**Practice 2**

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| Cash price of an air conditioner: | 3,000 |
| Down payment: | 1,000 |
| Year 1 instalment: | 850 |
| Year 2 instalment: | 750 |
| Year 3 instalment: | 591 |
| Interest rate per annum: | 5% |

**You are required to calculate** the yearly hire purchase interest using reducing balance method.

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