

Journal Entry

Dr. Monica Shrivastava

Journal

- It is a book of prime entry or a book of original entry in which all business transactions are recorded Date wise as per the rules of debit and credit with precise description of each transaction called as narration

Date	Particulars	L.F.	Dr. Amount	Cr. Amount

Personal Account

- Personal account is an account of a person.
- A person can be a natural person such as people like us, an artificial person such as firms, organizations and institutions and a representative person such as debtors and creditors.
- Since a person, be it a natural, artificial or representative, can be the receiver of benefits or giver of benefits, the rule of debiting and crediting the account of the person is as follows:

***Debit the receiver of benefits
*Credit the giver of benefits**

- This rule states that whenever a person receives benefits is debited by the amount of the benefit received. On the contrary, whenever the person gives the benefits is credited by the amount of benefits given.
- For example, if cash is paid to Michael (Michael is a natural person), his account (Michael's account) is debited since he is the receiver of the benefit (cash). If cash is received from City Enterprises (City Enterprises is an artificial person), its account (City enterprises account) is credited because it is the giver of benefits (cash).

Real Account

Real account is a record of an asset.

An asset can be current asset such as cash, a fixed asset such as building and intangible asset such as goodwill. Since an asset, is a current, fixed or an intangible asset , can either come in the business through its purchase or go out of the business through its sales, the rule of debiting and crediting the real (asset) account is as follows:

*	Debit	what	comes	in
*	Credit	what	goes	out

- This rule states that whenever some benefit in the form of asset come into the business through its purchase, its (asset) account is debited. Conversely, whenever some benefit in the form of asset goes out of the business through its sales, its (asset) account is credited. For example, if cash is invested in the business, cash (current asset) account is debited by the amount of cash. If furniture is purchased for cash, furniture (fixed asset) account is debited because it comes into and cash (current asset) account is credited because it goes out from the business in exchange for furniture.

Nominal Account

Nominal account is a record of expense or loss or income or gain. An expense or loss is the sacrifice of benefits in exchange for service used and an income or gain is the benefit earned in exchange for service rendered. Since the business makes expenses and earns incomes, the rule of debiting and crediting the expense and income (nominal) account is as follows:

- * Debit all expenses and losses
- * Credit all incomes and gains

- This rule states that whenever some benefit is sacrificed in exchange for service used (expense made or loss suffered), its (expense) account is debited. On other hand, whenever some benefit is earned in exchange for service rendered, its (income or gain) account is credited. For example, when salary is paid, an expense is made by the business, therefore salary account is debited. On the other hand , when interest is received, an income is earned by the business, hence, interest received account is credited.

Classify

1. Capital	2. Rent	3. Sales	4. Debtors
5. Bank	6. Cash	7. Goodwill	8. Furniture
9. Commission Paid	10. Prepaid salary	11. Salary	12. Purchases
13. Depreciation	14. Discount Allowed	15. Wages	16. Drawing
17. Salary Outstanding	18. Creditors	19. Patent	20. Advertisement
21. Bad Debt	22. Accrued Interest	23. Stock	24. Plant

Personal Account	Real Account	Nominal Account
Capital A/c	Cash A/c	Rent A/c
Debtors	Goodwill A/c	Sales A/c
Bank A/c	Furniture A/c	Commission A/c
Prepaid Salary A/c	Patent	Salary A/c
Drawing A/c	Stock	Purchases A/c
Salary Outstanding A/c	Plant	Depreciation A/c
Creditors A/c		Discount Allowed A/c
Accrued Interest A/c		Wages A/c
		Advertisement A/c
		Bad Debt A/c

Debit (left)

- Generally these types of accounts are *increased* with a debit:
 - **Dividends (Draws)**
 - Expenses**
 - Assets**
 - Losses**
- You might think of **D - E - A - L** when recalling the accounts that are *increased* with a debit.

Credit (Right)

- Generally these types of accounts are *increased* with a credit:
- **Gains**
Income
Revenues
Liabilities
Stockholders' (Owner's) Equity
- You might think of **G - I - R - L - S** when recalling the accounts that are *increased* with a credit.
- To *decrease* an account you do the opposite of what was done to increase the account. For example, an asset account is increased with a debit. Therefore it is *decreased* with a credit.

		Journal	
1. Cash Purchases	-Purchased goods for cash or -Purchased goods from Ram for cash	Purchases A/c To Cash A/c	Dr.
2. Credit Purchases	-Goods brought from Ram	Purchases A/c To Ram	Dr.
3. Cash Sales	-Goods sold for cash or -Goods sold to Ram for Cash	Cash A/c To Sales A/c	Dr.
4. Credit Sales	-Goods sold to Ram	Ram To Sales A/c	Dr.
5. Personal Account	Ram	Ram To Sales A/c	Dr.

Date	Transaction	A/cs involved	Nature of A/c	Rule of concerned A/c
April 1	Started business with cash	(i) Cash A/c (ii) Capital A/c	Real A/c Personal A/c	Dr. what comes in Cr. the giver
April 3	Bought goods for cash	(i) Purchases A/c (ii) Cash A/c	Nominal A/c Real A/c	Dr. the losses & expenses Cr. what goes out
April 6	Bought furniture for cash	(i) Furniture A/c (ii) Cash A/c	Real A/c	Dr. what comes in Cr. what goes out
April 9	Sold goods for cash	(i) Cash A/c (ii) Sales A/c	Real A/c Nominal A/c	Dr. what comes in Cr. the gains & income

April 14	Sold goods to Mohan	(i) Mohan A/c (ii) Sales A/c	Personal A/c Nominal A/c	Dr. the receiver Cr. the gains & income
April 18	Bought goods from Amit	(i) Purchases A/c (ii) Amit	Nominal A/c Personal A/c	Dr. what comes in Cr. the giver
April 21	Cash received from Mohan	(i) Cash A/c (ii) Mohan	Real A/c Personal A/c	Dr. what comes in Cr. the giver
April 23	Paid cash to Amit	(i) Amit (ii) Cash A/c	Personal A/c Real A/c	Dr. the receiver Cr. what goes out
April 25	Sold goods to Sumit for cash	(i) Cash A/c (ii) Sales A/c	Real A/c Nominal A/c	Dr. what comes in Cr. the gains & income
April 27	Bought machinery from Sohan	(i) Machinery A/c (ii) Sohan	Real A/c Personal A/c	Dr. what comes in Cr. the giver
April 29	Withdrew cash for personal use	(i) Drawing A/c (ii) Cash A/c	Personal A/c Real A/c	Dr. the receiver Cr. what goes out
April 30	Paid Rent	(i) Rent A/c (ii) Cash A/c	Nominal A/c Real A/c	Dr. the losses & expenses Cr. what goes out
April 30	Paid Salary to Gopal	(i) Salary A/c (ii) Cash A/c	Nominal A/c Real A/c	Dr. the losses & expenses Cr. what goes out
April 30	Received Commission	(i) Cash A/c (ii) Commission	Real A/c Nominal A/c	Dr. what comes in Cr. the gains & incomes

Record the Transactions in the journal of Sumit

2010

Jan1	Started Business with Cash	1,00,000
Jan3	Paid into bank	60,000
Jan8	Bought goods from Anil	11,500
Jan15	Sold goods to Ajay	15,000
Jan18	Purchased furniture from Ram and issued cheque	10,000
Jan22	Drew cash from bank for office only	12,000
Jan30	Drew cash from Bank for personal Use	5000
Jan31	Ajay returned goods	2000

Journal Of Sumit

Date	Particulars	L.F.	Amount (Dr.)	Amount (Cr.)
2010				
Jan1	Cash A/c Dr. To Capital A/c (Being started business with cash)		1,00,0000	1,00,000
Jan3	Bank A/c Dr. To cash A/c (Being cash deposited in Bank)		60,000	60,000
Jan8	Purchase A/c Dr. To Anil (Being goods bought from Anil)		11,500	11,500
Jan15	Ajay Dr. To Sales A/c (Being goods sold to Anil)		15,000	15,000
Jan18	Furniture A/c Dr. To Bank A/c (being furniture purchased and paid by cheque)		10,000	10,000
Jan22	Cash A/c Dr. To Bank A/c (Being cash drawn from bank for office use)		12,000	12,000
Jan30	Drawing A/c Dr. To Bank A/c (Being cash drawn from Bank for personal use)		5,000	5,000
Jan30	Sales Return A/c Dr. To Ajay (Being goods returned by Ajay)	Dr. Monica Shrivastava	2,000	2,000

Example 2

2010

Apr1	Ram started the Business with Cash	50,000
Apr3	Bought goods for cash	15,000
Apr6	Bought furniture for cash	5,000
Apr9	Sold goods for cash	13,000
Apr14	Sold goods to Mohan	9,000
Apr18	Bought goods from Amit	11,000
Apr21	Cash received from Mohan	7,000
Apr23	Paid cash to Amit	9,000
Apr25	Sold goods to Sumit for cash	6,500
Apr27	Bought machinery from Sohan	15,000
Apr29	Withdrew cash from office for personal use	5,000
Apr30	Paid rent	400
Apr30	Paid salary to Gopal	2,500
Apr30	Received Commission	500

Journal Of Ram

Date	Particulars	L.F.	Amount (Dr.)	Amount (Cr.)
2010				
Apr1	Cash A/c Dr. To Ram's Capital A/c (Being started business with cash as capital)		50,000	50,000
Apr3	Purchases A/c Dr. To cash A/c (Being goods purchased for cash)		15,000	15,000
Apr6	Furniture A/c Dr. To Anil (Being furniture purchased for cash)		5,000	5,000
Apr9	Cash A/c Dr. To Sales A/c (Being goods sold for cash)		13,000	13,000
Apr14	Mohan Dr. To Sales A/c (being goods sold to Mohan)		9,000	9,000
Apr18	Purchases A/c Dr. To Amit (Being goods purchased from Amit)		11,000	11,000
Apr21	Cash A/c Dr. To Mohan (Being cash received from Mohan)		7,000	7,000
Apr23	Amit Dr. To Cash A/c (Being cash paid to Amit)	Dr. Monica Shrivastava	9,000	9,000

Date	Particulars	L.F.	Amount (Dr.)	Amount (Cr.)
Apr25	Cash A/c Dr. To Sales A/c (Being goods sold to Sumit for cash)		6,500	6,500
Apr27	Machinery A/c Dr. To Sohan (Being machinery purchased from Sohan)		15,000	15,000
Apr29	Drawing's A/c Dr. To Cash A/c (Being withdrew cash for personal use)		5,000	5,000
Apr30	Rent A/c Dr. To Cash A/c (being paid rent)		9,000	9,000
Apr18	Purchases A/c Dr. To Amit (Being goods purchased from Amit)		400	400
Apr30	Salary A/c Dr. To Cash A/c (Being paid salary to Gopal)		2,500	2,500
Apr30	Cash A/c Dr. To Commission A/c (Being commission received in cash)		500	500
	Total		14890	14890

Dr. Monica Shrivastava

Example 3

2010

Dec 5 Sold goods to Kamal of the list price 70,000
less trade discount 20%

Dec 9 Kamal returned goods of list price 5,000

Dec 14 Kamal paid us 51,000 in full settlement of account

Dec 20 Sold goods to Ram 40,000 at a trade discount of 10%
and cash discount of 2%. Ram paid $\frac{1}{4}$ th amount in cash

Date	Particulars	L.F.	Amount Dr. (Rs.)	Amount Cr. (Rs.)
2010				
Dec 5	Kamal To Sales A/c (being goods sold to kamal of list Price 70,000 less trade discount)	Dr.	56,000	56,000
Dec 9	Sales Return A/c To Kamal (being goods returned by Kamal of list price 5000 less trade discount)	Dr.	4,000	4,000
Dec 14	Cash A/c Discount Allowed A/c To kamal (being paid by Kamal in full settlement of his account and allowed discount)	Dr. Dr.	51,000 1,000	52,000
Dec 20	Cash A/c Discount allowed A/c Ram To sales A/c (being sold goods to Ram 40,000 less Trade discount 10% and cash discount 2%. Only 1/4 th amount paid in cash) List Price 40,000 Less Trade Discount 4000 ----- 36000 Sales on credit (3/4 th) 27000 ----- Cash sales 9000 Less cash discount 180 ----- Cash received 8820	Dr. Dr. Dr.	8,820 180 27,000	36,000
	Total		1 12 000	1 12 000

Dr. Monica Shrivastava

Example 4

2014

Jan 1	Bought goods from Pawan of the list price at trade discount of 20%	20,000
Jan 5	Sold goods to Mohan of the list price at trade discount of 10%	10,000
Jan 8	Returned goods to Pawan of the list price	1,000
Jan 12	Mohan returned goods of list price	2,000
Jan 15	Paid cash to Pawan and received discount	14,800
Jan 17	Received 7,000 from Mohan in full settlement of his account	

Journal of Ramesh

Date	Particulars	L.F.	Amount Dr. (Rs.)	Amount Cr. (Rs.)
2010				
Jan1	Purchases A/c To Pawan (being goods of list price 20,000 purchased from Pawan at 20% trade discount)	Dr.	16,000	16,000
Jan5	Mohan To Sales A/c (being goods of list price 10000 sold to Mohan at 10% less trade discount)	Dr.	9,000	9,000
Jan8	Pawan To Purchase Return A/c (being for goods of list price 1,000 less trade discount 20% return to Pawan)	Dr.	800	800
Jan12	Sales Return A/c To Mohan (being for goods returned by Mohan of list price 2,000 less trade discount 10%)	Dr.	1,800	1800
Jan15	Pawan To Cash A/c To Discount Received A/c (being cash paid to Pawan and discount received)	Dr.	15,200	14,800 400
Jan17	Cash A/c Discount Allowed A/c To Mohan (being cash paid to Mohan and discount allowed to him)	Dr. Dr.	7000 200	7,200
	Total	Dr. Monica Shrivastava	50,000	50,000

Example 5

2014

Jan 1	Paid to Ravi 19,000 in full settlement of his account	20,000
Jan 5	Paid salaries	2000
Jan 5	Paid wages	1,500
Jan 5	paid rent	1,000
Jan 15	Bought goods from Naresh for 10,000 out of which goods worth 6000 was on credit	
Jan 17	Sold the goods of list price 15,000 to Kamal at 10% trade discount and 2% cash discount. Kamal paid the amount promptly	
Jan 18	Withdrew cash 5000 for office use and 2000 for personal use from the bank	

Date	Particulars	L.F.	Amount Dr. (Rs.)	Amount Cr. (Rs.)
2010				
Jan1	Ravi To Cash A/c To Discount Received (being Paid cash to Ravi and received disc)	Dr.	20,000	19,000 1000
Jan5	Salary A/c Wages A/c Rent A/c To Cash A/c (being payment made for salary, wages and Rent)	Dr. Dr. Dr.	2000 1500 1000	4500
Jan15	Purchase A/c To Cash A/c To Naresh (being goods purchased from Naresh 4000 for cash and 6000 on credit)	Dr.	10000	4000 6000
Jan17	Cash A/c To Discount Allowed A/c To Sales A/c (being goods sold to Kamal list price 15,000 at trade discount 10% and 2% cash discount) List price 15000 Less: Trade Discount 1500 ----- 13500 Less: Cash Discount 270 ----- 13230	Dr. Dr.	13230 270	13500
Jan18	Cash A/c Drawing's A/c To Bank A/c (Being withdrew cash for office and personal use) Dr. Monica Shrivastava	Dr. Dr.	5000 2000	7,000

Example 6

2014

- Jan 1 Started business with cash 80,000, goods 30,000 and furniture 40,000
- Jan 5 Bought goods from Arun of list price 25,000 at a trade discount of 20%
- Jan 5 Returned goods to Arun of list price 2000
- Jan 7 Settled the Account of Arun by paying cash under a discount of 4%
- Jan 10 Sold Goods to Raj at a list price Rs 30000 under trade discount of 15%
- Jan 13 Raj returned goods of the list price Rs 2000
- Jan 15 Raj paid Rs 23100 in full settlement of his account.
- Jan 19 Purchased goods from Amit Rs 8000 and Sumit 12000
- Jan 23 Paid Amit Rs 7800 and received discount Rs 200
- Jan 25 Settled the account of Sumit by paying Rs 11400
- Jan 30 Paid salary Rs 2000, rent Rs 600 and stationary Rs400.

Date	Particulars	L.F.	Amount Dr (₹)	Amount Cr (₹)
2010 Jan 1	Cash A/c Purchases A/c Furniture A/c To Laxman's Capital A/c (Started business with cash, goods and furniture)	Dr. Dr. Dr.	80,000 30,000 40,000	1,50,000
Jan 3	Purchases A/c To Arun (Goods purchased of list price ₹ 25,000 less trade discount 20%)	Dr.	20,000	20,000
Jan 5	Arun To Purchases Return A/c (Goods returned to Arun of list price 2,000 less trade discount 20%)	Dr.	1,600	1,600
Jan 7	Arun To Cash A/c To Discount Received A/c (Paid cash and discount received)	Dr.	18,400	17,664 736

Jan 10	Raj To Sales A/c (Sold goods ₹ 30,000 less trade discount 15%)	Dr.		25,500
Jan 13	Sales Return A/c To Raj (Goods returned by Raj of list price ₹ 2,000 less trade discount)	Dr.	1,700	1,700
Jan 15	Cash A/c Discount allowed A/c To Raj (Received cash from Raj & allowed him discount)	Dr. Dr.	23,100 700	23,800
Jan 19	Purchases A/c To Amit To Sumit (Bought goods from Amit & Sumit)	Dr.	20,000	8,000 12,000
Jan 23	Amit To Cash A/c To Discount Received A/c (Paid cash and received discount)	Dr.	8,000	7,800 200
Jan 25	Sumit To Cash A/c To Discount Received A/c (Paid cash and received discount)	Dr.	12,000	11,400 600
Jan 30	Salary A/c Rent A/c Stationery A/c To Cash A/c (Paid salary, rent and stationery)	Dr. Dr. Dr.	2,000 600 400	3,000
	Total Dr. Monica Shrivastava		2,84,000	2,84,000

Bank Transactions

No.	Transaction	Entry		
	Cash deposited into bank	Bank A/c To Cash A/c	Dr.	
	Cash withdrawn from bank for personal use	Drawing A/c To Bank A/c	Dr.	
	Cash withdrawn from bank	Cash A/c To Bank A/c	Dr.	
	Payment of Expenses	Expenses A/c To Bank A/c	Dr.	
	Payment by cheque to creditor (Ram)	Ram To Bank A/c	Dr.	
	Payment by draft to creditor (Ram)	Ram Bank Charges A/c To Bank A/c	Dr. Dr. Dr.	1,000 20 1,020
	Bank charges charged by bank	Bank Charges A/c To Bank A/c	Dr.	
	Cheque/draft received from customer (X) and deposited in bank on the same day	Bank A/c To X	Dr.	
	Cheque/draft received from customer (Ram) and not deposited in bank on the same day	Cash A/c To Ram	Dr.	
9	Cheque/draft received at S.No. 9 is deposited into bank	Bank A/c To Cash A/c	Dr.	

1	Cheque deposited in bank (S.No.10) is dishonoured	Ram To Bank A/c	Dr.
2	Cheque deposited directly in our bank A/c by the customer (Y)	Bank A/c To Y	Dr.
3	Cheque received from a customer (X) and discount allowed is deposited in the bank on the same day	Bank A/c Discount Allowed A/c To X	Dr. Dr.
4	If cheque received from customer in S.No. 13 is dishonoured. (Discount allowed to customer will be disallowed)	X To Bank A/c To Discount Allowed A/c	Dr.
5	Interest allowed by Bank	Bank A/c To Interest A/c	Dr.
6	Interest charged by bank (on overdraft balance)	Interest A/c To Bank A/c	Dr.
17	Dividend collected by bank on our behalf	Bank A/c To Dividend A/c	Dr.
18	Bank Loan taken	Bank A/c To Bank Loan A/c	Dr.
19	Repayment of bank loan	Bank Loan A/c To Bank A/c	Dr.
20	Insurance premium paid by cheque/bank	Insurance A/c To Bank A/c	Dr.

Example 7

2014

Jan 1	Paid into bank for opening a bank account	30000
Jan 3	Withdrew cash from bank for office use for personal use	5000 1000
Jan 5	Bought goods from Ram and payed by cheque	4000
Jan 9	Take a Bank Loan	20000
Jan 11	Bought goods and paid by cheque	8000
Jan 15	Sold goods to Ram and received cheque	12000
Jan 17	Cheque of Ram deposited in Bank	
Jan 20	Paid salary 3,000 and rent 2000 by cheque	
Jan 25	Withdrew goods for personal use	4000
Jan 28	Repaid bank loan and paid interest by cheque	5000 500

Date	Particulars	L.F.	Amount Dr (₹)	Amount Cr (₹)
2010 Jan 1	Bank A/c To Cash A/c (Opened a bank current account)	Dr	30,000	30,000
Jan 3	Cash A/c Drawing A/c To Bank A/c (Withdrew cash from bank for office use and for personal use)	Dr. Dr.	5,000 1,000	6,000
Jan 5	Purchases A/c To Bank A/c (Bought goods & paid by cheque)	Dr.	4,000	4,000
Jan 9	Bank A/c To Bank Loan A/c (Bank loan taken)	Dr.	20,000	20,000
Jan 11	Purchases A/c To Bank A/c (Bought goods and paid by cheque)	Dr.	8,000	8,000
Jan 15	Cash A/c To Sales A/c (Sold goods to Ram and got cheque)	Dr.	12,000	12,000
Jan 17	Bank A/c To Cash A/c (Cheque of Ram deposited into bank)	Dr.	12,000	12,000
Jan 20	Salary A/c Rent A/c To Bank A/c (Salary and rent paid by cheque)	Dr. Dr.	3,000 2,000	5,000
Jan 25	Drawing A/c To Purchases A/c (Withdrew goods for personal use)	Dr.	4,000	4,000
Jan 28	Bank Loan A/c Interest A/c To Bank A/c (Repaid bank loan and interest by cheque)	Dr. Dr.	5,000 500	5,500
	Total	Dr. Monica Shrivastava	1,06,500	1,06,500