

The Ledgers

There are three ledgers which are:

- Sales ledger (or receivables ledger)
- Purchases ledger (or payables ledgers)
- General ledger (or nominal ledger)

Sales ledger:

- Sales made on credit to customers of the business
- Sales returns (inwards) by customers
- Payments received from trade receivables
- Cash discount allowed for prompt payment
- Irrecoverable debts written off

Sales ledger does not record cash sales

Purchases ledger:

- Purchases made on credit from suppliers of the business
- Purchase returns (outwards) made by the business
- Payments made to trade payables
- Cash discount received for prompt payment

Purchases ledger does not record cash purchases

General ledger:

Accounts of income and expenses

- Sales account (cash and credit sales), sales returns
- Purchases account (cash and credit purchases), purchase returns
- Expenses and income, loans, capital, drawings
- Income statement

Accounts of things

- Non-current assets, e.g. computers, vehicles
- Cash book, which records all transactions for bank account and cash account
- Inventory