

LINKAGE OF JOURNALS, LEDGERS AND BALANCE SHEETS IN THE ACCOUNTING CYCLE

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Abstract: *This research aims to analyze the interrelationship of journals, ledgers and balance sheets in the accounting cycle and their implications for the reliability of accounting information. This study used a qualitative approach with descriptive methods. Data obtained through literature studies, document analysis. Data analysis was carried out by examining the flow of recording, consistency between stages, and the control function in the accounting cycle. The results showed that the journal served as the basis for recording transactions that determined the precision of the general ledger, while the balance sheet served as a verification and control tool to ensure the balance of the records. The interrelationships of the three components are sequential and interdependent. The reliability of accounting information is largely determined by the accuracy of the initial recording and the conceptual understanding of accounting.*

Keywords: *Journals, General Ledgers, Balance Sheets*

Introduction

The interrelation of journals, general ledgers and balance sheets in the accounting cycle is the main foundation of an accounting recording system aimed at producing reliable, relevant and accountable financial information. The three components form an integrated recording flow, where each stage has a specific but interdependent function. In the accounting cycle, journals act as a medium for recording the beginning of transactions, general ledgers as a means of grouping and summarizing accounts, and balance sheets as a verification tool to ensure debit and credit balance before financial reports are prepared. These relationships are systematic, sequential, and causal, so errors at one stage will affect the next stage (Suwardjono, 2018).

Journals have a strategic role because they are the starting point for the accounting recording process. In the journaling phase, transactions are analysed to determine the accounts involved and debit and credit positions according to the applicable accounting principles. Damayanti and Sudarno (2018) emphasized that the accuracy of transaction analysis in journals really determines the quality of subsequent recording. Errors in journaling are not only technical, but can also reflect a weak conceptual understanding of accounting principles, which ultimately impacts the reliability of financial information.

The ledger functions as an accounting data processing center that collects all transactions from the journal into relevant accounts. Through a book-entry process, transactions previously recorded chronologically in journals are systematically arranged by account type. Kieso, Weygandt, and Warfield (2020) state that the general ledger provides account balance information that forms the basis for analyzing the entity's financial position and performance. Thus, the general ledger acts as a link between recording transactions and preparing the balance sheet and financial statements.

The interrelationship between journals and ledgers is causal and deterministic. Each journal entry will directly affect the account balance in the ledger. Sari and Prasetyo (2020) explain that journaling errors, such as misclassification of accounts or incorrect nominal determination, will accumulate in the general ledger and have the potential to cause misstatement of financial reports. Therefore, consistency and accuracy in the book-entry process are important aspects in maintaining the quality of accounting information.

The balance sheet is prepared on the basis of the final balances of the accounts in the general ledger and serves as a means of verification and internal control. The main objective of preparing the balance sheet is to ensure a balance between total debits and total credits. According to Nurhayati and Wasilah (2019), the balance sheet acts as an initial mechanism for detecting recording errors, such as bookkeeping errors and calculation errors. Although the balance sheet is not capable of detecting all types of errors, its existence remains crucial in maintaining the mathematical consistency of the accounting system.

The interrelationships of journals, general ledgers and balance sheets also form a feedback mechanism in the accounting cycle. Balance sheet imbalances encourage the process of tracing back to ledgers and journals to identify the source of the error. Suwardjono (2018) states that this mechanism shows that the accounting cycle is designed as a layered control system that allows continuous internal corrections before financial reports are prepared.

In the context of computerized accounting information systems, the integration of journals, general ledgers and balance sheets is becoming increasingly robust through the automation process. Romney and Steinbart (2021) explain that computer-based accounting systems are able to increase the efficiency, speed and consistency of recording. However, Hall (2018) asserts that automation does not completely eliminate the risk of errors, especially when errors occur at the input stage journal. These input errors can actually spread systemically because they are directly processed by the system to all related accounts.

In addition to system factors, human resource competencies are instrumental in maintaining the interlinkages of journals, general ledgers and balance sheets. Yadiati and Mubarak (2017) emphasize that the quality of financial reporting is greatly influenced by practitioners' understanding of the flow and interrelationships in the accounting cycle. Practitioners who understand the relationship between the stages of the accounting cycle tend to be better able to maintain record keeping consistency as well as detect errors early on.

Thus, the interrelationship of journals, general ledgers and balance sheets in the accounting cycle must be understood as a single, mutually supportive system. These three not only serve as administrative stages, but also as internal control mechanisms that determine the reliability of accounting information. Failure to understand such linkages has the potential to undermine the quality of financial recording and reporting, in both manual and computerized systems.

Literature Review

1. Journals in the Accounting Cycle

According Kieso, D. E., Weygandt, J. J., & Warfield, T. D. (2019), journal is the first accounting record used to record financial transactions chronologically, where each transaction is analyzed and recorded based on debit and credit principles before being transferred to the general ledger. According to Warren, C. S., Reeve, J. M., & Duchac, J. E. (2018), a journal is a systematic record used to record company economic transactions and events sequentially according to the time they occur, as a basis for the subsequent recording process in accounting.

Based on the opinions of Kieso, Weygandt, and Warfield and Warren, Reeve, and Duchac, it can be concluded that journals are initial records in the accounting cycle which function to record economic transactions and events chronologically and systematically. In the journal, each transaction is analyzed first and recorded based on debit and credit principles before being transferred to the general ledger. Therefore, journals have an important role as the main basis in the accounting recording process and determine the accuracy of the next recording stages.

2. Ledger in Accounting Cycle

According Soemarso S. R. (2014), a general ledger is a collection of accounts used to record and group financial transactions based on type, so that changes and balances of each account in an accounting period can be known. And according to Rudianto. (2012), a general ledger is an accounting record that contains a summary of transactions that have been recorded in a journal and is used to find out the final balance of each account as a basis for preparing financial reports.

Based on Soemarso S' opinion. R. and Rudianto, it can be concluded that the general ledger is a collection of accounts that function to record, group and summarizes financial transactions originating from journals. Through the general ledger, changes and final balances of each account in an accounting period can be known, thus becoming an important basis for preparing financial reports and analyzing the company's financial condition.

3. Balance Sheet in Accounting Cycle

According Agoes, S. (2017), a balance sheet is a list of the balances of general ledger accounts prepared at a certain time as a tool to detect recording errors arithmetically in the accounting system. According Horngren, C. T., Sundem, G. L., & Elliott, J. A. (2014), a balance sheet is a list of all general ledger accounts and their debit and credit balances at a certain date which are used to check the recording balance before the financial statements are prepared.

In the opinion of Agoes and Horngren, Sundem and Elliott, it can be concluded that the balance sheet is a list of all general ledger accounts and their debit and credit balances prepared at a certain time. The balance sheet functions as a control tool to check the balance of records and helps detect recording errors arithmetically before the preparation of financial reports is carried out.

4. Linkages of Journals, General Ledgers and Balance Sheets

Journals, general ledgers and balance sheets are interrelated and inseparable stages in the accounting cycle. The journal serves as a preliminary record for recording financial transactions chronologically and systematically based on debit and credit principles (Kieso, Weygandt, & Warfield, 2019; Warren, Reeve, & Duchac, 2018). Transactions that have been recorded in the journal are then moved to the general ledger to be grouped and summarized into certain accounts so that changes and balances for each account can be known (Soemarso, 2014; Rudianto, 2012).

Furthermore, the account balances contained in the general ledger are prepared in the balance sheet to check the balance of debit and credit records and detect recording errors arithmetically before the financial statements are prepared (Agoes, 2017; Horngren, Sundem, & Elliott, 2014). Thus, the accuracy of recording in journals greatly influences the accuracy of the general ledger and balance sheet, so that these three components form a unified recording system that is interdependent in the accounting cycle.

Method

This research has been prepared based on a conceptual analysis of the interrelationships of journals, general ledgers and balance sheets in the accounting cycle as discussed in the discussion section. The method used is a descriptive qualitative approach with an emphasis on analyzing the flow of accounting records, starting from the journaling stage, transferring books to general ledgers, to preparing balance sheets. This approach is used to explain the role and function of each component as well as the systematic relationship between stages in the accounting cycle, as stated by Kieso, Weygandt, and Warfield (2020) and Suwardjono (2018). Research data is obtained through a literature review of scientific journals and accounting textbooks which specifically discuss journals, ledgers, balance sheets and accounting information systems. The literature analyzed was selected based on its suitability to the focus of the discussion, namely the integration between components of the accounting cycle and its implications for the reliability of financial information (Yadiati & Mubarak, 2017; Romney & Steinbart, 2021). With thus, the data sources used directly support and strengthen the arguments in the discussion. Data analysis is carried out by examining the suitability of previous research concepts and findings to the accounting recording flow discussed. The analysis stages include tracing the cause-and-effect relationships between components of the accounting cycle, identifying the control function in the balance sheet, and interpreting the role of the journal as the basis for recording. This analytical approach refers to the practice of descriptive qualitative analysis which emphasizes the meaning of data based on theoretical context (Miles et al., 2014). The validity of research results is maintained by comparing various views from different literature and ensuring consistency between methods, discussions and conclusions. With methods derived directly from the discussion, this research is expected to produce a coherent, relevant and scientifically accountable analysis.

Results and Discussion

The results of conceptual analysis and literature review show that journals, general ledgers and balance sheets are the main components that form the flow of recording in the accounting cycle. The three components do not stand alone, but are systematically, sequentially and interdependently interrelated. In the framework of the accounting cycle, the journal functions as the initial stage of recording transactions, the general ledger as a means of grouping and summarizing accounts, and the balance sheet as a means of initial verification before preparing financial reports (Kieso et al., 2020). This linkage reflects the basic accounting principle that each financial transaction must be recorded consistently and can be traced from the initial stage to the final stage. Suwardjono (2018) emphasized that the accounting cycle must be understood as a unified information system, where errors at one stage will affect the next stage and have an impact on the quality of the information produced.

The discussion of the literature shows that journals have a very strategic role because they are the basis of the entire accounting recording process. The journal records transactions chronologically and systematically based on debit and credit principles. The accuracy of transaction analysis at the journaling stage determines the correctness of the accounts used and

the values recorded (Harahap, 2017). Previous research shows that most accounting errors originate from the journaling stage, either in the form of account classification errors, nominal determination errors, or debit and credit recording errors (Damayanti & Sudarno, 2018). The error will not only affect the journal, but will also carry over to the general ledger and balance sheet. Therefore, the journal not only serves as an initial recording tool, but also as a basis for controlling the quality of accounting information. Apart from that, the journal also functions as an audit trail that allows tracing transactions again if an error or dispute occurs. This is in line with the opinion of Romney and Steinbart (2021) who stated that journals are an important element in the internal control system because they provide evidence of recording transactions chronologically.

The ledger acts as a center for processing and summarizing accounting data. All transactions that have been recorded in the journal are transferred to the general ledger according to their respective accounts. This process allows the preparation of account balances and monitoring of changes in value over time (Mulyadi, 2016). The results of the literature review show that ledgers have a strategic role as a link between recording transactions and preparation of balance sheets and financial reports. Wilkinson et al. (2017) state that ledgers are central to accounting systems because they provide the structured information needed for financial analysis and decision making. However, the effectiveness of ledgers depends largely on the quality of data coming from journals. Errors in journaling will directly affect the account balance in the ledger. This reinforces the view that the general ledger is not merely a technical stage, but rather an integral part of an accounting information system requiring consistency and high precision.

The balance sheet is prepared on the basis of the final balances of the accounts in the general ledger and serves to ensure a balance between total debits and total credits. In the accounting literature, the balance sheet is seen as an important early verification tool in the accounting cycle (Nurhayati & Wasilah, 2019). The discussion showed that the balance sheet has an important role in detecting arithmetic errors and book-entry errors. However, the balance sheet is not able to detect all types of errors, such as errors of principle or transactions that are not recorded. Therefore, the balance sheet cannot be used as the only indicator of the correctness of accounting information (Sari & Prasetyo, 2020). Nevertheless, the balance sheet continues to have strategic value in the internal control system. The balance sheet imbalance encourages the tracing process back to journals and general ledgers, thus strengthening the correction mechanism in the accounting cycle. Thus, the balance sheet functions as feedback (feedback mechanism) in the accounting system.

In manual accounting systems, the interrelationship of journals, general ledgers and balance sheets depends largely on the rigour and discipline of recording human resources. Previous studies have shown that limitations in accounting competence often lead to recurring recording errors, particularly in the journaling and book-entry stages (Utami & Nugroho, 2021). Meanwhile, in computerized accounting systems, integration between components becomes stronger through the automation process. However, the results of the study show that automation does not completely eliminate the risk of errors. Input errors in the journaling stage will still have a direct impact on the general ledger and balance sheet, even on a broader scale due to simultaneous system processing (Hall, 2018). This confirms that a conceptual understanding of the interrelationships of journals, general ledgers and balance sheets remains necessary, even if organizations have used sophisticated accounting technologies. Without that understanding, system users tend to rely too heavily on technology and neglect the balance sheet verification function.

This discussion shows that the reliability of accounting information is the result of consistent integration between journals, general ledgers and balance sheets. Yadiati and Mubarak (2017)

state that the quality of financial reports is greatly influenced by the quality of the underlying recording process. Thus, the interrelationship of the three components in the accounting cycle is not only procedural, but also conceptual and systemic. A full understanding of these linkages would improve the quality of internal controls, minimize recording errors and generate more reliable financial information for decision-making.

Conclusion

This study concludes that journals, ledgers and balance sheets are the main components in the accounting cycle that are very closely related structurally and functionally. The three cannot be understood in isolation, but rather as a single, integrated and interdependent record-keeping system. The journal acts as the initial stage for recording financial transactions, the general ledger functions to process and group transactions into relevant accounts, while the balance sheet functions as an initial verification tool to ensure balanced recording before preparing financial reports.

The results of the study show that the accuracy of journaling is the most crucial factor in maintaining the reliability of accounting information, because errors at the journal stage will have a direct impact on the account balance in the general ledger and are reflected in the balance sheet. The general ledger and balance sheet also serve as part of the internal control mechanism that helps detect recording errors. These linkages remain relevant in both manual and computerized accounting systems, making a conceptual understanding of the flow of the accounting cycle particularly important. Although the study is still limited to a qualitative approach, the findings make a theoretical and practical contribution to strengthening the understanding that the reliability of accounting information is largely determined by the quality of integration between components in the accounting cycle as a whole.

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