



learnkwniy

**Chapter - 9**

**Books of Original Entry**

**Journal**

The books in which a transaction is recorded for the first time from a source document are called 'Books of Original Entry'. Journal is one of the basic books of original entry in which transactions are originally recorded in a chronological (day-to-day) order according to the principles of double entry system.

## **JOURNAL**

Journal is a book of original entry in which the transactions are recorded first of all, as and when they take place.

The Journal provides a date-wise record of all the transactions with details of the accounts debited and credited, and the amount of each transaction.

## **FEATURES OF A JOURNAL**

The chief features of Journal may be stated as under:

- (i) Journal is a book in which the transactions are recorded first of all, as and when they take place.
- (ii) A journal is only a book of primary (original) entry. All the transactions recorded in the journal are subsequently transferred to ledger which is the principal book of accounts.
- (iii) A journal is a daily accounting record.
- (iv) In journal, transactions are recorded in a chronological order.
- (v) A journal records both debit and credit aspects of a transaction double entry system of book-keeping.
- (vi) Each entry in the journal is followed by a brief explanation of the transaction which is called "Narration".
- (vii) A single journal entry is capable of recording more than one transaction involving more than two accounts. Such an entry is called compound entry.

## **FUNCTIONS OF A JOURNAL**

- (i) To keep a chronological (i.e., date-wise) record of all transactions.**
- (ii) To analyse each transaction into debit and credit aspects by using double entry system of book-keeping.**
- (iii) To provide a basis for posting into ledger.**
- (iv) To maintain the identity of each transaction by keeping a complete record of each transaction at one place on a permanent basis.**

## **ADVANTAGES OF A JOURNAL**

- (i) As transactions in journal are entered as and when they take place, the possibility of omission of a transaction is minimised.**
- (ii) As transactions in journal are recorded in chronological order, it is very easy to locate a particular transaction when required.**
- (iii) Journal facilitates the posting into ledger.**
- (iv) Each entry in the journal carries narration which gives a brief explanation of the transaction.**
- (v) Journal facilitates cross checking of ledger accounts in case a trial balance does not agree.**
- (vi) Since entire transaction is recorded at one place in the journal, the identity of each transaction is maintained on a permanent basis.**

## **Limitations of Journal**

(i) When the number of transactions is large, it is not possible to record all the transactions in Journal. It will become bulky and voluminous.

(ii) Many transactions are repetitive in nature and if all transactions are recorded in journal it will involve debiting and crediting the same accounts time and again.

(iii) In order to ascertain cash balance every day, cash transactions are usually recorded in a separate book called 'Cash book'. Thus cash transactions need not be recorded in journal.

### **Format of Journal**

#### **JOURNAL**

Date	Particulars	Ledger Folio	Amount Dr. (Rs.)	Amount Cr. (Rs.)
(1)	(2)	(3)	(4)	(5)

1. **Date:** In the first column, the date of the transaction is entered. The year and the month are written only once, till they change. The sequence of the dates and months should be strictly maintained.

2. **Particulars:** Each transaction affects two accounts out of which one account is debited and the other account is credited. The name of the account to be debited is written first and the word 'Dr.' is also written towards the end of the column. In the second line, the name of the account to be credited is written. The credit account starts with the word 'To', a few space away from the margin to make it distinct from the debit account

**Narration-** After each entry, a brief explanation of the transaction together with necessary details is given. This explanation is called 'Narration'. The narration helps to know the reason for the entry and also as to why a particular account was debited or credited.

**3. Ledger Folio or L.F. :** All entries from the Journal are later posted into the ledger accounts. The page number or folio number of the ledger account where the posting has been made from the Journal is recorded in the L.F. column of the Journal.

**4. Amount Dr.** In the fourth column, the amount of the account being debited is written.

**5. Amount Cr.** In the fifth column, the amount of the account being credited is written.

### **Steps in Journalising**

**(1)** Before recording a Journal entry, it is essential to analyse a transaction in order to determine the two accounts which are affected. Then, on the basis of rules of journalising, it must be decided as to which account is to be debited and which is to be credited.

**(2)** It is not necessary to use the word 'Account' or A/c after the personal accounts.

**(3)** After every Journal entry, a line should be drawn in particulars column, so that each entry is separated from the preceding one.

**(4)** At the end of each page, both the Dr. and Cr. columns are totalled up just in front of each other. These totals must be equal because the amount debited in each entry equals the amount credited. These totals are carried forward to the next page

progressively upto the end of accounting period. For this purpose, the words 'carried forward or C/F are written in particulars column at the end of each page and the words Brought Forward or B/F are written at the start of each page.

## **Rules of Journalising**

**(1) Personal Accounts:** According to the rule of 'Debit the receiver', the personal account of the person to whom we give some money or goods is debited.

In the same way, according to the rule of 'Credit the giver', the personal account of the person from whom we receive some money or goods is credited.

**(2) Real Accounts:** - According to the rule of 'Debit what comes in and credit what goes out', the account of the cash or other property which is received by the business firm is debited and in the same way, the account of the Cash or other property which goes out of the business is credited.

**(3) Nominal Accounts:** - According to the rule of 'Debit all Expenses', the accounts of all expenses and losses are debited. Similarly, according to the rule of 'Credit all Income' the account of all incomes and profits are credited.

## **JOURNAL ENTRIES**

### **TRANSACTIONS RELATED TO GOODS**

**1. Purchase goods for cash**

**Purchase a/c Dr.**

**To Cash a/c**

**(Purchased goods for cash)**

**2. Purchase goods from Mahesh on credit**

**Purchase a/c Dr.**

**To Mahesh**

**(Good purchased from Mahesh on credit)**

**3. Sold goods for cash**

**Cash a/c Dr.**

**To Sales a/c**

**(Sold goods for cash)**

**4. Sold goods to Subhash on credit**

**Subhash Dr.**

**To sales a/c**

**(Sold good to Subhash on credit)**

**5. Drawings in Goods**

**Drawings a/c Dr.**

**To Purchase a/c**

**(Goods taken for personal use)**

**6. Goods given away as Charity**

**Charity a/c Dr.**

**To Purchase a/c**

**(Goods given away as charity)**

**7. Goods distributed as free sample**

**Advertisement Expenses a/c Dr.**

**To Purchase a/c**

**(Goods distributed as free samples)**

**8. Loss of goods by theft or loss by fire**

**Loss of Theft a/c Dr.**

**Loss by Fire a/c Dr.**

**To Purchase a/c**

**(Goods lost by theft and goods destroyed by fire)**

## **TRANSACTIONS RELATED TO BANK**

**1. When cash is deposited into the Bank.**

**Bank a/c Dr.**

**To Cash A/c**

**(Cash deposited into bank)**

**2. When cash is withdrawn from the Bank**

**Cash a/c Dr.**

**To Bank a/c**



**(Cash withdrawn from Bank)**

**3. When cheques are received from the customers are deposited into the bank on the same day.**

**Bank a/c Dr.**

**To Customer Personal a/c**

**(Customer cheque being deposited into the bank on the same day)**

**4. When cheques are received from the customers are not sent to the bank on the same day.**

**Cheque-in -hand a/c Dr.**

**To Customer Personal a/c**

**(Customer cheque not being deposited into the bank on the same day)**

**5. When Above cheque is deposited into Bank.**

**Bank a/c Dr**

**To Cheque-in-hand a/c**

**(Cheque which had received earlier now deposited into bank)**

**6. When payment made by issue of cheque.**

**Personal a/c Dr.**

**To Bank a/c**

**(Payment made by cheque)**

**7. When Expenses are paid by issue of cheque.**

**Expenses a/c Dr.**

**To Bank a/c**

**(Payment of Expenses by cheque)**

**8. When cash is withdrawn by bank for personal use by the proprietor.**

**Drawing a/c Dr.**

**To Bank a/c**

**(Amount withdrawn for private use)**

**9. When Amount is withdrawn from bank for office use.**

**Cash a/c Dr.**

**To Bank a/c**

**(Amount withdrawn from Bank for office use)**

**10. When interest is charged by the Bank.**

**Interest a/c Dr.**

**To Bank a/c**

**(Interest charged by bank)**

**11. When interest is allowed by the Bank**

**Bank a/c Dr.**

**To Interest a/c**

**(Interest allowed by bank)**

**12. When bank charges some amount for the service rendered by the Bank.**

**Bank Charges a/c Dr.**

**To Bank a/c**

**(Bank Charges)**

## **TRANSACTION RELATED TO EXPENSES OR INCOMES**

**1. Expenses paid in cash or by bank.**

**Expenses a/c Dr.**

**To Cash/Bank a/c**

**(Expenses paid)**

**2. Income received in Cash/ Bank**

**Cash / Bank a/c Dr.**

**To Income a/c**

**(Being income received in cash/ Bank)**

**3. Expenses are outstanding during the financial year.**

**Expenses a/c Dr.**

**To Outstanding Expenses a/c**

**(Expenses due but not yet paid)**

**4. Expenses paid in advance.**

**Prepaid Expense a/c Dr.**

**To Cash/ Bank a/c**

**(Being expense paid in advance by cash or bank)**

**5. Accrued income or Income due but not received.**

**Accrued or Outstanding income a/c Dr.**

**To Income a/c**

**(Income due but not Received)**

**6. Prepaid Income or Income received but yet due**

**Cash / Bank a/c Dr.**

**To prepaid Income a/c**

**(Income being received in advance)**

## **TRANSACTION RELATED TO ASSETS**

**1. Purchase of assets (machinery, furniture etc).**

**Asset / Machinery/ Building a/c Dr.**

**To Cash a/c**

**( Asset purchased for cash)**

**2. Sale of Assets**

**Cash a/c Dr.**

**To Assets a/c**

**(Assets sold for cash)**

**3. Depreciation**

**Depreciation a/c Dr.**

**To Assets a/c**

**(Depreciation on assets)**

#### **4. Bad debts**

**Cash a/c          Dr.**

**Bad debts a/c Dr.**

**To Debtors a/c**

**(Debtor became insolvent)**

#### **5. Bad debt Recovered**

**Cash a/c Dr.**

**To Bad debts Recovered a/c**

**(Being Bad debt recovered)**