

5. Journalizing is the determining and indicating of the debit and the credit items of a transaction for their respective ledger accounts. The book in which this is done is called the *Journal*.

6. Example of Journal :

L. F.		Date line	Dr. column		Cr. column	
Debtor line	Creditor line		\$	c.	\$	c.
TORONTO, January 2, 19—.						
John Simpson Dr.			80			
:Misc. Cr.					80	
Cash Dr.			75			
John Simpson Cr.					75	

7. Posting is transferring the debit and credit items from the Journal to their respective accounts in the Ledger. The *Ledger* is the book of accounts.

8. Assets and Liabilities.

An Asset is anything belonging to the business, which has a money value. A Liability is any debt owing by the business.

9. Losses and Gains.

A Loss is an excess of cost over proceeds. A Gain is an excess of proceeds over cost.

10. Classification of Accounts.

All accounts may be divided into three classes, namely, Personal Asset and Liability Accounts, Impersonal Asset and Liability Accounts, and Loss and Gain Accounts (all impersonal). The first two classes show either values belonging to the business, or debts owing by the business; the last class shows either losses or gains in connection with the business.

- I. Personal Asset and Liability Accounts : as John Simpson, John Simpson & Co., The Imperial Bank, The Royal Fire Insurance Co., etc.
- II. Impersonal Asset and Liability Accounts : as Cash, Bills Receivable, Bills Payable, etc.
- III. Loss and Gain Accounts : as Merchandise, Expense, Real Estate, Interest, Discount, Commission, etc.

The first two classes are sometimes called Real Accounts, and the third class is sometimes called Representative Accounts.

PERSONAL ASSET AND LIABILITY ACCOUNTS.

11. Journalizing—Rule I.

In Personal Asset and Liability Accounts, make the person *debtor* for all the amounts which he *receives* from our business *on account*, and make him *creditor* for all the amounts which he *gives* to our business *on account*.