Q: What is journal?

The book of recording where economic transactions are recorded chronologically with short description analyzing debits and credits are known as journal. For instance: Purchase of an equipment for tk. 20,000 on June 10, 2025. The appropriate journal entry will be:

June 10, 2025	Equipment account	20,000	
	Cash account		20,000
	(To record purchase of equipment)		

Q: Why journal is prepared?

- ✓ Used as the primary book of recording
- ✓ Facilitating double entry system
- ✓ Reflect chronological entry of several transactions
- ✓ Helping in posting ledger
- ✓ Assist in Financial Statement preparation
- ✓ Helpful in detecting error in the recording process.

Q: What is ledger?

A ledger, or general ledger, is an account of a company's financial activities. It incorporates all the revenue and expenditures of the enterprise, combined with the liabilities incurred and assets possessed.

Q: Why ledger is prepared?

A general ledger is developed to combine all financial transactions into a singular, thorough record of a company's financial information. Some of the most significant reasons of ledger posting is given below:

- ✓ Summarizing financial information
- ✓ Assist in preparing financial statement.
- ✓ Identifying errors
- ✓ Preparing trial balance.
- ✓ Preparing financial statements
- ✓ Preparing permanent classified record of financial transactions.

Q: What is trail balance? Why it is prepared?

A trial balance is a financial statement that aggregates the debit and credit balances of all accounts in a company's general ledger at a specific time period. The main purpose of preparing trial balance

is evaluating mathematical accuracy of all accounts. Some of the most important reasons of preparing trial balance is discussed below:

- ✓ Ensuring mathematical accuracy
- ✓ Summarize ledger accounts
- ✓ Transfer ledger balances
- ✓ Assist in shortening accounts calculation
- ✓ Assist in preparing financial statements

Q: Limitations/errors that are not properly detected in the time of preparing trial balance.

- ✓ Errors of omission
- ✓ Compensating errors
- ✓ Errors of wrong entry
- ✓ Errors of principles

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Mr. Fahad starts his business on January 1, 2025 with cash 30,000; Equipment 20,000.
Following transactions incurred during the month:
Jan: 03 Paid Tk. 700 for the monthly rent
Jan: 05 Provide consultancy service of Tk. 9000 on account
Jan: 09 Withdraw Tk. 1,000 cash from business.
Jan: 12 Payment of salary Tk. 5,000
Jan: 20 Received Tk. 3500 advanced on a management consulting engagement.
Jan: 23 Depreciation of Equipment Tk. 500
Jan: 25 Paid Tk. 700 in cash for Insurance policy.
Jan: 28 Received cash payment of Tk. 5,000 for January 05 transaction.
Requirement:
(i)   Prepare Journal entries for the month of January from above transactions.
(ii)   Open Ledger account and post the January Transactions
(iii)   Prepare a trial balance at January 31, 2025

Mr. Fahad

Journal Entries

For the month ended January 31st 2025

Date	Accounts titles and explanation	Ref.	Debit	Credit
2025	Cash		30,000	
Jan: 1	Equipment		20,000	
	Capital			50,000

Date	Explanation	Debit	Credit
	(to record owner's investment of cash and equipment in starting the business)		
Jan: 3	Rent expense	700	
	Cash		700
	(To record the payment of rent)		
Jan: 5	Accounts receivable	9,000	
	Service revenue		9,000
	(To record service providing on account)		
Jan: 9	Withdraw	1,000	
	Cash		1,000
	(To record withdrawal of cash from business)		
Jan: 12	Salary Expense	5,000	
	Cash		5,000
	(To record payment of salary on cash)		
Jan: 20	Cash	3,500	
	Unearned service revenue		3,500
	(To record advance cash received for service to be provided)		
Jan: 23	Depreciation expense	500	
	Accumulated depreciation (Equipment)		500
	(To record depreciation of equipment)		
Jan: 25	Insurance expense	700	
	Cash		700
	(To record the payment of insurance)		
Jan: 28	Cash	5,000	
	Accounts receivable		5,000
	(to record cash received for services provided on account)		
Total		<u>75,400</u>	<u>75,400</u>

(ii) General ledger

Cash

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 1	Capital		30,000		
Jan: 3	Rent expense			700	29,300
Jan: 9	Withdraw expense			1,000	28,300
Jan: 12	Salary expense			5,000	23300
Jan: 20	Unearned Service revenue		3,500		26,800
Jan: 25	Insurance expense			700	26,100
Jan: 28	Accounts receivable		5,000		31,100

Equipment

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 1	Capital		20,000		20,000

Capital

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 1	Cash			30,000	30,000
	Equipment			20,000	50,000

Rent Expense

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 3	Cash		700		700

Accounts receivable

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 5	Service revenue		9,000		9,000
Jan: 28	Cash			5,000	4,000

Service revenue

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 5	Accounts Receivable			9,000	9,000

Withdraw account

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 9	Cash		1,000		1,000

Salary expense

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 12	Cash		5,000		5,000

Unearned Service revenue

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 20	Cash			3,500	3,500

Depreciation expense

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 23	Accumulated Depreciation		500		500

Accumulated depreciation

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 23	Depreciation expense			500	500

Insurance expense

Date	Explanation	Ref	Debit	Credit	Balance
Jan: 25	Cash		700		700

(iii)

Mr. Fahad

Trial Balance

For the month ended January 31st 2025

Serial no:	Accounts	Debit	Credit
1.	Cash	31,100	
2.	Equipment	20,000	
3.	Capital		50,000
4.	Rent expense	700	
5.	Accounts receivable	4,000	
6.	Service revenue		9,000
7.	Withdraw account	1,000	
8.	Salary expense	5,000	
9.	Unearned service revenue		3,500
10.	Depreciation expense	500	
11.	Accumulated depreciation		500
12.	Insurance expense	700	
Total		63,000	63,000