

## Answers to Sample Questions

1. What purpose does a receiver serve?
  - a. To garnish the debtor's wages
  - b. To care for, collect, and dispose of defendant's property**
  - c. To enforce a writ of protection
  - d. To ensure the creditor's property is returned immediately
  
2. In an assignment for the benefit of creditors, what is the assignee's role?
  - a. Locate potential candidates for a merger or acquisition
  - b. Search for alternative financing to fund business operations
  - c. Operate the business in order to generate a profit for ownership
  - d. Liquidate assets for the purpose of distributing the proceeds to creditors**
  
3. Assignees operating under an Assignment for the Benefit of Creditors are supervised by the following:
  - a. State courts
  - b. United States Bankruptcy courts
  - c. The Office of the United States Trustee
  - d. They operate without court supervision**
  
4. Which is the best measure of a company's viability?
  - a. A dominant position in one or more markets
  - b. The ability to generate ongoing profits and positive cash flow**
  - c. A strong senior management team
  - d. The ability to produce accounting (accrual) net income
  
5. Which managerial aspect is irrelevant in ensuring the most favorable outcome when a company decides to file for court protection in bankruptcy?
  - a. One of the most important decisions a company makes is in the choice of its legal counsel.
  - b. Once the company has entered the zone of insolvency, it's the responsibility of management and the board of directors to maximize the outcome for the owners.**
  - c. A benefit of bankruptcy is the automatic "stay" afforded debtors in the Bankruptcy Code.
  - d. Bankruptcy sometimes provides the time necessary to prepare a Plan of Reorganization describing how the company intends to exit from bankruptcy.
  
6. The company should consider filing a Chapter 11 bankruptcy as part of its restructuring process in order to
  - a. Reject leases**
  - b. Reduce employee expenses
  - c. Avoid paying commissions
  - d. Reduce funds necessary to operate
  
7. What alternative outside of a bankruptcy sale exists?
  - a. Section 363 sale
  - b. UCC Article 9 foreclosure sales**
  - c. A sale pursuant to a plan of reorganization
  - d. There are no other options but to sell a distressed company under bankruptcy.

8. Short-term financial management is considered to be how long?
- a. **One year**
  - b. Six months
  - c. 13 weeks
  - d. One month
9. Depreciation expense will have the effect of:
- a. **Increasing cash**
  - b. Increase accounts payable
  - c. Increase profit
  - d. Increase Net PP&E
10. An example of an accelerated cash strategy would be:
- a. Agreeing to Vendor Notes to delay paying for goods
  - b. **Providing steep discounts to collect accounts receivable**
  - c. Eliminating discounts and rebates to customers
  - d. Deferring vendor payments beyond current terms
11. Effective methods used to reduce inventory builds would not include:
- a. Selling off inventory for a discount
  - b. Performing inventory audits periodically
  - c. Adjusting production shifts to match demand
  - d. **Reducing scrap waste**