

8

JOURNAL

8.1 INTRODUCTION

In the first lesson, you have learnt about the various Business Transactions and the meaning of Book-keeping. In the previous lesson, you have learnt the various rules of debit and credit, in relation to various accounts. In this particular lesson, you will learn how to record Business transactions in a Book of account which is named as '**Journal**'. In this Book, we record the various Business Transactions datewise and in the order in which they occur. This process of recording transactions in Journal is known as '**journalising**'. Journalising is the first step in Book-keeping.

8.2 OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning and format of journal;
 - list the different rules of Journalising;
 - journalise the simple and compound transactions;
 - classify journal into Special Journal and General Journal;
 - explain Special Journals with the help of Business transactions;
 - explain General Journal with the help of examples of Business transactions.
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8.3 JOURNAL : MEANING AND FORMAT

The term 'Journal' comes from a French word 'Jour' meaning 'day'. In a Journal, all day to day business transactions are recorded in a sequence or date-wise. Transactions when recorded in a Journal are known as entries. It is the book in which transactions are recorded for the first time and then they are classified into other Books of accounts. This Journal is also known as 'Book of original record' or 'Book of prime Entry'. It can be said that Journal means prime Book of original Entry in which transactions are recorded for the first time in order of date and their occurrence.

Business transactions of financial nature are classified into various categories of accounts such as assets, liabilities, Capital, revenue and expenses. These are debited or credited according to the rules of debit and credit applicable to the specific accounts. This process of recording entries in the Journal is known as 'Journalising'.

In small Business House, generally, one Journal Book is maintained and then the entries are posted from there to concerned accounts in the ledger, Ledger is a book which contains various accounts. But in case of Big Business Houses transactions are directly recorded into various Special Journal depending upon the types of transactions like all credit sales in Sales Book, Cash transactions like receipts and payments of cash in Cash Book and so on. More details of ledger will be studied in subsequent lessons.

Format of Journal:

JOURNAL

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

The following are the details of the various columns of the Journal:

(1) Date

In this column of the Journal, we record the date of the transactions with its month and year. We write year only once at the top and need not repeat it with the months.

Example: Date
1907
May. 5

(2) Particulars

The details regarding a transaction i.e. the accounts which have to be debited or credited are recorded in this column. The entry is recorded in this column in the following way:-

In the first line, the account which has to be debited is written and then the short form of Debit i.e. Dr. is written against that account's name in the right corner.

In the second line after leaving some space from the left of the entry in the first line the account which has to be credited is written starting with preposition 'To'. Then in the third line, Narration for that entry which explains the particular transaction is written within Brackets. Explanation should be short, complete and clear. Most of the time, it starts with 'For' or 'Being'. After every journal entry, horizontal line is drawn in the particulars column to separate one entry from the other.

Example: Rent paid in cash

Particulars

Rent A/cDr

To Cash A/c

(To rent paid in Cash)

(3) Ledger Folio

The transactions entered in a Journal are posted, to the various related accounts in the 'ledger'. In ledger-folio, we enter the page-number where the account pertaining to the entry is opened and posting from the Journal is made.

(4) Dr. Amount

In this column, the amount to be debited is written against the same line in which the account was debited.

(5) Cr. Amount

In this column, the amount to be credited is written against the same line in which the account credited was written.

Example:

JOURNAL

Date	Particulars	L.F.	Dr. Amount (Rs.)	Cr. Amount (Rs.)
1997 May 5	Rent A/c..... Dr To Cash A/c (Being Rent paid in Cash)		1,000	1,000

(6) At the end of each page, both the Dr. and Cr. columns are totalled up. The total of both these column should be equal as the same amount is entered in the debit as well as credit column. These totals are carried forward to the next page with the words 'total carried forward (c/f) and then at the top of the next page in Particulars column, we write total rough forward (b/f)

INTEXT QUESTIONS 8.1

Complete the following sentences with the appropriate words:

- i. Journalising is the process of entering transactions in
- ii. Another name for Journal is
- iii. Transactions, when recorded in Journal, are entered as
- iv. The explanation of a Journal entry is known as
- v. In a Journal entry preposition is used before the name of the account to be credited

8.4 PROCESS OF JOURNALISING

The following steps lead to the preparation of a journal:

i) Identifying the Affected Accounts

First of all, the affected accounts should be identified. For example, if goods worth Rs.1000 are purchased for Cash, then goods and 'Cash' are the two affected accounts.

ii) Recognising the kinds of affected Accounts

The kinds of the affected accounts should be determined e.g. in the above Case, 'goods' and 'Cash' are both asset Accounts.

iii) Applying the Rules of Debit and Credit

Then the rules of 'debit' and 'credit' should be applied to the affected account. You are aware of these rules. However, for the revision purposes, these are given below:-

- a) Asset and Expense Account are debited on increases and credited on decreases.
- b) Liability, Capital and Revenue Accounts are debited on decreases and credited on increases.

In the example given under point (i) when goods are purchased, the assets are increasing. Therefore, Goods Account will be debited and as payment is made in cash Assets are decreasing. Therefore, Cash Account will be credited.

iv) Now, the journal entry will be passed in the Journal accompanied by a brief explanation i.e. narration. The corresponding amounts will be written in the debit and credit columns. After completing one entry, a horizontal line will be drawn and an entry for the next transaction will be entered in the journal.

The transaction, given above in the example, will be journalised in the following way:

Goods A/c or Purchases A/c	Dr. 1,000	
To Cash A/c		1,000
(Being goods purchased for Cash)		

Illustration 1

Enter the following transactions in the Journal.

1997.

Jan 1	Ajay started business with	Rs. 1,00,000
Jan 2	Goods purchased for cash	Rs. 20,000
Jan 4	Machinery Purchased from Vivek	Rs. 30,000
Jan 6	Rent paid in cash	Rs. 10,000
Jan 8	Goods purchased on credit from Atul	Rs. 25,000
Jan 10	Goods sold for cash	Rs. 40,000
Jan 15	Goods sold on credit to Vikas	Rs. 30,000
Jan 18	Salaries paid	Rs. 12,000
Jan 20	Cash withdrawn for private purposes	Rs. 5,000

As explained above before passing the journal entries, it is very essential to determine the kinds of accounts to be debited and credited. This is shown in the Analysis Table.

Tabular Analysis of Transactions

Date	Particulars	Affected Accounts	Kind of Accounts	Increase or Decrease in Accounts	Debited Accounts Dr.	Credited Accounts Cr.
199						
Jan. 1	Cash received from the owner Ajay	Cash Capital	Asset Capital	Increase Increase	Cash A/c	Capital A/c
Jan. 2	Goods purchased for cash	Goods Cash	Asset Asset	Decrease Decrease	Goods A/c	Cash A/c
Jan. 4	Machinery purchased on Credit from Vivek	Machin- ery Vivek	Asset Liability	Increase Increase	Machinery A/c	Vivek A/c
Jan 6	Rent paid in cash	Rent Cash	Expense Asset	Increase Decrease	Rent A/c	Cash A/c Cash A/c
Jan 8	Goods purchased from Atul on Credit	Goods Atul	Asset Liability	Increase Increase	Goods A/c	Atul A/c
Jan 10	Goods sold for Cash	Cash Goods	Asset	Increase	Cash A/c	Goods A/c
Jan. 15	Credit to Vikas	Vikas (Debtor) Goods	Asset	Increase	Vikash	Goods A/c A/c
Jan. 18	Salaries paid in cash	Salaries Cash	Expense Asset	Increase Decrease	Salaries A/c	Cash A/c Cash A/c
Jan. 20	Cash withdrawn for private purposes	Drawings Cash	Capital Asset	Increase Decrease	Drawings A/c	Cash A/c

On the basis of the above table, following entries can be passed in the Journal

Journal of Ajay

Date	Particulars	L.F.	Dr. Amount Rs.	Cr. Amount Rs.
1997 Jan 1	Cash A/c Dr. To Ajay Capital A/c (Being Capital invested by Ajay)		1,00,000	1,00,000
Jan. 2	Goods A/c Dr. To Cash A/c (Being goods purchased for Cash)		20,000	20,000
Jan. 4	Machinery A/c Dr. To Vivek's A/c (Being Machinery purchased for Vivek)		30,000	0,000
Jan. 6	Rent A/c Dr. To cash A/c (Being rent paid)		10,000	10,000
Jan	Goods A/c Dr. To Atul's A/c (Being goods sold for Cash)		40,000	40,000
Jan. 10	Cash A/c Dr. To Goods A/c (Being goods sold for Cash)		40,000	40,000
Jan.	Vikas's A/c Dr. To Goods A/c (Being goods sold on Credit to Vikas)		30,000	30,000
Jan 18	Salaries A/c Dr. To Cash A/c (Being Salaries paid)		12,000	12,000
Jan.20	Drawings A/c Dr. To Cash A/c (Being cash withdrawn by the owner for Private purposes)		5,000	5,000
	Total		2,72,000	2,72,000

INTEXT QUESTIONS 8.2

Below are given certain transactions. Write the names and kinds of affected accounts in the given columns of debit and credit:-

Transactions	Dr.		Cr	
	Name of A/c	Kind of A/c	Name of A/c	Kind of A/c
(i) Started business with cash	Cash A/c	Asset	Capital	Capital
(ii) Credit purchases of goods				
(iii) Commission paid by cheque				
(iv) Cash deposited into Bank				
(v) Interest received in cash				
(vi) Furniture purchased from Mukesh				
(vii) Goods sold by Ramesh				

2. Write down the narrations for the following Journal entries in the space provided:-

(i) Cash A/c To Goods A/c ()	Dr.	(ii) Goods A/c To Vinay ()	Dr.
(iii) Cash A/c To Bank A/c ()	Dr.	(iv) Cash A/c To Atul ()	Dr.

3. Complete the following journal entries:-

(i) Amit To _____ A/c (Being goods sold to Amit)	Dr.	(ii) _____ To Cash A/c (Being commission Cash)	Dr.
(iii) Cash A/c To _____ A/c (Being interest received in Cash)	Dr.	(iv) Goods A/c To _____ A/c (Being goods purchased from Rohit for Cash)	Dr.

If you match the first two simple entries with the converted compound entry, you will find that there is no difference between them. The compound entries save time and space. Such compound entries are made in the following cases:

- a) When two or more transactions occur on the same day.
- b) One aspect i.e. either the Debit account or Credit account is common.

A few more examples of compound entries are:-

I) BAD DEBTS

When a debtor does not pay the amount due to him, the unpaid amount is known as bad debts. Sometimes, a debtor pays part of the money only. A business concern, for example receives 25% of Rs.10,000 due from Harish and the remaining amount becomes bad debts for the business.

The compound entry for this transaction will be :-

Cash A/c	Dr.	2,500	
Bad debts A/c	Dr.	7,500	
			10,000
To Harish's A/c			10,000
(Being part payment received from a debt due of Harish)			

II) DISCOUNT

There are two types of discount:

a) Cash Discount

Sometimes, when the goods are sold on credit to the customers, a discount is allowed to them for encouraging them to make timely payments. This discount is deducted from the amount to be received from the customer.

Now if Rohit has to make payment of Rs.1,000 to Ram Kumar & sons for a credit sale within period of one month. Ram Kumar

& sons may allow him a discount of Rs.100 in case he make this payment within the prescribed time limit. In other words, rohit will be required to pay Rs.900 only. if he makes the payment within one month. As discount allowed is a loss or expense for the Business, it will be debited in the books (i.e. expense is increasing). but for Rohit, it is a gain or revenue, so it will be credited in his books (i.e. increase in revenue)

b) Trade Discount

When the customer buys goods in bulk or in large quantities, this type of discount is allowed to him. This is to encourage him to buy more and more. When the bill is prepared for the purchases, this discount is reduced from the total amount payable. No entry is made for this type of discount in the journal i.e. it is not recorded in the books of accounts.

Now if Sumit buys goods worth Rs.10,000 from shyam Lal & co., and the firm allows trade discount of 10%. Then, sumit will be required to pay only Rs.9,000 [10,000 - 1,000 (10% of 10,000)] and in this case Rs.1,000 discount will not be recorded in the journal.

This can be clear from the following illustration:

Illustration:

Enter the following transactions in the books of Sarita.

Jan.8 Purchased goods worth Rs.4,000 from Sarita on credit.

Jan.12 Neha Purchased goods worth Rs.4,000 from Sarita on credit.

Jan.18 Received a Cheque from Neha in full settlement of her account Rs.3,850.

Discount allowed to her Rs.150

Jan.20 Payment made to Manish Rs.4,900.

discount allowed by him Rs.100.

Jan.22 Purchased goods for cash Rs.10,000.

Jan.24 Goods sold to Kavita for Rs.15,000.

Trade discount @ 20% allowed to her.

Jan.29 Payment received from Kavita by Cheque.

The above transactions will be entered in the following journal as follows:

Journal of Sarita

Date	Particulars	L.F.	Dr. Amount Rs.	Cr. Amount Rs.
Jan.8	Purchases A/c To Manish A/c (Being goods Purchased on credit from Naish)	Dr.	5,000	5,000
Jan. 12	Neha's A/c To Sales A/c (Being goods sold on credit to Neha)	Dr.	4,000	4,000
Jan. 18	Bank A/c Discount A/c To Neha's A/c (Being payment recived from and discount allowed to Neha)	Dr. Dr.	3,850 150	4,000
Jan. 20	Manish's A/c To Cash A/c To Discount A/c (Being payment made and discount allowed by Manish)	Dr.	5 000	4,900 100
Jan. 22	Purchases A/c To Cash A/c (Being goods worth Rs.15,000 sold to Kavita at a Trade discount of 20%).	Dr.	10,000	10,000
Jan. 29	Bank A/c To Kavita's A/c (Being payment received from Kavita by Cheque)	Dr.	12,000	12,000
Total			52,000	52,000

ADJUSTING ENTRIES

Business concerns receive or pay some amount during the accounting period, but such receipts or payments may not be fully utilised by the close of the accounting year. For example, Rent paid for three months on 1st March, Rs.300. If the accounting period starts on 1st April, then at the close of year on 31st March, Rent of Rs.2,000 will be considered as amount paid in advance on 31st March and adjustment will have to be made for adjusting the entire of Rs.2,000 which belongs to the next period. Some such adjustments are:

(1) Outstanding Expenses

An expense for the current accounting period should be debited (as increase in expense is to be debited). It is immaterial whether it is paid in that accounting period or not. In case the same expense is not paid during the year, it becomes outstanding for that particular year. It is the liability of the business for that year and, thus, this account will be credited, because liabilities are credited for increase.

For example, if salaries are outstanding for Rs.5,000 for December 1996 then the entry will be made as follows:

Salaries A/c	Dr.	5,000	
			5,000
		To Salaries outstanding A/c	

(Being salaries remaining unpaid
for the month of December)

(2) Prepaid Expenses

This is an expense relating to the next year that has been paid in advance during the current year. Thus, in such a case, this amount should not be treated as an expense for this year. It should be treated as an asset in the current year as the services will be received only in the next year (but the payment has been received in this year). As an increase in asset is debited, so prepaid expense account will also be debited.

If, for example, Insurance is prepaid for 1997 in 1996 for Rs.3,000 then entry will be made as follows:

Prepaid Insurance A/c	Dr.	3,000	
To Insurance A/c			3,000
(Being insurance paid in advance)			

ACCRUED INCOME

In such a situation, income has been earned but it has not been received till now. So, Accrued Income is an asset, as the benefit will be received in the period ahead. As there will be an increase in the assets, it will be debited.

For example, Rent (Income) is outstanding for the month of November Rs.4,000. thus the entry in such a case will be:

Accrued Rent A/c	Dr.	4,000	
To Rent A/c			4,000
(Being Rent due but not yet received for the Period)			

Note: Here Rent A/c has been credited for the increase to be made in the amount of Rent for the period of November, which has to be included in the total Rent.

INCOME RECEIVED IN ADVANCE

Whenever Income is received in advance during the current year, it should not be included in that year's income. As this income pertains to the next year, it cannot be treated as income in the present year, so it becomes a liability. As there is an increase in the liability, it should be credited.

For example, if Rent is received in advance for the period Jan. and Feb. 1997 in Dec. 1996, Rs.9,000. Then the entry will be

Rent A/c	Dr.	9,000	
To Rent Received in advance A/c			9,000
(Being rent received in advance for Jan. & Feb. in the month of Dec. 1996)			

Note: Here Rent A/c has been debited as it has to be decreased by Rs.9,000 being Rent of Jan. and Feb. 1997 which should not be included in the month of Dec. 1996 as the services have not yet been rendered.

MISCELLANEOUS ENTRIES

(a) Depreciation

Depreciation means decline in the value of an asset due to its use. It is a loss for the business. Increase in expenses and losses are debited, so depreciation is also to be debited. The value of the asset will also be reduced because of depreciation. As a decrease in assets is credited, so the same asset account will be credited.

For example, Depreciation on furniture is Rs.3,000 charged for the year, Journal entry will be:

Depreciation A/c	Dr.	
		3,000
	To Furniture A/c	3,000
(Being Depreciation charged on furniture)		

INTEREST ON CAPITAL

Business may allow interest on capital to its proprietor, it is an expense for the business. As the expense is debited for the increase, interest on capital will be debited. The other account involved here is capital account. As Capital is increasing, it will be credited with the amount of interest on capital.

For example, Interest allowed on capital is Rs.2,500. Thus, the journal entry will be

Interest on Capital A/c	Dr.	
		2,500
	To Capital A/c	2,500
(Being interest on Capital allowed)		

DRAWINGS

When the proprietor withdraws money from the business for his personal or domestic use, it is known Drawings. Drawings reduce the amount of Capital As decrease in Capital is debited, drawings will also be debited As Cash will be decreased as an asset, it will be credited.

For example, Cash withdrawn by the proprietor for his personal use Rs.4,000. So the journal entry will be

Drawings A/c	Dr.	4,000	
			To Cash A/c
			4,000

(Being amount withdrawn by
the proprietor for his personal use)

INTEXT QUESTIONS 8.3

- (1) Fill in the blanks with suitable words:
 - (i) A combination of two more simple journal entries is known as
 - (ii) Bad debts are in the journal, as they are loss to the Business.
 - (iii) In journal, only discount is recorded.
 - (iv) No entry is made for discount in the Journal.
 - (v) Prepaid Expenses are in the journal.
 - (vi) Accrued Income is on the journal.
 - (vii) Depreciation reduces the value of an
 - (viii) when the proprietor withdraws money from the business for his personal use, then A/c is debited and A/c is credited

(2) Complete the following journal entries:

(i) Drawings A/c----- Dr.

To----- A/c

(Being money withdrawn from Bank for Personal use)

(ii) Cash A/c----- Dr.

----- Dr.

To Rohit's A/c

(Being payment received from Rohit in final settlement of his a/c)

(iii) A/c -----Dr.

To Rent A/c

(Being rent paid in advance)

(iv) Interest on Capital A/c Dr.

To -----A/c

(Being interest allowed on capital)

(v) -----A/c Dr.

To Commission outstanding A/c

(Being commission outstanding for Dec.)

(vi) Cash A/c----- Dr.

-----A/c Dr

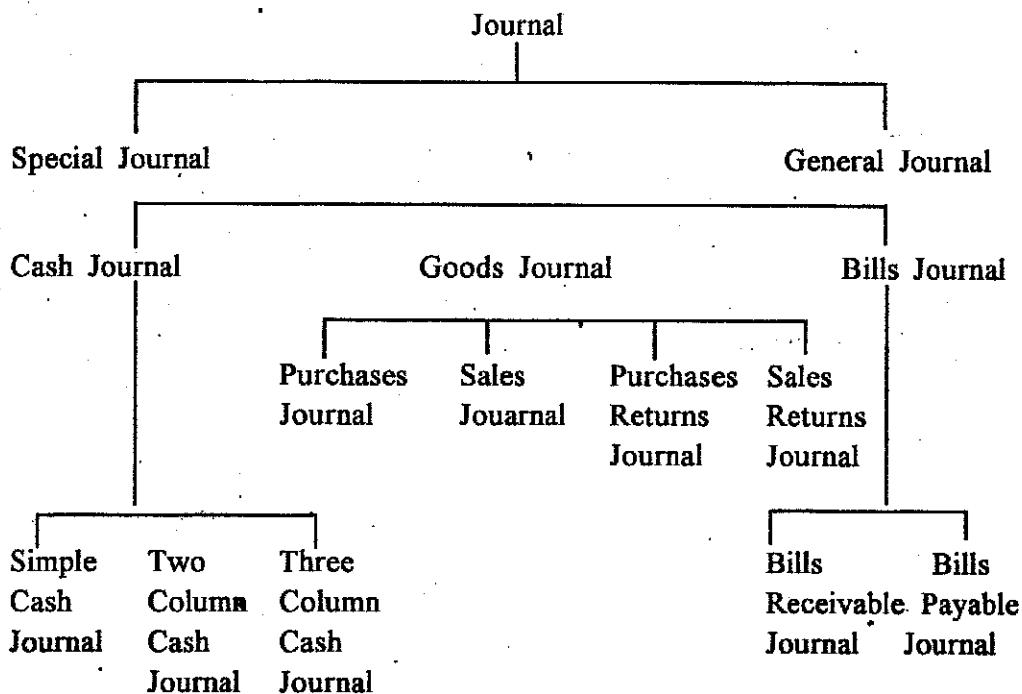
To Satish's A/c

(Being part payment of a debt received due to insolvency of Satish)

8.6 CLASSIFICATION OF JOURNAL

Journal can be classified or sub-divided into various special journals and General Journal. These Books are also known as Subsidiary Books. This sub-division becomes essential as the size of the business expands.

Classification of Journal can be explained with the help of the following chart:



From the above chart, it is clear that journal is classified into various special journals or subsidiary books and General journal. These journals are explained below:

I. Special Journals

Special journals are those journals which are meant for recording all the transactions of a repetitive nature. For example, all cash transactions may be recorded in one book, all credit purchases in another book and so on

There are mainly seven special journals which are specifically prepared for the transactions of similar nature. These are

i) Cash Journal / Cash Book

Cash Journal or Cash Book is meant for recording all cash transactions i.e., all cash receipts and all cash payments in business. This book helps us to know the balance of Cash in hand at any point of time. It is of various types:

- (a) **Simple Cash Book:** It records only receipts and payments of cash. It is like an ordinary Cash Account.
- (b) **Two (Double) Column Cash Book:** This Cash Book has an additional Discount column on each side. Discount column on the debit side records the amount of discount allowed to outsiders and the discount column on the credit side records the amount of discount allowed to the firm.
- (c) **Three Column Cash Book or Bank Cash Book:** This type of Cash Book also contains one more column on each side for the Bank transactions. This Book provides additional information about the Bank Balance.

More details about Cash Book are given in the next lesson.

(ii) Purchases Journal/Purchases Book

This journal is meant for recording all credit purchases of goods, Cash purchases of goods are recorded in the Cash Book. In this journal, purchases of other things like machinery, typewriter, stationery etc. are not recorded. Goods means articles meant for resale or materials and stores used in the factory.

(iii) Sales Journal / Sales Book

This journal is meant for recording all credit sales of goods dealt in by the firm. Cash Sales are recorded in the Cash Book and not in the Sales Book. Credit Sale of things other than the goods dealt in by the firm like sale of furniture, machinery etc. are not entered in the Sales Journal.

iv) Purchases Returns or Returns Outward Journal

Whenever, the businessman is not satisfied with the quality of goods

purchased, he returns these goods to the suppliers. These returns are entered in a book known as Purchases Returns Book. It is also known as Returns Outward Book.

v) Sales Returns or Returns Inward Journal

Sometimes, when the goods are sold to the customer and they are not satisfied with the goods, they may return these goods to the businessman. Such returns are known as sales Returns. Just like Purchases Returns, they are also recorded in a Book which is known as Sales Returns or Returns Inward Journal.

Note: More details about these special journals are given in subsequent lessons

vi) Bills Receivable Journal / Book

Before we discuss the details of Bills Receivable Book, it will be necessary to understand the meaning of Bill of Exchange. Whenever the businessman sells goods on credit to his customers, he is under a risk of losing his money. The debtor may or not make the payment of his debt. Therefore, to reduce such risk, the businessman enters into a written agreement with his debtor. This written agreement between the creditor and the debtor is known as Bill or Bill of Exchange. Under this agreement, the businessman (creditor) orders the debtor to pay a specified sum of money, on a specified date, to him or to any other person, as ordered. This bill is duly signed and stamped by the businessman (creditor) and given to the debtor for his acceptance. After accepting the debtor signs the bill and returns it to the creditor.

As its payment will be received by the creditor, it is Bill Receivable for him. And as the payment will be made by the debtor, so it is bill payable for him. For example, Rohit sold goods worth Rs.5,000 to Mohit on credit. Rohit draws a bill on Mohit to pay back the amount after three months. Mohit accepts the bill.

Here, for Rohit, it is Bills Receivable as he has made an order to Mohit to pay the amount on a due date.

As for Mohit, it is Bill Payable as he has accepted the bill of Mohit to make the payment on a due date.

Let us now see what a Bill receivable Book is :

If a firm frequently receives bills from its debtors, then it would be convenient to record such transactions in a separate book called Bills Receivable Journal/Book.

vii) Bills Payable Journal

This is a journal in which record of those bills is kept on which the firm has given its acceptance for making payments on later dates.

II. General Journal

It is also known as Journal Proper. It is meant for recording all such transactions for which no special journal has been maintained in the business. Therefore, in this journal, all such transactions are recorded which do not occur frequently and for these transactions no special journal is required. For example, if Machinery is purchased on credit it will be recorded in the journal proper. Because in the Cash Book we will record only cash purchases of Machinery. Similarly, many other transactions, which do not find their place in the special journals will be recorded in the General Journal such as

- (i) Outstanding expenses — Salaries outstanding, Rent outstanding etc.
- (ii) Prepaid expenses — Prepaid Rent, Salaries received in advance
- (iii) Income received in advance — Rent received in advance, interest received in advance, etc.
- (iv) Accrued Incomes — Commission yet to be received, interest yet to be received.
- (v) Interest on Capital.
- (vi) Depreciation
- (vii) Credit Purchase and Credit Sale of fixed Assets-Machinery Furniture.
- (viii) Bad debts.
- (ix) Goods taken by the proprietor for personal use.

CONTEXT QUESTIONS 8.4

Fill in the blanks with suitable words:

- (i) Return of goods purchased by the businessman to the suppliers will be entered in Journal.
- (ii) In Journal, credit purchases of Assets is not recorded.
- (iii) When the payment is to be made by the debtor, under a written agreement it is for him.
- (iv) An order made by the creditor to his debtor, to make the payment on a specified date is known as
- (v) In Journal, all such transactions are recorded for which no special journals are maintained.
- (vi) Assets sold on credit are entered in

7 WHAT YOU HAVE LEARNT

The Book in which all businessman transactions are recorded datewise in a systematic manner, is known as Journal.

Transactions when recorded in a Journal are termed as 'Entries'.

A Journal contains the following columns:

1. Date; 2. Particulars; 3. Ledger folio; 4. Debit Amount; 5. Credit Amount.

Rules of Journalising

Asset A/c	: Increase Dr.	Decrease Cr.
Liability A/c	: Increase Cr.	Decrease Dr.
Capital A/c	: Increase Cr.	Decrease Dr.
Revenue A/c	: Increase Cr.	Decrease Dr.
Expenses A/c	: Increase Dr.	Decrease Cr.

Brief explanation of a journal entry is known as Narration.

6. A combination of two or more simple journal entries is known as compound entries.
7. Cash discount is recorded in the journal whereas no entry is made for Trade Discount.
8. When the amount paid or received is not properly utilized by the end of an accounting year, this amount is adjusted by way of adjusting entries.
9. In big business houses, a journal is classified into various special journals which records transaction of similar and repetitive nature.
10. All those transactions which arise occasionally are recorded in General Journal.
11. Special Journals: these are used for recording specific transactions
 - (i) Cash Book: for all cash receipts and cash payments.
 - (ii) Purchases Book: for credit purchases of goods.
 - (iii) Sales book: for credit sale of goods.
 - (iv) Purchases Returns Book : for Returns of (goods) purchased by the firm.
 - (v) Sales Returns Book : for returns of sales (goods by customers).
 - (vi) Bills receivable Book . for bills received by the business from debtors.
 - (vii) Bills Payable book : for bills issued by the business to other parties.

8.8 TERMINAL QUESTIONS

Answer the following questions in 1-10 words or one sentence.

- (i) What is a Journal?
- (ii) Why is journal known as Prime book of original entry?

2. Write the meaning of the following in one sentence each:
- (i) Narration
 - (ii) Ledger folio
 - (iii) B debts
 - (iv) Cash Discount
3. The following journal entries have been made by learner. You are required to pass correct entries wherever you think them to be wrong:
- (i) Proprietor brought capital into Business
Capital A/c----- Rs.
To Cash A/c
 - (ii) Goods Sold for Cash
h A/c ----- Rs.
To Goods A/c
 - (iii) Machine Purchased in Cash
Purchases A/c -----Rs.
To Cash A/c
 - (iv) Goods sold to Ram for cash
Ram A/c
To Sales A/c
 - (v) Salary paid to the Clerk
Clerk's A/c----- Rs.
To Salary A/c
 - (vi) Rent paid in advance
Prepaid Rent A/c Rs.
To Cash A/c
4. Distinguish between Special and General journals. (30-50 words)
5. Journalise the following transactions:
- (i) Started business with cash Rs.3,00,000

- (ii) Bought Goods on credit for Rs.5,000 for cash
- (iii) Sold Goods for cash Rs.12,000 and on credit Rs. 8,000
6. Explain the process of journalising the transactions with suitable examples. (100-150 words)
7. What are subsidiary Books? Explain briefly any three of them. (100-150 words)
8. What are Compound Entries? Explain with suitable examples. (100-150 words)
9. What are adjusting Entries? Give examples of any two such entries. (100-150 words)
10. Enter the following transactions in Journal

1996

July 1	Sahil & Co. started business with cash	1,00,000
" 2	Purchased Machinery for cash	30,000
" 6	Bought goods from Naresh	20,000
" 14	Paid salaries	5,000
" 15	Sold goods to Rajesh Kumar	15,000
" 17	Paid for sundry expenses	8,500
" 18	Cash deposited into Bank	20,000
" 19	Received rent	6,000
" 22	Paid Naresh by cheque in full settlement his A/c	19,250
" 24	Withdrawn cash for personal use	8,000
" 26	Salaries paid in advance Vijay	2,500
" 28	Rajesh Kumar made payment in full settlement of his A/c	14,000
" 30	Cash Sales for the month	16,500

11. The following are the transactions of K.Singh & Singh Co. for the month of January. Journalise these transactions.

1997

Jan.1	Capital paid into Bank	3,00,000
" 1	Bought stationary for cash	400
" 2	Bought goods for cash	25,000
" 3	Bought postage stamps	
" 5	Sold goods for cash	10,000
" 6	Bought office furniture from mahendra Bros.	40,000
" 11	Sold goods to Jacob	2,000
" 12	Received cheque from Jacob	12,000
" 14	Paid Mahendra Bros. by cheque	40,000
" 16	Sold goods to Ramesh & Co	5,000
" 20	Bought from S Seth & Bros	15,000
" 23	Bought goods for cash from S.Narain & Co	22,000
" 24	Sold good to P.Prakash	17,000
" 26	Ramesh & Co. Paid on account	2,500
" 28	Paid S.Seth & Bors. by cheque in full settlement	14,000
" 31	Paid salaries	2,800
" 31	Rent is due to S. Sharma but not yet paid	2,000

8.9 ANSWERS TO INTEXT QUESTIONS

- 8.1 (i) Journal (ii) Book of original record (iii) Entries
(iv) Narration (v) 'To'

8.2 1.

S.No.	Debit		Credit	
	Name of A/c	Kind of A/c	Name of A/c	Kind of A/c
(ii)	Goods A/c	Asset	Creditors A/c	Liability
(iii)	Commission A/c	Expense	Bank A/c	Asset
(iv)	Bank A/c	Asset	Cash A/c	Asset
(v)	Cash A/c	Asset	Interest A/c	Revenue
(vi)	Furniture A/c	Asset	Mukesh A/c	Liability
(vii)	Ramesh A/c	Asset	Goods A/c	Asset

2. (i) Being goods sold for cash

(ii) Being goods purchased from Vinay on credit

(iii) Being Cash received from Atul

3 (i) Goods A/c (ii) Commission A/c (iii) Interest

(iv) Cash A/c

8.3. 1 (i) Compound entry

(ii) Debited

(iii) Cash

(iv) Trade

(v) Debited

(vi) Debited

(vii) Asset

(viii) Drawings, Cash

- 2. (i) Discount
 - (ii) Prepaid Rent
 - (iii) Capital A/c
 - (iv) Commission A/c
 - (vi) Bad debts A c

 - 4. (i) Purhcases Returns Journal
 - (ii) Purhcases Journal
 - (iii) Bills pavable
 - (iv) B' ls receivable
 - (v) General
 - (.i) General journal
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