

Business law

Lecture-23

✚ Types of Bills –

1) Inland Bills –

- a) Two essential conditions to make an inland instrument are:
- (1) the instrument must have been drawn or made in India; and
 - (2) the instrument must be payable in India or the drawee must be in India.

2) Foreign Bills –

All bills which are not inland are deemed to be foreign bills. Normally foreign bills are drawn in sets of three copies.

3) Trade Bills –

A bill drawn and accepted for a genuine trade transaction is termed as a trade bill. When a trader sells goods on credit, he may make use of a bill of exchange.

4) Accommodation Bill –

- a) An accommodation bill is a bill in which a person lends or gives his name to oblige a friend or some person whom he knows.
- b) In other words, a bill which is drawn, accepted or endorsed without consideration is called an accommodation bill.
- c) The party lending his name to oblige the other party is known as the accommodating or accommodation party, and the party so obliged is called the party accommodated.
- d) An accommodation party is not liable on the instrument to the party accommodated because as between them there was no consideration and the instrument was only for help.
- e) But the accommodation party is liable to a holder for value, who takes the accommodation bill for value, though such holder may not be a holder in due course.

Trade Bill	Accommodation Bill
1. Trade bills are drawn and accepted for same consideration.	1. These bills are drawn and accepted without any consideration.
2. These bills are legally enforceable.	2. These bills are not legally enforceable.
3. Trade bills are the acknowledgment of the debt.	3. Accommodation bills are not the acknowledgment of debt.
4. The drawer can sue if bill is dishonored.	4. Drawer cannot sue if bill is dishonored.
5. Loss by way of discounting the bill is borne by drawer only.	5. Loss by way of discounting the bill is shared by drawer and drawee in the ratio of their sharing in the proceeds of the bill.

5) Bills in Sets –

- a) Foreign bills are usually drawn in sets to avoid the danger of loss.
- b) They are drawn in sets of three, each of which is called “Via” and as soon as any one of them is paid, the others become inoperative.

Business law

Lecture-23

- c) All these parts form one bill and the drawer must sign and deliver all of them to the payee.
- d) The stamp is affixed only on one part and one part is required to be accepted.
- e) But if the drawer mistakenly accepts all the parts of the same bill, he will be liable on each part accepted as if it were a separate bill.

Bank Draft –

When a bill of exchange drawn by one bank on another bank, or by itself on its own branch, and is a negotiable instrument then it is called as bank draft.

Bank Draft	Cheque
A bank draft can be drawn only by a bank on another bank	Cheque can be drawn by any person
It cannot so easily be counter-manded (Cancelled)	It can be counter-manded (Cancelled)
It cannot be made payable to bearer.	It can be made payable to bearer

➤ Cheque – Section 6

📌 Meaning –

Cheque refers to a negotiable instrument that contains an unconditional order to the bank to pay a certain sum mentioned in the instrument, from the drawer's account, to the person to whom it is issued, or to the order of the specified person or the bearer. It also includes truncated cheque and cheque in electronic form.



📌 Definition –

“A cheque is a bill of exchange drawn upon a specified banker and payable on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form”.

Note –

A cheque is a species of a bill of exchange; but it has the following two additional qualifications:

1. It is always drawn on a specified banker, and
2. It is always payable on demand.

📌 Requisites (Essentials) of a Cheque –

○ A cheque must be an order in writing.	
○ It must contain an unconditional order	
○ A cheque must be signed by the maker	
○ The amount must be specifically mentioned in figures and words	
○ A cheque may be drawn payable to order or bearer. There are two kinds of cheques prevailing now a days. They are: a) it may be a bearer or order cheque; and b) it may be a self cheque	
○ The cheque must contain the date.	
○ Payee to be certain	