

STD : I.P.C.C.

IDEAL TEST

SUB : ACCOUNTS

MARKS:

HIRE PURCHASE(SOLUTION)

TIME :

**Solu-1.** (a) If vendor charges interest at half yearly rest

**Statement showing the computation of Cash Price and Periodic Interest under Working Backward Method**

A Instalment	B Balance Due at end After the Payment of Instalment	C Instalment	D = B + C Total Amount Due at the end Before the Payment of Instalment	E = D * R (100 + R) Interest D × 5/105	F = D - E Balance Due at the Beginning
4 <sup>th</sup>	Nil	2,00,000	2,00,000	9,524	1,90,476
3 <sup>rd</sup>	1,90,476	2,00,000	3,90,476	18,594	3,71,882
2 <sup>nd</sup>	3,71,882	2,00,000	5,71,882	27,232	5,44,650
1 <sup>st</sup>	5,44,650	2,00,000	7,44,650	35,460	7,09,190

Cash Price = Rs.7,09,190 + 25% of Rs.7,09,190 (Down Payment) = Rs.8,86,487.50

(b) If Vender charges interest at yearly rest

**Statement showing the computation of Cash Price and Periodic Interest under Working Backward Method**

A Instalment	B Balance Due at end After the Payment of Instalment	C Instalment	D = B + C Total Amount Due at the end Before the Payment of Instalment	E = D × R/ (100 + R) Interest D × 10/110	F = D - E Balance Due at the Beginning
4 <sup>th</sup> & 3 <sup>rd</sup>	Nil	4,00,000	4,00,000	36,364	3,63,636
2 <sup>nd</sup> & 1 <sup>st</sup>	3,63,636	4,00,000	7,63,636	69,421	6,94,215

Cash Price = Rs.6,94,215+ 25% of Rs.6,94,215 = Rs.8,67,769

**Solu-2.** X = Rs.6,97,370. D = Nil, R = 10% or 10, I = Instalment

Thus, equation may be put as under:

$$I = (\text{Rs } 6,97,370 - I) \left[ \frac{r(1+r)^n}{(1+r) - 1} \right]$$

$$I = (\text{Rs } 6,97,370 - I) \left[ \frac{.10(1.1)^3}{(1.1)^3 - 1} \right]$$

$$I = (\text{Rs } 6,97,370 - I) \left[ \frac{.1331}{.331} \right] \quad \left[ \frac{.1331}{.331} \right] I + I = \text{Rs.}6,97,370$$

$$I = \left[ \frac{6,97,370 \times 0.1331}{0.4641} \right] = \text{Rs.}2,00,000$$