

Purchase Ledger: What Is It, Examples, and Benefits



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Part of managing your business is having a system in place to record all financial activity.

Whether it's paying a utility bill, purchasing laptops for your employees, or selling 1,000 baseball bats, it's essential that any transaction that involves money, either coming in or going out, is recorded properly.

That's why accounting ledgers are so important. Accounting ledgers like the purchase ledger, also known as a sub-ledger, are an important part of the double-

entry bookkeeping process, providing a place for you to record your company's purchases.

The purchase ledger also provides a complete accounting record of any related transactions such as money paid to vendors or a credit memo from a supplier or vendor.

What Are the 3 Types of Accounting Ledgers?

Accounting ledgers are books where all financial activity is recorded. There are three types of ledgers that businesses use:

What Are the 3 Types of Accounting Ledgers



Purchase Ledger



Sales Ledger



General Ledger

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- **Purchase Ledger** - The purchase ledger is where all company purchases and supplier invoices (accounts payable) are recorded
- **Sales Ledger** - The sales ledger is where all sales (accounts receivable) transactions are recorded
- **General Ledger** - The general ledger is the main ledger for your business which contains all accounting transactions

Before accounting software, purchases were recorded by purchase ledger clerks.

However, with the arrival of accounting software, this information is completed electronically, eliminating the need to manually record purchases and sales in their respective journals as well as the general ledger.

What Is a Purchase Ledger?

A purchase ledger records all business transactions relating to the purchase of goods and services.

The purchase ledger is not part of the purchasing department, but instead, is used as an accounts payable tool for managing invoices and payments.

The purchase ledger provides detailed information about each purchase, which is later aggregated and posted to a control account in the general ledger.

The general ledger account only displays the balance of the purchase ledger, with all details remaining in the ledger.

Though it's best to have an individual account for each supplier or vendor, small businesses may prefer to record purchase transactions in a single ledger as they are received.

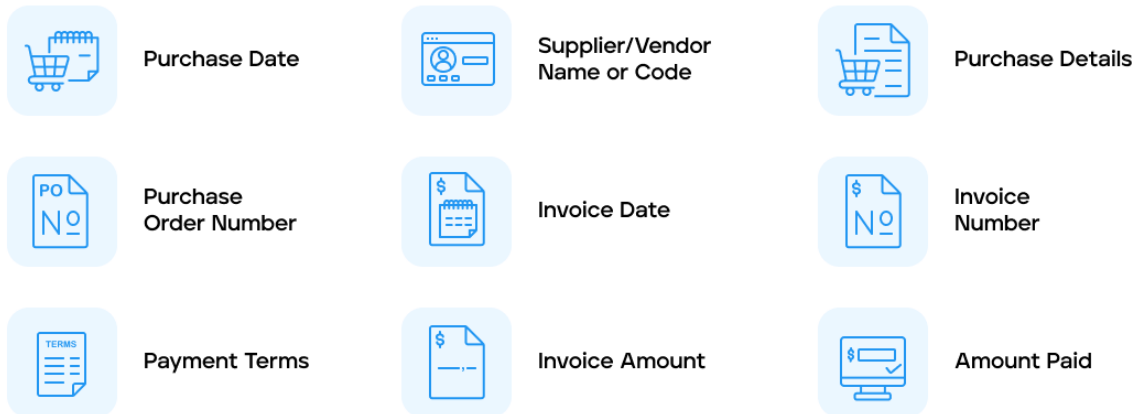
What Does the Purchase Ledger Track?

A purchase ledger is designed to track all purchases that a company makes as well as payments issued to vendors and suppliers for those purchases.

Credit memos can also be recorded in the purchase ledger.

What Is in a Purchase Ledger?

What Is in a Purchase Ledger



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The purchase ledger contains detailed information related to any purchases made during a specific period.

The purchase ledger should be updated any time a purchase is made by credit, as cash purchases would be recorded differently.

A typical purchase ledger may include the following information, with each business able to format the ledger or spreadsheet as they see fit.

- **Purchase Date** – The purchase date will vary from the invoice date, but both must be recorded in the purchase ledger.

Recording the purchase date allows you to examine turnaround time by examining the length of time between the purchase date and the invoice date.

- **Supplier/Vendor Name or Code** – If you're tracking each vendor or supplier separately, you won't need to include the name or code.

However, if your purchases are limited, the supplier or vendor name or code will need to be included on your spreadsheet. You may also want to include a purchase ledger control account if one is used.

- **Purchase Details** – Include purchase details on the ledger, particularly if you purchase multiple items from a single vendor.

For example, if you purchase shipping supplies and office supplies from the same vendor, make sure to note on the ledger exactly what the purchase is for.

Any credit notes from your vendors or suppliers should also be included in the ledger.

- **Purchase Order Number** – Including the purchase order number makes it easier to track an order as well as match the correct purchase order with a corresponding invoice and shipping receipt.
- **Invoice Date** – This is the date of the invoice.
- **Invoice Number** – The invoice number must be included in the purchase ledger since you will use it as a reference to verify that goods and services were received in the correct amount for the agreed-upon price.
- **Payment Terms** – Payment terms ensure that vendors and suppliers are paid on time.
- **Invoice Amount (recorded as a credit)** – The total amount of the invoice needs to be included since this will later be transferred to the general ledger as an accounts payable item. It's important to record any unpaid invoice totals as a credit.
- **Amount Paid (recorded as a debit)** – The invoice paid amount also needs to be included in the purchase ledger and should be recorded as a debit in the purchase ledger.

A sample purchase ledger for a supplier, ABC Paint is below.

Purchase Date	Transaction Detail	Purchase Order #	Invoice Date	Invoice Number	Payment Terms	Invoice Amount
9/1/24	Purchased paint	001	9/11/24	1234	Net 30	\$4,450
9/4/24	Received credit memo	001	9/15/24	1234CR		(\$500)

9/19/24	Purchased varnish	002	9/25/24	1235	Net 30	\$2,400
9/26/24	Paid invoice # 1234	001		1234		(\$3,950)
9/30/24	Total					\$2,400

To make it easier to manage purchasing activity, each vendor or supplier should have their own account.

At the end of the accounting period, the balance of the purchase ledger should be transferred to the general ledger and recorded as your accounts payable balance.

If ABC Manufacturing was your only vendor, your AP balance at the end of September would be \$2,400.

What Is the Difference Between a Purchase Ledger and a Sales Ledger?

The Differences Between a Purchase Ledger and a Sales Ledger

PURCHASE LEDGER	SALES LEDGER
Purchase ledgers are designed to record transactions related to supplier and vendor purchases, with the ending balance posted in the general ledger accounts payable account, which will be reflected on your balance sheet.	A sales ledger records all credit sales to customers. Like the purchase ledger, the sales ledger should have a separate account for each customer, which makes it easier to track outstanding invoice totals. Information that should be recorded in the sales ledger includes:
	• Date of Sale • Invoice Details • Invoice Number • Invoice Total • Tax Total • Amount Paid

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Purchase ledgers are designed to record transactions related to supplier and vendor purchases, with the ending balance posted in the general ledger accounts

payable account, which will be reflected on your balance sheet.

A sales ledger records all credit sales to customers. Like the purchase ledger, the sales ledger should have a separate account for each customer, which makes it easier to track outstanding invoice totals.

Information that should be recorded in the sales ledger includes:

- Date of sale
- Invoice details
- Invoice number
- Invoice total
- Tax total
- Amount paid

At the end of the accounting period, the total in the sales journal should be posted to the general ledger reflecting the total accounts receivable balance.

This helps to ensure that financial statements are accurate.

What Are the Benefits of a Purchase Ledger?

There are numerous benefits to keeping a purchase ledger, including the ability to keep track of each supplier or vendor account individually.

Whether done automatically through accounting software or manually using a Microsoft Excel spreadsheet or other tool, keeping track of every step of a purchase including recording the invoice and any relevant changes or credit memos, as well as vendor or supplier payments helps keep your vendor and supplier accounts accurate.

Is the Purchase Ledger a Liability or an Asset?

Because purchases represent money owed to a vendor or supplier, a purchase ledger should always be a liability, which means it should have a credit balance.

On the other hand, a sales ledger is an asset and should always have a debit balance, since it represents money owed to your company.

Eliminate Time-Consuming Manual Ledgers by Moving to Automation

Purchase ledgers and sales ledgers are valuable resources that allow you to track both incoming and outgoing funds, with numerous templates available to download.

Unfortunately, keeping track of purchases manually is a time-consuming process that can produce inaccurate results.

Instead, making the move to an automated accounting software application like PLANERGY can help you better manage your purchases from initial purchase requisition to vendor payment, allowing you to leave time-consuming manual processes behind.

What's your goal today?

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