

Principles of Accounting

Help Lesson #4

Using a Journal

By Laurie L. Swanson

Using A Journal

Use this presentation
to help you
learn about using the
General Journal.



Foundation

The prerequisite for this tutorial is a thorough understanding of analyzing transactions, and debits and credits.

See Help Lessons #2, & 3

Recording a Transaction

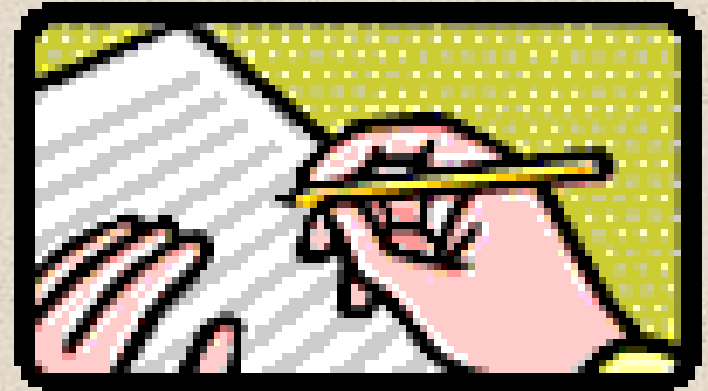
In the previous tutorial, you learned to analyze and record transactions on the Transaction Analysis Sheet. This tool was used to help you learn to analyze transactions and is not actually used by accountants when recording transactions.

Business transactions are recorded in a book known as a journal.

Definitions

A General Journal is a book used to record a company's day-to-day business transactions.

The process of recording information in a journal is called journalizing.



The General Journal

A General Journal has five columns in which to record information.

Date-record the date the transaction occurred

Account-record the accounts affected in the transaction and a brief description of the transaction.

Post Ref (or PR)-record the ledger account to which this item was posted (discussed later)

Debit-record the amount for the account debited

Credit-record the amount for the account credited

DATE		ACCOUNT	POST REF	DEBIT		CREDIT	

Using The General Journal

When recording transactions in a journal, first analyze the transaction using the same steps you have learned in the Analyzing Transactions and Debits and Credits tutorials.

1. What **accounts** are involved in the transaction?
2. What is the **classification** of each account?
3. What is **happening** to each account—is it increasing or decreasing?
4. **How** is this accomplished—with a **debit** or **credit**?

Using The General Journal

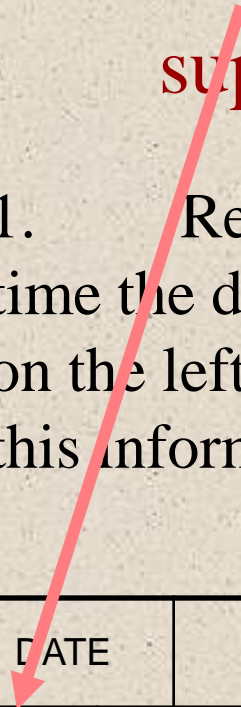
Next, record the transaction in the journal as shown in the following slides. We will use a transaction used in the previous tutorial.



Using The General Journal

Feb 9: Jones Career Consulting purchased supplies for cash, \$88.

1. Record the transaction **date** in the Date column. The first time the date is recorded, you should write the year and month on the left side of the Date column. It is not necessary to write this information again unless the month or year changes.

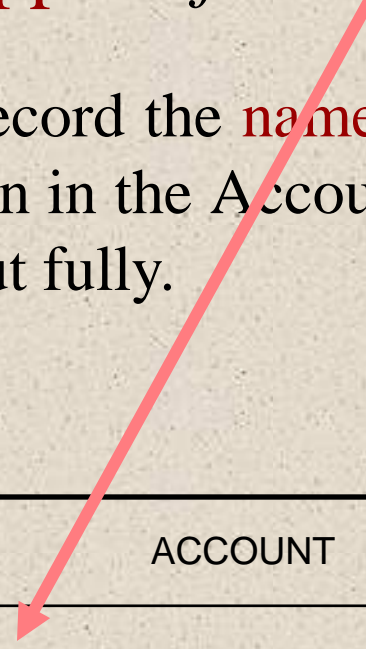


DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	9						

Using The General Journal

Feb 9: Jones Career Consulting purchased supplies for cash, \$88.

2. Record the **name of the account to be debited** against the left margin in the Account column. The account name should be written out fully.



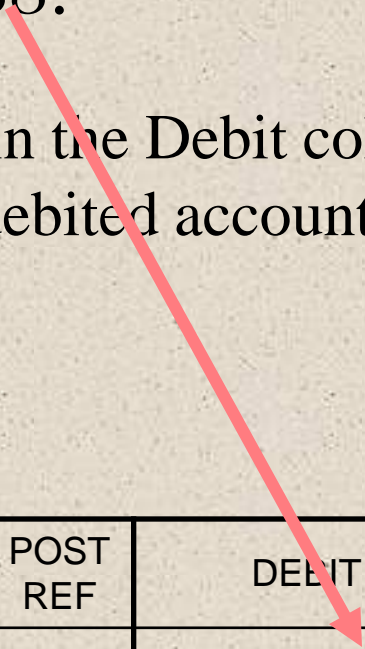
DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	9	Supplies					

Using The General Journal

Feb 9: Jones Career Consulting purchased supplies for cash, \$88.

3. Record **amount debited** in the Debit column on the same line as the account title for the debited account. Do not place a dollar sign beside the amount.


DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	9	Cash		88	00		



Using The General Journal

Feb 9: Jones Career Consulting purchased supplies for cash, \$88.

4. Record the **name of the account to be credited** in the Account column indented about ½ inch. (Do not repeat the date.)

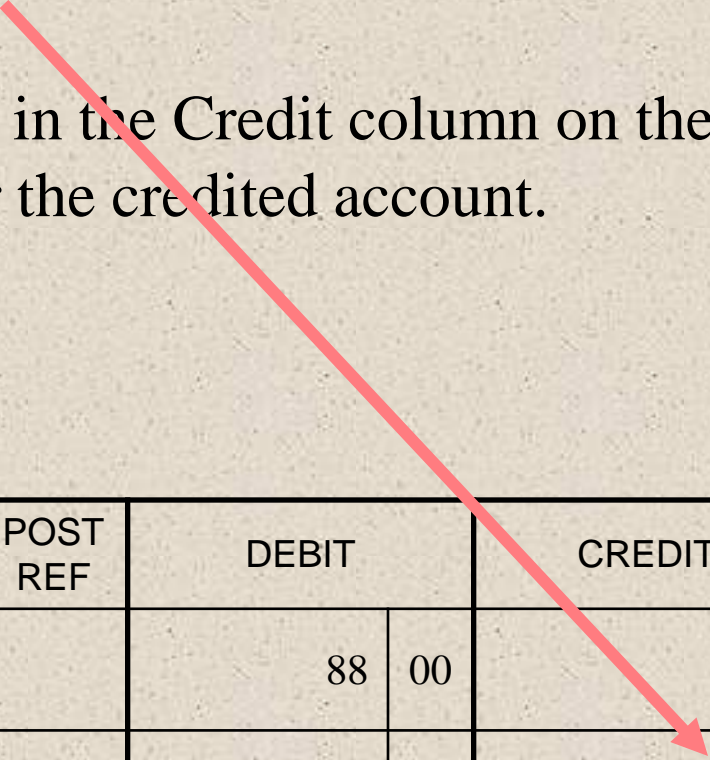


DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	9	Supplies		88	00		
		Cash					

Using The General Journal

Feb 9: Jones Career Consulting purchased supplies for cash, \$88.

5. Record **amount credited** in the Credit column on the same line as the account title for the credited account.



DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	9	Supplies		88	00		
		Cash				88	00

Using The General Journal

Feb 9: Jones Career Consulting purchased supplies for cash, \$88.

6. Record a brief **explanation** of the transaction on the line immediately below the last credited account for this transaction. The explanation may either be indented another ½ inch or return to the left margin.

DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	9	Supplies		88	00		
		Cash				88	00
		Purchased office supplies					

Using The General Journal

The Post Ref column will be covered in the next tutorial.

DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	9	Supplies		88	00		
		Cash				88	00
		Purchased supplies for cash					

Journal Formatting Rules

1. **Do not include dollar signs, commas or decimal points** for amounts in the journal.
2. Write the year, month, and date for the first transaction at the top of the journal in the Date column. For all following transactions write only the date unless it is a new month or year.
3. **Spell out account names fully**—do not use Sal Exp; write out Salaries Expense.
4. Refer to the Chart of Accounts so that you are using accurate account titles for each company.
5. For each transaction, enter the **debited** account **first** with the title **flush** against the **left** margin of the explanation (or account) column.
6. Enter the **credited** account title on the following line **indented** about ½ inch.
7. For compound entries, keep all debited accounts together followed by all credited accounts.
8. Keep all credited accounts throughout the journal in line with the imaginary ½ inch margin.
9. Follow the credited account with an **explanation** of the transactions. It is acceptable to return this description to the left margin or indent it another ½ inch from the credited account title.
10. **Skip a line between transactions.**
11. Keep entire transactions on the same page together. Start a new page if necessary.
12. **Never total** a journal.

Journalize Another Transaction

Feb 12: Jones Career Consulting paid a creditor on account, \$350.

Enter the a brief explanation.

DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	9	Supplies		88	00		
		Cash				88	00
	12	Accounts Payable		350	00		
		Cash				350	00
		Paid ABC Company					

A Common Mistake

A common mistake made by some new to journalizing is to enter a description where the account title should be recorded. To avoid this mistake, remember that the account titles you enter in the journal should match exactly the account titles found in the Chart of Accounts and the General Ledger.



A Common Mistake

Here is an example of how a transaction should **NOT** be recorded.

Feb 12: Jones Career Consulting performed consulting services valued at \$200 on account.

DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	12	Services on Account		200	00		
		Performed Consulting Services				200	00

The transaction should be recorded with account titles as follows:

DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	12	Services on Account		200	00		
		Consulting Income				200	00

Compound Entry

A **compound entry** is a journal entry with more than one debit or more than one credit.



Analyze and Record a Compound Entry

Feb 15: Jones Career Consulting purchased a \$10,000 copy machine paying \$3,000 down and signing a note for the remaining balance.

First, analyze this transaction by looking for clues to the accounts involved. In this transactions, three accounts are involved: Office Equipment, Cash, and Notes Payable.

Analyzing the Transaction

Feb 15: Jones Career Consulting purchased a \$10,000 copy machine paying \$3,000 down and signing a note for the remaining balance.

The asset **Office Equipment** is increasing and should be debited \$10,000. The asset **Cash** is decreasing and should be credited \$3,000. The liability **Notes Payable** is increasing and should be credited \$7,000 (\$10,000 - \$3,000).

Analyze and Record a Compound Entry

Now journalize this transaction.



Journalize a Compound Entry

Feb 15: Jones Career Consulting purchased a \$10,000 copy machine paying \$3,000 down and signing a note for the remaining balance.

DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	15	Office Equipment		10000	00		
		Cash				3000	00
		Notes Payable				7000	00
		Purchased a copy machine					

Formatting a Compound Entry

When journalizing a compound entry, record all debits first followed by all credits. Make sure that total debits equal total credits for the entry.

DATE		ACCOUNT	POST REF	DEBIT		CREDIT	
2004 Feb	15	Office Equipment		10000	00		
		Cash				3000	00
		Notes Payable				7000	00
		Purchased a copy machine					

Next Step

Now that you understand how to journalize transactions, the next step is to post those transactions to the ledger.

