

Justice and Order: Part 14

What are the obligations of company executives?

Salaried workers who are assigned abroad tend to be appointed as executives in subsidiary branches, however, domestically it is thought that there is very little consciousness of what obligations executives hold. The obligations of Australian officers has been codified in the federal corporation law. I would like to explain how the courts interpret this legislation.

Corporate executives have various obligations, but I will explain what they should do to avoid personal liability. As an example, insolvent trading, or in other words when a company continues trading whilst they know they cannot pay existing creditors as those debts fall due.

'I only graduated from a technical high school, I cannot understand financial data'. Is this a defense, or something that will allow an individual to escape from personal liability? In the case you can't understand the data yourself, the court commands that you must seek the advice of a professional.

Consider a case where the subsidiary president is an Australian citizen and you a secondary officer, have come by yourself from Tokyo. It seems like the president is reporting directly to the Tokyo executives and does not want to show you the financial data. You have approached him several, but because it annoyed the president, you have decided to leave the matter alone. In the case of the subsidiary going insolvent, would this be an adequate defense?

The court has ordered in this case there is an obligation to examine the company financial ledgers. It has been ordered that the president and other officers must be able to browse the financial ledgers.

Although you have been appointed as a senior manager in the subsidiary, there are two officers in Tokyo and the Australian subsidiary president. Accordingly, you don't have personal responsibility? Is that the case? The courts have ordered that senior management hold equivalent obligations as these officers.