

The chart of accounts

Accounting and finance

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Understand account groups and types, and add the accounts your business needs.

Beginner · About 15 minutes · Version 1.0 · Updated 17 November 2026

Overview

The **chart of accounts** is the list of every account your books are kept in. It is shown as a tree. Every transaction you post lands in one or more of these accounts, which is how the reports are built.

There are five **root types**:

Root type	Examples
Asset	Cash, Bank, Accounts Receivable, Stock, Fixed Assets
Liability	Accounts Payable, Loans, Taxes Payable
Equity	Capital, Retained Earnings
Income	Sales, Other Income
Expense	Cost of Goods Sold, Rent, Salaries, Transport

Prerequisites

The Accounts Manager role, and a company created. See Creating and configuring your company.

Steps

Add an account

1. Open **Accounting** and click **Chart of Accounts**.
2. Choose your company at the top, if asked.
3. Click the group the new account belongs to, for example *Bank Accounts*, then click **Add Child**.
4. Enter the **Account Name**, such as `Equity Bank`.
5. Set the **Account Type** (Bank, Cash, Receivable, Payable, Tax, Stock, Expense Account and so on). This tells the system how to treat it.
6. Leave **Is Group** unticked, because this is an account that receives postings.
7. Click **Create New**.

Review a balance

Click an account to see its balance on the tree, or use the **General Ledger** report to see every entry.

Practical example

Mwangaza Hardware opens separate accounts under *Bank Accounts* for `NCBA Current` and `M-Pesa Till`, and one under *Indirect Expenses* for `Transport and Delivery`. Their reports then show each clearly.

Important notes

- **Group** accounts are folders. You can only post to non-group (leaf) accounts.
- Do not rename or delete accounts that already have entries. Disable them instead.
- Use the **Account Type** correctly. For example, a *Bank* type account is needed for bank reconciliation.

Common mistakes

- Creating a very detailed chart. Start simple. You can add accounts later.
- Making an account a group by mistake, so it cannot receive postings.

Troubleshooting

An error saying an account is a group means you chose a folder. Pick one of its children instead.

Next steps

Read Journal entries and opening balances.

Related documentation

- Journal entries and opening balances
- Financial reports
- Creating and configuring your company