

## HINTS AS TO RESOURCES AND LIABILITIES.

resources and liabilities thus shown must agree in a certain sense, with the accounts showing gains and losses. Any careful observer, however, must be aware that all classes of resources are not equally valuable; and that, in the course of trade, persons may become indebted to us both on note and account who will *never* pay; the resource thus represented being absolutely valueless. In estimating the condition of a concern, therefore, it is well to know whether the books are *truthful*; that is whether the *resources* exhibited on their pages are absolute or fictitious. The *liabilities* are always presumed to be genuine.) The importance of this precaution will be apparent when we consider that all gains in business, as shown by representative accounts, are predicated upon the integrity of the resources. For instance, suppose we sell A, \$300 worth of Merchandise, and take his note for it. In recording the transaction, we credit Merchandise, and debit Bills Receivable. In estimating our gains and losses, we, of course include among the proceeds of Merchandise this amount, which adds \$300 to our gains. Our Merchandise account is closed, and the result finds its way into the Loss and Gain account, thus having an important bearing upon the apparent prosperity of the business. But suppose this note should prove *worthless*. It is now evident that the \$300 credited to Merchandise account was not a legitimate product, and that all gains predicated upon it are necessarily fictitious. But there are other resources represented in the Ledger, the exact value of which is *uncertain*,—they may be worth their face, or half of it, or *nothing*. How shall they be treated in a general exposition of affairs? Should we consider them all valueless, and close them into Loss and Gain. The error may be as great as to permit them to remain and represent actual worth. The most approved method of disposing of this class of accounts, is to permit them to remain upon the Ledger, but to neutralize their effect by opening an account showing fictitious liabilities of the same amount. An appropriate title for this account is "Suspense." When therefore doubtful resources exist on our Ledger, and we do not wish to represent anything more than actual *gains*, the process should be to debit Loss and Gain, and credit "Suspense" with the amount of the doubtful resources. If any of these are afterwards paid, or their value becomes tangible, it is very easy to restore them by debiting Suspense and crediting Loss and Gain. This method is far preferable to the more usual one of *closing up* all doubtful account into Suspense. The Suspense account in the latter case would represent either a loss or a resource. If a loss the amount may as well go at once to the Loss and Gain account; and if a resource, it had much better remain under its own more appropriate title. But the chief objection to this course would be the exhibiting of accounts as closed, which are yet owing and may be paid. If Mr. A, for instance, whom we thus consider doubtful, should desire to see his account in our Ledger, that he may pay it, it might be awkward to inform him that, having considered his account worthless we had carried it into Loss and Gain. He might not desire to change our estimate of the value of his indebtedness.