

Accounting for Investments

AS 13

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Introduction

- Fixed income bearing securities – bonds , debentures , preference shares
- Variable income bearing securities – equity shares
- Interest
 - Calculated on nominal value
 - Accrues on specified dates
 - Paid to the security holder on due date

Accounting for interest on transfer of security

- Transfer on due date – interest belongs to seller
- Transfer on other date –
 - Buyer receives interest on due date
 - Interest from previous due date till date of transfer belongs to seller
 - Interest from date of transfer till current due date belongs to buyer

Pricing of security

- Ex interest price – means a price paid towards cost of security and excludes interest
- Cum interest price – means price paid towards cost of security plus interest accrued till date
- Assumption of ex interest price if no information is available

Accounting for purchases

PURCHASE		
PARTICULARS	EX INTEREST	CUM INTEREST
NO OF DEBENTURES	300	300
FACE VALUE	100	100
INTEREST P.A.	15%	15%
HY PAYMENT OF INTEREST	30TH JUNE & 31ST DEC	
DATE OF PURCHASE	1.3.2019	1.3.2019
PRICE	98	101
INT ACCRUED FEB/MAR	750	750
PRICE PAID	29,400	30,300
ADD INTEREST	750	-
TOTAL AMOUNT PAID	30,150	30,300
COST OF INVESTMENT	29,400	29,550

Accounting for sales

SALE		
PARTICULARS	EX INTEREST	CUM INTEREST
NO OF DEBENTURES	100	100
FACE VALUE	100	100
INTEREST P.A.	12%	12%
HY PAYMENT OF INTEREST	30TH JUNE & 31ST DEC	
DATE OF SALE	1.3.2019	1.3.2019
PRICE	98	101
INT ACCRUED FEB/MAR	200	200
PRICE RECD	9,800	10,100
ADD INTEREST	200	-
TOTAL AMOUNT RECD	10,000	10,100
CAPITAL RECEIPT	9,800	9,900

Accounting for Purchase

	DR	CR	Remarks
Purchase at ex interest price			
Investment a/c Dr			cost of investment
Interest a/c Dr			accrued interest
To bank			Total payment
Purchase at cum interest price			
Investment a/c Dr			cost of investment = Total payment - interest
Interest a/c Dr			accrued interest
To bank			Total payment

Accounting for sale

	DR	CR	Remarks
Sale at ex interest price			
Bank a/c Dr			Total receipt
To Investment a/c			Price recd towards capital cost
To Interest a/c			accrued interest
Sale at ex interest price			
Bank a/c Dr			Total receipt
To Investment a/c			Price recd towards capital cost= Total receipt - interest
To Interest a/c			accrued interest

Other entries

Profit on sale	DR	CR	Remarks
Investment a/c Dr			Profit on the basis of weighted average cost
To P&L a/c			WAC = No of sec sold/No of Total sec x Total cost of invt on date of sale
	DR	CR	Remarks
Interest recd on due date			
Bank a/c Dr			
To Interest a/c			
Interest accrued at year end			
Accrued interest a/c Dr			
To Interest			
Transfer of interest			
Interest a/c Dr			
To P&L a/c			
Valuation at year end			
P&L a/c Dr			Cost - MV
To Investment a/c			Loss accounted on for ST investments

Accounting for Equity shares

- Dividend calculation on Face value if shares are fully paid up
- Dividend accrues on declaration and paid to share holder who owns the shares on date of book closure
- Dividend accounted only when received
- Dividend for pre acquisition period is capital receipt and credited to Investment a/c
- Investment a/c may have NV & Cost columns. Dividend a/c can be prepared as a separate account.

- Bonus shares received are entered in FV column with Zero cost.
- Right shares subscribed are entered in FV column with cost.
- Sale of right entitlements is usually credited to P&L a/c.