**2022 Chong Hwa Secondary High School Paper 2 Question 6**

Domino Trading decided to purchase a second-hand truck from Isuzu Motors under the following hire purchase agreement:

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| --- | --- |
| ISUZU TRUCKS MALAYSIA | Date of Purchase : 1 October 2020  Cash Price : RM 120,000  Initial Deposit : 20% of the cash price  Finance Charge : 10% per annum on the  balance of the cash price  Instalment : 24 equal instalment |

It was provided that instalments were due on the last day of each month commencing from 13 October2020. Al instalments being paid on due dates. Hire purchase interest was to be spread equally over the period of hire purchase agreement.

On 1 May 2021, the truck was stolen. The insurance company paid RM 112,000 in settlement on 8 May 2021 and Isuzu Motors Limited accepted RM 68,000 in full satisfaction of the agreement on the same day.

The firm prepared accounts annually to 13 December and the truck was depreciated on a straight-line basis at a rate of 10% per annum.

**Required:**

(a) Calculate:

1. Total Hire Purchase Interest;
2. Hire Purchase Price.

(b) Prepare the following ledger accounts in the books of Domino Trading:

1. Motor Vehicle;
2. Hire Purchase Vendor;
3. Hire Purchase Interest Suspense;
4. Accumulated Depreciation of Motor Vehicle;
5. Disposal of Motor Vehicle Accounts.

(c) Prepare (extracted) Statement of Financial Position as at 31 December 2020.