

Instructions:

Read the “What books and records should my company keep?” text below and then select the correct answer from the multiple choice questions (1-6).

What books and records should my company keep?

In order to provide guidance to directors of small proprietary companies in answering this question, ASIC has reviewed the requirements of the Corporations Act 2001 (Corporations Act) and has sought input from a number of professional bodies and associations to compile a schedule of appropriate books and records. If you are in doubt about the form and content of financial statements or other records which should be prepared or maintained you should seek professional advice.

The Corporations Act in s286(1) states that a company must keep written financial records that:

- correctly record and explain its transactions and financial position and performance, and
- would enable true and fair financial statements to be prepared and audited.

Financial records are defined in s9 of the Corporations Act as including:

- invoices, receipts orders for the payment of money, bills of exchange, cheques, promissory notes and vouchers
- documents of prime entry, and
- working papers and other documents needed to explain:
 - o the methods by which financial statements are made up, and
 - o adjustments to be made in preparing financial statements.

Financial records may be kept electronically and there are numerous accounting software packages available for this purpose. Section 288 of the Corporations Act states that if financial records are kept in electronic form, they must be convertible into hard copy. Hard copy must be made available within a reasonable time to a person who is entitled to inspect the records. If financial records are kept on a computer which is owned and operated by a third party (e.g. your company's accountant), you still have the responsibility to provide a hard copy.

Source: Excerpt taken from Australian Securities and Investments Commission, 'What books and records should my company keep?'
<http://www.asic.gov.au/asic/asic.nsf/byheadline/What+books+and+records+should+my+company+keep%3F?opendocument>