

B- POSTING AND BALANCING IN THE LEDGER

الترحيل والترصيد في سجل الأستاذ

The process of transferring the entries from the journal to the ledger is called posting.

1- Ledger سجل الأستاذ

The ledger is a book which records all the transactions from the journal into a classified form. The transactions are first recorded in the journal and when they occur .Subsequently these transactions or entries are posted in the respective ledger accounts. Each ledger account is totaled and balanced at the end of the accounting period. This book contains many pages.

Name of the Account							
Debit (Dr)			A/c		Credit (Cr)		
Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount

Each page of the ledger is numbered (ترقم) . Left hand side is called debit side and right hand side is called the credit side.

The ledger helps to achieve the following interests:-

(1) All the personal accounts would show how much money is payable (تدفع) to creditors and how much to be receivable (تستلم) from debtors .

(2) All the nominal accounts would show the sources of income and the amount spent (انفق) on various mains of expenses.

2- Preparing of Ledger Accounts إعداد حسابات الأستاذ

(1) The name of the account should be written in the middle.

(2) The date on which transaction occurred should be written in the date column.

(3) In the particulars column on the credit side, name of the account to be debited should be written. It is to begin with the word "**BY**".

(4) In the particulars column on the debit side, name of the account to be credited should be written. It is to begin with the word "**TO**".

(5) In the journal folio (J.F) column, page number of the journal should be written.

(6)The amount of the transaction should be written in the amount column.

(7) Opening debit balance of the amount of the transaction should appear (يظهر) as ,"To Balance (b/d)" on the debit side of the account and similarly opening credit balance of the account should appear as "By Balance (b/d)" on the credit side of the account.

(10) Every ledger account should be balanced periodically (دوريا) as required by the business concern.

3- Balancing of Ledger Accounts ترصيد حسابات الأستاذ

The Balancing means the summation of the two sides of a account and find out the balance (difference between two sides). At

the end of a certain period, the accounts are balanced. The following steps should be taken in balancing each account:-

(1) Make a total of both the sides of the ledger account. This can be done on a rough sheet (ورقة مسودة) .

(2) Compute (أحسب) the difference between the totals of both sides.

(3) Put the difference on the lower side of the account, by writing against it : "By balance c/d" , 'To balance c/d" as the case may be . If the debit side is heavier on the credit side of the account as "By balance, the difference will appear (يظهر) c/d", and if the credit side is heavier (أكثر) , the difference will appear on the debit side of an account as , 'To balance c/d".

(4) Make the total of both sides. The total of the debit side will now agree with the total of the credit side of the account. It should be remembered that the total of both sides should agree with each other.

(5) Bring down the balance on the opposite side of the account, 'To balance c/d" is brought down on the credit side below the totals in the particular columns as "By balance b/d", and "By balance c/d" is brought down on the debit side of the account in the "particulars column below the total as "To balance b/d".

When the totals of the two sides are compared, an account will have a debit balance if the total of the debit amounts exceeds the credits, conversely, the account will have a credit balance if the credit amounts exceed the debits.

Exercise (4)

The following transactions are recording in the journal:

Date	Particulars	L.F.	Debit IQD	Credit IQD
2012 March 1	Cash A/c Dr To Capital A/c (Being Cash brought in as capital)		5000000	5000000
5	Furniture A/c Dr To Cash A/c (Being Furniture bought for cash)		3000000	3000000
9	Purchases A/c Dr To Salam's A/c (Being goods purchased from Salam on Credit)		1500000	1500000
	TOTAL		9500000	9500000

Required: Post the above transactions into the ledger accounts.

◆ posting to the ledger:

Dr.				Cash A/c				Cr.			
Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount				
2012 March 1	To Capital A/c		5000000	2012 March 5	By Furniture A/c		3000000				

Capital A/c							
Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
				2012 March 1	By Cash A/c		5000000

Furniture's A/c							
Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
2012 March 5	To Cash A/c		3000000				

Purchase's A/c							
Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
2012 March 9	To Salam's A/c		1500000				

Salam's A/c							
Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
				2012 March 9	By Purchases A/c		1500000

4- Balance الرصيد

Balance is the difference between the debit side and credit side of an account.

- **DEBIT BALANCE (الرصيد المدين)**

If the debit side total is heavier than the credit side total, the balance will be debit balance.

- **CREDIT BALANCE (الرصيد الدائن)**

If the credit side total is heavier than the debit side total, the balance will be credit balance.

Exercise (5)

The following transactions are extracted from rahim's books through the month of October 2011 :-

1-10-2011 Rahim started business with a capital of IQD 15000000 cash.

2-10-2011 purchased goods from Maher on credit IQD 2000000.

3-10-2011 paid cash to Maher IQD 1000000.

4-10-2011 sold goods to Senan on account IQD 2000000.

5-10-2011 received cash from Senan IQD 1000000.

6-10-2011 further purchased goods from Maher on credit IQD 2000000.

7-10-2011 paid cash to Maher IQD 1000000.

8-10-2011 further sold goods to Senan IQD 20000000.

9-10-2011 received cash from Senan IQD 10000000.

19-10-2011 deposited cash in to Bank IQD 10000000.

20-10-2011 Amount withdrawn from Bank for personal use IQD 2000000.

Required: Journalize the above transactions in the journal of Rahim and post them into the ledger and balance the accounts on 31st October 2011.

(1)Journal of Rahim

Date	Particulars	L.F.	Debit IQD	Credit IQD
2011 October				
1	Cash A/c Dr To Rahim's capital A/c (Being commencement of business)		15000000	15000000
2	Purchases A/c Dr To Maher's A/c (Being purchase of goods on credit)		2000000	2000000
3	Maher's A/c Dr To Cash A/c (Being payment of cash to Maher)		1000000	1000000
4	Senan's A/c Dr To sales A/c (Being goods sold to Senan)		2000000	2000000
5	Cash A/c Dr To Senan's A/c (Being cash received from Senan)		1000000	1000000
6	Purchases A/c Dr To Maher's A/c (Being purchase of goods from Maher)		2000000	2000000
7	Maher's A/c Dr To Cash A/c (Being payment of cash to Maher)		1000000	1000000
8	Senan's A/c Dr To Sales A/c (Being goods sold to Senan)		20000000	20000000
9	Cash A/c Dr To Senan's A/c (Being Cash received from Senan)		10000000	10000000
19	Bank A/c Dr To Cash A/c (Being Cash deposited in to bank)		10000000	10000000
20	Drawings A/c Dr To Bank A/c (Amount drawn from the bank for personal use)		2000000	2000000

	Balance c/d (Total of the page)	66000000	66000000
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(2) Ledger Accounts

Cash A/c

Date	Particulars	J.F	Amount IQD	Date	Particulars	J.F	Amount IQD
2011 Oct.1 5 9	To Capital A/c To Senan's A/c To Senan's A/c		15000000 1000000 10000000	2011 Oct. 3 7 19 31	By Maher A/c By Maher A/c By Bank A/c By Balance c/d		1000000 1000000 10000000 14000000
			28000000				28000000
Nov..1	To Balance b/d		14000000				

Capital A/c

Date	Particulars	Amount IQD	Date	Particulars	Amount IQD
2011 Oct. 31	To balance c/d	15000000	2011 Oct. 1	By Cash A/c	15000000
		15000000			15000000
			2011 Nov. 1	By Balance b/d	15000000

PURCHASES A/C

Date	Particulars	Amount IQD	Date	Particulars	Amount IQD
2011 Oct.2 Oct. 6	To Maher's A/c To Maher's A/c	2000000 2000000	2011 Oct. 31	By Balance c/d	4000000
		4000000			4000000

2011 Nov.1	To Balance b/d	4000000			
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MAHER'S A/C

Date	Particulars	Amount IQD	Date	Particulars	Amount IQD
2011 Oct. 3	To Cash A/c	1000000	2011 Oct. 2	By Purchases A/c	2000000
Oct.7	To Cash A/c	1000000	Oct. 9	By Purchases A/c	2000000
Oct.31	To Balance c/d	2000000			
		4000000			4000000
			2011 Nov. 1	By Balance b/d	2000000

SENAN'S A/C

Date	Particulars	Amount IQD	Date	Particulars	Amount IQD
2011 Oct. 4	To Sales A/c	2000000	2011 Oct.5	By Cash A/c	1000000
Oct. 8	To Sales A/c	20000000	Oct.9	By Cash A/c	10000000
			Oct.31	By Balance c/d	11000000
		22000000			22000000
2011 Nov. 1	To Balance b/d	11000000			

SALES A/C

Date	Particulars	Amount IQD	Date	Particulars	Amount IQD
2011 Oct.31	To Balance c/d	22000000	2011 Oct.4 Oct.8	By Senan's A/c By Cash A/c	2000000 20000000
		22000000			
			2011 Nov.1	By Balance b/d	22000000

BANK A/C

Date	Particulars	Amount IQD	Date	Particulars	Amount IQD
2011 Oct.19	To Cash A/c	10000000	2011 Oct.20 Oct.31	By Drawings A/c By Balance b/d	2000000 8000000
		10000000			10000000
2011 Nov. 1	To Balance c/d	8000000			

DRAWINGS A/C

Date	Particulars	Amount IQD	Date	Particulars	Amount IQD
2011 Oct. 20	To Bank A/c	2000000	2011 Oct.31	By Balance c/d	2000000
		2000000			2000000
2011 Nov. 1	To Balance b/d	2000000			

C- THE TRIAL BALANCE ميزان المراجعة

Trial balance is a list of accounts having balances in ledger, the debit or credit balance of each accounts, the total of debit balances and the total of credit balances are equal. If the Trial Balance does not agree (يتطابق), it means that there are some errors to be detected and rectified. Thus the Trial Balance forms a connecting link (أداة ربط) between the ledger accounts and financial statements. It is prepared at the end of a financial year. But it can also be prepared monthly or at any time as required.

Figure (4)

Trial balance (Connecting Link)



Trial Balance contains (يحتوي) six main columns:

- | | | |
|-----|---------------------|------------------|
| (1) | Serial Number | رقم تسلسل |
| (2) | Account Number | رقم الحساب |
| (3) | Name of the Account | اسم الحساب |
| (4) | Ledger Folio | رقم صفحة الأستاذ |
| (5) | Debit Column | الحقل المدين |
| (6) | Credit Column. | الحقل الدائن |

Generally in a trial balance, debit and credit balances are listed on the left hand side and right hand side respectively. A specimen (نموذج) ruling of the Trial balance is given below:

**Trial Balance of Ismail
as on 31st Dec, 2011**

Serial No.	Account Number	Name of Account	L F	Dr IQD	Cr IQD
(1)	(2)	(3)	(4)	(5)	(6)
		TOTAL		xxx	xxx

1- Preparing of Trial Balance إعداد ميزان المراجعة

There are two methods for preparing of Trial Balance:

(1) Method of Totals طريقة المجاميع

The method of totals takes the debit amount total and credit amount total of each account in the ledger for preparing a Trial Balance. This method is called also the Traditional method.

(2) Method of balances طريقة الأرصدة

This method is called also the Modern Method. The trial balance involves only the net balance of each account in the ledger instead of writing down two amounts.

The amounts of balances in the trial balance are not significant until they represent the names of accounts brought from the ledger. For this reason the trial balance is defined as a statement of ledger accounts balances, but these balances become nothing if they are not presented the balances shown by the ledger accounts.

• **DEBIT AMOUNT** المبلغ المدين

This column has data to be filled only in case of accounts with a debit balance. The data to be filled being the balance of the ledger account with a debit balance.

• **CREDIT AMOUNT** المبلغ الدائن

This column has data to be filled only in case of accounts with a credit balance. The data to be filled being the balance of the ledger account with a credit balance.

2- Objects of Trial Balance أهداف ميزان المراجعة

The objects of trial balance are the following:

- (1) Trial Balance forms the basis (أساس) for preparing the profit and loss account and Balance Sheet.
- (2) Trial Balance provides easily the process of Arithmetical accuracy (ضبط) of books of accounts.

(3) Trial Balance provides a condensed picture (صورة موجزة) of each account in the ledger.

(4) Trial Balance helps in discovering of errors (اكتشاف الأخطاء) at an early stage.

3- Main Characteristics and uses of Trial Balance

الخواص والاستخدامات الرئيسية لميزان المراجعة

- (1) Trial Balance is a statement (قائمة) prepared in a tabular form having two columns. One for debit balances and the other for credit balances.
- (2) Closing balances of ledger accounts are shown in this statement.
- (3) Trial Balance can be prepared at any date after closing the ledger accounts.
- (4) Trial Balance is a method of verifying arithmetical accuracy of entries made in the ledger.
- (5) Trial Balance helps in preparation of Trading A/c, Profit and Loss A/c and the Balance Sheet at the end of the financial period which exhibits (يصور) the financial position (المركز المالي) of the company.

Exercise 6)

The following balances are extracted from the books of Al-Diyar Com.

Serial No.	Names of the Accounts	Amount IQD
1	Stock (1.1.2011)	46800000
2	Returns Inwards	8600000
3	Purchases	321700000
4	Freight and Carriage	18600000
5	Rent and Taxes	5700000
6	Salaries and Wages	9300000
7	Sundry Debtors	24000000
8	Interest on loan	900000
9	Printing and Advertising	14600000
10	Cash at Bank	8000000
11	Furniture	500000
12	Discount allowed(Payable)	1800000
13	General Expenses	11450000
14	Insurance	1300000
15	Postage and Telegram	2330000
16	Cash in hand	380000
17	Travelling expenses	870000
18	Drawings	40000000
19	Capital	86690000
20	Sales	389600000
21	Returns Outwards	5800000
22	Sundry Creditors	14800000
23	Loan @ 6%	20000000
24	Various Revenues	250000
25	Discount Earned (received)	4190000

Required: Prepare a Trial Balance of Al-Diyar Com. as at 31st December 2011.

Solution:**Trial Balance of Al-Diyar Com. as at 31st December 2011.**

Serial No.	Names of The Accounts	L.F	Debit Balance IQD	Credit Balance IQD
1	Stock (1.1.2011)		46800000	
2	Returns Inwards		8600000	
3	Purchases		321700000	
4	Freight and Carriage		18600000	
5	Rent and Taxes		5700000	
6	Salaries and Wages		9300000	
7	Sundry Debtors		24000000	
8	Interest on loan		900000	
9	Printing and Advertising		14600000	
10	Cash at Bank		8000000	
11	Furniture		5000000	
12	Discount Allowed		1800000	
13	General Expenses		11450000	
14	Insurance		1300000	
15	Postage and Telegram		2330000	
16	Cash in hand		380000	
17	Travelling expenses		870000	
18	Drawings		40000000	
19	Capital			86690000
20	Sales			389600000
21	Returns Outwards			5800000
22	Sundry Creditors			14800000
23	Loan @ 6%			20000000
24	Various Revenues			250000
25	Discount Earned (received)			4190000

	TOTAL	521330000	521330000
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D- FINANCIAL STATEMENTS القوائم المالية

Financial statements are the final outputs for applying the accounting cycle which supply with creditable (المصدقية), relevant (الملائمة), and timely financial information to take rational economic decision.

These statements contain both debit and credit balances of all ledger accounts. The debit balances of a Trial balance represent either: assets or losses or expenses, and the credit balances of a trial balance represent either Liabilities or Gains.

Financial statements consist of trading account profit and loss account and balance sheet. All the amounts from trial balance are taken to prepare these statements.

The financial statements for commercial firms are split into three statements:

- 1- Trading A/c which shows Trading Profit (Gross Profit) or Gross Loss.
- 2- Profit and Loss A/c which shows the Net Profit or Loss incurred.
- 3- Balance Sheet which is a statement of Assets and Liabilities. This statement reflects the financial position of the business.

1- TRADING ACCOUNT حساب المتاجرة

This account is a nominal account. It shows the results of buying and selling of goods. It shows how much gross profit the business has earned. The difference between sales and cost of goods