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Introduction

- Section 6 of the Negotiable Instrument Act defines a cheque as , "A bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand.”
- A cheque is a kind of bill of exchange or an unconditional order in writing, addressed by customer with signature to the bank to pay a certain amount to the bearer or as per order.
- **PARTIES TO CHEQUE**
 1. **DRAWER** - The person who signs the cheque and order for payment
 2. **DRAWEE** - It is always bank on which cheque is drawn and is ordered to pay the amount of cheque.
 3. **PAYEE** - The person to whom the cheque is payable.

Difference Between Cheque and Bill of Exchange

BASIS FOR COMPARISON	CHEQUE	BILL OF EXCHANGE
Meaning	A document used to make easy payments on demand and can be transferred through hand delivery is known as cheque.	A written document that shows the indebtedness of the debtor towards the creditor.
Defined in	Section 6 of The Negotiable Instrument Act, 1881	Section 5 of The Negotiable Instrument Act, 1881
Acceptance	A cheque does not require acceptance.	Bill of exchange needs to be accepted.
Stamping	No such requirement.	Must be stamped.
Drawee	Bank	Person or Bank
Noting or Protesting	If the cheque is dishonoured it cannot be noted or protested	If a bill of exchange is dishonoured it can be noted or protested.
Crossing	Yes	No
Grace Days	Not Applicable, as it is always payable at the time of presentment.	3 days of grace are allowed.

Features of Cheque

- **It must be in writing:** A cheque must be in writing. An oral order to pay does not constitute a cheque.
- **It should be drawn on banker:** It is always drawn on a specified banker. A cheque can be drawn on a bank where the drawer has an account, saving bank, or current.
- **It contains an unconditional order to pay:** A cheque cannot be drawn so as to be payable conditionally. The drawer's order to the drawee bank must be unconditional and should not make the cheque payable dependent on a contingency. A conditional cheque shall be invalid.
- **The cheque must have an order to pay a certain sum:** The cheque should contain an order to pay a certain sum of money only. If a cheque is drawn to do something in addition to, or other than to pay money, it cannot be a cheque.
- **It should be signed by the drawer and should be dated:** A cheque does not carry any validity unless signed by the original drawer. It should be dated as well.
- **It is payable on demand:** A cheque is always payable on demand.
- **It does not require acceptance and stamp:** Unlike a bill of exchange, a cheque does not require acceptance on part of the drawee. There is, however, a custom among banks to mark cheques as 'good' for the purpose of clearance. But this marking is not an acceptance. Similarly, no revenue stamp is required to be affixed on cheques.



भारतीय डेमो बैंक
Demo Bank of India

STD. COMMERCIAL POST BRANCH
NUTAN KESARIA ROAD
KOLKATA 700001
IFS CODE: DDMI000122

Serial No. 17092017

1 7 0 9 2 0 1 7
C D M A Y Y Y Y

PAY HSBC CAR LOAN A/C NO. 5893252132

जो या इसके अतिरिक्त OR ORDER

₹ IN RUPEES ONE LAKH TWENTY THREE THOUSAND FIVE

HUNDRED ONLY

अथवा



***1,23,500**

अथवा
अथवा

230995329781824

A/c Payee

for PDS Indotech Inc.

Prada
1515000002

MULTI-CITY CHEQUE Payable at Par at All Branches of SBI

Please sign above

⑈9500 20⑈ 69500 203 20⑈ 00 2860⑈ 3⑈

Types of Cheque

- **Open cheque**

It is an uncrossed cheque which is payable at counter of the bank. It can be Bearer Cheque or Order Cheque .

BEARER CHEQUE - When a cheque is payable to a person whose name appears on the cheque or to the bearer i.e. to the person who presents the cheque to the bank for encashment, is called bearer cheque. It can be transferred by mere delivery and do not need endorsement.

ORDER CHEQUE - When a cheque is payable to person named in the cheque or to his order, is called Order Cheque. When the word Bearer is cancelled , the cheque becomes the order cheque. It can be transferred only by endorsement and delivery.

- **Crossed cheque**

It is the cheque on which two parallel transverse lines are drawn across the top left , with or without the word :

(i) ' & Co.'

(ii) Not Negotiable

(iii) A/c Payee

It can not be encashed at the counter of the bank , can only be credited to the account of the payee.

- **STALE CHEQUE**

The validity of cheque is for three months. If cheque is not presented within the three months, it gets expired and becomes the Stale Cheque or Out-dated cheque.

- Earlier the validity of cheque was for six months, it has been reduced to three months, with effect from April 1, 2012.

- **ANTE- DATED CHEQUE**

A cheque contains the date on which it is drawn. If it bears a prior date or back date, it is called Ante-Dated cheque. Bank will honour this cheque until it exceeds the three months, i.e. stale period of cheque.

- **POST-DATED CHEQUE**

If the cheque bears the date later than the date on which it is drawn, it is called Post-Dated Cheque. This cheque can not be honoured before the date written on it.

Crossing of Cheques

Crossing is an instruction or order given to the paying banker that the cheque should not be paid across the counter but through a banker. Payment of a crossed cheque can only be collected through a banker. Crossing is done by drawing two parallel lines across the face of the cheque with or without the addition of certain words such as 'Account payee' or 'Not Negotiable'.

Types of crossing

There are two ways of crossing cheque. They are;

- **General Crossing**

Putting two traverse lines across the face of the cheque with or without the words "& co" or the words "non negotiable" is called General Crossing. Where a cheque is crossed generally, the banker on which it is drawn must pay it through a banker. Cheques that are crossed generally and payable to "order" must be collected only on proper endorsement by the payee.

- **Special crossing**

If the drawer writes specific instructions within the two traverse lines such as to which bank it should be paid is called special crossing. The purpose of a special crossing is to pay it if it is presented through a specific banker such as at XYZ Bank.

General Crossing

A/c Payee
Not Negotiable
& Co.

Special Crossing / Restrictive Crossing

Canara Bank
Canara Bank A/C Payee
SBI Not Negotiable

Crossing of Cheque

- Holder of a cheque can cross it or add to the existing crossing
- Banker to whom it is crossed can cross it again
- Cheque crossings can be opened by the drawer by cancelling the crossing with his signature
- Negotiable Instruments Act particularly states what amounts to a crossing. A cheque with the words “not negotiable” without the two traverse lines is not a crossed cheque. The traverse lines are essential for a crossing.
- If a cheque bears a single line it is not a crossed cheque.
- It is assumed that the banker on whom it is drawn has made payment to a banker who acts for the true owner of the cheque, though in fact the amount of the cheque might not reach the true owner. In short the banker is protected.

What if a banker don't comply with crossing

- A banker can't debit its customer's account without complying with the crossing on cheque.
- If a banker fails to comply with instructions or crossing marked by the drawer of the cheque, it amounts to breach of contract of the bank with its customer.
- Banker will be liable to pay any losses arising out to the drawer or payee.

Advantages

- It is an easy and convenient way of making large payment without using any cash and difficultly of counting.
- Cheque is the safest mode of payment in case of any dispute in payment, it is easy to check the record involved in payment for the rectification of any error.
- It is not only safest, but the cheapest way of making heavy payments even in the far areas of the country.
- Since, bank has full record relating all payments made though cheque, it is not necessary to keep personal record for the same.
- It is very easy to transfer money from one place to another without any risk.
- Cheque is a transferable document; hence it can be transferred to another for payment.
- Cheque has facilitated the trade, commerce and other economic activities to a great extent. By the use of cheque, economic plans can be assisted, if the cash is not readily available.