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1ST JAN 2026 TO TILL MARCH 2026 FINAL EXAM.
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Standard: 12th Commerce Subject: Accountancy

Q1. For a company discount on issue of debentures is: **1 Mark**
A Capital Loss **B** Revenue Loss **C** General Loss **D** None of these

Q2. If debenture of ₹ 1,00,000 were issued for discount of ₹ 10,000, which are redeemable after four years. **1 Mark**
Then amount of discount to be written off from P. & L. Account each year is :
A ₹ 3,000 **B** ₹ 4,000 **C** ₹ 2,500 **D** ₹ 5,000

Q3. Which of the following is not true about debenture stock: **1 Mark**
A Debenture stock are identified by their distinct number **B** It must be fully paid.
C Debenture Stock can be transferred in fraction. **D** None of the options

Q4. Loss on issue of debentures is recorded as: **1 Mark**
A Intangible Asset **B** Current Asset
C Current Liability **D** Miscellaneous Expenditure

Q5. Profit on sale of debentures redemption fund investment in the first instance is credited to: **1 Mark**
A Debenture Redemption Fund A/c **B** Profit & Loss Appropriation A/c
C General Reserve A/c **D** Sinking Fund A/c

Q6. Capital redemption reserve account is prepared when _____. **1 Mark**
A Redemption is done out of issue of fresh shares **B** Redemption is done out of profits of the company
C Redemption is done through company's capital fund **D** All of the above

Q7. Premium on redemption of debentures is a: **1 Mark**
A Personal A/c **B** Real A/c **C** Nominal A/c **D** Suspense A/c

Q8. Best Barcode Ltd. decides to redeem 10,000, 10% Debentures of ₹ 100 each on 30th June, 2017. **1 Mark**
The company should invest in specified securities on or before:
A 30th April, 2016 **B** 30th April, 2015 **C** 30th June, 2016 **D** 30th April, 2017

Q9. Which of the following statements is false? **1 Mark**
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

Q10. F Ltd. purchased machinery for a book value of ₹ 4,00,000. The consideration was paid by issue of 10% Debentures of ₹ 100 each at a discount of 20%. The Debenture Account will be credited by: **1 Mark**
A ₹ 4,00,000 **B** ₹ 5,00,000 **C** ₹ 3,20,000 **D** ₹ 4,80,000

Q11. A company can not issue: **1 Mark**
A Debentures with voting rights **B** Share
C Debentures **D** None of the options

Q12. In the Balance Sheet of a Company, Debentures are shown under the head: **1 Mark**
A Unsecured Loans **B** Long-term Loans **C** Current Liabilities **D** Reserve and Surplus

Q13. Which is an agreement between the company and the trustees to look after the interest of debenture holders. **1 Mark**
A Debenture trust deed **B** Partnership deed **C** Both **D** None of the options

Q14. Which one of the following items cannot be recorded in the profit and loss appropriation account? **1 Mark**
A Interest on capital. **B** Interest on drawings. **C** Rent paid to partners. **D** Partner's salary.

Q15. Debentures represent: **1 Mark**
A Director's Share in a Company **B** Investments by Equity Shareholders
C Long-term Debt of the Business **D** None of these

Q16. The Debenture Redemption Reserve account appears on the liability side of the balance sheet under the head _____. **1 Mark**
A Capital **B** Reserves and surplus **C** Non-current liability **D** Current liability

Q17. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**
Assertion (A): Interest on debentures must be paid even if the company makes no profit.
Reason (R): Interest on debentures is a fixed obligation and forms part of the company's financial expenses.
A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A). **B** Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
C Assertion (A) is true but Reason (R) is false. **D** Assertion (A) is false but Reason (R) is true.

Q18. 3 Aces Ltd. decides to redeem 2,000; 9% Debentures of ₹ 100 each on 31st December, 2018. **1 Mark**
The company should invest in specified securities on or before.
A 30th April, 2017 **B** 30th April, 2018
C 31st December, 2017 **D** 31st December, 2016

Q19. Premium on redemption of debentures account is recorded on issue of debentures. **1 Mark**
A A real account **B** A nominal account-income
C A personal account **D** A nominal account-expenditure

Q20. Debenture holders are called of the company. **1 Mark**
A Creditors **B** Debtors **C** Owners **D** Bankers

Q21. Premium on redemption of debenture A/c is a _____. **1 Mark**
A Personal A/c **B** Real A/c **C** Nominal A/c **D** Suspense A/c

Q22. Profit on cancellation of own debentures is transferred to _____. **1 Mark**
A General Reserve Account **B** Debenture Redemption Reserve
C Capital reserve. **D** Statement of profit and loss

Q23. Which of the following is not true about Debenture Redemption Reserve(DRR)? **1 Mark**
A DRR created @ 50% of the amount of debentures issued before commencement of redemption.
C DRR is required in case of fully convertible debenture. **B** Withdrawal from DRR can be made only after 10% of debenture liability has been redeemed.
D DRR is not required in case of debentures with a maturity period of 18 months or less.

Q24. Rajesh & co. Ltd. purchased assets worth Rs. 28,80,000. It issued debentures of Rs. 100 each at a discount of 4 per cent in full satisfaction of the Purchase Consideration. The number of debentures issued to vendor is: **1 Mark**
A 35000 **B** 30000 **C** 33000 **D** 320000

Q25. Global Savings Bank Ltd. is to redeem 10,000, 10% Debentures of ₹ 100 each on 30th June, 2017. How much amount should be transferred to DRR by it? **1 Mark**

A ₹ 2,50,000 **B** ₹ 1,00,000 **C** ₹ 5,00,000 **D** Nil.

Q26. Renegades 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 be debited? **1 Mark**

A 255000 **B** 220000 **C** 300000 **D** 222500

Q27. Oustensible partners are those who: **1 Mark**

A Do not contribute any capital but get some share of profit for lending their name to the business.

C Do not contribute any capital and without having any interest in the business, lend their name to the business.

B Contribute very less capital but get equal profit.

D Contribute maximum capital of the business.

Q28. Murlidhar Industries issued 10,000, 10% debentures of Rs. 100 each at 10% discount and redeemable at 10% premium. What is the required journal entry? **1 Mark**

A Dr. Bank A/c Rs. 900,000, Discount on issue Debenture A/c Rs. 80,000, Cr. Debenture A/c Rs. 800,000, Premium of Redemption of Debnture A/c Rs. 80,000

C Dr. Bank A/c Rs. 900,000, Discount on issue Debenture A/c Rs. 100,000, Loss on Redemption of Debenture A/c Rs. 100,000 Cr. Debenture A/c Rs. 10,00,000, Premium of Redemption of Debenture A/c Rs. 100,000

B Dr. Bank A/c Rs. 1000,000, Loss on redemption of debenture Rs. 80,000, Cr. Debenture A/c Rs. 10,00,000, Loss on issue of Debenture A/c Rs. 80,000

D Dr. Bank A/c Rs. 800,000, Loss on redemption of debenture Rs. 80,000, Cr. Debenture A/c Rs. 800,000, Loss on issue of Debenture A/c Rs. 80,000

Q29. The balance of 'Sinking Fund Account' after the redemption of debentures is transferred to: **1 Mark**

A Profit & Loss Account

C General Reserve Account

B Profit & Loss Appropriation Account

D Sinking Fund Account

Q30. Preference shares amounting to Rs. 2,00,000 are redeemed at a premium of 5% by issue of shares amounting to Rs. 1,00,000 at a premium of 10%. The amount to be transferred to capital redemption reserve _____. **1 Mark**

A Rs. 1,05,000 **B** Rs. 1,00,000 **C** Rs. 2,00,000 **D** Rs. 1,11,000

Q31. When debentures are issued at a discount and are redeemable at a premium, which of the following accounts is debited at the time of issue? **1 Mark**

A Debentures A/c

C Loss on Issue of Debentures A/c

B Premium on Redemption of Debentures A/c

D Profit & Loss A/c

Q32. When debentures are issued at par and are redeemable at premium, the credit given to premium of redemption of debenture account is in the nature of. **1 Mark**

A Personal Account **B** Real Account **C** Nominal A/c **D** Nominal Account-Income

Q33. A company issued 1,000, 12% debentures of ₹ 100 each at 10% premium. 12% stand for: **1 Mark**

A Rate of dividend **B** Rate of Tax **C** Rate of interest **D** None of these

Q34. From the point of view of tenure, the debentures are classified as: **1 Mark**

A Secured and unsecured Debentures

C Convertible Debentures and Non-convertible Debentures

B Redeemable Debentures and Irredeemable Debentures

D Registered Debentures and Bearer Debentures

Q35. Debenture is the part of: **1 Mark**

A Share Capital

B Long-term Borrowings

C Owned Capital

D None, of these

Q36. When debentures are issued at par and are redeemable at a premium, the loss on such an issue is debited to: **1 Mark**

A Profit & Loss A/c

B Debenture Application and Allotment A/c

C Loss on Issue of Debentures A/c

D Premium on Redemption A/c

Q37. For a share of Rs.20 on which Rs.1.6 has been called but Rs.10 has been paid is forfeited, the share capital account should be debited by _____. **1 Mark**

A Rs.20

B Rs.10

C Rs.16

D None of these

Q38. Discount or Loss on issue of debentures is a _____ and is written-off in the year when debentures are issued. **1 Mark**

A Capital Profit

B Revenue Loss

C Capital Loss

D Revenue Expenses

Q39. When debentures are issued as collateral security, the final entry for recording the transaction in the books is: **1 Mark**

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

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

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

D None of the options

Q40. Which of the following statement is false? **1 Mark**

A A company can buy its own debentures and shares

B A company can issue debentures with voting rights

C A company can issue convertible debentures & Non-Convertible Debentures

D A company can issue redeemable debentures.

Q41. Which of the following statements is true? **1 Mark**

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

B A debenture holder is an owner of the company.

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

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

Q42. Generally debentures are: **1 Mark**

A Secured

B Unsecured

C Partly Secured

D None of these

Q43. Which of the following is not a characteristic of Bearer Debentures? **1 Mark**

A Their transfer requires a deed of transfer.

B They are treated as negotiable instruments.

C They are transferable by mere delivery.

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

Q44. When debentures are issued at a discount, the discount should be written off **1 Mark**

A After debentures have been redeemed.

B Within 5 years of the issue of debentures.

C During the life of the debentures.

D None of the above.

Q45. The balance of discount on debentures is shown in the Balance Sheet on: **1 Mark**

A Assets side

B Liabilities side

C None of these

D All of these

Q46. Loss on issue of debentures is treated as: **1 Mark**

A Miscellaneous expenditure

B Intangible asset

C Current asset

D Current liability

Q47. Which of the following is false with respect to debentures? **1 Mark**

A They can be issued in lieu of dividends

B They can be issued for cash

C They can be issued for consideration other than cash

D They can be issued as collateral security

Q48. X.Ltd. issued Rs1,00,000 12% debentures of Rs100 each at a premium of 10%, which are redeemable after 10 years at a premium of The amount of loss on redemption of debentures to be written off every year= ? **1 Mark**

A Rs10,000 **B** Rs30,000 **C** Rs20,000 **D** Rs40,000

Q49. A company should transfer to Debenture Redemption Reserve A/c at least what percent of the amount of debentures issued before the commencement of redemption of debentures- **1 Mark**

A 50% **B** 25% **C** 15% **D** 100%

Q50. 'Premium on Redemption of Debentures Account' is a: **1 Mark**

A Personal Account **B** Real Account **C** Nominal Account **D** None of the above

Q51. Using Second Method, Which Account Is to debited When Debentures are Issued of 10,000, 9% debentures of Rs. 100 each as collateral security for bank loan of Rs. 10,00,00. **1 Mark**

A Debenture Suspense A/c **B** Loan Account
C 9% Debentures A/c **D** Interest On Debentures A/c

Q52. Rate of interest on debentures is: **1 Mark**

A 12% p.a. **B** 20% p.a. **C** Fixed Rate **D** 15% p.a.

Q53. Sleeping partners are those who: **1 Mark**

A Take active part in the conduct of the business but provide no capital. However, salary is paid to them.
C Take active part in the conduct of the business but provide no capital. However, share profits and losses in the agreed ratio.

B Do not take any part in the conduct of the business but provide capital and share profits and losses in the agreed ratio.
D Do not take any part in the conduct of the business and contribute no capital. However, share profits and losses in the agreed ratio.

Q54. Profit on sale of Sinking Fund Investment is transferred to: **1 Mark**

A Profit & Loss Account **B** General Reserve
C Sinking Fund Account **D** Capital Reserve

Q55. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): A company may issue debentures as a collateral security.

Reason (R): Debentures issued as collateral are not recorded as a liability in the company's balance sheet.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q56. In the Balance Sheet of a company, Debenture Premium Account appears under the head: **1 Mark**

A Share Capital **B** Reserves & Surplus **C** Non-Current Liabilities **D** Current Liabilities

Q57. 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: **1 Mark**

A Statement of Profit & Loss **B** Capital Reserve Account
C General Reserve Account **D** Goodwill Account

Q58. Preference shares may be redeemed out of _____. **1 Mark**

A Proceeds of Debentures **B** Proceeds of new issue of shares
C Out of divisible profits **D** Both (b) and (c)

Q59. **1 Mark**

A and B are partners. B draws a fixed amount at the end of every month, Interest on drawings is charged @15% p.a. At the end of the year interest on, B's drawings amounts to ₹ 8,250. Drawings of B were:

A ₹ 12,000 p.m. **B** ₹ 10,000 p.m. **C** ₹ 9,000 p.m. **D** ₹ 8,000 p.m.

Q60. When debentures are issued as collateral security, which entry has to be passed? **1 Mark**

A Debenture Suspense A/c Dr. To Debentures **B** No entry has to be made
C (a) or (b) **D** None of these

Q61. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): Debentures are a form of long-term debt instrument used by companies to raise capital.

Reason (R): Debenture holders are considered owners of the company.

A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A). **B** Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
C Assertion (A) is true but Reason (R) is false. **D** Assertion (A) is false but Reason (R) is true.

Q62. If preference share are redeemed at premium, then such premium may be provided out of the _____ **1 Mark**

A Share premium account **B** Share capital account
C Provision for tax **D** Capital Redemption Reserve account

Q63. Unsecured Debentures is known as: **1 Mark**

A Simple or Naked debentures **B** Mortgage debentures
C Secured Debentures **D** None of the options

Q64. On payment of tax deducted at source to the Government Which Account is debited _____. (Payment of tax deducted at source on interest on debentures) **1 Mark**

A Income tax Interest Accrued A/c **B** Income Tax Payable A/c
C Bank A/c **D** Interest A/c

Q65. Loss on issue of debentures is generally written off in: **1 Mark**

A 5 years **B** 10 years
C 15 years **D** Over the period of redemption

Q66. Excess value of net assets over purchase consideration at the time of purchase of business is credited to: **1 Mark**

A Revaluation Reserve **B** General reserve, **C** Vendors' account **D** Capital reserve,

Q67. BST Ltd. want to redeem its 900, 10% debentures at 105% by converting them into shares of ₹ 10 each at ₹ 9 each. The number of shares to be issued will be : **1 Mark**

A 9,000 Shares **B** 10,500 Shares **C** 10,000 Shares **D** 8,500 Shares

Q68. Which of the following is/are true with respect to debentures? **1 Mark**

A Both **B** They can be issued for cash
C They can be issued for consideration other than cash. **D** None of the options

Q69. Interest accrued and due on debentures is shown under which main head? **1 Mark**

A Reserves and Surplus **B** Current Liabilities **C** Non-Current Liabilities **D** Share Capital

Q70. Debenture interest is paid: **1 Mark**

A At a predetermined rate. **B** At variable rate.

C At a rate based on net profit of the company. **D** At a rate as determined by the company from time to time.

Q71. Interest payable on debentures is : **1 Mark**

A An appropriation of profits of the company. **B** A charge against profits of the company.

C Transfer to Sinking Fund. **D** None of the above.

Q72. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): Debentures can be converted into equity shares.

Reason (R): Convertible debentures provide flexibility to investors and can be advantageous to the company.

A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A). **B** Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

C Assertion (A) is true but Reason (R) is false. **D** Assertion (A) is false but Reason (R) is true.

Q73. Debentures which are transferred by mere delivery are called: **1 Mark**

A Registered Debentures **B** First Debentures **C** Bearer Debentures **D** None of these

Q74. Interest on sinking fund investment is credited to: **1 Mark**

A Profit & Loss A/c **B** Sinking Fund A/c

C General Reserve A/c **D** Sinking Fund Investment A/c

Q75. Discount on issue of Debentures should be written off: **1 Mark**

A Out of Securities Premium Account **B** Out of Capital Profits

C Out of Statements of Profit and Loss **D** In the above order over the period of debentures

Q76. When the owners debentures are cancelled any profit on cancellation is transferred to _____. **1 Mark**

A General reserve **B** Capital reserve **C** P/L Account **D** None of the above

Q77. On liquidation of a company, principal amount of debentures is returned: **1 Mark**

A First of all **B** Last of all **C** Before Equity Capital **D** None of those

Q78. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): The interest rate on debentures is usually higher than that on equity shares.

Reason (R): Interest on debentures is a compulsory payment, whereas dividends on equity shares are paid at the discretion of the company.

A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A). **B** Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

C Assertion (A) is true but Reason (R) is false. **D** Assertion (A) is false but Reason (R) is true.

Q79. United Commercial Bank Ltd. is to redeem 40,000, 10% Debentures of ₹ 100 each on 31st December, 2017. How much amount should it invest in specified securities? **1 Mark**

A ₹ 6,00,000 **B** ₹ 10,00,000 **C** ₹ 5,00,000 **D** Nil.

Q80. Own debentures are those debentures of the company which? **1 Mark**

A The company allots to its own promoters. **B** The company allots to its directors.

C The company purchases from the markets and hold them as investments. **D** None of these

Q81. Debentureholders are: **1 Mark**

A Owners of the company.	B Lenders of the company.
C Vendors of the company.	D Customers of the company.
Q82. Which Option is Correct in Purview of Debentures?	1 Mark
A A debenture holder can get his money back only on the liquidation of the company.	B A debenture holder is an owner of the company
C A debenture issued at a discount can be redeemed at a premium	D A debenture holder received interest only in the event of profits
Q83. Way(s) of Redemption of Debentures:	1 Mark
A Payment in Lump sum	B Only A and C
C Conversion into Shares or New Debentures	D Purchase From Share Market
Q84. If redemption of debentures is made by conversion method, the amount to be transferred to 'Debenture Redemption Reserve Account' will be equal to.....percent of converted amounted.	1 Mark
A 40	B 50
	C 60
	D Not required
Q85. Premium on redemption is a/an _____ of a company payable in future.	1 Mark
A Liability	B Asset
	C Income
	D Expense
Q86. Manoj Industries issued 10,000.15% debentures of Rs. 100 each at 10% premium but redeemed at par. How would you journalise the transaction?	1 Mark
A Bank A/c Dr. Rs. 1100000, Credit 15% Debentures A / c Rs. 10,00,000, Premium on issue of Debenture A/c Rs. 100,000	B Bank A/c Dr. Rs. 10,00,000, Credit 15% Debentures A/c Rs. 900,000, Premium on issue of Debenture A/c Rs. 100,000
C Bank A/c Dr. Rs. 880,000, Credit 15% Debentures A/c Rs. 880,000	D Bank A/c Dr. Rs. 880,000, Premium on issue of Debenture Rs. 80,000, Credit 15% Debentures A/c Rs. 800,000, Premium on issue of Debenture A/c Rs. 80,000
Q87. A price exclusive of the interest for the period for which the seller held the debentures is called _____.	1 Mark
A Ex-interest price	B Cum-interest price
C Plus-interest price	D Additional-interest price
Q88. Debentures are shown in the Balance Sheet of a company under the head of:	1 Mark
A Non-current Liabilities.	B Current Liabilities.
C Share Capital.	D None of these.
Q89. A and B are partners with a profit sharing ratio of 2 : 1 and capitals of ₹ 3,00,000 and ₹ 2,00,000 respectively. They are allowed 6% p.a. interest on their capitals and are charged 10% p.a. interest on their drawings. Their drawings during Profit of the firm before any appropriations was the year were A ₹ 60,000 and ₹ 40,000. B's share of net profit as per profit and loss appropriation account to ₹ 40,000. Net Profit of the firm before any appropriations was:	1 Mark
A ? 1,22,000	B ? 1,13,000
	C ? 1,17,000
	D ? 1,45,000
Q90. When debentures are redeemed out of profits, an equal amount is transferred to _____.	1 Mark
A CRR	B Capital reserve
C Revenue reserve	D Debenture Redemption Reserve
Q91. Premium on redemption of debentures is generally provided at the time of	1 Mark
A Issue of debentures	B Redemption of debentures
C Writing off	D After 10 years
Q92. Debenture premium can be used to:	1 Mark
A Write off the discount on issue of shares or debentures	B Write off the premium on redemption of shares or debentures

C	Write off capital loss	D	All of the above			
Q93.	Debentures cannot be redeemed at:	A Par	B Premium	C Discount	D More than 10% premium	1 Mark
Q94.	According to SEBI guidelines what percentage of the amount of debentures must be transferred to Debenture Redemption Reserve, before the commencement of redumption of debentures, in case of convertible debentures?	A 25%	B 50%	C 100%	D zero	1 Mark
Q95.	Debentures 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	1 Mark
Q96.	A Sinking Fund is a part of:	A Fixed Liabilities	B Current Liabilities	C Reserves and Surplus	D Fixed Assets	1 Mark
Q97.	Sources of finance of the redemption of debentures are:	A Redemption out of profits	B Redemption out of capital	C The proceeds from fresh issue of shares/debentures	D All the above	1 Mark
Q98.	Debentures are Classified Based on What Basis?	A Security	B All of The Above	C Mode Of Redemption	D Coupon Rate	1 Mark
Q99.	Debenture holder gets:	A Dividend	B Profit	C Interest	D Interest at fixed rate	1 Mark
Q100.	The provisions of the Companies Act, 2013 in respect of redemption of debentures are to protect the interest of:	A Debentureholders.	B Creditors.	C Shareholders.	D Bankers.	1 Mark
Q101.	Which of the following is true with regard to 10% Debentures issued at a discount of 20%	A The face value and the carrying amount of debentures are equal.	B The carrying amount of debentures gets reduced each year at a rate of 20%	C Issue price and the carrying amount of debentures are equal	D At the time of redemption, the debenture holder will be paid the issue price	1 Mark
Q102.	Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as:					1 Mark
	Assertion (A): Debentures can be redeemed at par, premium, or discount.					
	Reason (R): The redemption value of debentures is decided by the company's Articles of Association.					
	A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A).	B Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).	C Assertion (A) is true but Reason (R) is false.	D Assertion (A) is false but Reason (R) is true.		
Q103.	Premium payable on redemption of debentures is in the nature of:	A Liability Account.	B Asset Account.	C Expense Account.	D None of these.	1 Mark
Q104.	X. Ltd. issued 500, 15% Debentures of Rs100 each at a discount of 10% redeemable at a premium of 5% after 4 years. The amount of annual interest on Debentures is-	A Rs6,750	B Rs7,500	C Rs7,875	D Rs7,125	1 Mark
Q105.						1 Mark

When the debentures are redeemed, the requisite amount of Debenture Redemption Reserve is transferred to _____.

A Statutory reserve **B** General reserve **C** Revenue **D** CRR

Q106. Whenever debentures are cancelled any profit on cancellation is transferred to _____. **1 Mark**

A Profit & loss account **B** General reserve account
C Capital redemption reserve account **D** Capital reserve account

Q107. Debentures carries interest at: **1 Mark**

A 12% p.a. **B** Fixed Rate **C** 20% p.a. **D** 6% p.a.

Q108. At the time of issue of debentures, Debentures Account is: **1 Mark**

A Credited by the amount received.
C Credited by the nominal (face) value of the debentures.

B Credited by the issue price of the debentures.
D None of the above.

Q109. Which of the following statement is true? **1 Mark**

A A minor cannot be admitted as a partner.
C A minor can be admitted as a partner but his rights and liabilities are same of adult partner.

B A minor can be admitted as a partner, only into the benefits of the partnership.
D None of the above.

Q110. Loss on Issue of Debenture Account is shown: **1 Mark**

A On Assets side of Balance Sheet
C On Credit side of P & L Account

B On Liabilities side of Balance Sheet
D None of these

Q111. Discount or Loss on Issue of Debentures to be written off after 12 months from the date of Balance Sheet or after the period of Operating Cycle is shown as: **1 Mark**

A Other Current Assets.
C Other Long-term Liabilities.

B Other Non-current Assets.
D Other Current Liabilities.

Q112. When Debentures are issued which are redeemable at a premium, the amount of premium payable on redemption is? **1 Mark**

A Capital loss **B** Revenue loss

C Deferred Revenue **D** Revenue profit loss

Q113. 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 entry? **1 Mark**

A Debenture Suspense A/c
C Debenture redemption premium A/c

B Debenture A/c
D Premium on issue of debentures A/c

Q114. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): Issuing debentures increases a company's leverage.

Reason (R): Leverage refers to the use of debt to enhance the potential return on equity.

A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason (R) is false.

B Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason (R) is true.

Q115. Secured Debentures is known as: **1 Mark**

A Mortgage debentures **B** Naked debentures

C Unsecured Debentures **D** None of the options

Q116. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): Debenture holders have voting rights in the company's general meetings.

Reason (R): Debentures are a form of debt and do not confer ownership rights.

A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason (R) is false.

B Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason (R) is true.

Q117. If debentures purchased in open market are not immediately cancelled, they are treated as: **1 Mark**
A Current Assets **B** Current Liabilities **C** Investment **D** Capital

Q118. Debenture is a : **1 Mark**
A Loan certificate **B** Cash certificate **C** Credit certificate **D** None of these

Q119. Convertible Debentures are those debentures which are: **1 Mark**
A Convertible into equity only at the point of debenture holders.
C Convertible into equity shares only at the option of debenture holders or company.
B Convertible into equity shares only at the option of company only.
D Convertible into any securities at the option of debenture holders or company.

Q120. 'Premium on issue of debentures' is shown in the Balance Sheet on: **1 Mark**
A Assets side **B** Liabilities side **C** None of these **D** All of these

Q121. X Ltd issues 500, 15% Debentures of Rs100 each on 1st May at a discount of 10% redeemable at a premium of 5% after 4 years. Interest was payable half yearly on 30th June and 31st December. The amount of interest accrued but not due to be shown in the balance sheet as at 31st March is: **1 Mark**
A Rs1,250 **B** Rs1,875 **C** Rs3,750 **D** Rs5,000

Q122. A _____ may be defined as a subsidiary or secondary or additional security besides the primary security when a company obtains a loan or overdraft from a bank or any other financial institution **1 Mark**
A Securities Premium **B** Shares Loan **C** Debenture Loan **D** collateral security

Q123. Deep Ltd. issue 10,00,000, 7 % debentures of 100 Rs. each at a discount of 4%, redeemable after 5 years at a premium of 6%. Loss issue of debentures is: **1 Mark**
A ₹ 10,00,000 **B** ₹ 6,00,000 **C** ₹ 16,00,000 **D** ₹ 4,00,000

Q124. Interest on capital will be paid to the partners if provided for in the partnership deed but only out of: **1 Mark**
A Profits. **B** Reserves. **C** Accumulated Profits. **D** Goodwill.

Q125. Premium on issue of debentures is a for Company: **1 Mark**
A Revenue Receipt **B** Profit **C** Capital Receipt **D** All of these

Q126. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**
Assertion (A): Companies can issue debentures at a discount.
Reason (R): Issuing debentures at a discount reduces the company's immediate financial burden.
A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason (R) is false.
B Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason (R) is true.

Q127. Debenture Premium Account is a: **1 Mark**
A Personal Account **B** Real Account **C** Nominal Account **D** None of these

Q128. Discount on issue of Debentures is in the nature of: **1 Mark**
A Revenue Loss **B** Capital Loss

C Deferred Revenue Expenditure **D** None of these

Q129. As per SEBI Guidelines Debenture Redemption reserve is required to be created in case the company **1 Mark** issue debentures with a maturity of _____.

A More than 18 months **B** 2 years **C** 10 years **D** 5 years

Q130. Debentures can be redeemed out of _____ **1 Mark**.

A Profits **B** Provisions **C** Capital **D** All of the above

Q131. A and B are partners in a firm. They are entitled to interest on their capitals but the net profit was not sufficient for this interest, then the net profit will be distributed among partners in: **1 Mark**

A Agreed Ratio. **B** Profit Sharing Ratio. **C** Capital Ratio. **D** Equally.

Q132. Debenture holders are the : **1 Mark**

A Customers of the Company **B** Owners of the Company
C Creditors of the Company **D** None of these

Q133. In case of issue of debentures as a collateral security for loan from the bank which account will be debited: **1 Mark**

A Bank Account **B** Bank Loan Account
C Debentures Account **D** Debentures Suspense Account

Q134. Which of these is not a method of redemption of debentures? **1 Mark**

A Purchase in open market **B** Auction of debentures **C** Drawing of lots **D** Payment in lump sum

Q135. 6,000 debentures of ₹ 10 each were discharged by issuing equity shares of ₹ 10 each at 20% premium. The number of shares issued will be: **1 Mark**

A 50,000 **B** 60,000 **C** 5,000 **D** 6,000

Q136. Premium on redemption of debentures account is: **1 Mark**

A A real account **B** A nominal account **C** A personal account **D** None of these

Q137. When all debentures are redeemed, balance in the Debenture Redemption Fund Account is transferred to: **1 Mark**

A Capital Reserve **B** General Reserve
C Profit & Loss Appropriation A/c **D** None of these

Q138. When Debentures are issued at a discount, Which Account Is Debited. **1 Mark**

A Both A and B **B** Debentures A/c
C Vendors A/c **D** Discount on Issue of Debenture A/c

Q139. Consideration of Debenture is: **1 Mark**

A Profit **B** Dividend **C** Interest **D** None of these

Q140. Withdrawal from DRR is permissible only after _____ % of the debenture liability has been redeemed. **1 Mark**

A 30 **B** 40 **C** 10 **D** 25

Q141. Wellington Ltd. Bought a Machinery 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: **1 Mark**

A 3,400 **B** 4,000 **C** 5,000 **D** 4,250

Q142. Sinking fund investment is: **1 Mark**

A An Income **B** An exause **C** An Asset **D** A Liability

Q143. Profit on redemption of debentures is transferred to which account? **1 Mark**

A Capital Reserve Account **B** Sinking Gund Account

C General Reserve Account

D Profit & Loss Account

Q144. A company issued ₹ 1,00,000 12% debentures of ₹ 100 each. The amount of interest on debentures will be: **1 Mark**

A ₹ 12,000

B ₹ 1,20,000

C ₹ 12,00,000

D None of these

Q145. If debentures of ₹ 4,50,000 are issued for the consideration of net assets of ₹ 5,00,000 balance ₹ 50,000 will be credited to: **1 Mark**

A Profit & Loss A/c

B Goodwill A/c

C General Reserve A/c **D** Capital Reserve A/c

Q146. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): Redemption of debentures can be done out of capital or profits.

Reason (R): Companies are legally bound to maintain a Debenture Redemption Reserve (DRR).

A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A).

C Assertion (A) is true but Reason (R) is false.

B Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

D Assertion (A) is false but Reason (R) is true.

Q147. Every company required to create DRR shall on or before the 30th April of each year, deposit or invest, a sum which shall not be less than.....of the amount of its debentures maturing (to be redeemed) during the year ending on 31st March of the next year. **1 Mark**

A 10%

B 15%

C 25%

D 50%

Q148. In case debentures of ₹ 10,000 are issued at par but redeemable at a premium of 10%, the premium payable is debited to: **1 Mark**

A Debentures Suspense Account.

C Loss on Issue of Debentures Account.

B Premium on Redemption of Debentures Account.

D Both (a) and (c).

Q149. Discount on issue of debentures to be written off within 12 months of the balance sheet date or the period of operating cycle is shown under _____. **1 Mark**

A Other Current Assets

C Reserves and Surplus

B Current Assets

D Other Current Liabilities

Q150. Top Ramen Ltd. decides to redeem 1,000 10% Debentures of ₹ 100 each redeemable at 10% premium. The company will have to invest in specified securities at least. **1 Mark**

A ₹ 15,000

B ₹ 16,500

C ₹ 25,000

D ₹ 27,500

Q151. Company should create DRR equivalent to _____ % of the amount of debenture issue before redemption of debenture can commence. **1 Mark**

A 75

B 40

C 50

D 25

Q152. According to SEBI guidelines, a Company will have to create debenture redemption reserve equivalent to the amount of the following percentage of debenture issued: **1 Mark**

A 50%

B 25%

C 70%

D 100%

Q153. Preference share to be redeemed Rs.2,00,000 at a premium of 5%. Shares issued of Rs.1,00,000 at a premium of 10%. The amount to be transferred to capital redemption reserve is _____. **1 Mark**

A Rs.1,00,000

B Rs.1,10,000

C Rs.2,00,000

D Rs.1,05,000

Q154. Which of the following accounts can be transferred to capital redemption reserve account? **1 Mark**

A General reserve account

C Profit prior to incorporation

B Forfeited shares account

D Share premium account