

What is the general ledger?

The general ledger is an accounting tool used to bring together accounting information in a standardized manner. The information is used to create an entity's financial statements or other accounting reports.

Where does general ledger information come from?

In a financial system, accounting information is recorded in a variety of places. For example, the payroll journal, the accounts receivable journal, the accounts payable journal, and the cash journal.

Staff members record accounting transactions in the journals on a daily or weekly basis. At the end of each month, the journals are reconciled, and the account balances are posted to the general ledger.

How is the general ledger organized?

The general ledger is organized through a Chart of accounts. The Chart of accounts is a numerical list which sorts financial data into categories, making it easy to locate individual accounts in the general ledger. The general categories in a chart of accounts are assets, liabilities, equity, revenues, and expenses. Assets are often numbered beginning with 1; liabilities beginning with 2; equity beginning with 3; revenues beginning with 4; and expenses beginning with 5.

What information is found in the chart of account categories?

- ◆ Assets = something the entity owns
- ◆ Liabilities = something the entity owes
- ◆ Equity = the overall net worth of the entity
- ◆ Revenues = money the entity will receive
- ◆ Expenses = money the entity will spend

What information is recorded in chart of account categories?

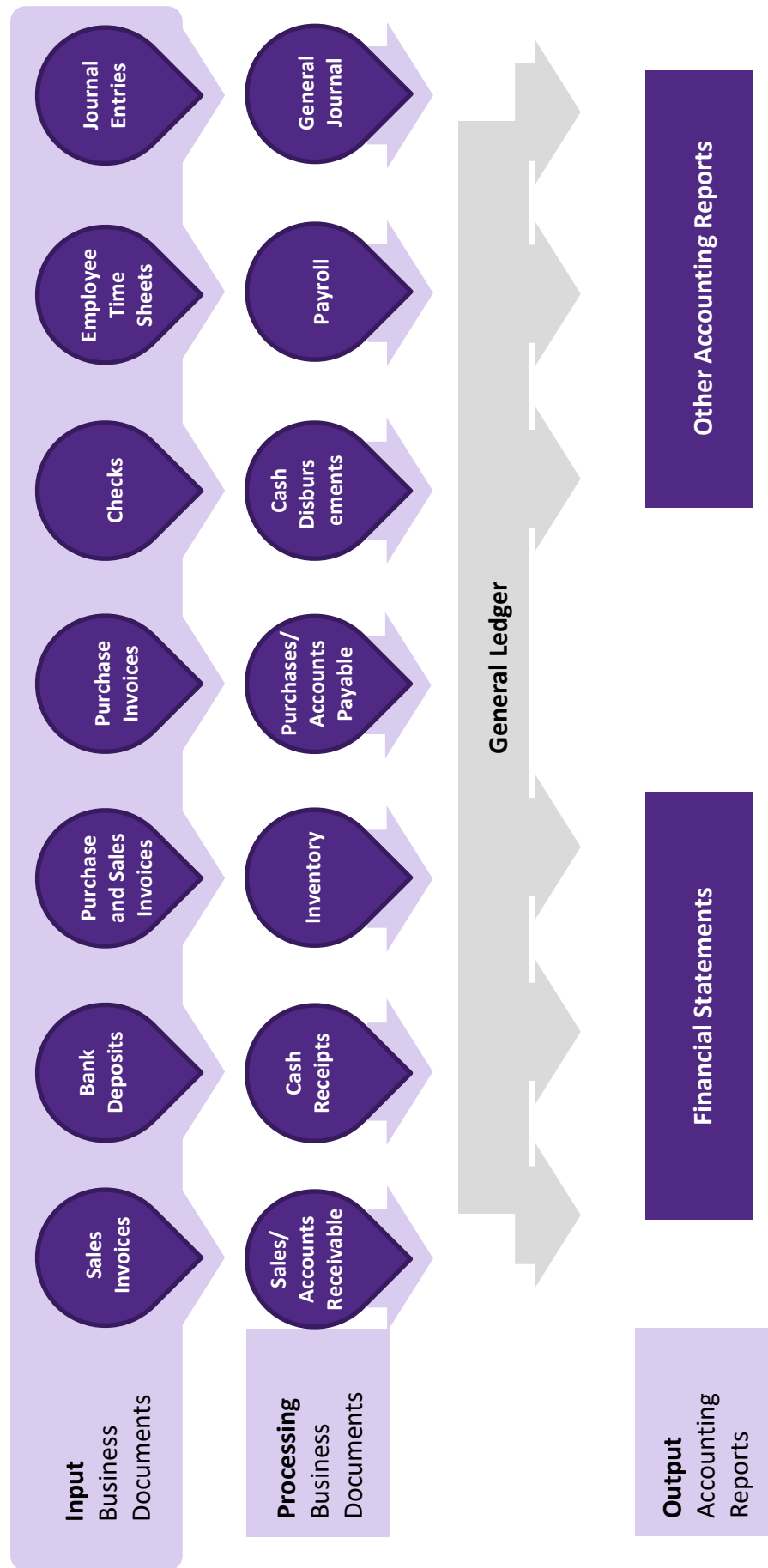
- ◆ Assets, items an entity owns, are, and can include:
 - ◆ Cash (checking, savings, and petty cash balances)
 - ◆ Accounts receivable (items owed to the entity which haven't been paid yet)
 - ◆ Inventory
 - ◆ Fixed assets (vehicles, property, equipment, etc.)
 - ◆ Other (investments, depreciation, long-term assets, etc.)

- ◆ Liabilities, money the entity owes to other entities, can include:
 - ◆ Accounts payable (money owed to vendors or suppliers)
 - ◆ Short-term debt (credit balances, short-term loans, etc.)
 - ◆ Long-term debt (mortgage, lease agreements, etc.)
 - ◆ Accrued liabilities (payroll taxes, wages payable, etc.)
- ◆ Equity, the value of your assets minus your liabilities, can include:
 - ◆ Retained earnings (accrued net income)
 - ◆ Restricted (funds which are limited to certain expenses by donor/funder) or unrestricted net assets
- ◆ Revenue, money coming into the entity, can include:
 - ◆ Contributions (gifts, donations)
 - ◆ Grants (money received for a specific purpose or project)
 - ◆ Fees and receipts (received from selling an item or performing a service)
- ◆ Expenses, money an entity spends to acquire items, can include:
 - ◆ Everyday expenses (office supplies, printing costs, salaries, etc.)
 - ◆ Bills (rent, utilities, etc.)
 - ◆ Program expenses (supplies, program vendors payments, etc.)
 - ◆ Other expenses (do not relate to main business -interest expense, losses from disposing of fixed assets, etc.)

Resources

- ◆ **My Accounting Course (general ledger)** <https://www.myaccountingcourse.com/accounting-basics/general-ledger>
- ◆ **GAAP, Ltd. (chart of accounts example)** <https://www.ifrs-gaap.com/basic-gaap-chart-accounts>

Overview of Accounting System





The **OVC Tribal Financial Management Center (OVC TFMC)** provides **training, technical assistance, and resources** to support American Indian and Alaska Native communities as they successfully manage the financial aspects of their federal awards. OVC TFMC also offers support via our Virtual Support Center (VSC) to Office for Victims of Crime (OVC) grantees and those seeking federal funding from OVC for the first time. **Email questions or requests for grant financial management technical assistance to TFMC@OVCTFMC.org** or call **703.462.6900**. Visit OVCTFMC.org for additional resources and information.

Feedback Requested

OVC TFMC will continually work to provide resources to support grantees as they successfully manage their OVC financial awards. Your feedback assists us in creating these resources to meet your needs. To help us provide the most useful resources, we would appreciate your feedback on this guide sheet. Please send any comments or suggestions to Evaluation@OVCTFMC.org.

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