

## Chapter 4: Ledger

### EXERCISE 1 [PAGE 114]

Exercise 1 | Q 1 | Page 114

#### QUESTION

**Answer in one sentence only**

What is Ledger?

#### SOLUTION

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

Exercise 1 | Q 2 | Page 114

#### QUESTION

**Answer in one sentence only**

What is Ledger Posting?

#### SOLUTION

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.

Exercise 1 | Q 3 | Page 114

#### QUESTION

**Answer in one sentence only**

When does an account show a nil balance?

#### SOLUTION

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.

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#### QUESTION

**Answer in one sentence only**



What is Folio?

### **SOLUTION**

Folio means page number.

Exercise 1 | Q 5 | Page 114

### **QUESTION**

#### **Answer in one sentence only**

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

### **SOLUTION**

While preparing pass book, bank uses the statement form of ledger A/C in actual practice.

Exercise 1 | Q 6 | Page 114

### **QUESTION**

#### **Answer in one sentence only**

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

### **SOLUTION**

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.

Exercise 1 | Q 7 | Page 114

### **QUESTION**

#### **Answer in one sentence only**

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

### **SOLUTION**

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

Exercise 1 | Q 8 | Page 114

### **QUESTION**

#### **Answer in one sentence only**

What is Trial Balance?



## **SOLUTION**

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.

## **EXERCISE 2 [PAGE 114]**

Exercise 2 | Q 1 | Page 114

### **QUESTION**

**Write the word, term, phrase, which can substitute the statement.**

Principal Book of accounts.

### **SOLUTION**

Exercise 2 | Q 2 | Page 114

### **QUESTION**

**Write the word, term, phrase, which can substitute the statement.**

Transferring a journal entry to the appropriate accounts in the ledger.

### **SOLUTION**

Exercise 2 | Q 3 | Page 114

### **QUESTION**

**Write the word, term, phrase, which can substitute the statement.**

Page number of the Ledger to which an entry is posted.

### **SOLUTION**

Ledger folio

Exercise 2 | Q 4 | Page 114

### **QUESTION**

**Write the word, term, phrase, which can substitute the statement.**

The process of extracting the balance and inserting it on lesser side of an account.

### **SOLUTION**

Balancing



### QUESTION

**Write the word, term, phrase, which can substitute the statement.**

A debit balance to personal Accounts.

### SOLUTION

Debtor

### QUESTION

**Write the word, term, phrase, which can substitute the statement.**

A credit balance to bank Account.

### SOLUTION

Bank overdraft

### QUESTION

**Write the word, term, phrase, which can substitute the statement.**

An account to be debited for goods damaged by fire.

### SOLUTION

Loss by fire

### QUESTION

**Write the word, term, phrase, which can substitute the statement.**

A Trial Balance in which only net balances of all ledger accounts are transferred.

### SOLUTION

## EXERCISE 3 [PAGE 115]

### QUESTION



**Select appropriate alternatives from those given below and rewrite the sentence.**

In case of a credit transaction one of the account must be a .....account

- Cash
- Credit
- Personal
- Debit

### **SOLUTION**

In case of a credit transaction one of the account must be a **Personal** account

Exercise 3 | Q 2 | Page 115

### **QUESTION**

**Select appropriate alternatives from those given below and rewrite the sentence.**

'c/d' indicates \_\_\_\_\_ balance

- Opening
- Closing
- Positive
- Negative

### **SOLUTION**

'c/d' indicates **Closing** balance

Exercise 3 | Q 3 | Page 115

### **QUESTION**

**Select appropriate alternatives from those given below and rewrite the sentence.**

\_\_\_\_\_ Column of ledger is used for writing page number of Journal.

- J.F.
- L.F.
- Date



- Particulars

### SOLUTION

**J.F.** Column of ledger is used for writing page number of Journal.

Exercise 3 | Q 4 | Page 115

### QUESTION

**Select appropriate alternatives from those given below and rewrite the sentence.**

Debtors Account shows \_\_\_\_\_ balance.

- Real
- Negative
- Credit
- Debit

### SOLUTION

Debtors Account shows **Debit** balance.

Exercise 3 | Q 5 | Page 115

### QUESTION

**Select appropriate alternatives from those given below and rewrite the sentence.**

\_\_\_\_\_ is the process of deriving the difference between totals of the debit and credit side of each ledger a/c.

- Totalling
- Journalizing
- Balancing
- Posting

### SOLUTION

**Balancing** is the process of deriving the difference between totals of the debit and credit side of each ledger a/c.

Exercise 3 | Q 6 | Page 115



## QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

Total of Purchase book is \_\_\_\_\_ to Purchase Account.

- posted
- moved
- given
- entered

## SOLUTION

Total of Purchase book is **posted** to Purchase Account.

Exercise 3 | Q 7 | Page 115

## QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

Real account always shows \_\_\_\_\_ balance.

- minimum
- maximum
- debit
- credit

## SOLUTION

Real account always shows **debit** balance.

Exercise 3 | Q 8 | Page 115

## QUESTION

Select appropriate alternatives from those given below and rewrite the sentence.

\_\_\_\_\_ is prepared to test arithmetical accuracy of Books of Accounts.

- Trial Balance
- Ledger



- Journal
- List

### **SOLUTION**

**Trial Balance** is prepared to test arithmetical accuracy of Books of Accounts.

### **EXERCISE 4 [PAGE 115]**

Exercise 4 | Q 1 | Page 115

### **QUESTION**

**State whether the following statements are 'True or False' with reasons.**

Ledger is a book of original entry.

- True
- False

### **SOLUTION**

**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.

Exercise 4 | Q 2 | Page 115

### **QUESTION**

**State whether the following statements are 'True or False' with reasons.**

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

- True
- False

### **SOLUTION**

**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.





### QUESTION

**State whether the following statements are 'True or False' with reasons.**

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

- True
- False

### SOLUTION

**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.

### QUESTION

**State whether the following statements are 'True or False' with reasons.**

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

- True
- False

### SOLUTION

**This statement is False.**

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

### QUESTION

**State whether the following statements are 'True or False' with reasons.**

When debit side of an account is greater than the credit side, the account shows debit balance.

- True
- False



## **SOLUTION**

This statement is True.

Exercise 4 | Q 6 | Page 115

## **QUESTION**

**State whether the following statements are 'True or False' with reasons.**

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

- True
- False

## **SOLUTION**

This statement is True.

Exercise 4 | Q 7 | Page 115

## **QUESTION**

**State whether the following statements are 'True or False' with reasons.**

Agreement of Trial Balance always proves accounting accuracy.

- True
- False

## **SOLUTION**

This statement is True.

Exercise 4 | Q 8 | Page 115

## **QUESTION**

**State whether the following statements are 'True or False' with reasons.**

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

- True
- False

## **SOLUTION**

This statement is True.



## EXERCISE 5 [PAGES 115 - 116]

Exercise 5 | Q 1 | Page 115

### QUESTION

**Fill in the blank:**

\_\_\_\_\_ balance on Nominal Account shows expenses or loss.

### SOLUTION

**Debit** balance on Nominal Account shows expenses or loss.

Exercise 5 | Q 2 | Page 115

### QUESTION

**Fill in the blank:**

Cash account always shows \_\_\_\_\_ balance

### SOLUTION

Cash account always shows **debit** balance

Exercise 5 | Q 3 | Page 115

### QUESTION

**Fill in the blank:**

The right hand side of an account is called \_\_\_\_\_ side.

### SOLUTION

The right hand side of an account is called **credit** side.

Exercise Q.5 | Q 4 | Page 115

### QUESTION

**Fill in the blank:**

Creditors shows \_\_\_\_\_ balance

### SOLUTION

Creditors shows **credit** balance

Exercise 5 | Q 5 | Page 115



## QUESTION

**Fill in the blank:**

\_\_\_\_\_ accounts are closed by transferring its balances to Profit and Loss Account.

## SOLUTION

**Nominal** accounts are closed by transferring its balances to Profit and Loss Account.

Exercise 5 | Q 6 | Page 116

## QUESTION

**Fill in the blank:**

'b/d' means \_\_\_\_\_.

## SOLUTION

'b/d' means **brought down**

Exercise 5 | Q 7 | Page 116

## QUESTION

**Fill in the blank:**

Rent paid for the residential quarter will be debited to \_\_\_\_\_ account.

## SOLUTION

Rent paid for the residential quarter will be debited to **Drawings** account.

Exercise 5 | Q 8 | Page 116

## QUESTION

**Fill in the blank:**

Sold goods of Rs. 24,000 at 20% profit on cost, the purchase price of the goods is \_\_\_\_\_.

## SOLUTION

Sold goods of Rs. 24,000 at 20% profit on cost, the purchase price of the goods is **Rs. 20,000.**

## EXERCISE 6 [PAGE 116]



Complete the following table:

Journal	Journalising
?	Posting

### SOLUTION

Journal	Journalising
<b>Post</b>	Posting

### QUESTION

Complete the following table:

L.F.	Journal
?	Ledger

### SOLUTION

L.F.	Journal
<b>J.F.</b>	Ledger

### QUESTION

Complete the following table:

Sales Return	Return Inward
Purchase Return	?

### SOLUTION

Sales Return	Return Inward
Purchase Return	<b>Return Outward</b>

### QUESTION

Complete the following table:

Assets	Debit Balance
Liabilities	?

### SOLUTION

Assets	Debit Balance
Liabilities	<b>Credit Balance</b>

Exercise 6 | Q 5 | Page 116

### QUESTION

Complete the following table:

Land & Building	Real Account
Commission Received	?

### SOLUTION

Land & Building	Real Account
Commission Received	<b>Nominal Account</b>

