

Problem No. 12

Delhi Motors Ltd. sales Tractors on the Hire purchase system. The terms of payments for the sale of a tractor are Rs. 20,000/- on delivery, Rs. 20,800/- at the end of the first year, Rs. 19,200/- at the end of the 2nd year, and Rs. 17,600/- at the end of 3rd year inclusive of Interest.

Find out the cash price of the tractor & Interest included in each installment also give Necessary Journal entries & Ledger A/c in the Books of Delhi Motors Ltd.

→ calculation of Interest

○ Installment with Interest

| | | |
|------------|--------|-------------|
| 1.1.2000 | 20,000 | |
| 31.12.2000 | 20,800 | (C + 3 Int) |
| 31.12.2001 | 19,200 | (C + 2 Int) |
| 31.12.2002 | 17,600 | (C + 1 Int) |

$$\begin{array}{r}
 C + 2 \text{ Int} = 19,200 \\
 - C - 1 \text{ Int} = 17,600 \\
 \hline
 1 \text{ Interest} = 1,600
 \end{array}$$

Interest = 1600

2 I = 1600 × 2 = 3200

3 I = 1600 × 3 = 4800

statement showing calculation of Interest

| Date | Installment with Interest | Interest | Cash portion |
|------------|---------------------------|--------------|---------------|
| 1.1.2000 | 20,000 | | 20,000 |
| 31.12.2000 | 20,800 | 4800 | 16,000 |
| 31.12.2001 | 19,200 | 3200 | 16,000 |
| 31.12.2002 | 17,600 | 1600 | 16,000 |
| | <u>77,600</u> | <u>9,600</u> | <u>48,000</u> |

JOURNAL

| Date | Particulars | Dr. | Debit | Credit |
|------------|--|-----|--------|--------|
| 1.1.2000 | Hire purchased A/c To Tractor's A/c (Being tractor sold and Amount Receivable) | Dr. | 68,000 | 68,000 |
| 1.1.2000 | Cash A/c To Hire purchased A/c (Being Amount of sale of tractor were received) | Dr. | 20,000 | 20,000 |
| 31.12.2000 | Hire purchased A/c To Interest A/c (Being Interest included in first Installment is Receivable) | Dr. | 4,800 | 4,800 |
| 31.12.2000 | Cash A/c To Hire purchased A/c (Being Amount of first Installment was received with Interest) | Dr. | 20,800 | 20,800 |
| 31.12.2000 | Interest A/c To Profit & Loss A/c (Being Bal. of Interest A/c is trd. to Profit & Loss A/c) | Dr. | 4,800 | 4,800 |
| 31.12.2001 | Hire purchased A/c To Interest A/c (Being Interest included in second Installment is Receivable) | Dr. | 3,200 | 3,200 |
| 31.12.2001 | Cash A/c To Hire purchased A/c (Being second Installment money received with Interest) | Dr. | 19,200 | 19,200 |
| 31.12.2001 | Interest A/c To Profit & Loss A/c (Being Bal. of Interest A/c is trd. to Profit & Loss A/c) | Dr. | 3,200 | 3,200 |

| | | | | |
|------------|--|-----|--------|--------|
| 31-12-2002 | Hire purchases Alc | Dr. | 1,600 | |
| | To Interest Alc | | | 1,600 |
| | (Being Interest included in third Installment is Receivable) | | | |
| 31-12-2002 | Cash Alc | Dr. | 17,600 | |
| | To Hire purchases Alc | | | 17,600 |
| | (Being third Installment money Received with Interest) | | | |
| 31-12-2002 | Interest Alc | Dr. | 1,600 | |
| | To Profit & Loss Alc | | | 1,600 |
| | (Being Bal. of Interest Alc is trd. to Profit & Loss Alc) | | | |

Ledger Alc's

| Dr. | | Hire purchases Alc | | | | Cr. |
|------------|-----------------|--------------------|---------------|------------|----------------|---------------|
| Date | Particulars | ₹ | Amount | Date | Particulars | |
| 1-1-2000 | To Tractor Alc | | 68,000 | 1-1-2000 | By cash Alc | 20,000 |
| 31-12-2000 | To Interest Alc | | 4,800 | 31-12-2000 | By cash Alc | 20,800 |
| | | | | 31-12-2000 | By Balance c/d | 32,000 |
| | | | <u>72,800</u> | | | <u>72,800</u> |
| 1-1-2001 | To Balance b/d | | 32,000 | 31-12-2001 | By cash Alc | 19,200 |
| 31-12-2001 | To Interest Alc | | 3,200 | 31-12-2001 | By Balance c/d | 16,000 |
| | | | <u>35,200</u> | | | <u>35,200</u> |
| 1-1-2002 | To Balance b/d | | 16,000 | 31-12-2002 | By cash Alc | 17,600 |
| 31-12-2002 | To Interest Alc | | 1,600 | | | |
| | | | <u>17,600</u> | | | <u>17,600</u> |

| Dr. | | Interest Alc | | | | Cr. |
|------------|----------------------|--------------|--------|------------|-----------------------|-------|
| Date | Particulars | ₹ | Amount | Date | Particulars | |
| 31-12-2000 | To Profit & Loss Alc | | 4,800 | 31-12-2000 | By Hire purchaser Alc | 4,800 |
| 31-12-2001 | To Profit & Loss Alc | | 3,200 | 31-12-2001 | By Hire purchaser Alc | 3,200 |
| 31-12-2002 | To Profit & Loss Alc | | 1,600 | 31-12-2002 | By Hire purchaser Alc | 1,600 |

Thank u