Account types

Chart of Accounts is presented as a tree. It has four levels of accounts in a strict hierarchy.

Category

The top-level (root) accounts.

Describe the type of account like Assets, Liabilities, Income, Expenses, etc.

Not bookable. e.g can't be used in transactions.

Parent for Group accounts.

Group

The second-level accounts.

Serves as sub-categories for Category accounts. For instance, Current Assets, Cash and Cash Equivalents, Loans and Receivables, etc.

Not bookable. e.g can't be used in transactions.

Parent for Subgroup accounts.

Subgroup

The third-level accounts (usually used in loan/saving/term deposit products setup).

Serves as sub-groups for Group accounts. The main goal of this type of accounts - automatically to create balance (bookable) accounts per client.

It works that way:

1. We are setting up a loan product, accounts section.
2. We should provide a loan principal account and we want to have a **separate account for each loan**. That means if client A received one loan and client B received another one, then two balance accounts should be created: loan principal account for client A and loan principal account for client B. And they should be the balance (bookable) type.
3. We can achieve the behavior described above by choosing the third-level (group) account. Let us say, account "1005001 | Loans Receivable" is a third-level account. In this case, after disbursing two loans to clients A and B, two accounts will be created: *"10050010001 | Loans Receivable for client A"* and *"10050010002 | Loans Receivable for client B"*

> ⓘ Please note, 4th level (balance) accounts can be used in a product setup too. In this case, there will be no dividing per clients and the same account will be used for receiving money from all clients. It might be useful if you don't need to separate fees, penalties, etc per clients and want to have that money on the same account.

Balance

The forth-level accounts (participate in transactions).

It is bookable accounts that have balance, can be used in transactions, etc.