

CLASS –XI  
ASSIGNMENT- 14

SUBJECT – ACCOUNTANCY  
TOPIC – ACCOUNTING FOR BILLS OF  
EXCHANGE

Q1) What is a bill of exchange? Enumerate its features.

Q2) Define the following terms:

- a) Due date of a bill
- b) Days of grace
- c) Discounting of a bill
- d) Endorsement of a bill
- e) Dishonour of a bill
- f) Noting of a bill

Q3) Distinguish between:

- a) Bill at sight and bill after date
- b) Bill of exchange and promissory note
- c) Renewal of a bill and retirement of a bill.

Q4) Highlight the advantages of a bill of exchange.

Q5) A sold goods to B for Rs. 10,000 on 1<sup>st</sup> Jan 2011 and drew upon him a three months bill for the amount. B

accepted the bill and returned to A. At maturity, the bill was dishonoured. Pass the journal entries in the

books of A and B in each of the following alternative cases:

- a) When A retained the bill till the due date and paid noting charges of Rs. 100.
- b) When A got the bill discounted with his bankers @ 15% p.a. on 4<sup>th</sup> Feb. and the bank paid the noting charges of Rs. 100.
- c) When A endorsed the bill one month after the acceptance in favour of his creditor C in settlement of his debt for Rs. 10,200 and C paid the noting charges of Rs. 100.
- d) When A sent the bill to his bankers for collection and the bank paid the noting charges of Rs. 100.

Q6) Journalise the following transactions in the books of S Swamy:

- a) Swamy's acceptance to Pandey for Rs. 1,500 renewed for three months on the condition that Rs. 500 is paid in cash immediately and the remaining balance to carry interest @ 12% p.a.
- b) Pathak's promissory note for Rs. 1,200 endorsed in favour of Gupta returned dishonoured . Gupta paid Rs. 30 as noting charges . Swamy pays Gupta by cheque and accepts from Pathak another bill for the amount due along with interest Rs. 80.
- c) A bill payable accepted in favour of Modi for Rs. 4,000 returned unpaid due to lack of instructions to the bank.  
Modi claims Rs. 4050(Rs. 50 as noting charges) which is paid by cheque.

Q7) Mr. Drought draws two bills of exchange on 1<sup>st</sup> Jan, 2011 for Rs. 3,600 and Rs. 6,000. The bills of exchange for

Rs. 3,600 is for two months while the bill of exchange for Rs. 6,000 is for three months. These bills are accepted

by Mr. Flood. On 4<sup>th</sup> March, Mr. Flood requests Mr. Drought to renew the first bill with interest at 18% p.a.

for a period of two months. Mr. Drought agrees to this proposal. On 20<sup>th</sup> March, Mr. Flood retires the

acceptance for Rs. 6,000, the rebate being Rs. 60. Before the due date of the renewed bill , Mr. Flood

becomes insolvent and only 50 paise in a rupee could be recovered from the estate. Give journal entries

in the books of Mr. Drought.

Q8) On 15<sup>th</sup> Jan, 2012, Sun sold goods to Sky for Rs. 1,800. Sky paid Rs. 360 in cash and for the balance accepted

three bills-I bill for Rs. 420 at one month, II bill for Rs. 480 at two months and III bill for Rs. 540 at three months.

Sun endorsed I bill to Moon, his creditor on 16<sup>th</sup> Jan. in full settlement of Rs. 426; discounted the II bill at his

Bank for Rs. 475 and retained the third bill till maturity.

The first bill is met at maturity. The second bill is dishonoured and Rs. 6 being paid as noting charges. Sun

charges Rs. 9 for interest and draws on Sky a fourth bill for the amount at three months. At maturity, the

third bill was renewed with interest @ 5% p.a. for three months. The fifth bill was duly accepted by Sky.

The fourth and fifth bills were met at maturity. Give journal entries in the books of Sun and Sky.