

Instalment System

Q. On 1st April 2010, A sold to B a Machinery of Rs 200,000 on instalment Payment System.

The amount was to be paid 50,000 cash and Balance in Three equal annual Instalments 50,000. Except the final instalment, B paid all the instalments including interest on time. B became insolvent and only 85% could be realised from his assets. Show B's Account, Interest Suspense Account and Provision for Bad Debts Account in the books of A if a Provision for Bad Debts @ 20 is maintained by him. Accounts to be closed on 31st March every year.

Solution:-

	Cash Price	Interest @ 10%	Instalment
Sale of Machinery 1.4.2010	200,000	-	50,000
Cash Down Payment	50,000	-	
Balance	150,000	$150,000 \times \frac{10}{100} = 15,000$	65,000
First Instalment	50,000		
Balance	100,000	$100,000 \times \frac{10}{100} = 10,000$	60,000
Second Instalment	50,000		
Balance	50,000	$50,000 \times \frac{10}{100} = 5,000$	55,000
Third Instalment	50,000		
	Nil		
		30,000	23,000

Dr		In the Book A (Vendor)		Cr	
Date	Particulars	Amount	Date	Particulars	Amount
April 1	To Sales	200,000	April 1	By Bank A/c	50,000
	To Interest Suspense A/c	30,000			
		230,000	2011	By Bank A/c	65,000
			March 31	By Balance c/d	1,15,000
2011	To Balance b/d	1,15,000			230,000
April 31		1,15,000	2012	By Bank A/c	60,000
			March 31	By Balance c/d	55,000
					1,15,000

B.S.A/L

2012 April 1	To balance b/d	55,000	2013 March 31	By Bank (25% of Rs 55,000)	46,750
				By Bad debts A/L Balancing figure	8,250
		55,000			55,000

$\frac{55,000 \times 25}{100} = 46,750$

Dr: Interest Bulspouse A/L

Date	Particulars	Amount	Date	Particulars	Amount
2011 March 31	To Interest A/L	15,000	2010 April 1	By B.S.A/L	30,000
	To Balance c/d	15,000			30,000
		30,000			
2012 March 31	To Interest	10,000	2011 March 31	By Balance b/d	15,000
	To Balance c/d	5,000			15,000
		15,000			
2013 March 31	To Interest A/L	5,000	2012 April 1	By Balance b/d	5,000

Provision for Doubtful Debts A/L

Date	Particulars	Amount	Date	Particulars	Amount
2011 March 31	To balance c/d	23,000	2011 March 31	By P/L A/L (20% of Rs 15,000)	23,000
2012 March 31	To P/L A/L (balancing fig)	12,000	2012 March 31	By Balance b/d	23,000
	To Balance c/d (20% on Rs 55,000)	11,000			23,000
		23,000			
2013 March 31	To Bad debt A/L	8,250	2013 March 31	By Balance b/d	11,000
	To P/L A/L	2,750			11,000
		11,000			

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