

### Ledger .

- Book of final entry
- Defined as book which contains, in a summarized and classified form, a permanent record of all transactions
- Also known as Principal Book of account
- Trial Balance is drawn from it
- It is master record of all the accounts of the business

### Utility of Ledger .

- Provides complete information of a Particular Account
- Information of Incomes and Expenditure
- Preparation of Trial Balance.

### Format of Ledger Account .

Dr				Cr			
Name of the Account -							
Date	Particulars	J. F	Amount	Date	Particulars	JF	Amount

### Balancing of Ledger Accounts

After posting the transactions, accounts are balanced every year or after a certain period.

Balancing on an account means that the two sides of an account are totalled & the difference in total of the two sides is written on the side whose total is smaller.

## Trial Balance

After posting the transaction in the accounts and balancing them, a statement is prepared to show separately the debit and credit balances.

Both sides ~~show~~ should be equal.

### Note

Expense and Revenue accounts are not balanced. They are <sup>totalled</sup> ~~totally~~ and transferred to Trading Account and Profit & Loss Account at the end of the accounting year.

### Adjusted Trial Balance

If the Trial Balance does not agree after transferring the balance of all ledger accounts including cash & bank balance, and also errors are not located timely, then the trial balance is tallied by transferring the difference of debit and credit side to an account known as suspense account.

~~This~~ This is a temporary account opened to proceed further and to prepare the financial statements timely.

## Subsidiary Books / Special Journal.

It is difficult to record all the transactions in one book of prime entry i.e. Journal.

### Types of Subsidiary Books.

- ① Cash Book: To record receipts & payments of cash, including receipts into and payments out of the bank.
- ② Purchase Book: To record credit purchases of goods dealt in the firm.
- ③ Sales Book: credit sales of goods.
- ④ Purchase return Book: record the return of goods previously purchased on credit.
- ⑤ Sales Return Book: To record the return of credit sales made by customers.
- ⑥ Journal Proper: To record the transactions which cannot be recorded in any of the books.

### Advantages.

- ① Division of work
- ② Specialisation & Efficiency
- ③ Facility in checking

Transactions are first entered in Journal to show which accounts should be debited and which credited.

→ The record must be chronological.

→ There are two types of journals.

① general journal.

② specialised journal.

# Form of journal

Date	Particulars	(Ledger Folio) Ledger Pg no	Dr Amount	Cr Amount
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Advantages of Journal

→ As transactions are recorded on chronological order, one can get complete information about the business transactions on time basis.

→ Narration : entries recorded in the journal by a note called narration : It is for proper understanding.

→ Journal forms the basis for posting entries in the ledger.

## Nature of Account

Title of Account	Traditional Approach	Accounting equation Approach
Building	Real	Asset
Purchases	Real	Asset
Closing Inventory	Real	Asset
Investment	Real	Asset
Cash	Real	Asset
Sales	Real	Revenue
Bank Fixed deposits	Personal	Asset
Trade Receivables	Personal	"
Prepaid Salary	Personal	"
Interest Receivable	"	"
Rent Outstanding	"	Liability
Sales Tax Payable	"	"
Rent Received in advance	"	"
Capital	"	Capital

## Note

# Journal being called Book of Original Entry.

# Posting means transferring the entries from the Journal to ledger Account.

# Trade discount is the discount allowed when the goods are sold to the purchaser for resale to the ultimate consumer or when the goods are purchased in large quantity.

# Cash discount is the discount allowed to the

debtor for making prompt payment or for making payment before due date.

# Simple Journal entry: in which only two ~~are~~ accounts are affected.

# ~~Compound~~ Compound Journal Entry: in which more than one account is debited / credited.

# Rebate: the discount allowed for reasons other than those for which Trade Discount is allowed. eg for poor quality of goods.

# The column Ledger Folio is filled at the time of posting into the ledger and not at the time of journalising.