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20 True or False

Decide, then check the answer and reason below each statement.

Question 1

The minimum default threshold for initiating CIRP under the IBC is Rs 1 crore.

TRUE

The threshold was raised from the original Rs 1 lakh specifically to keep smaller defaults out of the formal process.

Question 2

A financial creditor initiates CIRP by filing an application under Section 7 of the IBC.

TRUE

Section 7 lets a financial creditor, such as a bank, file on proof of default by the corporate debtor.

Question 3

An operational creditor must file its CIRP application under Section 7 of the IBC.

FALSE

Operational creditors file under Section 9; Section 7 is reserved for financial creditors.

Question 4

A corporate debtor can itself apply to initiate CIRP under Section 10 of the IBC.

TRUE

Section 10 allows the corporate debtor to file as a corporate applicant to trigger its own resolution.

Question 5

The Committee of Creditors in CIRP is composed mainly of operational creditors.

FALSE

The CoC is composed of the corporate debtor's financial creditors, not operational creditors.

Question 6

The powers of the corporate debtor's board of directors are suspended once the IRP takes charge.

TRUE

Displacing incumbent management in favour of the IRP is a defining feature of CIRP.

Question 7

The moratorium under Section 14 allows creditors to freely institute new suits against the corporate debtor.

FALSE

Section 14 does the opposite, freezing all legal actions and asset transfers during the moratorium period.

Question 8

A resolution plan under CIRP requires approval by at least 66 percent of the Committee of Creditors' voting share.

TRUE

This 66 percent threshold is the statutory bar a resolution plan must clear before NCLT sanction.

Question 9

A resolution plan can be approved by a simple majority of 51 percent of the CoC voting share.

FALSE

The IBC requires a higher threshold of at least 66 percent of the CoC voting share for approval.

Question 10

Section 29A of the IBC disqualifies defaulting promoters from bidding for their own company in CIRP.

TRUE

Section 29A sets an eligibility bar that keeps defaulting promoters and connected persons out of the bidding process.

Question 11

CIRP must ordinarily be completed within 180 days from commencement.

TRUE

This 180-day base timeline is set by the IBC to keep the resolution process time-bound.

Question 12

The CIRP timeline can never be extended beyond the initial 180 days under any circumstance.

FALSE

The 180-day timeline can be extended once by up to 90 days, giving a base limit of 270 days.

Question 13

The outer limit for completing CIRP, including litigation time, is 330 days.

TRUE

This outer cap was set to prevent indefinite delay of the corporate insolvency resolution process.

Question 14

If no resolution plan is approved within the CIRP timeline, the NCLT can order liquidation of the corporate debtor.

TRUE

Failure to secure an approved plan within the statutory timeline can lead the NCLT to order liquidation.

Question 15

Liquidation proceeds under the IBC are distributed according to the waterfall mechanism in Section 53.

TRUE

Section 53 lays down the statutory order of priority for distributing liquidation proceeds.

Question 16

Equity shareholders rank first in priority under the Section 53 liquidation waterfall.

FALSE

Equity shareholders rank last, being paid only after all other creditor classes and costs are settled.

Question 17

Insolvency resolution and liquidation process costs are paid out before any creditor class under Section 53.

TRUE

These process costs hold the top priority in the Section 53 waterfall, ahead of all creditor claims.

Question 18

Workmen's dues and secured creditors' debts rank together in the Section 53 priority order.

TRUE

The IBC places workmen's dues and secured creditors' debts at the same priority level in the waterfall.

Question 19

An approved resolution plan becomes binding on all stakeholders without needing NCLT sanction.

FALSE

A CoC-approved plan must still be sanctioned by the NCLT before it becomes binding on all stakeholders.

Question 20

The National Company Law Tribunal acts as the Adjudicating Authority for admitting CIRP applications.

TRUE

The NCLT examines the application and admits the case once satisfied that a default has occurred.

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