

Grade 12 Accountancy: Journal, Ledger, Trial Balance and Final Accounts

Accountancy looks heavy because it has many formats, but the logic is one chain: record each transaction, sort it by account, check the totals, then summarise. Once you see the chain, every chapter is a link in it.

Formats, standards and marks follow your current NEB syllabus and textbook. Nepali businesses use the fiscal year from Shrawan to Ashadh, so check how your book expects dates and periods to be written.

1. The accounting equation

Assets = Liabilities + Capital (owner's equity). Every transaction keeps this equation balanced. If a business buys furniture for cash, one asset rises and another falls; if it buys on credit, assets and liabilities both rise.

2. Golden rules of debit and credit

Type of account	Rule	Example
Personal	Debit the receiver, credit the giver	Goods sold to Ram on credit: debit Ram
Real (assets)	Debit what comes in, credit what goes out	Cash received: debit Cash
Nominal (expenses and incomes)	Debit all expenses and losses, credit all incomes and gains	Rent paid: debit Rent; commission earned: credit Commission

3. The journal

The journal is the book of first entry. Each entry has the date, the account debited (and the amount), the account credited (and the amount), and a short narration.

Example: On 1 Kartik, Hari starts a business with Rs 50,000 cash. Journal entry: Cash A/c Dr. 50,000; To Capital A/c 50,000 (being capital introduced).

4. The ledger

- Post each journal line to its account. An account has a debit side (left) and a credit side (right).
- At the end of the period, total both sides and find the balance (the difference). A debit balance is carried down as an asset or expense; a credit balance as a liability, income or capital.

5. The trial balance

A trial balance lists every ledger balance in a debit column and a credit column. If total debits equal total credits, the arithmetic is probably right. It does not prove everything: an entry missed completely, or posted to the wrong account with the right amount, will not show up.

6. Depreciation

- **Straight-line method:** yearly depreciation = (cost - scrap value) / useful life. The same amount every year.
- **Written-down value method:** a fixed percentage of the reducing book value, so the amount falls each year.

Example: A machine costs Rs 100,000, scrap value Rs 10,000, life 9 years. Straight-line depreciation = $90,000 / 9 = \text{Rs } 10,000$ per year. Under a 20% written-down value method, year 1 is 20,000 and year 2 is 20% of 80,000 = 16,000.

7. Final accounts

- **Trading account:** sales less cost of goods sold gives gross profit or loss.
- **Profit and loss account:** gross profit plus other incomes less expenses gives net profit or loss.
- **Balance sheet:** assets on one side, liabilities and capital on the other, and the two sides must be equal.
- Adjustments (outstanding expenses, prepaid expenses, accrued income, depreciation) are brought in before the final totals.

8. Bank reconciliation, in one line

When your cash book and the bank statement differ, list the timing differences (cheques issued but not yet cleared, deposits not yet credited, bank charges not yet entered) and adjust to reach the same balance.

How to study accountancy

1. Practise one full set of questions every day. Accountancy is learned by doing, not reading.
2. Learn each format by heart (journal, ledger, trial balance, final accounts) and keep your layout neat, because layout earns marks.
3. Always write the narration and show workings.
4. If the trial balance does not tally, check each posting from the end back to the start.

Practice questions

1. Rule: which account do you debit when goods are sold for cash?
2. A business has assets of Rs 80,000 and liabilities of Rs 30,000. What is the capital?
3. Find the yearly straight-line depreciation: cost Rs 60,000, scrap value Rs 6,000, life 6 years.

Answers: 1) Debit Cash (real account: what comes in), credit Sales. 2) Capital = 80,000 - 30,000 = Rs 50,000. 3) $(60,000 - 6,000) / 6 = \text{Rs } 9,000$ per year.

This is an original revision summary written by MeroSir. It is not the official syllabus and does not replace your textbook or teacher. Syllabus, marks and rules change, so always check the current version with the National Examinations Board (neb.gov.np) and the Curriculum Development Centre (moecdc.gov.np). Spotted a mistake? Tell us through the Contact page and we will fix it.

MeroSir free study notes. More notes and practice: merosir.com