Ledger

Definition:

Ledger is the principal book where all the financial transactions of the business are recorded permanently under different heads of account in a summarized and classified form.

According to the famous writer L.C. Cooper, The book where all the transactions of a businessman are classified and recorded permanently in the concerned account is called Ledger'.

Difference between Journal and Ledger: Differences between Journal and Ledger are shown below:

Journal	Ledger
(1) Journal is the book of First Entry.	(1) Ledger is the book of Final Entry or it is called the Principal Book of Accounts.
(2) Here the transactions are recorded at the first stage temporarily in a chronological order. i.e. in order of date	(2) Transactions are classified and recorded in different accounts Permanently.
(3) Journal is the subsidiary Book of Ledger.	(3) Ledger is the Principal Book of Accounts.
4) Narrations of the transactions are recorded in the	(4) Transactions are recorded in the ledger in a summarised

Journal	form. No narration is given here.
(5) It is not possible to know the over-all result of the transactions, such as information on debtors, creditors, incomes, expenses etc. from the Journal.	(5) As the transactions are recorded a classified and summarized form in the ledger, it is possible to know debtors, creditors, incomes and expenses etc. from ledger.
(6) Trial Balance and Final Accounts cannot be prepared from Journal.	(6) Trial Balance and Final Accounts can be prepared from Ledger
(7) Balancing as well as ascertainment of balance is not possible in Journal	(7) It is possible to ascertain balance of the accounts kept in the ledger at the end of a definite period.
(8) There are five columns in the Journal format.	(8) In the ledger account format, there are eight columns of which four are in the left-hand side and four are in the right-hand side.
(9) Maintaining a journal is not compulsory	(9) Maintaining a ledger is a essential.
(10) Journal is written on the basis of the source of documents of the transaction like voucher, memo etc.	(10) Ledger is written on the basis of the Journal.

Importance of Ledger:

- **Double entry system**: It gets completed only in case the journals are posted into different ledger accounts.

- **Maintain classified accounts**: The particulars of any classified accounts can get revealed only after it is recorded in ledger account.

- **Presentation of statistical information**: The ledger accounts come up with respective balances and it reflects statistical information which can later be viewed by management while taking any decision in business.

- **Keeping permanent record**: Through ledger account it is possible to maintain a permanent record of financial transaction which occurs in a highly classified manner.

- **Prepare trial balance**: It allows in preparing trial balance so that it becomes possible enough to check any arithmetical accuracy which can occur due to recording of financial transaction.

- **Prepare balance sheet**: You can possibly make balance sheet as it is easier to view financial position of company.

The benefits or advantages of ledger:

The benefits and advantages of ledger are mentioned below:

(1) Each and every transaction is recorded in the ledger permanently under Double Entry System of Book-Keeping and it is possible to know the result of any class of transactions smoothly with the help of ledger account balances.

(2) The Ledger helps in ascertaining the debtor, creditor and profit or loss of the business.

(3) The Ledger helps in ascertaining the financial position of the business.

(4) Mistakes in the accounts are easily revealed through ledger and it becomes possible to rectify them.

(5) To know the total purchase and sales of a firm during a certain period.

(6) On getting necessary information from ledger it becomes possible to arrive at a correct decision to run the business.

(7) To know the amount spent on each head of expenditure and losses during a certain period.

(8) To know the amount earned on each head of income for a certain period.

Example:

ABC Ltd. Company operates the business during the January. The following transactions are incurred-

January-1: ABC Company started business with cash tk. 60,000

January-5: Opened bank account by depositing tk. 35,000

January-10: Purchased office furniture with cash tk. 50,000

January-15: Purchased goods from XYZ Ltd. tk. 12,000 on account.

January-18: Sold goods in cash tk. 20,000

January-25: Sold goods to R. Traders tk. 25,000.

January-30: Paid salary to the staff tk. 15,000

Prepare the above transactions into Journal, Ledger and Trial Balance.

ABC Ltd.'s

Journal

Date	Accounts title and explanation	LP	Debit(Tk.)	Credit(Tk.)
1st January 2018	Cash A/c ABC Ltd. Capital A/c (Business started with cash amount)		100000	100000
January-5	Bank A/c Cash A/c (Opened bank a/c with cash amount)		35000	35000
January-10	Office furniture A/c Cash A/c (Office furniture purchased with cash)		50000	50000
January-15	Purchased A/c XYZ Ltd. (Goods purchased on account)		12000	12000
January-18	Cash A/c Sales A/c (Goods sales in cash)		20,000	20,000
January-25	R. Trader A/c Sales A/c (Goods sold in account)		25000	25000
January-30	Salary A/c Cash A/c (Salary paid to staff in cash)		15000	15000
			1,18,000	1,18,000

ABC Ltd.' Ledger

Cash A/c

Page no………….   Account code……..

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-1	ABC Ltd. Capital A/c		100000	……….	100000	………
January-5	Bank A/c		……….	35000	65000	………
January-10	Office furniture A/c		………	50,000	15000	………
January-18	Sales A/c		20000	……..	35000	……..
January-30	Salary A/c		…….	15000	20000	……..

ABC Ltd. Capital A/c

Page no………….   Account code…………

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-1	Cash A/c		……..	100000	………..	100000

Bank A/c

Page no………….   Account code…………….

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-5	Cash A/c		35000	……….	35000	………

Office furniture A/c

Page no………….   Account code…………….

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-10	Cash A/c		50000	………	50000	……..

Purchase A/c

Page no………….   Account code…………….

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-15	XYZ Ltd.		12000	……..	12000	………

XYZ Ltd. A/c

Page no………….   Account code…………….

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-15	Purchased A/c		…….	12000	……..	12000

Sales A/c

Page no………….   Account code…………….

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-18	Cash A/c		……	20000	……	20000
January-25	R. Trader A/c		……..	25000	……	45000

R. Trader A/c

Page no………….   Account code…………….

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-25	Sales A/c		25000	……..	25000	………

Salary A/c

Page no………….   Account code…………….

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-30	Cash A/c		15000	…..	15000	……..

ABC Ltd.

Trial balance

As at 31st Dec. 2018

Serial no.	Name of accounts	L.F.	Dr.(tk.)	Cr.(tk.)
1.	Cash A/c		20000	……..
2.	ABC Ltd. Capital A/c		………	100000
3.	Bank A/c		35000	……..
4.	Office furniture A/c		50000	………
5.	Purchase A/c		12000	…….
6.	XYZ Ltd. A/c		……..	12000
7.	Sales A/c		………	45000
8.	R. Trader A/c		25000	……..
9.	Salary A/c		15000	……….
	Total		157000	157000