

Name

2.4 Ledger accounts

2.4.1 General ledger

General hints:

- The General ledger is divided into a debit and a credit side.
- The Accounts need to be divided into Balance sheet accounts and Nominal accounts.
- To help you remember whether the balances of accounts need to be debit or credit, the acronyms DAX and CIL can be used.
- DAX stands for Drawings, Assets and Expenses and have debit balances.
- CIL stands for Capital, Income and Liabilities and have credit balances.

Take note of the following before looking at an account in the General Ledger:

Explanation of General Ledger

General ledger of Enough Traders (1)									
Dr (3)			Account name (2)				Cr(4)		
Month	Day	Details	Fol	Amount	Month	Day	Details	Fol	Amount
(5)	(6)	(7)	(8)	(9)	(5)	(6)	(7)	(8)	(9)

- 1 The heading of the General Ledger has to include the name of the business.
- 2 The name of the account needs to appear in the centre of the line.
- 3 The debit side of the account is indicated with the abbreviation, 'dr.'
- 4 The credit side of the account is indicated with the abbreviation, 'cr.'
- 5 The month and the year are indicated.
- 6 The day on which the transaction took place is indicated. If a column was created in a journal for the account, the date is always the end of the month when the amount is posted over to the General ledger. If there was no column created for the account, the date needs to reflect the date of the transaction.
- 7 The details column refers to the contra account.
- 8 Fol (folio) refers to the journal from which was posted.
- 9 The amount for the transaction need to be reflected.

Example of a basic General ledger account

Dr.		Stationery (1)					N8 (2)		Cr.	
20..	1	Balance	b/d	(3)	20..	31	Creditors control	CAJ	(8)	
	31	Bank	CPJ	(4)			Drawings	GJ	(9)	
		Petty cash	PCJ	(5)			Balance	c/d	(11)	
		Creditors control	CJ	(6)						
		Trading stock	GJ	(7)						
				(10)					(10)	
20..	1	Balance	b/d	(12)						
May										

Explanation of a basic General Ledger account

- 1 The name of the account.
- 2 The folio number of the account has to show whether the account is a balance sheet account (B) or a nominal account (N).
- 3 The balance at the beginning of the month needs to be brought down. It will depend on the type of account whether the balance will be debit or credit. Stationery is an expense, therefore the balance is debit.
- 4 An increase in stationery (if more was bought) is done on the debit side. The contra account is reflected as Bank which means that this was a cash transaction in the Cash Payments Journal. Bank (the contra account) will be credited with the same amount.
- 5 An increase in stationery (if more was bought) is done on the debit side. The contra account is reflected as Petty cash which means that this was a cash transaction for which money was taken from the Petty cash box. Petty cash (the contra account) will be credited with the same amount.
- 6 An increase in stationery (if more was bought) is done on the debit side. The contra account is reflected as Creditors control which means that this was a credit transaction. Creditors control (the contra account) will be credited with the same amount.
- 7 This was taken from the General Journal. It was probably a correction of an error and whether it is a debit or credit entry depends on the error made. The contra account Is Trading stock, which means that Trading stock will be credited with the same amount.

- 8 A decrease in stationery (if sent back) is done on the debit side. The contra account is reflected as Creditors control which means that this was stationery bought on credit but for some reason sent back to the supplier. Creditors control (the contra account) will be debited with the same amount.
- 9 A decrease in stationery (owner took for personal use) is done on the debit side. The contra account is reflected as Drawings which means that this was stationery taken for personal use by the owner. Drawings (the contra account) will be debited with the same amount.
- 10 Both the debit and credit side of the account is now totalled. Write the amounts in pencil. The larger amount is then written in the space reflected as (10).
- 11 The fact that the larger amount was written in, will make the account mathematically incorrect. The smaller amount needs to be subtracted from the larger amount. The difference between the amounts is reflected as 'balance'.
- 12 The balance is taken over to the other side of the equation to indicate the start of a new month.

Classification of General ledger accounts

The table below is a summary of the accounts and their classification:

DAX (Debit accounts)	CIL (Credit accounts)
Drawings (OE – Balance sheet)	Capital (OE – Balance sheet)
Assets (Balance sheet)	Income (Nominal)
Expenses (Nominal)	Liabilities (Balance sheet)

The following table is an expanded version that will give you more information on the various types of accounts under each classification. It is important to know this table so that you can be confident with General ledger accounts and analysis of information according to the accounting equation, $A=OE + L$.

All the accounts listed on the debit side, start with a debit balance. An increase in these accounts will also be debited and a decrease will be credited.	All the accounts listed on the credit side, start with a credit balance. An increase in these accounts will also be credited and a decrease will be debited.
Debit Accounts (DAX)	Credit Accounts (CIL)
Debit Increase Debit Decrease	Debit Decrease Credit Increase
Owner's Equity (Balance Sheet)	Owner's Equity (Balance Sheet)
• Drawings	• Capital
Assets (Balance sheet)	Income (Nominal)
Tangible Assets	
• Land and buildings	• Sales
	• Current Income/ Service Fees/Fee

<ul style="list-style-type: none"> • Vehicles • Machinery • Equipment • Computers <p>Financial Assets</p> <ul style="list-style-type: none"> • Fixed Deposits • Investments • Shares • Unit Trusts <p>Current Assets</p> <ul style="list-style-type: none"> • Trading Stock • Debtors/ Accounts Receivable • Bank • Cash Float • Petty Cash • Savings Account • Accrued Income • Prepaid Expenses • Consumables on hand 	<p>Income</p> <ul style="list-style-type: none"> • Rent Income • Commission Income • Interest on current bank account • Interest on investment/ fixed deposits • Interest on savings account
<p>Expenses (Nominal)</p> <ul style="list-style-type: none"> • Cost of Sales • Interest on loans • Bank Charges • Interest on Overdraft • Debtors Allowances • Other daily or monthly expenses like salaries and wages, water and electricity, stationery ... 	<p>Liabilities (Balance sheet)</p> <p>Current</p> <ul style="list-style-type: none"> • Creditors/ Accounts Payable • Bank Overdraft • Loans • Accrued Expenses • Income <p>Non- Current (Long Term 12 months +)</p> <p>Loans > 12 months</p>

Explanation of the procedure for posting to the General ledger from journals.

The journals you have done so far, include:

CRJ (Cash Receipts Journal)

- The Bank will be debited and includes all amounts in the CRJ except the Cost of sales amount.
- This means that all the other accounts (excluding Cost of sales) will be credited.
- Cost of sales is the exception to the rule and will be debited because it is regarded as an expense. The contra account for Cost of sales will be Trading stock which means that the Trading stock account needs to be credited with the Cost of sales amount.

CPJ (Cash Payments Journal)

- The Bank will be credited and includes all amounts in the CPJ.
- This means that the other accounts will be debited as contra accounts.

DJ (Debtors Journal)

- Debtors control will be debited with the Sales amount and Sales will be credited.
- Cost of sales will be debited as in the CRJ and Trading stock will be credited.

DAJ (Debtors Allowances Journal)

- As the DAJ reflects returns or Allowances of debtors, the opposite need to be done in the General ledger as was the case with the Debtors Journal.
- Debtors control will therefore be credited with the Debtors Allowances amount and Debtors Allowances need to be debited.
- Cost of sales need to be credited and Trading stock will be debited.
- Remember that only stock sent back by the debtor will reflect an amount in the Cost of sales column.
- Items debtors received an allowance for but kept in their possession do not have an amount in the Cost of sales column as it was not taken back into stock.

CJ (Creditors Journal)

- Creditors control will be credited. This amount includes the amounts of all the other columns in the Creditors Journal.
- This means that the other accounts will be debited as contra accounts.

CAJ (Creditors Allowances Journal)

- Creditors control will be debited. This amount includes the amounts of all the other columns in the Creditors Allowances Journal.
- This means that the other accounts will be credited as contra accounts.

PCJ (Petty Cash Journal)

- The Petty Cash Journal is similar to the Cash Payments Journal.
- The Petty Cash account will be credited and includes all amounts in the PCJ.
- This means that the other accounts will be debited as contra accounts.

GJ (General Journal)

- Debits or credits will depend on the General Journal entry.
- Whichever account was debited in the General Journal needs to be debited in the General ledger.
- Whichever account was credited in the General Journal needs to be credited in the General ledger.

2.4.2 Debtors ledger

Explanation of the Debtors ledger

Debtors' ledger of Enough Traders (1)					
M. Samdaan (2)					DL5 (3)
Date	Details	Fol	Debit	Credit	Balance
(4)	(5)	(6)	(7)	(8)	(9)

- 1 The type of ledger and the name of the business have to be reflected.
- 2 The name and surname of the debtor needs to be shown.
- 3 The folio number for the debtor needs to be indicated. This will help when compiling a debtors list.
- 4 The date of the entry needs to be shown.
- 5 In the details column the business can reflect whether the entry was as a result of an invoice, receipt, cheque with the number of the receipt, invoice or cheque next to it. This will help to serve as a cross reference if the original documentation (invoice, cheque, account) is needed. Abbreviations may be used such as INV for invoice, CHQ for cheque.
- 6 In the folio column, reference need to be made to the journal where the entry has been recorded.

- 7 If a debtors account increases, it is reflected in the debit column. This is normally the result of entries in the Debtors Journal.
- 8 If a debtors account decreases, it is reflected in the credit column. This is normally the result of entries in the Debtors Allowances Journal and the Cash Receipts Journal.

Activity 14 (Debtors ledger)

Required

Certain transactions of the business Dhlamini Traders are given. Record these transactions in the following debtors' ledger account of the business: M. Motaung (D5).

Transactions: February 2011

- 1 The amount owed by M. Motaung, R860
- 4 Receive a cheque from M. Motaung in settlement of his account after 5% discount was allowed to him. Issue receipt 145.
- 6 Sell goods on credit to M. Motaung, R2 100. Issue invoice 143.
- 8 Receive M. Motaung's (see 4th) cheque back from the bank together with a bank debit note with the remark "R/D – error on cheque". Issue journal voucher 36.
- 11 M. Motaung returned damaged goods to the value of R280. Issue credit note 40. Sell goods on credit to M. Motaung, R3 800. Issue invoice 149.
- 16 Send the sold goods to M. Motaung and pay R200 to SA Transporters from the petty cash. This amount must be debited to M. Motaung's account. Issue petty cash voucher 76.
- 25 Issue receipt 151 to M. Motaung for R4 500 in partial payment of his debt. Give R120 discount.
- 27 Credit sales of merchandise to M. Motaung, R1 340. Issue invoice 153.

Answer sheet

Debtors' ledger of Dhlamini Traders

M. Motaung DL5

Date	Details	Fol	Debit	Credit	Balance