



CMA FOUNDATION • PAPER 1 • FUNDAMENTALS OF BUSINESS LAWS
AND BUSINESS COMMUNICATION

Student Notes

Chapter 4 • Negotiable Instruments Act, 1881



What makes an instrument negotiable • promissory note, bill of exchange and cheque • the differences between them • crossing • dishonour under Section 138

Built from the Shuchita CMA Foundation Scanner, 2026 July edition (Thirtieth), and its printed front matter.

How to use these notes

Work block by block. Start with the “Read first” line, which sends you to the CHEAT SHEET your Scanner already prints for that block — these notes do not repeat it. Then read the NOTES panel, which carries only what the CHEAT SHEET does not: what the examiner has actually asked, and where the marks are lost.

Then prepare level by level. Each level names the **skill the question calls for** and lists the exact Scanner questions to practise at that level, so you can see what the demand looks like before you meet it in the hall.

Question lines show: **printed section • sitting • question number • marks • Scanner page**, then the section again in the column beside it and the **difficulty** of the question. **PYQ** is a past-year question, **MQP** a Mock Question Paper question, **MODEL** a Model question, **CSEET** a question carried from that course. All four are printed in your Scanner; nothing here is invented.

The heading above each group names the skill — **REMEMBERING, UNDERSTANDING, APPLYING, ANALYSING**. Every Foundation question is an objective, so the band is read from what the question

gives you and what it asks you to do between the stem and the options. **ICMAI publishes no skill-assessment grid** for the Foundation papers, so no weighting is implied here on the Institute's behalf.

STUDY PRIORITY GUIDE

Block Ranking — Chapter 4

Five blocks, 199 questions and 197 marks. Block 4.2 is the second A-graded block in Paper 1 and, with block 4.1, carries seven-tenths of the chapter. The Act rewards a very small amount of exact learning: about fifteen section numbers, three definitions and one comparison table.

SKILL REQUIRED Chapter 4 · share of the chapter's 197 marks

Applying **20%** 40 of 197 marks · 35 questions

Understanding **34%** 66 of 197 marks · 54 questions

Remembering **46%** 91 of 197 marks · 110 questions

Recalling and explaining **80%** · applying, analysing and judging **20%** — this chapter reads **weighted towards recall and explanation**

Section numbers, definitions and one three-column comparison. Nothing is worked out. Build the comparison table of note, bill and cheque once, learn the fifteen numbers, and the chapter is done.

Bands are SITS-assigned by written rubric (v1-CMA-Foundation) from what the objective gives and what it asks. ICAI publishes no skill-assessment grid for the Foundation papers, so no weighting is implied on the Institute's behalf.

#	IMP.	BLOCK	BLOCK NAME	SHARE	CUM.	QNS
1	A	4.2	Definitions of Promissory Note, Cheque & Bill of Exchange	39.7%	40%	79
2	B	4.1	Characteristics of Negotiable Instruments	30.7%	70%	61
3	D	4.3	Difference Between Promissory Note, Bill of Exchange & Cheque	17.6%	88%	35
4	D	4.4	Crossing – Meaning, Definition & Types of Crossing	8.0%	96%	16
5	D	4.5	Dishonour of Cheques (Section 138)	4.0%	100%	8

Rank is by the number of questions the Scanner prints for the block. IMP. is the Importance grade the Scanner's own contents page prints for that block, from A (very important) to D (lowest priority).

CHAPTER 4

Negotiable Instruments Act, 1881

Characteristics of Negotiable Instruments

CMAL1P1-C4-B4.1 · IMPORTANCE B · SCANNER PAGE 289 · 61 QUESTIONS

Read first The CHEAT SHEET at the head of block 4.1 in your Scanner, pages 289 to 293. These notes do not repeat it.

NOTES

The Act. The Negotiable Instruments Act was **enacted in 1881** and **came into force on 1 March 1882**. It extends to the **whole of India**.

Section 13 (Section 13(1)) defines a **negotiable instrument** — a **promissory note, bill of exchange or cheque payable either to order or to bearer**. Only those three are negotiable **by statute**; a **delivery note, railway receipt, share certificate, deposit receipt or bill of lading is not**.

Instruments negotiable **by custom and usage** — hundis, government promissory notes, share warrants — are called **quasi-negotiable instruments**.

The two words: **negotiable** means it can be **transferred from one person to another**; **instrument** means a **written document creating a right**. **Negotiation (Section 14)** is the transfer of a note, bill or cheque **so as to constitute the transferee the holder**. A **bearer instrument** is negotiated by **delivery only**; an **order instrument** by **endorsement and delivery**. Persons through whose hands a bill passes are all **holders**.

Inchoate instrument	incomplete in some respect (Section 20)
Ambiguous instrument	may be read either as a promissory note or as a bill of exchange (Section 17)
Escrow	drawn conditionally or for a special purpose as collateral security , not to transfer property
Inland instrument	drawn and payable in India, or drawn in India upon a person resident in India
Foreign instrument	anything that is not inland
Clean bill	no documents of title annexed
Accommodation bill	drawn without consideration, to oblige a friend

Fictitious bill

drawer or payee is a fictitious person

Presumptions — Section 118. Until the contrary is proved it is presumed that every instrument was made **for consideration**; that one bearing a date was made **on that date**; that an **acceptance was made within a reasonable time and before maturity**; that a **transfer was made before maturity**; that endorsements were made **in the order in which they appear**; and that the **holder is a holder in due course**. It is **not presumed that a lost instrument was duly stamped** — the standing "which presumption is incorrect" answer.

Holder in due course — a person who becomes the possessor of the instrument **for consideration, before maturity, and in good faith without notice of any defect** in the title of the transferor. All three, so "by satisfying all these" is the answer.

Days of grace. Every instrument **payable otherwise than on demand** gets **three days of grace** — a bill or note payable **after date or after sight**. A cheque and any instrument payable on demand **get none**. If the due date after grace falls on a **public holiday, the instrument falls due on the preceding business day**.

Minors and corporations. Where a **minor draws, endorses, delivers or negotiates** an instrument, it **binds all parties except the minor**. A **corporation** may be a party if **authorised by its articles of association**. An instrument **drawn in favour of a minor is valid**, though the Scanner's key on this point is printed as "invalid" in one place.

Where the amount differs in words and figures, the amount in words prevails. "At sight" and "on presentation" (Section 21) mean on demand. **Maturity** is the date **at which the instrument falls due**. **Clearing House (Section 6)** is one managed by the **Reserve Bank of India**. Where an instrument is **lost or destroyed**, the **person entitled to possession at the time of loss** is the holder.

APPLYING one step of arithmetic, or one substitution ◀ **NEW BAND — bullets outstanding**

MQP 2024-Jun · Q 1 · no marks printed · p 291

MQP
mock paper

Easy

MQP 2024-Dec S2 · Q 9 · no marks printed · p 292

MQP
mock paper

Easy

PYQ 2014-Dec · Q 1 · 1 mark · p 295

PYQ

Easy

PYQ 2015-Jun · Q 1 · 1 mark · p 296

PYQ

Easy

PYQ 2015-Dec · Q 1 · 1 mark · p 296

PYQ

Easy

PYQ 2016-Mar · Q 1 · 1 mark · p 296

PYQ

Easy

PYQ 2017-Jun · Q 1(i) · 1 mark · p 297	PYQ	Easy
PYQ 2017-Jun · Q 1(ii) · 1 mark · p 297	PYQ	Easy
PYQ 2018-Jun · Q 1(i) · 1 mark · p 298	PYQ	Easy
PYQ 2024-Jun · Q 1 · 2 marks · p 303	PYQ	Easy
PYQ 2024-Dec · Q 1 · 2 marks · p 303	PYQ	Easy

UNDERSTANDING a concept told apart from its neighbours

- Grace days go with instruments that are **not** payable on demand. Ask first whether the instrument is payable on demand; if it is, the answer is zero.
- The presumption questions are answered by elimination: everything in Section 118 is presumed except that a lost instrument was properly stamped.

MQP 2024-Dec S2 · Q 7 · no marks printed · p 292	MQP mock paper	Medium
MQP 2025-Dec S1 · Q 13 · no marks printed · p 293	MQP mock paper	Easy
MQP 2025-Dec S1 · Q 14 · no marks printed · p 293	MQP mock paper	Medium
PYQ 2014-Sep · Q 1 · 1 mark · p 295	PYQ	Medium
PYQ 2015-Mar · Q 2 · 1 mark · p 296	PYQ	Medium
PYQ 2015-Mar · Q 3 · 1 mark · p 296	PYQ	Easy
PYQ 2017-Jun · Q 1(iii) · 1 mark · p 297	PYQ	Medium
PYQ 2017-Dec · Q 1(i) · 1 mark · p 298	PYQ	Easy
PYQ 2018-Jun · Q 1(iii) · 1 mark · p 298	PYQ	Easy
PYQ 2018-Dec · Q 1(i) · 1 mark · p 299	PYQ	Medium
PYQ 2023-Jun · Q 1 · 2 marks · p 300	PYQ	Easy
PYQ 2023-Jun · Q 3 · 2 marks · p 300	PYQ	Medium

PYQ 2023-Jun · Q 4 · 2 marks · p 301	PYQ	Medium
PYQ 2023-Jun · Q 6 · 2 marks · p 301	PYQ	Easy
PYQ 2024-Dec · Q 3 · 2 marks · p 303	PYQ	Medium
PYQ 2026-Jun · Q 1 · 2 marks · p 304	PYQ	Medium
PYQ 2024-Dec · Q 4 · 2 marks · p 304	PYQ	Medium

REMEMBERING one printed fact, recalled

- 1881 enacted, 1 March 1882 in force, Section 13 for the definition, Section 118 for the presumptions, three days of grace. Five facts, each asked more than three times in this block alone.
- The eight kinds of instrument in the table, one line each. Inchoate and ambiguous between them come up at nearly every sitting.

MQP 2024-Jun · Q 2 · no marks printed · p 291	MQP mock paper	Easy
MQP 2024-Jun · Q 3 · no marks printed · p 291	MQP mock paper	Easy
MQP 2024-Dec S1 · Q 4 · no marks printed · p 291	MQP mock paper	Easy
MQP 2024-Dec S1 · Q 5 · no marks printed · p 291	MQP mock paper	Easy
MQP 2024-Dec S1 · Q 6 · no marks printed · p 292	MQP mock paper	Easy
MQP 2024-Dec S2 · Q 8 · no marks printed · p 292	MQP mock paper	Easy
MQP 2024-Dec S2 · Q 10 · no marks printed · p 292	MQP mock paper	Easy
MQP 2024-Dec S2 · Q 11 · no marks printed · p 293	MQP mock paper	Easy
MQP 2025-Dec S1 · Q 12 · no marks printed · p 293	MQP mock paper	Easy
MQP 2025-Dec S1 · Q 15 · no marks printed · p 293	MQP mock paper	Easy
MQP 2025-Dec S1 · Q 16 · no marks printed · p 294	MQP mock paper	Easy
MQP 2025-Dec S2 · Q 17 · no marks printed · p 294	MQP mock paper	Easy
PYQ 2015-Mar · Q 1 · 1 mark · p 295	PYQ	Easy

PYQ 2014-Dec · Q 2 · 1 mark · p 295	PYQ	Easy
PYQ 2016-Dec · Q 1 · 1 mark · p 297	PYQ	Easy
PYQ 2018-Jun · Q 1(ii) · 1 mark · p 298	PYQ	Easy
PYQ 2019-Dec · Q 1(i) · 1 mark · p 299	PYQ	Easy
PYQ 2019-Dec · Q 1(ii) · 1 mark · p 299	PYQ	Easy
PYQ 2022-Dec · Q 1 · 1 mark · p 300	PYQ	Easy
PYQ 2022-Dec · Q 2 · 1 mark · p 300	PYQ	Easy
PYQ 2023-Jun · Q 2 · 2 marks · p 300	PYQ	Easy
PYQ 2022-Dec · Q 3 · 1 mark · p 300	PYQ	Easy
PYQ 2023-Jun · Q 5 · 2 marks · p 301	PYQ	Easy
PYQ 2023-Jun · Q 7 · 2 marks · p 301	PYQ	Easy
PYQ 2023-Dec · Q 1 · 2 marks · p 302	PYQ	Easy
PYQ 2023-Dec · Q 2 · 2 marks · p 302	PYQ	Easy
PYQ 2023-Dec · Q 3 · 2 marks · p 302	PYQ	Easy
PYQ 2023-Dec · Q 4 · 2 marks · p 302	PYQ	Easy
PYQ 2024-Jun · Q 2 · 2 marks · p 303	PYQ	Easy
PYQ 2024-Dec · Q 2 · 2 marks · p 303	PYQ	Easy
PYQ 2024-Jun · Q 3 · 2 marks · p 303	PYQ	Easy
PYQ 2025-Dec · Q 1 · 2 marks · p 304	PYQ	Easy

PYQ 2026-Jun · Q 2 · 2 marks · p 305

PYQ

Easy

Definitions of Promissory Note, Cheque & Bill of Exchange

CMAL1P1-C4-B4.2 · IMPORTANCE A · SCANNER PAGE 309 · 79 QUESTIONS

Read first The CHEAT SHEET at the head of block 4.2 in your Scanner, pages 309 to 313. These notes do not repeat it.

NOTES

The comparison table. Build it once; it is the whole of blocks 4.2 and 4.3.

	Promissory note (s. 4)	Bill of exchange (s. 5)	Cheque (s. 6)
Contains	an unconditional undertaking (promise)	an unconditional order	an unconditional order
Made by	the maker	the drawer	the drawer — the account holder
Parties	two — maker and payee	three — drawer, drawee, payee	three; the drawee is always the banker
Drawn on	nobody	any person	a specified bank where the drawer has an account
Acceptance	not required	required — necessary where payable after sight	not required
Payable	on demand or after a specified time	on demand or after a fixed period	always on demand
Payable to bearer on demand	not allowed	allowed	allowed
Grace days	three	three	zero
Crossing	no	no	yes
Stamp	required	required	not required
Noting and protesting	optional	done — this is the	not required

on dishonour		instrument that needs it	
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Definitions to hold word for word. A **promissory note** is "an instrument in writing 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". A **bill of exchange** is the same but with an **unconditional order directing a certain person to pay**. In both, the **amount must be certain** and the undertaking or order **unconditional**.

Valid and invalid notes. "I promise to pay A or order ₹1,000" is a valid promissory note. "I owe you ₹1,000" is not — there is no promise. "I owe you some amount" fails on both counts. A **currency note is not a promissory note**, though it has all the characteristics, because it is expressly excluded. A **promissory note is not a document of title to goods**. The **date is required** on a promissory note; the **number, date and place are not essential** on a bill.

Cheques. A cheque is a **bill of exchange drawn on a specified banker and payable on demand**. The **drawer is the account holder**, the **drawee is the bank**, and **acceptance by the drawee is not required**. A cheque payable **across the counter is an open cheque**; if the bank **refuses to pay, the cheque is dishonoured**. Under current RBI practice a cheque must be presented within **three months** of its date.

A **cheque in the electronic form** is defined in **Explanation 1(a) of Section 6** — the Scanner asks this three times and always with Section 6(a) as the trap.

Bills in sets are made in sets of three. **Section 30** — the **liability of the drawer to compensate the holder on dishonour**. The drawer may also be the payee. **Consideration is not an essential requirement of a valid bill** — it is presumed. "Banker" includes any person acting as a banker and any post office savings bank.

A **bill of lading is a document of title to goods, not a negotiable instrument**. A share certificate with a blank transfer deed and a deposit receipt are not negotiable instruments.

Criminal liability for a cheque dishonoured for insufficiency of funds was introduced by the amendment of 1988, which inserted Section 138.

APPLYING one step of arithmetic, or one substitution ◀ **NEW BAND — bullets outstanding**

MQP 2024-Dec S2 · Q 12 · no marks printed · p 314	MQP mock paper	Easy
MQP 2024-Dec S2 · Q 13 · no marks printed · p 314	MQP mock paper	Easy
MQP 2024-Dec S2 · Q 14 · no marks printed · p 314	MQP mock paper	Easy
MQP 2025-Jun S1 · Q 15 · no marks printed · p 314	MQP	Easy

	mock paper	
MQP 2025-Dec S2 · Q 22 · no marks printed · p 316	MQP mock paper	Easy
PYQ 2014-Dec · Q 2 · 1 mark · p 317	PYQ	Easy
PYQ 2015-Sep · Q 1 · 1 mark · p 318	PYQ	Easy
PYQ 2015-Dec · Q 3 · 1 mark · p 319	PYQ	Easy
PYQ 2018-Jun · Q 1(i) · 1 mark · p 320	PYQ	Easy
PYQ 2018-Dec · Q 1(i) · 1 mark · p 320	PYQ	Easy
PYQ 2019-Dec · Q 1(ii) · 1 mark · p 321	PYQ	Easy
PYQ 2022-Dec · Q 1 · 1 mark · p 321	PYQ	Easy
PYQ 2024-Jun · Q 3 · 2 marks · p 323	PYQ	Easy
PYQ 2024-Jun · Q 4 · 2 marks · p 323	PYQ	Easy
PYQ 2024-Jun · Q 5 · 2 marks · p 324	PYQ	Easy
PYQ 2025-Jun · Q 4 · 2 marks · p 325	PYQ	Easy
PYQ 2025-Jun · Q 5 · 2 marks · p 325	PYQ	Easy
PYQ 2025-Dec · Q 7 · 2 marks · p 327	PYQ	Easy

UNDERSTANDING a concept told apart from its neighbours

- Promise or order? A note contains a promise by the person who will pay; a bill and a cheque contain an order to somebody else. That single distinction answers half the block.
- "I owe you" is an acknowledgement of debt, never a promissory note. The examiner offers it as an option every time.

MQP 2024-Dec S1 · Q 9 · no marks printed · p 313	MQP mock paper	Easy
MQP 2025-Jun S1 · Q 18 · no marks printed · p 315	MQP mock paper	Medium

MQP 2025-Dec S1 · Q 21 · no marks printed · p 315	MQP mock paper	Easy
PYQ 2014-Dec · Q 1 · 1 mark · p 317	PYQ	Easy
PYQ 2015-Dec · Q 1 · 1 mark · p 318	PYQ	Easy
PYQ 2015-Sep · Q 2 · 1 mark · p 318	PYQ	Medium
PYQ 2022-Dec · Q 3 · 1 mark · p 321	PYQ	Easy
PYQ 2023-Jun · Q 3 · 2 marks · p 322	PYQ	Medium
PYQ 2024-Jun · Q 1 · 2 marks · p 323	PYQ	Medium
PYQ 2024-Dec · Q 2 · 2 marks · p 324	PYQ	Easy
PYQ 2024-Dec · Q 3 · 2 marks · p 324	PYQ	Easy
PYQ 2024-Dec · Q 4 · 2 marks · p 324	PYQ	Easy
PYQ 2025-Jun · Q 2 · 2 marks · p 325	PYQ	Medium
PYQ 2025-Jun · Q 3 · 2 marks · p 325	PYQ	Easy
PYQ 2025-Jun · Q 8 · 2 marks · p 325	PYQ	Easy
PYQ 2025-Dec · Q 2 · 2 marks · p 326	PYQ	Easy
PYQ 2025-Dec · Q 3 · 2 marks · p 326	PYQ	Easy
PYQ 2025-Dec · Q 4 · 2 marks · p 326	PYQ	Easy
PYQ 2026-Jun · Q 3 · 2 marks · p 327	PYQ	Medium
PYQ 2025-Dec · Q 6 · 2 marks · p 327	PYQ	Medium

REMEMBERING one printed fact, recalled

- The twelve-row comparison table. Roughly two-thirds of this 79-question block, and all of block 4.3, is one cell of it.

- Sections 4, 5, 6 and 30, and Explanation 1(a) of Section 6. Bare-number questions, and the last one is asked at nearly every sitting.
- Two parties in a note, three in a bill and three in a cheque. Zero grace days for a cheque, three for the other two.

MQP 2024-Jun · Q 1 · no marks printed · p 312	MQP mock paper	Easy
MQP 2024-Jun · Q 2 · no marks printed · p 312	MQP mock paper	Easy
MQP 2024-Jun · Q 3 · no marks printed · p 312	MQP mock paper	Easy
MQP 2024-Jun · Q 4 · no marks printed · p 312	MQP mock paper	Easy
MQP 2024-Jun · Q 5 · no marks printed · p 312	MQP mock paper	Easy
MQP 2024-Jun · Q 6 · no marks printed · p 313	MQP mock paper	Easy
MQP 2024-Dec S1 · Q 7 · no marks printed · p 313	MQP mock paper	Easy
MQP 2024-Dec S1 · Q 8 · no marks printed · p 313	MQP mock paper	Easy
MQP 2024-Dec S1 · Q 10 · no marks printed · p 313	MQP mock paper	Easy
MQP 2024-Dec S2 · Q 11 · no marks printed · p 314	MQP mock paper	Easy
MQP 2025-Jun S1 · Q 16 · no marks printed · p 314	MQP mock paper	Easy
MQP 2025-Jun S1 · Q 17 · no marks printed · p 315	MQP mock paper	Easy
MQP 2025-Jun S1 · Q 19 · no marks printed · p 315	MQP mock paper	Easy
MQP 2025-Jun S2 · Q 20 · no marks printed · p 315	MQP mock paper	Easy
PYQ 2014-Sep · Q 1 · 1 mark · p 317	PYQ	Easy
PYQ 2015-Mar · Q 1 · 1 mark · p 317	PYQ	Easy
PYQ 2014-Sep · Q 2 · 1 mark · p 317	PYQ	Easy
PYQ 2015-Mar · Q 2 · 1 mark · p 318	PYQ	Easy
PYQ 2015-Dec · Q 2 · 1 mark · p 318	PYQ	Easy

PYQ 2016-Jun · Q 1 · 1 mark · p 319	PYQ	Easy
PYQ 2017-Jun · Q 1(i) · 1 mark · p 319	PYQ	Easy
PYQ 2017-Dec · Q 1(i) · 1 mark · p 319	PYQ	Easy
PYQ 2019-Jun · Q 1(i) · 1 mark · p 320	PYQ	Easy
PYQ 2019-Jun · Q 1(ii) · 1 mark · p 320	PYQ	Easy
PYQ 2019-Jun · Q 1(iii) · 1 mark · p 321	PYQ	Easy
PYQ 2019-Dec · Q 1(i) · 1 mark · p 321	PYQ	Easy
PYQ 2022-Dec · Q 2 · 1 mark · p 321	PYQ	Easy
PYQ 2023-Jun · Q 1 · 2 marks · p 322	PYQ	Easy
PYQ 2023-Dec · Q 1 · 2 marks · p 322	PYQ	Easy
PYQ 2023-Jun · Q 2 · 2 marks · p 322	PYQ	Easy
PYQ 2023-Dec · Q 2 · 2 marks · p 322	PYQ	Easy
PYQ 2024-Jun · Q 2 · 2 marks · p 323	PYQ	Easy
PYQ 2023-Dec · Q 3 · 2 marks · p 323	PYQ	Easy
PYQ 2024-Dec · Q 1 · 2 marks · p 324	PYQ	Easy
PYQ 2025-Jun · Q 1 · 2 marks · p 324	PYQ	Easy
PYQ 2025-Jun · Q 6 · 2 marks · p 325	PYQ	Easy
PYQ 2025-Jun · Q 7 · 2 marks · p 325	PYQ	Easy
PYQ 2025-Dec · Q 1 · 2 marks · p 326	PYQ	Easy

PYQ 2025-Dec · Q 5 · 2 marks · p 326

PYQ

Easy

PYQ 2026-Jun · Q 1 · 2 marks · p 327

PYQ

Easy

PYQ 2026-Jun · Q 2 · 2 marks · p 327

PYQ

Easy

Difference Between Promissory Note, Bill of Exchange & Cheque

CMAL1P1-C4-B4.3 · IMPORTANCE D · SCANNER PAGE 329 · 35 QUESTIONS

Read first The CHEAT SHEET at the head of block 4.3 in your Scanner, pages 329 to 332. These notes do not repeat it.

NOTES

This block is the comparison table of block 4.2 asked one cell at a time. Read that table first; these notes only add the points the block tests on its own.

Who does what. A promissory note is issued by the **maker**; a bill of exchange is initiated by the **drawer**; a cheque is drawn by the **account holder on his bank**. In a note the **payee is the person to whom the money is promised**; in a bill the **drawee is the person ordered to pay**, and the **drawer's liability arises only when the drawee refuses**.

Acceptance. A bill payable after sight must be accepted; a bill payable on demand and a cheque need no acceptance; a promissory note is never accepted. A bill becomes enforceable against the drawee only when he accepts it, and it is his acceptance that makes him liable.

Noting and protesting — the formal recording of dishonour by a **notary public** — is the step associated with a **bill of exchange**. It is **optional for a promissory note** and **not required for a cheque**; on dishonour of a cheque the payee **must notify the drawer** but need not protest.

Signature and stamp. A promissory note is **invalid without the maker's signature**. A cheque need **not be stamped**; a note and a bill must be.

Payable to bearer. A promissory note cannot be made payable to bearer on demand; a bill and a cheque can. Section 31 of the Reserve Bank of India Act is the reason, and this is the standing "which cannot be made payable to bearer" answer.

Crossing belongs to the cheque alone, and it **ensures payment only through a bank account**, which is why it gives extra security.

A cheque is a bill of exchange that is always payable on demand and always drawn on a banker. Those two "always" are what the block tests.

The one thing that is not shared: a bill and a cheque both have three parties, but only a **bill is accepted by the drawee**. Any statement saying both are accepted is false.

APPLYING one step of arithmetic, or one substitution ◀ **NEW BAND — bullets outstanding**

PYQ 2025-Dec · Q 1 · 2 marks · p 335

PYQ

Easy

UNDERSTANDING a concept told apart from its neighbours

- When a question compares two instruments and asks which statement is wrong, test each row of the comparison table in turn. The wrong statement is almost always about acceptance.

MQP 2024-Dec S1 · Q 1 · no marks printed · p 330

MQP
mock paper

Easy

MQP 2025-Jun S1 · Q 2 · no marks printed · p 330

MQP
mock paper

Medium

MQP 2025-Jun S2 · Q 3 · no marks printed · p 330

MQP
mock paper

Medium

MQP 2025-Dec S1 · Q 4 · no marks printed · p 330

MQP
mock paper

Medium

MODEL — · Q 7 · no marks printed · p 331

MODEL
model set

Easy

MODEL — · Q 13 · no marks printed · p 332

MODEL
model set

Easy

MODEL — · Q 14 · no marks printed · p 332

MODEL
model set

Easy

MODEL — · Q 15 · no marks printed · p 332

MODEL
model set

Easy

MODEL — · Q 26 · no marks printed · p 334

MODEL
model set

Easy

REMEMBERING one printed fact, recalled

- Maker, drawer, drawee, payee — who is who in each of the three instruments. The block asks little else.
- Noting and protesting goes with the bill of exchange. Crossing goes with the cheque. Two associations, several marks.

MODEL — · Q 1 · no marks printed · p 331

MODEL
model set

Easy

MODEL — · Q 2 · no marks printed · p 331

MODEL
model set

Easy

MODEL — · Q 3 · no marks printed · p 331

MODEL
model set

Easy

MODEL — · Q 4 · no marks printed · p 331

MODEL
model set

Easy

MODEL — · Q 5 · no marks printed · p 331

MODEL
model set

Easy

MODEL — · Q 6 · no marks printed · p 331	MODEL model set	Easy
MODEL — · Q 8 · no marks printed · p 331	MODEL model set	Easy
MODEL — · Q 9 · no marks printed · p 332	MODEL model set	Easy
MODEL — · Q 10 · no marks printed · p 332	MODEL model set	Easy
MODEL — · Q 11 · no marks printed · p 332	MODEL model set	Easy
MODEL — · Q 12 · no marks printed · p 332	MODEL model set	Easy
MODEL — · Q 16 · no marks printed · p 332	MODEL model set	Easy
MODEL — · Q 17 · no marks printed · p 333	MODEL model set	Easy
MODEL — · Q 18 · no marks printed · p 333	MODEL model set	Easy
MODEL — · Q 19 · no marks printed · p 333	MODEL model set	Easy
MODEL — · Q 20 · no marks printed · p 333	MODEL model set	Easy
MODEL — · Q 21 · no marks printed · p 333	MODEL model set	Easy
MODEL — · Q 22 · no marks printed · p 333	MODEL model set	Easy
MODEL — · Q 23 · no marks printed · p 333	MODEL model set	Easy
MODEL — · Q 24 · no marks printed · p 333	MODEL model set	Easy
MODEL — · Q 25 · no marks printed · p 333	MODEL model set	Easy
MODEL — · Q 27 · no marks printed · p 334	MODEL model set	Easy
MODEL — · Q 28 · no marks printed · p 334	MODEL model set	Easy
MODEL — · Q 29 · no marks printed · p 334	MODEL model set	Easy
MODEL — · Q 30 · no marks printed · p 334	MODEL model set	Easy

Crossing – Meaning, Definition & Types of Crossing

CMAL1P1-C4-B4.4 · IMPORTANCE D · SCANNER PAGE 337 · 16 QUESTIONS

Read first The CHEAT SHEET at the head of block 4.4 in your Scanner, pages 337 to 340. These notes do not repeat it.

NOTES

Crossing is a direction to the paying banker that the cheque must be paid only through a bank account and not across the counter. A cheque payable across the counter is an **open cheque**.

Crossing affects both the negotiability of the cheque and the mode of payment on it — the "both" option, and it is the most repeated question in the block.

General crossing	two parallel transverse lines , with or without the words "and company" or "not negotiable". The banker shall not pay it otherwise than to a banker
Special crossing	the name of a banker written across the cheque. It is payable only to that banker or his collecting agent
"Not negotiable" crossing	the cheque remains transferable but the transferee gets no better title than the transferor . With a special crossing , the Scanner's key reads it as not transferable
"Account payee" crossing	a direction to the collecting banker to credit the proceeds only to the named payee's account

Who may cross. The **drawer** normally crosses. If he does not, the **holder may cross it generally or specially**, and the **banker may cross it specially to himself or to another banker for collection** — so "both of them can also cross" is the answer. **A foreigner cannot cross a cheque**, and that is the standing "who cannot cross" answer, asked at three sittings.

UNDERSTANDING a concept told apart from its neighbours

- General crossing says "pay a banker"; special crossing says "pay **this** banker". The name on the face is the whole difference.

PYQ 2015-Mar · Q 2 · 1 mark · p 339

PYQ

Easy

PYQ 2023-Dec · Q 1 · 2 marks · p 340

PYQ

Medium

PYQ 2024-Jun · Q 1 · 2 marks · p 340	PYQ	Easy
PYQ 2023-Dec · Q 2 · 2 marks · p 340	PYQ	Medium
PYQ 2024-Dec · Q 1 · 2 marks · p 341	PYQ	Medium
PYQ 2024-Jun · Q 2 · 2 marks · p 341	PYQ	Medium
PYQ 2025-Jun · Q 2 · 2 marks · p 341	PYQ	Medium
PYQ 2026-Jun · Q 2 · 2 marks · p 342	PYQ	Medium

REMEMBERING one printed fact, recalled

- Crossing affects both negotiability and the mode of payment. Asked four times in a sixteen-question block.
- Drawer, holder and banker may cross; a foreigner may not.

PYQ 2014-Sep · Q 1 · 1 mark · p 339	PYQ	Easy
PYQ 2014-Dec · Q 1 · 1 mark · p 339	PYQ	Easy
PYQ 2015-Mar · Q 1 · 1 mark · p 339	PYQ	Easy
PYQ 2014-Sep · Q 2 · 1 mark · p 339	PYQ	Easy
PYQ 2017-Dec · Q 1(i) · 1 mark · p 340	PYQ	Easy
PYQ 2023-Dec · Q 3 · 2 marks · p 340	PYQ	Easy
PYQ 2025-Jun · Q 1 · 2 marks · p 341	PYQ	Easy
PYQ 2026-Jun · Q 1 · 2 marks · p 342	PYQ	Easy

Dishonour of Cheques (Section 138)

CMAL1P1-C4-B4.5 · IMPORTANCE D · SCANNER PAGE 345 · 8 QUESTIONS

Read first The CHEAT SHEET at the head of block 4.5 in your Scanner, pages 345 to 347. These notes

do not repeat it.

NOTES

The smallest block in the paper — eight questions, and four of them are the same one.

Section 30 — the **liability of the drawer to compensate the holder in case of dishonour**. This one question, in four wordings, is half the block.

Section 138 — **dishonour of a cheque for insufficiency of funds** is an offence, and the **payee initiates legal action under it**. There are **five ingredients** of the offence: the cheque must have been drawn on the drawer's own account **for the discharge of a legally enforceable debt**; it must be presented **within its validity period**; it must be **returned unpaid for insufficiency of funds or because it exceeds the arrangement**; the payee must give **written notice within 30 days** of receiving the bank's memo; and the drawer must have **failed to pay within 15 days** of that notice.

On dishonour, the bank gives its notice to the drawer — not to the payee and not to the drawee.

Section 143A lets the court trying an offence under Section 138 order the drawer to pay the complainant **interim compensation of up to 20 % of the cheque amount**.

APPLYING one step of arithmetic, or one substitution ◀ **NEW BAND** — bullets outstanding

PYQ 2015-Jun · Q 1 · 1 mark · p 346	PYQ	Easy
PYQ 2022-Dec · Q 1 · 1 mark · p 346	PYQ	Easy
PYQ 2024-Dec · Q 1 · 2 marks · p 346	PYQ	Easy
PYQ 2026-Jun · Q 1 · 2 marks · p 347	PYQ	Easy
PYQ 2026-Jun · Q 2 · 2 marks · p 347	PYQ	Easy

UNDERSTANDING a concept told apart from its neighbours

- Section 138 needs a legally enforceable debt. A cheque given as a gift or as security that bounces is outside it.

REMEMBERING one printed fact, recalled

- Section 30 and Section 138, and the count of five ingredients. That is the block.
- Thirty days for the notice, fifteen days for the drawer to pay, twenty per cent for interim compensation under Section 143A.

PYQ 2024-Jun · Q 1 · 2 marks · p 346	PYQ	Easy
PYQ 2025-Dec · Q 1 · 2 marks · p 347	PYQ	Easy
PYQ 2026-Jun · Q 3 · 2 marks · p 347	PYQ	Easy