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