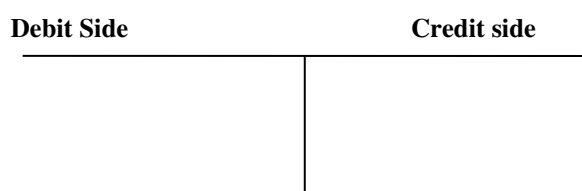


GENERAL LEDGER

- 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 of Account				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

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

General Journal

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

Account # 1 **Cash Account** **Page #**

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>	<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>
Total				Total			

Account # 2 **Furniture Account** **Page #**

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>	<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>
Total				Total			

Account # 3 **Owner's Equity Account** **Page #**

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>	<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>
Total				Total			

Account # 4 **Account Receivable** **Page #**

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>	<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>
Total				Total			

Account # 5 **Sales Account** **Page #**

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>	<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>
Total			22,000	Total			22,000

Account # 6 **Purchase Account** **Page #**

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>	<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>

Account # 7 **Note Payable Account** **Page #**

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>	<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>
Total			45,000	Total			45,000
				Sep. 1	Balance b/d		45,000

Account # 8 **Office Equipment Account** **Page #**

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>	<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>
Total			99,000	Total			99,000
Sep. 1	Balance b/d		99,000				
					Balance c/d		99,000

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

Account # 10				Sales Return Account				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.)	
			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				

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

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

General Journal				Page # 177	
Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2015					
July	1	Cash Owner's equity		100,000	10,000
	5	Purchases Cash		15,000	15,000
	8	Cash Sales		25,000	25,000
	12	Account Receivable_ Raheel Store Sales		13,000	13,000
	16	Drawing Cash		4,000	4,000
	19	Cash Commission		2,000	2,000
	21	Machine Account Payable_ Ali sons		10,000	10,000
	23	Cash Account Receivable_ Raheel Store		10,000	10,000
	27	Salary Cash		1,000	1,000
	29	Account Payable_ Ali Sons Cash		8,000	8,000
Total				Rs. 188,000	Rs. 188,000

Account # 102		Cash Account			Page # 880
Date	Description	Ref	Dr. Amount	Cr. Amount	Balance

Account No. 1

Cash Account

Page #

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Dr. Amount (Rs.)</i>	<i>Cr. Amount (Rs.)</i>	<i>Balance (Rs.)</i>

Account No. 2

Bank Account

Page #

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Dr. Amount (Rs.)</i>	<i>Cr. Amount (Rs.)</i>	<i>Balance (Rs.)</i>

Account No. 3

Bank Loan Account

Page #

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Dr. Amount (Rs.)</i>	<i>Cr. Amount (Rs.)</i>	<i>Balance (Rs.)</i>

Account No. 4

Rent Expenses Account

Page #

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Dr. Amount (Rs.)</i>	<i>Cr. Amount (Rs.)</i>	<i>Balance (Rs.)</i>

Account No. 5

Rent Payable Account

Page #

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Dr. Amount (Rs.)</i>	<i>Cr. Amount (Rs.)</i>	<i>Balance (Rs.)</i>

Account No. 6

Account Receivable Account

Page #

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Dr. Amount (Rs.)</i>	<i>Cr. Amount (Rs.)</i>	<i>Balance (Rs.)</i>

Account No. 7

Repair Services Revenue Account

Page #

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Dr. Amount (Rs.)</i>	<i>Cr. Amount (Rs.)</i>	<i>Balance (Rs.)</i>

Account No. 8

Advertising Expense Account

Page #

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Dr. Amount (Rs.)</i>	<i>Cr. Amount (Rs.)</i>	<i>Balance (Rs.)</i>

Account No. 9

Advertising Expense Payable Account

Page #

<i>Date</i>	<i>Description</i>	<i>Ref</i>	<i>Dr. Amount (Rs.)</i>	<i>Cr. Amount (Rs.)</i>	<i>Balance (Rs.)</i>

*Rameesha Hafeez & Co.**Trial Balance**As on August 2015*

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

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