

Wednesday, April 8

Accounting 1

Lesson Objectives:

1. Create a chart of accounts for a service business.
2. Assign appropriate account numbers to accounts

Example Chart of Accounts

Delgado Web services

25402 Rimrock Road
Billings, MT 59102-1820

CHART OF ACCOUNTS

Balance Sheet Accounts

(100) ASSETS

110 Cash
120 Petty Cash
130 Accounts Receivable—Main Street Services
140 Accounts Receivable—Valley Landscaping
150 Supplies
160 Prepaid Insurance

(200) LIABILITIES

210 Accounts Payable—Canyon Office Supplies
220 Accounts Payable—Mountain Graphic Arts

(300) OWNER'S EQUITY

310 Michael Delgado, Capital
320 Michael Delgado, Drawing
330 Income Summary

Income Statement Accounts

(400) REVENUE

410 Sales

(500) EXPENSES

510 Advertising Expense
520 Cash Short and Over
530 Communications Expense
540 Equipment Rental Expense
550 Insurance Expense
560 Miscellaneous Expense
570 Supplies Expense

1



General ledger division

5

0



Location with general ledger division

Supplies

The first digit of each account number shows the general ledger division in which the account is located. For example, the asset division accounts are numbered in the 100s. Therefore, the number for the asset account, **Supplies**, begins with a **1**.

The second two digits indicate the location of each account within a general ledger division. The **50** in the account number for **Supplies** indicates that the account is located between account number **140** and account number **160**.

Practice

Create a chart of Accounts for a Service Business:

1. What type of service business do you want to open? This could be a hair/nail salon, restaurant, car wash, ect.
 - a. Give your business a name
2. Using the sample on the previous page, create a chart of accounts with account numbers containing cash, supplies, at least two account receivable and two account payable accounts, sales, and 3 expenses, capital and drawing. Remember the rule for creating account numbers:
 - a. Account numbers are 3 digits long
 - b. Assets start with a 1, Liabilities start with a 2, Equity starts with a 3, Revenue starts with a 4 and expenses start with a 5
 - c. The next numbers go by 10's and go in order of where they are in the list:
 - i. Assets go by liquidity
 - ii. Liabilities & Expenses in alphabetical order

Tips for creating the chart of accounts

Use google docs - you don't have to go side by side it can go straight down. For example:

(100) ASSETS

list accounts here with the number first

110 Cash

(200) LIABILITIES

list accounts here with the number first

(300) EQUITY

list accounts here with the number first

(400) REVENUE

list accounts here with the number first

(500) EXPENSES

list accounts here with the number first

If you are completing these assignments you should create a folder in your google drive and name it:

Accounting Virtual Lessons. Name each file for the date of the assignment and your name. So today's would be "Wednesday, April 8 Your name"