

Chapter 4: Ledger

EXERCISE 1 [PAGE 114]

Exercise 1 | Q 1 | Page 114

QUESTION

Answer in one sentence only

What is Ledger?

SOLUTION

The ledger is the principle book of records and contains all the accounts of a business firm arranged in an orderly manner.

Exercise 1 | Q 2 | Page 114

QUESTION

Answer in one sentence only

What is Ledger Posting?

SOLUTION

The process of transferring entries from the books of original entries (Journal or subsidiary books) into respective account in the ledger is known as Ledger Posting.

Exercise 1 | Q 3 | Page 114

QUESTION

Answer in one sentence only

When does an account show a nil balance?

SOLUTION

When the total of debit side of amounts and credit side of amounts of an account are equal, we can say that account shows a nil balance.

Exercise 1 | Q 4 | Page 114

QUESTION

Answer in one sentence only

What is Folio?

SOLUTION

Folio means page number.

Exercise 1 | Q 5 | Page 114

QUESTION

Answer in one sentence only

Where is the statement form of ledger A/c is used in actual practice?

SOLUTION

While preparing pass book, bank uses the statement form of ledger A/C in actual practice.

Exercise 1 | Q 6 | Page 114

QUESTION

Answer in one sentence only

Why Proprietor's Capital Account is a liability for the business?

SOLUTION

Amount invested by proprietor in the business is supposed to be returned by business in its life span, therefore it is known as liability for the business.

Exercise 1 | Q 7 | Page 114

QUESTION

Answer in one sentence only

Why Proprietor's Capital Account is a liability for the business?

SOLUTION

Business can't spend more cash amount than the cash amount business has. Therefore, cash account never shows a credit balance.

Exercise 1 | Q 8 | Page 114

QUESTION

Answer in one sentence only

What is Trial Balance?

SOLUTION

A trial balance is a list of balances of all ledger accounts as on specific date showing debit or credit balances of an account in the ledger.

EXERCISE 2 [PAGE 114]

Exercise 2 | Q 1 | Page 114

QUESTION

Write the word, term, phrase, which can substitute the statement.

Principal Book of accounts.

SOLUTION

Exercise 2 | Q 2 | Page 114

QUESTION

Write the word, term, phrase, which can substitute the statement.

Transferring a journal entry to the appropriate accounts in the ledger.

SOLUTION

Exercise 2 | Q 3 | Page 114

QUESTION

Write the word, term, phrase, which can substitute the statement.

Page number of the Ledger to which an entry is posted.

SOLUTION

Ledger folio

Exercise 2 | Q 4 | Page 114

QUESTION

Write the word, term, phrase, which can substitute the statement.

The process of extracting the balance and inserting it on lesser side of an account.

SOLUTION

Balancing

QUESTION

Write the word, term, phrase, which can substitute the statement.

A debit balance to personal Accounts.

SOLUTION

Debtor

QUESTION

Write the word, term, phrase, which can substitute the statement.

A credit balance to bank Account.

SOLUTION

Bank overdraft

QUESTION

Write the word, term, phrase, which can substitute the statement.

An account to be debited for goods damaged by fire.

SOLUTION

Loss by fire

QUESTION

Write the word, term, phrase, which can substitute the statement.

A Trial Balance in which only net balances of all ledger accounts are transferred.

SOLUTION

EXERCISE 3 [PAGE 115]

QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

In case of a credit transaction one of the account must be aaccount

- Cash
- Credit
- Personal
- Debit

SOLUTION

In case of a credit transaction one of the account must be a **Personal** account

Exercise 3 | Q 2 | Page 115

QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

'c/d' indicates _____ balance

- Opening
- Closing
- Positive
- Negative

SOLUTION

'c/d' indicates **Closing** balance

Exercise 3 | Q 3 | Page 115

QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

_____ Column of ledger is used for writing page number of Journal.

- J.F.
- L.F.
- Date

- Particulars

SOLUTION

J.F. Column of ledger is used for writing page number of Journal.

Exercise 3 | Q 4 | Page 115

QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

Debtors Account shows _____ balance.

- Real
- Negative
- Credit
- Debit

SOLUTION

Debtors Account shows **Debit** balance.

Exercise 3 | Q 5 | Page 115

QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

_____ is the process of deriving the difference between totals of the debit and credit side of each ledger a/c.

- Totalling
- Journalizing
- Balancing
- Posting

SOLUTION

Balancing is the process of deriving the difference between totals of the debit and credit side of each ledger a/c.

Exercise 3 | Q 6 | Page 115

QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

Total of Purchase book is _____ to Purchase Account.

- posted
- moved
- given
- entered

SOLUTION

Total of Purchase book is **posted** to Purchase Account.

Exercise 3 | Q 7 | Page 115

QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

Real account always shows _____ balance.

- minimum
- maximum
- debit
- credit

SOLUTION

Real account always shows **debit** balance.

Exercise 3 | Q 8 | Page 115

QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

_____ is prepared to test arithmetical accuracy of Books of Accounts.

- Trial Balance
- Ledger

- Journal
- List

SOLUTION

Trial Balance is prepared to test arithmetical accuracy of Books of Accounts.

EXERCISE 4 [PAGE 115]

Exercise 4 | Q 1 | Page 115

QUESTION

State whether the following statements are 'True or False' with reasons.

Ledger is a book of original entry.

- True
- False

SOLUTION

This statement is False.

Ledger is a book of final/secondary entry, as all the transactions from journal are to be transferred to ledger in their respective account. As such journal is a book of original entry.

Exercise 4 | Q 2 | Page 115

QUESTION

State whether the following statements are 'True or False' with reasons.

The process of recording a transaction in the Journal is called Posting.

- True
- False

SOLUTION

This statement is False.

The process of transferring entries from the journal into appropriate account is called posting, which is a necessary or basic process of accounting to know the balance of each account.

QUESTION

State whether the following statements are 'True or False' with reasons.

A cash withdrawal from the business by the trader should be credited to Drawings A/c.

- True
- False

SOLUTION

This statement is False.

A cash withdrawal from the business by the trader should be debited to Drawings No as it is a personal transaction.

QUESTION

State whether the following statements are 'True or False' with reasons.

Balances of Nominal Accounts are carried forward to the next year.

- True
- False

SOLUTION

This statement is False.

Balances of Personal Accounts and Real Accounts are to be carried forward to the next year.

QUESTION

State whether the following statements are 'True or False' with reasons.

When debit side of an account is greater than the credit side, the account shows debit balance.

- True
- False

SOLUTION

This statement is True.

Exercise 4 | Q 6 | Page 115

QUESTION

State whether the following statements are 'True or False' with reasons.

The name of an account written on top of each account is called 'Head of Account'.

- True
- False

SOLUTION

This statement is True.

Exercise 4 | Q 7 | Page 115

QUESTION

State whether the following statements are 'True or False' with reasons.

Agreement of Trial Balance always proves accounting accuracy.

- True
- False

SOLUTION

This statement is True.

Exercise 4 | Q 8 | Page 115

QUESTION

State whether the following statements are 'True or False' with reasons.

Trial balance is based on the double entry principle that for every debit there is equal amount of corresponding credit.

- True
- False

SOLUTION

This statement is True.

EXERCISE 5 [PAGES 115 - 116]

Exercise 5 | Q 1 | Page 115

QUESTION

Fill in the blank:

_____ balance on Nominal Account shows expenses or loss.

SOLUTION

Debit balance on Nominal Account shows expenses or loss.

Exercise 5 | Q 2 | Page 115

QUESTION

Fill in the blank:

Cash account always shows _____ balance

SOLUTION

Cash account always shows **debit** balance

Exercise 5 | Q 3 | Page 115

QUESTION

Fill in the blank:

The right hand side of an account is called _____ side.

SOLUTION

The right hand side of an account is called **credit** side.

Exercise Q.5 | Q 4 | Page 115

QUESTION

Fill in the blank:

Creditors shows _____ balance

SOLUTION

Creditors shows **credit** balance

Exercise 5 | Q 5 | Page 115

QUESTION

Fill in the blank:

_____ accounts are closed by transferring its balances to Profit and Loss Account.

SOLUTION

Nominal accounts are closed by transferring its balances to Profit and Loss Account.

Exercise 5 | Q 6 | Page 116

QUESTION

Fill in the blank:

'b/d' means _____.

SOLUTION

'b/d' means **brought down**

Exercise 5 | Q 7 | Page 116

QUESTION

Fill in the blank:

Rent paid for the residential quarter will be debited to _____ account.

SOLUTION

Rent paid for the residential quarter will be debited to **Drawings** account.

Exercise 5 | Q 8 | Page 116

QUESTION

Fill in the blank:

Sold goods of Rs. 24,000 at 20% profit on cost, the purchase price of the goods is _____.

SOLUTION

Sold goods of Rs. 24,000 at 20% profit on cost, the purchase price of the goods is **Rs. 20,000.**

EXERCISE 6 [PAGE 116]

Complete the following table:

Journal	Journalising
?	Posting

SOLUTION

Journal	Journalising
Post	Posting

QUESTION

Complete the following table:

L.F.	Journal
?	Ledger

SOLUTION

L.F.	Journal
J.F.	Ledger

QUESTION

Complete the following table:

Sales Return	Return Inward
Purchase Return	?

SOLUTION

Sales Return	Return Inward
Purchase Return	Return Outward

QUESTION

Complete the following table:

Assets	Debit Balance
Liabilities	?

SOLUTION

Assets	Debit Balance
Liabilities	Credit Balance

Exercise 6 | Q 5 | Page 116

QUESTION

Complete the following table:

Land & Building	Real Account
Commission Received	?

SOLUTION

Land & Building	Real Account
Commission Received	Nominal Account