

## Third lecture: Accounting books

### 1- Daily Journal (or Journal)

The journal can branch into a number of auxiliary journals, depending on the needs of the organization.

We record in the journal the movements of the assets, liabilities, private funds, expenses and incomes of the entity. In the following, we discuss its definition, its form and the method of accounting registration in it

#### 1-1- Journal definition

The journal is a book binding by law in which the operations carried out by the entity are recorded day by day and process by process according to the chronological order of their occurrence, without leaving blanks or changes of any kind and without transferring to the margin or filling between the lines, and It must also be numbered and initialed by the President of the Court of the Entity's seat

#### 1-2- Journal form

The journal takes the following form:

		Date		
Debit account number		Debit account name	Debit account amount	
	Credit account number	Credit account name		Credit account amount
		Explanation of the process (reference of the supporting document)		

#### 1-3- Accounting entry in the journal

Transactions are recorded in the journal based on supporting documents and according to the double entry principle, where each accounting entry touches at least two accounts, one debit (usage) and the other credit (source), while respecting the chronological sequence in recording transactions. The sum of the debit amounts must be equal to the sum of the credit amounts.

The accounting entry can be in the form of:

- **Simple entry:** when the accounting registration affects only two accounts (one debit and the other credit)

- **Compound entry:** when the accounting entry touches more than two accounts (two or more accounts on the debit side, or two or more accounts on the credit side, or both).

**Example:**

An entity has performed the following operations that it requests to be recorded in the journal.

- **On February 03, 2018**, the amount of 25,000 DA was withdrawn from the bank and placed in the cashier.

		02/03/2018			
53	512	Cashier Bank		25000	25000
		( check number ...)			

- **On February 08, 2018** the entity acquired a computer for 45 000 DA and information software for 32 000 DA in cash.

		02/08/2018			
204 2181	53	information software computer Cashier		32000 45000	77000
		( Purchase invoice number ...)			

- **On February 15, 2018** :The entity acquired a production machine for 150,000 DA. Half of the amount was paid by check and the other half on account.

		02/15/2018			
215	404 512	production machine Fixed asset suppliers Bank		150000	75000 75000
		( Purchase invoice number ...)			

- **On February 19, 2018**, the entity obtained a bank loan of 800,000 DA, placed in the bank.

		02/19/2018			
164	512	Loan from credit institutions Bank		800000	800000
		(check number ...)			

**- On February 22, 2018**

The entity paid the phone expenses of 30,000 DA by bank check.

		02/22/2018		
626	512	Postage and telecommunications expenses	30000	
		Bank		30000
		(check number ...)		

**- On February 25, 2018**, the entity paid the debts of fixed asset suppliers, 45,000 DZD, by bank check.

		02/25/2018		
404	512	Fixed asset suppliers	25000	
		Bank		25000
		(check number ...)		

**2- Big Book ( General Ledger or Ledger )**

The large ledger includes the sum of the transactions of the accounts during the relevant period;

The large book includes the sum of the account movements to extract their balances at the end of the relevant period, where a page is allocated for each account that was a party to a daily entry even once during the accounting cycle, and thus the entity can extract the balance of this account (in the manner that we saw previously).

**3-Trial Balance**

After the accounting recording in the journal of the transactions carried out by the entity, then posting them to the ledger and extracting their balances, it is necessary to ensure the validity of these records and that the amounts recorded on the debit side of the accounts are equivalent to those recorded on the credit side.

This parity is confirmed at the end of the accounting period by preparing a special table that includes the names of all the accounts that were used, indicating the sum of the debit party, the sum of the credit party, and the balance for each account. This table is called the "trial balance" or "balance book" and has the following form:

account number	account name	totals		balances	
		Debit	Credit	Debit	Credit

In order to ensure the correctness of the accounting operations through **the trial balance**, the sum of the two sides of the totals (the debit and the credit) must be equal and represent the sum of the two sides of the journal. Also, the sum of both sides of the balances column must be equal. (The trial balance is covered in detail in a case study)