**Module 2**

**JOURNALISING**

**Introduction**

Under the double entry system of accounting the accounting process or work i.e. the recording of business transactions in the books of original entry and the preparation of ledger accounts, can be carried out in any one of the two ways, depending upon the size of business concern and the volume of business transactions. The two ways are:

1. **Conventional Method or Theoretical Method**: - under this method accounting work consists of (a) recording of all transactions in a single book of original entry, called ***Journal,*** (b) posting of the entries from the single journal to the appropriate accounts in the ledger.
2. **Modern Method or Practical or English Method**: - the accounting work consists of (a) recording of transactions in a number of books of original entry, called the subsidiary books, (b) posting of the entries from the various subsidiary books to the appropriate accounts in the ledger.

**JOURNAL**

The term journal is derived from the French word ‘jour’ which means a day. Journal therefore means a day book or a daily record. It is a book of original entry in which all transactions are first recorded chronologically from the source documents. In journal each transaction is analysed in to debit aspect and credit aspect and the both the aspects of the transaction are recorded together in one entry, with a brief explanation for the entry called **narration**.

**Journalising**

The process of recording transactions in a journal s termed as journalizing and transactions recorded in the journal are called journal entries.

**Essential Features**

1. It is a day book or daily record, as it records each day’s transactions the same day in which it takes place.
2. It is a chronological record book as it records the transactions chronologically.
3. It is a book of original entry or first entry, as all transactions are entered first in the journal.
4. It gives complete picture of each transaction, as it contains both the aspects of a transaction at one place with a brief explanation.
5. The journal is called the gateway to the ledger.

**Objectives of Journal**

1. To record each day’s transactions the same day.
2. To provide a chronological record of all business transactions.
3. To serve as a book of original or first entry.
4. To provide a complete record of each transaction at one place.
5. To help in the preparation of various accounts in the ledger.
6. To facilitate cross checking of entries from the journal to the ledger and from the ledger to the journal.
7. To serve as a legal evidence or proof of business transactions by containing original entries of the transactions.

**Advantages of Journal**

1. It facilitates quick and easy reference to any transaction.
2. It provides a complete record of each transaction at one place.
3. It helps to understand the purpose and the nature of the entry.
4. It helps to understand the double entry system.
5. It facilitates cross checking.
6. It makes posting to ledger easy.
7. It reduces the possibility of errors.
8. It can be used as evidence before court of Law.

**Limitations of Journal**

1. If all transactions are recorded in the journal, it will become very bulky.
2. The work of writing up of the journal is laborious and tedious.
3. It will not be helpful in knowing the cash balances, bank balances, etc.
4. It will not provide final result of the business.
5. It is not very useful to large organizations.

**Format of Journal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1 | 2 | 3 | 4 | 5 |
| Date | Particulars | L.F | Dr.(`) | Cr.( `) |
| 2011  Jan 1 | XXXXXXXXXX A/C Dr  XXXXXX A/C  (xxxxxxxxxxxxxxxxxxxxx) | xx | XXXXX  (Debit Amount) | XXXXXX  (credit Amount) |

**Debit & Credit Aspect of transaction**

**Examples:**

**Question No.1.**

Give journal entries for the following transaction.

(`)

2011 Jan. 1: Ram started business with 1,0000

2: purchased furniture for cash 3,000

3: purchased goods for cash 4,200

4: sold machinery for cash 6,000

7: sold goods for cash 4,500

9: Paid to XL Ltd. 600

11: Received commission 400

12: Paid to Kumar 500

13: Received from Somu 1,000

15: Purchased goods from John on credit 4,000

17: Sold goods to Jose on credit 6,000

19: Paid for stationery 200

21: Paid for advertisement 300

23: Withdrew for domestic use 500

30: Paid rent 750

31: Paid salary 400

**Solution**

**Journal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **L.F** | **Dr.** ` | **Cr.** ` |
| **2011**  **Jan 1**  **02** | **Cash A/C Dr.**  **Ram’s Capital A/c**  (Ram invested Capital in the Business) | **-**  **-** | **10,000**  **3,000** | **10,000**  **3,000** |
| **Furniture A/C Dr.**  **Cash A/C**  **(Furniture bought for cash)** |
| **03** | **Purchases A/C Dr.**  **Cash A/C**  (Bought Goods) | **-** | **4,200** | **4,200** |
| **04** | **Cash A/C Dr.**  **Machinery A/C**  **(Sold Machinery for cash)** | **-** | **6,000** | **6,000** |
| **07** | **Cash A/C Dr.**  **Sales A/C**  **(Sold Goods for cash)** | **-** | **4,500** | **4,500** |
| **09** | **XL Ltd. Dr.**  **Cash A/C**  **(Paid cash to XL Ltd)** | **-** | **600** | **600** |
| **11** | **Cash A/C Dr.**  **Commission A/C**  **(Commission received)** | **-** | **400** | **400** |
| **12** | **Kumar A/C Dr.**  **Cash A/C**  (Paid to Kumar) | **-** | **500** | **500** |
| **13** | **Cash A/C Dr.**  **Somu A/C**  **(received from Somu)** | **-** | **1,000** | **1,000** |
| **15** | **Purchases A/C Dr.**  **John A/C**  **(bought goods on credit)** | **-** | **4,000** | **4,000** |
| **17** | **Jose A/C Dr.**  **Sales A/C**  **(Sold goods on credit)** | **-** | **6,000** | **6,000** |
| **19** | **Stationery A/C Dr.**  **Cash A/C**  **(Paid for stationery)** | **-** | **200** | **200** |
| **21** | **Advertisement A/C Dr**  **Cash A/C**  **(Paid for stationery)** | **-** | **300** | **300** |
| **23** | **Drawing A/C Dr.**  **Cash A/C**  **(Withdrew cash for personal purpose)** | **-** | **500** | **500** |
| **30** | **Rent A/C Dr.**  **Cash A/C**  **(Paid rent)** | **-** | **750** | **750** |
| **31** | **Salary A/C Dr.**  **Cash A/C**  **(paid salary)** | **-** | **400** | **400** |