

CHAPTER-13

LEDGER

INTRODUCTION

After recording the transactions in the journal, recorded entries are classified and grouped into by preparation of accounts and the book, which contains all set of accounts (viz. personal real and nominal accounts), is known as Ledger. It is known as principal books of account in which account-wise balance of each account is determined.

Meaning and Definition- Business transactions are first entered in Journal or Special Purpose Subsidiary Books. The next step is to transfer the entries to respective accounts in Ledger. In other words, all entries recorded in Journal or Special Purpose Subsidiary Books are classified and in order to ascertain the position of a particular account, all transactions relating to that particular account are collected at one place in the Ledger. In short, a Ledger is a book which contains all accounts of the business enterprise whether Personal, Real or Nominal.

According to L. Cropper. *The book which contains a classified and permanent record of all the transactions of a business is called the Ledger."*

S.No.	Journal or Books of Original Entry	Ledger
1.	As the name indicates, all the transaction are first of all recorded in these books, i.e., journal or subsidiary book such as purchases book, sales book etc. As the transactions are entered for the first time in these books, they are also referred to as books of primary entry.	All the transactions entered in Journal or Subsidiary Books are later transferred to the Ledger. As such, the Ledger is also called a book of final entry.
2.	In these books, transactions are entered in a chronological order, as and when they take place. As such the position of an account at any point of time cannot be ascertained from these books.	In this book, transactions are recorded in analytical order, i.e., all the transactions pertaining to a particular account are contained at one place in the Ledger. Thus, position of an account can be easily ascertained at any point of time.
3.	Full details of a transaction (narrations) are recorded in these books.	Full details of a transaction are not recorded in the Ledger.
4.	Final Accounts (trading, profit and loss account and balance sheet) cannot be prepared with the help of books of original entry.	Final accounts can be prepared with the help of Ledger balances.
5.	These books are considered as more authentic and reliable in comparison to the ledger, since these are the books in which the entry is recorded first of all.	Ledger is considered as less authentic and reliable in comparison to books of original entry, since entries are recorded in the Ledger at a later stage.

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6.	The process of recoding entries in the books of original entry is called 'journalising.'	The process of recording entries in the Ledger is called 'posting'.
7.	Page number of the Ledger, i.e., Ledger Folio (L.F.) is written in these books.	Page number of the Journal or subsidiary books, i.e., Journal Folio (J.F.) is written in Ledger.
8.	Accuracy of these books cannot be tested.	Accuracy of the Ledger Accounts is tested by preparing a Trial Balance.

Format of Ledger-Each ledger account is divided into two equal parts. The left-hand side is known as the debit side and the right-hand side as the credit side. As an account is in 'T' shape, therefore, sometimes it is called 'T' account. The format of an account is as shown below:-

Dr.	Name of Account						Cr.
Date	Particular	J.F.	Amount (Rs.)	Date	Particulars	J.F.	Amount (Rs.)
1	2	3	4	5	6	7	8

As shown above, there are four columns on each side of an account:-

1. **Date**-The date of the transaction is recorded in this column.
2. **Particulars**- Each Transaction affects two accounts. The name of the other account which is affected by the transaction is written in this column.
3. **Journal Folio or J.F.**-In this column, the page number of the journal or subsidiary Book from which that particular entry is transferred, is entered.
4. **Amount**- The amount pertaining to this account is entered in this column.

Rules of Posting

Posting is the process of transferring entries from Journal or Subsidiary Books to the Ledger. The Following rules should be observed while posting entries in the Ledger-

1. All transactions relating to an account should be entered at one place. In other words, two separate accounts should not be opened for posting transactions relating to the same account. There are two customers with similar names, their accounts should be distinguished by writing their address against their names, say the Account of Anil of Karol Bagh) and the Account of Anil (of ChandniChowk).
2. The word 'To' is used before the accounts which appear on the debit side of an account. Similarly, the word 'By' is used before the accounts which appear on the credit side of an account.
3. If an account has been debited in the Journal entry, the posting in the Ledger should also be made on the debit side of such account. In the Particulars column, the name of the

other account which has been credited in the Journal entry should be written for reference.

4. If an account has been credited in the Journal entry, the posting in the Ledger should also be made on the credit side of such account. In the particulars column, the name of the other account which has been debited in the Journal entry should be written for reference.
5. Similar amount which has been posted on the debit side of an account should also be pasted on the credit side of another account.
6. It is not necessary to write the word A/c after the personal accounts

VERY SHORT ANSWER QUESTIONS

1. What is Ledger?

Ans. The book which contains a classified and permanent record of all the transactions of a business is called the Ledger.

2. Why is the Ledger called the book of Final entry?

Ans. The Ledger is called the book of final entry because it is the book in which all the business transactions would ultimately find their place.

3. Give one advantages of Ledger.

Ans. A trial balance can be prepared with the help of ledger balances which help in ascertaining the arithmetical accuracy of the accounts.

4. Give one distinction between books of original entry and ledger.

Ans.

Journal or Books of original Entry	Ledger
All the transaction are first of all recorded in these books, i.e., journal or subsidiary in books such as purchase book, sales book etc.	All the transactions entered in journal or subsidiary Books are later transferred to Ledger.

5. What is J.F.?

Ans. Journal Folio or J.F. is the page number of the journal from where the posting has been transferred in the ledger. The page number of the journal is recorded in the ledger in J.F. column.

6. Should a transactions are first recorded in Journal because it is a book of original entry.

Ans. Transactions are first recorded in journal because it is a book of original entry.

OBJECTIVE TYPE QUESTIONS

(A) State whether the following statements are true or false:

1. Ledger is a book of original entry.

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2. Posting is made at the debit side of an account, which has been credit in the Journal Entry.
 3. L.F is the Journal is filled at the time of posting.
 4. Debit balance of a nominal account shows income of the business.
 5. All business transactions are first of all recorded in a Ledger.
 6. The process of recording transactions in the Ledger is called posting.
 7. Personal accounts may have either debit or credit balance.
 8. Assets account may have either debit or credit balance.

 9. While preparing Cash A/c of the Current Year, the balance of the previous year is shown as 'To Balance b/d.'
 10. While preparing Capital A/c of the Current Year, the balance of the previous year is shown as 'To Balance b/d.'
 11. The balance of an account is always known by the side which is in excess.
- [Ans.: True: 3,6,7,9,10, 11,False: 1,2,4,5,8]

(B) Fill in the blanks by choosing the appropriate word from those written in parentheses:

1. Ledger account gives the folio..... (journal; ledger)
 2. Cash sales to Ram will be posted to.....side of account. (Debit, Credit; Ram, Sales)
 3. Cash purchases from Gopal will be posted to.....account on the side. (Gopal, Purchases; Debit, Credit)
 4. Wages paid to X will be posted to..... account on the side. (Wages; Debit, Credit)
 5. A debit balance is either..... or..... (Assets, Liability; Income, Expense)
- [Ans.: (1) Journal; (2) Credit, Sales; (3) Purchases, Debit; (4) Wages, Debit (5) Assets, Expense.]

(C) State whether the following accounts will show debit or credit balance:

- (i) Purchases Account
- (ii) Cash
- (iii) Capital
- (iv) Salary
- (v) Interest received
- (vi) Sales Return
- (vii) Machinery
- (Viii) Drawing

[Ans.: Debit balances: - (i), (ii), (iv), (vi), (vii), (viii).]

(D) Choose the best Alternate

1. Which posting in personal accounts from the purchases book, posting is done:

- (a) On Debit side
- (b) on Credit side
- (c) On Debit or Credit side
- (d) None of the above

2. Which of the following accounts always shows a debit balance:

- (a) Capital Account
- (b) Sales Account
- (c) Purchases Return Account
- (d) None of the above

3. Proprietor of the business withdrew goods from business for private use. It will be posted to the:

- (a) Credit of Drawing A/c
- (b) Debit of Purchases A/c
- (c) Credit of Purchases A/c
- (d) None of the above

4. The total of purchases Return Column of purchases Return Book will be posted to the:

- (a) Debit of Purchases A/c
- (b) Credit of Purchases A/c
- (c) Debit side of Purchases Return A/c
- (d) Credit side of Purchases Return A/c

5. Normally, the following accounts balanced:

- (a) Personal A/c & Nominal A/c
- (b) Real A/c & Nominal A/c
- (c) Only Nominal A/c
- (d) Personal A/c & Real A/c

6. which of these accounts has debit balance?

- (a) Income received in advance
- (b) Bank loan
- (C) Prepaid insurance premium
- (d) Creditors for goods

7. Which of the following is known as ‘Principal Book of Accounting’?

- (a) Ledger
- (b) Journal
- (c) Trail balance
- (d) Balance sheet

8. The credit balance of a personal account is.....

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- (a) Cash in hand
- (b) Amount receivable
- (c) Income earned
- (d) Amount payable

[Ans.

1.(b)	2.(d)	3.(c)	4.(d)	5.(d)	6.(c)	7.(a)	8.(d)
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