

COMPLETE BOOK-KEEPING IN FOUR LESSONS

When it becomes necessary or desirable to know how the business is progressing, it is essential to take an inventory of the stock-in-trade and make a statement of affairs. This statement will show on the right hand side the amount owing by customers to whom goods were sold on credit; the amount of goods in stock, as shown by the inventory, and the amount of cash on hand, as shown by the cash book, with such other assets as appertain to the business. On the left hand side will appear the amount owing to creditors for goods purchased on credit, the wages, rent, or other expense accrued but not paid, and such other debts as may be owing or incurred. The balance, being the amount required to be added to the footing on the left side to make the total equal to that on the right side, will be the net capital—the net worth of the business investment. If a statement is available showing the net capital at any prior date, then the difference between the net capital as shown by the current statement and as shown by the prior statement will be the profit or loss for the period since last statement.

Double Entry

The underlying principle of the Double Entry System of Book-keeping is that every entry made must be a double one, that is, it must show a debit and a credit. When goods are sold for cash the cash account