

CA Final – Paper 4 (Law) – MCQ

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(Covering ICAI SM, MTPs & RTPs till Nov. 2022 applicable for May/Nov. 2023 Exams)

Chapter - 20: Insolvency and Bankruptcy Code, 2016

1	<p>An application under Section 9 of the Insolvency and Bankruptcy Code, 2016 was filed by the Raheja Portland Cement Limited in the capacity as operational creditor against the corporate debtor Makhija Builders and Developers Limited. The application was admitted by the order of the National Company Law Tribunal – Mumbai (NCLT, Mumbai) after giving a reasonable opportunity of being heard to Makhija Builders and Developers Limited and Mr. Ritesh was appointed as Interim Resolution Professional (IRP). However, Mr. Sanskar and Mr. Satvik, two of the directors of Makhija Builders and Developers Limited, were suspicious about the claims filed by Raheja Portland Cement Limited since they were much more than what was due to the company and therefore, they are desirous of making an appeal against the order of the NCLT, Mumbai. You, as a legal advisor, are required to advise them as to the maximum time within which an appeal against the order of the NCLT, Mumbai, can be filed by them with the National Company Law Appellate Tribunal (NCLAT).</p> <p>(a) Mr. Sanskar and Mr. Satvik, the two directors of Makhija Builders and Developers Limited shall be able to prefer an appeal against the order passed by NCLT, Mumbai under Section 9 of the Insolvency and Bankruptcy Code, 2016, within a period of 45 days from the date of order.</p> <p>(b) Mr. Sanskar and Mr. Satvik, the two directors of Makhija Builders and Developers Limited shall be able to prefer an appeal against the order passed by NCLT, Mumbai under Section 9 of the Insolvency and Bankruptcy Code, 2016, within a period of 30 days from the date of order.</p> <p>(c) Mr. Sanskar and Mr. Satvik, the two directors of Makhija Builders and Developers Limited shall be able to prefer an appeal against the order passed by NCLT, Mumbai under Section 9 of the Insolvency and Bankruptcy Code, 2016, within a period of 15 days from the date of order.</p> <p>(d) Mr. Sanskar and Mr. Satvik, the two directors of Makhija Builders and Developers Limited shall be able to prefer an appeal against the order passed by NCLT, Mumbai under Section 9 of the Insolvency and Bankruptcy Code, 2016, within a period of 10 days from the date of order.</p>
2	<p>Munikh Hospitality Services Limited was admitted in the Corporate Insolvency Resolution Process (CIRP) under Section 7 of the Insolvency and Bankruptcy Code. The Resolution Professional (RP) Mr. Somesh, after his appointment, conducted a meeting of Committee of Creditors (CoC) but the same was adjourned due to the lack of quorum. At the appointed date and time, when the adjourned meeting was resumed, a resolution was passed by the CoC members present, representing 51% of the voting rights, for liquidation of Munikh Hospitality Services Limited, the Corporate Debtor, before the completion of the Corporate Insolvency Resolution Process (CIRP). You, as a qualified Chartered Accountant comprising the team of RP, are required to advise whether the resolution of liquidation passed by certain members of CoC representing 51% of the voting rights is valid or not considering the applicable provisions of the Insolvency and Bankruptcy Code, 2016.</p>

	<p>(a) The resolution of liquidation of Munich Hospitality Services Limited passed by certain members of CoC representing 51% of the voting rights is not valid since the resolution has not been approved by minimum of 90% of the voting shares of the creditors.</p> <p>(b) The resolution of liquidation of Munich Hospitality Services Limited passed by certain members of CoC representing 51% of the voting rights is not valid since the resolution has not been approved by minimum of 66% of the voting shares of the creditors.</p> <p>(c) The resolution of liquidation of Munich Hospitality Services Limited passed by certain members of CoC representing 51% of the voting rights is not valid since such resolution cannot be passed before the completion of the CIRP.</p> <p>(d) The resolution of liquidation of Munich Hospitality Services Limited passed by certain members of CoC representing 51% of the voting rights is valid since the same has been passed by the majority of creditors.</p>
3	<p>ABC and Co, the tax consultants of X Limited for which an interim resolution professional – Mr A, has been appointed under the Corporate Insolvency resolution process has refused to furnish information to Mr. A on the grounds of client confidentiality. Are they right?</p> <p>(a) Yes, they are right.</p> <p>(b) No, the Code provides powers to the IRP to access all information from various parties.</p> <p>(c) Partly right, they can do so only after consent of the directors.</p> <p>(d) Mr A is not right in even asking for this information. [MTP-March 19]</p>
4	<p>In case of a contravention of the resolution plan, an application for liquidation can be made by _____.</p> <p>(a) Only the original applicant.</p> <p>(b) Only by the corporate debtor.</p> <p>(c) By any person other than the corporate debtor whose rights have been prejudicially affected.</p> <p>(d) By the financial creditors only. [MTP-April. 19, Oct. 19]</p>
5	<p>For initiation of Voluntary liquidation, a declaration of solvency (no debts or assets are sufficient to discharge liabilities) should be given by:</p> <p>(a) Two directors</p> <p>(b) Two directors and 80% shareholders</p> <p>(c) Two directors and 80% shareholders and statutory auditors</p> <p>(d) Majority of the directors [MTP-April. 19]</p>
6	<p>Under the IBC, The resolution plan shall be approved by the Committee of Creditors by a vote of not less than _____ percent of voting share of the financial creditors.</p> <p>(a) 51%</p> <p>(b) 66%</p> <p>(c) 75%</p> <p>(d) 95% [RTP-May 19]</p>
7	<p>NCLT shall appoint an interim resolution professional _____.</p> <p>(a) within 7 days of insolvency commencement date.</p> <p>(b) within 10 days of insolvency commencement date.</p> <p>(c) within 14 days of insolvency commencement date.</p> <p>(d) on the insolvency commencement date. [MTP-Oct. 19]</p>

8	<p>Save as otherwise provided in Insolvency and Bankruptcy Code, 2016, all the decisions of the committee of the creditors shall be taken by a vote of not less than _____ of voting share of the financial creditors.</p> <p>(a) 51%</p> <p>(b) 66%</p> <p>(c) 75%</p> <p>(d) 90%</p> <p style="text-align: right;">[MTP-Oct. 19]</p>
9	<p>How many times Corporate Insolvency Resolution Process period can be extended?</p> <p>(a) Shall not be granted more than once.</p> <p>(b) Shall be granted more than once.</p> <p>(c) Shall be granted more than twice on the reasonable cause.</p> <p>(d) Cannot be granted at all.</p> <p style="text-align: right;">[RTP-Nov. 19]</p>
10	<p>If committee of creditors of corporate debtors was constituted on 17.3.2023 under the Insolvency and Bankruptcy Code. Identify the time limit, within which the first meeting of committee of creditors should be held.</p> <p>(a) Latest by 20.3.2023</p> <p>(b) Latest by 22.3.2023</p> <p>(c) Latest by 24.3.2023</p> <p>(d) Latest by 31.3.2023</p> <p style="text-align: right;">[MTP-May 20]</p>
11	<p>The IRP appointed for M Ltd. is seeking your views on the constitution of the Committee of creditors of M Ltd. M Ltd. does not have any financial debt other than loan obtained from Mr. A, son of Mr. B, the managing director of M Ltd. Considering the above, identify the appropriate constitution of the committee of creditors out of the following:</p> <p>(a) Mr. A, 18 largest operational creditors, 1 representative of all workmen.</p> <p>(b) 18 largest operational creditors, 1 representative of workmen and 1 representative of employees.</p> <p>(c) Only Mr. A since he is the only financial creditor.</p> <p>(d) 18 largest operational creditors, 1 representative of workmen and 1 representative of employees and the resolution professional.</p> <p style="text-align: right;">[RTP-May 20, MTP-Nov. 21]</p>
12	<p>Under what circumstances the meeting of the creditors may be dispensed by the NCLT?</p> <p>(a) If 70% of the creditors in value agree and confirm to the scheme by way of affidavit.</p> <p>(b) If 80% of the creditors in value agree and confirm to the scheme by way of affidavit.</p> <p>(c) If 90% of the creditors in value agree and confirm to the scheme by way of affidavit.</p> <p>(d) None of the above.</p> <p style="text-align: right;">[MTP-Nov. 20]</p>
13	<p>What is the mandatory period for completion of Corporate Insolvency Resolution Process (CIRP) against a corporate debtor:</p> <p>(a) 180 days which includes the time taken in legal proceedings in relation to such resolution process of the corporate debtor.</p> <p>(b) 270 days which includes the time taken in legal proceedings in relation to such resolution process of the corporate debtor.</p> <p>(c) 330 days which includes the time taken in legal proceedings in relation to such resolution process of the corporate debtor.</p>

	(d) 365 days which includes the time taken in legal proceedings in relation to such resolution process of the corporate debtor. [MTP-Nov. 20]
14	<p>Shivdeep submitted his claim as an operational creditor to the liquidator of Chiranjeevi Food Products Limited, a company under liquidation. If Shivdeep wants to vary his claim, state the time period within which he can do so after its submission.</p> <p>(a) 5 days. (b) 10 days (c) 14 days (d) 15 Days</p> <p>[MTP-Nov. 20, March 21]</p>
15	<p>MX Limited was admitted in the Corporate Insolvency Resolution Process (CIRP) under section 7 of the Insolvency and Bankruptcy Code (Code). The Resolution Professional (RP) of the MX Limited (Corporate Debtor) conducted the Committee of Creditors (CoC) meeting but the same was adjourned due to lack of quorum. Accordingly, in the adjourned meeting, a resolution was passed by the CoC members present, representing 51% of the voting rights for liquidation of the Corporate Debtor before the expiry of the Corporate Insolvency Resolution Process (CIRP). You as a qualified Chartered Accountant in the team of RP is required to advise RP whether the resolution of liquidation passed is valid in law considering the provisions of the Insolvency and Bankruptcy Code.</p> <p>(a) The resolution passed for liquidation is not valid in law as it has not been approved by minimum of 90% of the voting shares of the financial creditors. (b) The resolution passed for liquidation is not valid in law as it has not been approved by minimum of 66% of the voting shares of the financial creditors. (c) The resolution passed for liquidation is not valid in law as it cannot be passed before the expiry of the CIRP. (d) The resolution passed for liquidation is valid in law as it has been passed by 51% of the voting shares of the financial creditors.</p> <p>[RTP-Nov. 20]</p>
16	<p>Mr. Romil was appointed as an IRP during the Corporate Insolvency Resolution Process on 3rd of March, 2023. He can make a Public announcement -</p> <p>(a) latest by 6th March 2023. (b) latest by 7th March 2023. (c) latest by 10th March 2023. (d) latest by 14th March 2023.</p> <p>[MTP-March 21]</p>
17	<p>Ruby Petals Limited, a small company, files an application with the NCLT stating that the fast track corporate insolvency resolution process against it cannot be completed within the prescribed period of 90 days. On being satisfied, NCLT orders to extend the period of such process by 30 days. However, Ruby Petals Limited again initiates an application for further extension of time period of insolvency process by another 10 days. Which of the following option is applicable to such a situation:</p> <p>(a) NCLT can extend the period by another 10 days because total extension does not exceed 45 days. (b) NCLT is empowered to grant another extension of 10 days if Ruby Petals deposits ₹ 50,000 as penalty. (c) NCLT is empowered to grant another extension of 10 days if Ruby Petals deposits ₹ 100,000 as penalty. (d) NCLT cannot extend the period by another 10 days because such extension shall not be granted more than once.</p> <p>[MTP-March 21]</p>

18	<p>A meeting of committee of creditors shall quorate if members of the CoC representing _____ are present either in person or by video/audio means:</p> <p>(a) at least 33% of the voting rights. (b) at least 51% of the voting rights. (c) at least 66% of the voting rights. (d) at least 90% of the voting rights.</p> <p style="text-align: right;">[MTP-April 21, RTP-Nov. 21]</p>
19	<p>Who shall determine the amount of claim due to a creditor under the Insolvency and Bankruptcy Code during the Corporate Insolvency Resolution Process (CIRP)?</p> <p>(a) Committee of Creditors (b) Resolution Professional (c) Adjudicating Authority (d) Corporate debtor</p> <p style="text-align: right;">[RTP-May 21]</p>
20	<p>Can an Adjudicating Authority order the liquidation of a corporate debtor even after approving the resolution plan.</p> <p>(a) Yes, if the resolution plan is contravened. (b) The Adjudicating Authority may order the liquidation of a corporate debtor even after approving the resolution plan on receiving an application from a third party who is unaffected by such liquidation. (c) Yes, the Adjudicating Authority may order for the liquidation of a corporate debtor if the committee of creditor does not approve the resolution plan after its approval by the Adjudicating Authority. (d) No, the Adjudicating Authority cannot order the liquidation of a corporate debtor after approving the resolution plan.</p> <p style="text-align: right;">[RTP-May 21]</p>
21	<p>The Adjudicating Authority may allow the withdrawal of application admitted under section 7 or section 9 or section 10, on an application made:</p> <p>(a) By the Interim Resolution Professional (b) By the applicant with the approval of 66% voting share of the committee of creditors. (c) By the applicant with the approval of 75% voting share of the committee of creditors. (d) By the applicant with the approval of 90% voting share of the committee of creditors.</p> <p style="text-align: right;">[MTP-Oct. 21]</p>
22	<p>The Committee of Creditors (CoC) of Ashoka Cement Limited under the Corporate Insolvency Resolution Process (CIRP) have passed a resolution allowing the Resolution Professional (RP) of Company for initiating the process of liquidation before NCLT under section 33 of the Insolvency and Bankruptcy (Amendment) Code, 2019. Accordingly, the RP was appointed as liquidator of the Ashoka Cement Limited. While forming the liquidation estate, the liquidator was in dilemma regarding the inclusion and exclusion of the assets forming part of the liquidation estate. You as a Qualified Chartered Accountant are required to advise the liquidator regarding the issues faced by him with respect to the exclusion to be made in the liquidation estate of Ashoka Cement Limited as per the provisions of the Code.</p> <ol style="list-style-type: none"> 1. Assets in security collateral held by financial service providers. 2. Any asset of the corporate debtor in respect of which a secured creditor has relinquished security interest. 3. Assets owned by a third party which are in the possession of the corporate debtor. 4. Assets subject to the determination of ownership by the court or authority

	<p>(a) Only (3)</p> <p>(b) Both (2) and (4)</p> <p>(c) Only (1)</p> <p>(d) (1) and (3)</p> <p style="text-align: right;">[RTP-Nov. 21]</p>
23	<p>The PPIRP may be made in respect of a corporate debtor, who commits a default subject to the condition that the majority of the directors of the corporate debtor have made a declaration, stating inter alia, that the corporate debtor shall file an application for initiating pre-packaged insolvency resolution process within a definite time period of:</p> <p>(a) not exceeding 60 days</p> <p>(b) not exceeding 90 days</p> <p>(c) not exceeding 120 days</p> <p>(d) not exceeding 150 days</p> <p style="text-align: right;">[MTP-March 22]</p>
24	<p>Shivdeep submitted his claim as an operational creditor to the liquidator of Chiranjeevi Food Products Limited which is under liquidation. After submission of his claim, Shivdeep is desirous of altering it. Out of the following four options, which one correctly indicates the time period within which he can alter his claim after its submission.</p> <p>(a) Shivdeep can alter his claim within 5 days of its submission to the liquidator of Chiranjeevi Food Products Limited.</p> <p>(b) Shivdeep can alter his claim within 10 days of its submission to the liquidator of Chiranjeevi Food Products Limited.</p> <p>(c) Shivdeep can alter his claim within 14 days of its submission to the liquidator of Chiranjeevi Food Products Limited.</p> <p>(d) Shivdeep can alter his claim within 30 days of its submission to the liquidator of Chiranjeevi Food Products Limited.</p> <p style="text-align: right;">[RTP-May 22]</p>
25	<p>New Era Financial Services Limited of New Delhi, registered with Reserve Bank of India as Non-banking Financial Company (NBFC), has defaulted in the payment of dues to its catering contractor, Samarth Sweets, a partnership concern owned by two real brothers Swarn and Shivi. From the following four options, select the one which indicates whether Samarth Sweets being catering contractor can initiate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016, against the company in the capacity as an operational creditor:</p> <p>(a) The catering contractor Samarth Sweets in the capacity as operational creditor is entitled to initiate insolvency process against New Era Financial Services Limited.</p> <p>(b) The catering contractor Samarth Sweets in the capacity as operational creditor is not entitled to initiate insolvency process against New Era Financial Services Limited because 'financial service providers' are excluded.</p> <p>(c) The catering contractor Samarth Sweets in the capacity as operational creditor is not entitled to initiate insolvency process against New Era Financial Services Limited since it is a partnership concern and not a limited company.</p> <p>(d) Since 'catering service provider' is an excluded service, the catering contractor Samarth Sweets in the capacity as operational creditor is not entitled to initiate insolvency process against New Era Financial Services Limited.</p> <p style="text-align: right;">[MTP-Oct. 22]</p>

Answers Key		
Q. No	Answer	
1	(b)	Mr. Sanskar and Mr. Satvik, the two directors of Makhija Builders and Developers Limited shall be able to prefer an appeal against the order passed by NCLT, Mumbai under Section 9 of the Insolvency and Bankruptcy Code, 2016, within a period of 30 days from the date of order.
2	(b)	The resolution of liquidation of Munikh Hospitality Services Limited passed by certain members of CoC representing 51% of the voting rights is not valid since the resolution has not been approved by minimum of 66% of the voting shares of the creditors.
3	(b)	No, the Code provides powers to the IRP to access all information from various parties.
4	(c)	By any person other than the corporate debtor whose rights have been prejudicially affected.
5	(d)	Majority of the directors.
6	(b)	66%
7	(d)	on the insolvency commencement date.
8	(a)	51%
9	(a)	Shall not be granted more than once.
10	(c)	Latest by 24.3.2023
11	(b)	18 largest operational creditors, 1 representative of workmen and 1 representative of employees.
12	(c)	If 90% of the creditors in value agree and confirm to the scheme by way of affidavit.
13	(c)	330 days which includes the time taken in legal proceedings in relation to such resolution process of the corporate debtor.
14	(c)	14 days.
15	(b)	The resolution passed for liquidation is not valid in law as it has not been approved by minimum of 66% of the voting shares of the financial creditors.
16	(a)	latest by 6 th March 2023.
17	(d)	NCLT cannot extend the period by another 10 days because such extension shall not be granted more than once.
18	(a)	at least 33% of the voting rights.
19	(b)	Resolution Professional
20	(a)	Yes, if the resolution plan is contravened.
21	(d)	By the applicant with the approval of 90% voting share of the committee of creditors.
22	(d)	(1) and (3)
23	(b)	not exceeding 90 days
24	(c)	Shivdeep can alter his claim within fourteen days of its submission to the liquidator of Chiranjeevi Food Products Limited.
25	(b)	The catering contractor Samarth Sweets in the capacity as operational creditor is not entitled to initiate insolvency process against New Era Financial Services Limited because 'financial service providers' are excluded.