

Understanding the Cash Payments Journal

Cash Payments Journal									
Date	Particulars	Other Accounts Debit			Wages	Purchases	Accounts Payable	Cheque No.	Bank
		Account	P.R.	Amount	(DR.)	(DR.)	(DR.)	(DR.)	(CR.)
May 1, 2008	Acme Commercial Space Inc.	Rent Expense	510	1,000.00				125	1,000.00
May 8, 2008	Super Suppliers Corp.					1,470.00		126	1,470.00
May 14, 2008	Advertising Expense	Drawings	302	500.00				127	500.00
May 15, 2008	Jimmy's Supply Co.						1,620.00	128	1,620.00
May 22, 2008	Flora Johnson				800.00			129	800.00
May 31, 2008				1,500.00	800.00	1,470.00	1,620.00		5,390.00

As far as special journals go, the Cash Payments Journal is a relatively complex journal. This is because a firm can spend money on a great variety of items, and the journal must be able to accommodate all of the common items as well as any less common items that may pop up from time to time.

We will see specific columns dedicated to popular items (such as wages, purchases, and accounts payable). For everything else, we will simply use a “general” area (possibly titled “Other Accounts Debit”) in which specific account titles can be identified under an “Account” column and the associated amount debited can be recorded under an “amount” column.

Naturally, a “Cash Payments” journal would require a credit to the “Cash” (or “Bank”) account, because if cash isn’t being spent, then the transaction doesn’t belong in this journal. This “defining” column is generally found at the far right column of the journal. Because businesses will always make payments using a cheque, a cheque number will always be identified for each expenditure.

At the end of the month (if the accounting period is monthly), we will rule off the journal and add up the amounts for each column.