

Putting the
**General Ledger
to Work**

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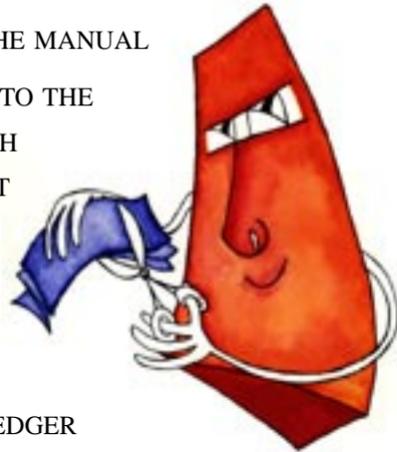


There's More

IN THE FIRST PART OF THE MANUAL YOU WERE INTRODUCED TO THE GENERAL LEDGER WHICH EXPLAINED HOW YOU SET UP AND MODIFY THE GENERAL LEDGER ACCOUNT STRUCTURE.

THE FOLLOWING TWO PARTS — THE SALES LEDGER AND THE PURCHASE LEDGER — COVERED ALL THE STEPS FOR CREATING AND MAINTAINING YOUR CUSTOMER AND SUPPLIER ACCOUNTS.

IN THIS FINAL SECTION WE TURN OUR ATTENTION BACK TO THE GENERAL LEDGER AND LOOK AT HOW IT IS USED. OUR STUDY OF THE GENERAL LEDGER INCLUDES...



- [Putting the General Ledger to Work](#) - in this chapter
- [Journals](#) - Chapter 15
- [General Ledger reports](#) - Chapter 16
- [Reconciliation](#) - Chapter 17

These are the final elements you need to transform your accounting records into a fully fledged set of accounts which will help keep you informed and in control of your business finances.



Putting the General Ledger to Work

Chapter 3 examined the first steps in creating a set of accounts. Those steps included:

- [Creating a new account File](#)
- [Entering details of the business](#)
- [Establishing the coding system for General Ledger accounts](#)
- [Setting up VAT rates](#)
- [Creating Departmental Labels](#)

...and other basic information about how to operate Bottom Line.

Then in Chapter 4 we looked at the way that you can [build your accounts structure](#).

In the next chapter you are introduced to [Journals](#) which provide the means to work with the General Ledger.

Lets now look at the things you must do to start entering accounting figures into the General Ledger and how Bottom Line handles that information...



Opening Balances and other Cash Values

Unless you are creating a brand new set of accounts then, to ensure continuity from your previous books, you will have to carry forward the opening balance and other monetary information from those books to the relevant posting accounts.

Refer to the appendix entitled [Opening Moves](#) which details the steps involved in creating a set of Bottom Line accounts. When transferring information from a previous accounting system, these steps include...

- ✓ Ensure that your present books are up to date at the end of the last accounting period and that they are in balance.
- ✓ Calculate the opening balance to be transferred for each account ensuring that these figures do in fact balance.
- ✓ If there are any open items (un-cleared invoices, credit notes, payments or prepayments) in your existing Purchase or Sales Ledgers, establish what these values are. You will enter them first via the Purchase and Sales Ledgers.

and optionally...

- ✓ Calculate the historic account balances for each period over the current year and, if appropriate, for the previous financial year.

Now! before setting up these values, you should wait until you have posted all open items (un-cleared invoices, credit notes, payments or prepayments) via the [Sales Ledger](#) and [Purchase Ledger](#).

Having posted the open items from the Sales and Purchase Ledgers, re-open all active accounts to enter or amend the [following](#) monetary values...

Current Balance

For each posting account, this is where you record the opening balance to be carried forward from your previous books.

You can enter or adjust the current balance amount in one of two ways...

The first, and strictly correct, way is to use the double entry [Journal](#) facility (described in the next chapter) to post the opening balance to each account — as balancing values.

However, Bottom Line recognises that switching accounting systems can be a laborious process so, to help save time, you are able to edit the opening balances directly.

The facility to enter or amend the Current Balance is only available during the initial setting up period — once this period is closed, current balances can only be updated by posting the relevant transactions through the **Sales** or **Purchase Ledgers** or by double entry **Journal** entries.

Enter a Current Balance [like this...](#)



But there is already a figure in there!?

The Current Balance may already display the value of the open items which you have posted to this account via the Sales or Purchase Ledger. This highlights the reason why you should enter open items from the Sales and Purchase Ledger.

You want to end up with the correct Current Balance in each account (including the Sales and Purchase Ledger open items) and the last thing that you want is to spend time establishing the correct opening balances only to have them altered later.

For accounts with a figure already in place you should amend the Current Balance figure to its required value;

Entering a Current Balance

Open the account as described in [Chapter 4](#)

Modify Account

Account Number: 16100

Department: none

Description: Current Account

Account type: Debit

Reporting Position: Left

Annual Budget: 0.00 Debit

Current Balance: 18381.09 Debit

Title

Account

Summary

End of Range: []

SubTotal Level: 1

P&L Total

FOR THE INITIAL SETTING UP PERIOD ONLY:

In the Current Balance box, type the opening balance for the new account then ensure that the option — Debit or Credit — is correct. If not correct it from the from the pop-up menu...

Current Balance: 18381.09 ✓ Debit
Credit



Debit vs. Credit Balances

Imagine that you are transferring the opening balance for a debit account — say, your cash account. Imagine also that the cash account is currently overdrawn. To reflect this unfortunate state of affairs, the current balance should be specified as a credit (or negative) balance — this negative value is then shown within brackets on the Balance Sheet.

- The figure you enter for a Balance Sheet account is the current ‘to date’ balance figure.
- The figure you enter for a Revenue or Expenditure account is the cumulative total for the current year.



Keeping your balance

Having just described how you can type the opening balances, you should bear in mind that this method of uncontrolled entry allows you to unbalance the accounts. As soon as you have entered all opening balance amounts you should print a Trial Balance (as described in Chapter 16). Check that the Total Debits amount is equal to the Total Credits to ensure that the accounts do, in fact, balance. Until they do balance, Bottom Line steadfastly refuses to close the initial setting up period.

If the accounts do not balance, compare the values in the Trial Balance against the opening balances you started with, open the offending account(s) and correct the balance amount then print another Trial Balance as a final check.

Once you have balanced the opening values and closed the start-up period, the integrity of each account balance and whether it is in credit or debit is then maintained by Sales and Purchase Ledger postings or by posting balancing Journals — as described in the next chapter.

Annual Budget

If you are creating a Profit and Loss account and you want to monitor actual costs against a pre-arranged budget then use this option to enter the annual budget for this account. On **Revenue** accounts, these could be viewed as achievement targets. Budgets are not essential and can be entered at a later date.

Open the account as described in [Chapter 4](#).

The screenshot shows the 'Modify Account' dialog box with the following fields and options:

- Account Number: 16100
- Department: none
- Description: Current Account
- Account type: Debit
- Reporting Position: Left
- Annual Budget: 15000.00 Debit
- Current Balance: 18381.09 Debit
- Radio buttons: Title, **Account** (highlighted with a red 'Account' label), Summary, SubTotal, P&L Total
- End of Range: [empty]
- Level: 1

Enter the **Annual Budget** then ensure that the option — Debit or Credit — is correct. If not, choose the correct option from the pop-up menu (usually, credit for Revenue and debit for Expenditure).

Annual Budget: 15000.00 / Debit
Credit



Budgetary Control

Once budgets are assigned, Bottom Line divides the total budget by the number of accounting periods in the year. The budget figures can then be compared against actual costs or sales on the [Profit & Loss reports](#) for each period.

The constant monitoring of actual results against planned performance provides a tighter and more responsive system of financial control where any variance can be quickly identified and rectified by the relevant department(s) — or the budget can be adjusted to reflect the changing state of affairs.

Entering Historic Values

You can compare the results of your current year with the results of the previous year. These comparisons can be made in the [Balance Sheet](#), [Profit and Loss](#) and [Account History](#) reports. In order to show these comparisons Bottom Line needs those historic figures.

The program records historic figures for each accounting period as it goes along but if you don't want to wait a whole year before you can start comparing performance with last year then you are able to enter the missing 'actual' values for each account.

When you are ready to enter historic values to record past performance [turn the page](#) to find out how you do it...



More about historical values

The following values are designed to provide historical information about this account. Please note the following points:

- The information is not essential to the operation of the accounts and can be ignored.
- Unlike the Current Balance, historic figures can be edited directly at any time so you can opt to enter your historical data at your leisure.
- Bottom Line does not check the integrity of historic information. This means that you should check whether the Actual information for previous months and last year actually balances.
- Although you must enter the initial opening values for the historic accounting periods. Bottom Line automatically makes the entries and maintains these figures for future periods.
- Under normal circumstances the historic figures that you enter remain as you type them. However! Bottom Line may change them if you enter a [Prior Period Journal](#) (as described in Chapter 15) in the future.

Entering Historic Records

If you are switching to Bottom Line part way through your financial year, you can use the **Actual This Year** entry boxes to transfer the values for the previous periods in the year. You will see either 12 or 13 entry boxes, depending on whether you have opted for monthly or four weekly periods.

For a Balance Sheet account, enter the 'to date' value for each period. Whereas, for a Profit & Loss account, you should only enter the revenue or expenditure for the period in question (as opposed to cumulative totals).

If you want to include information from your previous financial year, enter the historical balance amounts for the relevant periods in the **Actual Last Year** entry boxes.

When you have finished entering these values, save the account item in the usual way.

For each period prior to the current one, enter the **Actual This Year** values. For negative values, use the pop-up menu to reverse the value.

Actual this year:

1	5476.17	✓ Debit
		Credit

In the **Actual Last Year** boxes, type the historical balance amounts. For negative values, use the pop-up menu to reverse the value.

Modify Account

Account Number: 16100
 Department: none
 Description: Current Account
 Account type: Debit
 Reporting Position: Left
 Annual Budget: 0.00 Debit
 Current Balance: 11869.38 Credit

Account

Title
 Account
 Summary
 End of Range:
 SubTotal Level: 1
 P&L Total

Actual this year:

1	5476.17	Credit	5	0.00	Debit	9	0.00	Debit
2	1545.08	Debit	6	0.00	Debit	10	0.00	Debit
3	9603.33	Debit	7	0.00	Debit	11	0.00	Debit
4	0.00	Debit	8	0.00	Debit	12	0.00	Debit

Actual last year:

1	11076.76	Debit	5	3425.83	Debit	9	6192.39	Debit
2	1798.19	Debit	6	8566.12	Debit	10	18777.22	Debit
3	29641.89	Debit	7	2418.66	Credit	11	2432.33	Debit
4	3045.38	Debit	8	35959.67	Debit	12	5518.62	Debit

Save Ignore Close

VAT Amounts

Each time you post a customer or supplier transaction via the Sales or Purchase Ledger, Bottom Line calculates the VAT to be charged or claimed. The program stores the monthly VAT totals for the current quarter's Inputs and Outputs as well as the total Purchases and Sales figures that are required by the Customs and Excise. It is these figures that Bottom Line uses to produce your VAT Return.

If you are...

...transferring information from an existing accounting system and...

...switching systems part way through a VAT period...

...then you will need to enter the cumulative figures for the VAT quarter to date [as follows...](#)



Months! not Periods!

Most of the time when you are working with your accounts you are dealing with accounting periods which may or may not coincide with actual months. It is important to realise however that the VAT man expects to receive returns which are based on actual calendar months — and quarters which may or may not coincide with your accounting year.

This means that when it deals with VAT figures, Bottom Line forgets about accounting periods and concentrates on monthly figures. So, for example you could have a weird 13 period year which commences in the middle of a month but the program will still chop up your VAT figures into neat monthly bundles.

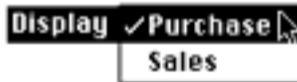
Setting Up VAT Amounts



Choose **VAT Amounts** from the Special menu to display this panel...

Each time you open the VAT Amounts panel, it is preset to display the Purchase (or input) VAT amounts for the first month in the current year. Follow the steps described opposite to select the required Display, Month and Year.

Use the pop-up menu to switch the display between Purchase (input) VAT amounts and Sales (output) VAT amounts.



Use this pop-up menu if you want to switch from the current year to the previous year

Choose the required month from the pop-up menu.

The 'VAT Amounts' panel is displayed with the following settings: Display: Purchase, For Month: Apr, Year: 1997. The table below shows VAT amounts for Zero Rated, Standard, and Fuel Rate categories.

	Purchase		EC	
	Purchases	VAT Amount	Purchases	VAT Amount
Zero Rated	0.00	0.00	0.00	0.00
Standard	0.00	0.00	0.00	0.00
Fuel Rate	0.00	0.00	0.00	0.00



VAT on open items

It is advisable to postpone entry of the VAT amounts until you have posted any unpaid invoices via the Sales and Purchase Ledgers. You can then return to this panel and top up these figures so that they correlate with your existing books.

Entering the VAT Values

Having selected the input or output display for the correct month and year, you are now ready to enter or edit the actual VAT amounts as follows...



Completed VAT Returns

It is not necessary to enter these figures for VAT Returns that have already been dealt with. Bottom Line is only concerned with months that have not yet been included in a VAT Return.

VAT Amounts ? 🌐

Display For Month Year

EC

	Purchases	VAT Amount	Purchases	VAT Amount
Zero Rated	3,917.80	0.00	0.00	0.00
Standard	10,818.84	1,918.47	1,947.20	340.77
Fuel Rate	241.93	19.35	0.00	0.00

Depending on whether you have chosen the Purchase or Sales display; enter the total value of acquisitions or sales, excluding VAT, for the selected month then...

...enter the total VAT amount either to be claimed (purchases) or that you have charged (sales).

If you have acquired goods from or supplied goods to other EC member states, enter the total value of acquisitions from the EC or sales of goods to the EC, excluding VAT, for the selected month then...

...enter the total amount of VAT either to be claimed (for EC acquisitions) or that you have charged (for EC Sales).

Accepting modified VAT Values

Having entered the opening VAT amounts, you can save this information as described opposite.

Once accepted, these values are automatically updated and maintained by posting the relevant transactions from the [Sales Ledger](#) and [Purchase Ledger](#).

You can, of course, re-open the VAT Amounts panel any time you want to view or modify this information.



VAT Regulations

Bottom Line has no way of knowing the detailed VAT regulations regarding when each VAT rate applies or the circumstances under which VAT should be charged. We recommend that you consult the VAT handbooks or consult your VAT office when in doubt.

VAT Amounts

Display For Month Year

EC

	Purchases	VAT Amount	Purchases	VAT Amount
Zero Rated	3,917.80	0.00	0.00	0.00
Exempt	0.00	0.00	0.00	0.00

Click **Cancel** to ignore all changes. —

Click **OK** to accept the panel. If there are any changes, you will see this dialogue...

 **The VAT amounts have been changed. These changes will not be reflected in the general ledger. Are you sure you want to do this?**

Click **Change** to accept all changes.

Click **Cancel** to close the panel, ignoring all changes.

next chapter 