

Ledger

A ledger is a date wise ~~entry~~ record of all the transactions related to a particular record. ledgers are all called secondary books of account.

The second book of the entry contains eight columns - four on the debit side and four on the credit side - Date, Particular, Journal folio and Amount.

Ledger contain important data - income statements and balance sheets are formulated based on that information. All the ledger balances are transferred to trial balance.

It is maintained in a T format. For closing balance. For closing balance, it shows a debit or credit balance at the end of accounting period.

Dr			Cr		
Date	Particular	Amount	Date	Particular	Amount

- 1) Started business with cash 100000
- 2) Goods purchased for cash 10000
- 3) Goods sold for cash 8000
- 4) sold goods to X 8000
- 5) Received cash from X 7900 & discount allowed 100
- 6) Paid to X 5900 discount received 100

Cash A/C Dr 100 000
To Capital A/C 100 000

Purchase A/C Dr 10000
To Cash A/C 10000

Cash A/C Dr 8000
To Sales A/C 8000

X Dr 8000
To Sales A/C 8000

Cash A/C Dr 7900
Discount Allowed Dr 100
To X 8000

X Dr 6000
To Cash A/C 5900
To Discount received A/C 100

Cash A/C

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Capital A/C		100000		By Purchase A/C		10000
	To Sales A/C		8000		By X's A/C		5900
	To X's A/C		8000		By Balance c/d		100000
	To balance b/d		115900				115900

Capital A/C

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To balance c/d		100000		By Cash A/C		100000
			100000				100000

Purchase A/C

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Cash A/C		10000		By balance c/d		10000
			10000				10000

Sales A/C

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
					By Cash A/C		8000
					By X's A/C		8000
	To balance c/d		16000				16000

X's A/C

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Sales A/C		8000		By Cash A/C		7900
	To Cash A/C		5900		By Discount A/C		100
	To discount A/C		100		By balance c/d		6000
			14100				14100

By Dis Received A/C

Date	Particulars	JP	Amount	Date	Particulars	JP	Amount
	To X's A/c		100		By X's A/c		100
	To balance c/d						
			<u>100</u>				<u>100</u>

By balance b/d
Dis Allowed A/C

Date	Particulars	JP	Amount	Date	Particulars	JP	Amount
	To X's A/c		100				
					By balance c/d		100
			<u>100</u>				<u>100</u>
	To balance b/d						

Trial Balance

Particulars	LP	Debit	Credit
Cash		100 000	
Capital			100 000
Purchases		10 000	
Sales			16 000
X		6 000	
Discount Received			100
Discount Allowed		100	
		<u>116 100</u>	<u>116 100</u>

Trial balance

from ledger balance

Journal → ledger → Trial Balance

without ledger
(Balances)

Trial Balance

Trial balance is a statement with the debit credit balances of ledger accounts to test the arithmetical accuracy of the books.

Trial balance is the list of debit and credit balances taken out from ledger, it also includes the balances of cash and bank taken from cash book.

Features or characteristics of Trial Balance
It is a list of balances of all ledger accounts and the cash book.

It is just a statement and not an account.

It is neither a part of double entry system nor does it appear in the actual books of account.

It can be prepared at any time every month, every quarter, every half year or yearly.

It is prepared to check the arithmetical accuracy of the ledger accounts.

If the books are arithmetically accurate the total of all debit balances will be equal to credit balances.

Objectives and Need of Trial Balance
To check the arithmetical accuracy of the ledger accounts.

To help in locating errors.

To obtain the summary of ledger accounts.

To help in the preparation of final accounts.

Rules for Trial Balance

- All the assets are debited
- All the liabilities are credited
- Capital acc. shows the credit balance and drawing acc. shows the debit balance
- Purchases are debited and purchase return are credited
- Sales are credited and sales return are debited
- Expenses and losses are debited and incomes and gains are credited

Stock (not adjusted)

Q From the following list of balances extracted from the books of Sh. Balaji, prepare a Trial Balance as on 31st May 2005.

Stock on 1st April 2004	220000
Purchases	2575000
Sales	3618000
Carriage inwards	3000
Carriage outwards	1800
Return Inwards	85000
Return Outwards	20000
Debtors	320000
Creditors	174000
Bad debts	6000
Stationery	4200
Insurance	3400
Wages and Salaries	165000
Investments	300000
Interest on Investments	27000
Cash and Bank Balance	124000
Previews	600000
Fixtures	140000
Miscellaneous Exp	5200
Miscellaneous Income	1400
Loan from ICICI bank	250000
Interest on above	30000
Capital	700000
Proprietor's Withdrawals	60000
Computers	90000
Goodwill	150000

Particulars	L/F	Debit	Credit
Stock		20000	
Purchases		257500	
Sales			361800
Carriage Inwards		3000	
Carriage Outwards		1200	
Return Inwards		8500	
Return Outwards			20000
Debtors		320000	
Creditors			14400
Bad debts		6000	
Stationery		4000	
Insurance		3400	
Wages and Salaries		18500	
Investments		300000	
Interest on Investments			27000
Cash and Bank balance		124000	
Premises		60000	
Fixtures		14000	
Miscellaneous Exp		5200	
Miscellaneous Income			1400
Loan from ICICI bank			2500
Interest on above		30000	
Capital			700000
Proprietor's withdrawals		60000	
Complere		90000	
Goodwill		150000	
		<u>4790400</u>	<u>4790400</u>

Particulars	L/F	Debit	Credit
Land & building		120000	
Plant & Machinery		92000	
Wages		18200	
Dis. allowed		1620	
Dis. Received			730
Purchases		126000	
Sales			240000
Ret. Inwards		6500	
Ret. Outwards			3370
Opening stock		15000	
Debtors		30000	
Creditors			20000
Carriage on sales		3260	
Carriage on purchase		2800	
Insurance		1300	
General expense		6100	
Cost in hand		2400	
Bank overdraft			12160
Capital			154000
Drawings		4800	
		<u>430200</u>	<u>430200</u>