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DEPARTMENT OF COMMERCE

Class -UG First Semester
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Paper -MJC-1
Subject -Financial Accounting
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"Education is the power for being a good human being"

Note : Calculation has been made nearest rupee.

Problem 12

On 1st April, 2020 Y purchased a tractor from Z Ltd. on Hire Purchase Sy… The cash price of tractor was ₹ 1,92,000. Y agreed to pay to the vendor ₹ 4… on signing the agreement and balance of ₹ 1,44,000 in three annual instal… of ₹ 48,000 *plus* interest @ 15% p.a. The assets were to be depreciated in the b… of Y at 10% p.a. reducing balance method.

Prepare Purchaser's Account and Interest Account in the books of Z Lt…

Solution

Calculation of Interest

Year	*Cash Value*	*Interest*	*Instalme…*
	₹	₹	₹
I	1,92,000 – 48,000 1,44,000	$\frac{1,44,000 \times 15}{100} = 21,600$	48,000 Asset + 21,600 Interest 69,600 Instalme…

Date	Particulars	Amount	Date	Particulars	Amount
		₹	2020		₹
2020 April 1	To Hire Sales A/c	1,92,000	April 1	By Bank A/c	48,000
2021 Mar. 31	To Interest A/c	21,600	2021 Mar. 31	By Bank A/c	69,600
				By Balance c/d	96,000
		2,13,600			2,13,600
2021 April 1	To Balance b/d	96,000	2022 Mar. 31	By Bank A/c	62,400
2022 Mar. 31	To Interest A/c	14,400	Mar. 31	By Balance c/d	48,000
		1,10,400			1,10,400
2022 April 1	To Balance b/d	48,000	2022 Mar. 31	By Bank A/c	55,200
2022 Mar. 31	To Interest A/c	7,200			
		55,200			55,200

Interest Account

Date	Particulars	Amount	Date	Particulars	Amount
		₹	2021		₹
2020 Mar. 31	To Statement of P/L	21,600	Mar. 31	By Y	21,600
2021 Mar. 31	To Statement of P/L	14,400	2022 Mar. 31	By Y	14,400
2022 Mar. 31	To Statement of P/L	7,200	2023 Mar. 31	By Y	7,200

Problem 13

1st April, 2014 Kavita Ltd. obtained machinery on Hire Purchase System from Suriya Machinery Store. The cash price of the machinery was ₹ 50,000, payment was to be made, as to ₹ 10,000 down and as to balance at ₹ 10,000 per year with 5% p.a. interest, Kavita Ltd. write off 10% depreciation each year.

Prepare necessary Ledger accounts in the books of Kavita Ltd.

Solution

Analytical Table

Instalment	Payment	Cash Price	Interest 5%	Depreciation 10%
	₹	₹	₹	₹
		50,000		50,000
Down Payment	10,000	10,000		
		40,000	$40{,}000 \times \frac{5}{100} = 2{,}000$	
Ist	10,000 + 2,000 = 12,000	10,000		5,000
		30,000		45,000