

**Dr.SNS RAJALAKSHMI COLLEGE OF ARTS AND SCIENCE
(Autonomous)**

**Accredited by NAAC - UGC with 'A+ Grade (Cycle IV)
(Recognized by UGC, Approved by AICTE & Affiliated to Bharathiar University)
Coimbatore- 49**

**DEPARTMENT OF COMMERCE WITH INFORMATION
TECHNOLOGY**

21UCR402 – FUNCTIONAL ACCOUNTING

Unit-4: Instalment System – An Introduction

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Instalment Purchase System – Meaning

The Instalment Purchase System is a system of buying goods in which the buyer receives the goods immediately and agrees to pay the total price in several instalments over a fixed period of time. In this system, the ownership of the goods is transferred to the buyer at the time of purchase, even though the payment is made in parts.

Instalment Purchase System – Definition

The Instalment Purchase System is a method of purchasing goods in which the buyer obtains the goods immediately and pays the price in regular instalments over a period of time. In this system, ownership of the goods is transferred to the buyer immediately, even though the payment is made in parts.

Features of Instalment Purchase System

- 1. Immediate Transfer of Ownership** – The buyer becomes the legal owner of the goods as soon as the agreement is made.
- 2. Payment in Instalments** – The total price is paid in fixed periodic instalments (monthly, quarterly, etc.).
- 3. Interest Charged** – Interest may be charged on the outstanding balance.
- 4. No Right of Repossession** – The seller cannot take back the goods if the buyer fails to pay; instead, the seller can take legal action to recover the amount.
- 5. Possession and Ownership Together** – Both possession and ownership are transferred to the buyer at the time of purchase.

Example

Suppose a person buys a laptop worth ₹60,000 under the instalment system.

Down payment: ₹10,000

Balance ₹50,000 paid in 5 monthly instalments of ₹10,000 each.

The buyer becomes the owner immediately, even though the payment is completed over time.

Difference Between Hire Purchase System and Instalment Purchase System

Basis	Hire Purchase System	Instalment Purchase System
✓ Ownership	Ownership transfers only after the last instalment is paid	Ownership transfers immediately at the time of purchase
✓ Possession	Possession is given immediately	Possession is given immediately
✓ Right to Repossess	Seller can take back the goods if instalments are not paid	Seller cannot repossess goods; legal action is required
✓ Nature of Agreement	Hire agreement until final payment	Sale agreement from the beginning
✓ Buyer's Right	Buyer can terminate the agreement before the last instalment	Buyer cannot cancel easily after purchase

THANK YOU