CHAPTER 8
LEDGERS

❖ **Books of Final Entry**

Ledgers

A ledger is a collection of different accounts of assets, liabilities, capital, revenue and expenses. After recording transaction in the Journal (book of original entry), these are transferred to their respective ledger accounts. Ledgers are the final place of all the transactions; therefore, they are also known as "Books of Final Entry".

❖ **Advantages of Ledger**

Ledgers have the following advantages.

- Detailed information of all accounts is maintained in a single book.
- Any type of information related to business can be obtained from the Ledger.
- It helps in identifying the main items of revenue.
- The items of expenses can be identified from the ledgers.
- It helps in identifying assets & liabilities and their value.
- Ledger balances help in preparation of Trial Balance
- It enables preparation of Final Accounts.

❖ **Difference between Journal and Ledger**

	Basis	Journal	Ledger
(1)	Type of book	Book of Original Entry	Book of Final Entry
(2)	Prepared	It is prepared from the source documents	It is prepared from the Journal
(3)	Objective	Recording all the transactions at one place in chronological order	After recording, all the transactions are posted to their respective accounts.
(4)	Stage	It is the first stage of recording a transaction.	It is the second stage that comes after recording in Journal
(5)	Narration	Narration is a part of each entry	No narration is written

(6)	Balancing	Balancing is not done in Journal	Ledgers accounts are balanced
(7)	Preparation of Final Accounts	Final Accounts cannot be prepared on the basis of Journal	Final Accounts are prepared on the basis of Ledgers.
(8)	Test of Accuracy	Accuracy of Journal cannot be tested	Its accuracy can be tested by preparation of Trial Balance
(9)	J.F/L.F.	Page Number of Ledger i.e. Ledger Folio (L.F.) is written in this book	Page Number of Journal or Subsidiary books i.e. Journal Folio (J.F.) is written in Ledger

❖ **Format of Ledger**

Name of the Account

Dr.   **Cr.**

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
xxx				xxx			

Each ledger account is divided into two parts, the left hand side is called Debit side and the right hand side is the Credit side. There are four columns on each side of an account:-

- **Column (1) Date:** The date on which the transaction took place.
- **Column (2) Particulars:** As books are maintained on Double Entry System, each transaction affects two accounts. The name of the other account affected is written in this column.
- **Column (3) Journal Folio (J.F.):** The page number of the Journal or the Subsidiary Book from which the particular entry is transferred is written in this.
- **Column (4) Amount:** The amount pertaining to this account is entered in this column.

❖ **Steps of Ledger Posting**

STEPS INVOLVED IN POSTING FROM JOURNAL TO LEDGERS

POSTING OF ACCOUNT DEBITED IN TRANSACTION	POSTING OF ACCOUNT CREDITED IN TRANSACTION
➡ Open the concerned Account	➡ Open the concerned Account
➡ Write the date of transaction, in the date column on the *debit side* of the Account	➡ Enter the date of transaction, in the date column on the *credit side* of Account
➡ Write name of the Account which has been credited in the Journal in the particulars column on the *debit side*	➡ Write name of the Account which has been debited in the Journal in the particulars column on the *credit side*
➡ Write the page number of Journal in the Journal Folio column on the *debit side*	➡ Write the page number of Journal in the Journal Folio column on the credit side
➡ Record the amount in the amount column on the *debit side*	➡ Record the amount in the amount column on the *credit side*