

Chart of Accounts Made Simple



Your Blueprint for Financial Clarity

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Why Your Chart of Accounts Matters

Every thriving business needs strong financial foundations. Imagine your accounting platform is a house. You can decorate it with beautiful rugs and furniture, but without the proper foundation, your house won't stand. In QuickBooks, your foundation is your Chart of Accounts (COA).

What is your Chart of Accounts?

A Chart of Accounts is nothing more than a complete list of organized categories where money flows into and out of your business. When built out correctly, your COA turns messy transactions into meaningful financial reports.



- Gain Financial Clarity. Make informed decisions when you know precisely where your revenue is coming from and where every dollar is being spent.
- Prepare for Taxes: Stress-free tax season starts with properly categorized income and expenses.
- Spend less time during your weekly reconciliation trying to figure out where each transaction belongs.

01 Understanding the Five Core Account Types

QuickBooks boils down every transaction to one of five categories. Learn these building blocks, and you'll know your reports will be accurate.

- **Assets:** Anything that the business owns (i.e., business bank accounts, accounts receivable, equipment, inventory)
- **Liabilities:** Anything that the business owes others (i.e., credit cards, business loans, unpaid bills)
- **Equity:** The net value of the business. Includes contributions from the owner and earnings kept in the business
- **Income (Revenue):** Money the business has earned from selling products or services
- **Expenses:** Money spent running the business (i.e., software, rent, advertising, office supplies)



02

Setting Up Income Accounts for Maximum Revenue Clarity

Large income groups obscure what's fueling growth in your business. Gain instant organizational insight by smartly segmenting your revenue buckets.



- Classify Revenue Streams: Set up separate accounts for revenue generated by specific products or services like Consulting Revenue, Retainer Revenue, or Online Course Revenue.
- Record Gross Income: Record any discounts or refunds in a sub-account so you can easily track your gross vs. net income.
- Exclude Passive Income: File interest earned or cash-back bonuses under Other Income.

03

Organizing Expenses Without Getting Overwhelmed



	\$3,800,000.00
	\$400,000.00
	\$4,200,000.00
	\$1,600,000.00
63%	100%
100.00	\$460,000
100.00	\$550,00
100.00	\$410,00
100.00	\$1,420,0
100.00	\$180,0
100%	
Account Name]	Tre
8,750.00	
70,000.00	
27,500.00	
35,000.00	

One expense management blunder is having too many expense accounts. When you have too many buckets, money gets thrown into the wrong ones.

- Stick to Standard Operating Categories: Have easy-to-identify, high-level accounts such as Advertising & Marketing, Software & Subscriptions, Professional Fees, Office Expenses etc.
- Create Sub Accounts if needed: Categorize specific line items under parent accounts (i.e. Facebook Ads and Print Materials fall under Advertising & Marketing)
- Say No to “Miscellaneous”: Relying on a “misc” category too often is like putting your money into a black hole. It allows for unnecessary spending and a lot of frustrations when tax time comes around.

04 TITLE

Separating direct costs from general operating costs lets you track your actual profit margins.

- **Cost of Goods Sold (COGS):** Direct costs associated with ONLY selling your product/service. For example: raw materials, merchant processing fees, or subcontract labor involved in creating your client deliverables.
- **Operating Expenses (OpEx):** Fixed or variable overhead required to operate your business whether you make sales or not. For example: Rent, Insurance, administrative tools.



Why It Matters: QuickBooks needs to know the difference to show you your Gross Profit on your Profit & Loss statement.

05

Best Practices for Account Numbering and Naming

Setting Naming Conventions allows you to have a tidy Chart of Accounts as you scale your business.



Follow these rules:

- Apply Standard Number Ranges: Reserve standard numerical ranges for categories of accounts
 - Assets = 10000s,
 - Liabilities = 20000s,
 - Equity = 30000s,
 - Income = 40000s,
 - Expenses = 50000s+).
- Use Short Names: Pick short, descriptive names that are easy to recognize so anyone working on your books knows where to categorize transactions.
- Be Consistent: Don't make multiples of the same account with slight name variations (ex., Software vs Software Subscription).

06

Common QuickBooks Setup Mistakes to Avoid



Fixing setup mistakes early will save you dozens (maybe hundreds) of hours of cleanup later!

- Setting up Accounts for Individual Vendors. Never create an account called "Adobe" or "Staples." Expenses should be categorized as normal expenses (office supplies, computer software, advertising, etc...) and the vendor name should go in the vendor column.
- Treating Assets as Expenses. Don't expense that new computer! If it's a high dollar amount, or something that you purchase and depreciate over time like equipment or large amounts of inventory, you should set it up as an Asset.
- Combining Personal and Business Accounts. Do NOT put your personal credit cards or personal checking account into your business QuickBooks file.

07

When to Hire a Professional Bookkeeper

It's totally possible to DIY your Chart of Accounts when you're just getting started. But as you grow, you'll want a seasoned pro handling it for you. If any of these situations sound familiar...

You spend all day reconciling: You have more time sorting through transactions than you do working with customers or driving revenue.

You don't understand your reports: You stare at your Profit & Loss and aren't sure if it tells the right story about your business.

April 15th makes you anxious: Your CPA asks if your books are clean, and you panic thinking about miscategorized expenses.

You're growing like crazy: You just launched new revenue streams, added employees, or started managing complicated software integrations, and you need a customized accounting setup.



Take the Guesswork Out of Your Books

The single most effective action for financial management is the accurate configuration of your Chart of Accounts. Here's the thing...you don't have to figure it out by yourself. RW Bookkeeping specializes in setting up, cleaning up, and maintaining your QuickBooks for your small business. When you let us help with your books, you get:

A customized setup: We'll build you a Chart of Accounts that is tailored to your specific industry and business.

Peace of mind: You can rest easy knowing every transaction is categorized correctly and ready for an audit.

Knowledge to make money: Easily understood financial statements that help you make money from your business.

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