General Journal and General Ledger

by Sophia

WHAT'S COVERED

This tutorial will cover the general journal, journal entries, and the general ledger, including the interconnected relationship between all three.

Our discussion breaks down as follows:

1. General Journal

The **general journal** is the initial documentation of a financial transaction as it originates. It contains transaction detail and accounting events in a chronological order.

HINT

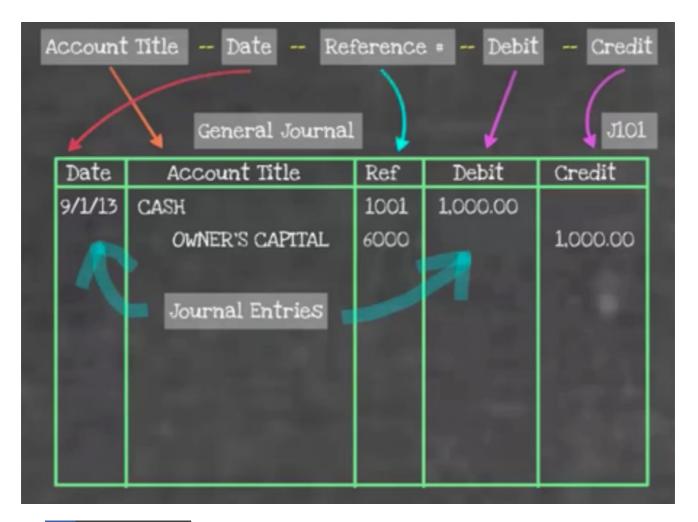Think of the general journal as your original book of entry.

Now, what are journal entries? Well, their name is derived from their use within the general journal. They are entries within the general journal and they detail the specific changes to accounts--the debits and credits.

If you recall, the first step in the accounting cycle is analyzing. If analysis determines that there is an accounting event, you move onto journalizing the transaction. There are no journal entries until accounting events have taken place.

Let's look at an example of a general journal, below. A general journal contains the following categories:

- Account title
- Date
- Reference number
- Debits
- Credits

You can see where each of these categories is placed within the general journal. Note the identifier that says J101. Each journal entry is going to have a unique identifier that is obtained from the chart of accounts. This allows you to identify that specific account within your accounting system. These journal entries detail accounting events in a chronological order within the general journal.

General Journal

   Initial documentation of a financial transaction as it originates.

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2. General Ledger

The **general ledger** aggregates all accounting records within an organization in preparation for financial statements.

🚩 HINT

   Think of the general ledger as the accounting system; it is where your entries get posted and it contains the entries from the general journal.

The general ledger has a source document which is the general journal and all the journal entries within that general journal. The general ledger provides summary detail, data for all accounts, rolling totals, and information for the financial statements.

Let's look at an example of a general ledger, below. The general ledger has categories similar to a general journal, except that it also includes description and balance. As you can see, each individual account is going to have its own ledger. The example below is a cash ledger. You can see the identifier from the chart of accounts, No. 1001.

In a general ledger, you'd insert the date, the description, and the reference number, which in this case is

going to refer back to the specific general journal and journal entry where the data points are coming from. It includes debits on the left and credits on the right, and it will also include any balance. In this example, you can see there is a debit to the cash account, so now there is a balance of $1,000.

🚩 HINT

A general ledger will reflect balances, which is different than general journal.

📄 TERM TO KNOW

General Ledger

Aggregates all accounting records within an organization in preparation for financial statements.

3. Relationship Between General Journal and General Ledger

So, how do the general journal and general ledger relate? Well, as mentioned, the general journal is an organizational tool and it is used to track detailed accounting events through the use of journal entries. It serves as the source for the general ledger.

Therefore, the general ledger gets its information from the general journal and those entries from the general journal are posted periodically, whether it's daily, weekly, monthly, or annually. Similar to the general journal, the general ledger is also an organizational tool to summarize accounting information.

⭐ BIG IDEA

The general journal is a tool for tracking the detailed accounting events and a general ledger is a tool for

summarizing that accounting information, serving as the source for the financial statements.

| | **SUMMARY** |

Today we learned about the **general journal**, which is the initial documentation of a financial transaction as it originates. It contains transaction detail and accounting events in a chronological order. The structure includes the date, the account titles, and the reference column that is pulling from the chart of accounts. It also includes the journal entries, comprising the debits and credits. Once all the accounting events that are needed to be captured are detailed in the general journal, we can post them to the **general ledger**, which is the tool that we use to create the financial statements. We also learned about the **relationship between the general journal and general ledger**, noting that while they both contain some of the same information, there will be a general ledger for each individual account, and it will reflect balances.

Source: Adapted from Sophia instructor Evan McLaughlin.

| | **TERMS TO KNOW** |

General Journal
Initial documentation of a financial transaction as it originates.

General Ledger
Aggregates all accounting records within an organization in preparation for financial statements.