

Objectives

At the end of this chapter, students should be able to:

- Explain what general journals and subsidiary journals are;
- Identify the various uses of a general journal;
- Prepare a general journal;
- Journalise opening and closing entries in a general journal;
- Identify and prepare various types of subsidiary journals.

5.1 Introduction

A journal is a book of original entry. It is the book in which a transaction is first recorded before entering it into the ledger. In this chapter, you will learn about, general ledger and its subsidiaries. A general journal is sometimes called 'Principal Journal' or 'Journal Proper'. It is a book of original entry, that is, a book in which a financial transaction is recorded before it is posted to the ledger. A subsidiary journal is a book of original entry which is restricted to a particular use with entries made into it frequently.

5.2 Terminologies

1. **Original Entry:** This is the first or prime entry, that is, entry made in the journal before posting it to the ledger.
2. **Source Document:** These are documents on which original entries are based. They can be issued by the seller or the buyer. e.g. invoice and debit note.
3. **Invoice:** It is a document issued by a seller to a buyer when goods are sold on credit. It gives details of goods sold, including data, description, quantity, price, total amount and discount if any.
4. **Debit Note:** This is a document issued by the buyer to the supplier when faulty or damaged goods are returned to inform him that his account has been debited with the amount stated.
5. **Credit Note:** This is a document sent by a supplier to his customers if he accepts the claims made by a customer informing him the customer's account has been credited with the amount stated.
6. **Returns Inward Day Book:** It is purchases returned, damage goods sent by the purchaser or buyer to a supplier, they are sent along with a credit note.
7. **Opening Entry:** It is a entry made in the journal at the commencement of business when capital is introduced.
8. **Closing Entry:** This is the entry made in the general journal to close a ledger account and make transfers to the final accounts.
9. **Folio:** This is the column which shows the name of the other book in abbreviated form and the number of the page in the other books where double-entry is completed.

5.3 Uses of a General Journal

The uses of the general or principal journal are the following:

- i. Recording opening entries.
- ii. Recording closing entries.
- iii. Recording the purchase and sale of fixed assets on credit.
- iv. Correction of errors in accounts.
- v. Recording all other transactions not appropriate for special or subsidiary journal e.g. sales of business / purchase of business.

5.4 Preparation of a General Journal

Date	Particulars	Fo	DR	CR

Fig. 5.1: Specimen of a General Journal

In order to facilitate the entry of items in the General Journal, the following should be observed:

1. Enter first the account to be debited with the abbreviation “DR” before entering the account to be credited on the next line “CR”, writing the credit entry slightly to the right hand side beginning with prefix TO.
2. Since the general journal is not reserved for any particular kind of transaction to explain why respective account are debited and credited. This is known as “Narration”.
3. In the date column provided, arrange entries in chronological order (according to date). When recording items in a General Journal, the rules of double-entry bookkeeping system are applied i.e. both aspects are recorded. Thus, debit value received and credit value given.

Example 5.1

On 6th October, 2003, Ajax International Nigeria Ltd. Supplied machinery worth #12,000. This is a credit purchase of machinery (a fixed asset) from Ajax International Nig. Ltd the seller. The journal entry will be as follows:

Date	Particulars	Fo.	DR ₦	CR ₦
Oct. 6	Machinery account		12,000	
	Ajax International Nig. Ltd. Being purchase of fixed assets on oct. 6, 2003.			12,000

5.4.1 Journalising Opening Entries

The opening entries of a business may include such items as; stock of goods, motor vans, fixture and fittings, premises, loan and overdraft, cash in hand, cash at bank, debtors and creditors. Balance from the old books must be entered in the new ones by means of journal proper.

The journal entries are then known as opening entries. In journalising opening entries, assets accounts are debited and the accounts recording liabilities are credited. In other words, record all assets first on the debit side before recording liabilities representing the capital of the business as at that date. The

capital represents the net worth of the business and is credited in the journal to complete the double-entry.

Example 5.2

Prepare the necessary journal entries to open Cosmos Njoku's book on 1st January, 2004, his assets and liabilities being as follows:

	₦
Cash in hand	2,254
Cash at bank	19,860
Stock	2,500
Machineries	14,000
Land & buildings	6,700
Motor vans	20,500
Debtors:	
(a) Godwin Ojo	9,750
(b) Rex Adams	5,000
Creditors:	
(a) Godwin Ojo	20,000
(b) Rasak Jinadu	5,785

Solution

General Ledger

Date	Particulars	Fo.	DR ₦	CR ₦
Jan. 1	Cash in hand	CB1	2,254	
	Cash at bank	CB1	19,860	
	Stock	L1	2,500	
	Machineries	L2	14,000	
	Land and building	L3	6,700	
	Moto vans	L4	20,500	
	Debtors:			
	(a) Godwin Ojo	L5	9,750	
	(b) Rex Adams	L6	5,000	
	Creditors:			
	(a) Godwin Ojo	L7		20,000
	(b) Ajala Taiwo	L8		5,785
	Capital	L9		54,779
	Being assets, liabilities and capital at this date		80,564	
				80,564

Note: CB = Cashbook

L = Ledger

The ledger accounts of the above transactions will appear as shown below:

Dr

Date	Particulars	Fo	Discount	Cash	Bank
Jan. 1	Balances	J1		2,254	19,860

Dr Stock Cr

Jan. 1	Balance	J1	2,500	
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Dr Machineries Cr

Jan. 1	Balance	J1	14,000	
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Dr Land and building Cr

Jan. 1	Balance	J1	6,700	
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Dr Motor van Cr

Jan. 1	Balance	J1	20,500	
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Dr Godwin Ojo Cr

Jan. 1	Balance	J1	9,750	
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Dr Rex Adams Cr

Jan. 1	Balance	J1	5,000	
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Dr Stock Cr

Jan. 1	Balance	J1	20,000	
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Dr Stock Cr

Jan. 1	Balance	J1	5,785	
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Dr Stock Cr

Jan. 1	Balance	J1	54,779	
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Example 5.3

Nathaniel Nwako commenced business on 1st Jan., 2004 with the following:

Cash - N18,000

Motor van - N100,000

Building - N500,000

Prepare the opening entries and post to the ledger.

Solution

General Ledger

Date	Particulars	Fo.	DR	CR
Jan. 1	Cash	2	18,000	
	Motor van	1	100,000	
	Building	2	500,000	
	Capital	3		618,000
	Being assets representing capital on commencement of business.			

Dr Cash account

Date	Particulars	Fo	Discount	Cash	Bank
Jan. 1	Balance	J1		18,000	

Dr Motor van account Cr

Jan. 1	Balance	J1	100,000
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Dr Building account Cr

Jan. 1	Balance	J1	500,000
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Dr Capital account Cr

		Jan. 1	Balance	J1	618,000
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5.4.2 Journalising Closing Entries

For the purpose of journalising closing entries at the end of the accounting period, items affecting Trading, Profit and Loss Accounts, such as rent, rates, purchases, sales, returns, stocks, wages, salaries, carriage, insurance, etc. are entered in the journal proper. This is done to close the accounts and make necessary transfers to final accounts.

Example 5.4

The following balances appeared in the books of Jinad Rajak for the year ended 31st December, 2006. Show the journal entries necessary to record the transactions.

Stock 1/1/2006	3,500
Purchases	7,500
Sales	15,000
Rent	6,000
Wages	8,300
Carriage	2,050
General expenses	3,500
Stock 31/12/2006	3,750

General ledger

Date	Particulars	Fo.	DR	CR
	Trading a/c Stock a/c Being the value of stock on 1st Jan. 2006		3,500	3,500
	Sales a/c Trading a/c Being total purchases for the period		7,500	7,500

Date	Particulars	Fo.	DR	CR
	Sales a/c Trading a/c Being total sales for the period		15,000	15,000
	Profit & Loss a/c Rent a/c Being rent paid for the period		6,000	6,000
	Profit & Loss a/c Wages a/c Being wages paid for the period		8,300	8,300
	Profit & Loss a/c Carriage a/c Being carriage paid for the period		2,050	2,050
	Profit Loss a/c General Expenses Being general expenses for the period		3,500	3,500
	Stock a/c Trading a/c Being value of stock at hand on his date Dec. 31 2006		3,700	3,700

The ledger accounts for these closing entries will appear as follows:

DR	Rent			CR
Dec.31	Trading A/c	6,000	Dec. 31	Profit & loss 6,000

DR	Wages			CR
Dec.31	Balance	8,300	Dec. 31	Profit & loss 8,300

DR	Carriage			CR
Dec.31	Balance	2,050	Dec. 31	Profit & loss 2,050

DR	General Expenses			CR
Dec.31	Balance	3,500	Dec. 31	Profit & loss
				3,500

In modern practice, journalising of closing entries is not required. Instead, accounts balanced-up in the ledger are extracted by means of the Trial Balance to ensure the accuracy of the accounts. After this, the various accounts are closed by transferring them to final accounts. Journalising correction of errors in the ledger is dealt with in chapter 9.

5.5 Uses of Subsidiary Journals

There is a general journal and there are subsidiary journals. A general journal is a multi-purpose journal used occasionally. There is usually only one general ledger in an organisation. It has been given other names like principal journal, journal proper or simply, journal. A subsidiary journal has a particular use usually with frequent entries. It is given a functional name: e.g. sales journal.

Subsidiary journals include the following:

- i. Sales journal or sales day book or sales book.
- ii. Purchases journal or purchases day book or purchases book.
- iii. Sales return book or returns inward book.
- iv. Purchases return book or returns outward book.
- v. Cash book.
- vi. Petty cash book.

5.5.1 Sales Journal

Goods sold on credit are entered in the sales journal according to the details on the invoice sent to the customers. The monthly total value of the goods is posted to the credit side of sales account in the ledger and the account of the customer (a debtor) is debited.

Example 5.5

Write up the sales journal of Jackson Trading Enterprises from the particulars below and post to the ledger, for the month of Dec. 2009.

Dec. 5: Sold to Agbede Trading Store 12 bags of rice at N900 per bag.

10bags of semolina at N1,500 per bag Trade discount of 10%.

Dec. 11: Sold to S. Komolafe 80 crates of Coca Cola at N850 per crate.

24 cartons Star beer at N 2,500 per carton.

Dec. 17: Sold to Nnamdi & Co. 5 dozen of stoves at N4,500 each. 5 dozen wall clocks at N2,300 each.

Dec. 29: Sold to Janet Omotoso 30 bundles of printed Ankara materials at N2,500 per bundle, 24 bundles of lace materials at N30,000 per bundle. Trade discount of 10%.

5.5.2 Purchases Journal

Goods bought on credit and received from the supplier are entered in the purchases journal according to the details on the invoice. The monthly total value of the goods is debited to purchases account in

the ledger and the creditor's (supplier) account is credited.

Solution

Jackson Trading Enterprises Sales Journal

Date	Particulars	Fo.	Details ₦	Total ₦
Dec.5	Agbede Trading Store: 12 bags of rice at ₦9,000 per bag 10 bags of semolina at ₦1,500 Less 10% trade discount	L1	108,000 <u>15,000</u> 123,000 12,300	110,700
Dec.11	S. Komolafe: 80 crates coco-cola at ₦850 per 24 cartons star beer at ₦2,500 per cartons	L2	68,000 60,000	128,000
Dec.17	Nnamdi & Co. 5 dozen stoves at ₦4,500 each 5 dozen wall clock at ₦2,300 each	L3	270,000 138,000	408,000
Dec.29	Janet Omotosho 30 bundles of printed ankara materials ₦2,500 per bundle 24 bundle of lace materials at 30,000 per bundle Less 10% trade discount	L4	75,000 <u>720,000</u> <u>795,000</u> 79,500	715,500
Dec.30	Sales account Cr	L5		1,362,200

Jackson trading enterprises

Ledger

Dr	Agbede a/c			Cr
Dec. 5	Sales	SJ	₦110,700	

Dr	S. Komolafe a/c			Cr
Dec. 11	Sales	SJ	₦128,000	

Dr	Nnamdi & Co a/c			Cr
Dec. 17	Sales	SJ	₦408,000	

Dr	Janet Omotosho a/c			Cr
Dec. 29	Sales	SJ	₦715,500	

Dr	Sales a/c			Cr
	Dec. 31	Sundries	SJ	₦1,362,200

Enter the following transactions in the purchases journal of Family Food Stores for the month of Oct. 2007:

- Oct. 6 Bought from G. Goke & Sons 20 cartons of Indomie at N1 500 per carton.
 5 cartons of lipton tea at N2,400 per carton; invoice subject to 10% trade discount.
- Oct.15 Bought Nestle Company 15 bags of flours brand at N3,200 per bag,
 12 cartons of sugar at N4,000 per carton 12 cartons
 instant powdered milk at N10,000 per carton invoice subject to 5% trade discount
- Oct. 29 bought from Progress Enterprises 3 dozen tins of ovaltine at N900 per tin.
 12 tins of milo at N950 per tin subject to 10% trade discount .

Family Food Store

Purchases Journal

Date	Particulars	Fo.	Details ₦	Total ₦
Oct. 6	G. Goke & Son 20 cartons of indomie at N1,500 per carton 5 cartons of lipton tea at N2,400 per carton		30,000 36,000 66,000	
	Less 10% discount	L6	6,600	59,400
Oct. 15	Bought Nestle Company 15 bags of flours brand at N3,200 per bag 12 cartons of sugar at N4,000 per carton 12 cartons instant powdered milk at N10,000 per carton Invoice subject to 5% trade discount		48,000 48,000 120,000 216,000 10,800	
Oct. 29	Bought from Progress Enterprises 3 dozen tin of Ovaltine at N900 per tin 12 tins of milo at N950 per tin Subject to 10% Trade discount	L7 L8	32,400 11,400 43,800 4,380	205,200 39,420
Oct. 31	Purchase Account Dr	L9		304,020

Family Food Store

Fo. 6	Ledger			
Dr	G. Goke & Sons a/c			Cr
	Oct. 6	Purchases	PJ 7	₦ 59,400

Fo. 7	Nestle Company a/c			Cr
Dr				
	Oct. 17	Purchases	PJ7	₦205,200

Fo. 8	Progress Enterprises a/c			Cr
Dr				
	Oct. 29	Purchases	PJ7	₦ 39,420

Fo. 9	Purchases a/c			Cr
Dr				
Oct. 31	Sundries	PJ7	₦304,020	

5.5.3 Returns inwards Journal

Returns inward journal deals with the treatment of returned goods in the books of the supplier. When goods are sold customers normally return damaged and unacceptable goods to the supplier and forwards a credit note to the customer for the value of the goods rejected and returned. The total monthly amount is entered in the returns inward journal to the supplier. The account of the customer is credited and returns inward account is debited.

Example 5.6

Enter the following transactions in the returns inward journal of Wisdom Enterprises and post to the ledger:

March 5 Sold to Rasaq Jinad 2 standard wall clocks at N2,000 each and 10 OS2k2 wrist watches at N3,000 each

March 7 Sold to Kunle Aro 20 Nokia handsets at N15,000

March 9 Sent a credit note to Rasaq Jinad for two damaged wall clocks

March 11 Sent a credit note to Kunle Aro for 2 faulty Nokia handsets

Solution

Wisdom Enterprises

Return Inwards Journal

Date	Particulars	Folio	Details N	Total N
March 9	Rasaq Jinad 2 damaged wall clock @ N2,000 each	2	4,000	4,000
March 11	Kunle Aro 2 Nokia handsets @ N15,000 each	3	30,000	30,000
March 31	Return inwards Account Dr	5		34,000

**Wisdom Enterprises
Ledger**

Fo. 1

Rasaq Jinad a/c

	March 9	Return Inwards	RIJ 2	4,000
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Fo. 2

Kunle Aro a/c

	March 11	Return Inwards	RIJ 3	30,000
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Fo. 2

Return Inward a/c

March 31	Sundries	RIJ 5	34,000	
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5.5.4 Return Outwards Book

Return outwards book is the book in which incorrect and unacceptable goods returned to the customers are entered. It is therefore concerned with the treatment of returned goods in the books of the purchaser or buyer. Such goods are entered in a purchase return outward book when a credit note is received from the supplier. Periodically or monthly, the total of purchases return outward book is

credited to the purchases return outward account in the ledger and the personal account of the supplier is debited.

Example 5.7

Enter the following in the purchase return outward book of Charles Njoku & Co. Ltd. and post to the ledger:

Jan. 2 Billard & Co. Ltd.

15 standing fan at N10 ,000 each

10 stabilizers at N3, 000 each

Jan. 5 Bought from A. Adebawale & Co. Ltd.

10 TV set at 40,000 each

5 Refrigerators at 60 000 each

Jan. 8 Bought from A. G. Leventis

10 Yamaha generators 2.5KVA at 3,000 each

Jan.10 Return to Billard & Co. Ltd.

3 standing fans

Jan. 14 Returned to A. Adebawale & Co.Ltd.

2 T.V. set

1 refrigerator

Jan.16 Returned to A. G. Leventis

2 Yahama generator

Solution

Charles Njoku & Co.

Return Outward Book

Jan.14	A. Adebawale Ltd. 2 TV at N40,000 1refrigerator at N60,000	5	80,000 60,000	140,000
Jan.16	A. G. Leventis: 2 yamaha generator at N3,000	6	6,000	6,000
Jan.10	Return Outward a/c Cr	7		176,000

Charles Njoku & Co. Ltd.

Jan. 10	Return outwards A/c	ROA	N30,000	
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A. Adebawale Company Ltd.

Jan. 13	Return outwards a/c	ROA	N140,000	
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Billard & Co. Ltd.

Jan. 13	Return outwards a/c	ROA	N6,000	
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Charles Njoku & Co. Ltd.

	Jan. 31	Sundries		N176,000
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5.5.5 Cash Book

A cash book is a book of first or original entry. Cash received by a business enterprise is first entered in the cash book, usually on the debit side before the same amount is posted to the ledger on the opposite (CR) side of the account to the payer. Thus, the cash book serves a dual purpose: as a journal and as an account. As invoice is the source document for the cash book, receipt is the source document for the cash book.

5.5.6 Petty Cash Book

Refer to chapter 6

Activity 5.1

Collect available documents used for the preparation of subsidiary journals.

5.6 Summary

In this chapter, students have learnt:

- The journal is a book of prime entry.
- The difference between general journal and subsidiary journal.
- The various uses of general journal.
- How to prepare general journal, journal opening and closing entries and posting to the ledger.
- How to prepare the subsidiary journals and posting to the ledger.

5.7 Revision Questions

1. A journal is used to make _____.

- A. advance entry
- B. current entry
- C. first entry
- D. double entry

2. Which of the following is not a journal?

- A. Cash book
- B. Receipt book
- C. Bought book
- D. Return outwards book

3. Opening entries are made to determine _____.

- A. cash

B. stocks

C. capital

D. profit

4. Return outwards book is a book of the_____.

A. supplier

B. purchaser

C. carrier

D. seller

5. Closing entries are made for the purpose of preparing_____.

A. balance sheets

B. trading accounts

C. final accounts

D. profit & loss account

6. (a) What is a journal?

(b) Distinguish between a general journal and a subsidiary journal.

7. Explain with examples the uses of a general journal.

8. Describe each of the following and state how it is used:

(a) sales journal

(b) return inwards journal

(c) purchases journal

(d) return outwards journal

9. The following balances appeared in the books of Nkemba for the year ended 31st March, 2003, show the journal entries necessary to record the transactions and show the necessary ledger records.

	₦
Cash in hand	10,000
Cash at bank	45,000
Stock	12,000
Furniture & fitting	36,000
Premises	73,300
Motor van	20,750
Debtors	
(a) A. A. ogundele	5,000
(b) B. O. Abakpa	5,500
Creditor	
R. Oyedele	7,000

10. On 1st Jan, A. Thompson commenced business as a shop merchant with a capital in cash of N50,000. Pass the following transaction through the appropriate books of account and post to the ledger:

Jan. 3 Bought 80 cartons of Okin soap at N5,000 each and paid cash for it.

Jan. 5 Cash sales N80,000

Jan. 7 Sold on credit to John Emeka:

10 cartons of Joy soap at N7,000 per carton

5 cartons of premier soap at N6,000 per carton

8 cartons of imperial leather soap at 7,000 per carton

Subject to 10% trade discount

Jan. 8 Returned to A. Thompson:

2 cartons of Okin soap

3 cartons of premier soap

Jan. 10 John Emeka paid cash on account N6,000

Jan. 11 Bought on credit from Wisdom Enterprises

300 cartons of Lux soap at N5,000 per carton

Less 10% trade discount

Jan. 12 Returned to Wisdom Enterprises

5 cartons of Lux soap

Jan. 13 Received a credit note from A. Thompson

Jan. 14 Sold goods for cash N21,000

100 cartons of Imperial leather soap at 8,000

Less 10% trade discount

Jan. 18 Returned to A. Thompson

20 cartons of Joy soap

11. The following balances appeared in the books of Ajasco Electrical Enterprises on 31st Dec., 2005:

	N
Cash at bank	500,000
Cash in hand	12,000
Stock	10,000
Motor van	25,000
Debtor Ajayi	5,000
Creditor S. Tom	8,000

Open his books on 1st Jan 2006, enter the following and post to the appropriate ledgers:

Jan. 2 Bought on credit from PZ plc 2 4 TEC Generators 5.5KVA at N60,000 each 30 Electric irons at N6,000 each 24 stabilizers at N5,000 each

Subject to 10% trade discount Deposited cash N100,000

Jan. 4 Returned 1 generator 3 electric irons

Jan. 5 Received credit note

Jan. 8 Sold to Nwoke Joseph on credit

4 TEC Generators 5.5 KVA at N65,000 each

12 standing fan at N10,000 each

Jan. 10 Returned 2 standing fans

1 Generator

Jan. 11 Sent a credit note

Jan. 12 Sold on credit to Funyin Facility Enterprises
10 cartons of 60watts electric bulbs at N5,000 per carton
24 electric kettles at N8,000 each
20 electric stove at N12,000 each
Subject to 10% trade discount
Jan. 14 Returned 1 dozen electric bulbs
2 electric kettles
1 electric stove
Jan 16 Sent credit note
Jan 18 Sold goods cash N80,000
5% trade discount
Jan 20 Nwoke Joseph paid cash N200,000
Jan 20 Bought on credit from WEMA Electrical Co. Ltd
20 T. V. Sets (Samsung) at N35,000 each
84 electric table lamps at N15,000 each
36 table fans at N9,000 each
Jan 22 Returned 1 T.V. Set
3 electric table lamps
3 table fans
Jan 27 Received credit note