

Chart of Accounts - Limited Company

The basic road map into any accounting system is the chart of accounts. It is this chart that helps establish the information that will be captured by your accounting system, and what information will subsequently be readily retrievable by the system. This tool, like the rest of the accounting systems, needs to be dynamic and should grow as the size and needs of your business changes.

To help establish a good working chart of accounts you need to answer some questions, as to how your business will operate and what is important to you.

Some of these considerations might be:

1. Will your business have stock to account for? If so, will it be purchased in finished form or will there be production costs?
2. Are fixed assets a significant portion of your business?
3. Will you sell only one product or service or will there be several types of business?
4. Will you have accounts receivable from customers, which you will have to track?
5. Are you going to sell in only one location or will you do business in several places?
6. Are the products you sell subject to value added tax?
7. Do you need to track costs by department?
8. What type of government controls or regulatory reporting are you subject to?

Each one of these questions can have several answers and will probably generate more questions. Each answer will have an impact on how the chart of accounts is structured. It may seem that developing a chart of accounts is not particularly high on your list of things to do as you start a new business. The amount of time and money a well organised accounting system may save you can be significant as the need to generate information for various purposes increases.

An example of a basic chart of accounts for a Sole Trader follows this section.

This provides an illustrative list - but you can generally create as many accounts as you need for your own analysis and information.

Most software packages come with pre-configured codes set up, sometimes generic and sometimes for a specific trade or industry.

Illustrative Chart of Accounts (Limited Company)

FIXED ASSETS - TANGIBLE

- 0010 Freehold property cost
- 0020 Freehold property depreciation
- 0110 Leasehold property cost
- 0120 Leasehold property depreciation
- 0210 Plant and machinery cost
- 0220 Plant and machinery depreciation
- 0310 Fixtures/fittings cost
- 0320 Fixtures/fittings depreciation
- 0410 Motor vehicles cost
- 0420 Motor vehicles depreciation

FIXED ASSETS - INTANGIBLE

- 0700 Investments
- 0900 Goodwill

CURRENT ASSETS

- 1000 Stocks and work in progress
- 1100 Trade debtors
- 1103 Debtors and prepayments
- 1200 Bank current account
- 1230 Petty cash

CURRENT LIABILITIES

- 2100 Purchase ledger control
- 2109 Creditors and accruals
- 2200 VAT control account
- 2300 PAYE/NI creditor

LONG TERM LIABILITIES

- 2600 Bank loans
- 2700 Hire purchase creditors
- 2800 Lease purchase creditors
- 2900 Other loans

CAPITAL AND RESERVES

- 3000 Share Capital
- 3200 Profit and loss account
- 3300 Dividends

SALES

- 4000 Sales/work done
- 4009 Discounts allowed
- 4100 Export sales

OTHER INCOME

- 4200 Royalties received
- 4210 Commissions received
- 4220 Insurance claims
- 4230 Rental income
- 4240 Bank interest received

COST OF SALES

- 5000 Purchases
- 5900 Opening stock and work in progress
- 5950 Closing stock and work in progress

DIRECT COSTS

- 6000 Direct labour
- 6100 Goods outward costs
- 6200 Goods inward costs
- 6300 Packaging
- 6400 Duty paid
- 6500 Transport insurance
- 6600 Sales commissions payable
- 6700 Royalties payable

OVERHEADS

- 7000 Motor expenses
- 7100 Telephone
- 7200 Wages
- 7250 Director's remuneration
- 7300 Rent
- 7400 Rates
- 7500 Heat and light
- 7600 Postage, stationery and advertising
- 7700 Repairs and renewals
- 7800 Insurance
- 7900 Bank charges and interest
- 8000 Hire purchase interest
- 8050 Mortgage interest
- 8100 Accountancy fees
- 8200 Legal charges
- 8300 Use of home as office
- 8400 Protective clothing
- 8500 Cleaning
- 8600 Sundry expenses
- 8700 Subsistence
- 8800 Profit on asset sales
- 8900 Depreciation
- 9000 Bad debts written off

