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Use of Journal in the Recording Process in Accounting System

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Abstract.
System is not just talking about programming languages or software. The system is widely used in various sciences. System is also widely used in everyday life, so the meaning of the system has various meanings according to the field. System is also used in business activities, both small and large scale of a company. Companies certainly cannot be separated from Journal in the Recording Process which is the main function of accounting. Companies initially record transactions in chronological order (the order in which they occur). Thus, the journal is referred to as the book of original entry. For each transaction the journal shows the debit and credit effects on specific accounts.

Keywords: Journal, Recording system, Accounting System, chronological order

1. Introduction

In general, the company is an organization where resources (inputs), such as raw materials and labor are processed to produce goods or services for customers. Companies can be small companies or large companies. For example, there are companies that sell burgers with carts in a roadside shop that get a small profit from the capital issued, but there are also large companies that sell their burgers at large restaurants in the Mall such as Burger King or Carl's Junior which can earn multiple profits. Although the size of the company is different, the purpose of the company is basically to seek and maximize profits. The profits come from customers who buy goods or services in exchange for money (El Sima et al, 2020). Profit is income received after deducting the amount of capital issued to purchase natural resources that produce these goods or services. There are 3 types of companies that operate to generate profits, namely: manufacturing companies (manufacturing), trading companies (merchandising). and service companies that have their own characteristics (Tiosanna, 2020). Regardless of the company's objectives, as business activities are sustainable and interconnected, this means that ongoing business activities are becoming increasingly complex. The various outgoing and incoming transactions must automatically be recorded and recorded (Mmohsin et al., 2021). Thus, it is necessary to manage business activities so that operational activities can be well controlled. Accounting is basically a system that produces accounting information that teaches how to process accounting information starting from recording in documents by various divisions of the company, then the financial data is processed in the distribution of applicable accounting records, until finally the information is presented in financial statements.

For this reason, it is necessary to have an accounting system that can be used to manage various kinds of transaction flows. The accounting system consists of various kinds of procedures that regulate the various structured steps that must be carried out so that a company can run efficiently and effectively. The more complex a company's operational activities, the more important it is to implement an accounting system so that there are no errors. The study objectives of Accounting System are:

- Analyze the effect of business transactions on the basic accounting equation.
- Explain what an account is and how it helps in the recording process.
- Define debits and credits and explain how they are used to record business transactions.

- Identify the basic steps in the recording process.
- Explain what a journal is and how it helps in the recording process.
- Explain what a ledger is and how it helps in the recording process.
- Explain what posting is and how it helps in the recording process.
- Explain the purposes of a trial balance.

2. Literature Review

The accounting system is the organization of forms, records, and reports that are coordinated in such a way as to provide the financial information needed by management to facilitate the management of the company (Mulyadi, 2016). The company's accounting system must be able to collect, accumulate, and report various kinds of transactions.

For example, Garuda Airlines' accounting system collects and stores information about ticket booking flows, credit card billing and payments via a debit card virtual account, routine aircraft maintenance, working hours for all employees, monthly employee salaries, number of flight schedules, fuel consumption, and the distribution of travel agent commissions.

From the definition of the accounting system, the constituent elements of the accounting system are forms, records consisting of journals, ledgers, subsidiary ledgers, and reports. The form is also referred to as a document, where it is a result of documentation on a sheet of paper that describes all the activities occurring within the company. In addition, another element of the accounting system is the journal. Journals are accounting records used to record, classify, and summarize company financial data. Journals consist of general journals, special journals, closing journals, adjusting journals, and reversing journals (Alfian et al., 2020).

The next element of the accounting system is the general ledger. The general ledger consists of accounts that are used to record all changes that occur when an account arises because there are financial transactions. The next element is the subsidiary ledger which consists of subsidiary accounts which are recorded in more detail in certain accounts in the general ledger. The next process is the presentation of financial statements which are the final result of the accounting process consisting of statements of financial position, income statements, reports on changes in retained earnings, reports on cost of production, reports on marketing expenses, reports on cost of goods sold, age list of accounts receivable, payables to be paid. and inventory balance lists. The financial reports are not only in the form of paper or books, but also in the form of electronic reports.

The accounting system develops through three steps as the company experiences developments and changes. These steps consist of :

- Analysis, including identifying the needs of the parties who need the company's financial information, and determining how the system will present that information.
- The accounting system is designed, so that it can meet user needs.
- Implemented, this means that the accounting system is ready to be implemented and used to record transactions and prepare financial reports (Warren et al., 2005).

Internal control and data processing methods are fundamental to the accounting system. Internal controls are policies and procedures that protect company assets from user error, ensure that business information is presented accurately and ensure that laws and regulations are followed (Warren et al., 2005).

This method can be manual and computerized. Internal control functions to regulate the operations of the company, protect assets, and prevent misuse of the system. For example, a laundry service company carries out control of its business operations as follows::

- Routine maintenance of the washing machine provided must be timely;
- Cleanliness and services provided must meet customer expectations;
- Workers must perform their duties according to the number of hours worked;
- Equipment and supplies to run a laundry business are only used for business purposes;
- Customer invoices must be recorded as evidence of services rendered.

From these examples, the objectives of internal control include:

- Assets are protected and used for the achievement of business objectives;
- Presenting accurate business information;
- Employees are more disciplined in carrying out and complying with applicable regulations.

3. METHODS

The descriptive approach was adopted in this study through the collection of previous literature on A Journal is Used in The Recording Process in Accounting Systems and examples to illustrate how entities may apply the Recording Process in Accounting Systems. This study will provide a theoretical overview of accounting system and internal control applied in the accounting systems

4. RESULT AND DISCUSSION

4.1. RESULT

In practically every business, there are three basic steps in the recording process:

1. Analyze each transaction for its effects on the accounts.
2. Enter the transaction information in a journal.
3. Transfer the journal information to the appropriate accounts in the ledger.

Although it is possible to enter transaction information directly into the accounts without using a journal, few businesses do so. The recording process begins with the transaction. **Business documents**, such as a sales slip, a check, a bill, or a cash register tape, provide evidence of the transaction. The company analyzes this evidence to determine the transaction's effects on specific accounts. The company then enters the transaction in the journal. Finally, it transfers the journal entry to the designated accounts in the ledger. Before knowing how to journalize every transaction we need to know components that are used in a Journal.

- **Transactions**
  a. events that must be recorded in the financial statements.
  b. events can be divided into two types:
     1. External events occur between the company and some outside party. If an external event involves an exchange of assets, liabilities, or stockholders' equity between a company and an outside party it is a transaction and must be recorded.
     2. Internal events are economic events that occur entirely within one company. Internal events are considered transactions if the event results in a financial impact that you can measure with reasonable accuracy.
- **Transaction analysis -** the process of considering the transaction or event that has taken place and identifying how the transaction is going to impact the balance sheet equation.
- **Account**
  Account - an individual accounting record of increases and decreases in a specific asset, liability, or stockholders' equity item. a. An account consists of three parts: (1) the title of the account, (2) a left or debit side, and (3) a right or a credit side. b. Because segments of the

account resemble the letter T, it is often referred to as a T account

- **Debits and Credits**
  The term debit means left, and credit means right.
  a. Debit is abbreviated Dr. and credit is abbreviated Cr.
  b. The act of entering an amount on the left side of an account is called debiting. Making an entry on the right side is called crediting.
  c. When the totals of the two sides are compared, an account will have a debit balance if the left side is greater. Conversely, the account will have a credit balance if the right side is greater. In double-entry accounting, for every debit there must be an equal credit. And, the accounting equation must be kept in balance.
  d. Debits increase assets and expenses while they decrease liabilities, common stock and revenues.
  e. Credits decrease assets and expenses. Conversely, they increase liabilities, stockholders, and revenues. Note: Remember the outside increase rule (with the exception of Expenses (Which are really short-lived Assets)

- **Basic Steps in the Recording Process**
  The basic steps in the accounting process are:
  1. Analyze each transaction in terms of its effect on the accounts and record in the General Journal. a. A source document, such as a sales slip, a check, a bill, or a cash register tape provides evidence of the transaction.
  2. Transfer the journal information to the ledger (book of accounts).
  3. Due a Trial Balance to insure that the accounts are in balance.
  4. Make the Adjusting entries and Closing Entries (Bring the accounts up to date as of the date of the financial statements and reduce the nominal accounts to zero balance for the start of the next period).
  5. Do a Post-Closing Trial Balance to ensure that the accounts are in balance after the adjusting and closing entries have been made.

Illustration below shows the technique of journalizing, using the example of the journal for Pioneer Advertising Agency for October. The number J1 indicates that these two entries are recorded on the first page of the journal

Table 1. Chart of Accounts

PIONEER ADVERTISING AGENCY Chart of Accounts	
Assets	**Owner's Equity**

101 Cash
112 Accounts Receivable
126 Advertising Supplies
130 Prepaid Insurance
157 Office Equipment
158 Accumulated Depreciation—Office Equipment

301 C. R. Byrd, Capital
306 C. R. Byrd, Drawing
350 Income Summary

Revenues

400 Service Revenue

Liabilities

200 Notes Payable
201 Accounts Payable
209 Unearned Revenue
212 Salaries Payable
230 Interest Payable

Expenses

631 Advertising Supplies Expense 711 Depreciation Expense
722 Insurance Expense
726 Salaries Expense
729 Rent Expense
905 Interest Expense

GENERAL JOURNAL **PAGE J1**

Date	Account Titles and Explanation	Ref.	Debit	Credit
2010				
Oct. 1	Cash	101	10,000	
	C. R. Byrd, Capital	301		10,000
	(Owner's investment of cash in business)			
1	Office Equipment	157	5,000	
	Notes Payable	200		5,000
	(Issued 3-month, 12% note for office equipment)			
2	Cash	101	1,200	
	Unearned Revenue	209		1,200
	(Received cash from R. Knox for future service)			
3	Rent Expense	729	900	
	Cash	101		900
	(Paid October rent)			
4	Prepaid Insurance	130	600	
	Cash	101		600
	(Paid one-year policy; effective date October 1)			
5	Advertising Supplies	126	2,500	
	Accounts Payable	201		2,500
	(Purchased supplies on account from Aero Supply)			
20	C. R. Byrd, Drawing	306	500	
	Cash	101		500
	(Withdrew cash for personal use)			
26	Salaries Expense	726	4,000	
	Cash	101		4,000

	(Paid salaries to date)			
31	Cash	101	10,000	
	Service Revenue	400		10,000
	(Received cash for services provided)			

Table 2.. General Journal Entries

4.2. DISCUSSION

Entering transaction data in the journal is known as journalizing. Companies make separate journal entries for each transaction. A complete entry consists of: (1) the date of the transaction, (2) the accounts and amounts to be debited and credited, and (3) a brief explanation of the transaction. For general a journal must considered :

1. Transactions are entered in the journal in chronological order before being transferred to the accounts.
2. The journal has a place to record the debit and credit effects on specific accounts for each transaction.
3. Companies may use various types of journals, but every company has the mostbasic form of journal, a general journal.
4. The journal makes significant contributions to the recording process:
   a. The journal discloses in one place the complete effect of a transaction.
   b. The journal provides a chronological record of transactions.
   c. The journal helps prevent or locate errors because the debit and credit amounts for each entry can be readily compared.
5. Entering transaction data into the journal is known as journalizing.

5. CONCLUSION

The general objectives of developing an accounting system are as follows:

1. To provide information for managers of new business activities.
2. To improve the information produced by the existing system, both regarding the quality, accuracy of presentation, and the structure of the information
3. To improve accounting controls and internal checks, namely to improve the level of reliability of accounting information and to provide complete records of the liability and protection of company assets.
4. To reduce clerical costs in maintaining accounting records

The constituent elements of the accounting system are controlled by the internal control system, which is a system used by an entity to ensure that the company's operations run according to their objectives, to keep financial reports reliable. Therefore, it is important for companies to implement an internal control system, because with this internal control it is hoped that all forms of fraud can be minimized.

If a company's internal control is carried out according to procedures and then an audit is carried out within the company, then all documents and records that support the audit can be presented properly and there is little possibility of irregularities. However, the success or failure of the internal control system for the accounting system depends on the cooperation of all relevant parties, including the management from the top level who is responsible, as well as the implementing employees. This must also be supported by competent human resources within the company.

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