



General Ledger

Definition

A *general ledger* is the central location which contains all of the accounts for recording all the transactions of an organization. These transactions will affect the organization's assets, liabilities, fund balance, revenue, and expenses. Each transaction contains a credit and debit entry, so the total of all the credit balances should equal the total of all debit balances.

Purpose

The purpose of the *general ledger*, besides recording every transaction for the entity in the correct account, is to provide the information used to create the entity's financial statements.

Making Accounting Entries

1. Initial accounting entries are recorded in a *general journal* (or, *book of original entry*), such as:
 - Cash disbursements
 - Cash receipts
 - Depreciation
 - Asset sales
2. The *journal* must have:
 - Separate columns for:
 - Receipts
 - Disbursements
 - Fund balance
 - Totals row for:
 - Receipts,
 - Disbursements
 - Fund balance
3. When recording a *journal* entry, the entry must include the:
 - Debited account
 - Credited account
 - Amounts
4. The *general ledger* holds individual accounts, such as:
 - Cash
 - Accounts Receivable
 - Accounts Payable

- Equipment
- 5. Once an entry is “posted” in the *general journal*, an entry is classified and posted in the correct individual account in the *general ledger*.
 - The physical recording of a *journal* entry before making a *general ledger* post has become obsolete in the past 25 years.
 - Software exists that automates the process of posting *journal* entries to the appropriate accounts contained in the *general ledger*.