

Hello students, this is Unit 2, Investment Accounting. The module name is meaning and types of investment, brokerage, securities transaction tax and other expenses. The outline is meaning of investment, types of investment, brokerage, securities transaction tax and other expenses.

Learning outcomes, at the end, the students will be able to understand the meaning of investment and its types, understand brokerage, understand securities transaction tax and other expenses.

So we begin, meaning of investment. Investments are assets held for earning income by way of dividends, interest, rentals, as well as capital appreciation. However, assets held as stock in trade are not investments.

Next we have, types of investments. Now investments are classified on the basis of period of holding and on the basis of nature of investments.

On the basis of period of holding, you have current investments and non-current investments. On the basis of nature of investments, you have fixed income bearing securities and variable income bearing securities.

The first category, on the basis of period of holding, you have current investments and non-current investments. Current investments are investments that by its nature are readily realizable. They are held for not more than one year. They are short term investments. They are valued at cost or fair value, whichever is lower. They are shown under current assets in the balance sheet.

Next we have non-current investments. Non-current investment is an investment other than a current investment. They are long term investments. These investments are usually carried at cost. They are shown under non-current assets in the balance sheet.

The next category we have is on the basis of nature of investment. We have fixed income bearing securities and variable income bearing securities.

Fixed income bearing securities; this type of security carries a fixed rate of income. The income accrues regularly, but falls due on some specific due dates. For example 30th June and 31st December. Investments in government securities, debentures and bonds come under this category.

Next we have variable income bearing securities. This type of security carries a variable income on investment. An example of variable income bearing security is equity shares of a company. The income for an accounting period depends on the rate of dividend declared by that company.

Next subtopic we have brokerage. Brokerage is a fee, or a Commission charged by a broker for services rendered. Brokerage is always calculated on the quotation price. It is added to the purchase price on purchase of investment and deducted from the sales price on sale of investment.

Next subtopic we have security transaction tax and other expenses.

Let's begin with securities transaction tax. Securities transaction tax is a financial transaction tax. It is similar to tax deducted at source. It is a direct tax levied on every purchase and sale of securities that are listed on the recognized stock exchanges in India.

Securities transaction tax is governed by securities Transaction Tax Act. That is, the STT Act. And the STT Act has specifically listed down various taxable securities transactions. That is transactions on which securities transaction tax is leviable. Taxable securities include equity derivatives, unit of equity oriented mutual funds, etc. It is an amount to be paid over and above transaction value and hence increases transaction value.

The STT Act also provides for value of transaction on which STT is required to be paid and person who is responsible to pay securities transaction tax that is either buyer or seller. The rate of securities transaction tax will be decided by the government and modified from time to time if necessary.

Next we have other expenses. First, we have stamp duty. Stamp duty is levied on value of shares transferred. In India, stamp duty is levied by various States and hence rate of stamp duty varies from state to state.

Next we have service tax. Service tax is payable by brokers to the government but collected from their clients. However, if the services are partly performed outside India and payment is received in convertible foreign exchange within six months, then the services will be treated as export of services and will be exempt from levy of service tax.

These are the references.

Thank you.