

MAKING JOURNAL ENTRIES

GOOD MORNING!!

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TRANSACTIONS

- ◉ Reminder: A business transaction is anytime that an exchange of value happens within the normal operation of a business
 - Every transaction must be recorded
 - Every transaction affects at least two accounts
- ◉ Up to now:
 - We have been using T-Accounts
 - Debits = Credits

TRANSACTIONS EXAMPLE

- ◉ The owner invests \$20 000 into the business

Cash
20 000

T. Rantula, Capital
20 000

THINGS ARE A'CHANGING!

- ◉ The concepts of “T-Accounts” remain
 - Debits = Credits
 - At least two accounts are affected
- ◉ But rather than entering transactions into the T-Accounts immediately, we use the **General Journal**



WHAT IS THE JOURNAL?

- ◉ Your personal diary
- ◉ The textbook says:
 - “The journal records all parts of a transaction in one place. The date, the debit, the credit and an explanation for each transaction are recorded together.”
- ◉ Can record manually or electronically

THE JOURNAL

- ◉ Think of the stereotypical girl that enters her thoughts into a journal every night before bed



THE JOURNAL

- ◉ The accountant loves to get his/her thoughts and feelings (transactions) into his/her journal as soon as something happens within the business.



THE JOURNAL

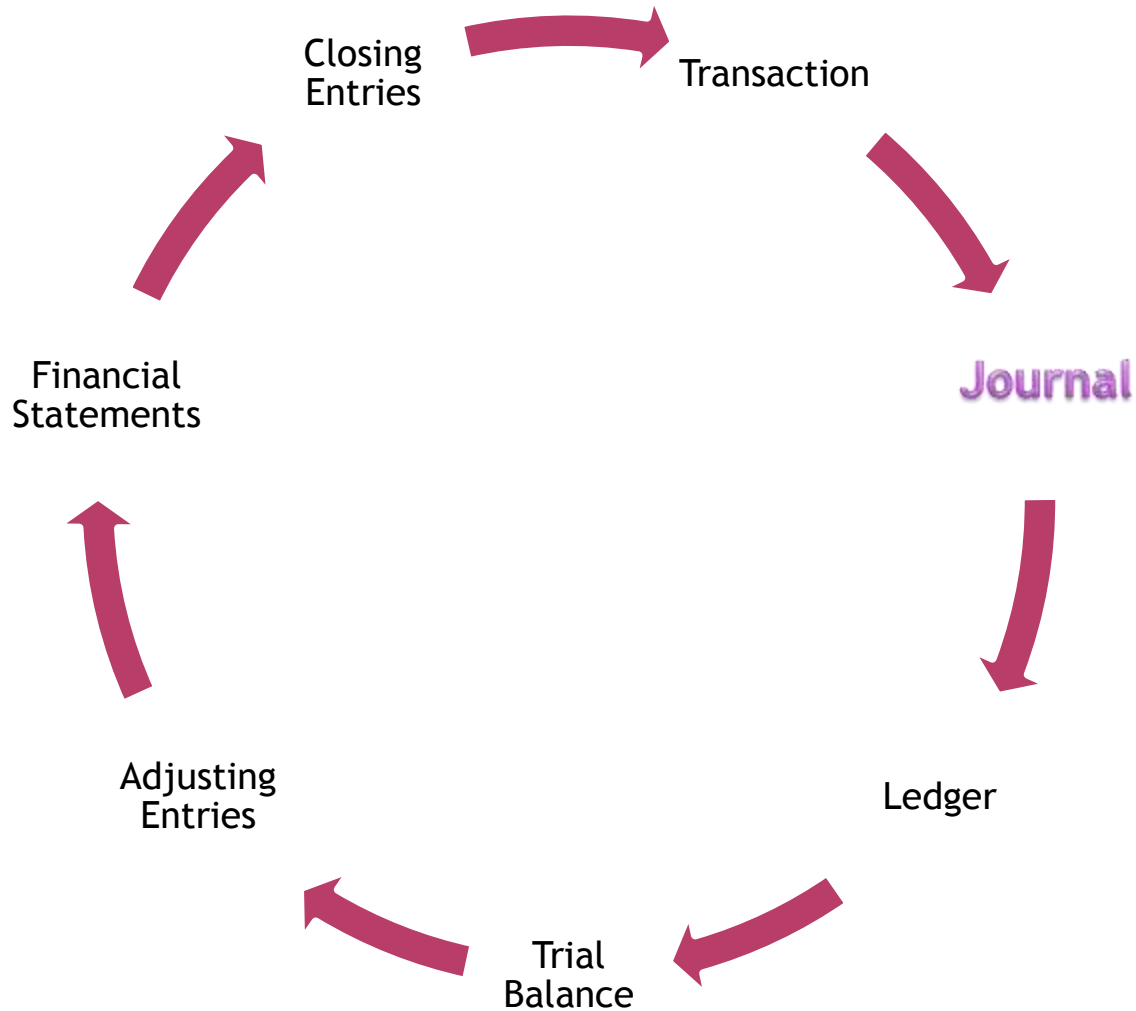
◉ ADVANTAGES

- The complete transaction is recorded in one place
- Reduces Errors
 - Easier to make a mistake in T-Accounts (Debit but no credit, only one account, etc)
- Transactions are listed in chronological order
- Shows a picture of every day at the business

THE ACCOUNTING CYCLE

- ◉ This unit is all about the different steps of the accounting cycle
- ◉ The accounting cycle is the process an accountant goes through during a fiscal periods
 - Begins with a business transaction
 - Ends with the preparation of the Financial Statements & Closing Entries

THE JOURNAL IN THE CYCLE



THE JOURNAL

1) DATE	Date	Particulars	P r	DR	CR
2) ACCOUNTS/ DESCRIPTION OF THE TRANSACTION					
3) DEBITS					
4) CREDITS					

A JOURNAL ENTRY:

Has four
steps:

- 1. Record the **date**
- 2. Record the account **debited** and its amount
- 3. Record the account **credited** and its amount
- 4. Record the **explanation** or details

THE DESCRIPTION

- ◉ Summarize each transaction with words and as short as possible
 - Example: Owner invested cash
 - Example: Made cash sale of tickets
 - Example: Bought equipment on account
- ◉ **THIS IS A MUST FOR EACH AND EVERY TRANSACTION!**

REFRESH DEBITS & CREDITS

- ◉ An ***increase*** in amount:

Debit	Credit
Assets	Liabilities
Drawings	Owner's Equity
Expenses	Revenue

REFRESH DEBITS & CREDITS

- ◉ A ***decrease*** in amount:

Debit	Credit
Liabilities	Assets
Owner's Capital	Drawings
Revenue	Expenses

ANOTHER TOOL...

Account	DEBIT	CREDIT
Assets	↑	↓
Liabilities	↓	↑
Owner's Equity	↓	↑
Drawings	↑	↓
Revenues	↓	↑
Expenses	↑	↓

THE JOURNAL

- On October 1st the owner, T. Rantula invests \$20 000 into the business
- On October 4th the business sold \$16 000 worth of tickets

AN EXAMPLE

[illegible]

