

# CIRP under the IBC: The Expanding Role of Chartered Accountants



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*The IBC framework, reinforced by judicial endorsement of the Committee of Creditors' (CoC) commercial wisdom, has significantly strengthened its financial decision-making in insolvency proceedings, thereby increasing its reliance on professional expertise. Central to this framework is the expanding role of Chartered Accountants (CAs), who play key roles as Interim Resolution Professionals (IRPs), Resolution Professionals (RPs), Insolvency Professionals (IPs), forensic experts, valuers, and strategic advisors. Their expertise in financial analysis, claim verification, valuation, and resolution planning ensures transparency, reduces information asymmetry, and enhances outcome quality. The article concludes that the effectiveness and credibility of the IBC regime are closely linked to the technical competence, independence, and multidisciplinary contributions of Chartered Accountants. Accordingly, strengthening the capacity of Chartered Accountants is vital to the success and continued advancement of the IBC regime. **Read on to know more....***

## 1. Introduction

The introduction of the Insolvency and Bankruptcy Code, 2016 (IBC/the Code) represents a paradigm shift in India's approach to corporate financial distress. Prior to its enactment, insolvency proceedings were governed by a multiplicity of statutes—most notably

the Companies Act framework and recovery laws such as SARFAESI—resulting in procedural fragmentation, jurisdictional overlaps, and prolonged resolution timelines. Recovery rates frequently remained below 25%, eroding asset value and undermining credit discipline.

The IBC sought to rectify these structural inefficiencies by consolidating insolvency laws into a comprehensive, creditor-driven and time-bound framework. At its core lies the Corporate Insolvency Resolution Process (CIRP), a structured mechanism designed to either revive financially distressed companies or facilitate orderly liquidation. The shift from “Debtor-in-Possession” to “Creditor-in-Control” altered the balance of power within corporate insolvency, placing commercial decision-making in the hands of financial creditors through the Committee of Creditors (CoC).

Within this reformed landscape, Chartered Accountants (CAs) have assumed a central institutional role. Their expertise in financial reporting, auditing, valuation, forensic accounting, and regulatory compliance aligns closely with the technical demands of CIRP administration<sup>1</sup>. This article examines the statutory architecture of CIRP, key judicial developments, and the multidimensional role of CAs in operationalizing the IBC’s objectives.

## 2. Empirical and Economic Impact of the IBC Framework

Since its enactment in 2016, the IBC framework has reshaped India’s credit and restructuring landscape in both quantitative and qualitative terms. Empirical data published by regulatory authorities indicates a marked improvement in resolution timelines compared to the pre-IBC regime, where insolvency proceedings often languished for years with minimal recoveries. While sectoral variations persist and recovery percentages fluctuate depending on asset quality, industry profile, and litigation complexity, the institutional shift toward time-bound resolution has materially strengthened creditor confidence.

The Code’s emphasis on strict timelines, centralized adjudication before the NCLT, and professional management through regulated Insolvency Professionals (Ips) has reduced procedural fragmentation and discouraged strategic defaults. Even in cases culminating in liquidation, the discipline imposed by CIRP has encouraged earlier settlements, out-of-court restructurings, and negotiated withdrawals under Section 12A, reflecting a broader behavioural

change in debtor-creditor dynamics. The IBC has contributed to:

- (a) Improved credit appraisal standards within financial institutions.
- (b) Enhanced monitoring of borrower financial statements.
- (c) Increased emphasis on collateral documentation and security perfection.
- (d) Greater accountability of corporate management.

“*Judicial affirmation of the “commercial wisdom” doctrine and the protective ambit of the moratorium further reinforce the economic orientation of the IBC regime.*”

Judicial affirmation of the “commercial wisdom” doctrine and the protective ambit of the moratorium further reinforce this economic orientation. By limiting judicial intervention in commercial decisions and safeguarding enterprise continuity during CIRP, the Supreme Court<sup>2</sup> has demonstrated institutional deference to financially informed decision-making. Within this framework, Chartered Accountants occupy a structurally significant position. Their analytical inputs in claim verification, financial modelling, viability assessment, and forensic scrutiny enhance the quality of resolution outcomes. The empirical gains of the IBC regime are thus inseparable from the professional competence underpinning its execution.

## 3. Normative Analysis: Law as a Framework, Finance as the Substance

The success of the IBC cannot be attributed solely to legislative consolidation. Its operational effectiveness derives from the alignment of legal structure with financial rationality. Insolvency resolution under CIRP is, in essence, a financial restructuring process administered within a judicially supervised statutory framework. The Code establishes procedural framework including timelines, moratorium protections, distribution hierarchies, and adjudicatory oversight

but the substantive resolution of distress hinges upon economic evaluation: viability projections, capital restructuring, asset valuation, and risk allocation. In this context, CAs perform the following normative functions:

- (a) CAs reduce information asymmetry not only by improving disclosure, but also by acting as an independent arbiter of financial truth, using audit and due diligence frameworks that go beyond the internal assessments of lenders or borrowers.
- (b) Unlike purely legal or administrative disclosures, CA driven financial reporting embeds standards based recognition and measurement, thereby converting boilerplate language into quantifiable, comparable, and verifiable risk indicators for creditors.
- (c) CAs go beyond negotiation table bargaining by explicitly quantifying the Net Present Value (NPV), collateral impairment, and cash flow implications of each restructuring alternative, converting qualitative compromises into comparable financial scenarios.
- (d) CAs support rational loss allocation not only by applying statutory hierarchies, but also by embedding market consistent valuation and discounting, thereby ensuring that formal creditor priorities are mirrored in realistic financial

outcomes rather than arbitrary book keeping entries.

The convergence of law, finance, and governance under CIRP reflects the emergence of insolvency practice as a specialized multidisciplinary domain. Legal provisions define institutional authority; financial analysis determines substantive outcomes; governance principles ensure accountability.

Accounting expertise, particularly of CAs functioning as IPs, therefore, operates not as an ancillary function but as the operational backbone of the insolvency regime. By converting statutory rights and timelines into claim verification exercises, balance sheet adjustments, and cash flow based resolution plans, CAs embed financial pragmatism into the IBC framework.

#### 4. Status of Ongoing CIRPs

As of December 31, 2025, a total of 8,833 CIRPs have been admitted since inception, with 6,954 closed by various means, including 1,366 on appeal/review/settled, 1,260 withdrawn under Section 12A, 1,376 with approved resolution plans, and 2,952 leading to liquidation orders. This leaves the 1,879 ongoing cases, compiled from NCLT websites and Insolvency Professional filings, excluding one case transferred directly from BIFR. About 76% of ongoing cases exceed the 270-day statutory timeline, highlighting delays in resolution<sup>3</sup>.

**Table 1: Timeline of ongoing CIRPs**

Duration	Number of CIRPs	Percentage
> 270 days	1,431	76%
> 180 to ≤ 270 days	151	8%
> 90 to ≤ 180 days	136	7%
≤ 90 days	161	9%
<b>Total</b>	<b>1,879</b>	<b>100%</b>

#### 5. Role of CAs in the CIRP

CIRP under the IBC is fundamentally financial in character, though legally administered. At its core, CIRP involves assessment of enterprise viability, valuation of assets, restructuring of liabilities, and equitable distribution of economic value. Consequently, accounting expertise is not merely supportive but

central to the effective functioning of the insolvency framework. The roles of CAs under the IBC regime could be summarised as under:

##### 5.1. CAs as IPs (IRP/RP/Liquidator)

CAs constitute about 55% of the IPs registered with the Insolvency and Bankruptcy Board of India (IBBI)

under the IBC regime as on December 31, 2025. The detailed professional break up of IPs is in Table 2.

CAs constitute an important segment of the technical members in NCLT/NCLAT, reflecting the emphasis on financial, insolvency and compliance expertise in IBC

adjudication. NCLT has approximately 31 technical members across its benches as of February 2026, drawn from official listings on the NCLT website. These members assist in corporate insolvency and company law matters, with eligibility often including CAs, CSs, or senior officials.

**Table 2: Distribution of IPs as per their eligibility as on December 31, 2025**

Eligibility	No. of IPs		
	Male	Female	Total
Member of ICAI	2227	229	2456
Member of ICSI	609	142	751
Member of ICAI	186	19	205
Member of Bar Council	241	35	276
Managerial Experience	737	38	775
PGIP Qualified	43	7	50
<b>Total</b>	<b>4043</b>	<b>470</b>	<b>4513</b>

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## 5.2. Operational Stabilization and Going Concern Management

During CIRP, Chartered Accountants are engaged to restore the CD's financial stability, stabilize operations, and ensure its continuity as a going concern. They perform the following functions:

- (i) Monitor and manage cash flows during the moratorium period to ensure liquidity.
- (ii) Rationalize expenditure, preserve working capital, and prioritize critical payments.
- (iii) Identify critical services (e.g., utilities, key suppliers, employee salaries) and leverage them strategically before stakeholders to secure continuity.
- (iv) Negotiate with suppliers, lenders, and operational partners for essential services.
- (v) Maintain statutory filings, tax compliances (GST,

TDS, Income Tax), and regulatory obligations (MCA, ROC, labour laws).

- (vi) Conduct operational audits to assess viability, optimize resources, and support resolution plan feasibility.

This approach aligns with IBC objectives under Section 20, emphasizing value maximization and business continuity. Ensuring that the CD remains a going concern is critical to preserving enterprise value and enhancing resolution prospects.

## 5.3. Claim Verification and Financial Reconciliation

One of the most technically demanding stages of CIRP involves collation and verification of creditor claims under IBC Section 18. CAs apply forensic accounting skills to:

- (i) Reconcile submitted claims with audited financial statements, ledger records, and books of account.
- (ii) Examine loan documentation, security agreements, charge registrations (with CERSAI/RoD), and guarantees.
- (iii) Validate classification of financial vs. operational debt, further categorizing financial debt as fund-based (term loans, working capital), non-fund-based (LCs, bank guarantees), or contingent

(derivatives, performance obligations).

- (iv) Determine voting shares of financial creditors within the CoC based on verified claim amounts.
- (v) Verify employee and workmen claims, classifying dues as wages/salaries (operational debt), Provident Fund contributions (secured under Section 36(4)), and Gratuity (calculated per Payment of Gratuity Act, 1972, using last drawn salary  $\times$  15/26  $\times$  years of service, prioritized as workmen's dues).
- (vi) Protect the interests of workmen and employees by ensuring priority under Section 53 waterfall and timely collation for fair representation in CIRP.

This process ensures claim accuracy, prevents disputes, and supports robust CoC decision-making. The process reduces informational asymmetry and prevents inflated or duplicative claims from distorting commercial decision-making.

#### 5.4. Preparation of the Information Memorandum

The Information Memorandum (IM) serves as the foundational disclosure document for prospective resolution applicants. Its accuracy and completeness are essential for informed bidding and valuation. CAs ensure the IM under IBC Section 29 and CIRP Regulation 36 contains comprehensive, accurate disclosures for resolution applicants. Key elements include:

- (i) Audited and provisional financial statements (last two years plus current year up to 14 days before application).
- (ii) Detailed asset-liability mapping as on insolvency commencement date, including valuations and security interests.
- (iii) Litigation details, contingent liabilities, ongoing investigations by statutory authorities, and guarantees by related parties.
- (iv) Related-party transactions, off-balance-sheet exposures, and debts due from/to related parties.

**Feb 25, 2026, Amendments:** Recent IBBI amendments mandate enhanced disclosures:

- (i) Carry-forward losses from income tax returns and unutilized GST input credits to highlight the going concern value.
- (ii) For real estate projects, explicit treatment of allottees who didn't file claims, but whose details appear in project records.
- (iii) Company overview with business performance snapshots, key contracts, employees, supply chain, and utility connections.

This ensures transparency, enabling realistic resolution plans while protecting stakeholder interests.

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#### 5.5. Evaluation of Resolution Plans

Although commercial approval rests with the CoC under IBC Section 30(4), CAs provide critical financial analysis to assess resolution plan viability and feasibility. Key responsibilities include:

- (i) Building financial models with cash-flow projections, funding sources, and implementation timelines.
- (ii) Calculating Internal Rate of Return (IRR), Net Present Value (NPV), Debt Service Coverage Ratio (DSCR), and Average Debt Service Coverage Ratio (ADSCR).
- (iii) Evaluating debt restructuring proposals, including haircut analysis, repayment schedules, and equity infusions.
- (iv) Conducting sensitivity and stress testing on projected revenues, EBITDA margins, capital expenditure, and working capital assumptions.
- (v) Verifying statutory compliance under Section 30(2), ensuring fair distribution per Section 53 waterfall, management changes, and employee protections.

- (vi) Implementing challenge mechanism procedures per CIRP Regulation 39(1A), where dissenting creditors can propose superior fair-value plans for CoC consideration.

This analytical rigor ensures CoC decisions maximize CD's value while mitigating execution risks.

### 5.6. Identification of Avoidance Transactions

Sections 43–66 of the IBC empower the RP to investigate preferential, undervalued, extortionate credit, and fraudulent transactions. CAs apply forensic accounting techniques to:

- (i) Trace fund flows, related-party dealings, and circular transactions preceding the look-back period (2 years for related parties, 1 year for others).
- (ii) Identify asset transfers, corporate guarantees, or abnormal payments impacting creditor interests.
- (iii) Examine transactions lacking commercial substance or at undervalued prices that prefer certain creditors.
- (iv) Quantify recoverable value through reverse engineering and fair market value assessments.
- (v) Identify parties (beneficiaries, directors, related entities) with whom funds have been appropriated, enabling RP to initiate avoidance applications before NCLT or recovery proceedings.

Such investigations strengthen creditor recoveries and reinforce accountability within distressed enterprises.

### 5.7. Forensic and Valuation Expertise

Complex insolvencies—particularly in infrastructure, financial services, and conglomerate structures—often involve intricate financial arrangements and opaque related-party transactions. CAs drawing upon forensic methodologies, play a pivotal role in:

- (i) Detecting diversion of funds and siphoning of assets.
- (ii) Reviewing accounting irregularities or misstatements.
- (iii) Analysing layered corporate structures and cross-

guarantees.

- (iv) Supporting litigation or avoidance applications with evidentiary documentation.

In collaboration with registered valuers, CAs also contribute to determining fair value and liquidation value benchmarks. Their understanding of financial statements, asset impairment, and market comparables enhances the integrity of valuation exercises, which form the basis for negotiation and creditor decision-making.

### 5.8. Advisory and Strategic Roles Beyond Statutory Appointments

The role of CAs extends beyond formal appointments as IPs. Within the broader restructuring ecosystem, they serve as strategic advisors to multiple stakeholders. Here is the list of opportunities for Chartered Accountants in the CIRP under IBC, 2016:

- (i) As an IP (after registration with IBBI)
- (ii) IRP for the initial period of CIRP up to 40 days.
- (iii) RP for the CIRP period of 180 days, extendable up to 270 days.
- (iv) Liquidator in corporate liquidation (normally about 2 years or till completion).
- (v) Representative of a creditor in the CoC under section 21(6C).
- (vi) Authorised Representative of a class of creditors under section 21(6A)(b).
- (vii) Voluntary Liquidator for voluntary liquidation of corporate persons under Chapter V of the Code.
- (viii) RP for individuals, proprietorships and partnership firms (including personal guarantors to corporate debtors, as and when notified).
- (ix) Bankruptcy Trustee for bankruptcy process of individuals, proprietorships and partnership firms.
- (x) Partner/director in an Insolvency Professional Entity (IPE) providing support services to IPs.

### 5.9. Opportunities in and around CIRP / PPIRP as IP

- (i) RP for Pre-Packaged Insolvency Resolution

Process (PPIRP) – consultancy role with corporate debtor pre-appointment.

- (ii) RP for PPIRP in pre-appointment stage (structuring base resolution plan and preliminary IM).
- (iii) RP for PPIRP post-appointment (full conduct of the PPIRP).
- (iv) Preparation of resolution plans and handholding takeover/take-over bidders in PPIRP and CIRP.

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**5.10. Non-IP professional opportunities in CIRP ecosystem for CAs:** Providing support services to IRP/RP/Liquidator during CIRP and liquidation, such as:

- (a) Preparation of Information Memorandum.
- (b) Business and financial operations report for previous two years.
- (c) Claim verification and reconciliation.
- (d) Evaluation of assets and liabilities as on insolvency commencement date.
- (e) Examination and evaluation of resolution plans submitted to RP.
- (f) Internal audit during CIRP with focus on fund flow and leakages.
- (g) Stock audit during CIRP for asset protection.
- (h) Statutory audit during CIRP where RP changes auditor with CoC approval.
- (i) Audit of income and expenditure during liquidation.
- (j) All statutory and regulatory compliances of corporate debtor during CIRP/liquidation (tax, company law, labour, SEBI, etc.).

(k) Advisor to corporate debtors undergoing CIRP, including:

- (l) Strategy for dealing with CIRP.
- (m) Compiling information and data required by RP.
- (n) Advising and assisting in preparation, submission and negotiation of resolution plan (where CD is permitted to submit).
- (o) Advising on forensic/transaction audit issues.
- (p) Identifying causes of financial stress and arriving at sustainable debt and revival structure.
- (q) Consultant to entities under financial stress (pre-CIRP), including:
  - (r) Identifying distressed companies for restructuring.
  - (s) Designing risk-mitigation and restructuring strategies (including RBI restructuring, IBC options).
  - (t) Working out detailed bankable financial structure and turnaround plan.
  - (u) Advising on use of IBC versus RBI restructuring, merger, acquisition or takeover.
  - (v) Protection against “insolvency attacks” and recovery of debts using IBC, including:
    - (w) Designing documentation and internal processes to protect clients against being dragged into CIRP.
    - (x) Training purchase, accounts and other departments on safeguards under IBC (pay or dispute, section 8 notices, documentation, etc.).
    - (y) Drafting notices to defaulters.
    - (z) Drafting and filing creditor petitions before NCLT under sections 7 or 9 and representation before NCLT/NCLAT.

**5.11. Advisor to Resolution Applicants for taking over companies under IBC:**

- (a) Strategy and structure for bidding.
- (b) Preparation of resolution plan with sustainable debt and restructuring of debt and equity.
- (c) Arranging/structuring funds and acquisition finance.

- (d) Representation before RP and CoC.
- (e) Transaction / forensic auditor in CIRP and liquidation, including investigations of:
- (f) Preferential transactions under sections 43–44.
- (g) Undervalued transactions under sections 45–49.
- (h) Extortionate credit transactions under sections 50–51.
- (i) Fraudulent/wrongful trading under sections 49, 66, 67, 69.
- (j) Registered Valuer (after separate registration) rendering valuation services required under IBC, Companies Act, Income-tax, SEBI and RBI frameworks, including mandatory valuations in CIRP and liquidation.
- (k) Consultant under RBI’s SASHAKT framework and related restructuring schemes for stressed assets, which often overlap with IBC situations.

**5.12. Role as CA/auditor vis-à-vis CIRP/IBC risk (indirect but important opportunity/responsibility)**

- (i) As statutory auditor of companies under financial stress,
- (ii) CAs have an enhanced role (and risk) in early identification and reporting of diversion of funds, frauds and wilful default indicators.
- (iii) Reporting as per SA 240, section 143 of Companies Act, RBI wilful defaulter circular, CARO, NFRA provisions, etc., which directly interact with insolvency outcomes and forensic audits.

**6. Institutional Significance**

The participation of CAs in CIRP reflects the convergence of law, finance, and governance within modern insolvency practice. Their technical proficiency:

- (i) Reduces informational asymmetry between stakeholders.
- (ii) Enhances transparency and disclosure integrity.

- (iii) Supports evidence-based commercial decisions.
- (iv) Promotes value maximization consistent with the objectives of the IBC.

In effect, CAs function as financial stewards of the insolvency process, translating statutory mandates into quantifiable economic outcomes. Their independence, analytical rigor, and adherence to professional ethics are critical to sustaining stakeholder confidence in India’s evolving restructuring regime.

**7. Conclusion**

IBC represents a transformative milestone in India’s corporate insolvency resolution. In this evolving ecosystem, CAs serve as pivotal institutional actors. Whether functioning as IPs, forensic investigators, valuation collaborators, or strategic advisors, they translate complex financial realities into structured resolution strategies. Their technical competence ensures integrity in financial disclosures, rigor in claim adjudication, and realism in viability assessments.

As insolvency jurisprudence evolves to address sector-specific challenges—such as real estate, MSMEs, and Group Insolvencies—the sustainability of India’s IBC framework hinges on both legislative refinement and unwavering professional integrity. The specialized expertise of CAs, spanning pre-CIRP advisory, creditor claim verification, IM preparation, resolution plan evaluation, operational stabilization, and avoidance transaction investigations, remains pivotal in delivering analytical rigor and value preservation.

This detailed mapping of CA roles aligns seamlessly with the opportunity classifications (Pre-CIRP Restructuring Advisory, Advisory to Creditors, and Advisory to Resolution Applicants) and process-stage interventions outlined earlier. By institutionalizing multidisciplinary capabilities through enhanced Limited Insolvency Examination (LIE) training, forensic accounting certifications, and IBBI collaboration, the accounting profession will strengthen India’s restructuring ecosystem—elevating recovery rates toward global benchmarks while safeguarding CoC autonomy and judicial efficiency.