THE OFFICE END

DEVOTED TO THE OFFICE STAFFS OF BUSINESS ESTABLISHMENTS

FORMING A JOINT STOCK COMPANY.

A few items of general interest to the Bookkeeper after the formation of a Joint Stock Company or the amalgamation of industrial concerns.

By H. R. W.

IT would be impossible to give a set of opening entries applicable to every business, as it would depend largely upon the arrangement made with the vendors in regard to the transfer of their business, but in a general way, the "assets" transferred should be debited, crediting "Shareholders of Old Company," the "Liabilities" credited, debiting "Shareholders of Old Company," the balance in the "Shareholders" account showing the amount of stock held by them in the new company, the completing entry being:

"Shareholders of Old Company" Dr.
To Capital Stock account Cr.

If stock is offered for public subscription the entries for "General Ledger" purposes might be made as follows:

Shareholders Acct. Dr.
To Capital Stock account Cr.
(For Amount of Stock Subscribed.)

Cash Dr.
To Shareholder Cr.
(as instalments are received on subscription)

thus closing "shareholders" account in the general ledger.

If various classes of stock are subscribed for, such as first preference, second preference or common, these divisions may be credited instead of simply using the term "capital stock."

As a rule, shareholders are treated collectively in the "General Ledger," one, two or three accounts being kept according to the class of shares subscribed for, the accounts for the individual shareholders being kept in the stock ledger.

A First Difficulty.

Probably the first difficulty with which the office man will have to contend when the amalgamated company has not taken over the accounts receivable or payable of the individual companies, will occur upon receipt of a cheque or money order, the amount of which includes accounts due both to the old and new companies. Let it be supposed, for instance, that Bentley & Jones owe one of the old companies $10 and the amalgamated company $15, the latter being subject to cash discount of 2 per cent. Upon receipt of the cheque or money order, the remittance may be entered in the cash book of the new company as follows:

		c d	amt
Bentley & Jones	$24.50		
Less amt of account for Old Co	9.80	.30	$14.70

The amount posted to the credit of Bentley & Jones in the books of the new company being $15, made up of cash $14.70 and cash discount 30c, the balance $9.80 being entered in the cash book of the old company in the usual way, together with cash discount, if allowable. The new company may pay over the amount of each individual balance due or the aggregate amount due at the end of the day or week.

When goods are returned after the amalgamation has taken place, which were charged prior to the date of transfer, the correct method, although it may appear on first sight a roundabout way of arriving at the desired result, is to credit the goods through the books of the old company at the price originally charged, and, if necessary, transfer such credits, by means of cross entries, to the books of the new company, charging at the same time or at the end of a stated period all goods thus returned and credited to the new company at cost price. If this course were not pursued, the goods would be taken into stock by the new company and a liability assumed by crediting the customer at the selling value, whereas such goods should be taken into stock at cost, as the old company had originally made the profit on them. As the success of a business depends to a large extent in these busy days upon the system employed, a few suggestions as to handling the office department after an amalgamation may not be amiss.

A Few Suggestions.

The aim should be to dispense with all unnecessary work without destroying in any way the history of transaction, the question continually before the office man being, "Is there a possibility of this work being done in a shorter or simpler manner and yet obtain the necessary result?"

Each branch should keep its own cash book in the form of loose sheets, which may be kept on files, a duplicate sheet of each day's transactions being sent to the head office where it shall be audited, filed and posted.

Vouchers for sundry payments should accompany the sheets and should be vouched for by the manager of the branch.

An additional check on the cash would be to have the balance on hand on a certain day, say on the end of the month, deposited in the bank, and the pass book entered by the bank and sent to the head office for verification.

All accounts should be kept at the head office, both personal and impersonal.

Each office may keep its own bank account, and remittance by draft made to head office for all over a stipulated amount.

All accounts payable should be settled by the head office, unless goods are settled for in cash when purchased by the branch, in the latter case the vouchers being sent as usual with the cash sheet.

The invoicing may be done by the individual office in triplicate, one copy sent to the customer, one copy to the head office for posting medium, and the third filed in the branch office for reference only.