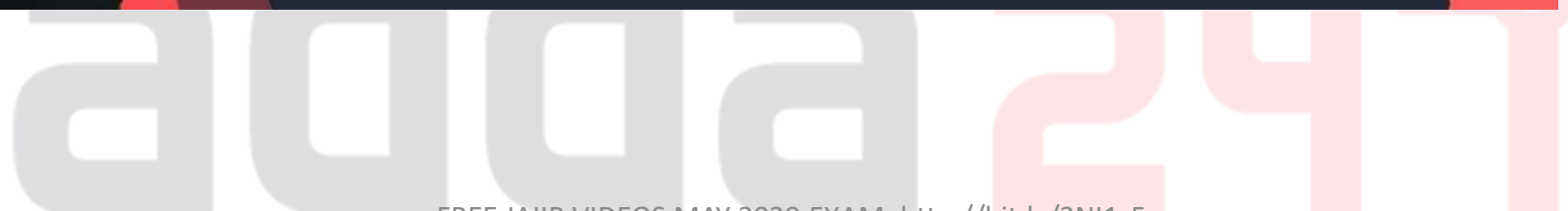


**PAPER-3**

## **NEGOTIABLE INSTRUMENTS ACT 1881**

**BANK PROMOTIONAL EXAM**

**PART-1**



# NEGOTIABLE INSTRUMENTS ACT, 1881

- **Enacted on 09 December 1881 and came into force on 01 March 1882**
- Law relating to Promissory Notes, Bills of Exchange and Cheques
- It extends to the whole of India

~~T-Bills~~

~~Post office Money Order~~

~~Currency Note~~

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# Negotiable Instrument Act, 1881

- Definition “Negotiable instrument”
  - ✓ Negotiable means transferable
  - ✓ Instrument means a written document

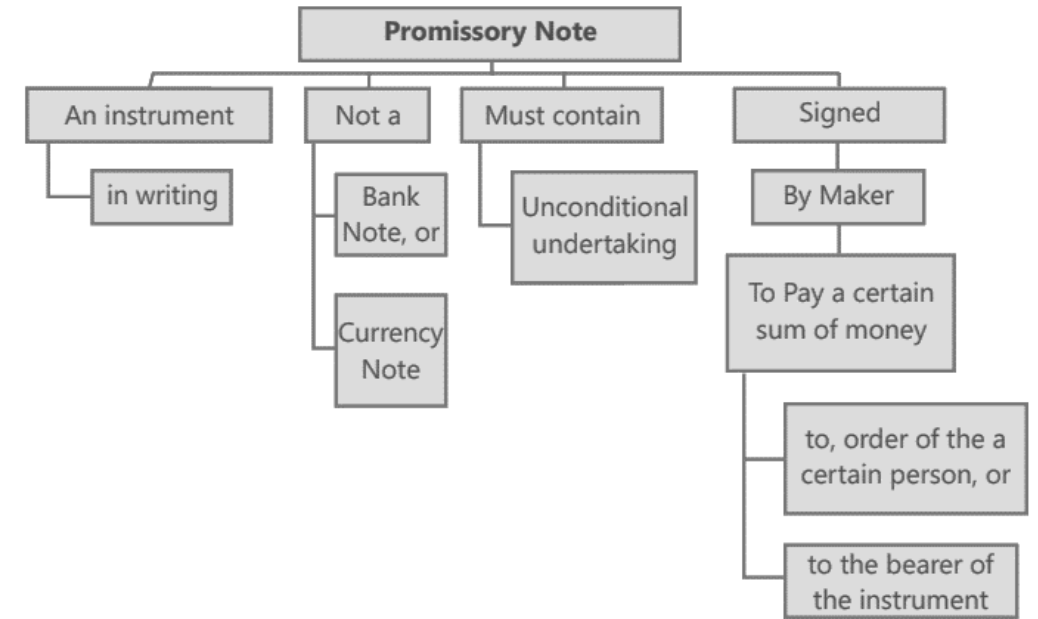
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# Some important Sections of NI Act, 1881

## ➤ Sec. 4- Promissory Note (PNs)

➤ 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.

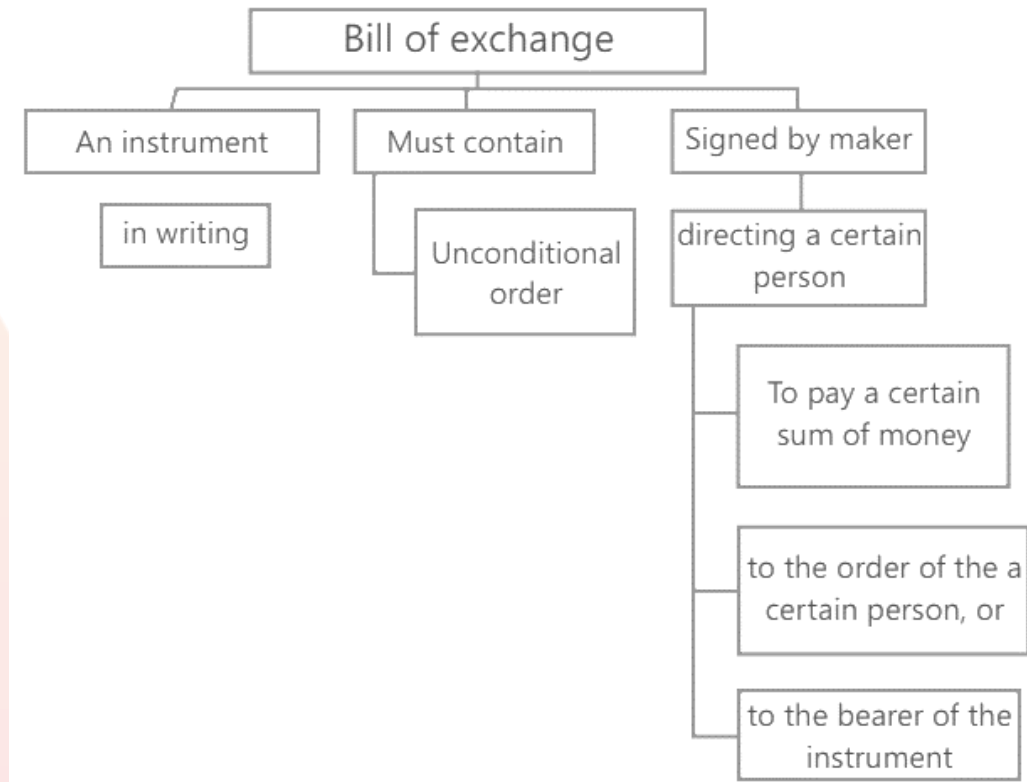


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# Sec. 5- Bill of exchange

➤ 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.



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# Sec. 6- Cheque

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- 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 the electronic image of a truncated cheque and a cheque in the electronic form.

The image shows a sample of an HDFC Bank cheque. The bank's logo and name are in the top left corner. The cheque is payable to ANKIT SHARMA. The amount is written as 'Thirty Seven Thousand Only /-' in words and '₹ 37,000/-' in figures. The date field is empty, with a label 'Date' and a note 'Valid for 3 months Only'. The cheque is payable to the bearer or the holder. The account number is partially visible as 'XXXXXXXXXXXX SB AC'. The cheque is payable at par through clearing/transfer at all branches of HDFC BANK LTD. The bottom right corner has a box for the 'Authorized Signatory' with the instruction 'Please sign above / पत्र पर हस्ताक्षर करें'.

**HDFC BANK**

Pay **ANKIT SHARMA** \_\_\_\_\_ **Or Bearer**

Rupees **Thirty Seven Thousand Only /-** \_\_\_\_\_ या धारक को

₹ **37,000/-**

For **XXXXXXXXXXXXXXXXXXXXXXXXXXXX**

Account No. **XXXXXXXXXXXX** SB AC

Payable at par through clearing/transfer at all branches of HDFC BANK LTD.

Authorized Signatory  
Please sign above / पत्र पर हस्ताक्षर करें

## Sec. 6(a)- cheque in the electronic form

- **A cheque in the electronic form”** means a cheque drawn in **electronic form** by using any computer resource and signed in a secure system with **digital signature**

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# Sec. 6(b)- Truncated Cheque

- **A truncated cheque-** means a cheque which is truncated during the course of a clearing cycle, either by the clearing house or by the bank whether paying or receiving payment, immediately on generation of an electronic image for transmission, substituting the further physical movement of the cheque in writing.

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## ➤ Sec 7 Drawer, Drawee & Payee

- Maker of bill of exchange/cheque is called drawer & person thereby directed to pay is called drawee. The person named in the instrument to whom or to whose order the money is directed to pay is called the payee.

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**Q. The undertaking contained in a promissory note, to pay a certain sum of money is**

- (a) conditional
- (b) unconditional
- (c) may be conditional or unconditional depending upon the circumstances
- (d) none of the above.

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**Q. Cheque is a**

- (a) promissory note
- (b) bill of exchange
- (c) both (a) and (b) above
- (d) None of the above.

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**Q. The term "a cheque in the electronic form" is defined in the Negotiable Instruments Act, 1881 - under**

- (a) section 6(a)
- (b) section 6(l)(a)
- (c) explanation 1(a) of section 6
- (d) section 6A.

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**Q. Ramu has account in State Bank of India and he issued cheque to Rajesh. So:**

- a) Ramu is drawer, Rajesh is drawee and State Bank of India is payee
- b) Ramu is drawer, Rajesh and State Bank of India are drawees and any one of the above can be payee
- c) Ramu is drawer, State Bank of India is drawee and Rajesh is payee
- d) Rajesh is drawer, State Bank of India is drawee and Ramu is payee
- e) All of above are drawee

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**Q. Financial director dies and cheque signed by him presented for payment;**

- a) Can be paid as he is signing in representative capacity
- b) Cannot be paid he is signing in representative capacity
- c) Cannot be paid because he was an authorized person
- d) Can be paid after getting new resolution from board of director of company

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**Q. cheque transaction can be done by:**

- a) Using MICR data
- b) Sending cheque by speed post
- c) Using image processing
- d) Both a and c
- e) None of these

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**Q. A cheque drawn by a thief imprisoned or convicted is presented at counter for payment:**

- a) it should not be paid in the interest of Bank & Government
- b) It should be paid
- c) It should be paid only by the order of court
- d) It should be paid if an indemnity is enclosed by the family member

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**Q. Whether the cheque issued by insolvent agent can be passed:**

- a) Yes because it is allowed in Indian Contract act
- b) Yes it can be passed if otherwise in order
- c) No, it is not allowed
- d) No, It is not allowed in Negotiable Instrument Act

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