Standard Chart of Accounts Comparison

Category	Account #	Service Business (e.g., Agency)	Retail Business (e.g., Boutique)
ASSETS	**1000-1999**		
	1010	Operating Checking	Operating Checking
	1050	Accounts Receivable	Accounts Receivable
	1200	Office Equipment	**Merchandise Inventory**
	1210	Accum. Depreciation	Store Fixtures
LIABILITIES	**2000-2999**		
	2010	Accounts Payable	Accounts Payable
	2100	Credit Card - Business	**Sales Tax Payable**
	2200	Unearned Revenue (Deposits)	Short-term Loan
EQUITY	**3000-3999**		
	3010	Owner's Capital	Owner's Capital
	3020	Owner's Draw	Owner's Draw
	3100	Retained Earnings	Retained Earnings
REVENUE	**4000-4999**		
	4010	**Service Income**	**Product Sales**
	4020	Consulting Fees	Shipping Income

	4050	Interest Income	Sales Returns & Allowances
EXPENSES	**5000-8999**		
	5000	**Cost of Services (Contractors)**	**Cost of Goods Sold (COGS)**
	6010	Rent Expense	Rent Expense
	6050	Software Subscriptions	**Packaging & Shipping**
	6100	Marketing & Ads	Marketing & Ads
	6200	Professional Fees (Legal/CPA)	Store Supplies
	7000	Utilities	Utilities

Key Differences Explained

1. **Inventory:** The Retail business has a major asset account for "Inventory" to track unsold goods. The service business usually treats small supplies as an immediate expense.
2. **Sales Tax:** Retailers must track "Sales Tax Payable" as a liability because they collect it on behalf of the government.
3. **COGS vs. OpEx:** In Retail, the cost of the products sold (COGS) is separated from general operating expenses to calculate "Gross Profit." In Service, "Cost of Services" tracks the direct labor required to perform a job.

Is Account Numbering Optional?

Yes, account numbering is **optional** in most modern cloud accounting software (like QuickBooks Online or Xero). You can choose to use account names only.

When to Use Names Only

- **Micro-Businesses:** If you only have 15–20 accounts, names are easy to manage without numbers.
- **Non-Accountants:** Many business owners find names like "Travel Expense" more intuitive than "6040."
- **Searchability:** Modern software allows you to type the name of the account to find it instantly, making the numerical shortcut less necessary.

Why Numbers are Still Recommended

- **Specific Sorting:** Without numbers, your software will usually sort accounts alphabetically. Numbers allow you to force "Cash" (1010) to appear at the top of your list regardless of the letter C.
- **Scalability:** As a business grows, numbers help prevent duplicate accounts (e.g., having both "Utilities" and "Utility Bills") by assigning a unique ID to each concept.
- **Professionalism:** Banks and CPAs are accustomed to the 4-digit numbering system and may find your reports easier to audit if numbers are used.