DOUBLE ENTRY SYSTEM, BOOKS OF PRIME ENTRY, SUBSIDIARY BOOKS

Double Entry System - This part we have already explained.

Books of Prime Entry

A journal is often referred to as Book of Prime Entry or the book of original entry. In this book transactions are recorded in their chronological order. The process of recording transaction in a journal is called as 'Journalisation'. The entry made in this book is called a 'journal entry'.

Functions of Journal

(i) **Analytical Function:** Each transaction is analysed into the debit aspect and the credit aspect. This helps to find out how each transaction will financially affect the business.

(ii) **Recording Function:** Accountancy is a business language which helps to record the transactions based on the principles. Each such recording entry is supported by a narration, which explain, the transaction in simple language. Narration means to narrate – i.e. to explain. It starts with the word – Being ...

(iii) **Historical Function:** It contains a chronological record of the transactions for future references.

Advantages of Journal

The following are the advantages of a journal:

(i) **Chronological Record:** It records transactions as and when it happens. So it is possible to get a detailed day-to-day information.

(ii) **Minimizing the possibility of errors:** The nature of transaction and its effect on the financial position of the business is determined by recording and analyzing into debit and credit aspect.

(iii) **Narration:** It means explanation of the recorded transactions.

(iv) **Helps to finalize the accounts:** Journal is the basis of ledger posting and the ultimate Trial Balance.

The Trial balance helps to prepare the final accounts.

The specimen of a journal book is shown below.

Date	Particulars	Voucher number	Ledger folio	Debit amount(₹)	Credit amount(₹)
dd-mm-yy	Name of A/c to be debited Name of A/c to be credited(narration describing the transaction)	---------	Reference of page number of the A/c in ledger	---------	----------

Explanation of Journal

(i) **Date Column:** This column contains the date of the transaction.

(ii) **Particulars:** This column contains which account is to be debited and which account is to be credited. It is also supported by an explanation called narration.

(iii) **Voucher Number:** This Column contains the number written on the voucher of the respective transaction.

(iv) **Ledger Folio (L.F.):** This column contains the folio (i.e. page no.) of the ledger, where the transaction is posted.

(v) **Dr. Amount and Cr. Amount:** This column shows the financial value of each transaction. The amount is recorded in both the columns, since for every debit there is a corresponding and equal credit.

All the columns are filled in at the time of entering the transaction except for the column of ledger folio. This is filled at the time of posting of the transaction to 'ledger'.

Example: As per voucher no. 31 of Roy Brothers, on 10.05.2014 goods of ₹ 50,000 were purchased. Cash was paid immediately. Ledger Folios of the Purchase A/c and Cash A/c are 5 and 17 respectively. Journal entry of the above transaction is given bellow:

In the books of Roy Brothers
Journal Entries

Dr.   Cr.

Date	Particulars		Voucher No.	Ledger Folio	Amount (₹)	Amount (₹)
10.05.2014	Purchase A/c	Dr.	31	5	50,000	
	To, Cash A/c (Being goods purchased for Cash)			17		50,000

Illustration 4

Let us illustrate the journal entries for the following transactions:

2015 April

1.   Mr. Vikas and Mrs. Vaibhavi who are husband and wife start consulting business by bringing in their personal cash of ₹ 5,00,000 and ₹ 2,50,000 respectively.

10   Bought office furniture of ₹ 25,000 for cash. Bill No. - 2015/F/3

11   Opened a current account with PP National Bank by depositing ₹ 1,00,000

15   Paid office rent of ₹ 15,000 for the month by cheque to M/s Realtors Properties. Voucher No. 3

20   Bought a motor car worth ₹ 4,50,000 from Millennium Motors by making a down payment of ₹ 50,000 by cheque and the balance by taking a loan from HH Bank. Voucher No. M/15/7

25   Vikas and Vaibhavi carried out a consulting assignment for AA Pharmaceuticals and raised a bill for ₹ 10,00,000 as consultancy fees. Bill No. B15/4/1 raised. Avon Pharmaceuticals have immediately settled ₹ 2,50,000 by way of cheque and the balance will be paid after 30 days. The cheque received is deposited into Bank.

30   Salary of one receptionist @ ₹ 5,000 per month and one officer @ ₹ 10,000 per month. The salary for the current month is payable to them.

Solution:

The entries for these transactions in a journal will look like:

In the Books of Vikash & Vaibhavi
Journal Entries Journal Folio - 1

Date	Particulars	Voucher number	L.F	Amount (₹)	Amount (₹)
01-04-15	Cash A/c Dr. To Vikas's Capital A/c To Vaibhavi's capital A/c (Being capital brought in by the partners)		1 2 3	7,50,000	 5,00,000 2,50,000
10-04-15	Furniture A/c Dr. To Cash A/c (Being furniture purchased in cash)	2015/F/3	4 1	25,000	 25,000
11-04-15	PP National Bank A/c Dr. To Cash A/c (Being current account opened with PP National Bank by depositing cash)		5 1	1,00,000	 1,00,000
15-04-15	Rent A/c Dr. To PP National Bank A/c (being rent paid to Realtors Properties for the month)	3	6 5	15,000	 15,000
20-04-15	Motor Car A/c Dr. To PP National Bank A/c To Loan from HH Bank A/c (Being car purchased from Millennium Motors by paying down payment and loan arrangement)	M/15/7	7 5 8	4,50,000	 50,000 4,00,000
25-04-15	PP National Bank A/c Dr. AA Pharma A/c Dr. To Consultancy Fees A/c (Being amount received and revenue recognized for fees charged)	B15/4/1	5 9 10	2,50,000 7,50,000	 10,00,000
30-04-15	Salary A/c Dr. To Salary payable A/c (Being the entry to record salary obligation for the month)		11 12	15,000	 15,000

Illustration 5

Journalise the following transactions in the books of Mr. Roy

2015

April

1   He started business with a capital of – Plant ₹ 10,000, Bank ₹ 8,000, Stock ₹ 12,000
2   Bought furniture for resale ₹ 5,000
    Bought furniture for Office decoration ₹ 3,000

3   Paid rent out of personal cash for ₹ 2,000
8   Sold furniture out of those for resale ₹ 6,000
12 Paid Salary to Mr. X for ₹ 1,200
15 Purchased goods from Mr. Mukherjee for cash ₹ 3,000
18 Sold goods to Mr. Sen on credit for ₹ 8,000
20 Mr. Sen returned goods valued ₹ 1,000
22 Received cash from Mr. Sen of ₹ 6,500 in full settlement
28 Bought goods from Mr. Bose on credit for ₹ 5,000
30 Returned goods to Mr. Bose of ₹ 500 and paid to Mr. Bose ` 4,000 in full settlement.

Solution:

In the Books of Mr. Roy
Journal Entries

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
2015 Aprl.1	Plant A/c Dr. Bank A/c Dr. Stock A/c Dr. To, Capital A/c [Being Plant, Bank, Stock introduced to the business]		10,000 8,000 12,000	 30,000
2	Purchase A/c Dr. To, Bank A/c [Being furniture purchased for resale] Furniture A/c Dr. To, Bank A/c [Being furniture purchased for office decoration]		5,000 3,000	 5,000 3,000
3	Rent A/c Dr. To, Capital A/c [Being rent paid out of personal cash]		2,000	 2,000
8	Cash A/c Dr. To, Sales A/c [Being furniture out of those meant for resale are sold]		6,000	 6,000
12	Salary A/c Dr. To, Bank A/c [Being salary paid to Mr. X]		1,200	 1,200
15	Purchase A/c Dr. To, Cash A/c [Being goods purchased]		3,000	 3,000
18	Mr. Sen A/c Dr. To, Sales A/c [Being goods sold on credit to Mr. Sen]		8,000	 8,000
20	Returns Inward A/c Dr. To, Mr. Sen A/c [Being goods returned from Mr. Sen]		1,000	 1,000
22	Cash A/c Dr. Discount Allowed A/c Dr. To, Mr. Sen A/c [Being cash received from Mr. Sen in full settlement]		6,500 500	 7,000
28	Purchase A/c Dr. To, Mr. Bose A/c [Being goods purchased from Mr. Bose on credit]		5,000	 5,000
30	Mr. Bose A/c Dr. To, Cash A/c To, Returns Outward A/c To, Discount Received A/c [Being goods returned to Mr. Bose and paid cash in full settlement]		5,000	 4,000 500 500