

Ques. 2 Explain negotiable instrument act 1881 in brief.

Ans Negotiable instruments recognized by negotiable instruments Act 1881 are -

- 1) Promissory notes
- 2) Bills of exchange
- 3) Cheques.

A negotiable instrument is a piece of paper which entitles

a person to a sum of money and which is transferable from one person to another by mere delivery or by endorsement and delivery.

There were total 142 sections in the negotiable Instruments Act 1881 when came into force. The act was amended and amendment act inserts five new sections from 143 to 147 touching various limbs of the payment Act and cheque truncation through digitally. were also included and the amendment Act has been recently brought into force on Feb 6, 2003.

Some important sections are listed below:-

- section 4 of the negotiable Instruments act 1881 defines the promissory note.
- sections 5 of the act defines the bill of exchange.

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- Section 6 of the act defines the cheque.
- Section 7 of the act gives definition of 'drawer' and 'drawee'.