**2022 Confucian Private Secondary Paper 2 Question 5**

Carefree Bhd. acquired a motor van on a hire purchase basis from Carsome Bhd.

The terms of the hire purchase contract were as follows:

* 1. Date of purchase: 1 January 2020
  2. Cash price: RM 38,000;
  3. Initial Deposit: RM 200 plus 10% of cash price;
  4. Payments: 8 quarterly instalments, commencing on 31 March 2020; payable at the end of each quarter.
  5. Interest was charged at 10% per annum on the balance of cash price outstanding at the beginning of 2020.

On 1 October 2021, the motor van was totally damaged in an accident. The van was then dealt with as follows:

* 1. The insurance company agreed to compensate RM 30,000 under the

comprehensive policy covered;

* 1. The hire purchase vendor Carsome Bhd. accepted a lump sum of RM 4,500 from Carefree Bhd. to terminate the agreement.

Carefree Bhd. closes its accounts on 31 December annually and provide depreciation on a reducing balance method at 10% per annum. No depreciation should be charged in the year of disposal.

All instalments were paid on the due dates during 2020 and 2021.

In the books of Carefree Bhd, you are required to:

* 1. Calculate
     1. hire purchase price
     2. total hire purchase interest;
     3. quarterly hire purchase interest.

* 1. Show the following ledger accounts for year 2020 and 2021

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| (i) Motor Van; |
| (ii) Hire Purchase Vendor – Carsome Bhd.; |
| (iii) Hire Purchase Interest Suspense; |
| (iv) Accumulated Depreciation of Motor Van; |
| (v) Disposal of Motor Van. |