

Installation System

Q. → X took some asset from Y on instalment system.

Cash Price Rs 745 Payment on delivery Rs 200.

Three yearly instalment of Rs 200. Rate of Interest 5%, Depreciation 10% Fixed Method.

Pass J/E in the books of X.

Solution

Calculation of Interest

Year	Cash Price	Interest	Instalment
1st	745 - 200		
	545.00	Payment on Delivery Rs	
2nd	172.75	$\frac{545 \times 5}{100} = 27.25$	200.00 Instalment
	372.75	$\frac{372.25 \times 5}{100} = 18.61$	- 27.25
	181.39		172.75
3rd	190.86		200.00 Instalment
			- 18.61 for Interest
			181.39 cash value
		200 - 190.86 = 9.14	200.00 Instalment
			9.14 for Interest
		Total = 55	190.86 cash value

Depreciation: $745 \times \frac{10}{100} = 74.50$ each year

In the Books of X (Purchaser)

J/E

Date	Particulars	Dr	Cr
		Amount Rs	Amount Rs
1 year	Asset A/L ————— Dr	745.00	
	Interest Suspense A/L	55.00	
	To Y's A/L		800.00
	(Being asset purchased on Instalment)		
	Y's A/L ————— Dr	200.00	
	To Cash A/L		200.00
	(Being cash paid on agreement)		
	Interest A/L ————— Dr	27.25	
	To Interest Suspense A/L		27.25
	(Being Interest due)		
	Y's A/L ————— Dr	200.00	
	To Cash A/L		200.00
	(Being first instalment paid)		
	Depreciation A/L ————— Dr	74.50	
	To Assets A/L		74.50
	(Being 10% depreciation on 745)		

Date	Particulars	Dr	Cr
		Amount	Amount
	Profit & Loss A/c		
	To Interest A/c	101.75	
	To Depreciation A/c		27.25
	(Being transfer of Interest & Dep into P/L A/c)		74.50
2nd year	Interest A/c		
	To Interest Suspense A/c	18.61	
	(Being Interest due)		18.61
	YIS A/c		
	To Cash A/c	200.00	
	(Being second instalment paid)		200.00
	Depreciation A/c		
	To Asset A/c	74.50	
	(Being 10% Deprec on 745)		74.50
	Profit & Loss A/c		
	To Interest A/c	93.11	
	To Depreciation A/c		18.61
	(Being transfer of interest and Dep into P/L A/c)		74.50
3rd year	Interest A/c		
	To Interest Suspense A/c	9.14	
	(Being Interest due)		9.14
	YIS A/c		
	To Cash A/c	200.00	
	(Being 3rd Instalment paid)		200.00
	Depreciation A/c		
	To Assets A/c	74.50	
	(Being 10% depreciation charged on 745)		74.50
	Profit & Loss A/c		
	To Interest A/c	83.64	
	To Depreciation A/c		9.14
	(Being transfer of Interest and dep into P/L A/c)		74.50

Jyotish Prasad Baishanmi
 Dep H of Commerce
 Dr L.K.V.D. College Tappan
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