20 True or False

Decide, then check the answer and reason below each statement.

Question 1

A cheque is a bill of exchange drawn on a specified banker and is payable on demand.

TRUE

Section 6 of the NI Act, 1881 defines a cheque as a bill of exchange drawn on a specified banker payable on demand.

Question 2

A cheque always involves only two parties, the drawer and the payee.

FALSE

Every cheque involves three parties: the drawer, the drawee bank, and the payee.

Question 3

A bearer cheque can be transferred simply by delivery, without any endorsement.

TRUE

A bearer cheque is negotiable by mere delivery; the holder need not endorse it.

Question 4

An order cheque is created by cancelling the payee's signature on the cheque.

FALSE

An order cheque is created by cancelling the printed word Bearer on the cheque, not the signature.

Question 5

A crossed cheque cannot be encashed in cash over the counter and must go through a bank account.

TRUE

Crossing forces a cheque to be routed through a bank account rather than paid in cash.

Question 6

A specially crossed cheque can be collected by any bank it is presented to.

FALSE

A specially crossed cheque names a bank between the lines and can be collected only by that named bank.

Question 7

An account payee cheque restricts payment to the account of the named payee only.

TRUE

An account payee crossing is the safest form because funds go only into the named payee's account.

Question 8

An open cheque must always be crossed before the bank will honour it.

FALSE

An open cheque is simply one that has not been crossed and is payable over the counter.

Question 9

A cheque generally becomes stale after about three months from the date written on it.

TRUE

As per current banking practice a cheque more than about three months old is treated as stale.

Question 10

A stale cheque is legally invalid and can never be paid by the bank under any circumstances.

FALSE

A stale cheque is only irregular, not invalid, and the drawer can revive it with a fresh date or new cheque.

Question 11

A post-dated cheque cannot be encashed before the future date written on it arrives.

TRUE

A post-dated cheque is not payable until the future date written on it arrives.

Question 12

An ante-dated cheque is always dishonoured because its date has already passed.

FALSE

An ante-dated cheque remains valid and payable as long as it has not become stale.

Question 13

A mutilated cheque is one that has been torn into two or more pieces.

TRUE

A cheque torn into two or more pieces is classified as a mutilated cheque.

Question 14

A self cheque can be freely encashed at any bank in the country.

FALSE

A self cheque is meant to be cashed at the account holder's own bank branch, not at any other bank.

Question 15

A banker's cheque, or pay order, is prepaid by the customer before the bank issues it.

TRUE

Because the funds are already collected in advance, a banker's cheque is almost never dishonoured.

Question 16

A banker's cheque can be endorsed and further negotiated to another person like an ordinary cheque.

FALSE

A banker's cheque is pre-printed Not Negotiable, so it cannot be transferred further.

Question 17

A gift cheque is issued by banks in a decorative form for occasions such as birthdays and weddings.

TRUE

Gift cheques come pre-denominated and decoratively designed for special occasions.

Question 18

Traveller's cheques can only be used within the country where they were purchased.

FALSE

Traveller's cheques are widely accepted at banks, hotels and exchange bureaus across many countries.

Question 19

An outstanding cheque has been issued but not yet presented for payment at the bank.

TRUE

An outstanding cheque is recorded in the books but has not yet been debited from the bank account.

Question 20

Crossing a cheque and cancelling the word Bearer on it are the exact same action with identical legal effect.

FALSE

Crossing controls how a cheque is paid, while cancelling Bearer controls to whom it is paid; they are separate actions.