



**BACHELOR OF COMPUTER
APPLICATIONS
SEMESTER 4**

**DCA2204
PRINCIPLES OF FINANCIAL
ACCOUNTING AND MANAGEMENT**

Unit 3

Secondary Books

Table of Contents

SL No	Topic	Fig No / Table / Graph	SAQ / Activity	Page No
1	Introduction	-	-	3
1.1	Objectives	-	-	
2	Types of Secondary Books	-	1	4-5
3	Posting Techniques in the Ledger	-	2	5-19
4	Summary	-	-	20
5	Terminal Questions	-	-	21-22
6	Answers	-	-	22-28
7	Case study	-	-	29
8	References	-	-	29

1. INTRODUCTION

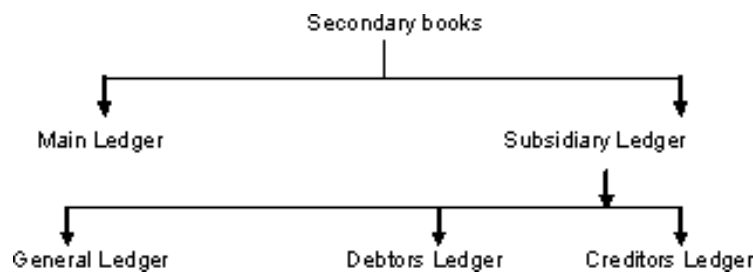
The main disadvantages of any primary book are that transactions therein are recorded date-wise and not as per their nature. Thus, if you are an accountant and your boss wants to know how much is spent on salaries during a particular year, you have to go through all the pages of the cash book to finally report the correct figure. This is everytime a time-consuming and cumbersome process. Also, you may find yourself lost in the jungle of entries in the cash book. As the basic purpose of accounting is to generate meaningful information in a systemic manner, properly classified, this cannot be achieved with only primary books. As we all know transactions and events are raw data. To generate information out of raw data, these are to be classified in such a manner that necessary information is readily available. It calls for identifying the nature of various transactions recorded in the primary books and giving an appropriate name to an identical class of transactions and, finally, re-recording the transactions in another set of books according to the defined class. That 'another set of books' is called secondary books. It is 'secondary' because transactions are recorded for a second time. The secondary book is also called a ledger. A ledger is a set of accounts defined as per the requirements of an organization. An account records entries of an identical nature. From the secondary book, if you open the salary account, you can out rightly tell your boss the amount spent towards salary during an accounting period with an utmost ease.

What is a secondary book ?

A cash book has a debit and a credit side both. Thus, it is similar to a ledger account. Hence, it acts as a subsidiary book as well as a ledger account.

2. TYPES OF SECONDARY BOOKS

Secondary books (or ledgers) can be broadly classified as follows:



General Ledger is a self-sufficient secondary book in the sense that all entries in the primary books will be posted, directly or indirectly, in this ledger. On the other hand, Debtors Ledger has separate accounts for each customer, and it shows the transactions entered into with the customers (e.g. sale of goods on credit, collections from customers, goods returned by customers, discount allowed, bad debts and, finally, balance due from them). Similarly, Creditors Ledger has a separate account for each supplier, and it shows the transactions entered into with the suppliers (e.g., purchases on credit, cash paid to suppliers, goods returned, discount received and, finally, the balance due to them). The motive behind having subsidiary ledgers is to reduce the burden on the main ledger. Otherwise, the individual customer's and supplier's accounts will have to be opened in the General Ledger.

But, as mentioned earlier, the General Ledger is self-sufficient; two control accounts are maintained in the General Ledger – one for debtors and one for creditors. These control accounts are called Sundry (or Total) Debtors Account and Sundry (or Total) Creditors Account. These control accounts are summarised versions of individual accounts maintained in the subsidiary ledgers. Therefore, at any particular point of time the total of the balances of the debtor's ledger must tally with the balance shown by sundry debtor's account in the General Ledger. Similarly, the summary of balance of creditors ledger should tally with the balance shown by sundry creditors account in the General Ledger. Hence, these accounts in the General Ledger put a check on the accuracy of the subsidiary ledgers. One important feature of these control accounts in the General Ledger is that entries are not posted here individually. Normally, transactions with customers or suppliers for a period of time (may be a week or a month) are totalled and only one posting is made for that period.

SELF-ASSESSMENT QUESTIONS – 1

1. _____ is a self-sufficient secondary book in the sense that all entries in the primary books will be posted, directly or indirectly, in this ledger.
2. A _____ will have separate accounts for each customer.
3. One important feature of control accounts in the General Ledger is that _____.
4. The summary of balances of creditors ledger should tally with the balance shown by _____ in the General Ledger.

3. POSTING TECHNIQUES IN THE LEDGER

Let us take the illustration given illustration 1 of unit 2 and show how the entries are posted from the journal to the ledger.

GENERAL LEDGER**Capital Account****Dr.****Cr.**

Date	Particulars	J/F	Amount Rs.	Date	Particulars	J/F	Amount Rs.
	To balance c/d		50,000	Jan 1	By Cash		50,000
			50,000				50,000

Note: It may be noted here that an account has two equal sides – the left-hand side (the debit side) and the right-hand side (the credit side). The 'JF' column on either side stands for Journal Folio- the page number of the journal from which a particular entry is posted. The use of the words 'To' and 'By' on the debit and credit side, respectively, of the account is customary. The journal entry on Jan 1 shows that the owner has introduced cash (i.e. capital) into the business and, as per the journal the capital account, is credited. Therefore, the posting will be made on the credit side of the capital account.

Furniture Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Jan 2	To cash Account		20,000		By Balance c/d		20,000
			20,000				20,000

The journal records show that the Furniture Account is debited and the same has been acquired by cash. Therefore, the entry is posted on the debit side of the Furniture Account.

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

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Jan 3	To cash		15,000		By Balance c/d		1,00,000
	Account		85,000				
	To Creditors Account		1,00,000				1,00,000

Creditors Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
	To Balance c/d		85,000	Jan 3	By purchases Account		85,000
			85,000				85,000

You must have noticed from the journal record that on Jan. 3 the creditors account is credited by Rs. 85,000. So, in the ledger we have credited the creditors account by the same amount. Do not commit the mistake of crediting the account by the full amount of the purchases, i.e. Rs.1,00,000 as only transaction of 85000 is on credit and 15000 is paid in cash

of the other side of the account in the amount column. This is called *balancing or closing of account*. At the end of the accounting period, the accounts in the General Ledger cannot be left open. They are to be closed. The mechanism of 'closing' involves totalling that side of the account which is greater in amount and then putting the difference between that side and the other side as the balancing figure to square off the account. The suffix 'c/d' denotes 'carried down', which indicates that the balance has been carried down for the next period pending settlement. Thus, if the total of the debit side of an account is greater than credit side, the difference is put on the credit side and the same is called a debit balance (i.e., debit is greater). Similarly, if the credit side of an account is greater, the difference is put on the debit side and the same is called a credit balance (i.e., credit is greater). For example, the balance of the Sales Account as shown above is a credit balance and the balance in the Rent Account is a debit balance.

Debtors Account

Dr.				Cr.			
Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Jan 15	To Sales Account		1,20,000	Jan 20	By Cash Account		19,500
					By Discount A/c		500
					By Balance c/d		1,00,000
			1,20,000				1,20,000

Discount A / C

Dr.				Cr.			
Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Jan 20	To Debtors Account		500		By Balance c/d		500
			500				500

Advertisement Expenses Account

Dr.				Cr.			
Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Jan 21	To cash Account		2,500		By Balance c/d		2,500
			2,500				2,500

Advance to Suppliers Account

Dr.				Cr.			
Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Jan 25	To cash Account		10000		By Balance c/d		10,000
			10000				10,000

Salary Account

Dr.				Cr.			
Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Jan 31	To cash Account		20,000		By Balance c/d		20,000
			20,000				20,000

It can be seen that no account is opened to record cash entries in the General Ledger. This is because cash entries are recorded in a journal (cash book) which also serves the purpose of a ledger. If you want to find out at the end of January how much cash is left in the business, you have to refer to the cash book.

Cash Book (Single Column)**Dr.****Cr.**

Date	Particulars	V No.	L.F.	Amount Rs.	Date	Particulars	V No.	L.F.	Amount Rs.
Jan 1	To capital Account			50,000	Jan 2	By Furniture Account			20,000
Jan 4	To sales Account			25,000	Jan 3	By Purchases Account			15,000
Jan 20	To Debtors Account			19,500	Jan 6	By Rent Account			5,000
					Jan 10	By Stationery Account			2,500
					Jan 21	By Advertisement Exp. Account			2,500
						By Advance to Suppliers Account			10,000
						By salary Account			20,000
					Jan 31	By Balance c/d			19,500
				94,500					94,500

Here, the cash book is maintained in a single column. That is why the discount account is shown in the General Ledger. If the discount column is maintained in the cash book then it is not necessary to open a discount account in the General Ledger.

Let us take another comprehensive illustration to show how entries are recorded in various journals and then posted to different ledgers.

M/s. XYZ enter into the following transactions during August 2006.

Aug. 1	Purchased goods from M/s. ABC at 60 days credit	25,70,000
Aug. 2	Cash purchases of goods	1,25,000
Aug. 4	Sold goods to Kiran Kumar & Sons for 30 days credit	10,75,000
Aug. 6	Purchased goods from M/s. QRS at 30 days credit	15,25,500
Aug. 7	Accepted a bill drawn by M/s. ABC for supplies	25,70,000
Aug. 8	Bills raised on Kiran Kumar & Sons accepted	10,75,000
Aug. 10	Cash sales	2,25,000
Aug. 12	Sold goods to M/s. Ahmed Bros. for 45 days credit	18,25,000
Aug. 15	Purchased stationery items	75,500
Aug. 18	Sold goods to M/s. Akbar Khan & Sons	5,65,000
Aug. 19	Purchased goods from Tuhin & Sons	6,25,000
Aug. 20	Cash received from M/s. Akbar Khan & Sons	2,25,000

Aug. 21	Cash paid to Tuhin & Sons	1,50,000
Aug. 23	Goods returned by Ahmed Bros.	45,000
Aug. 25	Goods returned to Tuhin & Sons	50,500
Aug. 26	Sold goods to Kakkar & Sons	12,74,000
Aug. 27	Purchased goods from Mankad Bros.	8,76,000
Aug. 28	Cash received from Kakkar & Sons	2,65,000
Aug. 29	Cash paid to Mankad Bros	1,67,000
Aug. 30	Salary paid to staff	2,34,000
Aug. 31	Furniture purchased from Ram Kumar & Sons at 15 days credit	1,25,000
	Opening cash balance at the beginning of August	1,05,000

Solution: We shall start with recording in the primary books.

Cash Book (Without narration)

Dr.					Cr.				
Date	Particulars	V No.	J.F	Amount Rs.	Date	Particulars	V No.	LF.	Amount Rs.
Aug 1	To Balance b/d			1,05,000	Aug.2	By Purchase A/c			1,25,000
Aug 10	To sales A/c			2,25,000	Aug 15	By stationery A/c			75,000
Aug 20	To M/s, Akbar Khan & Sons A/c			2,25,000	Aug 21	By Tuhin & Sons A/c			1,50,000
Aug 25	To Kakkar & Sons A/c			2,65,000	Aug 29	By Mankad Bros A/c			1,67,000
					Aug 30	By salary A/c			2,34,000
					Aug 31	By Balance c/d			68,500
				8,20,000					8,20,000

Note:

1. The suffix 'b/d/' denotes 'brought down'. It shows the balance brought down in the cash book from the previous month. As a rule, the opening balance in any account starts with the suffix 'b/d' and the closing balance with the suffix 'c/d'
2. 'A/c' is an abbreviation of 'Account'

Purchase Day Book

Date	Particulars	V.No.	L.F.	Amount Rs.
Aug 1	M/s. ABC – Goods purchased			25,70,000
Aug 6	M/s QRS – Goods purchased			15,25,500
Aug 19	M/s. Tuhin & Sons – Goods purchased			6,25,000
Aug 27	Mankad Bros. – Goods purchased			8,76,000
				55,96,500

Sales Day Book

Date	Particulars	V.No.	L.F.	Amount Rs.
Aug 4	M/s. Kiran Kumar & Sons – sold goods			10,75,000
Aug 12	M/s Ahmad Bros – sold goods			18,25,000
Aug 18	M/s. Akbar Khan & Sons – sold goods			5,65,500
Aug 26	M/s Kakkar & Sons – sold goods			12,74,000
				47,39,500

Return Outward Book

Date	Particulars	V.No.	L.F.	Amount Rs.
Aug 25	Tuhin & Sons – Goods returned			50,500
				50,500

Return Inward Book

Date	Particulars	V.No.	L.F.	Amount Rs.
Aug 23	M/s, Ahmed Book – Goods returned			45,000
				45,000

Bills Receivable Book

Date	V.No.	Party from whom received	Date of Bill	Due Date	Place of Payment	Amount Rs.	LF
Aug 8		Kiran Kumar & Sons		Sept. 11		10,75,000	
						10,75,000	

Bills Payable Book

Date of acceptance	Drawer	Date of Bill	Due date	Place of Payment	Amount Rs.	LF
Aug 7	M/s ABC		Oct. 10		25,70,000	
					25,70,000	

Journal Proper

Date	Particulars	V.No.	L.F.	Dr. Amount Rs.	Cr. Amount Rs.
Aug 31	Furniture A/c To Ram Kumar & Sons (Furniture purchased at 15 days credit			1,25,000	1,25,000

Due date is normally calculated after giving 3 days grace from the date of maturity. In this case the bill accepted by Kiran Kumar & Sons was due to mature on 8th September. So after adding 3 days of grace, the due date is arrived at. If it is found that the due date is a public holiday then automatically the day immediately before the public holiday will be the due date. For example, if the due date falls on 15th August in any case, automatically for practical purposes the due date will be considered to be 14th August. On the other hand, if the due date happens to be a holiday by accident natural calamities, or sudden public holiday then the immediate next day will be considered as the due date.

After recording every entry in the primary book, we shall see how the postings are done in the secondary book, i.e., the ledger. We shall show the postings in both the General Ledger and the subsidiary ledgers.

GENERAL LEDGER**Purchase Account****Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 1	To M/s ABC A/c		25,70,000	Aug 31	By Balance c/d		57,21,500
Aug 2	To cash A/c		1,25,000				
Aug 6	To M/s. QRS A/c		15,25,500				
Aug 19	Tuhin & Sons A/c		6,25,000				
Aug 27	Mankad Bros A/c		8,76,000				
			57,21,500				57,21,500

Note:1. In purchase and sales accounts, instead of showing each credit purchase and credit sales entry separately, total credit purchases & sales for the month can be posted from the day books.

Sales Account

Dr.

Cr.

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 31	To Balance c/d		49,64,500	Aug 4	By Kiran Kr.& Sons A/c		10,75,000
				Aug 10	By Cash A/c		2,25,000
				Aug 12	By Ahmad Bros A/c		18, 25,000
				Aug. 18	By Akbar Khan & Sons A/c		5,65,500
				Aug 26	By Kakkar & Sons A/c		12,74,000
			49,64,500				49,64,500

Return Outward Account

Dr.

Cr.

Date	Particulars	J F	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 31	To Balance c/d		50,000	Aug 25	By Tuhin & Sons		50,000
			50,000				50,000

Return Inward Account

Dr.

Cr.

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 23	To Ahmed Bros A/c		45,000	Aug 31	By Balance c/d		45,000
			45,000				45,000

Total Debtors Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 30	To Sundries *		47,39,500	Aug 8	By Bills Receivable A/c		10,75,000
					By Cash A/c		2,25,000
				Aug 20	By Return		45,000
				Aug 23	Inward A/c		2,65,000
					By Cash A/c		31,29,500
				Aug 28	By Balance c/d		
				Aug 31			
			47,39,500				47,39,500

* It is the total of credit sales during August taken from the Sales day book.

Total Creditors Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 7	To Bills payable A/c		25,70,000	Aug 1-30	By Sundries A/c*		55,96,500
Aug 21	To cash A/c		1,50,000				
Aug 25	To Return Outward A/c		50,500				
Aug 29	To cash A/c		1,67,000				
Aug 31	To Balance c/d		26,59,000				
			55,96,500				55,96,500

*It is total of credit purchases during August taken from the Purchases day book.

Bills Receivable Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 8	To Kiran Kumar & Sons A/c		10,75,000	Aug 31	By Balance c/d		10,75,000
			10,75,000				10,75,000

Bills payable Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 31	To Balance c/d		25,70,000	Aug 7	By M/s ABC A/c		25,70,000
			25,70,000				25,70,000

Furniture Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 31	To Ram Kumar & sons		1,25,000	Aug 31	By Balance c/d		1,25,000
			1,25,000				1,25,000

Salary Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 31	To cash A/c		2,34,000	Aug 31	By Balance c/d		2,34,000
			2,34,000				2,34,000

Stationery Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 15	To CASH A/c		75,500	Aug 31	By Balance c/d		75,500
			75,500				75,500

Ram Kumar & Sons Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 31	To Balance c/d		1,25,000	Aug 31	By Furniture A/c		1,25,000
			1,25,000				1,25,000

DEBTORS LEDGER**M/s. Kiran Kumar & Sons Account****Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 31	To Balance c/d		1,25,000	Aug 31	By Furniture A/c		1,25,000
			1,25,000				1,25,000

M/s. Ahmed Bros. Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 12	To sales A/c		18,25,000	Aug 23	By Return Inward A/c		45,000
			18,25,000	Aug 31	By Balance c/d		17,80,000
							18,25,000

M/s. Akbar Khan & Sons Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 18	To sales A/c		5,65,000	Aug 20	By Cash A/c By		2,25,000
			5,65,000	Aug 31	Balance c/d		3,40,500
							5,65,000

M/s. Kakkar & Sons Account

Dr.				Cr.			
Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 26	To sales A/c		12,74,000	Aug 20	By Cash A/c		2,65,000
				Aug 31	By Balance c/d		10,09,000
			12,74,000				12,74,000

CREDITORS LEDGER**M/s. ABC Account**

Dr.				Cr.			
Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 7	To Bills Payable A/c		25,70,000	Aug 1	By Purchases A/c		25,70,000
			25,70,000				25,70,000

M/s. QRS Account

Dr.				Cr.			
Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 31	To Balance c/d A/c		15,25,500	Aug 6	By Purchases A/c		15,25,500
			15,25,500				15,25,000

M/s. Tuhin & Sons Account

Dr.				Cr.			
Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 21	To cash A/c		1,50,000	Aug 19	By Purchases A/c		6,25,000
Aug 25	To Return Outward A/c		50,500				
Aug 31	To Balance c/d		4,24,500				
			6,25,000				6,25,000

M/s. Mankad Bros. Account**Dr.****Cr.**

Date	Particulars	JF	Amount Rs.	Date	Particulars	JF	Amount Rs.
Aug 29	To cash A/c		1,67,000	Aug 27	By Purchases A/c		8,76,000
Aug 31	To Balance c/d		7,09,00				
			8,76,000				8,76,000

You may see that the total of balances in individual accounts of debtor's ledger is equal to the balance in the total debtors account, and the sum of balances in the creditor's ledger is equal to the balance in the total creditors account.

You may feel confused about why same entries are posted in the total debtors account, and in individual debtors' accounts in the debtors ledger. This repetition is because of the fact that the total debtors account is a summarized version of the debtor's ledger.

SELF-ASSESSMENT QUESTIONS – 2

5. State whether the following statements are **True or False**:

- At the end of the accounting period the accounts in the General Ledger can be left open.
- Summation of balances in individual accounts of debtor's ledger is equal to the balance in the total debtor's account.
- As a rule, the opening balance in any account starts with the suffix 'b/d' and the closing balance with the suffix 'c/d'.
- If the total of the debit side of an account is greater than credit side, the difference is put on the credit side and the same is called *credit balance*.

4. SUMMARY

- A secondary book is a set of accounts defined as per the requirements of an organization. Entries are posted from the primary books to the secondary book under appropriate account heads. The secondary book is also called the ledger.
- There are broadly two types of ledgers – the General Ledger and the subsidiary ledger. The subsidiary ledger is further subdivided into the Debtors Ledger and the Creditors Ledger. These subsidiary ledgers contain individual customers and suppliers accounts.
- The individual accounts in the secondary books are to be closed at the end of the accounting period.

GLOSSARY

- **Posting:** It refers to the recording of transactions from journal to the ledger.
- **Ledger:** It is a book of secondary entries.
- **Account:** A formal record of a particular type of transaction.
- **Sundry Debtors Account:** It is a control account maintained in the General Ledger which records transactions of individual customers accounts in a summarized manner.
- **Sundry Creditors Account:** It is a control account maintained in the General Ledger which records transactions of individual suppliers accounts in a summarized manner.
- **Balancing:** It refers to the closing of the ledger accounts by putting the balance (i.e., the difference) on the appropriate side of the account.

5. TERMINAL QUESTIONS

Short answer type questions

1. What are the different types of ledgers?
2. Explain the concept of closing or balancing an account.
3. What are the two control accounts are maintained in the General Ledger?

Long answer type questions

4. Write a short note on the type of ledgers.
5. The following are the transactions for Crimston Software Ltd (CSL). Pass journal entries and check the solution using ledger accounts.

March 1st	Rajesh invested Rs. 50,000 in cash
2nd	Took loan of Rs.20,000 from Mr. Deeraj for RSL. No interest is paid to him.
3rd	CSL purchased for cash two computer each costing Rs.29,000
4TH	CSL purchased supplies for Rs.6000 on credit
15th	CSL completes its maiden sale of software and receives a price of Rs.12,000
20th	CSL pays Rs.2000 to its creditors for supplies
29th	CSL pays salaries to its employees amounting to Rs.4,000 and as office rent Rs.1,200
30th	CSL delivers a software package to a shop and the shopkeeper has agreed to pay Rs.8,000 a month later
31st	Rajesh withdraws Rs.3,500 for his personal use as profit share

6. Open necessary ledger accounts for M/s Rao & Co for the period Jan 2004.

2004	Particular	Rs.
January 1	Rao commenced business with	5,000
January 2	Bought goods for cash	2,500
January 3	Bought office furniture for cash	500
January 4	Paid for postage	10
January 5	Purchased goods from Rajkumar	2,000
January 7	Goods sold for cash	150
January 8	Bought goods from Rahim	400
January 9	Goods sold to Suresh	400
January 10	Sold goods to Nayak	300
January 11	Purchased goods for cash	350

January 13	Received cash from Nayak	250
January 15	Paid cash to Rahim	400
January 17	Returned goods to Rajkumar	200
January 20	Suresh returned goods	50
January 22	Paid salaries	150
January 25	Goods sold for cash	500
January 26	Rao withdrew for personal use	800
January 27	Paid for stationery	100
January 29	Paid rent	225
January 31	Received commission	50

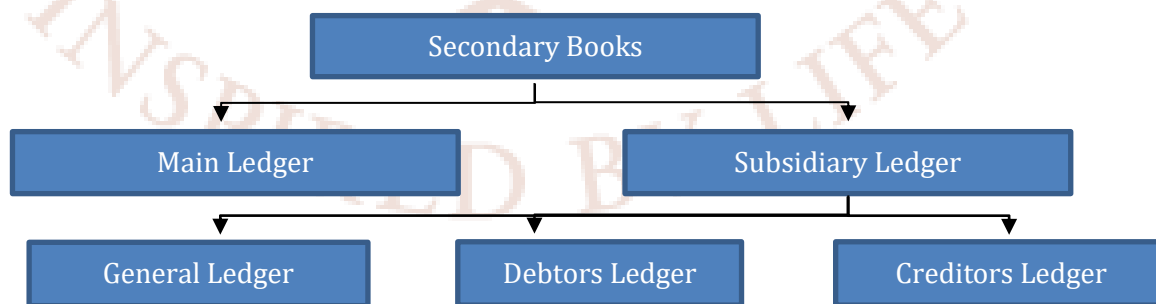
6. ANSWERS

Self-Assessment Questions

1. General Ledger
2. Debtors Ledger
3. Entries are not posted here individually.
4. Sundry creditors account
5. True/False Answers
 - a) False
 - b) True
 - c) True
 - d) False

Terminal Questions

1.



2. At the end of the accounting period, the accounts in the General Ledger cannot be left open. They are to be closed. The mechanism of 'closing' involves totalling that side of the account which is greater in amount and then putting the difference between that side and the other side as the balancing figure to square off the account. The suffix 'c/d'

denotes 'carried down', which indicates that the balance has been carried down for the next period pending settlement. Thus, if the total of the debit side of an account is greater than credit side, the difference is put on the credit side and the same is called a debit balance (i.e., debit is greater). Similarly, if the credit side of an account is greater, the difference is put on the debit side and the same is called a credit balance (i.e., credit is greater). This is called balancing or closing of accounts.

3. Two control accounts are maintained in the General Ledger – one for debtors and one for suppliers creditors. These control accounts are called Sundry (or Total) Debtors Account and Sundry (or Total) Creditors Account. These control accounts are summarised versions of individual accounts maintained in the subsidiary ledgers.
4. General Ledger is a self-sufficient secondary book in the sense that all entries in the primary books will be posted, directly or indirectly, in this ledger. On the other hand, Debtors Ledger has separate accounts for each customer, and it shows the transactions entered into with the customers (e.g. sale of goods on credit, collections from customers, goods returned by customers, discount allowed, bad debts and, finally, balance due from them). Similarly, Creditors Ledger has a separate account for each supplier, and it shows the transactions entered into with the suppliers (e.g., purchases on credit, cash paid to suppliers, goods returned, discount received and, finally, the balance due to them). The motive behind having subsidiary ledgers is to reduce the burden on the main ledger. Otherwise, the individual customer's and supplier's accounts will have to be opened in the General Ledger.

5.

Cash Account

Mar 1st	Capital	50,000	3rd	Computers	58,000
15th	Sale of software	12,000	21st	Sundry creditors	2,000
			29th	Salaries	4,000
			29th	Rent	1,200
			30th	Dividend	3,500
				Balance	13,300
	Total	82,000		Total	82,000

Capital Account

Mar.31	To balance a/c	50,000	Jan. 31	By cash	50,000
	Total	50,000		Total	50,000

Loan Account

31st	To balance c/d	50,000	2nd	By cash	50,000
	Total	50,000		Total	50,000

Computer Account

Jan.31	To cash	58,000	3rd	By balance	58,000
	Total	58,000		Total	58,000

Supplies Account

4th March	To cash A/c	6,000	31st	By Balance c/d	6,000
	Total	6,000		Total	6,000

Sundry Creditors Account

Jan.3	To Cash A/c	2,000	Jan.31	By supplies	6,000
	To balance c/d	4,000			
Feb.1	Total	6,000		Total	6,000

Sales of Software Account

2004	To balance c/d	20,000	15th	By cash	12,000
			31st	By Accounts receivable	8,000
	Total	20,000		Total	20,000

Salaries Account

29th	To cash	4000	31st	By balance	4000
	Total	4000		Total	4000

Rent Account

29th	To cash A/c	1200	31st	By balance	1200
		1200		Total	1200
	To balance b/d	50			

Accounts Receivable Account

30th	To sale of software	8000	Jan.31	By Balance c/d	8000
	Total	8000		Total	8000

Dividend Account

31st	To Cash A/c	3500	Jan. 31	By Balance c/d	3500
	Total	3500		Total	3500

6. Ledger Accounts**Capital Account**

2004		Rs	2004		Rs
Jan.31	To balance c/d	5,000	Jan. 1	By cash A/c	5,000
	Total	5,000		Total	5,000
			Feb.1	By balance b/d	5,000

Drawings Account

2004		Rs	2004		Rs
Jan.31	To cash a/c	800	Jan. 31	By Balance c/d	800
	Total	800		Total	800
	To balance b/d	800			

Cash a/c

Jan1	To Capital	5000	Jan 3	By drawings	800
7	To sales	150	2	By purchases	2500
25	To sales	500	11	By purchases	350
13	To Nayak	250	3	By furniture	500
31	To commission	50	7	By Rahim	400
			4	By postage	10
			22	By salaries	150
			27	By stationery	100
			28	By rent	225
			31	By balance c/d	915
	Total	5950		Total	5950
	To balance b/d	915			

Purchase Account

2004		Rs	2004		Rs
Jan. 2	To Cash A/c	2,500	Jan.31	By Balance c/d	5,250
Jan. 5	To Rajkumar's A/c	2,000			
Jan. 8	To Rahim's A/c	400			
Jan. 11	To Cash A/c	350			
	Total	5250		Total	5,250
Feb 2	To balance b/d	5250			

Sales Account

2004		Rs	2004		Rs
Jan.31	To Balance c/d	1,350	Jan. 7	By Cash A/c	150
			Jan. 9	By Suresh A/c	400
			Jan. 10	By Nayak's A/c	300
			Jan. 25	By cash A/c	500
	Total	1,350		Total	1,350
			Feb.1	By balance b/d	1,350

Sales Return Account

2004		Rs	2004		Rs
Jan.20	To Suresh A/c	50	Jan. 31	By Balance c/d	50
	Total	50		Total	50
Feb.1	To balance b/d	50			

Office Furniture Account

2004		Rs	2004		Rs
Jan.3	To Cash A/c	500	Jan.31	By Balance c/d	500
	Total	500		Total	500
Feb.1	To balance b/d	500			

Rahim's Account

2004		Rs	2004		Rs
Jan.15	To Cash A/c	400	Jan. 8	By Purchases A/c	400
	Total	400		Total	400

Suresh's Account

2004		Rs	2004		Rs
Jan. 7	To Sales A/c	400	Jan.20	By Sales Return A/c	50
			Jan. 31	By Balance c/d	350
	Total	400		Total	400
Feb. 1	To balance b/d	350			

Nayak's Account

2004		Rs	2004		Rs
Jan.10	To Sales A/c	300	Jan.13	By Cash A/c	250
			Jan.31	By Balance c/d	50
	Total	300		Total	300
Feb. 1	To balance b/d	50			

Postage Account

2004		Rs	2004		Rs
Jan.4	To Cash A/c	10	Jan.31	By Balance c/d	10
	Total	10		Total	10
Feb.1	To balance b/d	10			

Salaries Account

2004		Rs	2004		Rs
Jan.22	To Cash A/c	150	Jan. 31	By Balance c/d	150
	Total	150		Total	150
Feb.1	To balance b/d	150			

Stationery Account

2004		Rs	2004		Rs
Jan.27	To Cash A/c	100	Jan. 31	By Balance c/d	100
	Total	100		Total	100
Feb.1	To balance b/d	100			

Rent Account

2004		Rs	2004		Rs
Jan.28	To Cash A/c	225	Jan. 31	By Balance c/d	225
	Total	225		Total	225
Feb.1	To balance b/d	225			

Commission Account

2004		Rs	2004		Rs
Jan.31	To balance c/d	50	Jan. 31	By Cash A/c	50
	Total	50		Total	50
			Feb. 1	By balance b/d	50

Purchase Return Account

2004		Rs	2004		Rs
Jan.31	To balance c/d	200	Jan. 17	By Rajkumar's A/c	200
	Total	200		Total	200
			Feb. 1	By balance b/d	200

Rajkumar's Account

2004		Rs	2004		Rs
Jan.17	To Purchase Return A/c	200	Jan. 5	By Purchase A/c	2,000
Jan.31	To Balance c/d	1,800			
	Total	2,000		Total	2,000
				By Balance b/d	1,800

7. CASE STUDY

Record the following transactions in journals and subsequently post them to ledgers:

July 1.	Opening Cash balance	1,65,500
July 2	Cash sales	2,60,000
July 3	Cash Purchase	3,50,000
July 4	Credit sales to M/s XYZ	10,75,000
July 6	Credit purchases from M/s. ABC	15,25,000
July 8	Cash received from M/s MN in full settlement of dues of Rs.1,75,000	1,74,900
July 10	Bills raised by M/s ABC accepted	5,25,000
July 12	Bills raised on M/s XYZ accepted	6,50,000
July 15	Credit sales to Hanif & Sons	13,25,000
July 16	Goods returned by M/s XYZ	25,000
July 18	Goods returned to M/s ABC	40,000
July 20	Credit purchases from Sardar Bros	15,65,000
July 22	Goods sold to Anil & Co	18,20,000
July 24	Cash received from Anil & Co	2,65,000
July 25	Rend paid	1,05,000
July 27	Dividend received	15,000
July 30	Salary paid	1,25,000

8. REFERENCES

- N. Ramachandra, Ramkumar Kakani, (2008) *Financial Accounting for Management*, Second Edition, Tata Mcgrawhill.
- R. Narayanaswamy (2008) *Financial Accounting, A Managerial perspective* Third Edition, Prentice Hall of India, New Delhi.
- P. C. Tulsian (2009), *Financial Accounting*, Fifth Impression, Pearson Education.
- R. L. Gupta, Radhaswamy (2010), *Financial Accounting*. S. Chand and Company
- Maheshwari S. N and S. K. Maheshwari, (2009), *Advanced Accountancy*, Vikas Publishing House.
- Jain and Narang (2009), *Financial Accounting*, S.Chand and Company.
- M. C. Shukla (2010), *Advanced Accountancy*, S.Chand and Company.