

JOURNAL ENTRY (II)

Example # 8.1: For each of the following, write Types of Accounts, Normal Balances, Increase and rule to Decrease?

<i>S.no</i>	Items	Types of Accounts	Normal Balance	Rule to Increase	Rule to Decrease
1	Cash/Bank	Asset			
2	Accounts Payable	Liability			
3	Retained Earnings	Owner's Equity			
4	Income Taxes	Expense			
5	Inventories	Assets			
6	Long term Debt	Liability			
7	Transportation in	Expense			
8	Prepaid Expenses	Asset			
9	Sales	Revenue			
10	Due from Customer	Asset			
11	Note Payable	Liability			
12	Bill Receivables	Asset			
13	Salary Outstanding	Liability			
14	Rent and Taxes	Expense			
15	Resources owed	Liability			
16	Expired Cost	Expense			
17	Return inward	Contra Revenue			
18	Intangibles	Asset			
19	Carriage Outward	Expense			
20	Common Stock	Owner's Equity			
21	Dividend paid	Expense			
22	Discount on Purchases	Revenue			
23	Sundry Debtors	Asset			
24	Return Outward	Contra Expense			
25	Unexpired Revenue	Liability			
26	Resources Owned	Asset			
27	Loss and Capital Loss	Contra O.E			
28	Accumulated Depreciation	Contra Asset			
29	Leasehold Land	Assets			
30	Bad Debts	Expense			
31	Other Income	Revenue			
32	Unexpired Expense	Asset			
33	Insurance Premium	Expense			
34	Due to Vendors	Liability			
35	Profit or Capital Gain	Owner's Equity			
36	Drawings	Drawings			
37	Depreciation Expense	Expense			
38	Expired Cost	Expense			
39	Provision for Bad Debts	Contra Assets			
40	Loan to Employees	Asset			

Example # 8.2: Journalize the following transactions:

2023

Feb. 01 Rayyan Maqsood Commence business with cash Rs. 25,000.

04 Purchase furniture for cash Rs. 4,000.

06 Bought goods on credit 2,500.

08 Rent for two years paid in advance 3,000.

11 Drawings by the proprietor for household expenses 500.

13 Goods sold on account Rs. 5,000.

14 Paid Rs. 1,000 of accounts payable.

18 Purchases office equipment from Najeebullah 4,500.

23 Cash received from on account 3,500.

28 Electricity bill paid 700.

Solution:

General Journal

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2023					
Feb.	01				
	04				
	06				
	08				
	11				
	13				
	14				
	18				
	23				
	28				
		Total			

8.1. Opening Entry

- At the beginning of every new accounting year, new books of accounts are opened and the balances relating to Assets, Liabilities and Owner's Equity (Permanent Accounts) appearing in the books at the close of the previous year are brought forward in new books.
- The entry for this purpose in the books is called opening entry.
- The opening entry is passed by debiting all assets and crediting all liabilities and owner's equity account.
- If the amount of owner's equity is not given then this can be found out with the help of the accounting equation:
- $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$
- $\text{Owner's Equity} = \text{Assets} - \text{Liabilities}$

Example # 8.3: On 1st April 2022, Usman Qadeer’s assets and liabilities stood as follows:

Assets: Cash Rs. 6,000, Bank Rs. 17,000, Stock Rs. 3,000; Bills receivable Rs. 7,000; Debtors Rs. 3,000; Building Rs. 70,000; Investments Rs. 30,000; Furniture Rs. 4,000.

Liabilities: Bills payable Rs. 5,000, Creditors Rs. 9,000, Ali's loan Rs. 13,000.

Requirement: Pass on opening journal entry.

Solution:

General Journal

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2022					
April	1				
		Total		Rs. 140,000	Rs. 140,000

Example # 10.4: Journalise the following transactions in the General Journal of Raza Akbar.

Debit Balances as on Jan. 1, 2024: Cash in hand Rs. 8,000; Cash at Bank Rs. 25,000; Stock of goods Rs. 20,000; Furniture Rs. 2,000; Building Rs. 10,000; Account Receivable - Sadia Rs. 2,000, Saad Rs. 1,000 and Waleed Rs. 2,000.

Credit Balances on Jan. 1, 2024: Account Payable - Haris Rs. 5,000; Loan from Fatima Rs. 10,000. The following were further transactions in the month of Jan, 2024:

- 03 Purchased goods worth Rs. 5,000 for cash less 20% trade discount.
- 05 Purchased plant from Salman Javed for Rs. 6,000 and paid Rs. 500 as cartage for bringing the plant to the factory and another Rs. 2,000 as installation charges.
- 06 Sold goods to Hashim Abbasi for cash Rs. 1,000.
- 07 Cash withdrawn from bank 2,500.
- 09 Sold goods to Afaq on credit Rs. 2,000.
- 10 Paid Salman Javed Rs. 5,800 in full settlement.
- 11 Interest received from Huzaifa Rs. 300
- 12 Invoiced a client Mr. Qasim for Rs. 3,600 for services provided.
- 14 Invested in Government securities Rs. 5,000.
- 15 Purchases merchandising, on credit from supplier ABC Trading 1,500.
- 16 Cash customer returned goods to us Rs. 900.
- 17 Withdraw goods from business for personal use Rs. 200.
- 18 Bought Rs. 8,000 worth of new inventory on account under credit terms of 2/10, n/30.
- 19 Received Rs. 1,980 from Afaq and allowed him Rs. 20 as discount.
- 20 Purchased goods worth Rs. 10,000 for cash less 20% trade discount and 5% cash discount.
- 21 Drew a cheque for pretty cash Rs. 1,200.
- 22 Received cash for Rs. 3,000 of accounts receivable - Ali.
- 23 Paid by cheque fire insurance premium Rs. 7,500.
- 24 Paid to creditor for January 18th, transaction.
- 25 Paid electricity of Rs. 2,200.
- 26 Furniture Lost by fire Rs. 14,500.
- 27 Paid interest on loan Rs. 500.
- 28 Received dividend on shares of A & Co. Ltd. Rs. 13,000.
- 29 Defective goods return to supplier (January 15th transactions) of worth Rs. 800.
- 30 Deposited Rs. 4,000 into bank account.

*Solution:*

General Journal

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2024					
Jan	01				



	16				
	17				
	18				
	19				
	20				
	21				
	22				
	23				
	24				
	25				
	26				
	27				
	28				
	29				
	30				
		Total			

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