

*These notes refer to the Companies Act 2006 (c.46)
which received Royal Assent on 8 November 2006*

COMPANIES ACT 2006

EXPLANATORY NOTES

COMMENTARY

Part 15: Accounts and Reports

Chapter 2: Accounting Records

Sections 386 to 389: Accounting records

639. These sections set out the general duty to keep accounting records and specify where and for how long records are to be kept. They replace equivalent provisions in sections 221 and 222 of the 1985 Act. Their purpose is to ensure that businesses record transactions to enable them to show the company's financial position and to prepare accounts which comply with the Companies Act and, where relevant, with International Accounting Standards. "Accounting records" is a broad term and there is no specific definition as the records may differ depending on the nature and complexity of the business. For a simple business these may include, for example, bank statements, purchase orders, sales and purchase invoices, whilst a more sophisticated business may have integrated records, which it holds electronically.
640. **Section 387** creates a criminal offence for every officer of a company who is in default, where the company has failed to keep adequate accounting records under section 386. The section replicates the existing penalties under section 221(5) and (6) of the 1985 Act (imprisonment or a fine).
641. **Section 389** makes similar provision in relation to failure to comply with section 388, replacing section 222(4) and (6) of the 1985 Act.