



ACCOUNTS

BOOKS - ARYA ACCOUNTS (HINGLISH)

ISSUE OF DEBENTURES

Multiple Choice Questions

1. Debenture holders are :

A. Owners of the Company

B. Debtors of the Company

C. Creditors of the Company

D. Promoters of the Company

Answer: C



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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

Answer: A



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3. 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



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4. Interest payable on debentures is :

A. an appropriation of profits of the company

B. a charge against profits of the company

C. transferred to sinking fund investment
account

D. transferred to general reserve

Answer: B



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5. 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

Answer: D



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6. 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



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7. 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 a charge against profits.

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

Answer: D



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

A.A - They are treated as negotiable instruments.

B.B - Their transfer requires a deed of transfer.

C.C - They are transferable by mere delivery.

D.D - The interest on it is paid to the holder irrespective of identify.

Answer: B



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9. Which of the following statement is false ?

A. A - At maturity , debenture holders get back their money.

B. B - Debentures can be forfeited for non-payments of call money.

C. C - In company's balance sheet, debentures are shown under the head Long term Borrowings.

D. D - Interest on debentures is a charge against profits.

Answer: B



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10. Which of the following statement is false :

A. A - A Company can issue redeemable debentures.

B. B - A Company can issue debentures with voting rights.

C. C - A Company can issue convertible debentures.

D. D - A Company can buy its own debentures and shares.

Answer: B



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11. The Principal amount of debentures will be repaid by the company either at the end of a specified period or by instalments during the life time of the company. Such types of debenture are called :

A. Redeemable Debentures

B. Irredeemable Debentures

C. Convertible Debentures

D. Bearer Debentures

Answer: A



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12. The debentures whose principal amount is not repayable by the company during its life time, but the payment is made only at time of Liquidation of the company , such debentures are called :

bearer debentures

redeemable debentures

irredeemable debentures

non-convertible debentures

A. Bearer Debentures

B. Redeemable Debentures

C. Irredeemable Debentures

D. Non - Convertible Debentures

Answer: C



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13. Debenture Application Account is in the nature of

A. RealAccount

B. Personal Account

C. Nominal Account

D. None of the Above

Answer: B



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14. Discount on issue of Debentures is in the nature of

A. A - Revenue loss

B. B - Capital loss

C. C - Deferred revenue Expenditure

D. D - None of above

Answer: B



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15. Premium received on issue of debentures may be utilised for :

A. A - For writing off discount allowed on
issue of shares

B. B - For writing off premium allowed on
redemption of debentures

C. C - For writing off preliminary expenses

D. D - For All of the Above

Answer: D



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16. A' Limited purchased the assets from 'B' Limited for .Rs 5,40,000. 'A' Limited issued 10% debentures of .Rs 100 each at 10% discount against the payment . The number of debentures received by 'B' Limited will be :

A. 54, 000

B. 5, 400

C. 60, 000

D. None of these

Answer: D



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17. A' Limited purchased the assets from 'B' Limited for .Rs 5,40,000 . 'A' Limited issued 10% debentures of .Rs 100 each at 20% premium against the payment . The number of received by 'B' Limited will be :

A. 4, 500

B. 5, 400

C. 45, 000

D. 6000

Answer: A



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18. 'A' Limited purchased the assets from 'B' Limited for .Rs 8,10,000. 'A' Limited issued 10% debentures of .Rs 100 each at 10% discount against the payment. The number of debentures received by 'B' Limited will be :

A. 8, 100

B. 9, 000

C. 90, 000

D. None of the Above

Answer: B



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19. 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

Answer: D



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20. On issue of debentures as a collateral security, which account is credited ?

A. Debentures Account

B. Bank Loan Account

C. Debentures Holding Account

D. Debenture Suspense Account

Answer: A



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21. 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



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22. When debentures of .Rs 1,00,000 are issued as Collateral Security against a loan of Rs 1,50,000 , the entry for issue of debentures will be:

A. Credit Debentures .Rs 1,50,000 and debit
bank A/c.Rs 1,50,000

B. Debit Debenture Suspense A/c .Rs
1,00,000 and Credit Bank A/c .Rs 1,00,000

C. Debit debenture Suspense A/c .Rs
1,00,000 and Credit Debentures A/c .Rs
1,00,000

D. Debit Cash A/c .Rs 1,50,000 and Credit
Bank A/c .Rs 1,50,000

Answer: C



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23. Interest on debentures issued as a collateral security is paid on :

- A. Nominal value of debentures
- B. No interest is paid
- C. Face value of debentures
- D. Paid up value of debentures

Answer: B



24. Loss on Issue of Debentures is written off :

A. In the year of the issue of debentures

B. During the life of the debentures

C. Within 3 years of the issue of
debentures

D. In the year of redemption of debentures

Answer: A



25. When debentures are to be redeemed at premium an extra entry has to be made at the time of issue of debentures, which a/c should be credited in this entry ?

- A. Loss on issue of debentures a/c
- B. Debentures redemption premium a/c
- C. Bank a/c
- D. Debenture holder's a/c

Answer: B



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26. Premium on Redemption of Debentures

Account is :

A. Personal Account

B. Real Account

C. Nominal Account

D. All of the Above

Answer: A



27. X Ltd. acquired assets of .Rs 20 lakhs and took over creditors of .Rs 20 thousand from Y Ltd. X.Ltd. Issued 8% debentures of .Rs 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



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28. X Ltd. Purchased a building for .Rs 60,00,000 payable as 20 % in Cash and balance by allotment of 8% debentures of .Rs 500 each at a premium of 20% Number of debentures issued will be :

A. 9, 600

B. 8, 000

C. 12, 000

D. 10, 000

Answer: B



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29. Sunrise Ltd purchased a building for .Rs 5,00,000 payable as 15 % in cash and balance by allotment of 9% debentures of .Rs 100 each

at a premium of 25 % Number of debentures issued will be :

A. 4, 250

B. 4, 000

C. 5, 000

D. 3, 400

Answer: D



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30. If Vendors are issued debentures of .Rs 80,000 in consideration of net assets of .Rs 1,00,000, 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



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31. If Vendors are issued debentures of .Rs 4,40,000 in consideration of assets of .Rs 5,00,000 and liabilities of .Rs 1,00,000 , the balance of, .Rs 40,000 will be debited to :

A. General Reserve Account

B. Capital Reserve Account

C. Goodwill Account

D. Statement of Profit & Loss

Answer: C



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32. A Ltd. Issued 1,000, 10% debentures of .Rs 100 each at a premium of 5 % . What will be the total amount of interest for one year:

A. . *Rs*10, 500

B. . *Rs*10, 000

C. . *Rs*5, 250

D. *Rs*5, 000

Answer: B



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33. On 1st April 2007, Sunrise Limited issued 5,000, 8 % debentures of .Rs 100 each at a discount of 5% . What will be the total amount of interest for the year ending 31st March 2008?

A. . *Rs*38, 000

B. *Rs*42, 000

C. . *Rs*40, 000

D. . *Rs*25, 000

Answer: C



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34. Globe Ltd. Issues 20,000, 9 % debentures of . *Rs* 100 each at a discount of 5 % redeemable at the end of 5 years at a premium of 6 % . For what amount 'Loss on Issue of Debentures Account ' will br debited ?

A. . *Rs*1, 00, 000

B. . *Rs*1, 20, 000

C. . *Rs*2, 80, 000

D. *Rs.* 20, 000

Answer: D



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35. Issued 5,000, 12% debentures of .Rs 100 each at a discount of 2 %, redeemable at a premium of 5 % . In such case :

A. Loss on Issue will be Credited by .Rs 10,000.

B. Loss on Issue will be debited by .Rs 35,000

C. Premium on Redemption will be debited by .Rs 25,000

D. Premium on Redemption will be credited by .Rs 35,000

Answer: B



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36. Issued 4,000 , 12% debentures of .Rs 100 each at a premium of 4%, redeemable at a premium of 10%. In such case:

A. Loss on Issue will be debited by .Rs

24,000

B. Loss on Issue will be debited by .Rs

56,000

C. Loss on Issue will be debited by .Rs

40,000

D. Premium on Redemption will be credited

by .Rs 24,000

Answer: C



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