

## Journal Definition

A Journal is an accounting record that is used to record the different types of transactions using various source documents. Source Documents are the original sources of information that provide documentation (proof) that a transaction has occurred such as sales invoices (tickets), invoices from suppliers, contracts, checks written and checks received, promissory notes, and various other types of business documents. These documents provide us with the information needed to record our financial transactions in our bookkeeping records. If you recall a transaction is any event or condition that must be recorded in the books of a business because of its effect on the financial condition of the business, such as buying and selling. A business deal or agreement.

Journals are often called or referred to as the books of original entry. The reason is that this is the first place that business transactions are formally recorded. **Specialized Journals** are journals used to initially record special types of transactions such as sales, cash disbursements, and cash receipts in their own journal. All these journals are designed to record special types of business transactions and post the totals accumulated in these journals to the General Ledger periodically (usually once a month).

You can think of a Journal as a Financial Diary.

The **General Journal** is used to record unusual or infrequent types of transactions. Type of entries normally made in the general journal are depreciation entries, correcting entries, and adjusting and closing entries.

The **Cash Payments Journal** is a special journal that is used to record all cash that is paid out by a business except for payroll. Columns are set up for types of transactions that occur frequently enough to warrant a separate column. Some examples are Accounts Payable (Payments on Purchases and Services Charged) and Cash Purchases.

The **Cash Receipts Journal** is a special journal that is used to record all receipts of cash. Columns are set up that indicate the sources of the cash. Two of the major sources of cash for a business are Cash Sales and Collections of Customer Charge Sales. These and other categories that have a lot of activity (transactions) have their own column.

The **Sales Journal** is a special journal where sales of services and merchandise made on account (business's customer is allowed to charge purchases) are recorded.

The **Purchases Journal** is a special journal that is used to record all purchases and various expenses and other charges from suppliers that a business has an open account with (supplier allows the business to charge purchases).

The **Payroll Journal** is a special journal that is used to record and summarize salaries and wages paid to employees and the deductions for taxes and other authorized employee withholding amounts. This introductory tutorial does not cover the payroll accounting process and records.

The **Sales Return & Allowances Journal** is a special journal that is used to record the returns and allowances of merchandise sold on account.

The **Purchase Returns & Allowances Journal** is a special journal that is used to record the returns and allowances of merchandise purchased on account.

### Hybrid Journals

Basic Journals are provided as guides. Remember it's your business and you can design and customize your bookkeeping records any way you want to speed up the recording of your transactions and summarize your business financial activity. Even the IRS, with a few exceptions, allows you to maintain your "books" any way you want as long as they accurately reflect your income.

- **Why Use Special Journals**

- Groups and records transactions of a like nature. A familiar example is recording all cash received by a business in one place.
- Saves time with summary and less frequent postings to the General Ledger.
- Allows a business to have different individuals responsible for different journals thereby increasing internal controls and allocating the record keeping workload.