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DEPARTMENT OF COMMERCE

Class -UG First Semester
Session -2025-29
Paper -MJC-1
Subject -Financial Accounting
Mob -8210561032

"Education is the power for being a good human being"

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JTC purchased a Truck from Tata Motors on 1st April, 2020 on Hire Purchase stem. The cash price of the truck was ₹ 3,20,000 which was payable as under :

	₹
1.4.2020	1,00,000
31.3.2021	80,000
31.3.2022	80,000
31.3.2023	82,478

Tata Motors charged interest @ 5% per annum on the unpaid amount. The urchasing company decided to write off depreciation @ 20% of the cost price each year.

You are required to give the necessary ledger account in the books of JTC for hree years. Also show the calculation of interest, depreciation and the instalment.

Solution

Calculation of Interest

Particulars		₹
Cash Value of Truck (1-4-2020)		3,20,000
Less : Amount paid on 1-4-2020		1,00,000
	Balance	2,20,000
Interest at the end of 1st year $(2,20,000 \times 5/100)$		11,000
		2,31,000
Less : Amount paid on 31.3.2021		80,000
	Balance	1,51,000
Add : Interest at the end of 2nd year $(1,51,000 \times 5/100)$		7,550
		1,58,550
Less : Amount paid on 31.3.2022		80,000
	Balance	78,550
Add : Interest at the end of 3rd year (82,478 – 78,550)		3,928
		82,478
Less : Amount paid on 31.3.2023		82,478
		Nil

Calculation of Depreciation : $3,20,000 \times 20/100 = 64,000$ each year

In the Books of JTC (Under Credit Purchase Method)

Truck Account

Date	*Particulars*	*Amount*	*Date*	*Particulars*	*Amount*
		₹			₹
2020 April 1	To Tata Motors	3,20,000	2021 Mar. 31	By Depreciation A/c	64,000
				By Balance c/d	2,56,000
		3,20,000			3,20,000
2021 April 1	To Balance b/d	2,56,000	2022 Mar. 31	By Depreciation A/c	64,000
				By Balance c/d	1,92,000
		2,56,000			2,56,000
2022 April 1	To Balance b/d	1,92,000	2023 Mar. 31	By Depreciation A/c	64,000
				By Balance c/d	1,28,000
		1,92,000			1,92,000
2023 April 1	To Balance b/d	1,28,000			

Tata Motors

Date	Particulars	Amount	Date	Particulars	Amount
		₹			₹
2020 April 1	To Bank A/c	1,00,000	2020 April 1	By Truck A/c	3,
2021 Mar. 31	To Bank A/c	80,000	2021 Mar. 31	By Interest A/c	
Mar. 31	To Balance c/d	1,51,000			
		3,31,000			3,3
2022 Mar. 31	To Bank A/c	80,000	2021 April 1	By Balance c/d	1,5
Mar. 31	To Bank A/c	78,550	2022 Mar. 31	By Interest A/c	
		1,58,550			1,58
2023 Mar. 31	To Bank A/c	82,488	2022 April 1	By Balance b/d	78,
			2023 Mar. 31	By Interest A/c	3,
		82,488			82,4

Depreciation Account

Date	Particulars	Amount	Date	Particulars	Amount
		₹			₹
2021 Mar. 31	To Truck A/c	64,000	2021 Mar. 31	By Profit & Loss A/c	64,000
2022 Mar. 31	To Truck A/c	64,000	2022 Mar. 31	By Profit & Loss A/c	64,000
2023 Mar. 31	To Truck A/c	64,000	2023 Mar. 31	By Profit & Loss A/c	64,000

Or

Under Assets Accrual Method

Truck Account

Date	Particulars	Amount	Date	Particulars	Amount
		₹			₹
2020 April 1	To Bank A/c	1,00,000	2021 Mar. 31	By Depreciation A/c	64,000
2021 Mar. 31	To Tata Motors A/c	69,000	Mar. 31	By Balance c/d	1,05,000
		1,69,000			1,69,000
2021 April 1	To Balance b/d	1,05,000	2022 Mar. 31	By Depreciation A/c	64,000
2022 Mar. 31	To Tata Motors A/c	72,150	Mar. 31	By Balance c/d	1,13,450
		1,77,450			1,77,450
2022 April 1	To Balance b/d	1,13,450	2023 Mar. 31	By Depreciation A/c	64,000
	To Tata Motors A/c	78,550	Mar. 31	By Balance c/d	1,28,000
		1,92,000			1,92,000

Tata Motors Account

Date	Particulars	Amount	Date	Particulars	Amount
		₹	2021		₹
2021 Mar. 31	To Bank A/c	80,000	Mar. 31	By Truck A/c	69,000
			Mar. 31	By Interest A/c	11,000
		80,000			80,000
			2022		
2022 Mar. 31	To Bank A/c	80,000	Mar. 31	By Truck A/c	72,450
			Mar. 31	By Interest A/c	7,550
		80,000			80,000
			2023		
2023 Mar. 31	To Bank A/c	82,488	Mar. 31	By Truck A/c	78,550
			Mar. 31	By Interest A/c	3,938
		82,488			82,488