

**PUNJAB PATWARI EXAMINATION
ACCOUNTS
LECTURE-13**

**BILL OF EXCHANGE
PART - 2**

TYPES OF BILL OF EXCHANGE

- **TRADE BILL**

1.(Payable on demand - cheque)

2.TIME BILL (Maturity date specified)

- (a) Bill after date - from the date of the write the bill + 3 days grace
- (b) Bill after sight - when bill accepted by drawee + 3 days grace
- Accomodation bill (need drawer and drawee)

Notes

- National holiday - day before due date

- Promissory note unconditional promise to pay certain sum of money to seller at specific date (MAKER, PROMISE, PAYEE)

Accounting treatment of bills of exchange can be described under the following heading and subheading: –

1. Retain by the drawer, till the date of maturity.

<u>A</u> Seller/Drawer		<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

2. A bill discounted by the drawer from the bank before the maturity date.

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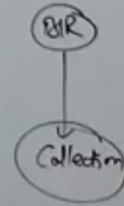
	In the Books of Sonu.		In the Books of Monu.		
15.9.12	Bills Receivable	1000	Sonu	1000	<u>Bank Charges</u> $1000 \times \frac{12}{100} \times \frac{3}{12} = 30p$
	To Monu.	1000	To Bills Payable	1000	
"	Bank	970			
	Discount	30		X	
	To Bills Receivable	1000			
18.12.12		X	Bills Payable	1000	
			To Cash	1000	

3. Endorse the bill by the drawer to his/her creditor

	<u>A</u>		<u>B</u>		<u>C</u>
15.3.12	B	3200	Purchase	3200	X
	To Sales.	3200	To A	3200	
"	Bills Receivable	3200	A	3200	✓
	To B	3200	To Bills Payable	3200	
15.4.12	C	3200			Bills Receivable 3200 To A 3200
	To Bills Receivable	3200	X		
18.5.12		X	Bills Payable	3200	Cash 3200 To Bills Receivable 3200
			To Cash.	3200	

4. The bill sent for collection

	<u>In the books of Amit</u>		<u>In the books of Sumit</u>	
<u>1.1.12</u>	Sumit To Sales	2,500 2,500	Purchase To Amit	2,500 2,500
"	Bills Receivable To Sumit	2,500 2,500	Amit To Bills Payable	2,500 2,500
<u>15.1.12</u>	Bill Sent for Collection To Bills Receivable	2,500* 2,500	X	
<u>4.4.12</u>	Bank To Bill sent for Collection	2,500 2,500*	Bills Payable To Cash	2,500 2,500



Dishonour of bill

S. No.	Transactions	In the Books of Drawer	In the Books of Drawee
3	1st Case Retain by the drawer, till the date of maturity.	Y's A/c To Bills Receivable A/c To Cash A/c (noting charges if any) (Being B/R dishonoured on the maturity and noting charges paid to the bank)	Bills Payable A/c Noting Charges A/c To X's A/c (Being B/P dishonoured on the maturity and noting charges paid to the bank by Mr X)
3	2nd Case A bill discounted by the drawer from the bank before the maturity date.	Y's A/c To Bank A/c (add: noting charges if any) (Being B/R dishonoured on the maturity and noting charges paid to the bank)	Bills Payable A/c Noting Charges A/c To X's A/c (Being B/P dishonoured on the maturity and noting charges paid to the bank by Mr X)
3	3rd Case Endorse the bill by the drawer to his/her creditor	Y's A/c To Z's A/c (add: noting charges if any) (Being B/R dishonoured on the maturity and noting charges paid by Mr Z to the bank)	Bills Payable A/c Noting Charges A/c To X's A/c (Being B/P dishonoured on the maturity and noting charges paid to the bank by Mr X)
3	4th Case The bill sent for collection	Y's A/c To Bill sent fro collection A/c To Bank A/c (noting charges if any) (Being B/R dishonoured on the maturity and noting charges paid to the bank)	Bills Payable A/c Noting Charges A/c To X's A/c (Being B/P dishonoured on the maturity and noting charges paid to the bank by Mr X)

In the books of endorsee: –

S. No.	Transactions	In the Books of Endorsee
2	On maturity, the bill is duly paid by the Mr Y	X's A/c To Bills receivable A/c To Cash A/c (noting charges if any) (Being B/R dishonoured on the maturity and noting charges paid to the bank)

5. Renewal of bill before the maturity date:

So, the Accounting treatment of the bill is shown below: -

S. No.	Transactions	In the Books of Drawer	In the Books of Drawee
1	Cancellation of the Old bill	Y's A/c To Bills Receivable A/c (Being old bill cancelled before the maturity date)	Bills payable A/c To X's A/c (Being old bills payable cancelled before the maturity date)
2	Interest charges on the amount of the bill for the extended period. if paid in cash by Mr Y	Cash A/c To Interest A/c (Being interest received on the amount due from Mr Y)	Interest A/c To Cash A/c (Being interest paid to Mr x on the amount due to him)
2	If interest not paid in cash	Y's A/c To Interest A/c (Being interest due on the amount due from Mr Y)	Interest A/c To X's A/c (Being interest due to Mr X)
3.	When the new bill received from Mr Y	Bills Receivable A/c To Y's A/c (Being acceptance received of the new bill)	X's A/c To Bills Payable A/c (Being acceptance given for new bill)

6. Retiring of the bill: –

4. Retiring of the bill: –

Sometimes, The Acceptor has a sufficient fund to pay the bill before the maturity date of the bill. The drawer will give some rebate because the amount paid earlier than the maturity.

So, the Accounting treatment of the bill is shown below: –

S. No.	Transactions	In the Books of Drawer	In the Books of Drawee
1	When Y paid cash for the bills before the due date.	Cash A/c Rebate A/c To Bills Receivable A/c (Being Bill retire before the due date and allow the rebate)	Bills payable A/c To X's A/c To Rebate A/c (Being Bill retire before the due date and received the rebate)