



PRINCIPLES OF ACCOUNTS

CHAPTER 5: JOURNALS

Name: _____

Index No.: _____

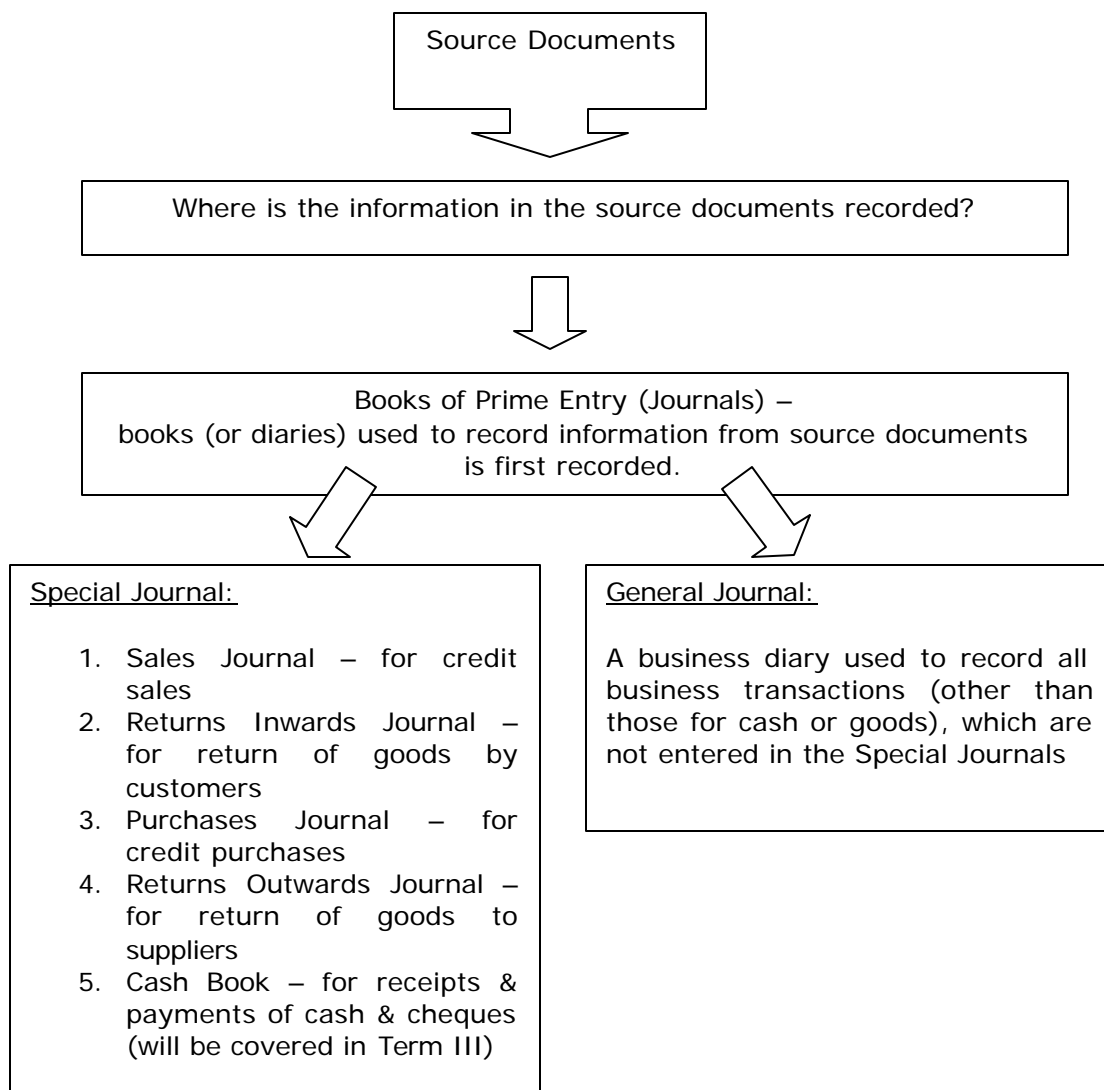
Class: Sec 3 _____

Recapitulation:

A source document is a specially designed form, which provides details of a business transaction. It contains information like the date, the nature, & types of transactions, the value of the transactions & the names of the buyers & sellers involved. Examples of source document include invoice, credit & debit notes, receipt, cheque counterfoil, & bank statement.

For accounting purposes, source documents are important:

1. as evidence of transactions
2. for recording transactions
3. for auditing purposes





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DIFFERENCE BETWEEN	
CASH DISCOUNT	TRADE DISCOUNT

Recording Transactions from Source Documents into Special Journals:

(a) Sales Journal

Sales Journal is written up from duplicate copies of sales invoices & debit notes sent to customers. ONLY credit sales are recorded in the Sales Journal. Cash sales are recorded in another book called the Cash Book.

Example 1:

Five Stars Computer Company sells 1000 pieces of mouse pad to ABC Trading Company at S\$2.00 per piece. Due to a bulk purchase, Five Stars Computer Co. has decided to give a 10% trade discount.


After preparing the Sales Invoice, the accountant of Five Stars Computer Company will record the business transaction in the Sales Journal. (Use the Sales Invoice for reference)

Date	Particulars	Invoice No.	Details of Invoice	Total



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*** DUPLICATE ***			Five Stars Computer Company 123 Genting Lane Singapore 123456 Tel: 554-1234 Fax: 554-1233	
SALES INVOICE				
Customer Name: ABC Trading Company Takashimaya Shopping Centre Level III #02-06 Singapore 541666		Invoice No.:	<u>FS-2002-0001</u>	
		Date:	<u>10 March 2002</u>	
No.	Description	Quantity	Unit Price	Total
01	Mouse Pad	1000	S\$2.00	S\$2,000.00
			SUBTOTAL:	S\$2,000.00
			LESS: TRADE DISCOUNT (10%)	-S\$200.00
			NETT	S\$1,800.00
REMARKS:				
1. Cheques should be crossed & made payable to "Five Stars Computer Company"				
2. Credit Term is 30 days from the Invoice Date, unless otherwise specified.				
3. Interest of 1.5% per month will be charged on all overdue accounts.				
4. Cash Discount of 5% if invoice is settled within 30 days from the Invoice Date.				
For Five Stars Computer Company				
ALAN GOH				
----- Authorised Signature Finance Department				
E.&.O.E				

(b) Sales Returns Journal (Returns Inwards Journal)

This journal records goods returned by the customer, & any allowances or reductions due to overcharging in the previous invoices.


Example 2: Upon receiving the goods, ABC Trading Company realized that 10 pieces of mouse pad are damaged & decided to return them to Five Stars Computer Company.

Imagine you are the accountant of Five Stars Computer Company, you are required to prepare the Credit Note accordingly.



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*** DUPLICATE ***		Five Stars Computer Company 123 Genting Lane Singapore 123456 Tel: 554-1234 Fax: 554-1233																				
CREDIT NOTE																						
Customer Name: ABC Trading Company Takashimaya Shopping Centre Level III #02-06 Singapore 541666		Credit Note No.: <u>FS-CR-10001</u> Date: <u>15 March 2002</u>																				
Our Invoice No.:	FS-2002-0001	Date of Invoice: 10 March 2002																				
<table border="1"><thead><tr><th>No.</th><th>Description</th><th>Quantity</th><th>Unit Price</th><th>Total</th></tr></thead><tbody><tr><td colspan="4" style="text-align: right;">SUBTOTAL:</td><td>S\$</td></tr><tr><td colspan="4" style="text-align: right;">LESS: TRADE DISCOUNT (10%)</td><td>S\$</td></tr><tr><td colspan="4" style="text-align: right;">NETT</td><td>S\$</td></tr></tbody></table>		No.	Description	Quantity	Unit Price	Total	SUBTOTAL:				S\$	LESS: TRADE DISCOUNT (10%)				S\$	NETT				S\$	
No.	Description	Quantity	Unit Price	Total																		
SUBTOTAL:				S\$																		
LESS: TRADE DISCOUNT (10%)				S\$																		
NETT				S\$																		
For <i>Five Stars Computer Company</i>																						
ALAN GOH ----- Authorised Signature Finance Department																						

After preparing the Credit Note, the accountant of Five Stars Computer Company will record the transaction in the Sales Returns Journal (or Returns Inwards Journal). (Use the Credit Note for reference)

Date	Particulars	Credit Note No.	Details of Credit Note	Total




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(c) Purchases Journal

This journal is written up from the sales invoice received from the supplier of goods on credit.

Example 3: When the accountant of ABC Trading Company receives the following Sales Invoice, he will record the business transaction in the Purchases Journal.

*** ORIGINAL ***		Five Stars Computer Company 123 Genting Lane Singapore 123456 Tel: 554-1234 Fax: 554-1233		
<h1>SALES INVOICE</h1>				
Customer Name: ABC Trading Company Takashimaya Shopping Centre Level III #02-06 Singapore 541666	Invoice No.: <u>FS-2002-0001</u> Date: <u>10 March 2002</u>			
No.	Description	Quantity	Unit Price	Total
01	Mouse Pad	1000	S\$2.00	S\$2,000.00
SUBTOTAL:				S\$2,000.00
LESS: TRADE DISCOUNT (10%)				-\$200.00
NETT				S\$1,800.00
REMARKS:				
1. Cheques should be crossed & made payable to "Five Stars Computer Company" 2. Credit Term is 30 days from the Invoice Date, unless otherwise specified. 3. Interest of 1.5% per month will be charged on all overdue accounts. 4. Cash Discount of 5% if invoice is settled within 30 days from the Invoice Date.				
For Five Stars Computer Company				
ALAN GOH				
----- Authorised Signature Finance Department				
				E.&.O.E



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Purchases Journal (Use the Sales Invoice for reference)

Date	Particulars	Invoice No.	Details of Invoice	Total

Based on the Sales Invoice, the due date for payment is scheduled on 09 April 2002. If the accountant of ABC Trading Company decides to pay before the scheduled due date, advise the accountant on the amount to be paid.

Solution: (Applying Cash Discount)

The amount to be paid (if before 09 April 2002): S\$_____

(d) Purchases Returns Journal (Returns Outwards Journal)

This journal records returned goods to the supplier & any reduction of invoice price resulting from previous overcharging in the invoice sent by the supplier.

Example 4: Upon receiving the goods, ABC Trading Company realized that 5 pieces of mouse pad are damaged & decided to return them to Five Stars Computer Company.

As the accountant of ABC Trading Company, you are required to record the transaction accordingly in the Purchase Returns Journal (or Returns Outwards Journal) when you receive the Credit Note (see overleaf).


Date	Particulars	Credit Note No.	Details of Credit Note	Total



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*** ORIGINAL ***



Five Stars Computer Company
123 Genting Lane
Singapore 123456
Tel: 554-1234 Fax: 554-1233

CREDIT NOTE

Customer Name:
ABC Trading Company
Takashimaya Shopping Centre
Level III #02-06
Singapore 541666

Credit Note No.: FS-CR-10001
Date: 15 March 2002

Our Invoice No.: FS-2002-0001

Date of Invoice: 10 March 2002

No.	Description	Quantity	Unit Price	Total
01	Mouse Pad	5	S\$2.00	S\$10.00
SUBTOTAL:				S\$10.00
LESS: TRADE DISCOUNT (10%)				S\$ 1.00
NETT				S\$ 9.00

For **Five Stars Computer Company**

ALAN GOH

Authorised Signature
Finance Department

Recording Transactions from Source Documents into General Journals:

In the day-to-day running of business, not all business transactions can be classified and fit nicely into the special journals. Hence, general journal is required. The function of the general journal is to record all transactions that cannot be recorded in the special journals namely:

- Purchase & sale of fixed assets
- Other transactions such as drawings, additional capital by the owner, services charged
- Opening entry – the process of opening a new set of books based on double-entry system (see example below)
- Closing entry – the process of transferring expenses & revenue on the balance day (see example below)
- Adjustments on balance day (will be covered in Chapter 14)



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- ❑ Corrections of errors (will be covered in Chapter 16)

(a) Purchase & sale of fixed assets

Example 5:

2002

May 10 The business purchased a delivery van for S\$20,000 on credit from Automobile Limited.

Journal Entry:

GENERAL JOURNAL			
Date	Particulars	Debit	Credit

(b)(i) Owner withdrew goods for personal use

Example 6:

2002

May 10 The owner withdrew goods worth S\$500 for personal use.

Journal Entry:

GENERAL JOURNAL			
Date	Particulars	Debit	Credit

(b)(ii) Additional Capital other than Cash

Example 7:

2002

May 10 The owner brought in furniture worth of S\$1,500 for office use.



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Journal Entry:

GENERAL JOURNAL			
Date	Particulars	Debit	Credit

(c) Opening Entry

Example 8:

On 1 August 2001, Mr. Kiasu commenced business with the following assets & liabilities.

	S\$
Cash at bank	25,000
Cash in hand	1,800
Stock	10,000
Delivery Van	28,000
Premises	80,000
Debtors: YS Ling	1,500
CC Chen	2,500
Creditors: Goodwill Ltd	6,500
Vision Ltd	5,800

Calculate Capital:

Journal Entry:

GENERAL JOURNAL			
Date	Particulars	Debit	Credit



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(d) Closing Entry

Example 9:

At the end of the financial year 31 December 2001, the Trading Account was obtained:

Trading Account						
2001			S\$			
Dec 31	Stock	6,800		2001		
	Purchases	88,000		Dec 31	Sales	138,000
	Sales Returns	600			Closing Stock	8,000
	Carriage Inwards	2,345			Purchases Returns	800
	Customs Duty	3,800				
	Profit & Loss A/C	45,255				
		-----				-----
		146,800				146,800
		-----				-----

Journal Entry:

GENERAL JOURNAL			
Date	Particulars	Debit	Credit



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SUMMARY

Role of Journal in the Accounting Process: (Pg. 74 – 75 of Textbook)

1. Records _____ transactions into one book in order of date
2. Cuts down unnecessary detail in the ledger as only _____ are posted to the ledger (will be covered in the next chapter)
3. Establishes a critical linkage between _____ documents & the ledger accounts
4. Acts as an aid for posting to the ledger by analyzing a transaction into its _____ & _____ entry

Advantages of using the General Journal: (pg. 76 of Textbook)

1. The simple description written in the General Journal makes it easy to recall & understand the _____
2. It is easier to detect _____ of a particular transaction as all the general journal entries are recorded in order of date & supported by a simple explanation of the transaction
3. Journal entries reduce the risk of _____ of making only 1 entry since offsetting debits & credits for each transaction appear together in one place

Difference between the General & Special Journals:

1. The General Journals have _____ & _____ columns
2. The transactions entered in the General Journals are in _____ order.