

Chart of Account Preferences

Last Modified on 08/03/2023 10:36 am EDT

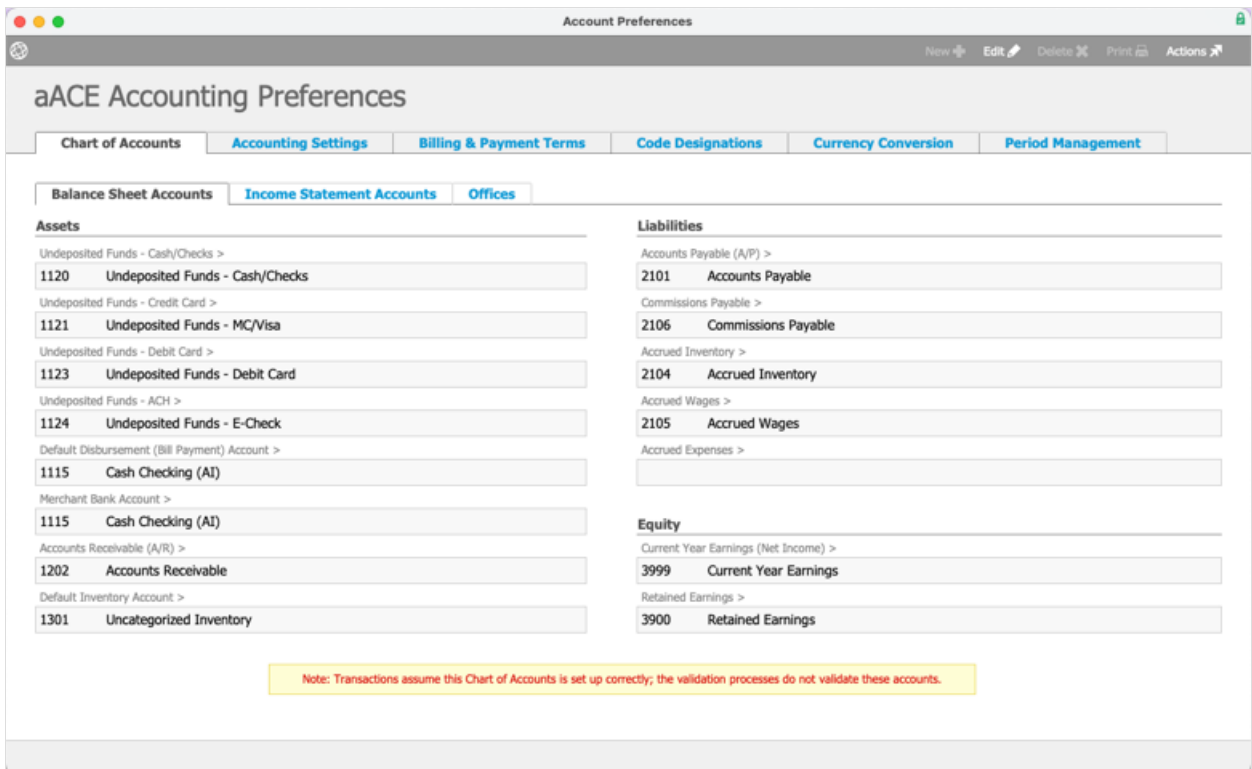
This guide explains the purpose for various default accounts that system administrators can specify. It is intended for advanced users.

Understanding the Chart of Accounts

The Chart of Accounts (COA) preferences let you designate default accounts for various tasks and calculations. This aACE functionality may be expanded or upgraded from your previous accounting software. Setting up the best COA for your organization may require some focused attention.

The overarching principle for setting up COA preferences is to support effective reconciliation. Your COA should be consistent with your sources of payments and your expenses, making it easier to reconcile accounts.

System administrators can access COA preferences from Main Menu > Accounting > Accounting Preferences > Chart of Accounts. The following screenshot shows a standard layout for COA preferences. If your system has been customized, it may differ from this graphic.



To display the detail view of an account specified in the COA fields, click the go-to link used for the field title.

Accounts with Underline Formatting

Some account numbers in your system may have underline formatting. This does not affect functionality. It simply notes that during an earlier [import process](https://aace5.knowledgeowl.com/help/importing-and-setting-up-your-chart-of-accounts) (<https://aace5.knowledgeowl.com/help/importing-and-setting-up-your-chart-of-accounts>), these accounts were identified as standard accounts for an aACE Discovery system.

If you prefer, you can manually remove underline formatting:

1. Navigate to the detail view for that account record.
2. Click **Edit**.
3. Right-click in the **Account Number** field.
4. Select **Style > Plain Text**.

Use and Best Practices

The COA preferences set the default account that aACE suggests when the system runs certain processes or when users complete certain tasks.

For example, aACE will auto-populate the account set in the Undeposited Funds - Cash/Check field when you receive funds. You can manually change that default account on the transaction. If you do *not* specify a default account here, you must manually select an account for each transaction.

When editing COA Preferences, you should have a clear understanding of the purpose for each field and make the best decision you can. However, do not feel overly anxious about the setup. aACE validations will alert users if a required account is missing. If funds are assigned to the wrong account, aACE includes robust features to help you [reassign GL accounts on posted transactions](https://aace5.knowledgeowl.com/help/reassigning-gl-accounts-to-posted-transactions) (<https://aace5.knowledgeowl.com/help/reassigning-gl-accounts-to-posted-transactions>).

COA Sections

The standard COA preferences are divided into the following tabs and groups:

- Balance Sheet Accounts
 - Assets

- Liabilities
- Equity
- Income Statement Accounts
 - Revenue (Sales)
 - Cost of Goods Sold (Cost of Sales)
 - Expenses
- Office-Specific Accounts

Balance Sheet Accounts

Assets

- Undeposited Funds - Cash/Checks – aACE defaults to this GL account when the Payment Method is set to Cash, Wire, Credit/Adj, or Other.
Note: If you do *not* have the credit card integration running on your system, aACE also defaults to this GL account when the Payment Method is set to Check. If your organization uses inter-office transactions, some of these payment methods may default to an office-specific account (see below).
- Undeposited Funds - Credit Card – aACE defaults to this GL account when the Payment Method is set to Credit Card *and* when the user selects a card that has the Card Type of Mastercard or Visa.
Note: The account(s) for MC/Visa and Amex might be separate or the same, depending on whether your credit card processor splits the deposits.
- Undeposited Funds - Debit Card – aACE defaults to this GL account when the Payment Method is set to Debit Card.
Note: If you have the credit card integration running on your system, you may not need to specify an account for debit card transactions.
- Undeposited Funds - ACH – aACE defaults to this GL account when the Payment Method is set to ACH.

The remaining preferences in the Assets section focus on other areas of functionality:

- Default Disbursement (Bill Payment) Account – aACE defaults to this GL account when:
 - You record a disbursement
 - You [record a deposit](https://aace5.knowledgeowl.com/help/recording-a-deposit) (https://aace5.knowledgeowl.com/help/recording-a-deposit) (e.g. presuming that you will be depositing cash and checks into the same account you use to pay bills)
 - You initially set up multi-office accounting (see below)
- Merchant Bank Account – aACE defaults to this GL account when your credit card processor settles the batch and deposits funds at the end of the day.

- Accounts Receivable (A/R) – aACE defaults to this GL account when you post received funds.
- Default Inventory Account – aACE defaults to this GL account when you create a new inventoried LIC.

Note: If there is not a single inventory account that will be correct for all your LICs, it is often best to create and assign a generic account here (e.g. uncategorized inventory). This can help your accounting staff recognize LICs that need to be updated.

Liabilities

- Accounts Payable (A/P) – aACE defaults to this GL account when you disburse funds.
- Commissions Payable – aACE defaults to this GL account for the credit entry when you create a commissions statement.

Note: If your organization is *not* using aACE to pay commissions, you can leave this field blank.

- Accrued Inventory – aACE automatically places a temporary credit to this GL account when you receive a shipment of inventoried items.

Note: This helps ensure your inventory numbers are reliable. Read more about [accrued inventory](https://aace5.knowledgeowl.com/help/understanding-accrued-inventory) (<https://aace5.knowledgeowl.com/help/understanding-accrued-inventory>).

- Accrued Wages – aACE automatically credits this GL account with a payable when you work with timesheets.

Note: This setting interacts with other preferences on the Accounting Settings tab, Timesheets section (e.g. 'Generate GL entries from timesheets upon closing'). If you are not currently using aACE to handle timesheets, leave this field blank.

- Accrued Expenses

Equity

- Current Year Earnings (Net Income) – aACE uses this account for internal calculations. Users will not post any transactions to this account. We recommend simply leaving the default account in place.
- Retained Earnings

Income Statement Accounts

Revenue (Sales)

- Default Revenue Account – aACE defaults to this GL account when you create a new inventoried LIC.

Note: If there is not a single inventory account that will be correct for all your LICs, it is often best to create and assign a generic account here (e.g. uncategorized inventory).

Your accounting staff will then be able to easily recognize and update LICs as needed.

- Shipping Mark Up (Handling) – aACE accrues the value in this GL account when you charge customers a mark-up on shipments.

Cost of Goods Sold (Cost of Sales)

- Default Cost Account – aACE defaults to this GL account when you create a new inventoried LIC.

Note: If there is not a single inventory account that will be correct for all your LICs, it is often best to create and assign a generic account here (e.g. uncategorized inventory).

Your accounting staff will then be able to easily recognize and update LICs as needed.

- Accrued COGS – aACE uses this account for internal calculations used to audit and reconcile inventory. Users will not post any transactions to this account. We recommend simply leaving the default account in place. (Read more about the reconciliation processes for [COGS](https://aace5.knowledgeowl.com/help/understanding-the-cogs-reconciliation-process) and [accrued COGS](https://aace5.knowledgeowl.com/help/understanding-the-accrued-cogs-reconciliation-process).)

Expenses

- Commissions Expense – aACE defaults to this GL account for the debit entry when you post a commissions statement.

Note: If your organization is *not* using aACE to pay commissions, you can leave this field blank.

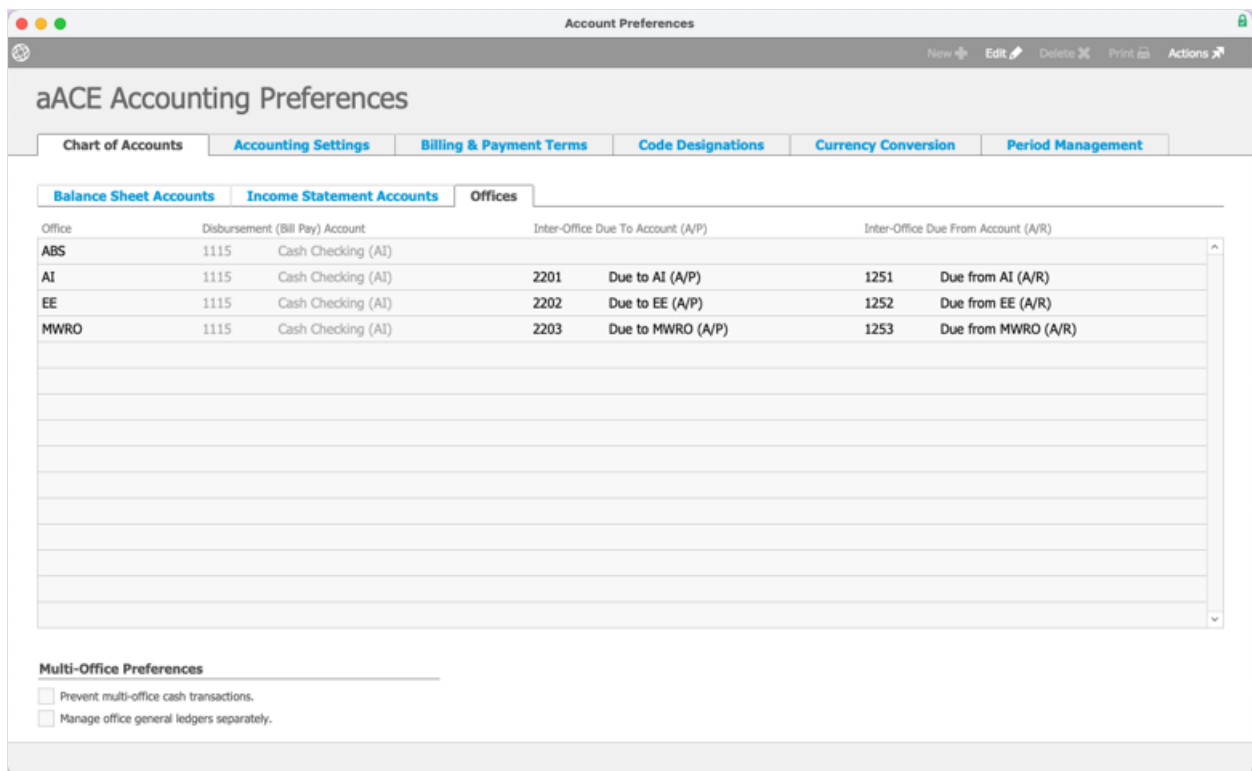
- Capitalized Mfr Labor – aACE uses this account to accrue value from time expenses linked to creating inventoried stock. This value is added to the total value of your inventory, rather than being left as an expense. If your organization is *not* using aACE to handle timesheets, you can leave this field blank.
- Use Tax Expense – aACE accrues the value to this GL account when you open a purchase that is flagged to [pay Use Tax](https://aace5.knowledgeowl.com/help/working-with-use-taxes-on-purchase-orders-and-purchases).
- Inventory Losses – aACE defaults to this account when you create a Loss-type inventory adjustments.
- Capitalized Mfr Overhead – aACE uses this account to accrue value from time expenses linked to creating inventoried stock. This value is added to the total value of your inventory, rather than being left as an expense. If your organization is *not* using aACE to handle timesheets, you can leave this field blank.
- Sales Tax Expense – The GL account for taxes is set up in the tax profile. When you open a purchase, it has two tax fields. The sales tax account is needed when you do enough business to have nexus in a certain area.
- Currency Conversion Adjustments – Only organizations implementing a custom setup

for international currencies need to use this field. Otherwise, you can leave this field blank.

- Labor Overhead Allocations

Office-Specific Accounts

If you have multiple offices that receive funds, you can create an office-specific disbursement account and accounts for managing inter-office debits and credits, then assign them here as defaults.



- Disbursement (Bill Pay) Account – Initially shows the Default Disbursement (Bill Pay) Account from the Assets section above in gray text. You can create an office-specific disbursement account, then assign it here.
- Inter-Office Due To Account (A/P)
- Inter-Office Due From Account (A/R)

Multi-Office Preferences

These settings give you further control over how transactions and records can be handled in your organization.