



## How to set up a chart of accounts

A chart of accounts (CoA) is a structured list of all the accounts you use to record transactions, grouped into assets, liabilities, equity, income, and expenses. Setting it up means deciding what accounts you need, how to number them, and how detailed to make them so your reports are clear but not cluttered.[\[1\]](#) [\[2\]](#) [\[3\]](#)

### Key account categories

Most small-business charts of accounts follow this structure:[\[2\]](#) [\[4\]](#)

- **Assets:** What the business owns (cash, bank accounts, receivables, inventory, equipment).  
[\[5\]](#) [\[2\]](#)
- **Liabilities:** What the business owes (credit cards, loans, accounts payable, taxes payable).  
[\[2\]](#) [\[5\]](#)
- **Equity:** Owner's capital, retained earnings, draws or distributions.[\[5\]](#) [\[2\]](#)
- **Income (revenue):** Sales income, service income, other income.[\[4\]](#) [\[2\]](#)
- **Expenses:** Cost of goods sold plus operating expenses like rent, payroll, software, and utilities.[\[4\]](#) [\[2\]](#)

### Typical numbering ranges

Using a consistent numbering system keeps accounts organized and easy to expand. A common simple pattern is:[\[3\]](#) [\[6\]](#) [\[7\]](#) [\[1\]](#)

- 1000–1999: Assets (e.g., 1000 Checking, 1100 Accounts Receivable, 1500 Equipment).[\[6\]](#) [\[7\]](#)
- 2000–2999: Liabilities (e.g., 2000 Accounts Payable, 2100 Credit Card, 2300 Loan Payable).[\[2\]](#) [\[4\]](#)
- 3000–3999: Equity (e.g., 3000 Owner's Equity, 3100 Retained Earnings, 3200 Owner Draws).[\[4\]](#) [\[2\]](#)
- 4000–4999: Income (e.g., 4000 Product Sales, 4100 Service Revenue, 4200 Other Income).[\[2\]](#) [\[4\]](#)
- 5000–5999: Cost of Goods Sold (if you sell products).[\[4\]](#) [\[2\]](#)
- 6000–6999: Operating Expenses (e.g., 6000 Rent, 6100 Wages, 6200 Software & Tools, 6300 Marketing).[\[3\]](#) [\[4\]](#)

## Step-by-step setup

### 1. List what you actually do

- Write down how you make money (products, services, other) and your main recurring costs (rent, payroll, software, contractors, inventory). [\[8\]](#) [\[9\]](#)
- Decide what you need to see separately on reports (e.g., separate product vs service income, or different locations). [\[10\]](#) [\[3\]](#)

### 2. Create the core accounts by type

- Start with a short list in each category above, then add sub-accounts only where detail is useful (e.g., separate "Marketing – Ads" and "Marketing – Events" if you track them differently). [\[9\]](#) [\[3\]](#)
- Avoid hyper-granular accounts like separate "Pens," "Paper," "Ink"; group into an **Office Supplies** account. [\[9\]](#)

### 3. Assign numbers with gaps

- Use the ranges above and leave gaps of 10 or 20 between accounts (e.g., 6100 Wages, 6110 Payroll Taxes, 6120 Benefits) so you can insert new accounts later. [\[6\]](#) [\[3\]](#)
- Keep the first digit tied to the account type (1=assets, 2=liabilities, etc.) for consistency. [\[3\]](#) [\[6\]](#)

### 4. Align with your software

- Most accounting systems (QuickBooks, Xero, etc.) come with a default CoA you can prune and rename rather than starting from zero. [\[1\]](#) [\[8\]](#)
- Turn off or merge accounts you will never use, and add any missing ones specific to your business (for example "Lab Testing" for a manufacturer). [\[8\]](#) [\[1\]](#)

### 5. Test with real transactions

- Enter a month of sample or real transactions and check that each one fits naturally into an account; if you keep asking "Where does this go?", you may need another account or clearer naming. [\[10\]](#) [\[3\]](#)
- Run a basic profit and loss and balance sheet; if they look cluttered or confusing, merge or rename accounts to simplify. [\[10\]](#) [\[2\]](#)

## Simple example layout (small business)

Number	Account name	Type
1000	Checking Account	Asset <a href="#">[6]</a>
1100	Accounts Receivable	Asset <a href="#">[5]</a>
2000	Accounts Payable	Liability <a href="#">[5]</a>
2100	Credit Card Payable	Liability <a href="#">[4]</a>
3000	Owner's Equity	Equity <a href="#">[4]</a>
4000	Sales Revenue	Income <a href="#">[4]</a>

Number	Account name	Type
4100	Service Income	Income <a href="#">[4]</a>
5000	Cost of Goods Sold	Expense <a href="#">[4]</a>
6000	Rent Expense	Expense <a href="#">[4]</a>
6100	Salaries & Wages	Expense <a href="#">[4]</a>
6200	Software & Tools	Expense <a href="#">[6]</a>

If you share what kind of business you run (service, retail, construction, non-profit, etc.), a tailored starter chart of accounts with 20–30 accounts can be outlined next.

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1. <https://quickbooks.intuit.com/accounting/chart-accounts/>
2. <https://www.netsuite.com/portal/resource/articles/accounting/chart-of-accounts.shtml>
3. <https://www.brex.com/spend-trends/cash-flow-management/chart-of-accounts>
4. <https://www.venasolutions.com/finance-glossary/chart-of-accounts>
5. <https://learn.microsoft.com/en-us/dynamics365/business-central/finance-chart-of-accounts>
6. <https://mercury.com/blog/chart-of-accounts>
7. <https://www.accountingdepartment.com/blog/bid/390215/Accounting-Tips-How-To-Create-A-Chart-of-Accounts-for-SMBs>
8. <https://tofu.com/blog/sample-chart-of-accounts>
9. <https://www.hubifi.com/blog/chart-of-accounts-best-practices>
10. <https://www.deloitte.com/us/en/services/consulting/articles/chart-of-accounts-design.html>