

Chart of Accounts

What is a Chart of Accounts?

A Chart of Accounts (COA) is an organizational tool that gives a breakdown of all the financial transactions, broken down into subcategories, that a company has conducted during a specific accounting period.

How do Chart of Accounts work?

Companies use a (COA) to help interested parties like owners, shareholders and investors obtain a clear view into a company's financial health. There are main categories of account types: revenue, expenditures, assets, liabilities and equity. These main categories function together to provide information to pull the company's financial statements together. To help users and those responsible for maintaining the classification of such accounts, charts of accounts typically contain a name, brief description as well as possible an account number.

How to set up a Chart of Accounts

Sample charts of accounts are readily available with a short search online and can be easily uploaded, or you could customize your own by using standard default numbers and customized sub-designations for different account types.

One important thing to keep in mind: it is helpful to give consideration to the information you want to be able to obtain from your financial statements – what information, accounts, expenses, income – do you want to manage? What information will be helpful as you make decisions about your business? Design and create your personalized chart of accounts based upon the answers to these questions!

Here is a very basic example:

	 Asset	 Liability	 Equity	 Revenue	 Expense
	Acct #	Description	Acct Type	Statement	
	1001	Cash	Asset	Balance Sheet	
	1002	Accounts Receivable	Asset	Balance Sheet	
	1003	Inventory	Asset	Balance Sheet	
	1004	Fixed Assets	Asset	Balance Sheet	
	1005	Prepaid Expenses	Asset	Balance Sheet	
	2001	Accounts Payable	Liability	Balance Sheet	
	2002	Taxes Payable	Liability	Balance Sheet	
	2003	Wages Payable	Liability	Balance Sheet	
	2004	Accrued Liabilities	Liability	Balance Sheet	
	3001	Common Stock	Equity	Balance Sheet	
	3002	Retained Earnings	Equity	Balance Sheet	
	4001	Sales Revenue	Revenue	Income Statement	
	4002	Sales Returns and Allowances	Revenue	Income Statement	
	5001	Cost of Goods Sold	Expense	Income Statement	
	5002	Rent Expense	Expense	Income Statement	
	5003	Wages Expense	Expense	Income Statement	
	5004	Advertising Expense	Expense	Income Statement	
	5005	Depreciation Expense	Expense	Income Statement	
	5006	Bank Fees	Expense	Income Statement	