

## LESSON-5 JOURNAL

### SUMMARY

A book that is prepared by every businessman, small or big, is a book in which business transactions are recorded date-wise and in the order in which these transactions take place is known as journal.

### JOURNAL: MEANING AND FORMAT

Journal is a book of accounts in which all day to day business transactions are recorded in a chronological order i.e. in the order of their occurrence. Transactions when recorded in a Journal are known as entries. It is the book in which transactions are recorded for the first time. Journal is also known as 'Book of Original Record' or 'Book of Primary Entry'.

In small business houses generally one Journal Book is maintained in which all the transactions are recorded. But in case of big business houses as the transactions are quite large in number, therefore journal is divided into various types of books called Special Journals in which transactions are recorded depending upon the nature of transaction i.e. all credit sales in Sales Book, all cash transactions in Cash Book and so on.

### PROCESS OF JOURNALISING



- Identify the Accounts
- Recognise the type of Accounts
- Apply the Rules of Debit and Credit

### COMPOUND AND ADJUSTING ENTRIES

There can be entries that affect more than two accounts; such entries are called compound or combined entries.

A simple journal entry contains only one debit and one credit. But if an entry contains more than one debit or credit or both, that entry is known as a compound journal entry. Actually, a compound journal entry is a combination of two or more simple journal entries.

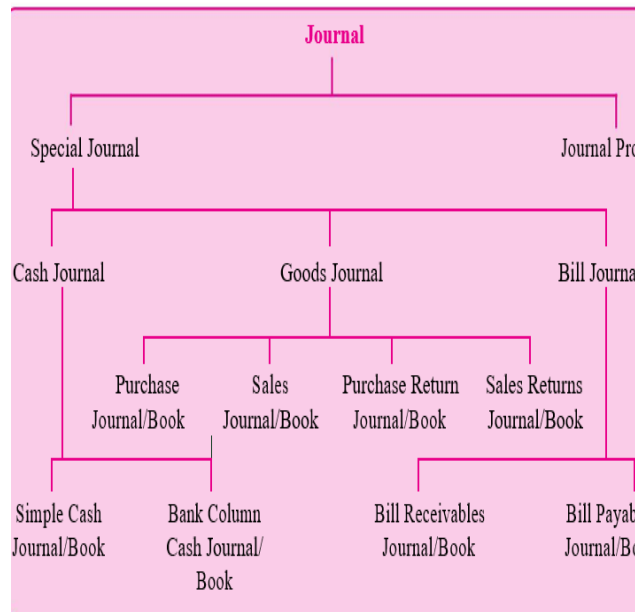
Thus, a compound journal entry can be made in the following three ways:

- By debiting one account and crediting more than one account.
- By debiting more than one account and crediting one account.
- By debiting more than one account and also crediting more than one account.

### CLASSIFICATION OF JOURNAL

Journal can be classified into various special journals and Journal proper. Special journals are also known as special purpose books.

Classification of Journal can be explained with the help of the following chart:



### Special Journals

Special journals are those journals which are meant for recording all the transactions of a repetitive nature of a particular type. For example, all cash related transactions may be recorded in one book, all credit purchases in another book and so on. These are :

#### Cash Journal/Cash Book

Cash Journal or Cash Book is meant for recording all cash transactions i.e., all cash-receipts and all cash payments of the 'business. This book helps us to know the balance of Cash in hand at any point of time. It is of two types :

**Simple Cash Book :** It records only receipts and payments of cash. It is like an ordinary Cash Account.

**Bank Column Cash Book :** This type of Cash Book contains one more column on each side for the Bank transactions. This Book provides additional information about the Bank transactions.

#### Purchases Journal/Purchases Book :

This journal is meant for recording all credit purchases of goods only as Cash purchases of goods are recorded in the Cash Book. In this journal, purchases of other things like machinery, typewriter, stationery, etc. are not recorded. Goods means articles meant for trading or the articles in which the business deals.

#### Sales Journal/Sales Book

This journal is meant for recording all credit sales of goods made by the firm. Cash Sales are recorded in the Cash Book and not in the Sales Book. Credit Sale of items other than the goods dealt in like sale of sold furniture, machinery, etc. are not entered in the Sales Journal.

#### Purchase Returns or Returns Outward Journal

#### Sale Returns or Returns Inward Journal

#### Bill Receivables Journal/Book

#### Bill Payable Journal