

Problem No. 1

Method – 1 When Cash price, Hire Purchase price & Rate of Interest are given in the Problem.

A) When Installment of cash price + Rate of Interest are given

Method-I
Wednesday
Ch. A.P.P.

Method - When Cash price, Hire purchase price and Rate of Interest are given in the Problem.

A) When Installments of cash price + Rate of Int. is given

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Problem No. 1

On 1st Jan. 2000 Sharada purchased a Machine from Kusum on Hire purchase bases. The Particulars are as follows.

1. Cash price RS. 10,000/-
2. Amount to be paid on signing the contract RS. 4,000/-
3. Balance to be paid in Three (yearly) Installments of RS. 2,000/- each plus Interest.
4. Interest to be charged on Outstanding Bal. at 5% P.A.
5. Depreciation at 10% P.A. on written down value method.

Give Necessary journal Entries in the Books of Sharada (purchaser). Also you are required to show i) Machine Alc ii) Kusum's Alc (Vendor's Alc) iii) Interest Alc iv) Depreciation Alc.

statement showing Calculation of Interest

	Date	outstanding Bal. of cash price	Installment	5% Interest	Installment with Interest
	1.1.2000	10,000			
	1.1.2000	4000	4000	-	4000
out. cash bal.	31.12.2000	<u>6000</u>			
	31.12.2000	2000	2000	300	2300
out. cash bal.	1.1.2001	<u>4000</u>			
	31.12.2001	2000	2000	200	2200
out. cash bal.	1.1.2002	2000			
	31.12.2002	2000	2000	100	2100
			10,000	600	10,600
			(cash price)	(Int)	(Hire P.P.)

calculation of Depreciation (Written down value method) on cash price.

Cash price - 10,000	Depr. for 31.12.2001	Depr. for 31.12.2002
Depr. for 31.12.2000	$10,000 - 1000 = 9000$	$9000 - 900 = 8100$
10% on 10,000	10% on 9000	10% on 8100
<u>= 1000</u>	<u>= 900</u>	<u>= 810</u>

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1-1-2000	① On the date of signing of Agreement Amt. due to Vendor			
1-1-2000	Machine A/c	Dr	4000	
	To the Kusum A/c (Vendor)			4000
	(Being Machine purchased from Kusum & Amt. payable) ^{due}			
1-1-2000	② On the date of signing of Agreement Amt. paid			
	Kusum A/c (Vendor)	Dr	4000	
	To Cash A/c			4000
	(Being Agreement Amt. paid to Kusum) ^{paid}			
31-12-2000	③ For First Installment.			
31-12-2000	First Installment due			
	Machine A/c	Dr	2000	
	Interest A/c	Dr	300	
	To Kusum A/c (Vendor)			2300
	(Being 1st Installment money with Int. payable to Kusum)			
31-12-2000	④ First Installment paid.			
	Kusum A/c (Vendor)	Dr	2300	
	To Cash A/c			2300
	(Being 1st Installment with Interest paid)			
31-12-2000	⑤ For Depreciation charged			
	Depreciation A/c	Dr	1000	
	To Machine A/c			1000
	(Being Depn. charged @ 10% on cash price)			
31-12-2000	⑥ For Bal. of Depn. & Int. A/c Trd. to P & L A/c			
	Profit & Loss A/c	Dr	1300	
	To Depreciation			1000
	To Interest			300
	(Being Bal. of Depn. A/c & Int. A/c is trd. to P & L A/c)			

Date	Particulars	Dr.	Cr.	Debit	Credit
	<u>7</u> For Second Installment money due.				
31.12.2001	Machine A/c	Dr.		2000	
	Interest A/c	Dr.		200	
	To kusum A/c (Vendor)				2200
	(Being Second Installement money with Interest payable to kusum)				
	<u>8</u> For Second Installment money paid				
31.12.2001	kusum A/c (Vendor)	Dr.		2,200	
	To cash A/c				2,200
	(Being Second Installment money with Interest paid)				
	<u>9</u> For Depreciation charged				
31.12.2001	Depreciation A/c	Dr.		900	
	To Machine A/c				900
	(Being Depreciation charged on Machine @ 10% W.D.V. method)				
	<u>10</u> For Bal. of Depr. and Int. A/c trd. to Profit & Loss A/c)				
31.12.2001	Profit and Loss A/c	Dr.		1,100	
	To Depreciation A/c				900
	To Interest A/c				200
	(Being Bal. of Depr. A/c & Int. A/c trd. to P & L A/c)				
	<u>11</u> For Third Installment money				
	Third Installment money due				
31.12.2002	Machine A/c	Dr.		2,000	
	Interest A/c	Dr.		100	
	To kusum A/c				2,100
	(Being Third Installment money with Interest payable to kusum.)				

(12) Third Installment money paid
 31.12.2002 Kusum Alc Dr. 2,100
 To Cash Alc 2,100
 (Being Third Installment money paid with Interest)

(13) For Depreciation charged
 31.12.2002 Depreciation Alc Dr. 810
 To Machine Alc 810
 (Being Depreciation charged on Machine @ 10%)

(14) For Bal. of Depr. Alc & Int. Alc trd. to Profit & Loss Alc.
 31.12.2002 Profit & Loss Alc Dr. 910
 To Depreciation Alc 810
 To Interest Alc. 100
 (Being Bal. of Depr. & Int. Alc trd. to Profit & Loss Alc)

Ledged Alc's

Dr.		Machine Alc				Cr.	
Date	Particulars	₹	Amount	Date	Particulars	₹	Amount
1.1.2000	To Kusum's Alc		4,000	31.12.2000	By Depreciation Alc		1,000
31.12.2000	To Kusum's Alc		2,000	31.12.2000	By Bal. c/d		5,000
			6,000				6,000
1.1.2001	To Bal. b/d		5,000	31.12.2001	By Depreciation Alc		900
31.12.2001	To Kusum's Alc		2,000	31.12.2001	By Bal. c/d		6,100
			7,000				7,000
1.1.2002	To Bal. b/d		6,100	31.12.2002	By Depreciation Alc		810
31.12.2002	To Kusum's Alc		2,000	31.12.2002	By Bal. c/d		7,290
			8,100				8,100
1.1.2003	To Bal. b/d		7,290				

Dr.		Kusum's Alc (Vendor's)				Cr.	
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
1.1.2000	To Cash Alc		4,000	1.1.2000	By Machine Alc		4,000
31.12.2000	To Cash Alc		2,300	31.12.2000	By Machine Alc		2,000
				31.12.2000	By Interest Alc		300
			<u>6,300</u>				<u>6,300</u>
31.12.2001	To Cash Alc		2,200	31.12.2001	By Machine Alc		2,000
				31.12.2001	By Interest Alc		200
			<u>2,200</u>				<u>2,200</u>
31.12.2002	To Cash Alc		2,100	31.12.2002	By Machine Alc		2,000
				31.12.2002	By Interest Alc		100
			<u>2,100</u>				<u>2,100</u>

Dr.		Interest Alc				Cr.	
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
31.12.2000	To Kusum's Alc		300	31.12.2000	By Profit & Loss Alc		300
31.12.2001	To Kusum's Alc		200	31.12.2001	By Profit & Loss Alc		200
31.12.2002	To Kusum's Alc		100	31.12.2002	By Profit & Loss Alc		100

Dr.		Depreciation Alc				Cr.	
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
31.12.2000	To Machine Alc		1,000	31.12.2000	By Profit & Loss Alc		1,000
31.12.2001	To Machine Alc		900	31.12.2001	By Profit & Loss Alc		900
31.12.2002	To Machine Alc		810	31.12.2002	By Profit & Loss Alc		810

Thank u