**HIRE PURCHASE & INSTALMENT SYSTEM**

1) Calculate the interest included in each instalment:

Cash Price – Rs.60,000; Down Payment – Rs.18,000; Three annual instalments of

Rs.24,000, Rs.18,000 and Rs.12,000 respectively payable at the end of each year.

2) Calculate the cash price of an asset from the following details:

Down Payment – Rs.4,500; 1st Instalment – Rs.4,200; 2nd Instalment – Rs.3,900;

3rd Instalment – Rs.3,600 and 4th Instalment – Rs.3,300. Rate of Interest – 10% p.a.

3) Cash Price – Rs.18,000; Down payment – Rs.3,000; Balance is paid in 3 annual

instalments of Rs.6,000 each. Calculate interest included in each year’s instalment.

4) From the following information, prepare Interest Suspense A/C in the books of the buyer

under instalment system:

a) Cash Price of the Asset – Rs.4,00,000

b) Instalment Price – Rs.4,90,000

c) Interest to be apportioned in the ratio of 3:2:1

d) Date of Purchase – 1-1-2010

The first payment is made at the end of the first year.

5) Mr. Shreekanth purchased a motor bike on hire purchase system on 1-4-2010. Total cash

price of the motor bike was Rs.63,920, payable Rs.15,920 down payment and 3

instalments of Rs.16,000 each year plus interest at 5% payable at the end of the year.

Depreciation is to be charged at 10% p.a. on straight line method.

Prepare Motor Bike A/c and Hire Vendor A/c in the books of Shreekanth.

6) On 1st January, 2000, Ranjith purchased machinery from Raghav on hire purchase basis.

The details are as follows:

a) Cash Price – Rs.30,000

b) Rs.8,000 to be paid on signing the contract

c) Balance in three instalments of Rs.8,000 each

d) Rate of interest – 5%

Calculate the interest paid by Ranjith and also prepare Raghav’s A/c in books of Ranjith.

7) Calculate interest for each year from the following details:

a) Cash Price – Rs.10,000

b) Down payment - Rs.2,000

c) Balance in three instalments of Rs.2,000 plus interest

d) Rate of interest – 5% p.a.

e) Depreciation – 10% p.a. under written down value method

8) Prepare Interest Suspense A/c in the books of purchaser under instalment system.

a) Cash Price – Rs.80,000

b) Instalment Price – Rs.94,000

c) Interest to be apportioned in the ratio of 4:2:1

d) Date of Purchase – 1/1/2010

The books are closed on 31st December every year. Payment is made at end of the year.

9) Calculate Cash Price of an Asset from the following details:

Down Payment – Rs.1,500; 1st Instalment – Rs.10,800; 2nd Instalment – Rs.10,350;

3rd Instalment – Rs.9,900; 4th Instalment – Rs.9,450 and Rate of Interest – 5% p.a.

10) Vinay purchased a motor car from Bangalore Motors on 1-1-2007 on Instalment system.

The payment is made as follows: Cash Price – Rs.1,00,000; Rs.20,000 on delivery;

Rs.38,000 at the end of the first year; Rs.30,000 at the end of second year and Rs.27,500

at the end of 3rd year. Interest @ 10% p.a. is included in these instalments. Mr.Vinay

charged depreciation on the motor car @ 20% p.a. on diminishing balance method. You

are required to prepare Interest Suspense A/C.

11) Prepare Interest Suspense A/c in the books of purchaser under instalment system.

a) Cash Price – Rs.20,000

b) Instalment Price – Rs.26,000

c) Interest to be apportioned in the ratio of 3:2:1

d) Date of Purchase – 1/1/2008

The books are closed on 31st December every year. Payment is made at end of the year.

12) Calculate the amount of interest and principal included in each instalment:

Cash Price – Rs.1,00,000; Down Payment – Rs.25,000; 3 Instalments of Rs.30,000 each

payable at the end of each year.

13) Calculate the amount of interest included in each instalment:

Cash Price – Rs.1,00,000; Down Payment – Rs.30,000; 3 Instalments of Rs.40,000,

Rs.30,000 and Rs.20,000 respectively payable at the end of each year.

14) Mr. Rao purchased an asset under hire purchase system whose cash price was

Rs.5,00,000 and he agreed to pay Rs.1,50,000 on signing the contract, Rs.2,00,000 at the

end of first year, Rs.1,00,000 at the end of second year and Rs.50,000 at the end of third

year. If the interest is charged at 5% p.a., find out the hire purchase price and prepare

Interest A/C.

15) Vijay purchased a Motor Car from Mysore Motors on 1st January, 2006 on instalment

system. The payment is to be made as follows:

Rs.40,000 on delivery, Rs.76,000 at the end of 1st year, Rs.60,000 at the end of 2nd

year and Rs.55,000 at the end of 3rd year. Interest at 10% p.a. is included in these

instalments. Vijay charged depreciation on the motor car at 20% p.a. on the diminishing

balance method.

You are required to prepare Interest Suspense A/c.

16) Calculate Cash Price of an Asset from the following details:

Down Payment – Rs.30,000; 1st Instalment – Rs.42,000; 2nd Instalment – Rs.39,000;

3rd Instalment – Rs.36,000; 4th Instalment – Rs.33,000 and Rate of Interest – 10% p.a.

17) Calculate the amount of interest included in each instalment:

Cash Price – Rs.38,000; Down Payment – Rs.10,000; Four instalments of Rs.10,000

each payable at the end of each year.

18) Calculate the value of each instalment from the following details:

Cash Price – Rs.6,00,000; Down Payment – 10% of cash price and balance of cash price

is payable in 3 equal annual instalments together with interest @ 10% on the outstanding

cash price.

19) Calculate the cash price of an Asset from the following:

a) Rs.10,000 paid at the time of agreement.

b) Rs.72,000 at the end of 1st year.

c) Rs.69,000 at end of 2nd year.

d) Rs.66,000 at the end of 3rd year.

e) Rs.63,000 at the end of 4th year.

f) Rate of interest is 12% p.a.

g) Rate of Depreciation is 25% p.a.

20) Mr. Akash purchased a motor bike on instalment system on 1-4-2006. Total cash

price of the motor bike was Rs.53,920, payable Rs.5,920 down payment and 3

instalments of Rs.16,000 each year plus interest at 12% p.a. payable at the end of the

year. Depreciation is to be charged at 10% p.a. on straight line method.

Prepare Motor Bike A/c and Interest Suspense A/c in the books of purchaser, assuming

that the accounts are closed on 31st March of each year.

21) Prepare Interest Suspense A/c in the books of purchaser under instalment system.

a) Cash Price – Rs.40,000

b) Instalment Price – Rs.52,000

c) Interest to be apportioned in the ratio of 3:2:1

d) Date of Purchase – 1/1/2010

The books are closed on 31st December every year. Payment is made at end of the year.

22) Calculate the value of each instalment from the following details:

Cash Price – Rs.2,00,000; Down Payment – 10% of cash price and balance of cash price

is payable in 3 equal annual instalments together with interest @ 10% on the outstanding

cash price.

23) Calculate the amount of interest included in each instalment:

Cash Price – Rs.1,50,000; Down Payment – Rs.45,000; 3 Instalments of Rs.60,000,

Rs.45,000 and Rs.30,000 respectively payable at the end of each year.

24) Prepare Interest Suspense A/c in the books of purchaser under instalment system.

a) Cash Price – Rs.3,00,000

b) Instalment Price – Rs.3,72,000

c) Interest to be apportioned in the ratio of 3:2:1

d) Date of Purchase – 1/4/2006

The books are closed on 31st March every year. Payment is made at end of the year.

25) Calculate the cash price of an asset from the following:

a) Rs.6,000 paid at the time of agreement.

b) Rs.43,200 at the end of 1st year.

c) Rs.41,400 at end of 2nd year.

d) Rs.39,600 at the end of 3rd year.

e) Rs.37,800 at the end of 4th year.

f) Rate of interest is 10% p.a.

26) Nishanth Ltd. purchased a machine on hire purchase system. The payment is made as

follows:

Down Payment – Rs.46,500; I Instalment – Rs.70,000; II Instalment – Rs.80,000 and

III Instalment – Rs.40,000.

The payments are made at the end of 1st, 2nd and 3rd year respectively. The rate of interest

is 5% p.a. The annuity table shows that the present value of Re.1 for one, two and three

years is 0.952, 0.907 and 0.864 respectively.

Calculate the cash price of the machine.

27) Prepare Interest Suspense A/c in the books of purchaser under instalment system.

a) Cash Price – Rs.46,500

b) Instalment Price – Rs.51,000

c) Interest to be apportioned in the ratio of 3:2:1

d) Date of Purchase – 1/1/2005

The books are closed on 31st December every year. Payment is made at end of the year.

28) Cash Price – Rs.24,000; Down Payment – Rs.6,000; Balance is paid in 3 annual

instalments of Rs.6,000 each. Interest charged - 5% p.a. Calculate the total purchase

price paid.

29) A washing machine set with the cash price of Rs.16,200 is acquired on hire purchase

system, payable in 3 instalments of Rs.6,000 each. How do you apportion each instalment

between revenue and capital?

30) Prepare Interest Suspense A/c in the books of purchaser under instalment system.

a) Cash Price – Rs.2,40,000

b) Instalment Price – Rs.2,82,000

c) Interest to be apportioned in the ratio of 4:2:1

d) Date of Purchase – 1/4/2002

The books are closed on 31st March every year.

31) Ms. Nidhi purchases a motor car on hire purchase system. Calculate the Cash price of the

motor car from the following:

Down payment – Rs.20,000; 1st Instalment – Rs.28,000; 2nd Instalment – Rs.36,000 nd

3rd Instalment – Rs.33,000. Rate of Interest charged – 10% p.a.

32) Calculate the value of each instalment from the following details:

Cash Price – Rs.60,000; Down Payment – 30% of cash price and balance of cash price

is payable in 3 equal annual instalments together with interest @ 5% on the outstanding

cash price.

33) Calculate the amount of interest included in each instalment:

Cash Price – Rs.50,000; Down Payment – Rs.15,000; 3 Instalments of Rs.20,000,

Rs.15,000 and Rs.10,000 respectively payable at the end of each year.

34) On 1-1-2010, a company purchased a wagon on instalment system. The cash price of the

wagon was Rs.59,600 and the payment was to be made as follows:

Rs.16,000 was to be paid on the date of agreement and the balance in 3 instalments of

Rs.16,000 each at the end of each year. 5% interest p.a. is charged by the wagon

company and the buyer writes off depreciation at 10% p.a. under diminishing balance

method. Prepare necessary ledger accounts in the books of the buyer.

35) Ashoka Company purchased a truck on 1-1-2012 under instalment system for a cash price

of Rs.46,500, Rs.1,500 is to be paid on signing the agreement and balance is payable in 3

annual instalments of Rs.15,000 each together with interest @ 5% p.a. Depreciation is to

be charged @ 10% p.a. on the reducing balance method.

Prepare the necessary ledger accounts in the books of Ashoka Company.

36) Mr.Gupta purchased a machine on 1-1-2012 under hire purchase system from Mr. Pankaj.

The cash price was Rs.15,500. The payment for the purchase is to be made as under:

On signing the agreement Rs.3,000 and Rs.5,000 for 3 years at the end of each year.

Make necessary Journal Entries in the books of Mr.Gupta charging depreciation @

10% on diminishing balance method.

37) On 1-4-2003 Ramyashree Patel purchased a computer under hire purchase system. The

cash price was Rs.34,000 payable as Rs.4,000 on signing the agreement and the balance

in 3 instalments of Rs.10,000 each together with interest at 8% p.a. on 31st March every

year. The asset is depreciated at 10% p.a. on the diminishing balance method.

Give necessary ledger accounts in the books of Ramyashree Patel.

38) The Bangalore Transport Company purchased a motor lorry from the Mysore Motor

Company in deferred payment system on 1-1-2010 paying Rs.60,000 on that day and

agreed to pay the remaining amount in 3 annual instalments of Rs.60,000 each with

interest at 5% p.a.

Prepare necessary accounts in the books of the buyer assuming that:

i) Depreciation @ 10% p.a. is charged on the diminishing balance and

ii) Books are closed on 31st December.

39) Z Co. purchases a wagon on instalment system over a term of two years starting on

1st January, 2006. The instalment of Rs.4,000 each are payable half yearly. The present

cash value of the wagon is Rs.14,870 and the Wagon Co. charges interest at the rate of

6% p.a. working on half yearly basis.

Prepare necessary ledger accounts in the books of Z Co.

40) X purchased a machine on 1st January, 2004 on hire purchase system. The cash price of

the machine is Rs.29,800. The terms of agreement provided for the payment of Rs.8,000

at the end of every year, over four years, the first payment to be made on 31-12- 2004.

The rate of interest was 3% p.a. X wrote of depreciation at 10% on reducing balance

system.

Pass necessary Journal Entries in the books of the hire purchaser.

41) Mohan purchased a motor car from Mysore Motors Ltd. on 1st January, 2007 on

Instalment system. The payment is to be made as follows:

Rs.80,000 on delivery; Rs.1,52,000 at the end of 1st year; Rs.1,20,000 at end of 2nd year

and Rs.1,10,000 at the end of 3rd year. Mohan charged depreciation on the motor car at

20% p.a. on the diminishing balance. Interest at 10% p.a. is included in the instalments.

You are required to prepare necessary ledger accounts in Mohan’s books.

42) On 1-1-2006 Ruchi Oil Company purchased an oil machine on Hire purchase system.

The cash price of the machine was Rs.2,23,500 and payment was to be made as follows:

Rs.60,000 was to be made on signing of the agreement and the balance in 3 instalments of

Rs.60,000 each at the end of the year. 5% interest is charged by the vendor company.

Ruchi Oil Company has decided to write off 10% p.a. on the diminishing balance of the

cash price as depreciation.

Prepare necessary ledger accounts in the books of Ruchi Oil Company.

43) On 1st January, 2007, Ravi purchased a machine from Revathi Enterprises on Hire

purchase basis. The particulars are as follows:

i) Cash Price – Rs.1,00,000

ii) Rs.40,000 to be paid on signing the contract

iii) Balance in 3 instalments of Rs.20,000 plus interest

iv) Interest charged on outstanding balance at 5%

v) Depreciation at 10% p.a. on written down value method.

Draft necessary Journal Entries in the books of Mr. Ravi.

44) On 1st January, 2006, Manasa purchased a washing machine from Niharika Enterprises

on hire purchase basis. The cash price of the machine was Rs.50,000, payable Rs.10,000

on signing the agreement and the balance in 4 annual instalments of Rs.10,000 plus

interest at 5%p.a., payable on 31st December each year. Manasa writes off depreciation at

10% p.a on the diminishing value of the machine.

Show necessary ledger accounts in the books of Manasa.

45) On 1st January, 2007, Rama and company purchased a machine on hire purchase basis.

The cash price of the machine was Rs.17,000, payable Rs.2,000 on signing the

agreement and the balance in 3 annual instalments of Rs.5,000 together with interest at

8%p.a., payable on 31st December each year. The asset is depreciated at

10% p.a on the original cost method..

Show necessary ledger accounts in the books of Rama and company.

46) Prasanna purchased machinery from Bangalore Motors Ltd. on 1st January, 2004 on hire

purchase system. The payment is to be made as follows:

Rs.50,000 paid at the time of agreement;

Rs.3,60,000 at the end of 2004;

Rs.3,45,000 at the end of 2005;

Rs.3,30,000 at the end of 2006 and

Rs.3,15,000 at the end of 2007.

Rate of interest is 12% p.a. Prasanna charged depreciation @ 25% p.a. on diminishing

balance. You are required to prepare necessary ledger accounts in the books of Prasanna.

47) On 1-1-2009 Manju Oil Company purchased an oil machine on Instalment system.

The cash price of the machine was Rs.1,11,750 and payment was to be made as follows:

Rs.30,000 was to be made on signing of the agreement and the balance in 3 instalments of

Rs.30,000 each at the end of the year. 5% interest is charged by the vendor company.

Manju Oil Company has decided to write off 10% p.a. on the diminishing balance of the

cash price as depreciation.

Prepare necessary ledger accounts in the books of Manju Oil Company.

(Calculations are to be made to the nearest rupee)

48) Ruth purchased a machine costing Rs.2,40,000 on 1-4-2008 from Mangalore Machines

Ltd. under Hire Purchase system; the terms being : Rs.60,000 down and balance in 3

equal annual instalments together with interest @ 20% p.a. on the outstanding cash price.

Depreciation is to be charged @ 15% p.a. under the straight line method.

Prepare necessary ledger accounts in the books of Ruth till 31-03-2011.

49) Mr.Mahesh purchased a Ford car on hire purchase system. The total cash price of the car

is Rs.15,98,000 payable Rs.4,00,000 down and 3 instalments of Rs.6,00,000;

Rs.5,00,000and Rs.2,00,000 payable at the end of first, second and third years

respectively. Interest is charged at 5% p.a. Rate of depreciation is 25% p.a. on

diminishing balance method.

Prepare necessary accounts in the books of Mr.Mahesh.

50) On 1st January, 2014, Miss Jayanthy purchased a washing machine from Royal

Enterprises on hire purchase basis. The cash price of the machine was Rs.60,000, payable

Rs.12,000 on signing the agreement and the balance in 4 annual instalments of Rs.12,000

plus interest at 15%p.a., payable on 31st December each year. Jayanthy writes off

depreciation at 10% p.a on diminishing balance method.

Show necessary ledger accounts in the books of Jayanthy.

51) On 1st January, 2007, Digital company purchased a truck under Instalment system for a

cash price of Rs.46,500, payable Rs.1,500 on signing the agreement and the balance in 3

annual instalments of Rs.15,000 together with interest at 5%p.a., payable on 31st

December each year. The asset is depreciated at 10% p.a on the reducing balance

method.

Show Journal entries in the books of Digital company.

52) On 1st January, 2005, Ramesh purchased a machine from Rajesh Enterprises on Hire

purchase basis. The particulars are as follows:

i) Cash Price – Rs.2,00,000

ii) Rs.80,000 to be paid on signing the contract

iii) Balance in 3 instalments of Rs.40,000 plus interest

iv) Interest charged on outstanding balance at 5%

v) Depreciation at 10% p.a. on written down value method.

Prepare necessary Ledger accounts in the books of Mr. Ramesh.

53) M/s. Roshi Ltd. purchased a machine on Instalment system for Rs.92,000, Rs.2,000 paid

on signing of the agreement and the balance was to be paid in 3 equal instalments of

Rs.30,000 each plus interest at 5% p.a. The company depreciates its machines by 10%

under diminishing value method. Pass necessary Journal entries in the books of

Roshi ltd.

54) On 1-4-2006 XYZ Co. took delivery from ABC Co. a machine on hire purchase system;

Rs.15,000 being paid on delivery and the balance in 5 instalments of Rs.30,000 each

payable annually on 31st March. The cash price of the machine was Rs.1,50,000. Charge

depreciation at 10% p.a. on reducing balance method.

Prepare necessary ledger accounts in the books of XYZ Co.

55) Muthappa purchased a plant costing Rs.1,60,000 on 1-4-2010 from Muthamma

Electronics Ltd. under hire purchase system, the terms being Rs.40,000 down payment

and balance in 3 equal annual instalments together with interest at 20% p.a. on

outstanding cash price. Depreciation is to be charged at 15% p.a. under straight line

method.

Prepare necessary ledger accounts in the books of Muthappa.

56) Mr. Hanuman purchased 2 trucks on hire purchase on 1-1-2006, cash price being

Rs.56,000 and payment is to be made as follows:

On signing the contract Rs.15,000 and thereafter Rs.15,000 being paid annually for 3

years. Interest was charged at 5% p.a. Depreciation was written off at the rate of 20%

p.a. on the reducing balance method.

Prepare necessary ledger accounts in the books of Mr. Hanuman.

57) Ajay purchased a motor car from Bangalore Motors Ltd. on 1-1-2008 on instalment

system. The payment is to be made as follows:

Rs.40,000 on delivery, Rs.76,000 at the end of 1st year, Rs.60,000 at the end of 2nd year and Rs.55,000 at the end of 3rd year. Interest at 10% p.a. is included in these instalments. Ajay charged 20% depreciation on the motor car under the diminishing balance method.

You are required to prepare necessary ledger accounts in the books of Ajay.

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