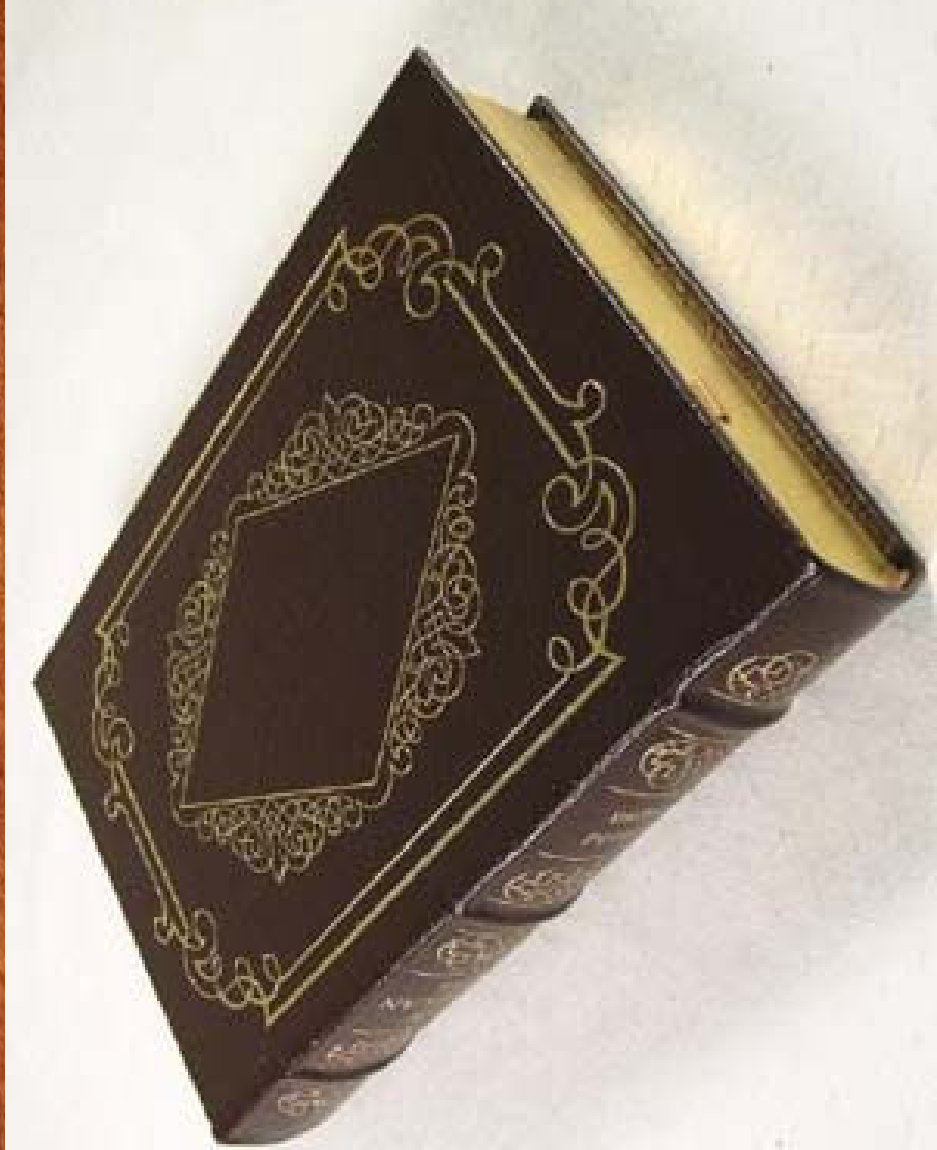








Accounting

The 'Journal'







- 
- 
- Please read the following section on the 'General Journal'. (You can find it in the textbook, on page 157, as well.)
 - Answer the required questions.
 - *You may download the **General Journal** file from the website, or create your own.*
 - Please put each question on a separate 'tab'
- 
- 

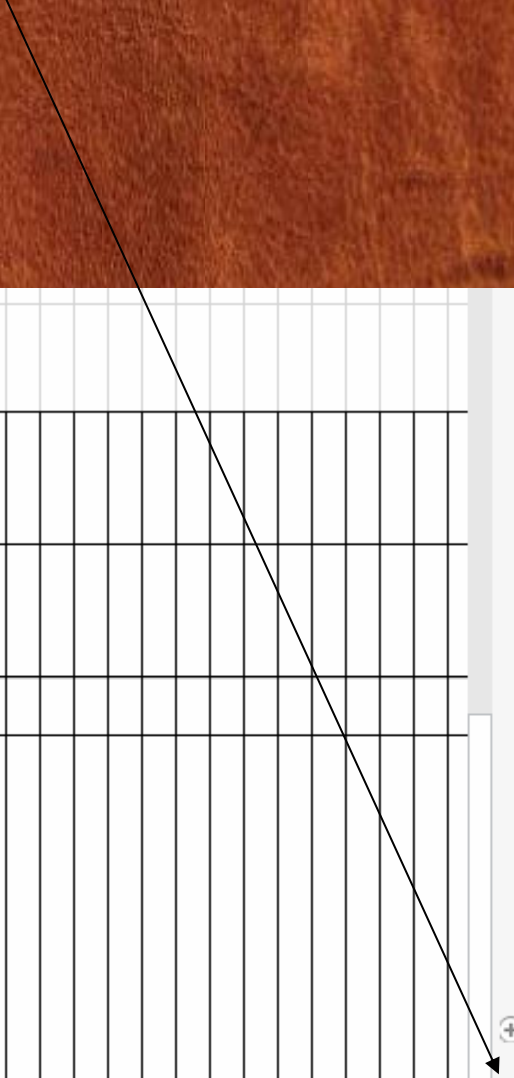
The screenshot displays a Microsoft Excel window with the following elements:

- File Name: SkyDrive > GeneralJournal.xlsx
- Menu Bar: HOME, INSERT, VIEW
- Toolbar: OPEN IN EXCEL
- Worksheet Title: General Journal
- Grid Columns: A, B, C, D, E, F, G
- Grid Rows: 1 to 26
- Worksheet Headers:
 - Row 1: Date (B), Particulars (C), PR (D), Debit (E), Credit (F)
 - Row 2: (Blank)
- Page Information: Page 14, Microsoft Excel Web App
- Tab Bar: Exercise 1, Exercise 3 (selected), and a plus sign (+) for adding a new tab.

Page #



Use a separate tab for each exercise.





- You may check the answers at the front of the room.

- The answer keys will be posted on the blackboard.



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.

However, ledger accounts alone do not satisfy all of 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 on different pages. 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 this arrangement is often necessary. 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

There are several different types of journals used in accounting. The simplest one, 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 below. 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, explained on page 211).

FIGURE 6.1

A page from a two-column general journal.

GENERAL JOURNAL					PAGE	16
DATE	PARTICULARS	P.R.	DEBIT	CREDIT		
20 Nov.	9 Supplies		135 -			
	Bank			135 -		
	Letterhead and envelopes; cheque #40					
12	Equipment		1200 0 -			
	A/P - World Wide Fibre Optics			1000 0 -		
	Bank			200 0 -		
	Network software installation; issued cheque #41 with the balance due in 30 days					
28	A/P - Internet Service Providers		750 -			
	Bank			750 -		
	Partial payment; cheque #42					

General Journal Facts

Pages numbered consecutively.

Each journal entry balances.

Blank line, usually, between transactions.

A "compound entry" affects more than two accounts.

Account titles are capitalized.

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.

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. 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 158 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.
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.

Usefulness of the General Journal

The chief purpose of the general journal is to provide a continuous record of the accounting entries in the order in which they occur. But this is not its only use.

The accounting clerk works out the accounting entries from the source documents and records them in the journal. The clerk can then see the work in an organized way. This is the time to check that each entry balances and generally that everything is in order. A job done well at this stage reduces errors and prevents problems from occurring later.

The journal is also useful for reference. It is often necessary to refer back to the journal to verify a transaction. This is particularly the case when balancing the ledger.

The Opening Entry

For every complete journal entry, the total of the debit amounts equals the total of the credit amounts.

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.



Oct. 30	Bank		1 400	-				
	Supplies		2 425	-				
	Equipment		8 715	-				
	Automobile		19 550	-				
	Bank Loan				10 000	0	-	
	Shirley Cassar, Capital				22 090	0	-	
	-Opening financial position of Shirley Cassar							

Exercises

1. Tony's Repair Shop is owned and operated by Tony Castillo. The chart of accounts for his business is given below.

TONY'S REPAIR SHOP CHART OF ACCOUNTS

Assets	Owner's Equity
105 Bank	305 T. Castillo, Capital
110 A/R - C. Jacobs	310 T. Castillo, Drawings
115 A/R - D. Steiger	405 Repair Revenue
120 Supplies	505 Bank Charges Expense
125 Equipment	510 Light and Heat Expense
	515 Miscellaneous Expense
Liabilities	520 Rent Expense
205 A/P - Ace Cartage	525 Truck Expense
210 A/P - Western Electric	530 Wages Expense

Journalize the following transactions for Tony's Repair Shop in the two-column general journal provided in the Workbook. Use page number 17.

TRANSACTIONS

20—

February

- 3 Paid the rent for February, \$500 cash.
- 5 Paid \$400 to Western Electric on account.
- 7 Performed a repair service for A. Abel for cash, \$375.
- 10 The owner withdrew \$200 cash for personal use.
- 11 Received \$350 from C. Jacobs on account.
- 14 Paid \$85 cash for repairs to the truck.
- 17 Paid \$40 cash for gasoline for the truck.
- 24 Performed a repair service for D. Steiger on account, \$275.
- 28 Paid \$300 cash for wages for the month.

2. Paula Perna, a lawyer, has decided to open her own law office on June 1, 20—. On that date, she commenced business with the following assets and liabilities.

Assets		Liabilities	
Bank	\$ 2 500	Acme Finance Company	\$8 750
Law Library	3 500	The Stationery Store	3 250
Office Equipment	8 250		
Automobile	16 500		

- A. Prepare a balance sheet for Paula Perna as of June 1, 20—.
- B. Record the beginning financial position of Paula Perna in a two-column general journal. Use page number 1. This is the opening entry.
- C. Journalize the transactions for Paula Perna shown below and on page 163. Use the following chart of accounts.



Chart of Accounts

Assets	Owner's Equity
Bank	P. Perna, Capital
A/R — R. Spooner	P. Perna, Drawings
A/R — T. & R. Builders	Fees Earned
Office Supplies	Car Expense
Law Library	General Expense
Automobile	Rent Expense
Office Equipment	Wages Expense
Liabilities	
A/P — Acme Finance	
A/P — The Stationery Store	

TRANSACTIONS

June

- 1 Paid the rent for June, \$500 cash.
- 2 Purchased typing and stationery supplies on account from The Stationery Store, \$375.
- 3 Performed a legal service for cash, \$200. (cont'd)

pg 163

- 5 Performed a legal service on account for R. Spooner, \$350.
- 8 Paid \$1 000 cash to The Stationery Store on account.
- 10 Performed a legal service on account for T. & R. Builders, \$1 100.
- 11 Received \$350 on account from R. Spooner.
- 15 Paid \$40 cash for gasoline for the business automobile.
- 20 Paid wages for part-time secretarial help, \$250.
- 24 Paid \$65 cash for postage.
- 24 Paid the regular monthly installment to Acme Finance, \$320.
- 30 Paula withdrew \$450. Of this, \$400 was for personal use and \$50 was for gasoline for the business automobile.

4. A number of journal entries are shown below without dates or explanations. These entries are for a beauty shop operated by Kelly Marshall in Stratford, Ontario. Examine these entries and prepare a list of transactions that could have caused them.

	<u>DR</u>	<u>CR</u>
a) Bank Kelly Marshall, Capital	5 000	5 000
b) Supplies Bank	530	530
c) Kelly Marshall, Drawings Bank	200	200
d) A/R—Jan Vasko Revenue	220	220
e) Supplies A/P—Fain Bros.	170	170

5. Rob D'Alvese begins business with the following assets and liabilities: Bank, \$2 200; Land, \$42 500; Building, \$85 900; Office Equipment, \$6 900; Account(s) Payable to Diamond Equipment, \$350; Mortgage on Building, \$32 560. After calculating the equity figure, record the opening entry for Rob D'Alvese on August 1, 20— in a two-column general journal.

6. Described below are a number of transactions of Clare Lehto Window Cleaning, located in Fredericton, New Brunswick. In a two-column general journal, record the journal entries for these transactions. Use page number 14. Use the following accounts:

Bank
A/R — (various debtors)
Cleaning Supplies
A/P — (various creditors)
C. Lehto, Capital
C. Lehto, Drawings
Revenue
Miscellaneous Expense
Telephone Expense
Wages Expense

TRANSACTIONS

20—

April

- 3 Received a cheque for \$110 from P. Daniel on account.
- 6 Paid \$300 to Walberg Bros. on account.
- 9 Purchased \$500 of cleaning supplies from Merrick Products on account.
- 10 Performed a cleaning service for a customer and received \$157 cash in payment.
- 15 Paid the telephone bill in cash, \$24.50.
- 19 The owner withdrew \$400 for her personal use.
- 20 Paid \$450 for wages.
- 25 Corrected an error in the accounts. The Cleaning Supplies account had been debited \$25 in error. The Miscellaneous Expense account should have been debited.