

Segment: Accounting Process

Topic: General Ledger

General Ledger

Table of Contents

1. Step 2: Post Entries into General Ledger	4
2. Summary	8

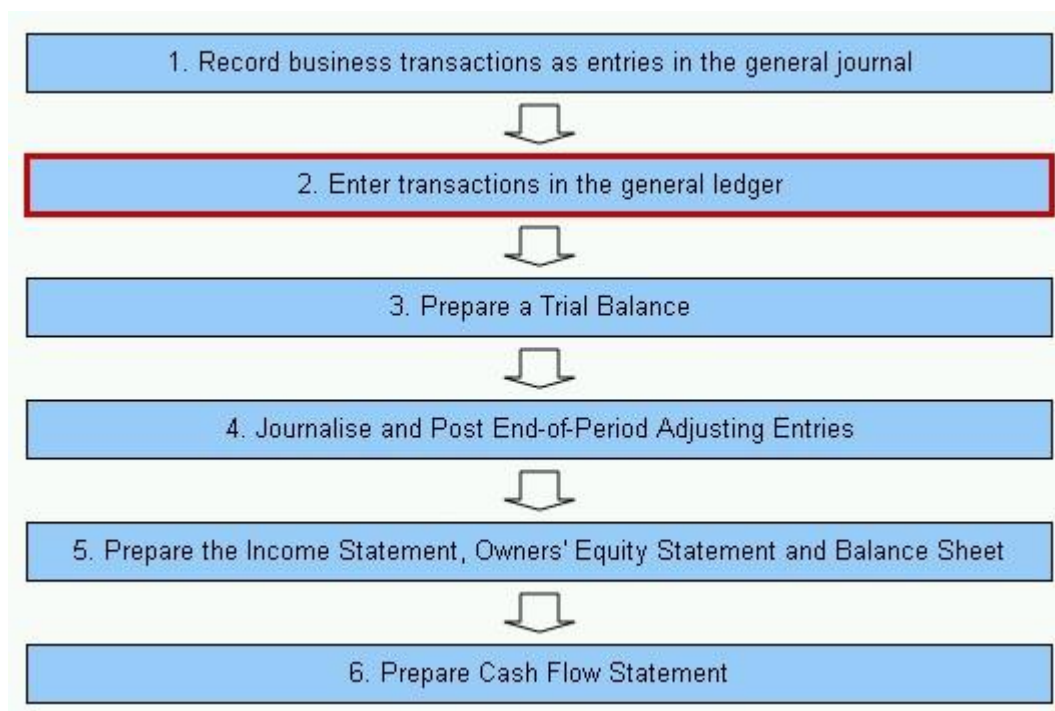


Introduction



Fig.1: General Ledger

The second step in the accounting process is to transfer the entries recorded in the general journal into the relevant accounts in the general ledger. This procedure is called posting.



Learning Objectives

At the end of this topic, you will be able to:

- state the purpose of the general ledger
- record entries into the general ledger.

1. Step 2: Post Entries into General Ledger

The general ledger is a book that comprises the accounts. It can also be in the form of separate records or in an electronic form. In each account, you will find the beginning balance of the account and the changes to the account resulting from transactions during the period. At the end of the reporting period, the ending balance represents the net balance of the account.

The format of the general ledger can be illustrated as follows:

Account Title							
Debit				Credit			
Date	Reference	Description	Amount	Date	Reference	Description	Amount

Fig.2: Format of the General Ledger

You can see from the figure above that the account record is broken into two panels. The left-hand panel is used to post the debits to the account and the right-hand panel is used to post the credits. In each panel, there are separate columns for:

- Date - This column contains the date of each transaction.
- Reference - An appropriate reference number is entered into this column. This number may refer to the relevant page number or transaction number in the general journal. It may also be used to enter the number of the invoice, receipt or any other supporting document.
- Description - A description of the underlying transaction is provided in this column.
- Amount - This column contains the amount for the entry.

For the purpose of illustrating the posting process, a much simpler format of a ledger page can be used. We call this format a T-account which is illustrated below. This is the preferred format for this subject. Note well, however, that an account can take many possible forms, and several are in common usage.

Account Title			
Debit		Credit	
Date	Amount	Date	Amount

Fig. 3: T-account

The example below uses the XYZ Computers transactions to clearly demonstrate the posting process of general journal entries into the general ledger.

Process of Entry into the General Ledger

Transaction 1

On 1 January 2019, the owners of XYZ Computers invested US\$100,000 cash in the business.

Date	References	Accounts and Description	Debit	Credit
1 January 2019	---	Cash Contributed Capital (Investment of cash by the owners)	\$100,000.00	\$100,000.00

Cash				Contributed Capital			
Debit		Credit		Debit		Credit	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Beginning	\$ -					Beginning	\$ -
1/1/2019	\$100,000.00					1/1/2019	\$100,000.00

Fig. 4: Transaction 1

Since XYZ Computers was established on 1 January 2019, the beginning balance of all accounts is zero. As a result of Transaction 1, US\$100,000 is debited to the Cash account and US\$100,000 is credited to the Contributed Capital account.

General Ledger

Transaction 2

On 5 January 2019, XYZ Computers acquired office supplies for US\$5,000 and paid for them in cash.

Date	References	Accounts and Description	Debit	Credit
5 January 2019	---	Office Supplies Cash (Purchase of office supplies from...)	\$5,000.00	\$5,000.00

Cash				Office Supplies			
Debit		Credit		Debit		Credit	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Beginning	\$ -	5/1/2019	\$5,000.00	Beginning	\$ -		
1/1/2019	\$100,000.00			5/1/2019	\$5,000.00		

Fig. 5: Transaction 2

As a result of this transaction, US\$5,000 is debited to the Office Supplies account and US\$5,000 is credited to the Cash account.

Transaction 3

On 7 January 2019, XYZ Computers rendered computer services to AAA Construction Company for US\$10,000 in cash.

Date	References	Accounts and Description	Debit	Credit
7 January 2019	---	Cash Service Revenues (Rendering computer services to AAA Construction Company in cash)	\$10,000.00	\$10,000.00

Cash				Service Revenues			
Debit		Credit		Debit		Credit	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Beginning	\$ -	5/1/2019	\$5,000.00			7/1/2019	\$10,000.00
1/1/2019	\$100,000.00						
7/1/2019	\$10,000.00						

Fig. 6: Transaction 3

As a result of this transaction, US\$10,000 is debited to the Cash account and US\$10,000 is credited to the Service Revenues account.

Transaction 4

On 15 January 2019, XYZ Computers paid US\$7,000 for wages in cash.

Date	References	Accounts and Description	Debit	Credit
15 January 2019	---	Salaries and Wages Expenses Cash (Payment of wages in cash)	\$7,000.00	\$7,000.00

Salaries and Wages Expenses				Cash			
Debit		Credit		Debit		Credit	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
15/1/2019	\$7,000.00			Beginning	\$ -	5/1/2019	\$5,000.00
				1/1/2019	\$100,000.00	15/1/2019	\$7,000.00
				7/1/2019	\$10,000.00		

Fig. 7: Transaction 4

As a result of this transaction, US\$7,000 is debited to the Salaries and Wages account and US\$7,000 is credited to the Cash account.

Transaction 5

On 20 January 2019, XYZ Computers provided computer services to AAA Construction Company for US\$10,000. AAA Construction paid US\$3,000 in cash and agreed to pay the balance on 15 February 2019.

Date	References	Accounts and Description	Debit	Credit
20 January 2019	---	Cash Accounts Receivable Service Revenues (Rendering computer services to AAA Construction Company. The balance of \$7,000 will be paid on February 15 th 2019)	\$3,000.00 \$7,000.00	\$10,000.00

Accounts Receivable				Cash			
Debit		Credit		Debit		Credit	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Beginning	\$ -			Beginning	\$ -	5/1/2019	\$5,000.00
20/1/2019	\$7,000.0			1/1/2019	\$100,000.00	15/1/2019	\$7,000.00
				7/1/2019	\$10,000.00		
				20/1/2019	\$3,000.00		

Service Revenues			
Debit		Credit	
Date	Amount	Date	Amount
		7/1/2019	\$10,000.00
		20/1/2019	\$10,000.00

Fig. 8: Transaction 5

General Ledger

As a result of this transaction, US\$7,000 is debited to the Accounts Receivable account, US\$3,000 is debited to the Cash account and US\$10,000 is credited to the Service Revenues account.

Transaction 6

On 30 January 2019, XYZ Computers borrowed US\$30,000 from the National Bank and agreed to pay the loan back with a 6% interest on 31 March 2019.

Date	References	Accounts and Description	Debit	Credit
30 January 2019	---	Cash Loans Payable (Loan from the National Bank at 6%. The principal and the interest will be paid on March 31 st 2019)	\$30,000.00	\$30,000.00

Cash				Loans Payable			
Debit		Credit		Debit		Credit	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Beginning	\$ -	5/1/2019	\$5,000.00			Beginning	\$ -
1/1/2019	\$100,000.00					30/1/2019	\$30,000.00
7/1/2019	\$10,000.00	15/1/2019	\$7,000.00				
20/1/2019	\$3,000.00						
30/1/2019	\$30,000.00						

Fig. 9: Transaction 6

As a result of this transaction, US\$30,000 is debited to the Cash account and US\$30,000 is credited to the Loans Payable account.

2. Summary

Here is a quick recap of what we have learnt so far:

- The second step in the accounting process is to post the transactions recorded in the general journal to the relevant accounts in the general ledger.
- The general ledger is a book that combines the accounts of the business.
- Each ledger account tracks the debits and credits associated with the account.