**General Journal Explained**

**1. Chart of Accounts Setup**

Before transactions can be recorded, a structured **Chart of Accounts (COA)** must be implemented. Each account should have:

* A unique account code
* Account type (Asset, Liability, Equity, Income, Expense)
* Sub-ledger association (e.g., linked to vendor, customer, employee, etc.)

**2. Journal Entry Structure**

Each transaction (manual or system-generated) must create a journal entry with:

* Date
* Reference number
* Debit Account
* Credit Account
* Description
* Amount (in base and foreign currency if applicable)
* Link to source document (invoice, bill, etc.)
* Auto-posting or draft status

**3. Transaction Scenarios & Journal Examples**

**A. Expense (e.g. warehouse rent, fuel, other expenses)**

**When paid in cash or bank:**

| **Date** | **Debit** | **Credit** | **Description** |
| --- | --- | --- | --- |
| 01-Aug | Rent Expense (5001) | Bank (1001) | Warehouse rent for August |

**B. Accounts Payable (Vendor Purchase)**

**At the time of bill entry:**

| **Date** | **Debit** | **Credit** | **Description** |
| --- | --- | --- | --- |
| 03-Aug | Freight Expense (5003) | Accounts Payable - Vendor X (2001) | Freight service from Vendor X |

**When paid:**

| **Date** | **Debit** | **Credit** | **Description** |
| --- | --- | --- | --- |
| 10-Aug | Accounts Payable - Vendor X (2001) | Bank (1001) | Payment to Vendor X |

**C. Accounts Receivable (Sales)**

**At the time of invoice:**

| **Date** | **Debit** | **Credit** | **Description** |
| --- | --- | --- | --- |
| 05-Aug | Accounts Receivable - Customer Y (1101) | Sales Income (4001) | Transport service to Customer Y |

**When paid:**

| **Date** | **Debit** | **Credit** | **Description** |
| --- | --- | --- | --- |
| 08-Aug | Bank (1001) | Accounts Receivable - Customer Y (1101) | Payment from Customer Y |

**D. Salary & Payroll (if using in-house team)**

**Accrual entry:**

| **Date** | **Debit** | **Credit** | **Description** |
| --- | --- | --- | --- |
| 30-Aug | Salary Expense (5004) | Payroll Liability (2102) | August salaries |

**When paid:**

| **Date** | **Debit** | **Credit** | **Description** |
| --- | --- | --- | --- |
| 31-Aug | Payroll Liability (2102) | Bank (1001) | Salary disbursement |

**4. System Triggers**

Many journal entries should be **automated** based on actions:

* Sales invoice creation → AR Journal (All expenses)
* Purchase bill → AP Journal
* Expense form submission → Expense Journal
* Salary generation → Salary journal

**Developer Notes**

* Build an interface for manual journal entries (with approvals)
* Every entry should be traceable to source document
* Enable filters by account, date, customer/vendor, currency
* Allow drill-down into transactions from reports