

Penang Sangam High School

Commercial Studies-Year 9

Strand 2: Business Information System 1

Sub-strand/the Accounting Process

Week 19

Greetings students

We will continue with our coverage. Topic: The Accounting process/Ledger Accounts

Achievement Indicators:

- Use double entry concept to post to ledger accounts
- Post, balance the ledger accounts using T form
- Prepare cash ledger accounts from transactions using T form.

Ledger Accounts

Lesson Notes

Ledger is a record of all accounts of a business. It is prepared using Double Entry Concept whereby for every transaction two or more accounts are affected: one debit entry and the other corresponding credit entry.

Third step in the accounting cycle is to post the journal entries into the ledger.

As learnt in Year 9 that the extended accounting equation is **[A + E + D = L + P + R]** so any ledger account prepared will either be **A, E, D, L or R** account.

**A, L and P** will have opening balances where **E and R** will not have opening balances

**Note:** Ledger accounts follow the extended accounting equation rule.

$$\begin{array}{c} A + E + D \\ \uparrow \text{DR} \\ \downarrow \text{CR} \end{array} = \begin{array}{c} L + P + R \\ \uparrow \text{CR} \\ \downarrow \text{DR} \end{array}$$

**DR** entries in the journal/ analysis chart is posted to **DR** side in the ledger.

**CR** entries in the journal/ analysis chart is posted to **CR** side in the ledger

**Given the transactions, first identify the accounts affected or separately prepare an analysis chart.** Since we are preparing Cash Ledger Account, we will record the opposite account affected into the ledger with the cash amount.

- **Same side posting- meaning**

If **Cash account is DR**, you will record the **opposite account name on the DR side** of the ledger account with the **amount for cash**

If **Cash account is CR**, you will record the **opposite account name on the CR side** of the ledger account with the **amount for cash**.

Account Title

Debits  
Left

Credits  
Right

**Illustrative Example:**

Cash Ledger [Current Asset]

Example: Cash Ledger (Current Asset)		Solution	
Jan 1 Opening Balance:		↑ Rec	↓ Pay
cash \$ 7 000		Jan 1. Opening Balance	7 000
2 - Cash sales \$ 200	Cash A + DR sales R + CR	2. Sales	200
3 - cash purchases \$ 400	cash Purchase	5. Debtor	500
5 - Debtor paid \$ 500	cash Debtor	8. Dividends	150
6 - Paid to creditors \$ 300	cash creditors	15. Van	8 000
8 - Received dividends \$ 150	cash Dividends	20. Debtor	200
10 - Paid wages \$ 100	cash wages	20. Loan	2 000
11 - Owner took \$ 50 for own use	cash Drawings		
13 - Bought table for cash \$ 250	cash Table		
15 - Sold <del>table</del> van for Cash \$ 8 000	cash Van		
20 - Debtor paid \$ 200 and was allowed \$ 20 discount.	cash Debtor	18 050	
21 - Paid creditor \$ 100 less \$ 10 discount received.	cash creditors		
22 - Took Loan \$ 2 000	cash	Feb Bal b/f	16 360
25 - Repaid Loan \$ 500	loan cash loan repayment		
			31. Bal c/d
			16 360
			18 050

Required: Prepare cash Ledger in T-form

**Note:** The total of the side [DR/CR] which is more will be recorded on both sides on the same line. Bal c/d and Bal b/f is the difference between the total which is more [\$18050 DR] minus Total which is less [\$1690 CR]. Record Bal c/d on the side which is less and should be above the total. Record Bal b/f on the side which is more and should be below the total.

**Class Activity:**

Cash Ledger Account

The following transactions took place in Raxy Superfoods Ltd for the month of January 2020:

**Jan 1:** Opening cash account balance \$10 000

**2:** Cash sales \$720

**4:** Paid wages \$940

**6:** Repaid loan to bank \$500

**7:** Jerry a debtor paid his account \$300 less \$10 discount.

**9:** Received interest \$420

**12:** Paid TT.Ltd \$400 and received \$20 discount

**14:** Sold vehicle on cash \$14 000

Required: Using the above information, prepare Cash Ledger Account in T form.