

INDAS – 27

SEPARATE FINANCIAL STATEMENTS

Q99.

On 1.4.17, Jai Ltd. purchased 15000 equity shares of Vijay Ltd. at a cost of Rs. 26/-. Total o/s shares in Vijay Ltd. are 60,000. On 31.03.18, fair value of shares of Vijay Ltd. 30/- and on 31.03.19, fair value is 23/-. What is the accounting treatment in the books of Jai Ltd. What would be your answer if shares purchased in Y Ltd. are 5000 no. only.

Solution:

No. of Shares Purchased by Jai Ltd.	15000
Total o/s shares of Vijay Ltd.	60,000
% of Holding	$15000/60000 \times 100 = 25\%$ i.e. Vijay Ltd. becomes Associate Co.
Option – 1 Measure the Investments at Cost In this case no gain or loss shall be recognized.	$15000 \times 26/- = 3,90,000/-$
Option – 2 Measure the Investments at Fair Value	$15000 \times 30/- = 4,50,000/-$ as on 31.03.18 $15000 \times 23/- = 3,45,000/-$ as on 31.03.19
If option 2 applies – Fair Value gain or loss shall be transfer either to P&L or OCI	

If only 5000 shares are purchased by Jai Ltd. then percentage of holding will be 8.33% i.e. now Vijay Ltd. is not a Subsidiary/Associate/JV of Jai Ltd. IndAS 27 shall not be applicable and Jai Ltd. shall measure the Investments at FV as per IndAS 109 only.



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