

CoA.1

Chart of Accounts

The chart of accounts is the backbone of the bookkeeping system. Every double-entry bookkeeping system is based on a chart of accounts. It lists all the proper and required types of accounts in their correct order. If your books don't make sense to you, often the problem is that they have been set up using a chart of accounts that is not appropriate for your business type. This is often the case when a farm or ranch business uses the default chart of accounts offered by Intuit QuickBooks® or other bookkeeping programs.

The *California FarmLink Model Chart of Accounts* is designed to ensure that your books reflect your operation.

For a new set up: If you are setting up a new bookkeeping system we highly recommend that you use the FarmLink Model Chart of Accounts instead of any standard chart of accounts provided in QuickBooks or by any other bookkeeping system that is not designed for agricultural operations. If you go this route - **read *CoA.3 Importing the California FarmLink Model Chart of Accounts* before you do any set-up in Quickbooks.** As soon as you start setting up a new company in Quickbooks® it will add accounts and complicate your set up using the Model Chart of Accounts.

There are several versions of the FarmLink Model Chart of Accounts. *Click on the one that best describes your business. This list shows options in order of complexity, from the simplest type of crop or livestock operations to the most complex.*

<p>1. Crops no VA Model CoA for farms without value added production or livestock</p>	<p>4. Livestock Live Sales Only Model CoA for livestock operations with live sales only</p>
<p>2. Crops with VA Model CoA for farms with value added production</p>	<p>5. Livestock Only with VA Model CoA for livestock operations selling products</p>
<p>6. Nursery Model CoA for nursery operations only</p>	
<p>3. Crops Livestock VA for operations with crops and livestock and value added production</p>	
<p>7. Advanced Allocation Model CoA - For advanced users only, for an operation with detailed payroll records and the ability to allocate payroll across production, marketing, value-added, other, and administrative activities. Do not use this version unless you have advanced ability to track payroll, allocate using a spreadsheet, and create and enter regular journal entries.</p>	

As you review the model chart of accounts you will notice a column for the account number, another for the account name, and two more for account type and account detail. These will all import into Quickbooks Online. There are two more columns which will not import - one cross references balance sheet accounts to additional information in the Supplemental Learning Center, and the other has short additional explanations about the account, or about what types of accounts are grouped together, and where you may add additional accounts if needed. You can also find the information in those two columns in *CoA.2 Annotated Chart of Accounts*. **Be sure to keep a copy of the chart of accounts you downloaded, or of CoA.2 Annotated Chart of Accounts for reference, as you learn how to navigate your new chart of accounts.**

The account types and account detail types are how Quickbooks keeps similar accounts grouped together for presentation.

Account numbers are a more standard way of keeping different types of accounts together and ensuring they present in the correct order on the balance sheet and income statement reports. The basic numeric structure is standard across all accounting platforms (except Quickbooks). Using account numbers will give you the most flexibility to move from one

type of accounting software to another, and once you get used to the numbering system it will also help you to understand your accounting structure more deeply.

In the California FarmLink Model Chart of Accounts, certain number series are reserved for certain types of operations; for example, expense accounts in the 5050 series are for livestock-related expenses. If you choose a model chart of accounts with no livestock you will see that your expense accounts may skip from 5040 to 5060. There are also many places throughout the model chart of accounts that are designated as places where you can add additional accounts if you feel they are needed. We recommend that you do not add new accounts using any number series that is not already in your model chart of accounts. That way if your business ever does grow or change to take on new activities - such as livestock - you will be able to return to the FarmLink Model Chart of Accounts and add the recommended accounts in the recommended place in your chart of accounts.

Please read *CoA.2 Annotated Chart of Accounts* for explanations of the main types of accounts and the number series used.

