

**General Ledger**

**Transactions**



**15**

## Journals

Keeping a set of accounts involves constant transactions to update the General Ledger account balances — moving money from account to account but all the time keeping the accounts in balance. Each transaction is entered as a set of balancing debits and credits. This double entry approach ensures that the equal and opposite effect of each transaction on your business finances is fully recorded.

[Chapter 8](#) and [Chapter 12](#) have already introduced two methods of updating General Ledger account balances — by posting sales and purchase transactions. However! You will soon encounter transactions which fall outside the remit of the Sales and Purchase Ledgers — for example...

- Wages and Salaries
- Depreciation
- VAT Payments
- Prepayments
- Accruals and provisions
- Bank and Loan interest

There will also be times when you need to correct errant postings — or enter adjustments which may affect periods which have already been closed.

The above transactions and adjustments are entered directly into the General Ledger — as Journals.

A **Journal** is simply the bookkeeping term used for a set of balancing debits and credits defining one or more transactions — like those we looked at in [Chapter 1](#).

So far, in looking at Sales and Purchase transactions you have not been concerned with balancing debits and credits but Bottom Line creates balancing journals whenever you post transactions to the General Ledger as described in [Chapter 8](#) and [Chapter 12](#).

Bottom Line provides three types of Journal — [Ordinary](#), [Prior Period](#) and [Cash Book](#). Let's start by looking at Ordinary Journals which are used to post transactions and adjustments within the current period.



### **Journals and VAT**

Do not use Journals to post sales or purchase transactions which would be defined by Customs & Excise as Inputs or Outputs for VAT purposes. These transactions should always be entered via the [Sales](#) and [Purchase](#) Ledgers so that Bottom Line is able to maintain your VAT Return figures.



### **Don't Panic!**

For the uninitiated, please do not be too concerned at the sudden eruption of accounting terminology — with words like accruals and depreciation. These terms are explained in the [Glossary](#) section which can be found at the end of this manual.

## Creating a Journal

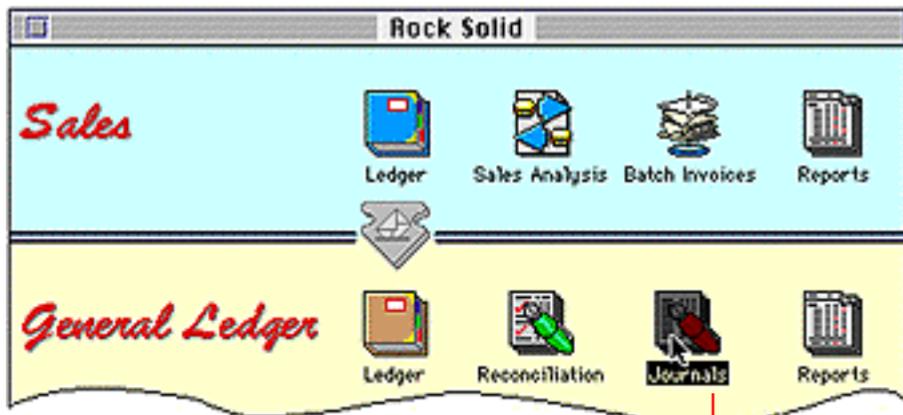
You can open an ordinary Journal in one of two ways like this...

EITHER

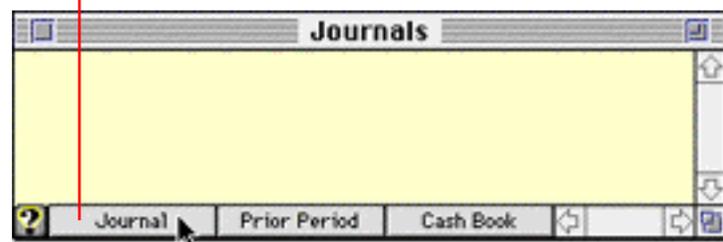


From the Bottom Line desktop, click the General Ledger icon to access the General menu then choose Enter Journal.

OR



Double click the Journals icon then click the Journal button in the bottom left of the Journal window.



## Entering a Journal

Complete the journal like this...

For auditing purposes, Bottom Line automatically generates an internal filing number for this journal. You may edit this number if required.

Enter the date on which the journal takes effect.

Describe the reason for the journal.

*Enter Journals*

Journal No:

Date:

Subject:

R/c No.		Debit	Credit	Comment
<b>Totals:</b>		16312.64	16312.64	
20800	VAT Account	16312.64		Pay 3rd quarter VAT
16100	Current Account		16312.64	Pay 3rd quarter VAT

You are now ready to enter the individual transaction items [as follows](#)...



## Chaos in the filing department...

While you are able to overwrite the Journal number, you should take care not to upset the numbering sequence for previous and future journals. If, for any reason, the automatic journal number has fallen out of step, open the [Account Details](#) panel from the General menu and reset the number from which the next journal will start.

Always make a note for your auditor if you depart from the numbering sequence.

## Journal Items

There now follow 20 line items in which you can record the transaction(s). Unlike sales and purchase postings, journals are not automatically balanced. Therefore, when entering a journal, **you** must record both aspects of the transaction and ensure that the total debits balance the total credits. To enter each line item...

Enter the number for each General Ledger account to be debited or credited. When you click inside (or tab to) the next entry box, the program confirms the account's name.

*Enter Journals*

**Journal No:**

**Date:**

**Subject:**

R/c No.		Debit	Credit	Comment
<b>Totals:</b>		16312.64	16312.64	
<input type="text" value="20800"/>	VAT Account	16312.64		Pay 3rd quarter VAT
<input type="text" value="16100"/>	Current Account		16312.64	Pay 3rd quarter VAT
<input type="text"/>				

If you want to post money **to** the nominated account, enter the amount in the **Debit** box...

...or, if the money is coming **from** the nominated account, enter the amount in the **Credit** box.

Enter a short description for each line item. This comment helps to identify the item on reports.

There is more information about entering the journal items on the [next page](#)...



## The Balancing Act

At first you may be confused about which account you should debit and which one you should credit. As you will recall from [Chapter 1](#), you **debit** money going **to** an account and **credit** the money coming **from** the corresponding account. You may find it useful to think of debits and credits in the following way...

Debits increase the value of debit balance accounts — **Assets or Expenditure**. A decrease would be entered as a credit.

Conversely, an increase to a credit balance account — **Liabilities, Capital or Revenue** — would require a credit. A decrease would be entered as a debit.

The example on the previous page records the settlement of a VAT quarter where the actual payment decreases the liability to Customs and Excise (represented by the VAT account) and, at the same time, decreases the assets of the business (the Bank Current account).



## More about Balancing Journals

This example shows a single credit coming from the Current account — £3,500 — being balanced by three corresponding debits to separate wages accounts.

Journal

Journal No:

Date:

Subject:

*Enter Journals*

R/c No.		Debit	Credit	Comment
<b>Totals:</b>		3500.00	3500.00	
60601	Salaries - Dept 1	1295.64		JFD salary
60603	Salaries - Dept 3	1328.95		RPS salary
76700	Admin Salaries	875.41		OPL salary
16100	Current Account		3500.00	Monthly salaries

In other words, you do not have to balance the number of credit and debit items — just the amounts.

## Posting the Journal

Once you have completed the journal and checked its contents using the **Preview** facility, it is ready for posting. This is done by either printing or batching the journal...

**Journal**

Journal No: 64  
 Date: 13-Aug-1997  
 Subject: VAT payment

*Enter Journals*

A/c No.	Debit	Credit	Comment
<b>Totals:</b>	16312.64	16312.64	
20800 VAT Account	16312.64		Pay 3rd quarter VAT
16100 Current Account		16312.64	Pay 3rd quarter VAT

Preview Batch Print Ignore

Click **Ignore** to erase the journal entry.

Click **Print** to post the journal and immediately print it.

Click **Batch** to post the journal and defer printing.

Click **Preview** to view the journal printout on screen.

The **Print** option enables you to print the journal immediately for your audit records — or you can use the **Batch** option to store it, along with any other journals, for printing at a more convenient time. Before printing your journal(s), you need to select the correct printing device and page set-up — turn to the end of [Chapter 5](#) for more details.

Having posted the journal, the current balance for each specified General Ledger account is increased or decreased by the relevant amount.

A blank window is now displayed ready for you to enter the next journal.

When you have finished entering transactions, close the Journal entry window by clicking the close box in the top left corner of the window.

## Prior Period Journals

The previous section describes how you can [post journals](#) to the current accounting period.

There may be times, however, when you need to post a transaction which belongs to an earlier period. For example, adjustments that have come to light following the year end audit.

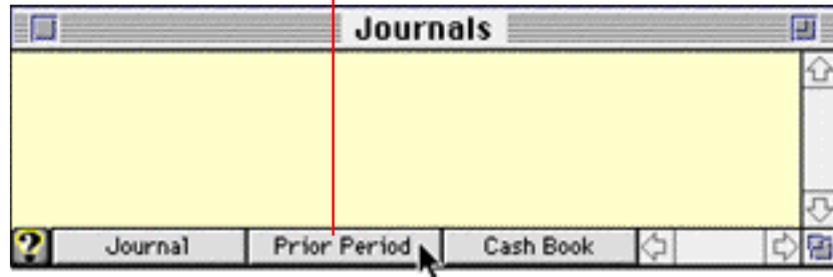
To enter a retrospective posting, open a Prior Period Journal like this...

**EITHER**, from the Bottom Line desktop, click the General Ledger icon to access the General menu then choose Prior Period Journal.

**OR**, double click the Journals icon to open it...



... then click the Prior Period button at the bottom of the open window.



Complete the Prior Period journal like [this...](#)

## Entering a Prior Period Journal

For auditing purposes, Bottom Line automatically generates an internal filing number for this journal which is set up in General Ledger [Account Details](#). You can either accept or amend this number.

This refers to the date (within the current period) on which this posting is being entered. If necessary, edit the current date as required.

Use this entry to specify the period to which this transaction belongs. Notice that the program is preset to make a prior period adjustment to the current year — to record an adjustment to the previous year, click the Last Year button.

Now enter the debits and corresponding credits in the same way as you would for an [ordinary Journal...](#)

**Prior Period Journal**

Journal No: 65

Date: 13-Aug-1997

Subject: Interest - Mar/Jun '97

Period to affect: 6  this year  last year

*Prior Period*

Enter a short description.

R/c No.		Debit	Credit
<b>Totals:</b>		320.65	320.65
16200	High Interest Account	320.65	
52200	Interest Receivable		320.65

Enter the number of the General Ledger account to be debited or credited then...

...the amount to be debited...

...or credited.

## Posting a Prior Period Journal

Having entered and balanced all the debits and credits which make up this transaction, you can post to the specified period by generating a Journal record. You can **Print** the journal immediately — or you can use the **Batch** option to store it, along with any other journals, for printing at a more convenient time. You can also **Preview** the Journal record on screen.

Do this as described [earlier](#) for an Ordinary journal.

On posting a Prior Period journal, Bottom Line adjusts the historic account balances for the period you specify as well as the effect on the current accounts.

Cumulative values will also be updated for all intermediate periods. The actual entry of the late posting will be recorded on the Transaction List for the current period.

A blank window is now displayed ready for you to enter the next Prior Period journal.

When you have finished entering journals, close the Prior Period window by clicking the close box in the top left corner of the window.



### No comment!

Unlike Journal entries, the Comment box describing each entry is omitted. This is because a standard comment — **Prior Adjustment Period xx** — will be entered so that these late postings can be readily identified on the current [Transaction List](#) and the [General Ledger](#) report.



### Late posting of VAT amounts

When retrospectively posting transactions which include VAT, you should be aware that the VAT amounts will only be posted to the VAT account you have nominated — they will not appear in your VAT Return figures which are derived from Sales and Purchase Ledger postings for the current period.

Furthermore, if the journal affects a period for which a VAT Return has already been submitted, you must account for (and, if necessary, declare) the error in accordance with Custom and Excise guidelines.

## Cash Book Journals

A journal is a standard double entry accounting transaction. Whenever you enter a journal you should ensure that you are correctly interpreting the meaning of debit or credit for the account items(s) that you are posting.

Whenever you are entering a payment or receipt to a bank account, the journal will always behave in the same way. The **Cash Book** journal recognises this and refers to entries as 'Payments' or 'Receipts' as opposed to 'Debits' or 'Credits' thus avoiding confusion to people who may be unfamiliar with accounting terms.

Enter a Cash Book journal like this...



EITHER, from the Bottom Line desktop, click the General Ledger icon to access the General menu then choose Enter Cash Book.

To complete the Cash Book journal, [turn the page...](#)

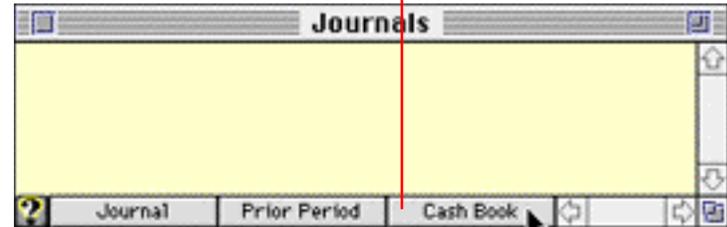


### Don't enter in General Ledger

If a purchase has been posted in the Purchase Ledger then it is important that payment for that purchase is also made in the [Purchase Ledger](#). Similarly, receipts for Sales should be entered in the [Sales Ledger](#).

The only transactions which should be made via a Cash Book journal are those which are not associated with your Customers or Suppliers. For example, payments of Hire Purchase instalments, payments of Bank Charges, Salary payments, receipts of interest.

OR, double click the Journals icon then click the Cash Book button at the bottom of the open window.



## Entering a Cash Book Journal

For auditing purposes, Bottom Line automatically generates an internal filing number for this journal which is set up in General Ledger [Account Details](#). You can either accept or amend this number.

This refers to the date (within the current period) on which this payment (or receipt) was made. The date is preset to today from your system date, edit the preset date as required.

Enter a short description of the transaction.

Enter the General Ledger code for the bank account that you wish to use.

**Cash Book**

Journal No: 64

Date: 13-Aug-1997

Subject: VAT Payment

**Bank Account Details**

16100 Current Account

A/c No.	Payment	Receipt	Comment

Now enter the actual payment(s) and/or receipt(s) as described [overleaf...](#)

## Entering the Cash Book Journal Items

**Cash Book**

Journal No:

Date:

Subject:

*Cash Book*

Bank Account Details

<input type="text" value="16100"/> Current Account	<input type="text" value="-16312.64"/>	<input type="text" value="Pay 3rd quarter VAT"/>
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R/c No.	Payment	Receipt	Comment
<input type="text" value="20800"/> VAT Account	<input type="text" value="16312.64"/>	<input type="text"/>	<input type="text" value="Pay 3rd quarter VAT"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

This value is calculated by the program.

Type a comment to describe this transaction in the Bank account...

...and in the other account(s).

Type the number of each General Ledger account to be debited or credited...

...the amount to be paid...

...or received.

Notice that when you enter the payment or receipt amount, the program calculates the transaction value that balances the journal (negative for a payment, positive for a receipt). To the right of each value you should type a comment to describe the payment or receipt so that it can be readily identified on reports.

## Posting a Cash Book Journal

Having entered and balanced all the items which make up this transaction, you can post by generating a Journal record. You are able to **Print** the journal immediately — or you can use the **Batch** option to store it, along with any other journals, for printing at a more convenient time. You can also **Preview** the journal record on screen.

Do this as described [earlier](#) for an Ordinary journal.

On posting a Cash Book journal, Bottom Line converts it into an ordinary journal illustrating debits and credits in the usual way.

A blank window is now displayed ready for you to enter the next Cash Book journal.

When you have finished entering payments or receipts, close the Cash Book window by clicking the close box in the top left corner of the window.