



CHAPTER 3

JOURNALIZING TRANSACTIONS





RECORDING TRANSACTIONS IN THE GENERAL JOURNAL

- Define “journal” and explain why it is used to record transactions.
- Compare different source documents.
- Identify the four parts of a journal entry.



JOURNALS AND JOURNALIZING

- ✕ Chart of Accounts
 - lists all account names/#
- ✕ Journal
 - form for recording transactions
 - More manageable and a more permanent record of transactions
 - Several kinds
- ✕ Journalizing
 - Recording transactions in a journal
 - Usually done daily

[illegible]



GENERAL JOURNAL

- ✗ Accurate!
- ✗ Chronological order (date)
- ✗ Double-entry accounting
 - Entry
 - Info for each transaction used to create entries
 - Record both debit/credit so called double entry
 - Affects AT LEAST two accounts



SOURCE DOCUMENTS

- ✗ Source Document
 - Business paper with information to record transaction
 - PROOF of transaction
- ✗ GAAP – Objective Evidence
 - Source doc for EACH transaction



CHECKS

- ✗ Orders a bank to pay someone cash
 - (this would be the source doc for our “cash” account) “Paid cash”
- ✗ Check stub – keeps running balance on cash bank account

NO. 1	\$ 165.00
Date	January 2 20 --
To	Eastside Supplies
For	Supplies
BALANCE BROUGHT FORWARD	0 00
AMOUNT DEPOSITED	2 000 00
SUBTOTAL	2 000 00
OTHER:	
SUBTOTAL	2 000 00
AMOUNT THIS CHECK	165 00
BALANCE CARRIED FORWARD	1 835 00

DELGADO WEB SERVICES 25402 Rimrock Road Billings, MT 59102-1820	NO. 1 93-2150 929
	January 2 20 --
PAY TO THE ORDER OF	Eastside Supplies \$ 165.00
	One hundred sixty-five and ⁰⁰ / ₁₀₀ DOLLARS
Billings National Bank Billings, MT	
FOR	Supplies Michael Delgado
⑆092921508⑆ 706466631⑆ 1	

Sales Invoice

=

Source Doc for
Sale on Account
(customer pay later)

X Descr

ale

DELGA
25402 Rimro
Billings, MT

/--
ays

Web Site

Amount

\$500.00

\$500.00



RECEIPT

- ✗ Receipt of cash
- ✗ TRANSACTIONS

OTHER
THAN
SALES!

No. **1**
Date January 2 20 --
From Michael Delgado
For Investment

\$	2,000	00
----	-------	----

Receipt No. **1**
January 2 20 --
Rec'd from Michael Delgado
For Investment
Two thousand and no/100 Dollars

Amount \$

2,000	00
-------	----

**DELGADO
WEB SERVICES**

25402 Rimrock Road
Billings, MT 59102-1820

Michael Delgado
Received By



MEMORANDUM (MEMO)

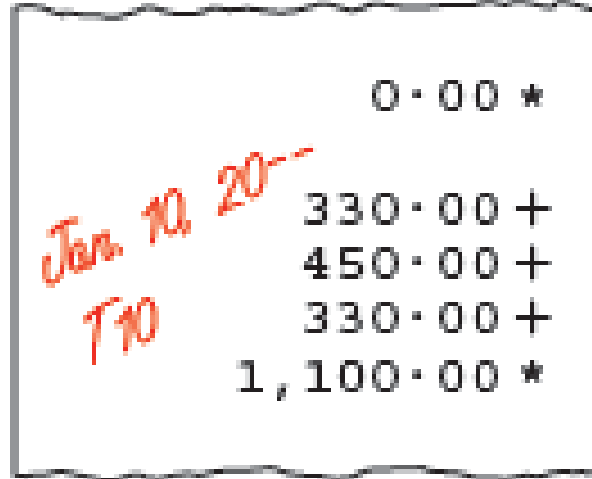
- ✗ Brief message of transaction
- ✗ When no other form is provided

DELGADO WEB SERVICES		No. 1
MEMORANDUM		
25402 Rimrock Road Billings, MT 59102-1820		
<i>Bought supplies on account from Canyon Office Supplies, \$220.00</i>		
Signed: <i>Michael Delgado</i>		Date: <i>January 5, 20--</i>



CALCULATOR TAPE

- ✗ Daily cash sales
 - Till at gas station
- ✗ Only ONE transaction for total of daily cash sales





JOURNALIZING ENTRIES

- ✗ Journal = “Book of original entry”
 - First place of permanent accounting record
 - Always put **\$-.00** for cents
 - So cannot be altered (if left blank)

RECEIVED CASH FROM OWNER AS INVESTMENT

January 2. Received cash from owner as an investment, \$2,000.00. Receipt No. 1.

Cash



2,000.00

Michael Delgado, Capital



2,000.00

GENERAL JOURNAL										PAGE 1	
	DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT		
1	Jan. 2	Cash	R1		2	0	0	0	00	1	
2		Michael Delgado, Capital							2	0	0

1. Write the date in the Date column.
2. Write the title of the account debited in the Account Title column. Write the debit amount in the Debit column.
3. On the next line, indented about one centimeter, write the title of the account credited in the Account Title column. Write the credit amount in the Credit column.
4. Write the source document number in the Doc. No. column.

PAID CASH FOR SUPPLIES

January 2. Paid cash for supplies,
\$165.00. Check No. 1.

Supplies	
↑	165.00
Cash	
↓	165.00

1 Date 2 Debit Source Document 4

GENERAL JOURNAL										PAGE 1			
DATE		ACCOUNT TITLE			DOC. NO.	POST. REF.	DEBIT		CREDIT				
3	2	Supplies			C1		1	6	5	00	3		
4		Cash							1	6	5	00	4

3 Credit

1. Write the date in the Date column.
2. Write the title of the account debited in the Account Title column. Write the debit amount in the Debit column.
3. On the next line, indented about one centimeter, write the title of the account credited in the Account Title column. Write the credit amount in the Credit column.
4. Write the source document number in the Doc. No. column.



CHECK YOURSELF!

In what order are transactions journalized?

Chronological

Why are source documents important?

Proof of transaction – assure accuracy

List four parts of each journal entry

1. Date
2. Debit
3. Credit
4. Source Doc



PREPAID INSURANCE & SUPPLIES TRANSACTIONS

- Record cash transactions using source documents.
- Record buying and paying on account.

PAID CASH FOR INSURANCE

January 3. Paid cash for insurance,
\$900.00. Check No. 2.

Prepaid Insurance

900.00

Cash

900.00

1 Date

2 Debit

Source Document

4

3 Credit

GENERAL JOURNAL

PAGE 1

DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT
5 3	Prepaid Insurance	C2		900 00	
6	Cash				900 00

1. Write the date in the Date column.
2. Write the title of the account debited in the Account Title column. Write the debit amount in the Debit column.
3. On the next line, indented about one centimeter, write the title of the account credited in the Account Title column. Write the credit amount in the Credit column.
4. Write the source document number in the Doc. No. column.

BOUGHT SUPPLIES ON ACCOUNT

January 5. Bought supplies on account from Canyon Office Supplies, \$220.00. Memorandum No. 1.

Supplies	
↑	220.00
Accounts Payable—Canyon Office Supplies	
	↑ 220.00

GENERAL JOURNAL									
PAGE 1									
DATE	ACCOUNT TITLE				DOC. NO.	POST. REF.	DEBIT		CREDIT
7 5	Supplies				M1		2	200	
8	Accts. Pay.—Canyon Office Supplies								220 00

ACCOUNTS PAYABLE =
ACCTS. PAY.
OR
AP

1. Write the date in the Date column.
2. Write the title of the account debited in the Account Title column. Write the debit amount in the Debit column.
3. On the next line, indented about one centimeter, write the title of the account credited in the Account Title column. Write the credit amount in the Credit column.
4. Write the source document number in the Doc. No. column.

PAID CASH ON ACCOUNT

January 9. Paid cash on account to Canyon Office Supplies, \$100.00. Check No. 3.

Accounts Payable—Canyon Office Supplies



100.00

Cash



100.00

GENERAL JOURNAL							PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
9 9	Accts. Pay.—Canyon Office Supplies	C3		1 0 0 00		9	
10	Cash				1 0 0 00	10	

1 Date

2 Debit

3 Credit

4 Source Document

1. Write the date in the Date column.
2. Write the abbreviated title of the account debited in the Account Title column. Write the debit amount in the Debit column.
3. On the next line, indented about one centimeter, write the title of the account credited in the Account Title column. Write the credit amount in the Credit column.
4. Write the source document number in the Doc. No. column.



CHECK YOURSELF!

When cash is paid for insurance,
what is on the first line of the entry?

Prepaid Insurance

When supplies are bought on
account, which account is listed on
the first line of the entry?

Supplies

When Supplies are bought on
account, what is the account on
the second line?

Accounts payable

When cash is paid on account,
which account is on the second
line?

Cash



TRANSACTIONS AFFECTING OWNER'S EQUITY & ASSETS

- Analyze and record transactions that affect owner's equity.
- Analyze and record sales and receipt of cash on account.

RECEIVED CASH FROM SALES

January 10. Received cash from sales,
\$1,100.00. Calculator Tape No. 10.

Cash	
↑	1,100.00
Sales	
	↑ 1,100.00

REMEMBER – Sales ↑ Owner's Equity
(increases amount company is
worth)
So we CREDIT sales as OE ↑
with a credit

Account Title column. Write the credit amount in the Credit column.

- 4. Write the source document number in the Doc. No. column.

RECEIVED CASH FROM SALES

January 12. Sold services on account to Main Street Services, \$500.00.

Sales Invoice No. 1.

Accounts Rec.—Main Street Services



500.00

Sales

REMEMBER – Sales ↑ Owner's Equity
(increases amount company is
worth)


So we CREDIT sales as OE ↑
with a credit

amount in the Debit column.

3. On the next line, indented about one centimeter, write the title of the account credited in the Account Title column. Write the credit amount in the Credit column.
4. Write the source document number in the Doc. No. column.

PAID CASH FOR AN EXPENSE

January 12. Paid cash for communications bill including cell

Communications Expense	
	80.00
Cash	

REMEMBER – Expenses ↓ Owner's Equity

(decreases amount company is worth)

So we DEBIT Expenses as OE ↓ with a debit

3. ON THE NEXT LINE, WRITE THE TITLE OF THE ACCOUNT CREDITED. WRITE THE CREDIT AMOUNT.
4. WRITE THE SOURCE DOCUMENT NUMBER IN THE DOC. NO. COLUMN.

PAID CASH FOR AN EXPENSE

January 15. Paid cash for equipment rental. \$400.00. Check

Equipment Rental Expense



400.00


Cash

REMEMBER – Expenses ↓ Owner's Equity
(decreases amount company is worth)
So we DEBIT Expenses as OE ↓
with a debit

2. WRITE THE TITLE OF THE ACCOUNT DEBITED. WRITE THE DEBIT AMOUNT.
3. ON THE NEXT LINE, WRITE THE TITLE OF THE ACCOUNT CREDITED. WRITE THE CREDIT AMOUNT.
4. WRITE THE SOURCE DOCUMENT NUMBER IN THE DOC. NO. COLUMN.

PAID CASH FOR AN EXPENSE

January 16. Received cash on account from Main Street Services, \$200.00. Receipt No. 2.

Cash	
 200.00	
Accts Rec.—Main Street Services	
	 200.00

REMEMBER – We already recorded this as SALES when we sold services (ON ACCOUNT), so we do NOT affect sales now!

1. WRITE THE DATE IN THE DATE COLUMN.
2. WRITE THE TITLE OF THE ACCOUNT DEBITED. WRITE THE DEBIT AMOUNT.
3. ON THE NEXT LINE, INDENTED ABOUT ONE CENTIMETER, WRITE THE TITLE OF THE ACCOUNT CREDITED. WRITE THE CREDIT AMOUNT.
4. WRITE THE SOURCE DOCUMENT NUMBER IN THE DOC. NO. COLUMN.

PAID CASH TO OWNER FOR WITHDRAWAL OF EQUITY

Michael Delgado, Drawing

January 16. Paid cash to owner for a withdrawal of equity, \$350.00. Check No. 6.



350.00

Cash

REMEMBER – withdrawal ↓ Owner's Equity

(decreases amount company is worth)

So we DEBIT Drawing as OE ↓ with a debit

CREDITED. WRITE THE CREDIT AMOUNT.

4. WRITE THE SOURCE DOCUMENT NUMBER IN THE DOC. NO. COLUMN.

CHECK YOURSELF!

When cash is received from sales, which account is listed on the first line of the entry?

Cash

When cash is received from sales, which account is listed on the second line of the entry?

Sales

When services are sold on account, which account is listed on the second line of the entry?

Sales

When cash is paid for any reason, what abbreviation is used for the source document??

C (for check)

When cash is received on account, what abbreviation is used for the source document?

R (for Receipt)



NEW JOURNAL PAGES

- Demonstrate when to end and how to start a new journal page.
- Identify and correct errors using standard accounting practices.

A COMPLETED JOURNAL PAGE

GENERAL JOURNAL											
PAGE 1											
	DATE		ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT					CREDIT
1	Jan.	2	Cash	R1		2	0	0	0	00	
2			Michael Delgado, Capital								2 0 0 0 00
3		2	Supplies	C1		1	6	5	00		
4			Cash								1 6 5 00
5		3	Prepaid Insurance	C2		9	0	0	00		
6			Cash								9 0 0 00
33		22	Equipment Rental Expense	C9		5	1	0	00		
34			Cash								5 1 0 00

✗ MUST start a new page if less than TWO lines are available.

STARTING A NEW GJ PAGE

Page number

GENERAL JOURNAL															PAGE 2
	DATE		ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT					
1														1	
2														2	
3														3	
4														4	
5														5	

- ✗ First – write page number at top of journal
- ✗ List MONTH again (not year)

CORRECTING JOURNAL ENTRY ERRORS

GENERAL JOURNAL

PAGE 14

	DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT	
9	27	<i>Advertising Expense</i>	€10		5 5 00		9
10		<i>Cash</i>				5 5 00	10
11	27	<i>Miscellaneous Expense</i>	C10		5 5 00		11
12		<i>Cash</i>				5 5 00	12
13	28	<i>Supplies</i>	C11		3 0 0 00		13
14		<i>Cash</i>				3 0 0 00	14
15	29	<i>Cash</i>	T29		4 3 0 0 00		15
16		<i>Sales</i>				4 3 0 0 00	16
17	31	<i>Miscellaneous Expense</i>	C12		3 5 00		17
18		<i>Postage Expense</i>			2 3 00		18
19		<i>Cash</i>				5 8 00	19

✗ Entire entry incorrect? Nothing journalized below?

☐ Line out

☐ Correctly journalize entry on next lines

CORRECTING JOURNAL ENTRY ERRORS

1

GENERAL JOURNAL											PAGE 14		
DATE		ACCOUNT TITLE				DOC. NO.	POST. REF.	DEBIT			CREDIT		

REMEMBER, we always want entries in chronological order!

2

19				Cash									5800	19

- ✗ Partial (or full) entry incorrect? Already journal entries below?
 - Line out
 - Write correctly ABOVE the lined-out error

CHECK YOURSELF!

When is a general journal page complete?

Not enough lines for a complete entry

If several correct entries are recorded after an incorrect entry is made, how should the incorrect entry be corrected?

Line through and write correct items above incorrect items

If an entire entry is incorrect and is discovered before the next entry is journalized, how should the incorrect entry be corrected?

Line through and journalize on blank lines below