

## 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.**

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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	104 Inventory—Work in Progress
102 Petty Cash account	105 Accounts Receivable
103 Inventory	106 Prepayments

### **PROPERTY, PLANT, AND EQUIPMENT**

110 Land	116 Accumulated Depreciation, office
111 Buildings	117 Equipment—Manufacturing
112 Accumulated Depreciation, buildings	118 Accumulated Depreciation—Manufacturing Equipment
113 Vehicles	119 Leasehold Improvements
114 Accumulated Depreciation, vehicles	120 Accumulated Amortization—Leasehold Improvements
115 Equipment, office	

### **OTHER ASSETS**

180 Deposits

### **CURRENT LIABILITIES**

200 Current Notes Payable	202 Accrued Expenses
201 Accounts Payable	203 Accrued Wages and Payroll Taxes Withheld

### **LONG-TERM LIABILITIES**

210 Notes Payable	225 Vehicles Payable
215 Land Payable	230 Bank Loans Payable
220 Equipment Payable	

### **EQUITY**

300 Common Stock  
300 Retained Earnings

### **REVENUE**

400 Sales Category #1	403 Interest Income
401 Sales Category #2	404 Other Income
402 Sales Category #3	

**DIRECT EXPENSE ACCOUNTS  
(COST OF GOODS SOLD)**

601 Product #1 Costs	608 Salaries and Wages
602 Product #2 Costs	609 Contract Labor
603 Product #3 Costs	610 Freight
604 Raw Material Purchases	611 Inventory Adjustments
605 Direct Labor Costs	612 Purchase Returns and Allowances
606 Commissions	613 Purchase Discounts
607 Misc. Factory Costs	

**INDIRECT EXPENSE ACCOUNTS (OVERHEAD COSTS)**

711 Amortization—Leasehold Improvements	727 Dues and Subscriptions
712 Repairs and Maintenance	728 Legal Fees
713 Taxes and Licenses	729 Postage
714 Rent	730 Office Supplies
715 Utilities	731 Research and Development
716 Telephone	732 Insurance
717 Equipment Rental	733 Vehicle Expense
718 Expendable Equipment	734 Meals and Entertainment
719 Repairs and Maintenance	734 Wages and Salaries
720 General Supplies	735 Vacation
721 Travel	736 Holidays
722 Consultants	737 Sick Leave
724 Training	738 Payroll Taxes
725 Advertising	739 401(k) Plan
726 Bank Fees	740 Group Insurance

**OTHER ACCOUNTS**

801 Interest Income	803 Interest Expense
802 Gain or Loss on Sale of Assets	804 Income Taxes