

Bills of Exchange

Short Answer Type Questions

Q1. Name any two types of commonly used negotiable instruments.

Solution:

Cheques and Bills of exchange are the commonly used negotiable instruments.

Q2. Write two points of distinction between bills of exchange and promissory note.

Solution:

Bills of Exchange	Promissory Note
A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker directing a certain person to pay a certain amount of money only to, or to the order of a certain person or to the bearer of the instrument.	A promissory note is an instrument in writing containing an unconditional undertaking signed by the maker to pay a certain sum of money only to, or to the order of a certain person or to the bearer of the instrument.
There are three parties involved, namely drawer, drawee and payee.	There are two parties involved, namely maker and payee.

Q3. State any four essential features of bill of exchange.

Solution:

Essential features of bills of exchange are as follows:

1. A bill of exchange is a written order to make payment.
2. It is an unconditional order to make payment by a person i.e. drawee.

3. The amount of bill of exchange and the date of payment are certain.
4. It is signed by the drawer of the bill.
5. It is accepted by the drawee by signing on it.
6. The amount specified in the bill of exchange is payable either on demand or on the expiry of a fixed period.
7. The amount specified in the bill is payable either to a certain person or to his order or to the bearer of the bill.
8. It is stamped as per legal requirements.

Q4. State the three parties involved in a bill of exchange.

Solution:

There are three parties in a bill of exchange:

1. Drawer is the person who makes the bill of exchange. She/he is a person who has granted credit to the person on whom the bill of exchange is drawn. The drawer is entitled to receive money from the drawee (acceptor).
2. Drawee is the person on whom the bill of exchange is drawn for acceptance and to whom credit has been granted by the drawer. He/she is liable to pay money to the creditor/drawer.
3. Payee is the person who receives the payment from the drawee. Usually the drawer and the payee are the same person.

Q5. What is meant by maturity of a bill of exchange?

Solution:

The date calculated after adding 3 days of grace to the due date of a bill is called the date of maturity of a bill. It is to be noted that when a bill is to be payable on demand/at sight, then days of grace is not applicable. When the period of a bill is mentioned in days, the maturity of bill is calculated in days. Similarly, when the period of a bill is mentioned in months, the maturity of bill is calculated in months. In certain cases, when the maturity date of any bill falls on a public holiday, then the maturity date of the bill will be the previous business day.

Q6. What is meant by dishonour of a bill of exchange?

Solution:

When the drawee of the bill fails to make the payment on the maturity date of the bill, then the bill is said to have been dishonoured. Hence, liability of the acceptor is restored. Entries made for recording dishonour of the bill of exchange are as follows:

In the books of drawer

Drawee's A/c	Dr.
To Bills Receivable A/c	
(Being bill dishonoured)	

In the books of drawee

Bills Payable A/c	Dr.
To Drawer's A/c	
(Being bill dishonoured)	

Q7. Name the parties to a promissory note

Solution:

There are two parties to a promissory note:

1. Maker- The person who makes the note and undertakes to pay the amount.
2. Payee- The person who receives the payment.

Q8. What is meant by acceptance of a bill of exchange?

Solution:

A bill of exchange is a written instrument which contains an unconditional order directing a person to pay a certain amount on an agreed date. In other words, it is drawn by the creditor on her/his debtors to make a payment of a certain amount on the mentioned date. Such a bill comes into existence after the consent of both the parties. A bill cannot come into existence without the acceptance of a debtor. Hence, the debtor of the bill has to accept the terms of the bill, sign the same and make it a legal document.

Q9. What is noting of a bill of exchange?

Solution:

When the drawee of the bill fails to make the payment on the maturity date of the bill, then the bill is said to have been dishonoured. To have a legal proof of the dishonour, the bill gets noted by the notary public who is approved by the central/state government. The notary public charges fees called the noting charges for noting and protesting the bill of exchange of its dishonour.

Q10. What is meant by renewal of a bill of exchange?

Solution:

When the drawee does not have enough funds to make the payment, he may approach the drawer and ask for an extension of time for the payment. If the drawer agrees, then a new bill is drawn which is known as renewal of bill. The new bill may include interest for the extended period.

Q11. Give the performa of a Bills Receivable Book.

Solution:

[illegible]

Q12. Give the performa of a Bills Payable Book.

Solution:

[illegible]

Q13. What is retirement of a bill of exchange?**Solution:**

When the drawee of the bill pays off the amount of the bill before the maturity of the bill it is called retirement of the bill. Holder of the bill may give discount for such earlier payment which is called as 'rebate'.

Entry in the books of the holder of the bill

Cash A/c	Dr.
Rebate A/c	Dr.
To Bills Receivable A/c	
(Being bill amount received before maturity and rebate allowed for retirement of the bill)	

Entry in the books of the acceptor (drawee) of the bill

Bills Payable A/c	Dr.
To Cash A/c	
To Rebate A/c	
(Being bill paid and rebate received on retirement of the bill)	

Q14. Give the meaning of rebate.**Solution:**

If the drawee wishes to pay the bill before the due date of the bill to the holder and the holder accepts such request, then due to the early payment, the holder may give some discount to the drawee. Such a discount is termed as rebate.

Q15. Give the performa of a Bill of Exchange.**Solution:**

Performa of a Bill of exchange is given below.

BILL OF EXCHANGE	
₹60,000 Stamp To Shri. Alok Nath New Delhi	Delhi, 10th January, 2016 3 Months after the date pay Mrs. Sridevi Iyer or order the sum of sixty thousand rupees only, value received. Shashikant Tambe

Long Answer Type Questions

Q1. A bill of exchange must contain "an unconditional promise to pay". Do you agree with a statement?**Solution:**

According to Negotiable Instrument Act, 1981, "A bill of exchange is defined as an instrument in writing, containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument."

As the definition mentions the bill is an unconditional order to pay i.e. no conditions should be applicable with respect to the payment and the drawee of the bill is obliged to pay the maker of the bill. This is one of the main features of a bill of exchange. All the conditions with respect to the bill, for example; the amount, the date of payment, the parties involved needs to be specified with clarity.

Q2. Briefly explain the effects of dishonour and noting of a bill of exchange.**Solution:**

On the maturity of the bill, when the acceptor of the bill fails to make the payment, it is said

that the bill is dishonoured. This restores the liability of the acceptor.

Entry in the books of drawer:

Drawee A/c	Dr.
To Bills Receivable A/c	
(Being bill dishonoured)	

Entry in the books of drawee:

Bills Payable A/c	Dr.
To Drawer A/c	
(Being bill dishonoured)	

Noting charges is the fee paid to the notary public for noting and protesting the bill of exchange of its dishonour.

Effect of Noting charges in the books of the drawer:

Drawee A/c	Dr.
To Bills Receivable A/c	
To Cash A/c (Noting charges)	
(Being bill dishonoured and Noting charges paid)	

In the books of drawee:

Bills Payable A/c	Dr.
Noting charges A/c	Dr.
To Drawer A/c	
(Being bill dishonoured and Noting charges due)	

Q3. Explain briefly the procedure of calculating the date of maturity of a bill of exchange?

Give example.

Solution:

The procedure to calculate the date of maturity of a bill of exchange is given below.

1. Determine the date on which the bill will be due.
2. Add three days of grace to the due date of the bill. It is standard process to add days of grace.
3. The date obtained after adding the three days to the due date is called the maturity date of the bill.

However, the application of the days of grace depend on the following situations:

1. Days of grace are not applicable when a bill is payable 'at sight' or on demand.
2. When the period of the bill is mentioned in months, the calculation of the maturity date will be in the terms of calendar month.
3. When the period of the bill is mentioned in days, the calculation of the maturity date is also calculated in days including the date of payment but excluding the date of transaction.
4. If the bill matures on a national holiday or Sunday, then the preceding business day becomes the maturity date of the bill.
5. For example, if the maturity date of a bill is calculated as on 15th August, 2015 then the preceding day that is 14th August, 2015 will be considered as the maturity date.
6. If the maturity day happens to be an emergency holiday declared under the Negotiable
7. Instruments Act, 1881, then the next working day is to be considered as the maturity date.

Q4. Distinguish between bill of exchange and promissory note.

Solution:

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Bills of Exchange	Promissory Note
It is an order to pay.	It is a promise to pay.
There are three parties involved, drawer, acceptor and payee.	There are two parties involved, maker and payee.
It is drawn by the creditor.	It is drawn by the debtors.
It needs acceptance by the drawee.	Acceptance is not required.
Drawer and payee may be the same.	Promissor cannot be the payee.
In case of dishonour of the bill, the bill may get noted.	Noting is not necessary.

Q5. Briefly explain the purpose and benefits of retiring a bill of exchange to the debtor and the creditor.

Solution:

When the drawee of the bill pays off the amount of the bill before the maturity of the bill it is called retirement of the bill. Holder of the bill may give discount for such earlier payment which is called as 'rebate'.

As the holder of the bill provides the rebate, it is a loss for the holder of the bill and hence it is debited in the books of the holder when payment is received.

Cash A/c	Dr.
Rebate A/c	Dr.
To Bills Receivable A/c	

(Being payment received and rebate allowed for early payment)

The rebate is a gain for the drawee; so, it is credited in the books of the drawee.

Bills Payable A/c	Dr.
To Cash A/c	
To Rebate A/c	

(Being bill paid before the due date and rebate received for early payment)

Q6. Explain briefly the purpose and advantages of maintaining of a Bills receivable book.

Solution:

Bills receivable book is a special purpose book that is maintained to keep records of bills received from the debtors. It contains details such as acceptor's name, date of bill, due date and amount. for future references.

Benefits of maintaining the bill receivable book:

1. **Source of information:** The general information related to the each of the bills i.e. the amount, due date and name of the drawee are recorded at one place and hence are easily accessible.
2. **Avoid fraud:** As the details of all the bills are recorded at one place, possibility of fraud is reduced.
3. **Responsibility:** The person who maintains the bills receivable book will also be responsible for any errors or omissions. Therefore, higher degree of accountability and responsibility exists. Also, if any error is detected, then it can be fixed quickly.
4. **Time saving:** Recording of bills receivable through the bills receivable book takes lesser time than that of journal entry.

Q7. Briefly explain the benefits of maintaining a bills payable book and state how its posting is done in the ledger.

Solution:

A bills payable book is a special purpose book, maintained to keep records of acceptance of bills, given to the creditors. It contains details of the amount, date of bill, due date and name of the drawer to whom acceptance is given for future references.

Benefits of Maintaining Bills Payable Book:

1. **Source of information:** The general information related to the each of the bills i.e. the amount, due date and name of the drawee are recorded at one place and hence are easily accessible.
2. **Avoid fraud:** As the details of all the bills are recorded at one place, possibility of fraud is reduced.
3. **Time saving:** Recording of bills receivable through the bills receivable book takes lesser time than that of journal entry.
4. **Responsibility:** As the transactions are recorded by the same person errors if any can be easily detected and rectified. This leads to enhancement of responsibility and accountability of the accountant.

Numerical Questions

Q1. On Jan 01, 2015 Rao sold goods ₹ 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 Rao and prepare of Rao's account in the books of Reddy.

Solution:

**Book of Rao
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 01	Reddy A/c To Sales A/c (Being goods sold to Reddy)	Dr.	10,000	10,000
Jan 01	Cash A/c To Reddy A/c (Being cash received from Reddy)	Dr.	5,000	5,000
Jan 01	Bills Receivable A/c To Reddy A/c (Being bill received and accepted from Reddy for 30 days)	Dr.	5,000	5,000
Feb 03	Cash A/c To Bills Receivable A/c (Being Reddy's acceptance met on due date)	Dr.	5,000	5,000

**Books of Reddy
Rao's Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Jan 01	To Cash A/c		5,000	2015 Jan 01	By Purchases A/c		10,000
Jan 01	To Bills Payable A/c		5,000				
			<u>10,000</u>				<u>10,000</u>

Q2. On Jan 01, 2015, Shankar purchased goods from Parvati for ₹ 8,000 and immediately

drew a promissory note in favour of Parvati payable after 3 months. On the date of maturity of the promissory note, the Government of India declared holiday under the Negotiable Instrument Act 1881. Since, Parvati was unaware about the provision of the law regarding the date of maturity of the bill, she handed over the bill to her lawyer, who duly presented the bill and received the payment. The amount of the bill was handed over by the lawyer to Parvati immediately. Record the necessary Journal entries in the books of Parvati and Shankar.

Solution:

**Book of Parvati
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 01	Shankar A/c Dr. To Sales A/c (Being goods sold to Shankar)		8,000	8,000
Jan 01	Bills Receivable A/c Dr. To Shankar A/c (Being promissory note received from Shankar for three months)		8,000	8,000
Apr 05	Cash A/c Dr. To Bills Receivable A/c (Being cash received for promissory note one day after the maturity date on account of holiday declared by govt.)		8,000	8,000

**Book of Shankar
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 01	Purchases A/c Dr. To Parvati A/c (Being goods purchased from Parvati)		8,000	8,000
Jan 01	Parvati A/c Dr. To Bills Payable A/c (Being promissory note for three months sent to Parvati)		8,000	8,000
Apr 5	Bills Payable A/c Dr. To Cash A/c (Being cash paid on maturity promissory note)		8,000	8,000

Q3. Vishal sold goods for ₹ 7,000 to Manju on Jan 05, 2015 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:

**Book of Vishal
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 05	Manju A/c To Sales A/c (Being goods sold to Manju)	Dr.	7,000	7,000
Jan 05	Bills Receivable A/c To Manju A/c (Being bill received with Manju's acceptance for two months)	Dr.	7,000	7,000
Jan 05	Bank A/c Discount A/c To Bills Receivable A/c (Being bill receivable discounted with the bank @ 12 % p.a. for two months)	Dr. Dr.	6,860 140	7,000

Note: On payment of the bill, no entry will be made.

**Book of Manju
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 05	Purchases A/c To Vishal A/c (Being goods purchased from Vishal)	Dr.	7,000	7,000
Jan 05	Vishal A/c To Bills Payable A/c (Being bill accepted drawn by Vishal)	Dr.	7,000	7,000
Mar08	Bills Payable A/c To Bank A/c (Being amount of bill payable paid to bank on maturity)	Dr.	7,000	7,000

Q4. On Feb 01, 2015, John purchased goods for ₹ 15,000 from Jimmi. He immediately made a payment of ₹ 5,000 by cheque and for the balance accepted the bill of exchange drawn upon him by Jimmi. The bill of exchange was payable after 40 days. Five days before the maturity of the bill, Jimmi sent the same to his bank for collection. The bank duly presented the bill to John on the due date who met the bill. The bank informed the same to Jimmi. Prepare John's account in the books of Jimmi and Jimmi's account in the books of John.
Solution:

**Book of Jimmi
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 01	John A/c To Sales A/c (Being goods sold to John)	Dr.	15,000	15,000
Feb 01	Bank A/c To John A/c (Being cheque received for ₹5,000 from John)	Dr.	5,000	5,000
Feb 01	Bills Receivable A/c To John A/c (Being bill received from John for 40 days)	Dr.	10,000	10,000
Mar 11	Bill Sent for Collection A/c To Bills Receivable A/c (Being John's acceptance sent to bank for collection)	Dr.	10,000	10,000
Mar 16	Bank A/c To Bill Sent for Collection A/c (Being John's acceptance met on due date and bank received the payment)	Dr.	10,000	10,000

**Ledger
John's Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Feb 01	To Sales A/c		15,000	2015 Feb 01	By Bank A/c		5,000
				Feb 01	By Bills Receivable A/c		10,000
			15,000				15,000

**Book of John
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 01	Purchases A/c To Jimmi A/c (Being goods purchases from Jimmi)	Dr.	15,000	15,000
Feb 01	Jimmi A/c To Bank A/c (Being cheque paid to Jimmi)	Dr.	5,000	5,000
Feb 01	Jimmi A/c To Bills Payable A/c (Being bill draw accepted for 40 days)	Dr.	10,000	10,000
Mar 16	Bills Payable A/c To Bank A/c (Being payment made on maturity of the bill to bank)	Dr.	10,000	10,000

**Ledger
Jimmi's Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Feb 01	To Bank A/c		5,000	2015 Feb 01	By Purchases A/c		15,000
Feb 01	To Bills Payable A/c		10,000				
			15,000				15,000

Q5. On Jan 15, 2015, Kartar Sold goods for ₹ 30,000 to Bhagwan and drew upon him three bills of exchanges of ₹ 10,000 each payable after one month, two month, and three months respectively. The first bill was retained by Kartar till its maturity. The second bill was endorsed by him in favour of his Cr. or Ratna and the third bill was discounted by him immediately @ 6% p.a. All the bills were met by Bhagwan. Journalise the above transactions in the books of Kartar and Bhagwan. Also prepare ledger accounts in books of Kartar and Bhagwan.

Solution:

Books of Kartar
Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 15	Bhagwan To Sales A/c (Being goods sold to Bhagwan)	Dr.	30,000	30,000
Jan 15	Bills Receivable A/c To Bhagwan A/c (Being three bills of ₹10,000 each, received from Bhagwan the first bill for one month, second bill for two months and third bill for three months)	Dr.	30,000	30,000
Jan 15	Ratna A/c To Bills Receivable A/c (Being the second bill endorsed to Ratna)	Dr.	10,000	10,000
Jan 15	Bank A/c Discount A/c To Bills Receivable A/c (Being bill discounted at 6% p.a.)	Dr. Dr.	9,850 150	10,000
Feb 18	Cash A/c To Bills Receivable A/c (Being the first bill met by Bhagwan, on due date)	Dr.	10,000	10,000

Bhagwan's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Jan 15	To Sales A/c		30,000	2015 Jan 15	By Bills Receivable A/c		30,000
			<u>30,000</u>				<u>30,000</u>

Ratna's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Jan 15	To Bills Receivable A/c		10,000	2015 Jan 31	By Balance c/d		10,000
			<u>10,000</u>				<u>10,000</u>

Bills Receivable Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Jan 15	To Bhagwan A/c		30,000	2015 Jan 15	By Ratna A/c		10,000
				Jan 15	By Bank A/c		9,850
				Jan 15	By Discount A/c		150
				Jan 15	By Cash A/c		10,000
			<u>30,000</u>				<u>30,000</u>

Cash Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Feb 18	To Bills Receivable A/c		10,000	2015 Feb 28	By Balance c/d		10,000
			10,000				10,000

Bank's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Jan 15	To Bills Receivable A/c		9,850	2015 Jan 31	By Balance c/d		9,850
			9,850				9,850

**Books of Bhagwan
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 15	Purchases A/c To Kartar A/c (Being good purchased from Kartar on Cr.)	Dr.	30,000	30,000
Jan 15	Kartar A/c To Bills Payable A/c (Being three bill ₹10,000 each drawn by Kartar the first bill for one month, the second bill for two months and the third bill for three months, accepted and returned them to Kartar)	Dr.	30,000	30,000
Feb 18	Bills Payable A/c To Cash A/c (Being first was paid on due date)	Dr.	10,000	10,000
Mar 18	Bills Payable A/c To Bank A/c (Being second bill was paid on due to Ratna)	Dr.	10,000	10,000
Apr 18	Bills Payable A/c To Bank A/c (Being third bill was paid on due to bank)	Dr.	10,000	10,000

Kartar's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Jan 15	To Bills Payable A/c		30,000	2015 Jan 15	By Purchases A/c		30,000
			30,000				30,000

Bills Payable Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Feb 18	To Cash A/c		10,000	2015 Jan 15	By Kartar A/c		30,000
Mar 18	To Bank A/c		10,000				
Apr 18	To Bank A/c		10,000				
			30,000				30,000

Cash Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Feb 28	To Balance c/d		10,000	2015 Feb 18	By Bills Payable A/c		10,000
			10,000				10,000

Bank Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Apr 31	To Balance c/d		20,000	2015 Mar 18	By Bills Payable A/c		10,000
			20,000	Apr 18	By Bills Payable A/c		10,000
			20,000				20,000

Q6. On Jan. 01, 2015 Arun sold goods for ₹ 30,000 to Sunil. 50% of the payment was made immediately by Sunil on which Arun allowed a cash discount of 2%. For the balance Sunil drew a promissory note in favour of Arun payable after 20 days. Since, the date of maturity of bill was a public holiday; Arun presented the bill on a day, as per the provisions of Negotiable Instrument Act which was met by Sunil. State the date on which the bill was presented by Arun for payment and journalise the above transactions in the books of Arun and Sunil.

Solution:

As per the provisions of Negotiable Instrument Act, when the maturity date of any bill falls on a public holiday then the maturity date of the bill will be the previous business day.

20 days after Jan 01, 2015 is 21st Jan, 2015. Adding 3 days of grace, we get the maturity date as 24th Jan, 2015. Previous business day is 23rd Jan, 2015.

**Book of Arun
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 01	Sunil A/c To Sales A/c (Being goods sold to Sunil)	Dr.	30,000	30,000
Jan 01	Cash A/c Discount Allowed A/c To Sunil A/c (Being half of the amount due from Sunil was received and allowed him 2% cash discount)	Dr. Dr.	14,700 300	15,000
Jan 01	Bills Receivable A/c To Sunil A/c (Being promissory note received for balance amount due from Sunil)	Dr.	15,000	15,000
Jan 23	Cash A/c To Bills Receivable A/c (Being cash received from Sunil one day before the maturity date due to public holiday)	Dr.	15,000	15,000

**Book of Sunil
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 01	Purchases A/c To Arun A/c (Being goods purchased from Arun)	Dr.	30,000	30,000
Jan 01	Arun A/c To Cash A/c To Discount Received A/c (Being half amount due to Arun paid by cheque and 2% discount allowed by him)	Dr.	15,000	14,700 300
Jan 01	Arun A/c To Bills Payable A/c (Being promissory note issued in favour of Arun for twenty days)	Dr.	15,000	15,000
Jan 23	Bills Payable A/c To Cash A/c (Being promissory note met one day before the maturity day)	Dr.	15,000	15,000

Q7. Darshan sold goods for ₹ 40,000 to Varun on 8.1.2015 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 Cr. or Suresh.
4. When three days before its maturity, the bill was sent by Darshan to his bank for collection.

Solution:

Case i: When the bill was retained by Darshan till the date of its maturity

**Books of Darshan
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 08	Varun A/c To Sales A/c (Being goods sold to Varun)	Dr.	40,000	40,000
Jan 08	Bills Receivable A/c To Varun A/c (Being Varun's acceptance received)	Dr.	40,000	40,000
Mar 11	Cash A/c To Bills Receivable A/c (Being bill met on due date) Varun A/c	Dr.	40,000	40,000

**Book of Varun
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 08	Purchases A/c To Darshan A/c (Being goods bought from Darshan)	Dr.	40,000	40,000
Jan 08	Darshan A/c To Bills Payable A/c (Being bill of two months accepted for Darshan)	Dr.	40,000	40,000
Mar 11	Bills Payable A/c To Cash A/c (Being Varun cleared his acceptance on the due date)	Dr.	40,000	40,000

Case ii: When Darshan immediately discounted the bill @ 6% p.a. with his bank.

**Book of Darshan
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 08	Varun A/c To Sales A/c (Being goods sold to Varun)	Dr.	40,000	40,000
Jan 08	Bills Receivable A/c To Varun (Being B/R received from Varun for two months)	Dr.	40,000	40,000
Jan 08	Bank A/c Discount A/c To Bills Receivable A/c (Being bill discounted with the bank @ 6 % p.a.)	Dr. Dr.	39,600 400	40,000

**Book of Varun
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 08	Purchases A/c Dr. To Darshan A/c (Being goods bought from Darshan)		40,000	40,000
Jan 08	Darshan A/c Dr. To Bills Payable A/c (Being bill of two month accepted for darshan)		40,000	40,000
Mar 11	Bills Payable A/c Dr. To Bank A/c (Being Varun cleared his acceptance on the due date)		40,000	40,000

Case iii: When the bill was endorsed immediately by Darshan in favour of his Cr. or Suresh.

**Book of Darshan
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 08	Varun A/c Dr. To Sales A/c (Being goods sold to Varun)		40,000	40,000
Jan 08	Bills Receivable A/c Dr. To Varun A/c (Being Varun's acceptance received for two months)		40,000	40,000
Jan 08	Suresh A/c Dr. To Bills Receivable A/c (Being Varun's acceptance endorsed in favour of Suresh)		40,000	40,000

**Book of Varun
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 08	Purchases A/c Dr. To Darshan A/c (Being goods bought from Darshan)		40,000	40,000
Jan 08	Darshan A/c Dr. To bills payable A/c (Being bill drawn by Darshan accepted for two months)		40,000	40,000
Mar 11	Bills Payable A/c Dr. To Cash A/c (Being bills paid to holder of bill)		40,000	40,000

Case iv: When three days before its maturity, the bill was sent by Darshan to his bank for

collection.

**Book of Darshan
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 08	Varun A/c To Sale A/c (Being goods sold to Varun)	Dr.	40,000	40,000
Jan 08	Bills Receivable A/c To Varun A/c (Being Varun's acceptance received two months)	Dr.	40,000	40,000
Mar 08	Bill sent for Collection A/c To Bills Receivable A/c (Being bills sent for collection sent to the bank)	Dr.	40,000	40,000
Mar 11	Bank A/c To Bill sent for collection (Being bill sent for collection realised)	Dr.	40,000	40,000

**Book of Varun
Journal Entries**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 08	Purchases A/c To Darshan A/c (Being goods bought from Darshan)	Dr.	40,000	40,000
Jan 08	Darshan A/c To Bills Payable A/c (Being bill drawn by Darshan accepted for two months)	Dr.	40,000	40,000
Mar 11	Bills Payable A/c To Bank A/c (Being bill paid to the bank)	Dr.	40,000	40,000

Q8. Bansal Traders allow a trade discount of 10% on the list price of the goods purchased from them. Mohan traders, who runs a retail shop made the following purchases from Bansal Traders

Date	Amount ₹
Dec.21, 2015	1,000
Dec.26, 2015	1,200
Dec.28, 2015	2,000
Dec.31, 2015	5,000

For all the purchases Mohan Traders drew promissory note in favour of Bansal Traders payable after 30 days. The promissory note for the sale of Dec. 21, 2015 was retained by Bansal Traders with them till the date of its maturity. The promissory note drawn on 26.12.2015 was discounted by Bansal Traders from their bank at 12% p.a. The promissory note drawn on Dec. 28, 2015 was endorsed by Bansal Traders in favour of their Cr. or Dream Soaps in full settlement of a purchase amounting to ₹ 1,900. On 25.1.2015 Bansal Traders sent the promissory note drawn on Dec. 31, 2015 to their bank for collection. All the promissory notes were met by Mohan Trade ₹ Record the necessary journal entries for the above transactions in the books of Bansal Traders and Mohan Traders and prepare Mohan Traders account in the books of Bansal Traders and Bansal Traders account in the books of Mohan Trade ₹

Solution:

Book of Bansal Traders Journal Entries				
Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Dec 21	Mohan Traders A/c Dr. To Sales A/c (Being goods sold to Mohan Traders list price ₹1,000 at 10% trade discount)		900	900
Dec 21	Bills Receivable A/c Dr. To Mohan Traders A/c (Being promissory note received from Mohan Traders payable after 30 days)		900	900
Dec 26	Mohan Traders A/c Dr. To Sales A/c (Being goods sold to Mohan Traders list price ₹1,200 at 10% trade discount)		1,080	1,080
Dec 26	Bills Receivable A/c Dr. To Mohan Traders A/c (Being promissory note received from Mohan Traders)		1,080	1,080
Dec 26	Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (Being promissory note discounted from the bank)		1,069 11	1,080
Dec 28	Mohan Traders A/c Dr. To Sales A/c (Being sold to Mohan Traders list price ₹2,000 at 10% trade discount)		1,800	1,800

Dec 28	Bills Receivable A/c To Mohan Traders A/c (Being promissory note received from Mohan Traders)	Dr.	1,800	1,800
Dec 28	Dream Soaps A/c To Bills Receivable A/c To Discount Received A/c (Being promissory note of ₹1,800 send to Dream Soap in full settlement of amount due to him)	Dr.	1,900	1,800 100
Dec 31	Mohan Traders A/c To Sales A/c (Being goods sold to Mohan trade list price ₹5,000 at 10% trade discount)	Dr.	4,500	4,500
Dec 31	Bills Receivable A/c To Mohan Traders A/c (Being promissory note received from Mohan Traders for 30 days)	Dr.	4,500	4,500
Jan 23	Cash A/c To Bills Receivable A/c (Being promissory note issued on Dec. 21, 2005 was met on maturity)	Dr.	900	900
Jan 25	Bill Sent for Collection A/c To Bills Receivable A/c (Being promissory note issued on Dec. 31, 2005 send for collection to bank)	Dr.	4,500	4,500
Feb 02	Bank A/c To Bill Sent for Collection A/c (Being bank got payment of bill send for collection on due date)	Dr.	4,500	4,500

In the books of Bansal Traders
Mohan Trader's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Dec 21	To Sales A/c		900	Dec 21	By Bills Receivable A/c		900
Dec 26	To Sales A/c		1,080	Dec 26	By Bills Receivable A/c		1,080
Dec 28	To Sales A/c		1,800	Dec 28	By Bills Receivable A/c		1,800
Dec 31	To Sales A/c		4,500	Dec 31	By Bills Receivable A/c		4,500
			8,280				8,280

Books of Mohan Trader's
Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Dec 21	Purchases A/c To Bansal Traders A/c (Being goods bought Bansal Trader's list price ₹1,000 at 10% trade discount)	Dr.	900	900
Dec 21	Bansal Traders A/c To Bills Payable A/c (Being promissory note issued to Bansal Traders)	Dr.	900	900
Dec 26	Purchases A/c To Bansal Traders A/c (Being goods bought from Bansal Traders list price ₹1,200 at 10% trade discount)	Dr.	1,080	1,080
Dec 26	Bansal Traders A/c To Bills payable A/c (Being promissory note issued to Bansal Traders)	Dr.	1,080	1,080
Dec 28	Purchases A/c To Bansal Traders (Being goods bought from Bansal Traders list price ₹2,000 at 10% trade discount)	Dr.	1,800	1,800
Dec 28	Bansal Traders A/c To Bills Payable A/c (Being promissory note issued to Bansal Traders)	Dr.	1,800	1,800
Dec 31	Purchases A/c To Bansal Traders A/c (Being goods bought from Bansal Traders of list price ₹5,000 at 10% trade discount)	Dr.	4,500	4,500
Dec 31	Bansal Traders A/c To Bills Payable A/c (Being promissory note issued to Bansal Traders)	Dr.	4,500	4,500
Jan 23	Bills Payable A/c To Cash A/c (Being the first note discharged on its due date)	Dr.	900	900
Jan 28	Bill Payable A/c To Bank A/c (Being the second promissory note discharged on its due date)	Dr.	1,080	1,080
Jan 30	Bills Payable A/c To Cash A/c (Being the third promissory discharged by paying ₹1,800 to dream soaps)	Dr.	1,800	1,800
Feb 02	Bills Payable A/c To Bank A/c (Being the fourth promissory note discharged by paid ₹ 4,500 to bank)	Dr.	4,500	4,500

In the book of Mohan Traders
Bansal Trader's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Dec 21	To Bills Payable A/c		900	Dec 21	By Purchases A/c		900
Dec 26	To Bills Payable A/c		1,080	Dec 26	By Purchases A/c		1,080
Dec 28	To Bills Payable A/c		1,800	Dec 28	By Purchases A/c		1,800
Dec 31	To Bills Payable A/c		4,500	Dec 31	By Purchases A/c		4,500
			8,280				8,280

Q9. Vimal purchased goods ₹ 25,000 from Kamal on Jan 15, 2015 and accepted a bill of exchange drawn upon him by Kamal payable after two months. On the date of the 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:

- The bill was retained by Kamal till the date of its maturity.
- The bill was immediately discounted by Kamal with his bank @ 6% p.a.
- The bill was endorsed by Kamal in favour of his Cr.orSharad.
- Five days before its maturity the bill was sent by Kamal to his bank for collection.

Solution:

Case i : The bill was retained by Kamal till the date of its maturity

Book of Ravinderan
Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 01	Narayanan A/c To Sales A/c (Being goods sold to Narayanan)	Dr.	25,000	25,000
Feb 01	Bills Receivable A/c To Narayanan A/c (Being Narayanan's acceptance received for 30 days)	Dr.	25,000	25,000
Mar 06	Narayanan A/c To Bills Receivable A/c (Being Narayanan failed to meet his acceptance and bill dishonoured)	Dr.	25,000	25,000

Book of Narayanan
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 01	Purchases A/c To Ravinderan A/c (Being goods bought from Ravinderan)	Dr.	25,000	25,000
Feb 01	Ravinderan A/c To Bills Payable A/c (Being Ravinderan's bill accepted)	Dr.	25,000	25,000
Mar 05	Bills Payable A/c To Ravinderan A/c (Being bill dishonoured on maturity)	Dr.	25,000	25,000

Case ii: When the bill was discounted by Ravinderan immediately with his bank @ 6% p.a.

**Book of Ravinderan
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Feb 01	Narayanan A/c Dr. To Sales A/c (Being goods sold to Narayanan)		25,000	25,000
Feb 01	Bills Receivable A/c Dr. To Narayanan A/c (Being Narayanan's acceptance received)		25,000	25,000
Feb 01	Bank A/c Dr. Discounting Charges A/c Dr. To Bills Receivable A/c (Being Narayanan's acceptance got discounted with bank @ 6% p.a for 30 days)		24,877 123	25,000
Mar 06	Narayanan A/c Dr. To Bank A/c (Being Narayanan's acceptance dishonoured)		25,000	25,000

**Book of Narayanan
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Feb 01	Purchases A/c Dr. To Ravinderan A/c (Being goods bought from Ravinderan)		25,000	25,000
Feb 01	Ravinderan A/c Dr. To Bills payable A/c (Being Ravinderan's bill accepted)		25,000	25,000
Mar 06	Bills Payable A/c Dr. To Ravinderan A/c (Being dishonoured on maturity)		25,000	25,000

Case iii: When the bill was endorsed to his Cr. or Ganeshan.

**Book of Ravinderan
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 01	Narayanan A/c To Sales A/c (Being goods sold Narayanan)	Dr.	25,000	25,000
Feb 01	Bills Receivable A/c To Narayanan A/c (Being Narayanan's acceptance received)	Dr.	25,000	25,000
Feb 01	Ganeshan A/c To Bills Receivable A/c (Being Narayanan's acceptance endorsed in favour of Ganeshan)	Dr.	25,000	25,000
Mar 06	Narayanan A/c To Ganeshan A/c (Being Narayanan's acceptance dishonoured)	Dr.	25,000	25,000

**Book Narayanan
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 01	Purchases A/c To Ravinderan A/c (Being goods bought Ravinderan)	Dr.	25,000	25,000
Feb 01	Ravinderan A/c To Bills Payable A/c (Being Ravinderan's accepted received)	Dr.	25,000	25,000
Mar 06	Bills Payable A/c To Ravinderan A/c (Being Ravinderan's bill dishonoured on due date)	Dr.	25,000	25,000

Case iv: When the bill was sent by Ravinderan to his bank for collection a few days before it maturity.

**Books of Ravinderan
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 01	Narayanan A/c To Sales A/c (Being goods sold to Narayanan)	Dr.	25,000	25,000
Feb 01	Bills Receivable A/c To Narayanan A/c (Being Narayanan's acceptance received)	Dr.	25,000	25,000
Feb 01	Bills Sent for Collection A/c To Bills Receivable A/c (Being bill sent to bank for collection)	Dr.	25,000	25,000
Mar 06	Narayanan A/c To Bills Sent for Collection A/c (Being bill got dishonoured)	Dr.	25,000	25,000

**Book of Narayanan
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 01	Purchases A/c To Ravinderan A/c (Being bought goods from Ravinderan)	Dr.	25,000	25,000
Feb 01	Ravinderan A/c To Bills Payable A/c (Being Ravinderan's bill accepted)	Dr.	25,000	25,000
Mar 06	Bills Payable A/c To Ravinderan A/c (Being Ravinderan's bill dishonoured)	Dr.	25,000	25,000

Q10. Ravi sold goods for ₹ 40,000 to Sudershan on Feb 13, 2015. He drew four bills of exchange upon Sudershan. The first bill was for ₹ 5,000 payable after one month. The second bill was for ₹ 10,000 payable after 40 days; the third bill was for ₹ 12,000 payable after three months and fourth bill was for the balance amount payable after 19 days. Sudershan accepted all the bills and returned the same to Ravi. Ravi discounted the first bill with his bank at 6% p.a. He endorsed the second bill to his Cr. or Mustaq for the full settlement of a debt of ₹ 10,200. The third bill was kept by Ravi with him till the date of maturity. Five days before the maturity of the fourth bill, Ravi sent the bill to his bank for collection. All the four bills were dishonoured by Sudarshan on maturity. Sudershan settled Ravi's claim in cash three days after the dishonour of each bill along with interest @12% p.a. for the terms of the bills.

You are requested to record the necessary journal entries in the books to Ravi, Sudershan, Mustaq and bank for the above transaction. Also prepare Sudershan's account and Mustaq's account in the books of Ravi.

Solution:

**Books of Ravi
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Feb 13	Sudershan A/c To Sales A/c (Being goods sold to Sudershan)	Dr.	40,000	40,000
Feb 13	Bills Receivable A/c To Sudershan A/c (Being four bills from Sudershan received: the first for ₹5,000, the second bill for ₹10,000, the third bill for ₹12,000 and the fourth bill for ₹13,000)	Dr.	40,000	40,000
Feb 13	Bank A/c Discount A/c To Bills Receivable A/c (Being the first bill discounted with bank at 6% p.a. for 1 month)	Dr. Dr.	4,975 25	5,000
Feb 13	Mustaq A/c To Bills Receivable A/c To Discount Received A/c (Being the second bill endorsed to Mustaq in full settlement of amount ₹10,200 due to him)	Dr.	10,200	10,000 200
Mar 02	Bills Sent for Collection A/c To Bills Receivable A/c (Being the forth bill send to bank for collection)	Dr.	13,000	13,000

Mar 07	Sudershan A/c To Bill Sent for Collection A/c (Being the fourth bill dishonoured on due date)	Dr.	13,000	13,000
Mar 07	Sudershan A/c To Interest A/c (Being interest due on the fourth bill ₹13,000 for 19 days at 12% p.a.)	Dr.	81	81
Mar 10	Cash A/c To Sudershan A/c (Bing cash received from Sudershan)	Dr.	13,081	13,081
Mar 16	Sudershan A/c To Bank A/c (Being the first bill dishonoured)	Dr.	5,000	5,000
Mar 16	Sudershan A/c To Interest A/c (Being interest due on amount ₹5,000 at 12% for one month)	Dr.	50	50
Mar 19	Cash A/c To Sudershan A/c (Being Sudershan paid the amount due on account dishonoured of the first bill plus interest)	Dr.	5,050	5,050
Mar 28	Sudershan A/c Discount Received A/c To Mustaq A/c (Being second bill dishonoured, which had endorsed in favour of Mustaq)	Dr. Dr.	10,000 200	10,200
Mar 28	Sudershan A/c To Interest A/c (Being interest charges at 12% on the amount due on account of dishonour of the second bill ₹10,000)	Dr.	132	132
Apr 01	Cash A/c To Sudershan A/c (Being received cash from Sudershan for the second bill along with interest)	Dr.	10,132	10,132
May 16	Sudershan A/c To Bills Receivable A/c (Being the third bill dishonoured on due date)	Dr.	12,000	12,000
May 16	Sudershan A/c To Interest A/c (Being interest at 12% for 3 months charged on the amount due on account of dishonour the third bill ₹12,000)	Dr.	360	360
May 19	Cash A/c To Sudershan A/c (Being cash received from Sudershan for the third bill along with interest 12% p.a.)	Dr.	12,360	12,360

**Ledger
Sundershan's Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Feb 13	To Sales A/c		40,000	Feb 13	By Bills Receivable A/c		40,000
Mar 07	To Bill sent for Collection A/c		13,000	Mar 10	By Cash A/c		13,081
Mar 07	To Interest A/c		81	Mar 19	By Cash A/c		5,050
Mar 16	To Bank A/c		5,000	Apr 01	By Cash A/c		10,132
Mar 16	To Interest A/c		50	May 19	By Cash A/c		12,360
Mar 28	To Mustaq A/c		10,000				
Mar 28	To Interest A/c		132				
May 16	To Bills Receivable A/c		12,000				
May 16	To Interest A/c		360				
			80,623				80,623

Mustaq's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Feb 13	To Bills Receivable A/c		10,000	Mar 28	By Sudershan A/c		10,000
Feb 13	To Discount Received A/c		200	Mar 28	By Discount Received A/c		200
			10,200				10,200

**Book of Sudershan
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Feb 13	Purchases A/c To Ravi A/c (Being goods bought from Ravi)	Dr.	40,000	40,000
Feb 13	Ravi A/c To Bills Payable A/c (Being four bills drawn by Ravi accepted: the first second for ₹5,000, payable after one month, the second for ₹10,000, payable after 40 days, the third for ₹12,000 payable after 3 month and the fourth for ₹13,000 payable after 19 days)	Dr.	40,000	40,000
Mar 07	Bills Payable A/c To Ravi A/c (Being the fourth bill dishonoured)	Dr.	13,000	13,000
Mar 07	Interest A/c To Ravi A/c (Being interest charged for the fourth bill at 12% p.a.)	Dr.	81	81
Mar 10	Ravi A/c To Cash A/c (Bing cash paid to Ravi for amount of dishonour of the fourth bill along with interest at 12% p.a. for 19 days)	Dr.	13,081	13,081
Mar 16	Bills Payable A/c To Ravi A/c (Being the first bill dishonoured)	Dr.	5,000	5,000

Mar 16	Interest A/c To Ravi A/c (Being interest at 12% p.a on the first bill for one month)	Dr.	50	50
Mar 19	Ravi A/c To Cash A/c (Being cash paid to Ravi amount due on account of dishonour of the first bill along with interest at 12% p.a. for one month)	Dr.	5,050	5,050
Mar 28	Bills Payable A/c To Ravi A/c (The second bill dishonoured)	Dr.	10,000	10,200
Mar 28	Interest A/c To Ravi A/c (Being interest charges at 12% p.a. for 40 days on the second bill)	Dr.	132	132
Apr 01	Ravi A/c To Cash A/c (Being cash paid to Ravi for amount due on account of dishonour of the second bill along with interest at 12% p.a. for 40 days)	Dr.	10,132	10,132
May 16	Bills Payable A/c To Ravi A/c (Being the third bill dishonoured)	Dr.	12,000	12,000
May 16	Interest A/c To Cash A/c (Being interest at 12% p.a. for 3 months on third bill)	Dr.	360	360
May 19	Ravi A/c To Cash A/c (Being cash paid for amount due on account of dishonour of the third bill along with interest 12% p.a. for 3 months)	Dr.	12,360	12,360

**Book of Mustaq
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Feb 13	Bills Receivable A/c Discount Allowed A/c To Ravi A/c (Being bills receivable received from Ravi and allowed discount)	Dr. Dr.	10,000 200	10,200
Mar 28	Ravi A/c To Bills Receivable A/c To Discount Received A/c (Being bill dishonoured)	Dr.	10,200	10,000 200

**Book of Bank
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Mar 02	Bills Receivable A/c To Bills sent for Collection A/c (Being bills received from Ravi for collection)	Dr.	13,000	13,000
Mar 07	Bills sent for Collection A/c To Bills Receivable A/c (Being bill dishonoured)	Dr.	13,000	13,000

Q11. On Jan 01, 2015 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 transaction in the books of Neha and Muskan.

Solution:

**Book of Neha
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 01	Muskan A/c To Sales A/c (Being goods sold to Muskan)	Dr.	20,000	20,000
Jan 01	Bills Receivable A/c To Muskan A/c (Being Muskan's acceptance received)	Dr.	20,000	20,000
Feb 04	Cash A/c Rebate on bill A/c To Bills Receivable A/c (Being Muskan's acceptance retired one month before maturity and allowed rebate at 12% p.a.)	Dr. Dr.	19,800 200	20,000

**Book of Muskan
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 01	Purchases A/c To Neha A/c (Being goods bought from Neha)	Dr.	20,000	20,000
Jan 01	Neha A/c To Bills Payable A/c (Being bill drawn by Neha payable after 2 months accepted)	Dr.	20,000	20,000
Feb 04	Bills Payable A/c To Cash A/c To Rebate on Bills A/c (Being bill paid one month before maturity and received rebate at 12% p.a.)	Dr.	20,000	19,800 200

Q12. On Jan 15, 2015 Raghu sold goods worth ₹ 35,000 to Devendra and drew up to the latter three bills of exchanges. The first bill was for ₹ 5,000 payable after one month, the second bill was for ₹ 20,000 payable after three months and third bill for balance amount for 4 months. Raghu endorsed the first bill in favour of his Cr. or Dewan in full settlement of a debt of ₹ 5,200. The second bill was discounted by Raghu @ 6% p.a. and the third bill was retained by Raghu till the date of maturity. Devendra dishonoured the bill on maturity and the bank paid ₹ 30 as noting charges. Four days before the maturity of the third bill Raghu, sent the same for collection to his bank. The third bill was also dishonoured by Devendra and the bank paid ₹ 200 as noting charges. Five days after the dishonour of the bill Devendra paid the entire amount due to Raghu along with interest ₹ 1,000 for this purpose Devendra obtained a short term loan from his bank. You are requested to record the necessary journal entries in the books of Raghu Devendra and Dewan and also prepare Devendra's account in Raghu's books and Raghu's account in Devendra's account.

Solution:

**Books of Raghu
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 15	Devendra A/c To Sales A/c (Being goods sold to Devendra)	Dr.	35,000	35,000
Jan 15	Bills Receivable A/c To Devendra A/c (Being three bills received from Devendra; first bill for ₹5,000, second bill for ₹20,000 and third bill ₹10,000)	Dr.	35,000	35,000
Jan 15	Dewan A/c To Bills Receivable A/c To Discount Received A/c (Being the first bill endorsed to Dewan in full settlement of amount due to him)	Dr.	5,200	5,000 200
Jan.15	Bank A/c Bills Discounting Charges A/c To Bills Receivable A/c (Being the second bill discounted with bank at 6% p.a.)	Dr. Dr.	19,700 300	20,000
Apr 18	Devendra A/c To Bank A/c (Being the second bill dishonoured and bank paid ₹30 for noting charges)	Dr.	20,030	20,030
May 14	Bill Sent for Collection A/c To Bills Receivable A/c (Being third bill send to bank for collection)	Dr.	10,000	10,000
May 18	Devendra A/c To Bill Sent for Collection A/c To Bank A/c (Being the third bill dishonoured and bank paid ₹200 as noting charges)	Dr.	10,200	10,000 200
May 23	Devendra A/c To Interest A/c (Being interest due to Devendra on of bills dishonoured)	Dr.	1,000	1,000
May 23	Cash A/c To Devendra A/c (Being entire amount received from Devendra)	Dr.	31,230	31,230

**Ledger
Devendra's Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Jan 15	To Sales A/c		35,000	Jan 15	By Bills Receivable A/c		35,000
Apr 18	To Bank A/c		20,030	May 23	By Cash A/c		31,230
May 18	To Bills sent for Collection A/c		10,000				
May 18	To Bank A/c		200				
May 23	To Interest A/c		1,000				
			66,230				66,230

**Books of Devendra
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 15	Purchases A/c To Raghu A/c (Being goods bought from Raghu)	Dr.	35,000	35,000
Jan 15	Raghu A/c To Bills Payable A/c (Being three bills drawn by Raghu accepted: first bill for ₹5,000 payable after one month, second for ₹20,000 payable after 3 months and third for ₹10,000 payable after 4 months)	Dr.	35,000	35,000
Feb 18	Bills Payable A/C To Cash A/c (Being the first bill discharged on the due date)	Dr.	5,000	5,000
Apr 18	Bills Payable A/c Noting Charges A/c To Raghu A/c (Being the second bill dishonoured and noting charges ₹30)	Dr. Dr.	20,000 30	20,030
May 18	Bills Payable A/c Noting Charges A/c To Raghu A/c (Being third bill dishonoured and noting charges ₹200)	Dr. Dr.	10,000 200	10,200
May 23	Interest A/c To Raghu A/c (Being interest charges ₹1,000 due to bills dishonoured)	Dr.	1,000	1,000
May 23	Cash A/c To Bank Loan A/c (Being bank loan taken for settling Raghu's account)	Dr.	31,230	31,230
May 23	Raghu A/c To Cash A/c (Being cash paid to Raghu in settlement of the bills.)	Dr.	31,230	31,230

Ledger
Raghu's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Jan 15	To Bills Payable A/c		35,000	Jan 15	By Purchases A/c		35,000
May 23	To Cash A/c		31,230	Apr 18	By Bills Payable A/c		20,000
				Apr 18	By Noting Charges A/c		30
				May 18	By Bills Payable A/c		10,000
				May 18	By Noting Charges A/c		200
				May 18	By Interest A/c		1,000
			66,230				66,230

Book of Dewan Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 15	Bills Receivable A/c	Dr.	5,000	
	Discount Allowed A/c	Dr.	200	
	To Raghu A/c			5,200
	(Being bill receivable received from Raghu for one month and allowed him discount of ₹200)			
Feb 18	Cash A/c	Dr.	5,000	
	To Bills Receivable A/c			5,000
	(Being amount received on maturity of the bill)			

Q13. Vimal purchased goods ₹ 25,000 from Kamal on Jan 15, 2015 and accepted a bill of exchange drawn upon him by Kamal payable after two months. On the date of the 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:

- The bill was retained by Kamal till the date of its maturity.
- The bill was immediately discounted by Kamal with his bank @ 6% p.a.
- The bill was endorsed by Kamal in favour of his Cr.orSharad.
- Five days before its maturity the bill was sent by Kamal to his bank for collection.

Solution:

Case i : The bill was retained by Kamal till the date of its maturity

Book of Kamal
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 15	Vimal A/c	Dr.	25,000	
	To Sales A/c			25,000
	(Being goods sold to Vimal)			
Jan 15	Bills Receivable A/c	Dr.	25,000	
	To Vimal A/c			25,000
	(Being Vimal's acceptance received)			
Mar 18	Vimal A/c	Dr.	25,000	
	To Bills Receivable A/c			25,000
	(Being Vimal acceptance dishonoured)			

**Book of Vimal
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 15	Purchases A/c To Kamal A/c (Being goods bought from Kamal)	Dr.	25,000	25,000
Jan 15	Kamal A/c To Bills Payable A/c (Being bill drawn Kamal accepted)	Dr.	25,000	25,000
Mar 18	Bills Payable A/c To Kamal A/c (Being bill drawn by Kamal dishonoured)	Dr.	25,000	25,000

Case ii: The bill was immediately discounted by Kamal with his bank @ 6% p.a.

**Book of Kamal
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan15	Vimal A/c To Sales A/c (Being goods sold to Vimal)	Dr.	25,000	25,000
Jan15	Bills Receivable A/c To Vimal A/c (Being Vimal's acceptance received)	Dr.	25,000	25,000
Jan15	Bank A/c Bills Discounting Charges A/c To Bills Receivable A/c (Being Vimal's acceptance discounted at 6% p.a with bank)	Dr. Dr.	24,750 250	25,000
Mar 18	Vimal A/c To Bank A/c (Being Vimal's acceptance dishonoured)	Dr.	25,000	25,000

**Book of Vimal
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 15	Purchases A/c To Kamal A/c (Being goods bought from Kamal)	Dr.	25,000	25,000
Jan 15	Kamal A/c To Bills Payable A/c (Being bill drawn by Kamal accepted)	Dr.	25,000	25,000
Mar 18	Bills Payable A/c To Kamal A/c (Being bills drawn by Kamal dishonoured)	Dr.	25,000	25,000

Case iii: The bill was endorsed by Kamal in favour of his Cr. or Sharad.

**Book of Kamal
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 15	Vimal A/c To Sales A/c (Being goods sold to Vimal)	Dr.	25,000	25,000
Jan 15	Bills Receivable A/c To Vimal A/c (Being Vimal's acceptance received)	Dr.	25,000	25,000
Jan 15	Sharad A/c To Bills Receivable A/c (Being Vimal's acceptance endorsed to Sharad)	Dr.	25,000	25,000
Mar 18	Vimal A/c To Sharad A/c (Being Vimal's acceptance endorsed to Kamal dishonoured)	Dr.	25,000	25,000

**Book of Vimal
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 15	Purchases A/c To Kamal A/c (Being goods bought from Kamal)	Dr.	25,000	25,000
Jan 15	Kamal A/c To Bills Payable A/c (Being bill drawn by Kamal accepted)	Dr.	25,000	25,000
Mar 18	Bills Payable A/c To Kamal A/c (Being bill drawn by Kamal dishonoured)	Dr.	25,000	25,000

Case iv: Five days before its maturity the bill was sent by Kamal to his bank for collection.

**Book of Kamal
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 15	Vimal A/c To Sales A/c (Being goods sold to Vimal)	Dr.	25,000	25,000
Jan 15	Bills Receivable A/c To Vimal A/c (Being Vimal's acceptance received)	Dr.	25,000	25,000
Mar 13	Bills Sent for Collection A/c To Bills Receivable A/c (Being Vimal's acceptance send to bank for collection)	Dr.	25,000	25,000
Mar 18	Vimal A/c To Bill Send for Collection A/c (Being Vimal's acceptance dishonoured)	Dr.	25,000	25,000

**Book of Vimal
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 15	Purchases A/c To Kamal A/c (Being goods bought from Kamal)	Dr.	25,000	25,000
Jan 15	Kamal A/c To Bills Payable A/c (Being bill drawn by Kamal accepted)	Dr.	25,000	25,000
Mar 18	Bills Payable A/c To Kamal A/c (Being bill drawn by Kamal dishonoured)	Dr.	25,000	25,000

Q14. Abdulla sold goods to Tahir on Jan 17, 2015 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:

**Books of Abdula
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 17	Tahir A/c To Sales A/c (Being goods sold to Tahir)	Dr.	18,000	18,000
Jan 17	Bills Receivable A/c To Tahir A/c (Being Tahir's acceptance received)	Dr.	18,000	18,000
Mar 06	Tahir A/c To Bills Receivable A/c To Cash A/c (Being Tahir's acceptance dishonoured and ₹40 paid as noting charges)	Dr.	18,040	18,000 40
Mar 06	Tahir A/c To Interest A/c (Being interest charged from Tahir on account of bill dishonoured)	Dr.	660	660
Mar 11	Cash A/c To Tahir A/c (Being amount paid by Tahir to clear his account)	Dr.	18,700	18,700

**Ledger
Tahir's Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Jan 17	To Sales A/c		18,000	Jan 17	By Bills Receivable A/c		18,000
Mar 06	To Bills Receivable A/c		18,000	Mar 11	By Cash A/c		18,700
Mar 06	To Cash A/c		40				
Mar 06	To Interest A/c		660				
			36,700				36,700

**Books of Tahir
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 17	Purchases A/c To Abdula A/c (Being goods bought from Abdula)	Dr.	18,000	18,000
Jan 17	Abdula A/c To Bills Payable A/c (Being bill drawn by Abdula accepted, payable after 45 days)	Dr.	18,000	18,000
Mar 06	Bills Payable A/c Noting Charges A/c To Abdula A/c (Being Abdula's bill dishonoured)	Dr. Dr.	18,000 40	18,040
Mar 07	Interest A/c To Abdula A/c (Being interest charged on account of bill dishonoured)	Dr.	660	660
Mar 11	Abdula A/c To Cash A/c (Being total amount paid to Abdula in cash)	Dr.	18,700	18,700

**Ledger
Abdula's Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Jan 17	To Bills Payable A/c		18,000	Jan 17	By Purchases A/c		18,000
Mar 11	To Cash A/c		18,700	Mar 06	By Bills Payable A/c		18,000
				Mar 06	By Noting Charges A/c		40
				Mar 06	By Interest A/c		660
			36,700				36,700

Q15. Asha sold goods worth ₹ 19,000 to Nisha on March 02, 2015. ₹ 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. On the due date Nisha dishonoured the bill and the bank paid ₹ 30 as noting charges.

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

Note: In this question rate of discount is not given, the rate of discount (6% p.a.) has been assumed.

Solution:

Book of Asha

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Mar 02	Nisha A/c Dr. To Sales A/c (Being goods sold to Nisha on Cr.)		19,000	19,000
Mar 02	Cash A/c Dr. Bills Receivable A/c Dr. To Nisha A/c (Being cash paid and Nisha's acceptance received for 3 months for the balance amount)		4,000 15,000	19,000
Mar 02	Bank A/c Dr. Discount A/c (15,000 * 6% * 3/12) Dr. To Bills Receivable A/c (Being Nisha's acceptance discounted with bank at 6% p.a.)		14,775 225	15,000
June 05	Nisha A/c Dr. To Bank A/c (Being Nisha's acceptance dishonoured and bank paid ₹30 as noting charges)		15,030	15,030

Book of Nisha

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Mar 02	Purchases A/c Dr. To Asha A/c (Being goods bought from Asha on Cr.)		19,000	19,000
Mar 02	Asha A/c Dr. To Bills Payable A/c To Cash A/c (Being Asha's bill accepted payable after three month and ₹4,000 paid in cash)		19,000	15,000 4,000
Jun 05	Bills Payable A/c Dr. Noting Charges A/c Dr. To Asha A/c (Being Asha's bill dishonoured)		15,000 30	15,030

Q16. On Feb. 02, 2015, Verma purchased from Sharma goods for ₹ 17,500. ₹ 2,500 immediately and for the balance gave a promissory note to Sharma payable after 60 days. Sharma immediately endorsed the promissory note in favour of his Cr. or Gupta for the full settlement of a debt of ₹ 15,400. On the due date of the bill Gupta presented the bill to Verma which the latter dishonoured and Gupta paid ₹ 5,000 noting charges. On the same date Gupta informed Sharma about the dishonour of the bill. Sharma settled his debt to Gupta by cheque for ₹ 15,500 which includes noting charges and interest. Verma settled Sharma's claim by cheque for the same amount.

Record the necessary journal entries in the books of Sharma, Gupta and Verma for the above transaction and prepare Verma's and Gupta's accounts in the books of Sharma. Sharma's account in the books of Verma. And also Sharma's account in the books of Gupta.

Note: In this question ₹ 5,000 is given as noting charges, there is mistake. Here ₹ 50 has been taken as noting charges instead of ₹ 5,000.

Solution:

Books of Sharma

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 02	Verma A/c To Sales A/c (Being goods sold to Verma on credit)	Dr.	17,500	17,500
Feb 02	Cash A/c Bills Receivable A/c To Verma A/c (Being cash ₹2,500 and promissory note ₹15,000 received from Verma for 60 days)	Dr. Dr.	2,500 15,000	17,500
Feb 02	Gupta A/c To Bills Receivable A/c To Discount Received A/c (Being promissory note endorsed to Gupta in full settlement of amount due to him)	Dr.	15,400	15,000 400
Apr 06	Discount Received A/c Verma A/c To Gupta A/c (Being promissory note issued by Verma dishonoured and Gupta paid ₹50 as noting charges)	Dr. Dr.	400 15,050	15,450
Apr 06	Interest A/c To Gupta A/c (Being interest of ₹50 Dr.ed to Gupta, on account of dishonour of promissory note)	Dr.	50	50
Apr 06	Gupta A/c To Bank A/c (Being Gupta's account settled)	Dr.	15,500	15,500
Apr 06	Bank A/c To Verma (Being cheque received from Verma for the amount due from him)	Dr.	15,050	15,050

Ledger

Verma's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Feb 02 Apr 06	To Sales A/c To Gupta A/c		17,500 15,050	2015 Feb 02 Feb 02 Apr 06	By Cash A/c By Bills Receivable A/c By Bank A/c		2,500 15,000 15,050
			32,550				32,550

Gupta's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Feb 02 Feb 02 Apr 06	To Bills Receivable A/c To Discount Received A/c To Bank A/c		15,000 400 15,500	2015 Apr 01 Apr 06 Apr 06 Apr 06	By Balance b/d By Verma A/c By Discount received A/c By Interest A/c		15,400 15,050 400 50
			30,900				30,900

Books of Verma

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 02	Purchases A/c To Sharma A/c (Being goods bought from Sharma)	Dr.	17,500	17,500
Feb 02	Sharma A/c To Bills Payable A/c To Cash A/c (Being cash ₹2,500 paid and promissory note made for the balance)	Dr.	17,500	15,000 2,500
Apr 06	Bills Payable A/c Noting Charges A/c To Sharma A/c (Being promissory note dishonoured on maturity)	Dr. Dr.	15,000 50	15,050
Apr 06	Sharma A/c To Bank A/c (Being payment made to Sharma through cheque)	Dr.	15,050	15,050

Ledger

Sharma's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Feb 02	To Cash A/c		2,500	2015 Feb 02	By Purchases A/c		17,500
Feb 02	To Bills Payable A/c		15,000	Apr 06	By Bills Payable A/c		15,000
Mar 06	To Bank A/c		50	Apr 06	By Noting Charges A/c		50
			30,900				30,900

Books of Gupta

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 02	Bills Receivable A/c Discount Allowed A/c To Sharma A/c (Being promissory note ₹15,000 received from Sharma in full settlement for 60 days)	Dr. Dr.	15,000 400	15,400
Apr 06	Sharma A/c To Bills Receivable A/c To Discount Allowed A/c To Bank A/c (Being promissory note received from Sharma, dishonoured)	Dr.	15,450	15,000 400 50
Apr 06	Sharma A/c To Interest A/c (Being interest ₹50 credited on account of promissory note dishonoured)	Dr.	50	50
Apr 06	Bank A/c To Sharma A/c (Being cheque received from Sharma)	Dr.	15,500	15,500

Ledger
Sharma's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Feb 01	To Balance b/d		15,400	Feb 02	By Bills Receivable A/c		15,000
Apr 06	To Bills Receivable A/c		15,000	Feb 02	By Discount Allowed A/c		400
Apr 06	To Discount Allowed A/c		4,000	Apr 06	By Bank A/c		15,500
Apr 06	To Bank A/c		50				
Apr 06	To Interest A/c		50				
			30,900				30,900

Q17. Lilly sold goods to Mathew on 1.3.2015 for ₹ 12,000 and drew upon Mathew a bill of exchange for the same amount payable after two months. Lilly immediately discounted the bill with her bank at 9% p.a. The maturity date of the bill was a non business day (holiday), therefore, Lilly had to present the bill as per the provisions of the Indian Instruments Act, 1881. The bill was dishonoured by Mathew and Lilly paid ₹45 as noting charges. Mathew settled the claim of Lilly five days after the dishonour of the bill by a cheque, which includes interest @ 12% for the term of the bill.

Journalise the above transactions in the books of Lilly and Mathew and prepare Mathew's account in the books of Lilly and Lilly's account in the books of Mathew.

Solution:

Books of Lilly
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Mar 01	Mathew A/c To Sales A/c (Being goods sold to Mathew)	Dr.	12,000	12,000
Mar 01	Bills Receivable A/c To Mathew A/c (Being Mathew's acceptance received payable after two months)	Dr.	12,000	12,000
Mar 01	Bank A/c Discounting Charges A/c (9000 * 9% * 2/12) To Bills Receivable A/c (Being Mathew's bill discounted at 9% p.a.)	Dr. Dr.	11,820 180	12,000
May 03	Mathew A/c To Bank A/c (Being Mathew's acceptance dishonoured bank paid ₹45 as noting charges)	Dr.	12,045	12,045
May 08	Mathew A/c To Interest A/c (12045 * 12% * 2/12) (Being interest @ 12% Credited to Mathew on account of bill dishonoured)	Dr.	241	241
May 08	Bank A/c To Mathew A/c (Being cheque received from Mathew for the amount due from him)	Dr.	12,286	12,286

Note: In this question, May 04 has been considered as holiday, so the date of maturity will be May 03, 2006 in place of May 04, 2006.

Ledger
Mathew's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Mar 01	To Sales A/c		12,000	Mar 01	By Bills Receivable A/c		12,000
May 03	To Bank A/c		12,045	May 08	By Bank A/c		12,286
May 08	To Interest A/c		241				
			24,286				24,286

Books of Mathew

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Mar 01	Purchases A/c To Lilly A/c (Being goods sold to Mathew)	Dr.	12,000	12,000
Mar 01	Lilly A/c To Bills Payable A/c (Being Lilly's acceptance payable after two month accepted)	Dr.	12,000	12,000
May 03	Bills Payable A/c Noting Charges A/c To Lilly A/c (Being drawn by Lilly dishonoured)	Dr. Dr.	12,000 45	12,045
May 08	Interest A/c To Lilly A/c (Being interest @ 12% from Lilly on account of bill dishonoured)	Dr.	241	241
May 08	Lilly A/c To Bank A/c (Being amount paid Lilly through cheque)	Dr.	12,286	12,286

Ledger

Lilly's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Mar 01	To Bills Payable A/c		12,000	Mar 01	By Purchases A/c		12,000
May 08	To Bank A/c		12,286	May 03	By Bills Payable A/c		12,000
				May 03	By Noting Charges A/c		45
				May 08	By Interest A/c		241
			24,286				24,286

Note: In this question, there is a contradiction. As per the discounting rule-Bank is regarded as the holder of the bill. It is the bank who presents the bill for payment and also pays the noting charges on behalf of the drawer (Lilly). However, as per the question. Lilly, who is presenting, discounting the bill and also paying the noting charges. Thus, in the solution, we have assumed that it is bank and not Lilly who presents, discounts and pays the noting charges in case of dishonour of bill.

Q18. Kapil purchased goods for ₹ 21,000 from Gaurav on 1.2.2015 and accepted a bill of

exchange drawn by Gaurav for the same amount. The bill was payable after one month. On 25.2.2015 Gaurav sent the bill to his bank for collection. The bill was duly presented by the bank. Kapil dishonoured the bill and the bank paid ₹ 100 as noting charges. Record the necessary journal entries for the above transactions in the books of Kapil and Gaurav.

Solution:

Book of Gaurav

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 01	Kapil A/c Dr. To Sales A/c (Being goods sold to Kapil)		21,000	21,000
Feb 01	Bills Receivable A/c Dr. To Kapil A/c (Being Kapil's acceptance received)		21,000	21,000
Feb 25	Bills Sent for Collection A/c Dr. To Bills Receivable A/c (Being bill receivable sent to bank for collection)		21,000	21,000
Mar 04	Kapil A/c Dr. To Bill Sent for Collection A/c To Bank A/c (Being Kapil's acceptance dishonoured and bank paid noting charges)		21,100	21,000 100

Book of Kapil

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Feb 01	Purchases A/c Dr. To Gaurav A/c (Being goods bought from Gaurav)		21,000	21,000
Feb 01	Gaurav A/c Dr. To Bills Payable A/c (Being drawn by Gaurav payable after one month accepted)		21,000	21,000
Mar 04	Bills Payable A/c Dr. Noting Charges A/c Dr. To Gaurav A/c (Being drawn by Kapil dishonoured)		21,000 100	21,100

Q19. On Feb. 14, 2015 Rashmi sold good ₹ 7,500 to Alka. Alka paid ₹ 500 in cash and for the bank balance accepted a bill of exchange drawn upon her by Rashmi payable after two months. On Apr.10, 2015 Alka approached Rashmi to cancel the bill since she was short of funds. She further requested Rashmi to accept ₹ 2,000 in cash and draw a new bill for the balance including interest ₹ 500. Rashmi accepted Alka's request and drew a new bill for the amount due payable after 2 months. The bill was accepted by Alka. The new bill was duly met by Alka on maturity.

Record the necessary journal entries in the books of Rashmi and Alka and prepared Alka's account in the books of Rashmi's and Rashmi's account in the books of Alka's.

Solution:

Book of Rashmi

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2006				
Feb 14	Alka A/c To Sales A/c (Being goods sold to Alka)	Dr.	7,500	7,500
Feb 14	Cash A/c Bills Receivable A/c To Alka A/c (Being cash received ₹500 and the bill accepted by Alka)	Dr. Dr.	500 7,000	7,500
Apr 10	Alka A/c To Bills Receivable A/c (Being Alka got the bill cancelled)	Dr.	7,000	7,000
Apr 10	Cash A/c To Alka A/c (Being received cash from Alka)	Dr.	2,000	2,000
Apr 10	Alka A/c To Interest A/c (Being interest charged on the amount due from Alka)	Dr.	500	500
Apr 10	Bills Receivable A/c To Alka A/c (Being Alka's acceptance payable of two months received)	Dr.	5,500	5,500
June 13	Cash A/c To Bills Receivable A/c (Being Alka's acceptance met on due date)	Dr.	5,500	5,500

Ledger

Alaka's Account

Dr.

Cr.

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Feb14	To Sales A/c		7,500	Feb14	By Cash A/c		500
Apr10	To Bills Receivable A/c		7,000	Feb14	By Bills Receivable A/c		7,000
Apr10	To Interest A/c		500	Apr10	By Cash A/c		2,000
				Apr10	By Bills Receivable A/c		5,500
			15,000				15,000

Book of Alka

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2006				
Feb14	Purchases A/c To Rashmi A/c (Being goods bought from Rashmi)	Dr.	7,500	7,500
Feb 14	Rashmi A/c To Cash A/c To Bills Payable A/c (Being cash paid to Rashmi ₹500 and a bill for ₹7,000 drawn by Rashmi accepted)	Dr.	7,500	500 7,000
Apr 10	Bills Payable A/c To Rashmi A/c (Being bill cancelled before maturity)	Dr.	7,000	7,000
Apr 10	Rashmi A/c To Cash A/c (Being cash paid to Rashmi)	Dr.	2,000	2,000
Apr 10	Interest A/c To Rashmi A/c (Being interest due to Rashmi)	Dr.	500	500
Apr 10	Rashmi A/c To Bills Payable A/c (Being Rashmi's acceptance payable after two months accepted)	Dr.	5,500	5,500
June 13	Bills Payable A/c To Cash A/c (Being the bill met on due date)	Dr.	5,500	5,500

Ledger

Rashmi's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015				2015			
Feb14	To Cash A/c		500	Feb14	By Purchases A/c		7,500
Feb14	To Bills Payable A/c		7,000	Apr10	By Bills Payable A/c		7,000
Apr10	To Cash A/c		2,000	Apr10	By Interest A/c		500
Apr10	To Bills Payable A/c		5,500				
			15,000				15,000

Q20. Nikhil sold goods for ₹ 23,000 to Akhil on Dec. 01, 2015. He drew upon Akhil a bill of exchange for the same amount payable after 2 months. Akhil accepted the bill and sent it back to Nikhil. Nikhil discounted the bill immediately with his bank @12% p.a. On the due date Akhil dishonoured the bill of exchange and the bank paid ₹ 100 as noting charges. Akhil requested Nikhil to draw a new bill upon him with interest @10% p.a. which he agreed. The new bill was payable after two months. A week before the maturity of the second bill Akhil requested Nikhil to cancel the second bill. He further requested to accept ₹ 10,000 in cash immediately and drew a third bill upon him including interest of ₹ 500. Nikhil agreed to Akhil's request. The third bill was payable after one month. Akhil met the third bill on its maturity.

Record the necessary journal entries in the books of Nikhil and Akhil and also prepare Akhil's account in the books of Nikhil and Nikhil's account in the books of Akhil.

Solution:

Books of Nikhil

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Dec 01	Akhil A/c To Sales A/c (Being goods sold to Akhil)	Dr.	23,000	23,000
Dec 01	Bills Receivable A/c To Akhil A/c (Being Akhil's acceptance received)	Dr.	23,000	23,000
Dec 01	Bank A/c Discount Charges A/c (23,000 * 12% * 2/12) To Bills Receivable A/c (Being Akhil's acceptance discounted at 12% p.a. with bank)	Dr. Dr.	22,540 460	23,000
2016 Feb 04	Akhil A/c To Bank A/c (Being Akhil's acceptance dishonoured, bank paid ₹100 as noting charges)	Dr.	23,100	23,100
Feb 04	Akhil A/c To Interest A/c (23,100 * 10% * 2/12) (Being interest credited on account of bill dishonoured at 10% p.a. for two months)	Dr.	385	385
Feb 04	Bills Receivable A/c To Akhil A/c (Being new acceptance received from Akhil for next two month received)	Dr.	23,485	23,485
Mar 31	Akhil A/c To Bills Receivable A/c (Being the second bill cancelled one week before maturity)	Dr.	23,485	23,485
Mar 31	Cash A/c To Akhil A/c (Being cash received from Akhil)	Dr.	10,000	10,000
Mar 31	Akhil A/c To Interest A/c (Being interest due from Akhil for the bill)	Dr.	500	500
Mar 31	Bills Receivable A/c To Akhil A/c (Being the bill receivable received from Akhil)	Dr.	13,985	13,985
May 03	Cash A/c To Bills Receivable A/c (Being third bill met on due date)	Dr.	13,985	13,985

**Ledger
Akhil's Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Dec 01	To Sales A/c		23,000	2015 Dec 01	By Bills Receivable A/c		23,000
2016 Feb 04	To Bank A/c		23,000	2016 Feb 04	By Bills Receivable A/c		23,485
Feb 04	To Interest A/c		385	Mar 31	By Cash A/c		10,000
Mar 31	To Bills Receivable A/c		23,000	Mar 31	By Bills Receivable A/c		13,985
Mar 31	To Interest A/c		500				
			70,470				70,470

Books of Akhil

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Dec 01	Purchases A/c To Nikhil A/c (Being goods bought from Nikhil)	Dr.	23,000	23,000
Dec 01	Nikhil A/c To Bills Payable A/c (Being drawn by Nikhil payable after two month accepted)	Dr.	23,000	23,000
2016 Feb 04	Bills Payable A/c Noting Charges A/c To Nikhil A/c (Being bill dishonoured, on due date and ₹100 paid by the holder of bill)	Dr. Dr.	23,000 100	23,100
Feb 04	Interest A/c To Nikhil A/c (Being interest due to Nikhil for the bill dishonoured)	Dr.	385	385
Feb 04	Nikhil A/c To Bills Payable A/c (Being new bill accepted payable after two months)	Dr.	23,485	23,485
Mar 31	Bills Payable A/c To Nikhil A/c (Being bill cancelled before maturity)	Dr.	23,485	23,485
Mar 31	Nikhil A/c To Cash A/c (Being cash paid to Nikhil)	Dr.	10,000	10,000
Mar 31	Interest A/c To Nikhil A/c (Being interest due to Nikhil for bill cancellation)	Dr.	500	500
Mar 31	Nikhil A/c To Bills Payable A/c (Being new bill accepted payable after one month)	Dr.	13,985	13,985
May 03	Bills Payable A/c To Cash A/c (Being third bill met on maturity)	Dr.	13,985	13,985

Ledger
Nikhil Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2015 Dec 01	To Bills Payable A/c		23,000	2015 Dec 01	By Purchases A/c		23,000
2016 Feb 04	To Bills Payable A/c		23,485	2016 Feb 04	By Bills Payable A/c		23,000
Mar 31	To Cash A/c		10,000	Feb 04	By Noting Charges A/c		100
Mar 31	To Bills Payable A/c		13,985	Feb 04	By Interest A/c		385
				Mar 31	By Bills Payable A/c		23,485
				Mar 31	By Interest A/c		500
			70,470				70,470

Q21. On Jan 01, 2015 Vibha sold goods worth ₹ 18,000 to Sudha and drew upon the latter a bill of exchange for the same amount payable after two months. Sudha accepted Vibha's draft and returned the same to Vibha after acceptance. Vibha endorsed the bill immediately in favour of her Cr. or Geeta. Five days before the maturity of the bill Sudha requested Vibha to cancel the bill since she was short of funds. She further requested to draw a new bill upon her including interest of ₹ 200. Vibha accepted Sudha's request. Vibha took the bill from Geeta by making the payment to her in cash and cancelled the same. Then she drew a new bill upon Sudha as agreed. The new bill was payable after one month. The new bill was duly met by Sudha on maturity. Record the necessary journal entries in the books of Vibha.

Solution:

Book of Vibha

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 01	Sudha A/c To Sales A/c (Being goods sold to Sudha)	Dr.	18,000	18,000
Jan 01	Bills Receivable A/c To Sudha A/c (Being Sudha's acceptance received)	Dr.	18,000	18,000
Jan 01	Geeta A/c To Bills Receivable A/c (Being Sudha's acceptance endorsed in favour of Geeta)	Dr.	18,000	18,000
Feb 27	Sudha A/c To Geeta A/c (Being Sudha cancelled the bill five days before the maturity)	Dr.	18,000	18,000
Feb 27	Geeta A/c To Cash A/c (Being cash paid to Geeta)	Dr.	18,000	18,000
Feb 27	Sudha A/c To Interest A/c (Being interest credited to Sudha on account of cancelling the bill)	Dr.	200	200
Feb 27	Bills Receivable A/c To Sudha A/c (Being new bill drawn on Sudha for one month)	Dr.	18,200	18,200
Mar 30	Cash A/c To Sudha A/c (Being Sudha's acceptance met on due date)	Dr.	18,200	18,200

Q22. Following was the position of debtor and Creditor of Gautam as on 1.1.2015.

	Debtors ₹	Creditors ₹
Babu	5,000	—
Chanderkala	8,000	—
Kiran	13,500	—
Anita	14,000	—
Anju	—	5,000
Sheiba	—	12,000
Manju	—	6,000

The following transactions took place in the month of Jan 2015:

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Jan 02	Drew on Babu at two months after date at full settlement for Rs.4,800. Babu accepted the bill and returned it on 5.1.2015.
Jan 04	Babu's bill discounted for Rs.4,750.
Jan 08	Chanderkala sent a promissory note for Rs.8,000 payable three months after date.
Jan 10	Promissory note received from Chanderkala discounted for Rs.7,900.
Jan 12	Accepted Sheiba draft for the amount due payable two months after date.
Jan 22	Anita sent his promissory note payable after two months.
Jan 23	Anita's promissory note endorsed in favour of Manju.
Jan 25	Accepted Anju's draft payable after three months.
Jan 29	Kiran sent Rs.2,000 in cash and a promissory note for the balance payable after three months.

Record the above transactions in the proper subsidiary books.

Solution:

Bills Receivable Book

No.	Date of Bill 2015	Date Received 2015	From Whom of Bill	Drawer Whom received	Acceptor	Where	Term Payable	Due date 2015	L.F.	Amount ₹	Cash Book Folio	Remarks
01	Jan 02	Jan 05	Babu	Self	Babu		2 months	Mar 05		4,800		
								Total		4,800		

Bills Payable Book

No.	Date of Bill 2015	To Whom Given	Drawer	Payee	Where payable	Term	Due date 2015	Ledger	Amount ₹	Date paid	Cash Book Folio	Remarks
01	Jan 12	Sheiba	Sheiba	-		2 months	Mar 15		12,000			
02	Jan 25	Anju	Anju	-		3 months	Apr 28		5,000			
							Total		17,000			

Cash Book

Dr.

Cr.

Date	Particulars	L.F.	Cash ₹	Bank ₹	Date	Particulars	L.F.	Cash ₹	Bank ₹
2015					2015				
Jan 04	To Bills Receivable A/c			4,750	Jan 31	By Balance c/d		2,000	12,650
Jan 10	To Bills Receivable A/c			7,900					
Jan 29	To Kiran A/c		2,000						
			2,000	12,650				2,000	12,650

There is difference between Bills of Exchange and Promissory Note. In case of Promissory Note, parties are makers and payees. However, in Bills of Exchange parties are Drawer, drawee (acceptor) and payee on account difference Promissory Note has not been recorded in Bills Receivable and Bills Payable book.

Books of Gautam

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 02	Discount Allowed A/c Dr. To Babu A/c (Being Babu's acceptance received and allowed him discount ₹200)		200	200
Jan 04	Discount A/c Dr. To Bills Receivable A/c (Being Babu's acceptance discounted with a discount charge of ₹50)		50	50
Jan 08	Bills Receivable A/c Dr. To Chanderkala A/c (Being promissory note received from Chanderkala for 3 months)		8,000	8,000
Jan 10	Discount A/c Dr. To Bills Receivable A/c (Being Chanderkala's promissory note discounted with bank at discount of ₹100)		100	100
Jan 22	Bills Receivable A/c Dr. To Anita A/c (Being promissory note received from Anita for 2 months)		14,000	14,000
Jan 23	Manju A/c To Bills Receivable A/c (Being Anita's promissory note endorsed to Manju)		14,000	14,000
Jan 29	Bills Receivable A/c Dr. To Kiran A/c (Being promissory note received from Kiran for 3 months)		11,500	11,500

Q23. On Jan. 01, 2015 Harsh accepted a month bill for ₹ 10,000 drawn on him by Tanu for latter's benefit. Tanu discounted the bill on same day @ 8% p.a. On the due date Tanu sent a cheque to Harsh for honour the bill. Harsh duly honoured his acceptance.

Record the journal entries in the Books of Tanu and Harsh.

Solution:

Book of Tanu

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015				
Jan 01	Bills Receivable A/c Dr. To Harsh A/c (Being Harsh's acceptance received)		10,000	10,000
Jan 01	Bank A/c Dr. Discounting Charges A/c (10,000 * 8% * 1/12) To Bills Receivable A/c (Being Harsh's acceptance discounted at 8%p.a. for one month)		9,933 67	10,000
Feb 04	Harsh A/c Dr. To Bank A/c (Being Harsh's account settled by paying amount due to Harsh through cheque)		10,000	10,000

Book of Harsh

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan 01	Tanu A/c To Bills Payable A/c (Being bill drawn by Tanu accepted)	Dr.	10,000	10,000
Feb 04	Bank A/c To Tanu A/c (Being cheque received from Tanu)	Dr.	10,000	10,000
Feb 04	Bills Payable A/c To Bank A/c (Being bill drawn by Tanu met on due date)	Dr.	10,000	10,000

Q24. Ritesh and Naina were in need of funds temporarily. On August 01, 2015 Ritesh drew upon Naina a bill for ₹ 12,000 for 4 months. Naina accepted the bill and returned to Ritesh. Ritesh discounted the Bill @ 8% p.a. Half amount of the discounted bill remitted to Naina. On due date, Ritesh sent the required sum to Naina, who met the bill. Journalise the transaction in the books of both the parties.

Solution:

Book of Ritesh

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Aug 01	Bills Receivable A/c To Naina A/c (Being Naina's acceptance received for 4 months)	Dr.	12,000	12,000
Aug 01	Bank A/c Discounting Charges A/c (12,000 × 8% × 4/12) To Bills Receivable A/c (Being Naina's acceptance discounted at 8% p.a. with bank)	Dr. Dr.	11,680 320	12,000
Aug 01	Naina A/c To Cash A/c To Discount A/c (320/2) (Being half the proceeds remitted to Naina)	Dr.	6,000	5,840 160
Dec 04	Naina A/c To Cash A/c (Being balance amount paid to Naina, in order to met the bill)	Dr.	6,000	6,000

Book of Naina

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Aug 01	Ritesh A/c To Bills Payable A/c (Being bill payable after four months accepted)	Dr.	12,000	12,000
Aug 01	Cash A/c Discounting Charges A/c To Ritesh A/c (Being half amount of the discounted bill received from Ritesh)	Dr. Dr.	5,840 160	6,000
Dec 04	Cash A/c To Ritesh A/c (Being balance amount received from Ritesh)	Dr.	6,000	6,000
Dec 04	Bills Payable A/c To Bank A/c (Being paid on maturity)	Dr.	12,000	12,000

Q25. On Jan. 01, 2014, Bhanu and Naman drew on each other a bill for ₹ 8,000 payable 3 months after the due date for their mutual benefit. On January 02 they discounted with their bank each other's bill at 5% p.a. on the due date each met his own acceptance. Give journal entry in the books of Bhanu and Naman.

Solution:

Book of Bhanu

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2014 Jan 01	Bills Receivable A/c To Naman A/c (Being received Naman's acceptance for mutual help)	Dr.	8,000	8,000
Jan 01	Naman A/c To Bills Payable A/c (Being Naman's acceptance accepted, payable after 3 months for mutual help)	Dr.	8,000	8,000
Jan 01	Bank A/c Discounting Charges A/c (8000 * 5% * 3/12) To Bills Receivable A/c (Being Naman's acceptance discounted at 5% p.a. with bank for three months)	Dr. Dr.	7,900 100	8,000
Apr 04	Bills Payable A/c To Cash A/c (Being Naman's acceptance cleared)	Dr.	8,000	8,000

Book of Naman

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2014				
Jan 01	Bills Receivable A/c To Bhanu A/c (Being Bhanu's acceptance received for mutual help)	Dr.	8,000	8,000
Jan 01	Bhanu A/c To Bills Payable A/c (Being drawn by Bhanu payable after 3 months accepted for mutual help)	Dr.	8,000	8,000
Jan 01	Bank A/c Discounting Charges A/c To Bills Receivable A/c (Being Bhanu's acceptance discounted at 8% p.a. for three month with bank)	Dr. Dr.	7,900 100	8,000
Jan 01	Bills Payable A/c To Cash A/c (Being bill drawn by Bhanu discharged on due date)	Dr.	8,000	8,000

Q26. On Nov. 01, 2014 Sonia drew a bill on Sunny for ₹ 15,000 for 3 months for mutual accommodation. Sunny accepts the bill and return it to Sonia. Sonia discounted the same with his bankers @ 6% p.a. The proceeds are shared between Sonia and Sunny in proportion of 2/3rd, 1/3rd respectively. On the due date Sonia remits his proportion to Sunny who fails to meet the bill and as a result Sonia has to meet it. Sunny give a fresh acceptance for the amount due to Sonia plus interest of ₹ 100. Sunny meet his second acceptance on due date. Record the necessary journal entries in the books of Sonia and Sunny.

Solution:

Book of Sonia

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2014				
Nov 01	Bills Receivable A/c To Sunny A/c (Being Sunny's acceptance received)	Dr.	15,000	15,000
Nov 01	Bank A/c Discounting Charges A/c (15000 * 6% * 3/12) To Bills Receivable A/c (Being bill discounted with banker at 6% p.a. for 3months)	Dr. Dr.	14,775 225	15,000
Nov 01	Sunny A/c To Cash A/c To Discounting Charges A/c (Being 1/3 rd amount of discounted bill remitted to Sunny)	Dr.	5,000	4,925 75
2015				
Feb 04	Sunny A/c To Cash A/c (Being balance amount bill remitted to Sunny)	Dr.	10,000	10,000
Feb 04	Sunny A/c To Bank A/c (Being bill discounted with bank dishonoured)	Dr.	15,000	15,000

Feb 04	Bank A/c To Cash A/c (Being cash paid to bank on account of dishonour of bill)	Dr.	15,000	15,000
Feb 04	Sunny A/c To Interest A/c (Being interest due from Sunny on account of dishonour of bill)	Dr.	100	100
Feb 04	Bills Receivable A/c To Sunny A/c (Being fresh acceptance received from Sunny)	Dr.	15,100	15,100
	Cash A/c To Bills Receivable A/c (Being cash received on due date)	Dr.	15,100	15,100

Note: In the question, the maturity date of the second bill is not mentioned; so the date of honouring the bill has not been shown.

Book of Sunny

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2014				
Nov 01	Sonia A/c To Bills Payable A/c (Being bill accepted payable after three months drawn by Sonia)	Dr.	15,000	15,000
Nov 01	Cash A/c Discounting Charges A/c To Sonia A/c (Being 1/3rd amount of the discounted bill received from Sonia)	Dr. Dr.	4,925 75	5,000
2015				
Feb 04	Cash A/c To Sonia A/c (Being balance amount bill due from Sonia received)	Dr.	10,000	10,000
Feb 04	Bills Payable A/c To Sonia A/c (Being bill drawn by Sonia dishonoured on due date)	Dr.	15,000	15,000
Feb 04	Interest A/c To Sonia A/c (Being interest due to Sonia)	Dr.	100	100
Feb 04	Sonia A/c To Bills Payable A/c (Being the second bill accepted)	Dr.	15,100	15,100
	Bills Payable A/c To Cash A/c (Being Sonia's acceptance met on due date)	Dr.	15,100	15,100