

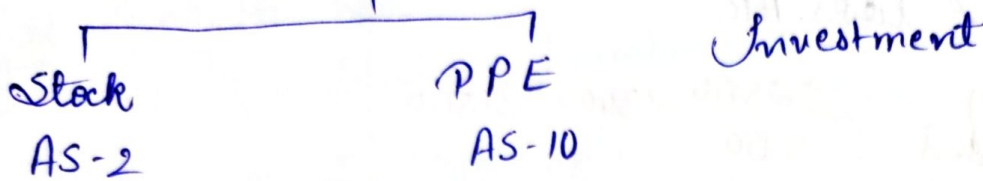
AS-13 - Accounting for Investment

@SHUBHAM JAIN
Join our telegram group
-https://t.me/CAINTERBYSHU

Assets for business operations

Yes

No



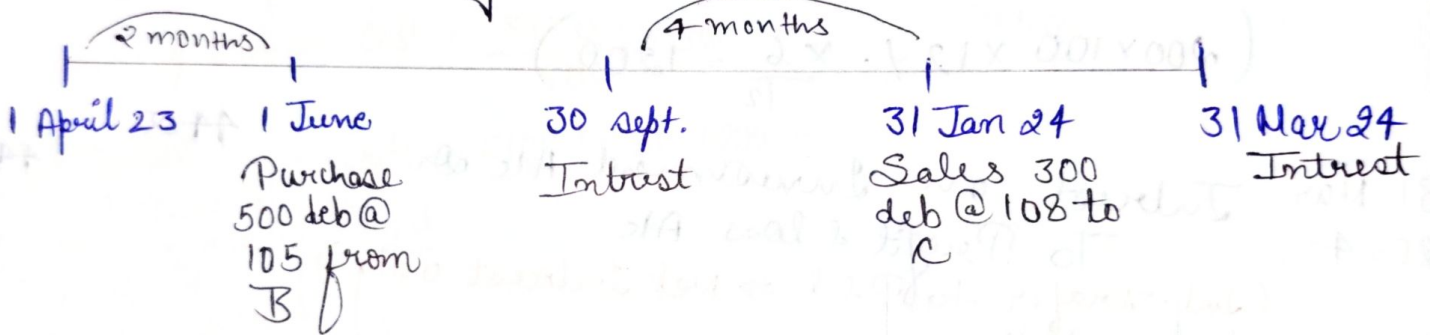
ITR-1:

Interest calculate always on face value.
→ From last Int. date to transaction date.

① Fixed Income Bearing Securities (deb, Bonds etc)

Case-I (Excluding Interest)

Investment in 12% deb of X Ltd.
In the books of papatal



Date	Particular	lf	dr.	Cr.
1-June 2023	Int. in 12% deb of X Ltd. A/c dr. Int. on Investment A/c dr. To Bank A/c.		52500 1000	53500
	($500 \times 105 = 52500$ / $500 \times 100 \times \frac{2}{12} \times 12\%$) • He give Int. of 2 months to B becuz he received 6 months int from X Ltd but he actually entitled of 4 months)			
30-Sep 2023	Bank A/c dr. To Int. on Investment A/c ($500 \times 100 \times 12\% \times \frac{6}{12}$)		3000	3000
31-Jan 2024	Bank A/c dr. To Int in 12% deb of X Ltd A/c To Int on Investment A/c ($300 \times 108 = 32400$ / $300 \times 100 \times \frac{4}{12} \times 12\%$)		33600	32400 1200

(he hold 300 shares for 4 months
So, he entitled to take interest from
C because he will be received 6 months
Int. by company)

31-Jan 2024 Interest in 12% deb of X lhd A/c dr
To Profit & loss A/c

900
900

Working Note -
Cost of Investment = $\frac{52500}{500} \times 300 = 31500$
Sales = $300 \times 108 = 32400$
Profit = 900

31-Mar 2024 Bank A/c dr
To Interest on Investment A/c

1200
1200

($200 \times 100 \times 12\% \times \frac{6}{12} = 1200$)

31-Mar 2024 Interest on Investment A/c dr
To Profit & loss A/c

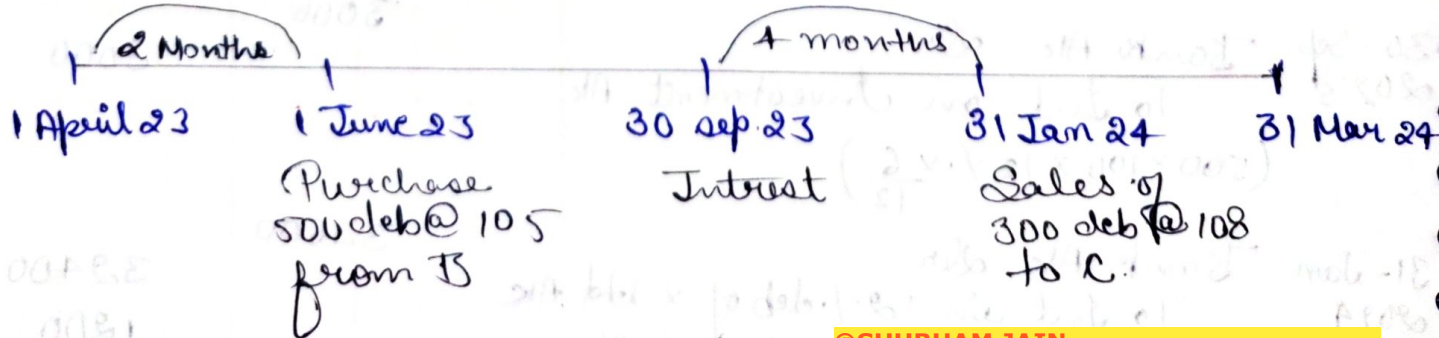
1400
1400

(Int. transfer to P&L \Rightarrow Net Interest only)
Working Note -

(1000) Hire to B of 500 deb.
3000 Received from Company 500 deb
1200 Received from C of 300 deb
1200 Received from company of 200 deb

Case - II (Cum-Interest - Including)

Means the money received or pay for deb are included the interest on it



1-June 2023	Investment in 12% deb of X Ltd A/c dr Interest on Investment A/c dr To Bank A/c (500 x 105)	51500 1000	52500
	($500 \times 100 \times \frac{2}{12} \times 12\% = 1000$ give to B)	3000	
30-Sep 2023	Bank A/c dr To Interest on Investment A/c	3000	3000
		32400	
31-Jan 2024	Bank A/c dr (300 x 108) To Investment in 12% deb of X Ltd (Balancing figure) To Interest on Investment A/c	31200 1200	31200
	($300 \times 100 \times \frac{4}{12} \times 12\% = 1200$ received from C)	300	
31-Jan 2024	Investment in 12% deb of X Ltd A/c dr To Profit & loss A/c	300	300
	working Notes - Cost = $\frac{51500}{500} \times 300 = 30900$		
	• ITR-2		
	Profit / loss is not the value at which Inv. Sales in this Int. also include So, find Cost of Investment		
	Sale = $(300 \times 108) - 1200 =$	31200	
	Profit = <u>300</u>		
		1200	
31-Mar 2024	Bank A/c dr To Interest of Investment ($200 \times 100 \times 12\% \times \frac{6}{12}$)	1200	1200
31-Mar 2024	Interest on Investment A/c dr To Profit & loss A/c (Net Int transfer to P&L A/c)	4400	4400
	$1200 + 1200 + 3000 - 1000 = 4400$		

Case III - (Brokerage Charge + Excluding Interest)

- Brokerage = 50P / Per debenture
- Brokerage is an cost of Investment to acquire it
- **TTR-6:** when the Sale of Investment always calculate P&L.

@SHUBHAM JAIN

Join our telegram group - <https://t.me/CAINTERBYSHU>

1-June 2023	Investment in 12% debentures of X Ltd dr Interest on Investment A/c dr To Bank A/c	52750 1000		53750
	(500 x 0.50 Rupees = 250 / 52500 + 250 = 52750)			
30-Sep 2023	Bank A/c dr To Interest on Investment	3000		3000
31-Jan 2024	Bank A/c dr To Investment in 12% deb of X Ltd dr To Interest on Investment A/c	33450		32250 1200
	(300 x 0.50 = 150 / 32400 - 150 = 32250)			
	TTR-4: Sales of Investment → less brokerage)			
31-Jan 2024	Investment in 12% deb of X Ltd A/c dr To Profit & loss A/c	600		600
	Working Notes - Cost = $\frac{52750}{500} \times 300 = 31650$			
	Sales = 32400 - 150 = 32250			
	<u>Profit</u> = <u>600</u>			
31-Mar 2024	Bank A/c dr To Interest on Investment A/c	1200		1200
31-Mar 2024	Interest on Investment A/c dr To Profit & loss A/c	4400		4400

→ Investment A/c of Case III

@SHUBHAM JAIN

Join our telegram group - <https://t.me/CAINTERBYSHU>

Investment in 12.1. of Deb. of X Ltd.

Date	Particular	Nominal	Interest	Amount	Date	Particular	Nominal	Interest	Amount
1-6	To Bank A/c	50000 (5000/100)	1000	52750	30-9	by Bank A/c		3000	
31-1	To P&L A/c (Profit on Sales)		600		31-1	by Bank A/c	30000	1200	32250
31-3	To P&L A/c (Transfer of Interest)		1400		31-3	by Bank A/c		1200	
					31-3	by bal c/d	20000		21100
		50000	5400	53350			50000	5400	53350

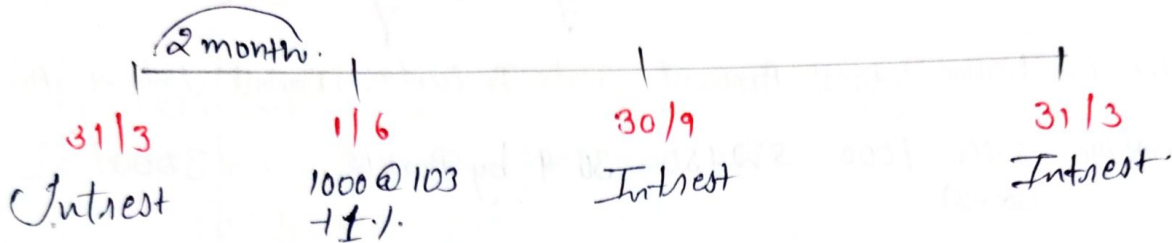
T.T.R. - 7 :

- Excluding Interest = Rate of Purchase/Sales X Nos
are write in front of Investment A/c
- Curr - Interest = Same Put in front of Cash A/c
then find B/figure of Investment
- For calculating Company Interest - that day of Int. receive
how much net debenture
you hold, one which
Interest calculate.
- On Current Investment → while closing Investment A/c
check the Cost or N.R.V
which ever is lower.
- If Question Give Market Value → So, without intimation by question
you considered as Current Inv.

① Ex Interest + Brokerage.

1/6 Purchase 1000 deb @ 103 ex - Interest
 Brokerage @ 1%. $FV = 100$ Interest = 12%.

Int dates - 30/9
 31/3.



W.N

$$\text{Interest} = 1000 \times 100 \times 12\% \times \frac{2}{12} = 2000$$

$$\begin{array}{r} \text{Cost of Investment} = 1000 \times 103 = 103000 \\ \text{Add} = 1\% \text{ Brokerage of T. Value} = 1030 \\ \hline 104030 \end{array}$$

Investment A/c Dr 104030
 Interest A/c Dr 2000
 To Bank A/c 106030

@SHUBHAM JAIN
 Join our telegram group
<https://t.me/CAINTERBYSHU>

② Cum Interest + Brokerage.

1/6 Purchase 1000 deb @ 103 Cum - Interest
 Brokerage @ 1%. $FV = 100$ Interest = 12%.

W.N -

$$\text{Interest} = 1000 \times 100 \times 12\% \times \frac{2}{12} = 2000$$

$$\text{Cost} = 1000 \times 103 = 103000$$

$$\text{Less - Interest} = 2000$$

$$\text{Ex Int. amt.} = 101000$$

$$+ 1\% \text{ of } 103000 = 1030$$

$$\hline 102030$$

TTR:

- Question में Brokerage का कुछ नहीं बोला।
 तो Cum Int के Amt पर लाना है।
 means calculate it!

TTR
 Imp

③ Cum Interest + Brokerage but brokerage on Ex Interest

1/6 Purchase 1000 deb @ 103 Cum-Interest
Brokerage @ 1%. FU=100 Interest 12%
on Ex. Amt

WN

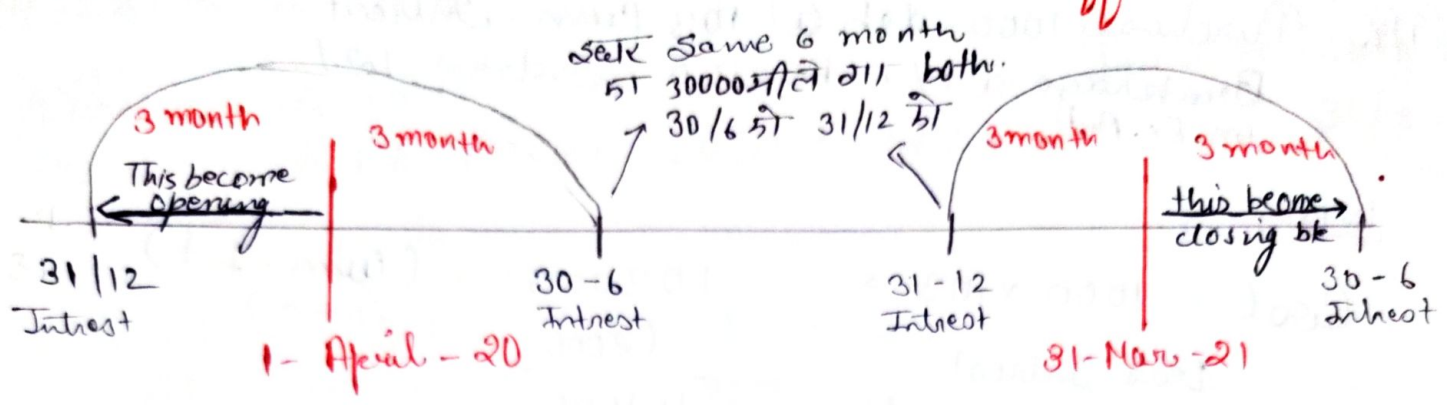
Cost = 1000 x 103 =	103000	(Cum-Int)
Less Interest	<u>(2000)</u>	
Ex. Interest Amt =	101000	
Add - Brokerage 1% on	1010	
Ex Int. Amt	<u>102010</u>	Final cost of Pur/sales.

@SHUBHAM JAIN

Join our telegram group

-<https://t.me/CAINTERBYSHU>

When Interest date & F.V date are different -



Ex = 6 month Interest is 30000
 So, 3 month 51 15000 51
 31/12 से 1/4 तक 51 51
 51 become opening
 So, 3 month 51 15000 51
 31/Mar से 30-6 51 51
 51 बन गया closing

Refer - Q4
 Page - 7.9
 Nitien hoel book.

FIFO

$$\frac{\text{Cost of Investment}}{\text{Nominal Value}} \times \text{Nominal Value of Sale} = \text{Cost of Sales} \quad \begin{matrix} \times \times \times \\ \times \times \times \end{matrix}$$

$$(\text{Less}) = \text{Sales price (ex. Int \& After Brokerage)}$$

Profit

Weighted Avg. Method

Refer Q-6.
 P.g - 7.10
 Nitien Sin book.

TTR: If Ques. is silent use any method by giving your assumption.

Note: If transaction date & Company Interest date are same

TTR

Ex 30-9 → Purchase
30-9 → Interest date

So, first record transaction then Interest to be recorded.

(शुद्ध खरीद)
(शाम की company में दी)

hold / Silver

generally purchase with a intention to hold for long term period → **untill / unless given otherwise.**

@SHUBHAM JAIN

Join our telegram group - <https://t.me/CAINTERBYSHU>

2. Variable Income Bearing Securities (dividend etc)

@SHUBHAM JAIN

Join our telegram group - <https://t.me/CAINTERBYSHU>

① Original Shares -

Investor A

Company x Ltd.

No. of Share = 100000
 Face Value = 10
 Issue Price = 20

→ Investment in equity share of x Ltd A/c Dr
 To Bank A/c

→ Bank A/c Cr
 To Eq. Share Cap. A/c
 To Security Prem. A/c

② Bonus Share -

Share issued free of cost
 Original Share 100000
 Bonus Share 1 for every 2
 Bonus Share = $100000 \times \frac{1}{2} = 50000$ share

Investor A

Company x Ltd

→ No Entry in book. Only no. of share will increase which reduce cost per share.

→ Res. & surplus A/c Dr
 To Eq. Share Capital

	No. of Share	Cost/Amt
To Bank	100000	2000000
To Bonus Issue	50000	-

Investment A/c

So, Per Share = $\frac{2000000}{150000} = 13.33$
 cost

Hence → 20 to 13.33 means Share cost reduce.

Refer - Q7 Pg. 10

* P&L on Sale - Always use weighted Avg Method unless question specifies otherwise

* Stamp duty - paid by person who purchase, Not by the person who sales.

* Brokerage - Applicable on both Sales/Purchase transaction.

I.T.R.
 1:2
 means 1 for every 2

③ **Right Share** - Offer given to existing shareholder to purchase share at concessional rate

(i) Shareholder can subscribe share
or

(ii) Sell to outsider their Right

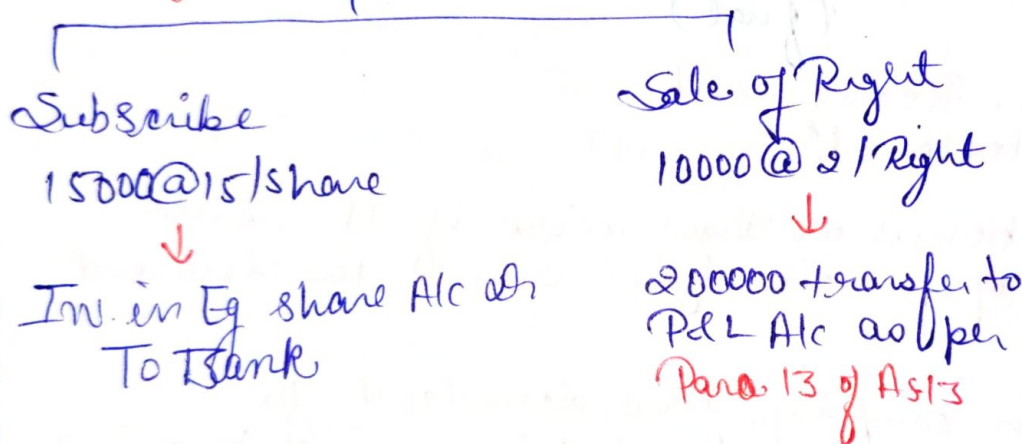
Ex - Original shares = 100000
Right Issue - 1 for every 4 @ 15 / share
Right Share = $100000 \times \frac{1}{4} = 25000$ shares

X Ltd.

Investor A

Right Entitlement = 25000

Bank A/c Dr 25000 x 15
To Eq. Capital 25000 x 10
To S.P.R A/c 25000 x 5



Refer - Q9 Pg. no - 7.10

@SHUBHAM JAIN
Join our telegram group - <https://t.me/CAINTERBYSHU>

T.T.R - Since Right issue is issued by company directly
So, No Brokerage charged against them.

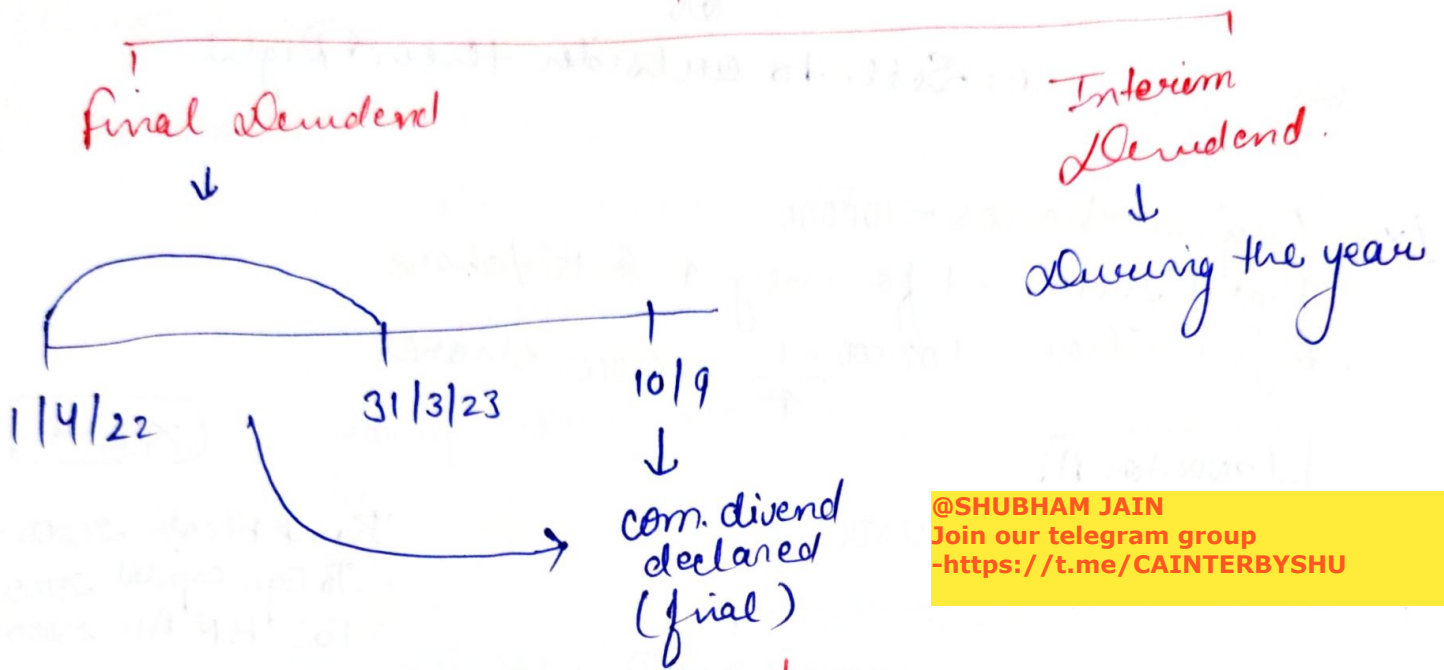
T.T.R - If Right & Bonus issued on same date
& holding then, both calculation on
holding before Right & Bonus issued.

Ex = 1 June holding - 4000
Bonus $\frac{1}{4} \times 4000 = 1000$
Right $\frac{1}{8} \times 4000 = 500$

Refer - Q11
Pg - 7.11

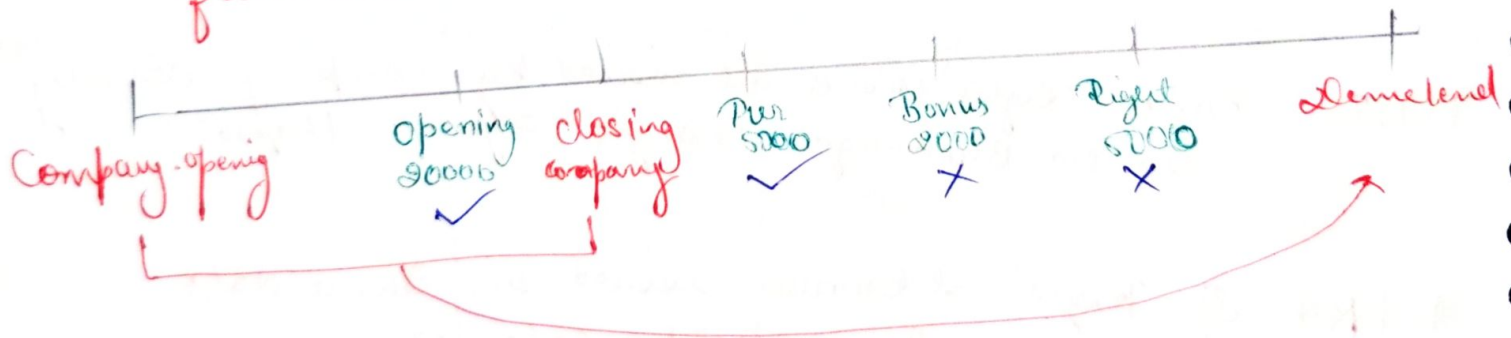
Bonus & RTA holding 5000 ही गिनाई but calculation on
Right धम पुराना 1 June की holding (4000) not after bonus का

Dividend - Distribution of profit by Company to shareholder.



@SHUBHAM JAIN
Join our telegram group
-<https://t.me/CAINTERBYSHU>

- Dividend to be Recognised when its is declared
- No dividend on bonus or Right issue if it issues after the end of financial year which the dividend declared
- the date when company give dividend to share holder which issued before and buy from market



open \rightarrow 20000
 \downarrow
Post acquisition
 $= (20000 \times 10) \times 15\%$
 $= 30000$
Transfer to P&L

Pur - 5000
Price acquisition
 $= (5000 \times 10) \times 15\%$
 $= 7500$
Reduce cost of Investment
 \Rightarrow Bank A/c \rightarrow To Investment A/c

Post Acquisition - Shares शुरू से आपके पास थे और Dividend पर आपका एक है। जिस साल का Dividend हो उस साल में VO आपके पास थे

Pre-Acquisition - Share जिस साल का Dividend है उस साल में नहीं था पर बाक में आये और जिस दिन Dividend allow किया उस time उसने hold कर रखे हैं पर उससे एक मिसी और का है



Share + dividend

काग कर लेने

(He know बाक में dividend

B को मिल जायेगा)

Original cost of Investment होगी
Investment - dividend

So, Bank already To Investment

It reduces Value.

• Bonus/Right पर इसका नहीं दिया → Company know we issue share this year. and we get dividend of P.Y So, Dividend on this share not receive this year.

• Purchas 5000 में VO already compy ने issue कर रखे थे तो hold को भी करे company को तो यही मता है की जिस साल का Dividend है उस time पर VO issue हो रखे थे तो 5000 पर Dividend मिलेगा (Refer Pre acquisition concept)

On 1st January 2021, Singh had 20,000 equity shares in X Ltd. Face value of the shares was ₹ 10 each but their book value was ₹ 16 per share. On 1st June 2021, Singh purchased 5,000 more equity shares in the company at a premium of ₹ 4 per share.

On 30th June, 2021, 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, 2021. The terms of the rights issue were:

- Rights shares to be issued to the existing holders on 10th August, 2021.
- 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, 2021.
- Existing shareholders may, to the extent of their entitlement, either wholly in part, transfer their rights to outsiders.
- 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.
- Dividends for the year ended 31st March, 2021, at the rate of 15% were declared by the Company and received by Singh on 20th October, 2021.
- On 1st November, 2021, Singh sold 20,000 equity shares at a premium of ₹ 3 per share. The market price of share on 31-12-2021 was ₹ 13. Show the Investment Account as it would appear in Singh's books on 31-12-2021 and the value of shares held on that date.

Date	Particular	No.	Dividend	Amount	Date	Particular	No.	Dividend	Amount
1/1	Total bld	20000		320000	30/10	by Bank A/c	→	30000	7500
1/6	To Bank	5000		70000	1/11	by Bank A/c (20000 × 13)	20000		260000
2/8	To Bonus Issue (25000 × 1/5)	5000		75000	1/11	By P & L A/c (Loss on Sale)			1429
30/9	To Bank (Right issue)	5000	30000		31/12	by P & L A/c (Loss due to M.V.)			1071
31/12	To P & L A/c (Transfer)				31/12	by bal c/d	15000		195000
		=	=	=			=	=	=

P & L on Sal

$$\text{Cost} = \frac{320000 + 70000 + 75000 - 7500}{20000 + 5000 + 5000 + 5000} \times 20000 = \frac{457500}{35000} \times 20000 = 261429$$

Sale =

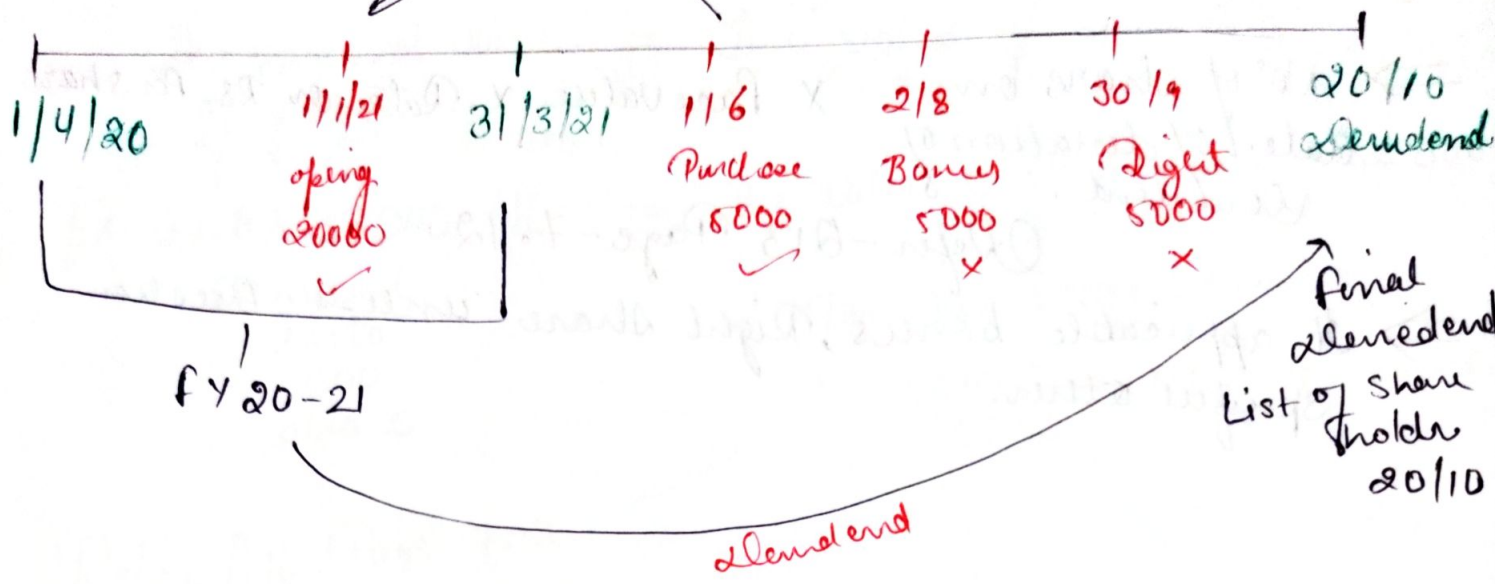
$$\text{Loss} = \frac{260000}{1429}$$

Rights issue = $30000 \times \frac{1}{3} = 10000$ share

50%
10000 × 50% = 5000
@15

50%
5000 × 1.50 = 7500
(Transfer to P & L A/c as per Para 13 of AS 13)

Company में नई शेयर जारी करने के लिए



20000 share

$$= 20000 \times 10 \times 15\%$$

$$= 30000$$

Post acquisition
(P&L में)

Bank A/c Dr 30000
To dividend 30000

Dividend 30000
To P&L A/c 30000

5000 share

$$= (5000 \times 10) \times 15\%$$

$$= 7500$$

Price Acquisition
(Reduce Investment)

Bank A/c Dr 7500
To Investment A/c 7500

Working 3 -

Bal fig = 196071

M.V = 195000 ✓

Loss = 1071

② Interim Dividend

⇒ No. of share on date of declaration of dividend. \times face value \times Rate or Rs. Per share

Refer - Q13 Page - 7.12

⇒ It applicable bonus, Right share unless Question specifies other.

@SHUBHAM JAIN

Join our telegram group -<https://t.me/CAINTERBYSHU>

→ Convertible Debentures into share holder.

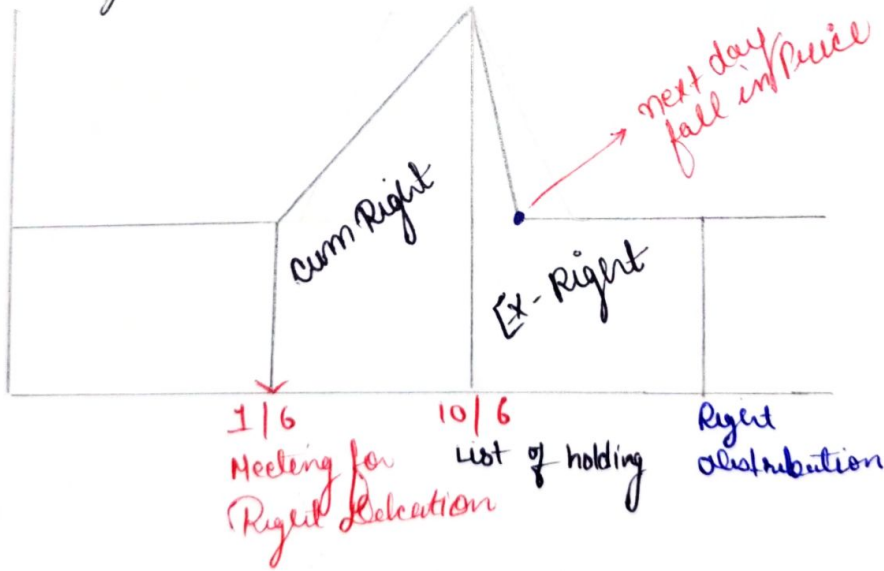
The nominal value of Debenture which convert's **cost** = The value of shares **(cost)**

Ex - **Cost** = Rs 55000 deb. = The value of 5000 share = 55000
 convert into 5000 share
 Per share value become $\frac{55000}{5000} = 11 \text{ Rs / Per share}$

Refer Q16. Page. 7.13

T.T.R - जैसे हम Sale करते हैं वैसे ही deb. पर Last Int. date to transaction date 75 % Int. मिलता है तो 10 मिलेगा।
 (Same as sales)

⇒ Cum-Right Purchase: Exception to Para 13 of AS 13.



Ex - Cum-Right Price of share - 12000 [महंगा खरीदा]
 Ex-Right Price of share - 10000

So, Sale of Right upto 2000 → Cr in Investment A/c
 Remaining amt after this → + transfer to P&L (As per para 13 of AS 13)

किन्ना महेगा खदीय = 2000

Case 1 -

Right Sale = 3000

upto 2000
Cr in Investment
(Reduce Investment)

Remaining 1000
+ transfer to P&L
As per Para 13 of As 13.

Right Sale = 1500

upto 2000
means 1500 in
Cr. in Investment
(Reduce 1500)

Remaining 0

Refer D-18 Pg-7.14
D-17 Pg-7.13

@SHUBHAM JAIN

Join our telegram group - <https://t.me/CAINTERBYSHU>

Reclassification of Investment

Current to long → Lower of

Record loss

Cost & Fair Value
[at the date of transfer]

Long term to Current → Lower of

Cost & Book Value
(Carrying Amt)
[at the date of transfer]

→ No loss
Record.

TTR - Reduce to 5000
means 3rd 5000 value etc
Reduce by 5000
means 5000 etc etc etc
Ex: $10000 - 5000 = 5000$

@SHUBHAM JAIN

Join our telegram group - <https://t.me/CAINTERBYSHU>