

Accounting for bills of exchange

A written order to a person requiring them to make a specified payment to the signatory or to the named payee; a promissory note . it is a unconditional order signed by the maker.

PARTIES OF BILLS OF EXCHANGE:-

- **DRAWER:** person who makes or writes the bill of exchange .a person who has granted credit.
- **DRAWEE :** the person on whom bill of exchange is drawn. He is the person to whom credit is granted by the drawer of bill of exchange.
- **PAYEE :** payee is the person named in bill of exchange to whom the amount is to be paid. It may be drawer or third person .

ADVANTAGES OF BILL OF EXCHANGE :

1. Purchase and sale of goods on credit.
2. Discount facility
3. Easy to recover
4. Endorsement
5. Certainty as to payment
6. No reminder to debtors
7. Valid evidence of debt.

PROMISSORY NOTE : it is an unconditional undertaking in writing by the maker to payee. The specified amount to the specified person. Date of payment is specified by the maker.

DUE DATE: date on which the payment of bill is due for payment.

GRACE DATE : grace are three extra days added to the period of bill .

MATURITY DATE: date which comes after adding grace days to the period of bill.

OPTIONS AVAILABLE WITH DRAWER

1. Retain bill till the date of maturity
2. Discount the bill with bank
3. Endorse the bill in favour of a creditor.
4. Send the bill for collection

DISHONOUR OF BILL : it is the situation when acceptor of bills unable to pay the amount of bill.