Unit 2 Investment Account(AS-13)

- In investment terminology, the term Investment Account refers to a type of financial account that contains a deposit of funds and/or securities that is held at a financial institution.

AS 13 Accounting for Investments

AS 13 Accounting for Investments is widely used and deals with accounting for investments in financial statements prepared by a Company and prescribes various disclosure requirements.

- **Classification of Investments**

A. Current Investments – Current Investments are investments which by their nature are readily realizable and are intended to be held for less than a year from the date when such investment is done.

B. Long-Term Investments – Long-term investments are investments other than the current investments, even though they might be freely marketable.

- **Cost of Investments**

  Broker, duties, and fees – The cost of investments include charges related to acquisition of brokerage, duties, and fees

- **Carrying Amount of Investments**

Current investments must be carried in financial statements at lower of cost and fair value which is determined either by category of investment or on an individual investment basis, however, not on the overall basis.

Long-term investments must always be carried in financial statements at their cost. But, when there's a decline, apart from temporary, in value the long-term investment, carrying amount is reduced for recognizing such decline.

- **Investment Treatment on Disposal**

On sale or disposal of the investment, the difference between the carrying cost and proceeds from the sales net of any expenses is transferred to P&L.

- **Disclosures in the Financial Statements**

The below mentioned are the disclosures in the financial statements with respect to AS 13 Accounting for Investments is applicable:

(a) Accounting policies employed for determining carrying amount of investment

(b) The amounts which are included in the profit and loss statement for:

(i) Dividends, interest, and rentals on the investments presenting the income from such long-term and current investments separately. Gross income must be stated, amount of TDS (tax deducted at source) included under the Advance Taxes Paid

(ii) Profits and losses on the disposal of current investment and the changes in carrying the amount of the investment

(iii) Profits and losses on the disposal of long-term investment and the changes in carrying the amount of the investment

(c) Substantial limitations on the right of ownership, reliability of the investments or remittance of income and proceeds of disposal

(d) The total amount of both the quoted and unquoted investments, providing the total market value of the quoted investments

(e) Other disclosures as explicitly as required by the relevant statute governing the company

Exercise:

Q1) A purchased 9% Government securities of Rs. 1,00,000 on 1-6-2024 at Rs.96 cum-Interest. Interest is payable on 31st March & 30th September .Give Journal Entry.

Q2) Veeru had 12% Government Securities on which interest is paid on 30th June & 31st December. 1% brokerage is paid on every transaction of purchase and sales. From the following details find out Face value and capital value of security.(VNSGU-NOV-2019)

Date	Price	Brokerage	Remarks
1/6/2024	105	315	Purchase cum interest
1/10/2024	103	309	Ex-Interest sales

Q3) On 1-4-2024 Jeet had 12% Gujarat Government Securities having face value of Rs.1,60,000. Cost Price of Bonds was Rs. 168000. Interest is paid on 30th June and 31st December.(VNSGU-NOV.2018)

Date	Face Value	Price	Rate of Brokerage	Remarks
1/7/2024	160000	105	nil	cum-interest sales
1/8/2024	100000	100	1%	ex-interest purchase
1/10/2024	100000	101	nil	ex-interest sales
1/12/2024	80000	102	1/2%	cum-interest purchase
1/2/2025	60000	105	1%	cum-interest purchase
1/3/2025	50000	102	1/2%	cum-interest purchase

Prepare Investment Account for the year ending 31-3-2025 as per FIFO Method.

Q4) On 1-5-2024, Kalash purchased 8% Debentures of Suresh ltd. having face value of Rs.160000 at Rs.94 Cum-interest. Stamp and expenses on purchases were Rs. 400. Interest is payable on 30th June and 31st December every year. Brokerage is calculated at 0.5% on cost. Further transactions during the year were as follow:

Date	Face Value	Price	Remarks
1/9/2024	50000	98	Sale Cum-Interest
1/11/2024	100000	95	Purchase Ex-Interest(stamp and expenses paid Rs.300)
1/2/2025	80000	96	sales Ex-Interest

 Prepare Investment Account using Average Cost Method

Q5) From the following information give journal entry regarding interest received on 31-8-2024 and 31-12-2024 respectively:

Date	Face Value	Price	Rate of Brokerage	Remarks
opening balance	1/4/2024	5000		
Purchase	1/7/2024	?	98	1%
ex-interest sale	1/11/2024	5000	110	1%

2   Date of Interest: 30th April, 31st August and 31st December.

3   Following journal entry was passed in his books regarding transaction on 1-7-2024

Investment A/C Dr.   14472

Interest A/C/Dr.   375

       To Bank A/C   14847

Q6) On 31-3-2024 Mary Kom had 12% Gujarat Government Securities,0n which Rs.2400 interest was due.1% brokerage is charged on each purchase and sales transaction. Interest is paid on 30th June and 31st December. On 1-4-2024, the face value is Rs.17040 less than capital value of security. On 1-5-2024, the brokerage is Rs.505.

Date	Face Value	Price	Remarks
1/5/2024	?	101	purchase
1/8/2024	60000	102	ex-interest purchase
1/11/2024	100000	109	sales(Rs.50,000 from 1-5-2024 and Rs.50,000 from 1-8-2024)
1/2/2025	89000	108	ex-interest sales (Rs.79000 from 1-5-2024 and Rs.10000 from 1-8-2024)

Prepare Investment Account for the year ending 31-3-2025.

Q7) On 1-4-2024 Shree Laxmi had 12% Gujarat Government Securities having face value of Rs.50,000 of which capital value was Rs.44889. Interest is payable on 31st March and 30th September. Transactions for the year ended on 31-3-2025were as under.

Date	Face Value	Price	Remarks
1/6/2024	40000	92	cum-interest purchase
1/8/2024	30000	93	ex-interest purchase
1/9/2024	20000	94	ex-interest purchase
31-10-2024	30000	103	ex-interest sales
30-11-24	30000	105	cum-interest sales
31-1-2025	20000	106	cum-interest sales

Prepare Investment Account for the year ending 31-3-2025 as per FIFO Method.

Q8) Bharat Corporation Ltd. purchased on 1-1-2024 Indian Government Loan of the face value of Rs. 1,00,000 redeemable in 2027 and giving interest at 9% p.a. at the market price of Rs. 101. Interest on loan is payable on 30th June and 31st December. The Corporation purchased Rs. 40,000 Loan at Rs. 98 on 30-4-2024, Loan of Rs. 20,000 was sold on 31-8-2024 at Rs. 102 and Loan of Rs. 30,000 was sold at Rs. 99 on 30-11-2024. All these were cum-interest transactions.

The market price of the loan on 31-12-2024 was Rs. 97. Prepare Loan Account as per Average Method.

Q9) Mr. Ray had 12% Government Securities on 1/4/2024 of which face value was Rs. 1,20,000 and capital value was Rs. 1,17,000. Interest is payable on 30th June and 31st December every year. On purchase and sale transaction 2% brokerage is applicable.

Date	Face Value Rs.	Price Rs.	Remark
1/6/2024	(?)	108	Sales- Ex interest
1/8/2024	(?)	95	Purchase- Ex interest
1/9/2024	1,05,000	98	Purchase
1/3/2025	60,000	110	Sale

On 1/6/2024 in the transaction of sale ex- interest the brokerage was Rs. 1,620 and on 1/8/2024 in the transaction of purchase ex- interest, the brokerage was Rs. 1,710.

Prepare Investment Account for the year ended on 31/3/2025 as per Average Method.

Q10)VNSGU-2024

On 1-4-2024 shri X had 12% Rs. 50,000 face value bonds of Gujarat Government; which capital value was Rs. 44,889. Interest is payable on 31st March and 30th September. Transactions for the year ended on 31-03-2025 were as under.

Date	Face Value Rs.	Price Rs.	Remark
1/8/24	30000	93	Purchase ex interest
1/9/24	20000	94	Sale ex-interest
31/10/24	30000	103	Purchase ex interest
30/11/24	30000	105	Sale cum-interest
31/1/25	10000	106	Sale ex-interest

Brokerage calculated at 1% on all transactions. Closing Stock is valued at Average method. Prepare Investment Account as per AS13.