



**ISSUE OF DEBENTURES**

1. Debenture holders are :  
(A) Owners of the Company  
(B) Debtors of the Company  
(C) Creditors of the Company  
(D) Promoters of the Company
2. 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
3. A debenture holder is entitled to :  
(A) Fixed dividend  
(B) Share in profits  
(C) Voting rights in the company  
(D) Interest at the fixed rate
4. 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
5. Debenture Application Account is in the nature of  
(A) Real Account  
(B) Personal Account  
(C) Nominal Account  
(D) None of the above
6. Discount on issue of Debentures is in the nature of  
(A) Revenue loss  
(B) Capital loss  
(C) Deferred Revenue Expenditure  
(D) None of the above
7. Premium received on issue of debentures may be utilised for  
(A) For writing off discount allowed on issue of shares  
(B) For writing off premium allowed on redemption of debentures  
(C) For writing off preliminary expenses  
(D) For All of the Above'
8. Debentures of a Company can be issued :  
(A) For Cash  
(B) For Consideration other than Cash  
(C) As a Collateral Security  
(D) Any of the above
9. On issue of debentures as a collateral security, which account is credited?  
(A) Debentures Account  
(B) Bank Loan Account  
(C) Debenture Holdings Account  
(D) Debenture Suspense Account
10. Debentures issued as collateral security will be debited to :  
(A) Bank Account  
(B) Debentures Suspense Account  
(C) Debentures Account  
(D) Bank Loan Account
11. Discount on Issue of Debentures is restricted to :  
(A) 10%  
(B) 20%  
(C) 25%  
(D) None of these
12. If Vendors are issued debentures of ₹ 80,000 in consideration of net assets of ₹ 1,00,000, the balance of ₹ 20,000 will be credited to :  
(A) Statement of Profit & Loss  
(B) Goodwill Account  
(C) General Reserve Account  
(D) Capital Reserve Account
13. If Vendors are issued debentures of ₹ 4,40,000 in consideration of assets of ₹ 5,00,000 and liabilities of ₹ 1,00,000, the balance of ₹ 40,000 will be debited to:  
(A) General Reserve Account  
(B) Capital Reserve Account

- (C) Goodwill Account (D) Statement of Profit & Loss
14. Issued 4,000, 12% debentures of ₹ 100 each at a premium of 4%, redeemable at a premium of 10%. In such case :  
(A) Loss on Issue will be debited by ₹ 24,000 (B) Loss on Issue will be debited by ₹ 56,000  
(C) Loss on Issue will be debited by ₹ 40,000 (D) Premium on Redemption will be credited by ₹ 24,000
15. Discount/loss on issue of debentures should be written off :  
(A) Within 2 years of the issue of debentures (B) After the redemption of debentures  
(C) In the year of issue of debentures (D) During the life of debentures
16. The principle amount of debentures will be repaid by the company either at the end of a specified period or by instalments during the lifetime of the company such type of debentures are called :  
(A) Redeemable debentures (B) Irredeemable debentures  
(C) Convertible debentures (D) Bearer debentures
17. Premium on Redemption of Debentures Account is :  
(A) Asset (B) Liability  
(C) Expenses (D) Revenue
18. Loss or Discount on issue of debentures is written off from :  
(A) Securities Premium Reserve (B) Statement of Profit or Loss  
(C) Securities Premium Reserve (if it exists) and thereafter from Statement of Profit and Loss  
(D) None of the above
19. Debenture interest is paid to the debentureholders :  
(A) at predetermined rate (B) at variable rate  
(C) at a rate based on net profit of the company (D) at a rate fixed by the company from time to time
20. Beena Ltd. purchased land and building from David Ltd. for a book value of Rs. 20,00,000. The consideration was paid by issuing of 12% debentures of Rs. 100 each at a discount of 20%. The debentures account is credited with :  
(A) 25,000 (B) 2,00,000  
(C) 25,00,000 (D) 20,000
- (1 × 20 = 20 Marks)**
21. What is meant by Issued of Debentures as Collateral Security ? What entry may be pass when debentures are issued as Collateral Security ? **[ 03 Marks ]**
22. Match the following kinds of debentures with features :  
(i) Irredeemable Debentures (a) Do not carry specific interest rate  
(ii) Bearer Debentures (b) Not repayable during the lifetime of company  
(iii) Bonds (c) Not registered in name of the holder **[ 03 Marks ]**
23. Match the following in case of a company :  
(i) Discount on Issue of Debentures (a) May or may not recorded in the books  
(ii) Securities Premium Reserve (b) Used for writing off preliminary expenses  
(iii) Debentures issued as collateral security (c) Capital Loss **[ 03 Marks ]**
24. Pass the necessary journal entries for issue of 1,000, 7% Debentures of ₹ 100 each in the following cases:  
(a) Issued at 5% premium redeemable at a premium of 10%.  
(b) Issued at a discount of 5% redeemable at par. **[ 03 Marks ]**
25. Praksh Ltd. purchased assets with Rs. 2,20,000 and also took over the liabilities (creditors) of Rs. 40,000 of Ajay Ltd. for purchase consideration of Rs. 1,92,000. Prakash Ltd. paid the purchase consideration by issuing 12% debentures of Rs. 100 each at a premium of 20%.  
Pass necessary journal entries in the books of Prakash Ltd. **[ 03 Marks ]**
26. Y Ltd. purchased machinery Rs. 55,000 from Z Ltd. 10% was paid by Y Ltd. by accepting a bill of exchange in favour of Z Ltd. and the balance was paid by issue of 9% debentures of Rs. 100 each at par, redeemable after five years. Pass necessary journal entries in the books of Y Ltd. **[ 03 Marks ]**

27. Narain Laxmi Ltd. invited applications for issuing 7,500, 12% debentures of Rs. 100 each at a premium of Rs. 35 per debenture. The full amount was payable on application. Applications were received for 10,000 debentures. Applications for 2,500 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants. Pass necessary journal entries for the above transactions in the books of Narain Laxmi Ltd. **[ 04 Marks ]**
28. Garvit Ltd. invited applications for issuing 3,000, 11% Debentures of Rs. 100 each at a discount of 6%. The full amount was payable on application. Applications were received for 3,600 debentures. Applications for 600 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants. Pass the necessary journal entries for the above transactions in the books of Garvit Ltd. **[ 04 Marks ]**
29. Deepak Ltd. purchased furniture of Rs. 2,20,000 from M/s Furniture Mart. 50% of the amount was paid to Furniture Mart by accepting a bill of exchange and for the balance, company issued 9% debentures of Rs. 100 each at a premium of 10% in favour of Furniture Mart. Pass necessary journal entries in the books of Deepak Ltd. for above transactions. **[ 04 Marks ]**
30. Vijay Laxmi Ltd. invited applications for issuing 10,000, 12% Debentures of Rs. 100 each at a premium of Rs. 70 per Debenture. The full amount was payable on application. Application were received for 13,500 debentures. Applications for 3,500 debentures were rejected and application money was refunded. Debentures were allotted to the remaining applications. Pass necessary Journal Entries in the books of Vijay Laxmi Ltd. for the above transactions. **[ 06 Marks ]**
31. BG Ltd. issued 2,000, 12% debentures of Rs. 100 each on 1st April, 2019. The issue was fully subscribed. According to the terms of issue, interest on the debentures is payable half-yearly on 30th September and 31st March and the tax deducted at source is 10%. Pass necessary journal entries related to the debenture interest for the half-yearly ending 31st March, 2020 and transfer of interest on debentures of the year to the Statement of Profit and Loss. **[ 06 Marks ]**
32. Power and Utility Ltd. issued 2,500, 8% Debentures of Rs. 100 each at a discount of 10% on 1st April, 2017 redeemable at par after five years. The company has a balance of Rs. 15,000 in Securities Premium Reserve. The company decided to use the Securities Premium Reserve for writing off the loss on issue of debentures and also decided to write off the remaining discount in the first year itself. Pass the Journal entries for issue of debentures and writing off the discount on Issue of debentures. You are also required to prepare Discount on Issue of Debentures Account. **[ 06 Marks ]**
33. Complete the following entries in the journal :

**Journal of XY Ltd.**

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
	Sundry Assets a/c	Dr.	18,00,000	
	.....	Dr.	.....	
	To Sundry Creditors			2,00,000
	To .....			.....
	(Being business of Rohit & Co. purchased for a consideration of Rs. 2,00,000)			
	.....	Dr.	20,00,000	
	.....	Dr.	.....	
	To 8% Debentures a/c			
	(Being paid to Rohit & Co. by issue of .....; 8% Debentures of Rs. 150 each at a discount of Rs. 50 per debenture)			.....

**[ 06 Marks ]**

34. You are required to fill in the missing figures and entries in the following Journal Entries and Balance Sheet (extract) of Raman Ltd. :

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
2019				
Mar. 31	Bank a/c Dr. To Bank Loan a/c (Being Loan of Rs. 20,00,000 taken from HDFC Bank)		.....	.....
Mar. 31	..... Dr. To 15% Debentures a/c (Being issue of Rs. 24,00,000, 15% debentures of Rs. 100 each as collateral security)		.....	.....

**Balance Sheet of Raman Ltd.**

**as at 31st March, 2019**

Particulars	Note No.	Current Year (Rs.)	Previous Year (Rs.)
<b>I. EQUITY AND LIABILITIES :</b>			
Non-Current Liabilities:			
.....	1	.....	

**Notes to Accounts :**

Particulars	Rs.
<b>(1) Long-term Borrowings :</b>	
Rs. 24,00,000, 15% Debentures of Rs. 100 each	24,00,000
Less : Debenture Suspense a/c	<u>24,00,000</u>
Bank Loan (On collateral security of 15% Debentures of Rs. 24,00,000)	.....
	.....

[ 06 Marks ]