Bills of Exchange

Question 1.  
On dishonor of a discounted bill whom does the bank look for payment  
(a) Drawer  
(b) Drawee  
(c) Endorser  
(d) Payee

Answer

Answer: (a) Drawer

Question 2.  
The act for signing by the drawer on the book of the instruments for the purpose of transfer  
(a) Acceptance of bill  
(b) Cheque  
(c) Endorsement  
(d) Bill

Answer

Answer: (c) Endorsement

Question 3.  
Which balance is shown by a B/R Book  
(a) Credit  
(b) None  
(c) Both  
(d) Debit

Answer

Answer: (d) Debit

Question 4.  
On whom the trade bill drawn  
(a) Seller  
(b) Creditor  
(c) Debtor  
(d) Owner

Answer

Answer: (c) Debtor

Question 5.  
The party who is entitled to receive the cash of a bill receivable is called  
(a) Drawer  
(b) Drawee  
(c) Capitalist  
(d) Bank

Answer

Answer: (a) Drawer

Question 6.  
Discounting Charges =  
(a) Amount of Bill Discounted × Rate × Unexpired Period  
(b) Amount of Bill Discounted × Rate / Unexpired Period  
(c) Amount of Bill Discounted × Rate + Unexpired Period  
(d) Amount of Bill Discounted + Rate × Unexpired Period

Answer

Answer: (d) Amount of Bill Discounted + Rate × Unexpired Period

Question 7.  
According to Negotiable Instrument Act, 1881, which of the following refers to “an instrument in writing (not being a bank note or a currency note) containing unconditional undertaking, signed by the maker to pay on demand or at a fixed or determinable future time a certain sum of money only to or to the order of a certain person, or to the bearer of the instrument”?  
(a) Promissory note  
(b) Bearer debentures  
(c) Cheque  
(d) Bill of exchange

Answer

Answer: (d) Bill of exchange

Question 8.  
If the due date is public holiday what will be the due date of the bill  
(a) Preceding day  
(b) Following day  
(c) The same day  
(d) After two days

Answer

Answer: (a) Preceding day

Question 9.  
Fee paid in cash to Notary Public is charged by  
(a) Holder of bill of exchange  
(b) Drawee  
(c) Drawer  
(d) None

Answer

Answer: (a) Holder of bill of exchange

Question 10.  
Kamal draws a bill on Sahil for Rs.3000. Kamal endorsed it to Rohan. Rohan endorsed it to Rakesh. The payee of the bill will be  
(a) Kamal  
(b) Rakesh  
(c) Sahil  
(d) Rohan

Answer

Answer: (b) Rakesh

Question 11.  
Noting charges are paid by the \_\_\_ but these are recordable from the \_\_\_\_  
(a) Drawer, Drawer  
(b) Drawer, Drawee  
(c) Drawee, Drawer  
(d) Drawee, Drawee

Answer

Answer: (c) Drawee, Drawer

Question 12.  
Person to whom the bill is endorsed called \_\_\_\_  
(a) Endorsement  
(b) Endorser  
(c) Endorsee  
(d) None

Answer

Answer: (b) Endorser

Question 13.  
What are the parties to a bill of exchange  
(a) Drawee, Drawer, Payee  
(b) Drawee, Drawer, Debtor  
(c) Payer, Drawee, Drawer  
(d) Drawee, Drawer, Creditor

Answer

Answer: (a) Drawee, Drawer, Payee

Question 14.  
Which bill is not allowed 3 days of grace  
(a) Bill at the time of due date  
(b) Bill at sight  
(c) Bill after due date  
(d) Bill before due date

Answer

Answer: (b) Bill at sight

Question 15.  
The purpose of accommodation bill is :  
(a) To finance actual purchase  
(b) When both parties are in need of funds  
(c) To facilitate trade transmission  
(d) None

Answer

Answer: (b) When both parties are in need of funds

Question 16.  
It is a period of time after which a bill becomes payable?  
(a) Grace days  
(b) Maturity  
(c) Usance  
(d) Tenor

Answer

Answer: (d) Tenor

Question 17.  
If the drawer is in need of money and cannot wait till due date and receive the money form bank is called?  
(a) Endorsement of bill  
(b) Discounting of bill  
(c) Retirement of bill  
(d) Dishonor of bill

Answer

Answer: (b) Discounting of bill

Question 18.  
In case if endorsement of bill the endorser debits?  
(a) Creditor account  
(b) Cash account  
(c) Bill receivable account  
(d) Bill payable account

Answer

Answer: (a) Creditor account

Question 19.  
Which of the following is not true?  
(a) There is no difference in appearance between trade and accommodation bill  
(b) A bill of exchange must be accepted  
(c) Drawee is maker of a bill  
(d) Accommodation bill is for an imaginary transaction

Answer

Answer: (c) Drawee is maker of a bill

Question 20.  
When an acceptor refuses to pay the amount of bill to the holder of bill on its maturity is called?  
(a) Honored bill  
(b) Dishonored bill  
(c) Retired bill  
(d) Endorsed bill

Answer

Answer: (b) Dishonored bill

Question 21.  
A bill of exchange is an?  
(a) A promise  
(b) Unconditional order  
(c) A request  
(d) A order

Answer

Answer: (b) Unconditional order

Question 22.  
A person who writes out the order to pay is called?  
(a) Drawer  
(b) Acceptor  
(c) Payee  
(d) Drawee

Answer

Answer: (a) Drawer

Question 23.  
When a drawer discounts the bill, he gets?  
(a) More than face value  
(b) Less than face value  
(c) Equal to face value  
(d) None of above

Answer

Answer: (b) Less than face value

Question 24.  
In case of term bill extra three days are given to acceptor are called?  
(a) Days of bill payable  
(b) Days if bill receivable  
(c) Days of grace  
(d) Days of tenor

Answer

Answer: (c) Days of grace

Question 25.  
How many parties are involved in case of discounting of bill?  
(a) Two  
(b) Three  
(c) Four  
(d) Unlimited

Answer

Answer: (a) Two

Question 26.  
Bill of Exchange has parties :  
(a) 6  
(b) 2  
(c) 3  
(d) 4

Answer

Answer: (c) 3  
Explanation:  
A bill of exchange consist of three parties namely:  
(i) Drawer  
(ii) Drawee  
(iii) Payee.

Question 27.  
The party which is ordered to pay the amount of bill of exchange is called :  
(a) Drawee  
(b) Payee  
(c) Drawer  
(d) None of these

Answer

Answer: (a) Drawee  
Explanation:  
The party upon whom the bill is drawn is called the drawee. He is the person to whom the bill is addressed and who is ordered to pay. He becomes an acceptor when he indicates his willingness to pay the bill.

Question 28.  
The party which is entitled to receive the payment of bill of exchange is known as :  
(a) Drawer  
(b) Payee  
(c) Drawee  
(d) None of these

Answer

Answer: (b) Payee  
Explanation:  
A person to whom money is paid or is to be paid, especially the person to whom a cheque is made payable. A payee is a party in an exchange who receives payment. The payee is paid by cash, check, or another transfer medium by a payer.

The drawee is the party that pays the sum specified by the bill of exchange. The drawer is the party that obliges the drawee to pay the payee. The drawer and the payee are the same entity unless the drawer transfers the bill of exchange to a third-party payee.  
So, payee is the correct option.

Question 29.  
Due date of a bill of exchange drawn on 30th January, 2011 for one month will be :  
(a) 5 Mar  
(b) 3 Mar  
(c) 29 Feb  
(d) 4 Mar

Answer

Answer: (b) 3 Mar  
Explanation:  
Due date of a bill is only after the given period (in this case one month ) plus three days of grace . So the bill will be paid only after 1 month and 3 days i.e. on 3rd march.

Question 30.  
The promissory note should be signed by  
(a) Payee  
(b) Drawee  
(c) Drawer  
(d) Promiser

Answer

Answer: (d) Promiser  
Explanation:  
Promissory Notes: A negotiable instrument is a document in writing. It is signed by a certain person who promises to pay another person a fixed sum of money on a fixed date.

Question 31.  
On dishonor of a discounted bill who does the bank look for payment?  
(a) Drawer  
(b) Payee  
(c) Endorser  
(d) None

Answer

Answer: (a) Drawer  
Explanation:  
Drawer (the person who had received B/R) because he had discounted the bill from the bank and now he’s liable for it’s dishonour. But later he can claim this amount from drawee.

Question 32.  
While calculating the due date of the bill, how many days are added to the period of the bill :  
(a) 4 days  
(b) 3 days  
(c) 5 days  
(d) Neither of these

Answer

Answer: (b) 3 days  
Explanation:  
3 days of grace are added to the period of bill while calculating the due date of the bill.

Question 33.  
Encashing the bill before the date of its maturity is called :  
(a) Dishonour of Bill  
(b) Retirement of Bill  
(c) Discounting of Bill  
(d) Endorsement of Bill

Answer

Answer: (c) Discounting of Bill  
Explanation:  
When we encash a bill before it’s maturity, it’s generally discounted with bank, bank charges some discounting charges and thus the process is known as discounting of bill.

Question 34.  
A bill of exchange renewed generally at the request of  
(a) Drawee  
(b) Bank  
(c) Drawer  
(d) None

Answer

Answer: (a) Drawee  
Explanation:  
When drawer want their money and drawee is not in the position to pay his money, then he wants some time to pay his money and so he requests to make a new bill to drawer.

Question 35.  
A bill of exchange can not be  
(a) Endorsed  
(b) Accepted  
(c) Refused  
(d) Crossed

Answer

Answer: (c) Refused  
Explanation:  
A bill of exchange is a document used in transactions that orders the payer to pay a certain amount of money to the payee. It is a guarantee of payment on demand or on a specified date, and it cannot be refused or cancelled, like a check.