

4. LEDGER

Q.1. Answer in one sentence only.

1) What is Ledger?

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

2) What is Ledger Posting?

Ans. 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.

3) When does an account show a nil balance?

Ans. 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.

4) What is Folio?

Ans. Folio means page number.

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

Ans. While preparing pass book, bank uses the statement form of ledger NC in actual practice.

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

Ans. 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.

7) Why does cash account never shows a credit balance?

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

8) What is Trial Balance?

Ans. 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.

Q. 2. Write the word, term, phrase, which can substitute each of the statements.

Statements	Ans.
(1) Principal books of accounts.	Ledger
(2) Transferring a journal entry to the appropriate accounts in the ledger.	Posting
(3) Page number of the Ledger to which an entry is posted.	Ledger folio
(4) The process of extracting the balance and inserting it on lesser side of an account.	Balancing
(5) A debit balance to personal Accounts.	Debtor
(6) A credit balance to bank Account.	Bank overdraft
(7) An account to be debited for goods damaged by fire.	Loss by fire
(8) A Trial Balance in which only net balances of all ledger accounts are transferred.	Net trial balance

Q. 3. Select appropriate alternatives from those given below and rewrite the sentences.

- 1) In case of a credit transaction, one of the account must be a **Personal** account.
- 2) 'c/d' indicates **Closing** balance.
- 3) **J.F** Column of ledger is used for writing page number of Journal.
- 4) Debtors Account show **Debit** balance.
- 5) **Balancing** is the process of deriving the difference between totals of the debit and credit side of each ledger a/c.
- 6) Total of Purchase book is **posted** to Purchase Account.
- 7) Real account always shows **debit** balance.
- 8) **Trial Balance** is prepared to test arithmetical accuracy of Books of Accounts.

Q.4. State whether the following statements are 'True or false' with reasons.

- 1) Ledger is a book of original entry.

Ans. 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.

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

Ans. 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.

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

Ans. 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.

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

Ans. This statement is False.

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

5) When debit side of an account is greater then the credit side, the account shows debit balance.

Ans. This statement is True.

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

Ans. This statement is True.

7) Agreement of Trial Balance always proves accounting accuracy.

Ans. This statement is False.

Agreement of trial balance proves arithmetical accuracy.

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

Ans. This statement is True.

Q. 5. Fill in the blanks.

- 1) Debit balance on Nominal Account shows expenses or loss.
- 2) Cash account always shows **debit** balance.
- 3) The right hand side of an account is called credit side.
- 4) Creditors shows credit balance.
- 5) Nominal accounts are closed by transferring its balances to Profit and Loss Account.
- 6) 'b/d' means brought down
- 7) Rent paid for the residential quarter will be debited to Drawings account.
- 8) Sold goods of Rs. 24,000 at 20% profit on cost, the purchase price of the goods is Rs. 20,000.

Q.6. complete the following table. (Answers)

(1)

Journal	Journalising
Post	Posting

(2)

Sales Return	Return Inward
Purchase Return	Return Outward

(3)

L.F.	Ledger
J.F.	Ledger

(4)

Assets	Debit Balance
Liabilities	Credit Balance

(5)

Land & Building	Real Account
Commission Received	Nominal Account