

Setting Up Your QuickBooks File

One of the key components in setting up your QuickBooks file is determining your chart of accounts. The chart of accounts is simply a list of accounts that provide the basis for recording the financial aspects of your business. It is also the basis of the financial statements that will assist you in making good business decisions. The chart is divided into five categories: assets, liabilities, equity, revenues, and expenses. Each category can contain as many accounts as you choose. Each of the accounts will capture your business' financial information and provide the framework for measuring, comparing, and analyzing the financial side of your business activities.

Thus, the chart of accounts should be tailored to reflect your organization. In deciding what to include in your chart of accounts you should consider several things:

- First, how will you use the financial information?
- How much time is available for entering your financial data?
and most important....
- What is the lowest level of detailed information that you would like from your financial records?

For example, most organizations want to track telephone related expenses - which could include a land line, an 800 number, cell phones, roaming internet service, etc. You may choose to list all of these expenses in the aggregate in an account called "Telecommunications." However, if you're a company with a large sales force that provides cell phones or roaming internet to each sales person, you may want to account for some of these expenses separately. You may want to look at the amount your company spends on cellular service in a separate account so that is more easily measured and compared over time. In that case, you may have a *Telephone*, a *Cellular*, and an *Internet* expense account in your chart of accounts instead of the one Telecommunications account. A good rule of thumb is to keep the chart of accounts as simple as possible, and revise it as needed as information increases over time. Throughout the year you can add additional accounts if you find there isn't an account that fits the type of revenue or expense you're trying to record.

The following is a simplified example of a chart of accounts for a Garden Center:

ASSETS

Current Assets

- Operating Account
- Payroll Account
- Business Savings
- Money Market
- Petty Cash
- Cash Register Till
- Pre-paid Expenses

Fixed Assets

- Tools & Equipment
- Office Furniture
- Office Equipment
- Fixtures
- Computers

2009 Dump Truck
2007 CAT Tractor

LIABILITIES

Accounts Payable
SBA Loan
2007 CAT Tractor Loan
Sales Tax Payable
Payroll Taxes Payable

EQUITY

Owner Contributions
Owner Draws

INCOME

Bedding Plants
Vegetable Plants
Seeds & Bulbs
Trees & Shrubs
Fertilizers
Soil Amendments

EXPENSES

Cost of Goods Sold
Bedding Plants COGS
Vegetable Plants COGS
Seeds & Bulbs COGS
Trees & Shrubs COGS
Fertilizers COGS
Soil Amendments COGS

Operating Expenses
Office Supplies
Postage & Freight
Utilities
Rent
Equipment Lease
Telecommunications
Dues & Fees
Business Meals & Entertainment
Human Resources
Finance Charges
Payroll Expenses
Wages
Overtime
Payroll Taxes
Repair & Maintenance
Professional Services
Printing & Signage
Contract Labor