Invsestment in Pencil + Airpods Dr. 25000
To Bank 25000

$\underbrace{\text{Pencil + Airpods}}_{\underline{\underline{25000/-}}}$

Bank Dr.
Investment in P+A Cr. 15000

$\boxed{\text{Pencil = 10000/-}}$

Airpods = ? → 15000

Investment in ES Dr. 50
To Bank 50

Sh. cost + Right Val = 50

Bank 5
To Investment in ES Cr. 2
To P&L 3

Sh. cost = 48

→ Right value = 2

Invest. in ES Dr. 50

sh. cost right = 50

Bank Dr. 5
Invst in ES Cr. ~~7~~ × 5

Sh. cost = 43

rights = 5

Summary of Exception

1. Investment acquired at cum-right MP.
2. Ex-right MP (after right shares are issued) < cum-right MP (cost)
3. Reduce the cost of investment to bring it to its ex right MP to the extent of amount realised from sale of rights.

10. Shares on which dividend will be declared

	1.4.20	1.6.20	1.8.20	1.9.20	30.9.20
	Op. bal. 500 sh.	Purchased 300sh	Bonus Issue 800 sh. (1:1)	Right Issue 800sh. (1:2)	Dividend declared (FY: 19-20)
	(19-20: SC ✓)	(19-20: SC ✓)	(19-20: SC ×)	(19-20: SC ×)	
D =	✓	✓	×	×	→ Company POV
Treat =	P&L Cr. (Post-acq div.)	Invst Cr. (Pre-acq div.)	×	×	→ Investor POV

To decide on which shares dividend will be received or not, 1st think from company's POV. If the company is declaring dividend for 19-20 then all those shares that were issued in 19-20 or before will be eligible for dividend. The date of purchase of shares by the investor is immaterial to decide the shares on which dividend will be declared.

To decide the treatment of dividend think from investors POV.
The shares which were acquired prior to the period for which dividend is declared, the dividend will be treated as post acquisition and credited to P&L.
The shares which were acquired after the period for which dividend is declared, the dividend will be treated as pre-acquisition and credited to Investment a/c.

Student Notes

Question 5 /Question 4 **Category:-**

Hindukush purchased on 1st March, 5% Debentures in Kabini Ltd of a Face Value of ₹ 2,40,000 at ₹ 90 cum-interest.

Hindukush operates the calendar year for accounting purposes while Kabini Ltd has the financial year for its accounting and pays interest on 31st March and 30th September every year.

Stamp and Expenses on Purchase were ₹ 200. Brokerage was 2% on cost. Further transactions during the year were -

1st September	₹ 1,00,000 Debentures were sold at ₹ 92 ex-interest, less Brokerage at 2%.
30th September	₹ 80,000 Debentures were purchased at ₹ 91 ex-interest, Brokerage 2%, Expenses ₹ 100
1st December	₹ 60,000 Debentures were sold at ₹ 94 cum-interest, less Brokerage at 2%

Market Value of the Debentures at the end of the calendar year was ₹ 91.

Prepare the Investment Account, using Average Cost Method of Valuation for recognizing Profit / (Loss) on Sale of Investments

Question 6 10mins 11:04am **Category:-**

1:20

On 1st April 2017, Easwar had 25,000 Equity Shares of Milky Ocean Ltd, at a Book Value of ₹ 15 per Share (Face Value ₹ 10). On 20th June 2017, he purchased another 5,000 Shares of the Company at ₹ 16 per Share.

C
375000
80000
0
150000
-10000
595000
45000

The Directors of Milky Ocean Ltd announced a Bonus and Rights Issue. No Dividend was payable on their issues. The terms of the issue are as follows:

Bonus Basis 1: 6 (Date: 16th August 2017) = 5000 = 35000

Rights Basis 3:7 (Date: 31s* August 2017) Price ₹ 15 per Share. Due date for payment 30th September 2017.

3 : 7
35000 = 15000 x 2/3 = 10000 x 15 = 150000

Shareholders can transfer their rights in full or in part. Accordingly, Easwar sold 1/3rd of his entitlement to Madhav for a consideration of ₹ 2 per Share.

SP = 315000
C = 330555
P = 44445

Dividends: Dividends for the year ended 31st March 2017 at the rate of 20% were declared by Milky Ocean Ltd and received by Easwar on 31st October 2017.

CB = 264445

Dividends for Shares acquired by him on 20th June 2017 are to be adjusted against cost of purchase. On 15th November 2017, Easwar sold 25,000 Equity Shares at a Premium of ₹ 5 per Share.

Dividend(P&L) = 50000

Prepare - (1) Investment Account, and (2) Profit & Loss Account in the books of Easwar. Assume that the books are closed on 31st December 2017, and Shares are valued at Average Cost.

Question 7:-

Investment in Equity Shares of ABC ltd.

Date	Particulars	FV	Div.	Amt.	Date	Particulars	FV	Div.	Amt.
1.4.09	To balance b/d	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

20000

15000 (08-09) → Post acq. → 15000 × 2 = 30000 → P&L Cr. (Dividend Col)

5000 (09-10) → Pre-acq. → 5000 × 2 = 10000 → Invst Cr. (Amount col.)

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

1. Selling Price :- 13000 × 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

Question 8:-

L20

Investment in Equity Shares of P ltd. a/c

Date	Particulars	FV	Div.	Amt	Date	Particulars	FV	Div.	Amt.
1.4.11	To balance b/d	500000	-	750000					
20.6.11	To bank	100000	-	160000					
1.8.11	To bonus issue	100000	-	0					
5.11.11	To bank	200000	-	300000	31.3.12	By balance c/d	900000	-	1210000

Question 9:.

L20

Investment in shares of x ltd.

Date	Particulars	FV	Divid.	Amt	Date	Particulars	FV	Div.	Amt
1.4.11	To Bank	500000	-	615000	31.3.12	By bank	250000	-	220500
31.1.12	To Bonus Issue	250000	-	0					
31.3.12	To P&L	-	-	15500		By balance c/d	500000		410000

C = 410000 ⟶ LOWER
MV = 5000 × 90 = 450000

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

1. Purchase price :- 5000 × 120 = 600000
2. add: brokerage @ 2% = 12000
3. add: share transfer stamps = 3000
   (0.50 ⟶ 100
   2x ⟵ 600000)

= 615000

W/N-2:- Calculation of bonus shares

Bonus Ratio = 1:2
Existing shares = 5000 sh.
Bonus shares = 2500 sh.

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

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

Question 10 ⇒ HW Question

L20

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	-	535500	15.5.14	By, bank	-	-	10000
30.6.14	To, Bonus Issue	100000	-	0	30.11.14	By, bank	-	6000	-
1.10.14	To, Bank	25000		11250	31.12.14	By, bank	300000	-	257640
31.3.15	To, P&L	-	6000	-	31.3.15	By, balance c/d	325000		279110

Bonus Issue = N : E = 1 : 5, x : 5000, = 1000

Right Issue = N : E = 1 : 12, x : 6000, = 500

Subscribe	Sell
250	250
x 45	x 5
11250	1250

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

W/N :- Calculation of Profit/loss on sale

31.12.14 :-
1. Selling Price :- 3000 × 95 = 285000
2. less: brokerage @ 2% × 285000 = (5700)
3. Net Selling Price = 279300
4. less: Cost (WA) $\frac{536750}{6250}$ = 257640
5. Profit on sale = 21660

Bank Dr. 279300
To, Invst 257640
To, P&L 21660