

General Ledger and Chart of Accounts Guide Sheet

What is the General Ledger and Chart of Accounts?

The general ledger (GL) is the bookkeeping system used to record the financial transactions an agency or organization conducts. It is on the GL that all accounting/financial entries are found, and that information is used to create financial statements.

The chart of accounts is a list of all accounts used to record financial position and activity in the GL.

Grant Financial Management Requirement

DOJ requires that a chart of accounts be established and consistently updated so that all accounts in the accounting system are clearly identified for all programs. This includes accounts to record unallowable costs that are not covered by the federal portion of the award.

The GL must be organized, clear, and able to encompass and account for all activities with a financial impact in the organization while providing consistent compliance with Generally Acceptable Accounting Principles.

Important Information to Know

What are the five main categories of accounts?

The five main categories of accounts are:

- ▶ Assets—resources that will provide a future benefit.
- ▶ Liabilities—obligations and responsibilities an organization has incurred, but not yet paid.
- ▶ Net assets—assets the organization holds after deducting all liabilities; they are referred to as “funds” and can be classified as restricted or non-restricted.
- ▶ Revenues—funds coming into the organization.
- ▶ Expenses—activities and services conducted that reduce funds.

Assets, liabilities, and net assets make up the statement of financial position (balance sheet), and revenues and expenses make up the statement of financial activity (income statement). The specific accounts that make up each one is found in the chart of accounts.

Where does the information found on the GL come from?

The information found on the GL comes from the daily operation of the organization, which is usually recorded in subledgers—such as payroll, purchases, sales, etc.—and posted to one or more of the five main categories of accounts.

How This Applies to Your Grant

The accounts listed below are typical award accounts under each category. DOJ encourages the use of a five-digit system for each category to ensure there are sufficient individual identification numbers to accommodate existing and newly added accounts.

- ▶ Assets—10000
- ▶ Liabilities—20000
- ▶ Net assets—30000
- ▶ Revenues—40000
- ▶ Expenses—50000

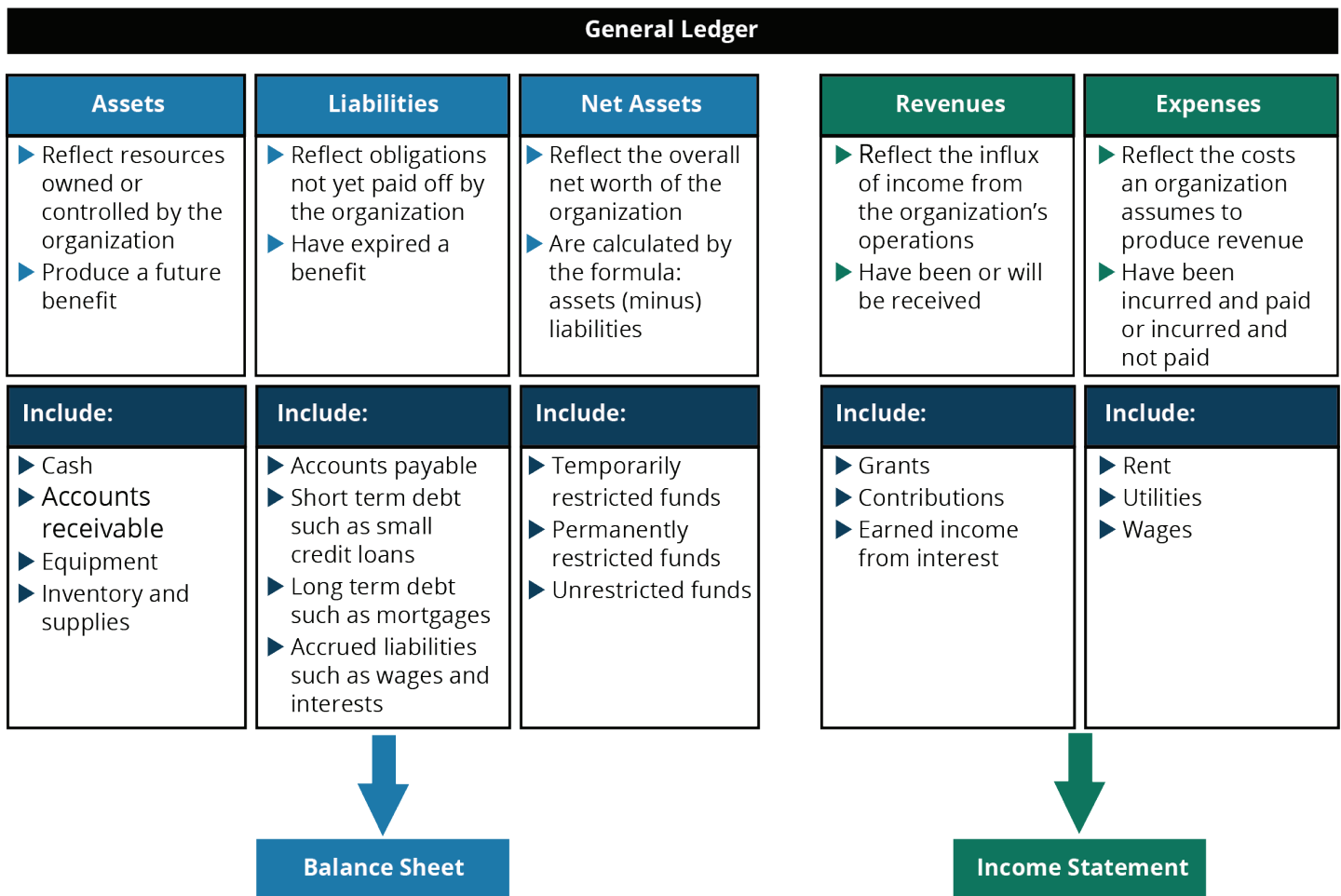
Grouping Accounts

Although the chart of accounts is particular to each organization, DOJ recommends the following segmentation:

- ▶ Current assets (10000–16999)
- ▶ Property, plant, and equipment (17000–18999)
- ▶ Current liabilities (20020–24999)
- ▶ Operating revenues (30000–39999)

There are instances where organizations may want to add account groups beyond the five-digit spectrum.

Exhibit 1. How GL Categories Feed Into the Balance Sheet and Income Statement



This happens when the count and complexity of the transactions is high, and subgroups are created to differentiate even further from the standard five categories. For example, an organization may use the 40000s for revenue from contributions, the 50000s for earned revenue, and the 60000s for other income from non-operating activities—all of which are revenues. You can find a detailed example of a full chart of accounts for not-for-profit organizations [here](#).

Additional Considerations

There are times when an organization may have to separate the financial position and activity of their operations. One example is when an organization has multiple grants. Although the activities for each grant will fall under the same five categories of accounts, they must be tracked separately in order to report individually on each grant. This separation is done by functional expense allocation. The most typical way of individually allocating is through fund accounting for each grant.

An organization with multiple grants, for example, could assign a specific “fund account” to each one; for example, 4444 for its university grant and 8888 for its government grant. When recording an activity, staff would then record the corresponding fund account for each, before the account number. Thus, if the organization received a disbursement from the university, staff would enter 4444-10000 to record cash in the ledger. If the disbursement came from the government grant, staff would enter 8888-10000.

Resources

<https://corporatefinanceinstitute.com/resources/knowledge/accounting/general-ledger-gl/>

<https://www.accountingcoach.com/chart-of-accounts/explanation>

<https://www.accountingcoach.com/nonprofit-accounting/explanation/2>

<https://www.fasb.org/cs/Satellite?c=Page&cid=1176168380111&pagename=FAS-B%2FPage%2FImageBridgePage>

About the OJP Territories Financial Support Center

The Office of Justice Programs Territories Financial Support Center (OJP TFSC) offers free resources, training, and technical assistance for grantees in the U.S. territories. OJP TFSC services focus on building financial management capacity and can be accessed by emailing OJPTFSC@usdoj.gov via our Virtual Support Center.



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