

Chapter 15 – Accounting for Bills of Exchange

Question 1.

Manish sold goods to Kumar to the value of Rs.10,000 drawing upon him a bill for the amount payable 3 month after date. Kumar accepted the bill and returned it to Manish. On the due date, Manish presented the bill to Kumar who honoured it. Pass the Journal entries in the books of both the parties.

Solution:

Book of Manish
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Kumar A/c To Sale A/c (Being goods sold to Kumar)	Dr.	10,000	10,000
	Bill Receivable A/c To Kumar A/c (Being Kumar accepted bill)	Dr.	10,000	10,000
	Cash A/c To Bill Receivable A/c (Being bill honoured on maturity)	Dr.	10,000	10,000

Book of Kumar
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Purchases A/c To Manish A/c (Being bought from Manish)	Dr.	10,000	10,000
	Manish A/c To Bill payable A/c (Being drawn by Manish accepted)	Dr.	10,000	10,000
	Bills Payable A/c To Cash A/c (Being acceptance discharged by paying in cash)	Dr.	10,000	10,000

Question 2.

On 1st January 2013, A sold goods to B for Rs.5,000 and drew upon him a bill for this amount payable 3 month after date. The bill was duly accepted by B. A retained the bill due date. On the due date, the bill was paid. Pass the Journal entries in the books of A and B. Also, show the necessary accounts in the books of both the parties.

Solution:**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan.01	BA/c To Sales A/c (Being goods sold to B)	Dr.	5,000	5,000
Jan.01	Bills Receivable A/c To B A/c (Being B accepted the bill)	Dr.	5,000	5,000
Apr.04	Cash A/c To Bills Receivable A/c (Being amount of bill received on its maturity)	Dr.	5,000	5,000

**Book of B
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan.01	Purchases A/c To AA/c (Being goods bought from A)	Dr.	5,000	5,000
Jan.01	A A/c To Bills payable A/c (Being drawn by A accepted)	Dr.	5,000	5,000
Apr.04	Bills payable A/c To Cash A/c (Being payment of bill was made on its due date)	Dr.	5,000	5,000

Question 3.

Vinod sold goods to Darbara Singh for Rs. 1,000. He drew on the latter a bill for the amount payable 3 month after date. He discounted the bill with his bankers for Rs.990. On maturity, the bill is duly met. Make the journal entries in the books of Vinod and Darbara Singh.

Solution:**Book of Vinod
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Darbara Singh A/c To Sales A/c (Being goods sold to Darbara Singh)	Dr.	1,000	1,000
	Bills Receivable A/c To Darbara Singh A/c (Being bills accepted by Darbara Singh)	Dr.	1,000	1,000
	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being Darabara Singh's acceptance discounted at 9% p.a. for 3 month)	Dr. Dr.	990 10	1,000

**Book of Darbara Singh
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Purchases A/c To Vinod A/c (Being goods bought from Vinod)	Dr.	1,000	1,000
	Vinod A/c To Bills payable A/c (Being bill drawn by Vinod accepted)	Dr.	1,000	1,000
	Bills Payable A/c To Bank A/c (Being payment of bill was made on its due date)	Dr.	1,000	1000

Question 4.

Dinesh received from Shridhar an acceptance for Rs.3,000 on 1st September, 2012 at 3 month. Dines 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.

Solution:

Book of Dinesh
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2012 Sep.01	Bills Receivable A/c To Shridhar A/c (Being Shridhar's acceptance was received)	Dr.	3,000	3,000
Sep.01	Bank A/c Discount Charges A/c (3,000*9%*3/12) To Bills Receivable A/c (Being Shridhar's acceptance was discounted with bank)	Dr. Dr.	2,932 68	3,000

Book of Shridhar
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2012 Sep.01	Dinesh A/c To Bills Payable A/c (Being bill drawn by Shridhar accepted)	Dr.	3,000	3,000
Dec.04	Bills Payable A/c To Bank A/c (Being Shridhar's acceptance discharged on its due date)	Dr.	3,000	3,000

Question 5.

A sold goods to B for Rs.20,000 on credit of 3 months. He drew on the latter a bill for the amount. The bill was endorsed in favour of C, who got the payment on maturity. Give the journal entries in the books of A.

Solution:

Book of A
Journals

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	B A/c To Sales A/c (Being goods sold to B)	Dr.	20,000	20,000
	Bills Receivable A/c To B A/c (Being B accepted the bill)	Dr.	20,000	20,000
	C A/c To Bills Receivable A/c (Being B's acceptance endorsed in favour of C)	Dr.	20,000	20,000

Question 6.

On 10th July, 2013, A sold goods to B for Rs.3,500 and drew upon him a bill at 3 months of the amount. B accepted the bill. After 10 days, A endorsed the bill to his credit C. On the due date, acceptance is duly met. Show the entries in the books of A, B and C.

Solution:

**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 July 10	B A/c To Sales A/c (Being goods sold to B)	Dr.	3,500	3,500
July 10	Bills Receivable A/c To B A/c (Being B's acceptance was received)	Dr.	3,500	3,500
July 20	C A/c To Bills Receivable A/c (Being B's acceptance endorsed in favour of C)	Dr.	3,500	3,500

**Book of B
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013				
July 10	Purchases A/c To A A/c (Being goods bought from A)	Dr.	3,500	3,500
July 10	A A/c To Bills payable A/c (Being bill drawn by A accepted)	Dr.	3,500	3,500
Oct 13	Bills payable A/c To Cash A/c (Being payment of bill was made on its due date)	Dr.	3,500	3,500

**Book of C
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 July 20	Bills Receivable A/c To A A/c (Being bill Receivable received from A)	Dr.	3,500	3,500
Oct 13	Cash A/c To Bills Receivable A/c (Being amount of bill received on maturity)	Dr.	3,500	3,500

Question 7.

A owed a bill of Rs.1,000 on B for 3 month which was duly accepted by the latter. A endorsed the to C in full payment of his own acceptance to C for like amount. C endorsed the bill to B.

Pass the journal entries in the book of A,B and C.

Solution:**Book of A
Journal**

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

**Book of B
Journal**

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

**Book of C
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/c To A A/c (Being bills receivable was received from A)	Dr.	1,000	1,000
	B A/c To Bills Receivable A/c (Being amount owned to B was settled by Bills Receivable)	Dr.	1,000	1,000

Question 8.

A owed B Rs.8,000. He gave a bill for the same on 1st August, 2011 payable after 4 months at the Bank of India, Chandni Chowk, Delhi. Immediately after receiving the bill of endorsed it 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 journal entries in the books of A, B and C.

Solution:

**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2011 Aug.01	B A/c To Bills Payable A/c (Being drawn by B was accepted)	Dr.	8,000	8,000
Dec.04	Bills Payable A/c To Bank A/c (Being payment made to meet the bill on its maturity)	Dr.	8,000	8,000

**Book of B
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Aug.01	Bills Receivable A/c To A A/c (Being A's acceptance was received)	Dr.	8,000	8,000
Aug.01	C A/c To Bills Receivable A/c (Being A's acceptance endorsed in favour of C)	Dr.	8,000	8,000

**Book of C
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2011 Aug.01	Bills Receivable A/c To B A/c (Being bills receivable was received from B)	Dr.	8,000	8,000
Aug.01	Bank A/c Discount Charges A/c (8000*12%*3/12) To Bills Receivable A/c (Being bill discount at 12% p.a. for 3 month)	Dr. Dr.	7,760 240	8,000

Question 9.

Mohan Singh draws a bill on Jagat for Rs.1,000 payable 2 month 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.

Solution:

**Book of Mohan Singh
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/c Dr. To Jagat A/c (Being Jagat acceptance was received)		1,000	1,000
	Bills Sent for Collection A/c Dr. To Bills Receivable A/c (Being bill receivable sent to bank for collection)		1,000	1,000
	Bank A/c Dr. To Bills Sent for Collection A/c (Being payment of bill received by bank)		1,000	1,000

**Book of Jagat
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Mohan Singh A/c Dr. To Bills Payable A/c (Being bills drawn by Mohan Singh was accepted)		1,000	1,000
	Bills Payable A/c Dr. To Bank A/c (Being payment was made to meet the bill)		1,000	1,000

Question 10.

X draws on Y a bill for Rs.4,000 which was duly accepted by Y. Y meet the bill on its due date show what entries would be passed in the books of X under each of the following circumstance.

- a. If X retainthe bill till due date.
- b. If X discounts the same with his banker paying Rs.100 for discount.
- c. If Xendorses the same to his creditors Z in full settlement of this debt of Rs.4,080.
- d. If X sends the bill to his banker for collection the next day bank.

Solution:

Book of X
Journal

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

Case (b)

Journal

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

Case (c)

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/ c Dr. To Y A/c (Being Y's acceptance was received)		4,000	4,000
	Z A/c Dr. To Discount Received A/c To Bills Receivable A/c (Being Y's acceptance endorsed in favour of and discount allowed by Z is Rs80)		4,080	80 4,000

Case (d)

Journal

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

Question 11.

Ram draws a bill for Rs.2,000 on Shyam on 15th September, 2011 for the 3 months on maturity, Shyam failed to honour the bill.

Solution:

**Book of Ram
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2011 Sep.15	Bills Receivable A/c To Shyam A/c (Being Shyam's acceptance received)	Dr.	2,000	2,000
Dec.18	Shyam A/c To Bills Receivable A/c (Shyam's acceptance dishonoured)	Dr.	2,000	2,000

**Book of Shyam
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2011 Sep.15	Ram A/c To Bills Payable A/c (Being bill drawn by Ram was accepted)	Dr.	2,000	2,000
Dec.18	Bills Payable A/c To Ram A/c (Being bills payable dishonoured)	Dr.	2,000	2,000

Question 12.

On 20thmarch,2013, Naresh sold goods to Kailash to the value of Rs.1,250, taking a bill of 3 months for the amount. On maturity, the bill was dishonoured. Rs.10of noting charges. On 1stJuly, Kailash cleared his account by paying Rs. 1,260. Make the entries in the books of both the parties to record the above transaction.

Solution:

**Book of Naresh
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013				
Mar.20	Kailash A/c To Sales A/c (Being goods sold to Kailash)	Dr.	1,250	1,250
Mar.20	Bills Receivable A/c To Kailash A/c (Being Kailash's acceptance was received)	Dr.	1,250	1,250
Jun.23	Kailash A/c To Bills Receivable A/c To Cash A/c (Being bill received from Kailash dishonoured and ₹10 paid for nothing the bill)	Dr.	1,260	1,260 10
July.01	Cash A/c To Kailash A/c (Being received cash from Kailash)	Dr.	1,260	1260

**Book of Kailash
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Mar.20	Purchases A/c To Naresh A/c (Being goods were bought from Naresh)	Dr.	1,250	1,250
Mar.20	Naresh A/c To Bills Payable A/c (Being bill drawn by Naresh was accepted)	Dr.	1,250	1,250
Jun.23	Bills Payable A/c Noting Charges A/c To Naresh A/c (Being bill payable was dishonoured)	Dr. Dr.	1,250 10	1,260
July.01	Naresh A/c To Cash A/c (Being paid cash to Naresh)	Dr.	1,260	1,260

Question 13.

On 1st July, 2011, A drew a bill for Rs.500. On B payable after 3 months. A discounted it the Bank for Rs.485. On maturity B failed to pay the amount of his acceptance and had to pay Rs.5 as noting charges.

Draw up the necessary Journal entries in the books of A and B.

Solution:

**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2011 Jul.05	Bills Receivable A/c To B A/c (Being B's acceptance was received)	Dr.	500	500
Jul.01	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being B's acceptance discounted with bank)	Dr. Dr.	485 15	500
Oct.04	B A/c To Bank A/c (Being B's acceptance became dishonoured, bank paid noting charges of ₹5)	Dr.	505	505

**Book of B
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2011 Ju.01	A A/c To bills Payable A/c (Being bill drawn by A was accepted)	Dr.	500	500
Oct.04	Bills Payable A/c Nothing Charges A/c To A A/c (Being bills payable dishonoured)	Dr. Dr.	500 5	505

Question 14.

On 15th June, 2015, Mohan sold goods to Sohan valued at Rs.2,000. He drew a bill 3 month for the amount and discounted the same with his bankers at Rs.1,960. On the due date the bill was dishonoured and Mohan paid to the bank the amount due plus noting charges of Rs.10.

Draft the journal entries in the books of all parties.

Solution:

Book of Mohan
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 June 15	Sohan A/c To Sales A/c (Being goods sold to Sohan)	Dr.	2,000	2,000
June 15	Bills Receivable A/c To Sohan A/c (Being Sohan's acceptance was received)	Dr.	2,000	2,000
June 15	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being Sohan's acceptance discounted with bank)	Dr. Dr.	1,960 40	2,000
Sep.18	Sohan A/c To Bank A/c (Being Sohan's acceptance become dishonoured and bank paid ₹10 noting charges)	Dr.	2,010	2,010
Sep.18	Bank A/c To Cash A/c (Being paid the amount due plus noting charges of ₹10)	Dr.	2,010	2,010

Book of Sohan
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 June 15	Purchase A/c To Mohan A/c (Being goods were bought from Sohan)	Dr.	2,000	2,000
June 15	Mohan A/c To Bills Payable A/c (Being bills drawn by Mohan was accepted)	Dr.	2,000	2,000
Sep.18	Bills Payable A/c Discount Charges A/c To Mohan A/c (Being bills payable become dishonoured)	Dr. Dr.	2,000 10	2,010

Question 15.

On 1st March, 2015, R accepted a Bill of Exchange of Rs.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 Rs.5,000 in settlement of his debt to the latter. On 2nd March, 2015, T discounted the Bill of exchange @ 6% p.a. with his bankers. On maturity the Bill of Exchange was dishonoured.

Journalise the transaction in the books of R and T.

Solution:Book of R
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Mar.01	S A/c To Bill Payable A/c (Being bill drawn by S was accepted)	Dr.	20,000	20,000
June 04	Bills Payable A/c To S A/c (Being bills payable dishonoured)	Dr.	20,000	20,000

Book of T
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Mar.01	Bank A/c Bills Receivable A/c To S A/c (Being bills Receivable and cheque received from S)	Dr. Dr.	5,000 20,000	25,000
Mar.02	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being R's acceptance discounted with bank at 6% p.a. for 3 month)	Dr. Dr.	19,700 300	20,000
June04	S A/c To Bank A/c (Being bill received from S was dishonoured)	Dr.	20,000	20,000

Question 16.

On 1st January, 2015, A drew a bill on B for Rs.1,000 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 Rs.5 as noting charges. Record the transactions in the books of A, B and C.

Solution:

**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan.01	Bills Receivable A/c To B A/c (Being B's acceptance was received)	Dr.	1,000	1,000
Jan.11	C A/c To Bills Receivable A/c (Being B's acceptance endorsed in favour of C)	Dr.	1,000	1,000
April 04	B A/c To C A/c (Being bill endorsed in favour of C was dishonoured and C paid noting charges ₹5)	Dr.	1,005	1,005

**Book of B
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan.01	A A/c To Bills Payable A/c (Being bill drawn by A was accepted)	Dr.	1,000	1,000
April.04	Bill Payable A/c Noting charges A/c To A A/c (Being bill payable dishonoured)	Dr. Dr.	1,000 5	1,005

**Book of C
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan.11	Bills Receivable A/c To A A/c (Being receivable received from A)	Dr.	1,000	1,000
April.04	A A/c To Bills Receivable A/c To Cash A/c (Being receivable received from A become dishonoured and Noting Charge paid ₹5)	Dr.	1,005	1,000 5

Question 17.

B owes A Rs.4,000 on 1st January, 2015. B accepts a 3 months bill for Rs.3,900 being in full settlement of the claim. At its due date the bill is dishonoured. Noting charges Rs.50 are paid by A. Give the Journal entries in the books of A and B.

Solution:**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan.01	Bills Receivable A/c Discount Allowed A/c To B A/c (Being B's acceptance received and discount allowed)	Dr. Dr.	3,900 100	4,000
April.04	B A/c To Bill Receivable A/c To Discount Allowed A/c To Cash A/c (Being B's acceptance become dishonoured and noting charges paid ₹50)	Dr.	4,050	3,900 100 50

**Book of B
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan.01	A A/c To Bills Payable A/c To Discount Received A/c (Being bill drawn by A was accepted and discount was received from him)	Dr.	4,000	3,900 100
April.04	Bill Payable A/c Discount Receivable A/c Noting Charges A/c To A A/c (Being bills payable dishonoured)	Dr. Dr. Dr.	3,900 100 50	4,050

Question 18.

Y owes X Rs.4,000. On 1st January, 2015, Y accepts a 3 months bill for Rs.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 Rs.3,980. The bill is dishonoured on the due date. Give the Journal entries in the books of X.

Solution:**Book of X
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan.01	Bills Receivable A/c Discount Allowed A/c To Y A/c (Being Y's acceptance received in full settlement of amount due from him and allowed with discount)	Dr. Dr.	3,900 100	4,000
Jan.01	Z A/c To Bills Receivable A/c To Discount Received A/c (Being Y's acceptance endorsed in favour of Z and discount received)	Dr.	3,980	3,900 80
Mar.04	Y A/c Discount Received A/c To Z A/c To Discount Allowed A/c (Being Y's acceptance was endorsed to Z, now dishonoured)	Dr. Dr.	4,000 80	3,980 100

Question 19.

Rama sold goods worth Rs.1,200 to Reshma on 1st January, 2015. On the same date Rama draws a bill on Reshma for

Rs.1,200 for a period of 3 months. On receipt of the bill on 1st January, duly accepted by Reshma. Ramadiscounts it with a bank at 6% p.a. On the date of maturity, the bill was dishonoured, the bank having to pay Rs.20 as noting charges. Rama was compelled to make the settlement. Show the Journal entries arising from the above in the books of both Rama and Reshma.

Solution:

**Book of Rama
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan.01	Reshma A/c To Sales A/c (Being goods were sold to Reshma)	Dr.	1,200	1,200
Jan.01	Bills Receivable A/c To Reshma A/c (Being Reshma's acceptance was received)	Dr.	1,200	1,200
Jan.01	Bank A/c Discount Charges A/c (1200*6%*3/12) To Bills Receivable A/c (Being Reshma's acceptance discounted with both at 6% p.a. for 3 month)	Dr. Dr.	1,182 18	1,200
April.04	Reshma A/c To Bank A/c (Being Reshma's acceptance which had been discounted, now become dishonoured and bank paid ₹20 as noting charges)	Dr.	1,220	1,220
April.04	Bank A/c To Cash A/c (Being liabilities arising on account of bill dishonoured was settled)	Dr.	1,220	1,220

**Book of Reshma
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan.01	Purchases A/c To Rama A/c (Being bought goods from Rama)	Dr.	1,200	1,200
Jan 04	Bills payable A/c To Bills Payable A/c (Being bill drawn by Rama was accepted)	Dr.	1,200	1,200
April 04	Bills Payable A/c Noting Charges A/c To Rama A/c (Being bill payable dishonoured)	Dr. Dr.	1,200 20	1,220

Question 20.

On 1st January, 2015, A draws a bill on B for Rs.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.

Solution:**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan.01	Bills Receivable A/c To B A/c (Being B's acceptance was received)	Dr.	1,000	1,000
Jan.01	Bills Sent for Collection A/c To Bills Receivable A/c (Being B's acceptance become dishonoured)	Dr.	1,000	1,000
Apr. 04	B A/c To Bills Sent for Collection A/c (Being B's acceptance become dishonoured)	Dr.	1,000	1,000

**Book of B
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan.01	A A/c To Bills Payable A/c (Being drawn by A was accepted)	Dr.	1,000	1,000
April.04	Bills Payable A/c To A A/c (Being payable to A became dishonoured)	Dr.	1,000	1,000

Question 21.

A bill for Rs.21,000 is drawn by A on B and accepted by the latter payable at the New Bank of India. Show what entries should be passed in the books of A under each of the following circumstances:

- If A retained the bill till the due date and then realised it on maturity.
- If A discounted it with his bankers for Rs.950.
- If A endorsed it to his creditor C in full settlement of his debt.
- If A sent it to his bankers for collection.

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

Solution:

Book of A
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/c Dr. To B A/c (Being B's acceptance was received)		1,000	1,000
	<u>On bill honoured</u> Bank A/c Dr. To Bills Receivable A/c (Being B's acceptance honoured)		1,000	1,000
	<u>On bill dishonoured</u> B A/c Dr. To Bills Receivable A/c (Being B's acceptance dishonoured)		1,000	1,000

(b)

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/c Dr. To B A/c (Being bills receivable received from B)		1,000	1,000
	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (Being bill acceptance discounted with bank)		950 50	1,000
	<u>On bill dishonoured</u> B A/c Dr. To Bank A/c (B's acceptance dishonoured)		1,000	1,000

(c)

Journal

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

(d)

Journal

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

Question 22.

On 1st January, 2013 for goods sold, Ramesh drew a Bill of Exchange Mahesh for Rs.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, 2013. The bill is then discounted by Suresh on the same date with his banker 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.

Solution:

Book of Ramesh
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan.01	Mahesh A/c Dr. To Sales A/c (Being goods were sold to Mahesh)		4,000	4,000
Jan.01	Bills Receivable A/c Dr. To Mahesh A/c (Being Mahesh's acceptance was received)		4,000	4,000
Jan.01	Mukesh A/c Dr. To Bills Receivable A/c (Being Mahesh' acceptance was endorsed in favour of Mukesh)		4,000	4,000
Apr.04	Mahesh A/c Dr. To Mukesh A/c (Being Mahesh's acceptance endorsed to Mukesh was dishonoured)		4,000	4,000

Book of Mahesh
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan.01	Purchase A/c Dr. To Ramesh A/c (Being goods were bought from Ramesh)		4,000	4,000
Jan.01	Ramesh A/c Dr. To Bills Payable A/c (Being drawn by Ramesh was accepted)		4,000	4,000
April.04	Bills Payable A/c Dr. To Ramesh A/c (Being bill payable was dishonoured)		4,000	4,000

**Book of Mukesh
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan.01	Bill Receivable A/c To Ramesh A/c (Being bill received from Ramesh)	Dr.	4,000	4,000
Feb.01	Suresh A/c To Bills Receivable A/c (Being bill which had received from Ramesh, endorsed to Suresh)	Dr.	4,000	4,000
April.04	Ramesh A/c To Suresh A/c (Being received from Ramesh was dishonoured)	Dr.	4,000	4,000

**Book of Suresh
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Feb.01	Bills Receivable A/c To Mukesh A/c (Being bill receivable received from Mukesh)	Dr.	4,000	4,000
Feb.01	Bank A/c Discount Charges A/c (4,000*5%*2/12) To Bills Receivable A/c (Being bill discount with bank at 5% p.a. for two month)	Dr. Dr.	3,967 33	4,000
April.04	Mukesh A/c To Bank A/c (Being bill received from Mukesh was dishonoured)	Dr.	4,000	4,000

Question 23.

A Bill Receivable for Rs.100, which has been discounted at Rs.95, is dishonoured and the bank paid Rs.2 as noting charges.

Give the Journal entries to record the above in the books of

- i. the Drawer
- ii. the Drawee
- iii. the Bank

Solution:

**Book of Drawer
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/c Dr. To Drawee A/c (Being acceptance was received from Drwee)		100	100
	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c (Being bill discounted with Bank)		95 5	100
	Drawee A/c Dr. To Bank A/c (Being bill which discounted with bank now dishonoured and bank paid Rs 2 month the bill)		102	102

**Book of Drawee
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Drawer A/c Dr. To Bill Payable A/c (Being bill made by drawer was accepted)		100	100
	Bill Payable A/c Dr. Noting Charges A/c Dr. To Drawer A/c (Being bill payable dishonoured)		100 2	102

**Book of Drawer's Bank
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/c Dr. To Drawer A/c To Discount A/c (Being bill receivable discounted)		100	95 5
	Drawer A/c Dr. To Bills Receivable A/c To Cash A/c (Being bill dishonoured and noting charges paid of ₹2)		102	100 2

Question 24.

A purchases goods worth Rs.6,200 from B and gives him his acceptance for Rs.6,000 in full satisfaction. B purchases goods worth Rs. 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 Rs.100. Give the Journal entries in the books of A, B and C.

Solution:

**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Purchases A/c To B A/c (Being goods purchased from B)	Dr.	6,200	6,200
	B A/c To Bills Payable A/c To Discount Received A/c (Being bill drawn by B accepted and discount allowed by him)	Dr.	6,200	6,000 200
	Bills Payable A/c Discount Receivable A/c Noting Charges A/c To B A/c (Being bill payable dishonoured)	Dr. Dr. Dr.	6,000 200 100	6,300

**Book of B
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	A A/c To Sales A/c (Being goods sold to A)	Dr.	6,200	6,200
	Bills Receivable A/c Discount Allowed A/c To A A/c (Being B's acceptance received and discounted allowed)	Dr. Dr.	6,000 200	6,200
	Purchases A/c To C A/c (Being goods bought from C)	Dr.	10,000	10,000
	C A/c To Bills Receivable A/c To Bank A/c (Being bills receivable and cheque given to C to settle due)	Dr.	10,000	6,000 4,000
	A A/c To C A/c To Discount Allowed A/c (Being bill accepted by B was dishonoured and C paid ₹100 as noting charges)	Dr.	6,300	6,100 200

**Book of C
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	B A/c To Sales A/c (Being goods sold to B)	Dr.	10,000	10,000
	Bills Receivable A/c Bank A/c To B A/c (Being bill receivable and cheque received from B)	Dr. Dr.	6,000 4,000	10,000
	B A/c To Bills Receivable A/c To Cash A/c (Being bills receivable received from B dishonoured and ₹100 paid for noting the bill)	Dr.	6,100	6,000 100

Question 25.

A draws a bill of Rs.500 on B. on getting B's acceptance, he endorse it to C and C to D. On maturity the bill is dishonoured, nothing charges amounted to Rs.10.

Give the Journal entries in the books of all the parties to record the above transactions.

Solution:**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/c Dr. To B A/c (Being B's acceptance was received)		500	500
	C A/c Dr. To Bills Receivable A/c (Being B's acceptance endorsed in favour of C)		500	500
	B A/c Dr. To C A/c (Being B's acceptance endorsed to C dishonored and noting charges paid)		510	510

**Book of B
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	A A/c Dr. To Bills Payable A/c (Being drawn by A was accepted)		500	500
	Bills Payable A/c Dr. Nothing Charges A/c Dr. To A A/c (Being bill Payable dishonored)		500 10	510

**Book of C
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/c Dr. To A A/c (Being bill receivable received from A)		500	500
	D A/c Dr. To Bills Receivable A/c Dr. (Being bill receivable endorsed to D)		500	500
	A A/c Dr. To D A/c (Being bill endorsed to D dishonoured and noting charges ₹10 paid)		510	510

**Book of D
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/c Dr. To C A/c (Being bills receivable from C)		500	500
	C A/c Dr. To Bill Receivable A/c Dr. To Cash A/c (Being bill received from C dishonored and ₹10 paid for nothing charges)		510	500 10

Question 26.

On 1st January 2013, X received from Y three Bills of Exchange for Rs.6,000; Rs.8,000 and Rs.10,000 for 6 months, 4 months and 3 months respectively. On 3rd January the first was discounted by X with his bankers at a discount of 5% p.a. On 1st February the 3rd bill was endorsed in favor of a creditor Z. The second bill was retained till the due dates all the three bills were dishonored.

Show the necessary Journal entries in the books of X and Y.

Solution:

**Book of X
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan.01	Bills Receivable A/c (Bill no. 1) Dr. Bills Receivable A/c (Bill no. 2) Dr. Bills Receivable A/c (Bill no. 3) Dr. To Y A/c (Being Y's acceptance was received)		6,000 8,000 10,000	24,000
Jan.03	Bank A/c Dr. Discount Charges A/c (6000*5%*6/12) Dr. To Bills Receivable A/c (Bill no 1) (Being bill no. 1 valid for 6 months was discounted with bank at 5% p. a.)		5,850 150	6,000
Feb.01	Z A/c Dr. To Bill Receivable A/c (Bill no 3) (Being no.3 was endorsed in favor of Z)		10,000	10,000
Apr.04	Y A/c Dr. To Z A/c (Being bill no.3 for 3 months was dishonoured on due date)		10,000	10,000
May 04	Y A/c Dr. To Bills Receivable A/c (Bill no 2) (Being bill no. 2 for 4 month was dishonoured on due date)		8,000	8,000
July 04	Y A/c Dr. To Bank A/c (Being no.1 for 6 months was dishonoured on due date)		6,000	6,000

**Book of Y
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan.01	X A/c Dr. To Bills Payable A/c (Bill no. 1) To Bills Payable (Bill no. 2) To Bills Payable A/c (Bill no. 3) (Being bill drawn by X were accepted)		24,000	6,000 8,000 10,000
Apr.04	Bills Payable A/c (Bill no. 3) Dr. To X A/c Dr. (Being bill no. 3 was not honoured)		10,000	10,000
May 04	Bills Payable A/c (Bill no. 2) Dr. To X A/c (Being bill no. 2 validity for 3 months was not honoured)		8,000	8,000
July 04	Bills Payable A/c (Bill no. 1) Dr. To X A/c (Being bill no. 1 validity for 6 months was not honoured)		6,000	6,000

Question 27.

On 1st January, 2013, Mr. X sold goods to Mr. Y for Rs.4,500 on credit and drew 3 bills on him: first bill for Rs.1,000 for 1 month, second bill for Rs.1,500 for 2 months and third bill Rs. 2,000 for 3 months. Mr. Y accepted and returned all the bills to Mr. X.

The first bill was retained by Mr. X till the date of maturity. Second bill was endorsed his creditor Mr. Z on 3rd January, 2013 and third bill was sent to bank for collection on 4th January, 2013. On maturity all the bills were dishonoured and noting charges amounted to Rs.10, Rs.15 and Rs.20 respectively.

Solution:

**Book of X
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan. 01	Y A/c To Sales A/c (Being goods was sold to Y)	Dr.	4,500	4,500
Jan. 01	Bill Receivable A/c (Bill no. 1) Bill Receivable A/c (Bill no. 2) Bill Receivable A/c (Bill no. 3) To Y A/c (Being Y's acceptance was received)	Dr. Dr. Dr.	1,000 1,500 2,000	4,500
Jan. 03	Z A/c To Bill Receivable A/c (Bill no. 2) (Being bill receivable endorsed in favor of Z)	Dr.	1,500	1,500
Jan. 04	Bills Sent for Collection A/c To Bills Receivable A/c (Being bill sent to bank for collection)	Dr.	2,000	2,000
Feb. 04	Y A/c To Bills Receivable A/c (Bill no. 1) To Cash A/c (Being bill dishonoured whose maturity period was 1 month)	Dr.	1,010	1,000 10
Mar. 04	Y A/c To Z A/c (Being bill endorsed to Z dishonoured)	Dr.	1,515	1,515
Apr. 04	Y A/c To Bill Sent for Collection A/c To Bank A/c (Being bill which had sent to bank for collection, now dishonoured and bank paid noting charges)	Dr.	2,020	2,000 20

**Book of Y
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan.01	Purchase A/c To X A/c (Being goods were bought)	Dr.	4,500	4,500
Jan.01	X A/c To Bills Payable A/c (Bill no. 1) To Bills Payable A/c (Bill no. 2) To Bills Payable A/c (Bill no. 3) (Being bill drawn by X was accepted)	Dr. Dr.	4,500	1,000 1,500 2,000
Feb 04	Bills Payable A/c Nothing Charges A/c To X A/c (Being bill payable for 1 month was dishonoured)	Dr. Dr.	1,000 10	1,010
Mar.04	Bills Payable A/c (Bill no. 2) Nothing Charges A/c To X A/c (Being bill no. 2 was dishonoured)	Dr. Dr.	1,500 15	1,515
Apr. 04	Bill Payable A/c (Bill no. 3) Nothing Charges A/c To X A/c (Being bill no. 3 dishonoured)		2,000 20	2,020

Book of Z
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan. 03	Bills Receivable A/c To X A/c (Being bill receivable received from X)	Dr.	1,500	1,500
Apr. 04	X A/c To Bill Receivable A/c To Bank A/c (Being bill received from X was dishonoured and noting charges paid)	Dr.	1,515	1,500 15

Question 28.

Ram owes Rs.2,000 to Mohan on 1st January, 2013. On this date, he accepted a draft for amount for 3 months. Mohan got the bill discounted at his bank @ 6% p.a. On the due the bill was dishonoured, noting charges Rs.20. Ram agreed to pay Rs.520 immediately 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.

Solution:

Book of Mohan
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan. 01	Bills Receivable A/c To Ram A/c (Being Ram's acceptance received)	Dr.	2,000	2,000
Jan. 01	Bank A/c Discount Charges A/c (2000*6%*3/12) To Bills Receivable A/c (Being Ram's acceptance was discounted at 6% p.a. for 3 months)	Dr. Dr.	1,970 30	2,000
Apr. 04	Ram A/c To Bank A/c (Being Ram's acceptance discounted with bank dishonoured and noting paid)	Dr.	2,020	2,020
Apr. 04	Cash A/c To Ram A/c (Being cash received from ram)	Dr.	520	520
Apr. 04	Ram A/c To Interest A/c (1500*9%*3/12) (Being interest due from on remaining amount at 9% p.a. for 3 months)	Dr.	34	34
Apr. 04	Bill Receivable A/c To Ram A/c (Being Ram's acceptance for remaining amount plus interest)	Dr.	1,534	1,534
Apr. 04	Cash A/c To Bill Receivable A/c (Being cash received on honouring of bill)	Dr.	1,534	1,534

**Book of Ram
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan. 01	Mohan A/c To Bills Payable A/c (Being bill drawn by Mohan was accepted)	Dr.	2,000	2,000
Apr. 04	Bills Payable A/c Nothing Charges A/c To Mohan A/c (Being bill dishonoured on its due date)	Dr. Dr.	2,000 20	2,020
Apr. 04	Mohan A/c To Cash A/c (Being cash paid to Mohan)	Dr.	520	520
Apr. 04	Mohan A/c To Bills Payable A/c (Being bill accepted for the amount remaining plus interest to Mohan)	Dr.	1,534	1,534
Apr. 04	Bills Payable A/c To Cash A/c (Being bill paid on maturity)	Dr.	1,534	1,534

Question 29.

On 15th June, 2013, X sold to Y goods to the value of Rs.1,500 drawing upon the latter bills, one for Rs.1,000 payable 2 months after date and other for Rs.500 payable 3 month after date. X discounted the first bill with his bankers at 6% p.a. and endorsed the second bill in favor of this creditor Z. The first bill was met on maturity but the second dishonoured. Z paid Rs.5 as noting charges. On 1st October, Y cleared his account paying Rs.510 which included Rs.5 as interest.

Record the necessary Journal entries in the books of both X and Y.

Solution:

Books of X
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 June 15	Y A/c To Sales A/c (Being goods were sold to Y)	Dr	1,500	1,500
June 15	Bills Receivable A/c (Bill no. 1) Bill Receivable A/c (Bill no. 2) To Y A/c (Being Y's acceptance was received)	Dr Dr	1,000 500	1,500
June 15	Bank A/c Discount Charges A/c (1000*6%*2/12) To Bills Receivable A/c (Bill no.1) (Being bill issued for two months discounted at 6% p.a. for two months)	Dr Dr	900 10	1,000
June 15	Z A/c To Bills Receivable A/c (Bill no. 2) (Being Y's acceptance bill no. 2 endorsed in favor of Z)	Dr	500	500
Sep. 18	Y A/c To Z A/c (Being Y's acceptance endorsed to Z dishonoured and noting charges paid)	Dr	505	505
Oct. 01	Y A/c To Interest A/c (Being interest due from Y)	Dr	5	5
	Cash A/c To Y A/c (Being amount due from Y received)	Dr	510	510

Books of Y
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 June 15	Purchase A/c To X A/c (Being goods were bought from X)	Dr.	1,500	1,500
June 15	X A/c To Bill Payable A/c (Bill no.1) To Bill Payable A/c (Bill no.2) (Being bill drawn by X were accepted)	Dr.	1,500	1,000 500
Aug. 18	Bills Payable A/c (Bill no.1) To Bank A/c (Being payment made for bill on maturity)	Dr.	1,000	1,000
Sep. 18	Bills Payable A/c (Bill no. 2) Nothing Charges A/c To X A/c (Being bill dishonored)	Dr. Dr.	500 5	505
Oct. 01	Interest A/c To X A/c (Being interest due to X)	Dr.	5	5
Oct. 01	X A/c To Cash A/c (Being payment made to X)	Dr	510	510

Question 30.

X draws a bill on Y for Rs.2,000 on 1st January, 2013. 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 Rs.2,050. X discounts the bill on the same date with the Central Bank of India for Rs.1,980. At 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?

Solution:

**Book of X
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan. 01	Bills Receivable A/c Discount Allowed A/c To Y A/c (Being Y's acceptance was received and discount allowed)	Dr. Dr.	2,000 50	2,050
Jan. 01	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being Y's acceptance was discounted with bank)	Dr. Dr.	1,980 20	2,000

**Book of Y
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan. 01	X A/c To Bill Payable A/c To Discount Received A/c (Being bill drawn by X was accepted)	Dr.	2,050	2,000 50
	Bills Payable A/c To Bank A/c (Being bill duly met on maturity)	Dr.	2,000	2,000

In case the bill is dishonoured:

**Book of X
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan. 01	Bills Receivable A/c Discount Allowed A/c To Y A/c (Being Y's acceptance was received and discount allowed)	Dr. Dr.	2,000 50	2,050
Jan. 01	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being Y's acceptance was discounted with bank)	Dr. Dr.	1,980 20	2,000
	Y A/c To Bank A/c To Discount Allowed A/c (Being Y's acceptance became dishonoured)	Dr.	2,050	2,000 50

**Book of Y
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan. 01	X A/c To Bills Payable A/c To Discount Received A/c (Being bill drawn by X was accepted and discount received)	Dr.	2,050	2,000 50
	Bills Payable A/c Discount Received A/c To X A/c (Being became dishonoured)	Dr. Dr.	2,000 50	2,050

On 1st June, 2013, A sold goods to B for Rs.250. B gave to A his acceptance payable 1 month after date. Before maturity B requests A to renew it, which A does adding Rs.10 to the new bill for interest. Make the necessary Journal entries to record these transactions in the books of both A and B.

Solution:

**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 June 01	B A/c To Sales A/c (Being goods were sold to B)	Dr.	250	250
June 01	Bills Receivable A/c To B A/c (Being B's acceptance was received)	Dr.	250	250
July 04	B A/c To Bill Receivable A/c (B's acceptance was cancelled)	Dr.	250	250
July 04	B A/c To Interest A/c (Being interest due from B on cancelling the first bill)	Dr.	10	10
July 04	Bills Receivable A/c To B A/c (Being new bill including interest was accepted by B)	Dr.	260	260

**Book of B
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 June 01	Purchases A/c To A A/c (Being goods were bought from A)	Dr.	250	250
June 01	A A/c To Bills Payable A/c (Being bills drawn by A was accepted)	Dr.	250	250
July 04	Bill Payable A/c To A A/c (Being bill got cancelled)	Dr.	250	250
July 04	Interest A/c To A A/c (Being interest due to for cancelling the bill)	Dr.	10	10
July 04	A A/c To Bills Payable A/c (Being new bill including interest drawn by A was accepted)	Dr.	260	260

Question 32.

A sold goods to B on 1st September, 2013 for Rs.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.

Solution:

**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Sep. 01	B's A/c To Sales A/c (Being goods were sold to B)	Dr.	16,000	16,000
Sep. 01	Bill Receivable A/c To B A/c (Being B's acceptance was received)	Dr.	16,000	16,000
Dec. 04	B's A/c To Bill Receivable A/c (Being B's acceptance was cancelled)	Dr.	16,000	16,000
Dec. 04	B's A/c To Interest A/c (16000×9%×2/12=240) (Being interest due from at 9% for 2 month on the amount due)	Dr.	16,000	16,000
Dec. 04	Cash A/c To Interest A/c (Being amount for interest were received from B)	Dr.	240	240
Dec. 04	Bills Receivable A/c To B A/c (Being B's accepted a new bill)	Dr.	16,000	16,000
2014 Feb. 07	Cash A/c To Bills Receivable A/c (Being payment received on honouring of the bill)	Dr.	16,000	16,000

**Book of A
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Sep. 01	B's A/c To Sales A/c (Being goods were sold to B)	Dr.	16,000	16,000
Sep. 01	Bill Receivable A/c To B A/c (Being B's acceptance was received)	Dr.	16,000	16,000
Dec. 04	B's A/c To Bill Receivable A/c (Being B's acceptance was cancelled)	Dr.	16,000	16,000
Dec. 04	B's A/c To Interest A/c (16000×9%×2/12=240) (Being interest due from at 9% for 2 month on the amount due)	Dr.	16,000	16,000
Dec. 04	Cash A/c To Interest A/c (Being amount for interest were received from B)	Dr.	240	240
Dec. 04	Bills Receivable A/c To B A/c (Being B's accepted a new bill)	Dr.	16,000	16,000
2014 Feb. 07	Cash A/c To Bills Receivable A/c (Being payment received on honouring of the bill)	Dr.	16,000	16,000

Question 33.

On 1st May, 2013, Merchant and Co. sold goods to A.B and Co. valued at Rs.500 and drew upon them a bill at 3 months for the amount. A.B and Co. accepted the draft on presentation. When the bill was about to mature. A.B and Co. expressed their inability to meet it, and offered to pay Merchant and Co. Rs.200 in cash and to accept a fresh bill for the balance plus interest at 6% p.a. for 3 months. Merchant and 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.

Solution:

**Book of Merchant and Co.
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 May 01	A.B and Co. A/c To Sales A/c (Being goods were sold to A.B and Co.)	Dr.	500	500
May 01	Bills Receivable A/c To A.B and Co. A/c (Being A.B and Co. acceptance was received)	Dr.	500	500
Aug. 04	A.B and Co. A/c To Bills Receivable A/c (Being A.B and Co. acceptance was cancelled)	Dr.	200	200
Aug. 04	Cash A/c To A.B and Co. A/c (Being cash received from A.B and Co.)	Dr.	200	200
Aug. 04	A.B and Co. A/c To Interest A/c ($300 \times 6\% \times 3/12 = 4.50$) (Being interest-due from A.B and Co. at 6% p.a.)	Dr.	4.50	4.50
Aug. 04	Bills Receivable A/c To A.B and Co. A/c (Being A.B and Co. acceptance was received including the interest for 3 month)	Dr.	304.50	304.50
Nov. 07	Cash A/c To Bills Receivable A/c (Being payment received on maturity the bill)	Dr.	304.50	304.50

**Book of AB and Co
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 May.01	Purchases A/c To Merchant and Co. A/c (Being goods were bought from Merchant and Co)	Dr.	500	500
May.01	Merchant and Co. A/c To Bills Payable A/c (Being bill drawn by Merchant and Co was accepted)	Dr.	500	500
Aug.04	Bills Payable A/c To Merchant and Co. A/c (Being bill got cancelled)	Dr.	500	500
Aug.04	Merchant and Co. A/c To Cash A/c (Being cash paid to Merchant and Co)	Dr.	200	200
Aug.04	Interest A/c To Merchant and Co. A/c (Being interest due to Merchant and Co at 6% p.a. for 3 month on the amount due)	Dr.	4.50	4.50
Aug.04	Merchant and Co To Bill Payable A/c (Being new bill drawn by Merchant and Co was accepted)	Dr.	304.50	304.50
Nov.07	Bills Payable A/c To Cash A/c (Being cash paid for honouring the bill)	Dr.	304.50	304.50

Question 34.

A owed B Rs.400. A accepted a Bill of Exchange at 3 months date for this amount which B discounted for Rs.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.

Solution:

Case (a) if bill is dishonoured

Book of B
Journal

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

Book of A
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	B A/c Dr. To Bills Payable A/c (Being bill drawn by A was accepted)		400	400
	Bills Payable A/c Dr. To B A/c (Being bill drawn by B was dishonoured on maturity)		400	400

Case (b) the bills met at maturity

Book of B
Journal

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

Book of A
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	B A/c Dr. To Bills Payable A/c (Being bills drawn by A was accepted)		400	400
	Bill Payable A/c Dr. To Cash A/c (Being payment made meeting the bill on maturity)		400	400

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

Book of B
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bill Receivable A/c Dr. To A A/c (Being A's acceptance was received)		400	400
	Cash A/c Dr. Rebate A/c (400*6%*2/12) Dr. To Bills Receivable A/c (Being payment received 2 month before its maturity and gave rebate)		396 4	400

Book of A
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	B A/c To Bills Payable A/c (Being bill drawn by B was accepted)	Dr.	400	400
	Bills Payable A/c To Cash A/c To Rebate A/c (Being bill discharge before 2 month of its due date and rebate was received)	Dr.	400	396 4

Question 35.

Amar sells goods to Bhola for Rs.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 Rs.150 inclusive of all charges. Bhola fails to meet this bill on maturity. Amar pays off his banker and his expenses amounting to Rs.100. Bhola gives a fresh bill, 2 months' date to Amar for Rs.10,250, which he met at maturity. Show the necessary Journal entries in Amar's books.

Solution:

Book of Amar
Journal

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

Question 36.

Amar purchased goods worth Rs.1,000 from Bimal on 1st January, 2013 and accepted a bill for 1 month drawn by Bimal for the same. Being unable to meet the bill on the due date, Amar requested Bimal to accept cash Rs.250 and draw a new bill for 2 months for the balance amount plus interest of Rs.10. Bimal accepted this proposal and drew on Amar another bill. The bill was duly met on the due date. Pass the Journal entries in the books of both the parties.

Solution:

**Book of Bimal
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan. 01	Amar A/c To Sales A/c (Being goods were Sold to Amar)	Dr.	1,000	1,000
Jan. 01	Bills Receivable A/c To Amar A/c (Being Amar's acceptance was received)	Dr.	1,000	1,000
Feb. 04	Amar A/c To Bills Receivable A/c (Being Amar's acceptance was dishonoured)	Dr.	1,000	1,000
Feb. 04	Cash A/c To Amar A/c (Being cash received from Amar)	Dr.	250	250
Feb. 04	Amar A/c To Interest A/c (Being interest due from Amar)	Dr.	10	10
Feb. 04	Bills Receivable A/c To Amar A/c (Being Amar's acceptance received for the balance amount including interest)	Dr.	760	760
Apr. 07	Cash A/c To Bills Receivable A/c (Being cash received on honouring of Amar's acceptance)	Dr.	760	760

**Book of Amar
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Jan. 01	Purchases A/c To Bimal A/c (Being goods were bought from Amar)	Dr.	1,000	1,000
Jan. 01	Bimal A/c To Bills Payable A/c (Being bills drawn by Amar was accepted)	Dr.	1,000	1,000
Feb. 04	Bills Payable A/c To Bimal A/c (Being bill Dishonoured on account of non-payment)	Dr.	1,000	1,000
Feb. 04	Bimal A/c To Cash A/c (Being cash paid to Bimal)	Dr.	250	250
Feb. 04	Interest A/c To Bimal A/c (Being interest due to Bimal on account of bill dishonoured)	Dr.	10	10
Feb. 04	Bimal A/c To Bills Payable A/c (Being new bill drawn by Bimal on the balance accepted amount including interest)	Dr.	760	760
Apr. 07	Bills Payable A/c To Cash A/c (Being cash paid for the discharging the bill)	Dr.	760	760

Question 37.

'B', being unable to meet his acceptance for Rs.2,000 due on 15th June, approaches the Drawer 'A' (who is in possession of the bill) on 30th June, with the request to receive Rs. 800 in cash and draw on him for the balance plus Rs. 15 for interest at 3 months date and cancel the old Bill for 2000."A' agrees to this. Pass the entries in the books of 'A' and 'B'.

Solution:Book of A
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
Jun. 15	B A/c To Bills Receivable A/c (B acceptance dishonoured)	Dr.	2,000	2,000
Jun. 30	Cash A/c To B A/c (Being cash received from B)	Dr.	800	800
Jun. 30	Bill Receivable A/c To B A/c (Being now bill accepted by B together with interest)	Dr.	1,215	1,215

Book of B
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
Jun.15	Bills Payable A/c To A A/c (Being bill drawn by A dishonoured)	Dr.	2,000	2,000
Jun.30	A A/c To Cash A/c (Being cash paid to A)	Dr.	800	800
Jun.30	Interest A/c To A A/c (Being interest due to A)	Dr.	15	15
Jun.30	A A/c To Bills Payable A/c (Being bill drawn for balance mount plus interest accepted)	Dr.	1,215	1,215

Question 38.

Give the Journal entries for the following:

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

Solution:

(a)

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	B A/c To Bills Receivable A/c (Being B's acceptance was cancelled)	Dr.	1,000	1,000
	B A/c To Interest A/c ($1000 \times 6\% \times 3/12$) (Being interest due from B)	Dr.	15	15
	Bill Receivable A/c To B A/c (Being new bill was accepted by B including interest)	Dr.	1,015	1,015

(b)

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bill Payable A/c To C. Chandra A/c (Being bill Payable was cancelled)	Dr.	5,000	5,000
	Interest A/c ($5000 \times 6\% \times 2/12$) To C. Chandra A/c (Being new bill drawn by C. Chandra was accepted)	Dr.	50	50
	C. Chandra A/c To Bills Payable A/c (Being new bill drawn by C. Chandra was accepted)	Dr.	5,050	5,050

(c)

Journal

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

Question 39.

Leena sold goods to Meena on 1st March, 2009 for Rs.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 Rs.55 as noting charges. The second bill was retired on 4th May, 2009 under a rebate of 6% p.a. with mutual agreement.

Journalize the above in the books of Leena and Meena.

(KVS 2010)

Solution:

**Book of Leena
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Mar.01	Meena A/c To Sales A/c (Being goods were sold to Meena)	Dr.	68,000	68,000
Mar.01	Bill Receivable A/c (Bill no. 1) Bill Receivable A/c (Bill no. 2) To Meena A/c (Being Meena's acceptance were received)	Dr. Dr.	34,000 34,000	68,000
Mar.01	Bank A/c Discount Charges A/c To Bills Receivable A/c (Bill no. 1) (Being bill no.1 discount with bank at 12% p.a. for 3 months)	Dr. Dr.	32,980 1,020	34,000
May 04	Cash A/c Rebat A/c (34000*6%*1/12) To Bill Receivable A/c (Bill no.2) (Being bill no.2 retired before one month under a rebate at 6% p.a.)	Dr. Dr.	33,830 170	34,000
June 04	Meena A/c To Bank A/c (Being bill no.1 dishonoured and noting charges paid)	Dr.	34,055	34,055

**Book of Meena
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2013 Mar.01	Purchase A/c To Leena A/c (Being goods were bought from Leena)	Dr.	68,000	68,000
Mar.01	Leena A/c To Bills Payable A/c (Bill no.1) To Bills Payable A/c (Bill no.2) (Being bill drawn by Leena were accepted)	Dr.	68,000	34,000 34,000
Mar.04	Bill Payable A/c (Bill no.2) To Cash A/c To Rebate A/c (Being bill no.2 paid one month before due date and rebate received)	Dr.	34,000	33,830 170
June 04	Bills Payable A/c (Bill no.1) Noting Charges A/c To Leena A/c (Being bill no.1 was dishonoured due to non-payment)	Dr. Dr.	34,000 55	34,055

Question 40.

How will you record the following transactions in the books of Kapadia?

- A bill received from Dalpat for Rs.1,000 has to be renewed; Dalpat agrees to pay Rs.20 as interest.
- Swamy's bill for Rs.800 endorsed in favour of Ghosh dishonoured. Ghosh pays Rs.10 as noting charges. Swamy pays Rs.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.

Solution:

(a)

Book of Kapadia
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Dalpat A/c To Bills Receivable A/c (Being Dalpat acceptance cancelled)	Dr.	1,000	1,000
	Dalpat A/c To Interest A/c (Being interest due from Dalpat)	Dr.	20	20
	Bills Receivable A/c To Dalpat A/c (Being new bill accepted by Dalpat plus interest)	Dr.	1,020	1,020

(b)

Book of Kapadia
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Swamy A/c To Ghosh A/c (Being Swamy's acceptance dishonoured and Ghosh paid ₹10 as noting charges)	Dr.	810	810
	Cash A/c To Swamy A/c (Being cash received from Swamy)	Dr.	300	300
	Swamy A/c To Interest A/c ($510 \times 6\% \times 3/12$) (Being interest due from Swamy)	Dr.	7.65	7.65
	Bills Receivable A/c To Swamy A/c (Being Swamy's acceptance received for the balance due including interest)	Dr.	517.65	517.65
	Ghosh A/c To Bank A/c (Being amount due to Ghosh was paid through cheque)	Dr.	810	810

Question 41.

Y purchased goods for Rs.6,000 on 1st June, 2011 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 Rs.50 as noting charges. Two days after the dishonour of bill, Y paid Rs.2,000 to X and requested him to draw a second bill of the balance plus Rs.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.

(MSE Chandigarh 2013)

Solution:

Book of X
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2011 June 01	Y A/c To Sales A/c (Being goods sold to Y)	Dr.	6,000	6,000
June 01	Bills Receivable A/c To Y A/c (Being Y's acceptance received)	Dr.	6,000	6,000
June 04	Z A/c To Bills Receivable A/c (Being bill endorsed in favour of Z)	Dr.	6,000	6,000
Sept 04	Y A/c To Z A/c (Being endorsed bill dishonoured and nothing charges paid)	Dr.	6,050	6,050
Sept 06	Y A/c To Interest A/c (Being interest due from Y)	Dr.	90	90
Sept 06	Cash A/c Bills Receivable A/c (4,050+90) To Y A/c (Being cash ₹2,000 received and for the remaining balance new bill issued including interest of ₹90)	Dr. Dr.	2,000 4,140	6,140
Nov 09	Cash A/c To Bills Receivable A/c (Being bill met on the due date)	Dr.	4,140	4,140

Question 42.

On 1st January, 2008, A sold goods to B for C Rs.1,00,000 received Rs.25,000 in cash and drew two bills, first Rs.45,000 and second for Rs.30,000 of two months each. Both bills duly accepted by B. First bill was endorsed to C in settlement of his account of Rs.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 Rs. 100 and bank has paid Rs.80 as noting charges.

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

(MSE Chandigarh.)

Solution:

Book of A
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2008 Jan.01	B A/c To Sales A/c (Being goods sold to B)	Dr.	1,00,000	1,00,000
Jan 01	Cash A/c Bills Receivable A/c (Bill no.1) Bills Receivable A/c (Bill no.2) To B A/c (Being cash and acceptance were received from B)	Dr. Dr. Dr.	25,000 45,000 30,000	1,00,000
Jan.01	C A/c To Bills Receivable A/c (Bill no.1) (Being bill endorsed in favour of C)	Dr.	45,000	45,000
Jan. 01	Bank A/c Discount Charges A/c (30,000*12%*2/12) To Bills Receivable (Bill No.2) (Being bill no.2 discounted with bank at 12% p.a. for 2 months)	Dr. Dr.	29,400 600	30,000
Mar.04	B A/c To C A/c (Being B's acceptance endorsed to C dishonoured and C paid ₹100 as nothing charges)	Dr.	45,100	45,100
Mar.04	B A/c To Bank A/c (Being B's acceptance discounted with bank dishonoured and bank paid ₹80 as nothing charges)	Dr.	30,080	30,080

Book of B
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2008 Jan. 01	Purchase A/c To A A/c (Being goods purchased from A)	Dr.	1,00,000	1,00,000
Jan 01	A A/c To Cash A/c To Bills payable A/c (Bill no. 1) To Bills payable A/c (Bill no.2) (Being cash and bills given to A)	Dr.	1,00,000	25,000 45,000 30,000
March 04	Bills Payable A/c (Bill no.1) Bills Payable A/c (Bill no.2) Nothing Charges A/c To A A/c (Being bills dishonoured)	Dr. Dr. Dr.	45,000 30,000 180	75,180

Book of C
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2008 Jan. 01	Bills Receivable A/c (Bill no.1) To A A/c (Being bill received from A)	Dr	45,000	45,000
Jan 01	A A/c To Bills Receivable A/c (Bill no.1) To Cash A/c (Being bill dishonoured on due date and noting charges paid)	Dr	45,100	45,000 100

Question 43.

On 1st January, 2015, Y accepted a three months bill for Rs.2,000 drawn on him by X for the latter's benefit. X discounted the bill on 4th January @ 6% p.a. and on the due date sent a cheque for Rs.2,000 in order to enable him to honor the bill. Y duly honoured his acceptance.

Pass the Journal entries in the books of X and Y.

Solution:

Book of X
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan. 01	Bills Receivable A/c To Y A/c (Being Y accepted 3 months bill)	Dr.	2,000	2,000
Jan 04	Bank A/c Discount Charges A/c (2000*6%*3/12) To Bill Receivable A/c (Being Y's acceptance discounted with bank)	Dr. Dr.	1,970 30	2,000
April 04	Y A/c To Bank A/c (Being cheque was sent to honor the bill)	Dr.	2,000	2,000

Book of Y
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan. 01	X A/c To Bills Payable A/c (Being bill drawn by X was accepted)	Dr.	2,000	2,000
Apr. 04	Bank A/c To X A/c (Being cheque received from to honor the bill)	Dr.	2,000	2,000
Apr. 04	Bills Payable A/c To Bank A/c (Being amount of bill was paid on its due date through cheque)	Dr.	2,000	2,000

Question 44.

On 1st January, 2015, B accepted a three months bill for Rs.20,000 drawn on him by A for latter's benefit. A discounted the bill on 4th January @ 20% p.a. and on the due date sent B a cheque for Rs.20,000 in order to enable him to honour the bill. B duly honored his acceptance. Pass the Journal entries in the books of A and B.

Solution:

Book of A
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan. 01	Bills Receivable A/c To B A/c (Being B accepted 3 months bill)	Dr.	20,000	20,000
Jan. 04	Bank A/c Discount Charges A/c (20,000*20%*3/12) To Bills Receivable A/c (Being B's acceptance discounted with bank)	Dr. Dr.	19,000 1,000	20,000
Apr. 04	B A/c To Bank A/c (Being cheque sent to B to honor his acceptance)	Dr.	20,000	20,000

Book of B
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan. 01	A A/c To Bills Payable A/c (Being bill drawn by A was accepted)	Dr.	20,000	20,000
Apr. 04	Bank A/c To A A/c (Being cheque received from A to honour the bill)	Dr.	20,000	20,000
Apr. 04	Bills Payable A/c To Bank A/c (Being amount of bill was paid on its due date through cheque)	Dr.	20,000	20,000

Question 45.

For the mutual accommodation of P and Q, P draws a bill on Q for Rs.1,500. Q accepts the bill and returns it to P. P discounts the same with his bankers and receives Rs.1,464. The proceeds are shared between P and Q in proportion to $\frac{2}{3}$ rd and $\frac{1}{3}$ rd respectively. On the due date P remits his proportion to Q who meets the bill.

Pass the Journal entries in the books of P and Q to record the above transactions.

Solution:

Book of P
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bills Receivable A/c Dr. To Q A/c (Being Q accepted the bill)		1,500	1,500
	Bank A/c Dr. Discount Charges A/c Dr. To Bill Receivable A/c (Being Q's acceptance discounted with bank)		1,464 36	1,500
	Q A/c Dr. To Cash A/c To Discount Charges A/c (Being 1/3 of the bill discounted was remitted to Q)		500	488 12
	Q A/c Dr. To Cash A/c (Being cash paid to Q meet his acceptance)		1,000	1,000

Book of Q
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	P A/c Dr. To Bills Payable A/c (Being bill drawn by P was accepted)		1,500	1,500
	Cash A/c Dr. Discount Charges A/c Dr. To P A/c (Being 1/3 of the bill discounted by P was received)		488 12	500
	Cash A/c Dr. To P A/c (Being cash received from P)		1,000	1,000
	Bills Payable A/c Dr. To Cash A/c (Being bill honoured)		1,500	1,500

Question 46.

X, for the temporary and mutual accommodation of himself and Y, draws upon the latter a Bill of Exchange at 3 months for Rs.1,000. On 1st January, 2009, X discounts the bill at 6% and hands half the proceeds to Y. On the due date, X remits the amount due to Y who meets the bill. Pass the Journal entries in the books of both the parties.

Solution:

Book of X
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2009 Jan. 01	Bills Receivable A/c Dr. To Y A/c (Being Y accepted a 3 months bill)		1,000	1,000
Jan. 01	Bank A/c Dr. Discount Charges A/c (1000*6%) Dr. To Bills Receivable A/c (Being Y's acceptance discounted with bank)		940 60	1,000
Jan. 01	Y A/c Dr. To Cash To Discount Charges (Being 1/2 of the bill discounted was remitted to Y)		500	470 30
Apr. 04	Y A/c Dr. To Cash A/c (Being cash paid to Y get settled the amount of bill)		500	500

Book of Y
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2009 Jan. 01	X A/c To Bill Payable A/c (Being bill drawn by X was accepted)	Dr.	1,000	1,000
Jan. 01	Cash A/c Discount Charges A/c To X A/c (Being 1/2 of the bill discounted by X was received)	Dr. Dr.	470 30	500
Apr. 04	Cash A/c To X A/c (Being cash received from X)	Dr.	500	500
Apr. 04	Bills Payable A/c To Cash A/c (Being cash paid to honour the bill)	Dr.	1,000	1,000