

# Accounting problems on hire purchase instalments and lease

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Hire Purchase and Installment Accounting: A Comprehensive Guide\*\*

### What is Hire Purchase and Installment?

Hire purchase and installment are two methods of acquiring assets where the buyer makes periodic payments over a specified period. In a hire purchase agreement, the buyer does not own the asset until the final payment is made, while in an installment agreement, the buyer owns the asset immediately.

### Accounting for Hire Purchase and Installments

#### Hire Purchase:

- **Record the initial transaction:** Debit Purchase of Fixed Asset and Credit Creditor - Hire Purchase Loan.
- **Calculate the finance charge:** Interest on the unpaid balance.
- **Allocate the payments:** Divide the total payment into principal and finance charge components.
- **Record the installment payments:** Debit Creditor - Hire Purchase Loan and Credit Bank or Cash (principal portion) and Finance Charge Expense (finance portion).

#### Installment:

- **Record the purchase:** Debit Purchase of Fixed Asset and Credit Creditor - Installment Loan.

- **Record the installment payments:** Debit Creditor - Installment Loan and Credit Bank or Cash.

## Problems with Hire Purchase and Installment

### Hire Purchase:

- Buyer does not own the asset until the final payment.
- Requires a down payment, which can be a barrier for some buyers.

### Installment:

- High interest rates can increase the overall cost.
- Can lead to overspending, especially if the payments are not manageable.

## Hire Purchase in Accounting

- **Treated as a loan:** The hire purchase loan is recorded as a liability.
- **Principal and finance charge allocation:** The payments are separated into principal and finance charge components.
- **Asset capitalization:** Once the final payment is made, the asset is capitalized and recorded as an addition to fixed assets.

## Installment in Accounting

- **Treated as a debt:** The installment loan is recorded as a liability.
- **Interest expense:** The interest portion of the payments is recorded as an expense.
- **Asset ownership:** The buyer immediately owns the asset and records it as fixed assets.

## Difference between Lease and Hire Purchase

- In a lease, the lessee does not own the asset at the end of the term.
- In a hire purchase, the buyer becomes the owner of the asset once all payments are made.

## Journal Entries

### Hire Purchase:

- Initial transaction: Dr Purchase of Fixed Asset, Cr Creditor - Hire Purchase Loan
- Installment payments: Dr Creditor - Hire Purchase Loan, Cr Bank or Cash (principal), Cr Finance Charge Expense

### Installment:

- Purchase: Dr Purchase of Fixed Asset, Cr Creditor - Installment Loan
- Installment payments: Dr Creditor - Installment Loan, Cr Bank or Cash

### Other Considerations

- **Depreciation:** In a hire purchase agreement, the hirer claims depreciation.
- **Disadvantages of hire purchase:** Requires a down payment, may involve balloon payments.
- **Disadvantages of installments:** High interest rates, potential for overspending.
- **Lease purchase vs. hire purchase:** In a lease purchase, the lessee has the option to purchase the asset at the end of the term, while in a hire purchase, ownership is automatic upon final payment.

## Wir neu A1: A Comprehensive German Textbook for Students in the USA

### What is Wir neu A1?

Wir neu A1 is a modern and comprehensive German textbook specifically designed for students in the United States. It is the first part of the four-part Wir series, published by Klett USA.

### What are the key features of Wir neu A1?

- Authentic materials and real-life scenarios to engage students

- Clear and concise explanations of grammar and vocabulary
- A focus on communication and cultural awareness
- Interactive exercises and activities to enhance learning
- A companion website with additional resources and support

### **Who is Wir neu A1 suitable for?**

Wir neu A1 is primarily designed for beginner-level German learners in high school, college, and adult education settings. It is also suitable for individuals who want to build a strong foundation in German.

### **What are the benefits of using Wir neu A1?**

Using Wir neu A1 can provide students with:

- A solid understanding of basic German grammar and vocabulary
- Improved listening, speaking, reading, and writing skills
- Increased cultural awareness and appreciation for German-speaking countries
- The ability to communicate effectively in everyday situations

### **How can I purchase Wir neu A1?**

Wir neu A1 can be purchased through Klett USA's website, Amazon, or from your local bookstore. It is also available in a digital format for use on tablets and computers.

## **Troubleshooting Cisco IP Telephony and Video with Cisco Collaboration Foundation**

Cisco's Collaboration Foundation (CTCollab) platform provides a comprehensive suite of tools for managing and troubleshooting IP telephony and video solutions. As a CCNP Collaboration Exam 300-080 candidate, it's essential to understand how to use these tools to diagnose and resolve issues effectively.

### **Question 1: How can I debug call failures using the CTCollab Health Check?**

**Answer:** The Health Check tool provides a real-time view of call status and allows you to identify failed calls and their associated error messages. To use it, navigate to the "Health Check" tab within the CTCollab dashboard and filter by "Call Failures."

**Question 2: Which tool allows me to monitor call quality and identify potential issues?**

**Answer:** The Media Quality Manager (MQM) tool monitors call statistics such as jitter, packet loss, and latency. By analyzing these metrics, you can pinpoint areas where call quality is affected and take appropriate corrective actions.

**Question 3: How can I diagnose issues related to endpoints?**

**Answer:** The Endpoint Management module within CTCollab provides a comprehensive overview of all endpoints. Use it to identify endpoints that are offline, have configuration errors, or are experiencing performance issues.

**Question 4: What is the role of the Cisco Unified Service Traceroute (UST) tool?**

**Answer:** UST is a diagnostic tool that allows you to trace call paths and identify network issues that may be affecting call quality. It can pinpoint network congestion, dropped packets, and other problems along the call path.

**Question 5: How can I use the Syslog Server within CTCollab to monitor system events?**

**Answer:** The Syslog Server collects and stores system logs from Cisco IP telephony and video devices. By analyzing these logs, you can identify error messages, performance issues, and other events that may require attention.

**Who is the father of cost accounting?** Born in 1862, Jerome Lee Nicholson, often called the father of cost accounting, entered the professional practice of accountancy in New York in 1889, under his own name.

**What is cost accounting by authors?** According to I.C.M.A. London – "Cost Accounting is the technique and process of ascertainment of cost." Walter W. Bigg has defined cost accounting as follows: - "Cost Accounting is the provision of such

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analysis and classification of expenditure as will enable the total cost of any particular unit.

**Who is the publisher of cost accounting?**

**What is cost accounting by weldon?** Wheldon defines Cost accounting as, “classifying, recording and appropriate allocation of expenditure for determination of costs of products or services and for the presentation of suitably arranged data for purposes of control and guidance of management.”

**What are the four types of cost accounting?** The different types of cost accounting include standard costing, activity-based costing, lean accounting, and marginal costing.

**Who started cost accounting?** Origins of cost accounting Modern cost accounting originated during the Industrial Revolution when the complexities of running large scale businesses led to the development of systems for recording and tracking costs to help business owners and managers make decisions.

**What is cost accounting in one word?** Cost accounting is a managerial accounting process that involves recording, analyzing, and reporting a company's costs. Cost accounting is an internal process used only by a company to identify ways to reduce spending.

**What is the formula for cost accounting?** This comprehensive cost assessment takes into account both variable and fixed costs, serving as a pivotal element in determining the overall financial efficiency of production operations. The formula for total production cost is as follows:  $\text{Total Production Cost} = \text{Total Fixed Costs} + \text{Total Variable Costs}$ .

**What is the major purpose of cost accounting?** The main objective of cost accounting are ascertainment of cost, fixation of selling price, proper recording and presentation of cost data to management for measuring efficiency and for cost control and cost reduction, ascertaining the profit of each activity, assisting management in decision making process.

**Is cost accounting still used?** While financial accounting presents information for external sources to review, cost accounting is often used by management within a

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company to aid in decision-making.

**Is cost accounting hard?** Cost accounting can be challenging, particularly for those who perform duties like cost analysis and efficient evaluations.

**Who is the main user of cost accounting?**

**What is cost accounting CPA?** Cost accounting is a branch of accounting that deals with the recording, classifying, and analyzing of expenses incurred by a company. The main purpose of cost accounting is to provide information that can be used by managers to make decisions about pricing, product mix, and other aspects of the business.

**What is the difference between cost accounting and costing?** Costing includes the techniques and processes for the assessment of manufacturing costs. Cost accounting, by contrast, refers to the form of accounting that involves costs, techniques of cost management application, and profit calculation.

**What is the cost accounting theory?** Cost Accounting may be defined as According to Wheldon, costing is, the classifying, recording and appropriate allocation of expenditure for the determination of the costs of products or services; the relation of these costs to sales values; and the ascertainment of profitability.

**What are the two main cost accounting systems?** A cost accounting system helps determine how much the production of a good or service will cost. There are two types of systems: job order costing and process costing.

**What is the current cost accounting method?** The current cost accounting model relies primarily on the assumption that, apart from any currency changes, the price of assets can change significantly compared to the general price level. Within this model, the cost of replacing assets is of particular concern.

**What are the disadvantages of cost accounting?**

**How to calculate cost accounting?**

**Who is the father of cost accountant?** Born in 1862, Jerome Lee Nicholson, often called the "father of cost accounting," entered the professional practice of

accountancy in New York in 1889, under his own name. The firm name was later changed to J. Lee Nicholson and Company when he took in others as partners.

**How to start cost accounting?** A bachelor's degree with an emphasis on accounting is a minimum requirement for cost accountants, but some companies will require experience and advanced training for the role. Cost accountants are expected to be proficient with accounting software and data collection and analysis tools.

**Who is the real father of accounting?** But the father of modern accounting is Italian Luca Pacioli, who in 1494 first described the system of double-entry bookkeeping used by Venetian merchants in his Summa de Arithmetica, Geometria, Proportioni et Proportionalita.

**Who is the father of standard costing?** British accountant George P. Norton is considered as one of the earlier scholar giving the idea of standard costing in his 1889 "Textile Manufacturers' Bookkeeping" (Solomons, 1994). John Whitmore provided the first detailed description of a standard cost system in 1906.

**Who is the main user of cost accounting?** Cost accounting is used by a company's internal management team to identify all variable and fixed costs associated with its production processes. Once all input costs are measured and recorded individually, a company can compare all of these costs to its output results.

**Who is the father of management accounting?** The father of management accounting is Luca Bartolomeo Pacioli (1447–1517), an Italian mathematician who taught math and created his own textbooks for his students.

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