

Practical Exercise 9

Preparation of ledger, trial balance and balance sheet of Dairy Cooperative Society (DCS)

Objectives: *Give exposure to the students on kinds of financial records and analysis conducted by Dairy Cooperative Society.*

Introduction

A dairy cooperative society conduct different kinds of transaction regarding collection of milk, making payments to the farmers and other pity expenses. To keep record of these financial transaction systematically, a society maintains different kinds of accounting books called ledgers and do financial analysis in form of trial balance and the balance sheet. This practical exercise explains the preparation of ledger, trial balance and the balance sheet by a dairy Society.

Preparation of ledger

Transactions of similar nature are brought together at one place in an account, which are opened in a book called Ledger. Ledger is a book of account which contains in a suitably classified form, the final and permanent record of Society's transactions. It is

essentially a collection of five types of accounts - Assets, Liabilities, Capital, Revenue and Expenses. For example, transactions relating to purchase of goods will be put together in purchase ledger. It will help in ascertaining total purchases on a particular date without much time and effort. All these accounts are the source of information for preparation of the various financial statements.

The entries into ledger are posted from Journal. Where, Journal is a chronological record of transactions. The Journal is the original book in which the transactions are recorded in the order in which they happen. The entries of transactions are classified from Journal and put in ledgers of purchase, sale, assets, liabilities, etc. so that a complete picture of a particular type of transaction including its final position could be given at a glance.

Form of ledger

| Dr. | | Name of the Account | | | | Cr. | |
|------|-------------|---------------------|--------------|------|-------------|------|--------------|
| Date | Particulars | J.F. | Amount (Rs.) | Date | Particulars | J.F. | Amount (Rs.) |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| | | | | | | | |
| | | | | | | | |

- Left hand side of the account is called debit side indicated by “Dr.
- “Right hand side of the account is called credit side indicated by “Cr.
- “In the middle of the account, the name of the account is written. For example, Cash Account, Furniture Account, Purchase Account etc.

Need for Ledger: A Journal fails to give complete information regarding an account at a glance at a particular point of time because of the scattered entries of the transactions in different pages. This defect gives birth to ledger. The ledger brings together these dispersed entries regarding an account from the Journal to a place in a condensed and summarized form and gives. The necessity of obtaining summarized and condensed information in respect of each class of transactions at a particular point indicates the need of a ledger. All information regarding an account is available from Ledger.

Preparation of Trial Balance:

A **Trial Balance** is a list of all the General ledger accounts (both revenue and capital) contained in the ledger of a Society. It balances all the debit value balances equal to all the credit value balances. The word 'trial' came from the fact that it ensures accurate reporting of the nominal ledgers for use in financial reporting of a Society's performance. If the total of the debit column does not equal the total value of the credit column then this would show that there is an error in the nominal ledger accounts. This error must be found before a profit and loss statement and balance sheet can be produced.

Example: Trial Balance of Nainital Milk Producers Cooperative Union Ltd, Lalkuan from 1st April to 31st March, 2012

Nainital Dughd Utpadak Sehkari Sangh Ltd., Lalkuan

Trial Balance (1st April, 2011 to 31st March, 2012)

| Particulars | Debt | Credit |
|---------------------------------|------|--------|
| Capital Account | | |
| Grant | | |
| Share Capital | | |
| Reserves & Surplus | | |
| Loans (Liability) | | |
| REVOLVING FUND(NADP) | | |
| Current Liabilities | | |
| Dues to Societies | | |
| Employees Recoveries Refundable | | |
| Outstanding Liability | | |
| Security & Deposit | | |
| Duties & Taxes | | |
| DUE FROM DUSS | | |
| Fixed Assets | | |
| Dead Stock | | |
| Investments | | |
| Investment in Share | | |
| Other Investment | | |
| Year Mark Investment | | |

| | | |
|---|--|--|
| Current Assets | | |
| Advance to Parties | | |
| Advance to Advocate | | |
| Advance to DUSS | | |
| Advance to Institution | | |
| Advance to Transporters | | |
| House Rent (H/R) | | |
| Society Advance | | |
| Staff Advance | | |
| Staff Vehicle Loan | | |
| Closing Stock | | |
| Loans & Advances(Asset) | | |
| Cash-in-Hand | | |
| Bank Accounts | | |
| Sales Accounts | | |
| City Milk sales | | |
| Milk Product Sales | | |
| Other sales | | |
| SMG/NMG sales | | |
| Purchase Accounts | | |
| Administration Expenses | | |
| Cost of Production | | |
| General Overhead | | |
| Interest Loss | | |
| Other Cost of Production | | |
| Other Receipts | | |
| Packing costs | | |
| Packing expenses | | |
| Procurement costs | | |
| Sales expenses | | |
| Technical inputs and Extension expenses | | |
| Profit and Loss accounts | | |
| Grand Total | | |

Trial balance should be checked for its errors and omissions. If the errors are there in the original entry or both sides of the columns i.e. debt & credit, it will not be corrected and results in wrong totals.

Preparation of Balance Sheet

Balance sheet is a statement of asset and liabilities of a Society at particular point of time. There are three parts of a Balance Sheet; assets, liabilities, and shareholder equity. All assets and liabilities are recorded in the form of value.

- Assets are durable items that have value e.g. weighing machine, bulk cooler, building, furniture, etc.
- Liabilities are short and long run payments due against the society e.g. monthly rent payments, utility bills, debt repayment, etc.
- Shareholder equity is the difference between assets and liability; it tells surplus or deficit left after meeting the liabilities.

Example: Balance Sheet of Nainital Milk Producers Cooperative Union Ltd, Lalkuan as on 31st March, 2012

Nainital Dughd Utpadak Sehkari Sangh Ltd., Lalkuan

Balance Sheet (as on 31st March, 2012)

| Liabilities | Sub-total | Total | Assets | Sub-total | Total |
|---------------------------------|-----------|-------|-----------------------|-----------|-------|
| Capital Account | | | Fixed Assets | | |
| Grant | | | Dead Stock | | |
| Share Capital | | | | | |
| Reserves & Surplus | | | Investments | | |
| | | | Investment in Share | | |
| Loans (Liability) | | | Other Investment | | |
| REVOLVING FUND(NADP) | | | Year Mark Investment | | |
| Current Liabilities | | | Current Assets | | |
| Dues to Societies | | | Advance to Parties | | |
| Employees Recoveries Refundable | | | Advance to Advocate | | |
| Outstanding Liability | | | Advance to DUSS | | |

| | | | | | |
|------------------------------|--|--|--------------------------|--|--|
| Security & Deposit | | | Advance to Institution | | |
| Duties & Taxes | | | Advance to Transporters | | |
| DUE FROM DUSS | | | House Rent (H/R) | | |
| | | | Society Advance | | |
| Current Assets | | | Staff Advance | | |
| | | | Staff Vehicle Loan | | |
| Profit & Loss A/c | | | Closing Stock | | |
| Opening Balance | | | Loans & Advances (Asset) | | |
| Current Period | | | Cash-in-Hand | | |
| Less Transferred | | | Bank Accounts | | |
| Total | | | Total | | |

Activity

1. Visit a local milk cooperative society and note down the format of their purchase ledger.

QUESTIONS

1. What is balance sheet? How is it different from other accounts?
2. What is the difference between current and long term liabilities?