

CBSE Class 11 Accountancy
Revision Notes
Chapter-5 Ledger and Trial Balance

Learning Objectives

After studying this chapter Students should be able to tell:

- Meaning and Importance of Ledger.
- Format of Ledger.
- Posting from Journal.
- Postings from Cash Book and other Subsidiary Books.
- Closing and Balancing of Ledger Accounts.
- Trial Balance - Meaning, objectives and Preparation.

Ledger

Meaning: After recording the business transactions in the Journal or special purpose Subsidiary Books, the next step is to transfer the entries to the respective accounts in the Ledger. **Ledger is a book where all the transactions related to a particular account are collected at one place.**

Definition: The Ledger is the main or Principal book of accounts in which all the business transactions would ultimately find their place under various accounts in a duly classified form.

UTILITY OF LEDGER

To know the collective effect of all the transactions pertaining to one particular account.

By this classification/collective effect, we are able to know the following-

- It provides complete information about all accounts.
- It provides position of Assets and Liabilities.
- It facilitates the preparation of Trial Balance.

Important: Ledger is also called the Principal Book of Accounts.

Performa for Ledger

Each ledger account is divided into two equal parts.

Left Hand Side → Debit side (Dr.)

Right Hand Side → Credit side (Cr.)

Name of the Account

Dr.				Cr.			
Date	Particulars	J.F	Amount (Rs.)	Date	Particulars	J.F	Amount (Rs.)

Posting in the Ledger: This will be dealt separately from Journal Entries and each Subsidiary Book.

Case I : Posting from Journal Entries

- If an account is debited in the journal entry, the posting in the ledger should be made on the debit side of that particular account. In the particulars column the name of the other account (which has been credited in the Journal entry) should be written for reference.
- For the Accounts credited in the Journal entry, the posting in the ledger should be made on the credit side of that particular Account. In the particulars column, the name of the other account that has been debited (in the Journal entry) is written for reference.

Important

- ‘To’ is written before the A/cs which appear on the debit side of Ledger
- “By” is written before the A/cs appearing on the credit side Ledger.
- Use of these words ‘To’ and ‘By’ is optional.

Case II : Ledger postings from Cash Book

Important points

1. 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.
2. 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.
3. Opening and closing balances of Cash Book will not be entered in the ledger.
4. 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.

'By Cash A/c' → if it is from the Cash Column

By Bank A/c → if it is from the Bank Column.

b. Posting from the Credit Side of Cash Book

'By 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.

Case III : Ledger posting from Purchases book

Journal Entry for Credit Purchases is

Purchases A/c Dr

To Supplier

Therefore the rules of posting from Purchases Book are.

1. **The total of the purchase Book** will be posted to the **Debit side of purchase A/c** and the words **"To Sundries as per purchase Book"** will be written in the particulars column.

2. Each of the **Supplier's A/c** will be **Credited** and the words. "By Purchases A/c" will be written in the particulars column.

CASE IV: Ledger Posting from Sales Book

Journal Entry for Credit sales is

Customer Dr.

To Sales A/c

Hence rules for posting from sales Book are

1. Total of the **Sales book** will be posted to the **credit side** of **sales A/c** by writing the words "By sundries as per Sales Book".
2. Customer's personal A/cs are **debited** by writing the words "**To Sales A/c**"

Case V : Ledger Posting from Purchase Return Book

Journal Entry for purchase Return is

Personal A/c of Supplier Dr.

To Purchase Returns A/c

Hence the rules for posting are

1. Supplier's A/c (to whom the goods are returned) is debited by writing the words "To Purchase Return A/c")
2. The total of the Purchases return Book is credited to the Purchases Return A/c by writing the words "By Sundries as per Purchases Return Book".

Case VI : Ledger Postings of Sales Returns Book. Journal Entry for the sales Return is -

Sales Returns A/c Dr.

To Customer

Hence the Rules for Posting are

1. Individual Customer's A/cs by whom the goods are returned are Credited by writing the word "By Sales Return A/c."
2. The total of the Sales Returns Book is posted to the Debit of Sales Returns A/c by writing the words. "To Sundries as per Sales Returns Book".

CLOSING AND BALANCING OF ACCOUNT

Normally after every month or whenever a businessman is interested in knowing the position of various A/cs, the accounts are balanced. Various steps for these purposes are:

1. Debit and Credit sides of each A/c are totaled.
2. The difference between the two sides is inserted on the side which is shorter so as to make their totals equal.
3. The words 'Balance c/d' i.e., the balance carried down and written against the amount of difference.
4. In the next period, the balance is brought down on the other side by writing the words 'Balance b/d'.
5. If the Debit side exceeds the Credit Sides the difference is a Debit Balance whereas.
6. If the Credit side exceeds the Debit side the difference is a Credit Balance.

Important

1. **Debit Balance** of a Personal A/c means the person is a Debtor of the firm whereas Credit Balance of a Personal A/c indicates that the person is a Creditor of the firm.
2. **Real A/cs** (which include Cash and all other Assets A/cs) will usually show Debit Balances.
3. **Nominal A/cs** (A/cs of Income and Expenses) are transferred to Trading and profit and Loss A/c of the firm at the end of the Accounting Period.
4. **Debit Balance of any A/c** means an Asset or an Expense whereas Credit Balance means a liability, Capital or revenue.

TRIAL BALANCE

- I. **Meaning** : When posting of all the transactions into the Ledger is completed and accounts are balanced off, then the balance of each account is put on a list called Trial Balance.
- II. **Definition** : Trial Balance is the list of debit and credit balances taken out from ledger. "It also includes the balances of Cash and bank taken from the Cash Book".
- III. **Preparation** : Steps (Only Balance Method)
 1. Ledger A/cs which shows a debit balance is put on the Debit side of the trial balance.
 2. The A/c Showing credit balance is put on the Credit side of Trial Balance.
 3. Accounts which shows no balance i.e. whose Debit and Credit totals are equal are not entered in Trial Balance.
 4. Then the two sides of the Trial Balance are totalled. If they are equal it is assumed that

there is no arithmetical error in the posting and balancing of Ledger A/cs.

Objectives or Functions of Trial Balance

- It helps in ascertaining the arithmetic accuracy of ledger accounts.
- Helps in locating errors.
- Provides the summary of Ledger A/cs.
- Helps in the preparation of Final A/cs.

Posting of opening Entries:

1. First of all opening Journal Entr is done in the Journal proper.
2. All Assets Acs are Debited and Liabilities Acs are Credited.

Difference between the totals of the two sides is the Capital.

Important : Besides opening Journal entries, any transaction which is not covered under any of the Subsidiar Book is recorded in Journal proper.

Suspense Account :

When Trial Balance Does not agree, then first of all we try to locate the errors. Sometimes, in spite of the best efforts, all the errors are not located and the Trial Balance does not tally. Then in order to avoid delay in the preparation of final accounts, a new account is opened which is known as “Suspense Account” Difference in Trial Balance is posted to this Account.

1.	If there is Excess Debit in the Trial Baal	→	Difference is posted to the Credit side of Suspense A/c
2.	If there is Excess Credit in the Trial Balance	→	Difference is posted to the Debit side of Suspense A/c

Example:

Trial Balance

S .No.	Trial Dr. Total (Rs.)	Balance (Cr. Total) (Rs.)	Difference (Rs.)	Posted to Suspense A/c
1.	2,25,000	2,16,500	8,500 (Excess	Credit Side of Suspense

			Debit)	A/c
2.	2,16,500	2,25,000	8,500 (Excess Debit)	Debit Side of Suspense A/c

Closing of Suspense A/c

- The errors which led to the difference still remains to have to be located.
- These errors will be rectified through Suspense Ae (One sided errors) which will be explained in the topic Rectification of Errors.
- When all the errors are rectified, this Account closes down automatically. If the difference in Trial Balance persist, it is shown in the Balance Sheet.
 - a. Debit Balance of Suspense Account is shown in the Asset Side of the Balance Sheet.
 - b. Credit Balance of Suspense Account is shown in the Liability Side of the Balance Sheet.