

## 4.3. LEDGER

### 4.3.1. Introduction

When the transactions are recorded from the primary books of accounts on permanent basis under double entry system in a summarized and classified form in different accounts and the same is posted in separate pages, it is called a **Ledger** (i.e., a book which contains records of all transactions permanently in a summarized and classified form). Since all the transactions are recorded in this book on permanent basis, it is called the **Book of Final Entry**. Practically, ledger is the principal book of accounts. As a result, all the necessary information relating to any account is available from the ledger. This is the most important book of the business and, hence, is rightly called the **King of all Books**.

A ledger is a book which contains all the accounts whether personal, real or nominal, which are first entered in journal or special purpose subsidiary books.

According to **L.C. Cropper**, "The book which contains a classified and permanent record of all the transactions of a business is called the **Ledger**".

Collection of requisite information concerning a particular account and presenting them under one head is known as **ledger posting**.

### 4.3.2. Proforma of Ledger

The ledger account is conventionally in 'T' shape and, thus, sometimes called '**T**' account. The left side of the T account is called the **debit side** and the right side is called the **credit side**. In other words, all debits will be recorded on the left side and all credits will be recorded on the right side. In practice, each side of the account has four columns to record necessary details of each transaction as shown below:

Date	Particulars	Journal Folio	Amount Dr.	Date	Particulars	Journal Folio	Amount Cr.
(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)



According to this proforma, the ledger account is written in the following manner:

- 1) The date on which a transaction is recorded.
- 2) Particulars relating to a transaction.
- 3) In journal folio (J.F.) column, a reference is made to the page number of the book of original entry.
- 4) The amount involved in the transaction is entered on.

An account is debited or credited according to the golden rules of debit and credit already explained in respect of each category of account.

### 4.3.3. Difference between Journal and Ledger

Basis of Difference	Journal	Ledger
1) Nature of Book	It is book of original or prime entry.	It is book of final or secondary entry.
2) Basis for Preparation	It is prepared on the basis of source documents of transactions.	It is prepared on the basis of journal.
3) Stage of Recording	Recording in the journal is the first stage.	Recording in the ledger is the second stage.
4) Object	It is prepared to record all transactions in chronological order.	It is prepared to know the net effect of various transactions affecting a particular account.
5) Format	In journal, there are five columns: 1) Date 2) Particulars 3) Ledger Folio 4) Debit Amount 5) Credit Amount	In ledger there are identical four columns on debit side and credit side. 1) Date 2) Particulars 3) Journal Folio 4) Amount
6) Balancing	Journal is not balanced.	All ledger accounts (except nominal account) are balanced in the ledger.
7) Narration	Narration is written for each entry.	No narration is given.
8) Name of the Process of recording entries	The process of recording in journal is called 'Journalizing'.	The process of recording in the ledger is called 'Posting'.
9) Basis of Preparation of Final Accounts	Journal directly does not serve as basis for the preparation of final accounts.	Ledger serves the basis for the preparation of final accounts.