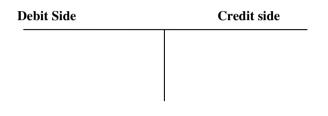
GENERAL LEDGER

- Ledger accounts are used to post the economic activities
- > Posting is the name of transferring accounts from the book of prime entry to related ledger accounts
- When all the transactions for a given period have been journalized, the next step is to classify them according to the account affected
- > Ledger is a book that keeps separate record for each account
- Ledger is the book of secondary entry
- An account in its simplest form is a T-shape. It should be noted that Journal contains a chronological record while Ledger contains a classified record of all economic activities



8.1 Types of Ledger and Procedure

There are two types of ledger accounts

8.1.1 Standard General Ledger

Since the Ledger keeps record of transactions that affect one head of account, therefore, it should provide all the information that a user may need. Usually the ledger is required to provide following information.

(a) Account #	(b) Title of Account	(c) Page #	(d) Date
(e) Description	(f) Reference	(g) Amount	

Account #			Title	e of Accoun	t	Page #	
Date	Description	Ref	Amount	Date	Description	Ref	Amount
	Total				Total		

8.1.1.2 Process of Posting

The process of posting is simple and involves following steps

- The debit part of journal entry is recorded on the debit side of the relevant account by credit account name (Source)
- The credit part of journal entry is recorded on the credit side of the relevant account by debit account name (Source)
- ♦ In the reference column of the general journal the code or page number of ledger account are noted
- ♦ In the reference column of the ledger account the page number of the journal is noted

		Page # 177					
				Amount (Rs)			
Da	ate	Account Title and Explanations	Ref	Debit	Credit		
20	15						
July	1	Cash		100,000			
		Owner's equity			100,000		
	5	Purchases		15,000			
		Cash			15,000		
	8	Cash		25,000			
		Sales			25,000		
	12	Account Receivable_ Raheel Store		13,000			
		Sales					
					13,000		
	16	Drawing		4,000			
		Cash			4,000		
	19	Cash		2,000			
		Commission			2,000		
	21	Machine		10,000			
		Account Payable_ Ali sons			10,000		
	23	Cash		10,000			
		Account Receivable_ Raheel Store			10,000		
	27	Salary		1,000			
		Cash			1,000		
	29	Account Payable_ Ali Sons		8,000	,		
		Cash		~	8,000		
		Total		Rs. 188,000	Rs. 188,00		

Account #	102		Cash Account				Page # 880		
Date	Description	Ref	Amount	Date	Description	Ref	Amount		

8.1.1.3 Balancing an Account

- Find the total of debit side and Find the total of credit side. Put bigger value both sides in Total
- Calculate the difference between the two sides. This is the Balance (The balancing figure between the two sides)
- Write the balance on the smaller side with key words "Balance c/d". However, the balance will be known by the larger side i.e. if the debit side is greater than the credit side, the balance will be known as debit balance and vice versa
- Bring down the debit balance on the debit side writing the words in Description column "Balance b/d". Similarly, bring down the credit balance on the credit side be writing the words in the Description column "Balance b/d".

Example # 8.2: Sardar Hammad is sole owner of business. He has been started business since 1990 in Karachi. Following are transaction for the month of August 2016, prepare General Journal, General Ledgers and Trial Balance

- 3. Reinvestment in the shape of Cash Rs. 80,000 and Furniture Rs. 20,000
- 5. Cash Sales Rs. 10,000 and on account Sales Rs. 12,000
- 6. Bought goods from Ahmed Co. Rs. 60,000 paid Rs. 15,000 cash and remaining Note payable pay within 30 days
- **9.** Purchase Office Equipment from Waseem Shah worth Rupees Rs. 99,000, a cash down payment of Rs. 19,000 and balance will be paid by four installments, first due on 30 August
- 21. Goods return by credit customer of worth Rs. 12,000
- 30. Paid first installment of Rs. 20,000

			Amount (Rs.)		
Date	Account Title and Explanations	Ref	Debit	Credit	
2016					
Aug.	3 Cash		80,000		
	Furniture		20,000		
	Owner's Equity_ Sardar Hammad			100,000	
	(Reinvest by owner in the business)				
	5 Cash		10,000		
	Account Receivable		12,000		
	Sales			22,000	
	(Cash and credit Sales)				
	6 Purchases		60,000		
	Cash			15,000	
	Note Payable_ Ahmed Co.			45,000	
	(Purchases by cash and credit from Ahmed)				
	9 Office Equipment		99,000		
	Cash			19,000	
	Account Payable_ Waseem Shah			80,000	
	(Purchase O. equipment on installments by Waseem)				
	21 Sales Return		12,000		
	Account Receivable			12,000	
	(Goods return by credit customer)				
	30 Account Payable_ Waseem Shah		20,000		
	Cash			20,000	
	(Paid 1 st installment to Waseem Shah)				
I					
	Total		Rs. 313,000	Rs. 313,000	

General Journal

General Ledger

Account	#1		Ca	ash Account			Page #
Date	Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)
	Total				Total		
Account	# 2		Fur	niture Acco	unt		Page #
Date	^{# 2} Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)
	I				I and I		
	Total				Total		
Account	# 3		Ow	ner's Equity	Account		Page #
Date	Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)
	Total				Total		
Account	# 4		Acc	count Receiv	able		Page #
Date	Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)
		_					

For Solution click <u>www.accountancyknowledge.com/general-ledger/</u>

Account	# 5		Sales Account				Page #		
Date	Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)		
	Total		22,000	I	Total		22,000		

Account	# 6		Pu	rchase Acco	ount		Page #
Date	Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)

Account a	# 7		Note Payable Account				Page #	
Date	Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)	
	Total		45,000		Total		45,000	
				Sep. 1	Balance b/d		45,000	

Account	t # 8		Office Equipment Account				Page #	
Date	Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)	
					Balance c/d		99,000	
	Total		99,000		Total		99,000	
Sep. 1	Balance b/d		99,000	<u> </u>				

Account	# 9		Account Payable				
Date	Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)
				Sep. 1	Balance b/d		60,000

Account	# 10		Sales Return Account Pa			Page #	
Date	Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)

Sardar Hammad

Trial Balance

As on August 2016

S. No.	Heads of Account	Ref	Amount (Rs.)			
5. 140.	neuus oj Account	кеј	Debit	Credit		
1	Cash					
2	Furniture					
3	Owner Equity					
4	Account Receivable					
5	Sales					
6	Purchases					
7	Note Payable					
8	Office Equipment					
9	Account Payable					
10	Sales Return					
	Total					

Practice MCQs

www.accountancyknowledge.com/general-ledger-mcqs/

Practice Problems with Solutions

www.accountancyknowledge.com/general-ledger-problems-and-solutions/

8.1.2 Running Balance General Ledger

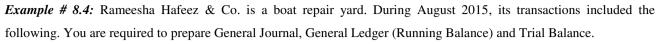
An alternative ruling of a ledger, which is generally adopted by commercial banks and some other business houses, is the entire ledger us divided into six columns.

Account #	ŧ	Title of Account				
Date	Description	Ref	Dr. Amount	Cr. Amount	Balance	

Example # 8.3: Post following entries to cash Running Balance Ledger Account?

		General Journal		Р	age # 177
				Amou	nt (Rs)
Da	ate	Account Title and Explanations	Ref	Debit	Credit
20	15				
July	1	Cash		100,000	
		Owner's equity			10,000
	5	Purchases		15,000	
		Cash			15,000
	8	Cash		25,000	
		Sales			25,000
	12	Account Receivable_Raheel Store		13,000	
		Sales			
					13,000
	16	Drawing		4,000	
		Cash			4,000
	19	Cash		2,000	
		Commission			2,000
	21	Machine		10,000	
		Account Payable_ Ali sons			10,000
	23	Cash		10,000	
		Account Receivable_ Raheel Store			10,000
	27	Salary		1,000	
		Cash			1,000
	29	Account Payable_ Ali Sons		8,000	,
		Cash		*	8,000
					,
		Total		Rs. 188,000	Rs. 188,00

Account	: # 102	Cash Account						
Date	Description	Description Ref Dr. Amount Cr. Amount						
. <u> </u>								



03. Loan taken from Habib Bank Ltd. of Rs. 25,000. Rs. 20,000 withdrawn for business and remaining in the bank account.

- 06. Paid rent for the month of August Rs. 4,400 and accrued rent expenses was Rs. 600.
- *12.* At request of Kiwi Insurance, Inc, made repairs on boat of Jon Seaways. Sent bill for Rs. 5,620 for services rendered to Kiwi Insurance Inc. (credit Repair Service Revenue).
- 18. Made repairs to boat of Mill Copper and collected in full the charge of Rs. 2,830.
- 20. Placed Advertisement in The Dawn at a cost of 165, payment to be made within 30 days.

25- Received a check for 5,620 from Kiwi Insurance Inc representing collection of the receivable of August 12.

30. Sent check to The Dawn in payment of the liability incurred on August 20.

			Amount (Rs.)		
Date	Account Title and Explanations	Ref	Debit	Credit	

General Journal

Account No	b. 1		Cash Account		Page #
Date	Description	Ref	Dr. Amount (Rs.)	Cr. Amount (Rs.)	Balance (Rs.)

Account N	Account No. 2		Bank Account	Page #	
Date	Description	Ref	Dr. Amount (Rs.)	Cr. Amount (Rs.)	Balance (Rs.)

Account No. 3			Bank Loan A	Page #	
Date	Description	Ref	Dr. Amount (Rs.)	Cr. Amount (Rs.)	Balance (Rs.)

Account No. 4			Rent Expense	Page #	
Date	Description	Ref	Dr. Amount (Rs.)	Cr. Amount (Rs.)	Balance (Rs.)

Account No. 5			Rent Payabl	Page #	
Date	Description	Ref	Dr. Amount (Rs.)	Cr. Amount (Rs.)	Balance (Rs.)

Account	Account No. 6		Account Rec	Page #	
Date	Description	Ref	Dr. Amount (Rs.)	Cr. Amount (Rs.)	Balance (Rs.)

Account No. 7 Repair Services Revenue Account Page # Date Description Ref Dr. Amount (Rs.) Cr. Amount (Rs.) Balance (Rs.) Image: Image

Account	No. 8	Advertising Expense Account				
Date	Desc	cription	Ref	Dr. Amount (Rs.)	Cr. Amount (Rs.)	Balance (Rs.)

Account No. 9		Adv	ertising Expense Paya	Page #	
Date	Description	Ref	Dr. Amount (Rs.)	Cr. Amount (Rs.)	Balance (Rs.)

Rameesha Hafeez & Co.

Trial Balance

As on August 2015

<i>S. No.</i>	Heads of Account	Ref	Amount (Rs.)	
			Debit	Credit

Practice MCQs

www.accountancyknowledge.com/general-ledger-mcqs/

Practice Problems with Solutions

www.accountancyknowledge.com/general-ledger-problems-and-solutions/