

PRACTICE **MOCK**

Different Types of Cheques for Upcoming Banking Exams



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Cheque is a negotiable instrument in writing containing an unconditional order, addressed to a banker, signed by the person who has deposited money with the banker, requiring him to pay on demand a certain sum of money only to or to the order of a certain person or to the bearer of the instrument. The person who signs on a cheque is called 'Drawer' and the person in whose name the cheque has been drawn is called the 'Payee'. Apart from this, when a party ie payee transfers his right to take the payment to another party, he is called an endorser. The party in whose favour, the right is transferred, is called endorsee. A Cheque has the below details:

- Amount of money
- Payee's Name
- Date
- Signature of Drawer

Now, let's have a look at the different types of cheques:

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Different Types Of Cheques

Bearer/ Open Cheque

Bearer Cheque When the words "or bearer" printed on the cheque is not cancelled, the cheque is called a bearer cheque A bearer cheque is made payable to the bearer i.e. it is payable to the person who presents it to the bank for encashment.

Order Cheque

When the word "Bearer" written on a cheque is crossed or cancelled it becomes an order cheque. An order Cheque is payable to a specified person named in the cheque or any other to whom it is endorsed.

Crossed Cheque

Crossing of cheque means drawing two parallel lines on the left corner of the cheque with or without additional words like "Account Payee Only" or "Not Negotiable". A crossed cheque cannot be encashed at the cash counter of a bank but it can only be credited to the payee's account. This is a safer way of transferring money than an Uncrossed or open cheque.

Account Payee Cheque

Although there is no mention of an account payee cheque in the Negotiable Instrument Act, it's often used in banking parlance. This is the same as an account payee cheque but the difference is that it cannot be further endorsed.

Ante-dated Cheque

A cheque in which the drawer mentions a date earlier than the date on which it is presented to the bank is called an "anti-dated cheque". Such a cheque is valid up to three months from the date of the cheque. For Example, a cheque issued on 10th June 2020 may bear 10th April 2020.

Post Dated Cheque

If any cheque issued by a holder to the payee for an upcoming date, that cheque is called a post-dated cheque. For example, if a cheque presented on 10th March 2020 bears a date of 25th May 2020, it is a post-dated cheque. The bank will make payment only on or after 25th May 2018.

Stale Cheque

If a cheque is presented for payment after three months from the date of the cheque it is called a stale cheque. After the expiry of that period, no payment will be made by banks against that cheque.

Mutilated Cheque

When a cheque is torn into two or more pieces and presented for payment, such a cheque is called a mutilated cheque. The bank will not make payment against such a cheque without getting confirmation of the drawer.

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Technically speaking a person travelling abroad can carry a traveller's cheque and can use it to withdraw money. However, after the advent of more convenient alternatives, such as credit cards, debit cards, pre-paid currency cards and automated teller machines, their usage has declined.

