

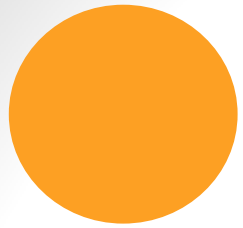
Design, Architecture, and Engineering Chart of Accounts

Enhance the Accuracy of Your
Financial Reports

Gita Faust

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Intuit Premier Reseller





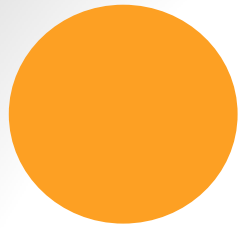
Overview

The Chart of Accounts is the backbone of your business. It plays a role in every single transaction you enter in your general ledger or QuickBooks. Even though setting up your accounts can be a long and arduous process, it is important that you do it correctly as a properly set up Chart of Accounts is integral to the organization of your financials.

That said, without a Advanced Certified QuickBooks ProAdvisor or an accountant, many of my clients found it difficult to translate their businesses into accounting jargon to specifically set up their Chart of Accounts. But that's ok!

This guide will provide you with an introduction to the different components of the Chart of Accounts to empower you with the basic knowledge to help you succeed in analyzing your financial reports!





Understand Accounts

A chart of accounts is a list of the accounts that a company uses to record transactions in its general ledger. Grab a piece of paper and write down all of the accounts you currently use when recording your transactions.

For the most part, all of your accounts will be incorporated in one of the major categories found in your financial statements. See if you can classify your accounts within one of these categories:

Income Statement Accounts (Profit & Loss)

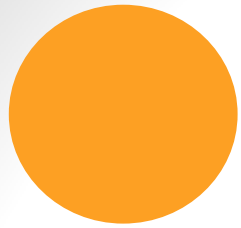
- Income
- Expenses
- Cost of Goods Sold
- Other Income
- Other Expenses

Balance Sheet Accounts

- Assets
- Liabilities
- Owner's (Stockholders') Equity

If you couldn't classify some of the accounts, no problem! Keep your piece of paper with you while read this guide. By the time you're done you'll not only be able to classify your accounts, but you'll also be surprised by the accounts you didn't even think of!





Account Numbers

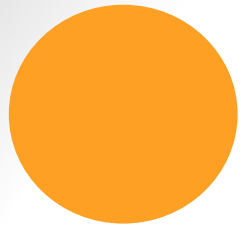
Account numbers are numbers that correspond with each account to help you recognize the category of the account. Although the use of account numbers is unnecessary in QuickBooks, it is still considered a good accounting practice.

The general rule of thumb is to assign the following numbers to account names within these categories:

- 1000-1999 Assets
- 2000-2999 Liabilities
- 3000-3999 Equity
- 4000-4999 Income
- 5000-5999 Cost of Goods Sold
- 6000-6999 Expenses
- 7000-7999 Other Income
- 8000-8999 Other Expenses

When setting up your company file, add the account numbers given by your accountant.





Assets

Assets include everything that your business owns and increases the value of your business.

Usually assets are categorized into two types: current and fixed. If an asset can be liquidated in 12 months or less, it is a current asset.

These are a few commonly used asset accounts:

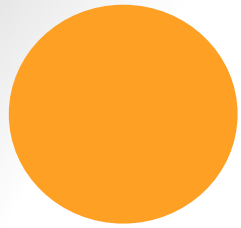
Current Assets

- Cash
- Petty Cash Fund
- Accounts Receivable
- Allowance for Doubtful Accounts
- Inventory
- Prepaid Insurance

Fixed Assets

- Land
- Buildings
- Vehicles
- Accumulated Depreciation- Buildings
- Accumulated Depreciation- Equipment
- Accumulated Depreciation- Vehicles





Liabilities

Liabilities include money a company owes or any obligations it has to meet.

Just like assets, liabilities are also categorized as current and long-term. If the company has to pay back the money within the next 12 months, it is a current liability.

Here are a few frequently used liability accounts:

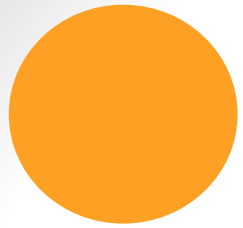
Current Liabilities

- Notes Payable
- Accounts Payable
- Payroll Taxes
- Customer Deposits

Long-term Liabilities

- Mortgages
- Construction Loans





Equity

Equity is essentially the book value of your company. If you subtract what you owe (liabilities) from what you own (assets), the balance is the amount of equity.

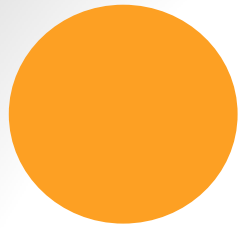
Your company's classification with the IRS (sole proprietorship, partnership, or corporation) determines its equity accounts.

Here are the common equity accounts for the different types of companies

- Owner's Capital
- Owner's Draw
- Investments
- Distributions
- Additional Paid-In Capital (for corporation only)
- Shareholder Draws (for corporation only)

For partnerships and corporations, make sure you keep separate accounts for each partner or shareholder.





Income

Income accounts are used to record the amount of money that is brought to a company through its regular business activities. The most common income accounts are named after the service or product that the company provides and sells.

For example, if an accounting firm receives revenue from both tax preparation and from bookkeeping, then two separate income accounts, such as “Tax Preparation” and “Bookkeeping,” should be created.

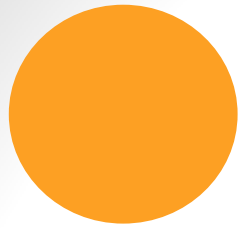
If you need to be more specific with your revenue and track where your money is coming from, use the items feature. Items provide behind the scenes details for easy revenue tracking.

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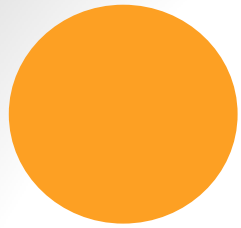
Income

Architects are the artists of the construction world. Architectural firms deal with the design of buildings, not the construction of them. Therefore, the QuickBooks chart of accounts for these companies is based around the design and engineering services they offer. Services may include CAD (Computer Aided Drawing), floor planning, 3D rendering, archival drawings, as-built drawings, and architectural detailing.

The income section of the chart of accounts is broken down into two subaccounts: consulting income and design income. These two accounts are usually good enough for filing tax returns, but if you want more detailed tracking of your income, you may add in accounts for different services that your company offers. Services offered by these companies include:

- Design
- CAD (Computer Aided Drawing)
- Floor Planning
- 3D Rendering
- Archival Drawings
- As Built Drawings
- Architectural Detailing
- BOQ





Cost of Goods Sold

Cost of Goods Sold accounts are used to track the direct costs of products manufactured or sold. If your business primarily deals in services, then it is quite possible that you wouldn't have any Cost of Goods Sold accounts. There are several inventory tracking methods (such as FIFO, LIFO, and average cost) you can use to determine the Cost of Goods Sold.

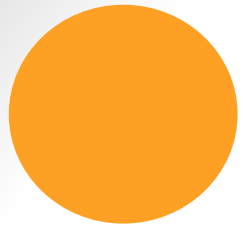
Cost of Goods Sold can usually be determined from these accounts:

- Labor
- Materials
- Subcontractor
- Mileage
- Credit Card Fees (optional)
- Employee Overheads (Allocation depends on your payroll service)
- Job Costing

Do you allocate direct and indirect costs for each job by employee and subcontractors? Using time sheets and Intuit Payroll service makes it meaningful to view your cost and profitability reports.

Don't hesitate to give us a call at 215-579-1465.



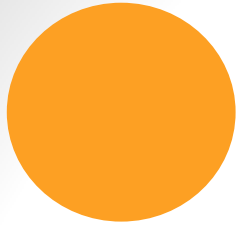


Expenses...

Below are the most used expense accounts:

- Accounting
- Advertising
- Automobile and Truck Expenses
 - Clean fuel vehicle
 - Fuel
 - Repairs
 - Maintenance
 - Parking
 - Tolls
- Bad Debts
- Bank Charges
- Cleaning
- Computers
- Contributions
- Credit and collection costs
- Conferences
- Depreciation
- Dues and Subscriptions
- Education and Training
- Employees Benefit Program
- Equipment Rental/Lease
- Freight & Delivery
- Gifts
- Insurance
 - Building & Equipment
 - Liability
 - Health
 - Workers' compensation

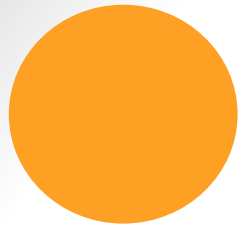




...Expenses

- Interest Expense
- License and Permits
- Professional Fees
 - Accounting
 - Consulting
 - Legal fees
 - Payroll fees
- Meetings
- Office Supplies
- Officers Compensation
- Payroll Expenses
- Payroll Taxes
- Postage
- Printing
- Rent
- Repairs & Maintenance
 - Computer
 - Office
 - Equipment
- Software
- Taxes
- Telephone
 - Cell phone
 - Land line
- Tools
- Travel & Entertainment
 - Airfare
 - Meals
 - Entertainment
 - Lodging
 - Travel
- Uniform
- Utilities
- Waste Removal





Other Income/Expenses

Other Income refers to revenue generated from anything other than your company's ordinary operations.

Some examples of how you would acquire other income are:

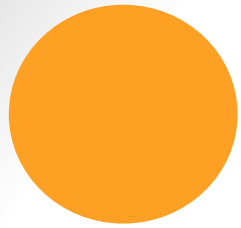
- Bank interest
- Dividends
- Gain on foreign exchange
- Insurance claims
- Sale of an asset

Other expenses are simply expenses that your company does not normally pay.

Other expenses may include:

- Ask your accountant (for questions you may have)
- Damages
- Fraud charges



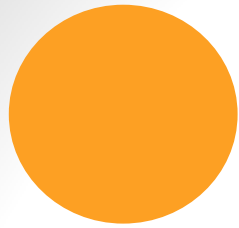


Associations

Here is a list of associations for the design, architecture, and engineering industries:

- Architecture Association <http://www.aia.org>
- Architectural Digest <http://www.architecturaldigest.com>
- Engineers <http://www.eengineers.biz>
- Heller Information Services <http://www.his.com>
- Royal Institute of British Architects <http://www.architecture.com>





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