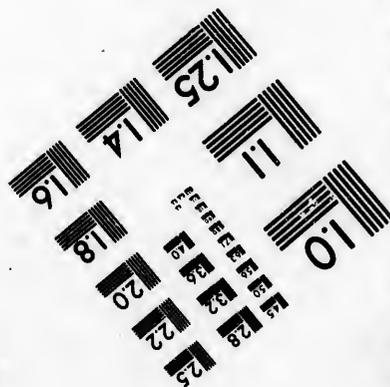
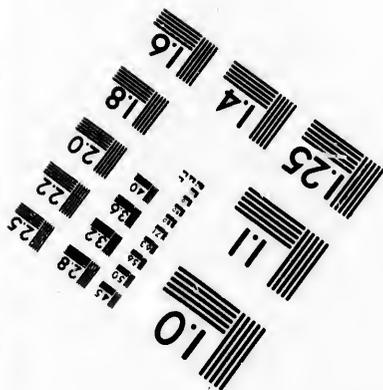
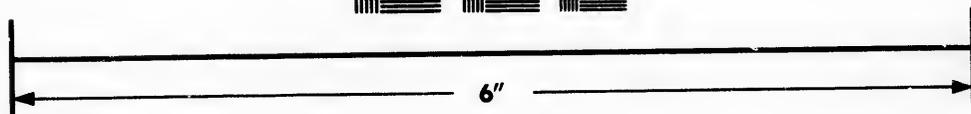
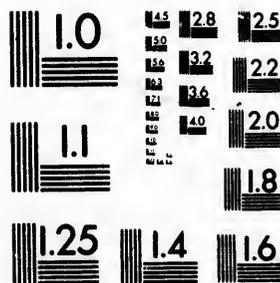


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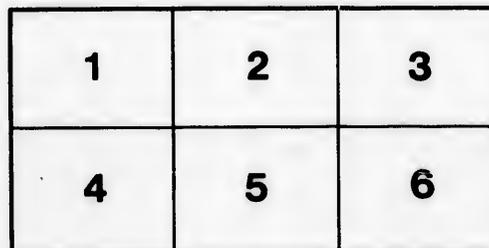
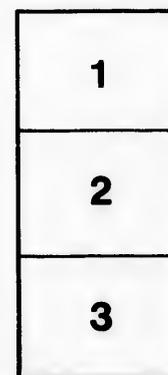
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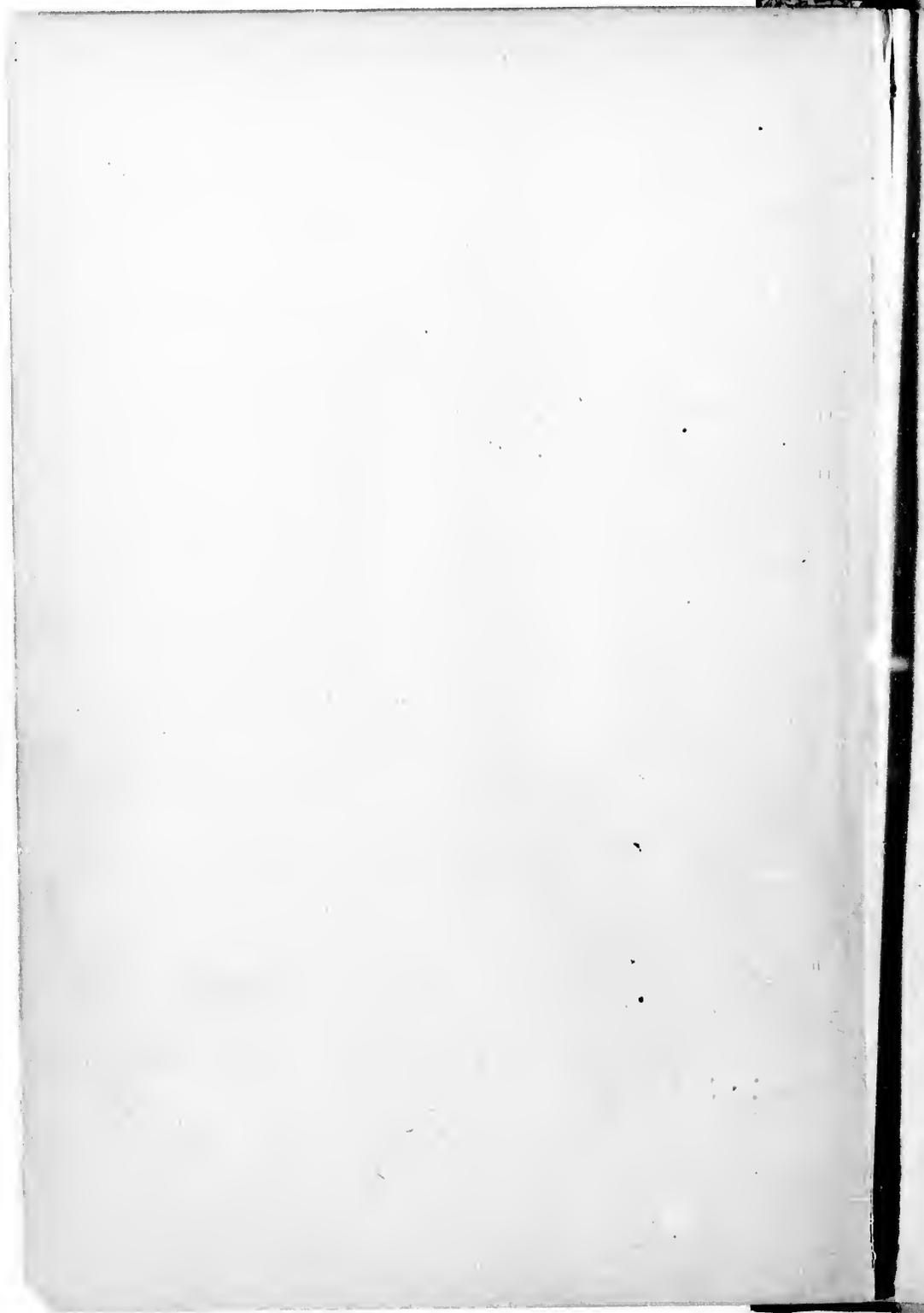
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Self-Proving Accounting System

WITH APPLICATIONS TO THE
INSTALMENT BUSINESS

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THE SELF-PROVING
ACCOUNTING SYSTEM

INCLUDING ILLUSTRATIONS
OF VARIOUS BOOKS AND FORMS IN FACSIMILE

WITH SPECIAL APPLICATION MADE TO THE
INSTALMENT BUSINESS

A MANUAL FOR BUSINESS MEN, ACCOUNTANTS AND
AUDITORS

—BY—

Wm ↙
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PREFACE

Different features of the system of account keeping, which it is the object of this book to explain, have been used by the authors in various connections for periods ranging from three to twenty years each. In the preparation of the work these fragments have been collected, rearranged and perfected, and finally supplemented by the parts found necessary to constitute a complete working system.

There is nothing of mere theory about the methods presented. Every detail has been subjected to the severe test of actual trial. The system in complete form is already in use in leading business houses, to which inquirers can be referred for assurances of its practical utility.

The Private Ledger and Perpetual Balance Sheet, in the form presented in the pages following, is one of the newest features of the system, but since it was devised it has been given such extensive use in various lines of business that its general usefulness has been fully demonstrated.

The plan in mind when the preparation of this volume was commenced was to restrict it to a scheme of Self-Proving Accounting for the Instalment Business. The idea of extending the description and illustrations to include a complete working system of accounts, adaptable to any line of business, did not find favor with the authors until after a considerable portion of the work had been put in type and the illustrations completed. The reader, therefore, will find in various pages references to instal-

ment methods and requirements, which otherwise might have been omitted, or at least accompanied by additional examples drawn from other branches of business.

It would be very difficult to expound any method of accounting intelligently and satisfactorily without introducing illustrations taken from some branch of business or other. The authors believe, therefore, that their employment of the instalment business for this purpose, particularly in view of its peculiar intricacies and complications, in the matters of analysis and accounting provisions, will not render the volume less satisfactory to the general reader. On the other hand, the applications of methods made to the instalment business give the book a special utility in an important division of trade, which in the past has been almost entirely neglected by accountants, but which, measured by its annual sales, is so large as to be entitled to the most careful attention.

This work is divided into four parts. First there is presented an outline of the Self-Proving Accounting System, with a careful discussion of the principles of analysis and classification upon which it is based. Second in order there are descriptions of the several leading books which it has been found convenient to employ in arranging and conducting accounts upon the plan outlined. Several of these are presented in miniature fac-simile, with illustrative entries. Third there is a section entitled "The Instalment Business," in which are presented those chapters which relate more specifically to the accounting and office routine of retail credit sales. And fourth, and finally, there are presented some words of general advice to instalment merchants based on much of the experience which has resulted in this book.

This volume is believed to contain a more thorough inquiry into the bookkeeping wants of a particular line of trade, with answers to all the leading questions which arise, than has heretofore

been issued in the interest of any branch of business; and yet the authors are sensible of shortcomings in various particulars. No doubt future editions will afford the opportunity for such additions and amendments as will bring the work still nearer to their ideal. To this end they are eager to correspond with every purchaser and user of the volume—first, to make good any deficiencies that the reader may discover, by answering direct those questions which he may desire to propose; and, second, to secure suggestions for additional chapters in future editions.

The object of the book is to be serviceable in the best and broadest sense of the term, and this will be secured in no small part of the supplementary work to be done through correspondence and by personal interviews.

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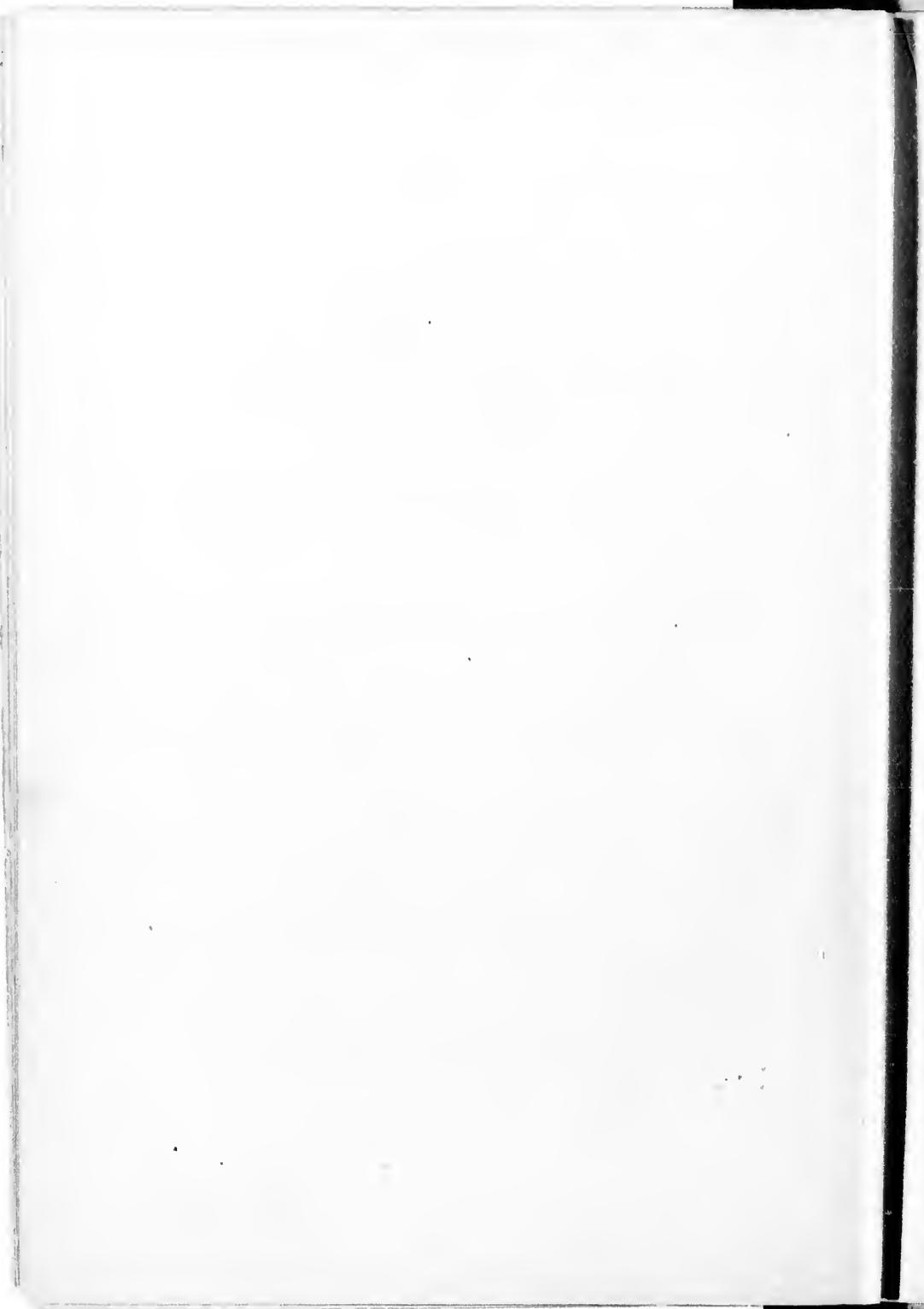


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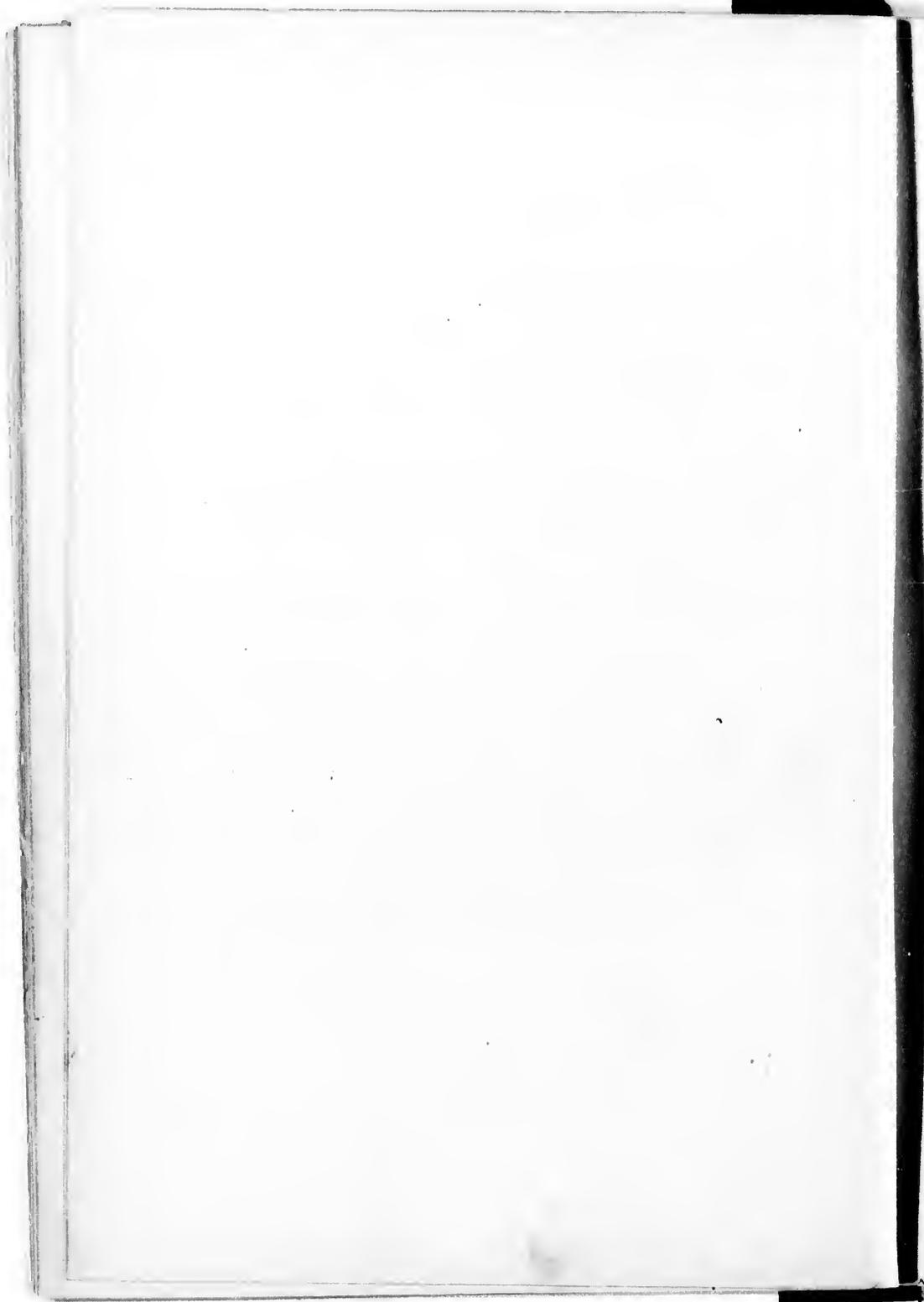
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PART I

THE SELF-PROVING
ACCOUNTING SYSTEM



INTRODUCTION

Two leading considerations are to be kept in mind when examining accounting appliances and methods. One is the relationship of each individual element to the system as a whole, and the other the convenience and efficiency of the device in itself for the special purpose for which it is intended. The first of these is determined by the system itself, or the principles upon which the system is based, and the second by the features of the devices and their adaptability to the ends in view. The Self-Proving Accounting System, so far as underlying principles are concerned, is based upon an adequate and logical analysis and classification of the accounts, producing as the result an ever-ready balance sheet of the business. So far as the individual elements are concerned each in itself is labor saving as well as efficient, and also what is believed to be better for the purpose for which it is intended than anything else that has ever been offered to the public.

The Self-Proving Accounting System is a double entry system and may be characterized as double entry brought down to date and adapted to modern requirements. It is more than double entry, for in addition to each transaction being represented in two accounts, one showing the debit and the other the credit, each account is twice entered, once as an individual element and once as a part of a group, or one of a number of elements taken collectively.

The balance sheet which is embodied in the Self-Proving Private Ledger is the sum and essence of the entire system. It

may be described as the centre of the system, around which the other elements are arranged. The Self-Proving Accounting System, by way of illustration and explanation, might be declared to consist of one principal book, the Private Ledger and Balance Sheet, which is a ledger complete within itself, and likewise a posting medium so far as cross entries between its several accounts are concerned. All the other books are mere auxiliaries to it, for the history which they contain in detail is shown in the Private Ledger in a condensed form.

The system is self-proving in that it affords a means of verification of each and every part, as well as of all the parts taken collectively. The Private Ledger and Balance Sheet, as we shall see as we go along, is so arranged as to be in balance at all times, and therefore any error in it is instantly detected by a comparison of the debit footings with the credit footings. Each of the other ledgers in the system, which, it should be remarked, may be more or less in number, according to the nature of the business, will not be in balance by itself, but will balance with the corresponding account in the Private Ledger and Balance Sheet. Therefore each may be proved by itself, independent of the others. Each of the line account ledgers, for example the Mercantile Ledger or the Instalment Ledger, as illustrated in this volume, affords within itself a means of proof, page by page and month by month, thus localizing any errors by which the total balance is disturbed. In addition, each of these ledgers may be compared by both debit and credit footings with the debit and credit footings of the posting mediums from which its amounts have been derived.

The fact that the Private Ledger and Balance Sheet is in balance is proof on its face of the correctness of all the auxiliary books. As long as it is in balance errors need not be looked for; but whenever it is apparent, in any direction, that an error exists,

the different subordinate books may be examined, one by one, and proven by proper comparison, one with the other, without the labor of going over the entire work as a single unit. By this plan the bookkeeper's work is sectionalized, and the necessity of an immense amount of labor which, in books as usually arranged, is expended in checking back all the entries whenever an error has been shown to exist, is avoided.

The Self-Proving Accounting System is comprised in books of original entries, some of which serve the double purpose of a ledger account for the class of transactions to which it is devoted and a posting medium for the contra entries to some other books of the system, thus maintaining the double entry principle throughout.

There is no copying or writing the record of any transaction the second time. Each transaction is recorded with others of its class in the book specially set apart for the purpose, while opposite entries, either singly or by footings of columns, are carried to the other books, the whole history finally reaching the Private Ledger and Balance Sheet in the most condensed form. The one book in the system that is in balance at all times is the Private Ledger, which summarizes within very small compass the entire business. The other books of the system, while not in balance in themselves, prove by balancing one with the other and by comparison with the balances in the accounts or columns in the Private Ledger.

Some of the books employed in the Self-Proving Accounting System are special to it, and others are mere adaptations of features and principles heretofore in use. Some of the books, as before mentioned, are combined records and ledgers, receiving, on the one hand, the original entry of a transaction, and on the other recording it ledger fashion. Each of the books is independent of all the others as an article of use, and each, therefore, is entitled to consideration on its merits, independent of the system as a whole. Thus the Private Ledger is adapted for use with any

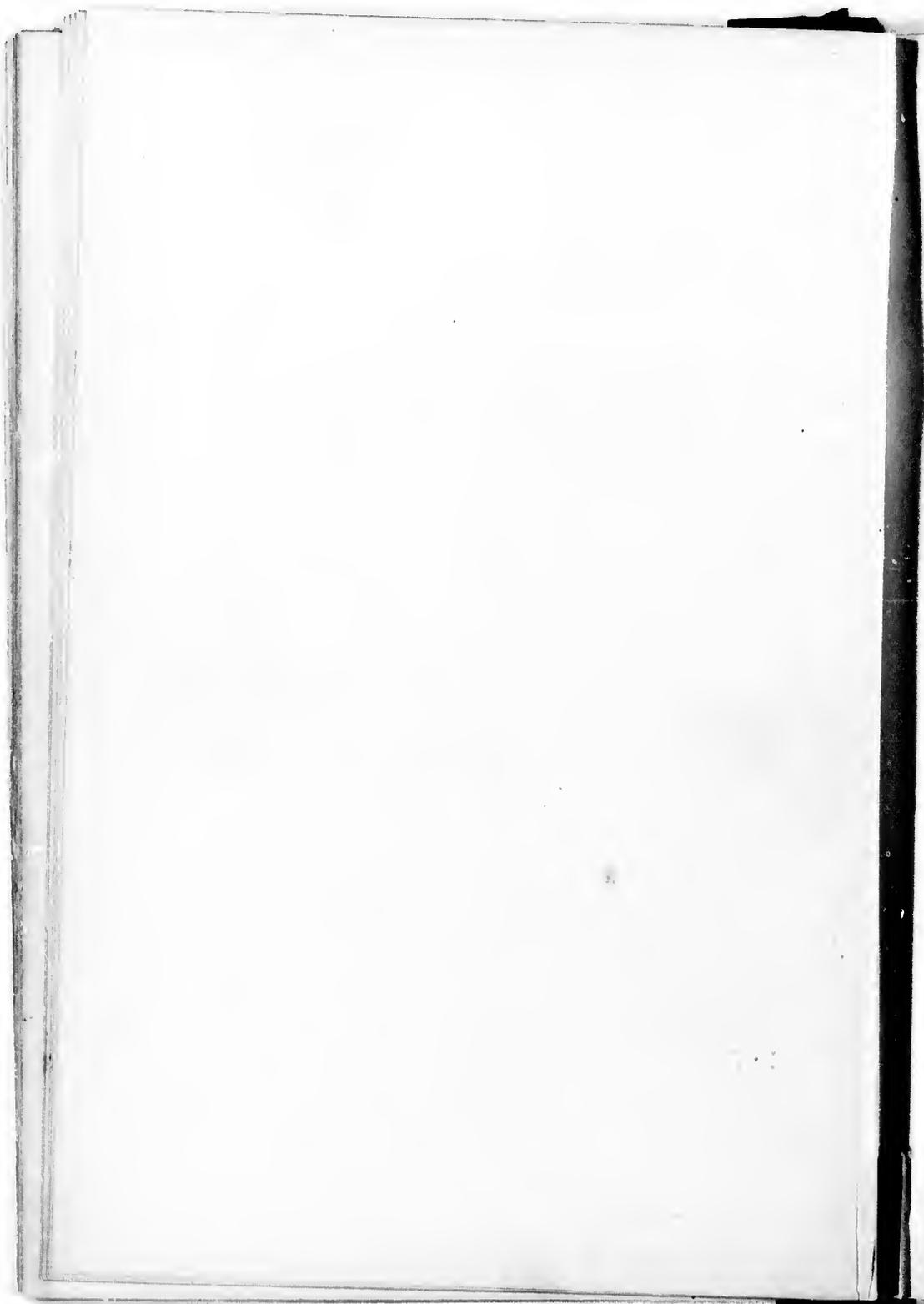
adequately kept set of double entry books. The Notes Payable and Notes Receivable Records and Ledgers described in this volume are likewise adapted for use in connection with other systems, and the same is true of the Expense Record and Ledger and of the Investment Record and Ledger.

The utility of the plan upon which the Self-Proving Accounting System is based is apparent. Each of the records is so constructed that any clerk, even though not skilled in the art of book-keeping, can make his entries correctly therein. As many clerks may be employed in thus recording the different classes of transactions as the size of the business may demand. The work of one or twenty may be utilized. These different clerks, however numerous, in no respect interfere with each other. Each record book is essentially independent of all others, and therefore each clerk's work is peculiar to himself. The correctness of each record book can be proved at any time by comparison with the proper account or column in some other book of the system, or in the Private Ledger. The cross-posting from one book to another is of the simplest character and of the smallest possible amount and may be done daily or weekly, as preferred, while the daily summary or Bookkeeper's Report, constituting the entries in the Private Ledger, is a matter most easily arranged by the general bookkeeper or clerk in charge.

The distribution of the general accounts of the business through several books not only facilitates the daily work by dividing it between a number of people according to the magnitude of the business, but it also prevents any one person outside of the private office becoming cognizant of the confidential facts of the business. The results of transactions, the actual volume of the business, the profits or losses made, the amount of goods on hand—in fact, every detail of a private character is retained in the private office. These items could scarcely be obtained from the

general books even by an expert with ample allowance of time for examination and investigation, because the Private Ledger opens with the balances and inventories, and they do not appear elsewhere.

This volume, in addition to a general exposition of the Self-Proving Accounting System, and illustrations of the books and their methods of use, deals more particularly with the Instalment Business, and shows by numerous special illustrations how the Self-Proving Accounting System may be advantageously employed therein.



CLASSIFICATION OF ACCOUNTS

The accounts of every business enterprise at the outset are comprised in two grand divisions. The first of these includes the accounts with the proprietor of the business, whether a person, firm or corporation, and embraces all that are necessary to correctly represent the capital or investment and the results or progress of the business. The second includes all those accounts which show the transactions of the business—in other words, the operations or exchanges of value.

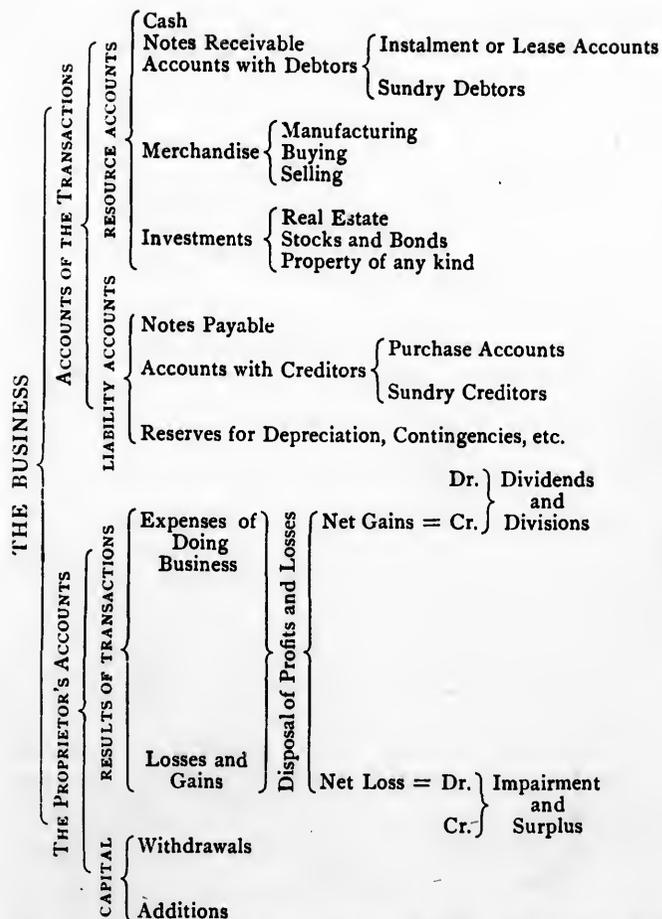
We shall designate the first class the Proprietor's Accounts, whether the business be owned by a single person, by a firm composed of several persons or by a corporation. The principles are the same, whatever may be the details in these particulars. For purposes of this analysis we shall treat the capital or investment in the business the same when owned by one man or a private firm as when owned by a corporation, because in this respect also the underlying principles are the same. While it is possible in cases where the business is owned by a single individual—or, for example, by a firm of two or three persons—to conduct the books with measurably satisfactory results, without the extreme analysis and subdivisions of accounts that are desirable with a corporation, still the higher form of accounting more correctly represents actual results, and, therefore, we shall treat the individual owner and the corporation upon exactly the same plane.

The accounts in which the proprietor of a business is specially concerned also divide into two classes, the first of which includes

the Capital Account and the second of which includes all the accounts which represent the Results of Transactions. These latter are, on the one hand, the accounts representing the various expenses of doing business, and, on the other hand, they are the Profit and Loss Accounts. Whenever the gains from the transactions of the business exceed the expenses of doing business there is, of course, a profit, and whenever the expenses of doing business are greater than the gains from transactions there is, of course, a loss.

Right here let us make the point that the Capital or Investment in a business is always to be considered as a thing in itself, apart from that which is represented by the private account of the proprietor when a single individual, or the accounts with the different members of the firm when several persons have combined their resources. Experience among business men demonstrates that in many cases the two accounts—namely, one representing the investment and the other representing the withdrawals and deposits of the owner during the progress of the business—are confounded and taken to be one and the same. This is wrong. The first is the investment, as its name should indicate, and the second is something entirely different, and the two should be carefully distinguished from each other. In this case, as in others to be explained as we go along, the necessary accounts to be opened and conducted are determined not alone by the name of the individual which heads the account as a title, but always by the nature of the transactions to be recorded in the accounts. Thus it is expedient to have several accounts with the same person whenever that person stands in several different relationships to the business.

The capital invested in a business, as already explained, is to be treated in the accounts in the same manner, whether supplied by one person or by several persons constituting a firm, or by a



AN ANALYSIS OF THE ACCOUNTS OF A MERCHANDISING BUSINESS, FORMING THE BASIS OF A PERPETUAL BALANCE SHEET.

considerable number of persons composing a stock company; and then, in turn, separate accounts are to be opened with the individuals, whether partners, stockholders or officers of the corporation, according to the transactions with them, whatever their capacities. These personal accounts are to be located in the books of the business in the classes to which they belong, according to the nature of the transactions which they record. Thus, if the individual buys goods, the account recording the purchase goes into the class of Sundry Debtors. If he lends the concern money the account of that transaction is located where by its character it belongs—namely, among Sundry Creditors. In another chapter there is discussed at considerable length Capital Account and Proprietor's Account, and therefore we need give no further attention to this matter at present, but with this much by way of preliminary may proceed with a description of the general features of the plan of classification.

To briefly recapitulate what we have already presented:— We find that the accounts of every business are of two general classes. On the one hand, as shown in the accompanying diagram, there is the account of the proprietor, whether person, firm or corporation, owning the enterprise and conducting the transactions, and to whom the business is accountable. On the other hand, there are the accounts of the commercial acts or operations of the business, or the exchanges of values—in other words, the accounts of the transactions of the business. It is essential to the proper arrangement of the accounts in the form of a balance sheet, which, as a fact, is one of the principal objects to be kept in view in all bookkeeping, that these two elements be carefully distinguished and kept apart.

Considering now the proprietor, we find, as shown in the diagram, that so far as the records of the business are concerned there is first required an account to be opened with Capital or Invest-

ment. This account shows the amount which the owner puts into the business as a capital, and for which he holds the business responsible for safe return with proper gains. The capital may consist of money, property, or both, as the case may be, but its aggregate is represented by the credit to this account. At the outset, before any transactions have occurred, the elements composing the capital are very easily determined and specified, but after the business has been in operation for a time various changes in the disposition of the capital occur, and, therefore, that is called capital when a balance sheet is made out, which represents the difference between the resources of the business and its liabilities.

The capital of a business may be increased by additional in-

Dr.	CAPITAL ACCOUNT	Cr.
Amounts withdrawn		Original Investment Additional Investments
		Cr. Balance--Net Capital

vestments in the form of new contributions, or the gains may be allowed to remain in the business, thus swelling the capital account. The capital may be diminished by withdrawals or by losses made in the business. In the conduct of the Capital Account no entries should be made to it except those which represent a real and permanent change. If additional money is put into the business to remain permanently, then, of course, Capital Account is to be credited therewith, but if the additional money is only a temporary accommodation, to be withdrawn when the season of its use has passed, it should be considered as a loan and so treated in the books, the record in that case being, of course, entirely outside of the Capital Account. Actual withdrawals of

capital should be charged to Capital Account, but the small amounts drawn by the proprietor or partners for living expenses should not be considered withdrawals of capital. Instead they should be treated as transactions with the individuals and should be charged to accounts, the offsetting credits to which come out of the profits.

An increase of Capital Account by reason of net gains follows upon the fact of profits being made which are allowed to remain in the business, but no such entry as a credit to Capital of net gain should be made unless it is intended that the amount shall actually remain in the business. If the gains are to be withdrawn by partners or are to be paid as dividends to stockholders, then Capital Account should not be disturbed by them.

Capital Account, as already stated, may be diminished by losses made in the business. If these losses are considerable and are permanent in character—that is, without compensations in the way of future advantages—then Capital should be diminished by debiting the amount. In the case of the capital of a stock company, however, more is required than the mere judgment of the bookkeeper to warrant any entry in the Capital Account. The necessary legal steps to a reduction of capital and cancellation of certificates of shares must precede.

So much by way of explanation of possible entries in the account with Capital. As we proceed with the discussion of the accounts which represent the results of the transactions it will be seen that provision is made in other accounts for taking care of the profits and losses of the business without interfering with the Capital Account, and yet in a way to always represent the real amount of the capital.

Turning now to the second division of the Proprietor's Accounts, as shown in the diagram, it will be seen that the transactions of a business produce results of two general kinds or

classes. As a preliminary to the transactions there are the necessary expenses of conducting the business, and following upon the transactions themselves are the gains or losses incident thereto. All those accounts, therefore, which represent the Expenses of Doing Business, such as clerk hire, advertising, rent, light, heat, insurance, interest, telephone, telegraph, stationery, postage, etc.,

Dr.	ANY EXPENSE ACCOUNT (Individual)	Cr.
Expense Paid Expense Incurred		Corrections
Dr. Balance—Net amount of this Expense		

belong in the grand division called Results of Transactions. All accounts with Losses and Gains, whether the losses or gains be presented collectively in a single account or distributed in a number of accounts, as is sometimes required for statistical purposes, likewise belong in this division.

In practical operation, by way of closing the accounts, the aggregate expense of doing business is posted to the debit of the

Dr.	EXPENSE LEDGER OR EXPENSES (Collective)	Cr.
Total debit items of all the Individual Expense Accounts		Total credit items of all the Individual Expense Accounts
Dr. Balance—Net expenses of doing business. (To be carried to Loss and Gain Account)		

general Loss and Gain Account, and the gross profits resulting from the transactions are posted to the credit of the same account. The result, then, is the net profit or net loss from the business, which brings us to the consideration of those accounts which record the disposal of profits and losses. This class of accounts

may be described as occupying a position, in a sense, midway between the result of the transaction and the capital. In the diagram they are shown in line with the last two classes described.

The two accounts that are required for correctly representing the disposal of profits and losses are, first, Dividends and Divisions, and, second, Impairment and Surplus. The net profits,

Dr.	LOSS AND GAIN	Cr.
Losses from bad debts All other losses Expenses of doing business		Profits on Sales Income from Property All other Gains All Revenues
Dr. Balance—Net Loss. (To be carried to Impairment and Surplus)		Cr. Balance—Net Gain. (To be carried to Dividends and Divisions)

where net profits have been made, are brought by cross entry from the Loss and Gain Account to the credit of Dividends and Divisions. Then, if all or a certain portion of the gains are to be carried to the credits of partners' or stockholders' accounts for withdrawal, or to offset withdrawals already made, this account is debited with such transfers. The balance remaining, if any, stands

Dr.	LOSS AND GAIN LEDGER (Collective)	Cr.
Total of the debits of the various sub-divisions of Loss and Gain Account		Total of the credits of the various sub-divisions of Loss and Gain Account
Dr. Balance—Net Loss. (To be carried to Impairment and Surplus)		Cr. Balance—Net Gain. (To be carried to Dividends and Divisions)

for profits not withdrawn and represents what, according to different authorities, is called Surplus or Reserve. This balance, whenever its amount has been determined, is transferred to the credit of the account called Impairment and Surplus.

In case the results of the business for a given period as shown by Loss and Gain Account have been a loss, then the Loss and

ACCOUNTING SYSTEM

Gain Account is to be closed by debiting Impairment and Surplus Account with the amount of that loss. From this it will be seen that Impairment and Surplus Account stands with relation to the Capital Account of the business just as its name indicates. It is debited from time to time with losses and correspondingly credited with the profits which are allowed to remain in the business

Dr.	Cr.
DIVIDENDS AND DIVISIONS	
Amounts carried to Proprietors' or Partners' private account or paid out for dividends	Amounts brought from Loss and Gain Cr. Balance—Undivided profits. (To be carried to Impairment and Surplus Account)

either as an offset to losses already entered up or as a guarantee against future losses. If the losses for a given period exceed the gains that have accumulated during the same period, then there is shown by this account an impairment of capital. On the other hand, if the undivided profits exceed the losses, then the balance in this account shows an increase of capital in the business and

Dr.	Cr.
IMPAIRMENT AND SURPLUS	
Losses brought from Loss and Gain Account	Undivided profits brought from Dividends and Divisions
Dr. Balance—Net amount of Impairment of Capital	Cr. Balance—Net amount of Surplus or Undivided Profits

represents that which, as before stated, is variously termed Reserve Fund or Surplus. An entry between Impairment and Surplus Account and Capital Account, as already intimated, is to be made only in pursuance of formal action upon the part of the proprietor or partners, or by the stockholders, as the case may be. It is never to be made at the discretion of the bookkeeper alone.

Provision is made in the Self-Proving Accounting System, as will be seen as we go along, for frequent determinations of the results of the business. It is recommended that Loss and Gain Account shall be closed as often as once a month. In many lines of business during certain portions of the year a very profitable business is conducted, while during other portions of the year trade is without any profits, if not conducted at an actual loss. A careful scrutiny, therefore, of the accounts just described, particularly with reference to the credit side of Dividends and Divisions, which, as explained, represents net profits, and the debit column of Impairment and Surplus, which, as also explained, represents net loss, will always be extremely instructive to the managing man in charge of the business.

Before leaving the accounts which belong particularly to the proprietor of the business, brief attention should be given to the reasons which underlie this scheme of division and also to certain exceptions which may be taken to the plan proposed. The proprietor of a business invests the capital which he puts into that business with the expectation of making a profit. Whatever the business gains is to be his. This proposition, properly considered, carries with it the reverse—namely, that whatever losses the business sustains he must stand. If he is entitled to the profits, then he must bear the losses. Again, if the proprietor is to have the benefits of the business, whatever they may be, then in turn he must stand the expense of conducting the business. In many arrangements of accounts the expenses of doing business are considered, in so many words, losses of the business. We prefer, however, to distinguish between the expenses of conducting a business and the losses made in the business; hence the presence of two accounts where occasionally but one is employed.

In our enumeration of the expenses of doing business above presented we have included all the usual expenditures of a busi-

ness, with one important omission, and to that we now direct attention. A very considerable item of cost in connection with merchandising is that of freight on goods. This item has been omitted in the list of expenditures that precedes, because freight on goods represents not an expense of doing business, but instead is a part of the cost of the merchandise that it is the purpose of the business to sell. This matter will be more fully explained when we come to a consideration of the Merchandise Account.

Let us now consider the accounts of the business itself, or the accounts recording the transactions of the business. Business transactions in general may be classified as commercial and financial. The commercial transactions divide into Buying and Selling and the financial transactions into Credits and Payments. In a merchandising business everything must be bought or otherwise procured as a preliminary to selling. In the buying there is either the matter of paying for the goods or obtaining credit, which means, of course, arranging for deferred payments. In the selling of the goods there is either the matter of receiving the money or property that is given in exchange for the same or extending credit, which means, of course, arranging to take payments at a future time. The payments made for goods that are bought may be in the form of cash or in the form of notes or acceptances (payable), and the payments made by others to the business may also be in the form of cash or in the shape of notes or acceptances (receivable).

A business may buy and sell services as well as merchandise or property in general. It may be conducted upon the plan of selling the services or skill of the proprietor exclusively or upon that of buying the services and skill of others and selling the same in the open market; all of which goes to show that our analysis applies to various lines of professional business as well as to those branches in which tangible goods are handled.

Let us next give attention to the things and persons with which the transactions, both commercial and financial, are had, and the accounts that are necessary to correctly represent the same. These, on the one hand, are Resource Accounts, embracing accounts with Property, Money and Debtors, and the written promises of others to pay, called Notes Receivable. On the other hand, they are Liability Accounts, embracing Accounts with Creditors, together with the written promises to pay others, called Notes Payable.

Property, in the sense in which we have used the term above, may be defined as values of any kind, and includes such items as Merchandise, goods or wares of any sort, Real Estate, Bank Stock, Bonds, etc. The definition here offered applies to merchandise, whether goods are bought from others complete or are constructed or finished by the concern.

Money, as the term is used in bookkeeping, consists of coin, currency, bank notes and checks or bank drafts, together with postal orders and express orders. The inclusive term is Cash, by which name the account is known. The Cash Account is usually the most important of all the Resource Accounts. It is that into which all the values represented by the other accounts are from time to time converted and the standard by which all the accounts are measured.

The debtors of the business are those who have not paid for what they have received, and who, therefore, are in debt to the business. A distinction, so far as bookkeeping is concerned, is made between an open account against a debtor and the amount which he owes on a note or acceptance. A separate account is opened for the amounts owing to the business on notes and acceptances called Notes Receivable Account. It takes care of all the paper that is received by the concern, while the amounts owing by debtors are shown by the accounts bearing their names. A

debtor, therefore, may owe in two forms. He may be indebted to the concern for an amount on account and also for another amount represented by a note or an acceptance.

The creditors of a business are the persons who have not been paid for what they have supplied to the business. They are those who have extended credit to the business, and this credit may be on the basis of notes or acceptances which they have taken or on open account. Notes and acceptances issued to others are recorded in what appears in this analysis as the Notes Payable Account, while the open accounts are treated in a class by themselves. It is possible, therefore, for the business to be indebted to a single creditor in two forms—first, in an amount represented by an open book account, and, second, in another amount represented by a note or an acceptance.

While all the accounts with transactions, so far as the nature of the accounts is concerned, divide into Resources and Liabilities, those accounts alone, it should be borne in mind, do not represent the business in its entirety. The actual capital of the business, represented by the difference between all the resources of the business and all its liabilities to others than the owners, is a liability of the business to the owners, a fact that should not be overlooked, because it is fundamental to a correct balance sheet.

We next come to a consideration of the Property Accounts of the business. These accounts, broadly stated, are each to be debited at the outset with the amounts on hand or the amounts owing to the concern, as the case may be, at that date, and, as the business proceeds, are to be debited with additions and increases and are to be credited with what is sold or otherwise parted with.

At the outset Merchandise Account is to be debited with the amount of goods on hand or with the inventory. It is further to be debited with all the purchases that are made, and is to be credited with the sales as they occur, including both the cost of the

goods and the profit that is made thereon, assuming for the moment that a profit is being made. Then the difference between the debit side and the credit side will show a gain or a loss, as the case may be.

Merchandise Account, however, considering it in its relationship to a trading business, may be advantageously subdivided, be-

Dr.	BUYING ACCOUNT	Cr.
Goods on hand per Inventory Goods bought (including freight and cartage)		Corrections Goods Returned Goods at cost carried to Selling Account
Dr. Balance—Inventory		

cause there are various features about it to be watched which cannot be as well attended to when the account is kept a unit as when it is differently arranged. Two distinct classes of records, or, rather, the records of two different kinds of transactions, are to be made. On the one hand we have the purchases of goods and on the other hand the sales. A complete account is needed for each

Dr.	SELLING ACCOUNT	Cr.
Goods at Cost brought from Buying Account or Any Product Account (Manufacturing) Goods Returned Corrections		Goods sold at Selling Prices
Dr. Balance—Loss. (To be carried to Loss and Gain Account)		Cr. Balance—Gain. (To be carried to Loss and Gain Account)

of these, because of the cross entries to be made between the two parts at closing, and more particularly by reason of the corrections that are necessary to be made in each from time to time. We need a debit and a credit column in the account of purchases, which we will call Buying Account, because there are frequent corrections in invoices and occasionally goods are returned which have to

be charged back. In the same way with respect to sales, which we will call the Selling Account, we need both a debit and a credit column, because customers sometimes return goods and because the business is occasionally obliged to allow discounts or rebates.

It is always desirable to know the net amount of goods purchased, and this can be shown only by keeping Buying Account separate and distinct from sales. On the other hand, it is always desirable to be able to show the net amount of goods sold, and this is possible only when Selling Account is kept independent of every other feature.

These considerations alone would justify the division of the Merchandise Account into Buying and Selling, but a still more important reason exists for this measure, and that is the determination of results as the business proceeds. To this we shall next give attention.

In the intelligent management of a merchandising business it is essential to know at all times the cost of goods as well as the selling prices. Indeed it is customary in various directions for costs to be carefully recorded, first in a cost book, which is an abstract of invoices, and second upon tags or tickets attached to the goods. With both cost price and selling price thus available, to be extended as the goods are disposed of, there becomes possible certain cross entries between the Buying Account and Selling Account by which the real results of the transactions may be kept constantly in sight.

Buying Account is debited at the outset with the amount of goods on hand. It is debited from time to time with the goods bought. Now, if from the sum of these two amounts there is subtracted the goods sold, taking those goods at cost prices, there remains in Buying Account an amount representing the cost of the goods on hand. Crediting Buying Account with the amount is, of course, the same as subtracting, as above described.

Selling Account from time to time is credited with the goods sold at selling prices. If it is debited in like manner with the cost

Dr.	MANUFACTURING LEDGER (Collective) Sometimes called Factory Account	Cr.
Total debit items of all the individual accounts of this class		Total credit items of all the individual accounts of this class
Dr. Balance—Materials on hand and cost of goods in process of making		

of the goods sold—in other words, with the same amount that has been credited to the Buying Account—the balance in Selling Account will show the gross profit (or loss) made on the transaction.

Dr.	ANY MATERIAL ACCOUNT (Manufacturing)	Cr.
Amount on hand at beginning Purchases Freight and Cartage		Corrections Amounts carried to Product Accounts
Dr. Balance—Amount on hand (including amount not yet distributed)		

Some of the goods which are sold in a merchandising business are sometimes manufactured in a special department of that business. In fact, a Manufacturing Account, either in the sense of

Dr.	ANY COST ACCOUNT (Manufacturing)	Cr.
Actual Expenditure		Corrections Amounts carried to Product Accounts
Dr. Balance—Amount not yet distributed		

representing a complete department or as a minor division maintained simply for convenience, is the rule rather than the excep-

tion, and therefore in this classification a word or two is appropriate with respect to its relationship to the other accounts. So far as concerns our present requirements, the Manufacturing Account may be treated as a unit or as a single account. with the broad statement that whatever applies to the one account would apply as well to the several accounts into which it would be di-

ANY PRODUCT ACCOUNT (Manufacturing)	
Dr.	Cr.
All items of cost Materials Labor General Expense	Corrections Product at cost carried to Buying Account
Dr. Balance—Amount on hand at cost prices.	

vided in case various separate parts were to be maintained for the purpose of statistical records.

The Manufacturing Account is to be considered as a special division of the Merchandise Account. It is to be debited with all the costs that enter into the goods produced—namely, materials, labor, power, rent, depreciation of machinery, etc.—and is to be

GENERAL EXPENSES (Manufacturing)	
Dr.	Cr.
All items of Expense which cannot be readily charged to the several product accounts, like Superintendence, Taxes, Insurance, Power, Repairs, Depreciation of Plant, etc.	Corrections Amount charged (by estimate) to Product Accounts
Dr. Balance—Deficiency in charge. (To be carried to Loss and Gain Account)	Cr. Balance—Amount of Excessive Charge. (To be carried to Loss and Gain Account)

credited from time to time with the goods produced at cost. This result will be accomplished by some such a system in the establishment as would be the equivalent of the Buying Account buying from the Manufacturing Account the goods produced. Buying Account should take over the goods at their cost price, and it should be the account to carry them in stock until such time as

they are sold. Then Selling Account should take them out of Buying Account at cost, just the same as though they were goods that had been brought into the concern from some other manufacturing establishment, and by its records should show the profit or loss at which they are sold.

The function, then, of Manufacturing Account is to keep track of the cost of goods produced and to turn them over at cost to the Buying Account. It is the function of Buying Account to carry the goods on hand, whether made in the concern or brought in from other establishments, and, in turn, to hand the goods over to Selling Account as they are sold. Finally, it is the function of Selling Account to take the goods at cost from Buying Account and to show the disposition made of them, whether resulting in a profit or a loss.

Any balance in Manufacturing Account will represent material on hand, or goods in process of construction, or costs incurred, but not distributed. All this, however, is more fully discussed in another place.

A word right here with respect to the management of Buying Account may serve to more clearly illustrate the nature and method of conducting that account. It has been stated that the balance in this account, when treated in the manner here described, will always show the inventory of goods on hand, or, in other words, the goods on hand at cost prices. It is the usual rule with merchants to take an inventory from time to time for the purpose of ascertaining the amount of stock on hand. They depend upon this plan for determining the amount of stock, because no such account as the Buying Account here described has been kept. The Buying Account, properly conducted, saves this investigation into stock on hand for all purposes except to verify the account.

It is customary at the end of the day, in balancing the cash

book, to count the cash in the drawer, not, however, for the purpose of discovering how much is on hand in the sense of determining the balance, but for the purpose of proving the correctness of the cash book. The function of the cash book is to record receipts and disbursements and to show by its balance the amount on hand. Counting the cash proves, first, the correctness of the book, and, second, that no pilfering has been done. With the Buying Account, conducted as here described, inventorying from time to time would be undertaken for the purpose of proving the correctness of that account, and for the further purpose of discovering "leaks." It is the custom of business men to rely upon their cash books between times for a statement of the cash on hand available for use, and so it is the habit of merchants who conduct a Buying Account as here described to rely between times upon the balance which it shows for the amount of goods on hand.

The Buying Account, conducted as here described, provides an important link in the chain of accounts constituting the balance sheet of the business. The balance in Merchandise Account, as commonly conducted, must necessarily be affected by the profits or the losses growing out of the business conducted, and therefore it is never a correct representation of the inventory. By the division of Merchandise into Buying and Selling, as here described, profits or losses are shown separate and distinct from the inventory, and, in turn, the inventory is shown as it really is, and uninfluenced by the results of the transactions which have occurred since an account of stock was taken.

The advantages following upon this plan of dividing the Merchandise Accounts are numerous, and considerable space might be devoted to their presentation. Aside from those to which allusion has already been made there is only one to which we will stop to give attention in this connection. By keeping profits and losses apart and distinct from goods on hand, and by keeping such

an account with goods on hand as will always show the correct balance, a most excellent foundation is supplied for the claim against an insurance company when a fire occurs. This advantage alone would warrant the small trouble of maintaining the account.

In various lines of business a number of Merchandise Accounts are sometimes required. The merchant may deal in classes of goods so unlike each other as to make it desirable to keep them apart, so far as the records go. He may deal in classes of goods on which the profits are so unlike in the way of percentages to make it desirable for statistical purposes, as well as for other reasons, to maintain separate Merchandise Accounts. In all such cases each account, by whatever name called, is divided into a Buying and a Selling Account, to be conducted upon the lines above described.

Again, in department stores it is frequently required that an account be kept with the merchandise in each department. In this case, as in the others, the several resulting Merchandise Accounts are to be subdivided into the Buying Account and the Selling Account, thereby showing at all times by the balance in the Buying Account the goods on hand in the department named, and by the balance in Selling Account the gross profits (or losses) which the department is making.

In passing, we should call attention to the items which contribute to the cost of goods, as distinguished from certain other items which belong in the class of expenditures already referred to as the expenses of doing business. Very little thought will be required to show that the expenses of doing business are entirely distinct from the cost of goods, and a little additional reflection will show that whatever affects the cost of merchandise in itself should be debited to the Buying Account. Boxing, cartage and freight are certainly chargeable to the Buying Account, because they represent a part of the cost of the goods brought to the place

of sale. On the other hand, all expenses which have to do with the sale of the goods, and which we have previously enumerated in part, belong in the other class—namely, Expenses of Doing Business.

With the Selling Account kept in the manner above described, being debited from time to time with the goods sold at cost prices and being credited at the same time with the goods disposed of at selling prices, it should be closed at proper intervals with the balance that has resulted from the transactions, whether a debit or credit, carried to Loss and Gain Account. At the same time the Expenses of Doing Business, representing in this regard the costs for the corresponding period, should likewise be closed into Loss and Gain.

Good business practice warrants the closing of the Selling Account and the Expense Account in this manner as frequently as once a month. Many lines of business would do well if the closing entries were made as often as once a week. In the arrangement of accounts in the Self-Proving System the entries necessary to the closing may be made just as frequently as desired and at regular or irregular intervals.

When the Expense Accounts and the Selling Accounts have been closed into Loss and Gain, as above described, then Loss and Gain Account should be similarly closed, carrying its balance, if the balance represents a profit, to the credit of Dividends and Divisions, as already described, and if the balance represents a loss, to the debit of Impairment and Surplus, as also previously described.

There are other Property Accounts besides Merchandise Accounts to consider, but they are in themselves so much simpler than Merchandise Account that they will not need nearly the time that has been devoted to Merchandise Account. Let us next give attention to such a Property Account as that of a piece of Real

Estate, an item which usually on the books of a business is regarded as an investment. Even though the Real Estate be carried for some other reason than investment, and because of the profit that is derived from it, it is still proper to treat it in the account as though it were an investment. If, for example, a piece of real estate is carried at a loss simply because of some advantage gained in another department of the business, it is only right that the books should show the amount of that loss, in order that the deficit in the one case may be properly compared with the surplus in the other.

It will perhaps occur to the reader, in the light of the division that we have made in the Merchandise Account above, that every Property Account has two sides to be considered, or, rather, two

Dr.	ANY PROPERTY ACCOUNT	Cr.
Value at beginning Amounts bought Improvements		Amount disposed of <i>(In closing, credit the Account with Property on hand at value)</i>
Dr. Balance—Loss. (To be carried to Loss and Gain Account)		Cr. Balance—Gain. (To be carried to Loss and Gain Account)

classes of records to be maintained. This is, in a sense, true. There is, first, the investment, independent of cost of maintenance and of revenue, and, second, there is the maintenance and the revenue to be considered, independent of the investment. The profits that may grow out of a piece of real estate are twofold in character—first, increase in value by reason of advancing prices on account of location and environment, and, second, actual gains by the returns in the way of rent being larger than the cost of maintenance, the latter including such items as taxes, repairs, insurance, expense of caretakers, etc.

Two accounts, then, are to be opened with each piece of real estate. The first may be called Real Estate Investment Account,

and is to be debited with the cost of the property and with all additions or betterments made thereto. It is to be credited with any portion sold, and on closing the books it is to be credited with the inventory value of the property remaining on hand. The balance, then, will show a profit or a loss, as the case may be, on the investment, independent of the use that has been made of the property and the cost of maintenance.

Dr.	REAL ESTATE (Investment)	Cr.
Value at beginning Additions and Purchases Betterments		Amount disposed of <i>(In closing, credit the Account with Real Estate on hand at value)</i>
Dr. Balance—Loss. (To be carried to Loss and Gain Account)		Cr. Balance—Gain. (To be carried to Loss and Gain Account)

The second account with a piece of real estate may be called Real Estate Results Account, and is to be debited from time to time with all the costs of maintaining the property, such as taxes, oversight, insurance, repairs, etc., and is to be credited with the income from the property. The balance will be either a profit or a loss, according to the circumstances, and will be the results of

Dr.	REAL ESTATE (Results)	Cr.
Repairs Caretakers Insurance Taxes All other Expenses		Income
Dr. Balance—Loss. (To be carried to Loss and Gain Account)		Cr. Balance—Gain. (To be carried to Loss and Gain Account)

the use of the property, independent of the amount of the investment. By taking the two accounts together, Real Estate Investment Account and Real Estate Results Account, the owner has the opportunity of determining the real advantage of the investment to him. He needs the two accounts rather than a single ac-

count in order to discover where he is making or where he is losing, as the case may be.

The same general conditions prevail in the matter of stocks and bonds. One account should be opened with each lot of stocks or bonds, as the case may be, as an investment, and another account should be opened with the same as the results. In stocks

Dr.	BONDS (Investment)	Cr.
Amount on hand at beginning at value		Amount disposed of
Cost of Bonds bought		<i>(In closing, credit the Account with Bonds on hand at value)</i>
Dr. Balance—Loss. (To be carried to Loss and Gain Account)		Cr. Balance—Gain. (To be carried to Loss and Gain Account)

and bonds there is less cost of maintenance than in the matter of real estate, but at the same time the principle is the same. It is expedient to know the net income from the bonds or stocks, as the case may be, independent of the values that may be placed upon them. Taxes and assessments are also to be recorded. Stocks and bonds are constantly fluctuating in price. They are to be

Dr.	BONDS (Results)	Cr.
Expenses of Purchase		Income
Taxes		
All other Expenses		
Dr. Balance—Loss. (To be carried to Loss and Gain Account)		Cr. Balance—Gain. (To be carried to Loss and Gain Account)

watched, therefore, not only with regard to their income, but also with respect to increasing or diminishing market values. The same general principle likewise applies to other Property Accounts, but it is not necessary to particularize further in this connection.

The losses or gains resulting from investments in real estate

and stocks or bonds, as above described, and from the income from the same, may be transferred to one general Loss and Gain Account in the books and there mingle with the profits and losses of the business, or the transfers may be made directly to the accounts grouped under the head, Disposal of Profits and Losses. The latter course will be preferred in some cases, because thereby

STORE FIXTURES, ETC.	
Dr.	Cr.
Value at beginning Additions	Amount sold
Dr. Balance—Net Cost of Fixtures. (Refer to Fixtures Depreciation Account)	

the results of what, from a business point of view, may be called outside investments will be kept separate and distinct from the results of the business. In following this plan the profits made on real estate investments, stock investments, bond investments, etc., would be carried to the credit of the account entitled Dividends and Divisions. The losses which are made would be carried in the

MANUFACTURING PLANT (Tools, Machinery, Fixtures, etc.)	
Dr.	Cr.
Cost at beginning Amount bought	Amount Sold
Dr. Balance—Net Cost of Plant (Refer to Plant Depreciation Account)	

same manner to the debit of the account entitled Impairment and Surplus. In the same way the profits appearing in such accounts as Real Estate Results Account, in Stocks Results Account and Bonds Results Account would go to the credit of Dividends and Divisions, and the losses in the same accounts would go to the debit of Impairment and Surplus.

Still another plan is possible for meeting these conditions, and it is presented for the consideration of those bookkeepers who have numerous Investment Accounts to manage. A special Investment Loss and Gain Account may be opened, distinguishing the usual Loss and Gain Account by some such term for the latter as Merchandise Loss and Gain. Let the Investment Loss and Gain Account be debited with the losses made or appearing in the Investment Accounts, and in the Results Accounts as well, and credited with the gains. In turn, as often as may be desired let the balance in Investment Loss and Gain Account be transferred to Dividends and Divisions or Impairment and Surplus, as the case may be, just as has been previously described in connection with the usual Loss and Gain Account of the business.

Complete classification of accounts would require that Real Estate Investment Accounts and Bonds and Stocks Investment Accounts should be located in that portion of the ledger devoted to accounts with Resources, while the corresponding Results Accounts should go into that part of the ledger devoted to the Proprietor's Accounts, falling in the subdivision termed Results of Transactions. If the business conducted were one entirely with stocks and bonds and real estate, the classification of accounts here shown for the conduct of the general business and the accounts named herein would, of course, apply. The cost of maintaining a piece of property, for example, would be recorded in some account in the class called Expenses of Doing Business, while the revenue from the property would very naturally come under the head of Losses and Gains. In a mixed business, such as we assume most merchants are conducting, the principal line being the buying and selling of merchandise, with only an occasional outside investment, as, for example, in a store property, it is thought wise to keep the Investment Results Accounts apart from the Business Results Accounts. Even in this case the Invest-

ment Results Account, by strict application of the rule, would be located in the ledger in the same general position as the Business Results Accounts. We have not so shown these accounts, however, in the diagram of classification herewith presented, because with the rare occurrence of outside investments in connection with a merchandising business the trouble of such classification would be much greater than the result obtained would justify. We content ourselves, therefore, with merely calling attention to the principle involved and explaining the method that might be followed, leaving the bookkeeper to proceed in this regard as to him seems best in view of circumstances.

We will next give attention to Notes Receivable, one of the

Dr.	NOTES RECEIVABLE	Cr.
Notes and Acceptances on hand <small>at beginning</small> Notes and Acceptances Received		Notes and Acceptances <small>disposed of</small>
Dr. Balance—Amount on hand		

Property or Resource Accounts shown in the diagram. This account is opened by debiting it with the amount on hand at the beginning, and in turn debiting it with notes and acceptances as they are received. From time to time it is credited with the notes disposed of, either in the sense of being paid out or sold to others or being redeemed by the drawers. A debit balance is the only balance possible in Notes Receivable Account, and represents the amount of notes on hand. It is verified from time to time by comparing with the notes in hand.

Another Resource Account, and a most important one, to which attention should be given in this connection, is that of Cash. It is opened by debiting it at the outset with the amount of cash on hand. It is maintained by debiting from time to time with cash

received and crediting it with the expenditures. A balance in this account will be on the debit side and will represent the amount of cash on hand. The objects in view in keeping a Cash Account are to know the amount of cash received and paid and also the amount of cash on hand at any given date. The account is verified by counting the cash and comparing the amount found to be on hand with the amount called for by the account.

Dr.	CASH	Cr.
Amount on hand at beginning Receipts		Expenditures
Dr. Balance—Amount on hand		

There are various subdivisions of the Cash Account possible, prominent among which may be mentioned the Bank Account. As a fact, the Bank Account is kept separate from the Cash Account, although, as commonly regarded, it is a portion of the Cash Account. The bank balance is very generally carried on the stubs of the check book. It is very commonly the rule to make the

Dr.	BANK	Cr.
Amount on deposit at beginning Deposits Proceeds of notes sold to it, or discounted		Amount withdrawn Collection charges
Dr. Balance—Amount on deposit		

Cash Account the inclusive account, with the result that a part of the cash indicated by the account as being on hand is in bank, while another part is in the drawer or safe. Many business men and bookkeepers prefer to conduct the Cash Account in the restrictive sense of the term, limiting it to the cash actually in hand,

either in drawer or safe, as the case may be, and in turn maintain a separate account with the bank. For the purposes of classification, so far as we are considering them in this connection, it is immaterial which of these two points of view be occupied. Whatever may be the theory, the business man, as a fact, requires of his bookkeeper from day to day a report of the amount of cash actually on hand and also of the amount that is in bank subject to draft. Therefore it is expedient to conduct this account in such a way as always to keep the two balances separate and distinct, the same as though two separate accounts were maintained.

Among the Resource Accounts of a business the Personal Accounts or Accounts with the Debtors of the business occupy a

Dr.	ANY DEBTOR	Cr.
Amount owing at beginning Amounts for which he becomes liable		Cash Payments Notes Goods or Property Corrections
Dr. Balance—Amount owing		

very prominent place. At the outset each Personal Account (with debtor) is debited with the amount owing to the concern. In turn, during the period through which the account is open, it is debited with the amounts for which the debtor becomes liable. On the other hand, it is credited from time to time with the cash payments made, with merchandise returned, with corrections of errors, if any have occurred, with notes, in case notes are given or turned over, and with the goods that the business receives from the debtor, or with property of any kind which is set over by the debtor as a credit to his account and which is accepted therefor. The balance, if on the debit side, represents the amount which the debtor is owing. If by any accident the balance appears

upon the credit side of the account it shows the amount that the account has been overpaid.

The Personal Accounts with debtors in the particular line of business which we are considering divide into two classes—Instalment or Lease Accounts and Sundry Debtors Accounts. Very few merchants conduct their business on such narrow lines

PROPRIETOR OR PARTNER'S DRAWING ACCOUNT		Cr.
Dr. Amounts drawn in Cash, Goods or other Property	Salary Allowance or Share of Profits from Dividends and Divisions	
Dr. Balance—Over-draft	Cr. Balance—Amount owing to him	

as to have all their accounts with debtors of one particular kind. An Instalment Account, as will appear as we go along, requires special rulings in the ledger for its convenient conduct, and therefore the Instalment Accounts of the business are kept separate from the other debtor accounts for this reason, as well, also, as for the further reasons of classification. Open accounts with debtors,

ANY CREDITOR		Cr.
Dr. Amounts paid him in Cash Notes Payable Notes Receivable Goods or Property	Amounts owing to him at beginning Received from him in Cash Notes Goods or Property	
	Cr. Balance—Amount owing to him	

by which term is meant those accounts representing sales made on ordinary terms of credit, are kept by themselves in books specially ruled to accommodate such transactions and also because for reasons of mere classification it is expedient to keep accounts of this kind by themselves.

The Liability Accounts of a business, as shown by the dia-

gram, divide into two general classes—Notes Payable and Personal Accounts (creditors). Notes Payable, or Bills Payable, as the term is very commonly written, is credited at the opening of

Dr.	NOTES PAYABLE	Cr.
Notes and Acceptances paid off or redeemed		Amount outstanding at beginning Notes issued Drafts accepted
		Cr. Balance—Amount outstanding

the books with the notes outstanding, and from time to time with notes as they are issued and with drafts as they are accepted. In turn it is debited with notes paid off or redeemed. The balance,

Dr.	ANY STOCKHOLDER	Cr.
Amounts paid him in Cash, Goods or other Property		Dividend carried from Dividends and Divisions
		Cr. Balance—Dividends remaining unpaid

which must be on the credit side, represents the amount in notes and acceptances outstanding for which the concern is liable.

The Personal Accounts with the creditors of the establish-

Dr.	ANY OFFICER, CLERK OR EMPLOYEE	Cr.
Amounts paid him in Cash, Goods or other Property		Salary, Allowance or Wages
Dr. Balance—Over-draft		Cr. Balance—Amount owing to him

ment are very frequently divided into sub-classes for the purpose of keeping together those representing one particular kind of trans-

actions. For example, many merchants prefer to keep those accounts which represent their purchases apart from the personal accounts which represent special liabilities, money borrowed, etc. It is therefore customary to assign special ledgers to those divisions or to assign to them special divisions in one ledger. Each creditor's account at the beginning is to be credited with what the

Dr.	PURCHASE LEDGER (Collective)	Cr.
Total debit items of all the individual accounts of this class		Total credit items of all the individual accounts of this class
		Cr. Balance—Amount owing to the class collectively

business owes him, and from time to time is to be credited with such additional amounts as the business becomes liable to him for. In turn the account is to be debited with the amounts paid to him, whether in cash, notes or property. The balance, if on the credit side, will show the amount still owing to the creditor, and, if on the debit side, will show the extent to which the account has been overpaid.

Dr.	SUNDRY CREDITORS' LEDGER (Collective)	Cr.
Total debit items of all the individual accounts of this class		Total credit items of all the individual accounts of this class
		Cr. Balance—Amount owing to the class collectively

At the outset, in presenting the subject of classification of accounts, we brought to the attention of the reader the real object of such a classification, stating that the purpose was to arrange the accounts in the form of a balance sheet, so that mere reference thereto at any time would reveal the real condition of the busi-

ness. Manifestly such an examination would be attended with great difficulty if the accounts were presented in all their details. Therefore plans are resorted to by which, for balance sheet purposes, the totals of classes of accounts are used instead of the accounts in detail. How this is done will become clear by some examples. Early in this description we referred to the expenses

Dr.	SUNDRY DEBTORS' LEDGER (Collective)	Cr.
Total debit items of all the individual accounts of this class		Total credit items of all the individual accounts of this class
Dr. Balance—Amount owing by the class collectively		

of doing business, represented by as many separate accounts as may be desired by the managing man for statistical purposes. We enumerated such accounts as taxes, clerk hire, advertising, rent, stationery, postage, etc. We will assume that an account is opened with each of these items, to the extent of six or twelve or more, according to the nature of the business, and that these sev-

Dr.	INSTALMENT LEDGER	Cr.
Total debit items of all the individual accounts of this class		Total credit items of all the individual accounts of this class
Dr. Balance—Amount owing by the class collectively		

eral accounts receive the items belonging to them. This is necessary in order to keep expenses classified for purposes of comparison and direction as to expenditure. What is wanted for the general balance sheet, however, is the total of these expenses in one item, and this is secured by having a general account, which is debited with all the amounts with which these individual accounts

are debited, and credited with all the amounts with which these accounts are credited. The means for accomplishing this result—that is, having the expenses shown in detail in one place and in gross in another—will be described in another place.

There are numerous Personal Accounts (debtors) in a business. We have already referred to the plan of dividing them into two classes, Instalment Accounts and Sundry Debtors, but still more is required for the convenient handling of these items. For purposes of the balance sheet we need to have in one amount the total of all the Instalment Accounts and in another amount the total of all the Sundry Debtors. By means that will be described further on these accounts are kept in detail in one place and in single accounts in another. Each of these group accounts, if we may use the term, is debited from time to time as the individual accounts are debited, and is credited from time to time as the individual accounts are credited. Accordingly it receives in gross all that is distributed among the individual accounts for which it stands. Then the balance in each of these accounts at any date will represent the total of the balances of all the accounts in the class which it represents.

The same general remarks and methods apply to the Personal Accounts (creditors) in the business, which are subdivided first into Purchase Accounts, and, second, into Sundry Creditors. A group account is arranged for each of these classes of accounts which by its balance shows in one amount what would be revealed by a trial balance of all of the individual accounts of the class represented.

By this process of boiling down and condensation we have for balance sheet purposes all of the accounts of the business reduced to the following very small list:—Cash (in drawer or safe and bank), Merchandise (subdivided into Manufacturing, Buying and Selling), Accounts with Debtors (in three items—Instalment Ac-

RESOURCES**CASH :**

In drawer (Balance on Hand)
In bank (Balance on Deposit)

MERCHANDISE :

Manufacturing Ledger (Inventory of Materials, etc.)
Buying (Inventory of Goods on Hand)

DEBTORS TO THE BUSINESS :

Instalment Ledger or Lease Accounts (Amount owing to the business)
Sundry Debtors Ledger (Amount owing to the business)
Notes Receivable (Notes and Acceptances on hand)

INVESTMENTS :

Stocks and Bonds (Inventory Value)
Real Estate (Inventory Value)
Other Property (Inventory Value)

LIABILITIES**CREDITORS OF THE BUSINESS :**

Purchase Accounts Ledger (Amounts owing)
Sundry Creditors Ledger (Amounts owing)
Notes Payable (Amount of Notes and Acceptances out)

RESERVE ACCOUNTS (Amounts held to make good Depreciations
and for bad debts, etc.)

PROPRIETOR'S ACCOUNT OR CAPITAL (net difference between
Resources and Liabilities of the Business)

A TYPICAL BALANCE SHEET AT THE OPENING OR CLOSING OF THE BOOKS.

counts, Sundry Debtors' Accounts and Notes Receivable Account), and Investments (composed of Real Estate, Stocks and Bonds). This completes the accounts representing the Resources of the business. Of Liability Accounts we have only Accounts with Creditors (under three heads—Purchase Accounts, Sundry Creditors and Notes Payable). There is left the Results of Transactions (comprised in two accounts, known as Expenses of Doing Business and Losses and Gains), Disposal of Profits and Losses (in two accounts—Dividends and Divisions and Impairment and Surplus), and Capital Account, which, as before explained, represents the difference between the Resources of the business and the Liabilities of the business. How these accounts are arranged in a form to receive daily entries and yet at all times remain in balance sheet form is fully set forth in the chapter devoted to a consideration of the Private Ledger and Perpetual Balance Sheet.

Before closing this chapter we should call attention to the use made herein of certain terms, which, unexplained, might cause misapprehension. In the balance sheet referred to and illustrated by a diagram, and also in the Private Ledger and Perpetual Balance Sheet, described in another part of this volume, the term Investment Accounts is used to designate the accounts with properties and values owned by the business outside of Merchandise, Materials, Notes Receivable, and the other usual resources of the business. The investment of the proprietors or of the stockholders is, of course, the money put by them into the business. As the business proceeds, however, it is frequently found to be desirable or expedient for it to make certain disposals of capital which amount to specific investments in the interest of the business. These investments include such items as the store building, a factory building, the machinery and tools for equipping the factory, and the fixtures in the store itself, each one of which is necessary to the business. Accounts representing properties of this kind, while being Re-

source Accounts, are yet to be distinguished from other accounts of the same class, sometimes called Quick Assets, or what are more correctly designated as Available Resources. Again, it sometimes happens that in the course of a business, owned by partners, we will say, there is accumulated more money than is required in the business itself, and which surplus the partners agree to put

Dr.	FIXTURES DEPRECIATION	Cr.
Corrections		Allowance for Depreciation <i>(See debit in Reserve for Fixtures Depreciation)</i>
		Cr. Balance—Amount provided for Depreciation

into Government bonds or into some first class stock upon joint account. Or it may be decided to buy a piece of real estate. Here, in turn, arises the need of such a designation as Investment Accounts in order to maintain a complete classification. It is to be admitted that instances of the kind last cited are somewhat rare, and that at best it is inexpedient for partners in a business to go

Dr.	RESERVE FOR FIXTURES DEPRECIATION	Cr.
Amount of Estimated Depreciation <i>(See Credit in Fixtures Depreciation)</i>		Amount carried to proper Expense Account
Dr. Balance—Deficiency in amount charged to Ex- penses. (To be carried to Loss and Gain Account)		Cr. Balance—Excessive charge to Expense. (To be carried to Loss and Gain Account)

very far outside of the lines of that business with their investments. It is better, as a rule, to take such ventures entirely out of the books of the business. Our purpose, however, in preparing this volume is to show how accounts are to be kept, and not to prescribe the business policy nor define the business management of the men who are doing business.

Another term to which attention should be directed in this connection is that of Ledger. In this volume the word is used in two distinct meanings, which always may be distinguished by the context. In some cases the word is employed in the sense of a separate volume, as, for example, the Instalment Ledger or the Mercantile Ledger, meaning the special volume prepared with

Dr.	RESERVE FOR REBATES AND ALLOWANCES.	Cr.
Rebates and Allowances as they occur		Provision for probable claims <i>(See proper debit among Expense Accounts)</i>
Dr. Balance—Deficiency in provision. (To be carried to Loss and Gain Account)		Cr. Balance—Excessive provision. (To be carried to Loss and Gain Account)

rulings appropriate for its purpose. In other cases, the word Ledger is used in the sense of a certain class of accounts taken collectively. As thus employed it may refer to a separate volume wherein the class of accounts specified is kept, or to a portion of a volume set aside for the reception of the accounts of the class specified. Thus we have used the term Expense Ledger, meaning

Dr.	RESERVE FOR BAD DEBTS	Cr.
Actual Losses as they occur		Allowance for probable losses <i>(See proper debit among Expense Accounts)</i>
Dr. Balance—Deficiency in Allowance. (To be carried to Loss and Gain Account)		Cr. Balance—Excessive Allowance. (To be carried to Loss and Gain Account)

collectively all those accounts into which the general expenses of the establishment are divided; Purchase Ledger, meaning collectively all those accounts with persons, firms and corporations from whom the business buys goods; Sundry Debtors' Ledger, meaning collectively the accounts with the debtors of the business; with the exception of those of certain reserved classes, as, for example, in

the business described in this work, the Instalment Accounts or Lease Accounts.

In the formulae of accounts which we have presented on these pages there are included, in addition to those which are specifically referred to in the text, others which in kind are closely related to some of them and which are necessary to a complete presentation

Dr.	PLANT DEPRECIATION (Manufacturing)	Cr.
Corrections		Allowance for Depreciation <i>(See debit in Reserve for Plant Depreciation)</i>
		Cr. Balance—Amount provided for Depreciation

of the accounts that it may be found necessary to open in conducting a business of the largest and most extensive character.

The forms of accounts and the diagrams are made so complete in themselves as to be self-explanatory, and, therefore, it is not necessary to refer to them in detail. The form of balance sheet here given, showing the accounts arranged as they would be at the

Dr.	RESERVE FOR PLANT DEPRECIATION (Manufacturing)	Cr.
Amount of Estimated Depreciation <i>(See Credit in Plant Depreciation Account)</i>		Amounts charged to Product Accounts
Dr. Balance—Deficiency in Amounts charged to Product Accounts. (To be carried to Loss and Gain Account)		Cr. Balance—Excessive charge to Product Accounts. (To be carried to Loss and Gain Account)

time of opening or closing the books, is in some respects introductory to what is presented further on in this book in the chapter discussing the Private Ledger and Perpetual Balance Sheet.

What we have for convenience called in the Self-Proving Private Ledger and Balance Sheet and elsewhere in the classification of accounts in this volume Investments, are the same as de-

scribed by some authors on bookkeeping, of whom may be mentioned Thornton and Garcke and Fells, as Fixed Capital. The accounts in question represent property that remains in the possession of the business, considering the business now as a thing apart from its owners, and which is used in the business to help make a profit, but which is not bought and sold as merchandise. The contra term to Fixed Capital would be Floating Capital, which would include merchandise, something that is parted with to make a profit by changing it for some other property. The accounts with Fixed Capital, according to Thornton, for example, include Machinery, Office Furniture, Business Premises, Land, Fixtures, Manufacturing Plant, &c. These accounts are sometimes called Property Accounts, but that term includes, as we have shown in the chapter on classification of accounts, such accounts as Cash, Merchandise and Debts. We have preferred the general term Investments to indicate these accounts.

Accounts with Investments or accounts with items of Fixed Capital naturally divide into two classes, one of which includes those things immediately essential to the business, such as Manufacturing Plant, Store Fixtures, Office Furniture and the like, and the items in which some of the funds of the business are invested, and which, in a sense, constitute the investment of reserve funds. We have called the first of these Necessary Investments, and we have designated the second of these as Speculative Investments, which analysis will serve many purposes. The names, however, may be varied, at the option of the accountant, without detriment to the scheme of the Private Ledger and Perpetual Balance Sheet.

A word should be added with respect to Reserve Accounts for Depreciation of Plant and Fixtures, and for Bad Debts and the like. The depreciation of fixtures, machinery, manufacturing plant and other articles of property is something which should be

considered a part of the cost of doing business, or, in the case of manufacturing, a part of the cost of the goods produced. The depreciation, therefore, is something which should be charged from month to month. While it would be sufficient in the matter of mere solvency and in the proper adjustment of accounts annually to have a Reserve Account, the credit balance in which derived from Loss and Gain is equal to the depreciation, or the loss in the way of bad debts, still more is required to keep the books of a going business in proper condition. It is necessary for reasons that have been explained to have the costs of doing business properly charged month by month, and in case of manufacturing to be spread over the product as the goods are produced. While these charges thus occur monthly, yet the depreciation of the property is a matter that ordinarily is estimated only once a year. Provision for the depreciation, therefore, must be made month by month, even though the amount thus accumulated is only used once a year.

Still other considerations which will occur to the experienced accountant should also be borne in mind. Reserve Accounts by classification are Liability Accounts, and it is scarcely expedient to allow them to grow to any considerable sum, simply because they add a fictitious quantity to the Liabilities, offset by a corresponding fictitious amount among the assets. Some plan, therefore, is desirable by which they may be dispensed with.

By opening secondary accounts wherever depreciation in value or shrinkage occurs, we are able to wipe out the liability, and in our system of classification perform what is equivalent to subtracting the depreciation from the asset, a plan very generally followed in statements of affairs. Of the two accounts thus brought into use, one represents the amount of the depreciation itself, and is located in the Investment Ledger. The other represents the reserve set aside for depreciation, and, as previously re-

marked, is located among the Liability Accounts. The latter receives from time to time the credits that are set aside from the profits of the business, or, what is the same, credits corresponding to the amount that is charged up as expenses of the business, or a part of the cost of the product. The Depreciation Account is credited with the actual amount of the depreciation, the debit going into the Reserve Account. By this means the liability represented by the reserve is wiped out almost as soon as it occurs. Inasmuch as the Depreciation Account is a credit account located in the Investment Ledger, while the investments themselves are debit accounts, then the balance in Investment Ledger Account in the Private Ledger will always show the real value of the Investments, or items of Fixed Capital, as some accountants would prefer to call them. In each case the Individual Account shows its original cost, while the corresponding Depreciation Account shows what has been written off. By this plan all the requirements which business men sometimes meet with reference to matters of insurance and others which affect their manufacturing plant are complied with.

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SUBDIVISIONS OF THE LEDGER

In order to carry out in an efficient manner the scheme of classification on which the Self-Proving Accounting System is based, it is necessary to set apart separate ledger volumes to the different classes of accounts, or to assign to each of the different classes a subdivision of a single volume. Either plan will answer so far as the essential requirements are concerned, but a combination of the two will secure the best results in most cases. Each class of accounts, as the reader has perceived in what has preceded, is represented by a collective account of like name in the Private Ledger. For purposes of proof, therefore, the accounts of each class should be so much by themselves as to make it easy to inspect them at any time, apart from all others, as, for example, in taking off a trial balance or otherwise proving them by comparison of their balances with the balance in the collective account in the Private Ledger. It becomes a matter of considerable importance, therefore, to the bookkeeper to determine just where to locate a given class of accounts.

Certain accounts, by their nature, are best accommodated by a ledger ruled in one special manner, while certain other accounts are best accommodated by ledgers constructed upon a different principle. Individual tastes will also differ in matters of this kind, for no two business establishments can be satisfactorily managed upon exactly the same lines—at least, according to the notions of their respective proprietors. Our directions in this regard, therefore, are expressed in the most general terms.

For Customers' Accounts, or Sales Accounts as they are frequently called, in a mercantile or manufacturing establishment, wherein charges and credits occur with a reasonable degree of regularity month after month, and being accounts for which monthly statements are rendered, there is no form of ledger that has proven so satisfactory in use as the Self-Proving Mercantile Ledger, illustrated in fac-simile in another part of this volume. For accounts payable upon the instalment plan the special form of ledger illustrated in fac-simile in this volume and known as the Self-Proving Instalment Ledger, is the best for use of anything that has been devised.

Both the Self-Proving Mercantile Ledger and the Self-Proving Instalment Ledger may be described as ledger machines, grinding out balances month by month, and ever keeping before the attention of the manager or proprietor the condition of the account by obtruding upon his notice the balance at successive dates. No other form of ledger has the same advantages in use in these particulars.

For Purchase Accounts, where a considerable number of items occur each month, and where payments or settlements by note are made quite regularly, a ledger of the same general form as the Mercantile Ledger, illustrated herewith, may be employed. Indeed, such ledgers are at present in use in many establishments with most satisfactory results. Other establishments, however, prefer for Purchase Accounts the old form of ledger known as the Balance Column Ledger, and which is described and illustrated on another page. A choice in this regard, then, is to be made in the light of circumstances, including the bookkeeper's preferences.

A Balance Column Ledger, by reason of its form, is preferred by many accountants for a very extended service in any system with which it may be employed. The Balance Column Ledger, to

this end, may be bound in several separate volumes, each allotted to a class of accounts, or in one large volume, subdivided by colored leaves, inserted at different points, in a way to allot different sections to the different classes of accounts.

Whether in separate volumes or in a single volume, divided as last mentioned, the Balance Column Ledger is found very satisfactory for use for Purchase Accounts, Expense Accounts, Manufacturing Accounts, Investment Accounts, Sundry Debtors' Accounts, Sundry Creditors' Accounts, Reserve Funds Accounts, and all Loss and Gain Accounts. It readily lends itself to any subdivision of classification that may be desired. In another place we describe a combined Expense Record and Ledger, which has been found useful in many directions for the Expense Accounts of a business, where the latter are several in number, with numerous cash items occurring. Still other special ledgers might be enumerated.

The points to be considered in arranging the ledgers in a given system of bookkeeping include the expense in time and care of columns in the posting mediums for condensing or consolidating the items, and the labor of posting to separate accounts. Thus, in discussing the question of the employment of the combined Expense Record and Ledger, or some other special book for a set of accounts, as contrasted with using a section of the Balance Column Ledger for the same accounts, posting direct, attention must be given to such details as the footing of the columns in the combined form, compared with the labor of posting individual items to regular ledger accounts. The columnar system is a great labor saver in many cases, and yet, as all experienced bookkeepers know, it can be carried to extremes, and, by the very effort to utilize it, made into a labor producer.

What the bookkeeper should do at the outset, in the matter of arranging his accounts with respect to the different ledgers, is

to formulate his classification of accounts according to the needs of the business, and then to prepare a diagram, showing in what particular ledger a given account is to be opened. He should keep the diagram always before him for reference, thus guarding against a class of mistakes which frequently occur in distributing amounts in the columns of the posting mediums growing out of a failure to recall in just which ledger a given account has been established.

A diagram of this kind is presented in this connection, showing across the top the ledgers into which the accounts of a business may be divided, and down the side the names of the principal accounts occurring in that business. The check mark shows in which ledger the accounts should be opened. This diagram also indicates graphically the relationship of the Private Ledger and Perpetual Balance Sheet to the other ledgers or divisions of the ledger in the books of the business.

	PRIVATE LEDGER	INSTALMENT LEDGER	SUNDRY DEBTORS' LEDGER	INVESTMENT LEDGER	MANUFACTURING LEDGER	EXPENSE LEDGER	PURCHASE LEDGER	SUNDRY CREDITORS' LEDGER	RESERVE FUNDS LEDGER	LOSS AND GAIN LEDGER
Advertising	✓									
Bank	✓									
Bonds	✓									
Bonds Results	✓									
Buying	✓									
Capital	✓									
Carpers and Messenger	✓									
Cartage and Storage	✓									
Cash	✓									
Contingency Accts. (Bad Debt, Rebates, etc.)	✓									
Counters and Shelving	✓									
Creditors (Purchases)	✓									
Creditors (Sundry)	✓									
Debtors (Instalment)	✓									
Debtors (Open Account)	✓									
Depreciation Accts. (Machinery, Plant, etc.)	✓									
Dividends and Divisions	✓									
Employees' Accounts	✓									
Expense Ledger	✓									
Factory Fixtures	✓									
Fixed Charges (Manufacturing)	✓									
Fuel and Light	✓									
Gas Fixtures	✓									
Heating Apparatus	✓									
Impairment and Surplus	✓									
Instalment Ledger	✓									
Insurance and Taxes	✓									
Interest and Discount	✓									
Investment Ledger	✓									
Labor (Manufacturing)	✓									
Legal Expense	✓									
Loss and Gain Ledger	✓									
Manufacturing Expenses	✓									
Manufacturing Ledger	✓									
Manufacturing Plant	✓									
Materials	✓									
Merchandise (See Buying and Selling)	✓									
Merchandise Loss and Gain	✓									
Miscellaneous Loss and Gain	✓									
Notes Payable	✓									
Notes Receivable	✓									
Office Furniture	✓									
Officers (of Corporation)	✓									
Property (See Real Estate)	✓									
Proprietors' Buying Account	✓									
Proprietors' Drawing Account	✓									
Purchase Ledger	✓									
Real Estate	✓									
Real Estate Results	✓									
Rebates and Allowance	✓									
Rent	✓									
Repairs and Erection	✓									
Reserve Funds Ledger	✓									
Reserve for Bad Debt	✓									
Reserve for Rebates and Allowances	✓									
Reserve for Depreciation of Store Plant	✓									
Reserve for Depreciation of Mfg. Plant	✓									
Selling	✓									
Stationery and Supplies	✓									
Stockholders' Accounts	✓									
Stocks (Shares in Corporations)	✓									
Store Plant	✓									
Sundry Creditors' Ledger	✓									
Sundry Debtors' Ledger	✓									
Suspended List	✓									
Telegraph and Telephone	✓									
Unclassified Expense	✓									
Wages and Salaries	✓									
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DIAGRAM OF LEDGER SUBDIVISIONS FOR AN INSTALMENT BUSINESS

MERCHANDISE ACCOUNT

In the Self-Proving Accounting System the Merchandise Account, where a strictly trading business is conducted, is divided into two parts, designated as Buying and Selling respectively. Where a manufacturing department is conducted in connection with the trading department still another division of the Merchandise Account is made, called Manufacturing. In order to show the relationship of each of these to the others it may be remarked that Buying and Manufacturing are essentially the debits of the Merchandise Account as ordinarily conducted, while Selling is the credit of Merchandise Account as usually managed.

Buying Account is debited with the invoices of goods as they come to hand, and is also debited with the freight and cartage on the merchandise bought. From time to time it is credited with the goods returned to seller, with deductions, corrections in invoices and all other items which affect the cost of the goods purchased. The balance in this account, therefore, at any time shows the net cost of the goods bought to sell again, delivered at the store or warehouse.

As sales are made two sets of prices are extended—one representing the cost of the articles sent out and the other the selling figures. From time to time—either daily, weekly or monthly, as may be the preference of the manager—the cost amounts of the goods sold are footed and Selling Account is debited with the amount and Buying Account credited. By this step two things are accomplished. Having credited Buying Account at cost

prices with the goods disposed of, the balance in Buying Account represents the goods on hand—in other words, the inventory. In the second place, debiting Selling Account at cost prices with the goods sold, and then in regular course crediting Selling Account with the goods sent out at selling prices, causes that account by its balance to show the gross profit (or loss).

Debit and credit columns in Selling Account are useful, not only for the reason last explained, but because in this account, as well as in Buying Account, corrections, deductions and allowances are sometimes made, and also because occasionally goods are returned by customers. By arranging the items as above described every provision is made for the requirements that arise, with the result that the balance in Selling Account always shows gross profits (or losses) as they occur.

Manufacturing Account, which for present purposes is to be regarded as a subdivision of Merchandise Account, may be conducted as a single account, to be debited with all the costs, including materials, labor, superintendence, rent, power, insurance, depreciation of machinery, etc., and credited with goods produced, at cost prices. The debit side of Manufacturing Account then shows cost and the credit side product. Where, for statistical purposes, it is desired to subdivide Manufacturing Account, it may be done to whatever extent is required. The goods produced in the manufacturing department are to be taken over by the Buying Account at cost prices, the same as though the goods were bought from some one else. Manufacturing Account then makes the goods and shows their cost, Buying Account carries the goods and shows at all times the amount on hand, while Selling Account disposes of the goods and shows the profit or loss that is made upon them.

MANUFACTURING

We have briefly treated of Manufacturing Account as a subdivision of Merchandise Account, not only in the chapter referring to Merchandise Account, but also in the chapter treating of the Classification of Accounts. In a trading or merchandising business, such as an instalment business usually is, Manufacturing is only a subordinate division, and yet it frequently extends into dimensions that render its correct treatment in the accounts of the concern a matter of great importance. Even in those cases where the purpose of the management is to conduct a strictly merchandising business, it is found necessary to maintain at least a repairing department for the prompt and economical restoration of damaged goods and also for the accommodation of customers. The repairing department is, in effect, a manufacturing department, and when it is once organized there is but a step more required to produce in it some of the goods which the establishment has been buying outside. It is important, therefore, in this presentation of accounts, that brief space at least be given to the principles underlying the conduct of a Manufacturing Account, leaving to another volume a complete exposition of the application of the Self-Proving Accounting System to a large manufacturing business.

In another chapter we discuss Repairing and Jobbing, showing how the small manufacturing department, which it is necessary to maintain simply for repairs to goods and accommodation to customers, in connection with almost every instalment

store, may be conducted through the medium of the Expense Accounts of the business. This plan of management meets a certain class of requirements with fairly satisfactory results. The two points on which we shall speak in this chapter are, first, the management of the accounts of a complete manufacturing department which is relatively small and therefore only a subordinate division of a merchandising business, and wherein the goods produced are sold entirely at retail in the other departments of the business, and, second, the conduct of the accounts of a manufacturing department which, while being the adjunct of a merchandising business, has grown to large dimensions, with a considerable share of its output sold in a wholesale way to other retailers. We shall not attempt to be exhaustive on either of these subjects, for, as before mentioned, their complete treatment demands a separate volume.

The only object which a merchant can have in view in organizing a manufacturing department in connection with his regular business is to produce goods more cheaply than they can be bought. If he could buy like quality, style, character and finish more cheaply than he could make them, or even as cheaply, he would be very foolish to enter upon manufacturing at all. He should have good and sufficient reasons for investing money in a manufacturing plant and in undertaking the care and supervision of a department which at best may be depended upon to make heavy drafts upon him in this regard.

With this proposition, therefore, as a basis that the goods produced either must be cheaper for like quality or better at the same cost than could be bought in the market, it is evident that the operations of the manufacturing department of a trading enterprise should be conducted in all respects in a way to produce goods at the lowest possible price consistent with quality, and that the accounts should be conducted simply to show costs. and

not to look after the profits that follow upon selling. They should be so arranged as to show the net cost of each article produced, and the cost prices from time to time should be compared with the prices that it would be necessary to pay for the same goods if bought from other manufacturers. The profit on goods manufactured, as well as on those bought, belongs to the sales department, and therefore, as produced, the goods are to be transferred from the Manufacturing Account to the Buying Account. The manufacturing department should not carry any stock of goods on hand, so far at least as its accounts are concerned. The carrying of stock belongs to the Buying Account, as we have elsewhere explained, and this rule should apply the same where goods are made as where they are bought. The finished goods as they are produced should be taken out of the accounts representing the manufacturing department and transferred to the Buying Account. The necessary steps for accomplishing these ends may be features of bookkeeping only, but in the management of the accounts they are important matters, and whether as a fact the goods change position or not the records should be managed upon the plan here laid down.

So far as specimen accounts are concerned, Manufacturing, in the illustration presented in this volume, is represented as a single account to be debited with all the costs that enter into the goods produced, including material, labor, superintendence, rent, power, fuel, light and the hundred and one other items of expense, and to be credited with the goods produced at actual cost, in a way to close the account. The balance in Manufacturing Account, if a balance ever is shown, would represent the material on hand unconsumed or goods in process of construction and not yet charged off.

It must be evident to every bookkeeper, however, that Manufacturing Account may be subdivided to whatever extent is de-

sired. A separate account, for example, may be opened with Materials, or with each of several different kinds of materials. If such separate accounts are desired by reason of their statistical value. A separate account may also be opened with Labor, and another with Superintendence, Rent, Power and other general expenses which have to be spread over the product in determining the cost. Each of these accounts, however, would be conducted upon the same plan as the single account, so far as it has been described in the pages preceding; and where several accounts are employed they are summarized or totaled in a single account called Manufacturing Account, upon the principle underlying the group accounts, as described in the chapter on Classification of Accounts.

The subdivisions of Manufacturing Account so far mentioned are really subdivisions of the debit or cost side of that account. It is possible, also, and very desirable in many cases, to have subdivisions on the credit or product side. The Cost Accounts would, of course, require a debit and a credit in each for proper management, and the Product Accounts likewise require a debit and a credit side for their conduct.

The requirement in every manufacturing business is to know the cost, not only of each lot of goods that is produced, but also of each individual article, thereby determining the figure at which it can be sold. It is recommended, therefore, in order to keep track of individual articles, that an order number be given to each lot of goods taken out, and that an account be opened with each order, using the number for the name of the account, qualified, if the same is deemed expedient, by a designation of the kind of goods. Thus, order No. 99 might represent 500 chairs of a certain description. As the work progresses this order No. 99 will be debited with the cost of the material used and also with the amount of labor expended and all other items of direct expense. Finally, a certain amount, determined by percentage or otherwise,

as we shall discuss further along, is to be added to the cost items for the general expenses, in order that this particular lot of goods shall stand its proper share of the cost of running the department.

If the cost items have been correctly kept and posted to the debit of order No. 99, then their aggregate amount will represent the cost of the 500 chairs, and this is the amount that is to be charged to Buying Account and credited to Manufacturing Account when the goods are transferred from the manufacturing department to the sales department. The cost items as they are charged to order No. 99 are credited to the several accounts representing Materials, Labor, General Expense, &c.

This brief outline is sufficient to show the general course to be pursued in the conduct of the accounts of a manufacturing department, and there only remains in this division of the subject a brief consideration of the methods to be followed in order to secure a proper spreading over the goods produced of the general expenses already referred to. These general expenses may be best apportioned, perhaps, by way of percentage, and yet there are objections to this plan, in special cases at least, and therefore no arbitrary rule can be laid down in this regard. The percentage plan is most commonly employed, and therefore is the one to which we shall give attention.

The rate of percentage is to be determined by the records of the previous year, and in the absence of previous experience must be based upon the best estimate that can be made of the operations of the current year. The foundation on which the percentage is based is a matter of considerable importance. In some establishments it is taken on the total amount of materials purchased. The objection to this is that the prices of materials of almost all kinds vary so much from time to time that there may be some thousands of dollars' difference between the cost of a given amount of material this year and the cost of the same

amount of material last year. With fluctuations of considerable amount between any two years, the percentage, of course, would be wrong or very misleading. In other establishments the percentage is based upon the total output, comparing the total of general expenses with the total amount of goods produced. Practically the same objection prevails in this case as in the former, because a part of the output is represented by the materials consumed, and, as we have pointed out, these may have varied greatly in price between last year and the present time. It is not satisfactory, either, to base the percentage upon the goods produced, taken at selling prices, because those figures are always in a sense speculative in character, and vary considerably from time to time. Conditions of the market are such that goods are sometimes sold at no profit at all, or even below cost, while at other times, by reason of a favorable turn, the price is very much inflated.

The best experience of leading manufacturers has demonstrated the fact that of all the elements entering into a manufacturing business which are possible to use as the basis of a percentage for spreading costs of general expense, there is nothing that varies less frequently, or in so small an amount one year compared with another, as labor. The total amount paid for labor from year to year, the same number and general grade of men being employed, varies less than any other item of expenditure, and therefore the Labor Account is deemed the best for use as a foundation on which to base the percentage covering general expenses.

Suppose, for example, that the total cost of rent, power, insurance, watchmen, superintendence, time clerk, and all other items of expense that are impossible to apportion and charge specifically to the goods produced, amount in a certain manufacturing department to \$5,000 a year; and suppose, further, that the

pay-roll amounts for the same year to \$25,000, and that this, in the estimation of the managers of the establishment, is about the ratio of these items at the present time. How shall the costs of a given lot of goods in matter of general expense be ascertained? Referring now to the example above mentioned, order No. 99 for 500 chairs, let it be assumed that all the tangible items of cost have been charged to the order, including materials, labor, etc., and that the only thing to be added is the allowance for the general expense of the establishment. Suppose, for the sake of illustration, that the item of labor upon the order in question amounts to \$100. The percentage of dead expenses determined by the figures above presented during the past year was 20 per cent—that is, the dead expenses cost one-fifth as much as the amount of the pay-roll. We therefore add arbitrarily to the items of cost shown by order No. 99, an amount equal to one-fifth, or 20 per cent., of the amount of labor which is shown to have gone into that order, or \$20.

This presentation of a Cost Account method is in mere outline, and we purposely omit all consideration of methods to be used where the volume of business greatly varies from time to time without corresponding changes in amount of dead or general expenses, because their complete presentation would occupy more space than can be spared to the subject, and because nothing short of a full discussion would add anything of practical value to the merchant who starts a manufacturing department as a division of his general business.

By the plan of keeping the accounts here shown Labor Account would be debited from week to week with all the labor paid. In turn, it would be credited with the amount of labor applied to each order, as the orders passed through the factory. If the accounts are properly kept, all the labor will have been taken out of Labor Account at the end of the year and charged to the several

Order Accounts. Labor Account, accordingly, will close even.

In the same way, each kind of material is charged to its own proper account when it is bought, and as portions are used, the proper account is credited and the Individual Order Account is debited. Each Material Account, therefore, at the end of the year, or whenever the books are to be closed, should show by its balance only the amount of material on hand, or the inventory. The correctness of the accounting will be demonstrated by a comparison of the actual inventory with the balance that the account calls for.

The General Expense Account, by whatever name it may be called, is debited as the costs are made, including all such items as superintendence, insurance, watchmen, time clerk, and all those expenses which cannot be properly apportioned among the orders. From time to time, as the orders are completed and charged up, this account is credited with the amounts charged to the individual orders as determined by the percentage established. In the illustration above presented, the General Expense Account would be credited \$20 at the time that order No. 99 was debited with \$20. If the percentage employed is correct, then at the end of the year, or whenever the books are closed, the credits to this account will offset the debits.

There should be no balance in the General Expense Account at the end of the year, for all of the expenses which it represents should have been apportioned among the Order Accounts in the way above described. If, however, by superior economy and close management, the general or dead expenses of the manufacturing department for the current year have been made less than for the preceding year, and the order charges, as they have been made, have still been based upon the record of the preceding year, then this account may show a credit balance at closing, which, of course, must be disposed of through the Loss and Gain Account

in the usual manner. On the other hand, if the expenses relatively have been higher the present year than for the preceding year, and the charges to the orders nevertheless have been based upon the ratio determined by the preceding year, then this account will show a debit balance, which, of course, under the circumstances, can only be disposed of through the Loss and Gain Account.

One special item of cost that is very commonly lost sight of in Manufacturing Accounts is that of depreciation of plant. It costs, we will say for example, \$10,000 to fit up a factory. This \$10,000 is expended before a wheel is turned or a dollar's worth of goods produced. At the end of the year how much is the equipment worth? In a practical way it will be answered that it is worth what it cost. An argument in support of this is that it would cost just as much to equip anew. Nevertheless, the sagacious business man will say that something must be written off for depreciation. Not only should something be written off for depreciation in the sense of wear and tear, but still other considerations should not be overlooked. Machinery, of course, wears out, but in this age of rapid progress, various kinds of machines are frequently superseded by improved devices long before they are worn enough to be greatly hurt, and therefore the real life of some machines is much less than the term determined by their wear alone.

Certain facilities necessary to a factory are worth absolutely nothing when it comes to a question of removal, abandonment, or change of any kind. Among these may be mentioned shelving, partitions, bins and woodwork in general. Items of this sort are expensive in their first cost, but, for the reasons above explained, depreciate very rapidly after once in place. On the other hand, certain standard and staple machines are used year after year without perceptible change in value and with no apparent danger of

being superseded by new devices. No fixed rule, therefore, can be laid down for estimating depreciation of plant. One percentage would be appropriate for heavy staple or standard machinery, another for small and special machines and hand tools, and still another for such items as benches, shelving and the like. No better rule can be offered for determining the amount to be written off than the application of the cool-headed judgment of a business man who in his business experience has seen practically the vicissitudes of manufacturing equipment.

Whatever the basis may be that is adopted for estimating the depreciation of plant, the amount of the depreciation is something also that must be spread over the goods produced as a part of their cost. If, for the sake of illustration, the depreciation in the machinery and fixtures of a given manufacturing department amounts to \$1,000 a year, then that \$1,000 must be spread over the goods produced in a year's time in a way to let each individual order and each individual article bear its fair share. This thousand dollars may be spread over the output by way of a percentage, in the same general manner that the general or dead expenses of the factory are spread.

An account with Depreciation should be opened up, to be credited from time to time with the amount that is charged to the orders upon the plan above described and to be debited at the end of the year, or whenever the books are closed, with the amount that is written off from the Plant Account. In some factories the percentage to be charged to orders is determined somewhat after the fashion above described, and then the amount is allowed to accumulate on the credit side of Depreciation Account, as the work progresses, until the end of the year, when so much is written off the Plant Account as the credits in that account represent. This plan has the advantage of exactly balancing the Depreciation Account and of writing off just as much as the goods

produced have been made to stand during the term.

We now come to the consideration of the accounts to be conducted where the manufacturing department becomes so extended that the goods produced, in addition to being sold through the regular sales department of the business, are jobbed or sold at wholesale in various directions. What modification or addition to the books should be made in view of these conditions? In our discussion of the divisions of the Merchandise Account, particularly in the chapter entitled Classification of Accounts, we have pointed out that there may be various Buying Accounts and various Selling Accounts, one line of division being a difference in profits in the classes of goods represented. At the outset, under the conditions which we are now considering, it should be remarked that the difference in profit on the goods sold between jobbing prices and retail prices very generally warrants two Selling Accounts.

The Private Ledger and Perpetual Balance Sheet supplied with the Self-Proving Accounting System has various blank columns adapted for use in cases of this kind. The regular Selling Account could be qualified by adding to it "Retail," and a new Selling Account, entitled Selling "Wholesale," could be opened in one of the blank spaces. Let this Wholesale Selling Account take from Buying Account all those goods which are jobbed or sold wholesale, and let it in turn receive the credits for the sales made in a wholesale way. The result will be that the balance in this account will always show the profit or loss on the goods that are sold to the trade.

A similar division of personal accounts should be made in the section devoted to Accounts with Customers. The Private Ledger and Perpetual Balance Sheet, as herein illustrated, shows columns for the accounts with Instalment Customers and with Sundry Debtors. Sundry Debtors, as we have explained, is the

division in which the accounts with those various persons are located to whom credit from time to time is extended upon some special or unusual basis. It is intended to be the miscellaneous division, the catch-all of this general class of accounts. A set of blank columns, however, is provided in Accounts with Debtors, which, it is suggested, should be used for the special purpose now in view, and should be named Wholesale Customers or Trade Customers.

Assign a certain portion of the Debtors' Ledger to these accounts and then let this new columnar division of the Private Ledger and Balance Sheet bear the same relation to the new set of accounts that the Instalment division bears to the accounts in the Instalment Ledger. By this plan the wholesale trade will be kept entirely distinct from the retail trade, in record of profits, in general accounts and in individual accounts.

CAPITAL ACCOUNT VS. PROPRIETOR'S ACCOUNT

The treatment of the Capital Account of a business is frequently a matter of some confusion and uncertainty. The confusion occurs in failing to distinguish between the amount invested in the business as capital, and the sums which are withdrawn from time to time by the proprietor or proprietors for personal expenses. The uncertainty is owing in many cases to the loose ideas of both proprietor and bookkeeper with respect to the permanency of the investment account. The best results in accounting are obtained by strict classification in this matter as well as in all others. It is expedient to regard the capital of the business as a fixed quantity, not to be changed on the books, save only as it is varied by an additional investment, declared to be such, or by a positive withdrawal of capital, also declared to be such at the time.

The Capital or Investment Account of the business, it is recommended, shall be an account separate and distinct from the proprietor's personal account. Even though the business be owned by one man this course is expedient. When the business is the property of a partnership between two or more men it is still more desirable from an accounting point of view. In general this plan is advisable for the purposes of correctly declaring results and showing the progress of the business from day to day. A good plan is to treat the Capital Account of the firm or single owner just as though it were the capital of a corporation represented by stock certificates. Such a course will save many complications and

avoid perplexing situations from which only expert talent can derive the proper result. If the bookkeeper becomes imbued with this idea of treating the Capital Account as a fixed quantity, with all withdrawals, etc., to be recorded in the partner's private account, and proceeds accordingly, he will encounter no embarrassing difficulties, but instead will find the way easy at every step.

The private account with the proprietor, recording the moneys drawn from the business for personal expenses, it is recommended to open in that portion of the ledger known as Sundry Debtors. The proprietor will be a debtor to the business until the amounts of his drafts have been offset by a credit for services or by a portion of the profits of the business.

Several ways may be suggested for managing the proprietor's private account in this particular. The amounts withdrawn may be allowed to accumulate to the end of the year, to be offset at that time by a credit from Dividends and Divisions Account, or the credit from profits may be made monthly. The proprietor may also be credited month by month with a salary allowance, the amount of the allowance being proportionate to his assumed value in the business. This last suggestion is based upon the generally admitted proposition that no business can be declared to be making money in the strict sense of the word until it has returned an interest on the capital employed equal to what could have been obtained for that capital if it had been invested in the open market under like conditions of risk, together with an amount equal to the salary the proprietor could have earned had he also sold his services in the open market. Crediting the proprietor with a salary, therefore, which, of course, would be charged as one of the Expenses of Doing Business, puts the business in correct relationship to the Profit and Loss Account at all times.

Sometimes the proprietor of a business becomes the customer of that business to the extent of buying goods from the

store. On the basis of classification, and for reasons explained in another page in this book, where classification of accounts is specially discussed, it is recommended in such cases that an account be opened with the proprietor for goods purchased, locating the account in Sundry Debtors ledger. To close this account, whenever it is desired to do so let the proprietor draw the cash on his salary account or otherwise and pay the amount. This, of course, amounts to a cross entry through the medium of the cash book. This plan is not essential to the system here explained, but every intelligent bookkeeper will readily perceive that such a course simplifies the entries to be made whenever goods are taken on account by the proprietor or a partner. Of course, if desired a cross entry through the cash journal can be made direct, but in that case the bookkeeper would ordinarily proceed without a voucher, and vouchers are always desirable.

Again, where the proprietor lends the business an amount of money for a short time, or advances some capital on a temporary basis, it is expedient to open an account for the transaction in that portion of the ledger known as Sundry Creditors. If the money furnished is intended to be a permanent addition to capital, then, of course, the Capital Account should be credited, as elsewhere explained. But if, as frequently occurs, the amount furnished is advanced only as a temporary accommodation to the business, and is to be repaid at an early date, then it is expedient to let Capital Account alone and to credit the amount to a special account opened with the proprietor in that part of the ledger devoted to the accounts of creditors of the business.

This plan may be objected to by certain bookkeepers, because in the event of failure of the business the private account of the proprietor, as one of the liabilities of the concern, would be instantly thrown out by any competent auditor, and more especially by the courts. All this is frankly admitted, but, on the other

hand, it should be remembered that the object of bookkeeping is to take care of a going business—not to provide for one that is insolvent. Accordingly it is not necessary to assume in advance that the result of the business is to be disastrous, and therefore to commence arranging the accounts as they would be classified on the assignee's schedules. The accounts that are opened and kept in a business should always show the correct relationship of the business to the proprietor, as well, also, as the relationship of debtors and creditors to the business. A temporary loan made to the business by the proprietor, for example, of a thousand dollars, does not need to be put into Capital Account simply because in the event of disaster overtaking the business the account of this thousand dollars, located among the liabilities of the business, would be ruled out.

In the case of failure the Capital Account is itself ruled out, and in disaster various changes are made in the arrangement of the accounts by the receiver or assignee that the bookkeeper would not think of introducing while the business is a going enterprise.

Let us, then, look at the facts of the case as they are with the business considered as an entity, apart from the proprietor. The proprietor holds the business responsible to himself for all the money he puts into it. He recognizes that in the event of failure he will not get anything back, whether on loan account or capital, until the other or general creditors are paid in full. Notwithstanding this he regards one portion of the money he supplies to the business as a permanent investment and another portion as a temporary accommodation only. It is quite as right, then, that the accounts should be kept in a way to agree with his reasonable views in this regard as that they should be kept in a way to provide the classification which auditors and the courts very properly insist upon when the business is no longer a going concern, but instead is a wreck to be broken up and the parts distributed as the

interests of creditors may appear.

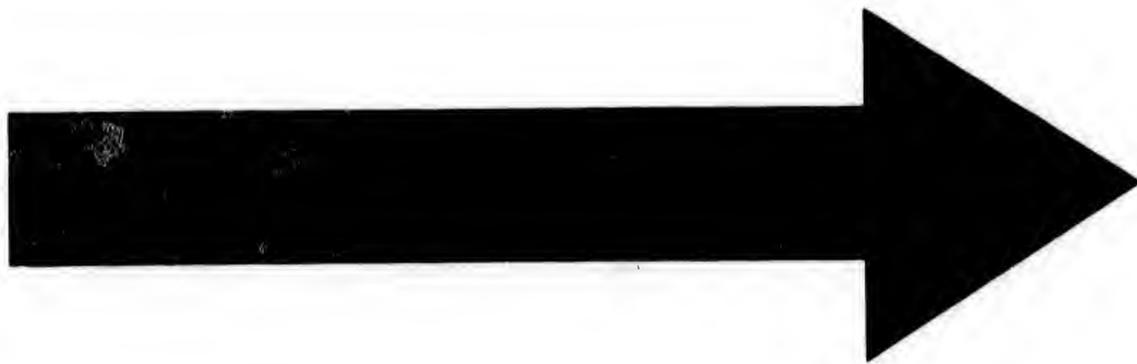
Where there are several partners in the business it is recommended that their individual contributions of capital be arranged and adjusted by their partnership agreement, and that the total amount, whatever it may be and irrespective of the fact sometimes prevailing that the contributions are unequal in amount, be pooled in one sum, and that this sum be entered to the credit of the Capital Account as the capital of the business. Let this amount remain as a fixed quantity until it is varied by a settlement between partners or by a modification of their articles of agreement. Open an account with each individual partner for amounts withdrawn by him, all as set forth in the preceding paragraphs, offsetting these withdrawals from time to time by credits on account of salary or by shares of the profits. Where one of the partners makes a temporary loan to the business, open an account with him, placing it among the accounts of the regular creditors of the concern, or, as is preferred in some cases, give him the firm's note for the amount, thus letting the liability appear in Notes Payable Account.

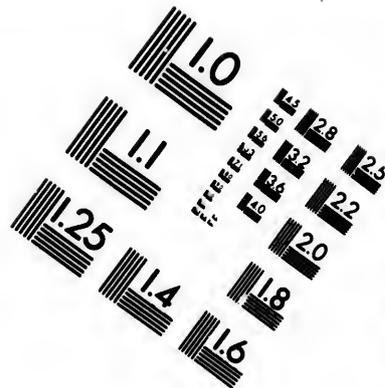
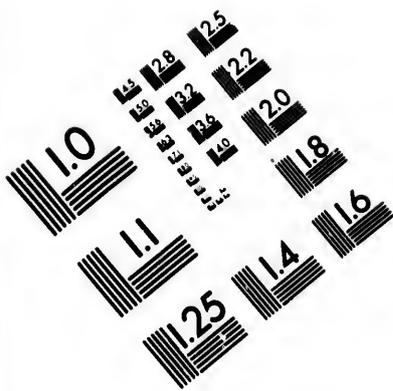
The reasons which prevail in the minds of some bookkeepers against opening among the accounts showing liabilities of the business an account with the proprietor for moneys temporarily loaned the concern would not prevail, of course, where there are several partners and only one of them extends an accommodation. In such a case, in the event of disaster, this partner's special contribution to the business stands in different relationship thereto, at least so far as the partners themselves are concerned, from that of his original contribution to the fixed capital of the firm.

Difficulties in partnership settlements, and the accounting complications that arise in the books of enterprises in which two or more persons are interested, would be entirely avoided if proper care were taken in the first place to define the relationship that is

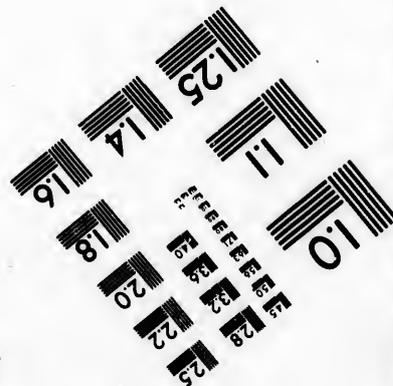
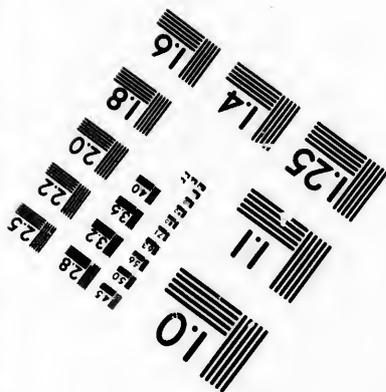
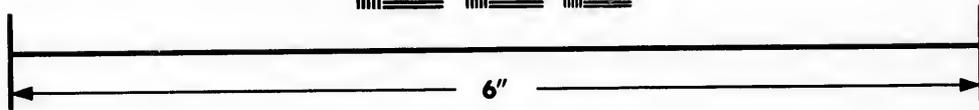
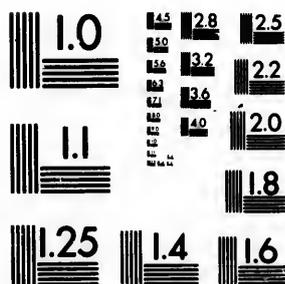
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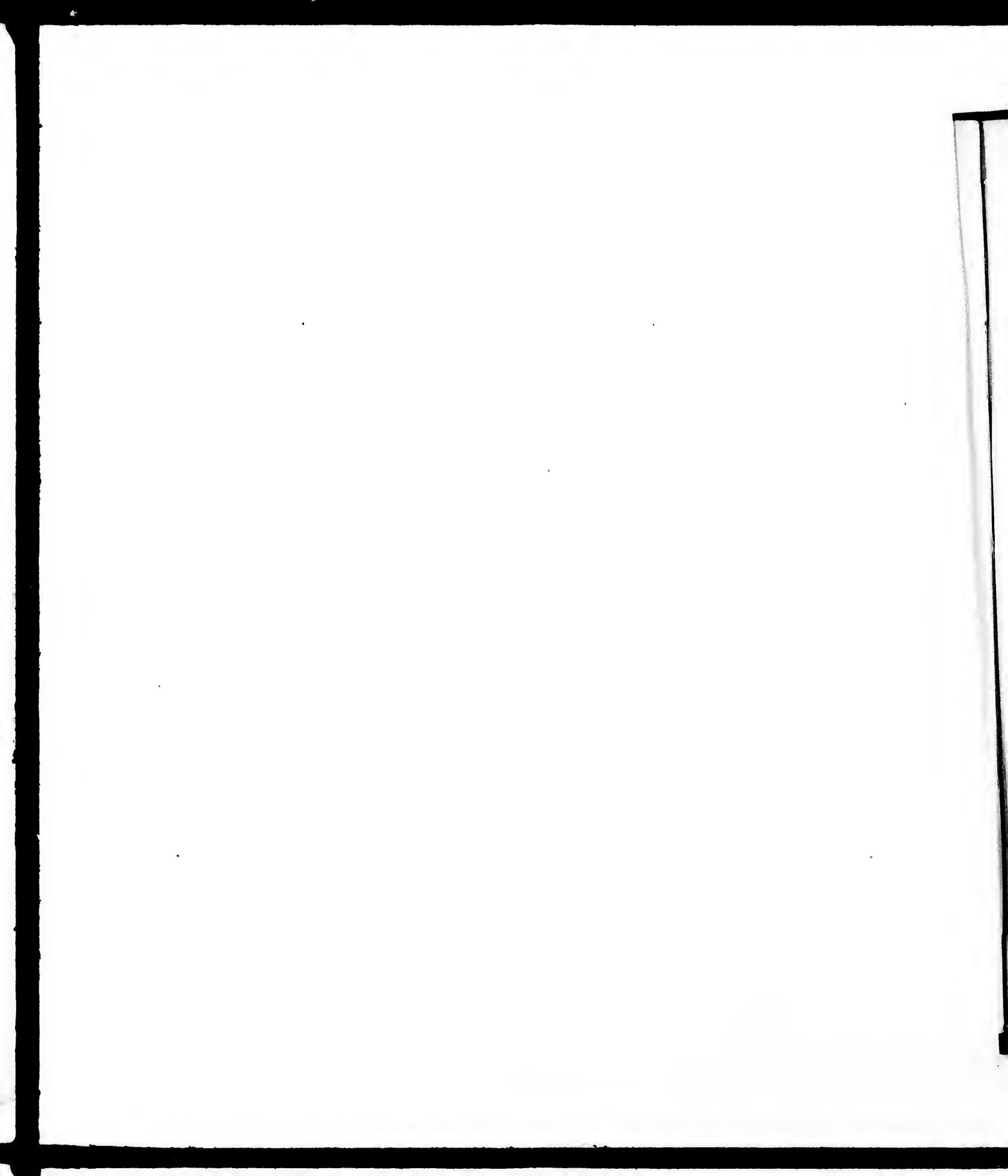
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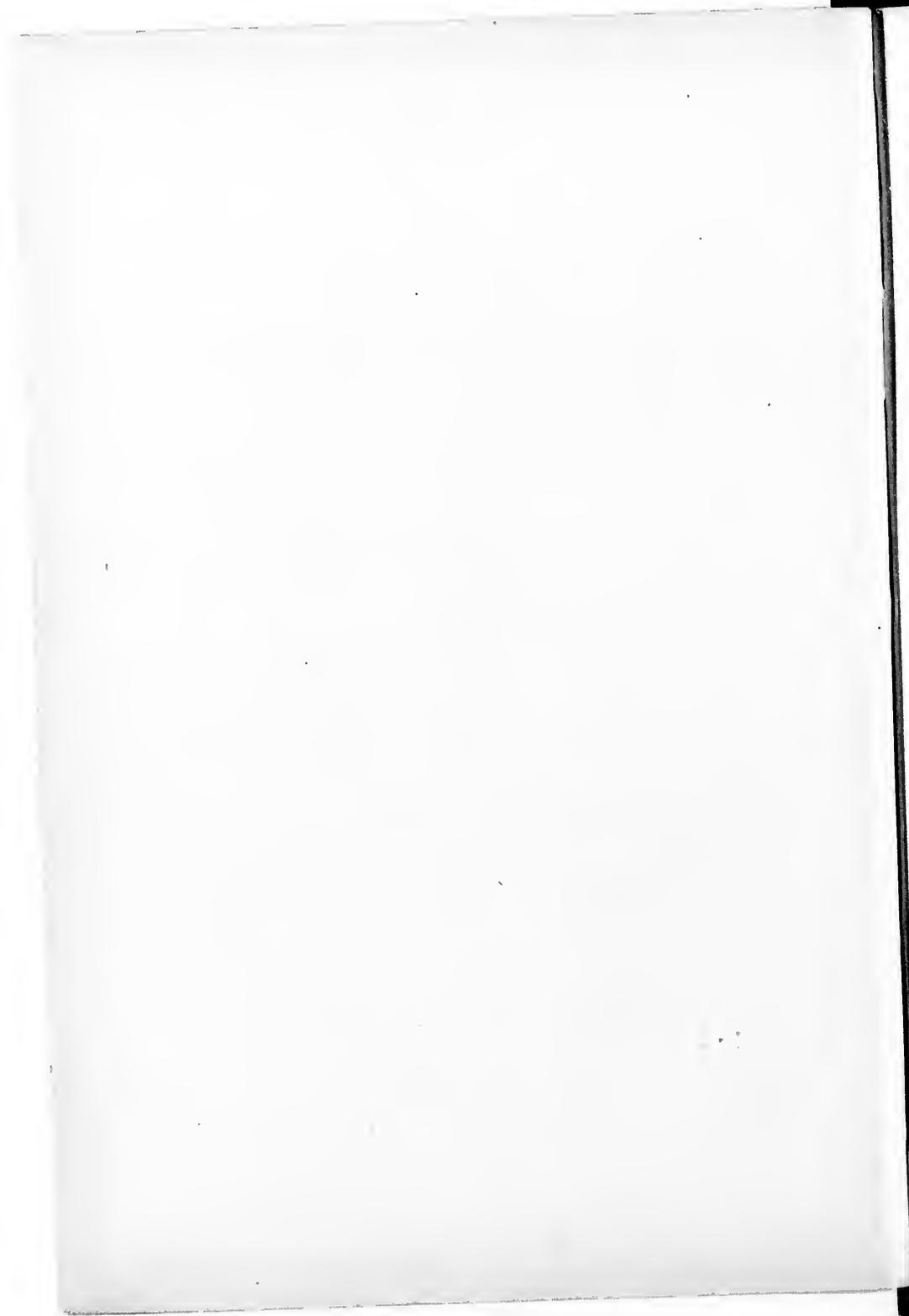
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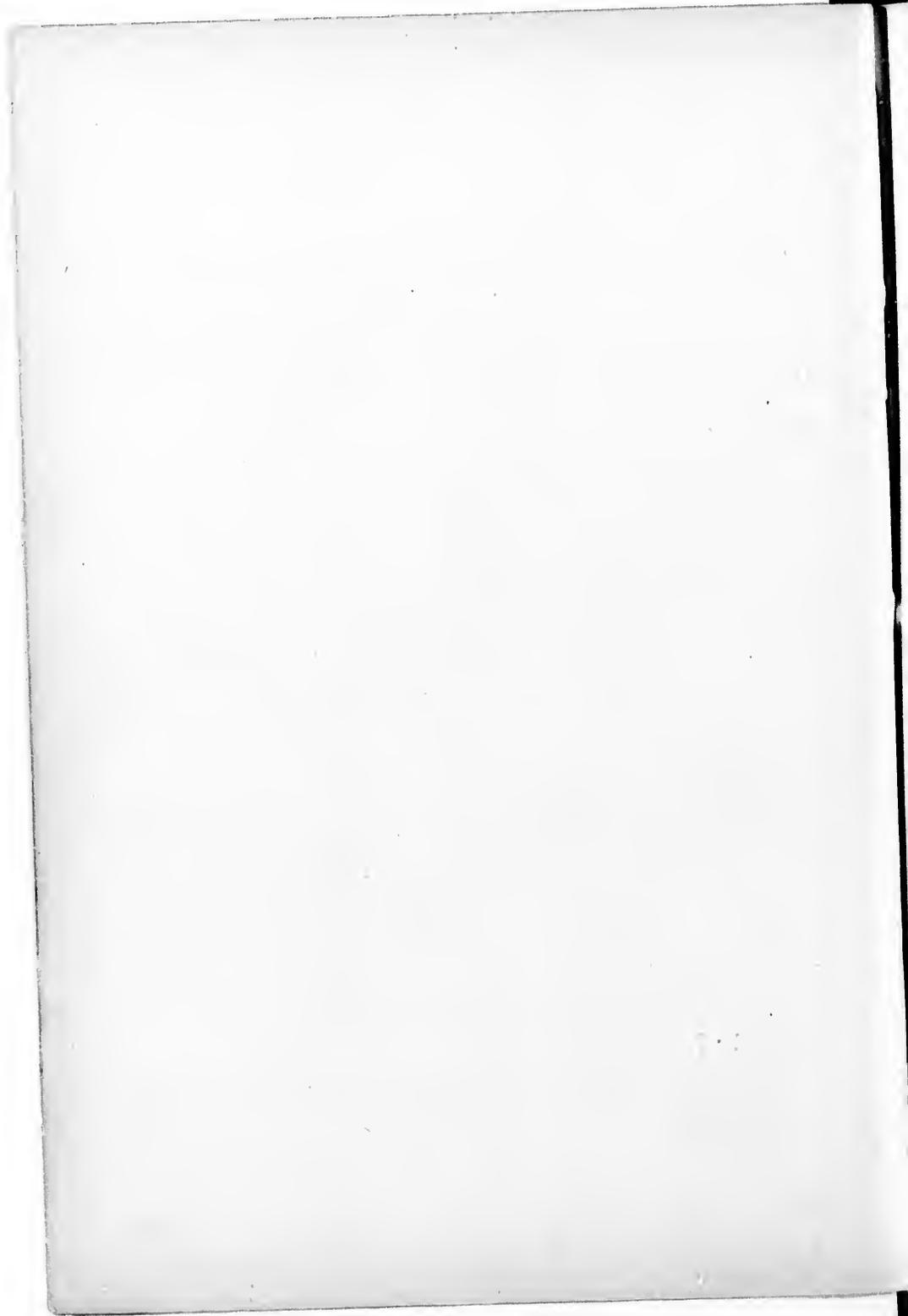
to exist between the men in the partnership, and if the accounts were kept with the capital invested in the business and the amounts withdrawn upon the principles here laid down.

In the Self-Proving Accounting System the account called Dividends and Divisions, which is more fully explained on another page in this volume, shows as often as Loss and Gain Account is balanced the net profits of the business to date. If the proprietor or partners are credited from time to time with a salary allowance, the same being charged up as one of the expenses of doing business, then the balance in this account will show the net profits ready to pass to the credit of the Proprietor's Account or Partners' Accounts, as the case may be, to offset special drafts. If no salary allowance has been charged up, then the balance in Dividends and Divisions Account will be proportionately larger, but still in shape to be transferred in whole or in part to the credit of the proprietor's account or partners' accounts, as the case may be, to offset their drafts. Credits to the partners' accounts in this form, or transfers from the Dividends and Divisions Account, it will be seen, can be made as frequently as may be desired. By using the facilities which this account provides the bookkeeper should have no difficulty in keeping the proprietor's account or partners' accounts, as the case may be, in such a condition as to be entirely satisfactory to them in view of the actual progress of the business, and yet avoid the complications in settlements which often arise in such cases.



PART II

THE SELF-PROVING
ACCOUNT BOOKS



CONSTRUCTION OF THE BOOKS

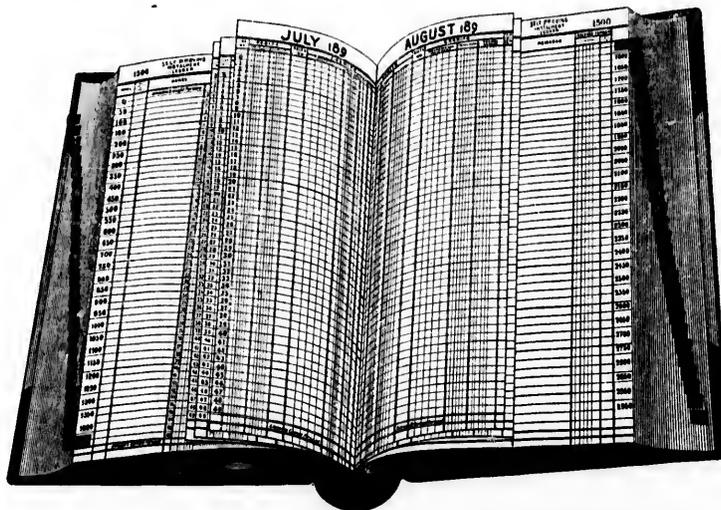
The principal books used with the Self-Proving Accounting System are special in construction and make use of new features in blank book work. They are composed of wide and narrow leaves, arranged in sets, with the parts of the wide leaves projecting beyond the narrow leaves, thickened or reinforced so as to compensate for the thickness of the narrow leaves. By this construction an even surface for writing is furnished wherever the book may be opened, and at the same time successive columns, monthly spaces or other vertical divisions of the pages are brought in contact with a single writing of the names of accounts.

The pages of the several books are for the most part ruled with fifty lines to the page. The lines are numbered, and the pages are also numbered. By a combination of the page number read with a line number a reference is not only possible, but very convenient to any part of any page.

The Self-Proving Mercantile Ledger and the Self-Proving Instalment Ledger, both of which are illustrated by miniature fac-similies, are provided with reference indexes, consisting of numerals representing the page numbers printed marginally on the pages, in combination with tags so placed on successive leaves that by lifting the tag opposite the number of a required page the book will be opened to that page. This is the case whether the book be opened from the front toward the back or from the back toward the front.

The novel features of construction embodied in the books

used with the Self-Proving Accounting System are fully covered by patents. The design and arrangement of the individual pages in the different books have been protected by copyrights, and the term "Self-Proving," which is used in connection with the system, also as a part of the name of each of the books, has been secured to the Self-Proving Account Book Company both by copyright and under the common law with respect to trade marks.



THE SELF-PROVING INSTALMENT LEDGER, OPEN. (COPYRIGHT 1897 BY J. F. BROWN AND A. O. KITTREDGE)

The first of the accompanying illustrations shows one of the ledgers of the Self-Proving Accounting System open in the middle and displaying the wide and narrow leaves, together with the ruling of the pages and the marginally printed index figures and their complement of tags. It also indicates how each signature, composed of a pair of wide leaves, thickened or reinforced in that portion of their width projecting beyond the narrow leaves, to-

gether with their complement of narrow leaves, forms a section of the book of even thickness, so as to present a flat writing surface at all points.

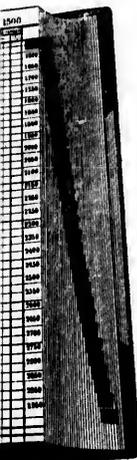
The second illustration shows the construction of the same book from another point of view, and perhaps still better illus-



BACK VIEW OF SELF-PROVING INSTALMENT LEDGER. (COPYRIGHT 1897 BY J. F. BROWN AND A. O. KITTREDGE.)

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J. F. BROWN

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The Self-Proving Accounting System is not a secret system, nor is it supplied to business men under restrictions, nor yet is a price demanded for instruction therein. Instead, its features are published to the world in this volume, and the various articles of supply and equipment which are necessary to its convenient and economical administration in the business office are described and illustrated in detail. These are furnished by the Self-Proving Account Book Company at the lowest prices consistent with good material and first-class workmanship. The declared policy of the Company is to sell whatever it has to offer at prices so low as to discourage competition and to make piracy and imitation altogether unprofitable.

The Self-Proving Account Book Company does not restrict its manufacture to the special books described herein, nor to books for the special purposes here illustrated, but in addition is at all times ready to lend its patents, copyrights and methods of construction to the production of books for still other purposes and other articles wherein the features herein referred to can be advantageously employed. Special books to meet the ideas and requirements of public accountants and business men are made to order upon the most reasonable terms.

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PRIVATE LEDGER AND PERPETUAL BALANCE SHEET

The principal book in the Self-Proving Accounting System is the Private Ledger, which may be described as a condensed summary, in tabular form, of all the transactions of the business, so arranged as to constitute a perpetual balance sheet of the business. It is constructed like various other books of the Self-Proving Accounting System, with narrow and wide pages, with those portions of the wide pages which project beyond the narrow pages thickened or reinforced in a way to compensate for the increased thickness of book caused by the narrow pages, thus affording a level writing surface at all times. The various accounts are arranged in columnar form in the narrow pages in such a way that by turning the narrow pages they are brought successively against the names of accounts or dates that are written on the first wide page. The rulings of faint lines (horizontal divisions) are numbered both on the wide pages and on the narrow pages, thus facilitating the extension of amounts opposite a given date or name of account through the several account columns on the narrow pages.

The Private Ledger is opened by entering in the several account columns provided for the purpose the balances representing the business. It is maintained by posting to it, day by day, week by week or month by month, as may be preferred, a summary statement of the transactions of the business, so classified and arranged as to correspond with the balance sheet principle upon which principle the book is started.

The Private Ledger and Balance Sheet provides within itself the means for cross entries between certain accounts, thus making it possible to show the gross profits in Selling and other similar accounts, with proper balances to be transferred to Loss and Gain account. By similar cross entry the Expenses of Doing Business are likewise carried to Loss and Gain Account, thus showing in that account net profits or net losses. In turn, Loss and Gain Account, where a profit is made, is closed into Dividends and Divisions. The latter account records the distributions of profits among partners and stockholders. Where a loss is made the Loss and Gain Account closes into Impairment and Surplus Account. The latter account records, on the one hand, the net loss of a business, where it has been done at a loss, or the accumulated surplus, where profits have been made and a part or all allowed to remain in the business.

The Private Ledger and Perpetual Balance Sheet starts in balance. There are posted to it, from time to time, the totals of the transactions for a day or other period, which are also in balance. Therefore the accuracy of the Private Ledger may be proved at any time by ordinary trial balance methods. Proof columns are provided for this purpose. All of the other books in the system are auxiliary to the Private Ledger and Balance Sheet, and a number of them are posting mediums to it. In this regard, however, various sets of books would differ with each other, because the conditions surrounding the use of the Private Ledger are sufficiently elastic to admit of numerous modifications in this regard.

The totals, for example, of the accounts that are posted to the Instalment Ledger are posted to the Instalment Ledger Account in the Private Ledger. These totals may be derived from the Instalment Ledger itself or they may be obtained by columns provided for the purpose in the posting mediums through which

the accounts are carried to the Instalment Ledger. The same principle applies with respect to Sundry Debtors, Sundry Creditors, Purchase Accounts, Expense Accounts and all the other groups or classes.

The immediate means of posting the Private Ledger and Balance Sheet may be a special report of the transactions of the business on a blank provided for the purpose, or a book conveniently arranged for the same may be employed, or the transactions may be summarized on the face of the Cash Journal, elsewhere described in this volume, and the footings of the columns carried to the proper accounts in the Private Ledger.

None of the other books of the system in itself will be in balance, nor will all the auxiliary books taken together be in balance, for the opening balances are entered in the Private Ledger only, but each auxiliary book, when correct, will be in balance with the corresponding account in the Private Ledger.

Inasmuch as at the beginning the balances in the accounts representing the business are entered in the Private Ledger, and nowhere else, then the accounts, to whatever degree extended in the other or auxiliary books, will only represent the transactions of the period for which they are conducted. This may be illustrated by referring to the Cash Account. At the commencement the balance of cash on hand is entered in the Private Ledger in the debit column of the pair entitled Cash. In the Cash Book in the general office there is recorded simply the transactions of the day or other period. There are shown simply so much receipts and so much disbursements. The report, therefore, is simply a footing of the cash columns for the day or other period, which amounts are posted to the Private Ledger.

This feature of the book and method of management fully justifies the name "Private Ledger," for in a single book, as it will be perceived, there are contained all the secrets of the busi-

ness, and to this book there are posted, day by day or other convenient period, a summarized statement of the transactions of the business. In turn the Private Ledger, without reference to any other parts of the system, provides within itself the opportunity of making the cross entries previously referred to, thereby declaring the profits or losses of the business. And all this is done in the privacy of the proprietor's office or at the desk of his confidential man. The general or auxiliary books of the system, therefore, become simply days' records, conducted in a way to facilitate summarizing for the purpose of posting to the Private Ledger.

With the object of closely scrutinizing the progress of a business, it is recommended that the Private Ledger be posted daily and that the bookkeeper be directed to furnish for it at the close of each day's business a summarized statement from the several auxiliary books in his charge, including amount of Sales, Cash Receipts and Cash Disbursements, Transactions with the Bank, amount of Purchases, Notes Receivable and Notes Payable, together with the totals of the amounts posted to each of the several divisional ledgers. From time to time—not less frequently than once a month, and in many lines of business it is advantageously done weekly—it is recommended that cross entries be made in the Private Ledger in the manner hereafter described, and as illustrated in the miniature fac-simile book presented herewith. Constantly keeping before the business man the actual results of the transactions upon which he is engaged is the acme of the service which accounts can render.

The reasons for the extended and very carefully prepared directions with reference to classification of accounts, to which a number of pages in this book are devoted, become apparent when the balance sheet feature of the Private Ledger is considered. For the purpose of making the reader familiar with the methods

of using the Private Ledger and Balance Sheet some illustrations are shown on the fac-simile pages presented herewith. At the time the Private Ledger is opened the business is represented by a balance sheet as follows:—

or other con-
actions of the
ference to any
e opportunity
hereby declar-
his is done in
k of his confi-
of the system,
d in a way to
to the Private

progress of a
ger be posted
sh for it at the
ment from the
ount of Sales,
tions with the
d Notes Paya-
d to each of the
—not less fre-
f business it is
that cross en-
er hereafter de-
mile book pre-
e business man
he is engaged
ler.

lly prepared di-
nts, to which a
e apparent when
r is considered.
th the methods

RESOURCES :

Cash.....	100.00
Bank.....	2,500.00
Manufacturing.....	1,500.00
Buying.....	10,500.00
Instalment Ledger.....	35,500.00
Sundry Debtors.....	3,500.00
Notes Receivable.....	2,675.00
Investments :	
Necessary :	
Mfg. Plant.....	2,500.00
Store Fixtures.....	1,650.00
Office Furniture.....	(\$4,700.00) 550.00
Speculative :	
Real Estate.....	10,000.00
U. S. Bonds.....	(\$15,200.00) 5,200.00
	<u>19,900.00</u>

LIABILITIES :

Purchase Accounts.....	3,500.00
Sundry Creditors.....	1,850.00
Notes Payable.....	2,500.00
Reserve Funds :	
Collections :	
For Bad Debts.....	500.00
For Rebates and Allowances.....	175.00
Investments :	
For Depreciation of Mfg. Plant.....	125.00
For Depreciation of Store Fixtures.....	82.50
For Depreciation of Office Furniture.....	27.50
	<u>910.00</u>
Impairment and Surplus.....	1,000.00
Capital.....	66,415.00
	<u>\$76,175.00</u>
	<u>\$76,175.00</u>

BALANCE SHEET OF THE BUSINESS AT THE TIME THE PRIVATE LEDGER IS OPENED.

MINIATURE FACSIMILE
OF THE
SELF-PROVING
PRIVATE LEDGER AND
PERPETUAL BALANCE SHEET

(SEE PAGE 99)

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By A. O. KITTRIDGE

3,500.00
1,850.00
2,500.00

910.00
1,000.00
66,415.00

o \$76,175.00

GER IS OPENED.

SELF-RECORD
PRIVATE LEDGER
and
BALANCE SHEET

Date	FORMULE	No.	Explanations and Particulars
1897			Amounts Brought Forward
April 10	Balances	0	As per Balance sheet of this date
		1	
		2	
		3	
		4	
		5	
April 17	Report	6	Bookkeepers summary of transactions
		7	
		8	
		9	
		10	
		11	
	Selling to Buying	12	for goods sold, to date, at cost prices.
		13	
		14	
		15	
		16	
	Selling to Loss + Gain	17	for gross profits on goods sold
		18	
		19	
		20	
		21	
		22	
	Loss + Gain to Expense	23	for expenses of business, to date
		24	
		25	
		26	
		27	
		28	
	Loss + Gain to Dividends	29	for net profits to date
		30	
		31	
		32	
		33	
	Dividend to Profit + Surplus	34	for profits carried to surplus
		35	
		36	
	Footings	37	of accounts that are closed
		38	
		39	
	Balances	40	in the open accounts, showing business condition
		41	
		42	
		43	
		44	
		45	
		46	
		47	
		48	
		49	
			Amounts Carried Forward

		Accounts with Merchandise (Continued)						
Date	FORMULE	No.	SELLING					
			No.	Dr. CORRECTIONS AND TRANSFERS	Dr. SALES	Dr. BALANCE	Cr.	Cr. BALANCE
1897								
April 10	Balances	0						
		1						
		2						
		3						
		4						
		5						
April 17	Report	6		2095	122394			
		7						
		8						
		9						
		10						
		11						
	Selling to Buying	12		69992				
		13						
		14						
		15						
		16						
	Selling to Loss + Gain	17		49307				
		18						
		19						
		20						
		21						
		22						
	Loss + Gain to Expense	23						
		24						
		25						
		26						
		27						
		28						
	Loss + Gain to Dividends	29						
		30						
		31						
		32						
		33						
	Div. Div. to Imp. Div.	34						
		35						
		36						
		37						
	Footings	38			122394	122394		
		39						
	Balances	40						
		41						
		42						
		43						
		44						
		45						
		46						
		47						
		48						
		49						

SELF EXAMINED
PRIVATE LEDGER
AND
BALANCE SHEET

Date	FORMULE	No.	Accounts with Debtors (Continued)								Total Balance of Debtors	
			NOTES RECEIVABLE									
			Dr.	Cr.	BALANCE	Dr.	Cr.	BALANCE				
1897												
April 10	Balances	0										
		1										
		2										
		3										
		4										
		5										
		6										
April 17	Report	7										
		8										
		9										
		10										
		11										
	Selling to Buying	12										
		13										
		14										
		15										
		16										
	Selling to Loss + Gain	17										
		18										
		19										
		20										
		21										
		22										
	Loss + Gain to Expense	23										
		24										
		25										
		26										
		27										
		28										
	Loss + Gain to Dividends	29										
		30										
		31										
		32										
		33										
	Dividends to Proprietor	34										
		35										
		36										
	Footings	37										
		38										
		39										
	Balances	40										
		41										
		42										
		43										
		44										
		45										
		46										
		47										
		48										
		49										
		50										

NOTES RECEIVABLE

No.	Dr.	Cr.	BALANCE	Dr.	Cr.	BALANCE	Total Balance of Debtors
0							
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
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26							
27							
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29							
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32							
33							
34							
35							
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39							
40							
41							
42							
43							
44							
45							
46							
47							
48							
49							
50							

2475-

SMITH BROS. CO.
PRIVATE LEDGER
AND
BALANCE SHEET

Date	FORMULE	No.
1897		
April 10	Balance	0
		1
		2
		3
		4
		5
April 17	Report	6
		7
		8
		9
		10
		11
	Selling to Buying	12
		13
		14
		15
		16
	Selling to Loss & Gain	17
		18
		19
		20
		21
		22
	Loss & Gain to Expense	23
		24
		25
		26
		27
		28
	Loss & Gain to Dividends	29
		30
		31
		32
		33
	Div. Div. to Dep't-cls	34
		35
		36
		37
		38
		39
	Footings	40
		41
	Balance	42
		43
		44
		45
		46
		47
		48
		49
		50

Accounts						
PURCHASE ACCOUNTS			Accounts			
No.	Dr. PAID THEM	Cr. RECEIVED FROM THEM	BALANCE	Dr.	Cr.	BALANCE
0		3500-				
1						
2						
3						
4						
5						
6	2171 98	1173 51				
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						2501 88
43						
44						
45						
46						
47						
48						
49						
50						

Accounts		with Creditors						Total Balance of Creditors	No.	REMARKS
Dr.	Cr.	SUNDY CREDITORS			NOTES PAYABLE					
	BALANCE	Dr. PAID THEM	Cr. RECEIVED FROM THEM	BALANCE	Dr. TAKEN UP	Cr. ISSUED	BALANCE	No.		
								0		
			150-			250-		0	1	
								1	2	
								2	3	
								3	4	
								4	5	
								5	6	
		1178	646		1178	1178		6	7	
								7	8	
								8	9	
								9	10	
								10	11	
								11	12	
								12	13	
								13	14	
								14	15	
								15	16	
								16	17	
								17	18	
								18	19	
								19	20	
								20	21	
								21	22	
								22	23	
								23	24	
								24	25	
								25	26	
								26	27	
								27	28	
								28	29	
								29	30	
								30	31	
								31	32	
								32	33	
								33	34	
								34	35	
								35	36	
								36	37	
								37	38	
								38	39	
								39	40	
			184793			787486		40	41	
								41	42	
								42	43	
								43	44	
								44	45	
								45	46	
								46	47	
								47	48	
								48	49	
								49	50	

Amounts Carried Forward

CALL FORMS
 FURNISHED
 BY
 BALANCE SHEET

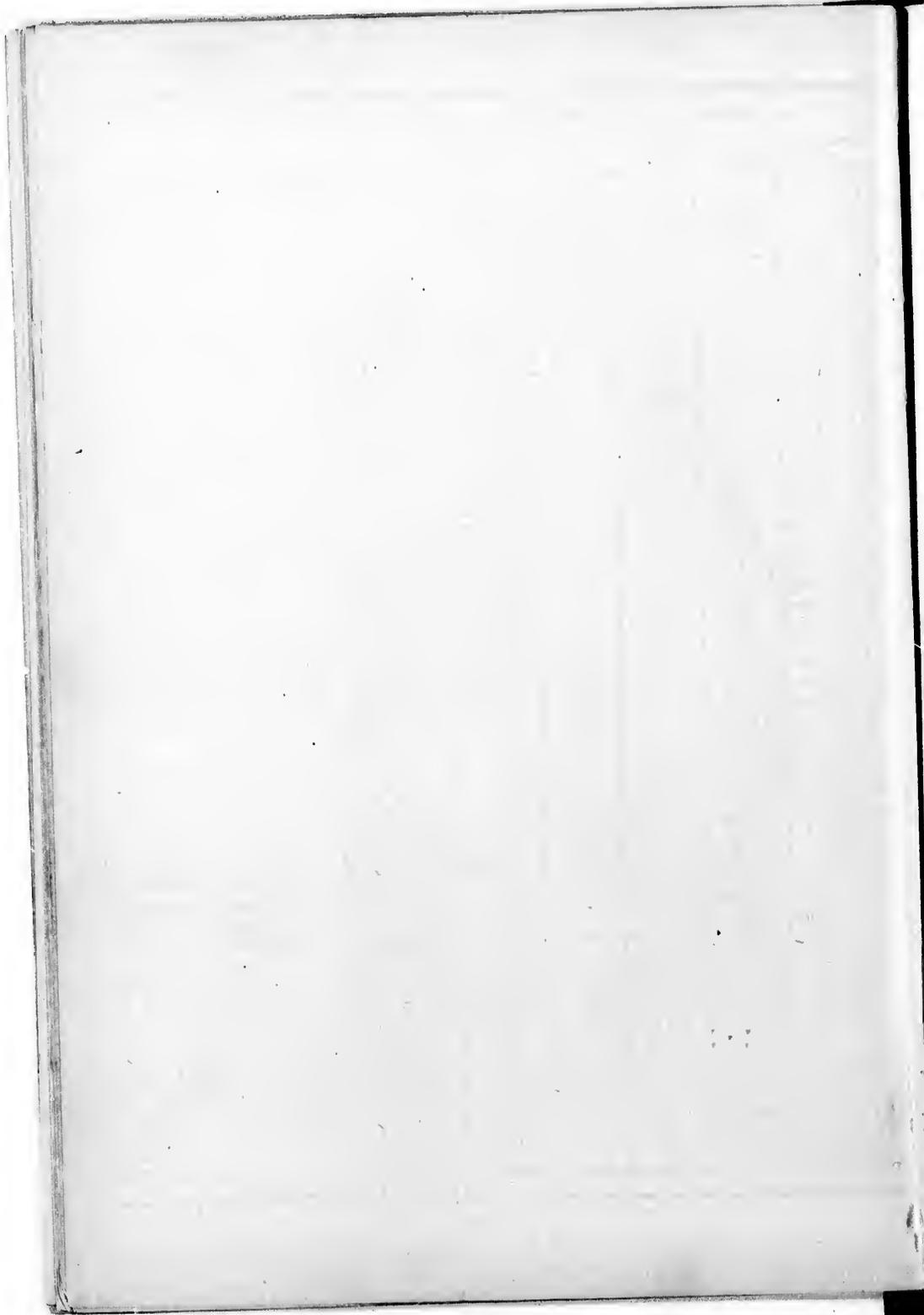
OR DEBTORS ACCOUNTS			Results of Transactions						REMARKS	
No.	Dr.	BALANCE	EXPENSE ACCOUNTS			LOSSES AND GAINS				
			Dr. INCURRED	Cr. CORRECTIONS	BALANCE	Dr. COST OF GOODS SOLD BUSINESS & LOSSES	Cr. GROSS PROFITS	BALANCE		
									No.	No.
										Amounts Brought Forward
	675-								0	0
1									1	1
2									2	2
3									3	3
4									4	4
5									5	5
6									6	6
7				12972	910				7	7
8									8	8
9									9	9
10									10	10
11									11	11
12									12	12
13									13	13
14									14	14
15									15	15
16									16	16
17									17	17
18							49307		18	18
19									19	19
20									20	20
21									21	21
22									22	22
23				12062		12062			23	23
24									24	24
25									25	25
26									26	26
27									27	27
28									28	28
29									29	29
30							37245		30	30
31									31	31
32									32	32
33									33	33
34									34	34
35									35	35
36									36	36
37				12972	12972		49307	49307	37	37
38									38	38
39									39	39
40									40	40
41									41	41
42									42	42
43									43	43
44									44	44
45									45	45
46									46	46
47									47	47
48									48	48
49									49	49
50									50	50
										Amounts Carried Forward

GILF FORMS
PRIVATE LEDGER
FOR
BALANCE SHEET

Date	FORMULE	No.	No.	Disposal of Profits and Losses						
				DIVIDENDS AND DIVISIONS			IMPAIRMENT AND SURPLUS			
				D. TRANSFERS, ETC.	C. NET PROFITS	BALANCE	D. NET LOSS	C. UNDIVIDED PROFITS	BALANCE	
1897										
April 10	Balance	0	0					1444-		0
		1	1							1
		2	2							2
		3	3							3
		4	4							4
		5	5							5
April 17	Report	6	6							6
		7	7							7
		8	8							8
		9	9							9
		10	10							10
		11	11							11
	Selling to Buying	12	12							12
		13	13							13
		14	14							14
		15	15							15
		16	16							16
	Selling to Loss & Gain	17	17							17
		18	18							18
		19	19							19
		20	20							20
		21	21							21
		22	22							22
	Loss & Gain to Expense	23	23							23
		24	24							24
		25	25							25
		26	26							26
		27	27							27
		28	28							28
	Loss & Gain to Dividends	29	29			372.45				29
		30	30							30
		31	31							31
		32	32							32
		33	33							33
	Div. Div. to Impairment	34	34			372.45			372.45	34
		35	35							35
		36	36							36
	Footings	37	37			372.45	372.45			37
		38	38							38
		39	39							39
	Balance	40	40						1372.45	40
		41	41							41
		42	42							42
		43	43							43
		44	44							44
		45	45							45
		46	46							46
		47	47							47
		48	48							48
		49	49							49
		50	50							50

SELF RECORD
PRIVATE LEDGER
1919
EMERALD BOOKS

INCOME AND SURPLUS		Capital			Proof Columns		Cost of Goods Sold	No.	REMARKS
Dr. UNDIVIDED PROFITS	BALANCE	Dr. WITHDRAWALS	Cr. ADDITIONS	BALANCE	Dr. RESOURCES	Cr. LIABILITIES			
									Amounts Brought Forward
14000-			66415-		76175-	76175-		0	
1								1	
2								2	
3								3	
4								4	
5								5	
6								6	
7					9597.44	9597.44	699.92	7	
8								8	
9								9	
10								10	
11								11	
12								12	
13								13	
14								14	
15								15	
16								16	
17								17	
18								18	
19								19	
20								20	
21								21	
22								22	
23								23	
24								24	
25								25	
26								26	
27								27	
28								28	
29								29	
30								30	
31								31	
32								32	
33								33	
34								34	
35								35	
36								36	
37								37	
38								38	
39								39	
40	1872.45			46215-	75709.12	75709.12		40	
41								41	
42								42	
43								43	
44								44	
45								45	
46								46	
47								47	
48								48	
49								49	
									Amounts Carried Forward



The transactions of a certain period, as summarized from the various auxiliary books, show as follows:—

	DR.	CR.
Cash.....	1,476.24	1,044.90
Bank.....	642.50	1,802.07
Manufacturing.....	200.00	
Buying.....	810.28	
Selling.....(Tsoc, \$699.92)	30.95	1,223.94
Instalment Ledger.....	1,102.34	707.63
Sundry Debtors.....	144.63	42.35
Notes Receivable.....	1,500.00	200.00
Investments.....	150.00	2,000.00
Purchase Accounts.....	2,171.93	1,173.81
Sundry Creditors.....	67.75	65.68
Notes Payable.....	1,470.80	1,627.66
Expenses.....	129.72	9.10
	<u>\$9,897.14</u>	<u>\$9,897.14</u>

SUMMARY OF THE TRANSACTIONS OF THE BUSINESS FOR A STATED PERIOD.

This summary, as above remarked, may be made up in the form of a daily report on a specially prepared blank (to be signed by the bookkeeper and delivered to the private office, or to the manager's desk, or mailed to the proprietor's house, as the case may be), or the various auxiliary books may be footed and their accounts transferred to the Cash Journal and the daily report formulated therein. However the amounts are determined and prepared, the manner of their use is the same. The summarized report here presented is more nearly of the form which the report would take if made on a special blank, as above suggested. The correctness of the report is proven by the footing, the debits offsetting the credits.

The statement of transactions, or bookkeeper's report, for the period used for these illustrations, has been so arranged as to show results derived from different lines of business, the whole of which, perhaps, would never occur in any one office in the interval of time indicated. The report, therefore, is to be taken merely as an illustration, and the entries as only suggestive, rather than as being the exact counterpart of what is met in any given direction. The entry of the same in the illustrative pages is also a little different from what would prevail in practice. The original balances would occupy the first line of the book, the several daily or other periodical reports the succeeding lines, and, finally, the cross entries, line after line until completed. The book, in other words, would be filled up solid. In the illustrations we have distributed the lines of figures through the page in order to make them more easily read.

A few words of explanation of the Summary of Transactions for a Stated Period will help the bookkeeper to adapt any set of books to the requirements of the Private Ledger. This summary shows that cash has been received to the extent of \$1,476.24, and disbursed to the extent of \$1,044.90. The bank account shows that deposits have been made to the extent of \$642.50, and checks drawn to the amount of \$1,802.07. There may or may not have been cross entries between Cash and Bank. The form of the ruling employed in the Private Ledger is such that Cash and Bank Account may be kept separately or they may be consolidated, according to the accountant's preference.

Manufacturing Account by the summary has been charged, either Labor, Materials or Expenses, or part of each, to the extent of \$200. Goods have been bought and charged to Buying Account to the extent of \$810.28. These Figures come from the Purchase Record. Sales according to the Sales Record have been made to the extent of \$1,223.94 (Tsoc, that is costing \$699.92),

with goods returned, or other corrections made, to the extent of \$30.95. Accounts in the Instalment Ledger have been charged with \$1,102.34, representing the amounts put out, and has been credited with \$707.63, representing collections made and other credits.

Sundry Debtors have been charged with \$144.63, and have been credited with \$42.35. The business has taken in Notes Receivable, as per Bills Receivable Record, to the extent of \$1,500, and has parted with paper of this kind to the extent of \$200. Investment Accounts have been charged with \$150 (we will say, for example, in the purchase of a new safe for the office, therefore to the debit of a Necessary Investment Account), and have been credited with \$2,000 (for example, by the selling of a portion of real estate, therefore to the credit of Speculative Investment Accounts). It may be supposed that this real estate produced a thousand dollars of the cash that has been received in this interval, and also a thousand dollars of the Notes that have been taken in during the time for which this summary stands.

Purchase Accounts are debited with \$2,171.93, representing the amount that has been paid to creditors of this class, and in turn have been credited with \$1,173.81, being the total of goods bought during the period, together with the amount of note items, &c., if any. Sundry Creditors have been debited with \$67.75 and credited \$65.68. Notes Payable, as per Bills Payable Book, have been debited \$1,470.80 and credited \$1,627.66. Expense Accounts have been debited \$129.72 and credited by way of corrections, &c., \$9.10.

All these amounts might have come from the ordinary columnar journal. Each might have been obtained from an auxiliary book, and the set of books to which this summary refers might have been so conducted that a part of the amounts here enumerated would have come from the journal and a part from some of the

other auxiliary books. The requirements in the case are simply that every entry by one channel or another shall reach this daily summary, and from it be posted to the several accounts in the Private Ledger.

The cross entries which may be made in the Private Ledger for the purpose of determining the condition of the business at a given time, and for which space is provided on the first broad page, include the debiting of Selling Account, with the cost of the goods sold, passing the credit to Buying Account. This is the first cross entry shown in the sample presented herewith. The result of this entry is to leave in Buying Account a balance representing the cost value of the goods on hand. It has the further effect of leaving in Selling Account a balance which represents the gross profits for the period.

The second cross entry to be made, therefore, is debiting Selling Account with this balance, and crediting Loss and Gain Account with the same, with the result of closing Selling Account and putting the gross profits in Loss and Gain Account.

No business cleans up at the face of the accounts, and therefore, where actual profits are to be declared in a going business, some allowance must be made for bad debts and for such items as rebates and allowances. In a manufacturing business there is also the depreciation of manufacturing plant to be considered, and in a mercantile business the depreciation of store fixtures, while in all lines of business there is the depreciation of office furniture and similar articles. What may be called the wear and tear of these items is an expense to the business, and as we have elsewhere shown, good accounting demands that expenses be kept up to date at all times. It is to be supposed, therefore, in the make-up of the account produced by the journal and other records, which have been summarized and entered in the Private Ledger, that in Expenses have been included, for example, a proper percentage

on instalment sales for bad debts, together with rebates and a proper percentage for the period for the depreciation on the manufacturing plant, store fixtures, etc., so that the total expenses of the business are correctly represented in the balance of Expense Account Ledger, as shown.

The next cross entry to be made, then, is debiting Loss and Gain Account with the expenses of doing business to date, and crediting the same to Expense Account, thereby closing Expense Account and showing by the balance in Loss and Gain Account the net profits to date.

Whatever actual losses have been made in the business during the period, such as destruction of property, etc., would of course be entered upon the principal books of the business and come forward in the periodical report. Nothing of this kind, however, is shown in the example which we have presented. Entries affecting the Reserve Funds would also be made at the end of the month. Therefore the next cross entry to be made in the Private Ledger and Balance Sheet has only to do with the balance in the Loss and Gain Account as we find it.

We debit Loss and Gain Account with the balance and open Dividends and Divisions. We will suppose, for the moment, that the net profits of the business are to be allowed to accumulate in the account termed Impairment and Surplus. We therefore close Dividends and Divisions by another cross entry, which transfers the amount to the credit of Impairment and Surplus Account, which, as will be seen by the printed heading in the Private Ledger, is entitled Undivided Profits. Here the amount would stand until changed by the addition of other profits, or until reduced by losses, or until, by formal action, incorporated into the capital account.

If, instead of carrying all the profits to the credit of Impairment and Surplus, a portion of them is to be distributed in divi-

dends, or if a portion is to be transferred to the credit of the Proprietor's Account, or to the credit of the accounts of the several partners, then an entry would be made in the journal in regular course, giving the proper accounts in the divisional ledgers the stipulated credits, which amounts coming forward in the next daily or other periodical summary of transactions would have the effect of debiting Dividends and Divisions with the amount of the transfer, thus leaving a smaller amount of net profits to be carried to the Impairment and Surplus Account, in the way above described. When the business is running at a loss, as various lines of business will at certain seasons of the year, the loss made will appear in the debit column of Impairment and Surplus. A credit balance in Impairment and Surplus Account stands for an accretion in the business, while a debit balance in that account shows an impairment of capital.

Finally, after all these cross entries have been made, those accounts which balance should be closed by drawing footing lines. The balances in the other accounts should be thrown out into the balance columns provided for the purpose. There will then be left in the Private Ledger a balance sheet of the business at this date as follows:—

ACCOUNTING SYSTEM

110

RESOURCES:

Cash	531.34
Bank	1,340.43
Manufacturing.....	1,700.00
Buying.....	10,610.36
Instalment Ledger.....	35,894.71
Sundry Debtors.....	3,602.28
Notes Receivable.....	3,975.00
Investments:	
Necessary.....	4,850.00
Speculative	13,200.00

LIABILITIES:

Purchase Accounts.....	2,501.88
Sundry Creditors.....	1,847.93
Notes Payable	2,656.86
Investments Reserve.....	235.00
Collections Reserve.....	675.00
Impairment and Surplus.....	1,372.45
Capital.....	66,415.00

<u>\$75,704.12</u>	<u>\$75,704.12</u>
--------------------	--------------------

BALANCE SHEET OF THE BUSINESS AFTER MAKING THE CROSS ENTRIES.

The proof of the correctness of the work in the Private Ledger is obtained by adding the debit balances together and the credit balances together, as shown in the proof columns, just the same as with an ordinary balance sheet. The Total Balance columns shown in the sample pages may be used for purposes of summary, at the option of the accountant.

The cross entries in the Private Ledger, as before remarked, may be made at as frequent intervals as is desired, and if required they may be made at irregular intervals. With a proper classification of accounts maintained, and with everything kept strictly up to date, the Private Ledger is always ready for the cross entries here illustrated.

The advantage to the business man of having before him such a thermometer of his business, showing the rise and fall of

his profit account, or such a barometer pointing out the weather conditions ahead from time to time as the Private Ledger, are too evident to require extended argument. The accuracy of results shown by the Private Ledger and Balance Sheet depends alone upon the thoroughness with which the bookkeeping system is planned and administered in the general office. All the secrets of the business, as it will be seen, are kept in the private office, and, further, the private office is always in position to determine the relative profitableness of the business being conducted without any assistance from the general office force. At the same time the private office is in most excellent position to control the management of the general office.

Some of the minor advantages to be derived from the use of the Private Ledger and Perpetual Balance Sheet may be enumerated in this connection. Taken in conjunction with the daily report, which furnishes the amounts to be posted to it, the Private Ledger and Balance Sheet affords the proprietor or managing man the foundation of a definite demand upon the accounting department of the establishment for all the detailed information that may be required. Whatever is wanted, the demand for it reaches the bookkeeper in a form to be understood and to afford him a skeleton upon which to work. It also affords the managing man a basis for checking the daily work of the bookkeeping department. An error cannot exist in any of the auxiliary books without its presence becoming manifest to the one in charge of the Private Ledger. The daily report will always indicate that the accounts are or are not in balance, and therefore it is equivalent to a daily trial balance of all the books. At the same time it is accomplished without any of the labor accompanying the trial balance as usually taken.

The use of the Private Ledger also affords the bookkeeper the opportunity of showing when his work is done and up to date.

It takes him out of the rut in which his fellows have so long been laboring, always with a pile of unfinished work ahead, and divides his duties into well defined sections, each of which may be completed by itself. A day's duties become definite, and when once correctly performed leave nothing more to be demanded. The Private Ledger further makes it impossible for the bookkeeper to conceal even a small error in any of the auxiliary books or to carry it along from week to week and month to month, in the hope of being able to find it and correct it before discovery. By the plan here outlined the private office knows of the error before the bookkeeper. Whatever error exists is instantly revealed by comparison of the balance in the divisional ledger with the balance in the corresponding account in the Private Ledger. Under proper supervision, therefore, concealment is impossible.

At the same time facilities for locating the error are many times greater than those supplied by the usual plans. The Private Ledger affords the basis of checking the correctness of any portion of the general books of the establishment without examination of any other part. It sectionalizes the bookkeeper's work, so that, instead of having to climb the mountain of a trial balance of all the accounts on the first day of every month, he may prove up a few of the accounts at a time at intervals during the month.

The daily report demanded of the bookkeeper gives him a standard to which to work. In turn, it affords the business man a standard by which to measure the bookkeeper's work and to hold him to it. It is a happy measure for both, and constitutes a bridge across the chasm of misunderstanding which so often separates the bookkeeper from the man for whom he is faithfully laboring.

SELF--PROVING MERCANTILE LEDGER

The Self-Proving Mercantile Ledger is composed of alternate wide and narrow leaves, with the wide leaves thickened or reinforced where they extend beyond the narrow leaves so as to cause the pages of the book to lie flat under all circumstances. This thickening or reinforcing is not shown in the miniature fac simile presented herewith. Each section of wide and narrow leaves carries the accounts through twelve months of time.

Each monthly space is divided into two principal parts, Debits and Credits. The debits are subdivided into columns headed "Balance from Last Month" and "Charges," with provision for recording the date of the sale or charge and the page of the book from which the amounts are posted. The credit column is similarly provided with spaces for noting the dates of the credit items and the pages of the book from which they are posted.

The Self-Proving Mercantile Ledger, as usually constructed, has fifty lines to the page, numbered in the margins of the narrow pages, and down the centers of the wide pages. In the first section in the book the lines are numbered from 00 to 49 inclusive, and in the second section from 50 to 99 inclusive. All the other sections throughout the book are similarly numbered and arranged alternately. The line numbers are to be read in connection with the page numbers, as, for example, page 8 and line 25 would read 825, thus instantly locating the portion of the book

where a required line is to be found. The page numbers are restricted to the wide pages, and are used in double pairs. The first two pairs of facing pages are numbered 0-0, the second two pairs 1-1, the third two pairs 2-2, &c. In connection with the page numbers there are small figures indicating the line numbers to be found on the pages where they are printed. Thus, in the fac simile, there appear in connection with the page number 8 small figures reading "00 to 49," which mean that all the numbers from 800 to 849 inclusive are to be found on these pages. The next section would have printed after the 8, 50 to 99 inclusive, which would mean that all the numbers commencing with 850 and ending with 899 are to be found on the pages so labelled.

The Self-Proving Mercantile Ledger is furnished with an index, the figures of which are marginally printed on the wide pages. Opposite the figures thus printed, but on successive leaves, are placed blank tags, so located that any required page may be instantly turned to by putting the finger under the tag and opening the book at that point. The index figures are printed on the margins of both right and left hand pages, and the tags are so arranged that they may be used in turning to the required page either from the front part of the book toward the back or from the back toward the front. Thus, by using the tag opposite 800, whatever may be the position of the book at the time, it will be opened to the pages shown in the illustration.

Inasmuch as space for several accounts is provided on each page, the accounts are indexed by numbers and not by pages. Thus, in the illustrations given in the fac simile, Black & Gray are No. 800, John Smith is No. 815, Robert Curtis is 825, and George Thompson is 835. These numbers would be used instead of pages in indexing the accounts. If we wanted find John Smith's account we would first turn to the index, where it would be recorded as 815. Then, placing the finger under tag 800, as pre-

viously described, we would, with a single motion, open the book to the pages shown in the fac simile. Then, running down the line numbers to 15, we would find John Smith's name there written.

In opening the accounts in the Self-Proving Mercantile Ledger so much space vertically is allotted to an account as it is estimated the transactions with the customer will require. In other words, as many lines are allotted to each account as the estimated maximum number of entries, either debit or credit, for a single month. Thus, in opening the account with Black & Gray we have estimated that at most they would never require over fifteen lines, and, therefore, that number has been allotted to them. John Smith has been allotted ten lines and Robert Curtis also ten lines.

Accounts are opened by transferring from the previous ledger as indicated in the example of Black & Gray. Their account, as is recorded, is brought forward from Ledger F, page 957. The balance with which the old account closed was Dr. \$325.42, which is put in the balance column of the January period. Then the debit entries in the account are posted as they occur. By referring to the items it will be seen that this firm bought goods at frequent intervals during the month of January, commencing on the 2d, and ending on the 31st. The credits are similarly posted in the order in which they occur. Thus, on the 6th of January, Black & Gray paid the balance owing from the previous month, \$325.42. On the 15th of January they remitted \$265.50, paying for their bills from the 2d to the 13th inclusive.

In using the Self-Proving Mercantile Ledger, wherever a credit posting exactly balances a debit posting, or the amount of several debit postings, it is very convenient to indicate that fact by making a short horizontal pen mark through the vertical ruling to the right of the cents columns and directly below the amounts which balance. Thus, it will be noticed that under the amount

brought forward from the previous month, \$325.42, such a mark has been made, and also under the payment of the 6th of January for like amount, because these balance or offset each other. Again, under the last bill paid, in the remittance made on the 15th, a similar mark occurs, and likewise under the payment. By this plan it is shown at the end of the month that Black & Gray owe only for the bills commencing January 15 and running to the end of the month. It is not necessary to go over the whole account. These items are footed and the amount, \$651.95, is carried forward into the balance column for February.

The February charges are posted as they occur, and also the credits as they occur. By examination it appears that on the 5th of February Black & Gray paid their January balance. The credit item is posted, and the mark indicating the balance, already referred to, is placed under both debit and credit amounts. An inspection of the February account at the close of the month shows that all bills bought in that month are yet to be paid. The amounts are accordingly footed and carried forward into the March account, \$926.78. The March purchases are posted in the order of their occurrence, and likewise the credits. On the 4th of March this firm remit \$500 on account. On the 7th of March they send \$426.78, making, with the \$500 previously remitted, a payment in full of the balance owing the first of the month. The horizontal mark indicating a footing is then placed directly below the line of the second payment and also under the amount of the balance. On the 23d of March this firm remit \$818.40 in payment of the bills bought during the month up to the 16th inclusive. The presence of the short horizontal mark under the amount of the last bill and under the remittance indicates to the bookkeeper, when it comes time to carry balances forward, that only that portion of the account below the horizontal line in the Charge column is to be considered. The bills commencing March 18 and running

to March 31 inclusive are then footed, giving the balance with which the April account comences, \$784.72.

During the month of April it will be seen that payments are made to balance the amount brought forward from the previous month, and also each of the bills bought during the month, with the exception only of the bill April 30, \$187.50, which is carried forward and opens the account for May.

On May 6 a check is remitted for the amount brought forward from the previous month. On May 12 a check is remitted for the bill of May 4. Horizontal marks of the kind above referred to are put in place, thereby showing to what extent the account has been balanced. On May 21 \$800 is remitted on account, and on May 25 \$200 on account. These amounts do not exactly offset anything in the debits, and, therefore, in balancing the account this month, the bills from the 6th to the 30th inclusive are footed, and the \$1,000 subtracted, giving a balance of \$499.39 to be carried forward.

The charges for goods bought in June are made in regular course, and the credits as well, as the remittances come in. In this month it will be noticed that three remittances of \$500 each are made, which do not evenly balance any amount of either the balance brought forward or charge made or combinations of the two. Accordingly, in this case, in striking the balance, the bookkeeper foots the balance from the last month, together with the charges for June, and subtracts the total of the remittances, carrying forward the balance into July, \$296.24.

The other entries in the account of Black & Gray are self-explanatory. In September it will be seen that this firm, after remitting on the 6th for the balance brought forward from the last month, sent on September 12 a remittance for the bill of September 4, ignoring the bill of September 2. Again, on September 19, they send a remittance that differs slightly in amount from the ag-

gregate of several bills which it may be presumed they intended to cover by their remittance. In these cases, inasmuch as the amounts do not balance, the horizontal lines are omitted, and at the end of the month all the items debit are footed, and all the items credit are similarly footed, and the balance struck, carrying forward into October \$482.06. Finally, at the end of the year, the December account of Black & Gray is balanced in the same general way as we have described, carrying forward into Ledger H and to line 629 of the accounts for 1897 the balance, \$441.69.

John Smith, whose account occurs on line 815, is a new customer of the house, buying his first bill January 15. He does business through a period of two months only, and, as his account shows, is accorded a very small line of credit.

Robert Curtis, whose account appears on line 825, becomes a customer of the concern in March, and buys on thirty days' time. By examining his account it will be noticed that the bill March 7, \$234.70, is paid April 7, and that the bills March 18 and 27 are paid April 18 and 27, thus closing up the March account. These payments balance the amount brought forward from the previous month, \$465.42, and, therefore, the horizontal mark is placed below the balance amount, and also below the last of the three credits. The two bills bought in April, it will be noticed, are similarly paid in May. The four bills bought in May, amounting to \$428.09, are paid in June in a single amount, where the account is closed.

George Thompson, whose account appears on line 835, becomes a customer of the house in October. He also buys on thirty days' time, and at the end of December owes the concern \$799.09, which balance being carried forward opens his account in Ledger H, on line 740.

The Mercantile Ledger is self-proving in that all the postings of a given page or series of pages collectively can be footed and

compared in a way to demonstrate the accuracy of the work, or to show on exactly what page the error has been made, in case it is shown that an error exists. For example, take the months of May and June, which particular months are selected because two accounts run through this period of time, as shown in the miniature fac simile. If the first column containing the balance from last month is footed, and if the charge column is similarly footed, and the two amounts are added together; and, in turn, if the credit column is footed and its sum is subtracted from the total of the debits just mentioned, the result, if the work is correct, will be equal to the total of the balances with which the June account is opened. The principle and method of proving just described are the same, irrespective of the number of accounts to the page, and enable the bookkeeper to so sectionalize his work as to know at once, in case a mistake is made, just where to look for it without the tedious process of checking back or duplicate posting.

In mercantile establishments where monthly statements are regularly rendered to customers the Self-Proving Mercantile Ledger readily lends itself to the special requirements of the case. For example, take the account of Black & Gray for the month of May. As the postings have proceeded during the month, the horizontal marks denoting settlements have been made as previously described. Inspection, therefore, shows that the statement must contain the charges commencing with May 6 and ending May 30, together with the credits May 21 and 25. Accordingly, it is so made out. When it is completed the balance which it shows, \$499.39, is carried into the June column on the ledger page. In the same way, the account of Robert Curtis would show that all the purchases made for the month of May are to be included in the statement, the remittances made during the month having balanced the amount brought forward from the previous month. When the statement is completed its amount is likewise carried

MINIATURE FACSIMILE
OF THE
SELF-PROVING MERCANTILE LEDGER
WITH ENTRIES

(SEE PAGE 114)

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By A. O. KITTRIDGE AND
E. R. KITTRIDGE

Index	FROM LEDGER	NAMES AND ADDRESSES	NO. OF LEAF	JANUARY					FEBRUARY					
				Debite			Credite		Debite			Credite		
				BALANCE FROM LAST MONTH	Dr	Cr	CHARGE	Dr	Cr	AMOUNT	BALANCE FROM LAST MONTH	Dr	Cr	CHARGE
0	957	Black & Gray 699 Broadway New York	00	225.42	2.15	247.57	6.28	231.29	682.95	3.23	2.57	62.50	5.40	681.95
50			01		6.16	57.46	15.30	265.58		11.29	2.57			
100			02		9.17	111.60				19.36	2.57			
150			03		11.17	41.96				27.34	2.27			
200			04		13.15	19.53								
250			05		15.19	27.57								
300			06		20.21	19.00								
350			07		22.21	62.50								
400			08		24.23	42.25								
450			09		27.25	12.40								
500			10		35.26	15.62								
550			11		21.27	42.69								
600			12											
650			13											
700			14											
750			15											
800			16											
850			17											
900			18											
950			19											
1000			20											
1050			21											
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1900			38											
1950			39											
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			48											
			49											
			50											

John Smith -
Cleveland O

Robert Curtis
711 Lake Street -
Chicago

George Thompson
1312 Market St
Pittsburg

FEBRUARY				
Debits		Credits		
DATE	CHARGE	DATE	AMOUNT	
23	75.62	5	40	607.92
29	25.26			
30	27.80			
30	32.90			
25	110.46	5	30	57.60
		19	46	110.46

DATE	MARCH					APRIL					REMARKS	Balance Forward		INDEX						
	Debits		Credits			Debits		Credits				AMOUNT	In Ledger							
	BALANCE FROM LAST MONTH	CHARGE	DATE	AMOUNT	BALANCE FROM LAST MONTH	CHARGE	DATE	AMOUNT												
00	912.67		2	3	102.12	4	38	122.00	784.72	6	110	437.20	2	72	754.72	00		144.16	629	50
01		5	10	22.05	7	45	42.67		44.14	3	6	40.34	4	34	437.90	01				100
02		7	15	75.32	13	60	81.84		12.51	5	12	20.96	2	96	296.40	02				150
03		10	19	11.00					30	17	1	87.50	23	10	57.52	03				200
04		12	24	26.40												04				250
05		14	30	47.54												05				300
06		16	36	21.02												06				350
07		18	40	51.96												07				400
08		21	41	43.70												08				450
09		23	54	2.19												09				500
10		25	61	45.47												10				550
11		27	70	52.50												11				600
12		31	82	162.90												12				650
13																13				700
14																14				750
15																15				800
16																16				850
17																17				900
18																18				950
19																19				1000
20																20				1050
21																21				1100
22																22				1150
23																23				1200
24																24				1250
25		7	16	234.70					2654.26	11		759.17	76	220.470	25				1300	
26		18	42	94.32					22.160	24	650	15.90	94.32		26				1350	
27		27	70	126.40								27	111	136.40	27				1400	
28																28				1450
29																29				1500
30																30				1550
31																31				1600
32																32				1650
33																33				1700
34																34				1750
35																35				1800
36																36				1850
37																37				1900
38																38				1950
39																39				2000
40																40				
41																41				
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44																44				
45																45				
46																46				
47																47				
48																48				
49																49				

799.09 744

JUNE			
DATE	CHARGE	Credits	
		AMOUNT	
5	8574	4/16	3000.00
16	46920	4/22	2000.00
17	6409	4/21	2000.00
18	6022		
19	2543		
28	42809		

DATE	JULY						AUGUST						REMARKS	Balance Forward		INDEX
	Debits			Credits			Debits			Credits				AMOUNT	In Ledger	
	BALANCE FROM LAST MONTH	CHARGE	AMOUNT	BALANCE FROM LAST MONTH	CHARGE	AMOUNT	BALANCE FROM LAST MONTH	CHARGE	AMOUNT	BALANCE FROM LAST MONTH	CHARGE	AMOUNT				
00	29424	675	311525	333	29624	118750	5123	7450	5123	118750	00		44163	650	50	
01		30125	18700	246	57525		5191	47621	49263	7670	01				100	
02							7440	8640	4325	57746	02				150	
03							10123	6435	1829	33212	03				200	
04							12121	27362	795	34819	04				250	
05							15154	3700			05				300	
06							18163	7500			06				350	
07							21170	5299			07				400	
08							24178	34270			08				450	
09							27184	7550			09				500	
10							30191	15820			10				550	
11											11				600	
12											12				650	
13											13				700	
14											14				750	
15											15				800	
16											16				850	
17											17				900	
18											18				950	
19											19				1000	
20											20				1050	
21											21				1100	
22											22				1150	
23											23				1200	
24											24				1250	
25											25				1300	
26											26				1350	
27											27				1400	
28											28				1450	
29											29				1500	
30											30				1550	
31											31				1600	
32											32				1650	
33											33				1700	
34											34				1750	
35											35				1800	
36											36				1850	
37											37				1900	
38											38				1950	
39											39				2000	
40											40				2050	
41											41				2100	
42											42				2150	
43											43				2200	
44											44				2250	
45											45				2300	
46											46				2350	
47											47				2400	
48											48				2450	
49											49				2500	
50											50				2550	
51											51				2600	
52											52				2650	
53											53				2700	
54											54				2750	
55											55				2800	
56											56				2850	
57											57				2900	
58											58				2950	
59											59				3000	
60											60				3050	

799.09 740

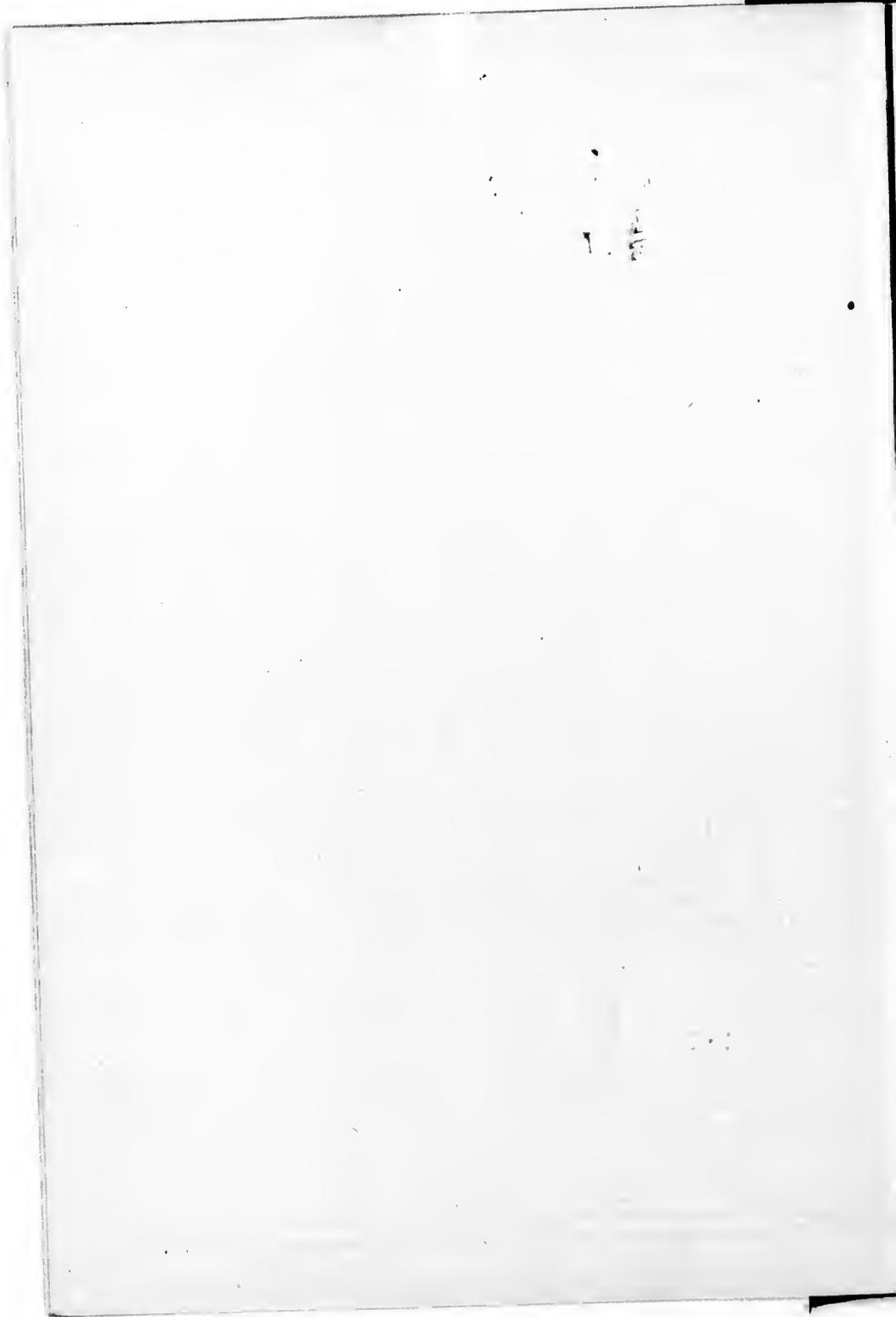
Index	PAGE LEAFLET	NAMES AND ADDRESSES	PAGE	SEPTEMBER				OCTOBER			
				Debits		Credits		Debits		Credits	
				BALANCE FROM LAST MONTH	CHARGE	AMOUNT	BALANCE FROM LAST MONTH	CHARGE	AMOUNT		
			00	274.78	2.26	277.04	482.06	5.42	487.48	482.06	
		Blaker & Gray	01		4.24	4.24	486.30	5.42	491.72	486.30	
		699 Broadway	02		7.25	7.25	493.55	5.42	498.97	493.55	
		New York	03		10.16	10.16	503.71	5.42	509.13	503.71	
			04		12.24	12.24	515.95	5.42	521.37	515.95	
			05		14.25	14.25	530.20	5.42	535.62	530.20	
			06		16.26	16.26	546.46	5.42	551.88	546.46	
			07		18.10	18.10	564.56	5.42	570.00	564.56	
			08		21.24	21.24	585.80	5.42	591.22	585.80	
			09		24.22	24.22	610.02	5.42	615.44	610.02	
			10								
			11								
			12								
			13								
			14								
			15								
		John Smith	16								
		Cleveland O	17								
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Robert Curtis
711 Lake Street -
Chicago

George Thompson
1315 Market St
Pittsburg

15.50 41.75
29.60 71.41

OCTOBER				NOVEMBER						DECEMBER						Remarks	Balance Forward		Index
Debits		Credits		Debits			Credits			Debits			Credits				Amount	to Ledger	
DATE	CHARGE	DATE	AMOUNT	BALANCE FROM LAST MONTH	DATE	CHARGE	DATE	AMOUNT	BALANCE FROM LAST MONTH	DATE	CHARGE	DATE	AMOUNT						
10/1	65.40	10/1	187.00	00					429.17	11/7	157.74	12/1	167.40	00		444.11	659		
		10/2	442.06	01	3.62	11/1	62.29	12/1	54.42	11/7	11.22	12/1	20.15	01			100		
		10/3	58.46	02	57.69	11/2	63.71	12/2	31.64	11/7	12.57	12/1	112.35	02			150		
		10/4		03	17.51	11/3	24.28	12/3		11/7	15.14	12/1	50.19	03			200		
		10/5		04	50.58	11/4	17.84	12/4		11/7	19.20	12/1	62.11	04			250		
		10/6		05	32.11	11/5	31.96	12/5		11/7	22.22	12/1	63.98	05			300		
		10/7		06		11/6	79.37	12/6		11/7	29.14	12/1	21.40	06			350		
		10/8		07				12/7		11/7	31.26	12/1	72.53	07			400		
		10/9		08										08			450		
		10/10		09										09			500		
		10/11		10										10			550		
		10/12		11										11			600		
		10/13		12										12			650		
		10/14		13										13			700		
		10/15		14										14			750		
		10/16		15										15			800		
		10/17		16										16			850		
		10/18		17										17			900		
		10/19		18										18			950		
		10/20		19										19			1000		
		10/21		20										20			1050		
		10/22		21										21			1100		
		10/23		22										22			1150		
		10/24		23										23			1200		
		10/25		24										24			1250		
		10/26		25										25			1300		
		10/27		26										26			1350		
		10/28		27										27			1400		
		10/29		28										28			1450		
		10/30		29										29			1500		
		10/31		30										30			1550		
		10/32		31										31			1600		
		10/33		32										32			1650		
		10/34		33										33			1700		
		10/35		34										34			1750		
10/36	15.50	10/36	427.57	35	70.16	11/7	187.90	12/1	487.52	11/7	50.15	12/1	7.15	35		799.09	740		
10/37	29.60	10/37	21.41	36	20.91	11/8	96.42	12/2	21.41	11/7	15.13	12/1	21.11	36			1600		
		10/38		37	30.11	11/9	247.50	12/3	21.41	11/7	22.24	12/1	13.54	37			1650		
		10/39		38				12/4		11/7	29.24	12/1	31.47	38			1700		
		10/40		39				12/5		11/7				39			1750		
		10/41		40				12/6		11/7				40			1800		
		10/42		41				12/7		11/7				41			1850		
		10/43		42				12/8		11/7				42			1900		
		10/44		43				12/9		11/7				43			1950		
		10/45		44				12/10		11/7				44			2000		
		10/46		45				12/11		11/7				45			2050		
		10/47		46				12/12		11/7				46			2100		
		10/48		47				12/13		11/7				47			2150		
		10/49		48				12/14		11/7				48			2200		
		10/50		49				12/15		11/7				49			2250		



into the balance column of the June account, and all other open accounts take the same course. Then, by applying the system of proof above mentioned, before the statements are mailed, the bookkeeper is afforded the assurance, not only that the ledger work is correct, but that the statements have been sent out free from error.

Wherever a trial balance is required for the purpose of summarizing the transactions or arranging a statement it may be taken off the Self-Proving Mercantile Ledger in the usual manner, but a trial balance is unnecessary so far as proving the correctness of the book is concerned. The arrangement of accounts in the ledger, as already described, provides other and better means of proving. A monthly summary sheet may be used for recapitulating the balances taken by the ledger pages in case a total is wanted in that form, or with an adding machine, like the Comptometer, these balances may be tallied off, account by account, or page by page, as may be preferred, in a small fraction of the time that the summary would require, thus reaching an amount as a balance to correspond with the balance in Dealers' Ledger or Sundry Debtors' Ledger account, by whatever name called, in the Private Ledger or General Ledger.

The Self-Proving Mercantile Ledger, as here shown, is ruled without a column for "Items." Where an item column is desired a special book is provided, other features remaining the same as in the fac simile here presented. It is very generally the rule to assume that all charges are for merchandise, unless otherwise specified. Therefore, when a special charge occurs, like Interest or Cash, or Note Returned, it is indicated by an initial, or by some code mark in connection with the amount in the charge column. For example, an asterisk (*) might stand for Interest, a dagger (†) for Cash, and a double dagger (‡) for Note, and so on. In the same way, on the credit side, it is very generally assumed that un-

less otherwise specified, the credits are all cash payments. Credits other than cash might similarly be indicated by a code of marks. A double dagger (‡) might stand for Note or Acceptance, a section mark (§) for goods returned, and so on.

The Mercantile Ledger is self-proving in addition to what has been said above with reference to page balances in that all the posting of a month (debits) may be collected together, either by footing the several pages in the ordinary way or by tallying off the amounts on a Comptometer. Thus, if all the charges posted to a ledger in a month are for merchandise, then the total of the debit column should agree with the sales book, and if all the credits for the month are cash, then the total of the credit postings, taken in the same manner, should agree with the cash book. By first picking out the items which are indicated by the code as belonging to other classes, the debit postings would be separated into several amounts, corresponding with (1) cash entries, (2) sales book, (3) notes returned, &c., and the credit postings into amounts corresponding with (1) cash book, (2) bill book, &c.

It sometimes occurs, although not illustrated in the fac simile here presented, that a customer remits more than he owes at the time, and that accordingly the balance carried forward to the new month is a credit balance instead of a debit balance. Irregularities of this kind are very easily managed by establishing the rule to write all credit balances in red ink. Then, in proving the ledger, the credit balances are taken by themselves, and are subtracted from the grand total.

The history of a customer's transactions with the house afforded by the pages of the Self-Proving Mercantile Ledger, as indicated by the account with Black & Gray, in the fac simile presented herewith, is of the greatest value to the business man. No trial balance can compare with it in this respect, and the old form of ledger cannot be made to show the course of the account or of

a number of accounts in nearly so satisfactory a manner. When the Self-Proving Mercantile Ledger is used as an element of an accounting system in which the collective ledger becomes a perpetual balance sheet, the necessity of the trial balance, with its perplexing errors in additions in transferring amounts from the ledger, in getting items into the wrong column, and all the other errors with which accountants are familiar, is entirely removed.

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THE INSTALMENT LEDGER

The ledger used in the Self-Proving Accounting System for keeping the instalment accounts is composed of sections, each having two wide pages and ten narrow pages. Each of the narrow pages and a space of equal width on each of the two wide pages are devoted to the transactions of a month. A section, therefore, covers a year.

The ledger is constructed upon the line account principle. The customers' names are entered in a space provided for the same at the left of the first wide page of the section. Each customer's account is restricted to a single line. In each monthly period there is, first, a space for the Balance brought forward from the preceding month, and, second, for a charge of Merchandise or Interest, or both. Then follow five spaces for recording Payments, with their Dates. A column is next provided for the Total Cash credits, and then a space is allowed for Sundry Credits, such as Allowances, Bad Debts, Goods Returned or Notes. The entries as they occur are posted for the first month, and then the balance in the account is struck and the amount carried forward to the first space in the succeeding month, when the operation is repeated.

With the accounts arranged in this manner, in horizontal spaces, following in succession down the page, it is possible to foot separately the several columns in each monthly division, thereby showing the total of the charges and the total of the credits that have been posted to each page, and by combining the footings of the pages—to show the total of the postings to the entire ledger

for each month. By footing the first column, "Balance from last month," there is given as the result the total of the balances brought forward, or the total of the amount owing by the customers at that date. By footing the amount of Merchandise and Interest charged there is obtained a sum which represents the total that has been posted to the customers' accounts for the month. If these two amounts—namely, the total of the balances owing at the beginning of the month, and the total that has been charged during the month—are added together, and if from that amount there is subtracted the total of the credit columns for the month, then the remainder will be the total of the balances to be carried forward to the succeeding month. When the balances have been carried forward they are footed and the amount compared with that determined by the other plan. By this method, therefore, the instalment ledger is self-proving, not only when taken as a whole, but also when taken page by page and month by month. A little further on in this account we shall explain still other features of proof, indicating the means of checking with the sales book and cash book.

The footings of the several columns of a given month may be carried forward from the first section to the second, and in turn from the second to the third, and so on, or the pages may be footed separately and then may be summarized or totalled in a special book provided for the purpose.

The faint lines of the pages are numbered, on the broad pages and also on the margins of the several narrow pages. Each tenth number is distinguished by size or face of type, and each fifth line is distinguished by the thickness of the line, or by color. The line numbers are to be read in connection with the folios or page numbers. Thus, for example, if the book is opened to page 400, and a certain account is on line 18, then that account is known as account No. 418, and would be so indexed. The faint lines run fifty

to the page. In the first section they are from 0 to 49 inclusive, and in the second section are from 50 to 99 inclusive. They continue in this way alternately through the entire book. The folios or page numbers are in pairs on facing pages, and advance by fifties. In the example cited above, page 400, the line numbers, being read in connection with the 400, give accounts 400, 401, 402, and so on in regular succession to 449 inclusive. The next pair of pages in the book is numbered 450, which also, being read in connection with the line numbers, give accounts 450, 451, and so on in regular succession to 499 inclusive. Starting the line numbers with 0 on the first page gives even fifties and even hundreds at the tops of the pages, an arrangement that greatly facilitates references.

The book is indexed by blank tags fastened to the broad leaves opposite numbers printed in series in the margins of the leaves corresponding to the folios or page numbers, and so arranged that the book is opened to any required page by lifting the tag opposite the number corresponding to the page that is wanted. The index figures are printed on the margins of both the right and left hand pages, and the tags are so arranged that they may be used in turning to the required page either from the front part of the book toward the back or from the back part toward the front. Thus, by using the tag opposite 400, whatever may be the position of the book at the time, it would be opened to the page numbered 400.

The Self-Proving Instalment Ledger, as commonly built, has 3,000 accounts to the volume. The index, for convenience, is divided in the middle, and two sets of tags are employed. The first set is used for opening the book to any required page from 0 to 1,450 inclusive, and the second set from 1,500 to 2,999 inclusive.

The manner of using the Self-Proving Instalment Ledger will be better understood by an examination of the accompanying

miniature facsimile sheets, and tracing the several accounts recorded thereon from the opening entry to the closing. The first four accounts, it will be seen, have been transferred from another ledger. The account with Cunningham, who owes \$26.65, has been brought forward from line 960 in ledger B. The account with Ramsay has been brought forward from line 972, that of Holden from line 986, and that of Mrs. Malone from line 1,003, all in ledger B. The several balances of these accounts are entered in the first column, which, as previously explained, is devoted to Balances Brought Forward. Cunningham, it will be noticed, makes four payments during the month of January of 50 cents each, on the 7th, 14th, 21st and 28th days respectively. These payments are entered item by item as they occur, being posted from the pay cards or cash book, and at the end of the month are totalled. The amount of these credits, \$2, is subtracted from the balance brought forward, \$26.65, leaving a balance of \$24.65 to be carried forward into February. The same number of payments is made by Cunningham in February, which are totalled and subtracted, and the balance of \$22.65 is carried forward into March. In that month he makes five payments, making a total credit of \$2.50, which subtracted leaves a balance of \$20.15 to be carried forward into April. His account proceeds in this general way until we reach October, when we find that he buys an additional bill of merchandise amounting to \$11. This comes from order slip A 2,889, and the proper reference is posted in the Sales Number column. On this new purchase he pays \$1 down, and in addition maintains his payments of 50 cents a week on the old account. His total credits for the month of October are \$3. His debits consist of the old balance, \$7.15, and the new bill, \$11, which, added together, make a total of \$18.15, from which is subtracted the amount of the credits, \$3, carrying forward into November a balance of \$15.15. His account proceeds in regular

course to the end of the year. The balance at the close of December is extended into Balance Forward Column, \$11.15. This amount opens the account in the ledger for the new year.

In Ramsay's account, which starts with a balance of \$13.05, with two credits in January amounting to \$2, we show how an Allowance is treated. For some reason or other he is to be credited with a deduction, or discount, amounting to \$1. This amount is posted into the Sundry Credits column, and in the explanation column alongside there is put "A," which, referring to the titles printed at the head of the column, stands for Allowance. The total of the cash and this allowance credit is subtracted from the Balance Brought Forward, making a new balance of \$10.05, with which the February account is started. Ramsay makes a single payment in February, and the balance of \$9.05 is carried forward into March. Payments continue to be made, month by month, including June, reducing the amount at that date to \$2.05, when, for some reason, not necessary to explain, Mr. Ramsay ceases to make payments. Accordingly the balance, \$2.05, in this account stares the manager of the business in the face month after month during August, September, October, November and December, thereby suggesting investigation. As shown in the example it is finally carried into the Balance column with which the ledger closes as the amount with which the account is to be opened in the new year.

Holden's account commences in January with a balance brought forward of \$5.75. He at once buys another bill of goods, as per sales No. A 160, amounting to \$15. He pays \$4 down on this purchase on the 6th of the month, and on the 20th pays \$2 on account of his total indebtedness. The old balance and the new bill are added together, the credits are totalled and their amounts subtracted, leaving a balance, \$14.75, with which the February account is commenced. Holden's account proceeds in regular

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MINIATURE FACSIMILE
OF THE
SELF-PROVING INSTALMENT LEDGER
WITH ENTRIES

(SEE PAGE 124)

COPYRIGHT 1897
By J. F. BROWN AND
A. O. KITTRIDGE.

THIS LEAF	NAMES	#	DEBITS		SALES no.	CREDITS		
			BALANCE FROM LAST MONTH	MERCHANDISE AND INTEREST		PAYMENTS AND THIS DATE	TOTAL CASH	DEBIT CREDITS
0	Amounts Brought Forward					Amounts Brought Forward		
50	960 William Cunningham	0	2665			26 14 21 13	2.00	
100		1						
150		2						
200	972 Frank Ramsey	4	1365			18 31	2.00	1.00 A
250		5				1.00 1.00		
300	976 J. H. Holden	8	525	1500 A 160 20		20	6.00	
350		9						
400		10						
450		11						
500		12						
550		13						
600	1003 Mrs Susan Malone	18	214 14	1125 A 100 16 13 18 20 27		1.00 1.00 1.00 1.00	9.00	
650		19						
700		20						
750		21						
800		22						
850	Thomas Lavers	27		1100 A 140 4 18		2.00 1.75	3.75	
900		28						
950		29						
1000		30						
1050	Miss Lottie Gross	33						
1100		34						
1150		35						
1200	Wm J. Mitchell	38						
1250		39						
1300		40						
1350	Samuel Tutty	44						
1400		45						
1450		46						
		47						
		48						
		49						
	Amounts Carried Forward		6957	8955		Amounts Carried Forward	2275	1.00

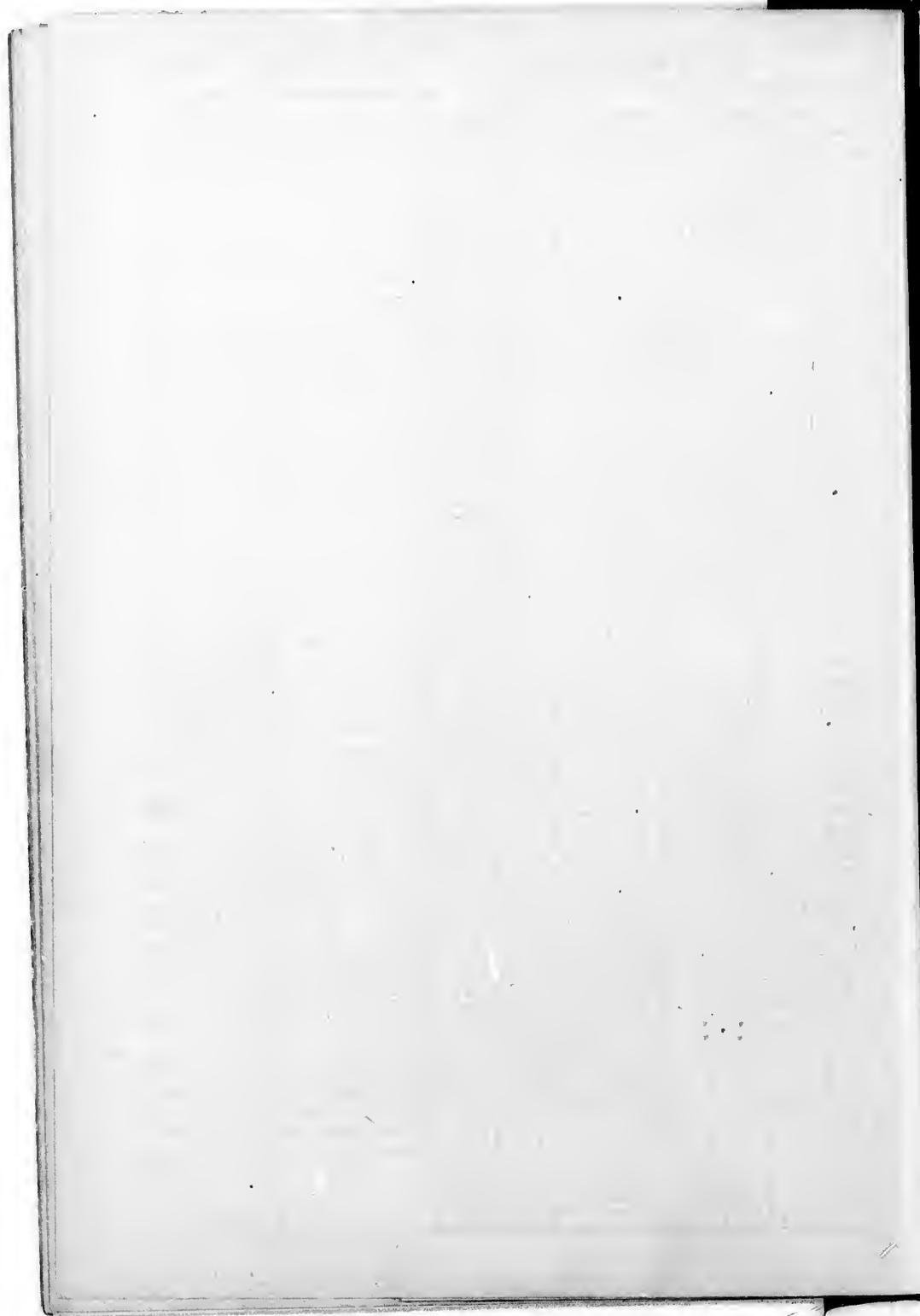
PAGE LEAF	NAMES	#	DEBITS		BALANCE NO.	CREDITS			TOTAL CREDIT
			BALANCE LAST MONTH	WITHDRAWALS AND PAYMENTS		PAYMENTS AND TENDERS	TOTAL DEBIT	TOTAL CREDIT	
0	Amounts Brought Forward								
50	960 William Cunningham	0	12/60					12/60	
100		1							
150		2							
200	977 Frank Ramsey	4	9/05					9/05	
250		5							
300	976 J. H. Holden	6	12/75					12/75	
350		7							
400		8							
450		9							
500		10							
550		11							
600	1002 Mrs Susan Malone	12	5/25					5/25	
650		13							
700		14							
750		15							
800		16							
850	Thomas Payer	17	5/25					5/25	
900		18							
950		19							
1000		20							
1050	Miss Lottie Gross	21	11/00					11/00	
1100		22							
1150		23							
1200	Wm J Mitchell	24							
1250		25							
1300		26							
1350	Samuel Tutty	27							
1400		28							
1450		29							
	Amounts Carried Forward				163/69				163/69

PAYER LENDER	NAMES	DEBITS		DATE	CREDITS		TOTAL BANK	CASH ON HAND
		PAID TO SOLD	PAID TO BUY		PAYMENTS AND INTEREST	RECEIPTS		
0	Amounts Brought Forward	0						
50	960 William Cunningham	18 15				5 12 19 56	2 00	
100								
150	977 Frank Ramsey	5 05				12 22	2 00	
200								
250								
300	986 J. H. Holden	6 75				2 80 A 12 02 4 4 11 6 10 B 11 87 3 00 3 00	0 00	
350								
400								
450								
500								
550								
600	1003 Mrs Susan Malone	4 1 50				4 11 15 26 1 00 1 00 1 00 1 00	4 00	
650								
700								
750								
800								
850	Thomas Bayers	4 7 35				3 6 4 00	4 00	
900								
950								
1000								
1050	Miss Lottie Gross	6 60				2 2 3 00	2 00	
1100								
1150								
1200	Wm J. Mitchell	4 0 00				11 5 00	5 00	
1250								
1300								
1350	Samuel Tutty							
1400								
1450								
Amounts Carried Forward		165 69	15 90			Amounts Carried Forward	24 00	

PAGE LEADER	NAMES	DEBITS		DAYS	CREDITS	
		BALANCE FROM LAST MONTH	RECEIPTS AND INTEREST		PAYMENTS AND TOLLS PAID	TOTAL CASH
0	Amounts Brought Forward				Amounts Brought Forward	
50	960 William Cunningham	0	13.65		50.00 20.00	2.00
100						
150	972 Frank Ramsey		2.65			
200						
250						
300	966 J. H. Holden		17.65			
350						
400						
450						
500						
550						
600	1003 Mrs Susan Malone		22.59		12.50 27.00	3.00
650						
700						
750						
800						
850	Thomas Byers		32.25		15.00	4.00
900						
950						
1000						
1050	Miss Lottie Cross		2.50		3 7 50 15.30	2.70
1100					7.60 22.65 20 50 50 50 50	
1150						
1200	Wm J. Mitchell		30.00			
1250						
1300						
1350	Samuel Tutty				5.60 2.25	7.00
1400						
1450						
	Amounts Carried Forward	138.09	12.20		Amounts Carried Forward	18.70

FROM LEADER	NAMES	d m	DEBITS		SALES No.	CREDITS		TOTAL DEBIT	TOTAL CREDIT
			BALANCE FROM LAST MONTH	DEBIT AND WITHHELD		PAID BY THIS DATE	TOTAL CREDIT		
0	Amounts Brought Forward					Amounts Brought Forward			
50	960 William Cunningham	0	9.60			9.60			
100		1							
150		2							
200	977 Frank Ramsey	4	2.00			2.00			
250		5							
300	986 J. H. Holden	8	12.60			12.60			
350		9							
400		10							
450		11							
500		12							
550		13							
600	1003 Mrs Susan Malone	19	25.00			25.00			
650		20							
700		21							
750		22							
800		23							
850	Thomas Byers	27	2.00			2.00			
900		28							
950		29							
1000		30							
1050	Miss Lottie Gross	38	4.00			4.00			
1100		39							
1150		40							
1200	Mrs J. Mitchell	38	2.00			2.00			
1250		39							
1300		40							
1350	Samuel Tutty	44	4.00			4.00			
1400		45							
1450		46							
		47							
		48							
	Amounts Carried Forward		144.79			144.79			

PAGE NUMBER	NAMES	PAGE	DEBITS		CREDITS			
			BALANCE FROM LAST MONTH	SALES	PAYMENTS AND OTHER DEBITS	TOTAL CASH	BANK CREDIT	
0	Amounts Brought Forward	0	0		Amount Brought Forward			
50	960 William Cunningham	1	150.00		50.00			
100		2						
150		3						
200	972 Frank Ramsey	4	100.00		50.00			
250		5						
300	986 J. H. Holden	6	50.00		50.00			
350		7						
400		8						
450		9						
500		10						
550		11						
600	1003 Mrs Susan Malone	12	100.00		50.00			
650		13						
700		14						
750		15						
800		16						
850	Thomas Byers	17	200.00		100.00			
900		18						
950		19						
1000		20						
1050	Miss Leticia Gross	21						
1100		22						
1150		23						
1200	Wm J. Mitchell	24	100.00		50.00			
1250		25						
1300		26						
1350	Samuel Tutty	27	200.00		100.00			
1400		28						
1450		29						
	Amounts Carried Forward	30	1000.00		500.00			



course until the month of May is reached. At this time the balance has been reduced to \$6.75, when he buys some more goods, as evidenced by sales Nos. A 1,137 for \$16.10, and A 1,204 for \$2.80. He pays \$3 down and also \$2 on account this month, making a total credit of \$5. This is subtracted from the total of the balance and the two bills which he has bought, leaving \$20.65, with which the account is opened in June. His account now proceeds in regular course until September is reached, with a balance of \$12.65. No payments are made in September, and this amount, therefore, is carried forward into October. In October he buys goods amounting to \$74.36, as evidenced by sales No. A 2,929, and pays on account this month \$5, making a balance of \$82.01, with which the November account is opened. In November he pays \$10, making his December balance \$72.01, and in December he pays \$5, leaving a balance of \$67.01 to be carried forward to the new ledger.

There are no new features presented in Mrs. Malone's account that need to be specially pointed out in this description, unless it be that in January three bills of goods were charged to her account. It will be seen that while the ruling of the ledger is intended ordinarily to accommodate only two charge entries per month, three have been crowded into the column in this case. Mrs. Malone's account proceeds with commendable regularity in the matter of payments and is reduced to \$13.89 at the close of December, which amount carries forward into the new ledger.

Thos. Byers commences to deal with the concern in January, and makes a bill, first of \$24.50, as evidenced by sales No. A 30, and afterward, finding that he requires a few more goods, buys to the amount of \$6.60, as shown by sales No. A 149. He makes two payments during the month, amounting to \$3.75, carrying forward a balance of \$27.35 into the February account. He buys additional goods to the amount of \$34, in February, as shown by sales

No. A 355. He makes three payments in this month, amounting to \$6, and carries forward a balance into the March account of \$55.35. From this time forward his account proceeds with constant reductions, leaving a balance at the close of October of \$24.35. In November he buys an additional bill of \$6.30, as evidenced by sales No. A 3,326. His account at the close of the year stands \$24.65, which amount is carried forward to the new ledger.

Miss Lettie Gross commences to deal with the establishment in February and opens her account with two items, a bill of \$13.50, as shown by sales No. A 399, and a bill of \$7.25, as evidenced by sales No. A 414. She pays \$1 down, and pays, according to agreement, 50 cents per week, making a total credit of \$2.50. For some reason the second bill of goods was returned, and this is evidenced by the amount in the Sundry Credit column, with the explanatory letter "G" in the column alongside. The balance carried forward into March is \$11. The account proceeds from this date forward without variation from the usual course until the month of July, when an additional bill is bought amounting to \$7.60, indicated by sales No. A 2,065. In this month a special allowance of 25 cents is made for some reason or other, and this is posted in the Sundry Credit column, with the explanatory letter "A." The credits in total are subtracted from the sum of the balance and the purchase made, giving \$7.10 as the amount with which the August account is opened. Payments now proceed in regular course until the 26th of October. It is then found that her indebtedness amounts to \$1.10. According to the custom that prevails in certain instalment establishments, a discount is made with the final payment, as an evidence of the good will of the proprietor and because payments have been made with reasonable promptness. This customer, accordingly, is told that 75 cents paid at this time will close the account. This amount is forthcoming, making the total cash credits for the month \$2.25. The

deduction of 35 cents is posted to the Sundry Credits column, thus closing the account. Blank spaces in the monthly divisions, it will be seen, follow Miss Gross's name from this date forward to the end of the year.

W. J. Mitchell commences to deal with the establishment in April, buying a bill of goods at that time of \$45, evidenced by sales No. A 869. His account is commenced in the April division, just the same as the other accounts we have described have been commenced in the other monthly divisions. Payments are made in regular course, with the result that the account at the close of December has been reduced to \$5, which balance is carried forward to the new ledger.

Samuel Tutty begins to deal with the concern in July. The first charge to his account is a bill of \$54.60, evidenced by sales No. A 2,059, which is posted in the July account, the same as the other accounts that we have described have been posted in other months.

We have limited our examples to eight accounts, which for better display and convenience in examination have been distributed through the depth of a page, instead of occupying eight consecutive lines, as would be the case in actual practice. We have selected the accounts for the purpose of showing the usual method of using the ledger, and illustrating how special credits, additional charges for goods, &c., are to be made. As we have proceeded with our explanations the reader has undoubtedly noticed that the dates in the month on which payments are made are written directly above the items in the space provided for the same by the interlining. The reader has also noticed, we presume, that there are provided spaces for two items in Sundry Credits each month, the same as for two charges each month. These allowances of space have been found in practice to be quite sufficient for the requirements of ordinary instalment establish-

ments, but variations can be made as required to meet the necessities of special cases.

The correctness of the instalment ledger is proved as follows:—By footing the column devoted to Balances Brought Forward into the January account, we find the total is \$69.59. The goods charged to customers during that month, which is ascertained by footing the Merchandise column, amounted to \$89.85. The Cash credits to the several accounts amounted to \$22.75, and the sundry credits \$1. The latter amounts are also determined by footing the columns devoted to these items. By taking the total of the Balances brought forward, adding the Merchandise charged and subtracting the total of the Credits, we have \$135.69 as the amount of the balances carried forward into the month of February. Footing the balance column with which the February account is opened, we find that the sum of the balances is also \$135.69, which is satisfactory evidence that the ledger has been correctly footed, and that the individual balances have been correctly struck and correctly carried forward.

By comparing the total of the charges to customers, \$89.85, with the amount sold to instalment customers, as shown by the Sales Record for the month, we shall ascertain whether or not the correct amount has been posted to the ledger. Again, by comparing the total cash credits posted to instalment customers' accounts, in this case \$22.75, with the debit side of the Cash Book for the same period, we shall know whether all of the cash received has been posted.

If interest had been posted to the customers' accounts during the month, then the interest items, in proving the ledger, would have been put into an amount by themselves for checking with the total of the charge for interest in the journal, or wherever the entry was made. In the same way sundry credits would be analyzed and separated into amounts corresponding with the items

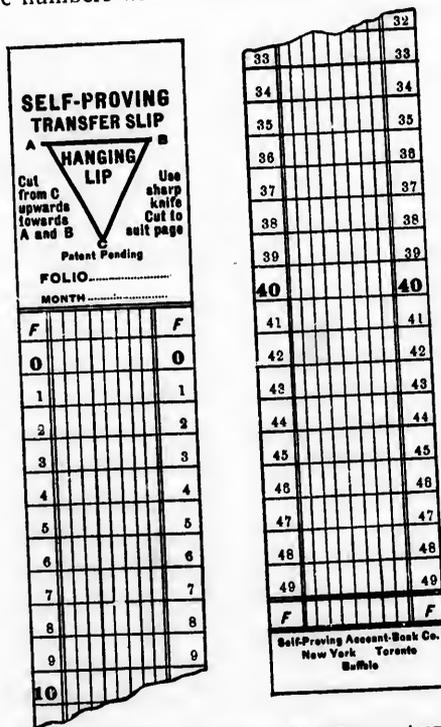
that are posted into this column—namely, Allowances, Bad Debts, Goods Returned and Notes—and each compared with the corresponding record in the journal or other posting medium. The same general explanation applies to accounts to be written off as “bad,” and to accounts which are credited with Notes.

CARRYING FORWARD BALANCES

The Self-Proving Mercantile Ledger, as elsewhere described in this volume and as illustrated by the miniature fac simile pages bound in, is composed of wide and narrow leaves arranged in sections. The first wide leaf of each section receives the names of the customers and holds their accounts for two months, January and February, while the facing narrow leaf holds the accounts for March and April. The second and third narrow leaves facing each other carry May and June, and July and August, respectively. The accounts as presented to view when the book is opened are in monthly sections of four. At the end of each fourth month it is necessary, therefore, to carry the balances over the leaf.

The transferring of balances is readily and expeditiously accomplished by the use of the Self-Proving Transfer Slip, an illustration of which is presented herewith. These slips are ruled and numbered to correspond with the ledger lines, and are provided with a hanging lip at the top adapted to engage with the upper edge of the wide page in a way to cause the slip to lie directly against and parallel with the edge of the narrow leaf. The Transfer Slip is instantly adjusted in proper position, and the line numbers with which it is provided, made to coincide with the line numbers on the margins of the narrow leaves, thus affording the bookkeeper constant proof that the slip is in correct position. The Transfer Slip, adjusted in place in this manner, receives the balances as they are struck in footing the monthly accounts on

the right hand narrow pages. When the amounts have been entered upon the Slip in this way it is then detached and put in place on the left hand wide page. It is there adjusted to correspond by line numbers with the columns of the new month re-



REDUCED FACSIMILE OF TRANSFER SLIP FOR THE SELF-PROVING INSTALMENT AND MERCANTILE LEDGER (COPYRIGHT 1897 BY J. F. BROWN AND A. O. KITTREDGE.)

vealed by the narrow page after it is turned. With the figures on the Transfer Slip alongside the places that they are to occupy in the new month, it is a very simple matter to complete the work.

The Transfer Slips are provided with spaces for folio numbers, by which they may be identified. The Slips are printed on

both sides, one side being adapted for use with those pages of the ledger the lines of which are numbered from 0 to 49 inclusive, and the other for those pages the lines of which are numbered from 50 to 99 inclusive.

In addition to the mere use of carrying forward amounts in the accounts as here explained, the Transfer Slips are adapted to be used in proving the balance footings of the ledger before the amounts have been entered on the new page. The Slip may be used for this purpose in several different ways, one or two of which we will refer to briefly: As many Slips may be in use at a time as there are pages the amounts of which are to be carried forward. After the balances have been entered on the Slips all of them may be detached from the ledger pages, and, before the amounts have been extended into their new positions, taken to the Comptometer, to be footed by the machine, either singly or collectively, as may be the preference of the bookkeeper. If footed singly, the amount of each Slip may be written at the bottom for use in carrying forward, or the amounts may be totalled upon a separate Slip, or totalled by the machine without any Slip. If the Comptometer is not at hand for use in this way, the Slips, similarly removed from the ledger, may be handed to the bookkeeper's assistant for footing, while he attends to other work, thus getting the collective balances ready to transfer to the new month at the same time that the individual transfers are made. The total footings of the balances should equal the balance of the corresponding group account in the Private Ledger. Again, each page, including its Transfer Slip, may be proved by itself, without reference to other pages and slips, by footing the debits, footing the credits and subtracting one from the other. The balance thus obtained should equal the footing of the amounts on the Transfer Slip. The same routine obtains with the Instalment Ledger. The Transfer Slips are manufactured of

heavy ledger paper, and are supplied in a form to maintain their shape without folding or wrinkling, and in a way to be convenient for use as required.

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NUMBER RECORD

Where original entries are made the foundation of postings and the sheets upon which they occur are to be preserved in regular order, as elsewhere described and illustrated, a system of serial numbers by which to designate the several sheets or forms is indispensable. In connection with the Self-Proving Accounting System, it is recommended that every paper that is to be preserved, excepting, perhaps, correspondence, be given a number, and that these numbers be in definite series, and that the records of numbers be so managed as to reduce to a minimum the danger of duplicating a number; that is, using the same number for two different purposes in the same class.

The most important of the several series of numbers to be used is that applied to the sales or orders. The points to be observed in connection with order numbers are also important in other directions, as, for example, with the numbers of vouchers, numbers of shipments or deliveries, numbers of goods returned, numbers of invoices, &c., and, accordingly, a description of the Record used for Sales Numbers will be sufficient to indicate the requirements of all cases.

The Record of Sales Numbers illustrated herewith is supplied either in book form or in the shape of loose sheets, to be held in a clip or binder, as may be preferred. In whichever shape the record is supplied, its use is the same. The lines of the sheets or pages are numbered. In one form each sheet or page contains 50 lines, thus making two sheets or pages to the hundred, and

in another style each sheet or page contains 25 lines, thus requiring four pages or sheets to the hundred. Where the sheets or pages are in sets or two, as above described, the line numbers on the first read from 0 to 49 inclusive, and on the second from 50 to 99 inclusive. Where the sheets or pages are in sets of four, as above described, the line numbers on the first read from 0 to 24, on the second from 25 to 49, on the third from 50 to 74, and on

15						
SELF ORDER						
Numbered Record						
Date of Sale	Order No.	NAME	ADDRESS	Ledger No.	Date of Charge	
	50					
	51					
	52					
	53					
	54					
	55					
	56					
	57					

REDUCED FACSIMILE OF NUMBERED RECORD FOR ORDERS (COPYRIGHT 1897 BY J. F. BROWN AND A. O. KITTREDGE.)

the fourth from 75 to 99. Where loose sheets are employed of this style, they are used in sets of four, all bearing the same designating number, and in the case of a book, the pages appear in sets of four also, each page of a set bearing the same designating number.

The page or sheet numbers are to be read with the line numbers, thus, for example, if the page before us is numbered 15, and the line numbers are from 50 to 99 inclusive, then the numbers represented are 1,550, 1,551, and so on to 1,599. The next sheet or page upon which the line numbers are, from 75 to 99 inclusive,

are read in conjunction with the page or sheet number in the same manner, and give Nos. 1,575, 1,576, &c., up to and including 1,599. By this plan numbers are constantly provided in series of any required amount, without special expense of printing stationery, and without the tedious writing in of figures or printing with numbering machines that is commonly resorted to.

The series of numbers may be extended to any desired limit, as, for example, to 10,000 or to 100,000. The several series that are used for a given purpose may be known by the letters of the alphabet. Thus, supposing that the limit of a series is fixed at 10,000, when the last number has been reached, a new series is to be started known as "A," with the numbers written A50, A965, &c. The books or blanks that are on hand when a new series is commenced would require only the impression of the letter A in proper place to distinguish them from the ones which had been previously employed in the first series. In the same manner, successive series of numbers would be known as B, C, D, &c.

The sales or orders, as they occur, are entered against their numbers in the Number Record, thus, in each case, preempting a number, and indicating that a given number having been used for one order must not be applied to another. The book or sheets provide by the ruling employed, first the Date of Sale, following which is Name and Address of the customer, and then a line for Ledger Reference, and finally the Date of Charge. The function of this book is only to supply numbers to the orders by which thereafter they are known on the Order Record. The latter becomes the equivalent of the order book, as commonly designated, but the details of the orders are on sales sheets put away in post binders, as described in another part of this volume. Charges to customers are made by entering the amount shown by the sales sheet in the Sales Record. In a very large business, however, it is not always possible for the charges in this manner

to be made in the same order as that in which the sales have occurred; hence the desirability of cross references between the Number Record and the Sales Record, which this design supplies. By the plan upon which this book is constructed a glance at the Number Record will always show what orders are in process of filling, or have not yet been charged. Checking back from the Sales Record to the Number Record affords the assurance that no order fails of proper entry upon the Sales Record.

The routine to be pursued in the use of sales numbers is as follows:—As soon as a sale is completed and before the invoice or bill and its carbon copies have been separated, the salesman refers to the Number Record and puts upon the sales slip the first unused number shown by the Record. In the Number Record he enters opposite the number so used the name of the customer and his address. By this means the record of the transaction is started in the books of the business in a way to secure accuracy, prevent fraud and avoid error.

The rule should be established that no delivery shall be made without a properly numbered blank covering the same, and that all blanks shall be returned to the office for final filing. This regulation, together with the other precautions which the system enables the prudent manager to take, fully secures the advantages above mentioned. The number taken by the salesman and duly written upon the face of the order slip or invoice is thereby written upon the carbon copies. The multiplication of records by this means is in itself a preventative of both dishonesty and mistake.

A sales number is never to be duplicated. Once used, the number always stands for the transaction to which it has been applied. However numerous may be transactions, the supply of numbers is never exhausted, nor is it necessary to go into an unreasonable number of figures, for, as explained above, different

series may be established and managed in a way to keep the numbers within reasonable bounds, while also securing all the advantages here described.

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SALES RECORD

The Self-Proving Sales Record is a register of the sales sheets of the establishment, with notation of date, order number and the amount of the sale, with provision for extending the amount into Instalment Ledger or Sundry Debtors, according to the nature of the account. When the sales sheets, properly filled out, reach the bookkeeper, and the shipping department returns the duplicate showing that the goods have been delivered, the bookkeeper is in position to make the entry upon the Sales Record.

He enters the date of the charge, the number of the order, the name of the customer and the amount of the sale, and, in turn, extends the amount into the Instalment Ledger column, if the account is located in the Instalment Ledger, or into Sundry Debtors' column if the account is in that division of the books. At the same time he extends on the same line, in the column headed Tsoc, the cost of the goods as figured on the margin of the office copy of the sales sheet. In due course the bookkeeper posts the item to the ledger, putting into the Ledger Reference column the page or line of the account.

Upon the page devoted to the Number Record we have described how the Sales Record may be checked with the Number Record in a way to insure all charges and deliveries to duly appear upon the Sales Record. The column of the Sales Record devoted to auditor's check may be employed to indicate comparison in this regard, as well as other features of examination at the discretion of the manager.

Various features of proof are afforded. The total of the first money column, Amount of Sales, may be compared with the total postings of the charge columns in the ledgers devoted to Instalment Accounts and Sundry Debtors', making proper deductions for charges other than sales which appear therein. The total of the column in the Sales Record entitled Instalment Ledger may be similarly compared with the total of the Charge column in the Instalment Ledger alone, making due allowance, of course, for interest charges, cash refunded, etc. A similar check may be obtained on the Sundry Debtors' by like comparison with the Charge column in Sundry Debtors' Ledger.

The Sales Record, maintained as above described, will show the total sales of the establishment, except only the cash sales,

SELF-PROVING SALES RECORD									
DATE	ORDER No.	TYPE	NAME	AMOUNT OF SALES	INSTALLMENT LEDGER	SUNDRY DEBTORS	CASH SALES		
			Amount Brought Forward						

FACSIMILE OF SALES RECORD, COMMON FORM. (COPYRIGHT 1897 BY J. F. BROWN AND A. O. KITTREDGE.)

which, of course, will appear upon the Cash Book. If, for the sake of completing the Sales Record, it is desired to have the cash sales appear thereon, the column marked Cash Sales, at the extreme right, may be used. This is not necessary, however, and is only suggested to meet the assumed wants of certain merchants who desire their sales shown complete in a single book.

The footing of the column, Amount of Sales, posts direct, or through the summary on the face of the journal, according to the plan preferred, to the credit of Selling Account in the Private Ledger. In the same manner the footing of the column entitled Instalment Ledger posts to the debit of Instalment Ledger Ac-

PURCHASE RECORD

The Self-Proving Purchase Record, illustrated herewith, serves the double purpose of recording the invoices of goods purchased and of recording returns, thus showing net purchases. The invoices are the original records and are preserved by filing in a post binder, as described upon another page, or in some other appropriate manner, the names of sellers, dates and amounts of each being first entered upon the Purchase Record. The Purchase Record, therefore, may be described as simply a register of invoices. It is also a register of returns. Where many returns are the rule it would be expedient to establish a second binder in which to file on proper blanks the shipments back. This file should have its own series of numbers.

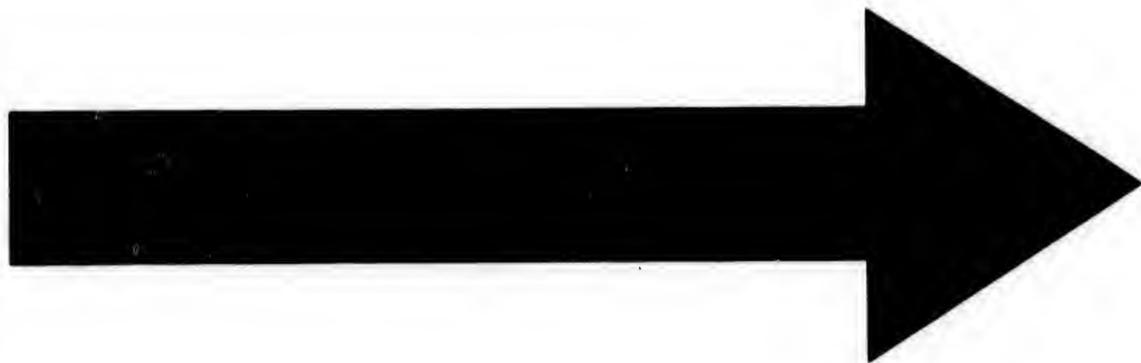
The Purchase Record is provided with three pairs of money columns—namely, a debit and credit under each of the following heads:—Buying, Manufacturing and Purchase Ledger. All the accounts with those from whom goods are bought, as elsewhere explained, are opened in Purchase Ledger, and therefore the Purchase Ledger columns on the Purchase Record receive the credits of the invoices. In turn, they receive the debits of the goods returned. The balance is the net amount of the goods purchased.

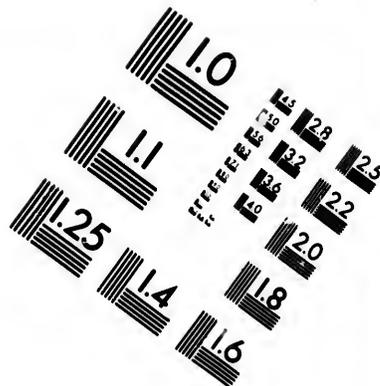
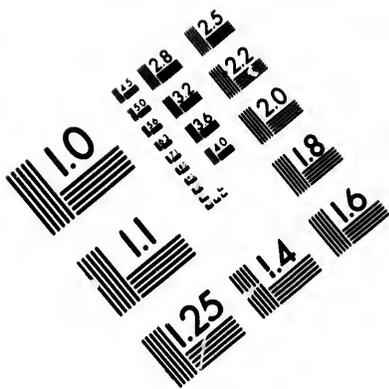
The debits for goods coming in would either be Buying or Manufacturing, or a part of each, according to the character of the business conducted. The credits for the goods returned would likewise be in one or the other of these accounts.

The Purchase Record is so arranged that a single line,

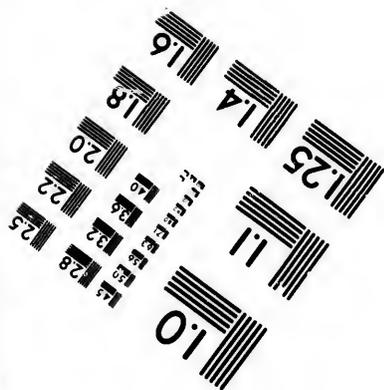
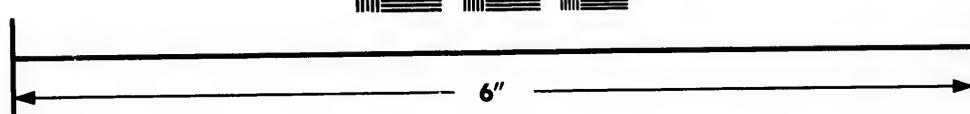
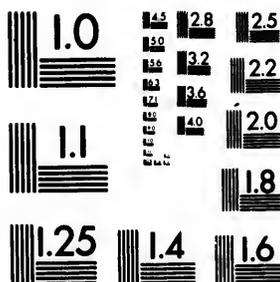
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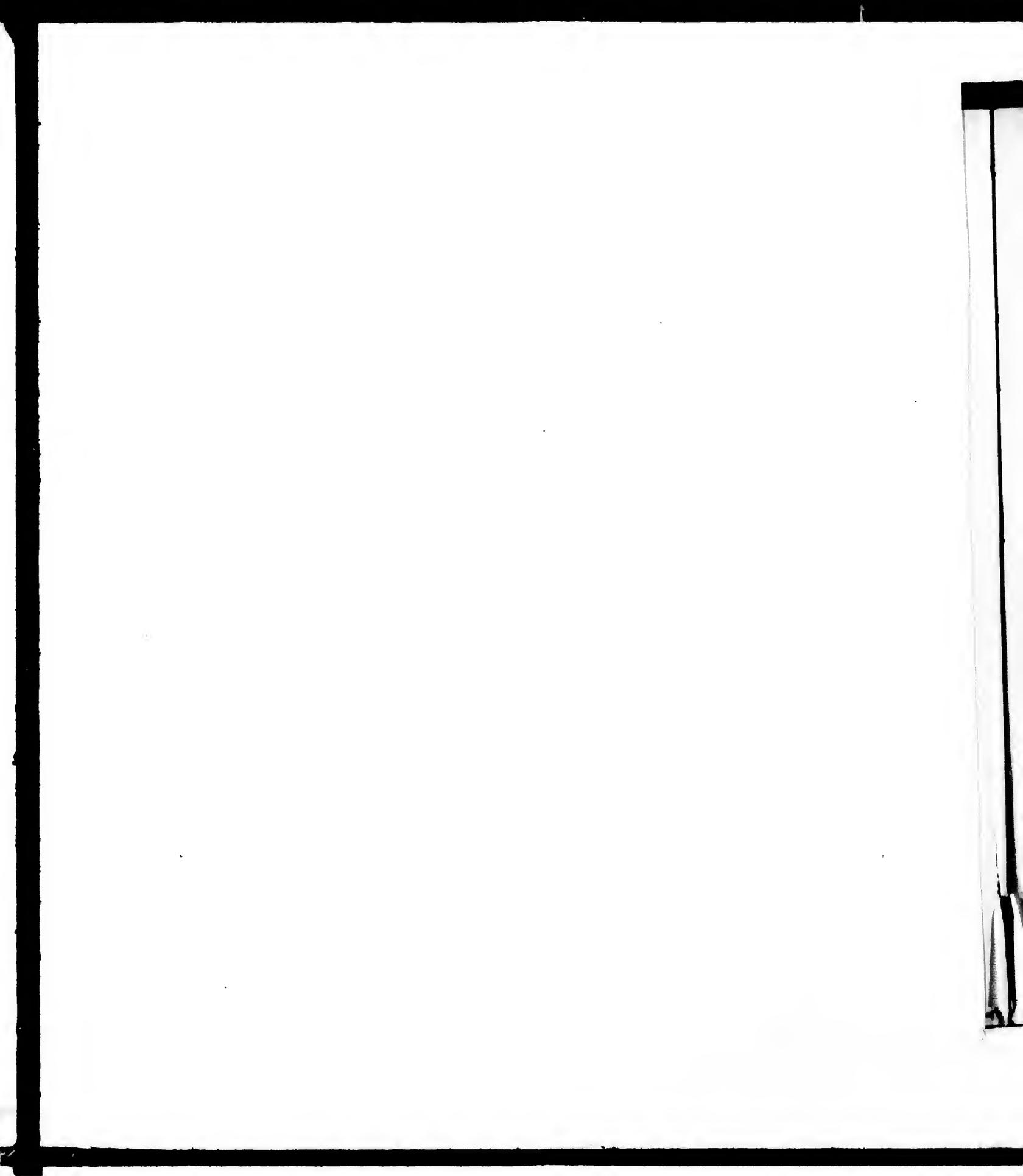
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are extended into one or the other of the columns and posted by being totalled, thus always showing how far the work has progressed. In turn, the footings of the columns, when transferred to the journal or carried to the Private Ledger, should be properly marked with journal page or ledger page, as the case may be.

The Purchase Record will contain all the usual credits to the Purchase Account in the books, the exceptions being Notes Returned or cash advanced to take up paper on the basis of an extended credit, Discounts for Cash, etc. It will also show the total of the ordinary debits to Buying Account and Manufacturing Account, the exceptions being freight items, purchases for cash, and the like.

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CASH JOURNAL

The book known in the Self-Proving Accounting System as the Cash Journal may be variously used, according to the nature of the business. Briefly described, it is an extended column journal, the columns being of sufficient variety to permit any desired division of the business to be recorded in the journal alone. It also serves as a recapitulation book, in which the various auxiliaries are summarized. In many cases one of its most useful functions is to serve as a medium for cross entries between different going accounts in different ledgers, as in the case of transfers, &c. It is of a form also to be convenient for use as a voucher distributing medium, useful in all cases where business is conducted upon the voucher plan.

The cash columns in the Self-Proving Journal are supplemented by a balance column, thus facilitating a record of daily balances without footing lines. A pair of columns headed Bank are also provided, thus adapting it to be used either with or without the bank account separated from the cash. The Self-Proving Cash Journal is constructed upon the wide and narrow leaf principle, with the wide leaves reinforced throughout that portion of their width which extends beyond the narrow leaves, thus making it a flat book convenient for writing no matter in what part it happens to be opened. The lines on the several pages are numbered, thus facilitating references horizontally across the entire book. By using the line numbers in connection with the page numbers this arrangement affords a convenient basis of ledger references.

The Self-Proving Cash Journal varies from the conventional journal in the way in which the entries may be made. Both a debtor ledger reference column and a creditor ledger reference column are furnished, and, therefore, the debits and credits may be entered on the same line. There is also brief space for "Particulars."

One of the useful purposes to which this book may be put is that of receiving a daily summary of all the auxiliary books in the form of a bookkeeper's or manager's daily report, the footings of which post to the Private Ledger.

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CASH BOOKS

In all large establishments the handling of the cash and the care of the cash account subdivides among several persons. There is the work of the receiving clerk or receiving cashier, and the work of the disbursing clerk or disbursing cashier, both of whom handle currency in comparatively small individual sums, although perhaps aggregating a very large amount. Beyond this is the work of the principal cashier, or, in many cases, the bookkeeper, who superintends the petty transactions and also gives personal attention to those more important receipts and disbursements evidenced by checks, drafts, &c. The latter also has charge, as a rule, of the bank account.

The Self-Proving Accounting System readily lends itself to this subdivision of labor in connection with the Cash Account. The Cash Column Journal, elsewhere described, is the inclusive account, so far as the general office is concerned, and may be managed under the immediate direction of the general cashier, as above described. Two subordinate cash books are supplied for his assistants—one known as Cash Disbursements, and the other as Cash Receipts. Before cash can be disbursed by the paying cashier it must be supplied to him, and therefore the Cash Disbursement book has at the outset a pair of columns—one entitled Source of Funds and the other Payments—thus permitting a cash balance in the daily settlement between the subordinate and the principal. Then follows a series of columns adapted for classification of the amounts paid out, in a way to facilitate the

gathering of the items into proper form to pass them on to the Daily Report, whether made separately or embodied in the pages of the Cash Journal, as elsewhere described.

The Cash Receipts Record is similarly provided at first with a pair of columns, one of which is entitled Cash Receipts and the other Disposal of Funds. This pair of columns also permits a settlement daily between the clerk in charge and the principal cashier, thus balancing the book. In addition to this pair of columns, it is provided with single columns for properly classifying and distributing the items of receipts in a way to facilitate the making up of the daily report, as above mentioned.

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BALANCE COLUMN LEDGER

The rulings employed in the ledgers devoted to Purchase Accounts, Sundry Debtors and Sundry Creditors with the Self-Proving Accounting System are of the time-honored debit, credit and balance form. In addition to other advantages this style has the special merit of being economical of paper and using the ledger up completely, without those waste spaces that are frequently found in full ledgers of ordinary ruling.

At the head of each half page—there being two accounts to the page—there is space for name, street and number, and city,

NAME _____ STREET and No. _____ CITY _____							NAME _____ STREET and No. _____ CITY _____						
DATE	ITEM	From	Dr.	Cr.	Dr. or Cr.	BALANCE	DATE	ITEM	From	Dr.	Cr.	Dr. or Cr.	BALANCE

FACSIMILE OF BALANCE COLUMN LEDGER. (COPYRIGHT 1897 BY J. F. BROWN AND A. O. KIRKPATRICK.)

thus recording the person with whom the account is opened in the proper manner. Each account is ruled with a Date column line, a small space for Items, a column for Reference to posting medium, and then three money columns—Debit, Credit and Balance. Between credit and balance columns a narrow column is inserted, headed Dr. or Cr. The usefulness of this every bookkeeper will appreciate at trial balance time. Whenever the balance in an ac-

count is struck, if it be a debit balance, "Dr." is written in this column, or if a credit balance, "Cr." is written in this column, which indicates the character of the balance without the necessity of glancing at the pencilled footings in order to see which of the two amounts, Dr. and Cr., is the larger.

Every bookkeeper who has attempted to use a ledger containing large and small accounts, upon the plan of employing a small space for an unimportant account and devoting a larger space to an account that is expected to run for a considerable period of time, has been disappointed at the result. He has found, in all probability, that his judgment has erred in numerous instances and that the spaces allotted to the several accounts have failed to correspond with the requirements of those accounts. The accounts opened in the large spaces have frequently proven to be short-lived, and those commenced in the small spaces have proven to be so important as to soon outgrow the limitations assigned, making it necessary to transfer them to another part of the ledger.

In the Balance Column Ledger employed with the Self-Proving Accounting System for Purchase Accounts, Sundry Debtors and Sundry Creditors all the accounts are ruled of one dimension—namely, the depth of a page. Each page, therefore, is devoted to two accounts, the form of the headings of which is printed at the top. When an account is finally and definitely closed, and the bookkeeper knows that no further entries are likely to be made in it, the remaining space in the page may be utilized for another account by the employment of a rubber stamp, which in form is a fac simile of the printed head at the top of the account, with the addition of the necessary cross lines. This stamp will be supplied by the publishers of the ledger on order at a very low price. By this means all the paper of the ledger is used and the bookkeeper is saved the annoying work of transferring accounts for which too little space has been allowed.

NOTE RECORDS OR BILL BOOKS

The Note Records supplied with the Self-Proving Accounting System, both of which are illustrated in one of the miniature fac-simile insets of this book, are constructed upon the same lines as the Private Ledger and Balance Sheet, the Mercantile Ledger, the Instalment Ledger and the Cash Journal, so far as the character of the leaves is concerned, and the use of the spaces which the pages present. The Notes Receivable Record and the Notes Payable Record are identical in principle, although one is essentially the reverse of the other. One records the obligations payable to the business and the other the obligations which the business must pay to others.

Both of the Note Records are books of original entry, in that they receive the record of the transaction when a note receivable comes into the establishment, or when a note payable is made and delivered. They are also ledgers to the extent of keeping the Notes Receivable and Notes Payable Accounts respectively, although where they are used in connection with the Private Ledger and Balance Sheet the summary of these accounts appears in the proper columns in that book. In this case the Note Records are posting mediums. The two Records are also posting mediums, in that the entries connected with the receiving of a note that is payable to the business and the issuing of a note that is payable by the business are posted from them to the proper ledger accounts.

By examination of the Notes Receivable Record it will be

seen that the left hand wide page provides space for date of entry, description of paper, time to run, the date it begins to run and the due date, together with the amount. These items occupy the principal part of the first half of the page, while the second half is devoted to the account to be credited, with particulars of the form in which the note is drawn. The amount column, in which the amount of the note is entered, is the debit of the Notes Receivable Account, the credit of the transaction being the account of the person from whom the note is received. Columns for the extension of the credit amounts are provided, including Sales Ledger, Sundry Debtors, Cash, Bank and Miscellaneous. The individual account is posted from this Record to the ledger in which the account is located, while the column in which the credit amount is extended is in due course footed for entry in the Cash Journal, or in the periodical report in other form, in the process of carrying the amounts to the Private Ledger.

Turning to the narrow pages, it will be seen that there is provided a space for recording Where Payable, and following this a record of Collateral and Endorsements. The successive pages are devoted to monthly accounts, all headed Falling Due. Each of these monthly accounts has a debit and a credit column, the debit column being for the paper received, and into which the amount of the note is to be extended on receipt, with notation of date, thus indicating the maturities for that month. The credit column is for a corresponding entry when the paper is Parted With, posted from the right hand wide page, as we shall see as we go further along with this description. A special column is provided on the left hand wide page in which to check the posting from the original record to this Falling Due page. In the same way a corresponding posting column is provided at the other extreme of the book for keeping record of the items posted to the same monthly accounts. By this arrangement, as

will be instantly perceived, there is presented in each month the record of the paper falling due in that month, always showing what remains unpaid and always being in form adapted to proof by footing and comparison.

Toward the end of the year, in ordinary business transactions, Notes are received which fall due beyond the calendar year. Occasionally, also, notes are taken which have more than a year's time to run. Space is provided, therefore, following the monthly accounts, for recording maturity of paper falling Due Beyond the Current Year. This space also has a debit and a credit column, or one column for Received and another for Parted With, thus making the account in this regard show at all times the paper on hand, and also facilitating proof by footing and comparison. For Demand Notes still another section is provided, with a column for particulars and also two amount columns, one for Received and the other for Parted With. Finally there is a space for the record of Interest Payments and for the reception of any remarks it may be desired to make.

When a Note Receivable is received, the left hand wide page or front of the book is used, as above described. When a Note Receivable is parted with the reverse operation takes place, using the right hand page or back of the book. In this latter part it will be seen there is a space for Date, for the Consideration received for the note, or for the Account to which it is to be charged and an amount column. This amount column is marked Credit, and is the complement of the Debit column in which the amount was entered when the note came in. We therefore have the debit and credit of the Notes Receivable Account in columns, always exposed as the book is opened. The balance between these columns must be the amount of paper in hand, and, in turn, is the amount with which the Falling Due columns or monthly accounts collectively must balance when the book is being proven.

On the right hand page several columns also are provided, into one of which the amount of the debit of the account, where paper is parted with, is to be extended, according to the ledger in which it is located. These columns include Cash; Bank, Sales Ledger, Sundry Debtors' Ledger, Purchase Ledger and Miscellaneous. Where the original entries are made in this book the individual debtor accounts are posted from it to the different ledgers in which they are located. In the case of the original entries being made elsewhere, as with Cash transactions, for example, where cash is received for a note, the Bill Book receives a transcript of the entry from the Cash Book.

In both the debits and credits accounts affected by notes, as represented by the columns, there is one devoted to Interest and Discount, something that greatly facilitates the record in cases of notes sold for less than their face value or when discounted at the bank, and also where interest as well as the face of an account is covered by a note.

Reference to the Notes Payable Record will show that it is constructed upon the same plan, but is reversed. The first entry with reference to a note payable is the issuance of the paper, which, of course, is a credit to the Notes Payable Account. Therefore the first entry in the Notes Payable Record is made upon the right hand page, or in the back part of the book, instead of the front part. The credit column for Notes Payable Account appears on this page and is opposite the corresponding or debit column on the left hand wide page. Appropriate columns corresponding to the ledgers in which the individual accounts are located are provided with both debits and credits. The narrow leaves provide monthly accounts for paper issued and taken up, thus showing maturities for any month. A Falling Due division for paper maturing beyond the current year is provided, with its proper debit and credit columns, and also a space for recording

Demand Notes, both issued and taken up. Narrow pages are likewise devoted to a record of collateral and endorsement. Where Payable and record of Interest Payments and Remarks.

The bill books here described may be used as component parts of a complete Self-Proving Accounting System, or they may be used in connection with any adequate system of book-keeping. Their special advantages include, among others, the graphical representation of paper falling due and paid in the different months. These bill books are greatly appreciated by bookkeepers, because they keep constantly before the managing man the exact condition of the notes of the establishment, without tedious listing and the making out of special schedules at frequent intervals.

In the use of the Self-Proving Note Records here described it should be observed that the line on which a note is recorded at the time it is issued to a creditor or received from a debtor, stands for that note until such time as it is discharged by proper payment or return. The faint line rulings of the pages are for this reason numbered. The pages or folios in the books are also numbered. The page numbers, read in connection with the line numbers, afford in this case, as in others, a convenient means of reference to any line on a given page, and also a method of designating the individual notes. This method of identifying or numbering the notes which are received, and numbering and recording those which are given out, is found in practice to be much better than the common plan of direct numbering.

SUSPENDED LIST

The construction of the Self-Proving Suspended List, a miniature fac-simile of which is presented in one of the illustrative insets in this book, is based upon the same principle as the leading ledgers herein described—namely, with pairs of wide leaves, each of which carries its complement of narrow leaves. Those portions of the wide leaves projecting beyond the narrow leaves are reinforced or thickened in a way to compensate for the extra thickness of the narrow leaves, thereby providing an even writing surface to whatever page the book may be opened. This reinforcing is not shown in the miniature fac-simile.

The plan upon which the Self-Proving Suspended List is designed is such as to keep it in balance with the balance in a special Loss and Gain Account, or Expense Account, in the general books, thus affording the merchant the opportunity to watch a given account which he has thought wise to close into Loss and Gain, with the same care that the account would have been watched among the so-called live accounts in the principal ledgers of the business. As accounts are closed into the special Loss and Gain Account, they are opened in the Suspended List, and as collections on the accounts in the Suspended List are made they are credited to the special Loss and Gain Account, to which such items were charged in first place. The balance then in the special Loss and Gain Account, determined by a comparison of the figures, even though this comparison be made after the account has been closed into the general Loss and Gain Account

MINIATURE FACSIMILE
OF THE
SELF-PROVING
NOTES RECEIVABLE RECORD
NOTES PAYABLE RECORD, AND
SUSPENDED LIST

(SEE PAGES 155 AND 160)

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A. O. KITTRIDGE

SELF PROVING
BILL BOOK

Notes and Acceptances Receivable Received

ENTRY, ETC.		DEBITS		No.	Ledger Folio	Seller's Check	Posted to Month	DATE, ETC.					Sales Ledger
Account to be Credited	Drawn to Order of	Amounts Received						Date of Entry	Kind	Time to Run	Dates from	D/r Date	
<i>Amounts Brought Forward</i>													
				0									
				1									
				2									

SELF PROVING
BILL BOOK

Notes and Acceptances Payable Taken Up

Seller's Check	Posted to Month	Date Taken Up	HOW TAKEN UP (Account to be Credited)	Ledger Folio	DEBITS		No.	CREDITS					
					Paper Taken Up			Cash	Bank	Sundry Creditors	Purchase Ledger	Interest or Discount	
			<i>Amounts Brought Forward</i>										
							0						
							1						
							2						

SELF PROVING
CORPORATED UNIT

Date Transferred from Live Accounts	NAME	AMOUNT	No.	From Ledger Folio	WHY CONSIDERED BAD AND PARTICULARS OF TRANSFER
	<i>Amounts Brought Forward</i>				
			0		
			1		
			2		
			37		
			38		
			39		
	<i>Amounts Carried Forward</i>				

SELF RECORDING
BILL BOOK

Notes and Acceptances Receivable Received

ENTRY, ETC.		DEBITS		No.
Account to be Credited	Drawn to Order of	Amounts Received		
<i>Amounts Brought Forward</i>				0
				1
				2

FALLING DUE

No.	JANUARY			FEBRUARY		
	Day	Received	Parted With	Day	Received	Parted With
0						
1						
2						

SELF RECORDING
BILL BOOK

Notes and Acceptances Payable Taken Up

Auditor's Check	Paid to Month	Date Taken Up	HOW TAKEN UP (Account to be Credited)	Ledger Folio	DEBITS		No.
					Paper Taken Up		
			<i>Amounts Brought Forward</i>				0
							1
							2

FALLING DUE

No.	MAY			JUNE		
	Day	Taken Up	Issued	Day	Taken Up	Issued
0						
1						
2						

SELF RECORDING
SUSPENSE LIST

Date Transferred from Eto Accounts	NAME	AMOUNT	No.
	<i>Amounts Brought Forward</i>		0
			1
			2

No.	FOR THE YEAR		
	Balance from Last Year	Credits and their Dates	Total Credits
	<i>Amounts Brought Forward</i>		
0			
1			
2			

			37
			88
			89
	<i>Amounts Carried Forward</i>		

37			
88			
89			
	<i>Amounts Carried Forward</i>		

SELF PROVING
BILL BOOK

Notes and Acceptances Receivable Received

ENTRY, ETC.		DEBITS		No.
Account to be Credited	Drawn to Order of	Amounts Received		
<i>Amounts Brought Forward</i>				0
				1
				2

FALLING DUE

No.	MAY			JUNE		
	Day	Received	Parted With	Day	Received	Parted With
0						
1						
2						

SELF PROVING
BILL BOOK

Notes and Acceptances Payable Taken Up

Auditor's Check	Pasted to Note	Date Taken Up	HOW TAKEN UP (Account to be Credited)	Ledger Folio	DEBITS		No.
					Paper Taken Up		
<i>Amounts Brought Forward</i>							0
							1
							2

FALLING DUE

No.	SEPTEMBER			OCTOBER		
	Day	Taken Up	Issued	Day	Taken Up	Issued
0						
1						
2						

SELF PROVING
CHECKBOOK LIST

Date Transferred from Live Accounts	NAME	AMOUNT	No.
<i>Amounts Brought Forward</i>			0
			1
			2

No.	FOR THE YEAR		
	Balance from Last Year	Credits and their Dates	Total Credits
<i>Amounts Brought Forward</i>			
0			
1			
2			

			87
			88
			89
<i>Amounts Carried Forward</i>			

87			
88			
89			
<i>Amounts Carried Forward</i>			

SELF PROVING
BILL BOOK

Notes and Acceptances Receivable Received

ENTRY, ETC.		DEBITS		No.
Account to be Credited	Drawn to Order of	Amounts Received		
<i>Amounts Brought Forward</i>				0
				1
				2

FALLING DUE

No.	SEPTEMBER			OCTOBER		
	Day	Received	Parted With	Day	Received	Parted With
0						
1						
2						

SELF PROVING
BILL BOOK

Notes and Acceptances Payable Taken Up

Auditor's Check	Posted to Cash	Date Taken Up	HOW TAKEN UP (Account to be Credited)	Ledger Folio	DEBITS		No.
						Paper Taken Up	
			<i>Amounts Brought Forward</i>				0
							1
							2

FALLING DUE

No.	NOTES FALLING DUE BEYOND												
	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
0													
1													
2													

SELF PROVING
SCHEDULE LIST

Date Transferred from Liaison Accounts	NAME	AMOUNT	No.
<i>Amounts Brought Forward</i>			0
			1
			2

No.	FOR THE YEAR		
	Balance from Last Year	Credits and their Dates	Total Credits
	<i>Amounts Brought Forward</i>		
0			
1			
2			

			37
			38
			39
<i>Amounts Carried Forward</i>			

			37
			38
			39
<i>Amounts Carried Forward</i>			

SELF PRINTING
BILL BOOK

Notes and Acceptances Receivable Received

ENTRY, ETC.		DEBITS		No.
Account to be Credited	Drawn to Order of	Amounts Received		
<i>Amounts Brought Forward</i>				0
				1
				2

FALLING DUE

No.	NOTES FALLING DUE BEYOND												
	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.

SELF PRINTING
BILL BOOK

Notes and Acceptances Payable Taken Up

Auditor's Check	Posted to Month	Date Taken Up	HOW TAKEN UP (Account to be Credited)	Ledger Folio	DEBITS		No.
					Paper Taken Up		
			<i>Amounts Brought Forward</i>				0
							1
							2

No.	RECORD OF COLLATERAL AND ENDORSEMENTS												

SELF PRINTING
RECEIPTS LIST

Date Transferred from Like Accounts	NAME	AMOUNT	No.
	<i>Amounts Brought Forward</i>		0
			1
			2

No.	FOR THE YEAR		
	Balance from Last Year	Credits and their Dates	Total Credits
		<i>Amounts Brought Forward</i>	
			0
			1
			2

			37
			38
			39
	<i>Amounts Carried Forward</i>		

			37
			38
			39
	<i>Amounts Carried Forward</i>		

SELF-PROVING
BILL BOOK

Notes and Acceptances Receivable Received

ENTRY, ETC.		DEBITS		No.
Account to be Credited	Drawn to Order of	Amounts Received		
<i>Amounts Brought Forward</i>				0
				1
				2

No.	RECORD OF INTEREST PAYMENTS AND REMARKS	←	
		Miscellaneous	Interest and Discount

SELF-PROVING
BILL BOOK

Notes and Acceptances Payable Taken Up

Auditor's Check	Posted to Month	Date Taken Up	HOW TAKEN UP (Account to be Credited)	Lodge Falls	DEBITS		No.
					Paper Taken Up		
			<i>Amounts Brought Forward</i>				0
							1
							2

No.	← DEBITS				
	Purchase Ledger	Sundry Creditors	Bank	Cash	Interest or Discount

SELF-PROVING
SUSPENSE LIST

Date Transferred from Live Accounts	NAME	AMOUNT	No.
	<i>Amounts Brought Forward</i>		0
			1
			2

No.	FOR THE YEAR		
	Balance from Last Year	Credits and their Dates	Total Credits
		<i>Amounts Brought Forward</i>	
			0
			1
			2

			37
			38
			39
	<i>Amounts Carried Forward</i>		

			37
			38
			39
		<i>Amounts Carried Forward</i>	

SELF RECORDS
BILL BOOK

Notes and Acceptances Receivable Parted With

		DEBITS					Leger Folio	No.	CREDITS Amounts Parted With	Date Period With	CONSIDERATION (Account to be Charged)	Parted to Month	Parted by Auditor's Check
		Purchase Ledger	Sundry Debtors	Sales Ledger	Bank	Cash							
←		Miscellaneous	Interest and Discount										
<i>Amounts Brought Forward</i>													
0													
1													
2													

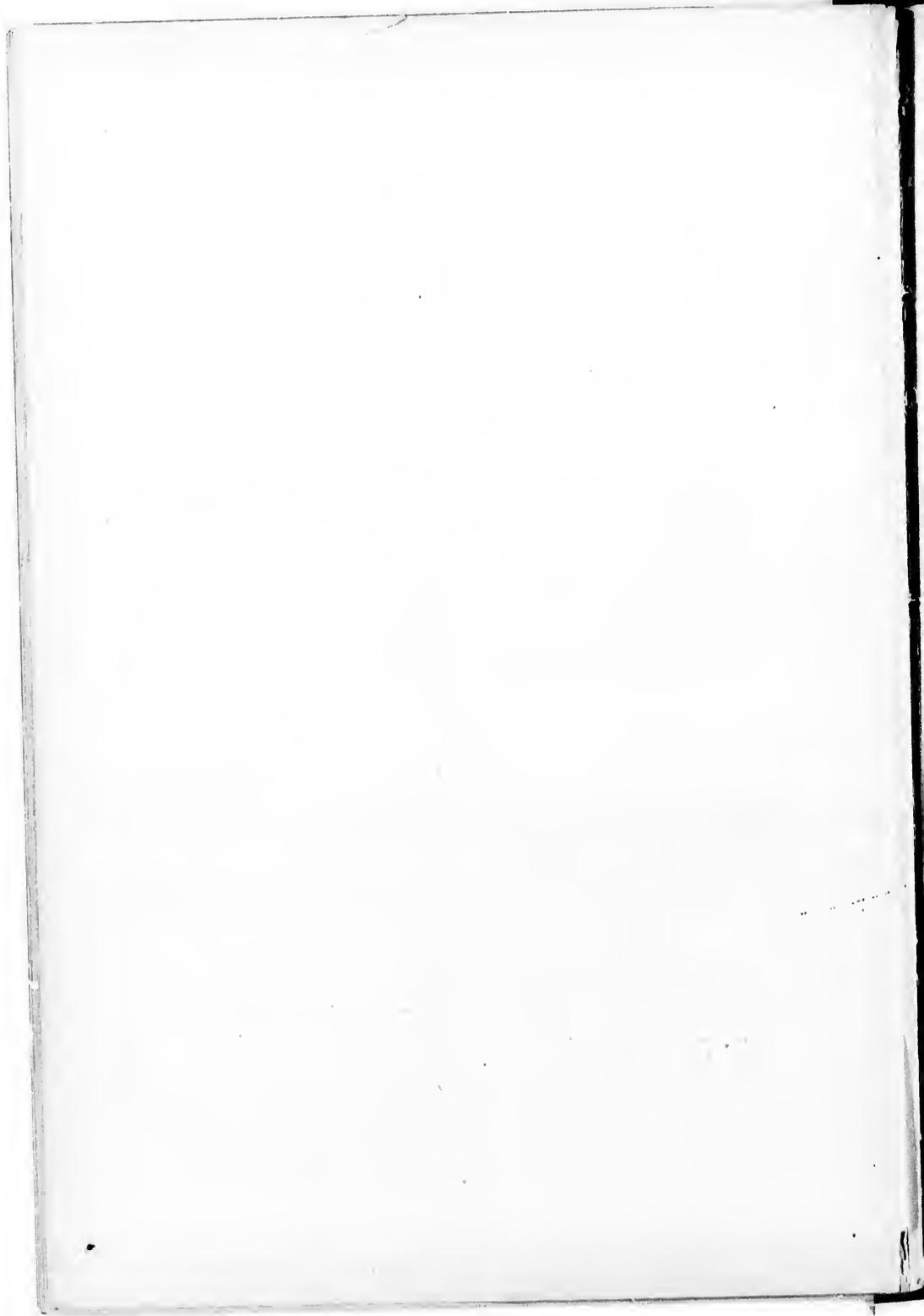
SELF RECORDS
BILL BOOK

Notes and Acceptances Payable Issued

			DATE, ETC.						Leger Folio	No.	CREDITS Paper Issued	ENTRY, ETC.	
			Miscellaneous	Date of Entry	Kind	Time to Run	Date from	Due Date				Posted to Auditor's Check	Charge to (Issued for)
←													
<i>Amounts Brought Forward</i>													
0													
1													
2													

SELF RECORDS
SUSPENSE LIST

YEAR		NAME AND RESIDENCE OF ATTORNEY	WHEN RENT	JUDGMENTS When and Where Obtained	No.	RECORD OF CORRESPONDENCE, ETC.
to and their Dates	Total Credits					
<i>Amounts Brought Forward</i>						
					0	
					1	
					2	
					87	
					88	
					89	
<i>Amounts Carried Forward</i>						



of the business, will show how much a trial balance of the Suspended List should show. The Suspended List is a ledger arranged upon the line principle, with one line devoted to each account. At the outset, therefore, it is essentially nothing more than a list of the bad accounts of the business. There is provided first a column in which to record the date at which the account is transferred from among the live accounts of the establishment. Then follows the name and the amount, with notation of the ledger folio from which the account was transferred; next a space for particulars, or why the account was considered bad. Following this are twelve narrow pages, each devoted to a year. In the first column of the first yearly account is entered the amount of the account, where it will stand until the succeeding year, and from which it is to be carried forward to the corresponding column in the succeeding year, diminished by the credits in that interval, if any credits have been made. There are five spaces for credits, each subdivided by interlining, so as to make it possible as a fact to credit to each account ten payments in the course of a year, a number greatly in excess of what is usually obtained. Finally, on each narrow page is a column for the total credits.

Suppose that an account has been entered in the list at \$150. Then it will also appear on the first narrow page or the first yearly division in the amount of \$150. Suppose also that during the first year two payments of \$25 each have been made. These are noted in the columns entitled Credits and Their Dates. At the end of the year they are summed up and extended into the column entitled Total Credits. For carrying forward into the new year the total of the credits in this case—\$50—would be subtracted from the amount of the indebtedness—\$150—and the difference carried forward with which to start the account for the second year.

By turning the page it will be seen that the second year's bal-

ance, by this plan, is contrasted with the original amount with which the debtor stood charged when the account was opened in the Suspended List, and as each successive page is similarly turned the diminishing balance, if, fortunately, it is a diminishing balance, is brought against his name and directly in contrast with the original amount.

With the twelve pages provided in the book, there is the opportunity of watching an account twelve years, or the book in use may be considered to cover a space of twelve years. The narrow pages are dated successively for the years, and, as new accounts are brought into the list after the first year, their amounts are entered upon the pages corresponding with the years that they are transferred. By this arrangement there follows that the total of the amount column on the first page will always represent the total of the bad accounts of the business, from the time that this book is commenced forward, while the footings of the balance column for each of the yearly divisions will show the amount of these bad debts outstanding at that date. In the same manner the total credits for the years are shown in the credit columns in the successive yearly spaces.

Turning to the second wide page, it will be noticed that space is provided for noting the name and residence of the attorney to whom the account has been turned over for collection, the date when it was so delivered to him, and also a record of judgments, together with reference to correspondence.

The horizontal lines are numbered, and the line on which a debtor's account is originally entered stands for that account as long as it is carried. By combining the line numbers with the page numbers a reference to any particular account is obtained, so definite in character as to make it available for reference instantly.

EXPENSE RECORD AND LEDGER

A combined Expense Record and Ledger is supplied for use with the Self-Proving Accounting System, in those lines of business where expense items are very numerous, and where the expenses are largely cash items. The book is constructed upon the same general plan as prevails with the other principal books of the system. It is composed of pairs of wide leaves, between which are a number of narrow leaves. The projecting parts of the wide leaves are reinforced or thickened to compensate for the thickness of the narrow leaves.

The ruling of the book is such that when the first or left hand wide page is opened, with all the narrow leaves turned against the second or right hand wide page, there are presented the portions of the book adapted to receive the original entry and the distribution of the amounts among the columns standing for the different ledger accounts in the Private Ledger. The rulings on the several narrow pages, and on that portion of the second wide page which is covered by the last narrow leaf turned against it, are devoted to the Individual Expense Accounts in pairs of columns, into which the items of expense are extended from time to time.

In the ruling, space is provided for date of entry, names of accounts, both debit and credit; posting references, both debit and credit, and a pair of columns for total of expenses or Expense Ledger. These latter columns would post by footings to the Expense Account in the Private Ledger. Following to the

right, by way of distributing columns, are pairs marked Cash, Sundry Creditors, Purchase Ledger, Sundry Debtors, Instalment Ledger and Miscellaneous. There are also blanks permitting a further addition to the distributing columns to accommodate special schemes of classification.

The Expense Accounts distributing through the narrow pages, including those which are commonly required in a mercantile business, are as follows:—Wages and Salaries, Advertising, Rent, Interest and Discount, Cartage and Storage, Fuel and Light, Stationery and Supplies, Rebates and Allowances, Legal Expenses, Taxes and Insurance, Telephone and Telegraph, Car-fare and Messenger Service, Repairs and Breakage. There is also an account for Unclassified Expenses and several pairs of columns with blank heads, thus permitting additional accounts required in special cases.

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Instalment
rmitting a
ommodate

he narrow
a mercan-
dvertising,
Fuel and
nces, Legal
graph, Car-
here is also
of columns
required in

INDEXING

In connection with the Mercantile Ledger and the Instalment Ledger, as well as in other individual ledgers that may be opened in a set of books managed upon the Self-Proving Accounting plan, there should be employed a good name index. Selection should be made from the considerable number of most excellent articles of this kind that are in the market, according to the number of accounts and the bookkeeper's preferred plan of indexing. There is nothing peculiar about the Self-Proving System in the matter of indexing, save that instead of the accounts being indicated by page numbers in the index, they are indicated by account numbers, composed, as explained in other parts of this volume, of the page number of the ledger read in conjunction with the line number of the page.

Where accounts are transferred from one ledger to another, as at the close of the year, it is of advantage, so far as possible, to manage the transferring in a way to give the accounts carried forward the same numbers the succeeding year. If the bookkeeper has learned, for example, that an account to which he has occasion to refer very frequently is No. 483, and that number is associated in his mind with the name of a customer, then it is an advantage in transferring the account to continue No. 483 in connection with that name. This precaution saves unlearning the old number and learning a new, and diminishes, accordingly, the amount of reference that would be made to the name index.

There is no other reason than this for transferring to the same position in the new ledger.

In the Intalment Ledger, in view of the fact that each account is indexed, not only in the name index but also upon the customer's card and upon the street index, this reason has additional force. Where accounts are transferred in this manner, giving the old accounts the same numbers in the new year that they have had in the old, there will necessarily be an irregular filling up of the new ledger. This would at first seem to be a difficulty in the way of the plan, but when the facts of the case are properly considered, it is not so great an objection as would at first be supposed. New accounts, as they come along, are entered in the blank spaces that are left, so that in the end the book is completely filled in practically the same shape as would have been the case if the accounts had been transferred from the old year in their natural order.

the same

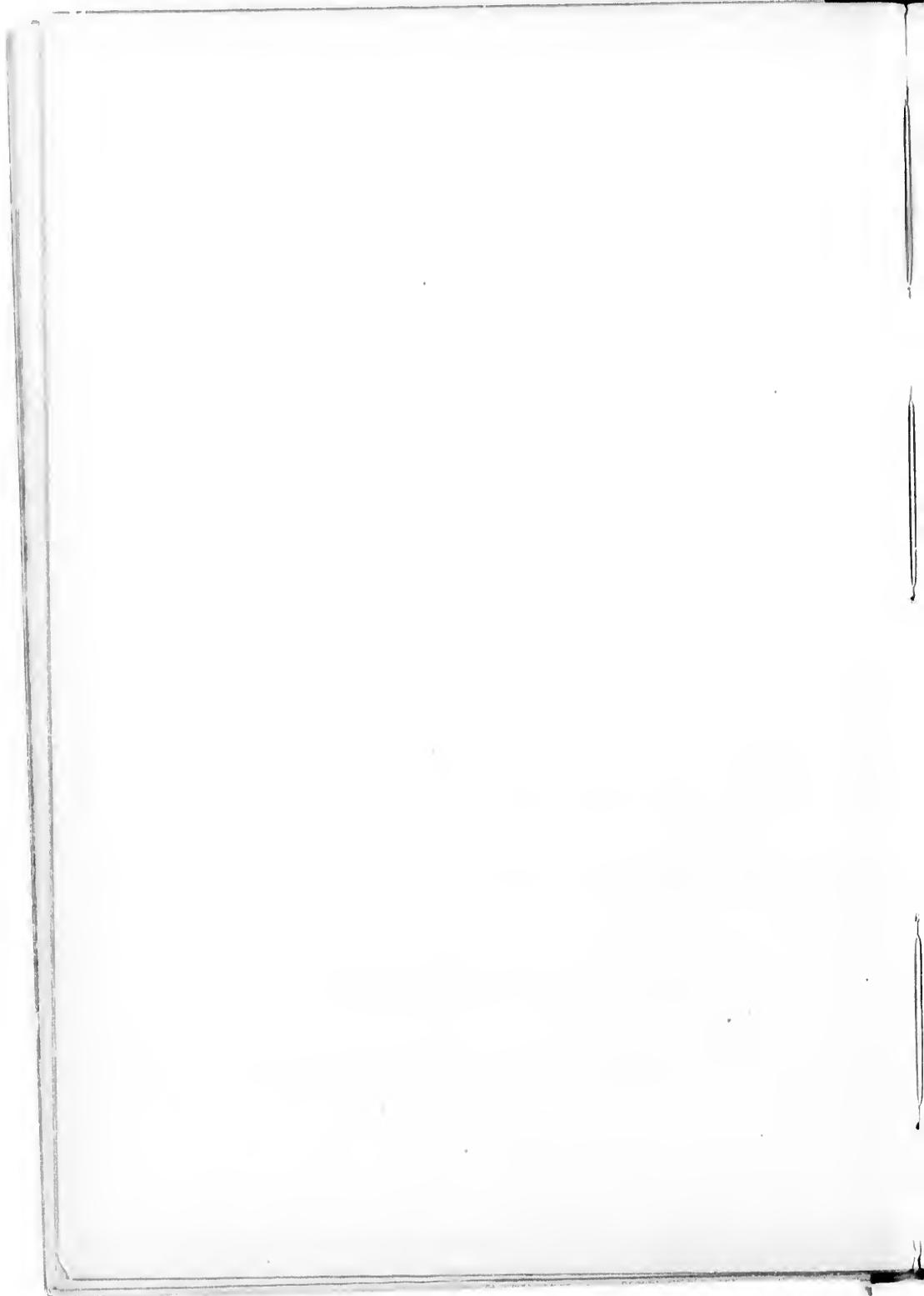
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PART III

THE SELF-PROVING
ACCOUNTING SYSTEM

APPLIED TO THE

INSTALMENT BUSINESS



GROWTH OF THE INSTALMENT BUSINESS

The rapid growth of the instalment business the last few years, not only in the furniture trade, but in various other branches, is one of the marked features of the period. In response to a popular demand, thousands of merchants, not only in this country, but in other countries as well, have organized credit departments or have converted their entire enterprises into credit stores, and are now selling goods upon what is known as the instalment plan. Thousands of other merchants, drawn to this subject by the success of their neighbors, are at present studying the question, with a view to opening credit departments.

The reasons for the phenomenal growth of the instalment business are not hard to discover. The great majority of the buyers of all the classes and kinds of goods that are sold by retail dealers are persons in the receipt of weekly or monthly incomes. They are wage-earners, paid at stated intervals, and, for the most part, frugal and honest people, quite as much entitled to credit on their purchases, so far as concerns their integrity of purpose, as the ordinary rank and file of business men. They are not experienced financiers, however, nor have they the property basis of credit ordinarily exacted in credit transactions among business men. Their wants in the matter of household equipment, including such articles as carpets, furniture, musical instruments, sewing machines, bicycles, books, and so on to the end of a considerable list, are well defined, and they are abundantly able to purchase such articles with a fair degree of liberality, provided only the oppor-

tunity is afforded them of paying for the same in reasonable instalments from their wages or salaries as the same may be received.

Credit on the ordinary basis these people, as already stated, cannot command—first, from lack of property or capital qualification, and, second, because, as a rule, they are not good enough managers to enable them to carry through a transaction without a certain amount of business assistance. The lack of the first is supplied in the instalment business by the sales being made under a lease or contract, with the title of the goods remaining with the seller as security until the final payment is made. A safe instalment business, therefore, is necessarily restricted to articles of enduring value, like furniture, musical instruments, books, machines, and the like. It cannot be founded upon articles that are at once consumed, like groceries, confectionery, etc., nor yet can it be so satisfactorily based upon ordinary wearing apparel, although this plan of selling clothing to both men and women is very widely practised in certain communities, and successfully, too, when measured by the resulting profits. The second condition is supplied by the business system of the instalment dealer through which the customers are induced to pay promptly at regular intervals, according to the terms upon which the sales are made.

The instalment business is profitable, because the price at which the goods are sold upon this plan, including, as is proper that they should, a sufficient allowance for the costs of doing business, interest on the time payments and something for the bad debts and unusual expenses which occasionally occur, reaches figures that are very attractive to the merchant. At the same time the prices are not excessive, from the standpoint of the buyer, in view of the terms of payment that are extended to him and the fact of his having the use of the goods from the beginning. Most buyers are willing to give a little more for any article of merchandise

when payment is to be made at some future time, than when cash in hand is exacted. All these considerations, and others which it is not necessary to enumerate in this connection, make the instalment business especially attractive to the merchant.

Nor is the instalment business surrounded by such difficulties of management as to make it unsatisfactory in its conduct. On the contrary, when equipped with proper facilities in each of its several divisions—the sales department, the office or book-keeping department, the delivery department and the collection department—it runs as smoothly as any other form of business with which it might be compared, and with far less fret and worry to the merchant than many other forms of retail trade.

The instalment business has various advantages peculiarly its own. The income, based as it is upon stated weekly or monthly payments upon account, is a constant and unvarying quantity, irrespective of the volume of sales for the time being. The business seldom knows a dull period, so far as income or cash receipts are concerned. Suitably organized, an instalment store is a great business machine, grinding without intermission and producing a constant result. Properly conducted, a business upon the instalment plan is one of the safest enterprises upon which a merchant can embark. This assertion is made, notwithstanding the fact that at the hands of the commercial agencies instalment merchants very seldom receive the credit rating to which their prosperity would justly entitle them. The lack of rating in the past, as is freely admitted, has been largely influenced by the somewhat careless manner in which the business has been conducted by some of the pioneers in the line and the loose ends about their establishments which have been manifest even to casual observers. All this has been changed, however, for now, under the leadership of the more progressive instalment dealers, the business has become an exact science, and with the use of the bookkeeping system

which it is the purpose of this volume to describe and make known it is in better control, even at the hands of men of limited commercial talent, than almost any other plan of business with which it might be contrasted.

It is practically impossible to consider a bookkeeping system apart from what in contrast therewith may be called the business administration of the establishment. While it is the special object of this work to illustrate a system of accounts for the instalment business, the book goes much further and discusses various other details of the instalment business, covering such matters as sales, deliveries, collections, the nature of the lease or contract and the course which it is expedient for the instalment merchant to pursue in handling delinquent accounts, in recovering goods from customers, in resorting to legal measures, etc. The several chapters of the book, and all the items of advice that it contains, are based upon practical experience and reflect the views of those who have made a careful study of the business in all its details through a series of years, wherein it has been most successfully conducted.

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BENEFICENCE OF RETAIL CREDITS

Many merchants enter upon the instalment business as a mere feature of trade and for the profit there is in it, without a thought as to its economic value or the beneficial influence that it exercises upon the wage-earning class.

Many volumes have been published in praise of the savings banks, and the end of the literature of that sort has not yet been reached. Numerous other books have been written extolling building associations and commending them in the highest terms because they provide a means whereby wage-earners, without previous accumulation of savings, can buy and own their homes. Much has also been written in praise of life insurance, a scheme whereby future benefits are secured to wage-earners by the investment of a portion of their weekly, monthly or yearly incomes.

Very little, on the contrary, has been put forth commending the instalment business, and yet the instalment business is entitled to the same praise, in kind if not in degree, as belongs to one or the other of the schemes of saving just enumerated. Without the instalment plan of purchase there is many a husband and wife that would struggle for years to save enough money to furnish a modest house decently, and meanwhile would be raising their family. A dwelling they can rent or buy through a building association. Furniture they cannot rent, and, aside from the opportunity offered by the instalment plan, they cannot buy. Through the instalment plan, however, all necessary household comforts are at their command from the beginning.

Contrast, then, the relative position of two families—one that struggles through years of privation to accumulate the money to buy a household equipment, and the other, through the beneficence of the instalment system, that has the use of the household equipment during the time that it is being paid for. Certainly it were wise and prudent and far better for the children to have the advantages of a furnished home from the start than to suffer privation and distress while saving the money to buy for cash.

The same principle applies to the student with respect to the books that he needs by way of a library of reference; also to the small manufacturer who needs machinery for the economic production of goods, and to numerous others in various walks of life who must either elect to go without that which adds to comfort or income, or accept the offer of the instalment dealer to supply the articles they so much need.

The instalment business is entitled to a position of honor in the estimation of economists and philanthropists nearly, if not quite, as high as that accorded to life insurance. Life insurance has long since ceased to be argumentative. It is no longer regarded as a thing of possible advantage. It is now declared to be a necessity, and that man admittedly does wrong, no matter what his circumstances, who does not make use of the advantages which it offers. Contrast the position of two men—one who saves a hundred dollars and puts it away in the savings bank, thereby making some provision for old age, and the other, who, saving from his earnings the same amount, invests it in a term endowment insurance policy. Leave out of the question for the moment the advantage to the family, in the event of the death of the insured man during the years that the accumulations are being made and set aside. Certainly, all circumstances considered, the argument is greatly in favor of the man who makes use of the facilities which life insurance companies provide, and thereby gets in lump at the

end of the contract period an amount considerably in excess of the aggregate of principal and interest on the payments he has made.

Next consider the position and circumstances of the same man, or two others in like position of earnings, with respect to the equipment of their homes. With the same amount saved, one lays it aside for a future purchase, while the other buys at the outset and pays from time to time on account of things which are in daily and satisfactory use. It must be clear to every one that the latter has much the best of the bargain, so far as his own and his family's comfort is concerned, and that he is in reality the better member of society and more useful in his community.

The economies of most men are the results of necessity. Men do not spend, because they do not have the money. Artificial restraints are sometimes as potent in this regard as those determined by general conditions. Accordingly, we find that men are made severely economical by the desire to save money to meet the dues of the building association, which stand for the security of the home; to pay the premiums upon their life insurance policies, which, in the event of death, are the guarantee of support of wife and children, and likewise to meet the payments on their instalment purchases of household goods, because these articles represent so much of the comfort and cheer of their homes.

There are those who carp at all instalment transactions because the instalment system in some isolated case has been used harshly, to the injury of the buyer. This, however, does not prove the general rule. Building associations in the past have also been mismanaged and the faith of the shareholders sadly abused. Life insurance of a fraudulent character before now has thrown discredit upon the whole insurance system, and it is to be admitted that unscrupulous instalment dealers have sometimes mistreated their customers. Still the world at large knows that there are honest and safe building associations and reliable life insurance

companies, while hundreds of thousands of people all over the country stand ready to bear witness to the advantages which instalment purchases have been to them.

The modern instalment dealer, in his own interest, is both patient and considerate. He has no sympathy with the lustful greed which led to the mistakes of some of the pioneers in the trade. With a safe business in hand and assured of a fair profit on his transactions, he is fully conscious of the good he can do and the benefit he can confer upon honest people, who, without the favors he is in position to extend, would be deprived of many of the comforts of life. Nor does he stop here. He knows the beneficial influence that his collection department can exert, and he remembers how prone men are to spend money foolishly before paying their obligations, if not promptly reminded of them when the money is received, and, therefore, he firmly enforces the terms of the agreement relating to payments. In cases of sickness and distress, however, he cheerfully waives his rights and patiently waits until conditions improve. Philanthropy combined with business is practically illustrated at the hands of every honest and enterprising instalment dealer.

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THE SELF-PROVING ACCOUNTING SYSTEM AP- PLIED TO THE INSTALMENT BUSINESS

The instalment business, to which more particular reference is made in the pages following, is that of furniture and household goods in general, and therefore the blanks and forms that are shown are for the most part particularly suited to that trade. The adaptability of the system of bookkeeping here explained to other branches of the instalment business, in whole or in part, will be apparent upon examination, and therefore it has not been deemed necessary to go out of the way for special illustrations.

The business of an instalment dealer handling furniture and household goods in general very naturally divides into several leading departments, among which may be mentioned the Sales Department, wherein the agreement with the customer as to terms of payment, etc., is arranged; the Delivery Department, through which the goods that have been sold are sent to the purchaser, and the Bookkeeping or Office Department, wherein are kept the accounts with customers. This latter also receives, directly or indirectly, the payments as they are made, and in addition attends to the buying of goods and the paying for the same. At the same time it exercises a general supervision over all the other divisions of the business. Still another and very important division is that of Collections, which, by reason of its intimate association with the office, is very generally considered a subdivision of that department. Finally there is the Legal Department, more

or less sharply defined, to which are referred all questions of seizure of goods and replevin and the problems of collections wherever there are apparent the elements of fraud and dishonesty. The Self-Proving Accounting System subdivides in a way to accommodate its records to each of these departments, showing its operations in detail, while also at all times correctly showing the business as a whole.

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HOW TO INSTAL A NEW OFFICE SYSTEM

Much time is saved when a new business or accounting system is to be introduced, as well as expense and annoying mistakes avoided, by securing in advance the assistance of some one who is abundantly able to answer all the various questions that arise and suitably direct each of the persons in the several departments as to his new lines of duty so far as the system makes changes. This is true irrespective of the Self-Proving Accounting and Business System, and it is true also of it. Accordingly in adopting this system merchants are urged to arrange for expert help and to fix a date that, while serving their convenience so far as making the change is concerned, will also permit of a little preliminary study upon the part of the expert as to their exact needs.

There are no two establishments that are run exactly alike and that require identically the same outfit. One will want more of this and less of some other item, and others vice versa. Therefore a business engineer should be called in. It is his duty to look over the establishment, to confer with the proprietor and bookkeeper as to the special wants of the case so far as they see them and to converse with the heads of all the several departments in order to learn from them exactly how the business has heretofore been run. By this means he obtains a clear insight into all special requirements. His next step is to show the proprietor in considerable detail what may be accomplished by the use of the different features of the Self-Proving System and how variations may be introduced for the purpose of facilitating one result or another,

according to special ideas. After having determined in this manner what it is expedient to do, the plan is next reduced to formal shape, thereby indicating just what changes are necessary to be made in each of the several departments, what new features are to be introduced, what new equipment is necessary and what variations may be advantageously made in the force employed.

When this plan of operations has been formally drawn up and has received the sanction of the proprietor, a date is agreed upon when the changes shall be introduced, and then they are made under the supervision of the engineer or his assistant, with the result that the old is abandoned and the new installed without jar to the business anywhere and without any loss of time or unnecessary expense.

The publishers of this book are in position to supply expert help or business engineering for the purposes here described, and are always glad to correspond with those who may be contemplating a change in their business system. Prices for such engineering assistance are subject to negotiation and will be quoted whenever the circumstances of the case have been made known.

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DATE FOR MAKING CHANGES

Many merchants labor under the impression that changes in their accounting systems are only possible on the 1st of January. If their inventories are regularly taken at this date there is some reason for this opinion, but, on the other hand, with holiday trade and other conditions prevailing at the turn of the year, January is seldom the best date at which to take account of stock and close the books. Broadly stated, that date is best for inventorying when business is most slack and when practically the entire force of the establishment can be employed upon the special work required without neglecting the routine features of the business.

The Self-Proving Instalment Ledger and other books shown in this volume are ordinarily printed for the calendar year—that is, with the first division devoted to January and the last to December. It frequently occurs, however, that a want is expressed for books arranged to commence with July or some month other than January. The publishers are always ready to meet such requirements and on order to send out books printed to agree with any fiscal year that may be described.

On the other hand, the Instalment Ledger, and other books printed with monthly divisions agreeing with the calendar year, may be used as they are for fiscal years varying therefrom without other changes than can be made by the employment of a rubber stamp to vary the dates, or these changes in months may be made with the pen. Further, the books may be used without

even changing the dates simply by opening the ledger with the balance transferred to the month in which the work is begun, leaving blank the months which have passed since the beginning of the calendar year. Thus, for example, if a Self-Proving Instalment Ledger were to be introduced the 1st of April the balances from the old ledger would be brought forward into the balance column of the April account, filling out opposite the names on the first folio the reference to the old ledger as there provided. The accounts would then be regularly conducted to the end of the year and then carried forward into a new ledger in case it were desired in the following year to have the books correspond with the calendar year. On the other hand, if it were desired to maintain a fiscal year running from April 1 to March 31 the balance from the December account might be brought forward in the same ledger to the January space previously left unused, and in this way January to March inclusive would be used, thus employing every page of the ledger. For the succeeding year a ledger would of course be ordered ruled for the fiscal year designated. These expedients are mentioned only because through correspondence we have learned that questions of this sort arise in the minds of those who are considering the advisability of a change.

SMALL AND LARGE STORES

The bookkeeping and business system described in this volume is equally applicable to small and large establishments. In the use of such terms as "accounting department," "private office," "superintendent," "managing man," "delivery department," "collection department," etc., we accomplish a double purpose—namely, indicating the divisions with which a large enterprise would be organized and also pointing out the functions the merchant must exercise who, in conducting a small business, practically does everything himself.

The Self-Proving Accounting and Business System is so elastic as to be adapted to all conditions of business, and the occasional presence in this book of terms which refer to large organizations should not in the least distress the man who is conducting a small business nor cause him to suppose for a moment that the plan in its essential features is not as well adapted to his requirements as to those of much larger concerns.

The transactions of a business, or the items, are just the same in kind, whether the enterprise be of large magnitude or of very limited dimensions. The books and accounts to be employed are of the same character, whether the business be large or small, but the subdivisions required are far less in number with a small business than with a large business, because in the latter case the business employs a larger number of people. The system explained in this book may be used in a business so small that the proprietor and a clerk constitute the entire force, or it may be equally well

employed, with proper expansion in the several departments, in a business the sales of which are as much as \$75,000 to \$200,000 a month.

The Self-Proving Accounting and Business System has nothing of the mysterious about it. It is simply common sense practice arranged on scientific principles and adapted to the ends in view. It does away with all of the secrecy and mystery that have heretofore surrounded the science of good bookkeeping and presents both details and results in such a form as to enable any merchant, irrespective of his general education or experience as to bookkeeping, to be in touch with all that is going on and to be able to judge of all the transactions of the business from whatever point he may choose to view them. Instead of the bookkeeper of the establishment keeping within his own control the condition of the business and divulging only so much of it to the proprietor as to him seems best, the proprietor, by the Self-Proving Accounting System, has everything brought to him, and therefore becomes, as he should be, the prime mover in the enterprise, the centre around which all the departments revolve and from whom they receive their force and impetus. These features of the system are greatly appreciated by those who have adopted the plan and will be instantly perceived by all who investigate it.

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APPLICATION FOR CREDIT

Every applicant for credit, or every purchaser who desires to buy goods to be paid for upon the instalment plan, should be required to give various particulars concerning himself, including name and address and whether or not the proposed purchase is the first transaction with the house. He should also give his occupation, and tell where employed, with such personal references as he may be willing to supply. Information of this kind, whenever given, should be preserved in the office, because occasionally it is very desirable indeed to be able to refer to it. Transactions with customers are greatly facilitated by the use of a blank similar to that presented on the opposite page.

In addition to the information which the customer gives concerning himself, there should be looked up his past record, in case he has previously dealt with the house. Accordingly, the lower part of the form is devoted to a record of previous transactions. The bookkeeper puts upon the form a record of the number of purchases that have been made, with the total amount, and indicates how the payments have averaged. He also states the balance of the present account, if any. The salesman also contributes his quota to the completion of the document by inserting the estimated amount of the proposed purchase, together with a memorandum of the terms that the customer desires to make. In filling the blank up to this point the office employes have been investigating the proposed credit so thoroughly that each of them has formed an opinion, either that it is expedient or that it is in-

APPLICATION FOR CREDIT

Ledger No.

Name

Address

Is this the first transaction?

Former Address

Occupation

Where Employed

Reference and other Information

.....

RECORD OF PREVIOUS TRANSACTION

How many purchases

Total amount of same

Average of Payments

Balance of Present Account

Estimated amount of this Purchase

Terms Proposed

Office Recommendation

Manager's Approval:

expedient to grant it; and, therefore, the office is prepared to make a recommendation in the case. A line is provided for this purpose.

When all the spaces have been filled out in this manner the application goes to the general manager or proprietor for final approval or disapproval, as the case may be, and his decision in the case is indicated over his initials at the bottom of the form. In a very large business there might be employed a credit manager, whose duty it would be to pass upon applications for credits. In no case should sales be made or goods allowed to go out of the store until some one with proper authority has O. K.'d the application for credit.

As before remarked, all credit applications should be filed in a way to make them accessible at any future time. The forms may be filed in any of several acceptable ways. The most satisfactory, perhaps, all things considered, is by some means of alphabetical arrangement. There is a space provided in the form submitted herewith for recording the ledger number after the account is entered up, a detail that should not be omitted.

SALES, SHEETS OR ORDER FORMS

The sales sheets, order forms or invoices, by whichever name they may be designated, that are used with the Self-Proving Accounting System are the same in shape and character as have long been employed for salesmen's orders in jobbing and other mercantile establishments. They are printed upon paper of good quality and of a weight to permit duplication by the use of carbon sheets.

For ordinary retail stores, in which some of the sales are upon the lease or contract plan, and others upon open account, two forms are desirable. One of these would be used for cash sales or for sales to customers upon open account—that is, outright sales, without the lease or contract provision—and the other for lease or contract sales, with payments upon the instalment plan. The difference in the ruling and printing of these two forms is very slight. In each case they are arranged in sets of three and put up in pads. One copy is intended for the customer, being the bill, or invoice. Another is the office copy, and is filed in a post binder, as described in another part of this book. The third is the requisition on the shipper, and contains all necessary directions to the shipper for the delivery of the goods. The third copy, or the one intended for the shipper, is preferably printed on paper of a different color from the other two, for the purpose of readily distinguishing it among the documents of a similar form in the office.

In the use of either form by the salesman an order number is

applied to the blank when being filled out in the way described in another part of this book where the Number Record and sales numbers are discussed. The number is written upon the original, during the time the duplicates and their carbon sheets are in place, so that the number also appears upon each of the several copies, thus unmistakably identifying them.

The printing at the top of the form of sales sheet used for cash sales, or for sales to be charged in ordinary account, is in the general style of a bill or invoice. In the form used for instalment lease or contract sales the printing on the face of the sheet differs from the ordinary bill or invoice, because the sale indicated is made with restrictions and is limited by the terms of the contract which has been signed by the purchaser. There is, therefore, at the top of the second form merely the word "Order," below which is space for the name of the contract purchaser and his place of residence.

On the back of the form used for lease or contract sales there is printed, for convenience, the lease or agreement under which the goods are sold, with blank spaces for writing in such details as are special to the transaction. At the bottom, lines are left for the signature of the purchaser, with notation of his references and various other particulars pertinent to the transaction.

Of the form of sales sheets used for cash sales or for sales in ordinary account, the first or original of the three sheets in the set is given to the customer as his invoice or bill. With the second or lease form, the first or original of the three sheets in the set is retained in the office, while the second, or the first carbon copy, is given to the customer as his copy of the record of the transaction.

The lease or contract, which is printed on the back of the original, receives the customer's signature. In due course this original is filed away in a locked post binder, and thereafter forms a page in what may be designated as the contract book of the es-

establishment, easy to be referred to by reason of the number which it carries, and possible of detachment in case it is wanted in legal proceedings or for any other cause. The second of this set, or the first carbon copy, which, as already mentioned, is handed to the customer, has on the back of it the form of lease or contract which the customer has signed. By delivering this sheet to the customer he is furnished with a list of the goods purchased, including the prices of the same, and also a copy of the lease or contract which he has signed. This method of dealing with the customer is very generally appreciated, and in the long run is found to be not only expedient, but economical, for it saves making out from time to time, when customers demand, a list of the goods originally purchased, together with prices. This duplicate of the contract and bill of the goods charged, taken in connection with the pay card, elsewhere described in this volume, form a combination which customers learn to appreciate, and which in itself is businesslike and up to date, as compared with transactions in other lines.

For convenience in use, and in the sense of saving time when customers are in hand, it is expedient to keep a number of sets of these sales forms of both kinds, ready in holders, as elsewhere described in this book, with the carbon sheets in place. When a customer enters the store to purchase, the salesman gives attention to his wants, and, in his pocket note book, or in any other form that he may prefer or that may be directed by the management of the establishment, makes a memorandum of the goods he desires to purchase. It is expedient to make a preliminary list in this way, because customers frequently change their minds, and, after having allowed the salesman to put down one article, request that it be changed and something else substituted. It very frequently occurs in establishments doing a mixed business—that is, making some sales for cash, others on open account, and still others on the

lease or contract credit plan—that it is a matter, determined only after showing a customer through the entire stock of the establishment, that the salesman learns upon which of the several plans the purchase is to be made. These reasons and others combined make it inexpedient to use the order blank with carbon sheets, as above described, until the list of goods has been completed. When prices have been agreed upon and the order has been made complete the salesman writes out the bill in detail on whichever form is appropriate, thus completing the transaction, supplying the customer with his copy, furnishing the office with its record and providing the shipping department with necessary directions for delivering the goods.

Referring to the blanks which are shown in miniature facsimile on these pages, it will be seen that space is provided for the name of the salesman, also for the O. K.-ing of the credit of the customer. It is expedient that the salesman's name be added to all the invoices which pass through his hands, for the convenience of reference where questions are asked. The rule should be established that no sale shall go through to be charged on the books except it has the approval of the proprietor or credit manager.

By comparing the different forms shown in fac-simile herewith it will be noticed that in each set the one which is to be retained in the office is wider than the others of its set, and that in its extra width it is provided with an additional price and amount column. This is for the extension of cost prices—"Tsoc," as it is called on the Sales Record and in some other books of the Self-Proving Accounting System. Every bill that is made out is thus figured in duplicate, first for the selling price and second for the cost price. These figures, as elsewhere explained, form the foundation of the cross entry between Selling Account and Buying Account. The extra width on the office copy, after the costs have been figured in this manner, may be detached, having first

been permanently identified with the sale to which it belongs by the sales number written in the blank space at the top. This plan is of the nature of a precaution against spying and inquisitive eyes.

ACCOUNTING SYSTEM

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Order No. 1741		J. F. BROWN & CO. HOUSE FURNISHERS		Order No. 7294	
Sold to S. S. 918		Name Samuel Badger		Salesman J. H.	
		Address 2714 Parkhurst St.		Terms 30 days	
		First Payment \$10.00		Total \$12.00 per week	

NO.	QTY.	ARTICLE	UNIT	PRICE	AMOUNT	TAX	TOTAL
	1	Side Board	2.8 Oak	300	840		840
	1	Ch. Table	2	250	500		500
	1	Chair	270	2	540		540
	1	Stool	5	200	1000		1000
	1	Book	500 Oak	200	1000		1000
	1	Hand Chair	200 Oak	100	200		200
326	4	Wicker Stools	200	100	400		400
425	20	Yr. Clock	200	100	2000		2000
					5540		5540

ORIGINAL OF ORDER FORM FOR INSTALMENT OR LEASE SALES. (EXAMINE SUCCESSIVE PAGES.)

J. F. BROWN & CO. HOUSE FURNISHERS		Order No. 7294	
Sold to Mr. J. P. Adams		Salesman J. H.	
Terms Cash		Address 1264 Swiss St.	

NO.	QTY.	ARTICLE	UNIT	PRICE	AMOUNT	TAX	TOTAL
	1	Oak Dress Suit	1.00	200	200		200
	1	Wool Suit	1.00	100	100		100
	1	Trunk	1.00	200	200		200
12-4-12	150	Yr. Rep. Suit	1.00	150	150		150
					650		650

Bill J. F. Brown & Co. per J. H.

ORIGINAL OF SALES SHEET FOR CASH OR OPEN ACCOUNT SALES—CUSTOMER'S INVOICE. (EXAMINE SUCCESSIVE PAGES.)

ACCOUNTING SYSTEM

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J. F. BROWN & CO.		Order No. 1894		
Name Samuel Badley		Customer J. F.		
Address 2784 Parkhurst St		Township Chazy		
First Payment \$10.00		Terms 1/2 - per week		
QTY	ARTICLE	UNIT	PRICE	TOTAL
1	2x4 Boards	27	50	1350
✓	1x4 Sills	2	300	600
✓	1x4 Chairs	22	50	1100
✓	1x4 Posts	15	100	1500
✓	1x4 Posts	50	100	5000
✓	1x4 Posts	20	100	2000
3x6	1x4 Posts	20	100	2000
N.S.	1x4 Posts	30	100	3000
				15500

FIRST CARBON COPY OF ORDER FORM FOR LEASE SALE—CUSTOMER'S INVOICE.

J. F. BROWN & CO.		Invoice on Order No. 17346		
Name J. P. Hudson		Customer J. F.		
Address 1264 Summit St		Township Chazy		
QTY	ARTICLE	UNIT	PRICE	TOTAL
1	1x4 Posts	144	20	2880
1	1x4 Posts	8	20	160
1	1x4 Posts	20	20	400
12-20-18	1x4 Posts	100	20	2000
				5440
Paid				
J. P. Hudson				
per J. F.				

FIRST CARBON COPY OF SALE SHEET FOR CASH SALE—FILED IN OFFICE.

ACCOUNTING SYSTEM

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Ledger No. 1741		J. F. BROWN & CO. 1000		Order No. 1894	
Name Samuel Badley		Address 2714 Badwin St		Salesman J. H.	
First Payment \$10.00		Terms 1/2 - per week		Taxman J. H.	

NO.	QUANTITY	ARTICLE	UNIT	PRICE	AMOUNT
	1	Red Plank	2.5	18.00	45.00
	1	Red Plank	9	5.00	45.00
	1	Chair	27.00	2.00	54.00
	1	Chair	5	10.00	50.00
	1	Chair	500	10.00	500.00
	1	Chair	500	10.00	500.00
	1	Chair	500	10.00	500.00
32.6	4	Window Sashes	2.5	10.00	40.00
4.85	20	1/2" Oak Glaze	2.4	2.40	48.00

SECOND CARBON COPY OF ORDER FORM FOR LEASE SALE—REQUISITION ON SHIPPING DEPARTMENT.

Name J. P. Hudson		Address 126 N. Sumner St		Invoice or Order No. 1734	
Taxman J. H.		Salesman J. H.		Taxman J. H.	

NO.	QUANTITY	ARTICLE	UNIT	PRICE	AMOUNT
1000	1	Oak Chair	14	1.00	14.00
	1	Oak Chair	1	1.00	1.00
	1	Chair	2.5	2.00	5.00
1010.00	1	250 yards Tealady Carpet	4.00	10.00	40.00

J. F. BROWN & CO.
per J. H.

SECOND CARBON COPY OF SALES SHEET FOR CASH SALE—REQUISITION ON SHIPPING DEPARTMENT.

TOMER'S COPY

SALE.

LEASES, SALES. CONTRACTS AND CHATTEL MORTGAGES

Long experience in the instalment and credit business has demonstrated that it is advisable in all cases where goods are sold on time that there should be the security of a lien or mortgage on the goods. This is desirable, first, in the interest of the merchant as against his debtor, and again, in the interest of the merchant as against other creditors of the debtor. With a clearly established lien on the goods, they are not the customer's property, but instead remain the property of the merchant until fully paid for, while, on the other hand, without a lien, however honest the debtor or customer may be, they are in jeopardy in case he becomes involved in his affairs, or in case an action is commenced against him for any good reason. The goods under these circumstances are liable to be seized under execution, and where this occurs the merchant's security is, of course, wiped out.

In such cases it is not unusual for the customer to say in reply to requests for continued payments on the purchases:—
“The goods were sold under execution when I got into trouble with Blank & Co. Now that they are gone, of course I cannot undertake to pay for them, for I have not got the goods.” Under these circumstances there is nothing left for the merchant to do but to sue the customer as an ordinary debtor. Every business man knows that the chances for collecting under such conditions are very poor. On the other hand, by making sales only upon the lien or mortgage basis, the merchant always has the security

of the goods themselves, or, at least, for so long a time as they are in sight or can be located.

The exact terms upon which conditional sales are made depend largely upon the laws peculiar to the State in which the transactions occur. The wording of the contract which the customer signs at the time the purchase is made depends in some degree upon the plan upon which it is intended to operate, so far as affects the ultimate rights of the merchant in case of failure to pay. Whatever may be the underlying plan, the wording should be precise, unequivocal, and so strong as to give the merchant every possible protection in handling a dishonest customer, and leaving to his discretion whatever leniency it is desired to show to honest but unfortunate people.

Under the same State laws different merchants will elect different forms of leases or contracts. In some cases the preference is so marked that they refer in their advertisements to the character of the agreements which they enter into with customers, or bring the terms of the agreement forward as special reasons why customers should prefer to deal with them. It is inexpedient for any merchant to proceed in matters of this kind without competent counsel. A good lawyer should be consulted with respect to the form of lease or contract to be used. In the merchant's interest he should carefully consider the case, in view of all the provisions of the laws of the State in which the transactions are to occur.

Several forms of contracts and leases are presented herewith, which are to be regarded merely as suggestions. They are offered with the injunction that none of them is to be employed until it has been revised by a competent lawyer in the light of the law as it exists at the time in the State in which it is to be used. Attention should here be called to the fact that laws relating to such matters vary from time to time, and that occasionally de-

cisions of the courts are rendered which have important bearings upon matters of this kind. It is to the interest of the merchant, therefore, to be in touch with his lawyer on points of this sort at all times, not only at the beginning of the business, but regularly thereafter.

The following is one of the simplest instruments of the kind that we have ever encountered, and is presented as being typical of what is used in several lines of trade in New York and vicinity, wherein in many cases the value of the goods covered by such a receipt runs to very large figures:—

A "BORROWING" FORM

This certifies that.....has borrowed and received of.....the articles noted on the other side of this form upon the following understanding:—If the price set against them is paid in instalments at the times specified, then the articles are to become the property of the said borrower; otherwise the articles remain the property of the said..... In the meantime the borrower hereby agrees to keep the property in good order, and to pay the price, as per memorandum above referred to, and at the times set forth. And the said borrower may use the property free from any other charge. The said property is not to be removed from.....without the written consent of the said..... If the said borrower fails to meet any of the payments at the time specified, or to keep the property in good order, then the said.....may take the said property and dispose of it to the best advantage, rendering to the said borrower all surplus, if any, after paying the price agreed upon and the expenses of removal and sale.

(Sign here).....

Signed in presence of

.....
.....

The following form is used by a prominent firm of Toronto, Canada, dealing in household goods upon the instalment plan:—

A CONTRACT FORM

This certifies that I have received this day of goods as per invoice or order on the other side, for which I agree to pay dollars, as follows:—\$. cash down, and balance in payments of each from the date hereof. It is expressly agreed that the title to said goods and to all other goods which are included in contracts which may hereafter be made by me with the said firm shall not pass from them until the said sum of dollars is fully paid in cash, and all the dues, terms and conditions of this and the said other contracts shall have been fully complied with.

In case of failure to make any of said payments when they become due, I will surrender said goods to said firm, or its agent or attorney, without process of law. In case I fail to deliver said goods to said firm or its agent or attorney at any time upon demand after any breach of this agreement, I hereby grant to said firm, or its agent or attorney, full authority to enter upon my premises for the purpose of removing said goods, without rendering them liable for any manner of trespass. If full payment of the purchase price is not made in the time specified, said firm shall be entitled to retain all sums paid by me, as a reasonable compensation for injury to and use of said goods, and for its trouble and expense in connection with this transaction with me.

It is also agreed that if said firm takes possession of said goods for any breach of this agreement I shall have the right to redeem the same at any time within thirty days after such taking, by paying to it the full amount of the price then unpaid, together with all lawful charges and expenses due to said company.

I also agree not to remove said goods from the premises I now occupy without written notice to said firm and having first obtained its written consent, and I hereby certify that there is no contract or understanding, verbal or otherwise, between myself and said firm, or any of its agents or salesmen, other than is here expressed.

The first instalment after the delivery of this agreement shall be payable within after the date hereof, and each subsequent payment during each succeeding

In the event of seizure for rent, I hereby authorize the said firm on my behalf to claim any of said goods as exempt by law from distress. The Re-

THE SELF-PROVING

vised Statutes of....., Chapter....., and all its amending acts shall in no way apply to affect this contract.

Signed this.....day of....., 189..

(Sign here).....

In presence of

.....

Husband's occupation.....

Where employed.....

References.....

The following form also had its origin in the Dominion of Canada, and resembles the one last presented in all essential particulars, but is fuller in various details:—

ANOTHER CONTRACT FORM

This certifies that I have purchased from..... goods as per invoice on the other side, and attached hereto, on the terms and for which I agree to pay \$....., as follows:—\$.cash down.....and balance in.....payments of \$.each, from the date hereof.

It is expressly agreed that the property in and title to said goods and to all other goods which are included in and the subject of contracts which have been heretofore made, or may hereafter be made by me, with the said..... shall not pass from the said..... until the said sum of \$..... is fully paid, and all the dues, terms and conditions of this and said other contracts shall have been fully complied with.

The said.....may pay any rent and taxes due on premises where said goods may be, and such sums shall be forthwith payable by me to them. On default in any of the above payments or if goods shall be seized for rent or taxes, or if the rent of premises where goods are shall be overdue, or if I shall abandon, dispose or attempt to dispose of the same or remove them from No.....street, without permission, the whole sum agreed to be paid shall immediately become due and payable, and my right to possession of said goods shall cease, and all payments shall be forfeited to the said.....as reasonable compensation for injury to and use of said goods and expense and trouble in regard to same, and the said.....or his agents may, without legal process, enter upon any premises and take possession and remove said goods at any time during the day or night, without being liable for any manner of trespass.

And at the option upon such seizure of the said
 the said.....may either retain the goods, and the
 payments made thereon shall be forfeited as above set forth; or the said
may sell the said goods by private sale, or
 otherwise, without any notice to me, and may forthwith recover from me the
 balance of amount I herein agree to pay, together with expense of seizure and
 sale, after giving credit for proceeds of sale; or the said.....
 may have said goods valued and retain same, and may then forthwith recover
 from me balance of said amount agreed to be paid, together with expenses of
 seizure and valuation, after giving credit with amount of said valuation.

Should the said.....take possession of said goods
 I shall have right to redeem same at any time within twenty days thereafter,
 only upon paying full balance of price, together with any amount paid by the
 said.....hereunder, and all charges and expenses
 incurred by reason of taking possession aforesaid.

In the event of seizure for rent I hereby authorize the said.....
on my behalf to claim any of said goods as exempt by law
 from distress. Revised Statutes....., Chapter....., and all
 amending acts shall in no way apply to or affect this contract. Any promissory
 notes or other securities given by me at any time shall be collateral only hereto,
 and proceedings may be taken thereon without in any way affecting or preju-
 dicing this agreement.

And it is hereby agreed that, having purchased other goods under con-
 tracts from the said....., the said.....
agrees that so long as I shall pay \$..... to him that
 I shall not be required to pay more, but in default in any of said payments all
 payments provided for by said contracts shall immediately become due and
 payable. All payments made by me on this or any other contract may be
 applied and appropriated by the said.....at any time
 upon any contracts between us, in such manner as he pleases, any direction of
 mine to the contrary notwithstanding. Nothing herein shall affect the provi-
 sions of any of said contracts, save as to the payments aforesaid.

Signed this.....day of....., 189..

(Sign here).....

In presence of

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Husband's occupation.....

Where employed.....

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Some of the large furniture instalment dealers in the neighborhood of New York prefer the chattel mortgage form to the lease or contract method. The form of chattel mortgage in use by one of these concerns is given below:—

A CHATTEL MORTGAGE FORM

To all to whom these presents shall come:—

Know ye that I,, of the city of county of, and State of New York, party of the first part, for securing the payment of the money hereinafter mentioned, and in consideration of the sum of one dollar to me duly paid by of the same place, party of the second part, at or before the ensembling and delivery of these presents, the receipt whereof is hereby acknowledged, have bargained and sold, and by these presents do grant, bargain and sell unto the said party of the second part all the household furniture and housekeeping effects, and all other goods, chattels and property mentioned and described in the schedule hereunto annexed, in the house known as and by the street number.....

To have and to hold, all and singular, the goods and chattels above bargained and sold, or intended so to be, unto the said party of the second part, their successors and assigns forever. And I, the said party of the first part, for myself, my heirs, executors and administrators, all and singular the said goods and chattels above bargained and sold unto the said party of the second part, their successors and assigns, against me, the said party of the first part, and against all and every person or persons whosoever, shall and will warrant and forever defend.

Upon condition that if I, the said party of the first part, shall and do well and truly pay to the said party of the second part, his successors, or assigns, the just and full sum ofdollars, payable as follows, viz.:—dollars now in hand, the receipt whereof is hereby acknowledged,dollars on delivery of the above mentioned furniture,dollars on the.....day of....., 18.... and the residue, amounting to.....dollars in payment of.....dollars on the.....day of each and every..... hereafter until said sum of.....dollars is fully paid, which said sum and sums I, the said party of the first part, do hereby covenant to pay.

Then this transfer to be void and of no effect; but in case of non-payment of the said sums at the time or times above mentioned, then the said party of the second part shall have full power and authority to enter upon the premises of the said party of the first part, or any other place or places where the goods and chattels aforesaid may be, to take possession of said property,

to sell the same, and the avails (after deducting all expenses of the sale and keeping of the said property), to apply in payment of the above debt, and in case the said party of the second part shall at any time deem their lien upon said property unsafe. It shall be lawful for them or their legal representative to take possession of said property, and sell the same at public or private sale, previous to the time above mentioned for the payment of said debt, applying the proceeds as aforesaid, after deducting all expenses of the sale and keeping of said property. If from any cause said property shall fail to satisfy said debt, interest, costs and charges, I, the said party of the first part, do covenant and agree to pay the deficiency. And it is distinctly understood and agreed to, by the parties hereto, that the said party of the first part is not to remove any of the said goods and chattels from said premises without the written consent of the said party of the second part. And until default be made in the payment of the said sum of money, I am to remain and continue in the quiet and peaceable possession of said goods and chattels and the full and free enjoyment of the same.

In witness whereof I, the said party of the first part, have hereunto set my hand and seal the day of, one thousand eight hundred and ninety

Sealed and delivered in presence of

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.....(L. S.)

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DELIVERY OF GOODS

In our description of Sales Sheets we have shown that one of the carbon copies passes to the shipping department and becomes in effect a requisition upon that department for the goods which have been sold, and that it carries upon its face the directions for their delivery. The shipping department is under the necessity of giving to the truckman or carter similar directions concerning the goods which are intrusted to him for delivery, and is also obliged to provide a form of receipt, to which the delivery man is to get the signature of the customer or his representative in evidence of the proper delivery of the goods intrusted to him.

The shipping department finds it advantageous to use the carbon process the same as the office, and on receipt of directions for delivery of goods from the office makes out a shipping ticket in duplicate, one copy of which is to be left with the customer when the goods are delivered, and one of which, signed by the customer, and also countersigned by the carter or truckman, is returned to the office.

By leaving with the customer a copy of the shipping ticket there is supplied to him the evidence of the completion of the transaction, so far as the store is concerned, and he is thereby afforded the opportunity to raise objections if anything is not according to expectations. The reason for having the truckman or carter sign the receipt, as well as the customer, turns on a question of evidence in the event of a disputed account. Very fre-

requently the person who bought the goods is not present at the time of delivery, and the receipt, accordingly, is signed by the wife, a son or daughter, a servant, or even a friend of the family who happens to be present. Afterward, when any question arises, the receipt may be disputed on the ground that the person who signed it was not authorized to do so. Questions of this kind are frequently raised so long after the date of the transaction that the unaided memory of the truckman is not as much as the merchant would like to have in support of his contention. By requiring the truckman to sign the receipt there is secured the equivalent of a witness to the signature or the act of the person who receipts for the goods. In practice this has been found to be a very desirable precaution.

When the truckman or carter's receipt, or the shipping ticket, as we have called it above, reaches the office, it is checked with the office copy of the invoice or order, for the purpose of proving not only that the goods called for by the order have been delivered, but that all the goods which have been delivered are covered by the order. The truckman's receipt or shipping ticket bears a serial number of its own, and in addition there is noted on its face the number of the order or invoice to which it belongs. The first reason for checking mentioned above is not of great importance in itself, because if all the goods ordered had not been delivered the customer would soon draw attention to the fact, but in addition it is valuable in the sense of detecting carelessness upon the part of the delivery department. The second reason is more important, for it is always desirable to know that no goods have been delivered that are not covered by the invoice or order. Carelessness in the delivery department might cause the delivery of articles from time to time not called for by the orders, but by the plan of checking here suggested no such delivery could remain undiscovered except by the collusion of some one in

the delivery department with the truckmen.

The merchant is always anxious to know what security he has against a careless delivery of goods—that is, the delivery of goods without proper charge to the customer—and also against the dishonest delivery of goods by some one whose intention it is to defraud him. Irregularities of this kind are very largely guarded against by the fact that an adequate system throughout the establishment is in existence and is being rigidly enforced. Dishonest men, as a rule, are afraid of a system, for their temperament seldom enables them to comprehend the system in its completeness, and therefore they are always afraid of encountering its safeguards in some unexpected direction. The system described in this volume, provided, as it is, with numerous cross references, and with the different blanks and forms required in its use, manifolded from a single writing and used for different purposes, affords far more checks against dishonesty and fraud than would be assumed on casual inspection.

The rule once established that no sale shall be made, either for cash or to be charged, except a sales number is applied to the order or invoice slip, and the rule also established that no goods shall be delivered by the delivery department to the truckman, nor by the truckman to the customer, except also the sales number be present, and further, that the delivery ticket, which is in duplicate, shall also be numbered, leaves the dishonest clerk far less opportunity for successful efforts to defraud than would be at first supposed. The rigid enforcement of the regulations to which we have referred successfully guards against the delivery of goods without charge in all cases save only where there is a conspiracy between two or more men in the establishment having the ability and opportunity to control the numbering and duplicating. Methods for guarding against this danger will readily suggest themselves to every competent manager. They include, among

others, such efforts as daily auditing, periodical checking of the work, frequent examinations of stock, and the like.

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CUSTOMERS' PAY CARDS

A very convenient style of customer's pay card is formed of a sheet of good ledger paper $7\frac{1}{2}$ inches wide by $8\frac{1}{2}$ inches long, folded in the centre lengthwise. The card thus folded is printed on all four pages, with proper debit and credit spaces. There is first in the debit space the name and address of the customer, together with the name of the house carrying the account, and space for recording the customer's ledger number. Below this and, for convenience, turned the opposite way on the page, is a blank account form, having columns for date and for the amount of the purchase, following which is a column for the sales number and a liberal space for terms of payment. In the form illustrated herewith, which is essentially the same as that employed by several prominent instalment houses, the debit space allows for twelve charges.

The other three pages of the pay card are devoted to credit amounts or payments. The pages are ruled with a column for the date, a column for the amount paid, following which is a space for the collector's name. To the right of this is a second date column and a space for a brief report concerning any matters which come to the collector's attention, to be recorded in the briefest manner by any convenient code. This code should be based upon the plan of having all ordinary statements which customers make either of promises, or reasons for failure to pay on time, or of other particulars, indicated by letters or combinations of letters or figures. A single letter or character, therefore, could indicate what it would otherwise require a lengthy statement to record.

The pay card is the natural foundation of all letter writing, where it is necessary to communicate with the customer. It also forms the foundation of communication with the collection attorney or solicitor of the establishment, where it is necessary to put the account in the way of formal collection. At every hand the pay card is required. If an adequate means of caring for the pay card is provided, then supervision and their constant use will ensure their being kept in proper place.

It is sometimes urged by those who are not acquainted with the requirements of the instalment business that keeping an account with each customer on the ledger, and, in addition, maintaining duplicate account on the pay card, posting every entry that occurs to each, and keeping not only the ledger properly indexed, but the pay cards so assorted as to make the latter just as available on call as the accounts in the former, is doing double work. New beginners at the business frequently set about devising plans by which this apparently extra work shall be overcome, or the necessity for it removed. When it is recalled, however, that in other lines of trade every customer receives a statement of account the first of each month, and that in those lines where collectors are employed duplicate statements and collection lists are freely made out from time to time, it becomes apparent that as a fact there is less duplication of work in the instalment business, with the system of customers' pay cards in use, than in almost any other line.

By the methods recommended in connection with the Self Proving Accounting System, the customer at the outset is furnished with an invoice which is a duplicate of the charge sheet, from which the amount with which his account is opened in the ledger is posted. On the back is a duplicate of the signed lease or contract. Then, in turn, the customer is furnished with the Pay Card, which is, in fact, a duplicate of the ledger account, for

his record of the transaction, including additional purchases, if there are any, and payments as they are made. In due course the Pay Card will show that the obligation incurred when the purchase was made has been duly discharged by the payments made, and which have been receipted for thereon.

Every one will admit the desirability of the customer being supplied with an invoice in some such manner as this, and with a statement of account or passbook recording the subsequent entries in connection with the purchases as they are made. However the collections may be managed, there is the need also of a statement of each account for the collector. This is afforded in most convenient shape by a duplicate of the customer's pay card, all of which goes to show that the pay card plan is economical as well as convenient. Customers' pay cards are arranged in pads, and the original and duplicate are readily made out together by carbon process, thus lessening work in this regard. The original, however, should be in ink and not in pencil, but this condition is readily complied with by employing a special pen, adapted for such work, and some of the best grades of carbon papers that are now in the market. It is possible to make a carbon duplicate of pen writing in this way almost as easily as a duplicate of pencil writing.

Plans which make use of pay cards are much better than some of those which formerly prevailed in the instalment business, involving, as they did, the carrying around of the original leases or contracts. The leases, contracts or chattel mortgages, whichever may be the plan upon which the business is conducted, are by the present method instruments that are carefully and systematically preserved in the office. They are always ready for reference whenever it is necessary to examine them. In the case of a chattel mortgage, it can be filed on short notice if such a course is found necessary.

COLLECTION BOOKS

An alternative plan for consideration in place of the pay cards elsewhere described in this volume is a collection book for each collector. The books should be of convenient size for carrying in the pocket and suitably bound to be durable. The books are arranged as follows:—On the left hand pages, either in alphabetical order or according to a predetermined route list, the names of the customers and their addresses are written, with particulars of their purchases, the amount of the bills and the terms of payment agreed to. On the right hand pages are arranged in columnar form spaces for recording the payments, each column having its own special date. Five columns to the month are provided. On the specified dates the collector calls upon the customer, and on receiving the payment enters it in the column of that date. A formal receipt is given the customer for the payment.

The amounts of successive collections on a given date are entered in the column for that date on the several pages of the book. On returning to the office the collector delivers the book to the receiving clerk, who foots the amounts recorded in the book and enters the total in ink at the bottom of each page. The several pages are similarly summarized. The grand total thus determined represents the amount which the collector should turn over in cash.

The amount collected for the day is entered in lump in the cash book to the credit of Instalment Accounts, and from the collection books the postings are made direct to the individual ac-

counts in the instalment ledger, the same as elsewhere described in connection with customers' pay cards. The books are appropriately indexed, and when not in use are kept in a safe, to be delivered to the collectors from time to time, according to dates and routes. This plan, while being different in detail from what is recommended in this volume, has been found to work very satisfactorily in certain prominent establishments.

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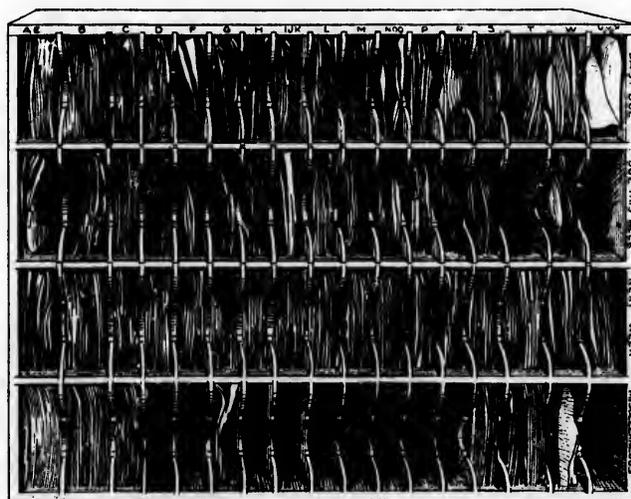
KEEPING CUSTOMERS' PAY CARDS

It is exceedingly important that the office file of customers' pay cards should be kept in such order that any individual card may be instantly referred to whenever wanted, either in the sense of producing the card when the customer calls with a payment, or for use for any other purpose in the office. The cards must also be filed in such a form that each individual card may be kept in proper place at different times, with respect to dates of payment and collectors' routes. A very convenient method of filing customers' cards employs a series of pigeonholes arranged in vertical lines to correspond with the time divisions, and from right to left to correspond with alphabetical divisions.

An instalment store, doing a business of moderate size, employs a case of pigeon holes, four deep vertically, and in number from right to left sufficient for the necessary alphabetical divisions. It is illustrated in the first of the accompanying engravings. The upper section in each alphabetical division is devoted to cards past due. The second division is devoted to cards the payments on which become due the present week. The third division is devoted to those cards on which the payments come due next week, or later, while the bottom division is "Miscellaneous," and is used for such purposes as may be appropriate with the cards thus assorted. The cards are carefully examined from time to time, never less frequently than once each week, and are moved from one division to the other as returned by the collectors. They are reassorted from time to time as the route lists

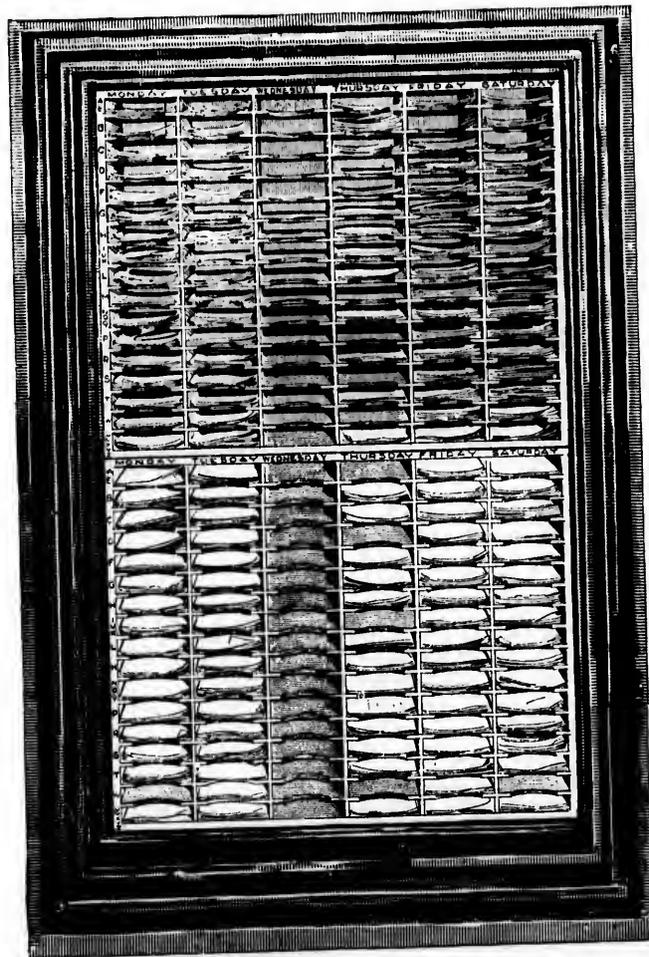
are arranged for different collectors. The division in which the past due cards are placed is examined daily, because all the cards therein are past due, and selections from among them must be made for the different collectors, according to the recorded promises of the customers to pay.

In another instance, two cabinets arranged very much in the form just described, are contained in a safe. Their appear-



A PIGEON-HOLE CABINET FOR KEEPING CUSTOMER'S PAY CARDS

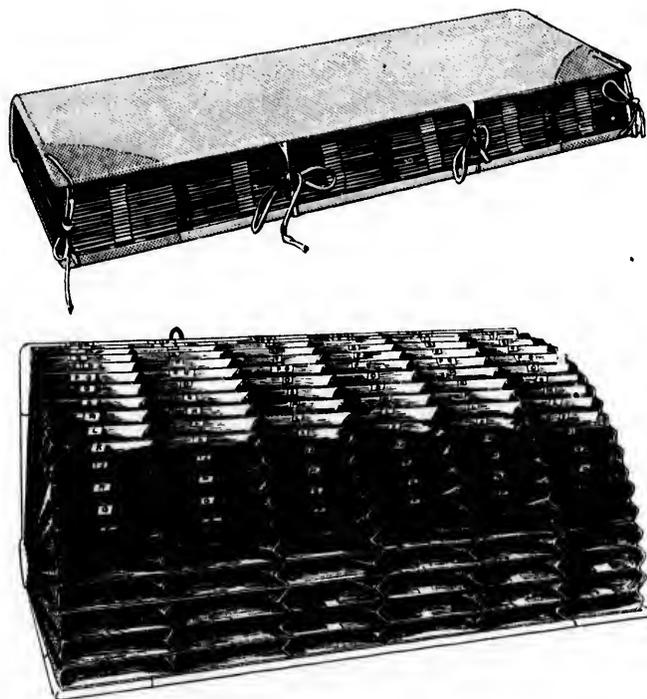
ance when the safe door is open is indicated in the second of the accompanying engravings. Here the time divisions are by days instead of weeks, and are arranged in vertical columns, while the alphabetical divisions are horizontal. By examination of the engraving it will be seen that the photograph from which it was made was taken on Wednesday, for all the cards of the Wednesday division are out, indicating that the collectors had left the office



TWO CASES OF CUSTOMER'S PAY CARDS IN A SAFE

before the photographer was ready. This arrangement of cards does not provide for "Past Dues" as a separate division, but is managed upon the plan of handling all the cards as often as once a week.

Very large portfolio or telescopic files are sometimes employed for containing the office set of customers' pay cards. One



A PORTABLE ACCORDEON FILE FOR HOLDING PAY CARDS:—CLOSED AND OPEN

of these is shown in the third and fourth of the accompanying engravings, one view showing it open and the other closed. It will be seen that the file is six divisions in width, corresponding to the

business days of the week, while the divisions in the opposite direction are indexed alphabetically. Still other plans are in use for caring for customers' cards, ranging from the most elaborate cabinet work on the one hand to very cheap conveniences on the other.

When a very large business is conducted several cabinets or files arranged upon one or the other of the plans here described will be found necessary. In such cases each cabinet is to be restricted to some geographical division of the trade covered, or to a single collection route. The individual cards should carry a reference to the files in which they belong. In large establishments in the cities, where vaults are a regular feature of store buildings, the cabinets may be constructed as a part of the permanent furniture of the vault, and the necessary work to be done in connection with the cards can then be performed in the vault. In smaller stores it is found desirable to have the cases or cabinets built of a portable form, so as to be readily put into safes overnight. Where store buildings are measurably proof against fire, or the office is away from special fire risks, the cabinets containing the customers' cards may be left in the open office. When the cabinets are left in the office some of the sheet metal cases which are now furnished by the leading office equipment companies serve an excellent purpose, for even where a fire occurs the papers within cases of this kind are preserved until long after a wooden case would be consumed. Instalment merchants, of necessity, must elect for themselves what plans to pursue so far as these details are concerned. The fundamental requirements are accessibility at all times, convenience in handling and proper subdivisions in order to classify according to the dates of payments and the routing plans of the collection department.

POSTING THE INSTALMENT LEDGER

Some merchants have been discouraged when investigating the general conditions of the instalment business by the large office machinery apparently necessary for properly managing accounts, on which the payments are so small. The instalment business of necessity is composed of many small items. There are numerous customers buying comparatively small amounts of goods each, and their weekly or monthly payments are in still smaller amounts. The number of entries to be made in each account, therefore, becomes very large. For example, a bill of goods amounting to \$25 will be sold, with \$3 paid down and the balance to be paid in forty-four weekly instalments of 50 cents each. Business men, accustomed to large transactions, are therefore appalled at the amount of bookkeeping apparently necessary to properly look after a very large number of accounts of this character. The expense of taking care of a single transaction seems to be so great as to leave no margin for other costs, to say nothing about a final profit.

The account books supplied by the Self-Proving Account-Book Company, and described in detail in this volume, are all arranged upon a plan to reduce the office labor to a minimum and to facilitate such proofs step by step as will insure accuracy of result throughout without tedious rechecking. All this has been fully set forth on other pages. In addition, however, to what has been elsewhere presented, a glance at the method of posting the Instalment Ledger will show how numerous accounts may be handled in

this book in a way to make the expense very small indeed.

As elsewhere explained, the amount of cash collected by each individual collector is entered on the pay cards as it is received, or upon a collection book, if that plan is employed. The total as indicated by his report, which is entered in detail in the collection book, is entered in a single lump in the cash book to the credit of Instalment Ledger.

The cash payments which are made across the counter in the office by customers who call for the purpose are similarly entered upon the pay cards, or in a special office collection book, if that plan be followed, and in turn are likewise entered in gross upon the cash book. The pay cards, or collection books, therefore, contain all the details of payment. These cards or books, whichever plan is employed, are in form to be used as the posting medium to the individual accounts in the Instalment Ledger. To this end they are first sorted up in proper order so as to facilitate the work. They are thereby either arranged in the order of the sales, or lease numbers which they bear, or according to the numbers of the accounts in the ledger, whichever plan best suits the order of the ledgers, and in a way to make necessary as little turning from front to back of ledger as possible. Where the accounts are so numerous as to employ several ledgers the books or cards are, of course, first arranged according to the individual volumes, and then each lot is sorted according to the arrangement of accounts in the book.

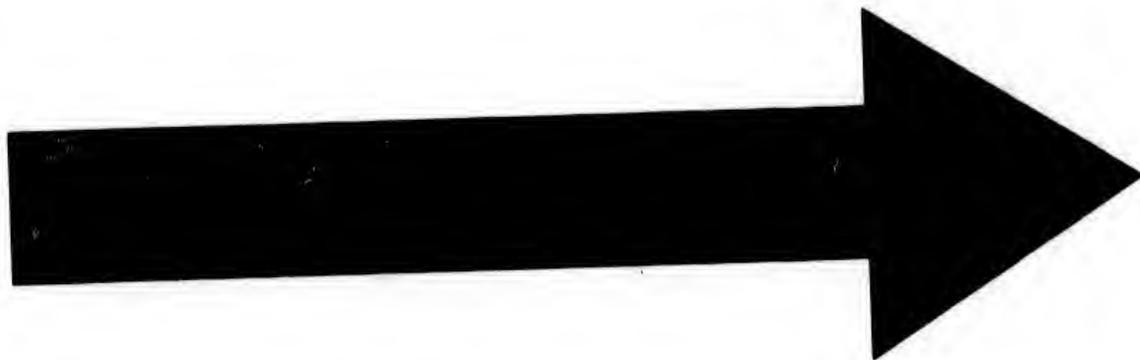
The entries in the cash book made from the collectors' reports, as previously described, determine the aggregate of the amount that is to be posted to the credit of the individual accounts in the ledger. The amounts entered in the cash book, being extended to the credit of the pair of columns devoted to Instalment Ledger, determine the amount that will post to the credit of Instalment Ledger Account in the Private Ledger. It is necessary, therefore, to know that the postings to the individual accounts in

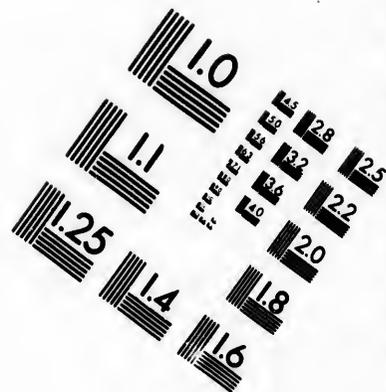
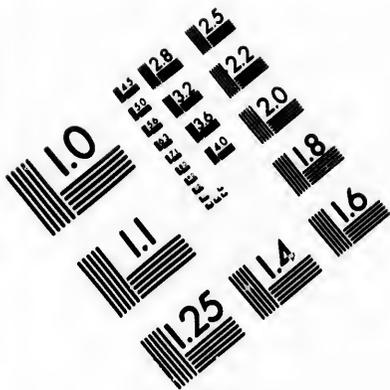
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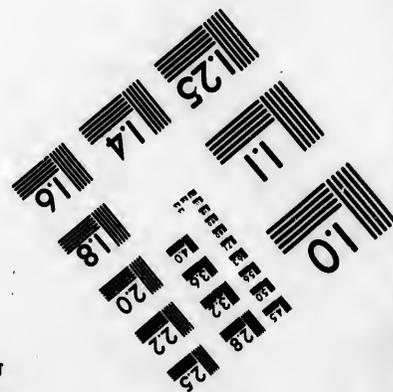
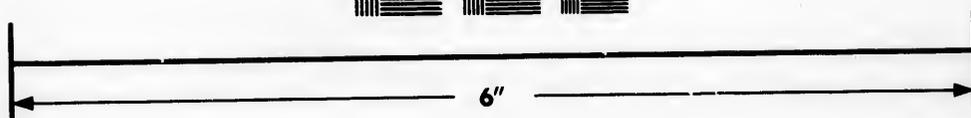
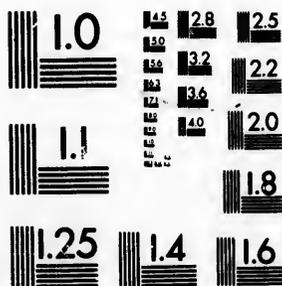
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Microfiche
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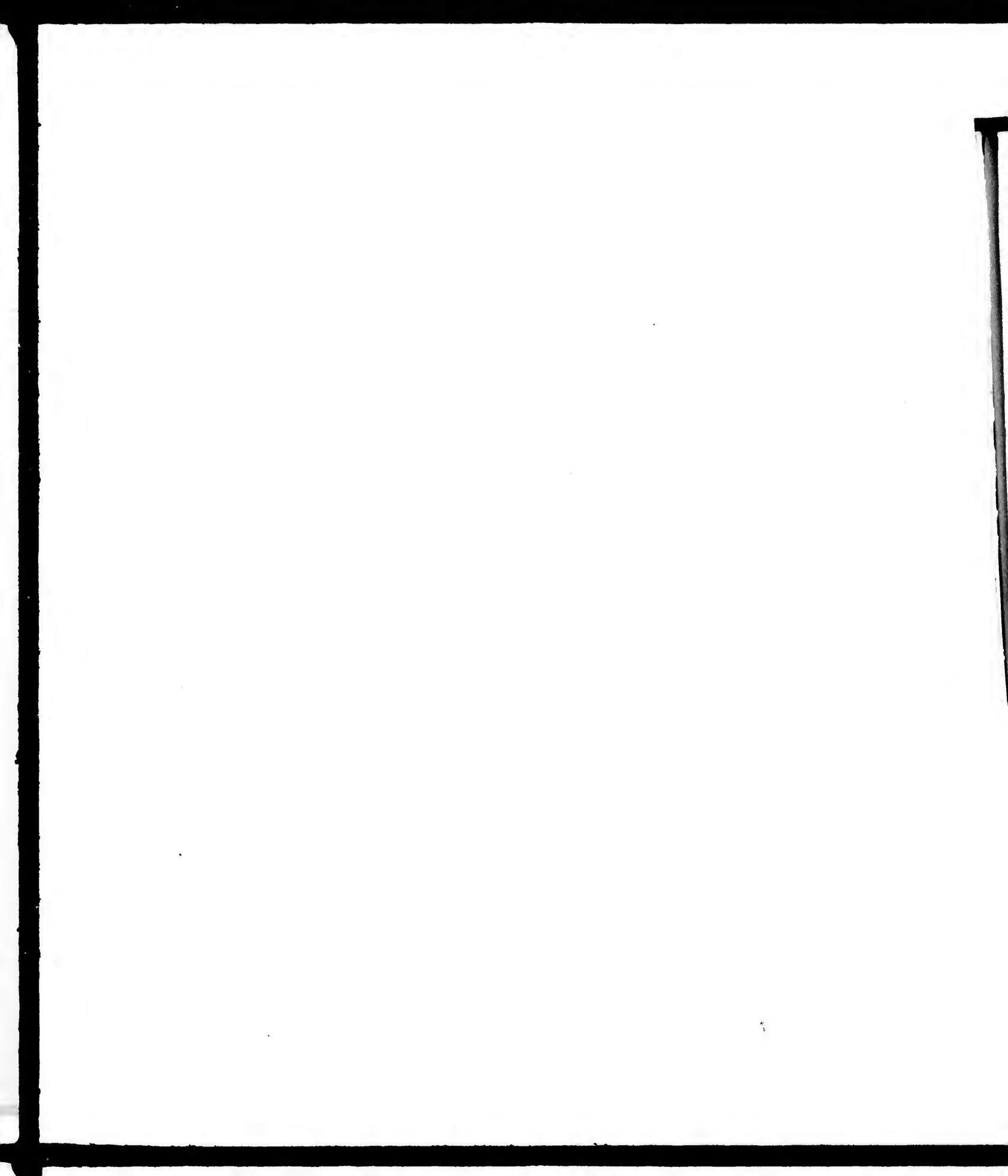
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Collection de
microfiches.**



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the Instalment Ledger aggregate a corresponding amount.

This posting to the Instalment Ledger may be done in the ordinary manner, and for proof called back after the plan pursued in many mercantile establishments, or it may be proven by the reverse posting method affected by some bookkeepers, but a far better plan and one that has proven very advantageous wherever employed brings into requisition an adding machine such as the Comptometer, which is illustrated on this page, and saves the need of proof posting in all cases except where errors actually occur.

With the cards or collection books properly assorted, and as-



GENERAL VIEW OF THE COMPTOMETER. MADE BY THE FELT AND TARRANT MFG. CO., CHICAGO, ILL.

suming that two clerks can be devoted to the work, one stands before the ledger at the desk, and the other, standing or sitting near by, handles the cards and at the same time operates the Comptometer. The ledger number of the first card is called and the clerk in front of the ledger turns to the required page and calls back the name of the customer, thereby indicating that the right account has been found. The first clerk then calls the amount of the credit, which for the sake of illustration we will say in this case is 50 cents.

As this amount fifty is spoken the fingers automatically record 50 cents on the Comptometer. At the same time the item is checked on the pay card or in the collection book, thereby recording the fact that it has been posted in the ledger.

While this has been in progress the ledger clerk has made the proper entry in the account of the customer, has brought the blotting pad over the ink and is ready for the next account, which is handled in the same way. The number is called to be used in finding the account, and the name of the customer is called back; then the first clerk names the amount of the credit while recording the same on the Comptometer. Then he checks the pay card or in the collection book. The ledger clerk posts the amount that has been called and is ready for the next operation.

The work proceeds in this manner with probably three to five times the speed that is attained by the ordinary bookkeeper in posting from journal or cash book to ledger in the usual manner, while the Comptometer keeps tab on the accuracy of the work. The amounts handled are thus faithfully recorded by the machine, which, being a total adder, shows at the completion of the work the amount which has been posted, and which, if all is correct, agrees with the total previously determined in the cash book.

In this manner hundreds and even thousands of accounts are posted by two clerks operating together in the early hours of the forenoon of the day following the day of collection. The labor on each account is so slight and can be performed so expeditiously that there is no excuse for the books being unposted later than noon, no matter how numerous the collections of the previous day have been. The work is so simple in character that under the charge of a general bookkeeper the posting may be performed in a dozen ledgers, if so many are required, by clerks who have no claim to the title of bookkeeper in themselves, and yet correctly done in all particulars. Any young man or young woman of average in-

telligence, writing a decent business hand and giving careful thought to the work, is entirely competent. The cost, therefore, is measured largely by the grade of help necessary.

Referring again to the sorting of the cards with respect to lease numbers or ledger numbers in the several volumes in which the ledger may be divided, it should be remarked that such prelim-



FOOTING THE LEDGER BY USE OF THE COMPTOMETER

inary work is not absolutely necessary. Many bookkeepers prefer it because it enables them to handle the leaves of the ledger in regular course, and thereby avoids turning from front to back and back to front, which is always more or less confusing to the ledger keeper, and which also produces a certain amount of wear upon the ledger itself. Each individual office will establish its own routine in matters of this kind, to be largely determined by the preference of the head bookkeeper or manager in charge. It should also be remarked that it is not absolutely necessary that the ledger keepers should work in teams as above suggested. All the work may be done by one clerk if required, who would check the pay cards or collection books and keep tab of the amounts on the Comptometer

at the same time. The Comptometer as an aid in posting is an assistant which every bookkeeper greatly appreciates after once becoming familiar with it.

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COLLECTION DEPARTMENT

The proper conduct of an instalment business demands a collection department, properly organized and thoroughly administered. In a small business this work will be done under the immediate eye of the proprietor, who, no doubt, will act likewise in the capacity of credit man. In a large establishment, on the other hand, business routine, of necessity, will take the place of personal supervision of the merchant.

Whether elaborately planned, as for a large business, or restricted to the work of the proprietor, assisted by his salesmen and regular office force, the collection department subdivides into two grand divisions. There is first the office work, which includes the proper conduct of the books, the periodical supervision of the accounts, the preparation of route lists for collectors, the receipt of moneys paid by customers at the office, the necessary correspondence with customers and attention to delinquents and to all cases that require recourse to legal measures or that are in any respect irregular.

The other grand division includes everything outside of the office, and in some cases is subdivided into two fields or classes. The first includes the customers who are located close to each other and within a short radius of the store, and the second the customers situated at a considerable distance from the store, and who are more scattered and further apart. Whether the outside work be regarded as a unit or subdivided into parts, as mentioned

above, the work to be done and the supervision to be exercised is essentially the same.

Customers whose purchases were made upon the agreement to pay the collectors at stated intervals must be promptly waited upon at the agreed dates wherever located. Any lack of promptness in this regard by the establishment is a notice to the customer of laxity, of which he is prone to take immediate advantage. If the house is not prompt in demanding what is its proper due, then the customer, in a sense, feels released from his obligation of promptness.

While it is to the interest of the merchant, as is elsewhere set forth in this volume, to be extremely considerate of his customers' interests and to be lenient with them in times of disaster and distress, and in all respects to show the most friendly feeling to those who are indebted to him, still business is business, and a friendly or benevolent feeling should never be allowed to descend to careless administration. Customers should be visited regularly by collectors, whether payments are made or not, for the very good reason that it is essential to the merchant to know at all times of the whereabouts of the goods which are the security for his claim, and also the general condition of his customer with reference to his paying ability.

Not a little of the success of the collection department depends upon the character and qualifications of the men who are employed as collectors. Some men are born collectors. Other men, with most excellent qualifications in other directions, are utterly unable to collect money, either for themselves or their employers. Some men have special aptitude for work of this kind, and are able to detect instantly the difference between a trumped-up excuse for a failure to pay and an honest statement of real distress. Such men are also able to press a claim without giving offence. Other men, on the contrary, are so bunglesome in their

methods as to leave a bad impression wherever they go, and to do the house an injury in reputation even with customers who have the money ready to pay the instant the collector calls.

Too great care, therefore, cannot be taken in the selection of the collectors of the establishment. The same considerations prevail to a certain extent in the selection of the receiving clerk of the establishment—the one who meets the customers who call to pay their weekly or monthly instalments. Courtesy in both cases is a prime requisite. No customer of the establishment should ever be spoken to by proprietor, collector or receiving clerk without the impression being left in his mind that he is dealing with gentlemen who are considerate and kind in the extreme. Uniform and intelligent courtesy, will facilitate collections, while gruff and thoughtless treatment will drive customers away.

Addressing credit merchants of both large and small operations, as is the province of this book, all remarks with respect to the collection department must, of necessity, be presented in the most general terms. The ideal collection department for a business of given size would be too large or too small for an enterprise of some other magnitude, and therefore all directions must be restricted to advice on leading points, leaving to the individual merchant the task of adapting to his special requirements such portions as meet his particular needs.

Of the inside or office work to be done in the immediate interest of the collection department, the periodical examination of the lease accounts, or instalment accounts, as they are very commonly termed, is one of the most important duties. If the business is large enough to warrant it, this work should be the special duty of one man, under the general direction of the manager. His duty would be to watch customers' accounts in a way to check the work of the collectors, and to be in position to lay out their work and establish their routes from time to time. Supervision

of customers' accounts, in the sense in which the term is employed, means entire familiarity with the ledger, going over it from time to time in a way to notice whether or not payments are being made with proper regularity. It also includes the work of examining collectors' reports from day to day, in order to keep constantly in touch with the paying condition of each individual customer.

By this work not only does the person who supervises the accounts learn to judge of a customer, but he also learns to judge of the success of a collector, as well also of the collector's reliability. Dishonest men are sometimes found among collectors, as well as elsewhere. Carelessness very frequently precedes dishonesty. In fact, it is the general rule, save only in cases where the collector is already a hardened offender. All that has been said with respect to holding the customer closely to the terms of payment originally agreed to applies with double force to the management of the collectors. Not only should the collectors be held to the work of visiting the customers on their respective lists at the proper date, but their reports to the effect that they have so visited these customers should be regularly inspected, and from time to time should be verified by the plan of quiet inquiries in their respective fields—in other words, by a little private detective work, entirely justifiable in view of the fact that carelessness is so easy, and that when carelessness is indulged in it soon leads to still more reprehensible practices. Again, the reports of collectors very frequently contain items of information which suggest the necessity of instant action upon the part of the house to secure its claim. Unless the collectors' reports are closely and promptly scrutinized and the results of their work properly tabulated in a way to reach the legal department of the establishment without delay many an opportunity to prevent a loss is frittered away.

An important part of the office work in connection with the collection department, and which should come under the general supervision of the manager of the collection department, is the checking of the ledger in conjunction with the customers' Pay Cards. The Pay Cards, which form the subject of a special chapter in this book, must be kept up to date and must have upon them every entry that is contained in the ledger. They must also be always available for the use of the collector. The collector, having with him when he calls upon a customer the Pay Card that is a duplicate of the one which was in the first instance delivered to the customer, and which also is a duplicate of the ledger account, is supported in his collection work by a full statement of the business that has been done to date. He is therefore in position to answer any proper questions about the account and to satisfactorily adjust any misunderstanding that may have arisen.

It is an easier matter for the manager to supervise the collection department by sorting over the Pay Cards and using them as a basis of his conversation with collectors and any inquiries that may be necessary to make, than attempting to go through the ledgers. At the same time the ledger keepers, by familiarity with the accounts and noticing how balances are being carried forward from time to time without reduction, are in position to call the manager's attention to all flagrant delinquencies. By the reports of collectors, in the first place, and by the reports of the ledger keepers, in the second place, with the two supplemented by personal examination of the accounts in the convenient form afforded by the Pay Cards, the manager can keep posted on a very large number of accounts with far less labor than would be required upon any other plan.

The daily routine to be followed by collectors is something to which great care should be given on the part of the managing

man. No two collectors left to their own resources will manage the same way, so far as making their returns is concerned, nor in reporting the items of information regarding which the merchant depends so much upon them. Good management, therefore, requires that a definite plan or method be outlined, to which all the collectors of the establishment are held, first for the sake of good discipline among the collectors themselves and the proper tabulation of results, and second, and more particularly, for the benefit that system has upon the routine work of the office.

If any argument were needed in support of the proposition that it is essential for the manager of the collection department to keep everything up to date, and that he should always conduct his affairs in a forehanded manner, it is afforded by what occurs when, through careless system or negligence, a collector calls upon a customer the next day after a payment has been made at the office. Such an occurrence is very annoying, and, in many cases, the customer sees therein the opportunity, ill naturedly, of course, to reflect upon the business system of the establishment, if not upon its integrity. All this follows simply because a slip has occurred.

Such an event as a collector calling for an amount after it has been paid may proceed from either of two sets of circumstances. In the first place, a customer's account may be past due, and the manager in charge of the lease accounts, noticing that the payment is in arrears, may make a special point of putting this customer's card on the collector's list for special work the next day. Route lists, of necessity, are made out a day, or at least a few hours, in advance of their use, and, as it sometimes happens, the customer comes in with the payment just after the collector departed with orders to make a call upon him. Again, it is possible for a customer to anticipate his payments by one or two days. In such instances, if the customer's card is not at once withdrawn

from the route list, in case it has been there entered, or if the payment is not at once entered on the cards, in case the card is in the daily or weekly case, there will be the same annoyance.

The remedy, as already indicated, is to have the work well in hand and to make instant changes in collectors' route lists whenever payments are received. In turn, if the customer calls after a collector has gone out with the card, it is necessary, in order to avoid misunderstanding, to inform him that the collector is already en route to his place, and thereby forestall the righteous indignation that otherwise he might feel called upon to express. The rule should be rigidly enforced in the office that daily, before the bookkeepers close their work, every card representing an account on which a payment has been received during the day shall be properly posted, thus preventing the chances of accident of the kind above referred to.

A COLLECTOR'S ROUTINE

The pay cards, which form the basis of the collector's work, are kept sorted with respect to routes of collectors, and also with respect to dates. When a collector has had delivered to him the pay cards representing his work for the day, he first arranges his route list by a proper sorting of the cards. As he meets each of the different customers he records upon the proper pay card the amount collected, and also enters upon the customer's duplicate the same amount, in each case adding his name or initials. Where the customer fails to pay or is absent, and where there is any other fact encountered which should be reported to the office, he records the same in the column of the pay card called "Collector's Report" by means of the code number or letter. Thus a collector's pay cards collectively become a complete report of his daily work.

Reporting to the office at the close of the day, the collector summarizes the results of his work by entering upon a collection book, which may be characterized as an auxiliary cash receipt book, the names of the customers who have paid, at the same time turning over to the cashier his pay cards and the money that he has collected. The pay cards, as elsewhere described, next become the posting medium to the Instalment Ledger, while the amount of cash turned in is entered in lump in the cash book, with the amount properly extended in the columns to the credit of Instalment Ledger. The collector's work for a day ended in this way, he is ready to receive the cards for another day's effort, and so the routine continues.

In many establishments customers' cards, kept assorted in cabinets, as elsewhere illustrated in this volume, are always within reach of the collectors and office employees. The collectors in such cases are required to take from the cabinets, day by day, those cards which represent the routes or districts specially assigned to them. The cards are returned to the cabinets by the ledger keepers after the posting, as elsewhere described.

Whether a collector is regularly to call upon a customer or the customer is to make payments at the store is a fact very generally determined by conference with the customer at the time the sale is made, or subsequently, as the case may be. A collector, when he learns that he is to regularly look after a given account, always has the opportunity of making himself agreeable to the customer and learning through conversation just what hour of a certain day in the week it is most agreeable to have him call for the money. A good collector is always sure to be on hand at the appointed place at as near the stroke of the clock as possible. Promptness of this kind is conducive to regular payments upon the part of the customer. Collectors have the opportunity of regulating their engagements so accurately, by intelligently adjusting the wishes of one person with those of others, and from time to time indicating their own convenience, in a way to bring nearby places close together in point of time, that they can arrange to call upon their customers week after week without the danger of so much of a variation as fifteen minutes from any fixed hour.

Among the duties with which collectors should be specially charged is that of promptly and accurately reporting removals of customers from one place to another. Where the collector encounters a change of address he should record the same upon the pay card by drawing his pencil through the old address and writing the new in its place. On his return to the office he

should enter a change of address in the proper place in the Change of Address Book, and at the same time should place his initials in the column referring to customers' cards, thereby indicating that the change has been posted to the customer's card. The interests of the office will also be served if he changes the address on the customer's duplicate, because in frequent instances the customer's pay card is brought to the office with a payment, and the change of address thus noted on the face facilitates the necessary office references.

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CANCELLED SALES

In an instalment or credit business it occasionally occurs that sales are cancelled after they have gone so far as to be entered in the books and a cash payment made. The bookkeeper or business man then has presented the question of how to dispose of this entry.

So far as the goods are concerned they must be restored to stock that is charged to Buying Account at cost prices. So far as Selling Account is concerned, it must be charged with the goods at the price at which they were sold. Proper reverse entry must also be made between Buying and Selling Accounts. So far as the customer is concerned, he must be credited with the amount for which he has been debited. In turn, he must be charged with the cash that is refunded to him.

The best plan, therefore, is to treat the goods the same as goods returned, elsewhere described in this book, with the proper credit posted to the customer's account, as described above, whether in the Instalment Ledger or among Sundry Debtors. For the cash refunded a proper voucher should be made and duly numbered. In due course the amount thus paid out will be posted to the debit of the customer's account, with proper notation of the voucher number, thus closing the account.

The rule to be observed in the cases of cancelled sales, more briefly expressed, is to reverse what was done when the goods were charged. This applies as well to the cross entry between Buying and Selling Accounts as to other matters.

MERCHANDISE RETURNED

In other parts of this volume we have shown the necessity of properly recording goods coming into the establishment that are bought from manufacturers or dealers to sell again, and also we have dwelt upon the necessity of recording prices so that as the goods are sold the difference between cost price and selling price may be noted in a way to form the basis of the cross entry between Buying Account and Selling Account. If care is so necessary in these details with respect to the goods that are regularly bought and sold, then care should also be taken in the matter of taking back goods that have once been sent out, that the necessary entries may be properly made. As a rule, merchants are careless in this regard, but carelessness here would disarrange the general system in a way to cause confusion where otherwise only orderly methods prevail, and to defeat the end in view.

Goods that have once been sent out can come back for either of two general causes. The goods may have been sent out simply on approval and charged to the customer, or they may have been charged to the customer, supposing that he would retain them, and afterward he expresses the desire to exchange them for something else. These two cases are practically the same, and all goods so coming back are, of course, to be credited to the customer at the price at which they were charged to him, and are to be taken back into stock with Buying Account debited at their original cost.

MDSE. RETURNED. No. 189

J. F. BROWN & CO'Y
8-9-7 QUEEN STREET EAST
TORONTO, _____ 189__

Go to _____ Customer's Ledger No. _____

for the goods described below. These goods are to be put in _____

Other instructions: _____

Carter _____ Received only the goods that are checked and initialed. _____ Warehouseman _____

QUANTITY	ARTICLES	No.	COLOR	MARKER	CUSTOMER
		1			
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REMARKS _____

ORIGINAL—TRUCKMAN'S OR CARTER'S DIRECTIONS,—(EXAMINE SUCCESSIVE PAGES)

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The other case is where the customer fails to keep up his payments and the goods are either voluntarily surrendered by him in satisfaction of the account or are forcibly seized by the dealer. In either of these latter cases the price at which the customer's account is to be credited is one thing, and the price at which the goods are to be taken back into stock is altogether another. The price to be credited to the customer's account would be determined in the one instance by negotiation, and in the other by the amount in the account remaining unpaid. In neither instance have these figures any particular relationship to the real value of the goods. In some sections of the country where goods are seized a formal appraisal is necessary in order to determine the amount of the credit to the customer's account. In some instances it is necessary that the goods should be sold for the customer's account, in which instance the installment dealer may or may not be the purchaser.

So much with reference to the general conditions that prevail and which are stated here in order to introduce to the reader's attention a proper form of procedure in such cases. The truckman or carter who is sent after the goods should have definite instructions where to go and what to do, whether they are goods returned by customers for exchange, or other good reasons, as mentioned above, or goods that have been used which are to be credited to the customer's account at prices to be subsequently determined. He should be fully informed as to what articles he is to obtain. In all probability his instructions will be to deliver the goods to the warehouse. Then the warehouse keeper, in turn, should have similar information relating to the disposal of the goods that are put in his charge. He requires to know also where they come from and the name of the customer. It is also necessary to have proper records in the office of the transaction.

One general form and a single writing can be made to answer

MDSE. RETURNED. No. 189

J. F. BROWN & CO'Y
8-8-7 QUEEN STREET EAST
TORONTO. 189

Go to _____ Customer's Ledger No. _____

for the goods described below. These goods are to be put in _____

Other instructions: _____

Carter _____ Received only the goods that are checked and initialed. Warehouseman

QUANTITY	ARTICLES	PK.	COLOR	MARKS	CUSTOMER
		1			
		2			
		3			
		4			
		5			
		6			
		7			
		8			
		9			
		10			
		11			
		12			
		13			
		14			
		15			
		16			
		17			
		18			
		19			
		20			
		21			
		22			

REMARKS _____

FIRST CARBON COPY—WAREHOUSEMAN'S RECEIPT

the purpose by the use of carbon sheets, especially if the several copies be varied in the color of the paper upon which they are printed, in order to distinguish them apart, and also in the rulings and printed headings enough to adapt them to the different uses.

Forms for this purpose that are in satisfactory use in a leading instalment house are submitted in this connection, and are arranged on successive pages in the way in which the different sheets would appear when prepared by the carbon process above mentioned. The printing on the first and second, it will be noticed, is the same, and is in the form of instructions to the truckman or carter, while on the third the printing is somewhat varied, being in the form of a receipt. The first is the truckman's directions, the second is the warehouseman's receipt, while the third is the office copy. The latter is essentially the inventory of the goods coming back into the establishment, and is to be treated accordingly. The prices which are extended upon the warehouse receipt represent the credit to the customer's account, while the prices extended upon the third sheet or office copy represent the charge to Purchases or Buying Account—the figures at which the goods are returned to stock.

Examination of the form will show that line numbers have been run down the centre of the sheets. This is for the purpose of facilitating the work. Requisitions for goods to be returned, like all others, should be numbered in series, the first set, for example, being No. 1, the second No. 2, and so on. Then, by combining the number of the slip with the number of the line, there is given an indication of goods by which it becomes easy to identify any article of a given lot. This plan also affords a method of reference for use in tagging the goods and making proper references in the cost book. It frequently happens that it is necessary to keep a given lot of goods returned in storage for some time before they can be disposed of, either in the sense of return-

MDSE. RETURNED. No. 189

J. F. BROWN & CO'Y
2-6-Y QUEEN STREET EAST
TORONTO, _____ 189__

Received from _____ Goods Bought Record No. _____

the goods described below, and have credited his account in Ledger No. _____ with the amount as shown.

QUANTITY	ARTICLES	No.	COLOR	MASS	In PURCHASE
		1			
		2			
		3			
		4			
		5			
		6			
		7			
		8			
		9			
		10			
		11			
		12			
		13			
		14			
		15			
		16			
		17			
		18			
		19			
		20			
		21			
		22			

REMARKS _____

SECOND CARBON COPY—OFFICE RECORD OF CHARGE TO BUYING ACCOUNT

ing to stock or selling. In such cases it is very essential that the goods should be tagged in a way to be identified without possibility of mistake. A convenient plan of tagging, therefore, is to combine the slip number with the number of the line on which the article is recorded. For example, using the forms submitted herewith which represent Requisition No. 189, the tags are written 189-1, 189-2, 189-6, etc., which would mean Lot No. 189, article 1; Lot 189, article 2, and Lot 189, article 6, etc.

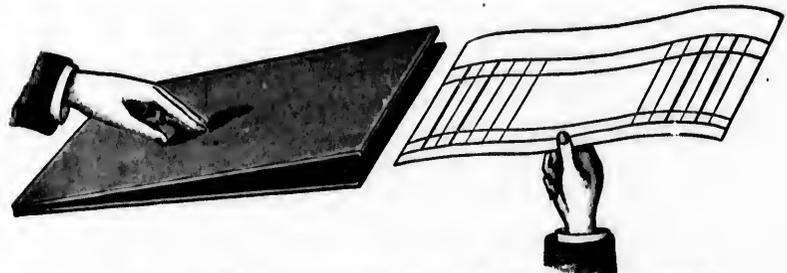
Again referring to the blank form, it will be seen that space is provided for entering the customer's ledger number on the copy used as the warehouse receipt, and which contains the credit to the customer's account. On the other hand, on the copy constituting the office form, space is provided for entering a number taken from the Goods Bought Record or Purchase Record, thus connecting the form in each case with the accounts to which it refers. The space provided at the bottom of the blank, entitled "Remarks," may be used for the record of any facts which have a bearing upon the transaction, and which are not provided for above.

PRESERVING ORIGINAL PAPERS

A leading feature of the Self-Proving Accounting System is the employment of original entries in a way to avoid copying into sales book, journal and other auxiliary books, as is commonly done. The auxiliary books of these names are in this system only registers of the original documents. The salesman, after he has ascertained the wants of his customer, enters the order in a way to provide (1) the invoice, to be given to the customer; (2) the sales book record, to be retained in the office, and (3) the directions to the shipper. This is all accomplished by one writing, by the use of carbon or transfer paper. In turn the delivery sheet necessary in the shipping department is also managed in a way (1) to embody the directions to the carter or truckman, including a receipt for the goods, to be signed by the customer, and (2) a memorandum of the delivery, to be retained by the customer, also all by one writing.

To make a single writing answer for several purposes is only the best modern business practice intelligently applied, but to make the same entirely satisfactory for use requires an adequate assortment of blanks and proper appliances for preserving the forms and keeping them after they have been filled out. In another place we have described order sheets and invoices, and in still another place we have similarly discussed the forms useful in the delivery department. In all these cases there are required proper blanks and conveniences for handling the same. To the latter we now direct attention.

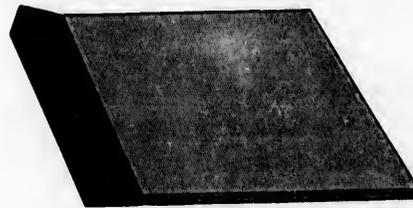
There are a considerable number of clips, order holders, post binders and transfer cases in the market, which answer a very satisfactory purpose, and therefore we have nothing original to present in this regard. Our illustrations are chosen from regular



INSERTING A SALES SHEET, WITH ITS DUPLICATES AND CARBONS IN A HOLDER.

catalogue goods, and are introduced in this place simply for the purpose of better explaining methods.

When an order or invoice is to be entered, or any other document is to be filled out, of which one or more carbon copies are required, there is need of a holder to keep the several sheets in cor-



THE HOLDER CLOSED.

rect position. A device adapted for this use is shown in two positions in the first and second of the accompanying engravings. The first shows it open, with the order sheet and its complement

of carbons and duplicates being inserted, and the second shows the holder closed, as it would appear lying on a desk. The holder here shown may be described as a pair of boards joined together at the



A LOCKED POST BINDER, PARTLY FILLED.

back by a strong clamp, the whole being properly finished to secure durability and neat appearance. The device is so constructed that it will hold firmly any number of sheets up to one hundred.

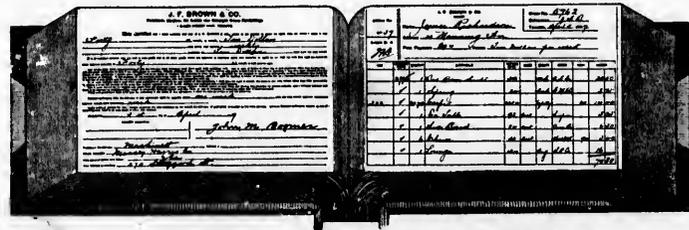


A TRANSFER BINDER, PARTLY FILLED

It is quickly opened for putting in or taking out the sheets, and is just as quickly closed after the sheets are inserted.

For filing the invoices and other similar papers after they have been properly filled there is required some device adapted to re-

ceive the sheets one by one as they are ready and to hold in permanent place all that are put in and to present the entire lot in a form equivalent to a book. For purposes of this kind there is nothing available at present that is better than a post binder, one style of which is illustrated in the third of the accompanying engravings. A post binder consists of a pair of board backs, each furnished with a hinge near one edge. In the hinged portion of one of these backs two rods are firmly secured in place, while through the hinged portion of the other holes are punched which permit the cover to slip down over the rods. A locking or clamping device is provided adapted to fasten the second cover down tight against whatever



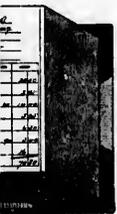
A LOCKED POST BINDER, FILLED AND OPENED NEAR THE MIDDLE

number of sheets have been put in place between the two covers. Accordingly, the device is expansible to the limit of the length of the posts. The several sheets to be contained in the binder are perforated in a way to correspond with the posts over which they are placed. When the binder is closed by clamping down the second cover, as mentioned, the contained sheets are held in position as shown in the cut. To illustrate the kind of a book that results from the use of such a binder we introduce the fifth cut in this series, which shows a binder filled and opened near the middle, as would be required in a case of reference.

Books of loose sheets made up in this manner are much to be preferred over the old style bound book. The books so constructed may be kept without change, or, by way of economy, after the binder is filled, the sheets composing the book may be transferred to a cheaper device for permanent preservation, one style of which is shown in the fourth illustration. This transfer binder consists of a pair of stout covers, with threaded metal rods and thumb screws for closing down the cover.

There are several varieties of arch files in the market which are adapted to hold temporarily papers like invoices, memorandums, records of measurements, &c. They work upon much the same plan as the post binder here illustrated, using sheets punched to correspond with the wires. They have the special advantage over the post binder of permitting the ready removal of any paper without disturbing the others. Such devices are useful auxiliaries in an office and are practically indispensable wherever a complete and adequate system is to be maintained. From time to time the arch file is emptied and its contents removed to a transfer binder of suitable construction for permanent preservation.

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COMPLAINT AND INFORMATION BOOK.

In the office of every merchant who conducts business upon the instalment plan, and who accordingly has a special interest in the welfare and standing of his customers, as well as in their good will, there should be maintained what may be described as a Complaint and Information Book. This may be an ordinary blank book, without any special ruling. It is to be kept very much as a diary, with dates of entries from time to time. In the event of the entries in the book being made by different persons they are to be properly initialled or signed.

Whenever a customer, either by personal call or through the medium of a letter addressed to the house, or in the form of an oral communication to the collector or to some other employe, makes a complaint, no matter to what it refers, an entry to that effect is to be made in this book. In turn, any information that relates to a customer, or that bears upon any fact whatsoever in connection with the business, that comes to the knowledge of an employe of the concern, is likewise to be duly recorded in this book. The book thus conducted becomes the repository of a vast fund of information of the greatest importance to the business, and therefore is to be systematically and periodically inspected by the proprietor or managing man, in order to see, first, what the drift of the complaints are, with a view to correcting whatever is wrong in the management or administration of the establishment, and, second, to see that every reasonable demand has been promptly attended to. Efficient work in this regard both makes and keeps

friends. After a complaint has been investigated, the facts ascertained and the matter disposed of, an entry to this effect should be made below or across the complaint over the initials or name of the person who has given it special attention.

The information that may be recorded in a book of this kind includes the various statements that are made from time to time by customers who call at the office, of reasons for not paying at a certain date or promises to pay at some future date. Information of this kind should at once be brought to the knowledge of the collectors, so that they may act accordingly. If a systematic record of these statements is kept, with proper memorandums transferred from time to time to the file of pay cards, or otherwise brought to the attention of collectors, the effect will be to hold customers to the letter of their promises, thereby greatly facilitating collections. Other items of information to be recorded include all the facts picked up by truckmen and other employees concerning the customers of the establishment, their removals and their circumstances in general. In short, the Complaint and Information Book is a general "blotter," receiving everything that is offered, and from which the different items bearing upon the conduct of the business are culled and posted to the records appropriate thereto.

CHANGE OF ADDRESS BOOK

A systematic record of the changes of addresses of customers is a prime requisite in every establishment doing an instalment or credit business. When it is recalled that a very moderate business in this line will have as many as three or four thousand accounts, and that stores of the average size will have perhaps twice as many, while numerous establishments are to be found with from twenty thousand to fifty thousand accounts each, the importance of a definite Change of Address System becomes apparent. The outside men of the establishment, including collectors and tracers, are the ones who are specially able to report changes, but unless these changes are systematically recorded in the office when reported, what the outside men have done is of no particular advantage.

The book provided for change of addresses by the Self-Proving Account Book Company is arranged upon a plan that has been found very advantageous in actual use. It is ruled with a date column on the left, then with a space for the name, following which is a space for the old address and then a space for the new address. There is also a column for a check mark, or, preferably, the clerk's initials in posting the change of address to the customer's pay card or the collector's book, and another for recording the posting of the change to the name index, and still a third for posting to the street directory, if the latter book is maintained. Collectors, bookkeepers, clerks, salesmen, delivery men, and all others connected with the establishment, should be urged to

systematically report to the clerk in charge of this book every change of address which comes to their knowledge; and in turn, the clerk in charge should be held for proper postings to the other records as above mentioned.

The postings from this book, which in itself the bookkeeper would regard merely as a journal, or posting medium, should be made as regularly and as systematically as are, for example, the postings of amounts from the Sales Record to the customer's account. Any laxity or carelessness in this regard is fatal to the system. Surely it is little comfort to the merchant to find that

CHANGE OF ADDRESS BOOK									
Date	CUSTOMER'S NAME	NAME	CITY	STATE	FORMERLY AT			REMOVED TO	
					No.	St.	No.	No.	St.

FACSIMILE OF CHANGE OF ADDRESS BOOK. (COPYRIGHT 1897 BY J. F. BROWN AND A. O. KITTREDGE.)

some time or other he has lost an account simply by reason of the carelessness or the negligence of some one in his office. Many losses occur simply because of the neglect of some one in matters of this kind.

In some well conducted establishments the Change of Address book is kept in a prominent place in the office, accessible to every collector and delivery man, and to other employes of the establishment, and the rule is made that every one who knows of a change of address shall record the same in the book as soon as the fact comes to his knowledge. By this plan the entries in the change of address book are in the handwriting of the persons getting the information, and, with the date, it shows at

what time the information was reported to the office. In turn, as use is made of this information, or as lack of information concerning an address is discovered, there is opportunity to give proper credit to the one who has supplied it, or fixing the responsibility upon the one who has failed to report a change of which he was cognizant, as the case may be. The larger number of entries, of course, would in this case be in the handwriting of the collectors, because they, of all connected with the establishment, are most likely to encounter facts concerning changes of address.

It sometimes happens that it is known that a certain customer has left a recorded address, but the new address has not yet been ascertained. Such facts may be distinguished from others by having the entries made in red ink. Red ink on the Change of Address book, therefore, would be in effect a danger signal, and would call the attention of every one in the store and office to the fact that the address of a customer who has departed, leaving no record behind him, is needed. Every one, therefore, would be stimulated to do his best to ascertain the new address and to complete the record in his own handwriting.

Referring again to the form of the Change of Address book presented herewith, it will be seen that it is not absolutely necessary that the red ink plan be resorted to, because the lack of particulars in the new address column would in itself be sufficient notice to all who have occasion to refer to the book that additional information is required.

However the book is arranged and managed, there should be special efforts made to impress upon all employes of the establishment the necessity of maintaining it up to date, and the burden of responsibility should be made to rest especially heavy upon the collectors, delivery men and other outside employes of the concern.

STREET DIRECTORY OF CUSTOMERS

It is to the advantage of every credit merchant or instalment dealer, particularly in the furniture business and doing a large trade, to be able to designate on call the houses in the town or city which contain goods in which he is interested, upon the basis of lease, contract sale or upon chattel mortgage. Second-hand dealers are loath to buy goods, the title to which is in the least clouded, and, with a wisdom begotten of experience, it is their habit where goods are offered them to inquire, so far as they have the opportunity, whether they are in any way covered by mortgage or contract. In seeking this information it is not unusual for them to approach the instalment merchant with specific questions. The instalment merchant in turn very readily gives the information desired and cordially invites the second-hand dealer to come again, simply because exchanges of information are greatly to his advantage, frequently giving him timely information of what dishonest customers are trying to do.

Another class of people who are interested in information of this kind are those who make a business of lending money on chattel mortgages, or upon the basis of a bill of sale on furniture and household effects. For reasons already explained people in this line of business want to know positively in whose name is the title of the goods in question, and for reasons above explained they also are frequently willing to call upon the instalment dealer for the purpose of asking whether or not he has goods in such and such a building, on such and such a street. The name that has been given

to the money lender or to the dealer in second-hand goods is very frequently different from that known to the merchant, and therefore the only form of record which would meet requirements is of the nature of a street or building index, so marked as to indicate that goods belonging to the merchant directly or indirectly are located therein.

Different plans are in use of records of this kind, several of which will be described. Each plan outlined is best for some particular place. It is impossible to specify which is best to use in a given instance without knowing in advance various conditions and circumstances. Sometimes the street and house index can be based upon a map, and in other cases it is based upon an abstract of the street directory in the official publication of the town.

Where maps drawn to a very large scale can be readily obtained, showing each individual house to such dimensions as would permit sticking into the same a pin or tag, a plan analogous to the routing system used by large mercantile houses is available. The map is subdivided into sections of proper dimensions to fit the drawers of a commercial routing cabinet. The divisions may be with respect to wards, or to general localities, according to the discretion of the managing man. A very good plan is to subdivide the map with respect to collectors' routes or districts. By whatever plan the map is subdivided each of the several sections is mounted in a drawer and the cabinet containing all is placed in a convenient position in the office. A series of tags with pin points is provided, either all of one color where the sales are upon a single plan, or of several colors where several plans of selling are employed. Each tag is large enough to receive upon its face a sales number and on the back a designation of the street and number to which it is devoted. Whenever a sale is made in the establishment, and at the time the ledger account is opened, one of these tags is filled out, marked on the face with the sales number or ledger number or

both, as preferences may be, and on the back, in the briefest possible manner, with an indication of the street and number for which it stands. This tag is then taken to the drawer containing the map that shows the street and house and it is properly stuck in place. It thereafter stands as the record of the fact that there are goods in the house indicated in which the merchant has an interest of the nature indicated by the color of the tag.

When a money lender or dealer in second-hand goods approaches the merchant with an inquiry if he has goods in a certain house a glance at the drawer of the cabinet, revealing the presence or absence of a tag, is sufficient to determine the answer. Again, if a salesman or driver or other employe of the establishment, notices that goods are being removed from a certain building and has a suspicion that the merchant is interested in goods located at that number, a glance at the drawer also gives the facts of the case and most satisfactorily answers numerous questions which would otherwise arise in the office preparatory to taking such steps as are necessary to protect the merchant's interest.

Where the cabinet of maps is not resorted to a plan that is found to answer an excellent purpose is that of recording in a book appropriated for the purpose the numbers seriatim on the different streets making up the inhabited portions of the city. There is first put down the name of the street and then on the left hand of the page the numbers on one side of the street and on the right hand page the numbers on the other side of the street. The book used should be wide enough to allow ample space for writing names opposite each of these numbers without any conflict in the middle of the page. A good plan is to rule a line down the centre of the page, keeping the entries to the right and left of it, as the case may be. As goods are sent out on lease or mortgage to a house in any street this directory book is opened and the name of the customer, with date and number of order, is recorded opposite the

house in which he resides. In the case of removal a red ink line is drawn through the name and underneath, in red ink, is written "Removed to," following with the new street and number. Then as against the new number, on whatever street it may be located, an entry is made, the same as in the original case.

A rigid enforcement of this rule of indexing the location of goods does not cost much in office system and the expense involved is trifling indeed as compared with the information that is thereby furnished and the bearing that it has upon the quick turn which a merchant is sometimes required to make to protect his interests. Manifestly, the work of indexing cannot be done by any one else than a person entirely familiar with the town to which the index applies.

The scheme of street directory for indexing the location of goods above described is hardly applicable without modification in the large cities where flats and apartment houses prevail, from the fact that so many lots of goods are possible to be located at a given number. There are some buildings in the largest cities, for example, that have as many as fifty suites of rooms or apartments for what is practically a single number on the street. Under these conditions some change in the plan is necessary, according to the circumstances of the case. The special difficulty here referred to would be harder to overcome upon the map plan, perhaps, than upon the street directory scheme last outlined. In the latter case, where it is known that a certain number refers to a flat or apartment house, several lines or spaces in the arrangement of the book can be provided, thus affording the chance to record a number of customers opposite the one number.

Still another plan of street and house indexing which has the approval of certain merchants and office men utilizes the conventional card index for the record. The colored division cards in the index stand for the streets and are written up from the list of

streets published in the street directory. These division cards are usually a little wider than the regular cards in the tray. Each of the regular or subordinate cards coming between these divisions bears a number representing a lot or building. Whenever a sale is made the card representing the building to which the goods are delivered is withdrawn from the tray, and thereon is recorded the name of the customer, the number of the sale, the ledger number and such other particulars as may be desired. The card is duly replaced and is then ready for reference whenever any information concerning that street and number is demanded. Where there are several apartments or flats at a certain number this fact is recorded upon the card corresponding to the number, with proper reference to cards immediately following. Each of these bears a sub-head referring to the first card and is devoted to one particular flat or apartment and in turn carries the same general record as described above.

REPAIRING AND JOBBING

In connection with every merchandising business, whether in the furniture line or in some other branch of trade, there is very often encountered the necessity of maintaining a repair or jobbing department. A customer wishes an article of furniture, for example, repaired, and naturally turns to the merchant from whom it was purchased for the necessary work, first, because the merchant has a special interest in the goods, assuming that the sale has been made upon lease or contract conditions, and, second, because it is to be supposed that the customer is better acquainted with the merchant from whom he made the purchase than with any other. It is to the interest of the dealer always to tender facilities in this regard, merely for the purpose of conserving his general trade.

The repairing of a customer's goods demands a certain amount of new material and consumes a certain amount of labor. There may also be involved the item of cartage, in the sense of sending for the article and returning it. So much for the description of the cost items of one class of transactions which may arise, and which should be treated as follows:—The customer is to be debited with a fair charge for the work done and service rendered, which is either charged in account or is collected for at the time. If such transactions are numerous a special Repairing and Jobbing Account should be opened to receive the credit for the charge. This account, in turn, is to be debited with the exact cost, whether materials or labor, or both, as the case may be.

Then the balance in this account will show the profit or loss, as the case may be, following upon such work, and is to be closed from time to time into the regular Loss and Gain Account of the business. That is to say, it is to be conducted precisely as a manufacturing department, which is more fully described in another portion of this volume.

Where the repairing is only an occasional item, and the volume of the business does not warrant a special account, as above described, the entries may be managed through some of the expense accounts of the business, always choosing that which by its nature is most nearly related to the work done. The expense account, whatever may be its name, stands the cost and also receives the credits. The profit in the transaction in this case serves simply to reduce the general volume of expense represented by the account through which the transaction has passed.

Still another plan is available. By the use of a Repairing and Jobbing Record, which shows the cost of each transaction and also shows the price at which the service is charged, the repairing and jobbing may be run through the Selling Account. In this case Selling Account is to be debited with the cost of the work, labor, materials, etc., with proper credit to Buying Account for the materials consumed and to the other accounts for the labor and other items involved. In turn, Selling Account receives credit for the amount charged for the service, and the gain (or loss) passes through the regular channels, as heretofore described.

The second class of requirements that devolves upon the repairing and jobbing department of a store are those which arise in the repair of goods damaged in transit and in the alterations in goods which are sometimes made to please customers. Repairs that are made to goods in transit, in the sense of replacing what has been lost or damaged, are, of course, chargeable either to the

transportation company or to the shipper, according to the terms upon which the purchase was made or the transportation of the goods undertaken. In some cases the repairs may be at the cost of the merchant. However this may be, a record of the cost of each individual job must be kept and the item charged to the proper person or account. This will be the manufacturing company supplying the goods or the transportation company, if the cost properly belongs to them. It will be Buying Account if the cost properly belongs to the merchant. In each case there must be the credit to the proper expense account, in case that plan is employed for managing such transactions, or to Repairing and Jobbing Account, in case a special account for such transactions has been opened up, as above suggested.

In the case of alterations of goods to meet the requirements of customers, the cost of the alteration necessarily becomes a part of the cost of the goods, in which case the charge is, of course, made direct to Buying Account, with proper credit to the expense account, or to the account with Repairing and Jobbing, in case a regular department for this purpose is organized.

The one thing to guard against, and the one mistake very commonly made by inexperienced managers in matters of this kind, is making the repairs or the alterations, as the case may be, and taking no account of them whatsoever. The result of this is that the concern, as a whole, stands an expense without the expense being specifically charged to the department or account to which it rightfully belongs, and without the proper contra account getting its credit. Good accounting and proper administration of the business demand that no repairing shall be done without, first, a record of cost; second, a proper charge for the work done, and, third, a proper credit to the account debited to such transactions. It is not enough, in a case of repairs in the interest of a customer, that the customer is charged and that the

credit goes somewhere—for example, to Selling Account. The customer should be charged, and at the same time the credit should go to the account to which, upon the scheme of classification that is at the outset decided upon by the establishment, it belongs. Nor is it sufficient in the case of repairs to goods in stock that the work is done and the labor paid. The proper account, in this case Buying, must be charged with the cost and the contra account credited. The entries between the different accounts in the books affected by such a transaction should be as carefully and correctly made as would be the case between individuals. Upon the thorough administration, in this regard, of the system adopted depends the accuracy of the results shown from time to time in the way of profit or loss.

SEWING AND LAYING CARPET

In instalment stores doing a moderate business the sewing and laying of carpets, making and hanging of draperies, curtains, window shades, etc., is scarcely of sufficient importance to warrant the name of a manufacturing department. It is expedient, therefore, to regard this work as a part of the regular Selling Account, keeping upon the order slips and requisitions for material the cost of labor and all other items, in such a way as to give the proper accounts credit for what they supply. By this plan the total costs go into Buying Account, and Selling Account gets the credit, being first debited with the costs from Buying Account as the items are charged. The balance in Selling Account would then show the gross profit on transactions of this class as well as on others.

These conditions prevail whether the sewing and laying is a matter of a specific charge or lumped into the price of the carpet laid. Whatever in the way of labor and materials is expended in this regard is an additional cost of the merchandise sold, and must be properly recorded. The records are to be kept in such a way as will conform with the underlying principle here explained, and show at all times in the balance of Selling Account the gross profit made on the transactions.

For all such purposes as sewing and laying carpets, making and hanging draperies, making and putting up window shades, etc., an adequate system should be provided that not only will take care of the materials consumed, but also the labor, in a way

to keep the office at all times informed of what is being done, and ultimately what is to be paid. We present in this connection a tag system that has been found to work very satisfactorily in carpet work. Something similar, properly adapted to the requirements, would work equally well in other directions.

An ordinary shipping tag is used and is so printed with "raised leaders" between the sections as to readily separate into

FROM
J. F. BROWN & CO.
 Carpets, Oilcloth & Furniture
 6 & 7 QUEEN ST. EAST

..... Yds
 No. 873

..... Yds laid by
 Carpet Layer must present this Check when asking settlement.

No. 873

..... Yds sewed by
 Carpet Sewer must present this Check when asking settlement.

No. 873 Date.....

..... Yds Carpet delivered to

Sewed by.....
 Laid by.....
 Order No.

FACSIMILE OF COUPON TAG FOR KEEPING TRACK OF CARPET WORK

four parts, as indicated by the reduced fac-simile presented herewith. The entire tag, bearing the name and address of the customer in the upper section, with notation of the number of yards, is attached to the roll of carpet. The lower part, or first coupon, carries the sales number and is the office record of the persons to whom have been entrusted the sewing and the laying. It also car-

ries the serial number of the tag, the date, the number of yards of carpet and the point to which the carpet is to be delivered. The second coupon also carries the serial number, and is the sewer's voucher. As will be seen by the conditions printed on its face, it is a check that must be presented at the office when demanding a settlement. The third coupon, likewise carrying the serial number, is the layer's voucher, and must also be presented at the office by the layer when he requests a settlement. Each of these coupons, it will be noticed, provides space for the signature of the persons engaged.

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OLD LEASE ACCOUNTS

Merchants who have been conducting an instalment business upon some other system, and desire at a certain date to change from the old plan to that which is described in this book, will encounter at the outset the problem of handling the old leases. The question that arises is, what is the best rule to follow in handling the old accounts that have been carried along in the shape of leases? In many cases a single customer has several leases in operation, with balances owing on all of them.

It is advised under such conditions at the outset to group these various balances into one amount, and to place that amount against the customer's name in a single ledger account. This done, the old leases are left in operation, so far as the collector's work is concerned, to be closed up in the usual way, with all the money that comes to hand credited in the ledger in the regular way, against the consolidated balance there recorded, until the last balance of the last lease has been discharged.

The several numbers of the old leases should be noted on the face of the ledger account, in such a way as to facilitate references from the new records to the old. Similar notations should be made upon the leases themselves. As one after another of the old balances are discharged, in the case of customers who are paying under several leases, the numbers will be checked off, so as to constantly keep the bookkeeper informed of the progress of the account.

This plan may be expanded still further and the consolidated

balance entered upon a new pay card, making it, so far as the collection department is concerned, the link between the new and the old, thus enabling the collections to be managed altogether upon the new plan, so far as records are concerned, while keeping constantly before the collector the specified terms of the old leases as they exist. Should a customer who has an old lease in progress want more goods, then it will be necessary to transfer the old balance to the new pay card, with the new charge below it. In this way the account will be managed under one head. Slight modifications of the plan here suggested will be required in certain cases, but the principle laid down will be found to work satisfactorily for all.

AUDITING THE BOOKS

Comparatively few merchants appreciate the advantage of a daily audit of the books of their establishments, either personally or at the hands of a manager or superintendent. Periodical audits are very much the rule at the present time with large concerns in various lines of business. Professional accountants are frequently called in for purposes of this kind, and there is on such occasions a very thorough overhauling of records and vouchers with a view to proving the accuracy of the books as histories of the transactions which have really taken place. These periodical and professional audits, always somewhat expensive, would be less needed if the merchant or the manager of the business followed the plan of a daily audit of the books.

The books in a business office are to be regarded in the same light as the log of a ship, and they ought to be so thoroughly and honestly conducted that there would never be any question as to the accuracy of the record. But, continuing the comparison of a ship's log, where is the captain that would entrust the daily entries in the log to one of the crew without so much as ever supervising the work in order to see that the statements entered were in accordance with the facts of the case? But great carelessness in this regard prevails in the bookkeeping of many concerns and it is not infrequent that entries are made in the books which are incorrect in themselves or of a character to be better left out entirely, simply because they are made at the discretion of an inexperienced or ill advised bookkeeper and are not subject to the immediate supervision of the managing man of the business.

Aside from this many entries of expenses are carelessly made and this carelessness continued ultimately leads to fraudulent en-

tries, all because it is not the rule that all entries shall be thoroughly supervised. Carelessness very often precedes actual dishonesty, and fraud will be very generally avoided by such a rigid enforcement of system as will overcome the tendency of carelessness; hence the advice to merchants and their managers that every entry in the books of an establishment should be audited, checked or approved, using whichever term is preferred, the same as every invoice and voucher is similarly audited or checked. For this purpose, in the books of the Self-Proving Accounting System columns for Auditor's Check are provided wherever the same are likely to be useful.

The plan of using the column marked Auditor's Check is extremely simple. It presupposes a regular daily examination of the work of the clerk upon the part of the managing man, and, as evidence that the work has been examined and approved, his initial or some other mark is entered opposite each entry. Such an examination regularly attended to becomes a matter of routine involving far less labor than would be at first supposed.

This plan has the advantage of holding the bookkeeper or clerk in charge strictly to his lines of duty. It tends to keep everything up to date and overcomes the danger of carelessness previously alluded to, but, over and above all this, it keeps perpetually before the business man or the manager just what is going on in the establishment in a way to make him intelligent in all his directions. It results in system upon the part of the managing man, as well as system upon the part of his subordinates.

The daily audit of details in the manner above described, taken together with an examination of the net results shown by the Private Ledger and Balance Sheet, afford an assurance of an accuracy in the records, a knowledge of the actual progress of the business and a freedom from disagreeable surprises that are worth everything to the business man.

MANAGING THE BANK ACCOUNT

Some bookkeepers maintain a regular ledger account with the bank, debiting deposits and crediting withdrawals. Others, who pride themselves upon their progressiveness, scout this idea and maintain that the only account with the bank that is necessary is that afforded by the stubs of the check book. Still other accountants, who consider themselves in the advance line of progressiveness, discard the conventional check book, with its time honored stubs, and use checks put up in pad or tablet form, with a check and deposit register. The latter has columns showing deposits and withdrawals, and is provided with a special column for balances. None of these plans, however, of keeping the bank account is employed in the Self-Proving Accounting System, but instead the method followed possesses features of all.

Irrespective of the way the bank account may be managed as regards the cash account of the business, the merchant or his manager, whenever a statement of conditions is wanted, will always demand a separation as between the cash in hand, contained in drawer or safe, and the amount in bank, subject to check. Accordingly, in the combined Private Ledger and Balance Sheet, used with the Self-Proving Accounting System, separate columns are provided for these items. However the cash record may be kept, so far as relates to daily receipts and disbursements, and however the bank account may be kept, so far as relates to deposits and withdrawals, there is posted to the Private Ledger and Balance Sheet, day by day, the aggregate of receipts and

disbursements of cash, and the aggregate of deposits and checks in the bank account. The balances in these columns of the Private Ledger and Balance Sheet then indicate at all times the condition of the cash account and the bank account respectively. An extra balance column is provided to receive the figures representing the total of these balances, thus giving the cash resources of the establishment in a single amount.

A few words of advice with reference to the management of the bank account, particularly in regard to records of deposits, based upon long experience, will not be out of place in this connection. It is an excellent plan to make out deposit slips in duplicate, using for this purpose a carbon sheet. Let the original go with the deposit and keep the duplicate slip for reference if required.

Where there are numerous checks, either large or small in amount, this record frequently facilitates the answer to various questions which arise, and no merchant who has employed this plan any length of time would consent to return to a less systematic method. The duplicate deposit slip may be regarded at the time as a voucher, or a record of a cash disbursement, and as such may be put in the cash drawer to remain there until near the end of the day, or until the day's transactions are completed on the books.

Where several bank accounts are maintained, as is the custom with some merchants, some of the extra sets of columns with which the Private Ledger and Balance Sheet is provided, may be utilized for maintaining their separate records. Or, if preferred, all the deposit accounts may be consolidated in the Private Ledger under one head. Questions of plan in this regard are to be settled by the preferences of the merchant, or according to the judgment of the managing man.

BUYING GOODS AND RECORDING COSTS

Enough has been said in the classification of accounts presented in one of the chapters preceding, and also in our discussion of the Merchandise Account, wherein it has been divided into Manufacturing, Buying and Selling Accounts, to indicate the relationship that the purchases of the establishment sustain to the other departments, so far as account keeping is concerned. So much, however, depends upon the way in which the goods are got into the establishment, ready for selling, and the way in which costs are recorded and marked upon the goods, that we are warranted in still further impressing upon the man in charge the necessity of the utmost care in this regard, to the end that the records shall be correctly maintained.

All orders which are given for goods should be kept in duplicate, either by the employment of a book of order blanks with stubs, or by embodying the orders in a letter form and keeping the duplicate of the letter, either made by carbon process or by press copying. This rule should be rigidly observed, whether the orders are given to travelling salesmen, or transmitted by mail to the manufacturer or wholesale dealer. The prices in cases where the orders are given upon a certain stipulation of cost should be recited in the order, so as to avoid all chance of mistake.

On receipt of the invoice from the manufacturer or wholesale dealer, it should be stamped in one corner, and preferably in all cases in the same general position on the bill, in a way to show the date the invoice is received. In addition the stamp should provide

spaces for recording such particulars as the date that the goods are received, checked by, extensions, examined by, prices checked by, etc.; notation of the manager's approval, and the account to which the amount is to be charged, whether Manufacturing Account or some subdivisions of Manufacturing Account, or to Buying Account, and finally, a space for recording the place of the bookkeeper's entry of the invoice.

The manner of filing the invoices is a matter of great importance. Whatever may be the plan employed it should be sufficiently elastic to permit of instant reference to any required invoice at any time. At the same time it should satisfactorily preserve them as against damage or loss. The old plan of pasting in bill books has long since been superseded, and the plan of filing in an ordinary letter file, which was in vogue some time since, has also given way to the better plan of putting the invoices away in a file which is constructed with hinged covers and posts or pillars between the covers arranged to pass through the paper, and with a clamp that fastens the top cover to the pillars, at any point, thus making it adjustable as required for the addition of bills or invoices at any time.

One of the uses to be made of the invoice, in addition to the checking of goods, prices, etc., already referred to, is that of furnishing prices to the cost book. If the goods in the establishment are known by lot numbers, the lot numbers should be entered upon the face of the invoice in a way to refer to the cost book, and the entry in the cost book should be made in such a way as to refer to the invoice, thus facilitating cross references for all purposes whatsoever.

Almost every merchant has his own peculiar plan for marking cost prices on the goods. Sometimes it is done in cipher or in cost mark figures on tags which apply to the goods as they are put in the salesroom or warehouse, and sometimes the cost prices

are kept in the Cost Record Book alone, with only the reference numbers upon the page. In any event, a cost record book is desirable, and also such a system of references from tags to book as will facilitate comparisons whenever the same are necessary. The Cost Record Book is to be ruled according to the classes of goods which are handled, with columns properly headed, and in this book articles or lots of goods are to be entered seriatim, as the invoices are received. They are, as already mentioned, to be designated by numbers. In the main, manufacturers' design numbers will be found satisfactory for the purpose and more convenient for use than new numbers established upon any system whatsoever.

The particular plan of recording costs and marking costs that is to be employed depends very much upon the character of the goods and the preference of the managing man. Any good plan in this regard will answer the purpose, so far as the Self-Proving Accounting and Business System is concerned, provided it is rigorously enforced and always strictly lived up to, without any lapses or variations. The requirements may be briefly stated as follows:—The cost of every article that goes into stock must be recorded in such a way that when the article is sold the price at which it was charged to Buying Account can be readily ascertained, so as to be used in giving corresponding credit in that account, and in properly debiting the Selling Account.

The basis of cost at which goods are to be put into Buying Account should be the cost of the goods laid down in the store or warehouse. It should be the seller's invoice price, with freight and cartage added. All goods, therefore, are to be charged to Buying Account at cost as shown by invoices, with the expenses of delivery added. The actual cost of the individual articles is to be so recorded by tagging or in the cost book, or in both ways, that whenever the article is sold there may be shown on the Sales Slip

its cost price as well as the selling price. On the unvarying and unceasing maintenance of this record of cost for both the debits and credits of Buying Account, depends the accuracy of the balance in Buying Account, as representing the inventory or the value of goods on hand.

In making the application of the foregoing principles, it is advised that every article of merchandise that is bought to be sold again be tagged, showing in addition to cost price and selling price the source of supply, with the manufacturer's designating number and direct reference to the invoice or other record of purchase. Where the goods or articles are manufactured by the concern itself, corresponding reference should be made to the slips or invoices which accompany the goods in their transfer from Manufacturing to Buying Account, as elsewhere explained in this volume.

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RENT, TELEPHONE, TAXES, &C.

The rent of a store or warehouse is usually payable monthly, but occasionally leases are made payable semi-monthly and in some cases bi-monthly or quarterly. In some part of the country it is customary to pay rent in advance. In other sections the rent is due at the end of the month or other charge period. Telephone services are sometimes paid monthly and sometimes quarterly. They are usually due at the end of the charge period. Insurance is payable in advance, frequently for a period of one year, and in many cases for longer periods, as, for example, three or five years. Taxes are payable annually at the end of the fiscal year in which the levy is made.

A moment's consideration of these several facts will show that there are costs of doing business in matters of this kind accruing from time to time which, so far as individual months are concerned, are not correctly distributed by the payments as they are made. On the one hand, the tax bill may be paid in December, but it is a business charge, one-twelfth of which belongs to each of the several months in the year. On the other hand, the insurance bill may be paid in January for three years' insurance, one-thirty-sixth of which is a proper charge to each of the months of the period.

It is not sufficient to say that on the general average, and after the business is in operation, these various items, taken collectively, even up or balance each other. Good bookkeeping and good business management demand correct accounting for each of these expenses in a way to let each month stand its own proper share of the

burden without excess, nor yet with shortage. It is recommended, therefore, that an account be opened with each of these expenses in such a way that each month shall be debited with its own proper share, letting the account with the source of the expense be credited from time to time, irrespective of the date when the payment of the amount is made. Two illustrations, typical of all such expenses as are here cited, are sufficient for the purpose.

In the first instance we will assume that the taxes on the stock of merchandise and other assets of the business average \$120 a year, and that the tax is due and payable in December. The matter should be treated as follows:—During the month of January an account should be opened in the name of "The Mayor, Aldermen and Common Council" of the city, or in such other name as the tax bills bear, which account should be credited with \$10, or one-twelfth of the estimated assessment for the year, and the proper expense account debited therewith, and similar credits should be made to the account at the end of each month throughout the year, with the proper expense account debited each month in like sum. The account that is thus credited should be placed in that portion of the ledger which contains the accounts of the liabilities of the establishment, or, as classified in this volume, among Sundry Creditors. The account increases month by month, showing the actual liability at all times, until finally, at the end of the year, or whenever the pay day arrives, it is discharged by the payment of the taxes.

With respect to this plan it may be objected by some that it is not always possible to ascertain the exact amount of taxes so far in advance as twelve months prior to the payment. The reply to this is that taxes do not greatly vary from year to year, save, first, where there is an unusual increase or diminution of property reported to the assessor, and, second, where the tax rate varies from that of previous years. These conditions are known by the

business man in a way to enable him to make due allowances in estimating the amount of his taxes for the year. The records of other years, the report that is made to the assessor and the knowledge of the needs of the city or county as affecting the tax rate enable the merchant to calculate the amount very closely. In managing the account with taxes in the way here described it is expedient to assume a maximum rather than a minimum sum as the amount of taxes to be provided for. If after the actual tax bill is received it is found that each month through the year has been charged with a fraction too much, then the amount may be evened up by giving December, or some other month in the latter part of the year, the benefit of the excess which the prior months have borne, or December may be charged with the same amount as the other months and the excess thrown directly into Loss and Gain Account.

The other illustration of expenses of the kind referred to will be in the matter of insurance, where the premium has been paid in advance, we will say, for two years. Assume, for the sake of illustration, that in January of a certain year a premium of \$120 has been paid for insurance on a certain portion of the stock, covering the expense in this regard for the period of twenty-four months. This amount at the time of payment should be charged to an account opened with the insurance company, or the insurance broker through whom the insurance is effected, located in that portion of the ledger containing accounts representing amounts due the business, or, as accounts are classified in this work, among Sundry Debtors. The account, as a fact, is an asset, because if for any reason it is desired to cancel the policy the premium will be returned to the merchant pro rata, or allowed to apply upon another policy, all according to the rules of the insurance company, Debit the insurance company or insurance agent, therefore, with the premium when paid, and month by month charge to the

proper expense account its pro rata amount, crediting the company or agent, as the case may be, in like amount. At the end of the first year, therefore, one-half of the premium will have been consumed, and at the end of the second year the entire amount will have been consumed. As the account has progressed, nearing a balance, the bookkeeper or business man will have been reminded thereby that a renewal of the insurance is in order.

Similar methods will occur to the bookkeeper for managing all other expense costs which are paid either in advance of the charge period or at its conclusion. Care should be taken in all such cases to properly apportion the expense between the different months, in order that the percentages of operating expenses, which it is desirable to work out accurately, shall always correctly represent the growth and development of the business.

If rent is paid monthly no account is necessary with the landlord, but if rent is allowed to go unpaid for a time then an account with the landlord should be credited month by month with the amount due him, so that the proper charge may be made to expenses for the month. If the rent is payable quarterly, then an account with the landlord should be opened up, with proper credit month by month, with corresponding debit to the expense account. If telephone charges are paid monthly, then no account is necessary with the telephone company, but if the bill is settled only at long intervals, then an account should be opened with the telephone company, to be credited from time to time with the cost of the service and debited whenever the liability is discharged.

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AVOIDING CONFUSION WITH SALES NUMBERS

The objection has been raised to the book or sheets devoted to the Record of Sales Numbers in the Self-Proving Accounting System that it is possible for a salesman to take a number from the book, put it upon a pad of sales sheets, and yet fail to record the name of the customer in the record against the number. This would result in the next salesman taking the same number, the duplication producing a state of confusion not at all satisfactory. Two lots of goods would be out bearing the same number, so far as the invoices held by the customers are concerned, and also as indicated by the slips delivered to the shipping department. While this objection has some force in certain establishments, it is deemed to be of very little importance in concerns as ordinarily constituted, and yet it can be readily overcome. Several plans may be suggested for avoiding the difficulty and lessening the danger of confusion among numbers.

The first of these is to establish the rule in the routine of selling that when a number is taken from the Number Record a check mark shall be put against the number before the number is written on the sales blank. After the number has been written on the sales sheet, the name of the customer is to be written opposite the number that has been checked on the Number Record. The effect of this is to show a check mark against the number on the Record, even though the salesman, in his hurry, has neglected to write in the customer's name. The presence of the check mark is as complete a notification to the next salesman that the number opposite it has been used as though the name of the customer

were written there in full. The placing of a check mark against the number becomes, in a short time, so much a matter of habit to the salesman as to make mistakes in this regard extremely rare.

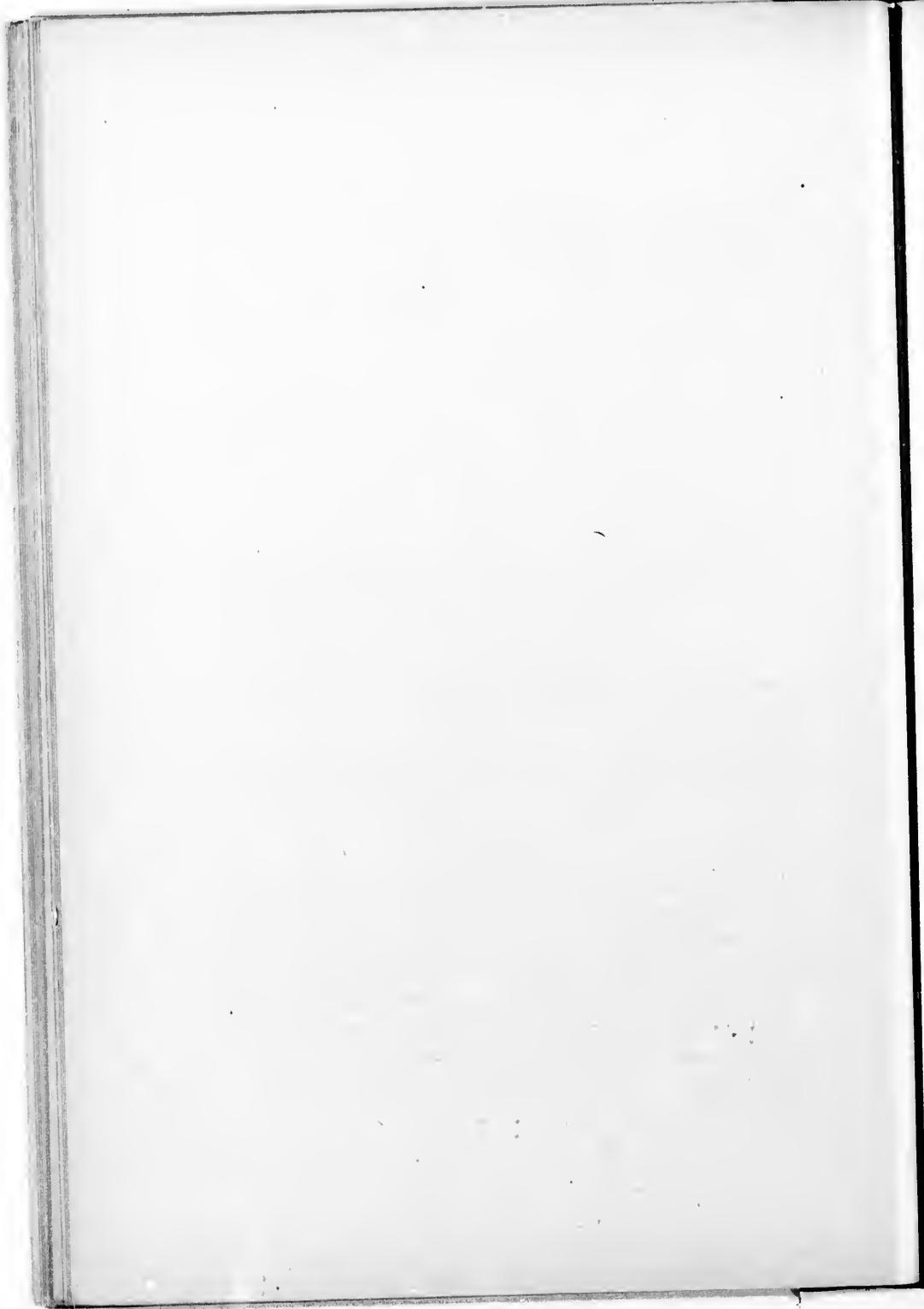
Another plan employs a bell register with numbers, having the number space in its face covered by a shutter. The shutter is so arranged that it lifts to show a number whenever the bell is rung, keeping it in view only so long as the cord or lever is held down. By this plan there is revealed to the salesman the number that is next in order, and against which he is to record the name of his customer.

A third plan makes use of the ordinary office numbering machine. This device is so fastened in place on the desk as to be readily accessible to anyone who has occasion to use it. The printing lever, however, is locked, but each salesman is provided with a key. When opened only a single impression can be made before it again locks automatically. The number impressed in this way upon the order form or sales sheet shows where the customer's name is to be recorded in the Number Record.

Another plan which has been found to work well in such cases uses the Record of Sales Numbers as provided in the system, but restricts the care of the book to a clerk, who also is in charge of the Sales Sheets and order blanks. The salesmen, from time to time, make requisitions on this clerk for an order holder, with a set of blanks, of whatever kind is required. In response there is delivered a set of sheets on which a number has already been printed by an automatic numbering machine, or applied thereto by pen or pencil, as the case may be. When this pad is delivered it is charged to the salesman by recording opposite the number on the Number Record the salesman's initials. This plan prevents any two sets of sales slips getting out which bear the same number. It also removes from the salesmen the responsibility of the record in the Number Record, and has the further advantage

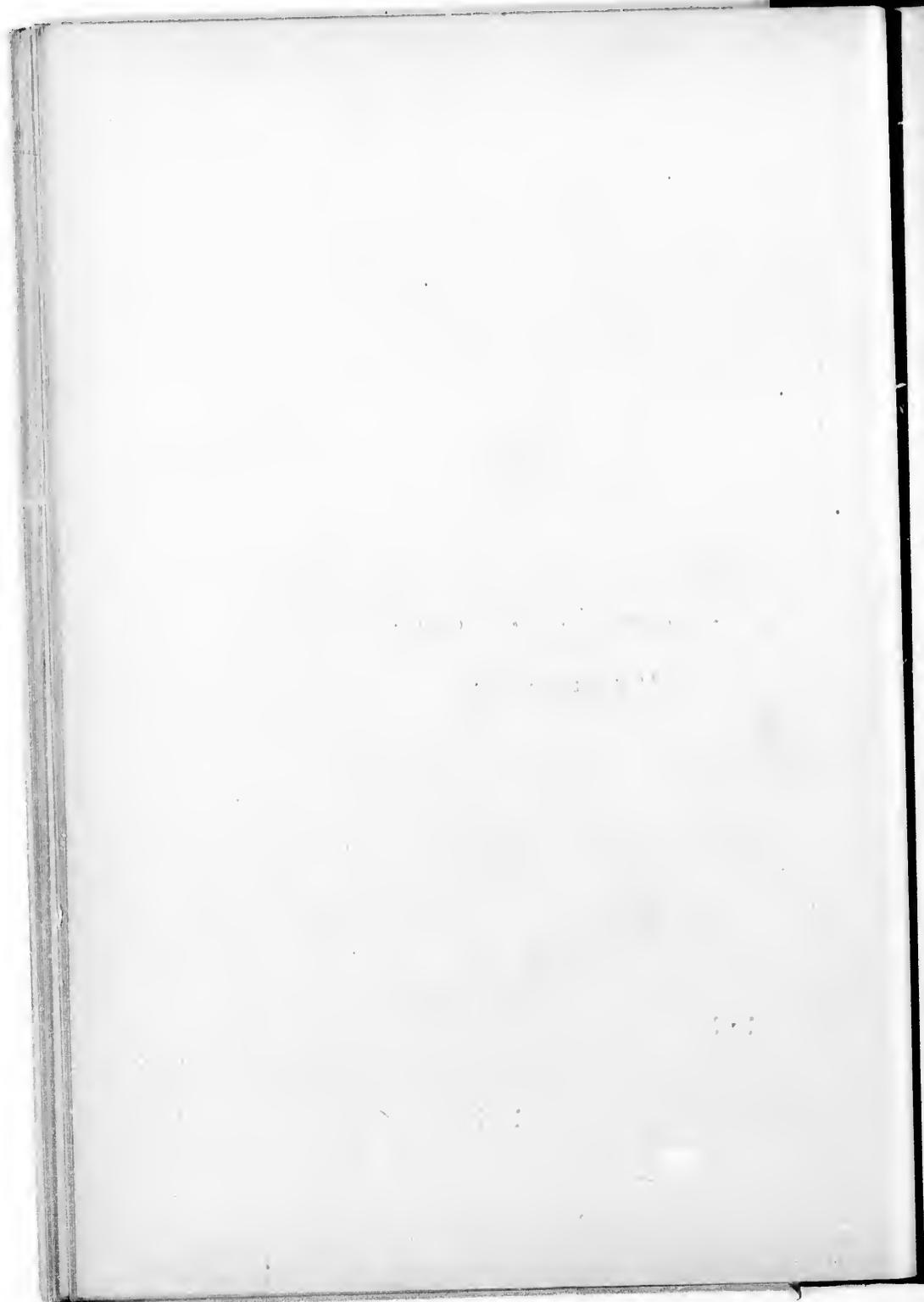
of keeping from each individual salesman the opportunity to estimate what his fellow salesmen are doing by inspecting the record of their customers. Where a set of blanks is destroyed, as, for example, where a mistake is made in the customer's name or address, or where an order is cancelled after it has been partly entered up, the mutilated set of sheets is returned to the office and a fresh set is handed out in its place. This plan is perhaps the simplest to install, all things considered, and has various special advantages attending its use. In a small establishment the responsibility of handling the sales binders or pads would be a subdivision of the work of the entry clerk, or the bookkeeper, or someone else who could conveniently attend to it.

Still another plan may be suggested, and is one which substitutes for the Number Record, book or sheet form as the case may be, the device known as the Autographic Register. The record of sales numbers is printed in duplicate on the rolls with which this machine is provided, and a carbon sheet is inserted in the usual manner. The opening in the inclined face of the machine is restricted to the space in the printed form devoted to a single number. It becomes the salesman's duty then, when getting a number for his order, to write the customer's name in the open space shown on the face of the machine opposite the number there shown, turn the crank and tear off the slip that is thrown out. This slip, after its number has been written on the order form, in the space provided for the purpose, is attached to the order and turned into the office as evidence of the correctness of the number used. Inside of the Autographic Register on the second roll is the duplicate made by carbon of the name which the salesman has written opposite the number which he has used. This plan insures the numbers being used seriatim, and most effectually provides against two orders being entered against a single number.



PART IV

SUGGESTIONS TO INSTALMENT
MERCHANTS



CHARACTER OF THE ADVICE

The advice and suggestions presented in the following pages are based upon the practical experience of an instalment dealer who has been successful in the conduct of a business through a long term of years. The items of advice are presented not in an officious way, nor in the sense that other merchants do not know how to manage their affairs, but instead with the feeling that there are some who will be benefited by at least a part of what is here offered.

Those who do not need advice and counsel will of course skip this part of the book. The pages will not be the less interesting on that account, however, to those who are able to make use of what is presented. On the other hand, there are many who are considering the expediency of entering upon the plan of instalment sales. The leading question in the mind of such a merchant is dual in character. First there is the problem of the necessary bookkeeping or business machinery which it is the mission of other parts of this book to describe, and, second, there are the features of the business itself, together with its limitations, to be considered.

Only the more prominent features of the instalment or credit business are here discussed. There is much omitted which might have been included, but which if presented would only have swelled the volume to unwieldy dimensions. Enough is given, however, to enable those who are not employing a satisfactory system to make improvements and to help those who are considering a change in their business plans to judge intelligently of the advantages of selling upon the instalment plan.

ATTENTION TO CUSTOMERS' WANTS

In the instalment business there are very many reasons why customers become displeased and feel that they have grievances. In the first place, the environments and education of the majority of the people who buy upon the instalment plan are such as to make them supersensitive and to cause them in many instances to magnify the importance of very small matters. Whenever a customer has a complaint or feels displeased, unless he is given proper attention at once his resentment is likely to go so far as to greatly damage the reputation of the house. It is essential to the interests of the merchant that the customer always should be pleased, in order that business relations may be maintained upon a satisfactory basis. It is still more essential, however, that the customer should be so well pleased that his influence among his friends and acquaintances is always in favor of the house rather than against it.

The merchant may find it very difficult sometimes to comply with the requests that are made and to investigate all the complaints that are entered, particularly as they are very often apparently trivial and because they occur so frequently. Still, his position is such that he cannot afford to really quarrel with the customer, and therefore he must be willing to go a good way to satisfy the customer and retain his good will. The recommendation of the store by a customer to his friends is worth a great deal to a merchant doing business upon the instalment plan, and therefore the trouble and expense that it may be to attend to his customers'

complaints can very properly be regarded as an advertising expense.

Looking at the question another way, and in view of the injury or damage that may be done by a customer who has been displeased in his transactions, and who indulges in talk against the store, while meantime paying his own account very reluctantly, the trouble and expense of pleasing customers may be regarded as an insurance—something that is paid out from time to time for the purpose of insuring prompt and satisfactory settlements.

When customers are delinquent in payments through sickness, hard luck, lack of employment and other causes, the merchant must use careful judgment in order to avoid doing that which, from the customer's point of view, may seem harsh or unjust. When the merchant is satisfied that his customer is honest and is doing the best that he can, and that he will pay as soon as he is able, it is better to wait six months, or a year, or even two years if necessary, thereby obtaining the gratitude of the man and his enthusiastic indorsement of the house among his friends, than to resort to harsh measures and produce opposite results. Leniency in matters of this kind, as the instalment merchant soon finds, always results in profit in the end, whereas severe measures, harshly enforced, result almost always in a loss. To sum up this advice, the merchant's best interests are served by carefully studying his customers, and acceding to their whims whenever he can, satisfying their little wants as opportunity presents, and being intelligently considerate in their times of misfortune. He should at all times and under all conditions make them feel that he is their friend.

Of course there is a line to be drawn somewhere. Only the most discreet judgment, however, is adequate to determine when a man is deserving of leniency and favors and when the opposite conditions prevail. But it is better for the business to occasionally show favors to an undeserving man than regularly to turn

down those who, by their character and circumstances, are really entitled to consideration. Where a customer is proven to be tricky and dishonest it is still wise to use caution in handling him, so as not to cause any more unpleasantness than already exists.

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AVOIDING NUMEROUS LEASES OR CONTRACTS WITH THE SAME CUSTOMER

Comparatively few persons, in buying furniture or household goods on the instalment plan, have at the outset a complete list of what is required. After a part of the goods is delivered they discover still further needs, and therefore desire to extend the purchase to cover the same. If the original contract or lease has been closed, it becomes necessary to make a new one in order to cover the additional articles. For bookkeeping reasons, as well as others, it is objectionable to have numerous leases or contract sales with the same person at a given time, and therefore care should be taken to get all the goods that the customer requires entered under a single contract.

For this reason it is frequently expedient to keep the sales sheet open for a little time after the sale has apparently been completed. This plan is quite possible, and a little care will very generally accomplish the object, thus carrying the entire bill in a single item in the Instalment Ledger, where otherwise several contracts would exist. No fixed directions can be offered in matters of this kind. It is necessary to exercise discretion in each individual case. It is always possible to keep a sale open for, say, two or three days' time, and a little questioning of the customer upon the part of the discreet salesman will almost always determine whether or not more goods are likely to be required. The ruling of the Instalment Ledger is such that two or even three sales may be entered up in any given month, but aside from this it

is expedient, for reasons already explained, to keep the business as much condensed as possible, and to this end have the sales contracts as few in number as may be.

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PARTIAL DELIVERIES

It sometimes happens that an order from a customer who buys under lease or contract cannot be fully delivered in one lot. Sometimes the delay in delivery of a portion of the goods is due to conditions in the store; sometimes the delay is due to the customer being uncertain as to the dimensions of some of the articles that are covered by the contract, and which are to be made up according to dimensions to be supplied. Sometimes it is due to the lack of goods, waiting for the arrival of something which is known to be in transit, and sometimes it is due to the necessary time required to measure for and make the carpets. Sometimes, by reason of one of these causes, and again by reason of others, there is a delay of one day or several days between the date of the sale, as shown on the Number Record, and the time that it is completed, so that it can be charged on the Sales Record.

It is advised in such cases that within reasonable limits partial deliveries be carried on the Sales Slip until the delivery is completed, so that when the charge to the customer is made and corresponding credit given to Sales Account, the order shall be complete. While the order is being thus carried upon the Sales Slip partial deliveries may be made from time to time, and when so made the goods delivered indicated by checking with the shipper's initials and the date in the proper column of the shipper's copy of the Sales Slip. By this plan the blank spaces in this column on the Sales Slip will at all times show just what goods are yet to be delivered.

The plan prevailing in some establishments of running the sales charges on to Sales Record before the order is completed, leaving the amount column blank, to be filled in whenever the order is finished, is objectionable, because in the event of the final delivery being delayed several days the books are thereby put that much behind time, so far at least as proper credits to Sales Account and charge to the Instalment Ledger are concerned. Nor is it expedient to make the charge to the customer before the delivery is completed, even though the value of the items is fully determined. It is neither good business nor good book-keeping to make a charge for merchandise on the books prior to the delivery of the same to the customer. It is necessary, therefore, to urge upon the delivery department, and all concerned, the importance of a speedy completion of the order, to the end that the books may be kept up to date. Extra effort should be made in this direction, because in the instalment business, unlike ordinary merchandising, the amount of a sale cannot be split up and charged in several items upon the ledger according to the deliveries. The lease or contract calls for a fixed amount, and the ledger charge should show the same amount in one sum.

It sometimes happens that a lease is made, even to the extent of the first payment on account, with directions for delivery a week, a month or even three months later. The plan that is expedient to pursue in such cases is to get the goods ready for delivery and to assign them a special place in the warehouse, there to wait the customer's order for final delivery. In such cases the charge should be put through the books at once, because the goods have been actually supplied, although not delivered to their final destination. They are the customer's goods by the terms of the contract, but are temporarily held in a place different from that to which they are to be finally consigned. Goods are also sometimes held by the consent of the customer,

or at the option of the merchant, because only a part of the first payment has been made. Where the goods have been actually sold and are kept in a special lot by themselves in the warehouse there can be no objection to the charge going through the books, even though the goods have not yet left the merchant's premises.

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MODIFICATION OF CONTRACTS

It should be laid down in every credit business where lease or contract sales are made that neither additions to nor deductions from nor yet changes of any other kind are to be made on order forms or contracts after the arrangement has once been completed and signed. The temptation to do this is very great. For example, if a customer should buy a bedroom suit at, say \$25, along with other articles, and after the sale is completed, with the contract signed, he should make up his mind that he preferred the other bedroom suit that he had been looking at, costing, say, \$30, the papers should not be altered to suit the change in price, but instead the original contract should be cancelled and a new one made out from beginning to end.

To change an item in a contract or lease above a signature is wrong in principle and hazardous in the extreme in practice. It gives room for dispute upon the part of the customer, because on the most casual examination there is the evidence of a change having been made, and the customer may assert that the change has been made to his disadvantage and without his knowledge subsequent to the signing. The evidence afforded by the face of the lease or contract, when it comes up for scrutiny, is strong corroboration of the truth of the contention of the customer, and therefore in the interest of the merchant the contract or lease must always be kept free from additions, deductions or amendments of any kind. Wherever changes are made, irrespective of the special reason governing the change, the original contract or lease should

be cancelled and a new one made out, correctly representing the transaction in its modified form. By this plan the record of transactions is kept straight without any confusion or mixing.

It occasionally occurs that an article has been sold to a customer which, when it comes to an examination of the stock, is found to have been previously sold to some one else, and as there is no duplicate in stock it can be delivered only to the first purchaser. This is upon the assumption that no more of this precise article is to be had. Under such circumstances there is nothing left to do but to cancel the sale, so far as this piece of merchandise is concerned, which, of course, means that the lease that has been made out and signed must be cancelled and a new lease covering the goods as they were actually delivered must be executed. This invariable rule, with reference to additions, deductions and changes in contracts and orders, must be carefully observed in order to avoid not only confusion in records, but a dubious position in case legal measures for collections are resorted to.

CHANGING THE FORM OF A CUSTOMER'S ACCOUNT

Sales are sometimes made upon the understanding at the time that the debt is to be immediately discharged by the payment of cash, which, later, by arrangement with the customers, are changed into lease sales with instalment payments. The account in the first instance has been located in that portion of the ledger devoted to open account sales, or, as here classified, Sundry Debtors, and, with the change in the terms of payment, is to be transferred to the Instalment Ledger.

Two plans of accomplishing this result present themselves. One is to close the account in Sundry Debtors' Ledger by balance transferred to the new account located in Instalment Ledger. For this purpose the Cash Journal provides the necessary means with its pairs of columns, making the operation one of great simplicity, without any danger of derangement in balances or classification. The objection to this plan, however, is that, while in a sense it shows the actual history of the transaction, the account, as opened in the Instalment Ledger, commencing with a balance, does not correspond with the terms of the lease or contract. Therefore it is desirable to pursue the other plan—namely, that of undoing all that was done prior to the signing of the lease—and starting the instalment sale as though it were a new transaction dating with the signing of the lease or contract.

The first step in this plan is to make out the sale contract or lease in the usual form and allow the transaction to pass in regular course as a contract sale through the books. The original trans-

action is to be undone or cancelled upon the same general plan as is described in another portion of this volume, where goods returned and sales cancelled are discussed. The money that has been paid on the account will go through the form as a refund, so as to get back into the customer's hands, and then, in turn, be paid back to the firm on account of the lease purchase.

This plan, when considered in its few details, is very simple and has the special advantage of making the records in the books agree in all particulars with the terms of the lease. Where the records of transactions do not agree with the terms of the lease there is more or less confusion in the progress of the account, with the necessity from time to time of referring back to the records of the original transaction which was cancelled. It is better, therefore, to be to the slight labor of cancelling and undoing the original transaction at the outset and starting anew, in accordance with the second agreement, the same as though the first had never occurred, than to have the necessity of reference to the first constantly coming up as the account progresses. There is also this further advantage, that by making the transfer upon the plan last suggested the account in the Instalment Ledger and the account as shown in detail by the customer's card will agree in all particulars.

In establishments doing business of a considerable magnitude it will be found that this change of plan of buying upon the part of customers occurs quite frequently. It is essential to the bookkeeper in charge, therefore, to establish the proper rule for making the transfer at the very beginning and to rigidly enforce the rule in all cases.

GUARDING AGAINST DUPLICATE RECEIPTS

Customers are frequently careless in the matter of their pay cards. They often call at the office to make payments without bringing their cards with them, notwithstanding the injunction which is prominently printed thereon to the effect that the card must be produced whenever a payment is made. Under such conditions a formal receipt must be given. In turn, customers frequently claim to be too busy to stop to hunt up the pay card when the collector calls for a payment, and therefore demand a formal receipt for the amount that they pay him. Again, with the inconsistency that is always to be noticed when people of this class are closely scrutinized, the same persons will a little later produce their pay cards, either at the office or when a collector calls, and demand the entry thereon of the amounts which they have paid when the card was not presented.

The thoughtless collector or clerk, knowing from the ledger or from the duplicate pay card that the amounts referred to have been duly received by the house, might proceed to make the entries on the pay card, with the result that thereby the customer would have two receipts for the payments. Some customers are so dishonest as to take advantage of circumstances of this kind and stoutly maintain at the time of the final settlement, frequently long after the transaction occurred, that on a given date two payments of like amount were paid, and in evidence produce the formal receipt in one handwriting and the credit on the pay card in another. Still other customers from mere thoughtlessness or by

accident make claims of this kind honestly. Irrespective of the motive, the merchant is in position to lose whenever such a claim is made, and therefore there is the necessity of stringent rules in the collection department covering this point.

Receipts are undoubtedly necessary whenever payments are made at the office without the card, and receipts are also necessary where payments are made to collectors and the card is not produced. It is not necessary, however, to make the credit on the card at a later date when it is produced simply because the customer demands it. Entries on the customer's card subsequent to the time of the payment should be made only as the receipts given when the payments were made are duly surrendered. It is expedient, therefore, to lay down the broad rule that no credits are to be entered upon customers' cards except for money paid in hand, or for a receipt representing a payment made when the card was not at hand duly surrendered.

Occasionally a customer loses or misplaces a receipt which has been issued to him, either from the office or by a collector, for an amount paid when the pay card was not at hand. In due course he will ask to have this amount entered upon his card in order to make it correspond with the true condition of the account. Precaution must be exercised in this case, as well as in the others cited, because there is no assurance that the receipt will not be found at some future time. When the entry is made on the customer's card, at his request, there should be entered at the same time a statement to the effect that the credit is made after the date which it bears, and that it is done at customer's request and upon his statement that the formal receipt issued for the same cannot be found. This entry may be abbreviated according to the usage of the establishment, into something like the following form:—"Cancel receipt for like amount of this date." Where matters of this kind are of frequent occurrence a

rubber stamp would save labor and reduce the matter to regular routine.

Customers are sometimes so unfortunate as to lose their pay cards, in which case, of course, they are entitled to duplicates. Great care should be exercised in such cases also in issuing duplicates. In the first place, the precaution to compare with the ledger, in order to make sure that the new card issued corresponds exactly with the ledger account, should be taken. In the next place, the new card should be marked "Duplicate," or otherwise distinguished in such a way that in case the lost card should be subsequently found no irregularity would arise, either to the loss of the merchant or to the embarrassment of the customer. Where items are entered upon the duplicate pay card for which receipts have been previously given, there should be the reference to the receipt being taken up and cancelled as above described, and in all other respects care should be taken to guard against the loss which might occur if the new card were issued carelessly.

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CARE ABOUT RECEIPTING "IN FULL OF ALL DEMANDS"

A word of caution is in order with reference to receipting customers' accounts in full, without such special investigation at the time as will determine the correctness of the claim that the amount tendered is in full. Customers will sometimes take a collector, or even office cashier, off guard on matters of this kind. A pay card will be presented on which there is a small balance due, along with the tender of the money, with the request for a receipt in full of all claims to date. If such a receipt is given without prior reference to the ledger for the purpose of determining that this account is the only one with this particular customer, the chances are that a receipt will be given as sweeping as above mentioned, when, in fact, there is an additional amount due from the customer.

Cross references should at all times be maintained between the different accounts with the same customer, where the accounts are not consolidated, and pay cards should be kept together if it is not expedient to consolidate them. With the greatest care, the opportunity is sometimes presented for a customer to make such a demand as mentioned above, either honestly and by accident, or with intention to defraud. The word of caution, therefore, is this:—Never receipt a customer's account without first referring to the ledger, in order to determine that the amount tendered is in fact a full payment to date.

LOANS TO CUSTOMERS

Circumstances frequently arise in the conduct of the instalment business wherein it is expedient to advance a small amount of money to a customer. There may be sickness in his family, or he may have lost employment, and from either of these causes may have become so reduced in resources as to be not only unable to meet his instalment payments when they become due, but also his rent. The landlord, therefore, is about to eject him, or some other creditor is making trouble for him, and for one or the other of these reasons the goods in his possession, the title of which, of course, is in the instalment dealer's name, are in more or less jeopardy. Under such circumstances, and others which it is not necessary to specify in this connection, the interests of the instalment merchant and those of the customer become altogether mutual.

It is certainly to the disadvantage of the merchant that the goods should be removed from the house, either because the customer is obliged to vacate the premises by reason of non-payment of rent, or for any other cause. It would be a considerable loss to the customer to be compelled to make a forced move of this kind. Such an event would interfere materially with his ability to resume payments after the existing season of hard luck had passed by. The customer therefore comes to the merchant and makes a frank statement of the situation. The merchant, in view of all the circumstances, perceived that it would be to his advantage to advance a small amount of money to his customer for use in paying the rent, and thus appease the landlord and save the removal of the

goods. The question then arises, how should such a transaction be treated in the books of the business?

Two plans suggest themselves, the first of which is as follows: A special account may be opened with the customer in that portion of the ledger designated as Sundry Debtors, which account at the outset would be debited with the amount advanced, and credited from time to time as it is repaid. This plan has favor for the reason that the transaction evidenced by it is entirely outside of the lease agreement or chattel mortgage, and, being a special matter, ought to have its own separate account. Certainly it is not expedient to class the amount that is so advanced with the merchandise purchases of the customer. The effect of the transaction, however managed in the bookkeeping, is to divert payments for the time being, which otherwise would apply to the merchandise account, to the discharge of the loan. The stipulation with the customer should be, of course, that when his payments are resumed, they shall first be applied to retiring the loan, and whenever it has been paid off, they shall then continue to apply to the purchases. The merchant may or may not have special security for the loan thus made to the customer. However that may be, the plan of bookkeeping here suggested leaves the merchandise or instalment account with the customer stationary in amount, until such time as the loan has been repaid. This plan, therefore, is deemed the best for use in view of all the circumstances.

The only possible objection to the foregoing plan is one that is sometimes raised by business men and bookkeepers, and which is based upon theoretical consideration rather than upon practical conditions. It is that thereby two accounts would exist with the same customer. For the sake of consistency in this matter they would prefer to have the amount of the loan posted directly to the account of the customer in the Instalment Ledger, so

that his whole indebtedness would appear in one place. This alternative plan is feasible, if it is preferred, but, of course, such special entries in the debit of the Instalment Ledger would have to be taken into consideration when proving the Ledger with the Sales Record.

If both cash and merchandise items are charged to the account in the Instalment Ledger, then the footings of the Instalment Ledger must be separated into two amounts in order to properly compare with the Sales Record. There is the further objection to this plan that it would serve to confuse matters if in case of a dispute at some later date the customer set up the claim that the amounts paid after the date of the loan should have applied on the goods instead of being in repayment of the money borrowed. Upon this contention it might in extreme cases be shown that the goods at a certain date had been entirely paid for, and the terms of the lease or mortgage complied with, while as a fact the customer was still indebted to the merchant for the amount of the loan, for which, under these circumstances, he would have no security whatsoever. By opening separate accounts, as first proposed, and allowing each of two distinct transactions to stand upon its own footing, the chances of disputes and difficulties of this kind are entirely removed.

When a special account for money advanced, or for any other item, is opened in the part of the ledger called Sundry Debtors, cross reference should be made between the two accounts. This may be satisfactorily accomplished by a pencilled entry made near the name in each account, recording the volume and page where the other account is to be found. By this plan, whenever one account is examined attention is instantly called to the other.

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CARTAGE AND STORAGE

Requests for Cartage and Storage in an instalment business are of almost daily occurrence. Transactions of this kind are frequent, because, in many cases, it is necessary for the merchant to resort to storage practice in order to have in his possession goods which the customer has not fully paid for. For example, the purchaser may desire to discontinue housekeeping for a time, in which case some provision must be made for the care of his furniture and effects. It is much better for the instalment merchant to be the custodian of the goods, under the circumstances, than to have them out of his possession. Again cases arise wherein the purchaser contemplates moving away from the city, and inasmuch as the lease, chattel mortgage or purchase contract under which he has the use of the goods will not permit him to ship them, he is obliged to look for storage in the town where he has been living. Under all such conditions it is better for the instalment dealer to be the storage depository than to have any one else act in that capacity. For these reasons and others it is frequently to the advantage of the merchant to offer the use of his facilities to his customers, and to tender them the use of his warehouse as a storage place upon very reasonable terms.

Similar conditions prevail in the matter of cartage. It is to the merchant's interest to send his own wagons or trucks for goods that are to be stored, and in many cases to have them used in ordinary removals. Tendering the use of his teams and workmen for all such purposes frequently puts him in a position to know through the reports of his employes just what is going on in directions that concern his interests.

Where cartage or storage is supplied in this way it is, of course, something to be charged for. Accordingly, the cartage and storage service of an instalment business, properly conducted, very frequently results in a revenue of some considerable size, if not an actual profit. The management of the charges in the books is the special point to be considered at this time. Where the cartage and storage is comparatively insignificant in amount it is recommended that the income be treated as a credit to the proper expense account. It is to be regarded as an offset to a diminution of an expense rather than an earning or a revenue. Even where the items of cartage and storage amount to a considerable sum, this plan will be advantageous, and it may be satisfactorily pursued until the cartage and storage transactions reach the magnitude of a separate undertaking, or a well defined department of the general enterprise. In the latter case Cartage and Storage Account should be given the same rank as a merchandise account.

Cartage and storage always should be cash transactions. Accordingly, in a business of ordinary dimensions, there is no need of bookkeeping in this account save only to take cognizance of the cash when it actually comes to hand. The items of charge may be safely kept on a Customer's Storage Memorandum, with a cross reference on the customer's pay card. It is always necessary, of course, to know the amount of the charge for storage at the time of a settlement, but in most cases it is neither necessary nor expedient to go to the trouble of opening an account with the customer for this service, for the special reason that such charges, except only in a warehouse business formally organized and conducted, seldom prove a valuable asset to the concern. Instead, the nature of the items is more like that of costs in legal proceedings—something to be adjusted and paid before the claims are released or the goods restored to their normal position.

RECOVERING GOODS

Under lease or contract sales the merchant has the right to demand the restoration of the goods whenever the customer is in default in his payments. In most cases, in view of the agreement which was signed at the outset, the customer is willing to give up the goods peaceably and without objection. It is greatly to the merchant's interest to get possession of the goods in this way where possible instead of resorting to legal proceedings. In fact, it is best to defer all legal proceedings so long as the merchant is not actively opposed by the customer, and so long as no resistance is offered to his employes by way of preventing them from taking the goods, when it is his right to seize them.

If the customer locks the door and refuses the truckman admission, or if the customer sits down on the goods and refuses to surrender them, it is expedient to avoid using force and to withdraw from the effort preparatory to entering upon an entirely different line of action. A special reason for this is that under the law, as it is interpreted in many places, any attempt to take the goods against the active opposition of the customer would render the merchant or his employe liable to action for assault and trespass. The merchant does not want to be made the defendant in any case. Therefore he must proceed upon such a plan as to keep all the advantages upon his side.

The most satisfactory way to recover goods from a delinquent customer when he refuses to yield up possession in a peaceable way is by replevin. The replevin process may not be liked

because it involves some expense, but this should be submitted to, because thereby the merchant has the satisfaction of knowing that he is strictly within the law in all that he is doing, and that he is proceeding in a way to protect himself against any proceedings for damage which the angered customer might see fit to institute. The goods having been sold on stated conditions, and the payments being in default, the right is thereby given the merchant at his discretion to protect his interests by recalling the goods. Where he can get them without legal process and with the permission of the customer, it is best so to take them, but, on the other hand, where there is any opposition replevin is the best method to pursue.

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GOING TO LAW WITH DEBTORS

There are several points which should be carefully considered by the merchant before deciding upon legal proceedings against the debtor, and particularly before commencing a suit to recover an amount on an open account or for damages done to goods. If the debtor is not worth something—that is, if he is not responsible and in possession of goods or property sufficient to make a judgment good in case it is obtained—it is only a waste of money in lawyers' fees and court costs to sue. It is worse than useless to attempt to make a man pay who has nothing in sight that can be reached under execution.

Before going to law with a debtor it is expedient to become acquainted with his circumstances in fine detail. A debtor may be apparently living very comfortably, and, from a superficial examination, seem to be in a position to pay, or at least to have property which in value is equal to the judgment, if a judgment is obtained. When the actual facts are ascertained, however, it may be shown that all the property that is in sight belongs to his wife, or to somebody else other than himself, and, accordingly, is not liable to seizure. Or all the goods in sight may be covered by a chattel mortgage, or by bill of sale, or by some other conveyance which would secure them against execution.

Again, judgment summons for debt, as it sometimes occurs, is quite unsatisfactory, for it is very difficult to get a man to give such evidence when up on judgment summons as will cause the Judge to instruct him to pay his creditor a certain amount weekly

or monthly, as the case may be. Even when the Judge gives instructions of this kind, and the debtor fails to comply therewith, and the merchant again brings him to court under judgment summons, which, of course, entails additional cost, the debtor very generally is able to put forth what, from the Judge's point of view, is a very reasonable excuse, with the result that he is released from the first instructions and ordered to pay his creditor a smaller amount monthly or weekly, as the case may be.

This same process may be repeated again and again, only to weary the merchant and to pile up expense in the way of attorney's fees and court costs. The advice to the merchant, therefore, is not to be too hasty in resorting to legal proceedings. At the outset take the special precaution of studying the character of the debtor and the extent of his property. Do not divert too much time from the management of your regular business to suits, for often what is lost in the profits of the business that might be done, added to the expenses of legal proceedings, is considerably more than the debt that you are undertaking to collect.

INTEREST ON OVERDUE ACCOUNTS

In some branches of the instalment business a considerable revenue is obtained from interest on overdue accounts. Where interest charges are made the merchant must bear in mind that such charges are not merchandise, and therefore must not be confused therewith. It would be fatal to the classification scheme so carefully embodied in the system of accounting shown in this book to have interest charges passed to the credit of merchandise sales. The credits for the amounts charged for interest must go to Interest Account and show from time to time in that account separate and distinct from the other representative accounts. Interest and merchandise must be kept distinct from each other, thereby enabling the merchant, by reference to the accounts, to know how much is derived from each different source of revenue.

In the Self-Proving Instalment Ledger, as elsewhere explained, it is provided that interest charges and charges for goods shall be posted to the same column. Nevertheless, the credits go to different accounts, and in proving the ledger the footings of these different accounts are taken collectively.

Where charges for interest are considerable in number and are regularly made it is advised that a regular Interest Record be maintained in which interest charges from time to time shall be entered, the same as sales are entered. This work should be done periodically and systematically in order that the charges spread through the books shall always be in proper order. If a charge for interest is a regular rule on certain accounts, then those accounts

should be properly designated and the charges for interest should be made to them through the Interest Record at the close of each month. In this way the business in this regard will always be kept up to date.

It sometimes happens that interest is charged in an account and that in the final settlement a compromise in the amount is made. The account is settled for a less sum than the aggregate of what has been charged to it. Entries for concessions of this kind are to be made in the same manner as described elsewhere in this volume, under the head of Allowances. It should always be borne in mind, however, that only that account should be debited for an allowance or deduction which has had the credit for the amount in the first place. It should ever be kept before the bookkeeper that the one object in accounting is to show by the balance in any representative account the net results of that account. Hence, if Interest has been credited in making up the amount in any customer's account, and there is finally a deduction or an allowance made in settling that account, amounting in fact to an abatement of part or all of the interest, then Interest Account is to be debited. The columns in the Cash Journal provide for all necessary cross entries of this kind whenever it is found difficult to make them elsewhere.

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VOUCHERS FOR DISBURSEMENTS.

It is scarcely necessary to use any argument with the experienced business man to support the assertion that vouchers for disbursements should be obtained in all cases and properly filed. His interests in every instance are served by laying down the broad and invariable rule that the cashier, bookkeeper, or whoever has charge of disbursements, must have a signed voucher for every cent that is paid out. The form of the voucher itself is of less importance than the fact that a voucher is always obtained and preserved. Bookkeepers and cashiers, as a rule, readily acquiesce in this plan when it is once installed because it results in a protection to them in all cases of disputed accounts and in general causes the business to proceed with less friction than where such a rule is not enforced.

Vouchers should be regularly and systematically filed. They should bear a serial number and for convenience in reference this number should be recorded on the cash book and in every other place where the transaction is referred to in a way to enable all the documents in a case to be instantly available whenever, for any reason whatsoever, the history of an account is to be investigated.

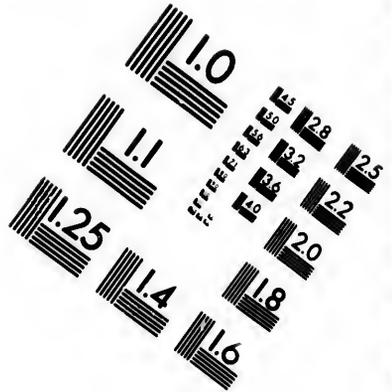
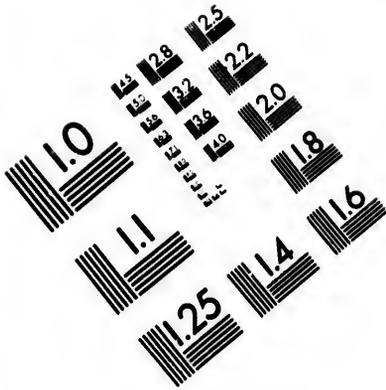
Some voucher forms which in practice have been found very advantageous to employ are shown herewith. Particular attention is directed to the list of accounts that is printed on the face of the voucher and against one of which a check mark or initial is to be placed by the manager or other directing man to show where the amount is to be charged. In every business enterprise a number of expense accounts are conducted, some of which have names

that do not always remain in mind in a way to be instantly available and correctly written on the voucher when checking it. To save confusion or uncertainty when one of the accounts is to be designated the list in full is printed on each voucher. Having a

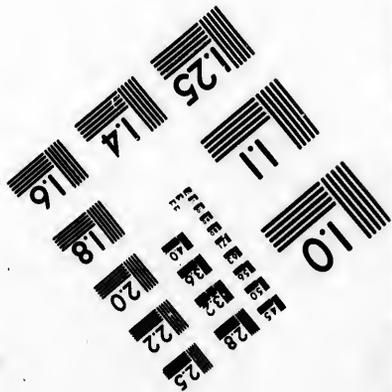
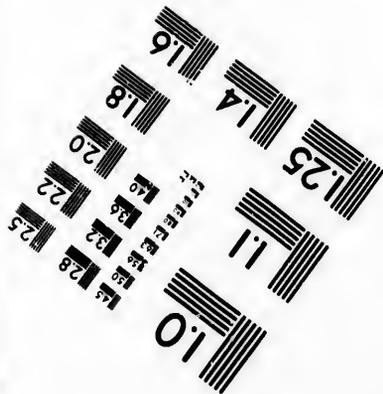
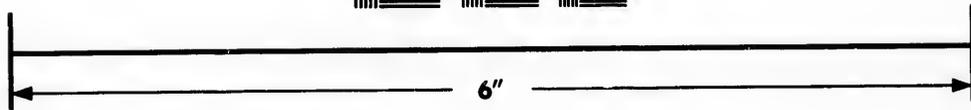
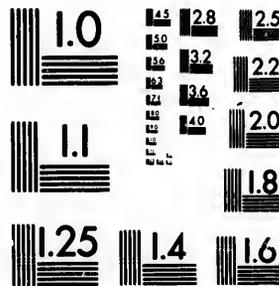
VOUCHER		No.
J. F. Brown & Co.		DATE
CHARGE TO ACCT CHECKED	PARTICULARS	AMOUNT
WAGES,		
ADVERTISING,		
RENT,		
INTEREST AND DISCOUNT,		
CARTAGE AND STORAGE,		
FUEL AND LIGHT,		
STATIONERY AND SUPPLIES,		
REBATES AND ALLOWANCES,		
LEGAL EXPENSES,		
TAXES AND INSURANCE,		
TELEPHONE AND TELEGRAPH,		
CAR FARE AND MESSENGER,		
SUSPENDED LIST,		
REPAIRS AND BREAKAGE,		
UNCLASSIFIED,		
.....		
.....		
.....		
I certify that the above is correct		
.....		
Received Payment		
.....		

A CONVENIENT FORM OF VOUCHER.

list of the accounts before him at the time an amount is approved, the work of the managing man in designating the direction of the charge is reduced to a minimum. All the uncertainty growing out of a faulty memory as to the correct name of the account is avoided.



**IMAGE EVALUATION
TEST TARGET (MT-3)**



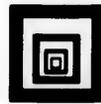
**Photographic
Sciences
Corporation**

23 WEST MAIN STREET
WEBSTER, N.Y. 14590
(716) 872-4503

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E8 E6 E4 E2
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**CIHM/ICMH
Microfiche
Series.**

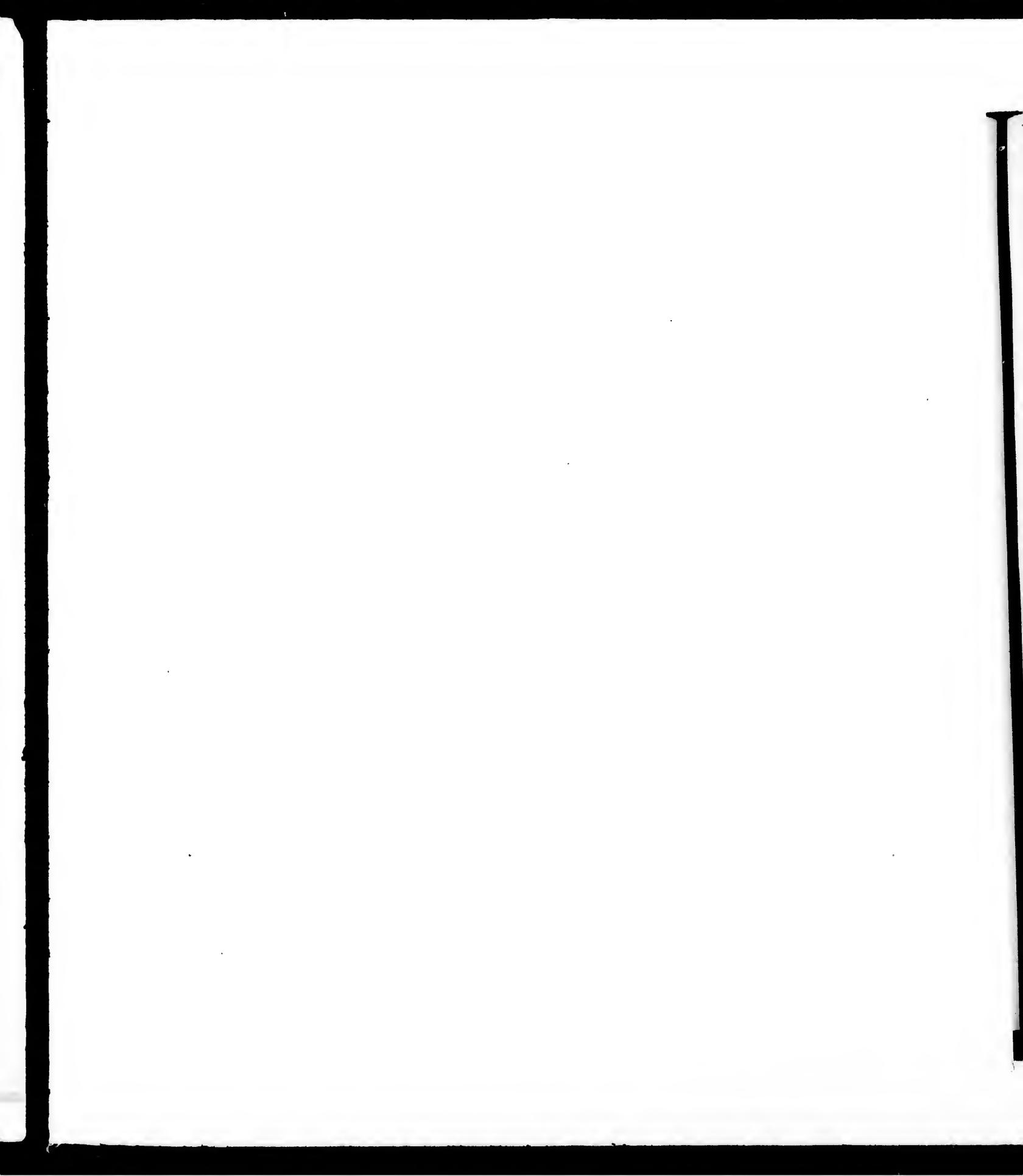
**CIHM/ICMH
Collection de
microfiches.**



Canadian Institute for Historical Microreproductions / Institut canadien de microreproductions historiques

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DATING STAMPS

Every office, sales department, receiving department, and shipping department as well, should be provided with dating stamps. Band daters, neat in general appearance and efficient in work, are of the greatest convenience, and are at the present time obtainable at so small a price that it is poor economy to be without them. Giving each clerk who has anything to do with the records one of these daters, and demanding that every paper that he handles shall bear a date, will be found to work greatly to the advantage of the business and to be conducive to thorough system.

Every letter received in the office, as well also as every invoice and memorandum, of whatsoever nature, should be stamped with the date at which it comes to hand. In turn, every shipment, and every receipt of goods, and every delivery, of any kind whatsoever, should be similarly dated. If a stenographer is employed the notebook in which dictations are recorded should be likewise dated from day to day.

In many cases it is expedient, so far as the immediate work of the office is concerned, to go a step further and employ an automatic time stamp, which, in addition to the day, month and year, will also print the hour and minute. Devices of this kind, although somewhat expensive in first cost, are really economical in view of the great advantages that follow upon their use.

BAD BUYING

Some of the losses incident to any form of the merchandising business are due to indiscreet buying or to mistakes of judgment in ordering, and the consequent accumulation of what is very generally called bad stock. Bad stock, however, can be handled in the instalment business to better advantage, so far as profit is concerned, than in a business conducted upon any other plan. In most branches of the retail trade there is a further loss on stock while on the warehouse floor through wear or damage. All this adds to the accumulation of goods which are not really good sellers.

To get rid of stock of this kind it is necessary to offer the articles at reduced prices. In ordinary retail trade the offers necessarily are made at less than the cost prices; hence all accumulations of this kind in an ordinary merchandising business represent a direct loss. The goods, as a rule, cannot be sold at a price that covers even a small profit, for cash buyers are always looking for the very best that they can get for their money, and competition in such instances very frequently causes offers at figures below cost.

In the instalment business, however, with its broader margins, damaged goods and undesirable articles can always be worked off at figures somewhat above cost, for there is always a class of customers willing to take articles of this sort, provided the price quoted is made a little less than that of standard goods or perfect articles of the same kind. Hence it is that the instalment merchant has the advantage over the retail merchant operating upon some other plan in disposing of bad stock. He does not need to cut the prices on bad stock to a figure below cost.

EXAMINATION OF RECORDS OF CHATTEL MORTGAGES

It is to the advantage of merchants employing the credit system to inaugurate a plan of regularly examining the records of the chattel mortgages which are filed from time to time in the registry office of their town or county, as the case may be. It is essential in their interest that they know what is being done in matters of this kind, for occasionally it happens that goods upon which they have a lease are included in chattel mortgages given by their customers.

Various plans by which they can watch the records in this regard suggest themselves. In some districts there are local agencies which undertake for a very reasonable consideration to report from day to day everything of this kind that is put upon record. In certain districts also a regular publication is made of all the chattel mortgages filed; and in other cases the merchant finds it advantageous to detail a clerk to visit the registry office regularly for the purpose of obtaining this information.

Merchants who are in receipt of timely information of this kind concerning matters affecting their interests have ample remedies in hand, because, of course, they can claim the goods, the title to which is theirs, or goods upon which they have a prior claim upon any basis, whenever and wherever they find them. In order to protect their interests, it is necessary for merchants who are proceeding upon the plan of lien or contract sales to be constantly alert in matters of this kind; hence the advisability of some plan of regularly and systematically watching the records of chattel mortgages.

DETECTIVE WORK

In a business spread over as much territory and transacted with as many individuals as is usually the case with instalment houses, a certain amount of detective work is a necessity in order to avoid excessive losses. There are some people in the world who are kept honest by the very fear of being detected in wrong doing; and there are others who are deterred from deviating from the path of rectitude by the lack of opportunity to do wrong, or the knowledge that they are being more or less watched. The advantages, therefore, to the instalment house of a detective branch, or the employment of men specially skilled in detective work is not to be measured alone by that which is shown to be the direct results of their effort, but is also to be estimated in the light of the moral influence which the knowledge of such facilities exerts over trade at large. Credit dealers, as a rule, are loath to resort to detective methods until they have been more or less imposed upon by those who are dishonest. Then, recognizing the frailties of human nature, they resort to the only method that is left them in order to protect their interests so far as possible.

There are various ways in which detectives may be advantageously employed in the instalment business. Just what plan to pursue is to be determined largely by the nature of the business conducted, the location of the trade, whether in a large city or in a suburban town, and also by the character of the individual customers. The detective may be a bright clerk of the establishment, who has qualifications in this direction, or he may be some

one who is specially employed for the purpose, this latter plan having the advantage of putting into the work a person with whom the delinquent customer is not acquainted, or one whom he would not recognize on sight. In extreme cases a public detective agency may be advantageously employed.

More or less of the qualities of detectives are required by successful collectors. They are the representatives of the establishment who come in daily contact with the customers, and they are the first to have their suspicions aroused that all is not straight in certain directions. A little detective ability, therefore, upon the part of the collector is a qualification of no small importance and is very generally appreciated by the merchant. Judicious inquiries of neighbors, of the grocer and of the butcher as to the standing and business history of the customer will very frequently put the collector on the track of more direct information, to be obtained through channels which will suggest themselves to him, which is of the utmost importance to the concern.

In some of the large cities there are people who make it a business to impose upon instalment or credit houses, and where a business is conducted in a way to attract the attention of these people, detectives, tracers, or trackers of furniture, as they are sometimes called, are a necessity. They are men who give their whole time to looking for people who have disappeared with furniture or other articles bought on time and which have not been settled for. One of the necessary qualifications of the successful tracer is that he shall be a jolly, whole-souled fellow, and one that the people of whom he seeks to obtain information will not in the least suspect as being a detective. A moody, overbearing and testy sort of man is seldom successful in this capacity.

A large concern in New York employs a number of men in this capacity, and a brief account of the work which they do will give the reader a proper conception of the usefulness of such a

department under the conditions controlling his business. In the establishment referred to it is the rule that every person who comes to buy furniture shall furnish references. Further, the house insists upon knowing that the customer is regularly employed in some legitimate business. Nevertheless, fictitious references and collusion in various directions sometimes deceive the sellers in a way to put them to the necessity of tracing the goods which have left their store.

People who make a business of defrauding furniture houses go at the work somewhat systematically. Women are detailed to make the bargains, while the men take charge of the stuff as soon as it leaves the store and manage the disposition of it. Sometimes the gang of operators includes auctioneers who operate in collusion with them, and sales before seven o'clock in the morning, although illegal, are not unusual. From this it will be seen that the crooks are as much in the furniture business as the merchants. One sign by which the operations of people of this kind may be detected is the reckless way in which they buy. Nothing is too good for the purpose, and prices are no object.

The house above referred to depends upon indications of this kind for evidence that the purchase either is in good faith or the opposite. If very little attention is paid to prices and there is a disregard of conditions in taking the goods, suspicions are aroused. On the other hand, if careful attention is given to the selection and there is evident care for the amount of the bill and due reference to the payments that are to be made, the indications are that the purchase is genuine and that the customer intends to do right.

After the goods are out of the store and some irregularity in the account occurs that convinces the management that something is wrong, the tracers or detectives are called in for such assistance as they can render. Experience has shown that there are three classes of accounts to be investigated under conditions

of this character. The first and most important includes the accounts of the crook class, to which reference has already been made. Next there are the accounts of the really honest but apparently dishonest customers, who move and fail to report their change of address. And last there are the accounts of a class of people who buy furniture and walk off, leaving it behind them.

In the instalment house to which we have referred, it is the rule to divide the city into several districts and to have a tracer for each district so that he may become familiar with his own particular territory. If a customer moves from one district to another, the records are transferred from one tracer to another, and the work continues. It is not the rule to dog customers about their payments in a way to get them out of patience, but, nevertheless, they are quietly watched so that it is impossible for them to get away.

Summed up, it is the experience of this establishment and others that, as a fact, very few people who buy furniture on the instalment plan are intentionally dishonest. They are more frequently ignorant, and this ignorance leads them into methods which are in appearance irregular, if not dishonest. When the matter is traced down and all the facts discovered, the element of actual dishonesty is found in almost all cases to be lacking, and proper treatment upon the part of the house represented by the tracer or detective soon brings the customer into good habits again, and finally the account is closed in a satisfactory manner.

The work of a tracer is by no means confined to the city in which the goods are sold. For instance, in the case of the New York house referred to, they sometimes find their furniture down on Staten Island, and is known to be well scattered through New Jersey, and other lots are out in the towns of Long Island, to say nothing of the quantities that are in the annexed district and north of the city. Not long since a tracer of the house found a

lot of goods, on which a single payment had been made, in the freight depot of the Pennsylvania Railroad. It was consigned to Philadelphia. This shipment, however, did not get beyond the resources of the house, for its representative in Philadelphia was on hand on the arrival of the goods and had seized the furniture before the consignee could obtain it. Furniture belonging to this concern has also gone as far as some of the cities in the Southern States, and the customers, on being followed up, have paid in full. Other instances are on record where goods have been shipped across the ocean, which transactions are referred to only as showing what the credit merchant is obliged to guard against.

The crooks, of course, are the hardest lot to deal with. They are constantly up to new tricks, and when the merchant supposes that he has learned everything that can be done in a dishonest way, some new game is started. A very common plan in New York, resorted to by people of this class, is to hire a room or flat, and, arranging for proper references, secure a lot of stuff from the instalment dealer and have it delivered. A very short time afterward they inform the janitor that they are unable to keep the room or apartment, as the case may be, and then skip out with the furniture.

Occasionally those who have bought furniture in this way and have had it delivered to a room or flat, move away, leaving the furniture behind them, and this takes place after one or two payments have been made on it. Of course, in such cases there is nothing for the merchant to do but to take the goods back, for it would be futile to follow up the customer under these circumstances. This brief survey of the instalment business from the standpoint of the detective or furniture tracer will serve to suggest to the merchant, wherever operating in this line of trade, what it is necessary for him to do in order to meet the conditions that exist in his trade.

WRITING OFF BAD DEBTS

A mistake that many merchants make is that of allowing accounts to remain in their ledgers which, to their certain knowledge, are uncollectable and worthless. By neglecting to write them off whenever they are shown to be bad, they keep in their assets a fictitious amount, and thereby frequently deceive themselves into believing that they are worth more money than they really are. It is expedient, therefore, on the score of good business management, to take out from among the live accounts of a business every account that appears to be bad just as soon as its character is determined. It is better to occasionally remove from the books of the business by this plan an account that is really collectable than to allow a single bad account to remain.

This advice is by no means to be construed to justify a merchant in ceasing to follow up his debtors simply because an account has become bad or doubtful. Instead it means only the removal from the live accounts of the business of all accounts which are doubtful, leaving in the regular books only those which are in healthy motion and which are to be depended upon.

Many merchants are deterred from taking the regular ledgers those accounts which are bad and doubtful, because no adequate means is provided for looking after them after they have been taken away from among the live accounts. This, however, is not the case with those who make use of the facilities provided in the Self-Proving Accounting System. The Self-Proving Suspended List, which is elsewhere described and illustrated

in this volume, exactly meets the requirements. Bad and doubtful accounts recorded in it can be just as successfully scrutinized and followed up as though they had been left in the main ledger of the establishment.

The remarks here made with reference to accounts in general apply as well specifically to Instalment Accounts. In Sundry Credits column in the Instalment Ledger there is provision for taking out all bad accounts. The Instalment Ledger, therefore, should be relieved of all bad accounts as fast as they are discovered, and the Suspended List, in turn, should be arranged to receive them, and thereafter they should be managed through the new book.

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