

**TOPIC : Investment Accounts**

**QUESTION : 1**

Akash Ltd. had 4,000 equity share of X Limited, at a book value of Rs. 15 per share (face value of Rs. 10 each) on 1st April 2018. On 1st September 2018, Akash Ltd. acquired 1,000 equity shares of X Limited at a premium of Rs. 4 per share. X Limited announced a bonus and right issue for existing share holders.

The terms of bonus and right issue were -

- (1) Bonus was declared, at the rate of two equity shares for every five equity shares held on 30<sup>th</sup> September, 2018.
- (2) Right shares are to be issued to the existing shareholders on 1st December, 2018. The company issued two right shares for every seven shares held at 25% premium. No dividend, was payable on these shares. The whole sum being payable by 31st December, 2018.
- (3) Existing shareholders were entitled to transfer their rights to outsiders, either wholly or in part.
- (4) Akash Ltd. exercised its option under the issue for 50% of its entitlements and sold the remaining rights for Rs. 8 per share.
- (5) Dividend for the year ended 31st March 2018, at the rate of 20% was declared by the company and received by Akash Ltd., on 20th January 2019.
- (6) On 1st February 2019, Akash Ltd., sold half of its share holdings at a premium of Rs. 4 per share.
- (7) The market price of share on 31.03.2019 was Rs. 13 per share.

**You are required to prepare the Investment Account of Akash Ltd. for the year ended 31st March, 2019 and determine the value of shares held on that date assuming the investment as current investment.**

**(10 MARKS)**

**QUESTION : 2**

Harsh purchased on 1<sup>st</sup> March 2004, 5% debenture in Zeta Ltd. of a face value of Rs. 2,40,000 at 90 cum – interest. Harsh operates the calendar year for accounting purposes while Zeta Ltd. has the financial year for its accounting and pays interest on 31<sup>st</sup> March and 30<sup>th</sup> September every year. Stamp and expenses on purchase were Rs. 200. Brokerage was 2% on cost. Further transactions during the year were.

1 <sup>st</sup> Sep	Rs. 1,00,000 Debentures were sold at 92 ex – interest, less brokerage at 2%.
30 <sup>th</sup> Sept	Rs. 80,000 Debentures were purchased at 91 ex – interest, brokerage 2% ; expenses Rs. 100
1 <sup>st</sup> Dec.	Rs. 60,000 Debenture were sold at 94 cum interest, less brokerage at 2%.

Market value of the Debentures at the end of the calendar year was 91. **Prepare the Investment Account. Use Average Cost Basis.**

**(10 MARKS)**