

## INVESTMENT ACCOUNTS

### Examples on Initial measurement

#### Example 1:

A Limited had purchased 1000 shares of B Limited at ₹150 per share. Face value per share is ₹10. Journalise

#### Example 2:

A Limited had purchased 1000 shares of B Limited for ₹150 per share. Face value per share is ₹10. Transaction also includes a 2% brokerage. Journalise

#### Example 3:

A Limited had purchased 1000 10% debentures of T Limited at ₹101 per debenture on April 1, 2021. The interest on debenture is being paid on every September 30<sup>th</sup> and March 31<sup>st</sup>. Journalise

### Ex-interest and cum-interest

#### Example 4:

A Limited had purchased 1000 10% debentures of T Limited at ₹101 per debenture on June 1, 2021. The interest on debenture is being paid on every September 30<sup>th</sup> and March 31<sup>st</sup>.

Journalise the transaction if the debentures are quoted on

- a) Ex-interest basis
- b) Cum-interest basis

### Subsequent measurement

#### Example 5:

Continuing example 4, pass journal entries for the year ended March 31, 2022. As at year end, the fair value debenture is ₹99/ debenture. Assume the debenture is not intended to be held beyond 30.05.2022.

**Example 6:**

What will be the value of investment as at year-end in each case if the debenture is held and a long-term investment?

**Pre-acquisition dividend****Example 7:**

A Limited had purchased 1000 shares of B Limited for ₹1,50,000. During the year 2021-22, a final dividend for 2020-21 of ₹12,000 was received by A Limited. Account for the transaction if:

- a) Shares were purchased on March 1, 2021.
- b) Shares were purchased on June 1, 2021.

**Right issue and right renunciation****Example 8:**

Mr. X had purchased 10,000 shares of B Limited on 01.04.2020 for ₹42/ share. B Limited had announced right issue on 01.06.2020. The record date for right issue is 30.07.2020. As part of the scheme, one share will be issued for every 4 shares held at ₹35 per share. Account for the transaction if:

- a) Mr. X had subscribed the right shares.
- b) Mr. X had renounced the right at ₹5 per share.
- c) What will be your answer to the (a) and (b) if the acquisition date was 15.06.2020 instead of 01.04.2020. Assume market price after right issue ₹37/share.

**Disposal of investments****Example 9:**

A Limited had investment in 1,000 10% debentures which is having a cost of ₹1,01,000. The interest is paid on half-yearly (financial year basis). The Company had sold entire debentures @ ₹102/ share. Brokerage at 2% is applicable. Journalise the transaction if the sale is on:

- a. Ex-interest basis
- b. Cum-interest basis.

**Example 10:**

A Limited is having 10,000 shares of X Limited which having a cost of ₹50/share. During the year, one bonus shares were issued for every two shares held in X Limited. Subsequently,  $\frac{2}{3}$  of the investments were disposed off by A Limited at ₹40/ share.

The value of investments as at the year-end is ₹30/share.

Journalise the transaction and compute the value as at year-end if the investments are held as current investments.

**Example 11:**

A Limited is having 20,000 shares of X Limited which having a cost of ₹60/share. During the year, one right shares were issued for every two shares held in X Limited at ₹30/share. A Limited had subscribed the entire right shares. Subsequently,  $\frac{1}{3}$  of the investments were disposed off by A Limited at ₹40/ share.

The value of investments as at the year-end is ₹50/share.

Journalise the transaction and compute the value as at year-end if the investments are held as current investments. Assume weighted average method is followed.