

Issue and Redemption of Debentures

State which of the following is correct:

Question 1.

Wellness Co. Ltd. has issued 20,000, 9% Debentures of ₹ 100 each at a premium of 10% on 1st April, 2018 redeemable as follows:

31st March, 2021 – 10,000 debentures 31st March, 2022 – 4,000 debentures 31st March, 2023 – balance debentures.

It transferred to Debentures Redemption Reserve the required amount as applicable rules of the Companies Act and Rules, 2014 on due date. How much amount will be transferred to General Reserve on 31st March, 2021

- (a) ₹ 1,00,000
- (b) ₹ 2,50,000
- (c) ₹ 5,00,000
- (d) ₹ 20,00,000

▼ [Answer](#)

Answer: (b) ₹ 2,50,000

Question 2.

Debenture holders are the _____ of company.

- (a) Owner
- (b) Creditors
- (c) Money lender
- (d) All of these.

▼ [Answer](#)

Answer: (b) Creditors

Question 3.

Public Limited company can issue:

- (a) Equity Share
- (b) Preference Share
- (c) Debenture
- (d) All of these.

▼ [Answer](#)

Answer: (d) All of these.

Question 4.

_____ is written acknowledgment of debt.

- (a) Equity share
- (b) Preference share
- (c) Debenture
- (d) All of these.

▼ [Answer](#)

Answer: (c) Debenture

Question 5.

_____ debentures have to be redeemed within a fixed period of time.

- (a) Convertible
- (b) Redeemable
- (c) Participating
- (d) Naked.

▼ [Answer](#)

Answer: (b) Redeemable

Question 6.

Debentures may be issued at _____.

- (a) par
- (b) premium
- (c) Discount
- (d) All of these.

▼ [Answer](#)

Answer: (d) All of these.

Question 7.

When the number of debenture applied for is less than the number of debenture offered, is called _____ subscription.

- (a) over
- (b) under
- (c) minimum
- (d) None of these.

▼ [Answer](#)

Answer: (b) under

Question 8.

The provisions of Companies Act 2013 with respect to redemption to debentures are to protect the interest of

- (a) debenture holders
- (b) creditors
- (c) shareholders
- (d) Banks

▼ [Answer](#)

Answer: (a) debenture holders

Question 9.

Discount on issue of debenture is _____.

- (a) capitalised profit
- (b) capitalised loss
- (c) normal profit
- (d) normal loss.

▼ [Answer](#)

Answer: (b) capitalised loss

Question 10.

Discount on issue of debentures is _____ asset.

- (a) Current profit
- (b) fixed
- (c) fictitious
- (d) intangible.

▼ [Answer](#)

Answer: (c) fictitious

Question 11.

Premium on issue of debenture is _____.

- (a) capital profit
- (b) capitalised loss
- (c) normal profit
- (d) normal loss.

▼ [Answer](#)

Answer: (a) capital profit

Question 12.

Loss on redemption of debenture is _____.

- (a) capitalised profit
- (b) capitalised loss
- (c) normal profit
- (d) normal loss.

▼ [Answer](#)

Answer: (b) capitalised loss

Question 13.

Loss on issue of debenture is _____.

- (a) capitalised profit
- (b) capitalised loss
- (c) normal profit
- (d) normal loss

▼ [Answer](#)

Answer: (b) capitalised loss

Question 14.

Debentures are usually _____.

- (a) secured
- (b) unsecured
- (c) assets
- (d) loss.

▼ [Answer](#)

Answer: (a) secured

Question 15.

There are no restrictions on issue of at _____ discount.

- (a) equity shares
- (b) preference shares
- (c) debentures
- (d) All of these.

▼ [Answer](#)

Answer: (c) debentures

Question 16.

When debentures are issued then _____ account is opened.

- (a) capital
- (b) debenture
- (c) loan
- (d) All of these.

▼ [Answer](#)

Answer: (b) debenture

[Fill in the blanks with correct word:](#)

Question 17.

Debentures bear a fixed rate of _____.

▼ [Answer](#)

Answer: interest

Question 18.

Debentures are _____ within a fixed period of time.

▼ [Answer](#)

Answer: redeemed

Question 19.

Debentures are usually secured by a _____ or _____ charge on the company's property.

▼ [Answer](#)

Answer: fixed, floating

Question 20.

The debentures repayable after a stated period of time are known as _____ debentures.

▼ [Answer](#)

Answer: Redeemable

Question 21.

A _____ debenture is one whose holder is registered in the books of the company.

▼ [Answer](#)

Answer: registered

Question 22.

A _____ debenture is one which is payable to the bearer thereof.

▼ [Answer](#)

Answer: bearer

Question 23.

A _____ debenture is one which is not redeemable during the life time of the company.

▼ [Answer](#)

Answer: Perpetual

Question 24.

When debentures are issued without any security are termed as _____ debentures.

▼ [Answer](#)

Answer: unsecured

Question 25.

When debentures are convertible into equity shares are called as _____ debentures.

▼ [Answer](#)

Answer: convertible

Question 26.

Debentures are usually _____.

▼ [Answer](#)

Answer: secured

Question 27.

Debentures cannot be _____.

▼ [Answer](#)

Answer: forfeited.

State whether the following statements are true or false:

Question 28.

Debenture holders are the creditor of company.

▼ [Answer](#)

Answer: True

Question 29.

Company may buy its own debenture in open market.

▼ [Answer](#)

Answer: True

Question 30.

Debentures cannot be issued at discount.

▼ [Answer](#)

Answer: False

Question 31.

Company cannot forfeit its debenture.

▼ [Answer](#)

Answer: True

Question 32.

Interest on debentures carry fixed charge on profits.

▼ [Answer](#)

Answer: True

Question 33.

Own Debentures not cancelled as yet are shown in the liability side of a company's Balance sheet.

▼ [Answer](#)

Answer: False

Question 34.

Debentures can be issued as collateral security.

▼ [Answer](#)

Answer: True

Question 35.

Debentures suspense account is created when the debentures are issued to promoters.

▼ [Answer](#)

Answer: False

Question 36.

Company can issue debentures to its vendor.

▼ [Answer](#)

Answer: True

Question 37.

Interest on debentures is subject to tax deductible at source.

▼ [Answer](#)

Answer: True

Question 38.

Company cannot issue necked debentures.

▼ [Answer](#)

Answer: False

Question 39.

Debentures have floating charge on the fixed assets of company.

▼ [Answer](#)

Answer: False

Question 40.

Debenture Redemption Reserve is created @ 50 % of the face value of the debentures as per new rules.

▼ [Answer](#)

Answer: False

Question 41.

It is necessary to create Debenture Redemption Investment before debentures are redeemed.

▼ [Answer](#)

Answer: True

Question 42.

A company must have created Debenture Redemption Reserve before converting the debentures into new shares or new debentures.

▼ [Answer](#)

Answer: False

One word Questions:

Question 43.

What is meant by 'Issue of Debentures as Collateral Security' ? (CBSE Outside Delhi 2019)

▼ [Answer](#)

Answer: Debenture issued as secondary security/additional security over and above the primary security is known as Issue of Debentures as Collateral Security.

Question 44.

State the provision of the Companies Act, 2013 for the creation of Debenture Redemption Reserve. (CBSE Outside Delhi 2019)

▼ [Answer](#)

Answer: Where a company has issued Debentures, it shall create a DRR equivalent to at least 25% of the nominal value of debentures outstanding for the redemption of such debentures.

Question 45.

Profit arisen on account of buying an existing business at profit is transferred to which account?

▼ [Answer](#)

Answer: Capital Reserve.

Question 46.

Name the debentures which continue till the continuity of the company.

▼ [Answer](#)

Answer: Irredeemable.

Question 47.

Name the debenture which may be converted into equity shares at specified time.

▼ [Answer](#)

Answer: Convertible debentures.

Question 48.

Name the debentures which have charge on the company's assets.

▼ [Answer](#)

Answer: Secured debentures (also known as mortgaged debentures).

Question 49.

When a debenture is issued at a price less than its face value or nominal value, what does such difference represent?

▼ [Answer](#)

Answer: Discount.

Question 50.

When debentures are redeemed more than the face value of debenture, What does the difference between face value of debenture and redeemed value of debenture is called?

▼ [Answer](#)

Answer: Premium on redemption of debentures.

Question 51.

Name the head under which 'discount on issue of debentures' appears in the Balance Sheet of a company. Head 'Current Assets' and sub-head 'Other Current Assets'.

What does the repayment or discharge of liability on account of debentures is called?

▼ [Answer](#)

Answer: Redemption of debentures.

Question 52.

Under which head is the 'Debenture Redemption Reserve' shown in the Balance Sheet?

▼ [Answer](#)

Answer: 'Reserve & Surplus'.

Question 53.

When the company issues debentures to the lenders as an additional/secondary security, in addition to other assets already pledged/ some primary security. What does such issue of debentures is called? (CBSE 2018)

▼ [Answer](#)

Answer: Issue of debentures as collateral security.

Question 54.

It is a written instrument acknowledging a debt under the common seal of the company, name the term. Debenture.

State an exception to the creation of Debenture Redemption Reserve as per Companies (Share Capital and Debentures) Rules 18(7). (CBSE Sample Paper 2014 Modified)

▼ [Answer](#)

Answer: Banking Companies

Question 55.

Mention the type of debentures whose ownership passes on mere delivery of debenture certificates.

▼ [Answer](#)

Answer: Bearer debentures.

Question 56.

Can 'Securities Premium' be used as working capital?

▼ [Answer](#)

Answer: No.

Question 57.

A company purchased net assets of another company worth ₹ 20,00,000 and issued debentures worth ₹ 19,00,000. What type of profit has the buying company made?

▼ [Answer](#)

Answer: Capital Profit.

Question 58.

Vikas Infrastructure Ltd. has issued 50,000, 10% debentures of ₹ 100 each at par redeemable after the end of 7th year. Mention the amount by which the company should create Debenture Redemption Reserve as per Companies (Share Capital and Debentures) Rules 2014 before starting redemption of debenture. Answer with giving reason.

▼ [Answer](#)

Answer: ₹ 12,50,000.

Question 59.

Axis Ltd. has issued 8,000, 10% debentures of ₹ 100 at a premium of ₹ 5 per debenture redeemable at the end of 5 years. The company has created Debenture Redemption Reserve with ₹ 4,00,000. After 5 years, the company redeemed all the debentures ? Where should the company transfer the amount of Debenture Redemption Reserve?

▼ [Answer](#)

Answer: General Reserve.
