

AS 13 - Investments

Q39

Books of Ms. Jayshree
Investment A/c

Date	Particulars	No.	Amnt.	Date	Particulars	No.	Amnt.
1/4/21	To Bal b/d	5000	77250	1/11/21	By Bank	10000	25000
					(Sale value)		
15/5/21	To Bank	5000	90000				
26/8/21	To Bonus	5000	0	31/3/22	By Loss	—	27275
					(P&L)		
23/10/21	To Bank	5625	112500	31/3/22	By Bal c/d	10625	116875
					(@ 11/-)		
1/11/21	To Gain	—	114400				
	(P&L)						

$$\frac{144150}{10625} = 13.56$$

Working Note :-

1) 1/4/21 $\Rightarrow$ 15/- + 3% $\Rightarrow$ $15.45 \times 5000 = 77250$

2) 26/8/21 $\Rightarrow$ Bonus 1:2 $\Rightarrow$ $\frac{10000}{2} = 5000$ at 80 Cost

3) Right issue $\Rightarrow$ $\frac{15000}{2} \times 1 = 7500$ Shares

$$\begin{array}{r}
 1/4 \\
 \text{Transferred} \\
 1875 \text{ no.} \\
 \downarrow \\
 10/- \\
 \hline
 \end{array}$$

3/4
Retained
& Subscribed
5625 no.
@ 20/-

$$\text{Transfer to P&L} = \underline{18750}$$

4) Gain/Loss on Sale :-

$$\text{Sale value} = 10000 \times 25/- = 250000$$

$$(-) \text{ Avg. Cost} = 10000 \times 13.56/- = 135600$$

$$\text{Gain} = \underline{\underline{114400}}$$

$$\text{Avg. Cost Per Share} = \frac{77250 + 90000 + 112500}{20625}$$

$$= 13.56/-$$

5) Year end Valuation :-

$$\text{Avg Cost} = 13.56/-$$

$$\text{Market Value} = 11/-$$

Investment on 31/3 shall be measured at lower of above value i.e 11/-

$$10625 \text{ no} \times 11/- = 116875/-$$

$$\therefore \text{Loss due to Valuation} = 144150 - 116875$$

Q40

Books of Gopal

11-11 pm

Investment in 15% Debentures A/c

Date	particulars	No.	Inter.	Cost	Date	particulars	No.	Int.	Cost
1/4/15	To Bal B/d	2000	7500	210000	30/6	By Bank	-	22500	-
1/5/15	To Bank	1000	5000	102000	1/11	By Bank	1200	6000	114600
						By Loss	-	-	11400
30/11	To Bank	800	5000	76800	31/12	By Bank	800	6000	104000
31/12	To Gain	-	-	20000	31/12	By Bank	-	13500	-
31/3	To P&L (B/F)	-	37250	-	31/3	By Bal.	1800	6750	178800

Working Notes1) Accrued Interest on Opening Investments

$$2000 \times 100 \times 15\% \times 3/12 = 7500$$

2) 1/may/15 :- Purchase of Deb'n = 107000
at Cum price

$$(-) \text{Interest (4 months)} = (5000)$$

$$1000 \times 1.25 \times 4$$

↓
Interest
p.m.

$$\frac{102000}{\text{Pr Interest Value}}$$

$$\begin{array}{l} 1000 \text{ no} \\ \times 100 \\ \times 15\% \\ \times 4/12 \end{array}$$

30/6/15

3) Interest Due & Received on 3000 no.
Income

$$\frac{3000 \times 1.25 \times 6}{\text{no.}} = 22,500$$

4) 1/11/2015 Sale of Debt (1200 no.) = 114600 ex. Interest
Cost (as per FIFO) = 126000
of 1200 no.

$$\frac{210000}{2000} \times 1200 = 114000 \text{ Loss}$$

Interest Collected on Sale = $1200 \times 1.25 \times 4 = 6000/-$

5) Interest paid on purchase on 30/11

$$800 \times 1.25 \text{ pm} \times 5 \text{ m.} = 5000/-$$

6) 31/12/15 Gain/Loss on Sale

Sale of 800 Debt (Cum Interest) = 110000
(-) Interest Collected = (6000)
 $800 \times 1.25/- \times 6 \text{ m.}$

Sale value (ex Inter.) = 104000
(-) Cost (FIFO) = (84000)

$$\frac{210000}{2000 \text{ no.}} \times 800 \text{ no.} = 20,000$$

7) Interest on 31/12 on Remaining Debt

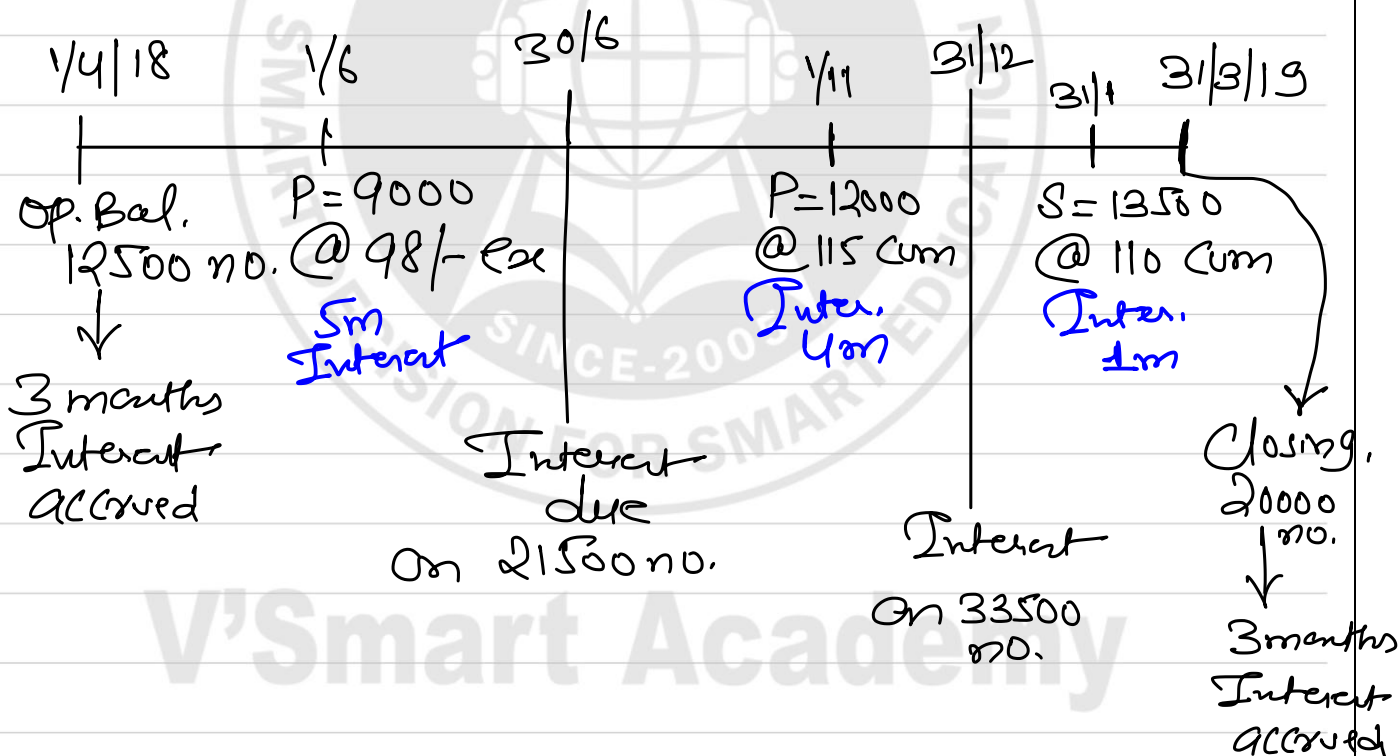
$$1800 \text{ no.} \times 6 \text{ m.} \times 1.25/- = 13500$$

8) Accrued Interest on Closg. Debn :-

$$1800 \times 3m \times 1.25 = 6750$$

Same date $\begin{cases} \rightarrow \text{Interest due} \\ \rightarrow \text{Sale of Debn} \end{cases}$ } First Sale & then Interest on remaining Debn

Q41



1. Brokerage on Transaction Value (ex or Cum)
 Whichever given in Question

Working Note :-

1) Accrued Interest on Opng. Debt :-

$$12500 \times 100 \times 10\% \times 3/12 = 31250/-$$

2) 1/6 Purchase of 9000 no.

$$\text{Cost} = (9000 \times 98) \times 101\% = 890,820$$

$$\begin{aligned}\text{Interest paid for 5 months} &= 9000 \times 100 \times 10\% \times \frac{5}{12} \\ &= 37500\end{aligned}$$

3) 30/6 Interest Income :-

$$21500 \times 100 \times 10\% \times 6/12 = 107500/-$$

4) 1/11 purchase of 12000 no. :-

$$\text{Cum Interest Value} = (12000 \times 115) + 1\% = 1393800$$

$$\begin{aligned}\text{(-) Interest paid for 4 months} &= 12000 \times 100 \times 10\% \times 4/12 = (40000)\end{aligned}$$

$$\text{Cost} = \underline{1353800}$$

$$12000 \times 115 = 1380000$$

$$\text{(-) Interest} = (40000)$$

$$\underline{1340000 + 1\% = 1353400}$$

5) 31/12 Interest Income

$$33500 \times 100 \times 10\% \times \frac{6}{12} = 167500$$

6) Sale on 31/Jan of 13500 no.

$$\text{Sale Value (Cum Inter.)} = (13500 \times 110) - 1\% = 1470150$$
$$(-) \text{ Interest Collected} = 13500 \times 100 \times 10\% \times \frac{1}{12} = (11250)$$

$$\text{Sale Value (ex Interest)} \quad \underline{1458900}$$

$$(-) \text{ Cost (as per FIFO) :-} \quad \underline{13,23,980}$$

$$\text{Cost of 12500 no.} = 122,50,000$$

$$\text{Cost of 1000 no.} = 98,980$$

$$\frac{890820}{9000} \times 1000$$

Gain
on Sale
(P&I)

$$\underline{\underline{134920}}$$

7) Accrued Interest on Closing 20000 no.

$$20000 \times 100 \times 10\% \times \frac{3}{12} = 50,000$$

Investment A/c $\Rightarrow$ HW

Q43 Working Note :-

1) 1/5/18 purchase = $5000 \times 105 = 525000$
(at Cum Interest)

(-) Interest $\frac{4m}{12}$ = 5625
 $(5000 \times 100 \times 13.5\% \times \frac{1}{12})$

Cost = 519375
of purchase

2) 1/8/18 purchase of 2500 no. @ 103.5 = 256250
Cum

(-) Interest (4m) $2500 \times 100 \times 13.5\% \times \frac{4}{12} = (11250)$

Cost of = 245000
purchase

3) 30/9/18 Interest Income on 7500 no.

$7500 \times 100 \times 13.5\% \times \frac{6}{12} = 50625$

4) 1/10/18 Sale of 2000 @ 103 = 206000
(-) Cost of 2000 @ 101.917 = 203834

Gain 2166

5) 1/10/18 $\Rightarrow$ Avg. Cost per Debⁿ

$$\frac{519375 + 245000}{7500} = 101.917/-$$

6) 31/12/18 Conversion of 20% Holding
 $5500 \times 20\% = 1100$ Debⁿ are
 Converted

a) Interest on 1100 no. $\times 100 \times 13.5\% \times \frac{3}{12} = 3713/-$

b) Cost of 1100 no. $= 1100 \times 101.917 = 112109/-$
 (Br)

Invest in equity Dr. 112109
 To Invest in Deb 112109

c) Derecognition of Investment in Debⁿ = 112109
 Recognition of Investment in Eq. = 112109
 10000 no.

$$\frac{112109}{10000}$$

7) 31/12/18 Interest Accrued on 4400 no.
 (5500 - 1100)

$$4400 \times 100 \times 13.5\% \times \frac{3}{12} = 14850$$

8) Valuation of Investment:-
 at Lower of Cost (or) MV

Particulars	Deb ⁿ	Eq.	Final valuation
Cost	101.917	11.21	101.917
MV	106	9	9

g) Loss on Revaluation of Equity Investment.

$$\begin{aligned} \text{Cost of 10000} &= 112109 \\ \text{MV (10000 \times 9)} &= 90000 \end{aligned}$$

22109 Loss

Investment in 13.5% Deb

Date	Particulars	No.	Int.	Cost	Date	Particulars	No.	Int.	Cost
1/5	To Bank	5000	5625	519375	30/9	By Bank	-	5625	-
1/8	To Bank	2500	11250	245000	1/10	By Bank	2000	-	206000
1/10	To Gain	-	-	2166	31/12	By Bank	-	3712.5	-
					31/12	By Invest in 13.5% Deb	1100	-	112109
31/12	To P&L	-	52312.5	-	31/12	By Balan	4400	14850	448432

Investment in Eg.

	No.	Cost		No.	Cost
31/12 To Invest. in 13.5% Deb	10000	112109	By Loss (P&L)	-	22109
			By Bal.	10000	90000

AS 19 - Leases

Q58

Calculation of Lease Liability (Under Finance Lease)

Step 1:- Calculation of Minimum Lease Payments (MLP) & Present Value thereof :-

<u>Year</u>	<u>MLP</u>	<u>PvF</u>	<u>Pv Amt.</u>
1	625000	0.8696	543500
2	625000	0.7561	472563
3	625000	0.6575	410937
4	625000	0.5718	357375
4	125000	0.5718	71475
Pv OF MLP			<u>1855850</u>

Step 2:- Determine Fair value = 20,00,000

As per AS 19, Lease Liability initially shall be measured at Lower of :-

a) Pv OF MLP ; (or)

b) Fair Value of Asset

Step 3:- Initial Lease Liability = 18,55,850

Step 4:- Interest & Liability Schedule

Year	Opng B/s	Interest	Payment	Closg B/s
1	18,55,850	2,78,377	(6,25,000)	15,09,227
2	15,09,227	2,26,384	(6,25,000)	11,10,612
3	11,10,612	1,66,592	(6,25,000)	6,52,203
4	6,52,203	97,797 (BIF)	(7,50,000)	0

Q60

1) Lease Liab. is Calculated For Lessee as under:-

Step 1:- Calculation of MLP & Pv thereof

Year	MLP	Pv F	Pv Annt.
1	16,00,000	0.8696	1391360
2	"	0.7561	1209760
3	"	0.6575	10,52,000
4	"	0.5718	9,14,880
4	3,00,000	0.5718	1,71,540
	<u>67,00,000</u>		<u>47,39,540</u>

Step 2:- Determine fair value = 50.00,000

Step 3:- As per AS 19 (Leases), Lease Liability is lower of PV of MLP or FV

Hence Initial Lease Liab. = 47,39,540

2) Unearned finance Income means :-

Gross Investment in Lease (G14)
(-) Net Investment in Lease (Pv of G12)
(N14)

$GIL = MLP \rightarrow$ Unguaranteed Residual Value (UGRV)

$$G_{12} = 67.00.000 + 1.500.000 = 68.50.000$$

Pv OF NIL :-

$PV \text{ of MLP} = 4739540$
 (as calculated above)
 $(+)$ $PV \text{ of UGRV} = 85770$
 at 4th yr end $\xrightarrow{\hspace{10em}}$
 $\underline{\hspace{10em}} 48,25,310$

$$\begin{aligned} \text{Unearned Finance Income} &= 68,50,000 - 48,25,310 \\ &= 20,24,690 \end{aligned}$$

Q59

Identifying the Nature of Lease

Any Lease shall be treated as Finance Lease, if it satisfies any of following Condition :-

1) Ownership of Asset shall be transfer to Lessee at end of Lease Term.
Here, Asset shall be return after 36 months.

2) Lessor has given an option to Lessee to buy the Asset at end of Lease Term at a price lower than the fair value, it is reasonably certain that Lessee will buy.

No such option is given.

3) When Lease Term covers major economic life of Asset.

Here, Lease period is 3 years out of total life of 5 year. Cannot be considered Substantial.

4) When Asset is made for Lessee's specification

Here, no specified Asset is given.

5) When Sum of PV of Lease Payment is equal to (or) Substantially Covers initial Fair Value.
This Condition should be Check below:-

For this purpose we shall first Calculate Annual Lease Payments :-

Since IRR = 10%.

It is a Rate at Which Sum of PV of GIL is equal to Fair Value less initial direct Cost

Annual Lease Rent (assuming) = x

$$\begin{array}{lcl} \text{PV of Annual Lease Rent} & = & 2.4868x \\ 2.4868 \times x & & \end{array}$$

$$(+)\text{ PV of GRV} = 0$$

$$(+)\text{ PV of UGRV } (50000 \times 0.7513) = 37565$$

$$\text{PV of GIL} = \underline{2.4868x + 37565}$$

$$\text{At } 10\% \text{ PV of GIL} = \text{FV} - \text{IDC}$$

$$\begin{array}{lcl} 2.4868x + 37565 & = & 50000 \\ x & = & 185956 \end{array}$$

$$\text{Annual Lease Rent} = 185956 \checkmark$$

If Sum of PV of MLP (Lease Payment) is equal to or Substantially Cover FV then it will a Fin. Lease.

$$Pv \text{ of } 185956 \text{ for } 3 \text{ yrs} = 462,435$$

$$@ 10\% \quad (185956 \times 2.4868)$$

$$\text{Fair Value} = 500,000$$

Conclusion :-

Prof Lease payment covers approx 92.50% of Fv. Hence it's a Finance Lease.

Unearned Finance Income :-

$$GIL - NIL$$

$$GIL = (185956 \times 3) + 50000 = 607868$$

$$NIL = 500000$$

$$107868$$

Q61 Operating Lease :-

Given Information:-

Lease Rent is equal Every Year
Cost = 150000

Life = 5 yrs.

Lease Term = 3 yrs.

Value of Asset with 30% margin = 195000/-

Total Estimated Output = 300000 Units
from machine

Total Est. Output in First = 150000 Units
3 Years (Lease Term)

Therefore Lease Rent
Should be (for 3 yrs) $= \frac{195000}{300000} \times 150000$
 $= 97500$

Annual equal lease rent
(as per agreement) $= \frac{97500}{3} = 32500/-$

1) Annual Lease Rent = 32500/-

2) Lease Income shall be recognised on SLM
or any other systematic & Reasonable basis
as Under

1 $97500 \times 40/150 = 26000$

2 $97500 \times 50/150 = 32500$

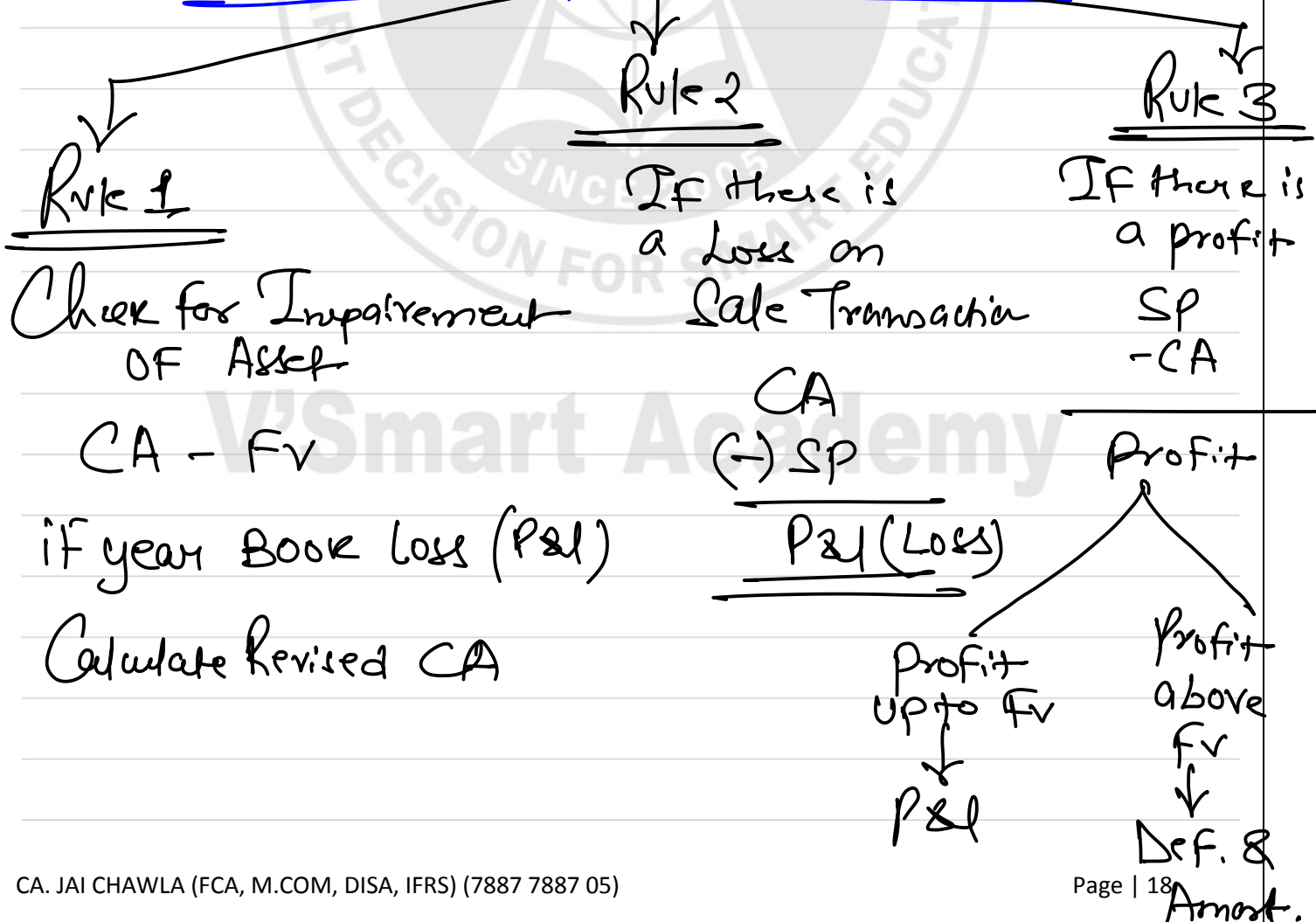
3 $97500 \times 60/150 = 39000$

97500

3) Depreciation :- Assuming Depreciation based on Output is appropriate :-

	<u>Output</u>	<u>Dep.</u>
1	40	20,000
2	50	25,000
3	60	30,000
4	80	40,000
5	70	35,000
	<u>300</u>	<u>150,000</u>

Sale & Operating Lease



AS 20 - EPS

Question 63 (Q.AS20.RMP.101: (RTP May 2021))

In the following list of shares issued, for the purpose of calculation of weighted average number of shares, from which date, weight is to be considered:

- (i) Equity Shares issued in exchange of cash,
- (ii) Equity Shares issued as a result of conversion of a debt instrument,
- (iii) Equity Shares issued in exchange for the settlement of a liability of the enterprise, *Creditor*
- (iv) Equity Shares issued for rendering of services to the enterprise,
- (v) Equity Shares issued in lieu of interest and/or principal of another financial instrument,
- (vi) Equity Shares issued as consideration for the acquisition of an asset other than in cash.

Solution:-

Time weight shall be considered in given cases as follow :-

- 1) Date of Cash Receivable
- 2) Date of actual Conversion
- 3) Date of Settlement of Creditor
- 4) Date when services are rendered (Completed)
- 5) Date when interest is due (or) Principal Repayment is due
- 6) When Asset is Recorded.

Q64

$$\text{Basic Eps} = \frac{\text{NP/NL attributable to ESH}}{\text{Weighted Avg. of no. of Shares (Equity)}}$$

NP(or) NL attributable to ESH :-

$$\begin{aligned} \text{Net profit after Tax} &= 90,00,000 \\ (-) \text{ preference Dividend} &= (8,00,000) \end{aligned}$$

$$\text{Net profit attributable to ESH} = \underline{82,00,000}$$

Weighted Avg. of Equity Shares

<u>Date</u>	<u>Particulars</u>	<u>Working</u>	<u>Weighted No.</u>
1/4/21	Opening Shares	$10,00,000 \times \frac{12}{12}$	10,00,000
1/Jan/22	Bonus issue (1:2)	$500000 \times \frac{12}{12}$	5,00,000
1/Jan/22	Issue against Cash	$2,00,000 \times \frac{3}{12}$	50,000
			<u>15,50,000</u>

$$\text{Eps (21-22)} = \frac{82,00,000}{15,50,000} = 5.29/- \text{ per share}$$

Calculation of Restated Eps For FY 20-21 due to Bonus issue :-

$$\begin{aligned} \text{Revised Weighted} \\ \text{Avg. No. of Shares} &= 10,00,000 + 5,00,000 \\ \text{(after Considering Bonus)} &= 15,00,000 \end{aligned}$$

$$\text{Actual Eps} = 62.30/-$$

$$\text{Earnings} = 62.30 \times 10,00,000 = 6,23,00,000$$

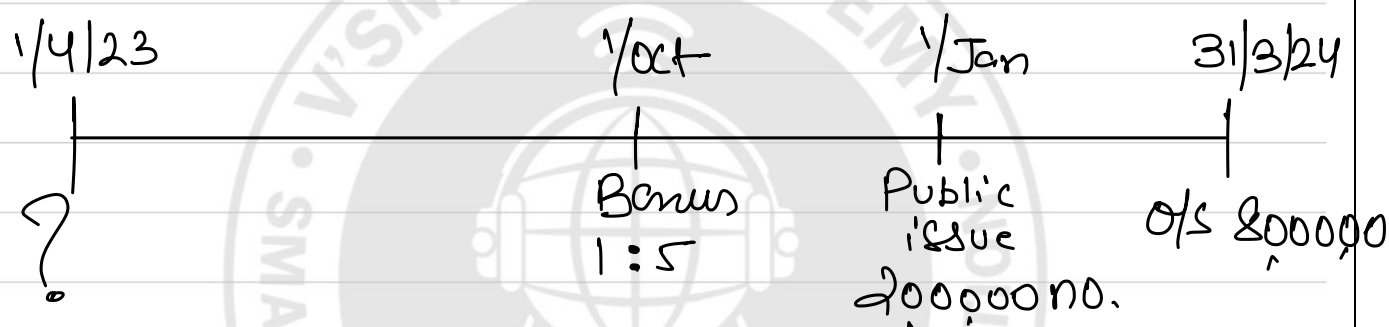
$$\text{Restated Eps} = \frac{6,23,00,000}{15,00,000} = 41.533/-$$

(ii) Bonus issue is treated differently from shares issued at full price :-

Bonus shares are issued without consideration, hence it is issued as a distribution of existing reserves of company. It is always assumed that bonus distribution is made out of those reserves which were existed since beginning of Py.

However, in Case of Shares issued at Full Market price, they are issued at Cash & increases the Share Capital from date of issue. Hence, Weight shall be given from that date only.

Q65



Calculation of opening shares :-

Close shares after Bonus & Public issue = 800000 no.

(-) Public issue shares = (200000) no.

O/s shares after Bonus issue only. 600000 no.

Bonus issue ratio 1:5

O/s share before Bonus (Opening) 500000 no.

Hence no. OF Bonus Shares = 100,000 no.

Calculation of Basic EPS :-

$$\text{EPS} = \frac{\text{Earnings available for ESH}}{\text{Weighted Avg. no. OF O/S equity shares}}$$

<u>Earnings (Numerator)</u>	<u>Weighted Avg. (Denominator)</u>
NP After Tax 31,20,000	1/4 500,000 $\times \frac{12}{12} = 5,00,000$
(-) pref Divd 0	1/10 1,00,000 $\times \frac{12}{12} = 1,00,000$
	Bonus
<u>EAESH = 31,20,000</u>	1/Jan 2,00,000 $\times \frac{3}{12} = 50,000$
	<u>6,50,000</u>

$$\text{EPS} = \frac{31,20,000}{6,50,000} = 4.80/- \text{ per share}$$

Calculation of Diluted Earnings per share :-

$$\text{DEPS} = \frac{\text{EAESH (+) Earnings due Potential Eq. shares after Tax}}{\text{W. Avg. O/S Eq share (+) W. Avg. O/S Potential Eq. shares.}}$$

Potential Equity Shares & their Earnings

a) ESOPs :-

Total Options = 80000 @ 20/-
Exercise price
Market = 25/-
Price

Funds to be raised from ESOP = 16,00,000
(80000 × 20)

If same funds would have been raised @ 25/-
then How many shares issue required = 64000 no.
$$\frac{1600000}{25}$$

potential equity shares = 16000 (80k - 64k)

Earnings = Nil

b) Debentures :-

No. of Convertible Debn = 30,000 no.

potential equity = 30,000 × 4
= 1,20,000

Saving in Interest (after Tax)
due to Conversion = 30,00,000
× 12%
× 70%

25,20,000

Diluted EPS:-

$$= \frac{31,20,000 + 252,000}{650,000 + 16,000 + 120,000} = \frac{3372000}{786000}$$

$$= 4.29/- \text{ per share}$$

Q66

Consolidated Financial Statement

$$\text{Basic Eps} = \frac{40,00,000}{5,00,000} = 8/- \text{ per share}$$

$$\text{Diluted Eps} = \frac{40,00,000}{6,00,000} = 6.67/- \text{ per share}$$

Separate Financial Statements

$$\text{Basic Eps} = \frac{2,00,00,000}{5,00,000} = 40/-$$

$$\text{Diluted Eps} = \frac{20000000}{500000} = (40/-)$$

* In Case of Losses, potential equity shares shall not be considered in DEPS Working.

If potential equity shares were considered then it result into Anti Dilution

$$\frac{(20000000)}{600000} = (33.33) / -$$

Such Anti Diluted Eps Can not be presented.

Q67

Weight Avg. Of Shares in Cy

<u>Date</u>	<u>particulars</u>	<u>Working</u>	<u>W.Avg. no.</u>
1/1	Opng of	200000 x 12/12	2,00,000
1/7	Bonus	50000 x 12/12	50,000
1/9	Public	30000 x 7/12	17500
1/11	BuyBack	(10,000 x 5/12)	(4166)
			<u>263334</u>

$$\text{Cy Eps} = \frac{15,00,000}{263,334} = 5.70/-$$

Previous Year Restated Eps

$$\text{Eps} = \frac{12,00,000}{20,000 + 5,000} = 4.80$$

* Bonus share issued in Cy are considered as part of previous year issue since beginning.

Q68 Weighted Avg. of Egs. Shares

<u>Date</u>	<u>Particulars</u>	<u>Working</u>	<u>W. Avg. of Capit</u>
1/4	Opng. shares	$50,000 \times 6 \times 12/12$	3,00,000/-
1/9	Public issue	$30,000 \times 7 \times 7/12$	1,22,500/-
1/10	Called up	$48,000 \times 4 \times 6/12$	96,000/-
1/12	Called	$30,000 \times 3 \times 4/12$	30,000/-
			<u>₹ 5,48,500</u>

$$\text{W. Avg. of Shares} = \frac{548500}{10} = 54850 \text{ no.}$$

Q69

Step 1:- Calculate Ex Right Price per share

$$(180000 \times 100) + (90000 \times 90)$$

$$270000$$

$$= 96.667/-$$

Step 2:- Right Factor:-

$$\frac{\text{Cum Right Price}}{\text{Ex Right Price}} = \frac{100}{96.667}$$

Step 3:- Weight Avg. of Shares during the year:-

$$\frac{1}{4} \quad 150000 \times \frac{3}{12} \times \frac{100}{96.667} = 38792$$

$$\frac{1}{7} \quad 180000 \times \frac{3}{12} \times \frac{100}{96.667} = 46551$$

$$1/10 \quad 270000 \times 3/12 = 67500$$

$$1/1 \quad 320000 \times 3/12 = 80000$$

$$\text{W. Avg no.} \quad \underline{\underline{232843}}$$

Step 4:- Eps For Cy

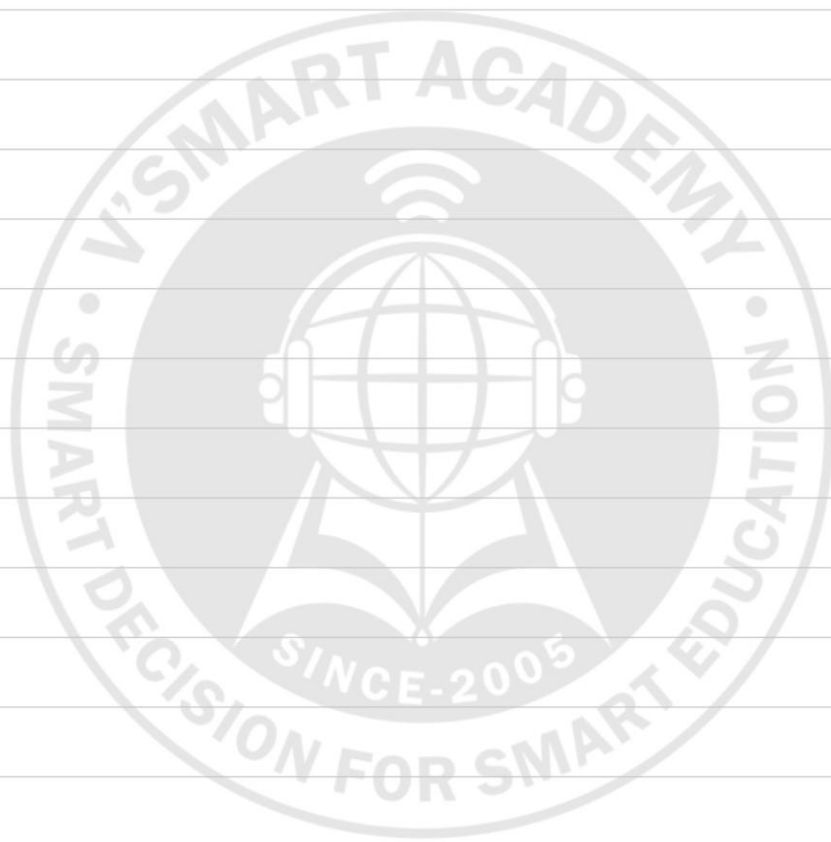
$$\frac{2100000}{232843} = 9.019/-$$

Step 5:- Restated Eps of Py

Py EAESH

$$\frac{150000 \times 100}{96.667}$$

V'Smart Academy



V'Smart Academy