

ASSIGNMENT ON ACCOUNTING FOR HIRE PURCHASE TRANSACTIONS

FYBCOM – SEM I

Following questions are designed for self-practice/revision. Students should prepare both ledger accounts & Journal (including bank transactions) to record these transactions in books of buyer & seller. Accounting year is financial year.

- 1) A Ltd purchased a machine from B Ltd on 1.4.2012 on hire purchase basis. The cash price was Rs.18,00,000 and down payment Rs.300,000. A Ltd agreed to pay balance cash price in three equal annual instalments of Rs.500,000 each commencing from 31.3.2013 plus interest @ 10% p.a. charged from time to time. Provide depreciation @ 20% p.a. on WDV basis.
- 2) P Ltd purchased a machine from Q Ltd on 1.4.2013 on hire purchase basis. The cash price was Rs.12,00,000 and down payment Rs.200,000. P Ltd agreed to pay balance cash price in three equal annual instalments of Rs.437,977 each commencing from 31.3.2014 including interest @ 15% p.a. charged from time to time. Provide depreciation @ 25% p.a. on WDV basis.
- 3) X Ltd purchased three machines from Y Ltd on 1.4.2012 on hire purchase basis. The cash price of each machine was Rs.6,00,000 and down payment Rs.300,000. X Ltd agreed to pay balance cash price in three equal annual instalments of Rs.100,000 each commencing from 31.3.2013 plus interest @ 14% p.a. charged from time to time. Provide depreciation @ 20% p.a. on WDV basis.
- 4) M Ltd purchased a machine from N Ltd on 1.4.2013 on hire purchase basis. The cash price was Rs.10,00,000 and down payment Rs.200,000. M Ltd also agreed to pay three instalments viz. Rs. 300,000 on 31.3.2014, Rs.300,000 on 31.3.2015 & Rs.400,000 on 31.3.2016 which were inclusive of interest. Provide depreciation @ 20% p.a. on SLM
- 5) P Ltd purchased a machine from Q Ltd on 1.4.2013 on hire purchase basis. The cash price was Rs.15,00,000 and down payment Rs.300,000. P Ltd agreed to pay balance cash price in three equal annual instalments of Rs.551,909 each commencing from 31.3.2014 including interest @ 18% p.a. charged from time to time. Provide depreciation @ 25% p.a. on WDV basis.