

## Special Journals

- Recording all transactions in a general journal is time consuming, inefficient and impractical, as many entries are of similar nature
- Special journals are used to record similar types of transactions that occur regularly
- (cross) Referencing is very important for special journals
- Special journals are prepared inside the account process
- Advantages of special journals
  - Increases recording efficiency – one line per transaction record
  - Lowers processing and ledger posting time and costs
  - Increases data accuracy and control (cross-check totals)
  - Makes the GL have less detail
  - Increases flexibility and task separation/specialisation (flexibility in design of documents and journal columns to meet needs of the business and improve work flow, several people can record entries in different journals at the same time)
- 5 Special Journals
  - Sales Journal – all sales of inventory on account (on credit)
  - Purchases Journal – all purchases of inventory on account (on credit)
  - Cash Receipts Journal – all cash received (e.g. cash sales, receipts from receivables)
  - Cash Payments Journal – all cash paid (e.g. cash purchases, payments to payables, wages)
  - General Journal – transactions that can't be entered in a special journal (e.g. depreciation, purchase returns and allowances, correcting, adjusting and closing entries)
- In terms of recording transactions:
  - First, record in the relevant special journal
  - Then, post details of each transaction to the subsidiary ledger, *daily*
    - Use a running balance ledger account format when dealing with special journals
  - Finally, post totals of each special journal to the general ledger control account, *monthly*
- Sales Journal
  - Example: Karns Wholesale Supplies uses a perpetual inventory system. 3 May: credit sale to Abbot Sisters Lt for \$10600 with a cost of sales \$6360, invoice 101

Karns Wholesale Supply (S1 goes in top right hand corner)					
Sales Journal					
Date	Account debited	Invoice No.	Ref.	A/C Rec DR Sales Rev CR	Cos DR Inventory CR
3 May	Abbot Sisters Ltd	101		10600	6360

S1 means Sales Journal page 1

Ref. is ticked once posting has been done to individual account in subsidiary ledger

No narration is necessary

- Postings are made *daily* to individual accounts receivable in the subsidiary ledger

Abbot Sisters Ltd					
Date	Explanation	Ref.	Debit	Credit	Balance
3 May	(no explanation needed)	S1	10600		10600

- At the *end of the month*, column totals of sales journal are posted to the general ledger:
  - Debit to Acc. Rec
  - Credit to Sales
  - Debit to COS
  - Credit to Inventory

Karns Whole Supply Sales Journal S1					
Date	Account debited	Invoice No.	Ref.	A/C Rec DR Sales Cr	COS Dr Inventory Cr
3 May	Abbot Sisters Ltd	101		10 600	6 360
7	Babson Ltd	102		11 350	7 370
14	Carson Ltd	103		7 800	5 070
19	Deli Ltd	104		9 300	6 510
21	Abbot Sisters Ltd	105		15 400	10 780
24	Deli Ltd	106		21 210	15 900
27	Babson Ltd	107		<u>14 570</u>	<u>10 200</u>
				<b>90 230</b>	<b>62 190</b>

#### GENERAL LEDGER

Accounts Receivable No. 112					
Date	Explanation	Ref	Debit	Credit	Balance
May 31		S1	90230		90230 DR

Sales No. 401					
Date	Explanation	Ref	Debit	Credit	Balance
May 31		S1		90230	90230 CR

Inventory No. 120					
Date	Explanation	Ref	Debit	Credit	Balance
May 31		S1			

Cost of Sales No. 505					
Date	Explanation	Ref	Debit	Credit	Balance
May 31		S1			

- Once transactions have been posted to the ledger, tick the ref. column, and put in the account number where you have posted to under the totals in the special journal
  - The account numbers should be in the order: dr/cr

Karns Whole Supply Sales Journal S1					
Date	Account debited	Invoice No.	Ref.	A/C Rec DR Sales Cr	COS Dr Inventory Cr
3 May	Abbot Sisters Ltd	101	✓	10 600	6 360
7	Babson Ltd	102	✓	11 350	7 370
14	Carson Ltd	103	✓	7 800	5 070
19	Deli Ltd	104	✓	9 300	6 510
21	Abbot Sisters Ltd	105	✓	15 400	10 780
24	Deli Ltd	106	✓	21 210	15 900
27	Babson Ltd	107	✓	<u>14 570</u>	<u>10 200</u>
				<b>90 230</b>	<b>62 190</b>
				<b>112/40</b>	<b>505/120</b>

#### • Cash Receipts Journal

- Columns depend on what the business does
- Debit columns – cash (always), discount allowed
- Credit columns – accounts receivable, sales/service rev, other accounts
- Debit and credit column (for merchandiser) – COS of inventory

Karns Whole Supply Cash Receipts Journal CR1								
Date	Account debited	Ref.	Cash Dr	Disc. All'd Dr	A/c's Rec Cr	Sales Cr	Other A/c's Cr	COS Dr Inventory Cr
1 May	CA Karns. Capital	301	5 000				5 000	
7			1 900			1 900		1 240
10	Abbot Sisters Ltd	✓	10 388	212	10 600			1 690
12			2 600			2 600		
17	Babson Ltd	✓	11 122	227	11 350			
22	Bank Loan	200	6 000				6 000	
23	Carson Ltd	✓	7 644	156	7 800			
28	Deli Ltd	✓	9 144	186	9 300			
			<u>53 798</u>	<u>781</u>	<u>39 050</u>	<u>4 500</u>	<u>11 000</u>	<u>2 930</u>
			<b>(101)</b>	<b>(504)</b>	<b>(112)</b>	<b>(401)</b>	<b>(x)</b>	<b>(505/120)</b>

- The numbers in the 'Ref.' column are the accounts you have credited in the 'other Acc. Rec. column'
  - We don't tick them because there are numerous accounts that are credited as part of that 'other Acc. Rec.' column
  - This is also why there is an 'x' at the bottom under the total of the 'other Acc. Rec' column
- All columns (excluding the other accounts) are posted to the account specified *at the end of the month*
- Individual accounts in 'other accounts' are posted separately to relevant individual general ledger accounts:
  - At the end of the month (Textbook)
  - Daily (Perdisco)
- Individual amounts, posted in total to the Acc. Rec. control account, are posted *daily* to individual subsidiary ledger accounts
- For the 'other accounts', when posting, put the date that they actually occurred on (not on the 30/31 of the month)
- Purchases Journal
  - Postings are made *daily* to individual accounts payable in the subsidiary ledger
  - At the end of the month, column totals of purchase journals are posted to the general ledger:
    - Debit to Inventory (perpetual system)
    - Credit to Acc. Payable
  - Some businesses expand the purchases journal to include all types of purchases on account and use a multicolumn format
- Cash Payments Journal
  - Columns depend on what the business does
  - Credit columns – cash paid (always), discount received
  - Debit columns – acc. Payable, cash purchases, other accounts
  - Whenever an amount is entered in the other accounts column, a specific general ledger account must be identified in the 'account debited' column
  - Posting the CPJ
    - Amounts recorded in the accounts payable column are posted individually on a *daily* basis to the subsidiary ledger and in total at *the end of the month* to the control account
    - No total for 'other accounts' column
    - For the 'other accounts', when posting, put the date that they actually occurred on (not on the 30/31 of the month)
- Effects of Special Journals on the General Journal
  - Reduces the no. of transactions requiring recording in the general journal
  - posting of transactions are the same as before
  - When control and subsidiary accounts are involved, 2 changes are made to the procedures for journalising and posting of transactions:
    - In journalising, both the control and subsidiary accounts must be identified
    - In posting, there must be a dual posting – once to the control account and once to the subsidiary account

- General Journal
  - It's now used for transaction that are exceptions
  - 4 main things recorded in the general journal
    - Adjustments – depreciation, rent, etc.
    - Closing entries
    - Credit/Return from customer
    - Credit/Return from us
  - Note: when transferring these 4 to the general ledger, do the specific date (not 30/31 of the month)