FINANCIAL **FACT SHEET**

COMPANIES AND DIRECTORS
DIRECTORS' OBLIGATIONS

BEING A COMPANY DIRECTOR COMES WITH PERSONAL RESPONSIBILITIES

As a company director, you are responsible for how your company operates and how decisions are made. These responsibilities are primarily defined under the *Corporations Act 2001 (Cth)* and apply to all directors – including directors of small companies and directors who are the sole director and shareholder of their company.

While operating through a company provides some protection from personal liability, directors can still be held personally responsible in certain circumstances. Understanding what is required of you, and how those obligations apply in practice, is essential to carrying out this important role effectively.

In this fact sheet, we focus on the obligations that most directly affect how a company is managed day-to-day and the areas where directors most often need to exercise judgement.

KEY RESPONSIBILITIES OF DIRECTORS

A company is a separate legal entity, but directors are responsible for overseeing its management, financial position, and compliance obligations.

Directors cannot simply rely on others to manage the business. Directors are expected to remain informed, make sound decisions, and act in the best interests of the company.

TOP FIVE QUESTIONS TO ASK EVERY MONTH

1. Can we pay all debts when they're due?
2. Are tax and super obligations up to date?
3. Is cash flow better or worse?
4. Are there any unresolved compliance issues?
5. Do we need professional advice about any emerging risks?

As a company director, you should:

- act in the best interests of the company and for a proper purpose.
- exercise reasonable care, skill and diligence.
- make informed and independent decisions.
- avoid conflicts of interest and disclose them when they arise.
- not misuse your position or confidential company information.
- ensure accurate financial and corporate records are maintained.
- monitor the company's financial performance, cash flow and solvency.
- prevent the company from trading whilst insolvent.
- ensure compliance with tax, superannuation, employment, WHS, privacy, consumer and other relevant laws.
- stay informed about significant risks affecting the business.

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2026/08

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17 Mt Gravatt-Capalaba Road, Upper Mt Gravatt Qld 4122

Learn more at **www.peakpartnership.com.au**

The Peak Partnership
CHARTERED ACCOUNTANTS

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DIRECTORS' OBLIGATIONS AND RESPONSIBILITIES

PERSONAL RISKS FOR DIRECTORS

In some situations, directors may be personally liable for company obligations or misconduct, including:

- allowing the company to trade while insolvent.
- unpaid PAYG withholding, GST or Super Guarantee liabilities.
- breaches of directors' duties.
- fraud, dishonesty or misleading conduct.
- workplace health and safety breaches.
- privacy, environmental or consumer law breaches.
- undisclosed conflicts of interest or improper related-party transactions.
- personal guarantees provided to banks, landlords or suppliers.

POTENTIAL CONSEQUENCES

A director who fails to meet their obligations may face:

- personal liability for company debts or statutory liabilities.
- compensation orders and significant civil penalties.
- criminal prosecution, fines or imprisonment in serious cases.
- disqualification from managing or acting as a director of a company.
- legal claims from shareholders, creditors, liquidators or regulators.

WARNING SIGNS THAT REQUIRE IMMEDIATE ATTENTION

Directors should seek professional advice promptly if the business is experiencing:

- overdue tax, superannuation, wages or supplier payments.
- difficulty paying debts when they fall due.
- ongoing cash flow shortages.
- repeated breaches of loan or financing arrangements.
- increasing pressure from creditors.
- reliance on payment plans, extensions or emergency funding.
- financial reports that are incomplete, late or unreliable.
- uncertainty about the company's ability to remain solvent.

GOOD GOVERNANCE CHECKLIST

Strong governance practices can help reduce risk and support better decision-making. Directors should:

- review regular management reports and cash flow forecasts.
- monitor tax, payroll and superannuation obligations.
- keep accurate records of meetings and significant decisions.
- properly document conflicts of interest.
- ensure ASIC records and company registers remain current.
- maintain appropriate internal controls and approval processes.
- understand any personal guarantees before signing.
- obtain legal, accounting or insolvency advice when concerns arise.
- review the adequacy of Directors' and Officers' (D&O) insurance cover.

HOW WE CAN HELP

At The Peak Partnership, we help directors understand their obligations, monitor business performance, manage compliance and financial risks, and identify potential solvency concerns before they become serious issues.

If you have concerns about cash flow, tax debts, business performance, or your responsibilities as a director, contact our Business Advisory and Accounting specialists on 07 3360 9888 for advice, clarity and direction.

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