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HIRE PURCHASE ANSWERS

Q. 10 Answer :

Here in the question opening cash price is not given and also 2nd installments is also missing so we need to find out opening cash price first with the help of depreciation amount of 2012 given in the question.

Calculation of cash price :

Assuming opening cash price = 100 [1/4/10]

Less : Dep. (15%)   = 15 [2010-11 dap.]

                                            85 [31/3/11]

Less : Dep. (15%)   (12.75)

                                         72.25 [31/3/12]

Now as per the equation we get dep. 12.75 so, now we will get the amount of cash price if dep. is 12.75 than cash price is 100. If dep. Is 1,40,250 than cash price 1,40,250 × 100/12.75 **= 11,00,000**.

Table of Hire Purchase

Date	Opening C.P.	Installment	Interest	Principle	Closing C.P.
1/4/10	11,00,000	2,60,000	-	2,60,000	8,40,000
31/3/11	8,40,000	2,94,000	84,000	2,10,000	6,30,000
31/3/12	6,30,000	2,73,000	63,000	2,10,000	4,20,000
31/3/13	4.20.000	2,52,000	42,000	2,10,000	2,10,000
31/3/14	2,10,000	2,31,000	21,000	2,10,000	-
		13,10,000	2,10,000	11,00,000	

Working Note :

Here 2nd installment is not given so, we need to start the table from method. i.e. from last installment

Last installment is 2,31,000.

Suppose Op. C.P.   100

        +   Int.   10

110

If installment and cash price is 110 than interest 10

If installment is 2,31,000 than interest is 231000*10/110 = 21,000

In the same manner we have to find interest of other installment but always we have to add closing cash price & installment to get interest.

For 3rd installment = 2,52,000 + 2,10,000 Closing C.P. = 4,62,000

If inst. & C.P. is 110 than int. 10

If inst. & C.P. is 4,62,000 than int 4,62,000*10/110 = 42,000

Calculation of depreciation

Particulars	Amount
Opening cash price	11,00,000

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Less: depreciation [15%]	**1,65,000**
WDV	9,35,000
Less: depreciation [15%]	**1,40,250**
WDV	7,94,750
Less: depreciation [15%]	**1,19,213**
WDV	6,75,537
Less: depreciation	**1,01,330**
WDV	5,74,206

Ledger in the book of Arvind
Motor Car A/c

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
1/4/10	To bank	2,60,000	**31/3/11**	By depreciation	1,65,000
31/3/11	To Babu traders	2,10,000	**31/3/11**	By Balance c/d	3,05,000
		4,70,000			**4,70,000**
1/4/11	To Balance b/d	3,05,000	**31/3/12**	By depreciation	1,40,250
31/3/12	To Babu traders	2,10,000	**31/3/12**	By Balance c/d	3,74,750
		6,15,000			**6,15,000**
1/4/12	To Balance b/d	3,74,250	**31/3/13**	By depreciation	1,19,213
31/3/13	To Babu traders	2,10,000	**31/3/13**	By Balance c/d	4,65,037
		5,84,250			**5,48,250**
1/4/13	To Balance b/d	4,65,037	**31/3/14**	By depreciation	1,01,330
31/3/14	To Babu traders	2,10,000	**31/3/14**	By Balance c/d	5,73,707
		6,75,037			**6,75,037**

Babu Traders A/c

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
31/3/11	To bank	2,94,000	**31/3/11**	By Motor car	2,10,000
			31/3/11	By Interest a/c	84,000
		2,94,000			**2,94,000**
31/3/12	To bank	2,73,000	**31/3/12**	By Motor car	2,10,000
			31/3/12	By Interest a/c	63,000
		2,73,000			**2,73,000**
31/3/13	To bank	2,52,000	**31/3/13**	By Motor car	2,10,000
			31/3/13	By Interest a/c	42,000
		2,52,000			**2,52,000**
31/3/14	To bank	2,31,000	**31/3/14**	By Motor car	2,10,000
			31/3/14	By Interest a/c	21,000
		2,31,000			**2,31,000**

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Q.11 Answer:

Here in the question Op. cash price and rate of interest both are not given. So, we have to assume that principle amount will remain same in all installment. And we also know that interest is always in decreasing order.

Installment = Principle + Interest

1st installment : 1st equation   15,600 = P + 3 i

2nd installment : 2nd equation   14,400 = P + 2 i

3rd installment : 3rd equation   13,200 = P + 3 i

Now we will use elimination method to get interest amount

15,600 = P + 3 i

14,400 = P + 2 i

-      -   -

1,200 = + i

i = 1,200

So, 1st installment interest = 1,200 × 3 = 3,600

So, 2nd   "   "   = 1,200 × 2 = 2,400

So, 3rd   "   "   = 1,200 × 1 = 1,200

Now we can prepare the table as we have all interest amount.

1	2	3	4	5	6
Date	Op. C.P.	Installment	Interest	Principle	Closing C.P.
		(4 + 5)	(3 − 5)	(3 − 4)	(2 − 5)
1/4/11	48,000	12,000	-	12,000	36,000
1/4/12	36,000	15,600	3,600	12,000	24,000
1/4/13	24,000	14,400	2,400	12,000	12,000
1/4/14	12,000	13,200	1,200	12,000	-
		55,200	7,200	48,000	

Ledger in the book of Moni

Scooter A/c

Date	Particulars	Amount	Date	Particulars	Amount
1/4/11	To bank	12,000	31/3/12	By depreciation	4,800
			31/3/12	By balance c/d	7,200
		12,000			**12,000**
1/4/12	To balance b/d	7,200	31/3/13	By depreciation	4,320
1/4/12	To Shraddha motor	12,000	31/3/13	By balance c/d	14,880
		19,200			**19,200**
1/4/13	To balance b/d	14,880	31/3/14	By depreciation	3,888
1/4/13	To shraddha motor	12,000	31/3/14	By balance c/d	22,992
		26,880			**26,880**
1/4/14	To balance b/d	22,992	31/3/15	By depreciation	3,500
1/4/14	To shraddha motor	12,000	31/3/15	By balance c/d	31,492
		34,992			**34,992**

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Shraddha Motor A/c

Date	Particulars	Amount	Date	Particulars	Amount
1/4/12	To bank	15,600	1/4/12	By Scooter	12,000
			1/4/12	By interest	3,600
		15,600			**15,600**
1/4/13	To bank	14,400	1/4/13	By Scooter	12,000
			1/4/13	By interest	2,400
		14,400			**14,400**
1/4/14	To bank	13,200	1/4/14	By Scooter	12,000
			1/4/14	By interest	1,200
		13,200			**13,200**

Interest A/c

Date	Particulars	Amount	Date	Particulars	Amount
1/4/12	To Shraddha motor	3,600	31/3/13	By P & L	3,600
		3,600			**3,600**
1/4/13	To Shraddha motor	2,400	31/3/14	By P & L	2,400
		2,400			**2,400**
1/4/14	To Shraddha motor	1,200	31/3/15	By P & L	1,200
		1,200			**1,200**

Depreciation A/c

Date	Particulars	Amount	Date	Particulars	Amount
31/3/12	To Asset	4,800	31/3/12	P & L	4,800
		4,800			**4,800**
31/3/13	To Asset	4,320	31/3/13	P & L	4,320
		4,320			**4,320**
31/3/14	To Asset	3,888	31/3/14	P & L	3,888
		3,888			**3,888**
31/3/15	To Asset	3,500	31/3/15	P & L	3,500
		3,500			**3,500**

Calculation of depreciation :-

Opening Cash Price = 48,000

- Dep.   (4,800)

 43,200

- Dep.   (4,320)

 38,880

- Dep.   (3,888)

 34,992

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Q.12

Table of Hire Purchase

Date	Opening C.P.	Installment	Interest	Principle	Closing C.P.
1/1/17	6,00,000	1,00,000	0	1,00,000	5,00,000
31/12/17	5,00,000	1,50,000	50,000	1,00,000	4,00,000
31/12/18	4,00,000	1,60,000	40,000	1,20,000	2,80,000
31/12/19	2,80,000	1,58,000	28,000	1,30,000	1,50,000
31/12/20	1,50,000	1,65,000	15,000	1,50,000	0
Total		7,33,000	1,33,000	6,00,000	

Journal Entry in the books of Sanjay [Hirer] for the year 2017				
Date	Particulars		Dr. Amount	Cr. Amount
Down payment paid				
1/1/17	Camera A/c	Dr.	1,00,000	
	To, Bank			1,00,000
1st installment Due				
31/12/17	Camera A/c	Dr.	1,00,000	
	Interest A/c	Dr.	50,000	
	To, Karani Ltd.			1,50,000
1st Installment paid				
31/12/17	Karnai Ltd. A/c	Dr.	1,50,000	
	To ,Bank			1,50,000
Depreciation Charged on assets				
31/12/17	Depreciation A/c	Dr.	60,000	
	To, Camera A/c			60,000
Expenses transferred to P&L				
31/12/17	P& L a/c	Dr.	1,60,000	
	Depreciation A/c			1,10,000
	Interest A/c			50,000

Q.13

Table of Hire Purchase

Date	Opening C.P.	Installment	Interest	Principle	Closing C.P.
1/4/15	8,00,000	2,00,000	0	2,00,000	6,00,000
31/3/16	6,00,000	3,20,000	1,20,000	2,00,000	4,00,000
31/3/17	4,00,000	2,80,000	80,000	2,00,000	2,00,000
31/3/18	2,00,000	1,60,000	40,000	1,20,000	80,000
31/3/19	80,000	96,000	16,000	80,000	0

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Total		**10,56,000**	**2,56,000**	**8,00,000**

Working Note :

Here 2nd installment is not given so, we need to start the table from work back method.

i.e. from last installment

  Last installment is 96,000

        Suppose Op. C.P.   100

              + Int.   20

<u>120</u>

 If installment and cash price is 120 than interest 20

 If installment is 96,000 than interest is 96,000 x 20 /120 = 16,000

 In the same manner we have to find interest of 3RD installment but always we have to add closing cash price & installment to get interest.

 3rd installment [1,60,000 + 80,000] x 20/120 = 40,000

IN 2ND Instalment interest amount is given so we can directly find opening cash price [80,000 / 20%] = 4,00,000

In 1st installment [4,00,000 + 3,20,000] x 20/120 = 1,20,000

Calculation of depreciation

Particulars	Amount
Opening cash price	8,00,000
Less: depreciation [10%]	**80,000**
WDV	7,20,000
Less: depreciation [10%]	**72,000**
WDV	6,48,000
Less: depreciation [10%]	**64,800**
WDV	5,83,200
Less: depreciation [10%]	**58,320**
WDV	5,24,880

Ledger in the book of Shreyansh .
Motor car A/c

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
1/4/15	To bank	2,00,000	31/3/16	By depreciation	80,000
31/3/16	To Jaya Ltd.	2,00,000	31/3/16	By Balance c/d	3,20,000
		4,00,000			**4,00,000**
1/4/18	To Balance b/d	3,20,000	31/3/19	By depreciation	72,000
31/3/19	To Jaya Ltd.	2,00,000	31/3/19	By Balance c/d	4,48,000
		5,20,000			**5,20,000**
1/4/19	To Balance b/d	4,48,000	31/3/20	By depreciation	64,800
31/3/20	To Jaya Ltd.	1,20,000	31/3/20	By Balance c/d	5,03,200

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		5,68,000			5,68,000
1/4/20	To Balance b/d	5,03,200	31/3/21	By depreciation	58,320
31/3/21	To Jaya Ltd.	80,000	31/3/21	By Balance c/d	5,24,880
		5,83,200			5,83,200

Active automobiles A/c

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
31/3/18	To bank	3,20,000	31/3/18	By Machinery A/c	2,00,000
			31/3/18	By Interest a/c	1,20,000
		3,20,000			3,20,000
31/3/19	To bank	2,80,000	31/3/19	By Machinery A/c	2,00,000
			31/3/19	By Interest a/c	80,000
		2,80,000			2,80,000
31/3/20	To bank	1,60,000	31/3/20	By Machinery A/c	1,20,000
			31/3/20	By Interest a/c	40,000
		1,60,000			1,60,000
31/3/21	To bank	96,000	31/3/20	By Machinery A/c	80,000
			31/3/20	By Interest a/c	16,000
		96,000			96,000

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