

Example of Journal Entries

We will discuss few important Journal Entries in the books of a business unit:

1) If cash brought into the business as capital

Cash / Bank	Debit	
Capital		Credit

2) If cash and other assets brought into the business as capital

Building	Debit	
Plant and Machinery	Debit	
Furniture	Debit	
Cash	Debit	
Bank	Debit	
Capital		Credit

3) If bank account is opened

Bank	Debit	
Cash		Credit

4) If goods purchased on credit (for the purpose of resale)

Purchases	Debit	
Supplier / Account Payable		Credit

5) If sale of goods on credit

Customer / Account Receivable	Debit	
Sales		Credit

6) If goods purchased in cash (for the purpose of resale)

Purchases	Debit	
Cash / Bank		Credit

7) If cash sales

Cash	Debit	
Sales		Credit

8) If cash sales returned by the customer

Sales Return	Debit	
Cash / Bank		Credit

9) If cash purchase returned to the supplier

Cash / Bank	Debit	
Purchase Return		Credit

10) For collection of cash / cheque from customer (and discount allowed, if any)

Cash / Bank	Debit	
Sales discount	Debit	
Customer / Account Receivable		Credit

11) For payment of cash / cheque to supplier (and discount received, if any)

Supplier / Account Payable	Debit	
Cash / Bank		Credit
Purchase discount		Credit

12) For goods returned by the customer

Sales return
Customer / Account Receivable

Debit

Credit

13) For goods returned to the supplier

Supplier / Account Payable
Purchase return

Debit

Credit

14) For bad debts

Bad debts
Customer / Account Receivable

Debit

Credit

15) For recovery of bad debts

Cash / Bank
Bad debts

Debit

Credit

16) Purchase of machinery or any other assets for cash

(not for the purpose of resale)

Machinery
Other Assets (individual name of asset)
Cash / Bank

Debit

Debit

Credit

17) For depreciation charged on asset

Depreciation expense
Allowance for depreciation

Debit

Credit

18) For withdrawal of cash from bank (for personal or private use)

Drawing
Bank

Debit

Credit

19) For withdrawal of cash from bank (for office use)

Cash
Bank

Debit

Credit

20) If goods withdrawn by the proprietor for his personal use

Drawing
Purchases

Debit

Credit

21) For sale or disposal of any old asset at a profit

Cash / Bank
Allowance for depreciation (if any)
Gain on sale of asset
Old Asset (with name and actual cost)

Debit

Debit

Credit

Credit

22) For sale or disposal of any old asset at a loss

Cash / Bank
Allowance for depreciation (if any)
Loss on sale of asset
Old Asset (with name and actual cost)

Debit

Debit

Debit

Credit

23) If cash or goods given as Charity

Charity expense	Debit	Credit
Cash		Credit
Purchases (with actual cost)		

24) For distribution of goods as free sample

Free Sample / Advertisement expense	Debit	Credit
Purchases (with actual cost)		

25) For abnormal loss of goods due to fire or stolen

Insurance claim (if any)	Debit	
Abnormal loss / Loss by fire / Loss by theft	Debit	
Purchases		Credit

26) For drawing a bill of exchange on debtors

Bills Receivable	Debit	Credit
Customer / Accounts Receivable		

27) For acceptance of a bill of exchange

Supplier / Account Payable	Debit	Credit
Bills Payable		

28) For payment of expenses

Distribution/ Selling/Administrative / General expenses	Debit	Credit
Cash / Bank		

Special Journal

A large enterprise has a large volume of business transactions. Therefore, it becomes essential to divide the journal into certain subsidiary books. These subsidiary books are also termed as the books of original entry or special journals.

The following are the main subsidiary books generally maintained by a business:

1. **Cash book:** In this book all cash receipts and payments are recorded in a chronological order. All cash receipts are recorded on the debit side and all cash payment are recorded on the credit side.
2. **Purchase book or purchase day book or purchase journal:** It contains the accounts of all those suppliers or creditors from whom goods were purchased on credit for the purpose of resale only.
3. **Sales book or sales day book or sales journal:** It contains the accounts of all those customers or debtors to whom goods were sold on credit only.
4. **Purchase return & allowance book or journal:** In this book transactions relating to the goods returned to the suppliers are recorded. It does not record the return of goods, which were purchased on cash basis.
5. **Sales return & allowance book or journal:** In this book transactions relating to the goods returned by the customers are recorded. It does not record the return of goods, which were sold on cash basis.

	Cash	Expense	+	Debit	
7)	Furniture	Asset	-		Credit
	Cash	Asset	+	Debit	
		Asset	-		Credit

Question - 3

Journalise the following transactions of Mr. Sanam for the month of April 2005:

Cash Transactions

- Mr. Sanam Started business with cash
- Mr. Sanam purchased goods on cash from Mr. Ali, a supplier, for the purpose of resale
- Sold goods to the Rehman Sons, a customer, for cash
- Mr. Sanam returned defected goods to Mr. Ali for cash
- Rehman Sons returned defected goods to Mr. Sanam for cash
- Purchased office furniture for cash
- Cash paid for office rent
- Mr. Sanam purchased stationery for office use
- Mr. Sanam purchased goods on cash for the purpose of resale
- Mr. Sanam paid cartage expense
- Mr. Sanam paid salary to his staff
- Mr. Sanam sold goods to the customer for cash
- Mr. Sanam paid cash for telephone bill

Rs.250,000
85,000
90,000
5,000
2,000
12,000
4,000
500
55,000
350
8,000
95,000
1,500

Solution:

for the month of

Mr. Sanam
General Journal

Date	Particulars	PR	Debit	Credit
2005 Apr. 1	Cash Capital (To record the cash brought into business)		250,000	250,000
2	Purchases Cash (To record goods purchased for cash)		85,000	85,000
3	Cash Sales (To record sales for cash)		90,000	90,000
4	Cash Purchase Return (To record defected goods return to suppliers)		5,000	5,000
5	Sales Return Cash (To record defected goods returned by customer)		2,000	2,000
6	Office Furniture Cash (To record payment for office furniture)		12,000	12,000
7	Office Rent Expense Cash (To record payment for office rent)		4,000	4,000
✓ 8	Stationery Expense Cash (To record payment for stationery)		500	500
9	Purchases Cash (To record goods purchased for cash)		55,000	55,000
10	Cartage Expenses Cash (To record payment for cartage)		350	350
11	Salary expense Cash (To record payment for salary)		8,000	8,000

office supplies
current Assets

13	(To record sales for cash)			
	Telephone Expense Cash (To record payment for telephone bill)		1,500	1,500

Note:

- 1) No need to mention the name of buyer or seller in the case of cash purchase or cash sale, as money is simply exchanged for goods handed over
- 2) Cash purchase, cash sale and all transactions where the word 'paid' is mentioned are obviously cash transactions
- 3) When goods are purchased or sold for cash, the name of the supplier or customer is immaterial. Therefore it is ignored at the time of recording transaction.
- 4) Return of goods by customer (sales returns) is recorded in the Sales Return and Allowance Account or Sales Return Account
- 5) Return of goods to the supplier (purchase return) is recorded in the Purchase Return and Allowance Account or Purchase Return Account

Question - 4

Cash Transactions

Journalise the following transactions of Mr. Wafa for the month of June 2005:

1. Mr. Wafa Started business with cash
2. Mr. Wafa purchased goods on cash from MP Traders, a supplier, for the purpose of resale
3. Sold goods to Waqar & Co. , a customer, for cash
4. Mr. Wafa returned defected goods to MP Traders
5. Waqar & Co. returned defected goods to Mr. Wafa for cash
6. Purchased office furniture for cash
7. Cash paid for office rent
8. Mr. Wafa purchased stationery for office use
9. Mr. Wafa purchased goods on cash for the purpose of resale
10. Mr. Wafa paid cartage expense
11. Mr. Wafa paid salary to his staff
12. Mr. Wafa sold goods to the customer for cash
13. Mr. Wafa paid cash for telephone bill

Solution: Try yourself as same as Q – 3 above

Question - 5

Journalise the following transactions:

1. Saleem started his business with Rs.50,000
2. Purchased goods for Rs.35,000
3. Sold goods for Rs.48,000
4. Purchased goods from Kamran Rs.6,000
5. Sold goods to Zeeshan for Rs.7,200
6. Zeeshan returned goods for Rs.1,200
7. Returned goods to Kamran Rs.1,000
8. Received from Zeeshan on account Rs.5,500
9. Paid salary to Ameen Rs.5,000

Solution:

Saleem General Journal

Date	Particulars	P.R.	Debit	Credit
1	Cash Capital (To record the cash brought into business)		50,000	50,000
2	Purchases Cash (To record Goods purchased for cash)		35,000	35,000
3	Cash Sales (To record sales for cash)		48,000	48,000

4	Purchases Accounts Payable – Kamran (To record Goods purchased on credit)	6,000	6,000
5	Accounts Receivable – Zeeshan Sales (To record Goods sold on credit)	7,200	7,200
6	Sales Return Accounts Receivable – Zeeshan (To record Goods returned by customer)	1,200	1,200
7	Accounts Payable – Kamran Purchases Return (To record Goods returned to supplier)	1,000	1,000
8	Cash Accounts Receivable – Zeeshan (To record Cash received from customer)	5,500	5,500
9	Salary expense Cash (To record Paid cash for salary)	5,000	5,000

Question - 6

Journalise the following transactions:

1. Muneer started his business with Rs.90,000
2. Purchased goods for Rs.63,000
3. Sold goods for Rs.86,400
4. Purchased goods from Salma Rs.10,800
5. Sold goods to Rani for Rs.12,960
6. Rani returned goods for Rs.2,160
7. Returned goods to Salma Rs.1,800
8. Received from Rani on account Rs.9,900
9. Paid salary to Sadaf Rs.9,000

Solution: Try yourself as same as Q – 5 above

Question - 7

Journalise the following transactions in the books of Mr. A:

	Rs.
2005,	
Mar. 1 Started business with cash	50,000
1 Deposited in to bank	25,000
2 Goods purchased for cash	20,000
3 Purchased furniture and paid by cheque	7,000
5 Sold goods for cash	8,000
8 Sold goods to B	5,000
12 Goods purchased from X	7,000
14 Goods returned to X	2,000
16 Sold goods to Y for cash	4,000
18 Cash received from B Rs.4,500 and discount allowed Rs.500	1,500
20 Withdrew from bank for private use	1,000
22 Withdrew from bank for use in the business	500
26 Paid telephone bill	4,500
27 Cash paid to X in full settlement for his account	500
31 Paid for : Stationery	2,000
Rent	3,000
Salaries to staff	

Solution:

Mr. A General Journal

Date	Particulars	P.R.	Debit	Credit
2005 Mar. 1	Cash Capital (To record Cash brought into business)		50,000	50,000