

NEGOTIABLE INSTRUMENTS ACT, 1881

01. Define 'negotiable instrument'.

Or ~ Define negotiable instruments as per Negotiable Instruments Act, 1881.

A negotiable instrument means a promissory note, bill of exchange or cheque payable either to order or to bearer.

02. What are the essential characteristics of negotiable instrument?

Or ~ Spell out 4 to 5 characteristics of the negotiable instrument.

Essential features of negotiable instrument are; It is,

- To be made in writing,
- To be signed by the drawer,
- A date to be mentioned,
- An unconditional order of payment of an amount on a certain date,
- Required to mention the name of the drawee,
- Used for setting and liability like cash transactions.

03. Can a minor partner be a party to a negotiable instrument?

A minor may draw, endorse, deliver and negotiate a negotiable instrument so as to bind all parties except himself. Thus a minor is a party to a negotiable instrument is not personally liable but the adult parties are jointly liable after signing the document by a minor. If a minor is the payee under a negotiable instrument, he can enforce payment.

04. What is the effect of crossing a cheque with the words 'not negotiable' write across its face?

It becomes a general crossing of cheque which can be collected through any bank but the cheque cannot be collected from the bank in cash.

05. What is a promissory note?

A promissory note is a promise of debtor for payment of a certain amount after a certain period against his debt. It is an unconditional promise.

06. Is the following a promissory note?

'I promise to pay B Tk. 50,000 and all other dues which shall be due to him.'

In this case, the date and amount is not certain. So it is not a valid promissory note.

07. Distinguish between dishonour by non-performance and dishonour by non-acceptance.

Dishonour by non-performance. When any negotiable instrument is not presented in compliance with the terms and conditions of the instrument and is dishonoured subsequently on presentation by the Drawee/ Acceptor, it is known as dishonour by non-performance.

Dishonor by non-acceptance. When any bill of exchange is presented to the drawee for acceptance and the drawee disagrees to give acceptance, it is known as dishonour of bill of exchange by non-acceptance.

08. Who can accept a bill of exchange?

Following persons can accept a bill of exchange;

- Drawee,
- Drawee in case of need,
- Acceptor for honour,
- Agent of deceased drawee,
- Any partner in case of partnership firm.

09. Distinguish between promissory note and bill of exchange.

Promissory note. A promissory note is a promise of debtor for payment of a certain amount after a certain period against his debt. It is an unconditional promise.

Bill of exchange. A bill of exchange is also a negotiable instrument alike a promissory note. It is a declaration of payment of bill on a certain date which requires acceptance of the drawee.

10. What is the difference between a general crossing and a special crossing of cheque?

General crossing of cheques. When cheques are crossed by two parallel lines on the left corner of the cheque mentioning or not mentioning & Co., not negotiable, A/C Payee etc.

Special crossing of cheques. When cheques are crossed by two parallel lines mentioning the name of any bank then it is known as special crossed cheque. It can only be collected through the bank mentioned in the cheque.

11. Distinguish between a cheque and promissory note & bill of exchange.

Cheque. A cheque is a bill which is drawn on any bank for payment on presentation.

Promissory note. A promissory note is an unconditional promise to pay a certain amount by the debtor to the creditor on a certain future date.

Bill of exchange. A bill of exchange is a bill prepared by the drawer to the drawee for payment of a certain amount on certain date which requires acceptance of the drawee/acceptor.

12. Who can cross a cheque?

Following persons can cross the cheque;

- Drawer,
- Holder for an uncrossed cheque,
- Bank drawee,
- Holder, bank for general crossed cheque to special crossed cheque.

13. What is meant by payment of honour?

When a bill is presented to the drawee for payment and the drawee dishonour it and subsequently it is paid by the referee, acceptor or by a third party, it is known as payment of honour.

14. When a bill of exchange is said to be dishonoured?

When it is presented by drawer to the drawee for acceptance and the drawee disagrees to accept it.
Or when it is presented by drawer to the drawee for payment and the drawee disagrees to pay it.