Investment Alc

* <u>Introduction</u> - As we know that interest on securities is paid on fixed dates which are generally after an interval of 6 months. When debentures / securities are purchased exactly on fixed ~~assets~~ dates (when the payment of interest is due) then, interest will be payable to old or former owner (debenture holder). But in general case, the securities are purchased between interest dates (i.e. before the due date & of the payment of interest).

=) The question will arise is-
Whether the price paid for such debenture includes interest for expired period (i.e. from the last day of the payment of interest upto the date of purchase) or not.

* In other words, a distinction will have to be made between the capital ~~posit~~ portion and revenue portion of price paid for the debenture.

V.Imp Amount paid towards cost portion of debenture is the capital portion while amount paid towards interest is a revenue portion.

* So price paid for any security would depends on the mode of quotation, which are as follows-
  1. Cum-Interest
  2. Ex-Interest.

* <u>Cum-Interest</u> - When the purchase price of debenture or security includes the interest for expired period, the quotation is said to be <u>Cum-interest</u>. It means no extra payment is to be made for interest since price quoted includes the amount of interest for expired period. But the interest will have to be calculated to the date of purchase for making entries in the books of purchaser.