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Manual Accounting - Module 13

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Compound Journal Entries

Compound journal entries are used when multiple transactions involving the same account occur on the same date. Instead of recording each transaction separately, these transactions are combined into a single entry, known as a compound journal entry. There are three common ways to record compound journal entries:

1. Debit Many, Credit One

In this method, one account is credited, and two or more accounts are debited to reflect the transactions. This is typically used when multiple expenses or payments are made on the same date, as in the example provided for salaries and rent payments.

Example 1: Debit Many, Credit One

On January 15th, 2024, ABC Company paid salaries of Rs. 20,000 and rent of Rs. 10,000 in cash.

Compound Journal Entry:

Date: January 15, 2024

DATE	PARTICULAR	LF	AMOUNT (DR)	AMOUNT (CR)
	SALARY EXPENSE A/C	DR	XXX	
	RENT EXPENSE A/C	DR		XXX
	TO CASH A/C			XXX

2. Debit One, Credit Many:

Conversely, this method involves crediting one account and debiting two or more accounts. This approach is commonly used when multiple sources of income or receipts are received on the same date.

Example 2: Debit One, Credit Many:

On March 20th, 2024, XYZ Company received interest income of Rs. 15,000 and dividend income of Rs. 8,000.

Compound Journal Entry:

Date: March 20, 2024

DATE	PARTICULAR	LF	AMOUNT (DR)	AMOUNT (CR)
	CASH A/C	DR	XXX	
	TO INTEREST INCOME RECEIVED A/C			XXX
	TO DIVIDEND INCOME RECEIVED A/C			XXX



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3. Multiple Debits and Credits:

This method involves debiting two or more accounts and crediting two or more accounts. These entries are often used for complex transactions such as opening entries or adjustments.

In each of these methods, the compound journal entry allows for the efficient recording of multiple transactions on the same date, simplifying the accounting process and ensuring accuracy in financial records.

Example 3: Multiple Accounts Debit, Multiple Accounts Credit:

On October 1, 2025, business purchase

- Office Furniture worth Rs.5000 from Modern Furnishings Ltd.
- Computer Equipment worth Rs.3000 from Tech Gear Ltd.

Compound Journal Entry:

Date: October 1, 2025

DATE	PARTICULAR	LF	AMOUNT (DR)	AMOUNT (CR)
	FURNITURE A/C	DR	5000	
	COMPUTER EQUIPMENT A/C	DR	3000	
	TO MODERN FURNISHINGS LTD A/C			5000
	TO TECH GEAR LTD. A/C			3000

Assignment

Ques 1: On June 10th, 2024, ABC Company paid electricity bill of Rs. 15,000 and telephone expenses of Rs. 8,000 in cash. Create a compound journal entry to record the payment of electricity bill and telephone expenses.

Ques 2: On August 5th, 2024, XYZ Company received rental income of Rs. 20,000 and commission income of Rs. 10,000. Create a compound journal entry to record the receipt of rental income and commission income.

Ques 3: On December 1st, 2024, ABC Company paid salaries of Rs. 25,000, rent of Rs. 12,000, and insurance premium of Rs. 8,000 in cash. Create a compound journal entry to record the payment of salaries, rent, and insurance premium.

Ques 4: On February 20th, 2024, XYZ Company received interest income of Rs. 18,000 and dividend income of Rs. 12,000. Create a compound journal entry to record the receipt of interest income and dividend income.

Ques 5: On April 5th, 2024, ABC Company paid wages of Rs. 18,000, utility bills of Rs. 10,000, and advertising expenses of Rs. 15,000 in cash. Create a compound



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journal entry to record the payment of wages, utility bills, and advertising expenses.

Solved Example: Record the following transactions in the Journal of Naresh:

Date	Particulars	Amount (Rs.)
June 1, 2005	Paid cash to Mahesh and discount received from him	
	- Cash Paid	9,600
	- Discount Received	400
June 4, 2005	Received cash from Arun and discount allowed to him	
	- Cash Received	4,900
	- Discount Allowed	100
June 30, 2005	Paid wages, advertisement expenses, and salaries	
	- Wages Paid	400
	- Advertisement Expenses	250
	- Salaries Paid	1,500
June 30, 2005	Received Interest	100
June 30, 2005	Received Commission	600

Solution: The Journal entries of Naresh is as follows:

Journal Entries			
Date	Particulars	Debit (Rs.)	Credit (Rs.)
2005 June 1	Mahesh A/c	10,000	
	To Cash A/c		9,600
	To Discount Received A/c		400
	(Paid cash to Mahesh and received discount)		
2005 June 4	Cash A/c	4,900	
	Discount Allowed A/c	100	
	To Arun A/c		5,000
	(Received cash from Arun and allowed discount)		
2005 June 30	Wages A/c	400	
	Advertisement Expenses A/c	250	
	Salaries A/c	1,500	
	To Cash A/c		2,150
	(Paid wages, advertisement expenses, and salaries)		
2005 June 30	Cash A/c	100	
	To Interest Received A/c		100
	(Received interest)		
2005 June 30	Cash A/c	600	
	To Commission Received A/c		600
	(Received commission)		

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Explanation:
June 1:

- Debit Mahesh's account for the total amount paid including discount.
- Credit Cash account for the actual cash paid.
- Credit Discount Received account for the discount amount.

June 4:

- Debit Cash account for the actual cash received.
- Debit Discount Allowed account for the discount given.
- Credit Arun's account for the total amount due.

June 30 (Expenses):

- Debit Wages account for the wages paid.
- Debit Advertisement Expenses account for the advertisement expenses paid.
- Debit Salaries account for the salaries paid.
- Credit Cash account for the total cash paid for these expenses.

June 30 (Interest):

- Debit Cash account for the interest received.
- Credit Interest Received account for the interest earned.

June 30 (Commission):

- Debit Cash account for the commission received.
- Credit Commission Received account for the commission earned.

Assignment

Ques 1: Make the journal entries for the following:

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Question 1

Date	Particulars	Amount (Rs.)
March 5, 2024	Paid cash to Ravi and discount received from him	
	- Cash Paid	8,000
	- Discount Received	200
March 10, 2024	Received cash from Suresh and discount allowed to him	
	- Cash Received	7,200
	- Discount Allowed	300
March 25, 2024	Paid rent, electricity bill, and office expenses	
	- Rent Paid	2,000
	- Electricity Bill	1,000
	- Office Expenses	500
March 30, 2024	Received Dividend	200
March 30, 2024	Received Interest	400

Question 2

Date	Particulars	Amount (Rs.)
April 1, 2024	Paid cash to Raj and discount received from him	
	- Cash Paid	12,000
	- Discount Received	600
April 5, 2024	Received cash from Shyam and discount allowed to him	
	- Cash Received	6,800
	- Discount Allowed	200
April 20, 2024	Paid wages, advertisement expenses, and salaries	
	- Wages Paid	600
	- Advertisement Expenses	400
	- Salaries Paid	1,800
April 25, 2024	Received Commission	500
April 30, 2024	Received Interest	300



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Question 3

Date	Particulars	Amount (Rs.)
May 2, 2024	Paid cash to Anil and discount received from him	
	- Cash Paid	5,400
	- Discount Received	100
May 8, 2024	Received cash from Manish and discount allowed to him	
	- Cash Received	3,900
	- Discount Allowed	100
May 22, 2024	Paid rent, electricity bill, and office expenses	
	- Rent Paid	1,500
	- Electricity Bill	700
	- Office Expenses	300
May 28, 2024	Received Dividend	150
May 30, 2024	Received Commission	450

Question 4

Date	Particulars	Amount (Rs.)
June 3, 2024	Paid cash to Sohan and discount received from him	
	- Cash Paid	10,500
	- Discount Received	500
June 7, 2024	Received cash from Rohan and discount allowed to him	
	- Cash Received	9,600
	- Discount Allowed	400
June 15, 2024	Paid wages, advertisement expenses, and salaries	
	- Wages Paid	700
	- Advertisement Expenses	600
	- Salaries Paid	1,200
June 28, 2024	Received Interest	250
June 30, 2024	Received Commission	550

