

## Chapter 18 Bills of Exchange

### Question 1

Date of bills	Period
1st February, 2017	2 months
31st January, 2017	3 months
30th September, 2017	2 months
30th September, 2017	3 months
29th December, 2017	2 months
31st December, 2017	2 months
15th July, 2017	3 months
27th January, 2016	1 month

### Solution:

Sl. No.	Date of Bill Drawn	Period	Grace Days	Due Date = Date of Bill Drawn + Period + Grace Days
I.	February 01, 2017	2 months	3 days	April 04, 2017
II.	January 31, 2017	3 months	3 days	May 03, 2017
III.	September 30, 2017	2 months	3 days	December 03, 2017
IV.	September 30,	3	3 days	January 02, 2018

	2017	months		
V.	December 29, 2017	2 months	3 days	March 03, 2018
VI.	December 31, 2017	2 months	3 days	March 03, 2018
VII.	July 15, 2017	30 days	3 days	August 17, 2017
VIII.	January 27, 2016	1 month	3 days	March 01, 2016

### Question 2

Date of bills	Period
29th May, 2017	4 months
31st March, 2017	1 month
21st July, 2017	60 days
14th May, 2017	90 days
28th January, 2017	1 month
31st January, 2017	1 month

### Solution:

Sl. No.	Date of Bill Drawn	Period	Grace Days	Due Date = Date of Bill Drawn + Period + Grace Days
I.	May 29, 2017	4 months	3 days	October 01, 2017

II.	March 31, 2017	1 month	3 days	May 03, 2017
III.	July 21, 2017	60 days	3 days	September 23, 2017
IV.	May 14, 2017	90 days	3 days	August 14, 2017
V.	January 28, 2016	1 month	3 days	March 02, 2016
VI.	January 31, 2016	1 month	3 days	March 03, 2016

**Note:**

(i) Whenever the due date is on public holiday then the due date will be the previous day. (In this bill the public holiday is on October 2, 2017 and August 15, 2017),

(ii) In emergency holiday then the due date is succeeding or the next following day. (here September 22, 2017), e.

**Question 3**

On 1st January, 2017, Ajay sold goods to Bhushan for ₹ 10,000. Ajay draws a bill of exchange for two months for the amount due which Bhushan accepts and returns it to Ajay, Bhushan met the bill on the due date. Pass Journal entries in the books of Ajay and Bhushan.

**Solution:**

<b>Journal Books of Ajay</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2017				
January 1	Bhushan	Dr.	10,000	
	To Sales A/c (Sold goods to Bhushan)			10,000

January 1	Bills Receivable A/c	Dr.		10,000	
	To Bhushan (Bill accepted by Bhushan)				10,000
March 4	Cash A/c	Dr.		10,000	
	To Bills Receivable A/c (Bill honoured on maturity)				10,000

### Books of Bhushan

#### Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 1	Purchases A/c	Dr.	10,000	
	To Ajay (Goods bought from Ajay)			10,000
January 1	Ajay	Dr.	10,000	
	To Bills Payable A/c (Bill drawn by Ajay, accepted)			10,000
March 4	Bills Payable A/c	Dr.	10,000	
	To Cash A/c (Bill honoured on maturity)			10,000

#### Question 4

On Jan. 1, 2017, Tarun purchased goods from Arun for ₹ 20,000 and immediately drew a promissory note in favour of Arun payable after 1 month. Date of maturity of the promissory note was declared emergency holiday by the Government of India under the Negotiable Instrument Act 1881. Tarun met the promissory note according to the provisions of law.

Pass the necessary Journal entries in the books of Arun and Tarun.

#### Solution:

Journal Books of Arun				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
2017				
January 1	Tarun	Dr.	20,000	
	To Sales A/c			20,000
	(Sold goods to Tarun)			
January 1	Bills Receivable A/c	Dr.	20,000	
	To Tarun			20,000
	(Promissory note accepted by Tarun)			
February 5	Cash A/c	Dr.	20,000	
	To Bills Receivable A/c			20,000
	(Promissory note honoured on maturity)			

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<b>Books of Tarun</b>					
<b>Journal</b>					
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>	
2017					
January 1	Purchases A/c	Dr.	20,000		
	To Arun (Purchased goods from Arun)				20,000
January 1	Arun	Dr.	20,000		
	To Bills Payable A/c (Promissory note withdrawn by Arun, accepted)				20,000
February 5	Bills Payable A/c	Dr.	20,000		
	To Cash A/c (Promissory note honoured on maturity)				20,000

**Note:** Here, 4th February 2017 falls on the emergency holiday, therefore, the due date will be on succeeding date i.e. 5th February, 2017.

### Question 5

On Feb. 6, 2017, A sold goods for ₹ 1,00,000 to B. B paid 40% immediately on which A allowed a cash discount of ₹ 500. For the balance A drew a bill on B payable after 30 days. Due date of bill was a public holiday and the bill was met as per the provisions of the Negotiable Instrument Act. Journalise the above transactions in the books of A and B.

### Solution:

<b>Journal Books of A</b>					

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
February 6	B's A/c	Dr.	1,00,000	
	To Sales A/c (Sold goods to B)			1,00,000
February 6	Cash A/c	Dr.	39,500	
	Discount Allowed A/c	Dr.	500	
	Bills Receivable A/c	Dr.	60,000	
	To B (Bill accepted by B)			1,00,000
March 10	Cash A/c	Dr.	60,000	
	To Bills Receivable A/c (Bill honoured on maturity)			60,000

<b>Journal Books of B</b>				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
February 6	Purchases A/c	Dr.	1,00,000	
	To A (Purchased goods from A)			1,00,000

February 6	A's A/c	Dr.	1,00,000	
	To Cash A/c			39,500
	To Discount Received A/c			500
	To Bills Payable A/c (Bill withdrawn by A, accepted)			60,000
March 10	Bills Payable A/c	Dr.	60,000	
	To Cash A/c (Bill honoured on maturity)			60,000

**Note:** Here the due date falls on 11th March 2017 which falls on public holiday. Therefore, the due date will be on the preceding date i.e. March 10, 2017.

#### Question 6(A)

Vishal sold goods for ₹ 7,000 to Manju on Jan. 5, 2017 and drew upon her a bill of exchange payable after 2 months. Manju accepted Vishal's draft and handed over the same to Vishal after acceptance. Vishal immediately discounted the bill with his bank @ 12% p.a. On the due date, Manju met her acceptance. Journalise the above transactions in the books of Vishal and Manju.

#### Solution:

Journal Books of Vishal					
Date	Particulars		L.F.	Debit ₹	Credit ₹
2017					
January 5	Manju	Dr.		7,000	
	To Sales A/c (Sold goods to Manju)				7,000

January 5	Bills Receivable A/c	Dr.	7,000	
	To Manju (Bill accepted by Manju)			7,000
January 5	Bank A/c	Dr.	6,860	
	Discounting Charges A/c	Dr.	140	
	To Bills Receivable A/c (Bank discounted bill for 2 months d@ 12% p.a.)			7,000

### Journal Books of Manju

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 5	Purchases A/c	Dr.	7,000	
	To Vishal (Purchased goods from Vishal)			7,000
January 5	Vishal	Dr.	7,000	
	To Bills Payable A/c (Bill withdrawn by Vishal, accepted)			7,000
March 8	Bills Payable A/c	Dr.	7,000	
	To Cash A/c (Bill honoured on maturity)			7,000

**Working Note:** Evaluating discounting Charges

Discounting charges =  $7,000 \times 12100 \times 212 = ₹ 140$

**Question 6(B)**

On 15th February 2017, X sold goods to Y for ₹ 6,000. On the same day, Y accepted a bill drawn upon him by X for three months for ₹ 6,000. X immediately discounted the bill at 15% p.a. at his bank and Y met the bill on maturity. Make Journal entries in the books of both the parties.

**Solution:**

<b>Journal Books of X</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2017				
February 15	Y's A/c	Dr.	6,000	
	To Sales A/c (Sold goods to Y)			6,000
February 15	Bills Receivable A/c	Dr.	6,000	
	To Y A/c (Bill accepted by Y)			6,000
February 15	Bank A/c	Dr.	5,775	
	Discounting Charges A/c	Dr.	225	
	To Bills Receivable A/c (Bank discounted the bill discounted for 3months @ 15% p.a.)			6,000

Journal Books of Y					
Date	Particulars		L.F.	Debit ₹	Credit ₹
2017					
February 15	Purchases A/c	Dr.		6,000	
	To X's A/c (Purchased goods from X)				6,000
February 15	X's A/c	Dr.		6,000	
	To Bills Payable A/c (Bill withdrawn by X, accepted)				6,000
May 18	Bills Payable A/c	Dr.		6,000	
	To Cash A/c (Bill honoured on maturity)				6,000

**Working Note:** Evaluating discounting charges

Discounting charges =  $6,000 \times 15100 \times 312 = ₹ 225$

### Question 7

B owed ₹ 5,100 to A. On 15th January, 2017, he accepted a bill for ₹ 5,000 for two months drawn by A in full settlement of his debt. On 18th January, 2017, A endorsed the bill to his creditor C. The bill was duly met on the date of maturity. Pass Journal entries in the books of A, B and C.

**Solution:**

Journal Books of A					
Date	Particulars		L.F.	Debit ₹	Credit ₹
2017					

January 15	Bills Receivable A/c	Dr.		5,000	
	Discount Allowed A/c	Dr.		100	
	To B (B accepted the bill)				5,100
January 18	C	Dr.		5,000	
	To Bills Receivable A/c				5,000
	(Bill endorsed bill for C)				

### Journal Books of B

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 15	A's A/c	Dr.	5,100	
	To Bills Payable A/c			5,000
	To Discount Received A/c (Bill withdrawn by A, accepted)			100
March 18	Bills Payable A/c	Dr.	5,000	
	To Cash A/c			5,000
	(Bill honoured on maturity)			

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Journal Books of C				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 18	Bills Receivable A/c	Dr.	5,000	
	To A (A received bill receivable)			5,000
March 18	Cash A/c	Dr.	5,000	
	To Bills Receivable A/c			5,000
	(Bill honoured on maturity)			

### Question 8

On 10th January, 2017, A sells goods to B for ₹ 12,000. On that date, B accepted a bill drawn upon him by A at two months for ₹ 12,000. A retains the bill till due date and on due date sends the bill to the Banker for collection. In due course, A receives the information from the Bank that the bill has been duly met.

Pass Journal Entries in the books of A and B.

### Solution:

Journal Books of A				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 10	B's A/c	Dr.	12,000	
	To Sales A/c (Sold goods to B)			12,000

January 10	Bills Receivable A/c	Dr.	12,000	
	To B (Bill accepted by B)			12,000
March 13	Bill Sent for Collection A/c	Dr.	12,000	
	To Bills Receivable A/c (Bills sent to bank for collection)			12,000
March 13	Bank A/c	Dr.	12,000	
	To Bills Sent for Collection A/c (Bill honoured on maturity)			12,000

### Journal Books of B

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 10	Purchases A/c	Dr.	12,000	
	To A			12,000
	(Goods purchased from A)			
January 10	A's A/c	Dr.	12,000	
	To Bills Payable A/c			12,000
	(Bill withdrawn by A, accepted)			
March 13	Bills Payable A/c	Dr.	12,000	

	To Cash A/c				12,000
	(Bill honoured on maturity)				

### Question 9

On Jan. 15, 2017, Kusum sold goods for ₹ 30,000 to Pushpa and drew upon her three bills of exchanges of ₹ 10,000 each payable after one month, two months and three months respectively. The first bill was retained by Kusum till its maturity. The second bill was endorsed by her in favour of her creditor Khushboo and the third bill was discounted by her immediately @ 6% p.a. All the bills were met by Pushpa. Journalise the above transactions in the books of Kusum and Pushpa.

### Solution:

Journal Books of Kusum					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2017					
January. 15	Pushpa	Dr.	30,000		
	To Sales A/c				30,000
	(Sold goods to Pushpa)				
January 15	Bills Receivable A/c (1)	Dr.	10,000		
	Bills Receivable A/c (2)	Dr.	10,000		
	Bills Receivable A/c (3)	Dr.	10,000		
	To Pushpa				30,000
	(Bill accepted by Pushpa)				

January 15	Khushboo	Dr.		10,000	
	To Bills Receivable A/c (2)				10,000
	(Endoresed bill inKhushboo's favour)				
January 15	Bank A/c	Dr.		9,850	
	Discounting Charges A/c	Dr.		150	
	To Bills Receivable A/c (3)				10,000
	(Bank discounted bill for 3 months @ 6% p.a.)				
February 18	Cash A/c	Dr.		10,000	
	To Bills Receivable A/c (1)				10,000
	(Bill honoured on maturity)				

Books of Pushpa					
Journal					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2017					
January 15	Purchases A/c	Dr.	30,000		
	To Kusum				30,000
	(Purchased goods from Kusum)				

January 15	Kusum	Dr.	30,000	
	To Bills Payable A/c (1)			10,000
	To Bills Payable A/c (2)			10,000
	To Bills Payable A/c (3)			10,000
	(Bills withdrawn by Kusum, accepted)			
February 18	Bills Payable A/c	Dr.	10,000	
	To Cash A/c			10,000
	(Bill (1) honoured on maturity)			
March 18	Bills Payable A/c (2)	Dr.	10,000	
	To Cash A/c			10,000
	(Bill (2) honoured on maturity)			
April 18	Bills Payable A/c (3)	Dr.	10,000	
	To Cash A/c			10,000
	(Bill (3) honoured on maturity)			

**Working Notes:** Evaluating discounting charges

Discounting charges =  $610,000 \times 6100 \times 312 = ₹ 150$

### Question 10

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 and Y under each of the following circumstances:

(i) If X retains the bill till due date.

(ii) If X discounts the same with his banker paying ₹ 100 for discount.

(iii) If X endorses the same to his creditor Z, in full settlement of his debt of ₹ 4,080.

(iv) If X sends the bill to his banker for collection.

**Solution:**

<b>Journal Books of X</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
	<i>Bill drawn by X</i>			
	Bills Receivable A/c	Dr.	4,000	
	To Y's A/c (Bill accepted by Y)			4,000
(i)	<i>Bill retained till maturity</i>			
	Cash A/c	Dr.	4,000	
	To Bills Receivable A/c (Bill honoured on maturity)			4,000
(ii)	<i>Bill discounted with bank</i>			
	Bank A/c	Dr.	3,900	
	Discounting Charges A/c	Dr.	100	
	To Bills Receivable A/c (Bill discounted with the bank)			4,000
(iii)	<i>Bill endorsed to Z</i>			

	Z's A/c	Dr.	4,080	
	To Bills Receivable A/c			4,000
	To Discount Received A/c (Bill endorsed in Z's favour)			80
(iv)	<i>Bill sent to bank for collection</i>			
	Bills Sent for Collection A/c	Dr.	4,000	
	To Bills Receivable A/c (Bank received bill for collection)			4,000
	Bank A/c	Dr.	4,000	
	To Bill Sent for Collection A/c			4,000
	(Bill honoured on maturity)			

### Journal Books of Y

Date	Particulars	L.F.	Debit ₹	Credit ₹
	<i>Bill accepted by Y</i>			
	X's A/c	Dr.	4,000	
	To Bills Payable A/c (Bill drawn by Y, accepted)			4,000
	<i>Same entry will be passed in all the four cases</i>			
	Bills Payable A/c	Dr.	4,000	

To Cash A/c (Bill honoured on maturity)				4,000
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### Question 11

X made the following sales to Y:

Date	Amount (₹)
Jan. 01, 2017	20,000
Jan. 08, 2017	25,000
Jan. 10, 2017	10,000
Jan. 15, 2017	40,000

For all the sales X drew bills on Y payable after 60 days. Bill drawn on Jan. 01, 2017 was retained by X with him till its due date. The bill drawn on Jan. 08, 2017 was discounted by X from the bank at 9% p.a. The bill drawn on Jan. 10, 2017 was endorsed by X to his creditor Z in full settlement of ₹ 10,400. On March 12, 2017 X sent the bill drawn on Jan. 15, 2017 to his bank for collection. All the bills were met by Y on due dates.

Pass necessary journal entries in the books of X and Y and prepare Y's account in the books of X and X's account in the books of Y.

### Solution:

Journal				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 1	Y's A/c	Dr.	20,000	
	To Sales A/c			20,000

	(Goods sold to Y)				
January 1	Bills Receivable A/c (1)	Dr.		20,000	
	To Y's A/c (Bill accepted by Y)				20,000
January 8	Y's A/c	Dr.		25,000	
	To Sales A/c				25,000
	(Sold goods to Y)				
January 8	Bills Receivable A/c (2)	Dr.		25,000	
	To Y's A/c				25,000
	(Bill accepted by Y)				
January 8	Bank A/c	Dr.		24,630	
	Discounting Charges A/c	Dr.		370	
	To Bills Receivable A/c (2)				25,000
	(Bank discounted the bill for 60 days @ 9% p.a.)				
January 10	Y's A/c	Dr.		10,000	
	To Sales A/c				10,000
	(Sold goods to Y)				
January	Bills Receivable A/c (3)	Dr.		10,000	

10					
	To Y's A/c				10,000
	( Y accepted the bill)				
January 10	Z's A/c	Dr.		10,400	
	To Bills Receivable A/c (3)				10,000
	To Discount Received A/c				400
	(Bill endorsed in Z's favour)				
January 15	Y's A/c	Dr.		40,000	
	To Sales A/c				40,000
	(Sold goods to Y)				
January 15	Bills Receivable A/c (4)	Dr.		40,000	
	To Y's A/c				40,000
	(Y accepted the bill)				
March 5	Cash A/c	Dr.		20,000	
	To Bills Receivable A/c (1)				20,000
	(Bill honoured on maturity)				
March 12	Bill Sent for Collection A/c	Dr.		40,000	

	To Bills Receivable A/c (4)				40,000
	(Bill sent to the bank for collection)				
March 19	Bank A/c	Dr.		40,000	
	To Bills for Collection A/c				40,000
	(Bill honoured on maturity)				

Y's Account							
Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2017				2017			
January 1	Sales A/c		20,000	January 1	Bills Receivable A/c (1)		20,000
January 8	Sales A/c		25,000	January 8	Bills Receivable A/c (2)		25,000
January 10	Sales A/c		10,000	January 10	Bills Receivable A/c (3)		10,000
January 15	Sales A/c		40,000	January 15	Bills Receivable A/c (4)		40,000
			95,000				95,000

Journal Books of Y				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 1	Purchases A/c	Dr.	20,000	

	To X				20,000
	(Goods purchased from X)				
January 1	X	Dr.		20,000	
	To Bills Payable A/c (1)				20,000
	(Bill drawn by X, accepted)				
January 8	Purchases A/c	Dr.		25,000	
	To X				25,000
	(Goods purchased from X)				
January 8	X	Dr.		20,000	
	To Bills Payable A/c (2)				20,000
	(Bill drawn by X, accepted)				
January 10	Purchases A/c	Dr.		10,000	
	To X				10,000
	(Goods purchased from X)				
January.10	X	Dr.		10,000	
	To Bills Payable A/c (3)				10,000
	(Bill drawn by X, accepted)				

January 15	Purchases A/c	Dr.	40,000	
	To X			40,000
	(Goods purchased from X)			
January 15	X	Dr.	40,000	
	To Bills Payable A/c (4)			40,000
	(Bill drawn by X, accepted)			
March 5	Bills Payable A/c (1)	Dr.	20,000	
	To Cash A/c			20,000
	(Bill honoured on maturity)			
March 12	Bills Payable A/c (2)	Dr.	25,000	
	To Cash A/c			25,000
	(Bill honoured on maturity)			
March 14	Bills Payable A/c (3)	Dr.	10,000	
	To Cash A/c			10,000
	(Bill honoured on maturity)			
March 19	Bills Payable A/c (4)	Dr.	40,000	
	To Cash A/c			40,000



Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 1	Balbir	Dr.	8,000	
	Discount Allowed A/c		2,000	
	To Sales A/c (Goods sold to Balbir)			10,000
January 1	Bills Receivable A/c	Dr.	8,000	
	To Balbir			8,000
	(Bill accepted by Balbir)			
March 4	Cash A/c	Dr.	7,880	
	Rebate A/c	Dr.	120	
	To Bills Receivable A/c (Bill retired under the rebate of 18% p.a. for one month)			8,000

Books of Balbir

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				

January 1	Purchases A/c	Dr.	8,000	
	To Ajay			8,000
	(Goods purchased from Ajay)			
January 1	Ajay	Dr.	8,000	
	To Bills Payable A/c			8,000
	(Bill drawn by Ajay, accepted)			
March 4	Bills Payable A/c	Dr.	8,000	
	To Cash A/c			7,880
	To Rebate A/c			120
	(Bill retired under the rebate of 18% p.a. for one month)			

**Working Note:** Evaluating Rebate amount

Amount of Rebate =  $8,000 \times 18\% \times \frac{1}{12} = ₹ 120$

### Question 13

On 17th April, 2016, X sold goods to Y for ₹ 80,000 and draws a bill for 2 months upon Y for the amount due. Y accepted the bill and returned it to X. On the due date the bill became dishonoured and X paid ₹ 400 as Noting Charges. Fifteen days later Y pays the amount due to X. Pass Journal entries in the books of both the parties.

**Solution:**

Books of X				
Journal				

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
April 17	Y's A/c	Dr.	80,000	
	To Sales A/c			80,000
	(GSold goods to Y)			
April 17	Bills Receivable A/c	Dr.	80,000	
	To Y's A/c			80,000
	(Bill was accepted by Y)			
June 20	Y's A/c	Dr.	80,400	
	To Bills Receivable A/c			80,000
	To Cash A/c			400
	(Bill dishonoured on due date and received noting charges)			
July 5	Cash A/c	Dr.	80,400	
	To Y			80,400
	(Y received cash)			

Books of Y

Journal				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
April 17	Purchases A/c	Dr.	80,000	
	To X's A/c			80,000
	(Goods purchased from X)			
April 17	X's A/c	Dr.	80,000	
	To Bills Payable A/c			80,000
	(Bill withdrawn by X, accepted)			
June 20	Bills Payable A/c	Dr.	80,000	
	Noting Charges A/c	Dr.	400	
	To X's A/c			80,400
	(Bills dishonoured on due date and paid notice charge)			
July 05	X's A/c	Dr.	80,400	
	To Cash A/c			80,400
	(Paid to X)			

**Question 14 (A)**

On 1st April, 2016, B accepts a bill drawn by A at three months for ₹ 8,000 in payment of debt. On the due date the acceptance is dishonoured and A gets the bill noted paying ₹ 100. On 4th July, 2016 A draws a new bill payable after 73 days provided interest is paid in cash @ 15% p.a. To this B is agreeable. The bill is met on maturity.

Record these transactions in the Journal of both the parties.

**Solution:**

Books of A				
Journal				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
April 1	Bills Receivable A/c	Dr.	8,000	
	To B's A/c			8,000
	(Bill accepted by B)			
July 04	B's A/c	Dr.	8,100	
	To Bills Receivable A/c			8,000
	To Cash A/c			100
	(Bill dishonoured on due date and received noting charges)			
July 4	B's A/c	Dr.	243	
	To Interest A/c			243
	(Due Interest to be received)			

July 4	Cash A/c	Dr.		243	
	Bills Receivable A/c	Dr.		8,100	
	To B				8,343
	(New bill accepted by B)				
Sept. 18	Cash	Dr.		8,100	
	To Bills Receivable A/c				8,100
	(Bill honoured on maturity)				

<b>Journal Books of B</b>					
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>	
2016					
April 1	A's A/c	Dr.	8,000		
	To Bills Payable A/c				8,000
	(Bill drawn by A, accepted)				
July 4	Bills Payable A/c	Dr.	8,000		
	Noting Charges A/c	Dr.	100		
	To A's A/c				8,100

	(Bill dishonoured on due date and paid noting charges)				
July 04	Interest A/c	Dr.		243	
	To A's A/c				243
	(Due interest to be paid)				
July 4	A's A/c	Dr.		8,343	
	To Cash A/c				243
	To Bills Payable A/c (New)				8,100
	(New bill drawn by A, accepted)				
September 18	Bills Payable A/c	Dr.		8,100	
	To Cash A/c				8,100
	(Bill honoured on maturity)				

**Working Note:** Evaluating amount of Interest

Amount of Interest =  $8,100 \times 15\% \times \frac{15100}{365} = ₹ 243$

**Question 14 (B)**

On 15th October, 2016, Y purchased goods worth ₹ 75,000 from X, and accepted a three months bill for this amount drawn by X. On the due date, it was dishonoured. Noting charges paid by X ₹ 600. On 18th January, 2017, Y requested X for renewal of the bill for another two months, for which X agrees, provided that interest is paid @ 15% p.a. in cash. Make Journal entries of these transactions in the books of X and Y.

**Solution:**

Books of X					
Journal					

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
October 15	Y's A/c	Dr.	75,000	
	To Sales A/c			75,000
	(Goods sold to Y)			
October 15	Bills Receivable A/c	Dr.	75,000	
	To Y's A/c			75,000
	(Y accepted the bill)			
2017				
January 18	Y's A/c	Dr.	75,600	
	To Bills Receivable A/c			75,000
	To Cash A/c			600
	(Bill dishonoured on due date and noting charges paid)			
January 18	Y's A/c	Dr.	1,890	
	To Interest A/c			1,890
	(Interest due to be received)			

January 18	Cash A/c	Dr.	1,890	
	Bills Receivable A/c	Dr.	75,600	
	To Y's A/c			77,490
	(Y accepted the new bill)			
March 21	Cash	Dr.	75,600	
	To Bills Receivable A/c			75,600
	(Bill honoured on maturity)			

Books of Y Journal				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
October 15	Purchases A/c	Dr.	75,000	
	To X's A/c			75,000
	(Goods purchased from X)			
October 15	X's A/c	Dr.	75,000	
	To Bills Payable A/c			75,000
	(Bill drawn by X, accepted)			

2017					
January 18	Bills Payable A/c	Dr.	75,000		
	Noting Charges A/c	Dr.	600		
	To X's A/c				75,600
	(Bill dishonoured on due date and noting charges paid)				
January 18	Interest A/c	Dr.	1,890		
	To X's A/c				1,890
	(Interest due to be paid)				
January 18	X's A/c	Dr.	77,490		
	To Cash A/c				1,890
	To Bills Payable A/c				75,600
	(New bill drawn by X, accepted)				
March 21	Bills Payable A/c	Dr.	75,600		
	To Cash A/c				75,600
	(Bill honoured on maturity)				

**Working Notes:** Evaluating amount of interest

Amount of interest =  $75,600 \times 15100 \times 212 = ₹ 1,890$

**Question 15**

On 1st January, 2018, Dinesh purchased goods from Chander for ₹ 60,000 plus CGST and SGST @ 6% each. Dinesh pays ₹ 7,200 in cash and accepts a bill drawn by Chander for the balance amount payable after two months. On the due date Dinesh is able to manage ₹ 20,000 in cash and he arranges with Chander for the retirement of the bill in consideration of this payment and a fresh bill at four months for the balance plus interest at 18% per annum. The second bill is duly met on maturity.

Make the necessary Journal entries in the books of Chander and Dinesh.

**Solution:**

<b>Journal Books of Chander</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2018				
January 1	Chander A/c	Dr.	67,200	
	To Sales A/c			60,000
	To Output CGST A/c			3,600
	To Output SGST A/c			3,600
	(Sold goods to Dinesh @ 6% SGST & CGST)			
January 1	Bills Receivable A/c	Dr.	60,000	
	Cash A/c	Dr.	7,200	
	To Dinesh A/c			67,200
	(Paid a portion amount in cash and remaining amount a bill was drawn)			

March 4	Dinesh	Dr.	60,000	
	To Bills Receivable A/c			60,000
	(Cancelled bill on the due date)			
March 4	Cash A/c	Dr.	20,000	
	To Dinesh			20,000
	(Received cash from Dinesh)			
March 4	Dinesh	Dr.	2,400	
	To Interest A/c			2,400
	(Due interest to be received)			
March 4	Bills Receivable A/c	Dr.	42,400	
	To Dinesh			42,400
	(New bill accepted by Dinesh)			
July 7	Cash A/c	Dr.	42,400	
	To Bills Receivable A/c			42,400
	(Bill honoured on due date)			

**Journal Books of Dinesh**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2018				
January 1	Purchases A/c	Dr.	60,000	
	Input CGST A/c	Dr.	3,600	
	Input SGST A/c	Dr.	3,600	
	To Chander			67,200
	(Purchased goods from Chander @ 6% CGST & SGST)			
January 1	Chander	Dr.	67,200	
	To Bills Payable A/c			60,000
	To Cash A/c			7,200
	(A portion of amount made in cash and bill drawn for remaining amount)			
March 4	Bills Payable A/c	Dr.	60,000	
	To Chander			60,000
	(On due date bill dishonoured)			
March 4	Chander	Dr.	20,000	

	To Cash A/c				20,000
	(Paid cash to Chander)				
March 4	Interest A/c	Dr.		2,400	
	To Chander				2,400
	(Due interest due to be paid)				
March 4	Chander	Dr.		42,400	
	To Bills Payable A/c				42,400
	(Chander accepted the new bill drawn)				
July 7	Bills Payable A/c	Dr.		42,400	
	To Cash A/c				42,400
	(Paid cash to Chander)				

**Working Note:** Evaluating amount of Interest

Amount of Interest =  $40,000 \times 18\% \times \frac{4}{12} = ₹ 2,400$

### Question 16

A sells goods for ₹ 30,000 to B on 1st January, 2017 and on the same day draws a bill on B at three months for the amount. B accepts it and returns it to A, who discounts it on 4th February, 2017 with his bank at 18% per annum. The acceptance is dishonoured on the due date, the noting charges paid by the bank being ₹ 200.

On 4th April, 2017, B accepts a new bill at two months for the amount then due to A together with interest at 12 per cent per annum.

Make Journal entries to record these transactions in the books of A and B.

### Solution:

Journal Books of A
--------------------

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 1	B's A/c	Dr.	30,000	
	To Sales A/c			30,000
	(Sold goods to B)			
January 1	Bills Receivable A/c	Dr.	30,000	
	To B's A/c			30,000
	(Bill accepted by B)			
February 4	Bank A/c	Dr.	29,100	
	Discounting Charges A/c	Dr.	900	
	To Bills Receivable A/c			30,000
	(Bank gave discount for 2 months @ 18% p.a.)			
April 4	B's A/c	Dr.	30,200	
	To Bank A/c			30,200
	(Bill dishonoured on due date and paid noting charges)			
April 4	B's A/c	Dr.	604	

	To Interest A/c			604
	(Received due interest)			
April 4	Bills Receivable A/c	Dr.	30,804	
	To B's A/c			30,804
	(New bill accepted by B)			
June 7	Cash A/c	Dr.	30,804	
	To Bills Receivable A/c			30,804
	(On due date bill was honoured)			

<b>Journal Books of B</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2017				
January 1	Purchases A/c	Dr.	30,000	
	To A's A/c			30,000
	(Purchased goods from A)			
January 1	A's A/c	Dr.	30,000	
	To Bills Payable A/c			30,000

	(Bill withdrawn by A, accepted)				
April 4	Bills Payable A/c	Dr.	30,000		
	Noting Charges A/c	Dr.	200		
	To A's A/c				30,200
	(On due date bill dishonoured and paid noting charges)				
Apr. 04	Interest A/c	Dr.	604		
	To A's A/c				604
	(Due interest to be paid)				
Apr. 04	A's A/c	Dr.	30,804		
	To Bills Payable A/c				30,804
	(A drawn new bill, accepted)				
June 07	Bills Payable A/c	Dr.	30,804		
	To Cash A/c				30,804
	(On due date bill honoured)				

**Working Note 1:** Evaluating discounting charges

Discounting Charges =  $30,000 \times 18100 \times 212 = ₹ 900$

**Working Note 2:** Evaluating amount of interest

Amount of interest =  $30,200 \times 12100 \times 212 = ₹ 604$

**Question 17**

On 21st Sept. 2017, Radhika sold goods for ₹ 2,00,000 to Parvati and drew upon later a bill for the same amount payable after 3 months. The bill was accepted by Parvati, Radhika discounted the bill from the bank at a discount of 15% p.a. on the 21st Oct., 2017. On maturity, the bill was dishonoured. Parvati agreed to pay ₹ 1,20,000 in cash including ₹ 3,000 interest and accepted a new bill for 3 months. The new bill was endorsed to Gayatri in full settlement of his account ₹ 85,000. It was duly met on maturity. Pass entries in the books of Radhika.

**Solution:**

<b>Journal books of Radhika (Drawer)</b>					
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>	
2017					
September 21	Parvati's A/c	Dr.	2,00,000		
	To Sales A/c				2,00,000
	(Sold goods to Parvati)				
September 21	Bills Receivable A/c	Dr.	2,00,000		
	To Parvati's A/c				2,00,000
	(Receive Bill)				
October 21	Bank A/c	Dr.	1,95,000		
	Discounting Charges A/c	Dr.	5,000		
	To Bills Receivable A/c				2,00,000
	(Bill discounted for 2 months @ 15%)				
December 24	Parvati's A/c	Dr.	2,00,000		

	To Bank A/c (Bill dishonoured)				2,00,000
December 24	Parvati's A/c	Dr.		3,000	
	To Interest A/c				3,000
	(Interest due)				
December 24	Cash A/c	Dr.		1,20,000	
	Bill Receivable A/c	Dr.		83,000	
	To Parvati's A/c				2,03,000
	(Cash and new bill received from Parvati)				
December 24	Gayatri's A/c	Dr.		85,000	
	To Bills Receivable A/c				83,000
	To Discount Received A/c				2,000
	(New bill endorsed in full settlement)				

### Question 18

Asha sold goods worth ₹ 19,000 to Nisha on March 2, 2016. ₹ 4,000 were paid by Nisha immediately and for the balance she accepted a bill of exchange drawn upon her by Asha payable after three months. Asha discounted the bill immediately with her bank @ 10% p.a. On the due date Nisha dishonoured the bill and the bank paid ₹ 30 as noting charges.

On 5th June, Nisha paid ₹ 3,030 (including noting charges) in cash and accepted a new bill at one month for the amount due to Asha together with interest @ 15% p.a.

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

**Solution:**

<b>Asha's Journal</b>					
<b>Date</b>	<b>Particulars</b>		<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2016					
March 2	Nisha	Dr.		19,000	
	To Sales A/c				19,000
	(Sold goods)				
March 2	Bills Receivable A/c	Dr.		15,000	
	Cash A/c	Dr.		4,000	
	To Nisha				19,000
	(Received acceptance)				
March 2	Bank A/c	Dr.		14,625	
	Discounting Charges A/c	Dr.		375	
	To Bills Receivable A/c				15,000
	(Bill discounted @10% p.a.)				
June 5	Nisha (15,000 + 30)	Dr.		15,030	
	To Bank A/c				15,030
	(Bill dishonored)				

June 5	Nisha	Dr.	150	
	To Interest A/c (Due Interest)			150
June 5	Cash A/c	Dr.	3,030	
	Bills Receivable (New) A/c (12,000 + 150)	Dr.	12,150	
	To Nisha			15,180
	(Received New Acceptance)			

**Working Notes 1: Evaluating discount amount**

**Discount Amount** =  $15,000 \times 10\% \times 3100 \times 12 = ₹375$

**Working Notes 2: Evaluating interest amount**

**Interest Amount** =  $12,000 \times 15\% \times 1100 \times 12 = ₹150$

<b>Nisha's Journal</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2016				
March 2	Purchases A/c	Dr.	19,000	
	To Asha			19,000
	(Purchased goods)			
March 2	Asha	Dr.	19,000	
	To Cash A/c			4,000

	To Bills Payable A/c			15,000
	(Received acceptance)			
June 5	Bills Payable A/c	Dr.	15,000	
	Noting Charges A/c	Dr.	30	
	To Asha			15,030
	(Dishonored Bill)			
June 5	Interest A/c	Dr.	150	
	To Asha			150
	(Due Interest)			
June 5	Asha	Dr.	15,180	
	To Bills Payable A/c (12,000+150)			12,150
	To Cash A/c (Received New Acceptance)			3,030

### Question 19

A sold goods for ₹ 40,000 to B on Jan. 01, 2017. He drew upon B a bill of exchange for the same amount payable after 1 month. B accepted the bill and sent it back to A. A discounted the bill immediately with his bank @ 9% p.a. On the due date B dishonoured the bill of exchange and the bank paid ₹ 200 as noting charges. B requested A to draw a new bill upon him with interest @ 12% p.a. which he agreed. The new bill was payable after 1 month. One week before the maturity of the second bill B requested A to cancel the second bill. He further requested to accept ₹ 15,000 in cash immediately and draw a third bill upon him including interest of ₹ 1,000. A agreed to B's request. The third bill was payable after one month. B met the third bill on its maturity. Record the necessary journal entries in the books of A and B and also prepare B's account in the books of A and A's account in the books of B.

### Solution:

**Journal Books of A**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2017				
January 1	B's A/c	Dr.	40,000	
	To Sales A/c			40,000
	(Goods sold to B)			
January 1	Bills Receivable A/c	Dr.	40,000	
	To B's A/c			40,000
	(B Accepted the bill)			
January 1	Bank A/c	Dr.	39,700	
	Discount Charges A/c	Dr.	300	
	To Bills Receivable A/c			40,000
	(Bill discounted with the bank @ 9% p.a. for 1 month)			
February 4	B's A/c	Dr.	40,200	
	To Bank A/c			40,200
	(Bill dishonoured on due and noting charges paid)			
February	B's A/c	Dr.	402	

4					
	To Interest A/c				402
	(Interest due to be received)				
February 4	Bills Receivable A/c	Dr.		40,602	
	To B's A/c				40,602
	(B accepted the new bill)				
February 28	B's A/c	Dr.		40,602	
	To Bills Receivable A/c				40,602
	(New bill dishonoured)				
February 28	B's A/c	Dr.		1,000	
	To Interest A/c				1,000
	(Interest due to be received)				
February 28	Cash A/c	Dr.		15,000	
	To B's A/c				15,000
	(Cash received from B)				
February. 28	Bills Receivable A/c	Dr.		26,602	



			1,22,204				1,22,204
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<b>Journal Books of B</b>							
<b>Date</b>	<b>Particulars</b>		<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>		
2017							
January 1	Purchases A/c	Dr.		40,000			
	To A's A/c					40,000	
	(Goods purchased from A)						
January 1	A's A/c	Dr.		40,000			
	To Bills Payable A/c					40,000	
	(Bill drawn by A, accepted)						
February 4	Bills Payable A/c	Dr.		40,000			
	Noting Charges A/c	Dr.		200			
	To A's A/c					40,200	
	(Bill dishonoured on due date and noting charges paid)						
February 4	Interest A/c	Dr.		402			
	To A's A/c					402	

	(Interest due to be paid)				
February 4	A's A/c	Dr.	40,602		
	To Bills Payable A/c				40,602
	(New bill drawn by A, accepted)				
February 28	Bills Payable A/c	Dr.	40,602		
	To A's A/c				40,602
	(New bill dishonoured)				
February 28	Interest A/c	Dr.	1,000		
	To A's A/c				1,000
	(Interest due to be paid)				
February 28	A's A/c	Dr.	15,000		
	To Cash A/c				15,000
	(Cash paid to A)				
Feb. 28	A's A/c		26,602		
	To Bills Payable A/c				26,602
	(New bill drawn by A, accepted)				
March 31	Bills Payable A/c	Dr.	26,602		

	To Cash A/c					26,602
	(Bill honoured on due date)					

<b>A's Account</b>							
<b>Dr.</b>				<b>Cr.</b>			
<b>Date</b>	<b>Particulars</b>	<b>J.F.</b>	<b>Amount ₹</b>	<b>Date</b>	<b>Particulars</b>	<b>J.F.</b>	<b>Amount ₹</b>
2017				2017			
January 1	Bills Payable A/c		40,000	January 1	Purchases A/c		40,000
February 4	Bills Payable A/c		40,602	January 1	Bills Payable A/c		40,000
February 28	Cash A/c		15,000	February 4	Noting Charges A/c		200
February 28	Bills Payable A/c		26,602	February 4	Interest A/c		402
				February 28	Bills Payable A/c		40,602
				February 28	Interest A/c		1,000
			<b>1,22,204</b>				<b>1,22,204</b>

**Working Notes 1** : Evaluating Discounting Charges

Discounting Charges=  $40,000 \times 9100 \times 112 = ₹ 300$

**Working Notes 2** : Evaluating Interest Amount

Interest Amount=  $40,200 \times 12100 \times 112 = ₹ 402$

**Question 20**

Journalise the following transaction in the books of Rajni:

Geeta's acceptance of ₹ 20,000 which had been discounted with the bank for ₹ 19,500 has been returned by the Bank dishonoured. Noting charges paid by Bank ₹ 25.

**Solution:**

Journal Books of Rajni				
Date	Particulars	L.F.	Debit ₹	Credit ₹
	Geeta	Dr.	20,025	
	To Bank A/c			20,025
	(Discounted bill dishonoured and noting charges paid)			

**Question 21(A)**

A Bill receivable for ₹ 10,000, which had been discounted for ₹ 9,700, is dishonoured and the Bank paid ₹ 20 as noting charges.

Pass entries in the books of drawer and drawee.

**Solution:**

Journal Books of Drawer				
Date	Particulars	L.F.	Debit ₹	Credit ₹
	Drawee's A/c	Dr.	10,020	

	To Bank A/c				10,020
	(Discounted bill dishonoured and noting charges paid)				

### Journal Books of Drawee

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bills Payable A/c	Dr.	10,000	
	Noting Charges A/c	Dr.	20	
	To Drawer's A/c			10,020
	(Bills dishonoured and noting charges paid)			

### Question 21(B)

Journalise the following in the books of X:

Y's acceptance for ₹ 2,00,000 which was discounted by X from the bank has been dishonoured, noting charges paid by bank being ₹ 100.

### Solution:

Journal Books of X				
Date	Particulars	L.F.	Debit ₹	Credit ₹
	Y's A/c	Dr.	2,00,100	
	To Bank A/c			2,00,100
	(Discounted bill dishonoured and noting charges paid)			

### Question 22

On 10th April, 2018, Ravi purchased from Mohan goods for ₹ 30,000 plus CGST and SGST @ 9% each. Ravi paid ₹ 15,400 in cash and accepted a bill for two months for the balance amount drawn on him by Mohan. Mohan endorsed the bill to Rakesh. The bill was dishonoured on the due date. Rakesh had to spend ₹ 100 as noting charges.

Immediately after the dishonour, Mohan accepted a new bill drawn by Rakesh, in which ₹ 200 for interest were also included. After 20 days of the dishonour of the bill, Ravi paid full amount of Mohan including ₹ 50 as interest. Show Journal entries in the books of Ravi, Mohan and Rakesh.

**Solution:**

<b>Journal Books of Mohan</b>					
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>	
2018					
April 10	Ravi	Dr.	35,400		
	To Sales A/c				30,000
	To Output CGST A/c				2,700
	To Output SGST A/c				2,700
	(Sold goods plus 9% intra-state GST)				
April 10	Bills Receivable A/c	Dr.	20,000		
	Cash A/c	Dr.	15,400		
	To Ravi				35,400
	(Ravi paid in portion and remaining amount was accepted in bill)				

April 10	Rakesh	Dr.	20,000	
	To Bills Receivable A/c			20,000
	(Bill endorsed in favour of Rakesh)			
June 13	Ravi	Dr.	20,100	
	To Rakesh			20,100
	(On due date bill was dishonoured and noting charges to be paid)			
June 13	Interest A/c	Dr.	200	
	To Rakesh			200
	(Due interest to be paid to Rakesh)			
June 13	Rakesh	Dr.	20,300	
	To Bills Payable A/c			20,300
	(Bill withdrawn by Rakesh, accepted)			
July 3	Ravi	Dr.	50	
	To Interest A/c			50
	(Due interest to be received)			
July 3	Cash A/c	Dr.	20,150	

	To Ravi				20,150
	(Received cash from Ravi)				

Journal Books of Ravi					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2018					
April 10	Purchases A/c	Dr.	30,000		
	Input CGST A/c	Dr.	2,700		
	Input SGST A/c	Dr.	2,700		
	To Mohan				35,400
	(Purchased goods with 9% intra-state GST)				
April 10	Mohan	Dr.	35,400		
	To Bills Payable A/c				20,000
	To Cash A/c				15,400
	(Made portion of payment and remaining amount bill drawn by Mohan, accepted)				
June 13	Bills Payable A/c	Dr.	20,000		
	Noting Charges A/c	Dr.	100		

	To Mohan			20,100
	(Bill dishonoured on due date and noting charges to be paid)			
July 3	Interest A/c	Dr.	50	
	To Mohan			50
	(Due interest to be paid)			
July 3	Mohan	Dr.	20,150	
	To Cash A/c			20,150
	(Paid cash to Mohan)			

Books of Rakesh				
Journal				
Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018				
April 10	Bills Receivable A/c	Dr.	20,000	
	To Mohan			20,000
	(Bill receivable received from Mohan)			

June 13	Mohan	Dr.	20,100	
	To Bills Receivable A/c			20,000
	To Cash A/c			100
	(On due date bill dishonoured and noting paid charged)			
June 13	Mohan	Dr.	200	
	To Interest A/c			200
	(Due interest to be received)			
June 13	Bills Receivable A/c	Dr.	20,300	
	To Mohan			20,300
	(New bill accepted by Mohan)			

### Question 23

On March 4, 2017, A purchased from B goods for ₹ 50,000. A paid 40% immediately and for the balance gave a promissory note to B payable after 30 days. B immediately endorsed the promissory note in favour of his creditor C for the full settlement of a debt of ₹ 31,000. On the due date the bill was dishonoured and C paid ₹ 100 as noting charges. On the same date C informed B about the dishonour of the bill. B settled his debt to C by cheque for ₹ 30,100 which includes noting charges. A settled B's claim by cheque for the same amount.

Record the necessary journal entries in the books of A, B and C for the above transactions and prepare A's and C's accounts in the books of B, B's account in the books of A and also B's account in the books of C.

### Solution:

Journal Books of B				

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
March 4	A's A/c	Dr.	50,000	
	To Sales A/c (Sold goods to A)			50,000
March 4	Cash A/c	Dr.	20,000	
	Bills Receivable A/c	Dr.	30,000	
	To A's A/c			50,000
	(Cas received 40% and remaining amount A accepted promissory note)			
March 4	C's A/c	Dr.	31,000	
	To Bills Receivable A/c			30,000
	To Discount Received A/c			1,000
	(Promissory note endorsed in favour of C)			
April 6	A's A/c	Dr.	30,100	
	To C			30,100
	(On the due date the promissory note was dishonoured and paid noting charges by C)			

April 6	C's A/c	Dr.	31,100	
	To Bank A/c			30,100
	(Paid cheque to C)			
April 6	Bank A/c	Dr.	30,100	
	To A's A/c			30,100
	(Received cheque from A)			

<b>A's Account</b>							
Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
March 4	Sales A/c		50,000	March 4	Cash A/c		20,000
April 6	C's A/c		30,100	March 4	Bills Receivable A/c		30,000
				April 6	Bank A/c		30,100
			80,100				80,100

<b>C's Account</b>	
Dr.	Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
March 4	Bills Receivable A/c		30,000	March 4	Balance b/d		31,000
March 4	Discount Received A/c		1,000	April 6	A		30,100
April 6	Bank A/c		30,100				
			61,100				61,100

<b>Journal Books of A</b>				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
2017				
March 4	Purchases A/c	Dr.	50,000	
	To B's A/c			50,000
	(Purchased goods from B)			
March 4	B's A/c	Dr.	50,000	

	To Cash A/c				20,000
	To Bills Payable A/c				30,000
	(Paid 40% amount in cash and a promissory note was accepted for the remaining amount)				
April 6	Bills Payable A/c	Dr.		30,000	
	Noting Charges A/c	Dr.		100	
	To B's A/c				30,100
	(On the due date, promissory note was dishonoured and paid noting charges)				
April 6	B's A/c	Dr.		30,100	
	To Bank A/c				30,100
	(Cheques paid c to B)				

<b>B's Account</b>							
<b>Dr.</b>				<b>Cr.</b>			
<b>Date</b>	<b>Particulars</b>	<b>J.F.</b>	<b>Amount ₹</b>	<b>Date</b>	<b>Particulars</b>	<b>J.F.</b>	<b>Amount ₹</b>
2017				2017			
March 4	Cash A/c		20,000	March 4	Purchases A/c		50,000
March	Bills Payable		30,000	April 6	Bills Payable A/c		30,000

4	A/c					
April 6	Bank A/c		30,100	April 6	Noting Charges A/c	100
			80,100			80,100

Books of C Journal					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2017					
March 4	Bills Receivable A/c	Dr.	30,000		
	Discount Allowed A/c	Dr.	1,000		
	To B's A/c (Promissory note received from B)				31,000
April 6	B's A/c	Dr.	30,100		
	To Bills Receivable A/c	Dr.			30,000
	To Cash A/c				100
	(On the due date, promissory note was dishonoured and paid noting charges)				
April 6	Bank A/c	Dr.	30,100		



Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
February 1	Naresh	Dr.	25,000	
	To Sales A/c			25,000
	(Sole goods to Naresh)			
February 1	Bills Receivable A/c	Dr.	25,000	
	To Naresh			25,000
	(Bill accepted by Naresh)			
February 1	Raja	Dr.	25,300	
	To Bills Receivable A/c			25,000
	To Discount Received A/c			300
	(Bills receivable endorsed in favour of Raja)			
April 27	Naresh	Dr.	25,000	
	To Raja			25,000
	(Cancelled Bills receivable)			
April 27	Raja	Dr.	25,000	
	To Cash A/c			25,000
	(Paid Cash to Raja)			

April 27	Naresh	Dr.	400	
	To Interest A/c			400
	(Due interest to be received)			
April 27	Bills Receivable A/c	Dr.	25,400	
	To Naresh			25,400
	(New bill accepted by Naresh)			
May 30	Cash A/c	Dr.	25,400	
	To Bills Receivable A/c			25,400
	(On the due date bill honoured)			

### Question 25

A purchased goods for ₹ 15,000 from B on March 01, 2017 and accepted a bill of exchange drawn by B for the same amount. The bill was payable after 60 days. On April 28, B sent the bill to his bank for collection. The bill was duly presented by the bank. A dishonoured the bill and the bank paid ₹ 150 as noting charges.

Record the necessary journal entries for the above transactions in the books of A and B.

### Solution:

Journal Books of B				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
March 1	A's A/c	Dr.	15,000	

	To Sales A/c			15,000
	(Sold goods to A)			
March 1	Bills Receivable A/c	Dr.	15,000	
	To A's A/c			15,000
	(Bill accepted by A)			
April 28	Bill Sent for Collection A/c	Dr.	15,000	
	To Bills Receivable A/c			15,000
	(Bill sent to the bank for collection)			
May 3	A's A/c	Dr.	15,150	
	To Bill Sent for Collection A/c			15,000
	To Bank A/c			150
	(On the due date, Bill dishonoured and bank paid noting charges)			

<b>Journal Books of A</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2017				
March 1	Purchases A/c	Dr.	15,000	

	To B			15,000
	(Purchased goods from B)			
Mar. 01	B's A/c	Dr.	15,000	
	To Bills Payable A/c			15,000
	(Bill drawn by B, accepted)			
May 03	Bills Payable A/c	Dr.	15,000	
	Noting Charges A/c	Dr.	150	
	To B's A/c			15,150
	(On the due date, Bill dishonoured and noting charges paid)			

### Question 26

Vimal purchased goods ₹ 25,000 from Kamal on Jan. 15, 2017 and accepted a bill of exchange drawn upon him by Kamal payable after two months. On the date of maturity the bill was duly presented for payment. Vimal dishonoured the bill.

Record the necessary journal entries in the books of Kamal and Vimal when :

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

### Solution:

Journal Books of Kamal				
Date	Particulars	L.F.	Debit	Credit

			₹	₹
2017				
January 15	Vimal	Dr.	25,000	
	To Sales A/c			25,000
	(Sold goods to Vimal)			
January 15	Bills Receivable A/c	Dr.	25,000	
	To Vimal			25,000
	(Vimal accepted the bill)			
	(i): <i>Bill retained till maturity</i>			
March 18	Vimal	Dr.	25,000	
	To Bills Receivable A/c			25,000
	(On the due date Bill dishonoured)			
	(ii): <i>Bill discounted @ 6% p.a. with bank</i>			
January 15	Bank A/c	Dr.	24,750	
	Discounting Charges A/c	Dr.	250	
	To Bills Receivable A/c			25,000
	(Bill discounted with bank for 2 months @ 6% p.a.)			

March 18	Vimal	Dr.	25,000	
	To Bank A/c			25,000
	(On the due date Bill dishonoured)			
	(iii): <i>Bill endorsed in favour of Sharad</i>			
January 15	Sharad	Dr.	25,000	
	To Bills Receivable A/c			25,000
	(Bill endorsed in favour of Sharad)			
March 18	Vimal	Dr.	25,000	
	To Sharad			25,000
	(On the due date Bill dishonoured)			
	(iv): <i>Bill sent to bank for collection</i>			
March 13	Bills Sent for Collection A/c	Dr.	25,000	
	To Bills Receivable A/c			25,000
	(Bill sent to the bank for collection)			
March 18	Vimal	Dr.	25,000	
	To Bills Sent for Collection A/c			25,000
	(On the due date Bill dishonoured)			

Journal Books of Vimal				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 15	Purchases A/c	Dr.	25,000	
	To Kamal			25,000
	(Purchased Goods from Kamal)			
	<i>In all the four cases the same entry will be passed</i>			
March 18	Bills Payable A/c	Dr.	25,000	
	To Kamal			25,000
	(On the due date Bill dishonoured)			

### Question 27

X draws upon Y a bill of ₹ 10,000 for three months on 1st July, 2016. The bill was duly accepted and returned by Y. On due date bill became dishonoured and noting charges paid under each of the following circumstances ₹ 75. Pass entries in the following cases:

- (i) If drawer retains the bill with him till due date.
- (ii) If drawer discounts the same with his Banker and noting charges paid by the Banker.
- (iii) If drawer endorses the same to his creditor Z and noting charges paid by Z.
- (iv) If drawer sends the bill for collection to his Banker and noting charges paid by the Banker.

**Solution:**

**Journal Books of X**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2016				
July 1	Bills Receivable A/c	Dr.	10,000	
	To Y's A/c			10,000
	(Bill accepted by Y)			
	(i): <i>Bill retains till due date</i>			
October 4	Y's A/c	Dr.	10,075	
	To Bills Receivable A/c			10,000
	To Cash A/c			75
	(On the due date bill dishonoured and paid noting charges)			
	(ii): <i>Bill discounted with the bank</i>			
July 1	Bank A/c	Dr.	10,000	
	To Bills Receivable A/c			10,000
	(Bill discounted with bank)			
October 4	Y's A/c	Dr.	10,075	

	To Bank A/c			10,075
	(On the due date bill dishonoured and paid noting charges)			
	(iii): <i>Bill endorsed to Z</i>			
July 1	Z's A/c	Dr.	10,000	
	To Bills Receivable A/c			10,000
	(Bill endorsed in favour of Z)			
October 4	Y's A/c	Dr.	10,075	
	To Z			10,075
	(Bill dishonoured on due date and noting charges paid by Z)			
	Case (iv): <i>Bill sent to bank for collection</i>			
July 1	Bill Sent for Collection A/c	Dr.	10,000	
	To Bills Receivable A/c			10,000
	(Bill sent to the bank for collection)			
October 4	Y's A/c	Dr.	10,075	
	To Bill Sent for Collection A/c			10,000
	To Bank A/c			75
	(On the due date bill dishonoured and paid			

	noting charges)				

<b>Journal Books of Y</b>					
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>	
2016					
July 1	X's A/c	Dr.	10,000		
	To Bills Payable A/c				10,000
	(Bill drawn by X, accepted)				
	<i>Same entry will be passed in both the cases</i>				
October 4	Bills Payable A/c	Dr.	10,000		
	Noting Charges A/c	Dr.	75		
	To X's A/c				10,075
	(On the due date bill dishonoured and noting charges paid)				

<b>Journal Books of Z</b>					
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>	
2016					

July 01	Bills Receivable A/c	Dr.	10,000	
	To X's A/c			10,000
	(Bills receivable, received from X)			
October 4	X's A/c	Dr.	10,075	
	To Bills Receivable A/c			10,000
	To Cash A/c			75
	(On the due date bill dishonoured and noting charges paid)			

### Question 28

What Journal entry will be passed in the books of drawer (X) and drawee (Y) at the time of dishonour of bill in the following cases:

- (i) If bill of ₹ 50,000 was discounted from bank and noting charges paid by the bank was ₹ 600.
- (ii) If B/R of ₹ 50,000 was endorsed in favour of Z. Noting charges paid by Z ₹ 600.
- (iii) If B/R is returned with drawer and noting charges were ₹ 600

### Solution:

X's Journal				
Sl.no	Particulars	L.F.	Debit ₹	Credit ₹
(i)	Y's A/c	Dr.	50,600	
	To Bank A/c			50,600
	(Bill dishonoured and paid noting charges)			

(ii)	Y's A/c	Dr.	50,600	
	To Z's A/c			50,600
	(Bill endorsed to Z, dishonored and paid noting charges)			
(iii)	Y's A/c	Dr.	50,600	
	To Bills Receivable A/c			50,000
	To Cash A/c			600
	(Bill dishonored and noting charges paid)			

<b>Y's Journal</b>				
<b>Sl.no</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
(i)	Bills Payable A/c	Dr.	50,000	
	Noting Charges A/c	Dr.	600	
	To X's A/c			50,600
	(Bill dishonored and paid noting charges)			
(ii)	Bills Payable A/c	Dr.	50,000	
	Noting Charges A/c	Dr.	600	
	To X's A/c			50,600

	(Bill dishonored and paid noting charges)				
(iii)	Bills Payable A/c	Dr.		50,000	
	Noting Charges A/c	Dr.		600	
	To X's A/c				50,600
	(Bill dishonored and paid noting charges)				

### Question 29

A sold goods to B for ₹ 60,000 Charging IGST @18% and immediately drew a bill on B who duly accepted the same. A endorsed the bill to C. C endorsed it to his creditor D. D discounted the bill for ₹ 68,000. On the date of maturity, the bill was dishonoured and Bank paid noting charges amounting to ₹ 200.

Show Journal entries in the books of all the parties to record these transactions.

### Solution:

Journal Books of A					
Sl.no	Particulars	L.F.	Debit ₹	Credit ₹	
i	B's A/c	Dr.	70,800		
	To Sales A/c				60,000
	To Output IGST A/c				10,800
	(Sold goods to B @ 18% Inter-state GST)				
ii	Bills Receivable A/c	Dr.	70,800		
	To B's A/c				70,800

	(B accepted the bill)				
iii	C's A/c	Dr.		70,800	
	To Bills Receivable A/c				70,800
	(Bill endorsed in favour of C)				
iv	B's A/c	Dr.		71,000	
	To C's A/c				71,000
	(On the due date, bills dishonoured and noting charges receivable from B and payable to C)				

<b>Journal Books of B</b>					
<b>Date</b>	<b>Particulars</b>		<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
	Purchases A/c	Dr.		60,000	
	Input IGST A/c	Dr.		10,800	
	To A's A/c				70,800
	(Purchased goods from A)				
	A's A/c	Dr.		70,800	
	To Bills Payable A/c				70,800
	(Bill drawn by A, accepted)				
	Bills Payable A/c	Dr.		70,800	

	Noting Charges A/c	Dr.		200	
	To A's A/c				71,000
	(On the due date, bill dishonoured and paid noting charges)				

### Journal Books of C

Date	Particulars	L.F.	Debit ₹	Credit ₹	
	Bills Receivable A/c	Dr.	70,800		
	To A's A/c			70,800	
	(Bills receivable, received from A)				
	D's A/c	Dr.	70,800		
	To Bills Receivable A/c			70,800	
	(Bill endorsed in favour of D)				
	A's A/c	Dr.	71,000		
	To D's A/c			71,000	
	(Bill dishonoured on due date and noting charges receivable from A and payable to D)				

### Journal Books of D

Date	Particulars	L.F.	Debit ₹	Credit ₹
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	Bills Receivable A/c	Dr.	70,800	
	To C's A/c			70,800
	(Bills receivable, received from C)			
	Bank A/c	Dr.	68,000	
	Discounting Charges A/c	Dr.	2,800	
	To Bills Receivable A/c			70,800
	(Bill discounted with bank)			
	C's A/c	Dr.	71,000	
	To Bank A/c			71,000
	(On the due date, bill dishonoured and bank paid noting charges)			

### Question 30

On 1st Jan., 2016, Satish drew on Harish three bills of exchange in full settlement of claims, the first for ₹ 14,000 at one month; the second for ₹ 16,000 at two months and the third for ₹ 18,000 at three months. The bills were duly accepted by Harish. The first bill was endorsed by Satish to his creditor Rajnish on 3rd Jan., 2016.

The second bill was discounted on 15th Jan. for ₹ 15,900 and the third bill was sent to bank for collection on 4th Feb. All the bills were met on maturity except the second bill which was dishonoured, noting charges being paid ₹ 240. Satish charged ₹ 300 for interest from Harish and drew on him a fourth bill for two months for ₹ 16,540. The fourth bill was duly met on maturity.

Give Journal entries in the books of Satish and Harish.

### Solution:

Journal Books of Satish				
Date	Particulars	L.F.	Debit	Credit

			₹	₹
2016				
January 1	Bills Receivable A/c (1)	Dr.	14,000	
	Bills Receivable A/c (2)	Dr.	16,000	
	Bills Receivable A/c (3)	Dr.	18,000	
	To Harish			48,000
	(Bills accepted by Harish)			
January 3	Rajnish	Dr.	14,000	
	To Bills Receivable A/c (1)			14,000
	(Bill endorsed in favour of Rajnish)			
January 15	Bank A/c	Dr.	15,900	
	Discounting Charges A/c	Dr.	100	
	To Bills Receivable A/c (2)			16,000
	(Bills discounted with bank @ Rs 100 discount)			
February 4	Bill Sent for Collection A/c	Dr.	18,000	
	To Bills Receivable A/c (3)			18,000
	(Bill sent to the bank for collection)			

March 4	Harish	Dr.	16,240	
	To Bank A/c			16,240
	(On the due date, bill dishonoured and paid noting charges)			
March 4	Harish	Dr.	300	
	To Interest A/c			300
	(Due interest to be received)			
March 4	Bills Receivable A/c (4)	Dr.	16,540	
	To Harish			16,540
	(New bill accepted by Harish)			
April 4	Bank A/c	Dr.	18,000	
	To Bills Sent for Collection A/c			18,000
	(On the due date, bill dishonoured)			
May 7	Cash A/c	Dr.	16,540	
	To Bills Receivable A/c (4)			16,540
	(On the due date, bill dishonoured)			

Books of Harish  
Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
January 1	Satish	Dr.	48,000	
	To Bills Payable A/c (1)			14,000
	To Bills Payable A/c (2)			16,000
	To Bills Payable A/c (3)			18,000
	(Bill drawn by Satish, accepted)			
February 4	Bills Payable A/c (1)	Dr.	14,000	
	To Cash A/c			14,000
	(On the due date, bill honoured)			
March 4	Bills Payable A/c (2)	Dr.	16,000	
	Noting Charges A/c	Dr.	240	
	To Satish			16,240
	(On the due date, bill honoured and paid noting charges)			
March 4	Interest A/c	Dr.	300	
	To Satish			300
	(Due interest to be paid)			

March 4	Satish	Dr.	16,540	
	To Bills Payable A/c (4)			16,540
	(New bill drawn by Satish, accepted)			
April 4	Bills Payable A/c (3)	Dr.	18,000	
	To Cash A/c			18,000
	(On the due date, bill honoured)			
May 7	Bills Payable A/c (4)	Dr.	16,540	
	To Cash A/c			16,540
	(On the due date, bill honoured)			

### Question 31

A sold goods to B on 30th October, 2016 for ₹ 14,000 and received three bills for ₹ 2,000, ₹ 4,000 and ₹ 8,000 at 2, 3 and 4 months duration respectively. He kept the first bill till maturity; endorsed the 2nd bill in favour of his creditor C and discounted the third bill on 3rd December, 2016 @18% p.a. The first and 2nd bills were duly met on maturity but the third bill was dishonoured, the bank paying ₹ 40 as noting charges. On 3rd March, 2017, B paid ₹ 3,000 and the noting charges in cash and accepted a new bill at 3 months after the date for the balance plus ₹ 150 as interest. The new bill was met on maturity. Give Journal entries in the books of A and B both.

### Solution:

Journal Books of A				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				

October 30	B's A/c	Dr.	14,000	
	To Sales A/c			14,000
	(Goods sold to B)			
October 30	Bills Receivable A/c (1)	Dr.	2,000	
	Bills Receivable A/c (2)	Dr.	4,000	
	Bills Receivable A/c (3)	Dr.	8,000	
	To B's A/c			14,000
	(B accepted bills)			
October 30	C's A/c	Dr.	4,000	
	To Bills Receivable A/c (2)			4,000
	(Bill endorsed in favour of C)			
December 3	Bank A/c	Dr.	7,640	
	Discounting Charges A/c	Dr.	360	
	To Bills Receivable A/c (3)			8,000
	(Bill discounted with the bank for 3 months @ 18 p.a.)			
2017				
January 2	Cash A/c	Dr.	2,000	
	To Bills Receivable A/c (1)			2,000

	(On the due date, bill honoured)				
March 3	B's A/c	Dr.	8,040		
	To Bank A/c				8,040
	(On the due date, bill honoured and bank paid noting charges)				
March 3	Cash A/c	Dr.	3,040		
	To B's A/c				3,040
	(Received cash from B)				
March 3	B's A/c	Dr.	150		
	To Interest A/c				150
	(Due interest to be received)				
March 3	Bills Receivable A/c	Dr.	5,150		
	To B's A/c				5,150
	(New bill accepted by B)				
June 06	Cash A/c	Dr.	5,150		
	To Bills Receivable A/c				5,150
	(On the due date, bill honoured)				

**Journal Books of B**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2016				
October 30	Purchases A/c	Dr.	14,000	
	To A			14,000
	(Goods purchased from A)			
October 30	A	Dr.	14,000	
	To Bills Payable A/c (1)			2,000
	To Bills Payable A/c (2)			4,000
	To Bills Payable A/c (3)			8,000
	(Bill drawn by A, accepted)			
2017				
January 2	Bills Payable A/c (1)	Dr.	2,000	
	To Cash A/c			2,000
	(Bill honoured on due date)			
February 2	Bills Payable A/c (2)	Dr.	4,000	

	To Cash A/c			4,000
	(On the due date, bill honoured)			
March 3	Bills Payable A/c (3)	Dr.	8,000	
	Noting Charges A/c	Dr.	40	
	To A			8,040
	(On the due date, bill honoured and noting charges paid)			
March 3	A	Dr.	3,040	
	To Cash A/c			3,040
	(Paid cash to A)			
March 3	Interest A/c	Dr.	150	
	To A			150
	(Due interest to be paid)			
March 3	A	Dr.	5,150	
	To Bills Payable A/c			5,150
	(Bill drawn by A, accepted)			
June 6	Bills Payable A/c	Dr.	5,150	
	To Cash A/c			5,150
	(On the due date, bill honoured)			

**Working Note:** Evaluating discounting charges

Discounting charges =  $8,000 \times 18100 \times 312 = ₹ 360$

**Question 32**

On 1st January, 2010, Arun purchased from Barun goods invoiced at ₹ 10,000. On the same date, Barun drew upon Arun a bill for the amount at 2 months and Arun accepted the same. On 4th January, 2010, Barun got the bill discounted with his bank @12% per annum. On due date, Arun told Barun that he was not in a position to pay the full amount and requested Barun to accept ₹ 5,000 in cash and draw a fresh bill at 2 months for the remaining amount plus interest at 15% per annum, Barun agreed. The second bill was duly met on the due date.

Give journal entries to record the above transactions in the books of Barun.

**Solution:**

Journal Books of Barun				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2010				
January 1	Arun	Dr.	10,000	
	To Sales A/c			10,000
	(Sold goods to Arun)			
January 1	Bills Receivable A/c	Dr.	10,000	
	To Arun			10,000
	(Arun accepted the bill)			
January 4	Bank A/c	Dr.	9,800	

	Discounting Charges A/c	Dr.	200	
	To Bills Receivable A/c			10,000
	(Bill discounted with the bank for 2 months @ 12% p.a.)			
Mach 4	Arun	Dr.	10,000	
	To Bank A/c			10,000
	(On the due date bill cancelled)			
March 4	Cash	Dr.	5,000	
	To Arun			5,000
	(Received cash from Arun)			
March 4	Arun	Dr.	125	
	To Interest A/c			125
	(Due interest to be received)			
March 4	Bills Receivable A/c	Dr.	5,125	
	To Arun			5,125
	(New bill accepted by Arun)			
May 7	Cash A/c	Dr.	5,125	
	To Bills Receivable A/c			5,125

(On the due date, bill honoured)				
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**Working Note 1:** Evaluating discounting charges

Discounting charges = ₹10,000 X 12100 X 212 = ₹ 200

**Working Note 2:** Evaluating amount of interest

Amount of Interest = ₹5,000 X 15100 X 212 = ₹ 125

**Question 33**

Darshan sold goods for ₹ 40,000 to Varun on 8.1.2017 and drew upon him a bill of exchange payable after two months. Varun accepted the bill and returned the same to Darshan. On the due date the bill was met by Varun. Record the necessary Journal entries in the books of Darshan and Varun in the following circumstances:

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

**Solution:**

Journal Books of Darshan					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2017					
January 8	Varun	Dr.	40,000		
	To Sales A/c				40,000
	(Sold goods to Varun)				
January 8	Bills Receivable A/c	Dr.	40,000		

	To Varun				40,000
	(Varun accepted the bill)				
	1 : <i>Bill retained till maturity</i>				
March 11	Cash A/c	Dr.		40,000	
	To Bills Receivable A/c				40,000
	(On the due date, bill honoured)				
	2: <i>Bill discounted with the bank</i>				
January 8	Bank A/c	Dr.		39,600	
	Discounting Charges A/c	Dr.		400	
	To Bills Receivable A/c				40,000
	(Bills discounted with the bank for 2 months @ 6% p.a.)				
	3: <i>Bill endorsed in favour of Suresh</i>				
January 8	Suresh	Dr.		40,000	
	To Bills Receivable A/c				40,000
	(Bill endorsed in favour of Suresh)				
	4: <i>Bill sent to bank for collection</i>				
March	Bill Sent for Collection A/c	Dr.		40,000	

11					
	To Bills Receivable A/c				40,000
	(Bills sent to bank for payment)				
March 11	Bank A/c	Dr.		5,125	
	To Bill Sent for Collection A/c				5,125
	(On the due date, bill honoured)				

<b>Journal Books of Varun</b>					
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>	
2017					
January 8	Purchases A/c	Dr.	40,000		
	To Darshan				40,000
	(Purchased goods from Darshan)				
January 8	Darshan	Dr.	40,000		
	To Bills Payable A/c				40,000
	(Bill drawn by Darshan, accepted)				
	<i>In all four cases same entry will be passed</i>				
March 11	Bills Payable A/c	Dr.	40,000		

	To Cash A/c				40,000
	(On the due date, bill honoured)				

**Working Note:** Evaluating discounting Charges

Discounting charges = ₹40,000 X 6/100 X 2/12 = ₹ 400

**Question 34**

On Jan. 1, 2017 Neha sold goods for ₹ 20,000 to Muskan and drew upon her a bill of exchange payable after two months. One month before the maturity of the bill Muskan approached Neha to accept the payment against the bill at a rebate @12% p.a. Neha agreed to the request of Muskan and Muskan retired the bill under the agreed rate of rebate.

Journalise the above transactions in the books of Neha and Muskan.

**Solution:**

Journal Books of Neha					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2017					
January 1	Muskan	Dr.	20,000		
	To Sales A/c				20,000
	(Sold goods to Muskan)				
January 1	Bills Receivable A/c	Dr.	20,000		
	To Muskan				20,000
	(Muskan accepted the bill)				
February	Cash A/c	Dr.	19,800		

4					
	Rebate A/c	Dr.	200		
	To Bills Receivable A/c				20,000
	(Bill retired under the rebate @ 12% p.a. for 1 month)				

### Journal Books of Muskan

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 1	Purchases A/c	Dr.	20,000	
	To Neha			20,000
	(Purchased goods from Neha)			
January 1	Neha	Dr.	20,000	
	To Bills Payable A/c			20,000
	(Bill drawn by Neha, accepted)			
February 4	Bills Payable A/c	Dr.	20,000	
	To Cash A/c			19,800
	To Rebate A/c			200

(Bill retired before one month under the rebate of 12% p.a.)				
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**Working Note:** Evaluating amount of Rebate

Amount of Rebate=  $20,000 \times 12100 \times 112 = ₹ 200$

**Question 35**

Leena sold goods to Meena on March 01, 2009 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 May 04, 2009 under a rebate of 6% p.a. with mutual agreement.

Journalise the above in the books of Leena and Meena.

**Solution:**

Journal Books of Leena					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2009					
March 1	Meena	Dr.	68,000		
	To Sales A/c				68,000
	(Sold goods to Meena)				
March 1	Bills Receivable A/c (1)	Dr.	34,000		
	Bills Receivable A/c (2)	Dr.	34,000		
	To Meena				68,000
	(Meena accepted bills)				

March 1	Bank A/c	Dr.		32,980	
	Discounting Charges A/c	Dr.		1,020	
	To Bills Receivable A/c				34,000
	(Bill discounted for 3 months with bank @ 12% p.a.)				
May 4	Cash A/c	Dr.		33,830	
	Rebate A/c	Dr.		170	
	To Bills Receivable A/c (2)				34,000
	(Bill retired for 1 month under the rebate of 6% p.a.)				
June 4	Meena	Dr.		34,055	
	To Bank A/c				34,055
	(On the due date, bill dishonoured and bank paid noting charges)				

Journal Books of Meena					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2009					
March 1	Purchases A/c	Dr.	68,000		

	To Leena			68,000
	(Purchased goods from Leena)			
March 1	Leena	Dr.	68,000	
	To Bills Payable A/c (1)			34,000
	To Bills Payable A/c (2)			34,000
	(Bills drawn by Leena, accepted)			
May 4	Bills Payable A/c (2)	Dr.	34,000	
	To Cash A/c			33,830
	To Rebate A/c			170
	(Bill retired for 1 month under the rebate of 6% p.a.)			
June 4	Bills Payable A/c (1)	Dr.	34,000	
	Noting Charges A/c	Dr.	55	
	To Leena			34,055
	(On the due date, bill dishonoured and paid noting charges)			

**Working Notes 1:** Evaluating discounting charges

Discounting charges = ₹34,000 X 12100 X 312 = ₹ 1,020

**Working Notes 2:** Evaluating amount of rebate

Amount of rebate = ₹34,000 X 6100 X 112 = ₹ 170

**Question 36**

Anita purchased goods for ₹ 23,000 from Kavita on October 15, 2009 and accepted a bill of exchange drawn upon her by Kavita payable after two months. On the date of maturity the bill was duly presented for payment. Anita dishonoured the bill. The payee noted with ₹ 95 as noting charges.

Record the necessary journal entries in the books of Kavita and Anita, when (a) The bill was immediately discounted by Kavita with her Bank @ 9% p.a. (b) The bill was endorsed by Kavita in favour of her creditor Shankar after one month.

**Solution:**

<b>Journal Books of Kavita</b>					
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>	
2009					
October 15	Anita	Dr.	23,000		
	To Sales A/c				23,000
	(Sold goods to Anita)				
October 15	Bills Receivable A/c	Dr.	23,000		
	To Anita				23,000
	(Anita accepted the bill)				
	(a): <i>Bill discounted with the bank</i>				
October 15	Bank A/c	Dr.	22,655		
	Discounting Charges A/c	Dr.	345		
	To Bills Receivable A/c				23,000

	(Bills discounted for 2 months with the bank @ 9% p.a.)				
December 18	Anita	Dr.		23,095	
	To Bank A/c				23,095
	(On the due date, bill dishonoured and bank paid noting charges)				
	(b): <i>Bill endorsed in favour of Shankar</i>				
October 15	Shankar	Dr.		23,000	
	To Bills Receivable A/c				23,000
	(Bill endorsed in favour of Shankar)				
December 18	Anita	Dr.		23,095	
	To Shankar				23,095
	(On the due date, bill dishonoured and noting charges are payable by Anita and receivable by Shankar)				

Journal Books of Anita				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2009				
October	Purchases A/c	Dr.	23,000	

15					
	To Kavita				23,000
	(Purchased goods from Kavita)				
October 15	Kavita	Dr.	23,000		
	To Bills Payable A/c				23,000
	(Bill drawn by Kavita, accepted)				
	<i>In both cases, the same entry will be passed</i>				
December 18	Bills Payable A/c	Dr.	23,000		
	Noting Charges A/c	Dr.	95		
	To Kavita				23,095
	(On the due date, bill dishonoured and paid noting charges)				

**Working Note:** Evaluation of Discounting Charges

Discounting charges = ₹23,000 X 9100 X 212 = ₹ 345

**Question 37**

Abdulla sold goods to Tahir on Jan. 17, 2017 for ₹ 18,000. He drew a bill of exchange for the same amount on Tahir for 45 days. On the same date Tahir accepted the bill and returned it to Abdulla. On the due date Abdulla presented the bill to Tahir which was dishonoured. Abdulla paid ₹ 40 as noting charges. Five days after the dishonour of his acceptance Tahir settled his debt by making a payment of ₹ 18,700 including interest and noting charges.

Record the necessary journal entries in the books of Abdulla and Tahir. Also prepare Tahir's account in the books of Abdulla and Abdulla's account in the books of Tahir.

**Solution:**

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**Journal Books of Abdulla**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2017				
January 17	Tahir	Dr.	18,000	
	To Sales A/c			18,000
	(Sold goods to Tahir)			
January 17	Bills Receivable A/c	Dr.	18,000	
	To Tahir			18,000
	(Bill accepted by Tahir)			
March 6	Tahir	Dr.	18,040	
	To Bills Receivable A/c			18,000
	To Cash A/c			40
	(On the due date, bill dishonoured and paid noting charges)			
March 11	Tahir (18,700 – 18,040)	Dr.	660	
	To Interest A/c			660
	(Due interest to be received)			

March 11	Cash A/c	Dr.	18,700	
	To Tahir			18,700
	(Received cash from Tahir)			

<b>Tahir's Account</b>							
Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
January 17	Sales A/c		18,000	January 17	Bills Receivable A/c		18,000
March 6	Bills Receivable A/c		18,000	March 11	Cash A/c		18,700
March 6	Cash A/c		40				
March 11	Interest A/c		660				
			<b>36,700</b>				<b>36,700</b>

<b>Journal Books of Tahir</b>				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				

January 1	Purchases A/c	Dr.	18,000	
	To Abdulla			18,000
	(Purchased goods from Abdulla)			
January 1	Abdulla	Dr.	18,000	
	To Bills Payable A/c			18,000
	(Bill drawn by Abdulla, accepted)			
March 6	Bills Payable A/c	Dr.	18,000	
	Noting Charges A/c	Dr.	40	
	To Abdulla			18,040
	(On the due date, bill dishonoured and paid noting charges)			
March 11	Interest A/c (18,700 - 18,040)	Dr.	660	
	To Abdulla			660
	(Interest due to be paid)			
March 11	Abdulla	Dr.	18,700	
	To Cash A/c			18,700
	(Cash paid to Abdulla)			

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<b>Abdulla's Account</b>							
<b>Dr.</b>				<b>Cr.</b>			
<b>Date</b>	<b>Particulars</b>	<b>J.F.</b>	<b>Amount ₹</b>	<b>Date</b>	<b>Particulars</b>	<b>J.F.</b>	<b>Amount ₹</b>
2017				2017			
January 17	Bills Payable A/c		18,000	January 17	Purchases A/c		18,000
March 11	Cash A/c		18,700	March 6	Bills Payable A/c		18,000
				March 6	Noting Charges A/c		40
				March 11	Interest A/c		660
			<b>36,700</b>				<b>36,700</b>

### Question 38

X sold goods to Y on 1.3.2017 for ₹ 12,000 and drew upon Y a bill of exchange for the same amount payable after two months. X immediately discounted the bill with his bank at 9% p.a. The maturity date of the bill was a non business day (holiday), therefore, X had to present the bill as per the provisions of the Indian Instruments Act, 1881. The bill was dishonoured by Y and X paid ₹ 45 as noting charges. Y settled the claim of X five days after the dishonour of the bill by a cheque which included interest @ 12% for the term of the bill.

Journalise the above transactions in the books of X and Y and prepare Y's account in the books of X and X's account in the books of Y.

### Solution:

<b>Journal Books of X</b>
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Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
March 1	Y	Dr.	12,000	
	To Sales A/c			12,000
	(Sold goods to Y)			
March 1	Bills Receivable A/c	Dr.	12,000	
	To Y			12,000
	(Y accepted the bill)			
March 1	Bank A/c	Dr.	11,820	
	Discounting Charges A/c	Dr.	180	
	To Bills Receivable A/c			12,000
	(Bills discounted for 2 month with the bank @ 9% p.a.)			
May 3	Y	Dr.	12,045	
	To Bank A/c			12,045
	(On the due date, bills dishonoured and paid noting charges)			

May 8	Y	Dr.		241	
	To Interest A/c				241
	(Due interest to be received)				
May 8	Bank A/c	Dr.		12,286	
	To Y				12,286
	(Received cheque from Y)				

<b>Y's Account</b>							
Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2017				2017			
March 1	Sales A/c		12,000	March 1	Bills Receivable A/c		12,000
May 3	Bank A/c		12,045	May 8	Bank A/c		12,286
May 8	Interest A/c		241				
			24,286				24,286

<b>Journal Books of Y</b>				
Date	Particulars	L.F.	Debit ₹	Credit ₹

2017					
March 1	Purchases A/c	Dr.	12,000		
	To X				12,000
	(Purchased goods from X)				
March 1	X	Dr.	12,000		
	To Bills Payable A/c				12,000
	(Bill drawn by X, accepted)				
May 3	Bills Payable A/c	Dr.	12,000		
	Noting Charges A/c	Dr.	45		
	To X				12,045
	(On the due date, bill dishonoured and paid noting charges)				
May 8	Interest A/c	Dr.	241		
	To X				241
	(Due interest to be paid)				
May 8	X	Dr.	12,286		
	To Bank A/c				12,286

(Issued cheque from X)				
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<b>X's Account</b>							
<b>Dr.</b>				<b>Cr.</b>			
<b>Date</b>	<b>Particulars</b>	<b>J.F.</b>	<b>Amount ₹</b>	<b>Date</b>	<b>Particulars</b>	<b>J.F.</b>	<b>Amount ₹</b>
2017				2017			
March 1	Bills Payable A/c		12,000	March 1	Purchases A/c		12,000
May 8	Bank A/c		12,286	May 3	Bills Payable A/c		12,000
				May 3	Noting Charges A/c		45
				May 8	Interest A/c		241
			24,286				24,286

### **Working Notes 1: Evaluating discounting charges**

Discounting charges = ₹12,000 X 9100 X 212 = ₹ 180

### **Working Notes 2: Evaluating Amount of Interest**

Amount of Interest = ₹12,045 X 12100 X 212 = ₹ 241

Note: In this account, since the due date May 4, 2017 falls on a holiday, so the due date will be on the preceding date i.e May 03, 2017.

### **Question 39**

On 1st February 2018, A sold goods to B for ₹ 40,000 Charging CGST and SGST @ 9% each. B pays ₹ 17,200 in cash and accepted a three months bill for the balance. On the due date, B expressed his inability to meet the bill and offered ₹ 12,000 in cash and to accept a new bill for one month for the balance plus interest at 18% p.a. A agrees to the proposal. On the due date the bill was duly honoured by B. Pass entries in the books of A and B.

**Solution:**

<b>Journal Books of A</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2018				
February 1	B A/c	Dr.	47,200	
	To Sales A/c			40,000
	To Output CGST A/c			3,600
	To Output SGST A/c			3,600
	(Sold goods to B @ 9% intra-state GST)			
February 1	Cash A/c	Dr.	17,200	
	Bills Receivable A/c	Dr.	30,000	
	To B's A/c			40,000
	(Received ₹ 17,200 in cash from B and remaining amount accepted by bill)			
May 4	B A/c	Dr.	30,000	
	To Bills Receivable A/c			30,000
	(On the due date, bill cancelled)			
May 4	Cash	Dr.	12,000	

	To B's A/c			12,000
	(Received ₹ 12,000 in cash from B)			
May 04	B A/c	Dr.	270	
	To Interest A/c			270
	(Due interest to be received)			
May 04	Bills Receivable A/c	Dr.	18,270	
	To B's A/c			18,270
	(New bill accepted by B)			
June 07	Cash A/c	Dr.	18,270	
	To Bills Receivable A/c			18,270
	(On the due date, bill honoured)			

Books of B				
Journal				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2018				
February 1	Purchases A/c	Dr.	40,000	
	Input CGST A/c	Dr.	3,600	

	Input SGST A/c	Dr.	3,600	
	To A			47,200
	(Purchased goods from A)			
February 1	A	Dr.	47,200	
	To Cash A/c			17,200
	To Bills Payable A/c			30,000
	(Paid ₹ 17,200 in cash and accepted remaining amount by bill)			
May 4	Bills Payable A/c	Dr.	30,000	
	To A			30,000
	(On the due date, bill cancelled)			
May 4	A	Dr.	12,000	
	To Cash A/c			12,000
	(Paid ₹12,000 in cash to A)			
May 04	Interest A/c	Dr.	270	
	To A			270
	(Due interest to be paid)			
May 04	A	Dr.	18,270	

	To Bills Payable A/c			18,270
	(New Bill drawn by A, accepted)			
June 07	Bills Payable A/c	Dr.	18,270	
	To Cash A/c			18,270
	(On the due date, bill honoured)			

**Working Note:** Evaluating amount of Interest

Amount of Interest: ₹18,000 X 18100 X 112 = ₹ 270

**Question 40**

and the second for two months. The first bill was met on due date but on the due date of the second bill, Y requested that the bill be renewed for a further period of two months. X agreed provided that interest at 15% p.a. was paid immediately in cash. Y agreed to this. The second bill was met on the due date.

Give journal entries in the books of X and Y.

**Solution:**

Journal Books of X				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2018				
January 15	Y	Dr.	56,000	
	To Sales A/c			50,000
	To Output IGST A/c			6,000
	(Sold goods to Y @ 12% inter-state GST)			

January 15	Bills Receivable A/c (1)	Dr.	25,000	
	Bills Receivable A/c (2)	Dr.	25,000	
	Cash A/c	Dr.	6,000	
	To Y			56,000
	(Y accepted bills)			
February 18	Cash A/c	Dr.	25,000	
	To Bills Receivable A/c (1)			25,000
	(On the due date, bill honoured)			
March 18	Y	Dr.	25,000	
	To Bills Receivable A/c (2)			25,000
	(On the due date, bill honoured cancelled)			
March 18	Y	Dr.	625	
	To Interest A/c			625
	(Due interest to be paid)			
March 18	Cash A/c	Dr.	625	
	Bills Receivable A/c	Dr.	25,000	

	To Y			25,625
	(Received interest in cash by Y and also a bill accepted by him)			
May 21	Cash A/c	Dr.	25,000	
	To Bills Receivable A/c			25,000
	(On the due date, bill honoured)			

<b>Journal Books of Y</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2018				
January 15	Purchases A/c	Dr.	50,000	
	Input IGST A/c	Dr.	6,000	
	To X			56,000
	(Purchased goods from X)			
January 15	X	Dr.	56,000	
	To Bills Payable A/c (1)			25,000
	To Bills Payable A/c (2)			25,000
	To Cash A/c			6,000

	(X withdrew bills, accepted)				
February 18	Bills Payable A/c (1)	Dr.	25,000		
	To Cash A/c				25,000
	(On the due date, bill honoured)				
March 18	Bills Payable A/c (2)	Dr.	25,000		
	To X				25,000
	(On the due date, bill cancelled)				
March 18	Interest A/c	Dr.	625		
	To X				625
	(Due interest paid)				
March 18	X	Dr.	25,625		
	To Cash A/c				625
	To Bills Payable A/c				25,000
	(Paid Interest in cash and X drew a new bill was accepted)				
May 21	Bills Payable A/c	Dr.	25,000		
	To Cash A/c				25,000
	(On the due date, bill honoured)				

**Working Note:** Evaluating amount of Interest

Discounting charges = ₹25,000 X 15100 X 212 = ₹ 625

**Question 41**

On 1st January 2017, Amar sold goods to Akbar for ₹ 60,000. Akbar accepts two bills of ₹ 25,000 for 2 months, and ₹ 35,000 for 3 months.

The first bill was discounted from bank on 3rd January 2017 for ₹ 24,900 and 2nd bill endorsed to Anthony on 15th January 2017.

First bill was met on maturity but second bill got dishonoured and noting charges of ₹ 200 being paid. Amar charged ₹ 300 as Interest and drew another bill for the amount due for further 2 months. This bill was met on maturity.

Pass the necessary Journal Entries in the books of Amar, Akbar and Anthony.

**Solution:**

<b>Journal books of Amar (Drawer)</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2017				
January 1	Akbar's A/c	Dr.	60,000	
	To Sales A/c			60,000
	(Sold goods to Akbar)			
January 1	Bills Receivable I A/c	Dr.	25,000	
	Bills Receivable II A/c	Dr.	35,000	
	To Amar's A/c			60,000
	(Received bill)			
January 3	Bank A/c	Dr.	24,900	
	Discounting Charges A/c	Dr.	100	

	To Bills Receivable I A/c			25,000
	(Discounted bill)			
January 15	Anthony's A/c	Dr.	35,000	
	To Bills Receivable II A/c			35,000
	(Bill endorsed)			
April 4	Akbar's A/c	Dr.	35,200	
	To Anthony's A/c			35,200
	(Bill got dishonoured)			
April 4	Akbar's A/c	Dr.	300	
	To Interest A/c			300
	(Due interest)			
April 4	Bill Receivable A/c	Dr.	35,500	
	To Amar's A/c			35,500
	(New bill received from Akbar)			
June 7	Cash A/c	Dr.	35,500	
	To Bills Receivable A/c			35,500
	(New bill met on maturity)			

**Journal books of Akbar (Drawee)**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2017				
January 1	Purchases A/c	Dr.	60,000	
	To Amar's A/c			60,000
	(Purchased goods from Amar)			
January 1	Amar's A/c	Dr.	60,000	
	To Bills Payable I A/c	Dr.		25,000
	To Bills Payable II A/c			35,000
	(Bills accepted)			
March 4	Bills Payable I A/c	Dr.	25,000	
	To Cash A/c			25,000
	(Made payment for bill I)			
April 4	Bills Payable II A/c	Dr.	35,000	
	Noting Charges A/c	Dr.	200	
	To Amar's A/c			35,200
	(Dishonoured Bill Payable II)			

April 4	Interest A/c	Dr.	300	
	To Amar's A/c			300
	(Due interest)			
April 4	Amar's A/c	Dr.	35,500	
	To Bills Payable A/c			35,500
	(Accepted new bill)			
June 7	Bills Payable A/c	Dr.	35,500	
	To Cash A/c			35,500
	(Bill honoured)			

### Journal books of Anthony

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 15	Bills Receivable A/c	Dr.	35,000	
	To Amar's A/c			35,000
	(Bill received from Amar)			
April 4	Amar's A/c	Dr.	35,200	
	To Bills Receivable A/c			35,000
	To Cash A/c			200

	(Dishonoured Bill)				

### Question 42

Manohar drew a bill of exchange on Pushkar, his debtor, for ₹ 20,000 on 1st March 2016 for 3 months. Pushkar accepted the same and returned it to the drawer. Manohar endorsed the bill to Yadu on 1st April 2016 for a debt of equal amount. Yadu discounted it with the bank at 15% p.a. on 1st May 2016. On the due date the bill was dishonoured. (Noting charges amounted to ₹ 100).

Show the journal entries in the books of :

(a) Drawer, (b) Drawee/Acceptor, and (c) Endorsee

### Solution:

Journal Books of Manohar					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2016					
March 1	Bills Receivable A/c	Dr.	20,000		
	To Pushkar				20,000
	(Bill accepted by Pushkar)				
April 1	Yadu	Dr.	20,000		
	To Bills Receivable A/c				20,000
	(Endorsed bills in favour of Yadu)				
June 4	Pushkar	Dr.	20,100		

	To Yadu				20,100
	(On the due date, bill dishonoured and Yadu paid noting charges)				

Books of Pushkar					
Journal					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2016					
March 1	Manohar	Dr.	20,000		
	To Bills Payable A/c				20,000
	(Bill drawn by Manohar, accepted)				
June 04	Bills Payable A/c	Dr.	20,000		
	Noting Charges A/c	Dr.	100		
	To Manohar				20,100
	(On the due date, bill dishonoured and paid noting charges)				

Journal Books of Yadu					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2016					

April 1	Bills Receivable A/c	Dr.	20,000	
	To Manohar			20,000
	(Bills receivable, received from Manohar)			
May 1	Bank A/c	Dr.	19,750	
	Discounting Charges A/c	Dr.	250	
	To Bills Receivable A/c			20,000
	(Bill discounted for 1 month @ 15% p.a.)			
June 4	Manohar	Dr.	20,100	
	To Bank A/c			20,100
	(On the due date, bill dishonoured and paid noting charges)			

**Working Note:** Evaluating discounting charges

**Discounting charges** = ₹20,000 X 15/100 X 112 = ₹ 250

### Question 43

On 1st January 2017, Hari drew on Gopal, who is his debtor for ₹ 60,000 three bills of exchange: First for ₹ 15,000 at one month, Second for ₹ 20,000 at two months and third for ₹ 25,000 at three months. Gopal accepted all three bills.

On 5th January 2017, Hari endorsed the first bill to his creditor Satish in full settlement of his account of ₹ 15,200. This bill was duly met on maturity.

On 1st February 2017, the second bill was discounted from the bank @ 12% p.a. This bill was dishonoured on the due date and bank paid ₹ 120 as noting charges. On Gopal's request, Hari drew a fourth bill on Gopal for 2 months for the amount due plus interest @ 15% p.a.

Third bill was paid under a rebate of 12% p.a. one month before maturity. The fourth bill was sent to the bank for collection on 4th May 2017 and was duly met on maturity.

Pass Journal entries in the books of Hari, Gopal and Satish.

**Solution:**

Books of Hari				
Journal				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 1	Bills Receivable A/c (1)	Dr.	15,000	
	Bills Receivable A/c (2)	Dr.	20,000	
	Bills Receivable A/c (3)	Dr.	25,000	
	To Gopal			60,000
	(Bill accepted by Gopal)			
January 5	Satish	Dr.	15,200	
	To Bills Receivable A/c (1)			15,000
	To Discount Received A/c			200
	(Bill endorsed in favour of Satish)			
February 1	Bank A/c	Dr.	19,800	

	Discounting Charges A/c	Dr.	200	
	To Bills Receivable A/c (2)			20,000
	(Bill discounted for 1 month with the bank @ 12% p.a.)			
March 4	Gopal	Dr.	20,120	
	To Bank A/c			20,120
	(On the due date, bill dishonoured and bank paid noting charges)			
March 4	Gopal	Dr.	503	
	To Interest A/c			503
	(Due interest to be received)			
March 4	Bills Receivable A/c (4)	Dr.	20,623	
	To Gopal			20,623
	(New bill accepted by gopal)			
March 4	Cash A/c	Dr.	24,750	
	Rebate A/c	Dr.	250	
	To Bills Receivable A/c (3)			25,000
	(Bill retired for 1 month @ 12% p.a. rebate)			
May 4	Bill Sent for Collection A/c	Dr.	20,623	

	To Bills Receivable A/c (4)			20,623
	(Bill sent to the bank for collection)			
May 7	Bank A/c	Dr.	20,623	
	To Bills for Collection A/c			20,623
	(On the due date, bill honoured)			

<b>Journal Books of Gopal</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2017				
January 1	Hari	Dr.	60,000	
	To Bills Payable A/c (1)			15,000
	To Bills Payable A/c (2)			20,000
	To Bills Payable A/c (3)			25,000
	(Bills drawn by Hari, accepted)			
February 4	Bills Payable A/c (1)	Dr.	15,000	
	To Cash A/c			15,000
	(On the due date, bill honoured)			
March 4	Bills Payable A/c	Dr.	20,000	

	Noting Charges A/c	Dr.	120	
	To Hari			20,120
	(On the due date, bill honoured and paid noting charges)			
Mar. 04	Interest A/c	Dr.	503	
	To Hari			503
	(Due interest to be paid)			
Mar. 04	Hari	Dr.	20,623	
	To Bills Payable A/c (4)			20,623
	(Bill drawn by Hari, accepted)			
Mar. 04	Bills Payable A/c (3)	Dr.	25,000	
	To Cash A/c			24,750
	To Rebate A/c			250
	(Bill retired @ 12% rebate for 1 month)			
May 07	Bills Payable A/c (4)	Dr.	20,623	
	To Cash A/c			20,623
	(On the due date, bill honoured)			

**Journal Books of Satish**

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
January 5	Bills Receivable A/c	Dr.	15,000	
	Discount Allowed A/c	Dr.	200	
	To Hari			15,200
	(Bills receivable, received from Hari)			
February 4	Cash A/c	Dr.	15,000	
	To Bills Receivable A/c			15,000
	(On the due date, bill honoured)			

**Working Note1:** Evaluating discounting charges

Discounting charges = ₹20,000 X 12100 X 112 = ₹ 100

**Working Note 2:** Evaluating amount of rebate

Amount of rebate = ₹25,000 X 12100 X 112 = ₹ 250

**Working Note 3:** Evaluating amount of interest

Amount of interest = ₹20,120 X 15100 X 212 = ₹ 503

**Question 44**

Harpal sold goods to Sompal for ₹ 12,000. Sompal accepted three bills of exchange, the first for ₹ 5,000 at one month, the second for ₹ 4,000 at two months and the third for ₹ 3,000 at three months. Harpal endorsed the first bill to Rajpal. The first bill was dishonoured. Rajpal paid ₹ 30 as noting charges. Harpal charged ₹ 200 for interest and drew on Sompal a fourth bill for ₹ 5,230. The second bill was also dishonoured, noting charges paid being ₹ 25. Harpal charged ₹ 150 as interest and accepted ₹ 2,175 in cash and drew a fifth bill for ₹ 2,000. The bill was paid on due date. The third and fourth bills were also met.

Pass Journal entries in the books of Harpal and prepare Sompal's Account in Harpal's Ledger.

**Solution:**

<b>Journal Books of Harpal</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
	Sompal	Dr.	12,000	
	To Sales A/c			12,000
	(Sold goods to Sompal)			
	Bills Receivable A/c (1)	Dr.	5,000	
	Bills Receivable A/c (2)	Dr.	4,000	
	Bills Receivable A/c (3)	Dr.	3,000	
	To Sompal			12,000
	(Bill accepted by Sompal)			
	Rajpal	Dr.	5,000	
	To Bills Receivable A/c (1)			5,000
	(Bill endorsed in favour of Rajpal)			
	Sompal	Dr.	5,030	
	To Rajpal			5,030
	(On the due date, bill dishonoured and Rajpal paid noting charges)			

	Sompal	Dr.	200	
	To Interest A/c			200
	(Due interest to be received)			
	Bills Receivable A/c (4)	Dr.	5,230	
	To Sompal			5,230
	(New bill accepted by Sompal)			
	Sompal	Dr.	4,025	
	To Bills Receivable A/c (2)			4,000
	To Cash A/c			25
	(On the due date, bill dishonoured and paid noting charges)			
	Sompal	Dr.	150	
	To Interest A/c			150
	(Due interest to be received)			
	Cash A/c	Dr.	2,175	
	Bills Receivable A/c (5)	Dr.	2,000	
	To Sompal			4,175
	(Received ₹ 2,175 in cash and ₹ 2,000 new bill accepted by Sompal)			

Cash A/c	Dr.	3,000	
To Bills Receivable A/c (3)			3,000
(On the due date, bill honoured)			
Cash A/c	Dr.	5,230	
To Bills Receivable A/c (4)			5,230
(On the due date, bill honoured)			
Cash A/c	Dr.	2,000	
To Bills Receivable A/c (5)			2,000
(On the due date, bill honoured)			

### Sompal's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
	Sales A/c		12,000		Bills Receivable A/c (1)		5,000
	Rajpal		5,030		Bills Receivable A/c (2)		4,000
	Interest A/c		200		Bills Receivable A/c (3)		3,000
	Bills Receivable A/c (2)		4,000		Bills Receivable A/c (4)		5,230

	Cash A/c		25		Cash A/c		2,175
	Interest A/c		150		Bills Receivable A/c (5)		2,000
			21,405				21,405