

## PAPER-3

# NEGOTIABLE INSTRUMENTS ACT 1881

## ENDORSEMENT

### BANK PROMOTIONAL EXAM



# adda247

# Sec.14- Negotiation

- 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.

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# Sec. 15- Indorsement

- 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 indorse the same, and is called the “indorser”.

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## Sec. 16- Indorsement “in blank” and “in full”

**Blank endorsements-** If the endorser signs his name only, the endorsement is said to be in blank and it becomes payable to bearer.

Blank endorsement can be converted to full endorsement by writing name of endorsee. This can be done by holder without his signatures by writing name above the endorser’s signatures.

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# Special or Full endorsement

- If the endorser also directs to pay to a certain person or to his order, endorsement is said to be 'in full' or special endorsement.
- Eg. "Pay to Mr. Kuber or order".

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# Conditional endorsement

- The endorser puts some condition along with endorsement.
- Say, pay to Miss Zira or order on her attaining the age of 21 years.

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# Restrictive endorsement

- When the endorser restricts further negotiation of instrument.
- example if it is written that 'Pay to Mr. Kuber only'.

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# Partial endorsement

- In case, **part payment of bill has been made** and a note to that effect has been given in the instrument, it can be endorsed only for the **balance unpaid amount**.
- Otherwise, a **NI can be endorsed for full amount and not for partial amount**.

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# Sans Recourse endorsement

- The endorser excludes his liability and in case of dishonor, endorser will not be liable for payment.

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# Facultative endorsement

- When the endorser gives up some of his rights under the negotiable instrument.
- Eg. “Pay Mr. Rajiv or order, notice of dishonour waived”.
- In this case the endorsee is not required to notice of dishonour in case of dishonor and the endorser will be liable to the endorsee for the non-payment of the instrument

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# Sec. 17- Ambiguous instruments

- Where an instrument may be construed either as a promissory note or bill of exchange, the holder may at his election treat it as either, and the instrument shall be thenceforward treated accordingly.

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**Q. An endorsement can be on :**

- (a) the face or back of the negotiable instrument
- (b) piece of paper annexed to the instrument
- (c) a stamped paper intended to be completed as a negotiable instrument
- (d) any of the above
- (e) none of the above



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**Q. A cheque was payable to A or order. He endorsed it in favour of B but died before it could be delivered to B. The legal heirs of A can:**

- (a) complete the negotiation by delivery only
- (b) not complete the negotiation by delivery
- (c) cancel the earlier endorsement and complete the negotiation by fresh endorsement and delivery
- (d) either (a) or (c)
- (e) none of the above



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**Q. The effect of an endorsement in blank is that it makes:**

- (a) an order instrument payable to bearer
- (b) a bearer instrument payable to order
- (c) a crossed cheque payable across the counter
- (d) a negotiable instrument a 'not negotiable' one



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## Q. Endorsement in full means :

- (a) signature of the endorser with his full address
- (b) signature of the endorser alongwith his PAN no.
- (c) signature of the endorser with direction to pay the amount to a certain specified person or his order
- (d) both (a) and (b) above
- (e) none of the above



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**Q. Where a negotiable instrument is dishonoured, the endorsee is required to give a notice to the endorser. When the endorser waives such a notice in his endorsement it is called:**

- (a) conditional endorsement
- (b) restrictive endorsement
- (c) facultative endorsement
- (d) endorsement 'sans recourse'
- (e) none of the above



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## Q. which among the following will be treated as a sans recourse endorsement?

- a) The endorser writes on the back side of the cheque 'pay without my liability'
- b) The endorser writes on the back side of the cheque 'pay without my responsibility'
- c) The endorser writes on the back side of the cheque 'notice of dishonour waived'
- d) The endorser writes on the back side of the cheque 'That he will not be liable if the cheque is endorsed'



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**Q. you receive a cheque for payment from the account of your customer Arun but it is endorsed with pencil the endorsement is otherwise regular will you consider it**

- a) Void and regular
- b) Considerable but pay
- c) Prohibited under NI act
- d) Permitted under Ni act



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