

Developing a Chart of Accounts



CASE STUDY: Larry Sharp, M.D.

The following information relates to the medical practice of Larry Sharp, M.D.

1. Dr. Sharp is the sole owner of his medical practice and has all the owner's equity (capital and drawing) in his name.
2. Dr. Sharp has the following assets that are used in the business: \$15,000 in cash, \$1,200 worth of supplies (an asset and an expense), and medical equipment that cost \$8,900.
3. Dr. Sharp buys all of his medical supplies on account and pays for them within 30 days of the purchase.
4. In payment for his services, Dr. Sharp will accept cash or will bill his patients on account. He records all revenues as fees earned.
5. Dr. Sharp pays rent his office space (an expense). His lease agreement requires him to pay his own utilities (an expense).
6. Dr. Sharp is required to carry malpractice insurance (an expense),
7. Dr. Sharp has one receptionist and one medical assistant who work for him full-time and earn wages (an expense). Each year, he buys the receptionist and assistant flowers on their birthdays, a miscellaneous expense.
8. To keep current on medical advances, Dr. Sharp frequently attends medical seminars. These seminar expenses can cost as much as \$10,000 each year.

CHART OF ACCOUNTS

Using the information above, develop a list of the accounts used (a chart of accounts) for Dr. Sharp. Remember to number the accounts using the following system:

- 1 = Assets (in order of liquidity)
- 2 = Liabilities
- 3 = Owner's Equity
- 4 = Fees Earned
- 5 = Expenses (alphabetical)

(hint: there are a total of 15 different accounts that Dr. Sharp uses)