

Short Answers for Class 11 Accountancy Chapter 8 - Bill of Exchange

1. Name any two types of commonly used negotiable instruments.

1. Promissory Notes
2. Cheques

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

Basis of Distinction	Bills of Exchange	Promissory Note
Drawn by	Creditor	Debtor
Parties Involved	Three parties are involved which are drawer, payee and drawee.	It involves two parties which are payee and drawer/maker.

3. State any four essential features of bill of exchange.

The following four features are considered essential for a bill of exchange:

1. The bill of exchange must be in writing
2. A bill of exchange should contain an unconditional order to pay.
3. Drawer of the bill must sign the bill.
4. The amount and the expiry date should be mentioned specifically in the bill of exchange.

4. State the three parties involved in a bill of exchange.

A bill of exchange involves three parties and they are:

1. Drawer/Maker/Holder- Responsible for issuing the bill
2. Payee/Holder- The person who will receive the payment
3. Drawee/Acceptor- One who has to accept the bill

5. What is meant by maturity of a bill of exchange?

The date where the bill is ready for payment is called as maturity of a bill. The date of maturity is arrived after adding 3 days of grace to the due date as per terms of the bill. The concept of due date will further help you in understanding maturity of a bill. It consists of following terms

1. Bill at Sight: This type of bill is due as and when it is presented.
2. Bill after Sight: In this type of bill the due date is calculated from the date the debtor accepts the bill plus the period as per terms of the bill. Maturity date is calculated by adding 3 days to the due date.
3. Bill after Date: In this type of bill, the due date is calculated from the date on which bill is drawn plus the period as per terms of bill. Maturity date is calculated adding 3 days to the due date.

Exceptions to maturity of bill: If the due date of the bill falls on a national holiday (like Independence Day) or on a Sunday, at that time the bill due date is counted one day prior to the original date and if the due date fall on a emergency holiday (like nationwide strike) at that time the bill due date is counted one day later.

6. What is meant by dishonour of a bill of exchange?

The situation where the drawee of the bill of exchange is unable to process the payment as per the maturity date of the bill, it is known as dishonour of bill of exchange. With this liability of the acceptor is re-established and he/she becomes a debtor again. To reflect the changes, the receipt of bill of exchange should be reversed.

7. Name the parties to a promissory note

Two parties are involved in promissory note:

1. Maker/Drawer, Also known as promisor, is the one who is the maker of the note and is the one responsible to pay the sum as mentioned on promissory note.
2. Promisee or Payee is the one who will be receiving the payment.

8. What is meant by acceptance of a bill of exchange?

A bill of exchange drawn by a creditor upon debtor involves an unconditional order to pay in writing, but the same must be accepted by the debtor or someone on his/her behalf in order to make the debtor liable to pay. It is a draft before acceptance by debtor. So once the debtor has written the term "accepted" and signed the document, it is then known as bill of exchange and this process is called acceptance of bill of exchange.

9. What is Noting of a bill of exchange.

A bill of exchange is said to be dishonoured when the drawee is unable to make the payment upon presenting of the bill by drawer. To retain a legal evidence of the dishonoured bill, notary public needs to record it. The charges levied by notary public for recording the failed transaction is called noting charges and the process of recording is referred to as noting.

10. What is meant by renewal of a bill of exchange?

A bill of exchange is said to be renewed when the debtor/acceptor have insufficient funds to pay the drawer and hence requests for time extension in order to make payment. A new bill of exchange is drawn on being agreed by the drawer of the bill. This process is called renewal of bill of exchange. The bill gets renewal only if the drawee agrees to pay a certain rate of interest as decided for the period of extension.

11. Give the performa of a Bills Receivable Book.

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

12. Give the performa of a Bills Payable Book.

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

13. What is retirement of a bill of exchange?

When a drawee of bill of exchange has adequate funds and requests the drawer to accept the payment before maturity date, and once the drawer accepts, it is known as retirement of the bill of exchange as the bill of exchange is closed before maturity.

14. Give the meaning of rebate.

The discount received by a drawee from the holder on advance payment of the bill of exchange to the holder (before due date or maturity date) is known as rebate.

15. Give the performa of a Bill of Exchange.

The following is a performa of bill of exchange

Mr. Y (Drawer)		Bengaluru
₹ 10,000		July 10, 2019
One month after date pay to me or my order, the sum of rupees ten thousand only, for value received		
<div style="border: 1px solid black; width: 100px; height: 60px; margin-bottom: 10px; display: flex; align-items: center; justify-content: center;"> Stamp </div> <p>Accepted</p> <p>(Signed)</p> <p>To</p> <p>Mr. W (Drawee)</p> <p>July 10, 2019</p> <p>J.P Nagar, Bengaluru</p> <p>560078</p>		<p>(Signed)</p> <p>Mr. Y</p> <p>Brigade Road, Bengaluru</p> <p>560001</p>

Long Answers for Class 11 Accountancy Chapter 8 - Bill of Exchange

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

The Negotiable Instrument Act, 1881 defines bill of exchange as, "***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.***"

One of the most significant feature of a negotiable instrument is an unconditional order to pay. The drawee cannot add any conditions such as payment will be done only if debtors pay or business makes profit.

A bill of exchange must contain an unconditional order to pay for the following reasons:

1. To avoid any kind of conflict at the time of payment
2. To provide security to the creditor and also bound the debtor to pay the amount.
3. To comply with The Negotiable Instruments Act, 1881.

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

When the drawee of the bill of exchange is unable to complete the payment on the date of maturity of the bill, it is known as dishonour of bill of exchange. With this liability of the acceptor is re-established and he/she becomes a debtor again. To reflect the changes, the receipt of bill of exchange should be reversed.

The following entries will be made in books of holder/drawer (Nonpayment of noting charges):

Drawee A/c	Dr.
To Bills Receivable A/c	
(Bill of exchange dishonoured)	

Entry in the books of drawee:

Bills Payable A/c	Dr.
To Drawer	

(Bill of exchange dishonoured)

Notary public charges a fee for keeping proof a dishonoured bill. These charges are beared by the drawee of the bill.

Following piece of information are noted by the notary public.

1. Amount and date of the bill
2. Possible Reason for dishonouring of bill
3. Fees charged for Noting

Entries of noting charges in the books of drawer (Payment done for noting charges):

Drawee	Dr.
To Bills Receivable A/c	
To Cash A/c (Noting charges)	

(Bill of exchange dishonoured and Noting charges paid)

In the books of drawee:

Bills Payable A/c	Dr.
Noting charges A/c	Dr.
To Drawer	

(Bill of exchange dishonoured and Noting charges due)

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

The following steps discusses the procedure of calculating bill of exchange maturity date:

1. Determine the due date of the bill as per terms of bills of exchange.
2. Grace period of three days must be added to the due date to arrive at maturity date.

For e.g., a bill having due date of 30 days (a month) is drawn on 1st August then due date is 1st September. Adding 3 grace period we arrive at bill maturity and payment due date which is on 4th October.

Calculation of Days of grace period depends on these situations:

1. Known Holidays: If due date for payment falls on a national holiday or on a Sunday, then payment need to be processed the following day. The following examples will make it easier to understand.

1. A bill that is drawn on 23rd December with due date of 23rd January, adding the grace period (3 days) the maturity date comes to 26th January. However, as 26th January is a national holiday; so, 25th January becomes the due date for payment.
2. A bill is drawn on 1st June with maturity period of a month, the due date arrived is 1st July. On adding 3 days of grace, the payment due date is 4th July. However, if 4th July is a Sunday, in this case payment needs to be completed on 3rd July.

2. Unexpected holidays: If due date for payment falls on an holiday due to emergency, then the next day becomes the day on which payment needs to be done. For example, a bill drawn on 1st May with a term of 20 days, then, adding grace period of 3 days, the payment due date becomes 24th May. But, if a nationwide strike gets declared on 24th May, then 25th May is the new due date for the payment of the bill as per rules.

4. Distinguish between bill of exchange and promissory note.

The points of comparison are as follows:

Basis of Comparison	Bills of Exchange	Promissory Note
What it contains	It contains an order to pay	It contains a promise to pay
Parties	It involves three parties which are : drawer, payee and acceptor	It involves two parties and they are: maker/drawer and payee
Drawn by	Creditor	Debtor
Acceptance	Acceptance required by the debtor	Being drawn by promissor, it requires no acceptance
Payee	The same person can be payee and drawer	Promissor and Payee cannot be same
Noting in case of dishonour	Dishonouring of the instrument, leads to noting of the bill	No requirement of noting
Liability	Liability does not rest with the drawer primarily	Promissor is primarily responsible

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

Retirement of bill of exchange happens when the holder of the bill of exchange receives a payment from acceptor before the accepted maturity date of the bill. In such cases the bill holder provides some discount to the acceptor and such a discount offered is called "rebate".

The following are the benefits of retiring of a bill of exchange for debtor and creditor:

1. Improves the trust between two parties in transaction, namely, debtor and creditor.
2. Allows creditor to use the money for further business
3. Rebate provided by creditor becomes revenue for debtor
4. More business transactions can be conducted between two parties.

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

In day to day operations, a business receives many bills. Maintaining a journal for all such bills is a cumbersome task. In this case, a specialized book is created which keeps record of all such bills that are received from the debtors. This book contains all the necessary information such as bill date, due date, amount, debtors name and it is summed up on a periodical basis and the balance thus obtained is transferred to debit side of the bills receivable account.

Maintaining a bills receivable book has following benefits:

1. All information pertaining to the bills receivable, such as due date, amount, etc., get recorded in one place, thereby makes it easy to access the records.
2. Likelihood of fraud is greatly minimized as bills are recorded in one place.
3. Higher level of liability and obligation exists on the person maintaining the accounts. If any error is spotted, it can be rectified easily.
4. Time of the accountant is saved as recording of transactions are recurring and similar in nature.
5. As it is a particular book only dealing with bills receivable, it is easy to locate all details pertaining to a specific bill of exchange.

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

Maintaining bills payable book has following benefits:

1. Quick, efficient and accurate recording of business transactions.
2. Minimizes the chances of fraud as all the bills are recorded at one place
3. A high degree of accountability and answerability on part of the accountant is observed as all the transactions get verified by the same person which leads to easy detection and rectification of errors.
4. As information is documented by an individual, it improves the division of labour and efficiency of organization.

Procedure of posting to ledger:

The recordings from the Bills Payable Book are posted to the accounts of the creditors who received acceptance from the debtors. These books are then totaled periodically and credited to the Bills Payable Account in the ledger.

Numerical Answers for Class 11 Accountancy Chapter 8 - Bill of Exchange

1. On Jan 01, 2016 Rao sold goods ₹ 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.

The transactions are journalized below:

Books of Rao

Journal

Date	Particulars	L.F.	Debit	Credit
			Amount ₹	Amount ₹
2016				
01 Jan	Reddy To Sales A/c (Goods traded to Reddy)	Dr.	10,000	10,000
01 Jan	Cash A/c To Reddy (Cash received from Reddy)	Dr.	5,000	5,000
01 Jan	Bills Receivable A/c To Reddy (Bill received for 30 days accepted by Reddy)	Dr.	5,000	5,000
03 Feb	Cash A/c	Dr.	5,000	

	To Bills Receivable A/c (Reddy's acceptance met on due date)			5,000
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Books of Reddy

Rao's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
01 Jan	Cash		5,000	2016			
01 Jan	Bills Receivable		5,000	01 Jan	Purchases		10,000
			10,000				10,000

2. On Jan 01, 2016, Shankar purchased goods from Parvati for ₹ 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.

The necessary journal entries are as follows:

Books of Parvati

Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016 01 Jan	Shankar To Sales A/c (Sold goods to Shankar)	Dr.	8,000	8,000
01 Jan	Bills Receivable A/c To Shankar (Shankar sent Promissory Note for three months)	Dr.	8,000	8,000
05 Apr	Cash A/c To Bills Receivable A/c (Cash received for Promissory Note one day after the Maturity date on account of holiday declared by Govt.)	Dr.	8,000	8,000

Books of Shankar

Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
01 Jan	Purchases A/c To Parvati (Goods purchased from Parvati)	Dr.	8,000	8,000
01 Jan	Parvati To Bills Payable A/c (Promissory note for three months sent to Parvati)	Dr.	8,000	8,000
05 Apr	Bills Payable A/c To Cash A/c (Cash paid on maturity of promissory note)	Dr.	8,000	8,000

3. Vishal sold goods for ₹ 7,000 to Manju on Jan 05, 2016 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.

The transactions are journalized as follows:

Books of Vishal

Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
05 Jan	Manju To Sales A/c (Good Manju)	Dr.	7,000	7,000
05 Jan	Bills Receivable A/c To Manju (Manju's acceptance received for two months)	Dr.	7,000	7,000
05 Jan	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 ₹	Credit Amount ₹
2016				
05 Jan	Purchases A/c Dr. To Vishal (purchasing from Vishal)		7,000	7,000
05 Jan	Vishal Dr. To Bills Payable A/c (Bill drawn by Vishal acknowledged)		7,000	7,000
08 Mar	Bills Payable A/c Dr. To Bank A/c (Bill Payable Amount paid to bank on maturity)		7,000	7,000

4. On 01 Feb, 2016, John purchased goods for ₹ 15,000 from Jimmi. He immediately made a payment of ₹ 5,000 by cheque and for the balance accepted the bill of exchange drawn upon him by Jimmi. The bill of exchange was payable after 40 days. Five days before the maturity of the bill, Jimmi 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 Jimmi. Prepare John's account in the books of Jimmi and Jimmi account in the books of John.

The entries are shown below:

Books of Jimmi

Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
01 Feb	John To Sales A/c (Goods traded to John)	Dr.	15,000	15,000
01 Feb	Bank A/c To John (Cheque acknowledged for ₹ 5,000 from John)	Dr.	5,000	5,000
01 Feb	Bills Receivable A/c To John (Bill received from John for 40 days)	Dr.	10,000	10,000

10 Mar	Bill Sent for Collection A/c To Bills Receivable A/c (John's approval sent to bank for collection)	Dr.	10,000		10,000
15 Mar	Bank A/c To Bill Sent for Collection A/c (John's approval met on due date and bank got the payment)	Dr.	10,000		10,000

Ledger

John's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2016				2016			
01 Feb	Sales		15,000	01 Feb	Bank		5,000
				01 Feb	Bills Receivable		10,000
			15,000				15,000

Books of John

Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
01 Feb	Purchases A/c To Jimmi (Goods purchased from Jimmi)	Dr.	15,000	15,000
01 Feb	Jimmi To Bank A/c (Cheque payment done to Jimmi)	Dr.	5,000	5,000
01 Feb	Jimmi To Bills Payable A/c (Bill drawn by Jimmi acknowledged for 40 days)	Dr.	10,000	10,000
15 Mar	Bills Payable A/c To Bank A/c (Payment of bill done on maturity to bank)	Dr.	10,000	10,000

Ledger

Jimmi's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2016				2016			
01 Feb	Bank		5,000	01 Feb	Purchases		15,000
01 Feb	Bills Payable		10,000				
			15,000				15,000

5. On Jan 15, 2015, Kartar Sold goods for ₹ 30,000 to Bhagwan and drew upon him three bills of exchanges of ₹ 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.

The solution is as follows:

Journal Entries in the Books of Kartar

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2015				
15 Jan	Bhagwan To Sales A/c (Goods traded to Bhagwan)	Dr.	30,000	30,000
15 Jan	Bills Receivable A/c To Bhagwan A/C (Three bills of ₹ 10,000 each, received from Bhagwan)	Dr.	10,000	10,000
15 Jan	Ratna To Bills Receivable A/c (₹ 10,000 bill from Bhagwan endorsed to Ratna)	Dr.	10,000	10,000
15 Jan	Bank A/c Discount A/c To Bills Receivable A/c (B/R discounted)	Dr. Dr.	9,850 150	10,000
19 Feb	Cash A/c To Bills Receivable A/c (First bill for one month paid by Bhagwan, on due date)	Dr.	10,000	10,000

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Bhagwan's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2015 15 Jan	Sales A/c		30,000	2015 15 Jan	Bills Receivable A/c		30,000
			30,000				30,000

Ratna's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2015 15 Jan	Bills Receivable A/c		10,000	2015 15 Jan	Balance b/d		10,000
			10,000				10,000

Bills Receivable Account

Dr.

Cr.

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2015 15 Jan	Bhagwan		30,000	2015 15 Jan	Ratna		10,000
				15 Jan	Bank A/c		9,850
				15 Jan	Discount A/c		150
				19 Feb	Cash		10,000
			30,000				30,000

Cash Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2015				2015			
19 Feb	Bills Receivable		10,000	19 Feb	Balance c/d		10,000
			10,000				10,000

Bank's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2015				2015			
15 Jan	Bills Receivable		9,850	15 Jan	Balance c/d		9,850
			9,850				9,850

Journal Entries in the Books of Bhagwan

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2015				
15 Jan	Purchases A/c To Kartar (Good bought from Kartar on credit)	Dr.	30,000	30,000
15 Jan	Kartar To Bills Payable A/c (Three bill ₹ 10,000 each drawn by Kartar—)	Dr.	30,000	30,000

		Accepted and returned them to Kartar)		
19 Feb	Bills Payable A/c Dr. To Cash A/c (First bill payment completed on due date)		10,000	
				10,000
19 Mar	Bills Payable A/c Dr. To Bank A/c (Second bill payment completed on due date to Ratna)		10,000	
				10,000
19 Apr	Bills Payable A/c Dr. To Bank A/c (Third bill payment completed on due date to bank)		10,000	
				10,000

Kartar's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2015				2015			
15 Jan	Bills Payable A/c		30,000	15 Jan	Purchases		30,000
			30,000				30,000

Bills Payable Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2015				2015			
19 Feb	Cash A/c		10,000	15 Jan	Kartar		30,000
19 Mar	Bank A/c		10,000				
19 Apr	Bank A/c		10,000				
			30,000				30,000

Cash Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2015				2015			
19 Feb	Balance b/d		10,000	19 Feb	Bills Payable A/c		10,000
			10,000				10,000

Bank's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2015				2015			
15 Mar	Balance b/d		20,000	19 Mar	Bills Payable A/c		10,000
				19 Apr	Bills Payable A/c		10,000
			20,000				20,000

6. On Jan. 01, 2016 Arun sold goods for ₹ 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.

The transactions are journalized as follows:

Journal Entries in the Books of Arun

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016 01 Jan	Sunil To Sales A/c (Goods traded to Sunil)	Dr.	30,000	30,000
01 Jan	Cash A/c Discount Allowed A/c To Sunil (50% due from Sunil received and 2% Cash Discount allowed to Sunil)	Dr. Dr.	14,700 300	15,000

01 Jan	Bills Receivable A/c To Sunil (Promissory note established for 20 days from Sunil)	Dr.	15,000		15,000
23 Jan	Cash A/c To Bills Receivable A/c (Cash received from Sunil before Maturity)	Dr.	15,000		15,000

Journal Entries in the Book of Sunil

Date	Particulars	L.F.	Debit ₹		Credit ₹
2016					
01 Jan	Purchases A/c To Arun (Goods purchased from Arun)	Dr.	30,000		30,000
01 Jan	Arun To Cash A/c To Discount Received A/c (50% amount due to Arun paid by cheque and 2% discount allowed by Arun)	Dr.	15,000		14,700 300

01 Jan	Arun To Bills Payable A/c (Promissory note issued in favour of Arun for twenty days)	Dr.	15,000		15,000
23 Jan	Bills Payable A/c To Cash A/c (Promissory note fulfilled one day before the maturity day)	Dr.	15,000		15,000

7. Darshan sold goods for ₹ 40,000 to Varun on 8.1.2016 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.

The entries are shown below:

(i)

Books of Darshan

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
08 Jan	Varun Dr. To Sales A/c (Goods traded to Varun)		40,000	40,000
08 Jan	Bills Receivable A/c Dr. To Varun (Bill of Exchange duly accepted and returned by Varun)		40,000	40,000
11 Mar	Cash A/c Dr. To Bills Receivable A/c (Payment for B/R received for B/R)		40,000	40,000

Books of Varun

Date	Particulars	L.F	Debit ₹	Credit ₹
2016				
08 Jan	Purchases A/c Dr. To Darshan (Goods purchased from Darshan)		40,000	40,000
08 Jan	Darshan Dr. To Bills Payable A/c (Bill of two months accepted for Darshan)		40,000	40,000
11 Mar	Bills Payable A/c Dr. To Cash A/c (Varun cleared his payment on the due date)		40,000	40,000

(ii)

Books of Darshan

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
08 Jan	Varun Dr. To Sales A/c (Goods traded to Varun)		40,000	40,000
08 Jan	Bills Receivable A/c Dr. To Varun (B/R received from Varun for two months)		40,000	40,000
08 Jan	Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (B/R discounted from bank @ 6 p.a.)		39,600 400	40,000

Books of Varun

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
08 Jan	Purchases A/c <div style="text-align: right; padding-right: 20px;">To Darshan</div> (Goods purchased from Darshan)	Dr.	40,000	40,000
08 Jan	Darshan <div style="text-align: right; padding-right: 20px;">To Bills Payable A/c</div> (Bill of two months accepted for Darshan)	Dr.	40,000	40,000
11 Mar	Bills Payable A/c <div style="text-align: right; padding-right: 20px;">To Bank A/c</div> (Varun cleared his payment on the due date)	Dr.	40,000	40,000

(iii)

Books of Darshan

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
08 Jan	Varun Dr. To Sales A/c (Goods traded to Varun)		40,000	40,000
08 Jan	Bills Receivable A/c Dr. To Varun A/c (Varun's approval received for two months)		40,000	40,000
08 Jan	Suresh A/c Dr. To Bills Receivable A/c (Varun's approval endorsed in favour of Suresh)		40,000	40,000

Books of Varun

Date	Particulars	L.F	Debit ₹	Credit ₹
2016				
08 Jan	Purchases A/c Dr. <div style="text-align: right; padding-right: 20px;">40,000</div> <div style="text-align: right; padding-right: 20px;">40,000</div> To Darshan (Goods purchased from Darshan)			
08 Jan	Darshan Dr. <div style="text-align: right; padding-right: 20px;">40,000</div> <div style="text-align: right; padding-right: 20px;">40,000</div> To Bills Payable A/c (Bill drawn by Darshan accepted for two months)			
11 Mar	Bills Payable A/c Dr. <div style="text-align: right; padding-right: 20px;">40,000</div> <div style="text-align: right; padding-right: 20px;">40,000</div> To Cash A/c (Bill paid to the holder of bill)			

(iv)

Books of Darshan

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
08 Jan	Varun A/c Dr. To Sales A/c (Goods traded to Varun)		40,000	40,000
08 Jan	Bills Receivable A/c Dr. To Varun A/c (Bill of Exchange duly accepted and returned by Varun)		40,000	40,000
08 Mar	Bill Sent for Collection A/c Dr. To Bills Receivable A/c (Bill of Exchange sent for collection to bank)		40,000	40,000
11 Mar	Bank A/c Dr. To Bill Sent for Collection A/c (Bill of Exchange matured and duly collected on date of maturity)		40,000	40,000

Books of Varun

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
08 Jan	Purchases A/c Dr. To Darshan (Goods purchased from Darshan)		40,000	40,000
08 Jan	Darshan Dr. To Bills Payable A/c (Bill of Exchange duly accepted and returned to Darshan)		40,000	40,000
11 Mar	Bills Payable A/c Dr. To Bank A/c (Bill of Exchange matured and duly cleared on date of maturity)		40,000	40,000

8. 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
21 Dec, 2016	1,000
26 Dec, 2016	1,200
Dec.18, 2016	2,000
31 Dec, 2016	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, 2016 was retained by Bansal Traders with them till the date of its maturity. The promissory note drawn on 26.12.2016 was discounted by Bansal Traders from their bank at 12% p.a. The promissory note drawn on Dec. 28, 2016 was endorsed by Bansal Traders in favour of their creditor Dream Soaps in full settlement of a purchase amounting to ₹ 1,900. On 25.1.2017 Bansal Traders sent the promissory note drawn on Dec. 31, 2016 to their bank for collection. All the promissory notes were met by Mohan Traders. 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 Traders.

The necessary journal entries are as follows:

Journal Entries in the Books of Bansal Traders

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
21 Dec	Mohan Traders To Sales A/c (Goods traded to Mohan Traders list price ₹ 1,000 at 10% trade discount)	Dr.	900	900
2016				
21 Dec	Bills Receivable A/c To Mohan Traders (Promissory note established from Mohan Traders payable after 30 days)	Dr.	900	900
2016				
26 Dec	Mohan Traders To Sales A/c (Goods traded to Mohan Traders list price ₹ 1,200 at 10% trade discount)	Dr.	1,080	1,080

2016				
26 Dec	Bills Receivable A/c	Dr.	1,080	
	To Mohan Traders			1,080
	(Promissory note received from Mohan Traders)			
2016				
26 Dec	Bank A/c	Dr.	1,071	
	Discount A/c	Dr.	9	
	To Bills Receivable A/c			1,080
	(Promissory note discounted from the Bank)			
2016				
28 Dec	Mohan Traders A/c	Dr.	1,800	
	To Sales A/c			1,800
	(Goods traded to Mohan Traders list price ₹ 2,000 at 10% trade discount)			
2016				
28 Dec	Bills Receivable A/c	Dr.	1,800	
	To Mohan Traders A/c			1,800
	(Promissory note established from Mohan Traders)			
2016				
28 Dec	Dream Soaps A/c	Dr.	1,900	
	To Bills Receivable A/c			1,800
	To Discount Received A/c			100
	(Promissory note of ₹ 1,800 sent to Dream Soap in full settlement of amount due to him)			
2016				
31 Dec	Mohan Traders	Dr.	4,500	
	To Sales A/c			4,500
	(Goods traded to Mohan trades list price ₹ 5,000 at 10% trade discount)			
2016				
31 Dec	Bills Receivable A/c	Dr.	4,500	
	To Mohan Traders			4,500
	(Promissory note established from Mohan Traders for 30 days)			

2017				
23 Jan	Cash A/c	Dr.	900	
	To Bills Receivable A/c (Promissory note issued on Dec. 21, 2005 was met on maturity)			900
2017				
25 Jan	Bill Sent for collection A/c	Dr.	4,500	
	To Bills Receivable A/c (Promissory note issued on Dec. 31, 2005 sent for collection to bank)			4,500
2017				
02 Feb	Bank A/c	Dr.	4,500	
	To Bill Sent for Collection A/c (Bank got payment of bill sent for collection on due date)			4,500

In the books of Bansal Traders
Mohan Trader's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2016				2016			
21 Dec	Sales		900	21 Dec	Bills Receivable		900
26 Dec	Sales		1,080	26 Dec	Bills Receivable		1,080
28 Dec	Sales		1,800	28 Dec	Bills Receivable		1,800
31 Dec	Sales		4,500	31 Dec	Bills Receivable		4,500
			8,280				8,280

Journal Entries in the Books of Mohan Trader's

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016 21 Dec	Purchases A/c To Bansal Traders (Goods purchased from Bansal Trader's list price ₹ 1,000 at 10% trade discount)	Dr.	900	900
2016 21 Dec	Bansal Trader To Bills Payable A/c (Promissory note issued Bansal Traders for ₹ 900)	Dr.	900	900
2016 26 Dec	Purchases A/c To Bansal Traders (Goods purchased from Bansal Traders list price ₹ 1,200 at 10% Trade discount)	Dr.	1,080	1,080
2016 26 Dec	Bansal Traders To Bills Payable A/c (Promissory note established from Bansal Traders)	Dr.	1,080	1,080
2016 28 Dec	Purchases A/c To Bansal Traders (Goods purchased from Bansal Traders list price ₹ 2,000 at 10% trade discount)	Dr.	1,800	1,800
2016 28 Dec	Bansal Traders To Bills Payable A/c (Promissory note issued to Bansal Traders)	Dr.	1,800	1,800
2016 31 Dec	Purchases A/c To Bansal Traders	Dr.	4,500	4,500

	(Goods purchased from Bansal Traders of list price ₹ 5,000 at 10% trade discount)			
2016				
31 Dec	Bansal Traders	Dr.	4,500	
	To Bills Payable A/c			4,500
	(Promissory note issued to Bansal Traders)			
2017				
23 Jan	Bills Payable A/c	Dr.	900	
	To Cash A/c			900
	(The first promissory note discharged on its due date)			
2017				
28 Jan	Bills Payable A/c	Dr.	1,080	
	To Bank A/c			1,080
	(The second promissory note discharged on its due date)			
2017				
30 Jan	Bills Payable A/c	Dr.	1,800	
	To Cash A/c			1,800
	(The third promissory discharged by paying ₹ 1,800 to Dream Soaps)			
2017				
02 Feb	Bills Payable A/c	Dr.	4,500	
	To Bank A/c			4,500
	(The fourth promissory note discharged by paid ₹ 4,500 to Bank)			

In the books of Mohan Traders
Bansal Trader's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2016				2016			
21 Dec	Bills Payable		900	21 Dec	Purchases		900
26 Dec	Bills Payable		1,080	26 Dec	Purchases		1,080
28 Dec	Bills Payable		1,800	28 Dec	Purchases		1,800
31 Dec	Bills Payable		4,500	31 Dec	Purchases		4,500
			8,280				8,280

9. Narayanan purchased goods for ₹ 25,000 from Ravindran on Feb. 01, 2016. Ravindran 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 Ravindran and Narayanan in following cases:

- When the bill was retained by Ravindran with him till the date of its maturity.
- When the bill was discounted by Ravindran immediately with his bank @ 6% p.a.
- When the bill was endorsed to his creditor Ganeshan.
- When the bill was sent by Ravindran to his bank for collection a few days before it maturity.

Necessary journal entries are as follows:

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

Books of Ravindran

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Feb	Narayanan To Sales A/c (Goods traded to Narayanan)	Dr.	25,000	25,000
01 Feb	Bills Receivable A/c To Narayanan (Narayanan's acceptance received for 30 days)	Dr.	25,000	25,000
05 Mar	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	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Feb	Purchases A/c Dr. To Ravindran (Goods purchased from Ravindran)		25,000	25,000
01 Feb	Ravindran Dr. To Bills Payable A/c (Ravindran's bill accepted)		25,000	25,000
05 Mar	Bills Payable A/c Dr. To Ravindran A/c (Bill dishonoured on maturity)		25,000	25,000

(ii) : When the bill was discounted by Ravindran immediately with his bank @ 6% p.a.

Books of Ravindran

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Feb	Narayanan To Sales A/c (Goods traded to Narayanan)	Dr.	25,000	25,000
01 Feb	Bills Receivable A/c To Narayanan (Narayanan's acceptance received)	Dr.	25,000	25,000
01 Feb	Bank A/c Discount A/c To Bills Receivable A/c (Narayanan's acceptance got discounted with bank @ 6% p.a.)	Dr. Dr.	24,875 125	25,000
05 Mar	Narayanan To Bank A/c (Narayanan's acceptance dishonoured)		25,000	25,000

Books of Narayanan

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Feb	Purchases A/c Dr. To Ravindran (Goods purchased from Ravindran)		25,000	25,000
01 Feb	Ravindran Dr. To Bills Payable A/c (Ravindran's bill accepted)		25,000	25,000
05 Mar	Bills Payable A/c Dr. To Ravindran (Bill dishonoured on maturity)		25,000	25,000

(iii) : When the bill was endorsed to his creditor Ganeshan

Books of Ravindran

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Feb	Narayanan To Sales A/c (Goods traded to Narayanan)	Dr.	25,000	25,000
01 Feb	Bills Receivable A/c To Narayanan (Narayanan's acceptance received)	Dr.	25,000	25,000
01 Feb	Ganeshan To Bills Receivable A/c (Narayanan's acceptance endorsed in favour of Ganeshan)	Dr.	25,000	25,000
05 Mar	Narayanan To Ganeshan A/c (Narayanan's acceptance dishonoured)	Dr.		25,000

Books of Narayanan

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Feb	Purchases A/c Dr. To Ravindran (Goods purchased from Ravindran)		25,000	25,000
01 Feb	Ravindran Dr. To Bills Payable A/c (Ravindran's bill accepted)		25,000	25,000
05 Mar	Bills Payable A/c Dr. To Ravindran (Ravindran's bill dishonoured on due date)		25,000	25,000

(iv): When the bill was sent by Ravindran to his bank for collection a few days before its maturity

Books of Ravindran

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Feb	Narayanan Dr. To Sales A/c (Goods traded to Narayanan)		25,000	25,000
01 Feb	Bills Receivable A/c Dr. To Narayanan (Narayanan's acceptance received)		25,000	25,000
01 Feb	Bill Sent for Collection A/c Dr. To Bills Receivable A/c (Bill sent to bank for collection)		25,000	25,000
05 Mar	Narayanan Dr. To Bill Sent for Collection A/c (Bill got dishonoured)		25,000	25,000

Books of Narayanan

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Feb	Purchases A/c Dr. To Ravindran (Bought goods from Ravindran)		25,000	25,000
01 Feb	Ravindran Dr. To Bills Payable A/c (Ravindran's bill accepted)		25,000	25,000
05 Mar	Bills Payable A/c Dr. To Ravindran (Ravindran's bill dishonoured)		25,000	25,000

10. Ravi sold goods for ₹ 40,000 to Sudershan on Feb 13, 2016. He drew four bills of exchange upon Sudershan. The first bill was for ₹ 5,000 payable after one month. The second bill was for ₹ 10,000 payable after 40 days; the third bill was for ₹ 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 ₹ 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.

The necessary journal entries are shown below:

Books of Ravi

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
13 Feb	Sudershan To Sales A/c (Goods traded to Sudershan)	Dr.	40,000	40,000
13 Feb	Bills Receivable A/c To Sudershan (Four bills from Sudershan received: the first for ₹ 5,000, the second bill for ₹ 10,000, the third bill for ₹ 12,000 and the fourth bill for ₹ 13)	Dr.	40,000	40,000
13 Feb	Bank A/c Discount A/c	Dr. Dr.	4,975 25	

	To Bills Receivable A/c			5,000
	(The first bill discounted with bank at 6% p.a.)			
13 Feb	Mustaq	Dr.	10,200	
	To Bills Receivable A/c			10,000
	To Discount Received A/c			200
	(The second bill endorsed to Mustaq in full settlement of amount due to him)			
03 Mar	Bill Sent for Collection A/c	Dr.	13,000	
	To Bills Receivable A/c			13,000
	(The fourth bill sent to bank for collection)			
07 Mar	Sudershan	Dr.	13,000	
	To Bill Sent for Collection A/c			13,000
	(The fourth bill dishonoured on due date)			
07 Mar	Sudershan	Dr.	81	
	To Interest A/c			81
	(Interest due on the fourth bill ₹ 13,000 for 19 days at 12% p.a.)			
10 Mar	Cash A/c	Dr.	13,081	
	To Sudershan			13,081

	(Cash received from Sudershan)			
16 Mar	Sudershan	Dr.	5,000	
	To Bank A/c			5,000
	(The first bill dishonoured)			
16 Mar	Sudershan	Dr.	50	
	To Interest A/c			50
	(Interest due on amount ₹ 5,000 at 12% for one month)			
19 Mar	Cash A/c	Dr.	5,050	
	To Sudershan A/c			5,050
	(Sudershan paid the amount due on account dishonoured of the first bill plus interest)			
28 Mar	Sudershan	Dr.	10,000	
	Discount Received A/c	Dr.	200	
	To Mustaq			10,200
	(The second bill dishonoured, which had endorsed in favour of Mustaq)			
28 Mar	Sudershan	Dr.	132	
	To Interest A/c			132

	<p>(Interest charged at 12% on the amount due on account of dishonour of the second bill ₹ 10,000)</p>			
01 Apr	<p>Cash A/c Dr.</p> <p style="padding-left: 40px;">To Sudershan A/c</p>		10,132	10,132
	<p>(Received cash from Sudershan for the second bill along with interest)</p>			
May16	<p>Sudershan Dr.</p> <p style="padding-left: 40px;">To Bills Receivable A/c</p>		12,000	12,000
	<p>(The third bill dishonoured on due date)</p>			
May16	<p>Sudershan Dr.</p> <p style="padding-left: 40px;">To Interest A/c</p>		360	360
	<p>(Interest at 12% for 3 months charged on the amount due on account of dishonour the third bill ₹ 12,000)</p>			
May19	<p>Cash A/c Dr.</p> <p style="padding-left: 40px;">To Sudershan</p>		12,360	12,360
	<p>(Cash received from Sudershan for the third bill along with interest 12% p.a.)</p>			

Ledger

Sudershan's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2016				2016			
13 Feb	Sales		40,000	13 Feb	Bills Receivable		40,000
07 Mar	Bill sent for Collection		13,000	10 Mar	Cash		13,081
07 Mar	Interest		81	19 Mar	Cash		5,050
16 Mar	Bank		5,000	01 Apr	Cash		10,132
16 Mar	Interest		50	May19	Cash		12,360
28 Mar	Mustaq		10,000				
28 Mar	Interest		132				
16 May	Bills Receivable		12,000				
16 May	Interest		360				
			80,623				80,623

Mustaq's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
			₹				₹
2016				2016			
13 Feb	B/R		10,000	28 Mar	Sudershan		10,000
13 Feb	Discount Received		200	28 Mar	Discount Received		200
			10,200				10,200

Books of Sudershan

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
13 Feb	Purchases A/c Dr.		40,000	
	To Ravi			40,000
	(Goods purchased from Ravi)			
13 Feb	Ravi Dr.		40,000	
	To Bills Payable A/c			40,000

	<p>(Four bills drawn by Ravi accepted: the first bill for ₹ 5,000 payable after one month, the second for ₹ 10,000 payable after 40 days, the third for ₹ 12,000 payable after 3 months and the fourth for ₹ 13,000 payable after 19 days)</p>			
07 Mar	<p>Bills Payable A/c</p> <p style="padding-left: 40px;">To Ravi</p>	Dr.	13,000	13,000
	<p>(The fourth bill dishonoured)</p>			
07 Mar	<p>Interest A/c</p> <p style="padding-left: 40px;">To Ravi</p>	Dr.	81	81
	<p>(Interest charged for the amount of fourth bill at 12% p.a.)</p>			
10 Mar	<p>Ravi</p> <p style="padding-left: 40px;">To Cash A/c</p>	Dr.	13,081	13,081
	<p>(Cash paid to Ravi for amount due on account of dishonour of the fourth bill along with interest at 12% p.a. for 19 days)</p>			
16 Mar	<p>Bills Payable A/c</p> <p style="padding-left: 40px;">To Ravi</p>	Dr.	5,000	5,000
	<p>(The first bill dishonoured)</p>			

16 Mar	Interest A/c Dr. <div style="text-align: right; margin-left: 100px;">To Ravi</div> <p>(Interest charged at 12% p.a. on the first bill for one month)</p>	50		50
19 Mar	Ravi Dr. <div style="text-align: right; margin-left: 100px;">To Cash A/c</div> <p>(Cash paid to Ravi for amount due on account of dishonour of the first bill along with interest at 12% p.a. for one month)</p>	5,050		5,050
28 Mar	Bills Payable A/c Dr. <div style="text-align: right; margin-left: 100px;">To Ravi</div> <p>(The second bill dishonoured)</p>	10,000		10,000
28 Mar	Interest A/c Dr. <div style="text-align: right; margin-left: 100px;">To Ravi</div> <p>(Interest charged at 12% p.a. for 40 days on the second bill)</p>	132		132
01 Apr	Ravi Dr. <div style="text-align: right; margin-left: 100px;">To Cash A/c</div> <p>(Cash paid to Ravi for amount due on account of dishonour of the second bill along with interest at 12% p.a. for 40 days)</p>	10,132		10,132

16 May	Bills Payable A/c Dr. <div style="text-align: right; padding-right: 20px;">To Ravi</div> (The third bill dishonoured)	12,000		12,000
16 Mar	Interest A/c Dr. <div style="text-align: right; padding-right: 20px;">To Ravi</div> (Interest charged at 12% p.a. for 3 months on third bill)	360		360
19 May	Ravi Dr. <div style="text-align: right; padding-right: 20px;">To Cash A/c</div> (Cash paid to Ravi for amount due on account of dishonour of the third bill along with interest at 12% p.a. for 3 months)	12,360		12,360

11. On Jan 01, 2016 Neha sold goods for ₹ 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.

The necessary journal entries are shown below:

Books of Neha

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Jan	Muskan Dr. To Sales A/c (Goods traded to Muskan)		20,000	20,000
01 Jan	Bills Receivable A/c Dr. To Muskan (Muskan's acceptance received)		20,000	20,000
04 Feb	Cash A/c Dr. Rebate on bill A/c Dr. To Bills Receivable A/c (Muskan's acceptance retired one month before maturity and allowed rebate at 12% p.a.)		19,800 200	20,000

Books of Muskan

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Jan	Purchases A/c Dr. To Neha (Goods purchased from Neha)		20,000	20,000
01 Jan	Neha Dr. To Bills Payable A/c (Bill drawn by Neha payable after 2 months accepted)		20,000	20,000
04 Feb	Bills Payable A/c Dr. To Cash A/c To Rebate on Bills A/c (Bill paid one month before maturity and received Rebate at 12% p.a.)		20,000	19,800 200

12. On Jan 15, 2016 Raghu sold goods worth ₹ 35,000 to Devendra and drew up to the latter three bills of exchanges. The first bill was for ₹ 5,000 payable after one month, the second bill was for ₹ 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 ₹ 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 ₹ 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 ₹ 200 as noting charges. Five days after the dishonour of the bill Devendra paid the entire amount due to Raghu along with interest ₹ 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.

The journal entries are as follows:

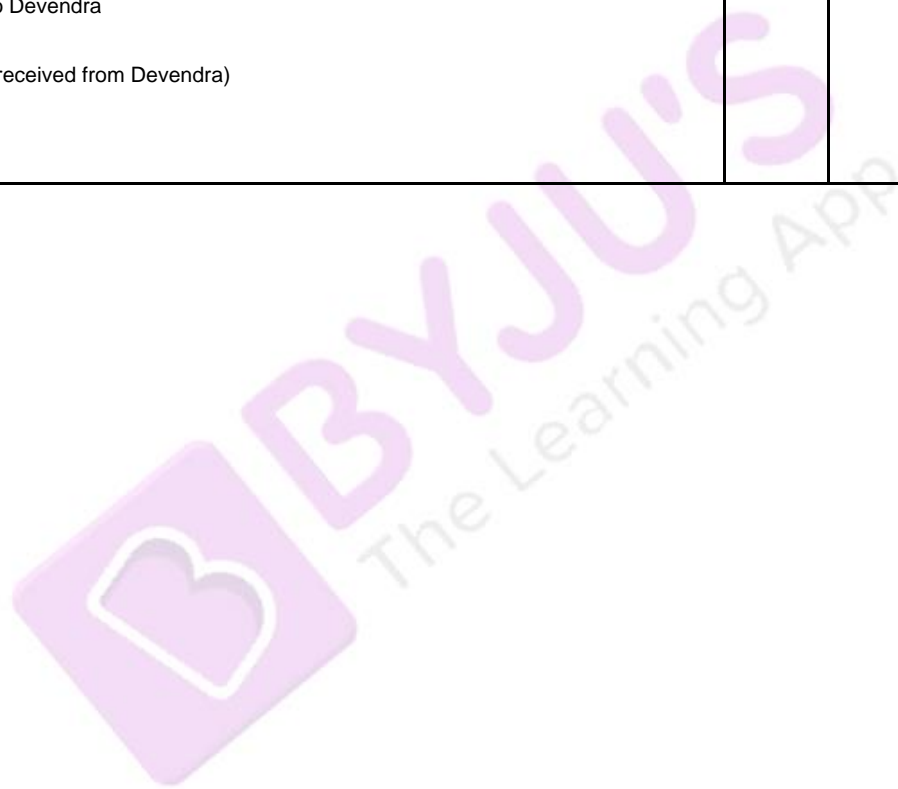
Books of Raghu

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
15 Jan	Devendra To Sales A/c (Goods traded to Devendra)	Dr.	35,000	35,000
15 Jan	Bills Receivable A/c To Devendra (Three bills received from Devendra—the first bill ₹ 5,000, the second bill ₹ 20,000, the third bill ₹ 10,000)	Dr.	35,000	35,000
15 Jan	Dewan To Bills Receivable A/c To Discount Received A/c	Dr.	5,200	5,000 200

	(The first bill endorsed to Dewan in full settlement of amount due to him)			
15 Jan	Bank A/c	Dr.	19,700	
	Discount A/c	Dr.	300	
	To Bills Receivable A/c			20,000
	(The second bill discounted with bank at 6% p.a.)			
18 Apr	Devendra	Dr.	20,030	
	To Bank A/c			20,030
	(The second bill dishonoured and bank paid ₹ 30 for noting charges)			
14 May	Bill Sent for Collection A/c	Dr.	10,000	
	To Bills Receivable A/c			10,000
	(The third bill sent to bank for collection)			
18 May	Devendra	Dr.	10,200	
	To Bill sent for collection A/c			10,000
	To Bank A/c			200
	(The third bill dishonoured and bank paid ₹ 200 as noting charges)			

23 May	Devendra To Interest A/c (Interest due to Devendra on account of bills dishonoured)	Dr.	1,000	1,000
23 May	Cash A/c To Devendra (Cash received from Devendra)	Dr.	31,230	31,230



Ledger

Devendra's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2016				2016			
15 Jan	Sales		35,000	15 Jan	Bills Receivable		35,000
18 Apr	Bank		20,030	23 May	Cash		31,230
18 May	Bills Sent for Collection		10,000				
18 May	Bank		200				
23 May	Interest		1,000				
			66,230				66,230

Books of Devendra

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
15 Jan	Purchases A/c To Raghu (Goods purchased from Raghu)	Dr.	35,000	35,000
15 Jan	Raghu	Dr.	35,000	

	<p style="text-align: right;">To Bills Payable A/c</p> <p>(Three bills drawn by Raghu accepted: the first bill for ₹ 5,000 payable after one month, the second for ₹ 20,000 payable after 3 months and the third for ₹ 10,000 payable after 4 months)</p>			35,000
18 Feb	<p>Bills Payable A/c</p> <p style="text-align: right;">To Cash</p> <p>(The first bill discharged on the due date)</p>	Dr.	5,000	5,000
18 Apr	<p>Bills Payable A/c</p> <p>Noting Charges A/c</p> <p style="text-align: right;">To Raghu</p> <p>(The second bill dishonoured and Noting Charges ₹ 30)</p>	Dr. Dr.	20,000 30	20,030
18 May	<p>Bills Payable A/c</p> <p>Noting Charges A/c</p> <p style="text-align: right;">To Raghu</p> <p>(The third bill dishonoured and Noting Charges ₹ 200)</p>	Dr. Dr.	10,000 200	10,200
23 May	<p>Interest A/c</p> <p style="text-align: right;">To Raghu</p> <p>(Interest charged ₹ 1,000 on account of</p>	Dr.	1,000	1,000

	bills dishonoured)						
23 May	Cash A/c	Dr.		31,230			
	To Bank Loan A/c					31,230	
	(Bank loan taken for settling Raghu's account)						
23 May	Raghu	Dr.		31,230			
	To Cash A/c					31,230	
	(Cash paid to Raghu)						

Ledger

Raghu's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2016				2016			
15 Jan	Bills Payable		35,000	15 Jan	Purchases		35,000
23 May	Cash		31,230	18 Apr	Bills Payable		20,000
				18 Apr	Noting Charges		30
				18 May	Bills Payable		10,000
				18 May	Noting Charges		200
				18 May	Interest		1,000

		66,230			66,230

Books of Dewan

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
15 Jan	Bills Receivable A/c	Dr.	5,000	
	Discount Allowed A/c	Dr.	200	
	To Raghu			5,200
	(Bill Receivable received from Raghu for one month and allowed him discount of ₹ 200)			
18 Feb	Cash A/c	Dr.	5,000	
	To Bills Receivable A/c			5,000
	(Bill met on maturity)			

13. Vimal purchased goods ₹ 25,000 from Kamal on Jan 15, 2016 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.

The necessary journal entries are shown below:

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

Books of Kamal
Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
15 Jan	Vimal Dr. To Sales A/c (Goods traded to Vimal)		25,000	25,000
15 Jan	Bills Receivable A/c Dr. To Vimal (Vimal's acceptance received)		25,000	25,000

18 Mar	Vimal To Bills Receivable A/c (Vimal acceptance dishonoured)	Dr.		25,000	
					25,000

Books of Vimal

Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
15 Jan	Purchases A/c To Kamal (Goods purchased from Kamal)	Dr.	25,000	25,000
15 Jan	Kamal To Bills Payable A/c (Bill drawn by Kamal accepted)	Dr.	25,000	25,000
18 Mar	Bills Payable A/c To Kamal (Bill drawn by Kamal dishonoured)	Dr.	25,000	25,000

(ii) : The bill was immediately discounted by Kamal with his bank @ 6% p.a.

Books of Kamal

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
15 Jan	Vimal Dr. To Sales A/c (Goods traded to Vimal)		25,000	25,000
15 Jan	Bills Receivable A/c Dr. To Vimal (Vimal's acceptance received)		25,000	25,000
15 Jan	Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (Vimal's acceptance discounted at 6% p.a. with bank)		24,750 250	25,000
18 Mar	Vimal Dr. To Bank A/c (Vimal's acceptance dishonoured)		25,000	25,000

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Books of Vimal

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
15 Jan	Purchases A/c To Kamal (Goods purchased from Kamal)	Dr.	25,000	25,000
15 Jan	Kamal To Bills Payable A/c (Bill drawn by Kamal accepted)	Dr.	25,000	25,000
18 Mar	Bills Payable A/c To Kamal (Bill drawn by Kamal dishonoured)	Dr.	25,000	25,000

Case (iii) : The bill was endorsed by Kamal in favour of his creditor Sharad

Books of Kamal

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
15 Jan	Vimal To Sales A/c (Goods traded to Vimal)	Dr.	25,000	25,000
15 Jan	Bills Receivable A/c To Vimal (Vimal's acceptance received)	Dr.	25,000	25,000
15 Jan	Sharad To Bills Receivable A/c (Vimal's acceptance endorsed to Sharad)	Dr.	25,000	25,000
18 Mar	Vimal To Sharad (Vimal's acceptance endorsed to Kamal dishonoured)	Dr.	25,000	25,000

Books of Vimal

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
15 Jan	Purchases A/c Dr. To Kamal (Goods purchased from Kamal)		25,000	25,000
15 Jan	Kamal Dr. To Bills Payable A/c (Bill drawn by Kamal accepted)		25,000	25,000
18 Mar	Bills Payable A/c Dr. To Kamal (Bill drawn by Kamal dishonoured)		25,000	25,000

Case (IV): Five days before its maturity the bill was sent by Kamal to his bank for collection

Books of Kamal

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
15 Jan	Vimal To Sales A/c (Goods traded to Vimal)	Dr.	25,000	25,000
15 Jan	Bills Receivable A/c To Vimal (Vimal's acceptance received, payable after two months)	Dr.	25,000	25,000
Mar.13	Bill Sent for Collection A/c To Bills Receivable A/c (Vimal's acceptance sent to bank for collection)	Dr.	25,000	25,000
18 Mar	Vimal To Bill Sent for Collection (Vimal's acceptance dishonoured)	Dr.	25,000	25,000

Books of Vimal

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
Case (iii) 2016				
15 Jan	Purchases A/c To Kamal (Goods purchased from Kamal)	Dr.	25,000	25,000
15 Jan	Kamal To Bills Payable A/c (Bill drawn by Kamal accepted)	Dr.	25,000	25,000
18 Mar	Bills Payable A/c To Kamal (Bill drawn by Kamal dishonoured)	Dr.	25,000	25,000

14. Abdulla sold goods to Tahir on Jan 17, 2017 for ₹ 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 ₹ 40 as noting charges. Five days after the dishonour of his acceptance Tahir settled his debt by making a payment of ₹ 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.

The necessary journal entries are shown below:

Books of Abdulla

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
17 Jan	Tahir To Sales A/c (Goods traded to Tahir)	Dr.	18,000	18,000
17 Jan	Bills Receivable A/c To Tahir (Tahir's acceptance received)	Dr.	18,000	18,000
06 Mar	Tahir To Bills Receivable A/c To Cash (Tahir's acceptance dishonoured and ₹ 40 paid as noting charges)	Dr.	18,040	18,000 40

06 Mar	Tahir To Interest A/c (Interest charged from Tahir on account of bill dishonoured)	Dr.	660	
				660
12 Mar	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 ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
17 Jan	Sales		18,000	17 Jan	Bills Receivable		18,000
06 Mar	Bills Receivable		18,000	11 Mar	Cash		18,700
06 Mar	Cash		40				
06 Mar	Interest		660				
			36,700				36,700

Books of Tahir

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
17 Jan	Purchases A/c Dr. To Abdula (Goods purchased from Abdula)		18,000	18,000
17 Jan	Abdula Dr. To Bills Payable A/c (Bill drawn by Abdula accepted, payable after 15 days)		18,000	18,000
06 Mar	Bills Payable A/c Dr. Noting Charges A/c Dr. To Abdula (Abdula's bill dishonoured)		18,000 40	18,040
07 Mar	Interest A/c Dr. To Abdula (Interest charged on account of bill dishonoured)		660	660
11 Mar	Abdula Dr. To Cash A/c (Cash paid to Abdula)		18,700	18,700

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Ledger

Abdula's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
17 Jan	Bills Payable		18,000	17 Jan	Purchases		18,000
11 Mar	Cash		18,700	06 Mar	Bills Payable		18,000
				06 Mar	Noting Charges		40
				06 Mar	Interest		660
			36,700				36,700

15. Asha sold goods worth ₹ 19,000 to Nisha on March 02, 2017. ₹ 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 ₹ 30 as noting charges.

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

The necessary journal entries are presented below

Books of Asha

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
02 Mar	Nisha Dr. To Sales A/c (Goods traded to Nisha)		19,000	19,000
02 Mar	Cash A/c Dr. Bills Receivable A/c Dr. To Nisha (Cash and Nisha's acceptance received)		4,000 15,000	19,000
02 Mar	Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (Nisha's acceptance discounted with bank at 10% p.a.)		14,635 375	15,000
	Note: In this question rate of discount is not			

	<p>given, the rate of discount (10% p.a.) has been assumed).</p>			
05 Jun	Nisha	Dr.	15,030	
	To Bank A/c			15,030
	<p>(Nisha's acceptance dishonoured and bank paid ₹ 30 as noting charges)</p>			

Books of Nisha

Journal

Date	Particulars	L.F.	Debit ₹	Credit₹
2017				
02 Mar	Purchases A/c	Dr.	19,000	
	To Asha			19,000
	<p>(Goods purchased from Asha)</p>			
02 Mar	Asha	Dr.	19,000	
	To Bills Payable A/c			15,000
	To Cash A/c			4,000
	<p>(Asha's bill accepted payable after three month and ₹ 4,000 paid in cash)</p>			

Jun.05	Bills Payable A/c	Dr.	15,000	
	Noting Charges A/c	Dr.	30	
	To Asha			15,030
	(Asha's bill dishonoured)			

16. On Feb. 02, 2017, Verma purchased from Sharma goods for ₹ 17,500. Verma paid ₹ 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 ₹ 15,400. On the due date of the bill Gupta presented the bill to Verma which the latter dishonoured and Gupta paid ₹ 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 ₹ 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.

The necessary journal entries are given below:

**Books of Sharma
Journal**

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017 02 Feb	Verma To Sales A/c	Dr.	17,500	17,500

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

Ledger Verma's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
02 Feb	Sales		17,500	02 Feb	Cash		2,500
06 Apr	Gupta		15,050	02 Feb	Bills Receivable		15,000
			32,550	06 Apr	Bank		15,050
			32,550				32,550

Gupta's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
02 Feb	B/R		15,000	01 Apr	Balance b/d		15,400
02 Feb	Discount Received		400	06 Apr	Verma		15,050
02 Feb	Bank		15,500	06 Apr	Discount Reserved		400
			30,900	06 Apr	Interest		50
			30,900				30,900

Books of Verma Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
02 Feb	Purchases A/c To Sharma (Goods purchased from Sharma)	Dr.	17,500	17,500
02 Feb	Sharma To Bills Payable A/c To Cash A/c (Cash ₹ 2,500 paid and Promissory Note made for the balance)	Dr.	17,500	15,000 2,500

06 Apr	Bills Payable A/c	Dr.	15,000	
	Noting Charges A/c	Dr.	50	
	To Sharma			15,050
	(Promissory Note dishonoured on maturity)			
06 Apr	Sharma	Dr.	15,050	
	To Bank A/c			15,050
	(Payment made to Sharma through cheque)			

Ledger Sharma's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
02 Feb	Cash		2,500	02 Feb	Purchases		17,500
02 Feb	Bills Payable		15,000	06 Apr	Bills Payable		15,000
06 Apr	Bank		50	06 Apr	Noting Charges		50
			30,900				30,900

Books of Gupta Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
02 Feb	Bills Receivable A/c	Dr.	15,000	
	Discount Allowed A/c	Dr.	400	
	To Sharma			15,400
	(Promissory Note ₹ 15,000 received from Sharma in full settlement for 60 days)			
06 Apr	Sharma	Dr.	15,450	

	To Bills Receivable A/c						15,000
	To Discount Allowed A/c						400
	To Bank A/c						50
	(Promissory note established from Sharma, dishonoured)						
06 Apr	Sharma	Dr.				50	
	To Interest A/c						50
	(Interest ₹ 50 credited on account of Promissory Note dishonoured)						
06 Apr	Bank A/c	Dr.				15,500	
	To Sharma						15,500
	(Cheque received from Sharma)						

**Ledger
Sharma's Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
01 Feb	Balance b/d		15,400	02 Feb	Bills Receivable		15,000
06 Apr	Bills Receivable		15,000	02 Feb	Discount Allowed		400
06 Apr	Discount Allowed		4,000	06 Apr	Bank		15,500
06 Apr	Bank		50				
06 Apr	Interest		50				
			30,900				30,900
			30,900				30,900

17. Lilly sold goods to Mathew on 1.3.2017 for ₹ 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 ₹ 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.

The transactions are journalized as follows:

Books of Lilly

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
01 Mar	Mathew To Sales A/c (Goods traded to Mathew)	Dr.	12,000	12,000
01 Mar	Bills Receivable A/c To Mathew (Mathew's acceptance payable after two months received)	Dr.	12,000	12,000
01 Mar	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

03 May	Mathew A/c Dr. To Bank A/c (Mathew's acceptance dishonoured bank paid ₹ 45 as noting charges)	12,045		12,045
<p>Note: In this question, May 04 has been considered as Holiday, so the date of maturity will be 03 May, 2017 in place of May 04, 2017.</p>				
08 May	Mathew Dr. To Interest A/c (Interest @ 12% credited to Mathew on account of bill dishonoured)	241		241
08 May	Bank A/c Dr. To Mathew (Cheque received from Mathew for the amount due from him)	12,286		12,286

Ledger

Mathew's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
01 Mar	Sales		12,000	01 Mar	Bills Receivable		12,000
03 May	Bank		12,045	08 May	Bank		12,286
08 May	Interest		241				
			24,286				24,286

Books of Mathew

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
01 Mar	Purchases A/c To Lilly (Goods purchased from Lilly)	Dr.	12,000	12,000
01 Mar	Lilly To Bills Payable A/c	Dr.	12,000	12,000

	(Lilly's acceptance payable after two months accepted)			
03 May	Bills Payable A/c	Dr.	12,000	
	Noting Charges A/c	Dr.	45	
	To Lilly			12,045
	(Bill drawn by Lilly dishonoured)			
08 May	Interest A/c	Dr.	241	
	To Lilly			241
	(Interest charged @ 12% from Lilly on account of bill dishonoured)			
08 May	Lilly	Dr.	12,286	
	To Bank A/c			12,286
	(Amount paid to Lilly through cheque)			

Ledger

Lilly's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
01 Mar	Bills Payable		12,000	01 Mar	Purchases		12,000
09 May	Bank		12,286	03 May	Bills Payable		12,000
				03 May	Noting charges		45
				08 May	Interest		241
			24,286				24,286

18. Kapil purchased goods for ₹ 21,000 from Gaurav on 1.2.2017 and accepted a bill of exchange drawn by Gaurav for the same amount. The bill was payable after one month. On 25.2.2017 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 ₹ 100 as noting charges. Record the necessary journal entries for the above transactions in the books of Kapil and Gourav.

The necessary journal entries are shown below:

Books of Gaurav

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
01 Feb	Kapil To Sales A/c (Goods traded to Kapil)	Dr.	21,000	21,000
01 Feb	Bills Receivable A/c To Kapil (Kapil's acceptance received)	Dr.	21,000	21,000
25 Feb	Bills Sent for Collection A/c To Bills Receivable A/c (Bill Receivable sent to bank for collection)	Dr.	21,000	21,000
04 Mar	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 ₹	Credit ₹
2017				
01 Feb	Purchases A/c Dr. <div style="text-align: right; padding-right: 20px;">21,000</div> <p style="text-align: center;">To Gaurav</p> <p style="text-align: center;">(Goods purchased from Gaurav)</p>			21,000
01 Feb	Gaurav Dr. <div style="text-align: right; padding-right: 20px;">21,000</div> <p style="text-align: center;">To Bills Payable A/c</p> <p style="text-align: center;">(Bill drawn by Gaurav payable after one month accepted)</p>			21,000
04 Mar	Bills Payable A/c Dr. <div style="text-align: right; padding-right: 20px;">21,000</div> <p style="text-align: center;">Noting Charges A/c Dr. <div style="text-align: right; padding-right: 20px;">100</div> <p style="text-align: center;">To Gaurav</p> <p style="text-align: center;">(Bill drawn by Kapil dishonoured)</p> </p>			21,100

19. On Feb. 14, 2017 Rashmi sold good ₹ 7,500 to Alka. Alka paid ₹ 500 in cash and for the bank balance accepted a bill of exchange drawn upon her by Rashmi payable after two months. On 10 Apr, 2017 Alka approached Rashmi to cancel the bill since she was short of funds. She further requested Rashmi to accept ₹ 2,000 in cash and draw a new bill for the balance including interest ₹ 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.

The necessary journal entries are recorded below:

Books of Rashmi

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
14 Feb	Alka To Sales A/c (Goods traded to Alka)	Dr.	7,500	7,500
14 Feb	Cash A/c Bills Receivable A/c To Alka (Cash received ₹ 500 and the bill accepted by Alka)	Dr. Dr.	500 7,000	7,500
10 Apr	Alka To Bills Receivable A/c (Alka got the bill cancelled)	Dr.	7,000	7,000

10 Apr	Cash A/c To Alka (Received cash from Alka)	Dr.	2,000		2,000
10 Apr	Alka To Interest A/c (Interest charged on the amount due from Alka)	Dr.	500		500
10 Apr	Bills Receivable A/c To Alka (Alka's acceptance payable of two months received)	Dr.	5,500		5,500
13 June	Cash A/c To Bills Receivable A/c (Alka's acceptance met on due date)	Dr.	5,500		5,500

Ledger

Alka's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
14 Feb	Sales		7,500	14 Feb	Cash		500
10 Apr	Bills Receivable		7,000	14 Feb	Bills Receivable		7,000
10 Apr	Interest		500	10 Apr	Cash		2,000
				10 Apr	Bills Receivable		5,500
			15,000				15,000

Books of Alka

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
14 Feb	Purchases A/c Dr. To Rashmi (Goods purchased from Rashmi)		7,500	7,500
14 Feb	Rashmi Dr. To Cash A/c To Bills Payable A/c		7,500	500 7,000

	<p>(Cash paid to Rashmi ₹ 500 and a bill for ₹ 7,000 drawn by Rashmi accepted)</p>			
10 Apr	<p>Bills Payable A/c Dr.</p> <p style="padding-left: 20px;">To Rashmi</p>		7,000	7,000
	<p>(Bill cancelled before maturity)</p>			
10 Apr	<p>Rashmi Dr.</p> <p style="padding-left: 20px;">To Cash A/c</p>		2,000	2,000
	<p>(Cash paid to Rashmi)</p>			
10 Apr	<p>Interest A/c Dr.</p> <p style="padding-left: 20px;">To Rashmi</p>		500	500
	<p>(Interest due to Rashmi)</p>			
10 Apr	<p>Rashmi Dr.</p> <p style="padding-left: 20px;">To Bills Payable A/c</p>		5,500	5,500
	<p>(Rashmi's acceptance payable after two months accepted)</p>			
13 June	<p>Bills Payable A/c Dr.</p> <p style="padding-left: 20px;">To Cash A/c</p>		5,500	5,500
	<p>(The bill met on due date)</p>			

Ledger

Rashmi's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
14 Feb	Cash		500	14 Feb	Purchases		7,500
14 Feb	Bills Payable		7,000	10 Apr	Bills Payable		7,000
10 Apr	Cash		2,000	10 Apr	Interest		500
10 Apr	Bills Payable		5,500				
			15,000				15,000

20. Nikhil sold goods for ₹ 23,000 to Akhil on Dec. 01, 2017. 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 ₹ 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 ₹ 10,000 in cash immediately and drew a third bill upon him including interest of ₹ 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.

The necessary journal entries are recorded as follows:

Books of Nikhil

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
01 Dec	Akhil To Sales A/c (Goods traded to Akhil)	Dr.	23,000	23,000
01 Dec	Bills Receivable A/c To Akhil (Akhil's acceptance received)	Dr.	23,000	23,000
01 Dec	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
2018				
04 Feb	Akhil To Bank A/c (Akhil's acceptance dishonoured, bank paid ₹ 100 as noting charges)	Dr.	23,100	23,100

04 Feb	Akhil Dr. To Interest A/c (Interest credited on account of bill dishonoured at 10% p.a. for two months)		385	
				385
04 Feb	Bills Receivable A/c Dr. To Akhil (New acceptance received from Akhil for next two months received)		23,485	
				23,485
01 Apr	Akhil Dr. To Bills Receivable A/c (The second bill cancelled one week before maturity)		23,485	
				23,485
01 Apr	Cash A/c Dr. To Akhil (Cash received from Akhil)		10,000	
				10,000
01 Apr	Akhil Dr. To Interest A/c (Interest due from Akhil for the bill)		500	
				500

01 Apr	Bills Receivable A/c To Akhil (Bill from Akhil received)	Dr.	13,985		
					13,985
May 04	Cash A/c To Bills Receivable A/c (The third bill met on due date)	Dr.	13,985		
					13,985

Akhil's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
01 Dec	Sales		23,000	01 Dec	Bills Receivable		23,000
2018				2018			
04 Feb	Bank		23,100	04 Feb	Bills Receivable		23,485
04 Feb	Interest		385	01 Apr	Cash		10,000
01 Apr	Bills Receivable		23,485	01 Apr	Bills Receivable		13,985
01 Apr	Interest		500				
			70,470				70,470

Books of Akhil

Journal

Date	Particulars	L.F.	Debit ₹	Credit Amount ₹
2017				
01 Dec	Purchases A/c To Nikhil (Goods purchased from Nikhil)	Dr.	23,000	23,000
01 Dec	Nikhil To Bills Payable A/c (Bill drawn by Nikhil payable after two months accepted)	Dr.	23,000	23,000
2018				
04 Feb	Bills Payable A/c Noting Charges A/c To Nikhil (Bill dishonoured on due date and ₹ 100 paid by the holder of bill)	Dr. Dr.	23,000 100	23,100
04 Feb	Interest A/c To Nikhil A/c (Interest due to Nikhil for the bill dishonoured)	Dr.	385	385

04 Feb	Nikhil To Bills Payable A/c (New bill accepted payable after two months)	Dr.	23,485	
				23,485
01 Apr	Bills Payable A/c To Nikhil (Bill cancelled before maturity)	Dr.	23,485	
				23,485
01 Apr	Nikhil To Cash A/c (Cash paid to Nikhil)	Dr.	10,000	
				10,000
01 Apr	Interest A/c To Nikhil (Interest due to Nikhil for bill cancellation)	Dr.	500	
				500
01 Apr	Nikhil To Bills Payable A/c (New bill accepted payable after one month)	Dr.	13,985	
				13,985
May 04	Bills Payable A/c To Cash A/c (The third bill met on maturity)	Dr.	13,985	
				13,985

Nikhil Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
01 Dec	Bills Payable		23,000	01 Dec	Purchases		23,000
2018				2018			
04 Feb	Bills Payable		23,485	04 Feb	Bills Payable		23,000
01 Apr	Cash		10,000	04 Feb	Noting Charge		100
01 Apr	Bills Payable		13,985	04 Feb	Interest		385
				01 Apr	Bills Payable		23,485
				01 Apr	Interest		500
			70,470				70,470

21. On Jan 01, 2017 Vibha sold goods worth ₹ 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 ₹ 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.

The necessary journal entries are recorded as follows:

Books of Vibha

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
01 Jan	Sudha To Sales A/c (Goods traded to Sudha)	Dr.	18,000	18,000
01 Jan	Bills Receivable A/c To Sudha (Sudha's acceptance received)	Dr.	18,000	18,000
01 Jan	Geeta To Bills Receivable A/c (Sudha's acceptance endorsed in favour of Geeta)	Dr.	18,000	18,000
27 Feb	Sudha To Geeta (Sudha cancelled the bill five days before the maturity)	Dr.	18,000	18,000
27 Feb	Geeta To Cash A/c	Dr.	18,000	18,000

	(Cash paid to Geeta)			
27 Feb	Sudha		200	
	To Interest A/c			200
	(Interest credited to Sudha on account of cancelling the bill)			
27 Feb	Bills Receivable A/c	Dr.	18,200	
	To Sudha			18,200
	(New bill received from Sudha)			
02 Mar	Cash A/c	Dr.	18,200	
	To Sudha			18,200
	(Sudha's acceptance met on due date)			

22. Following was the position of debtor and creditor of Gautam as on 1.1.2017.

	Debtors		Creditors	
	₹	₹		
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 2017:

Jan. 02 Drew on Babu at two months after date at full settlement for ₹ 4,800. Babu accepted the bill and returned it on 5.1.2017.

Jan. 04 Babu's bill discounted for ₹ 4,750.

Jan. 08 Chanderkala sent a promissory note for ₹ 8,000 payable three months after date.

Jan. 10 Promissory note established from Chanderkala discounted for ₹ 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 ₹ 2,000 in cash and a promissory note for the balance payable after three months.

Record the above transactions in the proper subsidiary books.

The transactions are recorded in the books below:

Bills Receivable Book

No.	Date of Bill 2017	Date Received 2016	From whom of Bill	Drawer whom received	Acceptor	Where	Term Payable	Due date 2016	L.F.	Amount ₹	Cash Book Folio	Remarks
01	02 Jan	05 Jan	Babu	Self	Babu		2 months	05 Mar		4,800		
								Total		4,800		

Bills Payable Book

No.	Date of Bill 2017	To Whom Given	Drawer	Payee	Where payable	Term	Due date 2017	Ledger	Amount ₹	Date paid	Cash Book Folio	Remarks
01	12 Jan	Sheiba	Sheiba	-		2 months	15 Mar		12,000			
02	25 Jan	Anju	Anju	-		2 months	28 Apr		5,000			
							Total		17,000			

Cash Book

Dr.

Cr.

Date	Particulars	L.F.	Cash ₹	Bank ₹	Date	Particulars	L.F.	Cash ₹	Bank ₹
2017					2017				
04 Jan	Bills Receivable			4,750					
10 Jan	Bills Receivable			7,900					
29 Jan	Kiran		2,000		31 Jan	Balance c/d		2,000	12,650
			2,000	12,650				2,000	12,650

Books of Gautam

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
05 Jan	Discount Allowed A/c Dr. To Babu (Babu's acceptance received and allowed him discount ₹ 200)		200	200
04 Jan	Discount A/c Dr. To Bills Receivable A/c		50	50

	<p>(Babu's acceptance discounted with a discount charge of ₹ 50)</p>			
08 Jan	<p>Bills Receivable A/c Dr.</p> <p style="padding-left: 20px;">To Chanderkala</p> <p>(Promissory Note from Chanderkala received)</p>		8,000	8,000
10 Jan	<p>Discount A/c Dr.</p> <p style="padding-left: 20px;">To Bills Receivable A/c</p> <p>(Chanderkala's Promissory Note discounted with bank at discount of ₹ 100)</p>		100	100
22 Jan	<p>Bills Receivable A/c Dr.</p> <p style="padding-left: 20px;">To Anita</p> <p>(Promissory note established from Anita)</p>		14,000	14,000
23 Jan	<p>Manju Dr.</p> <p style="padding-left: 20px;">To Bills Receivable A/c</p> <p>(Anita's Promissory Note endorsed to Manju)</p>		14,000	14,000
29 Jan	<p>Bills Receivable A/c Dr.</p> <p style="padding-left: 20px;">To Kiran</p> <p>(Promissory Note from Kiran received)</p>		11,500	11,500

23. On Jan. 01, 2017 Harsh accepted a month bill for ₹ 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.

The journal entries recorded are shown below:

Books of Tanu

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
01 Jan	Bills Receivable A/c To Harsh (Harsh's acceptance received)	Dr.	10,000	10,000
01 Jan	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
04 Feb	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 ₹	Credit ₹
2017				
01 Jan	Tanu Dr. To Bills Payable A/c (Bill drawn by Tanu accepted)		10,000	10,000
04 Feb	Bank A/c Dr. To Tanu (Cheque received from Tanu)		10,000	10,000
04 Feb	Bills Payable A/c Dr. To Bank A/c (Bill drawn by Tanu met on due date)		10,000	10,000