

# Chapter 12 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, 2017	60 Days
(ii) 30th April, 2018	2 Months
(iii) 28th January, 2018	1 Month
(iv) 23rd November, 2017	2 Months
(v) 29th May, 2017	4 Months

Solution:

Date of Bill	Period	Calculation	Due Date
i. 1 <sup>st</sup> December 2017	60 Days	30 <sup>th</sup> December 2017 + 30 <sup>th</sup> January 2017 + 3 days of grace	2 <sup>nd</sup> February 2018
ii. 30 <sup>th</sup> April 2018	2 Months	2 Months from 30 <sup>th</sup> April 2018 would be 30 <sup>th</sup> June 2018 + 3 days of grace	3 <sup>rd</sup> July 2018
iii. 28 <sup>th</sup> January 2018	1 Month	1 Month from 28 <sup>th</sup> January 2018 would be 28 <sup>th</sup> February 2018 + 3 days of grace	3 <sup>rd</sup> March 2018
iv. 23 <sup>rd</sup> November 2017	2 Months	2 Months from 23 <sup>rd</sup> November 2017 would be 23 <sup>rd</sup> January 2018 + 3 days of grace	26 <sup>th</sup> January 2018, but it is a national holiday so, due date would be one day before i.e., 25 <sup>th</sup> January 2018
v. 29 <sup>th</sup> May 2017	4 Months	4 Months from 29 <sup>th</sup> May 2017 would be 29 <sup>th</sup> September 2017 + 3 days of grace	02 <sup>nd</sup> October 2017 but it is a national holiday so, due date would be one day before i.e., 1 <sup>st</sup> October 2017

Note:

(i) As per this Question, point no. iii. Correct answer is Due Date of 3rd March 2018. While, according to the book is solution is 1st March 2018.

(ii) As per this Question, point no. ii. Correct answer is Due Date of 3rd July 2018. While, according to the book is solution is 3rd July 2017

## Question 2.

On 10th March, 2018, 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 (Rs.)	Credit Amount (Rs.)
2018 Mar 10	Bills Receivable A/c To B's A/c (Bill drawn)	Dr.	20,000	20,000
June 13	Cash A/c To Bills Receivable A/c (Cash received against bill)	Dr.	20,000	20,000

**Journal  
in the books of B (Drawee)**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
2018 Mar 10	A A/c To Bills Payable A/c (Bill accepted)	Dr.	20,000	20,000
June 13	Bills Payable A/c To Cash A/c (Cash paid against bill)	Dr.	20,000	20,000

Question 3.

On 1st January, 2018, 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:

**Journal  
in the books of A (Drawer)**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
2018 Jan 01	B's A/c To Sales A/c To Output IGST A/c (Goods sold to B)	Dr.	5,900	5,000 900
Jan 01	Bank A/c Bills Receivable A/c To B's A/c (Cheque and bill received)	Dr. Dr.	900 5,000	5,900
Apr 04	Cash A/c To Bills Receivable A/c (Cash received against bill)	Dr.	5,000	5,000

**Journal  
in the books of B (Drawee)**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
2018 Jan 01	Purchases A/c Input IGST A/c To A's A/c (Goods purchased from A)	Dr. Dr.	5,000 900	5,900
Jan 01	A's A/c To Bank A/c To Bills Payable A/c (Cheque and bill sent)	Dr. Dr.	5,900	900 5,000
Apr 04	Bills Payable A/c To Cash A/c (Cash paid against bill)	Dr.	5,000	5,000

Question 4.

Manish sold goods to Kumar for ₹ 10,000 plus CGST and SGST @ 9% each. He received ₹ 1,800 in cash and drew on him a bill for ₹ 10,000 payable 3 months after date. Kumar accepted the bill and returned it to Manish. On due date, Manish presented the bill to Kumar who honoured it. Pass Journal entries in the books of both the parties.

Solution:

**Journal  
in the books of Manish (Drawer)**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Kumar's A/c Dr. To Sales A/c To Output CGST A/c To Output SGST A/c (Goods sold to Kumar)		11,800	10,000 900 900
	Cash A/c Dr. Bills Receivable A/c Dr. To Kumar's A/c (Cash and bill received)		1,800 10,000	11,800
	Cash A/c Dr. To Bills Receivable A/c (Cash received against bill)		10,000	10,000

**Journal  
in the books of Kumar (Drawee)**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Purchases A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. To Manish's A/c (Goods purchased from Manish)		10,000 900 900	11,800
	Manish's A/c Dr. To Cash A/c Dr. To Bills Payable A/c (Cash paid and bill accepted)		11,800	1,800 10,000
	Bills Payable A/c Dr. To Cash A/c (Cash paid against bill)		10,000	10,000

Question 5.

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

Solution:

**In the book of Vinod  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Darbara Singh A/c To Sales A/c (Being goods sold to Darbara Singh)	Dr.	1,000	1,000
	Bills Receivable A/c To Darbara Singh A/c (Being bills accepted by Darbara Singh)	Dr.	1,000	1,000
	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being Darabara Singh's acceptance discounted at 9% p.a. for 3 month)	Dr. Dr.	990 10	1,000

**In the book of Darbara Singh  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Purchases A/c To Vinod A/c ( Being goods bought from Vinod)	Dr.	1,000	1,000
	Vinod A/c To Bills payable A/c (Being bill drawn by Vinod accepted)	Dr.	1,000	1,000
	Bills Payable A/c To Bank A/c (Being payment of bill was made on its due date )	Dr.	1,000	1000

Question 6.

Dinesh received from Shridhar an acceptance for ₹ 3,000 on 1st September, 2016 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:

**In the book of Dinesh  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2016 Sep.01	Bills Receivable A/c To Shridhar A/c (Being Shridhar's acceptance was received)	Dr.	3,000	3,000
Sep.01	Bank A/c Discount Charges A/c (3,000×9%×3/12) To Bills Receivable A/c (Being Shridhar's acceptance was discounted with bank)	Dr. Dr.	2,932 68	3,000

**In the book of Shridhar  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2016 Sep.01	Dinesh A/c To Bills Payable A/c ( Being bill drawn by Shridhar accepted)	Dr.	3,000	3,000
Dec.04	Bills Payable A/c To Bank A/c (Being Shridhar's acceptance discharged on its due date)	Dr.	3,000	3,000

Question 7.

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.

Solution:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To B's A/c (Being B's acceptance was received)	Dr.	1,000	1,000
	C's A/c To Bills Receivable A/c (Being B's acceptance endorsed in favour of C's )	Dr.	1,000	1,000

**In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	A's A/c To Bills Payable A/c (Being bill drawn by A's was accepted)	Dr.	1,000	1,000
	Bills Payable A/c To Bills Receivable A/c (Being amount owed from C's was settled by Bill Payable)	Dr.	1,000	1,000

**In the book of C  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To A's A/c (Being bills receivable was received from A's)	Dr.	1,000	1,000
	B's A/c To Bills Receivable A/c (Being amount owned to B's was settled by Bills Receivable)	Dr.	1,000	1,000

Question 8.

A owed B ₹ 8,000. He gave a bill for the same on 1st August, 2017 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:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Aug.01	B's A/c To Bills Payable A/c (Being drawn by B's was accepted)	Dr.	8,000	8,000
Dec.04	Bills Payable A/c To Bank A/c (Being payment made to meet the bill on its maturity)	Dr.	8,000	8,000

**In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Aug.01	Bills Receivable A/c To A's A/c (Being A's acceptance was received)	Dr.	8,000	8,000
Aug.01	C's A/c To Bills Receivable A/c (Being A's acceptance endorsed in favour of C's)	Dr.	8,000	8,000

**In the book of C  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Aug.01	Bills Receivable A/c To B's A/c (Being bills receivable was received from B's)	Dr.	8,000	8,000
Sep.01	Bank A/c Discount Charges A/c ( $8000 \times 12\% \times 3/12$ ) To Bills Receivable A/c (Being bill discount at 12% p.a. for 3 month)	Dr. Dr.	7,760 240	8,000

Question 9.

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:

**In the book of A  
Journals**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	B's A/c To Sales A/c To Output CGST A/c To Output SGST A/c (Being goods sold plus CGST and SGST to B's)	Dr.	23,600	20,000 1,800 1,800
	Bills Receivable A/c (Draft) Bank A/c (Cheque) To B's A/c (Being B's accepted the bill with CGST and SGST)	Dr. Dr.	20,000 3,600	23,600
	C's A/c To Bills Receivable A/c (Draft) (Being B's acceptance draft was endorsed in favour of C's)	Dr.	20,000	20,000

Question 10.

On 10th July, 2017, A sold goods to B for ₹ 35,000 plus IGST @ 18%. He drew on him a 3 months bill

for ₹ 35,000 and received cheque for the balance amount. B accepted the bill. After 10 days, A endorsed the bill to his creditor C. On due date, acceptance is duly met. Show entries in the books of A, B and C.

Solution:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 July 10	B's A/c To Sales A/c To Output IGST A/c (Being goods sold plus IGST to B's)	Dr.	41,300	35,000 6,300
July 10	Bills Receivable A/c Bank A/c To B's A/c (Being B's acceptance was received)	Dr. Dr.	35,000 6,300	41,300
July 20	C's A/c To Bills Receivable A/c (Being B's bill acceptance endorsed in favour of C's)	Dr.	35,000	35,000

**In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 July 10	Purchases A/c Input IGST A/c To A's A/c (Being goods bought from A's plus IGST)	Dr.	35,000 6,300	41,300
July 10	A's A/c To Bills payable A/c To Bank A/c (Being bill drawn by A's accepted)	Dr.	41,300	35,000 6,300
Oct 13	Bills payable A/c To Cash A/c (Being payment of bill was made on its due date)	Dr.	35,000	35,000

**In the book of C  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 July 20	Bills Receivable A/c To A's A/c ( Being bill Receivable received from A's)	Dr.	35,000	35,000
Oct 13	Cash A/c To Bills Receivable A/c (Being amount of bill received on maturity)	Dr.	35,000	35,000

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:



**In the book of Mohan Singh  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c Dr. To Jagat A/c (Being Jagat acceptance was received)		1,000	1,000
	Bills Sent for Collection A/c Dr. To Bills Receivable A/c (Being bill receivable sent to bank for collection)		1,000	1,000
	Bank A/c Dr. To Bills Sent for Collection A/c (Being payment of bill received by bank)		1,000	1,000

**In the book of Jagat  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Mohan Singh A/c Dr. To Bills Payable A/c (Being bills drawn by Mohan Singh was accepted)		1,000	1,000
	Bills Payable A/c Dr. To Bank A/c (Being payment was made to meet the bill)		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.****In the book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To Y's A/c (Being Y's acceptance was received)	Dr.	4,000	4,000
	Cash A/c To Bills Receivable A/c (Being amount of bill receivable on its maturity)	Dr.	4,000	4,000

**Case b.****In the book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To Y's A/c ( Being Y's acceptance was received)	Dr.	4,000	4,000
	Bank A/c Discount Charges A/c To Bills Receivable A/c ( Being Y's acceptance discounted with bank)	Dr. Dr.	3,900 100	4,000

**Case c.****In the book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/ c To Y's A/c (Being Y's acceptance was received)	Dr.	4,000	4,000
	Z's A/c To Discount Received A/c To Bills Receivable A/c (Being Y's acceptance endorsed in favour of and discount allowed by Z is `80)	Dr.	4,080	80 4,000

**Case d.****In the book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To Y's A/c (Being Y's acceptance was received)	Dr.	4,000	4,000
	Bills Sent for Collection A/c To Bills Receivable A/c (Being Y's acceptance sent to bank for collection)	Dr.	4,000	4,000
	Bank A/c To Bills Sent for Collection A/c (Being Y's acceptance net on maturity)	Dr.	4,000	4,000

**Question 13.**

Ram draws a bill for ₹ 2,000 on Shyam on 15th September, 2017 for 3 months. On maturity, Shyam failed to honour th bill.

Pass the necessary Journal entries in the books of Ram and Shyam.

Solution:

**In the book of Ram  
Journal**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Dr. Rs.</b>	<b>Cr. Rs.</b>
2017 Sep.15	Bills Receivable A/c To Shyam A/c (Being Shyam's acceptance received)	Dr.	2,000	2,000
Dec.18	Shyam A/c To Bills Receivable A/c (Shyam's acceptance dishonoured)	Dr.	2,000	2,000

**In the book of Shyam  
Journal**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Dr. Rs.</b>	<b>Cr. Rs.</b>
2017 Sep.15	Ram A/c To Bills Payable A/c (Being bill drawn by Ram was accepted)	Dr.	2,000	2,000
Dec.18	Bills Payable A/c To Ram A/c (Being bills payable dishonoured)	Dr.	2,000	2,000

Question 14.

On 20th March, 2018, Naresh sold goods to Kailash to the value of ₹ 1,250, taking a bill at 3 months for the amount. On maturity, the bill was dishonoured. Naresh paid ₹ 10 as noting charges. On 1st July, Kailash cleared his account by paying ₹ 1,260.

Make the entries in the books of both the parties to record the above transactions.

Solution:

**In the book of Naresh  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Mar.20	Kailash A/c To Sales A/c (Being goods sold to Kailash)	Dr.	1,250	1,250
Mar.20	Bills Receivable A/c To Kailash A/c (Being Kailash's acceptance was received)	Dr.	1,250	1,250
Jun.23	Kailash A/c To Bills Receivable A/c To Cash A/c (Being bill received from Kailash dishonoured and Rs.10 paid for nothing the bill)	Dr.	1,260	1,250 10
July.01	Cash A/c To Kailash A/c (Being received cash from Kailash)	Dr.	1,260	1260

**In the book of Kailash  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Mar.20	Purchases A/c To Naresh A/c (Being goods were bought from Naresh)	Dr.	1,250	1,250
Mar.20	Naresh A/c To Bills Payable A/c (Being bill drawn by Naresh was accepted)	Dr.	1,250	1,250
Jun.23	Bills Payable A/c Noting Charges A/c To Naresh A/c (Being bill payable was dishonoured)	Dr. Dr.	1,250 10	1,260
July.01	Naresh A/c To Cash A/c (Being paid cash to Naresh)	Dr.	1,260	1,260

Question 15.

On 1st July, 2017, A drew a bill for ₹ 5,000 on B payable after 3 months. A discounted it with the Bank for ₹ 4,850. On maturity B failed to pay the amount of his acceptance and the bank had to pay ₹ 50 as noting charges.

Draw up the necessary Journal entries in the books of A and B.

Solution:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Jul.05	Bills Receivable A/c To B's A/c (Being B's acceptance was received)	Dr.	5,000	5,000
Jul.01	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being B's acceptance discounted with bank)	Dr. Dr.	4,850 150	5,000
Oct.04	B's A/c To Bank A/c (Being B's acceptance became dishonoured, bank paid noting charges of Rs.50)	Dr.	5,050	5,050

**In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Ju.01	A's A/c To bills Payable A/c (Being bill drawn by A was accepted)	Dr.	5,000	5,000
Oct.04	Bills Payable A/c Nothing Charges A/c To A's A/c ( Being bills payable dishonoured)	Dr. Dr.	5,000 50	5,050

Question 16.

On 15th June, 2017, Mohan sold goods to Sohan valued at ₹ 2,000. He drew a bill at 3 months for the amount and discounted the same with his bankers at ₹ 1,960. On the due date the bill was dishonoured and Mohan paid to the bank the amount due plus the noting charges of ₹ 10.

Draft the Journal entries in the books of all parties.

Solution:

**In the book of Mohan  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 June 15	Sohan A/c To Sales A/c (Being goods sold to Sohan)	Dr.	2,000	2,000
June 15	Bills Receivable A/c To Sohan A/c (Being Sohan's acceptance was received)	Dr.	2,000	2,000
June 15	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being Sohan's acceptance discounted with bank)	Dr. Dr.	1,960 40	2,000
Sep.18	Sohan A/c To Bank A/c (Being Sohan's acceptance become dishonoured and bank paid Rs.10 noting charges)	Dr.	2,010	2,010
Sep.18	Bank A/c To Cash A/c (Being paid the amount due plus noting charges of Rs.10)	Dr.	2,010	2,010

**In the book of Sohan  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 June 15	Purchase A/c To Mohan A/c ( Being goods were bought from Sohan)	Dr.	2,000	2,000
June 15	Mohan A/c To Bills Payable A/c (Being bills drawn by Mohan was accepted)	Dr.	2,000	2,000
Sep.18	Bills Payable A/c Noting Charges A/c To Mohan A/c (Being bills payable become dishonoured)	Dr. Dr.	2,000 10	2,010

Question 17.

On 1st March, 2018, R accepted a Bill of Exchange of ₹ 20,000 from S payable 3 months after date in full settlement of his dues. On the same day S endorsed the Bill of Exchanges to T together with a cheque for ₹ 5,000 in settlement of his debt to the latter. On 2nd March, 2018, T discounted the Bill of Exchange @ 6% p.a. with his bankers. On maturity the Bill of Exchange was dishonoured. Journalise the transactions in the books of R and T.

Solution:

**In the book of R  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Mar.01	S's A/c To Bill Payable A/c (Being bill drawn by S's was accepted)	Dr.	20,000	20,000
June 04	Bills Payable A/c To S's A/c (Being bills payable dishonoured)	Dr.	20,000	20,000

**In the book of T  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Mar.01	Bank A/c Bills Receivable A/c To S's A/c (Being bills Receivable and cheque received from S)	Dr. Dr.	5,000 20,000	25,000
Mar.02	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being R's acceptance discounted with bank at 6% p.a. for 3 month)	Dr. Dr.	19,700 300	20,000
June04	S 's A/c To Bank A/c (Being bill received from S's was dishonoured)	Dr.	20,000	20,000

Question 18.

On 1st January, 2018, A drew a bill on B for ₹ 10,000 payable after 3 months. B accepted the bill and returned it to A. After 10 days, A endorsed the bill to his creditor C. On the due date, the bill was dishonoured and C paid ₹ 50 as noting charges.

Record the transactions in the books of A, B and C.

Solution:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	Bills Receivable A/c To B A/c (Being B's acceptance was received)	Dr.	10,000	10,000
Jan.11	C A/c To Bills Receivable A/c (Being B's acceptance endorsed in favour of C)	Dr.	10,000	10,000
April 04	B A/c To C A/c (Being bill endorsed in favour of C was dishonoured and C paid noting charges Rs.5)	Dr.	10,050	10,050

**In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	A's A/c To Bills Payable A/c (Being bill drawn by A's was accepted)	Dr.	10,000	1,000
April.04	Bill Payable A/c Noting charges A/c To A's A/c (Being bill payable dishonoured )	Dr. Dr.	10,000 500	10,050

**In the book of C  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.11	Bills Receivable A/c To A's A/c (Being receivable received from A's)	Dr.	10,000	1,000
April.04	A's A/c To Bills Receivable A/c To Cash A/c (Being receivable received from A's become dishonoured and Noting Charge paid Rs.50)	Dr.	10,050	10,000 50

Question 19.

B owes A ₹ 4,000. On 1st January, 2018, B accepts a 3 months bill for ₹ 3,900 being in full settlement of the claim. At its due date the bill is dishonoured. Noting charges ₹ 50 are paid by A. Give the Journal entries in the books of A and B.



Solution:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	Bills Receivable A/c Discount Allowed A/c To B's A/c (Being B's acceptance received and discount allowed)	Dr. Dr.	3,900 100	4,000
April.04	B's A/c To Bill Receivable A/c To Discount Allowed A/c To Cash A/c (Being B's acceptance become dishonoured and noting charges paid Rs.50)	Dr.	4,050	3,900 100 50

**In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	A's A/c To Bills Payable A/c To Discount Received A/c (Being bill drawn by A was accepted and discount was received from him)	Dr.	4,000	3,900 100
April.04	Bill Payable A/c Discount Receivable A/c Noting Charges A/c To A's A/c (Being bills payable dishonoured)	Dr. Dr. Dr.	3,900 100 50	4,050

Question 20.

Y owes X ₹ 4,000. On 1st January, 2017, Y accepts a 3 months bill for ₹ 3,900 in satisfaction of his full claim. On the same date, it was endorsed by X to Z in satisfaction of his claim of ₹ 3,980. The bill is dishonoured on the due date. Give the Journal entries in the books of X.

Solution:

**In the book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Jan.01	Bills Receivable A/c Discount Allowed A/c To Y's A/c (Being Y's acceptance received in full settlement of amount due from him and allowed with discount)	Dr. Dr.	3,900 100	4,000
Jan.01	Z's A/c To Bills Receivable A/c To Discount Received A/c ( Being Y's acceptance endorsed in favour of Z's and discount received)	Dr.	3,980	3,900 80
Mar.04	Y's A/c Discount Received A/c To Z's A/c To Discount Allowed A/c (Being Y's acceptance was endorsed to Z's, now dishonoured)	Dr. Dr.	4,000 80	3,980 100

Question 21.

Rama sold goods of ₹ 12,000, charged IGST @ 18% to Reshma on 1st January, 2018. On the same date Rama draws a bill on Reshma for ₹ 12,000 for a period of 3 months and received the balance amount by cheque. On receipt of the bill on 1st January, 2018 duly accepted by Reshma, Rama discounts it with a bank at 6% p.a. On the date of maturity, the bill was dishonoured, the bank having to pay ₹ 500 as noting charges. Reshma paid the due amount less ₹ 500 in full settlement.

Show Journal entries arising from the above in the books of both Rama and Reshma.

Solution:

**In the book of Rama  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	Reshma A/c To Sales A/c To Output IGST A/c (Being goods were sold to Reshma charge on IGST)	Dr.	14,160	12,000 2,160
Jan.01	Bills Receivable A/c Bank A/c To Reshma A/c (Being Reshma's acceptance was received)	Dr. Dr.	12,000 2,160	14,160
Jan.01	Bank A/c Discount Charges A/c ( $12,000 \times 6\% \times 3/12$ ) To Bills Receivable A/c (Being Reshma's acceptance discounted with both at 6% p.a. for 3 month)	Dr. Dr.	11,820 180	12,000
April.04	Reshma A/c To Bank A/c (Being Reshma's acceptance which had been discounted, now become dishonoured and bank paid `500 as noting charges)	Dr.	12,500	12,500
April.04	Bank A/c To Cash A/c (Being liabilities arising on account of bill dishonoured was settled)	Dr.	12,500	12,500

**In the book of Reshma  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	Purchases A/c Input IGST A/c To Rama A/c (Being bought goods from Rama charge on IGST)	Dr.	12,000 2,160	14,160
Jan 04	Rama A/c To Bills Payable A/c To Bank A/c (Being bill drawn by Rama was accepted)	Dr.	14,160	12,000 2,160
April 04	Bills Payable A/c Noting Charges A/c To Rama A/c (Being bill payable dishonoured)	Dr. Dr.	12,000 500	12,500

Question 22.

On 1st January, 2017, A draws a bill on B for ₹ 1,000 payable after 3 months. Immediately after its acceptance, A sends the bill to his bank for collection. On the due date, the bill was dishonoured. Record the transactions in the Journals of A and B.

Solution:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Jan.01	Bills Receivable A/c To B's A/c (Being B's acceptance was received)	Dr.	1,000	1,000
Jan.01	Bills Sent for Collection A/c To Bills Receivable A/c (Being B's acceptance become dishonoured)	Dr.	1,000	1,000
Apr. 04	B's A/c To Bills Sent for Collection A/c (Being B's acceptance become dishonoured)	Dr.	1,000	1,000

**In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Jan.01	A's A/c To Bills Payable A/c (Being drawn by A's was accepted)	Dr.	1,000	1,000
April.04	Bills Payable A/c To A's A/c (Being payable to A's became dishonoured)	Dr.	1,000	1,000

Question 23.

A bill for ₹ 1,000 is drawn by A on B and accepted by the latter payable at the New Bank of India. Show what entries should be passed in the books of A under each of the following circumstances:

- If A retained the bill till the due date and then realized it on maturity.
- If A discounted it with his bankers for ₹ 950.
- If A endorsed it to his creditor C in full settlement of his debt.
- If A sent it to his bankers for collection.

Also, give the necessary entries in each of the cases if the bill is dishonoured.

Solution:

a.

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To B's A/c (Being B's acceptance was received)	Dr.	1,000	1,000
	<b><u>On bill honoured</u></b> Bank A/c To Bills Receivable A/c (Being B's acceptance honoured)	Dr.	1,000	1,000
	<b><u>On bill dishonoured</u></b> B's A/c To Bills Receivable A/c (Being B's acceptance dishonoured)	Dr.	1,000	1,000

b.

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To B's A/c (Being bills receivable received from B's)	Dr.	1,000	1,000
	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being bill acceptance discounted with bank)	Dr. Dr.	950 50	1,000
	<b><u>On bill dishonoured</u></b> B's A/c To Bank A/c (B's acceptance dishonoured)	Dr.	1,000	1,000

c.

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To B's A/c (Being B's acceptance was received)	Dr.	1,000	1,000
	C's A/c To Bills Receivable A/c (Being B's acceptance endorsed in favour of C's)	Dr.	1,000	1,000
	<b><u>On bill dishonoured</u></b> B's A/c To C's A/c (Being B's acceptance which had transferred to C's now became dishonoured)	Dr.	1,000	1,000

d.

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To B's A/c (Being B's acceptance was received)	Dr.	1,000	1,000
	Bill Sent Bank for Collection A/c To Bills Receivable A/c (Being bill Sent to bank for collection)	Dr.	1,000	1,000
	<b><u>On bill dishonoured</u></b> B's A/c To Bill Sent to Bank for Collection A/c ( Being B's acceptance dishonoured)	Dr.	1,000	1,000

Question 24.

On 1st January, 2018 for goods sold, Ramesh drew a Bill of Exchange on Mahesh for ₹ 4,000, for a period of 3 months. Mahesh accepts it and returns to Ramesh. Ramesh then endorses it to Mukesh who in turn endorses it to Suresh on 1st February, 2018. The bill is then discounted by Suresh on the same date with his banker at 5% p.a. On the due date the bill is dishonoured.

Pass the necessary Journal entries in the books of all the four parties.

Solution:

**In the book of Ramesh  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	Maresh A/c To Sales A/c (Being were sold to Mehesh)	Dr.	4,000	4,000
Jan.01	Bills Receivable A/c To Maresh A/c ( Being Maresh's acceptance was received)	Dr.	4,000	4,000
Jan.01	Mukesh A/c To Bills Receivable A/c (Being Maresh' acceptance was endorsed in favour of Mukesh)	Dr.	4,000	4,000
Apr.04	Maresh A/c To Mukesh A/c (Being Maresh's acceptance endorsed to Mukesh was dishonoured)	Dr.	4,000	4,000

**In the book of Mahesh  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	Purchase A/c To Ramesh A/c (Being goods were bought from Ramesh)	Dr.	4,000	4,000
Jan.01	Ramesh A/c To Bills Payable A/c (Being drawn by Ramesh was accepted)	Dr.	4,000	4,000
April.04	Bills Payable A/c To Ramesh A/c (Being bill payable was dishonoured)	Dr.	4,000	4,000

**In the book of Mukesh  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	Bill Receivable A/c To Ramesh A/c (Being bill received from Ramesh)	Dr.	4,000	4,000
Feb.01	Suresh A/c To Bills Receivable A/c ( Being bill which had received from Ramesh, endorsed to Suresh)	Dr.	4,000	4,000
April.04	Ramesh A/c To Suresh A/c (Being received from Ramesh was dishonoured)	Dr.	4,000	4,000

**In the book of Suresh  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Feb.01	Bills Receivable A/c To Mukesh A/c (Being bill receivable received from Mukesh)	Dr.	4,000	4,000
Feb.01	Bank A/c Discount Charges A/c ( $4,000 \times 5\% \times 2/12$ ) To Bills Receivable A/c (Being bill discount with bank at 5% p.a. for two month)	Dr. Dr.	3,967 33	4,000
April.04	Mukesh A/c To Bank A/c (Being bill received from Mukesh was dishonoured)	Dr.	4,000	4,000

Question 25.

A purchases goods worth ₹ 6,200 from B and gives him his acceptance for ₹ 6,000 in full satisfaction. B purchases goods worth ₹ 10,000 from C and endorses the bill to him, paying the

balance by cheque. On maturity the bill is dishonoured, noting charges amounted to ₹ 100.

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

Solution:

**Book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Purchases A/c Dr. To B's A/c (Being goods purchased from B's)		6,200	6,200
	B's A/c Dr. To Bills Payable A/c To Discount Received A/c (Being bill drawn by B's accepted and discount allowed by him)		6,200	6,000 200
	Bills Payable A/c Dr. Discount Receivable A/c Dr. Noting Charges A/c Dr. To B's A/c (Being bill payable dishonoured)		6,000 200 100	6,300

**Book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	A's A/c Dr. To Sales A/c (Being goods sold to A's )		6,200	6,200
	Bills Receivable A/c Dr. Discount Allowed A/c Dr. To A's A/c (Being B's acceptance received and discounted allowed)		6,000 200	6,200
	Purchases A/c Dr. To C's A/c (Being goods bought from C's)		10,000	10,000
	C's A/c Dr. To Bills Receivable A/c To Bank A/c (Being bills receivable and cheque given to C's to settle due)		10,000	6,000 4,000
	A's A/c Dr. To C's A/c To Discount Allowed A/c (Being bill accepted by B was dishonoured and C's paid Rs.100 as noting charges)		6,300	6,100 200

**Book of C  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	B's A/c Dr. To Sales A/c (Being goods sold to B's)		10,000	10,000
	Bills Receivable A/c Dr. Bank A/c Dr. To B's A/c (Being bill receivable and cheque received from B's)		6,000 4,000	10,000
	B's A/c Dr. To Bills Receivable A/c To Cash A/c (Being bills receivable received from B dishonoured and Rs.100 paid for noting the bill)		6,100	6,000 100

Question 26.

X sells goods for ₹ 40,000 to Y on 1st January, 2012 and on the same day draws a bill on Y at three months for the amount. Y accepts it and returns it to X, who discounted it on 4th January, 2018 with his bank at 6% p.a. The acceptance is dishonoured on the due date and the noting charges were paid by bank being ₹ 200.

On 4th April, 2018, Y accepts a new bill at three months for the amount then due to X together with interest at 12% p.a.

Make Journal entries to record these transactions in the books of X.

Solution:

**Book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2012 Jan. 01	Y's A/c To Sales A/c (Being goods was sold to Y's on credit)	Dr.	40,000	40,000
Jan. 01	Bill Receivable A/c To Y A/c (Being Y's acceptance was received)	Dr.	40,000	40,000
Jan. 04	Bank A/c Discounting Charges A/c To Bills Receivable A/c (Being bill discounted at 6% p.a.)	Dr. Dr.	39,400 600	40,000
Apr. 04	Y's A/c To Bank A/c (Being bill dishonoured and noting charges of Rs.200 paid by bank)	Dr.	40,200	40,200
Apr. 04	Y's A/c To Interest A/c (Being interest due for three months from Y on renewal of bill)	Dr.	1,206	1,206
Apr. 04	Bill Receivable (New) A/c (40,200 + 1,206) To Y A/c (Being acceptance received from Y's)	Dr.	41,406	41,406

**Working Notes:**

- $$1. \text{ Amount of Discounting Charges} = \frac{40,000 \times 6 \times 3}{100 \times 12} = 200$$
- $$2. \text{ Amount of Interest on Renewal of Bill} = \frac{40,200 \times 12 \times 3}{100 \times 12} = 1,206$$

Question 27.

On 1st January, 2018, X received from Y three Bills of Exchange for ₹ 6,000; ₹ 8,000; and ₹ 10,000 for 6 months, 4 months and 3 months respectively. On 3rd January the first bill was discounted by X with his bankers at a discount of 5% p.a. On 1st February the 3rd bill was endorsed in favour of a creditor Z. The second bill was retained till the due date. On due dates all the three bills were dishonoured.

Show the necessary Journal entries in the books of X and Y.

Solution:



**In the book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan. 01	Bill Receivable A/c ( <b>Bill no. 1</b> ) Bill Receivable A/c ( <b>Bill no. 2</b> ) Bill Receivable A/c ( <b>Bill no. 3</b> ) To Y's A/c (Being Y's acceptance was received)	Dr. Dr. Dr.	6,000 8,000 10,000	24,000
Jan. 03	Bank A/c Discount Charges A/c To Bill Receivable A/c ( <b>Bill no. 1</b> ) (Being bill no. 1 validity for 6 months was discounted with bank at 5% p.a.)	Dr. Dr.	5,850 150	6,000
Feb. 01	Z's A/c To Bills Receivable A/c ( <b>Bill no. 3</b> ) (Being bill no. 3 was endorsed in favour of Z's)	Dr.	10,000	10,000
Apr. 04	Y's A/c To Z's A/c (Being bill no 3 validity for 3 months was discounted on due date)	Dr.	10,000	10,000
May 04	Y's A/c To Bills Receivable A/c ( <b>Bill no. 2</b> ) (Being bill no 2 validity for 4 months was discounted on due date)	Dr.	8,000	8,000
July 04	Y's A/c To Bank A/c (Being bill no 1 validity for 6 months was discounted on due date)	Dr.	6,000	6,000

**In the book of Y  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	X's A/c To Bills Payable A/c ( <b>Bill no. 1</b> ) To Bills Payable A/c ( <b>Bill no. 2</b> ) To Bills Payable A/c ( <b>Bill no. 3</b> ) (Being bill drawn by X's was accepted)	Dr.	24,000	6,000 8,000 10,000
Apr. 04	Bills Payable A/c ( <b>Bill no. 3</b> ) To X's A/c (Being bill no. 3 was not honoured)	Dr.	10,000	10,000
May 04	Bills Payable A/c ( <b>Bill no. 2</b> ) To X's A/c (Being bill no 2 validity for 4 months was not honoured)	Dr.	8,000	8,000
July 04	Bills Payable A/c (Bill no. 1) To X A/c (Being bill no. 1 validity for 6 months was not honoured)	Dr.	6,000	6,000

Question 28.

On 1st January, 2018, Mr. X sold goods to Mr. Y for ₹ 4,500 on credit and drew 3 bills on him first bill for ₹ 1,000 for 1 month, second bill for ₹ 1,500 for 2 months and third bill for ₹ 2,000 for 3 months. Mr. Y accepted and returned all the bills to Mr. X.

The first bill was retained by Mr. X till the date of maturity. Second bill was endorsed to his creditor Mr. Z on 3rd January, 2018 and third bill was sent to bank for collection on 4th January, 2017. On maturity all the bills were dishonoured and noting charges amount to ₹ 10, ₹ 15 and ₹ 20 respectively. Give the Journal entries in the books of X, Y and Z.

Solution:

**In the book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan. 01	Y's A/c To Sales A/c (Being goods was sold to Y's)	Dr.	4,500	4,500
Jan. 01	Bill Receivable A/c (Bill no. 1) Bill Receivable A/c (Bill no. 2) Bill Receivable A/c (Bill no. 3) To Y's A/c (Being Y's acceptance was received)	Dr. Dr. Dr.	1,000 1,500 2,000	4,500
Jan. 03	Z's A/c To Bill Receivable A/c (Bill no. 2) (Being bill receivable endorsed in favor of Z's)	Dr.	1,500	1,500
Jan. 04	Bills Sent for Collection A/c To Bills Receivable A/c (Bill no. 3) (Being bill sent to bank for collection)	Dr.	2,000	2,000
Feb. 04	Y's A/c To Bills Receivable A/c (Bill no. 1) To Cash A/c (Being bill dishonoured whose maturity period was 1 month)	Dr.	1,010	1,000 10
Mar. 04	Y's A/c To Z's A/c (Being bill endorsed to Z's dishonoured)	Dr.	1,515	1,515
Apr. 04	Y's A/c To Bill Sent for Collection A/c To Bank A/c (Being bill which had sent to bank for collection, now dishonoured and bank paid noting charges)	Dr.	2,020	2,000 20

**In the Book of Y  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan.01	Purchase A/c To X's A/c (Being goods were bought )	Dr.	4,500	4,500
Jan.01	X's A/c To Bills Payable A/c (Bill no. 1) To Bills Payable A/c (Bill no. 2) To Bills Payable A/c (Bill no. 3) (Being bill drawn by X's was accepted)	Dr. Dr.	4,500	1,000 1,500 2,000
Feb 04	Bills Payable A/c (Bill no. 1) Nothing Charges A/c To X's A/c (Being bill payable for 1 month was dishonoured)	Dr. Dr.	1,000 10	1,010
Mar.04	Bills Payable A/c (Bill no. 2) Nothing Charges A/c To X's A/c (Being bill no. 2 was dishonoured)	Dr. Dr.	1,500 15	1,515
Apr. 04	Bill Payable A/c (Bill no. 3) Nothing Charges A/c To X's A/c (Being bill no. 3 dishonoured)		2,000 20	2,020

**Book of Z  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan. 03	Bills Receivable A/c To X's A/c (Being bill receivable received from X's)	Dr.	1,500	1,500
Apr. 04	X's A/c To Bill Receivable A/c To Bank A/c (Being bill received from X's was dishonoured and noting charges paid)	Dr.	1,515	1,500 15

Question 29.

Ram owes ₹ 2,000 to Mohan on 1st January, 2018. On this date, he accepted a draft for the amount for 3 months. Mohan got the bill discounted at his bank @ 6% p.a. On the due date, the bill was dishonoured, nothing charges ₹ 20. Ram agreed to pay ₹ 520 immediately and accept another bill for

the remaining amount for 3 months together with interest at 9% p.a. This bill was met on the due date. Give the Journal entries in the books of both the parties.

Solution:

**In the book of Mohan  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan. 01	Bills Receivable A/c To Ram A/c (Being Ram's acceptance received)	Dr.	2,000	2,000
Jan. 01	Bank A/c Discount Charges A/c ( $2000 \times 6\% \times 3/12$ ) To Bills Receivable A/c (Being Ram's acceptance was discounted at 6% p.a. for 3 months)	Dr. Dr.	1,970 30	2,000
Apr. 04	Ram A/c To Bank A/c (Being Ram's acceptance discounted with bank dishonoured and noting paid)	Dr.	2,020	2,020
Apr. 04	Cash A/c To Ram A/c (Being cash received from ram)	Dr.	520	520
Apr. 04	Ram A/c To Interest A/c ( $1500 \times 9\% \times 3/12$ ) (Being interest due from on remaining amount at 9% p.a. for 3 months)	Dr.	34	34
Apr. 04	Bill Receivable A/c To Ram A/c (Being Ram's acceptance for remaining amount plus interest )	Dr.	1,534	1,534
Apr. 04	Cash A/c To Bill Receivable A/c (Being cash received on honouring of bill)	Dr.	1,534	1,534

**In the book of Ram  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2018 Jan. 01	Mohan A/c To Bills Payable A/c (Being bill drawn by Mohan was accepted)	Dr.	2,000	2,000
Apr. 04	Bills Payable A/c Nothing Charges A/c To Mohan A/c (Being bill dishonoured on its due date)	Dr. Dr.	2,000 20	2,020
Apr. 04	Mohan A/c To Cash A/c (Being cash paid to Mohan)	Dr.	520	520
Apr. 04	Interest A/c To Mohan A/c (Being interest due to mohan on outstanding balance for 3 months)	Dr.	34	34
Apr. 04	Mohan A/c To Bills Payable A/c (Being bill accepted for the amount remaining plus interest to Mohan)	Dr.	1,534	1,534
Apr. 04	Bills Payable A/c To Cash A/c (Being bill paid on maturity)	Dr.	1,534	1,534

Question 30.

On 15th June, 2017, X sold to Y goods to the value of ₹ 15,000 drawing upon the latter two bills, one for ₹ 10,000 payable 2 months after date and other for ₹ 5,000 payable 3 months after date, X discounted the first bill with his bankers at 6% p.a. and endorsed the second bill in favour of his creditor, Z. The first bill was met on maturity but the second was dishonoured. Z paid ₹ 50 as noting charges. On 1st October, Y cleared his account to X by paying ₹ 5,100 which included ₹ 50 as interest.

Solution:

**In the books of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 June 15	Y's A/c To Sales A/c (Being goods were sold to Y's)	Dr	15,000	15,000
June 15	Bills Receivable A/c ( <b>Bill no. 1</b> ) Bill Receivable A/c ( <b>Bill no. 2</b> ) To Y's A/c (Being Y's acceptance was received)	Dr Dr	10,000 5,000	15,000
June 15	Bank A/c Discount Charges A/c (10,000×6%×2/12) To Bills Receivable A/c ( <b>Bill no.1</b> ) (Being bill issued for two months discounted at 6% p.a. for two months)	Dr Dr	9,000 1,00	10,000
June 15	Z's A/c To Bills Receivable A/c ( <b>Bill no. 2</b> ) (Being Y's acceptance bill no. 2 endorsed in favor of Z's)	Dr	5,000	5,000
Sep. 18	Y's A/c To Z's A/c (Being Y's acceptance endorsed to Z's dishonoured and noting charges paid)	Dr	5,050	5,050
Oct. 01	Y's A/c To Interest A/c (Being interest due from Y's)	Dr	50	50
	Cash A/c To Y's A/c (Being amount due from Y's received)	Dr	5,100	5,100

**In the books of Y  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 June 15	Purchase A/c To X's A/c (Being goods were bought from X's)	Dr.	15,000	15,000
June 15	X's A/c To Bill Payable A/c ( <b>Bill no.1</b> ) To Bill Payable A/c ( <b>Bill no.2</b> ) (Being bill drawn by X were accepted)	Dr.	15,000	10,000 5,000
Aug. 18	Bills Payable A/c ( <b>Bill no.1</b> ) To Bank A/c (Being payment made for bill on maturity)	Dr.	10,000	10,000
Sep. 18	Bills Payable A/c ( <b>Bill no. 2</b> ) Nothing Charges A/c To X's A/c (Being bill dishonored)	Dr. Dr.	5,000 50	5,050
Oct. 01	Interest A/c To X's A/c (Being interest due to X's)	Dr.	50	50
Oct. 01	X's A/c To Cash A/c (Being payment made to X's)	Dr	5,100	5,100

Question 31.

X draws a bill on Y for ₹ 2,000 on 1st January, 2017, Y accepts the same and returns it to X. The bill was drawn by X in full settlement of a debt owing by Y amounted to ₹ 2,050. X discounts the bill on the same date with the Central Bank of India for ₹ 1,980. At maturity the bill was duly met by Y. Give the entries in the books of X and Y. Suppose the bill is dishonoured, what entries will be passed?

Solution:

**In the book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Jan. 01	Bills Receivable A/c Discount Allowed A/c To Y's A/c ( Being Y's acceptance was received and discount allowed)	Dr. Dr.	2,000 50	2,050
Jan. 01	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being Y's acceptance was discounted with bank)	Dr. Dr.	1,980 20	2,000

**In the book of Y  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Jan. 01	X's A/c To Bill Payable A/c To Discount Received A/c (Being bill drawn by X's was accepted)	Dr.	2,050	2,000 50
	Bills Payable A/c To Bank A/c (Being bill duly met on maturity)	Dr.	2,000	2,000

**In case the bill is dishonoured:**

**In the book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Jan. 01	Bills Receivable A/c Discount Allowed A/c To Y's A/c (Being Y's acceptance was received and discount allowed)	Dr. Dr.	2,000 50	2,050
Jan. 01	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being Y's acceptance was discounted with bank)	Dr. Dr.	1,980 20	2,000
	Y's A/c To Bank A/c To Discount Allowed A/c (Being Y's acceptance became dishonoured)	Dr.	2,050	2,000 50

**In the book of Y  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Jan. 01	X's A/c To Bills Payable A/c To Discount Received A/c (Being bill drawn by X's was accepted and discount received)	Dr.	2,050	2,000 50
	Bills Payable A/c Discount Received A/c To X's A/c (Being became dishonoured)	Dr. Dr.	2,000 50	2,050

Question 32.

On 1st June, 2017 A sold goods to B for ₹ 250. B gave to A his acceptance payable 1 month after date. Before maturity B requests A to renew it, which A does adding ₹ 10 to the new bill for interest. Make the necessary Journal entries to record these transactions in the books of both A and B.

Solution:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 June 01	B's A/c To Sales A/c (Being goods were sold to B's)	Dr.	250	250
June 01	Bills Receivable A/c To B's A/c (Being B's acceptance was received)	Dr.	250	250
July 04	B's A/c To Bill Receivable A/c (B's acceptance was cancelled)	Dr.	250	250
July 04	B's A/c To Interest A/c (Being interest due from B on cancelling the first bill)	Dr.	10	10
July 04	Bills Receivable A/c To B's A/c (Being new bill including interest was accepted by B's)	Dr.	260	260

**In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 June 01	Purchases A/c To A's A/c (Being goods were bought from A)	Dr.	250	250
June 01	A's A/c To Bills Payable A/c (Being bills drawn by A's was accepted)	Dr.	250	250
July 04	Bill Payable A/c To A's A/c (Being bill got cancelled)	Dr.	250	250
July 04	Interest A/c To A's A/c (Being interest due to for cancelling the bill)	Dr.	10	10
July 04	A's A/c To Bills Payable A/c (Being new bill including interest drawn by A's was accepted)	Dr.	260	260

Question 33.

A sold goods to B on 1st September, 2017 for ₹ 16,000. B immediately accepted a 3 months bill. On the due date, B requested that the bill be renewed for a further period of 2 months. A agreed provided interest at 9% p.a. was paid immediately in cash. To this B was agreeable. The second bill was met on the due date. Give the Journal entries in the books of A.

Solution:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Sep. 01	B's A/c To Sales A/c (Being goods were sold to B's)	Dr.	16,000	16,000
Sep. 01	Bill Receivable A/c To B's A/c (Being B's acceptance was received)	Dr.	16,000	16,000
Dec. 04	B's A/c To Bill Receivable A/c (Being B's acceptance was cancelled)	Dr.	16,000	16,000
Dec. 04	B's A/c To Interest A/c (16000×9%×2/12) (Being interest due from at 9% for 2 month on the amount due)	Dr.	240	240
Dec. 04	Cash A/c To Interest A/c (Being amount for interest were received from B's)	Dr.	240	240
Dec. 04	Bills Receivable A/c To B's A/c (Being B's accepted a new bill)	Dr.	16,000	16,000
2018 Feb. 07	Cash A/c To Bills Receivable A/c (Being payment received on honouring of the bill)	Dr.	16,000	16,000

**In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 Sep. 01	Purchase A/c To A's A/c (Being goods were bought from A's)	Dr.	16,000	16,000
Sep. 01	A's A/c To Bills Payable A/c (Being bills drawn by A's was accepted)	Dr.	16,000	16,000
Dec. 04	Bill Payable A/c To A's A/c (Being bill cancelled due no payment)	Dr.	16,000	16,000
Dec. 04	Interest A/c To A's A/c (Being interest due to A's at 9% p.a. for 2 months)	Dr.	240	240
Dec. 04	A's A/c To Cash A/c (Being payment of interest to A's)	Dr.	240	240
Dec. 04	A's A/c To Bill payable A/c (Being new bill drawn by A's was accepted)	Dr.	16,000	16,000
2018 Feb. 07	Bills Payable A/c To Cash A/c (Being payment of the bill made on due date)	Dr.	16,000	16,000

Question 34.

On 1st May, 2017 Merchant & Co. sold goods to AB & Co. valued at ₹ 500 and drew upon them a bill at 3 months for the amount. AB & Co.

accepted the draft on presentation. When the bill was about to mature. AB & Co. expressed their inability to meet it, and offered to pay Merchant & Co. ₹ 200 in cash and to accept a fresh bill for the balance plus interest at 6% p.a. for 3 months Merchant & Co. agreed to the proposal and bill was renewed. On maturity, the bill was duly met.

Make the entries in the books of both the parties to record the above transactions.

Solution:

**In the book of Merchant and Co.  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 May 01	AB and Co. A/c To Sales A/c (Being goods were sold to AB and Co.)	Dr.	500	500
May 01	Bills Receivable A/c To AB and Co. A/c (Being AB and Co. acceptance was received)	Dr.	500	500
Aug. 04	AB and Co. A/c To Bills Receivable A/c (Being AB and Co. acceptance was cancelled)	Dr.	500	500
Aug. 04	Cash A/c To AB and Co. A/c (Being cash received from AB and Co.)	Dr.	200	200
Aug. 04	AB and Co. A/c To Interest A/c ( $300 \times 6\% \times 3/12$ ) (Being interest-due from AB and Co. at 6% p.a.)	Dr.	4.50	4.50
Aug. 04	Bills Receivable A/c To AB and Co. A/c (Being AB and Co. acceptance was received including the interest for 3 month)	Dr.	304.50	304.50
Nov. 07	Cash A/c To Bills Receivable A/c (Being payment received on maturity the bill)	Dr.	304.50	304.50

**In the book of AB and Co  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2017 May.01	Purchases A/c To Merchant and Co. A/c (Being goods were bought from Merchant and Co)	Dr.	500	500
May.01	Merchant and Co. A/c To Bills Payable A/c (Being bill drawn by Merchant and Co was accepted)	Dr.	500	500
Aug.04	Bills Payable A/c To Merchant and Co. A/c (Being bill got cancelled)	Dr.	500	500
Aug.04	Merchant and Co. A/c To Cash A/c (Being cash paid to Merchant and Co)	Dr.	200	200
Aug.04	Interest A/c To Merchant and Co. A/c (Being interest due to Merchant and Co at 6% p.a. for 3 month on the amount due)	Dr.	4.50	4.50
Aug.04	Merchant and Co To Bill Payable A/c (Being new bill drawn by Merchant and Co was accepted)	Dr.	304.50	304.50
Nov.07	Bills Payable A/c To Cash A/c (Being cash paid for honouring the bill)	Dr.	304.50	304.50

Question 35.

A owed B ₹ 400. A accepted a Bill of Exchange at 3 months date for this amount which B discounted for ₹ 380.

Give the necessary Journal entries in the books of A and B if this bill is:

- dishonoured on the due date;
- met at maturity and
- retired under rebate at 6% p.a. 2 months before its maturity.

Solution:



**Case a. If bill is dishonoured****In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To A's A/c (Being A's acceptance was received)	Dr.	400	400
	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being A's acceptance was discounted with bank)	Dr. Dr.	380 20	400
	A's A/c To Bank A/c (Being A's acceptance dishonoured)	Dr.	400	400

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	B's A/c To Bills Payable A/c (Being bill drawn by A's was accepted)	Dr.	400	400
	Bills Payable A/c To B's A/c (Being bill drawn by B was dishonoured on maturity)	Dr.	400	400

**Case b. the bills met at maturity****In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bills Receivable A/c To A's A/c (Being A's acceptance was received)	Dr.	400	400
	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being A's acceptance was discounted with bank)	Dr. Dr.	380 20	400

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	B's A/c To Bills Payable A/c (Being bills drawn by A's was accepted)	Dr.	400	400
	Bill Payable A/c To Cash A/c (Being payment made meeting the bill on maturity)	Dr.	400	400

**Case C. If bill is retired under rebate at 6% p.a. 2 month before its maturity****In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bill Receivable A/c To A's A/c (Being A's acceptance was received)	Dr.	400	400
	Cash A/c Rebate A/c ( $400 \times 6\% \times 2/12$ ) To Bills Receivable A/c (Being payment received 2 month before its maturity and gave rebate)	Dr. Dr.	396 4	400

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	B's A/c To Bills Payable A/c (Being bill drawn by B's was accepted)	Dr.	400	400
	Bills Payable A/c To Cash A/c To Rebate A/c (Being bill discharge before 2 month of its due date and rebate was received)	Dr.	400	396 4

Question 36.

Amar sells goods to Bhola for ₹ 10,000 and draws upon him a bill for the amount payable 3 months after date. The bill is accepted by Bhola. Amar discounts the bill with his bankers at a discount of ₹ 150 inclusive of all charges. Bhola fails to meet this bill on maturity. Amar pays off his banker and his expenses amounting to ₹ 100. Bhola gives a fresh bill, 2 months date to Amar for ₹ 10,250, which he met at maturity.

Show the necessary Journal entries in Amar's books.

Solution:

**In the book of Amar  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bhola A/c To Sales A/c (Being goods were sold to Bhola)	Dr.	10,000	10,000
	Bills Receivable A/c To Bhola A/c (Being Bhola's acceptance was received)	Dr.	10,000	10,000
	Bank A/c Discount Charges A/c To Bills Receivable A/c (Being Bhola's acceptance discounted with bank)	Dr. Dr.	9,850 150	10,000
	Bhola A/c To Bank A/c (Being Bhola's acceptance declared dishonoured)	Dr.	10,100	10,100
	Bank A/c To Cash A/c (Being payment made to bank with noting charges for dishonoring of the bill)	Dr.	10,100	10,100
	Bhola A/c To Interest A/c (Being interest due from Bhola for on account of bill dishonour)		150	150
	Bills Receivable A/c To Bhola A/c (Being new bill accepted by Bhola for the amount due including rating charges and interest)	Dr.	10,250	10,250
	Cash A/c To Bills Receivable A/c (Being amount received)	Dr.	10,250	10,250

Question 37.

'B' being unable to meet his acceptance for ₹ 2,000 due on 15th June, approaches the Drawer 'A' (who is in possession of the bill) on 30th June, with the request to receive ₹ 800 in cash and draw on him for the balance plus ₹ 15 for interest at 3 months date and cancel the old bill for ₹ 2,000. A agrees to this. Pass the entries in the books of A and B.

Solution:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
Jun. 15	B A/c To Bills Receivable A/c (B acceptance dishonoured)	Dr.	2,000	2,000
Jun. 30	Cash A/c To B's A/c ( Being cash received from B's)	Dr.	800	800
Jun. 30	B's A/c To Interest A/c ( Being interest due from B's)	Dr.	15	15
Jun. 30	Bill Receivable A/c To B's A/c (Being now bill accepted by B together with interest)	Dr.	1,215	1,215

**In the book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
Jun.15	Bills Payable A/c To A's A/c (Being bill drawn by A's dishonoured)	Dr	2,000	2,000
Jun.30	A's A/c To Cash A/c (Being cash paid to A's)	Dr.	800	800
Jun.30	Interest A/c To A's A/c (Being interest due to A's)	Dr.	15	15
Jun.30	A's A/c To Bills Payable A/c (Being bill drawn for balance mount plus interest accepted)	Dr.	1,215	1,215

Question 38.

Give the Journal entries for the following:

- (a) B's acceptance to us for ₹ 1,000 due this day, renewed at his request for 3 months with interest @ 6% p.a.
- (b) Our bill to C. Chandra for ₹ 5,000 renewed for 2 months with interest @ 6% p.a.
- (c) B's acceptance of ₹ 3,000 is discharged on his paying us cash ₹ 1,000 and accepting a fresh bill for the balance with interest ₹ 100.

Solution:

(a)

**Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	B's A/c To Bills Receivable A/c (Being B's acceptance was cancelled)	Dr.	1,000	1,000
	B's A/c To Interest A/c ( $1000 \times 6\% \times 3/12$ ) (Being interest due from B's)	Dr.	15	15
	Bill Receivable A/c To B's A/c (Being new bill was accepted by B's including interest)	Dr.	1,015	1,015

(b)

**Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bill Payable A/c To C. Chandra A/c (Being bill Payable was cancelled)	Dr.	5,000	5,000
	Interest A/c ( $5000 \times 6\% \times 2/12$ ) To C. Chandra A/c (Being new bill drawn by C. Chandra was accepted)	Dr.	50	50
	C. Chandra A/c To Bills Payable A/c (Being new bill drawn by C. Chandra was accepted)	Dr.	5,050	5,050

(c)

**Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	B's A/c To Bills Receivable A/c (Being B's got cancelled his acceptance)	Dr.	3,000	3,000
	Cash A/c To B's A/c (Being cash received from B)	Dr.	1,000	1,000
	B's A/c To Interest A/c (Being interest due from B)	Dr.	100	100
	Bills Receivable A/c To B's A/c (Being new bill accepted by B's for balance amount including interest)	Dr.	2,100	2,100

Question 39.

Leena sold goods to Meena on 1st March, 2009 for ₹ 68,000 and drew two Bills of Exchange of the equal amount upon Meena payable after three months. Leena immediately discounted the first bill with her bank at 12% p.a. The bill was dishonoured by Meena and Bank paid ₹ 55 as noting charges. The second bill was retired on 4th May, 2009 under a rebate of 6% p.a. with mutual agreement. Journalise the above in the books of Leena and Meena.

Solution:

**In the book of Leena  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2009 Mar.01	Meena A/c To Sales A/c (Being goods were sold to Meena)	Dr.	68,000	68,000
Mar.01	Bill Receivable A/c ( <b>Bill no. 1</b> ) Bill Receivable A/c ( <b>Bill no. 2</b> ) To Meena A/c (Being Meena's acceptance were received )	Dr. Dr.	34,000 34,000	68,000
Mar.01	Bank A/c Discount Charges A/c To Bills Receivable A/c ( <b>Bill no. 1</b> ) (Being bill no.1 discount with bank at 12% p.a. for 3 months)	Dr. Dr.	32,980 1,020	34,000
May 04	Cash A/c Rebat A/c ( $34000 \times 6\% \times 1/12$ ) To Bill Receivable A/c ( <b>Bill no.2</b> ) (Being bill no.2 retired before one month under a rebate at 6% p.a.)	Dr. Dr.	33,830 170	34,000
June 04	Meena A/c To Bank A/c (Being bill no.1 dishonoured and noting charges paid)	Dr.	34,055	34,055

**Book of Meena  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2009 Mar.01	Purchase A/c To Leena A/c (Being goods were bought from Leena)	Dr.	68,000	68,000
Mar.01	Leena A/c To Bills Payable A/c ( <b>Bill no.1</b> ) To Bills Payable A/c ( <b>Bill no.2</b> ) (Being bill drawn by Leena were accepted)	Dr.	68,000	34,000 34,000
Mar.04	Bill Payable A/c ( <b>Bill no.2</b> ) To Cash A/c To Rebate A/c (Being bill no.2 paid one month before due date and rebate received)	Dr.	34,000	33,830 170
June 04	Bills Payable A/c ( <b>Bill no.1</b> ) Noting Charges A/c To Leena A/c (Being bill no.1 was dishonoured due to non-payment)	Dr. Dr.	34,000 55	34,055

Question 40.

How will you record the following transactions in the books Kapadia?

(a) A bill received from Dalpat for ₹ 1,000 has to be renewed, Dalpat agrees to pay ₹ 20 as interest.

(b) Swamy's bill for ₹ 800 endorsed in favour of Ghosh dishonoured, Ghosh pays ₹ 10 as noting charges. Swamy pays ₹ 300 immediately and agrees to accept a new bill for 3 months for the balance together with interest at 6% p.a. Ghosh's Account is settled by cheque.

Solution:

(a)

**In the book of Kapadia  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Dalpat A/c To Bills Receivable A/c (Being Dalpat acceptance cancelled)	Dr.	1,000	1,000
	Dalpat A/c To Interest A/c (Being interest due from Dalpat)	Dr.	20	20
	Cash A/c To Dalpat A/c (Being cash received from Dalpat for interest on renewal of the bill)	Dr.	20	20
	Bills Receivable A/c To Dalpat A/c (Being new bill accepted by Dalpat plus interest)	Dr.	1,000	1,000

(b)

**In the book of Kapadia  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Swamy A/c To Ghosh A/c (Being Swamy's acceptance dishonoured and Ghosh paid Rs.10 as noting charges)	Dr.	810	810
	Cash A/c To Swamy A/c (Being cash received from Swamy)	Dr.	300	300
	Swamy A/c To Interest A/c ( $510 \times 6\% \times 3/12$ ) (Being interest due from Swamy)	Dr.	7.65	7.65
	Bills Receivable A/c To Swamy A/c (Being Swamy's acceptance received for the balance due including interest)	Dr.	517.65	517.65
	Ghosh A/c To Bank A/c (Being amount due to Ghosh was paid through cheque)	Dr.	810	810

Question 41.

Y purchased goods for ₹ 6,000 on 1st June, 2011 from X and on the same date accepted a bill payable after three months. 3 days later, X endorsed the bill to Z. On maturity, the bill was dishonoured for non-payment and Z had to pay ₹ 50 as noting charges. Two days after the dishonour of bill, Y paid ₹ 2,000 to X and requested him to draw a second bill for the balance plus ₹ 90 for the amount of interest, payable after two months. X accepted the proposal and draws the bill on Y, which was accepted by Y and was duly met on maturity.

Pass Journal entries for the above transactions in the books of X.

Solution:

**In the book of X  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2011 June 01	Y's A/c To Sales A/c (Being goods sold to Y's)	Dr.	6,000	6,000
June 01	Bills Receivable A/c (Bill No. 1) To Y's A/c (Being Y's acceptance received)	Dr.	6,000	6,000
June 04	Z's A/c To Bills Receivable A/c (Bill No. 1) (Being bill endorsed in favour of Z's)	Dr.	6,000	6,000
Sept 04	Y's A/c To Z's A/c (Being endorsed bill dishonoured and nothing charges paid)	Dr.	6,050	6,050
Sept 06	Cash A/c Bills Receivable A/c (4,050+90) (Bill No. 2) To Y's A/c To Interest A/c (Being cash Rs.2,000 received and for the remaining balance new bill issued including interest of Rs.90)	Dr. Dr.	2,000 4,140	6,050 90
Nov 09	Cash A/c To Bills Receivable A/c (Bill No. 2) (Being bill met on the due date)	Dr.	4,140	4,140

Question 42.

On 1st January, 2008, A sold goods to B for ₹ 1,00,000 received ₹ 25,000 in cash and drew two bills, first ₹ 45,000 and second for ₹ 30,000 of two months each. Both bills were duly accepted by B. First bill was endorsed to C in settlement of his account of ₹ 45,000 and second bill was discounted from the bank at the rate of 12% p.a. On the due date of these bills, both bills were dishonoured, C has paid ₹ 100 and bank has paid ₹ 80 as noting charges. Pass Journal entries in the books of A, B and C.

Solution:

**In the book of A  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2008 Jan.01	B's A/c To Sales A/c (Being goods sold to B)	Dr.	1,00,000	1,00,000
Jan 01	Cash A/c Bills Receivable A/c ( <b>Bill no.1</b> ) Bills Receivable A/c ( <b>Bill no.2</b> ) To B's A/c (Being cash and acceptance were received from B's)	Dr. Dr. Dr.	25,000 45,000 30,000	1,00,000
Jan.01	C's A/c To Bills Receivable A/c ( <b>Bill no.1</b> ) (Being bill endorsed in favour of C)	Dr.	45,000	45,000
Jan. 01	Bank A/c Discount Charges A/c (30,000×12%×2/12) To Bills Receivable ( <b>Bill No.2</b> ) (Being bill no.2 discounted with bank at 12% p.a. for 2 months)	Dr. Dr.	29,400 600	30,000
Mar.04	B's A/c To C's A/c (Being B's acceptance endorsed to C dishonoured and C paid `100 as nothing charges)	Dr.	45,100	45,100
Mar.04	B's A/c To Bank A/c (Being B's acceptance discounted with bank dishonoured and bank paid `80 as nothing charges)	Dr.	30,080	30,080

**Book of B  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2008 Jan. 01	Purchase A/c To A's A/c (Being goods purchased from A's)	Dr.	1,00,000	1,00,000
Jan 01	A's A/c To Cash A/c To Bills payable A/c ( <b>Bill no. 1</b> ) To Bills payable A/c ( <b>Bill no.2</b> ) (Being cash and bills given to A's)	Dr.	1,00,000	25,000 45,000 30,000
March 04	Bills Payable A/c ( <b>Bill no.1</b> ) Bills Payable A/c ( <b>Bill no.2</b> ) Nothing Charges A/c To A's A/c (Being bills dishonoured )	Dr. Dr. Dr.	45,000 30,000 180	75,180

**Book of C  
Journal**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
2008 Jan. 01	Bills Receivable A/c ( <b>Bill no.1</b> ) To A's A/c (Being bill received from A's)	Dr.	45,000	45,000
March 04	A's A/c To Bills Receivable A/c ( <b>Bill no.1</b> ) To Cash A/c (Being bill dishonoured on due date and noting charges paid)	Dr.	45,100	45,000 100



Question 43.

On 1st January, 2018, Mr. X sold goods to Mr. Y for ₹45,000 plus CGST and SGST @ 9% each on credit. Mr. Y paid the amount of GST immediately in cash. Mr. X drew 3 bills on him: first bill for ₹10,000 for 1 month, second bill for ₹15,000 for 2 months and third bill for ₹20,000 for 3 months. Mr. Y accepted and returned all the bills to Mr. X.

Solution:

**Journal  
in the books of X (Drawer)**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
2018				
Jan 01	Y's A/c Dr. To Sales A/c To Output CGST A/c To Output SGST A/c (Goods sold to Y)		53,100	45,000 4,050 4,050
Jan 01	Cash A/c Dr. Bills Receivable I A/c Dr. Bills Receivable II A/c Bills Receivable III A/c To Y's A/c (Cash and bills received)		8,100 10,000 15,000 20,000	53,100
Jan 03	Z's A/c Dr. To Bills Receivable II A/c (Bill endorsed to Z)		15,000	15,000
Jan 04	Bill Sent for Collection A/c Dr. To Bill Receivable III A/c (Bill sent to bank for collection)		20,000	20,000
Feb 04	Y's A/c Dr. To Bills Receivable A/c To Cash A/c (Bill Receivable I dishonoured)		11,000	10,000 1,000
Mar 04	Y's A/c Dr. To Z's A/c (Bill Receivable II dishonoured)		16,500	16,500
Apr 04	Y's A/c Dr. To Bill Sent for Collection A/c To Cash A/c (Bill Receivable III dishonoured)		22,000	20,000 2,000

**Journal  
in the books of Y (Drawee)**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
2018 Jan 01	Purchases A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. To X's A/c (Goods purchased from X)		45,000 4,050 4,050	53,100
Jan 01	X's A/c Dr. To Bills Payable I A/c Dr. To Bills Payable II A/c To Bills Payable III A/c To Cash A/c (Cash paid and bills accepted)		53,100	10,000 15,000 20,000 8,100
Feb 04	Bills Payable A/c Dr. Noting Charges A/c Dr. To Cash A/c (Bill Payable I dishonoured)		10,000 1,000	11,000
Mar 04	Bills Payable A/c Dr. Noting Charges A/c Dr. To Cash A/c (Bill Payable II dishonoured)		15,000 1,500	16,500
Apr 04	Bills Payable A/c Dr. Noting Charges A/c Dr. To Cash A/c (Bill Payable III dishonoured)		20,000 2,000	22,000

**Journal  
in the books of Z (Endorsee)**

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
2018 Jan 03	Bills Receivable A/c Dr. To X's A/c (Bill received from X)		15,000	15,000
Mar 06	X's A/c Dr. To Bills Receivable A/c To Cash A/c (Bill dishonoured)		16,500	15,000 1,500

Question 44.

Amar sells goods to Bhola for ₹10,000 plus CGST and SGST @ 9% each. he receives the GST amount in cash and draws upon Bhola a bill for the balance amount payable 3 months after date. The bill is accepted by Bhola. Amar discounts the bill with his bank at a discount of ₹150 inclusive of all charges. Bhola fails to meet this bill on maturity. Amar pays off his bank and his expenses amounting to ₹100. Bhola gives a fresh bill of 2 months date to Amar for ₹10,250, which he meets at maturity.

Show necessary Journal entries in Amar's books.

Solution:

**Journal  
in the books of Amar (Drawer)**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit Amount (Rs.)</b>	<b>Credit Amount (Rs.)</b>
	Bhola's A/c Dr. To Sales A/c To Output CGST A/c To Output SGST A/c (Goods sold to Bhola)		11,800	10,000 900 900
	Cash A/c Dr. Bills Receivable A/c Dr. To Bhola's A/c (Cash and bill received)		1,800 10,000	11,800
	Bank A/c Dr. Discounting Charges A/c Dr. To Bills Receivable A/c (Bill discounted)		9,850 150	10,000
	Bhola's A/c Dr. To Bank A/c (Bill dishonoured)		10,100	10,100
	Bhola's A/c Dr. To Interest A/c (Interest due)		150	150
	Bills Receivable A/c Dr. To Bhola's A/c (New bill received)		10,250	10,250
	Cash A/c Dr. To Bills Receivable A/c (New bill met on maturity)		10,250	10,250

**Journal**  
**in the books of Bhola (Drawee)**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit Amount (Rs.)</b>	<b>Credit Amount (Rs.)</b>
	Purchases A/c Dr.		10,000	
	Input CGST A/c Dr.		900	
	Input SGST A/c Dr.		900	
	To Amar's A/c			11,800
	(Goods purchased from Amar)			
	Amar's A/c Dr.		11,800	
	To Bills Payable A/c Dr.			10,000
	To Cash A/c			1,800
	(Cash paid and bill accepted)			
	Bills Payable A/c Dr.		10,000	
	Noting Charges A/c Dr.		100	
	To Cash A/c			10,100
	(Bill dishonoured)			
	Interest A/c Dr.		150	
	To Amar's A/c			150
	(Interest due)			
	Amar's A/c Dr.		10,250	
	To Bills Payable A/c			10,250
	(New bill accepted)			
	Bills Payable A/c Dr.		10,250	
	To Cash A/c			10,250
	(New bill met on maturity)			