• Types of Bills of Exchange :-

1. Inland Bills → If a bill of exchange is drawn in India on a person residing in India whether payable in or outside India is a inland bill. Further if it is drawn in India on a person residing outside India but payable in India, is also an inland bill. For e.g. A bill is drawn

2. Foreign Bills → If a bill drawn outside India but payable in India, will be known as foreign bill. If a bill drawn on a person residing outside India, is also a foreign bill. If a bill drawn in India on a person residing outside India & is payable outside India is also a foreign bill. If a bill drawn outside India & also payable outside India, is also a foreign bill.

3. Accomodation Bill → The bill drawn and accepted not for a genuine trade transaction but only to provide financial help to some party is termed as accomodation bill. For e.g. Mr. A is in the need of ₹ 5,000 for a period of three months. He approaches Mr. B but Mr. B was not in a position to lend money. However, Mr. B suggests Mr. A to draw a B/E on him which Mr. B will accept. Accordingly Mr. A draws a B/E and Mr. B accepted it. Mr. A got the B/E discounted from the bank & he got ₹ 1000. Before the expiry

of the B/E, Mr. A remitted 5000 ₹ to Mr. B who made the payment on due date of the bill. Here, Mr. A is the accomodated party & Mr. B is accomodative party.

- Cheque → As per Sec. 6 of Negotiable Instrument Act 1881, "a cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes electronic image of a truncated cheque and a cheque in the electronic form." Truncation is a process of stopping physical flow of cheque issued by drawer. In this process electronic image of cheque is transmitted to the drawee bank branch by clearing house along with ~~detailed~~ MICR ~~band~~ BAND ~~date~~. This process is apply in RTGS & NEFT. MICR stands for magnetic ink character recognition.

A cheque in the electronic form means a cheque which contains the exact mirror image of a paper cheque & is generated, written & signed in a secured system ensuring the minimum safe standard with the use of digital signature and assymateric crypto system

- Difference between Bills of Exchange and Cheque

1. A bill of exchange is usually drawn on some person or some company or some firm. whereas a cheque is drawn always on a bank.

payment.

3. A B/E may be drawn payable on demand, payable after sight, payable after certain period. Three days grace is allowed in case of B/E.

4. The drawer of B/E is discharged from his liability if it is not presented for payment. whereas in case of cheque the drawer is not discharged from his liability if it is not presented for payment. However, if due to delay in presentation of a cheque for payment the drawer is discharged from his liability to the extent of damage ~~called~~ caused due to non-presentation of cheque.

5. In case of B/E noting ~~is~~ & protesting is required under Sec. 99 & 100 of NI act. whereas in case of cheque no noting & protesting is required

6. A cheque may be open or crossed but a bill of exchange will always ~~also~~ be open.

7. A B/E attracts stamp duty but a cheque does attract stamp duty.

8. A B/E cannot be drawn payable to bearer where a cheque can be drawn payable to bearer.

9. Payment of B/E can't be stopped whereas the payment of cheque can be stopped.

- Assignment & Negotiation

Sec. 14 of negotiable instrument act defines negotiation as "the process by which the third party is constituted the holder of the instrument so as the to entitle him to the possession of the same and to receive the amt. due thereon in his own name." The main purpose of negotiation is to make the transferee of a promissory note, a bill of exchange or a cheque the holder thereof. Negotiation requires two conditions to be fulfilled :-

(i) There must be a transfer of the instrument to another person.

(ii) The transfer must be made in such a manner so as to constitute the transferee, the holder of a instrument. Mere handing over a cheque to a servant or a third person for its safe keeping is not a case of negotiation. There must be a transfer with a intention to pass title.

- Modes of Negotiation

Negotiation of instrument can be affected in two ways :-

1. Negotiation by delivery → Sec. 47 of NI Act says that whenever a promissory note or a B/E or a cheque is payable to a bearer it must be negotiated by delivery thereof.

2. Negotiation by endorsement & delivery → In terms of Sec 48 of NI Act, a promissory note, a cheque

or a bill of exchange payable to order can be negotiated only by endorsement & delivery unless the holder signs on the endorsement ~~on the~~ and deliver it, the transferee doesnot become the holder. If there are more than one payee, all have to endorse it.

Assignment is defined as, "transfer of one's right to recover the payment of a debt". Assignment is the sale of person's right to receive the payment of debt. B/E, promissory note and cheque represent debt and are assignable and transferable without an endorsement The assignment is done by means of written document signed by the person who transfer his right to some one else. The parties to assignment are assigner (the person who transfer his right) and assignee (the person whom the right have been transferred). The assignee is entitled to get possession and can recover the amount due on the negotiable instrument from parties thereto. However, the right of transfree by negotiation are substaintially superior to those of an assignee. The assignee gets the right of assigner only, he doesnit the right of holder in due course. NI Act deals with the transfer of negotiation only & not with the transfer of assignment.

• Difference between Negotiation & Assignment :-

1. Negotiation requires delivery only to constitute a transfer whereas assignment requires a written document signed by the transferor.

2. In case of transfer by negotiation presumption of consideration is necessary. whereas in case of assignment consideration needs to be proved.

3. In case of negotiation notice of transfer is not necessary whereas in case of assignment notice of transfer must be given by the assignee to th debtor.

• Types of cheque

1. Bearer cheque → When the words or bearer printed or the cheque is not mentioned on the cheque it is kno as bearer cheque. A bearer cheque is made payable a person who present it to the bank for encashm A bearer cheque can be transferred mere by deli

2 Order cheque → when the words or bearer printed the cheque is cancelled it becomes an order cheque The payee can transfer an order cheque to someor else by signing his or her name on the back of cheque.

3. Open cheque → When a cheque is not crossed it is known as open cheque. The payment of an open cheque can be made across the counter and payment so made will be considered as payment in due course in terms of sec. 10 of NI Act and the paying banker will get protection under 85 & 85(A) of NI Act

4. Crossed cheque → Crossing of cheque means drawing two parallel lines on the face of the cheque with or without additional words like A/cs payee only and not negotiable. A crossed cheque can not be paid over the counter but it can be credited only to the A/c of the payee.

5. Anti-Dated cheque → cheque in which the drawer mentions the date earlier that the date on which it is presented to the bank. It is called Anti-date cheque. For eg. If the cheque is issued on oct. 10, 2012 but it bears the date of Sep. 10 2012. this is known as anti-dated cheque and the validity of the cheque is six months.

6. Post-dated cheque → cheques on which the drawer mentions a future cheque is called post-dated cheque. For eg. If the cheque presented on 29th oct 2012 and bears the date 29th Nov. 2012. Such cheque is known as post-dated cheque.

7. Stale cheque → The validity of a cheque is only for six months, if the cheque is presented after the expiry of six months it is known as stale cheque.