

1. Debenture includes debenture stock, bonds or any other securities of a company whether constituting a charge on the assets of the company or not. **True**

2. Which of the following statements is true?

a. A debenture holder is an owner of the company

b. A debenture holder can get his money back only on the liquidation of the company

c. A debenture issued at a discount can be redeemed at a premium

d. A debenture holder receives interest only in the event of profits

3. Which of the following is False.

a. Debenture is written instrument acknowledging a debt under the common seal of the company.

b. Debenture is a part of owned capital.

c. The payment of interest on debentures is a charge on the profits of the company.

d. Redeemable debentures are those debentures, which are payable on the expiry of the specific period.

4. Which of the following statement is true:

a. The debentures cannot be issued at a discount of more than 10% of the face value.

b. Perpetual debentures are also known as irredeemable debentures. True

c. Debentures cannot be converted into shares.

d. Debentures cannot be issued at a premium.

5. Loss on issue of debentures account is a revenue loss. **False**

6. Premium on redemption of debentures account is shown under the 'Securities Premium' in the Balance Sheet. **False**

7. Which of the following statements is false?

a. A company can issue convertible debentures

b. Debentures cannot be secured

c. A company can issue redeemable debentures

d. Debentures have no right to participate in profits over and above their fixed interest

8. Debenture premium cannot be used to _____.

- a. Write off the discount on issue of shares or debentures
- b. Write off the premium on redemption of shares or debentures

c. Pay dividends

d. Write off capital loss

9. Which of the following statements is false?

a. At maturity, debenture holders get back their money as per the terms and conditions of redemption

b. Debentures can be forfeited for non payment of call money

c. In company's balance sheet, debentures are shown under secured loans

d. Interest on debentures is charged against profits

10. Loss on issue of debentures is treated as _____.

- a. Intangible asset
- b. Current asset
- c. Current liability

d. Miscellaneous expenditure

11. Match the following:

Debentures with no security	<i>Simple or Naked debentures</i>
Debentures with security	<i>Secured or Mortgage debentures</i>
Treated as negotiable instrument and transferred by mere delivery	<i>Bearer debentures</i>
Which are payable after payment is made to first debenture holders.	<i>Second debentures</i>

12. Which of the following is not true about debenture stock:

- a. It must be fully paid.

b. Debenture Stock can be transferred in fraction.

c. Debenture stock are identified by their distinct number

13. A debenture trust deed is an agreement between the company and the trustees to look after the interest of debenture holders. **True**

14. Which of the following is false?

a. A company can issue irredeemable debentures

b. A company can issue debentures with voting rights

c. A company can buy its own shares

d. A company can buy its own debentures

15. Which of the following is not a characteristic of Bearer Debentures?

a. They are treated as negotiable instruments

b. Their transfer requires a deed of transfer

c. They are transferable by mere delivery

d. The interest on it is paid to the holder irrespective of identity

16. Which of the following is/are true with respect to debentures?

a. They can be issued for cash

b. They can be issued for consideration other than cash

c. They cannot be issued as collateral security

d. Both a and b above

17. When debentures are issued as collateral security, the final entry for recording the transaction in the books

is _____.

a. Credit debentures a/c. and debit cash a/c.

b. Debit debenture suspense a/c. and credit cash a/c.

c. Debit debenture suspense a/c. and credit debentures a/c.

d. Debit cash a/c. and credit the loan a/c. for which security is given

18. Which of the following is false with respect to debentures?

- a. They can be issued for cash
- b. They can be issued for consideration other than cash
- c. They can be issued as collateral security

d. They can be issued in lieu of dividends

19. Debentures can be _____.

- I. Mortgage Debentures or Simple Debentures.
- II. Registered Debentures Or Bearer Debentures.
- III. Redeemable Debentures or Irredeemable Debentures.
- IV. Convertible Debentures or Non-convertible Debentures.

- a. Both (I) and (II) above
- b. Both (I) and (III) above
- c. Both (II) and (III) above

d. All of (I), (II), (III) and (IV) above.

20. Which of the following statements 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 a charge against profits

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

21. As per the Companies Act, "Interest accrued and due on debentures" should be shown Under Debentures. **True**

22. Which of the following is true with regard to 10% Debentures issued at a discount of 20%?

- a. The carrying amount of debentures gets reduced each year at a rate of 20%

- b. Issue price and the carrying amount of debentures are equal
- c. At the time of redemption, the debenture holder will be paid the issue price
- d. The face value and the carrying amount of debentures are equal.**

23. Which of the following is false?

- a. Equity is owners' stake and the debenture is a debt
- b. Rate of interest on debentures is fixed
- c. Debenture holders get preferential treatment over the equity holders at the time of liquidation
- d. Interest on debentures is an appropriation of profits.**

24. Discount on issue of debentures is a _____.

- a. Revenue loss to be charged in the year of issue
- b. Capital loss to be written off from capital reserve
- c. Capital loss to be written off over the tenure of the debentures**
- d. Capital loss to be shown as goodwill

25. Premium on redemption of debentures account is _____.

- a. A real account
- b. A nominal account - income
- c. A personal account
- d. A nominal account - expenditure**

26. Which of the following is not true about Debenture redemption reserve(DRR):

- a. DDR created @ 50% of the amount of debentures issued before commencement of redemption.
- b. Withdrawal fromm DRR can be made only after 10% of debenture liability has been redeemed.
- c. DRR is required in case of Fully convertible debenture.**
- d. DRR is not required in case of debentures with a maturity period of 18 months or less.

27. When all the debentures are redeemed, balance in the debentures redemption fund account is

transferred to :

a. Capital reserve,

b. General reserve,

c. Profits and loss appropriation account.

28. Debentures can be redeemed out of:

a. Profits

b. Capital

c. Provisions made for redemption

d. By converting them into shares or new debentures

e. All of the above

29. Which of the following statements are false if debentures redeemed out of capital.

a. DRR is not created if debentures are redeemed out of capital

b. Nominal value of debentures redeemed is not transferred to DRR or General Reserve.

c. Debentures account is debited and bank account is credited

30. Own debentures are those debentures of the company which:

a. The company allots to its own promoters,

b. The company allots to its Director,

c. The company purchases from the market and keeps them as investments.

31. Premium on redemption of debentures is transferred to sinking fund. **True**

32. Profit on cancellation of own debentures is transferred to :

a. Profit and loss appropriation a/c,

b. Debenture redemption reserve,

c. Capital reserve.

33. When debentures are redeemed out of profits, an equal amount is transferred to :

a. General reserve,

b. Debenture redemption reserve,

c. Capital reserve.

34. Profit on sale of debenture redemption fund investments in the first instance is credited to :

a. Debenture redemption fund account,

b. Profit and loss appropriation account,

c. General reserve account.

35. The balance of sinking fund investment account after the realisation of investments is transferred to:

a. Profit and loss account,

b. Debentures account,

c. Sinking fund account.

36. Excess value of net assets over purchase consideration at the time of purchase of business is credited to :

a. General reserve,

b. Capital reserve,

c. Vendors' account

d. Goodwill

37. Excess value of Purchase consideration over net assets at the time of purchase of business is credited to :

a. General reserve,

b. Capital reserve,

c. Vendors' account

d. Goodwill

