

Journal Entries

Format

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'

Here, we will discuss 8 cases:

Case 1: Started Business/ Initiated Business/ Commencement of Business

Case 2: Paid Salary, Rent, Telephone charges, Interest, Commission or other Expenses

Case 3: Deposited into Bank

Case 4: Withdrawn from Bank

- *Official Use*
- *Personal use*

Case 5: Purchase/ Bought Goods and Fixed Assets

- *Cash Purchase*
- *Credit Purchase*

Case 6: Purchase return/ Return Outward

Case 7: Sales of Goods and Fixed Assets

- *Cash Sales*
- *Credit Sales*

Case 8: Sales return/ Return Inward

Case 1: Started Business/ Initiated Business/ Commencement of Business

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'

	Cash A/c Dr. Bank A/c Dr. Furniture A/c Dr. Machinery A/c Dr. To Capital A/c (being business started with cash, bank balance, furniture and machinery)		XXX XXX XXX XXX	XXX
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Example:

a. Magh 1: Started Business with Rs 50000

Solution

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
Magh 1	Cash A/c Dr. To Capital A/c (being business started with cash)		50000	50000

b. February 12: Commencement of business with cash Rs 50000, bank balance Rs 30000, machinery Rs 80000 and furniture worth Rs 100000

Solution

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
February 12	Cash A/c Dr. Bank A/c Dr. Machinery A/c Dr. Furniture A/c Dr. To Capital A/c (being business started with cash, bank, furniture and machinery)		50000 30000 80000 100000	260000

Case 2: Paid Salary, Rent, Telephone charges, Interest, Commission or other Expenses

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
	Expenses A/c Dr. To Cash A/c To Bank A/c (if paid through cheque)		XXX	XXX XXX

Example:

a. Kartik 4: Paid salary to Hari Rs 22000

Solution

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
Kartik 4	Salary A/c Dr. To Cash A/c (being paid salary to Hari)		22000	22000

b. Jestha 2: Salary paid by issuing cheque of Rs 19000

Solution

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
Jestha 2	Salary A/c Dr. To Bank A/c (being paid salary through cheque)		19000	19000

c. Asadh 16: Paid Rent to landlord Rs 2000

Solution

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
Asadh 16	Rent A/c Dr. To Cash A/c (being paid rent to landlord)		2000	2000

Case 3: Deposited into Bank

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
	Bank A/c Dr. To Cash A/c (being deposited into bank)		XXX	XXX

Example:

Chaitra 3: Deposited Rs 88000 into Bank

Solution

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
Chaitra 3	Bank A/c Dr. To Cash A/c (being deposited into bank)		88000	88000

Case 4: Withdraw from Bank:

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
	Cash A/c Dr. To Bank A/c (being cash withdrawn from bank for official use)		XXX	XXX
	Drawing A/c Dr. To Bank A/c (being cash withdrawn from bank for personal use)		XXX	XXX

There are two cases in withdraw from bank

- For **office** use (if question is silent)
- For **personal/domestic/individual/private** use (question will mention)

Example:

Baisakh 2: Cash withdrawn from bank Rs 40000

Baisakh 18: Withdraw cash Rs 31000 from bank for domestic use

Solution

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
Baisakh 2	Cash A/c Dr. To Bank A/c (being cash withdrawn from bank)		40000	40000
Baisakh 18	Drawing A/c Dr. To Bank A/c (being cash withdrawn from bank for domestic use)		31000	31000

Case 5: Purchase/Bought Goods and Fixed Assets

Note: Fixed assets refers to long term assets like building, furniture, machinery, plant, vehicles, equipment, etc.

Note: Purchase might be in **cash** transaction or **credit** transaction and we must prepare journal entries accordingly

Note: If **question mention's suppliers name, it is credit transaction** (e.g. Purchased from **Ram**, Bought goods from **XYZ Co.**)

A. Cash Purchase

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
	<u>Goods</u> Purchase A/c Dr. To Cash A/c (being goods purchased for cash)		XXX	XXX
	<u>Fixed Assets</u> Fixed Assets A/c Dr. To Cash A/c (being fixed assets purchased for cash)		XXX	XXX

B. Credit Purchase

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
	<u>Goods</u> Purchase A/c Dr. To Creditors A/c (being goods purchased for credit)		XXX	XXX
	<u>Fixed Assets</u> Fixed Assets A/c Dr. To Creditors A/c (being fixed assets purchased for credit)		XXX	XXX

Note: '**Creditors**' refers to the person or company **who sold us on credit**. If question mentions name (e.g. purchase from Lakpa Store) **use the "Name"** (e.g. Lakpa Store) **in place of "Creditors"**.

Example:

Asadh 1: Purchase goods Rs 11000

(Hint: question is silent, so it is cash purchase)

Asadh 2: Bought goods from Pasang Rs 21000

(Hint: name is given, it is credit purchase)

Asadh 11: Purchase goods from Hari on cash Rs 2000

Asadh 21: Bought Furniture worth Rs 19000

(Hint: furniture is fixed assets)

Asadh 26: Purchase Machinery worth Rs 55000 from ABC Traders.

(Hint: Machinery is fixed assets and sellers name is given, so it is credit purchase)

Solution

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
Asadh 1	Purchase A/c Dr. To Cash A/c (being goods purchased)		11000	11000
Asadh 2	Purchase A/c Dr. To Pasang A/c (being goods purchased from Pasang on Credit)		21000	21000
Asadh 11	Purchase A/c Dr. To Cash A/c (being goods purchased from Hari on cash)		2000	2000
Asadh 21	Furniture A/c Dr. To Cash A/c (being bought furniture)		19000	19000
Asadh 26	Machinery A/c Dr. To ABC Traders A/c (being machinery purchased from ABC Traders on credit)		55000	55000

Case 6: Purchase Return/Return Outward

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
	... A/c Dr. (put the name whom we return) To Purchase Return A/c (being purchase return)		XXX	XXX

Example:

Shrawan 29: Goods worth Rs 2000 purchased from Gupta Traders were returned

Solution

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
Shrawan 29	Gupta Traders A/c Dr. To Purchase Return A/c (being purchased goods return to Gupta Traders)		2000	2000

Case 7: Sales of Goods and Fixed Assets

Note: Sales might be in **cash** transaction or **credit** transaction and we must prepare journal entries accordingly

Note: If **question mention's customer's name, it is credit transaction** (e.g. Sold to **Hari**, Sold goods to **XYZ Co.**)

A. Cash Sales

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
	<u>Goods</u> Cash A/c Dr. To Sales A/c (being goods sold for cash)		XXX	XXX
	<u>Fixed Assets</u> Cash A/c Dr. To Fixed Assets A/c (being fixed assets sold for cash)		XXX	XXX

B. Credit Sales

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
	<u>Goods</u> Debtors A/c Dr. To Sales A/c (being goods sold for credit)		XXX	XXX
	<u>Fixed Assets</u> Debtors A/c Dr. To Fixed Assets A/c (being fixed assets sold for credit)		XXX	XXX

Note: “**Debtors**” refers to the person or company **whom we sold** goods/ fixed assets **on credit**. If **question mentions name** (e.g. sold to Lakpa Store) **use the name** (e.g. Lakpa Store) **in place of Debtors**.

Example:

Asadh 1: Sold goods worth Rs 11000

(Hint: question is silent, so it is cash sales)

Asadh 2: Sold goods to Pasang Rs 21000

(Hint: name is given, it is credit sales)

Asadh 11: Sold goods to Hari on cash Rs 2000

Asadh 21: Furniture worth Rs 19000 was sold

(Hint: furniture is fixed assets)

Asadh 26: Machinery worth Rs 55000 was sold to ABC Traders.

Hint: Machinery is fixed assets and buyer's name is given, so it is credit sales)

Solution

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
Asadh 1	Cash A/c Dr. To Sales A/c (being goods sold)		11000	11000
Asadh 2	Pasang A/c Dr. To Sales A/c (being goods to Pasang on credit)		21000	21000

Asadh 11	Cash A/c Dr. To Sales A/c (being goods sold to Hari on cash)		2000	2000
Asadh 21	Cash A/c Dr. To Furniture A/c (being furniture sold)		19000	19000
Asadh 26	ABC Traders A/c Dr. To Machinery A/c (being machinery sold to ABC Traders on credit)		55000	55000

Case 8: Sales Return/Return Inward

Date	Particulars	LF	Debit 'Rs'	Credit 'Rs'
	Sales Return A/c Dr. To ... A/c (put the name who return us) (being sales return)		XXX	XXX

GURUBAI