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BILLS OF EXCHANGE AND PROMISSORY NOTE

Problem No. 1

BILLS OF EXCHANGE P's Journal

2005	Q		15,000	
March 1	To Sales a/c			15,000
	Goods sold on credit			
	Bills Receivable a/c		15,000	
	To Q			15,000
	Acceptance received			
June 4	Cash		15,000	
	To Bills Receivable a/c			15,000
	Amount of the bill received			

Q's Journal

2005	Purchase a/c		15,000	
March 1	To P			15,000
	Goods purchased on credit			
	P		15,000	
	To Bill payable			15,000
	Acceptance given			
June 4	Bills Payable a/c		15,000	
	To Cash a/c			15,000
	Amount of the bill paid			

Problem No. 2**A's Journal**

2006 Jan. 1	B To Sales a/c Goods sold on credit		10,000	10,000
	Bills receivable a/c To B Acceptance received		10,000	10,000
Jan. 4	Bank a/c Discount a/c To Bill receivable Bills discounted with the bank		9,850 150	10,000

B's Journal

2006 Jan. 1	Purchase a/c To A Goods purchased on credit		10,000	10,000
	A To Bills Payable a/c Acceptance given		10,000	10,000
April 4	Bills Payable a/c To Cash a/c Amount of the bill paid		9,850 150	10,000

Problem No. 3**Akbar's Journal**

2006 May 1	Babar To Sales a/c Goods sold on credit		5,000	5,000
	Bills receivable To Babar Acceptance received		5,000	5,000
	Aslam To Bills receivable Bill endorsed to Aslam		5,000	5,000

Babar's Journal

2006 May 1	Purchase a/c		5,000	
	To Akbar a/c			5,000
	Goods purchased on credit			
	Akbar		5,000	
	To Bills payable			5,000
	Acceptance received			
	Bill payable a/c		5,000	
	To cash a/c			5,000
	Amount of the bill paid			

Aslam's Journal

2006 May 1	Bill Receivable		5,000	
	To Akbar			5,000
	Bill receivable form Akbar			
	Cash a/c		5,000	
	To Bill receivable			5,000
	Amount of the bill received			

Problem No. 4

Saleem Journal

2007 Feb. 1	Karim		6,000	
	To Sales a/c			6,000
	Goods sold on credit			
	Bills receivable a/c		6,000	
	To Karim			6,000
	Acceptance received			
May 04	Bank for collection a/c		6,000	
	To B/R			6,000
	Bill sent to bank for collection			
	Bank a/c		5,980	
	Bank charges a/c		20	
	To Bank for collection A/c			6,000
	Amount of the bill collected by the bank and bank charged Rs. 20			

Books of Karim

Date	Particular	L.F.	Debit	Credit
2007 Jan 01	Purchase A/c To Saleem Goods purchase on credit		6000	6000
	Saleem To Bill payable A/c Acceptance given		6000	6000
May 04	Bills Payable A/c To Cash A/c Amount of bill paid		6000	6000

Problem No. 5

Mr. A's Journal

Date	Particulars	L.F.	Debit	Credit
2005 March 01	Bills receivable a/c To B Acceptance of tour bill received		22,000	22,000
	Bank a/c Discount a/c To Bill receivable a/c First bill discount with the bank		2,900 100	3,000
	C To Bill receivable a/c Second bill endorsed to C		5,000	5,000
	Bank for collection a/c To Bill receivable a/c Third bill sent to bank for collection		6,000	6,000
	Cash a/c To Bill. Receivable a/c Amount of the fourth bill received		8,000	8,000

Problem No. 6

X's Journal

Date	Particulars	L.F	Debit	Credit
	Y To Sales A/c Goods sold on credit at 5% trade discount		3,800	3,800
	Bills Receivable A/c To Y Acceptance Received		3,800	3,800
	Y To Bills Receivable A/c Bill dishonoured and noting charges paid.		3,825	3,825

Y's Journal

Date	Particulars	L.F	Debit	Credit
	Purchases A/c To X Goods purchased on credit		3,800	3,800
	X To Bills Payable A/c Acceptance given		3,800	3,800
	Bill payable A/c Trade expenses A/c To X Bill Dishonoured and noting charges payable		3,800 25	3,825

Problem No. 7

Ishaq's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To Ammad Acceptance Received		2,000	2,000
	Bank A/c Discount A/c To Bills Receivable A/c Bill discounted with the bank.		1,950 50	2,000
	Ishaq To Bank Bill dishonoured and noting charges paid by the bank.		2,050	2,050

Ammad's Journal

Date	Particulars	L.F	Debit	Credit
	Ishaq To Bills Payable A/c Acceptance given		2,000	2,000
	Bill payable A/c Trade expenses A/c To Ishaq Bill Dishonoured and noting charges payable.		2,000 50	2,050

Problem No. 8

Fraz's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To Fahad Acceptance Received		2,000	2,000
	Bank for collection A/c To Bills Receivable A/c Bill sent to bank for collection		2,000	2,000
	Fahad To Bank for collection A/c Bill dishonoured by Fahad and bank paid Rs. 50 as noting charges		2,050	2,050

Fahad's Journal

Date	Particulars	L.F	Debit	Credit
	Fraz To Bills Payable A/c Acceptance given		2,000	2,000
	Bill payable A/c Trade expenses A/c To Fraz Bill Dishonoured and noting charges payable		2,000 50	2,050

Problem No. 9

A's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To B Acceptance Received		5,000	5,000
	C To Bills Receivable A/c Bill endorsed to C.		5,000	5,000
	B To C Bill Dishonoured and noting charges paid by C.		5,030	5,030

B's Journal

Date	Particulars	L.F	Debit	Credit
	A To Bills Payable A/c Acceptance Given		5,000	5,000
	Bills Payable A/c Trade expenses A/c To A Bill dishonoured and noting charges payable.		5,000 30	5,030

C's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To A Bill Received from A		5,000	5,000
	A To Bills Receivable A/c To Cash A/c Bill dishonoured and noting charges paid.		5,000 30	5,030

Problem No. 10

A's Journal

Date	Particulars	L.F	Debit	Credit
	B To Sales A/c Goods sales on credit		10,000	10,000
	Bills Receivable A/c To B Acceptance Received		10,000	10,000
(i)	On maturity when bill is dishonoured B To bills receivable A/c Bills dishonoured by B		10,000	10,000
(ii)	When bill is discounted Bank A/c Discount A/c To bills Receivable A/c Bill discounted until bank		9500 500	10,000
	On maturity when bill is dishonoured B To bank Bill is dishonoured		10,000	10,000
(iii)	When bill is sent for collection Bills for collection A/c To bills Receivable A/c Bill sent to Bank for collection		10,000	10,000
	On maturity when the bill is dishonoured B To bank for collection account Bill dishonoured by B		10,000	10,000
(iv)	When the Bill is endorsed C To Bills Receivable A/c Bill endorsed to C		10,000	10,000
	On maturity when the Bill is Dishonoured B To C Bill dishonoured by B		10,000	10,000

Problem No. 11

A's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable a/c To B Acceptance received		5,000	5,000
	Bank a/c Discount a/c To Bills receivable a/c Bill discounted with the bank		4,800 200	5,000
	B To Bank a/c Bill dishonoured by B		5,000	5,000
	B To Interest a/c Interest receivable for the renewal of a bill		100	100
	Bills Receivable a/c To B Acceptance of a new bill received		5,100	5,100

Problem No. 12

A's Journal

Date	Particulars	L.f.	Debit	Credit
	B To Sales a/c Goods sold on credit		6,000	6,000
	Bills Receivable a/c To B Acceptance received		6,000	6,000
	B To Bills receivable a/c Bill dishonoured		6,000	6,000
	Cash a/c To B Part of the amount of the bill received		2,000	2,000
	B To Interest a/c Interest receivable for the renewal of the bill		50	50
	Bills receivable a/c To B Acceptance of a new bill received		4,050	4,050

B's Journal

Date	Particulars	L.F	Debit	Credit
	Purchases a/c To A Goods purchased on credit		6,000	6,000
	A To Bills payable Bill dishonoured		6,000	6,000
	Bills payable a/c To A Bills dishonoured		6,000	6,000
	A To Cash Part of the amount of the bill paid		2000	2000
	Interest a/c To A Interest payable for the renewal of the bill		50	50
	A To Bills payable Acceptance of a new bill given		4,050	4,050

Problem No. 13

"A" JOURNAL

Date	Particulars	L.F	Debit	Credit
2007 July 1	B To Sales A/c Goods sold on credit		2,000	2,000
	Bills Receivable A/c To B Acceptance received		2,000	2,000
/// 10	Bank Account Discount A/c To B/R A/c Bill Discounted		1,970 30	2,000
Oct. 10	B To Bank Account Bill dishonoured and Rs. 25 paid as nothing charges by Bank		2,025	2,025
	B To Interest Account Interest charged on 2025 10% p.a. for 3 months		50.62	50.62
	Bills Receivable A/c To B Acceptance received		2,075.62	2,075.62

B's JOURNAL

Date	Particulars	L.F	Debit	Credit
2007 July 1	Purchases A/c To A Goods purchased on credit		2,000	2,000
	A To Bills Payable A/c Acceptance given		2,000	2,000
// // 10	Bills Payable Account Traded Expenses A/c To A Acceptance dishonoured and nothing charges paid		2,000 25	2,025
	Interest A/c To A Interest payable for further credit received		50.62	50.62
	A To Bills Payable A/c Acceptance given		2,075.62	2,075.62

Problem No. 14

Solution:

A' Journal

Date	Particulars	L. F	Debit	Credit
2006 Jan. 1	Bills Receivable A/c To B Acceptance of three bill received		6000	6000
Jan. 8	Bank A/c Discount A/c To Bills Receivable A/c Bill discounted with the bank		2900 100	3000
Jan. 10	C Discount A/c To Bills Receivable A/c Bills endorsed to C		1950 50	2000
Jan. 30	Cash A/c Rebate A/c To Bills Receivable A/c Amount of the bill received under 5% rebate.		996 4	1000

If on maturity first and second bills were dishonoured			
2006 May 4	B To Bank A/c Bill dishonoured	3000	3000
April 4	B To C To Discount A/c Bills dishonoured	2000	1950 50

Problem No. 15**A's Journal**

Date	Particulars	L. F	Debit	Credit
2007 Jan. 1	B To Sales A/c Goods sold on credit		2000	2000
	B To interest A/c Interest Recorded		50	50
	Bills Receivable A/c To B Acceptance Received		2050	2050
April 4	B To Bills Receivable a/c Bill dishonoured		2050	2050
	Cash A/c To B Part of the amount of the Bill Received		1050	1050
	B To Interest A/c Interest Receivable for the renewal of a bill		25	25
	Bill Receivable A/c To B Acceptance of a new bill received		1025	1025

Problem No. 16

B's Journal

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	A To Sales Account Goods sold on credit		1,425	1,425
	Bills Receivable Account To A Acceptance received		1,450	1,450
	Purchases Account To C Goods purchased from C		2,250	2,250
	C To Bills Receivable Account To Cash Account Bill endorsed and balance paid in cash		2,250	1425 825
	A To C Bill dishonoured		1,425	1,425

A's Journal

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Purchases Account To B Goods purchased on credit		1,425	1,425
	B To Bills Payable Account Acceptance given		1,425	1,425
	Bills Payable Account To B Bills dishonoured		1,425	1,425

C's Journal

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	B To Sales Account Goods sold to B		1,425	1,425
	Bills Receivable Account Cash Account To B Bill and cash received		1,425 825	2,250
	B To Bills Receivable Account Bill dishonoured		1,425	1,425

In this question the acceptor, A has refused to make the payment. The holder of the bill C can recover the amount from the drawer and endorser B.

Problem No. 17

M & Co.'s Journal

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
1.	Bills Receivable Account To C Acceptance received		6000	6000
	Cash Account To Bills Receivable Account Payment received of the bill		6000	6000
2.	Bills Receivable Account To C Acceptance received		6000	6000
	Bank Account Discount Account To Bill Receivable Account Bill discounted.		5800 200	6000
3.	Bills Receivable Account To C Acceptance received		6000	6000

4.	B & Co. To Bills Receivable Account Bill endorsed	6000	6000
	Bill Receivable Account To C Acceptance received	6000	6000
	Bank for collection Account To Bill Receivable Account Bill sent for collection	6000	6000

When the bill is dishonoured the following further entries would be passed in each of the above circumstances:-

		Rs.	Rs.
1.	C To Bills Receivable A/c Bill dishonoured	6000	6000
2.	C To bank A/c Bill dishonoured	6000	6000
3.	C To B & Co Bill dishonoured	6000	6000
4.	C To Bank for collection a/c Bill dishonoured	6000	6000

Problem No. 18

Tahir's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To Yameen Acceptance received		10,000	10,000
	Bank A/c Discount a/c To Bills receivable a/c Bill discounted with the bank		9,875 125	10,000
	Yameen To Bank Cheque sent to Yameen		10,000	10,000

Yameen's Journal

Date	Particulars	L.F	Debit	Credit
	Tahir To Bill Payable a/c Acceptance given		10,000	10,000
	Cash a/c To Tahir Cheque Received from Tahir		10,000	10,000
	Bills payable a/c To Cash a/c Amount of the bill paid at maturity		10,000	10,000

Problem No. 19

Sajid's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To Majid Acceptance received		50,000	50,000
	Bank A/c Discount a/c To Bills receivable a/c Bill discounted with the bank		48,750 1,250	50,000
	Majid To Cash a/c To Discount a/c Half of the amount of the bill sent to Majid		25,000	24,375 625
	Majid To Cash A/c Cash sent to Majid		25,000	25,000

Majid's Journal

Date	Particulars	L.F	Debit	Credit
	Sajid To Bill Payable a/c Acceptance given		50,000	50,000
	Cash a/c Discount a/c To Sajid Half the amount of the bill received from Sajid		24,375 625	25,000
	Cash a/c To Sajid Cash received from Sajid		25,000	25,000
	Bills payable a/c To Cash a/c Amount of the bill paid at maturity		50,000	50,000

Problem No. 20

A; Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To B Acceptance received		5,000	5,000
	Bank A/c Discount a/c To Bills receivable a/c Bill discounted with the bank		9,850 150	10,000
	B To Cash a/c To Discount a/c Half of the amount of the bill sent to B		5,000	4925 75
	B To Bank A/c Cheque sent to B		5,000	5,000

B; Journal

Date	Particulars	L.F	Debit	Credit
	A To Bills Payable Acceptance given		5,000	5,000
	Bills Receivable a/c To A Acceptance received		5,000	5,000
	Bank a/c Discount a/c To Bills receivable Bill discounted with the bank		4,925 75	5,000
	Bills payable a/c To A Bills dishonoured		5,000	5,000