AVINASH LALA CLASSES

CMA FINAL

CORPORATE FINANCIAL REPORTING

DETAILED REVISIN

CHAPTER – FIANCIAL INSTRUMENT

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Question-1

State whether following are financial instrument or not and if yes then specify as financial asset and liability

Item	Financial Instrument	Financial Asset/ Liability
Cash		
Debtors		
Bills Receivable		
Creditors		
Loan (Receivable)		
Prepaid expenses		
Inventory		
Gold		
Investment in Gold Bond		
Share Based Payment		
Promissory Notes		
Property, Plant and Equipment		
Insurance Contracts		
Intangible Assets		
Investment in Debentures		
Investment In Shares		
Advance given for goods/services		
Financial Guarantee Given		
Income Tax		
Loan from Bank		
Warranty Obligation		

Question-2

Silver Ltd. issued irredeemable preference shares with face value of ₹ 10 each and premium of ₹ 90. These shares carry dividend @ 8% per annum; however, dividend is paid only when Silver Ltd declares dividend on equity shares. Analyse the nature of this instrument.

Solution

Preference shares are puttable instruments. However, it is fulfilling the conditions of Equity as it is irredeemable and payment of Dividend is also depending on the payment of dividend of Equity shares which is at the discretion of Silver ltd. Hence, it is an Equity Instrument.

Question-3

Z ltd. issued 10% preference shares of ₹ 10,00,000. Dividend is not mandatory. These can be converted into equity shares after the 3 years. Analyse the nature of instrument if such conversion is-

a. **Compulsory,**
b. **At the option of holder**
c. **At the option of Z Ltd.**

Will you answer change if in case of Case-C, it is history of Z ltd that they did not opt for Conversion and made payment to preference shareholders.

Solution

a. It is Equity as conversion is mandatory and company is not under any contractual obligation to pay cash or other financial assets.
b. Since conversion is at the option of holder, the redemption part is Financial Liability. However, the dividend part is optional. Hence dividend part is Equity as there is no contractual obligation to pay dividend.

   As redemption part is Financial Liability and Dividend Part is Equity, it is Compound Financial Instrument.
c. Since the conversion is at the option of issuer and dividend is also not mandatory, it is Equity.

History of the company for making payment and not opting for conversion will not change the classification as classification depends only on contractual terms.

Question-4

X ltd. obtains a bank loan of ₹ 10,00,000 which is to be settled after 3 years by issuing-

i. **50,000 Equity Shares**
ii. **Required number of Equity Shares at the market price on settlement date.**

Solution

i. It will be treated as Equity as Fixed number of shares for fixed consideration to be issued.
ii. It will be treated as Financial Liability as Variable number of shares to be issued.

Question-5

A ltd. issued 9% Debenture of ₹ 10,00,000 on 01/04/2024 at a discount of ₹ 50,000. These are redeemable at a premium of ₹ 20,000 on 31/03/2027. Internal Rate of Return is 11.67%. Pass Journal Entries and Liability Sheet.

Solution

A Ltd. is under obligation to pay interest as well as the principal amount. Hence it is Financial Liability.

WN-1 Calculation of Financial Liability

Year	Obligation	Discounting Factor @ 11.67%	Present Value
1	90,000	.895	80,550
2	90,000	.802	72,180
3	90,000 +10,20,000 = 11,10,000	.718	7,96,980
			9,49,660
		Approx	9,50,000

Journal Entries

Date	Particulars		Amount (₹)	Amount (₹)
01-04-20	Bank A/c	Dr.	9,50,000	
	To 9% Debenture (Financial Liability)			9,50,000
31-03-21	Interest on Debenture (Finance Cost)	Dr.	1,10,865	
	To 9% Debenture (Financial Liability)			1,10,865
	9% Debenture (Financial Liability)	Dr.	90,000	
	To Bank A/c			90,000
31-03-22	Interest on Debenture (Finance Cost)	Dr.	1,13,300	
	To 9% Debenture (Financial Liability)			1,13,300
	[9,50,000 + 1,10,865 -90,000] x 11.67%			
31-03-22	9% Debenture (Financial Liability)	Dr.	90,000	
	To Bank A/c			90,000
31-03-23	Interest on Debenture (Finance Cost)	Dr.	1,15,835	
	To 9% Debenture (Financial Liability)			1,15,835

	[9,70,865 + 1,13,300 – 90,000] x 11.67%			
	9% Debenture (Financial Liability)	Dr.	11,10,000	
	To Bank A/c			11,10,000

Liability Sheet

Year	Opening Balance	Inflow	Interest	Payment	Closing Balance
2020-21	-	9,50,000	1,10,865	90,000	9,70,865
2021-22	9,70,865	-	1,13,300	90,000	9,94,165
2022-23	9,94,165	-	1,15,835	11,10,000	-

Question-6

BEAS Ltd. borrows a sum of ₹ 20 crore from SINDHU Ltd. on 01.04.2023 repayable as a single bullet payment at the end of 5 years. The interest thereon @ 5% p.a. is payable at yearly rests. Since the market rate of interest is 8%. BEAS Ltd. paid an origination fee of ₹ 2.3954 crore to SINDHU Ltd. to compensate SINDHU Ltd. for the lower rate of interest. Apart from the above, there are no other transactions between the two parties.

You are required to calculate the amount at which BEAS Ltd. would recognize the loan and SINDHU Ltd. would recognize the annual interest income thereon.

The following present value of ₹ 1 at 5% and at 8% are supplied to you.

Interest Rate	Year-1	Year-2	Year-3	Year-4	Year-5
5%	**0.9524**	**0.9070**	**0.8638**	**0.8227**	**0.7835**
8%	**0.9259**	**0.8573**	**0.7938**	**0.7350**	**0.6806**

(June-24, 7 Marks)

Solution

Calculation of the amount at which BEAS Ltd. would recognize the loan

Particulars	(₹ in crore)
Gross amount of loan received from SINDHU Ltd. in the beginning of year 1	20
Origination fee paid to SINDHU Ltd. in the beginning of year 1	2.3954
The amount at which loan would be recognized	17.6046

Annual interest income to be recognized by SINDHU Ltd.

Year	Amortized Cost (Opening Balance)	Interest income @ 8% to be recognized	Total	Payment received	Amortized cost (closing Balance)
1	17,60,46,000	1,40,83,680	19,01,29,680	1,00,00,000	18,01,29,680
2	18,01,29,680	1,44,10,374	19,45,40,054	1,00,00,000	18,45,40,054

3	18,45,40,054	1,47,63,204	19,93,03,258	1,00,00,000	18,93,03,258
4	18,93,03,258	1,51,44,261	20,44,47,519	1,00,00,000	19,44,47,519
5	19,44,47,519	1,55,52,481	21,00,00,000	21,00,00,000	NIL

Question-7

MOON Ltd. issued 1,00,000, 8% Debentures of face value ₹ 100 each on par value basis on 1st January, 2023. These debentures are redeemable at 12% premium at the end of 2026 or exchangeable for ordinary shares of MOON Ltd. on 1:1 basis. The interest rate for similar debenture that do not carry conversion entitlement is 12%.

You are required to calculate the value of the debt portion and equity portion of the above compound financial instrument and show the journal entry at the inception of the financial instrument.

The present value of Re. 1 at the end of years 1 to 4 at 8% and 12% discount rate are supplied below:

	8%	12%
End of year 1	**0.926**	**0.893**
End of year 2	**0.857**	**0.797**
End of year 3	**0.794**	**0.712**
End of year 4	**0.735**	**0.636**

(Dec-23 2022 Syllabus, 7 Marks)

Solution

Interest = 1,00,000 x 100 x 8% = 8,00,000

Calculation of Financial Liability

Year	Contractual Cash Flow	Discounting Factor @ 12%	Present Value
1	8,00,000	0.893	7,14,400
2	8,00,000	0.797	6,37,600
3	8,00,000	0.712	5,69,600
4	1,12,00,000 + 8,00,000 = 1,20,00,000	0.636	76,32,000
			95,53,600
		Proceed	1,00,00,000
		Equity	4,46,400

Journal Entry

Particulars		Amount (₹)	Amount (₹)
Bank A/c	Dr.	1,00,00,000	
To 8% Debenture (Financial Liability)			95,53,600
To 8% Debenture (Equity)			4,46,400

Question-8

D Ltd. issues 2,000 convertible debentures at on 1st April, 2022. The debentures have a three-year term, and are issued at par with a face value of ₹1,000 per debenture, giving total proceeds of ₹20,00,000. Interest is payable annually at a nominal annual interest rate of 6 %. Each debenture is convertible at any time up to maturity into 25000 ordinary shares of ₹10. When the debentures are issued, the prevailing market interest rate for similar debt without conversion options is 9 %. The holders of the debentures elected to convert the debentures into equity at maturity.

Required: Examine the liability component, equity component and finance cost and also pass necessary journal entries in the books of D Ltd for the three-year term of the debentures (narration not required).

Present value of ₹1.00 @ 9% p.a. is as follows:

Year	1	2	3
PVIF @ 9%	0.9174	0.8417	0.7722

(June-25, 7 Marks)

Solution

If the entire lot of 2,000 debentures is collectively convertible into 25,000 equity shares, rather than each debenture being individually convertible into 25,000 shares.

Computation of the Liability Component

Year	Interest Payment (₹)	Principal Payment (₹)	Total Payment (₹)	PVF@9%	Present Value (₹)
2022–23	1,20,000	–	1,20,000	0.9174	11,0,088
2023–24	1,20,000	–	1,20,000	0.8417	1,01,004
2024–25	1,20,000	20,00,000	21,20,000	0.7722	16,37,064
Liability component					18,48,156

Computation of the Equity Component

Particulars	Amount (₹)
Proceeds of the Debt issue	20,00,000
Liability component	18,48,156

Equity Component	1,51,844

Computation of the Finance Cost and the Opening and Closing Balance of the Liability Component

Year A	Opening Balance B (₹)	Interest at 9% C = B x 9% (₹)	Payment 6% Coupon- D (₹)	Increase in the Liability E = C – D (₹)	Closing Balance F = B+E (₹)
2022–23	18,48,156	1,66,334	1,20,000	46,334	18,94,490
2023–24	18,94,490	1,70,504	1,20,000	50,504	19,44,994
2024–25	19,44,994	1,75,006*	1,20,000	55,006	20,00,000

* The interest for the year 2024–25 is rounded off due to approximations involved in the calculation, and is therefore computed as ₹ 20,00,000 + ₹ 1,20,000 – ₹ 19,44,994 = ₹ 1,75,006

Journal Entries

Date	Particulars		Amount (₹)	Amount (₹)
01.04.22	Bank A/c	Dr.	20,00,000	
	To Conv. Debenture (Liability) A/c			18,48,156
	To Conv. Debenture (Equity component) A/c			1,51,844
31.03.23	Interest Expense A/c	Dr.	1,66,334	
	To Bank A/c			1,20,000
	To Conv. Debenture (Liability) A/c			46,334
31.03.24	Interest Expense A/c	Dr.	1,70,504	
	To Bank A/c			1,20,000
	To Conv. Debenture (Liability) A/c			50,504
31.03.25	Interest Expense A/c	Dr.	1,75,006	
	To Bank A/c			1,20,000
	To Conv. Debenture (Liability) A/c			55,006
31.03.25	Conv. Debenture A/c(Liability)	Dr.	20,00,000	
	Conv. Debenture A/c (Equity component)	Dr.	1,51,844	
	To Equity Share Capital A/c			2,50,000
	To Securities Premium A/c			19,01,844

Question-9

Rakesh Ltd. borrowed ₹ 18,75,00,000 from Central Bank of India on 1st January, 2024. The terms of the loan were as under:

a. **Interest rate: 11% p.a.;**
b. **Repayment of principal in 5 equal annual instalments;**
c. **Payment of interest annually on accrual basis; and**
d. **Upfront processing fees: ₹ 22,01,286.**

The effective interest rate on the loan is 11.50% p.a.

Based on the above details, you are required to:

1. **Prepare a statement showing the amortisation of loan based on effective interest rate for a period of 5 years of the term of the loan; and**
2. **Pass the journal entries (narration not required) in the books of Rakesh Ltd. for availing of loan from bank on 1st January, 2024 and for payment of first instalment of loan and interest on 31st December, 2024.**

(Dec-25, 7 marks)

Solution

Amortisation Schedule for 5 Years

Year	Opening Carrying Amount (₹)	Interest Expense @ 11.50% (₹)	Total	Total Cash Paid (₹)	Closing Carrying Amount (₹)
2024	18,52,98,714	2,13,09,352	20,66,08,066	5,81,25,000	14,84,83,066
2025	14,84,83,066	1,70,75,553	16,55,58,619	5,40,00,000	11,15,58,619
2026	11,15,58,619	1,28,29,241	12,43,87,860	4,98,75,000	7,45,12,860
2027	7,45,12,860	85,68,979	8,30,81,839	4,57,50,000	3,73,31,839
2028	3,73,31,839	42,93,161		4,16,25,000	Nil

Rakesh Ltd.

Journal Entries

Date	Particulars		Amount (₹)	Amount (₹)
01.01.24	Bank A/c	Dr.	18,52,98,714	
	To 11% Loan from Central Bank A/c			18,52,98,714
31.12.24	Interest	Dr.	2,13,09,352	
	11% Loan from Central Bank		3,68,15,648	
	To Bank			5,81,25,000

WN-1 Calculation of Proceed from Loan

Loan Amount	18,75,00,000
Less: Processing Fee	(22,01,286)
Opening Liability	18,52,98,714

WN-2 Calculation of Total Payment and Balance at the end of Year

Year	Opening Balance (A)	Interest Payment @11% (B)	Principle Repayment (C)	Total Payment (D)	Closing Value E = A – C
2024	18,75,00,000	2,06,25,000	3,75,00,000	5,81,25,000	15,00,00,000
2025	15,00,00,000	1,65,00,000	3,75,00,000	5,40,00,000	11,25,00,000
2026	11,25,00,000	1,23,75,000	3,75,00,000	4,98,75,000	7,50,00,000
2027	7,50,00,000	82,50,000	3,75,00,000	4,57,50,000	3,75,00,000
2028	3,75,00,000	41,25,000	3,75,00,000	4,16,25,000	-

Question-10

At the beginning of year 1, BLACK PEPPER TULSI Ltd. issued 40,000 convertible debentures with face value ₹ 100 per debentures, at par. The debentures have six-year term. The interest at annual rate of 9% is paid half-yearly. The bondholders have an option to convert half of the face value of debentures into 2 Equity Shares at the end of year 3. The bondholders not exercising the conversion option will be repaid at par to the extent of ₹ 50 per debenture at the end of year 3. The non-convertible portion will be repaid at 10% premium at the end of year 6. At the time of issue, the prevailing market interest rate for similar debt without conversion option was 10.25%.

Required: Compare Value of Embedded Derivative. Pass the Journal Entry at initial recognition.

[Given PV of Annuity of ₹ 1 at 5% for 6 years 5.076 for 12 years 8.863, PV of ₹ 1 at 5% for 12th year end 0.557]

(June-23-2022 Syllabus, 6 Marks)

Solution

Half yearly interest = 40,000 x 100 x 4.5% (9/2) = 1,80,000

Calculation of Financial Liability

Year	Contractual Cash Flow	Discounting Factor	Present Value
Year – 1	1,80,000	.952	1,71,360
	1,80,000	.907	1,63,260
Year – 2	1,80,000	.864	1,55,520

	1,80,000	.823	1,48,140
Year – 3	1,80,000	.784	1,41,120
	1,80,000	.746	1,34,280
Year – 4	90,000	.711	63,990
	90,000	.677	60,930
Year – 5	90,000	.645	58,050
	90,000	.614	55,260
Year – 6	90,000	.585	52,650
	90,000 + (40,000 x 50) x 110% = 22,90,000	.557	12,75,530
			24,80,090
		Proceed	40,00,000
		Equity	15,19,910

Journal Entry

Particulars		Amount (₹)	Amount (₹)
Bank A/c	Dr.	40,00,000	
To 9% Convertible Debenture (Financial Liability)			4,00,000
To 9% Convertible Debenture (Equity)			6,00,000

Author's Note on Conversion at the end of 3

As the option of conversion is with the holder of the instruments and nothing is mentioned in the question it should be treated as financial liability i.e., redemption is to be made (₹ 40,000 x 50 = 20,00,000) at the end of year 3. However, ICMAI made assumption here that holders of instrument have exercised the option of conversion.

Author's Note on Rate of Interest

Market rate of interest is given here is 10.25%, but it is nowhere mentioned that it is annualised rate. However, discounting factor given here indicates that 10.25% is annualised rate.

Question-11

RICH & POOR LTD. issued certain callable convertible debentures at ₹ 300. The value of similar debentures without call or equity conversion option is ₹ 285. The value of call as determined using Black and Scholes model for option pricing is ₹ 10.

Determine Values of Liability and Equity Component.

(June-23-2016 Syllabus, 3 marks)

Solution

A callable bond is one that gives the issuer the right to buy the bond from the bondholders at a specified price. This feature in effect is a call option written by the bondholder. The option premium (value of call) is payable by the issuer.

- Liability Component = ₹ 275
- Equity Component = ₹ 25

Question-12

A Ltd. has business of giving short term loans to its customer. During the year it has provided the following loans

Name	Amount (₹)	Transaction Cost	Classified as	Fair Value at the year End	Realisation Amount (₹)
P	15,000	120	Amortised Cost	16,000	15,800
Q	18,000	150	FVTOCI	18,800	19,200
R	20,000	200	FVTPL	19,500	19,300

Pass Journal Entries.

Solution

Loan to P

Journal Entries

Date	Particulars		Debit (₹)	Credit (₹)
	Loan Provided			
	Loan to P A/c	Dr.	15,120	
	To Bank			15,120
	Change in Fair Value – Not to be accounted			
	Realisation			
	Bank	Dr.	15,800	
	To Loan to P A/c			15,120
	To Profit and Loss A/c			680

Loan to Q

Journal Entries

Date	Particulars		Debit (₹)	Credit (₹)
	Loan Provided			
	Loan to Q A/c	Dr.	18,150	
	To Bank			18,150

	Change in Fair Value			
	Loan to Q A/c	Dr.	650	
	To Other Comprehensive Income Res			650
	Realisation			
	Bank	Dr.	19,200	
	To Loan to Q A/c			18,800
	To Other Comprehensive Income Res			400
	Reclassification of OCI			
	Other Comprehensive Income Res	Dr.		
	To Profit and Loss A/c			680

Loan to R

Journal Entries

Date	Particulars		Debit (₹)	Credit (₹)
	Loan Provided			
	Loan to R A/c	Dr.	20,000	
	Transaction Cost	Dr.	200	
	To Bank			20,200
	Change in Fair Value			
	Loan to R A/c	Dr.	500	
	To Profit and Loss A/c			500
	Realisation			
	Bank	Dr.	19,300	
	Profit and Loss A/c	Dr.	200	
	To Loan to Q A/c			19,500

Question-13

Hill Ltd. issues 4-year 2,000 2% redeemable cumulative preference shares of ₹1,000 at par to its parent Mountain Ltd. on 01-04-2018. Market rate of interest is 12%. Show journal entries in the books of Mountain Ltd. for all the years.

Solution

Mountain Ltd. pays ₹1,000 per preference share at issue and receives ₹20 dividend annually and ₹1,000 at maturity, while market rate of interest is 12% amounting to ₹120 annually. The present value of dividends and maturity value of the preference shares at the discounting rate of 12% constitute the loan component of the investment and the excess consideration paid is accounted as equity component of the investment.

Initial recognition:

Year	Dividend and Principal	DCF at 12% (₹)
1	40,000	35,714
2	40,000	31,888
3	40,000	28,471
4	20,40,000	12,96,457
Loan component		13,92,530
Investment		20,00,000
Equity component		6,07,470

Subsequently, loan component of the investment will be carried at amortised cost as follows:

Year	Receipts @ 2% (₹)	Interest@12% (₹)	Increase in Loan (₹)	Carrying amount (₹)
0				13,92,530
1	40,000	1,67,104	1,27,104	15,19,634
2	40,000	1,82,356	1,42,356	16,61,990
3	40,000	1,99,439	1,59,439	18,21,429
4	40,000	2,18,571	1,78,571	20,00,000

Journal Entries

Date	Particulars		Amount (₹)	Amount (₹)
01-04-18	Investment	Dr.	6,07,470	
	Loan Receivable	Dr.	13,92,530	
	To Bank			20,00,000
31-03-19	Loan Receivable	Dr.	1,27,104	
	Bank	Dr.	40,000	
	To Interest Income			1,67,104
31-03-20	Loan Receivable	Dr.	1,42,536	
	Bank	Dr.	40,000	
	To Interest Income			1,82,536
31-03-21	Loan Receivable	Dr.	1,59,439	
	Bank	Dr.	40,000	
	To Interest Income			1,99,439

31-03-22	Loan Receivable	Dr.	1,78,571	
	Bank	Dr.	40,000	
	To Interest Income			2,18,571
31-03-22	Bank	Dr.	20,00,000	
	To Loan Receivable			20,00,000

Question-14

X ltd. Granted a loan to Y ltd amounting to ₹40 lakhs repayable in 2 years at ₹46 lakhs. However, due to economic recession after 1 year the repayable amount has been revised at ₹44 lakhs. Effective annual interest rate for such a loan is determined at 6% pa. The loan processing cost was ₹2 lakhs. X Ltd's accountant suggested to

i. **Charge processing cost to the first-year profit and loss A/c.**
ii. **To credit ₹4 Lakhs as interest income in the second-year profit and loss a/c.**
iii. **To carry loan a/c in the first-year balance sheet at ₹40 lakhs.**

Your advice is solicited.

Solution

i. Processing cost should be added to the carrying value of the loan (i.e. ₹40 Lakhs +₹2 Lakhs = ₹42 lakhs), and not be charged to P & L.
ii. In year 1 interest should be credited to P & L at 6% in ₹42 lakhs = ₹2.52 lakhs.
iii. The Carrying Amount of the loan at the end of year 1 = ₹42 lakhs + ₹2.52 lakhs = ₹44.52 lakhs. But since the Repayable Amount at the end of year 2 is revised at ₹44 lakhs, the recoverable amount at the end of year 1 is the present value = ₹44 lakh/1.06 = ₹41.51 (approx.) lakhs.

Thus, the carrying amount shall be brought down to ₹41.51 lakhs only, the difference being impairment loss under Ind AS 36 ₹ (44.52 – 41.51) Lakhs = ₹3.01 Lakh to be charged to Profit and Loss Statement.

In year 2, interest shall be credited to Profit and Loss Statement ₹ (41.51 × 6%) = 2.49 lakh and the carrying amount of loan = ₹41.51 Lakhs + ₹2.49 Lakhs = ₹44 Lakhs that should be repaid at the end of year 2.

Question-15

Mr. A purchased a call option from B, with a lot size of 1,000 shares of X ltd. on 01/02/2025 with a premium of ₹ 5/ share. Exercise date is 31/12/2025 and Exercise price of ₹ 102 per share. Market price of shares on different dates is as follows: -

Date	Price (₹)
01/02/2025	100
31/03/2025	104
31/12/2025	105

Pass journal entries in the books of A and B.

Solution

In the books of A

Journal Entries

Date	Particulars		Debit (₹)	Credit (₹)
01/02/25	Derivative Assets A/c	Dr.	5,000	
	To Bank A/c [1,000 x 5]			5,000
31/03/25	**Fair Value on 31/03/25**			
	Derivate asset (Existing) = ₹ 5			
	Market Price = ₹ 104			
	Right to Buy at = ₹ 102			
	Hence Derivative Asset (New) = 104 – 102 = ₹ 2			
	P/L A/c	Dr.	3,000	
	To Derivative Asset A/c [5,000 – 2,000]			3,000
31/12/25	**Fair Value on 31/12/25**			
	Derivate asset (Existing) = ₹ 2			
	Market Price = ₹ 105			
	Right to Buy at = ₹ 102			
	Hence Derivative Asset (New) = 105 – 102 = ₹ 3			
	Derivative Asset A/c [3,000 – 2,000]	Dr.	1,000	
	To P/L A/c			1,000
	Bank A/c	Dr.	3,000	
	To Derivative Asset A/c			3,000

In the books of B

Journal Entries

Date	Particulars		Debit (₹)	Credit (₹)
01/02/25	Bank A/c	Dr.	5,000	
	To Derivative Liability A/c [1,000 x 5]			5,000
31/03/25	**Fair Value on 31/03/25**			
	Derivate liability (Existing) = ₹ 5			

	Market Price = ₹ 104			
	Right to Buy at = ₹ 102			
	Hence Derivative liability (New) = 104 – 102 = ₹ 2			
	Derivative Liability A/c	Dr.	3,000	
	To P/L A/c [5,000 – 2,000]			3,000
31/12/25	**Fair Value on 31/12/25**			
	Derivate liability (Existing) = ₹ 2			
	Market Price = ₹ 105			
	Right to Buy at = ₹ 102			
	Hence Derivative liability (New) = 105 – 102 = ₹ 3			
	P/L A/c [3,000 – 2,000]	Dr.	1,000	
	To Derivative liability A/c			1,000
	Derivative liability A/c	Dr.	3,000	
	To Bank A/c			3,000