

4.3.4. Preparation of Ledger

The term posting means transferring the debit or credit items from the journal to the respective accounts in the ledger. On the basis of the entries made in the journal, accounts are prepared in the ledger. Ledger is called the **Principal Book**

because finally all ledger accounts are considered for the purpose of accounting analysis. There is no standard classification of accounts; each organization has to make the classification in order to provide the appropriate information to the users.

4.3.4.1. Rules Regarding Posting

The following rules should be observed while posting transactions in the ledger from the journal:

- 1) Separate accounts should be opened in the ledger for posting transactions related to different accounts recorded in the journal. **For example**, separate accounts should be opened for sales, purchases, sales returns, purchase returns, salaries and rent etc.
- 2) The concerned account debited in the journal, should also be debited in the ledger, with a reference of the account which has been credited in the ledger. **For example**, in case of salaries paid, salaries account should be debited in the ledger with a reference of cash account, which is credited.
- 3) The concerned account, which has been credited in the journal, should also be credited in the ledger, but reference should be given of the account, which has been debited in the journal. In the above **example**, cash account has been credited, therefore in the cash book; the reference of salaries shall appear.

4.3.4.2. Procedure for Recording and Posting

The procedure for posting of an account which has been debited in a transaction is as follows:

Step 1: With the help of an index, open that page on which the concerned account appears.

Step 2: Enter the date of the transaction, in the 'Date column' on the debit side.

Step 3: Record the name of the account credited in the journal, in the 'Particulars column' on the debit side as 'to ... (name of the account credited)...

Step 4: Record the page number of the journal in the 'Folio column' on the debit side and in the journal, write the page number of the ledger on which a particular account appears in the 'Ledger Folio column'.

Step 5: Enter the relevant amount in the 'Amount column' on the debit side.

The procedure for posting of an account which has been credited in a transaction is as follows:

Step 1: With the help of an index, open that page on which the concerned account appears.

Step 2: Enter the date of the transaction, in the 'Date column' on the credit side.

Step 3: Record the name of the account debited in the journal in the 'Particulars column' on the credit side as 'by..... (name of the account debited).....'

Step 4: Record the page number of the journal in the 'Folio column' on the credit side and in the journal, write the page number of the ledger on which a particular account appears in the 'Ledger Folio column'.

Step 5: Enter the relevant amount in the 'Amount column' on the credit side.

Use of the word 'To' and 'By'

It is customary to use words 'To' and 'By' while making posting in the ledger. The word 'To' is used with the accounts which appear on the debit side of a ledger account. In the computerized environment, the use of words 'To' and 'By' can be ignored.

4.3.4.3. Balancing of Account

It has already been stated that the left hand side of an account is called its debit side and the right hand side of an account is known as the credit side. Naturally, a debit entry means an entry which is posted on the left hand side of an account and a credit entry means an entry which is posted on the right hand side of an account.

The difference between the total debit and the total credit sides of an account is called the '**balancing**'. If debit side of an account is greater than the credit side of the same, it is called a **debit balance**, and vice versa.

4.3.4.4. Steps for Balancing of Account

The steps for balancing of account are as follows:

- 1) At first add up the greater side of the account.
- 2) Ascertain the amount of difference of both the sides.
- 3) If the debit total is more than the credit total, put the difference in the credit side (so that the total of both sides become equal) and write the words "By Balance c/d" in Particulars column. On the contrary, if credit total is more than the debit total, put the difference of the debit side of the account and write the words "To Balance c/d" in Particulars column.
- 4) Close the account by giving a rule above and below the total of both the sides of the account.
- 5) Put the debit balance on the debit side of the account and write "To Balance b/d" in the Particulars column and vice versa in the opposite case.

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