

**MODEL QUESTION PAPER FOR LIMITED INSOLVENCY EXAMINATION  
(w.e.f. 1st January, 2018)**

1. Which of the following enactments has not been amended as part of the Insolvency and Bankruptcy Code, 2016?
- a) The Indian Partnership Act, 1932
  - b) The Customs Act, 1962
  - c) The Recovery of Debts due to Banks and Financial Institutions Act, 1993
  - d) The Limitation Act, 1963

Ans.(d)

2. The management of the affairs of a corporate debtor undergoing corporate insolvency resolution process vests in the\_\_\_\_\_
- a) Interim Resolution Professional.
  - b) Board of Directors.
  - c) Committee of Creditors.
  - d) Insolvency and Bankruptcy Board of India.

Ans. (a)

3. Who proposes the name of the new resolution professional, if the interim resolution professional is being replaced by the Committee of Creditors?

- a) Adjudicating Authority
- b) Interim resolution professional
- c) Insolvency and Bankruptcy Board of India
- d) Committee of Creditors

Ans.(d)

4. A resolution professional shall file an application to the adjudicating authority to extend the period of fast track resolution if instructed to do so by a resolution passed at a meeting of the committee of creditors by a vote of not less than\_\_\_\_\_ percent of the voting shares.

- a) 90
- b) 75
- c) 66
- d) 51

Ans. (b)

5. The decision of admission or rejection of a claim is communicated by the liquidator to \_\_\_\_\_.

- a) all creditors and the Insolvency and Bankruptcy Board of India
- b) the corporate debtor and the adjudicating authority
- c) the adjudicating authority and the creditor concerned
- d) the creditor concerned and the corporate debtor

Ans.(d)

6. A preference shall be deemed to be given at a relevant time under section 43 of the Insolvency and Bankruptcy Code, 2016 if it is given to a \_\_\_\_\_ during the period of \_\_\_\_\_ years preceding the insolvency commencement date.

- a) related party, two years
- b) unrelated party, two years
- c) related party, three years
- d) unrelated party, two years

Ans. (a)

7. Under the Insolvency and Bankruptcy Code, 2016, who is eligible to make application for avoidance of transactions if the terms of such transaction required exorbitant payments to be made by the corporate debtor?

- a) A financial creditor
- b) The committee of creditors
- c) The corporate debtor
- d) The resolution professional

Ans. (d)

8. Which of the following is an excluded asset for the purposes of Part III of the Insolvency and Bankruptcy Code, 2016 dealing with insolvency resolution and bankruptcy for individuals?

- a) Unencumbered tools necessary for personal use of the debtor
- b) Money received from provident fund after retirement
- c) Ornaments used by self and the spouse irrespective of their usage
- d) One pucca house irrespective of its value

Ans.(a)

9. A creditor may apply in relation to any partnership debt owed to him for initiating an insolvency resolution process against \_\_\_\_\_.

- a) any one or more partners of the firm or the firm
- b) any one or more partners of the firm and the firm
- c) any one or more designated partners of the firm or the firm
- d) any one or more partners of the firm

Ans.(a)

10. The report on premature end of a repayment plan submitted by a resolution professional to the Adjudicating Authority need not contain \_\_\_\_\_.

- a) receipts and payments made in pursuance of the repayment plan.
- b) reason for premature end of the repayment plan.
- c) details of the creditors whose claims have not been fully satisfied.
- d) an application for initiation of bankruptcy.

Ans. (d)

11. Who prepares the list of creditors of the bankrupt after a bankruptcy order is passed by the adjudicating authority?

- a) Bankruptcy trustee
- b) Bankrupt
- c) Adjudicating Authority

- d) Resolution Professional

Ans.(a)

12. An onerous property that a bankruptcy trustee may disclaim does not include-
- a) A readily saleable property
  - b) an unsaleable property
  - c) an unprofitable contract
  - d) a property that may give rise to a claim

Ans.(a)

13. In a bankruptcy process, unsecured creditors rank \_\_\_\_\_.
- a) in ascending order of the amount of debt due to them
  - b) in descending order of the amount of debt due to them
  - c) equally amongst themselves
  - d) in ascending order of the period of default of the debt

Ans.(c)

14. Which of the following is not a function of an Insolvency Professional Agency?
- a) grant membership to persons who fulfil all requirements set out in its byelaws on payment of membership fee
  - b) lay down standards of professional conduct for its members
  - c) monitor the performance of its members
  - d) register insolvency professionals

Ans.(d)

15. Any information utility which is aggrieved by an order of the Insolvency and Bankruptcy Board of India may prefer an appeal to\_\_\_\_\_.

- a) High Court
- b) National Company Law Tribunal
- c) Ministry of Corporate Affairs
- d) National Company Law Appellate Tribunal

Ans.(d)

16. Which of the following members of the Insolvency and Bankruptcy Board of India may be included as Members of the Disciplinary Committee?

- a) Independent members
- b) Whole time members
- c) Executive members
- d) Nominee members

Ans.(b)

17. If an appeal could not be filed against an order of the NCLAT within the prescribed time before the Supreme Court for sufficient cause, the Supreme Court may allow the appeal to be filed within a further period of \_\_\_\_\_.

- a) 15 days
- b) 20 days
- c) 30 days
- d) 45 days

Ans.(a)

18. An officer of a corporate debtor shall be liable for punishment under section 68 of the Insolvency and Bankruptcy Code, 2016, if he has, within the twelve months immediately preceding the insolvency commencement date, \_\_\_\_\_

- a) fraudulently removed any part of the property of the corporate debtor of the value of three thousand rupees.
- b) wilfully concealed any property or part of such property of the corporate debtor of the value of three thousand rupees.
- c) wilfully created any security interest over any property of the corporate debtor which has not been obtained on credit.
- d) wilfully made any false entry in any book or paper affecting or relating to the property of the corporate debtor or its affairs.

Ans. (d)

19. A Debt Recovery Tribunal does not have jurisdiction to entertain \_\_\_\_\_

- a) a suit or proceeding by or against an individual debtor.
- b) a claim made by or against a corporate debtor.
- c) a claim made by or against an individual debtor.
- d) a question of priorities arising out of insolvency of an individual debtor.

Ans. (b)

20. Provisions of which legislation would be applicable for the proceedings before a special court under the Insolvency and Bankruptcy Code, 2016?

- a) The Code of Criminal Procedure, 1973
- b) The Indian Penal Code, 1860
- c) The Indian Financial Code, 2013
- d) Summary Trial of Offences Act, 1999

Ans.(a)

21. A corporate applicant is required to dispatch the application filed with the National Company Law Tribunal for initiation of corporate insolvency resolution to \_\_\_\_\_

- a) all financial creditors.
- b) all operational creditors.
- c) the corporate debtor.
- d) all creditors.

Ans. (c)

22. In the Corporate Insolvency Resolution Process, if there are dues to numerous workmen of the Corporate Debtor, \_\_\_\_\_.

- a) all such workmen have to submit their dues individually.
- b) an authorized representative may submit one proof of claim on behalf of all such dues.
- c) the resolution professional shall hire a professional agency to consolidate all such claims.
- d) the resolution professional shall announce dues as per Corporate Debtors' records and invited application for disputes if any

Ans.(b)

23. Where all financial creditors are related parties of the corporate debtor, the committee of creditors shall comprise\_\_\_\_\_

- a) all of the debenture holders.
- b) all of the operational creditors.
- c) insolvency resolution professional and operational creditors.
- d) 18 largest operational creditors by value and one representative each of workmen and of employees.

Ans. (d)

24. In case the resolution professional receives more than one resolution plan, \_\_\_\_\_,

- a) he shall select the best plan for approval by the Committee of Creditors.
- b) he shall select all such plans that meet the requirements of the Insolvency and Bankruptcy Code and present them before Committee of Creditors.
- c) he shall forward the plan submitted by the creditor having highest voting share.
- d) he shall refer the matter to adjudicating authority for directions.

Ans.(b)

25. Which of the following is not a requirement for a company to be registered as an insolvency professional agency?

- a) Its sole object is to carry on the functions of an insolvency professional agency.
- b) It has a minimum net worth of ten crore rupees.
- c) It is promoted by a statutory regulator.
- d) It is not under the control of person(s) resident outside India.

Ans. (c)

26. Which of the following statements is not true about disposal of the show cause notice issued to an insolvency professional agency?

- a) The order of disposal of show-cause notice becomes effective on the day of receipt of the order by the insolvency professional agency.
- b) The order of disposal of show-cause notice becomes effective ordinarily after thirty days of the date of issue of order.
- c) The Disciplinary Committee disposes of the show-cause notice by a reasoned order in adherence to principles of natural justice.
- d) The Disciplinary Committee endeavours to dispose of the show-cause notice within a period of six months of the assignment.

Ans. (a)

27. Who enrolls an individual as a professional member?

- a) The Insolvency and Bankruptcy Board of India
- b) The National Company Law Tribunal
- c) The Insolvency Professional Agency
- d) The Ministry of Corporate Affairs

Ans.(c)

28. Which of the following is eligible for registration as an insolvency professional?

- a) An engineer with 15 years professional experience and having passed the National Insolvency Examination
- b) An advocate with 11 years of professional experience and having passed the

- Limited Insolvency Examination
- c) An MBA with 11 years of professional experience and having passed the Limited Insolvency Examination
  - d) A chartered Accountant with 11 years of professional experience and having attempted National Insolvency Examination

Ans. (b)

29. Which of the following is not covered by the code of conduct for insolvency professionals?

- a) Negligence while performing his functions and duties.
- b) Taking up corporate insolvency resolution processes of two corporate debtors simultaneously.
- 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. (b)

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

- a) Committee of Creditors
- b) Corporate Debtor
- c) Insolvency and Bankruptcy Board of India
- d) Adjudicating Authority

Ans. (a)

31. Which of the following may not prove existence of debt due to an operational creditor under the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016?

- a) Records available with an information utility
- b) A charge registered with Registrar of Companies
- c) A contract for the supply of goods and service.
- d) An invoice demanding payment for the goods and services supplied

Ans.(b)

32. The option to sell the assets of a corporate debtor by means of private sale under the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016 is not available to a liquidator if the asset is\_\_\_\_\_

- a) perishable.
- b) sold at a price lower than the reserve price of a failed auction.
- c) likely to deteriorate in value if not sold immediately.
- d) sold at a price higher than the reserve price of a failed auction.

Ans. (b)

33. In which of the following circumstances voluntary liquidation is permissible?

- a) Where the committee of creditors decides to liquidate the company during the resolution period.
- b) Where the Adjudicating Authority does not receive a resolution plan of a company
- c) Where the company has no debt or can pay all its debts in full.
- d) Where debt equity ratio of the company is less than one.

Ans.(c)

34. The Annual Status Report indicating progress of the voluntary liquidation is not required to include the\_\_\_\_\_

- a) details of assets that are yet to be sold.
- b) distribution made to stakeholders.
- c) cost of realization of the assets.
- d) developments in any material litigation.

Ans. (c)

35. Which of the following is not a requirement for registration as an information utility?

- a) It has a minimum net worth of Rs.50 crore.
- b) Not more than 26% of its voting power is held by persons resident outside India.
- c) More than half of its directors are independent directors.
- d) Its sole object is to provide core services and other services under the Insolvency and Bankruptcy Board of India (Information Utilities) Regulations, 2017.

Ans. (b)

36. An information utility holds financial information as a\_\_\_\_\_

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

Ans. (c)

37. During a fast track process, existence of dues can be proved in case of workmen–

- a) individually or collectively
- b) individually only
- c) collectively only
- d) by resolution professional

Ans.(a)

38. An order of the Insolvency and Bankruptcy Board of India directing an inspecting authority to conduct an inspection of records of a service provider may not contain\_\_\_\_\_

- a) scope of inspection
- b) privileges of service provider
- c) composition of inspecting authority
- d) timelines for conducting the inspection

Ans.(b)

39. A show-cause notice issued by the Insolvency and Bankruptcy Board of India on consideration of an inspection report needs to be disposed of by \_\_\_\_\_within\_\_\_\_\_

- a) Inspecting Authority, Six months.
- b) IBBI, three months
- c) Adjudicating Authority, One year
- d) Disciplinary Committee, Six months

Ans.(d)

40. When a complaint and grievance is in the same matter, it will fall within the category of -

- a) general complaint
- b) complaint-cum-grievance
- c) complaint
- d) grievance

Ans.(b)

41. Par value of a share means-

- a) face value of the share
- b) dividend value of the share
- c) actual value of the share
- d) market value of the share

Ans.(a)

42. Who among the following need not to be given notice for the general meeting of a company?

- a) a member of the company
- b) an assignee of an insolvent member
- c) the auditor of the company
- d) a debenture holder of the company

Ans. (d)

43. Financial statement of a company does not include \_\_\_\_\_

- a) due and drawn statement.
- b) balance sheet.
- c) cash flow statement.
- d) profit and loss account.

Ans. (a)

44. The date from which the scheme of mergers and amalgamation of companies is effective is \_\_\_\_\_

- a) effective date.
- b) appointed date.
- c) date of creditor's assent to merger.
- d) date of order of merger by National Company Law Tribunal.

Ans.(b)

45. 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)

46. Can a member function as a Bench of National Company Law Tribunal?

- a) Yes, a technical member, if duly authorised.
- b) Yes, judicial member, if duly authorised.
- c) Yes, only in exigencies when no other member is available.



- d) No, a member cannot function as a Bench.

Ans.(b)

47. After the retirement of a partner of a partnership firm, If the remaining partners want to continue the business, a new partnership agreement is \_\_\_\_\_

- a) Necessary
- b) Not necessary
- c) not possible as the partnership is already dissolved
- d) is optional

Ans.(a)

48. Where a partnership agreement provides neither for the duration nor for the determination of the partnership, it is \_\_\_\_\_

- a) limited liability partnership
- b) joint stock company
- c) partnership at will
- d) never a partnership

Ans.(c)

49. Mr. X, a partner of a limited liability partnership defrauded creditors of the limited liability partnership for fraudulent purpose. The liability of the limited liability partnership

\_\_\_\_\_

- a) shall be unlimited.
- b) shall be limited.
- c) shall be limited, but the rest of liability will be that of Mr. X.
- d) shall be nil, as all the liability will be that of Mr. X.

Ans.(a)

50. Which of the following circumstances is not a condition for winding up of limited liability partnership by the Tribunal?

- a) the limited liability partnership decides that it would be wound up by the Tribunal.
- b) the number of partners of the limited liability partnership is reduced below two for the last 9 months.
- c) the number of partners of the limited liability partnership is reduced below two for the last 12 months.
- d) if the limited liability partnership has made a default in filing with the Registrar the Statement of Accounts and Solvency or annual return for any two consecutive financial years.

Ans. (d)

51. A valid Agreement is one which \_\_\_\_\_.

- a) creates legal and social obligations of the parties
- b) creates rights of a party
- c) is written on a piece of paper and signed by the parties
- d) creates legally binding rights and obligations of the parties to it

Ans. (d)

52. 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.

Ans.(a)

53. Under the Sale of Goods Act, 1930, 'delivery' means \_\_\_\_\_.

- a) gratuitous transfer of possession from one person to another
- b) involuntary transfer of possession from one person to another
- c) voluntary transfer of possession from one person to another
- d) transfer of possession irrespective of whether it is gratuitous, involuntary or voluntary, from one person to another.

Ans.(c)

54. 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 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 was void.

Ans. (a)

55. Readiness under The Specific Relief Act,1983 may mean capacity of plaintiff to perform contract which does not include \_\_\_\_.

- a) performance of plaintiff
- b) potential of plaintiff
- c) willingness of plaintiff
- d) financial ability of plaintiff

Ans.(b)

56. When an instrument has been lost as per the Negotiable Instrument Act,1881, until the contrary is proved, it shall be presumed that it was \_\_\_\_\_

- a) expired
- b) duly stamped
- c) stolen
- d) misplaced

Ans.(b)

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

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

Ans. (a)

58. As per the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, what constitutes as 'non-performing assets'?

- 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.

Ans.(b)

59. The Hon'ble Supreme Court, in the matter of Mardia Chemicals Ltd. Vs. Union of India, held that the requirement of deposit of 75% of amount claimed before entertaining an appeal (petition) under Section 17 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest, 2002 is \_\_\_\_\_

- a) valid but in the interest of justice, amount to be deposited should be reduced to 45%.
- b) arbitrary condition against all the canons of reasonableness.
- c) mandatory and must be complied with.
- d) a matter of executive prerogative and court can't interfere in it.

Ans.(b)

60. 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) may be in the form of an arbitration clause in a contract or in the form of a separate agreement
- d) implied oral agreement.

Ans.(c)

61. In computing the period of limitation of any suit for the execution of a decree, the institution or execution of which has been stayed by injunction or order, the time of the continuance of the injunction or order from the day on which it was \_\_\_\_\_ shall be excluded.

- a) Issued
- b) Filed
- c) Admitted
- d) First heard

Ans. (a)

62. "S4A" scheme of RBI stands for \_\_\_\_\_

- a) Scheme for Sustainable Structuring of Stressed Assets
- b) Scheme for Schematic Structuring of Stressed Assets
- c) Scheme for Sustainable Structuring of Systemic Assets
- d) Scheme for Schematic Structuring of Systemic Assets

Ans. (a)

63. Which of the following is most appropriate for measuring a bond's sensitivity to shaping risk?

- a) Key rate duration

- b) Effective duration
- c) Modified duration
- d) Median duration

Ans.(a)

64. Exchange markets and Over the Counter Markets are considered as two types of -

- a) Inter market
- b) Primary market
- c) Secondary market
- d) Risky market

Ans. (c)

65. Which of the following represent the standard of living in a country?

- a) National Income
- b) Per capita income
- c) Poverty ratio
- d) Unemployment rate

Ans. (b)

66. The Policy Repo Rate is \_\_\_\_\_ the Reverse Repo rate.

- a) higher than
- b) lower than
- c) equal to
- d) 75% of

Ans. (a)

67. Which of the following is not a settlement machinery appointed by the appropriate authority for the settlement of the industrial disputes under the Industrial Disputes Act, 1947?

- a) Conciliation officers
- b) Labour Courts
- c) Board of Arbitrators
- d) Courts of Inquiry

Ans.(c)

68. Minimum wages must be paid in-

- a) cash only.
- b) kind only.
- c) either cash or in kind.
- d) cash ordinarily and in kind to the extent authorised by the appropriate government.

Ans.(d)

69. Balance sheet of a company does not show\_\_\_\_\_

- a) what the company owns and what the company owes.
- b) assets and liabilities of the company.
- c) financial health of the company.
- d) income and expenditure of the company.

Ans. (d)

70. Basic Earnings per Share (EPS) is calculated as \_\_\_\_\_.
- a) Net profit /total number of shares
  - b) (Net profit - preferred dividend)/weighted average number of outstanding shares
  - c) (Net Profit - Preference Share Capital) /Average shares outstanding
  - d) (Net Profit - Dividend) /Total shares outstanding

Ans.(b)

71. A firm can enhance its value by\_\_\_\_\_
- a) increasing working capital.
  - b) increasing capital expenditure.
  - c) decreasing cost of capital.
  - d) increasing debt.

Ans. (c)

72. How is cash management different than liquidity management?
- a) Cash management deals with only one account, while liquidity management involves everything on the balance sheet.
  - b) Cash management only considers the current financial reporting period, while liquidity management looks out 2-3 years.
  - c) Cash management only considers cash, while liquidity management considers assets that are considered liquid.
  - d) Cash management is essential to financial reporting, while liquidity management is just a good practice.

Ans.(c)

73. Who will pay GST in case, the business in respect of which any tax, interest or penalty is payable under CGST Act is carried on by a minor, or other incapacitated person on behalf of and for the benefit of such minor or other incapacitated person?

- a) Guardian
- b) Partner
- c) Director
- d) Exempted to pay tax

Ans. (a)

74. 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)

75. In the case of Smart Timing Steel Ltd. V. National Steel and Agro Industries Ltd. (Company Appeal (AT) (Insolvency) No. 28 of 2017), the NCLAT held that:

- a) the provision regarding the furnishing of a copy of the certificate from the Financial Institution maintaining accounts of the operational creditor confirming that there is no payment of unpaid operational debt by the corporate debtor is mandatory

- b) the provision regarding the furnishing of a copy of the certificate from the Financial Institution maintaining accounts of the operational creditor confirming that there is no payment of unpaid operational debt by the corporate debtor is directory
- c) the provision regarding the furnishing of a copy of the certificate from the Financial Institution maintaining accounts of the operational creditor confirming that there is no payment of unpaid operational debt by the corporate debtor is ultra vires the Insolvency and Bankruptcy Code, 2016
- d) the provision regarding the furnishing of a copy of the certificate from the Financial Institution maintaining accounts of the operational creditor confirming that there is no payment of unpaid operational debt by the corporate debtor is unconstitutional

Ans (a).

76. In the matter of P K Ores Private Limited vs. tractors India Private Limited [Company Appeal (AT) (Insolvency) No. 56 of 2017], NCLAT set aside the order of NCLT on the ground of--

- a) non-delivery of demand notice under section 8 of Insolvency and Bankruptcy Code, 2016.
- b) violation of principles of equality
- c) non-existence of any default on the part of corporate debtor
- d) violation of principles of natural justice and existence of a dispute

Ans.(d)

77. The Supreme Court in Mobilox Innovations(P) Limited v. Kirusa Software (P) Limited CA No. 9405 of 2017, has interpreted the term “\_\_\_\_\_”.

- a) Operational creditor
- b) Existence of dispute
- c) Time value of money
- d) Doctrine of repugnancy

Ans.(b)

78. In the case, Macquarie Bank Ltd. Vs. Shilpi Cable Technologies Ltd., [CP (IB) No. 64/ (PB)/ 2017, NCLT (Principal Bench, New Delhi)], which one of the following was considered as ‘condonable fault on the part of the applicant’:

- a) The applicant has not filled up the details of the legal firm
- b) The applicant has not filled up the name and address of the power of attorney
- c) The applicant has not filled up the proposed name of the IRP
- d) The applicant has not paid the fee

Ans.(b)

79. In the case, M/s VDS Plastics Pvt.Ltd. Vs. M/s Pal Mohan Electronics Pvt.Ltd., [C.P. No. (IB)/37/ 2017, NCLT (New Delhi Bench)], the National Company Law Tribunal has-

- a) admitted the petition of the operational creditor for initiation of Corporate Insolvency Resolution Process
- b) directed the petitioner to rectify the application and submit
- c) dismissed the application as the alleged claim was disputed
- d) dismissed the application as the operational creditor has not approached the National Company Law Tribunal with clean hand

Ans.(c)

**Attempt Questions 80-83 based upon the following case study/transaction analysis**

XYZ' A Public Limited Company engaged in the construction of roads is in default in repayment of dues to the following:

General slowdown in construction activities had resulted in low capacity utilization and inadequate cash generation for timely payment of dues to all concerned.

Repeated follow-up by the Financial Institutions with the corporate debtor, 'XYZ' for submitting its specific plan of action for repayment of dues did not evoke any response.

Therefore, after a joint lenders meeting, all the financial institutions unanimously decided to apply under the provisions of the Insolvency and Bankruptcy Code, 2016 to the National Company Law Tribunal (NCLT) for starting the process of insolvency resolution in respect of corporate debtor, 'XYZ Ltd'.

Financial Creditors filed an application before NCLT which was admitted by NCLT on 20<sup>th</sup> May 2017 and orders issued for commencement of a moratorium period of 180 days, appointment of an interim resolution professional and for his making a public announcement inviting claims from all concerned

With the advent of the public announcement the following creditors were identified:

1. Financial debts owed to unsecured creditors (F1) - 5 crores
2. Workmen's dues for the period of 24 months preceding the liquidation commencement date (F2) – 15 crores
3. Debts owed to a secured creditor who has relinquished his security (F3) – 30 crores
4. Debts owed to the Central Government (F4) – 17 Crores
5. Debts owed to a secured creditor for any amount unpaid following the enforcement of security interest (F5) – 26 Crores

B was the statutory auditor of the corporate debtor and A Ltd. has been identified as a related Party to XYZ Ltd.

80. A who has been appointed as the resolution professional can take the following actions without the approval of the committee of creditors:

- a) Undertake transactions with any related party
- b) Make changes in the appointment of statutory of B
- c) Record any change in the ownership interest of XYZ Ltd
- d) File applications for avoidance of preferential or undervalued transactions

Ans.(d)

81. The Adjudicating Authority has by an order declared moratorium period on the &XYZ Ltd'

Vide the moratorium order, the following shall not be prohibited:

- a) the action to foreclose security interest created by the corporate debtor in respect of its property
- b) the institution of arbitration proceedings
- c) the recovery of any property by an owner or lessor where such property is occupied by or in the possession of the corporate debtor.
- d) The supply of raw material essential for laying down the roads from its creditors

Ans.(d)

82. The NCLT rejected the resolution plan for want of compliance with the Insolvency and Bankruptcy Code, accordingly the proceeds from the sale of liquidation shall be distributed in the following order of priority:

- a) F2 – F1 – F3 – F4 & F5 (ranked equally)
- b) F2 & F5 (ranked equally) – F3 – F1 – F4
- c) F2 & F5 (ranked equally) – F1 – F3 – F4
- d) F3 & F2 (ranked equally) – F1 – F5 & F4 (ranked equally)

Ans.(d)

83. The NCLT rejected the resolution plan for want of compliance with the Insolvency and Bankruptcy Code and proceeded to initiate liquidation proceedings. During the course of liquidation, it was found that Company had gifted some valuable assets of the Company to another friendly company M/s DEF Ltd on 20<sup>th</sup> April 2015 and F1 reported the transaction to the National Company Law Tribunal by way of an application. The National Company Law Tribunal may pass an order:

- a) Rejecting the application;
- b) Requiring the Insolvency and Bankruptcy Board to initiate disciplinary proceedings against the liquidator;
- c) Require any person to pay sums in respect of benefits received by such person to the liquidator;
- d) Require any person to submit relevant documents of transaction to Insolvency and Bankruptcy board.

Ans. (a)

#### **Attempt Questions 84-87 based upon the following case study/transaction analysis**

“ManChow” was a restaurant located at leased premises in Rohini, New Delhi. It boasted a great reputation, award-winning chefs and an immaculate fit-out. Much of its business came from executive lunches and theatre patrons. Following the opening of “Authentic Cuisine”, another excellent restaurant in the nearby vicinity, trading losses were incurred by ‘Manchow’ and eventually the business became insolvent. Efforts to either have the rent reduced or to sell the business were unsuccessful.

Suppliers of food, liquor and utilities were unpaid for supplies provided in the previous 45-60 days, amounting to around Rs. Eighty-five thousand. There were rental arrears for one month amounting to Rs. forty-five thousand towards landlord Mr. Dhiraj Kumar (the landlord had received advance rent for three months, lease deed provided for one-month rent as security and one-month rent as advance). “ManChow” also had a secured creditor, “SAFE Bank”. The bank indicated that it did not wish to appoint a receiver/ file for insolvency as the accounts were regularly maintained.

“ManChow” was managed by Mr. Nitin Mukesh, as a sole proprietor. He employed a staff of 6 people, including a chef, an assistant chef, two waiters and one house-keeping. The salaries due to these employees were paid in half since the past three months.

84. Whether “ManChow” can apply for fresh start process?
- a) Yes, before the National Company Law Tribunal
  - b) No, ManChow is ineligible for applying for fresh start process
  - c) No, as he is required to seek prior approval of the Insolvency and Bankruptcy Board of India
  - d) Yes, before the Debt Recovery Tribunal



Ans. (b)

85. In priority of payment of debts who will be paid before the wages and unpaid dues of employees of the bankrupt?

- a) Unpaid debt owed to the employees other than the workmen for a period of 12 months preceding the bankruptcy commencement date.
- b) Workmen's dues for 24 months preceding the bankruptcy commencement date and the debts owed to the secured creditors.
- c) Debt owed to landlord Mr. Dhiraj Kumar
- d) Unpaid suppliers of food, liquor and utilities

Ans. (b)

86. Who can initiate an insolvency resolution process?

- a) ManChow
- b) Nitin Mukesh
- c) SAFE Bank
- d) Dhiraj Kumar

Ans. (b)

87. In the above situation if a bankruptcy order is passed against "ManChow", who shall prepare the list of creditors

- a) Bankruptcy trustee
- b) Adjudicating Authority
- c) Insolvency Professional Entity
- d) Information Utility

Ans. (a)

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