UNIT VIII

THE SALE OF GOODS ACT 1930 AND THE NEGOTIABLE INSTRUMENTS ACT 1881

22 CHAPTER

THE NEGOTIABLE INSTRUMENTS ACT 1881

எனைத்தானும் நல்லவை கேட்க அனைத்தானும்
ஆன்ற பெருமை தரும்.

–குறள் 416

COUPLET

Let a man listen, never so little, to good (instruction), even that will bring him great dignity.

X5V60

Learning Objectives

To enable the students to understand the

- Negotiable Instruments
- Meaning, characteristics and Assumptions
- Bills of Exchange, Cheque, Promissory Note – comparison
- Crossing of cheque – types – endorsement types

Chapter Synopsis

22.01 Negotiable Instruments – Meaning, Characteristics, Assumptions

22.02 Negotiability & Assignability

22.03 Bills of Exchange, Cheque, Promissory Note – A Comparison

22.04 Crossing of Cheque

22.05 Endorsements

The word 'Negotiable' means transferable from one person to another in return for consideration. The word 'Instrument' means a written document by which a right is created in favour of certain person. Thus, a negotiable instrument is a document which entitles a person to a certain sum of money and which is transferable from one person to another by mere delivery or by endorsement and delivery. The terms delivery and endorsement has been explained subsequently in this chapter. The law relating to negotiable instruments is dealt in the Negotiable Instruments Act 1881. This Act speaks about promissory note, bills of exchange and cheques.

22.01 Negotiable Instruments– Meaning, Characteristics, Assumptions

In the words of Justice K.C. Wills, a negotiable instrument is one, the property in which is acquired by anyone who takes it bonafide and for value, and withstanding any defect to title in the person from whom he took it.

According to section 13 of the Negotiable instruments Act 1881, a negotiable instrument means a promissory note, bill of exchange or cheque payable either to order or to bearer.

Characteristics of a Negotiable Instrument

1. Transferability

A negotiable instrument is transferable from one person to another without any formality, such as affixing stamp, registration etc., In other words, the property (the right of ownership) in the instrument can be transferred by mere delivery (in case it is payable to bearer) or by indorsement and delivery (in case it is payable in order).

2. Title of the holder free from all defects

A person taking the instrument in good faith and for value is known as holder in due course. When the instrument is held by holder in due course in the process of negotiation, it is cured of all defects in the instrument with respect to ownership. In other words, even though the right of the person who transferred the instrument to holder in due course is defective i.e. disentitled to transfer, the title of the holder in due course is superior. He/she need not return the bill to true owner. eg. A sold certain goods to B. B gives a Bills of Exchange to S for the price. Later B refuses to pay the Bills of Exchange on the ground that the goods supplied are defective. Meantime, A endorsed the bill to C. In this case, B's defence is of no value. C is a holder in due course. His title is not affected by certain defence like fraud or misrepresentation or any mistake.

3. Right of the transferee to sue

Though a bill, a promissory note or a cheque represents a debt, the transferee is entitled to sue on the instrument in his own name in case of dishonour, without giving notice to the debtor that he has become its holder.

Presumptions to Negotiable Instrument

Certain presumptions as briefly mentioned below:

I. Every negotiable instrument is presumed to have been drawn, accepted etc. for consideration.

II. A negotiable instrument is presumed to have been accepted.

III. Every negotiable instrument bearing, a date is presumed to have been made or drawn on such a date.

IV. It is presumed to have been accepted within a reasonable time after the date and before its maturity.

V. The transfer of a negotiable instrument is presumed to have been made before maturity.

VI. The endorsements appearing upon a negotiable instrument are presumed to have been made in the order to which they appear thereon.

VII. When a negotiable instrument has been lost, it is presumed to have been duly stamped.

VIII. The holder of a negotiable instrument is presumed to be a holder in due course.

22.02 Negotiability and Assignability

Negotiability

Negotiability refers to the transferability of all the rights and titles on an instrument by delivery or by endorsement and delivery, vesting with the bonafide transferee for value even better title that what the transferor had. This is the unique characteristics of a negotiable instrument. In short, transferability of negotiable instruments is called negotiability.

Assignability

Assignability refers to the transferability of personal properties and rights from one person to another as gift or sale or as security. The transferee gets the same as much title as the transferor has. In short, transferability of ownership of any goods other than negotiable instruments is called Assignability.

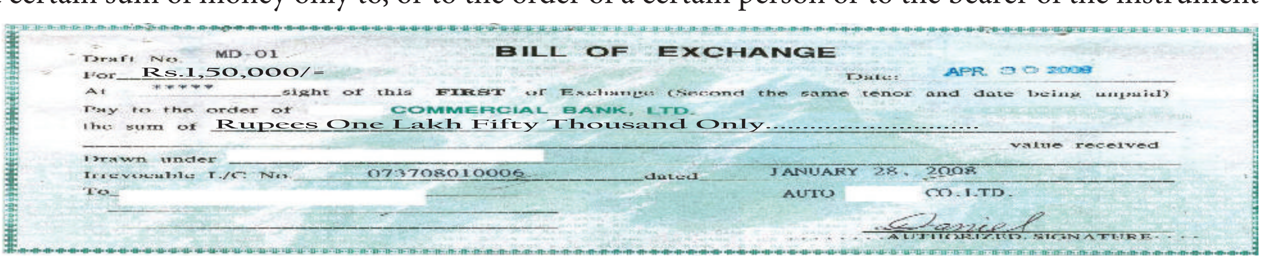
Difference between Negotiability and Assignability

Sl. No.	Basic of Difference	Negotiability	Assignability
1.	**Legal Ownership**	It passes to the transferee by mere endorsement in the case of a bearer instrument and by endorsement and delivery in the case of an order instrument.	An assignment can be made by observing certain formalities. For instance, an instrument is to be made in writing, duly stamped and signed by the transferor or his agent.
2.	**Notice**	Notice is not necessary for the holder of negotiable instrument to claim the payment from the debtor.	In case of actionable claim, notice of the assignment by the transferee regarding the transfer of debt to the debtor is necessary.
3.	**Nature of title**	Holder of negotiable instrument in due course gets a better title than even the transferor. It means that the transferee gets the instrument free from any defect existing in the title of the transferor or any prior party.	The transferee's title to the instrument is subject to the defects of the transferor's title. In other words, defects in the title of the transferor pass on to the transferee too.
4.	**Consideration**	Consideration is presumed	The assignee has to prove the consideration for the transfer.

22.03 Bills of Exchange, Cheque, Promissory Note – Comparison

Bill of Exchange – Definition

According to section 5 of the Negotiable Instruments Act, "a bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of a certain person or to the bearer of the instrument".



Characteristics of a Bill of Exchange

i. A bill of exchange is a document in writing.

ii. The document must contain an order to pay.

iii. The order must be unconditional.

iv. The instrument must be signed by the person who draws it.

v. The name of the person on whom the bill is drawn must be specified in the bill itself.

vi. The drawer, drawee and payee must all be certain. A bill cannot be drawn on two or more drawees in the alternative because where liability lies, 'no ambiguity must lie'. However, alternative payees are permitted in the law.

vii. The amount that is required to be paid must also be specified in the bill.

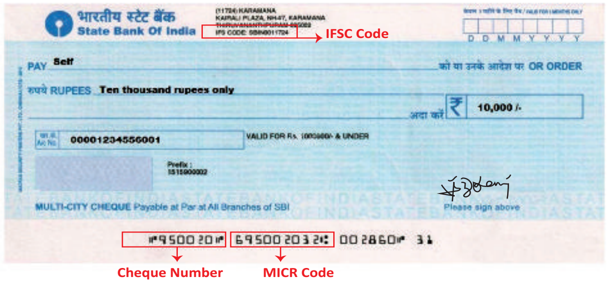
viii. The bill may be payable on demand or after a specified period.

ix. It must comply with formalities regarding date, consideration, stamps etc.,

A bill of exchange can be made payable on demand to a person. It can be made payable after a specified period. But it cannot be payable to bearer on demand.

Cheque - Definition

According to section 6 of the Negotiable Instruments Act, 1881 defines a cheque as "a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand".



Features of a Cheque

(i) Instrument in Writings

A cheque or a bill or a promissory note must be an instrument in writing. Though the law does not prohibit a cheque being written in pencil, bankers never accept it because of risks involved. Alternation is quite easy but detection impossible in such cases.

(ii) Unconditional Orders

The instrument must contain an order to pay money. It is not necessary that the word 'order' or its equivalent must be used to make the document a cheque. It does not cease to be a cheque just because the world 'please' is used before the word pay. Further the order must be unconditional. In other words, payment of money is made dependent on the happening of an event or on a fulfilment of a condition, the instrument loses the characteristics of a cheque.

(iii) Drawn on a Specified Banker Only

The cheque is always drawn on a specified banker. A cheque vitally differs from a bill in this respect as latter can be drawn on any person including a banker. The customer of a banker can draw the cheque only on the particular branch of the bank where he has an account.

(iv) A Certain Sum of Money Only

The order must be for payment of only money. If the banker is asked to deliver securities, the document cannot be called a cheque. Further, the sum of money must be certain.

(v) Payee to be Certain

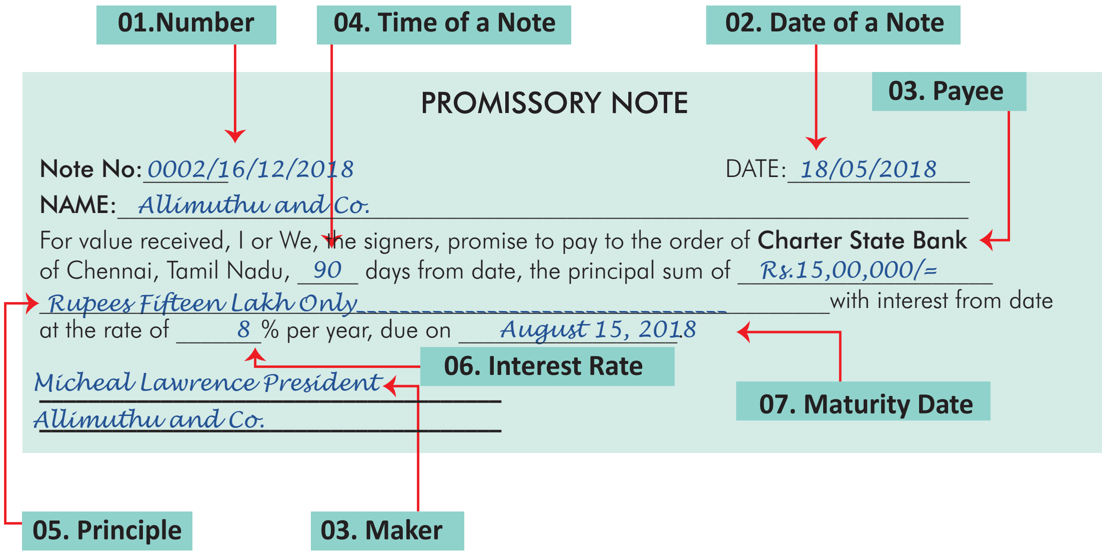
The cheque must be made payable to a certain person or to the order of a certain person or to the bearer of the instrument. The word, person includes bodies corporate, local authorities, associations, holders of office of an institution etc.,

(vii) Signed by the Drawer

The cheque is to be signed by the drawer. Further, it should tally with specimen signature furnished to the bank at the time of opening the account.

(viii) Payable Always on Demand

A cheque is always payable on demand. The words on demand are not used when the drawee bank is asked to pay and the time for its payment is not specified, it is considered to be payable on demand.



Promissory Note

According to Section 4 of the Negotiable Instruments Act, "a promissory note is an instrument in writing (not being a bank note or a currency note) containing an unconditional undertaking singed 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.

Characteristics of a Promissory Note

1. A promissory note must be in writing. An oral promise to pay does not constitute a promissory note.
2. It must contain a promise or undertaking to pay a mere acknowledgement of indebtedness will not make it a promissory note.
3. The promise to pay must be unconditional. In other words, the promise to pay must not depend upon the happening of any uncertain event.
4. It must be signed by the maker. The signature must be in any part of the instrument and it need not be at the bottom.
5. The maker of the note must be a certain person. Where there are two or more makers, they may bind themselves jointly or jointly and severability. But alternative promissors are not permitted in law because where liability lies no ambiguity must lie.
6. The payee must be certain. A note is valid even if the payee is misnamed or indicated by his official designation only. Alternative payees are permissible in law. But is must be made payable to order originally.
7. A promissory note originally made payable to bearer is illegal.
8. The promise must be for payment of money only. For eg. a note containing a promise to deliver 50 bags of rice is not a promissory note.
9. The sum payable must be certain and must be specified in the note itself.
10. The amount payable must be in legal tender money of India and a note containing a promise to pay a certain amount of foreign money is not a promissory note.
11. A bank note or a currency note is not a promissory note.
12. A promissory note must be sufficiently stamped.

Difference between a Bill of Exchange and a Cheque

Sl. No.	Basic of Difference	Bill of Exchange	Cheque
1.	**Drawn**	A bill of exchange can be drawn on any person including a banker	A cheque can be drawn only on a particular banker.
2.	**Payability**	It is payable on demand or on the expiry of a certain period.	It is payable on demand only.
3.	**Validity**	A bill made payable to bearer on demand is void by virtue of section 31 of the RBI Act.	A cheque drawn payable to bearer on demand is perfectly valid.
4.	**Acceptance**	In case of time bill, acceptance by the drawee is necessary before he can be made liable on it.	A cheque does not require any acceptance.
5.	**Grace period**	Three days of grace are allowed while calculating the maturity date in the case of time bill.	No days of grace are allowed in the case of a cheque for the simple reason that is always payable on demand.
6.	**Notice**	When a bill is dishonoured, notice of dishonour is necessary.	Notice is not necessary for a cheque.
7.	**Sets**	Foreign bills of exchange are drawn in sets of three.	It is not so in case of cheque.
8.	**Discounting**	A bill can be discounted with a bank.	A cheque cannot be discounted.
9.	**Stamping**	Bills are to be sufficiently stamped	Cheques need not be stamped
10.	**Currency**	A bill can be drawn and payable in any currency.	A cheque is payable only in home currency.
11.	**Crossing**	A bill cannot be crossed	A cheque can be crossed either generally or specially so as to ensure payment to the rightful owner.
12.	**Dishonour**	On dishonour of a bill there is a practice of noting and protesting	No such thing is done on the dishonour of a cheque.
13.	**Discharge from Liability**	The drawer of bills is discharged from liability if it is not duty presented for payment.	The drawer of a cheque is not discharged by delay of the holder in presenting it for payment unless because of the delay his interest have been damaged owing to bank's failure meanwhile.

Distinction between a Cheque and Promissory note

Sl. No.	Basic of Difference	Cheque	Promissory Note
1.	**Nature of order**	A cheque contains an order to pay money	A promissory note contains an undertaking to pay money.
2.	**No. of Parties**	There are three parties in a cheque – drawer, drawee and payee	In a promissory note there are only two parties – the maker and the payee.
3.	**Creator of the instrument**	The drawer of a cheque is a creditor	The maker of a note is a debtor
4.	**Identity of the parties to instrument**	The drawer and the drawee can be one and same person	This cannot be so in a promissory note
5.	**Payableness**	A cheque is always payable on demand	A promissory note, on the other hand is payable either on demand or after a specified period.
6.	**Crossing**	A cheque can be crossed	A pronote cannot be crossed
7.	**Stamping**	A cheque need not be stamped	A promissory note has to be sufficiently stamped
8.	**Discounting**	A cheque cannot be discounted	A promissory note can be discounted with a banker
9.	**Grace Period**	No days of grace are allowed for payment of a cheque	Three days of grace are allowed for calculating the due date of promissory note
10.	**Bearer**	A cheque is payable to order or to bearer	A promissory note cannot be made payable to bearer

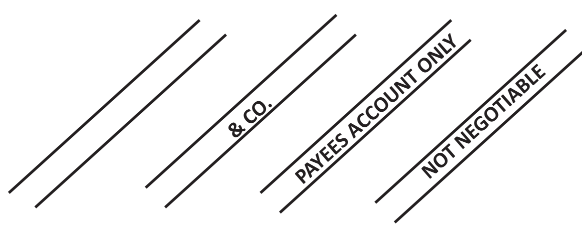
Distinction between a Bills of Exchange and Promissory note

Sl. No.	Basic of Difference	Bill of Exchange	Promissory Note
1.	**Nature of Undertaking**	A bill of exchange contains an unconditional order to pay money.	A promissory note contains an unconditional undertaking to pay money.
2.	**No. of Parties**	There are three parties in a bill of exchange drawer ,drawee and payee.	In a promissory note there are only two parties the maker and the payee.
3.	**Drawer of the instrument**	A creditor draws a bill on a debtor.	A debtor executes a promissory note in favour of a creditor.
4.	**Identity of the parties**	In a bill of exchange, both the drawer and the payee can be one and the same person.	In a promissory note, the maker himself cannot be the payee because the same person cannot be both the promisor and the promisee.

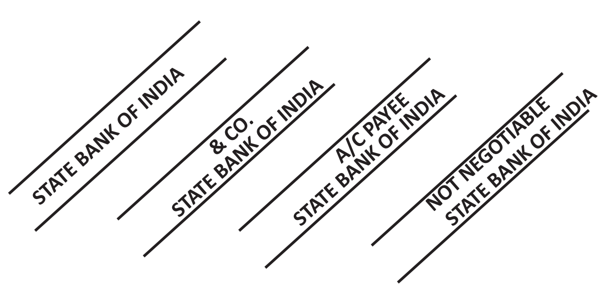
5.	**Order of Liability**	The liability of the drawer of a bill is secondary. In other words, when the acceptor dishonours the bill, the liability of the drawer arises as a surety.	The liability of the maker of a pronote is primary.
6.	**Bearer Instrument**	A bill of exchange can be drawn payable to bearer	A promissory note cannot be drawn payable to bearer.
7.	**Acceptance**	A time bill must be accepted by the drawee.	No acceptance is necessary in the case of a promissory note as it is made by the debtor himself.
8.	**No. of sets**	Foreign bills are drawn in sets of three.	Promissory notes are not drawn so.
9.	**Conditionality**	A bill may be accepted conditionally.	A note cannot be made conditional.
10.	**Notice of dishonour**	On dishonour of a bill, notice of dishonour must be given to the drawer and other endorsers.	No notice of dishonour is necessary in case of a promissory note.

22.04 Crossing of Cheque

Speciments of General Crossing



Speciments of Special or Restrictive Crossing



Crossing a cheque refers to the practice of drawing two parallel transverse lines across the faceof a cheque with or without the words 'and Co'. The effect of this crossing is that the drawee bank will pay the amount of a cheque only to the banker.

Types of Crossing

1. General Crossing
2. Special Crossing

1. General Crossing

According to section 123 of the Negotiable Instruments Act, 1881,

"Where a cheque bears across its face an addition of the words "and company" or any abbreviation thereof, between to parallel transverse lines or of two paralleltransverse lines simply, either with or without the words "not negotiable" that addition shall be deemed a crossing and the cheque shall be deemed to be crossed generally".

The lines should be drawn across the face of a cheque and not on the reverse thereof. Further, they must by parallel and transverse. Cross marks such as 'X' does not constitute crossing. The words 'and company' or any abbreviation thereof are not an integral part of a crossing and their omission does not affect the validity of crossing.

Significance of General Crossing

A crossed cheque should not be paid across the counter. Even if the payee of a crossed cheque is well-know, the paying banker is directed to make payment only through another banker. If the payee does not have a bank account, he can collect it only through someone who is having a bank account. As a result, even if a crossed cheque has been stolen and collected for party not entitled to it, the person for whom it has been collected can be easily traced. Thus crossing ensures safety and prevents payment intro wrong hands.

2. Special Crossing

According to section 124 of the Negotiable Instruments Act, 1881,

"Where a cheque bears across its face an addition of the name of a banker with or without the words "not negotiable", that addition shall be deemed a crossing and the cheque shall be deemed to be crossed specially and to be crossed to that banker".

Here that parallel transverse lines are not essential. But the name of banker to whom the payment should be made is to be necessarily written on the face of the cheque. Thus it must be noted that while drawing of two parallel transverse lines is a 'must' for a general crossing, the addition of the name of a banker constitutes the essential part of special crossing.

Significance of Special Crossing

Here the paying banker should make payment only to the particular banker named as a part of special crossing or to his agent for collection. Thus special crossing is safer than general crossing.

22.05 Endorsements

Section 15 of the Negotiable instruments Act 1881 defines endorsement as follows:

"When the maker or holder of a negotiable instrument signs the name, otherwise that 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 endorsee".

In other words, when the person signs on the back of (or face of) the instrument with a view to transferring his interest therein, he is said to be endorsing it. Though endorsement can be made on the face of the instrument also, it is usually make on its back. If the space on the back is insufficient, a piece of paper can be attached to the instrument for this purpose. This piece of paper is called Allonge.

Requisites of a Valid Endorsement

If an endorsement is to be valid, it must possess the following requisites:

1. Endorsement is to be made on the face of the instrument or on its back. It is usually made on the back of a negotiable instrument.
2. When there is no space for making further endorsements a piece of paper can be attached to the negotiable instrument for this purpose. This piece of paper is called 'Allonge'.
3. If the endorsee's name is wrongly spelt, the endorsee should sign the same as spelt in the instrument and write the correct spelling within brackets after his endorsement.
4. Endorsement for only a part of the amount of the instrument is invalid. It can be made only for the entire amount.

5. Where, however, the instrument has been partly paid, a note to that effect can be given on the instrument and endorsement made for the balance amount.

6. Endorsement is complete only when delivery of the instrument is made. On the death of the endorse who has endorsed an instrument but has not delivered it to the endorsee, the endorsement becomes invalid.

7. It is presumed that the endorsements appearing on a negotiable instrument were made in the order in which they appear thereon.

8. Signing in block letters does not constitute regular endorsement.

9. The prefixes or suffixes added to the names of the payees or endorsees must be omitted in the endorsement.

10. Endorsement must be in link

11. If the payee is an illiterate person, he can endorse it by affixing his thumb impression on the instrument. But it must be duly attested by somebody who should give his full address thereon.

12. A person duly authorised to endorse a cheque or a bill must indicate that he is signing in it on behalf of his principal by using such words as "for", "on behalf of" or "per pro".

DO YOU KNOW?

Why emergency holidays are declared under Negotiable Instruments Act?

Where the maturity date of the negotiable instrument falls on notified public holiday, it is to be paid on the preceeding working day. When emergency holidays are declared for reasons like death of a leader in power, natural calamities, strike, election day and so on, day should be made a public holiday. So that negotiable instruments maturing on the day can be paid on the next working day. In other words, it implies that negotiable instruments maturing on the date of emergency holiday should be paid on the next day.

DO YOU KNOW?

MICR – Magnetic Ink Character Recognition

MICR code is a character - recognition technology used mainly by the banking industry to ease processing and clearance of cheques and other documents. It is found at the bottom of the cheque. It includes bank code, bank account number, cheque number, cheque amount and a control indicator. The MICR code helps the banker to ensure the legitimacy or originality of paper documents. The special ink used in the MICR code is sensitive to magnetic fields. It prevents the crime of printing counterfeit cheques or documents using technology. The magnetic ink will help discover fake documents.

DO YOU KNOW?

IFSC – Indian Financial System Code

IFSC code is an alphanumeric code which facilitates electronic fund transfer in India. This code uniquely identifies each bank branch participating in the two main Payment and Settlement systems in India. The Real Time Gross Settlement(RTGS) and the National Electronic Fund Transfer (NEFT) systems. IFSC is a 11 character code. The first 4 alphabetic characters represent the bank name and the last 6 characters (usually numeric) represent the branch. The fifth character is 0 and reserved for future use. This code routes the messages to the destination banks or branch. The format of IFSC code is given below:

<table>
<tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td><td>11</td></tr>
<tr><td colspan="4">Bank Code</td><td>0</td><td colspan="6">Branch Code</td></tr>
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Kinds of Endorsements

Types of Endorsement	Meaning	Specimen
1. Endorsement in blank or general endorsement	When the endorser puts his mere signature on the back of an instrument without mentioning the name of the person to whom the endorsement is made, it is called Blank Endorsement or General Endorsement. Eg. A cheque is drawn in favour of Pallavan and Pallavan who is entitled to get the amount of the cheque desires to transfer it to Paari. If Pallavan just puts his signature without mentioning the name of Paari to whom he wants to endorse it is called Blank Endorsement.	"Pallavan "
2. Endorsement in full or special endorsement	Where the endorser, in addition to his signature, specifies the person to whom or to whose order the instrument is payable, the endorsement is called endorsement in full. In the above example, if Pallavan writes as follows and puts his signature, it becomes a full endorsement. Any holder can convert a blank endorsement into special endorsement by writing above the signature of the endorser a direction to pay to himself or to some other person. When he makes it payable to some other person and delivers it to that person, he does not endorse it himself and therefore he assumes no liability thereon as an endorser. When a cheque is drawn payable to a bearer, even a subsequent endorsement in full cannot make it payable to order.	Pay to Paari "Pallavan"
3. Conditional or qualified endorsement	Where the endorser of a negotiable instrument makes his liability dependent upon the happening of an event which may or may not happen, it is called conditional endorsement. Similarly where the right of the endorsee to receive the amount is made dependent upon the happening of an event which may or may not happen, then also the endorsement is called conditional or qualified endorsement. Here Paari, the endorsee is entitled to receive payment only on the fulfilment of the specified condition, namely his return from Delhi within three months. Conditional endorsement does not affect negotiability. Such endorsements are not usually made	Pay Paari, if he returns from Delhi within three months. "Pallavan"

4. **Restrictive endorsement**	When an endorsement restricts or prohibits further negotiability of the instrument, it is called Restrictive Endorsement. The omission of the words "or order" does not render the endorsement restrictive.	Pay Sundar only "Pallavan" Pay Sundar for my use "Pallavan"
5. **Sans recourse endorsement**	Ordinarily the endorser becomes liable to subsequent parties in the event of dishonour of the instrument. But if he makes it clear that the subsequent holders should not look to him for payment in case it is dishonoured, the endorsement is called Sans Recourse Endorsement.	Pay to Varsha or order sans recourse "Pallavan" Pay to Shalini or order without recourse to me "Hemakumar"
6. **Facultative Endorsement**	To make an endorser liable on the instrument, notice of dishonour must be given to him. But if the endorser waives this right by a writing "Notice of dishonour waived" at the time of endorsing, it is called Facultative Endorsement. Even though Radha gives up her right to receive notice of dishonour he remains liability for non-payment.	Pay to Aruvi or order, Notice of dishonour waived "Radha"
7. **Partial Endorsement**	Where the endorsement seeks to transfer only a part of the amount payable under the instrument, the endorsement is called Partial Endorsement. Partial endorsement does not operate as a negotiation of the instrument. If however, part of the amount has already been paid or settled, a note to that effect may be made on the instrument which may then be negotiated for the balance.	"Pay Rs. 700 to Sanjay or order out of the bill originally drawn for Rs. 1000" (Rs. 300 has been settled out of Rs. 1000) Note: to the effect of settlement of Rs. 300 is to be given in the instrument "Pay Rs. 700 to Sanjay or order out of bill of Rs. 1000 the whole amount of which is outstanding (The above endorsement is invalid)

Key Words

Negotiability	Instrument	Crossing	Assignability	Cheque
Bill of exchange	Endorsement	Promissory note	Dishonour	Bearer

For own Thinking

I. Find out the type of instrument and the reason?

(a) A bill is drawn payable to X or bearer

(b) Bill drawn in London upon a merchant in Chennai and accepted and payable in Bangalore

(c) Bill drawn in Delhi upon a merchant in London and accepted and payable in London

(d) Bill drawn in London on a merchant in Agra and endorsed in Delhi

(e) A Bill drawn by Bajaj Auto Agent on Bajaj Auto Ltd.

(f) Bill drawn by A on Y (an imaginary person not in existence) and endorsed to B

(g) X gives a blank cheque to Y or gives undated cheque to Y

(h) X signs stamped and blank promissory note and keep it locked in his drawer

II. Find out which of the following is a promissory note?

(i) X promises to pay a sum of Rs. 500 on telephone.

(ii) Mr. Y, I owe you Rs. 500

(iii) I promise to pay Y Rs. 500 + some other charge

(iv) I promise to pay Y Rs. 500 on Z's death

(v) I promise to pay Y (myself) Rs. 500

(vi) I promise to pay Y Rs. 500 and to deliver to him my black horse on first January next.

Clues: Answer should be given after reading the characteristics of Promissory note

III. Classify the following endorsement with reasons

(i) No other words except B's signature

(ii) Pay C

(iii) Pay C or order

(iv) Pay C only

(v) Pay C or order for the account of B

(vi) Pay C or order being the unpaid residue of the bill

(vii) Pay C or order on safe receipt of goods

(viii) Pay C Sans Recourse

(ix) Pay C, notice of dishonour dispensed with

For own Thinking

Students may watch youtube videos relating to Negotiable Instruments

Exercise

EP46UE

I. Choose the Correct Answers:

1. Negotiable Instrument Act was passed in the year ______.

a. 1981 b. 1881
c. 1994 d. 1818

2. Number of parties in a bill of exchange are

a. 2 b. 6
c. 3 d. 4

3. Section 6 of Negotiable Instruments Act 1881 deals with

a. Promissory Note b. Bills of exchange
c. Cheque d. None of the above

4. _______ cannot be a bearer instrument.

a. Cheque b. Promissory Note
c. Bills of exchange d. None of the above

5. A cheque will become stale after _____ months of its date:

a. 3 b. 4
c. 5 d. 1

Answers:

1	b	2	c	3	c	4	b	5	a

II. Very Short Answer Questions:

1. What is meant by Negotiable Instrument?
2. List three characteristics of a Promissory Note.
3. What is a meant by Cheque?

III. Short Answer Questions:

1. Distinguish between Negotiability and Assignability. (any 3)
2. What are the characteristics of a bill of exchange? (any 3)
3. Draw the two different types of crossing.

IV. Long Answer Questions:

1. Distinguish a cheque and a bill of exchange. (any 5)
2. Discuss in detail the features of a cheque. (any 5)
3. What are the requisites for a valid endorsement? (any 5)

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