

QUESTION PAPER FOR LIMITED INSOLVENCY EXAMINATION

1. The provisions of the Insolvency and Bankruptcy Code 2016 shall apply to—
- (a) any company incorporated under the Companies Act, 2013 or under any previous company law
 - (b) any Limited Liability Partnership incorporated under the Limited Liability Partnership Act, 2008
 - (c) partnership firms and individuals
 - (d) All of the above

Ans. (d)

2. The order of moratorium under the Corporate Insolvency resolution process shall have effect from the date of such order till

.....

- (a) Date of appointment of committee of creditors
- (b) A compulsory period of 90 days
- (c) A compulsory period of 180 days
- (d) Completion of the corporate insolvency resolution process

Ans. (d)

3. Related party under the Corporate Insolvency Resolution process shall have the right of

- (a) Representation in the committee of creditors
- (b) Participation in the committee of creditors
- (c) Voting in a meeting of the Committee of creditors
- (d) Enforcing his claim for debts against the corporate debtor

Ans. (d)

4. Once a liquidation order is passed by NCLT, the Resolution Professional

- (a) Shall act as the liquidator
- (b) Shall act as the liquidator once approved by the Adjudicating Authority
- (c) Shall act as the liquidator once approved by Committee of Creditors and the Adjudicating Authority
- (d) Shall act as the liquidator unless replaced by the Adjudicating Authority

Ans. (d)

5. The special resolution passed by the shareholders to liquidate the company shall be approved by Creditors representing 2/3rds of the value of the debt within

- (a) 14 days
- (b) 7 days
- (c) 21 days
- (d) 28 days

Ans. (b)

6. The application for a Fresh Start Order may be made by the

- (a) Person themselves
- (b) By a Resolution professional
- (c) Person themselves or By a Resolution professional

(d) By the creditor

Ans. (c)

7. Interim Moratorium under the Resolution process for non corporates

- (a) Is not An order to cease business operations
- (b) Does not Stay pending legal action
- (c) Does not Prevent initiation of fresh legal action
- (d) Is valid for 180 days

Ans. (a)

8. The Resolution Professional shall consolidate claims under the Individuals and Partnerships Insolvency resolution process within Days of public announcement

- (a) 21
- (b) 30
- (c) 45
- (d) 60

Ans. (b)

9. An application for bankruptcy of a debtor by a Secured creditor shall be made for

- (a) All debts
- (b) Only unsecured portion of the debt along with the estimated value of the unsecured portion
- (c) Only secured debts
- (d) Only unsecured portion of the debt

Ans. (b)

10. The public notice calling claims from creditors under the bankruptcy process shall be given by

- (a) IBBI
- (b) Adjudicating Authority
- (c) Bankruptcy Trustee
- (d) Bankrupt person

Ans. (b)

11. If a bankrupt dies, then the proceedings shall

- (a) Stand abated
- (b) Stand terminated
- (c) continue after modification by Adjudicating Authority
- (d) continue as if he were alive

Ans. (d)

12. An insolvency professional should allow the to inspect his records and submit record of proceedings to the

- (a) Insolvency professional Agency, Insolvency Professional Agency
- (b) Insolvency professional Agency, Adjudicating Authority
- (c) Insolvency professional Agency, IBBI
- (d) IBBI, Adjudicating Authority

Ans. (c)

13. The Order for cancelling/ suspending the Certificate of Registration shall be made only by –

- (a) Chairperson of IBBI
- (b) Whole-time members of IBBI
- (c) Any member of IBBI
- (d) By NCLT

Ans. (b)

14. The members of the disciplinary committee of IBBI shall consist of only

- (a) All members of the Board
- (b) Whole-time members of the Board
- (c) Members of the Board and NCLT members
- (d) Majority of NCLT members

Ans. (b)

15. Which is the highest appellate authority in case of IBC

- (a) NCLAT
- (b) District Court
- (c) Supreme Court
- (d) High Court.

Ans. (a)

16. An appeal from an order of the Debt Recovery Appellate Tribunal on a question of law under this Code shall be before –

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

Ans. (d)

17. Fraudulent Misapplication/ Breach of Duty of the Bankruptcy Trust causing loss, shall be punishable with-

- (a) Fine which shall not be less than 3 times the amount of the loss caused to persons concerned.
- (b) Imprisonment for a term which may extend to 3 years
- (c) Both (a) & (b)
- (d) (a) or (b) or both (a) and (b)

Ans. (d)

18. The regulations relating to the supply of essential goods or services to the corporate debtor under sub-section (2) of section 14 shall be made by

- (a) Central Government
- (b) IBBI
- (c) NCLT
- (d) NCLAT

Ans. (b)

19. An application for corporate insolvency resolution process before AA by applicant shall be

- (a) With written Consent of proposed IRP in a letter

- (b) Does not require any consent from the IRP
- (c) Requires consent of IRP in Form 2
- (d) Consent can be provided after admission of the application

Ans. (c)

20. An IRP shall make a public announcement within _____ days of his appointment.

- (a) 5 days
- (b) 3 days
- (c) 7 days
- (d) 14 days

Ans. (b)

21. The resolution plan is considered to be final provided it is approved by the .

- (a) Resolution professional.
- (b) Committee of Creditors & Adjudicating Authority
- (c) Committee of Creditors.
- (d) Board of Directors.

Ans. (b)

22. Disciplinary proceedings can be instituted against an insolvency professional agency by

- (a) National Company Law Tribunal
- (b) Ministry of Corporate affairs
- (c) High Court
- (d) IBB

Ans. (d)

23. If the Application has been rejected, the applicant may appeal to the membership committee of the agency within _____ days from the receipt of such decisions

- (a) 20
- (b) 10
- (c) 30
- (d) 15

Ans. (c)

24. A Registered Partnership firm may be recognized as an Insolvency Professional entity if _____ of the partners are registered as Insolvency Professionals.

- (a) Majority
- (b) 33.33 %
- (c) 75 %
- (d) 25 %

Ans. (a)

25. The eligibility for Research Associates and Consultants for different disciplines shall be as given in

- (a) Schedule I
- (b) Schedule II
- (c) Schedule III
- (d) Schedule IV

Ans. (a)

- 26.** The corporate person shall from the liquidation commencement date cease to carry on its
- (a) purchase and sale activities
 - (b) Banking transactions
 - (c) business affairs except required for beneficial winding up of its business.
 - (d) economic affairs

Ans. (a)

- 27.** The Investigating Authority may requisition the services of _____ to assist him in search and seizure under the order.
- (a) Police Officer
 - (b) Body guards
 - (c) Officers of State Government
 - (d) None of the above

Ans. (a)

- 28.** The Governing Board may relax any of the regulations in case of _____ .
- (a) exigencies warranting such relaxation.
 - (b) At its will
 - (c) Will of the members
 - (d) None of the above

Ans. (a)

- 29.** Insolvency professional shall make a public announcement in the prescribed Form –
- (a) Form A
 - (b) Form B
 - (c) Form C
 - (d) Form D

Ans. (a)

- 30.** The liquidator shall prepare and submit to the Adjudicating Report which of the following Reports:
- (a) a preliminary report
 - (b) an asset memorandum
 - (c) progress report
 - (d) all of the above.

Ans. (d)

- 31.** An information utility shall not allow the access of information to
- (a) Users who have submitted information
 - (b) Adjudicating Authority
 - (c) Board
 - (d) Credit Card Sales Team

Ans. (d)

- 32.** The Secretary to the Advisory Committee shall not have the following rights in the meetings of the Advisory Committee.

- (a) Right to attend
- (b) Right to speak
- (c) Right to vote
- (d) None of the Above

Ans. (c)

- 33.** An IBBI employee shall not be eligible for gratuity on-
- (a) Retirement
 - (b) Death
 - (c) Resignation after completing four years of continuous service
 - (d) Disablement rendering him unfit for further service

Ans. (c)

34. In how many days the Board shall dispose of the review as requested by complainant if he is not satisfied with the decision of the Board?

- (a) 30 days of the receipt
- (b) 10 days of the receipt
- (c) 15 days of the receipt
- (d) 21 days of the receipt

Ans. (a)

35. The name under which the business of a partnership is carried on is called

- (a) Partnership
- (b) partnership firm
- (c) firm name
- (d) none of the above

Ans. (c)

36. A LLP shall file an Annual Return within days of closure of its financial year.

- (a) Fifteen
- (b) Thirty
- (c) Sixty
- (d) Ninety

Ans. (c)

37. All public companies either issue a prospectus or file a statement _____.

- (a) In lieu of prospectus
- (b) Information memorandum
- (c) Red herring prospectus
- (d) None of the above

Ans. (a)

38. A company can issue sweat equity shares if authorized –

- (a) Company in general meeting by ordinary resolution
- (b) Company in general meeting by special resolution
- (c) Board of Directors
- (d) Audit committee

Ans. (b)

- 39.** Is an eligible company required to obtain the rating from a recognized rating agency ?
- (a) Yes
 - (b) No
 - (c) Not applicable
 - (d) None of the above

Ans. (a)

- 40.** What shall be the deemed date of notice of registration of charge?
- (a) When it comes in knowledge of the person
 - (b) From the date of registration
 - (c) When the Register is inspected
 - (d) From the date of notice

Ans. (b)

- 41.** The instrument appointing a proxy shall be _____
- (a) in writing
 - (b) in oral
 - (c) written and oral both
 - (d) None of the above.

Ans. (a)

- 42.** The accounts of a company can be re- opened if
- (a) An application is made by CG
 - (b) An application is made by SEBI
 - (c) An application is made by Income Tax Authorities
 - (d) All of the above

Ans. (d)

- 43.** For how many years the books and papers of amalgamated companies shall be preserved?
- (a) No time limit prescribed
 - (b) 8 years
 - (c) 10 years
 - (d) 15 years

Ans. (a)

- 44.** In case a Valuer becomes interested in any property, stock etc of the company, he may be appointed as Registered Valuer of the company after a cooling off period of:
- (a) 3 years
 - (b) 5 years
 - (c) 1 year
 - (d) He will never be appointed as Registered Valuer of the company

Ans. (a)

- 45.** When can an application for Removal of name be filed by the company -
- (a) after extinguishing all liabilities by consent of 90 % of members in terms of paid up share
 - (b) after extinguishing all liabilities by consent of 75 % of member in terms of paid up share
 - (c) after extinguishing all liabilities through a ordinary resolution

(d) None of the above

Ans. (b)

46. When can a winding up order not be called a notice of discharge?

- (a) when the business of the company is continued
- (b) when the business of the company is closed since 2 years.
- (c) On the discretion of the management
- (d) None of the above.

Ans. (a)

47. The Principal Bench of the NCLT shall be in:-

- (a) Mumbai
- (b) New Delhi
- (c) Kolkata
- (d) Chennai

Ans. (b)

48. An agreement enforceable by law is called:

- (a) Proposal
- (b) Agreement
- (c) Contract
- (d) Offer

Ans. (c)

49. In which case the transfer must be affected by a registered instrument?

- (a) Gift of Immovable Property
- (b) Gift of Movable Property
- (c) Both (a) & (b)
- (d) None of the above

Ans. (a)

50. The transfer of certain existing movable or immovable property made voluntarily and without consideration, by one person to another is called -----

- (a) Transfer
- (b) Exchange
- (c) Lease
- (d) Gift

Ans. (d)

51. In case of agreement to sell the seller can sue the buyer for _____ in case of breach.

- (a) Price
- (b) Interest
- (c) Fraud
- (d) Damages

Ans. (d)

52. When will a seller be deemed to be an unpaid seller?

- (a) When whole price has not been paid or tendered.
- (b) When the payment was made by negotiable instrument and the instrument was dishonoured.
- (c) Both (a) & (b)
- (d) None of the above

Ans. (c)

53. Can a Tribunal issue summons to the borrower to show cause as to why the relief should not be granted?

- (a) Yes
- (b) No
- (c) On specific permission by Central Government.
- (d) Only C

Ans. (a)

54. Against the Chairperson of the Appellate Tribunal, disciplinary enquiry shall be made by

- (a) District Judge
- (b) Metropolitan Judge
- (c) High Court Judge
- (d) Supreme Court Judge

Ans. (d)

55. Record date means the date agreed upon by the secured creditors representing

- (a) Less than three-fourth in value of the amount outstanding on such date.
- (b) Not less than three-fourth in value of the amount outstanding on such date.
- (c) Not less than sixty percent in value of the amount outstanding on such date.
- (d) Less than one-fourth in value of the amount outstanding on such date.

Ans. (c)

56. Sponsor means any person holding not less than _____ of an asset reconstruction company;

- (a) Ten per cent. of the paid-up equity capital
- (b) Twenty per cent. of the paid-up equity capital
- (c) Thirty per cent. of the paid-up equity capital
- (d) Five per cent. of the paid-up equity capital

Ans. (a)

57. The requirement of classification of secured debt as non-performing asset shall not apply to a borrower who has raised funds through issue of _____

- (a) Debt securities
- (b) Bonds
- (c) Equity shares
- (d) Bonus Shares

Ans. (a)

58. Which of the following is not an illustrative parameter used by the CDR Empowered Group to decide on the acceptable viability?

- (a) Return on Capital Employed (ROCE),
- (b) Debt Service Coverage Ratio (DSCR),
- (c) Gap between the Internal Rate of Return (IRR) and the Cost of Fund (COF),

(d) None of the above.

Ans. (d)

59. What is the annual contribution that is to be made by other banks and financial institutions to keep the CDR Cell running?

- (a) Five lakh
- (b) Ten lakhs
- (c) Twenty lakhs
- (d) Twenty Five lakhs

Ans. (a)

60. The JLF must approve the SDR conversion package within _____ from the date of deciding to undertake SDR.

- (a) 30 days
- (b) 60 days
- (c) 90 days
- (d) 180 days

Ans. (c)

61. The 'stand-still' clause only applies to

- (a) asset classification
- (b) liability classification
- (c) debt restructuring
- (d) None of the above.

Ans. (a)

62. Under the S4A scheme the Fair Market Value shall be arrived at as per:

- (a) NAV
- (b) BEP
- (c) DCF
- (d) None of the above.

Ans. (c)

63. Suit for recovery of possession under the Specific Relief Act, 1963 can be filed?

- (a) For Tangible assets
- (b) For both Intangible and Tangible Assets
- (c) With respect to immovable property
- (d) With respect of both movable and immovable property

Ans. (d)

64. What is the period of limitation for a suit relating to contracts, declarations, decrees and instruments?

- (a) 3 years
- (b) 4 years
- (c) 6 years
- (d) 7 years

Ans. (a)

65. What is the period of limitation for suits relating to trusts and trusts property to set aside a transfer of movable property comprised in a Hindu, Muslim or Buddhist religious or charitable endowment, made by a manager thereof for a valuable consideration?

- (a) 3 years
- (b) 12 years
- (c) 24 years
- (d) 30 years

Ans. (a)

66. An arbitration agreement is not considered to be in writing if it is contained in:

- (a) a document signed by the parties
- (b) a document signed by one of the parties
- (c) an exchange of letters, telex, telegrams or other means of telecommunication including communication through electronic means which provide a record of the agreement
- (d) an exchange of statements of claim and defence in which the existence of the agreement is alleged by one party and not denied by the other

Ans. (b)

67. In case of three arbitrators, the third arbitrator shall act as:

- (a) an adjudicator
- (b) a Presiding Arbitrator
- (c) Conciliator
- (d) Judge

Ans. (b)

68. The arbitral tribunal shall be bound by the

- (a) Code of Civil Procedure, 1908 (5 of 1908)
- (b) Indian Evidence Act, 1872 (1 of 1872)
- (c) Either (a) or (b)
- (d) None of the above

Ans. (d)

69. The arbitral award shall be made:

- (a) within a period of three months from the date the arbitral tribunal enters upon the reference.
- (b) within a period of six months from the date the arbitral tribunal enters upon the reference.
- (c) within a period of nine months from the date the arbitral tribunal enters upon the reference.
- (d) within a period of twelve months from the date the arbitral tribunal enters upon the reference.

Ans. (d)

70. Arbitration agreement not to be discharged by

- (a) death of party thereto
- (b) incapacity of party thereto
- (c) insolvency of party thereto
- (d) idiocy of part thereto

Ans. (a)

71. In the event, the arbitral tribunal is a sole arbitrator, he shall be entitled to an additional amount of:

- (a) five per cent. on the fee payable as per the table set out for fees
- (b) ten per cent. on the fee payable as per the table set out for fees
- (c) twenty-five per cent. on the fee payable as per the table set out for fees
- (d) thirty-five per cent. on the fee payable as per the table set out for fees

Ans. (c)

72. As per section 147 of the Negotiable Instruments Act, 1881, every offence punishable under the Act shall be

- (a) compoundable
- (b) non-compoundable
- (c) cognizable
- (d) may or may not be compoundable

Ans. (a)

73. What is the penalty for dishonour of cheque for insufficiency, etc., of funds in the account under section 138 of The Negotiable Instruments Act, 1881 ?

- (a) imprisonment for a term which may be extended to two years
- (b) with fine upto twice the amount of the cheque
- (c) imprisonment for a term which may be extended to two years or with fine upto twice the amount of the cheque or both
- (d) imprisonment for a term which may be extended to two years or with fine upto twice the amount of the cheque

Ans. (c)

74. The Adjudicating Authority under the Corporate Insolvency resolution process shall appoint an interim resolution professional within days from the insolvency commencement date

- (a) 7
- (b) 14
- (c) 21
- (d) 28

Ans. (b)

76. The duties of the Interim resolution professional include compilation of business and financial operations for

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

Ans. (a)

77. The Code proposed by the Bankruptcy Law Reforms Committee provides for a for creditors and debtors to negotiate in an orderly and non-conflicted manner.

- a) forum
- b) calm period
- c) committee
- d) negotiation period

Ans. (b)

77. As per report of the Bankruptcy Law Reforms Committee, which of the following is not an objective of an insolvency and bankruptcy regime?

- a) Low time to resolution
- b) Low time loss in recovery
- c) Higher levels of debt financing
- d) Lower levels of equity financing

Ans. (d)

78. Remuneration charged by an insolvency professional need not be

- a) transparent.
- b) reasonable.
- c) lowest.
- d) disclosed to stakeholders.

Ans. (c)

79. The Corporate Social Responsibility Committee must have at least Independent directors.

- a) One
- b) Two
- c) 1/3
- d) 2/3

Ans. (a)

80. Which of the following matters requires a special resolution by a company?

- a) Reducing share capital
- b) Removal of a director
- c) Acceptance of deposits
- d) Appointment of a director

Ans. (a)

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

- a) Debt Recovery Tribunals
- b) Debt Recovery Appellate Tribunals
- c) Securities Appellate Tribunals
- d) Central Board for Direct Taxes

Ans. (a)

82. O Ltd. has taken a loan from B Ltd. O Ltd. will not be considered as a 'borrower' under of the SARFAESI Act, 2002 in the event

- a) O Ltd. is a non-financial company
- b) B Ltd. is a financial company
- c) B Ltd. and C Ltd. are financial companies
- d) B Ltd. and C Ltd. are non-financial companies

Ans. (d)

83. Which of the following Acts have not been amended by the Insolvency and Bankruptcy Code, 2016?

- a) The Transfer of Property Act, 1882
- b) The Companies Act, 2013
- c) The Limited Liability Partnership Act, 2008
- d) The Income Tax Act, 1961

Ans. (a)

84. The Hon'ble Supreme Court, through its order in the matter of Mardia Chemicals Ltd. Vs. Union of India, reduced the mandatory pre-deposit for filing securitization applications from 75% to

- a) 60
- b) 50
- c) 40
- d) 25

Ans. (d)

85. 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)

86-90. Case Study:-

(a) M Ltd. (Company) is engaged in the manufacturing of glass. It has availed various credit facilities from a total of nineteen secured creditors with an outstanding debt of Rs.2000 crore. Due to adverse market conditions, its financial position took a downturn and hence it filed a reference with the Board for Industrial and Financial Reconstruction (BIFR). The reference was duly registered. During the proceedings before BIFR, one of the secured creditors, after taking consent of the other creditors of the company, filed an application for abatement of the reference before BIFR.

(b) Meanwhile, one of the unsecured creditors filed an application before BIFR for the impleadment in the proceedings. The BIFR dismissed the said application due to non-prosecution.

(c) Subsequently, upon coming into force of the Insolvency and Bankruptcy Code (IBC), 2016, the company filed an application for initiation of Corporate Insolvency Resolution Process (CIRP) before National Company Law Tribunal (NCLT) on 09.12.2018. However, in the first meeting of the Committee of Creditors held on 05.01.2019, the financial creditors of the company decided to liquidate the company. Immediately after this decision, but before intimating the decision to the

NCLT, one of the financial creditors of the company applied to Resolution Professional (RP) giving proof of his claim and seeking his inclusion in the Committee of Creditors.

86. In case the secured creditor faces resistance from company for enforcement of security interest, such secured creditor may apply to:

- a) Adjudicating Authority
- b) Debt Recovery Tribunal
- c) Liquidator
- d) High Court

Ans. (a)

87. In case the liquidation process is initiated, the unsecured creditor who filed an application before BIFR for impleadment shall be paid ----.

- a) as per claim accepted by the liquidator in accordance with priorities specified in the Insolvency and Bankruptcy Code, 2016.
- b) as per the amount of its claim before BIFR.
- c) as per the amount of its claim made before the liquidator.
- d) as per the order of Debt Recovery Tribunal.

Ans. (a)

88. Can the creditors initiate SARFAESI action against the company?

- a) Yes, if they constitute more than 75% of the total financial debt.
- b) Yes, with the consent of the Liquidator.
- c) Yes, with the consent of the National Company Law Tribunal (NCLT).
- d) No, they cannot.

Ans. (d)

89. What is the priority of payment to workmen dues in case of liquidation?

- a) Pari passu with secured creditors and employees
- b) Pari passu with secured creditors and insolvency costs
- c) Pari passu with secured creditors
- d) Pari passu with financial creditors

Ans. (c)

90. In case one of the secured creditors realises its security interest and such realization is not sufficient to pay its outstanding debts, can he recover the balance amount?

- a) The balance amount will be ignored.
- b) The balance amount will be paid at par with dues to the Central Government and the State Government.
- c) The balance amount will be paid at par with other secured creditors.
- d) The Balance amount will be paid at par with unsecured creditors.

Ans. (b)

