

Difference Between Cheque and Bill of Exchange



Cheque

- A cheque is a type of instrument used for making payment to any individual.
- It is an absolute order which addresses the drawee to pay on behalf of the drawer to the payee.
- It is always due on demand for a fixed sum of money and signed by the drawer of the instrument.
- For payment of the cheque, an issuer and payee must have a bank account.
- The validity of cheque payment is 3 months and after the expiry of validity, a cheque will be dishonoured.

Parties involved in the payment:

- 1) **Drawer:** the issuer of the cheque
- 2) **Drawee:** The bank
- 3) **Payee:** a party who gets payment

Bill of exchange

- A bill of exchange is an unconditional negotiable instrument of payment which directs a drawee to make payment for a certain amount of money to the payee.
- A bill of exchange is approved by the drawer and affirmed by the drawee which has a predetermined date on which the payment is to be done to the payee.
- Bill of exchange is an order to pay to the payee, not a promise or request which must be signed by the drawer.
- In a bill of exchange, there is a grace period of 3 days when it becomes due.

Parties involved in bill of exchange

- 1) **Drawer:** A maker of the bill of exchange.
- 2) **Drawee:** An individual on whom the bill is drawn means a person who accepts to make payment to the payee.
- 3) **Payee:** A Person who gets the payment.

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Cheque	Bill of Exchange
Meaning	
The Cheque is a document which contains an order to a bank to pay fixed amount of money from the account of the client	A bill of exchange is a negotiable instrument which orders to drawee to pay a fixed amount of money to payee on demand
Existence	
A cheque exists in section 6 of the Negotiable Instruments Act, 1881.	A bill of exchange exists in section 5 of the negotiable instruments act, 1881.
Grace period	
A cheque has no grace period once it is presented for the payment.	A bill of exchange has three days of grace period.
Approved	

A Cheque does not need any approval from the parties before presented for payment.	A bill of exchange needs an approval from the drawee for the payment.
Validity	
A cheque has a validity of 3 months.	A bill of exchange has no validity for the payment.
Liability	
Parties remain liable to pay also in case notice of dishonour is not given.	In the bill of exchange, the parties who do not get notice of dishonour are free from the liability of paying.
Notice of Dishonour	
In cheque, notice of dishonour is not compulsory.	In a bill of exchange, notice of dishonour is mandatory.