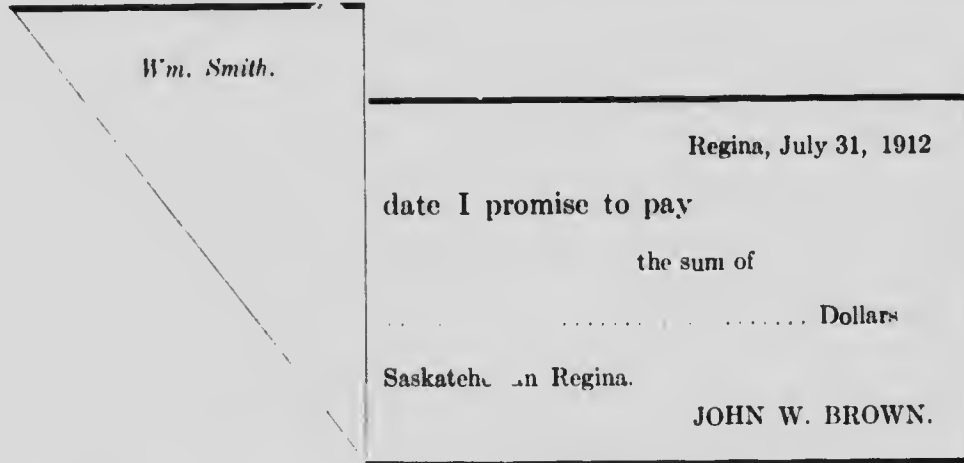


The simple act of Mr. Smith writing his name on the back of the note not only gives the Bank a clear title to the note, but makes Smith equally liable with Brown to the Bank for payment of same. The signature of Smith on the back of the note would constitute what is known as an endorsement and should appear as follows:



If the endorsement on the note had read "without recourse to Wm. Smith," Brown would have been the only one liable for payment, but it is unlikely that the Bank would have discounted with such an endorsement, as it is the fact of there being more than one party liable for the amount represented in the note which gives the Bank sufficient security to advance the money.

Every person should be very careful to understand that what they are binding themselves to before signing a document. Every word in a contract should be carefully read, and the meaning clearly realized, as once a note or other document is properly executed it is binding upon the signatories.

BANKING

A cheque is a written order to a Bank to pay a third party a certain sum of money upon demand. The drawer of a cheque must have a sufficient amount at his Credit in the Bank to pay the amount represented on the cheque, or have an understanding with the Manager of the Bank to have the cheque paid until such a time as he may be able to deposit funds to cover it. The honouring of a cheque by a Bank when there is insufficient funds in the Drawer's Account to meet it, creates what is known as an "overdraft" in the latter's account. This "overdraft" represents the amount which the drawer of the cheque owes the Bank.

No person should rely entirely upon his bank Pass Book for information as to the funds at his Credit in the Bank, as he may have issued cheques which had not been presented for payment. This fact would result in the Pass Book showing a larger Credit than there would be if all cheques were paid. By keeping a record of all deposits made and cheques issued, any person may tell at any time from his own books the exact amount at which he can depend upon being at the Bank at his disposal. The Pass Book should be used for verifying his own records, and the two should balance with one another, after any outstanding cheques have been taken into consideration.

It will be supposed that a farmer's books show the following transactions in his Bank Account for a month: