**WEEK THREE**

**TOPIC: BOOKS OF ACCOUNTS**

**CONTENT**

* The Ledger
* The Journal

Books of accounts are the books that are used in recording financial transactions in accounting.

The books of accounts in use are:

1. The Ledger – The Principal book
2. The Journal – The Subsidiary book

**The Ledger**

The ledger is the principal book of account which contains in a classified form, the permanent records of all the financial transactions of a business.

The recording into the Ledger are done in classified form using ledger accounts.

**Format of A Ledger Account**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Narration** | **Folio** | **Amount** | **Date** | **Narration** | **Folio** | **Amount** |

The Ledger account is divided into two sides i.e. The Debit and The Credit.

Therefore in accounting entries are described as being ‘debited’ or ‘credited’ to particular accounts. Transactions are recorded in the Ledger based on the double entry principle.

**The Journal**

The Journal is the subsidiary book of account into which credit transactions are first recorded before they are posted in totals to the Ledger.

The Journal therefore contains the temporary records of credit transactions:

**Format of The Journal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Narration** | **Folio** | **Details** | **Totals** |

The recording of financial transactions into the Journal does not follow the double entry principle

**Cash Transactions** are recorded directly into the Ledger while **Credit Transactions** are first recorded into the Journal (i.e. the subsidiary books) before being posted in totals to the ledger.

Diagrammatically the path of transactions can be represented as below:

Cash Transactions Credit Transactions

Ledger Journal

**EVALUATION**

1. Draw the format of a ledger account.
2. State three differences between the ledger and the journal.

**READING ASSIGNMENT**

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**WEEKEND ASSIGNMENT**

1. A book that contains the accounts for the financial transactions of an organisation is the A. journal B. ledger C. folio D. register
2. The two fundamental books of accounts are A. Cash Book and Petty Cash Book B. Receipt and Invoice C. Journal and Ledger D. Notes and Coins
3. Which of the following is the principal book of account? A. General Journal B. Sales book C. Purchases book D. Ledger
4. Which of the following is not contained in the Ledger? A. date of transaction B. description of the transaction C. folio number of transaction D. address of the customer
5. The process of entering transactions from one book to another is A. reading B. posting C. numbering D. casting

**THEORY**

1. What is a Ledger?
2. State two differences between the ledger and the journal.