



## Accounting – Logical Reasoning – ICAI Module – Bill of Exchange

**Due date for 'After Date Bill' = Date of Drawal + Tenure + 3 Grace Days**

**Due date for 'After Sight Bill' = Date of Acceptance + Tenure + 3 Grace Days**

**Due date for 'At Sight Bill' = Date of Presentation**

1. On 1.1.05 X draws a bill on Y for Rs 20,000 for 3 months due date of the bill will be :
- (a) 1.4.05                      (b) 3.4.05                      (c) 4.4.05                      (d) 4.5.05

**Ans.** Due date for 'After Date Bill' = Date of Drawal + Tenure + 3 Grace Days  
= 01.01.05 + 3 Months + 3 Days = 04.04.05

**Hence the correct option: c**

2. On 15.8.05 X draws a bill on Y for 3 months for Rs. 20,000. 18<sup>th</sup> Nov was a sudden holiday, due date of the bill will be:

(a) 17<sup>th</sup> Nov                      (b) 18<sup>th</sup> Nov                      (c) 19<sup>th</sup> Nov                      (d) 15<sup>th</sup> Nov

**Ans.** Due date for 'After Date Bill' = Date of Drawal + Tenure + 3 Grace Days  
= 15.08.05 + 3 Months + 3 Days = 18.11.05.

However if the due date is an emergency holiday, the due date is Business working day succeeding the Due date. Thus in this case the due date will be 19.11.05

**Hence the correct option: c**

3. On 16.6.05 X draws a bill on Y for Rs 25,000 for 30 days. 19<sup>th</sup> July is a public holiday, due date of the bill will be:

(a) 19<sup>th</sup> July                      (b) 18<sup>th</sup> July                      (c) 17<sup>th</sup> July                      (d) 16<sup>th</sup> July

**Ans.** Due date for 'After Date Bill' = Date of Drawal + Tenure + 3 Grace Days  
= 16.05.05 + 30 Days + 3 Days = 19.07.05.

However if the due date is a Public holiday, the due date is Business working day preceding the Due date. Thus in this case the due date will be 18.07.05

**Hence the correct option: b**

4. X draws a bill on Y for Rs 30,000 on 1.1.05. X accepts the same on 4.1.05. Period of the bill 3 months after date. What will be the due date of the bill:

(a) 4.4.05                      (b) 3.4.05                      (c) 7.4.05                      (d) 8.4.05

**Ans.** Please refer Q1 above

5. X draws a bill on Y. X endorsed the bill to Z. The payee of the bill will be

(a) X                                      (b) Y                                      (c) Z                                      (d) None

**Ans.** In this case:

X is the Drawer of the Bill

Y is the Drawee / Payer of the Bill

Z is the recipient of the amount on the due date of the bill i.e. Payee.

**Hence the correct option: c**

6. A bill of 12,000 was discounted by A with the banker for 11,880. At maturity, the bill returned dishonoured, noting charges Rs 20. How much amount will the bank deduct from A's bank balance at the time of such dishonour?

- (a) 12,000                      (b) 11,880                      (c) 12,020                      (d) 11,900

**Ans.** The amount payable to the bank towards the bill is Rs. 12,000. However due to the dishonor of the bill, additional Rs. 20 towards noting charges will need to be paid by A. Thus the total amount that the bank will deduct will be Rs. 12,020.

**Hence the correct option: c**

7. X draws a bill on Y for Rs 20,000 on 1.7.05 for 3 months after sight, date of acceptance is 6.1.05. Due date of the bill will be:

- (a) 8.1.05                      (b) 9.1.05                      (c) 10.1.05                      (d) 11.1.05

**Ans.** Due date for 'After Sight Bill' = Date of Acceptance + Tenure + 3 Grace Days  
= 06.01.05 + 3 Months + 3 Days = 09.01.05

**Hence the correct option: b**

8. X sold goods to Y for Rs 1,00,000. Y paid cash Rs 30,000. X will grant 2% discount on balance, and Y request X to draw a bill for balance, the amount of bill will be:

- (a) 98,000                      (b) 68,000                      (c) 68,600                      (d) 70,000

**Ans.** Amount of the bill without discount = 1,00,000 – 30,000 = Rs. 70,000  
Post discount the amount of bill = 70,000 – 2% = Rs. 68,600

**Hence the correct option: c**

9. On 1.1.05 X draws a bill on Y for Rs 50,000 for 3 months. X got the bill discounted 4.1.05 at 12% rate. The amount of discount on bill will be:

- (a) 1500                      (b) 1600                      (c) 1800                      (d) 1450

**Ans.** The amount of Discount = 50,000 X 12% X  $\frac{3 \text{ Months}}{12 \text{ Months}}$  = Rs. 1,500

**Hence the correct option: a**

10. Mr. A draws a bill on Mr. Y for Rs 30,000 on 1.1.06 for 3 months. On 4.2.06. X got the bill discounted at 12% rate. The amount of discount will be:

- (a) 900                      (b) 600                      (c) 300                      (d) 650

**Ans.** The bill is discounted for 2 months (1 month after drawal of 3 months' bill)

The amount of Discount = 30,000 X 12% X  $\frac{2 \text{ Months}}{12 \text{ Months}}$  = Rs. 600

**Hence the correct option: b**

11. X draws a bill on Y for Rs 20,000 for 3 months on 1.1.05. The bill is discounted with banker at a charge of Rs 100. At maturity the bill return dishonoured. In the books of X, for dishonour, the bank account will be credited by:

- (a) 19,900                      (b) 20,000                      (c) 20,100                      (d) 19,800

**Ans.** When the discounted bill is dishonored, the drawer of the bill needs to make the payment of the bill amount to the bank. The entry in the books of Drawer / X is:

Drawee's A/c Dr	Y A/c Dr	20,000
To Bank A/c	To Bank A/c	20,000

**Hence the correct option: b**

12. On 1.1.05 X draws a bill on Y for Rs 10,000. At maturity Y request X to renew the bill for 2 month at 12% p.a. interest. Amount of interest will be:

- (a) 200                                      (b) 150                                      (c) 180                                      (d) 190

2 Months

**Ans.** The amount of Interest =  $10,000 \times 12\% \times \frac{2 \text{ Months}}{12 \text{ Months}} = \text{Rs. } 200$

**Hence the correct option: a**

13. On 1.1.05 X draws a bill on Y for Rs 15000 for 3 months. At maturity Y request X to accept Rs 5000 in cash and for balance to draw a fresh bill for 2 months together with 12% p.a. interest, amount of interest will be:

- (a) 200                                      (b) 300                                      (c) 240                                      (d) 380

**Ans.** Amount of the renewed bill =  $15,000 - 5,000 = \text{Rs. } 10,000$

2 Months

The amount of Interest =  $10,000 \times 12\% \times \frac{2 \text{ Months}}{12 \text{ Months}} = \text{Rs. } 200$

**Hence the correct option: a**

14. On 1.8.05 X draw a bill on Y "for 30 days after sight". The date of acceptance is 8.8.05. The due date of the bill will be:

- (a) 8.9.05                                      (b) 10.9.05                                      (c) 11.9.05                                      (d) 9.9.05

**Ans.** Due date for 'After Sight Bill' = Date of Acceptance + Tenure + 3 Grace Days  
=  $08.08.05 + 30 \text{ Days} + 3 \text{ Days} = 10.09.05$

**Hence the correct option: b**

15. On 1.6.05 X draw a bill on Y for Rs. 25,000. At maturity Y request X to accept Rs. 5,000 in cash and noting charges incurred Rs. 100 and for the balance X draw a bill on Y for 2 months at 12% p.a. Interest amount will be:

- (a) 410                                      (b) 420                                      (c) 440                                      (d) 400

**Ans.** Noting charges will be settled in cash and will not be added in the amount of the renewed bill.

Amount of the renewed bill =  $25,000 - 5,000 = \text{Rs. } 20,000$

2 Months

The amount of Interest =  $20,000 \times 12\% \times \frac{2 \text{ Months}}{12 \text{ Months}} = \text{Rs. } 400$

**Hence the correct option: d**

16. On 1.1.05 X draw a bill on Y for Rs. 50,000. At maturity, the bill returned dishonoured as Y become insolvent and 40 paise per rupee is recovered from his estate. The amount recovered is:

- (a) 20,000                                      (b) Nil                                      (c) 30,000                                      (d) 40 paise

**Ans.** The amount recovered = 40 Paise per Rupee = 40%  
Thus the amount recovered = 40% of Rs. 50,000 = Rs. 20,000

**Hence the correct option: a**

17. X draws a bill on Y for Rs 3000. X endorsed to Z. Y will pay the amount of the bill to:

- (a) X                                      (b) Z                                      (c) To himself                                      (d) None

**Ans.** In this case:

X is the Drawer of the Bill

Y is the Drawee / Payer of the Bill

Z is the recipient of the amount on the due date of the bill i.e. Payee.

**Hence the correct option: b**

18. On 1.1.05 X draw a bill on Y for 3 months for Rs 10,000. On 4.3.05 Y pay the bill to X at 12% discount, the amount of discount will be:

- (a) 100 (b) 200 (c) 300 (d) 50

**Ans.** The bill is discounted for 1 month (2 months after drawal of 3 months' bill)

1 Month

The amount of Discount = 10,000 X 12% X 12 Months = Rs. 100

**Hence the correct option: a**

19. Ram draws on Aslam a bill for Rs 60,000 on 1.4.01 for 2 months. Aslam accepts the bill and sends it to Ram who gets it discounted for Rs 58,800. Ram immediately remits Rs 19,600 to Aslam. On due date, Ram being unable to remit the amount due accepts a bill for Rs 84,000 for 2 months which is discounted by Aslam for Rs 82,200. Aslam sends Rs 14,800 to Ram out of the same. How much discount will be borne by Ram at the time of 14,800 remittances.

- (a) 1200 (b) 1800 (c) 1100 (d) 800

**Ans.** This is the case of an Accommodation Bill where in Ram & Aslam share the proceeds in the ratio of 2:1.

The amount of discount in the case of the second bill = Rs.84,000 – 82,200 = Rs. 1,800, which will be borne by Ram & Aslam in the ratio of 2:1. Thus the amount to be borne by Ram = 1,800 X 2/3 = Rs.1,200

**Hence the correct option: a**

20. Mr Bobby sold goods worth Rs 25,000 to Mr Bonny. Bonny immediately accepted a bill on 1.11.01, payable after 2 months. Bobby discounted this bill @ 18% p.a. on 15.11.01. On the due date Bonny failed to discharge the bill. Later on Bonny became insolvent and 50 paise is recovered from Bonny's estate. How much amount of bad debt will be recorded in the books of Bobby:

- (a) 12,500 (b) 9,437 (c) 11,687 (d) 13,650

**Ans.** Total amount payable by Bonny to Bobby 25,000

Amount recoverable from Bonny's estate 12,500

(50 Paise = 50 Paise in Rupee = 50%)

Amount of Bad debts **12,500**

**Hence the correct option: a**

**Note:** The amount of discount is settled while discounting the bill on 15.11.01, hence not to considered for the purpose of calculating the amount of bad debt.

21. The purpose of accommodation bill is:

- (a) To finance actual purchase or sale of goods  
 (b) To facilitate trade transmission  
 (c) When both parties are in need of funds  
 (d) None of the above

**Ans.** Normally, Bills of Exchange are meant to finance only commercial transactions. However, apart from this, bills may be drawn for raising the funds to accommodate or oblige friends. Accommodation bills are those instruments which are drawn to enable one or all the parties temporarily raise the funds by getting the bills discounted with the bank.

**Hence the correct option: c**

22. M sold goods worth of Rs 50,000 to N. On 1.10.05, N immediately accepted a three month bill. On due date N requested that the bill be renewed for a fresh period of 3 months. N agrees to pay interest @ 18% p.a. in cash. How much interest to be paid in cash by N?

- (a) 2250 (b) 1800 (c) 2000 (d) 1100

3 Months

Ans. The amount of Interest =  $50,000 \times 12\% \times \frac{3 \text{ Months}}{12 \text{ Months}}$  = Rs. 2,250

Hence the correct option: a

23. On 1.1.05 X draws a bill on Y for Rs 30,000. At maturity Y request X to draw a fresh bill for 2 months together with 12% pa. interest. Noting charges Rs 100. The amount of interest will be:

- (a) 600 (b) 602 (c) 500 (d) 550

Ans. As a fresh bill is drawn at the request of Y, the noting charges are to be borne by Y. Thus the amount payable by Y = 30,000 + 100 = 30,100.

The amount of interest =  $30,100 \times 12\% \times \frac{2}{12}$  = Rs. 602.

Hence the correct option: b

24. On 18.2.05 A draw a bill on B for Rs 10,000. B accepted the bill on 21.2.05. The bill is drawn for 30 days after sight. The due date of the bill will be:

- (a) 24.3.05 (b) 22.3.05 (c) 26.3.05 (d) 21.3.05

Ans. Due date for 'After Sight Bill' = Date of Acceptance + Tenure + 3 Grace Days  
= 21.02.05 + 30 Days + 3 Days = 26.03.05

Hence the correct option: c

25. X sold goods to Y for Rs 3,00,000.  $\frac{1}{2}$  of the amount will be received in cash and balance in B/R. For what amount X should draw the bill on Y.

- (a) 1,50,000 (b) 3,00,000 (c) 1,00,000 (d) 1,20,000

Ans. The amount of bill =  $\frac{1}{2}$  of total due =  $\frac{1}{2} \times 3,00,000$  = Rs. 1,50,000

Hence the correct option: a

26. A draws a bill on B for Rs 50,000 for 3 months. At maturity, the bill returned dishonoured, noting charges Rs 500. 40 paise in a rupee is recovered from B's estate. The amount of deficiency to be recorded on insolvency in the books of B will be:

- (a) Rs.20,200 (b) Rs.30,300 (c) Rs.19,800 (d) Rs.19000

Ans. As the bill is dishonored at maturity, noting charges also remains unrecovered. Thus total amount due = 50,000 + 500 = 50,500. The amount recovered = 40 paise in a rupee = 40%.

Thus the amount of deficiency = 60% of Rs. 50,500 = Rs. 30,300

Hence the correct option: b

27. A sold goods to B for Rs 20,000. A will grant 5% discount to B. B requested A to draw a bill. The amount of bills will be:

- (a) 20,000 (b) 19000 (c) 19200 (d) Nil

Ans. The amount of bill = 20,000 – 5% = Rs. 19,000

Hence the correct option:

28. Fees paid in cash to Notary Public is charged by:

- (a) Drawer (b) drawee (c) Holder of bill of exchange (d) None

Ans. If the negotiable instrument is dishonored, the public official known as 'Notary Public' will note the fact of dishonor. The fee charged by notary public is known as notary charges. This amount is to be paid by the holder of the bill. However the sum of noting charges is recoverable from the party who is responsible for dishonor.

Hence the correct option: c

29. A draws a bill on B for Rs 50,000. A endorsed it to C in full settlement of Rs 50,500. Noting charges of Rs 200 as the bill returned dishonoured. A want to pay the amount to C at 2 % discount. The amount to be paid by A to C will be:

- (a) 49,000                      (b) 49,490                      (c) 49,686                      (d) 50,500

**Ans.** As the bill is dishonored, the amount payable by C to A would be Rs. 50,500 (pre-settlement amount). C, being the holder of the bill needs to pay the noting charges and has the right to recover the same. Thus total amount due to C is Rs. 50,500 + 200 = Rs. 50,700. The amount is paid at 2% discount.

Thus the amount to be paid by A to C = Rs. 50,700 – 2% = Rs. 49,686

**Hence the correct option: c**

30. A draws a bill on B for Rs 1,00,000. A endorsed the bill to C. The bill return dishonoured. Noting charges Rs 1000. B request A to accept the amount at 2% discount by a single cheque. The cheque amount will be:

- (a) 98,000                      (b) 98,980                      (c) 99,000                      (d) 99,980

**Ans.** For the reason mentioned in 29 above the amount of cheque = (1,00,000 + 1,000) – 2% = Rs. 98,980.

**Hence the correct option: b**

31. S draws 2 bills of exchange on 1.1.06 for Rs 3,000 and Rs 5,000 respectively. The bill of exchange for Rs 3,000 is for 2 months, while the bill of exchange for Rs 5,000 is for 3 months. These bills are accepted by K. On 4.3.06 K requests S to renew the first bill with interest at 18% p.a. for a period of 2 months. S agrees to this proposal. On 20.3.06 K retires the acceptance for Rs 5,000 the interest rebate i.e., discount being Rs 50.

Before the due date of the renewed bill K becomes insolvent and only 60 paise in a rupee can be recovered from his estate. How much bad debt will be recorded in the books of S:

- (a) 1236                      (b) 1854                      (c) 3090                      (d) 3000

**Ans.** The bill for Rs. 3,000 has been renewed with the interest payable @ 18% p.a.

The amount of interest = 3,000 X 18% X 2/12 = Rs. 90. Thus the amount of renewed bill = 3,090.

Amount recoverable = 60 paise in a rupee = 60%. Thus Bad debts = 40%

Amount of Bad debts = 40% of Rs. 3,090 = Rs. 1,236

**Hence the correct option: a**

**Note:** The calculation has been asked only for the renewed bill, thus the information about the bill for Rs. 5,000 is irrelevant (MBKL).

32. The promissory note should be signed by:

- (a) Drawer                      (b) Drawee                      (c) Payee                      (d) Promiser

**Ans.** The promissory note should be signed by the person making the promise i.e. the Promisor.

**Hence the correct option: d**

33. Kuntal draws a bill on Shyam for Rs 3000. Kuntal endorsed it to Ram. Ram endorsed it to Rahim. The payee of the bill will be:

- (a) Kuntal                      (b) Ram                      (c) Shyam                      (d) Rahim

**Ans.** The bill is ultimately endorsed in the favor of Rahim and is also the holder of the bill. So the payee of the bill is Rahim.

**Hence the correct option: d**

34. A bill is drawn on 29<sup>th</sup> Jan' 06 for one month after date. The date of acceptance is 2<sup>nd</sup> Feb'06. The bill is drawn on one month after date basis. The due date of the bill will be:

- (a) 28<sup>th</sup> Feb                      (b) 1<sup>st</sup> Mar                      (c) 2<sup>nd</sup> Mar                      (d) 3<sup>rd</sup> Mar

**Ans.** Due date for 'After Date Bill' = Date of Drawal + Tenure + 3 Grace Days

= 29.01.06 + 1 Month + 3 Days = 03.03.06

**Hence the correct option: d**

35. Mr. Rex accepted a bill drawn by Mr. Rabin. Mr. Rabin endorsed the bill to Mr. Shekar. On the due date, the bill is dishonored as Mr. Rex became insolvent. To record the dishonor of the bill in the books of Mr. Rabin, which of the following accounts should be credited?

- (a) Mr. Rex's account (b) Bills Receivable account  
(c) Mr. Shekar's account (d) Bills payable account

**Ans.** In this case Mr. Rabin is the drawer of the bill, which on acceptance has been endorsed to Mr. Shekar. In case of the dishonor of the bill, the entry in the books of drawer / Mr. Rabin is:

Drawee's A/c Dr	Mr. Rex A/c Dr
To Endorsee's A/c	To Mr. Shekar A/c

**Hence the correct option: c**

36. Which of the following statements is true?

- (a) A bill cannot be endorsed more than two times  
(b) A bill is drawn by purchaser  
(c) A bill contains an unconditional promise to pay  
(d) Noting charges are borne by the drawee in the event of dishonour of bill.

**Ans.** There is no restriction on the number of times that a bill can be endorsed. The bill is drawn by the seller on purchaser. Promisory note (not a bill) contains an unconditional promise to pay. Thus options a, b & c are not true.

Noting charges are borne by the party who is responsible for dishonor i.e. payer / drawee of the bill.

**Hence the correct option: d**

37. For mutual accommodation of A and B, B accepted a bill drawn on him by A for 2 months Rs 6000. The said bill is discounted at 12% pa. and remitted 1/3<sup>rd</sup> of the proceeds to B. The amount remitted by A to B will be:

- (a) 2000 (b) 1960 (c) 1920 (d) 1900

**Ans.** The amount of interest =  $6,000 \times 12\% \times \frac{2}{12} = 120$ . Thus the net amount =  $6,000 - 120 = \text{Rs. } 5,880$   
B's share = 1/3 of the proceeds =  $\frac{1}{3} \times 5,880 = \text{Rs. } 1,960$

**Hence the correct option: b**

38. Lara draws an accommodation bill on Sachin. The proceeds are to be borne between Sachin and Lara in the ratio of 3:1. The amount of bill Rs 6000, discounting charges Rs 120. Discount borne by Sachin will be:

- (a) 90 (b) 120 (c) 100 (d) None

**Ans.** The amount of discount is to be borne by Sachin & Lara in the ratio of 3:1. Thus Sachin's share =  $\frac{3}{4}$ <sup>th</sup> of the discount amount =  $\frac{3}{4} \times 120 = \text{Rs. } 90$

**Hence the correct option: a**

39. A draws a bill on B for Rs 4500 for mutual accommodation in the ratio 2:1. A got it discounted at 4230 and remitted 1/3<sup>rd</sup> of the proceeds to B. At the time of maturity, how much amount A should remit to B such that B can pay off the bill?

- (a) 3000 (b) 2880 (c) 2920 (d) 3010

**Ans.** At maturity, the total amount payable = Rs. 4,500. The proceeds are shared by A & B in the ratio of 2:1. Thus the amount to be remitted by A =  $\frac{2}{3} \times 4,500 = \text{Rs. } 3,000$

**Hence the correct option: a**

40.. Suman drew a bill on Sonu for Rs 4500 for mutual accommodation in the ratio 2:1. Sonu accepted the bill and returned to Suman. Suman discounted the bill for Rs 4230 and remitted  $1/3^{\text{rd}}$  proceeds to Sonu. Before the due date, not having funds to meet the bill, Sonu drew a bill on Suman for Rs 6,300 on the same terms as to mutual accommodation. The second bill was discounted for Rs 6120. The first bill was honored on the due date and a net amount of Rs 1080 was remitted to Suman by Sonu. The proportionate discount charge on both the bills is to be borne by Suman is:

- (a) 180                                      (b) 150                                      (c) 300                                      (d) 120

**Ans.** Total discount charges on both the bills =  $(4,500 - 4,230) + (6,300 - 6,120) = \text{Rs. } 450$

Suman's share =  $2/3 \times 450 = \text{Rs. } 300$

**Hence the correct option: c**

41. Which of the following instrument is not a negotiable instrument:

- (a) Bearer cheque    (b) Promissory note    (c) Bill of exchange    (d) Crossed cheque

**Ans.** Crossed cheque is payable only to the person in whose favor the cheque is drawn, hence is not negotiable.

**Hence the correct option: d**

42. On 1.1.06 Vikas draws a bill of exchange for Rs 10,000 due for payment after 3 months on Ekta. Ekta accepts to this bill of exchange. On 4.3.06, Ekta retires the bill of exchange at a discount of 12% p.a. Which of the discount is correct for premature payment in the books of Ekta?

- (a) 120                                      (b) 100                                      (c) 140                                      (d) 160

**Ans.** The bill is retired 1 month earlier than the due date – 04.03.06 instead of 04.04.06.

Amount of discount =  $10,000 \times 12\% \times 1/12 = \text{Rs. } 100$

**Hence the correct option: b**

43. Neelam sold goods to Dhiman for Rs 4,000 on 1.5.06. On the same day, he drew on Dhiman a bill for the amount for 3 months, which Dhiman duly accepted. Neelam got the bill discounted with her bank before the due date, Dhiman became insolvent. Later, her estate

could pay only 40% of the amount due. What will be the amount of deficiency in the books of Dhiman.

- (a) 3200                                      (b) 2200                                      (c) 2400                                      (d) 2000

**Ans.** Recovery = 40%. Thus the deficiency = 60%.

Amount of deficiency = 60% of 4,000 = Rs. 2,400

**Hence the correct option: c**

44. Which of the following is not a foreign bill:

- (a) A bill drawn in India, on a person resident outside India and made payable outside India.  
 (b) A bill drawn outside India, on a person resident outside India  
 (c) A bill drawn outside India, made payable in India  
 (d) A bill drawn on a person resident in India made payable in India

**Ans.** If the bill is either drawn outside India or is made payable outside India, it is a foreign bill.

**Hence the correct option: d**



45. Which of the following is correct for presenting bill to notary public:

- (a) To pay fees to notary public
- (b) For “ bill for collection”
- (c) If the acceptor can prove that the bill was not properly presented to him for payment, he can escape the liability, hence for dishonour it is produced.
- (d) For drawing a fresh bill

**Ans.** The bill is produced to the notary public in case the bill is dishonored.

**Hence the correct option: c**

**Note:** For detailed discussion please refer the answer to Q 28.

46. A drew a bill on B for Rs 50,000 for 3 months. Proceeds are to be shared equally. A got the bill discounted at 12% p.a. and remits required proceeds to B. The amount of such remittance will be:

- (a) 24250
- (b) 25000
- (c) 16167
- (d) 32333

**Ans.** The amount of discount =  $50,000 \times 12\% \times 3/12 = 1,500$ .

Net proceeds =  $50,000 - 1,500 = \text{Rs. } 48,500$ . The proceeds are shared equally by A & B.

Thus the share of each =  $\frac{1}{2} \times 48,250 = \text{Rs. } 24,250$

**Hence the correct option: a**

47. From the following information, find out who can draw the bill if Mr A sold goods to B:

- (a) A will draw a bill on B
- (b) B will draw a bill on A
- (c) None
- (d) Third party will draw a bill on A

**Ans.** The bill is drawn by Creditor party (the person who has to receive an amount) on Debtor party. In this case as Mr. A has sold the goods to B, A will draw the bill on A.

**Hence the correct option: a**

48. When the bill are to be produced to notary public:

- (a) At the time of drawing the bill
- (b) At the time of acceptance of the bill
- (c) At the time of dishonour of the bill
- (d) At the time of “bill for collection”

**Ans.** Please refer the answer to Q 28.

**Hence the correct option: c**

49. Which of the following statement is false:

- (a) B/R is a negotiable instrument
- (b) B/R must be accepted by drawee.
- (c) There can be three parties in respect of bills of exchange – drawer, drawee & payee
- (d) Oral bill of exchange is also valid.

**Ans.** Options a, b & c are true about the Bills Receivable or Bills of Exchange. However the bill is an instrument in writing. Thus oral bill is not valid.

**Hence the correct option: d**

50. Under which circumstances drawer and payee is same person:

- (a) When drawer discounted the bill with banker
- (b) When drawer endorse the bill to the third party
- (c) When drawer held the bill till maturity
- (d) When drawee rejects to accept the bill

**Ans.** The person drawing the bill is called as 'Drawer'. The person who accepts the bill is called as drawee who is required to make the payment to the holder of the bill on its maturity. Thus drawer can also be a payee if he holds the bill till its maturity.

**Hence the correct option: d**

51. Which of the following statement is **true**:

- (a) Noting charge is an expense to be borne by drawer
- (b) Noting charge is an expense to be borne by drawee
- (c) Noting charge is an expense to be borne by payee
- (d) Noting charge is an expense to be borne by bank

**Ans.** Noting charges are borne by the party who is responsible for dishonor i.e. payer / drawee of the bill.

**Hence the correct option: b**

52. Which of the following statement is **true**:

- (a) Creditors can draw a bill on Debtors
- (b) Debtors can draw a bill on Creditors.
- (c) Bank will draw a bill on customer at the time of overdraft.
- (d) One can draw the bill on another under any circumstances.

**Ans.** Please refer the answer to Q 47.

**Hence the correct option: a**

53. Indian currency is a

- (a) Bill of exchange
- (b) Promissory Note
- (c) Hyundi
- (d) Cheque

**Ans.** Wrong Question. Kindly Ignore.

54. Gouri sold goods to Gupta on 1.6.06 for Rs 1600. Gupta immediately accepted a three months bill. On due date Gupta requested that the bill be renewed for a fresh period of two months. Gouri agrees provided interest at 9% was paid immediately in cash. What will be the amount of interest in the books of Gouri?

- (a) 20
- (b) 25
- (c) 24
- (d) 28

**Ans.** Renewal period = 2 months.

Thus the amount of interest =  $1,600 \times 9\% \times 2/12 = \text{Rs. } 24$

**Hence the correct option: c**

55. X draws a bill on Y on 1.1.05 for Rs 20,000 for 30 days. What will be the maturity date of the bill:

- (e) 2.2.05
- (f) 3.2.05
- (g) 1.2.05
- (h) 31.1.05

**Ans.** Due date for 'After Date Bill' = Date of Drawal + Tenure + 3 Grace Days

= 01.01.05 + 30 Days + 3 Days = 03.02.05

**Hence the correct option: b**

**Note:** Please read the option references e, f, g & h as a, b, c & d.

56. Ram's acceptance to Din for Rs 8,000 renewed at 3 months on the condition that Rs 4,000 be paid in cash immediately and the remaining amount will carry interest @ 12% p.a. The amount of interest will be:

- (a) 120
- (b) 80
- (c) 90
- (d) 160

**Ans.** Amount of bill = Rs. 8,000 – 4,000 = Rs. 4,000  
Amount of interest = 4,000 X 12% X 3/12 = Rs. 120  
**Hence the correct option: a**

57. A draws a bill on B for Rs 30,000. A wants to endorse it to C in settlement of Rs 35,000 at 2% discount with the help of B's acceptance and balance in cash. How much cash A will pay to B?
- (a) 4300                      (b) 4000                      (c) 4100                      (d) 5000

**Ans.** Please read the question as 'How much cash A will pay to C?' (Not B).  
The amount payable by A to C after settlement = Rs. 35,000 – 2% = Rs. 34,300. The amount to be paid in cash = Total payable – Amount of the bill = 34,300 – 30,000 = Rs. 4,300  
**Hence the correct option: a**

58. Ram gets Ghosh's acceptance for Rs 12,000 discounted at 2 months at 12% p.a. The amount of discount will be:
- (a) 240                      (b) 120                      (c) 360                      (d) Nil

**Ans.** The amount of discount = 12,000 X 12% X 2/12 = Rs. 240  
**Hence the correct option: a**

59. If the due date is a public holiday, what will be the due date of the bill:
- (a) Following day                      (b) Preceding day  
(c) The same day only                      (d) One month later

**Ans.** If the due date is a Public holiday, the due date is Business working day preceding the Due date.  
**Hence the correct option: b**

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