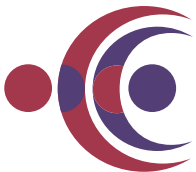


Keeping Books of Account



Oifig an Stiúirthóra um
Fhorfheidhmiú Corparáideach

Office of the Director
of Corporate Enforcement

Quick Guide



Plain English

Approved by NALA

For more information on plain English go to www.simplyput.ie

Keeping Books of Account

A Quick Guide

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About this booklet

We have produced this information booklet to explain why companies must – by law – keep proper books of account. The laws which cover this are known as the Companies Acts.

This guide gives only a summary of the rules for keeping books of account. If you have a concern about the accounts of a particular company, you should get independent legal advice.

What are books of account?

Books of account are a record of a company's income and spending. These records may be kept in paper or electronic form. The books of account contain the information for preparing the company's annual financial statements.

What are proper books of account?

Proper books of account are an accurate and up to date record of all dealings by the company. They must allow the financial position of the company to be measured with reasonable accuracy at any time. Proper books of account must explain:

- all monies that the company receives and spends;
- all assets and debts of the company;
- all purchases and sales;
- records of stock that the company holds; and
- records of services that the company provides.

The entries should be up to date and consistent from one year to the next so that financial statements covering different periods can be compared. The books of account should contain enough information to allow the company to prepare a legally complete set of financial statements. They must also be structured in such a way that auditors can carry out a proper audit.

What should proper books of account contain?

The books of account should record:

- how much money the company receives and spends each day;
- an explanation of all income and spending by the company;
- a record of all the assets and liabilities of the company;
- if the company is involved in buying or selling goods:
 - a record of all goods bought and sold along with a record of the itemised invoices;
- if the company is involved in buying or selling services:
 - a record of the services the company provides and all the itemised invoices.

Who must keep proper books of account?

Every company on the register of companies in Ireland must keep proper books of account and hold these books for at least six years after the last date to which they relate.

Where are the books of account kept?

The books of account should be kept either at:

- the company's registered office; or
- an address the directors decide.

The company must allow the directors to inspect the books at all reasonable times without charge. If the company keeps its books at an address outside Ireland, it must send details of the accounts back to Ireland at least every six months to enable the directors to assess the financial position of the company with reasonable accuracy.

How is failure to keep proper books of account noticed?

The company auditor may notice a failure to keep proper books of account if the company has an audit carried out. If the auditor notices this, the auditor must report the failure to the Director of Corporate Enforcement and may also have to report to the Registrar of Companies. If anyone else sees that company is not keeping proper books of account, they can also make a report to the ODCE.

Is it an offence not to keep proper books of account?

It is a criminal offence for a company to fail to keep proper books of account. It is also a criminal offence if a company director fails to take all reasonable steps to make sure the company keeps proper books of account. However, if the directors used the services of 'a competent and reliable person' (such as an accountant) to keep the books of account, and that person did not do so, then the directors cannot be prosecuted.

What are the penalties for failing to keep proper books of account?

Failure to keep proper books is a criminal offence. This means that anyone found guilty of this offence will have a permanent criminal record.

There are two ways in which criminal offences under the Companies Acts can be tried in Irish courts:

- in the District Court before a judge but without a jury. This is used for less serious offences; and
- in the Circuit Court before a judge and jury. This is used for more serious offences.

If the case is heard in the District Court, the penalty for failing to keep proper books of account is:

- a maximum fine of €1,905; or
- a prison term of up to six months; or
- both a fine and a prison term.

If the case is heard in the Circuit Court, the penalty for failing to keep proper books of account is:

- a fine of up to €12,700; or
- a prison term of up to five years; or
- both a fine and a prison term.

What is a criminal conviction?

A criminal conviction is the result of a criminal trial which ends with a finding that the person charged is found guilty of the offence.

The findings are listed as a criminal record.

Are there any other offences relating to keeping proper books of account?

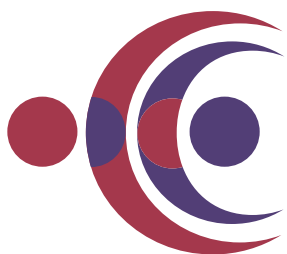
It is an offence if:

- the company has failed to keep proper books of account; and
- the company is afterwards unable to pay its debts and has been put into liquidation; and
- the failure to keep proper books has contributed to the company's inability to pay its debts.

Can directors face any other penalties?

If a company is placed in liquidation in part due to a failure to keep proper books of account, the liquidator or a creditor of a company may ask the court to hold the directors personally liable without limitation for the debts of the company.

Notes



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Tá leagan Gaeilge den leabhrán seo ar fáil.
An Irish version of this booklet is available.