

Chart of Accounts (COA) Design



Point of View (POV)

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Chart of Accounts design terms

- **Code Block**

- The data element group that taken together forms the COA structure
- Examples of a code block include Account, Legal Entity, Department, Location, Vendor, Customer, Partner etc.

- **Dimensions**

- The major operating units, products & services, functional areas and other elements or segments in the business model that have specific data and reporting requirements that will need to be reflected in the application and data architecture of the enterprise



Chart of Accounts (COA) design principles

Leveraging ERP Functionality

- Use the reporting capabilities of various ERP modules for data elements critical for management reporting rather than the GL

Intelligent Numbering

- Use dimension groups or hierarchical trees of COA code block values for reporting rather than intelligent numbering of the values

Avoid Overlapping Dimensions

- Each major dimension of the business should be reflected in only one of the COA code blocks

Financial Reporting

- Organizational structure in the COA values is flexible but designed to support the financial consolidation process and financial reporting



Designing general ledger account values

First Digit of GL Accounts

- Consider using the following structure for the first digit of each GL account to enable structured financial reporting:

1. Assets
2. Liabilities
3. Equity
4. Revenue
5. Cost of Goods Sold (COGS)
6. Operating Expenses
7. Other Revenue / Expenses
8. Taxes
9. Statistical

Leading Subaccount Design

- Avoid creating multiple GL accounts for the same business activity to reflect a geographic, business unit, product or legal entity grouping of transactions
- Do not incorporate two or more business dimensions into the numbering or descriptions of subaccounts
- Sub accounts can follow a standard numbering sequence but are enabled by assigning parent-child relationships in the account configuration setup
 - Parent: 620000, Telecom & Data Expense
 - Children:
 - 620100, Telecom Conferencing Expense
 - 620120, Mobile Phone Expense
 - 620130, Internet Connectivity Expense

Restricting Accounts

- GL accounts such as a cash account for a specific bank account can be restricted to specific Subsidiary (Legal Entity) segment value to avoid using the wrong Subsidiary and Account value combination in a transaction
- If you use intelligent numbering for ranges of revenue accounts to align them to revenue streams they should be restricted to only the subsidiaries that have that revenue stream.
- GL account restrictions may require maintenance as a subsidiary or business unit expands their portfolio of products and services or begins to incur new types of expenses



Example of a COA code block for netsuite ERP

Subsidiary	Account	Department	Class	Location
<ul style="list-style-type: none"> • Business Units and Legal entities 	<ul style="list-style-type: none"> • Natural Account also known as GL Account Number 	<ul style="list-style-type: none"> • Indirect, Direct and SG&A Cost centers 	<ul style="list-style-type: none"> • Profit centers and Revenue Streams 	<ul style="list-style-type: none"> • Geographic or physical location of business activity
<ul style="list-style-type: none"> • Notes: • Represent the legal entity structure and business units • Defined values for future: <ul style="list-style-type: none"> • All legal entities • Joint ventures 	<ul style="list-style-type: none"> • Notes • General Ledger (GL) accounts that represent the functional activity of a business transaction • Utilize intelligent numbering in first digit for high level financial reporting • Assigned account type to each value to ensure balancing of entries • Primary design focus is on enabling most accounts to be used across all business units 	<ul style="list-style-type: none"> • Notes: • Functional areas of the business • Defined standard support departments to be used by all business units • Defined direct cost teams to continue legacy practice of tracking direct headcount cost <ul style="list-style-type: none"> • Eliminated need for many redundant salary and benefit GL accounts 	<ul style="list-style-type: none"> • Notes: • Defined values for each of the major revenue streams for all the current business units • Created additional GL accounts to allow for income to be split into categories of the revenue stream when needed • All COGS accounts aligned with Class and income accounts 	<ul style="list-style-type: none"> • Notes: • Primarily alpha characters but numbers can be used for values • Defined values for future: <ul style="list-style-type: none"> • US states • Canada provinces • Mexico • Consider defining values for physical locations of major operations centers



Steps to upload COA design into ERP system

- Future state chart of accounts is designed in Excel and then migrated to an upload template known as a CSV file
- All fields required for the COA segment value must be populated in the upload template

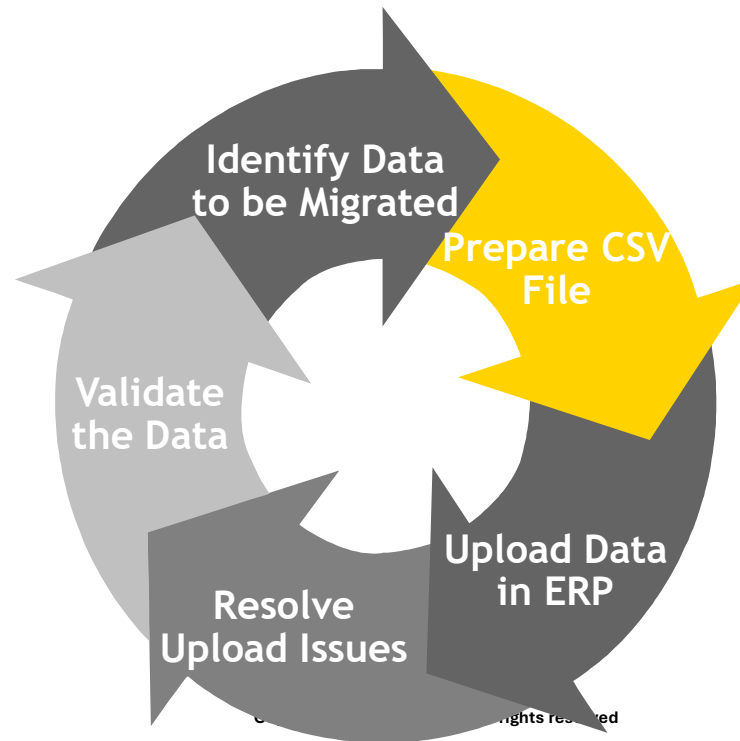


Chart of Accounts (COA) data upload tips

- 1 Identify all parent child relationships in each COA segment
- 2 Identify the account type for each General Ledger (GL) account
- 3 Identify the appropriate currency for each GL account
- 4 Identify what GL accounts are restricted to one subsidiary (Legal Entity)
- 5 Identify the GL accounts that are Summary Accounts and will not have transactions booked to them
- 6 Prepare separate COA upload files for parent accounts and child accounts
- 7 Assign bank and credit card cash accounts to only one subsidiary (Legal Entity) value
- 8



Value Delivery Focus Areas

Finance Process & Operating Model Optimization

- Order-to-Cash (OTC), Source-to-Pay (S2P), Financial Close
- Operating model design, SSC & BPO implementation
- Working Capital improvements in Billing, AR, Collections

Program and Project Management

- Program Management design and leadership
- Change management services

Digital Transformation

- Automation of core OTC and S2P processes

Service Delivery Highlights

Led team of 40+ consultants to document processes, lift & shift 200 roles to off-shore SSC

Designed Order-to-Cash internal controls to support SAP global implementation for technology company with \$24B in revenue

Led finance assessment of new acquisition in South Korea for leader in the automotive industry



Peter Fazio
Finance Transformation



Senior Mgr. Consulting



Business Unit Controller



SVP Finance



Auditor & Consultant



Business Unit Controller



Adjunct Professor



Infantry Officer



Finance Assessment



SSC Implementation



OTC Outsourcing



SSC Process Design



Operating Model Design



Acquisition Integration



Lease Accounting



Finance Process Design



Chart of Accounts



S2P Process Transformation



Joint Venture Implementation

Prior or Current Roles

Previous Client Work

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8