

Appendix C: Chart of Accounts

This appendix is **optional reading**, in that you are not expected to read this material to complete the test for this module.

One of the first steps in setting up an accounting system is the creation of a Chart of Accounts. This is the list of transaction categories, or accounts that will be most relevant to your practice. It is under these categories and codes that your payments and receipts will be recorded. You will have accounts for assets, liabilities, income (revenue) and expenses.

Your Chart of Accounts can be changed as circumstances change, but if it is properly done in the beginning, it will make the recording of transactions easier and more accurate. If you were setting up a manual system, you might include the items below in your chart of accounts. Any good computerized system should include these types of accounts too:

ASSETS	
Trust Bank Accounts	Pooled Trust Account
	Separate Interest Bearing Trust Account
Current Assets	General Bank Account
	Petty Cash
	Accounts Receivable
	Allowance for Doubtful Accounts
	Client Disbursement Recoverable
	Employee Loans/Advances
	W-in-P Fees
	W-in-P Disbursements Recoverable
	GST Input Tax Credits
	Prepaid Expenses
	Refundable Deposits
Fixed and Other Assets	Furniture
	Office Equipment
	Depreciation - Furniture
	Depreciation - Office Equipment
	Investments

LIABILITIES AND PROPRIETOR'S EQUITY**Liabilities**

Current Liabilities	Liability for Client Funds Held in Trust
	Bank Loan
	Accounts Payable
	Payroll Clearing Account
	Vacation Pay Accrual
	GST Payable (net of input tax credits)
	PST Payable
	Trust Administration Fee Payable
Long Term Liabilities	Capital Loan
	Equipment Loan
	Other

Proprietor's Equity

	Capital (Firm or Corporation)
	Retained Earnings [Note 1]
	Profit/Income Distribution for Year [Note 1]
	Drawings for the Year [Note 1]

All of the accounts listed this far affect the balance sheet. At year end, net income from the income statement will be journalized into the unallocated income account until distribution occurs to the partner lawyers' capital accounts. The accounts that affect the income statement follow:

REVENUE AND EXPENSE**Revenue**

	Fees Earned
	Disbursements Recovered
	Interest Income
	Other Income

Expense

Office	Insurance - General
	Interest and Bank Charges
	Occupancy
	Office
	Telephone - Office
	Associate Salaries
	Staff Salaries
	Other Payroll Costs
	Professional Services
Professional Costs	Education, Training
	Practice Promotion and Development
	Practice Fees
	Practice Insurance
Disbursements/Other Costs	Delivery
	Fax
	GST
	Long Distance Telephone
	Minister of Finance
	Photocopier
	Postage
	Travel

Other Expenses	Depreciation
	Bad Debt, Fees
	Bad Debt, Disbursements
	Write-offs, Unbilled Disbursements

[\[Note 1\]](#) Firms of more than one lawyer would create separate accounts for each lawyer.