

Glossary of Accounting Terms

General Ledger – Primary accounting record which contains all accounts and records all entries into those accounts. Only the recording of transactions and journal entries can change an individual accounts balance.

General Journal – All journal entries are recorded in the general journal.

Journal Entries – Are man-made, contain equal dollars of Debits and Credits and have an explanation by the preparer of why the entry was made, and the date.

Debits – Are one side of an entry and are basically Assets or Expenses. They also reduce Liabilities or Equity.

Credits – Are the other half of a journal entry. Credits record Liabilities and Revenues and increase Equity. They also reduce Assets and Equity.

Check Register – Records all checks written to vendors, usually in numerical order and by date. All checks create a Debit to an Asset or an Expense. Credit is to cash, as it reduces an Asset called Cash.

Payroll Register – Records all payroll checks, usually in numerical order and by date. Payroll checks are recorded as an Expense and the Credit is to the Asset Cash.

Donation Records – Are Cash received from members in the form of Checks or Cash. Donations are Credits in the Statement of Activities and Debits showing an increase in Cash, and Asset.

Statements of Activities (P&L) – Shows all Donations (Credits) and Expenses (Debits) which is assembled by grouping accounts from the General Ledger into the Statement of Activities. This Statement shows positive or negative cash for the reporting period – month, quarter, or year. (Comparative periods presented.)

Statements of Financial Position (Balance Sheet “BS”) – Shows all Assets (Debits) and Liabilities (Credits) and Equity (Credits) (called Net Assets for Non-Profit entities). (Comparative periods presented.) Usually, the Statements of Activities and Financial Position are accompanied by Footnotes which explain many details about the Financial Statements.