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Editorial

Editorial on Voluntary Administration

Bembady Bharathi*

Department of Public Administration, Osmania University, Hyderabad, Telangana, India

EDITORIAL

Voluntary Administration is a process in which an insolvent company is put in the hands of an unbiased person who can evaluate all of the options and produce the best result for the business owner and creditors. Voluntary Administrations are intended to be simple to set up and complete. The goal is to complete the Voluntary Administration process in less than a month and, at the end of it, either liquidate the company or agree on a Deed of Company Arrangement a deal with creditors. In difficult situations, with the consent of either the Courts or the Creditors, it is customary for an Administrator to postpone the Second Meeting of Creditors Decision Meeting. The timeframe's overarching principle is to balance the need for quick resolution of issues with the need to give stakeholders enough time to obtain relevant information.

A Voluntary Administration is simple to start; all it takes is a majority of directors to pass a Resolution. In most cases, the Voluntary Administration process can be completed in less than a month. There is a moratorium on any creditors' actions against the company during that period, as well as the enforcement of personal guarantees against directors. The purpose of a Voluntary Administration is to protect the environment. The directors' powers are effectively suspended upon the appointment of an Administrator, and Control of the company passes to the Administrator. The Administrator then decides on a strategy that they believe will maximize the return to creditors and shareholders. The Administrator has several options, including trading the company's business, trading a portion of the company's business, and selling the company. The Administrator will issue a Notice of Appointment on the ASIC Insolvency Notices website as soon as possible, and an Initial Report to Creditors will be sent out.

The company and the restructuring process are taken over by the Voluntary Administrator. A Voluntary Administration's primary goal is to save the company or, at the very least, to provide the best possible outcome for stakeholders. At the end of the process, the Corporations Law specifies three broad possible outcomes. Return control of the company to the board of directors so that it can resume trading.

There is a moratorium on creditors' claims following the appointment of a Voluntary Administrator. The moratorium works by suspending all creditor payments to give the company breathing room. Owners and lessors of property are barred from taking action, allowing the company to continue to use its assets even though it is in default; bank and other secured creditors may take action.

Correspondence to: Bembady Bharathi, Department of Public Administration, Osmania University, Hyderabad, Telangana, India, Tel: +92-323 - 9991029; E-mail: bharathisinu2007@gmail.com

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