



Question 12. How debentures are different from shares? Give two points.

Answer Nature: A share is a part of the capital of the company and a debenture is a part of loan of the company.

Dividend or Interest :Dividend on shares is paid only when there are profits in the company on the other hand debenture interest has to be paid, if the company does not have profit or even suffer a loss.

Ownership Equity share holders are the owners of the company on the other hand debenture holders are the creditors of the company.

Question 13. Name the head under which 'Discount on Issue of Debentures' appears in the Balance Sheet of a company.

Answer As we know that Discount on Issue of debentures is a capital loss and it will be written off out of the profit of coming years, Therefore, it is shown on the Assets side of the Balance Sheet under the heading of "Miscellaneous Expenditures" until it is written off.

Question 14. What is meant by redemption of debentures ?

Answer The term redemption implies the discharge of an obligation arising out of the contractual obligations created through the debenture Trust Deed. In other words, discharge of the liability on account of debentures is called redemption of debenture.

The redemption of debentures is made by the company in accordance with the terms and conditions of issue. Debentures may be redeemable at par, premium or discount, but in present scenario redemption of debentures at par and at premium is most popular. The redemption can be done out of profits or from the fresh issue of debentures or shares.

Redemption of debentures may be done by the following methods

- (i) By paying after stipulated period
- (ii) By annual drawing
- (iii) By conversion into shares or new debentures
- (iv) By purchasing own debentures in the open market
- (v) At the option of the company

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