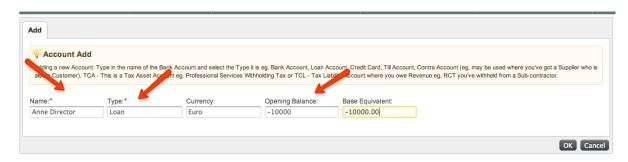# Directors loan Account

Director Loan Accounts are only for Limited Companies and should not be used for Sole Traders. For Sole Traders go to this article on Drawings here. https://sortmybooks.zendesk.com/entries/20557337-How-To-use-the-Drawings-Account-for-Sole-Traders

To set up a Director Loan Account click on **Accounts** and **Bank** and **Add**

For Name you can type in the Director's Name plus Director or DL to signify it is a Director Loan Account.

In Type make sure to select 'Loan' so that the Loan will show in the Long Term Liabilities section of the Balance Sheet.

Opening Balance – this should be the balance owed to this Director at the beginning of the First Accounting Year you are entering in to SortMyBooks. You should enter this as a negative amount. Note: if you don't know the Opening Balance for the loan then you can come back and enter it at a different time you can still set up the Loan now and go ahead and enter in transactions.

A common question asked is why you would set up a Director Loan Account as if it is a Bank Account. The reason we recommend this is so that you can record Purchase Invoices or Expenses paid out by the Director. For full instructions on How to Record Director's Expenses including Mileage and Subsistence click here https://sortmybooks.zendesk.com/entries/20674501-How-to-enter-Director-Expenses-for-Mileage-and-Subsistence
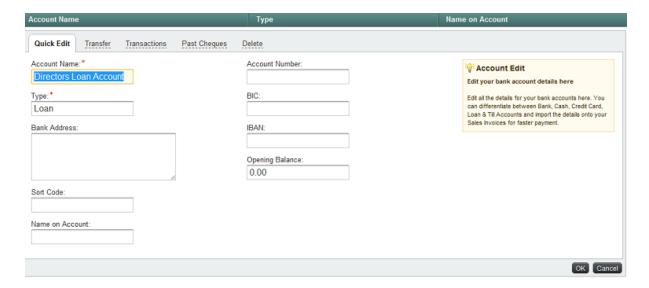
Reimbursing the Director for money that the company owes to him/her should be done through an Account Transfer

If a Director is putting their own money into the business by way of a loan as opposed to an investment in Share Capital that should be recorded as an Account Transfer also.

To transfer money from a Directors loan account to your business account go to **Accounts** and **Bank**.
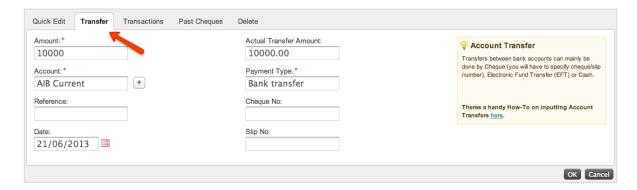
Select your Directors Loan account

Click on the **Transfer** button

In the Amount box put in the Amount of money you are transferring to your business account

In the Account box click on the dropdown menu and select your business account

Select the date and the type of payment and then click ok.