

## **Chapter 12**

### **Sectional and Self -Balancing System of Ledgers**

#### **Learning Objectives**

By the study of this chapter you will be able to understand :

- ✓ What is meant by Sectional Balancing System of Ledger?
- ✓ What is the meant of Self Balancing System of Ledger?
- ✓ What is the main difference between Sectional and Self Balancing System?
- ✓ How to prepare total Debtors and total Creditors account in Self Balancing System of Ledger?
- ✓ How to do Double Entry Accounting in Self Balancing System of Ledgers by opening of Debtors Ledger Adjustment Account, Creditors Ledger Adjustment Account and General Ledger Adjustment Account

#### **Sectional and Self Balancing System**

##### **5.1 Preliminary**

In the big business houses ,the numbers of business transactions are in a large number. So it is very difficult to keep all accounts in a single ledger. The size of ledger may be increased and it may be very difficult to keep them safe. Due to large number of accounts in a single ledger, it will also be difficult to find out mistakes.

To solve the above mention problems, business houses may maintain multiple-ledgers. For this purpose main ledger may be divided in to three ledgers. In the first ledger all Debtors Accounts are opened, in second ledger all Creditors Accounts are to be opened and in third ledger, that is rest of the part of main ledger or say General ledger, all other accounts are to be opened in this general ledger.

The division of ledger helps us to keep ledger properly. Further, if the number of Debtors and Creditors are in large number, we can make the sub division of Debtors ledger and Creditors ledger. For example Debtors ledger no. one for debtors name starting from A to M and ledger no. second may be for Debtors for N to Z. Same can be done for Creditors ledger also. In addition to this the private accounts of the businessman may be kept in a separate private ledger which has no concern with business.

Due to the division of main ledger, only one part(Debtor/Creditor) will be recorded in the Debtors and Creditors ledgers and second part (i.e. credit sales/purchase, cash received or paid, Discount allowed/received bad debt etc.) will be recorded in General Ledger. Because no ledger has both the parts of a transactions, so Trial Balance cannot be prepared. To prepared Trail Balance, we are to open Total Debtors Account and Total Creditors Account in the General Ledger by total of Debtors and Creditors amount by monthly or quarterly or half yearly or yearly basis.

Now balancing of all the accounts are available in the General Ledger and so now we can prepare the Trail Balance. This system is called Sectional Balancing System, in which only in General Ledger (a section of ledger) we do double entry.

In addition to this if we want to prepare the Trial Balance of the Debtors Ledger and Creditors Ledger, it can be done by opening of General Ledger Adjustment Account in both the ledger, then it will be called Self Balancing System of ledgers

### 5.2.1 Sectional Balancing System of Ledgers

In this system of Ledgers, the accounts of trade debtors and trade creditors are kept in separate ledgers. In sectional balancing system mainly three ledgers are kept.

- A) Sales or Debtors Ledger
- B) Purchase or Creditors Ledger
- C) General Ledger

In Sectional Balancing System Trial Balance is prepared only for General Ledger and not for other two ledgers. To complete the double entry, two control accounts are to be opened in General Ledger as under....

- i) Total Debtors Account or Debtors Ledger Control Account.
- ii) Total Creditors Account or Creditors Ledger Control Account.

### 5.2.2. Procedure of Accounting.

Personal Accounts of Debtors and Creditors are opened in Debtors Ledger and Creditors Ledger respectively and single side posting is also done. For example if goods are sold on credit, then Debtors Personal Account will be record in Debtors Ledger and second part i.e. credit sales will be recorded in General Ledger. Now it is clear that both the parts of a transaction is not done in any one ledger. But if we do the second part of the credit sale i.e. Debtors Accounting in the General Ledger, problem may shootup, for this purpose we should open total Debtors Account and Total Creditors Account in General Ledger. Now the work is complete with regard to Double Entry System and Trail Balance can be prepared. It is called Sectional Balancing System. All the credit sales & purchase related debtors and creditors accounts are to be opened in Debtors Ledger and Creditors Ledger.

#### Example – 01

Books of Accounts of Neha & Sons have the following information:-

Creditors	Credit Purchase ₹	Paid by Bank ₹	Discount received ₹	Bills Payable ₹
Ajay	150,000	70,000	3,000	30,000
Suresh	120,000	90,000	300	24,000
Naveen	135,000	123,000	500	10,000
Total ₹	405,000	2,83,000	3,800	64,000

Prepare necessary accounts in Ledger and Trial Balance according to Sectional Balancing System of ledgers.

**Solution :-**

Necessary accounts in General ledger-

<b>Purchase Account</b>			
Dr			Cr
To Ajay	₹ 150,000	By Balance c/d	₹ 405,000
To Suresh	120,000		
To Naveen	135,000		
	405,000		

<b>Bank Account</b>			
Dr			Cr
To Balance c/d (overdraft)	₹ 283,000	By Ajay	₹ 70,000
		By Suresh	90,000
		By Naveen	123,000
	283,000		283,000

<b>Discount Account</b>			
Dr			Cr
To Balance c/d	₹ 3,800	By Ajay	₹ 3,000
		By Suresh	300
		By Naveen	500
	3,800		3,800

<b>Bills Payable</b>			
Dr			Cr
To Balance c/d	₹ 64,000	By Ajay	₹ 30,000
		By Suresh	24,000
		By Naveen	10,000
	64,000		64,000

<b>Total Creditors Account</b>			
Dr			Cr
To Bank a/c	₹ 283,000	By Purchase a/c	₹ 405,000
To Discount a/c	3,800		
To Bills Payable a/c	64,000		
To Balance c/d	54,200		
	405,000		405,000

On the basis of all these accounts Trail Balance can be prepared.

Trail Balance

Particulars	Dr(₹)	Cr (₹)
Total Creditor Account		54,200
Purchase Account	4,05,000	
Bank a/c (overdraft)		2,83,000
Discount Account (Received)		3,800
Bills Payable Account		64,000
	4,05,000	4,05,000

In Sectional Balancing System Total Debtors Account and Total Creditors Account are prepared same as personal Debtors or Creditors Account. Difference is that ,in Total Debtors Account and Total Creditors Account all transactions are written in total form. It is made clear made in example 01.

### Example 02

Pari Paridhan maintains accounts on Sectional Balancing System. Transactions till 30 September 2016 are..

Particulars	₹	Particulars	₹
Debtors (01/04/2016)	620,000	Bills Receivables	50,000
Creditors (01/04/2016)	350,000	Discount Allowed	10,000
Credit Sales	13,40,000	Bad Debts	20,000
Credit Purchase	9,30,000	Discount Received	3,000
Received Cash from Debtors	10,80,000	Bills Payable	60,000
Sales Return	30,000	Other Expenses charged to debtors	500
Purchase Return	25,000		
Paid to Creditors	6,30,000		

From the following information prepare Total Debtors Account and Total Creditors Account.

Solution:-



### **Total Debtors Account**

Particulars	₹	Particulars	₹
To balance(01/ 04 /2016)	620,000	By Cash a/c	10,80,000
To Sales (credit)a/c	13,40,000	By Sales Return a/c	30,000
To Sundry Expenses a/c	500	By Bills Receivables a/c	50,000
		By Discount a/c	10,000
		By Bad Debts a/c	20,000
		By Balanced c/d (30/09/2016)	7,70,000
	<b>19.60,500</b>		<b>19,60,500</b>

### **Total Creditors Account**

Dr

Cr

Particulars	₹	Particulars	₹
To Purchase Return a/c	25,000	By Balance	3,50,000
To Cash/Bank a/c	6,30,000	b/d(01/04/2016)	
To Discount a/c	3,000	By Purchase a/c	9,30,000
To Bills Payable a/c	60,000		
To Balance c/d (30/09/2016)	5,62,000		
	<b>12,80,000</b>		<b>12,80,000</b>

### **Opposite transfer in Accounts:**

Sometimes in Sectional Balancing System and Self- Balancing System , Debtors Accounts and Creditors Accounts have opposite balance, like Credit Balance in Debtors Accounts and Debit Balance in Creditors Accounts. Generally it happens when any Debtors paid advance money while goods are not sent. Similarly Creditors are paid in advance while goods are not received.

### **Transfer from one ledger to the other ledger:**

In both Sectional Balancing System and Self- Balancing System, it may be possible that sale and purchase of goods have been made from same person or institution. Then the account of that person or institution is opened in both ledger account (Debtors Accounts and Creditors Accounts). But for the calculation of net payable or receivable, small balance is adjusted with big balance and shown net balance in related account.

For example Priyanka & Company sold goods to Nayan for ₹ 40,000 and in same duration, Priyanka & Company purchased goods from Nayan for ₹24,000. If there are no any transactions between both of them, than debit balance in Debtors Accounts ₹ 40,000 and credit balance in Nayan's Accounts ₹24,000. So to calculate net payable or receivable ₹ 24,000 are to be transferred from Creditors account to Debtors accounts like that..

Total Creditors Account	Dr 24,000
To Total Debtors Accounts	24,000

And now it shows ₹ 16,000(40,000-24,000) are to be taken by Nayan.

So net debit balance of Nayan Account will be now ₹ 16000 and creditors account of Nayan will be zero.

### Example 03

Following particulars are available from the books of Vaibhav & Sons. Prepare total Debtors Account and total Creditors Account in General Ledger.

Opening Balance- Debtors Debit ₹ 3,00,000 Credit Balance ₹ 4,500

(01/04/2016) Creditors Credit ₹ 2,25,000 Debit Balance ₹ 3,000

Particulars	Amount ₹
Total Sales (cash sales ₹ 90,000)	375000
Total purchase (Cash purchase ₹ 60,000)	2,80,000
Full payment to Creditors (Due amount ₹ 90,000)	85,000
Payment received from debtors. (Receivable amount ₹ 1,50,000)	1,41,000
Bills Payable	20,000
Bills Receivable	35,000
Bill discounted from bank( book value ₹ 12000)	11,200
Interest charged to debtors	1,500
Transfer from creditors ledger to debtors ledger	6,000
Opposite balance on 30/06/2016	
Debtors	2,500
Creditors	2,000

Solution :-

**In General Ledger**  
**Total Debtors Account**

Dr			Cr
<u>1/04/2016</u>	₹	<u>1/04/2016</u>	₹
To balance b/d	3,00,000	By balance b/d (opposite)	4,500
<u>30/06/2016</u>		<u>30/06/2016</u>	
To sales (credit) a/c (3,75,000-90,000)	2,85,000	By cash a/c	1,41,000
To B/R	3,000	By Discount a/c (1,50,000 – 1,41,000)	9,000
To interest a/c	1,500	By Bills Receivable a/c	35,000
To balance c/d (opposite)	2,500	By transfer from Creditors Ledger	6,000
		By Balance c/d	3,96,500
	<b>5,91,000</b>		<b>5,91,000</b>

**Total Creditors Account**

Dr		Cr	
<u>1/04/2016</u>	₹	<u>1/04/2016</u>	₹
To balance b/d	3,000	To balance b/d	2,25,000
<u>30/06/2016</u>		<u>30/06/2016</u>	2200000
To cash a/c	85,000	By Purchase (credit)	2000
To discount a/c	5,000	a/c (2,80,000 –	
(90,000 – 85,000)	20,000	60,000)	
To Bills Payable a/c	6,000	By Balance c/d	
To Transfer to Debtors		(opposite)	
Ledger	3,28,000		
To balance c/d	4,47,000		4,47,000

**Note:** There is no relation with debtors regarding discount on bills discounted from bank. So it is not shown in Debtors Account

- ii Cash sales and cash purchases are not related to creditors and debtors.

## Self Balancing System of Ledgers

As mentioned before, where in Sectional Balancing System of ledgers, only main or general ledger is to be balanced, in Self Balancing System Debtor/ Sales Ledger and Creditors/ Purchase Ledger are also to be balanced by opening of Control or Adjustment Accounts. The process of Self Balancing System of ledgers is....

- **Important Ledgers**

- ❖ Main/ General Ledger
- ❖ Sales or Debtors Ledger
- ❖ Purchase or Creditors ledger

- In Self Balancing System to do balance, both Subsidiary Ledgers, following accounts are opened. These are opened at the end of period (generally accounting year ) on the basis of totals of different transactions so that there will be complete double entry in ledgers.
- The name of two accounts which are to be opened in Main/ General Ledger
  - Debtors Ledger Adjustment / Control Account
  - Creditors Ledger Adjustment / Control Account

B In both, Debtors Ledger and Creditors Ledger, General Ledger Adjustment or Control i Account is to be opened separately.

From the all above adjustment/control accounts dual entry is completed in all three ledgers. Then , Trail balance can be prepared separately in all the ledgers. This may be cleared by examples given below:

### **Example 04**

Give the solution according to Self-balancing system of ledgers for example no. 01

#### **Solution**

In example no. 01 only General Ledger is balanced. But in Self- balancing System other two subsidiary ledgers are to be also balanced. The process is..

- i) Firstly do the journal entries of all the transactions. These entries are done in both, Sectional and Self Balancing System. These entries are done as the transactions happen. From these entries personal accounts in creditors ledger and other accounts in general ledger are opened.

### **Journal Entries**

Date	Particulars		Dr Amount ₹	Cr Amount ₹
	Purchase a/c To Ajay To Suresh To Naveen  (being purchased good on credit)	Dr	4,05,000	1,50,000 1,20,000 1,35,000
	Ajay Suresh Naveen To Cash/ Bank a/c (Being paid by bank )	Dr Dr Dr	70,000 90,000 1,23,000	2,83,000
	Ajay Suresh Naveen To Discount a/c (Being received discount)	Dr Dr Dr	3,000 300 500	3,800
	Ajay Suresh Naveen To Bills Payable a/c (Being accepted bills payable)	Dr Dr Dr	30,000 24,000 10,000	64,000

- i) After doing all Journal Entries, at the end of accounting period or any pre decided time , for Adjustment Accounts following entries are to be made.

			Amount Dr ₹	Amount Cr ₹
(i)	General Ledger Adjustment a/c ( In Creditors Ledger)  To Creditors Ledger Adjustment a/c (In General Ledger)  (With total credit purchase)	Dr	4,05,000	4,05,000
(ii)	Creditors Ledger Adjustment a/c (In General Ledger)  To General Ledger Adjustment a/c ( In Creditors Ledger)  (With total cash / bank paid)	Dr	2,83,000	2,83,000
(iii)	Creditors Ledger Adjustment a/c (In General Ledger)  To General Ledger Adjustment a/c ( In Creditors Ledger)  (With total amount of discount received)	Dr	3800	3800
(iv)	Creditors Ledger Adjustment a/c (In General Ledger) To General Ledger Adjustment a/c ( In Creditors Ledger)  (With total B/P accepted)	Dr	64,000	64,000

- iii) Now in General Ledger and Creditors Ledger, Adjustment Accounts are prepared and made separate Trail Balance.
- iv) **In Creditors Ledger**

**General Ledger Adjustment Account**

Particulars	₹	Particulars	₹
To Creditors Ledger Adjustment a/c Purchase (credit)	4,05,000	By Creditors Ledger Adjustment a/c • Cash/bank 2,83,000 • Discount 38,000 • B/P 64,000	3,50,800
		By Balance c/d	54,200
	<b>4,05,000</b>		<b>4,05,000</b>

### **Trial Balance**

Particulars	Dr ₹	Cr ₹
Ajay	-	47,000
Suresh	-	5,700
Naveen	-	1,500
General Ledger Adjustment A/c	54,200	-
	<b>54,200</b>	<b>54,200</b>

Balances of creditors are made available in example no. 01

In General Ledger

### **Creditors Ledger Adjustment A/c**

Particulars	₹	Particulars	₹
By General Ledger Adjustment a/c		To General Ledger Adjustment a/c Purchase (credit)	4,05,000
• Cash/bank 2,83,000			
• Discount 38,000			
• B/P 64,000	3,50,800		
By Balance c/d	54,200		
	<b>4,05,000</b>		<b>4,05,000</b>

### **Trial Balance**

Particulars	Dr ₹	Cr ₹
cash / bank Overdraft a/c		2,83,000
Discount a/c		3,800
Bills Payable a/c		64,000
General Ledger Adjustment a/c		54,200
Credit Purchase a/c	4,05,000	
	<b>4,05,000</b>	<b>4,05,000</b>

It should be remembered while preparing adjustment or control accounts in Self Balancing System, that in Debtors Ledger and Creditors Ledger, personal accounts of debtors and creditors should be written normally. Similarly in General ledger, other accounts are written in normal way. For example on 10/06/2015, goods sold to a customer for ₹ 60,000. Than same day in Debtors Ledger, customer account will be debited by ₹ 60,000 and sales account will be credited in General Ledger for ₹. 60000. The transaction is debited and credited in both accounts. So to do dual entry, we will open Adjustment accounts in both the ledger. Remember that after a period accounting will be done by total amount as given in example 04.

### **Some Important Items**

- ❖ Bad- debt recovery does not affect any adjustment ledger, because both part are related to General Ledger. Entry will be as under:

Cash / Bank a/c                      Dr

    To Bad- debts Recovery a/c

- ❖ Similarly if bills receivables are discounted from bank, than it will also not affect adjustment account. Because bank account will be debited and B/R account will be credited ,which are related to General Ledger.
- ❖ If any B/R is endorsed to any creditor, than it affect. Creditors Account is debited and B/R Account is credited.

    Creditors Ledger Adjustment a/c    Dr.

        To General Ledger Adjustment a/c (in creditors ledger)

- ❖ If there is any provision for bad debts , than in Adjustment account Debtors are to be shown on gross value. If reserves are deduct than it is added to debtors amount again.

#### Example 05

Praveen & Company keeps their ledgers on self- balancing system. From the following information, write up the adjustment accounts in General Ledger.

The transactions for first six months, ending on 30<sup>th</sup> June 2017 were as follows  
On 31/12/2016 Debtors balances ₹ 3,76,000 and Creditors Balances ₹ 6,57,000.

	₹
Credit Purchase	6,70,000
Purchase Return	7,000
Credit Sales	9,00,000
Sales Return	15,000
Cash Sales	95,000
Payment to Creditors	3,90,000
Allowances to customers	5,000
Bad Debts Recovered	3,500
Bills Receivable from Debtors	2,68,000
Allowances received	9,000
Cash collection from Debtors	5,90,000
Transfer from Creditors Ledger to Debtors ledger	6,000
Bills Receivable dishonoured	12,000
Bills payable	2,40,000
Bad Debts written off	4,000
Transfer from Debtors Ledger to Creditors Ledger	9,000



**Solution Adjustment Accounts:****In General Ledger****Purchase Ledger Adjustment Account**

<u>30/06/2017</u>	₹	<u>01/01/2017</u>	₹
To General Ledger Adjustment a/c		By Balance b/d	6,57,000
• Purchase Return 7,000		<u>30/06/2017</u>	
• Cash paid 3,90,000		By General Ledger Adjustment a/c	
• Allowances Received 9000	6,61,000	• Credit purchase	6,70,000
• Bills Payable 2,40,000			
• Transfer from sales ledger 9000	666000		
• Transfer to Sales ledger 6000			
To balance c/d	<b>13,27,000</b>		<b>13,27,000</b>

**Sales Ledger Adjustment Account**

<u>01/01/17</u>	₹	<u>30/06/2017</u>	₹
To Balance b/d		By General Ledger Adjustment a/c	
<u>30/06/2017</u>	3,76,000	• Sales Return 15,000	
To General Ledger Adjustment a/c		• Allowances 5,000	
Credit Sales 9,00,000		• Bill receivable 2,68,000	
B/R dishonoured 12,000	9,12,000	• Cash Received 5,90,000	
		• Bad Debts 4,000	
		• Transfer from purchase ledger 6,000	
		• Transfer to purchase ledger 9,000	
		By balance c/d	9,97,000
	<b>12,88,000</b>		2,91,000
			<b>12,88,000</b>

Note: Cash sales and Bad Debts Recovery are not related to this account. So these has not mention in Sales Ledger Adjustment Account.

**Example 06**

Books of Sudha Suppliers provides following information. You are to prepare Debtors Adjustment Account as it will be appear in General Ledger.

01/04/2016 Debit Balance ₹ 4,50,000

Provision for Bad Debts ₹ 4,500

The transactions of first six month are...

	₹
Total Sales	8,10,000
Cash sales	2,06,000
Cash received from debtors	4,34,000
Bad debts written off	3,800
Discount allowed to debtors	2,700
Bills discounted	14,000
Bad debts recovered	1,200
Bills receivables	1,67,000
B/R endorsed to creditors	85,000
Endorsed bill dishonoured	19,000
Interest charged to debtors	2,200

Solution: In General Ledger:

### **Debtors/Sales Ledger Adjustment Account**

<u>01/04/2016</u>	₹	<u>30/09/2016</u>	₹
To balanced b/d	4,50,000	By General Ledger Adjustment Account	
<u>30/09/2016</u>		• Cash 4,34,000	
To General Ledger Adjustment Account		• Bad Debts 3,800	
• Credit Sales 6,04,000		• Discount 2,700	
• B/R dishonoured 19,000		• B/R 1,67,000	6,07,500
• Interest 2,200	6,25,200	By balance c/d	4,67,700
	<b>10,75,200</b>		<b>10,75,200</b>

Note:

- Bad debts are not deducted. Debtors Balance are shown on gross value .
- Only credit sales (Total Sales – Cash Sales) are shown in Debtors Ledger Adjustment Account.
- Bad Debts Recover and bills discounted are not to be included in Adjustment Account.
- Endorsement of B/R to creditors will be shown in Creditors Ledger Adjustment Account.

### **Advantages of Self-balancing System:-**

In Self-balancing System ,ledgers are divided and debtors and creditors ledgers can be sub-divided as per requirement. By this method Ledgers can be maintained properly, and any mistake can be found out easily.

The advantages of Self- balancing System are ..

- Work can be divided easily, so work can be done fast.
- Errors can be found out easily.
- It is easy to determine responsibility.
- Final Accounts can be prepare easily.

### 5.3 Difference between Sectional and Self- balancing System:

<u>Sectional Balancing System</u>	<u>Self -Balancing System</u>
<ul style="list-style-type: none"> <li>❖ In this system only in General Ledger , Adjustment Accounts (Total Debtors/Total Creditors Accounts) are prepared.</li> <li>❖ In this System only General Ledger is balanced.</li> <li>❖ In this system, Trail Balance is made only in General Ledger.</li> <li>❖ In this system, only General Ledger is prepared by Dual Entry concept. Personal Ledger prepared by Single part posting.</li> </ul>	<ul style="list-style-type: none"> <li>❖ In this system with General Ledger , in other ledgers, adjustment Accounts are also opened.</li> <li>❖ In this system all ledgers are balanced.</li> <li>❖ There are different- different trail balance for all ledgers</li> <li>❖ In this system, there are different- different Adjustment Accounts for all ledgers and complete dual entry.</li> </ul>

### Summary

The whole chapter can be summarized in given form ...

- In an organization where transactions are in a large numbers, no. of accounts increase Due to this in a single Ledger, it is difficult to maintain all accounts properly.
- If number of accounts increase and maintained in single ledger ,it is difficult to find out errors. So it should be divided.
- Ledgers are divided in three parts: General ledger, Debtors Ledger and Creditors Ledger.
- For all credit sales , all Debtors Accounts are to be opened in Debtors Ledger and for all credit purchase , all Creditors Accounts are to be opened in Creditors Ledger. And others are in General Ledger
- If number of debtors and creditors are increased, then Debtors/ Creditors Ledger can be further divided.

- In Sectional Balancing System, only in General Ledger ,from Total Debtors Amount and Total Creditors Amount (at definite period or year ending), Total Debtors Account and Total Creditors Account are to be opened , balanced and complete Dual Entry System.
- In Sectional Balancing System, Trail Balance is made for only General Ledger, and not other Ledger.
- In Self Balancing System, by opening all Ledger Adjustment Accounts (General ledger, Debtors Ledger and Creditors Ledger) dual entry can be completed.
- In Self Balancing System, there are different- different Trail Balance for all ledgers.
- Again in summarized form ,it is a Multiple Ledger System and has generally three Ledgers, so work may be easier, fast and controllable.

### **Important Words**

Sectional Balancing System

Self -Balancing System

Multiple Ledger System

General ledger

Debtors Ledger

Creditors Ledger

Total Debtors Account

Total Creditors Account

Debtors Ledger Adjustment or Control Account

Creditors Ledger Adjustment or Control Account

General Ledger Adjustment or Control Account

### **Question for Exercise.**

#### **Very short Answer type questions**

- How many divisions of Ledger are there?
- Which Accounts are opened in Debtors Ledger?
- Which Accounts are opened in Creditors Ledger?
- Which Accounts are opened in General Ledger?
- How many types of Ledger Balancing System are there?
- Write the transactions of Debtors Account's Debit side?

- Write the transactions of Debtors Account's Credit side?
- What type of adjustment accounts are opened in General ledger?
- What is the name of control account of Debtors Ledger?
- What is the name of control account of Creditors Ledger?
- In which ledger cash sales is written?
- Received payment from a customer. In which ledger this transaction is written?
- Purchase goods from cash in business. In which ledger this transaction is written?
- B/R is dishonoured. In which side of customer account ,it is written in Debtors Ledger?
- Which ledger is to be balanced in Sectional Balancing System?
- In which Ledgers, Trail Balance is prepared in Self Balancing System?

#### **Short Answer type questions :**

- Draw the format of Total Debtor Account.
- Draw the format of Total Creditor Account.
- What do you mean by division of Ledger?
- What is the base of sub division of Debtors Ledger?

#### **Why Sectional Balancing System is required?**

- Received advance from a customer ₹ 6000 , but goods are not sent till end of year. Which balance is shown in customer account?
- Purchased goods for cash ₹ 1,00,000. Goods return to seller ₹ 8,000. But money is not received yet. Which balance will be in receivers' account?
- Write the accounting entries in General Ledger for opening of control accounts.
- In Sectional Balancing System how to prepare Trail Balance and which ledger is to be balanced?
- How to transfer entries from one ledger to another? Give example also.
- What do you mean by opposite balance?
- Is it right that Self Balancing System is not accepted by Dual Entry System? Answer with reason.
- Write the name of accounts of a Personal Ledger.

### Essay type Questions:

1. Describe the Sectional Balancing and Self- Balancing System. In which situation they are useful, Describe.
2. What do you understand by Balancing of Ledgers? Describe the process.
3. What is the meaning of Control or Adjustment Accounts? Describe the Adjustment Accounts of General Ledger, Debtors Ledger and Creditors Ledger.
4. Describe the concept of Multiple Ledger System. Describe its advantages also.
5. On 01/ 04/ 2016 ,books of Krishna Trading Company shows the balances of total Debtors account ₹ 2,70,000 and total Creditors A/c ₹3,20,000. The following are the transactions up-to 30/09/2016 for six months.

	₹		₹
Credit Sales	5,50,000	Credit Purchase	3,30,000
Cash Sales	2,20,000	Cash Purchase	1,70,000
Bills Receivable	3,00,000	Bills Payable	2,70,000
Discount Allowed	20,000	Discount Received	15,000
Bills receivable dishonoured	45,000	Cash payment to creditors	1,80,000
Cash from debtors	2,20,000	Interest charged by	1,000
Bad Debts	25,000	creditors	
Interest charged to customers	5,000	Debit balance of	3,000
		creditors(Dr)	

Prepare Total Debtors Account and Total Creditors Account in General Ledger.

(Answer : Balance on 30/09/2016 Debtors ₹ 3,05,000 Creditors 1,81,000)

6. Krishna and Priyanka are partners in a firm. On 01/01/2017 their accounts books reveal the Dr. Balance ₹ 80,000 and credit balance ₹ 1400 in Debtors Ledger. Their creditors ledger shows credit balance ₹ 62,500 and debit balance ₹ 800. The details for the last quarter ended on 31/03/2017 are as follows:

	₹		₹
Credit Sales	3,20,000	Credit Purchase	2,60,000
Cash received from Debtors	2,29,000	Payment to creditors	1,80,000
Discount Allowed	3,500	Discount received	4,900
Bills Receivable	45,000	Returned out-ward	2,000
Bills Receivable dishonoured	4,000	Bills payable	3,400
Returned in-ward	3,000	Bad debts recovered	3,000
Bills discounted	20,000		

In last quarter, Debtors Ledger's credit balance was same as on 01/01/2017, but Creditors Ledger has not any debit balance. Prepare Total Debtors Account and Total Creditors Account in General Ledger.

(Answer: Balance on 31/03/2017 Debtors' debit balance ₹ 1,23,500 Creditors' credit balance ₹ 1,00,800)

7. Prepare Total Debtors Account from the following information of Mahesh Kumar & Sons.

01/07/2016	Debit Balance	1,60,700		
	Credit Balance	14,800		
30/09/2016	Credit Sales	15,75,600	Cash Received	11,30,000
	Discount Allowed	10,600	Sales Return	8,400
	Bills Receivable	68,700	Credit Balance	6,300

(Answer : 30/09/2016 Debit balance ₹ 499500)

8. Books of Kamal Processors Ltd. reveal the following information:

On 01/07/2016 balance of Debtors Account ₹.4,44,000 and opposite balance of Debtors Account ₹ 4,800. The transactions from 01/07/2016 to 01/01/2017 and their total:

	₹		₹
Credit Sales	8,64,000	Goods returned by customers	68,500
Collection from debtors	4,05,000	Bills receivable dishonoured	8,400
Cash to debtors	3,600	Allowed cash discount to	3,200
Bills receivables	1,47,000	customers	
Transfer to debtors accounts	4,300	Bad debts written- off	4,100
		Transfer from debtors	1,600
		account	