

**CHART OF ACCOUNTS**

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## CHART OF ACCOUNTS

### I. PURPOSE OF CHAPTER 6

Chapter 6 of *The Guide* introduces the Chart of Accounts. The chapter explains the different levels and categories of accounts, discusses the debit and credit convention associated with accounts, and outlines a method for determining which account to use for a particular transaction.

### II. OVERVIEW

An account is a four-digit number in the Finance System that is used to identify assets, liabilities, fund balance, revenue, expenses, or transfers. All financial transactions must be classified according to one of these categories. Furthermore, in order for the college's financial reports to be accurate, it is critical that accounts be used correctly.

#### **A. Complete Chart of Accounts**

A complete list of the accounts in the Finance System can be accessed from the Finance and Administration Policy website at [create hyperlink](#)

### III. LEVELS OF ACCOUNTS

Three types of accounts are found within the Finance System:

1. General Budget Account
2. General Account
3. User Option Account.

#### **A. General Budget Account**

The general budget account has one use only: to record budget adjustments. The general budget account is used on budget journal entries (BJEs) in the Finance System. No actual income or expenditure entries are permitted to be recorded in a general budget account.

#### **B. General Account**

The general account provides information about the classification of a particular transaction by identifying the general source of revenue, (state appropriations, tuition, auxiliary income, etc.), the general nature of an expense, (salaries, operating expense, travel), etc. General accounts are used to record actual balance sheet, income, expense, and transfer transactions.

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## IV. DEBIT AND CREDIT CONVENTION

The Finance System is a double-entry accounting system. This means that entries of equal and opposite amounts are made to the Finance System for each transaction. As a matter of accounting convention, these equal and opposite entries are referred to as a **debit** (Dr) entry and a **credit** (Cr) entry. For every debit that is recorded, there must be an equal amount (or sum of amounts) entered as a credit. For example, if there are debit entries which total \$100, then all credit entries must total (\$100).

**Note:** It is not the *number* of debit entries that needs to be the same as the *number* of credit entries. It is the *dollar amount* of the debit entries which must be equal to the *dollar amount* of the credit entries, i.e., there might be two debit entries totaling \$100 and three credit entries totaling (\$100). By insuring that the debit amounts always equal the credit amounts, the finance system remains in balance.

The chart below lists common accounting transactions and indicates whether the associated dollar amount should normally be a debit or a credit.

Type of Account	Normal Balance or Natural Sign for this Account	Transaction Description	Dr or Cr
Asset	Dr	Increase the amount of an Asset.	Dr
Asset	Dr	Decrease the amount of an Asset	Cr
Liability	Cr	Increase the amount of a Liability	Cr
Liability	Cr	Decrease the amount of a Liability	Dr
Revenue	Cr	Increase the amount of Revenue	Cr
Revenue	Cr	Decrease the amount of Revenue	Dr
Expense	Dr	Increase the amount of Expense	Dr
Expense	Dr	Decrease the amount of Expense	Cr
Transfers IN	Cr	Increase the amount of a Transfer IN	Cr
Transfers IN	Cr	Decrease the amount of a Transfer IN	Dr
Transfers OUT	Dr	Increase the amount of a Transfer OUT	Dr
Transfers OUT	Dr	Decrease the amount of a Transfer OUT	Cr

When accounting transactions appear on the Finance System statements, the report displays the sign of the amount being presented. A credit entry is indicated by placing parentheses around the number, (\$100.00). A debit entry receives no special notation.