

JOURNAL

Definition : Now that we have thoroughly grasped the principle of ascertaining Debtor and Creditor by the application of three (golden rules) our object should be to record the business transactions properly in a book. The first book to be used for this purpose is called Journal.

The Word "Journal" has been derived from the French word "Jour". Jour means day. So Journal means daily. Transactions are recorded daily in Journal and hence it has been named so. It is a book of original entry to record chronologically (*i.e.* in order of date) and in detail the various transactions of a trader. It is also known as "DAY BOOK" because it contains the account of every day's transactions.

Characteristics : Journal has the following features :

1. Journal is the first successful step of the Double Entry system. A transaction is recorded first of all in the Journal. So, Journal is called the book of (Original Entry.)
2. A transaction is recorded on the same day it takes place. So, Journal is called (Day Book)
3. Transactions are recorded chronologically. So, Journal is called Chronological Book.
4. For each transaction the names of the two concerned accounts indicating which is debited and which is credited, are clearly written in two consecutive lines. This makes ledger-posting easy. That is why Journal is called "Assistant to Ledger" or "Subsidiary Book".

5. Narration is written below each entry.

6. The amount is written in the last two columns — debit amount in Debit column and credit amount in Credit column.

Advantages : The following are the advantages of Journal :

1. Each transaction is recorded as soon as it takes place. So there is no possibility of any transaction being omitted from the books of account.
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2. Since the transactions are kept recorded in Journal, chronologically with narration, it can be easily ascertained when and why a transaction has taken place.
معلوم کرنا
3. For each and every transaction which of the two concerned accounts will be debited and which account credited, are clearly written in Journal. So, there is no possibility of committing any mistake in writing the Ledger.
4. Since all the details of transactions are recorded in Journal, it is not necessary to repeat them in Ledger. As a result Ledger is kept tidy and brief.
5. Journal shows the complete story of a transaction in one entry.
6. Any mistake in Ledger can be easily detected with the help of Journal

Entry : To enter, register or record a transaction in Journal is called to make an Entry

Object of an Entry : While recording transactions in Journal the following two objects must be aimed at :-

1. That each entry should be so clear that at any future time we may, without the aid of memory, perceive the exact nature of the transaction
2. That each transaction should be so classified that we may easily obtain the aggregate effect of such transactions at the end of a certain period

Narration of an entry : It is the remark or explanation put below each entry in the Journal. The Journal is a book of original entry and all possible details have to be recorded in connection with each and every transaction entered there. The details are laid out in the form of a remark at the end of each Journal Entry, which is called Narration.

Form of Journal: The Journal is ruled as follows:

Date (1)	Particulars (2)	L.F. (3)	Dr. Amount	Cr. Amount

Column (1) is meant for writing the date of the transaction.

Column (2) is used for recording the names of the two accounts affected by the transactions.

Column (3) is meant for noting the number of the page of the ledger on which the particular account appears in that book.

Column (4) shows the amount to be debited to the account named.

Column (5) shows the amount to be credited to the account stated.

✓ Rules for Journalising : The act of recording transactions in Journal is called Journalising. The rules may be summarised as follows :

1. Use two separate lines for writing the names of the two accounts concerned in each transaction.
2. Write the name of the debtor or account to be debited in the first line and the name of the creditor or the account to be credited in the next line.
3. Write the name of the account to be debited close to the line starting the particulars column and that of the account to be credited at a short distance from this line.
4. Use "Dr." after each debit item and "To" before each credit. The term "Cr." after a credit item is unnecessary, as if one account is debtor, the other must be creditor.
5. To separate one entry from another a line is drawn below every entry to cover particulars column only. The line does not extend to amount column.

C.F. - carrying forward



Illustration 4.1

On 1st January, 1991 A. Salam started business with a capital of Rs. 20,000 and his transactions of the month were as follows :—

		Rupees
Jan 2	Purchased Building for cash	8,000
8	Purchased goods from C	1,000
15	Sold goods for cash	500
20	Goods returned to C	100
22	Sold goods to Rahman	400
25	Rahman returned goods	25
31	Salaries paid for the month	200
31	Rent paid for the month	150

Record these transactions in the Journal

Solution :

Journal of A Salam

Date	Particulars	L.F.	Debit	Credit
1991 Jan. 1	Cash Account ... Dr. To Capital Account (Capital introduced.)		Rs. 20,000	Rs. 20,000
2	Building Account ... Dr. To Cash Account Building purchased for Cash.		8,000	8,000
8	Purchases Account ... Dr. To C Goods purchased on credit from C.		1,000	1,000
15	Cash Account ... Dr. To Sales Account (Goods sold for cash.)		500	500
20	C ... Dr. To Purchases Returns Account Goods returned to C.		100	100

Jan. 22	Rahman ... Dr. To Sales Account Goods sold on credit.	400	400
• 25	Sales Returns Account ... Dr. To Rahman Goods returned by him.	25	25
• 31	Salaries Account ... Dr. To Cash Account Salaries paid.	200	200
• 31	Rent Account ... Dr. To Cash Account Rent paid in cash.	150	150
	Total ...	30,375	30,375

⇒ **Capital Account** : The proprietor's account in the business books is called the "Capital Account". Whenever the proprietor invests money in the business, instead of giving credit to his name, Capital account should be credited.

⇒ **Drawings Account** : Any cash or goods taken away by the proprietor for his personal use are called his drawings and they are debited to "Drawings Account". Drawings Account, like the Capital account, is personal account of the proprietor.

⇒ **Cast and carry forwards** : In book-keeping casting means totalling. The first page of the Journal will be cast by drawing a line across the money column. The total of this page will be carried forward to the top of second page. The total of the second page will be carried forward to the third page and so on until the last page gives the final total.

When carrying forward the total of one page to another, the words "carried forward" or "carried over" should be written at the bottom of the first page and words "brought forward" at the top of the next page. The abbreviations c/f or c/o and b/f can also be used.

⇒ **Compound Journal Entries** : When two or more transactions of the same nature take place on the same date, a compound journal entry may be made instead of making separate entries for each transaction.

⇒ **Cash Discount Entries**: Cash discount allowed is a business loss and, therefore, is debited to Discount Account. Similarly cash discount received is a business gain and is credited to Discount Account.

⇒ **Trade Discount**: No entry is passed for trade discount. The purchases or sales should be recorded at net price *i.e.*, after deducting the trade discount from the list price.

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Goods Given Away: Sometimes goods are (a) given away as charity (b) taken by the proprietor for his private use (c) distributed free as samples. Such goods are not sold. Therefore, they are not credited to Sales Account but are credited to Purchases Account because they reduce the amount of goods purchased.

Illustration 4.2 *Assignment*

On 1st April 1991 a merchant started business with a capital of Rs. 15,000 and transactions of the month were as follows: —

- April 2 Purchased Machinery for Rs. 7,000.
- " 3 Bought Furniture from Salman Rs. 300.
- " 7 Purchased goods for cash Rs. 2,500.
- " 8 Sold goods to Rahman & Sons Rs. 1,500.
- " 10 Bought goods from B. Rs. 1,000 and from C Rs. 2,000.
- " 12 Received cash from Rahman & Sons Rs. 1,450; allowed him discount of Rs. 50.
- " 15 Paid B Cash Rs. 975; discount received Rs. 25.
- " 16 Returned Goods to C Rs. 500.
- " 17 Sold goods to Din Mohammad Rs. 800.
- " 20 Goods returned by Din Mohammad Rs. 200.
- " 21 Purchased from Karim goods of the list price of Rs. 600 subject to per cent trade discount.
- " 22 Paid C Cash Rs. 1,500.
- " 25 Gave away a Charity cash Rs. 50 and goods worth Rs. 30.
- " 27 Distributed goods worth Rs. 200 as free samples and goods taken by the proprietor for personal use Rs. 100.
- " 28 Amount withdrawn by the proprietor for private use Rs. 200.
- " 31 Salaries paid for the month Rs. 500.

Record these transactions in the Journal.

Solution :

Journal

Date	Particulars	L.F.	Debit	Credit
1991 April 1	Cash Account To Capital Account Capital introduced.		Rs. 15,000	Rs. 15,000
" 2	Machinery Account To Cash Account Machinery purchased.		7,000	7,000
		C/F.	22,000	22,000

Journal (contd.)

Date	Particulars	L.F.	Debit	Credit
			Rs.	Rs
	B/F.		22,000	22,000
April 3	Furniture Account To Salman Furniture purchased on credit.		3,00	3,00
" 7	Purchases Account To Cash Account Goods purchased for cash.		2,500	2,500
" 8	Rahman & Sons To Sales Account Goods sold on credit		1,500	1,500
" 10	Purchases Account To B " C Goods purchased on credit.		3,000	1,000 2,000
" 12	Cash Account Discount Account To Rahman & Sons Cash received and discount allowed.		1,450 50	1,500
" 15	B To Cash Account " Discount Account Cash paid and discount received		1,000	975 25
" 16	C To Purchases Returns Account Goods returned to C.		500	500
" 17	Din Mohammad To Sales Account Goods sold on credit		800	800
" 20	Sales Returns Account To Din Mohammad Goods returned by him.		200	200
	C/F.		33,300	33,330

Journal (contd.)

Date	Particulars	L.F.	Debit	Credit
			Rs.	Rs.
	B/F.		33,300	33,300
April 21	Purchases Account To Karim Goods purchased on credit.		540	540
• 22	C To Cash Account Cash paid to C		1,500	1,500
• 25	Charity Account Cash Account To Purchases Account Cash & goods given in Charity		80	50 30
• 27	Free Samples Account Drawings Account To Purchases Account Goods distributed free and taken by the proprietor for private use.		200 100	300
• 28	Drawings Account To Cash Account Cash drawn by the proprietor.		200	200
• 31	Salaries Account To Cash Account Salaries paid in cash.		500	500
	Total		36,420	36,420

- Note :—
- (a) In actual practice even the word "Dr." is not written after the name of the account to be debited, because it is also implied.
 - (b) When writing the name of a personal account, it is not considered necessary to add the word "account" after the name of the person.

Illustration 4.3

Journalise the following transactions in the books of Jaleel & Co., Lahore : —

1991

- March 1 Jaleel started his business by introducing a machine valuing Rs. 2,000; Goods worth Rs. 5,000 and Cash Rs. 13,000.
- " 5 Purchased furniture for office Rs. 500.
- " 8 Bought goods from Khalid Bros. Rs. 3,000.
- " 12 Sold goods for cash Rs. 700.
- " 15 Sold goods to Farman & Co. Rs. 450.
- " 17 Paid Khalid Bros. Rs. 2,985; Discount received Rs. 15.
- " 18 Purchased goods from Haji Noor Elahi & Co. Rs. 800 and paid carriage and octroi thereon Rs. 70.
- " 20 Paid Sundry Trade Expenses in cash Rs. 100.
- " 22 Paid for office stationery Rs. 250.
- " 23 Purchased a typewriter for office use Rs. 900.
- " 24 Farman & Co. returned goods worth Rs. 100.
- " 25 Two chairs and one table were stolen worth Rs. 70.
- " 26 Paid insurance premium Rs. 450.
- " 28 Drew cash for private expenses Rs. 50.
- " 31 Paid rent Rs. 200; office salaries Rs. 500.

Solution :

Date	Particulars	L.F	Debit	Credit
1991			Rs.	Rs.
March 1	Cash Account Stock Account Machinery Account To Capital Account Cash, goods & machinery brought in as capital.		13,000 5,000 2,000	20,000
" 5	Furniture Account To Cash Account Furniture purchased for Cash.		500	500
" 8	Purchases Account To Khalid Bros. Goods purchased on credit.		3,000	3,000
		C/F,	23,500	23,500

Journal (Contd)

Date	Particulars	L F	Debit	Credit
	B/F.		Rs. 23,500	Rs. 23,500
March 12	Cash Account To Sales Account Goods sold for cash.		700	700
" 15	Farman & Co. To Sales Account Goods sold on credit.		450	450
" 17	Khalid Bros. To Cash Account To Discount Account Cash paid & Discount received		3,000	2,985 15
" 18	Purchases Account To Haji Noor Elahi & Co. Goods purchased on credit.		800	800
" 18	Carriage & Octroi Account To Cash Account Carriage and octroi paid.		70	70
" 20	Sundry Trade Expenses Account To Cash Account Sundry expenses paid.		100	100
" 22	Stationery Account To Cash Account Paid for stationery.		250	250
" 23	Office Equipment Account To Cash Account Typewriter purchased.		900	900
" 24	Sales Returns Account To Farman & Co. Goods returned by them.		100	100
	C/F		29,870	29,870

Journal (Contd)

Date	Particulars	L.F.	Debit	Credit
	B/F.		Rs. 29,870	Rs. 29,870
March 25	Loss by Theft Account To Furniture Account Loss of furniture by theft.		70	70
" 26	Insurance Premium Account To Cash Account Insurance premium paid.		450	450
" 28	Drawings Account To Cash Account Cash drawn by the proprietor.		50	50
" 31	Rent Account Salaries Account To Cash Account Rent & salaries paid.		200 500	700
	Total :		31,140	31,140

QUESTIONS

Theoretical :

1. What is the Journal? State its objects and main features.
2. Define : Entry, Narration, Journalising.
3. Enumerate and illustrate the characteristics of Journal.
4. Describe the modern uses of Journal and record six imaginary entries of different types in it.
5. Give the rules of journalising with regard to the different classes of accounts.
6. What do you mean by Journal? Why is it called the book of original entry? Give the rules and advantages of journalising.

Objective :

1. Fill in the blanks
 (a) If Hanif Starts a business with cash, cash account will be and Hanif's Capital account will be

- (b) If the business pays rent, rent account will be , and cash account will be.....
- (c) If the business purchases goods for cash, cash account will be , and purchases account will be
- (d) If the business receives commission in cash, cash account will be ; and commission account will be.....

Answer : (a) Debit, Credit; (b) Debit, Credit (c) Credit, Debit;
(d) Debit, Credit.

2. Select the best answer :

- (i) The amount brought in by the proprietor in the business should be credited to
(a) Cash Account.
~~(b)~~ Capital Account.
(c) Drawings Account.
- (ii) The amount of salary paid to Sohail should be debited to
(a) The account of Sohail.
~~(b)~~ Salaries Account.
(c) Cash Account.
- (iii) The return of goods by a customer should be debited to
(a) Customer's Account.
~~(b)~~ Sales Returns Account.
(c) Goods Account.
- (iv) Sales made to Mahmood for Cash should be debited to
~~(a)~~ Cash Account.
(b) Mahmood
(c) Sales Account.
- (v) The rent paid to the landlord should be credited to
(a) Landlord's Account.
(b) Rent Account.
~~(c)~~ Cash Account.
- (vi) The Cash Discount allowed to a debtor should be credited to
(a) Discount Account.
~~(b)~~ Customer's Account.
(c) Sales Account.
- (vii) In case of a debt becoming bad, the amount should be credited to
~~(a)~~ Debtor's Account.
(b) Bad Debts Account.
(c) Sales Account.

Answer : (i) (b), (ii) (b), (iii) (b), (iv) (a), (v) (c), (vi) (b), (vii) (a).