

# M.K.G CA EDUCATION

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## MOCK TEST -1

### CA INTER

(03-04-2022)

## PAPER 1 – ACCOUNTING

### TOPICS COVERED: HIRE PURCHASE TRANSACTION

Roll No .....

Total No. of Question: 6

Time allowed: 3 hours

Total No. of Printed Pages: 6

Maximum Marks: 100

#### Question No. 1 is compulsory.

Candidates are required to answer any four questions from the remaining five questions.

Working notes should form part of the answer.

Whenever necessary, suitable assumptions may be made and indicated in the answer by the candidates.

**Question 1 (a)**

**(5 Marks)**

What is meant by Hire purchase transactions? What are the specific features of hire purchase transactions?

**Question 1 (b)**

**(5 Marks)**

Explain the special features of hire purchase agreement.

**Question 1 (c)****(10 Marks)**

Define the following:

1. Hire Vendor
2. Hire Purchaser
3. Cash Price
4. Hire Purchase Instalment
5. Hire purchase price

**Question 2****(20 Marks)**

A firm acquired two tractors under hire purchase agreements, details of which were as follows:

Date of purchase	Tractor A 1st April, 2017 (₹)	Tractor B 1st Oct., 2017 (₹)
Cash Price	14,000	19,000

Both agreements provided for payment to be made in twenty-four monthly instalments (of ₹ 600 each for Tractor A and ₹ 800 each for Tractor B), commencing on the last day of the month following purchase, all instalments being paid on due dates.

On 30<sup>th</sup> June, 2018, Tractor B was completely destroyed by fire. In full settlement, on 10<sup>th</sup> July, 2018 an insurance company paid ₹ 15,000 under a comprehensive policy. Any balance on the hire purchase company's account in respect of these transactions was to be written off.

The firm prepared accounts annually to 31<sup>st</sup> December and provided depreciation on tractors on a straight-line basis at a rate of 20 per cent per annum rounded off to nearest ten rupees, apportioned as from the date of purchase and up to the date of disposal.

You are required to record these transactions in the following accounts, carrying down the balances on 31<sup>st</sup> December, 2017 and 31<sup>st</sup> December, 2018:

- (a) Tractors on hire purchase.
- (b) Provision for depreciation of tractors.
- (c) Disposal of tractors.

**Question 3 (a)****(10 Marks)**

M/s. Kodam Enterprises purchased a generator on hire purchase from M/s. Sanctum Ltd. on 1<sup>st</sup> April, 2017. The hire purchase price was ₹ 48,000. Down payment was ₹ 12,000 and the balance is payable in 3 annual instalments of ₹ 12,000 each payable at the end of each financial year. Interest is payable @ 8% p.a. and is included in the annual payments of ₹ 12,000.

Depreciation at 10% p.a. is to be written off using the straight-line method. You are required to:

- (i) calculate the cash price of the generator and the interest paid on each instalment.
- (ii) pass relevant journal entries in the books of M/s. Kodam Enterprises from 1st April, 2017 to 31st March, 2018 following the interest suspense method.

**Question 3 (b)****(10 Marks)**

M/s A bought six Scooters from M/s B on 1st April, 2016 on the following terms:

Down payment	₹ 3,00,000
1 <sup>st</sup> instalment payable at the end of 1 <sup>st</sup> year	₹ 1,59,000
2 <sup>nd</sup> instalment payable at the end of 2 <sup>nd</sup> year	₹ 1,47,000
3 <sup>rd</sup> instalment payable at the end of 3 <sup>rd</sup> year	₹ 1,65,000

Interest is charged at the rate of 10% per annum.

M/s A provides depreciation @ 20% per annum on the diminishing balance method. On 31st March, 2019 M/s A failed to pay the 3rd instalment upon which M/s B repossessed two Scooters. M/s B agreed to leave the other four Scooters with M/s A and adjusted the value of the repossessed Scooters against the amount due. The Scooters taken over were valued on the basis of 30% depreciation per annum on written down value. The balance amount remaining in the vendor's account after the above adjustment was paid by M/s A after 5 months with interest @ 15% per annum.

M/s B incurred repairing expenses of ₹15,000 on repossessed scooters and sold scooters for ₹1,05,000 on 25th April, 2019.

You are required to:

- (1) Calculate the cash price of the Scooters and the interest paid with each instalment.
- (2) Prepare Scooters Account and M/s B Account in the books of M/s A.
- (3) Prepare Goods Repossessed Account in the books of M/s B.

**Question 4 (a)****(10 Marks)**

Amandeep bought 2 cars from 'Fair Value Motors Pvt. Ltd. on 1.4.2016 on the following terms (for both cars):

	₹
Down payment	6,00,000
1st Installment at the end of first year	4,20,000
2nd Installment at the end of 2nd year	4,90,000
3rd Installment at the end of 3rd year	5,50,000

Interest is charged at 10% p.a.

Amandeep provides depreciation @ 25% on the diminishing balances.

On 31.3.2019 Amandeep failed to pay the 3rd installment upon which 'Fair Value Motors Pvt. Ltd.' repossessed 1 car. Amandeep agreed to leave one car with Fair Value Motors Pvt. Ltd. and adjusted the value of the car against the amount due. The car taken over was valued on the basis of 40% depreciation annually on written down basis. The balance amount remaining in the vendor's account after the above adjustment was paid by Amandeep after 3 months with interest @ 20% p.a.

You are required to:

- (i) Calculate the cash price of the cars and the interest paid with each installment.
- (ii) Prepare Cars Account in the books of Amandeep assuming books are closed on March 31, every year.  
Figures may be rounded off to the nearest rupee.

**Question 4(b)****(10 Marks)**

Lucky bought 2 tractors from Happy on 01-10-2016 on the following terms:

	₹
Down payment	5,00,000
1st installment at the end of first year	2,65,000
2nd installment at the end of 2nd year	2,45,000
3rd installment at the end of 3rd year	2,75,000

Interest is charged at 10% p.a.

Lucky provides depreciation @ 20% on the diminishing balances.

On 30-09-2019 Lucky failed to pay the 3rd installment upon which Happy repossessed 1 tractor. Happy agreed to leave one tractor with Lucky and adjusted the value of the tractor against the amount due. The tractor taken over was valued on the basis of 30% depreciation annually on written down basis. The balance amount remaining in the vendor's account after the above adjustment was paid by Lucky after 3 months with interest @ 18% p.a.

You are required to:

(1) Calculate the cash price of the tractors and the interest paid with each installment.

Prepare Tractor Account and Happy Account in the books of Lucky assuming that books are closed on September 30 every year. Figures may be rounded off to the nearest rupee.

**Question 5(a)****(10 Marks)**

Explain Difference between Hire Purchase and Instalment system.

**Question 5(b)****(10 Marks)**

Happy Valley Florists Ltd. acquired a delivery van on hire purchase on 01.04.2017 from Ganesh Enterprises. The terms were as follows:

Particulars	Amount (₹)
Hire Purchase Price	180,000
Down payment	30,000
1 <sup>st</sup> installment payable after 1 year	50,000
2 <sup>nd</sup> installment payable after 2 year	50,000
3 <sup>rd</sup> installment payable after 3 year	30,000
4 <sup>th</sup> installment payable after 4 year	20,000

Cash price of van ₹ 150,000.

You are required to:

- (i) Calculate Total Interest and Interest included in each installment
- (ii) Prepare Van A/c., Ganesh Enterprises A/c. in the books of Happy Valley Florists Ltd. up to 31.03.2021

**Question 6(a)****(10 Marks)**

X Ltd. purchased 3 milk vans from Super Motors costing ₹ 75,000 each on hire purchase system. Payment was to be made: ₹ 45,000 down and the remainder in 3 equal instalments together with interest @ 9%. X Ltd. writes off depreciation @ 20% on the diminishing balance. It paid the instalment at the end of the 1st year but could not pay the next. Super Motor agreed to leave one milk van with the purchaser, adjusting the value of the other two milk vans against the amount due. The milk vans were valued on the basis of 30% depreciation annually on written down value basis. X Ltd. settled the seller's dues after three months. You are required to give necessary journal entries and the relevant accounts in the books of X Ltd.

**Question 6 (b)****(10 Marks)**

On January 1, 2017 ABC Ltd. acquired a Pick-up Van on hire purchase from XYZ Ltd. The terms of the contract were as follows:

1. The cash price of the van was ₹ 1,00,000.
2. ₹ 40,000 were to be paid on signing of the contract.
3. The balance was to be paid in annual instalments of ₹ 20,000 plus interest.
4. Interest chargeable on the outstanding balance was 6% p.a.
5. Depreciation at 10% p.a. is to be written-off using the straight-line method.

You are required to:

- (a) Give Journal Entries and show the relevant accounts in the books of ABC Ltd. from January 1, 2017 to December 31, 2019; and
- (b) Show the relevant items in the Balance Sheet of the purchaser as on December 31, 2017 to December 31, 2019 .

**SPACE FOR ROUGH WORK**