

Chart of Accounts

(Cheat Sheet)

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Chart of Accounts

A chart of accounts is a list of the general ledger accounts (and subaccounts) available for recording an organization's transactions. The chart of accounts will likely include an account number and account title. However, there could also be a brief description of the transactions that should be recorded in each of the accounts.

The chart of accounts will not include the account balances or other amounts. Hence, the chart of accounts will include accounts that have not had activity and accounts with lots of transactions. Usually the chart of accounts can be expanded to accommodate new types of business transactions.

How the Chart of Accounts Is Organized

The chart of accounts will have the accounts arranged in the same order as the general ledger. A common order for a business corporation is:

<u>Balance Sheet Accounts</u>	<u>Examples/Common Account Titles</u>
Asset accounts	
Current assets	Cash, Accounts Receivable, Allowance for Doubtful Accounts, Inventory, Prepaid Expenses
Noncurrent assets	Investments, Land, Buildings, Equipment, Vehicles, Furnishings, Accumulated Depreciation
Liability accounts	
Current liabilities	Notes Payable, Accounts Payable, Accrued Expenses Payable
Noncurrent liabilities	Mortgage Loan Payable, Bonds Payable, Deferred Income Taxes
Stockholders' equity accounts	
Paid-in capital	Common Stock, Paid-in Capital in Excess of Par
Retained earnings	Retained Earnings
Accum other comprehensive income	Accumulated Other Comprehensive Income
Treasury stock	Treasury Stock
<u>Income Statement Accounts</u>	<u>Examples/Common Account Titles</u>
Operating revenues	Sales, Service Revenues, Fees Earned
Operating expenses	Salaries & Wages Expense, Rent Expense, Utilities Expense, Advertising Expense, Delivery Expense
Non-operating revenues & gains	Interest Income, Gain on Sale of Delivery Truck
Non-operating expenses & losses	Interest Expense, Loss from Lawsuit, Loss on Sale of Equipment

Account Numbers

It is common for the first digit of each account number to indicate the type of account. For example, the first digit of an *asset account number* will usually begin with a “1”. The first digit of the *liability accounts* will begin with the digit “2”. Perhaps *marketing expenses* will begin with the digit “5” and *administrative expenses* will begin with the digit “6”. *Non-operating* or *other income* items may begin with the digit “9”.

Very small companies might use 4-digit account numbers, while large companies may use 6 or more digits in their account numbers.

Other Comments

The chart of accounts often reflects a company’s organization chart. With that arrangement, the internal financial statements can be prepared for each division, department, cost center, etc. In that way, the person who is responsible for a specific department can be given only the financial information for which they are responsible.

Today’s accounting software may provide sample charts of accounts for a variety of businesses. However, you should plan on having to modify and expand the chart of accounts in order to accommodate your particular organization.

In the accounting software that I had used many years ago, the chart of accounts included a field for coding the layout of the financial statements. For example, part of the code would cause the balances in several accounts to be “condensed” into a single amount. The financial statement would then display only the condensed total amount. I was also able to have the detailed amounts appear on a separate page as a supporting schedule.