

MLL318 EXAM ANSWER GUIDE

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FRAMEWORK AND INSOLVENCY

Common Question Types

- Define corporate insolvency/external administration.
- Apply cash flow vs balance sheet insolvency tests to facts.
- Explain relation-back day and why it matters.

Answer Scaffold (IRAC)

- **Issue:** Whether the company is insolvent or likely to become so; which test applies; consequences.
- **Rule:**
 - Corporations Act s 95A (unable to pay debts as and when they fall due).
 - Cash-flow test (Sandell v Porter).
 - Balance sheet indicators (Wagner v International Health Promotions).
 - Relation-back: s 91.
- **Application:** Analyse payables, receipts, shortfalls; consider balance sheet valuation and contingent liabilities.
- **Conclusion:** Insolvent/likely insolvent; triggers VA/liquidation/voidable transaction periods.

Checklist

- ☐ Cite s 95A and s 91 if relevant
- ☐ Apply cash-flow evidence, not just ratios
- ☐ Link to consequences (administration, winding up, voidables)

Authorities to Deploy

- Corporations Act ss 95A, 91
- Sandell v Porter (cash-flow)
- Wagner v International Health Promotions (balance sheet)

VOLUNTARY ADMINISTRATION

Common Question Types

- Valid appointment of administrator.
- Effects of VA: moratorium, secured creditor rights.
- First and second meeting mechanics.

Answer Scaffold

- **Issue:** Was administrator validly appointed?
Rule: s 436A (directors), s 436B (liquidator), s 436C (secured creditor). Must resolve insolvency or likely insolvency.
Application: Check who appointed, their authority, timing, and compliance with requirements.
Conclusion: Appointment valid/invalid; proceed to effects.

Effects & Meetings

- Moratorium: s 440B stay; secured creditors: ss 441A–C rights; meetings: s 439A report, voting thresholds.