

Ledgers: Meaning and Importance

A ledger is a crucial accounting book that summarizes and categorizes all financial transactions recorded in journals or special purpose subsidiary books. The primary purpose of a ledger is to compile all transactions related to a specific account in one place, making it easier to understand the overall impact of these transactions on that account.

Definition

After transactions are initially recorded in journals or subsidiary books, they are subsequently transferred to their respective accounts in the ledger. This process ensures that all transactions pertaining to a particular account are gathered in one location, which facilitates the tracking and analysis of financial data.

Advantages of Ledgers

Centralization of Transactions: Each account is assigned to a separate page in the ledger. This method ensures that all transactions related to an account are collected in one place, allowing for a comprehensive view of that account's activities at any time.

Ease of Information Retrieval:

- **Customer Debts:** The ledger provides detailed information about the amounts owed by each customer.
- **Firm's Debts:** It also details the amounts the firm owes to each creditor.

Preparation of Trial Balance: The balances in the ledger accounts can be used to prepare a trial balance, which helps in verifying the arithmetic accuracy of the accounts.

Preparation of Financial Statements: The balances from the ledger accounts are essential for preparing the trading account, profit and loss account, and balance sheet.

Distinction between 'Books of Original Entry' and 'Ledger'

Books of Original Entry (Journal/Subsidiary Books):

1. **Primary Recording:** Transactions are first recorded in these books, hence they are referred to as books of primary entry.
2. **Detail Inclusion:** They contain full details of each transaction, including narrations.

CBSE

ICSE

NTSE

Banking & Insurance

Central Govt. Service

State Govt. Services

LAW Entrance

MBA Entrance

Railways & Metro Services

...many more

abhyasonline.in

**Course
&
Test Series**



CBSE



ICSE



NTSE



**Banking &
Insurance**



**Central Govt.
Service**



**State Govt.
Services**



**LAW
Entrance**



**MBA
Entrance**



**Railways & Metro
Services**

...many more

abhyasonline.in

Manual Accounting - Module 18

3. Preparation of Final Accounts: Final accounts cannot be prepared directly from the books of original entry.
4. Ledger Folio: The ledger page number (L.F) where the transaction is posted is noted in these books.
5. Accuracy: The accuracy of these books cannot be directly tested.

Ledger:

1. Secondary Recording: Transactions are transferred from the journal or subsidiary books to the ledger, making it a book of final entry.
2. Summary Details: Full details of transactions are not recorded; instead, they are summarized.
3. Preparation of Final Accounts: Final accounts can be prepared using the balances in the ledger.
4. Journal Folio: The journal folio (J.F) indicating the original entry is noted in the ledger.
5. Accuracy Testing: The accuracy of ledger accounts is verified by preparing a trial balance.

Summary

Ledger: A comprehensive record that consolidates transactions related to specific accounts. It is indispensable for creating financial statements and understanding the financial position of a business.

Books of Original Entry: The initial record of all transactions, which provides detailed descriptions and facilitates the transfer of summarized information to the ledger.

Proforma of a Ledger Account

The proforma of a ledger account, often referred to as a "T" account due to its shape, is a fundamental tool in accounting. It helps in categorizing and summarizing financial transactions. Here's a detailed breakdown of the ledger account format:

| Dr. | | | | Ledger Account | | | | Cr. | | | |
|------|-------------|----|----------|----------------|-------------|----|----------|-----|--|--|--|
| Date | Particulars | JF | Amount ₹ | Date | Particulars | JF | Amount ₹ | | | | |
| | | | | | | | | | | | |



**Course
&
Test Series**

Manual Accounting - Module 18

Complete Practical Question on Closing and Balancing of Various Accounts

Ques: Give the Journal entries for the following transactions:

1. April 1 – Business started with cash ₹10,000
2. April 3 – Deposited in SBI ₹6,000
3. April 5 – Bought goods from Mahavir ₹1,500
4. April 9 – Sold goods to Gupta ₹650
5. April 12 – Paid cash to Mahavir ₹99, Discount received ₹10
6. April 15 – Cash received from Gupta ₹625, Discount allowed ₹25
7. April 20 – Furniture purchased ₹300
8. April 22 – Drew cash from bank for personal use ₹600
9. April 30 – Paid rent by cheque ₹200
10. April 30 – Salary due to clerk ₹300

Also prepare the necessary ledger accounts for the above.

Solution:

| Date | Particulars | L.F. | Debit (₹) | Credit (₹) |
|----------|--|------|-----------|------------|
| April 1 | Cash A/c Dr. | | 10,000 | |
| | To Capital A/c | | | 10,000 |
| | <i>(Being capital introduced by proprietor)</i> | | | |
| April 3 | Bank (SBI) A/c Dr. | | 6,000 | |
| | To Cash A/c | | | 6,000 |
| | <i>(Being cash deposited into bank)</i> | | | |
| April 5 | Purchases A/c Dr. | | 1,500 | |
| | To Mahavir A/c | | | 1,500 |
| | <i>(Being goods purchased on credit from Mahavir)</i> | | | |
| April 9 | Gupta A/c Dr. | | 650 | |
| | To Sales A/c | | | 650 |
| | <i>(Being goods sold on credit to Gupta)</i> | | | |
| April 12 | Mahavir A/c Dr. | | 1,000 | |
| | To Cash A/c | | | 990 |
| | To Discount Received A/c | | | 10 |
| | <i>(Being payment made to Mahavir and discount received)</i> | | | |
| April 15 | Cash A/c Dr. | | 625 | |
| | Discount Allowed A/c Dr. | | 25 | |

 **Banking & Insurance**

 **Central Govt. Service**

 **State Govt. Services**

 **LAW Entrance**

 **MBA Entrance**

 **Railways & Metro Services**

...many more

abhyasonline.in

Corporate Office : ABHYAS ACADEMY, Near Govt. PG College, Ambala Cantt., Haryana (India)

www.abhyasonline.in

3 of 8

(+91)94165-41198, 81689-25411

 **abhyasonline.info@gmail.com**

Follow Us:



**Course
&
Test Series**

Manual Accounting - Module 18

| Date | Particulars | L.F. | Debit (₹) | Credit (₹) |
|----------|---|------|-----------|------------|
| | To Gupta A/c | | | 650 |
| | <i>(Being cash received from Gupta and discount allowed to him)</i> | | | |
| April 20 | Furniture A/c Dr. | | 300 | |
| | To Cash A/c | | | 300 |
| | <i>(Being purchase of furniture on cash)</i> | | | |
| April 22 | Drawings A/c Dr. | | 600 | |
| | To Bank A/c | | | 600 |
| | <i>(Being cash withdrawn from bank for personal use)</i> | | | |
| April 30 | Rent A/c Dr. | | 200 | |
| | To Bank A/c | | | 200 |
| | <i>(Being rent paid by cheque)</i> | | | |
| April 30 | Salary A/c Dr. | | 300 | |
| | To Outstanding Salary A/c | | | 300 |
| | <i>(Being salary of a clerk remains outstanding)</i> | | | |

Ledger Accounts

Capital Account

| Dr. | | | | Cr. | | | |
|------|-------------|----|----------|-------|-------------|----|----------|
| Date | Particulars | JF | Amount ₹ | Date | Particulars | JF | Amount ₹ |
| | | | | Apr 1 | By Cash A/c | | 10,000 |

 **CBSE**

 **ICSE**

 **NTSE**

 **Banking & Insurance**

 **Central Govt. Service**

 **State Govt. Services**

 **LAW Entrance**

 **MBA Entrance**

 **Railways & Metro Services**

...many more

abhyasonline.in

**Course
&
Test Series**

Manual Accounting - Module 18

Cash Account

| Dr. | | | | Cr. | | | |
|--------|----------------|----|----------|--------|------------------|----|----------|
| Date | Particulars | JF | Amount ₹ | Date | Particulars | JF | Amount ₹ |
| Apr 1 | To Capital A/c | | 10,000 | Apr 3 | By Bank A/c | | 6,000 |
| Apr 15 | To Gupta A/c | | 625 | Apr 12 | By Mahavir A/c | | 990 |
| | | | | Apr 20 | By Furniture A/c | | 300 |

Bank Account

| Dr. | | | | Cr. | | | |
|-------|-------------|----|----------|--------|-----------------|----|----------|
| Date | Particulars | JF | Amount ₹ | Date | Particulars | JF | Amount ₹ |
| Apr 3 | To Cash A/c | | 6,000 | Apr 22 | By Drawings A/c | | 600 |
| | | | | Apr 30 | By Rent A/c | | 200 |

Purchases Account

| Dr. | | | | Cr. | | | |
|-------|----------------|----|----------|------|-------------|----|----------|
| Date | Particulars | JF | Amount ₹ | Date | Particulars | JF | Amount ₹ |
| Apr 5 | To Mahavir A/c | | 1,500 | | | | |

Mahavir Account

| Dr. | | | | Cr. | | | |
|--------|--------------------------|----|----------|-------|------------------|----|----------|
| Date | Particulars | JF | Amount ₹ | Date | Particulars | JF | Amount ₹ |
| Apr 12 | To Cash A/c | | 990 | Apr 5 | By Purchases A/c | | 1,500 |
| Apr 12 | To Discount Received A/c | | 10 | | | | |

Sales Account

| Dr. | | | | Cr. | | | |
|------|-------------|----|----------|-------|--------------|----|----------|
| Date | Particulars | JF | Amount ₹ | Date | Particulars | JF | Amount ₹ |
| | | | | Apr 9 | By Gupta A/c | | 650 |

 **CBSE**

 **ICSE**

 **NTSE**

 **Banking & Insurance**

 **Central Govt. Service**

 **State Govt. Services**

 **LAW Entrance**

 **MBA Entrance**

 **Railways & Metro Services**

...many more

abhyasonline.in

**Course
&
Test Series**

Manual Accounting - Module 18

Gupta Account

| Dr. | | | | Gupta Account | | | | Cr. | | | |
|--------|-------------|----|----------|---------------|-------------------------|----|----------|-----|--|--|--|
| Date | Particulars | JF | Amount ₹ | Date | Particulars | JF | Amount ₹ | | | | |
| Apr 15 | To Sale A/c | | 650 | Apr 9 | By Cash A/c | | 625 | | | | |
| | | | | Apr 15 | By Discount Allowed A/c | | 25 | | | | |

Furniture Account

| Dr. | | | | Furniture Account | | | | Cr. | | | |
|--------|-------------|----|------------|-------------------|-------------|----|------------|-----|--|--|--|
| Date | Particulars | JF | Amount (₹) | Date | Particulars | JF | Amount (₹) | | | | |
| Apr 20 | To Cash A/c | | 300 | | | | | | | | |

Discount Allowed Account

| Dr. | | | | Discount Allowed Account | | | | Cr. | | | |
|--------|----------------|----|------------|--------------------------|-------------|----|------------|-----|--|--|--|
| Date | Particulars | JF | Amount (₹) | Date | Particulars | JF | Amount (₹) | | | | |
| Apr 15 | To Gupta's A/c | | 25 | | | | | | | | |

Discount Received Account

| Dr. | | | | Discount Received Account | | | | Cr. | | | |
|------|-------------|----|------------|---------------------------|------------------|----|------------|-----|--|--|--|
| Date | Particulars | JF | Amount (₹) | Date | Particulars | JF | Amount (₹) | | | | |
| | | | | Apr 12 | By Mahavir's A/c | | 10 | | | | |

Drawings Account

| Dr. | | | Drawings Account | | | Cr. | | |
|--------|-------------|------------|------------------|-------------|------------|-----|--|--|
| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) | | | |
| Apr 22 | To Bank A/c | 600 | | | | | | |

 **CBSE**

 **ICSE**

 **NTSE**

 **Banking & Insurance**

 **Central Govt. Service**

 **State Govt. Services**

 **LAW Entrance**

 **MBA Entrance**

 **Railways & Metro Services**

...many more

abhyasonline.in

**Course
&
Test Series**

Manual Accounting - Module 18

Rent Account

| Dr. | | | Cr. | | |
|--------|-------------|------------|------|-------------|------------|
| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
| Apr 30 | To Bank A/c | 200 | | | |

Salary Account

| Dr. | | | Cr. | | |
|--------|-------------------|------------|------|-------------|------------|
| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
| Apr 30 | To O/S Salary A/c | 300 | | | |

Outstanding Salary Account

| Dr. | | | Cr. | | |
|------|-------------|------------|--------|---------------|------------|
| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
| | | | Apr 30 | By Salary A/c | 300 |

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

Ques 1: Transactions:

- June 1: Commenced business with cash Rs. 2,00,000.
- June 3: Purchased office equipment for Rs. 30,000 and paid by cheque.
- June 5: Bought goods for cash Rs. 70,000.
- June 7: Bought goods from Anil Traders Rs. 35,000.
- June 10: Sold goods for cash Rs. 60,000.
- June 12: Sold goods to Ravi for Rs. 20,000.
- June 15: Returned goods to Anil Traders Rs. 5,000.

Ques 2: Transactions:

- July 1: Commenced business with cash Rs. 2,50,000.
- July 3: Purchased office equipment for Rs. 40,000 and paid by cheque.
- July 5: Bought goods for cash Rs. 60,000.
- July 7: Bought goods from Amit Traders Rs. 30,000.
- July 10: Sold goods for cash Rs. 70,000.
- July 12: Sold goods to Ravi for Rs. 15,000.
- July 15: Returned goods to Amit Traders Rs. 4,000.

...many more

abhyasonline.in

**Course
&
Test Series**

Manual Accounting - Module 18

Ques 3: Transactions:

August 1: Commenced business with cash Rs. 1,80,000 and bank balance Rs. 70,000.
August 3: Purchased machinery for Rs. 50,000 and paid by cheque.
August 5: Bought goods for cash Rs. 40,000.
August 7: Bought goods from Vijay Traders Rs. 45,000.
August 10: Sold goods for cash Rs. 50,000.
August 12: Sold goods to Ajay for Rs. 20,000.
August 15: Returned goods to Vijay Traders Rs. 7,000.

Ques 4: Transactions:

September 1: Commenced business with cash Rs. 3,00,000.
September 3: Purchased office furniture for Rs. 35,000 and paid by cheque.
September 5: Bought goods for cash Rs. 80,000.
September 7: Bought goods from Rakesh Traders Rs. 55,000.
September 10: Sold goods for cash Rs. 90,000.
September 12: Sold goods to Karan for Rs. 25,000.
September 15: Returned goods to Rakesh Traders Rs. 10,000.

Ques 5: Transactions:

October 1: Commenced business with cash Rs. 2,00,000 and bank balance Rs. 1,00,000.
October 3: Purchased machinery for Rs. 30,000 and paid by cheque.
October 5: Bought goods for cash Rs. 50,000.
October 7: Bought goods from Anil Traders Rs. 40,000.
October 10: Sold goods for cash Rs. 60,000.
October 12: Sold goods to Rohit for Rs. 18,000.
October 15: Returned goods to Anil Traders Rs. 6,000.

Ques 6: Transactions:

November 1: Commenced business with cash Rs. 2,20,000.
November 3: Purchased office equipment for Rs. 45,000 and paid by cheque.
November 5: Bought goods for cash Rs. 70,000.
November 7: Bought goods from Manoj Traders Rs. 50,000.
November 10: Sold goods for cash Rs. 80,000.
November 12: Sold goods to Suresh for Rs. 22,000.
November 15: Returned goods to Manoj Traders Rs. 8,000.

 **CBSE**

 **ICSE**

 **NTSE**

 **Banking & Insurance**

 **Central Govt. Service**

 **State Govt. Services**

 **LAW Entrance**

 **MBA Entrance**

 **Railways & Metro Services**

...many more

abhyasonline.in