



# Business Law

The way it should be.....

Mr. ZAHID QAVI. FCA

Chapter No 14 & 15



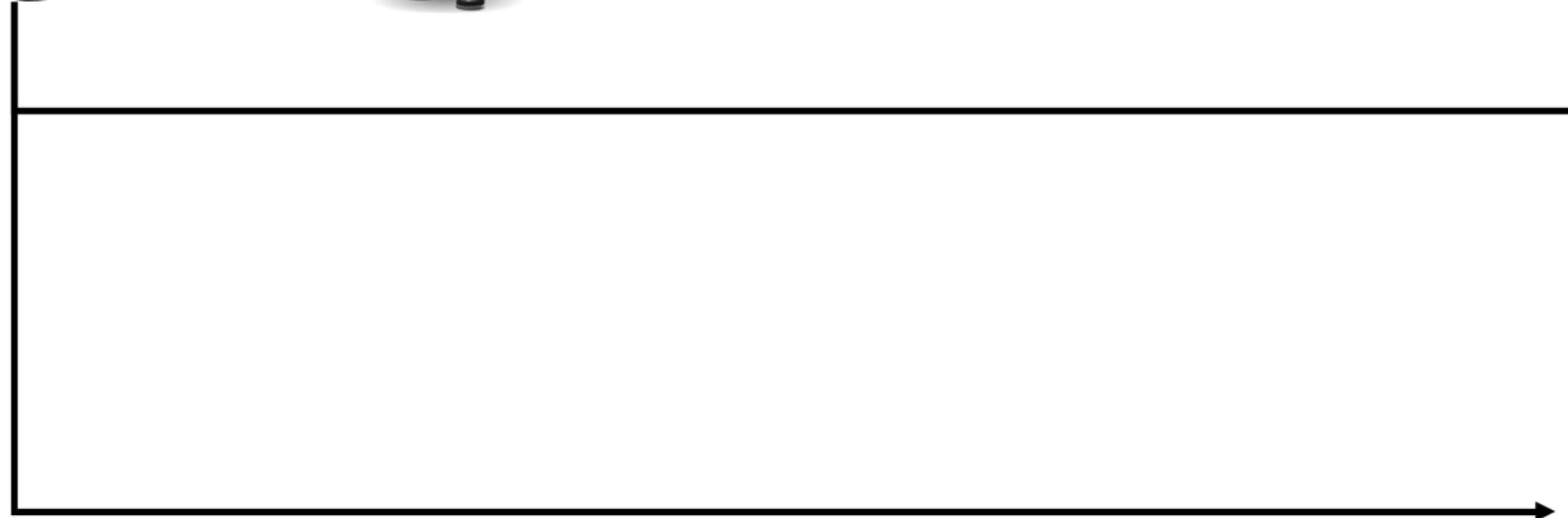
**Jewelers normally exchange jewelry with each other if  
Know each other  
Business requires**





**Shopkeepers exchange mobiles and  
accessories with each others.**





# Negotiable Instrument



Transferable by delivery.  
Transferability free from  
defects

Written document  
giving right to receive  
certain money only.

**Negotiable instrument may mean a written document  
transferable by delivery.**



# Negotiable Instrument

Cheque

Bills of exchange

Promissory Note

**When a promissory note, bill of exchange and cheque is issued it can be termed as negotiable instruments.**

Issue means the first delivery of a promissory note, bill of exchange or cheque complete in form to a person who takes it as a holder.





ABL-BARA TOWER ABBOTTABAD

Cheque No 24 00000001

Date

2 4 1 1 2 0 1 8

Tameer-i-Wattan Public Schools & Colleges, Abbottabad

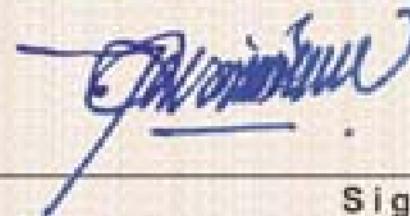
Pay FATIMA SHAKEEL or bearer

Rupees One Lac and fifty thousand rupees only

PKR 1,50,000/-

PK68ABPA001001572110036  
TAMEER I WATTAN PUBLIC S & C (B)

Please do not write below this line.

Signature

#16682516#014000410015721110036#000/



Amount \_\_\_\_\_

Date & Location \_\_\_\_\_

I Mr \_\_\_\_\_ promise to pay M/s. \_\_\_\_\_ or to the order a sum of \_\_\_\_\_  
with interest rate of \_\_\_\_\_ per annum on \_\_\_\_\_

(Signature)

Stamp

[www.AccountingCapital.com](http://www.AccountingCapital.com)



**Bearer**

**Holder**

**جس کے پاس ہو**

**Transferable**

**Can be transferred**

**جس سے دوسرے کو منتقل  
کیا جا سکے**

**Order**

**Instruction**



## Characteristics

- ✓ Payable to bearer or order.
- ✓ Freely transferable.
- ✓ Title of Holder is free from all defects. If
  - Received in good faith.
  - Against consideration.
- ✓ Holder can sue in his own name.
- ✓ Payable on demand or time.



**Creditor**

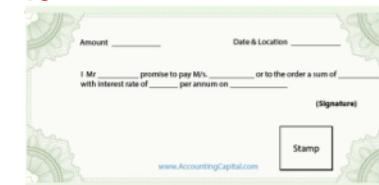
**PAYEE**



**Credit Sales**

**Debtor**

**MAKER**



Promise to pay Rs-----  
for value received to  
**PAYEE** or his order

**Endorse**

**PAYEE**



**Endorse**

**PAYEE**



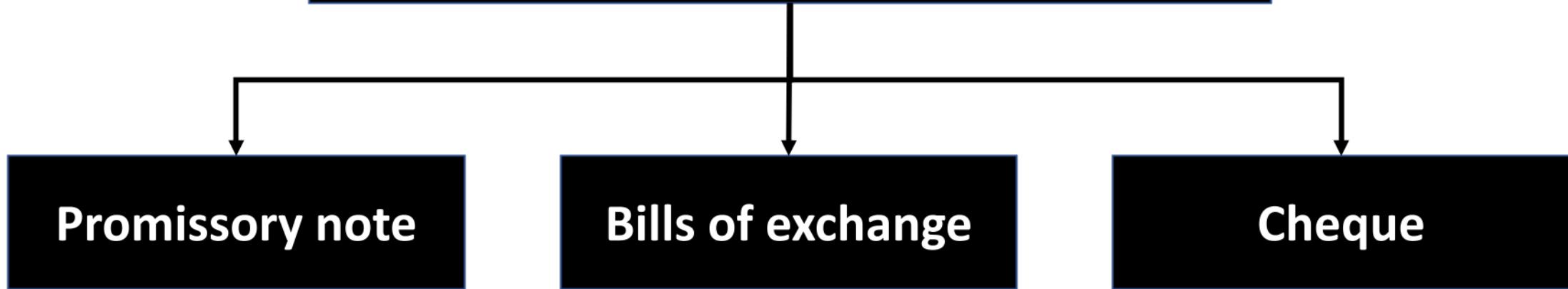
**Endorse**

**PAYEE**



**Write  
Promissory Note**

## **Parties to the Negotiable Instruments**



- 1. Maker.
- 2. Payee- Endorsee

- 1. Drawer.
- 2. Drawee & Acceptor.
- 3. Payee - Endorsee

- 1. Drawer.
- 2. Drawee & Acceptor.(Bank)
- 3. Payee - Endorsee



"A promissory note is an instrument in writing (not being a bank note or currency note) containing an unconditional undertaking, signed by the maker, to pay on demand or at a fixed or determinable future time a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.



## **Essential of Promissory Note**

**In writing**

**Promise to pay**

**Definite and unconditional**

**Signed by maker**

**Certain parties**

**Sum payable must be certain**

**Sum payable must be legal  
tender**



# Essential of Promissory Note

Promise to pay

Definite and unconditional

Signed by maker

Certain parties

Sum payable must be certain

Sum payable must be legal  
tender

In writing

- ✓ A promissory note has to be in writing.
- ✓ An oral promise to pay does not become a promissory note.
- ✓ The writing may be on any paper, on any book.



State whether following are promissory notes are not:

- a. Azam signs the instruments in the following terms “I promise to pay Babar or order Rs. 500”.
- b. A signs the instruments in the following terms “I acknowledge myself to be indebted to B in Rs.1,000 to be paid on demand, for value received”.
- c. A promise to pay B a sum of Rs. 500 on telephone.

Both (a) and (b) above are examples of promissory notes.

c) This is not a promissory note as it is not in writing.



In writing

## Essential of Promissory Note

Definite and unconditional

Signed by maker

Certain parties

Sum payable must be certain

Sum payable must be legal  
tender

Promise to pay

- ✓ There must be a promise or a clear undertaking to pay.
- ✓ A mere acknowledgement of indebtedness is not a promissory note, although it is valid as an agreement and may be sued upon as such.
- ✓ The words used must impart a clear undertaking to pay, but it is not necessary that the word promise should be used.



State whether following are promissory notes or not.

Mr.A signs the instruments in the following terms

- A. Mr. B I owe you Rs. 1,000.
- B. I am liable to pay to B Rs. 500.
- C. I have taken from B Rs.2,000 and I am accountable to him for the same with interest.
- D. I acknowledge myself to be in debt to B for Rs.1,000 to be paid on demand for value received.

Ans: A,B,C

The above instruments are not promissory notes as there is no clear undertaking or promise to pay. There is only an acknowledgement of indebtedness.

Ans:D

This is a valid promissory note



In writing

Promise to pay

Signed by maker

Certain parties

Sum payable must be certain

Sum payable must be legal  
tender

## Essential of Promissory Note

Definite and unconditional

- ✓ The promise must not depend upon the happening of some uncertain event. i.e. a contingency or the fulfilment of a condition.
- ✓ If an instrument contains a conditional promise to pay, it is not a valid promissory note and will not become valid and negotiable even after happening of the condition.



In writing

Promise to pay

Signed by maker

Certain parties

Sum payable must be certain

Sum payable must be legal  
tender

## Essential of Promissory Note

Definite and unconditional

### Exceptions

But a promise to pay is not conditional if the amount is made payable

1. at a particular place or
2. after a specified time or
3. on the happening of an event which must happen, although the time of its happening may be uncertain. e.g. Death of a person



Based on the provisions of Negotiable Instruments Act, 1881 briefly explain whether the following are promissory notes or not.

1. I promise to pay B Rs.500 seven days after my marriage with C.
2. I promise to pay B Rs. 500 on D's death, provided D leaves me enough to pay the sum.
3. I promise to pay B Rs. 500 as soon as I can.
4. I promise to Pay B Rs.500 seven days after C's death

Ans: 1,2,3

The above instruments are not valid as the payment is made dependent upon the happening of an uncertain event which may never happen and as a result the sum may never become payable.

Ans: 4

Death is considered certain in law so promissory note is valid.



In writing

Promise to pay

Definite and unconditional

Certain parties

Sum payable must be certain

Sum payable must be legal  
tender

## Essential of Promissory Note

Signed by maker

- ✓ It is imperative that the promissory note should be duly authenticated by the signature of the maker.
- ✓ If the maker is illiterate he may place his thumb mark.



In writing

Promise to pay

Definite and unconditional

Signed by maker

Sum payable must be certain

Sum payable must be legal  
tender

## Essential of Promissory Note

Certain parties

- ✓ The instrument points out with certainty as to who is the maker and who is the payee.
- ✓ Where the maker and the payee cannot be identified with certainty, the instrument even if it contains an unconditional promise to pay is not a promissory note.
- ✓ A promissory note cannot be made payable to the maker himself. But if it is endorsed by the maker to some other person or endorse in blank it will become valid.



In writing

Promise to pay

Definite and unconditional

Signed by maker

Certain parties

Sum payable must be  
legal tender

## Essential of Promissory Note

Sum payable must be certain

- ✓ It is essential that sum of money promised to be payable must be certain and definite.
- ✓ The amount payable must not be capable of contingent addition or subtraction.



In writing

Promise to pay

Definite and unconditional

Signed by maker

Certain parties

Sum payable must be certain

## Essential of Promissory Note

Sum payable must be  
legal tender

سکه رائج الوقت

A promise to pay a certain amount of foreign currency or to deliver a certain quantity of goods is not a promissory note.



Based on the provisions of Negotiable Instruments Act, 1881 briefly explain whether the following are promissory notes or not.

**I promise to pay Rahat on demand Rs. 5,000 at my convenience.**

It is not a promissory note as promise to pay is not “unconditional”.

**On demand, I promise to pay Aslam or order Rs. 5,000, for value received.**

It is a valid promissory note containing all the essential elements.

**I promise to pay Adil or order Rs. 5,000 and 500 shares of Sigma Limited.**

It is not a promissory note as the payment is not in terms of money only.

**I promise to pay Mahi or order Rs. 5,000 with interest calculated at quarterly rests.**

It is not a promissory note as the amount payable under it is not certain.



**I promise to pay you or your successors on demand Rs. 10,000.**

It is not a promissory note as the payee in the instrument is not certain.

**I promise to pay Rafi or order Rs. 10,000 seven days after Salik's death.**

It is a valid promissory note. It is not considered to be conditional, for it is certain that Salik will die, though the exact time of his death is uncertain.

**I am liable to pay Ahmad Rs. 5,000.**

It is not a promissory note as it lacks unconditional undertaking. There is only an acknowledgement of indebtedness.



Sarwat owes Rs. 500,000 to Zain. The amount is payable on 11 August 2016. Sarwat intends to issue a negotiable instrument to Zain in satisfaction of her debt. Under the provisions of the Negotiable Instruments Act, 1881 advise Sarwat about the type of negotiable instrument which may be issued to Zain, assuming that Sarwat does not want to involve a third party in making the payment. Also prepare a draft of the said instrument. (You may make assumptions wherever you consider necessary)

(04) (Spring 2016)



If sarwant does not want to involve a third party, she must issue a promissory note to Zain. Demand instrument can be prepared as follows

11th August 2016

On demand, I promise to pay Zain or to his order a sum of Rs. 500,000/- (Five Lac rupees only), for value received.

Revenue Stamp

To:

Zain

111 Iqbal Town, Lahore

Signed:

Abdullah s/o Usman  
Z - 10, DHA, Lahore

This Note will be written on 11<sup>th</sup> August 2016 so that it becomes payable immediately.



A time instrument can be prepared with maturity date on 11th August 2016. For example (assuming today is 12th June, 2016):

12th June 2016

One month after date, I promise to pay Zain or to his order a sum of Rs. 500,000/- (Five Lac rupees only), for value received.

Revenue Stamp

To:

Zain

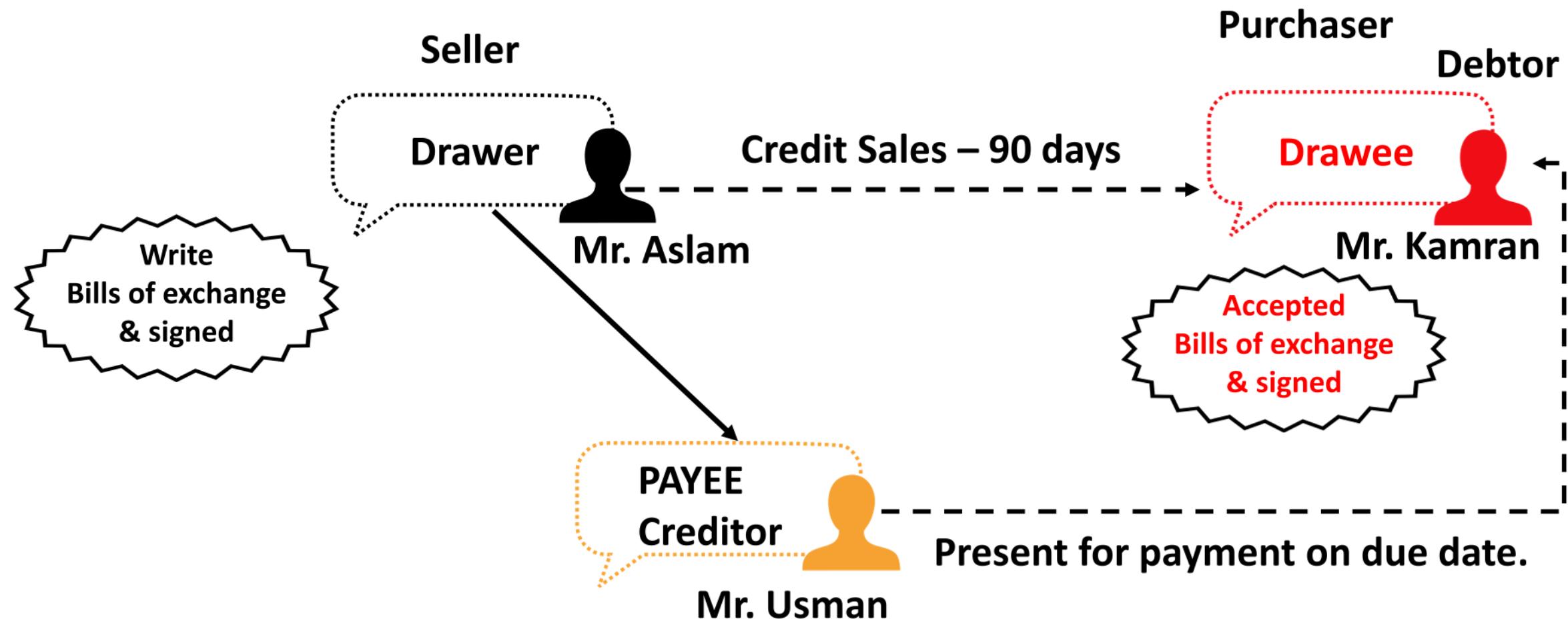
111 Iqbal Town, Lahore

Signed:

Abdullah s/o Usman  
Z - 10, DHA, Lahore

This Note will be written on 12<sup>th</sup> June 2016.





Pay to me or my order sum of Rs  
50,000 against value received.  
Accepted



## BILL OF EXCHANGE

A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay on demand or at a fixed or determinable future time a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.



# BILL OF EXCHANGE

## Drawer

The person who issues the bill

## Drawee

The person to whom the bill is issued

## Payee

The person to whom payment is made

**There are 3 parties involved in a payment by bill of exchange:**

- the drawer is the party that issues a bill of exchange – the creditor
- the drawee is the party to which the order to pay is sent - the debtor
- the beneficiary or payee is the party to which the bill of exchange is payable;



Date: September 15, 20XX

Rs. 10,000/- only

Three months after date pay to Yaseen or to his order the sum of Rupees Ten Thousand, for value received.

Accepted  
Aslam

To  
Aslam  
Jail Road  
Karachi

Sign: \_\_\_\_\_  
Mohsin  
Saddar  
Karachi

**Drawer**  
The person who  
issues the bill  
**Mohsin**

**Drawee**  
The person to whom  
the bill is issued  
**Aslam**

**Payee**  
The person to whom  
payment is made  
**Yaseen**

# **Essential of Bills of exchange**

**In writing**

**Order to pay**

**Definite and unconditional**

**Signed by Drawer & Drawee**

**Certain parties**

**Sum payable must be certain**

**Sum payable must be legal  
tender**



**In writing**

**Order to pay**

**Definite and unconditional**

**Signed by Drawer & Drawee**

**Certain parties**

**Sum payable must be certain**

**Sum payable must be legal  
tender**

## **Essential of bills of exchange**

A bill of exchange is required to be in writing. Like promissory note, a bill of exchange also cannot be oral.



**In writing**

**Order to pay**

**Definite and unconditional**

**Signed by Drawer & Drawee**

**Certain parties**

**Sum payable must be certain**

**Sum payable must be legal  
tender**

## **Essential of bills of exchange**

- ✓ A bill of exchange contains an order to pay instead of a promise to pay like in promissory note.
- ✓ This feature distinguishes it from promissory note.
- ✓ A request to pay money is not considered to be a bill of exchange.



Based on the provisions of Negotiable Instruments Act, 1881 briefly explain whether the following are Bills of Exchange or not.

- (i) Babar, please let Jazib have Rs. 50,000, and place it to my account and oblige.
  - (ii) Bushra, I shall be highly obliged if you make it convenient to pay Rs.10,000 to Ghalib.
  - (iii) Babar, please pay Rs. 50,000 to Ehsaan or order.
  - (iv) Bilal will much oblige me by paying to Dawood Rs. 30,000.
- 
- (i) This is not a valid bills of exchange as it contains only a request to pay and no order to pay:
  - (ii) This is not a valid bills of exchange as it contains only a request to pay and no order to pay:
  - (iii) This is a valid bills of exchange as it contains an order to pay, although the language is very polite:
  - (iv) This is a valid bills of exchange as it contains an order to pay, although the language is very polite:



**In writing**

**Order to pay**

**Definite and unconditional**

**Signed by Drawer & Drawee**

**Certain parties**

**Sum payable must be certain**

**Sum payable must be legal  
tender**

## **Essential of bills of exchange**

- ✓ The order to pay should not depend upon a condition or upon the happening of an uncertain event. i.e. a contingency or the fulfilment of a condition.
- ✓ If an instrument contains a conditional order to pay, it is not a valid bills of exchange and will not become valid and negotiable even after happening of the condition.



In writing

Order to pay

Signed by Drawer & Drawee

Certain parties

Sum payable must be certain

Sum payable must be legal  
tender

# Essential of bills of exchange

Definite and unconditional

## Exceptions

But a bill of exchange is not conditional if the amount is made payable

1. at a particular place or
2. after a specified time or
3. on the happening of an event which must happen, although the time of its happening may be uncertain. e.g. Death of a person



Based on the provisions of Negotiable Instruments Act, 1881 briefly explain whether the following are promissory notes or not.

1. I promise to pay B Rs.500 seven days after my marriage with C.
2. I promise to pay B Rs. 500 on D's death, provided D leaves me enough to pay the sum.
3. I promise to pay B Rs. 500 as soon as I can.
4. I promise to Pay B Rs.500 seven days after C's death

Ans: 1,2,3

The above instruments are not valid as the payment is made dependent upon the happening of an uncertain event which may never happen and as a result the sum may never become payable.

Ans: 4

Death is considered certain in law so promissory note is valid.



In writing

Order to pay

Definite and unconditional

Signed by Drawer & Drawee

Certain parties

Sum payable must be certain

Sum payable must be legal  
tender

## Essential of bills of exchange

- ✓ The instrument must be signed by the drawer and drawee.
- ✓ If both or any one is illiterate he may place his thumb mark.



In writing

## Essential of bills of exchange

Order to pay

Definite and unconditional

Signed by Drawer & Drawee

Certain parties

Sum payable must be certain

Sum payable must be legal  
tender

All the parties must be certain i.e. indicated in a bill of exchange with reasonable certainty.



In writing

Order to pay

Definite and unconditional

Signed by Drawer & Drawee

Certain parties

Sum payable must be certain

Sum payable must be  
legal tender

## Essential of bills of exchange

It is essential that sum of money ordered to be payable must be certain and definite. The amount payable must not be capable of contingent addition or subtraction.



In writing

Order to pay

Definite and unconditional

Signed by Drawer & Drawee

Certain parties

Sum payable must be certain

Sum payable must be  
legal tender

## Essential of bills of exchange

سکه رائج الوقت

If the instrument contains an order to pay something other than money or something in addition to money, it will not be valid bill of exchange.



## **Specimen of a Negotiable Instrument**

Date: September 12, 2015

Rs. 10,000/- only

Please pay on demand to Tauseef or to his order the sum of Rupees One Hundred Thousand only, for value received.

Accepted  
Laila

|           |            |
|-----------|------------|
| To        | Sd/- _____ |
| Laila     | Laeeq      |
| Busy Road | Saddar     |
| Karachi   | Karachi    |

Identify the type of above negotiable instrument and briefly describe its essential characteristics under the provisions of the Negotiable Instruments Act, 1881.

**The above negotiable instrument is a bill of exchange.**



## Classification of Negotiable Instruments



**Bearer**

Payable to any person who hold it.

Examples.

Pay Bearer.

Pay to Mr. A or bearer.

**Order**

Payable to specified person or at his order.

Examples.

Pay Mr. A

Pay to Mr. A or order.

Pay to Mr. A only X



## **Order instrument [Section 13]**

A promissory note, bill of exchange or cheque is payable to order if either of the following two conditions are fulfilled:

1. Which is expressed to be so payable or
2. Which is expressed to be payable to a particular person and does not contain words:
  1. which prohibit transfer or
  2. indicate an intention that it shall not be transferable

Note: An order instrument can be transferred by an indorsement on it and then its delivery.

The following words on a negotiable instrument are indicating that the instrument is an order instrument:

Pay Azam....

Pay Azam or order.....

Pay Azam or Babar.....



## **Bearer instrument [Section 13]**

A promissory note or bill of exchange or cheque is payable to bearer if either of the following two conditions is fulfilled:

expressed to be so payable, or

last indorsement must be an indorsement in blank.

Note: A bearer instrument can be transferred by mere delivery.

Example

The following words on a negotiable instrument are indicating that the instrument is a bearer instrument:

Pay Azam or bearer....

Pay bearer.....

Pay to bearer of this instrument.....



A negotiable instrument may be made payable to

- Two or more payees jointly, or
- It may be made payable in the alternative to one of two, or
- one or some of several payees.

The section 35 of State Bank of Pakistan Act, 1956 prohibits any person, other than a Bank or Federal Government, to issue:

- A promissory note payable to bearer.
- A bill of exchange payable to bearer on demand.



## Classification of Negotiable Instruments



### Demand

Payable immediately.

Examples.

Payable on demand.

Payable on sight.

Payable when presented.

### Time

Payable on specified date after certain period.

[from the date of issue or certain event]

Examples.

Payable on 1<sup>st</sup> March 2022

Payable after 6 months from the date of instrument.

Payable after 1 month from the death of Mr. A

## Demand instrument [Section 19]

Instruments payable on demand means the instrument in which no time for payment is mentioned.

A cheque is always payable on demand.

A promissory note or bill of exchange is payable on demand where:

1. It is expressed to be so; or
2. It is expressed to be payable "at sight" or "presentment" or "on demand"; or
3. No time for payment is specified; or
4. The bill or note accepted or indorsed after it is overdue, as regards to person accepting or indorsing it.

Note: 'At sight' and presentment means on demand.

An instrument on demand is payable immediately.



## Time instrument [Section 21B]

An instrument payable after a fixed time or on a specified date is called “time instrument”.

A promissory note or bill of exchange is a time instrument when it is expressed to be payable.

1. After a specified period
2. On a specific day
3. Certain date after sight
4. On the happening of event which is certain to happen e.g. death.

Note: There can be a “time bill”, “time note” but not a “time cheque” because the cheque cannot be expressed to be payable otherwise than on demand.



## Classification of Negotiable Instruments



Inland



Foreign

Drawn in Pakistan. **AND**  
Payable in Pakistan or to a resident  
of Pakistan.

Which is not Inland.



## **Inland instrument [Section 11]**

A promissory note, bill of exchange or cheque which is:

1. Made or drawn in Pakistan and also made payable in Pakistan, or
2. Made or drawn in Pakistan upon any person resident in Pakistan, although it may be payable in a foreign country. is called an inland instrument.

Note: An inland instrument remains inland even if it has been indorsed in a foreign country.

Examples.

1. A promissory note made in Multan and payable in Peshawar.
2. A bill of exchange drawn in Lahore on a person resident in Sadiqabad payable in Sadiqabad or in Dubai.
3. A bill of exchange drawn in Sukkur on a person resident in Toba Tek Singh although it may be payable in Afghanistan.



## **Foreign instrument [Section 12]**

An instrument, which is not an inland instrument, is deemed to be a foreign instrument.

Example:

1. Promissory note made in Pakistan but payable in USA.
2. A bill of exchange drawn in UK on a person residing in UK, and made payable in UK.
3. A bill of exchange drawn in UK on a person residing in UK, and made payable in Pakistan.
4. A bill of exchange drawn in Pakistan on a person residing in UK, and made payable in UK.



# Legal Status of Negotiable Instruments



## Holder

A person who:

Possesses instruments **AND**

Is entitled to receive payments.

Examples.

In bearer instrument- bearer is holder.

In order instruments- Payee or endorsee is Holder.

## Holder in due course

A person who:

1. Received in good faith.

2. For consideration

3. Before maturity

4. Possesses instrument that is complete & regular.

(Without notice of defect.)

(No apparent evidence of forgery, alteration or irregularity)

| Holder  | Holder in due course   |
|---|--|
| <b>Meaning</b><br>A holder is a person who legally obtains the negotiable instrument, with his name entitled on it, to receive the payment from the parties liable. | A holder in due course is a person who acquires the negotiable instrument <i>bona fide</i> for some consideration, whose payment is still due. |
| <b>Consideration</b><br>Not necessary.  | Necessary.   |
| <b>Right to sue</b><br>A holder may not sue all prior parties.  | A holder in due course can sue all prior parties.  |
| <b>Good faith</b><br>The instrument may or may not be obtained in good faith.   | The instrument must be obtained in good faith.   |
| <b>Free from defects / Better title</b><br>A holder may not get title free from defects.  | A holder in due course gets a better title than that of the transferor.  |
| <b>Maturity</b><br>A person can become holder, before or after the maturity of the negotiable instrument.   | A person can become holder in due course, only before the maturity of negotiable instrument.   |





**Ali  
Debtor**



**Aslam  
Business**

Ali paid Rs 200,000  
through cheque of  
Faysal Bank

Business deposited  
cheque in his account  
with Meezan Bank

**Over the counter**



**Clearance**



# Cheque

Cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand.

The analysis of the above definition reveals that a cheque is a bill of exchange but is different in following two characteristics:

- Drawee will always be a banker
- Always payable on demand



# **Essential of Cheque**

**In writing**

**Order to pay**

**Definite and unconditional**

**Signed by Drawer only**

**Certain parties**

**Sum payable must be certain**

**Sum payable must be legal tender**

**Must be drawn upon a specified  
banker**

**Must always be payable on demand**

## Crossing of Cheque

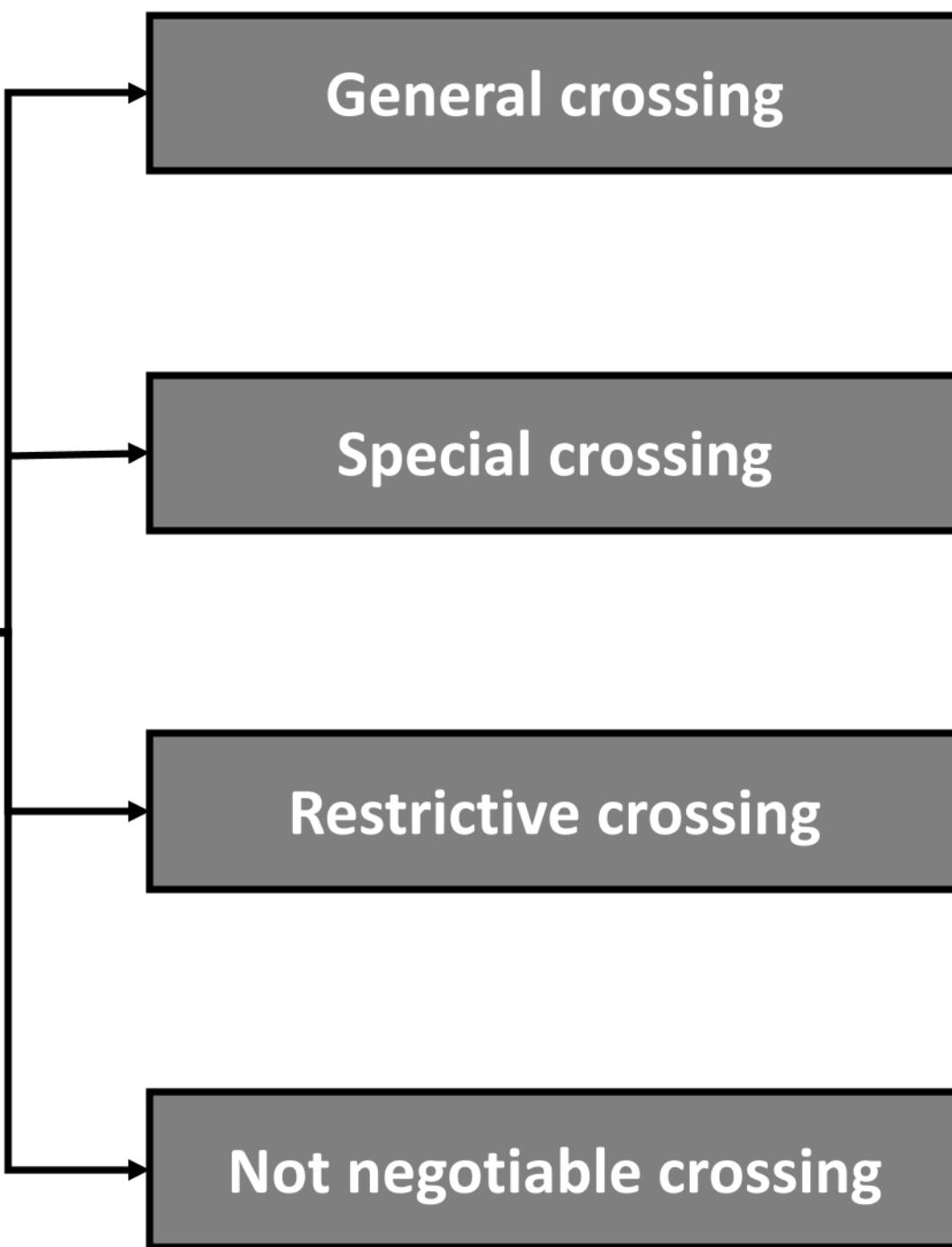
- A cheque is said to be crossed when it bears across its face two parallel transverse lines which are usually drawn on the left hand top corner of the cheque.
- It is an instance of an alteration which is authorised by the Act.
- A crossing is a direction to the paying banker not to pay across the counter.

### Purpose of crossing

The purpose of crossing is to direct the drawee (banker) to pay the amount of the cheque only to a banker so that the party who receives the payment can easily be traced.



**Types of crossing**



## General crossing

### Method

A cheque is said to be crossed generally where it bears across its face an addition of the words “and company” or any abbreviation of it between two parallel transverse lines.

### Effects

When a cheque is crossed generally the banker on whom it is drawn shall not pay it otherwise than to a banker. OTC payment is not possible.



**AlliedBank**

ABL-BARA TOWER ABBOTTABAD  
Tameer-i-Wattan Public Schools & Colleges, Abbottabad

Pay FATIMA SHAKEEL or bearer  
Rupees One Lac and fifty thousand rupees only

Cheque No 24 00000001  
Date 2 4 1 1 2 0 1 8

PK68ABPA001001572110036  
TAMEER I WATTAN PUBLIC S&C (B)

Please do not write below this line.

PKR 1,50,000/-

*[Signature]* *[Circular blue stamp]*

# 16682516#0140004:0010015?21110036#0000#

**AlliedBank**

ABL-BARA TOWER ABBOTTABAD  
Tameer-i-Wattan Public Schools & Colleges, Abbottabad

Pay FATIMA SHAKEEL or bearer  
Rupees One Lac and fifty thousand rupees only

Cheque No 24 00000001  
Date 2 4 1 1 2 0 1 8

PK68ABPA001001572110036  
TAMEER I WATTAN PUBLIC S&C (B)

Please do not write below this line.

PKR 1,50,000/-

*[Signature]* *[Circular blue stamp]*

# 16682516#0140004:0010015?21110036#0000#

**AlliedBank**

ABL-BARA TOWER ABBOTTABAD  
Tameer-i-Wattan Public Schools & Colleges, Abbottabad

Pay FATIMA SHAKEEL or bearer  
Rupees One Lac and fifty thousand rupees only

Cheque No 24 00000001  
Date 2 4 1 1 2 0 1 8

PK68ABPA001001572110036  
TAMEER I WATTAN PUBLIC S&C (B)

Please do not write below this line.

PKR 1,50,000/-

*[Signature]* *[Circular blue stamp]*

# 16682516#0140004:0010015?21110036#0000#



# Special crossing

## Method

A cheque is said to be crossed especially where it bears across its face an addition of:

- ✓ Name of the banker
- ✓ Parallel lines are not necessary.

## Effects

When a cheque is crossed specifically the banker on whom it is drawn shall not pay it otherwise than to a banker to whom it is crossed or his agent for collection.





ABL-BARA TOWER ABBOTTABAD

Tameer-i-Wattan Public Schools &amp; Colleges, Abbottabad

Pay FATIMA SHAKEEL

Cheque No 24 00000001

Date

2 4 1 1 2 0 1 8

or bearer

Rupees One Lac and fifty thousand rupees only

PKR 1,50,000/-

PK68ABPA001001572110036  
TAMEER I WATTAN PUBLIC S&C (B)

Please do not write below this line.

Signature

#16682516#014000410015721110036#0000#



ABL-BARA TOWER ABBOTTABAD

Tameer-i-Wattan Public Schools &amp; Colleges, Abbottabad

Pay

FATIMA SHAKEEL

Cheque No 24 00000001

Date

2 4 1 1 2 0 1 8

or bearer

Rupees One Lac and fifty thousand rupees only

PKR 1,50,000/-

PK68ABPA001001572110036  
TAMEER I WATTAN PUBLIC S&C (B)

Please do not write below this line.

Signature

#16682516#014000410015721110036#0000#

ABC Bank

|   |   |                       |
|---|---|-----------------------|
| ABL-BARA TOWER ABBOTTABAD                                 |   | Cheque No 24 00000001 |
| Tameer-i-Wattan Public Schools & Colleges, Abbottabad     |   | Date 2 4 1 1 2 0 1 8  |
| Pay   | <u>FATIMA SHAKEEL</u>                         | or bearer             |
| Rupees  | <u>One Lac and fifty thousand rupees only</u> | PKR 1,50,000/-        |
| PK68ABPA001001572110036<br>TAMEER I WATTAN PUBLIC S&C (B) |   |                       |
| Please do not write below this line.                      |   | Signature             |
| #16682516#014000410015721110036#0000#                     |   |                       |

ABC Bank

|   |   |                       |
|---|---|-----------------------|
| ABL-BARA TOWER ABBOTTABAD                                 |   | Cheque No 24 00000001 |
| Tameer-i-Wattan Public Schools & Colleges, Abbottabad     |   | Date 2 4 1 1 2 0 1 8  |
| Pay   | <u>FATIMA SHAKEEL</u>                         | or bearer             |
| Rupees  | <u>One Lac and fifty thousand rupees only</u> | PKR 1,50,000/-        |
| PK68ABPA001001572110036<br>TAMEER I WATTAN PUBLIC S&C (B) |   | Signature             |
| Please do not write below this line.                      |   |                       |
| #16682516#014000410015721110036#0000#                     |   |                       |

# Restrictive crossing

## Method

Restrictive crossing may be added with general crossing by adding the words “A/c Payee” or “A/c Payee only”

## Effects

Where a cheque is crossed as “account payee”, it shall cease to be negotiable. Strictly speaking, the amount collected on the cheque must be credited only to the account of payee.





ABL-PARK TOWER ABBOTTABAD

Tameer-i-Wattan Public Schools & Colleges, Abbottabad

To:

FATIMA SHAKEEL

or bearer

Rupees

One Lac and fifty thousand rupees only

Cheque No 24 00000001

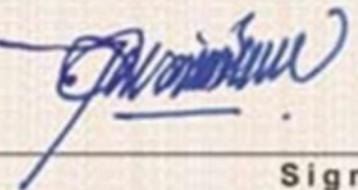
Date

2 4 1 1 2 0 1 8

PKR 1,50,000/-

PK68ABPA001001572110036  
TAMEER I WATTAN PUBLIC S&C (B)

Please do not write below this line.

Signature

# 16682516#014000410015721110036#0001



# Not negotiable crossing

## Method

The addition of the words not negotiable does not restrict the further transferability of the cheque. It only takes away the main feature of negotiability, which is transferability free from defects.

## Effects

The effect of the words 'not negotiable' on a crossed cheque is that the title of the transferee of such a cheque cannot be better than that of its transferor. Therefore, a holder with a defective title cannot give a good title to a subsequent holder. The object of crossing a cheque not negotiable is to afford protection to the drawer or holder of the cheque against miscarriage or dishonesty in the course of transit by making it difficult for the cheque so crossed cashed, until it reaches its destination.





ABL-BARA TOWER ABBOTTABAD

Tameer-i-Wattan Public Schools &amp; Colleges, Abbottabad

Cheque No 24 00000001

Date

2 4 1 1 2 0 1 8

Payee **FATIMA SHAKEEL**

or bearer

Rupees One Lac and fifty thousand rupees only

PKR 1,50,000/-

PK68ABPA001001572110036

TAMEERI WATTAN PUBLIC S&amp;C (B)

Please do not write below this line.

Signature

#16682516#0140004#0010015721110036#0000#



ABL-BARA TOWER ABBOTTABAD

Tameer-i-Wattan Public Schools &amp; Colleges, Abbottabad

Cheque No 24 00000001

Date

2 4 1 1 2 0 1 8

Payee **FATIMA SHAKEEL**

or bearer

Rupees One Lac and fifty thousand rupees only

PKR 1,50,000/-

PK68ABPA001001572110036  
TAMEERI WATTAN PUBLIC S&C (B)

Please do not write below this line.

Signature

#16682516#0140004#0010015721110036#0000#

## Crossing of a cheque after issue

A crossing authorised by the Act is a material part of the cheque. It means that it is unlawful for any person to obliterate (ختم کرنا) , add or alter the crossing except as authorised under the Act.



A cheque may be crossed after its issue in the following manner

## Right to cross

Where a cheque is **uncrossed**

The **holder** may cross it generally or specially.

Where a cheque is  
**Crossed generally**

The **holder** may cross it specially by adding the name of the banker.

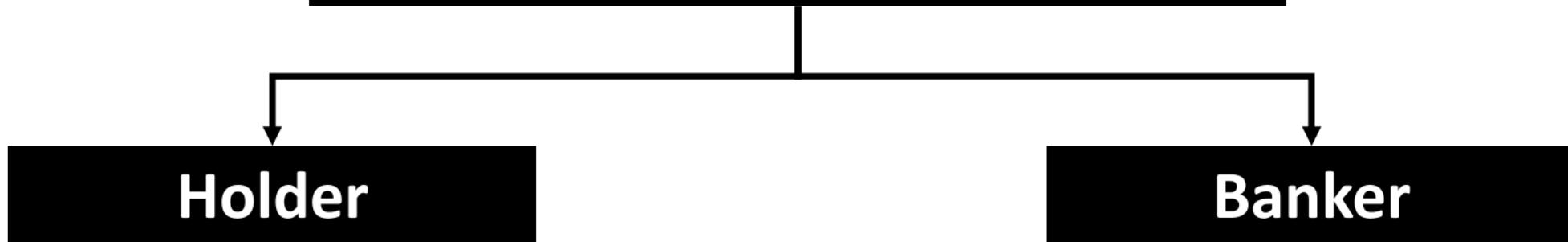
Where a cheque is **Crossed generally or specially**

The **holder** may add the word “Not negotiable”.

Where a cheque is  
**Crossed specially**

The **banker** to whom it is crossed may again cross it especially to another banker (his agent) for collection.

## Who can cross the cheque after its issue



| Case                           | Crossing                         |
|--------------------------------|----------------------------------|
| uncrossed                      | cross it generally or specially. |
| Crossed generally              | cross it specially               |
| Crossed generally or specially | Not negotiable".                 |

| Case              | Crossing                                    |
|-------------------|---|
| Crossed specially | again cross it especially to another banker |



## Payment in due course

Payment which is made:

- To holder of instrument
- In good faith without negligence
- On or after maturity ( as per terms of instrument)

### **When payment is not in due course**

- Payment of post-dated cheque.
- Payment in forged signature
  - ✓ Drawer
- Payment to finder
  - ✓ Not in good faith
  - ✓ In good faith with negligence
- Payment of bill of exchange without inquiry as to payee

## **Endorsement**

When holder of an instrument

- Sign it on face or back or attached slip of paper
- For the purpose of negotiation
- Endorsement can be
  - Blank ( Holder only sign)
  - Full ( Holder sign & write name of endorse)

## **Essentials of valid Endorsement:**

1. It must be on instrument itself ( or Allonge)
2. It must be signed by endorser for negotiation
3. Endorsement must be for entire instrument
4. Endorsement must be for single endorsee
5. It must be completed by delivery.



## RULES RELATING TO PAYMENT OF CHEQUE

### Protection to Paying Bank

A paying bank shall not be liable to true owner of the cheque for loss if banker makes **payment in due course**



## **Protection to a Collecting Banker in case of defective title**

If a collecting banker has collected a cheque on behalf of a person whose title was defective, banker will not be liable to true owner if:

1. he acted in good faith and without negligence.
2. he received payment on behalf of customer (i.e. as agent), and not on his own account.
3. cheque was already crossed before coming into his hands.



## **Protection to a Collecting Banker in case of Account Payee cheque**

If an account payee cheque is credited to any account other than payee, bank will be responsible.

However, if a cheque is actually “account payee” but is altered and does not appear to be account payee, a collecting bank shall not be responsible if it collects payment in good faith without negligence and credits to customer’s account



## **Payment of cheque crossed specially more than once**

Drawee bank shall refuse payment if a cheque is crossed specially to more than one bankers (except when crossed to an agent for collection).



## REVOCATION OF BANKER'S AUTHORITY

A bank shall not make payment of a cheque issued by his customer in following cases:

1. Countermand of payment i.e. customer ordered to stop the payment of cheque
2. On receiving notice of customer's death (irrespective of actual date of death/cheque).
3. On receiving notice of adjudication of the customer as an insolvent(irrespective of actual date of insolvency/cheque)



## **Rules applicable to bank draft [Section 131A]**

***A bank draft is an order issued by one bank on another bank or on its own branch instructing it to pay a specified sum of money to a specified person or his order.***

The rules relating to payment of cheque are also relevant to bank draft as if the draft were a cheque.

A bank draft is an instrument similar to cheque with following distinctions:

- It can be drawn only by a bank on another bank or on its own branch and not by an individual as in the case of a cheque.
- It cannot be made payable to bearer.
- It cannot be dishonored due to insufficient funds.
- Its payment cannot be stopped as easily as that of a cheque.





**Ali**  
**Purchaser of plot**



**Aslam**  
**Seller of plot**

Ali has to pay Rs  
20,000,000 through  
pay order issued by  
Faysal Bank

Deposited PO in his  
account with Meezan  
Bank

**Clearance**



Adeel made a deal to buy a plot of land, the seller required payment by bank draft.

Adeel went to his banker and applied for a bank draft and provided details. The banker transferred the relevant amount from Adeel's account and transferred it to Bank's name and issued the bank draft to Adeel in the name of seller and particulars of Adeel were also mentioned on it. Adeel gave this bank draft to seller in consideration of transfer of plot in his name.

The seller will deposit the bank draft in his account and his account will be credited with the amount. The payment is more secure for seller because bank draft cannot be dishonoured like a cheque due to insufficient fund in the account.

