Principles of Accounting - ICOM Part 1 Principles of Accounting Chapter 6 Short Question Preparation

Q1. What are grace days?

Ans 1: It is customary to allow three days to the drawee to pay the amount of the in case of term bill,These three days are known as days of grace,It is difference between tenor an maturity.

Q2. Define bills of exchange.

Ans 1: A bill of exchange is an unconditional order in writing to pay on demand or at a future date,a certain sum in money to the bearer of the bill.

Q3. Define foreign bill of exchange.

Ans 1: A foreign bill of exchange is one which is drawn in one country but accepted and payable outside the country or drawn outside the country but accepted and payable within the country.

Q4. What is meant by dishonoring of bill?

Ans 1: A bill of exchange is said to be dishonored ,if the drawee refuses to make the payment of the bill,to the holder of it at its maturity.

Q5. What is meant by validity date?

Ans 1: Validity date is period for which a financial instrument remains effective and during which its beneficiary must need all its requirements.

Q6. What is inland bill of exchange?

Ans 1: Inland bill of exchange means drawer of bill and accepto of bill or drawee of bill same country is called inland bill of exchange.

Q7. Name parties involved in a bill of exchange.

Ans 1: 1.Drawer
2.Drawee
3.Payee

Q8. How many parties are involved in bill of exchange?

Ans 1: There are three parties involve in bill of exchange
Drawer: The person who draws the bill of exchange is known as drawer.
Drawee: The person who signs the bill of exchange and thereby accepts to pay the money on demanded is known as drawee.
Payee: Sometimes the bill of exchange is endorsed or transferred to other person in exchange of a payment.

Q9. Define sight bill.

Ans 1: A sight bill is a payment due on demand ,An sight payment require the party receiving the goods or services to pay a certain sum immediately upon a boll of exchange is presented.

Q10. Define acceptance of the bill.

Ans 1: Acceptance is an induction on part drawee that he is willing to accept the liability under the bill.It is given by putting the signature across the face of the bill together with the place and date.