

6. Issue and Redemption of Debentures

1. Debenture holders are

- A) Debtors of the Company
- B) Creditors of the Company
- C) External users
- D) Owners of the Company

Answer. b) Creditors of the company

2. Debentures that do not carry any charge or security on assets of the company are known as:

- a. secured debentures
- b. unsecured debentures
- c. convertible debentures
- d. registered debentures.

Answer. b) Unsecured Debentures

3. Which of the following will be debited by Rs. 22,00,000 for issue of debentures for the purchase of electrical appliances for Rose Bind Ltd.

- (a) 6% Debentures A/c
- (b) Rose Bond Ltd.
- (c) Godrej Ltd.
- (d) Both (a) and (b)

Answer. c) Godrej Ltd

4. Debentures are shown in the Balance Sheet of a company under the head of

- a) Non-current Liabilities
- b) Current Liabilities
- c) Share Capital
- d) None of these

Answer. a) Non-current liabilities

5. X Ltd. took over Building of ₹ 20,00,000 and Machinery of ₹ 5,00,000 and liabilities of ₹ 6,00,000 of Y Ltd. X Ltd. paid the purchase consideration by issuing 10,000 Debentures of ₹100 each at a premium of 10% and ₹11,00,000 by Bank Draft. Purchase Consideration will be:

- a. ₹22,00,000
- b. ₹25,00,000
- c. ₹19,00,000
- d. ₹21,00,000

Answer. a

6. Debentures issued as collateral security will be debited to:

- a) Bank Account
- b) Debentures Suspense Account
- c) Debentures Account
- d) Bank Loan Account

Answer. b) Debentures Suspense Account

7. Premium on redemption of debentures account is:

- a) Personal account
- b) Real account
- c) Nominal account
- d) All of the above

Answer. a) Personal Account

8. Zero coupon bonds are issued:

- a) At zero interest rate
- b) With specified rate of interest
- c) Without specified rate of interest

d) None of these

Answer. c) Without specified rate of interest

9.X Ltd. acquired assets of ₹20 lakhs and took over creditors of ₹20 thousand from Y Ltd. X Ltd. issued 8% debentures of ₹200 each at a discount of 10% as purchase consideration. Number of debentures issued will be:

a) 11,000

b) 9,000

c) 10,000

d) 10,100

Answer. a) 11,000

10. When debentures are issued at discount and redeemable at a premium which one of the following account is debited at the time of issue?

a. Debentures account

b. Premium on redemption of debentures account

c. Loss on issue of debentures account

d. None of these.

Answer. c) Loss on issue of debentures account

11. On liquidation of company, principal amount of debentures is returned:

a) First of all

b) Last of all

c) Before equity capital

d) After equity capital

Answer. c) Before equity capital

12. Debentures represent the :

a) Long term Borrowings of a company

b) The Investment of Equity-Shareholders

c) Directors' shares in a company

d) Short-term Borrowings of a Company

Answer. a) Long term borrowings of a company

13. Collateral security means _____ security:

a. primary

b. secondary

c. Government

d. valuable.

Answer. b) Secondary

14. If vendors are issued of Rs. 80,000 in consideration of net assets of Rs. 100,000 the balance of Rs. 20,000 will be credited to:

a) Statement of profit & loss

b) Goodwill account

c) General reserve account

d) Capital reserve account

Answer. d) Capital Reserve Account

15. Which of the following statement is false?

a) Debenture is a form of public borrowing .

b) It is customary to prefix debentures with the agreed rate of interest .

c) Debenture interest is charge against profits

d) The issue price and redemption value of debentures cannot differ.

Ans. d) The issue price and redemption value of debentures cannot differ.