

MODEL QUESTION PAPER FOR LIMITED INSOLVENCY EXAMINATION
(w.e.f. 1st July 2017 to 31st Dec 2017)

1. Core services of an information utility do not include _____

- (a) accepting electronic submission of financial information.
- (b) safe and accurate recording of financial information.
- (c) authenticating and verifying the financial information.
- (d) determination of default.

Ans. (d)

2. A corporate insolvency resolution process commences on the date of _____.

- (a) first meeting of the committee of creditors
- (b) date of admission of the application by the National Company Law Tribunal
- (c) date of appointment of interim resolution professional.
- (d) date of public announcement.

Ans. (b)

3. A public announcement of the corporate insolvency resolution process may not contain _____

- (a) penalties for false or misleading claims.
- (b) details of the interim resolution professional.
- (c) name of the authority with which the corporate debtor is incorporated.
- (d) details of the assets and liabilities of the debtor.

Ans. (d)

4. 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)

5. A resolution professional does not require approval of the committee of creditors for _____

- (a) creating security interest over the assets of the corporate debtor.
- (b) undertaking related party transaction.
- (c) amending constitutional document of the corporate debtor.
- (d) issuing information memorandum.

Ans. (d)

6. 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)

7. The liquidation estate of a corporate debtor comprises liquidation estate assets which include _____

- (a) assets owned by a third party which are in possession of the corporate debtor.
- (b) assets owned of an Indian subsidiary of the corporate debtor.
- (c) assets of a foreign subsidiary of the corporate debtor.
- (d) assets of the corporate debtor in respect of which a secured creditor has relinquished security interest.

Ans. (d)

8. A liquidator collects the claims of creditors on commencement of the liquidation process. Which of the following is true in this regard?

- (a) A creditor may withdraw but not vary his claim.
- (b) A creditor may not withdraw but vary his claim.
- (c) A creditor may withdraw or vary his claim.
- (d) A creditor may neither withdraw nor vary his claim.

Ans. (c)

9. 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)

10. The expression “workmen’s dues” for the purpose of distribution of proceeds from the sale of liquidation assets under section 53 of the Insolvency and Bankruptcy Code, 2016 shall have the same meaning as assigned to it in the _____

- (a) the Companies Act, 2013.
- (b) the Securitisation and Reconstruction of the Financial Assets and Enforcement of the Securities Interest Act, 2002.
- (c) the Recovery of Debts Due to Banks and Financial Institutions Act, 1993.
- (d) the Factories Act, 1948.

Ans. (a)

11. A debtor may apply for a Fresh Start Process, if his gross annual income does not exceed rupees _____.

- (a) sixty thousand
- (b) one lakh

(c) five lakh

(d) ten lakh

Ans. (a)

12. The debtor is discharged from interest by the Adjudicating Authority in respect of the qualifying debts under the Fresh Start Process from _____

(a) date of admission of application till the date of discharge order.

(b) date of application till the end of the moratorium period.

(c) date of application till the date of the discharge order.

(d) date of admission of application till the end of the moratorium period.

Ans. (c)

13. If an application is made for Insolvency Resolution Process by a partnership firm, an interim-moratorium shall commence on the date of the _____

(a) application in relation to qualifying debts and shall cease to have effect on the date of admission of such application.

(b) admission of application in relation to all the debts and shall cease to have effect within 7 days of admission of such application.

(c) application in relation to all the debts and shall cease to have effect on the date of admission of such application.

(d) application in relation to all the debts and shall cease to have effect within 7 days of admission of such application.

Ans. (c)

14. The report on premature end of a repayment plan submitted by a resolution professional to the adjudication 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) prayer for an alternate repayment plan.

Ans. (d)

15. If a bankruptcy trustee has not been proposed in the application for bankruptcy of a debtor, the adjudicating authority shall _____

(a) direct the creditor applicant to suggest a bankruptcy trustee within 10 days.

(b) direct the Insolvency and Bankruptcy Board of India to nominate a bankruptcy trustee within 10 days.

(c) appoint a bankruptcy trustee from the database of insolvency professionals.

(d) reject the application.

Ans. (b)

16. The estate of the bankrupt shall include _____

(a) property belonging to or vested in the bankrupt at the bankruptcy commencement date.

(b) property held by the bankrupt in trust for any other person.

- (c) sums due to workmen from the provident fund.
- (d) property acquired by the bankrupt within three months from the bankruptcy commence date.

Ans. (a)

17. Which of the following is not true regarding the distribution of interim dividend by a bankruptcy trustee?

- (a) Whenever the bankruptcy trustee has sufficient funds in his hand, he may declare and distribute interim dividend among the creditors in respect of the bankruptcy debts.
- (b) If the bankruptcy trustee has declared any interim dividend, he shall give notice of such dividend and the manner in which it is proposed to be distributed.
- (c) The bankruptcy trustee shall make provision for disputed proofs and claims.
- (d) The bankruptcy trustee shall not proceed with distribution of interim dividend, if contingent liabilities constitute more than 50% of the value of liquidation estate.

Ans. (d)

18. Which of the following is not a responsibility of an insolvency professional agency?

- (a) Registration of insolvency professionals
- (b) Monitoring the performance of its professional members
- (c) Redressing the grievances against its professional members
- (d) Developing the profession of insolvency professionals

Ans. (a)

19. The Insolvency and Bankruptcy Board of India has passed an order suspending certificate of registration granted to an Information Utility. The Information Utility, if aggrieved, may prefer an appeal to the _____

- (a) National Company Law Tribunal.
- (b) National Company Law Appellate Tribunal.
- (c) High Court of Delhi.
- (d) Minister for Corporate Affairs.

Ans. (b)

20. Section 218 of the Insolvency and Bankruptcy Code, 2016 does not envisage a complaint by a person aggrieved by the functioning of _____

- (a) Information Utility.
- (b) Committee of Creditors.
- (c) Interim Resolution Professional.
- (d) Insolvency Professional Agency.

Ans. (b)

21. If during the corporate insolvency resolution process or a liquidation process, it is found that any business of the corporate debtor has been carried on with intent to defraud creditors of the corporate debtor, the resolution professional may make an application in this regard to _____

- (a) the High Court
- (b) the Insolvency and Bankruptcy Board of India
- (c) the National Company Law Tribunal
- (d) the National Company Law Appellate Tribunal

Ans. (c)

22. 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 in the ordinary course of the business of the corporate debtor.
- (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)

Q23. A Debt Recovery Tribunal may entertain or dispose of _____

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

Ans. (b)

24. The bye-laws of an insolvency professional agency (IPA) may not provide for _____

- (a) eligibility for enrolment as professional members.
- (b) the minimum number of professional members to be enrolled by an IPA.
- (c) the manner of conducting disciplinary proceedings against its professional members.
- (d) the duties of professional members.

Ans. (b)

25. The Fund of the Insolvency and Bankruptcy Board shall not be applied for meeting the –

- (a) salaries, allowances and other remuneration of the employees of the IBBI.
- (b) expenses of the IBBI in the discharge of its functions.
- (c) payments to workmen of the corporate debtor under liquidation.
- (d) expenses on objects and for purposes authorised by the Insolvency and Bankruptcy Code, 2016.

Ans. (c)

26. Any transfer of property, not being a transfer or delivery made in the ordinary course of a company business, if made within a period of one year before the presentation of a petition for winding up by the Tribunal shall be _____ against the Company Liquidator.

- (a) valid

- (b) voidable
- (c) void
- (d) an offence

Ans. (c)

27. A corporate applicant is required to dispatch the application filed with the National Company Law Tribunal for initiation of corporate insolvency resolution to the registered office of _____

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

Ans. (c)

28. An Interim Resolution Professional incurred an expenditure of Rs. 2 lakh on public announcement of a corporate insolvency resolution process. If the committee of creditors ratified an expenditure of Rs. 50,000 for the public announcement, _____

- (a) the remaining amount will be borne by the applicant.
- (b) the matter will be brought to the notice of NCLT for directions.
- (c) the total amount of Rs.2 lakh will be insolvency resolution process cost.
- (d) the remaining amount will become part of insolvency resolution process cost.

Ans. (a)

29. The existence of debt due to an operational creditor under corporate insolvency resolution process may be proved on the basis of a contract for the supply of _____ to the corporate debtor.

- (a) goods only
- (b) services only
- (c) goods and services
- (d) professional services only

Ans. (c)

30. Where all financial creditors are related parties of the corporate debtor, the committee of creditors shall comprise _____

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

Ans. (d)

31. In a resolution process of a company, the resolution professional appointed 2 valuers, who gave estimates of liquidation value of Rs.2 crore and Rs.5 crore respectively. The resolution

professional then appointed another valuer who gave an estimate of Rs.3 crore. What is the liquidation value in the case?

- (a) Rs.2.50 crore
- (b) Rs.3.00 crore
- (c) Rs.3.33 crore
- (d) Rs.4.00 crore

Ans. (a)

32. Which of the following is not a mandatory content of a resolution plan?

- (a) Liquidation value due to operational creditors
- (b) Insolvency resolution process costs
- (c) Plan for additional infusion of debt by creditors
- (d) Adequate means for supervising the implementation of the resolution plan

Ans. (c)

33. 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)

34. 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 endeavors to dispose of the show-cause notice within a period of six months of the assignment.

Ans. (a)

35. Which of the following statements is not true about bye-laws of an insolvency professional agency (IPA)?

- (a) An IPA shall publish its bye-laws on its website.
- (b) The Governing Board of the IPA may amend the bye-laws by a resolution passed by votes in favour being not less than three times the number of the votes, if any, cast against the resolution, by the directors.
- (c) The amendments to the bye-laws shall come into effect on the 30th day of its publication in Gazette of India.

- (d) The IPA shall file a printed copy of the amended bye-laws with the IBBI within fifteen days from the date when an amendment is made effective.

Ans. (c)

36. The Insolvency Professional Agency does not initiate disciplinary proceedings against a professional member based on _____

- (a) a reference made by the Grievances Redressal Committee.
- (b) monitoring of professional members.
- (c) the recommendation of the Committee of Creditors.
- (d) the directions given by the IBBI.

Ans. (c)

37. Which of the following is eligible for registration as an Insolvency Professional?

- (a) A person resident of Nepal 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 15 years of professional experience and having attempted National Insolvency Examination

Ans. (b)

38. An insolvency professional agency shall inform the IBBI within _____ days, if any of its professional members has temporarily surrendered his certificate of membership.

- (a) seven
- (b) five
- (c) fifteen
- (d) eight

Ans. (a)

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

- (a) An insolvency professional should not act mala fide or be negligent while performing his functions and duties.
- (b) An insolvency professional should not take up corporate insolvency resolution processes of two corporate debtors simultaneously.
- (c) An insolvency professional should not accept gifts or hospitality which undermines or affects his independence as an insolvency professional.
- (d) An insolvency professional should not conduct business which in the opinion of the IBBI is inconsistent with the reputation of the profession.

Ans. (b)

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

- (a) Committee of Creditors

- (b) Corporate Debtor
- (c) IBBI
- (d) Adjudicating Authority

Ans. (a)

41. The Preliminary Report under the IBBI (Liquidation Process) Regulations, 2016 may not contain _____

- (a) the capital structure of the corporate debtor.
- (b) the details of the onerous property.
- (c) the proposed plan of action for carrying out the liquidation.
- (d) the estimates of assets and liabilities of the corporate debtor on the liquidation commencement date.

Ans. (b)

42. Which of the following may not prove existence of debt due to an operational creditor under the IBBI (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 services
- (d) An invoice demanding payment for the goods and services supplied

Ans. (b)

43. The option to sell the assets of a corporate debtor by means of private sale under the IBBI (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)

44. Which of the following is eligible to voluntarily liquidate itself?

- (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)

45. A professional engaged by the liquidator in a voluntary liquidation process will have _____

- (a) remuneration from the fees paid to the liquidator.
- (b) reasonable remuneration which shall form part of liquidation cost.
- (c) remuneration as decided by the adjudicating authority.
- (d) remuneration as decided by the committee of creditors.

Ans. (b)

46. 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)

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

- (a) It has a minimum net worth of Rs.100 crore.
- (b) Not more than 49% of its voting power is held by persons resident outside India.
- (c) At least 50% of its directors are independent directors.
- (d) Its sole object is to provide core services and other services under the IBBI (Information Utilities) Regulations, 2017.

Ans. (a)

48. The responsibilities of the Technical Committee under the IBBI (Information Utilities) Regulations, 2017, include_____

- (a) identification of chief technology officers of Information Utilities.
- (b) shortlisting of applicants for registration as Information Utilities.
- (c) recommendations to the IBBI for laying Technical Standards.
- (d) evaluation of technology used by the Information Utilities.

Ans. (c)

49. An information utility holds financial information as a_____

- (a) trustee.
- (b) Regulator.
- (c) Custodian.
- (d) Fiduciary.

Ans. (c)

50. In a Fast Track Insolvency Resolution Process, the Adjudicating Authority may extend the duration of such process not exceeding_____

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

Ans. (b)

51. In a Fast Track Insolvency Resolution Process, the fast track process costs do not include_____

- (a) the amount of any interim finance and the costs incurred in raising such finance.
- (b) the expenses on public announcement not ratified by the committee of creditors.
- (c) the cost incurred by the resolution professional in running the business of the corporate debtor as a going concern.
- (d) the amount due to suppliers of essential goods and services.

Ans. (b)

52. An order of the IBBI 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)

53. Who is empowered to pass an interim order on consideration of interim investigation report against an insolvency professional agency?

- (a) Chairperson of the IBBI
- (b) Investigating Authority
- (c) Disciplinary Committee
- (d) Adjudicating Authority

Ans. (c)

54. A show-cause notice issued by the IBBI 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)

55. 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)

56. 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)

57. 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)

58. 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)

59. 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)

60. 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)

61. As per the Indian Partnership Act, 1932, which of the following statement is correct with respect to relation of partners to third parties?

- (a) A partner is an agent of the firm.
- (b) A partner is a representative of the firm.
- (c) A partner is a manager of the firm.
- (d) A partner does not have any authority to act for the firm.

Ans. (a)

62. As per the Indian Partnership Act, 1932 regarding dissolution of partnership at will, a partnership firm with four partners at will may be dissolved, if any of the partners gives notice _____ to _____ partners of his intention to dissolve the firm.

- (a) either verbally or in writing, all other
- (b) in writing, all other
- (c) in writing, any of the two other
- (d) verbally, all other

Ans.(b)

63. 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)

64. 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)

65. As per the Indian Contract Act, 1872, the contract is _____ where both parties are under mistake as to matter of fact essential to the agreement.

- (a) void
- (b) voidable at the option of either party
- (c) voidable at the option of party least at fault
- (d) valid

Ans. (a)

66. 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)

67. As per the Sale of Goods Act, 1930, a _____ is a stipulation collateral to the main purpose of the contract, the breach of which gives rise to a claim for damages but not to a right to reject the goods and treat the contract as repudiated.

- (a) condition or warranty
- (b) warranty
- (c) condition
- (d) guarantee

Ans. (b)

68. 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)

69. 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)

70. 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 doubtful or sub-standard.
- (c) An account for which a borrower has refused to repay.
- (d) An asset of borrower's subsidiaries company.

Ans: (b)

71. 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)

72. "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)

73. The Government of India may borrow upon the security of the _____
- (a) Consolidated Fund of India
 - (b) Public Account of India
 - (c) Contingency Fund of India
 - (d) Fiscal Fund of India

Ans. (a)

74. The Securities and Exchange Board of India does not regulate
- (a) securities
 - (b) commodity derivatives
 - (c) mutual funds
 - (d) ULIPs

Ans. (d)

75. The Policy Repo Rate is_____ the Reverse Repo rate.
- (a) higher than
 - (b) lower than
 - (c) equal to
 - (d) 75% of

Ans. (a)

76. The term 'Wages' under the Minimum Wages Act, 1948 includes _____
- (a) house rent allowance.
 - (b) value of house accommodation.
 - (c) contribution by employer to any pension fund.
 - (d) travelling allowance.

Ans. (a)

77. 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)

78. Basic Earnings per Share (EPS) is calculated by _____

- (a) net profit / total number of shares.
- (b) (net profit –preferred dividend) / weighted average number of shares outstanding.
- (c) (net Profit - preference share capital) / Average number of shares outstanding.
- (d) (net Profit - dividend) / Total shares outstanding.

Ans. (b)

79. 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)

80. In the context of operating leverage break-even analysis, if selling price per unit rises and all other variables remain constant, the operating break-even point in units will _____

- (a) rise.
- (b) fall
- (c) remains constant.
- (d) still be indeterminate until interest and preferred dividends paid are known.

Ans. (b)

81. The Insolvency and Bankruptcy Code, 2016, distinguishes between an operational creditor and a financial creditor and their rights. In DF Deutsche Forfait AG Vs. Uttam Galva Steel Ltd., the Mumbai bench of NCLT was of the view_____

- (a) that since for a financial creditor the time value of money was consideration for lending, only a financial creditor was entitled to interest on the amount overdue.
- (b) an operational creditor can be treated as a financial creditor if as per contract it is entitled to interest for delayed payment.
- (c) a financial creditor will be treated as an operational creditor if the lending contract does not provide for payment of interest.
- (d) an operational creditor too may be entitled to interest for delayed payment as time value of money is something every supplier takes into account.

Ans.(d)

82. In ICICI Bank Ltd. Vs. Innoventive Industries Ltd., Mumbai Bench of NCLT held that the non-obstante clause of the section 238 of the Insolvency and Bankruptcy Code (IBC), 2016 has over-riding effect with non-obstante clause of any other state legislation as _____

- (a) the legislation enacted by the Parliament shall prevail over State's powers of legislation under concurrent list.
- (b) legislative entries in the State list are read subject to the legislative entries in the Union list and Concurrent list of the seventh schedule; hence section 238 of IBC, 2016 prevails.
- (c) the state has no power to enact a law relating to bankruptcy, hence section 238 of IBC prevails.

(d) non-obstante clause of the IBC, 2016 is latter in time, hence it ought to prevail.

Ans.(d)

83. In Era Infra Engineering Ltd., Vs. Pride Commercial Projects Pvt. Ltd., NCLAT held that an operational creditor has to give notice of demand to the corporate debtor under the IBC, 2016, for initiating Corporate Insolvency resolution process as-

- (a) this is what the IBC, 2016 requires of all creditors, whether financial or operational.
- (b) the code gave another opportunity of ten days to the operational corporate debtor to pay, which it would be deemed, if new notice not given after the Code came into operation.
- (c) the IBC, 2016 is the special law and is intended to be a complete code on insolvency.
- (d) the mere giving of notice under old statute does not amount to start of proceedings to vest a right.

Ans.(b)

84. In Tomorrow Sales Agency Pvt. Ltd. Vs. Raipur Power and Steel Ltd., NCLT held that a financial creditor ____

- (a) is one whose sole business relates to finance.
- (b) which is at least registered as a non-banking finance company.
- (c) who has disbursed money against a consideration of time value of money.
- (d) is one who is not an operational creditor.

Ans.(c)

85. The Calcutta High Court in Sree Metaliks Ltd. Vs. Union Bank of India held that as section 9 of the Code did not _____

- (a) provide for the giving of notice to corporate debtor of the financial creditor, there was no requirement to give notice to such corporate debtor of initiation of proceedings under IBC, 2016.
- (b) provide for notice in case of filing of case by financial creditor as the Adjudicating Authority was given power to verify facts.
- (c) provide for giving of notice as the proceedings under IBC, 2016 were not adversarial in nature.
- (d) specifically provide for giving of notice to the corporate debtor, but the requirement is implied.

Ans.(d)

86-90 Case Study: Pioneer Cars

Read the following passage and answer questions that follows (5x2 = 10 marks)

General Car Company (GCC) is a manufacturer of passenger cars and commercial vehicles in India. It sells the cars through single brand dealerships across different cities. The dealerships are separate for passenger cars and commercial vehicles. GCC is lagging behind the competitors in the passenger car segment due to its cost structure and is losing market share for

the last 3 years. With no revival in sight, the company has decided to exit the passenger car segment and notified its dealers about shutdown of passenger car manufacturing and sales in India. The service centers for passenger cars will continue its operations for the next 3 years.

Pioneers Cars Ltd. (PC) is a passenger car dealer for GCC in Kanpur with an office cum showroom and no service center. PC has bank loans from Bank B1 and Bank B2 for Rs. 10 crore and Rs.7 crore respectively. Both the banks have *pari-passu* charge on the office premise cum showroom.

PC has expressed its inability to repay its financial obligations to the bankers. One of the bankers, Bank B1 has filed an application for Insolvency Resolution Process (IRP) which is admitted by the adjudicating authority.

- GCC has an interest free dealership security deposit of Rs. 1.5 Crore since 2010 from PC with a right to set-off against any receivables pending from PC towards GCC.
- The nephew of the promoter of PC had given a loan of Rs. 0.5 crore to PC in the last 3 months to pay the utility bills and office expenses.
- GCC in its claims has demanded Rs. 3.5 crore from PC against pending receivables.
- PC has not paid wages to the tune of Rs. 0.5 crore to its workmen and statutory employer contributions to the tune of Rs. 0.2 crore.
- As per valuers' report, approximated realizable value of office cum showroom is Rs. 12 crore. Value of furniture and equipment is Rs. 0.05 crore.
- The current receivables on books are Rs. 1.5 crore, of which 50% is doubtful.
- PC has a general purpose current account with B1 having current balance of Rs. 0.15 crore.

86. GCC has a net claim of rupees _____ against PC.

- (a) 3.5 crore
- (b) 2.0 crore
- (c) 12.0 crore
- (d) 19.0 crore

Ans: (b)

87. GCC is a/an _____ for its claims against PC:

- (a) A financial creditor
- (b) An operational creditor
- (c) A financial as well as an operational creditor
- (d) Corporate Guarantor

Ans: (b)

88. The committee of creditors will constitute of:

- (a) Banks B1 and B2
- (b) Banks B1, B2, and GCC
- (c) Banks B1, B2, GCC, Nephew of the promoter
- (d) Banks B1, B2, GCC, Nephew of the promoter, Workmen

Ans: (a)

89. Which of the following creditors/ groups of creditors cannot reject a proposed resolution plan?

- (a) Bank B1
- (b) GCC
- (c) Bank B1 and B2 together
- (d) Bank B2

Ans: (b)

90. Assume that IRP has failed in this case. After deducting the insolvency costs, sum available from proceeds of liquidation of assets is Rupee 10.99 crore. Based on priority of claims, Bank1 will receive:

- (a) 10.29 crore
- (b) 6.05 crore
- (c) 5.96 crore
- (d) 6.01 crore

Ans: (b)
