



**ADDRESS:** 378 Willett Avenue  
Suite 15146  
Riverside, RI 02915

**PHONE:** 401-474-5229

**FAX:** 401-216-6823

**EMAIL:** [dolly@bookkeepingtowne.com](mailto:dolly@bookkeepingtowne.com)

**WEB:** <https://bookkeepingtowne.com>

## The chart of accounts is the basis of any business

It lists all of the general ledger accounts that a business uses to organize its financial transactions systematically. Every account in the chart of holds a number to facilitate its identification in the ledger while reading the financial statements.

### CHART OF ACCOUNTS

Chart of Accounts	
Balance Sheet	
Account Type	Account Number
Assets	100
Liabilities	200
Owners' Equity	300
Income Statement	
Account Type	Account Number
Revenue	400
Expense	500

Let me briefly explain each type of account:

**An Asset is** property owned by a person or company that has value. Examples are cash, bank accounts, buildings, vehicles, machinery, equipment, etc. All the asset accounts contain account number starting with 1.

**A Liability** is a financial obligation owed to a company or person. Examples are credit cards, payroll, any type of loan or bills. All the liability accounts contain the account number starting with 2.

**An Equity** account can represent the book value of a company and can assess the financial health of a company (this is the reason why a bank would need a copy of your balance sheet). All the owner's equity entries contain the account number starting with 3. Assets, liabilities and equity are related to the balance sheet.

**Revenue** is the money generated from normal business operations. Examples are [sales revenue](#), interest received, income from scrap, or any other earnings. All the [revenue accounts](#) contain account number starting with 4.

**An Expense is the cost of operations that a company incurs to generate revenue.** Examples are [cost of goods sold](#), rent, electricity, salary and wages, and any other business expense. All the expense accounts contain number starting with 5. Expenses and revenues are related to the income statement.



## ACCOUNTING SOFTWARE PROGRAMS

There are many accounting software programs out there to choose from to help with understanding the Chart of Accounts. A few examples are [QuickBooks Online](#), [FreshBooks](#), [Xero](#), [AccountEdge Pro](#) and [Zoho Books](#). Of course, I will be biased because I am a QuickBooks ProAdvisor but as you can see, there are many options to choose from so if you do your research, you will find the perfect one for you. If you are interested in QuickBooks, let me know and I can send you some information about the different versions you can choose from.

### QuickBooks Online



[QuickBooks Online](#) is perhaps the most recognized of all of the small business accounting applications. Designed exclusively for small businesses, QuickBooks Online offers easy anytime/anywhere access that was lacking in their more robust desktop version.

A good fit for small and growing businesses, [QuickBooks Online is often compared to FreshBooks](#). It integrates with hundreds of third-party applications, making the application suitable for all types of businesses.

### FreshBooks



[FreshBooks](#) is an online accounting software application that works well for sole proprietors and freelancers.

The Retainers feature in FreshBooks also makes it ideal for attorneys, accountants, or any professional that charges their clients a retainer fee.





## **Xero**

Xero is an online [accounting software](#) that offers the convenience of running your business from anywhere. It's designed for the small business owner who doesn't want to spend a lot of time learning accounting but wants to stay on top of business performance. Xero works great for a variety of niche markets, including retail, IT, legal, e-commerce, and startups, and its ability to deal with multiple currencies makes it a good fit if you conduct business globally.

Xero offers double-entry accounting, with a default chart of accounts that can be customized if needed included in the application. Recurring journal entries are available in the application, and you can easily connect your bank accounts to Xero for automatic import of all bank transactions.



## **AccountEdge Pro**

A good fit for small and growing businesses, AccountEdge Pro is an on-premise application that also offers the convenience of remote access, taking you easily through the entire [accounting cycle](#).





## Zoho Books

If you're a sole proprietor, freelancer, or starting a brand new business, [Zoho Books](#) is for you.

Affordable for even the tightest budget, Zoho Books includes a [solid inventory management feature](#) and provides new users with step-by-step directions for everything from general setup to [writing an invoice](#), making it easy to get your new business set up and running quickly.

\*Resources: [www.fool.com](http://www.fool.com)

Dolly Towne  
CEO/Growth & Profit Advisor  
Bookkeeping Towne, LLC



Dolly Towne

Bookkeeping Towne, LLC

A Certified Women Business  
Enterprise (WBE)

CEO/Growth & Profit Advisor

