

22. It is manifest that all expense incurred in carrying on the business diminishes the gain or profit, and that in closing this account the entry must always be made on the credit side, and then the amount must be carried to the debit side of Profit and Loss.

23. The Profit and Loss Account closes into Stock.

The debit side of the Profit and Loss Account shows the losses from all sources; the credit side the profits. The difference is the *net gain* or the *net loss*.

24. The Private Account closes into Stock.

The debits in the Private Account show what has been taken out of the business by the proprietor.

25. The Stock Account, the last to be closed, closes into the Balance Account, making the two sides of that account equal. The Stock Account, at closing shows on the credit side the assets with which we began business and the gain, if any, arising out of the business, as transferred from the Profit and Loss Account; it shows on the debit side the liabilities with which we began business, the loss, if any, sustained in carrying on the business, and the amount withdrawn for personal use, as shown by the Private Account. The difference between the two sides of this account must, therefore, be the *present net capital*. But the difference between the two sides of the Balance Account must also show the *present net capital*; for the debit side shows all the assets, and the credit side all the liabilities. We are therefore able to get the present net capital from two nearly independent sources, and thus test the correctness of the work.

It will be seen that Double Entry, although involving more work than Single Entry, has decided advantages. It presents a more complete and systematic statement of one's business. By reference to two or three accounts, the business man can ascertain the general condition of his affairs.

By comparing the difference between the two sides of the Stock Account with that of the two sides of the Balance Account, we can verify the correctness of our work.

Double Entry enables one to open an account with any class of Merchandise, as Flour, Sugar, or Cotton, and ascertain the gain or loss from each particular source.