

**Test - Investment Accounting****Total Marks - 30****Time Allowed - 1 Hour****Question 1****[10]**

Alpha Ltd. purchased 5,000, 13.5% Debentures of Face Value of ₹ 100 each of Pergot Ltd. on 1<sup>st</sup> May 2021 @ ₹ 105 on cum interest basis. The interest on these debentures is payable on 31<sup>st</sup> & 30<sup>th</sup> of March & September respectively. On August 1<sup>st</sup> 2021 the company again purchased 2,500 of such debentures @ ₹ 102.50 each on cum interest basis. On October 1<sup>st</sup>, 2021 the company sold 2,000 Debentures @ ₹ 103 each on ex-interest basis. The market value of the debentures as at the close of the year was ₹ 106. You are required to prepare the Investment in Debentures Account in the books of Alpha Ltd. for the year ended 31<sup>st</sup> Dec. 2021 on Average Cost Basis.

**Question 2****[5]**

Mother Mart Ltd., wants to re-classify its investment in accordance with AS 13. Decide the treatment to be given in each of the following cases assuming that the market value has been determined in an arm's length transaction between knowledgeable and willing buyer and seller:

- (i) A portion of current investments purchased for ₹ 25 lakhs to be reclassified as long-term investments, as the company has decided to retain them. The market value as on the date of balance sheet was ₹ 30 lakhs. The fair value of the investments on the date of transfer is same as the market value on the balance sheet date
- (ii) Another portion of current investments purchased for ₹ 20 lakhs has to be re-classified as long-term investments. The Fair value of these investments as on the date of the balance sheet was ₹ 12.5 lakhs.
- (iii) One portion of long-term investments, no longer considered for holding purposes, to be reclassified as current investments. The original cost of these was ₹ 15 lakhs, but had been written down to ₹ 11 lakhs to recognize permanent decline as per AS 13.

**Question 3****[10]**

Remo Ltd. held on 1<sup>st</sup> April, 2021, 1000 9% Government Securities at ₹ 90,000 (Face Value of Security ₹ 100 each). Three month's interest had accrued on the above date. On 1<sup>st</sup> May, the company purchased the same Government Securities of the face value of ₹ 80,000 at ₹ 95 cum-interest. On 1<sup>st</sup> June, ₹ 60,000 face value of the security was sold at ₹ 94 cum-interest. Interest on the security was paid each year on 30<sup>th</sup> June and 31<sup>st</sup> December and was credited by the bank on the same date. On 30<sup>th</sup> September, ₹ 40,000 face value of the Govt. securities were sold at ₹ 97 cum-interest. On 1<sup>st</sup> December, the company purchased the same security ₹ 10,000 at par ex-interest. On 1<sup>st</sup> March, the company sold ₹ 10,000 face value of the government securities at ₹ 95 ex-interest.

You are required to draw up the 9% Government Security Account in the books of Remo Limited. FIFO method shall be followed.

Calculation shall be made to the nearest rupee or multiple thereof.

**Question 4****[5]**

JVR Limited has made investment of ₹ 97.84 Crores in Equity Shares of QSR Limited in 2016-17. The investment has been made at par. QSR Limited has been in continuous losses for the last 2 years. JVR Limited is willing to re-assess the carrying amount of its investment in QSR Limited and wish to provide for diminution in value of investment for the year ended 31<sup>st</sup> March, 2021. Discuss whether the connection of JVR Limited to bring down the carrying Amount of investment in QSR Limited is in accordance with Accounting Standards.