

MEANING OF KEY TERMS USED IN THE CHAPTER

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| 1. Ledger | Ledger is the <i>principal</i> book which contains all accounts (Real, Personal and Nominal Accounts, under Traditional Classification and Asset Accounts, Liability Accounts, Capital Accounts, Revenue Accounts and Expense Accounts, under Modern Classification) to which the transactions recorded in the books of original entry (Journal) are transferred, <i>i.e.</i> , posted. |
| 2. Principal Book | It is the book which has record of the transactions in a summarised manner, <i>i.e.</i> , Ledger. |
| 3. Posting | The process of transferring the transactions recorded in the books of original entry to the account in the ledger is called posting . |
| 4. Balancing of Accounts | <p>It means totalling the two sides of the account and determining the difference. Difference between the totals of the two sides is written on the side with smaller total.</p> <p>If the total of debit side is smaller, it means that the account has credit balance. If the total of credit side is smaller, it means that the account has debit balance.</p> |
| 5. Trial Balance | It is a statement in which the balances of the Ledger Accounts are written. The total of amounts in the two columns should be same and this is a proof of arithmetical accuracy of transactions recorded in the books of account. |

CHAPTER SUMMARY

- **Ledger** is a book or register in which all the accounts are put together.
 - **Posting to the Ledger** is the process of transferring information contained in the Journal to the Ledger.
 - **Utility of Ledger.** Being the principal book of account, a Ledger contains all the information regarding various accounts. It helps in preparing the final accounts.
 - Both **Journal** and **Ledger** are essential for a complete and efficient accounting system.
 - **Balancing of Accounts** means totalling the two sides of the account and writing the difference between the two on the side with the smaller total. In the case of Real Accounts and Personal Accounts, the difference is carried forward to the credit side—if the credit side is greater, by writing ‘By Balance *b/d*’ and to the debit side, if the debit side is greater, by writing, ‘To Balance *b/d*’.
- Personal and Real Accounts are balanced but Nominal Accounts are closed at the end of the period by transferring them to Trading Account or Profit & Loss Account.
- **Trial Balance.** A Trial Balance is a statement in which the debit and credit balances of all accounts are written with a view to ascertaining the arithmetical accuracy of the books of account.