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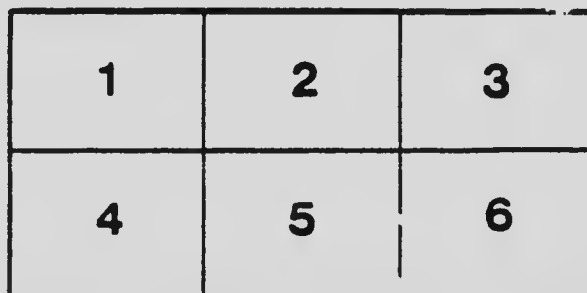
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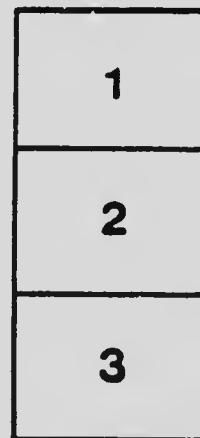
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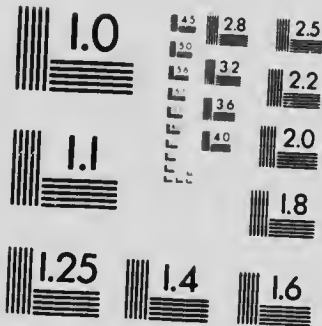
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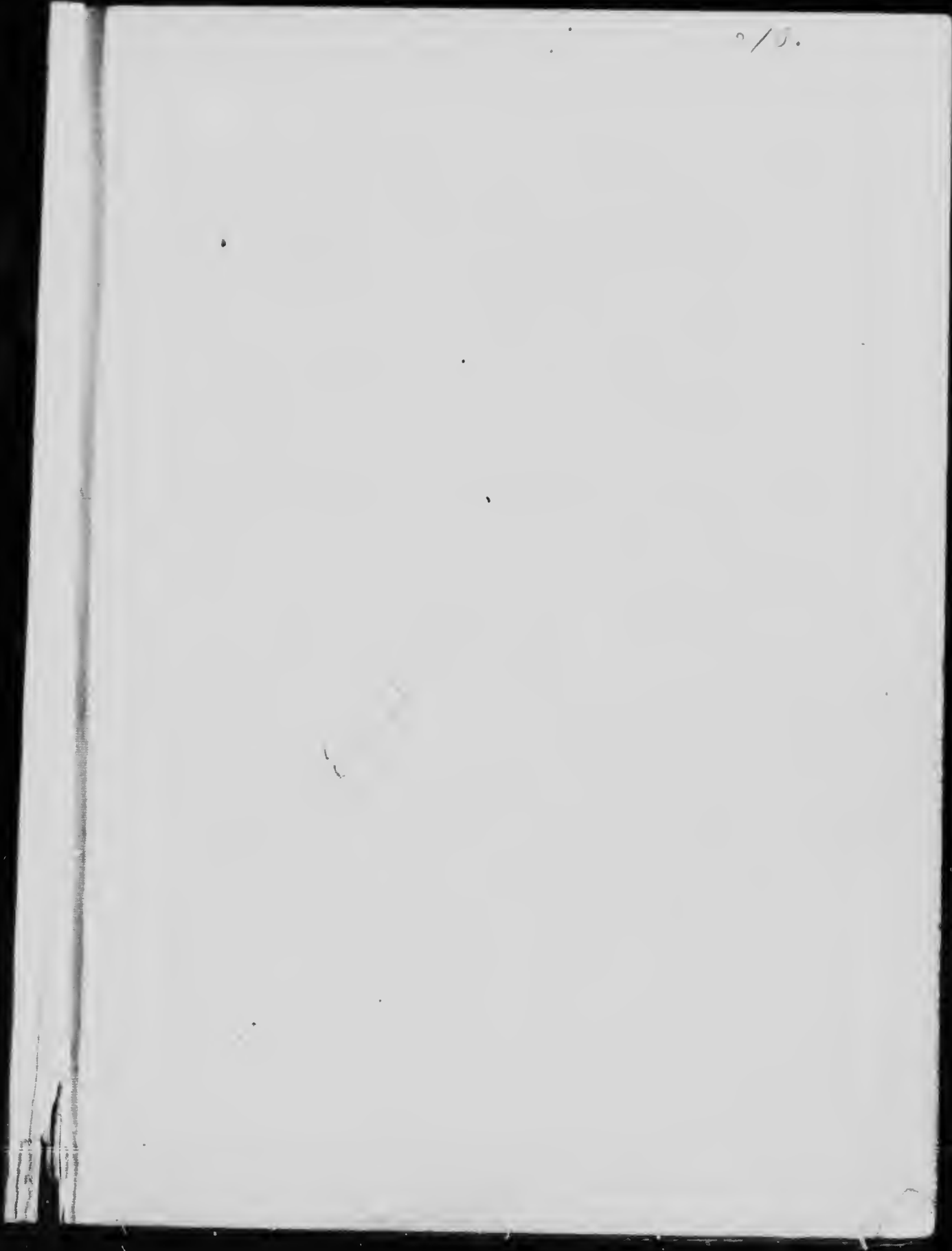
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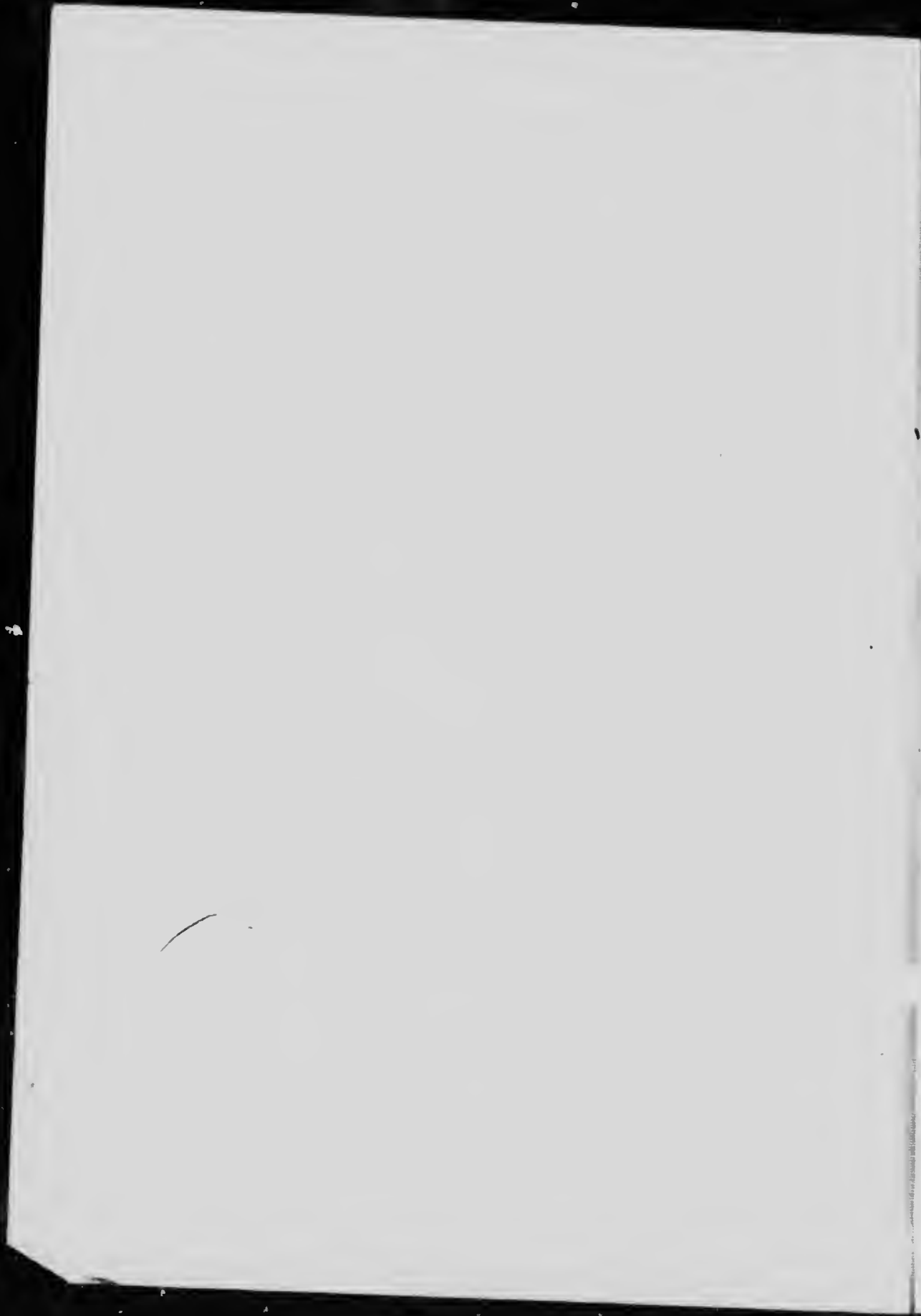
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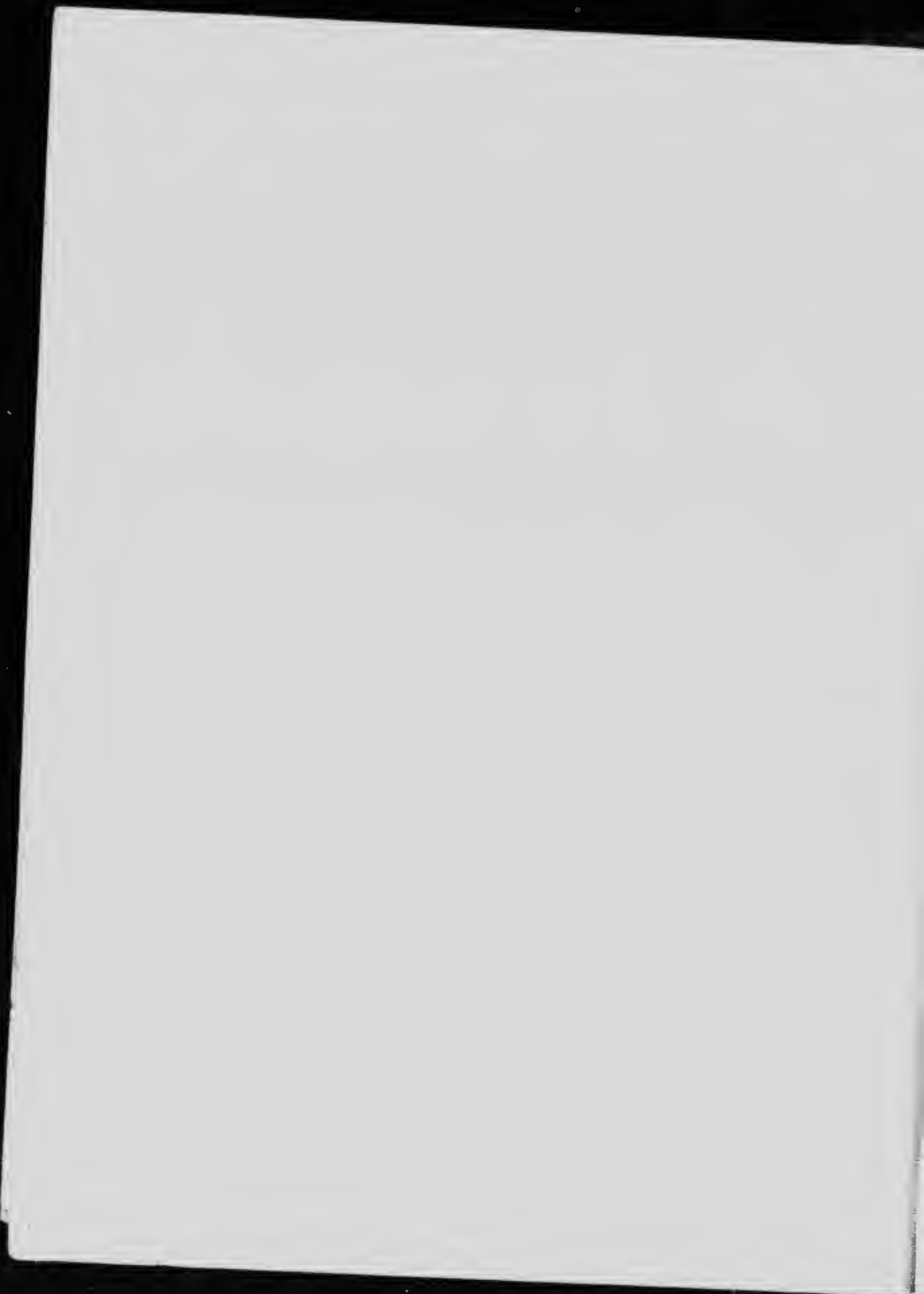
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BOOKKEEPING

BY SINGLE AND DOUBLE ENTRY



BOOKKEEPING

BY SINGLE AND DOUBLE ENTRY

FOR USE IN
BUSINESS COLLEGES, HIGH SCHOOLS, PUBLIC
SCHOOLS, OR FOR SELF ADVANCEMENT

(COMPLETE)



6TH EDITION

Revised

THE COMMERCIAL TEXT BOOK CO.

TORONTO, CANADA

118 57

Entered according to Act of the Parliament of Canada, in the
year 1905, by P. McINROSH, at the Department of Agriculture.

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BOOKKEEPING.

Section 1.

Introductory Business Practice.

FORMS FOR INTRODUCTORY BUSINESS PRACTICE ARE REQUIRED IN THIS EXERCISE.

BOOKKEEPING means keeping a record of all business transacted. The object of bookkeeping is to enable one who is doing the business to tell at any time how he stands—what he owes, what he has to pay these debts with, what clear balance he would have left if his debts were paid, where he has made a gain and where he has suffered a loss. What you are to do

Two things, then, the bookkeeper must understand. He must know what business is done, and how to keep a record of this business in his books. When we say we must know what business is done it is not enough to know, for instance, the bare fact that John Jones bought goods from his firm for cash. He should know how to write up the bill of goods, and if, instead of the actual cash, he should receive a cheque or bank draft, papers which are equivalent to cash, he should be acquainted with the forms of such papers. Our first endeavor will be to know business transactions and business papers thoroughly. Read this.

EXERCISE 1.

Suppose you are commencing business in Toronto to-day. You have \$10,000 in cash, which you will deposit in the Canadian Bank of Commerce, Yonge and Use one of the Deposit Slips furnished you. Read this.

Form 16.

**THE
Canadian Bank of Commerce**

Credit
(Your name here)

.....
(Your address here)

Deposited by
(Your name here)

..... 1912
(Date here)

×	1	=	
×	2	=	
×	4	=	
80	×	5	= 400
10	×	10	= 100
50	×	20	= 1000
50	×	50	= 2500
60	×	100	= 6000
			\$ 10,000 00
			\$ 10,000 00

Copy this. (1)

College Branch. You do this by interviewing the Manager and receiving his consent to take your deposit, after which you will fill out a deposit slip and give it along with your money to the teller. Then you place your name in the Signature Book. The ledger keeper will next open an account with you in the Bank's Ledger, give you a pass book showing your deposit placed to your credit, and also a cheque book. You have now completed a business transaction. In effect it has put the bank in your debt to the extent of \$10,000. It gives you the privilege of making all your payments by cheque on the bank, and of making your notes and acceptances payable there, while all your deposits in the future will also be accepted by the bank.

As far as filling up the papers is concerned, you have only to fill in the deposit slip, which would be done as on previous page.

What the above transaction means to you :—

Something received,

namely,

The right to charge
the BANK.

Something given,

namely,

Ten Thousand Dollars
of your CASH.

Make out
this deposit
slip. (2)

(2) Now to make sure that you understand what has been done so far, we will suppose that on a later date you have a deposit to make, consisting of two twenties and five ones. Make out the deposit slip for this deposit, first on your work book, get it checked, then copy on deposit slip.

EXERCISE 2.

Read this.

You rent a store from Robins & Burden and as the rent is payable monthly in advance you give them a cheque for the amount, \$150. It appears as follows :—

Copy this. (3) Use Cheque Form furnished you.

YONGE & COLLEGE BRANCH	
No 1 _____	Toronto, Ont., Apr. 22, 1911
To The Canadian Bank of Commerce	
COR YONGE AND COLLEGE STS	
Pay Robins & Burden	_____ or Bearer
One Hundred and Fifty	_____ ⁰⁰ / ₁₀₀ Dollars
\$ 150 ⁰⁰ / ₁₀₀	Student

This paper is simply an order on the Bank to take \$150 out of your \$10,000 and give it over to Robins & Burden. They can get the money at any time by going to the Bank and presenting the cheque. Again you have completed a

business transaction. Learn that there are two sides to it always. You get the use of the store for one month. They give you the money, or as a bookkeeper would put it, you have paid one month's rent by cheque.

What the above transaction means to you :—

Something received,
namely,

The use of the Store
for one month, or
RENT.

Something given,
namely,

Part of your
deposit in the
BANK

Next, we will suppose that you get W. Cairncross to put in the shelving in your store and when he is through you pay him by cheque \$300.

(4) Make out this cheque first on work book, get it checked then on cheque form.

RECEIPTS.

Now in either of the above cases we would be privileged to ask for a receipt for the money we have paid. Such a paper is simply an acknowledgment of the fact that the money has been paid and is useful in case any dispute as to payment should arise in the future. The receipt for the rent paid would appear as follows :—

Copy this (s) on Receipt Form furnished you.

Date, Apr 23. 19

Received from *Student*
the sum of *One Hundred and Fifty 00* Dollars
Rent for May of store 420 George Street
Robins & Burden
No. 1

When payments are made by cheque, however, this paper is not absolutely needed, as the cheque may be made to serve the purpose of a receipt. This will be best understood by following the course of the cheque from the time it leaves our hands. After being presented to Robins & Burden, they may take the paper to the Bank of Commerce and there get the amount, \$150, in cash. Before the teller will pay over this money to them he will demand that they give him the cheque properly endorsed, that is, having their signature written across the back of the cheque. In this way the bank deals with all cheques that are drawn, as

this one is, payable "to order." At the end of a month the bank is expected to hand back to us a complete list of the cheques on which they have paid out money for us. These returned papers all bear the mark of a cancelling stamp, which shows that they have all been paid. You will readily understand, then, that with the cheque back in our hands marked by the bank, and bearing on its back the name of Robins & Burden, we have a good receipt for the money we have paid. If, in addition to making it a general receipt for money paid, we wish to have it stated for what it was paid, it is very easy in drawing a cheque to place a line below that on which the amount is stated, telling for what the cheque is given.

(6) Show receipt from W. Cairncross, first on work book, then on Receipt form.

EXERCISE 3.

Read this.

You commence to buy your goods and order by letter from Montreal part of your stock.

INSTRUCTION FOR WRITING LETTER.

In writing your letter use a sheet of the ruled letter-paper furnished with your supplies. Commence on the first line, not in the blank space above it. Start at the middle of the line, and place first part of the heading (420 Yonge St.). The next line may then be easily arranged, according to the model. In starting the address begin on the third line from the top. Place the first word (Messrs.) at least one inch from the edge of the paper. This marks the width of your margin, and no writing from this on must be placed in this margin. Write the other parts of the letter according to the copy.

In writing the address on the envelope commence it on an imaginary line running parallel to the top and bottom edges of the envelope, and just midway between them. Commence your first line far enough to the left, so that by giving the second and third lines equal spacing below the first, and by placing the commencement of each line a little to the right of the one preceding it, your address may finish in the lower right-hand corner of the envelope. No lines must be ruled on the envelope, or even scratched thereon. The ability to write straight on an envelope can be acquired by anyone who will give it a reasonable amount of practice.

To fold a sheet of letter paper, place it before you on the table as when writing upon it. Turn the lower edge up far enough to make the sheet as then folded a little less than the length of the envelope. This means, with an ordinary sheet of letter-paper, that you must practically fold it across the middle. Press down the fold neatly and firmly, and make the side edges exactly even. Then make equal folds from the right and from the left, so that the sheet as finally folded will be about one-third of the original width.

After the letter has been folded, it will be inserted in the envelope in the following manner. Take the envelope in the left hand with the back of it up, and with the opening toward the right. Take up the letter with the other hand as it lay after folding, and insert it in the envelope, putting in the last folded edge first.

Read instructions before copying.

Copy this. (7)

420 Yonge St.
 Toronto, April 22, 1907
 Messrs J. G. McKenney & Co.,
 301 St. Paul St.
 Montreal, Que.

Gentlemen:

Please ship at your earliest
 convenience, by E. T. P. freight,
 the following goods.

10 pcs. B. Checks
 15 " A Flannel,
 10 " B. Velvet,
 20 " B. Cheating

Yours truly,
 Student

Sending out this letter does not constitute a business transaction. It is simply a fact concerning the business and is kept track of, but not as a transaction would be, in a book of account. A copy of the letter would be sufficient, but no entry is made as would be when you gave a cheque for your shelving.

Write a letter to S. Greenshield, Son & Co., 1 St. Helen St., Montreal, Que., ordering the following goods:—12 pcs. Muslin, 15 pcs. Bleached Cotton, and 6 pcs. E. Lining.

Write this
 letter and
 envelope. (8)

11-23

Messrs J G McKenzie & Co.

381 St. Paul St.

Montreal. - Que.

EXERCISE 4.

The goods you ordered from J. G. McKenzie & Co. come to hand. With them there is a paper called an Invoice, as follows:—

Copy this Invoice (9).

Montreal, Que., April 25, 1907

J G McKenzie & Co.

Sold To

Terms Sight Draft

Student

Toronto, Ont

10	per B. Checks	520 yds.	25	130 00		
15	" A Flannel	950 "	33 1/2	316 67		
10	" B Velvet	210 "	6 50	1365 00		
20	" B Sheetting	800 "	5 1/2	40 00	1851	67

Shortly after your goods and the Invoice come to hand a messenger from the Bank of Montreal brings in this paper.

Copy this Draft (10)

NO PROTEST
TAKE THIS DRAFT WITHOUT RESERVE

1851 Montreal, Que. Apr. 27 191

Pay to the order of
Bank of Montreal, Carlton West Branch the sum of
Eighteen Hundred & Fifty-one — $\frac{67}{100}$ Dollars

Value received, and charge the same to account of
To Student, J. G. McKenzie & Co.

You see by it that you are ordered by J. G. McKenzie & Co. to pay the amount of the Invoice to the Bank of Montreal. That means that J. G. McKenzie & Co. must keep their account at the Bank of Montreal, and when they order you to pay the money to that Bank it is just the same as paying it to themselves. Such a paper is called a sight draft, and if you intend to pay it take up a pen and red ink and across the face put the words as follows:—

Accepted
April 27,
191
Payable at
Bank of
Commerce,
Yonge and
College Branch,
Toronto.
Student.

Place these
words
across the
draft.

This is called accepting the draft and it means that if it is taken to the Bank of Commerce where your money is deposited it will be paid. The paper with these words written across the face is called an acceptance. You will see that by accepting the draft you are simply paying cash for your goods and the transaction is now complete. You have the dry goods and McKenzie & Co. have the money, or as the bookkeeper would say, you have bought Merchandise for Cash.

NOTE.—In accepting a draft always make it payable at your own bank.

What the above transaction means to you:—

Something received,
namely,
a stock of
MERCHANDISE.

Something given,
namely,
Part of your CASH
or deposit in the BANK.

EXERCISE 5.

Make out
this invoice
(11)

The goods you ordered from S. Greenshield, Son & Co. have come to hand.
The Invoice shows as follows:—

12 pcs. Muslin,	360 yds.	at 7c.
15 pcs. B. Cotton,	600 "	" 7½c.
6 pcs. Lining,	240 "	" 3c.

The terms are draft at 30 days' sight. This draft will appear as follows:—

Copy this draft, filling in the amount. (12).

\$.....

Due.....No.....

Montreal, May 3, 191

Thirty days after sight..... pay to the

Order of **The Merchants Bank of Canada**..... Dollars

value received and charge to account of.....

To Student.....
Toronto, Ont.

S. GREENSHIELD, SON & CO.

Place the
Acceptance
on the draft.

As in the case of the sight draft, it will be brought to you for acceptance, which you will place on it in exactly the same way as you did before. This time however, your Bank account will not have the amount of the acceptance taken out of it for 33 days (30 days mentioned and 3 days of grace allowed by law). This time you have not bought your goods for cash, but on a promise or agreement indicated by your signature across the face of this draft to pay for them in 30 days, or as a bookkeeper would say, you have bought Merchandise for a Bill Payable.

What the above transaction means to you:—

Something received,
namely,
a further stock of
MERCHANDISE.

Something given,
namely,
a paper known as a
BILL PAYABLE.

EXERCISE 6.

Now you have bought the Merchandise for the purpose of selling it. Suppose you then sell to J. D. White, 397 Carlton St., City,

Make out
this invoice.
(13)

2 pcs. Muslin,	60 yds.	at 10c.
5 " B. Cotton,	200 "	9c.
10 " B. Sheeting,	400 "	8c.

Terms: Cash.

This cash you may get from White in either of three ways. He may come into your store and put down the actual money for it, or he may give you a cheque on the Bank with which he does business, the Bank of Toronto, or you may draw a sight draft on him in favor of your Bank and get him to accept it. In any case you would be practically getting the money at once for the goods, or as the bookkeeper would say, you have sold Merchandise for Cash.

Write out
this check.
(114)

Write draft
and accept-
ance. (115)

What the above transaction means to you :—

Something received,
namely,
Fifty-six Dollars
in CASH.

Something given,
namely,
Part of your stock of
MERCHANDISE.

EXERCISE 7.

You sell R. Brown, 347 Queen St., W., a bill of goods on 30 days' credit. The items are as follows :—

2 pcs. B. Velvet,	42 yds. at \$7.50.
3 pcs. A. Flannel,	180 " .50.

Make out
this invoice.
(116)

In this case you part with your goods, but you get nothing in return for them, at least not for 30 days. In the meantime you get the right to charge the amount of the goods to Brown, or as the bookkeeper would say, you open an account with Brown and debit him for the amount of the bill. This is called selling goods on account, and in the same way you may buy goods from another on account. In such a case you would not debit the person from whom you bought, but credit him.

Read this.

What the above transaction means to you :—

Something received,
namely,
The right to charge
R. BROWN.

Something given,
namely,
Part of your stock of
MERCHANDISE.

EXERCISE 8.

Instead of selling the goods to R. Brown on 30 days' credit, you might have made arrangements with him to take his note at 30 days for the goods.

Read this.

In this case you receive a direct return for the goods in the shape of this piece of paper, called a promissory note. To you it is a paper for which at the expiry of the time stated you expect to receive money, or in Bookkeeping it is called a Bill Receivable. Brown, by giving it, will not be required to pay for his goods a day sooner, while you get something on which you can raise money even before the paper is due, because the note is something you can sell. That is, if you took

Read this.

White 37

the note to your Bank even the day you got it, the Bank would advance you money on it. True, they would not give you its full face value, because they take off a small amount called discount. This would be called discounting the note, and you can easily see if you follow the process through why it is better to get the note than let the amount stand on account. You can sell the note, but you could hardly sell the account.

Copy this note filling in the amount. (17)

S _____ TORONTO, ONT., *May 29, 19*

Thirty days after date I promise to pay
to the order of _____ *Student* _____ *the sum of*
 _____ *100 Dollars,*
at the Bank of Montreal, here for Value received

Due July 2, 19 *No. 3* *R. Brown*

What the above transaction means to you :—

Something received,

namely,

a paper which you

call a

BILL RECEIVABLE

Something given,

namely,

Part of your stock of

MERCHANDISE.

EXERCISE 9.

Suppose you write to John McDonald & Co., City, ordering 10 pcs. Sateen 4 pcs. C. Denims, 10 pcs. L. Plaid, 20 pcs. L. Gingham.

The invoice comes to hand and shows as follows :—

10 pcs. Sateen,	500 yds. at 5c.
4 " C. Denims,	160 " 12½c.
10 " L. Plaid,	400 " 10c.
20 " L. Gingham,	600 " 8c.

Terms : Note at 60 days.

The goods prove satisfactory and you write up the note and enclose it in a letter acknowledging receipt of goods.

Write this
letter and
envelope.
(18)

Write the
invoice.
(19)

Write the
letter and
envelope.
(20)

In this case you receive the Merchandise and give the note. This note you will have to *pay* when it falls due and you call it, therefore, a Bill Payable. McDonald & Co. expect to *receive* the money for it and they call it a Bill Receivable.

and note.
(21)
Read this.

What the above transaction means to you :—

Something received,
namely,
a stock of
MERCHANDISE.

Something given,
namely,
a paper which
you call a
BILL PAYABLE.

EXERCISE 10.

Now in this last case McDonald & Co. might have received your promise to pay in a different manner. Suppose they drew a 60-day draft on you in favor of their Bank, the Bank of Toronto. You know what would happen. In a day or two after, the draft would be presented to you for acceptance. You would place the acceptance across the draft, and what would that mean? Simply that you promise that it shall be paid when it falls due, and, as we saw in a previous exercise, it would be called a Bill Payable; so we understand the term Bills Payable to include both our notes in favor of other people and our acceptances in favor of others.

Write the
draft and
place the
acceptance
on it.
(22)

EXERCISE 11

If you look back to Exercise 8 you will find there a promissory note given by Brown to us. You remember why he gave it to us, to pay for the goods he had bought from us. Now from what has just gone before you will readily gather that we might have received this promise in another way. We might have drawn a draft on him and received his acceptance. This paper we would call a Bill Receivable, and under this heading we class not only notes in our favor, but also acceptances in our favor.

Write the
draft and
acceptance.
(23)

EXERCISE 12.

You have seen how notes or acceptances come into our hands. You understand also that these papers may be sold before they fall due. Of course you cannot expect to get full value for the papers when thus sold before maturity. The bank or whoever buys them will always give you less than the face value by a small amount known as discount, and selling papers in this way is called discounting them.

Read this.

Suppose, then, that J. Duncan is owing you \$500 and gives you a note at 60 days for the amount. As soon as you get it you take it to the Bank, get it discounted at 5%, and have the proceeds placed to your credit. The discount would be figured as the interest on \$500 for 63 days at 5%, or \$4.32, and the amount that would go to your credit would be \$500 less \$4.32, or \$495.68. The Bank before taking the note from you will require you to write your name across

Write this
note.
(24)

the back. This is called endorsing the note, and shows that you have given up the ownership of the note and hold yourself responsible for its payment at maturity should J. Duncan fail to pay it.

The Bank will retain the paper till maturity, when they will collect its full value, \$500, from J. Duncan. Thus they give you \$495.68 and in 63 days they get back \$500, or they make \$4.32 interest. The use of the money costs you \$4.32, while it produces the Bank the same amount.

What the above transaction means to you:—

Something received,
namely,

- (1) a paper called a
BILL RECEIVABLE.
(2) The value of the paper in
CASH, which is its face value
less \$4.32 of a
DISCOUNT.

Something given,
namely,

- (1) The right you had of
charging J. DUNCAN
(2) The paper you
call a
BILL RECEIVABLE.

EXERCISE 17

Read this.

Sometimes in giving notes you may have to give them as interest-bearing notes. Suppose you bought some time ago a bill of goods from W. R. Brock & Co., \$500 on 30 days' time. The time expires and you are not ready to pay, but want them to take your note for 60 days. That would be all right if you are prepared to pay interest, and so the note you give will be something as follows:—

Copy this note (25)


	\$500 ⁰⁰ / ₁₀₀	Due Sept 22 19
		Toronto Ont
	Sixty days months after date I	July 21, 19
	promise to pay	
	W R Brock & Co	or order.
	at The Canadian Bank of Commerce, Toronto Ont	
	Five Hundred	100 Dollars
	value received with interest at 5% per annum	
No 14	Student	

Figure the
amount of
the interest.

Now at the end of the time, you will have to pay to redeem the note, \$500 plus the interest on \$500 for 63 days at 5%, and again the use of the money has

cost you value. From this and the previous exercise we gather that the use of money may cost us value in two different ways. First, when we desire to get money coming to us before it is due, and again, when we fail to pay our debts when due and interest is added. In one case we speak of it as discount and the other as interest. It is all the same thing. It is simply the value we put upon the use of the money for a time, and in Bookkeeping the two terms are joined in the account called Interest and Discount.

What the above transaction means to you:—

Something received,
namely,

- (1) The right to charge
W. R. BROCK & Co.

- (2) You have received 63 days' extension of time, or the use of your money for 63 days longer, called INTEREST, and you now redeem your BILL PAYABLE.

Something given,
namely,

- (1) The paper called a
BILL PAYABLE.

- (2) \$504.32 of your
CASH.

EXERCISE 14.

Now it is just as possible for the use of money to produce you value. Suppose that John Thompson is owing you \$200 due to-day. He is not ready to pay and you agree to take his note at 60 days with interest at 7%. You are being kept out of the use of your \$200 for 63 days, but when Thompson comes to pay you he will have to pay \$200 plus the interest on \$200 for 63 days at 7%, and so you see the use of money has produced you value.

Draw up
the note.
(26)

Figure the
interest.

What the above transaction means to you:—

Something received,
namely,

- (1) A paper called a
BILL RECEIVABLE.

- (2) Pay for the note, also
for the use of the money,
both in CASH.

Something given,
namely,

- (1) Your right to charge
J. THOMPSON.

- (2) You have been letting Thompson have the use of the money, or INTEREST, and now when he pays you you also give him the BILL RECEIVABLE.

EXERCISE 15.

Suppose that to-day J. R. Todd comes to you with a note he had received from Thomas Green just 60 days ago. It is a 90-day note for \$200 and will

Write the
note.
(27)

therefore not be due for 33 days, but Todd wants to raise money on it now. He offers it to you for \$190 cash. You pay the money, and the use of it is lost to you for 33 days, but when you go to collect the amount of the note you get \$200, so you see \$10 more than you paid for the note is coming to you for the use of the money. Again you notice that the use of money has produced you value. A bookkeeper would describe the transaction by saying that you had discounted, for J. R. Todd, Thomas Green's note of \$200, discount for unexpired time \$10.

What the above transaction means to you :—

Something received,
namely,
a paper called
BILL RECEIVABLE.

Something given,
namely,
The value of the paper
in CASH,
less a \$10 DISCOUNT.

Hand your 27 forms, neatly arranged, to your teacher for certification. Do this as soon as completed.

Section 2.

THE STUDY OF ACCOUNTS.

Having completed the foregoing part of the work, you are now ready to proceed with the exercise on Accounts. Taking up the first Exercise page 21, which deals with Cash Account, you will proceed as follows :—

Carefully read the descriptive note which precedes the exercise.

In the Ledger, which is provided in your supplies, make an exact copy with pen and ink of the illustrated Cash account, page 22.

Work exercise No. 2 on your scribbler, get a teacher to check it, and when correct, copy it also in your Ledger.

Proceed in this manner with the succeeding accounts.

GENERAL ACCOUNTS.

✓ An Account is a record of one or more items relating to the same person or thing, arranged in the ledger under an appropriate heading.

The leading Accounts or Names met with in an ordinary business are :—

- ✓ 1. **PROPRIETOR'S ACCOUNT**—Representing the business and showing investments, liabilities on beginning business, and withdrawals.
2. **CASH**—Under which is kept a record of receipts and payments of everything considered as money, such as gold, silver, bank bills, sight drafts, express money orders, post-office orders, checks, and in fact any kind of business paper payable on demand.

3. **BILLS RECEIVABLE**—Under which is kept a record of all promises by other persons to pay money, that is, all paper for which we are to **RECEIVE** value when it is due.
4. **BILLS PAYABLE**—Showing a record of our own promises to pay to other persons; that is, all paper for which we must **PAY** cash or other value at maturity.
5. **PERSON'S NAMES**—Showing our dealings with persons, firms or corporations, and recording the amounts they owe us or what we owe them.
6. **MERCHANDISE**—Referring to all goods in which we deal as a business; such as dry goods, groceries, produce, etc.
7. **REAL ESTATE**—Under which we keep a record of all property connected with the business; such as houses, lands, etc.
8. **EXPENSE**—Under which we may include all such items as rent, salaries, fuel, light, etc.
9. **INTEREST AND DISCOUNT**—Showing a record of what the **USE OF MONEY** costs or produces us.

These accounts and all others met with in any business are kept in a special book called the **LEDGER**. The following shows the simplest ruling of this book, by which we see that an account has two sides—Debit, on the left side, and Credit, on the right side.

DR.				MERCHANDISE.				CR.			
DATE	EXPLANATION	PAGE	AMOUNT	DATE	EXPLANATION	PAGE	AMOUNT	DATE	EXPLANATION	PAGE	AMOUNT
Not now used in Posting.				Not now used in Posting.							

THE CASH ACCOUNT.

1. **CASH** consists chiefly of money, cheques, bank drafts, post office and express money orders, and postal orders.
2. The object of this account is to show the dealings in cash, the amount received and paid, and the amount on hand.

RULE 1.

3. The method—When cash is received the amount is placed on the left or Debit side; and when paid out the amount is placed on the right or Credit side. The excess of the Debit over the Credit should agree with the amount on hand at any time. It will be observed that the Credit side can never be larger than the Debit, because we can never pay out more cash than we receive.

ILLUSTRATION OF CASH ACCOUNT.

Transactions:—

1. Proprietor invests \$500.00.
2. Paid cash for rent, \$25.00.
3. Received cash for Mdse., \$31.50.
4. Received cash from James Smith, on account, \$50.00.
5. Paid J. W. Ford, cash on account, \$75.00.
6. Paid cash for bill of Mdse., \$150.00.

7. Received cash of H. Doane for his note, \$38.00.
8. Paid cash for E. J. Wright's note, \$63.00.
9. Paid cash for our note, \$200.00.
10. Received cash for Mdse., \$180.00.
11. Paid proprietor cash, \$50.00.
12. Received cash for Mdse., \$100.00.

EXERCISE 1.

Copy this in Ledger.

Dr		Cash		Cr	
1					
3		500.00	2		25.00
4		51.50	5		75.00
7		50.00	6		150.00
10		38.00	8		63.00
12		180.00	9		200.00
		150.00	11		50.00
		100.00			563.00
		899.50			877.50

Total amount received \$899 50

Total amount paid 563 00

Balance on hand \$336 50

NOTE.—Do all ruling with ruler and red ink. See that the footing rulings on Dr. side are in line with those on the Cr. side.

Work in practice book the following exercise, hand it to a teacher for inspection, and when it is passed as correct place it also in the Ledger. Do the same with all succeeding exercises.

CASH ACCOUNT.

EXERCISE 2.

Work out on your work book, get it checked, copy in Ledger.

1. Received cash from the proprietor as an investment, \$4,000.00.
2. Paid cash for office furniture, \$200.00.
3. Paid cash for merchandise, \$800.00.
4. Paid cash for load of coal, \$3.55.
5. Sold merchandise for cash, \$400.00.
6. Loaned James Bennett, cash, \$20.00.
7. Paid cash for insurance, \$75.00.
8. Sold merchandise for cash, \$200.00.
9. Received cash of James Bennett on account, \$130.00.
10. Received cash for merchandise, \$400.00.

11. Paid clerks cash on wages, \$28.60.
12. Received cash for sales of merchandise, \$151.60.
- ✓ 13. Paid Dr. B. D. Fraser, for medical services, \$15.50.
14. Refunded cash to John Smith for overcharge, \$12.50.
15. Took for private use, \$50.00 cash and \$10.50 in goods.

EXERCISE 3.

Work book first, then in Ledger.

1. E. J. Kneitl invests cash, \$2,800.00.
2. Received cash for merchandise, \$35.00.
3. Paid cash for postage, \$3.00.
4. Loaned W. A. White on note, ten days, \$235.00.
5. Paid cash for merchandise, \$450.00.
6. R. A. Hughes becomes a partner and invests cash, \$2,000.00.
7. Paid freight on merchandise, \$6.25.
8. E. J. Kneitl withdrew cash, \$150.00.
9. Paid cash for rent of store, \$150.00.
10. Received cash from W. A. White, for interest on his note, \$5.25.
11. E. J. Kneitl invests H. G. Brown's cheque, \$1,000.00.
12. Paid bookkeeper's salary for month, \$115.00.
13. Paid cash for two tons of coal, \$10.00.
14. Sold merchandise for cash, \$255.00.
- ✓ 15. Sold merchandise to John McDonald, on account, \$150.00.
16. R. A. Hughes drew cash for private use, \$52.45.
17. We owe John Ball for work, \$25.00.
18. W. Taylor owes us for goods, \$31.27.
19. Received Post-office Order for H. Jamieson's account, \$13.25.
20. Gave John Carpenter cheque for rent, \$85.00.

THE CASH BOOK.

✓ Whoever can make up properly a Cash Account has little to learn about the keeping of a Cash Book. The form will be found slightly different; and you will also find that in putting down the items it is necessary to add to what you have been putting in the Cash Account, the name of the opposite account.

Your "Introductory Business Practice" has taught you that every transaction has two sides to it. Thus, if we buy for cash 50 yds. of Muslin at 6 cts. per yd. we know that Cash Account will be affected, and if in putting down our entry we want one word which will express what is meant by 50 yds. of Muslin that word will be "Merchandise." Again, if we receive cash from a man in payment of a note we hold against him, the note is represented by the title "Bills Receivable." If we pay out money to redeem one of our notes, such note is represented by the title "Bills Payable," and so it runs through the whole list of transactions—there are always two sides to them, always two accounts affected. If Cash is one of them, a little thought should enable you to name the other.

DR.

CASH RECEIVED.

DATE	CR. ACCOUNT	EXPLANATION	FO.	SUNDRIES	TOTALS
1910					
Jan. 1	Proprietor	Rec. for Investment			
" 3	Mdse.	" for Mdse.	\$500	00	
" 4	J. Smith	" from Smith on ac.	31	50	
" 7	Bills Rec.	" for Doane's note	50	00	
" 10	Mdse	" for Mdse.	38	00	
" 12	Mdse.	" for Mdse	180	00	
			100	00	899 50
					<u>\$899 50</u>

NOTE.—Sometimes the "Account" and "Explanation" columns are transposed.

EXERCISES 4, 5, 6.

The illustration shows the Cash Account, which we arranged for you on page 22, expanded into the Cash Book. You will copy this illustration, using a double sheet of your Journal paper, on which you will also arrange cash exercises 2 and 3 in the same way. Put Cash Received on the left side of sheet and Cash Paid on the right side.

While you will find this a simple practice, yet it is really all the bookkeeping that is done by the holders of some important positions. The teller in a bank, for instance, while he must have a thorough knowledge of the money he is handling, is, as far as his bookkeeping is concerned, always working on a Cash Book. One man comes in with a deposit and his name is entered on the Dr. or received side of the Cash Book. Another man issues a cheque on his deposit and his name is entered on the Cr. or paid out side of the Cash Book.

The Cashier in any large business house is at practically the same work—receiving and paying out money—and consequently keeping a Cash Book as his particular work on the set of books kept in the office.

You will easily see that you have not to go far in your course before learning something of real practical benefit to you. Learn it, therefore, thoroughly.

BILLS RECEIVABLE ACCOUNT.

Bills Receivable are the written promises to pay of other persons, firms, or corporations, and consist chiefly of notes and accepted drafts.

The object of this account is to show our dealings in these notes and acceptances, and the amount of such notes and acceptances on hand.

There are several advantages in securing a note or an acceptance from one who owes us money, such a paper is a distinct written promise to pay, it fixes a definite time for payment, being negotiable it can be discounted and money raised on the paper even before it is due.

DATE	DR. ACCOUNT	EXPLANATION	FO.	SUNDRIES	TOTALS
------	-------------	-------------	-----	----------	--------

Jan.	2	Expense	Paid for Rent	\$ 25	00		
"	5	J. W. Ford	" Ford on ac.	75	00		
"	6	Mdse.	" for Mdse.	150	00		
"	8	Bills Rec.	" for Wright's note	63	00		
"	9	Bills Pay.	" for our note	200	00		
"	11	Proprietor	" for Proprietor	50	00	563	00
"	12	Balance	Cash on hand (incl)			336	50
						<hr/>	<hr/>
						\$899	50

The method :—When notes or acceptances are received, the amount written on the face is entered on the debit side of the account, and when such paper is paid, or in any way disposed of, the amount of the face is entered on the credit side of the account. The difference (if any) will be on the debit side, and shows the amount of such paper on hand.

Transactions :—

1. Proprietor invests Chas. White's note of **\$234.56.**
2. Received of J. Small his note, on account, **\$375.00.**
3. Loaned T. J. Johnston on his note, cash, **\$150.00.**
4. Chas. White paid his note in cash, **\$234.56.**
5. Received I. N. Miller's acceptance in payment for Mdse., **\$215.00.**
6. Gave C. F. Jones J. Small's note, on account, **\$375.00.**

Copy this in Ledger.

Dr		Bills Receivable		Cr	
Notes Received				Notes Disposed of	
1	234 56	4	234 56		
2	375 00	6	375 00		
3	150 00		609 56		
5	215 00		365 00		
	<u>974 56</u>				
	974 56		974 56		

Total notes received	\$974 56
“ disposed of	609 56
Value of notes on hand	\$365 00
Number of notes on hand, 2.	

EXERCISE 8.

1. J. B. McLachlan has the following paper on hand, which he invests in the business :—
 N. H. Stephen's note, \$560.00.
 F. L. Tripp's acceptance, \$400.00.
 Chas. Callow's note, \$254.35.
 2. Sold Rose on his note, merchandise, \$163.00.
 3. Sold E. S. Hinman merchandise on his acceptance, \$210.00.
 4. Received cash for N. H. Stephen's note, \$560.00.
 5. Gave Chas. Callow E. S. Hinman's acceptance, \$210.00.
 6. Sold George L. White merchandise on his note, \$186.13.
 7. Received cash of Charles Callow for his note, \$254.35, and interest, \$2.15.
 8. Received of C. H. Allan, G. A. Strong's acceptance, \$215.00.
 9. Received cash for F. L. Tripp's acceptance, \$400.
 10. Discounted F. Rose's note, \$163, at bank, discount, \$2.10.
 11. Exchanged notes with R. F. Hibbert for accommodation, \$341.00.
 12. Received of T. L. Jones note for bill of goods, \$138.28.
 13. Gave G. A. Strong's acceptance to J. W. St. John for bill of Mdse., \$215.00.
 14. Sold Chas. Keil, on his acceptance at 10 days, Mdse., \$450.00.
 15. Discounted T. L. Jones' note, \$138.28, at bank, discount, \$1.15.
- Show form of B. Rec. account and the value of notes on hand.

BILLS RECEIVABLE ACCOUNT.

EXERCISE 9.

1. The following notes are invested in the business : J. D. Moore's, \$121.00, and Charles Pickard's, \$450.00.
2. Sold W. E. Brown on his note, 30 days, merchandise, \$150.00.
3. Received cash of J. D. Moore for his note, \$121.00.
4. Bought of John Hall merchandise valued at \$950.00. Gave in payment Charles Pickard's note, \$450.00.
5. Received of James Rogers his note to balance account, \$131.61.
6. Sold W. Smith on his note 10 days, merchandise, \$175.00.
7. Bought Goodwin's note of \$250.00, for cash, less discount, \$5.60.
8. Gave W. E. Brown's note to J. C. Small for bill of Mdse., \$150.00.
9. Sold E. Lutz on John Lester's acceptance, Mdse., \$163.50.
10. Sold L. Hermann bill of Mdse., on note, 10 days, \$238.00. —
11. Received cash for W. Smith's note, \$175.00, with interest, \$3.27.
12. Sold R. Goodwin's note, \$250.00, for cash, less discount, \$1.55.
13. L. Hermann paid his note by cash, \$100.00, and new note, 10 days, \$138.00.
14. Bought of J. Brady on John Lester's acceptance, Mdse., \$163.50.
15. Sold W. E. Jones, Mdse., \$656.00. Received in payment cash \$100.00, and John Spencer's acceptance, \$325.00. Balance on account.

BILLS PAYABLE ACCOUNT.

Bills Payable are our own written promises to pay, and consist of notes and accepted drafts.

In this account we keep a record of our notes and acceptances issued, and show at any time the amount of such paper outstanding.

ILLUSTRATION OF BILLS PAYABLE ACCOUNT

1. Gave E. E. Scott our note on account, \$300.00.
2. Accepted J. Allen's draft on us, \$200.00.
3. Gave F. K. Grundy our note for bill of Mdse., \$600.00.
4. Paid E. E. Scott cash for note in his favor, \$300.00.
5. Gave F. D. Gamble note, 10 days, on account, \$61.50
6. Accepted E. J. White's 30 days' draft, \$31.25.
7. Paid our acceptance favor of J. Allen \$200.00.
8. Exchanged notes, at 30 days, with C. F. Dearing, \$356.98.
9. Paid note favor F. K. Grundy, \$600.00, and interest, \$8.47.
10. Gave H. A. Massey note on account, with interest, \$315.00.

No.	Particulars	Debit	Credit	Balance
1	Balance forward			
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EXERCISE 11.

- Notes favor F. L. Miller, **\$136.00**; favor J. Lakin, **\$234.00**; favor of Chas. Green, **\$558.25**; favor bank, **\$310.00**; and an acceptance favor T. J. Dufton, **\$243.00**.
- Accepted C. H. Allan's draft favor John Moss, **\$131.00**.
- Paid note favor F. L. Miller, **\$136**, less discount, **\$2.15**.

4. Bought of J. P. McDonald on note, 10 days, Mdse., \$750.00.
5. Paid acceptance favor John Moss, \$131.00, less discount, \$1.10.
6. Took up note favor J. Lakin, \$234.00.
7. Exchanged notes with James Henry, each, \$155.00.
8. Sold O. W. Oakley, bill of Mdse., \$441.00. Received in payment acceptance favor of T. J. Duften, \$243.00, balance cash.
9. Accepted James Hamilton's draft favor bank, \$55.00.
10. Discounted my note, 30 days, at bank, \$250.00; discount, \$3.60.
11. Sold Walter Groome, Mdse., \$758.25. Received in part payment our note favor Chas. Green, \$558.25, balance cash.
12. Paid note favor bank in cash, \$310.00; interest, \$2.10.

EXERCISE 12.

W. W. Hamilton has the following paper outstanding on commencing business.—

1. Notes favor R. F. Hunn, \$341.00; J. P. Manning, \$750.00; and the bank, \$250.00.
2. Note favor of R. F. Hunn was taken up by cheque.
3. Bought of W. G. Shaw, Mdse., \$360.00; gave cash, \$90.00, balance note at 30 days, with interest, \$270.00.
4. Borrowed from bank on note, \$500.00; less discount, \$6.75.
5. Gave John Wood note on account, \$350.00.
6. Bought of W. E. Jones, Mdse., \$752.00. Accepted his 10-day sight draft favor John Spear, \$262.00, as part payment. Balance on account.
7. Paid note favor J. P. Manning, \$750.00; and interest, \$2.10.
8. Paid note of \$250.00, due at bank, by giving cheque for \$100.00; note for balance \$150.00, and cash for discount on new note, \$1.05.
9. Paid J. C. Hall month's wages as bookkeeper, by note, \$125.00.
10. Paid note favor John Wood, \$350.00; less discount, \$1.25.
11. Bought of Robert Lang, Mdse., on acceptance, 30 days, \$450.00.
12. Renewed note of \$500.00, due at bank, by giving new note, and paying cash for discount, \$5.35.
13. Sold A. L. Stephens, Mdse., \$462.00, and received in part payment the acceptance favor John Spear, \$262.00.
14. Paid note of \$270.00, favor W. G. Shaw.
15. Bought of Charles Long, on acceptance at 30 days, favor William Moore, Merchandise amounting to \$450.00.

QUESTIONS.

The student will take practice book and write out therein the answers to the following questions, following the form in which the answer includes the question. Thus, for No. 1 the answer should begin, "Bookkeeping is a"—etc. Show work in a neat and proper form to teacher in charge before proceeding to copy in pen and ink in your Note Book.

1. What is Bookkeeping?
2. What is an account?
3. Through what account is the money on hand shown?
4. What is cash?
5. What is the object of the Cash Account?
6. Explain the Cash Account in full.

7. What are Bills Receivable ?
 8. What is the object of keeping a Bills-Receivable Account ?
 9. Explain the method of treating the Bills-Receivable Account.
 10. What are Bills Payable ?
 11. What is the object of keeping the Bills-Payable Account ?
 12. Explain the account in full, when debited and when credited.
 13. What does the debit side of a Cash Account show ?
 14. On which side of a Bills-Receivable Account will the first entry always be made, and why ?
 15. What does the debit side of Bills-Receivable Account show ?
 16. Which side of Bills-Receivable Account will always be larger, and why ?
 17. On which side of Bills-Payable Account will the first entry always be made, and why ?
 18. Which side of Bills-Payable Account will always be the larger, and why ?
 19. What does the debit side of Bills-Payable Account show ?
 20. Which side of the Cash Account will be the larger, and what does the balance show ?
 21. What does the credit side of Bills-Receivable Account show ?
 22. What does the Balance of a Bills-Receivable Account show ?
 23. What does the credit side of a Bills-Payable Account show ?
 24. What does the balance of a Bills-Payable Account show ?
 25. With what should the balance of Bills-Receivable Account agree ?
 26. With what should the balance of Bills-Payable Account agree ?
- This is the end of Section No. 2. Hand your accounts and answers to the teacher for certification.

Section 3.

PERSONAL ACCOUNTS.

1. Personal accounts consist of accounts with persons, firms and corporations.
2. The object :—To show our dealings with them and the amount they owe us or the amount we owe them.

RULE 4.

3. The method :—We debit persons, firms or corporations for all value received from us on account, and credit them for all value we receive from them on account.

If the debit side is larger, they owe us the balance ; if the credit side is larger, we owe them the difference or balance. If the sides are equal, the account is settled in full.

In dealing with Cash, Bills Receivable, and Bills Payable, we notice the same general rule for debit and cred. The account representing the thing received is debited, while the account representing the thing paid out is credited. If all business consisted in an exchange of one thing for another, our first idea of debit and credit would always apply, but sometimes we buy and sell on credit, that is, something may be given and no visible return received, or, on the other hand, something may be received and no visible return given. In

such cases we must deal with personal accounts. For instance, if I sell to John Smith merchandise on account, the merchandise goes out, and merchandise account is therefore credited, but nothing comes in by way of return. All I get is the right to charge or debit John Smith until he pays me, when I credit him and thus clear his account from my books. The idea of debit and credit is thus not hard to apply to personal accounts even if we take the ordinary meaning of the terms. If a man does anything for me or gives me anything, I credit him or put that to his credit. If I give a man anything or do something for him, I charge him or put that to his debit.

ILLUSTRATION OF A PERSONAL ACCOUNT.

Transactions.

DEALINGS WITH NORMAN H. BROWN.

1. Sold him merchandise on account	\$15 75
2. Received cash of him on account	10 00
3. Sold him goods on account	25 00
4. Loaned him on account	13 00
5. Received his note at 30 days on account	30 00
6. Sold him merchandise on account	56 78
7. Received cash of him on account	51 38

EXERCISE 13.

Dr Norman H. Brown				Cr			
Value given to him				Value recd from him			
1		15 75		2		10 00	
3		25 00		5		30 00	
4		13 00		7		51 38	
6		56 78				91 38	
						19 15	
		110 53				110 53	

Total we gave to him . . . \$110.53

Total we received from him . . . 91.38

Balance he owes us . . . 19 15

EXERCISE 14.

DEALINGS WITH CHARLES F. MARTIN.

1. We sell him on account, Mdse., \$538.45.
2. Loaned him cash on account, \$115.00.
3. Bought Mdse. of him on account, \$295.15.
4. Received of him his note, 10 days, on account, \$315.00.
5. Bought of him Real Estate on account, \$2,000.00.
6. Paid his sight draft on us, \$400.00.

7. Gave him our note, six days, on account, \$558.25.
8. Sold him on account, Mdse., \$396.12.
9. Gave him on account, H. Baker's note, our favor \$235.00
10. We buy of him, Mdse., on account, six days, \$510.00
11. Loaned him cash, on account, \$450.00.
12. He worked for us ten days at \$2.25 per day, on account.
13. Received of him cash, on account, \$356.25.
14. Sold him Mdse., on 5 days' credit, \$395.15.
15. Received of him his note, 5 days, on account, \$254.35.

EXERCISES 15, 16 17

ACCOUNTS WITH C. H. BENNETT, GEO. L. WOODS AND JAMES ANDERSON.

1. Sold C. H. Bennett, on account, Mdse., \$321.00.
2. Bought of George L. Woods, Mdse., \$438.53.
3. Received of C. H. Bennett, F. Simpson's note, \$121.00.
4. Bought of James Anderson, on 10 days' account, Mdse., \$878.54.
5. Paid George L. Woods' sight draft on us, \$238.00.
6. Credit C. H. Bennett for over-charges on Mdse., \$3.65.
7. Gave James Anderson on account, draft on C. H. Bennett, \$112.50.
8. Sold Geo. L. Woods on 30 days' account, Mdse., \$458.15.
9. Gave James Anderson our note, 10 days, on account, \$310.00.
10. Sold C. H. Bennett, Mdse., on account, \$225.
11. Received of Geo. L. Woods, note 30 days, on account, \$186.13.
12. C. H. Bennett paid our sight draft on him, \$133.50.
13. George L. Woods paid James Anderson for us, \$75.00.
14. Gave James Anderson, on account, C. F. Martin's note, \$315.00.
15. Charge Geo. L. Woods with interest, on account, \$2.56.
16. Paid rent in cash, \$65.00.

PROPRIETARY ACCOUNTS.

Accounts representing the interest of the proprietor or owners of a business are of three classes:—

1. That of a single owner, which is usually kept in his or her name, followed by word "Capital."
2. That of a partnership, which is kept in the name of each partner, followed by word "Partner."
3. That of a Joint Stock Company, which is kept under the title of Capital Stock.

SINGLE OWNERSHIP.

The object of keeping an account with the proprietor is to show his relation to the business, and the net capital, or the net insolvency at any time when the books are closed.

RULE 5.

The proprietor's account is credited for all investments, and for net gains. It is debited for all liabilities at commencing, withdrawals during the course of business, and for net losses. The difference between the two sides when the account is closed will be the Present Worth or Net Insolvency.

ILLUSTRATION OF A SINGLE OWNER'S ACCOUNT

A. J. Bennett, proprietor, began business May 1, and invested Cash, \$6,000; Mdse. per inventory, \$1,863.27; D. H. Bell's note \$431.50, with interest accrued, \$11.45. B. D. Hall owes him on account, \$39.67. He owes the following liabilities on commencing:—
Note favor J. E. Brown for \$867.45, with accrued interest to date, \$16.26.

May 12. He withdrew for private use, \$50.00.

May 13. He paid J. E. Webster on private debt, not entered, \$75.00.

May 24. Invested horse and wagon in business, valued at \$155.00.

May 30. Books on closing show net gain, \$343.47.

EXERCISE 18.

DR.

A. J. BENNETT (Capital)

CR.

LIABILITIES, WITHDRAWALS—NET LOSS

INVESTMENTS—NET GAIN

May 1	\$867	45
" 1	16	26
" 12	50	00
" 13	75	00
	1,008	71
Present worth (red ink)	7,835	65
Footings	\$8,844	36

May 1	\$6,000	00
	1,863	27
	431	50
	11	45
" 24	39	67
	155	00
" 30 Net gain	8,500	89
	343	47
Footings	\$8,844	36

Total investments \$8,500 89

Total liabilities and withdrawals 1,008 71

Net Credit \$7,492 18

Net Credit \$7,492 18

Net Gain added 343 47

Present worth \$7,835 65

EXERCISE 19

1. W. J. Ferguson invests as follows:—

Mdse. per inventory, \$1,847.25.

50 shares C. B. College Bank Stock, \$5,000.

Byron Smith's note, \$345.60.

A. Frame owes on account, \$160.00.

W. A. Elliott owes on account, \$50.00.

Liabilities on commencing are as follows:—

Note favor G. W. Baker, \$1,000.00.

Owes M. L. Lent, on account, \$141.28.

2. Paid Cash for suit of clothes, from private funds, \$40.00.

3. Sold Brown Bros., on account, three days, Mdse., \$65.00.

4. Drew for private use, \$25.50.

5. Invested Layton's cheque on Imperial Bank, \$875.00.

6. Took goods from store for family use, \$21.30.

7. Gain, shown by Balance Sheet, is \$1,381.36.

EXERCISE 20.

1. J. H. Kanner invests as follows:—
 Cash in Merchants Bank, \$1,525.00.
 Store building, 105 Ontario Street, value \$4,000.00.
 10 shares Gas Company Stock, value, \$1,540.00.
 5 shares Toronto Railway Company Stock, value, \$600.00.
 Liabilities are:—
 Mortgage on Real Estate, \$2,000.00.
 Interest to date on Mortgage, \$35.00.
 Note for G. L. Young, \$445.00.
 Interest accrued, \$13.25.
2. Drew for family use, \$15.00.
3. Sold a Cottage, No. 1 Mornington Street, Stratford, and invested proceeds in business
 Cash, \$489.50, and J. W. Patterson's note, \$800.00. Total sale, \$1,289.50.
4. Paid for repairs on home, from private funds, \$125.00.
5. Paid the note and interest favor G. L. Young out of private funds.
6. Gave wife for trip to Grimsby Park, from private funds, \$100.
7. Drew for private use, \$45.00.
8. Net loss, shown on closing books, is \$386.42.

PARTNERSHIP.

A partnership is a combination of the capital, skill or services of two or more persons for the purpose of transacting business in which each member shares in the gains and losses, and is responsible for the liabilities of the concern.

The object of keeping an account with each partner is to show his relation to the business, and his net capital or insolvency at closing.

RULE 6.

Each partner is credited with his investments and his share of the Net Gain at closing; and debited for liabilities at commencing, withdrawals during business, and his share of the Net Loss at closing. The partners' accounts together will show net investment; and at closing, net capital or insolvency of the firm.

ILLUSTRATION OF PARTNERS' ACCOUNTS.

- T. B. Escott and W. D. Shaw are partners, firm name, T. B. Escott & Co.
1. T. B. Escott invests as follows:—
 Cash on hand, \$1,845.00. Mdse. as per inventory, \$2,647.85; W. T. Burk's note, \$265.25; less discount, to maturity, \$3.35; account against James Winter, \$387.25.
 2. T. B. Escott's liabilities, are as follows: which are assumed by the firm,
 Note, favor H. B. Hall, for \$343.27; discount to maturity, \$6.25, account, favor D. H. Wells, \$147.17.
 3. W. D. Shaw invests as follows:—
 Bank of Hamilton Stock, value, \$2,630.00; Store Building, value, \$3,000.00; C. P. R. Stock, value, \$1,270.00.

4. W. D. Shaw's liabilities assumed by the firm as follows:—
 Note, favor W. S. Pickard, \$650.00; interest to date, \$8.40. Mortgage on Real Estate, \$1,000.00; interest to date, \$15.20.
 5. T. B. Escott drew for private use, \$73.50.
 6. W. D. Shaw owed James Winter \$180.00, which, in settlement, was charged to his account. On closing, books show T. B. Escott's Net Gain to be \$328.00; W. D. Shaw's \$328.0

EXERCISE 21.

DR.

T. B. ESCOTT (Partner)

CR.

1	\$ 3 35	1	\$1,845 00
2	343 27	1	2,647 85
2	147 17	1	265 25
5	73 50	1	387 25
	567 29	2	6 25
Present worth (red ink)	4,912 31		5,151 60
		Net gain	328 00
	\$5,479 60		\$5,479 60

EXERCISE 22.

DR.

W. D. SHAW (Partner)

CR.

4	\$650 00	3	\$2,630 00
4	8 40	3	3,000 00
4	1,000 00	3	1,270 00
4	15 20		6,900 00
6	180 00	Net gain	328 00
	1,853 60		
Present worth (red ink)	5,374 40		\$7,228 00
	\$7,228 00		

T. B. Escott's Investments ..	\$5,151 60	W. D. Shaw's Investments ..	\$6,900 00
" Lia. and withdrawals ..	567 29	" Lia. and withdrawals ..	1,853 60
" Net Investment	4,584 31	" Net Investment	5,046 40
" Net Gain	328 00	" Net Gain	328 00
" Net Capital	\$4,912 31	" Net Capital	\$5,374 40
Escott's Net Capital	\$4,912 31		
Shaw's Net Capital	5,374 40		
Net Capital of Firm	\$10,286 71		

PERSONAL OR PRIVATE ACCOUNTS OF PROPRIETOR OR PARTNER.

It is often convenient to have two Accounts for the Proprietor or for each Partner—a Capital Account and a Personal, or a Private, or Drawings Account, as it may variously be styled. This last account is generally credited with the share of profits, interest or salary, to which the Proprietor or Partner is entitled. It is debited for sums withdrawn for private use, but not intended to reduce the investment.

The balance will be handled as the Proprietor wishes, or as the Partners agree. It may be transferred to the Capital Account or may be brought forward as a balance owed to, or by, the Proprietor or Partner.

QUESTIONS.

1. Through what accounts is the amount due the business, or owed by the business, shown?
 2. What accounts show investments, and how many kinds of investment accounts are there?
 3. What is a Personal Account?
 4. What is the object of keeping Personal Accounts?
 5. Explain Personal Accounts in full.
 6. How many different kinds of Investment Accounts are there?
 7. Who is the Proprietor?
 8. Under what account is the Investment kept in an Individual Business?
 9. Give the method of treating a Single Proprietor's Account.
 10. What is a Partnership?
 11. Under what accounts is the Investment kept in a Partnership Business?
 12. Explain the method of keeping Partners' Accounts.
 13. What does the credit side of a Personal Account show?
 14. Which side of a Personal Account may be the larger, and what will the balance show?
 15. What does the debit of a Personal Account show?
- End of third section. Hand accounts and answers to teacher for certification.

Section 4.

PARTNERS' ACCOUNTS.

EXERCISES 23, 24.

James Hall and George Bell became partners in business, with the following resources and liabilities:—

1. James Hall invests the following resources:—

Cash in Standard Bank, \$1,340; Young Shannon's note, favor J. T. Moore, \$648;
 Merchants Bank sight draft on Toronto, \$563.49; Account against Robert Daly,
 \$681.35.

James Hall's liabilities assumed by the firm are:—A note, favor J. A. Brown, for
 \$389; interest, \$3.90; account, favor J. R. Johnston, \$165.

George Bell's investments are :—Cash, \$1,000 ; horse and wagon, valued at \$230 ; Toronto Gas Company Stock, \$2,500.

2. Firm paid a private debt for George Bell, \$175.
3. Robert Daly's account proves to be \$181.35 less than entered by James Hall, and is charged back.
4. Accepted draft drawn on George Bell, for a private debt, \$236.15.
5. James Hall makes an additional investment of cash, \$1,200.
6. George Bell draws cash from the business, \$180.
7. Each partner's gain, as shown by Ledger and Balance Sheet, is \$543.36. Show present worth of each partner and total capital of the firm.

JOINT STOCK COMPANIES.

A Joint Stock Company is an association of individuals organised, under the laws of the country in which located, into a corporation. It transacts its business, through its officers, as an individual. The private property of the members is as a general rule exempt from liability for the concern's debts.

The object of keeping an account with CAPITAL STOCK is to show in the General Ledger, the amount of subscribed Capital.

The General and the Stock Books are two separate and distinct sets of books. The General books show the regular transactions of the business, the same as in ordinary Bookkeeping, while the Stock Books merely show who are the stockholders, how much stock they hold, and the amount of Paid-up Capital.

Capital Stock and Stockholders' accounts are not affected by the loss or gain of the business.

Illustrations of these accounts will be shown elsewhere.

CLASSIFICATION OF ACCOUNTS.

A Liability is a debt or an amount owing by the business ; as, for instance, on a Bill Payable, or on an account.

A Resource or an Asset is something that may be applied to the cancelling of a debt ; as, for instance, a balance of cash on hand, a Bill Receivable, or an amount due to the business on account.

Fixed Assets are those permanent forms of property which are a necessary part of the equipment used for conducting the business ; as, real estate, buildings, machinery, etc. Floating Assets are those forms of property of which the quantity in our possession varies from day to day ; as, merchandise, accounts, cash, bills receivable.

The Present Worth of a business is the excess of the sum of its Resources over the sum of its Liabilities.

The Net Insolvency of a business is the excess of the sum of its Liabilities over its Resources. A Gain is an excess of selling price over cost price in the handling of an article.

A Loss is an excess of cost price over selling price, or an outlay for which no return, in the way of selling price, is expected.

The Net Loss is found by subtracting the sum of all the Gains from the sum of all the Losses.

The Net Gain is found by subtracting the sum of all the Losses from the sum of all the Gains.

All accounts are divided into two classes : Balance or Real Accounts, and Loss and Gain or Representative Accounts. The foregoing accounts, viz. Cash, Bills Rec., Bills Pay., and Persons' Names are examples of **Balance Accounts**.

The following accounts, Mdse., Real Estate, Expense and Interest are examples of Loss and Gain Accounts.

The above classification has in mind the distinctions that are necessary in making up financial statements.

Different classifications may be made according to the idea in mind.

For instance, we may speak of Personal and Impersonal Accounts. Dicksee, the English authority, says as follows on this point :—

" Ledger Accounts are usually divided into three classes —

- (a) Real Accounts, dealing with actual property.
- (b) Personal Accounts, showing the record of transactions between the owner and the various persons with whom he has business transactions.
- (c) Nominal Accounts, dealing with various forms of Income and Expenditure.

There is no essential difference between Real and Personal Accounts."

MERCHANDISE ACCOUNT.

The title or name *Merchandise* is used in business to represent all kinds of goods or commodities in which a merchant may deal. The object of this account is to show the cost of goods handled, the sales of same and the amount gained or lost. It is used more than any other account in general business.

RULE 7.

The plan adopted for keeping this account is to enter the cost of all goods bought upon the debit side, and the amount for which goods are sold upon the credit side. If the goods are all sold the difference between the two sides of the account must be the gain or loss on Mdse. If the Debit side is larger, the result would be a loss, as the cost would exceed the sales. If the Credit side is larger, the difference must be a gain. When the goods are not all sold, the value of goods on hand must either be deducted from the total cost or added to the sales, before taking differences to ascertain the gain or loss.

The reason for thus dealing with the inventory should be made apparent by a moment's thought. On the debit side of merchandise account we place the cost of all goods as they are bought. On the credit side we place the sale price of such goods as we from time to time sell. If at any time we should desire to figure the gain or loss it would be manifestly unfair to set against the cost of all goods bought, the selling price of just such goods as we have managed to sell. The inventory, which is an estimate of the value of goods on hand, must be placed with the sales, so that against the total cost we have the production of what has been sold, and a fair estimated production from what is on hand and may be sold. With this arrangement the debits and credits may be fairly compared, so as to get an idea of the gain or loss on the merchandise really handled.

In section 18, the plan of keeping separate accounts for Merchandise Purchases and for Merchandise Sales will be dealt with.

ILLUSTRATION OF MERCHANDISE ACCOUNT.

Transactions.

- 1 Bought goods of Wm. Jones, for cash, \$58.60.
2. Bought goods of D. N. Mills, on account, \$135.40.
3. Sold C. Williams, Mdse., for cash, \$18.50.

Bought		Merchandise		Sold	
1		58	60	3	18 00
2		135	40	4	37 61
5		163	24	6	38 63
		357	24	8	149 62
	Net Gain (red ink)	38	56		24 14 36
		395	80		Inventory (red ink)
					151 44
					395 80

Total sales	\$244 36
Inventory	151 44
	<hr/>
Total value	\$395 80
Total cost	357 24
	<hr/>
Net gain	\$38 56

EXERCISE 26.

1. Bought of R. A. Hughes, on account, Mdse., **\$187.93.**
 2. Bought bill of Mdse., on John Freel's note, our favor, **\$325.00.**
 3. Bought of John Martin, on account, 3 days, Mdse., **\$850.00.**
 4. Sold R. A. Ford, on account, Mdse., **\$55.60.**
 5. Sold C. W. Allen, bill of notions, on account, **\$125.00.**
 6. Bought of Thos. A. Hardy, on 10-day note, flour, **\$325.00.**
 7. Sold for Cash, Mdse., **\$36.49.**
 8. Bought of N. H. Stevens, Mdse., **\$193.94.** Gave cash on same, **\$50.00.**
 9. Sold Falls & Co., Mdse., **\$350.** Received in payment, cash, **\$350,** and their note at 3 months for balance.
 10. Bought of W. E. Moore, 200 bbls. of flour, at **\$6** per bbl.
 11. Sold T. L. L. Lewis, bill of groceries, **\$355.** Received in part payment my note, favor of James Green, **\$55.00.**
- Value of goods on hand, **\$2,150.00.**

EXERCISE 27.

1. Inventory of Mdse. on hand this day, \$1,000.
 2. Jas. T. Brown (partner) took goods for use at home, \$31.52.
 3. Sold J. L. Hughes, Mdse., \$92.48. Received note, \$50.00; balance on account.
 4. Bought of Joseph Smith, Mdse., \$455. Gave in part payment Falls & Co.'s note, our favor, \$300.
 5. Received of Insurance Co., cash, \$138.41, for goods destroyed by fire.
 6. Sold damaged goods at auction for cash, \$119.45.
 7. Bought of E. D. Brown, on account, 100 bbls. of pork, at \$12 per bbl. Gave in payment our note at 10 days, \$400; L. Hage man's note, \$138; cash, \$500; balance on account.
 8. Credit J. L. Hughes for overcharge on Mdse., \$2.48.
 9. Part of the Mdse. bought of E. D. Brown is found to be damaged; he allows us credit on our account for \$20.
 10. Sold Moore & Davidson, on their acceptance at 10 days, Mdse., \$337.86.
 11. Sold John Bell, on sixty days, 2 per cent. off, 10 days, Mdse., valued at \$325.00.
 12. W. H. Shaw (partner) took goods for private use, \$31.42.
 13. Bought Mdse. on our note, \$300.00.
- Value of goods on hand, \$1,956.50.

PURCHASE BOOK AND SALES BOOK.

In dealing with the Cash Account we showed you how easy it was to develop the idea of the Cash Book from the Cash Account. When we know the Merchandise Account, two other books should be easily handled.

The Invoice or Purchase Book contains the substance of the Debit side of Merchandise Account, while the Sales Book contains the substance of the Credit side. That is, we put the purchases in the Purchase Book and the sales in the Sales Book.

The following illustrations give you a good idea of these books. We want you to copy each of them on a single sheet of your Journal paper, and from the practice you should be able to work out the exercises which follow.

As in the case of the Cash Book, you are learning at this point the work that often falls to the lot of one of the employees of a business house. The Entry Clerk is, in other words, the Sales Book Clerk, and his work will easily be understood from the following description of the routine followed in a Wholesale Dry Goods House.

When the volume of business demands it, the work of recording sales falls to two clerks, the Entry Clerk and the Bill Clerk. These two men get their work indirectly from the salesman through the Call Clerk. Goods sold are collected and placed on a table before their desk. The Call Clerk proceeds to call out the customer's name and address, the terms of sale, the Salesman's name, and the list of articles and prices. As he does so the Entry Clerk records the sale in the Sales Book while the Bill Clerk makes out a bill on a bill head. The extensions are made, and should the two footings agree the work is taken as correct. It will thus be seen that the successful Bill or Entry Clerk must be skilled in rapid figuring, and be able to write a rapid, legible business hand.

EXERCISE 28.

PURCHASE OR INVOICE BOOK

TORONTO, OCT. 7, 1910.

1910				
Oct.	7	J. Will	Bought of him, as per Invoice No. 1. Terms, 30 days	\$175 00
"	15	Cash	Bought of R. Dunn, as per Invoice No. 2. Terms, cash.	50 00
"	18	B. Pay	Bought of H. Green, as per Invoice No. 3. Terms, Note at 60 days.	250 00
Nov.	8	E. Gordon	Bought of him, as per Invoice No. 4. Terms, 90 days; 30 days, 5 per cent.	180 00
Total carried forward				655 00
				<u>\$655 00</u> <u>\$655 00</u>

NOTE.—The items of each purchase are not entered because the Invoices are filed for reference.

EXERCISE 29.

SALES BOOK.

TORONTO, OCT. 9, 1910.

1910						
Oct.	9	Cash	Sold R. Robb for cash:—			
			20 tons Egg @ \$4.75	\$ 95 00		
			12 " Stove @ 4.75	57 00		
			5 " Chestnut @ 4.75	23 75	\$175 75	
"	12	J. King	Sold him on account, 30 days:—			
			10 tons Lump @ \$3.50	35 00		
			12 " Grate @ 4.75	57 00	92 00	
"	19	B. Rec.	Sold H. Hall, on his note at 30 days:—			
			20 tons Stove @ \$5.00	100 00		
			10 " Egg @ 5.00	50 00		
			10 " Chestnut @ 5.00	50 00	200 00	
Amount forward					<u>\$467 75</u>	

EXERCISES 30, 31.

EXERCISES ON PURCHASE AND SALES BOOKS.

From the following list of transactions make out in proper form the Purchase and Sales Books.

Jan. 3. Buy from Albany Supply Co., 400 bu. yellow corn at 56c., \$224; 1900 bu. No. 1 oats at 36c., \$216; 45 tons bran at \$12.50, \$562.50; 20 tons Timothy hay at \$16, \$320; 10 tons clover hay at \$8, \$80. Total, \$1,402.50, for which you give note at 10 days.

5. Sell Andrew Allison, 20 bu. yellow corn at 58c., \$11.60; 110 bu. No. 1 oats at 38c., \$41.80; 1 ton Timothy hay at \$20. Total, \$73.40, for which you receive his note at 30 days.

6. Buy from Thomas Ball, on account, 50 bbls. Manitoba patent flour at \$4.60, \$230; 40 bbls. XXX. flour at \$3.50, \$140. Total, \$370.

9. Sell James Bank, on account, 100 bu. yellow corn at 58c., \$58; 5 tons bran at \$15, \$75. Total, \$133.

11. Buy from R. H. Beatty, 35 bbls. of Manitoba spring wheat flour at \$4, \$140, for which you give your note due in 6 days.

13. Sell Alfred Brock, 2 tons bran at \$15, \$30; 2 tons Timothy hay at \$20, \$40. Total, \$70, for which you receive his note payable in 30 days.

16. Buy from N. W. Coppin, 300 bu. No. 1 oats at 34c., \$102; 200 bu. yellow corn at 55c., \$110. Total, \$212, for which you give your note due in 15 days.

17. Sell John Cotts, 120 bu. yellow corn at 58c., \$69.60; 130 bu. No. 1 oats at 38c., \$49.40; 2 tons bran at \$15, \$30. Total, \$149, for which you receive his note due in 10 days.

19. Sell W. Ford, on account, 2 bbls. XXX. flour at \$3.70, \$7.40; 60 bu. yellow corn at 56c., \$33.60; 20 bu. No. 1 oats at 38c., \$7.60; 3 tons bran at \$15, \$45; 2 tons Timothy hay at \$20, \$40. Total, \$133.60.

22. Sell J. Little, 100 bu. yellow corn at 58c., \$58; 50 bu. No. 1 oats at 38c., \$19; 3 tons bran at \$15, \$45. Total, \$122. Receive his note at 10 days.

REAL ESTATE ACCOUNT.

Real Estate is a name or title used as an account under which is kept a record of all lands or lots with buildings and all fixed improvements, known as real property, belonging thereto.

The object of this account is to show our dealings in real estate and to enable an owner to determine his gain or loss on such property. It is sometimes practicable to keep a separate account for each particular house and lot or parcel of property in order to show just what result is produced by it, but more commonly all such properties are recorded under the title *Real Estate*, as in the following example.

RULE 8.

The method of keeping this account is to debit it with the total cost, which includes not only the first cost, but all expenditures for permanent improvements, etc., and to credit it with all it produces through rents, sales, etc.

As in Mdse. account, before finding the gain or loss, the inventory or actual value of property on hand must be added to credit side. Then, if debit side is larger, the difference must be a loss, but if credit side be the larger, the result must be a gain.

ILLUSTRATION OF REAL ESTATE ACCOUNT.

Transactions

1. Bought of J. H. Cameron, for cash, House and Lot No. 40 Erie St., for \$2,520.
2. Paid cash for repairs, No. 40 Erie St., \$75.
3. Paid cash for insurance on No. 40 Erie St., \$25.
4. Rented Dr. Hart rooms. Received cash on rent, \$50.
5. Bought of C. H. Chadwick, property 1302 King St., \$4,000.
6. Paid taxes on No. 40 Erie St., \$37.48.
7. Sold J. S. Stewart, No. 40 Erie St., property for \$2,800. Cash received, \$2,000; balance note, one year, \$800.
8. Received cash for cancelled insurance policy on No. 40 Erie St. property, \$21.25.
9. Paid cash for painting, 1302 King St., \$63.20.
10. Gave note 30 days for insurance, on 1302 King St., \$42.50.
11. Value of property on hand, including rents due and insurance paid in advance, \$4,090.

EXERCISE 32.

DR.

REAL ESTATE.

CR.

TOTAL COST.

PRODUCTION.

1	\$2,520 00	4	\$ 50 00
2	75 00	7	2,800 00
3	25 00	8	21 25
5	4,000 00	Inventory (net)	2,871 25
6	37 48		4,090 00
9	63 20		
10	42 50		
	6,763 18		
Net gain (net)	198 07		
	<u>\$6,961 25</u>		<u>\$6,961 25</u>

Total credits \$2,871 25

Inventory 4,090 00

Total value \$6,961 25

Total debit or cost 6,763 18

Net gain \$198 07

REAL ESTATE ACCOUNT.

EXERCISE 33.

1. Bought of H. H. Small, for cash, house and lot, 253 Ontario St., for \$2,800.00.
2. Bought of J. D. King, property, 61 St. Mary St., on note, one year, \$3,100.00.
3. Paid insurance on property, 253 Ontario St., \$25.45.
4. Paid taxes on property, 61 St. Mary St., \$18.45.
5. Received cash for rent, 253 Ontario St., \$15.00.

6. Bought of Wm. Jones, property, 160 Richmond St. \$3 500.00. Gave in payment, cash, \$2 500.00, balance note, 6 months, including discount, \$6 75.
 7. Paid cash for pump, at 61 St. Mary St., \$15.00.
 8. Paid cash for repairs of roof, 160 Richmond St., \$10.30.
 9. Sold N. H. Stephens' property, 253 Ontario St., cash, \$3 200.
 10. Sold old pump, 61 St. Mary St., \$2.50.
 11. Received cash of W. J. Ferguson, as rent of 61 St. Mary St., \$50.00.
 12. Sold Joseph Wright, for cash, property, 160 Richmond St., for \$3 800.00.
- Value of property on hand, \$3 560.00.

QUESTIONS.

1. What are the general results shown by accounts?
 2. What is the purpose of business?
 3. What is Merchandise?
 4. What is the object of keeping a Merchandise Account?
 5. Explain the Merchandise Account in full.
 6. How is the loss or gain found on Merchandise?
 7. What is Real Estate?
 8. What is the object of keeping a Real Estate Account?
 9. Explain the method of treating the same.
 10. How do you find the Loss or Gain on Real Estate?
 11. What does the debit side of Merchandise Account show?
 12. What does the credit side of Merchandise Account show?
 13. What does the difference between the two sides of Merchandise Account show at any time?
 14. If all the goods are sold, what does the difference between the two sides of the Merchandise Account show?
 15. Why is the Inventory of Merchandise placed on the credit side of the account in finding the Loss or Gain?
- End of the fourth section. Hand accounts and answers to teacher for certification.

Section 5.

REAL ESTATE ACCOUNT.

EXERCISES 34, 35, 36, 37, 38.

(Keep an account with each piece of property).

1. Bought of Eliza Jones, cottage, 118 Market St., \$828.00.
2. Paid for abstract and recording deed, 118 Market St., \$6.75.
3. Paid insurance on 118 Market St., \$12.00.
4. Bought of Geo. H. White, house and lot, 44 Walmer Road, for \$6,000.00. We assume a mortgage the same of \$2,000.00, with interest accrued from January 2nd last, 66 days, at 6 per cent.—\$21.00, and pay him the balance by cheque on Merchants Bank, \$3,979.00.
5. Paid cash for repairs, of fence, Walmer Road property, \$9.25.

6. Received cash for rent, 118 Market St., \$12.55.
 7. Paid for new cistern, 118 Market St., \$21.55.
 8. Bought of J. Miller, Lots 9 and 10, Block 14, Huron St., \$735.00. Paid cash, \$350.00; note one year, 7 per cent., \$385.00.
 9. Paid for fencing Huron St. property, \$25.00.
 10. Paid for permanent repairs and improvements on house, 44 Walmer Road, \$375.00.
 11. Bought of James Bell, south-west half of Lot 8, in Second Concession of Elma Township, in the County of Perth, \$3,128.00. Paid Cash, \$1,228.00—note 1 year, 7 per cent., \$1,000.00, and transferred to him property 118 Market St., \$900.00.
 12. Sold the house and lot 44 Walmer Road to Richard W. Ford, for \$6,500.00. In addition to this price he allows us for permanent repairs, paid on the 10th inst. He assumes in payment the mortgage of \$2,000.00, and interest accrued to date, \$23.67, transfers to us property, 326 Spadina Ave., valued at \$1,500.00, and gives us his cheque on the Standard Bank for balance.
- Value of property on hand, Huron St., \$1,228.00; Perth County, \$3,146.00; Spadina Av. property, \$1,500.00.

EXPENSE ACCOUNT.

Under the name or title **EXPENSE**, is kept a record of all expenditures in conducting a business, such as Salaries, Fuel, Light, Stationery, Office Furniture, Rent, and any other outlay of a similar nature.

RULE 9.

Like other Loss and Gain Accounts, it is debited for anything it costs the business and credited for any amount it produces. It is evident that this is comparatively a one-sided account, as expenses are continually costing value and very rarely producing value.

The result, therefore, shown by this account is a loss, as the debit side is invariably the larger.

It sometimes happens that in this account there may be an Inventory of Furniture, Stationery, or such like, which has been charged up to Expense Account. When such is the case the value of this Inventory must be entered upon the Credit side of the account before determining the Loss. This inventory being a resource to the business, will tend to lessen the losses, showing that increased resources produce decreased losses.

It frequently occurs that in addition to the sums paid for salaries, rents, etc., we find an amount still due and owing at the time the account is closed. This must be considered a **LIABILITY** Inventory, and will be entered upon the debit side of the account and added to sums paid for General Expense. Such liability inventories tend to increase losses, showing that an increase in the liabilities of a business always means an increase in the losses.

ILLUSTRATION OF EXPENSE ACCO'

August 1.	Bought set of books and stationery for cash.....	\$9 50
"	2. Paid rent for one month in advance.....	25 00
"	3. Bought ton of coal.....	6 50
"	4. Paid for postage stamps.....	0 50
"	5. Paid for Janitor's services.....	5 00
"	6. Received cash for desk room.....	5 00
"	7. Paid gas bill	7 50
"	8. Received cash from owner of building for his share of gas bill.....	2 00
"	9. Inventory of coal on hand.....	2 50

EXERCISE 39.

DR.		EXPENSE.		CR.	
		COST.		PRODUCTION	
1910			1910		
Aug.	1	\$ 9 50	Aug.	6	\$ 5 00
"	2	25 00	"	8	2 00
"	3	6 50	"		Inventory (C ₂) 2 50
"	4	50	"		Net loss (C ₁) 44 50
"	5	5 00			
"	7	7 50			
		<u>\$54 00</u>			<u>\$54 00</u>

INTEREST AND DISCOUNT.

RULE 10.

This account is used to represent the Use of Money. Interest is not "a sum of money paid for the use of money," but is in reality the use of money itself. When this use of money is paid for after the use is received it is called interest. When paid for before it is received it is called discount. When this "use of money" costs us value we debit Interest Account, and when the "use of money" produces us value we credit Interest Account. It is, therefore, a Loss and Gain Account, the debit side representing a loss to us and the credit side showing what we gain through the use of money. If we use another person's money we pay him for the use of money, and so interest costs us value; if we allow another person to use our money he pays us for the use of it, and so interest produces value.

As in other Loss and Gain Accounts, there may be inventories of interest at the time of closing this account. If anything is owing to us on this account it is a Resource Inventory. If we are owing any amount for use of money it is a Liability Inventory in Interest Account.

ILLUSTRATION OF INTEREST ACCOUNT.

- Dec. 1. Received \$26.00 from George Bell, for use of money loaned to him on a note.
 " 2. We borrowed \$500.00 from A. Hart 3 months ago and paid for use of it \$7.50.
 " 3. Paid interest due on mortgage, which we owe, \$76.50.
 " 4. Received interest from S. Smith due on his note in our favor \$17.60
 " 5. We sold J. Brown's note, due in 4 months, to the bank and allowed \$8.50 as discount.
 " 6. We hold mortgage against J. Brown's property and collect interest due, \$85.00.
 " 7. We pay a debt due D. Hammond, 6 months before due, and he allows us \$15.00.
 " 8. S. Handy owed us \$800.00 for goods, payable in three months. He gave us cheque in settlement for \$788.00 to-day.
 " 9. We owe interest to-day and not paid, \$46.75.
 " 10. Interest accrued in our favour to date, \$68.25.

EXERCISE 40.

DR.

INTEREST AND DISCOUNT.

CR.

COST.			PRODUCTION.		
1910			1910		
Dec. 2		\$ 7 50	Dec. 1		\$ 26 00
" 3		76 50	" 4		17 60
" 5		8 50	" 6		85 00
" 8		12 00	" 7		15 00
" 9	Inventory ^(red) _(ink)	46 75	" 10	(Accr' d int. due us (Inventory) ^(red) _(ink))	68 25
	Net gain ^(red) _(ink)	151 25 60 60			
		<u>\$211 85</u>			<u>\$211 85</u>

Interest or use of money produces us, value \$211 85

Interest or use of money costs us, value..... 151 25

Net gain through interest..... \$60 60

ILLUSTRATION OF INTEREST AND DISCOUNT ACCOUNT.

Transactions.

1. Have note outstanding in favor of J. K. Kerr, for \$1,500.00, on which there is accrued interest, \$23.40 also one favor D. Mills, for \$1,200.00, not due, without interest, disc. to maturity, \$12.45.

Have following notes on hand :—John F. King's, for \$287.00, on which there is accrued interest, \$3.47, and one of W. H. Small's, for \$441.50, without interest, disc. to maturity, \$5.68.

NOTE.

In handling entries of this kind, where it is a question of investing notes on which interest is accrued, or from which discount is taken, it is well to review our ideas concerning the proprietor's account and also to bear in mind the principle upon which double entry is founded, viz., that for every debit we must have a corresponding credit. If, as a proprietor of business, you invest a note for \$287, on which there is interest accrued of \$3.47, you will understand that both of these amounts are resources invested by you, and would be found to the credit of your account as proprietor. On the other hand, Bills Receivable would be debited for the \$287, while interest would be debited for the \$3.47. Again, if you invest a note of \$441.50, which is not yet due, and which therefore is to be discounted by \$5.68 to get its real value, you will understand that, while you as proprietor would be credited for the note of \$441.50, your account would be debited for the discount of \$5.68. As before, the note which is credited to your account would be debited to Bills Receivable, while the discount, which is debited to your account, would be credited to Interest and Discount. A little thought along this line should enable the student to figure the position of the interest and discount on the notes outstanding.

2. Paid cash for note favor J. K. Kerr, \$1,500.00, with interest, \$26.30.
3. Received cash for J. F. King's note, \$287.00, and interest, \$4.23.
4. Paid cash for note favor D. Mills, \$1,200.00, less discount to maturity, \$11.32.

5. Discounted W. H. Small's note at bank, discount, \$4.21.
 6. Bought for cash A. F. Sprott's note, \$500.00, less discount, \$3.87
 7. Received cash for interest on Dominion bonds, \$39.50.
 8. Paid cash for interest on mortgage on house, \$13.65.
 9. Charged C. H. Ball interest on account, \$1.54.
- Interest due us on note on hand, \$18.25.
Discount on notes we owe, \$11.40.
Interest accrued on notes we owe, \$10.20.
Discount on notes on hand, \$5.40.

EXERCISE 41.

DR.		INTEREST AND DISCOUNT		CR.	
1		\$ 12	45	1	\$ 23 40
1		3	47	1	5 68
2		26	30	3	4 23
5		4	21	4	11 32
8		13	65	6	3 87
		60	08	7	39 50
	Inventory (red)	15	60	9	1 54
	Net Gain (red)	43	51		80 54
				Inventory (red)	29 65 ✓
		\$119	19		\$119 19

Value produced or allowed to us for credit side.....	\$89 54
Inventories in our favor..	29 65
Total credit	\$119 19
Cost of interest or allowed to others.....	\$60 08
Inventories against us	15 60
Total debt	75 68
Net gain from account.....	\$43 51

INTEREST AND DISCOUNT ACCOUNT.

EXERCISE 42.

1. W. H. Small invests the following paper :—J. G. Scott's note for \$345.00, with interest accrued to date, \$13.45 (Dr.) ; O. M. Arnold's note for \$528.00, without interest, discount to maturity, \$18.47 (Cr.).
2. F. L. Wood paid his note of \$50.00, with interest, \$1.35.
3. Paid note J. C. Heglar, \$125.00, with interest, 7% cents.
4. Paid accommodation note J. W. Smith, \$155.00, and interest, \$8.25.
5. Bennett & Wright paid their acceptance, \$337.86, before due, and we allowed them a discount of \$1.21.

6. Discounted our note at bank for \$340.00; discount \$3.47.
7. Paid note favor D. Manson, \$600.00, and interest, \$6.23, by new note, \$300.00, and cash for balance, and a discount of \$3.84 on new note, paid in advance.
8. Bought of George H. Hart for cash, less \$1.25 discount, Wm. Brown's note at 10 days, dated January 1st, for \$45.25.
9. Paid our note favor of Bank of Montreal, \$500.00, and interest, \$7.55, by a new note, \$200.00 and cash for balance, including interest on new note, \$2.45.
10. Bought J. F. Bell's note, \$385.00, for \$383.30.
11. Paid our acceptance, favor Smith & Steele, \$550.00, less discount, \$2.13.
12. O. M. Arnold paid his note, \$345.00, and interest accrued to date, \$14.10.

INTEREST AND DISCOUNT.

EXERCISE 43.

1. W. R. Elliott has the following notes outstanding on commencing business :—
One favor Brown Bros., \$389.45, with interest accrued to date, \$5.38 (Cr.); one favor G. W. Hill, for \$847.00, without interest, discount to maturity, \$7.96 (Dr.).
2. Received interest on W. N. Shaw's note, \$9.45.
3. Paid interest on our note favor bank, \$7.54.
4. Received cash for A. Frame's note, \$45.25, and interest, \$1.45.
5. James Smith paid accommodation note, \$155.00, and interest, \$6.56, by giving us a new note for \$55.00, cash for balance, and for a discount of \$1.23 on new note.
6. Exchanged notes with W. E. Black, our accommodation for \$1,200.00, and discounted Black's note at bank; discount, \$7.48.
7. Wrote up our note favor bank, \$487.00; obtained W. N. Shaw's endorsement and deposited it in the bank, less discount, \$6.25.
8. Paid interest on our note, favor D. Mills, 98 cents.
9. J. G. Scott paid his note, \$345.00, and interest, \$17.10, by Bill of Mdse., \$162.10, and his cheque on Bank of Commerce for balance.
10. Renewed our note of \$340.00 at bank, by giving them new note and cash for discount, \$1.16.
11. Paid our acceptance favor Robert Bennett, \$450.00, less discount, \$1.21.
12. Discounted at Bank of Montreal James Smith's note, \$55.00; discount off, 40 cents

QUESTIONS.

1. Name some accounts which show the Gains or Losses of the business.
2. What is Interest or Discount?
3. What is the object of keeping an Interest or Discount Account?
4. Explain the method of keeping an Interest and Discount Account.
5. How is the Loss or Gain found on the Interest and Discount Account?
6. What does the debit side of Interest and Discount show?
7. What does the credit side of Interest and Discount show?
8. What does the difference between the two sides of Interest and Discount Account show at any time?
9. What is done with Interest accrued on notes on hand at closing?

10. What is done with Interest accrued on notes outstanding at close?
 11. What is done with the Discount off non-interest bearing notes on hand at closing?
 12. What is done with Discount off non-interest bearing notes outstanding at time of closing books?
 13. If the credit side of the Proprietor's or Partner's Account is the larger, what is the condition of the business—solvent or insolvent?
 14. Which side of the Proprietor's Account would be the larger if the business were insolvent?
 15. Name the *two* classes of Accounts and show four examples of each.
- End of Fifth Section. Hand accounts and answers to teacher for certification.

Section 6.

JOURNALIZING.

A thorough grasp of the idea of a business transaction, and of the idea of debit and credit as applied to the accounts concerned in a business transaction, should put the student in shape to undertake Journalizing. Journalizing simply means noting the accounts that are concerned in a certain transaction, debiting the one and crediting the other. Our understanding of double entry teaches us that at least two accounts must be concerned, and as one of these represents the thing received, while the other represents the thing given, we easily understand that one account must be debited and another account must be credited. If we properly arrange the statement of these debits and credits in a book, this book will be called a Journal, and the process will be called Journalizing.

As we believe that no one can journalize who cannot analyze a business transaction, we intend to first take a series of transactions, to note in each one the thing that is received and the thing that is given out, and then to follow this by showing how this analyzing really gives us the debits and credits for our Journal entries.

BUSINESS TRANSACTIONS ANALYZED

EXERCISE 1.

Copy this.

Sold S. J. Stubbs, farm in Perth County for \$15,000.00 in cash.

We receive
\$15,000 in money, known as
CASH.

We give out
A Farm, known as
REAL ESTATE.

Bought of John Brown, for cash, 10 barrels of Beef at \$10.00.

We receive
10 barrels of Beef, known as
MERCHANDISE.

We pay out
\$100 in money, known as
CASH.

Sold Amos Smith, for cash, 6 barrels of Beef at \$11.00.

We receive
\$66.00 in money, known as
CASH.

We give out
6 barrels of Beef, known as
MERCHANDISE.

Bought of James Ransom, for cash, 10 barrels of Flour at \$10.00; 50 barrels of Pork at \$8.00.

We receive
10 barrels of Flour and 50 barrels of
Pork, known as
MERCHANDISE.

We pay out
\$500 in money, known as
CASH.

Bought of J. Thurman, for cash, a House and Lot on Park Avenue, for \$2,500.

We receive
A House and Lot, known as
REAL ESTATE.

We pay out
\$2,500.00 in money, known as
CASH.

Sold to William Allen, for cash, 10 barrels of Beef at \$10.00; 5 barrels of Flour at \$6.00

We receive
\$130 in money, known as
CASH.

We give out
Beef and Flour, known as
MERCHANDISE.

Bought of William Parsons, for cash, a Farm in York County for \$4,000.00.

We receive
A Farm, known as
REAL ESTATE.

We pay out
\$4,000.00 in money, known as
CASH.

Sold to Martin Beem, for cash, 4 barrels Beef at \$10.00.

We receive
\$40.00 in money, known as
CASH.

We give out
4 barrels of Beef, known as
MERCHANDISE.

Bought of Henry Seymour, for cash, 10 Shares Montreal Bank Stock at \$100.00.

We receive
A certain number of Shares of Stock
known as
BANK STOCK.

We give out
\$1,000.00 in money, known as
CASH.

Sold to William Lyman a House and Lot on Park Ave., received in payment 200 barrels of Flour at \$10.00, 80 barrels of Pork at \$8.00.

We receive
Flour and Pork, known as
MERCHANDISE.

We give out
House and Lot, known as
REAL ESTATE.

Bought of G. B. Frost, for cash, 3 barrels of Kerosene at \$5.00, 4 barrels Lard Oil at \$10.00.

We receive
Kerosene and Lard Oil, known as
MERCHANDISE.

We give out
\$55.00 in money, known as
CASH.

Sold to W. H. Strong, 100 barrels Flour at \$9.00; 50 barrels of Pork at \$8.00; received in payment 13 shares of C. P. R. Stock at \$100.00.

We receive
13 Shares, known as
C.P.R. STOCK.

We give out
Flour and Pork, known as
MERCHANDISE.

Bought of M. Perrine, a House and Lot in Weston for \$4,100.00; gave in payment for same Farm purchased of W. Parsons.

We receive
House and Lot, known as
REAL ESTATE.

We give out
A Farm, known as
REAL ESTATE.

Sold C. L. Wilson 20 bbls. Pork at \$10.00, 2 bbls. Flour at \$7. Received in payment 2 hds. Sugar at \$80.00; 27 boxes of Boston Crackers at \$2.00.

We receive
Sugar and Crackers, known as
MERCHANDISE.

We give out
Pork and Flour, known as
MERCHANDISE.

Bought for cash from Toronto Nail Co., 10 kegs of Flooring Brads at \$4.00.

We receive
Flooring Brads, known as
MERCHANDISE.

We give out
\$40 in money, known as
CASH.

Sold Thomas Hamer 5 shares Montreal Bank Stock at \$100.00. Received in payment cases Gingham (5,000 yards) at 10c.

We receive
5 cases Gingham, known as
MERCHANDISE.

We give out
5 shares Stock, known as
MONTREAL BANK STOCK.

It is thus that the student must analyze every business transaction into these two elements if he would successfully make a Journal entry for the transaction. When the analysis is before him, all that he needs to know further is that the account representing the thing received is debited, while the account representing the thing given out is credited. Among bookkeepers the conventional plan is to set the debit entry first and the credit entry second, so that even if they are not marked we always know from the order, which is the debit and which is the credit.

Copy this.

JOURNAL DAY BOOK

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Toronto Ont. Jan. 1, 1910

Jan 1	Cash	Sold J. V. Stubbs	11	1500 00	
	Real Estate	farm in York county	11		1500 00
		for cash			
	Mass	Bot of J. Brown for	4	100 00	
	Cash	cash	4		100 00
		4 bbls Beef at \$10 ⁰⁰ 40 ⁰⁰			
	Mass	Sold Anna Smith	11	66 00	
	Medse	for cash	11		66 00
		5 bbls Beef at \$10 ⁰⁰ 50 ⁰⁰			
3	Medse	Bot of J. Ransom	4	500 00	
	Cash	for cash	4		500 00
		10 bbls Flour at \$5 ⁰⁰ 50 ⁰⁰			
		50 Pork at 8 ⁰⁰ 400 ⁰⁰			
					500 00
	Real Estate	Lot house & lot on Park	4	2500 00	
	Cash	Ave for cash \$2500 ⁰⁰	4		2500 00
	Cash	Sold W. Allen for cash			
	Mass	4 bbls Beef at \$10 ⁰⁰ 40 ⁰⁰	4	130 00	
		5 Flour at 6 ⁰⁰ 30 ⁰⁰	4		130 00
	Real Estate	Bot of W. Parsons - cash		4000 00	
	Cash	York county farm			4000 00
	Cash	Sold M. Burn for cash	4	40 00	
	Medse	4 bbls Beef at \$10 ⁰⁰ 40 ⁰⁰	4		40 00
9	Bank Stock	Bot of H. Seymour - cash	4	1000 00	
	Cash	10 shares Bank of	4		1000 00
		Montreal stock at \$100 ⁰⁰			
10	Medse	Sold W. Lyman house	4	2640 00	
	Real Estate	and lot on Park Ave	4		2640 00
		Received in payment			
		200 bbls Flour at \$10 ⁰⁰ 2000 ⁰⁰			
		60 Pork at 8 ⁰⁰ 480 ⁰⁰			
					2640 00

JOURNAL DAY BOOK.—Continued.

1910.	JOURNAL.	DAY BOOK.				
Jan. 11	Mdsc.	Bot. of P. Frost, for cash,	4	55	00	
	Cash	3 bbls. of Kerosene at \$5, \$15	4			55 00
		4 bbls. of Lard Oil at 10, 40				
		\$55				
" 13	C.P.R. Stock	Sold W. H. Strong for 13 shares of	4	1300	00	
	Mdsc.	C.P.R. stock,	4			1300 00
		100 bbls. of Flour at \$9.00, \$900				
		50 bbls. of Pork at \$8.00, \$400				
		\$1300				
" 15	Real Estate	Bot. of M. Perrine house and lot in	4	4100	00	
	Real Estate	Weston gave in payment farm bot.	4			4100 00
		of W. Parsons				
" 15	Mdsc.	Sold L. Wilson	4	214	00	
	Mdsc.	20 bbls. of Pork at \$10, \$200	4			214 00
		2 bbls. of Flour at \$7, 14				
		\$214				
		and received in payment				
		2 hhds. Sugar at \$80, \$160				
		27 boxes of B Crackers at \$2, 54				
		\$214				
" 16	Mdsc.	Bot. for cash, from Toronto Nail Co.,	4	40	00	
	Cash	10 kegs of Flooring Brads at \$4, \$40	4			40 00
" 17	Mdsc.	Sold T. Hamer 5 shares of bank stock,	4	500	00	
	Bank Stock	Received in payment 5 cases of	4			500 00
		Gingham, 5000 yds. at 10c, \$500				

In the succeeding exercises on journalizing the student will first draw up a skeleton form for analyzing each of the transactions as follows:—

VALUES OR SERVICES RECEIVED.

1. Bills Receivable.
2. Merchandise.
3. Cash and Discount.

VALUES OR SERVICES GIVEN OUT.

- Merchandise.
- Cash.
- Bills Receivable.

When this analysis has been made, the student will use it in getting the Journal entries for the exercises which will be arranged, as in the sample submitted, in Journal Day Book form.

EXERCISE 2.

- Feb. 1. Sold Stephen Johnson on his note, 10 bbls. of Sugar, at \$8 = \$80.
 " 2. Bought of H. Seymour, for Cash, 15 bbls. Pork, at \$12; 300 bush. of Corn, at 40c.
 " 3. Sold Joseph Burton, for Cash, Stephen Johnson's note, \$80, less \$4 discount.

- Feb. 4. Sold to W. Harrigan, on his Note, 40 bbls. of Pork, at \$12.50.
- " 5. Bought of W. K. Nathan, 387 bush. of Corn, at 20c. ; 500 bush. of Oats, at 40c. ; 200 bush. of Wheat, at \$1.00 ; 226 bush. of Rye, at 10c. Gave in payment W. Harrigan's note, which I received on the 4th inst.
- " 7. Bought for Cash of H. W. Seymour, 20 bbls. Flour, at \$8.
- " 8. Bought of J. Harrigan, on my Note, 20 pieces of Merrimac Prints, at \$3 — \$60.
- " 10. Borrowed Cash of J. Stewart on my Note, \$375.
- " 11. Paid Cash for my Note, favor of J. Harrigan, \$60.
- " 12. Bought of Thomas King, on my Note, 15 boxes of Cigars, at \$10 ; 10 sacks of Coffee, at \$5 ; 6 boxes of Crackers, at \$2 ; 9 boxes of Toilet Soap, at \$2.
- " 13. Bought of Charles Hume, House and Lot, No. 195 Dunn Ave., for \$4,000. Gave in payment, my Notes, as follows:—One note, due 6 months from date, for \$1,400 ; one due in 8 months from date, \$1,400 ; and one due in 12 months from date, \$1,200.
- " 15. Sold Henry A. Wise, on his Note, at 60 days, 50 bush. Corn, at 40c. ; 7 boxes Cigars, at \$10 ; 4 boxes of Toilet Soap, at \$2.50.
- " 16. Exchanged notes with Warren Spencer for our mutual accommodation, each made for \$600.
- " 17. Sold Charles Fox 25 bbls. of Pork at \$8. Received in payment his note at 30 days.
- " 18. Paid Cash for my Note, due in 6 months, for \$1,400, less \$10 discount.
- " 19. Bought of W. Gordon, 6 shares of Street Railroad Stock, at \$100. Gave in payment Warren Spencer's note, \$600.
- " 20. Bought of Strong & Co. on my note, 50 kegs of Nails, at \$4 ; 3 doz. saws, at \$25 ; 6 doz. Hinges, at \$6.
- " 23. Received Cash of Charles Fox, in payment of his note of the 17th inst., \$200.
- " 24. Paid Cash for my Note, due in eight months from date, favor of Charles Hume, for \$1,400. Discount allowed, \$50.
- " 25. Sold to George Walker, 4 shares of the Street Railroad Stock, at \$100. Received in payment, Samuel Boyd's Note, endorsed by George Walker, for \$400.

JC BALIZING.

EXERCISE 3.

- Mar. 1. Sold John Smith, 100 bbls. Flour, at \$7. Received in payment Cash, \$600 ; his Note, at 30 days, for balance.
- " 2. Sold John Smith's note for \$100. Received in payment Cash, \$25 ; Mdse. amounting to \$70. Disc. \$5.
- " 3. Sold Wm. Anderson 20 bbls. Sugar, at \$18. Received in payment his note for \$200 ; Cash for balance.
- " 4. Bought of Henry Turner 20 bbls. of Flour, at \$8. Paid him Cash, \$60 ; my Note at 60 days, for \$100.
- " 5. Bought of James Dennis 5 shares of Bank Stock at \$200. Paid him my Note at 90 days, for \$200 ; 1,000 bush. of Wheat, at 60c. ; Cash for balance.
- " 6. Sold Harrison Smith 2 shares Bank Stock, at \$200 ; 20 bbls. Flour, at \$5. Received in payment Cash in full.
- " 7. Bought of C. W. Coleman 200 bush. Corn, at 40c. ; 5 shares of Railroad Stock, at \$120. Paid for same my Note at 30 days, drawing 7% interest.

- Mar. 8. Paid Henry Turner for my Note of the 4th inst., Cash, \$50 ; 10 bbls. Pork, at \$5.
 " 9. Sold R. Sinder 50 bbls. Flour, at \$5 ; 1 share Bank Stock, \$200. Received in payment 10 bbls. Pork, at \$10 ; his Note at 30 days for \$200 ; Cash for balance.
 " 10. Bought of C. O. Godfrey, House and Lot for \$1,200 ; 50 bbls. Fish, at \$7. Paid him 2 shares Bank Stock, at \$200 ; 50 bbls. Pork, at \$10 ; R. Sinder's note for \$200 ; my note for \$200 ; Cash for balance.
 " 11. Bought from L. Johnson, for Cash, 300 bush. Wheat at 65c.
 " 15. Sold House and Lot, purchased on the 10th inst., for \$1,500. Received in payment Stock of Goods for \$1,200 ; James Andrew's Note for the balance, \$300.
 " 16. Sold John Goodspeed, 50 bbls. Sugar, at \$20. Received in payment his Note for \$300 ; Cash for balance.
 " 17. Bought of Henry Troy, for Cash, 200 bush. of Apples, at 30c.
 " 18. Paid my Note, favor of C. O. Godfrey. Gave 100 bush. Corn, at 60c. ; Cash for balance.
 " 25. Sold Thomas Kennedy on his Note, 300 bush. Corn, at 50c. ; 200 bush. Wheat, at 65c. ; 40 bbls. Pork, at \$10 ; 300 bbls. Salt, at \$2.
 " 26. Received Cash of Thomas Kennedy for his Note of the 25th inst.—less discount, \$12.
 " 30. Sold to Amos Duncan, 500 bbls. Flour, at \$6 ; 30 shares Union Bank Stock, at \$100. Received in payment, Cash, \$1,000 ; James Anderson's Note for \$2,000 ; his Note at 90 days for the balance.
 End of Sixth Section. Hand in work for certification.

Section 7.

POSTING.

Transferring entries from the Journal to the Ledger is called posting. The student will have noted in his Journal that certain items are continually recurring. For instance, cash is debited or credited in a number of places. Again, merchandise is debited and credited in a number of places. The object of posting is simply to get these debits and credits, as they may relate to a particular account, systematically arranged in one spot in the Ledger. That is, all cash received and paid out will be noted under the heading "Cash." Again, all merchandise bought or sold will be noted under the heading "Merchandise." The object of thus getting a convenient arrangement will be easily understood. If the proprietor wishes to know the amount of cash in hand, he does not want to go through his Journal and pick out the cash items one by one, from perhaps a dozen or more pages. He expects to find the material from which he can strike a cash balance in one convenient spot—the Ledger.

DIRECTIONS FOR POSTING SAMPLE JOURNAL.

All amounts in the debit money column of the Journal are carried to the debit side of the Ledger. All amounts in the credit column of the Journal are carried to the credit side of the Ledger.

The first item in the Journal is cash; the amount is \$15,000. Turn to the Cash Account in your Ledger, and on the debit side in the date column, write the number representing the year, and underneath it, the date, Jan. 1st. Next, in the money column, on the debit side, put the amount, \$15,000. To the left of this money column, you will find a narrow column, known as the Folio column. In this Folio column you will place the number of the page of the Journal (35) from which you took this cash entry. Then, in the Journal, to show that you have posted the item, you will place in the Folio column the figure 4, to show the page of the Ledger to which you have carried the amount. Next you will turn to the Cash Account in the Ledger. Place the number of the year and the date as before, this time, however, on the credit side of the Ledger. Place the \$15,000 in the money column on the credit side, and place the Folio number (35) as before. Then turn to your Journal, and place the folio of the Ledger (4) in the proper place. You have thus placed \$15,000 on the debit side of your ledger, and the same amount on the credit side. The Ledger, even though it is not balanced, must be in balance, and the principle of double entry, namely, that every debit must have a corresponding credit, is again brought before our notice.

Next entry, merchandise is debited for \$100. To post this, you turn to the Merchandise Account in the Ledger, and on the debit side in the date column, place first the number of the year, and underneath it the date, Jan 1st. Next, in the money column, place \$100, and in the Folio column, just before the money column, place the page of the Journal (35) from which you took your entry. Then go to the Journal, and just before the amount, \$100, and in the Folio column, place the figure 4, to show the page of the Ledger to which you posted the entry. The second part of this entry shows that Cash is credited for \$100. To post this, go to the Cash Account and, on the credit side, put in, first the date, then the amount, and lastly your Folio mark.

In this way you will continue alternately placing one figure on the debit side of the Ledger and the corresponding amount on the credit side of the Ledger, until you have completed the posting of all the Journal entries.

Copy this.

DR.

LEDGER.
MERCHANDISE.

CR.

1910.					1910.				
Jan.	1		35	100	Jan.	2		35	66
"	3		35	500	"	5		35	130
"	10		35	2640	"	8		35	40
"	11		35	55	"	13		35	1300
"	15		35	214	"	15		35	214
"	16		35	40					
"	17		35	500					

CASH.

1910.					1910.				
Jan.	1		35	15000	Jan.	1		35	100
"	2		35	66	"	3		35	500
"	5		35	130	"	4		35	2500
"	8		35	40	"	6		35	4000
					"	9		35	1000
					"	11		35	55
					"	16		35	40

REAL ESTATE.

1910.				1910.			
Jan.	4	35	2500	Jan.	1	35	15000
"	6	35	4000	"	10	35	2640
"	15	35	4100	"	15	35	4100

BANK STOCK.

1910.				1910.			
Jan.	9	35	1000	Jan.	17	35	500

C.P.R. STOCK.

1910.			
Jan.	13	35	1300

THE LEDGER INDEX.

In order to enable anyone to find an account in the Ledger it is customary to place in the front of the book an Alphabetical Index. Should the Ledger be a very large one this Index may occupy a separate book. We append a part of a simple form of Index.

Make copy.

A.		B.	
Adams, G. H.	60	Bills Receivable	28
Aikins, W.	41	Bills Payable	35
		Brown, Henry	68
C.		D.	
Clarke, Geo.	48	Dunn, M.	45
Constable, P. J.	75	Davis, Chas.	64

TRIAL BALANCE.

The student should now be quite familiar with journalizing and posting. He will have noticed in posting, that, for every amount carried to the debit side of an account, an equal amount has been carried to the credit side of some other account. This is the principle upon which double entry is founded—*i.e.*, that *every debit must have a corresponding credit*. It shows that each transaction requires two or more entries to be made in the Ledger, to make the record complete; hence the name, Double Entry. If, therefore, no errors have been made in posting, the Debits and Credits in the Ledger must be equal, and the book is said to be in balance. To find whether this is so or not, we proceed to take off a Trial Balance.

The first step in this operation is to foot the amounts in the Ledger. This consists in adding each side of every account in the Ledger, and placing the total directly underneath in small but distinct pencil figures. The next step is to rule a sheet of paper with two money columns and folio column, leaving sufficient space to the left in which to write the names of the Ledger accounts. Opposite each account place the footings shown in pencil in the Ledger, writing the debit footings in the first money column and the credit in the second. When these footings are all carried into the Trial Balance, you proceed to find the totals of these columns. If correct, the total footings of debits in first money column will exactly

agree with the total footings of credits in the second money column. It will thus be seen that the Trial Balance is a collection of the debits and credits in the Ledger, and is used to show that the total debits as posted are equal to the total credits in the Ledger.

The following is a form of Trial Balance taken from a Ledger :—

Make copy

NAMES OF ACCOUNTS	L.F.	DEBITS	CREDITS
Proprietor	1	\$100 00	\$4,000 00
Cash	2	7,765 00	5,242 00
Merchandise	3	8,012 50	5,472 50
Expense	4	417 00	
J. D. Benson	5	100	500 00
W. E. Shaw	5	250 00	100 00
D. Hanna	6	700 00	1,175 00
A. D. Bell & Co.	6		462 50
Sherlock & Small	7	600 00	
A. O. Miller	7	200 00	800 00
Bills Receivable	8	1,482 50	525 00
Bills Payable	9	250 00	1,600 00
		19,877 00	19,877 00

TRIAL BALANCE BY BALANCES.

Instead of placing in the two columns of the Trial Balance the total amounts of both debits and credits, we may get the same result by taking the balances of the different accounts, and by placing opposite the name of each account the debit or credit balance, as the case may be. This method is always followed where the Ledger from which the Trial Balance is taken, is ruled with a balance column in addition to the debit and credit columns (See page 67), and the balance is always extended as each entry is made.

Make copy

TRIAL BALANCE BY BALANCES.

NAME OF ACCOUNTS	L.F.	DEBIT BALANCES	CREDIT BALANCES
Proprietor	1		\$3,900 00
Cash	2	\$2,523 00	
Merchandise	3	2,540 00	
Expense	4	417 00	
J. D. Benson	5		400 00
W. E. Shaw	5	150 00	
D. Hanna	6		475 00
A. D. Bell & Co.	6		462 50
Sherlock & Small	7	600 00	
A. O. Miller	7		600 00
Bills Receivable	8	957 50	
Bills Payable	9		1,350 00
		7,187 50	7,187 50

BALANCE SHEET.

After becoming familiar with the Trial Balance, taken to test the correctness of the Ledger, we next extend the results contained in a Trial Balance into a Balance Sheet, in order to determine the results of our business. To do this we must remember what resources and liabilities are; also, what are losses and gains. We must also remember the *two* different classes of accounts, and be able to decide correctly whether an account shows a resource or liability, a loss, or a gain.

The following form illustrates the extension of a Trial Balance into a Balance Sheet, and should be very carefully studied by the student. He is recommended to copy it carefully, to verify all the extensions into the different columns, and to know the "why" in each case.

Make copy

COLUMNAR BALANCE SHEET.

NAMES	Fo.	Debits	Credits	Resources	Liabilities	Losses	Gains
Proprietor	1	\$100 00	\$4,000 00				
Cash	2	7,765 00	5,242 00	\$2,523 00 (Inventory)			
Merchandise	3	8,012 50	5,472 50	3,401 88			\$861 88
Expense	4	417 00				\$417 00	
J. D. Benson	5	100 00	500 00		\$400 00		
W. E. Shaw	5	250 00	100 00	150 00			
D. Hanna	6	700 00	1,175 00		475 00		
A. D. Bell & Co.	6		462 50		462 50		
Sherlock & Small	7	600 00		600 00			
A. O. Miller	7	200 00	806 00		600 00		
Bills Rec.	8	1,482 50	525 00	957 50			
Bills Pay.	9	250 00	1,600 00		1,350 00		
		19,877 00	19,877 00	\$7,632 38	\$3,287 50	\$417 00	\$861 88

SUMMARY

Total Resources,	\$7,632 38	Total Gains,	\$861 88	Net Credit,	\$3,900 00
" Liabilities,	3,287 50	" Losses,	417 00	" Gain,	444 88
P. Worth,	<u>\$4,344 88</u>	Net Gain,	<u>\$444 88</u>	P. Worth,	<u>\$4,344 88</u>

HOW THE TRIAL BALANCE IS EXTENDED INTO THE BALANCE SHEET.

1. Proprietor's Account.—This shows neither Resource nor Liability, Loss nor Gain, and no extension is made.

2. Cash Account.—The difference between the two sides of the Cash Account must always be in favor of the debit side, and shows a resource.

3. Merchandise Account.—If any goods are on hand the value of them will be a resource to the business, and is therefore entered in the Resource column (\$3,401.88). In finding the gain we add the Inventory to the Credit side and then subtract the Debit side from the total. Thus, (\$5,472.50 + \$3,401.88) - \$8,012.50 = \$861.88.

4. Expense. This account always shows a loss.
5. Personal Accounts.—Show either a resource or liability. If the debit side, which shows the value received from us, is greater, then the balance is a resource, as in the case of W. E. Shaw, and Sherlock and Small. If the credit side is the greater, then the difference is extended to the Liability column.
6. Bills Receivable.—This account, like the cash, must show a balance in favor of the debit side. This balance is, of course, a resource.
7. Bills Payable.—This account is just the opposite of the Cash and the Bills Receivable accounts. Its balance is always in favor of the credit side and must be extended into the Liability column.

In General.—When the extensions are all made the columns should be footed and the summary made out. This summary shows the Present Worth as obtained by two methods. First, by subtracting the Liabilities from the Resources. Second, by adding the Net Gain to the Net Credit, or difference between the two sides of the Proprietor's account. If the two methods give the same amount for the Present Worth, it is taken as a proof of the correctness of the work.

CLOSING THE LEDGER.

After completing the Balance Sheet, the next step to be undertaken is to close the Ledger. This means to balance all accounts in red ink, rule them off neatly, and to bring down the balances and inventories below the rulings in readiness for continuing the business. The following order is recommended:—

FIRST—Enter all inventories in proper accounts in red ink.

SECOND—Close all Loss and Gain Accounts by writing the difference on smaller side in red ink, describing it as "Loss and Gain."

THIRD—Make up a Loss and Gain Account in Ledger by carrying all Gains into Credit side and all Losses into Debit side, using black ink.

FOURTH—Close this Loss and Gain Account into the Proprietor's Account. (Red ink.)

FIFTH—Close Proprietor's Account, using the title, "Present Worth." (Red ink.)

SIXTH—Close all Balance Accounts, using the title, "Balance." (Red ink.)

SEVENTH—Rule (red ink), put in footings, and bring down Balances, Inventories, and Present Worth (black ink.)

NOTE—In some Ledgers the Balance Accounts are supplied with Balance columns. When this is the case no closing entry or ruling is necessary.

SET NO. 1.

After mastering the foregoing work, the student will enter the following transactions neatly in Journal Day-Book, post to Ledger, take Balance Sheet and close all accounts correctly. From this time forward the student will place final work in regular Books of Account.

- Jan. 1. Began business with Cash on hand, \$2,500.
 " 2. Bought 25 bbls. Flour, for Cash, \$125.
 " 3. Sold J. O. Dean, for Cash, 10 bbls. Flour, \$6.50 = \$65.
 " 4. Bought from Mills & Co., on account, 15 bbls. Potatoes, \$3 = \$45.

- Jan. 5. Sold J. W. Best, on account, 15 bbls. Potatoes, \$4 = \$60.
 " 6. Bought House and Lot, Huron St., for Cash, \$1,600.
 " 8. Paid Cash for repairs on House and Lot, Huron St., \$27.35.
 " 9. Paid Cash to Mills & Co., on account, \$45.
 " 10. Received Cash from J. W. Best, on account, \$25.
 " 11. Received Cash from A. D. Green, for rent of House and Lot, Huron St., \$18.
 " 12. Sold King & Co., on account, 15 bbls. Flour, \$6.75 = \$101.25.
 " 13. Bought from Allen & Co., on account, 40 bbls. Flour, \$5 = \$200.
 " 16. Sold J. Bennett & Co., for Cash, 15 bbls. Flour, \$6 = \$90.
 " 17. Received Cash from King & Co., \$50.
 " 18. Bought from Mills & Co., on account, 40 bbls. Potatoes, \$2.50 = \$100.
 " 19. Paid Cash to Allen & Co., on account, \$100.
 " 20. Bought for Cash, Lot, Carleton Place, \$650.
 " 22. Received Cash from J. W. Best, on account, \$35.
 " 23. Sold King & Co., on account, 25 bbls. Flour, \$6.50 = \$162.50.
 " 24. Paid Cash for grading Lot, Carleton Place, \$4.75.
 " 25. Paid Mills & Co., on account, \$35.
 " 26. Sold Lot, Carleton Place, for Cash, \$700.
 " 27. Sold J. W. Best, on account, 20 bbls. Potatoes, \$4 = \$80.
 " 28. Received Cash from King & Co., in full of account, \$213.75.
 " 30. Paid Cash to Allen & Co., in full of account, \$100.

INVENTORY.

Merchandise, 20 bbls. Potatoes, \$2.50.....	\$50 00
House and Lot, Huron St.....	1,600 00

The Journal Day-Book, Ledger, and Balance Sheet for Set 1 are shown herewith, so that you will simply make a copy of them. Try to get such a grasp of the work done that you will be able to work out the succeeding sets on the same lines.

NOTE—Your Journal Day-Book may have the Entry and Explanation columns in different order.

TORONTO, JANUARY 1, 1912.

Make copy.

Page 12.

1912.							
Jan	1	Cash	Began business with	19	\$2,500 00		
		Proprietor	cash on hand	19		\$2,500 00	
			\$2,500.00				
"	2	Mdse.	Bot. for cash	19	125 00		
		Cash	25 bbls. Flour	19		125 00	
			\$125.00				
"	3	Cash	Sold J. O. Dean for cash	19	65 00		
		Mdse.	10 bbls. Flour at \$6.50	19		65 00	
			\$65.00				
"	4	Mdse.	Bot. from Mills & Co. on acct.	19	45 00		
		Mills & Co.	15 bbls. of Potatoes at \$3	20		45 00	
			\$45.00				

1912 Jan.	5	J. W. Best Mdse.	Sold J. W. Best on acct. 15 bbls. Potatoes at \$4	5 \$60.00	20 19	\$60 00		\$60 00
"	6	Real Estate Cash	Bot. house and lot on Huron St. for cash	6 \$1,600	20 19	1,600 00		1,600 00
"	8	Real Estate Cash	Paid cash for rep. on house and lot on Huron St.	8 \$27.35	20 19	27 35		27 35
"	9	Mills & Co. Cash	Paid cash to Mills & Co. on acct.	9 \$45.00	20 19	45 00		45 00
"	10	Cash J. W. Best	Recd. cash of J. W. Best on acct.	10 \$25.00	19 20	25 00		25 00

TORONTO, JANUARY 11, 1912.

Page 13

1912. Jan.	11	Cash Real Estate	Recd. Cash from A. D. Green for rent of house and lot, Huron St.	11 \$18.00	19 20	18 00		18 00
"	12	King & Co. Mdse.	Sold King & Co. on acct. 15 bbls. Flour at \$6.75	12 \$101.25	20 19	101 25		101 25
"	13	Mdse. Allen & Co.	Bot. from Allen & Co., acct. 40 bbls Flour at \$5.00	13 \$200.00	19 20	200 00		200 00
"	16	Cash Mdse.	Sold J. Bennett & Co. for cash 15 bbls. Flour at \$6	16 \$90.00	19 19	90 00		90 00
"	17	Cash King & Co.	Recd. cash from King & Co.	17	19 20	50 00		50 00
"	18	Mdse. Mills & Co.	Bot. from Mills & Co., on acct. 40 bbls. Potatoes at \$2.50	18 \$100.00	19 20	100 00		100 00
"	19	Allen & Co. Cash	Paid cash to Allen & Co. on acct.	19 \$100.00	20 19	100 00		100 00
"	20	Real Estate Cash	Bot. for cash, lot, Carleton Place	20 \$650.00	20 19	650 00		650 00
"	22	Cash J. W. Best	Recd. cash from J. W. Best on acct.	22 \$35.00	19 20	35 00		35 00

Merchandise : 20 bbls. Potatoes at \$2.50.....	\$50 00
House and Lot, Huron St.	1,600 00

Page 19.

DR.		PROPRIETOR.		CR.	
1912.				1912.	
Jan. 31	Present worth (^{red} / _{ink})	\$2,674	65	Jan. 1	12 \$2,500 00
				" 30	By Loss and Gain 174 65
		<u>\$2,674</u>	<u>65</u>		<u>\$2,674 65</u>
				1912.	
				Jan. 31	Present worth \$2,674 65

		Bills			
Jan 1	12	250.00	Jan 1	12	250.00
" 3	12	65.00	" 3	12	65.00
" 10	12	25.75	" 10	12	25.75
" 11	13	18.75	" 11	13	18.75
" 16	13	141.00	" 16	13	141.00
" 17	13	5.00	" 17	13	5.00
" 22	13	35.00	" 22	13	35.00
" 26	14	75.00	" 26	14	75.00
" 28	14	212.75	" 28	14	212.75
		369.75	By Balance		369.75
Jan 31	To Balance	100.75			

		Merchandise			
Jan 2	12	25.00	Jan 2	12	25.00
" 4	2	45.00	" 4	12	65.00
" 13	13	200.00	" 13	13	12.25
" 18	13	100.00	" 13	13	75.00
" 30	To Cash	138.75	" 14	14	162.50
			" 14	14	35.00
					55.75
					5.75
					603.75
Jan 31	To Inventory	50.00			

		Mills			
Jan 7	12	45.00	Jan 7	12	45.00
" 25	14	35.00	" 25	13	100.00
" 31	To Balance	65.00	" 31	14	145.00
		145.00	By Balance		65.00

		J.W. Bond			
Jan 5	12	60.00	Jan 5	12	25.00
" 27	14	80.00	" 27	13	35.75
		140.00	" 31	14	60.00
					30.00
					140.00
Jan 31	To Balance	80.00			

REAL ESTATE.

1912.				1912.			
Jan. 6	12	\$1,600	00	Jan. 11	13	\$18	00
" 8	12	27	35	" 26	14	700	00
" 20	13	650	00			718	00
" 24	14	4	75	" 31 By Inventory (red ink)		1,600	00
		2,282	10				
" 31 To Loss and Gain (red ink)		35	90				
		<u>\$2,318</u>	<u>00</u>			<u>\$2,318</u>	<u>00</u>
Jan. 31 To Inventory		\$1,600	00				

KING & Co.

1912.				1912.			
Jan. 12	13	\$101	25	Jan. 17	13	\$ 50	00
" 23	14	162	50	" 28	14	213	75
		<u>\$263</u>	<u>75</u>			<u>\$263</u>	<u>75</u>

ALLEN & Co.

1912.				1912.			
Jan. 19	13	\$100	00	Jan. 13	13	\$200	00
" 30	14	100	00				
		<u>\$200</u>	<u>00</u>			<u>\$200</u>	<u>00</u>

LOSS AND GAIN.

1912.				1912.			
Jan. 31 To Proprietor (red ink)		\$174	65	Jan. 31 By Mdse.		\$138	75
				" 31 " R. Est.		35	90
		<u>\$174</u>	<u>65</u>			<u>\$174</u>	<u>65</u>

Make copy.

COLUMNAR OR WORKING BALANCE SHEET.

ACCOUNTS	Fo	Debits	Credits	Resources	Liabilities	Losses	Gains
Proprietor	19		\$2,500 00				
Cash	19	\$3,696 75	2,687 10	\$1,009 65			
Mdse.	19	470 00	558 75	50 00			
Mills & Co.	20	80 00	145 00		\$65 00		\$138 75
J. W. Best	20	140 00	60 00	80 00			
Real Estate	20	2,282 10	718 00	1,600 00			35 90
King & Co.	20	263 75	263 75				
Allen & Co.	20	200 00	200 00				
		<u>\$7,132 60</u>	<u>\$7,132 60</u>	<u>\$2,739 65</u>	<u>\$65 00</u>		<u>\$174 65</u>

SUMMARY.

Total Resources,	\$2,739.65	Total Gains	\$174.65	Net Credit	\$2,500.00
" Liabilities,	65.00	" Losses	Nil	" Gain	174.65
Present Worth,	<u>\$2,674.65</u>	Net Gain	<u>\$174.65</u>	Present Worth,	<u>\$2,674.65</u>

SECOND OR PROOF TRIAL BALANCE.

ACCOUNTS	Fo.	Debits	Credits
Proprietor			\$2,674 65
Cash		\$1,009 65	
Mdse.		50 00	
Mills & Co.			65 00
J. W. Best		80 00	
Real Estate		1,600 00	
		<u>\$2,739 65</u>	<u>\$2,739 65</u>

The above form should be an exact reproduction of the figures found in the ledger below the rulings.

KINDS OF BOOKS.

A Principal Book is one to which or from which entries are posted.

In the foregoing set the Journal Day-Book and Ledger are Principal Books.

An Auxiliary Book is one which is used for recording facts, but from which no posting is done.

A Book of original entry is one in which a record of facts is first made. The Journal Day-Book as we have used it is a book of original entry. Books of this kind are the only ones admitted as evidence in Courts of Law. It is very important, therefore, that there should be no erasure in them.

CORRECTION OF ERRORS.

Methods of correcting errors vary according to the nature of the books in which the errors may be found. A correction in a book of original entry must not be made in a way which will obliterate the first entry or raise any doubt as to its truthfulness. No erasure, or changes of figures or words is permissible in these books. In any other book, however, corrections may be made in any way which will not destroy the neatness of the page.

An error in a book of original entry may be corrected by marking the entry "void," "corrected, page—," or we may draw red lines through the entry and then note the page where the right entry will be found. The corrected entry should note the place where the incorrect entry will be found. If the incorrect entry has been posted it may be necessary to make cross entries to correct the effect on the Ledger.

DIFFERENT FORMS OF LEDGER.

The Ledger we have presented to you is perhaps the simplest and the commonest in use. While we may find a variety of forms, it will be remembered that the idea of the book is always the same. It is a list of the accounts of the business. We have already seen what the accounts should show. For instance, the object of Cash Account is to show our dealings in cash, the amount received, the amount paid out and the amount on hand. You may easily understand that this may be shown in a number of ways. In other words, we may have a number of forms of Ledger.

This fact should be understood in connection with any book of account if the student is to avoid making the mistake that every difference in the ruling or in the form of a book means a different system of bookkeeping. A Ledger is a Ledger, and a careful student should be able to see through any little difference of form to the real essence of the book.

We present herewith another form of Ledger in which we have entered some of the accounts already entered in the illustrated Ledger for Set 1. We recommend the student to rule paper and carefully copy these forms. We also recommend the student to carefully consider any different form of ledger that may come before his notice, with the idea of understanding how the information, that the Ledger must always show, is set forth.

Make Copy

KING & CO.

DATE	JOURNAL REFERENCE		DR. DEBITS		CR. CREDITS		BALANCE	
1912.								
Jan.	12	13	\$101	25			\$101	25
"	17	13			\$50	00	51	25
"	23	14	162	50			213	75
"	28	14			213	75		

MILLS & CO.

1912.								
Jan.	4	12			\$45	00	(red) \$45	00
"	9	12	\$ 45	00				
"	18	13			100	00	(red) 100	00
"	25	14	35	00			(red) 65	00

J. W. BEST.

1912.								
Jan.	5	12	\$ 60	00			\$60	00
"	10	12			\$25	00	35	00
"	22	13			35	00		
"	27	14	80	00			80	00

MERCHANDISE.

DATE		JOURNAL REFERENCE	DEBIT	CREDIT
1912.				
Jan.	2	12		
"	3	12	\$125 00	
"	4	12		\$65 00
"	5	12	45 00	
"	12	13		60 00
"	13	13		101 25
"	16	13	200 00	
"	18	13		90 00
"	23	14	100 00	
"	27	14		162 50
"	31	Inventory (Red ink)		80 00
"	31	Loss and Gain (Red ink)		50 00
			138 75	
			\$608 75	\$608 75
Jan.	31	Inventory	\$ 50 00	

REAL ESTATE.

1912.				
Jan.	6	12	\$1,600 00	
"	8	12	27 35	
"	11	13		\$ 18 00
"	20	13	650 00	
"	24	14	4 75	
"	26	14		700 00
"	31	Inventory (Red ink)		1,600 00
"	31	Loss and Gain (Red ink)	35 90	
			\$2,318 00	\$2,318 00
Jan.	31	Inventory	\$1,600 00	

PROPRIETOR.

1912.				
Jan.	1	12		
"	31	Loss and Gain		\$2,500 00
"	31	Present worth (Red ink)		174 65
			\$2,674 65	
			\$2,674 65	\$2,674 65
Jan.	31	Present worth		\$2,674 65

NOTES ON THE ABOVE LEDGER.

The Ledger here illustrated brings the debit and credit columns together instead of having them on opposite sides of the page.

Where the balance of the account will at any time show a definite result, as in the case of all resource and liability accounts, provision is made for extending the balance after each entry. The advantage of this will be at once apparent if you consider what would have to be done if we looked up John Brown's account, for instance, and wanted to know what its balance was. If no balance columns were used, it would be necessary to get the sum of the debits and the sum of the credits and then compare these. If the balance column is used, we may tell at a glance the balance of any personal account, the amount of cash on hand, the amount of notes on hand, or the amount of notes outstanding.

In order to tell whether this balance is the debit or credit balance, either of two devices may be employed. We may extend all the debit balances in black ink and all credit balances in red ink, or we may put the mark Dr. or Cr. opposite each balance according to its nature. This form of Ledger is the one generally employed in Banks in keeping accounts with customers in the Deposit Ledger.

Of course with loss and gain accounts where the balance at any time shows no definite result, the balance column is of no use. These accounts are therefore balanced as in the ordinary Ledger.

In the column "Journal reference" we have the page of the Journal from which the entry is posted just as we find it in the folio column of the ordinary Ledger. If we post from different books of account, Sales Book, Cash Book, and Invoice Book, then this reference column in the Ledger would show the initials of the book from which the entry was taken and also the page number, thus:—C. B., 1; S. B., 5; I. B., 8, and so on.

STATEMENTS.

MAKING OUT STATEMENTS OF CUSTOMERS' ACCOUNTS.

One of the important duties devolving upon a bookkeeper at the end of the month is to see that a statement of account is rendered to each customer. These statements are prepared entirely from the Ledger, and, of course, the posting must be done before the statement can be made out.

The student will bear in mind that at the time a sale is made a bill or invoice is sent to the customer giving every detail concerning the list of goods sold. Your Introductory Business Practice has given you practice in writing these invoices. The statement sent at the end of the month does not again itemize all purchases. It simply gives the total amount of each purchase with the date of purchase, and also shows any payments that have been made. The difference will show the balance due from the customer.

We show on page 70 a statement of J. W. Best's account. The student will rule foolscap and make a copy of the same, to be handed in with the set for inspection.

It is not necessary that the Ledger should be closed every time that an account is rendered, but it is well that a memo. of the amount of the balance as rendered should be shown in the Ledger, as follows:—

DR.			J. W. BEST.			CR.		
1912.						1912.		
Jan. 5			12	\$60.00	Jan. 10	12	\$25.00	
" 27 (Account rend. (\$80))			14	80.00	" 22	13	35.00	

Make copy

STATEMENT.

Folio

Jan 31, 19

Mr J. W. Best

Wm. n. yez. Man

In Account with Student.

Jan 5 Mdse

60 00

" 27

80 00

140 00

Cr

" 10 Cash

25 00

22

35 00

60 00

80 00

MAKING UP STATEMENT OF RESOURCES AND LIABILITIES,
LOSSES AND GAINS.

The form of Balance Sheet we have illustrated is a convenient one for the bookkeeper. It presents on one sheet all the facts concerning the business, and is useful in proving his work and closing his Ledger. If it is desired to present the same facts to those who may be interested in the business, but not possessed of a knowledge of bookkeeping, a more explicit form and one more readily understood by the ordinary individual is to be preferred. We submit herewith illustrations of these statements, which the student will place on foolscap to be handed in with the set for inspection.

Make copy

STATEMENT OF RESOURCES AND LIABILITIES, JAN. 31, 1912.

Items		Resources		Liabilities	
Cash	Balance on hand	\$1009	65		
Merchandise	As per inventory	50	00		
J. W. Best	Balance due from him	80	00		
Real Estate	As per inventory	1600	00		
Mills & Co.	Balance due them			\$ 65	00
Present worth (red ink)				2674	65
		\$2739	65	\$2739	65

Make copy.

STATEMENT OF LOSSES AND GAINS, JAN. 31, 1912.

	Items	Losses	Gains
Merchandise	Sales	\$558.75	
	Unsold	50.00	
		608.75	
	Total cost	470.00	
	Gain on Mdse.		\$138 75
Real Estate	Sales and Rents	\$718.00	
	Unsold	1600.00	
		2318.00	
	Total cost	2282.10	
	Gain on Real Estate		35 90
Net Gain (Total)		\$174 65	
		\$174 65	\$174 65

End of Section 7. Hand in work for certification.

Section 8

SET NC

Student will assume Proprietorship and make the following business in Journal Day-Book, post to Ledger, make balance sheet and accounts properly, bring down balances and show second Trial Balance.

TRANSACTIONS.

- Feb. 1. (Student) commenced business this day with a Cash Capital of \$3,500.
- " 2. Bought of W. Brock & Co., Toronto, 50 dozen Men's Linen Shirts at \$10; 100 dozen Ladies' Linen Handkerchiefs, at \$2.50; 2 cases Paper Cambric, 4,000 yds. at 10c.; 200 yds. Bleached Cotton at 10c. Gave in payment my Note at 6 days for \$600; cash for balance.
- " 3. Bought of J. V. Farewell & Co., on account, 50 yds. Irish Linen at 40c.; 100 yds. Sheeting, at 11c.
- " 4. Sold to W. O. Thomas, on account, 10 doz. Men's Linen Shirts, at \$12; 5 yds. Irish Linen, at 50c.
- " 5. Sold to Dodd & Brown, on their Note, at 30 days, 1 case Paper Cambric, 2,000 yds. at 11c.; 10 doz. Ladies' Linen Handkerchiefs, at \$3.

- Feb. 7. Bought of H. B. Claflin & Co., on my Note at 30 days, 1,000 yds. Gingham, at 10c. ; 55 yds. Black Silk, at \$2.75 ; 100 yds. Broadcloth, at \$3.75.
- " 9. Sold to G. B. Fairchild, on account, 30 yds. Black Silk, at \$3 ; 15 yds. Irish Linen, at 55c.
- " 11. Paid W. Brock & Co., Cash for my Note of the 2nd inst., \$600, and interest on same, \$1.20.
- " 12. Sold Henry Russell, City, 50 yds. Sheeting, at 12c. ; 200 yds. Gingham, at 12c. ; 10 doz. Men's Linen Shirts, at \$12. Received in payment, cash, \$50 ; balance on account. (Note : Make two entries, one charging Russell with the whole bill of goods and the other crediting him with the cash.)

BILLS RECEIVABLE.

No.	When Rec'd.	Credit Account	L.F.	Amount	Place and Date	Drawer or Maker	On Whom Drawn	In whose Favor	Where Payable
1	Feb. 5	Dodd & Brown		\$250.00	Feb. 5	Dodd & Brown		Ourselves	Their Office
2	" 19	Henry Russell		100.00	" 19	Henry Russell		"	"
3	" 22	G. B. Fairchild		200.00	" 22	G. B. Fairchild		"	"
4	" 27	W. O. Thomas		50.00	" 27	W. O. Thomas		"	"

BILLS PAYABLE.

No.	When Given	Dr. Account	L.F.	Amount	Place and Date	By Whom Drawn	In Whose Favor	Where Payable
1	Feb. 2	W. Brock & Co.		\$600.00	Feb. 2		W. Brock & Co.	Our Office
2	" 7	H. B. Claflin & Co.		626.25	" 7		H. B. Claflin & Co.	"
3	" 15	J. B. Clark		2000.00	" 15		J. B. Clark	"

- Feb. 15. Sold to C. A. Warren, for Cash, 14 yds. Broadcloth, at \$4 ; 1 case Paper Cambric, 2,000 yds. at 12c.
- " 15. Bought of J. B. Clark, Store and Lot, No. 185 King Street, for \$4,000. Gave in payment, Cash, \$2,000 my Note, at 60 days, for \$2,000.
- " 16. Received Cash of W. O. Thomas, on account, \$75.
- " 18. Sold G. B. Fairchild, on account, 100 yds. Bleached Cotton, at 12c. ; 20 dozen Men's Linen Shirts, at \$12.50.
- " 19. Received of Henry Russell his Note at 30 days, to apply on account, \$100.
- " 20. Sold to F. E. Arnold 20 yds. Irish Linen, at 50c. ; 800 yds. Gingham, at 12c. ; 16 yds. Broadcloth, at \$4. Received in payment J. V. Farewell & Co.'s order on me for \$25 ; balance due on account, \$145.
- " 22. Received of G. B. Fairchild, on account, Cash, \$125 ; his Note at 30 days for \$200.
- " 23. Paid taxes on store and lot, 185 King Street, for current year, in Cash, \$18.30.
- " 24. Received Cash of W. O. Thomas, on account, \$50.
- " 25. Sold to Henry Russell, on account, 50 yds. Sheeting, at 13c. ; 50 doz. Ladies' Linen Handkerchiefs, at \$3.
- " 26. Received Cash from F. E. Arnold, on his account, \$75.00.
- " 26. Paid H. B. Claflin & Co., Cash, on my Note of the 7th inst., \$450.

- Feb 27. Sold to W. O. Thomas, 10 doz. Men's Linen Shirts, at \$12. Received in payment his Note at 10 days, \$50; Cash, \$50; balance on account, \$20.
- " 28. Paid Cash to Robert Law for 2 tons coal used during month, \$13.
- " 28. Received of Dodd & Brown, Cash on their Note of the 5th inst., \$150.
- " 28. Received Cash of the following persons on account: G. B. Fairchild, \$20; F. E. Arnold, \$40.
- " 28. Paid Cash for the following expenses: Clerk's wages to date, \$60; Gas bill for the month, \$10.80; Advertising in the *Times*, \$12
- For method of posting, getting Balance Sheet and closing of Ledger, see pages 55 to 60.

BILLS RECEIVABLE.

When Accepted	Time After		When Due												Rate of Interest	Check Col.	Notes Settled for by		How disposed of
	Sight	Date	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			Sundries	Cash	
		30 days			10												\$150 00		Partial payment Feb. 28.
		30 "			24														
		30 "			29														
		10 "			12														

BILLS PAYABLE.

When Accepted	Time to run After		When Due												Rate of Interest	Check Col.	Notes Settled for by		How Paid.
	Sight	Date	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			Sundries	Cash	
		6 days		11													\$600 00		Paid in Cash, Feb. 11
		30 "			12												450 00		Partial payment, Feb. 26.
		60 "			19														

INVENTORY OF PROPERTY UNSOLD.

40 doz. Ladies' Linen Handkerchiefs.....	at	\$2 50	1001
10 yds. Irish Linen.....	at	40	11
25 yds. Black Silk.....	at	2 75	
70 yds. Broadcloth.....	at	3 80	
100 yds. Bleached Cotton.....	at	10	
Store and Lot, 185 King Street, valued.....	at	4,000 00	121

THE USE OF BILL BOOKS.

Where a number of notes are handled in the course of business it is advisable to keep a systematic record of them in a special Bill Book. Of course, if we turn to the Bills Receivable or Bills Payable Account in the Ledger we can always find the amount of notes issued or received, the amount of notes redeemed, and the balance at any time; but there are other points about notes that it is often desirable to glance over. The Bill Book enables us to do so with a minimum amount of trouble.

We append the Bill Books for Set No. 2. The student will copy the same in the blank books supplied. You will note that as thus used the Bill Books are Auxiliary Books, that is, they supplement the records found in the Journal and Ledger, but no posting is done from them.

FINDING ERRORS.

To find errors in the Ledger.—If the footings of the debit and credit columns of the Trial Balance are not the same, try the following methods, making use of them in the order in which they are given.

1. Add the Trial Balance from top to bottom, and from bottom to top. If the results are the same by both additions, go over the additions in the Ledger accounts in the same manner and see that the footings are correctly carried into the Trial Balance. If the results vary in the additions, go over them until each addition brings the same result.
2. Review the amounts carried into the money columns of the Journal and see that the debits and credits are equal for each entry.
3. Find the exact difference between the two sides of the Trial Balance, and look for that amount in the Journal, or whatever books have been posted from, as an amount may have been omitted from the Ledger in posting.
4. If the difference can be divided by 2, look for half the amount as an amount may have been posted to the wrong side of the Ledger account.
5. Open the Journal and Ledger, and go over the posting from the beginning, observing that each amount debited or credited in the Journal is carried to the debit or credit of the proper account in the Ledger, placing a check mark (v) with a sharp pencil on the perpendicular ruled line before each amount in the Journal and Ledger, as it is found correct. This work is of no avail if the check mark is not used in Journal and Ledger.
6. If the error is not found by one of the above methods, make a "Skeleton Ledger" of the work as directed below. Rule the head-line and the vertical line that separates the debits from the credits in each account. Rule one of these forms for each account and write the name of the account just above the head-line as shown below:

CASH.

MDSE.

Post the amounts (omitting dates and pages) from the Journal to this "Skeleton Ledger," being careful to place each amount in the proper side of the right account, observing all the time that the debits and credits are equal. When the posting has been completed, take a Trial Balance of this work and compare it with the Trial Balance taken from the Ledger, to ascertain in what account the mistake occurred. If the "Skeleton Ledger" does not balance make another, post again and continue to do this until the error is found, when it should be corrected. As the debits and credits in the Journal are equal, the Ledger must balance if no mistake has been made in posting or adding.

EXERCISES ON SET 2.

1. Make out statement of Henry Russell's account.
2. Make out statement of resources and liabilities.
3. Make out statement of losses and gains.

These three exercises are to be handed in with the other work of the set.
End of Eighth Section. Hand in work for certification.

Section 9.

ACTUAL BUSINESS PRACTICE.

We recommend at this point the introduction of OFFICE WORK OR ACTUAL CANADIAN BUSINESS PROCEDURE, No. 1.

Section 10.

SET NO. 3.

Student will assume position of Bookkeeper for W. H. Snell as proprietor, and enter the following in Journal Day-Book, post to Ledger, make Balance Sheet, and close all accounts, etc.

- Mar. 1. W. H. Snell invested Cash in business, \$4,000.
- " 2. Bought from James Hope, for Cash, 136 Yonge St., 100 bbls. Mess Pork, \$9.50.
- " 3. Bought from Henry Smith, on account, 47 Front St., E., 1,000 bush. Wheat, 90c.; 800 bush. Oats, 35c.; 500 bush. Corn, 40c.
- " 4. Sold H. A. Green, for Cash, 15 bbls. Mess Pork, \$10; 150 bush. Corn, 45c.; 320 bush. Oats, 37c.
- " 5. Sold Wm. Wright, on account, 350 bush. Wheat, 98c.; 60 bbls. Mess Pork, \$9.85.
- " 6. Bought from Wells & Wemp, for Cash, 900 lbs. Cheese, 9½c.; 75 bbls. Flour, \$5.75.
- Paid Cash for Set of Books and Stationery purchased on commencing business, \$32.50.
- " 8. Received Cash from Wm. Wright, to apply on account, \$300.-
Sold W. Williams, on account, 420 Queen W., 225 bush. Wheat, \$1.02; 175 bush. Oats, 39c.; 155 lbs. Cheese, 11c.
- " 9. Paid Cash to Henry Smith in part payment of bill of 3rd inst., \$450.
- " 10. Bought from J. A. Baxter & Co. on account, 116 Colborne St., 2,000 lbs. Rio Coffee, 13c.; 20,000 lbs. Sugar, 6½c.
- " 11. Sold Chas. P. Wilson, on account, 412 King St. E., 25 bbls. Mess Pork, \$10.30; 200 bush. Wheat, \$1.02; 446 lbs. Cheese, 10½c.; 20 bbls. Flour, \$6.10.
- " 12. Received from W. Williams, to apply on account, \$150.
- " 13. Sold H. B. Small on account, 40 bbls. Flour, \$6.08; 299 lbs. Cheese, 11c.; 800 lbs. Rio Coffee, 14c.
- " 15. Paid Cash for rent of building for current month, \$50.
- " 16. Bought from Jas. Hope, on account, 14,150 lbs. S. C. Hams, 12c.
- " 17. Received Cash from William Wright in part payment of account, \$334.
Bought from G. B. Dennis & Co., for Cash, 50 bbls. Refined Petroleum, \$8.50.
- " 19. Received Cash from W. Williams to apply on account, \$100.
- " 20. Sold R. A. Hughes, for Cash, 80 bbls. Sugar, 16,200 lbs., 6½c.

- Mar. 22. Received from Chas. P. Wilson his Note at 15 days, to apply on account, \$225.50.
- " 23. Bought from James Hope, on account, 372 lbs. Butter, 32c. ; 300 doz. Eggs, 25c. ; 612 lbs. Cheese, 9c.
- " 24. Gave J. A. Baxter & Co. our Note at 10 days to apply on account, \$500.
- " 25. Paid Cash to James Hope, in full, for bill of 16th inst.
Sold R. A. Hughes on account, 350 bush. Corn, 46c. ; 240 doz. Eggs, 24c.
- " 26. Bought from J. A. Baxter & Co., for Cash, 200 bush. Wheat, \$1 ; 50 bbls. Refined Petroleum, \$8.65.
- " 27. Sold Dent & Co., on account, 60 doz. Eggs, 25c. ; 612 lbs. Cheese, 10½c. ; 372 lbs. Butter, 36c. ; 3,800 lbs. Sugar, 6c. ; 200 lbs. Rio Coffee, 13½c.
Paid Henry Smith, Cash, on account, \$600.
- " 29. Received from H. B. Small, his Note, at 15 days, to balance account, \$388.09.
- " 30. Sold Wells & Wemp, on account, 1,800 lbs. S. C. Hams, 15c. ; 305 bush. Oats, 45c.
- " 31. Gave James Hope our Note at 20 days in full of bill of Mar. 23. Paid for Janitor's services, \$12.25 ; for Coal for office use, \$6.50.
Received Cash from Dent & Co., to apply on account, \$200.
- Inventory, March 31 \$2,958.25

EXERCISES ON SET 3.

1. Make out statement of W. Wright's account.
2. Make out statement of resources and liabilities.
3. Make out statement of losses and gains.

These three exercises are to be handed in with the other work of the set.
End of Tenth Section. Hand in work for certification.

Section 11.

THE BANK ACCOUNT.

Almost every business man is in the habit of opening an account at some bank when he starts business. How he does this has been explained to you. His object in doing so is very easily understood. It establishes his credit, gives him a place of safe keeping for his money, and makes payment of debts easy, by means of cheques.

Now a man may open an account at a bank and yet not keep an account with that bank in his Ledger. That is, he may view the bank simply as a place of deposit for his money, and when he makes a deposit he considers it no more of a business transaction than the placing of money in the office safe. No entry is made in his books and he depends on his pass book and cheque stub to keep a record of these deposits. All cheques issued under such a system are viewed simply as so much Cash paid out. At any time the Cash account is balanced, part of the amount of the balance will be found in the bank and part in the office.

Under another system, the bank is dealt with much the same as a person would be. All deposits are debited to the Bank and all cheques are credited to it. By this system the balance of the Bank account in the Ledger shows the amount on deposit while the balance of the Cash account shows what is on hand.

Both systems are in use and we intend during your course to give illustrations of both. In the following set you will keep a bank account.

SET NO. 4.

Student will assume that he had been conducting business in partnership with W. H. Brown. The Balance Sheet, July 31st, shows the following results:

Cash on hand, \$1,998.42; Mdse. Inventory, \$213.61; on Deposit in Bank of Montreal, \$8,839.50; Balance due from Ed. Smith, \$2.29; Due from W. Bell & Co., \$54.50; Balance owing on account to J. Clark, \$91.11; B. Payable, \$1,425.07; B. Receivable, \$1,185.31; Balance due from A. Hall, \$776.75; Balance due to P. Howe, \$4.20; Interest accrued on B. Receivable, \$2.01; Amount due from W. Brown, \$42; Owing to J. D. Law, \$954.90; Owing on account to A. D. Ball, \$109; Due from C. Frame, \$19.40; Amount due to H. Hardy, \$107.51; Due from G. Snell, \$122.50; Balance favor E. K. Scott \$138.90.

Student's interest is \$5,174.80; W. H. Brown's is the balance.

The partnership is dissolved by mutual consent. W. H. Brown retires. Student collects all debts and assumes all liabilities. He then proceeds to wind up the business. To do this he must open up ledger showing all balances brought forward on Aug. 1. He will then enter the following transactions in Journal Day-Book, post to Ledger, make Balance Sheet and close all accounts.

(Interest, 6 per cent.; 365 days.)

NOTE.—The figures that are given to you above are the figures of the second or proof Trial Balance, as it stood at the end of July 31st. If we wish to open the Ledger, showing its balances brought forward, it would be advisable for us to make up this Trial Balance in the usual form, and from this we will be able much more easily to determine what amounts to debit and what amounts to credit. This Trial Balance should appear as follows:

RESOURCES.		LIABILITIES.	
Cash	\$1,998 42	J. Clark	\$91 11
Merchandise	213 61	Bills Payable	1,425 07
Bank	8,839 50	J. D. Law	954 90
E. Smith	2 29	A. Ball	109 00
Bell & Co.	54 50	H. Hardy	107 51
Bills Receivable	1,185 31	E. K. Scott	138 90
A. Hall	776 75	P. Howe	4 20
Interest	2 01	Student	5,174 80
W. Brown	42 00	W. H. Brown	
C. Frame	19 40		
G. Snell	122 50		

In saying that W. H. Brown's interest is the balance, it means that his figure is required on the credit side of the above Trial Balance to make the debits and credits equal. You will, therefore, compare the debits and credits as you have them, find the difference and place it to W. H. Brown's credit. Next, you will make up a Journal entry, showing all the accounts in the resource column debited and all the accounts in the liability column credited. This entry you will then post to your Ledger, showing resources debited, liabilities credited, and each partner credited for his present worth.

- Aug. 1. Gave W. H. Brown cheque on Bank of Montreal for his interest in the business.
- " 1. Sold G. Snell, for Cash, 500 lbs. Cheese, at 14c. ; 172½ lbs. Ham, at 16c. ; 40 bush. Corn, at 75c. ; 140 bush. Rye, at 75c.
- " 2. Received of E. Smith, Cash in full of account.
- " 3. Received of W. Bell & Co., Cash in full of account.
- " 4. Gave J. Clark a Sight Draft on A. Hall, in full of his account.
- " 4. Gave A. D. Ball a sight draft on A. Hall, in full of his account.
- " 5. Received of A. Hall, Cash, in full of his account.
- " 7. Received of W. Brown, Cash, in full of account.
- " 8. Gave J. D. Law cheque on Bank of Montreal, in full of account.
- " 8. Gave cheque on Bank of Montreal for Firm's acceptance of 14th June last amount of acceptance, \$100 ; Interest to date from July 17.
- " 8. Gave cheque on Bank of Montreal for Firm's acceptance of June 23rd last amount of acceptance, \$106.30 ; Interest to date from July 26th.
- " 9. Received Cash for E. Smith's Note of April 25th last, and interest to date ; amount of Note, \$100 ; Interest to date from June 28th.
- " 9. Received Cash for G. Snell's acceptance of May 6th last and interest to date ; amount of acceptance, \$285 ; Interest to date from July 8th.
- " 10. Received of E. K. Scott, Cash in full of his acceptance, due to-day, \$217.46.
- " 12. Received of L. Conn & Co., Cash in full of their acceptance, due to-day, \$100.
- " 12. Gave H. Hardy cheque on Bank of Montreal, in full of account.
- " 14. Received of G. Snell, Cash in full of account.
- " 15. Gave E. K. Scott cheque on Bank of Montreal, in full of account.
- " 15. Received of J. Clark, Cash in full of his acceptance, due to-day, \$171.
- " 15. Received from James Park, Cash in full of his Note of July 17th ; amount of Note, \$311.85 ; Interest to date.
- " 17. Prepaid acceptance of July 8th last, due Sept. 9 ; amount of acceptance, \$357.55. Gave cheque for same, less discount.
- " 18. Prepaid acceptance of July 18th last, amount of acceptance, \$472.50 ; Discount for 32 days ; gave cheque for balance.
- " 20. Paid acceptance favor G. Snell, per cheque, \$182.62.
- " 26. Paid acceptance favor of Hawley Bros., per cheque, \$206.10.
- " 28. Paid P. Howe, Cash in full of account.
- " 28 Paid the following expense in Cash : Rent, one month, \$50.
- " 31. Received of C. Frame, Cash in full of account.
- " 31. Deposited in bank the amount of Cash on hand.
- End of Eleventh Section. Hand in work, including columnar Balance Sheet.

Section 12.

JUNIOR EXAMINATION.

Section 13.

SHIPMENTS AND CONSIGNMENTS.

In addition to the accounts already met with, there are two other accounts in common use, especially in a Commission Business.

When an owner ships away a quantity of goods to an agent to be sold on the account and risk of the owner or consignor, such goods are recorded in Shipment Accounts in consignor's books and in Consignment Accounts in the consignee or agent's books, *i.e.*, the person who ships such goods calls them "Shipment to (*consignee's name*) No. 1"; and the person who receives them calls "*(consignor's name)* Consignment No. 1."

As the term "shipment" applies to goods we send to other markets for sale on our account, and on which we wish to know the Gain or Loss, it is evident that it must be treated in a manner similar to Merchandise Account.

We ship 500 bbls. Flour, which costs us \$4 per bbl., to D. Baxter, Halifax, to sell for us, and we pay freight, \$75. Baxter sells the goods for cash, \$2,460, deducts his charges for commission, \$20; storage, \$5, and reports to us the Net proceeds, \$2,425, or amount due to us from such sale, with cheque enclosed.

If we look at our books we find entries on but two occasions.

1. When we shipped goods	Shipment to Baxter..	\$2,075.00	
	Merchandise		\$2,000.00
	Cash		75.00
2. When we receive our account sales	Cash	2,425.00	
	Shipment to Baxter		2,425.00

In the first entry the Shipment Account is debited for its total cost, while the Merchandise Account is credited in the usual way, because merchandise went out of stock, and Cash Account is credited in the usual way because cash is paid out.

In the second entry Cash account is debited because cash is received. If Baxter had reported without sending us the cash, we would debit Baxter's personal account for the net proceeds until such time as he sent us the money, when we would credit him. Shipment Account is credited for the amount of the net proceeds.

The rule for debiting and crediting Shipment Account may, therefore, be stated as follows : Debit Shipment Account for the total cost, including the cost of goods sent and expenses incurred in sending ; credit Shipment Account for the amount of net proceeds as per account sales.

If we look at the account in Ledger form it appears as follows :

DR.		SHIPMENT TO BAXTER, NO. 1.	CR.
(a) For cost of goods	\$2,000 00	(a) By net proceeds from sales	\$2,425 00
(b) " shipping expenses paid	75 00		
Total cost	\$2,075 00		

The net result must be \$350 profit from shipment.

When Baxter received the above consignment he would pay cartage or other charges, say \$10, and his entries would be as follows:

1. When he received consignment and paid charges	Student's consignment No. 1 \$10.00 Cash	\$ 10.00
2. When he sold the goods.....	Cash	\$2,460.00
	Student's consignment No. 1	2,460.00
3. When he rendered account sales.....	Student's consignment No. 1	2,450.00
	Commission	20.00
	Storage	5.00
	Cash	2,425.00

As an agent Baxter is concerned with but two things—what money he pays out for us, and what money he receives from sales of our goods. The rule for keeping his consignment account may, therefore, be stated as follows: Debit the Consignment for all charges, whether paid at the time the goods are received or paid or earned afterwards. Credit the Consignment for all sales made from it. Debit Consignment for the difference between the charges and sales, or net proceeds. This last entry must have the effect of closing the Consignment Account in the Ledger.

Arranged in Ledger form, the Consignment Account in Baxter's books appears as follows:

DR.		STUDENT'S CONSIGNMENT, NO. 1.		CR.	
(a) For charges paid	\$ 10 00	(a) For Sales		\$2,460 00	
(b) " commission earned	20 00				
(c) " storage	5 00				
(d) " net proceeds	2,425 00				
	<u>\$2,460 00</u>				<u>\$2,460 00</u>

SHIPMENT INVOICE.

TORONTO, June 15, 1910.

Invoice of Shipment of Butter sent to A. W. Lawrence, Montreal, to be sold on my account and risk.

ROBERT McDONALD.

100	Tubs Butter	(5,000 lbs.)	18c.	\$900 00	
	Carriage paid			3 00	\$903 00

ACCOUNT SALES.

TORONTO, June 15, 1910.

Account Sales of 40 boxes Florida Oranges, received June 10th, from Dewar & Cole, Montreal, for sale on their account and risk.

June 14	Sold for cash 40 boxes Florida Oranges	\$4.00		\$160 00
	CHARGES.			
" 10	Paid freight and cartage in cash	\$ 7 50		
" 15	Storage charges	2 00		
" 15	Commission 10 per cent. of sales	16 00	25 50	
	Net proceeds remitted in cash			\$134 50
	E. & O. E.			
	Robt. McDonald			

COMMISSION SET NO. 1.

The Student will enter the following transactions in Journal Day-Book, post same to Ledger, make Balance Sheet, and close all accounts properly:

MEMORANDA.

- June 1. Student begins the Shipping and Commission business and invests Cash \$4,000.
- " 1. Bought for Cash, 200 tubs Butter (10,000 lbs.), at 18c.; 200 crates Eggs (6,000 doz.), at 15c.; 100 boxes Cheese (6,000 lbs.), at 12c.
- " 5. Shipped to A. W. Lawrence, Montreal, to be sold on my account and risk, 100 tubs Butter, 5,000 lbs., invoiced at 18c. Paid cartage in cash, \$3. Show Shipment invoice.
- Shipment to Lawrence Dr., \$903; To Mdse., \$900, To Cash \$3.
- " 7. Shipped to Manning & Sons, Kingston, to be sold on my account and risk, 100 crates Eggs (3,000 doz.), invoiced at 15c. Paid cartage in cash, \$4. Show Shipment invoice.
- " 10. Received from Dewar & Cole, Montreal, to be sold on their account and risk, 40 boxes Florida Oranges. Paid freight and cartage, in cash, \$7.50
- Dewar & Cole's Con. Dr., \$7.50; To Cash, \$7.50.
- " 12. Received from Simpson and Sons, Halifax, to be sold on their account and risk, 75 boxes Lemons. Paid freight and cartage, in cash, \$15.
- " 13. Received from A. W. Lawrence, an account sales of the Butter shipped him, 5th inst. Our net proceeds remitted in cash, \$1,008.50.
- Cash, Dr., \$1,008.50; To Ship to Lawrence, \$1,008.50.

June 14. Sold for Cash, 40 boxes of Florida Oranges, belonging to Dewar & Cole's Consignment No. 1, at \$4.

Cash, Dr. \$160; To Dewar & Cole's Con., \$160.

" 15. Closed Dewar & Cole's Consignment No. 1, and rendered them an account sales. Storage charges, \$2. Commission, 10% on sales, \$16. Their net proceeds remitted in cash, \$134.50. Show form of Account Sales.

Dewar & Cole's Con., Dr., \$152.50; To Storage, \$2; To Commission, \$16; To Cash, \$134.50.

" 17. Received from Geo. J. Cowan, Toronto, to be sold on his account and risk, 200 bunches bananas. Paid freight and cartage, in Cash, \$10.50.

" 18. Shipped Clements & Co., Chatham, to be sold on my account and risk, 100 boxes Cheese (6,000 lbs.), invoiced at 12c. Paid Cartage, in Cash, \$3.

" 20. Sold for Cash, 50 tubs Butter (2,000 lbs.), at 24c.; 50 crates Eggs (1,500 doz.), at 18c.

" 21. Received from Manning & Sons, Kingston, an account sales of 100 crates Eggs, shipped them 7th inst. My net proceeds, remitted in Cash, \$425.50.

" 23. Bought of the Avon Dairy Co., Stratford, on account, 30 days, 50 tubs Butter (2,500 lbs.), at 18½c.

" 24. Sold for Cash, from Simpson & Sons' Consignment No. 1, 75 boxes Lemons, at \$3.50.

" 24. Closed Simpson & Sons' Consignment No. 1, and rendered them an account sales. Storage charges, \$3.50. Commission, 10% on sales. Their net proceeds remitted in cash. Show form of Account Sales.

" 25. Shipped Moore Bros., Barrie, to be sold on my account and risk, 50 tubs Butter (2,500 lbs.), invoiced at 18½c. Paid cartage, in Cash, \$1.50.

" 27. Received from Clements & Co., Chatham, an account sales of Cheese, shipped them 18th inst., net proceeds due in 30 days, placed to my credit, \$850.62½.

" 28. Received from Dewar & Cole, Montreal, Consignment No. 2, to be sold on their account and risk, 25 bbls. (2,500) Pineapples. Paid freight and cartage in Cash, \$8.80.

" 29. Sold D. Duncan & Sons, 24 Front St. E., Toronto, on account, 30 days, from G. J. Cowan's Consignment No. 1, 200 bunches Bananas, at \$2.35, from Mdse. Account, 50 crates Eggs (1,500 doz.), at 18c.

" 29. Closed Geo. J. Cowan's Consignment No. 1 and rendered him an account sales. Storage charges, \$3. Commission, 10% on sales. His net proceeds, due in 30 days, placed to his credit. Show form of Account Sales.

" 30. Sold, for Cash, from Dewar & Cole's Consignment No. 2, 10 bbls. (1,000) Pineapples, at 8c.

INVENTORIES.

Mdse., 50 tubs Butter (2,500 lbs.), at 18½c. = \$462.50. Shipment to Moore Bros. Net cost, \$464.

End of Thirteenth Section. Hand in work, including columnar Balance Sheet, Proof Trial, and Statements of Resources and Liabilities, Losses and Gains.

MODERN METHODS.

While the general principles of bookkeeping must always remain the same, there are numerous plans devised for modern bookkeeping that simplify the bookkeeper's work, and are of great value to the business manager. A number of the most valuable of these plans are founded on the "Loose Leaf Idea."



THE LOOSE LEAF LEDGER USED BY THE STUDENT WHILE STUDYING FROM THIS TEXT.

The ordinary idea of a book is that of a number of leaves bound together, fixed and immovable. The loose leaf idea of a book is that of a binder or cover into which leaves can be inserted as required. In a loose leaf book the cover or binder becomes a permanent asset. Leaves are used only as required, and as they can be taken out as readily as they can be inserted, it follows that there need be no "dead wood" in such a book.

While the loose leaf idea is applicable to different books, it is perhaps most familiarly associated with the Ledger, the term Loose Leaf Ledger being one of the very common expressions heard now-a-days around a business office.

Anyone who can handle an ordinary Ledger should have no difficulty in installing a Loose Leaf Ledger. Two binders are necessary, a current binder for current or live accounts, and a transfer binder for balanced or closed accounts. Each of these binders is provided with index sheets on which are projecting tabs. A number of loose sheets are, of course, also provided, and on these sheets the accounts are opened just as they would be on the sheets of a bound Ledger.



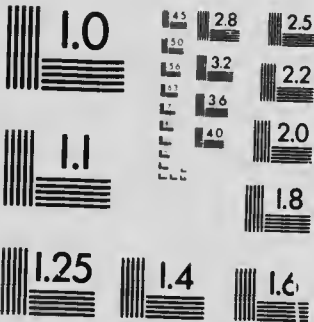
THE STUDENT'S LOOSE LEAF SALES RECORD OR SALES BOOK.

If John Brown opens an account with our house by purchasing goods, it will be necessary to open a Ledger account with John Brown. This is done by inscribing his name on the



MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



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top of the Ledger sheet, and by debiting him with the amount of his purchase. This sheet is inserted in the binder behind the index sheet bearing the letter "B." Future entries are posted to this account in the usual way. Should it be found necessary to close our account with Brown, it would be balanced in the usual way, and instead of being left to encumber the current Ledger, it would be taken out of its place and put into a corresponding place in the transfer binder.



METHOD OF OPERATING STUDENTS' LOOSE LEAF BINDER.

If it is desired to reopen the account, it can be taken from the transfer binder and again placed in the current binder.

From this description the advantages of such a system are at once apparent. It may be claimed for the Loose Leaf Ledger that:—

1. It can be adapted to any business, small or large.
2. It is perpetual, as a current account is continued by adding new leaves to the account when required.
3. It is self-indexing, index division sheets with appropriate tabs being distributed throughout the book, so that accounts can be arranged alphabetically, numerically, geographically, or by salesman's routes or territories.
4. It saves from 40 to 60% of the time needed to post from bound books, as the method of indexing and arranging accounts saves time in locating them.
5. Mistakes in posting are less liable to happen, as short accounts are more readily located with one account on a leaf, than in a bound book with several accounts on a leaf.
6. It saves time and labor in taking trial balances, as only live accounts in the working Ledger are dealt with, the closed accounts in a separate Ledger needing no consideration.
7. It saves time and labor by dispensing with the annual or semi-annual opening and indexing of new, and the closing of old Ledgers, as is customary with bound books.
8. Unlimited space can be given to live accounts, as new leaves can be added from time to time, as required.
9. New accounts can be inserted to an unlimited number without disturbing the old.
10. All the pages of an account, no matter how many pages there may be to it nor how long a period they may cover, can be kept together, thus facilitating reference over a number of years, if necessary.
11. Live accounts being kept together in the current binder, and closed accounts in the transfer binder, a facility of inspection is allowed that cannot be obtained in a bound book. This is a great convenience to a business manager, who makes frequent examinations.

12. It enables the assortment of doubtful and suspended accounts from the current accounts, and the gathering of them in one place properly indexed in the current binder, or in a transfer binder for the use of the credit and collection department of a business. This diminishes the chances of oversight likely to occur when such accounts are distributed through a book or a number of books.
13. It saves expense in material, after it is once installed, as binders and indexes will last for years, and Ledger leaves only will be required to be purchased.
14. It saves desk and safe room, as smaller and lighter books can be used with the loose leaf system than are required when bound books are used.

THE CARD SYSTEM.

The Card System is really an extension of the Loose Leaf principle. There is simply a difference in the material with which the idea is carried out. Instead of using binders or covers and putting the Ledger in book form, the Card System uses trays or boxes. Instead of using sheets of paper, the Card System uses cards.

Each tray is provided with index cards as in the Loose Leaf system. As an account is opened a card is simply brought into use and placed in the tray behind the proper index card. As succeeding entries are required the card is taken from its place, the entry made and the card returned. Should an account be closed the card may be transferred to a transfer tray.

This Card System is capable of an innumerable number of applications. For instance, in a bank the depositors are required, when opening an account, to place their names in a signature book. These signatures are useful to the teller as giving him an idea of the correct signature of any customer should forgery be attempted. Instead of running these signatures in a book and thus having them in no particular order, it is easy to see how each customer might be required to place his name on a card which, by the Card System, may be filed in a tray behind the proper index.

Again, we know that in a manufacturing establishment it is necessary to have a definite record of all tools, patterns and drawings. The Card System adapts itself to such a requirement. Again, we know that in a wholesale house it is necessary to have definite credit



THE CARD LEDGER USED BY THE STUDENT WHILE STUDYING FROM THIS TEXT.

information concerning customers. It is an easy matter to systematically arrange such information by giving each customer a card and noting on this card all points that are of interest as concerning the line of credit to be extended.

In a library it is desirable to classify books and to know in what section and on what shelf a certain book may be found. The Card System enables one to assign a certain card or number of cards to any particular line of information and to note the name of the book, section, shelf, and number of book. And so we might extend the list. While some claim that the Card System does not adapt itself so well to bookkeeping as the Loose Leaf System, there is no question but that it is an invaluable aid in many places in systematically arranged offices.

THE LEDGERETTE.

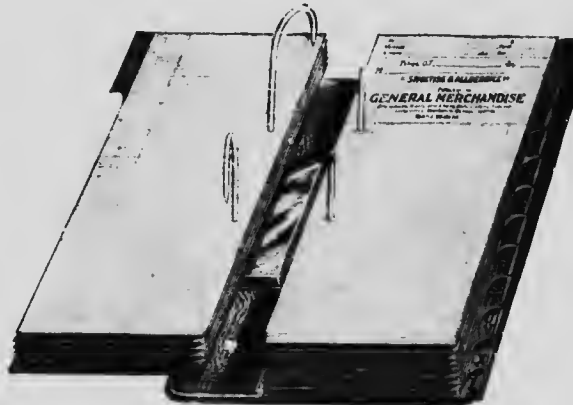
Another application of the Loose Leaf idea is found in the Ledgerette Bill File. This is an appliance especially adapted to the needs of a retail business, such as a grocery.

As is well known, purchases in such a store are entered in a counter check-book which, by means of a carbon sheet, gives two copies of the bill of purchase. One of these goes to the customer with his goods. The other goes to the office to be entered in the account of the customer.

By the old method this charge against the customer would be made by entering the items in a Ledger. Then at the end of, say a month, when the account has to be rendered, a copy of this Ledger account would have to be made on a statement form.

By the Ledgerette system only one writing is necessary, as the Ledger is made up of a number of statement forms placed on a file in much the same manner that leaves are placed in a Loose Leaf Ledger or cards are placed in a Card System tray.

When it becomes necessary to post items to a customer's account, the statement form is placed on the file. The customer's name is placed at the top of the statement and the items



THE LEDGERETTE.

are entered. Items of a second purchase are entered below the first list, and so on as different purchases are made. When a customer pays his bill it is receipted, taken from the file and handed to him. The file is thus never encumbered with paid or closed accounts.

The benefits of such a system will be easily appreciated when we consider that payment of such accounts is often made on a certain day, such as pay-day in a local factory. A large number of accounts have to be handled in a short space of time, but, by this plan, receipts can be handed out almost as fast as money can be taken in.

If it is desired to make a duplicate of each bill, it can be easily done by the use of carbon sheets. As writing has to be done at different times, it would be well to have the bill and

duplicate fastened together in much the same way that we buy foolscap. Instead of a solid crease making the division of the two sheets, it is well to have a perforated crease so that when desired the bill can be separated from the duplicate.

MANIFOLD BILLING SYSTEM.

The duties of an entry clerk and of a bill clerk have already been described to you. By an application of the Loose Leaf idea and with the assistance of sheets of carbon paper, we shall see that the work of these two clerks may be combined.

In making out the bill of goods a number of copies are made by placing sheets beneath the one upon which the writing is being done, and by placing carbon sheets between.

W. H. MILLMAN & SONS	
TORONTO, CANADA.	
Sold to. <i>Mr D C Andrews</i>	Date <i>May 11/19</i>
Address <i>Halifax NS</i>	Via <i>C.P.R. Car 233546</i>
1 <i>Russell Model N 522 Engine 645</i>	
<i>Regular equipment</i>	
<i>Extras-</i>	
<i>Extension Cape Cart Top</i>	
<i>Special Side Curtains</i>	
<i>Tilting Glass Front</i>	
<i>Envelope for top</i>	
<i>Brass Foot Rail</i>	
<i>Brass Coat Rail</i>	
<i>Brass Double Six Tire Irons</i>	
<i>No 3 Gabriel Horn</i>	
<i>Type No 1 Smith Speed Indicator</i>	

LOOSE LEAF WHOLESALE BILLING.

Anyone who has seen the clerk in a dry goods or grocery store make out his bill on a counter check-book will understand the process.

In this Manifold Billing System, at least two copies will be required. The original, as written, serves as a bill or invoice to be sent out with the goods to the customer. The other copy, known as a charge sheet, is placed in a binder, just as Ledger leaves are placed in a Ledger binder. In this way a Sales Book is built up on the Loose Leaf plan. In order to get the total sales for posting to the Merchandise Sales Account, it is customary to put a Recapitulation sheet in the back of the binder. This sheet is ruled for date and money columns only. As soon as a bill is made out, the date and amounts are entered on this sheet. In this way the total sales for a day, week, or month may be found by totalling the columns on this Recapitulation sheet.

Besides the bill and the charge sheets, as many copies of the bill may be taken as the necessities of the business may require. For instance, it is sometimes deemed advisable to give a copy to the carter who delivers the goods. Again, a branch house may have to send a copy of all bills to the head office as a report of sales.

		YOUR ADDRESS		Nov 6. 19__	
NAME		Wm. W. H. Billing			
ADDRESS		40 St. George St			
IN ACCOUNT WITH					
VIA		YOUR NAME HERE		TERMS	
Nov	1	1 lb Japan Tea ⁵⁰	10 lbs Sug		
		@ 10h ^{1.05}	1 gal Molasses ⁴⁰	1	95
"	2	5 bu Potatoes @ 60 ^{3.00}	3 doz Eggs 18 ⁵⁴	4	79
			5 lbs Butter 25 ^{1.25}		
"	3	5 1/2 lbs Chicken 12 ⁶⁶	10 lbs Sug		
		9 ⁹⁰	5 lbs Mackerel 8 ⁴⁰	1	96
"	3	Cash			5 --
"	5	3 lbs Crackers 10 ³⁰	1 bottle Lem. Cit. ²⁰		
			1 pkg Pepper ²⁵		
		2 gal K Oil 15 ³⁰	3 lbs C Fish ¹⁰		
		10 lbs Sug 10 ^{1.00}			
"	5	Cash			10 --
"	8	1 pk Pot ⁵⁰			
		1 W. Tub ⁵⁰			
"	8	Cash			11 49
"	9	10 lbs Sug 10 1/2			
		2 cans Oysters 3		2	13
"	11	1 bbl Flour 8 ⁷		7	39
"	12	Cash			10 00

In one large concern using this system thirteen copies are made. These consist of the bill, the charge sheet, acknowledgment of order, salesman's record, original, duplicate, triplicate, freight shipping tickets, five copies of the order, and a car label.

To avoid confusion where a number of papers are thus required, different colors may be assigned to the papers required in different departments. Thus the bill may be white, the charge sheet blue, the carter's sheet yellow, and so on.

The number of copies that may be made will depend upon the method of writing. With a pen three copies may be made, with a pencil four, and with a typewriter eight or more. In this connection we may note that the book typewriter is being largely used for this work. The typewritten copy is certainly the neatest, and the copies that can be made on the machine are many more than can be made by pen or pencil. The book typewriter, as its name implies, may also be used to write on the pages of a bound book as readily as on loose sheets.

This leads us to notice the fact that the Manifold Billing System is sometimes slightly varied by having sheets, as described before, bound in book form with other sheets, perforated at the margin so as to be capable of removal. When a bill is thus made out, it is made out on one of the fixed leaves of the book, while copies made with the assistance of carbon sheets will be on top of it. All copies may be torn out at the perforated lines as soon as the bill is made out. This leaves the Sales Book practically made up, and would not require the use of a binder to contain loose sheets, as mentioned in the first description of the system.

Section 14.

BILLS OF EXCHANGE.

✓ A bill of exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay, on demand or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person, or to bearer :

An Inland Bill is a bill which is, or on the face of it purports to be, (a) both drawn and payable within Canada, or (b) drawn within Canada upon some person resident therein. Any other bill is a Foreign Bill :

Unless the contrary appears on the face of the bill, the holder may treat it as an Inland Bill.

Such is the description of a bill given in the Bills of Exchange Act.


As examples of papers which come within the definition, we submit those shown on page 90.

A glance at the first paper will show that the signer (R. Smith) gives an unconditional order, on D. Roberts, to pay a sum certain (\$500), to a specified person (John Brown), in one month after the date of the paper.

Looking over the second paper, we find that John McDonald orders Brown & Sampson to pay H. E. Clark £1,000 in sixty days after sight.

The only practical difference in the forms of the papers, lies in the fact that the first is drawn in Canada and made payable in Canada, while the second is drawn in Canada and made payable in England. The first is an Inland Bill and the second is a Foreign Bill.

INLAND BILL, COMMONLY CALLED A DRAFT.


 \$500⁰⁰/₁₀₀ *Toronto, Ont. Nov 21, 19* *Due Dec 24*
One month after date pay to the order of
John A. Brown _____
Five Hundred _____ *700* *Dollars.*
value received, and charge to the account of
To *D. Roberts* *R. Smith*
 Sudburn (Ont.)

FOREIGN BILL OF EXCHANGE.

£1000
 Toronto, Nov. 25, 1910.
Sixty days after sight of this first of Exchange (second and third of
same tenor and date unpaid) pay to the order of.....H. E. Clark, One
Thousand Pounds Sterling for valued received, and charge
to the account of.....
To Brown & Sampson,..... } **John McDonald**
 London, Eng.

The man who signs and issues the paper is the drawer, R. Smith in No. 1, and John McDonald in No. 2.

The person on whom the order is drawn is the drawee, D. Roberts in No. 1, and Brown & Sampson in No. 2. The person in whose favor the paper is drawn is the payee, John Brown in No. 1, and H. E. Clark in No. 2.

The circumstances which give rise to the issue of the draft are generally these: The drawee owes the drawer and the drawer owes the payee. The draft makes it possible to cancel both debts with one exchange of money. Thus, in paper No. 1, Roberts owes Smith and Smith owes Brown, but instead of Roberts paying Smith and then Smith paying Brown, the same result is arrived at by Roberts paying Brown, as he is ordered to do by the drawer.

While this routine gives an idea of the draft as it was originally used, it is not very often at the present time that three persons are concerned with such a paper. The draft is now largely used as a means of collecting payment from a customer by drawing the paper in favor of one's bank and by depositing the draft with the bank. (See further illustration, No. 4.)

The course of the paper is from the drawer, who writes it up, to the payee, in whose favor it is drawn, and from the payee to the drawee for acceptance, which is defined by the Bills of Exchange Act as follows:

The acceptance of a bill is the signification by the drawee of his assent to the order of the drawer:

2. An acceptance is invalid unless it complies with the following conditions, namely:

(a) It must be written on the bill and signed by the drawee. The mere signature of the drawee without additional words is sufficient.

(b) It must not express that the drawee will perform his promise by any other means than the payment of money.

3. Where in a bill the drawee is wrongly designated or his name misspelt, he may accept the bill as therein described, adding, if he thinks fit, his proper signature, or he may accept by his proper signature.

The payee by getting the acceptance makes sure that the drawee intends to do as he is ordered, in other words he wants the promise of the drawee to pay the money. This acceptance is placed in red ink across the paper and for draft No. 1 it would read as follows:

Accepted
Nov. 22, 1910.
Payable at my office.
D. Roberts.

The payee then retains the paper till its due date, when he expects a presentation to get the money from the acceptor. Of course he could if he so desired sell his right, to collect the money at maturity, to some one else. He would do by indorsing the paper to this other person, who would then be able to get the money from the acceptor at maturity.

We thus see that the bill is originally drawn by the drawer and is converted into a promise to pay by the acceptance. As first issued, paper No. 1 would be spoken of as Smith's draft on Roberts. After the acceptance is placed thereon, it is known as Roberts' acceptance.

Drafts may be drawn with respect to time in a number of ways, as the following sections will show:

A bill is payable on demand—

- (a) Which is expressed to be payable on demand, or on presentation.
- (b) In which no time for payment is expressed.

2. Where a bill is accepted or indorsed when it is overdue, it shall, as regards the acceptor, who so accepts, or any indorser who indorses it, be deemed a bill payable on demand.

Our previous illustrations have shown us that the very first line of a bill after the heading is placed, starts out with a mention of the time at which the amount is to be paid. If the bill reads "On demand pay to," or "On presentation pay to," or if like a bank cheque it simply starts out "Pay to," then in any of these cases we have a bill payable on demand, that is, just as soon as it is presented to the drawee.

A bill is payable at a determinable future time, within the meaning of this Act, which is expressed to be payable :

- (a) At sight or at a fixed period after date or sight.
- (b) On or at a fixed period after the occurrence of a specified event which is certain to happen, though the time of happening is uncertain.

2. An instrument expressed to be payable on a contingency is not a bill and the happening of the event does not cure the defect.

If the bill starts out "At sight pay to," or "One month after sight pay to," or "One month after date pay to," then in any of these cases we have a bill payable at a determinable future time.

Where a bill is not payable on demand, the day on which it falls due is determined as follows :

- (a) Three days, called days of grace, are, in every case, where the bill itself does not otherwise provide, added to the time of payment as fixed by the bill, and the bill is due and payable on the last day of grace.

Provided that :

- (1) Whenever the last day of grace falls on a legal holiday or non-juridical day in the Province, where any such bill is payable, then the day next following, not being a legal holiday or non-juridical day in such Province, shall be the last day of grace.

- (3) Where a bill is payable at sight, or at a fixed period after date, after sight, or after the happening of a specified event, the time of payment is determined by excluding the day from which the time is to begin to run and by including the day of payment.

- (4) Where a bill is payable at sight, or at a fixed period after sight, the time begins to run from the date of the acceptance.

- (5) The term "Month" in a bill means the calendar month.

- (6) Every bill which is made payable at a month or months after date becomes due on the same numbered day of the month in which it is made payable as the day on which it is dated—unless there is no such day in the month in which it is made payable, in which case it becomes due on the last day of that month—with the addition, in all cases, of the days of grace.

These sections very clearly indicate the method of getting the due date of a bill. Note that demand bills are allowed no days of grace. Sight bills, those payable after sight, and those payable after date, all have three days of grace. In all bills at sight, or after sight, the acceptance should contain the date, as it is from this date of acceptance we begin to count the time. In bills after date the date of acceptance is not essential, as the time begins to run after the date in the headline.

ENDORSEMENTS.

Notes, cheques, and drafts are negotiable papers, that is, they may be transferred from one person to another, and it is not necessary that at the date of maturity, the original payee should be the one to present the paper for payment. Between the date of issue and the date of payment the paper may have been negotiated or transferred from one person to another a number of times. The significance of the words "bearer" and "order" as placed in the paper after the payee's name, is as follows :

A bill payable to bearer is negotiated by delivery, that is, by simply handing over the paper as one would hand over an ordinary bank note. A bill payable to order requires

endorsement. According to the Act, the endorsement to operate as a negotiation, must comply with the following conditions:

(a) It must be written on the bill and be signed by the endorser. The simple signature of the endorser on the bill, without additional words, is sufficient.

(b) It must be an endorsement of the entire bill. A partial endorsement, that is to say, an endorsement which purports to transfer to the endorsee, a part only of the amount payable, or which purports to transfer the bill to two or more endorsees severally, does not operate as a negotiation of the bill.

(c) Where the bill is payable to the order of two or more payees or endorsees who are not partners, all must endorse, unless the one endorsing has authority to endorse for the others.

While the Act does not specify the position of the endorsement, business custom dictates that it shall be written across the back of the left hand end of the paper. While the endorsement is thus ordinarily placed to show the transfer of the paper, a signature placed on the back of the paper is an endorsement, even though the person thus signing never owned the paper, and therefore never transferred it. In such a case the endorser is simply lending the strength of his name and security to the paper, for the accommodation of some other person.

Again, we find that different writings on the back of the paper are spoken of as endorsements, while they really do not come within the meaning of the term as defined by the Act. For instance, the back of a paper is a convenient place to note the receipt of any partial payment on the paper and hence we have an "endorsement of receipt." Again, the back of the paper is a convenient place to note an identification, and again we have an "endorsement of identification."

The following forms will illustrate endorsements commonly used under different circumstances.

Endorsement in Blank.

John Jones.

By this endorsement the paper is made transferable. John Jones is held liable in case the maker should fail to pay, and the paper can hereafter be transferred simply by delivery.

Endorsement in Full.

Pay James Smith or order,

John Jones.

This endorsement passes the title to the paper to James Smith, holds John Jones liable should the maker fail to pay at maturity, and makes it compulsory for James Smith to endorse should he wish to transfer at any future date.

Restrictive Endorsement.

Pay to James Smith only.

John Jones.

This endorsement transfers the paper to James Smith, holds John Jones liable, but stops further negotiation of the paper. By this we do not mean that the paper cannot be transferred to any person at all, but that in being transferred it does not go as a negotiable paper, that is anyone who takes it from James Smith takes it subject to all defences and set-offs.

Qualified Endorsement.

Without recourse to me.

John Jones.

This endorsement transfers paper, but it does not hold John Jones liable. It is simply used for the purpose of negotiation, but in ordinary business it is hard to conceive of a case where such an endorsement would be taken.

Specific Endorsement.

For collection only on account of

John Jones.

For deposit only to the credit of

John Jones.

These endorsements are, as the reading would indicate, simply directions to deal with the paper, as the endorsement directs, and are used chiefly in sending a paper to the bank for discount or collection.

Endorsement of Identification.

James Smith is hereby identified.

John Jones.

This is not in reality an endorsement, but simply an identification, so that James Smith, who is not known at the bank, may be able to cash his paper through the identification of a mutual friend, John Jones. John Jones does not incur any liability.

Endorsement of Guarantee.

For value received, I hereby guarantee payment of the within note and waive protest and notice of protest.

John Jones.

Such an endorsement is placed on paper when the endorser not only wishes to become security for the amount of the paper, but to waive his rights to receive notice of dishonour, either direct from the holder or through the process of protest.

Endorsement of receipt of partial Payment.

Received on the within note, March 17, 1905, Twenty Dollars (\$20.00).

John Jones.

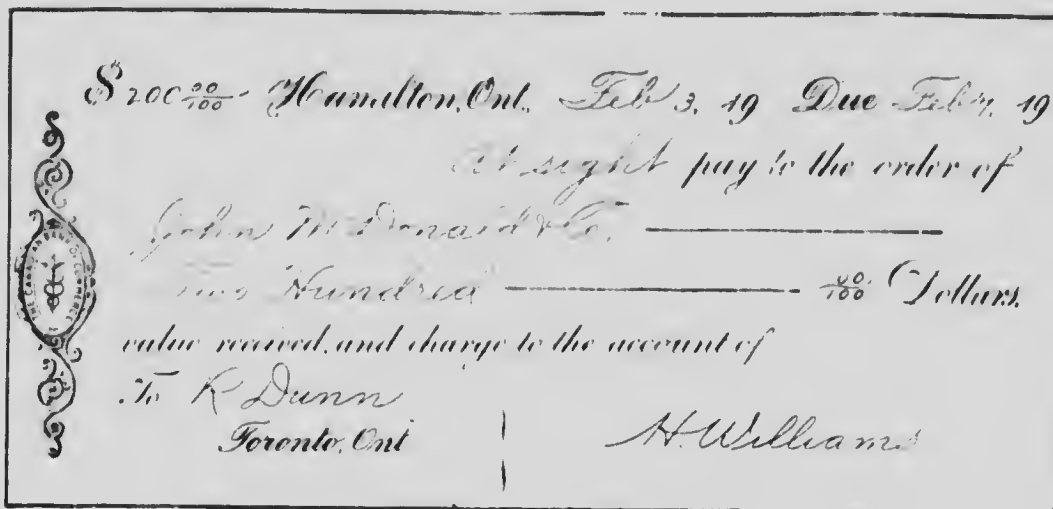
Such an endorsement does not really come within strict meaning of the term endorsement, but it gets its name on account of the fact that the receipt of the money is conveniently noted on the back of the paper. If any attempt were made to transfer such paper, the endorsement on the back would always be a warning to the prospective buyer, that the note had been in part paid.

BOOKKEEPING IN CONNECTION WITH DRAFTS.

ILLUSTRATION NO. 1.

Jan. 3, 1910.—John McDonald & Co., of Toronto, sell H. Williams, of Hamilton, a bill of goods, \$200, on one month's time.

Feb. 3.—H. Williams finds that R. Dunn, of Toronto, is owing him \$500, and he therefore draws on Dunn, ordering him to pay McDonald & Co. as follows:



Accepted, Feb. 4, 1910.

R. DUNN.¹

Notification of Draft.

R. DUNN, Esq.,
Toronto, Ont.

HAMILTON, Feb. 3, 1910.

Dear Sir,—

We have this day drawn on you at sight in favor of John McDonald & Co., for Two Hundred Dollars (\$200.00).

Please honor the draft and oblige,

Yours truly,

H. WILLIAMS.

Feb. 4.—McDonald & Co., on receiving the draft take it to Dunn, who accepts it as *own*. This will make the paper fall due on Feb. 7, but in business the paper is treated usually as cash, as the acceptance in this case simply gives the drawee time to arrange for the payment.

H. Williams' entry:

John McDonald & Co.,	\$200 (for value given).
To R. Dunn	\$200 (for value received).

John McDonald & Co.'s entry:

Cash	\$200 (because received).
To H. Williams	\$200 (for value received).

R. Dunn's entry:


H. Williams	\$200 (for value given).
To Cash	\$200 (for amount paid).

ILLUSTRATION NO. 2.

John Smith, of London, is owing Samuel Jones, of Toronto, \$500, due in 60 days. Jones

¹ To go in red ink across face of draft.

is owing William Brown, of London, a similar amount due in 60 days. Jones draws the following draft on Smith, which on presentation meets with acceptance:

	\$ 500 ⁰⁰ / ₁₀₀	Toronto, Ont. Jan 10, 1911
	Sixty days after date pay to the order of	
	William Brown	
	Five Hundred	7 ⁰⁰ / ₁₀₀ Dollars
	value received, and charge to the account of	
	To John Smith } Samuel Jones	
	London Ont }	

Accepted Jan. 12, 1910.

Payable at

Bank of Toronto.

JOHN SMITH.¹

Samuel Jones' entry:

Wm. Brown

To John Smith

\$500 (for value given).

\$500 (for value received).

William Brown's entry:

Bills Receivable

\$500 (because received).

To Samuel Jones

\$500 (for value received).

John Smith's entry:

Samuel Jones

\$500 (for value given).

To Bills Payable

\$500 (because given out).

ILLUSTRATION NO. 3.

Suppose in this last case that while Smith did not owe Jones until 60 days after date that Jones owed money to Brown immediately and that the draft was intended as part settlement. In such case, the paper would not be received by Brown at its face value; in other words it would be taken at a discount. Five per cent. discount on \$500 for 63 days is \$4.32. The entries would be as follows:

S. Jones' entry:

W. Brown

\$495.68 (for value given).

Discount

4.32 (allowed to him).

To John Smith

\$500.00 (for value received).

W. Brown's entry:

Bills Receivable

\$500.00 (paper received).

To S. Jones

\$495.68 (value received from him).

To Discount

\$4.32 (allowed to us).

¹ To go in red ink across face of draft.

J. Smith's entry :

S. Jones

To Bills Payable

\$500.00 (for value given).

\$500.00 (because issued).

ILLUSTRATION NO. 4.

Sometimes drafts are used as a means of getting personally the amount of a debt. Suppose that on Feb. 5 Brock & Co., of Toronto, sell a bill of goods to J. Ferguson, Stratford. The amount, \$500, is subject to draft at 60 days. Just as soon as the goods go forward they draw up a paper as follows :

\$500⁰⁰/₁₀₀

Toronto, Ont. Feb 5, 1900

12
Due

Sixty days after date, pay to the order of

Bank of Montreal, Carlton Street Branch the sum of

Five Hundred _____ 500 Dollars

Value received and charge the same to account of

To J. Ferguson,

Stratford, Ont.

W. E. Brock & Co.

NO PROTEST
TAKE THIS DRAFT BEFORE PRESENTING

This they take to the Bank of Montreal where they keep their account and get it discounted. That is, the bank buys the paper from them and their account at the bank is credited with the cash value of the paper.

Brock & Co.'s entry :

Cash or Bank

\$495.68 (amount received).

Discount

\$4.32 (allowed to others).

To J. Ferguson

\$500.00 (received from him).

Bank's entry :

Bills Receivable

\$500.00 (because received).

To Brock & Co.

\$495.68 (deposit increased).

To Discount

\$4.32 (allowed to us).

The paper is sent by the bank to its branch in Stratford and presented to Ferguson for acceptance.

Ferguson's entry :

Brock & Co.

\$500.00 (value given to them).

To Bills Payable

\$500.00 (because issued).

ILLUSTRATION NO. 5.

Up to this time we have been dealing with what might be called personal drafts. Sometimes, however, it is not possible for the person who owes money to find some other person on whom he may draw. In such a case our banks serve the purpose of the business man,

by selling what are known as Bank Drafts. Suppose, for instance, that John White, of Woodstock, is owing Wyld, Grasset & Co., of Toronto, \$300 for goods bought. He cannot find any one in Toronto who owes him money, and on whom he could draw, so he goes to the Bank of Commerce in Woodstock, the head office of which is situated in Toronto, and deposits in this Woodstock branch \$300.75. The bank will then issue him an order or draft directing the Head Office in Toronto to pay Wyld, Grasset & Co. \$300. This draft, which is known as a Bank Draft, White encloses in a letter to his creditor in Toronto. The 75c. that he pays is the bank's charge for exchange.

White's entry on buying the draft:

Wyld, Grasset & Co.	\$300.00 (value given to them).
Exchange	.75 (paid to bank).
To Cash	300.75 (paid out).

When this paper reaches Toronto it can be cashed for \$300 at the Canadian Bank of Commerce.

Wyld, Grasset & Co.'s entry:

Cash	\$300.00 (received).
To J. White	\$300.00 (value received from him).

The paper used appears as follows:

The Canadian Bank of Commerce	
\$300	No. 56
<i>Woodstock, May 28, 1910.</i>	
<i>Pay to Wyld, Grasset & Co.....or Order</i>	
<i>Three Hundred.....⁰⁰/₁₀₀ Dollars,</i>	
<i>and charge to this Bank.</i>	
<i>To Canadian Bank of Commerce } Toronto, Ont.</i>	J. F. BROWN, Manager. H. F. SOMERS, Accountant.

In buying this draft it would be necessary for John White to fill out a requisition form and hand it to the teller with the total amount of money required and in return the draft is issued to him.

REQUISITION FORM.

The Canadian Bank of Commerce	
<i>Woodstock, May 28, 1910.</i>	
Required a.....Draft on Toronto.....	
<i>In favor of Wyld, Grasset & Co.,.....</i>	
<i>For the sum of Three Hundred Dollars.....</i>	
No.	Par \$300 00
Exchange one-quarter.....per c.	75
Checked by.....	
\$300 75	
<i>Applicant—John White.</i>	

The following sets are intended to exemplify the theory and use of drafts from a business standpoint. The student is recommended to examine carefully the business relation existing in each case where a draft is used, and to note how this relation is affected through the negotiation of a draft. The books used are Journal and Ledger. ✓

MEMORANDA FOR JANUARY AND FEBRUARY.

For the purpose of this and succeeding sets the student should secure the envelope of Senior Forms and Vouchers.

The student will assume sole Proprietorship and conduct a Tea and Coffee Business, investing the following Resources and owing the following Liabilities:

RESOURCES.

On deposit in Molson's Bank (Debit Cash), no Bank Account in Ledger.....	\$3,500 00
Store and Lot, No. 186 Yonge St., valued at.....	5,000 00
Bennett Brothers, Hamilton, owe on account.....	500 00
Geo. H. Crowe, Guelph, owes on account.....	680 50
Perry & Small, Brantford, owe on account.....	816 88
Chas. L. Wood, City, owes on account.....	450 00

LIABILITIES.

Cole & Dent, Guelph, due them on account.....	\$1,500 00
G. B. Merritt, Hamilton, due them on account.....	1,675 25
1. Bought of Lannin, Dent & Co., Montreal, on account, at 60 days, the following invoice of goods received this day by C.P.R. freight line: 20 hf. ch., 1,000 lbs., Oolong Tea; 20 hf. ch., 1,400 lbs., Y. H. Tea; 30 hf. ch., 2,250 lbs., Japan Tea; 10 hf. ch., 600 lbs., English Breakfast Tea; 50 Mats, 3,750 lbs., Java Coffee; 10 bags, 1,250 lbs., Maracaibo Coffee; 10 bales, 1,500 lbs., Mocha Coffee; 15 bags, 1,875 lbs., Rio Coffee. (See Price list at end of Set. Rule up and show neat and correct copy of invoice.)	
3. Sold Geo. Crowe, Guelph, on account, at 15 days, 5 hf. ch., 375 lbs., Japan Tea; 5 hf. ch., 350 lbs., Y. H. Tea; 10 mats, 750 lbs., Java Coffee; 5 bags, 625 lbs., Rio Coffee. (Show invoice.)	

SHIPPING BILLS.

In shipping goods by freight it is necessary to make out a Bill of Lading or Shipping Bill. Forms of these bills are generally supplied to shippers by Railway Companies. The present form of the Bill of Lading came into use on October 1st, 1909. The document is in two forms, viz.: "order" bill of lading, which is a negotiable document, yellow in color, which must be surrendered to the Railway Agent at destination before delivery of the goods, and the "straight" bill of lading, which is printed on white paper and is not negotiable. Both the "order" and "straight" bills of lading are issued in sets of three, viz.: the original document, the shipping order (which is retained by the Railway Agent), and thirdly a memorandum acknowledging that a bill of lading has been issued. This is retained by the shipper.

The student will make out for practice the Shipping Bill illustrated, and others where indicated in the text.

75
25



STRAIGHT BILL OF LADING-ORIGINAL-NOT NEGOTIABLE

Shipper's No.

Agent's No. ...

RECEIVED, subject to the classifications and tariffs in effect on the date of issue of this Original Bill of Lading.

at Toronto, Ont., Jan. 3,
Team St. Louis & Co. 1910

from Student & Co. the goods described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said goods over all or any portion of said route to destination, and as to each party at any time interested in all or any of said goods, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof) and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from Toronto, Ont.

to Queph, Ont. is in Cents per 100 Lbs. IF Special

15 in Cents per 100 Lbs.

IF Special

Consigned to. *Geo. Crowe*

(Mail Address—Not for purposes of Delivery)

Destination *Guelph*

Province or State of *Ont.*

County of.....

Route

Car Initial

Car No.

No. Packages	DESCRIPTION OF ARTICLES AND SPECIAL MARKS.	WEIGHT (Subject to Correction)	CLASS OR RATE	CHECK COLUMN
5	hfch Japan Tea	375		
5	" " " "	350		
10	mal Java Coffee	750		
5	bags Rio " "	625		
		2100		

If charges are to be pre-paid, write or stamp here, "To be Prepaid."

Received \$
to apply in prepayment of
the charges on the property
described hereon.

Agent or Cashier,

Per.

(The signature here acknowledges
only the amount prepaid.)

Charges Advanced:

\$

Per

Shipper

Per

Agent.

(The Bill of Lading is to be signed by the shipper and agent of the carrier issuing same)

STRAIGHT BILL OF LADING, ORIGINAL.

3. Drew a sight draft on Bennett Bros., Hamilton, for \$500, and deposited same in Molsons Bank, less $\frac{1}{2}$ % charged for collection.

Write up, in proper form, on foolscap paper, the draft called for above, after which make the entry for the transaction in your Journal. Write up, in like manner, all of the drafts where directed to do so, and after completing the work of the month, present your books, together with the drafts and other forms, to the teacher for approval.

3. Remitted Geo. B. Merritt, Hamilton, a draft for \$500 drawn by the Molsons Bank here, D. Brodrick, Manager; J. Boulton, Accountant, on the Molsons Bank, Hamilton. Issued check for draft and $\frac{1}{2}$ % exchange.
5. Received cash of Chas. L. Wood, to apply on account, \$200.00.
6. Accepted, payable at Molsons Bank—Cole & Dent's draft, dated Jan. 3, at 13 days, favor Bank of Commerce, \$356.80. (Write the draft, including acceptance.)
7. Paid W. J. Gage & Co.'s bill for office books, furnished Jan. 1st, in cash, \$35.00.
8. Sold John Gibson, City, for cash, 2 hf. ch., 100 lbs., Oolong Tea; 1 hf. ch., 70 lbs., Y. H. Tea; 2 bales, 300 lbs., Mocha Coffee.
8. Deposited cash in Molsons Bank, \$200.00.
9. Drew on Perry & Small for \$300 at 45 days, favor of our bank. Discounted draft. Bank Charges, 5 % and $\frac{1}{8}$ % for collection.
10. Bought of the Taylor Safe Co., a safe for office, \$250.00. Paid for same by cheque on Molsons Bank.
10. Drew on Geo. H. Crowe for \$680.50, in favor of our bank, at 30 days from date. Discounted this draft. Bank charges 5% and $\frac{1}{2}$ % for collection. Remitted Cole & Dent our check for \$676.57.
10. Sold Bennett Bros., Hamilton, on account, at 30 days, 10 hf. ch., 700 lbs., Y. H. Tea; 10 hf. ch., 750 lbs., Japan Tea; 20 mats, 1,500 lbs., Java Coffee; 5 bags, 625 lbs., Maracaibo Coffee. (Make out shipping bill.)
10. Accepted payable at our bank, G. B. Merritt's sight draft on me dated Jan. 8 in favor of Bank of Montreal for \$250.
12. Bought of Fennell & White, City, on account, at 30 days, 20 hf. ch., 1,400 lbs., Y. H. Tea; 10 hf. ch., 600 lbs., E. B. Tea; 10 bales, 1,500 lbs., Mocha Coffee; 10 bags, 1,250 lbs., Maracaibo Coffee. (Show invoice.)
13. Accepted, payable at Molsons Bank—Lannin, Dent & Co.'s draft, \$475.50, dated Jan. 10, at 12 days, in favor of themselves, and transferred by full endorsement to Bank of Hamilton. (Write the draft, including acceptance and endorsement.)
13. Paid J. & J. O'Malley's bill for office furniture, by cheque on Molsons Bank, \$200.00.
15. Sold Hamilton & Bell, Collingwood, 5 hf. ch., 250 lbs., Oolong Tea; 10 hf. ch., 750 lbs., Japan Tea; 10 mats, 750 lbs., Java Coffee. (Make out Shipping bill.) Received cash for one-half of the invoice, balance on account, 30 days.
15. Drew from the business for private use, \$100.00, by cheque on Molsons Bank.
16. Drew a draft at 30 days from Jan. 10, on Bennett Bros., Hamilton, in favor of our bank for the amount of the invoice sold them on the 10th inst. Discounted the

- draft at Molsons Bank and received credit for same, less discount 5% and collection $\frac{1}{2}$ %. (Write the draft, including endorsement.)
17. Prepaid Lannin, Dent & Co.'s draft, \$500.00, dated Jan. 15, at 45 days, favor of Bank of Hamilton, less 46 days' discount, by cheque on Molsons Bank.
 18. Sold Perry & Small, Brantford, on account, at 10 days, 10 hf. ch., 700 lbs., Y. H. Tea; 5 bags, 625 lbs., Rio Coffee; 10 mats, 750 lbs., Java Coffee. (Make out shipping bill.)
 18. Received of George H. Crowe, Guelph, in full payment of his invoice of Jan. 3, a draft drawn by the Traders Bank, Guelph, W. A. Beers, Manager, J. G. Ironside, Accountant, on the Traders Bank, Toronto, in my favor. (Write the draft.)
 19. My acceptance of 6th inst., due to-day, has been paid by Molsons Bank, and charged to my account.
 19. Deposited in Molsons Bank the draft on Traders Bank, received on the 18th inst.
 20. Bought of Lannin, Dent & Co., Montreal, on account, at 60 days, the following invoice of goods, received this day by C.P.R. freight line: 40 mats, 3,000 lbs., Java Coffee; 20 bags, 2,500 lbs., Rio Coffee; 10 bales, 1,500 lbs., Mocha Coffee; 10 hf. ch., 600 lbs., E. B. Tea; 20 hf. ch., 1,500 lbs., Japan Tea (Show invoice.)
 22. Drew on Perry & Small at 30 days for \$516.88. Discounted the draft at our bank and had proceeds placed to our credit. Collection charges $\frac{1}{2}$ % in addition to the discount.
Remitted Fennell & White our cheque for \$513.84.
 22. Deposited cash in Molsons Bank, \$500.
 23. Sold Bennett Bros., Hamilton, on account, at 30 days. 10 mats, 750 lbs., Java Coffee; 5 bales, 750 lbs., Mocha Coffee; 5 hf. ch., 75 lbs., Japan Tea.
 25. My acceptance of the 13th has been paid at Molsons Bank, and charged to my account.
 26. Received of Chas. L. Wood, cash to apply on account, \$100.00.
 27. Sold to Geo. H. Crowe, Guelph, on account, at 30 days, 5 hf. ch., 300 lbs., E. B. Tea; 5 bags, 625 lbs., Rio Coffee; 10 mats, 750 lbs., Java Coffee.
 29. Drew a sight draft on Perry & Small, Brantford, for invoice of Jan. 18th, in favor of myself, and deposited same in Molsons Bank, receiving credit, less bank's charges for collection, $\frac{1}{2}$ %.
 29. Paid C.P.R.'s freight bills for the month, in cash, \$11.65. (Debit Mdse., Acct.)
 30. Accepted payable at Molsons Bank, Cole & Dent's draft, \$300.00, dated Jan. 26th, at 14 days, in favor of Bank of Commerce.
 30. Deposited cash in Molsons Bank, \$100.00.
 31. Received of Hamilton & Bell, for balance of invoice sold them Jan. 15th, their note in our favor at 15 days.
 31. The valuation placed upon the Store and Lot, the 1st inst., being \$500.00 too high, have made an entry correcting the same.
 31. Paid employee's salaries for the month in cash, \$125.00.

**PRACTICE IN HANDLING MODERN APPLIANCES.
POSTING AS BY CARD SYSTEM.**

<i>A. F. Moore</i>									
<i>237 Portage Ave. Winnipeg, Man.</i>									
<i>1912</i> <i>Jan 2</i>		<i>16</i>	<i>72</i>	<i>64</i>	<i>Feb 5</i>		<i>C 116</i>	<i>200</i>	<i>00</i>
<i>10</i>		<i>20</i>	<i>19</i>	<i>26</i>					
<i>20</i>		<i>25</i>	<i>121</i>	<i>50</i>					
<i>25</i>	<i>Red 222 ⁵³</i>	<i>50</i>	<i>222</i>	<i>53</i>					
<i>Feb 2</i>		<i>41</i>	<i>93</i>	<i>27</i>					
<i>10</i>		<i>45</i>	<i>18</i>	<i>32</i>					
<i>15</i>	<i>Red 324 ³²</i>	<i>48</i>	<i>191</i>	<i>20</i>					
			<i>524</i>	<i>92</i>					

THE CARD LEDGER

In posting the work for the months of January and February the student will be required to do the work as illustrated in the article on Modern Methods, under the heading "The Card System." To do this he will obtain the necessary supply of cards, post the different accounts, fasten the cards together by a paper clip and hand them in with the rest of the work for inspection. When certified as correct, the different cards must be filed at the end of February, under the teacher's supervision, in a card tray.

INVENTORIES, JANUARY 31, 19.....

MERCHANDISE.

20 mats, 1,500 lbs., Java Coffee.	25 hf. ch., 1,500 lbs., English Breakfast Tea.
15 bags, 1,875 lbs., Maracaibo Coffee.	20 hf. ch., 1,500 lbs., Japan Tea.
23 bales, 3,450 lbs., Mocha Coffee.	13 hf. ch., 650 lbs., Oolong Tea.
10 bags, 2,500 lbs., Rio Coffee.	14 hf. ch., 980 lbs., Young Hyson Tea.

EXPENSE.—Office Safe, \$250.00; Office Books, \$35.00; Office Furniture, \$200.00. Total, \$485.00.

REAL ESTATE.—Store and Lot, \$4,500.00.

You will now post. After completing the posting, make out a Balance Sheet, and close the accounts, showing losses and gains, preparatory to admitting a partner on Feb. 1.

After completing the work, as instructed above, present your books, and the forms called for in the Text, to the teacher for approval. Deliver perfect Balance Sheet, and also Trial Balance, of your balances as brought down for February 1st, also statement of Resources and Liabilities, Losses and Gains, to be filed, and proceed with next line of work.

BUYING PRICE LIST FOR JANUARY AND FEBRUARY.

DESCRIPTION	QUANTITY	PRICE
<i>Tea</i>		
Ja ₁ an.....	75 lbs. Hlf. Ch.....	25c. lb.
Oolong.....	50 " " ".....	45c. lb.
Young Hyson.....	70 " " ".....	33 $\frac{1}{4}$ c. lb.
English Breakfast.....	60 " " ".....	30c. lb.
<i>Coffee</i>		
Rio.....	125 lb. Bag.....	12 $\frac{1}{2}$ c. lb.
Java.....	75 " Mat.....	20c. lb.
Mocha.....	150 " Bale.....	25c. lb.
Maracaibo.....	125 " Bag.....	16 $\frac{3}{4}$ c. lb.

SELLING PRICE LIST FOR JANUARY AND FEBRUARY.

DESCRIPTION	QUANTITY	PRICE
<i>Tea</i>		
Japan.....	75 lb. Hlf. Ch.....	30c. lb.
Oolong.....	50 " " ".....	50c. lb.
Young Hyson.....	70 " " ".....	40c. lb.
English Breakfast.....	60 " " ".....	37 $\frac{1}{4}$ c. lb.
<i>Coffee</i>		
Rio.....	125 lb. Bag.....	15c. lb.
Java.....	75 " Mat.....	25c. lb.
Mocha.....	150 " Bale.....	30c. lb.
Maracaibo.....	125 " Bag.....	20c. lb.

Section 15.

CHANGE FROM SINGLE OWNERSHIP TO PARTNERSHIP.

MEMORANDA OF TRANSACTIONS FOR FEBRUARY.

1. P. McIntosh has this day been admitted as an equal partner, the firm name to be "Student" & McIntosh.
- 1 P. McIntosh invests a note made by Harry Powell, in his favor, secured by the endorsement of Wm. Gordon, dated Feb. 1, 19....., at 20 days, with interest, and transferred by the payee to the new firm by a full endorsement, \$3,000.00. (Write this note, including the endorsement.) McIntosh also invests cash for the balance required to make his investment equal to Student's present worth.

1. Transferred Student's credit in Molsons Bank to credit of "Student" & McIntosh; also deposited cash, \$4,000.00. (Memorandum only.)
2. Sold Perry & Small, Brantford, on account, at 15 days, 5 hf. ch., 300 lbs., E. B. Tea; 10 hf. ch., 750 lbs., Japan Tea; 10 mats, 750 lbs., Java Coffee; 5 bags, 625 lbs., Maracaibo Coffee; 10 bales, 1,500 lbs., Mocha Coffee.
2. Prepaid Lannin, Dent & Co.'s draft on us, dated Feb. 2, at 30 days, favor of Bank of Hamilton, by cheque on Molsons Bank, less 33 days' discount, for balance due them on invoice on Jan. 1.
3. Took out policies of Insurance with Lancashire Insurance Company, Love & Hamilton, agents, \$3,000.00 on building and \$5,000.00 on stock. Paid Premium by cheque on Molsons Bank, \$120.00.
5. Remitted G. B. Merritt cheque for \$300 on account.
5. Received cash of Chas. L. Wood, in full of account.
6. Sold Hamilton & Bell, Collingwood, on account at 30 days, 10 hf. ch., 600 lbs., E. B. Tea; 10 hf. ch., 500 lbs., Oolong Tea; 10 hf. ch., 700 lbs., Y. H. Tea; 15 bags, 1,875 lbs., Rio Coffee; 5 bales, 750 lbs., Mocha Coffee.
6. Deposited cash in Molsons Bank, \$750.00.
8. Bought at Molsons Bank, by cheque, a draft on Traders Bank, Guelph, at $\frac{1}{4}$ % exchange, and remitted same to Cole & Dent, to balance account.
9. Accepted, payable at Molsons Bank, Lannin, Dent & Co.'s draft on us, favor Bank of Hamilton, dated Feb. 9th, at 40 days, in full of invoice of Jan. 20th.
10. Bought of Gordon & Brown, Montreal, on account, one half subject to draft in 15 days, balance in 30 days, the following invoice of goods received this day by C.P.R. Fast Freight: 40 hf. ch., 3,000 lbs., Japan Tea; 50 hf. ch., 3,500 lbs., Y. H. Tea; 20 bags, 2,500 lbs., Maracaibo Coffee; 10 bags, 1,250 lbs., Rio Coffee; 10 hf. ch., 500 lbs., Oolong Tea; 40 mats, 3,000 lbs., Java Coffee; 20 bales, 3,000 lbs., Mocha Coffee.
12. Acceptance of 30th ult., due to-day, has been paid and charged in at Molsons Bank.
13. Sold Samuel Collins, of Barrie, on account, at 60 days, 20 hf. ch., 1,400 lbs., Y. H. Tea; 20 mats, 1,500 lbs., Java Coffee.
15. Gave Fennel & White our cheque on Molsons Bank to balance account.
17. Received of Perry & Small, to pay invoice of Feb. 2, their note in our favor, at 60 days, for \$500, also their draft, in our favor, on The Merchants' Bank for the balance of the invoice, and for 63 days' discount on the note.
18. Received cash for Hamilton & Bell's note of Jan. 31st, due to-day.
18. Deposited cash in Molsons Bank, \$500.00.
20. Sold Geo. H. Crowe, Guelph, on account, at 30 days, 10 hf. ch., 750 lbs., Japan Tea; 5 hf. ch., 250 lbs., Oolong Tea; 20 mats, 1,500 lbs., Java Coffee.
21. Received bank draft from Bennett Bros. for amount of invoice sold them Jan. 23rd. Deposited draft. Remitted G. B. Merritt our cheque for amount of above draft.
23. Hamilton & Bell, having failed in business, have compromised with their creditors at fifty cents on the dollar. Received from them cash, on this basis, for invoice of Feb. 6, and closed their account.
24. Received cash of Harry Powell, in full, for his note invested by McIntosh, Feb. 1st, due to-day, with interest, and deposited the cash so received in Molsons Bank.
26. Drew sight draft on George H. Crowe, favor of ourselves, for amount of invoice sold him Jan. 27th, and deposited same in Molsons Bank, to our credit, less collection, $\frac{1}{2}$ per cent.

28. Accepted Gordon & Brown's sight draft on us in favor of their bank for $\frac{1}{2}$ of invoice of 10th inst.
28. Sold Miller & Bend, of Oakville, account, at 30 days, 10 mats, 750 lbs., Java Coffee; 15 bags, 1,875 lbs., Rio Coffee; 8 hf. ch., 400 lbs., Oolong Tea; 10 hf. ch., 600 lbs., E. B. Tea.
28. Drew a draft on Samuel Collins, Barrie, favor of ourselves, at 45 days from date, for invoice sold him 13th inst. Discounted draft and had proceeds placed to our credit. Bank charges for collection, $\frac{1}{2}\%$.
28. Paid employee's salaries for the month in cash, \$150.00.
28. Deposited cash in Molsons Bank, \$500.00.

INVENTORIES, FEBRUARY 28, 19....

MERCHANDISE.

40 hf. ch., 3,000 lbs., Japan Tea.
34 hf. ch., 2,380 lbs., Y. H. Tea.

30 bags, 3,750 lbs., Maracaibo Coffee.
28 bales, 4,200 lbs., Mocha Coffee.

EXPENSE.—Safe, Office Books and Office Furniture, valued at 10% less than cost, \$436.50. Insurance.—Unearned premium, \$110.00. Total, \$546.50.

REAL ESTATE.—Store and Lot, \$4,500.00.

You will now post, make out a Balance Sheet, Proof Trial and usual Statements, and close the Ledger completely, as this work has no connection with what follows

FOREIGN EXCHANGE.

In dealing with foreign firms it becomes necessary to open what are known as Foreign Accounts in our books. Such accounts are always personal accounts and necessarily involve the use of foreign currencies. For this reason foreign Journal and Ledgers are provided with columns for both the foreign and domestic currencies.

Every transaction with a foreign firm does not necessarily affect the Foreign Account of that firm. In fact it is quite possible to have both a Foreign and Domestic Account with the same firm. In deciding which account is to be affected by a transaction the deciding question is, where is the debt, on which the transaction is founded, payable? If payable here the Domestic Account is affected, and if payable in a foreign country the Foreign Account is affected.

In closing a Ledger in which there are foreign accounts it is necessary to deal with all such accounts, according to the following method, before even the Trial Balance can be struck.

(1) Balance the Foreign Currency columns, extending the amount of this balance, at par, into the Domestic Currency column. The title for this entry will be "To Balance" or "By Balance."

(2) Balance the Domestic Currency columns. The title for this entry will be "To Exchange" or "By Exchange."

(3) Carry this Exchange amount to the Exchange account.

(4) Rule and foot the Foreign Account, bringing the Balance entry below the ruling on the opposite side. The amount in Dollars of this Balance will give the figures to be used in the Trial Balance.

We append an illustration of the method of dealing with such accounts in the Journal and Ledger.

- Mar. 4. Received from W. Boyd, Liverpool, Mdse., ordered by us on Feb. 16, invoiced at £2,040.12.6 at 80 days. Exchange, 109½.
- May 7. We remit Boyd a Bill of Exchange, £1,000 in part settlement of his account. Exchange, 109.
- " 20. We find J. White, of Liverpool, is owing us for the proceeds of a consignment of 5,000 bbls. of Apples. We therefore draw on him at sight in favor of W. Boyd for £900 when Exchange is 108½.

Journalize the above and show Boyd's London account in the Ledger properly balanced.

TORONTO, March 4, 1910.

1910			£	s	d	£	s	d	\$	c	\$	c
March	4	Mdse. Dr. To W. Boyd's F.A.				2040	12	6	9931	04	9931	04
May	7	Boyd's F. A., Dr. To Cash	1000	0	0				4844	44	4844	44
"	20	Boyd's F. A., Dr. To White's F.A.	900	0	0	900	0	0	4340	00	4340	00

DR		W. BOYD'S F. A.						CR.					
1910		£	s	d	\$	c	1910		£	s	d	\$	c.
May	7 To Cash	1000	0	0	4844	44	Mar.	4 By Mdse.	2040	12	6	9931	04
"	20 To White's F. A	900	0	0	4340	00							
"	31 To Balance	140	12	6	684	38							
"	31 To Exchange				62	22							
		2040	12	6	9931	04			2040	12	6	9931	04
							May	31 By Bal.	140	12	6	684	38

Section 16.

CASH BOOK AND BILL BOOK.

The April and May sets are intended to illustrate the use of the Cash Book and the Bill Book as books of original entry. Heretofore, we have used a journal only for our entries. Now we intend to divide the work of recording the entries among the three books. This, of course, means that some of the entries we have heretofore kept in the Journal will disappear from it, some of them going to the Cash Book and some to the Bill Book.

CASH BOOK—RECEIPTS.

Date	Memoranda	Credit Accts.	For.	Sundries.	Totals.
19..					
Apr. 1	Shaw's investment	W. N. Shaw		\$1,500 00	
" 1	Student's "	Student		1,500 00	
" 6	On account	J. & J. O'Malley		200 00	
" 12	On account	J. R. Brown		200 00	
" 18	Cash sales	Mdse.		...	
" 20	On account	J. R. Brown		100 00	
" 20	On account	J. Irwin & Son		75 00	
" 22	J. & J. O'Malley's note	Bills Rec.	B. B.	200 00	
" 27	On account	J. & J. O'Malley		400 00	
" 29	Potter's note	Bills Rec.	B. B.	...	
" 29	Interest on above	Int. and Disc.		...	\$4,735 85
					<u>\$4,735 85</u>
May 1		Balance			\$2,145 35

As an illustration of the form of these books we have, in part, arranged the entries for April. The student will use these forms for models and, as usual, make a draft of the Journal, Cash Book and Bill Book, with proper entries, in scribbler for checking. The work will then be transcribed into the proper blanks.

The posting of the books will be the next work, and is done in the following manner: Starting with the Journal, post as you have been in the habit of doing. Then take the Cash Book in hand. Carry the *total amount* of cash received to the Dr. side of the Cash account in the Ledger. To balance this figure, credit each account, appearing on the left side of the Cash Book, with the figure set opposite it. Next carry the *total amount* of cash paid to the credit side of the Cash account in the Ledger. Then balance this figure by debiting each account appearing on the right side of the Cash Book with the figure set opposite it.

We are quite well aware that some advocate the plan of leaving the Cash account out of the Ledger altogether when a Cash Book is kept. Of course the Debit and Credit footings or the Balance will be carried into the Trial Balance. We believe, though, that the Ledger should contain all the accounts of the business, and confusion is apt to follow, not to speak of omissions where all the data for the Trial Balance is to be looked for at different places. Very especially is this the case with young bookkeepers, or those who are making study of the subject for the first time.

The Bills Receivable Book will be the next. Carry the footing of the left side of the book to the Dr. side of Bills Receivable account in the Ledger, and the footing of the right side of the book to the Cr. side of the Bills Receivable account. Complete the posting of this book, crediting each account appearing on the left side with the figure appearing opposite it. In the Bills Payable Book this operation is reversed. Carry the footing of the left side of the book to the Cr. side of Bills Payable account. Then debit each account appearing on the left side of the book for the amount set opposite it.

NOTE.—When, in posting the separate accounts from any of these books, we come across an item that is checked in the folio column with the initials of another book, we omit the posting of that item. Study out the reasons for each step as above outlined.

CASH BOOK—PAYMENTS.

65

Date	Memoranda	Debit Accts.	Cr.	Sundries	Totals
19..					
Apr. 4	On Account	McDonald & Co.		\$500 00	
" 10	Office Books	Expense		25 00	
" 15	On account B. Dft.	D. McLaren		200 00	
" 15	Exchange $\frac{1}{2}\%$ on above	Coll. & Exchange		
" 17	Withdrawal	W. N. Shaw		50 00	
" 24	Coal	Expense		15 00	
" 25	Acceptance due to-day	Bills Pay.	B. B.	
" 27	On account	J. McDonald		500 00	
" 30	Salary	Expense		100 00	\$2,590 50
		Balance (cr.)			2,145 35
					<u>\$4,735 85</u>

PARTNERSHIP.—No. 1.

In these Sets the Cash Book and Bill Books are to be kept with the Journal Day Book as books of original entry. The posting is to be done at the end of each month, and a complete Balance Sheet made in each case. No bank account kept in Ledger.

MEMORANDA FOR APRIL AND MAY.

- April 1. Student and W. N. Shaw form a partnership to conduct a Carpet business. They invest equal amounts and share gains and losses equally. Student is to receive \$100 per month as salary for extra services. (Memo. in Day-Book.)
- The Cash investment of each partner is \$1,500. The amount is paid in, and Articles of Partnership executed this day.
- [NOTE TO STUDENT.—In opening your Cash Book, leave the first page blank and commence on the second page, so that the receipts and disbursements will appear on opposite pages.]
- " 2. Bought of J. McDonald & Co., Toronto, on account, 500 yds. Moquette; 500 yds. Body Brussels; 1,000 yds. Ingrain; 1,000 yds. Matting; 2,000 yds. Lining.
- " 3. Sold J. & J. O'Malley, on account, 200 yds. Body Brussels; 100 yds. Moquette; 400 yds. Lining.
- " 4. Paid J. McDonald & Co., Cash, to apply on account, \$500.00.
- " 5. Bought of D. McLaren & Co., Montreal, on account, 500 yds. Tapestry Brussels; 400 yds. Axminster; 300 yds. Wilton; 500 yds. Oil Cloth; 500 yds. Linoleum.
- " 6. Received Cash of J. & J. O'Malley, on account, \$200.00.
- " 8. Sold Jas. R. Brown, City, on account, 200 yds. Tapestry Brussels; 100 yds. Axminster; 100 yds. Wilton; 200 yds. Oil Cloth.
- " 9. Received of J. & J. O'Malley, on account, their Note at 10 days, payable Traders Bank, City, \$200.00. (Enter in Bill Book for posting.)
- " 10. Paid Brown Bros.' bill for Office Books, in Cash, \$25.00.

(PAGE 1)

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(PAGE 2)

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BILLS PAYABLE.

No.	When Given	Dr. Account	L. F.	Amount	Place and Date	By Whom Drawn	In Whose Favor	Where Payable	When Accepted	Time After Sight	Date
1	1910 Apr. 11	J. McDonald		\$ 500 00	Apr. 11		J. McDonald	Our Office		20 days	
2	" 19	D. McLaren		1,200 00	" 19	D. McLaren	Bank of Montreal	" "	Apr. 19	3 days	
3	" 30	D. McLaren		300 00	" 30		D. McLaren	" "			15
				\$2,000 00							

BILLS PAYABLE—Continued.

(PAGE 2)

When Due		Notes Settled for by			How Paid
		Rate of Interest	Check Col.	L. F.	
				Sundries	Cash
January					
February					
March					
April	18			\$1,200 00	Paid in Cash.
May	4				25, 190
June					
July					
August					
September					
October					
November					
December					
<hr/>					
				\$1,200 00	Post ed April 30, 19....

- April 11. Gave J. McDonald & Co. our Note, at 20 days, payable at our office, to apply on account, \$500.00. (Enter in B. B., for posting.)
- " 12. Received Cash of J. R. Brown, on account, \$200.00.
- " 13. Sold Adams & Co., City, on account, 100 yds. Moquette; 200 yds. Matting; 100 yds. Tapestry Brussels; 100 yds. Linoleum.
- " 15. Remitted D. McLaren & Co., Montreal, Cash, on account, \$200.00, by Bank Draft. Exchange, $\frac{1}{4}\%$.
- " 16. Sold R. Potter, on his Note at 10 days, payable at Molsons Bank, with interest, 100 yds. Axminster; 100 yds. Body Brussels; 100 yds. Tapestry Brussels.
(Note.—Charge Potter in Journal with the Mdse. sold and credit him in the Bill Book.)
- " 17. W. N. Shaw drew cash from the business, for private use, \$50.00.
- " 18. Sold for Cash, 100 yds. Matting; 50 yds. Oil Cloth.
- " 19. Accepted D. McLaren & Co.'s draft on us, favor Bank of Montreal, at 3 days' sight, payable at our office, to apply on account, \$1,200.00. (Enter in B. B. for posting.)
- " 20. Received Cash of Jas. R. Brown, on account, \$100.00.
- " 20. Sold John Irwin & Son, 100 yds. Tapestry Brussels; 300 yds. Matting; 200 yds. Linoleum. Received Cash, \$75.00. Balance on account. (Note.—Enter the whole bill in Journal, debiting Irwin, then credit him in the Cash Book.)
- " 22. Received Cash of J. & J. O'Malley, for their Note of 9th inst., due to-day, \$200.00. (Enter in C. B. and B. B. for posting. Check.)
- " 23. Bought of J. McDonald & Co., City, on account, 400 yds. Body Brussels; 300 yds. Moquette; 200 yds. Velvet; 300 yds. Wilton; 200 yds. Axminster. Paid Cash for Coal for use of store, \$15.00.
- " 24. Sold J. R. Brown, on account, 300 yds. Ingrain; 200 yds. Moquette; 100 yds. Wilton.
- " 25. Paid our acceptance of 19th inst., favor Bank of Montreal, due to-day, in Cash. (Enter in C. B. and B. B. for posting. Check.)
- " 26. Received of Adams & Co., City, their Note, at 60 days, endorsed by John Bell, payable at Bank of Toronto, City, in full, for invoice of the 13th inst.
- " 27. Paid J. McDonald & Co., Cash, on account, \$500.00.
- " 27. Sold J. & J. O'Malley, 400 yds. Moquette; 200 yds. Body Brussels; 200 yds. Linoleum. Received Cash, \$400.00. Balance on account.
- " 29. Received Cash of R. Potter, for his Note of 16th inst., due to-day, and 13 days' interest on the same. (Enter in C. B. and B. B. for posting. Check.)
- " 30. Remitted D. McLaren & Co., Montreal, our note at 15 days, with interest, payable at our office, to apply on account, \$300.00.
- " 30. Student drew his salary, for extra services for the month, in Cash, \$100.00.

Buying Price Per Yd.		Selling Price Per Yd.
\$ c.		\$ c.
2 00.....	Axminster	2 50
1 10.....	Body Brussels	1 35
0 57½	Ingrain	0 75
0 06.....	Lining	0 10
0 67½	Linoleum	0 90
1 25.....	Moquette	1 50
0 47½	Matting (Cocoa)	0 60
0 33½	Oil Cloth	0 50
0 65.....	Tapestry Brus.	0 90
1 12½	Velvet	1 37½
2 10.....	Wilton	2 65

POSTING AS BY THE LOOSE LEAF LEDGER SYSTEM.

In posting the work for the months of April and May, and in all succeeding sets, the student will use "The Loose Leaf Ledger." For this purpose it will be necessary to secure a binder and a supply of loose sheets. The posting will then be done as described in the

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LOOSE LEAF LEDGER SHEET DR., CR., AND BALANCE COLUMNS.

article on Modern Methods, under the heading of "The Loose Leaf Ledger." When the different sheets containing the accounts of the business are then made up, they may be fastened together with an ordinary paper-clip for the purpose of sending them in for inspection. When they are passed by your teacher, as being correct, you will then place them in proper order in the Loose Leaf Binder.

INVENTORIES, APRIL 30, 19....

RESOURCE.

MERCHANDISE	400 yds.	Axminster,	400 yds.	Matting.
	400 "	Body Brussels,	250 "	Oil Cloth.
	700 "	Ingrain,	200 "	Velvet.
	1,600 "	Lining,	400 "	Wilton.

LIABILITY.

EXPENSE.—Rent unpaid for month of April, \$100.00.

You will now balance your Cash Book and post the Journal, Cash Book, and Bill Books.

After completing the posting, make a Balance Sheet, Proof Trial, and usual Statements, and close the accounts, showing losses and gains.

SUSPENSE ACCOUNT.

To treat rent unpaid as above, *i.e.*, as a Liability Inventory, is one method of dealing with such items. It means debiting Expense (or Rent if you have a special account for

rent) with \$100. This, of course, increases the loss shown by such account. Then, by the converse of the plan of handling Resource Inventories, the \$100 is brought below the ruling on the Cr. side of expense account and is thus carried forward as a Liability.

A more scientific method is to put through a Journal entry as follows:

Rent \$100.

To Suspense, \$100.

Other items, such as Wages Due and Unpaid, or Gas or Water Bills due and Unpaid, could be handled on the same plan.

Items of the opposite nature, such as Insurance Prepaid, could be handled by debiting Suspense Account and crediting Insurance.

This Suspense Account is thus practically a personal account.

Dicksee gives, as a full meaning for the term: "Sundry Debtors and Creditors for various Assets and Liabilities, carried forward."

Section 17.

- May 1. Partnership is dissolved by mutual consent, W. N. Shaw retires, accepting in payment Student's note, endorsed by P. McIntosh and John Kay & Son, drawn at 2 months, for the exact amount of his present worth, as shown by Ledger Account.
- " 2. Student continues business, as sole proprietor, and sells to John Kay & Son, on their Note, at 10 days, with interest, payable at Merchants Bank, 200 yds. Body Brussels; 100 yds. Axminster; 100 yds. Velvet; 500 yds. Lining.
- " 3. Received Cash of J. & J. O'Malley, on account, \$300.
- " 4. Paid Note, favor J. McDonald & Co., due to-day, in Cash. (C.B. and B.B.) ✓
- " 4. Bought of D. McLaren & Co., 400 yds. Tapestry; 300 yds. Moquette; 400 yds. Linoleum. Paid Cash on above, \$300.00. Balance on account. ✓
- " 6. Gave J. McDonald & Co. Note, at 45 days, to apply on account, \$500.00.
- " 7. Sold J. & J. O'Malley, on account, 100 yds. Moquette; 300 yds. Ingrain; 500 yds. Lining.
- " 8. Adams & Co. prepaid their Note of 26th ult., in Cash, less discount to maturity, 51 days.
- " 9. Received of James R. Brown, his Note at 60 days, payable at Imperial Bank, in full of account.
- " 9. Took out a Policy of Insurance on Stock, \$2,500.00. Paid premium on same, in cash, \$50.00.
- " 10. Received Cash of John Irwin & Son, on account, \$200.00.
- " 11. Sold Adams & Co., on account, 200 yds. Tapestry Brussels; 100 yds. Axminster; 200 yds. Wilton; 150 yds. Oil Cloth.
- " 14. Bought of R. Darling & Co., Toronto, on account, 300 yds. Velvet; 600 yds. Body Brussels.
- " 15. Received Cash of John Kay & Son, for their Note and interest, due to-day.

- May 16. Paid McDonald & Co., Cash, on account, \$800.00.
- " 17. Received of J. & J. O'Malley their Note, at 10 days, payable at Traders Bank, to apply on account, \$300.00.
- " 18. Paid my Note, favor of D. McLaren & Co., due to-day, and interest on same in cash when presented for settlement by Bank of Montreal, here.
- " 18. Paid rent of store for April and May, in Cash, \$200.00.
- " 20. Accepted D. McLaren & Co.'s draft, at 3 days' sight, favor Bank of Montreal to apply on account, \$500.00.
- " 21. Sold J. M. Struthers, on account, 300 yds. Body Brussels; 200 yds. Ingrain; 200 yds. Matting.
- " 22. Received Cash of John Irwin & Son, on account, \$100.00.
- " 24. James R. Brown prepaid his Note of 9th inst., in Cash, less discount.
- " 24. Sold for Cash, 100 yds. Body Brussels.
- " 25. Bought of D. McLaren & Co., on account, 200 yds. Axminster; 500 yds. Tapestry Brussels.
- " 26. Paid acceptance, favor Bank of Montreal, due to-day, in Cash.
- " 28. Received of J. M. Struthers, to apply on account, his draft, in my favor, at 30 days' sight, on J. Bastedo, which he has accepted, payable at Union Bank, City, \$300.00.
- " 29. Sold J. Irwin & Son, on account, 150 yds. Velvet; 100 yds. Wilton; 50 yds. Matting.
- " 29. Paid R. Darling & Co., Cash, on account, \$600.00.
- " 30. Prepaid my Note of 6th inst., favor of J. McDonald & Co., in Cash, less discount.
- " 30. Received Cash of J. & J. O'Malley, for their Note, due to-day.
- " 31. Paid Employees' salaries, in Cash, \$100.00.
- " 31. Store and contents were last night entirely destroyed by fire. Received cash from the Lancashire Fire Insurance Co., for the full amount of insurance on stock, \$2,500.00.

You will now balance your Cash Book and post.

After completing the posting, make a Balance Sheet and close all the accounts in the Ledger.

After completing the work of completely closing the Ledger and making out the usual statements, hand your books to the teacher for approval.

Section 18.

SALES BOOK AND INVOICE BOOK.

In the work for the two succeeding months you will use the Cash Book, Bill Books Sales Book, Invoice or Purchase Book, and Journal Day-Book as books of original entry.

The Sales Book is used to contain all Sales of Mdse. The totals are posted to Ledger at stated periods, while provision is made for carrying the separate items to the debit of their respective accounts.

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SALES BOOK.

DATE	DE ACCOUNTS	MEMORANDA	AMOUNT	TOTALS
1910 June	E Laing	Sold E Laing on acct		
		2 doz Wrenches @ \$12.75	24 50	
		5 A E Hammers 5.25	17 25	
		4 J. C. Freezers 5.00	20 00	
		2 doz J. E. Axes 12.50	25 00	
		2 doz B. Metal 15	30 00	121 75
	2 Barber & Smith	Sold Barber & Smith		
		on acct 10 days		
		1 doz Hand Saws @ 18.00	18 00	
		5 Axes & Forks 5.00	25 00	
		5 C. Knobs 1.25	6 25	
		1 Steelyards 8.50	8 50	
		1 doz B. Metal 15	15 00	
		1 C. Wrenches 5.00	22 00	94 75

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INVOICE BOOK.

DATE	CRAVING	MEMORANDA	SUNDRIES	TOTALS
June 1 ¹⁹¹⁵	Rice Lewis	Bot of Rice Lewis on 7% 60 days 2% 10 days goods per invoice No 1		716.00
" 3	Hart Dewar	Bot of Hart Dewar & Co. 90 days 2% 30 3% 10 goods per invoice No. 2.		468.75
" 8	Canada Nail Co.	Bot of Canada Nail Co. 10 days goods per invoice No. 3		625.00
" 10	Hart Dewar	Bot of Hart Dewar & Co. 90 days 2% 30 days 3% 10 days goods per invoice No. 4.		738.75

Buying	Articles	Selling
\$4.75 doz.	Adze Eye Hammers	\$5.75 doz.
5.00 each	Blacksmiths' Drills	6.00 each
.12½ lb.	Babbit Metal	.15 lb.
2.00 pr.	Barn Door Hangers	2.50 pr.
.03½ lb.	Cnt Nails, 8d., 100-lb. keg	.04 lb.
10.00 doz.	Cast Steel Axes	12.50 doz.
2.25 doz.	Carpet Stretchers	3.00 doz.
4.50 each	Copying Presses	5.50 each
1.50 each	Grindstones	2.25 each
15.00 doz.	Hand Saws, 26 in.	18.00 doz.
4.00 each	Ice Cream Freezers	5.00 each
5.00 doz.	Jack Planes	6.00 doz.
4.00 doz.	Knives and Forks	5.00 doz.
2.25 doz.	Mortise Locks	3.00 doz.
.75 doz.	Porcelain Knobs	1.25 doz.
10.00 doz.	Plain Galv'd Coal Hods	12.50 doz.
8.75 doz.	Ratchet Braces	10.75 doz.
6.50 doz.	Railroad Picks, 8 lb.	9.00 doz.
3.00 doz. pr.	Strap Hinges, 8 in.	4.50 doz. pr.
6.50 doz.	Steelyards	8.50 doz.
3.50 doz.	Try Squares, 8 in.	4.75 doz.
4.00 each	Universal Clothes Wringers	5.50 each
11.50 doz.	Wrought Wrenches	14.75 doz.
.06 lb.	Washers, ½-in.	.07½ lb.

NOTE.—On completing a page of either of these books add the amounts appearing in the total column, rule neatly, show footing, carry total to the following page, and include the amount carried forward in the addition of your second page.

The Invoice Book is used for recording all Purchases of Mdse. The totals of each page should be carried forward and posted at the end of each week or month as may be selected, while the separate items should be posted to their respective accounts each day.

The Cash Book and Bill Books have been explained and used in the preceding work, and should be continued throughout this business, free from errors.

The above prices are to be used for all purchases and sales.

MERCHANDISE, MERCHANDISE SALES, MERCHANDISE PURCHASES.

Commencing with this set and continuing throughout the rest of your work, we would like you to follow a different plan of keeping the Merchandise Account in the Ledger.

Instead of keeping but one account we will open three: Merchandise (or Inventory) Account, Merchandise Purchases Account, and Merchandise Sales Account. At the beginning of the period we will debit Merchandise Account with the Inventory as it was at the end of the last period. During the period we will debit Merchandise Purchases Account for the cost of purchases and charges, and credit it for all goods returned, also for allowances for overcharge, and for all discounts for immediate cash payment. The Merchandise Sales Account will be credited for all Sales and debited for all goods returned by customers, for all allowances for overcharge and for all discounts for immediate cash payment.

In closing the Ledger the following routine will be followed :

1. Close Merchandise (or Inventory) Account into Trading Account (see Section 21 for explanatory article on Trading Account.) The Journal entry will be :

Trading Account
To Merchandise.

Post this and succeeding Journal entries.

2. The Merchandise Account, being closed, may be ruled with a single line, as there is only one figure on each side.

3. Enter the Inventory as it stands at the close of the period under review by the following entry :

Merchandise
To Trading Account.

4. Close Merchandise Purchases Account by Journal Entry :
Trading Account
To Merchandise Purchases.

5. Close Merchandise Sales Account by Journal Entry :
Merchandise Sales
To Trading Account.

Note at this point that in giving the method of handling Merchandise Purchases Account, you are instructed to debit for cost of purchases and charges. This means that items for incoming freight, express, duty, and all such items that add to the cost of purchases would be charged direct to Merchandise Purchases Account. Sometimes, on account of the number of such items, or from a desire to show them separately in the Trading Account, separate accounts are kept for such charges. If so, all such accounts would be closed into Trading Account. The same theory may obtain with regard to entries to be credited to Merchandise Purchases Account or to be debited to Merchandise Sales Account. If separate accounts are kept for these items they must all be closed into Trading Account.

6. The Trading Account will now be closed into the Loss and Gain Account by Journal entry :

Trading Account
To Loss and Gain Account.

7. All other accounts that you have been in the habit of closing into Loss and Gain will be closed by appropriate Journal entries. Thus Rent Account will be closed :

Loss and Gain
To Rent.

8. The Loss and Gain Account will be closed in the usual way. Thus for Section 19, the Journal Entry would be :

Loss and Gain,
To Student,
To Geo. D. White.

MERCHANDISE DISCOUNT ACCOUNT.

Very generally goods sold by a wholesale house to a retailer are marked with terms, of which the following will serve as an example :

" 5-30, 3-60, 3 months net."

This means that the bill is to be paid in 3 months at the outside, but if the buyer pays in 30 days he gets 5% off. If he pays in 60 days, he gets 3%.

To accommodate these discounts which, under such a system, are bound to come up for consideration, we open a Merchandise Discount Account. This will be debited for all discounts we allow to others and credited for all discounts allowed us, on exactly the same plan that we handle the Interest and Discount Account. In closing the Ledger this Merchandise Discount Account is closed into Loss and Gain Account.

Sometimes two accounts are kept—one for Purchase Discounts, and the other for Sales Discounts.

PERSONAL ACCOUNTS.

It is often desirable as a matter of quick reference that the Ledger account of any person should show terms of sale or purchase and the nature of items of payment. The student will from this time forward use the hitherto unused column in the Ledger for this purpose, thus:

Dr.				BROWN & FRENCH, OAKVILLE, ONT.				Cr.			
1910				1910							
June	1	Balance		\$375	25	June	9	Cash		\$375	25
"	3	N 10		121	75						

				HART, DEWAR & CO., MONTREAL, Que.							
June	12	Exch		\$468	75	June	1	N 90, 2/30, 3/10		\$468	75
						"	8	N 90, 2/30, 3/10		738	75

MEMORANDA OF TRANSACTIONS FOR JUNE.

1. Student and Geo. D. White have this day formed a co-partnership, under the firm name of Student & Co., and have leased of J. B. McLachlan the store No. 146 King Street, at \$1,200 per year, rent payable monthly in advance, for the purpose of carrying on the Hardware business.

Articles of co-partnership made and executed this day provide as follows:

The capital of the firm shall be \$10,000, of which amount each partner shall invest one-half. Each partner shall devote his entire time to the business. The gains and losses of the business shall be shared equally.

The firm's resources and liabilities are as follows:

RESOURCES.

Cash paid in.....	\$4,000 00
Enter the above in the Cash Book, and credit each partner for one-half the amount. Check same to Journal and include the cash item in your opening entry.	
Geo. B. Allan, City, on account.....	\$1,600 00
Collins & Ward, Hamilton, Ont., on account.....	2,500 00
A. G. Steele, City, on account.....	954 50
Samson & Coll, Barrie, on account.....	1,050 75
W. H. Bell, City, on account.....	\$500 00
Brown & French, Oakville, on account.....	375 25
The Moffat Manfg. Co., Weston, Ont., on account.....	1,625 60

LIABILITIES.

Small, Elliott & Co., City, on account.....	\$918 75
A. B. Smedley, Peterboro', on account.....	411 51
Wells & Ball, City, on account.....	575 84
D. B. Fraser & Co., Montreal, on account.....	1,000 00
Open an account with Canadian Bank of Commerce and deposit cash, \$2,000. (Memo. only. No Bank Account in Ledger.)	
Buy of Rice Lewis & Co., City, on account, 60 days, 2% 10 days, 20 doz. C. S. Axes ; 1,000 lbs. B. Metal ; 4 doz. Hand Saws ; 5 doz. W. Wrenches ; 10 I. C. Freezers ; 6 doz. Steelyards ; 20 doz. Porc. Knobs ; 20 doz. Knives and Forks ; 10 U. C. Wringers ; 200 lbs. Washers ; 10 doz. Adze Eye Hammers.	
Pay J. B. McLachlan one month's rent of store, in advance, by cheque on your bank. Keep " Rent " Account.	
Sell E. Laing, Shakespeare, on account, 10 days, 2 doz. W. Wrenches ; 3 doz. A. E. Hammers ; 4 I. C. Freezers ; 2 doz. C. S. Axes ; 200 lbs. B. Metal.	
2. Sell Barber & Small, Georgetown, on account, 10 days, 1 doz. Hand Saws ; 5 doz. Knives and Forks ; 5 doz. Porc. Knobs ; 1 doz. Steelyards ; 100 lbs. B. Metal ; 4 U. C. Wringers.	
Sell L. B. Mason, City, on account, 10 days, 2 doz. A. E. Hammers ; 2 doz. C. S. Axes ; 3 I. C. Freezers ; 50 lbs. Washers.	
Buy of Taylor & Son, Galt, Office Safe, and pay by cheque on Bank of Commerce, \$225. Keep " Office Furniture " Account.	
Order by telegraph of Canada Nail Co., Montreal, 200 kegs 8d. Cut Nails, to be shipped immediately by fast freight, C.P.R. (Memorandum.)	

TELEGRAMS.

The telegram is a very important feature in modern business practice, and it is used quite extensively in ordering goods for immediate delivery. Most of the telegraphic business in Canada is transacted by two Companies, the Great North-Western and the Canadian Pacific Telegraph Companies. Both these companies have communication with almost every city, town, or village in Canada, and through the different cable lines with almost every part of the world. The charge for a telegram depends somewhat upon the distance, and is ordinarily a fixed charge of twenty-five cents for a ten-word message. An additional charge of one cent a word is made for each word in excess of that number. No charge is made for the name and address of the person to whom the message is sent, or for the name of the sender. Night messages, or those which are sent at the convenience of the company after 6 p.m., are taken at reduced rates. A large proportion of business messages are of this kind.

In writing a telegram care should be taken to cut out all unnecessary words, and the message must be clear and definite that mistakes may be avoided. Figures should be written out in full, since the charge is the same for a figure as for a word. For instance, 30, written in figures, would be charged as two words, while written as a word, " thirty," would be charged as only one word. In sending important messages it is advisable to have the telegram repeated. This means that the operator receiving the message telegraphs it back to the operator sending it. The sender thus knows that his message has been received as it was sent. The charge for repeating a message is one-half more than the original cost. The following shows the correct method of writing a message, and the student will copy the form on blank supplied, as an exercise to be handed in with the set.

TORONTO, June 2, 19....

TO CANADA NAIL CO., Montreal, Que.

Ship, Canadian Pacific fast freight, two-hundred kegs eightpenny cut nails.

STUDENT & Co.

Give Wells & Ball cheque to apply on account, \$275.84.

Receive of Wm. H. Bell his cheque on Traders Bank to apply on account, \$300.00.

Deposit Bell's cheque with \$500 currency.

3. Receive by G.T.R. freight from Hart, Dewar & Co., Montreal, goods as per invoice dated June 2nd. Terms, 90 days, 2% 30 days, 3% 10 days, 25 doz. Carpet Stretchers; 15 doz. Jack Planes; 10 doz. R. R. Picks; 10 doz. Try Squares; 25 doz. Mortise Locks; 15 Copying Presses; 5 doz. Ratchet Braces; 10 pr. B. D. Hangers; 5 doz. P. G. Coal Hods.

Sell Brown & French, Oakville, on account, 10 days, 2 pr. B. D. Hangers; 5 Copying Presses; 2 doz. Jack Planes; 5 doz. Mortise Locks; 2 doz. R. R. Picks; 3 doz. Try Squares; 200 lbs. B. Metal.

Pay Blight Bros., bill for stationery supplied for office use, in cash, \$27.50. (Keep "Stationery" Account.)

- ✓ Accept, payable at Bank of Commerce, D. B. Fraser & Co.'s draft, dated June 2nd, at 3 days' sight, \$400.

Receive of G. B. Allan, on account, his cheque on Merchants Bank of Canada, \$600.

Sell E. Laing, 10 days, 2 doz. Ratchet Braces; 5 doz. Carpet Stretchers; 3 doz. R. R. Picks; 2 doz. Try Squares; 3 Copying Presses.

Sell L. B. Merritt, 10 days, 1 doz. Hand Saws; 3 Copying Presses; 5 doz. Knives and Forks.

Rule and foot the Sales Book at the bottom of each page, and carry the footing forward.

Receive of Collins & Ward, on account, their cheque on the Bank of Hamilton, \$500.

- ✓ Deposit currency, \$300; also the cheques of Allan and Collins & Ward, bank charges 1-10% collection on C. & W.'s cheque.

- ✓ 5. Order by telegram of D. B. Fraser & Co., Montreal, to be shipped via C.P.R., 100 Grindstones; 50 Blacksmith's Drills. (Show telegram.)

Receive cash of Barber & Small, in full of invoice, 2nd inst.

Sell Samson & Coll, Barrie, on account, 10 days, 2 doz. R. R. Picks; 5 doz. Mortise Locks; 5 doz. C. S. Axes; 3 pr. B. D. Hangers; 5 doz. Porc. Knobs; 5 doz. Knives and Forks; 5 doz. Carpet Stretchers.

- Receive of A. G. Steele & Co., their Note at 60 days, payable at Merchants Bank, to apply on account, \$500.

Give Rice Lewis & Co. a cheque in full of invoice, 1st inst., less 2%.

- ✓ 8. Receive the Nails ordered of Canada Nail Co., 2nd inst. Invoice dated June 2nd. Terms, cash, in 10 days.

Receive cash of E. Laing, on account, \$50.

Draw on Collins & Ward, Hamilton, at sight, for \$500, your favor, to apply on account, and leave the draft at Bank of Commerce for collection.

Sell W. Daniels & Co., Ingersoll, on account, 10 days, 25 kegs Cut Nails; 3 doz. Jack Planes; 3 doz. C. S. Axes; 5 doz. Mortise Locks; 200 lbs. B. Metal.

9. Your acceptance of 3rd inst., due to-day, has been presented at Bank of Commerce, paid, and charged to your account.
 Receive of Brown & French their cheque on Traders Bank of Oakville, on account, \$375.25.
 ✓ Deposit Cash, \$200. Also Brown & French's cheque. Bank charges, 1-10% collection on the cheque.
10. Receive by G.T.R. from Hart, Dewar & Co., goods as per invoice dated June 8th, terms 90 days, 2% 30 days, 3% 10 days, 25 doz. pairs Strap Hinges; 10 U. C. Wringers; 10 doz. A. E. Hammers; 5 doz. H. Saws; 15 Copying Presses; 10 doz. W. Wrenches; 5 doz. Ratchet Braces; 20 doz. Knives and Forks; 10 I. C. Freezers; 20 pr. B. D. Hangers; 10 doz. Steelyards; 5 doz. C. S. Axes.
 Receive of Moffatt Mfg. Co., Weston, to apply on account, their note for \$1,000, at 15 days, payable at Molsons Bank, City. Endorse the note, and leave it at Bank of Commerce for collection.
- X 12. Buy at Bank of Commerce, by cheque, at $\frac{1}{4}$ % exchange, a draft on Montreal, and remit the same to Hart, Dewar & Co. in full of invoice Mdse., received 3rd inst., less 3 per cent.
13. Receive of Brown & French their cheque on Traders Bank of Oakville for invoice, 3rd inst.
 Receive of L. B. Merritt his cheque on Traders Bank for invoice, 3rd inst.
 Sell C. B. Shipp, Ridgetown, 3 doz. C. S. Axes; 2 doz. P. G. Coal Hods; 3 doz. W. Wrenches; 4 doz. Ratchet Braces; 2 doz. Jack Planes; 5 Copying Presses.
 Receive cash, \$75, balance on account, 10 days. (Charge full bill in S. B. and credit for cash in C. B.)
 Deposit currency, \$100, also cheques of Brown & French and L. B. Merritt; bank deducts 1-10% for B. & F.'s cheque.
15. Pay J. B. Snider's bill for office desk, by cheque, \$100.00.
 Receive the goods ordered of D. B. Fraser & Co., 5th inst. Invoice is dated June 8th, 30 days.
 Sell E. Laing, on account, 10 days, 25 kegs Cut Nails; 5 B. S. Drills; 5 doz. pr. Strap Hinges; 2 doz. P. G. Coal Hods; 50 lbs. Washers.
 Receive of Samson & Coll, their cheque on Imperial Bank, Barrie, in full for invoice of 5th inst.
 Deposit Samson & Coll's cheque. Bank charges, 1-10% collection on the cheque.
17. Accept A. B. Smedley's sight draft on you, dated June 15th, \$200, payable at Bank of Commerce here.
 Received credit at bank, for the draft on Collins & Ward, left for collection 8th inst., less bank's charges, $\frac{1}{4}$ %.
- X 18. Buy a draft on Montreal Bank of Commerce, by cheque, at $\frac{1}{4}$ % exchange and remit it to Canada Nail Co., in full of invoice of Mdse., received 8th inst.
 Receive of W. Daniels & Co. their cheque on Union Bank, Ingersoll, for invoice, 8th inst.
 Sell Barber & Small, for Cash, 50 kegs Cut Nails. (As we have an open account with the firm, we charge this bill up in S. B. and credit for cash in C. B.)
 Deposit currency, \$300, and W. Daniels & Co.'s cheque. Bank charges 1-10% collection on the cheque.

20. Geo. D. White draws from the business for individual use, by cheque, \$350.
Remit Hart, Dewar & Co. a draft on Montreal for invoice of goods received 10th inst., which you will buy by cheque. Exchange, $\frac{1}{4}\%$.
22. Disct. at Bank of Commerce, A. G. Steele & Co.'s note, received 5th inst. Receive credit for the proceeds.
23. Pay Wells & Ball cash in full of account.
Sell Brown & French, on account, 10 days, 5 B. S. Drills; 10 C. S. Axes; 5 doz. Porc. Knobs; 3 doz. W. Wrenches; 2 doz. C. S. Axes; 100 lbs. B. Metal; 5 doz. A. E. Hammers; 4 Copying Presses.
26. Accept, payable at bank, D. B. Fraser & Co.'s draft, dated June 2nd at 3 days' sight, \$600.
Pay F. R. Haig's bill for coal for use of store, in cash, \$50. (Keep "Light and Fuel" Account.)
26. Student takes from the stock for his individual use, to be charged to him at cost, 1 I. C. Freezer; 1 doz. Knives and Forks; 1 U. C. Wringer. (Enter S. B.)
28. Receive Cash of A. G. Steele & Co. to balance account.
Deposit Cash, \$400; also receive credit for the note left the 10th inst. for collection. (No charges for collection. Local cheque.)
29. Write a letter to Hart, Dewar & Co., ordering the following goods to be shipped by Grand Trunk Ry. line: 10 doz. P. G. Coal Hods; 5 doz. C. S. Axes; 10 doz. Hand Saws; 15 doz. Porc. Knobs; 10 doz. R. Braces; 5 doz. R. R. Picks; 5 doz. Try Squares; 5 doz. W. Wrenches; 200 lbs. Washers. Inform H. D. & Co. that many of the coal hods in the previous invoice were imperfect, and request allowance of \$10.
Pay freight bills for the month, in cash, \$35.50. (Freight Account.)
30. Pay salaries of employees for the month, in cash \$100. (Salary Account.)

You will now balance the Cash Book, rule and foot the Sales Book and Invoice Book neatly, complete the posting (Loose Leaf Ledger), and take a Trial Balance only. Do not close any accounts.

An Invoice Book is sometimes made up by pasting the original bills themselves in a blank book, ruled with columns on the right side of each page for the purpose of showing the amount of each invoice. After the bill has been checked and O.K.'d it is pasted in this book. If it is too wide it may be trimmed to prevent edges from overlapping the money column. The bills are pasted on the lower edges, and may overlap each other. In posting from such a book it will be plain that the total of the money column represents the total of merchandise purchases and will be carried to the debit side of Merchandise Purchase Account. The amount of each bill will be placed to the credit of the person from whom merchandise is bought, and the page of the Ledger will be written on the bill itself.

FORMS OF INVOICE BOOK.

As in the case of the Ledger and other books of account, we find that the Invoice or Purchase Book may be made up in a variety of ways. Let us keep in mind the object of such a book, and no matter in what form it may present itself we shall have no difficulty in understanding any particular arrangement for arriving at this object. The form presented herewith is an illustration of the work for the month of June put up in a different way from that which is presented at the commencement of the set. The student will rule foolscap and fill in the items as shown, leaving space for the entries, for the month of July to be filled in. This work will be in addition to the regular Invoice Book at first illustrated.

PURCHASE BOOK.

Date of Invoice	Name	Address	Terms	When Due	When Paid	Amount of Invoice	Dis-count	Amount Paid
19.. June 1	Rice & Lewis	City	2/10, N/60	19.. July 31	19.. June 5	\$ 716 00	\$ 14 32	\$ 701 68
" 1	Hart, Dewar & Co.	Montreal	2/30, 3/10, N/90	Aug. 30	" 12	468 75	14 06	454 69
" 2	Canada Nail Co.	City	Cash, 10 days	June 12	" 18	625 00		625 00
" 8	Hart, Dewar & Co.	Montreal	2/30, 3/10, N/90	Sept. 6	" 20	738 75	14 78	723 97
" 8	D. B. Fraser & Co.	Montreal	N/30	July 8	July 10	400 00		400 00
Totals for June - - -								\$2,948 50 \$ 43 16 \$2,905 34

Section 19.

PRACTICE IN HANDLING MODERN APPLIANCES.

MANIFOLD BILLING SYSTEM.

In making up the Sales Book for the month of July the student will use the Bill and Charge System as explained in the article on Modern Methods under the heading "The Manifold Billing System." As in the case of the Loose Leaf Ledger, the different sheets, representing both the bill to be sent to the customer and the charge sheet to be kept in the office, together with the recapitulation sheet, will be fastened together by a paper clip and handed in with the rest of the work for inspection. When they are certified as being correct, the different charge sheets will be placed in alphabetical order in the binder.

MEMORANDA OF TRANSACTIONS FOR JULY.

1. Receive of C. B. Shipp a draft on Bank of Commerce, to balance account.
 Sell W. Daniels & Co., at 10 days, 5 doz. Steelyards; 10 Grindstones; 2 doz. C. S. Axes; 5 doz. M. Locks; 5 U. C. Wringers.

INSTRUCTION.

Select a bill and charge sheet, also a piece of carbon paper, from your supplies. Place the charge sheet on the desk. On the top of this place a sheet of carbon paper. You will notice that this carbon has a dull surface on one side and a glossy surface on the other. Place it so that the dull surface is uppermost. Next place your bill on top of the carbon, and you are ready to write. When your writing is finished you will have two copies. The bill is to be sent to your customer, while the charge sheet remains with you as your record of sale. This charge sheet is filed in a binder in the same manner that a Loose Leaf Ledger sheet would be filed in a Loose Leaf Binder. Of course, different binders are used for Sales Books and Ledger purposes but you can get the practice by using your Loose Leaf Ledger binder for the purpose of filing these charge sheets. Your work on the transaction is completed by entering the date and the amount of the sale on the recapitulation sheet. In posting from these charge sheets you will do as you did in posting the sales book. That is, you will debit every person to whom you sold goods for the amount of the sale made to him. In order to show that you have posted the charge sheet figure, you will place the folio of person's Ledger account on the charge sheet beside his name. If you turn next to your recapitulation sheet you will get the credit carried to Merchandise Sales account by simply adding the amounts that are shown for the month on recapitulation sheet.

2. Your acceptance due to-day, has been paid at bank, and charged to your account.
 Receive Cash of L. B. Mason, in full of account.
 Deposit Cash, \$300, and Shipp's draft.
 Draw on E. Laing at sight, in full of his account, and leave with bank for collection.

PRACTICAL DEPARTMENT

July 1919

YOUR NAME HERE

SOLD TO
M**TERMS**

STUDENT'S LOOSE LEAF BILL AND CHARGE SYSTEM THE COMMERCIAL TEST BOOK CO., TORONTO, CANADA

INVOICE LOOSE LEAF MANIFOLD BILLING SYSTEM.

2. Receive a letter from Hart, Dewar & Co., acknowledging receipt of your order of 29th ult., and stating that it will receive prompt attention; they express regret that the Coal Hods were not satisfactory, and inform you that the reduction asked for has been allowed and the amount placed to your credit. Credit note inclosed.

Montreal Que July 2

Memorandum of Amount placed to the CREDIT

Of *Student*

By Hart, Dewar & Co.

*July 2 Allowance on Coal Hods**10 00*

CREDIT NOTE.

3. Receive of Samson & Coll, their Note, dated June 15th, at 60 days, payable at Barrie, in full of their account, to which account they add 63 days' interest. (Entry in J. and B. B.)
Give J. B. McLachlan a cheque for one month's rent of store, in advance. Order by telegram of Canada Nail Co., Montreal, to be shipped by freight, 100 kegs Cut Nails. (Show Telegram.)
4. Receive the goods ordered of Hart, Dewar & Co., 29th ult. Invoice dated July 1st, terms cash in 10 days.
Sell Barber & Small, at 10 days, 5 doz. C. S. Axes; 10 doz. P. Knobs; 100 lbs. Washers; 4 doz. R. Braces; 5 B. Drills.
6. Sell L. B. Merritt, at 10 days, 5 doz. Knives and Forks; 10 kegs Cut Nails; 50 lbs B. Metal; 3 doz. R. R. Picks; 5 doz. prs. Strap Hinges; 2 doz. A. E. Hammers.
Receive of W. H. Bell his cheque on Traders Bank, to balance account; also receive of Geo. B. Allan his cheque on Merchants Bank, to apply on account, \$400.
Deposit the cheques received of W. H. Bell and Geo. B. Allen.
Give Small, Elliott & Co. your cheque to apply on account, \$500.
Receive Cash of Brown & French in full of invoice, June 23rd.
8. Sell Oliver & Bray, City, at 10 days, 3 Copying Presses; 2 doz. P. G. Coal Hods; 2 doz. Try Squares; 50 lbs. Washers; 3 doz. Jack Planes; 2 U. C. Wringers.
10. Accept, payable at Bank of Commerce, D. B. Fraser & Co's. draft at 30 days' sight, favor themselves, in full of invoice of June 15th.
Deposit Cash, \$250.
Pay June Gas Bill, in cash, \$5.25.
11. Accept, payable at your bank, A. B. Smedley's draft dated July 8th, at five days' sight, in full of account.
Receive via G. T. Ry. from Canada Nail Co., 100 kegs Cut Nails. Invoice is dated July 6th, at 10 days.
Receive Cash of Geo. B. Allen, on account, \$200.
13. Receive credit at your bank for draft on E. Laing, left 1st inst., less charges for collection, $\frac{1}{4}\%$.
Receive of W. Daniels & Co. their cheque on Union Bank, Ingersoll, in full of invoice, 1st inst.
Deposit cash, \$200, and Daniel & Co.'s cheque. Bank charges, collection on cheque, 1-10%.
Buy a Montreal draft at your bank by cheque, at $\frac{1}{4}\%$ exchange, and remit to Hart, Dewar & Co., in full of invoice received 4th inst., less amount charged to their account for allowance on Coal Hods.
15. Receive cash of Barber & Small, in full of their invoice of 4th inst.
18. Sell Samson & Coll, at 10 days, 5 doz. R. Braces; 5 doz. Knives and Forks; 50 lbs. Washers; 3 Copying Presses; 25 kegs Cut Nails; 3 B. Drills; 10 Grindstones; 5 doz. pr. Strap Hinges.
Receive cash of L. B. Merritt, in full of invoice of 5th inst.
Sell A. G. Steele & Co., City, 5 doz. P. Knobs; 5 doz. C. Stretchers; 10 pr. B. D. Hangers; 3 I. C. Freezers; 5 doz. W. Wrenches. Receive cash, \$50; balance on account, 10 days.

19. Your acceptance, due to-day, has been paid and charged to your account at the Bank of Commerce here.
20. Receive cash of Oliver & Bray, in full of invoice of 8th inst.
Deposit cash in bank, \$300.
Student draws from the business for his individual use, by cheque, \$300.
21. Buy of Rice Lewis & Co., 60 days, 2% 10 days, 10 doz. Hand Saws; 10 doz. W. Wrenches; 5 doz. C. S. Axes; 10 doz. Knives and Forks; 20 doz. M. Locks.
23. Draw on Collins & Ward, at sight, for \$500 in your favor, and leave the draft for collection.
24. Discount at bank Samson & Coll's Note received 3rd inst., and have the proceeds placed to your credit. The bank charges $\frac{1}{2}$ % collection in addition to the discount.
Pay Canada Nail Co.'s sight draft on you for invoice received 11th inst., by cheque on your bank.
26. Pay freight bills for the month, in cash, \$21.60.
27. Sell E. Laing, at 10 days, 5 doz. pr. S. Hinges; 5 doz. W. Wrenches; 10 doz. M. Locks; 5 pr. B. D. Hinges; 5 doz. J. Planes; 1 Copying Press; 5 doz. C. Stretchers; 50 lbs. Washers.
Receive of Collins & Ward their note dated July 24th, at 30 days, payable at Bank of Hamilton, Hamilton, to balance account, \$1,000.
28. Receive cash of A. G. Steele & Co. for balance due on invoice 18th inst.
29. Receive credit at bank for draft on Collins & Ward, left 23rd inst., less collection, $\frac{1}{2}$ %.
30. Give Rice Lewis & Co. cheque in full of invoice, 21st inst., less 2%.
Pay salaries of employees for month, in cash, \$100.
Receive Samson & Coll's cheque on Imperial Bank, Barrie, in full for invoice of 18th inst.
Deposit S. & Co.'s cheque and all the cash on hand. Bank charges, 1-10% collection on the cheque.

INVENTORIES, JULY 31, 19....

8 doz. A. E. Hammers.	70 Grindstones.
32 B. Drills.	27 doz. Hand Saws.
150 lbs. B. Metal.	9 I. C. Freezers.
10 pr. B. D. Hangers.	24 doz. Knives and Forks.
165 kgs. (16,500 lbs.) Cut Nails.	15 doz. M. Locks.
11 doz. C. S. Axes.	5 doz. P. Knobs.
5 doz. Carpet Stretchers.	9 doz. P. G. Coal Hods.
3 Copying Presses.	5 doz. R. Braces.
5 doz. R. R. Picks.	5 doz. pr. Strap Hinges.
✓ 10 doz. Steelyards.	8 doz. Try Squares.
8 U. C. Wingers.	12 doz. W. Wrenches.
50 lbs. Washers.	

OFFICE FIXTURES.—Office Safe, \$225; Office Desk, \$100; total, \$325.

You will now balance the Cash Book, foot the Sales Book and Invoice Book and complete the posting (LOOSE LEAF LEDGER), after which *make a Balance Sheet and Statements as shown herewith* (See pages 134 and 135) *and close the Ledger.*

Complete the work of closing the Ledger and hand your books to the Teacher for inspection.

MISCELLANEOUS QUESTIONS.

¹From what does Double-Entry Bookkeeping take its name? ²How are you enabled to decide to which of the two general classes of accounts used in double-entry any particular account belongs? ³What title may be used instead of the proprietor's name? ⁴Mention three accounts in which you can always tell which side should be greater, if there is any difference. ⁵To which of the two general classes of accounts does a Personal account belong? ⁶What circumstance might arise to place it in the other class? ⁷Why is it necessary that Bills Payable and Bills Receivable should always be debited and credited with their *face* value? ⁸Mention some of the errors which will not affect the equality of the Ledger. ⁹In case the Trial Balance does not prove, give the short tests to be applied before proceeding to examine the posting. ¹⁰When the cheque of another person is received, how is it journalized? ¹¹Give an example of an inventory showing a liability. ¹²Give the two ways of finding the present worth in double-entry. ¹³What is meant by Insolvency? ¹⁴What is the object of closing accounts showing losses and gains? ¹⁵In closing an account, why is the equality of the Ledger not affected? ¹⁶What is meant by the acceptance of a draft? ¹⁷Give the general rule for journalizing drafts when drawn on account. ¹⁸What Journal entry is made when the proprietor commences business with both Resources and Liabilities? ¹⁹In closing an account having a resource inventory, why is it necessary to credit the account with the inventory before it can be closed? ²⁰After the account has been closed, why must the inventory be carried below the rulings? ²¹Why is the loss or gain not carried below the rulings? ²²When are Personal Accounts usually closed? ²³Do errors in journalizing affect the equality of the Ledger? ²⁴What advantage is obtained by using the Cash Book as a principal book? ²⁵How is the work of posting from the Cash Book performed? ²⁶What advantage is obtained by using the Sales Book as a principal book? ²⁷How are transactions with the bank treated when no bank account is kept in the Ledger, and how are the entries made for such transactions?

Review the above questions carefully, and be sure you can answer every one.

Section 20.

ACTUAL BUSINESS PRACTICE.

We recommend at this point the introduction of

OFFICE WORK No. 2.

Section 21.

FORMS OF LOSS AND GAIN AND RESOURCE AND LIABILITY STATEMENTS.

The observant student will have noticed all through his work a growing tendency to get results in finer detail. In one set just worked, we saw how it was possible, for instance, to get one statement of merchandise purchases, another of merchandise sales, and a third

of merchandise discounts, instead of having the same information under one heading as a merchandise account. These differences in the arrangement of the accounts of the Ledger may also be handled to get finer detail in each statement as prepared from the Ledger. We can make the loss and gain statement, for example, show both the gross profit for the period and also the net profit. To do this we divide the statement into two sections, known as the Trading account and the Loss and Gain account. The Trading account in an ordinary merchandising concern shows on its debit side the entire cost of the goods handled, and on its credit side the sales, together with the value of the goods unsold, at their inventory value. The debit items show cost of the stock on hand at the beginning of the year, followed by the purchases for the year, from which amount we deduct any returns or allowances, and in the third place freight and duty. The credit side would show the amount of the sales, from which figure would be subtracted the returns and allowances, and as a second item the value of the stock on hand as per inventory sheets.

In arranging this inventory, while it is customary according to all our preceding work to place it on the credit side and add its amount to the sales, we may note in passing that it would be just as correct to deduct its amount from the debit side of the account. This latter method would then show the actual cost of the goods which were sold. This amount, or sometimes the amount of net sales, gives a convenient base on which to estimate percentages. Either figure is spoken of as the "turnover." The business man is most likely to use the term as referring to the net sales.

In closing the Trading account the balance will be placed on the debit side if there is a gain, and on the credit side if there is a loss. The figure may be designated as the gross profit or the gross loss for the period. The account is then ruled and footed in the ordinary way, and the amount of the gross profit or loss carried below the ruling as the starting figure for our Loss and Gain account. The Loss and Gain account must then take into consideration all figures which we are in the habit of using in the loss and gain column in our working Balance Sheet, and which have not been used in making up the Trading account. The balance of this Loss and Gain account will be known as the net gain for the period, and it will be easily understood that this net gain must be the same figure that the difference between the loss and gain columns in the working or columnar Balance Sheet would show.

If we were making a statement for a manufacturing business we might find a slight difference in the Trading account, which, in addition to the items already mentioned, would be debited with such items as wages, depreciation of machinery, and all direct expenses of manufacture. In the matter of discounts on sales and purchases we find some difference of opinion as to whether these items should be put in the Trading section or in the Loss and Gain section. We believe that the better plan is to include them in the Loss and Gain section, and will accordingly follow this plan in making up our statement.

The object of thus making our statement show not only net gain, but also the gross gain for the period is to enable those interested in the concern to see whether or not the goods may be handled at a profit as regards themselves, and to show, further, how this profit is reduced by other expenses of the business. Sometimes, for instance, it is found that goods may be bought at a figure and sold at a good rate of profit, but still the net gain amounts to nothing during the period because of too great a proportion of selling expenses. Salaries of officials, advertising expenses, travellers' expenses, and so on, are not always proportioned to the amount of business actually done. If both the gross profit and the net profit are shown, the trouble will at once become apparent, whereas if only one statement of loss and gain is made it may be seen that the net profit is not satisfactory, but there is no way of determining what is the reason for the small amount of profit or perhaps for its entire absence.

The Statement of Assets and Liabilities does not admit of any such division, as we have made use of it in the Statement of Losses and Gains. You will note, however, from the example that it is possible to arrange assets and liabilities in systematic order, and also especially where partners are concerned, to show definitely the process by which we figure the present worth of each member of the firm. It may be noted in passing, that this Statement of Resources and Liabilities is sometimes spoken of as a Balance Sheet. This, of course, may lead to confusion if not understood, as we have heretofore been in the habit of calling the whole statement of trial balance, resources and liabilities, losses and gains, a Balance Sheet. It would be better always to qualify the term and speak of it as a working Balance Sheet or a columnar Balance Sheet. Sometimes a fine distinction is drawn between the meanings of the terms "Balance Sheet" and "Statement of Resources and Liabilities." Strictly speaking, a Balance Sheet is a statement compiled from the books of a concern which have been kept by double entry. On the other hand, a Statement of Resources and Liabilities may be compiled by a concern which keeps books by Single Entry or even by a person who keeps no books. We may also note that the combined statement, as shown by the Trading account and the Profit and Loss account, is sometimes known as the Revenue account. English accountants, in preparing Balance Sheets, generally reverse the order of the items, placing the liabilities on the left or debit side of the statement, and the resources on the right or credit side. We mention these features in order that the student may not be confused, but a little study of the forms presented herewith and others that may come under the observation of the student should make these things quite clear.

EXERCISES ON MAKING UP FINANCIAL STATEMENTS.

No. 1.—From the following information, which shows a year's business, compile:

(a) Trial Balance.

(b) Trading Account, Profit and Loss Account, and Balance Sheet.

Show percentages on turnover (net sales) as in illustration.

Plant, \$85,000; Salaries, \$8,000; Goods on hand at commencement, \$36,000; Discount on Purchases, \$500; Bank Charges, \$725; Freight on Purchases, \$1,250; Sundry Creditors, \$28,000; Stable Maintenance, \$350; Rents (of sub-let premises), \$1,000; Discount on Sales, \$1,500; Labor, \$39,150; Bills Payable, \$8,250; Sales (less returns), \$175,082; Travelling Expenses, \$2,600; Rent of Warehouse, \$3,000; Purchases, \$90,000; Sundry Debtors, \$20,000; General Charges, \$8,100; Insurance (used, \$1,310), \$1,810; Bills Receivable, \$6,200; Cash on hand, \$547; A. (Capital), \$60,000; B. (Capital), \$31,400; Goods on hand at end of year, \$15,000.

No. 2.—From the following data make out Trading Account, Profit and Loss Account, and Balance Sheet for the year ending Dec. 31, 1901:

G. Brown (Cap. acct.), Cr. \$20,000; L. Jones (Cap. acct.), Cr. \$30,000; Cash on hand, \$2,200; Notes on hand, \$8,000; Notes payable outstanding, \$6,000; Accounts Receivable, \$12,000; Accounts Payable, \$10,000; Goods on hand, Dec. 31st, last year, \$9,000; Purchases, \$89,000; Sales, \$80,000; Wages, \$4,000; Brown's private account, Dr. \$2,000; Jones' private account, Dr. \$3,000; Expense account, \$1,200; Rent, Dr. \$1,200; Int., Dr. \$600; Machinery, cost, \$13,800; Goods on hand at this date, \$30,000; Interest accrued on Bills payable, \$400. Make provision for possible loss of 10 per cent. on Accounts Receivable; allow 5 per cent. interest on Capital Account. Allow Brown \$1,500 and Jones \$1,800, salary for past year, these amounts remaining unpaid. Brown to receive $\frac{1}{3}$ of the net profits and Jones $\frac{2}{3}$.

BALANCE SHEET **OF** **STATEMENT OF RESOURCES AND LIABILITIES—JULY 31, 19....**

Resources		Liabilities	
Cash in Bank :	\$5,707 87	Sundry trade creditors as under :	
Properties as under		Bills Payable	\$ 400 00
Office furniture	325 00	Open Book accounts	418 75
Merchandise on hand	2,013 88		<u>\$ 818 75</u>
Sundry trade debtors as under :		George D. White invested	\$5,000 00
Bills receivable	1,000 00	" " " withdrew	350 00
Open book accounts	1,218 60	" " " net gain	\$4,650 00
			<u>54 30</u>
		George D White's present worth ^(net)	4,704 30
		Student invested	\$5,000 00
		" " withdrew	312 00
			<u>\$4,688 00</u>
		" " net gain	54 30
		Student's present worth ^(net)	<u>4,742 30</u>
	<u>\$10,265 35</u>		<u>\$10,265 35</u>

NOTE.—In making provision for the possible loss of 10 per cent. on Accounts Receivable at the end of a financial year, we will have to make a Journal entry as follows :

Loss and Gain, Dr. \$1,200

To Reserve for Bad Debts, \$1,200.

This entry should be posted immediately as the \$1,200 would be a charge against operations for the current fiscal year. In a columnar balance sheet, the Loss and Gain account figure, viz., \$1,200, would be extended to Loss Column and the Reserve for Bad Debts, extended to Liability column.

In the statement of Resources and Liabilities, this Reserve for Bad Debts must not be shown among the liabilities, but rather on the resource side of the statement as a subtraction from the amount of the Accounts Receivable.

Let us suppose that during the ensuing year one of the accounts against which this provision was made turns out to be partly a bad account. Thus, John Jones, who owed us \$1,000, compromises at 50c. on the dollar. The entry would be :

Cash, \$500.

Bad Debts, \$500.

To John Jones, \$1,000.

As we have a reserve to meet this, we would close the Bad Debts Account as follows :

Reserve for Bad Debts, \$500.

To Bad Debts, \$500.

This would close Bad Debts Account and leave \$700 to the balance of Reserve for Bad Debts.

If the losses from Bad Debts had been \$1,500, or \$300 greater than the reserve, we would close the whole amount reserved as follows :

Reserve for Bad Debts, \$1,200.

To Bad Debts, \$1,200.

Then the remaining \$300 would be closed into Loss and Gain direct :

Loss and Gain, \$300.

To Bad Debts, \$300.

In making an allowance for interest we have a second Adjustment Entry to make, which would appear as follows :

Interest, Dr.

To G. Brown.

To L. Jones.

These items will be placed in the private accounts of the partners, since you will have observed that both capital and private accounts have been kept.

In making an allowance for salary a third Adjustment Entry would have to be made as follows :

Salary, Dr.

To G. Brown.

To L. Jones.

As in the case of accrued interest, these amounts will be carried into the private accounts
No. 3.—From the following information obtained from the books of Armstrong & Brown on Dec. 31st, 1899, make out Trading Account, Profit and Loss Account, and Balance Sheet :

Bank charges for the year, \$1,500 ; Notes outstanding, \$10,000 ; Creditors on open

account, \$30,000; Real Estate, valued now at cost price, \$12,000; Factory plant cost \$3,000, (allow 10 per cent. depreciation on this); Furniture and fixtures cost \$500 (allow 10 per cent. depreciation); paid for rent and taxes, \$600; General expenses, \$2,500; Office salaries, \$1,800; Accounts Receivable, \$82,800 (reserve 10 per cent. for possible bad debts); cash on hand, \$8,900; Bad debts written off during the year, \$3,200; net sales during the year, \$426,000; net purchases, \$355,000; Goods on hand Dec. 31st, 1898, \$20,000; Goods on hand Dec. 31st, 1899, \$25,000; Wages paid factory hands, \$50,000.

Armstrong's capital, Dec. 31st, 1898, \$46,000; Brown's on same date, \$38,000 (allow 6 per cent. interest on each of the capital accounts); Armstrong's private account is charged with \$4,800, and Brown's with \$3,400 (no interest to be reckoned on the private accounts); gains or losses to be shared equally.

In allowing 10 per cent. depreciation on factory plant and furniture and fixtures we make Adjustment Entries as follows:

Depreciation,

To Factory Plant.

Depreciation,

To Furniture and Fixtures.

This Depreciation Account will show as a loss, while the credit to the Factory Plant Account will have the effect of decreasing the value as already shown by the debit side of the account. When depreciation is thus provided for, the inventory value of the Plant Account will be found by comparing the credit and debit sides of the Plant Account. The difference must be the value of the plant as it now stands. The same figuring will give us the value of Furniture and Fixtures.

If it is not desired to directly show a decrease in the value of Plant, or of Furniture and Fixtures, an entry may be made as follows:

Depreciation,

To Reserve for Depreciation.

This Reserve for Depreciation Account shows a liability and as a negative to the Plant and Furniture and Fixtures Accounts has all the ultimate effect of a credit direct to those accounts. In the statement of Resources and Liabilities, however, this Reserve for Depreciation must be shown on the Resource side as a deduction from the Plant, or whatever account it is figured on.

Exercises on closing the Ledger:

In each of the three exercises preceding, the student will, after making out the statements, complete the following work—

1. Open the Ledger Accounts from the data given.
2. Make Journal entries for all adjustments in the way of Salary, Interest, Depreciation, etc.
3. Post these entries to the Ledger.
4. Close all accounts that affect the Trading, and Profit and Loss Accounts, following the routine laid down in section 18.

Section 22.

SINGLE ENTRY.

A business transaction is an exchange of values—something is given and something received. Double Entry Bookkeeping is symmetrical, because it recognizes this and requires, that in journalizing any transaction, at least two accounts must be affected. It debits the account representing that which is received, and credits the account representing that which goes out. In other words, it is a complete system, it looks after both sides of the transaction, it records all accounts.

Single Entry, instead of attempting this complete record, has but a single aim, that of recording the Personal Accounts only. How easy it should be, then, after dealing with all accounts as in Double Entry to attempt the work of looking after just the Personal accounts. There is really nothing new for you to learn, and we suggest this easy plan of getting the entries for the following set. Journalize the work in your practice book as you would by Double Entry, supposing the Journal were the only book of account you were keeping, outside of the Ledger. Next go over this work and draw your pencil through all accounts that cannot be classed as Personal. The entries you have left will be the entries for the set as journalized by Single Entry, and may be arranged in the Journal as shown.

SINGLE ENTRY CASH BOOK.

Date	Explanation	Receipts		Payments	
1910					
Oct. 1	Investment	\$500	00		
" 1	Cash sales, per cash drawer	175	38		
" 3	From A. Ballantyne, on account	15	00		
" 5	Clerk's salary			5	00
" 5	Cash sales, per cash drawer	246	75		
" 6	From W. Bennett, on account	3	00		
" 6	From Jas. Jamieson, on account	5	00		
" 7	Cash sales, per cash drawer	127	64		
" 9	One ton coal for office			6	50
" 10	Paid Smith & Brown, on account			100	00
" 11	From A. Ballantyne, on account	25	00		
" 12	Clerk's salary			10	00
" 12	From Mrs. Jno. Adams, on account	1	50		
" 13	To Smith & Brown, on account			50	00
" 14	For A. Ballantyne's note	25	00		
" 14	Sales per cash drawer	358	40		
" 15	G. F. Dennis' sight dr.			25	00
" 15	Book-keeper's salary			25	00
" 16	Note favor of Smith & Brown			300	00
" 16	Balance on hand ^(red) _(ink)			961	17
		1,482	67	1,482	67

This Journal will be the only book from which you can post to the Ledger. Other books may be kept, but at the best they can only be auxiliary; no posting can be done

with them. As an illustration of these you might in addition to the Journal draw up a Cash Book and a Bill Book for the set.

OCTOBER 1, 19.....

Oct. 1, 19....., Student commences business with the following resources: Store and Lot valued at \$2,500; Horse and Wagon valued at \$225; Cash, \$500. (For proper form of entry see this page.)

Buy of Smith, Brown & Co., City, on account, at 15 days, 10 bbls. A Sugar, 1,250 lbs., at 10c.; 10 ch. Japan Tea, 350 lbs., at 60c.; 10 ch. Black Tea, 350 lbs., at 45c.; 5 half bbls. Mackerel, at \$4; 10 mats Java Coffee, 1,250 lbs., at 22c.

NOTE.—It is unnecessary to enter the items in the Journal, the Invoice itself being placed on file for reference.

Sell A. Ballantyne, Stratford, on account, 2 ch. J. Tea, 70 lbs., at 70c.; 2 ch. B. Tea, 70 lbs., at 50c.

1.

Cash sales, per Cash Drawer, \$175.38.

2.

Sell Mrs. John Adams, 54 Carlton St., on account, 10 lbs. A. Sugar at 11c.; 1 lb. Tea at 85c.; 2 lbs. J. Coffee at 28c. (J.)

FORM OF SINGLE ENTRY JOURNAL

TORONTO, October 1, 19.....

Date	Entry	Fo.	Sundries	Total
Oct.	Student. Cr. Commenced business investing as follows: Store and Lot valued at Horse and Wagon valued at Cash per C. B.		\$2,500 00 225 00 500 00	\$3,225 00
	1 Smith, Brown & Co. Cr. Bot. of them on acct., 15 days, goods per Invoice No. 1.			787 50
	1 A. Ballantyne. Dr. Sold him on acct.: 2 ch. J. Tea, 70 lbs. at 70c. 2 ch. B. " 70 lbs. at 50c.		49 00 35 00	84 00
	2 Mrs. J. Adams. Dr. Sold her on acct.: 10 lbs. A. Sugar at 11c. 1 lb. J. Tea at 85c. 2 lbs. J. Coffee at 28c.		1 10 85 56	2 51
	2 Smith, Brown & Co. Cr. Bot. on acct. goods per inv. No. 2.			256 50

2.

Buy of Smith, Brown & Co., on account, 10 bbls. Brown Sugar, 1,250 lbs., at 9c. ; 10 sacks Rio Coffee, 800 lbs., at 18c.

Sell Wm. Bennett, 144 Ontario St., on account, 4½ lbs. Mackerel at 12c. ; 1 lb. B. Tea, 55c. ; 2 lbs. Rio Coffee, at 24c.

3.

Give Smith, Brown & Co., your note at 10 days, payable at College Bank, to apply on account, \$300.

3.

Received cash of A. Ballantyne, on account, \$15.

Buy of Smith, Brown & Co., on account, 12 doz. Brooms at \$2.25 ; 4 doz. Wood Pails, at \$2.

3.

Sell James Jennison, 186 College St., on account, 25 lbs. A. Sugar at 10c. ; 4 lbs. J. Tea at 80c. ; 2 lbs. Rio Coffee, at 24c.

SINGLE ENTRY STATEMENT.

		Resources	Liabilities
Personal Accts. per Ledger	
Cash on hand per C. B.		\$961 17	
Mdse. inventory		270 72	
Real Estate inventory		
Horse and Wagon valued at		225 00	
Notes on hand per B. B.		
Notes outstanding			\$165 50
Total Resources	\$4,093 32	\$4,093 32	\$732 00
" Liabilities	732 00		
Present Worth	\$3,361 32		
Present Worth	3,361 32		
Net Investment	3,225 00		
Net Gain	\$136 32		
Entries necessary to change Ledger to Double Entry form :			
Cash	Dr.	961	17
Mdse.	Dr.	270	72
Real Estate	Dr.	2,500	00
Expense	Dr.	225	00
Bills Rec.	Dr.	119	50
Bills Pay.	Cr.	165	50
Proprietor	Cr.	136	32

5.

Pay clerk cash, to apply on salary, \$5.

5.

Cash sales per Cash Drawer, \$246.75.

6.

Sell Mrs. John Adams, on account, 10 lbs. B. Sugar, at 10c.; 4½ lbs. Mackerel, at 12c.; 2 Wood Pails, at 25c.

6.

Received cash of Wm. Bennett, \$3, to be applied to debt of 2nd inst., and balance to be placed to his credit; and of James Jennison, \$5, on account.

7.

Buy of Wm. Gordon, City, on your note at 20 days, payable at Molsons Bank, 2 bbls. A. Sugar, 250 lbs., at 10c.; 2 bbls. Brown Sugar, 250 lbs. at 8½c.; 1 ch. Japan Tea, 35 lbs., at 55c. (See note below.)

NOTE.—No entry is to be made in the Journal, because your indebtedness is not to William Gordon personally, but in the form of bills payable, and is shown by the Bill Book.

Sell Mrs. John Adams, on account, 2 Wood Pails, at 22c.; 1 Broom, 25c.; 1 lb. Rio Coffee, 24c.

7.

Cash sales for the day, as per Cash Drawer, \$127.64.

8.

Received of Alex. Ballantyne, his note at 3 days, payable at Traders Bank, to apply on account, \$25. (J. and B.B.)

9.

Sell Wm. Bennett, on account, 50 lbs. B. Sugar at 9½c.; 1 Broom, 25c.; 5 lbs. Rio Coffee, at 24c.; 2 Wood Pails, at 22c.

9.

Pay cash for ton of Coal for office use, \$6.50.

10.

Pay Smith, Brown & Co., cash to apply on account, \$100.

10.

Buy of Geo. F. Dennis, Goderich, on account, at 10 days, 25 bbls. Salt, at \$1.25.

10.

Wm. Bennett returns for credit, 4 lbs. of the Rio Coffee bought 9th inst., the quality not being satisfactory.

11.

Sell A. Ballantyne, 10 bbls. Salt, at \$1.40; 2 ch. J. Tea, 70 lbs., at 70c.; 3 bbls. B. Sugar, 375 lbs., at 10c. Receive in payment, cash, \$25. Balance on account.

NOTE.—In transactions like the above in single entry, it is customary to make an entry in the Journal debiting the person with the whole bill purchased, and then make a second entry giving him credit for the amount paid.

12.

Pay clerk cash, to apply on salary, \$10.

12.

Receive cash of Mrs. John Adams, to apply on account, \$1.50.

13.

Pay Smith, Brown & Co., to apply on account, cash, \$50, and your note at 10 days, payable at College Bank, \$100.

13.

Sell Wm. Bennett, on account, 10 lbs. A. Sugar, at 10c. ; 2 lbs. J. Tea, at 85c. ; 5 lbs. Rio Coffee, at 22c.

14.

Buy of Geo. F. Dennis, on account, at 10 days, 25 bbls. Salt, at \$1.25.

14.

Receive of A. Ballantyne, for his note of 8th inst., due to-day, \$25.

14.

Cash Sales, as per Cash Drawer, \$358.40.

15.

Pay Geo. F. Dennis, sight draft on you to apply on account, in cash, \$25.

15.

Pay bookkeeper cash, to apply on salary, \$25.

Receive of A. Ballantyne, his note at 10 days, payable at Traders Bank, to balance account, \$119.50.

15.

Sell James Jennison, on account, 10 lbs. B. Sugar, at 9½c. ; 2 lbs. J. Tea, at 80c. ; 5 lbs. Rio Coffee, at 24c.

16.

Pay your note of 3rd inst., favor of Smith, Brown & Co., in cash, \$300.

INVENTORY, OCTOBER 16, 19.....

Mdse. on hand, per Inventory Book.....	\$ 70 72
Horse and Wagon, valued at.....	5 00
Store and Lot, valued at	2 00

NOTE.—You may copy the above Inventory in your Journal immediately following last entry.

NOTE.—You may now balance the Cash Book. Post the Journal entries for the foregoing transactions (Loose Leaf Ledger). The books are to be changed to Double Entry after you have completed the posting, full instructions for which are given on this page. You should study these instructions very carefully, and perform the work *precisely* as they direct.

TO CHANGE BOOKS FROM SINGLE TO DOUBLE ENTRY THE FOLLOWING STEPS SHOULD BE TAKEN:

- I. Collect all Resources and Liabilities from Ledger, Day Book, Cash Book, Bill Books, and Inventories and make a neat statement.
- II. From this statement find the Present Worth and the Net Gain or Loss.
- III. Make the necessary Journal entries in Single Entry form to carry the Net Gain or Loss and all Resources and Liabilities into the Ledger.
(Copy this Statement and Journal entries in Journal Day Book immediately following Inventory.)
- IV. Post these entries to Ledger and take Trial Balance. (Be sure to take Trial Balance to prove you have a Double Entry Ledger.)

The student will follow above directions very closely and show Statement and Entries in Day Book, also Trial Balance from Ledger.

The Business for the balance of the month will now be recorded in Double Entry form, using Journal Day Book, Cash Book, Invoice Book, and Sales Book (use Manifold Billing System) for original entry, with Bill Books continued as Auxiliary Books.

Section 23.

Oct. 17. Buy of Wm. Gordon, City, on account, 10 bbls. B. Sugar, 1,250 lbs., at 8c.
(I. B.)

Cash sales, per Cash Drawer, \$75.25. (C. B. and S. B.)

Sell Wm. Bennett, on account, 2 lbs. J. Tea, at 80c.; 5 lbs. Rio Coffee, at 25c.; 30 lbs. A. Sugar, at 11c. (S. B.)

Sell W. F. Chapman, on his note at 15 days, payable at Traders Bank, 5 bbls. A. Sugar, 625 lbs., at 10½c.; 10 bbls. B. Sugar, 1,250 lbs., at 9c.; 3 ch. J. Tea, 105 lbs., at 65c.

19.

Receive cash of Mrs. John Adams, to balance account.

20.

Buy of Wm. Gordon, on account, 15 bbls. A. Sugar, 1,875 lbs., at 9½c.

20.

Sell James Jennison, on account, 20 lbs. A. Sugar, at 11c.; 5 lbs. Rio Coffee, at 24c.; 2 bbls. Salt, at \$1.50.

20.

Cash sales, per Cash Drawer, \$115.05.

21.

Give Geo. F. Dennis your note at 30 days, payable at Merchants Bank, to balance account.

21.

Buy of Wm. Gordon, on account, 5 ch. J. Tea, 175 lbs., at 60c.

22.

Sell A. Ballantyne 10 bbls. Salt, at \$1.40; 2 ch. J. Tea, 70 lbs., at 70c.; 2 ch. B. Tea, 70 lbs., at 55c. Receive cash, \$50. Balance on account. (Charge full amount of bill in S. B. and credit for Cash in C. B.)

22.

Pay Smith, Brown & Co., cash on account, \$100.

22.

Cash sales, per Cash Drawer, \$98.34.

23.

Sell Frank C. Beecroft, Sarnia, 5 ch. B. Tea, 175 lbs., at 55c.; 2 doz. W. Pails, at \$2.50; 4 doz. Brooms, at \$2.65; 2 half bbls. Mackerel, at \$4.75; 5 bbls. A. Sugar, 625 lbs., at 10½c. Receive his note at 10 days, payable at Imperial Bank, \$100. Balance on account.

23.

Receive cash of Wm. Bennett on account, \$5.

24.

Buy of Geo. F. Dennis, on your note at 20 days, 50 bbls. Salt, at \$1.25.

24.

Cash sales, per Cash Drawer, \$138.40.

25.

Pay cash for permanent improvements on store, \$200. (Debit Real Estate.)

25.

Pay Gas Bill in cash, \$11.75.

25.

Sell Wm. Bennett, on account, 5 lbs. J. Tea, at 80c.; 50 lbs. B. Sugar, at 9½c.; 10 lbs. Rio Coffee, at 25c.

26.

Receive cash of James Jennison, to balance account, \$11.33.

26.

Pay your note of 13th inst., due to-day, in cash.

27.

Buy of Smith, Brown & Co., 10 bbls. A. Sugar, 1,250 lbs., at 10c. ; 10 bbls. B. Sugar, 1,250 lbs., at 9c. ; 5 ch. J. Tea, 175 lbs., at 60c. ; 10 mats J. Coffee, 1,250 lbs., at 22c. Give them your note at 10 days, \$300. Balance on account.

28.

Pay Wm. Gordon, cash on account, \$178.44.

28.

Receive cash of A. Ballantyne, for his note of 15th inst., due to-day.

29.

Cash sales, per Cash Drawer, \$216.49.

29.

Sell the Horse and Wagon, for cash, \$235.

30.

Pay your note of 7th inst., due to-day, in cash.

31.

Pay Bookkeeper \$25, and Clerk \$15, cash in full for services to date.

INVENTORIES, OCTOBER 31, 19.....

MDSE., as per Stock Sheet.....	\$426 48
REAL ESTATE.—Store and Lot, valued at.....	2,700 00

You may now post and make a Balance Sheet. After you have completed the Balance Sheet, close the Ledger and bring down the resources and liabilities, prove them upon a separate sheet of paper, and present the proof, together with your Ledger, to the teacher for inspection and approval.

Section 24.

SINGLE ENTRY, NO. 2.

Student will write up carefully the following business in Single Entry Journal using Cash Book and Bill Books only as Auxiliary Books. After posting, the books are to be closed with a view to changing them to Double Entry. (Keep Bank Account running through Journal just the same as other personal accounts.)

PROVISION BUSINESS.

NOVEMBER 1, 19.....

Commence business this day with the following resources and liabilities:

RESOURCES: Cash on hand, \$3,000; on deposit in Dominion Bank, \$4,000; 100 bbls. Flour, at \$8; A. D. Green's note, dated Oct. 3rd last, at 30 days, \$200; A. H. King owes on account, \$500.

LIABILITIES: Your note in favor of Geo. White, dated Aug. 13th last, at 90 days, payable at Imperial Bank with accrued interest, \$500. Due Hunter & Co., on account, \$375.

2. Buy of White Bros., on account, 50 bbls. Pork, at \$15; 25 bbls. Beef, at \$17.25.
3. Give Hunter & Co. your cheque on Dominion Bank, to apply on account, \$100.
Sell O. W. Osborne, on account, 25 bbls. Flour, at \$9; 15 bbls. Pork, at \$16.50.
4. Deposit cash in Dominion Bank, \$500.
Sell for cash, 15 bbls. Beef, at \$18.75.
5. Buy of J. J. Bedford, on your note at 15 days, 50 bbls. Beef, at \$17.25.
Receive cash for a note due to-day.
Pay White Bros., cash on account, \$500.
7. Sell R. J. Hamilton, 20 bbls. Beef, at \$18.50; 25 bbls. Flour, at \$9. Receive cash \$300. Balance on account.
8. Pay cash for set of Office Books and Stationery, \$25.
9. Receive cash of O. W. Osborne, on account, \$250.
10. Deposit cash in Dominion Bank, \$1,000.
11. Sell H. A. Patterson, on his note at 60 days, 25 bbls. Pork, at \$16.25.
12. Buy a Safe for office use, and pay for same by cheque on Dominion Bank, \$225.
Receive cash, A. H. King, on account, \$200.
13. Buy for cash, 25 bbls. Pork, at \$15.
14. Sell O. W. Osborne, 25 bbls. Beef, at \$18.50; 25 bbls. Flour, at \$9.25. Receive his note at 10 days, with interest, payable at Traders Bank, \$500. Balance on account.

Your note and the interest upon it, due to-day, has been charged to your account at Dominion Bank.

15. Sell for cash, 10 bbls. Pork, at \$16.50.
16. Draw cash from the business for private use, \$50.
17. Sell B. C. Kent, 15 bbls. Beef, at \$18.50; 10 bbls. Pork, at \$16.25; Receive cash, \$150, and his note at 60 days, payable at Traders Bank, for balance.
18. Give White Bros. your cheque on Dominion Bank to apply on account, \$300.
20. Sell for cash, 10 bbls. Flour, at \$9.25; 5 bbls. Pork, at \$16.25.
21. Buy of White Bros., on account, 25 bbls. Beef, at \$17.25.
22. Receive cash of A. H. King, to balance account, \$300.
23. Buy of J. J. Bedford, on your note, at 25 days, payable at Dominion Bank, 50 bbls. Pork, at \$15.
R. J. Hamilton has compromised with his creditors at 25%. Settle his account on that basis, receiving cash.
Pay your note due to-day, in cash.
24. Receive cash of O. W. Osborne on account, \$222.50.
Get H. A. Patterson's note, received 11th inst., discounted at the Dominion Bank, and receive cash for proceeds.
26. Sell D. M. Samson, on account, 20 bbls. Pork, \$16.25; 10 bbls. Beef, at \$18.50.
27. Receive cash for a note, with interest, due to-day.
28. Pay salaries, \$50, and Rent of Store, \$50, in cash.

INVENTORIES, NOVEMBER 30, 19.....

15 bbls. Flour, at \$8; 40 bbls. Pork, at \$15; 15 bbls. at \$17.25.
Office Safe, valued at cost.

Balance and rule up the Cash Book. After Posting (Loose Leaf Ledger), proceed to change the books to Double Entry, according to instructions given in the previous work.

After the necessary steps have been taken to change the Ledger to Double Entry, take a Trial Balance, to be *sure* that your Ledger is in balance before proceeding with December.

Section 25.

THE SYNOPSIS.

As its name would indicate, this Journal is intended to give at a glance, as it were, a review of the whole condition of a business in so far as that may be shown by the accounts of the business. By the use of special columns in the journal it is possible at the time the Journal entry is being made to show the equivalent of the ledger account for such accounts as are provided with special columns.

Such accounts as "Bank," "Cash," "Merchandise," "Bills Payable," and "Bills Receivable" readily suggest themselves as being proper subjects for special columns. It will be borne in mind, however, that the number of special columns will vary according to the nature of the business and the frequency with which entries concerning certain accounts may recur. This is indicated in stock forms of such Journals where one may find certain columns with the names of the accounts printed at the top and other columns left without headings in order that they may be filled in to meet the requirements of the particular business.

It is intended that the entries for December are to be entered in the Synopsis, and further explanation of this Journal will be better appreciated by following the course of the entries illustrated. A reference to the statement prepared at the end of the preceding month will show that among the resources and liabilities were the following items: Cash \$2,808.11, Bank \$4,368.63, Bills Receivable \$290.00, Bills Payable \$750.00. Let us suppose that a new Ledger is being opened. The accounts mentioned, being kept in the Synopsis, we enter figures in their proper columns as illustrated. The net difference between the three resources and the one liability is \$6,716.74. This is placed in the column headed "Ledger Cr." as representing part of the credit to the account of "Student," the former proprietor. In opening the ledger, the other resources and liabilities will be entered to the debit and credit of their respective accounts, while "Student" will be credited in his account as a partner with the Present Worth with which he closed the month of November.

With the Journal and Ledger thus properly opened we may proceed with the entries for December. The entry for White's investment, if put in simple Journal entry form, would be:

Bills Receivable	\$1,200.00	
Interest	10.85	
Cash	6,325.89	
To G. White		\$7,536.74

In placing this entry in the Synopsis, the accounts for Bills Receivable, Interest and Cash

are debited by the simple process of placing the figures set opposite these accounts in the proper columns in the Synoptic.

As there is no particular column for White's entries, we place the figure of his credit, **\$7,536.74**, in the column reserved for such accounts; namely, "Ledger Cr." It will also be noticed that the name of G. White gets special mention in the column headed "Accounts" as, in posting, it will be necessary to know to whom to credit the amount **\$7,536.74**.

If the student will thus place before him the Journal entry in its simple form, and then compare it with the illustration in the Synoptic, he will have less difficulty in appreciating the use of these special columns. While we illustrate a few entries at the beginning and the end of the month, we recommend that the student place every entry for the month of December in his Synoptic Journal. In doing this it will be borne in mind that in passing from page to page of the Journal, the columns should be footed at the base of a page and these footings should be brought forward to the top of the next page.

When we come to posting for the month we realise one of the advantages of the Synoptic. We have the posting of the Merchandise, Cash, Interest and Discount, Bank, Expense, Bills Receivable and Bills Payable accounts already before us. All that remains is the posting to the Ledger of such items as are found in the "Ledger Dr." and "Ledger Cr." columns. Looking at the closing of the Synoptic the student will find that the footings of the Merchandise Interest and Discount, and Expense accounts are carried into the Ledger for convenience in closing the account necessary to a statement of Losses and Gains. The Cash, Bank, Bills Receivable and Bills Payable accounts may be treated as illustrated and the balances of these accounts used in the Trial Balance without any necessity of these accounts appearing in the Ledger.

The Synoptic, as it is here illustrated, provides for the debiting and crediting of all personal accounts individually in this book. This plan is especially adapted for a business in which a great many entries are not required. When the volume of business is large and a great many sales and purchases must necessarily be recorded, the Loose Leaf Bill and Charge system would be used for sales, and a Purchase Journal for purchases of merchandise. If the bill and charge system were used for sales, the personal accounts affected by these sales would not be recorded in the Synoptic. These personal accounts would be charged direct from the duplicates of the invoices, and the total of the credit merchandise sales as shown on the "Recapitulation of Sales of Merchandise" sheet would be entered from the Recapitulation Sheet to the Debit Ledger Column in the Synoptic and charged to Accounts Receivable. A similar plan would be followed for merchandise purchases, if a merchandise purchase journal were used, and for the bills receivable and bills payable accounts if the bill books were used. When entries are recorded in the Synoptic in this manner, it really becomes a cash journal supplemented by special columns in which may be entered a daily, weekly or monthly synopsis of the entries appearing in other books of original entry.

1. Admit Geo. H. White and W. D. Bell as equal partners in the business.

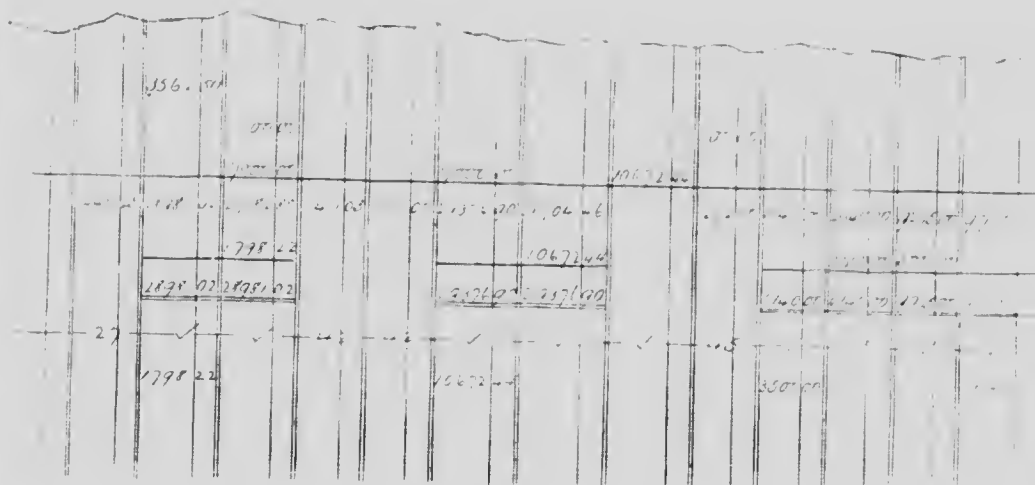
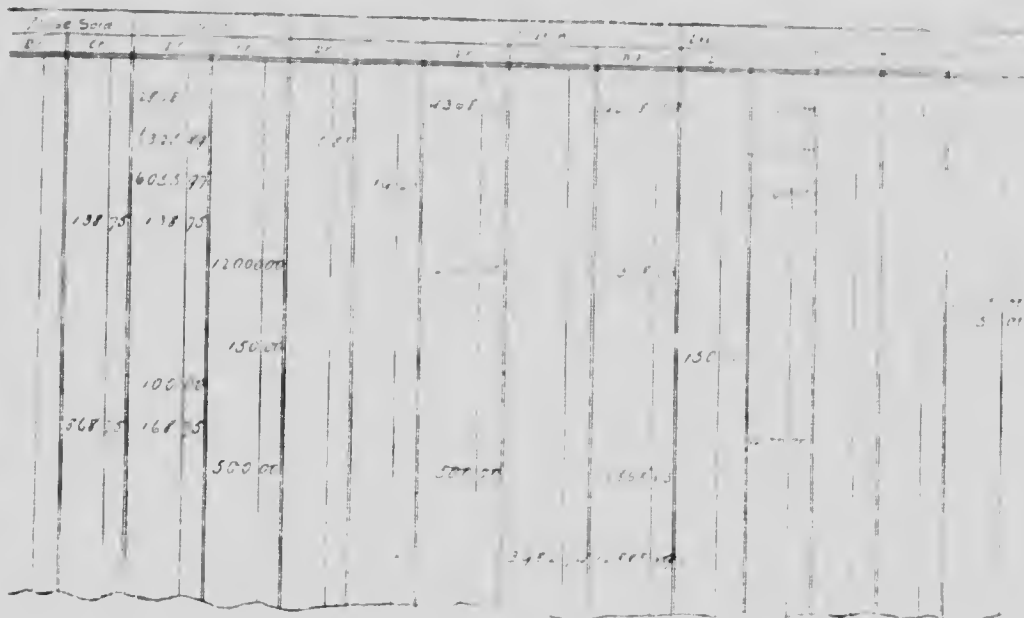
Geo. H. White invests A. C. Harper's note, dated October 7th last, at 90 days, with interest, \$1,200; Interest accrued to date, 6%, and cash to make investment equal to the Student's Present Worth as per Ledger to date.

W. D. Bell invests a note made by Baird & Goodson, dated Nov. 16th last, at 90 days, \$1,500; Discount to maturity, 6%, and cash to equalize Present Worth or Net Investment.

- Sell for Cash, 15 bbls. Flour, at \$9.25.
Deposit in the Dominion Bank, cash \$12,000.
2. Buy of Cummings & Co., 300 bbls. Beef, at \$17.25; 50 bbls. Pork, at \$15. Give in payment your note at 10 days, \$5,175; your note at 30 days, \$750; both notes payable at the Dominion Bank, with interest.
Take out policy of insurance for one year on property in store, \$10,000. Pay premium at $1\frac{1}{2}\%$ in cash.
3. Receive cash of O. W. Osborne, on account, \$100.
4. Sell Raymond Bros., Guelph, 25 bbls. Pork, at \$16.25; 25 bbls. Beef, at \$18.50.
Receive in payment, cash, \$168.75; their note at 20 days, with interest, payable at the Molsons Bank, Guelph, \$400. Balance on account.
6. Deposit cash in Dominion Bank, \$500.
Buy of H. A. Ferguson, House and Lot, 300 Huron St., for \$6,000. Assume a mortgage on same of \$2,000, with interest accrued from Oct. 4th last, 63 days, and pay him the balance by cheque on Dominion Bank.
Buy 500 bbls. of Flour, at \$8, and pay for same by cheque on your bank.
8. Pay White Bros. to apply on account, B. C. Kent's note received 17th ult., less discount to maturity.
Accept a draft at 10 days' sight, drawn on W. D. Bell by W. Dingman, for his private account, \$600.
10. Pay cash for Coal for office use, \$12.80.
Receive of D. M. Samson, to apply on account, his cheque on Merchants Bank of Canada, \$310.
11. Sell O. W. Osborne, on account, 200 bbls. Flour, at \$9.25; 100 bbls. Beef, at \$18.50.
A. C. Harper, whose note White invested and guaranteed its payment, has compromised with his creditors at 50%. Receive cash, and charge the deficiency to White's account. (63 days' int.)
12. Deposit in Bank Samson's cheque, received 10th inst.
Pay Harper & Co. cash to balance account.
Receive cash of O. W. Osborne, on account, \$3,543.75.
13. Buy of Seymour & Scott, on account, 250 bbls. Pork, at \$15.
Exchange cheques with W. E. Small for his accommodation, \$500. His cheque is dated 16th inst.
15. Your note due to-day, with interest has been charged to your account at the Dominion Bank, City.
16. Sell for Cash, 100 bbls. Beef, at \$18.50.
W. E. Small being unable to provide for the cheque received of him 13th inst., gives you his note at 10 days, with interest, endorsed by Morgan & Wright.
18. Draw a draft on Raymond Bros., at 60 days, for \$200, and get it discounted at Dominion Bank, receiving credit for the proceeds.
Sell D. M. Samson, on account, 150 bbls. Pork, at \$16.25; 100 bbls. Flour, at \$9.25.
Insure the House, No. 300 Huron St., for \$4,000, at $1\frac{1}{2}\%$, for one year. Pay premium in cash.

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21. Receive of O. W. Osborne, to balance account, his note at 60 days, for \$250.
Accept Seymour & Scott's draft on you at 5 days' sight, payable at Dominion Bank, to apply on account, \$2,000.
Pay an acceptance due to-day in cash.
21. Your note due to-day has been charged to your account at your Bank.
23. Student and Geo. H. White, doubting the responsibility of O. W. Osborne, whose note the firm holds, W. D. Bell offers to buy the note at 75% of its face which offer is accepted. Make an entry to adjust the transaction.
24. Pay White Bros., on account, \$100.
26. Buy of J. J. Bedford, 150 bbls. Flour, at \$8; 50 bbls. Beef, at \$17.25. Give him your note at 60 days, payable at Dominion Bank, for \$500, and cheque for balance.
Pay cash for permanent repairs and improvements on House, No. 300 Huron St. \$575.
27. Receive cash for a note due to-day. (See B. B.)
28. Sell Raymond Bros., 200 bbls. Flour, at \$9.25; 165 bbls. Pork at \$16.25. Receive their note at 30 days, \$2,000. Balance on account.
Deposit cash in the Dominion Bank, \$5,000.
Cummings & Co., who hold your note for \$750, given them on the 2nd inst., offer to discount \$25 and the accrued interest if you will pay it to-day. Accept this proposition and give them a cheque on Dominion Bank.
29. Your acceptance due to-day has been charged to your account at your bank.
Sell the House and Lot, No. 300 Huron St., to Jas. W. Foster, for \$6,500. In addition to this price, he allows you for the permanent repairs and improvements paid for the 26th inst. and also \$57.50 on the insurance paid 18th inst. He assumes in payment the mortgage of \$2,000 and accrued interest; gives you his cheque on the Imperial Bank for \$2,108.94, and a mortgage upon the property for the balance.
Receive cash for a note due to-day.
31. Receive cash of D. M. Samson, to balance account, \$3,562.50.
Pay Salaries and Rent of Store in cash. \$100.
Deposit cash in Dominion Bank, \$7,000.

INVENTORIES, DECEMBER 31, 19.....

MDSE.—150 bbls. Flour, at \$8; 140 bbls. Beef at \$17.25.

EXPENSE.—Insurance unearned, \$137.50; Office Safe, valued at 5% below cost.

Post (Loose Leaf Ledger) and make out a Balance Sheet. Close the Ledger and prove the balances as heretofore instructed. Present your books, statements, and proofs of the balances to the teacher before proceeding with the next work.

STUDY THESE QUESTIONS FOR REVIEW CAREFULLY.

¹What is the distinguishing feature of Single Entry Bookkeeping? ²To what extent is it necessary to record business transactions in Single Entry? ³What book are generally used? ⁴What additional books are sometimes employed? ⁵In Single Entry, why can you not show in detail your gains and losses? ⁶How do you determine your Net Gain or Net Loss? ⁷When will the results exhibit a Net Loss?

- ⁹What is the first step preparatory to changing books from Single to Double Entry ?
¹⁰The second step ? ¹¹Why must the Present Worth be found before the Net Gain or Net Loss can be determined ? ¹²What additional accounts is it necessary to open to change the Ledger to Double Entry ? ¹³What is the final step to place the Ledger in balance ?
¹⁴Why is the Ledger then in balance ?

Miscellaneous.—From what source do you get the information necessary to make out a Statement of the Resources and Liabilities ? Could you find your Net Gain or Net Loss if you did not know what you were worth at commencing ? Could you find your present Worth ? If in making out the statement preparatory to changing to Double Entry, a resource should be omitted, how would it affect the Net Gain ? What entry would be made in the Double Entry books to correct such an omission ?

Section 26.

SINGLE ENTRY EXERCISES.

No. 1.

I find the following results from a set of books kept by single entry :

A. and B. are partners, each investing cash, \$3,000. Personal accounts due firm at close of term, \$2,800 ; Notes on hand, \$1,200 ; accrued interest on same, \$146 ; Cash on hand, \$850 ; Personal accounts due by firm, \$1,866 ; Deposit in bank, \$2,400 ; Unexpired insurance, \$150 ; Rent due and unpaid, \$180 ; Notes outstanding, \$600 ; Sum of invoices handled by firm, \$14,288 ; Mortgage favor of firm, \$2,800, on which the accrued interest amounted to \$74.80. Sales Book contained three columns, showing sales for notes, \$3,250 ; sales for cash, \$5,480 ; sales on account, \$2,210.

No attempt is traceable in regard to cost of expense, but an inventory of office furniture, etc., showed \$315. Stocktaking also showed goods on hand, \$1,210.

Find Present Worth and Net Gain ; also show all necessary Journal entries for changing books into Double Entry.

No. 2.

From Single Entry books I find the following results :

Total sales, \$182.10 ; total invoices, \$20,240 ; total expenses per special column in Cash Book, \$1,526 ; Mortgage due, \$6,000, with interest, \$75 ; Bills Receivable on hand, \$2,480 ; Real Estate inventory, \$8,200 ; Notes outstanding, \$1,138 ; Mdse. on hand, \$4,065 ; Rent due and unpaid, \$120 ; Cash balance, \$8,200 ; Personal Accounts due by firm, \$4,108 ; Personal Accounts due to firm, \$3,160 ; Balance on deposit not in Ledger, \$465 ; Net credit, \$12,200.

Supposing all expenses to be entered in special column, we find error and trace it to Sales Book, being incorrectly added. Show error, statement and entries for changing to Double Entry.

No. 3.

A., B. and C. enter into partnership Jan. 1, 1900, investing \$4,000, \$6,000, and \$8,000 respectively, agreeing to share losses and gains according to investment, and allow A. Salary \$1,800 for managing the business. The books were kept in Single Entry form. They showed at the end of the year the total resources to be \$38,268, two-thirds of which were Ledger accounts, one-eighth of the remainder were notes, three-quarters of the remainder was shown by Cash Book and the balance by Inventories of Merchandise and Real Estate in ratio 12 to 13.

The liabilities were \$7,200 in Ledger accounts; Rent due, \$468; Mortgage on Real Estate, \$9,600; Interest due on Mortgage, \$40.00; Bills Payable as per B. Book, \$800.

Find Present Worth of business and Net Gain. Make all necessary Journal entries for changing books to Double Entry and show standing of partners' accounts after the change.

Section 27.

FARM ACCOUNTING.

October 1, 19..... Student has this day leased the farm of Farmer Dobson for a term of five years; said farm being Lot No....., in the Concession of, Township of....., in the County of....., in the Province of Ontario, and containing One Hundred Acres, more or less.

Student agrees to pay therefor an annual rental of Two Hundred and Fifty Dollars of lawful money of Canada, payable yearly on the first day of October in each and every year during said term, the first payment to become due on the first day of October, 19.....

Student further agrees to put on the farm each year, permanent improvements to the value of Fifty Dollars and to pay all taxes and to perform Statute Labor; to keep fences and buildings in repair; and to cut no timber without lessor's permission, except what he may need for firewood or threshing purposes on the farm.

Student also agrees to summer-fallow and sufficiently manure each year at least six acres, sowing same with Fall Wheat and seeding down with good, clean Timothy and Clover, the Timothy being sown in the fall and the Clover in the spring, and will leave nine acres of Fall Wheat on the farm well put in on fallow land at the expiration of the lease, being in consideration of getting from the lessor, with demised premises, nine acres of Fall Wheat on fallow land.

Student or lessee also agrees not to have more than forty acres of grain in any one year and to sell no hay or straw, and at expiration of lease to leave straw then on hand for lessor's benefit, said lessee having received straw on hand when taking possession of said premises.

(Copy above in Day Book.)

Student will open up books in Double Entry, using Journal Day-Book and Ledger only. He may keep Single Entry form of Cash Book for first part of the set.

Oct. 2. Student invests resources as follows:

Six stock steers, valued at \$35 each.

Four cows, valued at \$35 each.

Four calves, valued at \$10 each.

One team working horses, valued at \$200.

Fifty white fowls, valued at 20 cents each.

Tools and Implements, valued at \$200.

Cash on hand, \$400.

(Open accounts for Cattle, Horses, Poultry, Tools and Implements.)

- Oct. 3. Bought from former tenant, for cash: 20 tons Hay in barn, at \$6 per ton; 300 bush. Oats at 30c.; 50 bush. Peas at 60c.

(Open accounts for Hay, Oats, and Peas.)

- " 14. Finished plowing 10 acres intended for Pea land next summer. Seven days for horses, \$2; seven days f. man, \$1.

(Debit Pea Account to Horse and Labor Accounts.)

- " 15. Withdraw for running expenses, cash, \$12.

- " 22. Bought at Jas. Martin's auction sale, 1 pr. Bob-sleighs, \$16; 1 Hay Rack, \$4. Paid for same in cash, receiving 5% discount.

(Do not open Interest or Discount Accounts here.)

- Nov. 2. Finished plowing 18 acres intended for Oat crop. Ten days for man and team.

- " 3. Insured contents of building in the Perth Mutual Fire Insurance Co. for \$740 for one year at $\frac{1}{2}$ % premium. Paid agent's fee, \$1, and premium.

- " 4. Sold 60 lbs. of Butter at 17c., taking groceries for the same.

- " 5. Paid premium on Life Insurance Policy, \$29.

- " 6. Got 50 bush. Oats crushed for horses, allowing miller to take toll. Oats valued at 30c. (Debit Horse Account.)

- " 14. Finished plowing six acres intended for summer-fallow. Four days for man and team. (Debit Wheat Account.)

- " 15. Bought for cash, 20 bush. Manitoba Frozen Wheat at 50c. per bush., to be used as chicken feed.

- " 16. Hauled stones, to repair yard, for half day with man and team. Bought lumber for new pump platform, \$1. (Debit Jas. Dobson.)

- " 18. Withdraw for running expenses, \$8.

- " 19. Brought home Sleighs and Wagon Rack bought at Martin's sale. Half day for man and team.

- " 21. Repaired fence around Wheat field, one day for man.

- Dec. 1. Bought from Jas. Dobson for \$50 the timber on two acres of Bush land, payable May 1st.

- " 15. Bought at Oatmeal mill two tons of Oat seeds at \$6 per ton, to be used for cattle feed, paying cash. Hauling above one day for man and team.

- " 16. Withdraw for running expenses, \$13.

- " 30. Have fed up to date 3 tons of Hay to Horses and 2 tons to Cattle at \$6 per ton. Paid Jones & Smith for cutting 40 cords of long wood at 70c.; 20 cords of short wood at 45c.; 10 cords of Basswood for heading at 60c.; and 40 Elm saw logs at 12 $\frac{1}{2}$ c.

- Jan. 3. Received from Secretary of School Board payment for 20 cords short wood at \$2. Team and man 4 days hauling the same.

- " 23. Received from Alex Mustard, saw miller, payment for 12 M. Soft Elm logs at \$5, and reserved (\$5) of same for running expenses. Man and team were 8 days hauling logs.

- Feb. 4. Paid George White cash for half-day for crushing grain, \$2. One half of meal for cattle and other half for horses. As nearly as we can estimate there were 200 bush. of Oats crushed. (Charge to Horses and Cattle Accounts.)

- Feb. 13. Received payment for 10 cords Heading, delivered at Salt Works at \$2.50. Man and team were three days hauling same.
- " 25. Got 50 bush. Peas crushed at mill for cattle, paying 7c. per cwt. for crushing. Peas are now worth 65c. per bushel.
- " 27. Received payment from John Hamilton for 20 cords hard wood delivered at \$3. Five days hauling, man and team.
- " 28. Bought for cash, 1 bbl. Salt for Cattle at \$1.25; also bought a Daisy Churn, \$5. Paid Jas. McDonald, blacksmith, for horseshoeing up to date, \$4.25. Paid Dr. Brown his bill, \$7. Withdrew for running expenses, \$14.
- Mar. 3. Received payment of 20 cords wood delivered at Salt Block at \$2 per cord. Five days hauling.
- " 4. Paid Geo. White half day cutting ore for cattle, \$2.
- " 15. Finished pruning orchard; 10 days work for man at \$1.25, James Dobson to pay half, counting it as permanent improvement. (Open Orchard Account.)
- " 16. Bought for cash one ton of Bran for cattle, \$12.
- " 20. Hauled for Jas. Dobson, 150 Cedar Posts at 3c. (Credit Horse Account and Labor Account each for one-half.)
- " 21. Paid Peter Schmidt for two months' work, \$25.
(Post up books and take Trial Balance.)
(Student will now use Double Entry Cash Book.)
- Apr. 1. Bought of Robert Scott, Seed Merchant, for cash: 16 bush. Mummy Peas, at 65c.; 40 bush. Banner Oats, at 40c.; 1 bush. Clover Seed, at \$7.
- " 1. Bought of agent of Massey, Harris & Co., on my note of 5 mos, one Wisner Seed Drill combined, \$65.
- " 3. Got 50 bush. of Oats remaining in granary crushed for horses, allowing Miller to take toll. Oats for feeding purposes are now worth 35c.
- " 10. Finished sowing 8 acres of Peas on land plowed last fall. Three days for one man and team.
- " 19. Finished sowing 20 acres Oats. Seven days for man and team. (Two acres of this land were plowed for peas last fall, therefore debit Oat Account for plowing same at \$2 per acre.)
- " 19. Cleared land on farm for this season is divided as follows: Wheat, 9 acres; Peas, 8 acres; Oats, 20 acres; Summer Fallow, 6 acres; Hay, 20 acres; Pasture, 27 acres. (As the rent, including improvements, amounts to \$300, the student will now debit Orchard Account with \$30 and each kind of crop with its share of balance, charging land under fallow to Wheat Account.)
- " 20. Bought for cash, 10 bush. Manitoba Wheat at 60c. for chicken feed.
- " 25. Withdrew for running expenses, \$11.
- " 29. Boarded H. Good for 24 meals at 15c. per meal while working for Jas. Dobson. (Credit Expense.)
- May 1. Paid Jas. Dobson \$50 due to-day for timber, as agreed.
- " 2. Finished building for Jas. Dobson 100 rods "Avery" Patent Fence, at 15c. per rod.

- May 4. Sold for cash to T. Ballantyne & Co., 2 fat Steers weighing 2,680 lbs., at 5½c. per lb., and a fat Cow, weighing 1,220 lbs., at 4½c. Withdrew \$17 of the money received for running expenses (In all cattle transactions credit labor \$1 per head for delivering and the same for buying, if not otherwise stated.)
- " 4. Bought two cows for cash at \$40 each.
- " 20. Finished picking stones off Hay land. Two days for team and four days for man.
- " 23. Turned Cattle out to grass to-day. Have fed them since New Year's 8 tons of Hay at \$6. (Debit Horses with remaining 7 tons, including balance on hand.)
- " 31. Debit Cattle to pasture for 13 head for 8 days at 5c. per head each, per day.
- June 1. Bought from James Stark, 5 Stock Steers at \$40 per head, paying half cash, balance on note at 3 months.
- " 15. Took from horse bin 5 bush. crushed Oats to feed poultry, Meal worth 1c. per lb.
- " 20. Received from creamery for Cream sent during May, \$16, and retained same for running expenses.
- " 21. Finished cutting thistles in Pea field, 3 days; in Oat field, 5 days, at \$1.25.
- " 26. Finished hauling manure on fallow. Team 3 days at \$2, labor 6 days at \$1.25.
- " 30. Plowing and harrowing fallow to date. Team 4 days at \$2, labor 4 days at \$1.25.
- " 30. Pastured 18 head of Cattle for month of June at \$1.50 per month, also team of Horses, for 15 days at \$2 per month each.
- July 1. Withdrew for holiday expenses, \$10.
- " 20. Received payment from creamery for 150 inches Cream sent during June, testing 110. Butter for month was sold at 18½c. per lb., and proprietors of creamery received 3½c. per lb. for manufacturing. (When Cream tests 100 it makes one pound of Butter.)
- " 20. Sold to T. Ballantyne & Co., for cash, 3 Fat Steers averaging 1,300 each, at 5c. per lb., buyer taking away Cattle in this case.
- " 20. Paid Schmidt \$25 on his wages.
- " 21. Finished Haying. Horse, 10 days at \$2; Labor, 25 days at \$1.25.
- " 24. Sold \$3.25 worth of Cherries and bought Groceries with the same.
- " 28. Finished gang ploughing and harrowing fallow. Team, 2½ days at \$2. Labor, 2½ days at \$1.50.
- " 31. Pastured 15 head of Cattle for 1 month and 3 head for ½ of month at \$1.50.
- Aug. 5. Finished Wheat Harvest. Time spent: Horses, 4 days at \$2; Labor, 6 days at \$1.50.
- " 19. Finished Pea Harvest. 1½ days for Horses at \$2; 11 days' Labor, pulling, hauling, etc., at \$1.50.
- " 21. Received from Creamery for July, \$19.30, and retained same for running expenses.
- " 22. Sold 10 bbls. Summer Apples at 75c. per bbl. Labor, 15c. per bbl for picking; Horses, 10c. per bbl. for hauling.
- " 26. Finished Oat Harvest. 2½ days for Horses at \$2; 8 days' Labor at \$1.50.
- " 26. Paid R. Henderson for cutting 9 acres Wheat and 20 acres Oats with binder at \$1 per acre.
- " 31. Pastured 15 head of Cattle for 1 month at \$1.50.

Sept. 4. Paid Notes due to-day, \$165.

- " 5. Paid for threshing season's crop, \$15; proportioned as follows:
Wheat, \$5; Oats, \$7; Peas, \$3; also 15 days' Labor at \$1.50 to be repaid to neighbors. (Divide among the different grains in the same proportion as cash paid for threshing.)
- " 5. Bought for cash, 1 bush. Timothy seed, at \$2.50.
- " 11. Finished sowing 9 acres Fall Wheat. Total time spent hauling manure, plowing, harrowing and sowing, ten days for team at \$2; twelve days for man at \$1.25.
- " 14. Sold for cash to Ballantyne & Co., 6 Fat Steers averaging 1,180 lbs., at 4½c. per lb.
- " 16. Sold at barn for Seed, receiving cash for same, 100 bush Red Clawson Wheat at 85c., and 50 bush. Surprise at 80c.
- " 18. Sold on trees for cash, 16 bbls. Fall Apples at \$1.25 per bbl.
- " 18. Finished some ditching for James Dobson to make up balance due for permanent improvements, \$18.15.
- " 20. Received cash from Creamery for August, \$18.20.
- " 22. Settled Grocer's bill, \$36.75, having received credit for eggs sold during summer, \$31.25; paid balance in cash. (Have allowed eggs used in house during summer to pay for labor in connection with Poultry.)
- " 23. Paid Blacksmith's bill for horseshoeing, \$2.10; repairs to tools and implements, \$3.80.
- " 24. Paid taxes, \$26.70.
- " 30. Paid Schmidt his wages up to date, \$65. Received from Creamery for September, \$13.95.
- " 30. Have fed to Horses since haying, 2½ tons Hay at \$6. Sold for cash, Apples remaining in Orchard, \$45. Pastured during September, 9 Cattle for 1 month, and 6 Cattle for ½ month at \$1.50 each per month. Paid James Dobson one year's Rent, \$250.

Post to Loose Leaf Ledger, prepare usual statements, and present for certification.

INVENTORY, SEPTEMBER 30, 19.....

Horses—One Team valued at.....	\$200 00
Cattle—Five Cows at \$35 each.....	175 00
Four Yearlings at \$22.....	88 00
Five Calves at \$10.....	50 00
Hay—35 tons at \$6 per ton.....	210 00
Wheat—140 bush. at 80c.....	112 00
Oats—1,000 bush. at 30c.....	300 00
Peas—250 bush. at 60c.....	150 00
Pasture remaining useful, worth.....	15 00
Tools and Implements, valued at.....	250 00
Poultry—70 Leghorn Fowls, at 20c. each.....	14 00

Section 28.

RETAIL PROVISION BUSINESS.

The records of this business will be kept in the Journal Day Book, and Cash Book as principal books, and Personal Ledger as an auxiliary book. As indicated in the name, this Ledger will contain personal accounts of retail customers only. The usual plan is to post all orders unpaid, direct from the Order Book or Check Slip on which items are jotted down as named by customer, into this Ledger and this is the only entry made for retail sales. All cash items received on account are also carried into this book. Such cash is placed in Cash Drawer with all sundry receipts, and is carried into General Cash Book to the credit of Merchandise Account as Cash Sales.

This plan renders it necessary to consider the balances due from customers as shown by the Personal Ledger as a Merchandise Inventory in closing the books. This is based on the presumption that goods are not considered sold until paid for, *i.e.*, no credits are given to Mdse. Account until these personal debts are paid.

LOOSE LEAF MANIFOLD BILLING SYSTEM AS APPLIED TO A RETAIL BUSINESS.

In a retail business it is a great advantage to have ready at any time for credit customers an itemized statement of account. In the wholesale business customers are supposed to keep all invoices showing details of purchases. When a statement is rendered as between a wholesaler and his customer, only the totals of the different invoices are jotted down. The housewife is not generally so careful of the different bills that come to her with each delivery of goods. Consequently there is often a demand at the end of the month for a re-itemizing of every purchase. The Personal Ledger illustrated provides for this. It is practically a combination of a Ledger Account and a Running Statement of Account. Items are copied in detail from the counter check slip or order book. By means of carbon paper two copies are made at one writing. The original is ready for the customer at any minute. The duplicate remains with the firm.

Of course this means a binder in which these sheets and duplicates may be securely kept. This may be of the form of the Ledger Binder heretofore used in your work, and illustrated in the article on Modern Methods, or the Ledgerette Bill File, described in the same article, may be used.

Some retail firms follow practically the same order of procedure as wholesale houses. The items of every purchase are noted on the bill made in duplicate in the counter check book. One of these bills goes to the customer with the goods, the other is filed for convenient reference by the firm selling the goods. The Ledger Account of the customer is made up by charging him with the totals of these bills.

A statement rendered from such a Ledger will therefore be a statement of totals instead of items of each succeeding bill.

MEMORANDA OF TRANSACTIONS, NOVEMBER 1, 191.....

Student will commence a Retail Grocery and Provision Business this day, in the store No. 188 Yonge Street, leased of J. A. Banning for five years, at \$600 per year.

FORM OF PERSONAL LEDGER.

		NAME		YOUR ADDRESS		Nov. 1. 19__	
		ADDRESS		IN ACCOUNT WITH		VIA	
						TERMS	
Nov	1	1 lb Japan Tea ⁵⁵	10 lbs Sug				
		@ 10 ¹⁵	1 gal Molasses ⁴⁰		1 95		
"	2	5 lbs Potatoes @ 10 ³⁰	3 doz Eggs 18 ⁵⁰	5 lbs Butter 25 ⁰⁰	4 79		
"	5	5 1/2 lbs Chicken 20 ⁰⁰	10 lbs Sug				
"		9 ⁰⁰ 5 lbs Mackerel 8 ⁰⁰		1 96			
"	3	Cash				5 00	
"	5	5 lbs Crackers 10 ⁰⁰	1 bottle Lem. Ext. ²⁰	1 pk Pepper ²⁵			
"		2 gal K Oil 15 ⁰⁰	5 lbs C Fish ²⁰				
"		10 lbs Sug 10 ⁰⁰					
"	5	Cash				00	
"	8	1 pk Pot ⁵⁰					
"		1 lb Tea ⁸⁰					
"	8	Cash				4 49	
"	9	10 lbs Sug 10 ⁰⁰					
"		2 cans Oysters ⁵⁰		2 13			
"	11	1 bbl Flour 8 ⁰⁰		9 39			
"	12	Cash				10 00	

NO BANK ACCOUNT IN LEDGER.

Investment of \$2,500 cash, which is deposited in Bank of Montreal. (Cash Book.)

At the close of the first day's business memoranda of business transacted as follows are found on the desk:

Receipted bills for an Iron Safe, \$100; Horse, \$125; Harness, \$12; Wagon, \$60; Platform Scales, \$35; Counter Scales, \$26; and Office Books, \$7; purchased by cheque. (Cash Book.)

An invoice of Groceries, Wooden Ware, etc., purchased of Perkins, Ince & Co., City, amounting to \$725.80. The terms of purchase are 6 months, or 5% and 2½% off for cash. Paid by cheque. (Cash Book.)

An invoice of Groceries, Provisions, Canned Goods, etc., purchased of H. P. Eckhardt & Co., City, amounting to \$1,087.50. Terms 10 days. (Journal.)

NOTE.—In a business of this character considerable Merchandise in the form of fruit, vegetables, etc., is daily purchased of gardeners and paid for out of the cash drawer. In such case no entry is necessary, as the merchandise purchased replaces the other goods sold, for which this cash was received.

An exchange of goods from the store for fruit, vegetables, etc., a balance being paid or received in cash, is also a common transaction, and requires no entry, for the reason indicated above. A balance received would increase the drawer cash and be entered as a sale at the end of the day, and a balance paid would reduce the amount of drawer sales, in effect showing a purchase of goods.

The following charges are found on the Order Book, (P. L.): W. H. Billings, 40 St. George Street, 1 lb. Japan Tea, 50c.; 10 lbs. Gran. Sugar, at 10½c.; 1 gal. Molasses, 40c. W. S. Wood, 25 Ann Street, 3 doz. Eggs, at 20c.; 10 lbs. B. Sugar, at 9c.; 5 bush. E. R. Potatoes, at 60c.; 2 W. Pails, at 20c. John Wilson, 248 Church Street, 10 lbs. A. C. Sugar, at 9½c.; 4½ lbs. C. Fish, at 8c.; 2 lbs. Java Coffee, at 35c.; 5 gals. K. Oil, at 15c. A. C. Davis, 24 Maitland Street, 15 lbs. Gran. Sugar, 10½c.; 10 lbs. B. Sugar, at 9c.; 5 bush. Potatoes, at 60c.; 5 lbs. L. Raisins, at 13c. A. B. Hardy, 51 Cowan Avenue, 1 lb. Y. H. Tea, 48c.; 15 lbs. A. C. Sugar, at 9½c.; 5 lbs. C. Fish, at 8c.; 1 gal. S. H. Syrup, 68c. F. G. Walker, 540 Jarvis Street, 10 lbs. A. C. Sugar, at 9½c.; 5 bush. Potatoes, at 60c.; 1 lb. Japan Tea, 50c.; 2 lbs. Java Coffee, at 35c.

Cash sales, shown by cash in drawer, \$28.45. (Cash Book.)

NOVEMBER 2.

At close of this day's business I find the following memoranda upon the desk:

Invoice of Provisions, Wooden Ware, etc., bought of Davison & Hay, at 30 days, amounting to \$327.50.

I also find upon the Order Book the following: W. S. Woods, 10 lbs. Butter, at 25c.; 5 lbs. Chicken, at 12c.; 10 lbs. A. C. Sugar, at 9½c. W. H. Billings, 5 bush. Potatoes, at 60c.; 3 doz. Eggs, at 18c.; 5 lbs. Butter, at 25c. D. Cummings, 10 lbs. B. Sugar, at 9c.; 5 bush. Potatoes, at 60c.; 10 lbs. Butter, at 25c. A. C. Davis, 10 lbs. Butter, at 25c.; 10 lbs. A. C. Sugar, at 9½c.; 1 lb. Japan Tea, 50c.

Cash sales for this day, \$27.90.

NOVEMBER 3.

At the close of business this day I find the following memoranda upon the desk:

Slip on a spindle showing that I have purchased Vegetables, Poultry, Butter, etc., of a farmer, by cheque, to the amount of \$39.84.

The following orders are found upon the Order Book: F. G. Walker, 10 lbs. Butter, at 25c.; 5 lbs. Chicken, at 12c.; 1 gal. K. Oil, 15c. W. H. Billing, 40 St. George Street, 5½ lbs. Chicken, at 12c.; 10 lbs. B. Sugar, at 9c.; 5 lbs. Mackerel, at 8c. D. Cummings, 6 lbs. Chicken, at 12c.; 5 doz. Eggs, at 18c.; 2 Brooms, at 25c.; 2 W. Pails, at 25c. A. B. Hardy, 1 Broom, 25c.; 6 lbs. Chicken, at 12c.; 10 lbs. G. Sugar, at 10½c.

The cash sales for the day have been \$48.90, which includes amounts paid in on account by W. H. Billings, \$5; John Wilson, to balance account, \$2 76; and A. C. Davis, \$5.

Student appropriates \$10 cash, and goods from the store amounting to \$6.50, for private use. (Cash Book and Journal.)

NOVEMBER 4.

The following memoranda was found upon the desk at the close of this day: A slip showing that I purchased Vegetables, Poultry, Butter, etc., of farmers, by cheques, amounting to \$36.24. An invoice of Crackers from Christie, Brown & Co., \$38.92; paid by cheque. A bill of \$28.75 for Hay, Oats, and Straw, for horses; paid by cheque.

I find the following upon the Order Book: W. S. Woods, 10 lbs. G. Sugar, at 10½c.; 5 gals. K. Oil, at 15c.; 5 lbs. C. Fish, at 8c.; 3 lbs. Crackers, at 10c. John Wilson, 4 lbs. Crackers, at 10c.; 4 bush. Potatoes, at 60c.; 1 bag Salt, 10 lbs., 20c.; 3 lbs. Raisins, at 12c. A. C. Davis, 1 box Pepper, 25c.; 1 Lemon Ext., 20c.; 5 gals. K. Oil, at 15c.; 3½ lbs. Chicken, at 12c. D. Cummings, 3 lbs. Crackers, at 10c.; 2 lbs. J. Coffee, at 35c.; 2 gals. K. Oil, at 15c.; 10 lbs. G. Sugar, at 10½c.

Received payments from the following customers on account, shown by slips on a spindle: D. Cummings, \$10; F. G. Walker, in full, \$8.40; A. C. Davis \$6.

Cash sales for the day, \$67.92, which, added to payment on account, make the entire credit to Mdse. for the day, \$92.32.

NOVEMBER 5.

At the close of this day I find the following memoranda on the desk: Invoice of Groceries from Warren Bros. & Co., 46 Front Street, E., City, \$117.50; terms, 30 days. Invoice of Groceries, from H. P. Eckhardt & Co., \$63.18; terms, 10 days. A Policy of Insurance on stock and fixtures of \$1.500; Premium, 1%, paid by cheque. Receipted bill for Shoeing Horse, \$2.50.

The following is found on the Order Book: W. H. Billings, 3 lbs. Crackers, at 10c.; 1 Lem. Ext., 20c.; 1 pkg. Pepper, 25c.; 2 gals. K. Oil, at 15c.; 3 lbs. C. Fish, at 8c.; 10 lbs. A. C. Sugar, at 10c. A. B. Hardy, 5 bush. Potatoes, at 60c.; 3 lbs. J. Coffee, at 35c.; 5 lbs. Butter, at 25c. F. G. Walker, 1 pkg. Pepper, 25c.; 10 lbs. Gran. Sugar, at 10½c.; 2 Brooms, at 25c.; 2 W. Pails, at 20c. P. R. Jarvis, 75 Victoria Avenue, 1 lb. Japan Tea, 60c.; 10½ lbs. G. Sugar, at 10c.; 1 gal. K. Oil, 15c.; 5 lbs. Crackers, at 10c.; 5 bush. Potatoes, at 60c.

The following customers paid on account: W. H. Billings, \$5, and W. S. Woods, \$10. Cash sales, per drawer, \$77.25, with payments on account added make entire credit to Mdse. \$92.25.

NOVEMBER 6.

The following memoranda is found upon the desk at the close of this day's business: Receipted bill of A. Coyell, for carpenter work on counters and bins, of \$26.50; paid by cheque.

Slips in the cash drawer showing that I have appropriated \$15 cash and \$9.80 in goods from the store, and that I have paid J. Dunn and A. H. King, clerks, \$10 and \$12 respectively, for salaries for the week.

Cash Sales, shown by cash and slips in drawer, \$105.95.

I find the following unpaid orders upon the Order Book: John Wilson, 1 box Starch, 6 lbs., 40c.; 2 cans Oysters, at 30c.; 1 bbl. Apples, \$2; 1 cake Chocolate, 35c. D. Cummings, $\frac{1}{2}$ lb. Pepper, at 30c., 15c.; 1 pk. Sweet Potatoes, 50c.; 5 $\frac{1}{2}$ lbs. C. Fish, at 8c. 1 Lem. Ext., 20c.; 1 10-lb. bag Salt, 20c. A. L. Bray, 26 Markham Street, 3 doz. Eggs, at 18c.; 2 cans Oysters, at 30c.; 4 lbs. Crackers, at 10c.; 2 bush. Potatoes, at 60c. Jas. Munroe, 123 Sussex Avenue, 2 Brooms, at 25c.; 3 bush. Potatoes, at 60c.; 5 $\frac{1}{2}$ lbs. Chicken, at 12c.; 4 lbs. Crackers, at 10c.; 1 bbl. Apples, \$2.

NOTE.—You will now close the Cash Book, post, and take a Trial Balance.

NOVEMBER 8.

The following memoranda appear upon the desk at the close of this day: Receipted bill for a ton of Coal for use of store, \$5.75; paid by cheque. Bill of Wm. Ball for Stove, Coal Hod, etc.; bought on account, \$41.50. Invoice of goods bought of H. P. Eckhardt & Co., at 10 days, amounting to \$217.50. Horse bought for use of store by cheque, \$85.

The following appear upon the Order Book: W. H. Billings, 1 pk. S. Potatoes, 50c.; 1 10-lb. bag Salt, 20c.; 1 W. Tub, 80c.; 1 bbl. Apples, \$2. W. S. Woods, 1 box Soap, \$4.15; 1 pk. S. Potatoes, 50c.; 3 doz. Eggs, at 20c. A. B. Hardy, 5 lbs. L. Raisins, at 13c.; 1 bbl. Apples, \$2; 1 lb. Japan Tea, 50c.; 1 Lem. Ext., 20c. A. C. Davis, 1 W. Tub, 80c.; 10 lbs. A. C. Sugar, at 10c.

The following amounts were paid on account: W. H. Billings, in full, \$4.49; John Wilson, \$5; A. B. Hardy, \$10. Cash sales, including payments on account, \$93.82.

NOVEMBER 9.

Paid for new Harness by cheque, \$24. Paid cash for building Coal Bin, \$2, and for Lumber for same, \$1.75.

Order Book: D. Cummings, 3 doz. Eggs, at 20c.; 10 lbs. B. Sugar, at 9c.; 1 box Soap, \$4.15; 2 lbs. L. Raisins, at 12c. P. R. Jarvis, 1 pk. S. Potatoes, 50c.; 1 W. Tub, 80c.; 10 lbs. B. Sugar, at 9c.; 6 lbs. Chicken, at 12c.; 1 bbl. Apples, \$2. A. L. Bray, 1 bbl. N. C. Flour, \$8.75; 1 pk. S. Potatoes, 50c.; 1 box Soap, \$4.15; J. Munroe, 3 lbs. L. Raisins, at 13c.; 1 W. Tub, 80c.; 1 gal. N. O. Molasses, 45c.; 10 lbs. Gran. Sugar, at 10 $\frac{1}{2}$ c. W. H. Billings, 10 lbs. G. Sugar, at 10 $\frac{1}{2}$ c.; 4 lbs. Chicken, at 12c.; 2 cans Oysters, at 30c.

Cash sales, \$93.18.

NOVEMBER 10.

Drew \$15 cash, for private use, and appropriated \$14.60 in goods.

Order Book: F. G. Walker, 1 box Soap, \$4.15; 2 lbs. Coffee, at 32c.; 1 W. Tub, 80c. P. R. Jarvis, 1 Lem. Ext., 20c.; 10 lbs. A. C. Sugar, at 10c.; 1 gal. N. O. Molasses, 45c.; 1 bbl. N. P. Flour, \$8.75. A. B. Hardy, 1 bbl. N. P. Flour, \$8.75; 2 W. Pails, at 20c.; 1 Basket, 18c. A. L. Bray, 2 cans Oysters, at 30c.; 1 Lem. Ext., 20c.; 4 $\frac{1}{2}$ lbs. Chickens, at 12c.; 10 lbs. G. Sugar, at 10 $\frac{1}{2}$ c.

Payment on account: A. L. Bray, \$15; J. Munroe, in full, \$8.05; D. Cummings, \$7; P. R. Jarvis, \$20. Cash sales, including payments on account, \$136.27.

NOVEMBER 11.

I find upon the desk the following: A receipted statement from H. P. Eckhardt, of invoice of 1st inst., paid by cheque, \$1,087.50.

Order Book: J. Munroe, 1 bbl. N. P. Flour, \$8.75; 1 pk. S. Potatoes, 50c.; 2 W. Pails, at 20c. A. L. Bray, 10 lbs. B. Sugar, at 9½c.; 3 doz. Eggs, at 20c.; 2 W. Tubs, at 80c.; 1 bbl. Apples, \$2. W. H. Billings, 1 bbl. N. P. Flour, \$8.75; 2 lbs. R. Coffee, at 32c. W. S. Woods, 2 lbs. J. Coffee, at 35c.; 1 lb. Japan Tea, 50c.; 1 bbl. N. P. Flour, \$8.75.

Payment on account, A. B. Hardy, \$10; F. G. Walker, \$5. Cash sales, including payments on account, \$141.23.

NOVEMBER 12.

Paid for graining counters and bins, \$11.75. Bought Fruit, Poultry, etc., by cheque, \$32.15.

Order Book: P. R. Jarvis, 1 bbl. Apples, \$2; 1 basket Peaches, \$1.50; 10 lbs. Concord Grapes, at 4c.; 10 lbs. Gran. Sugar, at 10½c. D. Cummings, 10 bush. Potatoes, 60c.; ½ bush. S. Potatoes, \$1.20; 2 cans Oysters, at 30c.; 4½ lbs. Chickens, at 12c. John Wilson, 2 baskets Peaches, at \$1.20; 10 lbs. B. Sugar, 9½c.; 1 pk. S. Potatoes, 60c. A. C. Davis, 5 lbs. Chicken, at 12c.; 2 cans Oysters, at 30c.; 2 lbs. Crackers, at 12c.; 2 baskets Peaches, at \$1.20; 2 bush. Potatoes, at 60c.

Payment on account, W. H. Billings, \$10. Cash sales, including payment, \$168.83.

NOVEMBER 13.

Paid cash for Horseshoeing, \$2.50; clerks' salaries for week, \$10 and \$12; Letter Heads and Envelopes, \$2; and Postage, 30c.

Order Book: A. C. Davis, 1 bbl. N. P. Flour, \$8.75; 1 pk. S. Potatoes, 60c.; 4½ lbs. C. Fish, at 8c. F. G. Walker, 6 lbs. Mackerel, at 6½c.; 2 cans Oysters, at 30c.; 1 bbl. Apples, \$2; 3 lbs. L. Raisins, at 13c. B. N. Miller, 18 Maitland Street, 1 bbl. N. P. Flour, \$8.75; 4 bush. Potatoes, at 60c.; 1 can Oysters, 30c.; 2 lbs. Java Coffee, at 36c.; 1 lb. Japan Tea, 60c.; 1 box Soap, \$4.15; 1 bbl. Apples, \$2.

Payments on account, A. C. Davis, \$10; W. S. Woods, \$10; B. N. Miller, \$15; A. B. Hardy, in full, \$2.99. Cash sales, including payments, \$163.19.

Have now conducted the business two weeks; I have determined to close the accounts, showing gains and losses, and ascertain the result of the venture. Post to Loose Leaf Ledger and draw up usual statements.

RESOURCE INVENTORIES.

NOTE.—Since the sales of merchandise on account are not credited to Mdse. account when made, it is apparent that the balance of all the accounts in the Personal Ledger should be included in the Inventory.

MERCHANDISE—In Store	\$1,640 85
“ Personal Ledger	
EXPENSE—2 Horses, \$210; Safe, \$100; 1 Wagon, \$66; P. Scales, \$35; C. Scales, \$26; 2 Harness, \$30; Hay, Oats, etc., \$20	\$487 00

LIABILITY INVENTORY.

EXPENSE.—One-half Month's Rent unpaid	\$25 00
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ANOTHER METHOD OF DEALING WITH THE PERSONAL LEDGER.

By the foregoing plan of handling the Personal Accounts of customers, it will be noted that they are confined to the Personal Ledger, and no entry is made in the Journal when sales are made to customers. Sometimes this plan is varied a little, and we find, running through the Journal, entries which record the amount of retail sales for the day in bulk. Thus if the sales for a particular day amounted to \$500 we would find in the Journal the following entry:

Personal Ledger Dr. To Mdse., \$500.

If the payments made on account amounted to \$200 we would find in the Cash Book the entry:

Cash Dr. To Personal Ledger, \$200.

Thus from day to day we keep a record in totals under the title "Personal Ledger" of all that goes in by way of separate items into the Personal Ledger. If this plan is followed it will be readily understood that there will be no necessity of including as an inventory the balance of the Personal Ledger, because the amount owing from customers will be shown by the difference or balance of this Personal Ledger Account.

QUESTIONS FOR REVIEW.

¹To what kind of business is this arrangement of books adapted? ²What books are required? ³Describe the Order Book? ⁴How are goods marked in the Order Book that are paid for when purchased? ⁵When are the entries in the Order Book posted? ⁶Describe the Cash Book. ⁷What does the Journal contain? ⁸How may the Journal be dispensed with? ⁹Describe the Personal Ledger. ¹⁰How are sales on account regarded? ¹¹Why is the ordinary Journal ruling preferable for a Personal Ledger? ¹²From what book will statements of customers' accounts be made? ¹³How is the Ledger used? ¹⁴How are accounts in the Personal Ledger treated in closing the Ledger?

Section 29.

SHIPPING AND COMMISSION BUSINESS.

Produce and manufactured products are often sold through the medium of commission merchants, who charge a certain percentage of the sales as commission. The person who sends the goods to be sold is called the consignor. The agent is known as the consignee. Sometimes, in addition to the handling of goods for others, the agent buys and sells or makes shipments to others on his own account.

The following set is intended to illustrate a method of handling the accounts for such a business. The books used will be Journal, Ledger, Cash Book, Sales Book, Consignment Book or Ledger, and Shipment Book or Ledger.

When goods are received, a record is made in a Receiving Book. This is usually a coarse book with rulings somewhat like the ordinary Journal Day Book. In this book entries are made when the goods are unloaded at the warehouse.

A record is made of the name and address of the consignor. This is usually obtained from the letter of advice or bill-of-lading which the receiving clerk has on hand. Following this, comes a description of the goods. This may be taken from the freight bill or from the goods themselves as they are unloaded from the wagon. Next will be entered the name of the railway company, from which the goods are received, with the number of the car and the freight and drayage charges. Each lot of goods received is given a certain mark or number, which is also noted in the Receiving Book. By this mark or number the goods are thereafter known while in store or when sales are made. This mark or number is stencilled on each package of the lot. If this is not convenient, the goods are placed in a certain division of the warehouse, and the mark or number posted up over them. The Receiving Book is handed into the office at convenient times and the real bookkeeping commences with the entry made from it in the consignment Book or Ledger. Sometimes, in order to facilitate the bookkeeping, two Receiving Books are kept going, so that while one is being used in the office another may be used in the warehouse. We illustrate herewith a form of a Receiving Book, but do not consider it necessary for the student to use it throughout the set. The necessary points for the entries may be obtained from the printed memoranda of transactions.

THE LOOSE LEAF CONSIGNMENT BOOK OR LEDGER.

This is a book which is peculiar to this line of business. The form that we have selected for your use is one which will combine the idea of a Consignment Book and an Account Sales. All entries will be made on loose leaves and in duplicate. As soon as a consignment is sold and it becomes necessary to render an Account Sales, the original leaf may be sent to the consignor, together with an explanatory letter, and the cheque or draft for the amount of his net proceeds, unless the proceeds are left to his credit. The illustration given will show how this Consignment Ledger is made up. In principle it follows the idea of a Consignment Account, as we have learned it in the simple Commission set given in the first stages of our work. All charges by way of freight, advances, storage, commission, etc., are debited, while all sales are credited. The rendering of the Account Sales will make it necessary to compare the charges with the sales and get the net proceeds. This net proceed nure will then be placed in the debit column and thus make the footings of the debit and credit columns equal. As we intend to give detailed instruction with each entry, for at least part of the set about to be worked, we believe that further explanation in this book will be unnecessary at this point.

SHIPMENT BOOK OR LEDGER.

This book is also somewhat peculiar to this line of work. As the Consignment Ledger is intended to look after goods that are received from others, so the Shipment Ledger is intended to look after goods sent to others for sale on our account. As in the simple Commission set before referred to, we find that this Shipment Ledger contains in its debit column a record of the merchandise shipped and the charges paid; in other words, of the total cost of the shipment as made up. In the credit column will be found a record of the net proceeds according to Account Sales received from the agent. The difference between the debit and credit sides will thus show a loss or gain, and this figure of loss or gain, when properly placed, will enable us to balance the account and show equal footings for debit and credit sides. This Shipment Book is not of the loose leaf variety.

CASH BOOK.

The Cash Book for this set will be ruled with special columns, on the debit side for "general" and "shipments," and on the credit side for "general," "shipments" and "consignments." Outside of this fact we believe that no particular direction need be given as to the method of handling this book. Our experience in handling the Cash Book in previous sets will quite readily enable us to handle this one.

SALES BOOK.

The Sales Book in this work is intended to show a record of all goods sold, either from consignments or from our own stock of merchandise. For this reason two special columns will be needed, one for consignments and one for merchandise. In addition to this, we find a column for Invoice extensions, in order that we may get at the total amount to be charged to the person to whom goods are sold.

RECEIVING BOOK.

Date	Name and Explanations	Charges	Totals
1910			
Dec. 2	W. D. Harper Chatham 1,000 bush. W. Oats Car No. 2756, C. P. R., Freight	\$65 00	
" 6	J. Livingston Seaforth 500 bush. R. Wheat Car No. 1854, G. T. R., Freight	50 00	
" 8	Harding & Bradshaw Stratford 400 bbls. Flour Car No. 8754, G. T. R.		\$115 00

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SHIPMENT LEDGER.

Date	Fo.	Mdse.	Debits	Credits
1910				
Dec. 5	L. Collins Montreal			
	250 bbls. Apples, \$2.00	500 00	500 00	
	C.B.5 Cartage in cash		5 00	
" 13	C.B.4 Net proceeds in Cash			634 50
	Net gain (ink)		129 50	
	2 Shipments Dr.	500 00	\$634 50	\$634 50
	1 Mdse. shipments Cr.			

DATE OF INVOICE		BY ACCOUNT OF		"STUDENT" & CO.		COMMISSION MERCHANTS		Date		No.	
19				Received							
Dec 7		1000 bu. White Oats									
" 2-1915		Freight, Cartage, etc.				65 00					
		Advances									
SALES											
Dec 9 12		400 bu.		45				180 00			
" 6 12		600 "		47				282 00			
" 6 2		Commission 2% on sales		924							
" 6 2		Charges 1% per bu		10 00							
" 6 2		Net Proceeds credited to W.D.H.		347 76				462 00		462 00	

THE LOOSE LEAF CONSIGNMENT LEDGER.

				CASH.		Dr.	
Date	L. F.	Name and Explanation		General	Shipments		
1910							
Dec.	1	1	Student Investment	\$3,500	00		
"	8	SB 12	Mdse. sales Cash sale	112	50		
"	9	1	M. B. Sharp On Acct.	80	00		
"	9	SB 12	Consignments Cash sale	274	50		
"	11	1	S. E. Hall On Acct.	182	00		
"	12	SB 12	Consignments Cash sale	411	75		
"	13		Shipments Net proceeds			634	50
		2	Shipments Cr.			634	50
			"General" Footing			4,560	75
						\$5,195	25

SALE OF MERCHANDISE FOR ACCOUNT OF J. Livingstone

C.

Seaforth

"STUDENT" & CO.

COMMISSION MERCHANTS

Toronto, Ont.

INVOICE No. 77

INVOICE DATE Dec. 2, 1910

1910		FOLIO				
Dec.	6		Received 500 bu.-h. Red Wheat			
"	6	C.B.5	Freight, Cartage, etc.	50	00	
			Advances			
			SALES			
"	9	12	200 bush. R. Wheat	1.37½		274 50
"	12	12	300 " " "	1.37½		411 75
"	12	2	Commission, 2 per cent. of sales		13 73	
"	12	2	Charges, 2½c. per bush.		12 50	
"	12	C.B.5	Net Proceeds, Remitted	610	02	
				686	25	686 25

Cr.

CASH.

5

Date	L. F.	Name and Explanation	General	Shipments	Consignments
1910					
Dec.	2	Consignments Freight			\$65 00
"	3	Expense Office Books	\$18 75		
"	5	Shipments Cartage		\$5 00	
"	6	Consignments Freight			50 00
"	10	J. D. Simpson On Acct.	200 00		
"	11	Consignments Cooperage			3 75
"	12	Consignments Proceeds			610 02
	2	Consignments Dr.			728 77
	2	Shipments Dr.			5 00
		" General Footing "			218 75
	2	Balance on hand (red ink)			4,242 73
					\$5 195 25

2

JOURNAL.

1910		Fo.						
Dec.	3	1	Mdse. pur.	Bot. of J. D. Simpson	500	\$1,000	00	
		1	B. Pay	bbls. apples at \$2	\$1,000		\$600	00
		1	J. D. Simpson	Gave in payment note at			400	00
				10 ds.	\$600			
				Balance on acct.				
"	11	1	Mdse. pur.	Bot. of J. P. King		195	00	
		1	J. P. King	on acct.			195	00
				300 bush. potatoes				
				at 65c.	\$195			

SALE OF MERCHANDISE FOR ACCOUNT

Harding & Bradshaw,

H.B.I.

Stratford.

"STUDENT" & CO.

COMMISSION MERCHANTS

Toronto, Ont.

INVOICE NO. 74

INVOICE DATE Dec. 4, 1910

1910		FOLIO						
Dec.	8		Received 400 bbls. Flour					
"	11	C B.5	Freight, Cartage, etc., Cooperage			3	75	
			Advances					
			SALES					
"	10	12	100 bbls. Flour		7.75		775	00
			Commission					
			Charges					
			Net Proceeds					

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SALES BOOK.

Const. Mark	L. F.	December 3, 1910	Invoice Exten- sions	Sale- from Con- signments	Sales from Mdse.
H. 1	1	M. B. Sharp On account 400 bush. white oats @ 45c.	\$180 00	\$180 00	
		6			
H. 1	1	S. E. Hall On account 60 bush. W. oats @ 47c.	282 00	282 00	
		8			
	C. B. 4	Cash 50 bbls. apples @ \$2.25	112 50		\$112 50
		9			
L. 1	C. B. 4	Cash—G. Smith 200 bush. R. wheat @ \$1.37½	274 50	274 50	
		10			
H. B. 1	1	M. B. Sharp On account 100 bbls. flour @ \$7.75	775 00	775 00	
		12			
L. 1	C. B. 4	Cash—P. J. Small 300 bush. R. wheat @ \$1.37½	411 75	411 75	
	2	Consignment Cr.		\$1,923 25	
	1	Mdse. sales Cr.			\$112 50
DR.		STUDENT.			CR.

1910

1910

Dec.

1 C. B.

4

\$3,500 00

MERCHANDISE PURCHASES.

Dec.	3	J.	2	\$1,000 00
"	11	J.	2	195 00

BILLS PAYABLE.

Dec.	3	J.	2	600 00
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J. D. SIMPSON.

Dec.	10	C. B.	5	200 00	Dec.	3	J.	2	400 00
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J. P. KING.

Dec.	11	J.	2	195	00
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MERCHANDISE SALES.

1910					
Dec.	13	S. B.	12	\$112	50

MERCHANDISE SHIPMENTS.

Dec.	13	S. L.	16	500	00
------	----	-------	----	-----	----

M. B. SHARP.

1910						1910				
Dec.	3	S. B.	12	\$180	00	Dec.	9	C. B.	4	80
"	10	S. B.	12	775	00					

S. E. HALL.

Dec.	6	S. B.		282	00	Dec.	11	C. B.	4	182	00
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PAGE 2

CONSIGNMENTS.

1910						1910				
Dec.	13	C. B.	5	728	77	Dec.	13	S. B.	12	1,923
"	6	H. 1		397	00					25
"	13	L. 1		26	23					

SHIPMENTS.

Dec.	13	S. L.	16	500	00	Dec.	13	C. B.	4	634	50
"	13	C. B.	5	5	00						

EXPENSE.

Dec.	3	C. B.	5	18	75
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CASH.

Dec.	13	C. B.	5	4,242	73
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COMMISSION.

Dec.	6	H. 1		9	24
"	12	L. 1		13	73

CHARGES.

Dec.	6	H. 1	10	00
"	12	L. 1	12	50

W. D. HARPER.

Dec.	6	H. 1	377	76
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DIRECTIONS FOR JOURNALIZING.

(See entries on page 174.)

1. Enter in the Cash Book on the received side, crediting Student for his investment.
 2. Select a loose sheet to be used for Consignment Ledger purposes. Enter the name W. D. Harper and address, Chatham, Ontario, at the top of the leaf. In the upper right hand corner put the stencil mark H. 1, by which this consignment will be afterwards known. Note in the proper place the receipt of the goods, and in the next place, the freight and cartage paid, \$65.00. Be sure to do all this writing, on the Consignment Ledger sheet, in duplicate. Next, make an entry for the \$65.00 paid for freight, on the credit side of the Cash Book, placing the amount in the "Consignment" column. On the Consignment Ledger sheet, beside the title freight, in the folio column, put the check C. B. 5, to show where the cash is entered.

3. (a) Make an entry in the Sales Book under the title of M. B. Sharp. To the left of his name, in the column set aside for this purpose, put the stencil mark of the consignment, H. 1. Carry the amount, \$180, from the "Invoice extension" column into the "Sales from consignments" column. Next, look up the sheet for W. D. Harper's consignment and under the title "Sales" enter the item, 400 bushels at 45 cents. Extend the amount, \$180, into the credit column. In the folio column place the figure 12, to show the page of the Sales Book on which the entry is made.

3. (b) Enter in the Journal, debiting Merchandise Purchases, and crediting Bills Payable and J. D. Simpson.

3. (c) Enter on the credit side of the Cash Book under the title "Expense."

5. Enter in the Shipment Ledger, as illustrated, showing the merchandise and cash paid, placed to the debit of the shipment. Check the cash item over to the Cash Book on the credit side, and see that the amount, \$5.00, is entered in the "Shipment" column, on the credit side of the Cash Book.

6. (a) Select a second sheet to be used as part of the Consignment Ledger. Enter the name of J. Livingstone at the top, and put the stencil mark, L. 1 in the upper right hand corner. Carry the entries through as you did in the transaction of December 2nd.

6. (b) Enter in the Sales Book under the title of S. E. Hall. Show the stencil mark, H. 1, in the proper column, and extend the amount, \$282.00, into the proper column as in the case of the entry on the 3rd inst. Next go to Harper's consignment sheet, and enter the sale as you did the first one.

6. (c) Enter the commission, charges and net proceeds in the debit column of Harper's consignment. Next, rule and foot the columns. When the duplicate is taken, the original

is supposed to be sent to W. D. Harper as an Account Sales, while the sheet on which the duplicate is taken remains in your hands for subsequent uses in posting.

8. (a) Enter in the Sales Book, under the title "Cash," and check to the debit side of the Cash book, where the entry will be again check-marked.

8. (b) Open a Consignment account with Harding & Bradshaw, just as you did in the entries of the 3rd and 6th insts.

9. (a) Enter on the debit side of the Cash Book, crediting M. B. Sharp.

9. (b) Enter in the Sales Book under the title "Cash." Check to the Cash Book on the debit side, and be sure to make a record on the Consignment Ledger sheet.

12. (b) Make the customary entry on Livingstone's Consignment sheet for storage, commission, and net proceeds. As these net proceeds are remitted in cash, you will check the entry for them to the credit side of the Cash Book.

13. (a) Enter in the Shipment Ledger, showing the cash placed to the credit of the Shipment to Collins. Check this cash to the received side of the Cash Book, where it will be entered in the column "shipment." Next, balance and rule and foot this particular shipment Account.

DECEMBER, 19.....

1. Commence a general Shipping and Commission Business, investing cash, **\$3,500.**
2. Receive from Wm. D. Harper, Chatham, to sell on his account, 1,000 bush. white Oats.
Pay freight on same in cash, **\$65.**
3. Sell M. B. Sharp, on account, from Harper's Consignment, 400 bush. W. Oats, at 45c.
Buy of J. D. Simpson, 500 bbls. Apples, at **\$2.** Give him in payment your note at 10 days, **\$600.** Balance on account.
Pay cash for set of office books, **\$18.75.**
5. Ship L. Collins, Montreal, to be sold on your account, 250 bbls. Apples, at **\$2.** Pay Cartage on same in cash, **\$5.**
6. Receive from J. Livingstone, Seaforth, to sell on his account, 500 bush. Red Wheat.
Pay Freight on same in cash, **\$50.**
Sell S. E. Hall, on account, from Harper's Consignment, 600 bush. W. Oats, at 47c.
Close W. D. Harper's Consignment, and render account of same. Storage, 1c. per bush. **\$10;** Commission 2% on sales, **\$9.24.** Net proceeds credited, **\$377.76.**
8. Sell for cash, 50 bbls. Apples, at **\$2.25.**
Receive from Harding & Bradshaw, Stratford, to sell on their account, 400 bbls. Flour.
9. Receive cash of M. B. Sharp, on account, **\$80.**
Sell Geo. Smith, for cash, from Livingstone's Consignment, 200 bush. R. Wheat, at **\$1.37½.**
10. Pay J. D. Simpson cash on account, **\$200.**
Sell M. B. Sharp, on account, at 10 days, from Harding & Bradshaw's Consignment, 100 bbls. Flour, at **\$7.75.**
11. Receive cash of S. E. Hall, on account, **\$182.**
Buy of Jas. P. King, on account. 300 bush. Potatoes, at 65c.
Pay cash for Cooperage on Flour belonging to Harding & Bradshaw's Consignment, **\$3.75.**
12. Sell P. J. Small, for cash, from Livingstone's Consignment, 300 bush. R. Wheat, at **\$1.37½.**
Close J. Livingstone's Consignment, and render an account of same. Storage, 2½c. per bush.; Commission, 2% on sales. Net proceeds remitted in cash.

13. Receive from L. Collins an account of the shipment made him 5th inst., with cash for your net proceeds, \$634.50.
Post and take a Trial Balance.

DIRECTIONS FOR POSTING.

LOOSE LEAF LEDGER.

Journal—

Post as you have been in the habit of doing.

Sales Book—

Debit M. B. Sharpe and S. E. Hall for the amounts set opposite their respective accounts. The cash items will be credited when the Cash Book is posted. This is the reason why in the folio column you placed a check mark beside the cash entries as you made them. Next, credit Merchandise Sales and Consignments accounts for the total of their respective columns.

Shipment Ledger—

Debit Shipments account for the total of the Merchandise column and credit Merchandise Shipments account with the same figure. There are other items of cash paid for charges and cash received for proceeds, but they will be posted from the Cash Book.

NOTE.—This Merchandise Shipments account will be closed into Merchandise Purchases account if it represents merchandise billed from stock at cost price. If billed at selling price the account will be closed into Merchandise Sales account. Some may prefer to credit Merchandise Purchases account or Merchandise Sales account immediately when goods are shipped.

Cash Book—

Post the debit side of the Cash Book by crediting Student, M. B. Sharpe, and S. E. Hall for the amounts set opposite their respective accounts. Next, credit Shipment account for the total of shipments column. The Consignments are not credited from here, because, as you will remember, the posting of the Sales Book credited Consignments for all sales made from them, cash and otherwise. Post the credit side of Cash by debiting Expense and J. D. Simpson. Next, carry the total of shipments column to the debit side of Shipments account, and the total of consignments column to the Debit of Consignments account. Complete the posting of this book by debiting Cash account for the balance of the book, \$4,242.73.

Consignment Ledger—

Harper's Consignment. Credit commission, charges, and W. D. Harper for the amounts set opposite their respective accounts. Balance these entries by debiting Consignment account for the total of these three figures, \$397. Livingstone's Consignment.—Credit commission and charges for the figures set opposite these accounts, and balance the posting by debiting Consignments for the sum of the two figures, \$26.23. Harding & Bradshaw's Consignment.—This requires no posting.

13. Student draws cash for private use, \$50.

Sell Jno. Hall, from Harding & Bradshaw's Consignment, 100 bbls. Flour, at \$8. Receive cash, \$300. Balance on account, at 15 days.

15. Ship A. G. Scott, Kingston, to be sold on your account, 200 bush. Potatoes, at 65c. Pay Cartage in cash, \$3.25.

NOTE.—Write up on foolscap paper the form for this Invoice of Shipment. Have same checked by teacher.

Pay Bookkeeper cash, to apply on Salary. \$25.

Remit Harding & Bradshaw, for cash sale made from their Consignment, 13th inst. \$300.

16. Pay your note due to-day in cash, \$600.

18. Receive from Henry Baker, Goderich, to sell on his account, 500 doz. Eggs. Pay Express charges in cash, \$6.25.

19. Remit W. D. Harper cash in full for his net proceeds, as per Account Sales, 6th inst., \$377.76.

Sell for cash, 50 bush. Potatoes, at 75c.

Pay J. P. King cash on account, \$50.

Sell to Geo. Lent, for cash from Baker's Consignment, 200 doz. Eggs at 18c.

20. Sell A. D. Vance on his note at 30 days, from Harding & Bradshaw's Consignment, 200 bbls. Flour, at \$8.

Close Harding & Bradshaw's Consignment, and render an account of same. Storage, 8c. per bbl.; Commission, 2% of sales. Balance to H. & B.'s credit due by equation, Jan. 9th.

NOTE.—You are required to work this equation to verify the result as given above. See your Arithmetic for instructions in Equation of Accounts.

Receive cash of M. B. Sharp, in full of account, \$875.

21. Ship Dewar & Co., Montreal, to be sold on your account, 100 bbls. Apples, at \$2.

22. Receive from Patterson, Hall & Co., Brantford, to sell on their account, 200 bush. Clover Seed. Pay freight in cash, \$15.

23. Receive from A. G. Scott, an account of the shipment made him 15th inst. Net proceeds placed to your credit, \$121.75.

Receive cash of Jno. Hall, on account, \$300.

24. Remit Harding & Bradshaw, cash, for balance due them on their Consignment, \$2,775.75, less discount to equated time of payment, Jan. 9th.

Receive from Wm. D. Harper, to sell on his account (2nd consignment), 3,000 bush. White Wheat. Pay freight in cash, \$330.

24. Buy of Jas. C. Jennings, on your note at 60 days, 800 bush. Corn, at 70c.

Pay J. D. Simpson, cash, full of account, \$200.

Sell French & Small, for cash, from Patterson, Hall & Co.'s Consignment, 100 bush. Clover Seed, at \$5.

Close Patterson, Hall & Co.'s Consignment (100 bush. Clover Seed remaining unsold), and render an account of same. Storage, 2½c. per bush. on 200 bush.; Commission, 2% of sales. Net proceeds remitted in cash.

NOTE.—Make a memorandum simply, beneath sales, of the 100 bush. unsold. Next close, and rule up the consignment, and then open a new sheet for the remaining 100 bush.

26. Sell for cash, 50 bush. Potatoes, at 78c.

Ship O. W. Scott, Peterboro', to be sold on your account, 800 bush. Corn, at 70c. Pay insurance, \$5, and labor on same, \$3.10, in cash.

27. A. G. Scott remits you cash, to balance his account, \$121.75.

Pay cash for re-packing 300 doz. Eggs, belonging to Baker's Consignment, \$1.25

Pay J. P. King cash on account, \$45.

28. Sell Jas. Kent, for cash, 285 doz. Eggs, from Baker's Consignment, at 17c.

15 doz. Eggs belonging to Baker's Consignment were broken.

Close Baker's Consignment, and render an account of same. Commission, 2% of sales. Net proceeds remitted in cash.

28. Sell M. B. Sharp, on account, 100 bbls. Apples, at \$2.40.
 Prepay your note of 24th inst., favor James C. Jennings, in cash, less discount.
29. Sell Day & Trevor, on their note at 15 days, from Harper's Consignment, No. 2, 250 bush. W. Wheat, at \$1.25.
30. Receive from Dewar & Co., an account of the shipment made them 21st inst. Net proceeds remitted in cash, \$224.50.
- A. D. Vance prepays his note of 20th inst., in cash, less discount.
- Sell Chas. G. Nixon, from Patterson, Hall & Co.'s Consignment, 100 bush. Clover Seed, at \$5. Receive his cheque on Bank of Hamilton, \$200. Balance on account.
- Close Patterson, Hall & Co.'s Consignment, and render an account of same. Storage, 2½c. per bush., Commission, 2% of sales. Remit cash to them, \$200, and place the balance of the net proceeds to their credit.
- Pay Bookkeeper balance due on monthly salary, \$25, and Warehouse Rent, \$50, in cash.
- Receive cash of S. E. Hall, to balance account, \$100.

INVENTORY, DECEMBER 31, 19.....

Shipment to O. W. S., Peterboro'..... \$568 10

You may now balance your Cash Book. Post and make out a Balance Sheet and close the Ledger.

After closing the Ledger and proving your balances, present your books, with a proof of the Ledger balances, to the teacher for inspection

QUESTIONS FOR REVIEW.

¹What does this illustrate? ²What Books are employed? ³Are they used as principal or auxiliary books? ⁴What entries are made in the Sales Book? ⁵In the Cash Book? ⁶In the Journal?

⁷Why are Cash and Consignments checked and entered in posting when they appear in any other books than the Cash Book and Sales Book? ⁸In posting from the Cash Book and Sales Book, how is the work to be performed? ⁹Why must unclosed Consignments and the balance of cash on hand be entered in the Balance Sheet?

JOINT ACCOUNTS.

SHIPMENT CO.'S AND MERCHANDISE CO.'S.

These titles are used as accounts when parties agree to enter into a special partnership for the purpose of disposing of a quantity of Merchandise which has been supplied by one or more of the members of the Company, and which has been shipped to some particular place for sale.

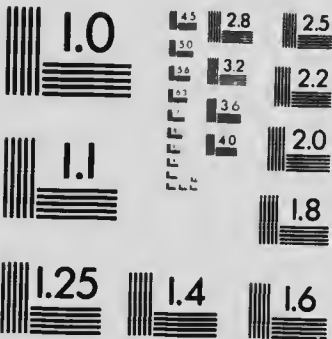
The party who originates the plan or who ships the goods from his possession and retains ownership in a certain share of them, terms his interest in the goods thus shipped, as well as in all others which may be supplied by his partners, for sale on the same terms, a Shipment Company.

This account is debited by the consignor with his interest in all goods entering into the company and with his share of the shipping expenses paid by him. It is credited by him with his share of the net proceeds when an account sales is rendered by the consignee.



MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



APPLIED IMAGE Inc

1653 East Main Street
Rochester, New York 14609 USA
(716) 482 - 0300 - Phone
(716) 288 - 5989 - Fax

EXAMPLE NO. 1.

Shipped to Marshall & Son, Montreal, to be sold on joint account and risk of themselves and ourselves, each one-half, 5,000 bbls. Apples, at \$2.00. Paid shipping expenses in cash, \$240.00.

CONSIGNOR'S ENTRY.

Shipment Co.,	For his share in the shipment	\$5,120	
Marshall & Son,	For their share in the goods supplied.....	5,120	
To Mdse.,	For value of goods disposed of.....		\$10,000
„ Cash,	For amount paid by Consignor.....		240

EXAMPLE NO. 2.

J. Hodd, Miller, of Stratford, shipped to J. Stephens, Halifax, 3,000 bbls. Flour, at \$5 per bbl., to be sold on joint account and risk of himself, one-third; J. Lloyd & Son, of Toronto, one-third; and J. Stephens the balance. He paid freight, \$300. Lloyd & Son supplied 2,000 bbls. at \$5.40 on same terms, and Stephens also added 1,000 bbls. at \$5.70, to be sold on same terms, and paid expenses in connection therewith, \$50.

HODD'S ENTRY.

Shipment Co., No. 1,	For total interest in Mdse. Co.	\$10,600	
J. Stephens,	For his share in Hodd's goods.....	5,100	
Lloyd & Son,	For their share in Hodd's goods.....	5,100	
To Mdse.,	For goods disposed of.....		\$15,000
„ Cash,	For amount paid out.....		300
„ J. Stephens,	For Hodd's share of his addition.....		1,900
„ Lloyd & Son,	For Hodd's share of their addition		3,600

LLOYD'S ENTRY.

LOYD'S ENTRY.

Shipment Co., or Venture Co. No. 1.....		\$10,600
J. Hodd,	For Hodd's share of Lloyd's goods.....	3,600
Stephens,	For his share of Lloyd's goods.....	3,600
To Mdse.,	For goods disposed of.....	
„ Hodd,	For Lloyd's share of Hodd's goods.....	\$10,800
„ Stephens,	For Lloyd's share of Stephens' goods.....	5,100
		1,900

STEPHENS' ENTRY.

Mdse. Co. No. 1,	For Consignee's interest and total charges paid by him	\$10,650	
Hodd,	For his share of Stephens' goods.....	1,900	
Lloyd,	For Lloyd's share of Stephens' goods.....	1,900	
To Hodd,	For Stephens' share of Hodd's goods.....		\$5,100
„ Lloyd,	For Stephens' share of Lloyd's goods.....		3,600
„ Mdse.,	Amount of goods disposed of.....		5,700
„ Cash,	Amount paid by Stephens.....		50

MERCHANDISE CO.'S.

When goods are received by a consignee to be sold on joint account and risk of himself and other parties, he opens an account in his books called Mdse. Co., No. 1; or Mdse. Co. No. 2, etc., as the case may be. This account he debits with his share of Invoice value of goods entering into the consignment, and with all charges paid by him on receiving the goods. He credits this account with all sales from the consignment, and in closing it, he

debits it with the remaining charges, such as Storage, Insurance, Commission, etc., and with the Net Proceeds belonging to the other parties, and his own Net Proceeds yet uncharged, which is termed his Loss or Gain. If a Loss it is carried to credit side of Mdse. Co. account in order to reduce his cost to his net proceeds, and thus leave in general terms the total charges and total proceeds on the Dr. side, and the total sales on the Cr. side of the account. If the Consignee makes an addition of his own goods to the Company, he credits Mdse. with the goods thus added and debits Mdse. Co. account with his own share and the other partners for their respective shares of this addition. If the goods are not all sold when the Mdse. Co. is closed, the Consignee must place his share of Inventory on credit side of account in order to leave it debited with his share of the cost of goods sold. The record of such business is usually kept in the Commission Sales Book, from which the work is posted to the Ledger.

EXAMPLE.

John Smith, of London ; W. R. Jones, of Toronto ; and W. H. Ross, of Stratford, each grain dealers, agree to form a Mdse. Co. to dispose of a quantity of Peas. They furnish respectively 8,000 bush. at 45c. ; 6,000 bush. at 50c. ; and 4,000 at 48c., and place the whole lot in the hands of Jones to sell. Jones paid freight on Smith's lot from London, $1\frac{1}{2}$ c. per bush., and on Ross's lot from Stratford, $1\frac{1}{4}$ c. per bush. They are to share equally in the proceeds.

Jones becomes the consignee and makes the following entry on receiving goods :

Mdse. Co., No. 1,	For Jones' share in the Co. and charges paid by him..	\$3,005
John Smith,	For Smith's share of Jones' addition	1,000
W. H. Ross,	For Ross's share of Jones' addition	1,000
To Mdse.,	Value of goods added by Jones	\$3,000
To J. Smith,	For Jones' share of Smith's goods	1,200
To W. H. Ross,	For Jones' share of Ross's goods	640
To Cash,	Paid for freight on both lots received	165

Jones then proceeds to sell and disposes of 10,000 bushels F.O.B., Toronto, at 62c., to Bonnoch & Sons, Montreal. He remits shipping bill and draws at sight for half the amount and at 60 days for the balance. The drafts being honored, he makes the following entry :

Cash,	Value received per sight draft	\$3,100
Bills Receivable,	Value received per 60-day acceptance	3,100
To Mdse. Co., No. 1,	For value of goods sold	\$6,200

Jones then closes the account and renders an Account Sales, showing his Storage Charges to be \$45, his Commission 2%, and Insurance paid by him, \$25. He credits proceeds to proper owners, and makes the following entry :

Mdse. Co., No. 1,	Remaining charges and remaining proceeds	\$4,457 22
To Storage,	Amount due to Jones and to be charged up to Mdse. Co.	\$45 00
To Commission	Amount earned by Jones and charged against the account	124 00
To Insurance,	Amount to be charged against Mdse. Co.	25 00
To J. Smith,	His share net proceeds	1,947 00
To W. H. Ross,	His share net proceeds	1,947 00
Loss and Gain,	Jones' share of proceeds not yet charged to Mdse. Co.	369 22

DR. If written up properly by Jones in the Commission Sales Book the foregoing example will appear as follows: CR.
MDSE. CO. NO. 1.

Date	Cr. Acct	Explanation	Fo. Ch'ges	Totals	Date	Dr. Acct.	Explanation.	Fo. Snd'rs.	Totals
Sep. 10		Received from J. Smith, London, to be sold on joint acct. of himself, W. H. Ross, Stratford, and ourselves, each one-third. 8000 bush. Peas, invoiced at 45c.—\$3600	\$		Sep. 10	J. Smith.....	For his share of our addition.....	1000	
	J. Smith...	Our share of his goods received.....		1200	"	W. H. Ross	For his share of our addition.....	1000	2000
		Received from Ross on same terms, 4000 bush. at 48c.—\$1920.....			"	20 Cash.....	Sold 10,000 bush. at 62c. to Bonnoch & Sons, Montreal.....		
	W. H. Ross	Our share of his goods received.....				B. Rec.....	Received Cash for half the amount.....	3100	
		We add to be sold on same terms, 6000 bush. at 50c.—\$3000					Received their acceptance 30 ds. bal.....	3100	6200
20	Mdse.....	For value of our addition		3000			INVENTORY.		
	Cash	Freight charges paid...	165				8000 bus. at 45 = \$3600.00		
	Storage....	Our charges for same	45				6000 " at 50 = 3000.00		
	Commission	Our charges at 2 per cent	124				4000 " at 48 = 1920.00		
	Insurance..	Due to us for prem's paid	25				18000 invoiced at \$8520.00		
	J. Smith...	His share of net proceeds	359				10000 amt. sold.		
	W. H. Ross	His share of net proceeds	1947				Bal. 8000 bush. on hand at... \$3786.67		
	Loss & Gain	Our net gain	369	23			Our one-third of this stock		1262 23
							(This inventory should be in red ink).		
				9462 23					
				\$1262 23					9462 23

Balance per Inventory on hand.....\$1262 23

The balance as brought down would be carried to debit side of Mdse. Co., account in Trial Balance, if such were to be taken before balance of goods were sold.

Section 30.

JOINT STOCK COMPANIES.

If a single individual desires to establish a business, the law places no restriction upon him, provided his undertaking is lawful. He is free to invest his money, to buy and sell, or manufacture just as he will. If two or more men desire to form a partnership to conduct some business enterprise they are just as free, the law simply asks them to file a declaration within a limited time after their partnership is formed, so that the public may know exactly who are the partners.

In both of these cases the persons concerned stake their all upon the success of the enterprise. They may have more capital than they have invested in the business, but all their wealth is liable to seizure to cancel their business debts. The scope of the business in either case is always limited by the amount of capital that the individuals can command.

Should a number of individuals wish to become connected with a business, should they wish to have their liability limited, and should they wish to be able to interest large numbers of people and to secure unlimited capital, they generally form a Joint Stock company.

Such a company is distinguished from a single ownership or from a partnership in the first place by being formed, not of the free will of the parties concerned, but by consent of the Government. This means that the persons who undertake the formation of the company must apply to the Government for permission to enter into business. To which Government they must apply, the Provincial or Dominion, depends upon the scope of the undertaking. If it is an ordinary business conducted chiefly within the Province, then application is made to the Provincial Government. When the proposed business operations extend over different Provinces then the Dominion Government is approached.

Permission to conduct business may be obtained from either Government in either of two ways—by special Act of Parliament or by Letters Patent issued under the provisions of the various Companies Acts. In Alberta, Saskatchewan, N.W. Territories, British Columbia, Nova Scotia, and Newfoundland, joint stock companies are formed by Registration instead of by Letters Patent. Railroad, Banking, and insurance companies are formed in the first way. Ordinary trading and manufacturing companies are formed in the second way.

ORDER OF PROCEDURE IN INCORPORATING A COMPANY UNDER THE ONTARIO COMPANIES ACT.

1. It will be necessary for the incorporators, who must not be less than five in number, to obtain from the Provincial Secretary's department a blank form of petition. This petition will be filled out as form suggests and signed by the incorporators. It will be necessary for the incorporators to mention in the petition names of at least three of their number who are to be considered as Provisional Directors. Signatures should be the ordinary business signatures of applicants, and should be witnessed and approved by persons who are not petitioners or directly interested in the formation of the company. One witness for all the signatures will suffice. Signatures must be verified by statutory declaration or by affidavit. Where signature is placed by agent acting under power of attorney, such power of attorney must be specific and not general.

2. Prepare a memorandum of agreement and stock-book. This must be in duplicate and must be signed by at least five subscribers and no subscriber is to take less than one share. Memorandum of agreement and stock-book must be signed by each subscriber

in the presence of a witness, who must attest the signature by his affidavit. Independent witnesses are to be preferred.

3. Send all the necessary papers to the Provincial Secretary's department, Toronto, Ontario. These papers will include:

- (a) A memorandum of agreement and stock-book
- (b) A duplicate of the memorandum of agreement and stock-book.
- (c) The petition of the incorporators.
- (d) The affidavit or affidavits verifying the signatures to both memorandum of agreement and petition.
- (e) Affidavit verifying the petition and as to the name of the company not being on any ground objectionable.
- (f) A marked cheque for the fee payable to the order of the Provincial Treasurer. If any signatures to petition have been made under power of attorney, it will be necessary to send the power of attorney, the affidavit verifying power of attorney, and also affidavit verifying signatures to petition, when signed under power of attorney.

These papers will be received by the Provincial Secretary, examined, and if correct will be retained, registered, and filed, all except the duplicate of the memorandum of agreement which is returned to the applicants.

4. It is the natural hope of the petitioners that the government will issue the Letters Patent, and if so the document will be received from the Provincial Secretary and notice of the issue of it given in the *Ontario Gazette*. If the company proposes to invite the public to subscribe for shares, it is not ready to commence business until certain other formalities have been complied with. These may be noted in order as follows:

5. Prepare a prospectus. For information as to the statements required to be set forth in such prospectus, see section 102 of the Act. This prospectus is intended to induce subscribers to take up stock in the company. The prospectus requires, among other things, that a statement should be made of the minimum subscription on which the directors may proceed to allotment and the amount payable on application and allotment on each share.

6. The allotments of stock may be made, provided that the amount named in the prospectus as the minimum subscription has been subscribed for and in the event of no minimum subscription being specified, then the whole amount of the share capital so offered for subscription must have been subscribed. The amount payable on application on each share shall not be less than 5% of the nominal amount of the share.

7. Before commencing in business or exercising any borrowing powers there must be filed with the Provincial Secretary a statutory declaration, after a prescribed form, declaring that an allotment of, at least, the minimum subscription has been made, and that every director of the company has paid to the company on each of the shares taken by him a proportion equal to the proportion payable on application and allotment on the shares offered for public subscription.

8. The Provincial Secretary may, on the filing of this statutory declaration, certify that the company is entitled to commence business, and his certificate shall be conclusive evidence that the company is so entitled.

9. After the company has complied with all these formalities and obtained the certificate enabling it to commence business it is then bound to hold a special meeting called the Statutory Meeting. This meeting must be held within a period of not less than one month nor more than three months from the date at which the company is entitled to commence business. At this meeting a full report must be given by the directors to the shareholders covering all details of the organization, and a statement of all receipts and expenditures.

CAPITAL, SHARES.

The petition must state the capital of the company, divided into shares. That is, the promoters must set a limit upon the amount of money they think necessary to the undertaking, and for convenience in accommodating different applicants for Stock, the Capital must be divided into shares. These shares must be of a uniform value and are very often fixed at \$100 a piece. This value is always taken as the Par Value of a Share, unless it is distinctly stated otherwise. A man who makes application for five shares says, in other words, that he wants to invest \$500 in the company. This he is not required to pay in one sum, but in sections, as calls or requests for money are made from him by the company. The term Capital may, therefore, be viewed in three different lights. The Authorized Capital is the full limit to which subscriptions and applications for stock may be considered. The Subscribed Capital is that part which has been subscribed for or allotted to applicants. The Paid-up Capital is that part of the subscribed capital which has at any time been paid for, in answer to calls.

THE CHARTER.

This is an official document constituting the petitioners and others who may become associated with them a company for the purpose of carrying on the business proposed.

What, then, is a Joint Stock Company? Simply an association of individuals who have obtained incorporation and are thenceforth to be recognized as an Artificial Person created by law, for all purposes of law and business. The company sues and is sued, or does business under a name of its own. It has an existence altogether apart from that of the individuals who compose it. Men may come into the company; they may also sell out and leave it, but the company lives on. It is endowed with continuous existence.

DIRECTORS, OFFICERS.

Under the provisions of the Ontario Act the persons named as Provisional Directors in the Special Act or in the Letters Patent shall be the directors of the company until replaced by the same number of others duly elected in their stead and shall be eligible for election.

One of the chief things to be done at the first general meeting of shareholders is to elect a board of not less than three directors. It is impossible for all shareholders to be directly concerned with the management of affairs and in thus electing directors they are simply selecting from among themselves a few to act for them. These directors have full power in all things to administer the affairs of the company. They elect from among themselves a President of the company, and also appoint or remove at pleasure all other officers of the company.

BOOKKEEPING FOR JOINT STOCK COMPANIES.

As a Joint Stock Company acts under authority granted by the Government, it is but natural that the Government should exercise some supervision over it. This is very distinctly the case in the matter of the books a company is required to keep. The following sections of the Companies Act are of prime importance, therefore, to every bookkeeper connected with a company.

BOOKS TO BE KEPT AND WHAT TO CONTAIN.

116. The corporation shall cause the Secretary, or some other officer especially charged with that duty, to keep a book or books wherein shall be kept recorded:

(a) A copy of the Letters Patent incorporating the corporation and of any Supplementary Letters Patent issued to the corporation and if incorporated by Special Act, a copy of such Act;

(b) The names, alphabetically arranged, of all persons who are or have been shareholders or members of the corporation ;

(c) The post office address and calling of every such person while such shareholder or member ;

(d) The names, post office addresses, and callings of all persons who are or have been directors of the corporation, with the several dates at which each person became or ceased to be such director.

And in cases of companies having share capital—

(e) The number of shares held by each shareholder ;

(f) The amount paid in, and remaining unpaid, respectively, on the shares of each shareholder ;

(g) The date and other particulars of all transfers of shares in their order.

120. The books referred to in section 116 shall during reasonable business hours of every day, except Sundays and Holidays, be kept open for the inspection of shareholders, members, and creditors of the corporation and their personal representatives or agents, at the head office or chief place of carrying on its undertaking, and every such shareholder, member, creditor, agent or representative, may make extracts therefrom.

122. The directors shall cause proper books of account to be kept containing full and true statements—

(a) Of the financial transactions of the corporation ;

(b) Of the assets of the corporation ;

(c) Of the sums of money received and expended by the corporation, and the matters in respect of which such receipt or expenditure takes place ; and,

(d) Of the credits and liabilities of the corporation, and also a book or books containing minutes of all the proceedings and votes of the corporation, or of the board of directors, respectively, and the by-laws of the corporation, duly authenticated, and such minutes, shall be verified by the signature of the president, or other presiding officer of the corporation.

You will note that the records required in section 116 are, by section 120, required to be open to inspection. The books containing such records are, therefore, a set separate and distinct from the set of books containing the records required by section 122. The books of the first set are Auxiliary ; the books of the second set, except the Minute Book and the By-law Book, are Principal.

Dealing with section 116, we can readily understand that subsections (a) and (d) require no more than a blank book in which to make a copy of the Charter and a list of directors. Subsections (e) and (f) require the use of the Stock Ledger (see illustration), while an alphabetically arranged index to this book can be made to meet the requirements of subsections (b) and (c). Subsection (g) requires the use of a Transfer Book (see illustration.)

THE STOCK LEDGER.

Perhaps the most important of these books is the Stock Ledger. As its name implies, it is intended to keep track of the Stock of the Company. In it we find an account for each shareholder. A record is made of the Stock allotted to each man, of the payments he makes thereon, and of the balance he owes on his Stock at any time. If Stock is sold, the amount is taken from the account of the original holder and transferred to an account opened for the new shareholder. No particular form is prescribed for this book, nor for any of the forms mentioned, so long as the information required is forthcoming from them.

BOOKS OF ACCOUNT.

Coming to section 122 we find that the Act requires companies to keep regular books of account. As in the case of the previous section, no particular form is prescribed, but certain information must be forthcoming from the books; speaking generally, it is just what we would expect from any well-kept set of books.

It is well to note at this point that the bookkeeping for a Joint Stock Company, as far as these books of account are concerned, cannot differ so materially from that required for a single ownership or a partnership. Cash Books, Invoice Books, Sales Books, Journals, and Ledgers are the same in all of them. It is only in two places that we will find differences, viz., in the opening and in the closing entries. These we will illustrate.

OPENING ENTRIES.

A, B, C, D, and E have signed the Stock Book of the Brown Manufacturing Company, Limited, incorporated with capital of \$25,000, agreeing to take 10 shares of \$100 each.

Journal Entry.

Subscription	\$5,000	
To Capital Stock.....		\$5,000

A first call of 10 per cent. has been issued by order of the directors, and responded to by all in cash.

Journal Entries.

(a) Subscribers.....	\$500	(b) Cash	\$500
To Subscription	\$500	To Subscribers.....	\$500

Following our usual plan, we open a Capital Account. Instead of the term Proprietor, Stock, or the actual name of the proprietor, as we have heretofore used, we term this account Capital Stock. This account may be kept in such a way as to represent Subscribed Capital, Paid Up Capital or the Authorised Capital of the company. In the illustration above it represents Subscribed Capital. Subscription Account is opened to show the par value of stock which has been subscribed and the amount called, the difference between the two sides showing the amount of uncalled stock. The shareholders, A, B, C, D, and E, are grouped in the title "Subscribers" as we know that their individual accounts are looked after in the Stock Ledger. If preferred, separate General Ledger Accounts may be kept for each shareholder. If subscriptions have been made on the understanding that payment in full would be required immediately after allotment, or in instalments on dates already determined, Subscription accounts may be eliminated.

CLOSING ENTRIES.

The books of the Brown Manufacturing Company, Limited, show a net profit of \$500 at the end of the year. A dividend of 10 per cent. is declared by the directors and ordered to be paid forthwith.

Journal Entries.

(1) Loss and Gain	\$500	
To Dividend.....		\$500
(2) Dividend	500	
To Cash.....		500

To show the net profit, it is necessary, as you have seen in all your work heretofore, to close all the accounts showing gains or losses into Loss and Gain Account. With a balance of \$500 in favor of the Credit side, this account is closed by entry No. 1. Then, as the dividend is paid to the different shareholders in cash, entry No. 2 is made.

Sometimes the gain is not all apportioned to one purpose. Suppose, for instance, only \$250 were paid in dividends, and, of the balance, \$125 were paid as bonus and \$125 carried to a Rest or Reserve Account.

Journal Entries.

(1) Loss and Gain \$500	(2) Dividend \$250
To Dividend \$250	To Cash \$250
„ Bonus 125	(3) Bonus \$125
„ Reserve 125	To Cash \$125

There is practically no difference between a bonus and a dividend. The accounts represent money paid to shareholders as a return on investment and are handled in the same way. The Rest or Reserve or Contingent Account represents part of the gain held back as a financial provision against unforeseen losses that may occur in future. It is not supposed to be closed, and generally increases in amount from year to year. A Stock Dividend consists of shares in the company equal in value to the amount of profits to be distributed. Only whole shares could be given to the individual shareholders, so that if a fractional portion of a share were involved, arrangements would be made by which the shareholder would either pay sufficient cash to entitle him to the full share or receive cash for the value of the fractional portion of a share not issued.

USE OF THE WORD "LIMITED."

Section 27 of the Companies Act contains the following clauses respecting the use of the word "Limited."

27.—(1) The corporate name of every company with share capital shall have the word "Limited" at the last word thereof.

(2) Wherever the company or any director, manager, officer or employee thereof uses the name of the company, the word "Limited" shall appear as the last word thereof; Provided, that stamping, writing, printing, or otherwise marking on goods, wares and merchandise of the company, upon packages containing the same shall not be deemed to be within the provisions of this section: Provided also that where the word "Company," "Club," "Association," or other equivalent word forms part of the said name, the word "Limited" may be abbreviated to "Ltd." or "Ld."

Name <i>Graser Mac Intosh</i>													
<i>Merchant, Toronto Ont.</i>													
Year	Month	Day	PARTICULARS	Folio or No	SHARES			PAR VALUE			PAID UP CALLS		
					Transferred	Acquired	Bal. Held	Transferred	Acquired	Bal. Held	Transferred	Acquired	Unpaid Stock
1912	Sept	8	Call No. 1, 30%	7	120	120		12000	12000		3600	3600	5400
1912	Jan	15	I to H. Brown	8	40	80	4000	8000	1200		2400	5600	
"	Feb	18	Call No. 2, 40%	48		80		8000			3200	6600	2400
"	Mar	21	I from D. Bell	15	120	110		3600	11000		2100	7700	2300
"	Aug	29	Call No. 3, 30%	124		110		11000			3300	11000	
"	Dec	1	I to H. Rome	15	60	50		5000	6000		5000		

STOCK LEDGER.

STOCK BOOK.

The Stock List or Subscription Book is the financial basis of all Stock Companies. In it each person who desires to become a stockholder in the company, when organized, subscribes for the number of shares that he wishes, and by signing his name he becomes personally pledged to the Company for the actual value in full of the stock for which he subscribes.

THE AVON CREAMERY COMPANY OF ONTARIO, LIMITED.

MEMORANDUM OF AGREEMENT AND STOCK BOOK.

WE the undersigned do hereby severally covenant and agree each with the other to become incorporated as a company under the provisions of the Ontario Companies Act, under the name of The Avon Creamery Company of Ontario, Limited, or such other name as the Lieutenant-Governor-in-Council may give to the Company, with a capital of Five Thousand Dollars, divided into Fifty shares of One Hundred Dollars each.

AND WE DO hereby severally, and not one for the other, subscribe for and agree to take the respective amounts of the capital stock of the said Company set opposite our respective names as hereunder and hereafter written, and to become shareholders in such Company to the said amounts.

In witness whereof we have signed.

Name of Subscriber	Seal	Amount	Date and Place of Subscription		Residence of Subscriber	Signature of Witness
			Date	Place		
W R Show	Seal	\$500	191 Apr. 27	Stratford	Stratford	A. H. Sproull
P Bradshaw	"	500	" "	"	"	A. H. Sproull
John McMillan	"	500	" "	"	"	A. H. Sproull
John Brown	"	300	" "	"	"	A. H. Sproull
R. H. Ling	"	300	" "	"	"	A. H. Sproull

BY-LAWS.

These are rules and regulations passed by the Directors to govern the general management of the concern. They generally provide for the general meetings of the Shareholders, the duties of the Directors and officers, the manner of selling Stock and issuing Certificates.

for the annual auditing of the Company's books, the appointment of the Bank and the rules to be observed in banking, and regulate other matters pertaining to the business. These may be amended from time to time by the Directors, but such amendments must be confirmed at a general meeting of the Shareholders, otherwise they cease to have force after the general meeting.

MINUTE BOOK.

This should contain an accurate record of the proceedings of the Shareholders and the Directors. These records should be made by the Secretary and should be signed by him and the President. The value of this book cannot be over-estimated, as the records therein compiled by the officers are necessary official directions and authority by which their acts and administrations may be vindicated.

INSTALMENT LIST.

This form is designed to show the amount of the instalment due, when and how paid. It may be ruled in different forms so as to include three or four instalments, and thus save the repetition of names, but when the list is not very large it is quite as well to use separate forms for each instalment, numbered, 1, 2, etc.

INSTALMENT NO. 1.

In accordance with a resolution of the Board of Directors of the Peninsular Marine Trading Co., Limited, a first call of Twenty-five per cent. of the capital stock of the Company is due and payable on the 20th day of June, 19.....

When Rec'd	Subscribers' Names	Shares	Instalment	Interest	Amount Rec'd	Remarks
June 20	John Hallam	500	12500		12500	Received Cash
" 20	J. R. Gowan	500	12500		12500	" "
" 20	S. J. Parker	300	7500		7500	" "
" 20	A. Waddell	300	7500		7500	" "
" 20	Jas. Trow	400	10000		10000	" "
" 20	S. S. Fuller	200	5000		5000	" "

INSTALMENT SCRIP.

This form is used to issue to Shareholders as receipt for payments of calls upon Stock. It is a bound book of blanks with stubs, something similar to the ordinary cheque book used in banking.

A scrip of this kind, or certificate, is taken by the Shareholder for every call paid, and when the calls are all paid in, he returns the Scrip and exchanges them for Stock Certificates. When the Scrip is issued the amount is carried into the Cash Book at once with "Subscribers" as Credit Account.

STUB

SCRIP

<p>INSTALMENT SCRIP NO. 1</p> <p>—</p> <p>DATED JUNE 20, 19..</p> <p>400 SHARES OF \$100.00 EACH</p> <p>1ST INSTALMENT 25 PER CENT.</p> <p>\$10.000</p> <p>S.L. No.</p> <p><i>Received Receipt for same.</i></p> <p>JAMES TROW.</p>	<p>PENINSULAR MARINE TRADING CO.</p> <p>(LIMITED)</p> <p>\$10,000</p> <p>400 SHARES OF \$100.00 EACH</p> <p>INSTALMENT SCRIP</p> <p><i>Received of James Trow, Ten Thousand Dollars, being the first call of 25 per cent, on Four Hundred Shares of the Capital Stock of the Peninsular Marine Trading Company Limited, the said shares reserved and set aside for him or his assignee in full satisfaction that he or they fulfil the terms of subscription.</i></p> <p><i>In Witness Whereof we hereto subscribe our names, in the City of Toronto, this 20th day of June, One Thousand Nine Hundred and ..</i></p> <p>A. TILLEY, Secretary.</p> <p>JOHN HALLAM, President</p>
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FORM OF INSTALMENT SCRIP OR RECEIPT

STOCK CERTIFICATE.

This form is issued to Shareholders when the calls are all paid in. It represents paid-up stock to the owner and entitles him to have the full dividend issued on the stock he thus holds.

STUB

CERTIFICATE

<p>Peninsular Marine Trading Co., Limited</p> <p>—</p> <p>STOCK CERTIFICATE NO. 1</p> <p>—</p> <p>FOR 300 SHARES ISSUED TO</p> <p>S. J. PARKER.</p> <p>DATED.....</p> <p><i>Received this Certificate.</i></p> <p>S. J. PARKER.</p>	<p>PENINSULAR MARINE TRADING CO.</p> <p>(LIMITED)</p> <p>CAPITAL STOCK, \$700,000.00</p> <p>NO. OF SHARES, 7,000 OF \$100.00 EACH</p> <p>STOCK CERTIFICATE</p> <p><i>We hereby certify that S. J. Parker is entitled to Three Hundred Shares of One Hundred Dollars each in the Capital Stock of the Peninsular Marine Trading Company, Limited, transferable only on the books of the Company by him or his lawful representative on surrender of this certificate.</i></p> <p><i>In Witness Whereof we have herewith affixed our signatures in the City of Toronto, on the .. day of .. One Thousand Nine Hundred and ..</i></p> <p>A. TILLEY, Secretary.</p> <p>JOHN HALLAM, President</p>
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FORM OF STOCK CERTIFICATE

TRANSFER BOOK.

Stock may be transferred either before fully paid up or after, when one of the following forms is used.

These forms are bound together in a book kept in the company's office and generally include not only the transfer but an agreement signed by the transferee in which he accepts the transfer.

LED. FOLIO	July 25, 19 .	300 SHARES
	From A. WADDELL, to W. R. SHAW. TWENTY-FIVE PER CENT. OF 300 SHARES OF \$100 EACH.	
	No. of Certificates	Collingwood, July 25, 19 .
	Cancelled. Issued.	For value received, I hereby assign and transfer to W. R. Shaw all my right, title and interest in the amount paid upon Three Hundred Shares of the Capital Stock of <i>The Peninsular Marine Trading</i> <i>Co., Limited</i> , standing in my name on the books of the said Company.
	{ } { }	Witness, H. J. POWELL.
		A. WADDELL.
		I hereby accept the foregoing transfer of the amount of twenty- five per cent. paid upon the Three Hundred Shares of the capital stock of the Peninsular Marine Trading Company, Limited.
		Witness, H. J. POWELL.
		W. R. SHAW.

TRANSFER FORM—(WHEN NOT PAID UP).

LED. FOLIO	Dec. 21, 19 .	100 SHARES
	From J. R. GOWAN, to W. MILLER. ONE HUNDRED SHARES OF \$100 EACH.	
	No. of Certificate	Borrie, Dec. 21, 19 .
	Cancelled. Issued.	For value received, I hereby assign and transfer to W. Miller, all my right, title and interest in One Hundred Shares of the Capital Stock of <i>The Penin-</i> <i>sular Marine Trading Co., Limited</i> , standing in my name on the books of the said Company.
	{ } { }	Witness, P. BRADSHAW.
		J. R. GOWAN
		I hereby accept the foregoing transfer of One Hundred Shares of the Capital Stock of the Peninsular Marine Trading Company, Limited.
		Witness, P. BRADSHAW.
		W. MILLER.

TRANSFER FORM—(WHEN PAID UP).

No.	Date			Transferor's		S. L. Fol.	Shares Transferred				Transferee's			S. L. Fol.
	Yr.	Mo.	Day	Name	Address		No.	Par	Paid in	Un-paid	Name	Occupation	Address	
1	1905	Jan.	3	W. R. Shaw	Toronto	526	2000	1500	500		W. Brooks	Merchant	Toronto	29
2	1905	Jan.	21	P. McIntosh	Toronto	712	1200	960	240		J. Westervelt	Accountant	London	42
3	1905	Feb.	13	A. F. Sprott	Toronto	10	1000	1000			H. Gough	Accountant	S. Thomas	43
4	1905	Mar.	17	R. Garbutt	Toronto	127	700	700			A. Stockdale	Teacher	Kingston	44

REGISTER OF TRANSFERS.

PENINSULAR MARINE TRADING COMPANY, LIMITED.

DIVIDEND No. 1, TEN PER CENT., DECLARED DEC. 30, 19.....

Shareholders	Shares	Amount of Dividend	Date	Receipt
John Hallam	500	\$5000	Dec. 30	John Hallam
J. R. Gowan	500	5000	" "	J. R. Gowan
S. J. Parker	300	3000	" "	S. J. Parker
A. Waddell	300	3000	" "	A. Waddell
Jas. Trow	500	5000	" "	Jas. Trow
S. S. Fuller	200	2000	" "	S. S. Fuller

FORM OF DIVIDEND SHEET.

BALANCE SHEET AND STATEMENT OF INCOME AND EXPENDITURE.

The Ontario Act requires that the Directors, at the Annual Meeting, shall lay before the Company:—

(a) A balance sheet made up to a date not more than three months before such annual meeting;

(b) A statement of income and expenditure for the financial period ending upon the date of such balance sheet;

(c) The report of the auditor or auditors;

(d) Such further information respecting the company's financial position as the Letters Patent or the By-laws of the company may require;

It further specifies that the balance Sheet shall be drawn up so as to distinguish at least the following classes of assets and liabilities, namely:—

(a) Cash;

(b) Debts owing to the company from its customers;

(c) Debts owing to the company from its directors, officers, and shareholders

(d) Stock in trade; (see further page 193).

FORM OF PROSPECTUS.

Drawn to meet the requirements of the Ontario Companies Act.

The necessary amount of working capital must be received or all subscriptions will be returned.

The Gladstone Mines

(No Personal Liability) Limited

Montreal River District

A mining venture of a high order where everything possible is done to safeguard the shareholders.

The Company possesses 80 acres of valuable silver property in the famous James Township, which, according to engineer's report are heavily mineralized and admirably situated for convenient and economical operation.

Capital \$1,000,000, divided into 1,000,000 shares of \$1 each

of which 500,000 shares have been issued in part payment for the Mining Claims. Three hundred thousand shares are being offered for sale at 30 cents per share, and the balance are being retained in the Treasury of the Company.

DIRECTORS:

PRESIDENT:
Major Arthur G. Peuchen—President Standard Chemical Company, Toronto, Ont.

VICE-PRESIDENT:
John B. Kay—Capitalist, Toronto, Ont.

DIRECTORS:
The Hon. L. Melvin Jones—President and General Manager Massey-Harris Co., Limited; Director Canadian Bank of Commerce, Toronto, Ont.

Col. John I. Davidson—President Silver Queen Mining Co.; President Davidson & Hay, Limited Toronto, Ont.

George Barron—Managing Director R. Barron, Limited, Toronto, Ont.

Fred H. Ross—Fred H. Ross & Co., Real Estate Agents, Toronto, Ont.

SECRETARY-TREASURER:

Alex Warden—18 Toronto St., Toronto, Ont.

Payments for stock extend over thirty days. Subscriptions for shares of stock should be paid to The Toronto General Trusts Corporation, as stated in prospectus below. Subscription forms and other papers can be had by applying to

ALEXANDER WARDEN, Broker, 18 Toronto Street, Toronto

PROSPECTUS

The Gladstone Mines, Limited (no personal liability) was incorporated by Letters Patent under the Ontario Companies Act, dated the 16th day of February, 1909.

The names, descriptions and addresses of the original incorporators, and the number of shares subscribed for by them respectively, are as follows:—

James Stiller Lovell, Accountant, 2 shares.
Win. Bain, Bookkeeper, 2 shares.
Robert Howans, Robert Masgrave Coates and Henry Chambers, Solicitors' Clerks, 2 shares.
all of the City of Toronto, in the County of York and Province of Ontario.

One share is fixed as the qualification of a director.

There is no provision in the By laws of the Company as to the remuneration of the Directors.

The names, description and addresses of the Directors are as follows:—

Arthur G. Peuchen, Manufacturer, Toronto.
John B. Kay, Esq., Toronto.
The Hon. L. Melvin Jones, Manufacturer, Toronto.
Col. John I. Davidson, Wholesale Grocer, Toronto.
George Barron, Retail Grocer, Toronto.
Sidney Jones, Manufacturer, Toronto.
Fred H. Ross, Real Estate Broker, Toronto.

Three hundred thousand shares are being subscribed for, and this is the minimum subscription on which the Directors may proceed to allotment.

No further calls may be made upon shares, as all the shares of the Company will be issued and sold as fully paid up.

Of the shares of the Company it has been agreed to issue 500,000 fully paid up shares to Herbert W. Edgar under the terms of the contract, dated the 30th day of March, 1909, hereinafter referred to.

By an agreement dated the 30th day of March, 1909, Herbert W. Edgar, of the City of Toronto, sold to the Company unpatented Mining Claim T.R. 635, consisting of the southwest quarter of the south half of Lot No. 3, in the second concession of the Township of James, in the District of Nipissing, and unpatented Mining Claim M.R. 380, consisting of the southwest quarter of the south half of Lot No. 2, in the second concession of the said Township of James, both of which unpatented Mining Claims are situated in the Montreal River Mining Division, the consideration payable therefor by the Company being 500,000 fully paid up shares of the capital stock of the Company (taken at 30 cents on the dollar), and the sum of 30,000 to be derived from the sale by the Company of 100,000 shares of its capital stock, the Company having agreed to offer for sale 300,000 of its shares at the price or sum of thirty cents each, the entire capital stock of the Company having been authorized by By-law to be sold at a discount of seventy per cent., such by-law having been duly confirmed and filed with the Provincial Secretary.

Transfers of the said unpatented Mining Claims have been executed by the said H. W. Edgar and delivered to the Company and recorded by it with the Mining Recorder for the Montreal River Mining Division.

No sums are to be paid as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any shares in the Company or for underwriting or procuring underwriting of any securities issued or to be issued by the Company.

The estimated amount of preliminary expenses is \$1,500.00.

No money, cash, shares or debentures are to be given to any promoter.

By Agreement bearing date the 30th day of March, 1909, the Toronto General Trusts Corporation has agreed to receive all moneys paid by subscribers for the said 300,000 fully paid up shares of the capital stock of the Company, and to give receipts to the various persons paying the same, and to hold such moneys until the expiration of forty days from the date on which the said 300,000 fully paid up shares have all been subscribed for and certificates for the same have been delivered to the various purchasers or subscribers, and thereafter to deliver to Herbert W. Edgar the sum of thirty thousand dollars out of such moneys, and to deliver the balance to the order of the Company; and in the event of the said shares having been paid for by the subscribers and certificates not having been delivered to them within thirty-seven days from the date when the said 300,000 shares have all been subscribed for, then to return to each of the persons who have subscribed for any of the said shares the moneys paid by them respectively.

The Agreements referred to above may be seen at the office of Messrs. Blake, Lash & Cassels, Canadian Bank of Commerce Building, corner King and Jordan Streets, Toronto.

The unpatented Mining Claims hereinbefore referred to as having been sold to the Company were held by H. W. Edgar in trust for certain persons, including the directors, other than Sidney Jones, and the 500,000 fully paid up shares of the Capital Stock of the Company hereinbefore referred to are held by the said Edgar in trust for such persons and each of the said directors is entitled to a seventh interest in the said shares and to a sixth interest in the said sum of \$30,000 mentioned in the said Agreement of the 30th day of March, 1909, made between the said H. W. Edgar and the Company. Of the said 500,000 shares each of the directors, other than Sidney Jones and Fred H. Ross, has received one share to qualify him as director. Except as hereinbefore mentioned, none of the directors are in any way interested in the promotion of or in the property acquired by the Company, and no sums have been paid or agreed to be paid to any of the directors either in cash or in shares by any person, either to qualify them, or any of them as directors, or otherwise, for the services rendered by them in connection with the formation of the Company.

This Prospectus has been filed in the office of the Provincial Secretary on the 21st day of April, 1909.

Dated at the City of Toronto, the 21st day of April, 1909.

- (e) Expenditures made on account of future business ;
- (f) Land, buildings, and plant ;
- (g) Goodwill, franchises, patents, and copyrights, trademarks, leases, contracts, and licenses ;
- (h) Debts owing by the company secured by mortgage or other lien upon the property of the company ;
- (i) Debts owing by the company but not secured ;
- (k) Amount received on common shares ;
- (l) Amount received on preferred shares ;
- (m) Indirect and contingent liabilities.

JOINT STOCK SET.

THE AVON CREAMERY COMPANY, LIMITED.

W. R. Shaw, P. Bradshaw, John McMillan, Alex. McLaren, and Student become Provisional Directors and undertake the organization of a Joint Stock Company to build a factory and to conduct a Creamery Business in the vicinity of Stratford, Ontario.

Books are to be kept by Double Entry, with Journal and Cash Book as books of original entry. All other necessary books and forms as Auxiliary books.

Mar. 31. Business completed to date in reference to organization, etc., has been as follows :—

- (a) The Directors issued a Prospectus showing Capital to be \$5,000.00, in shares of \$100.00 each, and providing for Calls as follows: The first call of 10% on allotment of stock; second call of 40% on May 1st; third call of 25% on May 26th; and the balance, or 25%, at the call of Directors.

They made formal application for Letters Patent or Charter and in due time received same. Usual fee was deposited with application.

- (b) The Stock Book was opened and the following shares allotted by Directors to respective subscribers :—

W. R. Shaw	Five shares,	\$500
P. Bradshaw	" "	500
John McMillan	" "	500
Alex. McLaren	Three "	300
Student	" "	300
John Brown	" "	300
W. J. Ferguson	" "	300
R. Harding	" "	300
Total		\$3,000

Enter properly in Journal and open accounts in Stock Ledger (Loose Leaf form).

(Student will draw up proper form of Stock Book; enter above subscriptions and file with other forms.)

- (c) The first call of 10% has been paid by all in Cash. Enter in Cash Book and in Stock Ledger.

The following persons were elected officers :—

President..... W. R. Shaw.
 Vice-President P. Bradshaw.
 Secretary-Treasurer Student
 Directors :—John McMillan, A. McLaren, and W. J. Ferguson.

Mar. 31. An account was opened at the Merchants Bank, W. C. Young, Manager, and \$300.00 was deposited. (Keep Bank Account in special columns in Cash Book.)

CASH RECEIVED.

Date	Explanation	Cr. Account	Fol.	Bank	Sundries
1910					
Mar. 31	First call of 10 per cent.	Subscribers			300 00
" 31	To Peter Brunner	Cheque No. 1	200	00	
" 31	To R. Harding	Cheque No. 2	20	00	
May 1	Second call of 40 per cent.	Subscribers			1,200 00
" 10	To J. H. Kenner	Cheque No. 3	37	50	
" 10	To Herald Printing Co.	Cheque No. 4	41	40	
" 10	To Student	Cheque No. 5	22	20	
" 10	To T. Orr & Sons	Cheque No. 6	500	00	
" 20	To T. Holliday & Co.	Cheque No. 7	600	00	
" 26	Third call of 25 per cent.	Subscribers			750 00
June 30	Withdrawal	Cheque No. 8	608	75	
July 1	Buttermilk, 2,900 g'ls. @ 1½c.	Buttermilk			50 75
" 25	Draft for balance account	Park & Son			754 00
" 30	Withdrawal	Cheque No. 9	765	00	
" 31	Buttermilk for July	Buttermilk			65 63
" 31	In Bank ^(red) _(ink)	Balance	158	15	
				2,953 00	
					3,120 38
Aug. 1	On hand, \$112.88 ; In bank, ^[\$158.15]	Balance			271 03

(Student will write out receipt for Call 3, favor of John McMillan.)

Mar. 31. The offer of Peter Brunner of one acre of land for Factory site was accepted. The deed was duly executed, and the price, \$200.00, was paid by cheque on the Merchants Bank.

- Mar. 31. The account of R. Harding, solicitor for Charter Fees, \$10, paid by him, and for services, \$10.00, was paid by cheque. (Charge Legal Fees.)
- " 31. Thos. Orr & Sons' offer to build a factory, 30 x 50, two storeys high, with stone basement, as per specifications and plans prepared by them: was accepted, payable \$500.00 when work is completed, and \$400.00 in three months.
- " 31. The offer of T. Holliday & Co., of Stratford, to furnish and fit up the factory with engine, boiler, shafting, and machinery, and all appliances—a complete outfit for the manufacture of butter—was accepted, payable \$600.00 on the completion of the work, and \$1,000.00 in six months.

CASH PAID OUT.

Date	Explanation	Dr. Account	Fol	Bank	Sundries
1910					
Mar. 31	Deposited	Bank		300 00	
" 31	One acre land, factory	Real Estate			200 00
" 31	Charter fees, \$10, Legal fees, \$10	Legal Fees			20 00
May 1	Deposited	Bank		1,200 00	
" 10	Books and Stationery	Printing & Stat'ry			37 50
" 10	" Herald " printing bill	Printing & Stat'ry			41 40
" 10	Secretary's salary	Salaries			22 20
" 10	On account, building	Real Estate			500 00
" 20	On account, plant	Plant			600 00
" 26	Deposited	Bank		700 00	
" 30	On Invoice from J. Clark & Co. and J. Park & Sons	Freight & Cartage			3 50
June 30	To Patrons, Cream Register	Cream			549 41
" 30	To J. Davis, \$40; W. J. Forbes, \$19.34	Wages			59 34
July 25	Proceeds draft on Park & Sn	Bank		753 00	
" 25	Discount on above	Discount			1 00
" 28	J. Wilson, 20 cords wood @ \$2.50	Fuel			50 00
" 31	To Patrons, Cream Register	Cream			700 00
" 31	J. Davis, \$40; W. J. Forbes, \$25	Wages			65 00
				2,953 00	
" 31	In bank ^(red ink)	Balance			158 15
" 31	On hand ^(red ink)	Balance			112 88
					3,120 38
Aug. 1	In Bank	Balance		158 15	

- May 1. Received in cash the following sums, being second call on subscribed stock: W. R. Shaw, \$200.00; P. Bradshaw, \$200.00; John McMillan, \$200.00; Alex. McLaren, \$120.00; Student, \$120.00; John Brown, \$120.00; W. J. Ferguson, \$120.00; R. Harding, \$120.00. (Student will write out copy of Instalment Script or Receipt for Call No. 1, also for Call No. 2, in favor of John McMillan.)

May 1. Deposited in Bank, \$1,200.00.

" 10. The following Bills were passed by the Directors, initialed, and ordered to be paid by cheques on Merchants Bank :

J. Kenner, Books and Stationery	\$37 50	} Charge Printing and Stationery.
Herald Printing Co., Printing	41 40	
Student, Salary as Secretary	22 20	} Charge Salaries

- " 10. T. Orr & Sons having completed their contract for building satisfactorily, were paid \$500.00 by cheque, and a note at three months for balance, \$400.00. (Charge R. Estate.)
- " 20. Engaged James Davis as butter maker for the season, at \$40.00 per month, payable monthly, to begin June 1st.
- " 20. Agreed with W. J. Forbes to gather the cream from the patrons at the rate of $\frac{1}{2}$ c. per inch, payable monthly.
- " 20. Entered into a contract with Fred Baker for the sale to him of all our buttermilk, at $1\frac{1}{2}$ c. per gal., to be paid monthly.
- " 20. T. Holliday & Co. having completed their contract for machinery and appliances satisfactorily, were paid by cheque \$600.00, and note at six months for balance. (Charge Plant and Machinery.)
- " 20. It was agreed to pay the Secretary (Student) \$50.00 per month salary while the factory was in operation; he to keep the books and attend to all business of the Company.
- " 20. Bought of J. Clark & Co., Goderich, as per invoice, supplies of dairy salt, tubs, etc., on account, \$130.00. (Charge Creamery Supplies.)
- " 20. Bought of James Park & Sons, St. Lawrence Market, Toronto, 60,000 parchment wrappers, per invoice, \$113.00.
- " 26. Received in cash the following sums, being third call on subscribed stock: W. R. Shaw, \$125.00; P. Bradshaw, \$125.00; John McMillan, \$125.00; Alex. McLaren, \$75.00; Student, \$75.00; John Brown, \$75.00; W. J. Ferguson, \$75.00; R. Harding, \$75.00.
- " 26. Deposit in Bank, \$700.00.
- " 30. Paid freight and cartage on invoices of J. Clark & Co., and James Park & Son, in cash, \$3.50. (Charge Freight.)
- June 30. Withdrew from Bank, \$608.75.
- " 30. Paid to Patrons, as per Cream Register for month of June, \$549.41. (Charge Cream.) Also paid James Davis, wages, \$40.00. W. J. Forbes, for drawing cream, \$19.34. (Charge Wages.)
- July 1. Received from F. Baker, his cheque for buttermilk for the month of June, 2,900 gals., $1\frac{1}{2}$ c. per gallon, \$50.75. (Credit Buttermilk.)
- " 20. Sold James Park & Son, St. Lawrence Market, Toronto, 2,000 lbs. tub butter at 20 cents, \$400.00; 1,868 lbs. butter, in pound prints, at 25 cents, \$467.00. (Credit Butter.)
- " 25. Drew on Park & Son, at sight, for balance of account, and had same discounted at Bank. Face of draft, \$754; Discount, \$1. Proceeds credited to Company's account.
- " 28. Paid James Wilton for 20 cords of wood at \$2.50 per cord, by order of the Directors (Charge Fuel.)

- July 30. Withdrew from Bank, \$765.00.
- " 31. Received from F. Baker, cash for Buttermilk for July, \$65.63.
- " 31. Paid to Patrons, as per Register for July, \$700.00; James Davis, as wages, \$40.00; W. J. Forbes, for drawing cream, \$25.00.
Balance your Cash Book. (See illustration.)
- Aug. 2. Sold James Park & Son, 3,000 lbs. butter in tubs, at 20c.; 2,000 lbs in pound prints, at 24c.
- " 12. Received cheque from Park & Son, \$1,080.00, for invoice of butter shipped them Aug. 2nd.
- " 12. Deposited in Bank, \$1,145.63.
- " 13. Paid our note in favor of T. Orr & Sons, due to-day, by cheque on Bank, \$400.00.
- " 13. Withdrew from Bank, \$692.00.
- " 13. Sold Park & Son, Toronto, 2,700 lbs. butter in tubs, at 21c.; 1,800 lbs. of butter in pound prints, at 25c.
- " 13. Paid Patrons, as per Register for August, \$630.00; James Davis, wages, \$40.00; W. J. Forbes, for drawing cream, \$25.00.
- Sept. 1. Received from F. Baker, cheque for Buttermilk, for August, \$59.07.
- " 10. Drew on James Park & Son, at sight, draft for balance, and had same discounted at Bank. Face of draft, \$1,017.00; Discount, \$1.25. Proceeds placed to the Company's credit.
- " 30. John Brown has transferred his stock to Wm. Alexander. Three shares, Nos. 22, 23, and 24, as per transfer No. 1, sanctioned by the Directors. (Student will write out Certificate of Transfer and file it.)
- " 30. Withdrew from Bank, \$656.25.
- " 30. Paid Patrons \$595.00 as per Register for September. Paid Jas. Davis, wages, \$40.00; W. J. Forbes, for drawing cream, \$21.25.
- Oct. 1. Received from F. Baker, his cheque for Buttermilk for September, \$51.88.
- " 5. Sold to James Park & Son, Toronto, 4,200 lbs. butter in pound prints, at 26c., \$1,092.00.
- " 20. Drew on James Park & Son, at sight, for amount of invoice of 5th inst., and had draft discounted at Bank. Face of draft, \$1,092.00; Discount, \$1.25. Proceeds placed to the Company's credit.
- " 31. Bought salt, tubs, and other supplies from J. Clark & Co., Goderich, \$50.00, as per invoice.
- " 31. Withdrew from Bank, \$620.00.
- " 31. Remitted to James Clark & Co., cheque on Bank, \$130.00, for invoice of May 20th.
- " 31. Paid to Patrons, as per Cream Register, for month of October, \$560.00. Also paid James Davis, wages, \$40.00; W. J. Forbes, for drawing cream, \$20.00.
- " 31. Paid Student, Secretary, by cheque on Bank, four months' salary at \$50.00 per month, \$200.00.
- " 31. Paid freight and cartage on invoice of supplies from J. Clark & Co., \$1.90.
- " 31. The fourth call on subscribed capital of 25% was made, payable on December 1, 19.....

- Nov. 2. Received from F. Baker, his cheque for Buttermilk, 3,150 gallons, at 1½c. per gallon, for the month of October.
- " 2. Deposited F. Baker's cheque in Bank, \$55.13.
- " 5. Sold Park & Son, Toronto, 3,000 lbs. of butter in pound prints, at 24c. per lb., \$720.00.
- " 5. Sold Henry Gibson, Stratford, for cash, 1,000 lbs. butter for cooking, at 8c., \$80.00.
- " 8. Deposited in Bank, cash, \$80.00.
- " 8. Drew on Park & Son, at sight, the amount of shipment of the 5th inst., and had same discounted at Bank Face of draft, \$720.00; Discount, \$1. Proceeds credited.
- " 23. Paid our note in favor of T. Holliday & Co., dated May 20th, due to-day, \$1,000.00, by cheque.
- " 25. Sold James Park & Son, 2,500 lbs. of butter in pound print at 30c., \$750.00.
- " 26. Received from F. Baker, his cheque for Buttermilk, for November, \$38.22.
- " 26. Remitted to James Clark & Co., Goderich, cheque to balance, \$50.00.
- " 26. Withdrew from Bank, \$475.00.
- " 26. Paid Patrons, as per Register for November, \$400.00; James Davis, wages, \$40.00; W. J. Forbes, for drawing cream, \$20.00.
- " 26. Drew on J. Park & Son, for shipment of 25th inst. Credited to Company in Bank, less discount, \$1.
- " 26. Paid Student, Secretary, two months' salary at \$50, \$100. Paid Directors' fees: W. R. Shaw, \$20; P. Bradshaw, \$20; W. J. Ferguson, \$20; John McMillan, \$20; Alex. McLaren, \$20; Charge Directors' Fees.

INVENTORIES.

Real Estate, estimated at cost.....	\$1,100
Plant, \$1,600, less \$100 for depreciation.....	1,500

Post (Loose Leaf Ledger) and make usual Working Balance Sheet.

- Nov. 30. At a meeting of Directors a Balance Sheet was presented by the Secretary, showing a net profit \$....., a Bonus of 25% was declared on subscribed stock, as per resolution, Minute Book, folio —.
- " 30. A Dividend of 10% was declared upon the Subscribed Capital as per resolution, Minute Book, folio —.
- " 30. By resolution of the Directors the remaining Profits for year ending Nov. 30th were carried to Reserve Fund Account.
- Prepare special Statements of itemized Profits and Losses and Resources and Liabilities. (See illustrated form for Res. and Lia., p. 221) for Directors and members.

- Dec. 1. Received from the following shareholders, the fourth call on their stock, as follows :
W. R. Shaw, \$125 ; P. Bradshaw, \$125 ; J. McMillan, \$125 ; A. McLaren, \$75 ;
Student, \$75 ; W. Alexander, \$75 ; W. J. Ferguson, \$75 ; R. Harding, \$75.
- " 5. Gave shareholders cheques on Bank for Bonus, as follows :—W. R. Shaw, \$125 ;
P. Bradshaw, \$125 ; J. McMillan, \$125 ; A. McLaren, \$75 ; Student, \$75 ;
W. Alexander, \$75 ; W. J. Ferguson, \$75 ; R. Harding, \$75 ; as per resolution.
- " 5. Paid Dividend to shareholders as per Dividend Book, folio —, in cash.
- " 5. Deposited in Bank all the cash on hand, \$.....

COLUMNAR OR WORKING BALANCE SHEET.

Accounts	Debits	Credits	Res.	Lia.	Losses	Gains
Capital Stock		3,000 00				
Subscribers	3,000 00	2,250 00	750 00			
Real Estate	1,100 00		1,100 00			
Legal Fees	20 00				20 00	
Bank	7,808 26	7,018 10	790 16			
Printing & Stationery	78 90				78 90	
Salaries	322 20				322 20	
Plant	1,600 00		1,500 00		100 00	
Creamery Supplies	293 00				293 00	
Butter		5,606 00				5,606 00
Discount	5 50				5 50	
Buttermilk		320 68				320 68
Freight	5 40				5 40	
Cream	3,434 41				3,434 41	
Wages	370 59				370 59	
Fuel	50 00				50 00	
Directors' Fees	100 00				100 00	
Cash	6 52		6 52			
	18,194 78	18,194 78	4,146 68		4,780 00	5,926 68

SUMMARY.

Gains	\$5,926 68
Losses	4,780 00
Net Gain	\$1,146 68
Capital	3,000 00
Present Worth.....	\$4,146 68

Section 31

JOINT STOCK SET, No. 2.

AVON CREAMERY COMPANY, LIMITED

SECOND SEASON

Conducting a Second Factory at Brooksdale, Ontario.

In beginning the work of the second season the Resources and Liabilities from the old Ledger or Balance Sheet will be transferred to new Ledger, in which will be recorded the business of the two factories during second term. A separate account will be kept with "The Avon Factory" and "The Brooksdale Factory," in order to show profits made by each for the year.

MEMORANDA.

Jan. 10. At the Annual General Meeting at the Company's office, the following persons were elected Directors: Student, W. R. Shaw, P. Bradshaw, A. McLaren, W. J. Ferguson, and R. Harding.

The Auditors' Report was adopted and ordered to be engrossed in the Minutes. At the Board Meeting which followed, Student was elected President; P. Bradshaw, Vice-President; and A. McLaren, Secretary.

The accounts of the Auditors, C. Packert, \$5, and P. Jarvis, \$5, were passed and ordered to be paid by cheque.

Mar. 20. A meeting of the Directors was held at the Company's office and the offer of Andrew Neil was considered. He offered his factory and plant, with complete apparatus for carrying on the manufacture of butter, run by water power, and known as Brooksdale Creamery, at \$1,200, payable \$200 cash, \$600 in paid-up stock of the Company, and the Company to assume payment of a mortgage of \$400 due J. S. Monteith, October 1st next, with interest at 7 per cent. from April 1st next.

The offer was accepted at a valuation of \$650 for real estate, and \$550 for plant. Cheque on Bank given for the \$200.

The \$2,000 of stock of the Company heretofore in reserve was offered and taken as follows: Andrew Neil, \$600, which was fully paid in his deal with the Company; W. R. Shaw, \$200; John McMillan, \$100; P. Bradshaw, \$300; R. Harding, \$200; A. McLaren, \$300; Student, \$100; W. Alexander, \$200. The stock was subscribed for and allotted, payable as follows: 25 per cent. at time of subscription, 25 per cent. on July 1st, the remainder at the call of the Directors. The first call was paid in cash. It was also decided to remove part of the Avon plant, as per schedule amounting to \$150, not required, to the Brooksdale factory, to make a more complete outfit there.

May 1. At a meeting of the Board of Directors held at the Company's office, James Davis was engaged as buttermaker for Avon factory, and A. Neil for Brooksdale

factory, at \$40 per month each. B. J. Forbes agreed to gather the cream for both at $\frac{1}{2}$ cent per inch, and the buttermilk of Avon factory was sold to F. Baker for the season at $1\frac{1}{2}$ c. per gallon, and that of Brooksdale factory to D. Nolan at $1\frac{1}{2}$ c. per gallon at the factory, payable monthly. The Secretary to be paid \$50 per month for conducting the business while the factory is in operation.

(Keep a Butter Account, a Plant Account, and a Real Estate Account with each factory.)

May 10. Received invoice of supplies from J. Clark & Co., Goderich, \$300, payable in 60 days.

Received invoice from Park & Son, for wrappers, \$120, payable in 30 days.

Paid freight by cheque, \$8.40. (Half for each factory.)

Bought of George Bell, 25 cords of wood for Avon factory, at \$2.50 per cord, and paid for same by cheque.

" 12. Factory began operations.

" 26. Shipped to Park & Son, Toronto, 1,250 lbs. roll butter from Avon factory, and 1,080 lbs. from Brooksdale factory, at 22c.

(Account for each factory.)

" 29. Received cheque from Park & Son for amount of shipment of 26th inst.

" 30. Withdrew from Bank, \$120.

" 31. The Board of Directors met and passed the accounts for the month, also the following accounts (they were paid in cash): Avon—Patrons, \$322.80; gathering cream, \$12.20; wages, \$24. Brooksdale—Patrons, \$276.40; gathering cream, \$10.60; wages, \$24.00.

June 1. Received from F. Baker, his cheque for 844 gallons of buttermilk, at $1\frac{1}{2}$ c. per gallon, also from D. Nolan, cheque for 760 gallons, at $1\frac{1}{2}$ c. per gallon.

" 9. Remitted to Park & Son, cash for invoice of 9th ult., \$120.

" 25. Shipped to Park & Son, from Brooksdale 1,460 lbs. roll butter, at 24c., and 970 lbs. tub butter at 20c.; also from Avon factory, 1,270 lbs. butter in rolls, and 918 lbs. in tubs, at same price.

" 28. Received from Park & Son, cash for shipment of 25th inst., \$1,032.80.

" 30. Directors met and ordered the following amounts to be paid in cash: Avon—Patrons, \$415.28; wages, \$40; gathering cream, \$21.55. Brooksdale—Patrons, \$481.92; wages, \$40; gathering cream, \$23.12.

July 2. Received cheque from F. Baker for 1,408 gallons buttermilk, at $1\frac{1}{2}$ c. per gallon, also D. Nolan's cheque for 1,540 gallons, at $1\frac{1}{2}$ c.

Deposited cheques in Bank, together with cash, total amount, \$202.80.

The second call of 25% on the stock was paid in cash, and the amount deposited in the Bank.

" 8. Drew cheque on Bank, and remitted it to J. Clark & Co., Goderich, for invoice of May 9th.

" 23. Shipped Park & Son, from Avon, 1,780 lbs. roll butter, at 25c., and 1,250 lbs. tub butter, at 21c.; also from Brooksdale, 1,890 lbs. roll butter, and 1,316 lbs. tub butter, at same price.

" 26. Received from Park & Son, cash for shipment of 23rd inst., \$1,456.36.

" 31. Directors ordered the following amounts to be paid in cash: Avon—Patrons, \$322.80; wages, \$40; gathering cream, \$22.14. Brooksdale—Patrons, \$460.35; wages, \$40; gathering cream, \$23.19.

- Aug. 1. Received cash from F. Baker for 1,618 gallons buttermilk, at $1\frac{1}{2}$ c. also D. Nolan, cash for 1,692 gallons at $1\frac{1}{2}$ c. per gallon.
- " 25. Shipped Park & Son, 2,280 lbs. butter in rolls, at 25c. per lb., and 1,860 lbs. butter in tubs from Avon, at 19c.; also 2,192 lbs. butter in rolls, and 1,932 lbs. butter in tubs from Brooksdale, at same price.
- " 28. Received from Park & Son, cheque for shipment of 25th inst., \$1,838.48.
- " 30. Directors met and ordered the following amounts to be paid in cash: Avon—Patrons, \$460.65; wages, \$40; gathering cream, \$20.62. Brooksdale—Patrons, \$421.73; wages, \$40; gathering cream, \$20.
- " 31. Deposited in Bank, \$875.
- Sept. 1. Received cash from F. Baker for 1,580 gallons of buttermilk, at $1\frac{1}{2}$ c. per gallon; also from D. Nolan, cash for 1,740 gallons, at $1\frac{1}{2}$ c.
- " 2. Deposited in Bank, \$50.
- " 28. Shipped Park & Son, per G.T.R., from Avon, 2,768 lbs. roll butter, at 27c., and 1,940 lbs. tub butter, at 20c.; also from Brooksdale, 2,440 lbs. roll butter, and 2,160 lbs. tub butter, at same price.
- " 29. Received from Park & Son, cash for shipment of 26th inst.
- " 30. The Directors met and ordered the payment of the following: Mortgage and interest in favor of J. S. Monteith, by cheque, the others paid in cash. Avon—Patrons, \$421.62; wages, \$40; gathering cream, \$20.22. Brookdale—Patrons, \$401.98; wages, \$40; gathering cream, \$18.91.
- Deposited in Bank, \$868.63.
- Oct. 1. Received cash from F. Baker for 2,104 gallons of buttermilk, at $1\frac{1}{2}$ c.; also from D. Nolan, cash for 2,292 gallons, at $1\frac{1}{2}$ c. per gallon.
- " 28. Shipped Park & Son, 2,881 lbs. butter in rolls, at 28c., and 3,280 lbs. butter in tubs, at 22c., from Avon; also, from Brooksdale, 2,550 lbs., in rolls and 3,560 lbs. in tubs, at same price.
- " 29. Received from Park & Son, draft on Merchants Bank for shipment of 28th inst.
- " 31. Directors met and ordered the following amounts to be paid in cash: Avon—Patrons, \$602.18; wages, \$40; gathering cream, \$24.68. Brooksdale—Patrons, \$584.12; wages, \$40; gathering cream, \$18.95.
- Received from F. Baker, cash for 1,685 gallons of buttermilk, at $1\frac{1}{2}$ c., also from D. Nolan, for 1,622 gallons at $1\frac{1}{2}$ c.
- Paid A. McLaren's salary for 6 $\frac{1}{2}$ months at \$50 per month, by cheque.
- Deposited in Bank, cash on hand.
- Paid each of the Directors (except the Secretary), by cheque on Bank, their fees of \$20 each for the season.
- Factories closed for the season.
- Write off for depreciation of plant from Brooksdale Plant Account, \$70; from Avon Plant account, \$100. Estimate the real Estate of both factories at its value according to the Account. Take off a preliminary Balance Sheet to estimate the profits. Submit the same to the Board of Directors for consideration. You will now proceed to pay a dividend of 25% on the Paid-up Capital by cheques on Merchants Bank, and carry the balance of profits to Reserve Fund Account, as per resolution of the Board of Directors. Close your books and make out statement of losses and gains, and resources and liabilities (see illustrated form for Res. and Lia., p. 221) having them duly certified to by the Auditors, and you are ready for the next Annual General Meeting of the Shareholders, at which the reports will be presented, and officers elected for the ensuing year.

After completing the work to this point, in a satisfactory manner, the Student will review carefully and prepare for

Section 32.

INTERMEDIATE EXAMINATION.

Section 33.

DIFFERENT CONDITIONS WITH ENTRIES.

- (1) REQUIRED TO SHOW NAMES OF STOCKHOLDERS IN GENERAL LEDGER, AND CAPITAL STOCK SHOW THE AMOUNT OF SUBSCRIBED CAPITAL.

This, while leading to extra work without giving any advantage in return, is sometimes done in the books of small companies where the number of shareholders is not large. It simply means that instead of using the term "Subscribers," as we do in our opening entry, we use the names of the individuals. Thus:—

Subscription \$5,000
 To Capital Stock \$5,000

Then when a call is paid we make entries as follows:—

A	\$100	Cash	\$500
B	100	To A	\$100
C	100	.. B	100
D	100	.. C	100
E	100	.. D	100
To Subscription.....	\$500	.. E	100

- (2) REQUIRED TO MAKE CAPITAL STOCK SHOW THE AMOUNT OF PAID UP CAPITAL.

Subscribers \$500
 To Capital Stock \$500
 For Call No. 1, 10% upon Subscribed Capital of \$5,000.
 Cash 500
 To Subscribers 500
 Call No. 1, 10% upon Subscribed Capital of \$5,000 paid in Cash.

If preferred, the individual names of shareholders may be used instead of Subscribers.

(3) REQUIRED TO MAKE CAPITAL STOCK ACCOUNT SHOW THE AMOUNT OF THE AUTHORIZED CAPITAL.

Heretofore we have shown the Capital Stock Account credited in opening entry with amount of Subscribed Capital and amount of Paid Up Capital. If we want it to show the Authorized Capital we put in the unsubscribed amount under the term "Unsubscribed Stock," thus :—

Subscription	\$5,000	
Unsubscribed Stock	20,000	
To Capital Stock		\$25,000
Subscribers	500	
To Subscription.....		500
Cash	500	
To Subscribers.....		500

(4) REQUIRED TO MAKE ENTRIES WHEN STOCK IS NOT COMPLETELY PAID FOR IN CASH.

Suppose that A., B., C., D., and E. value their services in organizing the company at \$2,500, and put in this bill as an offset against the amount they owe for stock subscribed. They would only have to pay \$2,500 in cash and the entries would appear as follows :—

Subscription	\$5,000	
To Capital Stock.....		\$5,000
Subscribers	5,000	
To Subscription.....		5,000
Cash.....	\$2,500	
Organization Account (or Preliminary Expense).....	2,500	
To Subscribers.....		\$5,000

This Organization Account is usually written off in from three to five years by apportioning part of the profits to that purpose by entry as follows :—

Loss and Gain	
To Organization	

Any balance to this account is treated as a resource, being a mortgage on future profits, as it were. That is, so long as the account remains open the directors have a claim on profits as against any claim that shareholders might urge, that such profits should all be used for dividend purposes.

Again one man may be the owner of a Patent Right which it is the purpose of the Company to exploit. He is given fully paid up Stock for this Patent Right, while the rest pay, as usual, in cash. The entries might be as follows :—

Subscription	\$5,000	
To Capital Stock		\$5,000
Subscribers	5,000	
To Subscription.....		5,000
Cash.....	\$2,500	
Patent Right	2,500	
To Subscribers.....		\$5,000

Again the Company may be formed to take over a business heretofore conducted as a partnership by A. & B. These two men are to get fully paid-up Stock for their business, a Balance Sheet of which shows as follows:—

<i>Resources</i>		<i>Liabilities.</i>	
Mdse.	\$5,000	Accounts Pay.	\$3,000
Accounts Rec.	2,000	Bills Pay.	3,000
Bills Rec.	1,000	A.—Present Worth.	1,000
		B.—Present Worth.	1,000
	<hr/>		<hr/>
	\$8,000		\$8,000

The entries would be:—

Subscription	\$5,000	
To Capital Stock		\$5,000
Subscribers	5,000	
To Subscription		5,000
Cash	3,000	
Mdse.	5,000	
Accounts Rec.	2,000	
Bills Rec.	1,000	
To Accounts Pay.		\$3,000
„ Bills Pay.		3,000
„ Subscribers		5,000

The entries to close the books of the old concern would appear as follows, supposing the name of the new company to be "The Brown Manufacturing Company, Limited."

The Brown Manufacturing Co., Limited	\$2,000	
Accounts Payable	3,000	
Bills Payable	3,000	
To Merchandise		\$5,000
„ Accounts Receivable		2,000
„ Bills Receivable		1,000
Shares in The Brown Manufacturing Co., Limited	\$2,000	
To The Brown Manufacturing Co., Limited		\$2,000
A.	\$1,000	
B.	1,000	
To Shares in The Brown Manufacturing Co., Limited		\$2,000

(5) TO PROVIDE FOR A LOSS SUSTAINED AS A RESULT OF A YEAR'S BUSINESS.

If it is desired simply to carry it forward to next year it may be left as a balance to Loss and Gain Account. A better way would be to charge it to Impairment of Capital Account, thus:—

Impairment of Capital	\$1,000	
To Loss and Gain		\$1,000

This Impairment of Capital Account has a first claim on future profits, and so long as it remains open is treated as a resource for much the same reason as explained in dealing with Organization Account.

If the Company has been in existence for some years and has accumulated a reserve then this reserve may be utilized :—

Reserve.....	\$1,000
To Loss and Gain.....	\$1,000

(6) TO SHOW ENTRIES FOR AN AMALGAMATION OF TWO COMPANIES.—

By the "Ontario Companies Act," any two or more companies, incorporated under the laws of the Province, may amalgamate. The process of doing so requires the Directors of the several companies to hold a joint meeting, and to prepare a joint agreement, setting forth the terms of the proposed amalgamation. This agreement shall be submitted to the shareholders of each company at a meeting held for the purpose of taking an amalgamation into consideration. If two-thirds of the votes of all the shareholders of each of the different companies are for the amalgamation, the fact shall be certified upon the agreement, and this agreement, thus certified, shall be deposited with the Provincial Secretary, along with a joint Petition from the different companies, applying for Supplementary Letters Patent authorizing the amalgamation.

The Adams Furniture Co., Limited, and the Brown Furniture Co. Limited, both of Toronto, amalgamate under the name of The Toronto Furniture Co., Limited. The assets and liabilities of both companies are taken over according to statements herewith, and shares of the new company's stock are issued to the shareholders of both companies in place of the old shares held by them, which are now surrendered. The Adams Furniture Co.'s Balance Sheet shows as follows :—

<i>Assets.</i>		<i>Liabilities.</i>	
Bills Receivable.....	\$6,000	Bills Payable	\$2,000
Mdse.	2,000	Capital Stock	6,500
Cash.....	500		
<hr/>		<hr/>	
Total	\$8,500	Total	\$8,500

The Brown Co.'s Balance Sheet shows as follows :—

<i>Assets.</i>		<i>Liabilities.</i>	
Accounts Receivable.....	\$9,000	Accounts Payable	\$800
Mdse.	1,500	Notes Payable	3,000
Cash.....	900	Capital Stock	7,600
<hr/>		<hr/>	
Total	\$11,400	Total	\$11,400

Journal Entries to open books of the new Company :—

(1) Bills Receivable	\$6,000
Mdse.....	2,000
Cash	500
To Bills Payable	\$2,000
„ Shareholders of Adams Furniture Co., Limited.....	6,500
(2) Accounts Receivable	\$9,000
Mdse.....	1,500
Cash	900

To Accounts Payable	\$800
„ Bills Payable	3,000
„ Shareholders of Brown Furniture Co., Limited	7,600
(3) Shareholders of Adams Furniture Co., Limited	\$6,500
Shareholders of Brown Furniture Co., Limited	7,600
To Capital Stock	\$14,100
Entries to close the books of the Adams Furniture Co., Limited :—	
(1) The Toronto Furniture Co., Limited	\$6,500
Bills Payable	2,000
To Accounts Receivable	\$6,000
„ Mdse.	2,000
„ Cash	500
(2) Capital Stock	\$6,500
To The Toronto Furniture Co., Limited	\$6,500

NOTE.—The entries to close the Brown Furniture Co.'s books would be made in the same way

(7) TO SHOW ENTRIES FOR THE ISSUE OF PREFERENCE STOCK.

Preference stock is stock which has preference over common or ordinary stock in ways that may be set forth in the letters patent of incorporation, or by the by-law which creates such stock. It will be understood that a company when being formed may by its charter be empowered to state that the authorized capital is to be divided into two sections, one section to be known as preference stock, and the other as common or ordinary stock. If a company is formed with no such specification as to division of the stock, but should afterwards see fit to turn part of its authorized capital into preference stock, it may be permitted to do so on complying with certain conditions. The directors may make a by-law for creating and issuing such preference stock. This by-law will state the exact way in which such stock is to be considered preferred. The by-law must then be sanctioned unanimously by a vote of two-thirds in value of the shareholders present at a general meeting of the company.

While the usual idea concerning preference stock is that it is to be preferred over common stock with respect to claims upon the net gains for dividend purposes, it will be understood that this is not the only way in which such preference may be given. For instance, it may be declared that the holders of the preference stock are to have the privilege of selecting a stated portion of the board of directors, and so on.

Preferred stock is said to be cumulative when, in case of a shortage of dividends in any one year, the deficit is payable out of the profits of the following year, before a dividend can be declared upon the common stock.

Deferred stock is stock, the payment of dividends upon which is postponed until some other class of shareholders are paid a dividend. Thus where we have preference and common stock issued, the common stock may be said to be deferred stock.

As regards entries to be made, we find that they run in exactly the same form as those made for the issue of common stock, except that one account must be kept for common stock, and another for preferred stock, thus:—

Subscription	\$....	Subscribers	\$....
To Capital Stock (common)	\$..	To Subscription ...	\$....
To Capital Stock (preferred)	\$....		

(8) TO SHOW ENTRIES FOR INCREASE OR DECREASE OF CAPITAL STOCK.

The Ontario Companies Act makes provision for altering the amount of the Authorized Capital by increasing or decreasing the same. It is provided that a company may at any time after nine-tenths of the stock has been subscribed, and ten per cent. thereon paid in, provide for the increase of the Capital Stock to any amount which it considers requisite for the due carrying out of the undertaking of the company.

The company, on the other hand, may at any time by by-law provide for the decrease of the Capital Stock to any amount which it may consider sufficient for the due carrying out of the undertaking of the company. The company may also provide at any time by by-law for a re-division of the existing shares into shares of smaller or larger amount.

No by-law for the increasing or decreasing of the Capital Stock or for the re-division of shares shall have any force until it has been sanctioned by a vote of not less than two-thirds in value of the shareholders, at a general meeting of the company duly called for the purpose of considering such by-law, and until such by-law, if passed by the shareholders, has been confirmed by Supplementary Letters Patent.

In the matter of bookkeeping where an increase of the Authorized Capital is permitted, no particular entries are necessary beyond those generally made when subscriptions are received for Capital Stock. It will be understood that Supplementary Letters Patent allowing an increase of Capital stock simply means that the company may go beyond the point laid down in its original charter in the matter of receiving subscriptions for stock.

Where a decrease is decided upon it is generally done only after the real value of the shares has been brought considerably below par by a series of heavy losses. By decreasing the amount of Capital Stock it would mean that certain shares have to be donated to the company, and this donation would stand as a profit to the company for the amount of such donation. This profit may then be used to offset any loss as spoken of. For instance, if we refer to condition No. 5, we see there how an impairment of capital is dealt with. If it should be desired to wipe out such an impairment by securing a reduction of the Capital Stock, the entries would appear as follows:—

Capital Stock	\$1,000	
To Reserve		\$1,000
Reserve	\$1,000	
To Impairment of Capital		\$1,000

(9) TO SHOW ENTRIES WHERE STOCK IS FORFEITED.

Joint Stock Companies are empowered by both the Ontario Companies Act and the Dominion Companies Act to forfeit stock where calls are not paid as directed by the Board of Directors. Of course it is not absolutely necessary to declare stock forfeited in case calls are not paid, because the company may enforce payment of all calls, and interest thereon, by an action in any court of competent jurisdiction. It is therefore a matter of discretion with the directors as to whether they shall sue the delinquent shareholder, or shall give up the prospect of obtaining the money by suit, and simply declare the stock forfeited, looking to the prospect of being able to readily sell this stock again. Of course if the stock is forfeited all payments that have been made on it up to date are lost to the shareholder, and will therefore stand as gains to the company.

Example : James Wood subscribed for 10 shares of \$100 each of the Capital Stock of the

Adams Furniture Company, Limited. He pays thereon calls amounting to 40%. Failing to pay the subsequent calls his shares are forfeited to the company. Show Journal entry.

Capital Stock.....	\$1,000
To Subscriber	\$300
Profits on Forfeited Stock	400

This entry is made on the supposition that no individual accounts were opened for the shareholders in the General Ledger. If individual accounts had been opened the entry would be changed by crediting James Wood, instead of Subscriber. If this stock, thus forfeited, is sold, an entry would be made in the usual way by Dr. Cash and Cr. Capital Stock.

If any discount is allowed on the stock thus sold such discount would be debited to Profits on Forfeited Shares Account.

In the Stock Ledger the defaulting shareholder's account is closed into a special account headed Forfeited Shares. When the stock is re-issued this account is closed and a new one opened for the new holder.

(10) TO SHOW ENTRIES WHERE STOCK IS ISSUED AT A DISCOUNT.

The Ontario Companies Act permits mining company stock to be issued at a discount, provided certain requirements of the Act shall be complied with.

It is required that a by-law authorizing the issue of shares at a discount shall be confirmed by a majority of shareholders at a meeting called a *special meeting*. It is also provided that wherever the name of such mining company may be used *the name of the company* must have associated with it the words "No Personal Liability." Further, it is required that, where share certificates are issued in respect to shares subject to call the words "Subject to Call" must be written or printed in red ink on every certificate, and where shares are not subject to call the words "Not Subject to Call."

The New Ontario Mining Company, Limited, is incorporated under the Ontario Mining Companies Act, with an authorized capital of \$100,000, divided into 100,000 shares of one dollar each. The incorporators receive 50,000 of these shares, in payment for the mining property handed over to the company, the rest of the stock is sold at a discount of 40%. Show Journal Entries.

1. Subscription.....	\$100,000	
To Capital Stock		\$100,000
2. Subscribers	\$100,000	
To Subscription		\$100,000
3. Mining Property	\$50,000	
To Subscribers		\$50,000
4. Cash	\$30,000	
Share Discount.....	20,000	
To Subscribers		\$50,000

This account, "Share Discount," should be dealt with as an offset to the Capital Stock Account, instead of treating it as an asset. In this way any statement of the Capital Stock Account will give the true figure.

If it is decided to write off this Share Discount Account it can be done as in the case of the Organization Account.

If stock is sold at a premium, an account called "Share Premium" will be credited with any such amount received. These share premiums should be kept entirely apart from

the ordinary profits of the business, although they may be used for dividend purposes if the directors see fit to do so. The Share Premium Account may be left open and treated as a liability in the same sense as Capital Stock or it may be closed into Reserve Account.

(11) TO SHOW ENTRIES FOR TREASURY STOCK.

The shareholders of the above company donate 50% of their share holdings to be sold to raise funds for development purposes.

Stock donated to a company in this manner is called Treasury Stock and may be sold by the company at any price obtainable without violating the requirements of the Act. Treasury Stock Account should be debited with the face value of the stock when donated and credited with the par value of the shares subsequently sold. An account called "Development Capital" or "Working Capital" should be opened for the purpose of keeping a correct record of the funds thus raised. The Journal entry is:

Treasury Stock.....	\$50,000
To Working Capital	\$50,000

For Donation of 50,000 shares by stockholders.

In the Stock Ledger each shareholder's account would be charged with the transfer equal to 50% of the stock held by him.

A trustee is appointed to hold these donated shares on behalf of the company. An account is opened for the trustee and the transferred shares entered in the regular manner.

Forty thousand shares of the above Treasury Stock were sold at 45 cents per share. Make entry.

In this case the discount on shares would not be charged to the Share Discount Account but to "Working Capital," which previous to the sale stood credited with the entire par value of the shares donated.

Cash	\$18,000
Working Capital	22,000
To Treasury Stock	\$40,000

This entry when posted will show that \$10,000 Treasury Stock still remains unsold and that Working Capital has been reduced from \$50,000 to \$28,000 of which \$18,000 is cash and \$10,000 Treasury Stock.

GOODWILL.

Goodwill is the value placed upon the benefit arising from the connection and reputation which a business has acquired since its establishment. This value should be based upon the reasonable expectation the purchaser has of receiving a greater income than could be earned by him ordinarily without the benefit of such connection. In arriving at its money value the following points are usually considered:

- (a) The average net Profits of the business for the past three or five years;
- (b) The Interest on the Capital that has been required to carry on the business;
- (c) The expenses of management not yet charged against Profits, including a fair sum for services rendered by the proprietor or proprietors.

Assuming the average Net Profits of a business to have been \$4,000 per annum and the interest on the capital invested \$500 per annum, and the uncharged expenses of

management \$1,500, the average Net Profit upon which to base a Goodwill value would be \$2,000. A certain number of years' Purchase is frequently agreed upon, varying according to the kind of business and the special conditions applying to each case; anywhere from one to five years is quite common. If a three years' Purchase were decided upon in the case given above, the amount to be paid for Goodwill would be three times \$2,000 (the average Net Profit for one year), or \$6,000; if four years' Purchase it would be \$8,000; two years' purchase, \$4,000, and so on.

The amount paid for Goodwill would appear on the Balance Sheet at the end of the year as an Asset, under the name of Goodwill. In the case of a limited company the Goodwill cannot fairly be written down, as the undistributed profits of the business would be lessened to this extent, which would be unjust to shareholders if dividends were withheld on account of deductions of this sort having wiped out the profits. A company having a substantial reserve might write down Goodwill without sacrificing the interests of its shareholders; but in any event it would be incorrect to write it off through the Profit and Loss Account.

WATERED STOCK.

When the issue of stock as fully paid up does not carry with it the assurance that assets fairly equal to the par value of such stock have been received by the company in return, we have Watered Stock. If every subscriber for a \$100 share paid \$100 in cash for such share, there could be no watering of stock. On the other hand, when stock is paid for by rendering service to the company or by handing over some franchise or patent right, or the assets of an established business there may be watering of stock.

Are John Jones' services worth \$5 a day or \$50 a day? Is a franchise worth \$1,000 or \$100,000? Is a stock of goods worth \$500 or \$5,000? There lies the whole possibility of stock watering. No company can give its stock to a subscriber. It can deal most liberally with him in putting a value on that which he offers in payment of his stock.

JOINT STOCK COMPANY EXERCISES.

(1) Jan. 1.—R. Benson, W. Gordon, E. Hodgins, A. Gibson, and W. Jeffrey desire to become incorporated as a Joint Stock Company to be known as "The Gordon Purifier Company, Limited." Capital Stock \$50,000, in 500 shares of \$100 each. State, in order, what steps would be taken to secure incorporation.

Mar. 1.—The Company has secured Letters Patent and the subscriptions to date are as follows: Benson 50 shares, Gordon 50 shares, Hodgins 100 shares, Gibson 120 shares, Jeffrey 75 shares, T. King 10 shares, and G. Kay 15 shares.

Mar. 2.—The first call of 50 per cent. has been paid by all subscribers in cash.

Mar. 5.—Benson transfers all of his stock to J. Fenton, receiving cash.

Mar. 8.—T. King buys 20 shares from W. Gibson.

April 1.—The second call of 50 per cent. has been paid by all in cash.

April 10.—G. Kay sells his stock to D. Wright for cash at a premium of 10 per cent.

May 8.—W. Jeffrey sells 25 shares of his stock to J. Way.

Give Journal entries for the above transactions, and show the Stock Ledger and General Ledger properly posted.

At the end of the first year the gain is shown to be \$5,347. The directors declare a dividend of 10% on the paid-up capital, and pass the balance to Reserve Account. The dividend is paid in cash. Give the Journal entries and posting.

(2) T. E. Gibson controls a valuable patent. Being without the money necessary to utilize the patent he interests four capitalists—J. Crown, R. Bond, C. Robb, and H. Watt. They secure incorporation as "The Gibson Mfg. Co., Limited," with a capital of \$200,000. The Company pays Gibson for his Patent Right, \$75,000 in Paid-up Stock. The other four members subscribe for \$20,000 worth of stock each on the understanding that they are to get the stock fully paid up for 75 per cent. of its face value, which amount they pay in cash. The balance of the stock they place upon the market and sell it at a premium of 50 per cent. The premium is applied to wiping out the Organization Account.

Give the Journal entries for the Company's books.

(3) J. R. Brown and H. T. Miller have been conducting a Dry Goods business as equal partners. They desire to convert it into a Joint Stock Company, and together with J. Rowe, F. Jeffrey and T. Dunn, they secure incorporation as the "Brown Trading Co., Limited," with a capital stock of \$100,000. The agreement is that Brown and Miller are each to receive \$25,000 stock fully paid up, in return for the business turned over to the Company, while the other three men subscribe for \$10,000 stock each, which they pay for in cash. The balance of stock is held as Unsubscribed Stock.

The Assets and Liabilities of the partnership are as follows:—

Cash in hand.....	\$175 00	Bills Pay.....	\$10,000 00
Cash in Bank.....	5,280 00	Accounts Pay.....	2,180 00
Bills Rec.....	375 00	J. Brown's Net Cap.....	25,000 00
Personal Accts. Rec.....	5,600 00	H. Miller's Net Cap.....	25,000 00
Mdse. on hand.....	45,000 00		
Real Estate.....	5,000 00		
Furniture and Fixtures.....	750 00		
	<hr/>		<hr/>
	\$62,180 00		\$62,180 00

Give Journal entries for the opening of the Company's books, and show Stock Ledger.

(4) Letters Patent have been secured by A, B, C, D, E, and F, constituting them "The Rossville Mining Co., Limited," with a capital stock of \$90,000. The stock is subscribed for in equal amounts by the six promoters. Fully paid-up certificates are issued on payment of 90 per cent. in cash, the balance being paid for in service rendered in organizing.

The first year's business results in a loss of \$35,000, which has been carried to Impairment of Capital Account.

It is decided to cancel half the stock held by each shareholder, and return the shares to the Company, thus clearing off the impairment. The balance of \$10,000 is devoted to the reduction of the Organization Account, and to the creating of a Reserve Fund.

The returned stock is sold for cash at par, as a preference stock.

Give the Journal entries for the Company's books and show Stock Ledger.

(5) On November 3, 1898, Harry Brown made application for 50 shares in the Perth Woollen Mills Company.

Nov. 10.—He was allotted 25 shares.

Nov. 15.—Paid first call of 50 per cent.

Dec. 10.—Bought of Archie Tait, 10 shares (50% paid up).

Dec. 30.—Paid second call 25 per cent.

Jan. 31.—Sold 15 shares to Robert Watson.

Mar. 1 —Paid third call of 25 per cent.

Mar. 15.—Bought 20 shares from A. Tait, fully paid up.

Show Brown's account in firm's Stock Ledger properly written up.

(6) On January 1, 1897, J. Black subscribed for 100 shares of the Capital Stock in the Georgian Bay Lumber Co., Limited. On January 5, he paid the first call of 25 per cent. On January 20 he sold 10 shares to A. Good. On June 1 he paid the second call of 25 per cent. On July 10 he bought 30 shares of Alex. Martin. On January 1 he paid the third call of 50 per cent. March 3, 1898, he transferred all the stock to J. Watson at 108.

(a) Write up J. Black's account in the Stock Ledger of the above Company.

(b) Give complete Journal entries in J. Black's books dealing with above transactions.

(7) Show clearly how the entries in the books of a Joint Stock Company differ from those of a Partnership, in the two cases of opening and closing books by giving in each of the following cases both the opening and closing Journal entries: (a) Supposing A, B, C, D, E, are equal partners in a firm with a capital of \$50,000, and make in the first year a gain of \$5,000. (b) Supposing A, B, C, D, E form a Joint Stock Company with a capital of \$50,000, to which they are equal subscribers, and make a gain of \$5,000 the first year.

(8) J. Jones subscribed for 10 shares of stock in a Company, at \$100, and paid four instalments of 10 per cent. each. Failing to pay the other six, his stock and instalments are forfeited to the Company. The stock is afterwards sold to S. Smith for \$900, he paying cash \$500, and his note bearing 8 per cent. interest for 90 days for the balance. Show Journal entries.

(9) The books of a Joint Stock Company, which has been in existence for a number of years, show a net loss at the end of a certain year's business. Explain with entries, at least two possible ways of dealing with the case.

(10) In opening the books of a Joint Stock Company different views may be taken as to the amount to be credited to the Capital Account. Show a Day Book entry such as would occur at this time, and journalize it in at least two ways, explaining in each case what view is taken by the bookkeeper.

(11) You find an account in the Stock Company's Ledger headed 'Impairment of Capital,' the balance of the account is \$5,800. (a) On what side of the Ledger must this balance be brought down? (b) Why is the account kept, and what is its relation to other accounts? (c) Under what business conditions would such an account be opened? Give one or more entries opening the account illustrating your answer. (d) What business conditions would warrant the closing of the account? Give entry or entries to close it.

(12) In the Ledger of a Joint Stock Company you find an account entitled "Reserve Account," with the single amount of \$6,000 in it. On which side of the account is the amount? What will the account show in making up the next Balance Sheet? Give a Day Book entry as a possible explanation of how the figures came into account. Journalize

your entry. Is it possible for an entry to occur on the opposite side of the account? If so, give a possible circumstance with a Journal entry to illustrate your answer.

(13) Explain the term, "Organization Account," as it occurs in Joint Stock Bookkeeping. Give a possible Day Book entry that would bring such an account into your Ledger. Journalize your entry. What does the balance of such an account in the Ledger show? How is the account dealt with in making an apportionment of the net gain at the close of the year's business?

(14) Explain the terms: Treasury Stock, Reserve, Dividend and Organization Account, giving explanation of a possible circumstance that would bring such an account into your Ledger.

(15) Give Day Book entries that would account for the following Journal entries taken from the Journal of a Joint Stock Company:—

(a) Cash	\$20,000	
To Capital Stock		\$15,000
To Organization Account		5,000
(b) Reserve Account	\$400	
To Dividend		\$400
(c) Loss and Gain Account	\$6,000	
To Dividend		\$4,000
To Organization Account		1,000
To Reserve Account		1,000

(16) Give Journal entries for the following:—

- (a) Declaration of a Dividend.
- (b) Payment of a Dividend.
- (c) Depreciation on Machinery.
- (d) Provision for Doubtful Debts.
- (e) Issue of Shares of Paid-up Stock to a promoter in payment of services in connection with the formation of a Company.

(17) In what way are the profits of a Joint Stock Company usually divided?

The books of the "Hart Manufacturing Co." show a net gain of \$10,000 upon a capital of \$100,000. If a 6% Cash Dividend and a 2% Stock Dividend be declared, and the remaining profit carried to the Rest Account, what would be the necessary Journal entries?

(18) According to the Ontario Companies Act, what records are to be found (a) in the books kept open for inspection by shareholders and creditors, (b) in the books of account?

(19) Sometimes in distributing the net gain in the books of a Joint Stock Company a part of it is left as a balance to the Loss and Gain Account. The figures will, of course, come up in next year's Trial Balance, and from there must be extended to either Reserve, Liability, Loss or Gain. Which is it, and why?

(20) W. W. Shaw and P. McIntosh are partners in the publishing business, sharing gains and losses equally. A statement of their business shows as follows:

<i>Assets.</i>		<i>Liabilities.</i>	
Merchandise.....	\$1,000 00	Bills Payable.....	\$6,000 00
Bills Receivable.....	3,000 00	Accounts Payable.....	2,000 00
Accounts Receivable.....	1,200 00	W. W. Shaw.....	6,900 00
Machinery.....	10,000 00	P. McIntosh.....	2,300 00
Cash.....	2,000 00		
	<u>\$17,200 00</u>		<u>\$17,200 00</u>

They convert the business into a Joint Stock Company, with an authorized capital of \$25,000, under the name of Beacon Publishing Co., Limited. The other subscribers are J. M. Fraser, \$4,000; R. White, \$4,000; W. Miller, \$3,000. Each of these three men pay cash in full for their subscriptions. It is agreed that the machinery is to be taken over at a valuation of \$9,000 the Merchandise at \$900, the Bills Receivable and the Accounts Receivable at 10% discount. Shaw and McIntosh take fully paid up shares in return for their respective interests in the business. Cash is paid to them in place of any fractional part of a share, which, of course, it would be impossible to issue to them. Make opening entries in the Company's books, and show the closing entries for the old books.

Section 34.

COMPARATIVE STATEMENTS.

ANOTHER VIEW OF TURNOVER.

The turnover for a period is, as the term would indicate, the cost of the goods actually turned over, or handled, during that period. To illustrate: Suppose that the purchases for a period are \$5,000, the sales are \$6,000, and there is an inventory of goods on hand \$1,000. Even our first experience with a merchandise account would teach us that the gain may be found by adding the inventory to the sales, and then subtracting, from the sum, the cost. ($6,000 + 1,000 - 5,000 = 2,000$.) To produce this gain of \$2,000, we have to turn over or in other words, to buy and then sell \$4,000 worth of goods, that is the difference between the complete amount of goods bought, \$5,000, and the inventory of goods on hand, \$1,000. This turnover figure is a very natural one on which to base percentages. Thus, when we say we gain 50%, it is \$2,000 gained on \$4,000 worth of goods handled, or 50%. It is very desirable, therefore, in making out our trading statement, to have this turnover figure shown. This can be done, by placing our inventory at the end of the period, on the debit side of the account, and by subtracting it from the total cost instead of as heretofore placing it on the credit side and adding to the sales.

Sometimes the amount of the net sales is taken as the turnover, as in Section 21.

With this turnover figure in hand, we can easily calculate a number of interesting percentages. What per cent. the gross profit is of the business done. What per cent. the net profit is, and so on. We can also estimate the proportion that such expenditure as wages, salaries, advertising, etc., bear to the business done. Such comparative estimates representing the boiled down essence as it were, of the statement, are of peculiar interest to the manager. It is a difficult matter to keep in mind the figures in dollars and cents of net profit and gross profit for instance, but convenient percentages are much more readily retained. The following examples will illustrate how the trading account may be made to show this turnover figure. The student will carefully work out the same, copying the different statements on foolscap as a preparation for working the exercises that follow.

From the following Trial Balance, make out a Columnar Balance Sheet, also a Trading Account, a Profit and Loss Account, and a Statement of Resources and Liabilities.

In making up a Trading Account, place the Inventory of goods on hand at the end of the month on the Debit side, in order to get at the statement of the Turnover. On this turnover, figure the percentages of Gross Profit, Net Profit, Wages and Salaries. Allow $2\frac{1}{2}\%$ Depreciation on Buildings, $7\frac{1}{2}\%$ on Plant and Machinery, and 10% on Patents. Add to the Reserve for Bad Debts already in existence, a figure of 5% of the amount of the Bills Receivable and the Accounts Receivable to cover possible losses during the month of January.

TRIAL BALANCE.

Jan. 31st.

Cash	\$7,500	
Cash at Bank	12,000	
Accounts Receivable	6,000	
Bills Receivable	40,000	
Inventories, Jan. 1st	33,000	
Factory Buildings	50,000	
Plant and Machinery	65,000	
Patent Rights	4,500	
Accounts Payable		\$2,000
Bills Payable		15,000
Preference Stock		100,000
Common Stock		60,000
Reserve Account		10,000
Reserve for Bad Debts		2,500
General Expense	2,500	
Advertising	1,500	
Commission	900	
Taxes and Insurance	2,500	
Salaries	4,000	
Bad Debts	1,000	
Bank Charges	500	
Undivided Profits		6,000
Purchases	115,000	
Wages	40,000	

Factory Expense.....	\$2,000	
In Freight and Duty.....	3,600	
Sales		\$196,000
	<u>\$391,500</u>	<u>\$391,500</u>
Inventories, Jan. 31st.....	\$36,000	

COLUMNAR BALANCE SHEET.

Names	Folio	Debits	Credits	Resources	Liabilities	Losses	Gains
Preference Stock			100,000				
Common Stock			60,000				
Accounts Pay.			2,000		2,000		
Bills Pay.			15,000		15,000		
Reserve Acct.			10,000		10,000		
Reserve for Bad			2,300		2,300		
Debts			2,500		2,500		
Cash		7,500		7,500			
Bank		12,000		12,000			
Accts. Rec.		6,000		6,000			
Bills Rec.		40,000		40,000			
Stock on hand Jan 1		33,000		36,000		33,000	36,000
Factory Bldgs.		50,000	1,250	48,750			
Plant and Mach.		65,000	4,875	60,125			
Patent Rights		4,500	450	4,050			
General Expenses		2,500				2,500	
Advertising		1,500				1,500	
Commission		2,500				2,500	
Taxes and Ins.		900				900	
Salaries		4,000				4,000	
Loss and Gain		2,300				2,300	
Bad Debts		1,000				1,000	
Undivided Profits			6,000		6,000		
Purchases	115,000					115,000	
Wages	40,000					40,000	
Factory Exp.	2,000					2,000	
In Freight and Duty	3,600					3,600	
Sales			196,000				196,000
Depreciation	6,575					6,575	
Bank Charges	500					500	
		<u>400,375</u>	<u>400,375</u>	<u>214,425</u>	<u>37,800</u>	<u>215,375</u>	<u>232,000</u>

STATEMENT.

Total Resources.....	\$214,425	Total Gains	\$232,000
Total Liabilities.....	37,800	Total Losses	215,375
Present Worth.....	<u>\$176,625</u>	Net Gains	<u>\$16,625</u>
Net Investment.....	\$160,000		
Net Gains	16,625		
Present Worth.....	<u>\$176,625</u>		

Trading Account January 31, 1911.

Stock on hand Jan 1, 1911	123,000	Sales for the month	196,000
Purchases for month	115,000		
Wages	40,000		
Factory Expense	2,000		
In Freight and Duty	3,600		
Dep. on Plant 4875			196,000
Dep. on Patents 450	5325		
Deduct stock on hand Jan 31	195,925		
Turnover for January	36,000		
Gross profit for month	16,2925		
	230,75		
	196,000		

Profit and Loss Account

General Expense	\$ 2500	Gross profit forward	\$33075
Advertising	1500		
Commission	2500		
Taxes and Ins.	900		
Salaries	4000		
Bad Debt, ready off \$1000.			
5% on B. Rec. & A. Rec. 2300.	5300		
Dep. on buildings	1250		
Bank charges	500		
Net Profit for month	16625		
	33075		33075

SELLING, ADMINISTRATION, AND GENERAL EXPENSE.

In examining the Expense side of the business, different classifications may be made, depending upon the nature, organization and extent of the business. A very useful division of the Expenses would be into: (1) Selling Expenses or Cost of distribution, which should contain all expenses in connection with the placing of goods on the market and delivering them to the buyer. These expenses consist of salesmen's salaries and commissions, salesmen's travelling expenses, cost of samples and sample cases, advertising, delivery expenses, and all other expenditures incidental to selling the goods. (2) Administration Expenses or Cost of running the business which should include all expenses of the office and management. These expenses consist of salaries of officers, managers and office help, the cost of office supplies, postage, stationery, legal fees, travelling expenses of managers, bad debts, directors' fees, telephone and telegram charges, and such other miscellaneous expenditures as relate to the general management of the business. (3) Upkeep, Cost of Maintenance, or General Expense which should contain all expenses pertaining to the maintenance of the place of business in proper condition. These expenses should include rent, taxes, insurance, repairs to buildings, light and fuel, depreciation in office furniture, and such other items as enter into cost of upkeep, which are not included in selling, administration, manufacturing or other special expense accounts.

When the expenses are classified in the Profit and Loss section of the financial statement as above outlined, two money columns should be provided—the first to list the individual items and the second to express the total of that particular class of expense. A third column is sometimes provided in which to record the per cent. of selling expenses, administrative expenses, cost of maintenance and net profit as calculated on the turnover or net sales.

<i>Distribution of Profit</i>			
<i>10% Div on Prof. Stock</i>	<i>\$10000</i>	<i>Net profit-for month</i>	<i>\$16625</i>
<i>6% Div on Com. Stock</i>	<i>3600</i>	<i>Balance from last month</i>	<i>6000</i>
<i>Carried to Reserve</i>	<i>5000</i>		
<i>Balance to Profit & Loss</i>	<i>4025</i>		
	<i>22625</i>		<i>22625</i>

Balance Sheet, January 31, 19

Resources		Liabilities	
Cash on hand	\$7500	To the Public:	
Cash in Bank	12000	Accts. Payable	\$2000
Accts. Rec.	6000	Bills Payable	<u>15000</u>
Bills Rec.	40000		\$17000
Less Res. for B. Debts	2500	To the Shareholders:	
Added this mo.	<u>2300</u>	Preferred Stock	100000
	4500	Common Stock	60000
Stock on hand Jan. 31.	36000	Reserve	10000
Due to y. Buildings	50000	Added this mo.	<u>5000</u>
Less 2 1/2% of L. & P.	<u>1250</u>		15000
Plar. & Machinery	65000	Dividends:	
Less 7 1/2% of L. & P.	<u>4875</u>	10% Preferred	10000
Patent Right	4500	6% Common	<u>3600</u>
Less 10% of L. & P.	<u>450</u>		13600
	4050	Balance to Profit & Loss	<u>4025</u>
	209625		192625
			<u>209625</u>

ROYALTIES.

When the right or privilege is secured to manufacture or sell an article under a copyright or a patent upon payment of a percentage or royalty, an account called "Royalties" should be kept for the purpose of showing the cost of Royalties. In a manufacturing concern where Royalties are paid according to the right to use an invention is utilized, the cost or amount paid as Royalty being a factor in the cost of production is part of the cost of manufacture and so is a charge against Manufacturing. The same is true of cost of publication in case of a book, while if the Royalty is based on number of copies actually sold, it is a charge against Trading account.

CAPITAL EXPENDITURE *versus* REVENUE EXPENDITURE.

A machine breaks down and it costs \$50 to put it in running shape. Is this \$50 to be charged to Machinery Account or to a Machinery Repairs Account? This is a simple illustration of the problem of Capital *versus* Revenue Expenditure. If we charge it to Machinery Account it means increasing the value of our assets. If we charge it to Repairs to Machinery it means increasing our losses. Dicksee in his work on "Auditing" gives the following guide in the matter:

"Shortly stated, the question can in any event be answered by finding the answer to the following question: "Has the particular expenditure incurred in any individual case been incurred for the sake of improving the earning capacity of the undertaking?" If the answer to this question is in the affirmative, then the expenditure in question is capital expenditure, unless it has only had the effect of putting the earning capacity of the undertaking upon the same footing as that which had previously obtained, and which has since declined by the ordinary process of wear and tear, or the effluxion of time, in respect of which no provision has been charged against revenue. The precise meaning of this latter qualification is that the mere renewal of wasting assets, not otherwise provided for, cannot be called capital expenditure, but that any extensions or the acquiring of fresh assets is in the nature of capital expenditure."

EXERCISES.

1. Prepare a Revenue Account and a Statement of Resources and Liabilities from the following data concerning the books of A. Brown and C. Dunn as closed Dec, 31, '95. Show comparative percentages of Gross Profit, Net Profit, Wages and Salaries. A. Brown, \$4,725, \$22,500; C. Dunn, \$2,850, \$14,650; Bills Payable, \$2,789; Bills Receivable, \$496; Stock, 31st Dec., '94, \$17,810; Machinery Account, \$16,924; Real Estate and Buildings, \$4,926; Purchases, \$33,897; Book Debts, \$6,600; Wages, \$20,929; Sundry Creditors, \$1,297; Sales, \$78,943; Office Furniture and Fittings, \$1,140; Rent, \$1,500; Cash in Hand and in Bank, \$426; Power, Light, Heat, etc., \$1,364; Commissions paid, \$1,141; Travelling Expenses, \$629; Discount off Purchases, \$496; Discounts to Customers, \$782; Freight Outwards, \$429; Rebates allowed to Customers, \$376; Fire Insurance, \$484; Interest and Bank Charges, \$296; Horse Keep, \$350; Sundry Expenses, \$1,281; Royalties paid, \$462; Advertising, \$391; Bad Debts written off, \$467; Stock on hand 31st December, 1895, \$18,126. Provide 5% on Book Debts to cover Bad Debts and Discount. Write 6% Depreciation off Machinery and Office Fittings. Carry forward Fire Insurance unexpired, \$175. Provide for three days' wages, \$125.

2. Prepare a Trading Account, Profit and Loss Account, and Statement of Assets and Liabilities from the following information obtained from the books of the Shaw Manufacturing Co., Limited, on December 31st, 1898. Show comparative percentages of Gross Profit, Net Profit, Wages and Salaries. Paid-up Capital, \$150,000; Sundry Creditors, \$35,000; Bank Over-draft, \$4,500; Sales, \$200,000; Reserve Fund for Discounts and Bad Debts, \$1,000; paid for Royalties, \$1,000; paid for Interest, \$5,600; Directors' fees, \$500; Expenses, \$2,250; Salaries, \$7,000; Taxes, \$1,300; Advertising, \$1,250; Coal and Water used in Manufacturing, \$2,250; Repairs to Plant, \$4,000; Freight, \$4,000; Expenses connected with putting up Machinery sold, \$8,000; Wages, \$59,000; Purchases, \$70,000; Cash on hand, \$500; Sundry Debtors, \$73,850; Patents cost \$5,000; Loose tools were valued on December 31st, 1897, at \$12,500; Office Furniture, at \$2,000; Stock on hand, at \$45,000; Patterns cost \$16,500; Machinery and Plant cost \$44,000; and Premises \$25,000.

Write off Depreciation from Land and Buildings, 3%; Machinery and Plant, 10%; Patterns, 10%; Patents, 10%; Office Furniture 5%; and make a provision of 6% on Sundry Debtors for Discounts and Bad Debts. On December 31st, 1898, the stock on hand was valued at \$47,500 and the loose tools at \$11,500. It is proposed to declare a dividend of 5%, and to carry the balance of profits to a Surplus Profit Account.

3. The following question is from an Intermediate paper of Chartered Accountants' Examination:

TRIAL BALANCE, 1st OF APRIL, 1903, GREEN & BROWN.

Stores—Debits, purchases for Factory	\$40,000	
Credits, deliveries to Factory		\$25,000
Wages, charged for season up to March 27th	30,000	
Real Estate, Land and Buildings	10,000	
Machinery and Plant	8,000	
Manufacturing—Sales Account		60,000
Cost Account. The only debit at this stage being		
Material	25,000	
Accounts Receivable	5,000	
Accounts Payable		9,000
General Expense Account	2,000	
Office Furniture	200	
Insurance charged on Plant, \$485; on Stock, \$1,015	1,500	
Interest paid, \$800; received, \$1,000		200
Commission Account	500	
Cash	1,000	
James Brown, Capital Account		10,000
John Green, do.		8,100
James Brown, Drawings Account	300	
John Green, do.	2,000	
Bills Payable		18,200
Bills Receivable	5,000	
	<hr/>	<hr/>
	\$130,500	\$130,500

The above is the Trial Balance of a manufacturing firm.

(1) Business is in its first year; stock of stores on hand at end of period is \$15,500.

(2) Goods partly manufactured are valued at this date—labor and material only, \$4,000. (Labor, \$1,500; material, \$2,500.)

(3) At this date no invoices have been received for the following goods, which have been taken into stock: Steel and Iron Co.—boiler plate, \$600; Jones Emery Wheel Co.—emery wheels, \$300. The inventory above includes the \$600, but not the \$300 item.

(4) Provide 5% on book debts for Bad Debts and Discount.

(5) Write 10% off Machinery and 5% off Office Furniture for Depreciation

(6) Three days' wages, from March 27th to April 1st, amounts to \$240.

(7) Unearned insurance on Plant amounts to \$80; on Stock \$170.

(8) No interest to be allowed on Capital Accounts.

(9) Profits and Losses divided equally.

(10) Partners' allowances are: Brown, \$2,000; Green, \$1,800, annually.

(a)—from above prepare Trading Account.

(b)— " " " Profit and Loss Account.

(c)— " " " Balance Sheet.

(d)— " " show Comparative Percentages.

THE MANUFACTURING ACCOUNT.

In a manufacturing business the Revenue Account is very often divided into three sections:

(1) The Manufacturing Account.

(2) The Trading Account.

(3) The Profit and Loss Account.

The Manufacturing Account may be kept in two ways:

(1) For the purpose of showing the actual cost of the goods manufactured, or

(2) For the purpose of showing the profit on manufacturing as distinguished from the profit on trading.

By the first method the Manufacturing Account includes on its debit side all items entering into the cost of the goods manufactured and on its credit side the manufacturing inventory, which consists of raw material and goods in process of manufacture. The difference between the two sides constitutes the Manufacturing Cost of the output and is carried to the debit side of the Trading Account, as shown below in the illustration compiled from the transactions here given:

SUMMARY OF TRANSACTIONS.

Inventories, Jan. 1st:

Raw Material \$2,300

Unfinished Goods 400

Finished Goods 4,500

Purchases:

Raw Material \$6,000

Finished Goods 3,000

..... \$9,000

Sales 18,000

Freight and Duty:

On Raw Material \$1,800

On Finished Goods 900

..... 2,700

Wages 4,000

Factory Expenses 400

Inventories, Dec. 31st:

Raw Material	\$2,500	
Unfinished Goods	800	
Finished Goods	5,600	
		<u>\$8,900</u>

DR.

MANUFACTURING ACCOUNT.

CR.

Inventory Jan. 1st:

Raw Material	\$2,300
Unfinished Goods	400
	<u>\$2,700</u>

Purchase of Raw Material	6,000
Freight and Duty.	1,800
	<u>7,800</u>
Wages	4,000
Factory Expense	400
	<u>\$14,900</u>

Inventory Dec. 31st:

Raw Material	\$2,500
Unfinished Goods	800
	<u>\$3,300</u>

Cost of Goods Manufactured transferred to Trading Account	11,600
	<u>\$14,900</u>

DR.

TRADING ACCOUNT

CR.

Inventory of Finished Goods, Jan. 1	\$4,500
Manufacturing Account, Cost of Goods manufactured during the year	11,600
Purchases of Finished Goods	\$3,000
Freight and Duty	900
	<u>3,900</u>
	<u>20,000</u>

Deduct Inventory of Finished Goods Dec. 31st	5,600
	<u>14,400</u>

Gross Profit transferred to Profit and Loss Account	3,600
	<u>\$18,000</u>

Sales for year

\$18,000

\$18,000

If the manufacturer desired to separate the Manufacturing Profit from his Trading Profit, he would charge the Trading Account the same price for goods manufactured by himself as would have been charged if these goods had been bought elsewhere. Assuming, for the purpose of illustration, that the goods shown in the foregoing Manufacturing Account had been transferred to the Trading Account at a trade price of \$13,340, instead of at actual cost, \$11,600, there would have been a Manufacturing profit of \$1,740, but the Trading profit would have been reduced by exactly the same amount and would have shown a Trading profit of \$1,860 instead of \$3,600. Both of these profits being afterwards transferred to the Profit and Loss Account would bring about the same final result as if the Manufacturing

profit had not been considered separately at all. In order that the distinction between these two methods may be readily understood, the Manufacturing and Trading Accounts for the same transactions are here shown in the form we have just described :

DR.	MANUFACTURING ACCOUNT,	CR.
Inventory Jan. 1st :		
Raw Material.....	\$2,300	
Unfinished Goods.....	400	
Purchase of Raw Material	6,000	\$2,700
Freight and Duty.....	1,800	
		7,800
Wages	4,000	
Factory Expenses.....	400	
		14,900
Deduct Inventory, Dec. 31st :		
Raw Material.....	2,500	
Unfinished Goods.....	800	
		3,300
Manufacturing Cost.....	11,600	
Manufacturing Profit carried to		
Profit and Loss Account....	1,740	
	\$13,340	\$13,340
DR.	TRADING ACCOUNT,	CR.
Inventory Finished Goods, Jan.		
1st	\$4,500	
Output from factory for year	13,340	
Purchases of Finished		
Goods	\$3 000	
Freight and Duty.....	900	
		21,740
Deduct Inventory Manufactured		
Goods on hand, Dec. 31st.....	5,600	
Trading Gross Profit carried to	16,140	
Profit and Loss Account.....	1,860	
	\$18,000	\$18,000

STATEMENT OF AFFAIRS OF AN INSOLVENT.

A Statement of Affairs is a document somewhat similar to a Balance Sheet, and is prepared for the information of the creditors of an Insolvent Estate. It contains on one side all the Liabilities distinguishing between those which are unsecured, partially secured or fully secured ; the Preferred claims are also clearly set forth on the same side of the Statement. On the other side the Assets of the concern are shown at their book value and also at the value which they are expected to realize ; any Assets which have been given over

as securities to creditors are shown distinct from those which are available for distribution among the unsecured creditors. The difference between the two sides of the Statement shows either the nominal Net Surplus or Net Deficiency and is transferred to a special account known as the Deficiency Account. Contingent Liabilities should also be shown in the Statement of Affairs and the expected Loss thereon indicated. The Deficiency Account shows on one side the Net Deficiency as transferred from the Statement of Affairs, together with the Capital Accounts of the partners and Profits made on the business since its commencement or since a date in which the books show it to have been in a sound condition; on the other side are shown the loss incurred in realizing upon the Assets, the Drawings by partners and losses not otherwise provided for in the Statement.

Adam Smith and Thomas Gray have been in business as contractors for the last six years. Each invested \$63,000 cash and was to receive one-half of the gain or bear half of the losses, which were as follows for the entire period:

Year 1899, Gain	\$15,000
" 1900, "	18,000
" 1900, "	21,852
" 1902, "	1,500
" 1903, Loss	1,500
" 1904, "	3,000

Each withdrew from the business for private use \$6,000 per year. On December 31, 1904, an assignment was made and the assignee obtained the following information in addition to that already given, from which he proceeded to make a Statement of Affairs and a Deficiency Account to be placed before the creditors:

Unsecured Creditors on open account	\$27,000
Fully secured Creditors	6,900
Securities held by above consist of Patents, valued at	9,000
Partly secured Creditors	105,000
Securities held by above consist of Railway Shares, valued at	60,000
Wages due	2,000
Rent due	400
Bills Payable	60,000
Book Debts (Good)	3,000
do. (Doubtful) \$600, estimated worth	225
do. (Bad) of no value	900
Stock-in-Trade at Toronto, Port Arthur, and Winnipeg	112,500
Above is estimated worth	66,600
Plant and Machinery cost	120,000
Above estimated to produce	60,000
Office Furniture, \$900, estimated worth	600
Bills Receivable under Discount	10,000
Estimated Liability of Estate on above	4,000
Cash in Bank	252

From the facts given above prepare:

- (a) A Statement of Affairs.
- (b) A Deficiency Account.

STATEMENT OF AFFAIRS. DEC. 31. 1904.

LIABILITIES	Gross Liabilities	Expected to Rank	ASSETS	Book Value	Estimated to Realize
Ordinary Unsecured Creditors: On Open Account " Bills Payable	\$ 27,000 60,000 87,000	\$ 27,000 60,000 87,000	Cash, Bank Office Furniture Plant and Machinery Book Debts:	\$252 900 120,000	\$252 600 60,000
Fully Secured Creditors Estimated Value of Securities Surplus to Contra	\$6,900 9,000 2,100		Good Doubtful Bad	3,000 600 900	3,000 225
Partially Secured Creditors Estimated Value of Securities Contingent Liabilities:	105,000 60,000	45,000	Stock-in-Trade consisting of material and supplies in Toronto, Port Arthur and Winnipeg as per Schedules Railway Shares: Estimated value	112,500	66,600
Bills under Discount \$10,000. of which it is estimated \$4,000 will rank against estate for dividend			Assigned as Security for	60,000	
Preferred Creditors: Wages Rent	\$2,000 400	4,000	Balance as per Contra Patent, estimated as worth Assigned to Creditors as Security for	9,000	
Deducted from Contra	2,400		Surplus		2,100
	\$205,300			\$307,152	\$132,777
			Deduct Preferred Creditors as per Contra		2,400
			Assets Available for Dividend Equivalent to a Dividend of 95.8% on claims of \$136,000 exclusive of Expenses of Realization		130,377
			Deficiency		5,623
					\$136,000

DEFICIENCY ACCOUNT

Capital invested Jan. 1. 1899: Smith Gray	\$63,000 65,000	\$126,000	Loss from Shrinkage in Assets as per Statement of Affairs: Office Furniture Plant and Machinery Book Debts	\$ 300 60,000 1,275 45,900	
Profits shown by accounts: Year 1899 " 1900 " 1901 " 1902	15,000 18,000 21,852 1,500		Stock-in-Trade Loss on Bills Discounted Drawings by Partners: Smith, \$6,000 per year for 6 years Gray, \$6,000 " " " "		107,475 4,000
Deduct Losses: Year 1903 " 1904	\$1,500 3,000	51,852 5,623		36,000 36,000	72,000
Deficiency as per Statement of Affairs		\$183,475			\$183,475

Section 35.

FORMS OF CASH BOOKS.

As we have pointed out, in dealing with the Purchase Book and the Sales Book, any Book of Account permits of a variety of forms. Particularly is this so with respect to the Cash Book. Here we find, however, that the ground plan, as it were, remains the same, the differences in form arising chiefly from the special columns that may be kept on either side of the book. Of course, the nature of the business will generally dictate the nature of these special columns, but we generally find that it is very desirable to have the book ruled in such shape that a statement of the dealings with the Bank and of the discounts allowed to others or allowed to ourselves by others is readily obtainable. We have already presented to the student a very simple form of this book, showing the Bank Account kept in special columns. We intend to follow this with a discussion of more complicated forms. The student should rule paper and copy the illustrations, endeavoring by the aid of the explanations given, to thoroughly understand the different forms, after which he will work the exercises appended.

Memoranda of Transactions.

- Sept. 1. Student commences business, investing cash, \$4,000, \$1,000 of which is kept in hand and \$3,000 deposited in Merchants Bank.
- " 3. J. M. Fraser paid his account of \$1,000, and is allowed a 5% discount.
- " 3. Deposited in Merchants Bank, \$950.
- " 4. A. G. MacKay prepaid his account of \$400 and was allowed a discount of \$20.
- " 6. Merchandise sales, as per Sales Book, \$500.
- " 7. Paid E. Warner in full, by cheque, \$190, amount of account, \$200; discount allowed, \$10.
- " 9. Redeemed our note in favor of D. Garbutt by giving cheque, \$150.
- " 14. Paid rent by cheque, \$100.
- " 20. Paid workmen's wages in cash, \$200.
- " 25. Received cash from L. Claffey, in full for his note of \$500; discount allowed, \$10.

1st Form

CASH RECEIVED

CASH PAID OUT

Date	Account	Explanation	Totals	Mdse. Disc. Cr.	Cash Dr.	Bank Cr.	Date	Account	Explanation	Totals	Mdse. Disc. Dr.	Cash Cr.	Bank Dr.
1912 Sept.	1 Student	Investment	4,000		1,000		1912 Sept.	1 Bank	Deposit				
"	3 J. M. Fraser	Full acct. less 5 %	1,000		950		"	3 Bank	5 % J. M. Fraser		50		3,000
"	4 A. G. McKay	Full acct. less 5 %	400		380		"	3 Bank	Deposit			950	950
"	6 Mdse. Sales	Per Sales Book	500		500		"	4 Bank	5 % A. G. McKay		20		
"	7 Discount	5 % L. Warner		10			"	7 E. Warner	Full acct. less 5 %	200			
"	7 Bank	Check No. 1				180	"	9 Bills Pay.	Note for D. Garbutt	150			
"	9 Bank	Check No. 2				150	"	14 Rent	For September	100			
"	14 Bank	Check No. 3				100	"	20 Wages	Per Pay Roll	200			
"	25 Bills Rec.	L. Claffey's Note less discount	500		400		"	25 Discount	L. Claffey's Note	10			
		Discount Cr	6,400	10	3,320	440			Discount Dr	680	70	1,150	3,950
		Balance in Bank	10			3,510			Balance in Bank	3,510			
			6,410		3,320	3,950			Balance on hand	2,170			
Sept. 26	Balance	In Bank On hand	3,510				Sept. 26	Balance	In Bank	6,410		3,320	3,950
			2,170		2,170								

2nd Form

CASH RECEIVED

CASH PAID OUT

Date	Account	Explanation	Totals	Mdse. Disc. Dr.	Cash Dr.	Bank Dr.	Date	Account	Explanation	Totals	Mdse. Disc. Cr.	Cash Cr.	Bank Cr.
1912 Sept.	1 Student	Investment	4,000		1,000		1912 Sept.	3 Bank	Deposit				
"	3 J. M. Fraser	Full acct. less 5 %	1,000		950		"	7 F. Warner	Full acct. less 5 %		10	950	180
"	3 Bank	Deposit		50		950	"	9 Bills Pay.	Favor of D. Garbutt	200			180
"	4 A. G. McKay	Full acct. less 5 %	400		380		"	14 Rent	For September	100			100
"	6 Mdse. Sales	Per Sales Book	500		500		"	20 Wages	Per Pay Roll	200			
"	25 Bills Rec.	L. Claffey's Note			480		"	25 Discount	L. Claffey's Note	10			
		Disc. from Contra	6,400	70	3,320	3,950			Discount from Contra	680	10	1,150	440
			10						Balance in Bank	3,510			3,510
			6,410		3,320	3,950			Balance on hand	2,170			
Sept. 26	Balance	In Bank On hand	3,510				Sept. 26	Balance	In Bank	6,410		3,320	3,950
			2,170		2,170								

EXPLANATION, FORM ONE.

The Cash Book illustrated makes provision for three special columns on each side—Cash, Discount, and Bank. A fourth column—Totals—is provided for each entry as are not accommodated by the other three. As to matter of placing figures in the different columns, we may say that if the student can make the Journal entry for a transaction he can have no difficulty in placing the figures in this Cash Book. For instance, the Journal entry for transaction No. 1 is as follows:

Sept. 1.—Cash	\$1,000	
Bank	3,000	
To Student		\$4,000

There is a column headed "Cash Dr." and we place the \$1,000 in this column. There is a column headed "Bank Dr." and we place the \$3,000 in this column. There is no special column for "Student" entries, so we expect to find the \$4,000 in the "Total" column. As we know that the student is to be credited we also know that this last entry will be found on the Dr. side of the Cash Book.

Again, the Journal entry for transaction No. 2 is as follows:

Sept. 3.—Cash	\$950	
Discount	50	
To J. M. Fraser		\$1,000

As before, we know that the \$950 amount finds a place in the "Cash Dr." column. The \$50 item finds a place in the "Discount Dr." column. The \$1,000 item is credited to J. M. Fraser in the "Totals" column on the Dr. side of the Cash Book.

In this way we may place the figures for an entry, provided we are able to say that we can make the Journal entry for the transaction in the simplest form that we learned to make a Journal entry.

EXPLANATION, FORM TWO.

Form No. 1 is theoretically the better form. It throws all credit accounts to the Dr. side of the Cash Book and all debit accounts to the Cr. side of the Cash Book. This is in accord with the elementary principles governing the use of the Cash Book. Practically, we find that Form No. 2 is the better form. A glance at the number of lines needed would alone show us that the work can be done with fewer entries. As to the matter of placing the figures, the same rule will always guide us. Journalize the entry in simple form and place the figures in the Cash Book as this Journal entry directs.

EXERCISES.

1.—Rule a form of Cash Book with SPECIAL columns, as in Forms 1 and 2, and illustrate it by making entries for the following:

- June 1. Student began business with cash on hand, \$175; and on deposit in Merchants' Bank, \$2,600.
- " 12. Received in payment of E. Warner's account of \$700, less 5% discount, Check. Received of H. Martin, cash in full of his note of \$400 due to-day. Deposited \$600.
- " 13. Gave cheque to A. H. Shaw in full of his account of \$650, less 3% discount. Paid my note favor H. Cook, due to-day, per cheque, \$150. Withdrew from Bank, \$900, which was paid out as follows: Wages, \$800; \$60, Bookkeeper's salary; Rent, \$40.

June 23. Discounted C. A. Bell's note of \$158 discount \$5; proceeds left in Bank. Received of H. Jones, cheque in full of his account, \$220, less 5% discount. Deposited all cash on hand.

" 30. Gave cheque to C. J. Stubbs in full of my note of \$250, his favor, and \$8 interest due on same. Received of R. Gill, cash in full of his note, \$180, and \$5 interest due on same.

Balance the Cash Book at the end of a month, and show the balances properly brought forward for the following month. Post the above entries to Ledger and make a Trial Balance. (Do not close Ledger.)

2.—Rule Cash Book with special columns, as in Form 2, and enter the following transactions:

- Jan. 1. Began business with cash investment of \$20,000; \$19,000 in Bank of Commerce, and \$1,000 on hand.
- " 5. Paid for bill of goods from John McDonald & Co., Toronto, by giving 30-day note for \$200.
- " 10. Accepted Rice Lewis & Son's draft at 60 days' sight, dated Jan. 8th, for \$300 in payment of bill of goods.
- " 11. Discounted for J. Cooper, W. Dunn's note dated Jan. 4th, at 60 days; rate 6%; face, \$475, issued cheque for proceeds.
- " 15. Received of B. Johnson his note at 10 days for \$50 in payment of account.
- " 16. Deposited Johnson's note in Bank on Discount of 5%. Deposited Cash, \$500.
- " 20. Redeemed note No. 1, discount allowed, 4%; issued cheque for the amount.
- " 25. Loaned J. R. Hill, cash on his note at one month for \$100, charging interest in advance, 7%.
- " 28. Johnson is unable to meet his note due to-day; we retire it by cheque, and receive from him cash \$30 and a 20-day note with interest at 10% for balance.
- " 29. Deposited all cash on hand, except \$130.
- Feb. 1. Accepted John Kay & Son's 15-day draft of \$500 in payment of bill of goods.
- " 15. Borrowed cash from J. Roberts on our own note of \$400 at 30 days. Discount charged, 8%.
- " 19. Paid our acceptance, due to-day, in Cash.
- " 20. Johnson's note proves to be worthless. Make entry to adjust the same.
- " 25. Received of H. Walker his note at 90 days, with interest at 6% \$300 in full of account.
- " 28. Received from J. R. Hill in payment of his note to-day, cash \$50 and balance on 30-day note with interest at 10%.
- Mar. 8. Received cash in full for note due to-day.
- " 9. Deposited all cash on hand except \$200.
- " 14. Being unable to meet our paper in full to-day, we retire the same by paying cash \$175 and the balance by 2 months' note taken at 6% discount.
- " 15. Gave W. Elliott our note at 60 days for \$100 with interest at 4% in full of account.
- " 20. Paid our note due to-day by cheque.

Mar. 31. H. Walker agrees to pay his note if we allow him 8% discount. Accepted offer and received cash. Deposited \$300.

April 2. Received cash for note due to-day.

" 5. Accepted W. Elliott's offer to allow us a discount of \$5 and accrued interest on our note if we pay to-day. Issued cheque.

Close and rule the Cash Book and show Posting, with Trial Balance.

PETTY CASH.

It is a general rule in a business of any size that all payments shall be made by cheque. In many of our Joint Stock Companies this rule is most imperative. Still it is not always possible nor even advisable to do this. If the Express man drops in with a parcel on which there is twenty-five cents to pay he does not expect a cheque for the amount. And so it is with a number of small payments. A fund of ready cash must be kept to meet them. For this purpose one person in the office is usually entrusted with an amount of money known as the Petty Cash. It is his duty to look after these small items and at the end of each month to be able to present a statement as to his expenditures.

While different methods are employed in the keeping of this Petty Cash, we believe the following description of the Imprest System, as it is called, will put the student in a position to understand any of the usual plans that are followed. The word "Imprest" refers to a sum advanced, or to a prepayment of money to meet certain expenditures.

By this system the petty cashier is given a sum, at the first of the month, considered sufficient to cover all petty payments for that month. This would be charged to Petty Cash Account by an entry in the general Cash Book. At the end of the month the petty cashier has a statement of his payments, showing the exact amounts paid out and the accounts such as postage, express, stationery, etc., which are chargeable with this expenditure. This statement is laid before the manager or chief cashier for certification. If found to be correct, a cheque is made out to the petty cashier for the exact amount of his expenditure. This will start him off on the second month with the same amount of cash in hand as he had at the beginning of the first month. To account for this cheque as issued, the different accounts to be charged with the Petty Cash payments are debited through the general Cash Book.

To illustrate: Suppose a petty cashier gets at the beginning of the month a cheque for \$25.00. The Petty Cash Account is debited and the Bank credited through the general Cash Book for this \$25.00. At the end of the month the petty cashier brings in a statement showing \$15.00 spent as follows: Postage, \$5.00; stationery, \$5.00; general expenses, \$5.00. If his statement is found to be correct a cheque for \$15.00 is given to him. This puts him in possession of \$25.00 with which to start the second month, the \$10.00 that he had and the \$15.00 to make up for what he had to spend. To account for this \$15.00 cheque just issued, the Bank is credited, and postage, stationery, and general expense are debited all through the general Cash Book. By this means it will not be necessary to touch the Petty Cash Account after it is once opened. The petty cashier must always be able to produce the amount originally set aside for petty cash or to account for it by his list of expenditures up to date.

We submit herewith a form of Petty Cash Book which the student will copy on foolscap, endeavoring at the same time to fix the form in mind and to grasp the plan of keeping the book.

PETTY CASH BOOK.

Date	Explanation	Receipts	Pay'ts	Analysis of Payments		
				Postage	Freight Express	General
191						
Sept 1	To Cash Received	50 00				
" 1	By Postage		5 00	5 00		
" 11	" Express		75		75	
" 5	" Suppers - overtime work		1 50			1 50
" 9	" Postage		3 00	3 00		
" 12	" Telegram		25			25
" 15	" Unpaid Postage		04	04		
" 17	" Postage		4 00	4 00		
" 20	" Telegrams		25			25
" 28	" Messenger services		50			50
" 28	" Postage		5 00	5 00		
" 29	" Telegram		25			25
" 30	" Car fare for Messenger		25			25
" 30	" Express		50		50	
" 30	To Cash Received for Sept payments	21 29	21 29	17 04	1 25	3 00
" 30	By Balance		50 00			
		71 29	71 29			
Oct 1	To Balance	50 00				

INCOME AND EXPENDITURE *versus* RECEIPTS AND PAYMENTS.

An Income and Expenditure Account is the same thing as a Loss and Gain Account. An Account of Receipts and Payments is a summarized statement taken from a Cash Book and shows only cash transactions.

Section 36.

SELF-BALANCING LEDGERS.

In all businesses of any size we generally find more than one Ledger in use. Thus we may find a Sales Ledger, in which will be found the accounts of the persons to whom the firm sells goods, a Purchase Ledger, in which will be found the accounts of the persons from whom the firm buys goods, and a General Ledger, in which will be found the rest of the accounts of the business. The fact that we are thus able to get the accounts of a certain kind together would give one reason for having a number of Ledgers. We find another reason in the fact that a number of ledger-keepers may be needed to do the work, and it would be impossible for all of them to work on one Ledger at once.

Sometimes a Sales and Purchase Ledger are again divided. For example, we may have a city Sales Ledger and a country Sales Ledger, or we may have Sales Ledger A to L, and Sales Ledger M to Z, etc.

The General Ledger may also be divided. Dicksee speaks of two divisions: the Nominal Ledger (comprising Nominal Accounts except the Trading and Profit and Loss Accounts), and the Private Ledger (comprising Capital Account, Real Accounts, Trading and Profit and Loss Accounts). He adds: "The exact subdivision is, of course, a matter of convenience rather than principle."

Now, the mere fact that we thus divide the work among a number of Ledgers instead of keeping it all in one Ledger will not alter the results in the Trial Balance or in the statements. A correct Trial Balance, for instance, must be produced whether we keep one Ledger or three. If, however, a mistake should arise, it is very desirable to know which Ledger is incorrect. For this reason it is advisable to have each Ledger so arranged that each Ledger-keeper can take off a Trial Balance of his own Ledger independent of the work of the others. In other words, it is advisable to have a Ledger self-balancing. This, you will find, is easily provided for, with but little extra work, by having adjustment or controlling accounts in each Ledger.

To illustrate: We pass a series of simple transactions through a Sales Book, Purchase Book and Cash Book, and show the posting of these entries to the Sales Ledger, Purchase Ledger, and General Ledger. As our main object is to show how these different Ledgers may be made self-balancing, and not to illustrate any peculiar forms of books, we shall merely attempt a skeleton detail in the Cash Book, Sales Book, and Purchase Book.

Transactions.

June	1. Commenced business with a cash investment of.....	\$10,000 00
"	1. Paid one month's rent in cash.....	100 00
"	2. Bought of King & Co., on account, Mdse.....	716 00
"	2. Sold B. Small, on account, Mdse.....	121 75
"	3. Sold E. Long, on account, Mdse.....	94 75
"	4. Bought of H. Dewar, on account, Mdse.....	468 75
"	6. Paid King & Co., on account.....	500 00
"	8. Received cash on account from B. Small.....	50 00
"	10. Paid sundry expenses in cash.....	25 00
"	15. Received cash on account from E. Long.....	50 00
"	20. Paid H. Dewar on account.....	300 00

The entries as placed in the different books will appear as follows:

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CASH BOOK—RECEIPTS.

Date	Memoranda	Credit Accts.	Fo.	Sales Led.	Gen. Led.
1912					
June 1	Investment	Proprietor	1		
" 8	On Account	B. Small	3	\$50	\$10,000 00
" 15	" "	E. Long	3	50	
				100	10,000 00
					100 00
					10,100 00

CASH BOOK PAYMENTS.

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Date	Memoranda	Debit Accts.	Fo.	Pur. Led.	Gen. Led.
1912					
June 1	One Month's Rent	Rent	1		
" 6	On Account	King & Co.	2	\$500	\$100 00
" 10	Sundry Items	Expense	1		25 00
" 20	On Account	H. Dewar	2	300	
				800	125 00
					800 00
					9,175 00
					\$10,100 00

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PURCHASE BOOK.

Date	Memoranda	Credit Accts	P.L. Fo.	Sundries	Totals
1912					
June 2	On Account	King & Co.	2	\$716 00	
" 4	" "	H. Dewar	2	468 75	\$1184 75

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SALES BOOK.

Date	Memoranda	Debit Accts.	S.L. Fo.	Sundries	Totals
1912					
June 2	On Account	B. Small	3	\$121 75	
" 3	" "	E. Long	3	94 75	\$216 50

STEPS IN POSTING.

1. Post the Purchase Book by opening an account for King & Co. in the Purchase Ledger, and credit them with **\$716.00**. Open another account for H. Dewar, and credit him with **\$468.75**. To put the Ledger in balance, carry the total of the Purchase Book, **\$1,184.75**, to the debit of General Ledger Adjustment Account. Next make a Journal entry as follows to carry the results of this work to your General Ledger:—

Purchases	\$1,184 75
To Purchase Ledger Adjustment Account	\$1,184 75

Post this Journal entry to your General Ledger.

2. Post the Sales Book to the Sales Ledger by debiting B. Small for **\$121.75**, and E. Long for **\$94.75**. To balance this Ledger, carry the total of these two sales, **\$216.50**, to the credit of General Ledger Adjustment Account. Next make a Journal entry as follows to carry the results of this work to the General Ledger:—

Sales Ledger Adjustment	\$216 50
To Sales	\$216 50

Post this Journal entry to the General Ledger.

3. Post the debit side of the Cash Book by crediting Proprietor in the General Ledger for **\$10,000.00**, and crediting Small and Long for **\$50.00** each in the Sales Ledger. Next, open a Cash Account in the General Ledger, and debit it for **\$10,100.00**. Next turn to your Journal and make the following adjustment entry:—

General Ledger Adjustment (Sales Ledger)	\$100 00
To Sales Ledger Adjustment (General Ledger)	\$100 00

4. Post the credit side of the Cash Book by debiting Rent and Expense in the General Ledger for **\$100.00** and **\$25.00** respectively, and by debiting King & Co. and H. Dewar in the Purchase Ledger for **\$500.00** and **\$300.00** respectively. Next, balance this posting by crediting Cash in the General Ledger for **\$925.00**. Then make your adjustment entry in the Journal as follows:—

Purchase Ledger Adjustment (General Ledger)	\$800 00
To General Ledger Adjustment (Purchase Ledger)	\$800 00

Post these adjustment entries.

Note: The Sales Ledger Adjustment Account and the Purchase Ledger Adjustment Account as kept in the General Ledger are sometimes referred to as Controlling Accounts.

In the short set just illustrated we have used simply the Cash Book to show receipts from customers or payments to creditors. It will be understood from previous sets that it is quite possible to have entries for customers and creditors in the Journal or Bill Book. To accommodate this idea of self-balancing Ledgers it will be necessary to have the Journal and Bill Books ruled with special columns, as we illustrated in the case of the Cash Book. We must, in every book of original entry, have columns to show credits to customers or debits to creditors. In posting these books the same general plan will be followed that was illustrated in the case of the Cash Book. For instance, if we use the Bills Receivable Book as a principal book it would be necessary on its left or debit side to have a special column headed "Accounts Receivable" or "Sales Ledger." Any items which would appear in this column would be posted to the credit of the different customers mentioned in the Sales Ledger, while an adjustment entry would have to be made as illustrated in the posting of the debit side of the Cash Book. If the Bills Payable Book were used as a principal book it should have a special column headed "Purchase Ledger" or "Accounts Payable." Each of the figures in this column would be debited to the person opposite whose name it appears, by an entry in the Purchase Ledger. Then an adjustment entry for the total amount would be made as illustrated in the posting of the credit side of the Cash Book. A little thought will point the way to the handling of the posting of such special columns in the Journal.

The Ledgers with this work would appear as follows:—

DR.		GENERAL LEDGER.										CR.			
PROPRIETOR.															
						1912 June	1	C. B.	62	10,000					
PURCHASES.															
1912 June	30	J.D.B.	1,184		75										
PURCHASE LEDGER ADJUSTMENT.															
1912 June	30	J.D.B.	800			1912 June	30	J.D.B.			1,184	75			
SALES.															
						1912 June	30	J.D.B.			216	50			
SALES LEDGER ADJUSTMENT.															
1912 June	30	J.D.B.	216		50	1912 June	30	J.D.B.			100				

CASH

1912					1912				
June	30	C.B.	62	10,100	June	30	C.B.	63	925

RENT.

1912				
June	1	C.B.	63	100

EXPENSES.

1912				
June	10	C.B.	62	25

2 DR.

PURCHASE LEDGER.

CR.

KING & Co.

1912					1912				
June	6	C.B.	63	500	June	2	P.B.	72	716 00

H. DEWAR.

1912					1912				
June	20	C.B.	63	300	June	4	P.B.	72	468 75

GENERAL LEDGER ADJUSTMENT.

1912					1912				
June	30	P.B.		1,184 75	June	30	J.D.B.		800

3 DR

SALES LEDGER.

CR.

B. SMALL.

1912					1912				
June	2	S.B.	68	121 75	June	8	C.B.	62	50

E. LONG.

1912					1912				
June	3	S.B.		94 75	June	15	C.B.	62	50

GENERAL LEDGER ADJUSTMENT.

1912					1912				
June	30	J.D.B.		100	June	30	S.B.	68	216 50

From these different Ledgers Trial Balances may be taken which will appear as follows :--

TRIAL BALANCE—GENERAL LEDGER

Proprietor			10,000	00
Purchases	1,184	75		
Pur. Ledger Adjustment	800	00	1,184	75
Sales			216	50
Sales Ledger Adjustment	216	50	100	00
Cash	10,100	00	925	00
Rent	100	00		
Expense	25	00		
	12,426	25	12,426	25

The Trial for Purchase and Sales Ledger may be shown in the same way.

The student will find in his practical work that many concerns which have adopted this system do not keep adjustment accounts in the subsidiary ledgers, but check these up with the controlling accounts in the general ledger from time to time. This is an abbreviation of the method outlined, but we have thought best not to point it out until you had become thoroughly acquainted with the complete theory of the system, after which, as in the case of any system, changes and abbreviations may be made to suit circumstances. In the above case, the subsidiary ledgers, of course, will not show a complete balance within themselves, but should agree with the balance of the corresponding controlling account in the general ledger, which is a check on the accuracy of the work in the subsidiary ledger. From this you will understand that it is no violation of the principles outlined if they are put into operation under a different form.

CONTROLLING AND ADJUSTMENT ACCOUNTS.

PURCHASE LEDGER, SALES LEDGER AND GENERAL LEDGER MADE SELF BALANCING.

The books to be kept in this work are : Journal Day Book, Sales Book, Invoice Book, Cash Book, General Ledger, Sales Ledger, Purchase Ledger, Bills Receivable Book, Bills Payable Book.

Journal Day Book.

Use the columnar form with columns on the debit side for "Accounts Payable," and "General," and on the credit side for "Accounts Receivable," and "General."

Cash Book.

The debit side of this book will be provided with the following columns : "Accounts Receivable," "Discount Debit," "Amount Received," "Cash Sales," "Sundries." When

a customer pays you on account the full amount of the invoice or the full amount of the part of his debt which is cancelled, it is entered in the "Accounts Receivable" column. If any discount is allowed it is placed in the "Discount Debit" column. The actual cash received is entered in the "Amount Received" column. All Cash Sales of Merchandise are entered in the "Cash Sales" column. Other entries are put in the general or "Sundries" column.

On the credit side of the Cash are the following columns: "Accounts Payable," "Discount Credit," "Amount Paid," "Expense," and "Sundries." When you pay one of your creditors, the amount of the invoice or the full amount of that part of your debt which you cancel, is entered in the "Accounts Payable" column. Any discount allowed you is placed in the "Discount Credit" column, and the actual cash paid is placed in the "Amount Paid" column. Expense items are placed in the "Expense" column, and the "Sundries" or general column accommodates the rest of the entries.

Sales Book.

This will not differ in form from that previously shown. The book is intended, as usual, to furnish us with the name of the customer and the amount of his purchase. Cash Sales will not be entered in the Sales Book, but in the Cash Book, in the special column provided for them. If it is desired to have the Cash Sales in the Sales Book it is not customary to extend the amounts of such sales into the Posting Column. All other sales will be entered in the name of the purchaser, settlement by Note being arranged for in the Bill Book. The Manifold Billing System may be used.

Invoice Book.

This may be kept as previously illustrated. All purchases of merchandise are entered to the credit of the person from whom bought, all settlement by note or cash being arranged by debits to their accounts in the Bill Book or Cash Book.

Bill Books.

The Bill Books may be used as previously illustrated. The debit side of the Bills Receivable Book may be arranged with two columns: "Accounts Receivable" and "Sundries," while the credit side of the Bills Payable may be arranged for "Accounts Payable" and "Sundries." If it is not desired to use the Bill Books as principal books these special columns will not be so necessary as the entries for bills will be passed through the Journal and the special columns for Accounts Receivable and Accounts Payable are found there.

Posting.

Follow the directions given in the short illustrated set for making each of the Ledgers self-adjusting. When the posting is finished show a Trial Balance for the three different Ledgers and using the Trial Balance of the General Ledger, show the customary statements and comparative percentages.

WHOLESALE CROCKERY SET.

PRICE LIST.

	Buying price.	Selling price.
White china plates, per dozen.....	13 00	\$7 50
White china soups, per dozen.....	6 00	7 50
White china soup tureens, complete.....	9 50	11 75
White china teas, Saxon, per dozen.....	8 00	10 00

	Buying Price.	Selling Price.
White china coffees, per dozen	\$12 00	\$15 00
White china egg cups, per dozen	1 75	2 25
White china sauce plates per dozen	1 20	1 50
White china tea sets	8 50	10 60
Decorated china tea sets	22 50	28 10
White china dinner sets	20 00	25 00
Decorated china dinner sets	36 50	45 60
Belleck china tête-à-tête sets	15 00	18 75
Goblets, engraved, each	90	1 15
Tumblers, engraved, each	45	60
Decanters	2 15	2 81
Fancy Cologne bottles, per pair	8 00	10 00
Busts, Byron and Scott	3 00	3 75
Umbrella stands	3 10	3 85
Study lamps, nickel	3 50	5 00
Double study lamps, nickel	6 50	8 00
Toilet sets	10 00	13 50
Silver-plated castors	6 50	7 25
Cake baskets	4 25	5 25
Omit Bank Account; keep Expense, Store and Fixtures, and Office Furniture Accounts		

March 1st.—A co-partnership has this day been formed between Student and Charles P. Filkins, to conduct a wholesale and retail crockery business. The firm name to be Student & Filkins, and each partner to share in the Gains and Losses in proportion to his investment.

"Student" invests resources as follows: Cash on hand, \$2,789.14; Geo. E. Newman's Note, at 60 days from Jan. 12th last, and endorsed by H. Breitweiser for \$1,567.25, payable at College Bank, with interest at 6 per cent. per annum; a Note made by Alex. Martin, and payable to E. A. Georger, and endorsed to "Student" at 30 days from Feb. 5th last for \$896.89, payable at Merchants Bank, with interest at 6 per cent. per annum; and the following Book Accounts due him: Geo. E. Newman, \$1,946.11; W. H. Gienny, Sons & Co., \$1,197.56; Geo. A. Beyer, \$419.79.

His liabilities are: A Note favor of Mayer Bros., New York, at 60 days, from Jan. 7th last, with interest at 6 per cent., payable at First National College Bank, city, for \$2,118.82; and the following book accounts, which he owes: A. A. Vantine & Co., Toronto, \$382.46; Dirltridge & Co., London, \$823.09.

Chas. P. Filkins invests resources as follows: Cash deposited in College Bank to credit of Student & Filkins, \$5,779.39; a Note signed by Smith & Davis, and endorsed by Frank Perew, at three months from Jan. 25th last, with interest at 6 per cent., payable at College Bank, for \$4,002.10; Store and Lot valued at \$18,000; horses and wagons valued at \$850.

His liabilities are: A Mortgage on the Store and Lot, dated Oct. 15th last, with interest at 6 per cent. per annum, for \$11,500; a Note at 90 days from Dec. 15th last, favor of John Otto, payable at the College Bank, for \$4,971.25; and the following Book accounts, which he owes: George K. Plimpton, \$1,249.64; Fred B. Curtiss, \$517.75.

2nd.—Paid John R. Munro, carpenter, \$1,027.40, cash, for store fixtures.

Bought of A. Cutler & Sons, for cash, two office desks, at \$125; two large standing desks and walnut partition, to order, \$417.42; two patent office chairs, at \$10; two dozen walnut chairs, at \$42.

Mar. 3rd.—Bought of A. A. Vantine & Co., Toronto, Misc., as per Invoice No. 1, amounting to \$3,421.16, on 60 days' time, with 2½ per cent. off if paid within 30 days.

4th.—Accepted Dirthridge & Co.'s draft on us at 10 days' sight for \$500, payable at our office.

Sold Chas. E. Young, on account, 2 dozen W. C. plates, 1½ dozen W. C. soups, 2 dozen teas, 2 dozen coffees, 24 goblets, engraved.

Sold Wm. H. Gratwick, for cash, 1 decorated china dinner set, 1 Belleck tête-à-tête set, 2 study lamps, nickel, 1 umbrella stand, 1 toilet set, and 1 cake basket.

5th.—Geo. E. Newman paid \$850 cash, and gave his Note at 15 days, payable at Bank of Montreal, for \$650, to apply on account.

Sold Van R. Martin, on account, 1 decorated china tea set, 1 W. C. dinner set.

Received for cash sales to-day, \$135.92.

6th.—Bought of Taylor & Co., Toronto, a fire-proof safe for \$495, cash. Paid freight on same, \$67.42.

Sold F. S. Pease on his Note at 15 days, payable at our office at 6 per cent. per annum 1 Belleck china tête-à-tête set, 4 decanters, 1 pair fancy Cologne bottles, 1 bust Byron, 1 bust Scott, 2 double study lamps, 1 toilet set.

Received for cash sales to-day, \$214.86.

Paid George K. Plimpton, cash, \$425, and accepted his draft on us at 10 days' sight, favor of John Tift, payable at Tift's office, for \$324.64, to apply on account.

Sold Geo. E. Newman, on account, 48 tumblers, engraved, 36 goblets, engraved, 10 toilet sets, 6 umbrella stands, 8 silver-plated castors, 4 decorated china tea sets, 4 dozen W. C. Plates, 6 dozen W. C. soups, 5 soup tureens complete, 8 dozen W. C. teas.

8th.—Secured insurance on store for \$15,000; furniture and fixings, \$2,000; goods in stock, \$8,000. Paid premium in cash, 1½ per cent.

Sold James F. Chard, on account, 2 soup tureens complete, 2 dozen W. C. teas, 2 dozen W. C. coffees, 1 decorated china dinner set, 1 silver-plated castor, 1 cake basket, 2 toilet sets.

Received for cash sales to-day, \$364.91.

9th.—Had Smith & Davis' Note for \$4,692.10, with interest at 6 per cent., discounted at the bank, and the proceeds placed to our credit, less 10 per cent. discount for the balance of time the Note has had to run.

Sent A. A. Vantine & Co., cheque on bank for \$3,500, to apply on account.

Bought of Havilland, Merritt & Co., Hamilton, Goods amounting to \$5,613.47, as per Invoice No. 2, on 90 days' time, with 3 per cent. off if paid within 30 days. Paid half cash, balance on terms quoted.

Sold David R. Morse, on his Note at 10 days, payable at Bank of Commerce, 1 decorated china tea set, 1 decorated china dinner set, 36 goblets, engraved, 2 double study lamp, 2 toilet sets, 1 umbrella stand, 1 Belleck tête-à-tête set, 6 decanters, 6 pair fancy Cologne bottles, 1 W. C. soup tureen, 1 silver cake basket, 1 silver-plated castor.

Received for cash sales to-day, \$479.11.

10th.—Received \$446.11, cash, of Geo. E. Newman, to apply on account.

Sold W. H. Glenny, Sons & Co., on account, 6 dozen W. C. plates, 6 dozen W. C. soups, 3 soup tureens complete, 6 dozen W. C. coffees.

Received for cash sales to-day, \$261.54.

Alex. Martin's Note due to-day, has been settled by paying half the face of the Note in cash, which was to include the interest due, and a new Note for the balance at 20 days, payable at the Merchants Bank with interest at 8 per cent.

11th.—Drew a Sight Draft on George A. Beyer, for amount of his account, and left it at First National College Bank for collection.

Bought of Greenland Non-Explosive Lamp Co. on our Note at 10 days with interest at 8 per cent., payable at Bank of Montreal, 72 study lamp, nickel; 60 double study lamps.

Sold George E. Newman, on account, 10 decanters, 6 pair fancy Cologne bottles, 12 busts Byron and Scott, 4 white china dinner sets, 3 Belleck tête-à-tête sets, 8 white china tea sets.

Paid our Note and interest due to-day, favor Mayer Bros., per cheque on College Bank for half the face of the Note, which was to include the interest due; the balance was renewed at 10 days with interest, payable at the Merchants Bank.

Received for cash sales to-day, \$516.24.

12th.—Bought horse and wagon, for delivery, of George Efner, for \$462.19, cash.

Deposited cash remaining in College Bank.

Van R. M. returned the W. C. dinner set sold him on the 5th inst. and we sell him on account, 1 W. C. dinner set, 1 Belleck tête-à-tête set, 1 umbrella stand, 1 double study lamp, 36 goblets, engraved.

Received for cash sales to-day, \$195.15.

13th.—The Bank note at our Sight Draft on George E. Beyer has been paid and placed in our credit.

Sold Townsend Davis, on his Note at 10 days, payable at our office, 2 toilet sets, 1 pair fancy Cologne bottles, 1 W. C. tea set, 1 soup tureen complete, 1 study lamp, nickel, 2 decanters.

Received for cash sales to-day, \$324.88.

Paid clerk hire to date, \$216.04.

Deposited cash remaining on hand in College Bank. (Rule up the books and post Ledger and make Trial Balance.)

15th.—The store has been destroyed by fire. The safe, containing account books and papers, was found in good condition, but nearly all the stock has been destroyed, except a small quantity which was removed from the building. Submitted proof of loss to the Insurance Agent, and made a claim for \$8,000 loss on Mdse., \$2,000 loss on furniture and fixtures, and \$15,000 loss on building.

Rented store No. — Main street for one year, at \$2,400 per annum. Gave cheque for one quarter's rent in advance.

Bought of Chas. G. Shepard, the counters and shelving in store just rented. Gave him cheque in payment for \$750.

16th.—Purchased of W. H. Glenn, Sons & Co., city, wholesale rates, goods as per Invoice No. 4, amounting to \$4,127.49. They allow us 3 per cent. discount for cash. Applied our account against them and gave cheque for balance.

Sold James G. Forsyth for Cash, 1 W. C. dinner set, 1 decorated china tea set, 1 Belleck tête-à-tête set, 1 soup tureen complete, 36 goblets, engraved, 2 double study lamps, nickel.

Received cash for half the amount of George Newman's Note, due to-day. Renewed balance at 10 days with interest at 10 per cent., payable at Merchants Bank.

17th.—Sold Charles E. Young, on account, 2 dozen egg cups, 4 dozen sauce plates, 1 W. C. tea set, 18 tumblers, engraved, 2 busts, 3 toilet sets.

Paid our acceptance of the 4th inst., by giving Martin's renewal of 10th inst. on 10 per cent. discount and the balance in cash.

Received for cash sales to-day, \$49.12.

18th.—Settled with Insurance Co.'s by accepting \$6,000 for loss on Mdse., \$1,100

for loss on office furniture, \$900 for loss on store fixtures, and \$12,500 for loss on building. Received their cheque for same and deposited in College Bank.

Sent A. A. Vantine & Co. cheque for balance of their account, less 2½ per cent. discount, on bill of March 3rd.

Settled Chas. P. Filkin's Note of Dec. 15th last, favor of John Otto, paying half cash, balance on new Note at 30 days with interest at 6 per cent., payable at College Bank.

19th.—Sold at auction all the damaged goods saved from fire, and received cash, \$715.29.

Paid cash for new office furniture, \$569.03

Paid our acceptance, favor John Tutt, by giving cash \$300, and our order on James F. Chard for the balance.

20th.—Sold Chas. H. Austin, on his Note, payable at Bank of Commerce at 6 days, 8 dozen W. C. plates, 6 dozen W. C. soups, 10 soup tureens, complete, 12 dozen W. C. teas, Saxon, 9 dozen W. C. coffees, 7 dozen W. C. egg cups, 8 dozen W. C. sauce plates.

Received for cash sales to-day, \$299.18.

Deposited cash on hand in First National College Bank.

21st.—Townsend Davis prepays his note on 8 per cent. discount in cash.

Sold lot on which our former store was located, to Jacob Schoelkopf for \$3,750. Received his cheque on German Bank for \$1,250, and his note at 60 days payable at Merchants Bank for balance.

Sold James F. Chard, on account, 2 dozen W. C. egg cups, 3 dozen W. C. sauce plates, 1 decorated tea set, 1 double study lamp, nickel, 24 tumblers, engraved, 1 umbrella stand.

Received cash for David R. Morse's note.

23rd.—Bought of La Baste Glass Works Co., Hamilton, on account, bill of glassware as per invoice No. 5, amounting to \$1,462.12.

Having obtained A. Martin's renewal from W. McIntosh at face value for Mdse., he now prepays it by giving us \$200 in Mdse. with 10 per cent. off and paying the balance in cash; discount on Note until maturity, 12 per cent.

Geo. E. Newman has become insolvent and can only pay 13 cents on the dollar. We settle his note, due to-day, on that basis.

Received for cash sales to-day, \$561.94.

24th.—Sold two horses and wagons to Wm. Somerville for cash, \$512.50.

Received cash for F. S. Pease's Note to-day.

Sold Geo. A. Beyer, on account, 1 decorated china dinner set, 2 decorated china tea sets, 1 Belleck tête-à-tête set, 3 toilet sets, 2 double study lamps, nickel.

Paid Fred B. Curtis cash in full of account.

Our notes due to-day have been paid in cash.

25th.—Gave cheque for \$10,000 to pay interest due on mortgage to date, and balance to apply on mortgage.

Received for cash sales to-day, \$343.69.

26th.—Sent Havilland, Merritt & Co. cheque on Bank for amount of their bill of March 9th, less 3 per cent. discount.

Geo. E. Newman's account has proved to be worthless. Make an entry to close it up. Discounted our renewal favor of Otto at 10 per cent.

27th.—Paid monthly office expenses and clerk hire as per Petty Cash Book, \$413.84.

29th.—Newman's renewal due to-day, with interest, has proved entirely worthless. Charles Austin's Note, due to-day, has been renewed in full for 10 days with interest at 10 per cent.

Post up the books and take off a Trial Balance.

Merchandise on hand is valued at \$7,791.42.

Rent paid in advance, \$500.

Write off 5% Depreciation from store fixtures and 3% from office furniture.

Make an allowance of 10 per cent. on Accounts Receivable for possible bad debts.

Section 37.

PARTNERSHIP SETTLEMENTS.

It is presumed that by this time the student is familiar with the handling of a Proprietor's Account. If we picture such an account in our Ledger we see on the credit side the amount of the investment and of the net gain. On the debit side we see the amount of the liabilities brought into the business, withdrawals during the period, and net loss, if any.

Where a business is controlled by two or more partners, we find each partner's account presenting the same items as just enumerated. When it comes to putting in the net gain, or the net loss, however, we are brought face to face with the first real problem in partnership settlements. How is the net gain or loss apportioned?

As a partnership is a voluntary contract, and the partners have power to make any agreement they may see fit, we may expect to find a variety of agreements. Gains may be divided equally, in other fixed proportions, or according to average net investment. If there is no specified agreement on the point, then equal shares are presumed, in other words, the student must not expect, as in some branches of arithmetic, to find one rule to govern all cases. The great question is, "What does the agreement say?"

In addition to the agreement touching the division of gains or losses, we often find agreements concerning allowances, such as interest and salary. For instance, in order to provide for inequality in capital invested, it is sometimes agreed that each partner shall get a certain rate per cent. on all capital invested, and be charged a certain rate on withdrawals. Again, one partner may be allowed a certain salary in view of superior skill or ability. In handling these allowances the great point to be remembered is that while they are allowances to partners, they are none the less losses to the business. Interest paid or allowed to anyone, partner or outsider, is a loss. The same is true of salary. For instance, A and B are partners, sharing equally in gains and losses, but in addition to getting a share of the gains, A, for special services is to get a salary of \$1,200.00 a year. The entries for the salary allowance, if followed to their final effect, appear as follows:

No. 1. Salary	\$1,200 00	
To A.		\$1,200 00
2. Loss and Gain	\$1,200 00	
To Salary.....		\$1,200 00
3. A.	\$600 00	
B.	\$600 00	
To Loss and Gain		\$1,200 00

We notice that Salary Account is debited only to be immediately credited. The same is true of Loss and Gain Account. So that the whole entry might be boiled down to:

A.	\$600 00	
B.	600 00	
To A.		\$1,200 00

This teaches us that, while A is getting a salary of \$1,200.00, as one of the firm, he is paying himself part of that salary, and must bear his one-half of this loss as he would bear his share of any loss to the business.

This is important to remember, because very often when students are told to adjust such an allowance without disturbing any accounts but those of the partners, it is a common mistake to simply credit the partner for his allowance and never think of the debit side of the account. The same points are to be observed in making an adjustment of an interest allowance.

EXERCISES ON PARTNERSHIP SETTLEMENTS.

(1) J. V. Stock and R. Burton engaged in business Jan. 1, 1884, and agreed to share equally in gains and losses. Interest at 8 per cent. was to be allowed on all investments and charged on all withdrawals. The following is a statement of each partner's account:

J. V. Stock's investment—Jan. 1st, \$6,000; March 14th, \$4,000; July 3rd, \$3,000; Sept. 18th, \$5,000. Withdrawals—April 3rd, \$3,000; June 7th, \$1,500; Oct. 15th, \$800.

R. Burton's investment—Jan. 1st, \$4,000; May 12, \$5,000; July 16th, \$2,000; Oct. 5th, \$1,500. Withdrawals—March 8th, \$2,000; Aug. 15th, \$1,000; Sept. 30th, \$1,200.

At the end of the year the firm had Resources as follows: Mdse. as per Inventory, \$21,460; Real Estate, \$15,000; Cash, \$11,950; Book Accounts, \$13,146.50; Interest Accrued on Bills Receivable, \$1,519.25; Bills Receivable, due, \$11,218.50; Store Fixtures, \$1,320; Delivery Wagon and Horses \$2,100. Their Liabilities were: Mortgage on Real Estate, \$7,000; Interest accrued on same, \$210; Notes Outstanding, \$26,950; Interest accrued on same, \$811.75; Book Accounts owing, \$3,560. It is found that 33 $\frac{1}{3}$ per cent. of the accounts due the firm are uncollectable.

Show the Ledger Accounts of the two proprietors with the Net Gain or Loss properly recorded, and also the entries necessary to adjust interest. The accounts will be closed in the usual way, ruled and footed.

Show a complete list of Journal entries such as the Interest adjustment would occasion if it were carried through all the accounts really affected thereby, and show further how all of these entries may be summarized in one entry which would affect the proprietor's accounts only.

SOLUTION.

Dr.	J. V. Stock.	Cr	
April 3	\$3,000 00	January 1.....	\$6,000 00
June 7.....	1,500 00	March 14	4,000 00
October 15	800 00	July 3	3,000 00
December 31—Share of Loss from		September 18	5,000 00
Interest	600 55	December 31—Net Gam	6,900 16
December 31—P. Worth.....	19,708 19	December 31—Net Interest	708 58
	<hr/>		<hr/>
	\$25,608 74		\$25,608 74
	<hr/>		<hr/>
		January 1—P. Worth:	\$19,708 19

Dr.	R. BURTON.		Cr.
March 8	\$2,000 00	January 1.	\$4,000 00
August 15	1,000 00	May 15.	5,000 00
September 30.	1,200 00	July 16.	2,000 00
December 31—Share of Loss from		October 5.	1,500 00
Interest	600 55	December 31—Net Gain	6,900 17
December 31—P. Worth.	15,092 14	December 31—Net Interest.	492 52
	<hr/>		<hr/>
	\$19,892 69		\$19,892 69

January 1—P Worth.....\$15,092 14

STATEMENT, RESOURCES, AND LIABILITIES BUSINESS OF STOCK & BURTON, JAN. 1, 1885.

<i>Resources.</i>		<i>Liabilities.</i>	
Merchandise	\$21,460 00	Mortgage	\$7,000 00
Real Estate	15,000 00	Interest	210 00
Cash	11,950 00	Bills Payable	26,950 00
Book Accounts	13,146 50	Interest.....	811 75
Interest	1,519 25	Book Accounts	3,560 00
Bills Receivable	11,218 50	Firm's P. Worth	34,800 33
Store Fixtures	1,320 00		
Delivery Wagon	2,100 00		
	<u>\$77,714 25</u>		
Deduct $\frac{1}{3}$ Accounts Rec.	4,382 17		
	<u>\$73,332 08</u>		<u>\$73,332 08</u>

Stock's Cr.	\$18,000	
" Dr.....	5,300	
	<u>\$12,700 00</u>	
Burton's Cr.	\$12,500	
" Dr.	4,200	
	<u>\$8,300 00</u>	

Firm's Net Cr.	\$21,000 00
Firm's P. Worth.....	34,800 33

Firm's Net Gain	\$13,800 33
Stock's half Net Gain	6,900 16
Burton's half Net Gain.....	6,900 17

Crs.		STOCK'S INTERESTS	
\$6,000 for 365 ds. ==	\$2,190,000 for 1 d.		
4,000 " 292 ds. ==	1,168,000 " 1 d.		
3,000 " 181 ds. ==	543,000 " 1 d.		
5,000 " 104 ds. ==	520,000 " 1 d.		

= \$4,421,000 for 1 d.

Drs.

\$3,000 for 272 ds. =	\$816,000 for 1 d.	
1,500 " 207 ds. =	310,500 " 1 d.	
800 " 77 ds. =	61,600 " 1 d.	
		= \$1,188,100 for 1 d.
Net Cr. Interest		= \$3,232,900 for 1 d or \$708.58

Crs

BURTON'S INTERESTS.

\$4,000 for 365 ds. =	\$1,460,000 for 1 d.	
5,000 " 233 ds. =	1,165,000 " 1 d.	
2,000 " 168 ds. =	336,000 " 1 d.	
1,500 " 87 ds. =	130,500 " 1 d.	
		= \$3,091,500 for 1 d.

Drs.

\$2,000 for 298 ds. =	\$596,000 for 1 d.	
1,000 " 138 ds. =	138,000 " 1 d.	
1,200 " 92 ds. =	110,400 " 1 d.	
		= \$844,400 for 1 d.
		\$2,247,100 for 1 d. or \$492.52

708.58

492.52

2)1,201.10—Total loss from Interest.

600.55—Share of each partner.

COMPLETE ENTRIES FOR INTEREST.

I.	Interest	\$708.58	
	To Stock		\$708.58
	Interest	492.52	
	To Burton		492.52
	Loss and Gain	1,201.10	
	To Interest		1,201.10
II.	Burton	600.55	
	Stock	600.55	
	To Loss and Gain....		1,201.10

SUMMARIZED.

Burton	600.55	
Stock	600.55	
To Burton		492.52
" Stock		708.58
or Burton	108.03	
To Stock		108.03

(2) A, B, and C form a partnership, investing respectively \$9,600, \$8,400, and \$7,200. They agree to share gains and losses equally and to allow interest on all investments, and charge interests on all withdrawals at the rate of 6 per cent. At the end of four months A invested \$2,000 more, B \$1,400, and C \$800. At the end of the year no settlement of the interest is made until the net gain, \$12,800, has been divided and entered up. The interest is then adjusted. Show the partners' accounts after such adjustment, properly closed, with the balance brought down for next year's business.

(3) H. Mann and J. Ross enter into partnership on Jan. 1st, 1898, each investing \$8,000, under agreement to share gains and losses according to average net investment, and to allow interest at the rate of 6 per cent. on all investments, charging the same on withdrawals. On April 1st Mann withdrew \$3,200, and Ross \$1,600. On Sept. 1st each took out \$2,400, and on Nov. 1st Mann withdrew \$900 and Ross \$700. At the end of the year the capital is \$6,000, and no interest adjustment is made until after the gain is apportioned. Show the proprietors' accounts as they stand on Jan. 1st, 1899.

(4) A, B, and C are partners. On Jan. 1st, 1898, their respective Capital Accounts showed the following credit balance: A, \$75,000; B, \$25,000; C, \$10,000. From that date each partner was to get 6 per cent. per annum on his capital. A was to get $\frac{5}{9}$ of the gains and losses, B $\frac{1}{3}$, and C the remainder. At the end of the year their assets and liabilities were as follows: Premises, \$50,000; Machinery, \$21,000; Tools, \$4,000; Sundry Debtors, \$30,000, less 5 per cent. allowance for bad debts; Bills Receivable, \$20,000, less 5 per cent. allowance for bad debts; Cash in Bank, \$10,000; Cash on hand, \$200; Sundry Creditors, \$30,000; Bills Payable, \$12,000. A was charged up with \$2,000 withdrawn, B with \$1,700, and C with \$1,500.

Write up the Capital Accounts of the three partners in the Ledger.

(5) A, B, and C form a partnership, investing respectively \$9,600, \$8,400, and \$7,200. They agree to share gains and losses according to average net investment and to allow interest on all investments and charge interest on all withdrawals at the rate of 6 per cent. At the end of four months A invests \$2,000 more, B \$1,400, and C \$800. At the end of the year no settlement of the interest is made until after the net gain, \$12,800, has been divided and entered up. The interest is then adjusted. Show the partners' accounts after such adjustment, properly closed, with the balances brought down for the next year's business.

(6) A and B are partners in the business of drilling wells. They invest equally in buying the apparatus and agree to share gains and losses equally. They keep no regular set of books, but at the end of a month they are able to present the following memoranda: Total cash received, \$500, of which A received \$50 and B the balance. Total expenses, \$200, of which A paid \$75 and B the balance.

How would you suggest that they settle with each other provided that B is to receive a salary of \$50 for extra time and services? Show your work.

(7) A and B are partners in a business, sharing gains and losses in the following manner: A $\frac{2}{3}$, B $\frac{1}{3}$. A is to receive a salary of \$1,200 per annum for special services. How much money is he practically clearing in salary? Why? Suppose that he does not draw his salary during the year nor at the end of it, what entry would you make to adjust it before closing books?

(8) A and B are partners with respective investments of \$18,000 and \$30,000, and sharing equally in losses and gains. At the end of the first year the interest on excess of capital at the rate of 7 per cent. is adjusted without the use of Loss and Gain Account. Give the entry.

(9) Jones, Brown and White are in partnership, having \$15,000, \$10,000, and \$5,000 to the credit of their respective Capital Accounts. They share gains and losses equally. At this time they admit Black as a partner, he to invest \$10,000, for which he is to get one-fifth interest in the net assets and good-will of the business, also to share equally in the gains and losses with the other partners.

Make a Journal entry for the transaction, and state how much stands to the credit of each partner after this has been put through the Ledger.

(10) James Green took into partnership Thomas Wood on the following terms: Green to have $\frac{2}{3}$ of the profits and Wood to have $\frac{1}{3}$. Green was to be allowed 4% interest on the capital invested and Wood was to manage the business on a yearly salary of \$500 and $\frac{1}{2}\%$ of the gross sales. Wood invested no capital. At the beginning of the year the following Trial Balance was taken:

Dr.		Cr.	
Purchase Account	\$14,370 00	Sundry creditors	\$4,750 00
Sundry debtors	8,380 00	Green's Capital Account.....	21,750 00
Cash on hand.....	3,750 00		
	<hr/>		<hr/>
	\$26,500 00		\$26,500 00

At the end of the year the following Trial Balance was taken:

Dr.		Cr.	
Purchase Account.....	\$62,500 00	Green's Capital Account	\$21,750 00
Salary Account	3,750 00	Sales Account	56,750 00
Freight.....	5,750 00	Sundry creditors	6,250 00
Expense	500 00		
Cash on hand	6,000 00		
Sundry debtors	5,250 00		
J. Wood's Private Account ..	1,000 00		
	<hr/>		<hr/>
	\$84,750 00		\$84,750 00

The goods on hand at this time were valued at \$20,000. No entry has been made yet for the amount due Wood on Salary Account.

Make Journal entries for Green's Interest on Capital, and Wood's salary and commission. Also make Balance Sheet showing the present standing of the business.

(11) Thompson and Wilson went into partnership on Jan. 1st, 1899, Thompson investing \$22,000, and Wilson \$4,000. During the year they lost \$5,900 without reckoning Interest on Capital, which, by the agreement, is to be taken at 5% per annum. During the year the partners have withdrawn the following amounts on which no interest is to be charged: Thompson, \$2,800, and Wilson, \$2,000. They share gains and losses as follows: Thompson, $\frac{2}{3}$, and Wilson, $\frac{1}{3}$. Draw up a statement showing the position of both partners at the beginning of 1900.

(12) A, B, and C, entered into an agreement to buy and sell wheat jointly. They bought 60,000 bushels at 65c. per bushel, and 21 days later they sold the same at 70c. per bushel. The charges for storage, labor, etc., amounted to \$500. It was arranged that each should invest equally in the venture or pay interest on the deficiency for the 21 days covered by the transaction. A put in cash \$13,800, B put in cash, \$13,200, C put in cash \$12,000. The profits were to be divided equally. Each partner receives the amount of cash due him.

Make Journal entries for the above transactions, post same to Ledger, and close the accounts.

(13) W. Gray and John Hood purchased a business consisting of two stores for \$40,000, Gray taking a two-fifths interest and Hood a three-fifths interest; they are to share gains and losses accordingly. Gray takes charge of one and Hood the other, each keeping a bank account in his own name. During the year Gray receives cash \$37,720.19, and pays out \$29,870.15; Hood receives \$40,910.15, and pays out \$50,912.24. The business is then sold for \$51,330 cash, which is deposited to their joint account.

Prepare a statement to be submitted to the partners, showing clearly what each one is entitled to.

(14) A, B, and C are partners with equal investments and share gains and losses equally. A is allowed a salary of \$900 per year, B \$1,100, and C \$1,200. The net gain irrespective of salaries is \$3,000. They have exactly this amount of cash on hand. As it is the intention of the firm to leave their original capital unchanged, this amount of money is divided among them.

Prepare a statement showing clearly how much each partner is entitled to, no salaries having yet been paid.

Section 38.

AUDITING.

An audit is an examination of the accounts, vouchers, and statements of a business. Its object may be said to be:

- (a) The detection of fraud.
- (b) The detection of technical errors.
- (c) The detection of errors of principle.

With regard to the scope of an audit, it may be said that it sometimes extends to a checking of every entry. Again, the accuracy of accounts may be verified by tests, which render checking of every posting unnecessary. It may also be noted that those for whom an audit is being made may give specific directions to the effect that the audit is to be of a partial nature. Sometimes the auditor in such cases is told what he is to examine, while in other cases it is left to his discretion as to what he shall examine, in order to bring in a report on the point submitted for his opinion.

Regarding the methods of audit, they may be said to be either continuous or completed. The continuous audit involves the examination of the books at stated periods, say once every month during the year. By this system the bookkeeper is kept closer up to his work, and the auditor has a better opportunity of making a thorough examination. It may be said, on the other hand, that the bookkeeper, during the intervals between audits, has the opportunity to make changes in the work, and thus to perpetrate fraud. By the completed audit we understand the system whereby the books are placed in the auditor's hands at the end of the year. The advantages and defects spoken of in connection with the continuous audit are here simply reversed.

The Ontario Companies Act in sections 125 to 133 deals with the matter of an audit for Joint Stock Companies as follows:

" 125. The accounts of the corporation shall be examined once at least in every year, and the correctness of the Balance sheet shall be ascertained by an auditor or auditors.

" 126. The first auditors of the corporation may be appointed by the directors before the first meeting of the shareholders or members, and the auditors so appointed shall hold office until the first general meeting.

" 127. Thereafter the auditors shall be appointed by resolution at a general meeting of the corporation; they shall hold office until the next annual meeting unless previously removed by a resolution of the shareholders or members in general meeting.

" 128. The auditors may be shareholders or members of the corporation, but no person shall be eligible as an auditor who is interested, otherwise than as a shareholder or member, in any transaction of the corporation, and no director or other officer of the corporation shall be eligible during his continuance in office.

" 129. If an appointment of auditors is not made at an annual meeting, the Provincial Secretary may, on the application of any member or shareholder of the corporation appoint an auditor of the corporation for the current year, and fix the remuneration (if any) to be paid to him by the corporation for his services.

" 130. The directors of a corporation may fill any casual vacancy in the office of auditor, but while any such vacancy continues the surviving or continuing auditor or auditors (if any) may act, and any auditor shall be eligible for reappointment.

" 133. Every auditor of a corporation shall have the right of access at all times to the books, accounts, and vouchers of the corporation, and shall be entitled to require from the directors and officers of the corporation such information and explanation as may be necessary for the performance of his duties, and the auditors shall sign a certificate at the foot of the balance sheet stating whether or not their requirements as auditors have been complied with and shall make a report to the shareholders or members on the accounts examined by them, and on every balance sheet laid before the corporation in general meeting during their tenure of office; and in every such report shall state whether, in their opinion, the balance sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the corporation's affairs as shown by the books of the corporation; and such report shall be read before the corporation in general meeting."

As far as the method of procedure is concerned, it will be understood that the auditor is a law unto himself. We have thought it wise, however, to quote the standard English authority on the subject, Dicksee. In his work, "Auditing," he quotes the following instruction as to the method of conducting an audit:

1. In commencing a new audit you should obtain a list of all the books kept, and of all persons authorized to receive or pay money or order goods.

2. In the case of a Joint Stock Company, examine the Articles and Board Minutes respecting the receipt and payment of money and the drawing of cheques, acceptances, etc.

3. Ascertain and take note of the general system upon which the books are constructed, and the plan of checking the correctness of the accounts paid, and whether exclusively or generally by cheques.

4. Report the accounts and vouchers are submitted to the Board of Directors by an Account Committee or otherwise, and whether they are systematically checked and certified; note any discrepancies.

5. Examine all the items in the Cash Book with the Bank Pass Books and vouchers, and put your usual audit initials in the Pass Book and to every item in the Cash Book. Ascertain if the Bankers' Pass Book is frequently entered up and examined.

6. Note any unusual or extraordinary payments or receipts.

7. In regard to the payments for wages and petty cash, note any unusual items and see that vouchers for all payments are kept and produced.

8. Report whether a rough Cash Book is kept, and whether the fair Cash Book is regularly and punctually posted and balanced and if the balance is checked.

9. Report also if the entries in the fair Cash Book are in arrear, on account of the current year, and if so, to what extent, and why?

10. In all cases where branch establishments are included in one business, you will be careful to examine into the mode of bringing the returns of work, accounts and expenses to the head office.

11. Examine all the Day Books and see that the proper returns of purchases and sales are made by each department, and that the Bought and Sold Books are properly entered up; that the invoices are properly checked as to quantities and prices; obtain a declaration, or otherwise satisfy yourself, that every liability of the year is brought into account.

12. The postings in the Personal Ledgers must be checked from the Bought and Sold Day Books and the Cash Book, and also from the Bill Books and Journal.

13. The postings in the nominal or impersonal Ledgers must be checked from the journalizing of the Bought and Sold Day Books, the Bill Books, the Invoice Books, and the Cash Books, and the mode and correctness of the journalizing must be carefully proved.

14. Examine the Bills Receivable and Bills Payable Books, and note any item of past due, renewed or dishonored bills, and make list of same and of the securities, if any.

15. Examine the entries and transfers passed through the Journal, and check the postings; and, although you are not held responsible for the details of classification, it is desirable you should make any suggestions required, and note any discrepancies, especially in relation to the division of expenditure, on account of Capital and Profit and Loss Accounts respectively.

16. Examine the Share Register and see that the amounts received for calls agree with the entries in the Bank Pass Books, and that they are correctly posted to the credit of the respective shareholders in the Share Ledger; that all transfers from the transfer deeds are duly entered in the Register of Transfers, and also that the amount of the subscribed and paid-up capital and arrears corresponds with the Balance Sheet.

17. Examine the register of all mortgages on the company's property, and all debenture bonds issued, and note and check the amount of capital paid in advance of calls, and of the receipts and payments in respect thereof with the Bank Pass Books.

18. In the accounts of stocktaking see that all stock sheets and returns are duly signed by the heads of departments, and that the same are correctly carried forward to the General Stock Account; and ascertain and note whether goods finished or in progress are taken at cost price or otherwise; also report whether in large concerns an independent check clerk or valuer has verified the stock returns in regard to price and quantities.

19. In checking the Profit and Loss Account, note whether the usual and proper deductions are made for wear and tear and depreciation, and for recouping of capital on works or premises held on short leases.

20. Take care that in the Balance Sheet no additions are made to expenditure on Capital Account except such as are duly authorized by the Board of Directors, and note the distinction between new works and mere replacements.

21. Ascertain whether the conveyance deeds and other securities specified in the agreement

of purchase and articles of association have been duly executed, and the sums paid by the company on account of purchase have been duly indorsed thereon or otherwise acknowledged to the satisfaction of the solicitors or Board of Directors ; also that the existence and safe custody of these documents have been fully certified ; ascertain by application to the bankers the correctness of any balances, bills or securities lodged with them.

22. Ascertain the correctness of the cash balances, bills, and other securities in hand, and take note of every exceptional transaction.

AUDITOR'S CERTIFICATE.

When the Auditor completes his work it is customary for him to attach a certificate to the Balance Sheet. There is no set form prescribed for this. The following will give an idea of what is required in most cases :

" I have examined the above Balance Sheet, and Profit and Loss Accounts, and have compared them with the books and vouchers of the Company. I hereby certify that they are in accord therewith, and that the above Balance Sheet represents a true and correct view of the Company's affairs."

(Signed) A. B.,

Auditor.

PREPARATION OF BOOKS FOR AN AUDIT.

As we believe that the majority of students will be interested in the preparation of books for an Audit, we submit herewith a few directions as to how the books may be placed in presentable shape.

We will suppose for the purpose of illustrating every point that might come up, that the books are being audited for the first time. It will be necessary for the bookkeeper to have in readiness a list of books used, together with a statement as to how they are kept ; what books are principal, what are auxiliary, how, for instance, his expense items are divided ; in short an intelligent statement of the system he has followed in his work.

If the business is conducted under the auspices of a Joint Stock Company the Charter should be at hand, together with all books and records, such as Minute Books, Subscription Lists, Stock Ledgers, etc. If the business is a partnership, the Articles of Agreement should be produced. In the matter of the preparation of books it will be understood that the work is to be posted from the different books to the Ledger and from the Ledger a Trial Balance obtained. This Trial Balance should be further extended into a Balance Sheet and books closed.

Having thus given the Auditor a general idea of the business and the system of book-keeping, and put the books before him as suggested, he is ready to proceed in his examination. The Cash Book will likely receive his first attention. All receipts of Cash will, as far as possible, be vouched for by the counterfoils of the Receipt Book. The bookkeeper should, therefore, have the stubs of such books used at hand. The payments of cash are generally vouched for by cheques drawn payable to order ; the stubs of the cheque books used should, therefore be produced with the cancelled cheques pasted in. Vouchers should also be produced in the shape of Receipts, Cancelled Acceptances or Notes, etc. In whatever shape they appear they should be arranged in order and a reference marked on them to the page of the book in which the entry concerning them is made. Then the actual balance of cash on hand should be in shape to produce. If it is all in the bank the Pass Book will prove its existence ; this will be the better proof if accompanied by the Bank Manager's Certificate as to the correctness of the balance shown. Sometimes the Pass Book balance and cash

balances are not in accord by reason of some cheques issued not having been presented or some deposit not having been made, in such cases a reconciliation statement should be made out by the bookkeeper for the Auditor's instruction. If a Petty Cash Book is kept the Auditor does not, as a general rule, attempt to check its items in detail. It should therefore be produced with a certificate from some one in authority acknowledging its correctness as far as expenditure goes. The Auditor then simply checks the additions.

RECONCILIATION STATEMENT.

Sept. 30, 1910.			
Balance per Bank Pass Book			\$5,400
Outstanding Check No. 145		\$1,000	
" " 150		400	
" " 162		250	
" " 171		450	
" " 172		200	
Balance per Bank Account		3,100	
			<hr/>
			\$5,400 \$5,400

The examination of the Bills Payable Book will necessitate a list of all bills paid being produced ; these, as before mentioned, should be arranged in order and referred to the books in which the entries are recorded. In the same way the Bills Receivable Book will require a list of the notes on hand to be produced.

Such are the vouchers necessary in checking the work up to the Trial Balance. In looking over the Balance Sheet and verifying the existence of Assets, other papers will be required. Real Estate will be vouched for by the Title Deeds of property, Merchandise on hand, by the Stock Sheets, which should bear the signature of all persons concerned in their preparation, such as the Stocktaker, Calculator, Checker, and Manager. Investments in stock or debenture by the stock certificates or bonds, and Plant and Machinery by certified inventory. In all cases it will be well to have the figure at which these were entered at the beginning of the year at hand, so that it can be ascertained if sufficient was written off the account.

The list of debtors should be prepared on a separate sheet, dividing them under three headings : good, bad, or indifferent ; the age of the balances might also be noted. Sometimes the Auditor will require all these balances to be perfectly vouched for by sending out statements, etc. ; the debtors receiving them to return the same with a certificate as to the correctness of the same. It might also be well to have a list prepared of contingent or indirect liabilities such as, for instance, notes discounted and which bear the company's endorsement.

After the Balance Sheet has been proved to be correct, some of the papers and books first required will again be needed to see that the disposition of the net gain is correctly made. The Articles of Partnership or Minutes of Meetings will certify as to this point, and in the case of a Joint Stock Company the Dividend Sheet will also be produced.

Section 39.

COST ACCOUNTING.

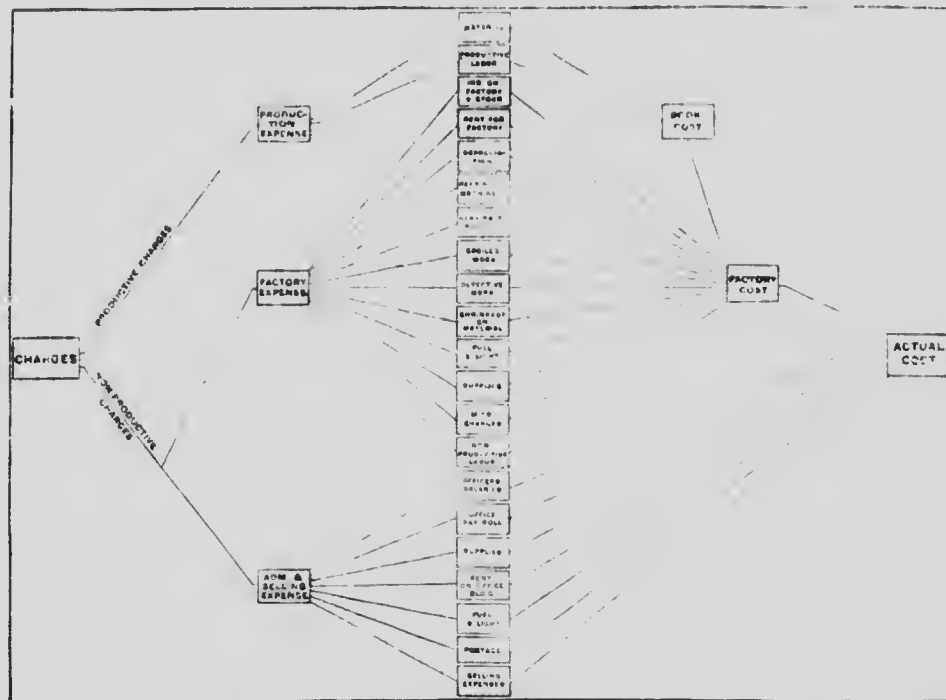
The total cost of any manufactured article is made up of three elements : material, productive labor, general expense.

By material is meant the raw material which actually goes into the finished product. In a chair, for instance, this would consist largely of wood and paint.

By productive labor is meant that labor which is directly applied to a given article or lot. In making a chair, for instance, such work as turning the legs, or painting the chair is classed as productive labor.

General expense is that part of the expense incurred in making an article, which is not applied to the article directly. For instance, the men who fire the boilers, run the engines, oil the machinery, and so on, are helping to make each article that is going through the factory, but they are not working on any one article in particular. The same is true of the work of superintendents and managers who form the official staff. These two simple illustrations will serve to bring home the point that every article manufactured is accountable in some measure for the expense incurred in conducting the business. It will also be clear that this general expense is divided into two classes: first, the general expense of the factory, and second, the expense incurred in conducting the business and marketing the product, which may be called the administrative and selling expense. When these general expenses are reduced to percentages, they are sometimes spoken of as burdens.

Material plus productive labor gives us book cost. Add to the book cost that part of the general expense known as factory expense, and we have the factory cost, or prime cost. Add to this factory cost the administrative and selling expenses, and we have the actual cost or gross cost. The chart we append herewith may serve to give a bird's eye view of the problem.



Now, it would be hard to conceive of a manufacturing establishment that would not, in a general way, keep track of the time its men labored. It is absolutely necessary to the

making up of the pay roll and to the proper paying of the men on pay day that the exact time of each man should be known. This may be taken in a variety of ways, such as by having the men ring in time on a time clock, or put in checks, as they pass into the works. Again, almost any manufacturing establishment would be able to tell from its books that it bought a certain quantity of raw material, used so much of this during the year, and had a certain quantity on hand at the end of the year. Further, we would expect that the books would show in a general way how much both factory and selling expenses amounted to during the year.

The problem in cost accounting is to reduce this general information to particulars. That is, in the matter of time, for example, it must be known not only how many hours each day that each man works, but also the exact articles on which this time is spent. It must be further known not only how much material is bought and used, but the exact quantity that goes into any particular article. In other words, the problems before anyone who would devise a system of cost accounting are three in number :

- (1) How to properly record the time of the men.
- (2) How to properly record the amount of material used.
- (3) How to apportion the general expense.

No general plan may be devised which will suit all cases. We intend, however, to illustrate a simple system of cost accounting as used in a furniture factory. The system will give some idea of how the three problems are solved, and we further hope that it will put the student in such shape that should he read anything along either of these three lines, he will have a definite idea as to the part which the work done plays in a whole system of cost accounting.

For the plan we intend to illustrate, the following forms and materials are necessary :

- (1) Time tickets.
- (2) Material tickets.
- (3) Cost sheets.
- (4) Analysis forms.
- (5) Recapitulation forms.
- (6) Stores Journal.
- (7) Cost Ledger.

TIME TICKET.

Time		Pieces		TIME TICKET			Rate per unit,	
10	200	No. 101	Name.....S. Jones.. ..			25c.		
Units		Charge to	Nature of Service in Detail		No. of Units			
					Pieces	Time		
Date Dec. 11, '10		S.O.—710			10			
		C.—W.						
		O.—DCA-1			Amount			
		N.—3			\$2.50			

The abbreviations may be explained as follows:

- S. O. 710 Shop Order No. 710 the number by which the job is known
 C The character of work done. That is, it may be work on the article such as will always have to be done, and which is designated by the letter (W), or it may be work on something like a drawing or pattern which may do for future cases, and which, therefore, really becomes a part of the plant (P).
 O Object. In this case dining chairs style (A) and the part 1—leg.
 N Operation. In this case 3—turning.

So that we may gather from the ticket that a workman, S. Jones, who is No. 101 on the roll, was at work for 10 hours, turning 200 chair legs. He is paid 25c. an hour, and earned \$2.50. If any more detail is required it can be written in the space allotted.

Each workman is furnished with a book of fifty of these tickets; it is handed to him by the foreman in the morning, and he returns it at night.

If, instead of working all day on one job, he is at different jobs, he fills out a ticket for each. If a man is absent, the foreman reports it on a leaf taken from his book. If a man comes late, the foreman, before giving him his book, marks the first ticket accordingly. If the man leaves early, the last page is filled in accordingly. At the end of the day the foreman goes over all the books handed in. He tears out all tickets used and stamps them with a dating stamp which is taken as a proof of correctness.

MATERIAL CARD								No. <i>5</i>	
From <i>Stores</i>				To <i>Factory</i>					
Charge to				Credit to					
S. O.	C.	Object	N.	S. O.	C.	Object	N.		
<i>710</i>	<i>W</i>	<i>Chair</i>	<i>13</i>						
Quantity				Name and Description					
No.	Units								
Assumed									
<i>400</i>	<i>Pcs. (F)</i>			<i>1" x 1" x 16" Chair</i>					
Actual									
<i>300</i>	<i>Pcs. (S)</i>			<i>Entered in Stores Journal</i>					
Price per Unit				<i>To 5.</i>					
<i>.02 (S)</i>									
Amount									
<i>\$6.00 (C.C.)</i>									
Issued by				Rec'd by		Date			
<i>P. Dunne</i>				<i>J. Roberts (2)</i>		<i>July 7.</i>			

The material tickets are chiefly used to record all material taken from stores to be used in manufacture. The same form can be readily adapted to the working of transfers of material

from one shop to another, in case the material taken out for use on one order is found more than sufficient, and is therefore used on another. The form may also be used to record the handing over of completed articles by the factory to the warehouse.

The above card shows that while for the complete order (100 chairs) 400 leg pieces were required, vouched for by the foreman, only 300 were taken out on this particular card, vouched for by the storekeeper. The cost of these, as assessed by the cost clerk, is \$6.

It now remains to show how the information reported on these cards is utilized. The time tickets may, for the purpose of making up the pay roll, be sorted by the names of the workmen and entered on the time book. For the direct purpose of detailed cost, however, these same cards are sorted by shop order numbers and entered on the cost sheet. Cards relating to material are similarly dealt with. Both kinds of cards may then be filed, with all other cards relating to the same number, in a pigeon-hole labelled with the shop order number.

The Time Book may be kept in any of the forms usually adopted, of which the following will serve as a sample :

S. Jones!																	
34 Metcalf-St																	
Time	JULY													Total	Rate	Cost	
	7	8	9	10	11	12	14	15	16	17	18	19					
Regular	10	10	10	4	10	10	10	10	10	10	10	10	119	25	29	75	
Overtime					1		2		1	2			6	38	2	28	
															32	03	
Regular																	
Overtime																	
Regular																	

This Time Book is not so much a necessity in the system as the Time Ticket. Its chief use would be in the office, in making up the pay roll.

DAILY COST SHEET.											Date
Shop Order	Objects	Labor		Material	Shop Exp'se 3c. per hr.	Gross Cost	Credits	Net Cost	Net Cost per Last Sheet	Net Cost to Date	Remarks
		Time	Cost								
710	100 D Chairs	45	9 00	6 00	1 35	16 35	50	15 85	35 15	51 00	50 Chairs complete
712	500 R. "			50		50		50	150 00	150 50	
713	1,000 K. "	150	30 00	25 00	4 50	59 50	2 50	57	93 00	150 00	

When any order is completed, the cards corresponding to it are taken out of the pigeon-hole file, and an analysis is made of the cost in detail. The following forms show an analysis of labor and material for Shop Order No. 710:

ANALYSIS OF MATERIAL EXPENDED ON SHOP ORDER No. 710.									
Charged to			Name	Quantity	Unit	Price per Unit	Cost		Remarks
C	O	N							
P	D		1½" x 6" Hickory	.5	ft	.05	75		Found
W	H	1	1" x 1" x 16" Oak	200	pcs	.02	8 00		
		4	2½" - 10 R. H. Screws	1	gross	.30	15		
		5	Specify materials				20 00		
		12					7 00		
		15					15 00		
		12					3 50		
		15		Wood Filler	2	gal	.25	75	
							155	15	

ANALYSIS OF LABOR PERFORMED ON SHOP ORDER No. 710.												
Nature of Service	Charged to			Rate per Unit		No. of Units		Cost Items		Total Cost		Remarks
	C	O	N	\$	c.	Pcs.	Time	\$	c.	\$	c.	
Day					35		8	2	50			
"					25		5	1	25			
			2		25		4	1	00			
Piece					50	2	17	1	11	6	05	Special Forms
Day			1		15		20	3	00			
"			5		20		21	4	11			
			2		15		1		15			
			4		17½		100	17	50			
			15		21		58	10		34	65	
							101			40	70	

RECAPITULATED ANALYSIS OF COST OF SHOP ORDER No. 710.									
	Material		Days Worked			Charged to		Total	
			P	W	Total	Plant	Work		
Total Labor per sheet			1.7	19.1	20.8	6	05	34	65
Shop and incidental expenses 10¢ per hr.						5	11	5	79
Material per sheet						75	54	40	55 15
						7	31	94	78
								102	09

From these papers it will be seen that for this order special forms had to be made, the material for which cost 75c. and the labor \$6.05. These figures, together with 51c. for factory burden, brings the charge to plant to \$7.31. The actual labor and material on 100 chairs alone amounts to \$94.78, or roundly 95c. apiece. The use of this information is easily understood. Suppose, for instance, that the maximum price at which a chair of this kind can be sold is \$1.00. Unless the cost can be reduced, the manufacture of this chair cannot be continued. Five cents margin is not enough to allow for administrative and selling expenses, and leave a profit. If a reduction of cost is attempted, it can be done intelligently, as the analysis sheets show just what each operation cost and also the cost of each piece of material. Such information is also of great value in furnishing ready answers to scores of questions concerning manufacturing, which are likely to be asked, and also in putting the office in shape to intelligently estimate on orders of a similar nature.

It now remains to be seen how the factory accounts are connected with the commercial

books. Considering material first, we find that, as bought, it is entered in the usual way to the debit of Stores or Material Account in the General Ledger, in much the same way that we would debit Merchandise Account in the books of a trading concern. These stores are then handed over to the care of a store-keeper, who issues them only on proper requisition by material card. To keep track of what he receives and gives out, the store-keeper would need a Stores or Material Journal. This is kept on much the same plan that a Cash Book is kept. On the debit side will be found stores received, while on the credit side will be found a record of all stores issued. If kept on the columnar plan, as below illustrated, the work of recording will be much facilitated.

The store-keeper also keeps a Stores or Material Ledger. In this Ledger accounts are opened for all the different stores handled. The debit of each account will show the stores received, while the credit will show the stores given out. The sum of the balances will show the quantity of material on hand at any time, subject, of course, to a percentage for shrinkage or waste. For direct costing purposes, however, this Stores Journal is required in making up the Cost Ledger. This Ledger contains accounts for all shop orders or contracts that are going through the factory. Each order or contract is debited with the amount of material taken out of stores for use on it. To balance these individual debits, we may, at the end of, say, each month, carry the total of material issued to the credit of a General Ledger Adjustment Account in the Cost Ledger. Expressed in Journal entry form, this would appear as follows:

Shop order 710.....	\$50
Shop order 711.....	75
Shop order 712.....	80
General Ledger Adjustment Account.....	\$205

To get this detailed information of the Cost Ledger summarized in the General Ledger, we make an entry as follows:

Cost Ledger Account.....	\$205
Stores Account	\$205

Anyone who has carefully studied the principle of self-balancing Ledgers, as before illustrated in this work, will understand the idea of these entries. We may note in passing that the Stores Account in the General Ledger must, by this plan, show as a balance the value of stores on hand. This account, therefore, serves as a check on the store-keeper's Ledger.

Wages earned will be handled in much the same way that material is dealt with. The entry for the Cost Ledger will be as follows:

Shop order 710.....	\$70
Shop order 711.....	95
Shop order 712	100
General Ledger Adjustment Account.....	\$265

In the General Ledger the following entry is made:

Cost Ledger Account	\$265
Wages	\$265

When wages earned are actually paid, according to the pay roll, the cost accounts are not affected. The entry for the General Ledger as passed through Cash Book is:

Wages	\$265
Cash	\$265

STORES JOURNAL.

STORES RECEIVED.

STORES GIVEN OUT.

DATE	FROM WHOM	QTY.	KIND	PRICE	FO. AMOUNT	DATE	REQUISITION	PARTICULARS	FO. ORDER	QTY.	KIND	PRICE	AMOUNT
1910 May 5						1910 May 5	8	1" x 1" x 16" Oak	9	710	Oak	.02	\$6.00

8

COST LEDGER.

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Shop Order No. 710 For Adams Furniture Co. Description of Work 100 Dining Chairs

LABOR

MATERIAL

DATE	WORKMAN'S No.	KIND OF WORK	HOURS	RATE	AMOUNT	REMARKS	DATE	REMARKS	KIND	QTY.	PRICE	FO. AMOUNT	FACTORY EXPENSE AMOUNT
1910 Dec. 11	101	3	10	.25	\$2.50		1910 Dec. 11	Legs	Oak	300	.02	\$6.00	30

Note that the Wages Account is thus balanced but the charge for this item still remains in the debit to Cost Ledger Account.

The entry for factory expenses follows the same plan, and for the Cost Ledger may be illustrated as follows :

Shop order 710.....	\$14	
Shop order 711.....	19	
Shop order 712.....	20	
General Ledger Adjustment Account.....		\$53

The General Ledger entry would be :

Cost Ledger Account.....	\$53	
Factory expenses.....		\$53

As the different items of factory expense are paid, the respective accounts are charged. (See chart.)

These accounts are closed into Factory Expense Account, which, like Wages Account, would then disappear, but the charge still remains in the debit to Cost Ledger Account.

When orders are completed and turned over by the factory to the warehouse, an entry is made in the Cost Ledger as follows :

General Ledger Adjustment Account	\$134	
Shop order 710		\$134

At the same time entry is made in the General Ledger as follows :

Manufactured stock	\$134	
Cost Ledger Account.....		\$134

The object of these entries is to clear the Cost Ledger of accounts concerning orders or contracts that are completed and delivered to the warehouse, ready for sale or shipment. It will be noted, also, that the General Ledger Adjustment Account in the Cost Ledger, and the corresponding account in the General Ledger, viz. : the Cost Ledger Account will show as a balance the cost to date of all goods in the process of manufacture. The Manufactured Stock Account is charged with the factory cost of completed goods.

This Manufactured Stock Account must be increased by the amount of administrative and selling expenses to bring the factory cost up to the actual cost. As this is a matter that does not concern the factory, the entry is made in the General Ledger only, as follows :

Manufactured Stock Account.....	\$35	
Administrative and selling expenses		\$35

The various accounts included in administrative and selling expenses (see chart) will, as in the case of factory expense, be closed into this General Account. When goods are sold, an entry is made in the General Ledger as follows :

Cash.....	\$200	
Manufactured stock.....		\$200

From the Manufactured Stock we are thus able to get at the Net Profit and to do so with the assurance that, in every case of sale, the transaction is based on an intelligent estimate of the complete cost of the article sold

BRANCH ACCOUNTS.

A business having one or more branches may incorporate the results of the Branch transactions into the Head Office books by the application of the principle of Adjustment accounts, as explained in section 36. The accounts of a business may be kept in any number of separate Ledgers, regardless of whether these Ledgers are all kept at one place or a number of places called Branches. Each Branch should have the necessary books to keep a complete record of its own transactions, just as if it were an entirely separate business. A special Adjustment account would be opened in the Head Office Ledger, called "———Branch Account." Whenever cash or goods are sent by Head Office to the Branch, an entry should be made in the Head Office books charging the Branch just as if it were a customer, and a corresponding entry in the Branch books crediting Head Office in the same manner as if it were an ordinary creditor. At the end of the year, or any other given period, the Profit or Loss on the Branch would be determined from the Branch books in the same way as if it were a separate business; if a Profit be shown, Profit and Loss account should be debited and Head Office account credited for the amount in the Branch books, and *vice versa* if there be a Loss. Conversely in the Head Office books, the Branch account would be debited and Profit and Loss account credited if there be a Profit, and *vice versa* if a Loss. After the foregoing entry has been made the balance of Head Office account in the Branch Ledger, and the balance of Branch account in the Head Office Ledger, will each represent the net Assets of the Branch, which of course belong to Head Office, and will therefore appear as a Liability in the Branch Balance Sheet. The following entries are shown posted to both ledgers for the purpose of illustrating the explanations given above:—

- Jan. 1. The Toronto Yeast Co. sent to its Winnipeg Branch, Goods invoiced at \$1,000 and Cash \$300.
 Feb. 1. Goods valued at \$2,300 were sent to the Branch, and a remittance of \$500 cash was received from it.
 Mar. 1. Goods valued at \$1,500 were sent to the Branch, and a Cash remittance of \$1,200 received from it.
 Mar. 31. The Branch sent Head Office a Balance Sheet for the quarter ending March 31st, from which the following particulars are taken:—

Goods on Hand	\$2,550
Cash on Hand	200
Accounts Receivable	1,300
Total Sales	2,900
Net Profit	650

The foregoing transactions would be passed through the Head Office books in the usual way, which for convenience we show below in simple Journal form:—

Jan. 1. Winnipeg Branch	\$1,300	
To Goods		\$1,000
" Cash		300
Feb. 1. Winnipeg Branch	\$2,300	
To Goods		\$2,300
" Cash	\$ 500	
To Winnipeg Branch		\$ 500
Mar. 1. Winnipeg Branch	\$1,500	
To Goods		\$1,500

Mar.	1.	Cash	\$1,200	
		To Winnipeg Branch		\$1,200
"	31.	Winnipeg Branch	\$ 650	
		To Profit and Loss		\$ 650

The Head Office Ledger for the above Journal entries results in following Trial Balance :—

HEAD OFFICE TRIAL BALANCE.

Winnipeg Branch	\$4,050	
Goods		\$4,800
Cash	1,100	
Profit and Loss		650
	<u>\$5,450</u>	<u>\$5,450</u>

The Branch Journal for the foregoing transactions is here given :—

BRANCH JOURNAL.

Jan.	1.	Goods	\$1,000	
		Cash	300	
		To Head Office		\$1,300
Feb.	1.	Goods	\$2,300	
		To Head Office		\$2,300
"		Head Office	\$ 500	
		To Cash		\$ 500
Mar.	1.	Goods	\$1,500	
		To Head Office		\$1,500
"		Head Office	\$1,200	
		To Cash		\$1,200
Mar.	31.	Profit and Loss	\$650	
		To Head Office		\$650

These when posted would give a Ledger of which the following would be the Trial Balance :

BRANCH TRIAL BALANCE.

Head Office		\$4,050
Goods	\$4,800	
Cash		1,400
Profit and Loss	650	
	<u>\$5,450</u>	<u>\$5,450</u>

It will thus be seen that, so far as transactions between the Branch and Head Office are concerned, the entries in both ledgers are the same, but on opposite sides, " Head Office " account in the Branch Books corresponding to " Winnipeg Branch " account in the Head Office Books. But in addition to its transactions with Head Office the Branch would have to record those with its customers, which have already been indicated in the particulars given under date of Mar. 31st, in the first part of this lesson, and would be journalized as follows :—

Cash	\$1,600	
Accounts Receivable	1,300	
To Goods		\$2,900
Goods	\$ 650	
To Profit and Loss		650

After these entries have been posted, the difference between the two sides of Goods Account will correspond with the value of the unsold goods, \$2,550. The complete Branch Trial Balance then appears as follows:—

BRANCH TRIAL BALANCE.

Head Office		\$4,050
Goods	\$2,550	
Cash	200	
Accounts Receivable	1,300	
		<hr/>
	\$4,050	\$4,050

Head Office would also have transactions with the general public, none of which have been incorporated in the Head Office Trial Balance shown on a previous page. We will assume these to be such as would have produced the following Trial Balance if they had been posted to the Head Office Ledger along with its Branch transactions:—

HEAD OFFICE TRIAL BALANCE.

Capital		\$13,350
Cash	\$9,400	
Winnipeg Branch	4,050	
Goods	3,500	
Accounts Receivable	1,200	
" Payable		4,800
		<hr/>
	\$18,150	\$18,150

In order to show the standing of the entire business, as well as each part of it, the Head Office and Winnipeg Trial Balances may be combined as shown below:—

THE TORONTO YEAST CO.

Trial Balance March 31st, 19..

	HEAD OFFICE		WINNIPEG		COMBINED	
Capital		\$13,350				13,350
Cash	\$9,400		200		9,600	
Winnipeg Branch ..	4,050				4,050	
Goods	3,000		2,550		6,050	
Accounts Rec.	1,200		1,300		2,500	
Accounts Pay.		4,800				4,800
Head Office				4,050		4,050
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$18,150	\$18,150	\$4,050	\$4,050	\$22,200	\$22,200

By comparing the Head Office Trial Balance with that of the Branch it will be seen that "Winnipeg Branch Account" in the former shows an Asset of \$4,050. This really consists of the Net Assets of the Branch, as per Winnipeg Trial Balance, in which it also appears as a liability in favor of Head Office.

As a general rule Purchases from outside firms for the Branch are settled through Head Office, although goods may be shipped direct to the Branch. In such cases the Branch would receive the Invoices and O.K. them and forward them periodically to Head Office, at the same time charging Goods Account and crediting Head Office, while the Head Office would debit the Branch and credit the seller. To illustrate this we give below the entries to be passed through both the Branch and Head Office books for the following purchases made by the Branch and afterwards reported to Head Office :—

From Jas. Watson & Co.	\$ 60
" Alex. Green & Son	118
" Graham's Limited	300
	<hr/>
	\$478

BRANCH JOURNAL.

Goods	\$478
To Head Office	\$478

HEAD OFFICE JOURNAL.

Winnipeg Branch	\$478
To Jas. Watson & Co	\$ 60
" Alex. Green & Son	118
" Graham's Limited	300

In many cases the Branch is required to remit all cash Receipts to Head Office, which in its turn makes all payments. Statements would be sent regularly to Head Office in whose books a Cash entry would be made debiting the Branch for disbursements made on its account, and crediting it for remittances received from it. The Branch would pass all Cash entries through its books in the same manner as if it were not a Branch at all, but would also have to debit Head Office Account for Remittances to Head Office, and credit it for Cash received therefrom. Instead of actually sending the Gross Receipts and receiving the necessary amount for Gross Disbursements, settlement is frequently made by sending a cheque either way for the difference.

