

MODEL QUESTION PAPER FOR THE LIMITED INSOLVENCY EXAMINATION
(w.e.f. 1st October 2026)

1. Which of the following enactments was not amended as part of the IBC, 2016?
 - a) The Customs Act, 1962
 - b) The Limitation Act, 1963
 - c) The Payment and Settlement Systems Act, 2007
 - d) The Limited Liability Partnership Act, 2008Ans. (b)

2. A corporate debtor shall be deemed to have given a preference at a relevant time under the IBC, 2016 if it is given to a related party during the period of _____ preceding the insolvency commencement date.
 - a) two years
 - b) three years
 - c) four years
 - d) five yearsAns. (a)

3. Which of the following is an ‘excluded asset’ for the purposes of Part III of the IBC, 2016 dealing with insolvency resolution and bankruptcy for individuals?
 - a) Unencumbered single dwelling unit irrespective of its value.
 - b) Encumbered single dwelling unit irrespective of its value.
 - c) Unencumbered single dwelling unit of prescribed value.
 - d) Encumbered single dwelling unit of prescribed value.Ans. (c)

4. When the IBBI has to inspect any books of any person at any place, it shall have the powers _____?
 - a) as are vested with the criminal court under the Criminal Procedure Code, 1973
 - b) as are vested in a civil court under the Code of Civil Procedure, 1908 while trying a suit
 - c) as are vested in the Ministry of Corporate Affairs to the IBBI
 - d) as are vested with the IBBI under the IBBI (Inspection and Investigation) Regulations, 2016.Ans. (b)

5. In a corporate insolvency resolution process, if there are dues to numerous workmen of the corporate debtor, _____.
 - a) all workmen must submit their claims individually
 - b) an authorized representative may submit one claim with proof on behalf of all workmen
 - c) the resolution professional shall use an authorised representative to collect and consolidate all such claims

d) the resolution professional shall announce dues as per corporate debtors' records and invite applications for disputes, if any

Ans. (b)

6. Who ordinarily decides the fees payable to a liquidator under the IBBI (Liquidation Process) Regulations, 2016?

- a) Committee of creditors
- b) Corporate debtor
- c) IBBI
- d) Adjudicating Authority

Ans. (a)

7. Which of the following is not prohibited by the code of conduct for insolvency professionals?

- a) Diligence while performing his functions and duties.
- b) Being engaged in employment while holding valid authorisation for assignment.
- c) Accepting gifts or hospitality from a creditor.
- d) Conducting business which in the opinion of the IBBI is inconsistent with the reputation of the profession.

Ans. (a)

8. An information utility holds financial information as a _____.

- a) trustee
- b) regulator
- c) custodian
- d) fiduciary

Ans. (c)

9. A show cause notice issued by the IBBI on consideration of an inspection report needs to be disposed of by _____ within a period of 180 days.

- a) inspecting authority
- b) IBBI
- c) Adjudicating Authority
- d) disciplinary committee

Ans.(d)

10. As per the IBBI (Bankruptcy Process for Personal Guarantors to Corporate Debtors) Regulations, 2019, a bankruptcy trustee shall submit a preliminary report within _____ days of bankruptcy commencement date?

- a) 30
- b) 45
- c) 60
- d) 90

Ans.(d)

11. When a company has failed to commence its business within one year of its incorporation, _____.
a) the registrar may strike off its name from the register of companies
b) it will be given a dormant status
c) its registration will be suspended
d) it will be referred to official liquidator
Ans.(a)
12. Every limited liability partnership shall file a duly authenticated _____ with the Registrar within sixty days of closure of its financial year.
a) auditor's report
b) cash flow statement
c) annual return
d) profit and loss statement
Ans. (c)
13. In terms of the Partnership Act, 1932 the partner of a firm, where partnership is at will, may retire _____.
a) with the consent of all the other partners
b) in accordance with an express agreement by the partners
c) by giving notice in writing to all the other partners of his intention to retire
d) without the consent of all the other partners
Ans.(c)
14. A contract in which one person promises to compensate the other person for the loss suffered by him, due to the conduct of the promisor or of any other person, is known as _____.
a) contract of indemnity
b) contract of guarantee
c) quasi-contract
d) contingent contract
Ans.(a)
15. 'A' transfers a garden to B for his life, with a proviso that, in case B cuts down a particular neem tree, the transfer shall cease to have any effect. B cuts down the tree. Decide the case in the light of the Transfer of Property Act, 1882.
a) B loses his life interest in the garden.
b) B does not lose his life interest in the garden.
c) No such provision is made under the Transfer of Property Act, 1882.
d) The transfer will become void-ab-initio.
Ans. (a)

16. The arbitration agreement as defined in section 7(2) of the Arbitration and Conciliation Act, 1996 may be _____.

- a) in form of contract and a separate agreement
- b) in form of contract and a written agreement
- c) in the form of an arbitration clause in a contract or in the form of a separate agreement
- d) in the form of an implied oral agreement.

Ans.(c)

17. Which of the following decides applications from the banks and financial institutions for recovery of debts of individuals due to them?

- a) Debt Recovery Tribunal
- b) Debt Recovery Appellate Tribunal
- c) Securities Appellate Tribunal
- d) Central Board of Direct Taxes

Ans. (a)

18. As per the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, what constitutes a 'non-performing asset'?

- a) An asset of a borrower which has been classified by a credit rating agency as doubtful.
- b) An asset or an account of a borrower which has been classified by a bank as sub-standard or doubtful or loss asset.
- c) An account for which a borrower has refused to repay.
- d) An asset of borrower's subsidiaries company which has failed to repay any of its debt.

Ans.(b)

19. As per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the board of directors shall meet at least _____ times a year.

- a) 2
- b) 3
- c) 4
- d) 5

Ans. (c)

20. Principle of res-judicata applies to _____.

- a) suits only
- b) execution proceedings only
- c) arbitration proceedings
- d) suits as well as execution proceedings

Ans. (d)

21. In view of the provisions of RERA Act, 2016, who else is under the regulatory body's purview?

- a) directors of company
- b) investors
- c) purchasers of Intellectual property rights
- d) Real estate agents

Ans. (d)

22. Interest coverage ratio is a _____.

- a) solvency ratio
- b) liquidity ratio
- c) turnover ratio
- d) profitability ratio

Ans.(a)

23. The process whereby a company sells its receivables to a collection agent in order to secure a cash sum which is at a discount to the face value of the receivables is termed as _____ process.

- a) debt factoring
- b) credit factoring
- c) sell per se
- d) cash collection

Ans. (a)

24. Minimum Wages Act, 1948 specifies _____ to fix minimum rates of wages in respect of employment specified in the schedule’?

- a) Labour Commissioner
- b) State Government
- c) Local administration
- d) Appropriate Government

Ans. (d)

25. In a forensic audit, diversion of funds is best discovered by a review of _____.

- a) the audited financial statement
- b) books of the CD
- c) bank statements
- d) trial balance

Ans. (c)

26. The Hon’ble Supreme Court, in Mobilox Innovations (P) Limited v Kirusa Software (P) Limited case, has interpreted the expression “_____”.

- a) Operational Creditor
- b) Existence of Dispute
- c) Time value of money
- d) Doctrine of Repugnancy

Ans.(b)

27. In the matter of _____, the Supreme Court held that the NCLT and the NCLAT have no jurisdiction and authority to analyse or evaluate the commercial decisions taken by the CoC.
- Union of India v Association of Unified Telecom Service Providers of India Etc.
 - K. Kishan v Vijay Nirman Company Pvt. Ltd.
 - State Bank of India v Ms. Metenere Limited
 - K. Sashidhar v Indian Overseas Bank & Ors.
- Ans. (d)
28. In the case of Sree Metaliks Limited and another v Union of India, it was held by Hon'ble Calcutta High Court that _____.
- section 7 of the IBC, 2016 is unconstitutional
 - section 7 of the IBC, 2016 must be read with the Section 424 of the Companies Act, 2013
 - the National Company Law Tribunal and National Company Law Appellate Tribunal have to adhere to the principles of natural justice barring exceptional circumstance
 - the principles of natural justice are expressly ousted from section 7 of the Code
- Ans. (c)
29. In which of the following cases, Hon'ble NCLAT has interpreted upon the powers of the Liquidator and held that '*the liquidator shall verify claims of all the creditors, take into custody and control of all the assets, property, effects and actionable claims of the 'corporate debtor', carry on the business of the 'corporate debtor' for its beneficial liquidation etc. as prescribed under Section 35 of IBC*'?
- M/s Era Infra Engineering Ltd. v Prideco Commercial Projects Pvt. Ltd.
 - S. C. Sekaran v Amit Gupta & Ors.
 - Liberty House Group Pte. Ltd. v State Bank of India & Ors.
 - Gammon India Limited v Neelkanth Mansions and Infrastructure Pvt. Ltd.
- Ans. (b)
30. In the case of _____ the NCLT held that the License/Spectrum is an asset of State over which the Corporate Debtor has no right of ownership.
- Pal Infrastructure & Development Pvt. Ltd.
 - Viceroy Hotels Ltd.
 - Bhatia Coke and Energy Limited
 - Aircel Limited
- Ans. (d)
31. In the case of _____ the Supreme Court held that general commercial considerations are outside the scope of judicial review, but in certain conditions they may be subject to judicial review.
- Babulal Vardharji Gurjar v Veer Gurjar Aluminium Industries Pvt. Ltd.
 - Chitra Sharma v Union of India
 - K Sashidhar v Indian Overseas Bank
 - Manish Kumar v Union of India & Anr.
- Ans. (c)

32. With respect to the legislative history supporting the non-applicability of moratorium under Section 14 of the IBC to personal guarantors, the Hon'ble Supreme Court in *State Bank of India v. V. Ramakrishnan and Anr.* cited _____.

- a) Companies Act, 1956 and 2013 amendments
- b) Section 22 of SICA and its legislative exclusion
- c) Eradi Committee and Companies (Second) Amendment Act
- d) Banking Regulation Amendment Bill

Ans.(b)

33. In *Eva Agro Feeds Private Limited vs. Punjab National Bank*, which fundamental principle of administrative law was reinforced by the Hon'ble Supreme Court?

- a) Wednesbury unreasonableness.
- b) Doctrine of promissory estoppel.
- c) Reasons are essential for validity of administrative action.
- d) Nemo judex in causa sua.

Ans. (c)

34. In the matter of *Mohammed Enterprises (Tanzania) Ltd. v. Farooq Ali Khan & Ors*, the writ petition before the High Court challenged, inter alia, the approval of the resolution plan on the ground that:

- a) Principles of natural justice were violated due to insufficient notice of the 19th CoC meeting
- b) The plan violated Section 30(2) of the IBC
- c) The successful resolution applicant was ineligible under Section 29A
- d) The Committee of Creditors lacked quorum

Ans. (a)

35. According to the Hon'ble Supreme Court in the matter of *Kalyani Transco v. Bhushan Power and Steel Ltd*, the NCLAT had no authority to judicially review actions taken under the Prevention of Money Laundering Act, 2002 (PMLA) because:

- a) PMLA proceedings automatically abate after CIRP admission.
- b) ED's provisional attachment order was never challenged.
- c) NCLAT is not vested with judicial review powers over decisions of statutory authorities acting under public law.
- d) Section 32A completely bars all proceedings under PMLA.

Ans. (c)

36. According to the Hon'ble Supreme Court in the matter of *State Bank of India v. Union of India & Ors.* (2026), the moratorium under Section 14 of the IBC:

- a) Converts spectrum into insolvency assets.
- b) Creates fresh rights in favor of the corporate debtor.
- c) Extinguishes telecom regulatory obligations.
- d) Preserves status quo but cannot alter the Government's sovereign powers over spectrum

Ans.(d)

37. As per *Sanjay Kumar Agarwal vs. Union of India* judgement, the alleged bribe was sought for:

- a) Obtaining favourable forensic audit/valuation reports and helping regain control of the company
- b) Sanction of bank loan
- c) Settling tax liabilities
- d) Grant of environmental clearance

Ans. (a)

38. According to Hon'ble NCLAT in the matter of K.H. Khan v. Art Constructions, which of the following best describes development rights under a Joint Development/Collaboration Agreement?

- a) Personal right incapable of transfer.
- b) A bundle of rights and interests amounting to property under Section 3(27) IBC.
- c) A revocable license having no asset value.
- d) Mere contractual expectation.

Ans.(b)

39. As per K.H. Khan v. Art Constructions judgement, whether development rights acquired by a Corporate Debtor under a Collaboration Agreement constitute "property" under Section 3(27) of the IBC?

- a) No, only ownership rights constitute property.
- b) No, development rights are merely contractual rights.
- c) Yes, but only after approval of a resolution plan.
- d) Yes, development rights constitute property and therefore an asset of the Corporate Debtor.

Ans.(d)

40. While considering Regulation 39(1B)(b), Hon'ble NCLAT in the matter of Dorni Vinimoy Private Limited & Ors. vs. Rachna Anchalia, RP of Imperial Tubes Private Limited & Ors, reasoned that permitting consideration of Dorni's plan was justified because:

- a) CoC may always ignore the final PRA list
- b) Regulation 39 is directory
- c) The earlier judicial order necessarily contemplated submission and consideration of Dorni's plan.
- d) Dorni became part of the final PRA list automatically.

Ans. (c)

Attempt Questions 41-48 based upon the following case study/transaction analysis:

Mr. X holds the first meeting of his team as Interim Resolution Professional of Jumpee Cosmetics Limited ("Jumpee"). An application was made to the Adjudicating Authority by a joint lending forum, led by Kuber Bank who are owed Rs.1.3 crore, which was satisfied that a

default had occurred (Jumpee had not made any repayments on the principal debt for six months, having also defaulted for three months towards the end of last year).

The Adjudicating Authority communicated the order under section 5(a) of the IBC, 2016 (“the Code”) and sent notice of commencement of the corporate insolvency resolution process.

Richie, one of the senior members of X's team asks to see X privately and reveals at the meeting that his cousin is on the board of Jumpee. He explains that they have not seen each other socially for more than five years and have not discussed this matter. Richie is a forensic accountant, and a skilful strategist and X is very keen for him to remain on the team.

Jumpee deals in cosmetics for reconstructive surgery or as an alternative for surgical intervention and thus, holds several licenses for live animal research and the blending of volatile chemical compounds and the current status of the licenses needs to be ascertained.

Having completed an early “walk round” of the main site, and having talked to Jumpee’s main Security Officer, Mr. X selects a series of offices in the main building of the company’s headquarters and call a meeting of three members of his team.

With reference to the above-mentioned facts, answer the following questions:

41. With respect to the stated position of Richie, what shall be the reasonable step by Mr. X?
- a) Richie may remain on the team as his relationship with his cousin is a distant one and it is reassured that he has had no social contact with him in the past five years
 - b) Richie has to leave the team and return to the office as he is effectively an “independent director” of Jumpee and cannot be allowed to be part of the CIRP process
 - c) Richie may remain on the team as he is a junior member without any significant influence
 - d) Richie must leave the team and return to the office as the Code of Conduct places high value on independence and impartiality

Ans.(d)

42. With respect to the circular issued by IBBI on January 16, 2018 requiring certain disclosures to be made by the Insolvency Professional in a Resolution Process in the interests of transparency, by when must the disclosure be made relating to the relationship between Richie and his cousin?

- a) Within 2 days of the appointment of the Interim Resolution Professional
- b) Within 2 days of the constitution of the Committee of Creditors
- c) Within 3 days of the appointment of the Interim Resolution Professional
- d) Within 3 days of the constitution of the Committee of Creditors

Ans.(c)

43. Who shall be held responsible for the loss suffered by Jumpee, after the commencement of CIRP, on account of non-compliance with the law due to a license for cosmetic products from animal testing not being renewed on time?

- a) The directors of the company, if their names were on the original application for the said license
- b) The Insolvency Professional will be responsible, and any loss will not form part of the insolvency Resolution Process cost

- c) The Company itself is responsible as it is a separate legal entity, and all contracts and transactions are being performed in its name
- d) The senior employees and personnel of the company will be responsible as they are in the most senior position with the greatest knowledge of the practices of the business

Ans. (b)

44. Mr. X before accepting the assignment as an Interim Resolution Professional would have submitted Form 2 under rule 9 of IBBI (Application to Adjudication Authority) Rules, 2016. What does Form 2 deal with?

- a) Application to initiate corporate insolvency resolution process
- b) Written communication in connection with application to initiate corporate insolvency resolution process
- c) Invoice determining payment under the Code
- d) Consent to act as insolvency professional for insolvency resolution of personal guarantor to corporate debtor

Ans. (b)

45. Assuming Mr. X was in employment at the time of considering the offer of assignment, choose the correct answer from the following.

- a) Mr. X can submit Form 2 only if he holds a valid authorisation for assignment
- b) Mr. X can submit Form 2 and take authorisation for assignment before actual date of appointment
- c) Requirement of holding an authorisation for appointment does not arise for Mr. X as his name was proposed by a financial creditor
- d) Requirement of holding an authorisation for appointment would arise for Mr. X if his name were proposed by an operational creditor

Ans. (a)

46. The two Registered Valuers appointed by Mr. X have provided estimates of fair value and liquidation value. In which of the following situation should Mr. X appoint a third valuer?

- a) Only if each of the valuers disagree with the value provided by the other valuer
- b) Only if the suspended board of directors of Corporate Debtor make such a request
- c) Only if he is of the opinion that the two estimates are significantly different
- d) Only if the CoC by a majority of more than 50 per cent of voting share recommends for such appointment

Ans. (c)

47. Mr. X has received a suggestion from one of the creditors that the liquidation value should be included in the information memorandum to fetch higher resolution value. Choose the correct answer from the following:

- a) Liquidation value should be mandatorily included in the Information Memorandum.
- b) Only the liquidation value due to operational creditors can be include in the Information Memorandum.

- c) Liquidation value may be included in the Information Memorandum if creditors pass a special resolution with 76 per cent voting rights or more.
- d) Liquidation value need not to be incorporated in the Information Memorandum.

Ans. (d)

48. The Financial Creditors are contemplating to initiate insolvency proceedings on the Mr. P, the personal guarantor to the Corporate Debtor. They have approached Mr. X to take up the assignment in relation to Mr. P. What should Mr. X do?
- a) Mr. X should not agree to the request as he is not eligible for such appointment
 - b) Mr. X should accept the request as he has complete knowledge of the corporate debtor which will help him in faster resolution
 - c) Mr. X should file an application before NCLT seeking its approval
 - d) Mr. X should file an application before IBBI seeking its prior approval

Ans. (a)

Attempt Questions 49-56 based upon the following case study/transaction analysis:

Rajhans Oils Pvt. Ltd. a closely held private company was engaged in the business of processing oilseeds for edible oils. It was established in 1988 under the dynamic leadership of Raman Prasad. Within a decade, Rajhans Oils Pvt. Ltd positioned itself as a leader in production of groundnut oil in the Western region of India with two premium brands.

In 2016 Raman Prasad had a severe heart attack and died without any succession plan in place. Pawan and Naveen, the two sons of Raman Prasad were also directors in the company with equal shareholding. After death of Raman Prasad, both brothers had strained relations over the management control which adversely affected the business of the company. With declining profit and turnover both the brothers were worried and decided to reach a family settlement whereby the control of the company was handed over to the elder brother Pawan. Naveen resigned as the director of the company and in lieu of the same he was entrusted with the management and control of another family firm Aragon Edibles, wherein both brothers were partners. Praveen, son of Pawan was inducted as director in the Company.

In 2018 Naveen wanted to withdraw unsecured loan given by him to the company because the company stopped paying him interest on the loan. Despite follow up Naveen was not paid either the principal or interest, which forced him to file an application under section 7 of the Insolvency and Bankruptcy Code 2016. The Adjudicating Authority admitted the application and appointed an Interim Resolution Professional (IRP). Pawan refused to hand over the management control to the IRP on the plea that it was a family dispute, and they will settle it soon. He also asked the IRP not to make the public announcement. IRP tried to persuade Pawan citing the provisions of the Code and warned him that if he does not hand over control of the Corporate Debtor IRP will be forced to approach the Adjudicating Authority for appropriate orders. Thereafter Pawan allowed the IRP to take inventory of the assets and stocks after 15 days from the insolvency commencement date.

With reference to the above facts and other details provided in the question, answer the following questions:

49. Yes Bank, the only member of CoC holding 100 per cent voting share filed an appeal before the National Company Law Appellate Tribunal (NCLAT) to set aside the order of Adjudicating Authority regarding admission of CIRP on the ground that its cash credit account with the company is regular and there is no default. Will the application of Yes Bank survive?
- a) Yes, as there is no default for the financial creditor having 100 per cent voting share.
 - b) No, a default has occurred u/s 7 of the Code and another creditor does not have any right to intervene.
 - c) Yes, as the account of Yes bank is likely to become NPA due to initiation of CIRP and object of the Code is maximisation of the value of assets of the corporate debtor.
 - d) Yes, the application for CIRP was filed by a related party financial creditor.
- Ans. (b)

50. IRP while taking over the control of assets was informed that Income Tax Dept has attached the raw material godown of the company due to default in payment of tax dues. What is the most appropriate course of action to be taken by the IRP?
- a) IRP should request the Income Tax Dept to file its claim, withdraw the attachment order citing the provisions of moratorium u/s 14 of the Code and if the Dept. refuses the request or delays it should file an application before the Adjudicating Authority.
 - b) IRP should immediately file an application before the Adjudicating Authority to vacate the attachment order.
 - c) IRP should deposit the outstanding demand and then request the Income Tax Dept to withdraw the attachment order.
 - d) IRP should inform the Income Tax Dept department to file its claim.
- Ans. (a)

51. Naveen filed a claim for unsecured loan of Rs. 1,75,00,000 along with interest @18 per cent per annum. IRP reviewed the accounts and found that there is no agreement to that effect on interest rate, neither there is any resolution of the Board of Director in this regard. IRP admitted the claim only for the principal amount. Is he right in his decision?
- a) IRP should have admitted the claim along with interest @ 6 per cent, in absence of any agreement.
 - b) IRP should have admitted the claim along with interest @ 18 per cent as claimed as Naveen had initiated the CIRP application which was admitted by the Adjudicating Authority.
 - c) IRP was right in admitting only the principal in absence of any evidence for the interest chargeable.
 - d) Promoters generally provide unsecured loans to tide over financial crunch, IRP should have favourably considered such gestures by admitting the interest claimed.
- Ans. (c)

52. Yes bank charged interest @ 9 per cent on the Cash credit limit availed by the company, as per the terms of sanction, even after the insolvency commencement date and justified it on the ground that if the interest is not charged the account has to be classified as NPA. Is the bank's claim legally justified?

- a) No, interest cannot be charged after insolvency commencement date. Bank must file claim as on the insolvency commencement date.
- b) Yes, if interest was not charged cash credit limit account would have been frozen by the bank and it would have hampered the going concern status of the corporate debtor.
- c) Yes, there was no default in the payment to Yes bank the account was regular therefore, Yes bank can continue charging interest.
- d) No, bank can charge interest @ 6 per cent for the purpose of ascertaining voting share.

Ans. (a)

53. On review of the bank accounts, IRP observed that sixteen months before the insolvency commencement date, a payment of Rs. 1 Crore has been made to a creditor Aragon Edibles which Pawan is a partner. Does it amount to preferential transaction under the code?

- a) No, it is a payment in the ordinary course of the business of the corporate debtor.
- b) No, it is a payment for the material supplied by the creditor which has been sold and money realised by the Corporate Debtor.
- c) Yes, it is given to a related party during the period of two years preceding the insolvency commencement date.
- d) Yes, it created security interest in the property acquired by the corporate debtor.

Ans. (c)

54. IRP sent an email to the Advocate of the Corporate Debtor who was handling the matter on behalf of the promoters to provide IRP all the documents in his possession within 7 days. Was IRP justified in his action?

- a) No, Advocates are not covered under section 17(2)(d) of the Code.
- b) Yes, all professionals are under obligation to provide all documents requested by the IRP.
- c) Yes, IRP is an officer of the Court, and he can ask records from anyone.
- d) No, Advocate is also an officer of the Court.

Ans. (a)

55. In the first meeting of the Committee of Creditors (CoC) Yes bank asked for reimbursement of the legal expenses incurred by it on filing application before NCLAT for setting aside the order of Adjudicating Authority (AA). CoC approved the same and was reimbursed by the IRP. Whether reimbursement by IRP was in compliance with the CIRP Regulations?

- a) Yes, IRP is obliged to make payment of all the expenses approved by the CoC.
- b) No, IRP should have informed the CoC that the legal expenses incurred by Yes bank are not payable as insolvency resolution process cost and should not have placed it for approval of the CoC.
- c) Yes, It is covered under expenses incurred on or by the interim resolution professional to the extent ratified under CIRP Regulation 33;

- d) Yes, it is covered under CIRP Regulation 33 (e) - other costs directly relating to the corporate insolvency resolution process and approved by the committee.

Ans. (b)

56. One of the operational creditors filed a claim of Rs. 2 crores on 01.06.2020 claiming that he could not file it due to Covid lockdown. RP refused to admit the claim on account of delay beyond 90 days from the insolvency commencement date. What is the option available to the operational creditor (OC)?

- a) OC has no right against the refusal to admit his claim by RP.
- b) Hon'ble Supreme Court has extended limitation period due to Covid lockdown therefore, RP has no power to reject the claim for delay in submission.
- c) OC can file an application u/s 61 of the Code before NCLAT.
- d) OC can file an application u/s 60(5) of the Code before NCLT.

Ans. (d)

Attempt Questions 57-59 based upon the following case study/transaction analysis:

CGS Pvt. Ltd., founded in 2012, is a garment manufacturer specialising in mid-fashion garments and producing for some European brands. The company is covered under the MSME limit. It has a working capital loan and a term loan of Rs. 10 crores. The corporate debtor was doing well, but due to the coronavirus pandemic, it went into a liquidity crunch on account of small revenue and high fixed costs and was therefore unable to repay the interest and instalment of the loan to the bank. The current default is in excess of Rs. 25 lakhs. The strength of the company is its designing team, workforce, and production of garments for the European market. The management took the decision to go for a prepack insolvency process to revive the company under section 54A of the IBC and searched for a few companies having a market in Europe that could provide maximum value to its stakeholders. The management has negotiated and finalised the best offer and presented it to the promoters. The majority of promoters took the decision in their meeting. The management then approaches the financial creditors with the basis plan. The majority of financial creditors have given their in-principal consent for the prepack insolvency process subject to compliance with IBC. The board of directors of Corporate Debtor nominated the name of Resolution Professional, P. Kranti, and intimated it to the financial creditors. The directors have filed a pre-pack application.

57. Mr. P. Kranti is supposed to conduct the CoC meeting. What should be the quorum of the meeting?

- a) At least 33 per cent of the voting share are present in person or by the video conferencing or other audio and visual means.
- b) At least 25 per cent of the voting share are present in person or by the video conferencing or other audio and visual means. Provided that the committee may modify the percentage of voting share required for quorum in respect of any future meetings of the committee.
- c) At least 51 per cent of the voting share are present in person or by the video conferencing or other audio and visual means. Provided that the committee may modify the percentage of voting share required for quorum in respect of any future meetings of the committee.
- d) At least 33 per cent of the voting share are present in person or by the video conferencing or other audio and visual means. Provided that the committee may

modify the percentage of voting share required for quorum in respect of any future meetings of the committee.

Ans. (d)

58. RP received a request from CoC members with 25 per cent voting shares to convene a meeting of committee. What is the position?

- a) A resolution professional shall convene a meeting, if a request to that effect is made by members of the committee representing at least fifty per cent of voting share.
- b) A resolution professional shall convene a meeting, if a request to that effect is made by members of the committee representing at least thirty-three per cent of voting share.
- c) A resolution professional shall convene a meeting, if a request to that effect is made by members of the committee representing at least twenty per cent of voting share.
- d) A resolution professional shall convene a meeting, if a request to that effect is made by members of the committee representing at least sixty six per cent of voting share.

Ans. (b)

59. Mr. P. Kranti is of the opinion that the corporate debtor has been subjected to some preferential transactions. When shall he make a determination on the same?

- a) Before the forty-fifth day of the prepackaged insolvency commencement date.
- b) Before the seventy-fifth day of the prepackaged insolvency commencement date.
- c) Before the twenty-fifth day of the prepackaged insolvency commencement date.
- d) Before the ninetieth day of the prepackaged insolvency commencement date.

Ans. (a)

Attempt Questions 60-63 based upon the following case study/transaction analysis:

MM is a gym located at leased premises in Lajpat Nagar, New Delhi. Because of competition and other issues, MM is facing financial difficulties and it is not meeting its liabilities. All the efforts to revive the business, cut the costs or even sell the business were unsuccessful. Payment to equipment suppliers and maintenance agencies are due for supplies/services provided in the previous 3 months amounting to around two lakhs rupees. The rent for its premises remains unpaid for 3 months amounting to ninety thousand rupees towards landlord Mr. D (the landlord had received advance rent for three months, lease deed provided for one-month rent as security and one-month rent as advance). MM has a loan account with XYZ Bank, which remains unpaid for last two months. The monthly EMI for the loan is Rs. 1 lakh. MM was managed by Mr. M, as a sole proprietor. MM has employed 7 persons, including 3 trainers, 1 accountant and 3 housekeeping staff. The salaries due to these employees were paid in half since the past four months. The housekeeping staff are covered under the definition of workmen. Mr. M made an application under Section 94 of the IBC, 2016 for initiation of insolvency resolution of MM. The Adjudicating Authority admitted the application and appointed P as resolution professional. The Adjudicating Authority considered the repayment plan approved by the creditors and rejected it.

60. Whether M could have applied for fresh start process?

- a) Yes, before the National Company Law Tribunal
- b) No, MM is ineligible for applying for fresh start process
- c) No, as it is required to seek prior approval of the IBBI
- d) Yes, before the Debt Recovery Tribunal

Ans. (b)

61. In the case which of the following is incorrect?

- a) Mr. M can make an application for bankruptcy
- b) The employees can make an application for bankruptcy
- c) The bankruptcy process is automatically initiated with the rejection of repayment plan, without requiring any application
- d) The order of Adjudicating Authority rejecting the repayment plan is to be provided to the IBBI for record.

Ans. (c)

62. In the above situation if a bankruptcy order is passed against MM, who shall prepare the list of creditors?

- a) Bankruptcy trustee
- b) MM
- c) Adjudicating Authority
- d) None, the list of creditors made by P shall be used.

Ans. (a)

63. In the bankruptcy proceeding what debts will be paid before the dues of the accountant of the bankrupt?

- a) Unpaid debt owed to the trainers
- b) Dues of the housekeeping staff and the debts owed to the secured creditors
- c) Dues of Mr. D
- d) Dues of suppliers

Ans. (b)

Attempt Questions 64-67 based upon the following case study/transaction analysis:

A Deed of partnership was executed between A and C wherein they both agreed to carry on business in partnership in the firm name of M/s National Kunstructions on the terms and conditions as recorded in the partnership deed. Clauses 6 and 7 of the partnership deed states that the duration of this partnership is not fixed, and it will, therefore, be a partnership at will. Each partner will be entitled to a share in the goodwill of the firm according to his share in the partnership. If any partner wishes to retire from the firm, he can do so by giving notice in writing to the other partners of his intention to retire after completion of the pending construction works and the retirement shall take effect after the pending construction works are completed, accounts in respect thereof are taken and the amount due at the foot of the accounts is paid or received by him, as the case may be. If the continuing partners take up any new construction work after receipt of such written notice from the retiring partner, the retiring partner shall not be liable in any manner in respect of such construction work. The retiring

partner will have no claim in respect of the goodwill of the firm and the goodwill shall belong to the continuing partners according to the shares mutually agreed between them.

The partnership firm obtained a contract for the construction of road on National Highway No. 8 from M/s MAB Construction Partners but before the completion of construction of the said work, M/s MAB Construction Partners gave a notice to M/s National Kunstructions for dissolving the firm. This action was taken by M/s MAB Construction Partners because according to them various irregularities and illegalities were being committed by the partner A in the management of the business of the partnership firm.

With reference to the above-mentioned facts, answer the following questions:

64. Whether notice of Dissolution given by M/s MAB Construction Partners to M/s National Kunstructions is tenable?

- a) Yes, because the partnership is not for a fixed duration and is a partnership at will
- b) No, only partners can dissolve its partnership firm
- c) No, retiring partners can initiate the dissolution of firm
- d) No, only continuing partners can issue notice for dissolution of firm

Ans. (b)

65. Amongst the following, what are not the prescribed modes of dissolution of firm as per Partnership Act, 1932?

- a) Dissolution by agreement
- b) Dissolution by notice, when the partnership is at will
- c) Dissolution on the happening of certain contingencies
- d) Dissolution by the orders of the Government

Ans. (d)

66. How are the losses to be treated in case of dissolution of firm?

- a) Payment to creditors only out of profits of company
- b) Losses shall not be paid in case of dissolution by notice
- c) Losses shall be paid, first out of profits, then out of partners' capital and lastly, by the partners individually in their profit-sharing ratio, if necessary
- d) Losses shall be paid out of partners' capital directly

Ans. (c)

67. Out of the following, in which case firm is not bound by the act of partner?

- a) Act is done by a partner in any manner expressing or implying an intention to bind the firm.
- b) Act is done fraudulently or negligently.
- c) Act is done by a partner in the name of the firm.
- d) Act is done by a partner or his agent on behalf of the firm.

Ans. (b)

Attempt Questions 68-70 based upon the following case study/transaction analysis:

Mr. S, an advocate, is in the business of providing professional services like filing of petitions before Tribunals and Courts. Mrs. B, wife of Mr. S, is a registered Insolvency Professional (IP) with the IBBI. Mr. S, in his capacity of an advocate, filed many applications relating to admission of corporate debtors before NCLT and his wife Mrs. B being an insolvency professional in her own professional capacity acts as Insolvency Professional in all the cases her husband takes up. Mrs. B within 6 months of becoming Insolvency Professional accepted 15 such assignments. She does not have any prior experience as an Insolvency Professional. While considering one such application for initiation of CIRP, NCLT observed that the fees charged by Mrs. B for acting as insolvency resolution professional is exorbitant. Mrs. B contracted with the applicant to not only act as Interim Resolution Professional but also as Resolution Professional in all the 15 assignments that she accepted.

With reference to the above-mentioned facts, answer the following questions:

68. Is Mrs. B right in accepting the assignments when it was her husband who proposed her name? Choose the most appropriate answer.

- a) Mrs. B is a professional in her own capacity. So, there is nothing wrong in her accepting assignments.
- b) The IPs are bound by Code of Conduct, which expressly bars an IP to accept an assignment which is being undertaken by any of his relatives.
- c) The Code of Conduct requires the IP to maintain complete independence in professional relationships. It is not correct on part of Mrs. B to accept assignments which affect her independence.
- d) Mrs. B should have taken prior permission from IBBI before accepting such assignments to avoid any further disciplinary action

Ans. (c)

69. IBBI has issued a show cause notice to Mrs. B based on the adverse remarks made by NCLT. Choose the correct answer.

- a) IBBI does not have power to issue a show cause notice just because NCLT has made some observations.
- b) IBBI should approach NCLT before issuing a show cause notice to confirm the remarks made by it.
- c) IBBI is empowered by the Code to issue a show cause notice even without a complaint made against IP if it has reasonable grounds to believe IP has contravened any provisions.
- d) Mrs. B should have taken prior permission from IBBI before accepting such assignments to avoid any further disciplinary action

Ans. (c)

70. Assume that out of the 15 assignments Mrs. B accepted, 2 are listed companies, 3 are unlisted public companies and 10 are private companies. Based on this assumption choose the correct answer.

- a) The number of assignments is within the limits prescribed under IBBI (Insolvency Professionals) Regulations, 2016.

- b) There is no cap in number of assignments that an IP can accept. However, IP must refrain from accepting too many assignments if he is unable devote enough time.
 - c) An IP can accept only 10 assignments in total of which not more than three shall have admitted claims exceeding one thousand crore rupees each.
 - d) An IP cannot accept more than one assignment at a time in case of a listed company.
- Ans. (c)
