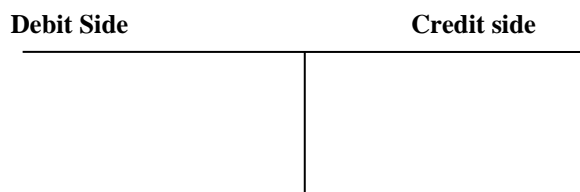


GENERAL LEDGER

- 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 | | | |
| | Cash | | 80,000 | |
| | Furniture | | 20,000 | |
| | Owner's Equity_ Sardar Hammad (Reinvest by owner in the business) | | | 100,000 |
| | 5 | | | |
| | Cash | | 10,000 | |
| | Account Receivable | | 12,000 | |
| | Sales (Cash and credit Sales) | | | 22,000 |
| | 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) | | | |
| 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 # |
|--------------|-------------|-----|---------------|---------------|-------------|-----|---------------|--------|
| Date | Description | Ref | Amount (Rs.) | Date | Description | Ref | Amount (Rs.) | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| Total | | | 22,000 | Total | | | 22,000 | |
| | | | | | | | | |

| Account # 6 | | | | Purchase Account | | | | Page # |
|-------------|-------------|-----|--------------|------------------|-------------|-----|--------------|--------|
| Date | Description | Ref | Amount (Rs.) | Date | Description | Ref | Amount (Rs.) | |
| | | | | | | | | |
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| | | | | | | | | |
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| Account # 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 # 8 | | | | Office Equipment Account | | | | Page # |
|--------------|-------------|-----|---------------|--------------------------|-------------|-----|---------------|--------|
| Date | Description | Ref | Amount (Rs.) | Date | Description | Ref | Amount (Rs.) | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| 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 | | | | |

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 # | | 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) | |
| 2015 | | | | Debit | Credit |
| 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> |
|-------------|--------------------|------------|-------------------------|-------------------------|----------------------|
| | | | | | |
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