

BlackLine FAQ #1: What is a Subledger?

Background

This Learn Once, Globally is the first in a series of Frequently Asked Questions with regards to BlackLine and the Balance Sheet Account Reconciliation Policy. These Learn Once, Globally documents will all be based upon some of the frequently asked questions and some of the common mistakes we have seen on reconciliations.

A reconciliation is a comparison of the general ledger balance to the subsidiary ledger (subledger) balance at a specific point in time. One of the most important aspects in preparing an accurate reconciliation is proper identification of the subledger. The following outlines the examples and criteria of a proper subledger and examples that should not be used as subledgers.

Examples of proper subledgers

A proper subledger is a detailed listing of the specific underlying assets or liabilities that should be recorded on the books of the entity. A proper subledger is independent of the general ledger and should not be generated from the same system (except when the subledger is a component of the same fixed asset system as indicated below).

The following are examples of proper subledgers:

- A bank statement to support cash;
- a copy of a third-party statement to support investment or debt balances;
- third party invoices to support prepaid assets or accrued liabilities;
- FAS 109 workbooks to support tax assets or liabilities (quarterly) and the accrual to return workbook to support tax assets or liabilities (annually);
- a spreadsheet that calculates legal liability based on ASC 450 (FAS 5) criteria (see Commitments and Contingencies policy on Brink's World); or
- accounts receivable aging to support accounts receivable balances, detailed listing of accounts payable to support accounts payable balances, and fixed asset registers to support fixed asset balances. Note these are the only cases in which the subledger should be generated from the same system as the general ledger when your AP, AR, or Fixed Asset subledgers are integrated in the same system.



Examples of improper subledgers

The following are examples of items that are not considered proper subledgers:

- *A listing of journal entries made in the current period* – this does not represent a subledger as this is not independent from the general ledger. In addition, all journal entry activity may not be present in the ending balance in the account.
- *A rollforward of account balances from prior periods +/- current period activity to arrive at ending balances* – this does not represent a subledger as the prior period balance is not properly supported and the current period activity is from activity on the general ledger and not an independent source.

Documenting subledger support in BlackLine

As all of our balance sheet account reconciliations will soon be documented within BlackLine, all subledger support should be included in the BlackLine tool. When the preparer and approver of reconciliations in BlackLine certify the reconciliations, they will sign a statement within the tool that states that the subledger has been reviewed for accuracy. In cases where the review of the subledger took place by an individual other than the preparer or approver, this review should be documented in BlackLine.

You can document this review by uploading a copy of the subledger signed by the reviewer into BlackLine. Another option is to assign the reviewer of the subledger as the preparer of the reconciliation in BlackLine.