

seems to be preferable is to call on the stock-keeper for a report on items taken at random. Every day he is called upon for a report on one or more items. Since he never knows when he will be called upon for the count of a given article, he is very likely to keep in exceedingly close touch with the stock rather than to be placed in a position where he must admit a discrepancy in his records.

THE ADVANTAGES OF A PERPETUAL INVENTORY.

Aside from the fact that it greatly lessens the labor at the dreaded stock-taking time,

a perpetual inventory is of great value in keeping the management in touch with the condition of the stock. By the use of the plans already outlined, it would be possible for the manager to know just what goods are running low and of what articles he has too large a stock. If to this is added a monthly report from the stock-keeper of all articles on which the records have not varied materially during the month, the manager will have brought to his notice promptly all slow-moving stocks so that he can take the necessary action, either by reducing prices or adding an incentive for the salesman to move the goods.

The Science of Book-Keeping

A PAPER READ BEFORE THE LONDON SOCIETY OF BOOKKEEPERS BY MR. H. J. ELDRIDGE, F.S.S., F.S.A.A.

The subject of this paper is one that I feel must interest all associated with the pursuit of bookkeeping. It is, however, a very wide subject, for the variety of uses to which practical bookkeeping can be adapted are legion. I purpose devoting this paper to the consideration of practical bookkeeping as practised by merchants, manufacturers, and others who are able to follow the principles of bookkeeping on general lines.

Practical bookkeeping implies the adaptation of scientific and theoretical bookkeeping to practical use. Theoretical knowledge is essential, but theory without practical experience is inadequate.

What are the essential qualifications of a practical bookkeeper? I would suggest, firstly, a sound knowledge of double entry bookkeeping; secondly, intelligence; thirdly, neatness and accuracy.

THE ADVANTAGES OF CORRECT BOOKKEEPING

Let us for a moment consider the advantages to be derived from correct bookkeeping. It is a great preventive of losses either by fraud or wastage. Facts are recorded and comparisons between different periods of trading are available, so that the increase or decrease of incomings and outgoings can be watched, and advantage taken of the knowledge gained. In the case of a business with several departments or many branches, the principal can readily ascertain the trading results of each department or each branch, and by this means losing departments or branches can be improved or closed. In this way the principal can see in what direction his energies and those of his assistants can most usefully be employed. Small expenses should be carefully watched, for a little leak will eventually sink a great ship.

Correctness in bookkeeping is also necessary for income-tax purposes. With income-tax at its present figure it is essential that the bookkeeping of a business is such that facts can be accurately stated and proper allowances claimed for depreciation, bad debts and other items properly chargeable before the net assessable profit is ascertained.

Then look at our bankruptcy courts. I verily believe that at least one-half of

the failures in business would be avoided if accurate bookkeeping were universal. How is it possible for a man to conduct his business properly with books slovenly kept? It is the duty of every man engaged in business to keep a full and correct record of his transactions, and our judges often express this fact in the judgments they deliver. One frequently sees the discharge of a bankrupt suspended when his affairs have been allowed to drift into a state of chaos, while a bankrupt with properly-kept books (who is a rarity) easily gains his discharge. The Bankruptcy Law Amendment Committee which recently sat, recommended that proper books of accounts should be made compulsory by all engaged in business.

ADAPTION OF BOOKS TO BUSINESS.

There is one fundamental system which governs all correct bookkeeping, namely, double entry. As you know, this means the creation of a debit for every credit, and vice versa.

It is not the duty of a bookkeeper to adapt the business arrangements to suit the books, he must adapt the books to suit the business.

Almost every business has its own particular needs and requirements and it is the duty of a competent and practical bookkeeper to see that the system in force is adapted to the requirements of the business, and that time and labor are saved to the utmost extent without detriment to the results obtained.

A point to be borne in mind is: What final results are required? That is a question which each bookkeeper should consider. Detailed results of particular departments may be advisable. A wise bookkeeper will adapt his subsidiary books to the requirements of the final results, and the discreet assimilation of the final figures will greatly facilitate the conduct of the business.

Bought and sold day books, for instance, can be arranged on analytical principles, and the totals posted periodically to the various departments, thus saving tedious analysis at balancing time.

The cash book and other books would have to be similarly treated so that completeness could be attained. Adapt the system to the requirements of the

business. Think out the details to suit the business, thereby saving time and labor, and giving the fullest results.

ACCURACY ESSENTIAL.

I cannot impress upon all too strongly the value of accuracy. Errors are of two kinds—errors of principle, and clerical errors. Errors of principle can only be avoided by the acquisition of knowledge, and the exercise of intelligence and common sense. Clerical errors are mainly traceable to want of care and adherence to method, and want of care is said to do more harm than want of knowledge. Still, we are all only human, and slips will occur. It has been truly said that a man who never makes a mistake never makes anything, but I venture to think that a mistake is made even then, by doing nothing. To ensure accuracy in our work, the figures must be systematically and exhaustively checked, so that we may know that our books are correct. Banks supply an example of promptitude and exactness. They have to be particularly prompt in the verification of their work, and the correctness of the day's entries is ascertained at the close of each day's business.

Promptness in checking and calling back is most necessary. Here I would point out that it is not only essential that the calling back be accurate as regards amounts but that the names of the accounts to which items are posted must be verified. Again, the greatest care should be taken that the original entries in the subsidiary books are correct. If the business be that, say, of a contractor, see that no work is done or materials used without an entry eventually finding its way into the outwards day book—in short, see that no work is done or goods sold without a charge being properly made for the same.

The prime cost ledger requires careful examination, so as to see that all entries which can be charged outwards are so dealt with. Wages sheets must be analyzed, and all items exhaustively dealt with by charging them to some job or account. Materials must be similarly treated, whether coming from stock or being purchased specially for a particular job. By such a system of treating all items in detail, omissions should be prevented; in fact, the totals of the materials, wages, and other columns in the prime cost ledger, should be in agreement with the impersonal accounts in the general ledger.

THE CASH BOOK.

In every business it is strongly advisable that all cash received, from whatever source, be paid into the bank, and that no payments of any kind be made out of any cash that has not passed through the bank. For general use, a three-column cash book is suitable; the first column on each side being for discounts, the middle columns for cash receipts and payments, and the remaining columns for "bank." A payment to the bank will, therefore, be credited in the middle column on the credit side, and debited in the third column on the debit side, while a withdrawal from bank for the purpose of making payments other than by check, such as wages, etc., will be credited in the third or bank column of the credit side, and debited in the middle or cash column on the debit side.

The cash book is an all-important book. The bank column should be