



## AS-13: ACCOUNTING FOR INVESTMENTS

**Purpose:** This standard deals with accounting for investments in the financial statements of enterprises and related disclosures requirements.

**Kya राजा ! Knowledge Test कर ले?**

Particulars	Whether deals with AS 13 or not?
Shares, debentures and other securities held as <u>Stock-in-trade</u>	No (AS-02)
Finance lease or Operating lease	No (AS-19)
Interest, dividend and rental income on <u>investments</u>	No (AS-09)
Investment on retirement benefit plans and LIC	No (AS-15)
Investment on Land and Building $\rightarrow$ Interest	No (AS-10)
Investment in shares or debentures of companies	Yes (AS-13)

$\hookrightarrow$  Dividend, Bonus, Right Issue

### CLASSIFICATION OF INVESTMENTS

Current Investments	Long Term Investments
<ul style="list-style-type: none"> <li>✓ Readily realizable</li> <li>✓ Held for <u>period not more than 1 year</u></li> </ul>	<ul style="list-style-type: none"> <li>✓ Other than current investments</li> <li>✓ Held for <u>more than 1 year</u></li> </ul>

### COST OF INVESTMENTS

Cost of Investment shall Include:

- ✓ Brokerage (added)
- ✓ Acquisition Charges (added)
- ✓ Final Dividend  $\rightarrow$  Pre-Acquisition Dividend (deducted)  $\rightarrow$  Credited to Investment A/c

Cost of Investment shall not Include:

- ✓ Final Dividend  $\rightarrow$  Post-Acquisition Dividend [Credited to Dividend column]
- ✓ Interim Dividend [Always Post acquisition]

**What if Investment is acquired in exchange for another asset?**

Cost of Investment shall be

- a) Fair Value of asset given up or
- b) Fair Value of investment acquired

Whichever is more clearly evident





## FIXED INCOME INVESTMENT OR INTEREST BEARING INVESTMENT

**Format** (Separate ROI, Separate Ledger)

Date	Particulars	Nominal	Interest	₹	Date	Particulars	Nominal	Interest	₹

**Notes:**

- ✓ **Nominal amount** = No. of debentures x Face Value
- ✓ **Interest** = Face value [Paid up] x Rate of Interest x [No. of months / 12]
- ✓ **No. of months** = From last date of interest to Date of Transaction
- ✓ **Calculate accrued interest on opening balance** when Interest date and Opening date are different
- ✓ **If Date of Sale/Purchase (01/07) and Date of interest (30/06) are close:**  
ignore 1 day for interest calculation
- ✓ **If Date of Sale/Purchase (30/06) and Date of interest (30/06) are same:**
  1. Do Treatment of Interest → incl. interest interest
  2. Do Treatment of Sale/Purchase → ✓ ✓

## CALCULATION OF VALUE OF INVESTMENT (DURING PURCHASE)

**In case of Cum-Interest Price**

Cum-interest Price	
Less: Interest	
Ex-Interest Price	
Add: Brokerage on cum-interest price	
Add: Stamp duty on Ex-interest price	
Value of Investment	

**In case of Ex-Interest Price**

Ex-Interest Price	
Add: Brokerage on Ex-interest price	
Add: Stamp duty on Ex-interest price	
Value of Investment	



### CALCULATION OF VALUE OF INVESTMENT (DURING SALE)

#### In case of Cum-Interest Price

Cum-interest Price	
Less: Interest	
Ex-Interest Price	
Less: Brokerage on cum-interest price	
Sale Value of Investment	

#### In case of Ex-Interest Price

Ex-Interest Price	
Less: Brokerage on Ex-interest price	
Sale Value of Investment	

### CALCULATION OF PROFIT/LOSS ON SALE OF INVESTMENT

Sale Value [Net]	
Less: cost of investment sold	
Profit/Loss	

#### Notes:

- ✓ Cost of investment sold shall be valued as per FIFO or weightage average.
- ✓ Always assume FIFO (if question is silent)

### VARIABLE INCOME INVESTMENT OR DIVIDEND BEARING INVESTMENT

#### Format (Separate class, Separate Ledger)

Date	Particulars	No. of shares	Dividend	₹	Date	Particulars	No. of shares	Dividend	₹

#### Calculation of Purchase Price of Investment

Purchase price x No. of shares	
Add: Brokerage	
Add: Stamp duty	
Value of Investment	

#### Calculation of Sale value of Investment

Sale value of investment	
Less: Brokerage	
Sale value of Investment	



**Calculation of Profit/Loss on Sale of Investment**

Sale Value [Net]	
<b>Less:</b> cost of investment sold (weighted average)	
Profit/Loss	

**Notes:**

- ✓ Cost of investment sold shall be valued as per FIFO or weightage average.
- ✓ Always assume weightage average (if question is silent)

**Calculation of weighted average Cost of Investment**

Value of Opening balance	
<b>Add:</b> Purchases	
<b>Add:</b> Right purchases	
<b>Less:</b> Pre-acquisition dividend	
<b>Less:</b> Sale of right entitlement of cum interest	
<b>Divide by:</b> No. of shares (including bonus share)	
weighted average Cost of Investment (per lot) (A)	
lots sold (B)	
Weighted average Cost of Investment (A x B)	

**What if Bonus Shares are offered?**



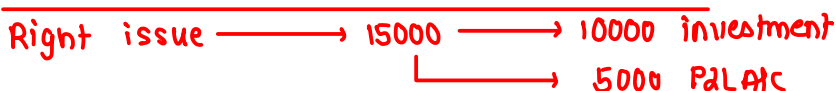
- ✓ **No. of Bonus Shares** = No. of shares held on that date x Ratio given
- ✓ No. of Bonus shares are shown in **Number of shares** column
- ✓ Don't add **value of Bonus shares** on amount column

**What if Right Shares are offered?**



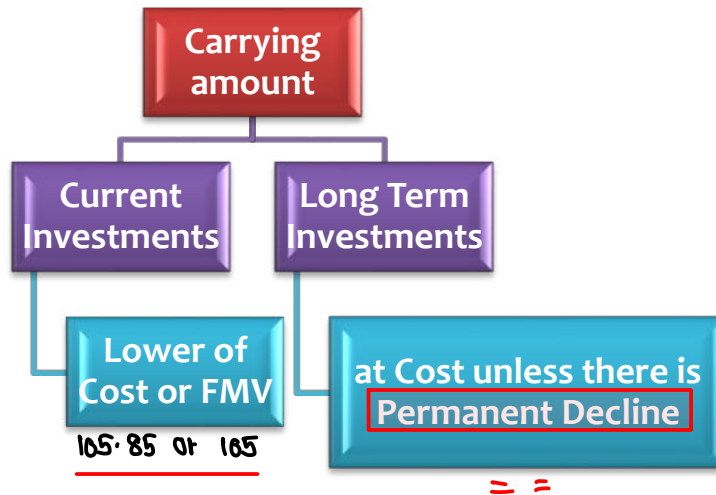
- ✓ Treatment 01 (if subscribed)  
 Cost of Right Shares is added to Carrying amount of Original Holding  
**No. of Right Shares** = No. of shares held on that date x Ratio given
- ✓ Treatment 02 (if not subscribed)  
 Ignore
- ✓ Treatment 03 (if not subscribed but sold in market) [**Right Renouncement**]  
 Sale proceeds are credited to Profit and Loss A/c as per PARA 13
- ✓ Treatment 04 (if investments are acquired on cum-right basis and Market value of Investment immediately after becoming ex-right is lower than its cost)  
 Reduce the carrying amount of such investment with sale proceeds

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Part (b)





**CARRYING VALUE OF INVESTMENTS**



**Notes for Current Investments:**

- ✓ Any Reduction to FMV : Debited to Profit & Loss A/c
- ✓ Any Subsequent Increase in FMV : Credited to Profit & Loss A/c up to the cost and Excess shall be ignored
- Valuation : Individual Basis or Category wise (Not on Global basis)

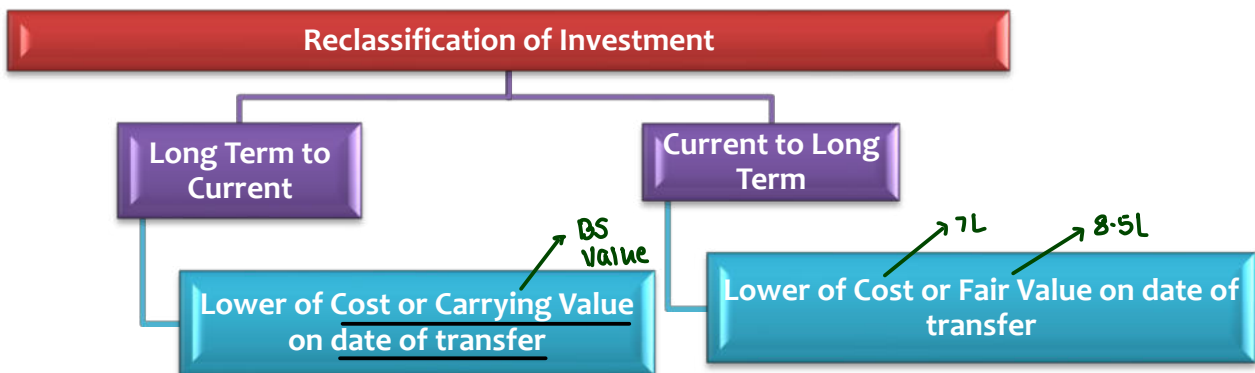
**Notes for Long Term Investments:**

- ✓ Decline other than temporary : Debited to Profit & Loss A/c
- ✓ Any Subsequent Increase in Value : Credited to Profit & Loss A/c up to the cost and Excess shall be ignored
- Valuation : Individual Investment Basis

**DISPOSAL OF INVESTMENTS**

Amount charged to P/L A/c = Difference between Carrying amount and Disposal Proceeds

**RECLASSIFICATION OF INVESTMENTS**





## DISCLOSURE REQUIREMENTS

### **Kya राजा ! Ab Disclose कर ले ?**

- ✓ Accounting Policies for determining Carrying value of investments
- ✓ Profit and Loss on disposal of investments & Changes in carrying value
- ✓ Interest, dividend & rental incomes charged to Profit and Loss A/c
- ✓ Aggregate amount of Quoted and Unquoted investments
- ✓ Significant restrictions on right of ownership
- ✓ Significant restrictions on realizability of investments
- ✓ Other disclosures are may be required by other statutes governing the enterprise