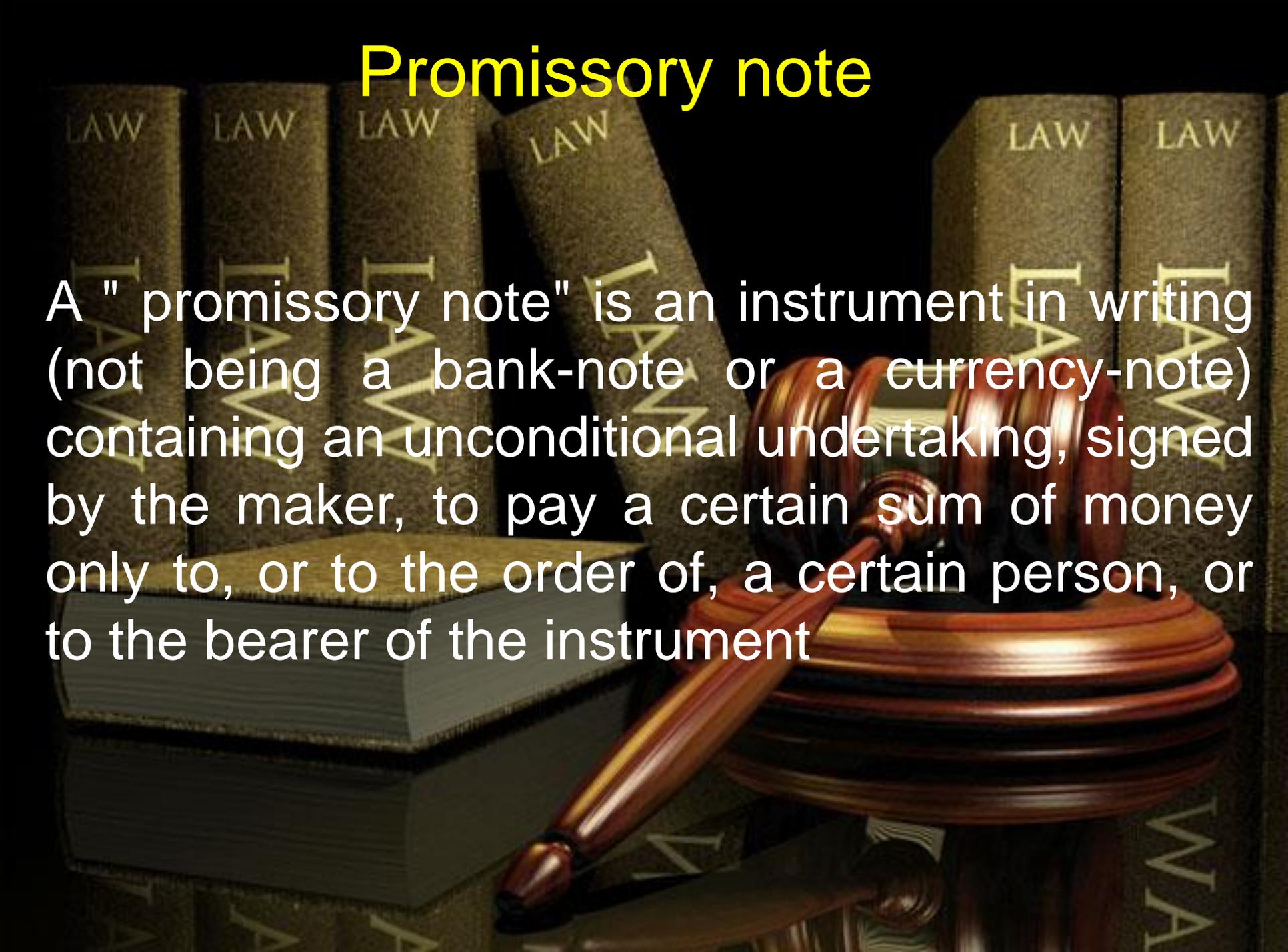
A stack of several old, worn law books with the word "LAW" embossed on their spines. A wooden gavel with a curved handle and a double-headed head rests on top of the books. The scene is lit from the side, creating strong highlights and deep shadows.

Promissory Note

Bills of Exchange

Cheque

Promissory note

The background of the slide features a stack of several old, leather-bound books. The spines of the books are visible, with the word 'LAW' embossed or printed on them in a serif font. A wooden gavel, with a polished, reddish-brown handle and a head with two rounded, flared ends, is positioned diagonally across the books. The lighting is dramatic, highlighting the textures of the wood and leather.

A "promissory note" is an instrument in writing (not being a bank-note or a currency-note) containing an unconditional undertaking, signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument

Example

A signs instruments in the following terms

(a) "I promise to pay B or order Rs. 500."

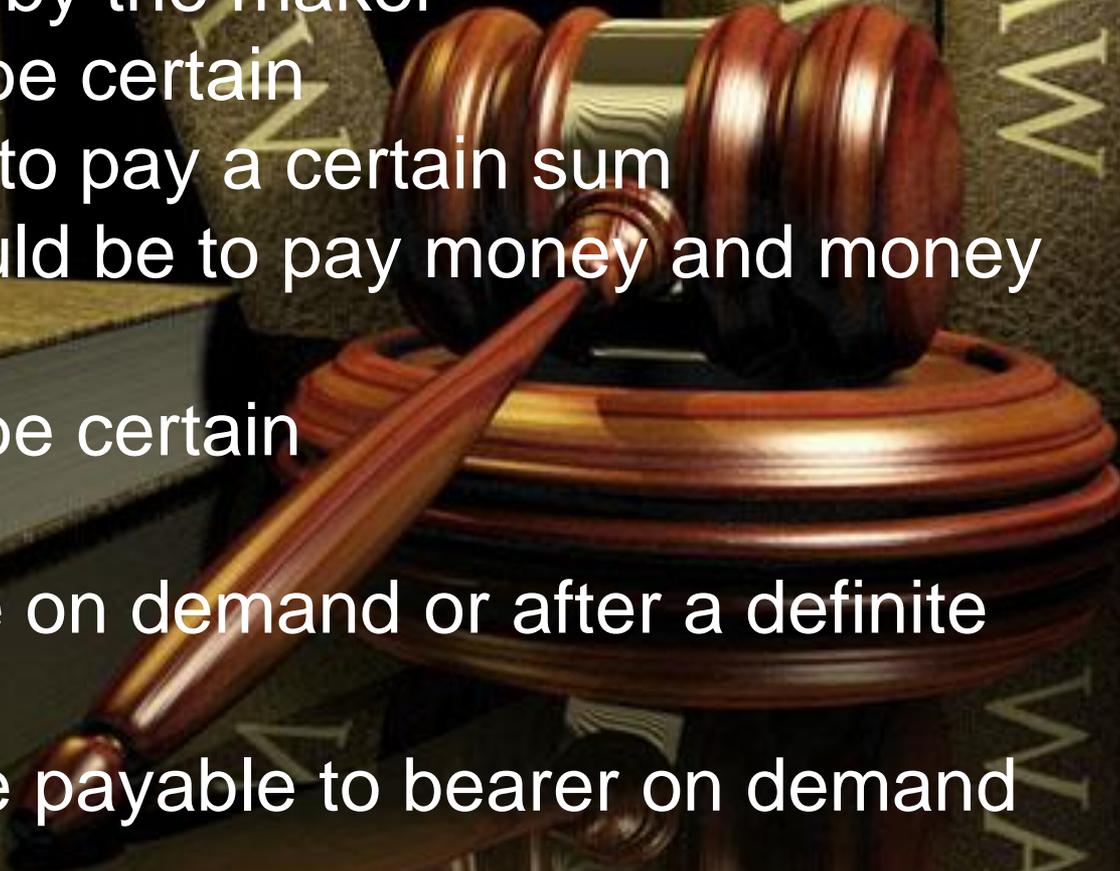
(b) " I acknowledge myself to be indebted to B in Rs. 1,000 to be paid on demand for value received."

(c) Mr. B, O U Rs. 1,000."

(d) I promise to pay B Rs. 500 and all other sums which shall be due to him."

(e) I promise to pay B Rs. 500, first deducting there out any money which he may owe me."

Essentials of Pro Note

1. It must be in writing
 2. The promise to pay must be express
 3. The promise to pay must be unconditional
 4. It must be signed by the maker
 5. The maker must be certain
 6. Promise must be to pay a certain sum
 7. The promise should be to pay money and money only
 8. The payee must be certain
 9. Other formalities
 10. It may be payable on demand or after a definite period
 11. It cannot be made payable to bearer on demand
- 
- A wooden gavel with a polished, reddish-brown finish is positioned diagonally across the lower right portion of the image. It rests on a stack of several thick, dark brown books. The spines of these books are visible, with the word 'LAW' printed in gold or light-colored letters. The background is dark, making the books and the gavel stand out. The overall scene suggests a legal or judicial context.

Specimen for of pro note

Indore

10 Nov., 2009

On demand, I promise to pay Mr. Rajiv or order
Rs.2000 (Rupees two thousand only) with interest
at 8 per cent per annum for value received

Sd/-

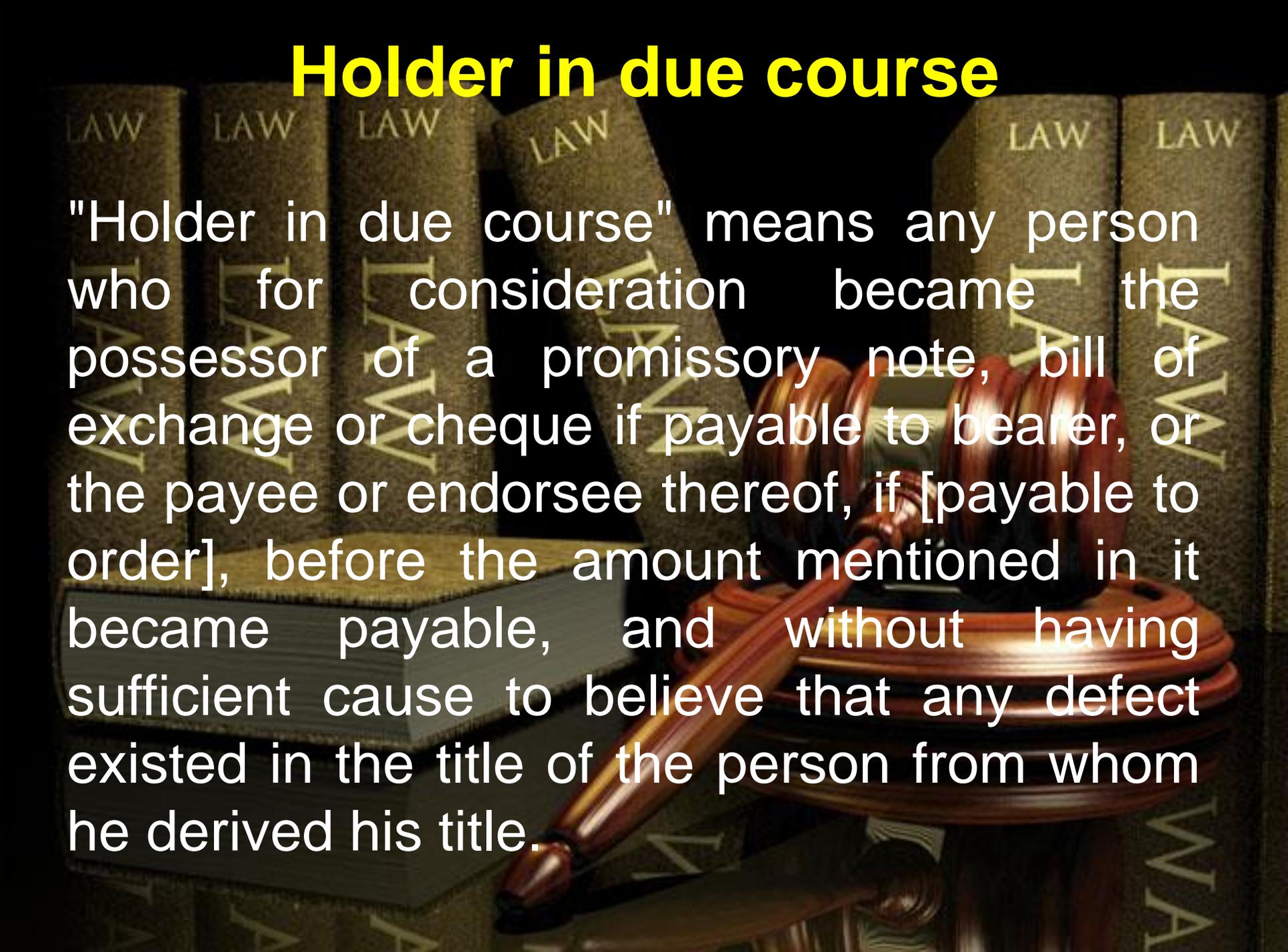
Stamp
Harish

Drawer, Drawee

The maker of a bill of exchange or Cheque is called the "drawer"; the person thereby directed to pay is called the "Drawee".



Holder in due course

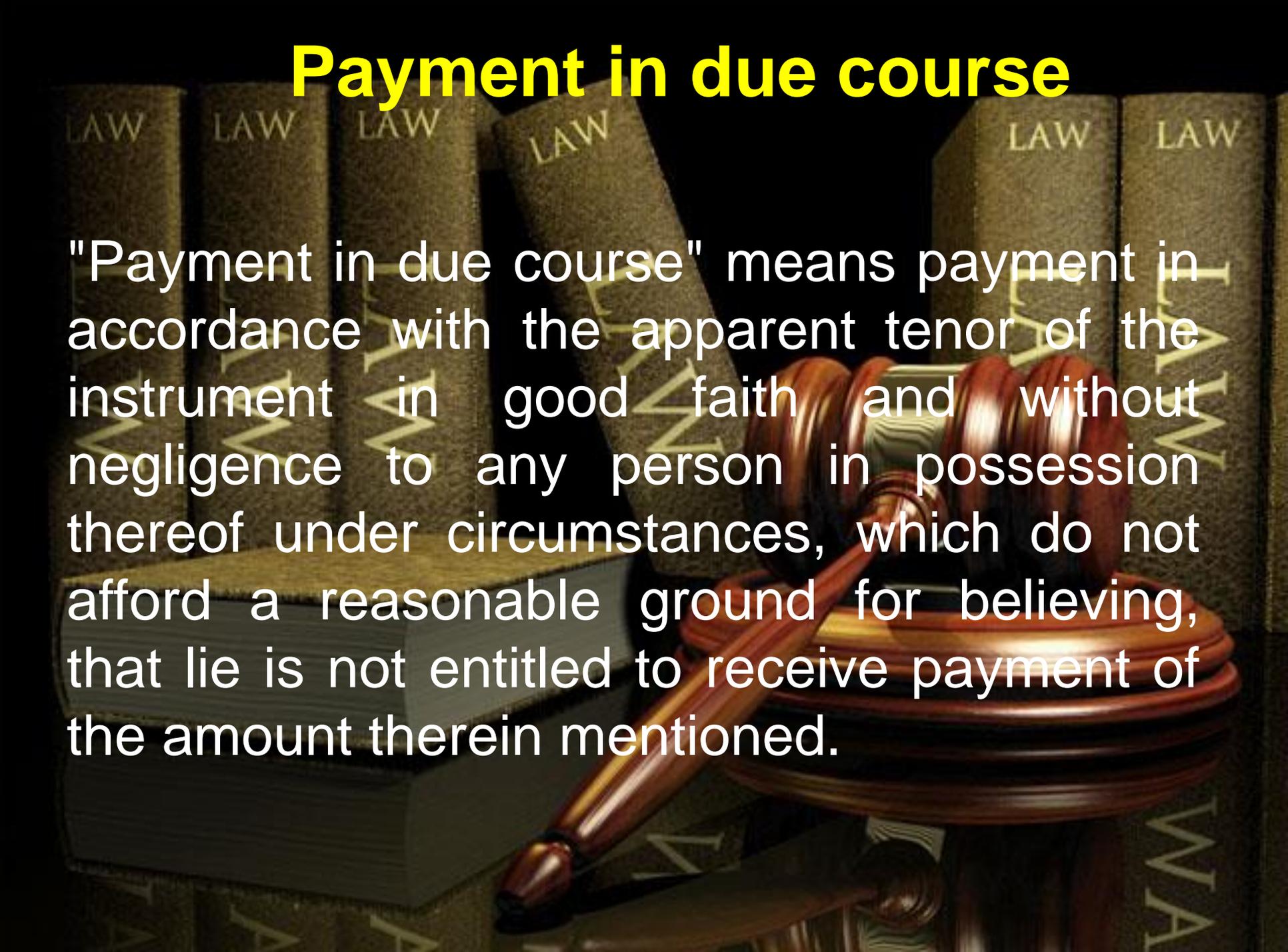
The background of the slide features a stack of several old, leather-bound books. The word 'LAW' is embossed in gold on the spines of the books. A wooden gavel with a polished, reddish-brown finish is positioned diagonally across the books, with its head resting on the top of one of the volumes. The lighting is dramatic, highlighting the texture of the leather and the wood of the gavel.

"Holder in due course" means any person who for consideration became the possessor of a promissory note, bill of exchange or cheque if payable to bearer, or the payee or endorsee thereof, if [payable to order], before the amount mentioned in it became payable, and without having sufficient cause to believe that any defect existed in the title of the person from whom he derived his title.

Holder

The "holder" of a promissory note, bill of exchange or Cheque means any person entitled in his own name to the possession thereof and to receive or recover the amount due thereon from the parties thereto. Where the note, bill or Cheque is lost or destroyed, its holder is the person so entitled at the time of such loss or destruction.

Payment in due course

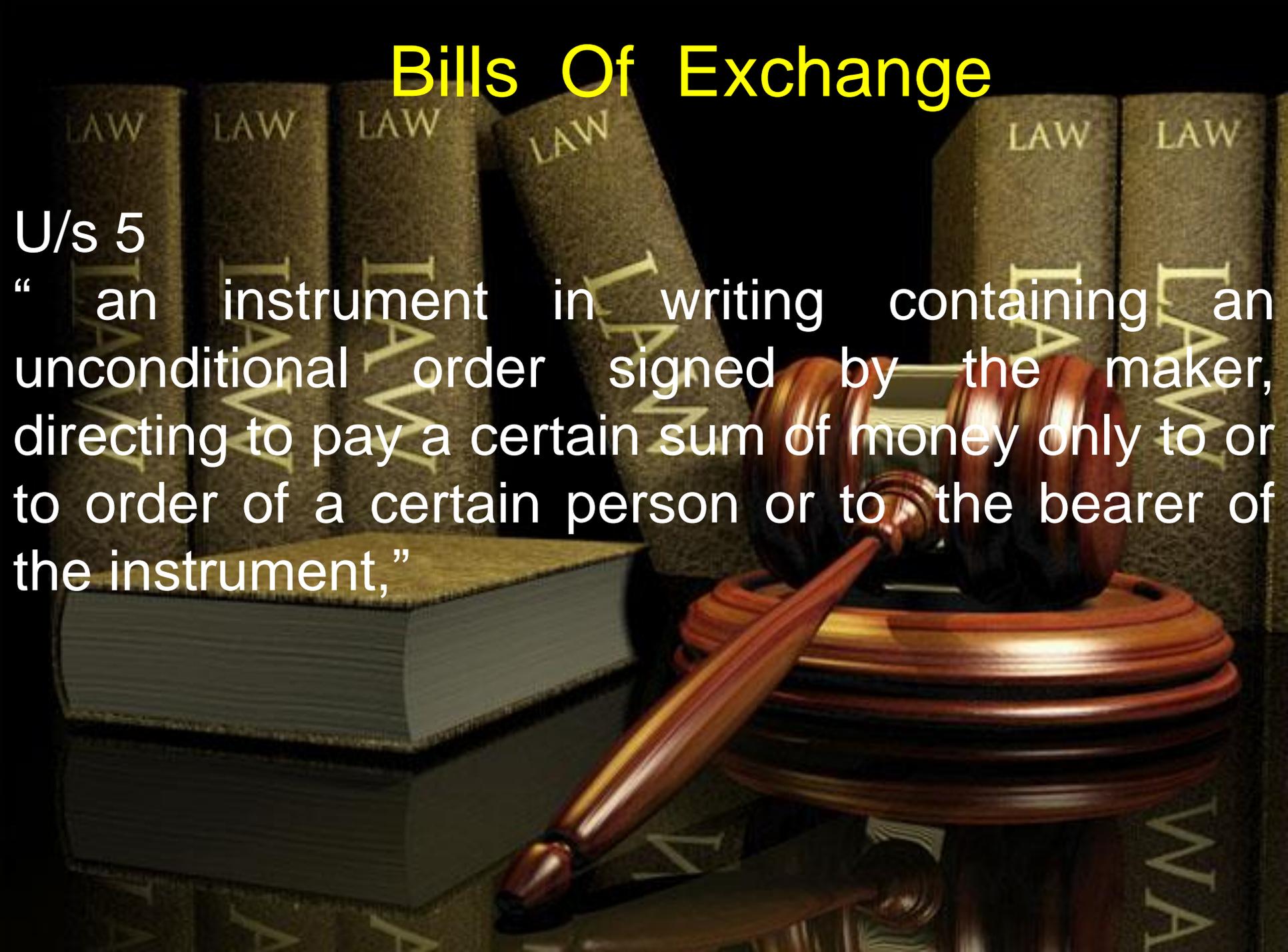
The background of the slide features a stack of several old, leather-bound books. The spines of the books are visible, with the word 'LAW' printed in gold or yellow lettering on each. In the foreground, a wooden gavel with a polished, reddish-brown finish is positioned diagonally. The gavel's head is resting on the top of the book stack, and its handle extends towards the bottom left. The lighting is dramatic, highlighting the textures of the wood and the leather.

"Payment in due course" means payment in accordance with the apparent tenor of the instrument in good faith and without negligence to any person in possession thereof under circumstances, which do not afford a reasonable ground for believing, that he is not entitled to receive payment of the amount therein mentioned.

Endorsement

When the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiation on the back or face thereof or on a slip of paper annexed thereto, or so signs for the same purpose a stamped paper intended to be completed as a negotiable instrument, he is said to endorse the same, and is called the "endorser".

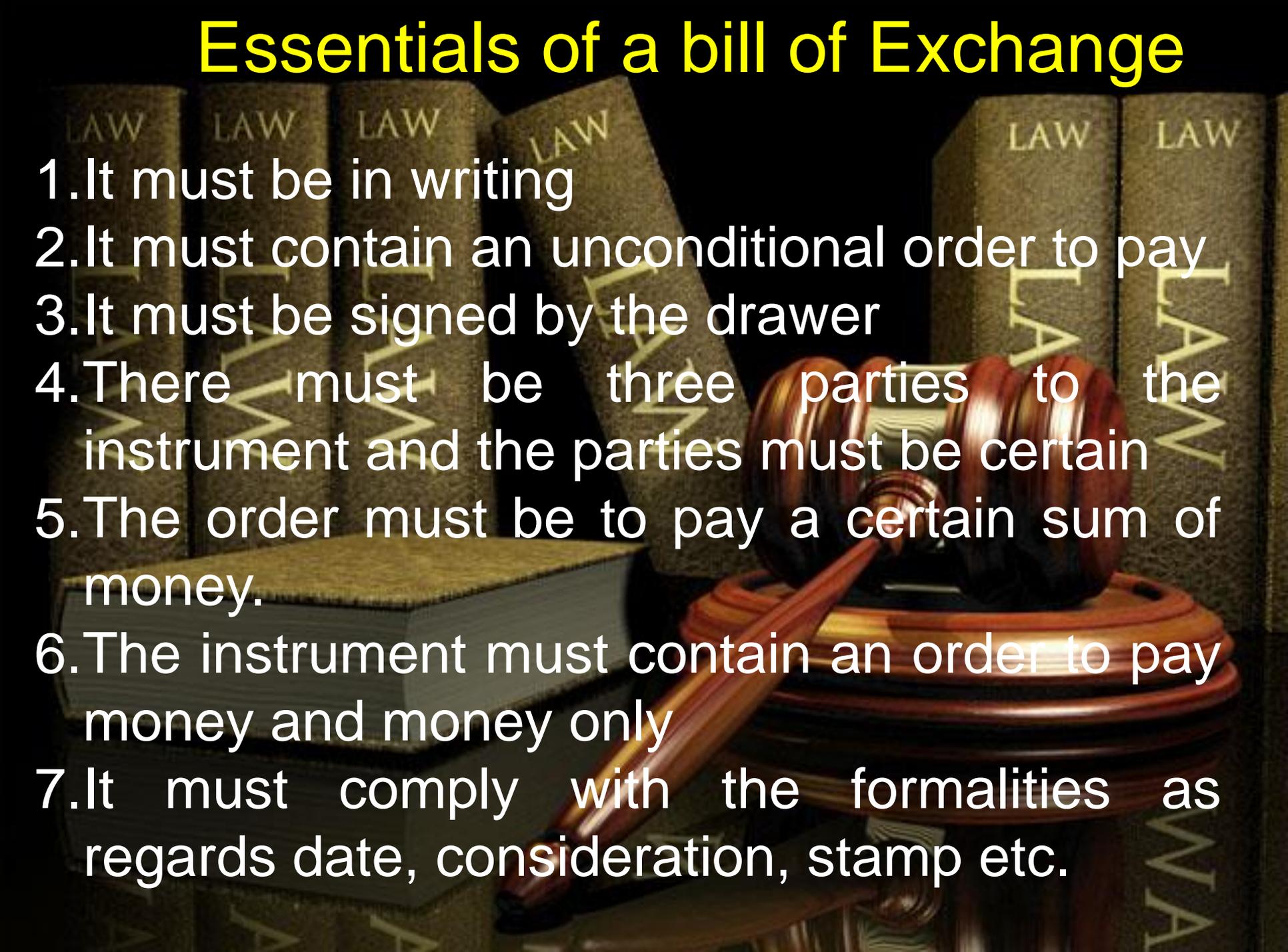
Bills Of Exchange

The background of the slide features a stack of several old, leather-bound books. The spines of the books are visible, with the word 'LAW' embossed or printed on them in a serif font. In the foreground, a wooden gavel with a polished handle and a rounded head rests on a stack of three books. The lighting is dramatic, highlighting the textures of the wood and leather.

U/s 5

“ an instrument in writing containing an unconditional order signed by the maker, directing to pay a certain sum of money only to or to order of a certain person or to the bearer of the instrument,”

Essentials of a bill of Exchange

The background of the slide features a wooden gavel resting on a stack of books. The spines of the books are visible, with the word 'LAW' printed on them in a serif font. The gavel is positioned diagonally across the lower right portion of the image.

1. It must be in writing
2. It must contain an unconditional order to pay
3. It must be signed by the drawer
4. There must be three parties to the instrument and the parties must be certain
5. The order must be to pay a certain sum of money.
6. The instrument must contain an order to pay money and money only
7. It must comply with the formalities as regards date, consideration, stamp etc.

Specimen form of bill of Exchange

Chandigarh

Jan 31, 2009

Three months after date, pay to Ram or order,
the sum of Rs. 1000 (Rupees one thousand
only) For value received.

Sd/-

Stamp
Jai

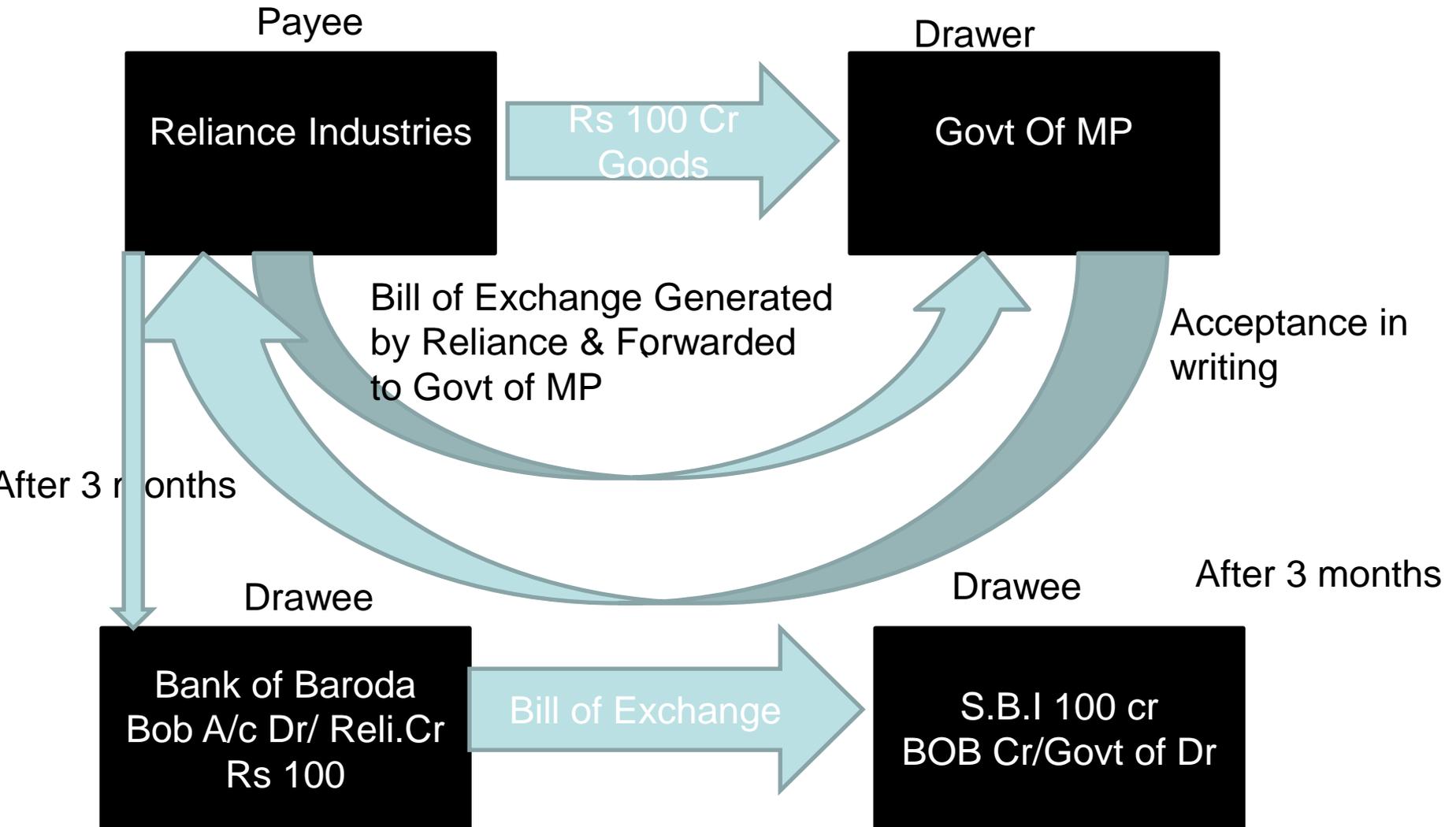
To

M/s Nath Bros
Chowk Bazar
Indore

Comparison Bills of Exchange & Pro Note

Points	Bills Of Exchange	Pro note
Parties	Three Parties 1.Drawer 2.Drawee 3.Payee	Two Parties 1.Maker 2.Payee
Nature of Payment	Unconditional Order to Pay.	Unconditional Promise to pay.
Acceptance	Acceptance of drawee is required before presentment.	No acceptance is required
Liability	Drawer liability is secondary & conditional	Maker is primarily and absolutely liable.
Notice of Dishonour	To all person liable to pay	No notice to maker
Maker's Position	Drawer has immediate relationship with acceptor and not the payee	Maker stands in immediate relationship with the payee

Bills of Exchange Process

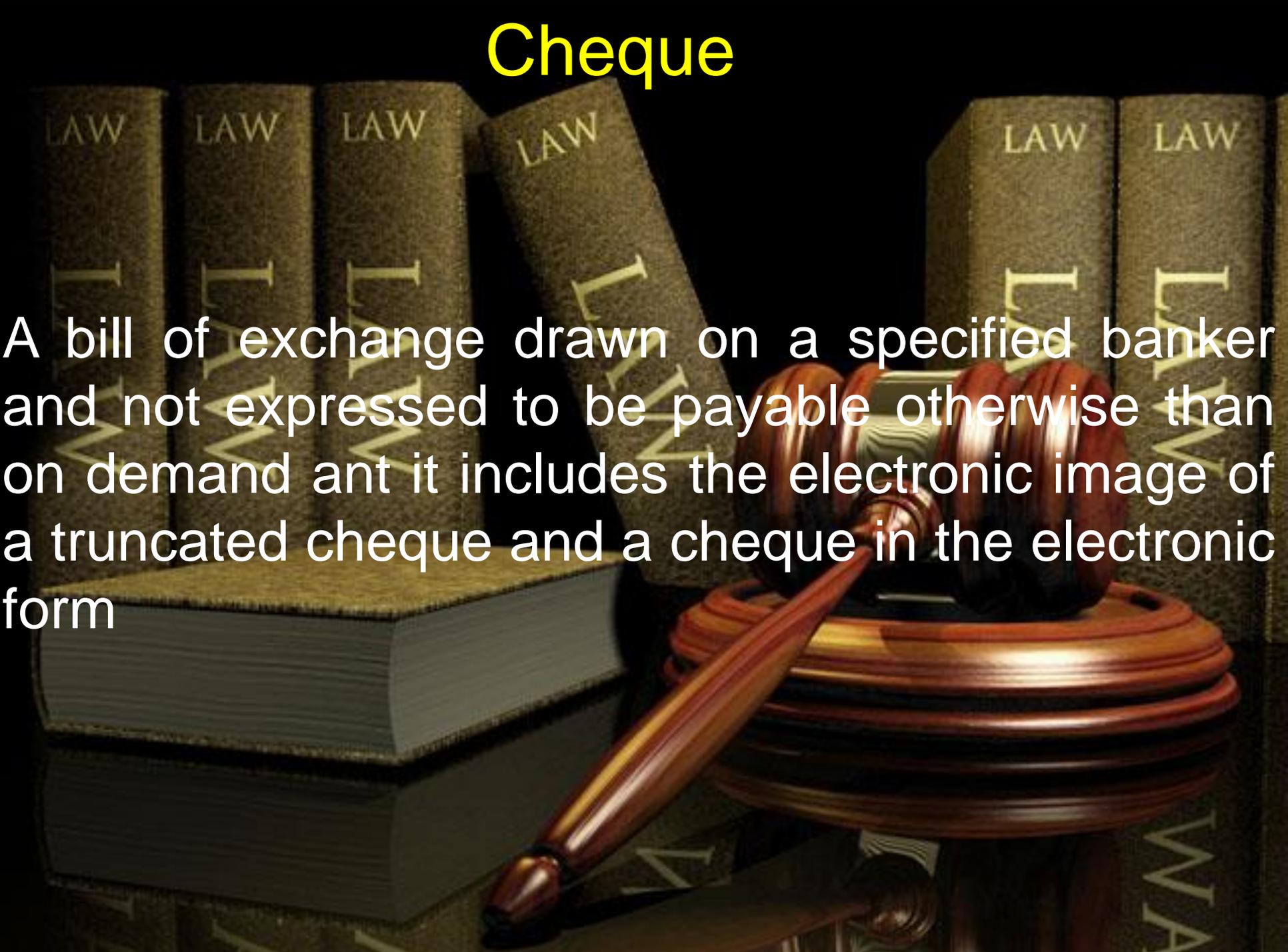


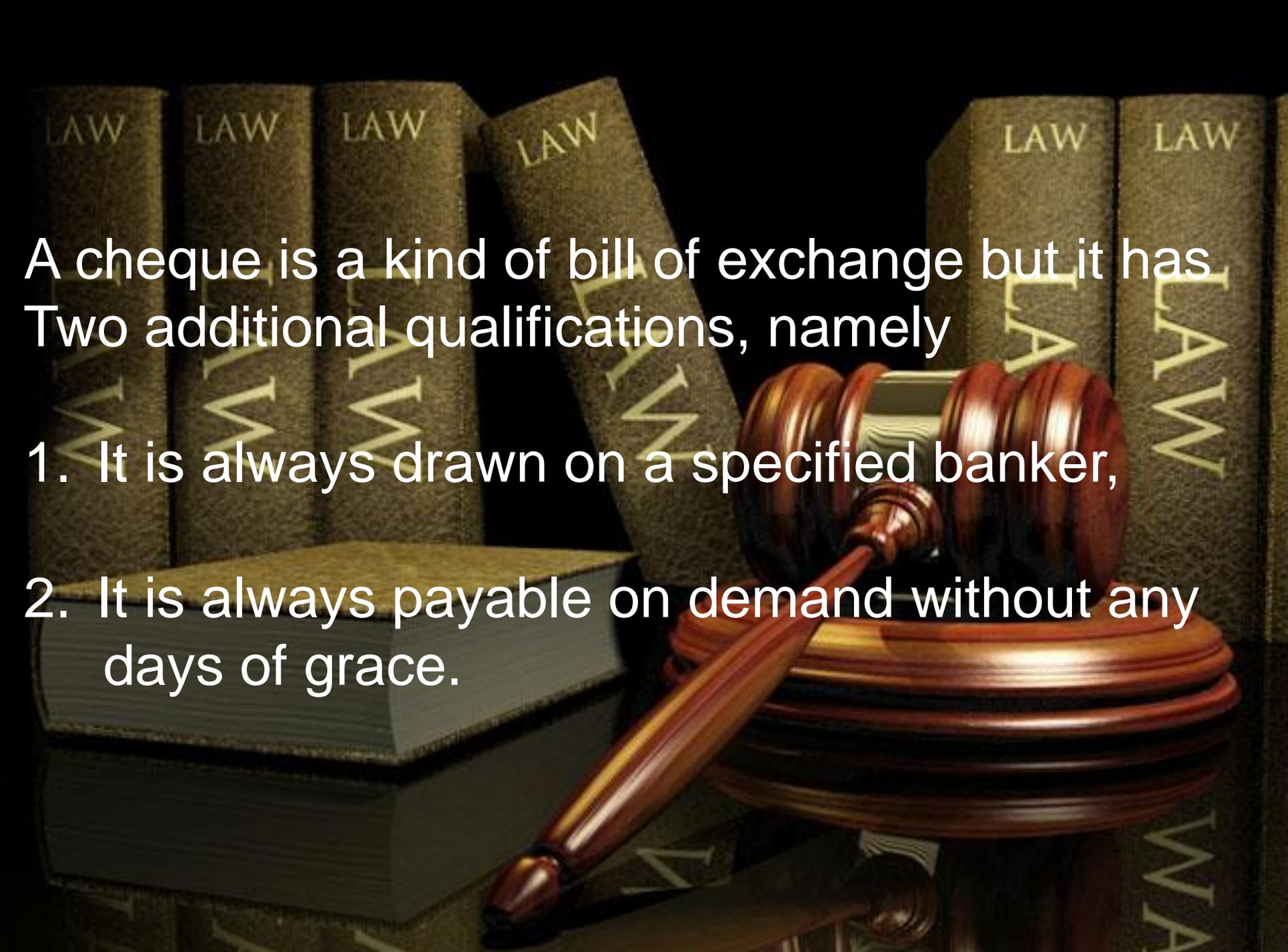
Comparison Cont.....

Points	Bills of Exchange	Pro Note
Nature of Acceptance	Can be conditional	Never Conditional
Payable to bearer	It can be so drawn provided not payable to bearer on demand	It can not be bearer
Payable to maker	Drawer and payee may be one person.	Maker can not pay to himself
Protest	Must be protested for dishonor	It can not be protested
Applicability of certain provision	Presentment for acceptance, acceptance, acceptance for honour are applicable	These are not applicable

Cheque

A bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form



A stack of several old, worn law books with the word 'LAW' embossed on their spines. A wooden gavel with a curved head and a handle is resting on top of the books. The scene is lit from the side, creating strong highlights and deep shadows.

A cheque is a kind of bill of exchange but it has
Two additional qualifications, namely

1. It is always drawn on a specified banker,
2. It is always payable on demand without any days of grace.

Comparison Cheque and bill of exchange`

Points	Cheque	Bills of Exchange
Drawee	Always on bank or banker	To any person including a banker
Acceptance	Not required	Required
Payment	Payable immediately	3 days grace period
Crossing	May be crossed	Can not
Notice of dishonor	Not necessary	Necessary
Payable to bearer on demand	Can be bearer on demand	It can not
Stamp	Stamping not required	Must
Countermand(cancel)	It can	It can not
Protection	Protection by bank	No protection

Crossing Of Cheque

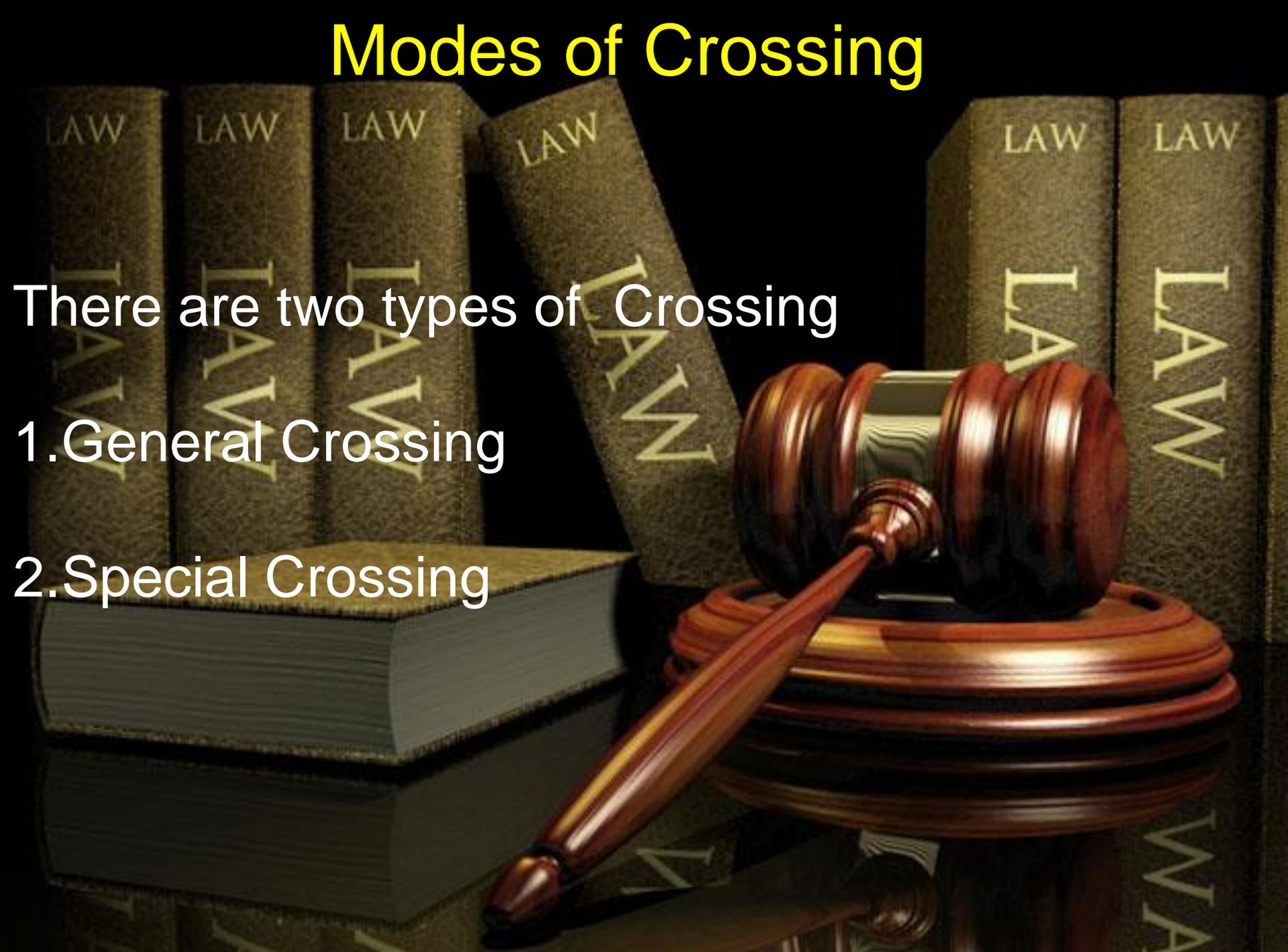
Cheques are of two types

1. Open Cheque:- Encashed at counter
2. Crossed Cheque:- Only through A/c

Modes of Crossing

There are two types of Crossing

1. General Crossing
2. Special Crossing



General Crossing



Special Crossing

It requires name of the banker to be added across the face of the cheque with or without the words 'not negotiable'. Transverse lines are not necessary.

State Bank of India

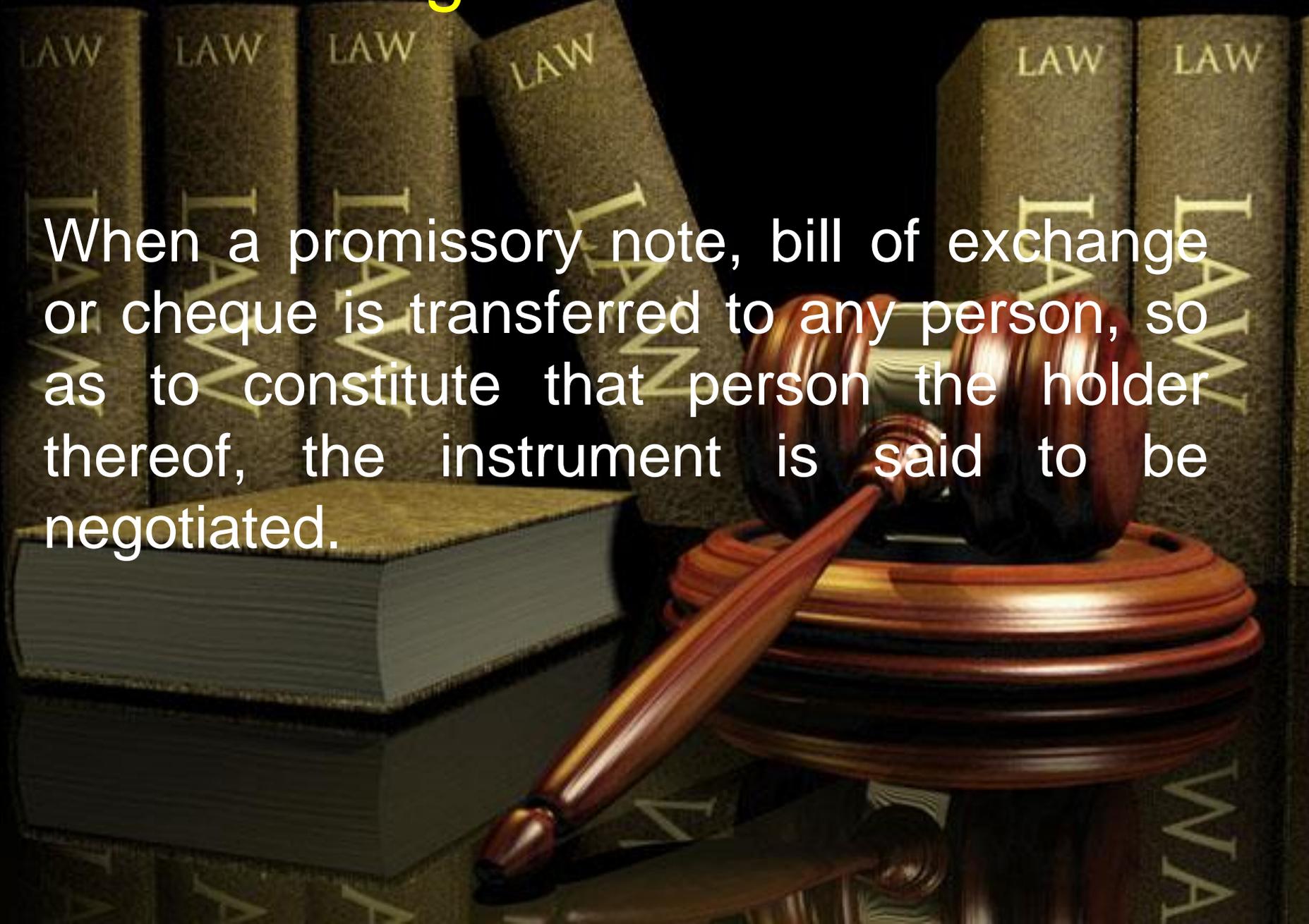
State Bank Of India

Account Payee
State Bank of India

Not Negotiable
State Bank of India

Negotiation U/s 14

When a promissory note, bill of exchange or cheque is transferred to any person, so as to constitute that person the holder thereof, the instrument is said to be negotiated.



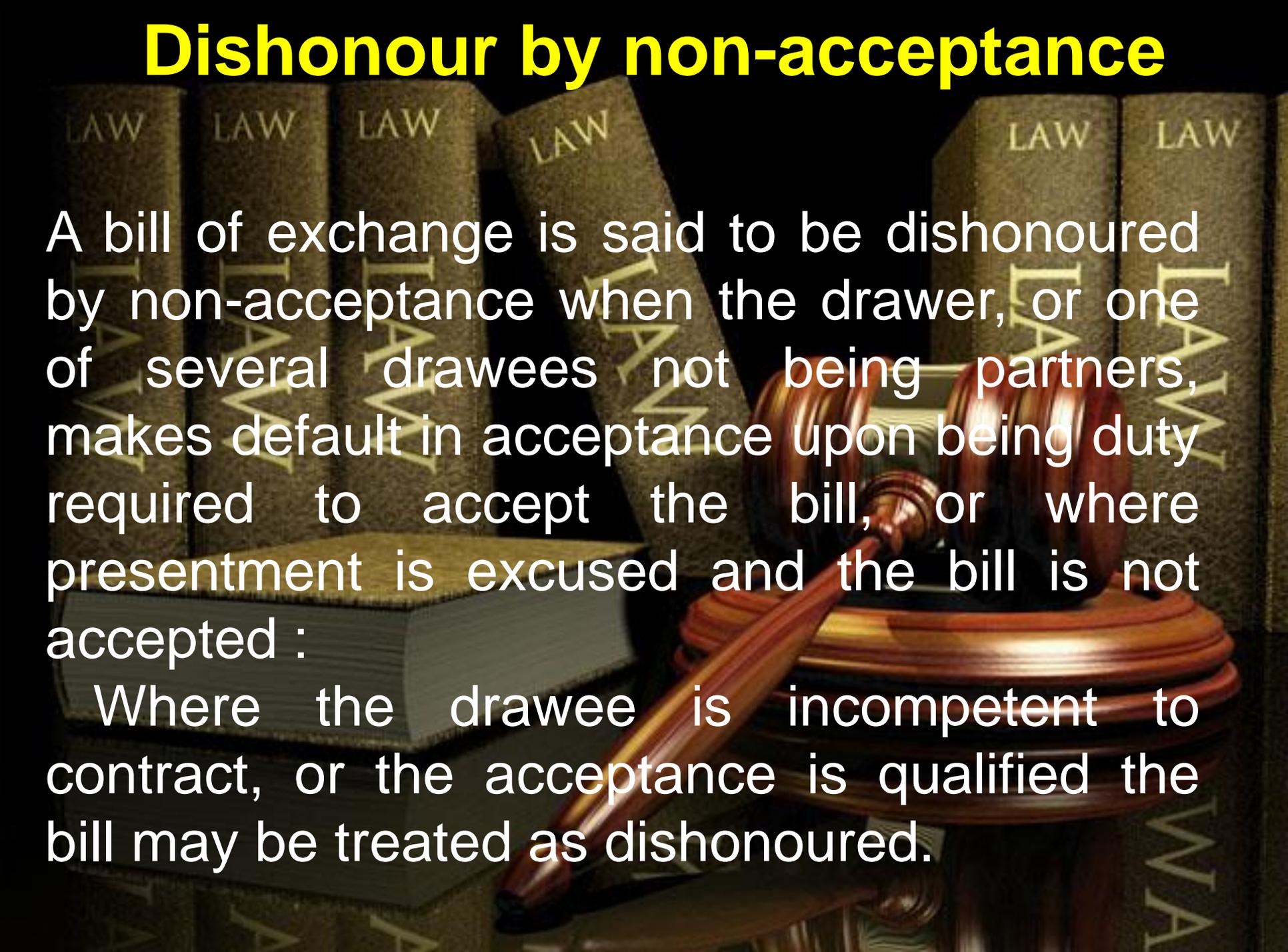
Modes of Negotiation

There are two ways of negotiation

1. Negotiation by delivery U/s 47
2. Negotiation by endorsement and delivery U/s 48



Dishonour by non-acceptance



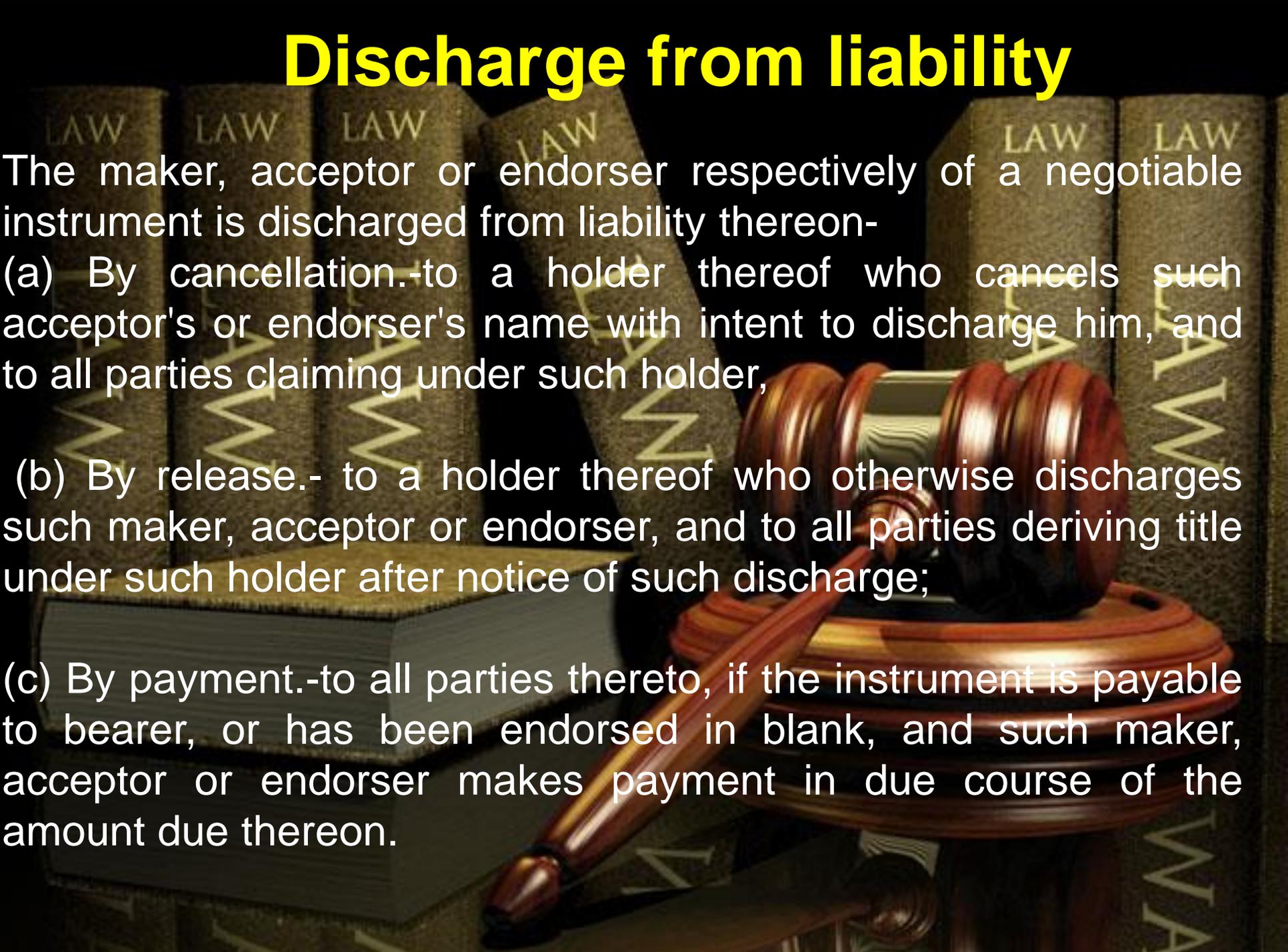
A bill of exchange is said to be dishonoured by non-acceptance when the drawer, or one of several drawees not being partners, makes default in acceptance upon being duly required to accept the bill, or where presentment is excused and the bill is not accepted :

Where the drawee is incompetent to contract, or the acceptance is qualified the bill may be treated as dishonoured.

Dishonour by non-payment

A promissory note, bill of exchange or cheque is said to be dishonoured by nonpayment when the maker of the note, acceptor of the bill or drawee of the cheque makes default in payment upon being duly required to pay the same.

Discharge from liability

A wooden gavel is positioned diagonally across the lower right portion of the image. It rests on a stack of several books. The spines of the books are visible, with the word 'LAW' printed in gold or yellow lettering. The background is dark, and the lighting highlights the texture of the wood and the books.

The maker, acceptor or endorser respectively of a negotiable instrument is discharged from liability thereon-

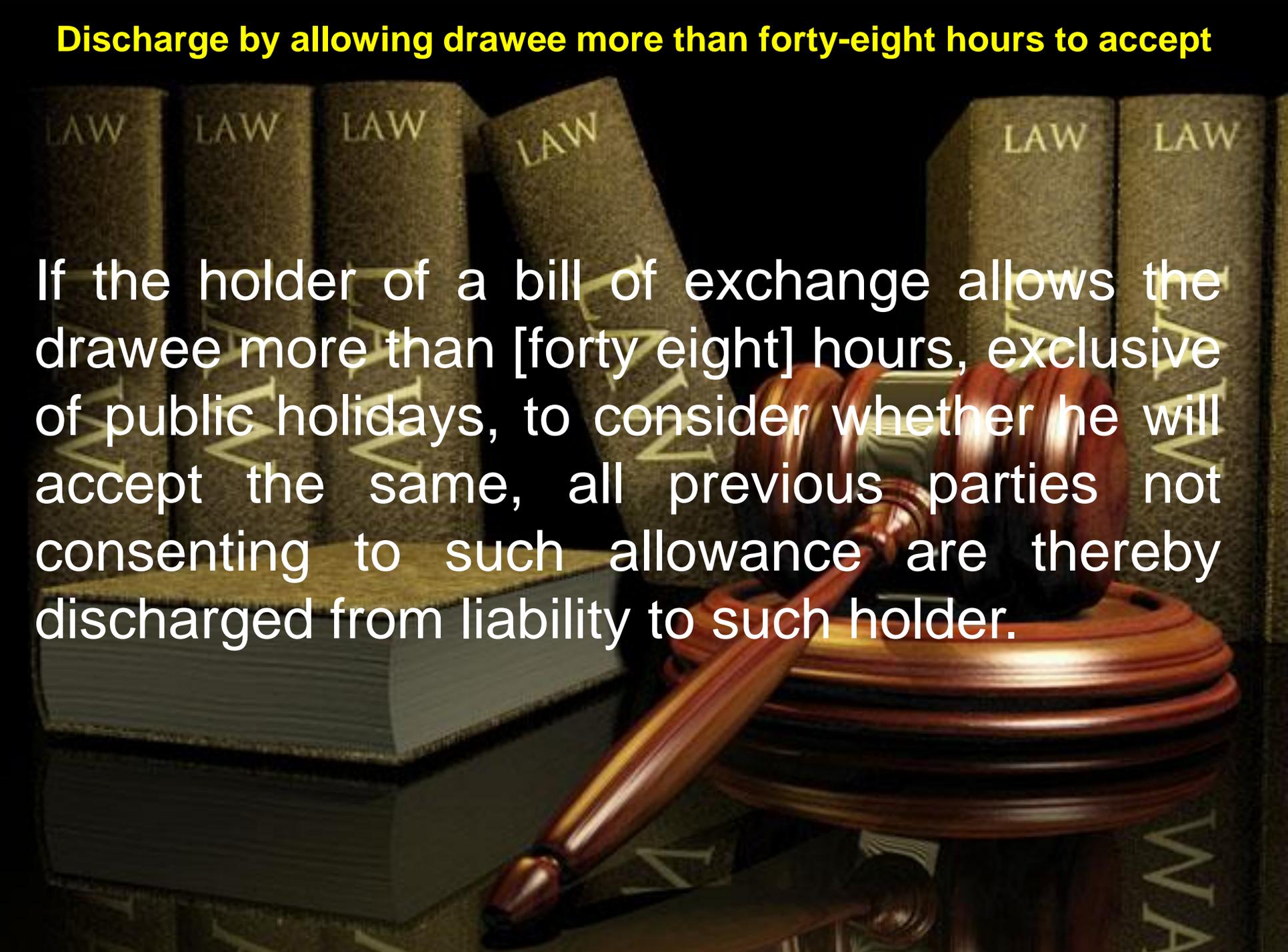
(a) By cancellation.-to a holder thereof who cancels such acceptor's or endorser's name with intent to discharge him, and to all parties claiming under such holder,

(b) By release.- to a holder thereof who otherwise discharges such maker, acceptor or endorser, and to all parties deriving title under such holder after notice of such discharge;

(c) By payment.-to all parties thereto, if the instrument is payable to bearer, or has been endorsed in blank, and such maker, acceptor or endorser makes payment in due course of the amount due thereon.

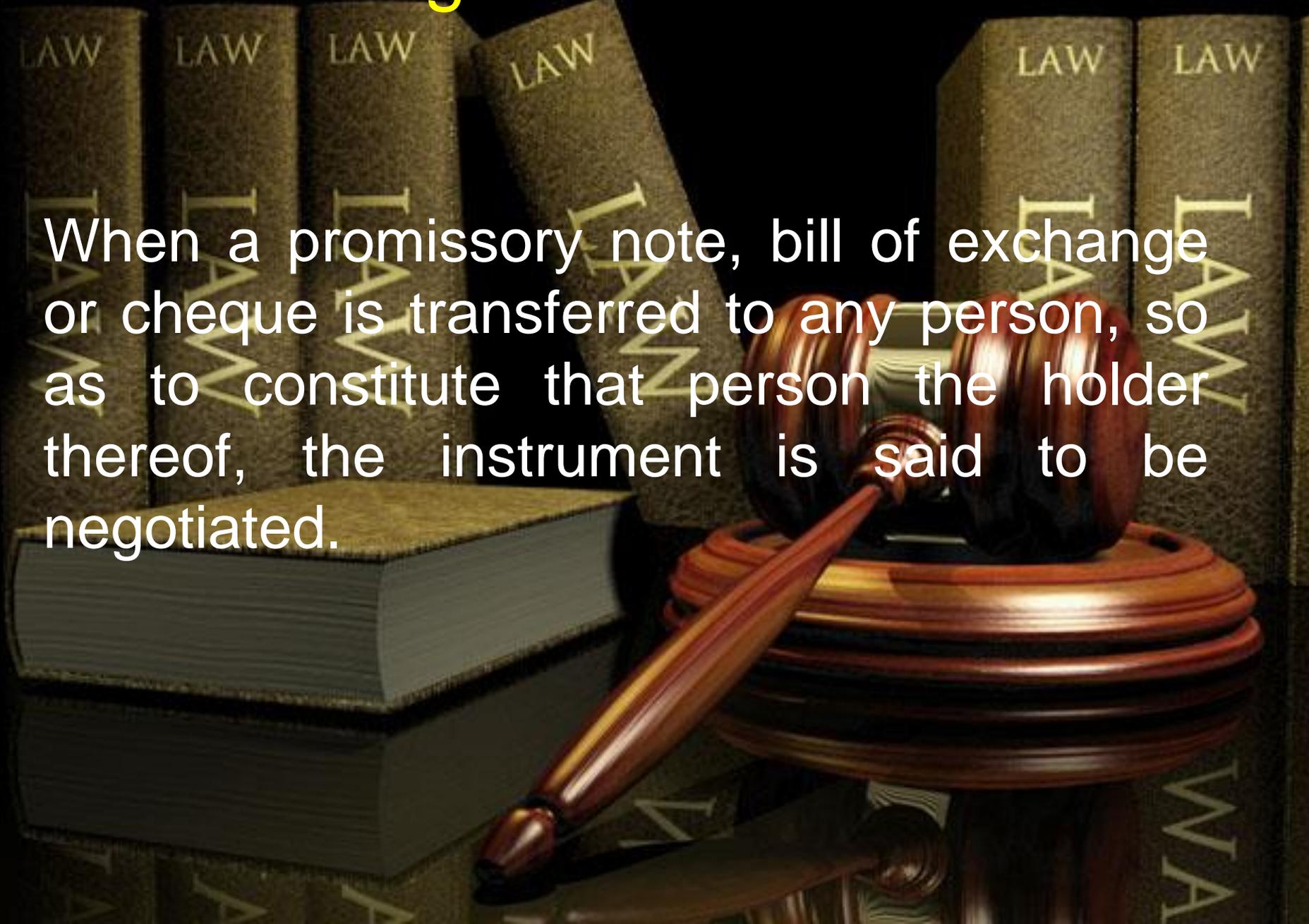
Discharge by allowing drawee more than forty-eight hours to accept

If the holder of a bill of exchange allows the drawee more than [forty eight] hours, exclusive of public holidays, to consider whether he will accept the same, all previous parties not consenting to such allowance are thereby discharged from liability to such holder.

The background of the slide features a stack of several old, leather-bound books. The spines of the books are visible, with the word 'LAW' printed in gold lettering on each. A wooden gavel with a dark handle and a rounded head is positioned diagonally across the books, resting on the top one. The lighting is dramatic, highlighting the textures of the leather and the wood of the gavel.

Negotiation U/s 14

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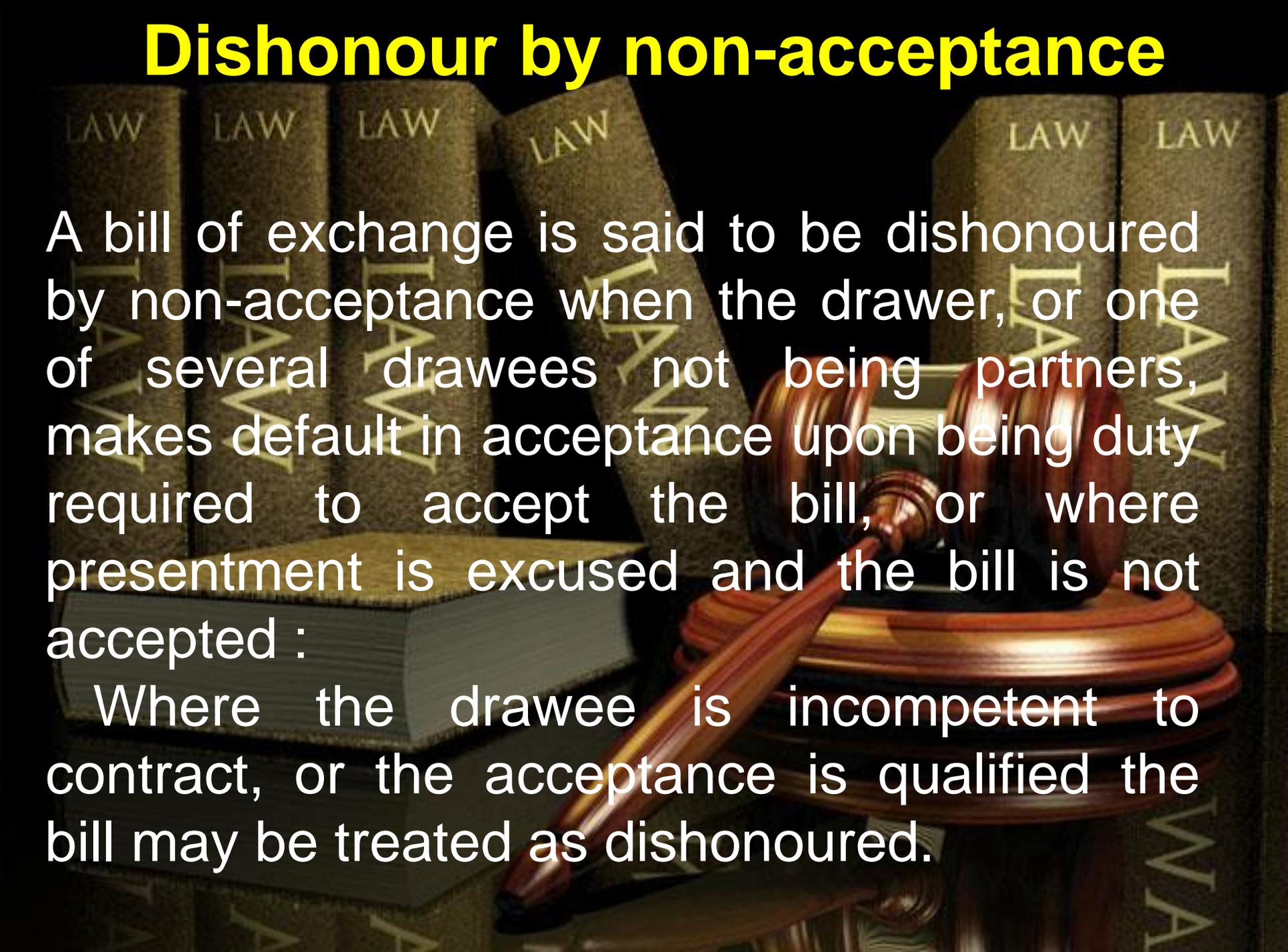
Modes of Negotiation

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Dishonour by non-acceptance



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Where the drawee is incompetent to contract, or the acceptance is qualified the bill may be treated as dishonoured.

**THANK
YOU**

