23BAT605-FINANCIAL STATEMENT ANALYSIS

Ledger

LEDGER

Collection of an entire group of similar accounts in double-entry bookkeeping. Also called book of final entry, a ledger records classified and summarized financial information from journals.

A Ledger is a book which contains all the accounts whether personal, real or nominal, which are first entered in journal or special purpose subsidiary books.

According to L.C. Cropper, 'the book which contains a classified and permanent record of all the transactions of a business is called the Ledger'.

Format

Name of the Account

Dr.							Cr.
Date	Particulars	JF	Amount AED	Date	Particulars	JF	Amount AED
Year Month Date	Accounts name			Year Month Date	Accounts name		

Explanation:

   i.   Each ledger account is divided into two parts. The left hand side is known as the debit side and the right hand side is known as the credit side. The words 'Dr.' and 'Cr.' are used to denote Debit and Credit.

   ii.   The name of the account is mentioned in the top (middle) of the account.

   iii.   The date of the transaction is recorded in the date column.

   iv.   The word 'To' is used before the accounts which appear on the debit side of an account in the particulars column. Similarly, the word 'By' is used before the accounts which appear on the credit side of an account in the particulars column.

v.   The name of the other account which is affected by the transaction is written either in the debit side or credit side in the particulars column.

vi.   The page number of the Journal or Subsidiary Book from where that particular entry is transferred, is entered in the Journal Folio (J.F) column.

vii.   The amount pertaining to this account is entered in the amount column.

Example

Mr. Ram started business with cash Rs. 5,00,000 on 1st June 2003. The transaction will appear in Journal and Ledger as under.

Solution :

In the Books of Ram
Journal

Date	Particulars	LF	Debit Rs.	Credit Rs.

2003 June 1	Cash A/c. Dr
	        To Ram's Capital A/c
	    (Ram started business with
	        Rs.5,00,000)
			5,00,000	5,00,000

Note : Here two accounts are involved, Cash Account and Ram's capital account, so we should allot in the ledger a page for each account.

Ledger
Dr.   Cash Account   Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 June 1	To Ram's Capital A/c		5,00,000				

Dr.   Ram's Capital Account   Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
				2003 June 1	By Cash A/c		5,00,000