Class : 9th
Comm. Studies
Lokesh Arora

Tender Heart High School



Ch-21 Accounting Books and Statements

Good Morning Students.
This lesson is of class 9th for the subject of Commercial Studies.
The topic for today is 'Ledger' which is covered in Ch-21 'Accounting Books and Statements' of your book 'Commercial Studies'.

This lesson is being submitted to you on 18/11/24 and the voice is of Mr Lokesh Arora

All the students now please open page number 188 of your book and listen carefully.

In the previous lesson we had discussed about Journal.
In Journal, transactions are recorded in chronological order. It ensures that all the transactions have been recorded and no transaction is left out. But the latest position about a person/asset other items can be ascertained only when all the entries relating to it are recorded at one place.
For example, a customer Mr. Prem wants to know how much amount

he owes (has to pay) to the firm on 31st March 2020. In order to find the amount the accountant will have to go through all the entries recorded in the Journal, list the transactions with Mr.Prem and calculate the difference. This problem can be easily overcome by maintaining a book in which a seperate record of transactions relating to each account is kept. Such a book is called Ledger.

Meaning of Ledger:-

Ledger is the book which contains a seperate account for each debtor, creditor, asset, liability, income and expense of business. It may be defined as "a book which contains in a summarised and classified form, a permanent record of all transactions."

In ledger each account is alloted a seperate page and all the transactions relating that account are recorded at one place. The statement in which transactions relating to one person, one thing or one item are recorded ~~in~~ together is called an "Account" and the book in which all such accounts

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are maintained is called 'Ledger'.

Ledger is a book of final entry because it is prepared from the Journal which is the book of original entry. The process of recording transactions from the Journal into classified accounts in the ledger is called 'Posting'.

Difference between Journal and Ledger.
Refer to page number 188 for the difference.

Format of ledger
A ledger account is prepared in the following form :-

Dr X's Account Cr

| Date | Particulars | J/F | Amount | Date | Particulars | J/F | Amount |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

Each ledger account is divided into two equal parts by two closely drawn vertical lines. The left hand side is called 'Debit Side' and right hand side is known as the 'Credit Side'. On each side there are columns for date, particulars, Journal folio and amount. The date of transaction is recorded in the Date Column. In the Particulars Column, the brief detail of the transaction is given. On the debit side 'To' and in the credit side 'By' is added before the entry. The page number of the Journal from which the entry is being posted is given in J.F. (Journal Folio) column. The money value of the transaction is recorded in the Amount column.

## Utility of Ledger:-

Ledger is most important book of account. Ledger provides the necessery information about various accounts. Personal accounts in ledger show how much money the firm owes to its creditors and how much money it can recover from its debtors. Real accounts in ledger show the value of assets including closing stock. Nominal accounts in ledger show the sources of income and amount spent on various items.

Thus, the various uses of ledger are as follows:-

(i) Ledger provides the information about the assets of the firm because a record of every asset is kept in the ledger.

(ii) Ledger gives a clear picture of

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the purchases and sales made during an accounting period.

(iii) ledger provides knowledge about incomes and expenses of the business.

(iv) ledger is also helpful in preparation of trial balance. Trial balance helps in judging the arithmetical accuracy of accounts.

(v) Ledger serves as the basis of preparing the profit and loss account. Therefore, it helps in knowing the profit and loss during the accounting period.

(vi) Ledger provides the data for preparing the balance sheet which shows the financial position of business on a particular date.

Students, before going further, I will give you few questions. Write the answers of following questions in your note-books.

Qn 1. What is ledger?
2. Give two difference between Journal and ledger.
3. Give two uses of ledger.

Method of Posting Entries:-

Journal tells us the accounts to be debited and credited and also the amounts involved in a transaction.

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The account which is debited in Journal will be posted on credit side of the other account and the account which is credited in Journal entry will be posted on the debit side of other account.

I will explain this with the help of following example.

| Date | Particulars | Dr Amount | Cr Amount |
|---|---|---|---|
| Jan 1 | Cash A/c Dr | 5,000 | |
| | To Capital A/c | | 5,000. |
| | (Being business started with Cash) | | |

The above transection will be posted in two accounts Cash and Capital.

Dr Cash A/c. Cr

| Date | Particulars | J F | Amount | Date | Particulars | J F | Amount |
|---|---|---|---|---|---|---|---|
| Jan 1 | To Capital A/c | | 5,000 | | | | |

Dr. Capital A/c Cr.

| Date | Particulars | J F | Amount | Date | Particulars | J F | Amount |
|---|---|---|---|---|---|---|---|
| | | | | Jan 1 | By Cash A/c | | 5,000 |

From the above example, it is clear that each Journal entry is recorded into two accounts and on the opposite side. Capital account which is credited in Journal entry

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is posted on the debit side of cash account and cash account which is debited in journal entry is posted on the credit side of capital account.

Now we will pass few journal entries and post them into various ledger accounts.

Journal Entries

| Date | Particulars | L.F. | Dr Amount | Cr Amount |
|---|---|---|---|---|
| 2020 Jan 1 | Cash A/c Dr | | 10,000 | |
| | To Capital A/c | | | 10,000 |
| | (Being business started with cash) | | | |
| Jan 3 | Purchases A/c Dr | | 3,000 | |
| | To Cash A/c | | | 3,000 |
| | (Being goods purchased for cash) | | | |
| Jan 5. | Purchases A/c Dr | | 5,000 | |
| | To Ajay A/c | | | 5,000 |
| | (Being goods purchased from Ajay) | | | |
| Jan 6 | Cash A/c Dr | | 7,000 | |
| | To Sales A/c | | | 7,000 |
| | (Being goods sold for cash) | | | |
| Jan 8 | Rohit A/c Dr | | 4,000 | |
| | To Sales A/c | | | 4,000 |
| | (Being goods sold to Rohit on credit) | | | |
| Jan 10 | Ajay A/c Dr | | 2,000 | |
| | To Cash A/c | | | 2,000 |
| | (Being cash paid to Ajay) | | | |
| Jan 12 | Cash A/c Dr | | 3000 | |
| | To Rohit A/c | | | 3,000 |
| | (Being cash received from Rohit) | | | |

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The first entry dated Jan 1 will be posted in two accounts in Cash A/c and Capital A/c.
In cash a/c on debit side we will write 'To Capital A/c' and in capital a/c we will write 'By Cash A/c' on credit side.

Transaction dated 3rd Jan. involves two accounts i.e. Purchases and Cash account. This transaction will be posted in these two accounts.
In Purchases a/c we will write 'To Cash A/c' on debit side and in Cash A/c, we will write 'By Purchases A/c' on credit side

Transaction dated 5th Jan. involves two accounts Purchases and Ajay. This transaction will be posted in Purchases Account and Ajay A/c.
In Purchases A/c we will write 'To Ajay A/c' on debit side and in Ajay a/c we will write 'By Purchases A/c' on credit side.

Transaction dated 6th Jan. involves two accounts i.e. Cash and Sales.
In Cash A/c we will write 'To Sales A/c' on debit side and in Sales A/c we will write 'By Cash A/c' on credit side.

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Transaction dated Jan. 8 involves two accounts i.e. Rohit and Sales A/c. This transaction will be posted in these two accounts.
In Rohit A/c we will write 'To Sales A/c' on debit side and in sales we will write 'By Rohit A/c' on credit side.

Transaction dated 10th Jan involves two accounts i.e. Ajay and Cash. This transaction will be posted in these two accounts.
In Ajay A/c we will write 'To Cash A/c' on debit side and In Cash A/c we will write 'By Ajay A/c'

Transaction Dated 12th Jan involves two accounts i.e. Rohit and Cash. This transaction will be posted in these two accounts.
In Cash A/c we will write 'To Rohit A/c' on debit side and in Rohit A/c we will write 'By Cash A/c' on credit side.

Various ledger accounts prepared on the basis of above information are shown on the next page.

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**Dr — Cash A/c — Cr**

| Date 2020 | Particulars | J F | Amount | Date 2020 | Particulars | J F | Amount |
|---|---|---|---|---|---|---|---|
| Jan 1 | To Capital A/c | | 10,000 | Jan 3 | By Purchases A/c | | 3,000 |
| Jan 6 | To Sales A/c | | 7,000 | Jan 10 | By Ajay A/c | | 2,000 |
| Jan 12 | To Rohit A/c | | 3,000 | | | | |

**Dr — Capital A/c — Cr**

| Date | Particulars | J F | Amount | Date 2020 | Particulars | J F | Amount |
|---|---|---|---|---|---|---|---|
| | | | | Jan 1 | By Cash A/c | | 10,000 |

**Dr — Purchases A/c — Cr**

| Date | Particulars | J F | Amount | Date | Particulars | J F | Amount |
|---|---|---|---|---|---|---|---|
| Jan 3 | To Cash A/c | | 3,000 | | | | |
| Jan 5 | To Ajay A/c | | 5,000 | | | | |

**Dr — Ajay A/c — Cr**

| Date | Particulars | J F | Amount | Date | Particulars | J F | Amount |
|---|---|---|---|---|---|---|---|
| Jan 10 | To Cash A/c | | 2,000 | Jan 5 | By Purchases. | | 5,000 |

**Dr — Sales A/c — Cr**

| Date | Particulars | J F | Amount | Date | Particulars | J F | Amount |
|---|---|---|---|---|---|---|---|
| | | | | Jan 6 | By Cash A/c | | 7,000 |
| | | | | Jan 8 | By Rohit A/c | | 4,000 |

**Dr — Rohit A/c — Cr**

| Date | Particulars | J F | Amount | Date | Particulars | J F | Amount |
|---|---|---|---|---|---|---|---|
| Jan 8 | To Sales A/c | | 4,000 | Jan 12 | By Cash A/c | | 3,000 |

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With this I am ending my topic here. I will give you few Journal entries. You are required to record them in Journal and post them In appropriate ledger Accounts.

Record the Fallowing transaction and post them in Ledger Accounts.

| 2020 | | ₹ |
|---|---|---|
| April 1. | Ravi started business with Cash | 25,000 |
| 3. | Purchased goods for cash | 5,000 |
| 4. | Purchased goods from Vijay on Credit | 7,000 |
| 5. | Sold Goods for Cash | 6,000 |
| 6. | Sold Goods to Sameer on Credit | 10,000 |
| 7. | Returned goods to Vijay | 1,000 |
| 9 | Paid cash to Vijay | 2,500 |
| 11 | Received cash from Sameer | 3,500 |
| 12 | Sameer returned us goods | 500. |

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