

Journal

Definition of Journal:

The book in which business transactions, being analyzed into debit and credit, are first recorded chronologically with short explanation immediately after their occurrence is called journal. Journal is a book of Prime Entry, because the recording of business transaction in the Journal is the first step of Double Entry System. In this book transactions are recorded first systematically in order of their date of occurrence.

Functions of Journal:

Under Double Entry System, the first step in accounts keeping is to prepare Journal for recording transactions. The functions of Journal are as under:-

1. To make entry for every business transaction in the book of prime entry named Journal.
2. The main function of journalizing is to analyze each transaction into debit and credit so that its transfer to the Ledger becomes easy.
3. To arrange the transaction in order of their date of occurrence.
4. To give a short explanation for each transaction as to the cause and nature at the time of its recording.

Illustration:

Babar started business with capital of Tk.10, 000.00.

In this transaction, Cash A/c is asset account, Capital A/c is liability A/c, as the cash has come into the business, and the asset of the business has been increased. So, cash A/c will be debited. On the other hand, capital is a liability of the business to Mr. Babar and as the liability has been increased, Babar Capital A/c will be credited.

Journal will be - Cash A/c Dr. 10,000.00

Babar's Capital A/c Cr. 10,000.00

2. Purchased furniture for office by cash Tk. 500.00

In this transaction both the Furniture A/c and Cash A/c are asset accounts. As the asset has been increased, Furniture A/c will be debited and as the other asset has been decreased, Cash A/c will be credited.

Journal will be - Furniture A/c Dr. 500.00

Cash A/c Cr. 500.00

3. Paid salaries in Cash Tk. 1,000.00

In this transaction, Salaries A/c is an expense account and Cash A/c is an asset A/c. Due to increase of expense, Salaries A/c will be debited and as the asset has been decreased, Cash A/c will be credited.

Journal will be: Salaries A/c Dr. 1,000.00

Cash A/c Cr. 1,000.00

4. Received interest in cash Tk. 1,000.00

In this transaction, Cash A/c is an asset account and Interest Account is an Income Account. As the asset has increased, Cash A/c will be debited and as the income has increased, the Interest A/c will be credited.

Journal will be: Cash A/c Dr. 100.00

Interest A/c Cr. 1000.00

5. Bought goods on Credit from Sagar Tk. 1,000.00

Here, Purchases A/c is an expense account and Sagar (Creditor) Account is a liability A/c. Due to increase of expense, purchases A/c will be debited and as the liability has increased Sagar A/c will be credited.

Journal will be: - Purchases A/c Dr. 1,000.00

Sagar A/c Cr. 1,000.00

Example –1

Record the following transaction in the Journal of Mr. Kashem:

On 1st January, 2000, Mr. Kashem started a cloth shop business with a capital Of Tk. 40,000.00

His transactions for the month were —

January-2 Purchased Furniture for shop Tk. 5,000.00

January-4 Purchased cloths (goods) for cash Tk. 8,000.00

January-5 Purchased goods on credit from Habib Tk. 7,000.00

January-6 Sold goods for Cash Tk. 10,000.00

January-8 Sold goods to Selim on credit Tk. 6,000.00

January-10 Purchased stationery Tk. 500.00

January-18 Paid cash to Habib Tk. 5,000.00

January-25 Received cash from Selim Tk. 4,000.00

January-30 Paid salary to the staff Tk. 2,000.00

January-31 Paid shop rent Tk. 1,000.00

Example-2:

Journalize the following transactions in the books of XYZ Ltd. for the month of January, 2000.

- January 1 Started business with Tk.2, 00,000 in cash as capital
- " 2 Deposited to Bank Tk.1,20,000
- " 5 Bought Office Furniture for Tk.20,00 & Paid cheque
- " 5 Bought good with Tk.50,000 cash & Tk.40,000 on credit from Habib
- " 8 Sold goods for cash Tk.25,000
- " 10 Sold good on credit to Ali Tk.30,000
- " 12 Paid Habib on account Tk.40,000
- " 13 Paid for office stationery Tk.1,000

- " 15 Received from Ali Tk.15,000
- " 20 Paid Office rent Tk.20,000
- " 25 Paid Electricity bill Tk.5,000
- " 28 Received from Ali Tk.15,000
- " 30 Paid Salary by cheque Tk.20,000

Example-3

From the following particulars of ABC Ltd. prepare Journal entries and Ledger accounts of the company for the period.

Year 2000, April : 2 Started business with Tk.1,00,000, paid into Bank Tk.50,000

April:5 Bought Furniture in cash Tk.10,000

7- Bought goods for Tk.30,000

8- Sold goods for cash Tk.16,000

10- Bought Type writer from R & Co. Tk.18,000

12- Bought goods from D & Brothers Tk.25,000

15- Sold goods to XYZ Ltd. Tk.24,000

18- Paid Advertisement Tk.5,000

20- Paid Rent and Salaries Tk.10,000 and 20,000 respectively.

25- Withdraw from Bank Tk.20,000

30- Sold goods to XYZ Tk.10,000 and received cash Tk.26,000