

**The General Ledger** is very important, as it contains accounts from which the earnings of the business and the financial condition may be ascertained. There are four general classes of accounts kept in this ledger, namely, **Asset Accounts**, **Liability Accounts**, **Capital Accounts**, and **Revenue or Profit and Loss Accounts**. **Asset Accounts** contain records of all assets, that is anything of value belonging to the business, such as accounts receivable, stock on hand, furniture and fixtures, property, plant, machinery, etc. Always show assets on the books as debits to their respective accounts. **Liability Accounts** contain records of all amounts owing by the business, such as accounts payable, mortgages, loans, etc. Show liabilities on the books as credits. **Revenue or Profit and Loss Accounts** are accounts from which the earnings or losses of a business are determined. They show the progress that is being made by the business by exhibiting the amount of sales, purchases, and expenses. **Capital Accounts** record the amount invested by the proprietor or proprietors in the business; also any profits or losses which may have occurred in past periods.

In order to impart a clear understanding of the operating and connection between these different ledgers or sub-ledgers we will make use of the enclosed synoptic journal and ledger accounts, which show the completed entries for transactions made during the month of April, 1912. As before, we will presume that you are the proprietor and bookkeeper. The entries will be found on Synoptic form No. 5. Postings should be made to the accounts receivable and accounts payable ledgers as soon as the entries are made in the synoptic, and if this is done the amount owing to or by you can be seen at a glance from the ledger accounts. These postings are made in the same manner as in your last lesson.

#### **Ledger Ruling Known as Bank Ruling.**

This is somewhat different from the last lesson. This form is provided with a balance column, and the column to the left of the balance column is for the purpose of stating whether the balances are debit or credit. If the debits are more than the credits the difference would be a debit balance, and vice versa. This can be clearly seen upon referring to the enclosed ledger forms. The synoptic monthly totals only are posted to the general ledger accounts, excepting the items in the "sundries" column, which are posted individually.

As will be seen, the total of all the columns excepting the "sundries" column have been posted to their respective general ledger accounts, and the individual items in the "sundries"