

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?