

LECTURE – 07 **JOURNAL**

What is Accounting Journal

An accounting journal is a detailed account of all the financial transactions of a business. It's also known as the book of original entry as it's the first place where transactions are recorded. The entries in an accounting journal are used to create the general ledger which is then used to create the financial statements of a business.

Types of Journal in Accounting

1. Purchase Journal

The special journal used for recording the credit purchase of goods is called a purchase journal. An asset purchased on credit or other items not recorded in the purchase journal.

2. Sales Journal

Sales journal is used for recording the credit sale of goods only. Like a purchase journal the sale of assets is also not recorded in sales journal.

3. Cash Receipts Journal

The journal used for recording all types of cash receipts is called the cash receipts journal. All kinds, of cash receipts, are recorded in this journal. The main sources of cash receipts are two; Cash from cash sale and cash from accounts receivable (debtors).

4. Cash Payment Journal

The journal used for recording various transactions relating to cash payment is called a cash payment journal. Businesses usually pay debts by cheques. Payment by cheque is treated as a cash payment. Cash purchases and payment to accounts payables both are recorded in cash payment journal.

5. Purchase Return Journal

The journal, where purchase returns are recorded, is called a purchase return journal.

In the case of defective goods the purchaser returns the goods to the seller. While returning goods to the seller a slip containing reasons for the return of goods is sent along with goods. This slip is called a debit note.

6. Sales Return Journal

The journal, where the sale returns are recorded, is called a sales return journal. In case where the goods are defective or goods are not according to the specification as mentioned the purchaser return the goods to the seller. The after receiving the goods issue a credit note to the purchaser.

7. Journal General

The transactions other than the transactions recorded in cash receipts journal, cash payment special, purchase journal, sales journal, etc. are recorded in journal general. Purchase of assets on credit, the stock of goods at the year-end, rectification of errors, adjustment of accounts, etc. are recorded in journal general.

Journal Format

Journal Entry Format			
Date	Account Name	Debit	Credit
January 1	Debited Account	XXXX	
	-Credited Account		XXXX
Description of the Journal Entry			

Practical question

Record the following transactions in Journal.

2016

April 01: Anees started business with Rs. 100,000.

April 02: Purchase Furniture for Cash Rs. 7,000.

April 03: Purchase Goods for Cash Rs. 2,000 and for Credit Rs. 1,000 from Khalid Retail Store.

April 14: Sold Goods to Khan Brothers Rs. 12,000 and Cash Sales Rs. 5,000.

April 18: Owner withdrew of worth Rs. 2,000 for personal use.

April 22: Paid Khalid Retail Store Rs. 500.

April 26: Received Rs. 10,000 from Khan Brothers.

April 30: Paid Salaries Expense Rs. 2,000

Journal

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2016					
<i>April</i>	1	Cash Owner's Equity_ Anees (Started business with cash)		100,000	100,000
	2	Furniture Cash (Purchase furniture for cash)		7,000	7,000
	8	Purchases Cash Account Payable_ Khalid Retail Store (Purchase good on cash and credit)		3,000	2,000 1,000

14	Cash	5,000	
	Account Receivables_ Khan Brothers	12,000	
	Sales		17,000
	(Cash and Credit Sales recorded)		
18	Drawing	2,000	
	Cash		2,000
	(Owner withdrew for personal use)		
22	Account Payable_ Khalid Retail Store	500	
	Cash		500
	(Paid credit to Khalid Retail Store)		
26	Cash	10,000	
	Account Receivable_ Khan Brothers		10,000
	(Receive cash from credit customer)		
30	Salaries Expense	2,000	
	Cash		5,000
	(Paid expenses)		