ACCOUNTING & TAX
WEIDNER
TX CPA
cpafirmTexas.com

A Simple Guide to Your Chart of Accounts

For small business owners using QuickBooks Online

Think of your chart of accounts as the filing system for your business finances.
If the folders are simple and logical, your financial reports are much easier to understand.

Start Here: 4 Questions Before You Add Accounts

#	QUESTION	WHY IT MATTERS
1	**How does the business make money?**	List your main revenue streams. Keep them separate only when the distinction is useful.
2	**What are the major costs of delivering your product or service?**	These may belong in Cost of Goods Sold or Cost of Services rather than ordinary overhead.
3	**What do you need to see each month?**	Create detail that helps you manage the business - not detail just for the sake of detail.
4	**What will your CPA or tax preparer need?**	Keep tax-sensitive items easy to identify, but avoid creating a separate account for every possible tax category.

Good rule: Start simple. You can add detail later. Cleaning up 100 unnecessary accounts is much harder than adding one useful account when you actually need it.

The 5 Account Types - in Plain English

Every account in QuickBooks falls into one of these basic groups. You do not need to memorize the accounting theory - just understand what each group represents.

ACCOUNT TYPE	WHAT IT MEANS	EXAMPLES (NOT LIMITED TO)
Assets	What the business owns	Bank accounts, Accounts Receivable, Inventory, Equipment, Vehicles
Liabilities	What the business owes	Credit cards, Loans, Accounts Payable, Sales Tax Payable
Equity	The owners' interest in the business	Owner Contributions, Owner Draws/Distributions, Retained Earnings
Income	How the business earns money	Service Revenue, Product Sales, Rental Income
Expenses	What it costs to operate	Rent, Insurance, Payroll, Software, Advertising, Office Expense

A Simple Small-Business Example

GROUP	EXAMPLE ACCOUNT	USE
BANK	Checking	Operating checking account
BANK	Savings	Tax or reserve savings
INCOME	Service Revenue	Main operating revenue
INCOME	Product Sales	Use only if product sales are meaningful
COGS	Direct Materials / Job Costs	Costs directly tied to earning revenue
EXPENSE	Payroll	Wages and employer payroll costs
EXPENSE	Rent / Occupancy	Rent and related occupancy costs
EXPENSE	Insurance	Business insurance
EXPENSE	Software & Subscriptions	QuickBooks, apps, SaaS tools
EXPENSE	Advertising & Marketing	Website, ads, sponsorships
LIABILITY	Credit Card	One account per business card balance
LIABILITY	Loan Payable	One account per material loan
EQUITY	Owner Contributions	Money invested by owner
EQUITY	Owner Draws / Distributions	Money taken out by owner

QuickBooks Setup Checklist

Use this as a practical starting point. Your final setup should match your business, tax structure, reporting needs, and industry.

- Create one operating bank account in QuickBooks for each real business bank account.
- Create one credit-card account for each business credit card you actually reconcile.
- Add your main income categories - usually only a few are needed.
- Identify direct costs separately from general operating expenses when that distinction is useful.
- Create separate loan accounts for material business loans.
- Use subaccounts when you need detail without cluttering the main Profit & Loss.
- Review existing accounts before adding new ones so you do not create duplicates.
- Reconcile bank and credit-card accounts every month.
- Review the Profit & Loss and Balance Sheet after setup to make sure the structure makes sense.

Avoid These Common Mistakes

Too many accounts

If every vendor or purchase becomes its own account, reports quickly become hard to read.

Duplicate accounts

"Meals," "Business Meals," and "Meals & Entertainment" may all be tracking the same thing.

Personal spending mixed in

Keep personal activity out of business expense accounts. Use the appropriate owner/shareholder account when necessary.

Never reconciling

A beautiful chart of accounts cannot fix unreconciled bank and credit-card balances.

When to ask for help: If you have inventory, job costing, multiple locations, significant loans, multiple entities, complex payroll, or industry-specific reporting, a customized chart of accounts may save substantial cleanup later.

Keep Your Books Useful All Year

A good chart of accounts is not about having the most detail. It is about producing financial statements that are accurate, understandable, and useful for running the business.

Weidner CPA provides CPA-led monthly accounting, tax planning, and tax preparation for small business owners in San Antonio and throughout Texas, along with practical guidance and tools to help business owners stay informed and prepared throughout the year.

Educational resource only. The right account structure depends on your business and tax circumstances.