

The General Ledger

While the journal lists transactions in chronological order, its format does not facilitate the tracking of individual account balances. The general ledger is used for this purpose.

The general ledger is a collection of T-accounts to which debits and credits are transferred. The action of recording a debit or credit in the general ledger is referred to as posting. The posting of a journal entry to the general ledger accounts is a purely mechanical process using information already in the journal entry and requiring no additional analysis.

To understand the posting process, consider a journal entry in the following format:

General Journal Entry

Date	Accounts	Debit	Credit
mm/dd	Account 1	xxxx.xx	
	Account 2		xxxx.xx

There are two ledger accounts affected by the above journal entry (Account 1 and Account 2). Each of these accounts is represented by a T-account in the general ledger. To post the entry to the ledger, simply transfer the information to the T-accounts:

Ledger Accounts

Account 1		Account 2	
mm/dd	xxxx.xx	mm/dd	xxxx.xx
Bal.	xxxx.xx	Bal.	xxxx.xx



Note that the debit portion of the journal entry is posted to the left side of its associated T-account, and the credit portion is posted to the right side of its T-account. The date helps to identify the transactions with the journal entries. Additionally, a reference number may be added to further facilitate cross-referencing.

Because the general ledger is organized by account, it allows one to view the activity and balance of any account at a glance.

