

## Chapter 12- Accounting for Bills Exchange

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

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

The solution can be presented as follows

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

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

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

The solution can be presented as follows

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

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

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

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

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

The solution can be presented as follows

**Books of A  
Journal**

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

**Books of B  
Journal**

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

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

The solution can be presented as follows

**Books of Vinod  
Journal**

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

**Books of Darbara Singh  
Journal**

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

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

The solution can be presented as follows

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

#### Working Notes

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

= ₹ 600

| In the books of Y<br>Journal |                                                                         |      |                  |                   |
|------------------------------|-------------------------------------------------------------------------|------|------------------|-------------------|
| Date                         | Particulars                                                             | L.F. | Debit Amount (₹) | Credit Amount (₹) |
| 2019<br>Jan. 01              | Purchases A/c<br>To X's A/c<br>(Being goods purchased from X on credit) | Dr.  | 20,000           | 20,000            |
| Jan. 01                      | X's A/c<br>To Bills Payable A/c<br>(Being acceptance given to X)        | Dr.  | 20,000           | 20,000            |
| April 04                     | Bills Payable A/c<br>To Bank A/c<br>(Being bill paid on maturity)       | Dr.  | 20,000           | 20,000            |

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

The solution can be presented as follows

**Books of Dinesh**

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

**Books of Shridhar**

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

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

The solution can be presented as follows

**In the books of A  
Journal**

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

**Working Notes:**

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

= ₹ 100

**In the books of B  
Journal**

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

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

The solution can be presented as follows

**Books of A  
Journal**

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

**Books of B  
Journal**

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



**Books of C  
Journal**

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

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

The solution can be presented as follows

**Books of A  
Journal**

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

**Books of B  
Journal**

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

**Books of C  
Journal**

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

**Working Note:**

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

= 240

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

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

The solution can be presented as follows

**Books of A  
Journal**

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

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

The solution can be presented as follows

**Books of Mohan Singh  
Journal**

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

**Books of Jagat  
Journal**

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

**Q.12 X draws on Y a bill for ₹ 4,000 which was duly accepted by Y. Y meets the bill on its due date. Show what entries would be passed in the books of X under each of the following circumstances:**

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

The solution can be presented as follows

Case (a)

**Books of X  
Journal**

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

Case (b)

**Journal**

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

Case (c)

**Journal**

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

Case (d)

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

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

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

The solution can be presented as follows

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

**Books of Shyam  
Journal**

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

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

The solution can be presented as follows

**Books of Naresh  
Journal**

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

**Books of Kailash  
Journal**

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

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



The solution can be presented as follows

**In the books of X  
Journal**

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

**In the books of Y  
Journal**

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

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

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

The solution can be presented as follows

**Books of A  
Journal**

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

**Books of B  
Journal**

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

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

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

The solution can be presented as follows

**Books of Mohan  
Journal**

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

**Books of Sohan  
Journal**

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

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

The solution can be presented as follows

**Books of R  
Journal**

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

**Books of T  
Journal**

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

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

**Record the transactions in the books of A, B and C.**

The solution can be presented as follows

**Books of A  
Journal**

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

**Books of B  
Journal**

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

**Books of C  
Journal**

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

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

The solution can be presented as follows

**Books of X  
Journal**

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

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

The solution can be presented as follows

**Books of A  
Journal**

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

**Books of B  
Journal**

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



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

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

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

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

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

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

The solution can be presented as follows

(a)

**Books of A  
Journal**

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

(b)

**Journal**

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

(c)

**Journal**

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

(d)

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

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

The solution can be presented as follows

**Books of Ramesh  
Journal**

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

**Books of Mahesh  
Journal**

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

**Books of Mukesh  
Journal**

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

**Books of Suresh  
Journal**

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

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

The solution can be presented as follows

**Books of A  
Journal**

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

**Books of B  
Journal**

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

**Books of C  
Journal**

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

Q.25 X sells goods for ₹ 40,000 to Y on 1st January, 2019 and on the same day draws a bill on Y at three months for the amount. Y accepts it and returns it to X, who discounted it on 4th January, 2019 with his bank at 6% p.a. The acceptance is dishonoured on the due date and the noting charges were paid by bank being ₹ 200.

On 4th April, 2019, Y accepts a new bill at three months for the amount then due to X together with interest at 12% p.a.

Make Journal entries to record these transactions in the books of X.

The solution can be presented as follows

**X's Journal**

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

**Working Notes:**

1. Amount of Discounting Charges

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

$$= 200$$

2. Amount of Interest on Renewal of Bill

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

$$= 1,206$$



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

The solution can be presented as follows

**Books of Mohan  
Journal**

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

**Books of Ram  
Journal**

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

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

The solution can be presented as follows

**Books of X  
Journal**

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

**Books of Y  
Journal**

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

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

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

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

The solution can be presented as follows

**Books of X  
Journal**

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

**Books of Y  
Journal**

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

Journal entries – In case the bill is dishonoured

**Books of X  
Journal**

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

**Books of Y  
Journal**

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

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

The solution can be presented as follows

**Books of A  
Journal**

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

**Books of B  
Journal**

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

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

The solution can be presented as follows



**Books of A  
Journal**

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

**Working Note:**

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

= 240

**Books of B  
Journal**

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

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

The solution can be presented as follows

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

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

**Books of AB & Co  
Journal**

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

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

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

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

**(b) met at maturity and**

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

The solution can be presented as follows

Case (a) If the bill is dishonoured

**Books of B  
Journal**

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

**Books of A  
Journal**

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

Case (b) The bills met at maturity

**Books of B  
Journal**

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

**Books of A  
Journal**

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

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

**Books of B  
Journal**

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

**Working Note:**

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

$$= 4$$

**Books of A  
Journal**

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

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

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

The solution can be presented as follows

**Books of Amar  
Journal**

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

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

**(a) B's acceptance to us for ₹ 1,000 due this day, renewed at his request for 3 months with interest @ 6% p.a.**

**(b) Our bill to Chandra for ₹ 5,000 renewed for 2 months with interest @ 6% p.a.**

**(c) B's acceptance of ₹ 3,000 is discharged on his paying us cash ₹ 1,000 and accepting a fresh bill for the balance with interest ₹ 100.**



The solution can be presented as follows

(a)

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

**Working Note:**

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

$$= 15$$

(b)

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

**Working Note:**

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

$$= 50$$

(c)

**Journal**

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

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

The solution can be presented as follows

**Books of Leena  
Journal**

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

**Working Note:**

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

$$= 1020$$

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

$$= 170$$

**Books of Meena  
Journal**

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

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

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

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

The solution can be presented as follows

(a)

**Books of Kapadia  
Journal**

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

(b)

**Books of Kapadia  
Journal**

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

**Working Note:**

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

$$= 7.65$$

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

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

The solution can be presented as follows

**Books of X  
Journal**

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

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

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

The solution can be presented as follows

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

**Working Note:**

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

= 600

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

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

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

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



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

The solution can be presented as follows

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

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

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

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