

Journal Proper

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1. Introduction

We studied different subsidiary books in the chapter on Subsidiary Books. The Journal Proper is also a type of subsidiary book. Journal proper is kept in order to record those transactions which cannot be recorded in purchase book, sales book, purchase returns book, sales returns book, cash book, petty cash book, bills receivable book or bills payable book. For example furniture sold to Parthiv for ₹ 5000. This transaction is of credit sale of furniture, which is not recorded in any of the subsidiary book and hence such business transactions are recorded in journal proper, which is a part of subsidiary books.

2. Meaning of Journal Proper

The subsidiary book in which the transactions which are not recorded in any other subsidiary book are recorded is known as journal proper.

Journal proper is used for very limited number of transactions. The format of the Journal Proper is the same as the format prepared to record the journal entries. It has five columns viz. date, particulars, L.F., debit amount and credit amount.

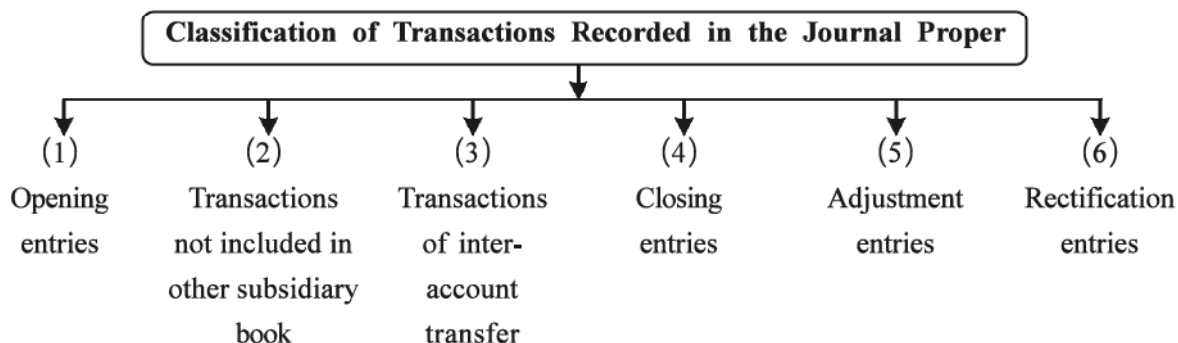
Journal Proper of Shri

Date	Particulars	L.F.	Debit (₹)	Credit (₹)

3. Transactions Recorded in Journal Proper

We have seen that the transactions which cannot be recorded in any other subsidiary books are recorded in the Journal Proper.

The different types of transactions recorded in Journal Proper are given below :



(1) Opening Entries :

When a person starts his business, he brings in personal assets into the business, which is recorded in the Journal Proper.

E.g. while starting the business, Virendra brought cash ₹ 15,000, furniture of ₹ 10,000, stock of goods of ₹ 8000 and personal debtors of ₹ 3000 and personal creditors of ₹ 5000 into the business.

Journal Proper of Shri Virendra

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Furniture A/c Dr		10,000	
	Stock of goods A/c Dr		8000	
	Debtors A/c Dr		3000	
	To creditors A/c			5000
	To capital A/c			16,000
	[Being furniture of ₹ 10,000, stock of goods of ₹ 8000, debtors of ₹ 3000 and creditors of ₹ 5000 brought as capital on starting business.]			
	Total		21,000	21,000

Note : Cash ₹ 15,000 brought in while starting the business will not be recorded in Journal Proper, as it will be recorded in the cash book.

(2) Transaction Not Included in other Subsidiary Books :

Those transactions which cannot be included in any other subsidiary book are included in the Journal Proper. Such transactions can be divided into three categories :

(A) Credit purchase or credit sale of an asset and profit or loss on its sale :

Transaction of Credit Purchase or Credit Sale of an Asset : When asset is purchased or sold for cash, it is recorded in the cash book, but if the asset is purchased or sold on credit and its profit or loss on sale recorded in the Journal Proper. This cannot be recorded in any other subsidiary book.

E.g. (A) Mehul purchased a furniture of ₹ 20,000 from Vivek Furniture Mart on credit.

Furniture A/c Dr 20,000
To Vivek Furniture Mart A/c 20,000
(Being purchase of furniture on credit.)

(B) Sold an old machine whose book value is ₹ 10,000 to Maulik for ₹ 8000 on credit.

Maulik A/c Dr 8000
Loss on sale of machine A/c Dr 2000
To Machine A/c 10,000
(Being machine of ₹ 10,000 sold for ₹ 8000 on credit.)

(B) Transactions for Which Subsidiary Books are Not Kept : Many times when the proportion of a certain type of transactions is very less, a separate subsidiary book is not kept for them. Such transactions are recorded in the Journal Proper. E.g. All traders do not keep subsidiary books for recording transactions of bills. In such a situation, transactions of bill are recorded in Journal Proper. At times, some traders do not keep Returns Books i.e. Purchase Returns Book and Sales Return Book. In such a situation, transaction of purchase returns or sales returns are recorded in Journal Proper only.

Illustration 1 : Yuvraj does not maintain separate subsidiary books for bills receivable, bills payable, purchase returns and sales returns. Pass entries of the following transactions in the Journal Proper.

- (1) A bill of ₹ 8000 drawn on a debtor Mayur for collection of dues from him, which he accepted and returned it to us.
- (2) We accepted a bill of ₹ 5000 drawn by Ketan against his debt of ₹ 7000, which we accepted and returned to him.
- (3) The bill accepted by Mayur was dishonoured on the maturity date.
- (4) Returned goods of ₹ 4000 to Chetan. These goods were purchased before ten days on three months' credit.
- (5) Pranav returned goods of ₹ 2000, which we had sold on two months' credit.

Journal Proper of Shri Yuvraj

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1	Bills receivable A/c Dr To Mayur's A/c [Being bill of ₹ 8000 accepted by Mayur.]		8000	8000
2	Ketan A/c Dr To Bill payable A/c [Being bill of ₹ 5000 drawn by Ketan, accepted by us.]		5000	5000
3	Mayur's A/c Dr To Bill receivable A/c [Being bill receivable of ₹ 8000 dishonoured by Mayur.]		8000	8000
4	Chetan's A/c Dr To Purchase returns A/c [Being goods of ₹ 4000 returned to Chetan.]		4000	4000
5	Sales return's A/c Dr To Pranav's A/c [Being goods of ₹ 2000 returned by Pranav.]		2000	2000
	Total		27,000	27,000

(C) Special Transactions not Recorded in Other Subsidiary Books : Some special transaction are not recorded in any subsidiary book, so they are recorded in the Journal Proper.

E.g. (1) Goods given in charity (2) Goods given as samples (3) Goods taken for personal use (4) Dishonour of a bill (5) Bad debts (6) Endorsement of bill receivable (7) Loss of goods due to fire, accident, theft, etc. (8) Depreciation.

Illustration 2 : Record the following in the Journal Proper of Shri Amarnath.

2014

- Oct. 1 Gave goods of ₹ 1500 in charity.
 2 Distributed goods of ₹ 3000 as free samples.
 3 Took goods of ₹ 2500 from the business for personal use.
 4 A bill of ₹ 4000 accepted by Priyanka, was dishonoured on the maturity date.
 5 An amount of ₹ 3500 receivable from Naresh cannot be collected from him.
 6 A bill of ₹ 2000 endorsed in favour of Pankaj against debt of ₹ 2050.
 7 Goods of ₹ 5000 were destroyed by fire, for which the insurance company accepted a claim of ₹ 4000.
 8 Purchased a furniture of ₹ 8000 against the goods costing ₹ 7000.

Journal Proper of Shri Amarnath

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2014 Oct.				
1	Charity A/c Dr To Purchase A/c [Being goods of ₹ 1500 given in charity.]		1500	1500
2	Advertisement expense A/c Dr To Purchase A/c [Being goods of ₹ 3000 given as free samples.]		3000 3000	
3	Drawings A/c Dr To Purchase A/c [Being goods of ₹ 2500 withdrawn for personal use.]		2500	2500
4	Priyanka's A/c Dr To Bill receivable A/c [Being Priyankas' bill of ₹ 4000 dishonoured.]		4000	4000

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
5	Bad debts A/c Dr To Naresh's A/c [Being bad debts of ₹ 3500.]		3500	3500
6	Pankaj's A/c Dr To Bills receivable A/c To Discount received A/c [Being bill of ₹ 2000 endorsed to Pankaj.]		2050	2000 50
7	Insurance company's A/c Dr Loss by fire A/c Dr To Purchase A/c [Being goods of ₹ 5000 destroyed by fire and insurance company accepted a claim of ₹ 4000.]		4000 1000	5000
8	Furniture A/c Dr To Purchase A/c [Being goods of ₹ 7000 given for purchase of a furniture of ₹ 8000.]		7000	7000
	Total		28,550	28,550

4. Transactions of Inter Accounts Transfer

Sometimes due to some reasons, the amount is to be transferred from one account to another account either partially or fully, such transfer is recorded in the Journal Proper. In the same way when an account is closed at the end of the year and transferred to another account the transfer entry is passed in Journal Proper.

Let us understand it through the following illustration :

E.g. (A) ₹ 5000 payable to Akash is accepted by Dharati to pay.

Journal Proper :

Akash's A/c Dr 5000
 To Dharati A/c 5000
(Being payable to Akash is accepted by
Dharati to pay.)

(B) At the end of the year, drawings A/c closed by transferring it to Capital A/c in the following manner :

Capital A/c Dr
 To Drawings A/c
(Being balance of drawings A/c
transferred to Capital A/c.)

5. Closing Entries

Closing entries means entries given at the end of the accounting year to close various accounts. At the end of the accounting year, accounts of incomes, account of expenses, account of goods, etc. are closed and transferred to Trading or Profit and Loss account. These entries for closing various accounts are known as closing entries. All the types of closing entries are recorded in the Journal Proper.

For example, at the end of the year, the balance of purchase account is ₹ 75,000, balance of sales account is ₹ 85,000, carriage inward account is ₹ 2000, balance of salary account is ₹ 20,000 and the balance of dividend account is ₹ 3000. Write closing entries.

The following journal entries will be passed in the Journal Proper :

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
Dec. 31	Trading A/c Dr To Purchase A/c [Being purchase A/c closed by ₹ 75,000 and transferred to Trading A/c.]		75,000	75,000
31	Sales A/c Dr To Trading A/c [Being sales A/c of ₹ 85,000 closed and transferred to Trading A/c.]		85,000	85,000
31	Trading A/c Dr To Carriage inward A/c [Being carriage inward ₹ 2000 transferred to trading account.]		2000	2000
31	Profit and Loss A/c Dr To Salary A/c [Being salary A/c ₹ 20,000 closed and transferred to Profit and Loss A/c.]		20,000	20,000
31	Dividend received A/c Dr To Profit and loss A/c [Being dividend received A/c ₹ 3000 closed and transferred to Profit and Loss A/c.]		3000	3000
	Total		1,85,000	1,85,000

Note : A detailed explanation of such closing entries is given in the chapter of Final Accounts.

6. Adjustment Entries

At the end of every accounting year, entries are to be passed for certain adjustments so that the true performance and the true financial position of the business can be known e.g. closing stock, unpaid expenses, incomes not received, depreciation etc. A detailed explanation of such adjustment entries is given in the chapter on Final Accounts.

E.g. At the end of the accounting year, there is closing stock of ₹ 20,000, salary ₹ 5000 is unpaid, ₹ 400 is accrued for interest and depreciation ₹ 500 on machinery is to be written off.

Journal Entries

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
Dec. 31	Closing stock A/c Dr To Trading A/c [Being adjustment entry for closing stock of ₹ 20,000.]		20,000	20,000
31	Salary A/c Dr To Unpaid salary A/c [Being adjustment entry for unpaid salary of ₹ 5000.]		5000	5000
31	Interest accrued A/c Dr To Interest A/c [Being adjustment entry for interest accrued ₹ 400.]		400	400
31	Depreciation A/c Dr To Machinery A/c [Being depreciation of ₹ 500 on machinery written off.]		500	500
	Total		25,900	25,900

7. Rectification of Errors

Entries passed to rectify the errors committed while recording economic transactions are called as rectification of errors. Many transactions take place in a business during an accounting year and are recorded in the books of accounts. There are chances of errors being committed while making such records.

For certain types of errors, journal entries are to be passed for rectification and such entries for the rectification of error are recorded in the Journal Proper.

Note : A detailed explanation of such entries for rectification of errors is given in the chapter of Errors and Rectification.

E.g. (A) ₹ 500 paid for salary is debited to office expense account. The rectification entry for this error will be passed as under :

Salary A/c	Dr	500	
	To office expense A/c		500

(Being ₹ 500 paid for salary is debited to office expense account.)

(B) The purchase of machinery of ₹ 2000 is recorded as purchase of goods :

Machine A/c	Dr	2000	
	To purchase A/c		2000

(Being rectification of purchase of machinery recorded in Purchase A/c.)

Exercise

1. Select appropriate alternative for each question :

- (1) Transactions which are not recorded in other subsidiary books are recorded in
 - (a) Journal
 - (b) Journal proper
 - (c) Cash book
 - (d) Other book
- (2) is not included in subsidiary book.
 - (a) Sales book
 - (b) Petty cash book
 - (c) Ledger
 - (d) Debit note
- (3) Why is it necessary to write adjustment entry at the end of the year for closing stock ?
 - (a) To rectify the error
 - (b) To find true profit or loss
 - (c) To transfer the account
 - (d) To close the account
- (4) Wages of ₹ 1000 paid for the installation of a new machine is debited to wages account. Which account will be affected while rectifying this error ?
 - (a) Wages A/c and Machine A/c
 - (b) Only Machine A/c
 - (c) Only Wages A/c
 - (d) Cash A/c

2. Explain Journal Proper with illustration.

3. Explain the classifications of the transactions recorded in the Journal Proper.

Practical Examples :

4. Dhrumil Kamani starts business with following assets and liabilities on Dt. 1-1-2015. Write opening Journal Proper.

Cash ₹ 18,000, bank balance ₹ 12,000, furniture ₹ 15,000, stock of goods ₹ 20,000, personal debtors ₹ 5000 and 12 % loan from Mayaben ₹ 10,000.

Note : Record cash and bank balance in cash book.

5. Shri Gujarat Stores does not maintain separate subsidiary books for transactions of bill receivable, bill payable, purchase returns and sales return. Record the following transactions in the Journal Proper :
- (1) Drew a bill of ₹ 8000 on Ramnik which he accepted and returned.
 - (2) Accepted a bill of ₹ 3000 drawn by Vijay and returned to him.
 - (3) Bill receivable of Ramnik endorsed to Ramesh.
 - (4) Goods of ₹ 3000 returned by Paresh to us.
 - (5) Goods of ₹ 1500 returned to Mahendra.
6. Record the following transactions in the Journal Proper of Rakesh :
- (1) Gave goods of ₹ 5000 to Anath Ashram.
 - (2) Distributed goods of ₹ 4000 as free samples.
 - (3) Withdrew goods of ₹ 8000 from the business for the personal use.
 - (4) Purchased furniture of ₹ 3000 by giving goods of ₹ 2800.
 - (5) Goods of ₹ 7000 were destroyed by fire, for which the insurance company accepted a claim of ₹ 5500.
 - (6) An amount of ₹ 2000 is receivable from Nirali, which cannot be received now.
 - (7) Write off depreciation on machinery ₹ 800.
 - (8) Salary for the month of March is unpaid ₹ 7800.
7. Record the following transactions in the Journal Proper of Shri Ekta :
- 2014
- | | |
|---------|---|
| March 1 | Brought furniture of ₹ 7000, goods of ₹ 15,000 and machinery of ₹ 20,000 to start the business. |
| 2 | Scientific calculator of ₹ 2000 and cellular phone of ₹ 25,000 purchased from Kamlesh Traders. |
| 3 | Fan of ₹ 2500 purchased for household use by giving goods of ₹ 3000. |
| 4 | Drew a bill of ₹ 8000 on Namrata, which he accepted and returned. |
| 5 | Bill of Namrata endorsed to Yesha against her debt of ₹ 8050. |
| 6 | A bill of ₹ 6000 drawn by Bharat accepted by us and returned to him. |
| 7 | Goods of ₹ 8000 were stolen away from the godown, for which the insurance company accepted a claim of 75 % of the amount. |
| 8 | An amount of ₹ 8000 is receivable from Nirav and ₹ 8200 is payable to Nalin. The account of Nalin was settled by Nirav accepting to pay ₹ 8000. |
| 9 | Cash received from Rajendra for bad debt recovered ₹ 2000. |
| 10 | ₹ 300 is payable to Manoj for interest. |
8. Pass journal entries for the following transactions in Journal Proper :
- (1) ₹ 700 received from Renuka is recorded in Bhumika's account.
 - (2) ₹ 1000 received from Updesh for bad debt written off in past, which is credited to Updesh's account.

- (3) ₹ 800 paid to Sharma is debited to Varma's account.
- (4) ₹ 1200 paid for insurance premium is debited to drawings account.
- (5) Old furniture of ₹ 6000 of business sold for ₹ 5800.

9. Pass journal entries for closing the following account :

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|-----------------------------------|----------|
| (1) Interest expense account | ₹ 1000 |
| (2) Sales return account | ₹ 3000 |
| (3) Purchase return account | ₹ 2000 |
| (4) Interest received account | ₹ 800 |
| (5) Advertisement expense account | ₹ 1500 |
| (6) Salary account | ₹ 4000 |
| (7) Dividend received account | ₹ 700 |
| (8) Purchase account | ₹ 5000 |
| (9) Sales account | ₹ 10,000 |

