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Comprehension Test Questions for SBI Clerk Mains, IBPS Clerk Mains, SBI PO Pre and IBPS PO Pre Exams.

Passage No 140

Direction: Read the following passage carefully and answer the questions that follow.

In the end, the hoped-for knight-in-shining armour never arrived and Jet Airways is now in insolvency court. This marks the last act in a long-winded saga that saw the beleaguered airline and its stakeholders lurch from despondency to hope to gloom once again. The debt-laden airline's troubles began when it defaulted on a loan last December. Hectic salvage attempts at the airline since then have come to naught. Thousands of employees and many operational creditors may end up being the biggest losers in the fiasco.

Among the many factors that led to this state of affairs was the promoter Naresh Goyal's intransigence on valuation and not ceding majority control — till he was eventually forced out in end-March. Then came the volte-face by the SBI-led lender consortium on its emergency funding commitment of Rs. 1,500 crore, which scuttled the bidding process. The airline's already truncated operations rapidly unravelled and it stopped flying mid-April. Jet's assets — prized airport slots, valuable fleet, trained employees — were up for grabs and the competition has since moved in for the kill. Not surprisingly, most potential suitors for Jet Airways backed off and just one conditional bid was received for a minority stake from strategic partner Etihad Airways. Later, the Hinduja Group also threw its hat into the ring. But lenders seem to have found these offers unappealing and have now decided to refer Jet to the National Company Law Tribunal (NCLT) for insolvency proceedings.

Higher value could have been salvaged for all of Jet's stakeholders, had the lenders acted sooner and more decisively. The saga as it has played out has been beset with avoidable delays and wrong signals. First, Naresh Goyal was given an inordinately long rope by the lenders which worked to the detriment of everyone else. Thankfully the prospect of a backdoor entry by the promoter was thwarted. But the lenders' decision to put off the IBC route in favour of a majority equity stake for themselves is difficult to explain. This leads one to wonder whether the need to avoid the bad optics of job losses and fare hikes in the election season was at play. **Debt restructuring was a more pragmatic course if they were worried about long delays under IBC but that required lenders to follow through of their emergency funding commitment. It isn't clear what really changed in a fortnight that the lenders backtracked on that commitment.** In the bargain, almost everyone except Jet's rivals has lost value. While the creative destruction cycle in businesses should be allowed to play out, the process should be fair, transparent and above reproach. The lenders now say that under the IBC, it is possible to give potential investors the exemptions they seek from SEBI norms. This offers a glimmer of hope that some resolution, even if sub-optimal, may be possible. But stakeholders should keep expectations low, given that the resolution of cases so far referred under IBC have been fraught with long delays and disputes.

1. Which among the following gives us the correct picture regarding the opinion of the author about the IBC proceedings?

- A. The author is very much optimistic regarding the IBC proceedings since they are very efficient in handling such situations.
- B. The author is very much disappointed with the Jet management since they have not controlled the airline in the proper way.
- C. The author is not sure about the way the Jet saga should have been handled given the fact that all took place too quickly.
- D. The author does not want the lenders to wait for the IBC proceedings to get over because lenders need money at the earliest.
- E. The author is not at all optimistic about the IBC proceedings in the country since it takes a lot of time and is not always free from disputes.

2. Which among the following has / have been attributed to the failure of the Jet Airways, as per the given passage?

- A. The management of the company could have been handled in a better manner by the lenders without any valid reason.
- B. The lenders could not take decisions when required since they have not applied their best minds to solve the crisis.
- C. SEBI has not given Jet Airways the right to go ahead and file for funding proposal from the market.
- D. Both A and B
- E. All A, B and C

3. Which among the following is the reason that the lenders have not accepted the bids received to acquire Jet Airways?

- A. The lenders wanted to refer the case to Jet Airways anyways making it an inevitable case and they wanted to buy some time.
- B. The lenders have not found the bids accepted in line with their expectations and that is why they decided against accepting the same.
- C. The lenders have decided to refer the case to the bidders once the NCLT proceedings are done with.
- D. The lenders want to know the real value of the company and that is why it has referred the case to the National Company Law Tribunal.
- E. None of the above

4. Which among the following has been identified as the main culprit in the Jet Airways saga as it has played out, as described by the author?

- A. The promoters of Jet Airways
- B. The lenders
- C. The bidders who submitted the bids to acquire the company
- D. SEBI
- E. None of the above

5. Which among the following is implied by the phrase “hoped-for-knight-in-shining-armour” as used in the given passage?

- A. A very good swordsman who can fight against all odds
- B. A very efficient person who can take care of all the troubles in one’s own life
- C. A person or organization with very deep pockets
- D. A very good person with a very good heart and also a lot of money
- E. None of the above

6. Which among the following can be considered as the starting point in the issue with Jet Airways as described in the passage?

- A. The promoters of the company rejected any offer to go for insolvency of the company in the long run.
- B. The lenders are of the opinion that there is everything to play for unless the promoters throw their hat in the ring.
- C. The company could not honour its debt obligations on time fuelling the debate that everything is not well with the company.
- D. The company could not submit details for rating purpose to an international agency making it difficult to understand the internal situation.
- E. None of the above

7. A sentence is given in bold in the passage and the sentence may or may not be grammatically correct. Here the sentence is given in four parts. An error, if any, will be in any one part of the given sentence. Choose the part with the error as your answer whereas Choose ‘E’ as your answer if there is no error in the given sentence.

- A. Debt restructuring was a more pragmatic course
- B. if they were worried about long delays under
- C. IBC but that required lenders to follow through
- D. of their emergency funding commitment
- E. No Error

Correct Answers

1	2	3	4	5	6	7
E	D	B	B	E	C	D

Explanations:

1. Refer to, **“But stakeholders should keep expectations low, given that the resolution of cases so far referred under IBC have been fraught with long delays and disputes.”**

It is clear from the above lines that the author is not very hopeful regarding the IBC proceedings in India since most of the times such proceedings have taken too much time to complete and also most of the times they have not been free from the disputes regarding the awards pronounced through such proceedings. All the parties have not agreed to such awards ultimately.

Among the given options, we can see that there is only Option E that explains the correct opinion of the author regarding the IBC proceedings in India whereas all the other statements can be eliminated due to the fact that they do not follow from the given passage.

This makes Option E the correct choice among the given options.

2. Statement A is correct since it is stated in the passage that the owner of Jet Airways has been given a lot of chances to revive the airline but it is hard to explain on what basis the person has been given so many opportunities. The lenders should have handled the situation in a better manner. Refer to, **“First, Naresh Goyal was given an inordinately long rope by the lenders which worked to the detriment of everyone else. Thankfully the prospect of a backdoor entry by the promoter was thwarted.”**

Statement B is also correct due to the fact that it is hard to explain why the lenders delayed in referring the case to the National Company Law Tribunal and also they decided to take majority stake without any valid reason. Therefore it has been the case that the lenders have shown lack of judgment in the whole episode. Refer to, **“But the lenders’ decision to put off the IBC route in favour of a majority equity stake for themselves is difficult to explain.”**

Statement C is not correct since it is not correct as per the information given in the passage that SEBI has barred Jet Airways to tap the market for raising funds for the company. Hence this cannot be considered as a reason for the failure of Jet Airways.

This makes Option D the correct choice among the given options.

3. Refer to, **“Not surprisingly, most potential suitors for Jet Airways backed off and just one conditional bid was received for a minority stake from strategic partner Etihad Airways. Later, the Hinduja Group also threw its hat into the ring. But lenders seem to have found these offers unappealing and have now decided to refer Jet to the National Company Law Tribunal (NCLT) for insolvency proceedings.”**

It is very much clear from the above lines that the lenders have not found the bids submitted by Etihad Airways and Hinduja Group as acceptable and that is why they have rejected the bids altogether and have referred the case to the National Company Law Tribunal.

Among the given options, there is Option B that explains the actual reason why the lenders have not accepted the bids submitted by the parties in the Jet Airways case whereas the others can be eliminated for the fact that they do not follow from the information given in the passage.

This makes Option B the correct choice among the given options.

4. Here we can see that the author is mainly disappointed with the lenders for the way in which they have handled the case. They have only given a long rope to the promoter group and also they have not taken appropriate decisions when required making it difficult to do something for the company. Refer to, **“Higher value could have been salvaged for all of Jet’s stakeholders, had the lenders acted sooner and more decisively. The saga as it has played out has been beset with avoidable delays and wrong signals.”**

Therefore, we can see that Option B points out the main culprit as per the author in the given passage whereas all the others can be eliminated from consideration.

This makes Option B the correct choice among the given options.

5. If we take the connotation of the phrase in the given passage we can find out that we are talking about a chivalrous person who comes to the rescue of a woman in danger but here it can be used in a slightly different manner such as somebody who comes to rescue of a company which is in danger. None of the given options explains this meaning of the given phrase and that is why all these options can be eliminated from consideration.

This makes Option E the correct choice among the given options.

6. Refer to, **“The debt-laden airline’s troubles began when it defaulted on a loan last December. Hectic salvage attempts at the airline since then have come to naught.”**

It is clear from the above lines that the company could not pay its loan installment last December and the troubles began from there only. After that the lenders also took notice of the same and the problems started spiralling for the promoters of the company forcing them to stop the operations of the airlines ultimately.

Among the given options, we can see that Option C is the correct pick since it gives us the correct answer regarding the trigger that sparked the problems in Jet Airways. Others can be eliminated since they do not follow from the information given in the passage.

This makes Option C the correct choice among the given options.

7. There is an error in the Part D of the given sentence since here we imply that the lenders should have followed up with the issue of emergency funding commitment and the preposition used here is *of* and it is not correct as per the context of the sentence. It should have been *on* here. There is no error in any other part of the given sentence.

The correct sentence would have been:

Debt restructuring was a more pragmatic course if they were worried about long delays under IBC but that required lenders to follow through on their emergency funding commitment.

This makes Option D the correct choice among the given options.



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