

Accounting Code Guide

If you plan on starting a business, a basic knowledge of the accounting code guide is necessary in order to keep track of your transactions. Even if you are not a bookkeeper and you decide to hire a professional, the basic accounting knowledge is always a plus in the success of your business.

Accounting information is organized within the financial system of your company through the Chart of Accounts (COA). A list of all account names and numbers (cost elements) that appear in the company's General Ledger is included in this document.

The COA is used to classify transactions as income, expenditure, assets, liabilities and equity. All financial transactions must be coded against an internal order (indicating ownership) and cost element (what the transaction represents), which provide the basis for budgeting, monitoring and reporting. The elements of the COA are:

FUND

This is a 6 character code which basically describes to source of funding in a transaction. Generally, the first 5 digits represent the office of the president fund number, while the final digit is used to establish sub-funds for further breakdown.

ORGANIZATION

It is also a 6 digit code, which represents the department of a company.

ACCOUNT

It is a six character code which represents the basic accounts classification. There are 7 different account types, and these are: assets, liability, system control, fund balance, revenue, expenditure and transfer.

PROGRAM

Yet another six character code, it represents the functions of the respective company.

ACTIVITY

This is designed for future use.

LOCATION

It is a six character code, and it is used for identifying assets from transactions.

INDEX

This one is a seven character code and it represents FOPAL (fund, organization, program, activity and location). The first three characters of the index are letters and they represent the name of the organization. The last four identify the FOPAL combinations.

This is a simple and basic walkthrough in the world of the accounting code guide. A professional bookkeeper is much more than that though, and if you consider an accounting career, you should know that it's a work that requires a lot of patience, but it can pay off in the end. You should also consider purchasing accounting software (although you can also get it for free) if you are serious about your company. The choice is yours, and it really depends on the size of your organization also. Most of the business owners leave the accounting stuff to specialized people, who are able to process all the information correctly, people who have a good knowledge of the accounting code guide.

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