

Accounting for Bills of Exchange

Question:1

Calculate the due dates of the bills in the following cases:

Date of Bill	Tenure Period
i 1st December, 2018	60 Days
ii 30th April, 2019	2 Months
iii 28th January, 2019	1 Month
iv 23rd November, 2018	2 Months
v 29th May, 2018	4 Months

Solution:

Date of Bill	Tenure	Calculation	Due Date
i December 01, 2018	60 Days	30 December + 30 January + 3 days of grace	February 02, 2019
ii April 30, 2019	2 Months	2 Months from April 30, 2019 would be June 30, 2019 + 3 days of grace	July 03, 2019
iii January 28, 2019	1 Month	1 Month from January 28, 2019 would be February 28, 2019 + 3 days of grace	March 03, 2019
iv November 23, 2018	2 Months	2 Months from November 23, 2018 would be January 23, 2019 + 3 days of grace	January 26, 2019, but it is a national holiday so, due date would be one day before i.e., January 25, 2019
v May 29, 2018	4 Months	4 Months from May 29, 2019 would be September 29, 2019 + 3 days of grace	October 02, 2019 but it is a national holiday so, due date would be one day before i.e., October 01, 2019

Question:2

On 10th March, 2019, A draws on B a bill at 3 months for 20,000 which B accepts immediately and returns to A. The bill is honoured due date.

Pass necessary Journal entries in the books of both the parties.

Solution:

Journal in the books of A Drawer

Date	Particulars	L.F.	Debit Amount	Credit Amount
2019 Mar 10	Bills Receivable A/c Dr. To B's A/c <i>Billreceived</i>		20,000	20,000
June 13	Cash A/c Dr. To Bills Receivable A/c <i>Cashreceivedagainstbill</i>		20,000	20,000

**Journal
in the books of B Drawee**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2019 Mar 10	A A/c Dr. To Bills Payable A/c <i>Bill accepted</i>		20,000	20,000
June 13	Bills Payable A/c Dr. To Cash A/c <i>Cash paid against bill</i>		20,000	20,000

Question:3

On 1st January, 2019, A sold goods to B for 5,000 *plus* IGST @ 18%. A received 900 by cheque from B and drew on him a bill for the balance amount payable 3 months after date. The bill was duly accepted by B. A retained the bill till due date. On due date, the bill was paid.

Pass Journal entries in the books of A and B. Also, show necessary accounts in the books of both the parties.

Solution:

**Books of A
Journal**

Date	Particulars	L.F.	Debit Amount ()	Credit Amount ()
2019 Jan.01	B Dr. To Sales A/c To Output IGST A/c <i>Goods sold to B plus IGST @ 18</i>		5,900	5,000 900
Jan.01	Bills Receivable A/c Dr. Bank A/c Dr. To B <i>B accepted the bill and paid IGST by cheque</i>		5,000 900	5,000
Apr.04	Cash A/c Dr. To Bills Receivable A/c <i>Amount of bill received on its maturity</i>		5,000	5,000

**Books of B
Journal**

Date	Particulars	L.F.	Debit Amount ()	Credit Amount ()
2019 Jan.01	Purchases A/c Dr. Input IGST A/c Dr. To A <i>Goods bought from A plus IGST @ 18</i>		5,000 900	5,900
Jan.01	A Dr. To Bills Payable A/c To Bank A/c <i>Bill drawn by A accepted and IGST paid by cheque</i>		5,900	5,000 900
Apr.04	Bills Payable A/c Dr. To Cash A/c <i>Payment of bill was made on its due date</i>		5,000	5,000

Question:4

Vinod sold goods to Darbara Singh for 1,000 on 1st January, 2019. He drew on the latter a bill for the amount payable 3 months after date. He discounted the bill with his bank for 990 on 4th January, 2019. On maturity, the bill is duly met. Make the Journal entries in the books of Vinod and Darbara Singh.

Solution:

**Books of Vinod
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2019 Jan.1	Darbara Singh Dr. To Sales A/c <i>Goods sold to Darbara Singh</i>		1,000	1,000
Jan.1	Bills Receivable A/c Dr. To Darbara Singh <i>Bills accepted by Darbara Singh</i>		1,000	1,000
Jan.4	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c <i>Darbara Singh's acceptance discounted at 9</i>		990 10	1,000

**Books of Darbara Singh
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2019 Jan.1	Purchases A/c Dr. To Vinod <i>Goods bought from Vinod</i>		1,000	1,000
Jan.1	Vinod Dr. To Bills Payable A/c <i>Bill drawn by Vinod accepted</i>		1,000	1,000
Mar.4	Bills Payable A/c Dr. To Bank A/c <i>Payment of bill was made on its due date.</i>		1,000	1,000

Question:5

On 1st January, 2019, X sold goods of 20,000 to Y and drew a bill on Y at three months for the amount. Y accepted the bill. The bill is met on maturity. Pass the necessary Journal entries in the books of X and Y, if X discounted the bill @ 12% p.a. from bank on 4th January.

Solution:

**In the books of X
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2019 January 01	Y's A/c Dr. To Sales A/c <i>Being goods sold to Y on credit</i>		20,000	20,000
January 01	Bills Receivable A/c Dr. To Y's A/c		20,000	20,000

	<i>Being bill drawn on Y for three months</i>			
January 04	Bank A/c	Dr.	19,400	
	Discounting Charges A/c	Dr.	600	
	To Bills Receivable A/c			20,000
	<i>Being bill discounted with bank and charges paid @ 12</i>			

Working Notes:

Discounting Charges = $20,000 \times 12/100 \times 3/12 = 600$

**In the books of Y
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2019 Jan. 01	Purchases A/c Dr. To X's A/c <i>Being goods purchased from X on credit</i>		20,000	20,000
Jan. 01	X's A/c Dr. To Bills Payable A/c <i>Being acceptance given to X</i>		20,000	20,000
April 04	Bills Payable A/c Dr. To Bank A/c <i>Being bill paid on maturity</i>		20,000	20,000

Question:6

Dinesh received from Shridhar an acceptance for 3,000 on 1st September, 2018 at 3 months. Dinesh got the acceptance discounted at 9% p.a. from his bank. On the due date, Shridhar paid the required amount. Give the Journal entries in the books of Dinesh and Shridhar.

Solution:

Books of Dinesh

Date	Particulars	L.F.	Debit Amount	Credit Amount
2018 Sep.01	Bills Receivable A/c Dr. To Shridhar <i>Shridhar acceptance was received</i>		3,000	3,000
Sep.01	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c <i>Shridhar's acceptance was discounted with bank</i>		2,932.50 67.50	3,000

Books of Shridhar

Date	Particulars	L.F.	Debit Amount	Credit Amount
2018 Sep.01	Dinesh Dr. To Bills Payable A/c <i>Bills drawn by Shridhar accepted</i>		3,000	3,000
Dec.04	Bills Payable A/c Dr. To Bank A/c <i>Shridhar's acceptance discharged on its due date</i>		3,000	3,000

Question:7

A sells goods of 10,000 on 1st March, 2019 to B on credit. B accepts a bill on the same date for the amount payable three months after date. A discounts the bill at 6% p.a. from bank on 4th April. On maturity, the bill is met by B. Pass the necessary Journal entries in the books of both the parties.

Solution:

**In the books of A
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2019 March 01	B's A/c To Sales A/c <i>Being goods sold to B on credit</i>	Dr.	10,000	10,000
March 01	Bills Receivable A/c To B's A/c <i>Being bill drawn on B for three months</i>	Dr.	10,000	10,000
April 04	Bank A/c Discounting Charges A/c To Bills Receivable A/c <i>Being bill discounted with bank and charges paid @ 6</i>	Dr. Dr.	10,000 100	9,900

Working Notes:

Discounting Charges = $10,000 \times 6/100 \times 2/12 = 100$

**In the books of B
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2019 March 01	Purchases A/c To A's A/c <i>Being goods purchased from A on credit</i>	Dr.	10,000	10,000
March 01	A's A/c To Bills Payable A/c <i>Being acceptance given to A</i>	Dr.	10,000	10,000
June 04	Bills Payable A/c To Bank A/c <i>Being bill paid on maturity</i>	Dr.	10,000	10,000

Question:8

A drew a bill of 1,000 on B for 3 months which was duly accepted by the latter. A endorsed the bill to C in full payment of his own acceptance to C for a like amount. C endorsed the bill to B.

Pass the Journal entries in the books of A, B and C.

Solution:

**Books of A
Journal**

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bills Receivable A/c To B <i>B's acceptance was received</i>	Dr.	1,000	1,000
	C To Bills Receivable A/c <i>B's acceptance endorsed in favour of C</i>	Dr.	1,000	1,000

**Books of B
Journal**

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	A To Bills Payable A/c <i>Bill drawn by A was accepted</i>	Dr.	1,000	1,000
	Bills Payable A/c To Bills Receivable A/c <i>Amount owed from C was settled by Bill Payable</i>	Dr.	1,000	1,000

**Books of C
Journal**

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bills Receivable A/c To A <i>Bills Receivable was received from A</i>	Dr.	1,000	1,000
	B To Bills Receivable A/c <i>Amount owed to B was settled by Bills Receivable</i>	Dr.	1,000	1,000

Question:9

A owed B 8,000. He gave a bill for the same on 1st August, 2018 payable after 4 months at the Bank of India, Chandni Chowk, Delhi. Immediately after receiving the bill, B endorsed it to C in payment of his debt. On 1st September, C discounted the bill at 12% p.a. The bill is met on due date.

Pass the necessary Journal entries in the books of A, B and C.

Solution:

**Books of A
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2018 Aug.01	B To Bills Payable A/c <i>Bill drawn by B was accepted</i>	Dr.	8,000	8,000
Dec.04	Bills Payable A/c To Bank A/c <i>Payment made to meet the bill on its maturity</i>	Dr.	8,000	8,000

**Books of B
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2018 Aug 01	Bills Receivable A/c To A <i>A's acceptance was received</i>	Dr.	8,000	8,000

Aug 01	C To Bills Receivable A/c <i>A's acceptance endorsed in favour of C</i>	Dr.	8,000	8,000
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**Books of C
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2018 Aug 01	Bills Receivable A/c Dr. To B <i>Bills Receivable was received from B</i>		8,000	8,000
Sep 01	Bank A/c Dr. Discount Charges A/c Dr. To Bills Receivable A/c <i>Bill discounted at 12</i>		7,760 240	8,000

Working Note:

$$\begin{aligned} \text{Calculation of Discount Charges} &= \text{Bill Receivable} \times \frac{\text{Rate}}{100} \times \frac{\text{Period of Maturity}}{12} \\ &= 8,000 \times \frac{12}{100} \times \frac{3}{12} = \text{Rs } 240 \end{aligned}$$

Question:10

A sold goods to B for 20,000 plus CGST and SGST @ 9% each on credit 3 months. B paid A 3,600 by cheque and accepted a draft for the balance amount. The draft was endorsed in favour of C, who got the payment on maturity. Give Journal entries in the books of A.

Solution:

**Books of A
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
	B Dr. To Sales A/c To Output CGST A/c To Output SGST A/c <i>Goods sold to B plus CGST and SGST @ 9</i>		23,600	20,000 1,800 1,800
	Bills Receivable A/c Dr. Bank A/c Dr. To B <i>B accepted the bill and paid GST by cheque</i>		20,000 3,600	23,600
	C Dr. To Bills Receivable A/c <i>B's acceptance endorsed in favour of C</i>		20,000	20,000

Question:11

Mohan Singh draws a bill on Jagat for 1,000 payable 2 months after date. Immediately after its acceptance, Mohan Singh sends the bill to his bank for collection. On due date, bank gets the payment. Make the entries in the books of all the parties.

Solution:

**Books of Mohan Singh
Journal**

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bills Receivable A/c Dr. To Jagat <i>Jagatacceptancewasreceived</i>		1,000	1,000
	Bills Sent for Collection A/c Dr. To Bills Receivable A/c <i>BillReceivablesenttobankforcollection</i>		1,000	1,000
	Bank A/c Dr. To Bills Sent for Collection A/c <i>Paymentofbillreceivedbybank</i>		1,000	1,000

**Books of Jagat
Journal**

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Mohan Singh Dr. To Bills Payable A/c <i>BillsdrawnbyMohanSinghwasaccepted</i>		1,000	1,000
	Bills Payable A/c Dr. To Bank A/c <i>Paymentwasmadetomeetthebill</i>		1,000	1,000

Question:12

X draws on Y a bill for 4,000 which was duly accepted by Y. Y meets the bill on its due date. Show what entries would be passed in the books of X under each of the following circumstances:

- If X retains the bill till due date.
- If X discounts the same with his banker paying 100 for discount.
- If X endorses the same to his creditor Z in full settlement of his debt of 4,080.
- If X sends the bill to his banker for collection the next day.

Solution:

Case a

**Books of X
Journal**

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bills Receivable A/c Dr. To Y <i>Y's acceptancewasreceived</i>		4,000	4,000
	Cash A/c Dr. To Bills Receivable A/c <i>Amountofbillreceivedonitsmaturity</i>		4,000	4,000

Case b

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bills Receivable A/c Dr. To Y <i>Y's acceptancewasreceived</i>		4,000	4,000

Bank A/c	Dr.	3,900	
Discount Charges A/c	Dr.	100	
To Bills Receivable A/c			4,000
<i>Y's acceptance discount with bank</i>			

Case c

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bills Receivable A/c Dr. To Y <i>Y's acceptance was received</i>		4,000	4,000
	Z Dr. To Discount Received A/c To Bills Receivable A/c <i>Y's acceptance endorsed in favour of Z and discount allowed by Z is Rs 80</i>		4,080	80 4,000

Case d

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bills Receivable A/c Dr. To Y <i>Y's acceptance was received</i>		4,000	4,000
	Bills Sent for Collection A/c Dr. To Bills Receivable A/c <i>Y's acceptance sent to bank for collection</i>		4,000	4,000
	Bank A/c Dr. To Bills Sent for Collection A/c <i>Y's acceptance not on maturity</i>		4,000	4,000

Question:13

Ram draws a bill for 2,000 on Shyam on 15th September, 2018 for 3 months. On maturity, Shyam failed to honour the bill. Pass the necessary Journal entries in the books of Ram and Shyam.

Solution:

**Books of Ram
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2018 Sep.15	Bills Receivable A/c Dr. To Shyam <i>Shyam's acceptance received</i>		2,000	2,000
Dec.18	Shyam A/c Dr. To Bills Receivable A/c <i>Shyam's acceptance dishonoured</i>		2,000	2,000

**Books of Shyam
Journal**

Date	Particulars	L.F.	Debit Amount	Credit Amount
2018 Sep.15	Ram Dr. To Bills Payable A/c <i>Bill drawn by Ram was accepted</i>		2,000	2,000
Dec.18	Bills Payable A/c Dr. To Ram <i>Bills Payable dishonoured</i>		2,000	2,000