

All the Accounting You Need to Know

ABOUT THE CHART OF ACCOUNTS

- Chart of Accounts
 - The Chart of Accounts is a complete list of your business accounts and their balances
 - An account is a tracking category for your business's assets, liabilities, equity, income and expenses
- When you keep books for a company, you want to track:
 - Where the income comes from
 - Where you put it
 - What the expenses are for
 - What you use to pay them
- You track this flow of money through the Chart of Accounts

NAME	TYPE	DESCRIPTION	BALANCE TOTAL	ATTACH
1001 - B of A Checking	Bank	Checking account at Bank of America	0.00	
10300 - Savings	Bank	Savings	17,910.19	
10100 - Checking	Bank	Cash	83,154.95	
10400 - Petty Cash	Bank	Petty Cash	700.00	
11000 - Accounts Receivable	Accounts Receivable	Accounts Receivable	125,491.63	
12800 - Employee Advances	Other Current Asset	Employee Advances	770.00	
12100 - Inventory Asset	Other Current Asset	Inventory Asset	33,725.28	
13100 - Pre-paid Insurance	Other Current Asset	Pre-paid Insurance	4,050.00	
13400 - Retainage Receivable	Other Current Asset	Retainage Receivable	3,703.02	
12000 - Undeposited Funds	Other Current Asset	Undeposited Funds	32,420.98	
17000 - Accumulated Depreciation	Fixed Asset	Accumulated Depreciation	-110,344.60	
15200 - Buildings and Improvements	Fixed Asset	Buildings and Improvements	325,000.00	
15300 - Construction Equipment	Fixed Asset	Construction Equipment	15,300.00	
15000 - Furniture and Equipment	Fixed Asset	Furniture and Equipment	34,326.00	
16900 - Land	Fixed Asset	Land	90,000.00	
15100 - Vehicles	Fixed Asset	Vehicles	78,936.91	
18700 - Security Deposits	Other Asset	Security Deposits	1,720.00	
20000 - Accounts Payable	Accounts Payable	Moneys you owe to vendors and suppliers	48,136.92	
20600 - CalOil Credit Card	Credit Card		382.62	
20500 - QuickBooks Credit Card	Credit Card	QuickBooks Credit Card	94.20	

ABOUT ASSETS, LIABILITIES AND EQUITY

● Assets

- Include both what you have or own and what others owe you
- The money people owe you from outstanding invoices is called your accounts receivable or A/R for short. QuickBooks uses an accounts receivable account to track the money owed to you by customers from invoices. You may have additional notes receivable if the business has issued loans that are due for repayment. These additional notes receivable would not be classified as A/R as they're not related to sales and so they'd be classified either as an Other Current asset (if the money is owed within a year) or an Other asset (if it's owed for a longer period than a year).
- The rest of your company's assets may include checking accounts, savings accounts, petty cash, fixed assets (such as equipment or trucks), inventory and undeposited funds (money you've received from customers but haven't yet deposited in the bank)

● Liabilities

- What your company owes to others
- The money you owe for unpaid bills is your accounts payable or A/P for short. QuickBooks uses an accounts payable account to track the money you owe to vendors or suppliers for bills
- A liability can be a formal loan, an unpaid bill, or sales and payroll taxes you owe to the government. When setting up your company file in QuickBooks, note that even though unpaid bills are liabilities, they will be set up as accounts payable type accounts in QuickBooks.

● Equity

- Equity is the difference between what you have (your assets) and what you owe (your liabilities): $\text{Equity} = \text{Assets} - \text{Liabilities}$

CASH VERSUS ACCRUAL BOOKKEEPING

- Cash basis
 - Income is recorded when money (from sales) is received; expenses are recorded when money (from bills) is paid. In other words, income and expenses are recognized based on the date money changes hands.
- Accrual basis
 - Income is recorded at the time of the sale; expenses are recorded when you receive the bill. In other words, income and expenses are recognized based on the date of the paperwork.



TIP: You can change or set the default reporting basis (accrual or cash) for summary reports in the preferences of the company, based on the bookkeeping method you have chosen for tax purposes. You can change the reporting basis of individual reports (except transaction detail reports) by customizing the reports.

MEASURE BUSINESS PROFITABILITY

- **The Balance Sheet** - A snapshot of your company on one date. It shows:
 - What your business has, including what others owe your business (assets and accounts receivable)
 - What your business owes to others, including to vendors/suppliers (liabilities and accounts payable)
 - The net worth of your business (equity)
- **The Profit & Loss Statement** - Also known as the Income Statement, it covers activity over a particular date range (with a start date and an end date). It shows:
 - Income
 - Expenses
 - Net profit or loss (income less expenses)
- **The Statement of Cash Flows** - This also covers activity over a particular date range (with a start date and an end date). It shows:
 - Receipts
 - Payments

GENERAL JOURNAL TRANSACTIONS

- Traditional accounting method
- Known as double-entry accounting
- Total amount in the Debit column equals the total amount in the Credit column
- Each amount is assigned to an account in the Chart of Accounts
- To view the journal entry for a transaction, open the transaction and press **Ctrl+y** or, from the Reports tab in the transaction window, click **Transaction Journal**
- If necessary, click **Customize Report** and choose to display the **Credit** and **Debit** columns (rather than the **Amount** column)

The screenshot displays the 'Transaction Journal' window for invoice 1058, dated 12/15/2023. The window is titled 'Rock Castle Construction Transaction Journal' and shows a list of transactions with columns for Trans #, Type, Date, Num, Name, Memo, Item, Item Description, Account, Class, Sales, Debit, and Credit. The total debit and credit amounts are both 1,636.69.

Trans #	Type	Date	Num	Name	Memo	Item	Item Description	Account	Class	Sales	Debit	Credit
1058	Invoice	12/15/2023	1098	Cook, Brian:Kitchen				11000 - Accounts...	Remodel		1,636.69	
				Cook, Brian:Kitchen	Gas Rangenop	Appliance		40140 - Materials L...	Remodel	247.50		247.50
				Cook, Brian:Kitchen	Double oven	Appliance		40140 - Materials L...	Remodel	350.00		350.00
				Cook, Brian:Kitchen	Dishwasher	Appliance		40140 - Materials L...	Remodel	450.00		450.00
				Cook, Brian:Kitchen	Greenhouse...	Window...	Window	40140 - Materials L...	Remodel	475.00		475.00
				Cook, Brian:Kitchen	Removal labor	Remova...	Removal labor	40130 - Labor Inco...	Remodel	45.50	0.00	
				Cook, Brian:Kitchen	Framing labor	Framing...	Framing labor	40130 - Labor Inco...	Remodel	66.00	0.00	
				Cook, Brian:Kitchen	Installation la...	Installati...	Installation labor	40130 - Labor Inco...	Remodel	38.50	0.00	
				Cook, Brian:Kitchen	Install tile or ...	Subs:Til...	Install tile or cou...	40150 - Subcontra...	Remodel	1,320.00	0.00	
				Cook, Brian:Kitchen	Painting	Subs:Pa...	Painting	40150 - Subcontra...	Remodel	825.00	0.00	
				Cook, Brian:Kitchen	Plumbing	Subs:Plu...	Plumbing	40150 - Subcontra...	Remodel	1,100.00	0.00	
				Cook, Brian:Kitchen	Install drywall	Subs:Dr...	Install drywall	40150 - Subcontra...	Remodel	1,000.00	0.00	
				State Board of Equ...	CA sales tax...	San Dom...	CA sales tax, Sa...	25500 - Sales Tax...	Remodel	7.5%		114.19
TOTAL											1,636.69	1,636.69

NOTES

Copyright

Copyright 2019 Intuit, Inc.
All rights reserved.

Intuit, Inc.
5601 Headquarters Drive
Plano, TX 75024

Trademarks

©2019 Intuit, Inc. All rights reserved. Intuit, the Intuit logo, Intuit ProLine, Lacerte, ProAdvisor, ProSeries and QuickBooks, among others, are trademarks or registered trademarks of Intuit, Inc. in the United States and other countries. Other parties' marks are the property of their respective owners.

Notice to Readers

The publications distributed by Intuit, Inc. are intended to assist accounting professionals in their practices by providing current and accurate information. However, no assurance is given that the information is comprehensive in its coverage or that it is suitable in dealing with a client's particular situation. Accordingly, the information provided should not be relied upon as a substitute for independent research. Intuit, Inc. does not render any accounting, legal or other professional advice, nor does it have any responsibility for updating or revising any information presented herein. Intuit, Inc. cannot warrant that the material contained herein will continue to be accurate nor that it is completely free of errors when published. Readers should verify statements before relying on them.