received, and creditor when they are given. Consider the Dr. side alone; Merchandise Account is debtor for the *cost price of Merchandise*. Of course the merchandise is received as a commodity, but the Merchandise Account, as a loss and gain account, is not intended to show *merchandise received*, nor even the *value of merchandise received* (for we are not dealing with values but with prices). It shows the *cost price of merchandise*, and this cost price is not received by our business. *Value* has to do with asset and liability accounts, *price* has to do with loss and gain accounts. The truth of this statement will be more evident if we consider Wages Account; the Dr. side shows the *cost of wages*, that is, the *cost price of services*; now, it is true that just as the merchandise is received, so the services are received, but just as the *cost price of merchandise* is not received by our business, neither is the *cost price of services* received by our business; so that the Dr. side of Wages Account does not show the *cost price of services* received, that is, does not show *wages* received.

The term *Interest* does not mean *use*, either as a bookkeeping term, or in general commercial usage: Interest is the *price of use*, just as Commission is the *price of services*. If a person loans me $200 at 6% per annum, I must pay him $12 extra at the end of the year: the 6% is the *price rate of use*, and the $12 is the *full price of use*. The price of the use may vary, or the lender may let me have it, as a favour, for $1 instead of $12, in which case $1 is the interest. Should the lender let me have the use of the $200 for nothing, there is still the same *use*, but there is no *price of use* — no *interest*. The same may be said of Commission Account. Here the Dr. side shows *costs*, and the Cr. side shows *proceeds*. From this the pupil learns directly, and from the beginning, that all such accounts are loss and gain accounts. He will grasp the idea of *cost* and *proceeds* in connection with Wages, Commission, Interest, Rent, and all accounts connected with services and uses, more readily than any far-fetched application of the terms *receive* and *give*. Thus the third rule, besides being rational, teaches from the beginning the true nature of the account, as a loss and gain account.

Summary of Method of Procedure.—(*a*) Make three classes of accounts, (1) Personal Asset and Liability Accounts, (2) Impersonal Asset and Liability Accounts, (3) Loss and Gain Accounts. (*b*) Treat each class separately in the order given. (*c*) Treat each account separately at first, by means of a *partial* journal entry, from which the account is posted to the Ledger. (*d*) Treat the accounts in conjunction at a later stage, by means of a *complete* journal entry.

By following the plan explained above, the pupil will learn complete journalizing by a process of reasoning, and not by a mechanical and uncertain application of the terms *receive* and *give*. He will be able to give to each account its true meaning and will understand its relation in the Ledger.