

Entrance Batch Account Test Bills of Exchange And Promissory Notes

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Instruction for Question 1 To 65 MCQ

- Qn.1)** 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 [1]
A. 49,000 B. 49,490 C. 49,686 D. 50,500
- Qn.2)** Who is the acceptor of "Bill of Exchange"? [1]
A. Debtor B. Creditor C. Seller D. None of the above
- Qn.3)** "Liability on account of bills discounted with Bank" will be treated as: [1]
A. Not a liability B. Current liability C. Deferred liability D. Contingent liability
- Qn.4)** A cheque is [1]
A. A Promissory note B. A bill at sight C. A bill after date D. None of these
- Qn.5)** How long is the period of days of grace in case of a bill: [1]
A. Three days B. Two days C. Four days D. One day
- Qn.6)** On 1st January Shilpa owes Rs. 10,000 and accepts a 3 months bill for the amount. On the date of maturity Shilpa was not able to meet the bill. She pays Rs. 4,000 and asks to draw another bill for three months for the balance amount with interest @ 15% p.a. The amount of interest will be: [1]
A. Rs. 200 B. Rs. 225 C. Rs. 500 D. Rs. 900
- Qn.7)** When a bill is renewed, then entry will be: [1]
A. No entry will be passed B. Entries for cancellation of old bill and renewal of bill C. Entry for renewal of bill D. None of these
- Qn.8)** A bills of exchange is [1]
A. drawn on specified banker B. an unconditional undertaking signed by the maker C. an unconditional order signed by the maker D.
- Qn.9)** Which of the following statement is true: [1]
A. Noting charge is an expense to be borne by drawer B. Noting charges is an expense to be borne by drawee C. Noting charges is an expense to be borne by payee D. Noting charges is an expense to be borne by bank
- Qn.10)** In case of dishonour of a discounted bill, noting charges are initially paid by- [1]
A. Drawer B. Drawee C. Banker D. None of these
- Qn.11)** X draws bill on Y. X endorsed the bill to Z. The payee of the bill will be [1]
A. X B. Y C. Z D. None
- Qn.12)** A draws a bill on B for Rs. 1,00,000. A endorsed the bill to C. The bill return dishonoured. Noting charges Rs. 1,000. B request A to accept the amount at 2% discount by a single cheque. The cheque amount will be [1]
A. 98,000 B. 98,980 C. 99,000 D. 99,980
- Qn.13)** Days of grace is [1]
A. at maturity on the third day after the day on which it is expressed to be payable B. at maturity on the third day from the day on which it is expressed to be payable C. On the third day from the day on which it is presented for payment. D.
- Qn.14)** Sonali has sent a bill of Rupali for Rs. 12000 to bank for collection. But bank informed that the bill has been dishonoured by Rupali. In the books of Sonali, on dishonor, the following entry will be passed – [1]
A. Rupali Dr. 12000; To Bills receivable 12000 B. Rupali Dr. 12000; To Bank 12000 C. Bills sent to bank for collection Dr. 12000; To Rupali 12000 D. Rupali Dr. 12000; To bill sent to bank for collection 12000
- Qn.15)** A drew a bill on B for Rs. 50,000 for 3 months. Proceeds are to be shared equally. A got the bill [1]

discounted at 12% pa and remits required proceeds to B. The amount of such remittance will be:
A. 24250 B. 25000 C. 16167 D. 32333

- Qn.16) **Parties to the bills of exchange are** [1]
A. drawer, drawee and payee B. debtor, creditor and banker C. payer, payee and banker D.
- Qn.17) **Ayub informs Maharaja that Sandashiv's acceptance for Rs. 2000 endorsed to Ayub has been dishonored. Noting charges amounted to Rs. 50. In the books of Maharaja, the entry will be –** [1]
A. Sadashiv Dr. 2000; To Ayub 2000 B. Sadashiv Dr. 2050; To Ayub 2000; To Noting Charges 50 C. Sadashiv Dr. 2050; To Ayub 2050 D. Sadashiv Dr. 2000; Noting charges Dr. 50; To Ayub 2050
- Qn.18) **If a bill of Exchange is drawn on 5.1.2005, stating that 20 days after date, pay to ABC, the sum of Rupees XXXX, the due date of the bill is –** [1]
A. 21.1.2005 B. 28.1.2005 C. 20.1.2005 D. None of the above
- Qn.19) **Endorsement of bill means:** [1]
A. Transfer of right on the bill from the drawee to the creditors B. Transfer of right on the bill from the creditors to the drawee C. Transfer of right on the bill from the drawer to the creditors D. Transfer of right on the bill from the creditors to the drawer
- Qn.20) **A promissory note is an instrument in writing containing an —— undertaking.** [1]
A. Conditional B. Unconditional C. Both (a) & (b) D. Either (a) or (b)
- Qn.21) **A bill of Rs. 12,500 drawn by Shyam is accepted by Ram & Shyam gets its discounted @ 12% p.a. due 3 months hence. The discounting charges borne by Shyam is:** [1]
A. Rs. 375 B. Rs. 1,500 C. Rs. 250 D. Rs. 1,000
- Qn.22) **“Bills payable discounted in cash by Creditor” will be shown in** [1]
A. Journal B. Ledger C. Bank book D. No entry required
- Qn.23) **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:** [1]
A. 98,000 B. 68,000 C. 68,600 D. 70,000
- Qn.24) **A draws a bill for Rs. 15,000 which is accepted by B. They agree to share the proceeds in the ratio of 3 : 2. A discounts the bill with the bank at 10% p.a., maturity 2 months. What amount will be remitted by A to B after discounting the bill?** [1]
A. Rs. 6,000 B. Rs. 7,500 C. Rs. 5,900 D. Rs. 7,375
- Qn.25) **On 1.1.2005 X draws a bill on Y for Rs. 30,000 for 3 months. At maturity Y requests X to accept Rs. 10,000 in cash and for balance to draw a fresh bill for 2 months together with 12% p.a. interest, amount of interest will be:** [1]
A. Rs. 400 B. Rs. 600 C. Rs. 480 D. Rs. 760
- Qn.26) **A bill of exchange is drawn on 1st April 2003 payable after 3 months. The due date of the bill is:** [1]
A. 1st April 2003 B. 30th June 2003 C. 1st July 2003 D. 4th July 2003
- Qn.27) **How many days are added as days of grace for calculating the date of maturity of a term bill?** [1]
A. 4 days B. 3 days C. 2 days D. None of these
- Qn.28) **In case of sudden holiday, maturity date falls on:** [1]
A. Next following day B. Previous day C. On the same day D. None of the above
- Qn.29) **Which of the following instrument is not a negotiable instrument:** [1]
A. Bearer cheque B. Promissory note C. Bill of exchange D. Crossed cheque
- Qn.30) **Bank informs Maharaja as to the dishonor of Kusum's acceptance for Rs. 2000 to Maharaja earlier discounted with the Bank for Rs. 1960. The noting charges came to rs. Forty. In the books of Maharaja, the following entry will be passed –** [1]
A. Kusum Dr. 2040; To bills receivable 2040 B. Kusum Dr. 2000; Noting charges Dr. 40; To bank 2040 C. Bank Dr. 2000; Discounting charges Dr. 40; To Kusum 2040 D. Kusum Dr. 2040; To Bank 2040
- Qn.31) **When an accommodation bill is discounted and the amount received is shared by the two parties, the discount is borne by the-** [1]

A. Drawee only B. Drawer only C. Drawer and Drawee equally D. Drawer and Drawee in agreed ratio

- Qn.32) 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 1/3rd 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? [1]
A. 3000 B. 2880 C. 2920 D. 3010
- Qn.33) Mr. A and Mr. B are in the need of money. A draws bill on B for Rs. 1000. B accepts the bill and returns it to A. A discounts the bill for Rs. 960. A remits half of the proceeds to Mr. B i.e. [1]
A. 500 B. 1000 C. 960 D. 480
- Qn.34) A bill not paid by drawee on due date is called _____ [1]
A. Noting of bill B. Dishonor of bill C. Renewal of bill D. Discounting of bill
- Qn.35) On 15.08.05 X draws a bill on Y for 3 months for Rs. 20,000. 18th Nov was a sudden holiday, due date of the bill will be [1]
A. 17th Nov B. 18th Nov C. 19th Nov D. 15th Nov
- Qn.36) A cheque is a [1]
A. promissory note B. cash C. bills of exchange D. None of these
- Qn.37) 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 become insolvent and 50 paise is recovered from Bonny's estate. How much amount of bad debts will be recorded in the books of Bobby: [1]
A. 12,500 B. 9,437 C. 11,687 D. 13,650
- Qn.38) A draws a bill on B for Rs. 1000. B accepts and returns it to A. Mr. A discounts the bill at Rs. 960/- i.e. discount of Rs. 40. A remitted half of the proceeds (i.e. Rs. 480) to B (i.e. 500 – 20, B's share of discount). Before the due date Mr. A sends other half of the amount i.e. Rs. 500 (own share) to Mr. B. on the due date Mr. B found himself unable to arrange his share of amount and hence the bill was dishonored. Now – [1]
A. Bank will collect Rs. 1000 from Mr. A. B. A will pay Rs. 1000 to B C. Bank will collect Rs. 500 from A D. None of the above will happen
- Qn.39) Kumar draws a bill on Rajat for Rs. 50,000 for mutual accommodation in the ratio of 3:2. Rajat accepted the bill. Kumar got it discounted for Rs. 47,500. How much money should Kumar remit to Rajat? [1]
A. Rs. 28,500 B. Rs. 19,000 C. Rs. 30,000 D. Rs. 20,000
- Qn.40) X draws a bill on Y for Rs. 20,000 on 1.1.05 for 3 months after sight, date of acceptance is 6.1.05. [1]
Due date of the bill will be
A. 8.1.05 B. 9.4.05 C. 10.1.05 D. 11.1.05
- Qn.41) The Acceptor of a Bills of Exchange is the ____ [1]
A. Debtor B. Creditor C. Seller D. None
- Qn.42) P sold goods to Q for Rs. 2,00,000. Q paid cash Rs.60,000, P allowed a discount of 2% on the balance. What is the amount of the bill drawn by P on Q. [1]
A. 1,96,000 B. 1,37,200 C. 1,40,000 D. 1,36,000
- Qn.43) If a bill of exchange is drawn on 23.10.2005, stating that three months after date, pay to ABC, the sum of Rupees XXXX, the due date of the bill is – [1]
A. 26.1.2006 B. 25.1.2006 C. 23.1.2006 D. 24.1.2006
- Qn.44) If the bill is accepted and the amount is given before the due date (i.e. maturity), then the bill is said to be: [1]
A. Cancelled B. Accepted C. Retired D. Dishonour
- Qn.45) On 1st January 2006, Vimal sold goods worth Rs. 20,000 to Renu and drew a bill on Renu for 3 months. Renu accepted the bill and returned it to Vimal who discounted the bill with bank on 4th February 2006 @ 15% p.a. The discounting charges will be: [1]
A. Rs. 3,000 B. Rs. 750 C. Rs. 500 D. None
- Qn.46) A bill of exchange requires: [1]

A. Noting B. Registration C. Acceptance D. None of the above

- Qn.47) In each of the following, one is correct. Indicate the correct answer. On 1.4.09, X drew bill of Rs. 1,00,000 after sight for 3 months on Y who accepted the bill on 1.5.09. On 4.6.09, the bill was discounted at 12% pa. At maturity, the bill returned dishonoured, due to Y's insolvency, noting charges Rs. 500 and 40 paise in a rupee is recovered from Y's estate. The amount of deficiency in Y's books will be [1]
A. Rs. 60,000 B. Rs. 40,000 C. Rs. 60,300 D. Rs. 40,200
- Qn.48) Till the discounted bill is paid by the acceptor, it remains [1]
A. a contingent liability for the acceptor B. a contingent liability for the drawer C. a contingent liability for the bank D. a liability for the drawer
- Qn.49) On 1.1.05 X draws a bill on Y for Rs. 50,000 for 3 months. X got the bill discounted on 4.4.05 at 12% rate. The amount of discount on bill will be: [1]
A. 1500 B. 1600 C. 1800 D. 1450
- Qn.50) 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 months at 12% P.a interest. Amount of interest will be: [1]
A. 200 B. 150 C. 180 D. 190
- Qn.51) On 1.8.05 X drew 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: [1]
A. 8.9.05 B. 10.9.05 C. 11.9.05 D. 9.9.05
- Qn.52) On June 5, 2005 X he draws a bill at three months on Y for Rs. 5000 against sale of goods. Y accepts the bill. On the due date, Y pays cash to X against the bill. In the books of Y, the entry on payment will be – [1]
A. 8-9-2005
Bills payable A/c Dr. 5000; To Cash A/c 5000
B. 5-6-2005
Bills payable A/c Dr. 5000; To X 5000
C. 5-9-2005
Bills payable A/c Dr. 5000; To cash A/c 5000
D. 8-9-2005
X Dr. 5000; To cash A/c 5000
- Qn.53) 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 1/3rd of the proceeds to B. The amount remitted by A to B will be: [1]
A. 2000 B. 1960 C. 1920 D. 1900
- Qn.54) Birbal drew a 3 month bill on Satyapal for rs.5000. On due date satyapal approached Birbal to renew the bill for another month @12% p.a. Amount of the new bill will be: [1]
A. Rs.5000 B. Rs.5050 C. Rs.4050 D. None of three
- Qn.55) If a cheque is dishonoured, then the entry will be passed in _____ [1]
A. Bank Book B. B/R Book C. Sales Book D. Purchase Book
- Qn.56) Mr. A draws a bill on Mr. B for Rs. 1000. Mr. B accepts and returns to Mr. A. Mr. A discounted the bill for Rs. 960. Mr. A. remitted half of the proceeds to Mr. B. i.e. Rs. 480 (i.e. 500 – 20, B's share of discount). Before the due date, both were still in need of money and hence could not manage own share of amount. But to honour the first bill and for further accommodation, Mr. B draws a new bill on Mr. A for Rs. 1500. Mr. A accepts the new bill and returns to Mr. b. Mr. B discounts the new bill with his bank at Rs. 1440 (Discount Rs. 60). Out of the proceeds of 2nd bill, Mr. B honours the 1st bill. From the balance amount Mr. B remits ½ to Mr. A after deducting proportionate discount. B remits [1]
A. Rs. 500 B. Rs. 480 C. Rs. 720 D. Rs. 220
- Qn.57) On 1.1.05 X draws a bill on Y for Rs. 20,000. At maturity, Y requests X to renew the bill for 2 months @ 12% p.a. interest. Amount of interest will be [1]
A. Rs. 400 B. Rs. 300 C. Rs. 360 D. Rs. 380
- Qn.58) 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: [1]
A. 20,000 B. 19,000 C. 19,200 D. Nil

- Qn.59) The purpose of accommodation bill is:** [1]
A. To finance actual purchase or sale of goods B. To facilitate trade transmission C. When both parties are in need of funds D. At will
- Qn.60) 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** [1]
A. 2.2.05 B. 3.2.05 C. 1.2.05 D. 31.1.05
- Qn.61) 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 20.03.06 K retires the acceptance for Rs. 5000 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.** [1]
A. 1236 B. 1854 C. 3090 D. 3000
- Qn.62) A Bill is drawn for 3 months on May 12th. The due date of the bill date is ____** [1]
A. 15th August B. 14th August C. 16th August D. 12th August
- Qn.63) Out of the following bills, bill after date is** [1]
A. Pay B Rs. 500 at sight B. Pay B Rs. 500 after sight C. Pay B Rs. 500 on presentment D. None of these
- Qn.64) If a bill of Exchange is drawn on 20.1.2005, stating that 60 days after date, pay to ABC, the sum of Rupees XXXX, the due date of the bill is –** [1]
A. 24.3.2005 B. 20.3.2005 C. 21.3.2005 D. 23.3.2005
- Qn.65) Out of the following bills, bill at sight is** [1]
A. Pay B Rs. 500 on presentment B. Pay B Rs. 500 after sight C. Pay B Rs. 500 after 3 months D. None of these