

CHART OF ACCOUNTS

Your business chart of accounts is a necessary part of your financial controls. While it varies from business type to business type, much of the format and information is the same. It is comprised of a list of each account that is tracked by your financial accounting system. Before one can be set up, you must know what accounts you will be using in your business. Give some thought to your business before you assign account names and numbers. Determine what is the lowest level of detailed information that will be useful in the managing of your business. For example, most businesses want to know what they spend on office supplies, but would not be interested in any levels below that would include paper clips, pens, rubber bands, pencils, etc. Keeping track of detailed information is very tedious, and you will need specialized software to assist you.

Just remember that only the information recorded with each account name and number will be tracked and become part of your permanent financial records.

The chart of accounts is divided into categories as follows:

- Asset accounts
- Liability accounts
- Equity accounts
- Revenue accounts
- Direct Expense or Cost of Goods Sold accounts
- Indirect Expense accounts
- Other Revenue accounts (interest income, etc.)
- Other Expense accounts (income taxes, etc.)

Here is a sample breakdown of a chart of accounts:

CURRENT ASSETS

100 Cash in bank

102 Petty Cash account

103 Inventory

104 Inventory—Work in Progress

105 Accounts Receivable

106 Prepayments

PROPERTY, PLANT, AND EQUIPMENT

110 Land

111 Buildings

112 Accumulated Depreciation, buildings

113 Vehicles

114 Accumulated Depreciation, vehicles

115 Equipment, office

116 Accumulated Depreciation, office

117 Equipment—Manufacturing

118 Accumulated Depreciation—Manufacturing Equipment

119 Leasehold Improvements

120 Accumulated Amortization—Leasehold Improvements

OTHER ASSETS

180 Deposits

CURRENT LIABILITIES

200 Current Notes Payable

201 Accounts Payable

202 Accrued Expenses

203 Accrued Wages and Payroll Taxes Withheld

LONG-TERM LIABILITIES

210 Notes Payable

215 Land Payable

220 Equipment Payable

225 Vehicles Payable

230 Bank Loans Payable

EQUITY

300 Common Stock

300 Retained Earnings

REVENUE

400 Sales Category #1

401 Sales Category #2

402 Sales Category #3

403 Interest Income

404 Other Income

DIRECT EXPENSE ACCOUNTS

(COST OF GOODS SOLD)

601 Product #1 Costs

602 Product #2 Costs

603 Product #3 Costs

604 Raw Material Purchases

605 Direct Labor Costs

606 Commissions

607 Misc. Factory Costs

608 Salaries and Wages

609 Contract Labor

610 Freight

611 Inventory Adjustments

612 Purchase Returns and Allowances

613 Purchase Discounts

INDIRECT EXPENSE ACCOUNTS (OVERHEAD COSTS)

711 Amortization—Leasehold Improvements

712 Repairs and Maintenance

713 Taxes and Licenses

714 Rent

715 Utilities

716 Telephone

717 Equipment Rental

718 Expendable Equipment

719 Repairs and Maintenance

720 General Supplies

721 Travel

722 Consultants

724 Training

725 Advertising

726 Bank Fees

727 Dues and Subscriptions

728 Legal Fees

729 Postage

730 Office Supplies

731 Research and Development

732 Insurance

733 Vehicle Expense

734 Meals and Entertainment

734 Wages and Salaries

735 Vacation

736 Holidays

737 Sick Leave

738 Payroll Taxes

739 401(k) Plan

740 Group Insurance

OTHER ACCOUNTS

801 Interest Income

802 Gain or Loss on Sale of Assets

803 Interest Expense

804 Income Taxes