CHAPTER 7

INVESTMENT ACCOUNTS

IMPROTANT QUESTION

Question – 1. (ICAI Module)
In 20X1, M/s. Wye Ltd. issued 12% fully paid debentures of ₹ 100 each, interest being payable half yearly on 30th September and 31st March of every accounting year.
On 1st December, 20X2, M/s. Bull & Bear purchased 10,000 of these debentures at ₹ 101 cum-interest price, also paying brokerage @ 1% of cum-interest amount of the purchase. On 1st March, 20X3 the firm sold all of these debentures at ₹106 cum-interest price, again paying brokerage @ 1 % of cum-interest amount. Prepare Investment Account in the books of M/s. Bull & Bear for the period 1st December, 20X2 to 1st March, 20X3.

Solution:

In the books of M/s Bull & Bear
Investment Account
for the period from 1st December 20X2 to 1st March, 20X3
(Scrip: 12% Debentures of M/s. Wye Ltd.)

Date	*Particulars*	*Nominal Value (₹)*	*Interest*	*Cost (₹)*	*Date*	*Particulars*	*Nominal Value (₹)*	*Interest*	*Cost (₹)*
1.12. 20X2	To Bank A/c (W.N.1)	10,00,000	20,000	10,00,100	1.03. 20X3	By Bank A/c (W.N.2)	10,00,000	50,000	9,99,400
1.3. 20X3	To Profit & loss A/c* (b.f.)	-	30,000		1.3. 20X3	By Profit & loss A/c (b.f.)			700
		10,00,000	**50,000**	**10,00,100**			**10,00,000**	**50,000**	**10,00,100**

** This represents income for M/s. Bull & Bear for the period 1st December, 20X2 to 1st March, 20X3, i.e., interest for three months- 1st December, 20X2 to 28 February, 20X3).*

Working Notes:

1.	Cost of 12% debentures purchased on 1.12.20X2	₹
	Cost Value (10,000 X ₹ 101)	10,10,000
	Add: Brokerage (1% of ₹10,10,000)	10,100
	Less: Cum Interest (10,000 x 100 x12% x 2/12)	(20,000)
	Total	10,00,100
2.	Sale proceeds of 12% debentures sold	₹
	Sales Price (10,000 X ₹ 106)	10,60,000
	Less: Brokerage (1% of ₹10,60,000)	(10,600)
	Less: Cum Interest (10,000 x 100 x12% x 5/12)	(50,000)

Total	**9,99,400**

Question – 2. (ICAI Module)

On 01-04-20X1, Mr. T. Shekharan purchased 5,000 equity shares of ₹ 100 each in V Ltd. @ ₹ 120 each from a broker, who charged 2% brokerage. He incurred 50 paisa per ₹ 100 as cost of shares transfer stamps. On 31-01-20X2 bonus was declared in the ratio of 1: 2. Before and after the record date of bonus shares, the shares were quoted at ₹ 175 per share and ₹ 90 per share respectively. On 31-03-20X2, Mr. T. Shekharan sold bonus shares to a broker, who charged 2% brokerage.

Show the Investment Account in the books of T. Shekharan, who held the shares as Current Assets and closing value of investments shall be made at cost or market value whichever is lower.

Solution:

In the books of T. Shekharan
Investment Account
for the year ended 31st March, 20X2
(Script: Equity Shares of V Ltd.)

Date	Particulars	Nominal Value (₹)	Cost (₹)	Date	Particulars	Nominal Value (₹)	Cost (₹)
1.4.20X1	To Bank A/c (W.N.1)	5,00,000	6,15,000	31.3.20X2	By Bank A/c (W.N.2)	2,50,000	2,20,500
31.1.20X2	To Bonus A/c	2,50,000	-	31.3.20X2	By Balance c/d (W.N.4)	5,00,000	4,10,000
31.3.20X2	To shares Profit and Loss A/c (W.N.3)		15,500				
		7,50,000	**6,30,500**			**7,50,000**	**6,30,500**

Working Notes:

1. Cost of equity shares purchased on 1st April, 20X1
   = Cost + Brokerage + Cost of transfer stamps
   = (5,000 X ₹ 120) + (2% of ₹6,00,000) + (½% of ₹6,00,000)
   = ₹6,15,000
2. Sale proceeds of equity shares sold on 31st March, 20X2
   = Sale price – Brokerage
   = (2,500 X ₹90) – (2% of ₹2,25,000)
   = ₹2,20,500
3. Profit on sale of bonus shares
   = Sales proceeds – Average cost
   Sales proceeds = ₹ 2,20,500
   Average cost = ₹(6,15,000 /7,50,000) x 2,50,000 = ₹2,05,000
   Profit = ₹2,20,500 – ₹ 2,05,000= ₹15,500.
4. Valuation of equity shares on 31st March, 20X2
   Cost = ₹ [6,15,000 X 5,00,000/7,50,000] = ₹4,10,000, i.e., ₹ 82 per share
   Market Value = 5,000 shares × ₹ 0 = ₹4,50,000
   Closing stock of equity shares has been valued at ₹ 4,10,000 i.e. cost being lower than the market value.

Question – 3. (ICAI Module)

On 1st April, 20X1, Rajat has 50,000 equity shares of P Ltd. at a book value of ₹ 15 per share (nominal value ₹ 10 each). He provides you the further information:

(1) On 20th June, 20X1 he purchased another 10,000 shares of P Ltd. at ₹ 16 per share.

(2) On 1st August, 20X1, P Ltd. issued one equity bonus share for every six shares held by the shareholders.

(3) On 31st October, 20X1, the directors of P Ltd. announced a right issue which entitles the holders to subscribe three shares for every seven shares at ₹ 15 per share. Shareholders can transfer their rights in full or in part.

Rajat sold 1/3rd of entitlement to Umang for a consideration of ₹ 2 per share and subscribed the rest on 5th November, 20X1.

You are required to prepare Investment A/c in the books of Rajat for the year ending 31st March, 20X2.

Solution:

In the books of Rajat
Investment Account
(Equity shares in P Ltd.)

Date	***Particulars***	***No. of shares***	***Amount (₹)***	***Date***	***Particulars***	***No. of shares***	***Amount (₹)***
1.4.X1	To Balance b/d	50,000	7,50,000	31.3.X2	By Balance c/d (Bal. fig.)	90,000	12,10,000
20.6.X1	To Bank A/c	10,000	1,60,000				
1.8.X1	To Bonus issue (W.N.1)	10,000	-				
5.11.X1	To Bank A/c (right shares) (W.N.4)	20,000					
		90,000	**3,00,000**			**90,000**	**12,10,000**

Working Notes:

(1) Bonus shares = 50,000+10,000/6=10,000

(2) Right shares =50,000+10,00 + 010,000X3/6=30,000.

(3) Sale of rights =30,000 share X 1/3 X 2 =20,000 to be credited to statement of profit and loss

(4) Rights subscribed = 30,000 shares X 2/3 X 15 = 3,00,000.

Question – 4. (ICAI Module)

On 1st January 20X1, Singh had 20,000 equity shares in X Ltd. Nominal value of the shares was ₹10 each but their book value was ₹ 16 per share. On 1st June 20X1, Singh purchased 5,000 more equity shares in the company at a premium of ₹ 4 per share.
On 30th June, 20X1, the directors of X Ltd. announced a bonus and rights issue. Bonus was declared at the rate of one equity share for every five shares held and these shares were received on 2nd August, 20X1.
The terms of the rights issue were:

(a) Rights shares to be issued to the existing holders on 10th August, 20X1.

(b) Rights issue would entitle the holders to subscribe to additional equity shares in the

Company at the rate of one share per every three held at ₹ 15 per share-the whole sum being payable by 30th September, 20X1.

(c) Existing shareholders were entitled to transfer their rights to outsiders, either wholly or in part.

(d) Singh exercised his option under the issue for 50% of his entitlements and the balance of rights he sold to Ananth for a consideration of ₹ 1.50 per share.

(e) Dividends for the year ended 31st March, 20X1, at the rate of 15% were declared by the Company and received by Singh on 20th October, 20X1.

(f) On 1st November, 20X1, Singh sold 20,000 equity shares at a premium of ₹ 3 per share.

The market price of share on 31-12-20X1 was ₹ 14. Show the Investment Account as it would appear in Singh's books on 31-12-20X1 and the value of shares held on that date.

Solution:

Investment Account-Equity Shares in X Ltd.

Date 20X1		*No. of shares*	*Dividend*	*Amount*	*Date* 20X1		*No. of shares*	*Dividend*	*Amount*
1 jan	To Bal.b/d	20,000	-	3,20,000	Oct. 20	By Bank (dividend) [20,000 x 10 x 15%] [5,000 x 10 x 15%]		30,000	7,500
June 1	To Bank	5,000	-	70,000	Nov. 1	By Bank	20,000		2,60,000
Aug. 2	To Bonus Issue	5,000		—	Nov. 1	By P & L A/c (W.N.2)			1,429
Sep. 30	To Bank (Right) (W.N.1)	5,000	-	75,000	Dec. 31	By Balance c/d (W.N.3)	15,000		1,96,071
Nov. 1	To Profit &Loss A/c (Dividend income)		30,000						
		35,000	30,000	4,65,000			35,000	30,000	4,65,000
Jan. 1, 20X2	To Balance b/d	15,000		1,96,071					

Working Notes:

1. Right shares

No. of right shares issued = (20,000 + 5,000 + 5,000)/ 3 = 10,000 shares

No. of right shares subscribed = 10,000 x 50% = 5,000 shares

Amount of right shares issued = 5,000 x 15 = ₹ 75,000

No. of right shares sold = 10,000 – 5,000 = 5,000 shares

Sale of right shares = 5,000 x 1.5 = ₹7,500 to be credited to statement of profit and loss

2. Cost of shares sold — Amount paid for 35,000 shares

	₹
(₹3,20,000 + ₹70,000 + ₹75,000)	4,65,000
Less: Dividend on shares purchased on June 1 (since the dividend pertains to the year ended 31st March, 20x1, i.e., the pre-acquisition period)	(7,500)

Cost of 35,000 shares	4,57,500
Cost of 20,000 shares (Average cost basis)	2,61,429
Sale proceeds	2,60,000
Loss on sale	1,429

3. Value of investment at the end of the year

Assuming investment as current investment, closing balance will be valued based on lower of cost or net realisable value.

Here, Net realisable value is ₹14 per share i.e. 15,000 shares x ₹ 13= ₹ 2,10,000 and cost = 4,57,500 X 15,000 / 35,000 =1,96,071. Therefore, value of investment at the end of the year will be ₹1,96,071.

Question – 5. **(ICAI Module)**

The following transactions of Nidhi took place during the year ended 31st March 20X2:

1st April	*Purchased ₹ 12,00,000, 8% bonds at ₹ 80.50 cum-interest. Interest is payable on 1st November and 1st May.*
12th April	*Purchased 1,00,000 equity shares of ₹ 10 each in X Ltd. for ₹ 40,00,000*
1st May	*Received half-year's interest on 8% bonds.*
15th May	*X Ltd. made a bonus issue of three equity shares for every two held. Nidhi sold 1,25,000 bonus shares for ₹ 20 each.*
1st October	*Sold ₹ 3,00,000, 8% bonds at ₹ 81 ex-interest.*
1st November	*Received half-year's bond interest.*
1st December	*Received 18% interim dividend on equity shares (including bonus shares) in X Ltd.*

Prepare the relevant investment account in the books of Nidhi for the year ended 31st March, 20X2.

Solution:

In the books of Nidhi 8% Bonds Account
[Interest Payable: 1st November & 1st May]

Date	*Particulars*	*Nominal Value (₹)*	*Interest (₹)*	*Cost (₹)*	*Date*	*Particulars*	*Nominal Value (₹)*	*Interest (₹)*	*Cost (₹)*
1.4.20X1	To Bank A/c (W.N.1)	12,00,000	40,000	9,26,000	1.5.20X1	By Bank A/c (12,00,000 x 8% x 6/12)	-	48,000	-
1.10.20X1	To Profit & Loss A/c (W.N 6)			11,500	1.10.20X1	By Bank A/c (W.N 2)	3,00,000	10,000	2,43,000
31.3.20X2	To Profit & Loss A/c		84,000		1.11.20X1	By Bank A/c (W.N 3)		36,000	
					31.3.20X2	By Balance c/d (W.N.4)	9,00,000	30,000	6,94,500
		12,00,000	1,24,000	9,37,500			12,00,000	1,24,000	9,37,500

Investment in Equity Shares of X Ltd. Account

Date	*Particulars*	*No.*	*Dividend (₹)*	*Cost (₹)*	*Date*	*Particulars*	*No.*	*Dividend (₹)*	*Cost (₹)*
12.4.20X1	To Bank A/c	1,00,000		40,00,000	15.5.20X1	By Bank A/c	1,25,000		25,00,000
15.5.20X1	To Bonus Issue	1,50,000			1.12.20X1	By Bank A/c (W.N.7)		2,25,000	
31.3.20X2	To Profit & Loss A/c (W.N 5)		2,25,000	5,00,000	31.3.20X2	By Balance c/d (W.N.8)	1,25,000		20,00,000
		2,50,000	2,25,000	45,00,000			2,50,000	2,25,000	45,00,000

Working Notes:

1. Cost of investment purchased on 1^{st} April, 20X1
 12,000, 8% bonds were purchased @ ₹ 80.50 cum-interest. Total amount paid 12,000 bonds x ₹ 80.50 = 9,66,000 which includes accrued interest for 5 months, i.e., 1^{st} November, 20XX to 31^{st}March, 20X1. Accrued interest will be ₹ 12,00,000 x 8/100x 5/12 = ₹ 40,000. Therefore, cost of investment purchased
 = ₹ 9,66,000 – 40,000 = ₹ 9,26,000.
 Note: It has been assumed that the nominal value of a bond is ₹100.
2. Sale of bonds on 1^{st} October, 20X1
 3,000 bonds were sold@ ₹81 ex-interest, i.e., Total amount received = 3,000 x 81 + accrued interest for 5 months = ₹2,43,000 + ₹ 10,000 (3,00,000 x 8/100 x 5/12)
3. Interest received on 1^{st} November, 20X1
 Interest will be received for 9,000 bonds @ 8% for 6 months, i.e., ₹ 9,00,000 x 8/100x1/2 = ₹36,000.
4. Cost of bonds on 31.3.20X1
 Cost of bonds on 31.3.20X1 will be ₹ 9,26,000/ 12,000 x 9,000 = ₹ 6,94,500.
 Interest accrued on bonds on 31.3.20X1 = 9,00,000 x 8% x 5/12 = ₹30,000
5. Profit on sale of bonus shares
 Cost per share after bonus =₹ 40,00,000/2,50,000 = ₹16 (average cost method being followed)
 Profit per share sold (₹20 – ₹ 16) = ₹4.
 Therefore, total profit on sale of 1,25,000 shares = ₹ 4 x 1,25,000 = ₹5,00,000.
6. Profit on sale of bonds

Sale value	2,43,000
Cost of ₹ 3,00,0008% bonds = 9,26,000/12,00,000 x 3,00,000	2,31,500
Profit	11,500

7. Dividend on equity shares = 1,25,000 x 10 x 18% = ₹2,25,000
8. Value of equity at end of year Cost per share after bonus = ₹16
 Number of shares = 1,25,000
 Value of equity at end of year = 1,25,000 x 16 = ₹20,00,000

Question – 6. (ICAI Module)
Smart Investments made the following investments in the year 20X1-X2:
12% State Government Bonds having nominal value ₹100

Date	*Particulars*
01.04.20X1	*Opening Balance (1200 bonds) book value of ₹ 126,000*
02.05.20X1	*Purchased 2,000 bonds @ ₹ 100 cum interest*
30.09.20X1	*Sold 1,500 bonds at ₹ 105 ex interest*

Interest on the bonds is received on 30^{th} June and 31^{st} Dec. each year.

15.04.20X1	*Purchased 5,000 equity shares @ ₹ 200 on cum right basis Brokerage of 1% was paid in addition (Nominal Value of shares ₹ 10)*
03.06.20X1	*The company announced a bonus issue of 2 shares for every 5 shares held*
16.08.20X1	*The company made a rights issue of 1 share for every 7 shares held at ₹ 250 per share.* *The entire money was payable by 31.08.20X1.*
22.8.20X1	*Rights to the extent of 20% was sold @ ₹ 60. The remaining rights were*

	subscribed.
02.09.20X1	*Dividend @ 15% for the year ended 31.03.20X1 was received on 16.09.20X1*
15.12.20X1	*Sold 3,000 shares @ ₹ 300. Brokerage of 1% was incurred extra.*
15.01.20X2	*Received interim dividend @ 10% for the year 20X1 –X2*
31.03.20X2	*The shares were quoted in the stock exchange @ ₹ 220*

Prepare Investment Accounts in the books of Smart Investments. Assume that the average cost method is followed.

SOLUTION:

In the books of Smart Investments

12% Govt. Bonds for the year ended 31st March, 20X2

Date	Particulars	Nos.	Interest	Amount	Date	Particulars	Nos.	Interest	Amount
1.4.X1	To Opening balance b/d (W.N.7)	1,200	3,600	1,26,000	30.6.X1	By Bank A/c (Interest) (3,200 x 100 x 12% x6/12)	-	19,200	-
2.5.X1	To Bank A/c (W.N.8)	2,000	8,000	1,92,000	30.9.X1	By Bank A/c (W.N.1 &W.N.9)	1,500	4,500	1,57,500
30.9.X1	To P & L A/c (Profit on Sale) (W.N.1)			8,437.50	31.12.X1	By Bank A/c (Interest) (1,700 x 100x12%x6/12)	-	10,200	-
31.3.X2	To P & L A/c (Interest)		27,400		31.3.X2	By Bal. c/d (W.N.2& W.N.10)	1,700	5,100	1,68,937.50
		3,200	39,000	3,26,437.50			3,200	39,000	3,26,437.50

Investments in Equity shares of X Ltd. for year ended 31.3.20X2

Date	Particulars	Nos.	Dividend	Amount	Date	Particulars	Nos.	Dividend	Amount
15.4.X1	To Ban A/c (W.N.3)	5,000		10,10,000	16.9.X1	By Bank (Dividend) (5,000 x 10 X 15%) (refer note 1 and 2)	-	-	7,500
3.6.X1	To Bonus Issue	2,000	-	-		By Bank (Sale) (W.N.4)	3,000	-	8,91,000
31.8.X1	To Bank A/c (W.N.11)	800		2,00,000	15.12.X1	By Bank (interim dividend)(W.N.12)		4,800	
15.12.X1	To P & L A/c (W.N.5)			4,28,500	15.1.X2	By Bal. c/d (W.N.6)	4,800		7,40,000
31.3.X2	To P & L A/c		4,800		31.3.X2				
		7800	4,800	16,38,500			7800	4,800	16,38,500

Working Notes:

1. Profit on sale of bonds on 30.9.X1

= Sales proceeds – Average cost

Sales proceeds= ₹1,57,500 (i.e., 1,500 x 105)

Average cost= ₹ [(1,26,000+1,92,000) x1,500/3,200] = 1,49,062.50

Profit= 1,57,500– ₹1,49,062.50= ₹ 8,437.50

2. Valuation of bonds on 31st March, 20X2

Cost= ₹3,18,000/3,200 x1,700 = 1,68,937.50

3. Cost of equity shares purchased on 15/4/20X1

= Cost + Brokerage

= (5,000 X ₹ 200) + 1% of (5,000 X ₹200) =₹ 10,10,000

4. Sale proceeds of equity shares on 15/12/20X1

= Sale price – Brokerage

= (3,000 X ₹300) – 1% of (3,000 X ₹300) =₹ 8,91,000.

5. Profit on sale of shares on 15/12/20X1

= Sales proceeds – Average cost

Sales proceeds= ₹8,91,000

Average cost= ₹[(10,10,000+2,00,000-7,500) X 3,000/7,800]

= ₹ [12,02,500 X 3,000/7,800] = 4,62,500

Profit = ₹8,91,000 – ₹4,62,500=₹4,28,500.

6. Valuation of equity shares on 31st March, 20X2

Cost= ₹[12,02,500 X 4,800/7,800]= ₹7,40,000

Market Value= 4,800 shares × ₹220 = ₹10,56,000

Closing stock of equity shares has been valued at ₹ 7,40,000 i.e. cost being lower than the market value.

7. Interest accrued on opening balance of bonds

= 1,200 x 100 x 12% x 3/12= ₹3,600

8. Interest element in bonds purchased on 02.05.20X1

= 2,000 x 100 x 12% x 4/12 = ₹8,000

Cost of investment (amount in investment column)

= (2,000 x 100) – 8,000 = ₹1,92,000

9. Interest element in bonds sold on 30.09.20X1

= 1,500 x 100 x 12% x 3/12 = ₹4,500

10. Interest accrued on closing balance of bonds

= 1,700 x 100 x 12% x 3/12 = ₹5,100

11. Right shares

No. of right shares issued= (5,000 + 2,000) x 1/7 = 1,000 shares

No. of right shares sold= 1,000 x 20% = 200 shares

Proceeds from sale of right shares= 200 x 60 = ₹12,000 to be credited to statement of profit and loss

No. of right shares subscribed = 1,000 – 200 = 800 shares

12. Amount of interim dividend

= (5,000 + 2,000 + 800 – 3,000) x 10 x 10%= ₹ 4,800

Note:

1. It is presumed that no dividend is received on bonus shares as bonus shares are declared on 3.6.20X1 and dividend pertains to the year ended 31.03.20X1.
2. The amount of dividend for the period, for which shares were not held by the investor, has been treated as capital receipt.

Question – 7.

A Pvt. Ltd. follows the calendar year for accounting purposes. The company purchased 5,000 (nos.) 13.5% Convertible Debentures of Face Value of ₹100 each of P Ltd. on 1st May 2018 @ ₹105 on cum interest basis. The interest on these instruments is payable on 31st March & 30th September respectively. On August 1st 2018 the company again purchased 2,500 of such debentures @ ₹102.50 each on cum interest basis. On 1st October, 2018 the company sold 2,000 Debentures @ ₹103 each. On 31st December, 2018 the company received 10,000 equity shares of ₹10 each in P Ltd. on conversion of 20% of its holdings. Interest for 3 months on converted debentures was also received on 31.12.2018. The market value of the debentures and equity shares as at the close of the year were ₹106 and ₹9 respectively. Prepare the Debenture Investment Account & Equity Shares Investment Account in the books of A Pvt. Ltd. for the year 2018 on

Average Cost Basis.

Solution:

Books of A Pvt. Ltd.

Investment in 13.5% Convertible Debentures in P Ltd. Account

(Interest payable 31st March & 30th September)

Date	*Particulars*	*Nominal*	*Interest*	*Amount*	*Date*	*Particulars*	*Nominal*	*Interest*	*Amount*
		₹	₹	₹			₹	₹	₹
2018					2018				
May 1	To Bank	5,00,000	5,625	5,19,375	Sept. 30	By Bank (6 months Int)		50,625	
Aug.1	To Bank	2,50,000	11,250	2,45,000	Oct.1	By Bank	2,00,000		2,06,000
Oct.1	To P&L A/c			2,167					
Dec. 31	To P&L A/c		52,313		Dec. 31	By Equity share	1,10,000		1,12,108
					Dec. 31	By Bank (See note1)		3,713	
					Dec. 31	By Balance c/d	4,40,000	14,850	4,48,434
		7,50,000	69,188	7,66,542			7,50,000	69,188	7,66,542

Note 1: ₹3,713 received on 31.12.2018 represents interest on the debentures converted till date of conversion.

Note 2: Cost being lower than Market Value the debentures are carried forward at Cost.

Investment in Equity shares in P Ltd. Account

Date	*Particulars*	*Nominal*	*Amount*	*Date*	*Particulars*	*Nominal*	*Amount*
		₹	₹			₹	₹
2018				2018			
Dec 31	To 13.5% Deb.	1,00,000	1,12,108	Dec.31	By P&L A/c		22,108
				Dec.31	By Bal. c/d	1,00,000	90,000
		1,00,000	1,12,108			1,00,000	1,12,108

Note 1: Cost being higher than Market Value the shares are carried forward at Market Value.

Working Notes:

1. Interest paid on ₹5,00,000 purchased on May 1st, 2018 for the month of April 2018, as part of purchase price: 5,00,000 x 13.5% x 1/12 = ₹5,625
2. Interest received on 30th Sept. 2018

   On ₹5,00,000 = 5,00,000 x 13.5% x ½ = 33,750
   On ₹2,50,000 = 2,50,000 x 13.5% x ½ = 16,875
   Total **₹50,625**

3. Interest paid on ₹ 2,50,000 purchased on Aug. 1st 2018 for April 2018 to July 2018 as part of purchase price: 2,50,000 x 13.5% x 4/12 = ₹11,250

4. Loss on Sale of Debentures

   Cost of acquisition

(₹5,19,375 + ₹2,45,000) x ₹2,00,000/₹7,50,000 = 2,03,833
Less: Sale Price (2,000 x 103) = 2,06,000
Profit on sale = ₹2,167

5. Interest on 1,100 Debentures (being those converted) for 3 months i.e. Oct-Dec. 2018
1,10,000 x 13.5% x 3/12 = ₹3,713
6. Cost of Debentures converted to Equity Shares
(₹5,19,375 + ₹2,45,000) x 1,10,000/7,50,000= ₹1,12,108
7. Cost of Balance Debentures
(₹5,19,375 + ₹2,45,000) x ₹4,40,000/₹7,50,000 = ₹4,48,434
8. Interest on Closing Debentures for period Oct.- Dec. 2018 carried forward (accrued interest)
₹4,40,000 x 13.5% x 3/12 = ₹14,850

Student Notes:-