

Chapter 1

Investment Accounting



Accounting Standard Based

Question 1 [PYQ - December, 2021] Ex. Book no. Pg.No.

Mr. Mohan has invested some money in various Mutual funds. Following information in this regard is given:

| Mutual Funds | Date of purchase | Purchase cost (₹) | Brokerage Cost (₹) | Stamp duty (₹) | Market value as on 31.03.2021 (₹) |
|--------------|------------------|-------------------|--------------------|----------------|-----------------------------------|
| A | 01.05.2017 | 50,000 | 200 | 20 | 48,225 |
| B | 05.08.2020 | 25,000 | 150 | 25 | 24,220 |
| C | 01.01.2021 | 75,000 | 300 | 75 | 78,190 |
| D | 07.05.2020 | 70,000 | 275 | 50 | 65,880 |

You are required to:

1. Classify his investment in accordance with AS-13 (revised).
2. Value of Investment in mutual fund as on 31.03.2021.

Question 2 [ICAI Study Material] Ex. Book no. Pg.No.

ABC Ltd. wants to re-classify its investments in accordance with AS 13 (Revised). Decide and state on the amount of transfer, based on the following information:

1. A portion of current investments purchased for ₹20 lakhs, to be reclassified as long term investment, as the company has decided to retain them. The market value as on the date of Balance Sheet was ₹25 lakhs.
2. Another portion of current investments purchased for ₹15 lakhs, to be reclassified as long term investments. The market value of these investments as on the date of balance sheet was ₹6.5 lakhs.
3. Certain long term investments no longer considered for holding purposes, to be reclassified as current investments. The original cost of these was ₹18 lakhs but had been written down to ₹12 lakhs to recognise other than temporary decline as per AS 13 (Revised).

Investment A/c - Fixed Income Security

Question 3

[ICAI Study Material]

Ex. Book no.

Pg.No.

The following information is presented by Mr. Z, relating to his holding in 9% Central Government Bonds.

Opening balance (face value) ₹1,20,000, Cost ₹1,18,000 (Face value of each unit is ₹100).

- 1.3.2008 Purchased 200 units, ex-interest at ₹98.
- 1.7.2008 Sold 500 units, ex-interest out of original holding at ₹100.
- 1.10.2008 Purchased 150 units at ₹98, cum interest.
- 1.11.2008 Sold 300 units, ex-interest at ₹99 out of original holdings.

Interest dates are 30th September and 31st March. Mr. Z closes his books every 31st December. Show the Investment Account as it would appear in his books. Mr. Z follows FIFO method.

Question 4

[RTP - May, 2025]

Ex. Book no.

Pg.No.

Mr. Harsh provides the following details relating to his holding in 10% Debentures (Face value of ₹100 each) of Exe Ltd. held as current assets:

- 1.4.2023 Opening balance - 12,500 debentures, Cost ₹12,25,000.
- 1.6.2023 Purchased 9,000 debentures @ ₹98 each ex-interest.
- 1.11.2023 Purchased 12,000 debentures @ ₹115 each cum interest.
- 31.1.2024 Sold 13,500 debentures @ ₹110 each cum-interest.
- 31.3.2024 Market value of debentures @ ₹115 each.

Due dates of interest are 30th June and 31st December.

Brokerage at 1% is to be paid for each transaction. Mr. Harsh closes his books on 31.3.2024. Show Investment Account as it would appear in his books assuming FIFO method is followed.

Question 5

[RTP - May, 2024]

Ex. Book no.

Pg.No.

Prem Ltd. holds 2,000, 15% Debentures of ₹100 each in Mehar Ltd. as on April 1, 2024 at a cost of ₹2,50,000.

Interest is payable on June, 30 and December, 31 each year.

Following are the details of 15% Debentures purchased and sold during the year 2024-25.

| Particulars |
|--|
| On May 1, 2024, 1,000 debentures are purchased cum-interest at ₹1,05,000. |
| On November 1, 2024, 1200 debentures are sold ex-interest at ₹1,28,200. |
| On November 30, 2024, 500 debentures are purchased ex-interest at ₹54,500. |
| On December 31, 2024, 900 debentures are sold cum-interest for ₹1,18,000. |

You are required to prepare the Investment Account showing value of holdings on March 31, 2025 at cost, using FIFO Method.

Investment A/c - Variable Income Securities

Question 6

[PYQ - January, 2026]

Ex. Book no.

Pg.No.

Mr. AB acquires 28,000 equity shares of ₹10 each in F Ltd. for ₹3,36,000 inclusive of brokerage and stamp duty on 1st April, 2024.

F Ltd. announces bonus and right issue as follows :

- (i) On 30th September, 2024 bonus was declared in the ratio of 2:7.
- (ii) On 30th November, 2024 Company made a right issue in the ratio of 3:8 on payment of ₹15 per share.

Mr. AB took up 2/3 of right shares and sold the remaining rights for ₹6 per share.

On 1st January, 2025, Mr. AB sold 40% of its shareholdings at ₹17 per share to a broker, who charged 2% brokerage.

You are required to prepare Investment Account of Mr. AB for the year ended 31st March, 2025 assuming that the shares are being valued at average cost.

Question 7

[MTP - May, 2018]

Ex. Book no.

Pg.No.

Ram carried out the following transactions in the Shares of Ayodhya Ltd.:

- (a) On 1st April 2017, he purchased 20,000 Equity Shares of ₹1 each fully paid up for ₹30,000.
- (b) On 15th May 2017, he sold 4,000 Shares for ₹7,600.
- (c) At a Meeting on 15th June 2017, the Company decided:
 - (i) Make a Bonus Issue of 1 fully paid up share for every 4 Shares held on 1st June 2017, &
 - (ii) To give its members, the right to apply for one Share for every five Shares held on 1st June 2017 at a Price of ₹1.50 per Share of which ₹0.75 is payable on or before 15th July 2017 and the balance, ₹0.75 per Share, on or before 15th September 2017.
 - (iii) The Shares issued under (i) and (ii) were not to rank for dividend for the year ending 31st December 2017.
- (d) Ram received his Bonus Shares and took up 2,000 Shares under the Rights, paying the sum thereon when due and selling the Rights of the remaining Shares at ₹0.40 per share. The proceeds were received on 30th September 2017.
- (e) On 15th March 2018, Ram received a dividend from Ayodhya Ltd of 15% in respect of the year ended 31st Dec 2017.
- (f) On 30th March 2018, Ram received ₹14,000 from the Sale of 10,000 Shares.

Record these transactions in the Investment Account in Ram's books for the year ended 31st March, 2018 transferring any Profits or Losses on these transaction to Profit and Loss Account. Apply Average Basis. Expenses and Tax to be ignored.

Question 8

[RTP - November, 2020]

Ex. Book no.

Pg.No.

Mr. X acquires 200 shares of a company on cum right basis for ₹60,000. He subsequently receives an offer for right to acquire fresh shares in the Company in the proportion of 1:1 at ₹105 each. He does not subscribe but sells all the right for ₹15,000. The market value of the shares after their becoming ex-rights has also gone down to ₹50,000. What should be the accounting treatment in this case?

Question 9

[MTP - May, 2025]

Ex. Book no.

Pg.No.

On 1st April, 2024 Mr. Zoom had an opening balance of 1,000 equity shares of P Ltd. ₹1,20,000 (face value ₹100 each).

On 5.04.2024 he further purchased 200 cum-right shares for ₹135 each. On 8.04.2024 the director of P Ltd announced right issue in the ratio of 1:6.

Mr. Zoom waived off 100% of his entitlement of right issue in the favour of Mr. X at the rate of ₹20 each.

All the shares held by Mr. Zoom had been acquired on cum right basis and the total market price (ex-right) of all these shares after the declaration of rights got reduced by ₹3,400.

On 10.10.2024 Zoom sold 350 shares for ₹140 each.

31.03.2025 The market price of each share is ₹125 each.

You are required to prepare the Investment account in the books of Mr. Zoom for the year ended 31.03.2025 assuming that the shares are being valued at average cost.

Advanced Problems

Question 10

[MTP - September, 2025]

Ex. Book no.

Pg.No.

A Ltd. purchased on 1st April, 8% Convertible Debentures in C Ltd. of Face Value of ₹2,00,000 @ ₹108. On 1st July, A Ltd purchased another ₹1,00,000 Debentures @ ₹112 Cum Interest. On 1st October, ₹80,000 Debenture was sold @ ₹105. On 1st December, C Ltd give option for conversion of 8% Convertible Debentures into Equity Shares of ₹10 each. A Ltd receive 5,000 Equity Share in C Ltd. In conversion of 25% Debentures held on that date. The Market Price of Debentures and Equity Shares in C Ltd. at the end of year is ₹110 & ₹15 respectively. Interest is payable each year on 31st March & 30th September. Accounting Year of A Ltd is Calendar Year. Prepare Investment Account in the Books of A Ltd. on Average Cost basis.



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