

Journal entry

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A **journal entry**, in accounting, is a logging of transcriptions into items accounting journal. The journal entry can consist of several items, each of which is either a debit or a credit. The total of the debits must equal the total of the credits, or the journal entry is said to be "unbalanced." Journal entries can record unique items or recurring items such as depreciation or bond amortization. In accounting software, journal entries are usually entered using a separate module from accounts payable, which typically has its own subledger that indirectly affects the general ledger; journal entries directly change the account balances on the general ledger.

Some data commonly included in journal entries are: Journal entry number; batch number; type (recurring vs. nonrecurring); auto-reversing; date; accounting period; and description. Typically, accounting software imposes strict limits on the number of characters in the description; a limit of about 30 characters is not uncommon. This allows all the data for a particular transaction in a journal entry to be displayed on one row.

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Example

(GAAP Rules applied)

GENERAL JOURNAL

Date	Account Titles and Explanation	Posted Ref.	Debit	Credit
Jan. 1	Cash		20.000	
	Contributed Capital			20.000

Elucidation example:

- 1.) Provide a reference date for each transaction.
- 2.) Debits are written first.
- 3.) Credits written after Debits and they are indented to make clear the credits start from here on.
- 4.) Total debits must equal total credits.

Fraud

Journal entries are an easier means for perpetrating financial statement fraud than adjusting the subledgers. The former requires only a management override, while the latter requires collusion with other departments^[1]. False journal entries figured prominently in the frauds at WorldCom, Cendant, and Xerox.

See also

en.wikipedia.org/wiki/Journal_entry

- Double-entry bookkeeping system

References

1. ^ A Risk-Based Approach to Journal Entry Testing
(http://www.cpa2biz.com/Content/media/PRODUCER_CONTENT/Newsletters/Articles_2007/CorpFin/Entry_Testing.jsp)
, Richard Lanza, July 12, 2007.

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