

Problem No. 10

Method - 3 When Hire Purchase price & Cash Price are given but Rate of Interest is not given.

Problem No. 10

April 2002

Maharashtra Co. Purchased a machine on H.P. system. The H.P.P. was Rs. 1,60,000/- Payable at Rs. 40,000 down. and Rest in three annually Installments of Rs. 40,000/- each, the Cash price was Rs. 1,48,600. The Depn. @ 5% P.A. was written off on written down value.

open Necessary A/c in the Books of Maharashtra Company.

Calculation of Interest :-

1. Hire purchase price - 160,000 cash price = 148,600

$$\therefore \text{Interest} = (\text{H.P.P.}) 160,000 - 148,600 (\text{C.P.}) = 11,400$$

H.P.P.	160,000	
- 1.1.	<u>40,000</u>	- down payment
1.1.	<u>120,000</u>	- outstanding Bal of H.P.P.
31.12.	<u>40,000</u>	1st installment
1.1.	<u>80,000</u>	- outstanding Bal. of H.P.P.
31.12	<u>40,000</u>	2nd installment
1.1.	<u>40,000</u>	outstanding Bal. of H.P.P.
31.12.	<u>40,000</u>	3rd installment.

Depreciation @ 5% P.A.

1st year - 7430

2nd year - 7058

3rd year - 6705

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Ratio of outstanding balance of Hire purchase price.

$$1.20,000 : 80,000 : 40,000 = 3 : 2 : 1$$

Interest Included in Installment = 40,000

For 1st Installment = $\frac{3}{6} \times 11,400 = 5700$ $40,000 - 5700 = 34,300$

For 2nd Installment = $\frac{2}{6} \times 11,400 = 3800$ $40,000 - 3800 = 36,200$

For 3rd Installment = $\frac{1}{6} \times 11,400 = 1900$ $40,000 - 1900 = 38,100$

160,000 11,400 148,600
H.P.P. Int.

In the Books of Maharashtra Co. Ledger A/c.

Dr.		Machine A/c				Cr.	
Date	Particulars	₹	Amount	Date	Particulars	₹	Amount
1.1.	To Vendor A/c		40,000	31.12.	By Depreciation A/c		7430
31.12.	To Vendor A/c		34,300	31.12.	By Balance c/d		66,870
			<u>74,300</u>				<u>74,300</u>
1.1.	To Balance b/d		66,870	31.12.	By Depreciation A/c		7058
31.12.	To Vendor A/c		86,200	31.12.	By Balance c/d		96,012
			<u>1,03,070</u>				<u>1,03,070</u>
1.1.	To Balance b/d		96,012	31.12.	By Depreciation A/c		6,705
31.12.	To Vendor A/c		38,100	31.12.	By Balance c/d		1,27,407
			<u>134,112</u>				<u>134,112</u>
1.1.	To Balance b/d		1,27,407				

Dr.		Vendor A/c				Cr.	
Date	Particulars	₹	Amount	Date	Particulars	₹	Amount
1.1.	To Cash A/c		40,000	1.1.	By Machine A/c		40,000
31.12.	To Cash A/c		40,000	31.12.	By Machine A/c		34,300
				31.12.	By Interest A/c		5700
			<u>80,000</u>				<u>80,000</u>
31.12.	To Cash A/c		40,000	31.12.	By Machine A/c		36,200
				31.12.	By Interest A/c		3,800
			<u>40,000</u>				<u>40,000</u>
31.12.	To Cash A/c		40,000	31.12.	By Machine A/c		38,100
				31.12.	By Interest A/c		1,900
			<u>40,000</u>				<u>40,000</u>

Thank u