

What is a Chart of Accounts?

Worksheet

A chart of accounts is a structured, numbered list of all accounts - assets, liabilities, equity, revenue, and expenses - that a business uses to categorize every transaction it records.

Questions

1. What is a chart of accounts?

- A) A stock price chart
- B) A numbered list of all accounts a company uses
- C) A tax form
- D) A cash flow diagram

2. Which numbering range typically represents Liabilities?

- A) 1000s
- B) 2000s
- C) 4000s
- D) 5000s

3. Which account category appears on the income statement, not the balance sheet?

- A) Assets
- B) Liabilities
- C) Revenue
- D) Equity

4. Why leave numbering gaps (e.g., 5011-5019) in a chart of accounts?

- A) It's required by law
- B) To allow new sub-accounts to be added later without renumbering everything
- C) To confuse auditors
- D) It has no purpose

5. A small business is setting up its chart of accounts using the standard 5-category numbering scheme (1000s Assets, 2000s Liabilities, 3000s Equity, 4000s Revenue, 5000s Expenses). Assign numbers to: Cash, Accounts Payable, Owner's Equity, Sales Revenue, Rent Expense.

6. A bookkeeper needs to record a \$3,000 equipment purchase on credit. Which two chart-of-accounts categories are affected?

7. A growing company wants to add sub-accounts for 'Office Supplies Expense' and 'Software Expense' under a general 'Operating Expenses' category. How should the numbering work?

8. Define: What is a chart of accounts?

9. Define: What are the 5 main account categories?

10. Define: Why does each account get a number?

Answer Key

1. B) A numbered list of all accounts a company uses - It's the organized list of accounts used to categorize every transaction.
2. B) 2000s - By convention, 1000s=Assets, 2000s=Liabilities, 3000s=Equity, 4000s=Revenue, 5000s=Expenses.
3. C) Revenue - Revenue and expenses flow through the income statement; assets, liabilities and equity are balance sheet items.
4. B) To allow new sub-accounts to be added later without renumbering everything - Gaps let a company insert new accounts without disrupting the existing structure.
5. Cash 1000s (Asset), e.g. 1010 Accounts Payable 2000s (Liability), e.g. 2010 Owner's Equity 3000s (Equity), e.g. 3010 Sales Revenue 4000s (Revenue), e.g. 4010 Rent Expense 5000s (Expense), e.g. 5010
6. Equipment increases Asset account (1000s), e.g. 1500 Equipment Amount owed increases Liability account (2000s), e.g. 2020 Accounts Payable Entry: Debit Equipment \$3,000; Credit Accounts Payable \$3,000
7. Operating Expenses parent range: 5000-5099 Office Supplies Expense 5010 Software Expense 5020 Leaving gaps (5011-5019, 5021-5029) allows future sub-accounts without renumbering
8. A structured, numbered list of every account a business uses to record transactions.
9. Assets, Liabilities, Equity, Revenue, and Expenses.
10. Numbers group accounts by category and make lookup, sorting, and reporting consistent.

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