Perfo Please stop going on about the data model, it is   12:05 AM
implemented by many people (separately, it is a condensed
version of what I have implemented in two Aiussie banks). It
works. So it is not about understanding this data model (I think
you understand it), it is about the Ledger Hierarchy or "chart of
accounts".
It is not about how to make YOUR Ledger Hierarchy work in this
Data Model.

Rako Agreed, how do I correct the heirarchy?

Perfo It is about WHAT your Ledger Hierarchy should be, to work at
all, and to work in this data model. Stick to your detailed
transactions (Q1 & Q2 above) as a starting point for our
discussion, and we will progress from there. Do not provide
additional posts.

> Agreed, how do I correct the heirarchy?
Yes, I know,we have to go through the detailed transactions.

Rako Ok

Perfo Give me 10 mins while I reformat your transactions so that we
can use them ...

Rako Yes sir

Perfo I am looking at: 12:11 AM
> Explicit Rows for LedgerTransaction
Date Ledger,Debit,Credit,Description
and it is not consistent ...
Each line has only one of (Debit|Credit} but the header says two
fields
Can you please clean that up

Rako Yes, I think it's more clear in the next message with ledger
transactions and accounttransaction

Perfo 2) where LedgerTransaction & ccountTransaction go together
(same Date & Time), show consecutive rows, instead of two
separate sets of rows
Please do not tell me what is/ is not clear, your thoughts are a
mess, I will instruct you, incrementally, to clear your thoughts,
with the stated goal in mind

Rako Ok

Perfo > as you have provided
What section § number ?

> as you have provided in you example LedgerTransaction

What section § number ?

I am now looking at:

> explicit rows of transaction as you have provided in you
> example LedgerTransaction
> Date LedgerNo_Dr LedgerNo_Cr Amount Description

which is much better

but which *example of mine* are to referringto ?

Rako @PerformanceDBA i am sorry but i tried to explain the transaction with the table you defined in the model for account transaction and ledger transaction.

Perfo I see that, thank you for setting it out as requested   12:24 AM

Separate question ... you said "as you have provided in you example LedgerTransaction"

which freaking "LedgerTransaction" in my SO Answer are you referring to ?

Or did you mean that generally, and there is no specific § in my SO answer that you are referring to ?

Rako i meant it generally

Perfo Ok, we start now.

I will take your Q2 as your intention, but both of us know, your Ledger Hierarchy is (a) wrong, and (b) will not readily fit into my example Ledger Hierarchy

Do you understand that ?

Rako yes

Perfo Ok, Before you give Alex a $10,000 loan, the money must be sitting somewhere, available, for use.....

In DEA, money cannot be manufactured from thin air ... it is a closed system

Where the frog is that money, which LedgerAccount [(cr/dr) not discussed at this point]

Rako cash asset ledger i suppose.

Perfo get more specific (remover the word "ledger" because   12:32 AM everything in the Ledger is "ledger"

Eg I have HouseCash; HouseReserve; etc

Rako ok lets assume a business had money in CashINDrawer which is an asset

Perfo Where is the money that the bank has, that it has earmarked as available for loan-out, separate from ready cash for withdrawals (HouseCash)

and separate to money for moving around internally

(HouseReserve)
as per ALL my examples
?
Forget about {Asset/Liability} because that is a treatment at yet another level, we can get to that later, now now
This
>lets assume a business had money in CashINDrawer
is accepted, but "CashINDrawer" is stupid
Think about it, you are not loaning from "CashINDrawer" which is for people who come in and want a cash withdrawal, from their existing Account
This is a NEW LOAN

Rako — then Loans & Advances

Perfo — Oh good
So there is a LedgerNo that is "Loans" that had better have at least $10,000 in it
Let us make that specific:
`Ledger.LedgerNo, LedgerType, Name
994 AL HouseLoan`
see if you can find 992 on this page and therefore where it fits into the Ledger Hierarchy
softwaregems.com.au/Documents/Student_Resolutions/Alex/…

Rako — under 890 House we create 994 AL HouseLoan?

Perfo — Correct   12:43 AM
The point is, it is separate from HouseCash and HouseReserve, but still under House∗
The point is, you have to have money (not cash) available for loans, before you can give out a loan
All such money is real money in the system, but not necessarily "hard cold cash"

Rako — ok understood money needs to be present in an account to be loaned,but why liability?for a bank HouseLoan maybe a liability but for a business shouldnt it be AA Asset
sorry if i interrupted.

Perfo — I said, forget about Asset/Liability, I will not discuss it at this point

Rako — ok

Perfo — So what the frog are you, a business or a bank ??? the Ledger Hierarchy is differen for a business vs a bank

Rako — a business.

Perfo — That is precisely why each business has to set up their   12:50 AM

> Ledger Hierarchy, to suit that treatment of LedgerAccounts
> > a business

So why are you trying to understand a bank, that gives out loans ???

Rako   im sorry either way i would like to know how its done.

Perfo   **NO**
No wonder you are confused, you are confusing yourself, by yourself, and then asking me to un-confuse you
Do you now understand, you cannot have ONE universal Ledger Hierarchy/"Chart os Accounts"

Rako   oh i do now understand both a business and bank have different heirarchies

Perfo   That there is one Ledger Hierarchy/"Chart os Accounts" per business, which is why you need an Accountant per business
and each Ledger Hierarchy/"Chart os Accounts" is set up precisely for each business
and a particular business may be a bank
which means different Ledger Hierarchy/"Chart os Accounts" again
and within that {Asset|Liability} will be sepcific to each business
> i do now understand both a business and bank have different heirarchies

Good. Do you now understand that there is, therefore, no such thing as a generic loan from a generic business/bank, and therefore no precise Ledger/AccountTransactions are possible ?

Rako   yes i do understand now,so can i suggest we proceed with a business giving out loans?

Perfo   Piss off. A business does not give out loans.   1:01 AM
Do not try to be too smart, you are asking the same question again, which has already been invalidated
Ask an honest question

Rako   a business that is a bank ?

Perfo   Oh good.
So let's be a bit more honest, we do not go to a business that is a bank to get a loan
we simply go to a BANK
The Problem is, a BANK sets up a much more elaborate **Ledger Hierarchy/"Chart of Accounts"** than a business-that-is-not-a-bank
???
So we have Ledger`[890, 990, 992, 994]`

Rako   yes

all rooms [   ]

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Perfo   In Ledger[994] Amount = $500000 already
prior to giving Alex a loan
because we have to have the money available for loans,
separate from cash for withdrawals

Rako   so an accountXact+ from 994 AL HouseLoan to alex   1:21 AM
would suffice?

Perfo   Almost ..
We need +TransactionTypeExt[Ln, Loan]
to differentiate Deposits (by the person) from Loans (deposits
made by the BANK)
because the BANK is not a generic business
After that, yes ...
+AccountTransaction.LedgerNo, DateTime, XaxctTypeCode,
XaxctTypeCode_Ext, AccountNo, Amount, Description
994, 24–11–29 12:00, Dr, Ln, 123, 10000, Loan to Alex
Now the $10,000 is available in Alex' Account, for him to spend
(write cheques or make withdrawals)
Understood ?

Rako   yes thank you,

Perfo   Now that is the **SIMPLE ANSWER**, we are pretending that that
the BANK is simple, but...
a BANK sets up a much more elaborate Ledger Hierarchy/"Chart
of Accounts" than a business-that-is-not-a-bank
So the full-blown answer for a BANK is a bit more
Eg. it may keep track of "loans out, to be repaid" as distinct
from 994 HouseLoan
So there will be:
+Ledger.LedgerNo, AccountType, Name, Description
995, AA, Loan Out, Repayable outstanding
and LedgerTransactions before the loan to Alex:
+LedgerTransaction.LedgerNo, DateTime, LedgerNo_Dr,
Amount, Description
995, 24–11–29 12:00, 994, 10000, Loan out to external
account
then the:
+AccountTransaction.LedgerNo, DateTime, XaxctTypeCode,
XaxctTypeCode_Ext, AccountNo, Amount, Description
995, 24–11–29 12:00, Dr, Ln, 123, 10000, Loan to Alex
from 995 not 994

——

Rako   so a repayment moves money back from alex to 995   1:40 AM
Loan Out ?

Perfo   And a similar (mirrored) set of transactions for each repayment

that Alex makes, into his Loan Account
Correct
But Alex has to pay (deposit) into his Account first, that is
where he repays money to the bank

Rako   @PerformanceDBA yes

Perfo   then interanlly ...
repayment moves money back from alex ACCOUNT to 995 Loan
Out
ANd similar to 995 Loan Out, the BAK may have
996 Loan Repayment
so that it keeps track (daily basis) of loans-out vs repayments-in
vs loan-available; etc
Repeating ... *a BANK sets up a much more elaborate Ledger
Hierarchy/"Chart of Accounts" than a business-that-is-not-a-
bank*

Rako   wow this makes total sense.thank you very much.

Perfo   and a business-that-is-not-a-bank needs a much more simple
Ledger Hierarchy/"Chart of Accounts"
But even then, it has to be correctly set up (eg. {Asset|Liability}
for the specific business
>thank you very much.
You are most welcome

Rako   @PerformanceDBA can i get an outline like how it can   1:48 AM
be setup for a business that primarily lends loan?

Perfo   See, I told you, this is not a database question, it is a tutorial on
Ledger Hierarchy/"Chart of Accounts"

Rako   ok lets leave it at that.thank you again.i will explore.

Perfo | can i get an outline like how it can be setup for a business
            | that primarily lends loan?
Huh ? I have given you exactly that: first the simple, and
second the full-bank answer
It is already "online" in this chat log
???

Rako   @PerformanceDBA pardon me. i see that(reread) .

Perfo   So are we done here ?

Rako   yes sir.   1:56 AM

Perfo   Good bye and good luck in your endeavours

Rako   wish you good health and happiness.

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Perfo

Your persistence is good, you just need to improve the questions you ask, make them more specific, understand db-question vs "Chart-of-Accounts"-question ... but I appreciate you are learning ACCOUNTING without formal training

all rooms

Transcript for

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