



ARIHANT COLLEGE OF ARTS, COMMERCE AND SCIENCE ,BAVDHAN, PUNE -21

F.Y.B.COM BANKING AND FINANCE (SEM II)

TOPIC : NEGOTIABLE INSTRUMENT

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INTRODUCTION :

Negotiable Instrument



Promissory Note Template

Promissory Note

Amount: _____ Date: _____
Place: _____

I Mr., ABC, make commitment to pay XYZ Company, the Sum of \$ _____
Repayment is to be made in the form of 200 equal payments at the interest rate of 7.2% of \$ _____
payable on the 10th of each month, beginning 10/01/2011, until the total
amount of debt is paid.

IN WITNESS WHEREOF, I set my hand under seal this _____
[month], 20____, and I acknowledge receipt of a complete copy of this note.

Sign: [Signature of borrower]

Name & Address: [Party name]

Front

1936

16 / 05 / 13 DATE

PAY TO THE ORDER OF MAJLIS UGAMA ISLAM SINGAPURA \$ 160.00

One Hundred and Sixty Only DOLLARS

RIDZUAN BIN AHMAD

FOR: [Signature] Ridzuan

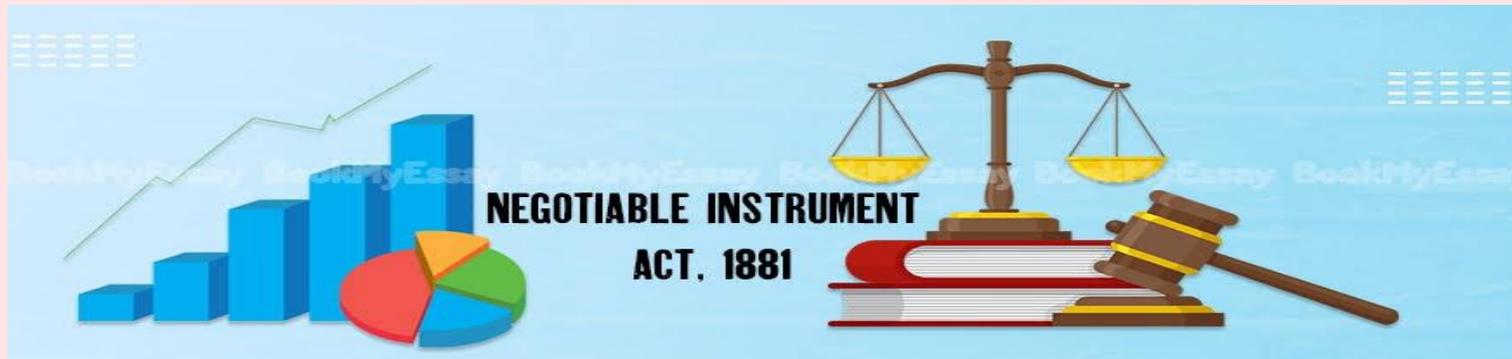
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MEANING :

- A negotiable instrument is a signed document that promises a sum of payment to a specified person or the assignee. In other words, it is a formalized type of IOU: A transferable, signed document that promises to pay the bearer a sum of money at a future date or on-demand. The payee, who is the person receiving the payment, must be named or otherwise indicated on the instrument.

NEGOTIABLE INSTRUMENT ACT

- **Negotiable Instruments Act, 1881 is an act in India dating from the British colonial rule, that is still in force largely unchanged.**
- **According to Section 13 of the Negotiable Instruments Act, "A negotiable instrument means a promissory note, bill of exchange or cheque payable either to order or to bearer."**



FEATURES OF NEGOTIABLE INSTRUMENT

1. MUST BE IN WRITING	2. THE PAYEE MUST BE A CERTAIN PERSON
3. EASY TRANSFERABILITY	4. GOOD TITLE
5. UNCONDITIONAL ORDER	6. MUST INVOLVE EXCHANGE AND PAYMENT

TYPES :

- Promissory notes-This transaction generally takes place between the debtor and the creditor. The debtor creates the instrument promising the amount of money on a specified date.

- **Cheque**- This is just one of the forms of bill of exchange. In this case, the drawee is a bank and such cheques are payable on demand. The bank is instructed by the debtor to pay a certain amount of money to the assigned payee.

- **Bills of Exchange-** This is just the opposite of the promissory notes as this is an order from the creditor to the debtor. Here, the creditor makes the instrument that instructs the debtor to pay the payee a certain amount of money. The bill is created by the creditor.

CONCLUSION :

- From this chapter it can be concluded that ,A negotiable instrument is one the property in which is acquired by anyone who takes it bonafide and for value notwithstanding any defect of the title of the person from he took it . Various types of instruments are there that can be negotiated like cheque , promissory note and bills of exchange with further bifurcation .

THANKYOU !

Now if anyone have doubt , can
ask their queries.