Central Office Support

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Chart of Accounts
(Health Services)

Keepin' it Simple - Just the Basics

NOTE: This chart of accounts is meant only as a guide; you should customize the accounts to meet your needs. You may have other items that are not listed here that you need or would like to track.

Understanding the Chart of Accounts

The Chart of Accounts is the base of the business financials. It is important that the general ledger (or QuickBooks or other accounting software) is properly organized for the financial documents and reports.

A chart of accounts is a list of accounts that a company uses to record transactions in its general ledger. What accounts does the business owner currently use when recording transactions?
They will be incorporated into one of the major categories found in the financial statements.

Accounts can be classified in one of these categories:

Income Statement Accounts
(Profit & Loss Statement)

- Income
- Expenses
- Cost of Goods Sold
- Other Income
- Other Expenses

Balance Sheet Accounts

- Assets
- Liabilities

Account Numbers

Account numbers are numbers that correspond with each account. Although the use of account numbers is unnecessary in QuickBooks, it is still considered good accounting practice. When setting up the company file, add the account numbers given by the accountant, if the business owner has one.

Assign the following numbers to account names within these categories:

- 1000-1999 Assets
- 2000-2999 Liabilities
- 3000-3999 Equity
- 4000-4999 Income
- 5000-5999 Cost of Goods Sold
- 6000-6999 Expenses
- 7000-7999 Other Income
- 8000-8999 Other Expenses

Assets

Assets include everything that the business owns and increases the value of the business. They are categorized into two types: current and fixed. If an asset can be liquidated in 12 months or less, it is a current asset.

Asset accounts may include:

Current Assets

- Cash
- Petty Cash Fund
- Accounts Receivable
- Allowance for Doubtful Accounts
- Inventory
- Prepaid Insurance

Fixed Assets

- Land
- Buildings
- Vehicles
- Accumulated Depreciation- Buildings
- Accumulated Depreciation- Vehicles
- Accumulated Depreciation- Equipment

Liabilities

Liabilities include money a company owes or any obligations it has to others. They are also categorized as current and long-term. If the company has to pay back the money within the next 12 months, it is a current liability.

Liability accounts may include:

Current Liabilities

- Notes Payable
- Accounts Payable
- Payroll Taxes
- Customer Deposits

Long-term Liabilities

- Mortgages
- Construction Loan

Equity

Equity is the book value of the company. Subtract what is owed (liabilities) from what is owned (assets) to ascertain the amount of equity. The company's classification (sole proprietorship, partnership, or corporation) determines its equity accounts.

Equity accounts may include:

- Owner's Capital
- Owner's Draw
- Investments
- Distributions
- Additional Paid-In Capital (for corporation only)
- Shareholder Draws (for corporation only)

For partnerships and corporations, make sure to keep separate accounts for each partner or shareholder.

Income

Income accounts are used to record the amount of money that is brought to a company through its regular business activities. The income accounts are usually named after the service or product that the company provides and sells.

For example, if an accounting firm receives revenue from both tax preparation and from bookkeeping, then two separate income accounts ("Tax Preparation" and "Bookkeeping") should be created.

Health services companies should have an income account for fees collected for services, and also a refunds account and a non-medical income account to categorize any income that may not come directly from meeting with clients.

Income accounts may include:

- Service Income
- Refunds Account
- Non-Medical Income

Expenses

Expense accounts may include:

- Accounting
- Advertising
- Auto / Truck Expenses
  - Clean fuel vehicle
  - Fuel
  - Repairs
  - Maintenance
  - Parking
  - Tolls
- Bad Debts
- Bank Charges
- Cleaning
- Computers
- Contributions
- Credit / collection costs
- Conferences
- Depreciation
- Dues / Subscriptions
- Education / Training
- Employees Benefit Prog
- Equipment Rental/Lease
- Freight / Delivery
- Gifts
- Insurance
  - Building / Equipment
  - Liability
  - Health
  - Workers' comp
- Interest Expense
- License / Permits
- Professional Fees
  - Accounting
  - Consulting
  - Legal fees
  - Payroll fees
- Meetings
- Office Supplies
- Officers Compensation
- Payroll Expenses
- Payroll Taxes
- Postage
- Printing
- Rent
- Repairs / Maintenance
  - Office
  - Computer
  - Equipment
- Software
- Taxes
- Telephone(s)
- Tools
- Travel / Entertainment
  - Travel
  - Airfare
  - Meals
  - Entertainment
  - Lodging
- Uniform
- Utilities
- Waste Removal

Other Income / Expenses

Other Income is revenue from anything other than the company's ordinary operations.
Other Income may include:

- Bank interest
- Dividends
- Gain on foreign exchange
- Insurance claims
- Sale of an asset

Other Expenses are expenses that your company does not normally pay.
Other Expenses may include:

- Damages
- Fraud charges

Cost of Goods Sold

Cost of Goods Sold accounts are used to track the direct costs of products manufactured or sold. If the business is primarily services, then it is possible that there wouldn't be any Cost of Goods Sold accounts. There are several inventory tracking methods (such as FIFO, LIFO, average cost) that can be used to determine the Cost of Goods Sold.

Cost of Goods Sold can be determined from these accounts:

- Labor
- Materials
- Subcontractor
- Mileage
- Credit Card Fees
- Employee Overheads (payroll service)
- Job Costing

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Coming Next:

Basic Financial Statements

Where does it all go?