SmartKalike

CBSE Class 12 · Accountancy

Issue and Redemption of Debentures

10 most probable questions for Boards 2027

Q1. 0.5 marks · Very short answer

Name the reserve that may be debited to write off discount on issue of debentures, if available.

Answer

Securities Premium Reserve, if available, may be debited to write off discount on issue of debentures.

Q2. 1 mark · Multiple choice

Debentures repayable at the end of a specified period, either in a lump sum or in instalments, are called:
(A) irredeemable debentures
(B) redeemable debentures
(C) unsecured debentures
(D) zero-coupon-rate debentures

Answer

(B) redeemable debentures — Redeemable debentures are payable on the expiry of a specific period, either in a lump sum or in instalments during the lifetime of the company.

Q3. 1.5 marks · Short answer

A company issues debentures at par, with application money received before allotment. State the journal entries for receipt of application money and its transfer to the Debentures Account on allotment. (1.5 marks)

Answer

On receipt of application money: Bank A/c Dr. To Debenture Application A/c. On allotment, transfer the application money: Debenture Application A/c Dr. To Debentures A/c. These entries record collection and capitalisation at par.

Q4. 2 marks · Short answer

Distinguish between a fixed charge and a floating charge on company assets. (2 marks)

Answer

1. Assets charged — Fixed charge: Created on a specific asset held for operations, not for sale; floating charge: Created on the company's general assets, excluding assets assigned to secured creditors.

Q5. 3 marks · Medium answer

State whether the Companies Act, 2013 imposes restrictions on issuing debentures at a discount. Briefly support your answer.

Answer

1. No, the Companies Act, 2013 imposes no restrictions on issuing debentures at a discount. A Rs. 100 debenture issued at Rs. 95 has a discount of Rs. 5.
2. The discount may be written off against Securities Premium Reserve, if any, during the lifetime of the debentures. The part written off after 12 months is shown under Other Non-Current Assets.

Q6. 4 marks · Long answer

A company issues debentures at a premium, with the premium payable as part of the allotment amount. Explain the journal entries required from receipt of application money through receipt of allotment money, showing the treatment of the premium.

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/issue-and-redemption-of-debentures

Q7. 5 marks · Long answer

Explain how discount on issue of debentures may be written off during the life of the debentures. Also explain how any unamortised discount is classified in the balance sheet based on when it is to be written off.

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Q8. 6 marks · Very long answer

Set out the journal entries, without amounts, for an issue of debentures at par where the issue price is collected in application and allotment instalments, followed by a first call. Include receipt of application money, its adjustment on allotment, allotment money becoming due and its receipt, the first call becoming due, and its receipt. (6 marks)

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Q9. 1 mark · Multiple choice

Which statement describes irredeemable debentures?
(A) They are repayable only in instalments during the first year.
(B) They carry no undertaking for repayment and are also called perpetual debentures.
(C) They must be redeemed at par on a fixed date.
(D) They are converted into shares at issue.

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Q10. 1.5 marks · Short answer

What is a debenture? State the terms it records regarding repayment of principal and payment of interest. (1.5 marks)

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