

Distinguish, differentiate, compare and explain what is the difference between Debentures and Bonds. Comparison and Differences.

## Differences between Debentures and Bonds

S.No.	Debentures	Bonds
1	Debentures are mostly issued by private companies.	Bonds are issued by financial institutions, government agencies and large corporations.
2	A debenture investment is for short term.	The investment tenure for bonds is for long term.
3	Interest payment happens on a periodical basis, which is often dependent on the company's performance.	Payment of interest in bonds is on accrual basis. They are paid monthly, semi-annually and annually.
4	Debenture investment has high risk. People generally invest due to the reputation of the company.	Bonds have low risk.
5	It is not secured by collateral.	It is secured by collateral.
6	Offers high rate of returns, since it is not backed by collateral.	Offers low rate of interest, as it is backed by collateral.
7	There are convertible debentures that allow the holder to convert these into shares, if they believe it has a potential to generate profits in future.	Bonds cannot be converted to equity shares.
8	Debenture holders will be paid after bond holders, in case the company shuts down.	In case of liquidation of an organisation, the bond holders will be paid first, followed by the debenture investors.