

GETTING STARTED

CHART OF ACCOUNTS

A **Chart of Accounts** (COA) is essentially a financial organizational tool that provides a complete listing of every account in an accounting system. An account is a unique record for each type of asset, liability, equity, revenue, and expense. Think of it like a filing cabinet, where each drawer represents a different category, such as assets or expenses, and within each drawer, there are individual files for each specific account, like "cash on hand" or "travel expenses."

Here's a simpler analogy: Imagine your personal finance app that shows your checking, savings, and credit card accounts all in one place. A Chart of Accounts does the same for a business, but it includes a broader range of accounts to cover various transactions, like sales, equipment purchases, loans, and more.

The main types of accounts you'll find in a COA include:

- **Revenue:** Money the business earns from sales or services.
- **Expenses:** Costs incurred by the business to generate revenue.
- **Assets:** Resources owned by the business that have value, like cash, inventory, and property.
- **Liabilities:** Debts or obligations the business owes to others.
- **Equity:** The owner's interest in the business after liabilities are subtracted from assets.

In short, a Chart of Accounts helps you keep track of all the money coming in and going out of your business, providing a clear view of your financial health.

GS20

