**[Journal Entries: More Examples and Guides](http://www.accountingverse.com/accounting-basics/journal-entry-examples.html)**

**For more practice** and exposure in journalizing transactions, here is an illustrative case that includes business transactions and their journal entries.

The transactions pertain to Gray Specialized Repairs and Installation, an imaginary small **sole proprietorship** business. For account names, we will be using the [chart of accounts](http://www.accountingvese.com/accounting-basics/chart-of-accounts.html" \t "_blank) presented in an earlier lesson. All activities are assumed and simplified for illustration purposes.

**Note:** We will also be using this set of transactions and journal entries in later lessons when we discuss the other steps of the accounting process.

So, let's start.

**Transaction #1:**On March 1, 2011, Mr. Donald Gray started an installation and repair business for specific types of equipment by investing $10,000. The journal entry would be to increase the company's Cash, and establish/increase the capital account of Mr. Gray; hence:

| **Date 2011** | | **Particulars** | **Debit** | **Credit** |
| --- | --- | --- | --- | --- |
| Mar | 1 | Cash | 10,000.00 |  |
|  |  | Mr. Gray, Capital |  | 10,000.00 |

**Transaction #2:** On March 5, the company acquired a $12,000 bank loan; the entire amount plus a 10% interest is payable after 12 months. Again, the company received cash so we increase it by debiting the account. The company now has a liability (Loans Payable). We increase it by crediting the liability account.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 5 | Cash | 12,000.00 |  |
|  |  | Loans Payable |  | 12,000.00 |

**Transaction #3:** On that same day, Gray Specialized Repairs and Installation paid registration and licensing fees for the business, $370. First, we will debit the expense (to increase an expense, you debit it); and then, credit Cash to record the decrease as a result of the payment.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 5 | Taxes and Licenses | 370.00 |  |
|  |  | Cash |  | 370.00 |

**Transaction #4:** On March 6, the company acquired tables, chairs, shelves, and other fixtures for a total of $3,000. The entire amount was paid in cash. There is an increase in an asset account (Furniture and Fixtures) in exchange for a decrease in another asset account (Cash).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 6 | Furniture and Fixtures | 3,000.00 |  |
|  |  | Cash |  | 3,000.00 |

**Transaction #5:** On March 7, the company acquired service equipment at $16,000. The company paid a 50% down payment and the balance will be paid after 60 days. This will result in a compound journal entry. There is an *increase*in an*asset* account (*debit*Service Equipment, $16,000), a *decrease* in another *asset* (*credit* Cash, $8,000 – the amount paid), and an *increase* in a *liability* account (credit Accounts Payable, $8,000 – the balance to be paid after 60 days).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 7 | Service Equipment | 16,000.00 |  |
|  |  | Cash |  | 8,000.00 |
|  |  | Accounts Payable |  | 8,000.00 |

**Transaction #6:** Also on March 7, Gray Specialized Repairs and Installation purchased service supplies *on account* amounting to $1,500. The company received supplies thus we will record a debit to increase supplies. By the terms "on account", it means that the amount has not yet been paid; and so, it is recorded as a liability of the company.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 7 | Service Supplies | 1,500.00 |  |
|  |  | Accounts Payable |  | 1,500.00 |

**Transaction #7:** On March 9, 2011, the company received $1,900 for services rendered. We will then record an increase in cash (debit the cash account) and an increase in income (credit the income account).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 9 | Cash | 1,900.00 |  |
|  |  | Service Revenue |  | 1,900.00 |

**Transaction #8:** On March 12, the company rendered services on account, $1,650.00. As per agreement with the customer, the amount is to be collected after 5 days. Under the *accrual basis of accounting*, income is recorded when earned. In this transaction, the services have been fully rendered (meaning, we made an income; it's just that we haven't collected it yet.) Hence, we record an increase in income and an increase in a receivable account.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 12 | Accounts Receivable | 1,650.00 |  |
|  |  | Service Revenue |  | 1,650.00 |

**Transaction #9:**On March 14, Mr. Gray invested an additional $3,200.00 into the business. The entry would be similar to what we did in transaction #1, i.e. increase cash and increase the capital account of the owner.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 14 | Cash | 3,200.00 |  |
|  |  | Mr. Gray, Capital |  | 3,200.00 |

**Transaction #10:** Rendered services to a big corporation on March 15. As per agreement, the $3,400 amount due will be collected after 30 days.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 15 | Accounts Receivable | 3,400.00 |  |
|  |  | Service Revenue |  | 3,400.00 |

**Transaction #11:** On March 17, the company collected from the customer in transaction #8. We will record an increase in cash by debiting it. Then, we will credit accounts receivable to decrease it. We are actually reducing the receivable since it has already been collected.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 17 | Cash | 1,650.00 |  |
|  |  | Accounts Receivable |  | 1,650.00 |

**Transaction #12:** On March 20, the company paid some of its liability in transaction #6 by issuing a check. The company paid $500 of the $1,500 balance. To record this transaction, we will debit Accounts Payable for $500 to decrease it by that amount. Then, we will credit cash to decrease it as a result of the payment. The entry would be:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 20 | Accounts Payable | 500.00 |  |
|  |  | Cash |  | 500.00 |

The balance of the **accounts payable in transaction number #6** would now be $1,000 credit ($1,500 initial credit and a $500 debit).

**Transaction #13:** On March 25, owner withdrew cash due to an emergency need. Mr. Gray withdrew $7,000 from the company. What account will increase and what will decrease? Naturally, there is a decrease in Cash since the company paid Mr. Gray $7,000. In this transaction, we will increase/record withdrawals (Mr. Gray, Drawing) for the said amount.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 25 | Mr. Gray, Drawings | 7,000.00 |  |
|  |  | Cash |  | 7,000.00 |

**Transaction # 14:** On March 29, the company paid rent for March, $ 1,500. Again, we will record the expense by debiting it and decrease cash by crediting it.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 29 | Rent Expense | 1,500.00 |  |
|  |  | Cash |  | 1,500.00 |

**Transaction #15:** On March 31, the company paid salaries to its employees, $3,500. For this transaction, we will record/increase the expense account by debiting it and decrease cash by crediting it. (*Note: This is a simplified entry to represent the payment of salaries. In actual practice, different payroll accounting methods are applied.*)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 31 | Salaries Expense | 3,500.00 |  |
|  |  | Cash |  | 3,500.00 |

There you have it. I know you are getting the hang of it by now. If not, then you can always go back to the examples above. Remember that accounting skills require some practice and exposure.