

**ACCOUNTING FOR INVESTMENTS**

1. The cost of Right shares is
  - a. added to the cost of investments.
  - b. subtracted from the cost of investments.
  - c. no treatment is required.
  - d. added to cost of investments at market value.
2. Long term investments are carried at
  - a. fair value.
  - b. cost less 'other than temporary' decline.
  - c. Cost and market value whichever is less.
  - d. Cost and market value whichever is higher.
3. Current investments are carried at
  - a. Fair value.
  - b. cost.
  - c. Cost and fair value, whichever is less.
  - d. Cost and fair value, whichever is higher.
4. A Ltd. acquired 2,000 equity shares of Omega Ltd. on cum-right basis at ₹ 75 per share. Subsequently, omega Ltd. made a right issue of 1:1 at ₹ 60 per share, which was subscribed for by A. Total cost of investments at the year- end will be ₹
  - a. 2,70,000.
  - b. 1,50,000.
  - c. 1,20,000.
  - d. 1,70,000.
5. Cost of investment includes
  - a. Purchase costs.
  - b. Brokerage and Stamp duty paid.
  - c. Both (a) and (b).
  - d. none of the above.
6. AS 13 Accounting for Investments does not deal with .....
  - a. Operating or finance leases
  - b. Investments on retirement benefit plans
  - c. Mutual funds
  - d. All of Above
7. .... is the amount obtainable from the sale of an investment in an open market, net of expenses necessarily to be incurred on or before disposal.
  - a. Investments
  - b. Fair value
  - c. Market value
  - d. Mutual Funds
8. As per AS 13, investments are classified as (1) current investment; (2) long term investment-
  - a. Only 1
  - b. Only 2
  - c. Both 1 and 2
  - d. None of above

9. If 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, then the sale proceeds till the carrying amount becomes equal to the market value is ..... to know cost of investment.
- Reduced
  - Added
  - No treatment
  - reduced or added depends on the information
10. .... is an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.
- Shares
  - Debentures
  - Investment Property
  - Govt. Securities
11. On disposal of an investment, the difference between the carrying amount and the disposal proceeds, net of expenses, is recognised in the .....
- Profit and loss statement
  - Realisation Account
  - Investment Account
  - None of the above
12. Mr. X has purchased 10000 10% debentures on 01.12.2023 for ₹ 101 and also paid brokerage @ 2%. What is the cost of 10% debentures as per AS 13.
- ₹ 10,10,000
  - ₹ 10,00,000
  - ₹ 10,20,000
  - ₹ 10,30,200
13. X Ltd has issued bonus shares in the ratio of 1:2. Mr Vipin has 500 shares which it has taken from market @ 135. How many bonus shares is issued by company and what is cost of bonus share to Mr. Vipin?
- 500, ₹ 135
  - 250, ₹ 135
  - 250, NIL
  - 500, NIL
14. On 31.1.2023, Bonus was declared in the ratio of 1: 2. Before and after the record date of bonus shares, the shares were quoted at ₹ 175 per share and ₹ 90 per share respectively. On 1.1.2023, Mr. KM has 1000 shares and sold bonus shares to a Broker, who charged 2% brokerage. Calculate Sale Proceeds of bonus shares.
- ₹ 88,200
  - ₹ 90,000
  - ₹ 44,100
  - ₹ 45,000
15. Mr. X purchased 1000 equity shares of ₹ 10 each in PW Co. Ltd. for ₹ 75,000 inclusive of brokerage and stamp duty. He received Bonus shares in the ratio of 1:2. He sold bonus shares for ₹ 45,000. What is the profit on sale of bonus shares?
- ₹ 20,000
  - ₹ 25,000
  - ₹ 44,100
  - ₹ 45,000

16. Miss Kalpana has purchased 6000 shares of MN Ltd. on 15.01.2023 and then on 23.03.2023 purchased another 7000 shares. On 30.06.2023 company has issued 8000 bonus shares to her. MN Ltd has issued right shares on 31.08.2023 in ratio of 3:7 which she subscribed to the maximum extent. Calculate total number of shares.
- 21,000
  - 30,000
  - 70,000
  - 13,000
17. Dividends for the year ended 31.3.2023 at the rate of 20% were declared by X Ltd. and received by Sundari on 31.10.2023. Dividends for 5000 shares acquired by her on 20.6.2023 are to be adjusted against the cost of purchase. X Ltd. has also issued bonus and right shares. Miss Sundari has received 500 and 700 shares respectively. Initially she has 35000 shares of face value ₹ 10 each purchased at 20 per share. Directors of X Ltd. decided not to pay dividend on bonus and right shares. How much dividend received is to be transferred to P&L Account by Sundari?
- ₹ 70,000
  - ₹ 1,40,000
  - ₹ 80,000
  - ₹ 1,60,000
18. Calculate profit on sale of Bonds. C has purchased 1000 bonds at ₹ 55,000. On 02.02.2023 he sold 200 bonds @ 99 each.
- ₹ 19,800
  - ₹ 11,000
  - ₹ 8,800
  - None of the above
19. Mr. F has sold 400 debentures @ 98/- ex interest and has also paid brokerage @ 1%. Cost of debentures ₹ 39,697. Compute Profit or loss on sale of debentures.
- ₹ 890 Profit
  - ₹ 890 Loss
  - ₹ 889 Profit
  - ₹ 889 Loss
20. As per AS 13, investments are reclassified from current to long term, transfers are made at lower of cost and ..... on the date of transfer.
- Carrying amount
  - Fair Value
  - Face Value
  - None of the Above
21. Puvi Nuvi Ltd. has invested in various types of investments?

Particular	Cost (₹)	Market Value (₹)
Shares	2,10,000	2,25,000
Bond	90,000	88,000
Gold	78,000	72,000

Calculate value of investment at end of year as on 31.03.2024 assuming current investments.

- ₹ 3,85,000
- ₹ 3,70,000
- ₹ 3,78,000
- ₹ 3,93,000

22. Calculate profit on sale of 500 shares if Mr. Tara has earlier purchased 1000 shares @ 120/- each and paid 1% brokerage and 0.50% Stamp duty on purchase. He also received bonus shares in ratio of 1:2. Sales proceeds of shares are ₹ 48,100.
- ₹ 7,500
  - ₹ 7,600
  - ₹ 7,700
  - ₹ 7,800
23. If rights are not subscribed for but are sold in the market, the sale proceeds are taken to the .....
- Profit and Loss Account
  - Realisation Account
  - Investment Account
  - None of the above
24. Any reduction to fair value is debited to profit and loss account, however, if fair value of investment is increased subsequently, the increase in value of current investment up to the cost of investment is credited to the ..... (and excess portion, if any, is ignored).
- Profit and Loss Account
  - Realisation Account
  - Investment Account
  - None of the above
25. Decide and state on the amount of transfer, based on the following information:  
Certain long term investments no longer considered for holding purposes, to be reclassified as current investments. The original cost of these was ₹ 15 lakhs but had been written down to ₹ 12 lakhs to recognise other than temporary decline as per AS 13.
- ₹ 18 Lakhs
  - ₹ 12 Lakhs
  - ₹ 15 Lakhs
  - None of Above

**Answers:**

- (a)
- (b)
- (c)
- (a)
- (c)
- (d)
- (c)
- (c)
- (a)
- (c)
- (a)
- (d)

**Explanation:**

Cost Value (10000 X ₹ 101)	₹ 10,10,000
Add:- Brokerage (2% of ₹ 10,10,000)	₹ 20,200
Cost of 10% debentures purchased on 1.12.2023	₹ 10,30,200

- (c)

14. (c)

**Explanation:**

Sale proceeds of equity shares (bonus) sold on 31st March, 2023 =  
 $(500 \times ₹ 90) - (2\% \text{ of } ₹ 45,000) = ₹ 44,100.$

15. (a)

**Explanation:**

Profit on sale of bonus shares = Sales proceeds – Average cost  
 Sales proceeds = ₹ 45,000  
 Average cost =  $(500/1500) \times ₹ 75,000 = ₹ 25,000$   
 Profit = ₹ 45,000 – ₹ 25,000 = ₹ 20,000.

16. (b)

**Explanation:**

Right shares =  $[(6,000 + 7,000 + 8,000)/7] \times 3 = 9,000$  shares  
 Total No. of shares = 21,000 + 9,000 = 30,000

17. (a)

**Explanation:**

Dividend received = 35,000 at the beginning  $\times 10 \times 20\% = ₹ 70,000$

18. (c)

**Explanation:**

Cost of bonds =  $(55,000/1,000) \times 200 = 11,000$   
 Sale proceeds =  $200 \times ₹ 99 = 19,800$   
 Profit element = ₹ 8,800

19. (d)

**Explanation:**

Sales price of debentures (400 x 98)	39,200
Less: Brokerage @ 1%	(392)
	38,808
Less: Cost of Debentures	(39,697)
Loss on sale	889

20. (b)

21. (b)

22. (a)

**Explanation:**

Cost of equity shares purchased =  $(1,000 \times 120) + (1\% \text{ of } 1,20,000) + (\frac{1}{2}\% \text{ of } 1,20,000) = ₹ 1,21,800$   
 Profit on sale of bonus shares = Sale proceeds – Average cost  
 Sale proceeds = ₹ 48,100  
 Average cost =  $₹ (1,21,800 / 1,500) \times 500 = ₹ 40,600$   
 Profit = ₹ 48,100 – ₹ 40,600 = ₹ 7,500.

23. (a)

24. (a)

25. (b)