

## Investments in the financial statements of mutual funds are to be accounted as per AS - 30

### Revised solutions of illustrations of Mutual funds

#### Illustration 2

The investment portfolio for a mutual fund scheme includes 10,000 shares of A Ltd. and 8,000 shares of B Ltd. acquired on 30/10/2005. The cost of A Ltd. shares is Rs. 20 while that of B Ltd. shares is Rs. 30. The market values of these shares at the end of 2005-06 were Rs. 19 and Rs. 32 respectively. Show important accounting entries in books of the fund in the accounting year 2005-06. Investments are FVTPL assets

#### Solution

|                                |     | Rs. 000 | Rs. 000 |
|--------------------------------|-----|---------|---------|
| Investment in A Ltd. shares    | Dr. | 200     |         |
| Investment in B Ltd. shares    |     | 240     |         |
| To Bank                        |     |         | 440     |
| Revenue A/c                    | Dr. | 10      |         |
| To Investment in A Ltd. shares |     |         | 10      |
| Investment in B Ltd. shares    | Dr. | 16      |         |
| To Revenue A/c                 |     |         | 16      |

#### Illustration 3

In the previous example, suppose that shares of both of the companies were disposed off on 31/05/06 realizing Rs. 18.50 per A Ltd. shares and Rs. 33.50 per B Ltd. shares. Show important accounting entries in books of the fund in the accounting year 2006-07

#### Solution:

|                                |     | Rs. 000 | Rs. 000 |
|--------------------------------|-----|---------|---------|
| Bank                           | Dr. | 185     |         |
| Revenue A/c                    | Dr. | 5       |         |
| To Investment in A Ltd. shares |     |         | 190     |
| Bank                           | Dr. | 268     |         |
| To Investment in B Ltd. shares |     |         | 256     |
| To Revenue A/c                 |     |         | 12      |

## Illustration 7

The details of a MF for an open ended scheme given below:

|           |                                                              |
|-----------|--------------------------------------------------------------|
| 10.5.2008 | 500 units sold at par & the money is invested in securities. |
| 11.5.2008 | The securities appreciated by 20%                            |
| 12.5.2008 | The securities appreciated by another 25%                    |
| 13.5.2008 | Sold 10% of the portfolio at existing prices.                |
| 14.5.2008 | Sold 100 new units at NAV                                    |
| 14.5.2008 | Repurchase 20 new units at NAV                               |

Pass the journal entries and prepare the balance sheet on 14.5.2008

Investments are available for sale investments

## Solution

|           |                                         |     |      |      |
|-----------|-----------------------------------------|-----|------|------|
| 10.5.2008 | Bank                                    | Dr. | 5000 |      |
|           | To Unit Capital                         |     |      | 5000 |
|           | Investments                             | Dr. | 5000 |      |
|           | To Bank                                 |     |      | 5000 |
| 11.5.2008 | Investments                             | Dr. | 1000 |      |
|           | To IRR                                  |     |      | 1000 |
| 12.5.2008 | Investments                             | Dr. | 1500 |      |
|           | To IRR                                  |     |      | 1500 |
| 13.5.2008 | Bank                                    | Dr. | 750  |      |
|           | To Investments                          |     |      | 750  |
|           | IRR                                     | Dr. | 250  |      |
|           | To Realised Gain                        |     |      | 250  |
| 14.5.2008 | Bank                                    | Dr. | 1500 |      |
|           | To Unit Capital                         |     |      | 1000 |
|           | To Unit Premium Reserve (IRR)           |     |      | 450  |
|           | To Equalisation Reserve (Realised gain) |     |      | 50   |
|           | Unit Capital                            | Dr. | 200  |      |
|           | Unit Premium Reserve                    | Dr. | 90   |      |
|           | Equalisation Resrve                     | Dr. | 10   |      |
|           | To Bank                                 |     |      | 300  |

### Balance Sheet

|                      |             |             |             |
|----------------------|-------------|-------------|-------------|
| Unit Capital         | 5800        | Investments | 6750        |
| IRR                  | 2250        | Bank        | 1950        |
| Realised gain        | 250         |             |             |
| Unit Premium Reserve | 360         |             |             |
| Equalisation Reserve | <u>40</u>   |             |             |
|                      | <u>8700</u> |             | <u>8700</u> |