

Ch. Personal Investment Accounts (Lecture-2)

Date: 08/06/2020

T.Y.B.Com- Semester-V

Mahatma Night Degree College of Arts and Commerce, Chembur

April 2007

Miss Bhagawati entered into the following transactions of purchase and sales of 12% Debentures of Rs. 100 each of Manasi Ltd. Interest is payable on 30th June and 31st December every year.

Date	No. of Debentures	Terms
01.04.2008	800	Opening balance at a cost of Rs. 76000
01.06.2008	300	Sold at Rs. 105 each cum interest
01.09.2008	700	Purchased at Rs. 98 each ex- interest
01.12.2008	400	Purchased at Rs. 108 each cum interest
01.02.2009	900	Sold at Rs. 97 each ex interest

Prepare investment account of 12% Debentures in the books of Bhagawati for the year ended 31st March 2009. The market value on 31st March 2009 was Rs. 67500 of the said Investment. Apply AS 13.

Solution:

In the Books of Miss Bhagwati

12% Debentures of Mansi Ltd Acc for the year ended 31st March, 2009

Date	Particulars	FV	Int.	Cost	Date	Particulars	FV	Int.	Cost
01/04/08	To Balance b/d	80,000	2,400	76,000	01/06/08	By Bank (WN.2)	30,000	1,500	30,000
01.6.2008	To Profit and Loss Acc (WN.3)	--	--	1,500	30.06.08	By Bank	--	3,000	--
01.09.08	To Bank	70,000	1,400	68,600	31.12.08	By Bank	--	9,600	--
01.12.08	To Bank	40,000	2,000	41,200	1.02.09	By Bank	90,000	900	87,300
31.03.09	To Profit and Loss Acc	--	11,300	--	1.02.09	By Profit and Loss Acc (WN.5)	--	--	1,181
					31.3.09	By Balance c/d	70,000	2,100	67,500
					31.03.09	By Profit and Loss Acc	--	--	1319
		1,90,000	17,100	1,87,300			1,90,000	17,100	1,87,300

Working Note:

1. Calculation of Interest on 1/4/08 80,000 X 12% X 3/12= 2,400	2. Calculation of Interest and Cost on 1.6.2008 Cum Interest price (300 X 105) 31,500 Less: Interest (30,000X 12%X 5/12) 1,500 Cost 30,000
3. Calculation of P/L on sale on 1.6.2008 76,000-NIL/ 80,000-NIL X 30,000 =28,500 Less: Sale 30,000 Profit 1,500	4. Calculation of Interest and Cost on 1.12.08 Cum Interest price (400 X 108) 43,200 Less: Interest (40,000 X 12% X 5/12) 2,000 Cost 41,200
5 Calculation of Profit/ Loss on 01.02.09 1,87,300-30,000/ 1,90,000-30,000 X 90,000 1,57,300/1,60,000 X90,000= 88,481 Less: sale 87,300 Loss 1,181	

October 2010

During the year ended 31st March 2010 Mr. Virag bought and sold the following 12% Debentures of Rs. 100 each of Limozin Ltd. Interest being payable by Limozin Ltd. On 1st April and 1st October each year.

Date	Particulars
1 st June 2009	Bought 300 Debentures at Rs. 92 Ex interest
1 st September 2009	Bought 100 Debentures at Rs. 94 cum interest
1 st December 2009	sold 200 Debentures at Rs. 95 ex interest
1 st February 2010	Bought 150 Debentures at Rs. 98 cum interest

Books are closed on 31st March every year. Market price on 31st March 2010 was Rs. 90 Debenture. You are required to prepare investment in 12% Debentures in Limozin Ltd. Account for the year ended 31st March 2010 in the books of Mr. Virag (Appl AS 13)

Solution:

In the Books of Mr. Virag
12% Debentures in Limozin Ltd. Acc for the year ended 31st March, 2010

Date	Particulars	FV	Int.	Cost	Date	Particulars	FV	Int.	Cost
1.6.09	To bank	30,000	600	27,600	01.10.09	By Bank	--	2,400	--
1.09.09	To Bank (WN.1)	10,000	500	8,900	01.12.09	By Bank	20,000	400	19,000
01.12.09	To Profit and Loss Acc(2)	--	--	750					
01.02.10	To Bank (WN.3)	15,000	600	14,100	31.03.10	By Balance c/d	35,000	2,100	31,500
31.03.10	To Profit and Loss Acc	--	3,200	--	31.03.10	By Profit and Loss Acc	--	--	850
		55,000	4,900	51,350			55,000	4,900	51,350

Working Note:

1. Calculation of Interest and cost on 1.09.09
 Cum interest price (100 X 94) 9,400
 Less: Interest (10,000 X 12% X 5/12) 500
 Cost 8,900

2. Calculation of Profit/ Loss on 01.12.09
 36,500-NIL/ 40,000- NIL X 20,000= 18,250
 Less: Sale 19,000
 Profit 750

3. Calculation of Interest and Cost on 01.02.10
 Cum interest price (150 X 98) 14,700
 Less: Interest (15,000 X 12% X 4/12) 600
 Cost 14,100