

# General Ledger Overview

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SedonaOffice is a complete financial application, from billing to financial statements. As a single software program, all the modules within the application are designed so all the financial transactions are immediately posted to the general ledger. SedonaOffice is an accrual based accounting system.

## Accounting Basics

In order to use SedonaOffice you need an understanding of accounting. Here are some basics.

### Chart of Accounts

- Your Chart of Accounts determines how financial transactions are stored. Think of two main categories for your Chart of Accounts; Balance Sheet Accounts and Income Statement Accounts.

### Balance Sheet Accounts

- Balance Sheet Accounts track what you have (Assets) and what you owe (Liabilities). These accounts maintain a balance that continues forward even past your fiscal year. It also tracks what your company is worth (Equity).

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### Income and Expense Accounts

SedonaOffice tracks all your income and expenses in these account types. This is used to analyze the profitability of your business.

Income Accounts can be classified into two types of accounts, Income or Other Income. Ordinary income used to determine the operating profitability should be classified as an Income account type. Non-operating income such as interest, or a sale of equipment, should be classified as Other Income.

Expenses can also be classified as regular Expenses and Other Expenses. There is also a special account type called Cost of Goods Sold, which is used to recognize the expense of inventory materials, labor and sales commissions.

### Accrual Based Accounting

SedonaOffice is an accrual based accounting application. Which means Income and Expenses are recorded at the time they are entered.

### Accounting Periods

Accounting periods are used in SedonaOffice to track your Accounts within a specific period of time. By using Accounting Periods your company may generate reports based on consistent periods from both within a fiscal year and period vs. period for previous fiscal years. SedonaOffice supports a twelve (12) period fiscal year. When an accounting period is closed, it will "lock out" any changes to transactions made within that Accounting Period. Once an Accounting period has been set to Closed, it may be set to a status of Re-Opened to allow only Users with the appropriate permissions to enter transactions into a previously closed period. This is typically for the purpose of creating Journal Entries for the prior period.

### Deferred Income

Your Deferred Income is automatically tracked when you generate your recurring invoices. Income that is generated for a future accounting period when you create your recurring revenue invoices is tracked in a special account identified in the system as the "Deferred Revenue" account. For each accounting period thereafter the appropriate

amount of income will be generated, and the Deferred Income will be properly lowered.

Deferred Income Example: September 20th, a quarterly monitoring invoice is generated for \$75.00, for the service period of October – December.

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## Company & G/L Structure

The Company sits at the top of the database; it is your financial entity.

- A Branch is any grouping of G/L data within the Company; such as a remote office, acquisition, or even another entity.
- A Category is a way of categorizing the income and expense transactions for producing departmentalized profit and loss statements.
- The Customer has an unlimited number of Sites, each of which may have an unlimited number of Systems.
- The Site is the physical location of the property where equipment is installed or is being monitored and is associated with one Branch.
- The System is the equipment installed and serviced by the company or an outside service company. All financial transactions are created at the Site level and are associated with one system.

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The Accounting Periods form displays the Current Account Period in which your company is conducting business and a list of each accounting period within the current fiscal year and each accounting period in the next fiscal year. Having two fiscal accounting years available allows your company to move into the next fiscal year without having to close out the previous year. This gives your company up to 12 months to finalize the previous year transactions before it must be closed to allow the next year to be opened.

Each Accounting Period is assigned one of four statuses; Future, Open, Closed, and Re-Open.

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Future - All accounting periods where business has not yet been conducted is set to Future.

Open - When your company is ready to begin entering transactions into a period, the User will change the status to Open. Once a period status has been set to Open, Users will be able to post transactions with any date within that accounting period.

Closed - Once your company has determined all transactions for the accounting period have been completed, a User will change the status of the currently open period to Closed. Once the status has been set to Closed, Users will not be able to post any transactions into the closed period. If the Deferred Income for the period has not yet been posted, the application will not allow you to change the accounting period status to Closed until this has been completed.

Re-Open - Once an accounting period status has been set to Closed, a User may change the status to Re-Open. This

will allow certain staff members the ability to post transactions into the previously closed accounting period. The ability to post transactions into a Re-Opened period is controlled by a User Group Security option; Access to Re-opened Periods.

The Current Accounting Period field at the top of the Accounting Periods form may only be advanced to the next accounting period once the deferred income for the prior period has been earned. [Click here for more information on deferred income recognition.](#)