INVESTMENT ACCOUNTS

Investments can be classified into two parts:

1. Variable Income bearing Investment (Like Shares)

2. Fixed Income bearing Investment (Like Debentures)

1. VARIABLE INCOME BEARING INVESTMENT

PERFORMA OF ACCOUNT

In the Books of ………………..
Investment in…………………………….of ……………………….
For the year ended…………………………………..

Dr. Side **Cr. Side**

Date	Particulars	No. of Shares	Nominal Value	Income	Cost		Date	Particulars	No. of Shares	Nominal Value	Income	Cost
1	2	3	4	5	6							

Clarification:

1. Date of Transaction
2. Account Names for Specific Transactions
3. Number of Shares which Purchases **OR** Held.
4. Nominal Value of Shares (No. of Shares **×** Face Value/Share)
5. Dividend on Investment
In Dr. Side Balancing Figure of Cr. Side will be shown **AND** In Cr. Side the Dividend Received will be Shown
6. Actual Cost after bearing all Expenses.

⇨ **Important Points** for Variable Income Bearing Investment:

☆ **1.** If any income arises by transfer our **Rights Issue Shares** to any other Person

Treatment of such Income:

IF **Rights Issue Price < Average Price of Investment Held** (The Amount Received on Sale of such Rights will be Transferred to **COST column** of **Credit Side** to reduced the cost of Investment)

IF **Rights Issue Price ≥ Average Price of Investment Held** (The Amount Received on Sale of such Rights will be Transferred to **INCOME column** of **Credit Side**)

☆ **2. Treatment of Dividend Received**

IF **Dividend received** on those shares which are **purchased from outside** (**Means not from Company**) shown in the **COST column** of the **Cr. Side** to Reduce the Cost of Investment

Else Dividend received shown in the **INCOME column** of **Cr. Side** (This also Includes Dividend on Rights Issue and Bonus Issue)

Created By Azharuddin Khan

3. Computation of Closing Balance

Closing Balance in the Investment Account will be shown the Lower of **Cost OR Market Value**

I. IF the **Cost** of the Investment is **LESS THAN** the **Market Value** of the Investment then the Cost will be **shown** in Investment Account as Closing Balance. (**Cost < Market Value**, Show **Cost** as **Closing Balance**)

II. If the **Market Value** of the Investment is **LESS THAN** the **Cost** of the Investment then the **Market Value** will be **shown** in Investment Account as Closing Balance and the Difference of the Market Value and Cost Will be shown as **Profit & Loss A/c** (Diminishing in Value).

(Market Value<Cost, Show as
- **Market Value** as **Balance c/d**
- Cost-MV=as **Profit & Loss A/c** (Diminishing in Value)

4. Cost of Investment Sold= $\dfrac{\text{Dr. Side Cost of Investment-Cr. Side Cost of Investment}}{\text{Number of Shares which is available}}$

Note: Numerator and Denominator both are at the time of calculation of Cost of Investment

5. Calculation of Profit and Loss= Selling Price – Cost of Investment Sold=+ve(Profit) **OR –ve**(Loss)

Profit: Show in Dr. Side of the Investment Account in Cost Column

Loss: Show in Cr. Side of the Investment Account in Cost Column

---

2. FIXED INCOME BEARING INVESTMENT

PERFORMA OF ACCOUNT

In the Books of ……………….

Investment in……………………………of ………………………..

For the year ended…………………………………..

Dr. Side **Cr. Side**

Date	Particulars	Nominal Value	Interest	Cost		Date	Particulars	Nominal Value	Interest	Cost
1	2	3	4	5						

1. Date of Transaction

2. Account Names for Specific Transactions

3. Nominal Value of Shares (Face Value of Debenture or any other Fixed Income bearing Investment)

4. Interest on Investment (Because Debentures etc gets Interest not Dividend)

In Dr. Side interest on purchasing OR held investment and Balance of Cr. side **AND** In Cr. Side the interest received OR Accrued

5. Actual Cost after bearing all Expenses after Adjusting **CUM** interest.

Important Points for Fixed Income Bearing Investment:

1. IF Investment on **CUM interest** then **LESS** the **interest** from **Investment** then show in **COST Column**

- **2. IF** Investment on **EX Interest** then show the **Investment** in **COST** Column **without Deducting** Interest.
- **3.** Show the **Interest** on **Every Due Date** at **Cr. Side** in **Interest Column**
- **4.** Show the **Interest** of **Purchasing** Investment in **Interest Column** of **Dr. Side** **FROM** the Date of last time interest received **TO** the date of purchase.
- **5.** Show the Interest of Sold Investment in Interest Column of Cr. Side **FROM** the Date of last time interest received **TO** the date of Sold.
- **6.** Show the Interest **UPTO** Account's Closing Date if Interest if Not Received as ACCRUED INTEREST in Interest Column of the Cr. Side
- **7. Cost of Investment Sold=** $\frac{\text{Dr. Side Cost of Investment-Cr. Side Cost of Investment}}{\text{Nominal Value of Debentures which is available}}$

  Note: Numerator and Denominator both are at the time of calculation of Cost of Investment

- **8. Calculation of Profit and Loss= Selling Price – Cost of Investment Sold=+ve**(Profit) **OR –ve**(Loss)

  Profit: Show in Dr. Side of the Investment Account in Cost Column

  Loss: Show in Cr. Side of the Investment Account in Cost Column