# CA L. Muralidharan

**“It is a  good and fair settlement when neither party likes the outcome, but agree to it”**

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e of Topics:

Introduction into Arbitration

Benefits & drawbacks

Kinds of arbitration

Sources of arbitration

Arbitration & Conciliation Act. 1996

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# INTRODUCTION

## RATION

- orm of Alternative Dispute Resolution
- lternative to court room litigation
- arties submit their disputes to a NEUTRAL third party called
  rbitrator (s) or Arbiter (s) for resolution
- inding dispute resolution, equivalent to litigation in the cour

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# Benefits of Arbitration

onfidentiality

imited Discovery

peed

xpert Neutrals

ost Savings

reservation of Business Relationships

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# Drawbacks of Arbitration

rbitration agreements are sometimes misleading

f arbitration is not mandatory parties waive their to access t
ourts.

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# Types of Arbitration

\d-hoc Arbitration

nstitutional Arbitration

Statutory Arbitration

Domestic or International Arbitration

oreign Arbitration

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## Sources of Arbitration

**tate regulate arbitration through a variety of 1aw**

**number of national procedural laws may also contain provis elating to arbitration**

**ey international instrument — 1958 New York Convention o ecognition and Enforcement of  Foreign Arbitral Awards**

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## NATIONAL INSTRUMENT

- he Geneva Protocol of 1923
- he Geneva Convention of 1927
- he European Convention of 1961
- he Washington Convention of 1965 (governing settlement o nternational investment disputes)
- he UNCITRAL Model Law (providing a model for a national la rbitration)
- he UNCITRAL Arbitration Rules (providing a set of rules for a oc arbitration)

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# Arbitral Disputes

ome types of arbitral disputes are

- Property
- Insurance
- Contract (including employment contracts)
- Business / partnership disputes
- Family disputes (except divorce matters)
- Construction
- Commercial recoveries

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## Non Arbitral Disputes

**llowing cannot be resolved by arbitration**

- **Insolvency**
- **Matrimony**
- **Criminal Matters**
- **Torts Etc.**

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# Arbitration and Conciliation Act, 1996

An act to consolidate the law relating to

- domestic arbitration
- international commercial arbitration and
- enforcement of foreign arbitral awards

It extends to the whole of India

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# TRATION AGREEMENT

## ormulation of the arbitration agreement

Arbitration Agreement" means an agreement to submit to rbitration all or certain disputes in respect of a defined a leg elationship, whether contractual or not

which have arisen or

which may arise between them.

## TRATION AGREEMENT Contd.,

- An arbitration agreement may be in the form of an arbitration clause in a contract or in the form of a separate agreement.
- An arbitration agreement shall be in writing

# RATION AGREEMENT Contd.,

n arbitration agreement is in writing if it is contained in—

- a document signed by the parties;
- an exchange of letters, telex, telegrams or other me of telecommunication which provide a record of the agreement; or

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## TRATION AGREEMENT Contd.,

**n exchange of statements of claim and defence in which the xistence of the agreement is alleged by one party and not de y the other.**

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# Reference To Arbitration

- A judicial authority before which an action is brought in a ma
which is the subject of an arbitration agreement shall, refer t
parties to arbitration
- If the issue is pending before a judicial authority, arbitration
be commenced or continued and an arbitral award made

## OSITION OF ARBITRAL TRIBUNAL

### Number of arbitrators.

- ➔ The parties are free to determine the number of arbitra
provided that such number shall not be an even numb
- ➔ Failing the determination referred above the Arbitral Tr
shall consist of a sole arbitrator.

## Appointment of arbitrator

**A person of any nationality may be an arbitrator, unless otherw agreed by the parties.**

**The parties are free to agree on a procedure for appointing the arbitrator or arbitrators.**

**An arbitration with three arbitrators, each party appoints one arbitrator, and the two appointed arbitrators appoints the third arbitrator who shall act as the presiding arbitrator.**

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# Appointment of arbitrator (Contd.,)

If the appointment procedure is not followed and the arbitrator appointed then the appointment shall be made, upon request party, by the Chief Justice of the State High Court or any perso institution designated by him

## Appointment of arbitrator (Contd.,)

**In the case of appointment of sole or third arbitrator in an international commercial arbitration, an arbitrator of a national other than the nationalities of the parties where the parties bel to different nationalities may be appointed.**

## Appointment of arbitrator (Contd.,)

**Where the dispute with regards to appointment of arbitrators a in an international commercial arbitration the reference to "Ch Justice of High Court shall be construed as a reference to the Justice of India"**

## Grounds for challenge

An arbitrator may be challenged only if—

- ➔ circumstances exist that give rise to justifiable doubts his independence or impartiality, or
- ➔ he does not possess the qualifications agreed to by th parties.

# Termination of mandate

The mandate of an arbitrator shall terminate if —

he becomes de jure or de facto unable to perform his function
for other reasons fails to act without undue delay; and

he withdraws from his office or the parties agree to the termin
of his mandate.

## Substitution of arbitrator

Where the mandate of an arbitrator terminates, a substitute arbitrator shall be appointed according to the rules that were applicable

Where an arbitrator is replaced, any hearings previously held r be repeated at the discretion of the Arbitral Tribunal

## Substitution of arbitrator

**An order or ruling of the arbitral Tribunal made prior to the replacement of an arbitrator under this section shall not be inv solely because there has been a change in the composition of arbitral Tribunal.**

# Case studies

## tudy 1

A Ltd. (Company) is engaged in the manufacturing of Spong Iron, TMT bars and Galvanized wires. It has availed various facilities from a total of 19 secured creditors with an outstar debt of Rs.1500 crore. Due to adverse market conditions, its financial position took a downturn and hence it filed a refere 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 a application for abatement of the reference before BIFR.

## tudy 1 (Contd.,)

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

**tudy 1 (Contd.,)**

Subsequently, upon coming into force of the Insolvency and Bankruptcy Code (IBC), 2016, the company filed an applicat for initiation of Corporate Insolvency Resolution Process (C before National Company Law Tribunal (NCLT) on 09.12.201 However, in the first meeting of the Committee of Creditors on 05.01.2017, the financial creditors of the company decid liquidate the company. Immediately after this decision, but before intimating the decision to the NCLT, one of the financ creditors of the company applied to Resolution Professional giving proof of his claim and seeking his inclusion in the Committee of Creditors.

**Can the creditors initiate SARFAESI action against the comp**

**Yes, if they constitute more than 66% of the total financial**

**Yes, with the consent of the Liquidator.**

**Yes, with the consent of the National Company Law Tribuna (NCLT).**

**No, they cannot.**

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In case one of the secured creditors realises its security inte
and such realization is not sufficient to pay its outstanding d
can he recover the balance amount?

The balance amount will be ignored.

The balance amount will be paid at par with dues to the Cen
Government and the State Government.

The balance amount will be paid at par with other secured creditors.

The Balance amount will be paid at par with unsecured cred

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

**as per claim accepted by the liquidator in accordance with priorities specified in the Insolvency and Bankruptcy Code,**

**as per the amount of its claim before BIFR.**

**as per the amount of its claim made before the liquidator.**

**as per the order of Debt Recovery Tribunal.**

**In case the secured creditor faces resistance from company enforcement of security interest, such secured creditor may to:**

**Adjudicating Authority**

**Debt Recovery Tribunal**

**Liquidator**

**High Court**

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

**Pari passu with secured creditors and employees**

**Pari passu with secured creditors and insolvency costs**

**Pari passu with secured creditors**

**Pari passu with financial creditors**

## tudy 2

al Car Company (GCC) is a manufacturer of passenger cars a
ercial vehicles in India. It sells the cars through single brand
ships across different cities. The dealerships are separate fo
nger cars and commercial vehicles. GCC is lagging behind the
etitors in the passenger car segment due to its cost structure
ng market share the last 3 years. With no revival in sight, the
ny has decided to exit the passenger car segment and notifi
s about shutdown of passenger car manufacturing and sales
The service centers for passenger cars will continue its
tions for the next 3 years.

## tudy 2 (Contd.,)

ers Cars Ltd. (PC) is a passenger car dealer for GCC in Kanpu
ice cum showroom and no service center. PC has bank loans
31 and Bank B2 for Rs. 10 crore and Rs.7 crore respectively.
nks have pari-passu charge on the office premise cum show

s expressed its inability to repay its financial obligations to t
rs. One of the bankers, Bank B1 has filed an application for
ency Resolution Process (IRP) which is admitted by the
cating authority.

## Study 2 (Contd.,)

- GCC has an interest free dealership security deposit of Rs. Crore since 2010 from PC with a right to set-off against any receivables pending from PC towards GCC.
- The nephew of the promoter of PC had given a loan of Rs. 0 crore to PC in the last 3 months to pay the utility bills and expenses.
- GCC in its claims has demanded Rs. 3.5 crore from PC again pending receivables.
- PC has not paid wages to the tune of Rs. 0.5 crore to its or and statutory employer contributions to the tune of Rs. 0.2 crore.

# Study 2 (Contd.,)

As per valuers' report, approximated realizable value of off cum showroom is Rs. 12 crore. Value of furniture and equip is Rs. 0.05 crore.

The current receivables on books are Rs. 1.5 crore, of whic 50% is doubtful.

PC has a general purpose current account with B1 having current balance of Rs. 0.15 crore.

**GCC has a net claim of rupees _________ against PC.**

**3.5 crore**

**2.0 crore**

**12.0 crore**

**19.0 crore**

**GCC is a/an _________ for its claims against PC:**

**A financial creditor**

**An operational creditor**

**A financial as well as an operational creditor**

**(d) Corporate Guarantor**

**The committee of creditors will constitute of:**

**Banks B1 and B2**

**Banks B1, B2, and GCC**

**Banks B1, B2, GCC, Nephew of the promoter**

**Banks B1, B2, GCC, Nephew of the promoter, Workmen**

**Which of the following creditors/ groups of creditors cannot reject a proposed resolution plan?**

**Bank B1**

**GCC**

**Bank B1 and B2 together**

**Bank B2**

**Assume that IRP has failed in this case. After deducting the insolvency costs, sum available from proceeds of liquidation assets is Rupee 10.99 crore. Based on priority of claims, Bar will receive:**

**10.29 crore**

**6.05 crore**

**5.96 crore**

**6.01**

**tudy 3**

**pt Questions based upon the following case study/transacti sis assuming that the provisions of Insolvency Resolution an uptcy for Individuals and Partnership firms under Part-III o have been notified. MM is a gym located at leased premises i Nagar, New Delhi. Because of competition and other issues ng financial difficulties and its and it is not meeting its liabil e efforts to revive the business, cut the costs or even sell the ess were unsuccessful.**

## tudy 3 (Contd.,)

ent to equipment suppliers and maintenance agencies are du
es provided in the previous 3 months amounting to around R
The rent for its premises remains unpaid for 3 months amou
ninety thousand towards landlord Mr. D (the landlord had
ed advance rent for three months, lease deed provided for o
rent as security and one-month rent as advance). MM has a
nt with XYZ Bank, which remains unpaid for last two months
ly EMI for the loan is Rs. 1 lakh.

## tudy 3 (Contd.,)

**as managed by Mr. M, as a sole proprietor. MM has employe ns, including 3 trainers, 1 accountant and 3 housekeeping st alaries due to these employees were paid in half since the pa nonths. The housekeeping staff are covered under the defini nen.**

**made an application under Section 94 of the Insolvency and uptcy Code, 2016 for initiation of insolvency resolution of M icating Authority admitted the application and appointed P a tion professional.**

**djudicating Authority considered the repayment plan approv editors and rejected it.**

## CA IP L.MURALIDHARAN, Registered Valuer, Chennai

**Whether M could have applied for fresh start process?**

**Yes, before the National Company Law Tribunal**

**No, MM is ineligible for applying for fresh start process**

**No, as it is required to seek prior approval of the Insolvency Bankruptcy Board of India**

**Yes, before the Debt Recovery Tribunal**

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In the case which of the following is incorrect?

Mr. M can make an application for bankruptcy

The employees can make an application for bankruptcy

The bankruptcy process is automatically initiated with the rejection of repayment plan, without requiring any applicati

The order of Adjudicating Authority rejecting the repayment is to be provided to the Insolvency and Bankruptcy Board of for record.

**In the above situation if a bankruptcy order is passed agains MM, who shall prepare the list of creditors?**

**Bankruptcy trustee**

**MM**

**Adjudicating Authority**

**None, the list of creditors made by P shall be used.**

**In the bankruptcy proceeding what debts will be paid befor[e] dues of the accountant of the bankrupt?**

**Unpaid debt owed to the trainers**

**Dues of the housekeeping staff and the debts owed to the secured creditors**

**Dues of Mr. D**

**Dues of suppliers**

# tudy 4

Chow" was a restaurant located at leased premises in Rohini
It boasted a great reputation, award-winning chefs and an
culate fit-out. Much of its business came from executive lunc
eatre patrons. Following the opening of "Authentic Cuisine",
er excellent restaurant in the nearby vicinity, trading losses
ed by 'Manchow' and eventually the business became insolv
s to either have the rent reduced or to sell the business were
cessful.

# Study 4 (Contd.,)

ers of food, liquor and utilities were unpaid for supplies prov previous 45-60 days, amounting to around Rs. Eighty-five and. There were rental arrears for one month amounting to R five thousand towards landlord Mr. Dhiraj Kumar (the landlo eceived advance rent for three months, lease deed provided f onth rent as security and one-month rent as advance). Chow" also had a secured creditor, "SAFE Bank". The bank ted that it did not wish to appoint a receiver/ file for insolve accounts were regularly maintained.

## Study 4 (Contd.,)

Chow" was managed by Mr. Nitin Mukesh, as a sole proprieto
yed a staff of 6 people, including a chef, an assistant chef, tv
rs and one house-keeping. The salaries due to these employe
paid in half since the past three months.

**Whether “ManChow” can apply for fresh start process?**

**Yes, before the National Company Law Tribunal**

**No, ManChow is ineligible for applying for fresh start proces**

**No, as he is required to seek prior approval of the Insolvenc Bankruptcy Board of India**

**Yes, before the Debt Recovery Tribunal**

**In priority of payment of debts who will be paid before the w and unpaid dues of employees of the bankrupt?**

**Unpaid debt owed to the employees other than the workme a period of 12 months preceding the bankruptcy commence date.**

**Workmen's dues for 24 months preceding the bankruptcy commencement date and the debts owed to the secured creditors.**

**Debt owed to landlord Mr. Dhiraj Kumar**

**Unpaid suppliers of food, liquor and utilities**

## Who can initiate an insolvency resolution process?

**ManChow**

**Nitin Mukesh**

**SAFE Bank**

**Dhiraj Kumar**

**In the above situation if a bankruptcy order is passed agains "ManChow", who shall prepare the list of creditors**

**Bankruptcy trustee**

**Adjudicating Authority**

**Insolvency Professional Entity**

**Information Utility**

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## Study 5

LP is a loss making concern and not able to repay its debt in manner. B Ltd was engaged in supply of raw material to AE Ltd provided credit period of 24 days. The total supply of ra ial was Rs.9L. Out of its total dues of Rs.9L it was able to rec s.5L, the rest 4L were due and unpaid. Interest was being ed on such outstanding amount. Owing to this interest, the s nding has come to Rs.5L and remaining unpaid. B Ltd applie rack Corporate Insolvency Process under section 57 of Chapt on 1st January, along with the proof of the existence of def ne that all conditions for Fast track process were satisfied as ed by the Central Government.

**What will be the maximum time limit in which the process s be completed from the Insolvency commencement date?**

**90 days**

**180 days**

**12 months**

**60 days**

**The AA may extend the period for the process beyond the prescribed time ……..only**

**Twice**

**Thrice**

**Once**

**45 days**

**The maximum tenure for which the time period can be exter by the AA for the Insolvency resolution process is**

**15 days**

**45 days**

**30 days**

**60 days**

**In order to file an application for extension of the time beyo
the prescribed period, the same should be approved by COC
by…….voting shares**

**51%**

**60%**

**66%**

**90%**

# Who has to apply for Fast track CIRP?

**ABC LLP**

**ABC LLP & B Ltd**

**B Ltd**

**ABC LLP or B Ltd**

## tudy 6

td is a company engaged in the business of providing informa
ology services. XYZ Ltd provided services to ABC Ltd for whi
l software was developed by XYZ and various other permissi
required to be taken from the Ministry of Telecom and the
tional Creditor also made payment to the telecom operators
ed rentals for taking toll free number services, XYZ Ltd issue
es for the same on timely basis. On non-payment of Rs.5 Cro
erational creditor issued notice as required u/s 8 of the Code
is a pre-requisite of the initiation of IRP. However, the corp
r sent a notice of dispute which was received by the operatio
or.

**Under the provisions of which section the application is not maintainable?**

**Section 9(5)(ii)(a)**

**Section 9(5)(ii)(b)**

**Section 9(5)(ii)(c)**

**Section 9(5)(ii)(d)**

**What can be the grounds for rejection of an application?**

**There has been repayment of the unpaid operational debt**

**The creditor has not delivered the invoice/Notice of paymen the CD**

**Any disciplinary Proceeding is pending against any propose**

**All of the above**

**In case the application is incomplete, the same can be rectif within a period of**

**5 days**

**12 days**

**14 days**

**None of the above**

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**For initiating an IRP against CD, the minimum amount of de shall be**

**INR Rs.1L**

**INR Rs.100L ie 1 Crore**

**INR Rs.1 Million ie 10L**

**NOTA**

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**The notice issued by the operational Creditor for initiating I to be the complied under which section?**

**7**

**8**

**9**

**NOTA**

## Study 7

**plication for IRP of a CD was filed u/s 7 of the IBC. The ation was duly accepted by AA. The process was in complian he provisions of the code. Resolution Plan duly approved by ubmitted to the Authority with certification of RP that the ution Plan is in compliance with the provisions of Section 30 However, the plan was rejected citing the provisions of Sec of the code. The order of liquidation was passed by the Auth**

**Resolution Plan shall be submitted by the resolution applica the RP…………. Days before the expiry of the maximum peri permitted u/s 12 for the completion of CIRP**

**14**

**7**

**30**

**10**

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**Can appeal be filed on rejection of the Resolution Plan?**

**Yes**

**No**

**Sometimes under exceptional cases**

**As directed by the Board**

In relation to a Resolution Plan, COC can

Accept the Resolution Plan

Reject the Resolution Plan

Modify the Resolution Plan

All of the above

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**Which of the following are the grounds for rejection of the Resolution Plan by the Authority?**

**When the plan is not approved by more than 66% of the vot share of the FC in COC**

**Does not provide for the payment of IRP cost in a manner specified by the Board in priority to the repayment of other of the CD**

**Contravenes any of the provisions of the law for the time be force**

**All of the above**

On Rejection of the Plan, by the Authority due to non-compl
of the provisions of Section31 of the Code

Authority shall pass an order requiring the CD to be liquidat

Authority shall issue a public announcement stating that the
is in liquidation

Authority shall require such order to be send to the Authorit
with which CD is registered

All of the above

**tudy 8**

**defaulted in the repayment of debts leading to filing of applic RP on 23rd February. The FC filed the application. The applic ccepted and further proceeding started expeditiously in iance with IBC. IRP was appointed and thereafter the COC w d. Resolution Plan was also successfully approved.**

**Can IRP be replaced or not?**

**Yes, by passing a resolution by 66% of voting share**

**No**

**Yes, with the approval of AA**

**Yes, with the approval of Central Government**

**Please check this answer**

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**Information Memorandum is prepared by**

**Corporate Debtor**

**Corporate Applicant**

**Resolution Professional**

**Registered Valuer**

**The COC may approve a Resolution Plan by a vote of not les**

**66% of voting shares of OC**

**66% of voting shares of FC**

**66% of voting shares of Corporate Applicant**

**NOTA**

Resolution Applicant may attend the meeting of the COC an
if he is

Operational Creditor

Related to Resolution Professional

Financial Creditor

All of the above

**The first meeting of the COC shall be held within a period of .............. days of the constitution of COC**

**14**

**3**

**15**

**7**

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**udy 9**

**a a software engineer having worked in an IT company decided to start a**
**r husband Mr.Gyanesh also an IT professional, a back office work for a Fi**
**ion. She met her class mate Ms.Sravatha working for a bank. She was in**
**f marrying a guy Mr.Dinesh also working in another bank. All these four**
**qual partners in the firm after they have left their employments. The bus**
**ed with the contacts of Ms.Sravatha. After a couple of years, the firm was**
**ftware infringement of rights by a leading MNC. The action of the author**
**t the firm to grinding halt. Firm had huge payables with bank, suppliers o**
**utilities etc. Ms.Sravatha left the firm by giving notice and Mr.Dinesh too**
**ne way. Bankers and other creditors are behind Ms.Rupa and Mr.Gyanesh**
**business contacts were taken over by Sravatha and Dinesh without any**
**entation and they are not available for any communication from the firm.**
**bles are doubtful as the firm could not deliver many targets as per the**
**ent.**

**Who can initiate Insolvency Resolution process for the firm
94?**

**Banker**

**Individually by any partner**

**Only by the continuing partners**

**Majority of the partners**

**Who can apply for IRP for the firm u/s 94?**

**Any partner**

**All the Partners**

**Majority of the Partners**

**b or c**

**The Banker can initiate IRP against**

**Any partner**

**More of the Partners of the firm**

**The firm**

**Any of the above**

There were two bankers extended loan for the firm. Bank 1
initiated IRP against Ms.Rupa. What is the status of IRP app
by Bank 2 when the first application was pending?

AA shall dismiss the application without assigning reasons

AA may give such directions for consolidating the proceedin
it thinks fit

AA shall accept separately the second application

AA shall dismiss the application after giving opportunity of b
heard.

**Who shall issue a public notice within seven days of passing order inviting claims from all creditors?**

**AA**

**Resolution Professional**

**Firm**

**Any Partner**

# Study 10

s a Sole proprietor of his business X & Sons. He is engaged i
ess of wholesale Coffee business. The business of Mr.X was
ng smoothly until the accident of fire happened in his godow
ocks were destroyed. The godown was on lease. Mr.X is thi
for Fresh start Process. Advise him. He has some doubts.

**Who is the adjudicated authority of Fresh start process?**

**NCLT**

**IBBI**

**DRT**

**Local Authority**

If he has a dwelling units which was mortgaged for taking t
godown on lease

He can file a FS application without any problem as the dwe
unit is mortgaged

He cannot start FS application

He can take the approval from AA and apply

NOTA

**Mr.X is not sure about when a previous FS order was made i relation to him. Can't he file if the time gap were.................months before the date of the application fo fresh start.**

**12 months**

**24 months**

**6 months**

**NOTA**

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From when Interim moratorium shall commence?

The date of acceptance of application by AA

The date of application to AA

The date of appointment of Resolution Professional

The date of approval of the appointment of Resolution Professional

**Who can apply for the FS process?**

**Only by the Individual**

**A debtor who is unable to pay his debt**

**Resolution Professional**

**b or c**

# tudy 11

wheeler manufacturer company tried a commercial vehicle
t and it was a big failure. All its reputation, reserves were dr
project. Company lost all its major assets in this failure and
ctual properties were securitized for the loans taken from FC
ation was filed u/s 10 of IBC. It had 16 operational Creditors
date of application.

**Can the applicant withdraw his application for IRP?**

**Yes, but only when Corporate debtor is an LLP**

**Yes, when application is filed by FC**

**Yes, when application is filed by Corporate Applicant**

**Yes, on request made by applicant before admission by AA**

**What is the date from which 180 days would be counted?**

**From the appointment of IRP**

**From the date of admission of the application by AA**

**a or b**

**From the date of application to AA**

**Who can constitute COC if the FC are related party to the CD**

**All operational Creditors with one each in workmen and employee**

**Eighteen largest operational creditors by value with one each each workmen and employee**

**Only B**

**Only A**

**Notice for a meeting of COC shall be given in writing to ever participant from ........ days to 24/48 hours as the case may**

**2 days**

**5 days**

**3 days**

**7 days**

**Notice of each meeting of COC shall be given to**

**Suspended BOD**

**Operational Creditors if the aggregate dues is not less than of the total debt**

**a and b**

**Only to FC**

## Study 12

**ent working capital facility to Manohar Masala P Ltd (MMPL)
standing to the extent of Rs.23L. Owing to poor managemen
of the directors, the company went into losses and failed to
an nor reply for letters sent by PNB.  It approached Mr.Rohit
nitiate CIRP.**

**Default under IBC is said to be occurred on the fulfillment of condition/s**

**Debts becoming due and payable**

**Non-payment of the debt**

**Liability/obligation in respect of a claim which is due**

**Both a and b**

## CA IP L.MURALIDHARAN, Registered Valuer, Chennai

# PNB initiated CIRP in the capacity of

# Corporate Debtor

# Operational Debtor

# Financial Creditor

# Resolution Applicant

**PNB assigned the debt to X trust. X trust filed the petition fo CIRP. State the correct statement with respect to the competency of X trust in filing petition in the situation as ur**

**X Trust is not a competent applicant u/s 6 of the IBC**

**X Trust is authorized by PNB to file an application**

**X Trust in the capacity of FC, can file a valid petition**

**NOTA**

As per the IBC, Resolution Plan is prepared by.............. is submitted to ............ for examination and submission to.............for approval

COC, AA and Resolution Professional

Resolution Applicant, COC and AA

Resolution Applicant, Resolution Professional and COC

COC, Resolution Professional and AA

**The minimum duration during which the appointment of IRI valid shall not exceed.......days**

**10**

**20**

**30**

**40**

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**Expenses of public announcement shall be borne by**

**MMPL**

**Rohit**

**Directors of MMPL**

**PNB**

Robit being an IP can be appointed as Resolution Profession

He is eligible to be appointed as an independent director u/s of the Companies Act, 2013

He is not a related party of the Corporate Debtor

Only a

Both a and b

**How many days of notice to be given for the first COC meeti be convened by the IRP?**

**3 days**

**5 days**

**7 days**

**14 days**

COC of MMPL was constituted on 17.3.2018. Time limit with which the first meeting of COC should be held is.....

20th March, 2018

22nd March, 2018

24th March, 2018

31st March, 2018

MMPL finds material irregularity in exercise of the powers o
Rohit during CIRP resolution period. Remedy available to M

File a complaint to AA

Complaint to COC

Complaint before IBBI

File an appeal against the order of AA against approval of Resolution Plan

# CA IP L.MURALIDHARAN, Registered Valuer, Chennai

## tudy 13

td a public limited company now is in default in repayment of ma
ount of the general slowdown in Construction activities resulting
ty utilization and inadequate cash generation for timely repayme
o all concerned.  Repeated follow-up by the Financial Institutions
 for submitting its specific plan of action for repayment of dues d
any meaningful response.  Therefore, after a joint lenders' meeti
 unanimously decided to apply under the provisions of IBC to AA
RP. Application was filed and admitted on 20th May, 2018 and or
assed for moratorium period of 180 days, appointment of Mr.Ra
d for his making a public announcement inviting claims from all
ned.

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lowing Creditors were identified

Financial Debts owed to unsecured Creditors D1 Rs. 10 Crores

Workmen dues for the period of 24 months preceding the liquida
commencement date D2 Rs.30 Crores

Debts owed to a secured creditor who has relinquished his secur
– Rs.60 Crores

Debts owed to the Central Government D4 – Rs.34 Crores

Debts owed to a secured creditor for an amount unpaid followin
enforcement of Security Interest D5- Rs.52 Crores

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**Can Mr.Ram the IRP take the following actions without the approval of COC?**

**Undertake transactions with ex MD(15 years back) of the Company Mr.Raghuveer**

**Make changes in the appointment of the statutory auditor**

**File applications for avoidance of preferential or undervalue transactions**

**Record any change in the ownership interest in Poor Ltd.**

**Moratorium order shall not be applicable for this item**

**the action to foreclose security interest created by the CD in respect of its property**

**the institution of arbitration proceedings**

**the recovery of any property by an owner or lessor where su property is occupied by or in the possession of the CD**

**the supply of raw material essential for construction of commercial real estate from its suppliers**

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**AA rejected the resolution plan for want of compliance with accordingly the proceeds from the sale of liquidation shall b distributed in the following order of priority:**

**D2, D1, D5, D4 and D5 (ranked equally)**

**D2 & D5 (ranked equally) D3, D1 & D4**

**D2 & D5 (ranked equally) D1, D3 & D4**

**D3 & D2 (ranked equally) D1, D5 & D4 (ranked equally)**

**AA rejected the plan for want of compliance and proceeded to in liquidation proceedings. D1 an unsecured FC reported to AA tha had gifted some valuable assets of the company to another frien company on 20th April, 2016, by way of an application. AA may an order:**

**Rejecting the application of D1**

**Requiring the IBBI to initiate disciplinary proceedings against th liquidator**

**Require any person to pay sums in respect of benefits received b person to the liquidator**

**Require any person to submit relevant documents of transaction IBBI**

**Management of the affairs of Poor Ltd, the CD undergoing C vests in**

**Mr.Ram IRP**

**Board of Directors**

**COC**

**IBBI**

# Study 14

a Pradesh PSU did not pay for certain bills submitted by a su
ny for a long time. The supplier company approached Arbit
il to resolve. A portion of the outstanding was rejected as ti
l debt and the council directed the PSU to pay the remaining
nt. In the meantime PSU was pleading that the award shall
ed in the High court at various points of time. The supplier
ny approached u/s 9 of IBC after sending demand notice to
s required in the Rules. NCLT, the AA had rejected the applic
by the supplier company that there was an existence of a di
pplier company appealed against the order of AA to NCLAT.

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**T passed an order stating "Prima facie case has been made o pellant in view of the part decree awarded by the competent u/s 34 of the Arbitration and Conciliation Act, 1996. Howeve into consideration the fact that if appeal is sustained, the P ace trouble. Therefore, by way of last chance it directed ndents (PSU) to settle the claim with the appellant. Now the llenging the order of NCLAT before the Honourable SC and pr he order of NCLAT shall be reversed and the application unde l not be accepted.**

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**Assuming the PSU's claim got rejected by the Supreme Cour liquidation was allowed at the appropriate stages with PSU reporting the following liabilities"**

a. **Bank Loan Rs.100 Crores**

b. **Secured Debentures issued to B Ltd Rs.20 Crores**

c. **Trade Payable (10 Creditors including the supplier company and B Ltd) Rs.20 Crores (Outstanding with Ltd is Rs.2 Crores included in Rs.20 Crores)**

d. **Amount payable to Workmen Rs.4 Crores**

**ate the voting share of B Ltd in COC**

**15.94%**

**16.67%**

**16.41%**

**16.13%**

**The liquidation process to CD under IBC will not be initiated under which of the following circumstances**

**COC do not approve a Resolution Plan with 180 days**

**NCLT rejects the RP submitted on technical grounds**

**COC resolve to liquidate the debtor with a majority, ie great than 50%**

**The debtor contravenes the agreed resolution plan and an affected person makes an application to NCLT to liquidate tl debtor.**

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**The liquidator has sought your help in prioritizing the claims as per IB 2016**

1. Cost payable to liquidator and RP
2. Property tax payable to Government of Goa
3. Salary payable to the Finance team for the past 6 months
4. Amount payable to Dena Bank towards secured loans, where security was relinquished
5. Amount payable to the Parent company for Royalty fees

1,2,4,3,5

2,1,4,5,3

1,4,2,3,5

NOTA

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**Whether an OC can assign or legally transfer any OC dues to FC?**

**Yes. However, the transferee shall be considered as an OC to such extent of transfer**

**Yes but the transferee shall be considered as a FC in relation such transfer**

**No. OC cannot transfer to any FC**

**No. OC can transfer to another OC**

**Which of the following agenda items should be taken up in t first meeting of COC?**

**Appointment of IRP as RP or replacement**

**Preparation of draft resolution plan**

**Discussion of the status of the CD as on the present date an road map ahead**

**Collection of information on CD from independent sources**

**What is the quorum in the case of COC?**

**Members of OC at least 33% of the voting rights present eit person or Video Conferencing (VC) or other audio visual mea**

**Members of COC representing 50% of the voting rights are present either in person or proxy**

**Members of the COC representing 50% of the voting rights present either in person or VC or other Audio visual means o proxy**

**Members of the COC representing at least 66% present in p or proxy.**

# Chapter 2
# The Limited Liability Partnership Act, 2008

**Which one of the following statements about limited liabili partnerships (LLPs) is incorrect?**

**An LLP has a legal personality separate from that of its members.**

**The liability of each partner in an LLP is limited.**

**Members of an LLP are taxed as partners.**

**A limited company can convert to an LLP.**

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**Limited liability partnerships were introduced by which Act Parliament?**

**Limited Partnership Act 1907.**

**Limited Liability Partnership Act 2008.**

**Partnership Act 2000.**

**None of the above**

There are numerous differences between a limited liability partnership and an ordinary partnership. Which ONE of the following is not a valid difference?
Limited liability partnerships are incorporated whereas ord partnerships are not.
An ordinary partnership is regulated by partnership law, whereas limited liability partnerships are never regulated b partnership law.
An ordinary partnership has no perpetual succession, wher limited liability partnerships have perpetual succession.
Partners of an ordinary partnership cannot be disqualified, whereas partners of a limited liability partnership can be.

**Which one of the following statements concerning the limit liability partnership is not true?**

**A limited liability partnership is incorporated by registering incorporation document with the Registrar of Companies.**

**The partners of a limited liability partnership are known as 'members.**

**A limited liability partnership has corporate personality.**

**A limited liability partnership cannot act ultra vires.**

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Every Limited Liability Partnership shall have alteast-

Two members

Three members

Five members

None of the above

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**The minimum number of designated partners a Limited Lia Partnership to have-**

**2**

**1**

**3**

**4**

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**Which of the following statements is correct?**

**The provisions of the Partnership Act shall apply to LLPs**

**The provisions of the Partnership Act shall not apply to LLP**

**The provisions of the Partnership Act shall apply to LLPs if t are 4 members**

**The provisions of the Partnership Act shall apply to LLPs if t are 2 members**

**Which of the following is not a feature of Limited Liability Partnership?**

**A legal entity separate from that of its partners**

**Shall have perpetual succession**

**The partners of a LLP are not its agents for the purpose of t business of the LLP**

**Any change in the partners of a LLP shall not affect the existence, rights or liabilities of limited liability partnershi**

**Partners of the LLP are agents of**

**Partners**

**LLP**

**Both Partners and LLP**

**Agency concept does not apply**

**What is the minimum number of designated partners in a li**
**liability partnership who should be persons resident in Indi**

**1**

**2**

**3**

**4**

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**What is the minimum number of persons who should be Designated Partners of a limited liability partnership that h one or more partners comprising both individuals and bodi corporate?**

**1**

**2**

**3**

**4**

"Resident in India", under the Limited Liability Partnership 2008, means a person who has stayed in India for a period less than-

45 days

90 days

270 days

182 days

**If an individual has given consent to act as a designated pa in a limited liability partnership, within how many days and whom should the particulars of the individual be filed?**

**15 days, Ministry of Corporate Affairs**

**30 days, Registrar of Companies**

**60days, Ministry of Finance**

**45days, Ministry of Commerce**

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Every partner shall inform the limited liability partnership o
change in name or address within …….. days of such chang

Seven

Ten

Fifteen

Thirty

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

**Fifteen**

**Thirty**

**Sixty**

**Ninety**

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**The Central Government may compound any offence under Limited Liability Partnership act, 2008 which is –**

**Punishable with fine**

**Punishable with fine or imprisonment**

**Punishable with fine and imprisonment**

**Both (a) and (b)**

**Final report of investigation of affairs of LLP shall be given the –**

**Registrar**

**Regional Director**

**Ministry of Corporate Affairs**

**Central Government**

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**Which of the following may be converted into LLP?**

**Unlisted public company**

**Listed public company**

**Cooperative society**

**All of the above**

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A Limited Liability Partnership may be wound up –

By the tribunal

Voluntarily

Creditors

Either (a) or (b)

**Who among the following is eligible to try any offence unde LLP Act?**

**Judicial Magistrate of first class**

**Judicial Magistrate of second class**

**Metropolitan Magistrate**

**Both (a) and (c)**

**What are the objects of the LLP act?**

**Formation of LLP**

**Regulation of LLP**

**Any other matters incidental thereto**

**All of the above**

**Who can be a partner in LLP?**

**An individual**

**A Body Corporate**

**Both (a) & (b)**

**Only (a)**

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What are the grounds for cessation of partnership interest LLP?

Dissolution of LLP

Partner declared to be of unsound mind by court

Applied to be adjudged as insolvent

All of the above

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**Within how many days should vacancy of a Designated Par
in a LLP be filled?**

**10 days**

**30 days**

**60 days**

**90 days**

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**What happens if no designated partner is appointed in a LL**

**The license of the LLP stands cancelled**

**The LLP will get a show cause notice from the Registrar of Companies**

**Every partner of the LLP has to pay a penalty of Rs.25000**

**All partners shall be deemed to be a designate partner**

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**What is the minimum and maximum fine that can be impos every partner of a LLP for contravention of section(s) 7, 8 a under the LLP Act 2008?**

**Rs.10,000 to Rs. 1,00, 000**

**Rs.20,000 to Rs. 5,00, 000**

**Rs.10,000 to Rs. 5,00, 000**

**Rs. 25,000 to Rs. 10,00, 000**

# LLP

- Passed in Parliament on 12th December, 2008 and President ssented on 7th January, 2009 and it is LLP, 2008
- Applies to whole of India
- 31 sections and 4 schedules
- irst schedule on Rights and Duties of partners when there is ormal agreement with respect to them
- Second schedule – Conversion of a firm into LLP
- Third schedule – Conversion of P Ltd to LLP
- ourth schedule – Conversion of Unlisted public to LLP
- Partnership Act is not applicable to LLPs

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**LP is liable to the full extent of its assets and liability of partners mited**

**ody corporate includes Company registered under old & new in ndia/outside India, LLP registered in/outside India but does not nclude (a) a corporate sole (b) Co-op society (c) any body corpora which CG may notify.**

**esignated partner means any partner designated as such pursua ection 7. Should be minimum 2. If no such identification made, t artners are designated partners. One of the two should be Resid ndia.**

**Y 1st April to 31st March. First time means more than 12 months ossible but YE 31st March.**

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LP agreement is like Partnership agreement

Minimum no of partners 2

f dropped below 2, for 6 months LLP can continue with one. not that sole person is responsible personally for the obligati LP (like old Partnership firm)

artners can be individuals/Body corporate

f all are body corporates, nominees of such bodies shall act a esignated partners

Generally individuals should be DP

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One individual and one body corporate are partners in LLP, then
ndividual partner and the nominee of the Body corporate are D

or formation at least two individuals are required

ROI means stay in India should be 182 during the preceding on

Definition of LLP is there in Section 2(1)(d)

Change in partners of LLP shall not affect the existence,
Rights/Liabilities of LLP

Death, insanity retirement, insolvency will have no impact in th
ontinuance of LLP

- ll Partners of LLP are agents of LLP alone
- ay have common seal but not mandatory
- iability of the partners are limited to their agreed contributi LP(contributions may be tangible/intangible)
- esignated partners are responsible for legal compliances an thers are entitled to manage LLP
- inimum member 2 individual and no maximum limit
- LP can be formed only for profit. Charitable purpose for whi LP cannot be formed
- oreign LLP can become a partner in an Indian LLP

Vithin 14 days Registrar is expected to register and give a ertificate of LLP

ike company registered office is a must for LLP

RO can be changed and LLP shall file notice to Registrar in su orm and manner

| ty paying penalty | Minimum | Maximum |
| --- | --- | --- |
| Every Partner | 2000 | 5000 |

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**lame of the entity shall end with LLP**

**3y mistake the name in which LLP is registered inadvertently nay direct LLP to change its name and comply within 3 mont not done, LLP should pay fine Mini 10k maxi 5L and DP mini naxi 1L**

| ty paying penalty | Minimum | Maximum |
|---|---|---|
| LLP | 10000 | 500000 |
| signated Partner | 10000 | 100000 |

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hanges in LLP shall be filed in such form with LLP with fees

lini 30 days notice required for cessation of being a partner in the abse
uch time in agreement

ld partners are referred to as Former Partner

ld partners/rep of deceased partners are entitled for what they contri
- share of profit/loss attributable and not drawn

very partner shall inform within 15 days changes in his name/address
LP. If not done partner is punishable with mini 2k and maxi 25k

| ty paying penalty | Minimum | Maximum |
|---|---|---|
| Every Partner | 2000 | 25000 |

LLP shall file a notice to Registrar within 30 days from the da
partner ceases to be a partner

Same way, LLP shall file a notice to Registrar the changes of
names/address of the partners

DP shall sign and pay fees for the above changes.

f LLP contravene on points 43 and 44, LLP and every DP shal
punished. Mini 2k and maxi 25k

| ty paying penalty | Minimum | Maximum |
|---|---|---|
| Every Partner | 2000 | 25000 |

**f partner ceased to be a partner and expects LLP not to comp with Registrar may file the notice, Registrar shall obtain a onfirmation from LLP to that effect. If LLP fails within 15 da Registrar shall register the notice made by a person ceasing t partner**

**very partner is an agent only LLP and not for other partners**

**LLP can be a partner in another LLP**

**LP is not bound for acts beyond the authority of the partner**

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**LLP committing fraud and every partner knowingly a party sh punished with imprisonment which may extend to 2 years. Fi Mini 50k and Maxi 5L**

| ty paying penalty | Minimum | Maximum |
|---|---|---|
| Every Partner | 50000 | 500000 |

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LP and any partner/employee shall be liable to pay compensation to p
vho suffered loss/damage by that reason of fraud

ourt/Tribunal may reduce/waive penalty if partner/employee provide
nfo during investigation or not during investigation when LLP is convic
nder this Act. Such person cannot be discharged, demoted, suspended
nreatened, harassed or in any manner. Simply it is protecting

tatement of Account and solvency file within 6 months from the EO ea
vith fees. Penalty for not doing this

| ty paying penalty | Minimum | Maximum |
|---|---|---|
| LLP | 25000 | 500000 |
| signated Partner | 10000 | 100000 |

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**nnual Return duly authenticated file within 60 days of closu uch form and manner with fees with Registrar. Failure invite ollowing penalty**

| ty paying penalty | Minimum | Maximum |
|---|---|---|
| LLP | 25000 | 500000 |
| signated Partner | 10000 | 100000 |

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- Upon converting Partnership firm, Private Ltd and Unlisted Public limite
ompanies, LLP shall within 15 days of regn, shall inform concerned Re
f firms, ROC as the case may be
- G may make rules to regulate business carried on by Foreign LLP
- Winding up may be voluntary or by Tribunal
- One of the circumstances for winding up is, when partner's number is r
elow two.
- f LLP defaulted in filing Statement of account and Solvency/Annual ret
or 5 consecutive years, winding may be taken up by Tribunal
- Documents may be filed electronically

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Documents not filed within the time given shall be filed with delay not exceeding 300 days by paying additional fees of Rs per day for each day of delay caused. If further delay is cause additional fees may be paid as prescribed.

MCA enforced LLP with effect from 31st March, 2009

Name approval for LLP shall be valid for a period of 3 months

Partners of LLP can be disqualified which is not the case with Partners in Partnership Act

# CA IP L.MURALIDHARAN, Registered Valuer, Chennai

f an individual has given consent to be a designated partner,
hall be filed within 30 days with ROC

inal Report of Investigation of affairs of LLP shall be given t
entral Government

udicial Magistrate of First class and Metropolitan Magistrate
ligible to try any offence under LLP

acancy of DP shall be filled within 30 days

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**Small and medium scale enterprises (SMEs) are understood India as enterprises where the investment in plant and machinery or equipments is between ————**

**Rs. 10 lacs to 25 lacs**

**Rs. 25 lakhs to Rs. 10 crores**

**Rs. 50 lacs to 5 crores**

**Rs. 50 Lacs to Rs. 10 crores**

**In the classification of MSME sector micro enterprises have investments in plant and machinery up to Rs.———————-**

**10 lacs**

**50 lacs**

**25 lacs**

**1 crore**

**A medium enterprise is an enterprise where the investment plant and machinery is more than Rs.——— crore but does n exceed Rs.10 crore.**

**2 crores**

**4 crores**

**more than 5 cores**

**more than 8 crores**

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———————— acts as a Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small Medium Enterprise (MSME) sector.

Mudra Bank

RBI

SBI

SIDBI (Small Industries Development Bank of India)

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**________________________________________ is a full service credit rating agency exclusively set up for micro, sm and medium enterprises (MSME) in India.**

**Dun & Bradstreet Information**

**ADFIAP**

**SMERA**

**MUDRA**

**The MUDRA banks were set up under the ———— scheme will provide its services to small entrepreneurs outside the service area of regular banks, by using last miles agents.**

**Jan-Gana yojana**

**Atalbihari Vitta Yojana**

**Pradhan Mantri MUDRA Yojana**

**None of these**

**The term "financial inclusion" has gained importance since early 2000s, a result of identifying financial exclusion and i direct correlation to ————-**

**Poverty**

**Malnutrition**

**Jobs**

**Education**

**The MSME sector in India has maintained a consistent grow rate of ———— per cent.**

**8%**

**10%**

**5 %**

**7 %**

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**The MSME sector employs about ————-% workforce of In which is roughly 6 crore people.**

**30%**

**40%**

**45 %**

**50%**

Generally, MSME contributes to ————-% exports from In

20%

25%

30%

40%

**As per one of the KPMG research reports (in 2013) where E surveyed 4000 SMEs in five countries, it found that nearly — —% of SMEs in India have no access to the Internet, comp with only 22% of SMEs in China and 5% of SMEs in the US Though, initiatives like 'Google My Business' are aiming at getting 20 million SMEs online in the next three years.**

**60%**

**70%**

**80%**

**90%**

**One of the biggest threats Indian MSME sector faces is ——**

**Lack of financial assistance**

**Lack of Marketing Skills**

**Quality of products still to meet International standards**

**lack of bilateral trade**

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**Out of which of these activities one of it is supporting grow MSME sector in India?**

**ISO Standards**

**Management Education**

**IT revolution**

**Cluster based activities**

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Economies are ranked on their ease of doing business by W
Bank. A high ease of doing business ranking means ———

the regulatory environment in a country is more conducive
the starting and operation of a local firm

the regulatory environment in a country does lesser checks
parameters of doing business

the regulatory environment can be managed very easily in
country while doing business

All of these

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**The Doing Business Report (DB) is a study elaborated by th World Bank Group since 2003 every year that is aimed to measure the costs to firms of business regulations in ——— countries.**

**150 countries**

**200 countries**

**190 countries**

**220 countries**

**Grameen Bank originated in 1976, in the work of ———— University of Chittagong, who launched a research project study how to design a credit delivery system to provide ba services to the rural poor.**

**Prof. Muhammad Yunus**

**Prof. Umar Chapra**

**Prof. Mufti Muhammaed Taqui**

**Prof. Shaikh Abdul Sattar**

# MSME Development Act 2006

# CA L. Muralidharan

cation of enterprises

on Investment in Plant & Machinery

Jp to Rs.25 lakhs Micro

Jp to Rs.5 crores Small

Jp to Rs.10 crores Medium

on Investment in Equipment

Jp to Rs.10 lakhs Micro

Jp to Rs.2 crores Small

Jp to Rs.5 crores Medium

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# CA L. Muralidharan

ry Committee

Appointed by the CG

Consisting of

Secretary to the department of MSME - Chairperson

Up to 5 officers of the CG possessing knowledge of MSMEs

Up to 3 representatives of State Governments ◦ One representativ

from associations of Micro, Small and Medium enterprises

Member Secretary of National Board for MSME will be member-

Secretary of this Committee

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**ry Committee Contd**

**dvisory to the Central Govt, State Govts and the National Board for MS**

**latters of advice:**

**Investment in MSMEs**

**Employment levels in MSMEs**

**Promotion of entrepreneurship**

**International standards of MSME classification**

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# CA L. Muralidharan

andum

Any person who intends to establish an M or S or M enterprise, shall fil

Memorandum in the specified format to the GM, District Industries Cen

a similar ranking officer of the District

d Payments to MSMEs

Liability of Buyer is To make payments to the MSME for receiving good

services by

- The agreed date between them (not later than 45 days); or
- If no agreement, within 15 days of acceptance

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In case of failure – Interest is Payable @3 times the Bank rate specifie

RBI, monthly compounding.

Dispute , if any, can be referred to the MSE Facilitation Council

Will conduct or facilitate conciliation

If conciliation fails the matter will be referred to Arbitration

Resolution within 90 days of reference to the Council

Council shall be Established by the State Governments in the centres th

desire to

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## iction

The MSE council or the alternate dispute resolution centre th

provides the services shall have jurisdiction to act as Concilia

or Arbitrator between a supplier located in its jurisdiction an

buyer anywhere in India

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**ation u/s 34**

**Challenging an award shall be entertained by the Courts onl**

**after 75% of the disputed amount is deposited by the buyer**

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il Composition

- Director of Industries Chairperson
- One or more office bearers of industry associations of MSMEs
- One or more representatives of Banks and FIs lending to MSM
- One or more persons having special knowledge in industry, inance, law, trade or commerce.

sure

Every buyer shall disclose in his annual statement of account

Principal and interest due and unpaid

Interest paid on delayed payments during the year

Interest due and unpaid on paid principal

Interest accrued

est paid

As per this Act shall not be allowed as a deduction from incor
per the Income Tax Act

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**est paid**

**As per this Act shall not be allowed as a deduction from incor**
**per the Income Tax Act**

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# E NEGOTIABLE INSTRUMENTS ACT, 18
# SUMMARY

**A promissory note is an unconditional undertaking, written signed by the maker to pay a certain sum of money only to the order of a certain person. It does not include a bank no currency note.**

**A bill of exchange is an unconditional written order signed drawer, directing a certain person to pay a certain sum of n to the specified person or to his order or to the bearer of th**

**A cheque is a bill of exchange drawn on a specified banker payable only on demand and it includes the electronic imag truncated cheque and a cheque in the electronic form.**

**A bearer instrument is one which is expressed to be payabl its bearer or which has last indorsement in blank.**

**An instrument payable to order is the one which is express be payable to a particular person.**

**A negotiable instrument drawn or made in India and made payable in, or drawn upon any person resident in India sha deemed to be inland instrument.**

**Any instrument which is not an inland instrument is a forei instrument.**

**When the nature of an instrument is not clear, it is termed a ambiguous instrument. There such an instrument may be tr as either promissory or as a bill of exchange.**

**Inchoate instrument is an instrument that is signed and du stamped but otherwise wholly or partially blank.**

**"At sight", "on presentment", expressions in reference to promissory note or bill of exchange means on demand. Wh expression "After sight" in a case of promissory note means presentment for sight and in reference to bill of exchange r after acceptance/noting/protest for non-acceptance.**

**Maturity is the date of any instrument at which its payment becomes due. Any instrument is at maturity on the third da after the day on which it is expressed to be payable.**

**Negotiation means transfer of a negotiable instrument by o person to another in order to make the transferee the holde the instrument.**

**Negotiation may be made by delivery or by indorsement an delivery.**

**Parties to an instrument- Every person capable of contracti may bind himself and be bound by the making/ drawing/ acceptance/ indorsement / delivery and negotiation of an instruments. Minor is an exception, binding all the parties e himself.**

**An agent can make, accept or indorse a negotiable instrume only if express authority has been granted to him by his principal.**

A bank under certain conditions may refuse payment of che
or is bound to dishonor cheque and when the cheque is
dishonored for insufficiency of funds in the account of a
customer, it is treated as offence. The guilty may be punish
with imprisonment for a term which may extend to two yea
with fine of twice the amount of the cheque or with both.

Mode of discharge–The instrument is discharged when righ
and obligations or claims of all the parties are extinguished

Material alteration means the alteration in the material par
the instrument resulting in the alteration in the basic natur
legal effects of the instruments and the liabilities of the par

**An instrument is dishonored by non-acceptance and non-payment of the instrument when duly presented.**

**Notice of dishonor is served by the holder formally against parties to the effect that instrument has been dishonored b non-acceptance or non-payment.**

**Noting is the process of recording the fact and reasons of dishonor of a negotiable instrument by the notary public.**

**Protest is a certificate issued by a notary public attesting th fact of dishonor of a negotiable instrument recorded upon t instrument.**

**Important difference between the two is that noting consis recording the fact and reasons of dishonor of N.I upon the instrument whereas protest is the certificate as to the fact instrument has been dishonored.**

**Payment of the amount due on instruments must be made holder with an interest at the specified rate expressly made payable on a promissory note or a bill of exchange. When n of interest is specified in the instrument, interest on the am due shall be calculated at the rate of 18% per annum from date at which the instrument ought to have been paid until realization of such amount.**

**In respect, to decide the rights of parties on the basis of negotiable instrument, the Court is entitled to make certain presumptions of consideration, as to date, as to time of acceptance, as to time of transfer, as to order of indorseme as to stamps and that holder is a holder in due course.**

**The compensation payable by any party liable to the holder any indorser in case of dishonor of an instrument shall be determined by the rules given under Section 117 of the Act**

# Negotiable Instruments Act, 18

**The Negotiable Instruments Act, 1881 is an Act to define ar amend the law relating to :**

**Promissory Notes**

**Bills of Exchange**

**Cheques**

**All of the above**

**Which of the following statement is correct ?**

**A Promissory note is an instrument in writing containing an uncondit order, signed by the maker, directing a certain person to pay a certai of money only to, or to the order of, a certain person, or to the beare instrument.**

**A Promissory note is an instrument in writing containing an uncondit undertaking, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person, or bearer of the instrument.**

**A Promissory note is an instrument in writing containing an uncondit undertaking, signed by the maker, to pay a certain sum of money onl to the order of, a certain person, or to the bearer of the instrument.**

**None of the above**

**A----------------- is an instrument in writing containing an unconditional order, signed by the maker, directing a certai person to pay a certain sum of money only to, or to the orde a certain person or to the bearer of the instrument.**

**Promissory note**

**Bill of Exchange**

**Cheque**

**Bill of Order**

**The maker of a bill of exchange or cheque is called the -----**
**--- the person thereby directed to pay is called the ----------**

**Drawer/ Drawee**

**Payer/Payee**

**Indorser/ Indorsee**

**Transferor/Transferee**

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**As per The Negotiable Instruments Act, 1881, If the amoun undertaken or ordered to be paid is stated differently in fig and in words___**

**the amount stated in figures shall be the amount undertake ordered to be paid.**

**the amount stated in words shall be the amount undertaker ordered to be paid.**

**whichever amount is higher shall be the amount undertake ordered to be paid.**

**whichever amount is lower shall be the amount undertaker ordered to be paid.**

**Every promissory note or bill of exchange which is not expr to be payable on demand, at sight or on presentment is at maturity on the -------- day after the day on which it is expressed to be payable.**

**tenth**

**seventh**

**second**

**third**

In calculating the date at which a promissory note or bill of exchange made payable a certain number of days after date after sight or after a certain event is at maturity, the day of date, or of presentment for acceptance or sight, or of prote non-acceptance, or on which the event happens, shall be

included

considered

excluded

may or may not be included

**Where there are several drawees of a bill of exchange who not partners, _______________ can accept it for himself, but ______________ can accept it for another without his authority**

**none of them, each of them**

**each of them, none of them**

**everyone, anyone**

**no one, anyone**

No presentment for payment is necessary, and the instrume dishonoured at the due date for presentment, in which of tl following cases__

if the maker, drawee or acceptor intentionally prevents the presentment of the instrument

if the instrument being payable at his place of business, he closes such place on a business day during the usual busine hours

if the instrument not being payable at any specified place, l cannot after due search be found

Any of the above

**The maker, acceptor or indorser respectively of a negotiable instrument is discharged from liability -**

**by cancellation**

**by release**

**by payment**

**Any of the above**

**A promissory note, bill of exchange or cheque is said to be ---------------------when the maker of the note, acceptor of th or drawee of the cheque makes default in payment upon be duly required to pay the same.**

**dishonour by non-acceptance**

**dishonour by non-payment**

**dishonour by default**

**dishonour by non- adherence**

**Under section 97 of the Negotiable Instruments Act, 1881, the party to whom notice of dishonour is dispatched is dead the party despatching the notice is ignorant of his death, th notice is**

**sufficient**

**not sufficient**

**null and void and has no effect**

**invalid**

In which of the following cases notice of dishonour of a promissory note, bill of exchange or cheque is not necessar

to charge the drawers, when the acceptor is also a drawer

in the case of a promissory note which is not negotiable

when the party entitled to notice, knowing the facts, promi unconditionally to pay the amount due on the instrument.

Any of the above

**When a promissory note or bill of exchange has been dishonoured by non-acceptance or non-payment, the holde may, within a reasonable time, cause such dishonour to be and certified by a notary public. As per The Negotiable Instruments Act, 1881, such certificate is called a ________________.**

**complaint**

**grievance**

**protest**

**dishonour note**

A protest under section 100 of The Negotiable Instruments 1881 must contain-

the name of the person for whom and against whom the instrument has been protested

either the instrument itself, or a literal transcript of the instrument and of everything written or printed thereupon

when the note or bill has been dishonoured, the place and t of dishonour, and, when better security has been refused, t place and time of refusal

All of the above

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**The compensation payable in case of dishonour of a promissory note, bill of exchange or cheque, by any party liable to the holder or any indorsee, shall determined by the following rules except-**

**the holder is entitled to the amount due upon the instrument, together with expenses properly incurred in presenting, noting and protesting it**

**when the person charged resides at a place different from that at which the instrument was payable, the holder is entitled to receive such sum at the cu rate of exchange between the two places**

**an indorser who, being liable, has paid the amount due on the same is entit the amount so paid with interest at [six per centum] per annum from the d payment until tender or realization thereof, together with all expenses caus the dishonour and payment**

**when the person charged and such indorser reside at different places, the i is entitled to receive such sum at the current rate of exchange between the places**

**As per the Negotiable Instrument Act, 1881, until the contr proved, it shall be presumed that a lost instrument was ________________**

**expired**

**stolen**

**duly stamped**

**misplaced**

**Where a cheque bears across its face an addition of the wor "and company" or any abbreviation thereof, between two parallel transverse lines, or of two parallel transverse lines simply, either with or without the words "not negotiable", t addition shall be deemed a crossing, and the cheque shall b deemed as**

**general crossing**

**special crossing**

**restrictive crossing**

**none of the above**

**Where a cheque is crossed generally, the banker on whom i drawn-**

**shall not pay it otherwise than to a banker**

**shall not pay it otherwise than to the holder**

**shall not pay it to a banker**

**shall pay to the holder**

**In the absence of a contract to the contrary, the liability of maker or drawer of a foreign promissory note, bill of excha or cheque is regulated in all essential matters**

**by the law of the place where the instrument is made payal**

**by the law of the place where the instrument is indorsed**

**by the law of the place where the instrument is made**

**by the law of the place where the instrument is accepted**

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**What is the penalty for dishonour of cheque for insufficienc etc., of funds in the account under section 138 of The Nego Instruments Act, 1881 ?**

**imprisonment for a term which may be extended to two yea**

**with fine upto twice the amount of the cheque**

**imprisonment for a term which may be extended to two yea with fine upto twice the amount of the cheque or both**

**imprisonment for a term which may be extended to two yea with fine upto twice the amount of the cheque**

**The provisions of section 138 of The Negotiable Instrument 1881, i.e., penalty for dishonor of cheque shall not apply un the cheque has been presented to the bank**

**within a period of six months**

**within a period of six months from the date on which it is d or within the period of its validity, whichever is earlier**

**within a period of 15 days from the date on which it is draw**

**within a period of three months**

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**Under the provisions of section 143 of the Negotiable Instruments Act, 1881, all offences in case of dishonor of cheques shall be tried by**

**any Judicial Magistrate**

**Judicial Magistrate of the First Class or by a Metropolitan Magistrate**

**only a District Judge**

**High Court Judge**

Every trial under the provisions of section 143 of the Negot
Instruments Act, 1881, in case of dishonor of cheques shall
endeavoured to conclude within ------------from the date of
of the complaint.

twelve months

six months

three months

eighteen months

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

**compoundable**

**non-compoundable**

**cognizable**

**may or may not be compoundable**

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# Chapter 5 : PREVENTION OF MONEY LAUNDERING ACT, 2002

**When did the Prevention of Money Laundering Act come int force?**

1 April 2009

1 July 2005

1 August 2005

1 August 2009

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**Which of the following acts can be considered as acts of Mo Laundering in the act?**

**Illegal arms sales**

**Drug trafficking**

**Insider trading**

**All of the above**

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**Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually invo in any process or activity connected with the proceeds of c and ____________________ shall be guilty of offence of mone laundering.(Section 3 of PMLA)**

**Intentionally Participates**

**Unknowingly participates**

**Projecting it as untainted property**

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**What is a `scheduled offence'?**

**Circulation of Fake Indian Currency Notes**

**Offences relating to Narcotic Drugs**

**Waging war against the Nation**

**All of the Above**

**Mr. P was found guilty as per the provisions of Prevention of Money Laundering Act, 2002. Who can investigate his case Money Laundering?**

**Director/Officer u/s 48**

**Police Inspector**

**Officer of Supreme Court**

**None**

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**Financial Institutions as per clause c of section 45 I of the Reserve Bank of India Act, 1934 include**

A chit fund company

Housing finance Institutions

Non-Banking financial company

All of the above

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**Mr. X was found guilty of money laundering as per provisio Money Laundering Act, 2002. What are the possible actions which can be taken against Mr. X?**

**3 to 7 years Imprisonment and Fine**

**3 to 7 years Imprisonment**

**Only Fine d. upto 3 year Imprisonment**

**Mr. Y was found guilty under Narcotic drugs and Psychotro Substances Act, 1985. What are the possible actions which be taken against Mr. Y for money laundering of the sum therefrom?**

**3 to 10 years Imprisonment and Rs. 1,00,000 Fine**

**3 to 7 years Imprisonment**

**3 to 10 years Imprisonment and Fine**

**upto 3 years imprisonment**

**Every reporting entity u/s 12 (Banking Company, Financial institution, Intermediary or a person carrying on a designa business or profession) is required to maintain records afte end of an relationship with a client for :**

**1 year**

**3 years**

**5 years**

**10 years**

**Section 12 of the Prevention of Money Laundering Act, 200 down following obligations on banking companies, financia institutions and intermediaries**

**Maintain a record of all transactions**

**Verify and maintain the records of the identity of all its clie**

**Furnish information of transactions referred to in clause (a the Director**

**All of the above**

**Every reporting entity u/s 12 (Banking Company, Financial institution, Intermediary or a person carrying on a designa business or profession) is required to maintain records afte transaction with a client for :**

**1 year**

**3 years**

**5 years**

**10 years**

**Director (Adjudicating Authority) has reason to believe tha is in possession of proceeds of crime and such proceeds of are likely to be transferred which may result in frustrating proceedings relating to confiscation of such proceeds of cri So for how many days such property can be attached?**

**Not exceeding 90 days**

**Not exceeding 180 days**

**Not exceeding 1 month**

**Not exceeding 60 days**

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**The officer attached Property of Mr A as per Section 5(1) of Prevention of Money Laundering Act 2002. Upto how many from such attachment, the officer is required to file compla before the adjudicating authority?**

**45 days**

**60 Days**

**90 Days**

**30 Days**

**Central Government appoints an Adjudicating Authority comprising of Mr X as chairperson, Mr B and Mr D as memb Mr. B is experienced in the field of Accountancy. Is the appointment in lines of the provision of Prevention of Mone Laundering Act, 2002?**

**Yes**

**No**

**Adjudication authority has reason to believe that Mr. B is in possession of proceeds of crime. What is the next course of action to be taken by Adjudicating Authority?**

**Arrest Mr. B**

**Serve a notice of not less than 30 days, to indicate source**

**Serve a notice of not less than 45 days to refund**

**Make him pay fine RS.10000**

**Mr. Santosh is aggrieved by an order made by the Adjudica Authority under the Prevention of Money Laundering Act, 2 He wants to file an Appeal. Which is the Appellate Authorit against the order passed by Adjudicating Authority?**

**Appellate Tribunal**

**High Court**

**Supreme Court**

**None of the above**

**In addition to the above question, what is the time limit to appeal after making of order by Adjudicating Authority?**

**15 days**

**45 days**

**30 days**

**60 days**

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**Mr Dev wants to file appeal before Appellate Tribunal. But could not file appeal within 45 days from the date on which of order made by Adjudicating authority is made. Can Appe Tribunal may entertain an appeal after the expiry of the sai period of forty-five days if sufficient cause for not filing it w that period is shown. (Section 26)**

**Yes**

**No**

**Appellate Tribunal passed an order against Mr. G. Mr. G is aggrieved by the same. He wants to file appeal against ord passed. To whom can he appeal against the order passed b Appellate Tribunal?**

**Adjudicating Authority**

**High Court**

**Supreme Court**

**Parliament**

**In addition to the above question, what is the time limit to an appeal against the order passed Appellate tribunal?**

**15 Days**

**30 Days**

**45 Days**

**60 Days**

**Mr Jack is a drug trafficker who deals in banned drugs. This offence is categorised under which part of the Schedule?**

**Part A**

**Part B**

**Part C**

**Part D**

**Cash Limited is Banking Company. One of the obligations o Banking Companies is to maintain and submit records. Cas Limited did not maintain and submit the records. What are penalties that can be imposed on banking company, financ institution and intermediary for non-maintenance of record non-submission of aforesaid information?**

**Fine more than 10000 Rs for each failure**

**Imprisonment of 7 years and fine exceeding 100000 Rs for failure**

**Fine not be less than ten thousand rupees but may extend one lakh rupees for each failure. (Section 13)**

**Fine not less than 20000 Rs and Imprisonment 7 Years**

**What are special Courts under Prevention of Money Launde
Act, 2002?**

**Designated one or more Courts of Session**

**Designated Municipal Corporation**

**Designated Committee**

**Designated High Court**

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**Which is the Appellate Authority against the order passed b Special Court?**

**No Appellate Authority**

**High Court**

**Other Sessions Court**

**Supreme Court**

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**Mr Y was found guilty under the provisions of the Preventio Money Laundering Act; 2002.He was imposed with fine und section 63 of the Act on 1 January 2018. Upto what date he should pay aforesaid fine?**

**1 April 2018**

**30 December 2018**

**1 June 2018**

**30 June 2018**

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**In addition to the above question, if Mr Y does not pay fine within prescribed time then what is the mechanism to reco the fine imposed on any person under Section 13 or Sectio**

**Recover with interest**

**File Case with the Police**

**Arrest Mr Y**

**Same manner as prescribed in Schedule II of the Income-t Act, 1961 for the recovery of arrears.**

**EF Limited, a company, found guilty under the provisions o Prevention of money laundering Act, 2002.**

**Mr. Ved was one of the directors, who was responsible for t business of the company when the crime was committed. L he resigned. Shall he be deemed to be guilty of the contravention and be liable to be proceeded against and punished accordingly? Advice.**

**Yes**

**No**

EF Limited, a company, found guilty under the provisions o
Prevention of money laundering Act, 2002. Mr. Ved was on
the directors who was responsible for the business of the
company when the crime was committed. Later he resigne
During the proceedings under the said Act he proved that t
contravention took place without his knowledge and that h
exercised all due diligence to prevent such contravention. S
he be deemed to be guilty of the contravention and be liabl
be proceeded against and punished accordingly? Advice.

Yes

No

**Mr.X convicted as per the Provisions of the Prevention of M Laundering but under Contract Act he is not guilty. Under s circumstances what will happen if there is conflict betweer provisions of PMLA, and other Acts / laws?**

**Decision is taken as per the severity of crime committed**

**The provisions of PMLA have over-riding effect, notwithsta anything inconsistent therewith contained in any other law the time being in force.**

**Not Applicable**

**Proceedings under Prevention of Money Laundering Act, 20 were initiated against Mr. Satya. During the Proceedings he suffered cardiac arrest and died. What will happen to the proceedings initiated under PMLA in the event of death of Satya?**

**Proceedings discarded by authority**

**Legal Representatives are not recognised in PMLA**

**Legal representatives continue Appeal to the Appellate Trib / High Court**

**Mr. Adi, an Accountant of Orchids Co. steals heavy cash fro business. To avoid detection of his steal, instead of deposit large amount of money into his bank account, he deposits t money in small amounts in his bank account on regular tim interval. Can this transaction be considered under the defi of Money Laundering?**

**Yes**

**No**

**Don’t Know**

**May be**

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**As per the provisions of the Prevention of Money Launderin Act, 2002, proceedings were initiated against Mr. Yadav fo scheduled offence. His property was attached. Mr. Yadav w later acquitted on conclusion of trial. What will happen to t attached properties, after conclusion of trial for the schedu offence?**

**His property will be released on surety. Surety will be canc later, if no Appeal is made.**

**His Property will remain confiscated and an equivalent am of money will be paid instead in lieu thereof**

**Attachment shall cease to have effect**

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**In the case of Mr. R after the conclusion of trial for the scheduled off the attachment of property becomes final. The Adjudicating Authorit giving an opportunity of being heard to the person concerned, made order confiscating such property. After an order of confiscation what happen to the attached properties after conclusion of trial for the scheduled offence?**

**The order of attachment of property will become final**

**The Property will be released and equivalent amount of cash will be obtained**

**The attachment of the property and net income, if any, shall cease to effect.**

**All the rights and title in such property shall vest absolutely in the Ce Government free from all encumbrances. (Section 9)**

**Whether the persons claiming or entitled to claim any inter the enjoyment of immovable property can enjoy the proper during the period of provisional attachment?**

**Yes**

**No**

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**An officer believed that Mr O was in possession of proceeds crime and such proceeds of crime are likely to be transferre The Officer, by an order in writing, provisionally attaches s property for a prescribed period. How long will this order o provisional attachment of property remain valid?**

**Period <= 150 days from the date of the order**

**Period <= 120 days from the date of the order**

**Period <= 180 days from the date of the order**

**Period <= 90 days from the date of the order**

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**"Attachment" means, ---------------------------------------**
**movement of property by an order issued under Chapter II**
**the Act. [Section 2(d)]**

**Prohibition of transfer**

**Conversion,**

**Disposition**

**All of the above**

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**Mr. A was found involved routing illegal proceeds by sale o banned drugs through various bank accounts and moving o from Mumbai to Delhi. Is this transaction considered as Mo Laundering Transaction?**

**Yes**

**No**

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| rs | Answers | Answers | Answers | Answ |
|---|---|---|---|---|
| | 9. c Sec 12 | 17. b Sec 26 | 25. d Sec 69 | 33. d |
| | 10. d | 18. a Sec 26 | 26. d Sec 69 | 34. a |
| | 11. c Sec 12 | 19. b Sec 42 | 27. a Sec70 | 35. c |
| | 12. b Sec 5 | 20. d | 28. b Sec 70 | 36. d |
| c 48 & 49 | 13. d Sec (5) | 21. a | 29. b Sec 71 | 37. a |
| | 14. a Sec 6 | 22. c | 30. c Sec 72 | |
| c 4 | 15. b Sec 8 | 23. a Sec 43 | 31. a | |
| c 4 | 16. a Sec 26 | 24. b | 32. c Sec 8(5) | |
| | | | a | |

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# Sale of Goods Act, 1930

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**Buyer means**

**who buys**

**who agrees to buy**

**who buys or agrees to buy**

**who buys or agrees to buy goods**

**Seller means**

**who sells**

**who agrees to sell**

**who sells or agrees to sell**

**who sells or agrees to sell goods**

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**Goods mean**

**Every kind of movable property**

**Every kind of movable property other than actionable claim money;**

**Every kind of movable property other than actionable claim money and includes stocks and shares, growing crops, gras things attached to or forming part of the land**

**Every kind of movable property other than actionable claim money and includes stocks and shares, growing crops, gras things attached to or forming part of the land which are agr to be severed before sale or under the contract of sale**

**Existing goods are**

**Goods in existence at the time of the contract of sale**

**Goods in existence at the time of the contract of sale ie owr possessed by the seller**

**Goods in existence at the time of the contract of sale ie owr by the seller**

**Goods in existence at the time of the contract of sale ie owr and possessed by the seller**

Future goods mean

Goods to be manufactured or produced or acquired by the s
after making the contract of sale

Goods to be manufactured or produced or acquired by the s
before making the contract of sale

Goods already manufactured or produced or acquired by th
seller before making the contract of sale

Goods already manufactured or produced or acquired by th
seller after making the contract of sale

**Delivery means**

**Voluntary transfer of goods by buyer to seller**

**Voluntary transfer of possession of goods by seller to buyer**

**Voluntary transfer of goods by one person to another**

**Voluntary transfer of possession of goods by one person to another**

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Deliveries are of ------------- types and they are............

4, Actual, Constructive, Symbolic and Theoretical

4, Destructive, Constructive, Symbolic and Actual

3 Actual, Constructive and Symbolic

2 Actual and Symbolic

**Mercantile agent can**

**only sell**

**buy or sell**

**buy and sell**

**buy or sell or raise money on the security of the goods**

**Property means**

**Land and Building**

**Fixed Assets as well as current Assets**

**Ownership**

**Ownership of goods**

**An Insolvent is**

**Person ceased to pay his debts**

**Person committed an act of insolvency or not**

**Person Cannot pay his debt upon falling due**

**All of the above**

**Contract of sale is**

**Contract + transfer of property in goods by seller + to the b**
**+ Price**

**Contract + transfer of property in goods by one person + to**
**another + Price**

**Contract + transfer of property in goods by seller + Price**

**Contract + transfer of property in goods by seller + to the b**

**No of minimum parties required for a contract of sale**

**Three, Buyer, seller and witness (or umpire or exchange)**

**Two, Buyer and Seller**

**One, Only Seller or Only Buyer**

**Four, Buyer, Seller, Witness and Government (or Court)**

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**Subject matter of sale of goods Contract shall**

**Only immovable property**

**Only movable property**

**Both immovable and movable property**

**Actionable claims**

Price in the case of Sale of goods shall be

Price in money to be paid or promised

Price may be in kind or in money to be paid or promised

optionally paid

promised initially and can be waived later

**Contract of sale is made by**

**an offer to buy**

**an offer to buy or sell goods**

**an offer to buy or sell goods for a price by one party**

**c plus acceptance of such offer by other**

A contract of sale must be

Absolute

Conditional

Absolute or Conditional

Absolute and Conditional

**An agreement to sell is**

**transfer of property in goods taken place where considerati**
**payable at a future time or subject to some conditions there**
**to be fulfilled.**

**transfer of property in goods to take place at a future time**
**subject to some condition thereafter to be fulfilled.**

**transfer of property in goods to take place at a future time**
**contingent event**

**transfer of property in immovable goods to take place at a future time or subject to some condition thereafter to be fulfilled.**

**Agreement to sale is**

**Executed Contract**

**Unilateral Contract**

**Executory Contract**

**Contingent Contract**

**When the Goods without the knowledge of the seller is destroyed/damaged then the contract is**

**Voidable**

**Valid**

**Void**

**Enforceable**

When goods are perishing before sale but after agreement sell, agreement is thereby

Enforced

optional on the part of the buyer

Avoided

Duty to supply by the seller

**Condition is a stipulation**

**Collateral to the main purpose of the contract**

**Essential to the main purpose of the contract**

**Optional to the main purpose of the contract**

**Mandatory to the main purpose of the contract**

**Warranty is a stipulation**

**Collateral to the main purpose of the contract**

**Essential to the main purpose of the contract**

**Optional to the main purpose of the contract**

**Mandatory to the main purpose of the contract**

**Breach of Condition would result in the right of**

**Only Repudiation**

**Only Cancellation**

**Only Damages**

**Repudiate or Claim Damage or both**

Breach of Warranty would result in right of

Only Repudiation

Only Cancellation

Only Damages

Repudiate or Claim Damage or both

**Which of the following is not false:**

**Breach of condition may not be treated as a breach of warr**

**Breach of condition may be treated as a breach of warranty**

**Breach of warranty can be treated as a breach of condition**

**Breach of warranty can give the right of rejection of goods**

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**When there is a sale by sample there is an implied conditio**

**bulk shall correspond to sample in quality or**

**buyer shall have a reasonable opportunity of comparing bu with sample or**

**goods shall be free from any defect, rendering them unmerchantable which would not be apparent on reasonab examination of the sample or**

**All of the above**

**Caveat Emptor stands for**

**Let the market be aware**

**Let the buyer be aware**

**Let the seller may it aware**

**Let the seller be aware**

An unpaid seller is the one who is

Not paid fully

When the negotiable instrument is dishonoured

seller has immediate right of action for the price

All of the above

**Rights of unpaid seller against the buyer**

**Lien, Stoppage in Transit**

**Lien, Stoppage in transit and Resale**

**With hold delivery, Lien, Stoppage and Resale**

**Suit for price, damage and Interest**

# Rights of unpaid seller against goods when property is not passed to the buyer

## Lien, Stoppage in Transit

## Lien, Stoppage in transit and Resale

## Withhold delivery, Lien, Stoppage and Resale

## Suit for price, damage and Interest

**Rights of unpaid seller against goods when property is pass the buyer**

**Lien, Stoppage in Transit**

**Lien, Stoppage in transit and Resale**

**Withhold delivery, Lien, Stoppage and Resale**

**Suit for price, damage and Interest**

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**An Auction sale is complete on the**

**delivery of goods**

**Payment of price**

**Fall of hammer**

**None of the above.**

Narasimham Committee I and II and Andhyarujina Commit
Constituted by CG

Promulgated by 21st June, 2002

Amendment done in SARFAESI vide Security Interest and Recovery of Debts Laws and Miscellaneous Provisions(Amendment) Act, 2016

Amendment brought changes in SARFAESI, RDDBFI 1993, Indian Stamp Act 1899 and Depositories Act, 1996.

Chapter II of the Amendment deals with SARFAESI

Six Chapters and 42 sections

**ARC is a company registered with RBI u/s 3 and it is not a banking company**

**Other than securitization and reconstruction, no other busi is possible**

**Default – NPA. Non NPA(stressed asset) cannot be taken ir this Act**

**Non-payment after notice of 90 days ie against Debentures/bond is default**

**Debt includes unpaid portion in the consideration**

**Financial Asset is a big list of items**

Non-Financial Assets cannot be securitized. ARC cannot ac
value of unsecured land

NPA as usual substandard, doubtful, loss assets

ARC cannot raise funds from investors who is not a qualifie
buyer

Qualified Buyer is Insurance Company, Fin Insti, State corp

Securitisation – acquisition of Fin Assets – From originator
ARC by issuing Security Receipts- undivided interest in Fin
Assets

ARC will step into the shoes of the lender bank

Secured Cr in whose favour interest is created by any borro
for due repayment of Fin assistance

Security Interest means right title in favour of sec crs and includes mortgage, charge etc

If interest is not covered then it is not a secured creditor

Minimum NOF should be 100 Crores (latest amendment)

NOF is not defined here but RBI explanation in Section 45I
be applied

**For regn, RBI expects ARC not to have incurred losses in ar the three preceding FY**

**Prior approval required for change in name, location of Reg office and substantial change in the management including appointment of any director/MD or CEO**

**RBI may cancel registration on various grounds. OOBH sha given to ARC**

**Appeal against Cancellation to be made with CG within 30 by aggrieved ARC from the date on such order of cancellati communicated**

**Until ARC is discharging its obligation towards QB, it shall n considered as cancelled**

**Acquiring of Fin Assets of any Bank by ARC by issuing debenture/bond**

**ARC acquiring FA is exempted from paying SD in accordanc with provisions of Section 8F of Indian Stamp Act, 1899**

**ARC gets the same title like the original owner**

**Two or more banks lent and gone for DRT, ARC may direct take bring all the case in one DRT**

**DRAT shall pass such order after giving parties an opportu being heard**

**Any recovery certificate issued shall be executed**

**Bank may give notice of acquisition by any ARC to the conc obligor/other concerned person /concerned registering authority**

**Obligor shall make to the concerned ARC**

**ARC may provide measures such as proper mgt of business the borrower/sale or lease part/whole of the business/rescheduling including conversion of debt into sl of the borrowing company**

RBI shall determine policy and directions for regulation of management of the borrower and the fees

Other functions of ARC shall be as agent for any bank/FI, a manager(pecuniary liability is an exception) and as a recei

For an existing ARC carrying on any other business when A was introduced, it shall cease that other business within 1 from the date of commencement of the Act

ARC does not include its subsidiary

Disputes shall be settled by Arbitration and Conciliation Ac 1996

**RBI may determine policy/direction to any ARC for Income Recognition, AS, Provisioning, Capital Adequacy based on R weights for Assets. It shall give directions for the type of F/ aggregate value, fees and transfer of security receipts – Se 12**

**RBI may call for statements and information from ARC – Se 12 A**

**RBI shall carry out audit and inspection u/s 12B. RBI shall remove CM, director, appoint addl director**

**Debt classified as NPA, secured cr issues notice in writing t discharge in full his liabilities within 60 days from such not In case it is not paid, secured cr shall exercise any or all the rights u/s 13(4).**

**When the borrower raises objection, sec crs shall communi within 15 days of such representation or objection the reas for non-acceptance to the borrower**

**Borrower does not get the right to prefer application to DR**

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**If borrower fails to discharge liability in full within the spe period then secured creditors may take one or more of the following to recover secured debt (a) take possession of se asset (b) take over mgt (c) appoint manager to manage se asset (d) demand notice who purchased the secured asset the borrower**

**In case of want of a bid of an amount less than reserve pric shall be lawful for any officer of the secured cr to bid for immovable property on behalf of secured creditor. Purchas price of such sale shall be adjusted against debt**

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Subsequent buyer gets good title as if the original owner conveyed the property

Expenses incurred by secured creditor shall be recovered fr the borrower and it is the first to be adjusted

In case money is paid before public auction, no further step should be taken for sale/lease

In the case of joint financing or sole financing, if the outstanding amount is less than 60% representing his shar the right of secured crs cannot be exercised. That is to take action under this act, o/s should be mini 60%

**Record date means the date agreed upon by the secured creditors representing not less than ¾ of the amount o/s o such date**

**After realized the assets by secured creditors for the balan amount DRT shall be approached**

**Secured Creditors may proceed against guarantors or sell t pledged assets without resorting to other remedies**

**No sale/lease can be attempted by the borrower after the receipt of notice. However they can try after getting prior written consent of the secured Crs**

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**Chief Metro Magi or District Magi shall assist secured crs in taking possession of Secured Asset. Section 14**

**Shall be done within 30 days from the application or else w 60 days**

**Publish in English language and local language where princ office of the borrower is situated. Appoint Directors in the c of company/administrator in other cases**

**All directors/persons shall stand vacated immediately befo publication of the notice in the NP**

Loan after conversion into shares would mean secured cred
would now become shareholder and possibly hold more tha
50% so as to say controlling the borrowers business. Ther
no question of restoring the business back to borrower

No compensation to directors for loss of office

MD or Director in charge of management has right recover
money other than by way of compensation

Borrower/officer shall apply to DRT against measures to re
secured debts within 45 days from the date on which such
measure had been taken. Fees in this regard shall be paid.
fees shall be different for borrower/others

**Replies/objections by Secured crs cannot be the reasons to borrower to make application to DRT**

**Application to DRT shall be made within local limits of plac where business is carried out/secured asset located/branc any other office of the bank or FI**

**If DRT finds that a secured creditor is at fault, he shall dire to restore management/possession back to borrower or aggrieved person.**

**If DRT finds that secured creditor is NOT at fault, it may pa order as it deems fit**

**DRT shall dispose off an application within 60 days from th date of application. Mini 60 days, Maxi 4 months**

**If not done by DRT, it can be taken to DRAT for speedy dis**

**In case borrower resides in J&K, application shall be made the court of District Judge of J&K having jurisdiction over t borrower**

**Within 30 days to DRAT shall prefer appeal after paying 50 the amount due claimed by SC or determined by DRT which is lesser.**

**DRAT may reduce the claim to 25% with reasons in writin**

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**DRT(section 17)/DRAT(section 18) shall dispose of appeals accordance with the provisions of RDDBFI**

**Aggrieved person by the order of District Court in J&K shall prefer appeal to High court of J&K within 30 days. Same 50 and 25% are applicable here also**

**Borrower would like to protect from the actions of SC. He lodge a caveat. He is an applicant. SC is the CAVEATOR.**

**If CAVEAT is lodged, AA shall serve a notice of application/appeal filed by the applicant/appellant on the CAVEATOR.**

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**CAVEAT expiry period is 90 days maxi**

**NBFC to be included under SARFAESI for which minimum threshold is 500 Crores**

**Debt in this Act is as per RDDBFI**

**Time period for Report of satisfaction of Security Interest - days**

**NPA shall not apply to a borrower who raised funds throug Debt Securities**

**Within 30 days of payment by borrower, ARC/SC shall intir Central Registrar**

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