

BCM-102
FINANCIAL ACCOUNTING
UNIT-6 LEDGER
(B. COM. FIRST YEAR)

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Ledger

- Ledger is a principal book which includes all the accounts Personal, Real and Nominal (for example, Assets Accounts, Liabilities Accounts, Income Accounts, Expenses Accounts) to which the transactions recorded in the books of Journal entry are transferred. Since the ledger is the destination of all transactions and provides summary of different types of transactions, it becomes an essential part of accounting.
- Ledger is known as a permanent record and is more frequently referred as a formal record of all transactions relating to a change in a particular head or item.

Ledger Posting

After knowing the format of Ledger accounts, it is important to know the process of transferring the items from Journal to ledger accounts. This process of transferring the items (Debit and Credit) from Journal to ledger is known as posting. Process of Posting in Ledger Account: for Posting the items in Ledger account, you should follow the following process:

- You should open a separate ledger account for each entry on the basis of entries given in the journal. For example, in the first entry of Business commencement, i.e.
- After posting in the respective ledger accounts, the next step is balancing of ledger accounts. At the end of a given period, may be at the end of the year or the month, it may be necessary to know the balance of each account. It is very easy to balance an account. For balancing an account, we make total of both the sides, if it equals then there is no balance in that particular a/c. But if the difference comes, then this difference is known as balance.
- In case, the debit side of ledger a/c is greater than the credit side, account is called to have debit balance otherwise credit balance.
- When an account is having credit balance, it is written on the debit side as 'To Balance C/d' with the amount of difference. By doing so, both the sides would be equal and the totals of both the sides are written opposite to each other. And after this, the credit balance is written on the credit side of the account as 'By Balance b/d' or b/f (b/d stands for brought down and b/f stands for brought forward.)

Example

| Name of the Account: Cash Account | | | | L. Folio No.. | | | |
|-----------------------------------|----------------|------|------------------|---------------|----------------|------|------------------|
| Dr. | | | | Cr. | | | |
| Date | Particulars | J.F. | Amounts | Date | Particulars | J.F. | Amounts |
| 1-Jan | To Capital A/c | | <u>10,00,000</u> | Jan-31 | By Balance C/d | | <u>10,00,000</u> |
| | | | <u>10,00,000</u> | | | | <u>10,00,000</u> |
| Feb-1 | To Balance b/d | | 10,00,000 | | | | |

| Name of the Account: Capital Account | | | | L. Folio No.. | | | |
|--------------------------------------|----------------|------|------------------|---------------|----------------|------|------------------|
| Dr. | | | | Cr. | | | |
| Date | Particulars | J.F. | Amounts | Date | Particulars | J.F. | Amounts |
| Jan-31 | To Balance C/d | | <u>10,00,000</u> | Jan-1 | By Cash A/c | | <u>10,00,000</u> |
| | | | <u>10,00,000</u> | | | | <u>10,00,000</u> |
| | | | | Feb-1 | By Balance b/d | | 10,00,000 |

Summary

- After journalizing the transactions, the next step is to classify the transactions. In order to classify the transactions the respective accounts for each item of transactions are opened in the ledger which is popularly known as Ledger Posting. Ledger is a principal book which includes all the accounts, Personal, Real and nominal to which the transactions recorded in the books of Journal entry are transferred. Since the ledger is the destination of all transactions and provides summary of different types of transactions, it becomes an essential part of accounting. Ledger is known as a permanent record and is more frequently referred as a formal record of all transactions relating to a change in a particular head or item.
- Balancing is done for only two type of accounts; i.e. Personal and Real Accounts and their balance goes to Balance Sheet. Nominal accounts are never balanced because their balance is transferred to Profit & Loss Account.

References

- SILM developed by Uttarakhand Open University for BCM-102 (Financial Accounting), Year 2017, ISBN: 978-93-85740-44-2