



3 SET-UP STEP 3

TIME TO WORK ON THE CHART OF ACCOUNTS

After creating the new company QB file, the original Chart of Accounts (COA) will have a few accounts determined by QB. You're now going to edit some of them and enter more new ones to get us started. (There will be more changes as we work through the practice set.)



HINT

First, some hints:

- To save space when printing List Reports, delete the columns for "Account Descriptions" and "Tax Line".
- Use <Unassigned> for tax line mapping for all new accounts.
- QB may offer to let you set up reminders to order checks, forms, sign-up for online access for accounts, etc. Select "No" anytime these come up.

Before we make any more changes to the accounts, let's adjust a couple of things in our Preferences to make working on it a little easier...

- First thing we're going to do is turn on Account Numbers for our COA:
 - Select **Edit** in the top menu bar and then select **Preferences** at the bottom of the list.
 - Select **Accounting** from the list on the left side and notice that there are now two tabs in the main part of the window – *My Preferences* and *Company Preferences*. Select **Company Preferences**.
 - Place checkmarks next to:
 - » Use account numbers
 - » Require accounts
 - » Show lowest subaccount only
- Also, while we're here, go ahead and uncheck the box next to "Warn if transactions are 90 day(s) in the past" and "Warn if transactions are 30 day(s) in the future"
- Click **OK**. All of your accounts in the COA should now start with a 5-digit COA account number.



NOW, GO AHEAD AND MAKE THE FOLLOWING CHANGES TO THE COMPANY'S CHART OF ACCOUNTS:

- Asset accounts:
 - Add a new Bank account named: **Checking**
 - » COA account #: **10000**
 - » Bank Acct. No: **123-456-10987**
 - » Routing Number: **123025987**
 - » Enter an **Opening Balance** with the following information:
 - Statement Ending Balance: **\$130,870.25**
 - Statement Ending Date: **11/30/20XX**
 - Delete: **Security Deposits Asset**
- Equity accounts:
 - Delete the current Equity and Draw account. (We're going to re-add them the way we want them.)
 - Add **[First and Last Name], Equity** (use your real name)
 - » COA **#31000**
 - Add **[First and Last Name], Investments**
 - » COA **#31100**
 - » make it a subaccount of **[Your First and Last Name], Equity**
 - » with an Opening Balance of **\$75,000.00** as of **11/30/20XX**
 - Add **[Your First and Last Name], Earnings**
 - » COA **#31200**
 - » make it a subaccount of **[Your First and Last Name], Equity**
 - » with no opening balance
 - Add **[Your First and Last Name], Draw**
 - » COA **#31300**
 - » make it a subaccount of **[Your First and Last Name], Equity**
 - » with an Opening Balance of **-\$22,765.18** as of **11/30/20XX**
 - » **Make sure you record it as a NEGATIVE beginning balance since it's a Contra Equity Account**



CHECK YOUR WORK

Compare your Chart of Accounts with the report titled **COA – Step 3a**. Make sure all accounts are listed exactly like the report including in the same order, same name, same type, and with the correct Balance Totals.



- Credit Card account:
 - Add a credit card account called **Mastercard**
 - » COA account **#21000**
 - » with an Opening Balance of **\$500.00** as of **11/30/20XX**
- Other Current Assets account:
 - Add a current asset account called **Prepaid Insurance**
 - » COA account **#12200**
 - » with an Opening Balance of **\$400.00** as of **11/30/20XX**
 - Add a current asset account called **Supplies**
 - » COA account **#12300**
 - » with an Opening Balance **\$1,950.00** as of **11/30/20XX**
- Fixed Assets accounts:
 - Rename the **Furniture and Equipment** account to **Store Equipment & Fixtures** with COA account **#15000**
 - Edit the **Accumulated Depreciation** account to:
 - » make it a subaccount of **Store Equipment & Fixtures**
 - » COA account **#15200**
 - » With no opening balance
 - Add a Fixed Assets account called **Original Cost**
 - » COA account **#15100**
 - » make it a subaccount of: **Store Equipment & Fixtures**
 - » with an Opening Balance of **\$18,000.00** as of **11/30/20XX**
- Loan account:
 - Add a Loan account called **Store Equipment & Fixtures Loan**
 - » COA account **#27000** with an Opening Balance of **\$8,121.00** as of **11/30/20XX**



CHECK YOUR WORK

Compare your Chart of Accounts with the report titled **COA – Step 3b**. Make sure all accounts are listed exactly like the report including in the same order, same name, same type, and with the correct Balance Totals.



- Add the following Income accounts:

Account or Sub Account	Account Type	COA #
Sales and Service Income	Income	40000
Book Sales	Income	40100
Keyboarding Sales	Income	40200
Supplies Sales	Income	40300
Sales Discounts	Income	45000
Misc Fees Income	Income	49000

- Add the following Expense accounts:

Account or Sub Account	Account Type	COA #
Bank Service Charges	Expense	51000
Computer and Internet Expense	Expense	51100
Depreciation Expense	Expense	51200
Equipment Rental Expense	Expense	51300
Insurance Expense	Expense	51400
Fire Insurance	Expense	51410
Liability Insurance	Expense	51420
Interest Expense	Expense	51500
Janitorial Expense	Expense	51600
Miscellaneous Expense	Expense	51700
Payroll Expense*	Expense	51800
Postage and Delivery Expense	Expense	51900
Printing & Reproduction Expense	Expense	52000
Rent Expense	Expense	52100
Repairs & Maintenance Expense	Expense	52200
Supplies Expense	Expense	52300
Telephone Expense	Expense	52400
Utilities Expense	Expense	52500

**re-number the account that has been added by QB*



CHECK YOUR WORK

Compare your Chart of Accounts with the report titled **COA – Step 3c**. Make sure all accounts are listed exactly like the report including in the same order, same name, same type, and with the correct Balance Totals. Adjust as needed.



NOTES

- Not all changes to the Chart of Accounts have been made. There will be more completed later in the practice set.
- Once all the Customers, vendors, and sales items are added, QuickBooks will add accounts and balances for *Accounts Receivable* and *Accounts Payable* which you will need to re-number to match our COA.