The Bookkeeper's Secrets

Book 4

Double Entry Bookkeeping Procedural Details

Book 4d - Chart of Accounts

Everyone has Secrets

Crafting a Functional Chart of Accounts is an Art. KISS. Keep it Simple Silly.

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See prior book!

Ch 1: Chart of Accounts

We must be getting near the end of basic education now, as we are nearing the point where a traditional education in an inverted educational system would begin!!

Small Businesses and Sole Proprietors

	A	B
1	**Chart of Accounts**	
2	**Account Info**	
5	**Account Name**	**Account Type**
6		
7	Chk6677_	Asset
8	Chk0002_	Asset
9	Inventory	Asset
10	A/R	Asset
11	CC8899_	Liability
12	CC0002_	Liability
13	ExpPaidVia	Liability
14	Due to JD	Liability
15	Owner Draw-JD	Equity
16	Paid In Equity-JD	Equity
17	01_ Gross Receipts or Sales	Income
18	02_ Returns or Allowances	Income
19	08_ Advertising	Expense
20	09_ Car and truck expenses	Expense
21	10_ Commissions and fees	Expense
22	11_ Contract labor	Expense
23	12_ Depletion	Expense
24	13_ Depreciation	Expense
25	14_ Employee bene programs	Expense
26	15_ Insurance (other than hea	Expense
27	16a_ Interest mortgage	Expense
28	16b_ Interest not mortgage	Expense
29	17_ Legal and Professional se	Expense
30	18_ Office Expenses	Expense
31	19_ Pension and Profit sharin	Expense
32	20a_ Rent - equipment	Expense
33	20b_ Rent - not equipment	Expense
34	21_ Repairs and Maintenance	Expense
35	22_ Supplies (not COGs)	Expense
36	23_ Taxes and licenses	Expense
37	24a_ Travel	Expense
38	24b_ Meals and Entertainmer	Expense
39	25_ Utilities	Expense
40	26_ Wages	Expense
41	27a_ Other Expenses	Expense
42	36_ COGs-Resell Items	COGS
43	37_ COGs-Labor Cost	COGS
44	38_ COGs-Materials and Sup	COGS
45	39_ COGs-Other Costs	COGS
46	39_ COGs-Other-Subcontract	COGS
47	39_ COGs-Other-Equipment	COGS
48	99_ reimbursable	Expense
49	99_ uncategorized	Expense

You have seen a handful of Accounts referenced in the documentation. Where does that list of options come from?

It’s called the “Chart of Accounts”.

Where they really screw newbies up is by telling you you can just make one up!?

While it is true you could just make one up and practice free will, it always leads to a horrific mental spill, so for now, take some directions from some who came before you and then start playing with things after you get that hang of them and things.

To the left is a suggested Chart of Accounts for a small business.

The line items with numbers are all Income and Expense Accounts and those numbers and labels were selected from the Schedule C, which is the tax document all Small Businesses and sole proprietors are required to use to report their Net Income.

As you might imagine, if you use a system like this, it limits your options but simplifies your tax reporting by a long shot and we all want to be simple before we want to be original !!

For some without inventory and without any big Asset purchases that need to be written off over time (a concept we have not covered yet) , filling out a business tax form is literally just copying your Net Income Statement values to the Tax Form (Schedule C). For others it is a little more complex and Professional support is suggested until such time comes that you feel you can go without that.

https://www.irs.gov/pub/irs-pdf/f1120s.pdf	
Form 1120s (S-Corps)	
Checking1111	Asset
Inventry	Asset
CreditCard2222	Liability
Due to -{Initals}	Liability
Paid in Capital-{Initials}	Equity
OwnerDraw-{Initals}	Equity
01a_ Gross Receipts or Sales	Income
01b_ Returns or Allowances	Income
02_ Cost of Goods Sold	Expense
05_ Other Income	Expense
07_ Compensation of officers	Expense
08_ Salaries and Wages	Expense
09_ Repairs and Maintenance	Expense
10_ Bad Debts	Expense
11_ Rents	Expense
12_ Taxes and Licenses	Expense
13_ Interest	Expense
14_ Deprectiation	Expense
15_ Depletion	Expense
16_ Advertising	Expense
17_ Penstion, Profit Sharing	Expense
18_ Employee Benefit Programs	Expense
19_ Other Deductions	Expense
19.1_ Car and Truck Expenses	Expense
19.2_ Commisions and Fees	Expense
19.3_ Contract Labor	Expense
19.4_ Insurance (other than heal	Expense
19.5_ Legal and Professional	Expense
19.6_ Office Expenses	Expense
19.7_ Supplies (not COGs)	Expense
19.8_ Travel	Expense
19.9_ Meals and Entertainment	Expense
19.10_ Utilities	Expense
99_ uncategorized	Expense
99_ reimbursable	Expense
99_ exclude	ZAPSpecial
xx_ COGs xxx	COGS

To the left is a generic form of the list shown in the software above.

We offer this in a google sheet for reference.

This enables a user to cut and paste in a Chart of Accounts to their own software copy in a jiffy!!

Corporations

https://www.irs.gov/pub/irs-pdf/f1120s.pdf	
Form 1120s (S-Corps)	
Checking1111	Asset
Inventry	Asset
CreditCard2222	Liability
Due to -{Initals}	Liability
Paid in Capital-{Initials}	Equity
OwnerDraw-{Initals}	Equity
01a_ Gross Receipts or Sales	Income
01b_ Returns or Allowances	Income
02_ Cost of Goods Sold	Expense
05_ Other Income	Expense
07_ Compensation of officers	Expense
08_ Salaries and Wages	Expense
09_ Repairs and Maintenance	Expense
10_ Bad Debts	Expense
11_ Rents	Expense
12_ Taxes and Licenses	Expense
13_ Interest	Expense
14_ Depreciation	Expense
15_ Depletion	Expense
16_ Advertising	Expense
17_ Penstion, Profit Sharing	Expense
18_ Employee Benefit Programs	Expense
19_ Other Deductions	Expense
19.1_ Car and Truck Expenses	Expense
19.2_ Commisions and Fees	Expense
19.3_ Contract Labor	Expense
19.4_ Insurance (other than heal	Expense
19.5_ Legal and Professional	Expense
19.6_ Office Expenses	Expense
19.7_ Supplies (not COGs)	Expense
19.8_ Travel	Expense
19.9_ Meals and Entertainment	Expense
19.10_ Utilities	Expense
99_ uncategorized	Expense
99_ reimbursable	Expense
99_ exclude	ZAPSpecial
xx_ COGs xxx	COGS

The Chart of Accounts for a Corporation as opposed to a small business might look like this.

Again, the tax form they are required to use dictates the numeric portion of the list.

Real Estate Owners

https://www.irs.gov/pub/irs-pdf/f1040se.pdf	
Schedule E (real estate investing)	
Checking1111	Asset
Inventry	Asset
CreditCard2222	Liability
Due to -{Initals}	Liability
Paid in Capital-{Initials}	Equity
OwnerDraw-{Initals}	Equity
03_ Rents Recieved	Income
04_ Royalties Recieved	Income
05_ Advertising	Expense
06_ Auto and Travel	Expense
07_ Cleaning and Maintenan	Expense
08_ Commissions	Expense
09_ Insurance	Expense
10_ Legal and Other Profess	Expense
11_ Management Fees	Expense
12_ Mortgage Interest to Bar	Expense
13_ Other Interest	Expense
14_ Repairs	Expense
15_ Supplies	Expense
16_ Taxes	Expense
17_ Utilities	Expense
18_ Depreciation	Expense
19_ Other	Expense
99_ uncategorized	Expense
99_ reimbursable	Expense

The Chart of Accounts for someone tracking Real Estate might look like this.

Again, the tax form they are required to use dictates the numeric portion of the list.

Personal and Household #1

Personal	
Checking1111	Asset
CreditCard2222	Liability
Wages	Income
Other Deposit	Income
r_ Shelter	Expense
r_ Groceries	Expense
r_ Utilities	Expense
r_ Health Insurance	Expense
r_ Health Expenses	Expense
r_ Student Loans	Expense
r_ Car - Insurance	Expense
r_ Car - Gas	Expense
r_ Car - Maintenance	Expense
r_ Car - Other	Expense
r_ Other Insurance	Expense
r_ Bank Interest	Expense
r_ Bank Service Charges	Expense
r_ Taxes - Federal/State	Expense
r_ Cash	Expense
r_ Pets	Expense
o_ Meals Out	Expense
o_ Entertainment	Expense
o_ Health and Wellness	Expense
o_ Donations	Expense
o_ Purchases	Expense
o_ Gifts	Expense
o_ Vacation	Expense
z_ Other Expense	Expense
z_ Uncategorized Expense	Expense
z_ Reimbursible Expense	Expense
z_ Transfer In/Out	Other

Ironically, a Chart of Accounts for Personal and Household management is by far the most difficult chart to build as it requires some strategy so as not to create duplicative and overlapping categories that are beneficial for the user.

Truly, personal accounting is far harder than corporate accounting only because no one ever taught you how to build a Chart of Accounts that might get you what you need without too much to overwhelm you.

This is one unique system where a leading r_ is used for those items the user deems to be "required" and a leading o_ is for those that are more optional.

Personal and Household #2 - Schedule A

https://www.irs.gov/pub/irs-pdf/f1040sa.pdf
Schedule A
01_Medical and Dental
05a_State and Local Taxes
05b_State and Local RE Taxes
05c_State and Local Personal Property Taxes
06_Other Taxes
08a_Home Mortgage Interest and Points on 1098
08b_Home Mortgage Interest not on 1098
08c_Points not on 1098
11_Gifts (charity) by cash or check
12_Gifts (charity) other than cash or check
15_Casualty and theft losses from fed disaster
16_Other Itemized Deductions

For those who use a Schedule A for itemizing deductions, a portion of your Chart may look like this…