

# ACCOUNTING FOR INVESTMENT: AS 13

## Solution 1

### Investment A/c of Mr. Happy for the year ending on 31-3-2023 (10% Govt. Bonds)

Date	Particulars	Nominal Value	Interest	Amount	Date	Particulars	Nominal Value	Interest	Amount
01.04.2022	To Balance b/d	5,00,000	12,500	4,85,000	30.06.2022	By Bank A/c (5,60,000*10%*6/12)	-	28,000	-
01.06.2022	To Bank A/c	60,000	2,500	56,900	01.10.2022	By Bank A/c	2,50,000	6,250	2,46,250
01.08.2022	To Bank A/c	2,40,000	2,000	2,34,000	31.12.2022	By Bank A/c (5,50,000*10%*6/12)	-	27,500	-
01.10.2022	To P & L A/c	-	-	3,750	01.01.2023	By Bank A/c	3,00,000	-	2,97,000
01.01.2023	To P & L A/c	-	-	7,083	31.03.2023	By Balance c/d	2,50,000	6,250	2,43,483
31.03.2023	To P & L A/c- Transfer	-	51,000	-					
		<b>8,00,000</b>	<b>68,000</b>	<b>7,86,733</b>			<b>8,00,000</b>	<b>68,000</b>	<b>7,86,733</b>

### Working Note:

1. Purchase cost of 600 Units on 1.6.2022

600 Units @₹ 99 cum interest	59,400
Less: Interest for 5 months	(2,500)
<b>Purchase cost of 600 Units</b>	<b>56,900</b>

2. Profit on sale of Units as on 1.10.2022

Sales price of Units (2,500 x ₹ 98.50)	2,46,250
Less: Cost price of Units (4,85,000*2,500/5,000)	(2,42,500)
<b>Profit on sale</b>	<b>3,750</b>

3. Profit on sale of Units as on 01.01.2023

Sales price of Units (3,000 x ₹ 99)	2,97,000
Less: Cost price of Units	(2,89,917)
First 2,500 out of Opening: (4,85,000*2,500/5,000) = 2,42,500	
Next 500 out of 01.06.2022 (56,900*500/600) = 47,417	
<b>Profit on sale</b>	<b>7,083</b>

## Solution 2

### Investment A/c of Mr. Wise for the year ending on 31-3-2022 (12% Debentures of Alpha Limited)

Date	Particulars	Nominal	Interest	Amount	Date	Particulars	Nominal	Interest	Amount
01.04.2021	To Balance b/d (4,00,000*12%*3/12)	4,00,000	12,000	3,92,000	30.06.2021	By Bank A/c (6,00,000*12%*6/12)	-	36,000	-
01.06.2021	To Bank A/c	2,00,000	10,000	2,34,800	01.09.2021	By Bank A/c	3,00,000	6,000	3,17,400
01.09.2021	To P & L A/c	-	-	23,400	01.12.2021	By Bank A/c	2,00,000	10,000	2,05,800
31.01.2022	To Bank A/c	3,00,000	3,000	3,06,000	01.12.2021	By P & L A/c	-	-	9,600
31.03.2022	To P & L A/c- Transfer	-	45,000	-	31.12.2021	By Bank A/c (1,00,000*12%*6/12)	-	6,000	-
					31.03.2022	By P & L A/c	-	-	3,400
					31.03.2022	By Balance c/d (4,00,000*12%*3/12)	4,00,000	12,000	4,20,000 (W.N. 5)
		<b>9,00,000</b>	<b>70,000</b>	<b>9,56,200</b>			<b>9,00,000</b>	<b>70,000</b>	<b>9,56,200</b>

#### Working Note:

##### 1. Purchase cost of 2,000 debentures 1.6.2021

2000 Debentures @ ₹ 120 cum interest	2,40,000
Add: Brokerage @ 2% (2,40,000*2%)	4,800
	2,44,800
Less: Interest for 5 months	(10,000)
Purchase cost of 2,000 debentures	<b>2,34,800</b>

##### 2. Profit on sale of debentures as on 1.9.2021

Sales price of debentures (3,000 x ₹ 110)	3,30,000
Less: Brokerage @ 2% (3,30,000*2%)	(6,600)
	3,23,400
Less: Interest for 2 months	(6,000)
<b>Net Sale Proceeds</b>	<b>3,17,400</b>
Less: Cost price of Debentures (3,92,000*3,000/4,000)	(2,94,000)
Profit on sale	<b>23,400</b>

##### 3. Loss on sale of debentures as on 1.12.2021

Sales price of debentures (2,000 x ₹ 105)	2,10,000
Less: Brokerage @ 2%	(4,200)
	2,05,800

Less: Cost price of Debentures		
First 1,000 out of Opening: $(3,92,000 \times 1,000/4,000) = 98,000$		
Next 1,000 out of 01.06.2021 $(2,34,800 \times 1,000/2,000) = 1,17,400$		(2,15,400)
Loss on sale		<b>9,600</b>

4. Purchase cost of 3,000 debentures 31.1.2022

3000 Debentures @ ₹ 100 ex interest	3,00,000
Add: Brokerage @ 2%	6,000
Purchase cost of 3,000 debentures	<b>3,06,000</b>

5. Valuation of closing balance as on 31.03.2022

	Market Value	Cost
Market value of 4,000 Debentures at ₹ 105 =	4,20,000	
Cost price of 1,000 debentures at		1,17,400
3,000 debentures at		3,06,000
	<b>4,20,000</b>	<b>4,23,400</b>
Value at the end = ₹ 4,20,000 i.e. whichever is less		
So Loss on Valuation = 4,23,400 – 4,20,000 = 3,400 tfd to P&L A/c		

**Solution 3**

**Investment Account of Mr. Harsh for the year ending on 31-3-2022**  
(Scrip: 10% Debentures of Exe Limited)

Date	Particulars	Nominal Value	Interest	Cost	Date	Particulars	Nominal Value	Interest	Cost
1.4.21	To Balance b/d	12,50,000	31,250	12,25,000	30.06.21	By Bank $21,50,000 \times 10\% \times 6/12$	-	1,07,500	-
1.6.21	To Bank (ex-Interest) (W.N.1)	9,00,000	37,500	8,90,820	31.12.21	By Bank $33,50,000 \times 10\% \times 6/12$		1,67,500	
1.11.21	To Bank (cum Interest) (W.N.2)	12,00,000	40,000	13,53,800	31.1.22	By Bank (W.N.3)	13,50,000	11,250	14,58,900
31.1.22	To Profit & Loss A/c (W.N.3)			1,34,920	31.3.22	By Balance c/d (W.N.4)	20,00,000	50,000	21,45,640
31.3.22	To Profit & Loss A/c (Bal. fig.)		2,27,500						
		<b>33,50,000</b>	<b>3,36,250</b>	<b>36,04,540</b>			<b>33,50,000</b>	<b>3,36,250</b>	<b>36,04,540</b>

**Working Notes:****1. Purchase of debentures on 1.6.21**

Interest element =  $9,000 \times 100 \times 10\% \times 5/12 = ₹37,500$

Investment element =  $(9,000 \times 98) + [1\% (9,000 \times 98)] = ₹8,90,820$

**2. Purchase of debentures on 1.11.2021**

Interest element =  $12,000 \times 100 \times 10\% \times 4/12 = ₹40,000$

Investment element =  $12,000 \times 115 \times 101\% \text{ less } 40,000 = ₹13,53,800$

**3. Profit on sale of debentures as on 31.1.22**

Particulars	Amount
Sales price of debentures (13,500 x ₹ 110)	14,85,000
Less: Brokerage @ 1%	(14,850)
	14,70,150
Less: Interest (1,35,000/ 12)	(11,250)
	14,58,900
Less: Cost of Debentures [(12,25,000 + (890820 X 1,00,000/9,00,000))]	(13,23,980)
<b>Profit on sale</b>	<b>1,34,920</b>

**4. Valuation of closing balance as on 31.3.2022:**

Market value of 20,000 Debentures at ₹115 = ₹23,00,000

Cost of	
8,000 Debentures	$8,90,820 / 9,000 \times 8,000 = 7,91,840$
12,000 Debentures	$= 13,53,800$
<b>Total</b>	<b>21,45,640</b>

Value at the end is ₹ 21,45,640, i.e., which is less than market value of ₹23,00,000.

**Solution 4****Books of Muskaan Ltd.****Investment in 13.5% Debentures in Shorya Ltd. Account**

Date	Particulars	Nominal Value	Interest	Amount	Date	Particulars	Nominal Value	Interest	Amount
May 01	To Bank A/c	5,00,000	5,625	5,19,375	Sept 30	By Bank A/c (6 month interest)	-	50,625	-
Aug 01	To Bank A/c	2,50,000	11,250	2,45,000	Oct 01	By Bank A/c	2,00,000	-	2,06,000
Oct 01	To P & L A/c	-	-	2,167	Dec 31	By Balance c/d	5,50,000	18,563	5,60,542

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Dec 31	To P & L A/c Transfer	-	52,313	-					
		<b>7,50,000</b>	<b>69,188</b>	<b>7,66,542</b>			<b>7,50,000</b>	<b>69,188</b>	<b>7,66,542</b>

**Note:** Cost being lower than Market Value the debentures are carried forward at Cost.

**Working Notes:**

- Interest paid on ₹ 5,00,000 purchased on May 1st, 2021 for month of April 2021, as part of purchase price:  $5,00,000 \times 13.5\% \times 1/12 = ₹ 5,625$
- Interest received on 30th Sept. 2021  
On ₹ 5,00,000 =  $5,00,000 \times 13.5\% \times \frac{1}{2} = 33,750$   
On ₹ 2,50,000 =  $2,50,000 \times 13.5\% \times \frac{1}{2} = 16,875$   
Total ₹ 50,625
- Interest paid on ₹ 2,50,000 purchased on Aug. 1st 2021 for April 2021 to July 2021 as part of purchase price:  $2,50,000 \times 13.5\% \times 4/12 = ₹ 11,250$
- Loss on Sale of Debentures  
Cost of acquisition (₹ 5,19,375 + ₹ 2,45,000) x ₹ 2,00,000/₹ 7,50,000 = 2,03,833  
Less: Sale Price (2000 x 103) = 2,06,000  
Profit on sale = ₹ 2,167
- Cost of Balance Debentures (₹ 5,19,375 + ₹ 2,45,000) x ₹ 5,50,000/₹ 7,50,000 = ₹ 5,60,542
- Interest on Closing Debentures for period Oct.-Dec. 2021 carried forward (accrued interest) ₹ 5,50,000 x 13.5% x 3/12 = ₹ 18,563

**Solution 5**

**In the Books of ABC Ltd**  
**15% Debentures (Investment) Account**

Particulars		Face Value	Interest	Principal	Particulars		Face Value	Interest	Principal
		₹	₹	₹			₹	₹	₹
1.4.22	To Balance b/d	2,00,000	7,500	2,50,000	30.6.22	By Bank A/c		22,500	
1.5.22	To Bank A/c	1,00,000	5,000	1,00,000	1.11.22	By Bank A/c	1,20,000	6,000	1,28,200
30.11.22	To Bank A/c	50,000	3,125	54,500	1.11.22	By P&L A/c			21,800
31.12.22	To P&L A/c			1,250	31.12.22	By Bank A/c	90,000	6,750	1,11,250
31.3.23	To P&L A/c (Transfer)		35,375		31.12.22	By Bank A/c		10,500	
					31.3.23	By Balance c/d	1,40,000	5,250	1,44,500
		<b>3,50,000</b>	<b>51,000</b>	<b>4,05,750</b>			<b>3,50,000</b>	<b>51,000</b>	<b>4,05,750</b>

- Loss on sale of debentures on 1.11.22  
Cost =  $2,50,000/2,000 \times 1,200 = ₹ 1,50,000$   
Sale proceeds = ₹ 1,28,200  
Loss = ₹ 1,50,000 less ₹ 1,28,200 = ₹ 21,800

2. Profit on sale of debentures on 31.12.22  
 Cost =  $2,50,000/2,000 \times 800 + 1,00,000/1,000 \times 100 = ₹ 1,10,000$  (1,00,000+10,000)  
 Sale proceeds = ₹ 1,11,250  
 Profit = ₹ 1,11,250 less ₹ 1,10,000 = ₹ 1,250

3.

Calculation of closing balance:	Units		
Debentures in hand remained in hand at 31.3.23			
Purchased on 1st May, 22	900	$1,00,000 \times 9/10$	90,000
Purchased on 30 <sup>th</sup> Nov. 22	500	54,500	54,500
	<b>1,400</b>		<b>1,44,500</b>

### Solution 6

#### Books of Day Investments in Equity shares in Square Ltd.

Date	Particulars	No. of Shares	Amount	Date	Particulars	No. of Shares	Amount
01.04.2023	To Balance b/d	25,000	6,25,000	31.03.2024	By Balance c/d (Bal. Fig.)	63,750	13,00,000
31.07.2023	To Bonus Issue	5,000	-				
05.10.2023	To Bank A/c (Right Shares)	33,750	6,75,000				
		<b>63,750</b>	<b>13,00,000</b>			<b>63,750</b>	<b>13,00,000</b>

#### Working Notes:

- Bonus shares =  $25,000/5 = 5,000$  shares
- Right shares =  $\frac{25,000 + 5,000}{2} \times 3 = 45,000$  shares
- Sale of rights =  $45,000 \text{ shares} \times \frac{1}{4} \times ₹ 5 = ₹ 56,250$  (To be transferred to P&L A/c as per Para 13 of AS-13)
- Rights subscribed =  $45,000 \times \frac{3}{4} \times 20 = 6,75,000$

### Solution 7

#### Investments in Equity shares of X Ltd. for year ended 31.3.2022

Date	Particulars	No.	Dividend	Amount	Date	Particulars	No.	Dividend	Amount
01.04.2021	To Balance b/d	30,000	-	4,50,000	31.10.2021	By Bank A/c	-	60,000	10,000
22.06.2021	To Bank A/c	5,000	-	80,000	15.11.2021	By Bank A/c	20,000	-	3,00,000
10.08.2021	To Bonus Issue	5,000	-	-	31.03.2022	By Balance c/d	30,000	-	4,02,000
30.09.2021	To Bank A/c	10,000	-	1,50,000					
15.11.2021	To P&L A/c	-	-	32,000					
31.03.2022	To P&L A/c	-	60,000	-					
		<b>50,000</b>	<b>60,000</b>	<b>7,12,000</b>			<b>50,000</b>	<b>60,000</b>	<b>7,12,000</b>

**Working Notes:**

$$1) \text{ Bonus shares} = \frac{30,000 + 5,000}{7} \times 1 = 5,000 \text{ shares}$$

$$2) \text{ Right shares} = \frac{30,000 + 5,000 + 5,000}{8} \times 3 = 15,000 \text{ shares}$$

$$\text{Shares subscribed} = 15,000 \times \frac{2}{3} = 10,000 \text{ shares}$$

$$\text{Value of right shares subscribed} = 1,000 \text{ shares} @ ₹ 15 \text{ per share} = ₹ 1,50,000$$

$$3) \text{ Calculation of sale of right entitlement: } 5,000 \text{ shares} \times ₹ 2 \text{ per share} = ₹ 10,000$$

Amount received from sale of rights will be credited to P & L A/c as per para 13 of AS 13 'Accounting for Investments'.

$$4) \text{ Dividend received on investment held as on 1st April, 2021} = 30,000 \text{ shares} \times ₹ 10 \times 20\% = ₹ 60,000 \text{ will be transferred to Profit and Loss A/c}$$

$$5) \text{ Dividend received on shares purchased on 22nd June, 2021} = 5,000 \text{ shares} \times ₹ 10 \times 20\% = ₹ 10,000 \text{ will be adjusted to Investment A/c}$$

*Note:* It is presumed that no dividend is received on bonus shares as bonus shares are declared on 10<sup>th</sup> August, 2021 and dividend pertains to the year ended 31.3.2021

$$6) \text{ Calculation of profit on sale of shares}$$

$$\text{Total Holding} = 30,000 + 5,000 + 5,000 + 10,000 = 50,000$$

$$\text{Cost of total holdings of 20,000 shares (on average basis)} = ₹ 4,50,000 + ₹ 80,000 + ₹ 1,50,000 - ₹ 10,000 = ₹ 6,70,000$$

$$\text{Average cost of 20,000 shares would be} = 6,70,000 / 50,000 \times 20,000 = 2,68,000$$

$$\text{Sale proceeds of 20,000 equity shares sold} = 20,000 \times 15 = 3,00,000$$

$$\text{Profit on sale} = \text{Sales proceeds} - \text{Average cost} = 3,00,000 - 2,68,000 = 32,000$$

$$7) \text{ Calculation of closing value of shares}$$

$$\text{Cost of shares (on average cost basis) as on 31st March, 2022} = 6,70,000 \times 30,000 / 50,000 = 4,02,000$$

**Solution 8****Books of H****Investments in Equity shares of ABC Ltd. for year ended 31.3.2022**

Date	Particulars	No.	Dividend	Amount	Date	Particulars	No.	Dividend	Amount
01.04.2021	To Balance b/d	30,000	-	5,40,000	31.10.2021	By Bank A/c	-	60,000	20,000
10.06.2021	To Bank A/c	10,000	-	1,62,400	15.01.2022	By Bank A/c	28,000	-	4,85,100
15.07.2021	To Bonus Issue	10,000	-	-	31.03.2022	By Balance c/d	28,000	-	3,77,200
30.09.2021	To Bank A/c	6,000	-	72,000					
15.01.2022	To P&L A/c	-	-	1,07,900					
31.03.2022	To P&L A/c	-	60,000	-					
		<b>56,000</b>	<b>60,000</b>	<b>8,82,300</b>			<b>56,000</b>	<b>60,000</b>	<b>8,82,300</b>

**Working Notes:**

$$1) \text{ Bonus shares} = \frac{30,000 + 10,000}{4} \times 1 = 10,000 \text{ shares}$$

$$2) \text{ Right shares} = \frac{30,000 + 10,000 + 10,000}{5} = 10,000 \text{ shares}$$

$$\text{Shares subscribed} = 10,000 \times 60\% = 6,000 \text{ shares}$$

$$\text{Value of right shares subscribed} = 6,000 \text{ shares} @ ₹ 12 \text{ per share} = ₹ 72,000$$

$$3) \text{ Calculation of sale of right entitlement: } 4,000 \text{ shares} \times ₹ 5 \text{ per share} = ₹ 20,000$$

Amount received from sale of rights will be credited to P & L A/c as per para 13 of AS 13 'Accounting for Investments'.

$$4) \text{ Dividend received on investment held as on 1st April, 2021} = 30,000 \text{ shares} \times ₹ 10 \times 20\% = ₹ 60,000 \text{ will be transferred to Profit and Loss A/c}$$

$$5) \text{ Dividend received on shares purchased on 10th June, 2021} = 10,000 \text{ shares} \times ₹ 10 \times 20\% = ₹ 20,000 \text{ will be adjusted to Investment A/c}$$

*Note:* It is presumed that no dividend is received on bonus shares as bonus shares are declared on 15<sup>th</sup> July, 2021 and dividend pertains to the year ended 31.3.2021

$$6) \text{ Calculation of profit on sale of shares}$$

$$\text{Total Holding} = 30,000 + 10,000 + 10,000 + 6,000 = 56,000$$

$$\text{Cost of total holdings of 28,000 shares (on average basis)} = ₹ 5,40,000 + ₹ 1,62,400 + ₹ 72,000 - ₹ 20,000 = ₹ 7,54,400$$

$$\text{Average cost of 28,000 shares would be} = 7,54,400 / 56,000 \times 28,000 = 3,77,200$$

$$\text{Sale proceeds of 28,000 equity shares sold} = 28,000 \times 17.50 = 4,90,000 \text{ less } 1\% \text{ Brokerage } 4,900 = 4,85,100$$

$$\text{Profit on sale} = \text{Sales proceeds} - \text{Average cost} = 4,85,100 - 3,77,200 = 1,07,900$$

$$7) \text{ Calculation of closing value of shares}$$

$$\text{Cost of shares (on average cost basis) as on 31st March, 2022} = 7,54,400 \times 56,000 / 28,000 = 3,77,200$$

**Solution 9****Books of P Ltd****Investments in Equity shares of K Ltd. for year ended 31.3.2022**

Date	Particulars	No.	Dividend	Amount	Date	Particulars	No.	Dividend	Amount
01.04.2021	To Balance b/d	8,000	-	1,20,000	20.01.2022	By Bank A/c	-	16,000	4,000
01.09.2021	To Bank A/c	2,000	-	28,000	01.02.2022	By Bank A/c	8,000	-	1,12,000
30.09.2021	To Bonus Issue	4,000	-	-	31.03.2022	By Balance c/d	8,000	-	84,500
31.12.2021	To Bank A/c	2,000	-	25,000					
01.02.2022	To P&L A/c	-	-	27,500					
31.03.2022	To P&L A/c	-	16,000	-					
		<b>16,000</b>	<b>16,000</b>	<b>2,00,500</b>			<b>16,000</b>	<b>60,000</b>	<b>2,00,500</b>

**Working Notes:**

$$1) \text{ Bonus shares} = \frac{8,000 + 2,000}{5} \times 2 = 4,000 \text{ shares}$$

$$2) \text{ Right shares} = \frac{8,000 + 2,000 + 4,000}{7} \times 2 = 4,000 \text{ shares}$$

$$\text{Shares subscribed} = 4,000 \times 50\% = 2,000 \text{ shares}$$

$$\text{Value of right shares subscribed} = 2,000 \text{ shares} @ ₹ 12.50 \text{ per share} = ₹ 25,000$$

$$3) \text{ Calculation of sale of right entitlement: } 2,000 \text{ shares} \times ₹ 8 \text{ per share} = ₹ 16,000$$

Amount received from sale of rights will be credited to P & L A/c as per para 13 of AS 13 'Accounting for Investments'.

$$4) \text{ Dividend received on investment held as on 1st April, 2021} = 8,000 \text{ shares} \times ₹ 10 \times 20\% = ₹ 16,000 \text{ will be transferred to Profit and Loss A/c}$$

$$5) \text{ Dividend received on shares purchased on 1st Sep, 2021} = 2,000 \text{ shares} \times ₹ 10 \times 20\% = ₹ 4,000 \text{ will be adjusted to Investment A/c}$$

*Note:* It is presumed that no dividend is received on bonus shares as bonus shares are declared on 30<sup>th</sup> Sep, 2021 and dividend pertains to the year ended 31.3.2021

$$6) \text{ Calculation of profit on sale of shares}$$

$$\text{Total Holding} = 8,000 + 2,000 + 4,000 + 2,000 = 16,000$$

$$\text{Cost of total holdings of 16,000 shares (on average basis)} = ₹ 1,20,000 + ₹ 28,000 + ₹ 25,000 - ₹ 4,000 = ₹ 1,69,000$$

$$\text{Average cost of 8,000 shares would be} = 1,69,000 / 16,000 \times 8,000 = 84,500$$

$$\text{Sale proceeds of 8,000 equity shares sold} = 8,000 \times 14 = 1,12,000$$

$$\text{Profit on sale} = \text{Sales proceeds} - \text{Average cost} = 1,12,000 - 84,500 = 27,500$$

$$7) \text{ Calculation of closing value of shares}$$

$$\text{Cost of shares (on average cost basis) as on 31st March, 2022} = 1,69,000 \times 8,000 / 16,000 = 84,500$$

$$\text{MV} = 8,000 \times 13 = 1,04,000 \text{ Lower} = 84,500$$

**Solution 10**

**Books of Sundar**  
**Investments in Equity shares in X Ltd.**

Date	Particulars	No.	Dividend	Amount	Date	Particulars	No.	Dividend	Amount
01.04.2021	To Balance b/d	25,000		3,75,000	31.10.2021	By Bank A/c (Pre-acquisition Dividend)	-	50,000	10,000
20.06.2021	To Bank A/c	5,000		80,000	15.11.2021	By Bank A/c (Sale of Shares)	25,000		3,75,000
16.08.2021	To Bonus Issue	5,000		-	31.03.2022	By Balance c/d (Bal. Fig.)	20,000		2,64,444
30.09.2021	To Bank A/c (Right Share)	10,000		1,50,000					
15.11.2021	To P&L A/c (Profit on Sale)	-		44,444					
31.03.2022	To P&L A/c	-	50,000	-					
		<b>45,000</b>	<b>50,000</b>	<b>6,49,444</b>			<b>45,000</b>	<b>50,000</b>	<b>6,49,444</b>

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### Profit & Loss Account

Particulars	Amount	Particulars	Amount
To Balance c/d	1,04,444	By Sale of Rights	10,000
		By Profit Transferred	44,444
		By Dividend	50,000
	<b>1,04,444</b>		<b>1,04,444</b>

#### Working Notes:

1) Bonus shares =  $\frac{25,000 + 5,000}{6} \times 1 = 5,000$  shares

2) Right shares =  $\frac{25,000 + 5,000 + 5,000}{7} \times 3 = 15,000$  shares

Shares subscribed by S =  $15,000 \times \frac{2}{3} = 10,000$  shares      Value of right shares subscribed = 10,000 shares @ ₹ 15 per share = ₹ 1,50,000

3) Calculation of sale of right entitlement: 5,000 shares x ₹ 2 per share = ₹ 10,000

Amount received from sale of rights will be credited to P & L A/c as per para 13 of AS 13 'Accounting for Investments'.

4) Dividend received on investment held as on 1st April, 2021 = 25,000 shares x ₹ 10 x 20% = ₹ 50,000 will be transferred to Profit and Loss A/c

5) Dividend received on shares purchased on 20th June, 2021 = 5,000 shares x ₹ 10 x 20% = ₹ 10,000 will be adjusted to Investment A/c

6) Calculation of profit on sale of shares

Cost of total holdings of 45,000 shares (on average basis) = ₹ 3,75,000 + ₹ 80,000 + ₹ 1,50,000 – ₹ 10,000 = ₹ 5,95,000

Average cost of 25,000 shares would be =  $5,95,000 / 45,000 \times 25,000 = 3,30,556$

Sale proceeds of 25,000 equity shares sold = 3,75,000

Profit on sale = Sales proceeds – Average cost = 3,75,000 – 3,30,556 = 44,444

7) Calculation of closing value of shares (on average basis) as on 31st December, 2021 =  $5,95,000 \times \frac{20,000}{45,000} = 2,64,444$

#### Solution 11

#### Books of XY Ltd.

#### Investments in Equity shares of ABC Ltd. for year ended 31.3.2022

Date	Particulars	No.	Income	Amount	Date	Particulars	No.	Income	Amount
01.04.2021	To Balance b/d	15,000	-	2,25,000	31.10.2021	By Bank A/c	-	30,000	10,000
01.06.2021	To Bank A/c	5,000	-	1,00,000	01.01.2022	By Bank A/c	13,000	-	2,12,355
01.07.2021	To Bonus Issue	4,000	-	-	31.03.2022	By Balance c/d	13,000	-	1,69,500
01.09.2021	To Bank A/c	2,000	-	24,000					
01.01.2022	To P&L A/c	-	-	42,855					
31.03.2022	To P&L A/c	-	30,000	-					
		<b>26,000</b>	<b>30,000</b>	<b>3,91,855</b>			<b>26,000</b>	<b>30,000</b>	<b>3,91,855</b>

**Working Notes:**

$$1) \text{ Bonus shares} = \frac{15,000 + 5,000}{5} \times 1 = 4,000 \text{ shares}$$

$$2) \text{ Right shares} = \frac{15,000 + 5,000 + 4,000}{6} \times 2 = 4,000 \text{ shares}$$

Shares subscribed by XY Ltd. =  $4,000/2 = 2,000$  shares

Value of right shares subscribed =  $2,000 \text{ shares} @ ₹ 12 \text{ per share} = ₹ 24,000$

$$3) \text{ Calculation of sale of right entitlement: } 2,000 \text{ shares} \times ₹ 8 \text{ per share} = ₹ 16,000$$

Amount received from sale of rights will be credited to P & L A/c as per para 13 of AS 13 'Accounting for Investments'.

$$4) \text{ Calculation of profit on sale of shares}$$

Total Holding =  $15,000 + 5,000 + 4,000 + 2,000 = 26,000$

50% of the holdings were sold i.e. 13,000 shares ( $26,000 \times 1/2$ ) were sold.

Cost of total holdings of 26,000 shares (on average basis) =  $₹ 2,25,000 + ₹ 1,00,000 + ₹ 24,000 - ₹ 10,000 = ₹ 3,39,000$

Average cost of 13,000 shares would be =  $3,39,000/26,000 \times 13,000 = 1,69,500$

Sale proceeds of 13,000 equity shares sold =  $\text{Sale price} - \text{Brokerage} = 13,000 \times 16.50 = 2,14,500 - 1\% \text{ brokerage} = 2,14,500 - 2,145 = 2,12,355$

Profit on sale =  $\text{Sales proceeds} - \text{Average cost} = 2,12,355 - 1,69,500 = 42,855$

$$5) \text{ Dividend received on investment held as on 1st April, 2021} = 15,000 \text{ shares} \times ₹ 10 \times 20\% = ₹ 30,000 \text{ will be transferred to Profit and Loss A/c}$$

$$6) \text{ Dividend received on shares purchased on 1st June, 2021} = 5,000 \text{ shares} \times ₹ 10 \times 20\% = ₹ 10,000 \text{ will be adjusted to Investment A/c}$$

**Note:** It is presumed that no dividend is received on bonus shares as bonus shares are declared on 1st July, 2021 and dividend pertains to the year ended 31.3.2021.

$$7) \text{ Calculation of closing value of shares (on average basis) as on 31st March, 2022} = 3,39,000 \times 13,000/26,000 = 1,69,500$$

Closing value of shares would be ₹ 1,69,500.

**Solution 12**

**In the books of Ms. Jayshree**  
**Investment in Equity shares in Rama Ltd.**

Date	Particulars	No. of shares	Amount (₹)	Date	Particulars	No. of shares	Amount (₹)
1.4.21	To Balance b/d	5,000	77,250	1.11.21	By Bank A/c	10,000	2,50,000
15.5.21	To Bank A/c	5,000	90,000	31.3.22	By Profit & Loss A/c (Loss on valuation)		9,386
26.8.21	To Bonus issue (W.N.1)	10,000	---	31.3.22	By Balance c/d	17,500	1,92,500
1.11.21	To Bank A/c (right shares) (W.N.4)	7,500	1,50,000				
1.11.21	To Profit & Loss A/c		1,34,636				
		<b>27,500</b>	<b>4,51,886</b>			<b>27,500</b>	<b>4,51,886</b>

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**Working Notes:**

1) Opening Book Value =  $(5,000 \times 15) + 2\% \text{ Brokerage } (75,000 \times 2\% = 1,500) + 1\% \text{ Stamp Duty } (75,000 \times 1\% = 750) = 77,250$

2) Bonus shares =  $\frac{5,000 + 5,000}{1} \times 1 = 10,000$  shares

3) Right shares =  $\frac{5,000 + 5,000 + 10,000}{2} \times 1 = 10,000$  shares

Shares subscribed =  $10,000 \times \frac{3}{4} = 7,500$  shares

Value of right shares subscribed =  $7,500$  shares @ ₹ 20 per share = ₹ 1,50,000

4) Calculation of sale of right entitlement:  $2,500$  shares x ₹ 10 per share = ₹ 25,000

Amount received from sale of rights will be credited to P & L A/c as per para 13 of AS 13 'Accounting for Investments'.

5) Profit on sale of shares (average cost basis) on 1.11.21

10,000 shares @ ₹ 25 per share	₹2,50,000
Cost of shares sold $[(77,250 + 90,000 + 1,50,000)/27,500 \times 10,000]$	₹1,15,364
Profit on sale of shares	₹1,34,636

6) Value of shares on 31.3.22

$[(77,250 + 90,000 + 1,50,000)/27,500 \times 17,500]$	₹ 2,01,886 or ₹ 1,92,500 (17,500 shares at ₹ 11)
Shares will be valued at ₹, 1,92,500 as market value is less than cost.	
Loss on Valuation = $2,01,886 - 1,92,500 = 9,386$ to be transferred to P&L A/c	

**Note:** Average cost basis has been considered for valuation of shares at the year end and for calculation of cost of shares sold in the given answer.

**Solution 13****Investment Account in Books of Saurabh****(Script: Equity Shares in BT Ltd.)**

Date	Particular	No.	Div.	Amount	Date	Particular	No.	Div.	Amount
1.4.21	To Bal b/d	10,000		70,000	19.9.21	By Bank (dividend on shares acquired on 4.7.2021)		5,000	3,750
4.7.21	To Bank	7,500		75,000					
5.8.21	To Bonus	3,500		0					
11.12.21	To P&L A/c (Profit on sale of shares)			9,554	11.12.21	By Bank (Sale of shares)	7,500		60,000
31.3.22	To P&L A/c		5,000		31.3.22	By Bal. c/d	13,500		90,804
		<b>21,000</b>	<b>5,000</b>	<b>1,54,554</b>			<b>21,000</b>	<b>5,000</b>	<b>1,54,554</b>

**Working Notes:**

- Right Shares =  $[(10000+7,500+3500)/7] * 2 = 6,000$   
Sale of rights amounting ₹ 9,000 (₹ 1.5 x 6,000 shares)  
It will not be shown in investment A/c but will directly be taken to P & L statement.
- Dividend : Pre Acquisition Dividend =  $7,500 * 2 * 25\% = 3,750$   
Post Acquisition Dividend =  $10,000 * 2 * 25\% = 5,000$
- Profit on sale of 7,500 shares  
= Sales proceeds – Average cost Sales proceeds = ₹ 60,000  
Average cost =  $(70,000 + 75,000 - 3,750) / 21,000 * 7,500 = ₹ 50,446$  Profit = ₹ 60,000 – ₹ 50,446 = ₹ 9,554.
- Value of investments  
Current investments are valued at lower of cost or net realizable value.  
Here, cost =  $(70,000 + 75,000 - 3,750) / 21,000 * 13,500 = ₹ 90,804$   
Net realizable value of the shares = ₹ 94,500 Therefore, value of investments will be taken lower of above i.e. ₹ 90,804

**Note:** As question is silent, Average cost basis has been considered for calculation of cost of shares in above solution. Alternatively, FIFO method can also be considered for calculation of cost of shares.

**Solution 14****Investment in 8% Govt. Bonds for the year ended 31st March, 2022**

Date	Particulars	Nominal Value	Interest	Amount	Date	Particulars	Nominal Value	Interest	Amount
01.04.2021	To Bank A/c (9,00,000*8%*5/12)	9,00,000	30,000	6,94,500	01.05.2021	By Bank A/c	-	36,000	-
01.10.2021	To P & L A/c (Profit)	-	-	8,625	01.10.2021	By Bank A/c	2,25,000	7,500	1,82,250
31.03.2022	To P & L A/c Transfer	-	63,000	-	01.11.2021	By Bank A/c	-	27,000	-
					31.03.2022	By Balance c/d (6,75,000*8%*5/12)	6,75,000	22,500	5,20,875
		<b>9,00,000</b>	<b>93,000</b>	<b>7,03,125</b>			<b>9,00,000</b>	<b>93,000</b>	<b>7,03,125</b>

**Investments in Equity shares of Moon Ltd. for year ended 31.3.2022**

Date	Particulars	No.'s	Income	Amount	Date	Particulars	No.'s	Income	Amount
10.07.2021	To Bank A/c	12,000	-	5,38,560	15.03.2022	By Bank A/c (Dividend) (13,200*10*18%)	-	23,760	-
15.01.2022	To Bank A/c	1,200	-	6,000	31.03.2022	By Balance c/d	13,200	-	5,44,560
31.03.2022	To P & L A/c-Transfer	-	23,760	-					
		<b>13,200</b>	<b>23,760</b>	<b>5,44,560</b>			<b>13,200</b>	<b>23,760</b>	<b>5,44,560</b>

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**Working Notes:****1. Profit on sale of 8% Bonds**

Sales price ₹ 1,82,250  
 Less: Cost of bond sold =  $6,94,500/9,000 \times 2,250$  (₹ 1,73,625)

**Profit on sale ₹ 8,625**

**1. Closing balance as on 31.3.2022 of 8 % Bonds**

$6,94,500/9,000 \times 6,750 = ₹ 5,20,875$

**2. Calculation of right shares subscribed by Moon Ltd.**

Right Shares =  $12,000/4 \times 1 = 3,000$  shares

Shares subscribed by Nisha =  $3,000 \times 40\% = 1,200$  shares

Value of right shares subscribed =  $1,200 \text{ shares} @ ₹ 5 \text{ per share} = ₹ 6,000$

**3. Calculation of sale of right entitlement by Moon Ltd.**

No. of right shares sold =  $3,000 - 1,200 = 1,800$  rights for ₹ 4,050

Note: As per para 13 of AS 13, sale proceeds of rights are to be credited to P & L A/c.

**Solution 15****In the books of Purple Ltd.****10% Govt. Loan [Interest Payable: 30th April & 31st October]**

Date	Particulars	Nominal Value	Interest	Cost	Date	Particulars	Nominal Value	Interest	Cost
1.4.20	To Bank A/c (W.N.1)	4,00,000	16,667	2,63,333	30.4.20	By Bank A/c ( $4,00,000 \times 10\% \times 6/12$ )	-	20,000	-
1.10.20	To Profit & Loss A/c (W.N.5)			7,333	1.10.20	By Bank A/c (W.N.2)	80,000	3,333	60,000
31.3.21	To Profit & Loss A/c		35,999		31.10.20	By Bank A/c	-	16,000	-
					31.3.21	By Balance c/d (W.N.3)	3,20,000	13,333	2,10,666
		<b>4,00,000</b>	<b>52,666</b>	<b>2,70,666</b>			<b>4,00,000</b>	<b>52,666</b>	<b>2,70,666</b>

**Investment in Equity Shares of XY Ltd. Account (of ₹ 5 each)**

Date	Particulars	No.	Dividend	Cost	Date	Particulars	No.	Dividend	Cost
1.4.20	To Bank A/c	6,000		1,26,000	15.1.21	By Bank A/c	8,000		80,000
15.1.21	To Bonus Issue	8,000			1.3.21	By Bank A/c (W.N.6)		4,950	1,650
15.1.21	To Profit & Loss A/c (W.N.4)			8,000					
31.3.21	To Profit & Loss A/c		4,950		31.3.21	By Balance c/d	6,000		52,350
		<b>14,000</b>	<b>4,950</b>	<b>1,34,000</b>			<b>14,000</b>	<b>4,950</b>	<b>1,34,000</b>

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**Working Notes:****1) Cost of investment purchased on 1st April, 2020**

4,000, 10% Govt. loan were purchased @ ₹ 70 cum-interest. Total amount paid 4,000 bonds x ₹ 70 = 2,80,000 which includes accrued interest for 5 months, i.e., 1st November, 2020 to 31st March, 2021. Accrued interest will be ₹ 4,00,000 x 10% x 5/12 = ₹ 16,667. Therefore, cost of investment purchased = ₹ 2,80,000 – ₹ 16,667 = ₹ 2,63,333.

**2) Sale of 10% Govt. loan on 1st October, 2020**

800, 10% Govt. loan were sold @ ₹ 75 ex-interest, i.e., Total amount received = 800 x 75 + accrued interest for 5 months = ₹ 60,000 + ₹ 3333

**3) Cost of 10% Govt. loan on 31.3.2021**

Cost of 10% Govt. loan on 31.3.2021 will be ₹ 2,63,333 x 3,20,000/4,00,000 = ₹ 2,10,666.

Interest accrued on 10% Government Loan on 31.3.2021 = ₹ 3,20,000 x 10% x 5/12 = ₹ 13,333

**4) Profit on sale of bonus shares**

Cost per share after bonus = ₹ 1,26,000/ 14,000 = ₹ 9 (average cost method being followed)

Profit per share sold (₹ 10 – ₹ 9) = ₹ 1.

Therefore, total profit on sale of 8,000 shares = 8,000 x ₹ 1 = ₹ 8,000.

**5) Profit on sale of 10% Govt. loan**

Sale value = 60,000

Cost of ₹ 80,000 10% Government Loan = 2,63,333 x 80,000/ 4,00,000 = 52,667

Profit = 7,333

6) Dividend on equity shares = 6,000 x 5 x 22% = ₹ 6,600 out of which ₹ 1,650 will be treated as capital receipt as it has been received for the period of 3 months during which shares were not held.

**Note:** It has been considered that dividend received relates for the period of 12 months ended 31st Dec., 2020, strictly based on the information, given in the question. Hence, dividend received for the period of 3 months (1st January, 20 to 31st March, 20) has been treated as pre-acquisition.

**Alternatively:** If entire dividend received on 01.03.21 considered as post-acquisition dividend then account will appear as below:

**Investment in Equity Shares of XY Ltd. Account (of ₹ 5 each)**

Date	Particulars	No.	Dividend	Cost	Date	Particulars	No.	Dividend	Cost
1.4.20	To Bank A/c	6,000		1,26,000	15.1.21	By Bank A/c	8,000		80,000
15.1.21	To Bonus Issue	8,000			1.3.21	By Bank A/c (W.N.6)		6,600	
15.1.21	To Profit & Loss A/c (W.N.4)			8,000					
31.3.21	To Profit & Loss A/c		6,600		31.3.21	By Balance c/d	6,000		54,000
		<b>14,000</b>	<b>6,600</b>	<b>1,34,000</b>			<b>14,000</b>	<b>6,600</b>	<b>1,34,000</b>

**Solution 16**
**Books of A Pvt. Ltd.**
**Investment in 13.5% Convertible Debentures in Pergot Ltd. Account**

Date	Particulars	Nominal Value	Interest	Amount	Date	Particulars	Nominal Value	Interest	Amount
May 01	To Bank A/c	5,00,000	5,625	5,19,375	Sept 30	By Bank A/c (6 month interest)	-	50,625	-
Aug 01	To Bank A/c	2,50,000	11,250	2,45,000	Oct 01	By Bank A/c	2,00,000	-	2,06,000
Oct 01	To P & L A/c	-	-	2,167	Dec 31	By Equity Share	1,10,000	-	1,12,108
Dec 31	To P & L A/c Transfer	-	52,313	-	Dec 31	By Bank A/c (1,10,000*13.5%*3/12)	-	3,713	-
					Dec 31	By Balance c/d	4,40,000	14,850	4,48,434
		<b>7,50,000</b>	<b>69,188</b>	<b>7,66,542</b>			<b>7,50,000</b>	<b>69,188</b>	<b>7,66,542</b>

Note 1: ₹ 3,713 received on 31.12.2021 represents interest on the debentures converted till date of conversion.

Note 2: Cost being lower than Market Value the debentures are carried forward at Cost.

**Investments in Equity shares in P Ltd.**

Date	Particulars	Nominal	Amount	Date	Particulars	Nominal	Amount
Dec 31	To 13.5% Debentures	1,00,000	1,12,108	Dec 31	By P & L A/c (Loss on Valuation)	-	22,108
				Dec 31	By Balance c/d	1,00,000	90,000
		<b>1,00,000</b>	<b>1,12,108</b>			<b>1,00,000</b>	<b>1,12,108</b>

**Working Notes:**

- Interest paid on ₹ 5,00,000 purchased on May 1st, 2021 for month of April 2021, as part of purchase price:  $5,00,000 \times 13.5\% \times 1/12 = ₹ 5,625$
- Interest received on 30th Sept. 2021  
 On ₹ 5,00,000 =  $5,00,000 \times 13.5\% \times \frac{1}{2} = 33,750$   
 On ₹ 2,50,000 =  $2,50,000 \times 13.5\% \times \frac{1}{2} = 16,875$   
 Total ₹ 50,625
- Interest paid on ₹ 2,50,000 purchased on Aug. 1st 2021 for April 2021 to July 2021 as part of purchase price:  $2,50,000 \times 13.5\% \times 4/12 = ₹ 11,250$
- Loss on Sale of Debentures  
 Cost of acquisition (₹ 5,19,375 + ₹ 2,45,000) x ₹ 2,00,000/₹ 7,50,000 = 2,03,833  
 Less: Sale Price (2000 x 103) = 2,06,000  
 Profit on sale = ₹ 2,167
- Interest on 1,100 Debentures (being those converted) for 3 months i.e. Oct-Dec. 2021 :  $1,10,000 \times 13.5\% \times 3/12 = ₹ 3,713$
- Cost of Debentures converted to Equity Shares (₹ 5,19,375 + ₹ 2,45,000) x 1,10,000/7,50,000 = ₹ 1,12,108
- Cost of Balance Debentures (₹ 5,19,375 + ₹ 2,45,000) x ₹ 4,40,000/₹ 7,50,000 = ₹ 4,48,434
- Interest on Closing Debentures for period Oct.-Dec. 2021 carried forward (accrued interest) ₹ 4,40,000 x 13.5% x 3/12 = ₹ 14,850

**Solution 17**

**In the books of Atwood  
Investment in Equity Shares of Sun Ltd. Account**

Date	Particular	No.	Dividend	(₹)	Date	Particular	No.	Dividend	(₹)
1.04.22	To Balance b/d	3,000		3,30,000	2.10.22	By Bank A/c (W.N. 5)		30,000	15,000
1.07.22	To Bank A/c	1,500		1,38,600	1.1.23	By Bank A/c	1,000		1,15,000
15.10.22	To Bonus Issue	1,800			31.3.23	By Balance c/d (W.N.7)	5,300		3,81,600
1.01.23	To Profit & Loss A/c (W.N. 6)			43,000					
31.3.23	To Profit & Loss A/c		30,000						
		<b>6,300</b>	<b>30,000</b>	<b>5,11,600</b>			<b>6,300</b>	<b>30,000</b>	<b>5,11,600</b>

**9% Bonds Account [Interest Payable: 1st September & 1st March]**

Date	Particular	Nominal	Interest	Cost	Date	Particular	Nominal	Interest	Cost
1.8.22	To Bank A/c (W.N.1)	5,00,000	18,750	4,66,250	1.9.22	By Bank A/c (5,00,000 x 9% x 6/12)	-	22,500	-
31.3.23	To Profit & Loss A/c (W.N 3)			23,000	1.3.23	By Bank A/c	-	22,500	-
					31.3.23	By Bank A/c (W.N 2)	4,00,000	3,000	3,96,000
31.3.23	To Profit & Loss A/c		30,000		31.3.23	By Balance c/d (W.N.4)	1,00,000	750	93,250
		<b>5,00,000</b>	<b>48,750</b>	<b>4,89,250</b>			<b>5,00,000</b>	<b>48,750</b>	<b>4,89,250</b>

**Working Notes:****1. Cost of Bond purchased on 1st August, 2022**

5,000, 9% bonds were purchased @ ₹ 97 cum-interest. Total amount paid 5,000 bonds x ₹ 97 = 4,85,000 which includes accrued interest for 5 months, i.e., 1st March, 2022 to 31st July, 2022. Accrued interest will be ₹ 5,00,000 x 9/100 x 5/12 = ₹ 18,750. Therefore, cost of Bond purchased = ₹ 4,85,000 – 18,750 = ₹ 4,66,250.

**2. Sale of bonds on 31st March, 2023**

4,000 bonds were sold @ ₹ 99 ex-interest, i.e., Total amount received = 4,000 x 99 + accrued interest for 1 month = ₹ 3,96,000 + ₹ 3,000 (4,00,000 x 9/100 x 1/12)

**3. Profit on sale of bonds**

	₹
Sale value	= 3,96,000
Cost of 4,00,000 9% bonds = $4,66,250/5,000 \times 4,000$	= 3,73,000
Profit	= 23,000

**4. Value of bonds on 31.3.2023**

Lower of:

Cost of bonds on 31.3.2023 will be ₹  $4,66,250/5,000 \times 1,000 = ₹ 93,250$ .

Market Value on 31.3.2023 will be ₹  $1,000 \times 98 = 98,000$

Value of bonds on 31.3.2023 = ₹ 93,250

Interest accrued on bonds on 31.3.2023 =  $1,00,000 \times 9\% \times 1/12 = ₹ 750$

**5. Dividend on equity shares for 2021-22**

Post acquisition dividend =  $3,00,000 \times 10\% = ₹ 30,000$  transferred to Profit & Loss account

Pre-acquisition dividend =  $1,50,000 \times 10\% = ₹ 15,000$  credited to investment A/c

**6. Profit on sale of equity shares**

	₹
Sale value	= 1,15,000
Cost of shares = $4,53,600 / 6,300 \times 1,000$	= 72,000
Profit	= 43,000

(Average cost method being followed)

**7. Value of equity shares at end of year**

Lower of:

Cost of shares on 31.3.2023 will be ₹  $4,53,600 / 6,300 \times 5,300 = ₹ 3,81,600$

Market Value on 31.3.2023 will be ₹  $5,300 \times 125 = 6,62,500$

Value of shares = ₹ 3,81,600

**Solution 18**

As per AS 13, where the investments are acquired on cum right basis and the market value of investments immediately after their becoming ex-right is lower than the cost for which they were acquired, it may be appropriate to apply the sale proceeds of rights to reduce the carrying amount of such investments to the market value. In this case, the amount of the ex-right market value of 200 shares bought by X immediately after the declaration of rights falls to ₹ 60,000. In this case out of sale proceeds of ₹ 12,000, ₹ 10,000 may be applied to reduce the carrying amount to bring it to market value ₹ 60,000 and ₹ 2,000 would be credited to the Profit & Loss account.