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**PUNJAB PATWARI EXAMINATION
ACCOUNTS
LECTURE - 12**

BILL OF EXCHANGE

Definition: –

“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 sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.”

-Section 5 of India’s Negotiable Instruments Act, 1881

The feature of the Bill of Exchange: –

- **It should be in writing.**
- **An order to make a payment on the specific date or after a certain period.**

- **An unconditional order of payment, it does not contain any condition of payment.**
- **A certain amount should be described in it.**
- **It must be signed by both parties Drawer (maker) and Drawee.**
- **The amount must be payable to either a certain person or on his/her behalf.**
- **It should be paid on the date of maturity or on demand or on mutual understanding.**

The Parties Involved in the Bill of exchange:-
There are three parties are involved, shown as follows:-

Drawer

Drawee

Payee

1. Drawer: –

The drawer is the person who makes the bill of exchange on his/her debtor and he will also a receiver of the money mention in it. The seller of goods and services is known as a drawer (expect some cases will explain further).

2. Drawee: –

The drawee is the person to whom the bill of exchange created and he will pay the amount mention in it at the time of maturity of a bill. The purchase of goods and services is known as a drawee . The Drawee is also known as acceptor because he gives the acceptance to pay the mentioned amount on the mentioned date or after a specific period.

3. Payee: –

The person to whom the payment is made is known as the payee. basically, the drawer of the bill is known as payee but in some cases

in which the bill is not retained by the drawer himself then the payee will be the person who has a bill. In the following cases the drawer will not be treated as payee: –

When the bill is discounted by the drawer from the bank then the bank will be treated as a payee.

When the drawer endorsed the bill to his/her creditor then the receiver of that bill will be treated as a payee.

Contents of Bills of Exchange: –

Bills of Exchange include the following contents: –

1. Title of Bill: –

The title “Bill of Exchange” will be mentioned on the face of the document.

2. Date of drawn: –

The date of drawn a bill should be written on it.

3. Amount to be paid: –

The certain amount payable will be described on it in the figures and also in words.

4. Date of Maturity or Term: –

The specific date or the term of the bill will be mention on it. The term means for 2 months or 3 months etc. The term is the tenure of the bill and runs from the date of the bill. There will be a grace period of 3 days in addition to the total term of the bill.

5. Unique Identification Number: –

Every bill has a unique identification number. it will be mention on it.

6. Name of Both Parties: –

The name of both parties will be mention on the bill.

7. Signature of Both parties: –

The bill is also signed by both parties.

The format of Bills of Exchange: –

The following image shows the specimen of the BOE.

The Format of Bill of Exchange - Bill of exchange (BOE): Meaning and Examples

<u>A</u> Seller/Drafter		<u>B</u> Purchaser/Acceptor	
1.4.17 B's A/c	10,000	1.4.17 Purchase	10,000
To Sales	10,000	To A's A/c	10,000
" Bills Receivable	10,000 *	" A	10,000
To B	10,000	To Bills Payable	10,000 *
4.7.17 Cash	10,000	4.7.17 Bills Payable	10,000
To Bills Receivable	10,000	To Cash	10,000

The Format of Bill of Exchange

Bill of Exchange

Name of Drawer

Date of Draw

Amount

Term months after date pay to me or my order, the sum of _____,
for the value received.

(Signed)

(Signed)

Name of Drawee

Name of Drawer

Adress of Drawee

Adress of Drawer

MCQS

A bill promise contains:

A promise

An unconditional order

A request

Endorsee

2. The acceptor of bill of exchange is called:

Drawee

Drawer

Payee

Endorsee

3. The act of transferring the bill from one person to another is called:

Discounting

Acceptance

Endorsement

Retirement

4. The period of time after which a bill becomes payable, is called:

Days of Grace

Usance

Tenor

None of these

5. Bills Receivable Book is a part of:

Journal

Ledger

Trading Account

Profit & Loss Account