

Chart of Accounts Expanded

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The purpose of this document is to describe a Business Model as an Expanded Chart of Accounts. First, I will describe Chart of Accounts, both traditional and expanded. Then, I will describe a business model as an historical account that uses a Chart of Accounts in a way similar to the traditional Chart of Accounts.

History Buckets

Accounts are buckets set up to collect history. Traditional accounts are the buckets set up to collect financial history. Traditional financial accounts are the line items on reports that show three basic strategic views: position, activity, and change. Together (in relation to points and lines of time) these three views record history. An Expanded Chart of Accounts lists and keys the line items of all reports that record history.

Bucket definitions provide Meaning

Accounts and reports have meaning because they are defined. Definitions document relationships between words. Words have meaning in context. Definitions document a specific meaning in a specific context. Accounts are defined in a dictionary that lists them in their context, and with their specific definitions. These lists are called Chart(s) of Account(s). An Expanded Chart of Accounts lists and defines all reports that record history.

Meaning: If buckets are defined in Advance

History is relational. Position, activity and change measurements are relative or relational. For history to be meaningful, the buckets have to be set up in advance. In other words, there is a prophetic element to history. For example, an Organization Chart is prophetic. It takes time to measure cause and effect. Change prophesied by authority and responsibility re-organization is measured over time by business character and profitability changes. For history to be meaningful, the buckets have to be set up in advance. History is relational, and a Chart of Accounts dictionary reports historical relationships.

Advance Cause and Effect Relationships

Relationships provide context for understanding. A business model (composed of relationships between business objects and objectives) provides context for understanding. Those relationships come from reports. A Chart of Accounts defines historical relationships.

Business Science defines information

A business model is an Expanded Chart of Accounts. Accounts report (by line item), and Chart of Accounts index. Therefore, a Chart of Accounts provides a key to reported information. The Traditional Chart of Accounts defines line items on the financial reports an owner uses to manage (and communicate) his business. But, owners use other historical reports. Those reports come in many forms internal and external:

Chart of Accounts Expanded

maps, regulations, catalogs, industry standards, etc. In his mind, the owner uses business science to integrate all this information. Prior to that, the owner used business science to set up the internal reports: sales, production, distribution; financial; organization charts, and payroll reports. Therefore, a business model displays the owner's logic. It shows the owner's "Big Picture" hidden in his reports. It shows the way the owner defines his business.

Account Summary: The Big Picture

The primary relationship for historical understanding is the account summary. In other words, account organization allows people to see the "Big Picture". In other words the Chart of Accounts indexing relationships enable information to be rolled up or summarized. Those parent child summaries also allow people to understand individual sets of information by viewing sibling relationships. Dictionaries define words by showing us context through these parent, child and sibling relationships, and a Chart of Accounts is a dictionary.

Report Line Items: Expanded Chart of Accounts

A Business Model contains information from all reports an owner uses to manage his business. Defining the way an owner integrates all this information, it recognizes an Expanded Chart of Accounts which defines all the line items on all the reports. Since reports are set up using business science, those definitions include business relationships between reports. Business Science defines cross-functional relationships.

Business Science: The Language of Business

Those reports are ordered by Business Science. Business Science can be described as the language of business. It is the language of people of diverse talent working together. It is the language of planning and controlling or measuring that work. To integrate those talents, reports naturally follow that language. Business Science even orders reports used to manage functions only, but those reports are not needed for cross-functional planning and control (business modeling).

Business Science: the Meta-Model for your Reports

That Business Science order is an abstract. In other words, you will not see business language in the reports, but business language is the model for those reports. A model of a model is called a meta-model. Business Science is the idea, or abstract, or meta-model for the reports.

Cross Functional View: the Owner's Vision

Looking at the reports, you will see the specific language of that business. Noting the organization of the report (the detail and summary line items), you will see how those terms are ordered by that specific business. These terms provide a technical definition or view of the business. But, the Business Science hidden in those reports provides a general definition or view of the business. Business Science shows how the person (or people) who set up those reports planned to use that functional information for cross-

Chart of Accounts Expanded

functional decision making. In other words, that general business view allows people to see a vision, the owner's vision.

The Owner's Objective View

The owner's vision shows the business objectively. It shows the business as objects and objectives. Like making war on a map, it answers the questions: who, what, when, where, how, and why. It describes the people, places, things and events of the business. These things are defined by how they relate to each other both generally and specifically. Each function provides a partial view of those objects. Together, all the internal and external functions define the business objectively.

Report Type plus Language of Business Meta Model equals Owner's View or Business Model

The report meta-model is derived from the function type. Knowing the report type, and knowing the general language of business, a person can associate (translate) the specific business language with the general language of business. For example: the general business entity order on sales reports highlights customers, products, and locations. Likewise, production reports highlight products, processes and suppliers and their organization. Financial reports highlight assets, equities, periods and their organization. Management reports like payrolls (time and expense ledgers) highlight people, organization, responsibility and authority meta-models. I say highlight because each report can have something to say about all the business entities, but the report order puts focus or highlight on certain entity types. The report meta-model is derived from the function type, and together with an abstract of Business Science all the functions produce the owner's business model.

Business Science Thinking Tool for Normalization

Therefore, an Expanded Chart of Accounts needs a Business Science meta-model. That meta-model is a thinking tool used to keep the Expanded Chart of Accounts in a useful order. The technical term for useful order is normalization. Keeping the Expanded Chart of Accounts normalized will keep the information in a form that does not limit its use. The thinking tool is a normalized view of Business Science. Without the thinking tool, it is very easy for the Expanded Chart of Accounts to lose normalization. Like a fouled fishing reel or twisted fishing line, over time a normalization problem in the Expanded Chart of Accounts will limit its use. At this time there is only one of these thinking tools: the Pace TeamsWin General Business Model. See www.teamswin.net for more information.

Chart of Accounts Expanded

Summary: Owner's Vision; Business Science; Objective Big Picture Summaries; Keys for Rollup and Drill Down; Normalized Buckets; and an Expanded Chart of Accounts equal a Business Model

In summary, a business model is an Expanded Chart of Accounts that indexes all the internal and external historical reports an owner uses to plan and control or measure his business. Like any Chart of Accounts, these accounts both define and provide an access key to information an owner needs to understand and communicate his business. An Expanded Chart of Accounts reveals the owner's vision. It shows how the owner has used business science to organize his reporting objectively. Like any Chart of Accounts, it keys the drilling down to detail information, and rolling up to summaries that describe the big picture. For history to be meaningful, the buckets must be set up in advance. To be useful, those buckets must stay normalized to a normalized Business Science meta-model. A business model is an Expanded Chart of Accounts.