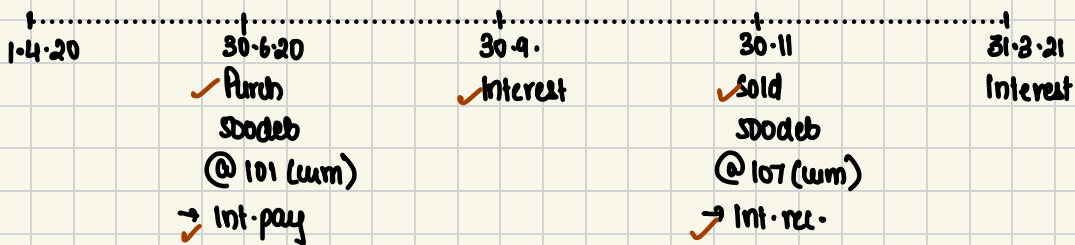


Interest Rate = 9% ; FV = 100.

LW



30-6-20 Investment in Debentures Dr. 49375
To, Bank 49375

30-6-20 Interest on Debentures Dr. 1125
To, Bank 1125

30-9-20 Bank Dr. 2250
To, Interest on Debentures 2250
(500 x 100 x 9% x 6/12)

30-11-20 Bank Dr. 52750
To, Investment in debentures 49375
To, P&L 3375

30-11-20 Bank Dr. 750
To, Interest on debentures 750

W/N-1: Calculation of cost of purchase

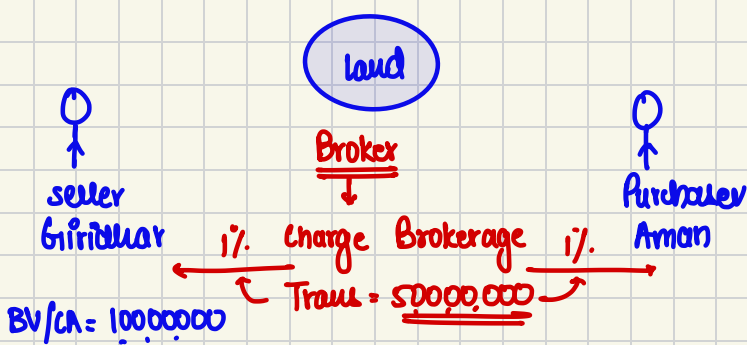
30-6-20 :- 1. Cum-Interest cost :- 500 x 101 = 50500
2. less: Interest (500 x 100 x 9% x 3/12) = (1125)
3. Ex-interest cost = 49375

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

30-11-20 :- 1. Cum-Interest selling price : 500 x 107 = 53500
2. less: Interest (500 x 100 x 9% x 2/12) = 750
3. Ex-interest selling price = 52750
4. less: Ex-interest cost = 49375
5. Profit on sale = 3375

⇒ Treatment of brokerage and duties while ascertaining cost and s.p.

L3



$$\times \text{Brokerage} : \text{Transaction Value} \times \%$$

Aman books :-

Purch Price	=	50000.000
+ Brokerage	=	500.000
<u>Total cost</u>	=	<u>50500.000</u>

Giridhar books :-

Selling Price	=	50000.000
- Brokerage	=	500.000
<u>Net selling Price</u>	=	<u>49500.000</u>

- Brokerage :-
1. Calculated on Transaction Value.
 2. Purchaser POV :- Brokerage is added to the cost of purchase.
 3. Seller POV :- Brokerage is deducted from the selling price.

Stamp Duty :- It is to be paid by the purchaser.
Treatment :- It should be added to the total cost.

Example :- Calculate the cost of the following purchase :-

Purchased 6000 debentures @ 103 (cum-interest) on 30.6.20
Brokerage @ 2% ; IR = 10%
Stamp duty is 50 paise for every ₹ 500.
Interest is paid by the company on 30.9 and 31.3 every year.

1.4.20	30.6.20	30.9.20	31.3.21
	Purchased	<u>Interest</u>	<u>Interest</u>
	6000 D		
	@ 103 (cum)		
	→ Interest		
	→ Brok		
	→ S.D.		

Solution

Calculation of cost of purchase

30.6.20 :-

1. Cum-interest cost :- $6000 \times 103 = 618000$
2. less: interest :- $6000 \times 100 \times 10\% \times 3/12 = (15000)$

3. Ex-interest cost = $\frac{603000}{12360}$

4. add: brokerage $\therefore 2\% \times 618000 = 12360$

5. add: Stamp Duty $\left(\begin{matrix} 0.50 \rightarrow 500 \\ \times 618000 \end{matrix} \right) = 618$

Total cost = $\underline{\underline{615978}}$

L13

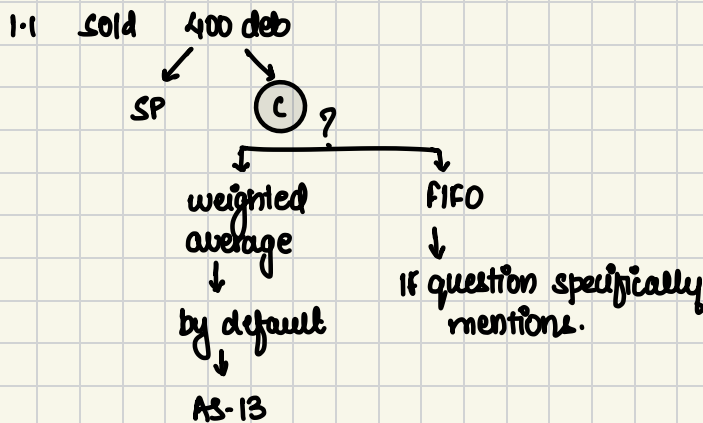
30.6.20	Investment in Debentures	Dr.	615978
	To Bank		615978
	Interest on Debentures	Dr.	15000
	To Bank		15000

→ Calculation of cost while sale of debentures

When debentures are sold the cost of debentures sold will be calculated using weighted average cost method as per AS-13.

If question specifically mentions the use of FIFO method for cost calculation, only then use FIFO.

30.6. Purch 100 deb @ 101000 [cum-int = ex + brok + S.D. = T.C.]
 30.9. Purch 200 deb. @ 205000
 30.11. Purch 300 deb. @ 303000



Weighted Average $\therefore \frac{\text{Total cost}}{\text{Total debentures}} = \frac{101000 + 205000 + 303000}{600}$

$= 1015/\text{deb.}$

SP $\therefore 400 \times x =$

less cost: $400 \times 1015 =$

Profit / loss

If, FIFO is used ; cost of debentures sold

$= 100 \rightarrow 101000$
 $200 \rightarrow 205000$

$$100 \rightarrow \frac{101000}{401000}$$

$$300 \rightarrow 303000$$

$$100 \rightarrow x$$

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Example:- Aditya made the following transactions w.r.t debentures :-

- 1.5.20 Purchased 100 deb @ 101 (ex-int)
- 1.7.20 Purchased 350 deb @ 100.5 (ex-int)
- 1.11.20 Purchased 325 deb @ 102.5 (cum-int)
- 1.2.21 Sold 475 deb @ 105 (cum-int)

Interest rate = 10%.

Brokerage = 1% on all transaction

Interest is paid by the company on 30.9 and 31.3 every year.

Pass journal entries for the above transactions.

Solution

1-4-20	1-5-20	1-7-20	30-9	1-11-20	1-2-21	31-3-21
	Purch.	Purch	<u>Int</u>	Purch	Sold	<u>Int.</u>
	1000	3500		3250	4750	
	@ 101 (ex)	@ 100.5 (ex)		@ 102.5 (cum)	@ 105 (cum)	
	→ Int pay	→ Int pay		→ Int pay	→ Int pay	
	→ Brok 1%.	→ Brok 1%.		→ Brok 1%.	→ Brok 1%.	

W/N:-1 Cost of purchase

$$1.5.20 :- \text{Ex-int lost} :- 100 \times 101 = 10100$$

$$+ \text{brokerage} :- 1\% \times 10100 = \frac{101}{10201}$$

$$1.7.20 :- \text{Ex-int lost} :- 350 \times 100.5 = 35175$$

$$+ \text{Brokerage} :- 1\% \times 35175 = \frac{351.75}{35526.75}$$

$$1.11.20 :- \text{cum-interest cost} :- 325 \times 102.5 = 33312.5$$

$$- \text{Interest} :- 325 \times 100 \times 10\% \times 1/12 = \frac{271}{33041.5}$$

$$\text{Ex-Interest lost} = 33041.5$$

$$+ \text{brokerage} :- 1\% \times 33041.5 = \frac{330.415}{33371.915}$$

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

$$1.2.21 :- \text{Cum-interest selling price} :- 475 \times 105 = 49875$$

$$- \text{Interest} :- 475 \times 100 \times 10\% \times 4/12 = \frac{(1583)}{48292}$$

$$\text{Ex-Interest selling price} = 48292$$

$$- \text{brokerage} :- 1\% \times 48292 = \frac{(482.92)}{47809.08}$$

$$\text{Net selling price} = 47809.08$$

$$- \text{Cost of debentures} (475 \times 102.06) = 48478.5$$

$$\begin{aligned}
 \underline{w \cdot A \cdot c} & : 100 \rightarrow 10201 \\
 & 350 \rightarrow 35326.75 \\
 & \underline{325 \rightarrow 33374.5} \\
 & 775 \quad 79102.25 \\
 & = \underline{79102.25} \\
 & \quad 775 \\
 & = 102.06
 \end{aligned}$$

$$Loss = \underline{(685)}$$