



Accounts in AccountEdge

This guide will help you better understand how AccountEdge handles your chart of accounts.

Let's explore the subject of accounts in AccountEdge to get a better understanding of what you will be setting up.

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Debit vs. Credit

A debit amount increases the balance of accounts with a debit balance and decreases the balance of accounts with a credit balance. Accounts that normally carry a debit balance are asset and expense accounts.

A credit amount increases the balance of accounts with a credit balance and decreases the balance of accounts with a debit balance. Accounts that normally carry a credit balance are liability, equity, and income accounts.

Double-Entry Accounting

Since AccountEdge is a double-entry accounting system, every transaction entered will have an equal amount in the form of a debit and a credit. For example: when you record a transaction to pay \$100 for your utility bill from your checking account, there would be \$100 credit (decrease) against your checking account and \$100 debit (increase) to the expense account you use to track utility payments.

How AccountEdge Handles Accounts

Account Numbers and Classifications

AccountEdge uses a standard account number format (X-XXXX) for your accounts list.

Classification	Type	Description
Asset (1-xxxx) Normally has a debit balance.	Bank	Money in the bank, for example: in a checking or savings account.
	Accounts Receivable	Money owed to you by your customers.
	Other Current Asset	Assets that, if required, can be turned into cash within a year. These may include short-term deposits.

Classification	Type	Description
	Fixed Asset	Assets that have a long life, for example: buildings, cars, and computers. Fixed assets are usually depreciated.
	Other Asset	Other assets you own, such as loans made to others and goodwill.
Liability (2-xxxx) Normally has a credit balance.	Credit Card	Repayments required to service credit card debt.
	Accounts Payable	Money owed by you to your vendors.
	Other Current Liability	Money owed by you that is due in less than a year.
	Long-Term Liability	Money owed by you that is due in more than one year, for example: a business loan.
	Other Liability	Other money you owe.
Equity (3-xxxx) Normally has a credit balance.	Equity	The business's net worth, that is, its assets minus its liabilities. Common equity accounts are current year earnings, retained earnings, and shareholders' equity.
Income (4-xxxx) Normally has a credit balance.	Income	Revenue from the sale of goods and services.
Cost of Sales (5-xxxx) Normally has a debit balance.	Cost of Sales	The direct cost of selling your goods and providing services, for example: purchase costs and freight charges.
Expense (6-xxxx) Normally has a debit balance.	Expense	The day-to-day expenses of running your business, for example, utility bills, employee wages, and cleaning.
Other Income (8-xxxx) Normally has a credit balance.	Other Income	Other revenues, for example: interest earned on savings and dividends paid from stocks.
Other Expense (9-xxxx) Normally has a debit balance.	Other Expense	Other expenses, for example: interest charged.

Account Hierarchy

Your accounts list consists of header accounts and detail accounts. Header accounts group related detail accounts to help you organize your accounts list and detail accounts are the accounts you allocate transactions to.

Header accounts reflect the values of the detailed accounts that are grouped below them. The names and numbers of header accounts are displayed with a bold font in the accounts list. No transactions can be posted to header accounts. The balance of a header account is the sum of the detail accounts indented below it.

ACCOUNT NAME	TYPE	LINKED	BALANCE
» 4-0000 Income	Income		\$388,895.68
» 4-1000 Coffee and Tea Sales	Income		\$188,515.81
» 4-1100 Coffee	Income		\$21,859.97
» 4-1200 Tea	Income		\$478.97
» 4-1300 Gift Baskets and Misc Sales	Income		\$65,633.37
» 4-1400 Onsite Catering and Service	Income		\$100,543.50
» 4-2000 Training and Equipment Sales	Income		\$198,696.53
» 4-2100 Coffee Maker Sales	Income		\$19,183.00
» 4-2200 Classroom Training Income	Income		\$151,561.50
» 4-2300 Tea Brewers	Income		\$6,075.00
» 4-2400 Espresso Machine Sales	Income		\$17,952.03

Opening Balances

Getting your opening balances entered correctly is key to a successful implementation of any accounting application. Opening balances are a way to account for all the transactions you have completed prior to your selected conversion date in AccountEdge. These transactions are sales you have made, payments received, purchases, and processed payroll.

NOTE: You can enter in Opening Balances later by going to **Setup** on the top menu bar and selecting an option from the **Balances** dropdown. You can start to use

AccountEdge before you've entered your opening balances for your accounts, but remember, they affect your most important reports - your Balance Sheet and your Profit + Loss so you will need to enter them prior to running any financial reports.

Account Opening Balances enables you to enter the balance of each account in your accounts list as of the first day of your conversion month. Your conversion month is the month in which you begin entering transactions into your company file.

Job Opening Balances is where you can view and update opening balances, by account, for every detail job in your company file. The entries you make in this window are used to print the Job Profit and Loss Statement.

Customer Balances allows you to view the sales amounts that make up the balance of your linked receivables account. You can enter historical sales transactions from this window. You should enter an opening balance for your linked receivables account in the Account Opening Balances window before you enter any historical sales.

Vendor Balances window enables you to view the purchases amounts that make up the balance of your linked payables account. You should enter an opening balance for your linked payables account in the Account Opening Balances window before you enter any historical purchases.

NOTE: We recommend speaking to your accounting professional and getting the latest set of financial statements, including a trial balance and the supporting detail for your open accounts receivable, accounts payable, inventory balances and mid-year payroll details. This will help you modify your chart of accounts and enter your opening balances accurately. Don't have an accounting professional? [View our list of AccountEdge Experts.](#)

Linked Accounts

AccountEdge uses linked accounts to help keep track of your transactions for double entry accounting.

These accounts are automatically linked when you create a new company file using the New Company File Assistant by default but you can change the linked accounts to suit your business.

You can access your linked accounts from Setup on the menu bar and choose Linked Accounts from the drop-down.

NOTE: Need a bit more guidance? If you are unsure about any of this information, you should speak with your accounting professional. They can help you make sure your linked accounts are selected properly for your business finances. Don't have an accounting professional? [View our list of AccountEdge Experts.](#)

Accounts & Banking Linked Accounts

The Accounts and Banking Linked Accounts window enables you to review and change the linked accounts assigned to your checking accounts, electronic clearing accounts, and equity accounts.

Equity Account for Current Earnings - Tracks the increase in your business's equity during the current fiscal year. This account is used to calculate your profit (or loss) for the year to date.

The amount assigned to this account is determined by subtracting the balances of all cost of sales and expense accounts from the balance of all income accounts.

To ensure accurate financial reporting within AccountEdge, this account cannot be changed.

Equity Account for Retained Earnings - Tracks the increase in your business's equity for all fiscal periods, but not including the current fiscal year. When a new fiscal year is started, the current earnings account's balance is added to the balance of this account. This account is referred to as your Retained Earnings account.

To ensure accurate financial reporting within AccountEdge, this account cannot be changed.

Equity Account for Historical Balancing - Track the difference in the opening balances you entered for your asset accounts and the opening balances you entered for your liability and equity accounts. This account is referred to as your Historical Balancing account. This account captures any out-of-balance amounts inherited from your previous accounting system.

For example: if the opening balance of all your asset accounts is \$100,000, and the total balance of all your liability and equity accounts is only \$95,000, the remaining \$5,000 will be assigned to this account. To ensure your business records are accurate, this account's balance should be zero.

Bank Account for Electronic Payments - Track the funds you wish to include on an electronic payment. The linked account selected must be a Detail Bank account. This account is referred to as your Electronic Clearing Account.

When you make an entry in the Spend Money or Pay Bills window, you can choose to group the transaction with other electronic payments. The amount of the transaction will be recorded in this account until you pay it electronically using the Prepare Electronic Payments window.

Bank Account for Undeposited Funds -Enter or select an undeposited funds account where individual receive money transactions are recorded. This account is referred to as your Undeposited Funds account.

When you enter a transaction in the Receive Money, Receive Payments or Sales window, you can indicate that you want the amount to be grouped with your undeposited funds. If you do this, those funds will appear in this account until you deposit them in a bank account using the Prepare Bank Deposit window.

Account for Currency Gains/Losses - If you deal in multiple currencies, fluctuations in the exchange rate between currencies can affect the value of your transactions and account. These fluctuations are referred to as unrealized gains or losses. This account is referred to as your Currency Gain Loss account.

For example: if you sell goods to a Japanese firm and you conducted the transaction in Japanese yen, any changes to the value of the yen will affect the overall profitability of the transaction. If the yen gains value against your local currency, this is a currency gain. If the yen loses value against your local currency, this is a currency loss. The linked account for currency gain/loss keeps track of these amounts.

Sales Linked Accounts

The Sales Linked Accounts window enables you to review and change the linked accounts assigned to your sales.

Asset Account for Tracking Receivables - Enter or select an asset account for tracking money that people owe you for sales. This account is referred to as your linked receivables account.

This linked account summarizes all the money your customers owe you; it appears on your balance sheet and other financial reports.

Bank Account for Customer Receipts - Enter or select an asset account for tracking the money you receive from customers for sales, and issue refund checks to customers. This account is referred to as your receivables bank account. The account you select here must be a bank or credit card account type.

Income Account for Freight - If you select the I charge freight on sales option, the Income Account for Freight field appears. This field enables you to track income amounts you collect for freight when you enter sales. This account is referred to as your freight collected account.

This account enables you to see how much of your gross sales amount is goods or services, and how much is payment for shipping. This account appears on the Trial Balance, the Profit and Loss Statement and other reports.

If you don't charge freight, you do not need to select an account in this field.

Liability Account for Customer Deposits - If you select the I track deposits collected from customers option, the Liability Account for Customer Deposits field appears. Enter a liability account for tracking deposit amounts you collect for sales orders. This account is referred to as your linked customer deposits account.

If you don't take deposits from your customers, you do not need to select an account in this field.

Expense of Cost of Sales Account for Discounts - If you select the I give discounts for early payments option, the Expense or Cost of Sales Account for Discounts field appears. Enter or select an account for tracking discount

amounts that you've provided to your customers for paying their bills early. This account is referred to as your linked customer discounts account.

If you don't offer early-payment discounts to your customers, you do not need to enter an account in this field.

Income Account for Late Charges - If you select the I assess charges for late payment option, the Income Account for Late Charges field appears. Enter or select an income account that tracks finance charge amounts that you've collected from customers. This account is referred to as your linked customer late charges account.

Terms - Click Terms to open the Credit Terms window, where you can create a set of default credit terms for your customers.

The credit terms you select will be automatically applied to new customer records you add to the Card File. If you want, you can change these details for an individual customer in the Selling Details view of the Card Information window.

Purchases Linked Accounts

The Purchases Linked Accounts window enables you to change the Linked Accounts assigned to your purchases.

Liability Account for Tracking Payables - Enter or select a liability account that tracks the money you owe vendors for purchases. This account is referred to as your linked payables account.

Bank Account for Paying Bills - Enter or select an account for tracking payments to vendors. This account is referred to as your payables bank account and is usually a Bank account type.

When you enter a bill payment, this account is credited by the amount of the transaction, and your linked Liability Account for Tracking Payables is debited.

Liability Account for Item Receipts - If you select the I can receive items without a vendor bill option, the Liability Account for Item Receipts field appears. Enter or select an account for tracking the cost of items you've received into your inventory, but for which you haven't yet received a bill.

Expense of Cost of Sales Account for Freight - If you select the I pay freight on purchases option, the Expense or Cost of Sales Account for Freight field appears. Enter or select an account that tracks the money you spend for the transport of items you purchase. This account is referred to as your freight paid account.

This account enables you to see how much of your gross purchases amount is actually goods or services, and how much is payment for shipping. This account appears on the Trial Balance, the Profit and Loss Statement and other reports.

If your vendors don't ship goods to your company, you do not need to select an account here.

Asset Account for Vendor Deposits - If you select the I track deposits paid to vendors option, the Asset Account for Vendor Deposits field appears. This field allows you to enter an account that tracks deposit amounts you pay for purchase orders. This account is referred to as your linked vendor deposits account.

If you never make deposits on purchase orders, you do not need to select an account.

Accounts for Discounts - If you select the I take discounts for early payment option, the Account for Discounts field appears. Enter or select an account

that tracks discount amounts that you've received from vendors for paying your bills early. This account is referred to as your linked vendor discounts account.

If your vendors don't offer discounts for early payments, you do not need to select an account.

Expense Account for Late Charges - If you select the I pay charges for late payment option, the Expense Account for Late Charges field appears. Enter or select an account for tracking finance charges that you've paid to vendors. This account is referred to as your linked vendor late charges account.

This account is used to track the fees you pay when a bill payment is past due, or if you are charged a finance fee on unpaid balances. This account is updated when you enter an amount in the Finance Charge field in the Pay Bills window.

If you aren't required to pay late charges, you do not need to enter an account.

Terms - Click Terms to open the Credit Terms window, where you can create a set of default credit terms for all vendors in your company file.

The terms you select will be automatically applied to every new vendor record you add to the Card File. If you want, you can change these details for an individual vendor in the Buying Details view of the Card Information window.

Payroll Linked Accounts

The Payroll Linked Accounts window enables you to select the default linked accounts assigned to payroll transactions in your company file. These accounts were automatically linked if you created a new company file using the New Company File Assistant, but you can change them if you need to.

Bank Account for Cash Payment - Enter the default account that will be used to track the amounts for employees you pay with cash. The account you select must be a bank or credit card account type.

Bank Account for Check Payment - Enter the default account that will be used to track the amounts for employees you pay by check. The account you select must be a bank or credit card account type.

Default Employer Expense Account - Enter the default account that will be used to track expenses you pay on behalf of your employees. The account you select here must be an account that is a bank or credit card account type.

Default Wages Expense Account - Enter the default account that will be used to track your wage expenses.

Default Withholding Payable Account - Enter the default account that will be used to track amounts withheld—such as taxes and deductions— from employee paychecks.