

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

Q1. What is renewal of bill?

Ans 1: When drawee is not in position to meet the original bill at maturity,he may request to the drawer ti draw a new bill for the extended period,The acceptor in this case would of course have to pay interest for the extension of time is called renewal of bill.

Q2. 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.

Q3. What is meant by retiring of bill?

Ans 1: Retirement of bills means to make payment of the bill before the due date or maturity provides he is allowed some rebate of discount of the unexpired period. This process is called retirement of the bill under rebate.

Q4. 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.

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. 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.

Q7. 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.

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

Q9. Write two benefits of bills of exchange.

Q8. Name parties involved in a bill of exchange.

Ans 1:

- 1. Bills of exchange is a negotiable instrument and can be transferred for the settlement of one debts without difficulty.
- 2. It is an easy means of transmitting money from one place to another.

Q10. 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.