

Bills of Exchange

Short Answer Type Questions

Q1. Name any two types of commonly used negotiable instruments.

Solution:

Cheques and Bills of exchange are the commonly used negotiable instruments.

Q2. Write two points of distinction between bills of exchange and promissory note.

Solution:

| Bills of Exchange | Promissory Note |
|--|--|
| A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker directing a certain person to pay a certain amount of money only to, or to the order of a certain person or to the bearer of the instrument. | A promissory note is an instrument in writing containing an unconditional undertaking signed by the maker to pay a certain sum of money only to, or to the order of a certain person or to the bearer of the instrument. |
| There are three parties involved, namely drawer, drawee and payee. | There are two parties involved, namely maker and payee. |

Q3. State any four essential features of bill of exchange.

Solution:

Essential features of bills of exchange are as follows:

1. A bill of exchange is a written order to make payment.
2. It is an unconditional order to make payment by a person i.e. drawee.

3. The amount of bill of exchange and the date of payment are certain.
4. It is signed by the drawer of the bill.
5. It is accepted by the drawee by signing on it.
6. The amount specified in the bill of exchange is payable either on demand or on the expiry of a fixed period.
7. The amount specified in the bill is payable either to a certain person or to his order or to the bearer of the bill.
8. It is stamped as per legal requirements.

Q4. State the three parties involved in a bill of exchange.

Solution:

There are three parties in a bill of exchange:

1. Drawer is the person who makes the bill of exchange. She/he is a person who has granted credit to the person on whom the bill of exchange is drawn. The drawer is entitled to receive money from the drawee (acceptor).
2. Drawee is the person on whom the bill of exchange is drawn for acceptance and to whom credit has been granted by the drawer. He/she is liable to pay money to the creditor/drawer.
3. Payee is the person who receives the payment from the drawee. Usually the drawer and the payee are the same person.

Q5. What is meant by maturity of a bill of exchange?

Solution:

The date calculated after adding 3 days of grace to the due date of a bill is called the date of maturity of a bill. It is to be noted that when a bill is to be payable on demand/at sight, then days of grace is not applicable. When the period of a bill is mentioned in days, the maturity of bill is calculated in days. Similarly, when the period of a bill is mentioned in months, the maturity of bill is calculated in months. In certain cases, when the maturity date of any bill falls on a public holiday, then the maturity date of the bill will be the previous business day.

Q6. What is meant by dishonour of a bill of exchange?

Solution:

When the drawee of the bill fails to make the payment on the maturity date of the bill, then the bill is said to have been dishonoured. Hence, liability of the acceptor is restored. Entries made for recording dishonour of the bill of exchange are as follows:

In the books of drawer

| | |
|--------------------------|-----|
| Drawee's A/c | Dr. |
| To Bills Receivable A/c | |
| (Being bill dishonoured) | |

In the books of drawee

| | |
|--------------------------|-----|
| Bills Payable A/c | Dr. |
| To Drawer's A/c | |
| (Being bill dishonoured) | |

Q7. Name the parties to a promissory note

Solution:

There are two parties to a promissory note:

1. Maker- The person who makes the note and undertakes to pay the amount.
2. Payee- The person who receives the payment.

Q13. What is retirement of a bill of exchange?

Solution:

When the drawee of the bill pays off the amount of the bill before the maturity of the bill it is called retirement of the bill. Holder of the bill may give discount for such earlier payment which is called as 'rebate'.

Entry in the books of the holder of the bill

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

(Being bill amount received before maturity and rebate allowed for retirement of the bill)

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

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

(Being bill paid and rebate received on retirement of the bill)

Q14. Give the meaning of rebate.

Solution:

If the drawee wishes to pay the bill before the due date of the bill to the holder and the holder accepts such request, then due to the early payment, the holder may give some discount to the drawee. Such a discount is termed as rebate.

Q15. Give the performa of a Bill of Exchange.

Solution:

Performa of a Bill of exchange is given below.

| BILL OF EXCHANGE | |
|---------------------------------|---|
| ₹60,000 | Delhi, 10 th January, 2016 |
| Stamp | 3 Months after the date pay Mrs. Sridevi Iyer or order the sum of sixty thousand rupees only, value received. |
| To Shri. Alok Nath New Delhi | Shashikant Tambe |

Long Answer Type Questions

Q1. A bill of exchange must contain "an unconditional promise to pay". Do you agree with a statement?

Solution:

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

As the definition mentions the bill is an unconditional order to pay i.e. no conditions should be applicable with respect to the payment and the drawee of the bill is obliged to pay the maker of the bill. This is one of the main features of a bill of exchange. All the conditions with respect to the bill, for example; the amount, the date of payment, the parties involved needs to be specified with clarity.

Q2. Briefly explain the effects of dishonour and noting of a bill of exchange.

Solution:

On the maturity of the bill, when the acceptor of the bill fails to make the payment, it is said

that the bill is dishonoured. This restores the liability of the acceptor.

Entry in the books of drawer:

| | |
|--------------------------|-----|
| Drawee A/c | Dr. |
| To Bills Receivable A/c | |
| (Being bill dishonoured) | |

Entry in the books of drawee:

| | |
|--------------------------|-----|
| Bills Payable A/c | Dr. |
| To Drawer A/c | |
| (Being bill dishonoured) | |

Noting charges is the fee paid to the notary public for noting and protesting the bill of exchange of its dishonour.

Effect of Noting charges in the books of the drawer:

| | |
|--|-----|
| Drawee A/c | Dr. |
| To Bills Receivable A/c | |
| To Cash A/c (Noting charges) | |
| (Being bill dishonoured and Noting charges paid) | |

In the books of drawee:

| | |
|---|-----|
| Bills Payable A/c | Dr. |
| Noting charges A/c | Dr. |
| To Drawer A/c | |
| (Being bill dishonoured and Noting charges due) | |

Q3. Explain briefly the procedure of calculating the date of maturity of a bill of exchange?

Give example.

Solution:

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

1. Determine the date on which the bill will be due.
2. Add three days of grace to the due date of the bill. It is standard process to add days of grace.
3. The date obtained after adding the three days to the due date is called the maturity date of the bill.

However, the application of the days of grace depend on the following situations:

1. Days of grace are not applicable when a bill is payable 'at sight' or on demand.
2. When the period of the bill is mentioned in months, the calculation of the maturity date will be in the terms of calendar month.
3. When the period of the bill is mentioned in days, the calculation of the maturity date is also calculated in days including the date of payment but excluding the date of transaction.
4. If the bill matures on a national holiday or Sunday, then the preceding business day becomes the maturity date of the bill.
5. For example, if the maturity date of a bill is calculated as on 15th August, 2015 then the preceding day that is 14th August, 2015 will be considered as the maturity date.
6. If the maturity day happens to be an emergency holiday declared under the Negotiable
7. Instruments Act, 1881, then the next working day is to be considered as the maturity date.

Q4. Distinguish between bill of exchange and promissory note.

Solution:

| Bills of Exchange | Promissory Note |
|---|--|
| It is an order to pay. | It is a promise to pay. |
| There are three parties involved, drawer, acceptor and payee. | There are two parties involved, maker and payee. |
| It is drawn by the creditor. | It is drawn by the debtors. |
| It needs acceptance by the drawee. | Acceptance is not required. |
| Drawer and payee may be the same. | Promissor cannot be the payee. |
| In case of dishonour of the bill, the bill may get noted. | Noting is not necessary. |

Q5. Briefly explain the purpose and benefits of retiring a bill of exchange to the debtor and the creditor.

Solution:

When the drawee of the bill pays off the amount of the bill before the maturity of the bill it is called retirement of the bill. Holder of the bill may give discount for such earlier payment which is called as 'rebate'.

As the holder of the bill provides the rebate, it is a loss for the holder of the bill and hence it is debited in the books of the holder when payment is received.

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

(Being payment received and rebate allowed for early payment)

The rebate is a gain for the drawee; so, it is credited in the books of the drawee.

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

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

Q6. Explain briefly the purpose and advantages of maintaining of a Bills receivable book.

Solution:

Bills receivable book is a special purpose book that is maintained to keep records of bills received from the debtors. It contains details such as acceptor's name, date of bill, due date and amount. for future references.

Benefits of maintaining the bill receivable book:

1. **Source of information:** The general information related to the each of the bills i.e. the amount, due date and name of the drawee are recorded at one place and hence are easily accessible.
2. **Avoid fraud:** As the details of all the bills are recorded at one place, possibility of fraud is reduced.
3. **Responsibility:** The person who maintains the bills receivable book will also be responsible for any errors or omissions. Therefore, higher degree of accountability and responsibility exists. Also, if any error is detected, then it can be fixed quickly.
4. **Time saving:** Recording of bills receivable through the bills receivable book takes lesser time than that of journal entry.

Q7. Briefly explain the benefits of maintaining a bills payable book and state how its posting is done in the ledger.

Solution:

A bills payable book is a special purpose book, maintained to keep records of acceptance of bills, given to the creditors. It contains details of the amount, date of bill, due date and name of the drawer to whom acceptance is given for future references.

Benefits of Maintaining Bills Payable Book:

1. **Source of information:** The general information related to the each of the bills i.e. the amount, due date and name of the drawee are recorded at one place and hence are easily accessible.
2. **Avoid fraud:** As the details of all the bills are recorded at one place, possibility of fraud is reduced.
3. **Time saving:** Recording of bills receivable through the bills receivable book takes lesser time than that of journal entry.
4. **Responsibility:** As the transactions are recorded by the same person errors if any can be easily detected and rectified. This leads to enhancement of responsibility and accountability of the accountant.

Numerical Questions

Q1. On Jan 01, 2015 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.

Solution:

**Book of Rao
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------|----------|----------|
| 2015 Jan 01 | Reddy A/c To Sales A/c (Being goods sold to Reddy) | Dr. | 10,000 | 10,000 |
| Jan 01 | Cash A/c To Reddy A/c (Being cash received from Reddy) | Dr. | 5,000 | 5,000 |
| Jan 01 | Bills Receivable A/c To Reddy A/c (Being bill received and accepted from Reddy for 30 days) | Dr. | 5,000 | 5,000 |
| Feb 03 | Cash A/c To Bills Receivable A/c (Being Reddy's acceptance met on due date) | Dr. | 5,000 | 5,000 |

**Books of Reddy
Rao's Account**

| Dr. | | | | Cr. | | | |
|----------------|----------------------|------|---------------|----------------|------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Jan 01 | To Cash A/c | | 5,000 | 2015 Jan 01 | By Purchases A/c | | 10,000 |
| Jan 01 | To Bills Payable A/c | | 5,000 | | | | |
| | | | <u>10,000</u> | | | | <u>10,000</u> |

Q2. On Jan 01, 2015, 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.

Solution:

**Book of Parvati
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 01 | Shankar A/c To Sales A/c (Being goods sold to Shankar) | Dr. | 8,000 | 8,000 |
| Jan 01 | Bills Receivable A/c To Shankar A/c (Being promissory note received from Shankar for three months) | Dr. | 8,000 | 8,000 |
| Apr 05 | Cash A/c To Bills Receivable A/c (Being cash received for promissory note one day after the maturity date on account of holiday declared by govt.) | Dr. | 8,000 | 8,000 |

**Book of Shankar
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------|----------|----------|
| 2015 Jan 01 | Purchases A/c To Parvati A/c (Being goods purchased from Parvati) | Dr. | 8,000 | 8,000 |
| Jan 01 | Parvati A/c To Bills Payable A/c (Being promissory note for three months sent to Parvati) | Dr. | 8,000 | 8,000 |
| Apr 5 | Bills Payable A/c To Cash A/c (Being cash paid on maturity promissory note) | Dr. | 8,000 | 8,000 |

Q3. Vishal sold goods for ₹ 7,000 to Manju on Jan 05, 2015 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.

Solution:

**Book of Vishal
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------------|--------------|----------|
| 2015 Jan 05 | Manju A/c To Sales A/c (Being goods sold to Manju) | Dr. | 7,000 | 7,000 |
| Jan 05 | Bills Receivable A/c To Manju A/c (Being bill received with Manju's acceptance for two months) | Dr. | 7,000 | 7,000 |
| Jan 05 | Bank A/c Discount A/c To Bills Receivable A/c (Being bill receivable discounted with the bank @ 12 % p.a. for two months) | Dr. Dr. | 6,860 140 | 7,000 |

Note: On payment of the bill, no entry will be made.

**Book of Manju
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------|----------|----------|
| 2015 Jan 05 | Purchases A/c To Vishal A/c (Being goods purchased from Vishal) | Dr. | 7,000 | 7,000 |
| Jan 05 | Vishal A/c To Bills Payable A/c (Being bill accepted drawn by Vishal) | Dr. | 7,000 | 7,000 |
| Mar08 | Bills Payable A/c To Bank A/c (Being amount of bill payable paid to bank on maturity) | Dr. | 7,000 | 7,000 |

Q4. On Feb 01, 2015, 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's account in the books of John. Solution:

**Book of Jimmi
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Feb 01 | John A/c To Sales A/c (Being goods sold to John) | Dr. | 15,000 | 15,000 |
| Feb 01 | Bank A/c To John A/c (Being cheque received for ₹5,000 from John) | Dr. | 5,000 | 5,000 |
| Feb 01 | Bills Receivable A/c To John A/c (Being bill received from John for 40 days) | Dr. | 10,000 | 10,000 |
| Mar 11 | Bill Sent for Collection A/c To Bills Receivable A/c (Being John's acceptance sent to bank for collection) | Dr. | 10,000 | 10,000 |
| Mar 16 | Bank A/c To Bill Sent for Collection A/c (Being John's acceptance met on due date and bank received the payment) | Dr. | 10,000 | 10,000 |

**Ledger
John's Account**

| Dr. | | | | Cr. | | | |
|----------------|--------------|------|---------------|----------------|-------------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Feb 01 | To Sales A/c | | 15,000 | 2015 Feb 01 | By Bank A/c | | 5,000 |
| | | | | Feb 01 | By Bills Receivable A/c | | 10,000 |
| | | | 15,000 | | | | 15,000 |

**Book of John
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Feb 01 | Purchases A/c To Jimmi A/c (Being goods purchases from Jimmi) | Dr. | 15,000 | 15,000 |
| Feb 01 | Jimmi A/c To Bank A/c (Being cheque paid to Jimmi) | Dr. | 5,000 | 5,000 |
| Feb 01 | Jimmi A/c To Bills Payable A/c (Being bill draw accepted for 40 days) | Dr. | 10,000 | 10,000 |
| Mar 16 | Bills Payable A/c To Bank A/c (Being payment made on maturity of the bill to bank) | Dr. | 10,000 | 10,000 |

**Ledger
Jimmi's Account**

| Dr. | | | | Cr. | | | |
|----------------|----------------------|------|---------------|----------------|------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Feb 01 | To Bank A/c | | 5,000 | 2015 Feb 01 | By Purchases A/c | | 15,000 |
| Feb 01 | To Bills Payable A/c | | 10,000 | | | | |
| | | | <u>15,000</u> | | | | <u>15,000</u> |

Q5. 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 Cr. or 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.

Solution:

**Books of Kartar
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------------|--------------|----------|
| 2015 Jan 15 | Bhagwan To Sales A/c (Being goods sold to Bhagwan) | Dr. | 30,000 | 30,000 |
| Jan 15 | Bills Receivable A/c To Bhagwan A/c (Being three bills of ₹10,000 each, received from Bhagwan the first bill for one month, second bill for two months and third bill for three months) | Dr. | 30,000 | 30,000 |
| Jan 15 | Ratna A/c To Bills Receivable A/c (Being the second bill endorsed to Ratna) | Dr. | 10,000 | 10,000 |
| Jan 15 | Bank A/c Discount A/c To Bills Receivable A/c (Being bill discounted at 6% p.a.) | Dr. Dr. | 9,850 150 | 10,000 |
| Feb 18 | Cash A/c To Bills Receivable A/c (Being the first bill met by Bhagwan, on due date) | Dr. | 10,000 | 10,000 |

Bhagwan's Account

| Dr. | | | | Cr. | | | |
|----------------|--------------|------|---------------|----------------|-------------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Jan 15 | To Sales A/c | | 30,000 | 2015 Jan 15 | By Bills Receivable A/c | | 30,000 |
| | | | <u>30,000</u> | | | | <u>30,000</u> |

Ratna's Account

| Dr. | | | | Cr. | | | |
|----------------|-------------------------|------|---------------|----------------|----------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Jan 15 | To Bills Receivable A/c | | 10,000 | 2015 Jan 31 | By Balance c/d | | 10,000 |
| | | | <u>10,000</u> | | | | <u>10,000</u> |

Bills Receivable Account

| Dr. | | | | Cr. | | | |
|----------------|----------------|------|---------------|----------------|-----------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Jan 15 | To Bhagwan A/c | | 30,000 | 2015 Jan 15 | By Ratna A/c | | 10,000 |
| | | | | Jan 15 | By Bank A/c | | 9,850 |
| | | | | Jan 15 | By Discount A/c | | 150 |
| | | | | Jan 15 | By Cash A/c | | 10,000 |
| | | | <u>30,000</u> | | | | <u>30,000</u> |

Cash Account

| Dr. | | | | Cr. | | | |
|----------------|-------------------------|------|----------|----------------|----------------|------|----------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Feb 18 | To Bills Receivable A/c | | 10,000 | 2015 Feb 28 | By 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 Jan 15 | To Bills Receivable A/c | | 9,850 | 2015 Jan 31 | By Balance c/d | | 9,850 |
| | | | 9,850 | | | | 9,850 |

**Books of Bhagwan
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 15 | Purchases A/c To Kartar A/c (Being good purchased from Kartar on Cr.) | Dr. | 30,000 | 30,000 |
| Jan 15 | Kartar A/c To Bills Payable A/c (Being three bill ₹10,000 each drawn by Kartar the first bill for one month, the second bill for two months and the third bill for three months, accepted and returned them to Kartar) | Dr. | 30,000 | 30,000 |
| Feb 18 | Bills Payable A/c To Cash A/c (Being first was paid on due date) | Dr. | 10,000 | 10,000 |
| Mar 18 | Bills Payable A/c To Bank A/c (Being second bill was paid on due to Ratna) | Dr. | 10,000 | 10,000 |
| Apr 18 | Bills Payable A/c To Bank A/c (Being third bill was paid on due to bank) | Dr. | 10,000 | 10,000 |

Kartar's Account

| Dr. | | | | Cr. | | | |
|----------------|----------------------|------|----------|----------------|------------------|------|----------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Jan 15 | To Bills Payable A/c | | 30,000 | 2015 Jan 15 | By Purchases A/c | | 30,000 |
| | | | 30,000 | | | | 30,000 |

Bills Payable Account

| Dr. | | | | Cr. | | | |
|----------------|-------------|------|----------|----------------|---------------|------|----------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Feb 18 | To Cash A/c | | 10,000 | 2015 Jan 15 | By Kartar A/c | | 30,000 |
| 2015 Mar 18 | To Bank A/c | | 10,000 | | | | |
| 2015 Apr 18 | To Bank A/c | | 10,000 | | | | |
| | | | 30,000 | | | | 30,000 |

Cash Account

| Dr. | | | | Cr. | | | |
|----------------|----------------|------|----------|----------------|----------------------|------|----------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Feb 28 | To Balance c/d | | 10,000 | 2015 Feb 18 | By Bills Payable A/c | | 10,000 |
| | | | 10,000 | | | | 10,000 |

Bank Account

| Dr. | | | | Cr. | | | |
|----------------|----------------|------|----------|----------------|----------------------|------|----------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Apr 31 | To Balance c/d | | 20,000 | 2015 Mar 18 | By Bills Payable A/c | | 10,000 |
| | | | | 2015 Apr 18 | By Bills Payable A/c | | 10,000 |
| | | | 20,000 | | | | 20,000 |

Q6. On Jan. 01, 2015 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.

Solution:

As per the provisions of Negotiable Instrument Act, when the maturity date of any bill falls on a public holiday then the maturity date of the bill will be the previous business day.

20 days after Jan 01, 2015 is 21st Jan, 2015. Adding 3 days of grace, we get the maturity date as 24th Jan, 2015. Previous business day is 23rd Jan, 2015.

**Book of Arun
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------------|---------------|----------|
| 2015 Jan 01 | Sunil A/c To Sales A/c (Being goods sold to Sunil) | Dr. | 30,000 | 30,000 |
| Jan 01 | Cash A/c Discount Allowed A/c To Sunil A/c (Being half of the amount due from Sunil was received and allowed him 2% cash discount) | Dr. Dr. | 14,700 300 | 15,000 |
| Jan 01 | Bills Receivable A/c To Sunil A/c (Being promissory note received for balance amount due from Sunil) | Dr. | 15,000 | 15,000 |
| Jan 23 | Cash A/c To Bills Receivable A/c (Being cash received from Sunil one day before the maturity date due to public holiday) | Dr. | 15,000 | 15,000 |

**Book of Sunil
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|---------------|
| 2015 Jan 01 | Purchases A/c To Arun A/c (Being goods purchased from Arun) | Dr. | 30,000 | 30,000 |
| Jan 01 | Arun A/c To Cash A/c To Discount Received A/c (Being half amount due to Arun paid by cheque and 2% discount allowed by him) | Dr. | 15,000 | 14,700 300 |
| Jan 01 | Arun A/c To Bills Payable A/c (Being promissory note issued in favour of Arun for twenty days) | Dr. | 15,000 | 15,000 |
| Jan 23 | Bills Payable A/c To Cash A/c (Being promissory note met one day before the maturity day) | Dr. | 15,000 | 15,000 |

Q7. Darshan sold goods for ₹ 40,000 to Varun on 8.1.2015 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.

1. **When the bill was retained by Darshan till the date of its maturity.**
2. **When Darshan immediately discounted the bill @ 6% p.a. with his bank.**
3. **When the bill was endorsed immediately by Darshan in favour of his Cr. or Suresh.**
4. **When three days before its maturity, the bill was sent by Darshan to his bank for collection.**

Solution:

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

**Books of Darshan
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 08 | Varun A/c To Sales A/c (Being goods sold to Varun) | Dr. | 40,000 | 40,000 |
| Jan 08 | Bills Receivable A/c To Varun A/c (Being Varun's acceptance received) | Dr. | 40,000 | 40,000 |
| Mar 11 | Cash A/c To Bills Receivable A/c (Being bill met on due date) Varun A/c | Dr. | 40,000 | 40,000 |

**Book of Varun
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 08 | Purchases A/c To Darshan A/c (Being goods bought from Darshan) | Dr. | 40,000 | 40,000 |
| Jan 08 | Darshan A/c To Bills Payable A/c (Being bill of two months accepted for Darshan) | Dr. | 40,000 | 40,000 |
| Mar 11 | Bills Payable A/c To Cash A/c (Being Varun cleared his acceptance on the due date) | Dr. | 40,000 | 40,000 |

Case ii: When Darshan immediately discounted the bill @ 6% p.a. with his bank.

**Book of Darshan
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------------|---------------|----------|
| 2015 Jan 08 | Varun A/c To Sales A/c (Being goods sold to Varun) | Dr. | 40,000 | 40,000 |
| Jan 08 | Bills Receivable A/c To Varun (Being B/R received from Varun for two months) | Dr. | 40,000 | 40,000 |
| Jan 08 | Bank A/c Discount A/c To Bills Receivable A/c (Being bill discounted with the bank @ 6% p.a.) | Dr. Dr. | 39,600 400 | 40,000 |

**Book of Varun
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 08 | Purchases A/c To Darshan A/c (Being goods bought from Darshan) | Dr. | 40,000 | 40,000 |
| Jan 08 | Darshan A/c To Bills Payable A/c (Being bill of two month accepted for darshan) | Dr. | 40,000 | 40,000 |
| Mar 11 | Bills Payable A/c To Bank A/c (Being Varun cleared his acceptance on the due date) | Dr. | 40,000 | 40,000 |

Case iii: When the bill was endorsed immediately by Darshan in favour of his Cr. or Suresh.

**Book of Darshan
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 08 | Varun A/c To Sales A/c (Being goods sold to Varun) | Dr. | 40,000 | 40,000 |
| Jan 08 | Bills Receivable A/c To Varun A/c (Being Varun's acceptance received for two months) | Dr. | 40,000 | 40,000 |
| Jan 08 | Suresh A/c To Bills Receivable A/c (Being Varun's acceptance endorsed in favour of Suresh) | Dr. | 40,000 | 40,000 |

**Book of Varun
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 08 | Purchases A/c To Darshan A/c (Being goods bought from Darshan) | Dr. | 40,000 | 40,000 |
| Jan 08 | Darshan A/c To bills payable A/c (Being bill drawn by Darshan accepted for two months) | Dr. | 40,000 | 40,000 |
| Mar 11 | Bills Payable A/c To Cash A/c (Being bills paid to holder of bill) | Dr. | 40,000 | 40,000 |

Case iv: When three days before its maturity, the bill was sent by Darshan to his bank for

collection.

**Book of Darshan
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------|----------|----------|
| 2015 Jan 08 | Varun A/c To Sale A/c (Being goods sold to Varun) | Dr. | 40,000 | 40,000 |
| Jan 08 | Bills Receivable A/c To Varun A/c (Being Varun's acceptance received two months) | Dr. | 40,000 | 40,000 |
| Mar 08 | Bill sent for Collection A/c To Bills Receivable A/c (Being bills sent for collection sent to the bank) | Dr. | 40,000 | 40,000 |
| Mar 11 | Bank A/c To Bill sent for collection (Being bill sent for collection realised) | Dr. | 40,000 | 40,000 |

**Book of Varun
Journal Entries**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 08 | Purchases A/c To Darshan A/c (Being goods bought from Darshan) | Dr. | 40,000 | 40,000 |
| Jan 08 | Darshan A/c To Bills Payable A/c (Being bill drawn by Darshan accepted for two months) | Dr. | 40,000 | 40,000 |
| Mar 11 | Bills Payable A/c To Bank A/c (Being bill paid to the bank) | Dr. | 40,000 | 40,000 |

Q8. Bansal Traders allow a trade discount of 10% on the list price of the goods purchased from them. Mohan traders, who runs a retail shop made the following purchases from Bansal Traders

| Date | Amount ₹ |
|--------------|----------|
| Dec.21, 2015 | 1,000 |
| Dec.26, 2015 | 1,200 |
| Dec.28, 2015 | 2,000 |
| Dec.31, 2015 | 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, 2015 was retained by Bansal Traders with them till the date of its maturity. The promissory note drawn on 26.12.2015 was discounted by Bansal Traders from their bank at 12% p.a. The promissory note drawn on Dec. 28, 2015 was endorsed by Bansal Traders in favour of their Cr. or Dream Soaps in full settlement of a purchase amounting to ₹ 1,900. On 25.1.2015 Bansal Traders sent the promissory note drawn on Dec. 31, 2015 to their bank for collection. All the promissory notes were met by Mohan Trade ₹ Record the necessary journal entries for the above transactions in the books of Bansal Traders and Mohan Traders and prepare Mohan Traders account in the books of Bansal Traders and Bansal Traders account in the books of Mohan Trade ₹

Solution:

| Book of Bansal Traders Journal Entries | | | | |
|---|---|------------|-------------|----------|
| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
| 2015 | | | | |
| Dec 21 | Mohan Traders A/c To Sales A/c (Being goods sold to Mohan Traders list price ₹1,000 at 10% trade discount) | Dr. | 900 | 900 |
| Dec 21 | Bills Receivable A/c To Mohan Traders A/c (Being promissory note received from Mohan Traders payable after 30 days) | Dr. | 900 | 900 |
| Dec 26 | Mohan Traders A/c To Sales A/c (Being goods sold to Mohan Traders list price ₹1,200 at 10% trade discount) | Dr. | 1,080 | 1,080 |
| Dec 26 | Bills Receivable A/c To Mohan Traders A/c (Being promissory note received from Mohan Traders) | Dr. | 1,080 | 1,080 |
| Dec 26 | Bank A/c Discount A/c To Bills Receivable A/c (Being promissory note discounted from the bank) | Dr. Dr. | 1,069 11 | 1,080 |
| Dec 28 | Mohan Traders A/c To Sales A/c (Being sold to Mohan Traders list price ₹2,000 at 10% trade discount) | Dr. | 1,800 | 1,800 |

| | | | | |
|--------|--|-----|-------|--------------|
| Dec 28 | Bills Receivable A/c To Mohan Traders A/c (Being promissory note received from Mohan Traders) | Dr. | 1,800 | 1,800 |
| Dec 28 | Dream Soaps A/c To Bills Receivable A/c To Discount Received A/c (Being promissory note of ₹1,800 send to Dream Soap in full settlement of amount due to him) | Dr. | 1,900 | 1,800 100 |
| Dec 31 | Mohan Traders A/c To Sales A/c (Being goods sold to Mohan trade list price ₹5,000 at 10% trade discount) | Dr. | 4,500 | 4,500 |
| Dec 31 | Bills Receivable A/c To Mohan Traders A/c (Being promissory note received from Mohan Traders for 30 days) | Dr. | 4,500 | 4,500 |
| Jan 23 | Cash A/c To Bills Receivable A/c (Being promissory note issued on Dec. 21, 2005 was met on maturity) | Dr. | 900 | 900 |
| Jan 25 | Bill Sent for Collection A/c To Bills Receivable A/c (Being promissory note issued on Dec. 31, 2005 send for collection to bank) | Dr. | 4,500 | 4,500 |
| Feb 02 | Bank A/c To Bill Sent for Collection A/c (Being bank got payment of bill send for collection on due date) | Dr. | 4,500 | 4,500 |

In the books of Bansal Traders
Mohan Trader's Account

| Dr. | | | | Cr. | | | |
|--------|--------------|------|--------------|--------|-------------------------|------|--------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Dec 21 | To Sales A/c | | 900 | Dec 21 | By Bills Receivable A/c | | 900 |
| Dec 26 | To Sales A/c | | 1,080 | Dec 26 | By Bills Receivable A/c | | 1,080 |
| Dec 28 | To Sales A/c | | 1,800 | Dec 28 | By Bills Receivable A/c | | 1,800 |
| Dec 31 | To Sales A/c | | 4,500 | Dec 31 | By Bills Receivable A/c | | 4,500 |
| | | | 8,280 | | | | 8,280 |

Books of Mohan Trader's
Journal Entries

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|---|------|----------|----------|
| 2015 | | | | |
| Dec 21 | Purchases A/c To Bansal Traders A/c (Being goods bought Bansal Trader's list price ₹1,000 at 10% trade discount) | Dr. | 900 | 900 |
| Dec 21 | Bansal Traders A/c To Bills Payable A/c (Being promissory note issued to Bansal Traders) | Dr. | 900 | 900 |
| Dec 26 | Purchases A/c To Bansal Traders A/c (Being goods bought from Bansal Traders list price ₹1,200 at 10% trade discount) | Dr. | 1,080 | 1,080 |
| Dec 26 | Bansal Traders A/c To Bills payable A/c (Being promissory note issued to Bansal Traders) | Dr. | 1,080 | 1,080 |
| Dec 28 | Purchases A/c To Bansal Traders (Being goods bought from Bansal Traders list price ₹2,000 at 10% trade discount) | Dr. | 1,800 | 1,800 |
| Dec 28 | Bansal Traders A/c To Bills Payable A/c (Being promissory note issued to Bansal Traders) | Dr. | 1,800 | 1,800 |
| Dec 31 | Purchases A/c To Bansal Traders A/c (Being goods bought from Bansal Traders of list price ₹5,000 at 10% trade discount) | Dr. | 4,500 | 4,500 |
| Dec 31 | Bansal Traders A/c To Bills Payable A/c (Being promissory note issued to Bansal Traders) | Dr. | 4,500 | 4,500 |
| Jan 23 | Bills Payable A/c To Cash A/c (Being the first note discharged on its due date) | Dr. | 900 | 900 |
| Jan 28 | Bill Payable A/c To Bank A/c (Being the second promissory note discharged on its due date) | Dr. | 1,080 | 1,080 |
| Jan 30 | Bills Payable A/c To Cash A/c (Being the third promissory discharged by paying ₹1,800 to dream soaps) | Dr. | 1,800 | 1,800 |
| Feb 02 | Bills Payable A/c To Bank A/c (Being the fourth promissory note discharged by paid ₹ 4,500 to bank) | Dr. | 4,500 | 4,500 |

In the book of Mohan Traders
Bansal Trader's Account

| Dr. | | | | Cr. | | | |
|--------|----------------------|------|----------|--------|------------------|------|----------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Dec 21 | To Bills Payable A/c | | 900 | Dec 21 | By Purchases A/c | | 900 |
| Dec 26 | To Bills Payable A/c | | 1,080 | Dec 26 | By Purchases A/c | | 1,080 |
| Dec 28 | To Bills Payable A/c | | 1,800 | Dec 28 | By Purchases A/c | | 1,800 |
| Dec 31 | To Bills Payable A/c | | 4,500 | Dec 31 | By Purchases A/c | | 4,500 |
| | | | 8,280 | | | | 8,280 |

Q9. Vimal purchased goods ₹ 25,000 from Kamal on Jan 15, 2015 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:

- i. The bill was retained by Kamal till the date of its maturity.**
- ii. The bill was immediately discounted by Kamal with his bank @ 6% p.a.**
- iii. The bill was endorsed by Kamal in favour of his Cr.orSharad.**
- iv. Five days before its maturity the bill was sent by Kamal to his bank for collection.**

Solution:

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

Book of Ravinderan
Journal Entries

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Feb 01 | Narayanan A/c To Sales A/c (Being goods sold to Narayanan) | Dr. | 25,000 | 25,000 |
| Feb 01 | Bills Receivable A/c To Narayanan A/c (Being Narayanan's acceptance received for 30 days) | Dr. | 25,000 | 25,000 |
| Mar 06 | Narayanan A/c To Bills Receivable A/c (Being Narayanan failed to meet his acceptance and bill dishonoured) | Dr. | 25,000 | 25,000 |

Book of Narayanan
Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Feb 01 | Purchases A/c To Ravinderan A/c (Being goods bought from Ravinderan) | Dr. | 25,000 | 25,000 |
| Feb 01 | Ravinderan A/c To Bills Payable A/c (Being Ravinderan's bill accepted) | Dr. | 25,000 | 25,000 |
| Mar 05 | Bills Payable A/c To Ravinderan A/c (Being bill dishonoured on maturity) | Dr. | 25,000 | 25,000 |

Case ii: When the bill was discounted by Ravinderan immediately with his bank @ 6% p.a.

**Book of Ravinderan
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------------|---------------|----------|
| 2015 Feb 01 | Narayanan A/c To Sales A/c (Being goods sold to Narayanan) | Dr. | 25,000 | 25,000 |
| Feb 01 | Bills Receivable A/c To Narayanan A/c (Being Narayanan's acceptance received) | Dr. | 25,000 | 25,000 |
| Feb 01 | Bank A/c Discounting Charges A/c To Bills Receivable A/c (Being Narayanan's acceptance got discounted with bank @ 6% p.a for 30 days) | Dr. Dr. | 24,877 123 | 25,000 |
| Mar 06 | Narayanan A/c To Bank A/c (Being Narayanan's acceptance dishonoured) | Dr. | 25,000 | 25,000 |

**Book of Narayanan
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Feb 01 | Purchases A/c To Ravinderan A/c (Being goods bought from Ravinderan) | Dr. | 25,000 | 25,000 |
| Feb 01 | Ravinderan A/c To Bills payable A/c (Being Ravinderan's bill accepted) | Dr. | 25,000 | 25,000 |
| Mar 06 | Bills Payable A/c To Ravinderan A/c (Being dishonoured on maturity) | Dr. | 25,000 | 25,000 |

Case iii: When the bill was endorsed to his Cr. or Ganeshan.

**Book of Ravinderan
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Feb 01 | Narayanan A/c To Sales A/c (Being goods sold Narayanan) | Dr. | 25,000 | 25,000 |
| Feb 01 | Bills Receivable A/c To Narayanan A/c (Being Narayanan's acceptance received) | Dr. | 25,000 | 25,000 |
| Feb 01 | Ganeshan A/c To Bills Receivable A/c (Being Narayanan's acceptance endorsed in favour of Ganeshan) | Dr. | 25,000 | 25,000 |
| Mar 06 | Narayanan A/c To Ganeshan A/c (Being Narayanan's acceptance dishonoured) | Dr. | 25,000 | 25,000 |

**Book Narayanan
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------|----------|----------|
| 2015 Feb 01 | Purchases A/c To Ravinderan A/c (Being goods bought Ravinderan) | Dr. | 25,000 | 25,000 |
| Feb 01 | Ravinderan A/c To Bills Payable A/c (Being Ravinderan's accepted received) | Dr. | 25,000 | 25,000 |
| Mar 06 | Bills Payable A/c To Ravinderan A/c (Being Ravinderan's bill dishonoured on due date) | Dr. | 25,000 | 25,000 |

Case iv: When the bill was sent by Ravinderan to his bank for collection a few days before its maturity.

**Books of Ravinderan
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Feb 01 | Narayanan A/c To Sales A/c (Being goods sold to Narayanan) | Dr. | 25,000 | 25,000 |
| Feb 01 | Bills Receivable A/c To Narayanan A/c (Being Narayanan's acceptance received) | Dr. | 25,000 | 25,000 |
| Feb 01 | Bills Sent for Collection A/c To Bills Receivable A/c (Being bill sent to bank for collection) | Dr. | 25,000 | 25,000 |
| Mar 06 | Narayanan A/c To Bills Sent for Collection A/c (Being bill got dishonoured) | Dr. | 25,000 | 25,000 |

**Book of Narayanan
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------|----------|----------|
| 2015 Feb 01 | Purchases A/c To Ravinderan A/c (Being bought goods from Ravinderan) | Dr. | 25,000 | 25,000 |
| Feb 01 | Ravinderan A/c To Bills Payable A/c (Being Ravinderan's bill accepted) | Dr. | 25,000 | 25,000 |
| Mar 06 | Bills Payable A/c To Ravinderan A/c (Being Ravinderan's bill dishonoured) | Dr. | 25,000 | 25,000 |

Q10. Ravi sold goods for ₹ 40,000 to Sudershan on Feb 13, 2015. 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 Cr. or 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.

Solution:

**Books of Ravi
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|---|------------|-------------|---------------|
| 2015 | | | | |
| Feb 13 | Sudershan A/c To Sales A/c (Being goods sold to Sudershan) | Dr. | 40,000 | 40,000 |
| Feb 13 | Bills Receivable A/c To Sudershan A/c (Being 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 ₹13,000) | Dr. | 40,000 | 40,000 |
| Feb 13 | Bank A/c Discount A/c To Bills Receivable A/c (Being the first bill discounted with bank at 6% p.a. for 1 month) | Dr. Dr. | 4,975 25 | 5,000 |
| Feb 13 | Mustaq A/c To Bills Receivable A/c To Discount Received A/c (Being the second bill endorsed to Mustaq in full settlement of amount ₹10,200 due to him) | Dr. | 10,200 | 10,000 200 |
| Mar 02 | Bills Sent for Collection A/c To Bills Receivable A/c (Being the forth bill send to bank for collection) | Dr. | 13,000 | 13,000 |

| | | | | |
|--------|---|------------|---------------|--------|
| Mar 07 | Sudershan A/c To Bill Sent for Collection A/c (Being the fourth bill dishonoured on due date) | Dr. | 13,000 | 13,000 |
| Mar 07 | Sudershan A/c To Interest A/c (Being interest due on the fourth bill ₹13,000 for 19 days at 12% p.a.) | Dr. | 81 | 81 |
| Mar 10 | Cash A/c To Sudershan A/c (Bing cash received from Sudershan) | Dr. | 13,081 | 13,081 |
| Mar 16 | Sudershan A/c To Bank A/c (Being the first bill dishonoured) | Dr. | 5,000 | 5,000 |
| Mar 16 | Sudershan A/c To Interest A/c (Being interest due on amount ₹5,000 at 12% for one month) | Dr. | 50 | 50 |
| Mar 19 | Cash A/c To Sudershan A/c (Being Sudershan paid the amount due on account dishonoured of the first bill plus interest) | Dr. | 5,050 | 5,050 |
| Mar 28 | Sudershan A/c Discount Received A/c To Mustaq A/c (Being second bill dishonoured, which had endorsed in favour of Mustaq) | Dr. Dr. | 10,000 200 | 10,200 |
| Mar 28 | Sudershan A/c To Interest A/c (Being interest charges at 12% on the amount due on account of dishonour of the second bill ₹10,000) | Dr. | 132 | 132 |
| Apr 01 | Cash A/c To Sudershan A/c (Being received cash from Sudershan for the second bill along with interest) | Dr. | 10,132 | 10,132 |
| May 16 | Sudershan A/c To Bills Receivable A/c (Being the third bill dishonoured on due date) | Dr. | 12,000 | 12,000 |
| May 16 | Sudershan A/c To Interest A/c (Being interest at 12% for 3 months charged on the amount due on account of dishonour the third bill ₹12,000) | Dr. | 360 | 360 |
| May 19 | Cash A/c To Sudershan A/c (Being cash received from Sudershan for the third bill along with interest 12% p.a.) | Dr. | 12,360 | 12,360 |

**Ledger
Sundershan's Account**

| Dr. | | | | Cr. | | | |
|--------|---------------------------------|------|---------------|--------|-------------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Feb 13 | To Sales A/c | | 40,000 | Feb 13 | By Bills Receivable A/c | | 40,000 |
| Mar 07 | To Bill sent for Collection A/c | | 13,000 | Mar 10 | By Cash A/c | | 13,081 |
| Mar 07 | To Interest A/c | | 81 | Mar 19 | By Cash A/c | | 5,050 |
| Mar 16 | To Bank A/c | | 5,000 | Apr 01 | By Cash A/c | | 10,132 |
| Mar 16 | To Interest A/c | | 50 | May 19 | By Cash A/c | | 12,360 |
| Mar 28 | To Mustaq A/c | | 10,000 | | | | |
| Mar 28 | To Interest A/c | | 132 | | | | |
| May 16 | To Bills Receivable A/c | | 12,000 | | | | |
| May 16 | To Interest A/c | | 360 | | | | |
| | | | 80,623 | | | | 80,623 |

Mustaq's Account

| Dr. | | | | Cr. | | | |
|--------|--------------------------|------|---------------|--------|--------------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Feb 13 | To Bills Receivable A/c | | 10,000 | Mar 28 | By Sudershan A/c | | 10,000 |
| Feb 13 | To Discount Received A/c | | 200 | Mar 28 | By Discount Received A/c | | 200 |
| | | | 10,200 | | | | 10,200 |

**Book of Sudershan
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|--|------|----------|----------|
| 2015 | | | | |
| Feb 13 | Purchases A/c To Ravi A/c (Being goods bought from Ravi) | Dr. | 40,000 | 40,000 |
| Feb 13 | Ravi A/c To Bills Payable A/c (Being four bills drawn by Ravi accepted: the first second for ₹5,000, payable after one month, the second for ₹10,000, payable after 40 days, the third for ₹12,000 payable after 3 month and the fourth for ₹13,000 payable after 19 days) | Dr. | 40,000 | 40,000 |
| Mar 07 | Bills Payable A/c To Ravi A/c (Being the fourth bill dishonoured) | Dr. | 13,000 | 13,000 |
| Mar 07 | Interest A/c To Ravi A/c (Being interest charged for the fourth bill at 12% p.a.) | Dr. | 81 | 81 |
| Mar 10 | Ravi A/c To Cash A/c (Bing cash paid to Ravi for amount of dishonour of the fourth bill along with interest at 12% p.a. for 19 days) | Dr. | 13,081 | 13,081 |
| Mar 16 | Bills Payable A/c To Ravi A/c (Being the first bill dishonoured) | Dr. | 5,000 | 5,000 |

| | | | | |
|--------|--|-----|--------|--------|
| Mar 16 | Interest A/c To Ravi A/c (Being interest at 12% p.a on the first bill for one month) | Dr. | 50 | 50 |
| Mar 19 | Ravi A/c To Cash A/c (Being cash paid to Ravi amount due on account of dishonour of the first bill along with interest at 12% p.a. for one month) | Dr. | 5,050 | 5,050 |
| Mar 28 | Bills Payable A/c To Ravi A/c (The second bill dishonoured) | Dr. | 10,000 | 10,200 |
| Mar 28 | Interest A/c To Ravi A/c (Being interest charges at 12% p.a. for 40 days on the second bill) | Dr. | 132 | 132 |
| Apr 01 | Ravi A/c To Cash A/c (Being 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) | Dr. | 10,132 | 10,132 |
| May 16 | Bills Payable A/c To Ravi A/c (Being the third bill dishonoured) | Dr. | 12,000 | 12,000 |
| May 16 | Interest A/c To Cash A/c (Being interest at 12% p.a. for 3 months on third bill) | Dr. | 360 | 360 |
| May 19 | Ravi A/c To Cash A/c (Being cash paid for amount due on account of dishonour of the third bill along with interest 12% p.a. for 3 months) | Dr. | 12,360 | 12,360 |

**Book of Mustaq
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|---|------------|---------------|---------------|
| 2015 | | | | |
| Feb 13 | Bills Receivable A/c Discount Allowed A/c To Ravi A/c (Being bills receivable received from Ravi and allowed discount) | Dr. Dr. | 10,000 200 | 10,200 |
| Mar 28 | Ravi A/c To Bills Receivable A/c To Discount Received A/c (Being bill dishonoured) | Dr. | 10,200 | 10,000 200 |

**Book of Bank
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|---|------|----------|----------|
| 2015 | | | | |
| Mar 02 | Bills Receivable A/c To Bills sent for Collection A/c (Being bills received from Ravi for collection) | Dr. | 13,000 | 13,000 |
| Mar 07 | Bills sent for Collection A/c To Bills Receivable A/c (Being bill dishonoured) | Dr. | 13,000 | 13,000 |

Q11. On Jan 01, 2015 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.

Solution:

**Book of Neha
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|---|------------|---------------|----------|
| 2015 | | | | |
| Jan 01 | Muskan A/c To Sales A/c (Being goods sold to Muskan) | Dr. | 20,000 | 20,000 |
| Jan 01 | Bills Receivable A/c To Muskan A/c (Being Muskan's acceptance received) | Dr. | 20,000 | 20,000 |
| Feb 04 | Cash A/c Rebate on bill A/c To Bills Receivable A/c (Being Muskan's acceptance retired one month before maturity and allowed rebate at 12% p.a.) | Dr. Dr. | 19,800 200 | 20,000 |

**Book of Muskan
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|--|------|----------|---------------|
| 2015 | | | | |
| Jan 01 | Purchases A/c Dr. To Neha A/c (Being goods bought from Neha) | | 20,000 | 20,000 |
| Jan 01 | Neha A/c Dr. To Bills Payable A/c (Being bill drawn by Neha payable after 2 months accepted) | | 20,000 | 20,000 |
| Feb 04 | Bills Payable A/c Dr. To Cash A/c To Rebate on Bills A/c (Being bill paid one month before maturity and received rebate at 12% p.a.) | | 20,000 | 19,800 200 |

Q12. On Jan 15, 2015 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 Cr. or 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.

Solution:

**Books of Raghu
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------------|---------------|---------------|
| 2015 Jan 15 | Devendra A/c To Sales A/c (Being goods sold to Devendra) | Dr. | 35,000 | 35,000 |
| Jan 15 | Bills Receivable A/c To Devendra A/c (Being three bills received from Devendra; first bill for ₹5,000, second bill for ₹20,000 and third bill ₹10,000) | Dr. | 35,000 | 35,000 |
| Jan 15 | Dewan A/c To Bills Receivable A/c To Discount Received A/c (Being the first bill endorsed to Dewan in full settlement of amount due to him) | Dr. | 5,200 | 5,000 200 |
| Jan.15 | Bank A/c Bills Discounting Charges A/c To Bills Receivable A/c (Being the second bill discounted with bank at 6% p.a.) | Dr. Dr. | 19,700 300 | 20,000 |
| Apr 18 | Devendra A/c To Bank A/c (Being the second bill dishonoured and bank paid ₹30 for noting charges) | Dr. | 20,030 | 20,030 |
| May 14 | Bill Sent for Collection A/c To Bills Receivable A/c (Being third bill send to bank for collection) | Dr. | 10,000 | 10,000 |
| May 18 | Devendra A/c To Bill Sent for Collection A/c To Bank A/c (Being the third bill dishonoured and bank paid ₹200 as noting charges) | Dr. | 10,200 | 10,000 200 |
| May 23 | Devendra A/c To Interest A/c (Being interest due to Devendra on of bills dishonoured) | Dr. | 1,000 | 1,000 |
| May 23 | Cash A/c To Devendra A/c (Being entire amount received from Devendra) | Dr. | 31,230 | 31,230 |

**Ledger
Devendra's Account**

| Dr. | | | | Cr. | | | |
|--------|----------------------------------|------|---------------|--------|-------------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Jan 15 | To Sales A/c | | 35,000 | Jan 15 | By Bills Receivable A/c | | 35,000 |
| Apr 18 | To Bank A/c | | 20,030 | May 23 | By Cash A/c | | 31,230 |
| May 18 | To Bills sent for Collection A/c | | 10,000 | | | | |
| May 18 | To Bank A/c | | 200 | | | | |
| May 23 | To Interest A/c | | 1,000 | | | | |
| | | | 66,230 | | | | 66,230 |

**Books of Devendra
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|---|------------|----------|------------|
| 2015 | | | | |
| Jan 15 | Purchases A/c To Raghu A/c (Being goods bought from Raghu) | Dr. | 35,000 | 35,000 |
| Jan 15 | Raghu A/c To Bills Payable A/c (Being three bills drawn by Raghu accepted: first bill for ₹5,000 payable after one month, second for ₹20,000 payable after 3 months and third for ₹10,000 payable after 4 months) | Dr. | 35,000 | 35,000 |
| Feb 18 | Bills Payable A/C To Cash A/c (Being the first bill discharged on the due date) | Dr. | 5,000 | 5,000 |
| Apr 18 | Bills Payable A/c Noting Charges A/c To Raghu A/c (Being the second bill dishonoured and noting charges ₹30) | Dr. Dr. | 30 | 20,030 |
| May 18 | Bills Payable A/c Noting Charges A/c To Raghu A/c (Being third bill dishonoured and noting charges ₹200) | Dr. Dr. | 200 | 10,200 |
| May 23 | Interest A/c To Raghu A/c (Being interest charges ₹1,000 due to bills dishonoured) | Dr. | 1,000 | 1,000 |
| May 23 | Cash A/c To Bank Loan A/c (Being bank loan taken for settling Raghu's account) | Dr. | 31,230 | 31,230 |
| May 23 | Raghu A/c To Cash A/c (Being cash paid to Raghu in settlement of the bills.) | Dr. | 31,230 | 31,230 |

Ledger
Raghu's Account

| Dr. | | | | Cr. | | | |
|--------|----------------------|------|---------------|--------|-----------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Jan 15 | To Bills Payable A/c | | 35,000 | Jan 15 | By Purchases A/c | | 35,000 |
| May 23 | To Cash A/c | | 31,230 | Apr 18 | By Bills Payable A/c | | 20,000 |
| | | | | Apr 18 | By Noting Charges A/c | | 30 |
| | | | | May 18 | By Bills Payable A/c | | 10,000 |
| | | | | May 18 | By Noting Charges A/c | | 200 |
| | | | | May 18 | By Interest A/c | | 1,000 |
| | | | 66,230 | | | | 66,230 |

Book of Dewan Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|--|------|----------|----------|
| 2015 | | | | |
| Jan 15 | Bills Receivable A/c | Dr. | 5,000 | |
| | Discount Allowed A/c | Dr. | 200 | |
| | To Raghu A/c | | | 5,200 |
| | (Being bill receivable received from Raghu for one month and allowed him discount of ₹200) | | | |
| Feb 18 | Cash A/c | Dr. | 5,000 | |
| | To Bills Receivable A/c | | | 5,000 |
| | (Being amount received on maturity of the bill) | | | |

Q13. Vimal purchased goods ₹ 25,000 from Kamal on Jan 15, 2015 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:

- i. The bill was retained by Kamal till the date of its maturity.**
- ii. The bill was immediately discounted by Kamal with his bank @ 6% p.a.**
- iii. The bill was endorsed by Kamal in favour of his Cr.orSharad.**
- iv. Five days before its maturity the bill was sent by Kamal to his bank for collection.**

Solution:

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

Book of Kamal
Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|--------------------------------------|------|----------|----------|
| 2015 | | | | |
| Jan 15 | Vimal A/c | Dr. | 25,000 | |
| | To Sales A/c | | | 25,000 |
| | (Being goods sold to Vimal) | | | |
| Jan 15 | Bills Receivable A/c | Dr. | 25,000 | |
| | To Vimal A/c | | | 25,000 |
| | (Being Vimal's acceptance received) | | | |
| Mar 18 | Vimal A/c | Dr. | 25,000 | |
| | To Bills Receivable A/c | | | 25,000 |
| | (Being Vimal acceptance dishonoured) | | | |

**Book of Vimal
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 15 | Purchases A/c To Kamal A/c (Being goods bought from Kamal) | Dr. | 25,000 | 25,000 |
| Jan 15 | Kamal A/c To Bills Payable A/c (Being bill drawn Kamal accepted) | Dr. | 25,000 | 25,000 |
| Mar 18 | Bills Payable A/c To Kamal A/c (Being bill drawn by Kamal dishonoured) | Dr. | 25,000 | 25,000 |

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

**Book of Kamal
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------------|---------------|----------|
| 2015 Jan 15 | Vimal A/c To Sales A/c (Being goods sold to Vimal) | Dr. | 25,000 | 25,000 |
| Jan 15 | Bills Receivable A/c To Vimal A/c (Being Vimal's acceptance received) | Dr. | 25,000 | 25,000 |
| Jan 15 | Bank A/c Bills Discounting Charges A/c To Bills Receivable A/c (Being Vimal's acceptance discounted at 6% p.a with bank) | Dr. Dr. | 24,750 250 | 25,000 |
| Mar 18 | Vimal A/c To Bank A/c (Being Vimal's acceptance dishonoured) | Dr. | 25,000 | 25,000 |

**Book of Vimal
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------|----------|----------|
| 2015 Jan 15 | Purchases A/c To Kamal A/c (Being goods bought from Kamal) | Dr. | 25,000 | 25,000 |
| Jan 15 | Kamal A/c To Bills Payable A/c (Being bill drawn by Kamal accepted) | Dr. | 25,000 | 25,000 |
| Mar 18 | Bills Payable A/c To Kamal A/c (Being bills drawn by Kamal dishonoured) | Dr. | 25,000 | 25,000 |

Case iii: The bill was endorsed by Kamal in favour of his Cr. or Sharad.

**Book of Kamal
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 15 | Vimal A/c To Sales A/c (Being goods sold to Vimal) | Dr. | 25,000 | 25,000 |
| Jan 15 | Bills Receivable A/c To Vimal A/c (Being Vimal's acceptance received) | Dr. | 25,000 | 25,000 |
| Jan 15 | Sharad A/c To Bills Receivable A/c (Being Vimal's acceptance endorsed to Sharad) | Dr. | 25,000 | 25,000 |
| Mar 18 | Vimal A/c To Sharad A/c (Being Vimal's acceptance endorsed to Kamal dishonoured) | Dr. | 25,000 | 25,000 |

**Book of Vimal
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 15 | Purchases A/c To Kamal A/c (Being goods bought from Kamal) | Dr. | 25,000 | 25,000 |
| Jan 15 | Kamal A/c To Bills Payable A/c (Being bill drawn by Kamal accepted) | Dr. | 25,000 | 25,000 |
| Mar 18 | Bills Payable A/c To Kamal A/c (Being bill drawn by Kamal dishonoured) | Dr. | 25,000 | 25,000 |

Case iv: Five days before its maturity the bill was sent by Kamal to his bank for collection.

**Book of Kamal
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 15 | Vimal A/c To Sales A/c (Being goods sold to Vimal) | Dr. | 25,000 | 25,000 |
| Jan 15 | Bills Receivable A/c To Vimal A/c (Being Vimal's acceptance received) | Dr. | 25,000 | 25,000 |
| Mar 13 | Bills Sent for Collection A/c To Bills Receivable A/c (Being Vimal's acceptance send to bank for collection) | Dr. | 25,000 | 25,000 |
| Mar 18 | Vimal A/c To Bill Send for Collection A/c (Being Vimal's acceptance dishonoured) | Dr. | 25,000 | 25,000 |

**Book of Vimal
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 15 | Purchases A/c To Kamal A/c (Being goods bought from Kamal) | Dr. | 25,000 | 25,000 |
| Jan 15 | Kamal A/c To Bills Payable A/c (Being bill drawn by Kamal accepted) | Dr. | 25,000 | 25,000 |
| Mar 18 | Bills Payable A/c To Kamal A/c (Being bill drawn by Kamal dishonoured) | Dr. | 25,000 | 25,000 |

Q14. Abdulla sold goods to Tahir on Jan 17, 2015 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.

Solution:

**Books of Abdula
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|--|------|----------|--------------|
| 2015 | | | | |
| Jan 17 | Tahir A/c To Sales A/c (Being goods sold to Tahir) | Dr. | 18,000 | 18,000 |
| Jan 17 | Bills Receivable A/c To Tahir A/c (Being Tahir's acceptance received) | Dr. | 18,000 | 18,000 |
| Mar 06 | Tahir A/c To Bills Receivable A/c To Cash A/c (Being Tahir's acceptance dishonoured and ₹40 paid as noting charges) | Dr. | 18,040 | 18,000 40 |
| Mar 06 | Tahir A/c To Interest A/c (Being interest charged from Tahir on account of bill dishonoured) | Dr. | 660 | 660 |
| Mar 11 | Cash A/c To Tahir A/c (Being amount paid by Tahir to clear his account) | Dr. | 18,700 | 18,700 |

**Ledger
Tahir's Account**

| Dr. | | | | Cr. | | | |
|--------|-------------------------|------|---------------|--------|-------------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Jan 17 | To Sales A/c | | 18,000 | Jan 17 | By Bills Receivable A/c | | 18,000 |
| Mar 06 | To Bills Receivable A/c | | 18,000 | Mar 11 | By Cash A/c | | 18,700 |
| Mar 06 | To Cash A/c | | 40 | | | | |
| Mar 06 | To Interest A/c | | 660 | | | | |
| | | | 36,700 | | | | 36,700 |

**Books of Tahir
Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|--|------------|--------------|----------|
| 2015 | | | | |
| Jan 17 | Purchases A/c To Abdula A/c (Being goods bought from Abdula) | Dr. | 18,000 | 18,000 |
| Jan 17 | Abdula A/c To Bills Payable A/c (Being bill drawn by Abdula accepted, payable after 45 days) | Dr. | 18,000 | 18,000 |
| Mar 06 | Bills Payable A/c Noting Charges A/c To Abdula A/c (Being Abdula's bill dishonoured) | Dr. Dr. | 18,000 40 | 18,040 |
| Mar 07 | Interest A/c To Abdula A/c (Being interest charged on account of bill dishonoured) | Dr. | 660 | 660 |
| Mar 11 | Abdula A/c To Cash A/c (Being total amount paid to Abdula in cash) | Dr. | 18,700 | 18,700 |

**Ledger
Abdula's Account**

| Dr. | | | | Cr. | | | |
|--------|----------------------|------|---------------|--------|-----------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Jan 17 | To Bills Payable A/c | | 18,000 | Jan 17 | By Purchases A/c | | 18,000 |
| Mar 11 | To Cash A/c | | 18,700 | Mar 06 | By Bills Payable A/c | | 18,000 |
| | | | | Mar 06 | By Noting Charges A/c | | 40 |
| | | | | Mar 06 | By Interest A/c | | 660 |
| | | | <u>36,700</u> | | | | <u>36,700</u> |

Q15. Asha sold goods worth ₹ 19,000 to Nisha on March 02, 2015. ₹ 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.

Note: In this question rate of discount is not given, the rate of discount (6% p.a.) has been assumed.

Solution:

Book of Asha

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------------|-----------------|----------|
| 2015 Mar 02 | Nisha A/c To Sales A/c (Being goods sold to Nisha on Cr.) | Dr. | 19,000 | 19,000 |
| Mar 02 | Cash A/c Bills Receivable A/c To Nisha A/c (Being cash paid and Nisha's acceptance received for 3 months for the balance amount) | Dr. Dr. | 4,000 15,000 | 19,000 |
| Mar 02 | Bank A/c Discount A/c (15,000 * 6% * 3/12) To Bills Receivable A/c (Being Nisha's acceptance discounted with bank at 6% p.a.) | Dr. Dr. | 14,775 225 | 15,000 |
| June 05 | Nisha A/c To Bank A/c (Being Nisha's acceptance dishonoured and bank paid ₹30 as noting charges) | Dr. | 15,030 | 15,030 |

Book of Nisha

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------------|--------------|-----------------|
| 2015 Mar 02 | Purchases A/c To Asha A/c (Being goods bought from Asha on Cr.) | Dr. | 19,000 | 19,000 |
| Mar 02 | Asha A/c To Bills Payable A/c To Cash A/c (Being Asha's bill accepted payable after three month and ₹4,000 paid in cash) | Dr. | 19,000 | 15,000 4,000 |
| Jun 05 | Bills Payable A/c Noting Charges A/c To Asha A/c (Being Asha's bill dishonoured) | Dr. Dr. | 15,000 30 | 15,030 |

Q16. On Feb. 02, 2015, Verma purchased from Sharma goods for ₹ 17,500. ₹ 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 Cr. or 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.

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.

Solution:

Books of Sharma

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------------|-----------------|---------------|
| 2015 Feb 02 | Verma A/c To Sales A/c (Being goods sold to Verma on credit) | Dr. | 17,500 | 17,500 |
| Feb 02 | Cash A/c Bills Receivable A/c To Verma A/c (Being cash ₹2,500 and promissory note ₹15,000 received from Verma for 60 days) | Dr. Dr. | 2,500 15,000 | 17,500 |
| Feb 02 | Gupta A/c To Bills Receivable A/c To Discount Received A/c (Being promissory note endorsed to Gupta in full settlement of amount due to him) | Dr. | 15,400 | 15,000 400 |
| Apr 06 | Discount Received A/c Verma A/c To Gupta A/c (Being promissory note issued by Verma dishonoured and Gupta paid ₹50 as noting charges) | Dr. Dr. | 400 15,050 | 15,450 |
| Apr 06 | Interest A/c To Gupta A/c (Being interest of ₹50 Dr.ed to Gupta, on account of dishonour of promissory note) | Dr. | 50 | 50 |
| Apr 06 | Gupta A/c To Bank A/c (Being Gupta's account settled) | Dr. | 15,500 | 15,500 |
| Apr 06 | Bank A/c To Verma (Being cheque received from Verma for the amount due from him) | Dr. | 15,050 | 15,050 |

Ledger

Verma's Account

| Dr. | | | | Cr. | | | |
|--------------------------|------------------------------|------|------------------|------------------------------------|---|------|---------------------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Feb 02 Apr 06 | To Sales A/c To Gupta A/c | | 17,500 15,050 | 2015 Feb 02 Feb 02 Apr 06 | By Cash A/c By Bills Receivable A/c By Bank A/c | | 2,500 15,000 15,050 |
| | | | 32,550 | | | | 32,550 |

Gupta's Account

| Dr. | | | | Cr. | | | |
|------------------------------------|--|------|-------------------------|--|---|------|-------------------------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Feb 02 Feb 02 Apr 06 | To Bills Receivable A/c To Discount Received A/c To Bank A/c | | 15,000 400 15,500 | 2015 Apr 01 Apr 06 Apr 06 Apr 06 | By Balance b/d By Verma A/c By Discount received A/c By Interest A/c | | 15,400 15,050 400 50 |
| | | | 30,900 | | | | 30,900 |

Books of Verma

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------------|--------------|-----------------|
| 2015 Feb 02 | Purchases A/c To Sharma A/c (Being goods bought from Sharma) | Dr. | 17,500 | 17,500 |
| Feb 02 | Sharma A/c To Bills Payable A/c To Cash A/c (Being cash ₹2,500 paid and promissory note made for the balance) | Dr. | 17,500 | 15,000 2,500 |
| Apr 06 | Bills Payable A/c Noting Charges A/c To Sharma A/c (Being promissory note dishonoured on maturity) | Dr. Dr. | 15,000 50 | 15,050 |
| Apr 06 | Sharma A/c To Bank A/c (Being payment made to Sharma through cheque) | Dr. | 15,050 | 15,050 |

Ledger

Sharma's Account

| Dr. | | | | Cr. | | | |
|----------------|----------------------|------|---------------|----------------|-----------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Feb 02 | To Cash A/c | | 2,500 | 2015 Feb 02 | By Purchases A/c | | 17,500 |
| Feb 02 | To Bills Payable A/c | | 15,000 | Apr 06 | By Bills Payable A/c | | 15,000 |
| Mar 06 | To Bank A/c | | 50 | Apr 06 | By Noting Charges A/c | | 50 |
| | | | 30,900 | | | | 30,900 |

Books of Gupta

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------------|---------------|---------------------|
| 2015 Feb 02 | Bills Receivable A/c Discount Allowed A/c To Sharma A/c (Being promissory note ₹15,000 received from Sharma in full settlement for 60 days) | Dr. Dr. | 15,000 400 | 15,400 |
| Apr 06 | Sharma A/c To Bills Receivable A/c To Discount Allowed A/c To Bank A/c (Being promissory note received from Sharma, dishonoured) | Dr. | 15,450 | 15,000 400 50 |
| Apr 06 | Sharma A/c To Interest A/c (Being interest ₹50 credited on account of promissory note dishonoured) | Dr. | 50 | 50 |
| Apr 06 | Bank A/c To Sharma A/c (Being cheque received from Sharma) | Dr. | 15,500 | 15,500 |

Ledger
Sharma's Account

| Dr. | | | | Cr. | | | |
|--------|-------------------------|------|----------|--------|-------------------------|------|----------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Feb 01 | To Balance b/d | | 15,400 | Feb 02 | By Bills Receivable A/c | | 15,000 |
| Apr 06 | To Bills Receivable A/c | | 15,000 | Feb 02 | By Discount Allowed A/c | | 400 |
| Apr 06 | To Discount Allowed A/c | | 4,000 | Apr 06 | By Bank A/c | | 15,500 |
| Apr 06 | To Bank A/c | | 50 | | | | |
| Apr 06 | To Interest A/c | | 50 | | | | |
| | | | 30,900 | | | | 30,900 |

Q17. Lilly sold goods to Mathew on 1.3.2015 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.

Solution:

Books of Lilly
Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|--|------------|-------------------|----------------|
| 2015 | | | | |
| Mar 01 | Mathew A/c To Sales A/c (Being goods sold to Mathew) | Dr. | 12,000 | 12,000 |
| Mar 01 | Bills Receivable A/c To Mathew A/c (Being Mathew's acceptance received payable after two months) | Dr. | 12,000 | 12,000 |
| Mar 01 | Bank A/c Discounting Charges A/c (9000 * 9% * 2/12) To Bills Receivable A/c (Being Mathew's bill discounted at 9% p.a.) | Dr. Dr. | 11,820 180 | 12,000 |
| May 03 | Mathew A/c To Bank A/c (Being Mathew's acceptance dishonoured bank paid ₹45 as noting charges) | Dr. | 12,045 | 12,045 |
| May 08 | Mathew A/c To Interest A/c (12045 * 12% * 2/12) (Being interest @ 12% Credited to Mathew on account of bill dishonoured) | Dr. | 241 | 241 |
| May 08 | Bank A/c To Mathew A/c (Being cheque received from Mathew for the amount due from him) | Dr. | 12,286 | 12,286 |

Note: In this question, May 04 has been considered as holiday, so the date of maturity will be May 03, 2006 in place of May 04, 2006.

Ledger
Mathew's Account

Dr.

Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|--------|-----------------|------|---------------|--------|-------------------------|------|---------------|
| 2015 | | | | 2015 | | | |
| Mar 01 | To Sales A/c | | 12,000 | Mar 01 | By Bills Receivable A/c | | 12,000 |
| May 03 | To Bank A/c | | 12,045 | May 08 | By Bank A/c | | 12,286 |
| May 08 | To Interest A/c | | 241 | | | | |
| | | | 24,286 | | | | 24,286 |

Books of Mathew

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|--|------------|--------------|--------|
| 2015 | | | | |
| Mar 01 | Purchases A/c To Lilly A/c (Being goods sold to Mathew) | Dr. | 12,000 | 12,000 |
| Mar 01 | Lilly A/c To Bills Payable A/c (Being Lilly's acceptance payable after two month accepted) | Dr. | 12,000 | 12,000 |
| May 03 | Bills Payable A/c Noting Charges A/c To Lilly A/c (Being drawn by Lilly dishonoured) | Dr. Dr. | 12,000 45 | 12,045 |
| May 08 | Interest A/c To Lilly A/c (Being interest @ 12% from Lilly on account of bill dishonoured) | Dr. | 241 | 241 |
| May 08 | Lilly A/c To Bank A/c (Being amount paid Lilly through cheque) | Dr. | 12,286 | 12,286 |

Ledger

Lilly's Account

Dr.

Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|--------|----------------------|------|---------------|--------|-----------------------|------|---------------|
| 2015 | | | | 2015 | | | |
| Mar 01 | To Bills Payable A/c | | 12,000 | Mar 01 | By Purchases A/c | | 12,000 |
| May 08 | To Bank A/c | | 12,286 | May 03 | By Bills Payable A/c | | 12,000 |
| | | | | May 03 | By Noting Charges A/c | | 45 |
| | | | | May 08 | By Interest A/c | | 241 |
| | | | 24,286 | | | | 24,286 |

Note: In this question, there is a contradiction. As per the discounting rule-Bank is regarded as the holder of the bill. It is the bank who presents the bill for payment and also pays the noting charges on behalf of the drawer (Lilly). However, as per the question. Lilly, who is presenting, discounting the bill and also paying the noting charges. Thus, in the solution, we have assumed that it is bank and not Lilly who presents, discounts and pays the noting charges in case of dishonour of bill.

Q18. Kapil purchased goods for ₹ 21,000 from Gaurav on 1.2.2015 and accepted a bill of

exchange drawn by Gaurav for the same amount. The bill was payable after one month. On 25.2.2015 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 Gaurav.

Solution:

Book of Gaurav

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|---------------|
| 2015 Feb 01 | Kapil A/c To Sales A/c (Being goods sold to Kapil) | Dr. | 21,000 | 21,000 |
| Feb 01 | Bills Receivable A/c To Kapil A/c (Being Kapil's acceptance received) | Dr. | 21,000 | 21,000 |
| Feb 25 | Bills Sent for Collection A/c To Bills Receivable A/c (Being bill receivable sent to bank for collection) | Dr. | 21,000 | 21,000 |
| Mar 04 | Kapil A/c To Bill Sent for Collection A/c To Bank A/c (Being Kapil's acceptance dishonoured and bank paid noting charges) | Dr. | 21,100 | 21,000 100 |

Book of Kapil

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------------|---------------|----------|
| 2015 Feb 01 | Purchases A/c To Gaurav A/c (Being goods bought from Gaurav) | Dr. | 21,000 | 21,000 |
| Feb 01 | Gaurav A/c To Bills Payable A/c (Being drawn by Gaurav payable after one month accepted) | Dr. | 21,000 | 21,000 |
| Mar 04 | Bills Payable A/c Noting Charges A/c To Gaurav A/c (Being drawn by Kapil dishonoured) | Dr. Dr. | 21,000 100 | 21,100 |

Q19. On Feb. 14, 2015 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 Apr.10, 2015 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.

Solution:

Book of Rashmi

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|---------|---|------------|--------------|----------|
| 2006 | | | | |
| Feb 14 | Alka A/c To Sales A/c (Being goods sold to Alka) | Dr. | 7,500 | 7,500 |
| Feb 14 | Cash A/c Bills Receivable A/c To Alka A/c (Being cash received ₹500 and the bill accepted by Alka) | Dr. Dr. | 500 7,000 | 7,500 |
| Apr 10 | Alka A/c To Bills Receivable A/c (Being Alka got the bill cancelled) | Dr. | 7,000 | 7,000 |
| Apr 10 | Cash A/c To Alka A/c (Being received cash from Alka) | Dr. | 2,000 | 2,000 |
| Apr 10 | Alka A/c To Interest A/c (Being interest charged on the amount due from Alka) | Dr. | 500 | 500 |
| Apr 10 | Bills Receivable A/c To Alka A/c (Being Alka's acceptance payable of two months received) | Dr. | 5,500 | 5,500 |
| June 13 | Cash A/c To Bills Receivable A/c (Being Alka's acceptance met on due date) | Dr. | 5,500 | 5,500 |

Ledger

Alaka's Account

| Dr. | | | | Cr. | | | |
|--------|-------------------------|------|----------|--------|-------------------------|------|----------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Feb 14 | To Sales A/c | | 7,500 | Feb 14 | By Cash A/c | | 500 |
| Apr 10 | To Bills Receivable A/c | | 7,000 | Feb 14 | By Bills Receivable A/c | | 7,000 |
| Apr 10 | To Interest A/c | | 500 | Apr 10 | By Cash A/c | | 2,000 |
| | | | 15,000 | Apr 10 | By Bills Receivable A/c | | 5,500 |
| | | | 15,000 | | | | 15,000 |

Book of Alka

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|---------|--|------|----------|--------------|
| 2006 | | | | |
| Feb14 | Purchases A/c To Rashmi A/c (Being goods bought from Rashmi) | Dr. | 7,500 | 7,500 |
| Feb 14 | Rashmi A/c To Cash A/c To Bills Payable A/c (Being cash paid to Rashmi ₹500 and a bill for ₹7,000 drawn by Rashmi accepted) | Dr. | 7,500 | 500 7,000 |
| Apr 10 | Bills Payable A/c To Rashmi A/c (Being bill cancelled before maturity) | Dr. | 7,000 | 7,000 |
| Apr 10 | Rashmi A/c To Cash A/c (Being cash paid to Rashmi) | Dr. | 2,000 | 2,000 |
| Apr 10 | Interest A/c To Rashmi A/c (Being interest due to Rashmi) | Dr. | 500 | 500 |
| Apr 10 | Rashmi A/c To Bills Payable A/c (Being Rashmi's acceptance payable after two months accepted) | Dr. | 5,500 | 5,500 |
| June 13 | Bills Payable A/c To Cash A/c (Being the bill met on due date) | Dr. | 5,500 | 5,500 |

Ledger

Rashmi's Account

| Dr. | | | | Cr. | | | |
|-------|----------------------|------|---------------|-------|----------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 | | | | 2015 | | | |
| Feb14 | To Cash A/c | | 500 | Feb14 | By Purchases A/c | | 7,500 |
| Feb14 | To Bills Payable A/c | | 7,000 | Apr10 | By Bills Payable A/c | | 7,000 |
| Apr10 | To Cash A/c | | 2,000 | Apr10 | By Interest A/c | | 500 |
| Apr10 | To Bills Payable A/c | | 5,500 | | | | |
| | | | 15,000 | | | | 15,000 |

Q20. Nikhil sold goods for ₹ 23,000 to Akhil on Dec. 01, 2015. 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.

Solution:

Books of Nikhil

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------------|---------------|----------|
| 2015 Dec 01 | Akhil A/c To Sales A/c (Being goods sold to Akhil) | Dr. | 23,000 | 23,000 |
| Dec 01 | Bills Receivable A/c To Akhil A/c (Being Akhil's acceptance received) | Dr. | 23,000 | 23,000 |
| Dec 01 | Bank A/c Discount Charges A/c (23,000 * 12% * 2/12) To Bills Receivable A/c (Being Akhil's acceptance discounted at 12% p.a. with bank) | Dr. Dr. | 22,540 460 | 23,000 |
| 2016 Feb 04 | Akhil A/c To Bank A/c (Being Akhil's acceptance dishonoured, bank paid ₹100 as noting charges) | Dr. | 23,100 | 23,100 |
| Feb 04 | Akhil A/c To Interest A/c(23,100 * 10% * 2/12) (Being interest credited on account of bill dishonoured at 10% p.a. for two months) | Dr. | 385 | 385 |
| Feb 04 | Bills Receivable A/c To Akhil A/c (Being new acceptance received from Akhil for next two month received) | Dr. | 23,485 | 23,485 |
| Mar 31 | Akhil A/c To Bills Receivable A/c (Being the second bill cancelled one week before maturity) | Dr. | 23,485 | 23,485 |
| Mar 31 | Cash A/c To Akhil A/c (Being cash received from Akhil) | Dr. | 10,000 | 10,000 |
| Mar 31 | Akhil A/c To Interest A/c (Being interest due from Akhil for the bill) | Dr. | 500 | 500 |
| Mar 31 | Bills Receivable A/c To Akhil A/c (Being the bill receivable received from Akhil) | Dr. | 13,985 | 13,985 |
| May 03 | Cash A/c To Bills Receivable A/c (Being third bill met on due date) | Dr. | 13,985 | 13,985 |

**Ledger
Akhil's Account**

| Dr. | | | | Cr. | | | |
|----------------|-------------------------|------|---------------|----------------|-------------------------|------|---------------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Dec 01 | To Sales A/c | | 23,000 | 2015 Dec 01 | By Bills Receivable A/c | | 23,000 |
| 2016 Feb 04 | To Bank A/c | | 23,000 | 2016 Feb 04 | By Bills Receivable A/c | | 23,485 |
| Feb 04 | To Interest A/c | | 385 | Mar 31 | By Cash A/c | | 10,000 |
| Mar 31 | To Bills Receivable A/c | | 23,000 | Mar 31 | By Bills Receivable A/c | | 13,985 |
| Mar 31 | To Interest A/c | | 500 | | | | |
| | | | 70,470 | | | | 70,470 |

Books of Akhil

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------------|---------------|----------|
| 2015 Dec 01 | Purchases A/c To Nikhil A/c (Being goods bought from Nikhil) | Dr. | 23,000 | 23,000 |
| Dec 01 | Nikhil A/c To Bills Payable A/c (Being drawn by Nikhil payable after two month accepted) | Dr. | 23,000 | 23,000 |
| 2016 Feb 04 | Bills Payable A/c Noting Charges A/c To Nikhil A/c (Being bill dishonoured, on due date and ₹100 paid by the holder of bill) | Dr. Dr. | 23,000 100 | 23,100 |
| Feb 04 | Interest A/c To Nikhil A/c (Being interest due to Nikhil for the bill dishonoured) | Dr. | 385 | 385 |
| Feb 04 | Nikhil A/c To Bills Payable A/c (Being new bill accepted payable after two months) | Dr. | 23,485 | 23,485 |
| Mar 31 | Bills Payable A/c To Nikhil A/c (Being bill cancelled before maturity) | Dr. | 23,485 | 23,485 |
| Mar 31 | Nikhil A/c To Cash A/c (Being cash paid to Nikhil) | Dr. | 10,000 | 10,000 |
| Mar 31 | Interest A/c To Nikhil A/c (Being interest due to Nikhil for bill cancellation) | Dr. | 500 | 500 |
| Mar 31 | Nikhil A/c To Bills Payable A/c (Being new bill accepted payable after one month) | Dr. | 13,985 | 13,985 |
| May 03 | Bills Payable A/c To Cash A/c (Being third bill met on maturity) | Dr. | 13,985 | 13,985 |

Ledger
Nikhil Account

| Dr. | | | | Cr. | | | |
|----------------|----------------------|------|----------|----------------|-----------------------|------|----------|
| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
| 2015 Dec 01 | To Bills Payable A/c | | 23,000 | 2015 Dec 01 | By Purchases A/c | | 23,000 |
| 2016 Feb 04 | To Bills Payable A/c | | 23,485 | 2016 Feb 04 | By Bills Payable A/c | | 23,000 |
| Mar 31 | To Cash A/c | | 10,000 | Feb 04 | By Noting Charges A/c | | 100 |
| Mar 31 | To Bills Payable A/c | | 13,985 | Feb 04 | By Interest A/c | | 385 |
| | | | | Mar 31 | By Bills Payable A/c | | 23,485 |
| | | | | Mar 31 | By Interest A/c | | 500 |
| | | | 70,470 | | | | 70,470 |

Q21. On Jan 01, 2015 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 Cr. or 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.

Solution:

Book of Vibha

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 01 | Sudha A/c To Sales A/c (Being goods sold to Sudha) | Dr. | 18,000 | 18,000 |
| Jan 01 | Bills Receivable A/c To Sudha A/c (Being Sudha's acceptance received) | Dr. | 18,000 | 18,000 |
| Jan 01 | Geeta A/c To Bills Receivable A/c (Being Sudha's acceptance endorsed in favour of Geeta) | Dr. | 18,000 | 18,000 |
| Feb 27 | Sudha A/c To Geeta A/c (Being Sudha cancelled the bill five days before the maturity) | Dr. | 18,000 | 18,000 |
| Feb 27 | Geeta A/c To Cash A/c (Being cash paid to Geeta) | Dr. | 18,000 | 18,000 |
| Feb 27 | Sudha A/c To Interest A/c (Being interest credited to Sudha on account of cancelling the bill) | Dr. | 200 | 200 |
| Feb 27 | Bills Receivable A/c To Sudha A/c (Being new bill drawn on Sudha for one month) | Dr. | 18,200 | 18,200 |
| Mar 30 | Cash A/c To Sudha A/c (Being Sudha's acceptance met on due date) | Dr. | 18,200 | 18,200 |

Q22. Following was the position of debtor and Creditor of Gautam as on 1.1.2015.

| | 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 2015:

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

| | |
|--------|--|
| Jan 02 | Drew on Babu at two months after date at full settlement for Rs.4,800. Babu accepted the bill and returned it on 5.1.2015. |
| Jan 04 | Babu's bill discounted for Rs.4,750. |
| Jan 08 | Chanderkala sent a promissory note for Rs.8,000 payable three months after date. |
| Jan 10 | Promissory note received from Chanderkala discounted for Rs.7,900. |
| Jan 12 | Accepted Sheiba draft for the amount due payable two months after date. |
| Jan 22 | Anita sent his promissory note payable after two months. |
| Jan 23 | Anita's promissory note endorsed in favour of Manju. |
| Jan 25 | Accepted Anju's draft payable after three months. |
| Jan 29 | Kiran sent Rs.2,000 in cash and a promissory note for the balance payable after three months. |

Record the above transactions in the proper subsidiary books.

Solution:

Bills Receivable Book

| No. | Date of Bill 2015 | Date Received 2015 | From Whom of Bill | Drawer Whom received | Acceptor | Where | Term Payable | Due date 2015 | L.F. | Amount ₹ | Cash Book Folio | Remarks |
|--------------|-------------------|--------------------|-------------------|----------------------|----------|-------|--------------|---------------|------|--------------|-----------------|---------|
| 01 | Jan 02 | Jan 05 | Babu | Self | Babu | | 2 months | Mar 05 | | 4,800 | | |
| Total | | | | | | | | | | 4,800 | | |

Bills Payable Book

| No. | Date of Bill 2015 | To Whom Given | Drawer | Payee | Where payable | Term | Due date 2015 | Ledger | Amount ₹ | Date paid | Cash Book Folio | Remarks |
|--------------|-------------------|---------------|--------|-------|---------------|----------|---------------|--------|---------------|-----------|-----------------|---------|
| 01 | Jan 12 | Sheiba | Sheiba | - | | 2 months | Mar 15 | | 12,000 | | | |
| 02 | Jan 25 | Anju | Anju | - | | 3 months | Apr 28 | | 5,000 | | | |
| Total | | | | | | | | | 17,000 | | | |

Cash Book

Dr.

Cr.

| Date | Particulars | L.F. | Cash ₹ | Bank ₹ | Date | Particulars | L.F. | Cash ₹ | Bank ₹ |
|--------|-------------------------|------|--------|--------|--------|----------------|------|--------|--------|
| 2015 | | | | | 2015 | | | | |
| Jan 04 | To Bills Receivable A/c | | | 4,750 | Jan 31 | By Balance c/d | | 2,000 | 12,650 |
| Jan 10 | To Bills Receivable A/c | | | 7,900 | | | | | |
| Jan 29 | To Kiran A/c | | 2,000 | | | | | | |
| | | | 2,000 | 12,650 | | | | 2,000 | 12,650 |

There is difference between Bills of Exchange and Promissory Note. In case of Promissory Note, parties are makers and payees. However, in Bills of Exchange parties are Drawer, drawee (acceptor) and payee on account difference Promissory Note has not been recorded in Bills Receivable and Bills Payable book.

Books of Gautam

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------|----------|----------|
| 2015 Jan 02 | Discount Allowed A/c To Babu A/c (Being Babu's acceptance received and allowed him discount ₹200) | Dr. | 200 | 200 |
| Jan 04 | Discount A/c To Bills Receivable A/c (Being Babu's acceptance discounted with a discount charge of ₹50) | Dr. | 50 | 50 |
| Jan 08 | Bills Receivable A/c To Chanderkala A/c (Being promissory note received from Chanderkala for 3 months) | Dr. | 8,000 | 8,000 |
| Jan 10 | Discount A/c To Bills Receivable A/c (Being Chanderkala's promissory note discounted with bank at discount of ₹100) | Dr. | 100 | 100 |
| Jan 22 | Bills Receivable A/c To Anita A/c (Being promissory note received from Anita for 2 months) | Dr. | 14,000 | 14,000 |
| Jan 23 | Manju A/c To Bills Receivable A/c (Being Anita's promissory note endorsed to Manju) | | 14,000 | 14,000 |
| Jan 29 | Bills Receivable A/c To Kiran A/c (Being promissory note received from Kiran for 3 months) | Dr. | 11,500 | 11,500 |

Q23. On Jan. 01, 2015 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.

Solution:

Book of Tanu

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|-------------|----------|
| 2015 Jan 01 | Bills Receivable A/c To Harsh A/c (Being Harsh's acceptance received) | Dr. | 10,000 | 10,000 |
| Jan 01 | Bank A/c Discounting Charges A/c (10,000 * 8% * 1/12) To Bills Receivable A/c (Being Harsh's acceptance discounted at 8%p.a. for one month) | Dr. | 9,933 67 | 10,000 |
| Feb 04 | Harsh A/c To Bank A/c (Being Harsh's account settled by paying amount due to Harsh through cheque) | Dr. | 10,000 | 10,000 |

Book of Harsh

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------|----------|----------|
| 2015 Jan 01 | Tanu A/c To Bills Payable A/c (Being bill drawn by Tanu accepted) | Dr. | 10,000 | 10,000 |
| Feb 04 | Bank A/c To Tanu A/c (Being cheque received from Tanu) | Dr. | 10,000 | 10,000 |
| Feb 04 | Bills Payable A/c To Bank A/c (Being bill drawn by Tanu met on due date) | Dr. | 10,000 | 10,000 |

Q24. Ritesh and Naina were in need of funds temporarily. On August 01, 2015 Ritesh drew upon Naina a bill for ₹ 12,000 for 4 months. Naina accepted the bill and returned to Ritesh. Ritesh discounted the Bill @ 8% p.a. Half amount of the discounted bill remitted to Naina. On due date, Ritesh sent the required sum to Naina, who met the bill. Journalise the transaction in the books of both the parties.

Solution:

Book of Ritesh

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------------|---------------|--------------|
| 2015 Aug 01 | Bills Receivable A/c To Naina A/c (Being Naina's acceptance received for 4 months) | Dr. | 12,000 | 12,000 |
| Aug 01 | Bank A/c Discounting Charges A/c (12,000 × 8% × 4/12) To Bills Receivable A/c (Being Naina's acceptance discounted at 8% p.a. with bank) | Dr. Dr. | 11,680 320 | 12,000 |
| Aug 01 | Naina A/c To Cash A/c To Discount A/c (320/2) (Being half the proceeds remitted to Naina) | Dr. | 6,000 | 5,840 160 |
| Dec 04 | Naina A/c To Cash A/c (Being balance amount paid to Naina, in order to met the bill) | Dr. | 6,000 | 6,000 |

Book of Naina

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|---|------------|--------------|----------|
| 2015 Aug 01 | Ritesh A/c To Bills Payable A/c (Being bill payable after four months accepted) | Dr. | 12,000 | 12,000 |
| Aug 01 | Cash A/c Discounting Charges A/c To Ritesh A/c (Being half amount of the discounted bill received from Ritesh) | Dr. Dr. | 5,840 160 | 6,000 |
| Dec 04 | Cash A/c To Ritesh A/c (Being balance amount received from Ritesh) | Dr. | 6,000 | 6,000 |
| Dec 04 | Bills Payable A/c To Bank A/c (Being paid on maturity) | Dr. | 12,000 | 12,000 |

Q25. On Jan. 01, 2014, Bhanu and Naman drew on each other a bill for ₹ 8,000 payable 3 months after the due date for their mutual benefit. On January 02 they discounted with their bank each other's bill at 5% p.a. on the due date each met his own acceptance. Give journal entry in the books of Bhanu and Naman.

Solution:

Book of Bhanu

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------------|--------------|----------|
| 2014 Jan 01 | Bills Receivable A/c To Naman A/c (Being received Naman's acceptance for mutual help) | Dr. | 8,000 | 8,000 |
| Jan 01 | Naman A/c To Bills Payable A/c (Being Naman's acceptance accepted, payable after 3 months for mutual help) | Dr. | 8,000 | 8,000 |
| Jan 01 | Bank A/c Discounting Charges A/c (8000 * 5% * 3/12) To Bills Receivable A/c (Being Naman's acceptance discounted at 5% p.a. with bank for three months) | Dr. Dr. | 7,900 100 | 8,000 |
| Apr 04 | Bills Payable A/c To Cash A/c (Being Naman's acceptance cleared) | Dr. | 8,000 | 8,000 |

Book of Naman

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|--|------------|--------------|----------|
| 2014 | | | | |
| Jan 01 | Bills Receivable A/c To Bhanu A/c (Being Bhanu's acceptance received for mutual help) | Dr. | 8,000 | 8,000 |
| Jan 01 | Bhanu A/c To Bills Payable A/c (Being drawn by Bhanu payable after 3 months accepted for mutual help) | Dr. | 8,000 | 8,000 |
| Jan 01 | Bank A/c Discounting Charges A/c To Bills Receivable A/c (Being Bhanu's acceptance discounted at 8% p.a. for three month with bank) | Dr. Dr. | 7,900 100 | 8,000 |
| Jan 01 | Bills Payable A/c To Cash A/c (Being bill drawn by Bhanu discharged on due date) | Dr. | 8,000 | 8,000 |

Q26. On Nov. 01, 2014 Sonia drew a bill on Sunny for ₹ 15,000 for 3 months for mutual accommodation. Sunny accepts the bill and return it to Sonia. Sonia discounted the same with his bankers @ 6% p.a. The proceeds are shared between Sonia and Sunny in proportion of 2/3rd, 1/3rd respectively. On the due date Sonia remits his proportion to Sunny who fails to meet the bill and as a result Sonia has to meet it. Sunny give a fresh acceptance for the amount due to Sonia plus interest of ₹ 100. Sunny meet his second acceptance on due date. Record the necessary journal entries in the books of Sonia and Sunny.

Solution:

Book of Sonia

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|--------|--|------------|---------------|-------------|
| 2014 | | | | |
| Nov 01 | Bills Receivable A/c To Sunny A/c (Being Sunny's acceptance received) | Dr. | 15,000 | 15,000 |
| Nov 01 | Bank A/c Discounting Charges A/c (15000 * 6% * 3/12) To Bills Receivable A/c (Being bill discounted with banker at 6% p.a. for 3months) | Dr. Dr. | 14,775 225 | 15,000 |
| Nov 01 | Sunny A/c To Cash A/c To Discounting Charges A/c (Being 1/3 rd amount of discounted bill remitted to Sunny) | Dr. | 5,000 | 4,925 75 |
| 2015 | | | | |
| Feb 04 | Sunny A/c To Cash A/c (Being balance amount bill remitted to Sunny) | Dr. | 10,000 | 10,000 |
| Feb 04 | Sunny A/c To Bank A/c (Being bill discounted with bank dishonoured) | Dr. | 15,000 | 15,000 |

| | | | | |
|--------|---|-----|--------|--------|
| Feb 04 | Bank A/c To Cash A/c (Being cash paid to bank on account of dishonour of bill) | Dr. | 15,000 | 15,000 |
| Feb 04 | Sunny A/c To Interest A/c (Being interest due from Sunny on account of dishonour of bill) | Dr. | 100 | 100 |
| Feb 04 | Bills Receivable A/c To Sunny A/c (Being fresh acceptance received from Sunny) | Dr. | 15,100 | 15,100 |
| | Cash A/c To Bills Receivable A/c (Being cash received on due date) | Dr. | 15,100 | 15,100 |

Note: In the question, the maturity date of the second bill is not mentioned; so the date of honouring the bill has not been shown.

Book of Sunny

Journal

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|----------------|--|------------|-------------|----------|
| 2014 Nov 01 | Sonia A/c To Bills Payable A/c (Being bill accepted payable after three months drawn by Sonia) | Dr. | 15,000 | 15,000 |
| Nov 01 | Cash A/c Discounting Charges A/c To Sonia A/c (Being 1/3rd amount of the discounted bill received from Sonia) | Dr. Dr. | 4,925 75 | 5,000 |
| 2015 Feb 04 | Cash A/c To Sonia A/c (Being balance amount bill due from Sonia received) | Dr. | 10,000 | 10,000 |
| Feb 04 | Bills Payable A/c To Sonia A/c (Being bill drawn by Sonia dishonoured on due date) | Dr. | 15,000 | 15,000 |
| Feb 04 | Interest A/c To Sonia A/c (Being interest due to Sonia) | Dr. | 100 | 100 |
| Feb 04 | Sonia A/c To Bills Payable A/c (Being the second bill accepted) | Dr. | 15,100 | 15,100 |
| | Bills Payable A/c To Cash A/c (Being Sonia's acceptance met on due date) | Dr. | 15,100 | 15,100 |