

Investments :- Assets held for earning

L22

1. Interest
2. Rent
3. Dividend
4. Capital appreciation

not included → assets held as stock in trade.

Investment Property :- Investments in Land & Building

when land & building is not occupied for self use or operations of the entity.

Calculation of cost of Investments

Investment acquired against cash.

- Purchase price
- Incidental expenses
ex :- Brokerage
Duties, fees.

Investments acquired through exchange of other assets.

- fair Value of asset given up
- fair Value of Investment acq.
w.e. is more clearly evident.

Investments acquired through issue of securities.

- fair Value of securities issued.

Example :- Land acquired
Equity Shares Issued against land. } CASE III

Land acquired
Equity Shares of RIL issued. } CASE II
exchanged/given up

Includes cost of acquisition of shares of cooperative society for acquisition of an aptt/building.

Classification of Investments

Current Investment

Intention to hold for a period < 12 months.

Subsequent measurement (B/s Date)

Cost or Market Value / fair Value
w.e. lower

Long Term Investment / Non-current investment

Intention to hold for a period > 12 months.

Subsequent measurement
Valued at cost.

→ Such measurement should be done on individual investment basis or category of investment basis but not on global basis.

↓
If there is other than temporary diminution in value of investments, then reduce the value of investments.

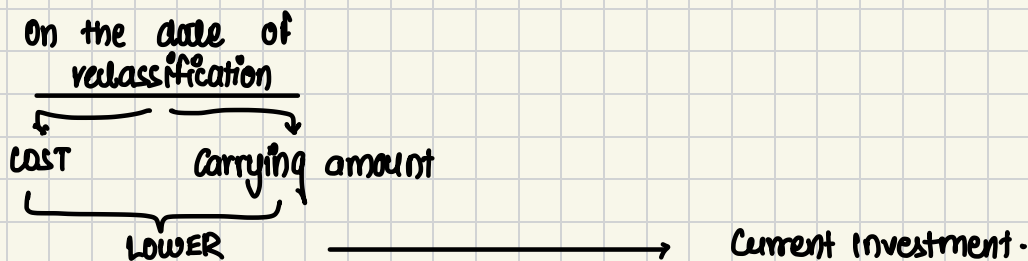
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Reclassification of Investments

1) Current Investment → Long Term / Non-current Investment



2) Long Term Investment → Current Investment.



Treatment of profit/loss on sale/disposal/reclassification

Profit → P&L Cr.
Loss → P&L Dr.

DISCLOSURES:-

- Accounting policies used for calculation of carrying amount.
- Separate classification for current and long term investments.
- Current and Long Term investments should further be sub classified.



Investments :- Assets held for earning :-

- i) Interest
- ii) Rent
- iii) Dividend
- iv) Capital Appreciation

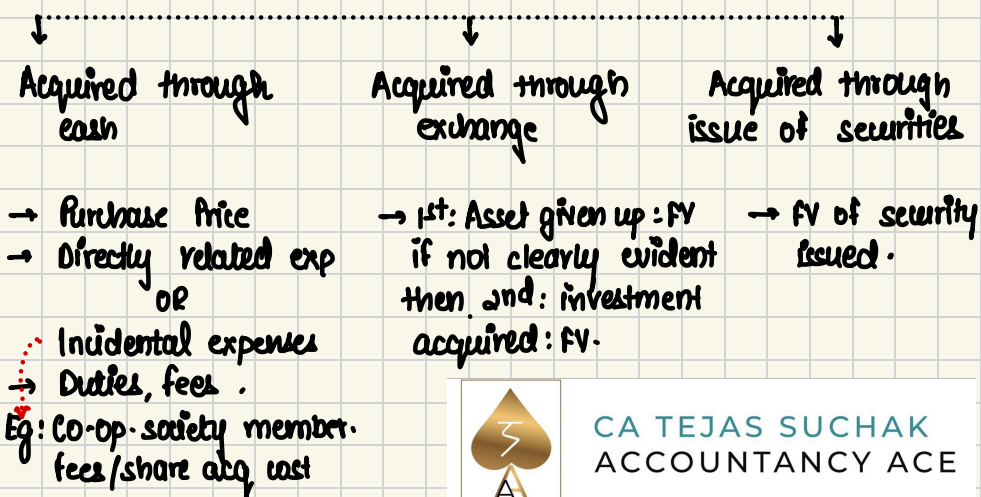
CA TEJAS SUCHAK
ACCOUNTANCY ACE

but not held as Stock in Trade.

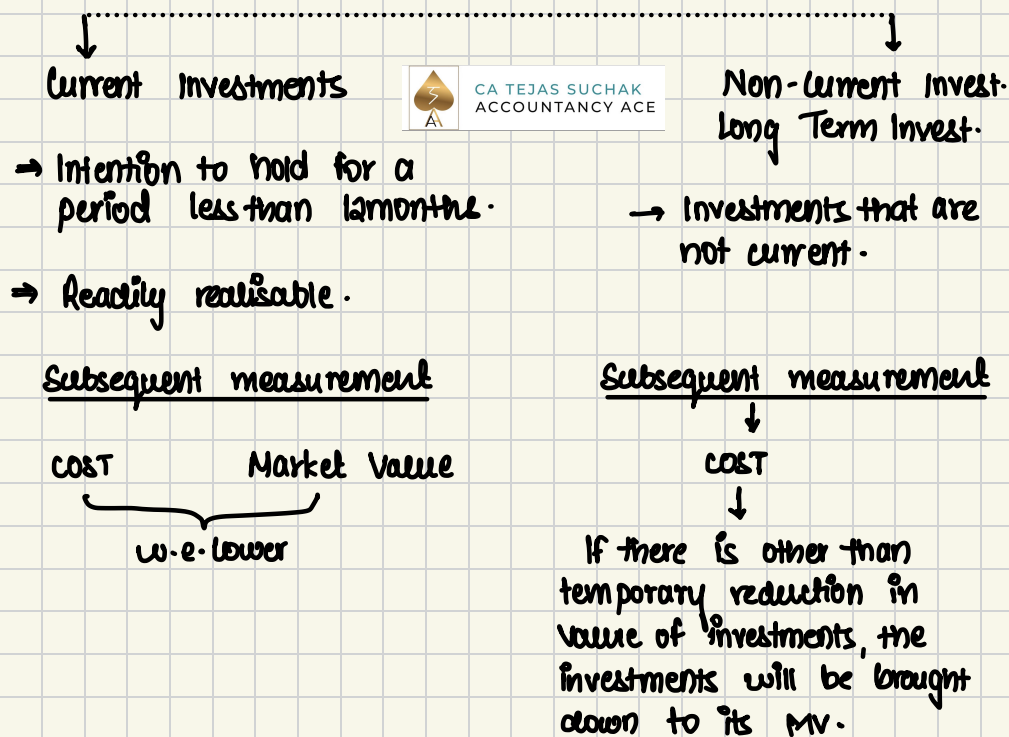
Investment Property :- Investment in Land & Building.

→ not occupied for operations.

COST OF INVESTMENT :

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CLASSIFICATION OF INVESTMENTS

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Purchase Price :

Debentures :-

→ Cum-Interest purchase price
- Interest
Ex-Interest purchase price
+ Brokerage
+ Stamp Duty
Total purchase price

* Interest will compulsarily be paid on purchase of debenture. Ex-Interest or cum-Interest do not determine the fact that interest will be paid.
Cum-Interest = cost of deb + Interest.
Ex-Interest = cost of debentures.

* Brokerage will be calculated on Transaction Value. (Please read question carefully for this point)

Equity Shares

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Purchase price
+ Brokerage
+ Stamp Duty
Total cost of purchase

Bonus shares :

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Cost of bonus share = 0

Right shares :-

Purchase price of right shares
+ cost of rights
Total cost of right shares

* Cost of rights for original holder is zero.

If the rights are renounced :

JE :- Bank a/c Dr. { Proceeds from sale of rights }
To P&L

EXCEPTION :-

After right issue ;
Ex right MP < cum-right MP

Proceeds from sale of rights will be credited to investments to bring down the investments to its ex-right Market Price.

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* This will apply only when the investments were acquired on cum-right basis.

* maximum extent of reduction in cost = proceeds from sale of rights

* cum-rights price - ex-right price
Scope of reduction of cost

Selling Price :-

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Debentures :-

→ Cum-Interest selling price
- Interest
Ex-Interest selling price
- Brokerage
Net selling Price

Equity Shares :-

→ Selling Price
- Brokerage
Net selling Price

Profit / loss on sale

→ Net selling Price
- Cost
Profit / loss on sale

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ACCOUNTANCY ACE

Cost will be calculated on weighted average basis, unless FIFO is mentioned in the question.
→ Profit / Loss is treated in P&L a/c

Accrued Interest :-

* Financial Year dates of investor & Interest dates of company are different.

CA TEJAS SUCHAK
ACCOUNTANCY ACE

Opening Entry :-

Interest Dr. { Previous FY Interest }
To, Accrued Interest

Closing Entry :-

Accrued Interest Dr. { Current FY Interest }
To, Interest

RECLASSIFICATION

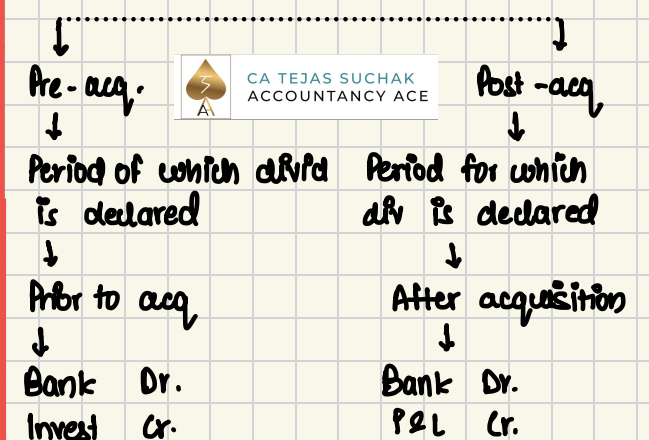
CI → LTI
Cost or MV
w.e. lower → LTI

LTI → CI

Cost or carrying amt
w.e. lower → CI

Loss on reclassification is debited to P&L a/c.

DIVIDEND



* Date of declaration is irrelevant to decide pre/post dividend.

Shares eligible for div :- company POV
FY for which div is dec → FY issued cap
Treatment of div :- Investor POV

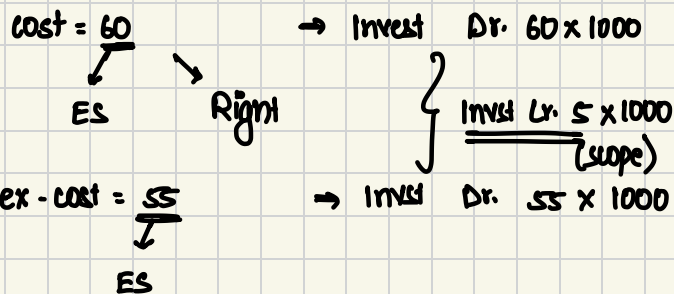
Question 5 :-

Cum - Right MP = 60
Sale of Rights = 6000 →

Dr.
Cr.

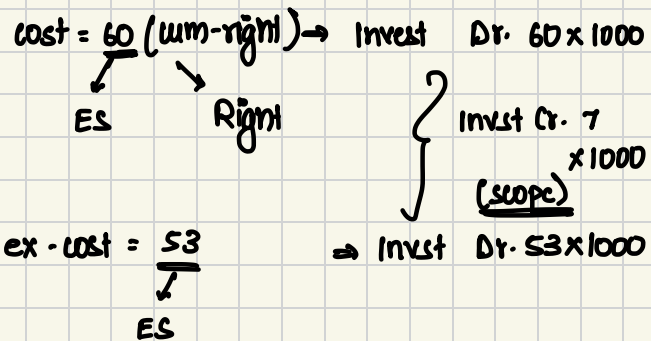
Ex-Right MP

CASE I :- 55



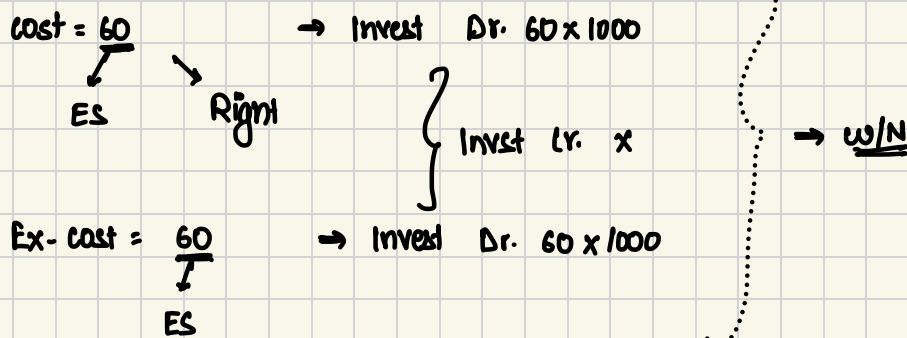
Bank	Dr.	6000
To. Investment		5000
To. P&L		1000

CASE II :- 53



Bank	Dr.	6000
To. Invest		6000

CASE III :- 60



Bank	Dr.	6000
To. P&L		6000

Quote :- cum-right basis
after right issue
Ex-right MP < cum-right
then, proceeds from sale of rights
credited to Investments
to bring down the cost of invest
to its ex-right MP.

Question 3:

Date	Particulars	FV	Int	Amt	Date	Particulars	FV	Int	Amt
1-4-14	DB	40000			30-6-14	By, bank	-	24000	-
1-6-14	Purch	20000			1-9-14	By, bank	300000	4000	319400
30-6-14	Int				1-12-14	By, bank	200000	6667	206667
1-9-14	Sold	30000			1-12-14	By, P&L	-	-	11267
	@ 110 (cum)				31-12-14	By, bank	-	4000	-
					31-3-15	By, accrued int	-	8000	-
					31-3-15	By, P&L	-	-	5066
						By, balance c/d	400000	-	420000

Investment in 8% Debentures of P Ltd a/c

Date	Particulars	FV	Int	Amt	Date	Particulars	FV	Int	Amt
1-4-14	To, balance b/d	400000	8000	392000	30-6-14	By, bank	-	24000	-
1-6-14	To, Bank	200000	6667	206667	1-9-14	By, bank	300000	4000	319400
	To, P&L			25400	1-12-14	By, bank	200000	6667	206667
31-1-15	To, Bank	300000	2000	306000	1-12-14	By, P&L	-	-	11267
31-3-15	To, P&L		30000		31-12-14	By, bank	-	4000	-
					31-3-15	By, accrued int	-	8000	-
					31-3-15	By, P&L	-	-	5066
						By, balance c/d	400000	-	420000

$$MV = 4000 \times 105 = 420000$$

$$= 425066$$

w/N-1: Interest

- 1-4-14 :- $4000 \times 100 \times 8\% \times 3/12 = 8000$
 1-6-14 :- $2000 \times 100 \times 8\% \times 5/12 = 6667$
 30-6-14 :- $6000 \times 100 \times 8\% \times 6/12 = 24000$
 1-9-14 :- $3000 \times 100 \times 8\% \times 2/12 = 4000$
 1-12-14 :- $2000 \times 100 \times 8\% \times 5/12 = 6667$
 31-12-14 :- $1000 \times 100 \times 8\% \times 6/12 = 4000$
 31-1-15 :- $3000 \times 100 \times 8\% \times 1/12 = 2000$
 31-3-15 :- $4000 \times 100 \times 8\% \times 3/12 = 8000$

w/N-2: Ex-interest price

- 1-6-14 :- Cum-int price : $2000 \times 120 = 240000$
 less: interest $= (6667)$
 Ex-int price $= 233333$
 add: brok @ $2\% \times 240000 = 4800$
238133

Bank Dr.	319400
To, Invest	294000
To, P&L	25400

Bank Dr.	294000
Invest Cr.	294000

Bank Dr.	25400
P&L	25400

w/N-3: Profit/Loss on sale

- 1-9-14 : 1. Cum-int SP : $3000 \times 110 = 330000$
 2. - Interest $= (4000)$
 3. Ex-int SP $= 326000$
 4. - Brokerage : $2\% \times 326000 = (6520)$
 5. NSP $= 319400$
 6. - Cost (FIFO)
 $4000 \rightarrow 392000$
 $3000 \rightarrow 294000$
 Profit on Sale 25400

Bank Dr. 205800
 P&L Dr. 11267
 To, Invest 217067

Bank Dr. 205800 P&L Dr. 11267
 Invest Cr. 205800 Invest Cr. 11267

1-12-14 :- Ex. Int SP : $2000 \times 105 = 210000$
 - brokerage : $2\% \times 210000 = (4200)$
 NSP = 205800
 - Cost (FIFO)
 (4000 $\rightarrow$ 392000
 1000 $\rightarrow$ x = 98000
 2000 $\rightarrow$ 238133
 1000 $\rightarrow$ y = 119067
 loss on sale 11267

Question 2 :-

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1-1-08	1-3-08	31-3	1-7-08	30-9	1-10-08	1-11-08	31-12-08
✓ Op. bal. 12000	✓ Purchased 2000	✓ Int.	✓ Sold 5000	✓ Int.	✓ Purchased 1500	✓ Sold 3000	
✓ C = 118000	@ 98 (ex)		@ 100 (ex)		@ 98 (wm)	@ 99 (ex)	
→ Int. accrued	→ Interest pay		→ Interest rec.		→ Interest pay	→ Interest recd.	→ Int. accrued

Investment in 9% Central Government Bonds									
Date	Particulars	F.V.	Interest	Amount	Date	Particulars	F.V.	Interest	Amount
1-1-08	To balance b/d	120000	2700	118000	31-3-08	By bank	-	6300	-
1-3-08	To Bank	20000	750	19600	1-7-08	By bank	50000	1125	50000
1-7-08	To P&L	-	-	833	30-9-08	By bank	-	4050	-
1-10-08	To Bank	15000	0	14700	1-11-08	By bank	30000	225	29700
1-11-08	To P&L	-	-	200	31-12-08	By interest accrued	-	1688	-
31-12-08	To P&L (bal. fig.)		9938		31-12-08	By balance c/d	75000		73633

w/N-1:- Calculation of Interest

1-1-08 :-	$1200 \times 100 \times 9\% \times \frac{3}{12} = 2700$
1-3-08 :-	$200 \times 100 \times 9\% \times \frac{3}{12} = 750$
31-3-08 :-	$1400 \times 100 \times 9\% \times \frac{6}{12} = 6300$
1-7-08 :-	$500 \times 100 \times 9\% \times \frac{3}{12} = 1125$
30-9-08 :-	$900 \times 100 \times 9\% \times \frac{6}{12} = 4050$
1-11-08 :-	$300 \times 100 \times 9\% \times \frac{1}{12} = 225$
31-12-08 :-	$750 \times 100 \times 9\% \times \frac{3}{12} = 1688$

w/N-2:- Calculation of Profit/Loss on sale

1-7-08 :-	Ex-Interest selling Price :-	$500 \times 100 = 50000$
	less: Cost	$= 49167$
	(1200 → 118000)	
	(500 → x)	
	Profit on sale	$= 833$

Bank a/c Dr.	50000
To Investm.	49167
To P&L	833

1-11-08	Ex-Interest selling price :-	$300 \times 99 = 29700$
	less: Cost	$= 29500$
	(1200 → 118000)	
	(300 → x)	
	Profit on sale	$= 200$

Bank Dr.	49167
To Investment	49167
Bank Dr.	833
To P&L	833

W/N-2 :- Calculation of cost of debentures

<u>1-10-08 :-</u>	Cum-interest cost of debentures :-	$150 \times 98 = 14700$
	less: Interest :-	$= \underline{0}$
	Ex-interest cost of debentures :-	$= \underline{\underline{14700}}$

Question 1 :-

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1-4-12	30-9-12	1-12-12	1-3-13	31-3-13
	Interest	✓ Purchased 10000 D @ 101 (w/m) → Int pay → Brok i/.	✓ Sold 10000 D @ 106 (w/m) → Int rec. → Brok 1/.	Interest

Investment in 12% Debentures of Hye Ltd.

Particulars	F.V.	Interest	Amount	Particulars	F.V.	Interest	Amount
1-12-12 To Bank	1000000	20000	1000100	1-3-13 By bank ✓	1000000	50000	999400
				By P&L ✓	-	-	700
31-3-13 To P&L	-	30000	-		-	-	-

W/N-1:- Calculation of cost of debentures

1-12-12 :-	1. Cum-interest purchase price :-	10000×101	=	1010000
	2. less: Interest :-	$10000 \times 100 \times 12/100 \times 2/12$	=	(20000)
	3. Ex-interest purchase price		=	990000
	4. add: brokerage : i/.	$\times 1010000$	=	10100
	Total cost of debentures		=	1000100

W/N-2:- Calculation of profit/loss on sale of debentures

1-3-13 :-	1. Cum-interest selling price :-	10000×106	=	1060000
	2. less: interest :-	$10000 \times 100 \times 12/100 \times 5/12$	=	(50000)
	3. Ex-interest selling price		=	1010000
	4. less: brokerage @ i/.	$\times 1060000$	=	(10600)
	5. Net selling Price		=	999400
	6. less: cost		=	1000100
	7. Loss on sale		=	700

Bank
P&L
To, Investment

Dr.
Dr.
999400
700
1000100

Bank
Invst

Dr.
Cr.
999400
999400

P&L
Invst

Dr.
Cr.
700
700

Question 4 :- Went to Nanis House

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Question 5 :-

1.1.	1.3.	31.3	1.9.	30.9	1.12.	31.12
→ Acc. Int.	✓ Purchased 24000 @ 90 (wm)	✓ Interest	✓ sold 10000 @ 92 (ex)	✓ Interest 800 D @ 91 (ex)	✓ Sold 600 D @ 94 (wm)	MV: 91 → Acc. Int.
	→ Interest pay		→ Int. rec.	→ Brok @ 2%	→ Int. rec	→ Int. rec
	→ Stamp = 200		→ Brok = 2%	→ Int. pay	→ Brok = 2%	
	→ Brok = 2%			→ Exp = 100		

Investment in St. Debentures in Kabini Ltd.									
Date	Particulars	F.V.	Interest	Amount	Date	Particulars	F.V.	Interest	Amount
1.3.	To, Bank	240000	5000	215520	31.3	By, bank	-	6000	-
1.9	To, P&L	-	-	360	1.9.	By, bank	100000	2083	90160
30.9	To, Bank	80000	0	74356	30.9.	By, bank	-	3500	-
1.12	To, P&L	-	-	208	1.12	By, bank	60000	500	54772
					31.12	By, Interest accrued	-	2000	-
	To, P&L (bal. fig.)	-	9083	-		By, balance c/d	160000		145512

w/N-1:- Calculation of cost of purchase

1.3 :-	1. wm. interest cost :-	2400×90	=	216000
	2. less: interest :-	$2400 \times 100 \times 5\% \times 5/12$	=	(5000)
	3. Ex-interest cost		=	211000
	4. add: brokerage: 2% x 216000		=	4320
	5. add: stamp duty		=	200
	6. Net cost		=	<u>215520</u>

30.9 :-	1. Ex-interest cost :-	800×91	=	72800
	2. add: brokerage = 2% x 72800		=	1456
			=	74256
	3. add: stamp duty		=	100
	Net cost		=	<u>74356</u>

w/N-2:- Calculation of Interest

31.3 :-	$2400 \times 100 \times 5\% \times 6/12$	=	6000
1.9 :-	$1000 \times 100 \times 5\% \times 5/12$	=	2083
30.9 :-	$1400 \times 100 \times 5\% \times 6/12$	=	3500
30.9 :-	$800 \times 100 \times 5\% \times 0/12$	=	0
1.12 :-	$600 \times 100 \times 5\% \times 2/12$	=	500
31.12 :-	$1600 \times 100 \times 5\% \times 3/12$	=	2000

$$\begin{aligned} & \frac{1600 \text{ D}}{\text{MV}} = 1600 \times 91 = 145600 \\ & \text{C} = 145512 \rightarrow \text{valuation} \end{aligned}$$

w/N-3:- Calculation of profit/loss on sales

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1.9.

1. Ex-interest selling price	: 1000×92	= 92000
2. less: brokerage	: $2\% \times 92000$	= <u>(1840)</u>
3. Net Selling price		= 90160
4. less: cost (WAM)		
	$\Rightarrow \left(\frac{215520}{2400} \times 1000 \right)$	= 89800
5. Profit on sale		<u><u>360</u></u>

1.12.

1. Cum-interest selling price	: 600×94	= 56400
2. less: interest		= <u>(500)</u>
3. Ex-interest selling price		= 55900
4. less: brokerage	: $(2\% \times 55900)$	= <u>(1128)</u>
5. Net Selling price		= 54772
6. less: cost (WAM) (600×90.94)		= <u>54564</u>

$$\left[\text{WA} = \frac{\text{Total cost}}{\text{Total deb}} = \frac{200076}{2200} = 90.94 \right] P = \underline{\underline{208}}$$

100 D	x	92	=	
2000	x	93	=	
300 D	x	94	=	
<u>TD</u>				<u><u>TC</u></u>

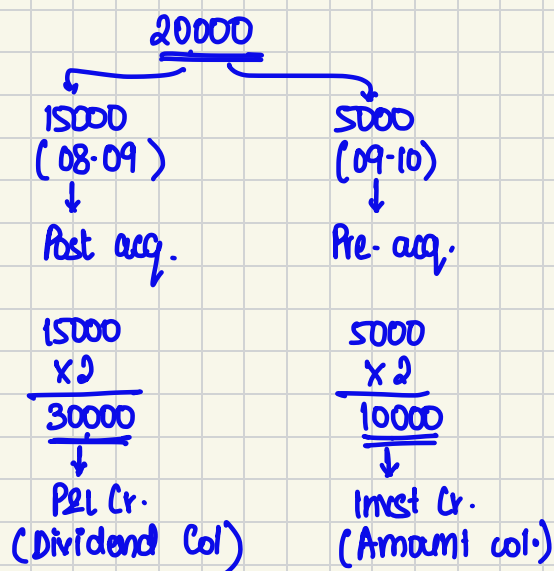
Question 7:-

Investment in Equity Shares of ABC Ltd.

Date	Particulars	FV	DN.	Amt.	Date	Particulars	FV	DN.	Amt.
1.4.09	To, balance bld	150000	-	225000	31.10.09	By, bank	-	30000	10000
1.6.09	To, bank	50000	-	100000	1.1.10	By, bank	130000	-	212355
1.7.09	To, bonus issue	40000	-	0					
1.9.09	To, bank	20000	-	24000					
1.1.10	To, P&L	-	-	42855					
31.3.10	To, P&L	-	30000	-	31.3.10	By, balance c/d	130000		169500

w/N-1:- Calculation of amount of dividend

1. Shares eligible for dividend = 20000
2. Dividend / share (@ 20%) = 2
3. Amount of dividend = 40000



w/N-2:- Calculation of profit/loss on sale

1. Selling Price :- $13000 \times 16.50 = 214500$
2. less: brokerage @ 1% = (2145)
3. Net Selling Price = 212355
4. less: Cost (WAM) = (169500)
- $\frac{TC}{TS} = \frac{339000}{26000} \times 13000$
5. Profit on sale = 42855

L20

L20

L20

Question 9: .

Lao

Investment in shares of x Ltd.

Date	Particulars	FV	Divid.	Amt	Date	Particulars	FV	Div.	Amt
1-4-11	To Bank	50000	-	61500	31-3-12	By bank	25000	-	220500
31-1-12	To Bonus Issue	25000	-	0					
31-3-12	To P&L	-	-	15500		By balance c/d	50000		410000

$$C = 410000 \Rightarrow \text{lower}$$

$$MV = 5000 \times 90 = 450000$$

W/N-1:- Calculation of cost of purchase

- Purchase price :- $5000 \times 120 = 600000$
 - add: brokerage @ 2% :- 12000
 - add: share transfer stamps :- 3000
- $$\left(\begin{array}{l} 0.50 \rightarrow 100 \\ 2 \leftarrow 600000 \end{array} \right) \quad \underline{615000}$$

W/N-2:- Calculation of bonus shares

$$\begin{aligned} \text{Bonus Ratio} &= 1:2 \\ \text{Existing shares} &= 5000 \text{ sh.} \\ \text{Bonus shares} &= 2500 \text{ sh.} \end{aligned}$$

W/N-3:- Calculation of profit/loss on sale

- Selling price :- $2500 \times 90 = 225000$
- less: brokerage :- $2\% \times 225000 = (4500)$
- Net Selling price :- 220500
- less: cost (WAM) :- 205000
- Profit on sale :- $\left(\frac{615000}{7500} \times 2500 \right) = 15500$

Question 11:

1.4.	1.5.	15.06.	10.7.	30.9.	14.10.	31.10.	1.11.	15.1.	1.3.	15.3.	31.3.
	✓ Purch 24000 B @ 84 (um) → Int pay	✓ Purch (A) 150000 ES @ 25 → Brok @ 2%	✓ Purch (B) 60000 ES @ 44 → Brok @ 2%	✓ Interest	✓ Bonus (A) 2:3	✓ Sold (A) 80000 ES @ 22	✓ Int. Div. (A) 15%	✓ Right Issue (B) 1:4	✓ Sold 15000 B @ 90 (ex) → Int. rec.	✓ Int. Div. 18% (B)	✓ Interest

Investment in 12% Bonds

Date	Particulars	FV	Interest	Amount	Date	Particulars	FV	Interest	Amount
	To, Bank	2400000	24000	1992000	30.9.	By, bank	-	144000	-
1.3.	To, P&L	-	-	105000	1.3.	By, bank	1500000	75000	1350000
					31.3.	By, bank	-	54000	-

Investment in Equity shares of Alpha Ltd.

Date	Particulars	FV	Dividend	Amount	Date	Particulars	FV	Dividend	Amount
15.06.	To, Bank	1500000	-	3825000	31.10.	By, bank	800000	-	1760000
14.10.	To, Bonus Issue	1000000	-	0	1.11.	By, bank	-	255000	-
31.10.	To, P&L	-	-	536000					

Investment in Equity shares of Beta Ltd.

Date	Particulars	FV	Dividend	Amount	Date	Particulars	FV	Dividend	Amount
10.7.	To, Bank	600000	-	2692800	15.3.	By, bank	-	118800	-
15.1.	To, Bank	60000	-	30000					

Profit/Loss on Sale

31.10 : ∴ 1. selling Price = $80000 \times 22 = 1760000$
 2. less: Cost = $\frac{3825000}{250000} \times 80000 = 1224000$

536000

1.3 : ∴ Ex-int. s.p = 15000×90
 less: cost $\frac{15000}{24000} \times 1992000$

= 1350000
 = 1245000

Profit

105000Right Issue

1 : 4
 × 60000
 = 15000

40% subs.

6000

× 5

30000

Invs!

60% sell

9000

× 2.25

20250

P&L Cr

In the books of A Ltd.

Investment in Equity shares of Allianz Ltd. a/c

Date	Particulars	F.V.	Div.	Amount	Date	Particulars	F.V.	Div.	Amount
1.4.14	To, Bank	500,000	-	5,35,500	15.5.14	By, bank	-	-	10,000
30.6.14	To, Bonus Issue	100,000	-	0	30.11.14	By, bank	-	6000	-
1.10.14	To, Bank	25,000	-	11,250	31.12.14	By, bank	200,000	-	2,57,640
31.3.15	To, P&L	-	6000	-	31.3.15	By, balance c/d	32,500	-	2,79,110

$$\text{Bonus Issue} = \frac{N}{x} : \frac{E}{5000} = 1000$$

$$\text{Right Issue} = \frac{N}{x} : \frac{E}{6000} = 500$$

Subscribe

$$\begin{array}{r} 250 \\ \times 45 \\ \hline 11,250 \end{array}$$

Sell

$$\begin{array}{r} 250 \\ \times 5 \\ \hline 1,250 \end{array}$$

Bank a/c Dr. 1250
To, P&L 1250

WN:- Calculation of Profit/Loss on sale

- 31.12.14:-
1. Selling Price :- $3000 \times 95 = 285,000$
 2. less: brokerage @ 4% $\times 285,000 = (5,700)$
 3. Net Selling Price = 279,300
 4. less: Cost (W.A) $\frac{5,36,750}{6250} = 2,57,640$
 5. Profit on sale = 21,660

Bank
To, Invest
To, P&L

Dr. 279,300
2,57,640
21,660

Question 13 :-



1-1- x	31-3 x Interest	1-5- ✓ Purch 50000 @ 105(ex) → Int. pay	1-8- ✓ Purchase 25000 @ 107(lum) → Int. pay.	30-9- ✓ Interest	1-10- ✓ Sold 2000 D @ 103(ex) → Int. pay.	31-12 ✓ Conversion 20% Deb. → 10000 ES → Int. recd. MV: ES=15 D=106
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Accrued Int

✓ Accrued Int.

Investment in 13.5% Convertible Debentures a/c									
Date	Particulars	FV	Interest	Amount	Date	Particulars	FV	Interest	Amount
1-5	To, Bank	500000	5625	525000	30-9	By, bank		50625	
1-8	To, bank	250000	11250	256250	1-10	By, bank	200000	0	206000
					1-10	By, P&L	-	-	2333
31-12	To, P&L	-	52312.5	-	31-12	By, bank	-	3712.5	-
					31-12	By, Invest. in ES	110000	-	114583
					31-12	By, Interest accrued	-	14850	-
					31-12	By, balance c/d	440000	-	458334

C = 458334
MV = 440000 x 106 = 466400

Investment in Equity Shares a/c									
Date	Particulars	FV	Dividend	Amount	Date	Particulars	FV	Dividend	Amount
31-12	To, Invest in Deb	100000	-	114583					
						By, balance c/d			114583

C = 114583

MV = 10000 x 15 = 150000

$$2500 \times 107 = 267500$$

$$\underline{(11250)}$$

$$\underline{256250}$$

P/L :- E.I.S.P : 2000 x 103 = 206000

- C (WAM) : $\frac{781250}{7500} \times 2000 = 208333$

Loss = 2333

$$\text{Conv} : - 5500 \times 20\% = 1100$$

Invest in Equity Shares Dr.

To, Investment in Debentures
($\frac{572917}{5500} \times 1100$)

114583

114583

Question 12:-

LA

1.1.	31.3	1.4.	1.7.	30.9	1.10.	1.12.	31.12
	x Int.	Purchased 20000 @ 108 (ex)	Purchased 10000 @ 112 (wm)	Int. Sold 800 D @ 105 (ex)		Conversion 25% Deb. → ES = 50000 sh.	MV D = 110 ES = 15
→ Acc. Int.		→ Interest pay	→ Interest pay	→ Interest rec.		→ Int. rec.	→ Accr. Int.

Investment in 8% Convertible Debentures a/c

Date	Particulars	f.v.	Interest	Amount	Date	Particulars	f.v.	Interest	Amount
1.4.	To, Bank	200,000	0	216,000	30.9	By, bank	-	12,000	-
1.7.	To, Bank	100,000	2,000	110,000	1.10	By, bank	80,000	0	84,000
					1.10	By, P&L	-	-	2,933
					1.12	By, Invest in E.S.	50,000	-	59,767
31.12	To, P&L	-	14,033	-	1.12	By, P&L	-	-	4,767
					1.12	By, bank	-	733	-
					31.12	By, Int. accrued	-	3,300	-
					31.12	By, balance c/d	165,000	-	179,300

Investment in Equity Shares of cld. a/c

Date	Particulars	f.v.	Dividend	Amount	Date	Particulars	f.v.	Dividend	Amount
1.12	To, Invest in Deb.	50,000	-	50,000					
				59,767					
					31.12	By, balance c/d	50,000	-	50,000 59,767

w/N-1:- Calculation of cost of debentures

1. Cum-interest purchase price : $1000 \times 112 = 112,000$
2. less: interest : $1000 \times 100 \times 8\% \times 3/12 = (2,000)$
3. Ex-interest purchase price = 110,000

$$C = 59,767$$

$$MV = 50,000 \times 15 = \underline{\underline{750,000}}$$

w/N-2:- Calculation of profit/loss on sale of debentures

1. Ex-interest selling price : $800 \times 105 = 84,000$
2. less: cost (WAM) : $\frac{326,000}{3,000} \times 800 = 86,933$
3. loss on sale = 2,933

$$22,000 \text{ D} \times 25\% = \underline{\underline{\text{"55,000 D conversion"}}}$$

SD00 ES

Invest in Equity Shares Dr.

59767

To Investment in Debentures

59767

Tl: $\frac{239067}{2200}$ =

Td: 2200