



# Chart of Accounts for the MPC

A Chart of Accounts is a listing of all the accounts in the General Ledger. It represents the organization of the business's financial records. Each account functions like a piece of a puzzle that the Accountant can fit together to form the various reports and records needed to manage the business. The identification and quantity of accounts varies with the size and complexity of the business. Although new accounts can be added as a business grows, by planning ahead that growth can be accounted for easier with a well-thought out Chart of Accounts.

Although financial software such as Quickbooks® does not require it, accounts should be numbered as an aid to organization and identification. Standard account numbering is as follows:

- 1000 – 1999, Asset accounts: what the business owns.
- 2000 – 2999, Liability accounts: what the business owes.
- 3000 – 3999, Equity accounts: the ownership record.
- 4000 – 4999, Revenue or Sales accounts: your Point of Sale departments would be basic.
- 5000 – 5999, Cost of Goods Sold accounts: purchases of services and merchandise for resale.
- 6000 – 6999, Operating Expense Accounts: general business expenses.
- 7000 – 7999, Other Revenue
- 8000 – 8999, Other Expense

The sequence of the digits function as further identifiers, aiding in the recognition of sub-accounts. For example,

1000 to 1999 are Asset accounts.

1000 to 1099 would be Current Assets

1020 to 1029 would be Cash Accounts, such as Cash on Hand

1030 to 1039 would be Bank Accounts, such as Checking

Etc.

Similar sub-categorization by number applies to each account group. The sequence of accounts—Assets, Liabilities, Owners Equity, Sales, Cost of Sales, Expense, and Other—follows accounting convention. You could organize them however you wish and, as long as you're the one doing the books, probably have a wonderful system, but an unhappy Accountant, and it is generally good business advice to do what your Accountant and lawyer recommend, or be prepared for some expensive "I told you so's".

MPC Coaches advocates a management reporting system called **Profit Centering**, the detailed matching of Sales accounts to Cost of Sales accounts which results in a better understanding of a business's strengths and opportunities. The Chart of Accounts that follows is an example of maximum detail and may be unnecessary for your business. Utilize only the accounts that apply. However, if you follow its format, you will always have room to grow with maximum management information. Whatever you do, don't include a Sales account without a matching Cost of Sales account, except for product categories with less than \$100/month in sales. Those can be lumped into general accounts, and probably considered for elimination. Additionally, some recommended accounts are Accrual type, while most MPC's are initially organized as Cash. MPCCN believes that the management information provided by accrual accounting is worth the additional effort, especially concerning the potential losses from poor audit control of the cash in USPS Meter and USPS Stamps.

Some accounts are required by the I.R.S., such as the Expense accounts for Advertising, Travel, and Entertainment, and others for State and Local taxes. This Chart of Accounts should be reviewed and approved by your Accountant for applicable legal compliance. It is designed for a proprietorship, partnership, or LLC, the most common forms of organization for an MPC. The appropriate accounts for a corporation can be added according to your Accountant's recommendation if necessary. The use of "Miscellaneous" accounts is to be discouraged—a good rule of thumb is if entries exceed \$100/mo., create an appropriate account. In all cases MPC Coaches defers to your Accountant. Don't call us with their comments or complaints. Take their advice or change Accountants.

"\*" Indicates recommended minimum account.

## Assets

### Current Assets

1000, Cash

\*1010, [Cash on Hand: in Till, your daily opening balance.](#)

1012, Petty Cash: a separate fund for minor purchases (NEVER paid from till!)

\*1020, [Regular Checking Account](#)

1030, Payroll or Other Checking Account

1040, Savings Account

1050, Other Account: investment, PayPal, etc.

1060, Other Account: Money Orders, Utility Collections, Western Union

\*1100, [Accounts Receivable](#)

1140, Other Receivables

1150, Allowance for Doubtful Accounts

\*1200, [Inventory](#)

\*1210, [Merchandise Inventory](#)

1212, Boxes and Packaging Goods

1214, Greeting Cards

1216, Office Supplies

1218, Gift or Impulse

\*1220, [USPS Meter](#)

1222, Endicia or Stamps.com

\*1230, [USPS Stamps](#)

1240, Copier Inventory (paper, etc.)

1300, Deposits Refundable: Lease security deposit, etc.

1400, Prepaid Expenses: Prepaid rent, etc.

1410, Notes Receivable, Current

1420, Prepaid Interest

1450, Other Current Assets

### Fixed Assets

\*1500, [Furniture and Fixtures](#)

\*1510, [Machinery and Equipment](#)

\*1520, [Office Equipment](#)

1530, Vehicles

\*1540, [Leaseholds](#)

1550, Buildings

1560, Building Improvements

1600, Land

\*1700, [Accumulated Depreciation, Furniture and Fixtures](#)

\*1710, [Accumulated Depreciation, Machinery and Equipment](#)

\*1720, [Accumulated Depreciation, Office Equipment](#)

1730, Accumulated Depreciation, Vehicles

\*1740, [Accumulated Depreciation, Leaseholds](#)

1750, Accumulated Depreciation, Buildings

1760, Accumulated Depreciation, Building Improvements

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**Other Assets**

- 1910, Organization Costs
  - 1915, Accumulated Amortization, Organization Costs
- 1920, Notes Receivable, non-current
- 1950, Other Non-Current Assets

**Liabilities****Current Liabilities****\*2010, Accounts Payable, Trade**

- 2020, Franchise or Licensing Fees Payable
- 2030, Wages Payable
- 2040, Employee Benefits Payable
  - 2042, Employer's Contribution to Health Insurance Payable
  - 2044, Vacation Accrued
  - 2046, Retirement Plan Contribution Payable

**\*2100, State Sales & Use Taxes Payable**

- 2120, Local Sales & Use Taxes Payable

**\*2200, Payroll Taxes Payable**

- 2210, Federal Income Taxes Withheld
- 2215, Medicare Taxes Withheld
- 2220, FICA Withheld
  - 2222, Employee FICA Withheld
  - 2224, Employer's FICA Contribution Withheld
- 2230, FUTA Payable
- 2240, State Payroll Taxes Payable
- 2250, SUTA Payable
- 2260, Local Payroll Taxes Payable
- 2310, Federal Income Taxes Payable
- 2370, Other Taxes Payable
- 2400, Customer Deposits
  - 2425, Mailbox Customer Forwarding Postage
  - 2435, Customer Bulk Mail Postage
- 2500, Collection Liability Accounts
  - 2610, Principal Payable for Money Orders
  - 2620, Undeposited Utility or other Consumer Payments
- 2600, Current Portion of Long-Term Debt
- 2650, Other Current Liabilities

**Long Term Liabilities**

- 2700, Notes Payable
- 2800, Bank Loans Payable
- 2900, Other Long Term Payables

**Owner's Equity****\*3000, Stated Capital**

- 3010, Partner/Owner "A"
- 3020, Partner/Owner "B"

**\*3100, Drawing Account**

- 3110, Partner/Owner "A"
- 3120, Partner/Owner "B"

**\*3200, Net Income****\*3300, Retained Earnings****MPC Coaches Network***Store Owner Success Experts*

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## Sales

- \*4100, Shipping Sales
  - \*4110, UPS or Carrier #1
    - 4012, UPS Ground Sales
    - 4014, UPS Air Sales
    - 4018, UPS D/O Compensation
  - \*4120, FedEx or Carrier #2
    - 4112, FedEx Ground Sales
    - 4114, FedEx Air Sales
    - 4128, FedEx D/O Compensation
  - \*4130, DHL or Carrier #3
    - 4032, DHL D/O Compensation
  - \*4140, USPS (metered postage) or Carrier #4
    - 4150, Carrier #5
    - 4160, Alternate Freight (LTL, Padded Van, Etc.)
    - 4170, Alternate Insurance
- 4200, Shipping Related Services
  - \*4210, Wrap & Pack Service
  - 4220, Crating
  - 4230, Gift Wrap
  - 4240, Pickup or Delivery (local cartage)
- \*4300, Services
  - 4310, Notary Service
  - 4320, Fax Service
  - 4330, Bulk Mail Service
  - 4340, Passport Photos
    - 4344, Passport Expediting
  - 4350, Computer Services
  - 4360, Keymaking Service
  - 4370, Fingerprinting Service
- \*4400, Copies & Print
  - 4410, B&W Copies
  - 4420, Color Copies
  - 4430, Large Format Copies
  - 4440, Bindery Services & Finish Work
  - 4450, Graphic Design
  - 4460, Printing
  - 4470, Signs & Banners
  - 4480, Rubber Stamps
- \*4500, Mailbox Rental Income
  - 4510, Mailbox Rents
  - 4520, Mailbox Forwarding Fees
  - 4530, Other Mailbox Services
- \*4600, Retail Sales
  - \*4610, Boxes and Packaging Goods
    - 4615, Wholesale Packaging
  - 4620, Office Supplies
  - 4630, Greeting Cards
  - 4640, Giftware
  - 4650, Impulse Items
  - 4660, Key Merchandise
- 4700, Commissioned Sales
  - 4710, Money Order Commissions
  - 4720, Western Union Commissions
  - 4730, Lottery Ticket Sales Commissions
  - 4740, Gift Card Commissions
  - 4750, Phone Card Commissions

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### “Profit Centering”

The single most important step a retailer can take with their Chart of Accounts is Profit Centering, the process of matching Sales departments to Cost of Sales accounts so profit contribution can be recognized by Sales Mix. MPC Coaches recommends that any sales account that exceeds \$300/mo. in sales have its own, matching COS account.

- 4760, eBay Service Commissions
- 4770, USPS Commission (if Contract Postal Unit)
- \*4790, Postage Stamp Sales
- 4800, Sales Returns and Allowances (Contra Account)
- 4900, Sales Discounts (Contra Account)

## Cost of Sales

- \*5010, Beginning Inventory, Merchandise
  - 5012, Beginning Inventory, Boxes and Packaging Goods
  - 5014, Beginning Inventory, Greeting Cards
- \*5040, Beginning Inventory, Meter (Meter \$ beginning of period)
- \*5090, Beginning Inventory, Postage Stamps
- \*5110, UPS or Carrier #1 Purchases
  - 5112, UPS Ground Purchases
  - 5114, UPS Air Purchases
- \*5120, FedEx or Carrier #2 Purchases
  - 5122, FedEx Ground Purchases
  - 5124, FedEx Air Purchases
- \*5130, DHL or Carrier #3 Purchases
- \*5140, USPS Meter Purchases, or Carrier #4
  - 5142, Meter Lease(s)
  - 5144, Meter Supplies
- 5150, Carrier #5 Purchases
- 5160, Alternate Freight Purchases
- 5170, Alternate Insurance Purchases
- 5200, Subcontract Labor, Crates or Local Cartage
- \*5320, Fax Purchases (primarily the fax portion of your long-distance bill)
- 5330, Bulk Mail Purchases
  - 5334, Bulk Mail Contract Labor or Services
- 5370, Fingerprinting Equipment Lease or Other Purchase
- 5340, Passport Photo Supplies Purchases
  - 5344, Passport Expediting Purchases
- 5360, Keymaking Supplies Purchases
- \*5400, Copies and Printing Purchases
  - 5410, Copy Equipment Lease(s)
  - 5420, Copier Maintenance
  - 5430, Copier Materials and Supplies
  - 5450, Subcontract Printing or Design Services
  - 5480, Rubber Stamp Purchases
- 5500, Mailbox Purchases
  - 5520, Mailbox Forwarding Postage Expense
  - 5540, Mail P/U or Delivery Expense (Firm Holdout p/u by local courier)
- \*5600, Retail Merchandise Purchases
  - 5610, Boxes and Packaging Purchases
    - 5615, Gift Wrap Purchases
  - 5620, Office Supplies for Resale Purchases
  - 5630, Greeting Cards Purchases
  - 5640, Giftware Purchases
  - 5650, Impulse Item Purchases
  - 5660, Key Merchandise Purchases
- 5700, Commissioned Sales Purchases
  - 5710, Money Order Maintenance, Charge Backs, or Supply Purchases
    - 5715, Money Order Bank Account Fees
  - 5720, Western Union Fees, Charge Backs, or Other Purchases
    - 5715, Western Union Bank Account Fees
  - 5730, Lottery Ticket Maintenance Fees or Other Purchases
  - 5740, Gift Card Maintenance Fees, Charge Backs, or Other Purchases

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### Regarding Cost of Sales

Although most accountants will advise an MPC to adopt what's known as Cash Basis Accounting, management reporting and control will be greatly enhanced by utilizing the Accrual method of costing for at least the **Meter and Postage Stamp accounts**, hence the recommendation for B/I and E/I accounts. For management purposes, let at least these two accounts be treated as Accrual, but reported as Cash if your accountant insists.

5750, Phone Card Maintenance Fees, Charge Backs, or Other Purchases

5760, eBay Fees

5765, PayPal Fees

\*5790, Postage Stamp Purchases

\*5910, Ending Inventory, Merchandise

5912, Ending Inventory, Boxes and Packaging Goods

5914, Ending Inventory, Greeting Cards

\*5940, Ending Inventory, Meter (Meter \$ end of period)

\*5990, Ending Inventory, Postage Stamps

## Operating Expenses

\*6000, Payroll Expense

6010, Labor or Hourly Employee Expense

6015, Seasonal or Temporary Employee Expense

6020, Manager's Salary Expense

6025, Owner's Salary (NOT a Draw)

\*6030, Payroll Taxes

6032, Employer's FICA Share

6034, FUTA Expense

6036, SUTA Expense

6037, State Payroll Taxes

6038, Local Payroll Taxes

6040, Employee Bonuses

6050, Payroll Benefits

6060, Contract Labor

\*6100, Advertising & Marketing Expense

6110, Yellow Pages Classified

6120, Web Page Expense

6130, Promotional Items

\*6200, Accounting, Legal, and Professional Expense

6210, Accounting Expense

6220, Legal Expense

6230, Amortization Expense

\*6240, Bank Service Charges

\*6250, Bad Debt Expense

\*6260, Cash Over/Short

\*6270, Claims Expense, Loss, Damage, & Service Failure

6272, Claims, Customer Relations & Good Will

\*6280, Credit Card Service Charges

\*6300, Contributions

\*6320, Dues, Memberships, and Subscriptions

\*6400, Depreciation Expense

\*6430, Equipment Lease or Rental Expense

\*6500, Entertainment & Travel Expense

6510, Entertainment

6520, Travel

6530, Meals

6550, Franchise Expense

6554, Franchise Royalty

6556, Franchise Advertising

\*6560, Insurance Expense

6562, General Business & Liability Insurance

6564, Partnership Insurance

6566, Worker's Compensation Insurance

6568, Company Vehicle Insurance

\*6570, Interest Expense

6572, Short Term Interest

6574, Long Term Interest

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**Time To Check Profit?** Frequently you'll find that a carrier's billing invoice period DOES NOT coincide with your accounting period. That is, you end your year or month by calendar day, they bill by week. Until the end of the period this is a small matter, but when the month ends on Wednesday, but their bill is for Monday through Saturday, half the week's sales are in one month, while half the week's purchases are in another. If you want your Income Statement to show your true profit for that carrier, then you must **split the invoice**, allocating half your COS to one month, and half to the other.

- \*6580, Internet Service Expense
- \*6590, Licenses & Permits
- \*6600, Maintenance & Repairs
  - 6610, Facility Maintenance & Repairs
  - 6620, Equipment Maintenance & Repairs
  - 6630, Computer Maintenance & Repairs
- \*6650, Office Supplies
  - 6652, Shipping Supplies
  - 6654, Office Supplies, Operations
  - 6656, Office Supplies, Management
- \*6670, Postage Expense (excluding marketing)
  - 6672, USPS Expense
  - 6674, Shipping Expense
- \*6700, Rent Expense
  - 6710, C.A.M. Expense
  - 6720, Warehouse or Storage Rent
- 6730, Security & Alarm
- \*6740, Taxes
  - 6742, Personal Property Taxes
  - 6744, State Taxes
  - 6746, Local Taxes
- \*6750, Telephone Expense
  - 6752, Primary Phone Service
  - 6754, Long Distance Service
  - 6756, Cellular Service
- 6760, Training Expense
- \*6770, Utilities Expense
  - 6772, Gas & Electric
  - 6774, Water
  - 6775, Garbage
- 6800, Vehicle Expense
- 6900, Miscellaneous Operating Expense

### **Other Revenue**

- 7000, Other Revenue
- 7100, Interest Income

### **Other Expense**

- 8000, Other Expense

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