At closing, after entering the gain or loss for the period, if the credit side is the larger (investments exceeding withdrawals) the balance represents the proprietor's PRESENT WORTH or NET CAPITAL. Were he to dispose of all his resources and pay off all his liabilities, he would have in hand the amount shown by the balance of his account.

If the debit side be the larger after entering the loss or gain, the balance shows his NET INSOLVENCY. Were he to convert the resources into cash he would not have sufficient to pay off all of the liabilities, but would be short the amount shown by the net insolvency balance.

Note how the following transactions are entered up and the method of balancing the Proprietor's account:

Jan. 2, 1909. You begin business investing cash $5000. You owe a note of $1000 which you wish to have paid by the business when it becomes due. Feb. 1. You invest $1000 more. March 1. You drew out $300. May 10. You invest $100. July 1. You withdrew $200. Sept. 8. You withdrew $200. Nov. 25. You invest $1000. Dec. 20. Withdrew $300. Dec. 31. You find your net gain for the year's business to be $1850.

B. A. STUDENT, Proprietor.

1909				1909			
Jan.	2		1000	Jan.	2		5000
Mar.	1		300	Feb.	1		1000
July	1		200	May	10		100
Sept.	8		200	Nov.	25		1000
Dec.	20		300	Dec.	31	Net Gain	1850
"	31	Present Worth (red ink)	6950				
			8950				8950
				1910			
				Jan.	1	Present Worth	6950

A Private Account for small withdrawals and private expenses may be kept with the proprietor. This will be illustrated later on.

You will notice that the proprietor's account is treated in the same way as a regular personal account. He is in reality a creditor of the business. The business owes him the amount of his investment. If there is a deficiency (insolvency) he owes the business.

The proprietor's account is closed whenever the loss or gain is ascertained and adjusted, which is usually at least once a year. In some cases the books are closed more frequently.

When there are two or more proprietors, thus forming a partnership, a separate account is kept for each and each is credited for his SHARE of the gain, or debited for his share of the loss as the case may be. A private account would also be kept for each.

Enter up the above transactions and properly balance and rule the account, bringing down the present worth or net capital. Then continue the account by entering up the following transactions:

Feb. 1. Withdrew for private use $75. March 12. Took goods for home use, $35.50. April 25. Gave cheque for suit of clothes, $28. April 30. Withdrew for private use $100. May 3. Withdrew $2000. May 29. Withdrew $50. June 30. Withdrew $75 for private use. July 28. Withdrew for holiday trip $150. Oct. 20. Paid for horse and driving outfit for private use $225. Dec. 22. Withdrew $200. Dec. 31. Net gain for year $2398.45.

Balance the account and bring down present worth. Continue the account.