**2022 Tsun Jin High School Paper 2 Question 4**

The reporting period of TK Company ends on 31 December. The business purchases an item of office equipment from Quan Ltd by means of a hire purchase agreement on 1 January 2020.

The cash price was RM 8,000 and the terms of the agreement were as follows:

1. An immediate down payment of RM 3,000 was made.
2. 2 annual payments of RM 2,200 and a subsequent last payment of RM 2,165. All to be paid on 31 December of each of the consecutive years 2020 to 2022.
3. Interest was charged at 15% per annum on the balance outstanding at the beginning of each year. All payments were duly paid on the due dates.

TK Company depreciates the office equipment at a rate of 20% per annum on diminishing balance method. A full year’s depreciation is charged on any asset acquitted during the first 6 months of an accounting year.

On 1 February 2022, TK Company decided to terminate the hire purchase agreement. The hire purchase vendor agreed to accept RM 2,200 in full settlement.

**You are required to:**

1. Calculate total hire purchase interest and hire purchase price;
2. Show the following ledger accounts for the first three years:
3. Office Equipment;
4. Hire Purchase Vendor - Quan Ltd;
5. Hire Purchase Interest;
6. Accumulated Depreciation of Office Equipment.