B To Interest A/c (Interest due from B)	Dr.	15	15
	Bills Receivable A/c To B (New bill was accepted by B including interest)	Dr.	1,015	1,015

**Working Note:**

$$\text{Interest} = 1,000 \times 6 \times 3 / 100 \times 12$$

$$= 15$$

(b)

Journal				
Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Bills Payable A/c To C. Chandra (Bill Payable was cancelled)	Dr.	5,000	5,000
	Interest A/c To C. Chandra (Interest at 6% p.a. for 2 months due to C. Chandra)	Dr.	50	50
	C. Chandra To Bills Payable A/c (New bill drawn by C. Chandra was accepted)	Dr.	5,050	5,050

**Working Note:**

$$\text{Interest} = 5,000 \times 6 \times 2 / 100 \times 12$$

$$= 50$$

(c)

Journal				
Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	B To Bills Receivable A/c (B got cancelled his acceptance)	Dr.	3,000	3,000
	Cash A/c To B (Cash received from B)	Dr.	1,000	1,000
	B To Interest A/c (Interest due from B)	Dr.	100	100
	Bills Receivable A/c To B (New bill accepted by B for balance amount including interest)	Dr.	2,100	2,100

**Q.35 Leena sold goods to Meena on 1st March, 2019 for ₹ 68,000 and drew two Bills of Exchange of the equal amount upon Meena payable after three months. Leena immediately discounted the first bill with her bank at 12% p.a. The bill was dishonoured by Meena and Bank paid ₹ 55 as noting charges. The second bill was retired on 4th May, 2019 under a rebate of 6% p.a. with mutual agreement. Journalise the above in the books of Leena and Meena.**

The solution can be presented as follows



**Books of Leena  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2019 Mar.01	Meena To Sales A/c (Goods were sold to Meena)	Dr.	68,000	68,000
Mar.01	Bills Receivable A/c (Bill no. 1) Bills Receivable A/c (Bill no. 2) To Meena (Meena's acceptance were received)	Dr. Dr.	34,000 34,000	68,000
Mar.01	Bank A/c Discount Charges A/c To Bills Receivable A/c (Bill no. 01) (Bill no. 1 discount with bank at 12% p.a. for 3 months)	Dr. Dr.	32,980 1,020	34,000
May-04	Cash A/c Rebate A/c To Bills Receivable A/c (Bill no. 2) (Bill no. 2 retired before one month under a rebate at 6% p.a.)	Dr. Dr.	33,830 170	34,000
Jun-04	Meena To Bank A/c (Bill no. 1 which was discounted with bank proved dishonoured)	Dr.	34,055	34,055

**Working Note:**

$$\text{Interest} = 34,000 \times 12 \times 3 / 100 \times 12 \\ = 1020$$

$$\text{Rebate} = 34,000 \times 6 \times 1 / 100 \times 12 \\ = 170$$



**Books of Meena  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2019 Mar.01	Purchases A/c To Leena (Goods were bought from Leena)	Dr.	68,000	68,000
Mar.01	Leena To Bills Payable A/c (Bill no. 1) To Bills Payable A/c (Bill no. 2) (Bills drawn by Leena were accepted)	Dr.	68,000	34,000 34,000
May 04	Bills Payable A/c (Bill no. 2) To Cash A/c To Rebate A/c (Bill no. 2 discharge one month before due and received)	Dr.	34,000	33,830 170
June 04	Bills Payable A/c (Bill no. 1) Noting Charges A/c To Leena (Bill no. 2 was dishonoured due to non-payment)	Dr. Dr.	34,000 55	34,055

**Q.36 How will you record the following transactions in the books Kapadia?**

**(a) A bill received from Dalpat for ₹ 1,000 has to be renewed, Dalpat agrees to pay ₹ 20 as interest.**

**(b) Swamy's bill for ₹ 800 endorsed in favour of Ghosh dishonoured, Ghosh pays ₹ 10 as noting charges. Swamy pays ₹ 300 immediately and agrees to accept a new bill for 3 months for the balance together with interest at 6% p.a. Ghosh's Account is settled by cheque.**

The solution can be presented as follows

(a)

**Books of Kapadia  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Dalpat To Bills Receivable A/c (Dalpat acceptance cancelled) Dr.		1,000	1,000
	Dalpat To Interest A/c (Interest due from Dalpat) Dr.		20	20
	Cash A/c To Dalpat (Cash received from Dalpat for interest on renewal of the bill) Dr.		20	20
	Bills Receivable A/c To Dalpat (New bill accepted by Dalpat) Dr.		1,000	1,000

(b)

**Books of Kapadia  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Swamy To Ghosh (Swamy's acceptance dishonoured and Ghosh paid ₹ 10 as Noting Charges) Dr.		810	810
	Cash A/c To Swamy (Cash received from Swamy) Dr.		300	300
	Swamy To Interest A/c (Interest due from Swamy) Dr.		7.65	7.65
	Bills Receivable A/c To Swamy (Swamy's acceptance received for the balance due including interest) Dr.		517.65	517.65
	Ghosh To Bank A/c (Amount due to Ghosh was paid through cheque) Dr.		810	810



**Working Note:**

$$\text{Interest} = 510 \times 6 \times 3 / 100 \times 12$$

$$= 7.65$$

**Q.37** Y purchased goods for ₹ 6,000 on 1st June, 2019 from X and on the same date accepted a bill payable after three months. 3 days later, X endorsed the bill to Z. On maturity, the bill was dishonoured for non-payment and Z had to pay ₹ 50 as noting charges. Two days after the dishonour of bill, Y paid ₹ 2,000 to X and requested him to draw a second bill for the balance *plus* ₹ 90 for the amount of interest, payable after two months. X accepted the proposal and draws the bill on Y, which was accepted by Y and was duly met on maturity.

Pass Journal entries for the above transactions in the books of X.

The solution can be presented as follows

**Books of X  
Journal**

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2019 Jun-01	Y To Sales A/c (Goods sold to Y)	Dr.	6,000	6,000
Jun-01	Bills Receivable A/c (Bill no. 1) To Y (Y's acceptance received)	Dr.	6,000	6,000
Jun-04	Z To Bills Receivable A/c (Bill no. 1) (Bill endorsed in favour of Z)	Dr.	6,000	6,000
Sept.04	Y To Z (Endorsed bill get dishonoured and noting charges were paid)	Dr.	6,050	6,050
Sept.06	Cash A/c Bills Receivable A/c (Bill no. 2) (4,050 + 90) To Y To Interest A/c (Cash of ₹ 2,000 was received and for the remaining balance new Bill issued including interest of ₹ 90)	Dr. Dr.	2,000 4,140	6,050 90
Nov.09	Cash A/c To Bills Receivable A/c (Bill no. 2) (Bill met on the due date)	Dr.	4,140	4,140



**Q.38** On 1st January, 2019, A sold goods to B for ₹ 1,00,000 received ₹ 25,000 in cash and drew two bills, first ₹ 45,000 and second for ₹ 30,000 of two months each. Both bills were duly accepted by B. First bill was endorsed to C in settlement of his account of ₹ 45,000 and second bill was discounted from the bank at the rate of 12% p.a. On the due date of these bills, both bills were dishonoured, C has paid ₹ 100 and bank has paid ₹ 80 as noting charges.

Pass Journal entries in the books of A, B and C.

The solution can be presented as follows

Books of A Journal				
Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2019 Jan.01	B To Sales A/c (Goods were sold to B)	Dr.	1,00,000	1,00,000
Jan.01	Cash A/c Bills Receivable A/c (Bill no. 1) Bills Receivable A/c (Bill no. 2) To B (Cash and acceptances were received from B)	Dr. Dr. Dr.	25,000 45,000 30,000	1,00,000
Jan.01	C To Bill Receivable A/c (Bill no. 1) (Bill endorsed in favour of C)	Dr.	45,000	45,000
Jan.01	Bank A/c Discount Charges A/c To Bills Receivable (Bill no. 2) (Bill no. 2 discounted with bank at 12% p.a. for 2 months)	Dr. Dr.	29,400 600	30,000
Mar.04	B To C (B's acceptance which had endorsed to C was dishonoured and C paid ₹ 100 as noting charges)	Dr.	45,100	45,100
Mar.04	B To Bank A/c (B's acceptance which had discounted with bank was dishonoured and bank paid ₹ 80 as noting charges)	Dr.	30,080	30,080

**Working Note:**

Discount Charges =  $30,000 \times 12 \times 2 / 100 \times 12$

= 600

**Journal**  
**In the Books of B**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan. 01	Purchases A/c To A (Goods purchased from A)	Dr.	1,00,000	1,00,000
Jan. 01	A To Cash A/c To Bills Payable A/c (1) To Bills Payable A/c (2) (Cash and bills given to A)	Dr.	1,00,000	25,000 45,000 30,000
March 04	Bills Payable A/c (1) Bills Payable A/c (2) Noting Charges A/c To A (Bills dishonoured)	Dr. Dr. Dr.	45,000 30,000 180	75,180

**Journal**  
**In the Books of C**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Jan. 01	Bills Receivable A/c (1) To A (Bill received from A)	Dr.	45,000	45,000
March 04	A To Bills Receivable A/c (1) To Cash A/c (Bill dishonoured on due date)	Dr.	45,100	45,000 100



**Q.39** Amar sells goods to Bhola for ₹ 10,000 *plus* CGST and SGST @ 9% each. He receives the GST amount in cash and draws upon Bhola a bill for the balance amount payable 3 months after date. The bill is accepted by Bhola. Amar discounts the bill with his bank at a discount of ₹ 150 inclusive of all charges. Bhola fails to meet this bill on maturity. Amar pays off his bank and his expenses amounting to ₹ 100. Bhola gives a fresh bill of 2 months' date to Amar for ₹ 10,250, which he meets at maturity. Show necessary Journal entries in Amar's books.

The solution can be presented as follows

**Journal  
in the books of Amar (Drawer)**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bhola's A/c Dr. To Sales A/c To Output CGST A/c To Output SGST A/c (Goods sold to Bhola)		11,800	10,000 900 900
	Cash A/c Dr. Bills Receivable A/c Dr. To Bhola's A/c (Cash and bill received)		1,800 10,000	11,800
	Bank A/c Dr. Discounting Charges A/c Dr. To Bills Receivable A/c (Bill discounted)		9,850 150	10,000
	Bhola's A/c Dr. To Bank A/c (Bill dishonoured)		10,100	10,100
	Bhola's A/c Dr. To Interest A/c (Interest due)		150	150
	Bills Receivable A/c Dr. To Bhola's A/c (New bill received)		10,250	10,250
	Cash A/c Dr. To Bills Receivable A/c (New bill met on maturity)		10,250	10,250



**Journal**  
**in the books of Bhola (Drawee)**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Purchases A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. To Amar's A/c (Goods purchased from Amar)		10,000 900 900	11,800
	Amar's A/c Dr. To Bills Payable A/c Dr. To Cash A/c (Cash paid and bill accepted)		11,800	10,000 1,800
	Bills Payable A/c Dr. Noting Charges A/c Dr. To Cash A/c (Bill dishonoured)		10,000 100	10,100
	Interest A/c Dr. To Amar's A/c (Interest due)		150	150
	Amar's A/c Dr. To Bills Payable A/c (New bill accepted)		10,250	10,250
	Bills Payable A/c Dr. To Cash A/c (New bill met on maturity)		10,250	10,250

