Issueand Redemption of Debentures

State which of the following is correct:

Ouestion 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) $\ge 1,00,000$
- (b) $\ge 2,50,000$
- (c)₹ 5,00,000
- $(d) \ge 20,00,000$

▼ 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.
(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.
(d) Thi 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
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
Allswer. (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.
(a) Thi 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.
(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 canot 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

Ouestion 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

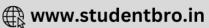
Question 37.

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 change on the fixed assets of company.

▼ Answer

Answer: False

Ouestion 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:

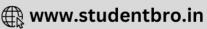
Ouestion 43

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.

Ouestion 46.

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

▼ Answer

Answer: Irredeemable.

Ouestion 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).

Ouestion 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.







Ouestion 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.

Ouestion 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.

Ouestion 52.

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

▼ Answer

Answer: 'Reserve & Surplus'.

Ouestion 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 dedentures as collateral security.

Ouestion 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.

Ouestion 56.

Can 'Securities Premium' be used as working capital?

▼ Answer

Answer: No.

Question 57.

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

▼ Answer

Answer: Capital Profit.

Ouestion 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.





