SCHOLARS GLOBAL SCHOOL
CLASS-XII COMMERCE
ISSUE OF DEBENTURES NOTES

1. Debenture holders are Creditors of the Company.
2. Debentures indicate the Long-term Borrowings of a Company
3. In debenture, interest payable is Charged against the firm's profits
4. The owner of the debenture is qualified for Fixed-rate interest
5. When a company is liquidated, the debenture holders have a prior right for : principal amount & interest
6. Bearer Debentures

   A) They are transferable by mere delivery.

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

   C) They are treated as negotiable instruments.
7. Debenture Application A/c is in the form of Personal Account
8. The form of a discount on issue of Debentures is in the nature of Capital loss
9. Zero Coupon Bonds are issued : Without Specified Rate of Interest
10. On liquidation of company, principal amount of debentures is returned : Before Equity Capital
11. Premium received on issue of debentures may be utilised for:
    (A) For writing off discount allowed on issue of shares
    (B) For writing off premium allowed on redemption of debentures
    (C) For writing off preliminary expenses
12. Interest on debentures issued as a collateral security is paid on : No interest is paid
13. Loss on Issue of Debentures is written off: In the year of the issue of debentures
14. Premium on Redemption of Debentures Account is : Personal Account
15. A debenture is a written tool accepting a debt under the general authentication of the enterprise. It comprises of an agreement for repayment of principal after a particular period or at intermissions or at the option of the enterprise and for payment of interest at a fixed rate due to, usually either yearly or half-yearly on fixed dates.
16. According to the section 2(30) of The Companies Act, 2013 **'Debenture'** comprises of – Debenture Inventory, Bonds and any other securities of an enterprise whether comprising a charge on the assets of the enterprise or not.

Different Types of Debentures:

1. From the Point of view of Security

- **Secured Debentures:** Secured debentures are that kind of debentures where a charge is being established on the properties or assets of the enterprise for the purpose of any payment. The charge might be either floating or fixed. The fixed charge is established against those assets which come under the enterprise's possession for the purpose to use in activities not meant for sale whereas floating charge comprises of all assets excluding those accredited to the secured creditors. A fixed charge is established on a particular asset whereas a floating charge is on the general assets of the enterprise.
- **Unsecured Debentures:** They do not have a particular charge on the assets of the enterprise. However, a floating charge may be established on these debentures by default. Usually, these types of debentures are not circulated.

2. From the Point of view of Tenure

- **Redeemable Debentures:** These debentures are those debentures that are due on the cessation of the time frame either in a lump-sum or in instalments during the lifetime of the enterprise. Debentures can be reclaimed either at a premium or at par.
- **Irredeemable Debentures:** These debentures are also called as Perpetual Debentures as the company doesn't give any attempt for the repayment of money acquired or borrowed by circulating such debentures. These debentures are repayable on the closing up of an enterprise or on the expiry (cessation) of a long period.

3. From the Point of view of Convertibility

- **Convertible Debentures:** Debentures which are changeable to equity shares or in any other security either at the choice of the enterprise or the debenture holders are called convertible debentures. These debentures are either entirely convertible or partly changeable.
- **Non-Convertible Debentures:** The debentures which can't be changed into shares or in other securities are called Non-Convertible Debentures. Most debentures circulated by enterprises fall in this class.

4. From Coupon Rate Point of view

- **Specific Coupon Rate Debentures:** Such debentures are circulated with a mentioned rate of interest, and it is known as the coupon rate.
- **Zero-Coupon Rate Debentures:** These debentures don't normally carry a particular rate of interest. In order to restore the investors, such type of debentures are

circulated at a considerable discount and the difference between the nominal value and the circulated price is treated as the amount of interest associated to the duration of the debentures.

5. From the view Point of Registration

- **Registered Debentures:** These debentures are such debentures within which all details comprising addresses, names and particulars of holding of the debenture holders are filed in a register kept by the enterprise. Such debentures can be moved only by performing a normal transfer deed.
- **Bearer Debentures:** These debentures are debentures which can be transferred by way of delivery and the company does not keep any record of the debenture holders Interest on debentures is paid to a person who produces the interest coupon attached to such debentures.