Recognize the relationship of the general journal to the general ledger

Finance

GENERAL JOURNAL AND GENERAL LEDGER General journal and general ledger are two very significant essence of accounting. They must be understood well tohave a command on accounting techniques. To understand them better, first there is a need to know, what they actually are. And how they are different from one another?

General journal are the books where the original entries of transactions are recorded. These entries are arranged according to specific dates. In general journal, accounts that are to be credited and accounts that are to be debited, must be mentioned (Gilbertson and Lehman, 2012).

General journal usually records the transactions that are not recorded in other journals thus they are non routine transactions such as depreciation, bad debts, sale or purchase of non-current assets. In short, it would be right to say that the transactions for which there are no specific journal, they ended up with general journal. The main purpose of general journal is adjustment (Gilbertson and Lehman, 2012).

General ledger is the summarized version of all the entries. It serves as the main record for financial accounts. Ledger breaks accounts by their nature and type such as inventory purchases, office supplies, and equipment purchases. Thus each account reflects particular information regarding a specific group of transaction. It includes the involvement of cash as purchases and payments. The general ledger should include the date, description and balance or total amount for each account. It acts as the backbone of any accounting system which holds financial and non-financial data for an organization (Porter and Norton, 2011).

Thus the difference between the two is that general journal is the place where the transaction is first recorded where as general ledger is the group where all similar transactions are recorded together. But there is a significant relationship between the two, as for the preparation of general ledger, the information derived from general journal serves as an input. As each general ledger account does have a debit and credit account in it which is the result of general journal entries. When accountants are preparing general ledger entries, they need to refer to general journal first (Gilbertson and Lehman, 2012).

Both of these accounting tools have some specific purposes. Businesses depend on ledger when it comes to monthly reporting. It shows the total expenses for the month. However, few details are lacking from the transactions. For example off setting. On the other hand, General journal shows the amount of total sales for the day. When there is a record available for daily basis, performance for each day can be tracked down, comparisons of sales and performance become easier with the available data, Identification of loop holes is assisted, which eventually help in better performance of any organization. Easy and organized form of available data helps in improved calculations and management (Porter and Norton, 2011).

After discussing the benefits of both accounting tools, it would not be wrong to say that both of them serve as the backbone of accounting system. General ledger becomes an essential part of an organization when the business starts to expand, in order to keep records of all dealings in an organized manner according to their types. And for ledger, it is essential to have journal first. Thus general ledger and general journal are two vital tools for an accounting system (Porter and Norton, 2011).

References

Gilbertson, C., and Lehman, M. (2012). Century 21 Accounting: General Journal. Mason, OH: South-Western Cengage Learning.

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