

# FSP AND ASSOCIATES, LLC

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## Sample Chart of Accounts for a Business

This is a partial listing of a sample chart of accounts. Note that each account is assigned a three-digit number followed by the account name. Depending upon the kind of accounting software you use, this format may be acceptable. However, with QuickBooks, the charts are pre-established and you choose the kind of business that for which you are accounting.

The first digit of the number signifies if it is an asset, liability, etc. For example, if the first digit is a 1 it is an asset, if the first digit is a 3 it is a revenue account, etc.

When using a double entry accounting system you will need to indicate whether the transaction is a debit or credit. This sample chart of accounts also includes a column containing a description of each account in order to assist in the selection of the most appropriate account.

### Asset Accounts

No.	Account Title	To Increase	Description/Explanation of Account
101	<b>Cash</b>	Debit	Checking account balance (as shown in company records), currency, coins, checks received from customers but not yet deposited.
120	<b>Accounts Receivable</b>	Debit	Amounts owed to the company for services performed or products sold but not yet paid for.
140	<b>Merchandise Inventory</b>	Debit	Cost of merchandise purchased but has not yet been sold.
150	<b>Supplies</b>	Debit	Cost of supplies that have not yet been used. Supplies that have been used are recorded in Supplies Expense.
160	<b>Prepaid Insurance</b>	Debit	Cost of insurance that is paid in advance and includes a future accounting period.
170	<b>Land</b>	Debit	Cost to acquire and prepare land for use by the company.
175	<b>Buildings</b>	Debit	Cost to purchase or construct buildings for use by the company.
178	<b>Accumulated Depreciation - Buildings</b>	Credit	Amount of the buildings' cost that has been allocated to Depreciation Expense since the time the building was acquired.
180	<b>Equipment</b>	Debit	Cost to acquire and prepare equipment for use by the company.
188	<b>Accumulated Depreciation - Equipment</b>	Credit	Amount of equipment's cost that has been allocated to Depreciation Expense since the time the equipment was acquired.

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## Liability Accounts

No.	Account Title	To Increase	Description/Explanation of Account
210	Notes Payable	Credit	The amount of <b>principal</b> due on a formal written promise to pay. Loans from banks are included in this account.
215	Accounts Payable	Credit	Amount owed to suppliers who provided goods and services to the company but did not require immediate payment in cash.
220	Wages Payable	Credit	Amount owed to employees for hours worked but not yet paid.
230	Interest Payable	Credit	Amount owed for interest on Notes Payable up until the date of the balance sheet. This is computed by multiplying the amount of the note times the <b>effective interest rate</b> times the time period.
240	Unearned Revenues	Credit	Amounts received in advance of delivering goods or providing services. When the goods are delivered or services are provided, this liability amount decreases.
250	Mortgage Loan Payable	Credit	A formal loan that involves a lien on real estate until the loan is repaid.

## Owner's Equity Accounts

No.	Account Title	To Increase	Description/Explanation of Account
290	Mary Smith, Capital	Credit	Amount the owner invested in the company (through cash or other assets) plus earnings of the company not withdrawn by the owner.
295	Mary Smith, Draw	Debit	Amount that the owner of the sole proprietorship has withdrawn for personal use during the current accounting year. At the end of the year, the amount in this account will be transferred into Mary Smith, Capital (account 290).

## Operating Revenue Accounts

No.	Account Title	To Increase	Description/Explanation of Account
310	Service Revenues	Credit	Amounts earned from providing services to clients, either for cash or on credit. When a service is provided on credit, both this account and Accounts Receivable will increase. When a service is provided for immediate cash, both this account and Cash will increase.

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## Operating Expense Accounts

No.	Account Title	To Increase	Description/Explanation of Account
500	<b>Salaries Expense</b>	Debit	Expenses incurred for the work performed by salaried employees during the accounting period. These employees normally receive a fixed amount on a weekly, monthly, or annual basis.
510	<b>Wages Expense</b>	Debit	Expenses incurred for the work performed by non-salaried employees during the accounting period. These employees receive an hourly rate of pay.
540	<b>Supplies Expense</b>	Debit	Cost of supplies used up during the accounting period.
560	<b>Rent Expense</b>	Debit	Cost of occupying rented facilities during the accounting period.
570	<b>Utilities Expense</b>	Debit	Costs for electricity, heat, water, and sewer that were used during the accounting period.
576	<b>Telephone Expense</b>	Debit	Cost of telephone used during the current accounting period.
610	<b>Advertising Expense</b>	Debit	Costs incurred by the company during the accounting period for ads, promotions, and other selling and expenses (other than salaries).
750	<b>Depreciation Expense</b>	Debit	Cost of long-term assets allocated to expense during the current accounting period.

## Non-Operating Revenues and Expenses, Gains, and Losses

No.	Account Title	To Increase	Description/Explanation of Account
810	<b>Interest Revenues</b>	Credit	Interest and dividends earned on bank accounts, investments or notes receivable. This account is increased when the interest is earned and either Cash or Interest Receivable is also increased.
910	<b>Gain on Sale of Assets</b>	Credit	Occurs when the company sells one of its assets (other than inventory) for more than the asset's <b>book value</b> .
960	<b>Loss on Sale of Assets</b>	Debit	Occurs when the company sells one of its assets (other than inventory) for less than the asset's book value.

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Accounting software frequently includes sample charts of accounts for various types of businesses. It is expected that a company will expand and/or modify these sample charts of accounts so that the specific needs of the company are met. Once a business is up and running and transactions are routinely being recorded, the company may add more accounts or delete accounts that are never used.

The chart of accounts lists the accounts that are available for recording transactions. In keeping with the [double-entry system](#) of accounting, a minimum of two accounts is needed for every transaction—at least one account is debited and at least one account is credited.

When a transaction is entered into a company's accounting software, it is common for the software to prompt for only one account name—this is because the software is programmed to automatically assign one of the accounts. For example, when using accounting software to write a check, the software automatically reduces the asset account [Cash](#) and prompts you to designate the *other* account(s) such as [Rent Expense](#), [Advertising Expense](#), etc..

Some general rules about debiting and crediting the accounts are:

- Expense accounts are *debited* and have *debit balances*
- Revenue accounts are *credited* and have *credit balances*
- Asset accounts normally have *debit balances*
- To increase an asset account, *debit* the account
- To decrease an asset account, *credit* the account
- Liability accounts normally have *credit balances*
- To increase a liability account, *credit* the account
- To decrease a liability account, *debit* the account

To learn more about charts of account, starting a business or any other questions you may have concerning business operations, please contact us at 301-258-0300 or visit our web-site at [www.fsp-associates.com](http://www.fsp-associates.com)