

HOW TO FIND THE GAIN ON MERCHANDISE.

The footings of the Account having been ascertained, add the value, usually cost or less, of the unsold goods, (Inventory) in red ink to the credit side. This having been done the difference between the debits and credits will show either a gain or a loss. If the credit side is the larger, it indicates that the productions have been greater than the cost, consequently the excess must show a gain. If the debit side is the larger the excess will show a loss. It is expected that the Merchandise Account will exhibit a gain because the expenses have to be met largely out of the profits earned by this account.

RESULTS.

Amount of merchandise sold.....	\$1,029.80
Add amount of merchandise on hand (Inventory).....	575.00
Total of credit side.....	1,004.80
Subtract amount of merchandise bought.....	1,402.25
Excess of Cr. side or amount gained.....	207.57

MERCHANDISE EXERCISE NO. 2.

Oct. 1, Have goods on hand from Exercise No. 1, (Inventory) \$575.00. Oct. 3, Bought from Gordon Cousins on account goods valued at \$395.85. Oct. 4, Sold Albert Lockard on account merchandise, \$245.03. Oct. 5, Sold N. McLeod for cash goods to the value of \$125.34. Oct. 6, Sold C. S. Marshall on his note merchandise, \$80.44. Oct. 9, Bought merchandise from E. R. Colwill on our note, \$174.37. Oct. 12, Bought goods from J. E. Shields for cash, \$124.09. Oct. 15, Allowed Albert Lockard on his purchase of Oct. 4th because of damaged goods \$30.85. Oct. 18, Paid freight on goods purchased on the 12th, \$4.15. Oct. 20, Took from store for private use merchandise worth \$16.25. Oct. 24, Sold merchandise to W. Harris for cash, \$100.28. Inventory, \$761.82.

Result :—Gain \$130.58.

To Teacher: It would be advisable to explain to the pupil that the loss or gain can be arrived at by subtracting the inventory from the purchase, and then comparing the sides.

CAPITAL ACCOUNT.

This account (sometimes styled Proprietor, or Stock) is used to show the relation of the business to the proprietor.

CAPITAL.

DEBIT CAPITAL.

For the debts of the proprietor assumed by the business;
For Cash, Mfse. or anything of value withdrawn from the business by the proprietor for his private use;
For the net loss sustained by the business as shown in the Loss and Gain Account;
For the Present Worth at the close of the year.

CREDIT CAPITAL.

For cash or anything of value invested by the proprietor, either on the commencement of business or subsequently;
For Present Worth brought down from previous year;
For the net gain earned by the business as shown in the Loss and Gain Account;
For Insolvency at the close of the year.

SUMMARY.

Capital Account is debited for Liabilities assumed;
Withdrawals;
Losses.

Capital Account is credited for
Resources invested;
Gains.