**Journal and journalizing process**

A night diary records all our experiences, likewise, a journal records business transactions. Entry of records requires date and accounts of each transaction. It displays a brief summary of a person’s business. Journalising is a process of recording journals on a regular basis. It is necessary to understand a journalising process to keep records efficiently. Although it might seem like a hard-to-understand process, journalising proves helpful in accounting records.

**Overview**

With evolving technology dependencies, people switch to choose easier options available. An easy and efficient way to do things follow. Eventually, journals replaced the rough billing processes.



A book-keeping of account transactions is necessary to keep an eye on monthly debits and credits. Therefore, maintaining a journal in a specified format becomes important. It is a mere database of profits and losses in terms of assets and liabilities.

**Why Do We Require a Journal?**

Our brain works far superior to a machine. But it is weak at remembering data. A journal provides an accurate record of multiple transactions and above all, a clear picture of business proceedings. Certainly, a journal lends a helping hand towards working smoothly.  
• It helps in removing faulty records if any.  
• It helps in scheduling further transactions allowed for a particular month.  
• Works as a compressed file and is easily manageable.  
• Locating and handling errors in debit and credit amounts become simple. It compares data entries with ease.

**How Can We Maintain a Journal?**

First, we need to choose the method of maintaining a journal- paper or computer. Besides that, day-to-day sales, purchases, and other transactions are recorded date-wise. After a successful transaction, it is necessary to update the journal.  
Journal entries are either done by paper or computer. The former requires more attention than the latter. It's because if something misses the rough scribbling, the entry stands incomplete.

**Debits and Credits**

Journalising works on a system of credit (what comes in) and debit (what goes out). Credit is an accounting entry that records increase in assets or capital amount or decrease in liabilities. It basically accounts for earnings.  
Debit is an accounting entry that records increase in liabilities or decrease in assets. It basically accounts for expenses or purchases.

**Ledger and Journal**

If a book of original entries constitutes a journal, then the principal book for totaling monetary transactions is called a ledger. A ledger for asset includes accounts such as Cash deposits, Investments, Assets, Land and Property purchases etc. Also, both ledger and journal are connected through a posting reference column.

**Journalising Process**

**Definition**

In layman terms, journalising is a method of writing personal insights on a sheet of paper.  
In business language, it is a process of recording an account's transaction in the form of a table. It gives a clear view of the deposits and withdrawals made. Journal provides a shorthand of information about every transaction made in an account with specifications. The journals record accounting information as a backup.

**Steps to Follow While Journalising**

There is a certain format of how we record our transactions in a journal. We can make some changes according to our clarification, however, an easy format helps. Steps to follow are:

• First of all, we need to identify the account type.

• We need to keep track of the date of the transaction.

(Decide category of the amount. Classify it in terms of debits and credit. Add the account responsible for each.)

• Next column inputs the amount debited.

• Another column inputs the amount credited.

• Finally, we write a short description enclosed in brackets to get an overview of the record.

**Sample Journal**

**Question**: Journalise the following transactions for Mr. Hemant:

|  |  |  |
| --- | --- | --- |
| 2018 |  | ₨ |
| August 01 | Purchased goods for cash | 5,000 |
| August 02 | Paid rent | 1,200 |
| August 04 | Received cash from Ram | 500 |

**Solution:**

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Particulars | Dr.  Rs | Cr.  Rs |
| 2018  August 01 | Purchase A/c  To Cash A/c  (Being purchased goods for cash) | 5,000 | 5,000 |
| August 02 | Rent A/c  To Cash A/c  (Being paid rent) | 1,200 | 1,200 |
| August 04 | Cash A/c  To Ram  (Being cash received from Ram) | 500 | 500 |

Explanation:

Dr. stands for the debit amount and Cr. stands for credit amount. The tabular solution records the transactions. It depicts the transactions as required. Also, it records names of sender and receiver or other particulars. Short description of the process is present in brackets to define the purpose of the transaction. Here, transactions start from August 01. It follows a date-wise pattern. It is a better way of expressing rather than randomly selecting and filling in the Journal.

**Conclusion**

It all sums up to serve the importance of Journalising process for a business account. Everything related to journalising benefits your firm. Moreover, if updated regularly, it can provide a face to your business account. Although it requires a proper format to work in, it is easy to fill and record daily transactions. Most importantly, it doesn’t require a page long description. An in-short display of the same cuts the hardwork. Moreover, maintaining a journal is pretty easy and viable for the accounting purposes. It is set to profit your business strategies.

**Solved Questions for You**

**Question:** Why journal is called the book of original entries?

**Answer**: Journal is a book which records business transactions. It requires updating in first place after an instance occurs. Therefore, it is called the book of original entries.

**Question**: What is the purpose of posting reference column of Journal before closing it?

**Answer:** Posting reference column depicts the page number of a ledger. Supporting account details are recorded in it. Therefore, it is a kind of link between ledger and journal for a specific entry. For example, posting reference column is 90 for a sales account in the journal. It means the same sales account is present in the ledger on page 90.