1.   Details of Module and its structure

Module Detail	
Subject Name	Accountancy
Course Name	Accountancy 01 (Class XI, Semester - 1)
Module Name/Title	Ledger: Format; Posting from journal and subsidiary books; Balancing of accounts – Part 7
Module Id	keac_10307
Pre-requisites	Accounting process, Rules of Debit and Credit, Journalising
Objectives	After going through this lesson, the learners will be able to understand the following: • Meaning and significance of Ledger in Accounting • Posting of transactions from Journal and various Subsidiary books • Balancing of Ledger accounts
Keywords	Ledger, Principal book of Accounting, Balancing of Ledger accounts

2.   Development Team

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Introduction

As stated in earlier module the book in which the transactions are recorded with the help of source documents is called journal or book of original entry. The recording of transactions in chronological order a complete record of each transaction in one place and links the debits and credits for each transaction. The process of transferring these entries in individual account is called "Posting" and these are posted in "Ledger" also called the Principal Book of Entry.

The Ledger

The ledger is the principal book of accounting system. It contains different accounts where transactions relating to that account are recorded. A ledger is the collection of all the accounts, debited or credited, in the journal proper and various special journals. A ledger may be in the form of bound register, or cards, or separate sheets may be maintained in a loose leaf binder. In the ledger, each account is opened preferably on separate page or card.

Utility

Ledger is considered useful and is of utmost importance for any business organization. The net result of all transactions in respect of a particular account on a given date can be ascertained only from the ledger. For example, the management on a particular date requires the amount due from a certain customer or the amount of payment to a particular supplier, such information can be ascertained through ledger. It is emphasised here that the journal also contains the similar data but deriving consolidated information from journal is not possible feasible because the business transactions are recorded in chronological order and are not classified for each individual account head. Ledger posting facilitates classification and ensure that all data pertaining to each individual account is consolidated for further analysis.

Format of the Account is shown below:

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

			(₹)				(₹)

Title of the account: The Name of the item is written at the top of the format as the title of the account. The title of the account ends with suffix 'Account'.

Dr./Cr. : Dr. means Debit side of the account that is left side and Cr. means credit side of the account, i.e. right side. An account is debited or credited according to the rules of debit and credit already explained in respect of each category of account.

Date : Year, Month and Date of transactions are posted in chronological order in this column.

Particulars: Name of the item with reference to the original book of entry is written on debit/credit side of the account.

Journal Folio: It records the page number of the original book of entry on which relevant transaction is recorded. This column is filled up at the time of posting.

Amount : This column records the amount in numerical figure, corresponding to what has been entered in the amount column of the original book of entry.

Difference between Journal and Ledger

The Journal and the Ledger are the most important books of the double entry mechanism of accounting and are indispensable for an accounting system.

Following points of comparison are worth noting :

1. The Journal is the book of *first* entry (original entry); the ledger is the book of *second* entry.

2. The Journal is the book for *chronological* record; the ledger is the book for *analytical* record.

3. The Journal, as a book of source entry, gets greater importance as *legal evidence* than the ledger.

4. *Transaction* is the basis of classification of data within the Journal; *Account* is the basis of classification of data within the ledger.

5. Process of recording in the Journal is called Journalizing; the process of recording in the ledger is known as *Posting*.

Classification of Ledger Accounts

We have seen earlier that all ledger accounts are classified into five categories: assets, liabilities, capital, revenues/gains and expense losses. All these accounts may further be categorized into two groups, i.e. permanent accounts and temporary accounts. All permanent accounts are balanced and carried forward to the next accounting period. The temporary

accounts are closed at the end of the accounting period. Thus, all accounts of assets, liabilities and capital are permanent accounts. All revenue and expense accounts are temporary accounts.

Posting from Journal

Posting is the process of transferring the entries from the books of original entry (journal) to the ledger. In other words, posting means grouping of all the transactions in respect to a particular account and at one place for drawing meaningful conclusions. Posting from the journal is done periodically, may be, weekly or fortnightly or monthly as per the requirements and convenience of the business.

The complete process of posting from journal to ledger has been discussed below:

Step 1 : Locate in the ledger, the account to be debited as entered in the journal.

Step 2 : Enter the date of transaction in the date column on the debit side.

Step 3 : In the 'Particulars' column write the name of the account through which it has been debited in the journal. For example, furniture sold for cash Rs. 34,000. Now, in cash account on the debit side in the particulars column 'Furniture' will be entered signifying that cash is received from the sale of furniture. In Furniture account, in the ledger on the credit side is the particulars column, the word, cash will be recorded. The same procedure is followed in respect of all the entries recorded in the journal.

Step 4 : Enter the page number of the journal in the folio column and in the journal write the page number of the ledger on which a particular account appears.

Step 5 : Enter the relevant amount in the amount column on the debit side.

It may be noted that the same procedure is followed for making the entry on the credit side of that account to be credited. An account is opened only once in the ledger and all entries relating to a particular account is posted on the debit or credit side, as the case may be. Now we will learn how transaction are posted to different accounts in ledger from the given journal.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Cash A/c Dr. To Capital A/c (Business started with cash)		5,00,000	5,00,000

Particulars		Dr.	Cr.
Bank A/c Dr. To Cash A/c (Opened bank account with State Bank of India)		4,80,000	4,80,000
Furniture A/c Dr. To Bank A/c (Purchased furniture and made payment through bank)		60,000	60,000
Plant and Machinery A/c Dr. To Cash A/c To Ramjee Lal (Bought Plant and Machinery from M/s Ramjee Lal, made an advance payment by cash for Rs. 10,000 and balance at the later date)		55,000	55,000
Purchases A/c Dr. To M/s Sumit Traders A/c (Goods bought on credit)		35,000	35,000
Rajani Enterprises A/c Dr. To Sales A/c (Goods sold on profit)			
Total		**12,55,000**	**12,55,000**

Dr.   **Cash Account**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
	Capital		5,00,000		Bank		4,80,000
					Plant and Machinery		10,000

Dr.   **Capital Account**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)

				Cash		5,00,000

Dr.   **Bank Account**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
	Cash		4,80,000		Furniture		60,000

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

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
	Bank		60,000				

Dr.   **Plant and Machinery Account**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
	Cash		10,000				
	Ramjee lal		1,15,000				

Dr.   **Ramjee Lal's Account**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
					Plant and Machinery		1,15,000

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

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
	Sumit Traders		55,000				

Dr.   **Sumit Traders Account**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
					Purchases		55,000

Dr.   **Rajani Enterprises Account**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
	Sales		35,000				

Dr.   **Sales Account**   **Cr.**

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount

			(₹)				(₹)
					Rajani Enterprises		35,000

Ledger Postings from Cash Book

While posting from the Cash Book one should keep these points in mind

- Cash Book itself serves as a cash A/c also, therefore when cash book is maintained, cash A/c is not opened in the ledger.
- When Bank column is maintained in the Cash Book, Bank A/c is also not opened in the ledger. The Bank column itself serves the purpose of Bank A/c.
- Opening and closing balances of Cash Book will not be entered in the ledger anywhere.
- As Cash Book serves the purpose of Cash/Bank A/c, it means that, only the second A/c (other than Cash A/c or Bank A/c) is to be opened in the ledger and posting is to be made for each entry in the Cash Book.

Rules of Posting

(a) Posting from the Debit Side of Cash Book

Entries appearing on the debit side of Cash Book are to be posted to the Credit Side of respective accounts in the Ledger by writing the words

                            if it is from the Cash
By Cash A/c'   ——   Column
                            if it is from the Bank
By Bank A/c   column.

(b) Posting from the Credit Side of Cash Book

Entries appearing on the credit side of the Cash Book are to be posted to the Debit side of respective accounts in the ledger by writing the words.

    'To Cash A/c' ——   if it is from the Cash Column

    'By Bank A/c' ——   if it is from the Bank Column

(c) All contra entries marked 'C' are ignored while posting from the Cash Book to the Ledger because double aspect of such transactions is completed in the Cash Book itself.

Illusration: Given some Cash Book entries post there into ledger A/c

Date	Particulars	Vr.	L.F.	Cash `	Bank `	Date	Particulars	Vr.	L.F.	Cash `	Bank `
2011											
Jan 10	To Capital A/c			20,000	-	Jan,12	By Purchases A/c			5,000	-
Jan 15	To Cash A/c		C	-	10,000	Jan,15	By Bank A/c		C	10,000	-
Jan 22	To Sales A/c			3,000	-	Jan,25	By Sumit			-	4,500
Jan, 28	To Anil			-	2,900	Jan,31	By Balance C/d			8,000	8,400
				23,000	12,900					23,000	12,900

Solution:

15th Jan. entry will not be posted (Contra Entry)
Closing Balance will not be posted in the ledger

Capital Account

Dr   Cr

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
			Rs.	2011			Rs.
				Jan. 10	By Cash A/c		20,000

Sales A/c

Dr   Cr

Date	Particulars	L.F	Rs.	Date	Particulars	L.F	Rs.
				2011 Jan. 22	By Cash A/c		3,000

Anil's Account

Dr   Cr

Date	Particulars	L.F	Rs.	Date	Particulars	L.F	Rs.
				2011			
				Jan. 28	By Bank A/c		2,900

Purchases Account

Dr   Cr

Date	Particulars	L.F	Rs.	Date	Particulars	L.F	Rs.

Date	Particulars	L.F	Rs.	Date	Particulars	L.F	Rs.
2011							
Jan. 12	To Cash A/c		5,000				

Sumit's Account

Dr   Cr

Date	Particulars	L.F	Rs.	Date	Particulars	L.F	Rs.
2011							
Jan. 25	To Bank A/c		4,500				

Posting from Purchases Book

Posting from the purchases journal is done daily to their respective accounts with the relevant amounts on the credit side. The total of the purchases journal is periodically posted to the debit of the purchases account normally on the monthly basis. However, if the number of transactions is very large, this total may be done and posted at some other convenient time interval such as daily, weekly or fortnightly. The posting from the purchases journal to the ledger from is illustrated from the given purchases book.

Books of Kanika Traders

Purchases (Journal) Book

Date 2016	Name of Suppliers	Invoice No.	L.F.	Amount (₹)
Aug.04	Neema Electronics	3250		1,82,000
Aug.10	Pawan Electronics	8260		31,050
Aug.18	Northern Electronics	4256		3,06,250
Aug.26	Neema Electronics	3294		54,000
Aug.29	Pawan Electronics	8281		38,700
Aug 31				6,12,000

Books of Kanika Electronics

Dr.   **Neema Electronics**   Cr.

Date	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
				Aug. 04	Purchases		1,82,000
				Aug. 26	Purchases		54,000

Dr.   **Pawan Electronics**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
				Aug. 10	Purchases		31,050
				Aug. 29	Purchases		38,700

Dr.   **Northern Electronics**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
				Aug. 18	Purchases		3,06,250

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

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Aug 31	Sundries as per Purchases book		6,12,000				

Posting from Purchases Return Book

Posting from the purchases returns journal requires that the supplier's individual accounts are debited with the amount of returns and the purchases returns account is credited with the periodical total. The posting from the purchases return journal is illustrated from the given purchases return book.

Purchases Return (Journal) Book

Date 2016	Name of Suppliers	Debit Note No.	L.F.	Amount (₹)
Aug.05	Neema Electronics	2250		13,200
Aug. 31				**13,200**

Dr.   **Neema Electronics Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Aug. 05	Purchases Returns		13,200				

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

Date	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
				Aug. 31	Sundries as per Purchases Returns Book		13,200

Posting from Sales Book

Posting from the sales journal are done to the debit of customer's accounts kept in the ledger. Like the purchases journal, individual customer's accounts are generally posted daily, with the amount involved. The sales journal is also totaled periodically (generally monthly), and this total is credited to sales account in the ledger. The sales (journal) book will be posted in the related ledger account in the following manner from the given sales book:

Books of Koina Suppliers

Sales (Journal) Book

Date 2016	Name of the Customer	Invoice No.	L.F.	Amount Rs.
April 06	Raman Traders	178		4850
April 09	Nutan	180		21,000
April 28	Enterprises	209		85,000
April 30	Raman traders			1,10,850

Dr.   **Raman Traders Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Apr. 06	Sales		4,850				
Apr. 28	Sales		85,000				

Dr.   **Nutan Enterprises Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Apr. 01	Sales		21,000				

Dr.   **Sales Account**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)

				Apr. 30	Sundries as per Sales Book		1,10,850

Posting from Sales Return Book

Posting to the sales return journal requires that the customer's account be credited with the amount of returns and the sales return account be debited with the periodical total in the same way as is done in case of posting from the purchases journal. The posting from the sales return book to the ledger is illustrated as follows from the given example.

Dr.   **Sales Return (Journal) Book**   **Cr.**

Date 2016	Name of Customer	Credit Note No.	L.F.	Amount (₹)
Aug. 10 Aug. 31	Raman Traders	2250		2,100
				2,100

Dr.   **Raman Traders Account**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
				Aug. 10	Sales Returns		2,100

Dr.   **Sales Returns Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Aug. 31	Sundries as per Sales Return book		2,100				

Balancing the Accounts

Accounts in the ledger are periodically balanced, generally at the end of the accounting period, with the object of ascertaining the net position of each amount.

Balancing of an account means that the two sides are totaled and the difference between them is shown on the side, which is shorter in order to make their totals equal. The words 'balance c/d' are written against the amount of the difference between the two sides. The amount of balance is brought (b/d) down in the next accounting period indicating that it is a continuing account, till finally settled or closed.

In case the debit side exceeds the credit side, the difference is written on the credit side, if the credit side exceeds the debit side, the difference between the two appears on the debit side and is called debit and credit balance respectively.

The accounts of expenses losses and gains/revenues are not balanced but are closed by transferring to trading and profit and loss account. The balancing of an account is illustrated below with the help of an example explaining posting to ledger and balancing thereof from the given journal.

Dr.   **Capital Account**   Cr.

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 30	Balance c/d		1,00,000	Apr. 01	Cash		1,00,000
			1,00,000				1,00,000

Dr.   **6% Loan Account**   Cr.

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 30	Balance c/d		25,000	Apr. 05	Cash		25,000
			25,000				25,000

Dr.   **Ramneek's Account**   Cr.

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 07	Sales		1,740	April 10	Sales Return		440
Apr. 20	Sales		2,400	Apr. 21	Cash		3,700
			4,140				4,140

Dr.   **Sales Account**   Cr.

Date	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
				Apr. 23	Cash		14,500
				Apr. 30	Sundries as per Sales Book		10,410
			24,910				24,910

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

Date 2016	Particulars	J.F.	Amount (₹)	Date 2106	Particulars	J.F.	Amount (₹)
Apr. 02	Cash		6,000	Apr. 30	Balance c/d		14,000
Apr. 15	Quality Furniture		8,000				
			14,000				14,000

Dr.   **Land Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 02	Cash		42,000	Apr. 30	Balance c/d		42,000
			42,000				42,000

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

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Apr. 03	Bank		17,000				
Apr. 11	Bank		225				
Apr. 24	Cash		3,700				
Apr. 30	Sundries as per Purchases book		40,410				
			61,335				61,335

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

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Apr. 04	Cash		2,300				
Apr. 26	Mohit Mart		3,200				
			5,500				

Dr.   **Miscellaneous Expenses Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Apr. 05	Cash		100				
			100				100

Dr.   **Rent Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Apr. 04	Bank		4,000				
			4,000				4,000

Dr.   **Advertisement Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Apr. 16	Cash		1,200				
			1,200				1,200

Dr.   **Electric Charges Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Apr. 25	Cash		1,320				
			1,320				1,320

Dr.   **Drawings Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date 2106	Particulars	J.F.	Amount (₹)
Apr. 30	Cash		8,000	Apr. 30	Balance c/d		8,000
			8,000				8,000

Dr.   **Telephone Charges Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Apr. 30	Bank		2,700				
			2,700				2,700

Dr.   **Insurance Account**   **Cr.**

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount

2016			(₹)				(₹)
Apr. 30	Bank		1,600				
			1,600				1,600

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

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 30	Balance c/d		8,000	Apr. 15	Furniture		8,000
			8,000				8,000

Dr.   **Mohit Mart Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 30	Balance c/d		3,200	Apr. 26	Stationery		3,200
			3,200				3,200

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

Date	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
				Apr. 30	Sundries as per Purchases Return Book		632
			632				632

Dr.   **Handa Company Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 30	Bank		2,450	Apr. 04	Purchases		2,450
			2,450				2,450

Dr.   **Burari Ltd. Account**   **Cr.**

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount

2016			(₹)	2016			(₹)
Apr. 12	Purchases		632	Apr. 06	Purchases		6,400
Apr. 25	Return		7,728	Apr. 21	Purchases		2,280
	Bank		320				
	Discount						
			8,680				**8,680**

Dr.   **Kochhar Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 30	Bank		28,000	Apr. 19	Purchases		29,280
	Discount		1,280				
			29,280				**29,280**

Dr.   **Sales Return Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Apr. 30	Sundries as per Sales Return book		440				
			440				**440**

Dr.   **Kapadia Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 08	Sales		1,470	Apr. 30	Balance c/d		1,470
			1,470				**1,470**

Dr.   **Daman Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 18	Sales		1,300	Apr. 30	Balance c/d		3,600
Apr. 27	Sales		2,300				
			3,600				**3,600**

Dr.   **Nutan Account**   **Cr.**

Date 2016	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
Apr. 23	Sales		1,200	Apr. 30	Balance c/d		1,200
			1,200				**1,200**

Dr.   **Discount Received Account**   **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date 2016	Particulars	J.F.	Amount (₹)
				Apr. 25	Burari Ltd.		320
				Apr. 30	Kochhar Ltd.		1,280
			1,600				**1,600**