

**LEDGER ACCOUNTS**

The book which contains accounts is known as the ledger. Since finding information pertaining to the financial position of a business emerges only from the accounts, the ledger is also called the Principal Book. As a result, all the necessary information relating to any account is available from the ledger. This is the most important book of the business and hence is rightly called the "King of All Books". Also Known as Book of Final Entry.

The specimen of a typical ledger account is given below:

Dr				Ledger-Account				Cr			
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)				

**Ledger Posting**

As and when the transaction takes place, it is recorded in the journal in the form of journal entry. This entry is posted again in the respective ledger accounts under double entry principle from the journal. This is called ledger posting.

**The rules for writing up accounts of various types are as follows:**

Assets:	Increases on the left hand side or the debit side and decreases on the credit side or the right hand side.
Liabilities:	Increases on the credit side and decreases on the debit side.
Capitals:	The same as liabilities.
Expenses:	Increases on the debit side and decreases on the credit side.
Incomes or gain:	Increases on the credit side and decrease on the debit side.

**To summarise**

Dr.	Assets	Cr.
Increase		Decrease
Dr.	Expenses or Losses	Cr.
Increase		Decrease

Dr.	Liabilities & Capital	Cr.
Decrease		Increase
Dr.	Income or Gains	Cr.
Decrease		Increase

**The student should clearly understand the nature of debit and credit.****A debit denotes:**

- In the case of a person that he has received some benefit against which he has already rendered some service or will render service in future. When a person becomes liable to do something in favour of the firm, the fact is recorded by debiting that person's account ; (relating to Personal Account)
- In case of goods or properties, that the value and the stock of such goods or properties has increased, (relating to Real Accounts)
- In case of other accounts like losses or expenses, that the firm has incurred certain expenses or has lost money. (relating to Nominal Account)

**A credit denotes:**

- In case of a person, that some benefit has been received from him, entitling him to claim from the firm a return benefit in the form of cash or goods or service. When a person becomes entitled to money or money's worth for any reason. The fact is recorded by crediting him (relating to Personal Account)
- In the case of goods or properties, that the stock and value of such goods or properties has decreased. (relating to Real Accounts)
- In case of other accounts like interest or dividend or commission received, or discount received, that the firm has made a gain (relating to Nominal Account)

**At a glance:**

Dr. (Debit side)	Cr. (Credit side)
DESTINATION Where the economic benefit reaches / is received.	SOURCE of each economic benefits
Receiver	Given
What comes in	What goes out
All expense and losses	All income and gains

Let us now understand the mechanism of posting transaction into the ledger account. Consider the transaction: Rent paid in cash for ₹ 10000. The journal entry for this transaction would be:

Jan 15	Rent A/c	Dr	10,000
	To Cash A/c		10,000

We will open two ledger accounts namely Rent A/c and Cash A/c. Let us see how the posting is made

Dr.				Rent Account				Cr.			
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)				
Jan 15	To Cash A/c		10,000								

Dr.				Cash Account				Cr.			
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)				
				Jan 15	By Rent A/c		10,000				

Please observe the following conventions while posting a transaction into ledger accounts. Note that both the effects of an entry must be recorded in the ledger accounts simultaneously.

- The posting in the account which is debited, is done on the debit side by writing the name of the account or accounts that are credited with the prefix 'To'.

- 2) The posting in the account which is credited, is done on the credit side by writing the name of the account or accounts that are debited with the prefix 'By'.

**Illustration 11.**

Let us now see how we can create ledger account for the seven journal entries that we passed for Illustration 4.

Folio No. 1

Dr.				Cr.			
Cash Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
1.4.2015	To Vikas's capital	1	500,000	10.4.2015	By Furniture	1	25,000
1.4.2015	To Vaibhavi's capital	1	250,000	11.4.2015	By Punjab National Bank	1	1,00,000
				30.4.2015	By Balance c/d		6,25,000
			750,000				7,50,000
1.5.2015	To Balance b/d		625,000				

Folio No. 2

Dr.				Cr.			
Mr. Vikas's Capital Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
30.4.2015	To Balance c/d		5,00,000	1.4.2015	By Cash	1	5,00,000
			5,00,000				5,00,000
				1.5.2015	By Balance b/d		5,00,000

Folio No. 3

Dr.				Cr.			
Mrs. Vaibhavi's Capital Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
30.4.2015	To Balance c/d		2,50,000	1.4.2015	By Cash	1	2,50,000
			2,50,000				2,50,000
				1.5.2015	By Balance b/d		2,50,000

Folio No. 4

Dr.				Cr.			
Furniture Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
10.04.2015	To Cash		25,000	30.4.2015	By Balance c/d		25,000
			25,000				25,000
1.05.2015	To Balance b/d		25,000				

Folio No. 5

Dr.				Cr.			
Punjab National Bank Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
11.4.2015	To Cash	1	1,00,000	15.4.2015	By Rent	1	15,000
25.4.2015	To Consultancy Fees	1	2,50,000	20.4.2015	By Motor Car		1,50,000
					By Balance c/d		2,85,000
			3,50,000				3,50,000
1.05.2015	To Balance b/d		2,85,000				

Folio No. 6

Dr.				Cr.			
Rent Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
15.4.2015	To Punjab National Bank	1	15,000				

Folio No. 7

Dr.				Cr.			
Motor Car Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
20.4.2015	To Punjab National Bank		1,50,000				
	" To Loan from HDFC Bank	1	4,00,000				

Folio No. 8

Dr.				Cr.			
Loan from HDFC Bank Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
20.4.2015	By Motor Car	1	4,00,000				

Folio No. 9

Dr.				Cr.			
Avon Pharmaceuticals Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
25.4.2015	To Consultancy Fees	1	7,50,000				

Folio No. 10

Dr.				Cr.			
Consultancy Fees Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
25.4.2015	By Punjab National Bank	1	2,50,000				
25.4.2015	By Avon Pharma	1	7,50,000				

Folio No. 11

Dr.				Cr.			
Salary Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
30.4.2015	To Salary payable	1	15,000				

Folio No. 12

Dr.				Cr.			
Salary Payable Account							
Date	Particulars	J. F.	Amount (₹)	Date	Particulars	J. F.	Amount (₹)
				30.4.2015	By Salary	1	15,000

