

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