



51A Middle Street Newburyport MA 01950

Phone: 800-588-7039

contact@bhfe.com

www.bhfe.com

Course Information

Course Title: Essentials of Corporate Bankruptcy

#378124

Number of continuing education credit hours recommended for this course:

In accordance with the standards of the National Registry of CPE Sponsors CPE credits have been granted based on a 50-minute hour.

CPA: 2 (Accepted in all states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 0004761 (Ethics #0011467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: CPE.51 PSR

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

Course Description

Bankruptcy can be a useful tool for restructuring the finances of a business, or to liquidate operations in an orderly manner. This course discusses the choices available to the manager who is looking for a way out of a difficult financial dilemma, and who needs to understand the choices available, their ramifications, and the process flow for the bankruptcy process. The course also addresses core bankruptcy concepts, such as the automatic stay, first day motions, voidable preferences, substantive consolidation, asset sales, the cramdown option, and much more.

Course Content

Publication/Revision date: 6/9/2024.

Author: Steven M. Bragg, CPA.

Final exam (online): Ten Questions (multiple-choice).

Program Delivery Method: NASBA QAS Self-Study (interactive)

Subject Codes/Field of Study

NASBA (CPA): Business Law

Course Level, Prerequisites, and Advance Preparation Requirements

Program level: Overview

Prerequisites: None.

Advance Preparation: None

Instructions for Taking This Course

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- You must complete this course within one year of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- **Complete the course by** following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- **Once you have completed studying the course** and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Online Exam

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- A passing grade of at least **70%** is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Objectives

- Recognize the legal underpinnings of creditor actions to seize debtor assets.
- Specify how a lien is used and what happens when an asset is sold that has a lien attached to it.
- Specify the best point in time at which to file for bankruptcy protection.
- Identify the debt adjustments usually made as the result of a workout arrangement.
- State the circumstances under which an involuntary bankruptcy petition can be filed.
- Describe the group represented by a creditors' committee.
- Specify the contents of a bankruptcy plan.
- Specify the various ways in which a court can oversee the activities of a debtor under bankruptcy protection.
- Recognize the priorities for the payment of administrative expenses.
- Specify the different financial statements that must be issued by an entity using the liquidation basis of accounting.

About the Author

Steven Bragg, CPA, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written more than 250 books and courses, including *New Controller Guidebook*, *GAAP Guidebook*, and *Payroll Management*.

Copyright © 2024 by AccountingTools, Inc. All rights reserved.

Published by AccountingTools, Inc., Centennial, Colorado.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to Steven M. Bragg, 6727 E. Fremont Place, Centennial, CO 80112.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

Table of Contents

Corporate Bankruptcy	1
Creditor Concepts.....	1
Lien Concepts.....	2
The Benefits of Bankruptcy	2
The Need for Early Action	3
The Workout Arrangement	4
Types of Bankruptcy	5
The Involuntary Bankruptcy Petition	5
The United States Bankruptcy Code	6
Bankruptcy Players	6
The Trustee	6
The Creditors' Committee	7
The Bankruptcy Process.....	8
Operations during Bankruptcy	10
Oversight of the Debtor	10
Administrative Expenses	11
Post-Petition Financing.....	11
Supply Contracts	12
Selling Contracts.....	12
Collective Bargaining Arrangements.....	12
Utility Services	12
Sales or Use of Assets.....	12
Retirement Benefits	13
Turnaround Activities	13
Public Relations.....	15
Bankruptcy Rules	15
The Automatic Stay	15
First Day Motions	16
The Obligation to Pay Interest after the Bankruptcy Petition	16
Additional Interest Topics.....	16
Absolute Priority	16
Asset Transfers	17
Sham Sales	18
Fraudulent Transfers.....	18
Voidable Preferences.....	18
Subordination of Insider Claims	19
Substantive Consolidation	19
Reclamation	19
Right of Setoff	19
The Cramdown.....	20
The Reinstatement Option.....	21
Asset Sales	22
Bankruptcy Forms	22
Costs of Bankruptcy	23
Liquidation Basis of Accounting.....	24
Liquidation Basis Disclosures	25
Review Questions.....	26
Answers to Review Questions	27
Glossary	29
Index	31