

Ch-21 Accounting Books and Statements

Good Morning Students.

This lesson is of Class 9th for the subject of Commercial Studies. The topic for today is Journal which is covered in Chapter 21 'Accounting Books and Statements' of your book Commercial Studies.

This lesson is being submitted to you on 4.11.2024 and the voice is of Mr. Lokesh Arora.

All the students now please open page number 180 of your book and listen carefully.

The verifiable objective principle of accounting requires that there must be adequate evidence to support each and every business transaction recorded in the books of account. Such evidence is in the form of various business documents such as vouchers, invoices, bills, cash memos, receipts etc. These documents are called 'Source Documents'.

These documents provide information about the nature and amount of transaction. Transactions are recorded in the books of accounts.

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on the basis of these documents.

From the source documents a transaction is first recorded in the books of original entry as in the subsidiary books. These books are as follows:

- (i) Journal
- (ii) Cash Book
- (iii) Other day books such as purchase book, sales Book, Purchases returns Book, Sales returns Book.

Meaning of Journal

The term 'journal' has been derived from the French word 'jour' which means a day. Journal, therefore, means a book of daily record. In other words, journal is that book of accounts in which transactions are originally recorded in chronological (day-to-day) order.

The main features of Journal are:-

- (i) Journal is a book of original entry
- (ii) Transactions are recorded in journal as and when they occur, i.e. the record is chronological.
- (iii) Journal is so ruled that all the transactions can be passed through it.
- (iv) The process of recording transactions in the journal is called Journalising.

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The specimen of the Journal is given below:-

In the books of Mr./M/s -----
Journal

Date	Particulars	L.F.	Dr Amount ₹	Cr. Amount ₹
	Cash A/c - - - Dr To Capital A/c (Narration)		1,00,000	1,00,000

The following points should be noted:-

- (i) In the first column, the date of the transaction is recorded and the year is written at the top.
- (ii) In the second column 'Particulars', the names of the accounts involved are written. First the account to be debited with the word 'Dr' (debit) is written towards the end of the column. In the next line, after leaving a little space the name of the account to be credited is written beginning with the word 'To'. Then in the next line a brief explanation of the entry together with necessary details is given. This is called 'Narration'. A horizontal line is drawn below the narration touching the side lines of the particulars column in order to separate one journal entry from the other.

- (iii) In the third column 'L.F.', the

page number of the ledger on which the account in which the journal entry will be posted is written.

- (iv) In the fourth Column 'Dr. Amount', the amount to be debited to the account concerned is recorded.
- (v) In the fifth Column 'Cr. Amount', the amount to be credited in the account concerned is recorded.
- (vi) The total of Dr. and Cr. column must tally.

The process of recording transactions in the journal involves the following steps:-

1. Find out whether the transaction is financial or not. Any ~~to~~ transaction which cannot be measured in terms of money will not be recorded in the books of account.
2. Identify ~~the~~ two accounts/aspects/parties involved in the transaction.
3. Determine the type(s) of the two accounts involved, i.e. whether personal, real or nominal.
4. Apply rules of debit and credit to find out which of two accounts is to be debited and which is to be credited.

The basic rules of debit and credit are:-

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Rules for Personal Accounts are :-
Debit the Receiver and
Credit the Giver

Rules for Real Accounts are :-
Debit what comes in and
Credit what goes out

Rules for Nominal Accounts are :-
Debit all expenses and losses and
Credit all incomes and gains.

Students before going further in this topic, I will ask you some questions. you may pause the audio for few minutes and write the answers in your note-books.

Qn. 1. What are source Documents?

Qn. 2. Give the features of Journal.

Qn. 3. What is the rule for Personal Accounts?

Now we will start with recording of transactions in the Journal.

2020

April 1. Ajay started business with Cash ₹ 1,00,000.

First of all we will find two accounts involved.

1st account is Cash

2nd account is Ajay, but we do not

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Write name of the owner in the books of account. Ajay has started business by investing ₹ 1,00,000. So money invested by the owner in the business is capital. Second account will be treated as Capital account.

In the assignment dated 12/10/20 we have done types of accounts, you may refer page 8 and 9 of that assignment.

Cash is Real account

Capital is Personal account (account of owner).

We will record transactions from the point of view of business not from the point of owner.

Cash is Real account and Rule for real account is debit what comes in and credit what goes out.

For business cash is coming so cash account will be debited.

Rule for personal A/c is Debit the receiver and credit the giver.

Owner is giving the cash so owner's a/c i.e. capital account will be credited. The journal entry will be:-

Cash A/c	Dr	1,00,000	
To Capital A/c			1,00,000
(Being cash invested in the business) @			

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Next is

Purchased goods for Cash 10,000.

Goods are the things in which the owner deals like a cloth merchant deals in clothes, so clothes will be goods and furniture, fan, computer will be assets. Whenever we purchase goods we will use the word 'purchases' and when we sell goods we will use the word 'sales' and when an asset is purchased name of the asset will be written.

In the above transaction two accounts involved are :-

1. Purchases A/c (Goods)
2. Cash A/c

Both accounts are real A/c

Rules for real account are debit what comes in and credit what goes out.

Goods are coming to the business so purchases A/c will be debited and cash is going out of business so cash A/c will be credited so the transaction will be recorded as under :-

Purchases A/c — Dr 10,000
To Cash A/c 10,000

(Being goods purchased for cash)

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Next transaction is
Purchased goods from Rohit on credit
for ₹ 15,000.

In this transaction two accounts
involved are purchases and Rohit
purchases is real a/c and Rohit
is personal a/c.

Rule for real a/c is debit what
comes in and credit what goes
out.

Goods are coming so purchases a/c
will be debited.

Rule for personal a/c is debit
the receiver and credit the giver.

Rohit is giver so Rohit a/c will
be credited. So the transaction will
be recorded as under:-

Purchases A/c	Dr	15,000
To Rohit A/c		15,000

(Being goods purchased on credit from Rohit)

Next transaction is
Purchased furniture for cash ₹ 8,000.

As discussed earlier when we purchase
goods we will use word 'purchases'
but when we purchase asset
we will use the name of asset in
the journal entry.

In the above transaction two accounts

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Involved are Furniture and Cash

Both are real a/c's and the rule for real a/c is debit what comes in and credit what goes out.

Furniture is coming so furniture a/c will be debited and cash is going out so cash a/c will be credited and the transaction will be recorded as under:-

Furniture A/c	Dr	₹ 8,000	
	To Cash A/c		₹ 8,000

(Being furniture purchased for cash).

Next transaction is

Sold Goods for cash ₹ 20,000.

In this transaction two a/c's involved are cash and sales (goods). Both are real a/c and rule for real a/c is debit what comes in and credit what goes out.

Cash is coming so cash a/c will be debited and goods are going out so sales A/c will be credited.

The transaction will be recorded as under.

Cash A/c	Dr	20,000	
	To Sales A/c		20,000

(Being goods sold for cash)

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Next transaction is

Sold goods on credit to Sham ₹ 12,000.

In the above transaction two accounts involved are Sales (goods) and Sham. Sales a/c is real a/c and Sham a/c is personal a/c.

Rule for real a/c is debit what comes in and credit what goes out.

Goods are going out so sales a/c will be credited.

Rule for personal a/c is debit the receiver and credit the giver.

Sham is receiver of goods so Sham a/c will be debited.

The transaction will be recorded as under :-

Sham A/c	Dr	12,000
To Sales A/c		12,000

(Being goods sold to Sham on credit).

With this, I am ending my topic here. I will give you some questions. You are required to answer the questions in your note-books.

Q1. Pass the Journal entries in the books of Ram in respect of following transactions:
2020 April 1. Ram started business with cash ₹ 5,00,000

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April 3	Purchased goods for cash	30,000
April 7	Sold goods to Ravi on credit	50,000
April 10	Purchased goods from Ajay on credit	60,000
April 15	Sold goods for cash	40,000
April 20	Purchased Machinery for cash	1,00,000

Qr 2. Pass Journal entries in the books of Mohan in respect of the following transactions

2020

₹

May 1	Mohan started business with cash	2,00,000
May 5	Purchased furniture from Ajay on credit.	50,000
May 7	Purchased goods for cash	20,000
May 8	Purchased goods on credit from Sanjay	30,000
May 9	Sold goods for cash	10,000
May 10	Sold goods on credit to Amit	70,000

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