

6.1 ► The Journal

In the last two chapters, you have practised analyzing transactions to determine what accounts were affected and whether the accounts should be debited or credited. You recorded the changes caused by transactions—referred to by accountants as *entries*—in ledger accounts called T-accounts.

Ledger accounts, however, fail to satisfy all the needs of accounting. As we have seen, each transaction requires two or more entries that must balance. In a ledger, each entry is recorded in a separate account. The accounts are in different locations in the ledger. Therefore, as transactions mount up, the bits and pieces of the accounting entries become scattered through the ledger. The details for any one transaction become difficult to put back together. Yet, very often you need to see the debits and credits of one transaction as a whole unit. Therefore, accountants use another book, called a *journal*, to keep all of the entries together, transaction by transaction. The entries are actually recorded in the journal *before* they are recorded in the ledger accounts.

A **journal** is a book in which the accounting entries for all transactions are first recorded, before they are recorded in the ledger accounts. Each transaction is recorded separately. The transactions are recorded in the order of their occurrence. This is also known as chronological order. In this way, the journal provides an important continuous record of all transactions.

The Two-Column General Journal

Accountants can modify the format of a journal to suit their particular needs. The simplest form, which you will study in this chapter, is the two-column general journal. A page from a two-column general journal is shown in Figure 6.1 (on the next page). You will see that it has two money columns, one for the debit amounts and one for the credit amounts. There are also columns for Date, Particulars (account names and explanations), and P.R. (Posting Reference, which is explained in Chapter 7).

GENERAL JOURNAL					PAGE 16	
DATE	PARTICULARS	P.R.	DEBIT	CREDIT		
Nov. 9	Supplies		135-			
	Bank			135-		
	Letterhead and envelopes; cheque #40					
12	Equipment		12000-			
	A/P – World Wide Fibre Optics			10000-		
	Bank			2000-		
	Computer station installation; issued cheque #41 with the balance due in 30 days					
28	A/P – Internet Service Providers		750-			
	Bank			750-		
	Partial payment; cheque #42					
Dec. 3	A/R – W. Hill		300-			
	Fees Earned			300-		
	Service on account; Invoice No. 2397					
17	Bank		5000-			
	Bank Loan			5000-		
	Increase in bank loan; online confirmation No. 47923					

General Journal Facts

Pages numbered consecutively.

Each journal entry balances.

Blank line between transactions.

A "compound entry" affects more than two accounts.

Account titles are capitalized.

Simple, brief explanations; include reference numbers wherever possible.

Figure 6.1

A page from a two-column general journal

A **journal entry** is made up of all of the accounting changes for one transaction, in the form in which they are written in the general journal. The transactions are recorded in the journal in a specific way. The debited account and amount are recorded first. The credited account and amount are recorded second and are indented. Notice that for each transaction there is at least one debit amount and one credit amount, and that the total of the debit amounts is equal to the total of the credit amounts. This is the case with every complete journal entry. Each journal entry ends with a brief explanation.

Journalizing is the process of recording accounting entries in the journal. The journal is known as a **book of original entry** because each balanced accounting entry is recorded there first. This is true for both manual and computer accounting systems. The basic process of recording transactions first in the journal and then in the ledger is shown in Figure 6.2 below.

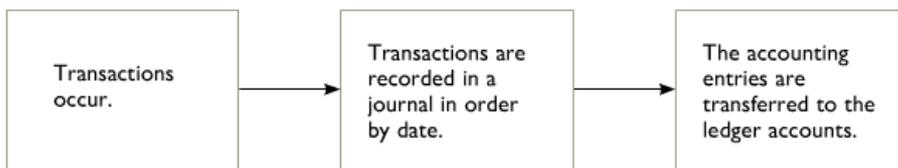


Figure 6.2

The first three steps in the accounting cycle

Journalizing in the Two-Column General Journal

Recording the Date

The following is the customary procedure for recording the date in the date column of a journal. Refer back to Figure 6.1 on page 177 as you read this.

- ✱ 1. *The year:* Enter the year in small figures on the first line of each page. Do not repeat it for each entry. Enter a new year at the point on the page where it occurs.
2. *The month:* Enter the month on the first line of each page. Do not repeat it for each entry. Enter a new month at the point where it occurs. For example, in Figure 6.1 transactions for December begin near the bottom of the page. At this point, the month of December is written in the date column.
3. *The day:* Enter the day on the first line of each journal entry. The day is repeated no matter how many transactions occur on any given day.

Steps in Recording a Journal Entry

There are four steps in recording a general journal entry. They are as follows:

- ✱ **Step 1** DATE: Enter the day in the date column; in this example, it is the 12th day of the month.

GENERAL JOURNAL				PAGE 16							
DATE		PARTICULARS	P.R.	DEBIT			CREDIT				
Nov. ²⁰⁻	9	Supplies		1	3	5	-				
		Bank						1	3	5	-
		Letterhead and envelopes; cheque #40									
	12										

 **Step 2** DEBIT ACCOUNT(S): Enter the names of the account(s) to be debited at the left side of the Particulars column. Enter the debit amounts in the Debit money column.



	12	Equipment		12	0	0	0	-										

 **Step 3** CREDIT ACCOUNT(S): Enter the names of the account(s) to be credited. They are indented about 1.5 cm in the Particulars column. Enter the credit amounts in the Credit money column.



	12	Equipment		12	0	0	0	-										
		A/P – World Wide Fibre Optics							10	0	0	0	-					
		Bank							2	0	0	0	-					

 **Step 4** EXPLANATION: Write a brief explanation for the entry beginning at the left side of the Particulars column on the line beneath the last credit item. The explanation makes each entry distinct and, in actual practice, usually contains a source document reference number.



	12	Equipment		12	0	0	0	-										
		A/P – World Wide Fibre Optics							10	0	0	0	-					
		Bank							2	0	0	0	-					
		Computer station installation; issued																
		cheque #41 with the balance due in 30 days																

After writing each journal entry, check to see that the total debit and credit amounts are equal. Also, keep all lines of a journal entry together on one page. If there is insufficient space to hold a complete journal entry, start the journal entry on the next page.

The Opening Entry

Every accounting entry is recorded first in the journal. This is done even for the first accounting entry, the one that sets up the financial position from a balance sheet. The journal entry that starts the books off, or “opens” them, is known as the **opening entry**.

The opening entry for Shirley Cassar’s photography business can be seen in Figure 6.3 below. The figures for this accounting entry came from a balance sheet prepared at the time.

GENERAL JOURNAL				PAGE 1							
DATE	PARTICULARS	P.R.	DEBIT				CREDIT				
Oct. 30	Bank		1	4	0	0	-				
	Supplies		2	4	2	5	-				
	Equipment		8	7	1	5	-				
	Automobile		19	5	5	0	-				
	Bank Loan							10	0	0	0
	Shirley Cassar, Capital							22	0	9	0
	Opening financial position of Shirley Cassar										

Figure 6.3

The opening entry for a small business

Homework

Section 6.1 on page 180.

SECTION 6.1 REVIEW QUESTIONS (page 180)

1. *"The accounting entries become scattered through the ledger" means that the individual debit and credit amounts contained in one accounting entry are recorded in a variety of accounts throughout the ledger.*

2. *Recording each transaction separately and in chronological order provides an important, continuous record of all transactions. The journal makes future investigations into the accounting records easy.*

3. *A journal is a book in which the accounting entries for all transactions are first recorded, in order of date, before they are recorded in the ledger accounts.*

4. *A journal entry is the complete accounting entry for a transaction in the form in which it is written in the general journal.*

5. *Journalizing is the process of recording accounting entries in the journal.*

6. *A journal is known as a book of original entry because it is the place where the accounting entries are first recorded.*

7. *The two-column general journal has a column for the date, the account names, and the posting references, and then two money columns: one for the debit amounts and one for the credit amounts.*

8. *In the general journal, a blank line is left between journal entries to show where one journal entry ends and another begins.*

SECTION 6.1 REVIEW QUESTIONS (continued)

9. A. *The year is always entered at the very top of the date column.*

- B. *The year is re-entered in the date column at the point where a new year begins.*

- C. *The month is always entered on the first line of the date column.*

- D. *The month is re-entered in the date column at the point where a new month begins.*

- E. *The day is recorded for every transaction.*

10. *The accounts that are to be debited are recorded first.*

11. *The accounts that are to be credited are indented.*

12. *Explanations are recorded immediately beneath the debits and credits, beginning at the left side of the Particulars column and staying within it.*

13. *The purpose of an explanation in a journal entry is to make each entry unique. The explanation usually contains the reference number for the source document related to the entry.*

14. *Besides a daily list of accounting entries, the journal provides a place to work out the accounting entries for the various transactions and is a good reference for all the transactions completed by the business since they are in order of date.*

15. *The opening entry is the very first journal entry recorded in a journal. It is taken from the account balances in the balance sheet.*

Exercise I, p. 180

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PAGE 17

DATE	PARTICULARS	PR.	DEBIT	CREDIT
²⁰ Feb. 3	Rent Expense		3 5 0 0 -	
	Bank			3 5 0 0 -
	<i>Paid February's rent; cheque No. 411</i>			
5	A/P—Western Electric		4 0 0 -	
	Bank			4 0 0 -
	<i>Paid Western Electric on account; cheque No. 412</i>			
7	Bank		6 7 5 -	
	Repair Revenue			6 7 5 -
	<i>Repair service for cash; sales receipt No. 5689</i>			
10	T. Castillo, Drawings		2 0 0 0 -	
	Bank			2 0 0 0 -
	<i>Owner withdrew cash; cheque No. 413</i>			
11	Bank		9 5 0 -	
	A/R—C. Jacobs			9 5 0 -
	<i>Payment of sales invoice No. 5652</i>			
14	Truck Expense		4 8 5 -	
	Bank			4 8 5 -
	<i>Repaired truck; cheque No. 414</i>			
17	Light and Heat Expense		3 7 5 -	
	Bank			3 7 5 -
	<i>Paid for utilities; Confirmation No. 22321</i>			
24	A/R—D. Steiger		1 1 7 5 -	
	Repair Revenue			1 1 7 5 -
	<i>Repair on account; invoice No. 5690</i>			
28	Wages Expense		2 0 0 0 -	
	Bank			2 0 0 0 -
	<i>February wages; cheque No. 415</i>			

Exercise 2, p. 181

A. PAULA PERNA
BALANCE SHEET
JUNE 1, 20-

Assets					Liabilities										
Bank	\$	2	5	0	0	-	A/P—The Stationery Store	\$	3	2	5	0	-		
Law Library		6	5	0	0	-	Loan Payable		8	7	5	0	-		
Office Equipment		8	2	5	0	-	Total Liabilities		\$12	0	0	0	-		
Automobile		16	5	0	0	-									
							Owner's Equity								
							P. Perna, Capital		21	7	5	0	-		
Total Assets		\$33	7	5	0	-	Total Liabilities & Equity		\$33	7	5	0	-		

B., C.

GENERAL JOURNAL

PAGE 1

DATE	PARTICULARS	PR.	DEBIT	CREDIT
³⁰⁻ Jun. 1	Bank		2 5 0 0 -	
	Law Library		6 5 0 0 -	
	Office Equipment		8 2 5 0 -	
	Automobile		16 5 0 0 -	
	A/P—The Stationery Store			3 2 5 0 -
	Loan Payable			8 7 5 0 -
	P. Perna, Capital			21 7 5 0 -
	Opening entry			
1	Rent Expense		3 5 0 0 -	
	Bank			3 5 0 0 -
	Paid June's rent			
2	Office Supplies		3 7 5 -	
	A/P—The Stationery Store			3 7 5 -
	Bought supplies on account			
3	Bank		1 2 0 0 -	
	Fees Earned			1 2 0 0 -
	Legal service for cash			

Exercise 2, p. 181 (continued)

B., C. (continued)

GENERAL JOURNAL

PAGE 2

DATE	PARTICULARS	PR.	DEBIT	CREDIT
²⁰⁻ Jun. 5	A/R—R. Spooner		6 5 0 -	
	<i>Fees Earned</i>			6 5 0 -
	<i>Legal service on account</i>			
8	A/P—The Stationery Store		1 0 0 0 -	
	<i>Bank</i>			1 0 0 0 -
	<i>Payment on account</i>			
10	A/R—T. & R. Builders		1 1 0 0 -	
	<i>Fees Earned</i>			1 1 0 0 -
	<i>Legal service on account</i>			
11	<i>Bank</i>		3 5 0 -	
	A/R—R. Spooner			3 5 0 -
	<i>Received on account</i>			
15	<i>Car Expense</i>		8 0 -	
	<i>Bank</i>			8 0 -
	<i>Paid for gasoline</i>			
20	<i>Wages Expense</i>		4 5 0 -	
	<i>Bank</i>			4 5 0 -
	<i>Part-time secretarial help</i>			
24	<i>General Expense</i>		6 5 -	
	<i>Bank</i>			6 5 -
	<i>Paid for postage</i>			
24	<i>Loan Interest Expense</i>		6 0 -	
	<i>Loan Payable</i>		2 6 0 -	
	<i>Bank</i>			3 2 0 -
	<i>Monthly payment</i>			
30	<i>P. Perna, Drawings</i>		4 0 0 -	
	<i>Car Expense</i>		5 0 -	
	<i>Bank</i>			4 5 0 -
	<i>Owner's withdrawal</i>			

Exercise 3, p. 182

- *The page number is missing.*
- *The year is missing.*
- *The month, Feb., is repeated for every transaction. It should only appear at the top of the page.*
- *On Feb. 7, Supplies, the Dr, should be listed before the Cr, Bank.*
- *On Feb. 10, the amount of Loss on Sale, should be \$160. (\$250 – \$90 = \$160)*
- *On Feb. 22, the date is repeated twice and the description is missing.*
- *The date, 22, is missing from the \$125 sale to E. James.*
- *Service for E. James performed on account (not for cash) since it is debited to A/R.*
- *On Mar. 3, the amounts have been reversed: the Dr should be a Cr and the Cr a Dr.*

Exercise 4, p. 183

- A. *The owner, Kelly Marshall, invested \$5000 into the business.*
- B. *Supplies worth \$530 were purchased with cash.*
- C. *The owner, Kelly Marshall, withdrew \$200 cash for her personal use.*
- D. *Goods or services worth \$220 were sold to Jan Vasko on account.*
- E. *Supplies worth \$170 were purchased from Fain Brothers on account.*

Exercise 5, p. 183

GENERAL JOURNAL

PAGE 1

DATE		PARTICULARS	PR.	DEBIT				CREDIT				
Aug.	1	Bank		2	2	0	0	-				
		Office Equipment		6	9	0	0	-				
		Land		92	5	0	0	-				
		Building		185	9	0	0	-				
		A/P—Diamond Equipment							3	5	0	-
		Mortgage Payable							132	5	6	0
		R. D'Alvese, Capital							154	5	9	0
		Opening entry										

Exercise 6, p. 183

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DATE		PARTICULARS	P.R.	DEBIT				CREDIT			
Aug. ²⁰	3	Bank		4	5	2	25				
		A/R—P. Daniel						4	5	2	25
		Received full payment of invoice No. 4544									
	6	A/P—Walberg Bros.		3	0	0	–				
		Bank						3	0	0	–
		On account; cheque No. 112									
	9	Cleaning Supplies		4	1	2	78				
		A/P—Merrick Products						4	1	2	78
		Purchased supplies on account; invoice No. 3321									
	10	Bank		3	1	4	–				
		Service Revenue						3	1	4	–
		Window washing for cash; deposit slip No. 2321									
	15	Cellphone Expense		1	8	3	99				
		Bank						1	8	3	99
		Paid bill online; confirmation No. 3335									
	19	C. Lehto, Drawings		1	2	0	0	–			
		Bank						1	2	0	0
		Owner's personal use; cheque No. 113									
	20	Truck Expense		1	1	4	56				
		Bank						1	1	4	56
		Paid for gas with debit card; receipt No. 89302									
	25	Miscellaneous Expense		7	5	–					
		Cleaning Supplies						7	5	–	
		To correct a previous error									