**24. THE LEDGER**

***The topic entails:***

* **Meaning and purpose of ledger**
* **Record information in relevant ledgers**
* **Explain the concept of double entry as the basis of making entries into the ledger.**
* **Discussing the rule of recording transactions in various ledger accounts.**
* **Discussing procedure of balancing ledger accounts and explain the uses of the various columns.**
* **Preparation of trial balance from the ledger account balance.**
* **Discuss purpose and limitations of a trial balance.**
* **Classify ledger accounts and discuss the various types**.

1. Prepare Betty’s trial balance from the following information

**Items ksh**

Purchases 130,000

Capital 150,000

Sales 165,000

Debtors 45,000

Creditors 40,000

Motor vehicles 120,000

Stock 50,000

Cash at bank 10,000

2. Identify the situation in which the following types of ledgers are appropriate:

i) Creditors ledger

ii) Private ledgers

iii) Normal ledger

3. The following balances were extracted from the books of Nyatike Traders Limited as at

31st January 2010 **Kshs.**

Discount allowed 5,000

Buildings 250,000

Return outwards 6,000

Purchases 74,000

Creditors 20,000

Drawings 16,000

Capital 319,000

***Required***: Prepare Nyatike Traders Ltd trial balance as at that date

]4. The following information relates to Kebirigo Traders as at 31st December, 2009

**Kshs.**

Buildings 100,000

Debtors 54,000

Capital 136,000

Sales 85,000

Purchases 48,000

Stock 1 Jan.2009 25,400

Creditors 35,700

General expenses 31,800

Bank overdraft 2,500

***Prepare a trial balance as at 31st December, 2009***

5. The following trial balance was prepared by an incompetent book keeper thus failed to

balance

|  |  |  |
| --- | --- | --- |
| **Account** | **Dr.** | **Cr.** |
| Fixed assets  Purchases  Sales  Debtors  Stock  Creditors  Capital | 120,000  22,000  60,000  247,000  449,000 | 250,000  80,000  45,000  375,000 |

6. Outline **four** errors in a trial balance although present it would still balance

7. Given below is a list of subsidiary ledgers:

General ledger

Nominal ledger

Purchases ledger

Sales ledger

Cash book

***Indicate in which ledger the following accounts should be recorded***

8. Record the following transactions in the relevant ledger accounts for the month of June, 2009

June 1: invested shs.100,000 cash in a retail business

June 2: Obtained a co-operative loan of Shs.20,000 cash

June 3: bought furniture Shs. 70,000, paying Shs.40,000 cheque and the balance in cash

|  |  |  |
| --- | --- | --- |
|  | **Account** | **Subsidiary ledger** |
| a) | Return inwards |  |
| b) | Discounts received |  |
| c) | Drawings |  |
| d) | Juma a supplier |  |
| e) | Ombichi a distributor |  |
| f) | Bank |  |

9. The following transaction took place in the business of Highlands Retail in the month

of June 2008

**1.6.2008**-commenced business with Kshs. 120,000 in cash

**4.6.2008**-transferred kshs66, 000 from business till to the bank

**13.6.2008**-brought his private furniture worth kshs. 15,000 into the business for business use

**28.6.2008**-borrowed a loan in cash kshs.40, 000

***Required: Post the transactions into the relevant ledger account***

**24. -THE LEDGER**

1. Mr. Omanda started a business in January 2000 with cash in hand 100,000. The following

transactions took place during the year:-

**January**: Bought stock by cash Kshs.20,000

**February**: Sold goods on credit Kshs.30,000

**March**: Opened a bank account by banking cash Kshs.60,000

**April:** A debtor returned goods worth shs.5,000

**May**: Bought goods Kshs.70,000 on credit

**June**: The owner took cash Shs.10,000 to pay his children school fees

2. Record the following transactions in the relevant ledger accounts, balance the account

and extract a trial balance

**Date Transaction**

1/4/2007 Mary started business with shs.80,000 cash

2/4/2007 Bought stationery for shs.4,000 and paid in cash

3/4/2007 Opened a bank account and deposited shs.50,000 from the cash till

4/420007 Bought motor vehicle worth shs.250,000 from Lucy motors on credit

5/4/2007 Bought postage stamps for shs.60 in cash

3. The following information relates to Ndhiwa resort traders for the month of November 2009:-

**November, 1**.started a business with shs 160,000 cash

**2**. Purchases shs.120,000

**3**. Made sales in cash shs.126,000

**4**. Paid for electricity shs.1000 in cash

**5**. Received rent of shs.37 500 in cash

**6**. Gave discount of shs.6,000 in cash

***Required :-*** i) Post the above information in the relevant ledger accounts and balance them off

ii) Extract a trial balance