



Chapter 13: Ledger (General Ledger)

◆ 1. Introduction

The **Ledger** is the **principal book of accounts** where all transactions recorded in the **books of original entry (journals/subsidiary books)** are **classified and posted under respective heads**.

It provides **complete and detailed information** of all accounts in one place.

◆ 2. Definition of Ledger

“Ledger is a book which contains all the accounts of a business enterprise whether real, nominal or personal.”

Each account (e.g., Cash, Purchases, Sales, Capital, Rent, Debtors, Creditors) is maintained separately to track **individual balances**.

◆ 3. Importance of Ledger

- Helps in preparing **Trial Balance**
 - Shows the **net result** of each account (Debit or Credit balance)
 - Facilitates preparation of **Final Accounts**
 - Aids in **financial analysis and decision making**
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◆ 4. Relationship Between Journal and Ledger

Journal	Ledger
Primary book of original entry	Principal book of final entry
Chronological recording	Classified recording

Cannot prepare trial balance from here directly

Used to prepare Trial Balance

◆ 5. Format of a Ledger Account

Each account in the ledger is maintained in a **T-shaped format**:

Traditional (T-Format):

Dr. (Debit)	Account Name	Cr. (Credit)
Date	Particulars	J.F.

Modern (Running Format):

| Date | Particulars | J.F. | Debit (₹) | Credit (₹) |

◆ 6. Types of Ledger Accounts

1. Personal Accounts

Related to individuals, firms, companies (e.g., Debtors, Creditors, Ram A/c, SBI A/c)

2. Real Accounts

Related to assets and properties (e.g., Cash A/c, Furniture A/c, Building A/c)

3. Nominal Accounts

Related to expenses, incomes, losses, gains (e.g., Rent A/c, Commission A/c, Salary A/c)

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◆ 7. Posting from Journal to Ledger

Posting Rules:

- The **debit side** of a journal entry is posted to the **debit side** of the respective account in the ledger.

- The **credit side** of a journal entry is posted to the **credit side** of the respective ledger account.
- Each entry is cross-referenced with the **name of the other account** and **journal folio number (J.F.)**.

Example:

Journal Entry

CSS

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Rent A/c Dr. ₹5,000
 To Cash A/c ₹5,000
 (Being rent paid)

Ledger Posting

♦ Rent Account

Date	Particulars	J.F.	Amount (₹)
xx	To Cash A/c	001	5,000

♦ Cash Account

Date	Particulars	J.F.	Amount (₹)
xx	By Rent A/c	001	5,000

♦ 8. Balancing the Ledger Account

Steps:

1. **Total** both debit and credit sides.
2. **Find the difference** between the two sides.
3. Enter the difference on the **shorter side** as “**Balance c/d**” (carried down).
4. In the next period, enter it on the **opposite side** as “**Balance b/d**” (brought down).

Example:

- Debit Total: ₹10,000
- Credit Total: ₹7,500
- Balance c/d: ₹2,500 (written on the credit side)
- Balance b/d in next period: ₹2,500 (written on the debit side)

♦ 9. Example of Ledger Posting and Balancing

Journal Entry:

vbnet

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March 5: Purchased goods worth ₹4,000 from Mohan on credit

Purchases A/c Dr. ₹4,000

To Mohan A/c ₹4,000

Ledger:

♦ Purchases A/c

Date	Particulars	J.F.	Amount (₹)
Mar 5	To Mohan A/c	001	4,000
Mar 31	By Balance c/d		4,000

♦ Mohan A/c

Date	Particulars	J.F.	Amount (₹)
Mar 5	By Purchases A/c	001	4,000
Apr 1	To Balance b/d		4,000

♦ 10. Ledger vs Journal – Key Differences

Feature	Journal	Ledger
Recording Type	Chronological	Analytical/classified

Number of Entries	Primary record of all transactions	Separate account for each item
Purpose	Record daily transactions	Know balance of each account
Trial Balance	Cannot be prepared directly	Can be prepared from ledger

◆ 11. Ledger Folio (L.F.)

L.F. stands for **Ledger Folio** – it refers to the **page number** of the account in the **ledger** where a journal entry is posted. It helps in **cross-referencing** between journal and ledger.

◆ 12. Practical Significance

- Ledger helps in tracking the **status of every account**.
 - Helps management in **decision-making** based on account balances.
 - Used by accountants and auditors for **verification and analysis**.
 - Is the **base for preparing Trial Balance** and Final Accounts (Profit & Loss and Balance Sheet).
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Conclusion

The **Ledger** is the **heart of accounting** where every transaction ultimately reaches. It helps track every element of business — cash, customers, purchases, income, expenses, etc., through **well-organized accounts**. Without the ledger, preparing a trial balance or final accounts would be impossible.