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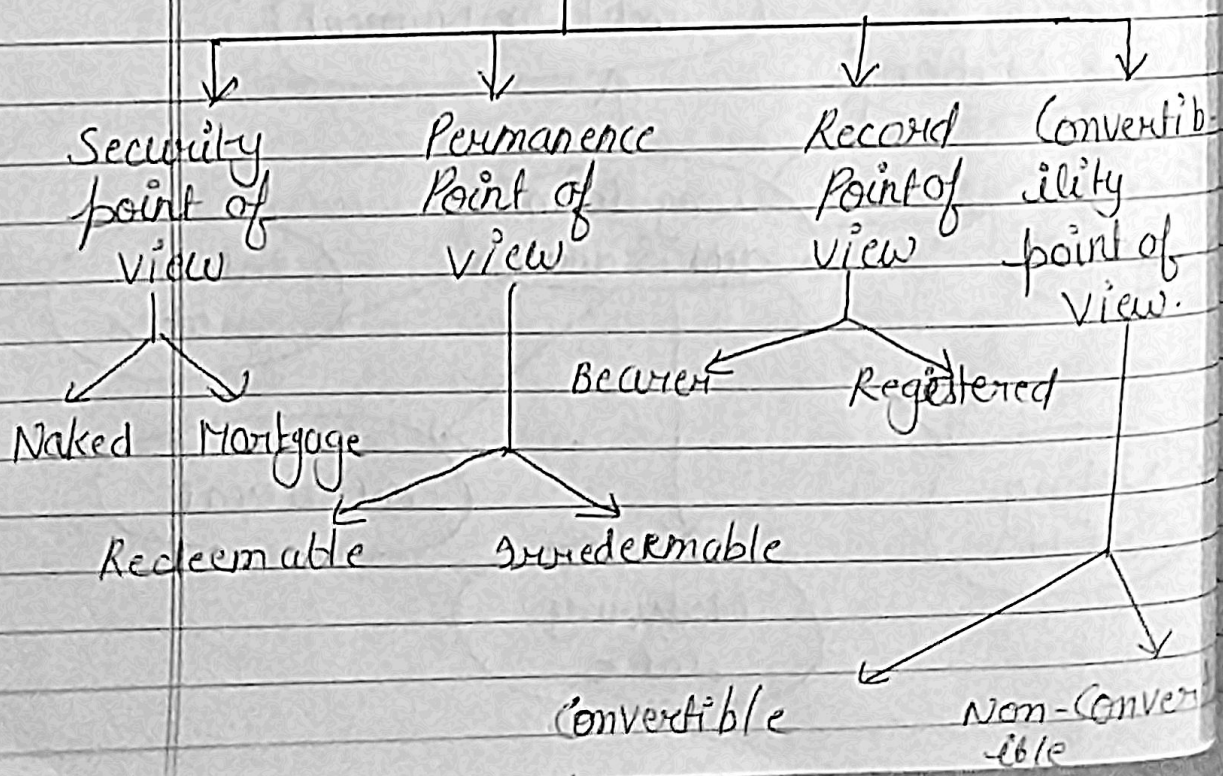
B.C.A → 2 Semester
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TOPIC → Debenture

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A debenture is a document under the company's seal which provides for the payment of principal sum and interest thereon at regular intervals.

According to Section 2(12) of Indian Companies act 1956, "Debentures include debenture stock, bonds or any other securities of a company whether constituting a charge on the assets of the company or not."

TYPES OF DEBENTURES



2) From Security point of view.

a) Naked/Simple debenture \Rightarrow The debentures which are not secured on any asset are called naked/Simple debentures.

b) Mortgage debentures \Rightarrow Those debentures which are secured either on a particular assets or on all the assets of the company in general are called mortgage debentures.

3) From permanence point of view.

(a) Redeemable debentures. Those debentures which are repayable after specified period in lump sum or by installments during the life time of the company.

(b) Irredeemable debentures \Rightarrow Those debentures which are not redeemable during the life time of the company is called irredeemable debentures.

3.) From records point of view:

- (a) Bearer debentures :- Those debentures which are payable to the bearer are called bearer debentures.
- (b) Registered debentures :- Those debenture which are payable to the persons whose name appears in the register of debenture holders are called registered debentures.

4.) From Convertibility point of view

- (a) Convertible debenture :- Under this, the debenture holders are given the option to exchange the debentures into equity shares after the expiry of a specified period.
- (b) Non-Convertible debentures :- The debentures, the holders of which do not have a right to convert them into shares are called non-convertible debentures.

Advantages of Debentures:

(a) Advantages to the Company.

1) Long-term funds

2) Low rate of interest.

3) Tax-deduction.

4) No interference in company management

5) Provide flexibility.

Advantages to the Investors.

1) Fixed rate of income.

2) Safer investment

3) Definite maturity period

4) Security of investment