AS 13 - Accounting for Investments (5-10 marks)

① Forms of Investment

Fixed Income (Interest Income)	Dividends	Rentals	Capital Appreciation
• Fixed Deposits	• Eq shares	• Property	• Land / Property
• Debentures	• Preference shares		• Gold
• Bonds			• Silver
			• Shares, Deb, Bonds etc.

Note:

Investments are assets held by an enterprise for earning income by way of Interest, dividends, rentals or capital appreciation.

2] Scope

This standard does not deal with

(a) The basis of recognition of interest, dividends, rentals earned on investments (covered by AS 9)

(b) Operating or finance lease (AS 19)

(c) Investments on retirement benefits plans (AS 15)

(d) Invst in life Insurance companies

(e) Mutual funds, venture capital funds & asset mngt. companies like banks, financial institutions etc.

3] Classification of Investments

Current Investment (Temporary Invst)

Held for less than 12 months

Measured at :

Cost 100

OR

Market value 80

(whichever is lower)

Any decrease will be recorded in PIL

PIL 20

To Invst 20

Long term Investment

Other than current Invst.

(Intention to hold for 12 months or more)

Measured at cost

(Only other than temporary decrease i.e. permanent decrease) will be recorded

Such permanent decrease will be recorded in PIL.

Examples of Permenant Decrease

1. Cash operating losses
2. New Regulations having -ve impact etc.

eg: Current Invst

Cost	Market value	Measured at:	J.E for loss
100	110	100 (cost)	-
100	80	80 (MV)	- PIL 20 / To Invst 20

Eg: Long term Invst

	Cost	MV	Record at	JE for loss
	100	90		
Case ①	Decrease is Temporary		100	-
Case ②	" " NOT Temporary		90	P/L A/c Dr 10 To Prov for Diminishing Invst 10

BS

Invst	100
(-) Prov for Diminish^g	(10)
	90

4] Reclassification of Investment

Current to long term

Measured at :
lower of cost or Market value at the date of transfer

Long term to current

Measured at :
lower of cost or carrying Amt in Books at the date of transfer.

Hint Current to long term → Apply the criteria of old category.
(Old Category) (New category)

Q1 - Q.B

Q2

Particulars	(50%) Current Invst	(50%) long term Invst
Invst in Eq shares → Cost	300 lakhs	300 lakhs
Market value (200 lakh)	100 lakhs	100 lakhs
Decrease by	200 lakhs	200 lakhs (other than temp. decrease)
	P/L 200	P/L 200
	TO Invst 200	TO Provi 200
Revised carrying Amt (after decrease)	100 lakhs	100 lakhs

Ques 4

	Particulars	Cost	Market value	Measured at:
①	Shares	250000	225000	Case ①: Assume Current Invst Record at 225000 (lower of cost or MV) Case ②: Assume long term Invst i) Record at cost i.e. 250000 But if decrease is other than temporary, then record at 225000
②	Gold	400000	600000	→ long term Invst ∴ Measure at cost i.e. 400000
③	Silver	200000	350000	→ long term Invst ∴ Measure at cost i.e. 200000

Note: If nothing mentioned about Gold & Silver, always assume it to be long term.

Ques 8 (LDR)

i) long term to current Invst → lower of cost or carrying Amt)
14L 12L

i.e. transfer at 12 lakhs.

ii) long term to current Invst → lower of cost (7L) or carrying Amt (5L)
i.e. transfer at 5 lakhs

iii) Current Invst to long term Invst → lower of cost (7L) or Market value (8.5L)
at the date of transfer.
i.e. transfer at 7 lakhs.

iv) Current Invst to long term Invst → lower of cost (4L) or Market value (3.8L)
at the date of transfer.
i.e. transfer at 3.8 lakhs.

Q12

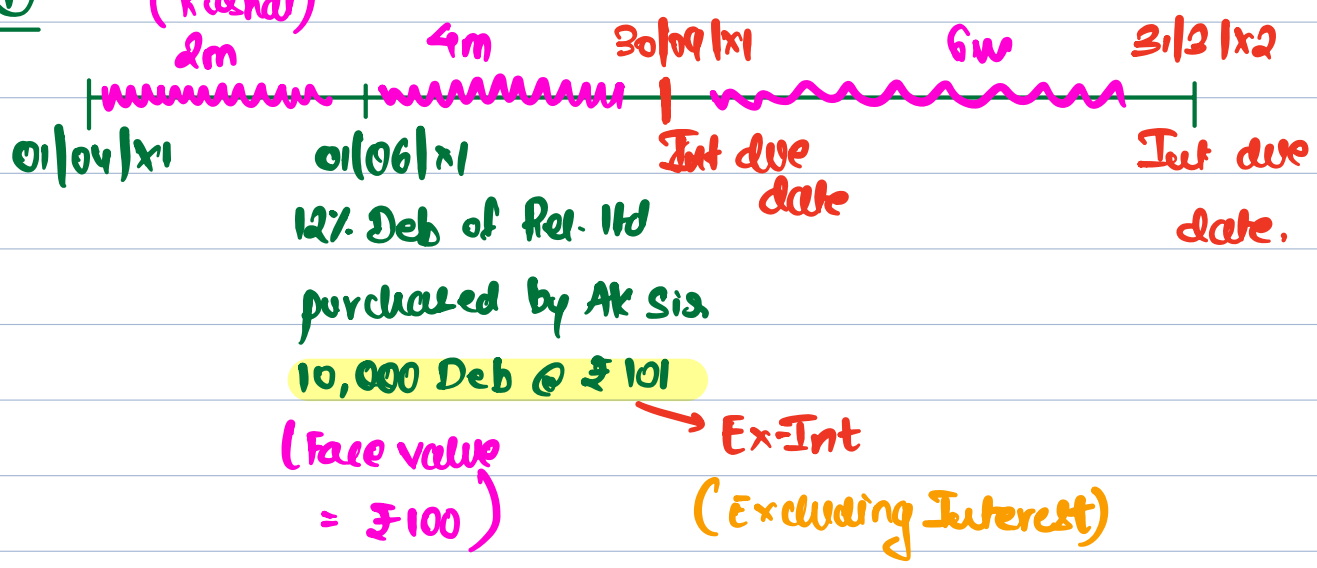
Particulars	(75%) Current	(25%) long term
Cost of Invst (Total = 10,00,000)	750000	250000
Market value (Total = 750000)	562500 (75%)	187500 (25%)
loss on Invst	187500	62500
	J.E P/L To Invst	Other than Temp Decrease
		J.E. P/L To Prov
Revised C.A	562500	187500

(LDR)
Q14 - O.B.

5] Accounting for Investments in Debentures/Bonds

↳ Ex - Int

Eg ①



In the Books of AK Ltd

01/06/x1	Invst in 12% Deb A/c	Dr	10,10,000	
	To CIB			10,10,000
	(10,000 Deb x ₹ 101)			
01/06/x1	Int Exp A/c	Dr	20,000	
	To CIB A/c			20,000

$$\left(10000 \text{ Deb} \times \underbrace{100}_{\text{Face value}} \times 12\% \times \frac{2m}{12m}\right)$$

30/09/x1 C/B A/c Dr 60000

To Int Income A/c 60000

(10000 Deb x 100 x 12% x 6m/12m)

P/L (A/c)

Exp	Income
Int Exp 20K	Int Inc 60K

Net Income 40K

31/3/x2 C/B A/c Dr 60000

To Int Income A/c 60000

(10000 Deb x 100 x 12% x 6m/12m)

Note: ① Interest payment on purchase of Debenture is mandatory.

② Interest is always calculated on face value.

Ledger of Invst in Debenture

12% Debentures (Invst)

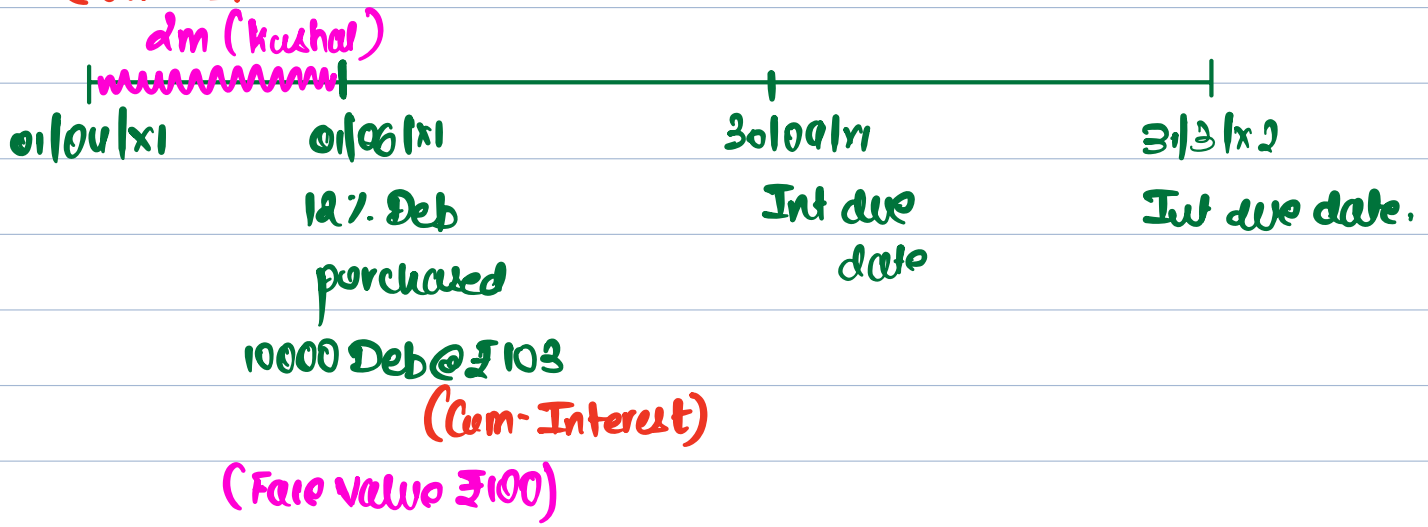
Dr.

Particulars	Face value (Nominal value)	Interest	Amount
01.06.x1 To C/B	10,00,000	20000	10,10,000
31.3.x2 To P/L (Tf of Int to P/L)		1,00,000	

Cr.

Particulars	Face value (Nominal value)	Interest	Amount
30.09.x1 By C/B	-	60000	-
31.03.x2 By C/B	-	60000	-
31.3.x2 By bal c/d.	10,00,000	-	10,10,000

Eg 2: Cum-Interest



WN Purchase of Deb @ ₹103

Total Price cum Int =	10,30,000	(10000 Deb × ₹103)
⟵ Int for 2m	(20000)	(10000 Deb × 100 × 12% × 2/12)
Ex Int cost of Deb.	10,10,000	

01/06/X1	Invest in 12% Deb A/c	Dr	10,10,000
	To CIB		10,10,000
01/06/X1	Int Exp A/c	Dr	20,000
	To CIB		20,000
30/09/X1	CIB A/c	Dr	60000
	To Int Income A/c		60000
	(10000 Deb × 100 × 12% × 6m/12m)		
31/3/X2	CIB A/c	Dr	60000
	To Int Income A/c		60000
	(10000 Deb × 100 × 12% × 6m/12m)		

ledger of Invst in Debenture

Dr. 12% Debentures (Invst) Cr.

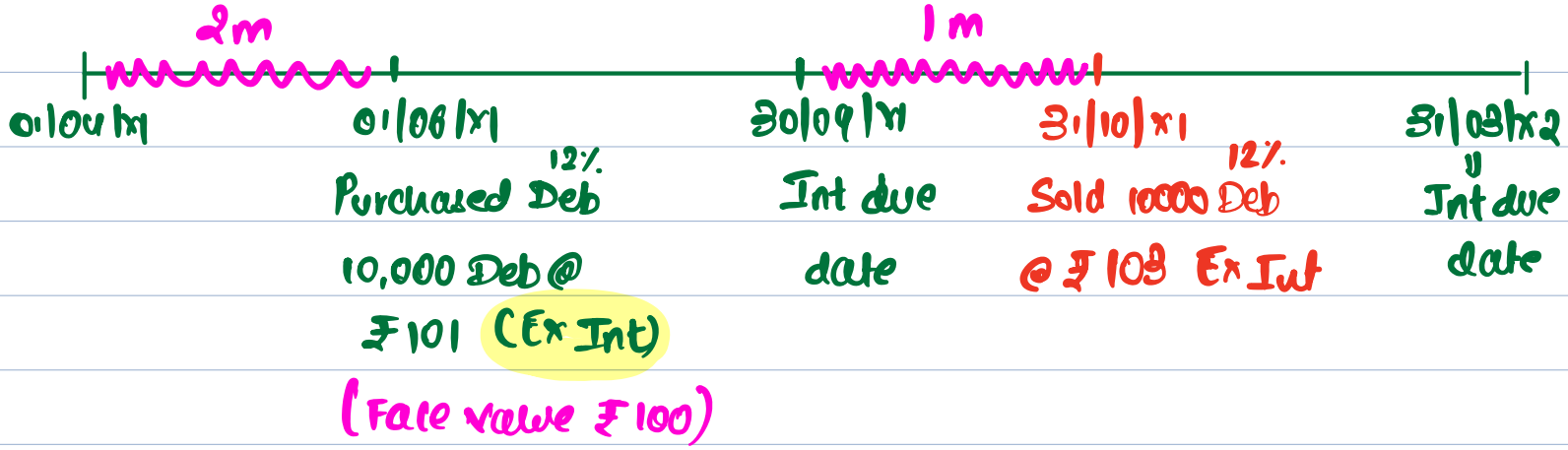
Particulars	Face value (Nominal value)	Interest	Cost/ Amount (Ex Int)	Particulars	Face value (Nominal value)	Interest	Cost/ Amount
01.06.x1 To CIB	10,00,000	20000	10,10,000	30.09.x1 By CIB	-	60000	-
				31.03.x2 By CIB	-	60000	-
31.3.x2 To PIL (Trf of Int to PIL)		1,00,000					
				31.3.x2 By bal c/d.	10,00,000	-	10,10,000

ledger

Int column Bal → Trf to PIL

Face value & Amt (Cost) → Trf to Bal c/d.

Eg 3: Purchase of Deb & Sale of Deb (@ Ex Int)



J.E.

01/06/X1 Invst in 12% Deb A/c Dr 10,10,000

To CIB 10,10,000

(10,000 Deb x ₹ 101)

01/06/X1 Int Exp A/c Dr 20,000

To CIB A/c 20,000

$\left(10000 \text{ Deb} \times \underbrace{100}_{\text{Face value}} \times 12\% \times \frac{2m}{12m}\right)$

30/09/X1 CIB A/c Dr 60000

To Int Income A/c 60000

$\left(10000 \text{ Deb} \times 100 \times 12\% \times \frac{6m}{12m}\right)$

31/10/X1 Sale of Deb

CIB A/c Dr 10,30,000 (10000 Deb x 103)

To Invst in 12% Deb 10,10,000 (always goes out @ carrying Amt)

To Profit on sale (PL) 20,000

31/10/X1 CIB A/c Dr 10000

Interest To Int Income 10000

milega $\left(10000 \text{ Deb} \times 100 \times 12\% \times \frac{1m}{12m}\right)$

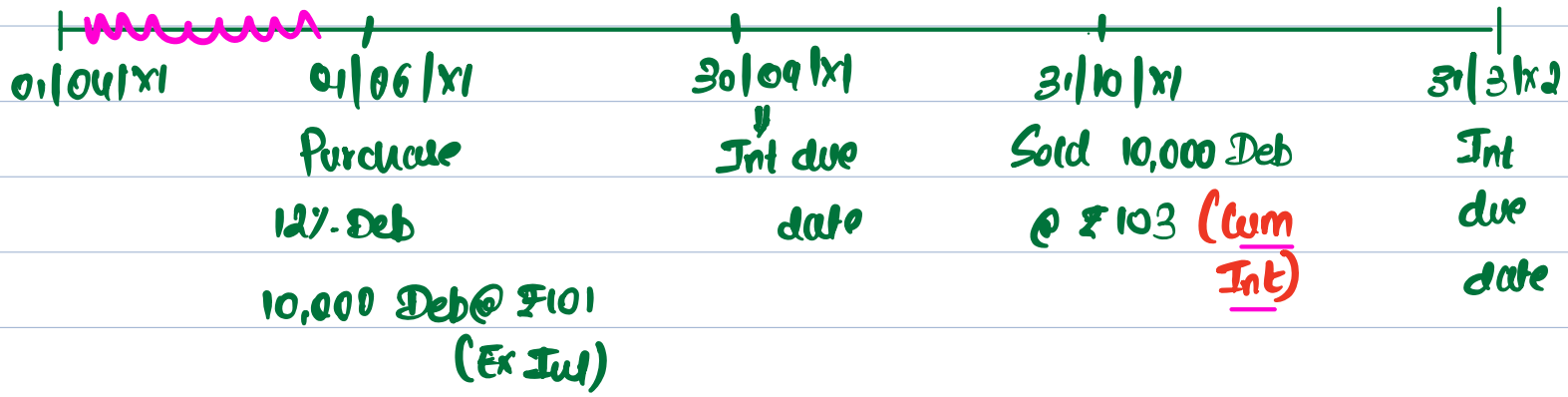
31/03/X2 No entry of Interest (as we have sold everything)

ledger of Invst in Debenture

Dr. 12% Debentures (Invt) Cr.

Particulars	Face value (Nominal value)	Interest	Cost/ Amount (Ex Int)	Particulars	Face value (Nominal value)	Interest	Cost/ Amount
01.06.X1 To CIB	10,00,000	20000	10,10,000	30.09.X1 By CIB	-	60000	-
31.10.X1 To P/L (Profit on sale)	-	-	20000	31.10.X1 By CIB (Sale)	10,00,000	10000	10,30,000
				31.3.X2 By bal c/d	-	-	-
31.03.X2 To P/L (Trf of Int)		30,000					

Eg④ Purchase of Deb @ Ex Int & Sale of Deb @ Cum Int



01/06/X1 } Same as above
30/09/X1 }

31/10/x1 WN

Sale price (cum Int) =	10,30,000
(-) Interest rec'd	(10,000)
Sale price (Ex Int)	10,20,000
Cost / Carry'g Amt	10,10,000
Profit on Sale	10,000

(10000 Deb x F103)

(10000 Deb x 100 x 12% x 1m/12m)

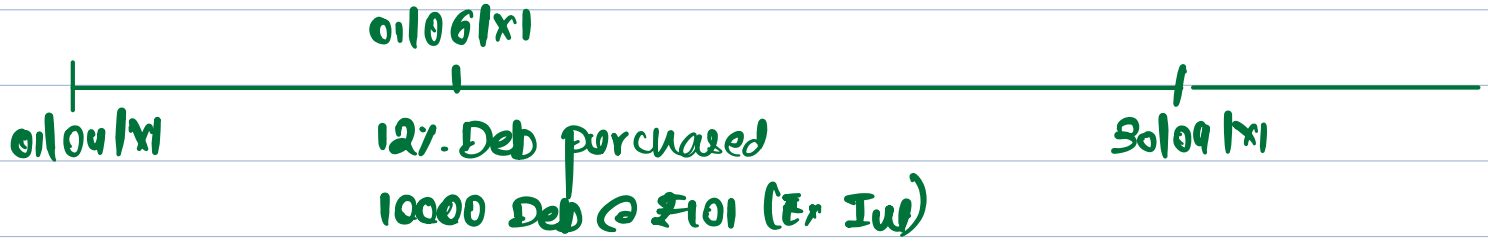
31/10/x1 CIB A/c Dr 1020000
To Invct 10,10,000
To PIL 10000

31/10/x1 CIB 10000
To Int 10000

Dr. 12% Debentures (Invct) Cr.

Particulars	Face value (Nominal value)	Interest	Cost/ Amount (Ex Int)	Particulars	Face value (Nominal value)	Interest	Cost/ Amount (Ex Int)
01-06-x1 To CIB	10,00,000	20,000	10,10,000	30/09/x1 By CIB	-	60000	-
				31/10/x1 By CIB (Sale)	10,00,000	10,000	1020000
31/10/x1 To PIL (Profit on Sale)	-	-	10000				
				31/03/x2 By Bal c/d	-	-	-
31/03/x2 To PIL (Trf of Int)	-	50000					

Eg 5 Acquisition cost (Brokerage, Stamp duty, other direct cost incurred while purchase / sale of deb)



Additional info:

2% Brokerage on Ex Int

Stamp duty is 0.05% of Ex Int

Calculate cost of Deb & pass J.E on 01/06/X1

Soln:

WN ① Cost of Deb

Ex Interest Price -	10,10,000	(10000 Deb x 101)
(+) Brokerage 2%	20200	(10,10,000 x 2%)
(+) Stamp duty 0.05%	505	(1010000 x 0.05%)
	10,30,705	

01/06/X1	Invst in 12% Deb A/c	Dr	10,30,705
	To CIB		10,30,705

01/06/X1	Int on Deb A/c	Dr	20,000
	To CIB		20000

(10000 Deb x 100 (Face value) x 12% x 2m/12m)

Eg 6 Sale of Deb @ Cum Int & Brokerage.

01/04/X1 — 01/05/X1

Op. Bal of 10000 Deb 12%

Sold all 10000 Deb @ ₹ 104 (cum Int)

Cost/C.A = 10,10,000 (incl. all cost & Brokerage)

Brokerage paid on Sale is 1% of Ex Int

F.V = 10L

Calculate Profit / loss on sale & Pass JE.

Sol^n:

Wkg ① Calc of Profit / loss on Sale

Cum Int S.P	10,40,000	(10000 Deb x 104)
less: Int rec'd (1m)	(10000)	(10000 Deb x 100 x 12% x 1m/12m)
S.P (Ex Int)	10,30,000 → rec'd	
(-) Brokerage @ 1%	(10300) →	(1030000 x 1%) pay ∴ less
Net sell^g price	10,19,700	
Cost of Invst	(10,10,000)	
Profit	9700	

01/05/X1	CIB	10,19,700	01/05/X1		
	To Invst	10,10,000	CIB	10,000	
	To P&L	9700	To Int Inc		10,000

Dr. 12% Debentures (Invst) Cr.

Particulars	Face value (Nominal value)	Interest	Cost/ Amount ↓ (Ex Int)	Particulars	Face value (Nominal value)	Interest	Cost/ Amount ↓ (Ex Int)
01/04/x1 To bal b/d	10,00,000	-	1010000	01/05/x1 By CIB	10,00,000	10000	1019700
01/05/x1 TO P/L	-	-	9700				
31/3/x2 To PL (Trf of Int)	-	10000	-	31/3/x2 By bal c/d	-	-	-

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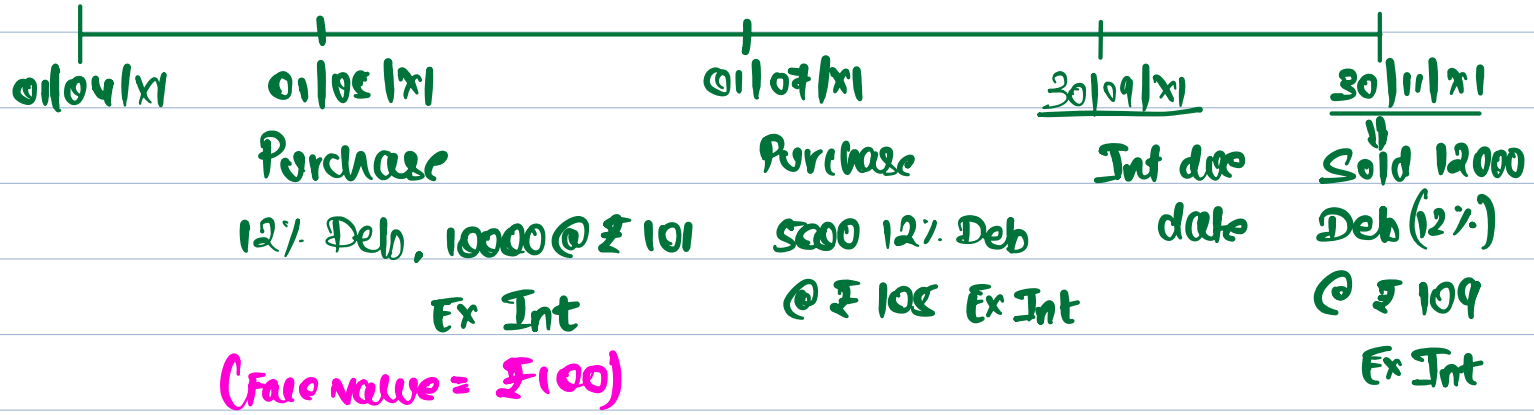
Summary of acquisition/ selling cost (eg: Brokerage)

- Incurred on Purch of Invst ↓ → Add to cost of Invst
- Incurred on sale of Invst ↓ → less from S.P of Invst.

Eg 7: Partial sale of Invst

→ where investment were purchased at different dates & now part of it are sold, the carrying Amount / cost of Deb will be calculated using **Weighted Average Method** (As permitted by AS13)

→ But if question specifically mentions to follow **FIFO** method, then use FIFO Method.



Case A: (Weighted Average Method)
Case B: FIFO (First In first out)

Calculate Profit / loss on sale of Deb.

Soln:

Case A: Weighted Avg Method

	Rate	Total
10000 Deb	101	10,10,000
5000 Deb	105	525000
15000 Deb		1535000

Avg cost per debenture = $\frac{1535000}{15000 \text{ Deb}}$ = 102.33 per deb.

Selling price of Deb	1308000	(12000 Deb x 109)
Cost / C.A of Invst	(12,27,960)	(12000 Deb x 102.33)
Profit	80,040	

Case 2: FIFO

	Rate (Ex Int)	Total
10000 Deb	101	10,10,000
2000 Deb	105	2,10,000

Selling Price of Invst 1308000 (12000 Deb x 109)

Cost / Carrying Amt (FIFO) (12,20,000) (10000 Deb x 101 (+) 2000 Deb x 105)

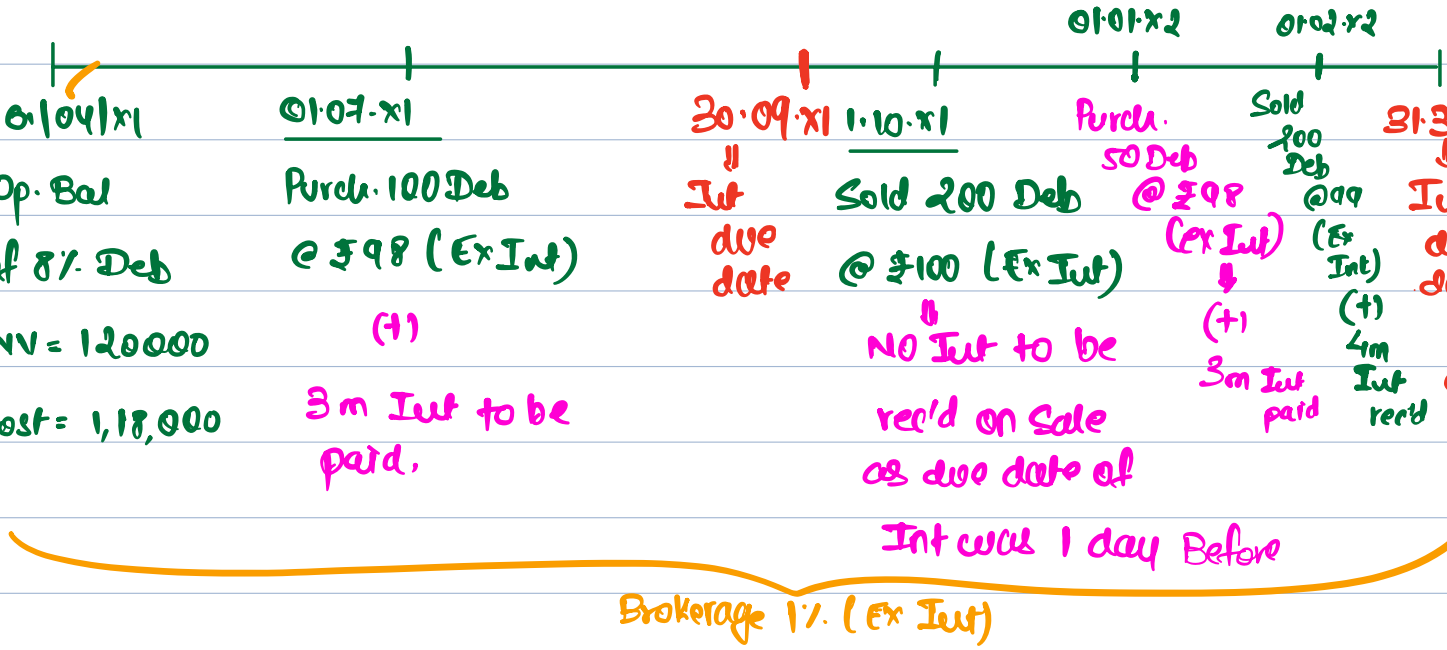
Profit on Sale 88000

I.E. CIB A/c Dr 13,08,000

To Invst 12,20,000

To PIL 88000

Q15 (LDR)



Dr. Investment in 8% Deb A/c Cr.

Particulars	NV	Int	Ex Int Cost	Particulars	NV	Int	Ex Int Cost
01.04.X1 To bal b/d	120000	-	118000	30.09.X1 By C/B (Int) WN2	-	5200	-
01.07.X1 To C/B (Purchase) WN1	10000	200	9898	1.10.X1 By C/B (Sale) WN 3	20000	-	19800
1.10.X1 To P/L (Profit on sale)	-	-	133	01.02.X2 By C/B (Sale) WN 5	20000	533	19602
01.01.X2 To C/B (WN4)	5000	100	4949	01.02.X2 By P/L (Loss on Sale)	-	-	65
31.3.X2 To P/L (Trf of Int)		9233		31.3.X2 By C/B (Int)	-	3800	-
				31.3.X2 By Bal c/d	95000	-	93513

WN ① 01.07.X1 Purchase

Ex Int Cost	9800
(+) Brokerage @ 1%	98
Total cost	9898

(100 Deb × ₹98)

(9800 × 1%)

Loss

Int to be paid for 3m on Purchase = 200 (100 Deb × 100 × 8% × 3m/12m)

WN ② Int recd on 30.09.X1

(120000 + 10000) × 8% × 6/12 = 5200

check NV column

WN ③ Sale on 1.10.X1

Sale price (Ex Int) = 20,000 (200 Deb × 100)

less: Brokerage @1% Ex Int (200) (20000 × 1%)

Net Sale Price 19800

C.A / Cost of Deb (19667)

(200 Deb × 98.33)

Profit on sale (133)

Debentures FIFO

	No.	Total cost	per deb.
Op. Bal	1200	118000	98.33
Sale	(200)		
Sale	(200)		
Purch.	100	9898	98.98

Note: No Int will be recd on sale of Deb as sale is happening just 1 day after the Int due date.

J.E. CIB A/c Dr 19800

To Invst 19667

To P/L (133)

WN ④ Purchase of Deb 01.01.X2

Ex Int Cost = 4900 (50 Deb × 98)

(+) Brokerage 1% 49

4949

3m Int to be paid = 50 Deb × 100 × 8% × 3/12 = 100

WN 5 Sale of Deb 01.02.X2

Ex Int sale price	= 19800	(200 Deb x ₹99)
less: Brokerage @ 1%	= (198)	
Net Selling price	19602	
C.A / Cost of Deb	(19667)	(200 Deb x ₹98.33) ↱ Refer table above
loss on Sale	65	

J.E CIB A/c Dr 19602
PIL (loss) 65
To Invst 19667

Int recd on sale

200 Deb x 100 x 8% x 4/12 = 533

↙ 1.10.X1 to 01.02.X1

WN 6 Int on due date of 31/03/X2

Hint: Check Balance in NV Column

(120000 + 10000 + 5000 - 20000 - 20000) = 95000 x 8% x 6/12 = 3800

Int WN 7

If it is current Invst, on trend it will be valued at:

lower of:

cost ⟶ 93513 ↱ copy from ledger cl. bal.

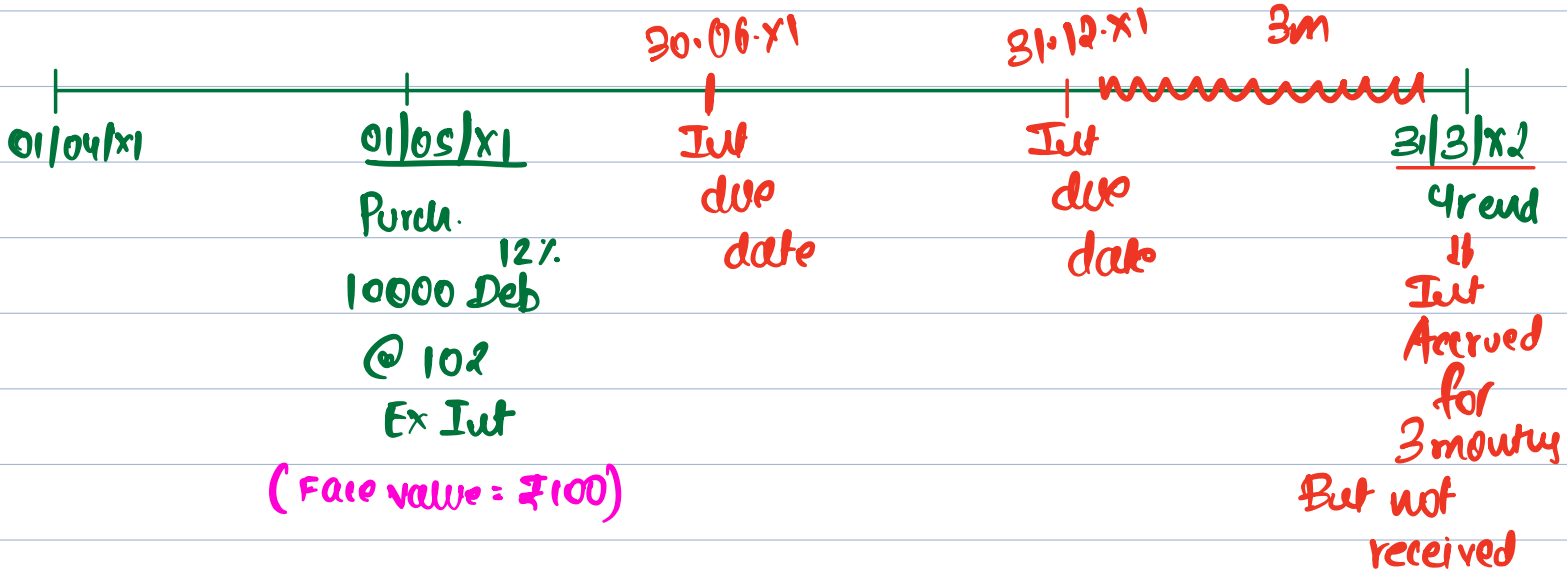
or

Market value ⟶ 94050 (950 x 99)

Note: cost or MV whichever is lower is to be done only when info of Market price is available.

Q16 - Q019

Eg 8 : Int due date & year end are NOT same (Year end 31/3/x2)
(Int due date 30.06 & 31.12)



Invst in 12% Deb

Particulars	NV	Int	Cost (Ex Int)	Particulars	NV	Int	Cost (Ex Int)
01/05/x1 To CIB (Purchase)	10,00,000	40000	10,20,000	30.06.x1 By CIB (Int)	-	60000	-
				31.12.x1 By CIB (Int)	-	60000	-
				~~31.3.x2 By Int receivable~~		~~30000~~	
31.3.x2 To PL		110000					
				31.3.x2 By bal c/d	1000000	30000	1020000

01.04.X2 To bal 10,00000 30000 1020000
b/d.

WN (4) As per ICAI

WN (1) Purchase of 10000 Deb on 01/05/X1

Ex Int price = 10,20,000 (10000 Deb x 102)

Int on purchase of Deb for ~~1m~~ 4m = 40,000 (10000 Deb x 100 x 12% x 4/12)

Int due date → 31/12
till today → 01/05
} 4m

WN 2 Int on 30.06.X1 (for 6m)

10000 Deb x 100 x 12% x 6/12 = 60,000

WN 3 Int on 31.12.X1 (for 6m)

10000 Deb x 100 x 12% x 6/12 = 60,000

WN 4 Int Accrued on Yr end for 3m (Yeh sirf tabhi aayega when due date & Yr end are not same)
(31/12/X1 to 31/03/X2)

10000 Deb x 100 x 12% x 3/12 = 30000 → J.E. Int Receivable 30000
To Int Income 30000

Q17

Accrued Int will also be bal bld on opening bal

9% Govt Bonds

Particulars	NV	Int	Ex Int Amt	Particulars	NV	Int	Ex Int
01/01/X1 To bal bld	120000	2700	118000				
				31.3.X1 By CIB (Int)	-	6300	-
01.03.X1 To CIB (purchase)	20000	750	19600				
				01.07.X1 By CIB (Sale)	50000	1125	50000
01.07.X1 To PIL (Profit on sale)			833	30.09.X1 By CIB (Int)	-	4050	-
				1.11.X1 By CIB (Sale)	30000	225	29700
01.10.X1 To CIB (purch)	15000	-	14700				
1.11.X1 To PIL (Profit on sale)	-	-	200				
				31.12.X1 By bal c/d	75000	1688 (WN 8)	73633
31.12.X1 To PIL (Trf of Int)		9938					

WN ① Int accrued on op. Bal^n

$120000 \times 9\% \times \frac{3m}{12m} = 2700$

WN ② Purchase 200 Bonds on 01.03.X1

Ex Int price - 19600 (200 x 98)

Int to be paid for 5 months = 750 $\left(200 \times \underset{\text{Fare value}}{100} \times 9\% \times \frac{5m}{12m}\right)$ (200 Deb)

(Last due to Date of purch. 30.09 → 01.03)

WN 3 Int recd on 31.3.X1 for 6 months

NV Column → $(120000+20000) \times 9\% \times \frac{6}{12} = 6300$

WN 4 Sale of 500 Bonds (01.07.X1)

Ex Int Sale price	50000	(500 x 100)
Cost of Bonds (FIFO) (500 x 98.33)	(49167)	
Profit	833	

Int recd for 3 months = 1125
(500 x 100 x 9% x 3/12)

Bonds		Total cost	per Bond
Op.	1200	118000	98.33
Sale (500)			
Sale (300)			
Purch	200	19600	98

WN5 Int on 30.09.X1 for 6 months

Check NV Coln → (120000 + 20000 (-) 50000) = 90000 × 9% × 6/12 = 4050

WN6 Purchase 150 Bonds on 1.10.X1

Cum Int Price = 14700

less: Int. Om = (-) → due date was 30.09.X1 & Date of purch is 1.10.X1

Ex Int Price 14700

WN7 Sale of 300 Bonds

Ex Int sale price: 29700 (300 × 99)

Cost of 300 Bonds = (29500) (300 × 98.33) → FIFO → Refer table above

Profit 200

Int for 1 month 225

(300 × 100 × 9% × 1/12)

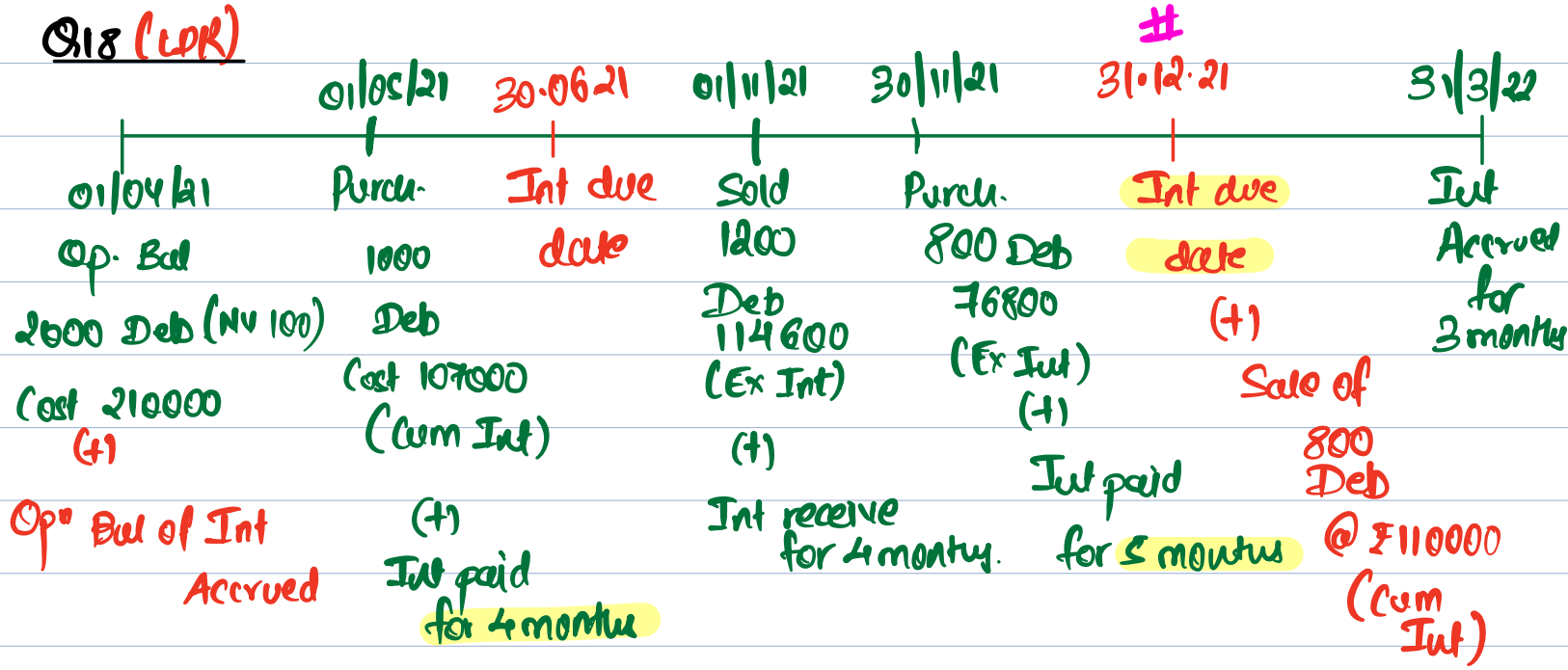
30/09 last due date till → 31/12 Yr end

WN8 Int accrued on Yr end 31.12.X1 for 3 months

NV Coln: (120000 + 20000 + 15000 - 30000 - 50000)

75000 × 9% × 3/12 = 1688 → By bal c/d (Int Coln)

Q18 (LPR)



Note: whenever Sale / Purchase Transaction is on the same day of Int due date then

1st do - Transaction of Sale / Purchase

2nd → then record Int on due date

Investment in 15% Deb

Particulars	NV	Int	Ex Int Amt	Particulars	NV	Int	Ex Int
01.04.21 To bal b/d	200000	7500	210000	30.06.21 By CIB (Int)	-	22500	-
01.05.21 To CIB (Purchase)	100000	5000	102000	01.11.21 By CIB (Sale)	120000	6000	114600
				01.11.21 By PIL (Loss)	-	-	11400
30.11.21 To CIB (Purch)	80000	5000	76800				
				31.12.21 By CIB (Sale)	80000	6000	104000
31.12.21 To PIL (Profit on sale)			20000	31.12.21 By CIB (Int)		13500	
31.03.22 To PIL (Trf of Int)		37250		31.03.22 By Bal c/d	100000	6750	178800

WN ① Int accrued on Op. Bal

$200000 \times 15\% \times \frac{3}{12} = 7500$

WN ② Purchase of 1000 Deb 01.05.21

Cum Int Price = 107000

(-) Int for 4 months = (5000) (1000 Deb x 100 x 15% x 4/12)

Ex Int Price 102000

WN 3 Int for 6 months on 30.06.21

NV Coln: $(200000 + 100000) \times 15\% \times \frac{6m}{12m} = 22500$

WN 4 Sold 1200 Deb on 01.11.21

i) Ex Int S.P 114600

Cost of 1200 Deb (FIFO) (126000)

(1200 x 105)

Loss 11400

CIB 114600

PIL 11400

TO Invst 126000

No.	Total Cost	Per Deb
Op. 2000	210000	105
Sale (1200)		
Sale (800)		
Purch. 1000	102000	102

ii) Int rec'd for 4 months = 1200 Deb x 100 x 15% x 4/12 = 6000

WN 5 Purch. 800 Deb on 30.11.21

Ex Int Price = 76800

Int for 5 months = 800 Deb x 100 x 15% x 5/12 = 5000

Imp

WN 6 Sale 800 Deb @ ₹ 110000 on 31.12.21

Cum Int Sale Price = 110000

less: Int for 6 months (6000) → as sale is happening before Int ∴ reduce Int from Cum Int price.

(last due till today date)

(800 x 100 x 15% x 6/12)

Ex Int S.P. 104000

less: Cost of Deb (84000) → Refer table above.

(800 x 105)

Profit 20000

WN 7 Int due date on 31.12.21

Check NV Column : (200000 + 100000 + 80000 − 120000 − 80000)

180000 x 15% x 6/12

= 13500

WN 8 Int accrued on 31.03.21

180000 x 15% x 3/12 = 6750 → By bal c/d

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Key points (when Int due date ≠ Yr end)

① On Purch of Deb → Cal^n of Int will done from last due date of Int till date of purchase.

② On Yr end → 1st calculate Int Accrued from last due date of Int till Yr end (write in By bal c/d Int col^m)

→ Then close ledger → Int col^m → Trf to P/L
→ Nw ka Amt col^m → Trf to bal c/d.

③ On Op. Bal → Int Accrued will also appear in Bal b/d

Q19 (LOR)

9% Govt Securities

Particulars	NV	Int	Ex Int Amt	Particulars	NV	Int	Ex Int
01/04/21 To bal b/d	100000	2250	90000	01/06/21 By CIB (Sale)	60000	2250	54150
01/05/21 To CIB (Purch)	80000	2400	73600	30/06/21 By CIB (Int)	-	5400	-
01/06/21 To PIL (Profit)	-	-	150	30/09/21 By CIB (Sale)	40000	900	37900
30/09/21 To PIL (Profit)			1900	31/12/21 By CIB (Int)	-	4050	-
01/12/21 To CIB (Purch)	10000	375	10000	01/03/22 By CIB (Sale)	10000	150	9500
01/03/22 To PIL (Profit)			300	31/03/22 By bal c/d	80000	1800	74400
31/03/22 To PIL (Tf of Int)		4525					

WN 1 Int Acc. on Op. Bal

$100000 \times 9\% \times \frac{3}{12} = 2250$

WN 2 Purch. Govt Sec on 01.05.21

Cum Int Price =	76000	(800 x 95)
less: 4m Int	(2400)	(80000 x 9% x 4/12)
Ex Int price	73600	

WN 3 Sold Govt Sec on 1st June

Cum Int sale price	56400	(600 x 94)
less: 5m Int	(2250)	(60000 x 9% x 5/12)
Ex Int sale price	54150	
Cost of 600 sec. (FIFO) (600 x 90)	(54000)	
Profit	150	

	No.	Total	per Sec.
Opn	1000	90000	90
Sale	(600)		
Sale	(400)		
Purch.	800	73600	92
Sale	(100)		

CIB	54150	
To Invst	54000	
To PIL	150	

WN 4 Int due date 30.06

$(100000 + 80000 - 60000) = 120000 \times 9\% \times \frac{6}{12} = 5400$

WN 5 Sold 400 Govt Sec. on 30.09

Cum Int sale price	38800 (400 × 97)
less: 3m Int	(900) (40000 × 9% × 3/12)
Ex Int sale price	37900
Cost of 400 Sec.	36000 (400 × 90)
Profit	1900

WN 6 Purch 100 Sec. on 01/12/21

Ex Int Price	10000

Int paid for 5 months = 375 (10000 × 9% × 5/12)

WN 7 Int due date on 31/12

NV Coln: (100000 + 80000 − 60000 (-) 40000 + 10000) = 90000 × 9% × 6/12

= 4050

WN 8 Sold 100 Sec on 01/03/22

Ex Int S.P	9500 (100 × 95)
Cost of 100 Sec (100 × 92)	9200
Profit	300

Int rec'd 2m = 10000 × 9% × 2/12 = 150

WN 9 Int Acc for 3m

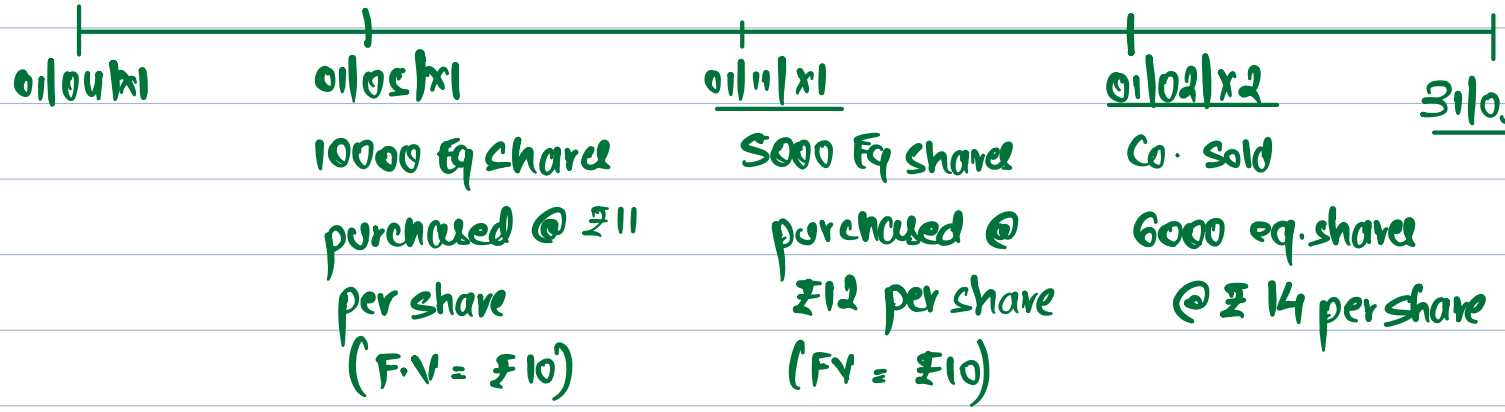
NV Coln:- (1L + 80k + 10k − 60k − 40k − 10k) = 80000 × 9% × 3/12 = 1800 (By Bal c/d)

6] Accounting for Investment in Equity Shares

1] Purchase & Sale of Investment in Eq. shares

Note: Unlike Deb, in equity shares there is No fixed Return.

Eg①



Invst in Eq. Shares.

Particulars	No. of shares	Div	Amt	Particulars	No. of shares	Div	Amt
01/05/21 To CIB (Purch)	10,000	-	110000	01/02/22 By CIB (Sale)	6000	-	84000
01/11/21 To CIB (Purchase)	5000	-	60000	31/03/22 By bal c/d	9000 shares	-	102000
01/02/22 To PL (Profit)			16000				

WN① Sale of shares

Total S.P: 84000 (6000 × 14)

Cost of 6000 Eq. shares (68000) (6000 × 11.33) $\left(\frac{110000 + 60000}{10000 + 5000}\right) = ₹11.33$

(when nothing is mentioned, AS. 13 prescribes to use WAM)

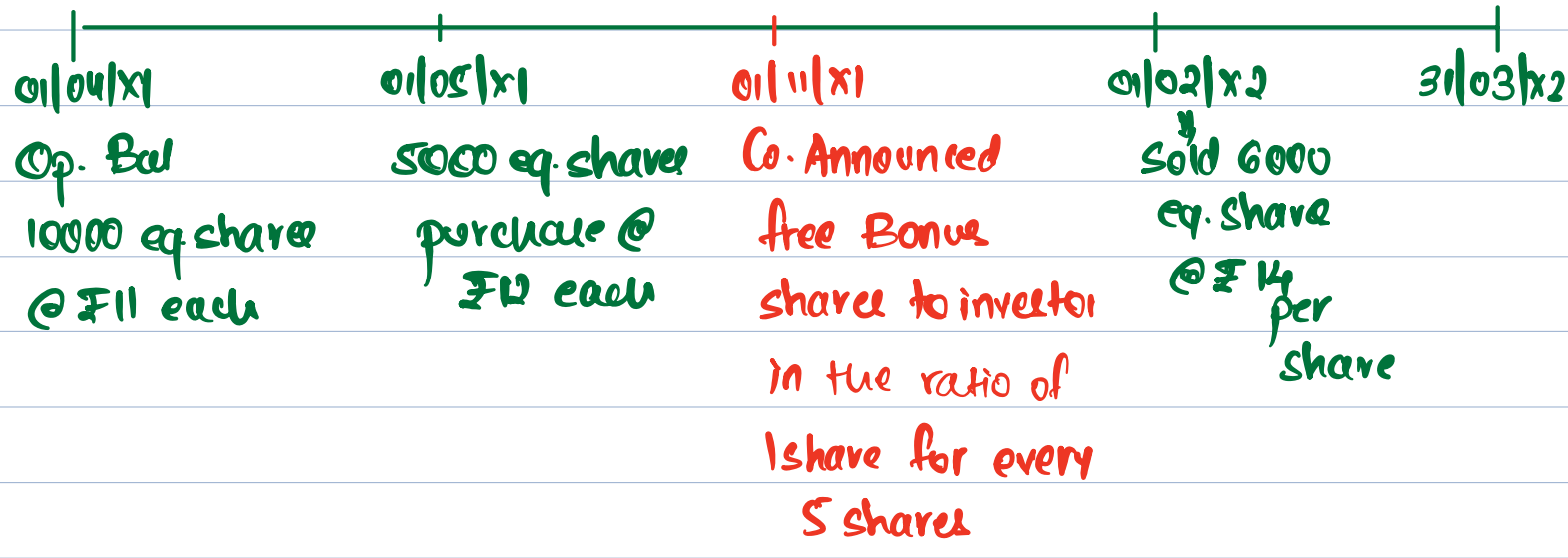
Profit 16000

B] Bonus shares received on Investment in Eq shares

↓

when co. promises to give free eqshares to the existing shareholders. As Bonus shares are recd for free, the cost of these share is NIL.

Eg:



Invst in Eq. Shares.

Particulars	No. of share	Div	Amt	Particulars	No. of share	Div	Amt
01/04/x1 To bal b/d	10000	-	110000	01/02/x2 By CIB (Sale)	6000	-	84000
01/05/x1 To CIB (Purch)	5000	-	60000				
				31/03/x2 By bal c/d	12000	-	113333
01/11/x1 To Bonus shares	3000 shares	-	0				
01/02/x2 To PIL (Profit)			27333				

WN ① Bonus shares recd

Bonus shares = 15000 shares (Before Bonus) $\times \frac{1}{5}$ = 3000 shares

Cost NIL

Invst in Eq. shares NIL
To ~~CIB~~ Bonus shares NIL

} free mein mila hai shares But we need to pass J.E to record in ledger

---

WN ② Sale of Shares

Sale price of 6000 shares = 84000

Cost of 6000 shares (6000 × 9.44) = 56667

Profit 27333

$\frac{110000 + 60000 + 0}{10000 + 5000 + 3000}$ (6000 × 14) = 9.44 per share

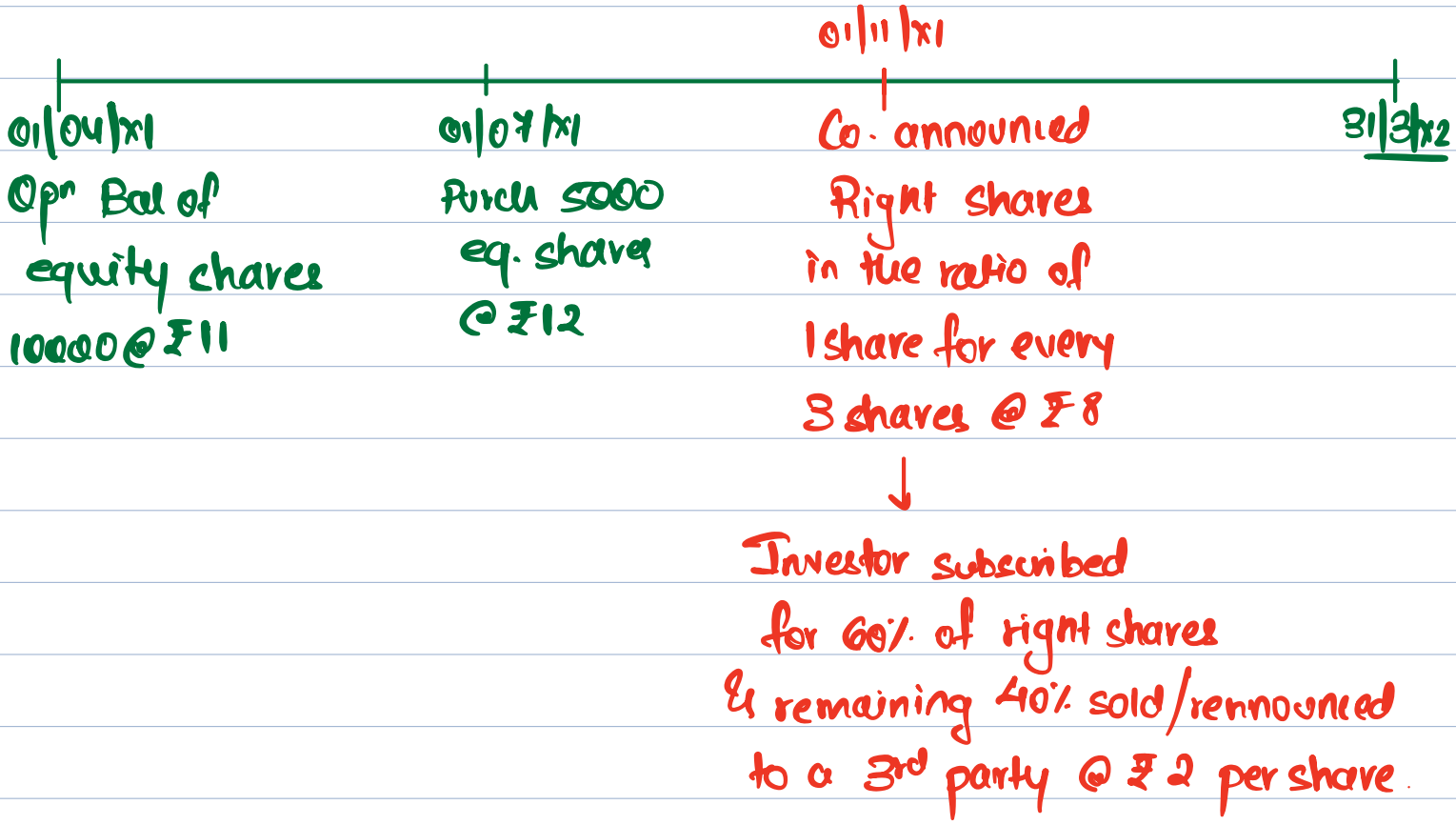
Note: Bonus shares will also be considered while calculating weighted Avg cost.

c] Right shares received on Investment in Eq. Shares

→ Co gives an option to existing shareholders to subscribe (Buy) more shares at a lower/discounted price.

→ **Renouncement**: Investor has the option to either Subscribe (Buy) more shares or (transfer this right to a 3rd party for a small consideration) → renouncement

Eg



↓

Investor subscribed for 60% of right shares & remaining 40% sold/renounced to a 3rd party @ ₹2 per share.

Invst in Eq. Shares.

Particulars	No. of shares	Div	Amt	Particulars	No. of shares	Div	Amt
01.04.x1 To bal bld	10000	-	110000				
01.07.x1 To C/B (Purchase)	5000	-	60000				
01.11.x1 To C/B (Right shares)	3000 shares	-	24000	31.3.x2 By bal c/d	18000 shares	-	194000

W.N ① Right shares

15000 shares × 1/3 = 5000 shares

- Subscribed (60%): 3000 shares × ₹ 8 per shares = ₹ 24000
- Renounced (40%) (Sold to 3rd party): 2000 shares × ₹ 2 per share = ₹ 4000 #

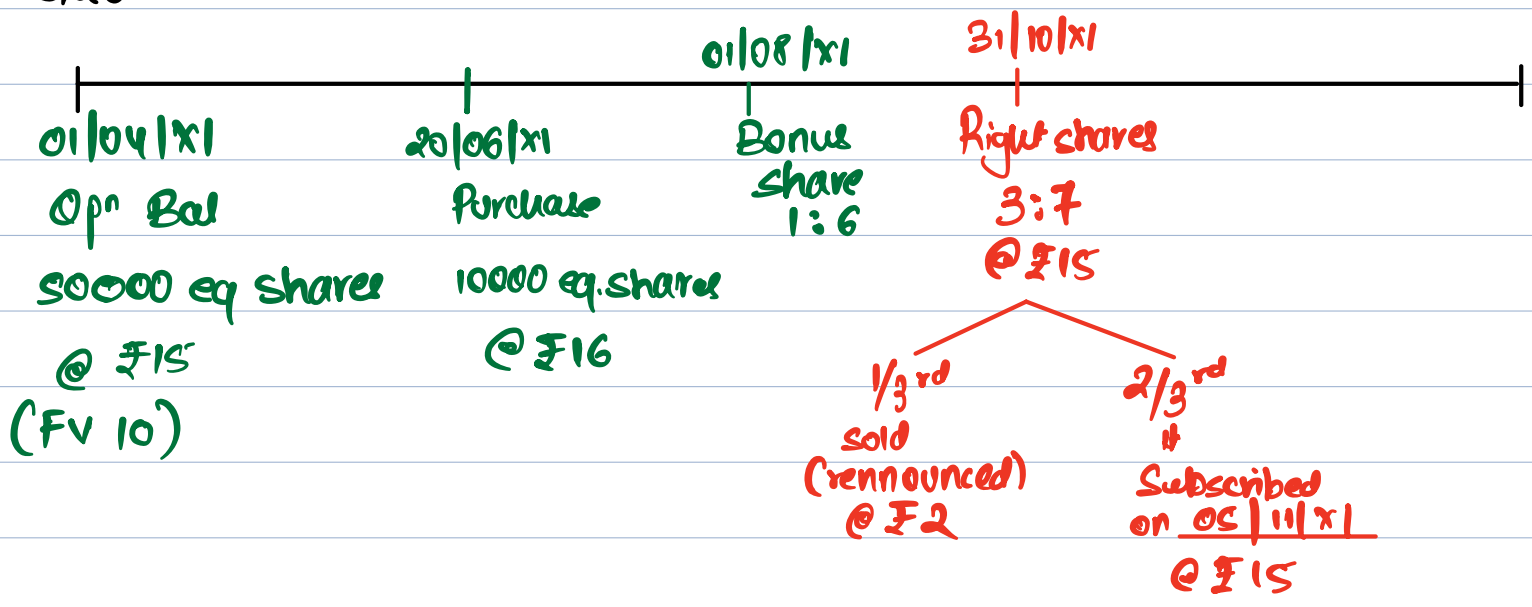
Invst in Eq shares 24000
To C/B 24000

C/B A/c Dr 4000
To P/L 4000

↓

- This ₹4000 will not come in above ledger of Invst
- If separate ledger of P/L is prepared then this income will appear.
- Dont make the mistake of recording this in Div Col^{n}.

Q20



Invst in Eq. Shares.

Particulars	No. of shares	Div	Amt	Particulars	No. of shares	Div	Amt
01/04/X1 To bal bfd	50000	-	750000				
20/08/X1 To CIB (Purch.)	10000	-	160000				
01/08/X1 To Bonus shares	10000	-	0				
05/11/X1 To CIB (Right shares)	20000		300000	31/3/X2 By bal c/d	90000 shares		1210000

WN ① Bonus shares

$(50000 \text{ shares} + 10000 \text{ shares}) \times \frac{1}{6} = 10000 \text{ shares} \rightarrow$ Cost NIL

WN ② Right shares

$(50000 \text{ shares} + 10000 \text{ shares} + 10000 \text{ shares}) = 70000 \text{ shares} \times \frac{3}{7}$

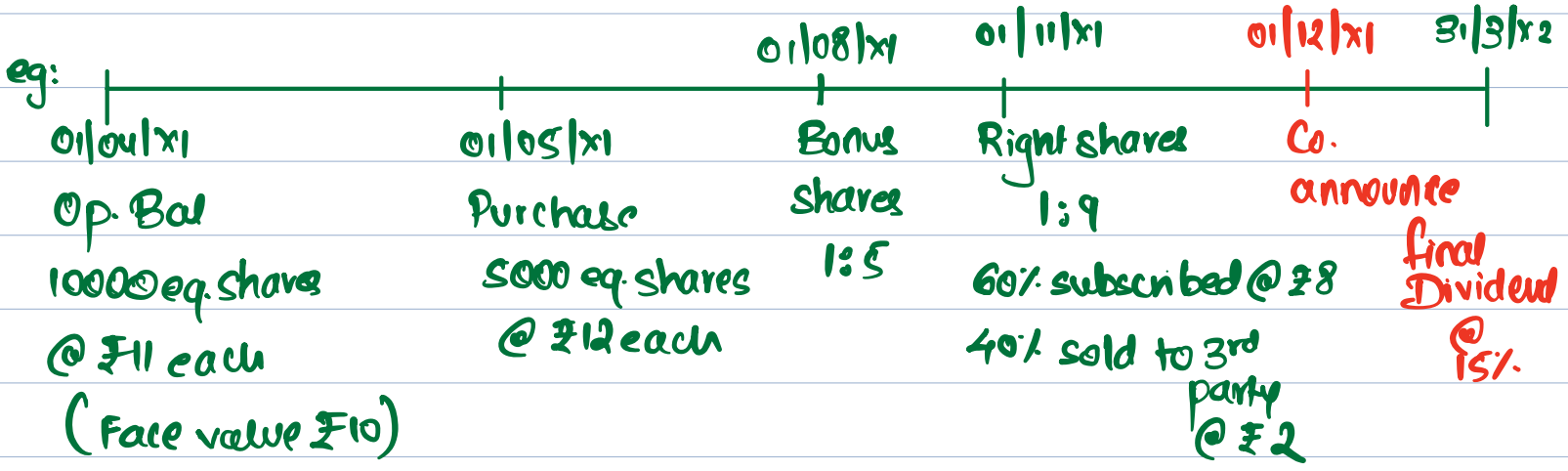
$= 30000 \text{ shares}$

Right announcement ke pehle jitne bki shares the unn sab pe right shares milega.

- 1/3rd Sold → 10000 shares × ₹2 = 20000 → CIB TO PIL
- 2/3rd Subscribe 20000 shares × ₹15 = 300000 → Invst TO CIB

d] Dividend (Final dividend)

- Return on Invst in Eq shares
- Dividend is always paid on face value of shares



Invst in Eq. Shares.

Particulars	No. of shares	Div	Amt	Particulars	No. of shares	Div	Amt
01/04/x1 To bal bld	10000 shares	-	110000	01/12/x1 By CIB (Div)		15000	
01/05/x1 To CIB (Purch)	5000 shares		60000	01/12/x1 By CIB (Div on C.y Purch)		-	7500
01/08/x1 To Bonus shares (15000 x 1/5)	3000 shares	-	0	31/3/x2 By bal c/d	19200 Shares		172100
01/11/x1 To CIB (Right shares)	1200 shares	-	9600				
31/03/x2 To P/L (Trf of Div)	-	15000	-				

WN ① Right Shares

18000 shares × 1/9 = 2000 Right shares

60%. Subscribe
1200 shares @ ₹8 = 9600

40%. renounced
800 shares × ₹2 = 1600
⇓
CIB 1600
TO PIL 1600

WN 2 Final Dividend

Opr shares 10000
(10000 shares × 10 × 15%)
↓ Face value
Div Amt = 15000
↓
J.E.
CIB A/c Dr 15000
TO Div Inc (PIL) 15000
↓
Post Acquisition Dividend

Purchased in C.Y. 5000 shares
(5000 shares × 10 × 15%)
Div Amt = 7500
↓
CIB A/c Dr
TO ~~PIL~~ Invst in Eq. shares
↓
It is not treated like income.
Div on shares purchased in C.Y are to be treated as recovery of cost.

↓

Pre-Acquisition dividend

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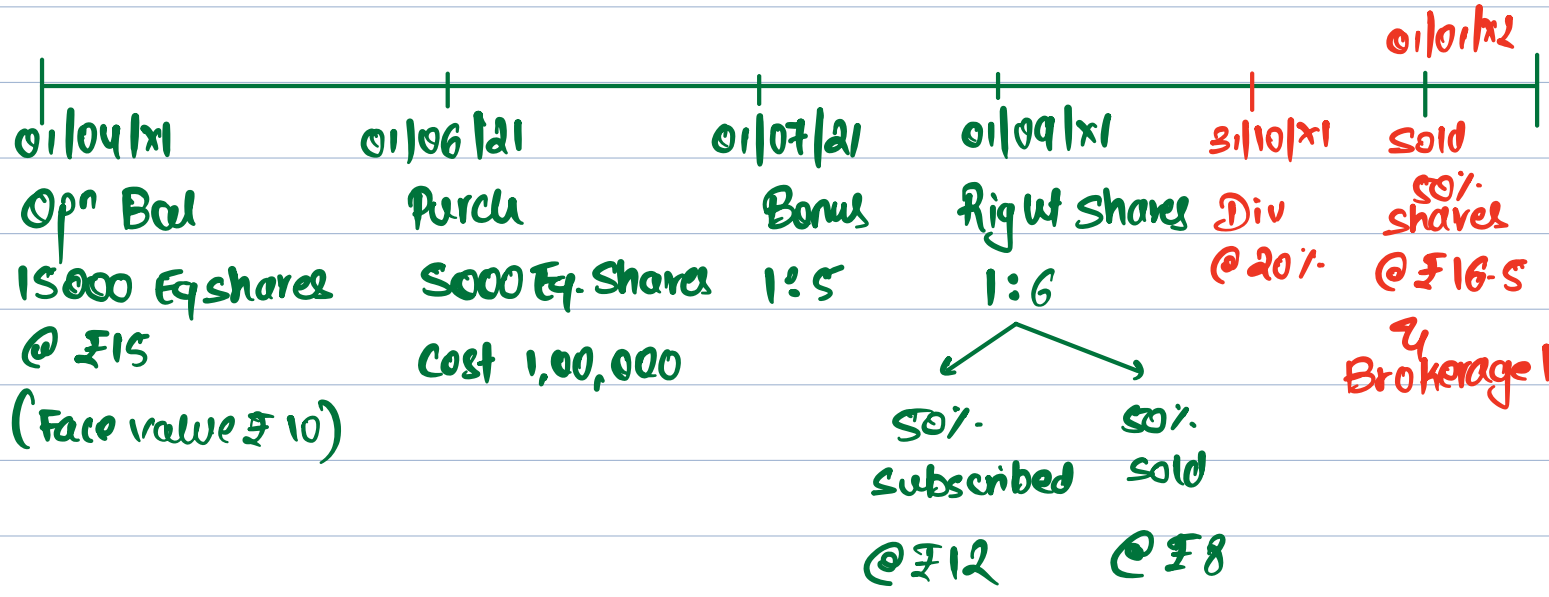
① Div on Opⁿ Shares → Post Acqⁿ Div → Trf to P&L → In ledger record in Div Columⁿ

② Div on C.Y. Purchases → Pre-Acqⁿ Div → Recovery of cost → In ledger record in Amt columⁿ

③ Div on C.Y. Bonus/Rights Shares → Not Applicable.

Ques 21 (LDR)



Invst in Eq. Shares.

Particulars	No. of shares	Div	Amt	Particulars	No. of shares	Div	Amt
01.04.X1 To bal b/d	15000	-	225000	31.10.X1 By CIB	-	30000	-
01.06.X1 To CIB (Purch)	5000	-	100000	31.10.X1 By CIB	-	-	10000
01.07.X1 To Bonus shares (20000 × 1/5)	4000	-	0	01.01.X2 By CIB (Sale)	13000 shares	-	212355
01.09.X2 To CIB (Right shares)	2000		24000	31.03.X2 By bal c/d	13000 shares	-	169500
01.01.X2 To PIL (Profit)			42855				
31.3.X2 To PIL (Trf of Div)		30000					

WN ① Right shares

$(15000 + 5000 + 4000) \times \frac{1}{6} =$ 4000 shares

Subscribed	Sold
50%	50%
2000 shares	2000 shares
@ ₹12	@ ₹8
= 24000	= 16000
Invst 24000	↓
To CIB 24000	CIB
	To PIL
	(No impact on ledger)

WN ② Div

On opn shares

15000 shares × 10 × 20%

= 30000

CIB

To Div Inc (PL)

On purchases

5000 shares × 10 × 20%

= ₹10000

CIB

To Invst

(Recovery of cost)

WN ③ Sale of shares

No. of shares coln.

Total No. of share = 26000 shares × 50% Sold

= 13,000 shares

(x) ₹ 16.50

S.P	214500
less: 1% Brok.	(2145)
Net S.P	212355
Cost of 13000 shares (WAM) (13000 shares × 13.038)	(169500)
Profit	42855

↳ Aut wala coln

$$\left(\frac{225000 + 100000 + 0 + 24000 - 10000}{26000 \text{ shares}}\right)$$

↳ No. of shares wala coln.

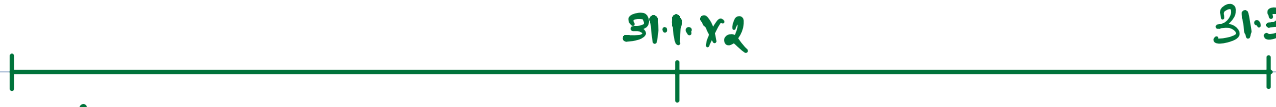
= 13.038

CIB A/c Dr 212355

To Invst 169500

To PL 42855

Q23 (IDR)



01/04/X1
Purch. 1000 Eq. Share @ ₹120 (FV ₹100)
(+) 2% Brokerage
(+) Cost of transfer: 0.5%.
$\left(\frac{₹0.50}{₹100}\right) \times 100$

Bonus 1:2
$\left(1000 \times \frac{1}{2}\right) = 500$ Shares

Sold 500 Shares @ ₹90
Brokerage 2%.
&
Also check cost or MV whichever is lower.

Invst in Eq. Shares.

Particulars	No. of share	Div	Amt	Particulars	No. of share	Div	Amt
01.04.X1 To CIB (Purchase)	1000	-	123000	31.03.X2 By CIB (Sale)	500	-	44100
31.01.X2 To Bonus Shares	500	-	0	31.3.X2 By bal c/d	1000	-	82000
31.03.X2 To PL (Profit)			3100				

WN ① Purchase

Cost	120000	(1000 shares x ₹120)
+ Brok @ 2%	2400	(120000 x 2%)
(+) Share trf fees	600	(120000 x 0.5%)
	123000	

WN 2 Sale of 500 shares

Sell Price	45000	(500 x 90)
less: Brok @ 2%	(900)	
Net sell price	44100	
Cost of 500 shares (500 x 82)	41000	$\left(\frac{123000+0}{1000+500}\right)$ = 82 per share.
Profit	3100	

c/B	44100	
To Invt		41000
To P/L		3100

Jugaad → Yeh bhul jaoge

WN 3 Since in ques it is mentioned that investments are current Invst, they will be valued at cost or MV (whichever is lower)

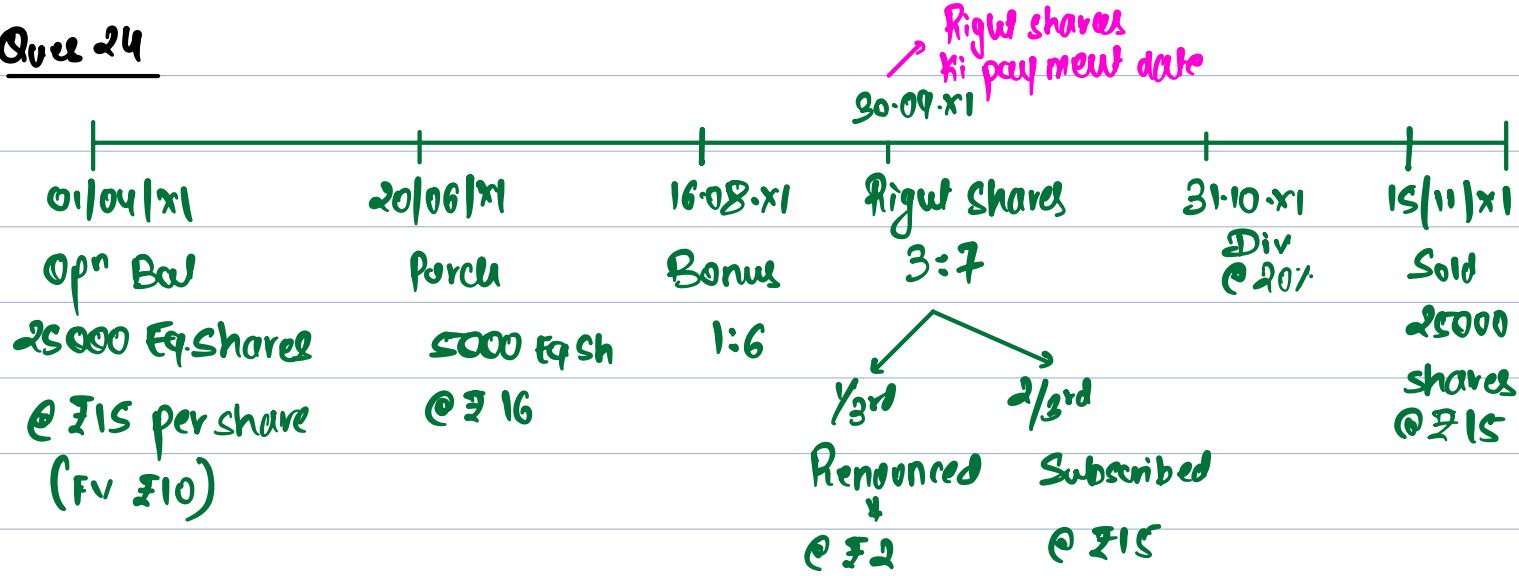
① Cost of 1000 shares (c/u Bal) 82000 ← c/u Bal of ledger

OR

Market value of 1000 shares 90000 (1000 x ₹90) ← Given in ques.

∴ It will valued at cost 82000

Ques 24



Investment in Eq shares of X Ltd.

Particulars	No.	Div	Amt	Particulars	No.	Div	Amt
01.04.x1 To bal bld	25000	-	375000	31.10.x1 By CIB (Div)	-	50000	-
20.06.x1 To Bank (Purchases)	5000	-	80000	31.10.x1 By CIB (Div on purchases)	-	-	10000
16.08.x1 To Bonus shares	5000	-	-				
30.09.x1 To CIB (Right shares)	10000	-	150000	15.11.x1 By CIB (Sale)	25000	-	375000
15.11.x1 To P/L (Profit on sale)	-	-	44444				
31.12.x1 To P/L (Tf of Div)		50000		31.12.x1 By bal c/d	20000		264444

Profit & loss A/c

		By Invst (Profit on sale)	44,444
		By Div (Div Income)	50,000
To Net Profit (Bal c/d)	104444	By CIB (Sale of Rigw shares)	10,000

WN① Bonus Shares

$(25000 + 5000) \times \frac{1}{6} = 5000$ shares

WN② Right shares

$(25000 + 5000 + 5000) \times \frac{3}{7} = 15{,}000$

- 1/3rd → sold rights 5000 @ ₹ 2
- 2/3rd → 10000 Rights shares purchased @ ₹ 15

Invst 150000
To CIB 150000

J.E CIB 10000
To P/L 10000

Invst ledger ✗
P/L ledger ✓

CON 3 Dividend @ 20%

i) On Opn shares = 25000 shares × Face value ₹10 × 20% = 50000 → P/L

CIB A/c Dr 50k
To Div Income 50k
Div Income To P/L

ii) On Purchases = 5000 shares × Face value ₹10 × 20% : 10000 → Recovery of cost

CIB 10k
To Invst 10k

Note: NO Div on Bonus & Right shares

WN 4 Sale of 25000 shares

S.P (25000 × 15) : 375000

Cost of 25000 shares (WAM) : (330556)

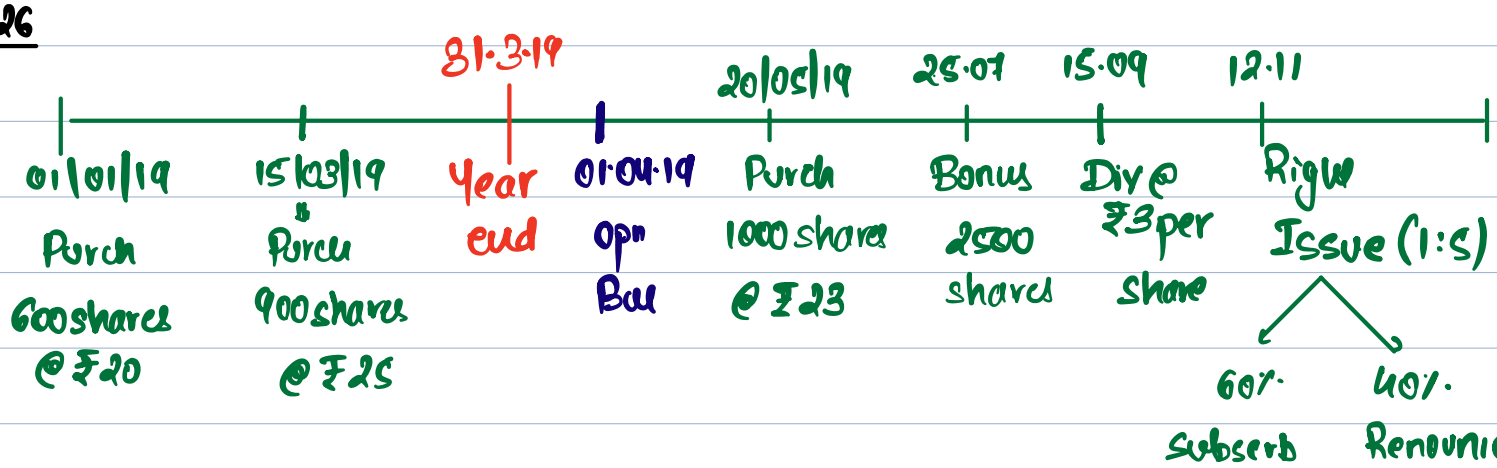
Profit 44444

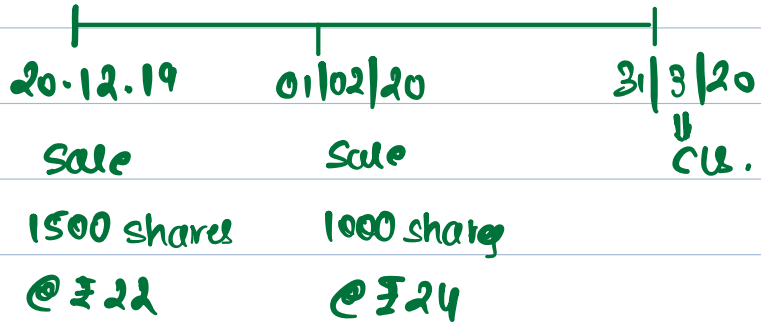
$\left(\frac{375000 + 80000 + 150000 (-) 10000}{25000 + 5000 + 5000 + 10000}\right) = 13.222$ per share ← cost

J.E. CIB A/c Dr. 375000
To Invst in Eq Shares 330556
To Profit 44444

13.22 × 25000
= 330556

Q.26





Invst in Eq. Shares. (Yr ended 31.3.19)

Particulars	No. of shares	Div	Amt	Particulars	No. of shares	Div	Amt
01.01.19 To CIB (Purch)	600	-	12000				
15.03.19 To CIB (Purch)	900	-	22500	31.3.19 By bal c/d	1500	-	34500

For year ended 31.3.20

01.04.19 To bal b/d	1500	-	34500	15.09.19 By CIB (Div)	-	4500	-
20.05.19 To CIB (Purch)	1000	-	23000	15.09.19 By CIB (Div on purchased)	-	-	3000
25.07.19 To Bonus Shares	2500	-	0				

12.11. To CIB (Right)	600	-	12000	20.12.19 By CIB (Sale)	1500	-	33000
20.12.19 To PIL	-	-	15187	01.02.20 By CIB (Sale)	1000	-	24000
1.02.20 To PIL	-	-	12125				
				31.3.20 By balc/d	3100	-	36812
31.3.20 To PIL (Trf of Div)		4500					

WN① Div Recd

ⓐ On Opn shares = 1500 shares × ₹3 = 4500 → CIB
To Div Inc.

They were purchases in P.y. But for C.y. they are opn Bal.

ⓑ On C.y. Purchases

1000 shares × ₹3 = 3000 → CIB
To Invst (Recovery of cost)

WN2 Right shares

$(1500 + 1000 + 2500) \times \frac{1}{5} = 1000$ shares

60% Subscribed	40% Renounced
600 shares @ ₹20	400 × ₹3
= 12000	= 1200
Invst	CIB
TO CIB	TO PIL

WN3 Sale of 1500 shares

S.P. (1500 × 22)	= 33000
Cost (1500 × 11.875)	= 17813
Profit	15187

Aust cost

$$\left(\frac{34500 + 23000 + 12000 - 3000}{1500 + 1000 + 2500 + 600}\right)$$

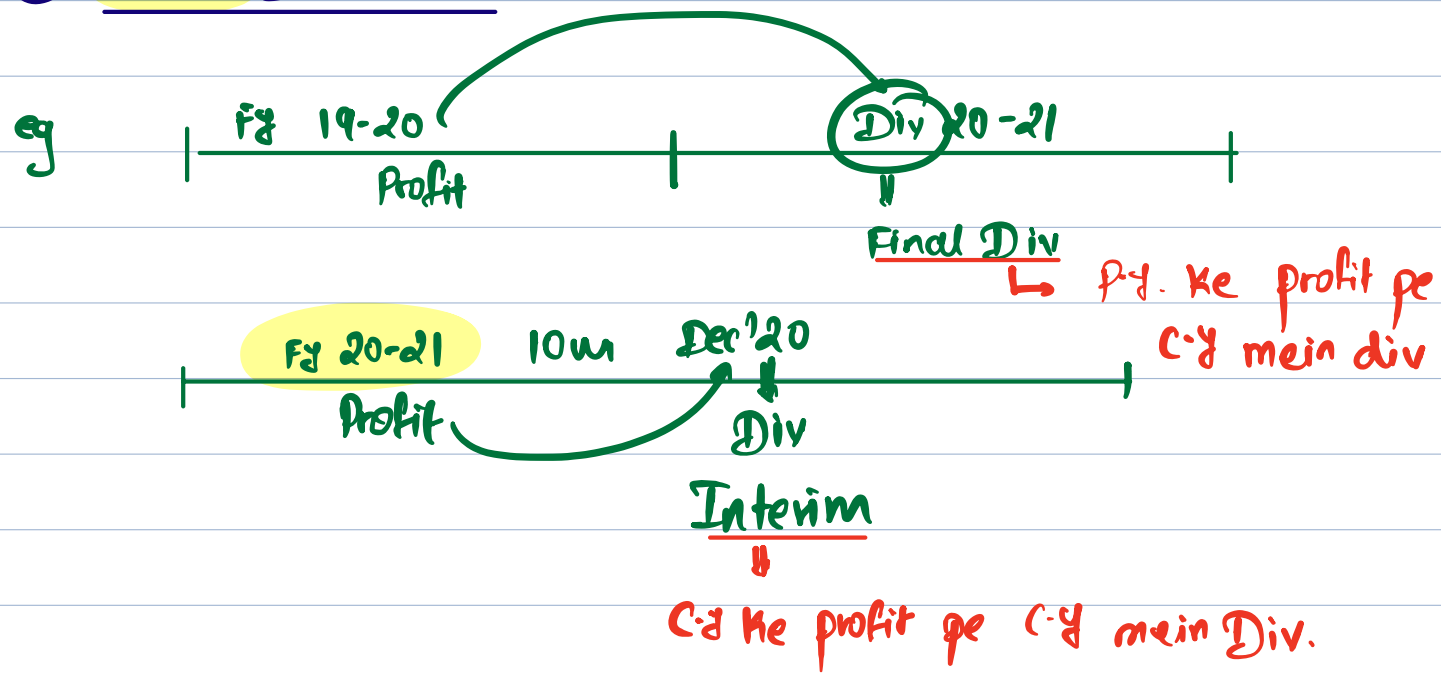
= 11.875 per share → No. of shares

WN4 Sale of 1000 shares

S.P (1000 × 24)	= 24000
Cost (1000 × 11.875)	11875
Profit	12125

No need to compute weighted Avg cost again as it will be same since there is no new purchase after previous sale

(E) Interim Dividend



→ Interim Div means dividend which is declared in C.Y for the profit earned in C.Y.

→ Key points

① Interim div on opn shares + C.Y. purchased shares → will be ttf to P/L (Div com in ledger)

② Interim div on Bonus & Right shares

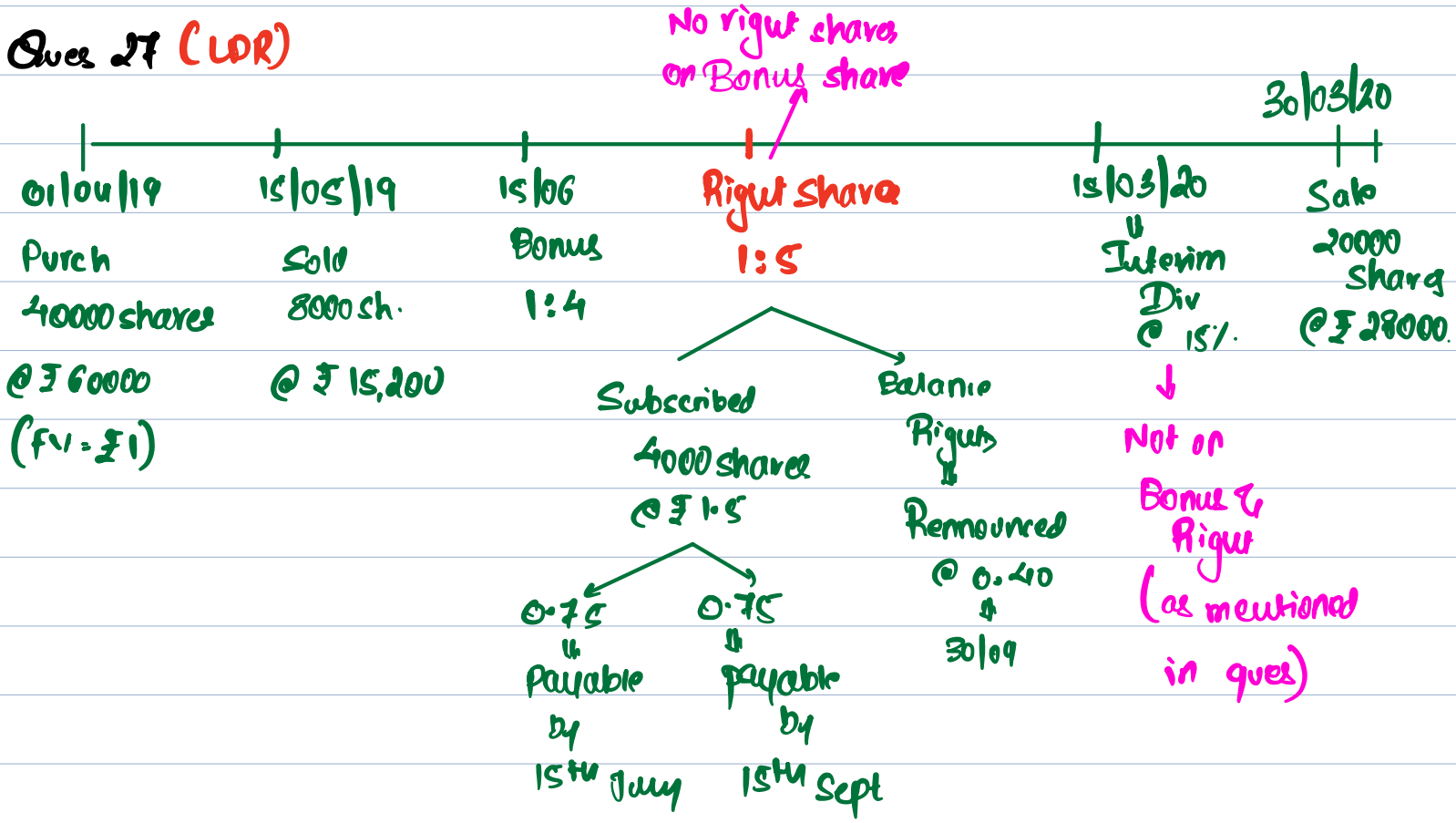
↳ If nothing is mentioned in ques → Then Div is received on these shares

↳ If ques specifically mentions that no div on Bonus & Right shares → Then do not record div.

③ If only Div word is used in ques → Then it is Final Div

If Interim Div —u— → —u— Interim Div.

Ques 27 (LDR)



Invst in Eq. Shares.

Particulars	No. of shares	Div	Amt	Particulars	No. of shares	Div	Amt
01/04/19 To CIB (Purch)	40000	-	60000	15/05/19 By CIB (Sale)	8000	-	15200
15/05/19 To PIL (Profit)			3200	15/03/20 By CIB (Interim Div)	-	4800	-
15/06/19 To Bonus shares (32000 × 1/4)	8000	-	0	30/03/20 By CIB (Sale)	20000	-	28000
15/07/19 To CIB (Right shares)	4000	-	3000	31/3/20 By bal c/d	24000		29455
15/09/19 To CIB (Right shares)	-	-	3000				
30/03/20 To PIL			3455				
31/3/20 To PIL (Trf of Div)		4800					

WN① Sale 8000 shares

S.P 15200

Cost (8000 × 1·5) (12000)

Profit 3200

$\left(\frac{60000}{40000 \text{ shares}}\right) = 1.5$

July

WN② Right shares (to be given only on shares as on 01/06/19)

32000 shares × 1/5 : 6400 shares

- 4000 shares Subscribed
  - ₹0.75 — 15/07 ⇓ — 3000
  - ₹0.75 — 15/09 ⇓ — 3000
  - → Inv'st to CIB
- 2400 shares renounced @₹0.40 = 960 ⇓ CIB
  - → To P/L (No effect in ledger)

WN3 Interim div

40000 (-) 8000 shares : 32000 shares × ₹1 × 15% : 4800 → CIB

→ To Div Income

WN4 Sale of 20000 shares

S.P 28000

Cost of 20000 shares (20000 × 1·227) (24545)

Profit 3455

$\left(\frac{60k + 3200 + 3000 + 3000 - 15200}{40000 + 8000 + 4000 - 8000}\right)$

Amt wala column

→ No. of shares

= 1·227 Cost

Q28 Assumed to be correct

Imp Point

4r end Invst

Cost → 201886 → Bal old

(or)

MV → 192500

(17500 x 11) shares

loss (PL) 9386

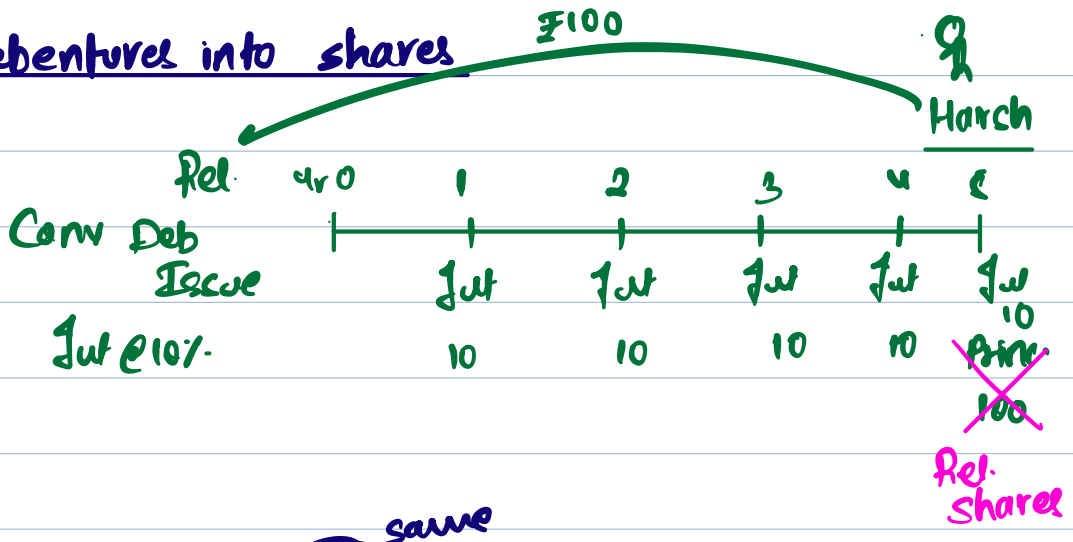
PL A/c Dr

To Invst

Draft

31-3-22 By bal old	17500 shares	-	~~201886~~ 192500
By PL (loss)			9386

(F) Conversion of Debentures into shares



(Harsh → Investor)

→ J.E. for conversion

Invst in Eq Shares A/c Dr — XX — same

To Invst in Debentures → C.A

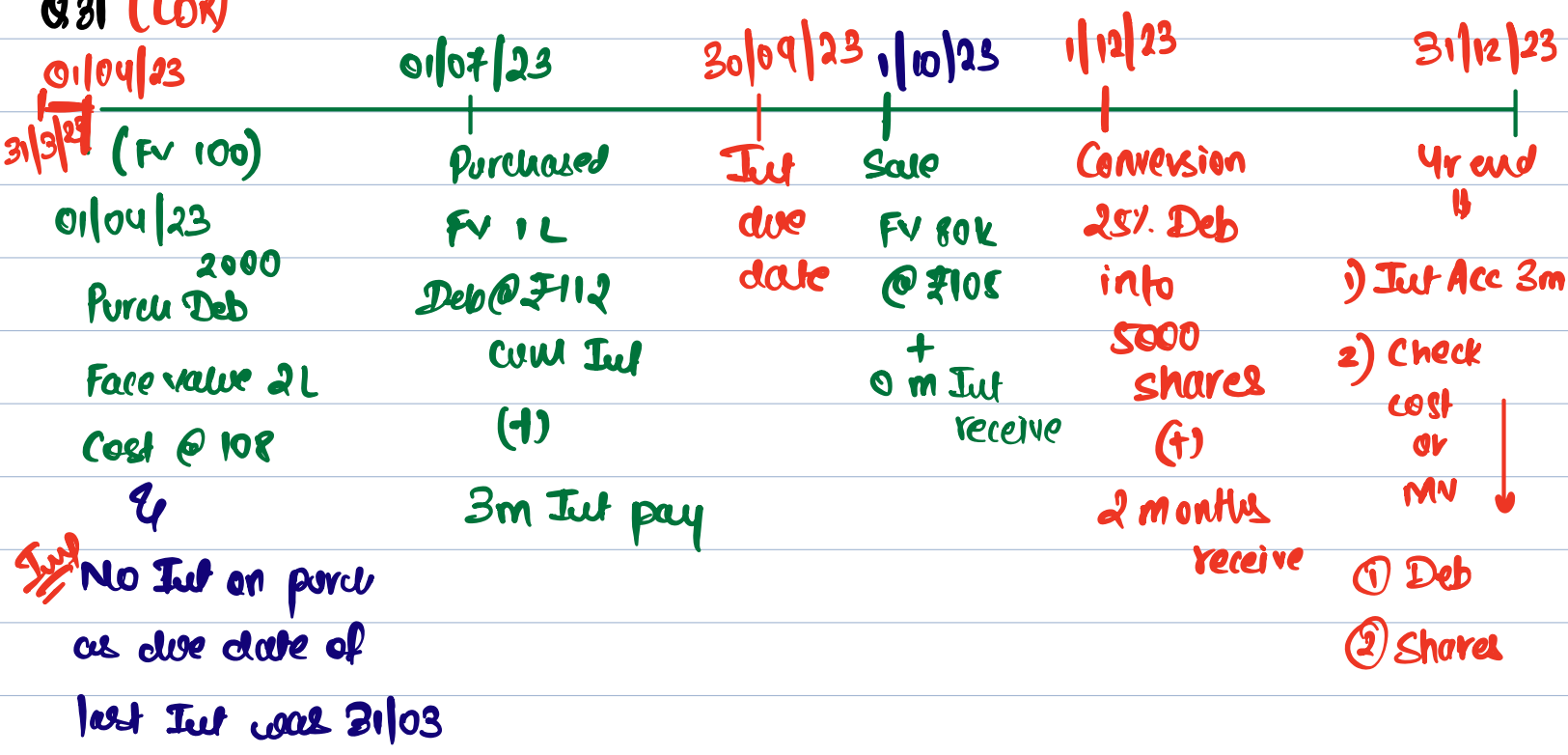
(Record invst in equity shares at the cost / C.A of Debentures)

Key points

Normally on sale of Invst in Deb, we also receive payment of Interest

In case of conversion, interest will be received from last due date till date of conversion.

Q31 (LOK)



Invst in 8% Conv Deb

Particulars	NV	Int	Ex Int Amt	Particulars	NV	Int	Ex Int Amt
01.04.23 To CIB (Purch)	200000	-	216000	30.09.23 By CIB (Int)	-	12000	-
01.07.23 To CIB (Purch)	100000	2000	110000	1.10.23 By CIB (Sale)	80000	-	84000
				1.10.23 By PL (loss)	-	-	2933
		Int		1.12.23 By Invst in Eq. shares	55000	-	59767
				1.12.23 By CIB (Int on conversion)	-	733	-
31.12.23 To PL		14033		31.12.23 By bal c/d	165000	3300	179300

Invst in Eq. Shares

	No.	Div	Amt		No.	Div	Amt
1.12.23 To Invst in Deb	5000	-	59767	31.12.23 By bal c/d	5000	-	59767

WN① Purchase → 2000 Deb

2000 × 108 = 216000

Int on purchase → Nahi aayega, as due date of Int was 31/3/23

WN② Purch of Deb (1000) on 01.07.23

Cum Int cost =	112000	(1000 × 112)
less: Int 3m	(2000)	(1000 × 100 × 8% × 3/12)
Ex Int cost	110000	

WN③ Int on due date → 30.09.23

3,00,000 × 8% × 6/12 = 12000

NV/COIN

WN④ Sale of 800 Deb on 01.10.23

Sale price (800 × 105) =	84000	
Cost of 800 Deb (800 × 108.67)	(86933)	(216000 + 110000 / 2000 Deb + 1000 Deb) = 108.67
loss	2933	

J.E. CIB 84000
PIL 2933
To Invst 86933

Int on sale → Nahi aayega → As due date was 1 day Before only

WN 5 Conversion of 25% Deb into 5000 shares

2000 Purch
1000 Purch
(800) Sale
2200 Deb
× 25%
550 Deb → converted into → 5000 eq. shares.

J.E. for conversion

Invst in Eq shares A/c Dr 59767
To Invst in Deb A/c 59767 (@ carrying Amt / Cost)
(550 Deb × 108.67
cost of deb)

Int on conversion for 2 months (550 Deb × 100 × 8% × 2/12) = 733
30.09.23 to 1/12/23

CIB 733
To Int 733

WN 6 Acc. Int

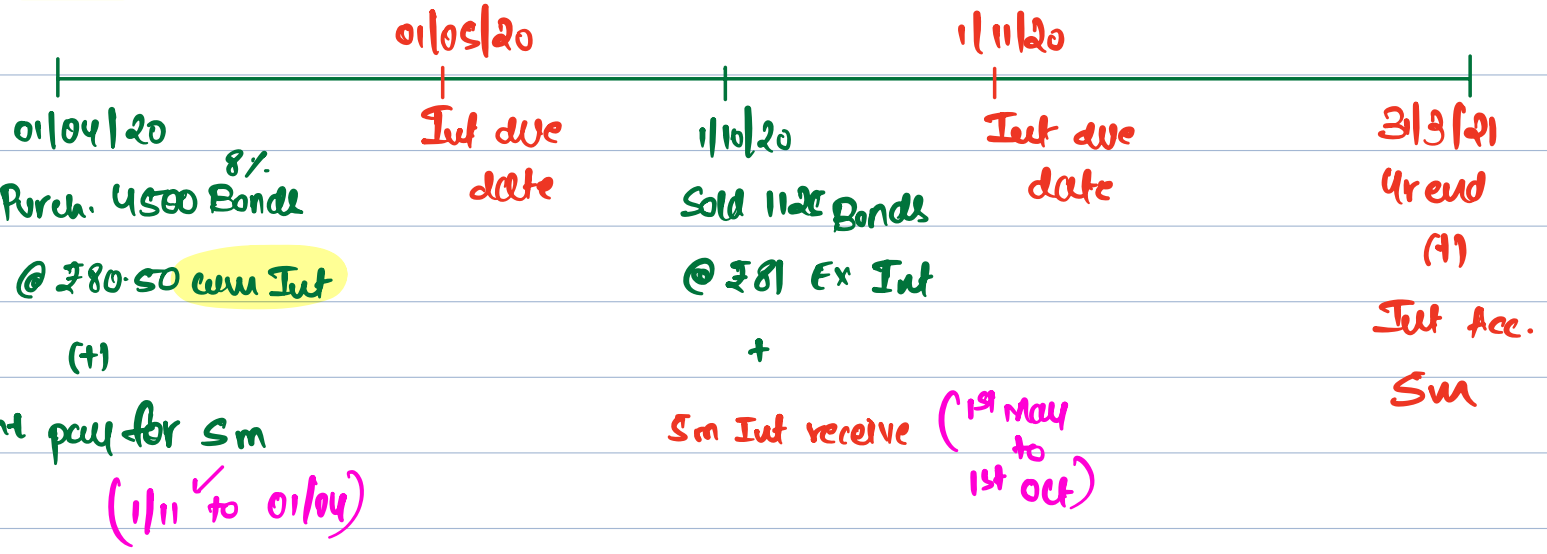
1650 Deb × 100 × 8% × 3/12 = 3300
2200
(550) converted

CWH7 Valuation on 4r end

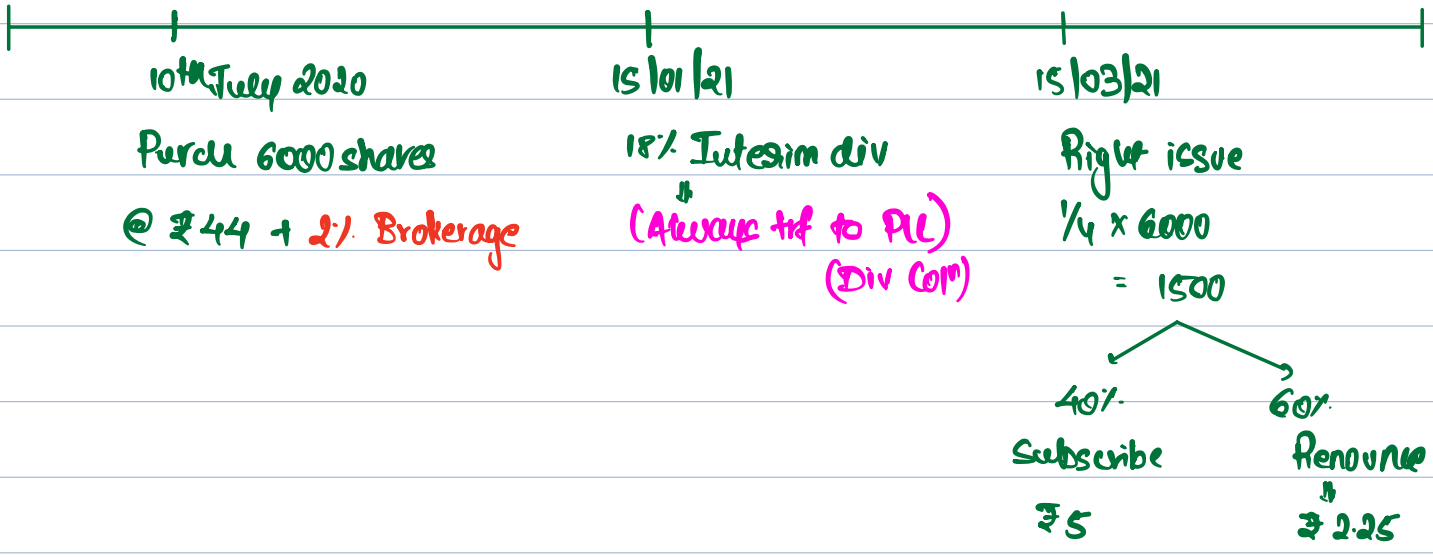
Deb		Shares	
Cost	179300	Cost	59767
or		or	
MV	181500 (1650 x 110)	MV	75000 (5000 x 15)
lower Cost	179300	lower cost	59767

Ques 32 (UDR)

Bonds



Shares



Invst in Bonds

Particulars	NV	Int	Ex Int Amt	Particulars	NV	Int	Ex Int Amt
01.04.20 To CIB	450000	15000	347250	01.05.20 By CIB (Int) (450000 x 8% x 6/12)	-	18000	-
01.10.20 To PL	-	-	4313	01.10.20 By CIB (Sale)	112500	3750	91125
31.3.21 To PL (Trf of Int)		31500		1.11.20 By CIB (Int) (337500 x 8% x 6/12)		13500	-
				31.3.21 By Bal c/d.	337500	11250 ↓ Int Acc.	260438

Invst in Eq. Shares.

Particulars	No. of shares	Div	Amt	Particulars	No. of shares	Div	Amt
10/07/20 To CIB (Purch) (6000 x 44) + 2% Brok	6000	-	269280	15/01/21 By CIB (Div) (6000 x 10 x 18%)	-	10800	-
15/03/21 To CIB (Right shares)	600	-	3000	31.3.21 By bal c/d	6600	-	272280
31/3/21 To PL (Trf of Div)		10800					

WN① Purch of Bonds

Comm Int Price	362250	(4500 × 80·50)
less: Int for 5 months	(15000)	(4500×100×8%×5/12)
Ex Int	347250	

WN② Sale of Bonds

S.P	91125	(1125 × 81)
(-) Cost (1125 × 77·16)	86812	(347250 / 4500 Deb) = 77·16
Profit	4313	

Int on sale for 5m = 3750
(1125 × 100 × 8% × 5/12)

WN③ Int accrued on 31.3.21

$337500 \times 8\% \times \frac{5}{12} = 11250$

WN④ Right Shares (6000 × 1/4)

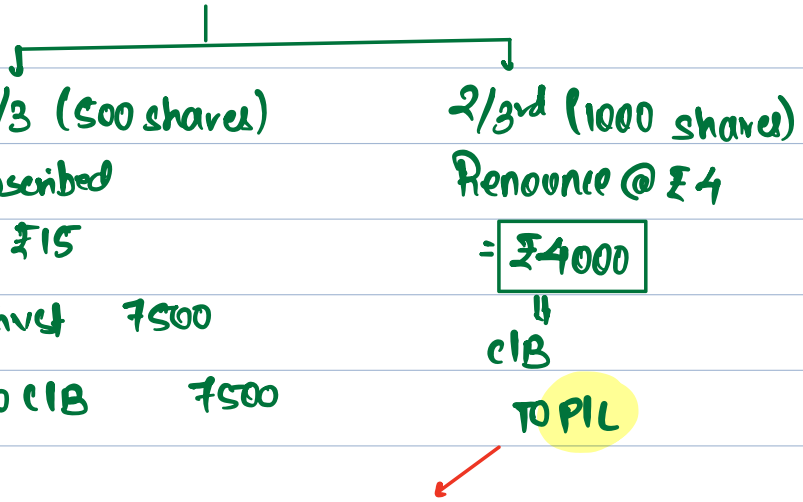
= 1500 shares

- 40% Subs: 600 × 5 = 3000 → Invt → TOCIB
- 60% Renounced: 900 × 2·25 = 2025 → CIB → TO PIL

} No effect in ledger

G] Right shares (Renouncement) → Special case

Eg: Right shares 1500



Exception:

If the value of shares falls after right issue, then income from sale of rights, will (NOT) be trf to P/L, instead it will be adjusted from the cost of investment to the extent of fall in value.

Eg: Assume in the above case, the value of shares fell by ₹ 2500 because of right shares issue.

J.E CIB A/c Dr. 4000
To Invst 2500 → to the extent of fall in value of
To PIL 1500 shares.

Ques 33

Right share 1:1 200 shares

- Subscribed → NIL
- Renounce → ₹ 12000

C/B A/c Dr 12000

To Invst 10000 → to the extent of fall in value 70000 Before (60000) After

To P/L 2000

fall 10,000

OR

(1) C/B 10k

To Invst 10k

(2) C/B 2000

To P/L 2000

Ques 34 (LDR)

10.10.19

01/04/19	05/04/19	08/04/19	Sold	31.3.20
Op. Bal	Purch 200 shares	Right share	350 shares	yr end
1000 Eq. Shares	@ ₹ 135	1:6	@ ₹ 140	Valuation
120000		1200 x 1/6 = 200 shares		cost or NRV
FV ₹ 100		Subs NIL / Ren. (100x) @ ₹ 20 (Price fell by ₹ 3400)		

Invst in Eq. Shares.

Particulars	No. of shares	Div	Amt	Particulars	No. of shares	Div	Amt
01/04/19 To bal bld	1000	-	120000	08.04.19 By CIB (Right shares)	-	-	3400
05/04/19 To CIB (Purch)	200	-	27000				
				10.10.19 By CIB	350	-	49000
10.10.19 To PL	-	-	7717				
		-		31.3.20 By bal c/d	850	-	101717

WN① Right shares

$\frac{1}{6} \times 1200$

$= 200$ shares

- Subscribe: NIL
- Renounce: 200×20 shares $= 4000$ (Price fell by 3400)

∴ E. CIB 3400
To Invst 3400

CIB 600
To PL 600

WN2 Sale

S.P	49000	(350 x 140)
Cost (350 x 119.67)	41883	$\left(\frac{120000 + 27000 - 3400}{1200 \text{ shares}}\right) = 119.67$
profit	7117	

WN3 Yr end Valuation

Cost	101717
or	
NRV	106250 (850 x 125)

Cost is lower

∴ No Adj required.