

**CBSE Test Paper 05**  
**Ch-7Bill of Exchange**

---

1. What is retirement of a bill of exchange?
2. Ram draws a bill on Shyam for Rs. 6,000. Ram endorsed it to Ghansham. Ghansham endorsed it to Radhesham. Who will be the payee of the bill?
3. What is meant by maturity of a bill of exchange?
4. On 1st April, 2013, B accepts a bill drawn by A for 2 months for Rs. 25,000 in payment of debt. On the due date, the bill is dishonoured and A had to pay Rs. 100 as noting charges. On 4th June, 2013, B requested A to draw a new bill for the amount due. A agreed to draw a new bill for 73 days but he charged 18% per annum interest in cash. This bill is duly met on its maturity.  
Pass journal entries in the books of both the parties.
5. Ram draws a bill for Rs.2,000 on Shyam on 15th September 2017 for three months. On maturity, Shyam failed to honour the bill. Pass the necessary Journal Entries in the books of Ram and Shyam.
6. Y owes X Rs.4,000. On 1st January 2017, Y accepts a three 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.
7. On 1st January, 2013 X drew a bill on Y for Rs. 15,000 payable after 3 months. Y accepted the bill and returned it to X. After 10 days, X endorsed the bill to his creditor, Z. On the due date, the bill was dishonoured and Z paid Rs. 300 as noting charges. Record the transactions in the journals of X, Y and Z.
8. Asha sold goods worth Rs. 19,000 to Nisha on 2nd March, 2015. Rs. 4,000 were paid by Nisha immediately and for the balance, she accepted a bill of exchange drawn upon her by Asha payable after 3 months. Asha discounted the bill immediately with her bank. On the due date, Nisha dishonoured the bill and the bank paid Rs. 30 as noting

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

9. On 1st January, 2015 Rao sold goods Rs. 10,000 to Reddy. Half of the payment was made immediately and for the remaining half, Rao drew a bill of exchange upon Reddy payable after 30 days. Reddy accepted the bill and returned it to Rao. On the due date, Rao presented the bill to Reddy and received the payment. Journalise the above transactions in the books of Rao and prepare Rao's account in the books of Reddy.
10. On 1st January Ramesh owes Rs. 15,000 and accepts a 3 months bill for the amount. On the date of maturity Ramesh, not being able to meet the bill, offers Suresh Rs. 6,000 and asks him to draw another bill for 3 months for the balance plus interest at 12% per annum. Suresh agrees to this proposal. Pass the necessary journal entries in the books of Suresh and Ramesh.

**CBSE Test Paper 05**  
**Ch-7Bill of Exchange**

**Answer**

1. Retirement of a Bill means that the Drawee pays the Bill before its due date to avail some deduction in the bill amount.
2. Radhesham. Payee is the person in the bill of exchange to whom the amount is to be paid.
3. Maturity of a bill of exchange refers to the date on which a bill of exchange becomes due for payment. The date which comes after adding three days to the due date of a bill, is called Date of Maturity.

4. In the books of A

**Journal**

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
01/04/2013	Bills Receivable A/c To B's A/c (Being Acceptance received from B for 2 months)	Dr.		25,000	25,000
04/06/2013	B's A/c To Bills Receivable A/c To Cash A/c (Being acceptance dishonoured by B and noting charges paid in cash)	Dr.		25,100	25,000 100
04/06/2013	B's A/c To Interest Receivable A/c	Dr.		900	900



	(Being interest charged to B @18% for 73 days)				
04/06/2013	Bills Receivable A/c To B's A/c (Being new acceptance received from B for 73 days)	Dr.		25,900	25,900
14/08/2013	Cash A/c To Bills Receivable A/c (Being acceptance honored by B)	Dr.		25,900	25,900
	Total			1,02,800 =====	1,02,800 =====

**In the books of B**

**Journal**

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
01/04/2013	A's A/c To Bills Payable A/c (Being Acceptance accepted for 2 months)	Dr.		25,000	25,000
04/06/2013	Bills Payable A/c Noting charges A/c To Bills Payable A/c (Being acceptance dishonored noting charges charged by A)	Dr. Dr.		25,000 100	25,100
04/06/2013	Interest A/c To A's A/c (Being interest charged by A @18% for 73 days)	Dr.		900	900

	days)				
04/06/2013	B's A/c To Bills Payable A/c (Being new acceptance accepted for 73 days)	Dr.		25,900	25,900
14/08/2013	Bills Payable A/c Dr. To Cash A/c (Being acceptance honored and cash paid to A)			25,900	25,900
	Total			1,02,800 =====	1,02,800 =====

5.

### BOOKS OF RAM

#### JOURNAL ENTRIES

Date	Particulars		L/F	(Rs.)	(Rs.)
15.09.17	B/R A/c	Dr.		2,000	
	To Shyam				2,000
	(Being a bill drawn.)				
18.12.17	Shyam	Dr.		2,000	
	To B/R A/c				2,000
	(Being the bill dishonoured.)				

### BOOKS OF SHYAM

#### JOURNAL ENTRIES

Date	Particulars		L/F	(Rs.)	(Rs.)
15.09.17	Ram	Dr.		2,000	
	To B/P A/c				2,000

	(Being the bill accepted.)				
18.12.17	B/P A/c	Dr.		2,000	
	To Ram				2,000
	(Being the bill dishonoured.)				

6.

### BOOKS OF X

#### JOURNAL ENTRIES

Date	Particulars		L.F.	(Rs.)	(Rs.)
1.1.17	Bills Receivable A/c	Dr.		3,900	
	Discount Allowed A/c	Dr.		100	
	To Y				4,000
	(Being a bill drawn.)				
1.1.17	Z	Dr.		3,980	
	To Bills Receivable A/c				3,900
	To Discount Received A/c				80
	(Being bill endorsed.)				
4.4.17	Y	Dr.		4,000	
	Discount Received A/c			80	
	To Z				3,980
	To Discount Allowed A/c				100
	(Being bill dishonoured)				

7.

### X's JOURNAL

Date	Particulars	L/F	Debit Amount	Credit Amount
------	-------------	-----	--------------	---------------

				(Rs)	(Rs)
2013					
Jan 1	Bills Receivable A/c To Y's A/c (Being the acceptance received)	Dr		15,000	15,000
Jan 11	Z's A/c To Bills Receivable A/c (Being the bill endorsed to Z)	Dr		15,000	15,000
Apr 4	Y's A/c To Z's A/c (Being the bill dishonoured and noting charges paid by Z)	Dr		15,300	15,300
	<b>Total</b>			<b>45,300</b> =====	<b>45,300</b> =====

### Y's JOURNAL

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
2013					
Jan 1	X's A/c To Bills Receivable A/c (Being the bill endorsed to Z)	Dr		15,000	15,000
Apr 4	Bills Payable A/c Noting Charges A/c To X's A/c (Being the bill dishonoured and noting charges paid)	Dr Dr		15,000 300	15,300
	<b>Total</b>			<b>30,300</b> =====	<b>30,300</b> =====



### Z' JOURNAL

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
2013					
Jan 11	Bills Receivable A/c To X's A/c (Being a bill received from X)	Dr		15,000	15,000
Apr 4	X's A/c To Bills Receivable A/c To Cash A/c (Being the bill dishonoured and noting charges paid)	Dr		15,300	15,000 300
	<b>Total</b>			<b>30,300</b> =====	<b>30,300</b> =====

8.

In the books of Asha

### JOURNAL

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
2015					
Mar 2	Nisha's A/c To Salas A/c (Being goods sold to Nisha)	Dr		19,000	19,000
Mar 2	Cash A/c Bills Receivable A/c To Nisha's A/c	Dr Dr		4,000 15,000	19,000



	(Being Rs. 4,000 cash and acceptance for Rs. 15,000 received)				
Mar 2	Bank A/c Discounting Charges A/c To Bills Receivable A/c (Being bill discounted by bank)	Dr Dr		14,625 375	15,000
Jun 5	Nisha's A/c To Bank A/c (Being bill dishonoured on due date and noting charges paid)	Dr		15,030	15,030
	Total			68,030 =====	68,030 =====

Bill is assumed to be discounted at the rate of 10% per annum.

Computation of Discount =  $15,000 \times 10\% \times 3/12$  = Rs. 375

#### In the books of Nisha

#### JOURNAL

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
2015					
Mar 2	Purchases A/c To Asha's A/c (Being goods purchased)	Dr		19,000	19,000
Mar 2	Asha's A/c To Cash A/c To Bills Payable A/c (Being Rs. 4,000 cash and acceptance for Rs. 15,000 given to Asha)	Dr		19,000	4,000 15,000



Date	Particulars	JF	Amount (Rs.)	Date	Particulars	JF	Amount (Rs.)
2015				2015			
Jan 1	To Cash A/c		5,000	Jan 1	By Purchase A/c		10,000
Jan 1	To Bills Payable A/c		5,000				
			10,000				10,000

Note: Calculation of Due date of Bill - It will be 3 February: Bill Date 1 January + 30 days + 3 days of grace = 3 February

10.

**In the Books of Suresh**

### **JOURNAL**

Date	Particulars		L.F.	Amount (Dr)	Amount (Cr)
Jan 1	Bills Receivable A/c	Dr		15,000	
	To Ramesh				15,000
	(Being the acceptance of the bill received)				
Apr 4	Ramesh	Dr		15,000	
	To Bills Receivable A/c				15,000
	(Being the original bill cancelled)				
	Cash A/c	Dr		6,000	
	To Ramesh				6,000
	(Being the cash received on account)				
	Ramesh	Dr		270	
	To Interest A/c				270

	(Being the interest due @ 12% per annum on Rs. 9,000 for 3 months)				
	Bill Receivable A/c	Dr		9,270	
	To Ramesh				9,270
	(Being the acceptance of the fresh bill received from Ramesh)				

**Working Note** Calculation of Interest =  $9000 \times \frac{12}{100} \times \frac{3}{12} = 270$

### In the Books of Ramesh

#### JOURNAL

Date	Particulars		L.F.	Amount (Dr)	Amount (Cr)
Jan 1	Suresh	Dr		15,000	
	To Bills Payable A/c				15,000
	(Being the acceptance of the bill given to Suresh)				
Apr 4	Bills Payable A/c	Dr		15,000	
	To Suresh				15,000
	(Being the original bill cancelled)				
	Suresh	Dr		6,000	
	To Cash A/c				6,000
	(Being the cash paid to Suresh)				
	Interest A/c	Dr		270	
	To Suresh				270
	(Being the interest due @ 12% per annum on				



	Rs. 9,000 for 3 months)				
	Suresh	Dr		9,270	
	To Bills Payable A/c				9,270
	(Being the acceptance of the fresh bills given to Suresh)				

When the acceptor expresses his inability to meet the bill on due date and request to holder to substitute the old bill with a new bill. The purpose is to get an extension of time. This process is called Renewal of Bill. In such cases, there is no need for getting the bill noted since the drawee himself makes a request for cancellation of the bill.