

## JOURNAL ENTRY

- ❖ The word Journal has been derived from French word “Jour”. Jour means day
- ❖ So Journal means daily up to date record of economic transaction. It is just like a shopping bag which all transactions’ are recorder in order of their occurrences date wise (Chronological order)
- ❖ Every business transaction affects two or more accounts. Under double entry bookkeeping system equal debit and credit entries are made for every economic activity
- ❖ It is a book of Original Entry. It is first recording step. It records transactions in chronological order. Every transaction is to be recorded in Journal. Every organization has to maintain one Journal book at least, and General Journal is general purpose book of Prime Entry
- ❖ Entering transaction data in the journal is known as journalizing
- ❖ The journal makes three significant contributions to the recording process:
  - The journal discloses in one place the complete effect of a transaction
  - The journal provides a chronological record of transactions
  - The journal helps prevent or locate errors because the debit and credit amounts for each entry can be readily compared

### 7.1 Entry

Single record of the business transaction is called entry. We use this term to describe record transaction in Journal book

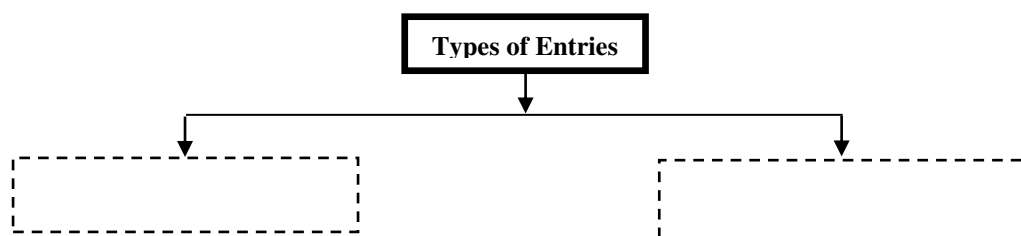
#### 7.1.1 Parts of Entry

There are three parts of Entry. First write in first line just after date line is Debit, second must write in below line after indented ten spaces from data line is Credit and last part is Narration which is brief description of transaction write within parenthesis

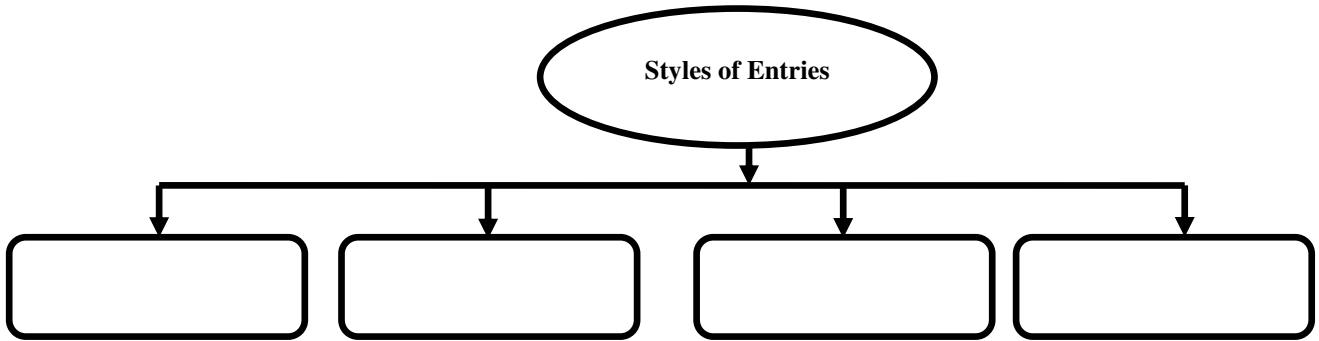
General Journal					
Date		Account Titles and Explanation	Ref	Amount (Rs)	
Year	Date			Debit	Credit
Month	Date	Debit elements of entry Credit elements of entry (Narration is brief description)		*****	*****
<b>Total</b>				*****	*****

#### 7.1.2 Types of Entry

There are two types of Entries. First is simple entry and second is compound entry. Simple Entry has one Debit and one Credit while, Compound Entry has more than on Debit or more than one Credit or more than one Debit and Credit

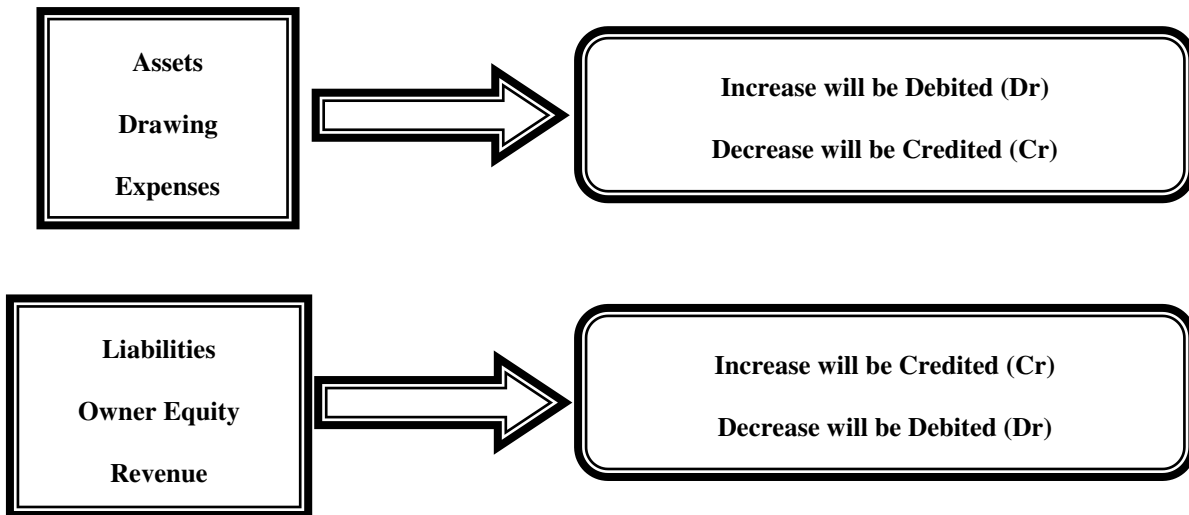


7.1.3 Styles of Entries



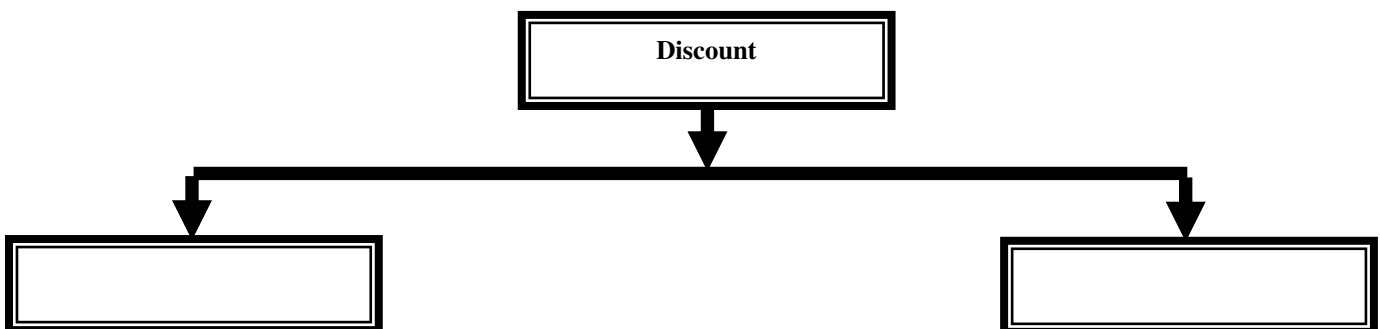
7.2 Application for Golden Rules of Debit and Credit

- We have divided six pillars into two groups. First group contains Assets, Drawing and Expenses have ruled that increase will be Debited and decrease will be Credited
- The second group contains Liabilities, Owner Equity and Revenue has ruled that decrease will be Debited and increase will be Credited. Now we would like to apply these rules one by one



7.3 Discount

- Discount is reduction in listed price
- There are two types i.e. Trade Discount and Cash Discount (if not mention than also cash discount)
- Trade Discount is not considering for entry while entries are passed for cash discount



**Example # 7.1:** Following transactions are related to Saifullah Naseem business. You are required to pass Journal Entries

June 1, 2016, Mr. Saifullah started business with cash Rs. 10,000 and Furniture Rs. 2,000

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2016					
June	1	Cash Furniture Owner's Equity (Started business with cash and furniture)		10,000 2,000	12,000

June 5. Purchased merchandise/goods on credit Rs. 5,000 from Ali Store

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit

June 7. Sold goods/ merchandise on credit Rs. 6,000 to Ahmed Brothers

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2016					
June	7				

June 15. Payment of creditors in full settlement of account Rs. 4,900 of June 5<sup>th</sup> transaction

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2016					
June	15				

June 20. Received from debtors in full settlement of account Rs. 5,800 of June 7<sup>th</sup> transaction

Date	Account Title and Explanations	Ref	Amount (Rs)	
			Debit	Credit
2016				
June 20				

June 25. Rs. 500 was privately used by Saifullah

Date	Account Title and Explanations	Ref	Amount (Rs)	
			Debit	Credit
2016				
June 25				

June 27. Purchase furniture of worth Rs. 60,000, having 10% trade discount

Date	Account Title and Explanations	Ref	Amount (Rs)	
			Debit	Credit
2016				
June 27				

June 28. Paid Salaries Rs. 1,500

Date	Account Title and Explanations	Ref	Amount (Rs)	
			Debit	Credit
2016				
June 28				

**Example # 7.2:** Cases When Purchases are Credit?

There are five cases when purchases are recorded as credited

*Case # 1* Goods Lost by Fire of Rs. 400

Date	Account Title and Explanations	Ref	Amount (Rs)	
			Debit	Credit
	Lost by Fire Purchases		400	400

*Case # 2* Goods Lost by Theft of Rs. 500

Date	Account Title and Explanations	Ref	Amount (Rs)	
			Debit	Credit
	Lost by Theft Purchases		500	500

*Case # 3* Goods distributed as Charity of Rs. 600

Date	Account Title and Explanations	Ref	Amount (Rs)	
			Debit	Credit
	Charity Purchases		600	600

*Case # 4* Goods distributed as Free Sample of Rs. 700

Date	Account Title and Explanations	Ref	Amount (Rs)	
			Debit	Credit
	Free Sample Purchases		700	700

*Case # 5* Goods withdrawal by Owner of Rs. 800

Date	Account Title and Explanations	Ref	Amount (Rs)	
			Debit	Credit
	Drawing Purchases		800	800

**Example # 7.3:** In the table below, indicate the accounts that would be debited and credited for each of the transactions?

1. Provide services to customers on account
2. Purchase land by paying cash
3. Purchase an insurance policy that will provide coverage for a two-year period
4. Acquire cash by issuing common stock
5. Receive payment from a customer for services that will be provided over the next six months
6. Cash deposited into bank
7. Purchased goods by cheque
8. Drew cash from bank for office use
9. Purchased goods from Miss Noreen
10. Cash sales made
11. Paid cash to Miss Noreen
12. Recognize expense for amount of office supplies already in stock, that had been used during the period
13. Discount Received by cash
14. Drew cash from bank for personal use of proprietor
15. Received cash from credit customer
16. Paid rent by cash
17. Furniture lost by fire

**Solution**

<i>S.no</i>	<i>Account Debited</i>	<i>Account Credited</i>
1	Account Receivable	Service Revenue
2	Land	
3		Cash
4	Cash	
5		Unearned Services
6	Bank	
7		Bank
8	Cash	
9		Account Payable_ Miss Noreen
10	Cash	
11		Cash
12	Supplies Expense	
13		Discount
14	Drawing	
15		Account Receivable
16	Rent	
17		Furniture

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