

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

Q1. 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.

Q2. 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.

Q3. Write two benefits of bills 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.

Q4. 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.

Q5. 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 and maturity.

Q6. What is meant by discounting of bill of exchange?

Ans 1: If the drawer of the bill is in need of money, he may sell the bill to his banker or any other financial institution, it is called discounting of the bill. On receipt of bill the bank pay cash to the drawer after deducting some percentage of the discount.

Q7. What is inland bill of exchange?

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

Q8. 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.

Q9. How many parties are involved in bill of exchange?

Ans 1: There are three parties involved 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 demand is known as drawee.

Payee: Sometimes the bill of exchange is endorsed or transferred to other person in exchange of a payment.

Q10. Name parties involved in a bill of exchange.

Ans 1: 1. Drawer

2. Drawee

3. Payee
