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10

LEDGER

You have learnt to record business transactions in various books of accounts such as Cash Book, Purchases Book, Sales Book, Journal etc. But the record in these books is scattered. Purpose of accounting is to enable the businessman to get knowledge of various items of revenue, expenditure, debtors, creditor, assets etc. This can be made possible if all the concerned amounts recorded in different books on different dates are brought under the respective heads at one place. This process is called 'posting' and the book that contains the various account heads is called ledger. In this lesson you will learn the meaning of ledger and the purpose of preparing the ledger.

OBJECTIVES

After studying this lesson, you will be able to :
- understand the meaning and purpose of Ledger;
- differenciate between Journal and Ledger;
- able to do the posting from Journal to Ledger and
- develop the skill of balancing of Accounts in the Ledger.

10.1 MEANING AND PURPOSE OF LEDGER

All transactions related to a head of account are recorded in different books. To know the total volume and value of transactions pertaining to a particular account these have to be brought at one place. The book in which all accounts are maintained is called Ledger. It contains the complete set of accounts for a business entity. The process of preparing necessary ledger accounts and transferring the information recorded in day books to these accounts according to accounting rules is called ledger posting.

Ledger is the principal Book of double entry accounting system. It may be in the form of a book or a bound register of separate sheets. Each account is opened on a separate page or card.

Ledger

Purpose of Ledger

i) **Quick information about various transactions :** Ledger sets the relationship between the business enterprise and business transactions with the help of an account.

ii) **Proper control over transactions :** Separate ledger accounts are maintained for each type of transaction.

iii) **Helpful in preparing Trial Balance :** The final balances of all ledger accounts are shown in the Trial balance, which helps in ensuring that books are arithmetically correct.

iv) **Helpful in preparing Financial Statements :** The financial statements of a business concern are prepared with the help of trial balance which in turn is prepared on the basis of the balance of different ledger accounts.

Format of a Ledger Account

Ledger account is prepared in 'T' shape, which is basically divided into two parts. Left side is known as Debit side and right side is known as Credit side.

The format of a ledger account is as follows :

Title of Account

Dr   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)

The following information is recorded in the various columns on both sides of a ledger account :

Date : In this column, the date of a transaction is recorded.

Particulars : in this column the details of the transaction is recorded, on the debit side, the word 'To' and on credit side, the word 'By' are prefixed.

Journal Folio (J.F.) : In this column the page number of book of original entry is recorded.

Amount : The Amount of the transaction is recorded in this column.

10.2 DIFFERENCE BETWEEN JOURNAL AND LEDGER

S. No	Basis of Difference	Journal	Ledger
1.	Entry	Journal is the Book of Original entry	Ledger is the Book of Secondary Entry

2.	Record	Journal is the Book for Chronological record	Ledger is the Book of analytical record
3.	Classification of Data	Transaction is the basis of recording in the journal	Journal is the basis of posting in the ledger
4.	Process of Recording	Process of recording in the Journal is called journalizing	Process of recording in the ledger is known as ledger posting

INTEXT QUESTIONS 10.1

Fill in the blanks with a suitable word

i.   The book of account in which all accounts are maintained is called _____.

ii.   Ledger is the_____ of double entry accounting system.

iii.   Process of Recording in the Ledger is known as _____.

iv.   _____ is the basis of posting in the ledger.

v.   Ledger is the book of _____ record.

10.3 POSTING OF THE JOURNAL ENTRIES INTO LEDGER

Ledger is the principal book of account. It is necessary to post the entire information recorded in journal into different accounts in ledger. All the five types of accounts – Assets, Revenues, Expenses, Liabilities and Capital are opened in the ledger. They will provide useful information when the entire information is posted into them. Journal is the book of first entry (original entry) while the ledger is the book of Final Entry. It gives the final position of each account relating to any change in the account. Posting of Journal is the process of transferring the entire information recorded in journal to the relevant accounts in ledger.

Procedure for Posting the Journal

There are two parts of a journal entry:
*   the debit part which comes first and
*   the credit part which comes later.

i)   Posting the Debit Part

a)   Debit part will be posted on the debit side of the relevant account in ledger. After writing the date, record the name of the account credited in journal in the particulars column. Add prefix 'To' before writing the name of the account. Then write the account e.g., "To (name of the account)". Then write the amount in the amount column.

b)   For reference record the page number of journal in the Folio Column before amount column on the debit side.

ii) **Posting the Credit Part**

    a)   The credit part will be posted on the credit side of the relevant account in ledger. After writing the date the name of the account debited in journal will be written in the particulars column of the account. The prefix 'By' is generally used before the name of the account in the particulars column e.g., "By (name of the account)". Then write the amount in the 'amount' column.

    b)   For reference record the page number of Journal in the 'Folio' column on the credit side.

Example : Post the following journal entry into ledger.

JOURNAL

Dr.   Cr.

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2012 Mar. 20	Cash Account Dr. Jankidas (Being Cash received from Jankidas)		2,700	2,700

LEDGER

Dr.   **CASH ACCOUNT**   Cr.

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Mar. 20	To Jankidas (name of the account credited in journal.)		2,700				

Dr.   **JANKIDAS**   Cr.

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
				2012 Mar. 20	By Cash Account (Name of the account debited in journal.)		2,700

Posting of the compound Entry into Ledger from Journal

If more than two accounts are involved in a transaction and only one entry has been made for the transaction, it is called 'compound entry'. There may be two accounts in the debit part of the journal entry and one account in the credit part or there may be one account in the debit part and two accounts in the credit part. Rule of posting is the same as before, only the amounts are to be carefully written.

Notes

Example : Post the following journal entries into ledger.

Dr.   Cr.

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2012 May 15	Bank Account Dr. Discount Allowed Account Dr. Hari Mohan (Being cheque received from Hari Mohan and allowed him discount).		29,000 1,000	30,000
May 15	Kamal Dr. Bank Account Discount Received Account (Being cheque given to Kamal and he allowed discount of Rs. 100)		15,000	14,900 100

Solution

Posting into Ledger

Dr.   **Bank Account**   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 May 15	To Hari Mohan		29,000	May 15	By Kamal		14,900

Dr.   **Hari Mohan**   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012				May 15	By Bank A/c By Discount Allowed A/c		29,000 1000

Dr.   **Kamal**   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 May 15 May 15	To Bank A/c To Discount Received A/c.		14,900 100				

Dr.   **Discount Allowed Account**   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 May 15	To Hari Mohan		1,000				

Dr.					Discount Received Account		Cr	
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)	
				2012 May 15	By Kamal		100	

Illustration 1

Pass the necessary journal entries for the following transactions and post them into ledger :

Date 2012	Transaction	Amount (₹)
Jan. 15	Received cash from Mohan & Co. and	25,600
	Discount allowed to them.	400
Jan. 16	Purchased Goods on Credit from Babu.	20,000
Jan. 17	Goods returned to Babu	5,000
Jan. 18	Drawings made for personal use in the form of :	
	Goods	1,000
	Cash	1,000
Jan. 23	Paid rent	1,000
	Paid Salaries	1,000

Solution

Journal

Date	Particulars	L.F.	Dr (₹)	Cr (₹)
2012				
Jan.15	Cash A/c Dr.		25,600	
	Discount Allowed A/c Dr.		400	
	Mohan and Co.			26,000
	(Being cash received and discount allowed)			
Jan.16	Purchases A/c Dr.		20,000	
	Babu			20,000
	(Being good Purchased on Credit)			
Jan.17	Babu Dr.		5,000	
	Purchases Returns A/c			5,000
	(Being goods returned to Babu)			
Jan. 18	Drawings A/c Dr.		2,000	
	Cash A/c			1,000
	Purchases A/c			1,000
	(Being Cash and goods withdrawn by proprietor for his personal use)			

Jan. 23	Rent A/c	Dr.	1,000	
	Salaries A/c	Dr.	1,000	
	Cash A/c			2,000
	(Being rent & salaries paid in Cash)			

LEDGER POSTING

Dr.   **Cash Account**   **Cr**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Jan. 15	To Mohan & Co.		25,600	2012 Jan. 18 Jan. 23	By Drawing A/c By Rent A/c By Salaries A/c		1,000 1,000 1,000

Dr.   **Discount Allowed Account**   **Cr**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Jan. 15	To Mohan & Co.		400				

Dr.   **Mohan & Co.**   **Cr**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
				2012 Jan. 15	By Cash A/c. By Discount Allowed A/c.		25,600 400

Dr.   **Purchases Account**   **Cr**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Jan. 16	To Babu		20,000	2012 Jan. 18	By Drawing		1,000

Dr.   **Babu**   **Cr**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Jan. 17	To Purchases Return A/c		5,000	2012 Jan. 16	By Purchase A/c.		20,000

Dr.			Purchase Return Account			Cr	
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
				2012 Jan. 17	By Babu		5,000

Dr.			Drawing Account			Cr	
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Jan. 18	To Cash A/c To Purchases A/c		1,000 1,000				

Dr.			Rent Account			Cr	
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Jan. 23	To Cash A/c.		1,000				

Dr.			Salaries Account			Cr	
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Jan. 23	To Cash A/c.		1,000				

Illustration 2

Pass the necessary journal entries for the following transactions and post them into ledger :

Date 2012	Particulars	Amount (₹)
Feb. 1	Paid cash to Dinesh	16,800
	Discount received	200
Feb. 2	Goods sold to Dinesh	20,000
Feb. 3	Goods returned by Dinesh	500
Feb. 5	Purchased goods on Credit from :	
	Ram	15,000
	Hari	5,000
Feb. 6	Received commission in Cash	600

Solution

Journal

Date 2012	Particulars		L.F.	Dr. (₹)	Cr. (₹)
Feb. 1	Dinesh	Dr.		17,000	
	Cash A/c				16,800
	Discount Received A/c				200
	(Being cash paid to Dinesh and discount received)				
Feb. 2	Dinesh	Dr.		20,000	
	Sales A/c				20,000
	(Being goods sold to Dinesh)				
Feb. 3	Sales Return A/c	Dr.		500	
	Dinesh				500
	(Being goods retuned by Dinesh)				
Feb. 5	Purchases A/c	Dr.		20,000	
	Ram				15,000
	Hari				5,000
	(Being goods purchase on credit)				
Feb. 6	Cash A/c	Dr.		600	
	Commission Received A/c				600
	(Being commission received)				

Ledger Posting

Dr.   **Dinesh**   **Cr**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012				2012			
Feb. 1	To Cash A/c.		16,800	Feb. 3	By Sales's		
Feb. 1	To Discount				Return's A/c.		500
	Reveived A/c.		200				
Feb. 2	To Sales A/c.		20,000				

Dr.   **Cash Account**   **Cr**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012				2012			
Feb. 6	To Commission			Feb. 1	By Dinesh		16,800
	Received A/c.		600				

Discount Received Account

Dr.								Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012				2012 Feb. 1	By Dinesh		200

Sales Account

Dr.								Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
				2012 Feb. 2	By Dinesh		20,000

Sales Returns Account

Dr.								Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Feb. 3	To Dinesh		500				

Purchase Account

Dr.								Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Feb. 5	To Ram To Hari		15,000 5,000				

Ram

Dr.								Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
				2012 Feb. 5	By Purchase A/c.		15,000

Hari

Dr.								Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
				2012 Feb. 5	Purchases A/c.		5,000

Commission Received Account

Dr.								Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
				2012 Feb. 6	By Cash A/c.		600

INTEXT QUESTIONS 10.2

Following are the steps of posting of journal to ledger but are not in proper order. Write them in correct order :

a)   Write the page number of journal in JF column of ledger account and that of ledger in the LF column of journal.

b)   Open the two affected accounts in the ledger.

c)   Write date, amount of the debit account and have the credit account in the ledger in their respective columns.

Posting of Opening Entry

In the beginning of every accounting period of a continuing business a journal entry is passed to record the opening balance of all the assets and liabilities. This entry is called 'opening entry'. The posting of an opening entry is done altogether in a different way. As all assets have debit balance so account of each asset is opened in the ledger, on debit side by writing the word 'To Balance b/d'. Similarly, the liabilities and capital account have credit balance so account of each liability is opened in the ledger on the credit side by writing the word 'By Balance b/d'.

In this way, posting of an opening entry is completed. All other entries are posted in the usual way.

Example : Post the following opening entry into ledger:

Journal

Date 2012	Particulars		L.F.	Dr. (₹)	Cr. (₹)
April 1	Cash Account	Dr.		70,000	
	Machine Account	Dr.		2,10,000	
	Bank Account	Dr.		70,000	
	Vipin (Debtor)	Dr.		1,00,000	
	Capital Account				3,80,000
	Hari Ram				50,000
	Loan from HDFC Bank				20,000
	(Being the opening entry)				

MODULE - III
Ledger and Trial Balance

Notes

Solution

Posting into Ledger

Dr.   **Cash Account**   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Apr. 1	To Balance b/d		70,000				

Dr.   **Machine Account**   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Apr. 1	To Balance b/d		2,10,000				

Dr.   **Bank Account**   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Apr. 1	To Balance b/d		70,000				

Dr.   **Vipin**   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Apr. 1	To Balance b/d		1,00,000				

Dr.   **Capital Account**   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
				2012 Apr. 1	By Balance b/d		3,80,000

Dr.   **Hari Ram's Account**   Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
				2012 Apr. 1	By Balance b/d		50,000

Dr.   **Loan Account (HDFC Bank)**   Cr

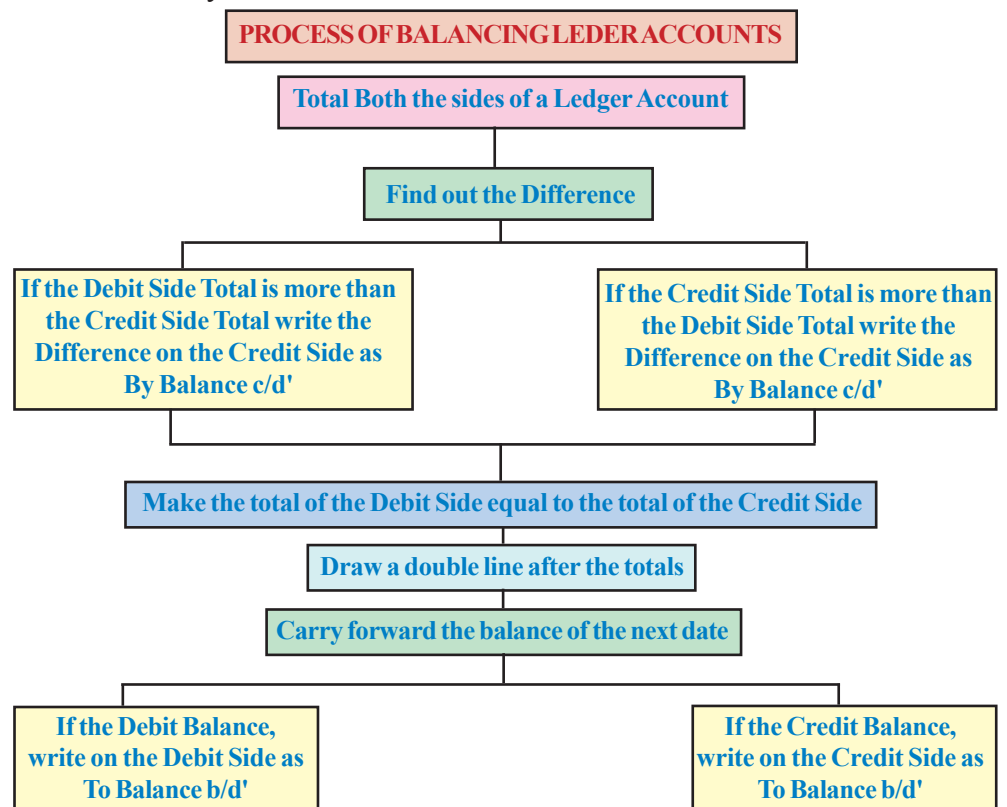| Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
				2012 Apr. 1	By Balance b/d		20,000

Notes

10.4 BALANCING OF AN ACCOUNT

Balancing of accounts means totalling the two sides of an account and putting the difference on shorter side. All Ledger accounts are usually closed and balanced at the end of an accounting period. The following steps are taken for balancing the accounts: -

- Calculate the total of both the sides of a Ledger account, and find out the difference.
- If the debit side total exceeds the credit side total, write the difference on credit side as "By Balance" c/d
- If the credit side total exceeds the debit side total write the difference on debit side as 'To Balance" c/d
- Write total amount on both the sides of the account.
- Draw double line after the totals of an account.
- Bring forward the balance on the next date on the other side. If debit balance is brought down write 'To Balance b/d and if credit balance brought down write 'By Balance b/d.

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                    PROCESS OF BALANCING LEDER ACCOUNTS

                    Total Both the sides of a Ledger Account

                            Find out the Difference

  If the Debit Side Total is more than          If the Credit Side Total is more than
  the Credit Side Total write the               the Debit Side Total write the
  Difference on the Credit Side as              Difference on the Credit Side as
  By Balance c/d'                               By Balance c/d'

          Make the total of the Debit Side equal to the total of the Credit Side

                    Draw a double line after the totals

                    Carry forward the balance of the next date

  If the Debit Balance,                          If the Credit Balance,
  write on the Debit Side as                     write on the Credit Side as
  To Balance b/d'                                To Balance b/d'
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Types of Accounts that are Balanced : Normally, Capital account, Assets and Liabilities accounts are balanced. Revenue and Expenses accounts are not balanced but are closed by transferring the balance to Trading or Profit and Loss Account at the end of the accounting year.

Illustration 3

The following balances existed in the books of Good Look Garments on April 1, 2012.

Assets : Cash ₹ 5,800, Stock ₹ 5,000, Bheem ₹ 2,500, Dinesh ₹ 3,200, Furniture ₹ 1,600

Liabilities : Suman Printers ₹ 3,600

Following transaction took place in April, 2012

April 2   Bought goods of the list price of ₹ 10,000 from Sat Narain, less 10% trade discount and 2% cash discount and paid 60% price at the same time.

April 6   Sold goods for cash ₹ 8,000 and on credit to Bheem for ₹ 4,600

April 10   Bought goods from Suman Printers, list price ₹ 4,000 valued at ₹ 3,800.

April 16   Paid cash to Suman Printers ₹ 3,400.

April 18   Sold goods for ₹ 1,200 to Krishna for Cash.

April 25   Bheem cleared his account in full, by payment of ₹ 7,000.

April 30   Paid salary for the current month ₹ 7,500.

Journalise the above transactions, post them into ledger, balance the accounts.

Solution

Journal of Good Look Garments

Date 2012	Particulars		L.F.	Dr. (₹)	Cr. (₹)
April 1	Cash A/c	Dr.		5,800	
	Stock A/c	Dr.		5,000	
	Bheem	Dr.		2,500	
	Dinesh	Dr.		3,200	
	Furniture A/c	Dr.		1,600	
	Suman Printers				3,600
	Capital A/c (Balancing figure)				14,500
	(Opening entry recorded in journal)				
April 2	Purchases A/c	Dr.		9,000	
	Cash A/c				5,292
	Discount A/c				108
	Sat Narain				3,600
	(Goods purchased and 60% amount paid immediately at 2% cash discount)				
April 6	Cash A/c	Dr.		8,000	
	Bheem	Dr.		4,600	
	Sales A/c				12,600
	(Goods sold)				

Notes

Date	Particulars		Dr.	Cr.
April 10	Purchases A/c	Dr.	3,800	
	Suman Printer			3,800
	(Goods purchased from Suman Printers)			
April 16	Suman Printers	Dr.	3,400	
	Cash A/c			3,400
	(Cash paid to Suman Printers)			
April 18	Cash A/c	Dr.	1,200	
	Sales A/c			1,200
	(Goods sold to Krishna for cash)			
April 25	Cash A/c	Dr.	7,000	
	Discount A/c	Dr.	100	
	Bheem			7,100
	(Cash received & discount allowed to Bheem)			
April 30	Salary A/c	Dr.	7,500	
	Cash A/c			7,500
	(Salary paid)			
	Total		**62,700**	**62,700**

Ledger of Good Look Garments

Dr.   **Cash Account**   **Cr**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012				**2012**			
Apr. 1	To Balance b/d		5,800	Apr. 2	By Purchases A/c		5,292
Apr. 6	To Sales A/c		8,000	Apr. 16	By Suman Printers		3,400
Apr. 18	To Sales A/c		1,200	Apr. 30	By Salary A/c		7,500
Apr. 25	To Bheem		7,000	Apr. 30	By Balance c/d		5,808
			22,000				22,000
May 1	To Balance b/d		5,808				

Dr.   **Stock Account**   **Cr**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012				**2012**			
Apr. 1	To Balance b/d		5,000	Apr. 30	By Trading A/c (Transfer)		5,000
			5,000				5,000

Dr.					Bheem			Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.		Amount (₹)
2012				2012				
Apr. 1	To Balance b/d		2,500	Apr. 25	By Cash A/c			7,000
Apr. 6	To Sales A/c		4,600	Apr. 25	By Discount A/c			100
			7,100					7,100

Dr.					Dinesh			Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.		Amount (₹)
2012				2012				
Apr. 1	To Balance b/d		3,200	Apr. 30	By Balance c/d			3,200
May 1	To Balance b/d		3,200					

Dr.					Furniture Account			Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.		Amount (₹)
2012				2012				
Apr. 1	To Balance b/d		1,600	Apr. 30	By Balance c/d			1,600
May 1	To Balance b/d		1,600					

Dr.					Suman Printers			Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.		Amount (₹)
2012				2012				
Apr. 16	To Cash A/c		3,400	Apr. 1	By Balance b/d			3,600
Apr. 30	To Balance c/d		4,000	Apr. 10	By Purchases A/c			3,800
			7,400					7,400
				May 1	By Balance b/d			4,000

Dr.					Capital Account			Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.		Amount (₹)
2012				2012				
Apr. 30	To Balance c/d		14,500	Apr. 1	By Balance b/d			14,500
				May 1	By Balance b/d			14,500

Dr.					Purchases Account			Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.		Amount (₹)
2012				2012				
Apr. 2	To Cash A/c		5,292	Apr. 30	By Trading A/c			12,800
Apr. 2	To Discount A/c		108		(Transfer)			
Apr. 2	To Sat Narain		3,600					
Apr. 10	To Suman Printers		3,800					
			12,800					12,800

Dr.			Discount Account				Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Apr. 25 Apr. 30	To Bheem To P&L A/c (Transfer)		100 8 108	2012 Apr. 12	By Purchases A/c		108 108

Dr.			Sat Narain				Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Apr. 30	To Balance c/d		3,600	2012 Apr. 2 May 1	By Purchases A/c By Balance b/d		3,600 3,600

Dr.			Sales Account				Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Apr. 30	To Trading A/c (Transfer)		13,800 13,800	2012 Apr. 6 Apr. 6 Apr. 18	By Cash A/c By Bheem By Cash A/c		8,000 4,600 1,200 13,800

Dr.			Salary Account				Cr
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2012 Apr. 30	To Cash A/c		7,500 7,500	2012 Apr. 30	By Profit & Loss A/c (Transfer)		7,500 7,500

INTEXT QUESTIONS 10.3

I.   Fill in the blanks with suitable word / words :

i.   Assets accounts always have _____ balance.

ii.   Liability accounts always have _____ balance.

iii.   The capital account generally has _____ balance.

iv.   The revenue and expenses accounts are closed by taking the balances to _____.

II.   Balance the following accounts

Dr.							Cr
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
2012 Feb. 1	To Sales A/c		6,000	**2012** Feb. 10	By Cash A/c By Discount		4,980 20

Joginder's Account

Dr.							Cr
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
2012				**2012** Feb. 20	By Cash A/c		2,000

Rent Receivable Account

III.   Multiple choice questions

   i.   The book in which all accounts of the firm are maintained is known as :
         a) Cash Book   b) Ledger
         c) Journal   d) Day Book

   ii.   Which of the following is not the basic objective of preparing ledger?
         a) To know debtors and creditors of the business.
         b) To know financial position of the business.
         c) To know effects of common transactions of the business.
         d) To know whether proprietor has sold his house to invest money in business.

   iii. The ledger is a book of :
         a) Original entry   b) Secondary entry
         c) All cash transactions   d) Petty cash transactions

   iv.   Writing a transactions in the ledger is called
         a) Casting   b) Balancing
         c) Journalising   d) Posting

   v.   Basically ledger account is divided into two parts. Left side is known as
         a) Credit side   b) Debit side
         c) Wrong side   d) Right side

WHAT YOU HAVE LEARNT

- The book in which all accounts are maintained is called 'ledger'.
- The process of opening necessary ledger accounts and transferring the information recorded in day books to these accounts according to accounting rules is called ledger posting.

- Purpose of ledger is :
  - → To have information about various transactions.
  - → Proper control over transactions.
  - → Helpful in preparing Trial Balance.
  - → Helpful in preparing Financial Statements.

- The debit item of journal is posted to the credit side of the relevant account in the ledger.
- The credit item of journal is posted to the debit side of the relevant account in the ledger.
- Name of the account in the journal is entered in particulars column of the relevant account in the ledger.

TERMINAL EXERCISE

1. What is meant by Ledger? Why is Ledger prepared.?
2. Draw the Format of Ledger Account.
3. What is the difference between Journal and Ledger?
4. What is meant by balancing of an Account?
5. Journalize the following transactions and post them into Ledger and balance the accounts :

2012	Particulars	₹
Apr. 1	Commenced business with cash	1,00,000
Apr. 3	Paid into Bank	30,000
Apr. 5	Purchased furniture for Cash	5,000
Apr. 8	Purchased goods and paid by cheque	15,000
Apr. 14	Purchased goods from Hari	35,000
Apr. 18	Cash sales	32,000

6. Journalise the following transactions of Rathore and Post them into Ledger

2012	Particulars	₹
Jan. 1	Cash in hand	1,50,000
Jan. 1	Goods in hand	80,000
Jan. 1	Outstanding wages	20,000
Jan. 4	Paid for Charity	501
Jan. 4	Purchased goods from Akash	20,000
Jan. 5	Received rent from tenant	5,000
Jan. 18	Paid Cash to Akash on account	17,000
Jan. 22	Received interest on loan	1,750
Jan. 24	Magan returned goods	1,250
Jan. 26	Goods returned to Akash	2,000

Jan. 29   Ram owed ₹ 4,000 became insolvent, and a final
composition of 40 paise in a rupee was received

Jan. 31   Purchase of a Motor-cycle by Rathore for his son   42,000

7.   On July 1, 2012; the following were ledger balances of Krishna. Cash in hand ₹ 2,000; Cash at bank ₹ 12,000. Bills Payables ₹ 4,000; Ashok (Debtor) ₹ 2,500; Stock ₹ 10,000; Charu (Creditor) ₹ 2,000; Other transactions during the month were as follows:

2012	Particulars	₹
July 1	Bought goods from Charu	10,000
July 2	Sold goods to Surinder	21,000
July 3	Bought goods from Ram Lakhan	16,000
July 6	Sold goods to Paresha	8,000
July 12	Paid to Charu by cheque	16,000
July 20	Received from Surinder by cheque	8,900
	Allowed him discount	,100
July 24	Sold goods to Surinder	18,000
July 25	Paid rent by cheque	2,000
July 25	Sold gods to Paresha	15,000
July 31	Paid Salaries	5,000

Give journal entries and post them to ledger.

8.   Prepare Journal and post into ledger the following transaction of Mr. Garib Chand and Sons.

2012	Particulars	₹
Apr. 1	Cash in hand	11,500
Apr. 1	Stock of goods in hand	12,500
Apr. 1	Bank Balance	20,000
Apr. 1	Due to Ramesh	1,000
Apr. 1	Due from Tara Chandani	2,000
Apr. 2	Sold goods to Manmohan	15,000
Apr. 4	Cash sales	7,000
Apr. 7	Sold to Raghuvanshi	4,000
Apr. 9	Bought goods from Ramesh	1,250
Apr. 15	Sold goods to Tara Chandani	2,000
Apr. 18	Wages paid	400
Apr. 21	Received from Manmohan	6,000
Apr. 28	Proprietor took goods for personal use	1,000
Apr. 30	Paid Income Tax	5,000

ANSWER TO INTEXT QUESTIONS

10.1   (i) ledger   (ii) Principal Book   (iii) Ledger posting
       (iv) Journal   (v) Analytical

10.2   b, c, a

10.3   **I.**   (i) debit (ii) credit   (iii) credit
                  (iv) Trading and Profit & Loss A/c

        II.   By balance c/d Rs. 1,000, To balance c/d Rs. 2,000

       III.   i) b ii) d   iii) b   iv) d   v) b

ACTIVITY FOR YOU

*   Visit a shopping mall and observe the various activities performed by businessmen/ shopkeepers. note down the activities with imaginary figures. Prepare the journal of at least fifteen such activities and post these entries from journal into ledger.