

Problems & Solutions on AS 13 – Investment Accounting

1. Raja owns 1000-15% Debentures (FV Rs.100) of X Ltd purchased by him @ Rs.99 per debenture on 1.1.2016. The company pays interest on half yearly basis on 31st March and 30th Sept. On 30.4.2019, Raja sold all the debentures to Rani @ Rs.102 per debenture ex-interest. Calculate – Cost of debentures held by Raja, Total amount received and profit/loss on sale for Raja.

Q.1	PARTICULARS	AMOUNT-RS.	AMOUNT-RS.
	Cost of investments for Raja		
	1000 debentures purchased @ 99		99,000
	Sales proceeds of debentures		
	1000 debentures sold @ 102 ex interest		102,000
	Profit earned = Sales proceeds - cost		3,000
	Total amount recd will be Sales proceeds plus interest as the sales price is ex interest		
	Sales proceeds of debentures		102,000
	Face value of 1000 debentures of 100 each	100,000	
	Interest @ 15% p.a. for one month i.e. April 2019		1,250
	Raja has recd last interest payment on 31.3.2019. He sold debentures on 30.4.2019. Therefore Rani will pay him interest for one month.		
	Total amount recd by Raja		103,250

2. Kaka owns 1500-12% Debentures (FV Rs.100) of X Ltd purchased by him @ Rs.101 per debenture on 1.1.2018. The company pays interest on half yearly basis on 31st Dec and 30th June. On 31.3.2019, Kaka sold all the debentures to Mama @ Rs.105 per debenture ex-interest. Calculate – Cost of debentures held by Kaka , Total amount received and profit/loss on sale for Kaka.

Q.2	PARTICULARS	AMOUNT-RS.	AMOUNT-RS.
	Cost of investments for Kaka		
	1500 debentures purchased @ 101		151,500
	Sales proceeds of debentures		
	1500 debentures sold @ 105 ex interest		157,500
	Profit earned = Sales proceeds - cost		6,000
	Total amount recd will be Sales proceeds plus interest as the sales price is ex interest		
	Sales proceeds of debentures		157,500
	Face value of 1500 debentures of 100 each	150,000	
	Interest @ 12% p.a. for 3 months i.e. Jan-Mar 2019		4,500
	Kaka has recd last interest payment on 31.12.2018. He sold debentures on 31.3.2019. Therefore Mama will pay him interest for three months.		
	Total amount recd by Kaka		162,000

3. Anu owns 2000-18% Debentures (FV Rs.100) of X Ltd purchased by her @ Rs.98 per debenture on 1.1.2017. The company pays interest on half yearly basis on 31st Dec and 30th June. On 1.3.2019, Anu sold all the debentures to Banu @ Rs.103 per debenture cum-interest. Calculate – Cost of debentures held by Anu , Total amount received and profit/loss on sale for Anu.

Q.3	PARTICULARS	AMOUNT-RS.	AMOUNT-RS.
	Cost of investments for Anu		
	2000 debentures purchased @ 98		196,000
	Sales proceeds of debentures		
	Total amount recd - 2000 debentures sold @ 103 cum interest	206,000	
	Less interest		
	FV 2000 X 100 = 200,000 Interest @ 18% p.a. for 2 months i.e. Jan/Feb 2019	6,000	200,000
	Anu has recd last interest payment on 31.12.2018. She sold debentures on 1.3.2019. Therefore she should get interest for 2 months from Banu.		
	Since sales price is cum interest , it includes interest. Therefore interest is reduced as shown above.		
	Profit earned = Sales proceeds - cost		4,000
	Total amount recd will be Sales proceeds plus interest as the sales price is ex interest		
	Total amount recd by Anu as above		206,000

4. Suhas owns 1000-12% Debentures (FV Rs.100) of X Ltd purchased by him @ Rs.98 per debenture on 1.1.2018. The company pays interest on half yearly basis on 31st March and 30th Sept. On 31.1.2019, Suhas sold all the debentures to Prakash @ Rs.104 per debenture cum-interest. Calculate – Cost of debentures held by Suhas , Total amount received and profit/loss on sale for Suhas.

Q.4	PARTICULARS	AMOUNT-RS.	AMOUNT-RS.
	Cost of investments for Suhas		
	1000 debentures purchased @ 98		98,000
	Sales proceeds of debentures		
	Total amount recd - 1000 debentures sold @ 104 cum interest	104,000	
	Less interest		
	FV 1000 X 100 = 100,000 Interest @ 12% p.a. for 4 months	4,000	100,000
	i.e. Oct 2018 to Jan 2019		
	Suhas has recd last interest payment on 30.9.2018. He sold debentures on		
	31.1.3019. Therefore he should get interest for 4 months from Prakash.		
	Since sales price is cum interest , it includes interest. Therefore interest is		
	reduced as shown above.		
	Profit earned = Sales proceeds - cost		2,000
	Total amount recd will be Sales proceeds plus interest as the sales price is ex interest		