SSC

SMIT SIR COMMERCE

GSEB | ENGLISH MEDIUM

ELEMENTS OF BOOK-KEEPING & ACCOUNTANCY

STANDARD 11

CHAPTER 4

Journal

Original Entry | Format | Combined Entries | Bank | Discounts | Bad Debts | GST

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Learn the Concept. Understand the Logic. Write Better Answers.

Why Journal Is the Heart of Practical Accounts

The journal is where a transaction is first converted into a formal accounting entry. If the analysis is wrong here, Ledger and final accounts will also be wrong.

DEEP RESEARCH - CONCEPT ENRICHMENT

ICAI explains double entry as recording both aspects of a transaction - debit and credit. Journalising is the chronological first stage of that formal recording process.

Chapter Roadmap

Part	Topic
A	Meaning and characteristics of journal
B	Format, columns and narration
C	Simple and combined journal entries
D	Capital, drawings and commencement transactions
E	Goods, assets and special goods-outward cases
F	Bank transactions
G	Loans and interest
H	Trade discount, cash discount and allowance
I	Revenue, expenses, bad debts and recoveries
J	GST journal entries and GST settlement
K	Board practice and error correction

1. Meaning of Journal

KEY TERM - JOURNAL

The book of original entry in which business transactions are recorded chronologically after debit-credit analysis.

Simple Meaning: Journal is the first formal book where each transaction is written with date, debit account, credit account, amount and a brief explanation.

REMEMBER THIS

Journal = chronological first record. Ledger = account-wise classification later.

2. Characteristics of Journal

Characteristic	Meaning
Original Book	First systematic record of transactions.
Dual Effect	Both debit and credit effects are recorded.
Two Amount Columns	Separate debit and credit columns.
Chronological Order	Transactions are recorded date-wise.
Narration	Brief explanation is written below the entry.

3. Significance of Journal

Importance	Why It Helps
Chronological Information	Complete sequence of transactions is available.
Detailed Information	Date, accounts, amounts and narration remain together.
Future Reference	Records support later verification.
Easy Posting	Journal becomes the base for Ledger posting.
Systematic Recording	Rules are applied before entries move forward.
Error Reduction	Structured analysis reduces careless recording mistakes.

4. Journal Format

Date	Particulars	L.F. No.	Debit (Rs.)	Credit (Rs.)
Year / Date	Debit Account A/c Dr To Credit Account A/c (Narration)		Amount	Amount

Date: Year is written once, followed by month/day.

Particulars: Debit account first with 'Dr'; credit account below with 'To'.

L.F.: Ledger Folio reference used at posting stage.

Debit/Credit Columns: Amounts of the two effects.

5. Narration

Narration is the short explanation written below a journal entry, usually beginning with 'Being...'.

Example: Cash A/c Dr 5,000; To Sales A/c 5,000; narration: 'Being goods sold for cash.'

SMIT SIR'S NOTE

Narration should explain the transaction, not rewrite the whole question.

6. Simple vs Combined Journal Entry

Type	Meaning	Example
Simple Entry	One debit and one credit account	Salary A/c Dr / To Cash A/c
Combined Entry	More than two accounts in one entry	Wages Dr + Salary Dr + Telephone Dr / To Cash

Combined Entry - Worked Example

Wages Rs.300, salary Rs.2,000 and telephone bill Rs.500 are paid together in cash.

Account	Debit	Credit
Wages A/c	300	
Salary A/c	2,000	
Telephone Expense A/c	500	
Cash A/c		2,800

REMEMBER THIS

Combined entry changes presentation, not the underlying debit-credit logic.

7. Business Commencement Transactions

When the owner starts the business, all assets and receivables introduced become business resources. The net owner's claim becomes capital.

Situation	Debit	Credit
Cash introduced	Cash	Capital
Furniture introduced	Furniture	Capital
Debtors brought into business	Debtors	Capital
Liabilities brought into business	Capital / balancing effect	Relevant liability

8. Capital and Drawings

Transaction	Debit	Credit
Owner introduces cash	Cash	Capital
Owner introduces asset	Asset	Capital
Owner withdraws cash	Drawings	Cash
Owner withdraws goods	Drawings	Purchases / Goods
Personal insurance paid from business	Drawings	Cash/Bank
Personal fee paid from business	Drawings	Cash/Bank

9. Goods-Related Transactions

Goods means items in which the business normally trades.

Transaction	Debit	Credit
Cash purchase	Purchases	Cash
Credit purchase	Purchases	Supplier
Cash sale	Cash	Sales
Credit sale	Customer	Sales
Purchase return	Supplier	Purchase Return
Sales return	Sales Return	Customer

10. Asset Transactions

Transaction	Debit	Credit
Asset purchased for cash	Asset	Cash/Bank
Asset purchased on credit	Asset	Supplier
Asset sold for cash	Cash/Bank	Asset
Asset purchase cost + installation	Asset at total capitalised cost	Cash/Bank/Supplier

EXAM IMPORTANT

Installation, freight or legal charges necessary to bring an asset into usable condition are generally added to the asset cost in textbook problems.

11. Special Forms of Goods Outward

Situation	Journal Logic
Goods withdrawn for personal use	Drawings Dr / Purchases Cr
Goods given as donation	Donation Dr / Purchases Cr
Goods distributed as free sample	Advertisement Dr / Purchases Cr
Goods destroyed by fire	Loss by Fire Dr / Purchases Cr
Goods stolen	Loss by Theft Dr / Purchases Cr
Goods destroyed by rain/accident	Loss Dr / Purchases Cr
Free sample received	Normally no purchase entry merely because sample is received; record later sale if sold.

12. Insurance Claim on Destroyed Goods

1. Debit Insurance Company A/c for the admitted claim.
2. Debit Loss by Fire/Accident A/c for the uninsured loss.
3. Credit Purchases/Goods A/c for total cost of goods destroyed.

Example: Goods cost Rs.4,000 destroyed; insurer admits Rs.3,000; scrap realised Rs.200. The remaining Rs.800 is the business loss.

13. Transactions Through Bank

Bank Transaction	Entry Logic
Cash deposited in bank	Bank Dr / Cash Cr
Cash withdrawn for office use	Cash Dr / Bank Cr
Cash withdrawn for personal use	Drawings Dr / Bank Cr
Cheque received and deposited	Bank Dr / Debtor or Income Cr
Cheque issued for expense	Expense Dr / Bank Cr
Bank interest credited	Bank Dr / Bank Interest Cr
Bank charges debited	Bank Charges Dr / Bank Cr
Cheque issued to creditor	Creditor Dr / Bank Cr

14. Loan and Interest on Loan

Transaction	Debit	Credit
Loan borrowed	Cash/Bank	Loan / Lender
Loan given	Loan to Person	Cash/Bank
Interest paid on borrowed loan	Interest on Loan	Cash/Bank
Interest received on loan given	Cash/Bank	Interest Income

15. Trade Discount, Cash Discount and Allowance

Trade Discount: Deducted from list/catalogue price and not recorded separately in journal.

Cash Discount: Settlement discount for prompt payment; it is recorded.

Allowance: Small difference waived at final settlement; treated like discount in the textbook examples.

Trade Discount vs Cash Discount

Basis	Trade Discount	Cash Discount
Calculated On	List/catalogue price	Net amount after trade discount
Recorded Separately?	No	Yes
Time	At invoice/sale-purchase time	At settlement/payment time
Purpose	Trade/customary reduction	Encourage prompt payment

Cash Discount Entry Logic

When customer pays us early: Cash/Bank Dr + Discount Allowed Dr / To Debtor.

When we pay supplier early: Creditor Dr / To Cash/Bank + To Discount Received.

Example: Debtor Rs.10,000 settles for Rs.9,500 -> Cash Dr 9,500; Discount Allowed Dr 500; To Debtor 10,000.

16. Revenue and Expense Transactions

Expenses	Incomes
Wages	Commission Received
Carriage	Interest Received
Telephone / Electricity	Rent Received
Stationery / Repairs	Brokerage Received
Advertisement / Sundry Expense	Dividend Received

SMIT SIR'S NOTE

If an unusual small business expense does not fit a specific account, the textbook sometimes uses Sundry Expense A/c.

17. Bad Debts and Bad Debts Recovered

KEY TERM - BAD DEBT

Amount receivable from a debtor that becomes irrecoverable.

Bad debt entry: Bad Debts A/c Dr / To Debtor.

Bad debt recovered later: Cash/Bank A/c Dr / To Bad Debts Recovered A/c.

If part is recovered and balance written off: Cash Dr + Bad Debts Dr / To Debtor for the full amount.

18. Journal Entries with GST - Big Picture

GST entries add tax accounts to the normal purchase, sale, expense or asset entry.

TEXTBOOK / SOURCE NOTE

The GSEB textbook uses theoretical GST rates and simplified assumptions. Follow the rate and GST treatment supplied in the question.

18.1 Intra-State Purchase

Purchase A/c Dr
Input CGST A/c Dr
Input SGST A/c Dr
To Cash/Bank/Supplier A/c

Example: Net goods Rs.10,000, GST 12% -> Input CGST Rs.600 + Input SGST Rs.600; payable Rs.11,200.

18.2 Inter-State Purchase

Purchase A/c Dr
Input IGST A/c Dr
To Cash/Bank/Supplier A/c

18.3 Sales with GST

Cash/Bank/Customer A/c Dr
To Sales A/c
To Output CGST / Output SGST / Output IGST A/c

REMEMBER THIS

Input GST appears on purchases/inward supplies. Output GST appears on sales/outward supplies.

18.4 Returns with GST

Purchase Return: Supplier A/c Dr; To Purchase Return A/c; To Input GST accounts proportionately.

Sales Return: Sales Return A/c Dr + Output GST accounts Dr; To Customer A/c.

18.5 GST on Expenses and Assets

Expense with eligible GST: Expense A/c Dr + Input GST Dr / To Cash/Bank/Creditor.

Asset with eligible GST: Asset A/c Dr + Input GST Dr / To Cash/Bank/Supplier.

DEEP RESEARCH - CONCEPT ENRICHMENT

Actual GST law has detailed input-credit eligibility rules. In school problems, use the assumptions given in the question.

18.6 Accounting Settlement of GST

When Output GST > Input GST: net tax becomes payable to government.

When Input GST > Output GST: excess eligible credit remains available/carried forward in simplified textbook logic.

EXAM IMPORTANT

Keep CGST, SGST and IGST components separate when the question requires separate settlement.

Universal 7-Step Journal Method

1. Read the transaction fully.
2. Remove trade discount first if given.
3. Identify cash, bank or credit nature.
4. Identify every account affected.
5. Apply debit-credit logic.
6. Add cash discount, GST or allowance if applicable.
7. Write narration and verify total debit = total credit.

30 Worked Journal Patterns

Transaction	Entry Pattern
Business commenced with cash Rs.50,000	Cash Dr 50,000 / To Capital 50,000
Furniture introduced Rs.10,000	Furniture Dr / To Capital
Goods purchased for cash Rs.8,000	Purchases Dr / To Cash
Goods purchased from Ramesh Rs.8,000	Purchases Dr / To Ramesh
Goods sold for cash Rs.10,000	Cash Dr / To Sales
Goods sold to Meena Rs.10,000	Meena Dr / To Sales
Goods returned to Ramesh Rs.1,000	Ramesh Dr / To Purchase Return
Meena returns goods Rs.1,000	Sales Return Dr / To Meena
Salary paid Rs.2,000	Salary Dr / To Cash
Wages outstanding Rs.1,000	Wages Dr / To Outstanding Wages
Commission received Rs.4,000	Cash Dr / To Commission
Dividend receivable Rs.2,000	Dividend Receivable Dr / To Dividend
Insurance premium paid Rs.500	Insurance Premium Dr / To Cash
Computer purchased on credit Rs.8,000	Computer Dr / To Supplier
Owner withdraws Rs.1,000	Drawings Dr / To Cash
Goods donated Rs.500	Donation Dr / To Purchases
Goods used as sample Rs.750	Advertisement Dr / To Purchases
Goods destroyed by fire Rs.1,500	Loss by Fire Dr / To Purchases
Cash deposited in bank Rs.5,000	Bank Dr / To Cash
Cash withdrawn from bank for office	Cash Dr / To Bank
Cheque issued to creditor	Creditor Dr / To Bank
Bank charges Rs.100	Bank Charges Dr / To Bank
Interest credited by bank Rs.200	Bank Dr / To Bank Interest
Loan borrowed Rs.20,000	Cash/Bank Dr / To Loan
Interest paid Rs.400	Interest on Loan Dr / To Cash
Debtor Rs.10,000 settles for Rs.9,800	Cash Dr 9,800 + Discount Allowed Dr 200 / To Debtor 10,000
Creditor Rs.10,000 settles for Rs.9,700	Creditor Dr 10,000 / To Cash 9,700 + Discount Received 300
Bad debt Rs.1,000	Bad Debts Dr / To Debtor
Bad debt recovered Rs.700	Cash Dr / To Bad Debts Recovered
Machine Rs.7,000 + installation Rs.500	Machine Dr 7,500 / To Cash 7,500

Common Mistakes in Journal

COMMON MISTAKE

Wrong idea: Trade discount is recorded as Discount A/c.
Correct idea: Trade discount is deducted before journalising.

COMMON MISTAKE

Wrong idea: Every discount is Discount Allowed.
Correct idea: Customer gets discount = allowed; supplier gives discount = received.

COMMON MISTAKE

Wrong idea: Goods for advertisement is Sales.
Correct idea: It is Advertisement Dr / Purchases Cr.

COMMON MISTAKE

Wrong idea: Personal expense paid from business is business expense.
Correct idea: It is Drawings.

COMMON MISTAKE

Wrong idea: Installation wages are normal Wages expense.
Correct idea: If necessary to install an asset, textbook adds them to asset cost.

COMMON MISTAKE

Wrong idea: Bank charges are deducted from bank interest income.
Correct idea: They are a separate expense.

COMMON MISTAKE

Wrong idea: Bad debt recovered reopens old debtor.
Correct idea: Textbook credits Bad Debts Recovered income.

COMMON MISTAKE

Wrong idea: Cheque transaction is credit because cash is not used.
Correct idea: Cheque changes bank balance immediately.

COMMON MISTAKE

Wrong idea: Debit and credit totals may differ.
Correct idea: Every journal entry must balance.

Board-Style Question Bank

- Define journal and explain its characteristics.
- Explain significance of journal.
- Draw and explain specimen of journal.
- What is combined journal entry? Explain with example.
- Write journal entries for capital and drawings.
- Write journal entries for goods and asset transactions.
- Explain treatment of goods withdrawn/donated/free sample/destroyed.
- Write entries for bank transactions.
- Write entries for loan and interest.
- Distinguish trade discount and cash discount.
- Write entries for bad debts and bad debts recovered.
- Explain journal entries with GST.
- Explain GST settlement entries.

Practice MCQs - 30

1. Journal is a:

- A. Book of original entry
- B. Ledger
- C. Balance sheet
- D. Voucher

2. Journal records in:

- A. Chronological order
- B. Alphabetical order
- C. Random order
- D. Account-wise order

3. Narration gives:

- A. Brief explanation
- B. Trial balance
- C. Asset value
- D. Ledger total

4. L.F. means:

- A. Ledger Folio
- B. Liability Figure
- C. Loan Fund
- D. Last Folio

5. Combined entry affects:

- A. More than two accounts
- B. One account
- C. No account
- D. Cash only

6. Personal cash withdrawal is:

- A. Drawings
- B. Salary
- C. Purchase
- D. Sales

7. Goods donated:

- A. Donation Dr / Purchases Cr

- B. Sales Dr
- C. Cash Dr
- D. Capital Cr

8. Goods free sample:

- A. Advertisement Dr / Purchases Cr
- B. Sales Dr
- C. Cash Dr
- D. Capital

9. Goods destroyed by fire:

- A. Loss Dr / Purchases Cr
- B. Cash Dr
- C. Sales Cr
- D. Capital Dr

10. Cash deposited in bank:

- A. Bank Dr / Cash Cr
- B. Cash Dr / Bank Cr
- C. Salary Dr
- D. Capital Dr

11. Bank charges are:

- A. Expense
- B. Income
- C. Asset
- D. Capital

12. Bank interest credited is:

- A. Income
- B. Expense
- C. Drawings
- D. Purchase

13. Loan borrowed creates:

- A. Liability
- B. Revenue
- C. Drawings
- D. Sales

14. Trade discount is:

- A. Not separately recorded

- B. Always debited
- C. Always credited
- D. Bank entry

15. Cash discount allowed is:

- A. Expense
- B. Income
- C. Asset
- D. Capital

16. Cash discount received is:

- A. Income
- B. Expense
- C. Asset
- D. Drawings

17. Bad debt is:

- A. Loss
- B. Asset
- C. Capital
- D. Revenue

18. Bad debt recovered is:

- A. Income
- B. Expense
- C. Drawings
- D. Liability

19. Outstanding wages creates:

- A. Expense + liability
- B. Asset only
- C. Sales
- D. Capital

20. Intra-state purchase GST uses:

- A. Input CGST + Input SGST
- B. Output IGST
- C. No GST
- D. Capital

21. Inter-state purchase GST uses:

- A. Input IGST

- B. Output SGST
- C. Capital
- D. Drawings

22. Intra-state sale GST uses:

- A. Output CGST + Output SGST
- B. Input GST
- C. Expense
- D. Loan

23. Sales return with GST:

- A. Reverses output GST proportionately
- B. Creates extra output
- C. No GST impact
- D. Capitalises tax

24. Purchase return with GST:

- A. Reverses input GST proportionately
- B. Adds input tax
- C. No entry
- D. Creates capital

25. Machine installation wage is usually:

- A. Added to machine cost
- B. Salary expense always
- C. Sales
- D. Drawings

26. Debtor final settlement may include:

- A. Discount Allowed
- B. Discount Received only
- C. Capital
- D. Purchases

27. Creditor final settlement may include:

- A. Discount Received
- B. Discount Allowed only
- C. Sales
- D. Drawings

28. Journal entry must have:

- A. Equal debit and credit totals

- B. More debit
- C. More credit
- D. No amounts

29. Best first step:

- A. Understand transaction
- B. Guess debit
- C. Write narration
- D. Copy answer

30. GST sale tax account is:

- A. Output GST
- B. Input GST
- C. Drawings
- D. Capital

MCQ Answer Key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	A	2	A	3	A	4	A	5	A
6	A	7	A	8	A	9	A	10	A
11	A	12	A	13	A	14	A	15	A
16	A	17	A	18	A	19	A	20	A
21	A	22	A	23	A	24	A	25	A
26	A	27	A	28	A	29	A	30	A

5-Minute Revision

Journal: Book of original entry, chronological.

Format: Date | Particulars | L.F. | Debit | Credit.

Trade Discount: Deduct first, no separate entry.

Cash Discount: Recorded.

Bank: Deposit = Bank Dr; withdrawal for office = Cash Dr; charges = expense.

Bad Debts: Bad Debts Dr / Debtor Cr.

GST: Purchases/expenses/assets use Input GST; sales use Output GST.

EXAM IMPORTANT

Ultra-short method: Read -> Analyse -> Debit -> Credit -> Narration -> Check.

Master Revision Sheet

Topic	Must Remember
Journal	Book of original entry
Order	Chronological
Narration	Brief explanation
Simple Entry	1 debit + 1 credit
Combined Entry	More than 2 accounts
Trade Discount	Not separately recorded
Cash Discount	Recorded
Goods withdrawn	Drawings Dr / Purchases Cr
Goods donation	Donation Dr / Purchases Cr
Free sample	Advertisement Dr / Purchases Cr
Bad debt	Bad Debts Dr / Debtor Cr
Bank interest	Bank Dr / Interest Cr
Bank charges	Bank Charges Dr / Bank Cr
GST Purchase	Input GST
GST Sale	Output GST

CHAPTER 4 COMPLETE

Journal

SMIT SIR'S FINAL MESSAGE

Accounts becomes easy when every entry is understood as a logical financial effect, not a memorised format. First understand the transaction, then apply the rule.

Concept Enrichment Sources Consulted:
GSEB Std. 11 Elements of Accounts Chapter 4 (primary exam source)
ICAI - Double Entry / Journalising concepts
CBIC - GST conceptual support

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