



**INDIAN SCHOOL MUSCAT**  
Senior Section  
Department of Commerce and Humanities

Class : XII

Worksheet-No 11 :  
CH – 11: MCQs  
REDEMPTION OF DEBENTURES

Reference:  
T.S.Grewal

Date of issue :  
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ACCOUNTANCY (055)

Date of  
submission  
-----2020

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Time Allowed 30 Minutes

a. MCQ

**Q1** If debentures of ₹ 50,000 are issued at par but redeemable at a premium of 10%. By what principle of accounting, the loss on issue of debentures account will be debited with ₹ 5,000 while passing the issue entry ?

- (a) Principle of Revenue recognition
- (b) Principle of Materiality
- (c) Principle of Conservatism/Prudence
- (d) Principle of Full Disclosure.

**Q2.** X Ltd. has issued 10,000 6% debentures of ₹ 100 each. The company decided to redeem half of its debentures at 10% premium. There was a balance of ₹ 3,40,000 in Debenture redemption reserve. As per SEBI guidelines what amount still need to be transferred to Debenture redemption reserve account out of profits.

- (a) ₹ 6,60,000
- (b) ₹ 1,60,000
- (c) ₹ 5,50,000
- (d) ₹ 2,75,000

**Q3.** The rules regarding transfer of DRR to general reserve is mentioned in

- a. Companies Ac 2013
- b. Rule 18(7)(c) of Companies Rule 2014
- c. Section 71(4) of Companies (Share Capital and Debentures) Rules,2014
- d. All of the above.

**Q4** Alfa Ltd. issued 20,000, 8% debentures of ₹ 10 each at par. The debentures are redeemable at a premium of 20% after 5 years. The amount of loss on redemption of debentures should be:

- (a) ₹ 50,000
- (b) ₹ 40,000
- (c) ₹ 30,000
- (d) ₹ 16,000

**Q5. Debenture redemption reserve is created**

- a. Before redemption starts
- b. At the closure of previous accounting year
- c. Before 30<sup>th</sup> April of the current year
- d. All the above.

**Q6 Premium on redemption of debentures is a**

- (a) Liability account
- (b) Asset Account
- (c) Expense Account
- (d) None of these.

**Q7 . Gaurav Ltd. purchased machinery costing ₹ 1,71,000. It was agreed that the purchase consideration be paid by issuing 12% debentures of ₹ 100 each. Assume debentures have been issued at a discount of 10%. No. of debentures issued to vendor are:**

- (a) 1500
- (b) 1900
- (c) 2000
- (d) 2100

**Q8 In case the question is silent, DRR is created on the nominal value of outstanding redeemable debentures to the extent of**

- a. 25%
- b. 15%
- c. More than 25%
- d. Any of the above

**Q9 Debentures cannot be redeemed at**

- a. Premium
- b. Discount
- c. more than 10% premium
- d. at Par

**Q10 If debentures are issued at par and redeemed at a premium then which account will be debited by the amount of premium on debentures.**

- a. Discount on issue of debentures
- b. Premium on redemption of debentures
- c. Profit and loss account
- d. Loss on issue of debentures

**Q11 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

**Q12 Best Company Ltd decides to redeem 10,000 ,10% debentures of ₹ 100 each on 30<sup>th</sup> June 2018. The Company shall invest in specified securities on or before**

- a. 30<sup>th</sup> April 2017
- b. 30<sup>th</sup> April 2016
- c. 30<sup>th</sup> June 2017
- d. 30<sup>th</sup> April 2018

**Q13 Amount is set aside to Debenture redemption reserve (DRR) by**

- a. All the Companies
- b. All companies except banking companies
- c. All Companies except All India Financial Institutions
- d. All Companies except Banking Company and all India Financial Institutions regulated by RBI.

**Q14 Amount is not set aside to Debenture redemption reserve if**

- a. The debentures are not convertible
- b. The debentures are partly convertible
- c. The debentures are fully convertible.
- d. None of these.

**Q15 Premium payable on redemption of debentures is in the nature of**

- a. Liability Account
- b. Asset Account
- c. Expense Account
- d. None of these.

**Q16 Once the debentures are redeemed, amount of debenture redemption reserve is transferred to**

- a. Capital Reserve
- b. Balance in Profit and loss account
- c. General Reserve
- d. Capital Redemption reserve

**Q17 G Limited has outstanding 10,000 8% debentures of ₹ 100 each that are redeemable at a premium of ₹ 10. Out of these 5000 debentures are to be redeemed on 31<sup>st</sup> December 2018 Debenture redemption Investment should be**

- a. ₹75,000
- b. ₹82,500
- c. ₹1,50,000
- d. ₹1,65,000

**Q18 Global savings Bank is to redeem 40000 10% debentures of ₹ 100 each on 31<sup>st</sup> December 2018. How much amount should it invest in specified securities?**

- a. ₹6,00,000
- b. ₹10,00,000
- c. ₹5,00,000
- d. Nil

**Q19 H Limited has outstanding 10,000 , 8% debentures of ₹ 100 each that are redeemable at a premium of ₹ 10 each. Out of these 5000 debentures are to be redeemed on 31<sup>st</sup> December 2018. Debenture redemption investment should be**

- a. ₹75,000
- b. ₹82,500
- c. ₹1,50,000
- d. ₹1,65,000

**Q20 Amount is not invested in debenture redemption Investment if**

- a. Debentures are not convertible
- b. The debentures are partly convertible
- c. The debentures are fully convertible
- d. None of the above.

**B. Fill in the Blanks**

- 21. Debentures are redeemed setting aside 25% of the nominal value of debentures to Debenture Redemption Reserve .It is redemption out of \_\_\_\_\_
- 22. Amount to be set aside to \_\_\_\_\_ before redemption of debentures.
- 23. Debenture Redemption Investment should be made \_\_\_\_\_ 30<sup>th</sup> April of the year in which debentures re redeemed.
- 24. Discount or loss on issue of debentures is a \_\_\_\_\_
- 25. Once the debentures re redeemed ,amount of DRR is transferred to \_\_\_\_\_.

**C. State True of False**

- 26. Debenture Redemption Investment is made by companies required to set aside amount to Debenture redemption Reserve.
- 27. Debenture redemption reserve may be set aside by a company out of any reserve.
- 28. Surplus cannot be transferred to Debenture Redemption Reserve.
- 29. Debenture Redemption Investment can be used by the Company for any purpose after the debentures have been redeemed.
- 30. General Reserve can be transferred to Debenture Redemption Reserve.

**PLEASE PRACTICE AND THAN CHECK ANSWER**

**ANSWERS :-**

Q No	Answer	Q No	Answer	Q No	Answer
1	C	13	D	25	General reserve
2	B	14	C	26	True
3	A	15	A	27	False
4	B	16	A	28	False
5	A	17	A	29	True
6	A	18	D	30	True
7	B	19	A		
8	A	20	C		
9	B	21	Profit and capital		
10	D	22	DRR		
11	A	23	On or before		
12	D	24	Capital loss		

Marks Scored :-----/ 30