Debentures : Meaning & Features.

Meaning :- Debenture is a certificate of loan or a loan bond under the common seal that recognizes a company liabilities to pay a certain amount together with accrued intrest at a fixed rates at the end of stipulated period.

The funds raised by debentures are a part of a company's capital structure but not share capital.

Features of Debentures :-

1) LOAN CAPITAL → The funds raised through the issue of depentures are part of company's loan capital. As it is to be repaid by the company along with intrest.

2) ISSUANCE UNDER COMMON SEAL: These are issued under the common seal of the company.

3) CONTRACTUAL AGREEMENT. : It is a kind of agreement that

mentions the period of time after which the amount will be repaid by the company with interest at specified rate.

4) FIXED RATE OF INTREST ÷ generally called as coupon rate, which is predetermined & fixed.

5) REDEEMABLE INSTRUMET OF CREDIT : These are generally repayable after a fixed period of time. usually it is long term.

6) SECURED INSTRUMENT : These are almost have a charges against the assets of the company. So security in investment.

7) EXTERNAL LIABLEITY ÷ These are long term sour of finance & borrowed from outsiders. So treated as external equity.

8) BONAFIDE CREDITORS. ÷ holder are treated as genuine creditor of the company and treated like wise