

INVESTMENTS

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MEANING

AS 13 Accounting for Investments is widely used and deals with accounting for investments in financial statements prepared by a Company and prescribes various disclosure requirements.

APPLICABILITY OF AS 13 ACCOUNTING FOR INVESTMENTS

- AS 13 Accounting for Investments doesn't deal with the following:
- The base for recognizing dividends, interest, and rentals which are earned on the investments that are covered by AS 9
- Finance or operating leases which are covered by AS 19
- Investments in retirement benefit plans and life insurance enterprises which is covered by AS 15
- The following which is formed under the Central or the State Government Act or declared under Companies Act, 2013

- Mutual Funds
- Venture Capital Funds and related Asset Management Companies
- Banks as well as public financial institutions

CLASSIFICATION OF INVESTMENTS

- ◎ **A. Current Investments - Current**
Investments are investments which by their nature are readily realizable and are intended to be held for less than a year from the date when such investment is done.

- ◎ **B. Long-Term Investments** - Long-term investments are investments other than the current investments, even though they might be freely marketable.

COST OF INVESTMENTS

- ◉ **Broker, duties, and fees** - The cost of investments include charges related to acquisition of brokerage, duties, and fees
- ◉ **Non-cash consideration** - In case investments are acquired, or partly acquired, by
 - ◉ issuing shares
 - ◉ issuing other securities
 - ◉ any other asset,

- ◉ **Interest, dividend or other receivables** - Dividends, interest and other receivables that are in connection with the investments are usually considered as income, is the ROI (return on the investment).
- ◉ **Right Shares** - In case right shares offered are subsequently subscribed for, cost of such right shares is then added to carrying the amount of original holding.

CARRYING AMOUNT OF INVESTMENTS

- Current investments must be carried in financial statements at lower of cost and fair value which is determined either by category of investment or on an individual investment basis, however, not on the overall basis.
- Long-term investments must always be carried in financial statements at their cost.

INVESTMENT PROPERTY

- ◉ Investment property is investments that are made in land or buildings which aren't envisioned to be used significantly for use, or in business operations of, the investing company.

INVESTMENT TREATMENT ON DISPOSAL

- On sale or disposal of the investment, the difference between the carrying cost and proceeds from the sales net of any expenses is transferred to P&L.

RECLASSIFICATION OF INVESTMENTS

- ◉ Where a long-term investment is reclassified as a current investment, the transfer is made at carrying amount and lower of cost at the date of such transfer. Where an investment is reclassified from current investment to long-term investment, the transfer is made at the lower of its cost and the fair value of such investment at the date of such transfer.

DISCLOSURES IN THE FINANCIAL STATEMENTS

- ◉ (a) accounting policies employed for determining carrying amount of investment
- ◉ (b) the amounts which are included in the profit and loss statement for:
 - ◉ (i) Dividends, interest, and rentals on the investments presenting the income from such long-term and current investments separately. Gross income must be stated, amount of TDS (tax deducted at source) included under the Advance Taxes Paid

- (ii) profits and losses on the disposal of current investment and the changes in carrying the amount of the investment
- (iii) profits and losses on the disposal of long-term investment and the changes in carrying the amount of the investment
- (c) substantial limitations on the right of ownership, realizability of the investments or remittance of income and proceeds of disposal.

- d) the total amount of both the quoted and unquoted investments, providing the total market value of the quoted investments
- (e) other disclosures as explicitly as required by the relevant statute governing the company

Thank You