

### 3. HIRE PURCHASE AND INSTALMENT SALE TRANSACTIONS

#### SOLUTIONS TO ASSIGNMENT PROBLEMS

#### PROBLEM NO: 1

a) Calculation of total Interest and Interest included in each installment

Hire Purchase Price (HPP) = Down Payment + instalments

$$= 30,000 + 50,000 + 50,000 + 30,000 + 20,000 = 1,80,000$$

$$\text{Total Interest} = 1,80,000 - 1,50,000 = 30,000$$

Computation of IRR (considering two guessed rates of 6% and 12%)

Year	Cash Flow	DF @6%	PV	DF @12%	PV
0	30,000	1.00	30,000	1.00	30,000
1	50,000	0.94	47,000	0.89	44,500
2	50,000	0.89	44,500	0.80	40,000
3	30,000	0.84	25,200	0.71	21,300
4	20,000	0.79	15,800	0.64	12,800
		NPV	1,62,500	NPV	1,48,600

Interest rate implicit on lease is computed below by interpolation:

$$\text{Interest rate implicit on lease} = 6\% + \frac{1,62,500 - 1,50,000}{1,62,500 - 1,48,600} \times (12\% - 6\%) = 11.39\%$$

Thus, repayment schedule and interest would be as under:

Date	Opening bal of cash price (a)	Towards Principal b(d-c)	Towards interest (c)	Installment (d)	Closing Bal of Cash price (e) (a-b)
1-4-14	1,50,000	30,000	-	-	1,20,000
31-3-15	1,20,000	36,332	13,668	50,000	83,668
31-3-16	83,668	40,470	9,530	50,000	43,198
31-3-17	43,198	25,080	4,920	30,000	18,118
31-3-18	18,118	18,118	1,882 (B/f)	20,000	-
		<b>1,50,000</b>	<b>30,000</b>		

b) Total Interest = Hire Purchase Price – Cash Price = RS.4,60,000 – RS.4,00,000 = 60,000

Apportionment of Interest for each year (Interest rate not given )

Year	Amount Outstanding	Ratio	Interest (Rs.)
1	RS 4,60,000 – RS 1,60,000 – RS 3,00,000	3	60,000×3÷6 = RS 30,000
2	RS 2,00,000	2	60,000×2÷6 = RS 20,000
3	RS 1,00,000	1	60,000×1÷6 = RS 10,000

#### PROBLEM NO: 2

2(a). Let Assume principal (P) as = Rs.100

+ Interest (I) @ 10% = Rs.10

P + I = 110

**Computation of Cash Price (Backward Approach)**

Particulars	Amount		Interest	Principal
3 <sup>rd</sup> Installment	2,20,000	(P + I)	20,000	2,00,000
Less: Interest (2,20,000 x 10/110)	(20,000)	I		
	2,00,000	P		
Add: 2 <sup>nd</sup> Installment	<u>2,20,000</u>	(P + I)		
	4,20,000	(P + I)	38,182	3,81,818
Less: Interest (4,20,000 x 10/110)	(38,182)	I		
	381,818	P		
Add: 1 <sup>st</sup> Installment	<u>2,20,000</u>	(P + I)		
	6,01,818	(P + I)	54,711	5,47,107
Less: Interest (6,01,818 x 10/110)	<u>54,711</u>	I		
	5,47,107	P		
Add: Down payment	<u>2,40,000</u>	P		
	<b>7,87,107</b>	<b>P</b>		

**2 (b) Statement showing computation of cash value of machine acquired**

Particulars	Installment amount		Interest	Principal
5 <sup>th</sup> installment	6,000	(P + I)	286	5,714
Interest (6,000 x 5 / 105)	(286)	I		
	5,714	P		
Add: 4 <sup>th</sup> installment	<u>6,000</u>	(P+I)		
	11,714	(P+I)	558	5,442
Less: Interest (11,714 x 5/105)	(558)	I		
	11,156	P		
Add: 3 <sup>rd</sup> installment	<u>6,000</u>	(P+I)		
	17,156	(P+I)	817	5,183
Less: Interest (11,156 x 5/105)	(817)	I		
	16,339	P		
Add: 2 <sup>nd</sup> installment	<u>6,000</u>	(P+I)		
	22,339	(P+I)	1,064	4,936
Less: Interest (22,339 x 5/105)	(1,064)	I		
	21,275	P		
Add: 1 <sup>st</sup> installment	<u>6,000</u>	(P+I)		
	27,275	(P+I)	<u>1,299</u>	<u>4,701</u>
Less: Interest (27,275 x 5/105)	(1,299)	I		
	25,976	P	4,024	25,976

The cash purchase price of machinery is Rs. 25,977

**2 (c) Computation of Cash Price (Backward Approach)**

Particulars	Amount		Interest	Principal
3 <sup>rd</sup> Installment on 31.12.14	1,10,000	(P + I)	10,000	1,00,000
Less: Interest (1,10,000 x 10/110)	(10,000)	I		
	1,00,000	P		
Add: 2 <sup>nd</sup> Installment on 31.12.13	<u>1,20,000</u>	(P + I)		
	2,20,000	(P + I)	20,000	2,00,000
Less: Interest (2,20,000 x 10/110)	(20,000)	I		

	2,00,000	P		
Add: 1 <sup>st</sup> Installment on 31.12.12	1,63,000	(P + I)		
	3,63,000	(P + I)	33,000	
Less: Interest (3,63,000 x 10/110)	(33,000)	I		
	3,30,000	(P+I)	30,000	3,00,000
Less: Interest for 2011	(30,000)	I		
	3,00,000	P		
Add: Down Payment	**2,00,000	P		
Total Cash Price	5,00,000			

Let cash price be "X"

Down Payment (40%) = 0.4X

Balance amount = 0.6X

Cash Price  $X = \frac{3,00,000}{0.6} = \text{Rs. } 5,00,000$ ; \*\*Down Payment =  $5,00,000 \times 0.4 = 2,00,000$ .

**PROBLEM NO: 3**

Statement Showing Cash Price:

Cash Price =  $2,10,000 \times \frac{2.487}{3} = 1,74,090$

**PROBLEM NO: 4**

Calculation of interest:

Hire- purchase price:

Down payment

Installment Rs. 3,000 x 5

Less: cash price

Therefore total interest



Rs.	Rs.
2,000	
15,000	17,000
15,000	
	2,000

Analysis of payments of vendor

Year	Opening balance of cash price (Rs.)	Towards principal (Rs.)	Towards interest (Rs.)	Installment (Rs.)	Closing balance of cash price (Rs.)
01.01.2010	15,000	2,000	-	-	13,000
31.12.2010	13,000	2,350	650	3,000	10,650
31.12.2011	10,650	2,468	532	3,000	8,182
31.12.2012	8,182	2,591	409	3,000	5,591
31.12.2013	5,591	2,720	280	3,000	2,871
31.12.2014	2,871	2,871	129 (bal. fig)	3,000	Nil
			2,000		

Statement of depreciation:

Year	Opening balance	Amount of depreciation	Closing balance
31.12.2010	15,000	3,000	12,000
31.12.2011	12,000	2,400	9,600
31.12.2012	9,600	1,920	7,680
31.12.2013	7,680	1,536	6,144
31.12.2014	6,144	1,229	4,915

## i) Under Sales Method/ Credit Purchases with Interest Method:

## Journal Entries

Date	Particulars	L.F	Debit Rs.	Credit Rs.
2010 Jan.1	Motor Vans A/c To Plain Vans Ltd. A/c (Cash price of the machine purchased under hire-purchase system)	Dr.	15,000	15,000
	Plain Vans Ltd. A/c To Bank A/c (Amount of down payment made to the vendor.)	Dr.	2,000	2,000
Dec.31	Interest A/c To Plain Vans Ltd. A/c (The interest due to vendor.)	Dr.	650	650
	Plain Vans Ltd. A/c To Bank A/c (The Installment paid.)	Dr.	3,000	3,000
	Depreciation A/c To Motor Vans A/c (Depreciation charged on Motor Vans.)	Dr.	3,000	3,000
	Profit and Loss A/c To Depreciation A/c To Interest A/c (Profit and Loss Account.)	Dr.	3,650	3,000 650
2011 Dec.31	Interest A/c To Plain Vans Ltd. A/c (Interest due to vendor.)	Dr.	532	532
	Plain Vans Ltd. A/c To Bank A/c (The Installment paid.)	Dr.	3,000	3,000
	Depreciation A/c To Motor Vans A/c (Depreciation charged on Motor Vans.)	Dr.	2,400	2,400
	Profit and Loss A/c To Depreciation A/c To Interest A/c (Depreciation and interest transferred to Profit and Loss Account.)	Dr.	2,932	2,400 532

Dr. **Motor Vans Account** Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Jan.1	To Plain Vans Ltd.	15,000	2010 Dec.31	By Depreciation	3,000
		15,000		By Balance c/d	12,000
					15,000
2011 Jan.1	To Balance b/d	12,000	2011 Dec.31	By Depreciation	2,400
		12,000		By Balance c/d	9,600
					12,000

Dr. **Plain Vans Ltd. Account** Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Jan.1 Dec.31	To Bank- Down	2,000	2010 Jan.1 Dec.31	By Motor Vans By Interest	15,000 650
	To Bank – 1 <sup>st</sup> inst.	3,000			
	To Balance c/d	10,650			
		15,650			15,650
2011 Dec.31	To Bank – 2 <sup>nd</sup> Inst.	3,000	2011 Dec.31	By Balance b/d By Interest	10,650 532
	To Balance c/d	8,182			
		11,182			
					11,182

Dr.		Interest Account		Cr.	
Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Dec.31	To Plain Vans Ltd.	650	2010 Dec.31	By Profit and Loss A/c	650
2011 Dec.31	To Plain Vans Ltd.	532	2011 Dec.31	By Profit and Loss A/c	532

**ii) Under Interest Suspense Method:**
**Journal Entries**

Date	Particulars	L. F	Debit (Rs.)	Credit (Rs.)
2010 Jan.1	Motor Vans A/c Interest Suspense A/c To Plain Vans Ltd. A/c (Motor Vans purchased under Installment system.)	Dr. Dr.	15,000 2,000	17,000
	Plain Vans A/c To Bank A/c (Amount of down payment made to the vendor.)	Dr.	2,000	2,000
Dec.3 1	Interest A/c To Interest Suspense A/c (Interest paid and adjusted.)	Dr.	650	650
	Plain Vans A/c To Bank A/c (The Installment paid.)	Dr.	3,000	3,000
	Depreciation A/c To Motor Vans A/c (Depreciation charged on Motor Vans.)	Dr.	3,000	3,000
	Profit and Loss A/c To Depreciation A/c To Interest A/c (Depreciation and interest transferred to Profit and Loss Account.)	Dr.	3,650	3,000 650
2011 Dec.3 1	Interest A/c To Interest Suspense A/c (The interest paid and adjusted.)	Dr.	532	532
	Plain Vans Ltd. A/c To Bank A/c (The Installment paid.)	Dr.	3,000	3,000
	Depreciation A/c To Motor Vans A/c (Depreciation charged on Motor Vans.)	Dr.	2,400	2,400
	Profit and Loss A/c To Depreciation A/c To Interest A/c (Depreciation and interest transferred to Profit and Loss Account.)	Dr.	2,932	2,400 532

Dr.		Motor Vans Account		Cr.	
Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Jan.1	To Plain Vans Ltd. A/c	15,000	2010 Dec.31	By Depreciation A/c By Balance c/d	3,000 12,000
		15,000			15,000
2011 Jan.1	To Balance b/d	12,000	2011 Dec.31	By Depreciation A/c By Balance c/d	2,400 9,600
		12,000			12,000

Dr. Plain Vans Ltd. Account			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Jan.1	To Bank A/c - Down	2,000	2010 Jan.1	By Motor Vans A/c	15,000
Dec.31	To Bank A/c – 1 <sup>st</sup> Inst.	3,000		By Interest Suspense A/c	2,000
	To Balance c/d	12,000			
		17,000			17,000
2011 Dec.31	To Bank A/c – 2 <sup>nd</sup> Inst.	3,000	2011 Jan.1	By Balance b/d	12,000
	To Balance c/d	9,000			
		12,000			12,000

Dr. Interest Suspense Account			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Jan.1	To Plain Vans Ltd.	2,000	2010 Dec.31	By Interest A/c	650
		2,000		By Balance c/d	1,350
					2,000
2011 Jan.1	To Balance c/d	1,350	2011 Dec.31	By Interest A/c	532
		1,350		By Balance c/d	818
					1,350

Dr. Interest Account			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Dec.31	To Interest Suspense A/c	650	2010 Dec.31	By Profit and Loss A/c	650
2011 Dec.31	To Interest Suspense A/c	532	2011 Dec.31	By Profit and Loss A/c	532

**PROBLEM NO 5**

In the books of Mc  
K & CO (Hire vender) A/c

Date	Particulars	Amount	Date	Particulars	Amount
1-1-11	To Bank A/c	20,000	1-1-11	By Machinery A/c	1,00,000
31-12-11	To Bank A/c (20,000 +4000)	24,000	31-12-11	By Interest A/c	4,000
31-12-11	To Balance c/d	60,000			
		<b>1,04,000</b>			<b>1,04,000</b>
31-12-12	To Machinery A/c	81,000	1-1-12	By Balance b/d	60,000
			31-12-12	By Interest A/c	3,000
			31-12-12	By P&L A/c	18,000
		<b>81,000</b>			<b>81,000</b>

**Machinery A/c**

Date	Particulars	Amount	Date	Particulars	Amount
1-1-11	To K & CO A/c	1,00,000	31-12-11	By Depreciation	10,000
			31-12-11	By Balance c/d	90,000
		<b>1,00,000</b>			<b>1,00,000</b>
1-1-12	To Balance b/d	90,000	31-12-12	By Depreciation A/c	9,000
			31-12-12	By K & CO A/c	81,000
		<b>90,000</b>			<b>90,000</b>

In the books of K& Co

Dr.			Cr.		
Hire purchaser (MC) A/c					
Date	Particulars	Amount	Date	Particulars	Amount
01/01/2001	To Hire purchase sales	1,00,000	01/01/2001	By bank	20,000
31/12/2001	To interest (80,000*5%)	4,000	31/12/2001	By bank	24,000
				By balance c/d	60,000
		<b>1,04,000</b>			<b>1,04,000</b>
01/01/2002	To Balance b/d	60,000	31/12/2002	By repossessed goods	63,000
31/12/2002	To Interest (60,000*5%)	3,000			
		<b>63,000</b>			<b>63,000</b>

Dr.			Cr.		
Repossessed Goods A/c					
Date	Particulars	Amount	Date	Particulars	Amount (Rs.)
31/12/2002	To MC	63,000	31/12/2002	To Balance C/d	81,000
31/12/2002	To profit on repossession (81,000 - 63,000)	18,000			
		<b>81,000</b>			<b>81,000</b>
01/01/2003	To Balance b/d	81,000	01/01/2003	By Bank	90,000
"	To Bank	1,000			
"	To P&L A/c	8,000			
		<b>90,000</b>			<b>90,000</b>

Computation of WDV of Machinery as on 31<sup>st</sup> Dec, 2002:

Particulars	Amount (Rs.)
Value of Machinery as on 01/01/2001	<b>1,00,000</b>
Less: Depreciation for first year (1,00,000*10%)	(10,000)
WDV as on 01/01/2002	<b>90,000</b>
Less: Depreciation for first year (90,000*10%)	(9,000)
WDV as on 31/12/2002	<b>81,000</b>

**PROBLEM NO: 6**

- a) Let Assume principal (P) as = Rs. 100  
 + Interest (I) @ 10% = Rs. 10  
 P + I = 110

Computation of Cash Price (Backward Approach)

Particulars	Amount		Interest	Principal
3 <sup>rd</sup> Installment	2,75,000	(P + I)	25,000	2,50,000
Less: Interest (2,75,000 x 10/110)	(25,000)	I		
	2,50,000	P		
Add: 2 <sup>nd</sup> Installment	<u>2,45,000</u>	(P + I)		
	4,95,000	(P + I)	45,000	4,50,000
Less: Interest (4,95,000 x 10/110)	<u>(45,000)</u>	I		
	4,50,000	P		
Add: 1 <sup>st</sup> Installment	<u>2,65,000</u>	(P + I)		
	7,15,000	(P + I)	65,000	6,50,000
Less: Interest (7,15,000 x 10/110)	<u>(65,000)</u>	I		

	6,50,000	P		
Add: Down payment	<u>5,00,000</u>	P		
	<b>11,50,000</b>	<b>P</b>		

**c) In the books of Lucky:**

Dr.			Tractors Account			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount			
1.10.20X1	To Happy A/c	11,50,000	30.9.20X2	By Depreciation A/c	2,30,000			
				By Balance C/d	9,20,000			
		<b>11,50,000</b>			<b>11,50,000</b>			
1.10.20X2	To Balance b/d	9,20,000	30.9.20X3	By Depreciation A/c	1,84,000			
				By Balance c/d	7,36,000			
		<b>9,20,000</b>			<b>9,20,000</b>			
1.10.20X3	To Balance b/d	7,36,000	30.9.20X4	By Depreciation A/c	1,47,200			
				By Happy A/c	1,97,225			
				By Loss transferred to P & A/c on surrender (B/f) or (2,94,400 – 1,97,225)	97,175			
				By Balance c/d ½ of (7,36,000 – 1,47,200 = 5,88,800)	2,94,400			
		<b>7,36,000</b>			<b>7,36,000</b>			

\*(Value of 1 Tractor taken over after depreciation for 3 years @ 30% p.a.) {5,75,000 - (1,72,500 + 1,20,750 + 84,525)}.

Dr.			Happy Account			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount			
01.10.X1	To Bank (down payment)	5,00,000	01.10.X1	By Tractor A/c	11,50,000			
	To Bank (1 <sup>st</sup> Installment)	2,65,000	30.09.X2	By interest A/c	65,000			
	To Balance c/d	4,50,000						
		<b>12,15,000</b>			<b>12,15,000</b>			
30.09.X3	To Bank (2 <sup>nd</sup> Installment)	2,45,000	01.10.X2	By Balance b/d	4,50,000			
	To Balance c/d	2,50,000	30.09.X3	By Interest A/c	45,000			
		<b>4,95,000</b>			<b>4,95,000</b>			
30.09.X4	To Tractor A/c	1,97,225	01.10.X3	By Balance b/d	2,50,000			
	To Balance c/d	77,775	30.09.X4	By Interest A/c	25,000			
		<b>2,75,000</b>			<b>2,75,000</b>			
31.12.X4	To Bank (Amount settled after 3 months)	81,275	01.10.X4	By Balance b/d	77,775			
			31.12.X4	By Interest A/c	3,500			
		<b>81,275</b>			<b>81,275</b>			

**PROBLEM NO: 7**

In books of X Transport Ltd

Dr.			Tempo a/c			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.			
2010 Jan 1	To Delhi Motors	1,50,000	2010 Dec 21	By Depreciation (1,50,000 x 20%)	30,000			
				By Balance e/d	1,20,000			



		<b>1,50,000</b>			<b>1,50,000</b>
2011 Jan 1	To Balance b/d	1,20,000	2011 Dec 31	By Depreciation	24,000
				By Delhi Motors A/c (value 2 tempo's taken away)	49,000
				By profit & loss A/c (B/f)	15,000
				By balance c/d (value of one tempo left)	32,000
		<b>1,20,000</b>			<b>1,20,000</b>
2012 Jan 1	To Balance b/d	32,000	2012 Dec 31	By Depreciation A/c	6400
				By Balance c/d	25,600
		<b>32,000</b>			<b>32,000</b>

**Delhi motors A /c**

Date	Particulars	Rs.	Date	Particulars	Rs
2010 Jan 1	To Bank (down payment)	30,000	2010 Jan 1	By Tempo's a/c	1,50,000
31 Dec	To Bank	50,800	Dec 31	By Interest (1,20,000 x 9%)	10,800
31. Dec	To Balance c/d	80,000			
		<b>1,60,800</b>			<b>1,60,800</b>
2011 Jan 1	To Tempos a/c	49,000	2011 Jan 1	By Balance b/d	80,000
Dec 31	To Balance c/d	38,200	Dec 31	By Interest (80,000 x 9%)	7200
		<b>87,200</b>			<b>87,200</b>
2012 Dec 31	To Bank c/d	41,638	2012 Jan 1	By Balance b/d	38,200
			Dec 31	By Interest a/c (38,200 x 9%)	3,438
		<b>41,638</b>			<b>41,638</b>

**Computation of loss on Re- possession of Two Tempos:**

Particulars	As per hire purchaser	As per hire vendor
Cash price (2 x 50,000)	1,00,000	1,00,000
Less: Depreciation	(20,000)	(30,000)
WDV	80,000	70,000
Less: Depreciation	(16,000)	(21,000)
WDV	<u>64,000</u>	<u>49,000</u>

**Loss on Re – possession:**

Value as per Hire purchaser	= 64,000
Less: Value as per Hire vendor	= <u>49,000</u>
	= <b><u>15,000</u></b>

**Entry for Re – Possession & Loss:**

Delhi Motors A/c	Dr.	49,000	
P & L A/c	Dr.	15,000	
To Tempos A/c			64,000

**PROBLEM NO: 8****a) VALUE OF PLANT TAKEN BACK BY THE VENDOR**

<u>Particulars</u>	<u>Rs.</u>
A. Cost of 2 plants (RS 1,00,000 × 2)	2,00,000
B. Less: Depreciation @ 30%	60,000
C. Agreed value [A-B]	1,40,000
D. Less: Depreciation @ 30%	42,000
E. Agreed value [C-D]	98,000

**b) BOOK VALUE OF PLANT LEFT WITH THE PURCHASER AND TAKEN BACK BY VENDOR**

<u>Particulars</u>	<u>1 left RS.</u>	<u>2 Repossessed Rs.</u>
A. Cost of Plants	1,00,000	2,00,000
B. Less: Depreciation @ 20%	20,000	40,000
C. Book Value [A-B]	80,000	1,60,000
D. Less: Depreciation @ 20%	16,000	32,000
E. Book Value [C-D]	64,000	1,28,000

c) Loss = Agreed Value – Book Value = Rs. 98,000 – Rs. 1,28,000 = Rs. (30,000)

d) Profit or Loss on Plant repressed when sold by vendor

$$\begin{aligned} \text{Profit} &= \text{Sale Proceeds} - (\text{Value of plant taken back} + \text{Repairs}) \\ &= \text{Rs. } 1,60,000 - (\text{Rs. } 98,000 + \text{Rs. } 40,000) = \text{Rs. } 22,000. \end{aligned}$$

**PROBLEM NO: 9****Tractors on hire Purchase**

<u>Date</u>	<u>Particulars</u>	<u>Amount</u>	<u>Date</u>	<u>Particulars</u>	<u>Amount</u>
1/4/2016	To HP Com: (Tractor-A)	17,500	31/12/2016	By balance c/d	
1/10/2016	To HP Com: (Tractor-B)	23,750		-Tractor-A	17,500
				-Tractor-B	23,750
		<b>41,250</b>			<b>41,250</b>
1/1/2017	To balance b/d				
	Tractor-A	17,500	30/6/2017	By Disposal of Tractors A/c	23,750
	Tractor-B	23,750	31/12/2018	By balance c/d	17,500
		<b>41,250</b>			<b>41,250</b>

**Provision for Depreciation A/C**

<u>Date</u>	<u>Particulars</u>	<u>Amount</u>	<u>Date</u>	<u>Particulars</u>	<u>Amount</u>
31/12/16	To balance c/d	3,813	31/12/16	By depreciation A/C	
				Tractor-A (17,500 × 20% × 9/12)	2,625
				Tractor-B (23,750 × 20% × 3/12)	1,188
					<b>3,813</b>

		<b>3,813</b>			<b>3,813</b>
30/6/17	To Disposal of Tractors A/c (1,188+2,375)	3563	1/1/17	By balance b/d	3,813
31/12/18	To balance c/d	6125	30/6/18	By Depreciation A/C (23,750×20%6/12)	2,375
				By Depreciation A/C [on Tractor – A] (17,500×20%×12/12)	3,500
		<b>9,688</b>			<b>9,688</b>

**DISPOSAL OF TRACTORS A/C**

Date	Particulars	Amount	Date	Particulars	Amount
30/6/17	To Tractors on Hire Purchase	23,750	30/06/17	By provision for Dep	3,563
			10/07/17	By Bank A/C	18,750
				By P/L A/C	1,437
		<b>23,750</b>			<b>23,750</b>

**HIRE PURCHASE COMPANY**

Date	Particulars	Tract-A	Tract-B	Date	Particulars	Tract-A	Tract-B
01/04/16	To Cash (deposit)	2,500		01/04/16	By Tractor on hire Purchase	17,500	-
01/10/16	To Cash (deposit)		3,350	01/10/16	By Tractors on Hire Purchase	-	23,750
31/12/16	To Cash (install) -750×9 -1000×3	6,750	3,000	31/12/16	By HP Interest - 125×9 - 150×3	1,125	-
31/12/16	To balance c/d	9,375	17,850			-	450
		<b>18,625</b>	<b>24,200</b>			<b>18,625</b>	<b>24,200</b>
30/6/17	To Cash (Int) -1000 ×6	-	6000	1/1/17	By balance b/d	9,375	17,850
10/7/17	To Cash To P & L A/c	-	12,500 250	30/6/17	By HP Int - 150×6	-	900
31/12/17	To Cash - 750×12 To Balance c/d	9000 1,875		31/12/17	By HP - 125×12	1500	-
		<b>10,875</b>	<b>18,750</b>			<b>10,875</b>	<b>18,750</b>

**PROBLEM NO: 10**

W.N. 1 Statement of installment payment

Year	Opening Balance	Interest	Installment	Closing Balance
0	2,00,000	-	50,000	1,50,000
1	1,50,000	18,000	68,000	1,00,000
2	1,00,000	12,000	62,000	50,000
3	50,000	6,000	56,000	-
		36,000		

W.N. 2 Calculation of amount payable or receivable in cash from Y to 'X'

Year	Amount Payable	Amount Receivable	Net Amount Receivable
1	68,000	72,000	4,000
2	62,000	72,000	10,000
3	56,000	72,000	16,000

In the books of 'Y'

## Truck A/c

Date	Particulars	Amount	Date	Particulars	Amount
1-1-10	To X A/c	2,00,000	31-12-10	By Depreciation on (20%)	40,000
			31-12-10	By Balance c/d	1,60,000
		<b>2,00,000</b>			<b>2,00,000</b>
1-1-11	To Balance b/d	1,60,000	31-12-11	By Depreciation A/c	32,000
			31-12-11	By Balance c/d	1,28,000
		<b>1,60,000</b>			<b>1,60,000</b>
1-1-12	To Balance b/d	1,28,000	31-12-12	By Depreciation A/c	25,600
			31-12-12	By Balance c/d	1,02,400
		<b>1,28,000</b>			<b>1,28,000</b>
1-1-13	To Balance b/d	1,02,400	1-1-13	By Cash	30,000
			1-1-13	By P & L A/c	72,400
		<b>1,02,400</b>			<b>1,02,400</b>

Dr.

## Interest Suspense A/c

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
1-1-10	To X A/c	36,000	31-12-10	By Interest A/c	18,000
			31-12-10	By Balance c/d	18,000
		<b>36,000</b>			<b>36,000</b>
1-1-11	To Balance b/d	18,000	31-12-11	By Interest A/c	12,000
				By Balance c/d	6,000
		<b>18,000</b>			<b>18,000</b>
1-1-12	To Balance b/d	6,000	31-12-12	By Interest A/c	6,000
		<b>6,000</b>			<b>6,000</b>

Dr.

## Hire Charges A/c

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
31/12/10	To P & L A/c	72,000	31-12-10	By x A/c	72,000
		<b>72,000</b>			<b>72,000</b>
31/12/11	To P & L A/c	72,000	31-12-11	By x A/c	72,000
		<b>72,000</b>			<b>72,000</b>
31/12/12	To P & L A/c	72,000	31-12-12	By x A/c	72,000
		<b>72,000</b>			<b>72,000</b>

Dr.			Interest A/c		Cr.	
Date	Particulars	Amount	Date	Particulars	Amount	
31-12-10	To Interest Suspense A/c	18,000	31-12-10	By P & L A/c	18,000	
		<b>18,000</b>			<b>18,000</b>	
31-12-11	To Interest Suspense A/c	12,000	31-12-11	By P & L A/c	12,000	
		<b>12,000</b>			<b>12,000</b>	
31-12-12	To Interest Suspense A/c	6,000	31-12-12	By P & L A/c	6,000	
		<b>6,000</b>			<b>6,000</b>	

Dr.			X A/c		Cr.	
Date	Particulars	Amount	Date	Particulars	Amount	
1-1-10	To Cash	50,000	1-1-10	By Truck A/c	2,00,000	
31-12-10	To Hire Charges (6,000 x 12)	72,000	1-1-10	By Interest Suspense A/c	36,000	
31-12-10	To Balance c/d	1,18,000	31-12-10	By Cash A/c (W.N.2)	4,000	
		<b>2,40,000</b>			<b>2,40,000</b>	
31-12-11	To Hire Charges	72,000	1-1-11	By Balance b/d	1,18,000	
31-12-11	To Balance c/d	56,000	31-12-11	By Cash A/c (W.N.2)	10,000	
		<b>1,28,000</b>			<b>1,28,000</b>	
31-12-12	To Hire Charges	72,000	1-1-12	By Balance b/d	56,000	
			31-12-12	By Cash A/c (W.N.2)	16,000	
		<b>72,000</b>			<b>72,000</b>	

**THE END**

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