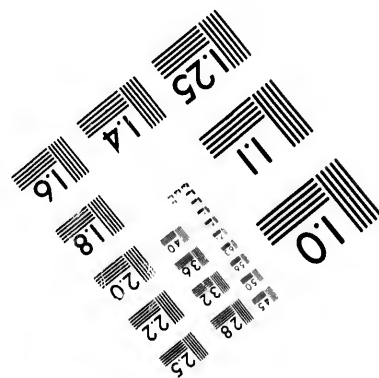
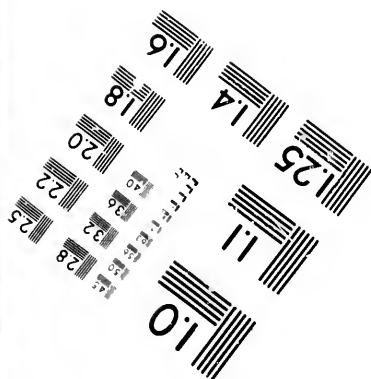
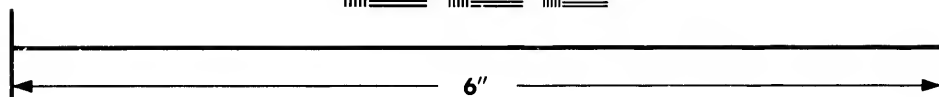
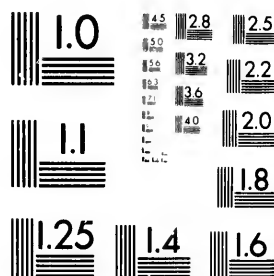


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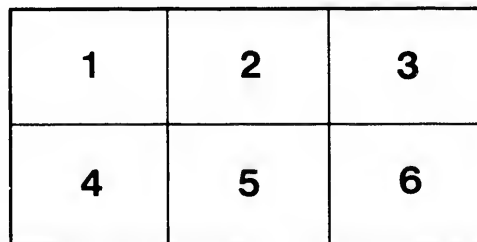
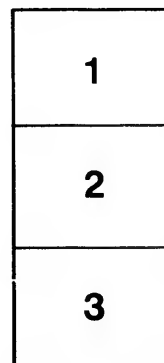
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PUBLIC SCHOOL

BOOK-KEEPING AND BUSINESS FORMS

BY

J. S. BLACK

AUTHORIZED BY THE EDUCATION DEPARTMENT OF ONTARIO

TORONTO

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PREFACE.



BOOK much smaller than this, dealing with business forms and the theory of Book-keeping, was designed to accompany "Sets in Practical Book-keeping," but it was believed that the same book simplified and liberally supplied with sets and exercises, if sold at a moderate price, would meet the needs of many High schools and the continuation classes in the Public schools.

There being no preface in the "Sets in Practical Book-keeping," we might state here that they were composed with a view to giving Public and High school pupils instruction in book-keeping by the most modern method. A dozen similar works have been issued in the United States during the past five years, but the prices have been such as to put them entirely beyond the reach of our pupils. We believe we have overcome this obstacle, and hope these sets, which contain actual Canadian business forms, arranged to illustrate some Canadian business methods, will commend themselves to the teachers of the province.

In this text book, that the continuity of the subject of Book-keeping might not be broken, we thought it wiser to put business forms, etc., in the front of the book. The teacher may use his own judgment as to when he shall give instruction in that part of the work.

The chapter on Values was inserted to aid us in throwing off the yoke of Single Entry. Anyone can instantly grasp the idea of *getting* and *giving* things, and the imagination can be better employed than in dressing money and merchandise in the guises of debtors and creditors.

A system of recording the getting and giving of values is what we should define as Double Entry. A system of recording the debtors and the creditors is Single Entry. A hybrid of these two systems is the one usually taught and named Double Entry. Like many hybrids, it may be preferable, but the straight original systems are more easily mastered by beginners.

It is hoped that it is scientifically correct to say that promises are a second factor in the mechanism of exchange, and if so we are absolutely certain that no distinction should be made between written and unwritten ones, and further we have no hesitation in saying that cheques and other bills of exchange are promises.

Some of the minor changes that appear to be innovations were not made to fit a fad theory. Most teachers and accountants had dropped the atrophied "Dr." and "To" in Double Entry long ago. The stereotyped manner of filling up the explanation column in the ledger had passed away, and if there is no useful explanation to make it is better to leave the column blank. Balance account, which never made its appearance in a business man's ledger, has been excluded from the pages of the Text Book. Personal accounts are not balanced and ruled off at the end of a set, because it is not customary to close them at the end of a business year.

In the matter of drafts, we have endeavored to follow Canadian business practice rather than devise puzzle journal entries. The payee of a draft is either the drawer himself or his banker. J. Gray does not draw on R. White in favor of S. Brown, yet in examination papers we find "Gray of Windsor draws on White of Montreal in favor of Brown of Winnipeg; (i) give Gray's journal entry, (ii) give White's entry, (iii) give Brown's entry." Gray might write anything, for he is evidently ignorant of business methods. What the other two might write we shall not say, because we are not aware of any business channels by which this extraordinary draft could get round its course. We have also excluded the "convenient" sight draft and the ubiquitous order. It seems strange that any one should lead pupils to believe that freight could be paid with a sight draft on Mr. Anybody of Anywhere. It is well known that station agents will not take cheques unless "marked," except from business houses in whose standing they have perfect faith.

We believe the etchings and the larger size of the pages will make the illustrations more helpful to the teacher and pupil, and hope that the sets and exercises are new, interesting, and sufficiently varied.

J. S. BLACK.

CHATHAM, SEPT. 1, 1900.

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CHAPTER I.

PART I.

VOUCHERS, BUSINESS FORMS AND COMMERCIAL PAPER.

1. Before the pupil begins the study of Book-keeping it is desirable that he should have some familiarity with the papers associated with Book-keeping. We shall illustrate by exact reproduction, forms of normal size, so that the pupil may not only know the wording, but may have a correct idea of the appearance of the papers used by banks and mercantile houses.

DEFINITIONS OF PAPERS THAT DO NOT CONTAIN PROMISES, AND ARE, THEREFORE, OF NO COMMERCIAL VALUE.

- | | |
|---|--|
| <p>2. Voucher.—Anything that evidences the correctness of accounts, such as a receipt, cancelled cheque, or other evidence of payment.</p> <p>3. Receipt.—A written acknowledgment of having received something specified, with date, purpose, signature and such other particulars as the case requires.</p> <p>4. Bill.—A statement setting forth the items of goods purchased, or the amount of a debt, with items, etc., for goods delivered or services rendered.</p> <p>5. Invoice.—When goods are sold at wholesale, the seller furnishes the buyer a complete list of goods together with terms, prices and discounts at which they are sold; such a list is known as an invoice.</p> | <p>6. Statement of Account.—An itemized list of debits and credits of a personal account, or a summary of the business transactions between two firms, covering a certain period of time.</p> <p>7. Account Sales.—A detailed statement rendered by a commission merchant to his principal, showing particulars of sales, expenses, and net proceeds.</p> <p>8. Credit Note is an acknowledgment of an error in a recent invoice, or an acknowledgment or receipt for goods returned by customer.</p> <p>9. Deposit Slip.—A form furnished by a bank to a depositor for the purpose of recording an itemized statement of the different forms of money that compose his deposit.</p> |
|---|--|

I.—RECEIPTS.

10. There is no recognized classification of receipts, but there are from five to ten forms of frequent occurrence that receive names. These names are derived from the phrase or clause which immediately precedes the signature. We have receipts *on account*, receipts *in full of account*, receipts *for rent*, etc.

11. You cannot compel a person to give you a receipt, so when a receipt is likely to be refused, payment should not be made except in the presence of a witness.

12. Receipts for the payment of money may be explained or contradicted by other testimony.

13. The last phrase or clause of a receipt should be very explicit; for instance, a receipt for rent should not end with the words "for rent," but should go on to state the property for which the payment is made, and the date up to which the sum is payment in full.

14. Because of the ease with which figures can be altered, receipts should contain the amount in writing.

15. A receipt in full of all demands, when not obtained fraudulently or in error, extinguishes all actions or rights of action.

16. When a receipt is taken from an agent or collector it should have the name of the principal, and the name or initials of the agent or collector, underneath. Or the agent may sign his own name, and underneath the principal's, with "for" before it.

17. When a receipt is given for money paid on a mortgage, note, etc., an endorsement is also made; the endorsement should state that a receipt was given. In the receipt, itself, mention should be made of the endorsement, and care should be taken to describe the note, etc., on which the endorsement is made.

18. Receipts may be made on bills, statements, notes, drafts, etc., and may consist of one or more words, as: "Paid" or "Received payment."

19. A note in the hands of the maker, or an acceptance in the hands of an acceptor, is evidence that it is paid; so a receipt is unnecessary. If there is no good reason for keeping a note, a safe plan would be to destroy it. But if preserved, it would be well for the maker or acceptor to cancel his signature by drawing one or two lines through it.

20. Receipts are often taken in books kept for that purpose. When not so taken they ought to be carefully filed away in order of date.

21. Almost every business house has printed blank forms of receipts; in the absence of these they ought to be written on paper of convenient dimensions, not less than six or seven inches long, and three to three and a-half inches wide.

22. Where a person issues many receipts, entries should be made on stubs setting forth the main facts written on the receipt itself.

23. A cheque when payable "to order" becomes the best kind of a receipt, because the payee must endorse it before he gets the money for it from the bank. The cheque is therefore evidence that a certain amount of money was paid to a certain person, by a disinterested party, at a certain time. The person who issued the cheque and wants it as a receipt will get it back from the bank at the end of the month.

24. The cheque can be made a most valuable voucher by writing on it the object for which it was given as,

Pay to..... Henry Smith..... or order

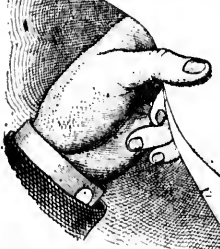
One Hundred and Ten..... Dollars,

for rent of store, No. 80 King St., for Sept., 1900.

25. A bill of lading is a receipt for merchandise from a railway station agent, master of a vessel or the agent of any other common carrier, with a contract to deliver the property in the same condition in which it was received, to some person to whom it is addressed, or to the order of some firm or bank whose name appears on the bill.

1

Receipt for Money on Account (by a clerk).



Toronto, Sept 5th 1900

Received from John C. Bell

Twenty-eight and 75/100 Dollars

on account

\$28 75

E. A. Stuart.
per W. S. M.

2. *Receipt in full of Account.*

CHATHAM, ONT., Sept. 4th, 1900.

Received from James Scanlon, Twenty-five Dollars in full of account.

ROBT. STOVEL.

\$25.00.

3

Receipt in full for Rent (by an agent).

TORONTO, Aug. 3rd, 1900.

Received from M. J. O'Neill, Seventy-five Dollars in full, for three months' rent, ending July 31st, 1900, for house No. 74 Centre St.

C. J. THOMPSON,

\$75.00.

Per A. PETERS.

4

Receipt in full of all demands.

TORONTO, May 6th, 1900.

Received from R. S. Paterson, the sum of One Thousand Dollars, in full of all demands.

A. MCKENZIE.

\$1000.

5

Receipt for Note.

GUELPH, ONT., June 15th, 1900.

Received from Wm. Hadley, his note at three months for Three Hundred and Ten $\frac{42}{100}$ Dollars, which when paid will be settlement in full of account.

J. A. MATHESON.

\$310.42.

6

Receipt for Money on a Note.

(Similar for money on a mortgage.)

GALT, July 6th, 1900.

Received from J. Hartman, One Hundred Dollars, to apply on his note in my favor of January 4, 1900.

S. INNES.

\$100.

EXERCISE I.—WRITING RECEIPTS.

Take two sheets of foolscap and divide them into four pieces each, and upon the pieces write the following:

1. Write a receipt for \$700 received by you from R. Cook, in full of account.
2. Receipt for \$100, being two months salary as book-keeper.
3. Receipt for \$50, being a partial payment of A. McDonald's note in your favor, dated July 7, 1900.
4. S. M. Tully pays you \$135 on his note of \$500, of which you are now the rightful holder, but which was originally made out in January 24, 1900, in favor of S. Glen & Co. See page 13 for form of endorsement, and on the back of the receipt you have just written, write the endorsement that should have gone on the note.
5. Give J. Gray a receipt for a note at 30 days, paid in settlement of account of \$46.86 (current date).
6. Write out a receipt for house rent, using date, amount, persons, etc., of your own choice.
7. You have received a Cleveland bicycle, valued at \$60, from S. T. Jones, to be used for one month and kept in repair. Write a suitable receipt.
8. Write Robert Simpson a receipt for \$36.50 for six months' interest due to-day on his mortgage in your favor, bearing date September 4, 1898, for \$1000. (Current date). See 17.

II.—BILLS, INVOICES, AND CREDIT NOTES.

26. If the purchaser of goods is a manufacturer or a retail merchant, he will call the statement of the goods bought *an invoice*. If he is an ordinary consumer he will call it a *bill*. In either circumstance, the seller, who furnishes it, will call it a *bill*. A bill should give the place and date of sale, the names of the buyer and the seller, a complete description of the goods—the number of yards, pounds, etc.—the price of the articles, the discount, if any, the price of boxes or other packages, the freight or insurance if prepaid.

27. **Writing.**—When making out an invoice there should be no erasures or items interlined. The extensions must have figures of the same order exactly under one another.

28. **Extensions and Footings.**—Extensions are figures obtained by *multiplying*, and are set down in the first or left column of the two double money columns. Footings are figures obtained by *adding*, and are set down in the outer or right of the two columns. In bills and invoices the number of articles and the price accompany the description. The *product* of the numbers is an *extension*. The *sum* of the extensions is called the *footing*.

29. **Discounts.**—If there is no discount allowed the footing is put in its own column directly, but if a discount is allowed the footing is put immediately under the extensions and the discount set under it, and then the difference is carried into the outer column.

30. **Receipting.**—Never write "Paid" or "Received payment" on a bill or invoice unless it has been paid with money. If paid by a note or an acceptance write that fact distinctly.

31. **Mailing.**—If the buyer is present at the seller's place of business, he may carry away the invoice, but usually sales are made by travellers and it is the practice to send the invoice by mail, or if the goods are sent in haste by express, the invoice may be enclosed in a shipping tag envelope.

32. **Checking.**—When the goods are received, checked and found correct, the clerk should mark the invoice with his initials, the invoice may then be handed over to the book-keeper who will credit the seller, after which he will write on the invoice the number, the word "Entered" and his initials.

33. **Filing.**—Invoices are either filed in indexed files which are enclosed in pasteboard cases, or are pasted on the leaves of a big book made of plain manilla paper. (See Invoice Book.)

A Bill with Credits settled by a Note.

St. Thomas, Jan. 4th, 1900.

J. A. CAIRNS,

Bought of D. L. SNEIDER.

		To 10 Tons of Nut Coal.....at 5.50	55				
		" 2 " Grate Coal....." 6.00	12				
		" 5 Cords Wood, Birch and Maple " 4.00	20				
		" 1 Load Kindling.....1.50	1	50		88	50
		Feb. 4 By Cash.....	16				
		" 24 " ".....	34			50	
Mar.	15	Settled by Note at 30 days.				38	50
		D. L. SNEIDER.					

Credit Note.

Instead of illustrating this form we state that the heading is the same as that of an invoice such as is shown on the next page, except that "Bought of" reads "Credited by," and the printing is usually red. It is also customary to have "Credit Note" printed plainly across the top. The body of a Credit Note is identical with that of an invoice, full particulars of the goods, prices, etc., being given.

34. A credit invoice or credit note is used for the purpose of correcting errors that may occur, such as shortage, overcharge or failure to ship goods that were charged on a recent invoice.

35. The person who receives a memorandum of credit should debit the business house that remits it, and make a credit entry according to the nature of the mistake to be corrected.

Form of Invoice.



CASH DISCOUNTS
3 MO & GOODS 3
PER CENT IN 10 DAYS.
30 DAYS GOODS
1 PER CENT IN 10 DAYS

H. Packard & Co.

Importers & Wholesale Grocers

Front Street East

Toronto,

12th July 1900

Sold to Messrs Wm A. Parney & Co.

Order No. 628

Chatham

Terms...

Conveyance

Per J. J. B.

No B. 34

30 days.	1	Bbl. East. Gran. Sugar ³²⁰ 30-300	14 55		
	1	Case O. Mex Tomatoes	2 90	1 80	
	1	Bbl. Loose Salt	1 10		
	1	" No. O. Molasses	74 35	8 40	25 85
3 mos.	1	box. Anglo Corn Starch	40 7	2 80	
	1	" Royal Baking Powder box	32 ³⁵	7 05	
	1	tin Pure Ginger	5 45	2 25	
	1	Bag Pearl Tapioca ¹⁵⁸ 3-153	4 ³ / ₄	7 27	
	1	Case Heaton's Mixed Pickles	3 2 ³⁰	6 90	
	1	Case Sal. Soda	336 1 ¹ / ₄	4 20	30 47
4 mos.	1	Chest Ceylon Tea "Sailor Boy"	100 23	23 00	
3% 30 days.	1	Hfch. Congo ⁸⁸ 304 15-65	40	26 00	49 00
Net Cash	1	Sale Cod fish 112 lbs.	6 ⁰⁰	6 00	
	1	Cheese "September"	65 13 ¹ / ₂	8 78	14 78

III. STATEMENT OF ACCOUNT.

36. A bill which is a summary of several bills previously issued is termed a statement of account. It should contain the date and total amount of each bill rendered, and below should be shown the date and amount of any payments or other credits.

37. In retail establishments, where bills are not usually given with sales on account, an itemized statement is rendered once per month. These monthly statements are usually called *accounts*.

38. When an account is paid it should be receipted by writing "Received payment," and a signature.

No. 1.

No. 2.

Toronto, Ont., May 4th, 1900.

Mr. J. R. Ramsay,

In account
withD. E. McDONALD,
125 YONGE STREET.

Apr. 10	1 qt. Pens	1 15	
13	1 Journal	75	
	1 Ledger	1 25	
	1 Ruler	25	
	1 doz. Pencils	30	
19	Ink Stand	1 75	
	Letter Press	10 50	
	" Book	1 25	
20	Bot. Ink	10	
	1 Eraser	25	
	1 Letter File	1 50	
24	1/2 Envelopes	1 35	20 40

Toronto, Ont., June 2nd, 1900.

Mr. S. A. Harkness,

In account
withD. R. McINTYRE & CO.,
47 FRONT ST. EAST.

Interest at ten per cent. if not paid when due.

To Mde.			
May 4	As per bill rend.	624 30	
12	" " "	1 25	
17	" " "	47 20	
24	" " "	34 2	
30	Dis. on Owen's note	6	1144 50
	Li.		
30	By W. Owen's note	300	
30	By note	700	1000
			144 50

Dear Sir,—

We have taken the
liberty of drawing on you
for the balance, and trust
it will be duly honored.

Yours very truly,

D. R. McIntyre & Co.

IV. INVOICE OF SHIPMENT.

39. An invoice of goods shipped for sale on commission must distinctly state that the goods are not sold outright to the agent. If the books of the shipper and his bills do not show this, the goods are liable to seizure in the warerooms of the agent, should he be in business difficulties.

Heading for an Invoice of Shipment on Commission.

Invoice of 300 bbls. of Flour, for Account and Risk of S. J. Sampson & Co., and shipped from Hamilton via G.T.R. to Montreal, thence via Dabell Strs. to St. Johns, Nfld., at a through rate of 40c. per bbl.

By S. J. Sampson & Co.

V. ACCOUNT SALES.

40. An Account Sales is an account rendered by the commission merchant to the shipper of the goods, showing the amount obtained for the consignment and the net proceeds, after deducting the charges for freight, commission, drayage, etc. See the following form:—

M. & S. GIBB,

**COMMISSION
MERCHANTS.**

96 CHURCH ST., TORONTO.

Account Sales of Merchandise received.....Aug. 16,.....1900.....

From D. E. Thompson, Fergus, Ont., to be sold on commission.

Dear Sir,

*Find enclosed.....our cheque.....
for \$173.33 as net proceeds of your consignment
of Aug. 16, 1900.*

*Trusting that our disposal of this consign-
ment will meet with your approval and secure
your future patronage, we remain,*

Yours truly,

M. & S. Gibb.

CHARGES.			SALES.	
Freight . . .	14	75	196	
Drayage . . .	1	25		
Commission . .	3	92		
Storage . . .		40		
Insurance . .		60		
Advertising . .	1	50		
Cooperage . .		25	22	67
Adv. Payments .				
Dis. for Adv. Pay'ts				
Exc. on Proceeds				
NET PROCEEDS.			173	33

account. It
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signature.

, 1900.

& CO.,

AST.

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1144 50

1000

144 50

EXERCISE II.

41. Write the following invoices and bills:—

1. Bought of A. A. Cameron & Co., terms, 30 days, 1% net cash: 2 bbls. sugar, 1021; 1045 lbs. gross, less 105 and 107 lbs. tare, @ 4c. per lb.; 5 bbls. gran. sugar, 315-20, 316-18, 320-20, 317-19, 314-18, at 4.45c. per lb.; 5 bbls. molasses, 11, 38, 40¹, 40³, 39 gals., at 60c. per gal. (40³ means 40³/₄ gals.); 10 chests Ceylon tea, at 40c. per lb. (130 lbs. per chest).

2. Bought of M. J. Morton & Co., for cash, for house: 45² yds. of wool carpet @ 60c.; 27 yds. of stair carpet @ 45c.; 75² yds. Brussels @ 75c.; 17 sq. yds. of inlaid oilcloth @ \$1.25; labor of cutting, sewing, laying, etc., \$5.

3. Sold D. C. Anderson, on his note at 3 months: 3 H/C. Young Hyson tea, marked S. B. 65-15 each, @ 32c. lb.; 1 chest Japan tea, 115-20, @ 20c.; 1 bbl. roasted coffee, 150-20, @ 25c.

4. Shipped to Montreal, thence to Liverpool per Allan Line steamer, consigned to A. D. Stewart for sale on own account and risk: 1200 bbls. of apples; 300 bbls. Kings marked K extra; 500 N. Spy marked N. S.; 400 bbls. Greenings marked G. (Your own prices.)

EXERCISE III.

42. Write the following account sales:—

1. June 4, 1900. Received from C. E. Porter, Goderich, to be sold on his account and risk, 4 cars, 600 bbls. of flour; paid freight, \$150; drayage, \$12. June 12. Sold 250 bbls. to C. R. Hunter for cash, at \$5 per bbl., and the balance at \$4.75 to R. C. Bruce for cash. Further charges, \$5.75 for insurance, \$6 for storage, \$3.50 for additional drayage, commission at 2%.

2. Sept. 15, 1900. Received from H. C. McCarthy, 250 bbls. of apples to be sold on his account and risk; paid freight, \$50; drayage, \$6. Sept. 28. Sold the whole to D. F. Quinn, for cash; insurance, $\frac{1}{2}\%$; storage, 1c. per bbl; commission, $2\frac{1}{2}\%$. (Your own prices.)

PART II.

COMMERCIAL PAPER.


DEFINITIONS OF FORMS WHICH CONTAIN PROMISES AND ARE, THEREFORE, OF COMMERCIAL VALUE.

- | | |
|---|---|
| <p>43. A Promissory Note is an unconditional promise in writing made by one person to another, signed by the maker, engaging to pay on demand, or at a fixed or determinable future time, a sum certain in money, to, or to the order of, a specified person or to bearer.</p> <p>44. A Due Bill is simply an acknowledgment of a debt, and is usually drawn for a small sum to settle an account.</p> <p>45. A Bill of Exchange is an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money, to, or to the order of, a specified person or to bearer.</p> | <p>46. A Draft is the common name for a bill of exchange when it is drawn and payable in Canada.</p> <p>47. An Acceptance is the name given to a draft when the person to whom it is addressed puts his signature upon it.</p> <p>48. A Cheque is a bill of exchange drawn on a banker, and payable on demand.</p> <p>49. An Order is a request for the delivery of goods or money. It differs from a draft in being more simple in form, and is generally payable in goods rather than in money.</p> <p>50. A Deposit Receipt is a receipt and promissory note of a bank issued to a depositor for one definite sum of money.</p> |
|---|---|

1.—NOTES.

51. A *note* is a written promise, a *draft* is a written order, but the order contains a concealed promise, for the person issuing the order is by law a surety against loss to all persons who may purchase his order. When a draft becomes an *acceptance*, that is, when the person to whom it is addressed puts his signature upon it, the order becomes a written promise and is superior to an ordinary note because it has the acceptor as a principal debtor and the drawer of the order as his surety.

Form of Note.

Due Aug 9 th = Maturity		Parkdale, Date = June 6 th 1900.	
Face = \$45.50			
	Three months after date I promise to pay to		
	1 st Holder = W. P. A. W. E. or Order		
	at the Standard Bank of Canada, here the sum of		
	True Face = { Forty-five 50/100 Dollars		
Value received.		Signature = C. E. MAKER	

52.—Parties.

1. Maker.
2. Payee.
3. Holder.
4. Holder in due course.
5. Indorser.
6. Indorsee.

53.—Parts.

1. Face—Front.
2. Face—Amount.
3. Back.
4. Body.
5. Date.
6. Signature.
7. Endorsement.

54.—Events.

1. Issue.
2. Negotiation.
3. Days of Grace.
4. Nominal Maturity.
5. Maturity.
6. Dishonor and Protest.
7. Discharge.

55. The *Maker* is the one who makes the promise. The *Payee* is the first *Holder*. Any subsequent *Holder* who obtains the note, not knowing it to contain any fraud or defect, is a *Holder in Due Course*; any one who writes his name on the *back or front other than the maker, is an *Indorser*; the *Indorsee* is one to whom the note has been transferred.

56. The pupil may learn the parts by studying the form of note.

57. *Issue* means the first delivery; *Negotiation* means transferring to a new holder; *Days of Grace* are three days allowed the maker beyond the stated time. A note for thirty days is not due for 33 days after date. Demand notes and demand drafts are due when presented. *Nominally due* is the last day of the stated time (it is a date of little importance). *Maturity* is the last of the three Days of Grace; *Dishonor* is the refusal of the maker to pay at maturity; *Protest* is the process at law to hold the indorsers liable. *Discharge* is the name applied to the act of receiving payment and the returning of the note to the maker.

*Correctly on the back.

58. Sundays and Holidays.—As stated, the maturity of a note occurs on the last of the three days of grace, but if this last day falls on a Sunday or a bank holiday, the note is not payable till the following day. If these days occur so that one immediately follows the other, and if a note matures on either of them, it is not payable till the day following the two.

59. Interest for the three days of grace.—Ordinary citizens lend money by the year or month, and as a rule make no charge for the interest for the three days of grace. Banks expect all borrowers to keep the money till the last day of grace, and always charge for the three days.

60. Peculiarities of the Calendar.—If a note reads, "Three months after date," etc., calendar months are meant, *i.e.*, from a certain day in one month to the same day in the next is considered a month. But, except for leap year, Feb. has no 29th; it never has a 30th or 31st day; April, June, Sept. and Nov. have no 31st day. If through counting calendar months notes become *nominally due* on one of these days, then the last day of the month is taken as the nominal due date, and the third of the following month is the day of maturity.

61. Computing time in days.—The rule is: exclude the day *from* which the time is to begin to run, and include the day of payment. A note dated Jan. 13th begins to run Jan. 14th. Therefore there are in Jan. $31 - 13 = 18$ days, but if the 13th were included there would be 19.

62. Dating.—A note may bear a date earlier than the one on which it is being issued, or it may bear a date later, or it may be dated on Sunday. If the date is omitted any holder may insert the *true* date.

63. Place.—A note may state some place other than the real place it is drawn, and may be made payable at any place the parties agree upon. A bank is the best place.

64. Changes.—An alteration which changes the important terms of the note invalidates it in the holder's hands.

65. When the amount in the body of a note differs from the figures, the amount written in words is considered the true amount.

66. His Mark.—If a note is made by a person who cannot write he should make a cross. It is necessary to have such a signature witnessed.

67. Minors.—A person under age who makes a note is not bound by it unless he ratifies his signature when he becomes of age.

68.—Kinds.

1. Non-negotiable.	1. Single promissor.	1. Demand.	1. Ordinary.	1. General.
2. Negotiable by endorsement.	2. Joint.	2. Time.	2. Chattel.	2. Payable at Bank.
3. Negotiable by delivery.	3. Joint and Several.		3. Lien.	3. Payable at certain place only.
	4. Accommodation.			4. Payable with interest.

69. The wording of the face of Notes.

1

A Note Negotiable by Endorsement.

\$200.

Thirty days after date I promise to pay N. D. Steele, or order, Two Hundred Dollars. Value received.
THOS. ROBINSON.

2

A Note Negotiable by Delivery.

Substitute "or bearer" for "or order."

3

A Non-negotiable Note.

Write "only" after Steele's name and leave out both "or order" and "or bearer." (If "only" is omitted and it reads, "N. D. Steele, Two Hundred Dollars," etc., the note is *negotiable*.)

4. *Single Promissor.*
(See any of the above forms.)

5

Joint Note.
(Each promissor to pay half only.)

\$275.

KINGSTON, July 20th, 1900.

Three months after date we promise to pay B. C. Stewart, or order, Two Hundred and Seventy-Five Dollars, for value received.

RICHARD JACKSON.
P. J. KENNEDY.

6

Joint and Several.
(Each to pay not only half, but all, if one fails.)

Insert "jointly and severally" after "we."

7

Joint and Several.
(A more common form.)

\$275

KINGSTON, July 20th, 1900.

Three months after date I promise to pay B. C. Stewart, or order, Two Hundred and Seventy-five Dollars for value received.

RICHARD JACKSON.
P. J. KENNEDY.

8

Time Note.
Any of the foregoing.

9

Demand Note.

\$125.

OWEN SOUND, Sept. 5th, 1900.

On demand, I promise to pay J. C. Galloway, or order, One Hundred and Twenty-five Dollars. Value received.

C. D. COOPER.

10

A Note payable at the Bank signed by a person who cannot write.

\$47.

STRATHROY, Sept. 15th, 1900.

Three months after date, I promise to pay C. D. Dolsen, or order, at the Canadian Bank of Commerce here, the sum of Forty-seven Dollars for value received.

Witness: JAMES GRANT.

PETER ^{his}
X HOOD.
mark

NOTE:—This note should be read over very carefully once or twice to the maker in the presence of the witness, so that the latter may be able to prove that the maker knew what he signed.

11

A Note payable at the Bank with Interest.

\$475.

MITCHELL, Sept. 7th, 1900.

Three months after date I promise to pay Joseph Gilbert, or order, at the Merchants Bank here, Four Hundred and Seventy-five Dollars for value received, with interest at 8% until paid.

M. P. SWAN.

NOTE:—If "until paid" or some similar phrase is not inserted, it will bear interest at 8% till maturity, and after that at 5%, which is called the legal rate.

12. *Chattel Note.*
(Not very common.)

\$30.

CHATHAM, June 10th, 1900.

Five months after date I promise to pay Stephen Burrows Thirty Dollars worth of Hand-picked Beans at One Dollar per bushel, to be delivered at his farm.

JAMES P. MARTIN.

Form of Lien Note.

Manufacturers whose agents sell farm implements, organs, pianos, stoves, furnaces and other articles direct to users and obtain notes in settlement made out in favor of the manufacturer, use the form shown below. Then the article cannot be sold or seized until the note is paid. Parties other than manufacturers who wish to hold articles on a lien must register the same with the clerk of the county court, who charges a fee of 10 cents for every such record.

<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>***** \$56.00 *****</p> </div>	<p style="text-align: right;">No.</p> <p style="text-align: right;">WALKERVILLE, ONT., September 1st, 1900</p> <p>On or before the first day of <i>September, 1901</i>, for value received in the purchase of a <i>farm wagon</i>, I promise to pay WM. WALKER & CO., or order, at <i>their office, here</i>, the sum of <i>Fifty-Six</i> DOLLARS with interest at the rate of $7\frac{1}{2}$ per annum from date until maturity, and at the rate of twelve per cent. per annum after maturity until paid.</p> <p>I agree to furnish security satisfactory to Wm. WALKER & Co., at any time, if required. I am to have the use of the property for which this note is given at my own risk, but the ownership and right to the possession of the said property shall remain in Wm. WALKER & Co., until this note or any renewal thereof is fully paid, and my liability thereon shall not be determined otherwise than by payment thereof. Should I not fulfil all the terms of this agreement, or should I sell or attempt to sell or otherwise dispose of my lands or personal property, which are hereby pledged for the payment hereof, then this note (a copy of which I have received) shall become due and payable forthwith. Immediately upon this note becoming due in any manner whatsoever the said Wm. WALKER & Co. may take possession of the property for which this note is given and sell or dispose of the said property with or without recourse to law, but my liability on this note shall not be discharged by such seizure and sale, but is hereby expressly reserved and the amount realized upon such sale, after first paying all costs and expenses incurred in connection with such seizure and sale, shall be applied by Wm. WALKER & Co. in reduction of my said liability on this note. Any action or suit brought in respect of this contract shall be entered, tried and finally disposed of in a Court having jurisdiction where the head office of Wm. WALKER & Co. is located. For the purpose of obtaining the above I declare that I am owner in my own right of <i>100</i> acres being <i>east half of Lot 8 in the fifth Concession, in the Township of Eramosa</i>, in the County of <i>Wellington</i> and Province of Ontario, free from all encumbrance excepting.....and that there is no mortgage or other lien upon my chattels.</p> <table style="width: 100%;"> <tr> <td style="width: 40%; vertical-align: top;"> <p>Witness</p> <p style="text-align: center;"><i>E. A. Stuart.</i></p> </td> <td style="width: 60%; vertical-align: top;"> <p style="text-align: right;"><i>F. Quill</i></p> <hr style="border: 0; border-top: 1px solid black;"/> <p style="text-align: center;">Post Office, <i>Rockwood.</i></p> </td> </tr> </table>	<p>Witness</p> <p style="text-align: center;"><i>E. A. Stuart.</i></p>	<p style="text-align: right;"><i>F. Quill</i></p> <hr style="border: 0; border-top: 1px solid black;"/> <p style="text-align: center;">Post Office, <i>Rockwood.</i></p>
<p>Witness</p> <p style="text-align: center;"><i>E. A. Stuart.</i></p>	<p style="text-align: right;"><i>F. Quill</i></p> <hr style="border: 0; border-top: 1px solid black;"/> <p style="text-align: center;">Post Office, <i>Rockwood.</i></p>		

Accommodation Notes.

Banks make it a rule to lend money on the security of two or more names only. A person who is not a principal debtor, but has affixed his signature to a note to accommodate a friend, is called an *accommodation party*, and a note made out with an accommodation party as payee and endorser, fully meets the requirements of the bank.

If J. B. Hamilton is in good financial standing, and if he endorses the following note, a bank will discount it and give the proceeds to C. D. Beecher, the maker.

\$500.

Toronto, Sept. 4th, 1900.

Three months after date, I promise to pay J. B. Hamilton, or order, Five Hundred Dollars, for value received.

C. D. BEECHER.

1. Blank.

C. A. Stuart.

2. Special or Full.

Pay to B. C. Fraser,
or order.
C. A. Stuart.

3. Qualified.

Pay to J. B. Snell,
or order without re-
course to me
C. A. Stuart.Pay to R. J. Ross
only.
C. A. Stuart.

4. Restrictive.

INDORSEMENT.

70. Almost all commercial papers have either "or bearer" or "or order" after the payee's name. If the payee sells the paper, or to use the language of business, if he negotiates it, he will not need to put his name on the back if "or bearer" appears, but if "or order" follows his name he must put his signature on the back. An indorsement is the name given to his signature and any other words he may choose to add. It guarantees to the new holder that the bill or note is regular and complete. It is also a veiled promise that should the principal debtor fail to pay, the indorser will become responsible for the payment.

71. A **Blank Indorsement** is a simple signature. See No. 1. After it is put on the bill is payable to bearer.

72. A **Special or Full Indorsement** states the name of the indorsee who becomes the next holder. The object is to make him indorse before he can transfer the bill or note. See Nos. 2, 7, 8.

73. A **Qualified Indorsement** is one made to escape the responsibility stated in 70. When a person is forced to indorse, or when he sells a bill or note of doubtful value, he will indorse like No. 3 if the purchaser will accept such.

74. A **Restrictive Indorsement** prohibits the further negotiation of the bill or note, or expresses mere authority to deal with the bill as thereby directed. See Nos. 4, 9.

75. When a partial payment of a note is made, a separate receipt should be given and an indorsement on the back of the note similar to No. 5 should be made.

76. If one man indorses for another to enable the latter to borrow money on the security of two names, he is said to accommodate his friend. A suitable indorsement is shown in No. 6.

77. When one bank intrusts another with the collection of a note or draft, the indorsement shown in No. 7 is the one most commonly used.

78. When a business man gives a bank his business paper, due at distant points, to collect, the correct indorsement is shown in No. 8.

79. When sending a clerk with cheques for deposit, or even carrying them personally, it is well to write the words above your signature as shown in No. 9.

80. If the maker of a note fails to pay, the holder may demand payment from any indorser, and any indorser who is forced to pay may seek compensation from any previous indorser, but not from a subsequent one.

81. If the acceptance of a draft is refused, or if payment is refused, the drawer stands in the position of a first indorser. The other indorsers are liable in the order in which their names appear.

82. If an indorser or drawer is not notified of non-acceptance or non-payment on the exact day he should be, the law will excuse him of his liability. Therefore is it of great importance to watch the maturity of indorsed notes and of drafts.

83. If the payee's name is mis-spelled he may indorse with the same spelling, or he may indorse with the correct spelling, or better, he should sign with both.

84. An indorsement ought to be written across the back, above the middle, with the left end up.

Received on the with-
in note One Hundred
Dollars (\$100) for
which separate receipt
was given.
C. A. Stuart

5. For Instalment.

C. A. Stuart

6. For Accommodation.

For deposit on account
of C. A. Stuart only.

C. A. Stuart

9. For Deposit.

Pay to the order of the Bank of
Montreal for collection.

C. A. Stuart.

8. For Collection.

Pay to the order of any Bank
or Banker.
For the Educational Bank.
A PEDAGOGUE,
MANAGER.

7. For Banking Purposes.

EXERCISE IV.—DRAWING NOTES.

Using quarter sheets of foolscap, write notes from the following data. At the top of each write the due date. Use your place and current date where necessary.

MAKER.	TIME.	PAYEE.	INDORSER.	2ND INDORSER.	INDORSEE.	FACE.
1. Yourself	30 days	P. Donovan & Co. ....	.....	.....	.....	\$ 213 40
2. Yourself	On demand .	Bank of Toronto. ....	.....	.....	.....	2000
3. S. C. Dean	60 days	J. Cole	Payee.....	.....	Yourself ...	187 12
4. F. M. Milne....	3 mos.	R. Murray.....	.....	.....	Yourself ...	624
5. F. O'Rourke....	2 mos. ....	.....	T. J. Day ..	J. G. Cook ..	.....	325 40
6. M. Cowan.....	6 mos.	R. C. Foy .....	.....	.....	Yourself ...	720

7. Prepare for S. P. Keeley your note at two months, bearing interest at 8% , payable at The Standard Bank, for balance of your account, \$87.25.

8. Draw a note in your own favor, maker H. D. Jacobs, bearing interest at 6% for \$1000, dated Jan. 6th, 1900, at 6 months. On it appear indorsements for \$150 Mar. 6, \$200 May 6, \$300 June 6. Write the indorsements and separate receipts. How much is due on the note when it matures? (Time by months.)

9. Four notes are drawn at two months and all mature March 3, yet no two are dated the same day. Explain and write the days of dating.

10. In March, 1900, four notes were drawn, each at three months, one on each of four consecutive days, and all matured the same day. What was the day of maturity? Write the days of dating and explain the circumstance.

II.—DRAFTS.

85. Very few people are as anxious to pay their debts promptly as their creditors are to have them paid, consequently creditors usually take the initiative in settling accounts.

Where a debtor and his creditor live in the same place, or where they meet personally in a business way, the creditor may request the debtor to give him a written promise for the amount of the debt. Under such circumstances the written promise will take the form of a note.

Where the debtor and creditor live in different places the creditor may write a letter and inclose a note to be signed.

But the usual practice is to issue a *draft* which not only does for the letter, but which, if signed by the debtor, acts in all particulars as a note.

86. The order, with or without the debtor's signature, is called a *draft*.

87. When the debtor puts his signature across the face of the order, the combination is called an *acceptance*. The name is derived from the word "accepted," which it is customary for the debtor to write above his name.


88. Creditors do not send their drafts by mail themselves. They entrust them to banks, who make it a special branch of their business to transmit these papers and send messengers with them direct to the debtors.

89. Many drafts are requests to pay the bank which first undertakes to transmit the paper.

Others are direct requests by the creditor to pay himself, and on the back is his indorsement authorizing the bank to take the payment in his behalf. (See page of indorsements, Nos. 7 and 8.)

Sometimes, but quite seldom, drafts are requests to pay some third party other than a bank.

Form of Draft.


 No. 482 Due Sept. 30th
 Toronto July 27th 1900
 \$ 75⁰⁰
 Accepted
 Two months after date pay to
 the order of The Payee Bank of Canada
 PAYEE
 Seventy five _____ Dollars.
 Value received and charge to the account of
 To J. D. M. Garwin
 St. Thomas
 D. D. Russell R^o

90.—Parties.

1. Drawer.
2. Drawee.
3. Acceptor. } same person.
4. Payee.
5. 1st Indorser. } same person.
6. 1st Holder. }
7. Indorsee.
8. Holder in Due Course.

91.—Parts.

1. Face—Front.
2. Face—Amount.
3. Back.
4. Date.
5. Body.
6. Signature.
7. Acceptance.

92.—Events.

1. Issue.
2. Negotiation.
3. Indorsement.
4. Presenting for Acceptance.
5. Acceptance, or
6. Dishonor.
7. Presenting for Payment.
8. Discharge, or
9. Dishonor.

93. The Drawer is the creditor who issues the draft. Drafts are sometimes issued when there is no indebtedness between the drawer and the drawee. Sometimes a person draws a draft with the expectation that he will have funds in the hands of the drawee before the draft will be presented to him for acceptance or payment. See also the bills of exchange on page 21, where the feature of indebtedness is not considered.

94. The Drawee is the debtor. If the drawee accepts the order he writes his signature across the face and is then known as the *acceptor*.

95. The Payee is the one to whom the payment is to be made, usually a bank or the drawer himself. In those used for money (see page 21) and a few others, the payee is some third party other than a bank.

96. Holders and Indorsers have the same duties, rights, and responsibilities as similar parties to notes.

97. Of the parts, the acceptance is the only one that requires explanation. It should be written in ink of a conspicuous color,—usually red. The simple signature of the drawee will do, but almost invariably the word "Accepted" is written above. For drafts beginning (1) "At Sight" (if accepted), (2) "Thirty days after sight," the date must be put in above the signature. A draft that is payable a certain number of days after date will become due without being accepted. However it is advisable to have such drafts accepted, as this at once makes the drawee responsible. The drawer sometimes has the option of deciding the place of payment. He should make it payable where he does his banking.

98. Presenting for acceptance is the duty of the holder. If a draft payable on demand or at sight is not presented within a reasonable time, the drawer and indorsers will be discharged from their liability.

99. Dishonored is the term applied to a draft when acceptance has been refused, or if acceptance has been given and payment at a subsequent date is refused, the holder must notify the drawer and indorsers of dishonor. If he neglects to notify them not later than the next day, they are discharged.

100. Protest. If the holder desires to make a formal exposure of the dishonor he will employ a notary public, who will take the matter in hand and again present the bill for acceptance or payment, as the case may be, and having been refused or having received no answer, or if the proper person cannot be found at the right place, he will record the facts regarding his efforts and will send copies of the same to the drawer and indorsers, stating to them that they will be held responsible for the face with interest and all expenses connected therewith. This course at law is called *protesting*, and it applies to notes and cheques as well as drafts.

101. Most drawers do not wish their drafts protested and the blank forms on a banker's counter usually have a perforated stub called *waiver of protest*, attached. If this is left on, the holder will not protest.

102. The law regarding indorsement of notes applies fully to cheques and drafts.

103. The drawer of a cheque or draft is in the same position of liability as the first indorser of a note.

104. A person who is away from home and finds himself without money, may telegraph a well known firm or a banker to honor his draft. A favorable telegram in reply will be taken as an acceptance of the draft, and it may then be discounted at a bank and the proceeds handed over to the needy traveller.

105. Wording of Drafts.

1. Sight Draft.

Subject to three days of grace if accepted.

Due at sight.

\$302.29.

TORONTO, May 25th, 1900.

At sight pay to the order of

THE STANDARD BANK OF CANADA

Three Hundred and Two ²⁹/₁₀₀ Dollars

for value received and charge to the account of

To Messrs. W. A. Varney & Co.,
Chatham, Ont.

B. C. SMITH.

2. Demand Draft.

Not to be accepted; must be paid or refused on presentation.

Due on demand.

\$65.

TORONTO, May 15th, 1900.

On demand pay to the order of

THE CANADIAN BANK OF COMMERCE

Sixty-five ⁵/₁₀₀ Dollars

Value received and charge to the account of

To J. P. Brooks & Co.,
Brantford.

C. P. ROGERS.

3. *Time Draft—after Sight.*

To be accepted, and acceptance dated in order that the time may begin to run.

Due ———

\$160.

TORONTO, June 1st, 1900.

Thirty days after sight pay to the order of

OURSELVES

One Hundred and Sixty.....Dollars

for value received and charge to the account of

To S. D. Hill,

P. D. CAMPBELL & CO.

Oshawa.

(Acceptance to be written across the face).

"ACCEPTED."

June 4th, 1900.

Payable at

BANK OF MONTREAL.

S. D. HILL.

4. *Time Draft—after Date.*

Usually presented for acceptance, but acceptance need not be dated. Time begins to run from the date at the top.

\$175.

TORONTO, June 1st, 1900.

Three months after date pay to the order of

JAMES PATERSON

One Hundred and Seventy-five.....Dollars

for value received and charge to the account of

To M. J. Carter & Co.,

D. D. PIPER.

Collingwood.

(Acceptance to be written across case).

"ACCEPTED."

Payable at

STANDARD BANK OF CANADA here.

M. J. CARTER & CO.

EXERCISE V.—DRAFTS.

1. (a). P. D. Campbell & Co. would have to indorse Draft No. 3 above before intrusting it to the bank. Consult page 13 and then write the proper indorsement.

(b). If the bank had no branch in Oshawa it would likewise have to indorse. Write the indorsement.

(c). After the acceptance would the draft be held in Oshawa or would it be returned to Toronto?

2. (a). For Draft No. 4—if James Paterson lives in Collingwood should D. D. Piper send the draft to him directly by mail or indirectly by the bank?

(b). If James Paterson lives in Winnipeg, do you think D. D. Piper took a usual business way of paying one debt and collecting another?

3. Write drafts for the purpose of collecting the following debts:

(a). J. B. Haskin, Belleville, owes you \$36.40 on account, due now.

(b). H. K. Evans, Ottawa, owe you \$265.80 on account; terms 30 days from now.

(c). P. J. Sullivan & Co., Clinton, owes you \$186.20; terms two months from now.

(d). C. K. Anderson, Simcoe, bought from you a bill of goods amounting to \$172.25, on four months' credit, but you are to give him six months by post dating the draft two months later than now.

(e). M. K. Nelles, Orangeville, owes you \$68.40; terms net cash.

4. D. C. O'Hara, *Limehouse, owes you \$48.36; terms one month from now. Fill out a note for him to sign.

*It is very inconvenient to draw drafts on persons who live in places where there are no banks.

III.—CHEQUES.

106. A cheque is an order on a banker to pay a sum of money on demand.

Form of Certified Cheque.

No. 249 M.S. 273

Feb. 25th 1900

THE EDUCATIONAL BANK OF CANADA

PAY TO D. R. McNeill *order* \$ 38.95
OR-BEARER \$ 38.95

Thirty eight 95 100 DOLLARS

\$ 38.95 M. M. McNeill

107. The parties to a cheque are the same, and are known by the same names as those connected with a draft. The drawer is a depositor. The drawee is the bank or banker. The payee is any third party to whom the drawer wishes to pay a sum of money. The payee—unless the cheque is payable to bearer—should endorse the cheque in some suitable manner if he does not cash it at the bank on which it is drawn.

108. The parts of a cheque are the same as the parts of a draft.

109. The events that may transpire are discussed under the heading of drafts.

110. If a bank pays a forged cheque it will have to bear the loss.

111. If a bank pays a *raised* cheque it will also have to bear the loss; that is, the bank cannot charge the drawer for a larger sum than the original amount. But if it can be shown that the drawer is so careless in drawing cheques as to give opportunity to a forger, then the drawer must bear the loss.

112. Consequently, it is necessary to fill up the line preceding "Dollars." If the words of the amount do not do so a heavy wavy line or a set of crosses should be put over the spare space. Always begin to write the amount as far to the left as possible.

113. Unless a cheque is payable to bearer a bank is responsible in a business way to the drawer to pay the cheque to the proper payee—consequently the care exercised by Tellers in having strangers identified.

114. To minimize this responsibility banks try to have as many of their cheques payable to bearer as they can. All the blank cheques on their counters have "bearer" following the blank line reserved for the payee's name.

115. Drawers of such cheques often want them for receipts and usually cross out "bearer" and write order above it.

116. Many business houses have private cheque books with "order" printed on all blanks. If, however, they wish to write out a cheque payable to bearer they may cross out "order" and write "bearer" above it, but they must initial the change.

117. Cheques may be ante-dated or post-dated. If ante-dated they may be presented for payment any time. If post-dated they are not payable till the day of date arrives.

118. As soon as a banker knows that a man is dead or bankrupt he will refuse to pay all cheques outstanding.

119. Should a banker refuse to pay a cheque the party to be sued is the maker or indorser.

120. Certified Cheque. Where you wish the payee to be absolutely certain that the cheque is all right and will be paid, cheques, of which the illustration is an example, are used. They are called *certified cheques*. Railway station agents will not take other kinds. The drawer gets the ledger-keeper to stamp and initial them, as shown in the illustration. The amount of the cheque is then charged up to the drawer as if it had been paid. Sometimes a payee, if he intends to negotiate a cheque or remit to his principal, will take it to the bank, and, instead of cashing it, will have it *accepted* in the manner shown.

EXERCISE VI.—CHEQUES.

Make out cheques on the Dominion Bank for the following :

1. To pay James Sutton \$42.80.
2. To pay C. D. Cavers \$14.28. Write it so that he must endorse before the bank will pay the cheque.
3. To pay M. M. Wilkie \$15 for a month's house rent. Insert a line so that the returned cheque will act as a receipt for rent in full to date.
4. To enable you to withdraw \$40 for your own use.

IV.—ORDERS.

121. A mercantile order is a request for the delivery of goods—sometimes for money. It resembles a letter and is less formal than a draft. It is indefinite about time and does not require a written acceptance. A person issuing one will not do so unless he is very certain that his request will be complied with. It is customary for the drawee to dispose of the matter promptly, but when the order is for the payment of a sum of money, sometime he may ask the payee to wait a few days.

Form of an Order.

The following form should be written on a small sheet of business letter paper.

1

Woodstock, July 15th, 1900.

Mr. C. D. Mahon will please pay to the order of D. F. Polsen, Ten Dollars in goods from his store and charge to the account of

R. WALKER & CO.

2

Woodstock, July 15th, 1900.

To D. R. GILFORD,

Please let Mr. John Harmer have Ten Dollars, and charge to my account.

P. D. DOUGLAS.

V.—DUE BILL.

122. When adjusting an account a merchant sometimes owes a customer a small balance which it is intended that the customer will deal out in goods. A written acknowledgment of the debt is called a *due bill*.

1

COLLINGWOOD, July 15th, 1900.

Due Mrs. S. D. Moore, Four Dollars and fifty-nine cents (\$4.59) in goods from the store.

D. L. SCHULTZ.

2

PRESTON, ONT., June 5th, 1900.

Due J. P. Smith, or order, Ten Dollars, for balance of month's wages; payable in goods from my store.

E. F. MASON.

PART III.

DEALING WITH BANKS.

123. Banks have three classes of depositors.

- (1) Depositors on current account.
- (2) Depositors in savings bank.
- (3) Depositors on deposit receipt.

124. The first class have the privilege of issuing cheques but do not receive interest. The second class do not issue cheques except in their own favor, but they receive interest every six months on their monthly balances. The third class lend the bank one definite sum, receive a written promise for the return of the money, and will receive interest half-yearly. They have not the privilege of issuing cheques.

1. Current Account.

125. Manufacturers, wholesale and retail merchants, buyers of produce, treasurers of corporations and financial institutions and business men in general, are depositors on current account.

126. **Opening an Account.**—When a person decides to open an account with a bank he applies to the manager for the privilege. If a favorable arrangement is made and a rate of discount agreed upon, he will be required to put his signature in a book provided for the purpose; his first deposit will be accepted, and he will be given a bank pass-book.

127. **The Bank Pass-Book.**—The amount of each deposit will be set down on the left page with the ledger-keeper's initials following. At the end of the month, the book will be asked for, and on the right page will be set down the amount of each cheque paid; the book will then be balanced and returned. Some of the cheques issued may not have been presented for payment; the bank's account and the customer's account may and usually do not agree.

*Bank Pass Book.*Dr. **EDUCATIONAL BANK,** in acct.with *E. A. Stuart.*

Cr.

DATE.		DEPOSITS.	AMOUNT		Ledger Keeper's Initials.	CHEQUES.		CHEQUES.		CHEQUES.	
<i>Sept.</i>	<i>10</i>	<i>Dep.</i>	<i>5080</i>		<i>J.H.L.</i>	<i>150</i>		<i>114899</i>		<i>263035</i>	
"	<i>16</i>		<i>100133</i>		<i>J.H.L.</i>	<i>560</i>		<i>530</i>		<i>9753</i>	
"	<i>20</i>		<i>102432</i>		<i>J.H.L.</i>	<i>26134</i>		<i>1410</i>		<i>58875</i>	
"	<i>30</i>		<i>40133</i>		<i>J.H.L.</i>	<i>9950</i>		<i>32182</i>		<i>26610</i>	
						<i>230</i>		<i>30</i>		<i>590</i>	
						<i>7585</i>		<i>58544</i>		<i>34520</i>	
						<i>114899</i>		<i>263035</i>		<i>60</i>	
								<i>Bal.</i>		<i>292905</i>	
			<i>750698</i>							<i>750698</i>	
<i>Sept.</i>	<i>30</i>	<i>Bal.</i>	<i>292905</i>								

128. **Deposits.**—The money that banks will receive for deposit at face value is called *Cash*. It comprises Canadian silver coins, Canadian bank bills, and all forms of money orders payable on demand, in the town in which the deposit is being made. See the forms of negotiable money on the next page.

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return of the

porations and

applies to the
upon, he will
epted, and he

page with the
on the right
turned. Some
the customer's

Cr.

CHEQUES.

6	3	0	3	5
9	7	5	3	
5	8	8	7	5
2	6	6	1	0
5	9	0		
3	4	5	2	0
6	0			
9	2	9	0	5
5	0	6	9	8

It comprises
the town in



129. Cheques.—If the balance is kept up by deposits all regular cheques issued will be paid when properly presented. Those that are certified will be charged up in the bank's ledger before being paid. At the end of the month all cheques that were paid will be handed back to the customer and a receipt taken from him for them.

130. Notes and Acceptances.—From the time he becomes a depositor on current account the customer will pay no more of his business papers at his own office. Every note he signs and every draft he accepts will be made payable at the bank where he keeps his account. The banker will pay all such notes and acceptances without consulting the customer. At the end of the month the business paper paid in this way will be returned with the cancelled cheques.

131. Cheque Book.—The bank supplies each customer with a book of blank cheques. At the end of the month the cancelled cheques are pasted on their original stubs. These original stubs may be used as a book for keeping a record of deposits and cheques issued. Such a record will be a check on the entries in the bank pass-book.

132. Keeping up Deposits—Discounting.—Retail merchants usually get enough cash in their daily sales to keep their account with the bank from being overdrawn. Wholesale merchants have very few cash sides and consequently they must pursue a different course. They may get ten, fifty, or perhaps one hundred notes or acceptances in a day; these run one, two or four months. If indorsed, the banks will accept these as deposits at a valuation less than their face; $5\frac{1}{2}$, 6, or $7\frac{1}{2}$ per cent. is taken off for the number of days, till maturity. A firm getting the face less $5\frac{1}{2}$ for four months is one of good financial standing, doing a large business. Manufacturers who sell to wholesale houses and jobbers are about on the same footing as the merchants themselves, and do their banking on the same plan.

133. Keeping up Deposits—Collateral Security.

(1) *Farmers' Notes.*—Manufacturers of farm implements sell to farmers on lien notes (see page 12). These notes are not very suitable for discounting, as farmers are not prompt at paying at maturity. The manufacturer, instead of discounting, indorses and places a number of them with his banker, as security for a loan. The customer will make out his own note for an amount equal to about two-thirds or three-fourths of the aggregate of the farmer's notes, and have it discounted. If he fails in business and cannot pay his note the banker collects sufficient of the farmer's notes to pay the debt.

(2) *Bills of Lading.*—Shippers of farm produce, of flour, of grain etc., get shipping bills, called bills of lading, from the railways and lake carriers. To these bills the shipper attaches sight drafts on the consignees for the amount of the merchandise shipped. He then discounts the drafts at the bank. The bank then forwards draft and attached bill of lading to the place where the goods were sent. If the purchaser pays the sight draft, he gets the bill of lading, and with it can claim the goods, but unless he pays he cannot get the goods.

(3) *Warehouse Receipts.*—Persons having goods stored in a warehouse can get a receipt from the owner of the warehouse, and, by handing over the receipt to the bank, can borrow money from the bank on a note equal to about two-thirds or three-fourths of the receipt.

(4) *Bonds, mortgages, stock certificates and ordinary notes* are often given as collateral security for a loan.

134. Banks will lend money on business paper on which there are two or more reliable names. Some men, therefore, keep up their deposits by discounting accommodation notes.

135. Banks will not lend directly on mortgages.

II.—Savings Bank.

136. Persons who are not in business and who wish to put money in a bank, should, upon entering the bank, address the Teller and make a request to deposit the money in the savings bank department. If the depositor can make out a deposit slip (see page 23) he should do so, but if he cannot make it out correctly the Teller will attend to the matter. The signature of the depositor will then be taken and a savings bank pass-book issued to him. If the depositor wishes to pay anyone from his funds on deposit, he must not issue a cheque, but must go personally to the bank, take his pass-book and make out a withdrawal cheque (see next page) for the sum required.

Form of Withdrawal Receipt or Cheque.

	\$ 25. ⁰⁰	EDUCATIONAL BANK OF CANADA	
	Int. _____	SAVINGS BANK DEPARTMENT.	
	Toronto, May 14 th 1900		
	Received from The Educational Bank of Canada the sum of		
	Twenty-five _____ Dollars		
to be charged to account No 5306.			
H. C. Brown			

Form of Savings Bank Pass-Book.

N.B.—Money cannot be withdrawn without this Pass Book

No. 5306.

SAVINGS BANK DEPARTMENT

Folio 229.

EDUCATIONAL BANK OF CANADA

Deposits are subject to the foregoing Regulations

DATE. 1900.		PARTICULARS.	INITIALS.	CHEQUES.		DEPOSITS.		BALANCE.	
Aug.	3	Dep.	S.			50		50	
"	5	Ck.	S.	10				40	
"	15	Dep.	S.			100		140	
"	20	Ck.	S.	34	20			105	80

III.—Deposit Receipt.

137. A person having one large sum for deposit and having a preference for a good reliable document as evidence of his claim against the bank, may ask for a deposit receipt. When any of the money is required or when any more is deposited, or when interest is added, the receipt must be surrendered and a new one issued in its stead. Most banks do not issue one in a month; but in some localities there is still quite a preference for them, and half the depositors will have nothing else. The form below is reduced to about three-fourths its original size.

Form of Deposit Receipt.

\$5000⁰⁰ **N^o 414**

Toronto May 30th 1900

EDUCATIONAL BANK OF CANADA

Received from = E. A. Stuart =

the sum of = Five Thousand = Dollars

which amount will be accounted for to E. A. Stuart by

this Bank and will bear interest at the rate of = 3 = per cent

per annum until the depositor is otherwise notified

15 days notice of withdrawal to be given, at which date interest

will cease This Receipt to be surrendered when payment of either

principal or interest is required This receipt is not negotiable.

Ent A Thrasher | Sec *For Educational Bank*

A. Pedagogue Manager.

Form of Deposit Slip.

Bank of Montreal.

Toronto, June 5, 1900

Credit E. A. Stuart

With

One Hundred Forty-nine ³⁵/₁₀₀ Dollars

23 x	1 =	23	Cheques	84	Gold	10	Silver	25	95
8 x	2 =	16		58		7		149	
x	4 =								
9 x	5 =	45				25			
x	10 =								
x	20 =								
x	50 =		Cheques	18	Gold	40	Silver	7	95
x	100 =								

EXERCISE VII.—DEPOSIT SLIP.

Rule and make out deposit slips for the following:

1. July 13.—Deposited 10 \$1 bills, 4 \$2 bills, 6 \$5 bills, 1 cheque, \$316.20.
2. July 15.—Deposited 6 \$10 bills, 4 cheques, \$36.10 \$4.75, \$2.16, \$3.25.
3. July 17.—Deposited 5 \$1 bills, 3 \$5 bills, 1 \$10 bill, \$12.70 in silver and 1 gold \$20 piece.

CHAPTER II.

VALUES.

I. WEALTH AND LABOR.

1. Exchanges.—Man's eagerness to possess articles useful or agreeable is one of the most striking characteristics of human nature. But the desire to have and to hold is fully equalled by the desire to exchange—to exchange the comparatively superfluous for the comparatively necessary.

2. Primary Values.—The primary values used in these exchanges are labor and wealth. Labor is either mental or physical, or what is the same thing, nervous or muscular. By wealth, we mean all articles useful and agreeable which possess an exchangeable value, except those which can be obtained in the quantity desired without labor or sacrifice. We exchange labor for wealth, wealth for labor, labor for labor, or wealth for wealth.

3. Labor.—By labor we do not mean merely the work of a man commonly known as a laborer; the term must be accepted and applied in its very broadest sense, so that it will include the work of companies of men, and of individual men in all stations of life. The lawyer, the doctor, the teacher, the banker, the entertainer, the clerk, the railway, the employees of the factory and of the farm, are all laborers who are exchanging their work or their skill for the world's wealth.

4. Wealth.—It is impossible to enumerate the articles that men esteem as useful or agreeable, but a list of them would include all the articles we find on the shelves of our merchants, the products of the farm, of the forest, of the mines, of the seas, lakes and rivers, of the factories, and, in fact, every article that is the product of nature or of man's labor which is esteemed to be of value, together with all buildings, implements or instruments that are used in the production of such articles.

II. MONEY.

5. Barter.—The part played by that form of wealth named money is not fully realized until we imagine the operations of a people without it. By referring to the trade of the Hudson's Bay Company, we have an illustration of a very primitive system. The Indians, instead of disposing of their products for silver, gold, or other currency which they could hoard or use for purchasing the necessities of life, gave their furs in immediate exchange for their present needs—pots, guns, knives, ammunition, tobacco, etc. Such a system is termed barter—the giving of what is not wanted directly for what is wanted. The adjoining newspaper clipping is evidence of the survival of the system even in our own day.

6. Disadvantages of Barter.—Savages, whose wants are few, whose articles for exchange are limited, and whose discrimination is undeveloped, have been known to manage their exchanges by barter. School-boys, too, whose wealth consists of apples, pieces of string, tops, pencils, knives, etc., practise barter very

Wanted to Exchange

GOOD BICYCLE for diamond or fox terrier dog: state particulars to box G, No. 64, Free Press.

WANTED—To exchange, first-class dental work for good baseliner and house painting. Call phone 4326.

WANTED TO EXCHANGE—Forty acres of timber land in good farming country for stock of groceries. Write or call, to Clerk, 1443 Jefferson ave.

WILL EXCHANGE LADY'S WHEEL—In good condition, for modern coal heater. Address C, Box 11, No. 40, Free Press.

WANTED—Furniture in exchange for first-class dress-making. Address Box E, No. 25, Free Press.

freely. But for a people whose wants are numerous, the simple system will not do. For instance, a tailor might experience great difficulty in finding a baker who would barter bread for a coat, and even if he did, the amount of bread exchangeable for a coat is too great for immediate consumption; while the bread is properly divided into loaves, the coat could not be cut up without being ruined. Human ingenuity could never bring about all the coincidences required to make barter perfectly operative among even a few hundreds of primitive people, much less could we hope to make it work for a people whose wealth comprises myriads of articles and whose labor is performed by specialists.

7. Sale and Purchase.—The system of sale and purchase supersedes barter. In this system of exchanges one of the articles is held only for a short time until it is parted with in a second exchange.

8. Medium of Exchange.—The article which thus temporarily intervenes in sale and purchase is money, and in this use it is said to be a medium of exchange. In almost all acts of exchange it now intervenes one way or other, and when it does not pass from hand to hand it serves as a measure of value by which amounts given and received are estimated.

REAL MONEY.

9. Gold.—There is no article that absolutely does not vary in the exchange value from year to year and from century to century, but the peoples of times past, after trying scores of suitable and unsuitable articles, found that metals retain most nearly a stable value, and among the metals gold and silver fluctuate least. Consequently, all the civilized nations of the world now use one or the other as a standard of value. Since reason and experience have shown that two things at the same time and in the same country cannot be money any more than one man can conveniently ride two horses at the same time, and since the most enlightened nations have made a choice in favor of gold, we may easily predict that silver money, like the iron and copper varieties of the centuries long ago, is passing out of the world for ever.

REPRESENTATIVE MONEY.

10. Disadvantages of Metallic Money.—With metallic money alone as a medium of exchange, we would find our trade and commerce heavily shackled. Heavy and valuable packages of gold would have to be transported from one side of the continent to the other, from one city to another; from the hamlets and towns to the great cities, and from the great centres back again. The amount of the gold thus set in motion would be enormous. Packages of the yellow metal, as numerous as the letters of the mail, would be continually passing and repassing each other. In large cities gold carts would be as numerous as coal carts. If a man bought a farm, a house or a steamboat, he would require a wheelbarrow or a cart to carry the gold to make the purchase. There is a natural tendency to avoid the exclusive use of a cumbersome medium of exchange. When gold is called upon to fly from one side of the continent to the other in an instant of time, on the wings of an electric spark, its solid mass refuses to move. Nor when less speed is required do we care to trust the precious substance to the unguarded mail-bag. The faithful servant of the past betakes itself to its other duties, and seeks retirement in the safes and vaults of the banks. So little is it seen abroad that many Canadians grow up almost to manhood without ever having made use of a gold coin, and so accustomed are we to seeing its representatives "Will Pay" and "Pay," that we forget that gold has or need have an existence as money.

The Current Money.

11. Paper Currency and Coins.—To relieve us of the burden of a metallic medium of exchange, our government and our leading banks issue legal representatives of value in the form of promises to pay gold on demand. The government issues theirs for \$4, \$1, \$2, \$4, and some very large denominations. The banks issue theirs for \$5, \$10, \$20, and upwards. But, for the smaller denominations—the amounts under a dollar—we still use metal, though not gold. The government issues silver coins of \$20, \$10, \$5, \$2, and copper

coins of \$ $\frac{1}{100}$. Because the coins and paper currency are made up for convenient amounts, because of the wide-spread faith in the institutions that issue them, because of the precautions against counterfeits, and because the bearer is the rightful holder, these paper and metal substitutes pass as readily from hand to hand as real money. They are, consequently, called the *current money*, and their chief use is for making payments where personal delivery is possible.

The Negotiable Money.

12. Money Orders, Cheques, etc.—Where we have to make payments by mail, we require money that can be made up at our request in one bill for any odd amount desired, and of such a character as to be worthless until it reaches the hands of the rightful recipient. Such money we can buy from the government postal system, the express companies and the banks in the form of orders on their branches or agents, to pay gold or current money on demand. Cheques on bankers—used for local purposes—are money of a similar nature. All these substitutes of special production were not originally intended to act as a circulating medium, but we have become so familiar with them that they frequently act in that capacity, though they do not usually pass through many exchanges until they are paid and cancelled. The passing of them from one holder to another is termed negotiating, consequently they are called the *negotiable money*. See page 21.

III. PROMISES.

13. Credit.—The use and nature of money having been treated above as fully as space would permit, we are now to consider another factor in the mechanism of exchange. So far we have assumed that the real commodities of exchange have been simultaneously transferred. For instance, if a man desires to obtain any article of value, we have supposed that he has some article at hand that he is willing to barter for it, or that he has money on hand to pay for it, or that he will give an equivalent amount of labor for it. But in a majority of the important business exchanges, the purchaser is not prepared with wealth, money, or performed labor to instantly complete the exchange. Under such circumstances, if the seller parts with his article of value, he is said to sell it on credit. Some days, months or years may elapse before the money, wealth, or labor of the purchaser is forthcoming to make the actual payment.

14. Promises.—In every credit transaction the purchaser gets an article of real value and gives a *promise*, the seller gets a promise and gives the article of real value. Therefore promises act somewhat like money as the mechanism of exchange. They are the proxies, substitutes or representatives of real value whose forthcoming is delayed. But they are unlike real money in that they are made of nothing and the moment they are redeemed they become nothing. Promises may be definitely stated in writing, definitely stated verbally or merely implied. A person signing a note gives a written promise. A person engaging by word of mouth to pay a bill of goods in a month, gives a verbal promise; a person taking, accepting, or ordering goods without paying for them, or mentioning payment, gives an implied promise.

15. Debtor, Creditor.—The person who gives a promise is called a debtor, the person who holds it is called his creditor.

Notes, Drafts and Acceptances.

16. Written Promises.—When the debtor makes a direct promise in writing that he will pay the creditor, the promise is called a *note*. When the creditor addresses a formal written request to the debtor to change a verbal or implied promise into a written one, the request or order is named a *draft*. It is expected that the debtor thus addressed will write the word "Accepted," and his signature over the face of the draft, and thus make a promise in writing equivalent to a note. This combination of the creditor's order and the debtor's promise is called an *acceptance*. Or, the matter stated in another way, is this: When I promise that *I will pay*, it is a *note*, but when *veiled beneath an order, I promise that *somebody else will pay*, it is a *draft*, and when that somebody, on his own behalf, promises to pay, it is an *acceptance*.

* The Bills of Exchange Act reads more into a draft and a cheque than that which appears on its face.

17. Unwritten Promises.—

\$25.00.

Berlin, Ont., June 15th, 1900.

One month after date I promise to pay.....C. A. Stuart.....or order
 Twenty-five.....Dollars, for value received.

William Hood.

The above written promise is called a note, but we wish the pupil to observe that what constitutes the note is not the paper nor the writing thereon. The promise—the soul of that which is written—is the note. The paper and the writing are but the embodiment of the promise. Verbal or implied promises have no such permanent, tangible and visible expression, neither are they so definitely and unconditionally stated, consequently their existence is most frequently ignored. Thus, if I sell James Baker an overcoat worth \$25, and if on leaving the store he says, "I will call in the first of the month and pay you," a most natural and an almost universal conception of the transaction is that at the time of sale I get nothing for the overcoat; that is, a one-sided or half exchange takes place. But if I sell Wm. Hood a similar overcoat and get in payment his note at one month, any one will agree that at the time of sale I effect a complete exchange,—that I give a value and get an immediate equivalent. An analysis of these two sales will not disclose two such distinct conclusions. Each purchaser got an overcoat, so for both sales the *giving* side of the exchange is complete. From Hood I get a visible, tangible value as salable as sugar or cloth; from Baker I get a verbal promise unseeable, intangible and comparatively unsalable. But mark you, only comparatively unsalable. If I should quit business to-morrow or should fail in business shortly, it is very probable that I could sell my claim against Baker for quite as much as I could sell my note against Hood. Therefore it would be well to correct any erroneous conception of these credit transactions. Since I got a written promise from Hood, and an unwritten one from Baker, since promises are considered values, the *getting* side of each transaction is complete. Hitherto it was conceded that for one sale the exchange is complete, but for the other it was assumed to be one-sided or incomplete; that is, it was conceded that I get something from Hood but that I get nothing from Baker. But since the value lies in the promise and not in the paper or writing thereon, it must be evident that both are on the same footing. There is no good reason or authority for accepting the one and rejecting the other. Hereafter we shall expect the pupil to treat both written and unwritten promises alike and as values. The note and the unwritten promise are both proxies or substitutes, acting till the real values are forthcoming. In a few weeks we shall have another complete exchange with both customers. From Hood we shall get \$25 in money and will surrender the note we hold against him. From Baker we shall get \$25, and will surrender the claim we hold against him. It will be evident to the pupil that a credit transaction differs from a "cash" transaction, in that it takes two exchanges to effect the same result in the former as is effected by one in the latter. It is a very erroneous idea to suppose that a credit transaction is after all effected by one exchange; that is, that one-half the exchange takes place now and the other half takes place in a month. **For Double Entry Book-keeping the basis of its operation is this: if you give anything straightway you must get its equivalent.** There cannot be an exchange in which a prolonged interval of time exists between the giving and the getting. Hence the use of unwritten promises in the mechanism of exchange. They are the creation of a moment, or are born of implication, for the law of the land fastens a promise or a debt upon any one who has obtained the goods, the money, or the labor of another, without making full payment for the same at the time.

18. Naming Unwritten Promises.—The personal name of the debtor is used as a name for his unwritten promise. Thus, where we sold the overcoat to James Baker "on account" we would call his

promise "James Baker," which is merely an abbreviation for the phrase "a claim on James Baker." There is nothing unusual about this abbreviation. In ordinary speech we say we bought *Kipling* for our school library. It is perfectly manifest that the word Kipling must be an abbreviation for some phrase, since it certainly does not mean the man. In recording the sale of the overcoat we write

James Baker,

Merchandise

meaning that we get "James Baker" and we give merchandise. In preparing a financial statement we write the assets thus:

Cash	6,000
Merchandise	5,000
Bills Receivable	3,200
James Howard	468
James Miller	18
William Ferguson	310

The last three names in the list do not mean men, but the unwritten promises of men who bear these names. Collectively these three, or two hundred and three, if there were that many, would be called *personal accounts* or *book debts*.

IV. SPECIAL VALUES.

19. Interest and Rent.—The dictionary meaning of these terms is not suitable for their application in Book-keeping, that is to say, in the subject before us these words have a technical meaning. The definition we desire to lay down for interest is that it is *the use of money*. The dictionaries all agree that interest is *the money* paid for the use of money. Upon first reflection it may seem that the technical definition and the general one are about the same thing. One illustration will show the line of cleavage. If Ames borrowed \$100 from Boles a year ago and now pays back \$100 and \$5, we ask ourselves who got the interest? If the \$5 is the interest, then Boles got it, but if the use of the \$100 is the interest, then Ames got it. We say the use of money is interest. Whoever had the money during the year had the use of it. Ames had the \$100, therefore he had the use of it, and therefore he got the interest. But Boles got the \$5 for the use of the money, and (by the dictionary) money paid for the use of money is interest, therefore Boles got the interest. There is an absurdity somewhere, and the pupil must see that it lies in the fact that the technical definition of interest is almost the direct opposite of the dictionary meaning. The dictionaries have undoubtedly defined the general meaning of the term, but a criticism of this general meaning will not be out of place and will serve to impress the technical one. The money paid for the use of money is not different from any other money, consequently it seems unnecessary to give it a special name. The money paid for a pair of boots should not be called "boots." If some one stamped a five-dollar bill "Boots," because he used it for paying for a pair of boots, he would be doing a senseless thing, but he would be only carrying to an extreme the illogical practice we pursue in calling the money we pay for interest, "interest." The same clashing exists between our technical meaning of rent and the general meaning of the word. The general meaning of rent is that it is *the money* paid for the use of property or chattels. The other meaning of rent is that it is the privilege of using the property or chattels. The C.P.R. pays the G.T.R. \$40,000 a year for the privilege of running trains from Toronto to Hamilton on the G.T.R. tracks. This privilege (not the \$40,000) is called "running powers." If the C.P.R. uses a G.T.R. warehouse and pays \$1,000 for the use of it, according to the dictionary definition the \$1,000 is the rent, whereas we would make rent similar in usage with "running powers," and say that the privilege of using the warehouse is the rent, and the \$1,000 is only money and not different from any other \$1,000, and therefore unworthy of a special name.

SUMMARY.

20. Values are all things that possess exchangeability. The term includes labor, wealth, money, promises, interest and rent, and, we might add, patents, copyright and good-will.

A BUSINESS TRANSACTION.

21. Business is the exchanging of values. A business transaction is one of these exchanges. Wealth may be exchanged for wealth, for labor, for money, for promises, for interest, rent, etc. Labor likewise may be exchanged for labor, or any one of the other values, but most frequently money or promises form one side of an exchange and one of the other values forms the other side.

Suppose E. A. Stuart is conducting the following transactions:—Take an exercise book or a sheet of foolscap and write the names of the values he exchanges, setting down first, the name of the value he gets, and then *on the next line* below the name of the value he gives, putting the latter about two inches farther to the right than the former. Leave a line blank between the record of one transaction and that of the next.

EXAMPLE:—1. Sold James Cameron a hat worth \$5; received in payment a \$5 bill.

MONEY.

For WEALTH.

EXAMPLE:—2. Sold R. Burrows an overcoat worth \$25; received in payment his note.

PROMISE.

For WEALTH.

EXERCISE I.

1. Traded a farm in Halton Co. for a store and stock of groceries on Queen St., Toronto.
2. Gave James Muir 2 bbls. of sugar and 10 bbls. of flour for painting and decorating the store.
3. Bought a horse and delivery waggon for \$180 and paid for the same in \$10 bills.
4. Bought an additional stock of groceries from J. B. Simpson & Co., and gave in payment a note at 2 months.

EXERCISE III.

1. Cashed a cheque for a friend with \$40 current money.
2. Paid the boy for driving the delivery waggon \$3 for his services.
3. Received \$2 from Henry Bruce on account of sale of pickles, canned salmon, sugar.
4. Paid my note due to-day in favor of the Merchants Bank with current money.
5. Bought a stock of fresh fruit, and paid for the same with cheque.

EXERCISE V.

1. Sent J. W. Brown, Chatham, a bank draft to pay for last year's interest on mortgage.
2. Paid for rent of dwelling, \$15 in current money.
3. Received from S. Cooper a \$10 express money order for interest on his note.
4. Gave C. Jackson the use of the horse and delivery wagon for a day; received for the same a box of cigars.
5. Received from E. C. Peters a post-office money order in payment of the current month's rent, for house in Weston.

EXERCISE II.

1. Paid for transporting groceries from Montreal (freight) with current money.
2. Gave A. Hamilton, real estate agent, a \$100 cheque for his services in effecting an exchange (commission) of the farm for the grocery business.
3. Gave Mrs. White one dollar's worth of sugar for scrubbing the floor.
4. Paid for telephoning to Hamilton with a 50 cent piece.

EXERCISE IV.

1. Bought temporarily, on account, 10 chests of tea from J. B. Simpson & Co.
2. Sold H. Sampson, on account, a dozen oranges, a pound of tea, a dollar's worth of sugar.
3. Gave Henry Sharp a mortgage on the store and lot for \$1,000.
4. R. V. Scott has a note for \$100 against T. T. Slow which is past due and of doubtful value; gave him \$75 for it in current money.
5. The 10 chests of tea have arrived from Montreal and are satisfactory; accepted J. B. Simpson & Co's draft in settlement of account.

EXERCISE VI.

1. Bought from Mrs. Jenkins 10 dozen eggs and a crock of butter; gave her in trade sugar and other groceries.
2. Bought a half interest in a patent churn for \$500; gave in payment a note.
3. Effected the sale of 10 cars of potatoes for James Hepburn, Hillsboro'; received in payment for services (commission) a note at one month for \$50.
4. Paid the veterinary surgeon \$5 for doctoring the horse.
5. Sold the horse to A. F. Ramsay for his cheque for \$30 and a note for \$50.

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CHAPTER III.

BOOK-KEEPING.

1. **Book-keeping** is a systematic recording of business transactions.

2. **A Complete System** of record that rejects or neglects no business transaction is called Double Entry Book-keeping.

3. **A Brief System** that concentrates itself upon recording transactions involving unwritten promises and rejects or neglects to record all or many of the other transactions is called Single Entry Book-keeping.

4. **Other Collections of Memoranda** systematically arranged may be dignified by the name of Book-keeping, but the system of record must be learned from sources other than school text books.

5. **The Principles** of Double Entry Book-keeping as universally practised, were first formulated in a crude way by an Italian friar named Lucas di Vergo, who lived about the end of the 15th century. The friar seems to have had a simpler system than he was aware of. He mixed up his ideas in a maze of personification which his disciples have followed so persistently that many of the atrophied fragments remain with us still. The "Dr." and "Cr." with him meant debtor and creditor, with us they are mere marks to indicate "get" and "give," or "left" and "right," though they do occasionally mean debtor and creditor. The companions of these symbols, "To" and "By," have practically no meaning at all. The principles cleared of the figurative language are as follows:

1. (a) He named money of all kinds Cash.
(b) Wealth, if bought for the purpose of selling at a profit, he named Merchandise.
(c) Wealth that was to be consumed or applied to the conducting of a business, he named Expense.
(d) Labor, to be applied for the same purpose, he also named Expense.
(e) Written promises of his debtors he called Bills Receivable.
(f) Written promises of his own, in favor of his creditors, he named Bills Payable.
(g) Unwritten promises were named, as we explained in Chapter I, by the names of the persons with whom he was conducting a transaction that involved a verbal promise.
(h) The use of money he named Interest.
2. (a) In a book named a Day Book were set down neatly memoranda of the transactions in the order of time as they occurred.
(b) In another book, named a Journal, were set down, for each particular transaction, the names of the values that were exchanged, the one he got being set down first with "Dr." after it, and the one he gave with "To" preceding it.
(c) A tabulated list of all the occasions, amounts, and equivalents in exchange, of a certain value, that had been got during a certain period of time, was compiled on the left half of the page of a book called a Ledger, while on the right half of the same page was set down a similar list of the occasions, amounts, etc., of that value given.
3. After compiling these lists for every value mentioned in his Journal, he would be in a position to state:
(a) How much of any particular value was on hand.
(b) If the value was of such a character as to be consumed in conducting the business, then how much had been consumed.
(c) If the value was being bought and sold to make a profit—that is, if he increased the measurement of its value while in his possession—he had figures at hand to show the gross increase or profit.
4. A cardinal principle which underlies all his work, and which is the chief axiom of Book-keeping, is this: **The measure in dollars and cents of the value you get is the same as the measure of the value you give.**

6. The basis of modern accounting is the same as the Italian, but the work is less formal. The classification of values is more minute, particularly with regard to Expense and Merchandise. The Journal and Day Book are united with the old Journal abstract, written above or before the memoranda. The transactions are not all written in one book; that is, the combination Journal-Day Book is broken up and transactions of a particular type that occur thousands of times in a year are isolated and recorded together.

THE JOURNAL.

7. In the initial part of this work the pupil will use for entering the names of the values exchanged, and a suitable description associated therewith, a book described and named above. But since the name Journal-Day Book is rather long it will be abbreviated, and the word Journal alone will be used. Any book that contains the names of the values exchanged and an associated memoranda, is called a *book of original entry*. As the pupil progresses with his work, he will be shown that modern business houses classify transactions as they occur, and enter them into books specially prepared for their reception. They are known as Cash Book, Sales Book, Invoice Book, Bill Book, etc. These are broken parts of the Journal, and like it are known as books of original entry.

8. An original entry is the record of a single transaction in a Journal, Sales Book, Cash Book, etc. It should contain the Journal abstract and a suitable explanation associated therewith. The following is an illustration of an original Journal entry:

	Page of the Ledger Acct.		DEBIT COLUMN.		CREDIT COLUMN.	
			Dollars.	Cents.	Dollars.	Cents.
Values exchanged	38	<i>Bills Receivable.</i>	30			
	14	<i>Merchandise.</i>			30	
Explanation, Description or Memoranda		<i>Sold T. P. Sawyer 5 tons of Coal at \$6 a ton; and received in payment his note at 30 days.</i>				

THE LEDGER.

9. The Ledger is the book of the tabulated lists. The list on the left half page is called *debits*, the list on the right half is called *credits*. A double list, i.e., debits and credits, relating to a particular value, is called *an account*. The following is an illustration of a ledger account and of what it contains:—

DEBITS.					LEDGER ACCOUNT.					CREDITS.				
YEAR.														
Month.	Day.	Equivalent or explanation. This column is most frequently left blank.	Page of Journal, etc., containing original entry.	Dollars.	Cents.	Month.	Day.	Equivalent or explanation. This column is most frequently left blank.	Page of Journal, etc., containing original entry.	Dollars.	Cents.			

JOURNALIZING.

10. The writing of the names of the values exchanged is called Journalizing. About half the science of Book-keeping lies in writing this Journal abstract. The rest of the science lies in preparing an abstract from the ledger accounts. Associated with the preparation of these abstracts is much mechanical work involving the use of books, forms, columns, rulings, etc. This mechanical work may be called the art of Book-keeping.

11. The Journal abstract is composed of the date, the names of the values exchanged, and their measures in dollars and cents. The name of the value you *get* is always written first, and under it or after it is written the name of the value you *give*.

12. Until the pupil becomes more experienced, the names applied to the values will be the same as those described in par. 5, Pt. I.

1. **Cash.**—All forms of money that Banks will accept as deposits are *Cash*. See pp. 20, 21.

2. **Merchandise.**—Articles that are bought to be sold at a profit are *Merchandise*—abbreviated to *Mdse*.

3. **Expense.**—Articles that are purchased to be used in conducting the business are called *Expense*.

4. **Expense.**—Services of persons, firms or companies obtained for the same purpose are also called *Expense*, with possibly one noticeable exception: Freight (the services of a Ry. Co.) is called *Mdse*.

5. **Bills Receivable.**—Notes and acceptances of debtors are called *Bills Receivable*, *i.e.*, his or their, or John Smith's, or any person's notes except your own are Bills Receivable.

Remember: His=Receivable.

6. **Bills Payable.**—Notes or acceptances of the proprietor of a business in favor of creditors are called *Bills Payable*, *i.e.*, my notes or acceptances are Bills Payable.

Remember: My=Payable.

7. **Interest and Discount.**—*The use of money is called Interest and Discount.**

8. **Real Estate.**—Wealth in the form of lands and buildings is called *Real Estate*.

9. **"John Jones."**—Unwritten promises are named by the name of the person with whom, or the firm name of the business house with which, we are conducting a transaction that involves a verbal promise. Thus, if we sell John Jones some article *on account*, we name the verbal promise of the purchaser "John Jones." But if we buy some articles from William Smith & Co. *on account*, we do not use our own name for our own unwritten promise. We use, as stated above, the firm name of the business house. Therefore we would name our verbal promise issued for this purchase, "William Smith & Co."

10. **Stock.**—One special unwritten promise or claim that is supposed to exist between the proprietor of a business and the business itself is named *Stock*.

13. The following are the principles upon which journalizing depends:—

1. If you give any value straightway you must get an equivalent.
2. If you get any value straightway you must give an equivalent.
3. The measure in dollars and cents of the value you get = the measure in dollars and cents of the value you give.

EXERCISES IN JOURNALIZING.

14. Take an exercise book or a sheet of foolscap, and rule strictly in accordance with the following instructions:—

1. Place your ruler along the *first light blue line* at the top of the page, and rule a double head line from edge to edge.
2. If the page has no margin line, rule one $1\frac{1}{2}$ in. from the left edge of the page.
3. Rule another line inside the margin, absolutely parallel to the first, and $\frac{3}{8}$ in. to the left of it.
4. Starting at the right edge of the page rule two money columns.
 - (a) The cents division being $\frac{3}{8}$ in. wide.
 - (b) The dollars division being $\frac{3}{8}$ in. wide.

Observe the ruling on the following page as a guide. Your page will likely be wider, but the extra width may be put in the centre space. The columns must be the same width. Rule other pages as they are required.

15. Observe the work on the next page, and then proceed with the work of the exercises that follow.

*NOTE.—There is an English statesman named Campbell-Bannerman. His name is not Campbell, nor yet Bannerman, but a combination of the two. *The use of money* is similarly named. As a rule we do not name it Interest if the measure is computed by the interest method, nor Discount if computed by the discount method, but the name for both is a combination of the two words with "and" between them.

†The words "on account" are the *hall mark* of a transaction involving an unwritten promise.

(First date.)

Toronto, Sept. 1st, 1900.

Journalizing a sale for Cash.	Cash	47			
	Mdse.			47	
	(The next date.)				
	4				
A purchase for Cash.	Mdse.	648	50		
	Cash			648	50
	6				
A purchase for a Note	Mdse.	52	76		
	Bills Payable			52	76
	(The same date.)				
	"				
Paying an Expense item.	Expense	5	40		
	Cash			5	40
	19				
Paying my Note.	Bills Payable	284			
	Cash			284	
	(The same date.)				
	"				
Sale on Account.	John Smith (or purchaser's name.)	16	25		
	Mdse.			16	25
	20				
Purchase on Account.	Mdse.	75			
	H. S. Parker & Co. (or name of seller.)			75	
Accepting a Draft to pay an Account.	H. B. Ross & Co. (or name of drawer.)	39	40		
	Bills Payable			39	40

EXERCISE I.—SALES AND PURCHASES.

1900			1900		
Sept. 1	Sold merchandise for cash	\$265 00	Sept. 10	Sold H. Weaver a bill of goods on 60 days' time	\$36 19
3	Bought merchandise for cash	316 00	11	Bought an invoice of goods from M. Robertson & Co., on account	34 27
4	Sold H. B. Roberts goods on account.	42 00	12	Received from C. J. Nelson a post-office money order, for which he wishes 100 lbs. of oatmeal shipped to him immediately. Shipped same	3 00
6	Bought an invoice of goods from H. Bruce & Co., on my note at 30 days.	47 20	13	Received from P. P. Lesarge an invoice of goods ordered from his traveller. Terms, 60 days' time	362 84
7	Sold B. C. Mason a bill of goods on his note at 3 months	75 37			
8	Bought a bill of goods from M. C. Dodds, and accepted his draft at 30 days	96 45			

EXERCISE II.—EXPENSES.

1900			1900		
Sept. 1	Bought a horse and waggon for cash..	\$160 00	Sept. 10	Paid for advertising with cash.....	\$2 75
4	Bought for cash postage stamps and stationery	5 25	12	Paid for rent for month.....	30 00
5	Bought on account from John Burns one ton of coal for fuel.....	6 00	13	Sold horse and waggon to John Barker for his cheque.....	165 00
7	Paid Mrs. Johnston for cleaning store, cash.....	1 00	15	Bought a second-hand safe from R. McDonald, and gave him in payment my note.....	75 00
8	Paid for telegram with cash.....	0 60	15	Paid for insurance premium on policy on store.....	37 25

EXERCISE III.—PAYING ACCOUNTS AND NOTES.

1900			1900		
Sept. 4	Paid H. B. Hamilton on account, cash.	\$16 00	Sept. 12	Received from H. Henderson his note in full payment of his account.	\$17 00
6	Received from W. B. Norman his cheque in full of account.	17 25	12	Paid my acceptance in favor of James Muir & Co., due to-day, with cash. . .	365 00
7	Received from Mrs. B. Moore 10 doz. eggs on account.	1 00	13	Received from H. Boles an express money order for full payment of his account	3 50
8	Received from James Scott, Winnipeg, a bank draft to pay his note due this day.	100 00	14	Received from H. Brown his acceptance in full of account.	39 00
10	Paid my note in favor of R. B. Wright, due to-day.	175 00	15	Received from B. Norman his cheque in payment of his note, due to-day. .	64 00

EXERCISE IV.—GENERAL.

1900			1900		
Sept. 16	Sold mdse. as per bill to B. Sinclair on account.....	\$16 24	Sept. 20	Paid G. Hamilton on acct, cash.....	\$100 00
	Made sundry sales of mdse. during the day for cash	18 36	21	Received cash from B. Sinclair in full of account.....	16 24
	Bought mdse. per invoice from G. Hamilton on account.....	145 16	22	Sold J. R. Russell on account mdse. as per bill.....	7 26
18	Bought paint, brushes, etc., for painting store, from Warner Bros., on account	15 90	25	Paid cash for labor of painting store..	15 00
19	Bought mdse. as per invoice on my note at 30 days.....	260 00	30	Paid G. Hamilton balance of account with my note at 30 days.....	45 16
			30	Paid clerk's salary	30 00
			30	Made sundry sales for cash during the day	27 46

STOCK.

16. A special case of journalizing occurs in dealing with the proprietor in his relation to his business. In order to maintain the equilibrium of the Ledger and to show readily the proprietor's net investment, a fictitious promise named "Stock" is conceived to exist between *the business* and the proprietor of the same. Where two or more partners are proprietors, the promise possesses very little of the fictitious character. The chief feature of *the terms of partnership* is a set of promises that exist between the partners. *The interest one of them has in the business*, is an understanding or promise as between himself and the others, that should he withdraw, the others will hand him over the sum he invested plus his share of the profits, or minus his share of the losses.

17. In a partnership business "John Smith, Stock," means the claim John Smith has upon the business for the money or other values he invested. In a single proprietor business "E. A. Stuart, Stock," might be said to have a somewhat similar meaning, but except for the purpose of maintaining inviolate the principle of *get, give*, if there is any meaning, it is more or less forced.

18. When we reach the journalizing of transactions involving investment, we must warn the pupil that the real subject of the verbs *get* and *give* is the word *business*. In all ordinary transactions, it is a matter of no consequence whether the proprietor says, "I get" or "the business gets," but where a final test occurs, remember that "the business gets," "the business gives," is the correct conception.

Example 1. E. A. Stuart invests \$2,000 in cash as sole proprietor of a boot and shoe business. The book-keeper writes:—

The business gets <i>Cash</i> from E. A. Stuart.	2000	
The business gives a fictitious promise named <i>E. A. Stuart, Stock</i> to him.		2000
<i>for his investment</i>		

Example 2. In a partnership, if E. A. Stuart invests \$2,000 in cash, and J. A. McNeil invests \$2,000 worth of boots and shoes, we must write:—

The business gets <i>Cash</i> from E. A. Stuart.	2000	
The business gives a promise named <i>E. A. Stuart, Stock</i> to him.		2000
<i>for his investment</i>		
— " —		
The business gets <i>Mdse.</i> from J. A. McNeil.	2000	
The business gives a promise named <i>J. A. McNeil, Stock</i> to him.		2000
<i>for his investment</i>		

19. If a proprietor invests several kinds of values, the entry should show the individual values or debits, and an amount of Stock equal to them as a credit.

Example 3. E. A. Stuart commences a boot and shoe business, investing as follows:—Cash, \$2,000; a stock of boots and shoes, \$3,400; 25 notes and acceptances, aggregating \$2,040; John S. Pearson owes him \$200 on account, and W. P. Holman owes him \$400 on account. We write an entry like the one on the top of the next page.

The business gets	<i>Cash</i>	2000	
	<i>Mdse.</i>	3400	
	<i>Bills Receivable</i>	2040	
	<i>John S. Pearson</i>	200	
	<i>W. P. Holman</i> from E. A. Stuart.	400	
The business gives a promise named	<i>E. A. Stuart, Stock</i> to him.		8040
	<i>for his investment</i>		

20. If upon investing, the proprietor wishes to have certain of his outstanding debts, as they mature, paid from the cash of the business, then the amount of these debts is immediately deducted from his stock, and an entry showing a fictitious *giving* of promises to his creditors on behalf of the business is shown.

Example 4. E. A. Stuart commences a boot and shoe business, investing as follows: Cash, \$2,000; Mdse., \$3,400; notes worth \$2,040; John S. Pearson owes him on account, \$200; W. P. Holman owes him on account, \$400. He owes a note in favor of F. F. Temple for \$300; he owes R. R. Smith \$500 on account. We write:

The business gets	<i>Cash</i>	2000	
	<i>Mdse.</i>	3400	
	<i>Bills Receivable</i>	2040	
	<i>John S. Pearson</i>	200	
	<i>W. P. Holman</i> from E. A. Stuart.	400	
The business gives a promise named	<i>Bills Payable</i> to F. F. Temple.		300
The business gives a promise named	<i>R. R. Smith</i> to R. R. Smith.		500
The business gives a promise named	<i>E. A. Stuart, Stock</i> to E. A. S.		7240
	<i>for his investment</i>		

21. If, during the operation of the business, the proprietor desires to withdraw part of his capital for some purpose utterly disconnected with the enterprise he is conducting, then he must surrender part of his stock:

Example 5. E. A. Stuart desires to purchase a house, and for the purpose withdraws \$2,500 from his boot and shoe business. We write:

The business gets	<i>E. A. Stuart, Stock</i>	2500	
	<i>Cash</i>		2500
	<i>for amount withdrawn</i>		

22. Exercises in Journalizing Investments:—Rule paper the same as for previous exercises. Hereafter paper ruled in this way will be called Journal paper. Observe that a date is all that occupies a line between entries. If a date is not necessary leave a blank line.

Journalize the following.

EXERCISE V.

1. E. A. Stuart commenced business with a cash capital of \$5,080.
2. J. P. Durand commenced the hardware business with cash in safe and bank, \$4,240, and a stock of goods in store, \$6,500.
3. F. C. Anderson commenced business with cash, \$200; a stock of groceries, \$8,000; and furniture and fixtures in the store worth \$500.
4. G. P. Smythe commenced the lumber business with cash, \$5,000; notes and acceptances worth \$2,000; S. B. Harper owes him on account, \$40; he owes B. F. Baxter on account, \$60; and R. R. Harris holds a note against him for \$500.
5. James Couzens commenced business with cash, \$2,000; a note against S. R. Fox, the face of which is \$500, but it matures in two months and there will then be \$30 for interest owing on it. The interest now earned may be valued at \$25.
6. H. D. Dunbar has on hand Mdse. amounting to \$1,630; cash, \$425, notes of other persons, \$1,429.80. R. P. Anderson owes him on account, \$169.20; he owes on notes, \$324.90; he owes \$500 to A. C. Adams on account. Write his opening entry when he begins business in partnership with M. P. Burns who invests \$5,000 cash. Write also the entry for Burns.
7. Wm. Miller has been conducting business without books, and now engages a book-keeper, who from enquiries and taking stock finds that the following is the true condition of affairs: Cash on hand and in bank, \$638.18; Mdse. in store, \$3,634.20; notes against sundry persons, \$250; store fixtures, etc., \$329; Miller owes on notes and acceptances, \$1,329.20; there is interest accrued and owing on these, \$35.10. He owes Henry Snell on account, \$604, and E. J. Edgar, \$397. Write the Journal entry for starting the books.
8. E. A. Stuart has been left a legacy in cash of \$4,000. He invests the same in his boot and shoe business.
9. P. J. O'Neill withdraws \$500 in cash from his manufacturing business to give to a church building fund.
10. During the year ending August 31st, 1900, F. J. Peterson has withdrawn groceries and other household supplies from his general store amounting to \$628.34; make one entry to provide for the total withdrawals.

COMPLETE JOURNAL ENTRIES.

23. Explanation of Entries.—Remember that each journal entry should be accompanied by a brief and yet a complete explanation. This explanation should be sufficiently explicit to enable anyone having a knowledge of book-keeping to understand the details of the transaction.

24. How to make Corrections.—Incorrect entries should not be corrected by erasures, but by re-writing the entire entry correctly. The wrong entry should be cancelled either by writing the word "void" across it in red ink, or by checking off the entry, *i.e.*, by making a check mark "✓" opposite it in red ink in the folio column; or by checking off, and crossing out the figures, thus, ~~4269.84~~. When the error is in the figures only, they may be crossed out and the correct ones written above them, thus, ~~4269.84~~ 3921.47. All corrections should be made so as to leave the incorrect entry legible.

25. Ciphers.—In recording amounts expressed in dollars only, it is unnecessary to fill out the cents column in ciphers, as it is a waste of time and serves no useful purpose. The dropping of ciphers applies to book entries, and to entries on bills and invoices but not to the writing of figures on commercial paper, or to footings or extensions where cents figures have been added or subtracted.

26. Fractional Parts of a Cent.—When an amount involves the fractional or decimal part of a cent proceed as follows:

- (a) If the resulting fraction or decimal is less than one half disregard it.
- (b) If one half or more consider it as one cent.

Example. 337 lbs. of Sugar at $4\frac{1}{2}$ c. amounts to \$14.32 $\frac{1}{2}$, disregarding the $\frac{1}{2}$ of a cent the extension would be \$14.32. 45 lbs. of Tea at $17\frac{1}{2}$ c. amounts to \$7.87 $\frac{1}{2}$, considering the $\frac{1}{2}$ cent as one cent the extension would be \$7.88. 27 lbs. of Raisins at $7\frac{1}{2}$ c. amounts to \$1.95 $\frac{1}{2}$, considering the $\frac{1}{2}$ of a cent as one cent the extension would be \$1.96. The sum of these extensions is \$24.16, six per cent. of this sum is 1.4496, but the discount would be entered \$1.45. Subtracting the discount from the total leaves \$22.71 as the net amount.

Toronto, Ont., Sept. 10th, 1900

Folio
COLUMN.

1. This is the correct entry to make when you sell Mdse. for cash.

Cash

216

Mdse.

216

Sold to (Write the buyer's name here.) for his cheque

Mdse.

254

2. This is the correct entry to make when you buy Mdse. for a note.

Bills Payable

254

Gave (Write the seller's name here.) my Note No. 4, for invoice No. 7

Bills Payable

300

3. This is the correct entry to make when you pay cash for your note.

Cash (or Bank)

300

Gave (Write the payee's name here.) my Cheque No. 18, for note No. 252

— 11 —

(Write the buyer's name here.)

2 47

4. This is the correct entry to make when you sell Mdse. on account.

Mdse.

2 47

5 lbs. Raisins, @ 8c. 40

4 doz. Eggs, @ 18c. 72

1 bag Table Salt, 10

1-2 lb. Japan Tea, @ 50c. 25

Sugar 1 00

5. This is the correct entry to make when you buy Mdse. on account.

Mdse.

(Write the seller's name here.)

for invoice No. 257

27. Dating the Journal.—At the top of the first page in the Journal should be written the place and date; at the top of each subsequent page the date only. If the date changes before a given page is filled, place the new date on the centre of the light blue line immediately above the first transaction recorded in the new date, as 11 is entered on above page.

Write complete Journal entries for the following exercises:—

EXERCISE VI.

- June 1st, 1897.
- 1 I commenced business with cash on hand, \$700.
Bought of Robert Watson, on my note at 10 days, goods as per invoice, \$480.
 - 2 Paid for advertising, cash, \$3.50. Sold William Mason, on account, 25 lbs. Cheese @ 15c.; 30 lbs. Gran. Sugar @ 5c.; 5 lbs. Japan Tea @ 35c.
 - 3 Bought of James L. Wilson, on my note at 30 days, 250 bush. Potatoes @ 25c.
 - 4 Bought of James Fair, on account, 15 bbls. Flour @ \$4.25; and 20 bags Flour @ 75c.
 - 5 Sold Arthur McLean 200 bush. Potatoes at 32c.; and 10 bbls. Flour @ \$4.50, receiving in part payment his cheque for \$75.
- Cash sales this week, \$38.25.
- 7 Bought of William Mason 150 bush. Potatoes at 25c. Gave him, cash, \$30.50.
 - 9 Sold Gilbert Sinclair, on his note at 15 days, 160 bush. Potatoes at 30c.
 - 12 Cash sales this week, \$52.70.
 - 14 Paid, my note in favor of Robert Watson, \$480. Cash sales this week, \$25.15.
 - 15 Reserved 40 bush. Potatoes @ 25c.; 5 bbls. Flour @ \$4.25, and 20 bags Flour @ 75c.; and sold the remainder of my stock for cash, \$425. Paid clerk's salary in cash, \$12. Paid rent in cash, \$15.
* Debit Stock, credit Mdse.

EXERCISE VII.

- Toronto, Jan. 2nd, 1899.
- 2 I commenced business with the following:
RESOURCES—Cash on hand, \$1,800. Mdse. in store, \$2,000.
LIABILITIES—My note, at 30 days, in favor of Adam Brown, for \$2,000.
 - 3 Bought from R. Martin a Set of Books for store, \$15, and gave in payment Mdse. \$5, cash for balance.
 - 4 Bought from Rogers & Co. Coal for store, \$25, and gave in payment Mdse., \$15, and cash for balance.
 - 7 Sold Charles Davis, on account, Mdse., \$390.
 - 9 Cash sales, \$150.
- Sold John Ross, on account, Mdse., \$410.
- 17 Received from Charles Davis, in payment of his account, cheque on Merchants Bank, \$150, and his note at 20 days for balance.
 - 23 Received from John Ross, on account, cheque on Merchants Bank, \$200, and his note at 7 days for \$100.
 - 24 Cash sales, \$50.
 - 30 Sold Charles Davis Mdse., \$170, and received in part payment his note at 10 days for \$100.
 - 31 Paid my Clerk for services, \$40.
 - " Paid Adam Brown, on note of Jan. 2nd, \$1,300.

EXERCISE VIII.

- Jan 1st, 1898.
- 1 I commenced business with cash \$1,000. Bought of John Smith, on account, Mdse., as per invoice, \$500.
 - 3 Sold James Ross 80 bags Potatoes at 75c. and received, as part payment, his note for \$50 at 3 months, bearing interest at 8 per cent.
 - 15 Sold A. M. Fox, on account, 200 lbs. butter @ 25c.
 - 30 Paid invoice of Jan. 1, and was allowed 5 per cent. off for cash payment within 30 days. (Call the discount Mdse.)
- Cash sales for the month \$200. Paid Clerk \$20.
Feb. 1, 1898.
- 1 Bought of John Smith, Mdse., as per invoice, \$400. Sold D. C. Angus 40 bags Potatoes @ 75c. and 60 lbs. Butter @ 25c.
Received as part payment, cash, \$20.
 - 2 Sold James Ross 40 bags Potatoes @ 75c. and 20 lbs. Butter @ 25c. Received as part payment, a cheque
- on Bank of Toronto for \$20 and one on Bank of Montreal for \$10.
- 28 Cash sales for the month \$200. Paid Clerk \$20.
March 1st, 1898.
 - 1 Sold James Fox 60 bags Potatoes @ 75c. and received, as part payment, a draft, at ten days after sight, on James Ross for \$15, which James Ross accepted.
 - 15 Sold D. C. Angus 60 bags Potatoes @ 75c. and received, as part payment, cash, \$10 and a cheque on Molsons Bank for \$20.
- Received payment for draft on James Ross.
- 31 Bought of James Ross 10 bags Potatoes @ 60c. Cash sales for the month \$100. Paid Clerk \$20.
April 3rd, 1898.
 - 3 James Ross paid his note, made Jan 3, by cheque on Molsons Bank.
- Sold A. M. Fox 8 bags Potatoes at 75c. for cash.

EXERCISE IX.

- Your place, Jan. 1st, 1896.
- Commenced business with a cash capital of \$200.
- 1 I bought out the *Plant and Goodwill of C. Tedford's blacksmith shop for \$300, paying him \$100 cash and giving him my note, endorsed by P. Johnson, for the balance payable at the Molsons Bank here in three months without interest. I also rented the shop from C. Tedford at \$10 per month. (Got nothing and gave nothing. See page 42, second entry.)
 - 2 Removed 4 horse shoes @ 10c. each, set 3 new shoes @ 25c. each, and repaired a cutter, \$1.25† for L. Turnbull. The cash receipts to-day were \$3.25 for work and material.
 - 3 Set 4 new shoes at 25c. each, and made a set of gate hinges, 75c., for R. Beattie. The cash receipts to-day were \$2.50 for work and material.
 - 4 Bought of Harland Bros.,‡ coal and iron as per invoice \$25.75. The cash receipts to-day were \$3.75 for work and material.
- Ironed a cutter for Harland Bros., \$8.25; and set 7 new shoes at 25c. each for L. Turnbull. The cash receipts to-day were \$2.25.
- 7 Repaired a cutter, \$2.25, and a cooking range, 75c., for R. Beattie. The cash receipts to-day were \$1.75.
 - 8 The cash receipts to-day were \$5.75.
 - 9 R. Beattie gave me his cheque, payable to my order, on the Molsons Bank here, for the amount of his account. The cash receipts to-day were \$4.85.
 - 10 Removed 7 shoes @ 10 cents each and set 1 new shoe @ 25 cents for L. Turnbull. The cash receipts to-day were \$4.25.
 - 11 L. Turnbull gave me an order on Harland Bros. for the amount of his account. The cash receipts to-day were \$2.75.
 - 15 Sold the Plant and Goodwill of the shop to W. Seeley for \$350, receiving \$200 cash and his note for \$150 payable in two months.
- Paid C. Tedford half a month's rent and he agreed to accept W. Seeley as tenant in my stead.

* Call what you got "Plant and Goodwill."

† Call what you gave "Work and Material."

‡ Call it "Work and Material" also.

CHAPTER IV.

THE LEDGER.

WORKING A SET.

1. Up to this page, we have confined the instruction to the book-keeping of a Journal. For the purpose of illustrating the work of keeping a Ledger, we have selected a set of transactions that might occur in the conducting of a business during a month. On the next three pages is shown the Journal, worked out in a manner that the pupil will use as a model for working similar sets. On the pages following are the Ledger pages and instructions relating thereto.

2. **A Ledger** is a book of accounts.

3. **An Account** is a page or part of a page, divided equally into a left half page and right half page: The left half page contains a list of all the occasions and amounts of a particular value that were got by the business; the right half page contains a list of all the occasions and amounts of the same value that were given by the business.

4. **Debits** is the name given to the list on the left half page.

5. **Credits** is the name given to the list on the right half page. (See the foot of page 32).

6. **A Posted Entry** is the name of one line of the list of debits or credits. It contains the date, sometimes an explanation, the page of the Journal from which the entry was derived, and the amount.

7. **An Original Entry** belongs to the Journal. See par. 8, page 32. It contains the material for *two posted entries*: Hence, the name Double Entry Book-keeping. In Single Entry Book-keeping the original entry contains material for only *one posted entry*.

8. **Posting** is the act of making up accounts from the original entries. The Journal is searched for all the occasions on which a particular value was got. Afterwards its pages are scanned for all the occasions on which the same value was given; the occasions with amounts are set down as the debits and credits of that particular value. The debits and credits of every other value mentioned in the Journal are prepared in the same manner.

9. **"Cash is Debited" in the Ledger** means that a posting entry has been made among the debits of Cash. *In the Journal* it means that an original entry has "Cash" set down as the value the business got.

10. For the exercise below the Journal is worked out, but the pupil must work the same for himself and compare results. The numbers in the *folio column* to the left of the debits and credits are not to be put in until the posting begins. When you have compared your work carefully, turn to page 45.

SET I.

Toronto, Sept. 1st, 19—.

- E. A. Stuart invests \$5,000 cash in a flour, feed, and grain business.
- Sept. 1 Engages S. M. Jones as clerk at \$30 a month.
1 Pays rent for store in advance \$50.
1 Buys the following stationery, etc., from N. Brislin for cash: Journal, \$2; Ledger, \$2; Filing Case, \$3; Ink, 20c.; Pens, 75c.; Pencils, 15c.; Tablet, 20c.; Envelopes, 45c.; Total, \$8.75.
1 Pays \$3 for a gas meter.
3 Buys from Imperial Mills Co., as per Invoice, for cash—100 bbls. Royal Flour, \$4.75; 1,000 bush. Corn, 32c.; 1,000 bush. White Oats, 24c. Total, \$1,035.
3 Buys from Scott Milling Co., as per Invoice on account, 10 tons Middlings, \$12; 10 tons Bran, \$11; 2 tons Linseed Meal, \$18.50. Total, \$267.
3 Pays cash for Insurance, \$12.50.
5 Buys from Imperial Mills Co., as per Invoice, on account, 100 bbls. Royal Flour, \$4.75; 100 bbls. Lily Flour, \$4.80; 1,000 bush. Corn, 32c.; 1,000 bush. White Oats, 24c. Total, \$1,515.
5 Sells H. Hungerford on account, 200 bush. Corn, 35c.; 100 bush. White Oats, 27c.; 15 bbls. Lily Flour, \$5.30. Total, \$176.50.
6 Sells for cash to sundry persons, 300 bush. Oats, 27c.; 10 bbls. R. Flour, \$5.25; 2 tons Middlings, \$13; $\frac{1}{2}$ ton Linseed Meal, \$25. Total, \$170.50.
6 Sells to N. H. Pearson, on account, 5 tons Bran, \$12; 500 bush. Oats, 27c.; 2 tons Middlings, \$12; 500 bush. Corn, 35c. Total, \$394.

- Sept. 10 Sells for cash to J. P. Murphy, 1 ton Linseed Meal, \$22; 200 bush. Corn, 35c.; 25 bbls. R. Flour, \$5.25; 200 bush. Oats, 27c. Total, \$277.25.
12 Receives from H. Hungerford on account, a cheque for \$50.
12 Buys from D. C. Brown, for cash, 20 tons Chop Feed, \$12; 20 tons Corn Meal, \$13. Total, \$500.
13 Buys from Scott Milling Co., as per Invoice, on account, 10 tons Middlings, \$12; 10 tons Bran, \$11; 5 tons Linseed Meal, \$18.50. Total, \$322.50.
16 Sells for cash to E. C. Hammond, 20 bbls. R. Flour, \$5.25; 4 tons Middlings \$12; 20 bbls. L. Flour, \$5.30; 200 bush. Corn, 35c.; 5 tons Bran, \$12; 200 bush. Oats, 27c. Total, \$443.
16 Sells H. Hungerford on account, 5 tons Middlings, \$13; 5 tons Bran, \$12; 2 tons Linseed Meal, \$20; 20 bbls. L. Flour, \$5.30. Total, \$271.
21 Buys from Imperial Mills Co., as per Invoice for cash, 1,000 bush. Oats, 24c.; 1,000 bush. Corn, 32c.; 100 bbls. L. Flour, \$4.80; 100 bbls. R. Flour, \$4.75. Total, \$1,515.
27 Pays Imperial Mills Co. in full of account for invoice of 5th, \$1,515.
27 Receives from H. Hungerford, cash in full of account, \$397.50.
30 Pays clerk's salary, \$30.
30 Pays Johnson Cartage Co., in full of account, for delivering merchandise, \$17.80.

Toronto, Sept 1st 190

		I (E. A. Stuart) have this day commenced the flour, feed and grain business at 172 King St. E. investing as follows:			
46	Cash		5000		
46	E. A. Stuart, Stock			5000	
	For Investment				
		Engaged J. M. Jones as clerk at a salary of \$30 per month			
47	Expense		50		
46	Cash			50	
	For rent of Store in advance				
47	Expense		8 15		
46	Cash			8 15	
	For Stationery etc., Inv. No. 1				
47	Expense		3		
46	Cash			3	
	For gas bill				
	— 3 —				
46	Wdse.		1035		
46	Cash			1035	
	For Inv. No. 2 Imperial Mills Co.				
46	Wdse.		267		
47	Scott Milling Co.			267	
	For Inv. No. 3 on account				
47	Expense		12 50		
46	Cash			12 50	
	For Insurance premium				
46	Wdse.		1515		
47	Imperial Mills Co.			1515	
	For Inv. No. 4 on account				

Sept 5th 190.

	47	Henry Hungerford		176	50		
	46	Mdse.				176	50
		200 bu. Corn	.35	70.			
		100 " W. Oats	.27	27.			
		15 bbls. Flour	5.30	79.50			
		— 6 —					
5000	46	Cash		170	50		
	46	Mdse.				170	50
		For Cash Sales					
	46	V. H. Pearson		39 1/2			
	46	Mdse.				39 1/2	
		5 tons Bran	12. ⁰⁰	60.			
50		2 " Middlings	12. ⁰⁰	24.			
		500 bu. Oats	.27	135.			
		500 " Corn	.35	175.			
		— 10 —					
15	46	Cash		277	25		
8 75	46	Mdse.				277	25
		For Cash Sales					
		— 12 —					
3	46	Cash		50			
	47	H. Hungerford				50	
		For payment on account					
1035	46	Mdse.		500			
	46	Cash				500	
		For Inv. No. 5 D. C. Brown					
		— 13 —					
267	46	Mdse.		322	50		
	47	Scott Milling Co.				322	50
		For Inv. No. 6 on account					
50	46	Cash		443			
12 50	46	Mdse.				443	
		For Cash Sales					
1515							

Sept. 16th 190

47	H. Hungerford		271		
46	Mdsc.			271	
	5 tons Middlings	13 ⁰⁰	65		
	5 " Bran	12 ⁰⁰	60		
	2 " Linsied Meal	20 ⁰⁰	40		
	20 bbls. L. Flour	5 ³⁰	106		
	— 21 —				
46	Mdsc.		1515		
46	Cash			1515	
	For Inv. No. 7 Imperial Mills Co.				
	— 27 —				
47	Imperial Mills Co.		1515		
46	Cash			1515	
	For payment in full of account				
46	Cash		397 50		
47	H. Hungerford			397 50	
	For Cash in full of account				
	— 30 —				
47	Expense		30		
	Cash			30	
	For clerk's salary				
47	Expense		17 80		
46	Cash			17 80	
	For Cartage				
===== Inventories =====					
Mdsc.			Expense		
245	bbls. R. Flour	4 ⁷⁵ = 1163.75	Unexpired Insurance	11	45
145	" L. Flour	4.80 = 696	Books & Stationery	7	70
1700	ba. Corn	.32 = 544		19	15
1900	" Oats	.24 = 456			
20	tons chop F	12.00 = 240			
20	" C. Meal	13.00 = 260			
7	" Middlings	12.00 = 84			
5	" Bran	11.00 = 55			
3 1/2	" L. Meal	18.50 = 64.75			
		3563.50			

POSTING.

11. Take an exercise book or foolscap and rule two or three pages exactly similar to those shown on the next two pages of this book, except that the columns may be made a little wider.

12. Page your Journal leaves with the same numbers as we have here, i.e., 42, 43, 44, and page your Ledger 46, 47, etc.

13. Write **E. A. Stuart Stock** at the top of your first page as it is written on the next page of this book. These Ledger titles should be written in a large plain hand which you should practise.

14. Turn to the first page of your Journal and transfer that part of the first original entry relating to "E. A. Stuart Stock" to the Ledger account, writing first "5000" in the dollars column on the right or credit side, setting down each figure with the utmost care. Next write "Sept. 1" in the date column. Then write "42" in the folio column of the Ledger, just to the left of 5000.

After this write "46" in the folio column of the Journal on the same line with "E. A. Stuart Stock."

15. Take your ruler and lay it across the Ledger page immediately under 5000, then move the ruler down about one-eighth inch, so that it will be midway between two light blue lines. Rule a light lead pencil line across the dollars and cents columns.

Above this line set down 5000 in figures as small as pin heads, but accurately under the larger ones.

16. Place your pencil on the light blue line on which you wrote "Sept. 1," and counting that line "one," get line "five." On it rule a *single* line across the centre columns. This will make a line about $2\frac{1}{2}$ in. long.

Count the line you have just ruled "one," get line "three" and on it rule a *double* line from left to right, extending from the date column on the left to the folio column on the right.

Write **Cash** between the single and double lines, as it is written in this book on the next page.

17. Turn to the Journal and find the first place *cash is debited*. From the first Journal entry write "5000" in the dollars column of the cash account on the debit (left) side. Next write "Sept. 1" in the date column. Then write "42" in the folio column of the Ledger just to the left of 5000.

After this write "46" in the folio column of the Journal on the same line with "Cash."

Look up the next *debit of cash*. It occurs on Sept. 6th. Enter "170.50," "Sept. 6," and "42" in the Ledger; then enter "46" in the Journal.

Finding each of the other debits, enter them in the same way. Compare your entries with those of this book and see that they are the same.

18. Lay your ruler across the account on the same light blue line with 397.50; lower it till it is midway down to the next light blue line; rule a light line across the dollars and cents column on the debit side.

Add the figures above, setting down the sum in pin-head figures *above* the light lead pencil line.

19. Now look up the credits of Cash, the first of which is Sept. 1st, 50

Write the three things; "75," "Sept. 1," and "42" in their proper columns on the credit side. Then put "46" in the folio column of the Journal. (It is absolutely essential to write each of these four things. Never get careless and omit one, particularly avoid skipping the entry for the page number.)

Set down each of the other credits as you find them, but keep them in order of date if possible.

Rule the light line and add the credits as you did the debits, putting the sum quite close under the last entry.

Put your pencil on the line on which 17.80 is written, counting it "one," get "five"; rule the $2\frac{1}{2}$ -inch single line, counting it "one," get "three"; rule the double line as before for Cash. Then write between the lines "**Merchandise.**"

20. Post the debits; rule the line and add. Next post the credits; rule the line and add.

21. Open an **Expense** account at the top of a new page. Post it as you did cash, but insert 47 in the Journal folio column. There are no credits; so the account is finished when you have added the debits.

22. Rule headlines and post in the same manner the accounts for **Scott Milling Co., N. H. Pearson, Henry Hungerford** and **Imperial Mills Co.** Keep them apart by counting the five lines as directed for Cash and Merchandise. If you have not room carry as many as you need to another page.

23. Now examine the Journal pages most carefully, and if you find numbers in the folio column opposite each debit and each credit, you may assume you have every one posted.

E. A. Stuart. Stock

		190-		190-			
				Sep.	1	42	5000
							*5000
<i>Cash</i>							
¹⁹⁰⁻ Sep.	1	42	5000	¹⁹⁰⁻ Sep.	1	42	50
	6	43	170 50		1	42	8 75
	10	43	277 25		1	42	3
	12	43	50		3	42	1035
	16	43	443		3	42	12 50
	27	44	397 50		12	43	50
			*2222 75		21	44	1515
					27	44	1515
					30	44	30
					30	44	17 80
							*4687 00
<i>Merchandise</i>							
¹⁹⁰⁻ Sep.	3	42	1035	¹⁹⁰⁻ Sep.	5	43	176 50
	3	42	267		6	43	170 50
	3	42	1515		6	43	394
	12	42	500		10	43	277 25
	13	42	322 50		16	43	443
	21	44	1515		16	44	271
			*156 50				*1232 25
<i>N. H. Pearson.</i>							
¹⁹⁰⁻ Sep.	6	43	394				
			*394				
*Lead Pencil or Red Ink							

24. For the entries you have just made notice the order of work in posting.

- | | |
|---|------------------|
| (1) Enter the amount | } in the Ledger. |
| (2) Enter the date | |
| (3) Enter the Journal page | |
| (4) Enter the Ledger page in the Journal. | |

Occasionally an explanation may be made in the wide column between the date and the folio column, but for the majority of entries an explanation is quite unnecessary. By using the page numbers for reference, the original entries may be consulted and full explanations obtained.

25. The pin-head figures are set down lightly in lead pencil, so that they may be easily removed. Some book-keepers, however, desire to keep them in their accounts permanently, and for that reason write them in red ink, and rule the light line beneath them in red also. It will be seen that should other entries be made under these footings, that on the occasion of next addition, the footings can be added instead of the figures above them. For a thousand accounts added twelve times a year this effects a great saving.

26. All ruling is correctly done in red ink, but in these sets the pupil may use lead pencil if he has not red ink at hand.

TRIAL BALANCE.

27. Rule a sheet of Journal paper, and on it write the names of all the Ledger accounts except Imperial Mills Co. and Henry Hungerford. They are omitted because they do not affect the work, for the debits and credits are equal. See the work below, and take it as a model.

According to the principle of equal debits and credits, the total of all the debit footings must equal the total of all the credit footings.

In your work, transfer all the debit footings to the first money column and all the credit footings to the second or outer column. Add these and test the equilibrium.

If it balances, it evidences the correctness of your work, but does not prove it. For instance, if you make an entry on the credit side of Merchandise that should have been made on the credit side of Cash, your work will be wrong but your Trial Balance will be right.

There is no royal road to a correct Trial Balance. *If yours is wrong, get it right.*

Trial Balance. Sept. 30, 190—

47	E. T. Stuart, Stock			5000	
47	Cash	6338	25	4687	05
47	Merchandise	5154	50	1732	25
47	N. H. Pearson	394			
48	Expense	122	05		
48	Scott Milling Co.			589	50
		12008	80	12008	80

RULING ACCOUNTS THAT BALANCE.

28. The accounts that have equal debits and credits are added and ruled, as shown for Imperial Mills Co. and Henry Hungerford. In case of the former addition is unnecessary, and the ruling is curtailed.

Erase the small figures, set your ruler close under the 1515, and rule a double line in three sections. The first section on the left crosses the date column; then skip the debit explanation column, and commencing at the folio, cross it, the debit money column and the credit date column. Next skip the credit explanation column, and commencing at the folio column, cross it and the credit money column.

For Hungerford's account, set your ruler close under 271 and 397.50. First rule a single line across the dollars and cents columns of each side. Then move your ruler down to the next light blue line and rule a double line in three sections, as you did for the other account. On no occasion must you be careless regarding this line. Never leave out one of the sections, nor should you allow the ends to over-run.

After finishing the ruling, set down the footings in plain black ink figures.

29. Where an account balances but the number of entries on one side is in excess of the number on the other, the ruling must be on the same level, and the equal totals on the same light blue line. See Cash account, page 51.

CLOSING CASH ACCOUNT.

30. See the Cash account on page 51. Though we have been compelled to re-write the accounts, you do not need to do so.

The purpose of closing an account like this is to give it a fresh start for the next month's entries. Although there are no new entries, and no room for posting them beneath the old account, yet we shall give the instructions for closing.

An account is not to be ruled off unless the debits are equal to the credits, or unless it is being transferred to a new page. Since in this account the credits are not equal to the debits, a fictitious entry is made *in red ink* on the credit side, to make them equal. You will find the difference to be 1651.20. Remove, if necessary, the small figures on the credit side and set this number on the next line below the last pen-written entry, 17.80. In the *explanation column* write "Balance," and in the date column, "Sept. 30."

Since the debits and credits are now equal, rule lines and set down the equal footings, as you did for Hungerford's account. In doing this you will observe that there are 10 credit entries and only 6 debits. Consequently to bring the work on the same level for both sides, it will be necessary to leave 4 lines blank on the debit side.

Remember that the footings in tiny figures are independent of one another, and are put down close under the last pen-written entry, on one side, regardless of where they may come on the other. But with the equal footings of the closing it is not so. The side having the more numerous entries decides the position of the footings for both sides.

The fictitious entry made in red, on the credit side, while it made the sides of *Cash* equal, put the *Ledger* as a whole out of balance. To correct this, and to start the account anew, an entry has to be made on the *debit side*. On the first line, under the double cross ruling, set down an entry in black that is the exact counterpart of the one made in red, *i.e.*, write "Sept. 30, Balance, 1651.20," on the debit side.

In theoretical book-keeping it is quite impossible for the pupil to get the other and true meaning of "Balance." Were he a teller in a bank, or a book keeper handling many receipts and payments, his chief concern would be to find, on counting the money in his drawer, that it amounts exactly to 1651.20, and therefore *balances* with the account.

31. The *personal accounts* other than those we have already closed are to be left as they are. When one of these accounts fills a page it is ruled off, but the footings are not necessarily equal. The true footings are usually set between the single and double ruling and then carried forward to the new page. Some book-keepers, however, balance the account as we have done for *Cash* and carry forward the balance. For one or two very good reasons their plan is not to be recommended.

CLOSING MERCHANDISE.

32. The purpose of closing this account is a double one. As for *Cash* it is desirable to start the account anew, but the chief object is to find the profit made on the sales.

The pupil will easily observe that **the debits are the cost** and **the credits are the sales**. At the foot of the last page of the *Journal* is given a list called **Inventories**. This list comprises the names, quantities and cost price of goods unsold when we began the work of closing the accounts.

Had all the goods purchased been sold we could easily have obtained the amount of the profit by subtracting the debits from the credits. That not being the case we have to *imagine* them as being all sold. We set up a fictitious sale of the goods of the Inventory at cost price and add it to the other sales, thereby neither increasing nor decreasing the profits on the genuine sales. Having now effected a complete sale, we can find the profit by subtracting the cost from the selling price, *i.e.*, the debits from the credits.

Write a fictitious entry *in red* on the credit side of *Merchandise*. Remove the pin-head footing, or better, in rather small figures immediately under them write, "Sept. 30, Inventory, 3563.50."

The next object to be attained is to make the debits balance the credits. They differ now by the amount of the gain. On the debit side we write in red, "Sept. 30, Gain 141.25," and the sides of the account will be equal. Rule off and set down the equal footings in plain large figures between the single and double rulings.

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5	4687 05	
7	1732 25	
	589 50	
7	12008 80	

Imperial Mills
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line. See Cash

These two entries have made the account balance, but they have thrown the Ledger out of balance. We put it right, so far as the Inventory is concerned, by now imagining the goods to be re-purchased, and having done so we make a fictitious entry *in black* on the debit side, on the first line immediately under the double ruling. The account is now ready for further posting.

33. Opening Loss and Gain Account.—The Ledger is still out of balance by reason of the entry we made on the debit side of Mdse. for the amount of the gain. The object of making this entry was a double one. The evident intention was to make the Mdse. account balance, but the real purpose was to transfer the gain to the credit of Stock account, and thereby increase *the claim of the proprietor on the business*. But the gain is not transferred directly. It is first carried to a branch of Stock account called "Loss and Gain," where it will be diminished by the losses that have been incurred, and then carried to Stock account.

On one of the Ledger pages open an account with the title **Loss and Gain**; on the credit side of it enter "Sept. 30, Mdse., 141.25." This entry will put the Ledger in balance.

CLOSING EXPENSE ACCOUNT.

34. The debit side of this account shows the cost of certain things that were purchased for use in the conducting of the business. None of them have been sold, but some of them remain on hand that have not been consumed. We *imagine* a sale of these at a suitable price, and make a fictitious entry *in red* on the credit side for such a sale.

Then subtract this new credit from the original debit footings, and we have *the loss* from this source. The credit is less than the debits by the amount of this loss. On the credit side write "Sept. 30, Loss, 102.90," and the account will balance. Rule it off, and set down the equal totals between the rulings.

The Ledger is again out of balance by reason of these two entries. We put it right for one of them by writing an entry for an imaginary re-purchase of the Inventory, and having done so we write a fictitious entry *in black* under the double ruling, on the debit side.

The loss entry is to be set down on the debit side of Loss and Gain Account, to diminish the gain. Write there *in black*, "Sept. 30, Expense, 102.90." The Ledger is again in balance.

CLOSING LOSS AND GAIN ACCOUNT.

35. This account is part of the Stock Account, and instead of allowing the excess of the gain over the loss to remain here, we transfer it to its proper place.

On the debit side of Loss and Gain write in black, "Sept. 30, Net Gain, 38.35." The account now balances. Rule off, and set in the footings.

The Ledger being out of balance, the equilibrium is restored by writing on the credit side of Stock *in red ink*, "Sept. 30, Net Gain, 38.35."

CLOSING STOCK ACCOUNT.

36. The object of this work is merely to start the account anew. On the debit side, *in red ink*, write, "Sept. 30, Present Worth, 5038.35." The sides being now equal, rule off and set in the footings.

But the Ledger being put out of balance, we enter in black ink on the credit side, under the ruling, "Sept. 30, Present Worth, 5038.35."

BALANCE OF BALANCES.

37. We were careful to make no fictitious entries *in red* for which we did not write counter entries *in black*. The red entries put the Ledger out of balance and the black ones restored the equilibrium.

But to prove that our work was accurate, we proceed to take a Trial Balance of the Ledger as it now stands ready for a new month's business. This Trial Balance we call "Balance of Balances." Write in it the *Present Worth* of Stock brought down, *the balance* of Cash, *the Inventories* of Merchandise and Expense and *the footings* of the unclosed personal accounts. Test the balance of these balances as you would an ordinary Trial Balance. See the form on page 54.

[illegible]

* Red Ink

Expense

¹⁹⁰⁻ Sep. 1	42	50	¹⁹⁰⁻ *Sep. 30	* Inventory		* 19	15
1	42	8 75		* 30 * Loss		* 102	90
1	42	3					
3	42	12 50					
30	44	30					
30	44	17 80					
		122 05				122	05

Sep. 30 Inventory

19 15

Scott Milling Co.

¹⁹⁰⁻ Sep. 3	42	267	¹⁹⁰⁻ Sep. 13	43	322 50
					589 50

Imperial Mills Co.

¹⁹⁰⁻ Sep. 27	44	1515	¹⁹⁰⁻ Sep. 3	42	1515
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Henry Hungerford

¹⁹⁰⁻ Sep. 5	43	176 50	¹⁹⁰⁻ Sep. 12	43	50
16	44	271	21	44	397 50
		447 50			447 50

Loss and Gain

¹⁹⁰⁻ Sep. 30	Expense	45	102 90	¹⁹⁰⁻ Sep. 30	Mdse.	45	141 25
30	Net Gain	45	38 35				
			141 25				141 25

* Red Ink

STATEMENTS.

38. A Statement is a form which shows in brief the condition of the business—what gains have been produced, what losses incurred, what excess or net gain remains, what debts are owing, what values are on hand to pay them, and what excess remains when the debts are paid.

39. **Classification of Accounts.**—Before a Statement can be made, the pupil must master the classification of accounts. But the classification of accounts depends on a classification of values, which we give herewith:—**CLASS I.**—Money, Promises. **CLASS II.**—Labor, Wealth, Interest, Rent, etc.

Money and Promises are always parted with at the same valuation at which they were received; that is, they produce no profit nor loss. Those of the other list change their valuation while passing through the business. Some produce a profit, some a loss, others a total loss. Money and Promises give rise to the following accounts:—Cash, Bills Receivable, Bills Payable, John Smith, etc. The values of the other list produce the accounts:—Mdse., Expense, Real Estate, Interest and Discounts, etc. Therefore, we classify accounts as follows:

I.—RESOURCE AND LIABILITY.

Cash.
Bills Receivable.
Bills Payable.
John Smith, etc.
(Stock.)

II.—LOSS AND GAIN.

Mdse.
Expense.
Real Estate.
Interest and Discount.
Rent.
Chattels.
Furniture and Fixtures.
Collections and Exchange.
Commission.
Shipment to A. Boles.

40. **Resources and Liabilities.**—Liabilities are promises of the proprietor that are outstanding. They are recorded in the Bills Payable account, and those personal accounts which are debts unsettled for goods purchased on account. Resources are not confined to money and promises; while they include all money and those promises in favor of the proprietor, they extend to and include the goods of the Mdse. inventory, the goods of the Expense inventory, the inventory of the labor that is prepaid, and even the inventory of interest that is prepaid. But interest unpaid and labor performed, but unpaid, are Liabilities.

Therefore we state that the Resources and Liabilities of a Statement are:—(1) The balances of the Resource and Liability Accounts. (2) The inventories of the Loss and Gain Accounts. The inventories are obtained from *taking stock*. The balances are obtained from subtracting the sides of the money and promise accounts of the Trial Balance.

If the debit side of a promise or a money account is the greater the balance is a Resource.

If the credit side of a promise account is the greater the balance is a Liability.

If an inventory is an unrecorded debt that the business owes, it is a Liability.

If an inventory is wealth unsold, or interest, rent or labor prepaid, it is a Resource.

41. **Losses and Gains.** Merchandise account or its branches should produce the profits. Expense account or its branches should produce the most of the losses. Real Estate and Interest and Discount and some other accounts may produce either a gain or a loss. Before it can be ascertained whether an account produces a loss or a gain, the inventories must be added. Add resource inventories to the credits. Add liability inventories (unpaid interest, rent, or labor) with the debits.

If a Loss and Gain account, with its inventory added, has the debits greater than the credits, the balance is a loss.

If a Loss and Gain account, with its inventories added, has the credits greater than the debits, the balance is a gain.

42. The following general rules may be learned, but we must presuppose inventories added before they will apply.

(1) **If the debits of any account exceed the credits, the balance is a Loss or Resource.**

(2) **If the credits of any account exceed the debits, the balance is a Gain or Liability.**

Balance of Balances

Stock			5038	35
Cash	1651	20		
Mdse.	3563	50		
Expense	19	15		
N. H. Pearson	394			
Scott Milling Co.			589	50
	5627	85	5627	85

Statement of E. A. Stuart's business, Sept. 30th 190

<u>Resources</u>					
Cash		1651	20		
Mdse.		3563	50		
Expense		19	15		
N. H. Pearson		394		5627	85
<u>Liabilities</u>					
Scott Milling Co.				589	50
* E. A. Stuart's Present Worth				*5038	35
<u>Gains</u>					
Mdse. Sales	1132.25				
Inventory	3563.50				
Total	5295.75				
Cost	5154.50				
Gain	141.25			141	25
<u>Losses</u>					
Expense	122.05				
Loss Inv.	14.15				
Net Loss	102.90			102	90
* E. A. Stuart's Net Gain				38	35
<u>Summary</u>					
E. A. Stuart's Investment				5000	
" Net Gain				38	35
" Present Worth				5038	35

* Red Ink

43. Net Investment is the balance of Stock account. It is a Liability, but since it is a debt the business owes to the proprietor it is considered as not being on the same footing as the others.

44. Present Worth means the surplus of the Resources over the ordinary debts.

45. The Net Gain added to the proprietor's net investment should give the Present Worth. Since the Resources minus the Liabilities gives the same, the pupil should observe that the Summary of the Statement is a proof of the correctness of the work.

46. Net Loss, and Net Insolvency, are the opposites of Net Gain and Present Worth respectively. If the Net Loss is so great as to exceed the proprietor's net investment, the business is said to be insolvent, and under such circumstances the Liabilities will exceed the Resources.

47. The Balance Sheet given below is an old-fashioned form of statement, but very suitable for showing the results of sets and exercises. The pupil is advised to use it occasionally.

Balance Sheet, Sept. 30, 190

Folio	Accounts	Dr.	Cr.	Losses	Gains	Resources	Liabilities
46	E. C. Stuart's Stock		500				
46	Cash	638 25	468 65			1651 20	
46	Misc (Inv 3563 50)	5154 50	1732 25		141 25	3563 50	
47	Expense (Inv 19 15)	122 05		102 90		19 15	
46	H. H. Pearson	394				394	
47	Scott Milling Co		589 50				589 50
		12008 80	12008 80	102 90	141 25	5627 85	589 50
*	E. C. Stuart's Net Gain			38 35			
	E. C. Stuart's Net Investment		500	141 25	141 25		
	add Net Gain		38 35				
*	E. C. Stuart's Present Worth					5627 85	5038 35
						5627 85	5627 85

* Red ink

46. Observe the form and rulings of the Statement on the last page, or the Balance Sheet on this one, and from the Trial Balances and associated inventories in the exercises below make out Statements similar to one or the other of the models.

- (1). Mark the Stock account thus, ×.
 - (2). Pick out the accounts that are records of money and promises and mark them with a check mark, ✓.
 - (3). Go over the list and double the check mark (✓✓) opposite those that have the debits greater than the credits.
 - (4). Without exception the inventories given below are Resources. Add them with the credits; and for the accounts as yet unchecked, and wherein the credits exceed the debits, mark them with a heavy dash, thus, —.
 - (5). The accounts unmarked are distinguished by being unmarked.
- Set down as Resources (i) all inventories, (ii) the balances of all accounts marked (✓✓).
- Set down as Liabilities the balances of all accounts marked (✓).
- Set down as gains those marked —.
- Set down as losses those that are unmarked.

EXERCISES IN STATEMENTS.

EXERCISE IX.

C. C. Andrews, Stock		1800	
Cash,	2783 22	2415 10	
Merchandise (Inventory \$1230),	2734 90	2236 60	
Bills Receivable,	793 50	480	
Bills Payable,	620 15	712 45	
Expense,	435 63		
M. J. O'Neill,	273 12	205	
R. J. Hart,	70 80		
D. M. Foster,		74 60	
Bark & Johnson,	275 43	63	
Results:—Net Gain,	296 07	7986 75	7986 75
Present Worth,	2096 07		

EXERCISE X.

M. D. McIntyre, Stock,		500	
Merchandise (Inventory \$770)	8600	7356	
Cash,	2860	2220	
Bills Receivable,	1430	500	
Bills Payable,	5235	5855	
Expense,	230		
Interest and Discount,	355	98	
Personal accounts (Dr. balances),	2550		
Personal accounts (Cr. balances),		4731	
Results:—Net Loss,	961	21260	21260
Present Insolvency,	461		

EXERCISE XI.

S. W. White, Stock,			4800	
Cash (balance),	1968	75		
Bills Receivable (balance),	306	45		
Bills Payable (balance),			1965	
Expense (Inventory \$50),	397	50		
Personal accounts (Dr. balance),	4618	50		
Personal accounts (Cr. balance),			1786	75
Horse and Waggon account (\$240),	275			
Furniture and Fixtures (Inv. \$30),	45			
Interest and Discount,	83	50		
Merchandise (Inventory \$1141.25),	6476	12	5619	07
Results:—Net Loss,	196.80	14170	82	14170 82
Present Worth,	4603.20			

EXERCISE XII.

N. D. Jones, Proprietor,		419	30		
Cash (balance),		1246	50		
Merchandise (Inventory \$2356.50),	22641	85	23176	12	
Expense (Inventory \$150),		946	85		
Interest and Discount (Res. Inv. \$20)		38	12	116	22
Commission,				246	30
Real Estate (Inventory \$2300)		1760			
Bills Receivable (balance),		124			
Bills Payable (balance),				2693	
Personal accounts (Dr. balance),		316	25		
Personal accounts (Cr. balance),				1261	23
Results:—Net Gain,	2978.32	27492	87	27492	87
Present Worth,	2559.02				

49. The Ledger Index.—To enable a person to find any account readily, an alphabetical index is placed in the front of the Ledger, or, when the Ledger is large, in a separate book. The accounts with persons should be indexed under the initial letter of their surnames. Joseph Connor's account should be indexed in the division assigned to the C's; thus, *Connor, Joseph*. Other accounts, such as firm names, Bills Receivable, Real Estate, etc., are indexed under the first letter of the title.

In posting, index each title as directed above before opening an account with it, remembering always to write the title of the account exactly as it is given in the Journal; that is, never write "J. Smith" in the Ledger, when it is "John Smith," or "John Smith & Co." in the Journal.

EXERCISES IN LEDGER.

EXERCISE XIII.

Journalize, post, and get a Trial Balance for the transactions of Exercise VI., page 40.

EXERCISE XV.

Journalize, post, get a Trial Balance, and close the accounts for the transactions of Exercise V., page 40.

EXERCISE XIV.

Journalize, post, and get a Trial Balance for the transactions of Exercise VII., page 40.

EXERCISE XVI.

Journalize, post, get a Trial Balance, and prepare a statement for the transactions of Exercise VIII., page 40.

SET. II.

Using a Journal and Ledger, work out the following set of transactions.

Get a Trial Balance, close the accounts, and prepare a statement.

A grocer on Queen St., Toronto, at the beginning of the year 190— had on hand:—Cash, \$1660; Goods, \$1250; Business Premises, \$2000.

Jan. 2. Buys goods on account from T. Isaacs ..	\$450
" 3. Sells goods on account to R. Day	120
" 4. Buys goods on account from W. Knight.	237 56
" 5. Sells goods on account to W. Doughty..	189 99
" 9. Pays T. Isaacs on account,	
By cash	445
" discount	5
" 10. R. Day forwards cash	85
" 12. Pays W. Knight cash	37 56
" 13. Buys goods from W. Kelly on account ..	285 69
" 14. Sells goods to W. Driver,	
For cash	137 10
On credit	100
" 15. Pays cash to W. Knight	137 15
" 16. Forwards goods on acct. to R. Day	165 11
" 16. " " " W. Doughty.	137 95
" 16. " " " W. Driver ..	119 20

*Credit Mdse. for this discount.

Jan. 17. W. Driver forwards his cheque	\$ 30
" 19. W. Doughty forwards a bank draft	240
" 20. R. Day pays cash personally	150
And receives a discount	8
" 21. Buys with cash coal for use in store	6 10
" 22. Pays for insurance cash	6 50
" 31. Month's current expenses paid in cash ..	29 19
" 31. " " salaries	25 10
" 31. " cash purchases of Mdse.	396
" 31. " cash sales	450 55

INVENTORIES JAN. 31.

Mdse. on hand valued at	1448 87
Store premises	2000

RESULTS.

Present worth, \$5089.63. Net gain, \$179.63.

+Debit Mdse. for this discount.

CHAPTER V.

SUGGESTIONS FOR JOURNALIZING.

1. You may memorize the following suggestions for simple Journalizing :—

If you buy merchandise, debit **Merchandise**.

If you receive money, debit **Cash**.

If you pay for freight or express, debit **Merchandise**.

If you pay for expenses, debit **Expense**.

If you trust a person on account, debit **his name**.

If you pay a person on account, debit **his name**.

If you get back your own note, debit **Bills Payable**.

If you receive a time draft, debit **Bills Receivable**.

If you receive another person's note, debit **Bills Receivable**.

If you sell merchandise, credit **Merchandise**.

If you pay out money, credit **Cash**.

If you issue a cheque, credit **Bank**.

If you pay a sight draft, credit **Bank** or **Cash**.

If a person trusts you on account, credit **his name**.

If a person pays you on account, credit **his name**.

If you give your note, credit **Bills Payable**.

If you accept a draft, credit **Bills Payable**.

If you give up another person's note, credit **Bills Receivable**.

I. REGARDING BANK.

2. Many book-keepers call every cheque issued, Cash, and accordingly, they make no entry for the parting with money as a deposit. From their standpoint, the putting of money in the bank is the same as putting money in a safe, and the issuing of a cheque is the mere act of paying out money with other hands than their own. But the majority of book-keepers consider the depositing of money to be a distinct business transaction, and the issuing of a cheque to be the parting with something other than money.

3. **Bank—An Unwritten Promise.**—When a sum of money has been deposited in a bank, the bank owes the depositor a debt equal to the deposit, and, unless a Deposit Receipt has been issued, there is no written promise handed to the depositor as evidence of his claim; consequently, he holds only a *claim* against the bank for the amount of his deposit. But the cheques he issues decrease the indebtedness—every cheque is the return of part of the claim. We have stated that a claim against a business house is called by the name of the business house, consequently the claim obtained by deposits and surrendered by cheques is called "*Bank*."

4. *When you deposit money in a bank; debit Bank, credit Cash. When you issue a cheque to pay your note; debit Bills Payable, credit Bank. When you issue a cheque to pay for goods; debit Merchandise, credit Bank. When you issue a cheque to pay for rent; debit Expense, credit Bank. When you issue a cheque to pay a sight draft; debit "The Drawer," credit Bank. When you issue a cheque to pay D. Sims, on account; debit D. Sims, credit Bank. When you get a cheque; debit Cash.*

5. Observe, that although your cheques issued are portions of *your claim against the bank* parted with, and are therefore called "*Bank*," yet the cheques you receive are not additional *claims against the bank*, and are therefore not called "*Bank*." The cheques you get are orders on all or any of the banks of your town. If you guarantee their genuineness by endorsing, your banker will receive them from you as Cash, as readily as he would receive current money. Since he will receive them as Cash, you may call them "*Cash*" when you get them.

Remember, then, My cheque=Bank, and in review, My note=Bills Payable.

His cheque=Cash.

His note=Bills Receivable.

EXERCISE 1.

Journalize the following transactions :

- Deposited in the Merchants Bank, \$200.
- Paid for a set of books with cheque, \$10.
- J. D. Kaine paid *his* note with *his* cheque, \$25.
- Paid M. K. Barker a month's rent with cheque, \$30.
- Paid *my* note with *my* cheque, \$75.
- Received from K. G. Evans & Co., a *bank draft, in full of account, \$400.
- Deposited the bank draft at face value.
- Received from James Petrie, cash, in full of account, \$40.
- Paid C. D. Miller, on account, cash, \$20.
- Deposited in the bank, cash, \$60.
- Received from H. King, an *express money order for \$20, in payment of his note due to-day.

* See page 21.

- Received from W. D. Rogers, a *post office money order, in full payment of his note, \$20, and interest thereon, \$1.50.
- Deposited the two money orders at face value.
- Drew *a sight draft on D. L. Allan for \$30, in my own favor, deposited the proceeds, less 25 for collection, in the bank.
- Bought, for cheque, a stock of fruit and vegetables, \$36.
- Paid, per cheque, for an invoice of goods delivered C.O.D., \$18.50.
- Paid G.T.R. freight bill with †certified cheque, \$17.30.
- Paid, per cheque, clerk's salary, \$20.

† See pages 19, 58.

II. REGARDING SOME MDSE. ENTRIES.

6. Freight.—By reason of the labor required to bring it into a finished state, almost every article is more valuable than the raw material of which it is composed. A pair of shoes is worth much more than the pieces of hide of which they are made.

We call the shoes Merchandise, and in doing so it will be seen that the labor of certain workmen is being called by this name. Now when these workmen leave the shoes in what they call a finished state, they are at some factory far distant from the place of final sale. Other laborers take them in charge and transport them to the required place. We call the work of these last set of workmen "freight." If in Book-keeping we call the labor of the first set of workmen Merchandise, is it not quite consistent to call the freight Merchandise also? Freight is usually such a considerable part of the cost of goods that book-keepers call it Merchandise, and debit that account for all payments made for transportation.

7. Cash Discounts.—Some years ago the manufacturers and wholesale dealers made a general practice of allowing three and four months' credit on all sales, but gave liberal discounts to purchasers preferring to pay cash. Manufacturers of some lines of goods raised a protest against such long terms of credit, and reduced the time to 30 days; others went further, and now give only 10 days; and a few in some instances demand immediate payment. Wholesale houses follow the practices of the manufacturers whose goods they sell. For instance, sugars are sold at 30 days' credit; cheese at 10 days'; spices, 3 months'; teas, 4 months'. Goods are classified as: 4 Mos.' Goods; 3 Mos.' Goods; 30 Days' Goods; Cash, Net Cash or 10 Days' Goods; "Spot Cash" Goods.

A person purchasing 4 months' goods is in reality offered them at either of two prices. For instance, 4 months' goods subject to 5 % discount that may cost \$100, can be bought for \$95. The seller does not know which price the buyer may finally choose, and since he has to set some price on his goods, selects the higher. When the purchaser gets the goods he may not decide for a few days which he will pay, and to keep his books like the seller's he also temporarily selects the higher.

In the first entry the purchaser would make, he would over-debit Mdse. account, but a credit entry for the excess will reduce the debit as effectively as crossing out figures. He would also over-credit the seller's account, and a debit equal to the excess will correct the other part of the entry.

Example. When a bill of \$100 worth of 4 months' goods is received,

the buyer writes:

Mdse.,	100
Seller's name,	100

When the buyer decides to pay cash and take the lower price,

he might write:

Seller's name,	5
Mdse.,	5

And upon sending cash:

Seller's name,	95
Cash,	95

But both of them put the two entries in one, thus:

Seller's name,	100
Mdse.,	5
Cash,	95

the seller writes:

Buyer's name,	100
Mdse.,	100

and if the seller knew he might write:

Mdse.,	5
Buyer's name,	5

Cash,	95
Buyer's name,	95

and thus:

Cash,	95
Mdse.,	5
Buyer's name,	100

8. Many book-keepers call this cash discount "Interest and Discount," but since the rates used amount to about 15 to 20 per cent. per annum, it will be seen that it is a bonus or bribe to the purchaser to pay cash, rather than a regular allowance for the *use of money*. If a special account is kept, it should be called "Discounts on Purchases and Sales." In preparing a Statement, its debits are to be added with the cost of Mdse., and its credits with the Sales and Inventory. Such an account will leave Mdse. account in a more satisfactory condition, because, *with no adjusting entries*, the debit side will show the actual cost, and the credit the actual sales; consequently, the real "turn over" of the business will be shown.

III.—REGARDING INTEREST AND DISCOUNT.

9. There is one rule in Book-keeping that is most rigidly followed, namely, a note or an acceptance must always be debited or credited for an amount equal to its face. By referring to page 9 the pupil will see that the face means the amount in figures at the top. If a note is worth more than that shown by these figures, there is some interest earned that is not included in the face. Similarly, if a note or an acceptance is worth less than the amount shown by these figures, there is some interest included in the face that is not yet earned. If such notes become involved in Journal entries, there will have to be entries for Interest and Discount as well as for Bills Payable or Bills Receivable.

10. There are some rules that make the journalizing of such entries comparatively easy. We shall state their application to Bills Receivable.

If Bills Receivable and Interest and Discount are both debited or both credited in the same entry, they are treated similarly.

If Interest and Discount is debited when Bills Receivable is credited, or if Interest and Discount is credited when Bills Receivable is debited, they are treated contrarily.

At the date of Journalizing—

1. If the cash value of a note is more than the face, treat Interest and Discount similarly to "Bills Receivable.

2. If the cash value of a note is less than the face, treat Interest and Discount contrarily to "Bills Receivable.

3. If the cash value of a note equals the face, make no entry for Interest and Discount.

4. †On every occasion debit or credit "Bills Receivable for an amount equal to the face.

Example 1. John Jones pays with cheque his note, the face of which is \$200, and accrued interest, \$6. We ask ourselves, is the cash we receive more than the face? Seeing that it is more, we apply rules 1 and 4, and write—

Cash,

206

Bills Receivable.

the face ~~200~~ 200

Interest and Discount,

6

Example 2. John Smith prepaid his note of \$250. The note bears no interest, and I allow him a discount of \$5. Applying rules 2 and 4 we debit Cash, 245, debit Interest and Discount, 5, and credit Bills Receivable, 250.

Example 3. I discounted at the bank my note for \$400. The bank deducted \$7 for discount, and placed the balance to the credit of my account. Applying rules 2 and 4, we debit Bank, 393, debit Interest and Discount, 7, and credit Bills Payable, 400.

IV.—REGARDING RENEWED NOTES.

11. Frequently when a note matures, the maker is not prepared to pay it in full. He may desire an extension of time for the whole note or for part. If there is no endorser, it may be quite satisfactory to allow the old past due note to stand until paid. But to cancel the old note and make out a new one is the proper course.

12. Renewals for the Whole Amount.—The peculiar feature of the entries for renewal is, that Bills Receivable will be debited and credited in the same entry; debited for the face of the new note and credited for the face of the old. So also Bills Payable, but it will be debited for the face of the old and credited for the face of the new.

The face of the new note is generally larger than that of the old. The debits and credits are balanced by Interest and Discount by making an entry in which Interest and Discount is treated *similarly* with the *smaller* note.

*Substitute Bills Payable for Bills Receivable throughout the rules, and they are still true, without exception.

†A teacher finding a pupil having figures after Bills Receivable or Bills Payable other than those of the face, should impress this rule upon him so that he will never forget it.

13. Renewals in Part.—If the cash and the new note received are more than the face of the old note, treat them *similarly* and put as *contraries* the face of the old note, and sufficient Interest and Discount to balance.

Journalize the following transactions:—

EXERCISE II.—PURCHASES AND CASH DISCOUNTS.

- | | |
|---|---|
| <p>April 3 Received from Henry & Co., Montreal, 50 pieces serge, 1,679 yds. @ 60c., \$1,007.40.</p> <p>5 Received from Cooper & Sons, Toronto, on 30 days, 2 bales No. 4 White Flannel, 916 yds. @ 40c., \$366.40.</p> <p>7 Received from Seane & Co., Montreal, on 60 days, 1 case Bleached Sheetings, 2,189 yds. @ 12½c., \$274.75.</p> <p>8 Received from Horton & Co., Montreal, on 2 months, 25 pieces of Print, 785 yds. @ 8½c., \$55.42.</p> <p>9 Received from Henry Wallace, Toronto, on 3 months, 20 pieces of Cheviots, 500 yds. @ 30c., \$450.</p> <p>10 Received from Perkins & Son, Montreal, on 3 months, 20 pieces of Homespun, 480 yds. @ 80c., \$384.</p> | <p>April 8 Instructed Henry & Co., on April 5th, to draw on me, at sight, for amount of Invoice of 3rd inst., less 2 per cent, for cash. To-day the draft was presented and paid with cheque.</p> <p>10 Remitted Cooper & Son, Toronto, a bank draft for the amount of their Invoice of 5th inst., less 2 per cent, for cash. (Purchased bank draft with cheque. * Exchange, 50c. extra).</p> <p>10 Seane & Co. drew on me, at sight, as per instructions, for amount of Invoice of 7th inst., less 3 per cent, for cash. Accepted the draft.</p> <p>14 Remitted Horton & Co. my certified cheque for Invoice of 8th inst., less 3 per cent, for cash.</p> <p>14 Accepted, payable at my bankers, sight drafts of H. Wallace and Perkins & Son, for the amount of their Invoice, less 5 per cent, for cash.</p> <p>17 My banker has paid my acceptances of 10th and 14th.</p> |
|---|---|

* Debit Expense for Exchange in a separate entry.

EXERCISE III.—INTEREST AND DISCOUNT AND RENEWALS.

- | | |
|--|--|
| <p>1 Lent M. G. Sills on his note at six months, bearing interest at 8 per cent. \$750. (See Rule 3).</p> <p>2 Purchased John Harper's note of \$350 at a rate of discount of 10 per cent.; the note will not mature for 73 days.</p> <p>3 Discounted (purchased) Wm. Lawrence's note of \$146, which bears interest for one year at 7 per cent. I purchased it 292 days before maturity at a discount of 10 per cent.</p> <p>4 Discounted (sold) at the Standard Bank at 8 per cent. my note of \$1,000 at four months.</p> <p>5 James Parker paid his acceptance of \$300 two months before it was due, and I allowed him a discount, \$5.</p> <p>6 Paid with cheque my note of \$400 at three months, bearing interest at 8 per cent.</p> | <p>7 F. Elliott paid with cheque his note of \$200, due to-day, with accrued interest, \$10.</p> <p>8 Paid a year's interest on the mortgage on my store and lot with cash, \$100.</p> <p>9 Renewed for six months my note, favor of C. D. Hull, due to-day, for \$200. Face of new note, \$204.</p> <p>10 Renewed my note, favor of J. K. Hamilton, for \$150. Gave a new note at three months for \$102, and cash for balance, \$50.</p> <p>11 Renewed M. R. Hollis' note of \$100 for one month. Received \$1 cash for extension of time.</p> <p>12 Renewed Hooper & Co.'s note of \$100 for three months, charging them \$2 interest for the extension. Face of new note, \$102.</p> |
|--|--|

V.—REGARDING TIME DRAFTS.

14. In the previous exercises debts have been settled by paying sight drafts or remitting cheques or bank drafts. As, however, many settlements are effected by means of time drafts, it is essential that the pupil should have a clear understanding of the nature and use of these important papers. For a correct idea of appearance, forms, etc., see pages 14, 15, 16, 17.

15. Suppose Horton & Co. are E. A. Stuart's creditors for \$240 and request its settlement. As he has

\$240.00.	TORONTO, SEPT. 1, 1900.
	THREE MONTHS AFTER DATE
PAY TO THE ORDER OF.....	OURSELVES.....
.....TWO HUNDRED AND FORTY DOLLARS.....	
FOR VALUE RECEIVED, AND CHARGE TO THE ACCOUNT OF	
TO E. A. STUART,	HORTON & CO.
BERLIN, ONT.	

neither cash in the office nor at the Bank to pay the amount, he informs Messrs. Horton & Co. that it will better suit his convenience to have an extension of time, for which he is willing to lose the discount allowed for cash payments, and to give a written undertaking to pay the sum at the expiration of, say, 3 months. To this they consent in accordance with terms arranged between them when purchases of goods were made, and they now make out and send through their bankers the order shown on the left, for E. A. Stuart to sign.

The form is a draft drawn by Horton & Co. on E. A. Stuart at 3 months after date, of which they are the Drawers and Payees and he is the Drawee.

It now remains for E. A. Stuart to acknowledge or accept the responsibility of complying with the order, which he does by writing across the draft his signature and the Bank at which he wishes it to be presented for payment. The form shown to the right is a representation of the accepted draft.

\$240.00.		TORONTO, SEPT. 1, 1900.	
PAY TO THE ORDER OF		THREE MONTHS AFTER DATE	
.....TWO HUNDRED		.....OURSELVES.....	
FOR VALUE RECEIVED, A		AND FORTY DOLLARS	
TO E. A. STUART,		NO CHARGE TO THE ACCOUNT OF	
BERLIN,		HORTON & CO.	
ACCEPTED, payable at The Standard Bank.		ONT.	

E. A. Stuart having now accepted the draft, it is styled an *acceptance*, and he is known as the Acceptor. Horton & Co. would have to endorse the draft (see No. 8, page 21) to render it "negotiable," or in other words to allow bankers and others to deal with it.

16. For Book-keeping purposes an acceptance is a Bill Receivable, to the person who receives it, generally the creditor, and a Bill Payable to the person who pays it, generally a debtor. In Horton & Co.'s books the draft would be entered as Bills Receivable and in E. A. Stuart's as Bills Payable.

Horton & Co. may deal with it in any of the following ways :

POSSIBLE CIRCUMSTANCES.

- (1). *When they draw it.*
- (2). *Pay it away to some one else—some creditor.*
- (3). *Discount it, that is, obtain the money for it from their bankers, less discount for the time it has to run.*
- (4). *Keep it till it matures and have their banker collect it.*
- (5). *Cancel it upon receiving another acceptance in renewal of the old one, in which case E. A. Stuart should allow them interest for the extra time.*
- (6). *Have it returned from the bank dishonored, that is, not paid when due, and protest charges, say \$1, incurred.*

FOR SAME CIRCUMSTANCES.

- (1).
- (2) and (3). *No entry.*
- (4)
- (5).
- (6)

HORTON & CO'S JOURNAL ENTRY.

Bills Receivable	240	
E. A. Stuart		240
"A Creditor"	240	
Bills Receivable		240
Bank or Cash	235	
Interest and Discount	5	
Bills Receivable		210
Bank	210	
Bills Receivable		240
Bills Receivable	245	
Bills Receivable		240
Interest and Discount		5
E. A. Stuart	241	
Bank		241

E. A. STUART'S ENTRIES.

Horton & Co.	240	
Bills Payable		240
Bills Payable	240	
Bank or Cash		240
Bills Payable	240	
Interest and Discount	5	
Bills Payable		245
Bills Payable	240	
Expense	1	
Horton & Co.		241

17. Settlements are sometimes effected by notes in the same way. Entries would be made as in the previous case under the heads of Bills Receivable and Bills Payable. If the debtor takes the initiative in settling an account he will use cash or a note. But if the creditor takes the initiative in effecting the

settlement he will use sight drafts or time drafts. The pupils will easily see that drafts will be more commonly in use among merchants than notes.

PAYMENTS.

BY NOTES AND ACCEPTANCES.

18. When a note is passed, or a draft accepted, the person, company, or thing on account of which the obligation is given, ought to be debited and the Bills Payable account credited.

Jan. 3 Accepted J. M. Spaulding's draft on me at 30 days sight in settlement of \$201.60.
 7 Accepted W. G. Evans & Co's. draft on me at 30 days sight for \$375.80 in full of account.
 17 Mailed to N. G. Norton my note at 60 days in full of account, \$261.01.
 19 Accepted Hunter & Sons' sight draft on me, favor of Standard Bank, being for full amount of account, \$318.

1. Write out all the above notes and drafts.

Jan. 20 Accepted W. V. Parker & Co's. draft on me in their own favor at 90 days sight.
 21 Passed to L. E. Green my note at 60 days in full of account.
 23 Accepted C. C. Cooper's draft at 30 days after date for \$8.75.
 27 Remitted to W. E. Reynolds my note at 30 days for \$644.54 in settlement of account.

2. Journalize all the above transactions.

COLLECTIONS.

19. Almost all the customers of a wholesale house live in distant cities and towns to which the goods have been shipped and where the payment has to be collected. The goods are usually shipped several days before payment is sought or expected. "Net cash" goods are to be paid in 10 days. "Cash goods" in 30 days. For the latter a liberal discount is often allowed to the purchaser to induce him to remit sooner. If payment is not made voluntarily in a month, the seller draws upon the buyer and no discount is allowed.

20. When goods are sold "on time," that is, on longer credit than one month, it is customary for the seller to draw on the buyer as soon as he believes the goods have been received and examined. The draft is almost invariably made out either in favor of the drawer himself or the bank with which he keeps his account. It will be forwarded by the bank to their agent in the town where the buyer lives. The seller does not remit it by mail himself.

21. If the drawer discounts it immediately with the bank, he will hear nothing further about it unless it is dishonored; if he sends it forward for acceptance and return he will get it back and have it at his own disposal in a few days; if he sends it forward for acceptance and collection he will hear in a few days as to whether it was accepted or acceptance refused, and if not dishonored it will remain with the agent in the debtor's town till it matures, and if paid the drawer will be credited by the bank a few days later for the face less a small sum for collection expenses.

22. If a draft is forwarded for acceptance and returned, make only a lead pencil memo. in the debtor's account, till the answer is received. If discounted or forwarded for collection make an entry, assuming that the draft will be accepted. Should the drawer dishonor the draft reverse the entry and debit him in addition for all expenses incurred.

Journalize the following:

Feb. 1 Received from J. B. Tobin a bank draft for *\$392.35, the amount of his account less 5 per cent. cash discount.†
 3 Received from William Jones a certified cheque for \$264.23, in full of account, less 6 per cent. discount.
 4 Received from R. McRae a Dominion Express order in full of account, \$24.
 5 Drew on R. A. Welch at 90 days for amount of account, \$300. Discounted the draft at 7 per cent.

* \$392.35 is 95 per cent. of the amount of his account.

† Call the discount either *Misc.* or *Interest and Discount*.

Feb. 6 Drew on J. D. Penny at 30 days for \$506 and left draft for collection.
 7 Received from H. G. Cooley his note at 90 days for \$308 in full of account. Discounted the same immediately at 7 per cent.
 12 My draft on G. K. Spice of one month ago for \$133, forwarded for collection, has been paid and the proceeds less 35c. placed to my credit by my bank.
 15 Drew on Crone Bros. at sight for sale of Jan'y 20th, \$30. (Feb. 18th) draft was paid and proceeds less 15c. placed to my credit.

VI.—REGARDING LOSS AND GAIN.

23. We stated on page 37 that the proprietor returns part of his claim called "Stock" when he withdraws money or other values from the business. We carry the same idea further when we state that he returns part of his "Stock" when he loses any of the values belonging to the business, but temporarily the stock returned in this manner is named "Loss and Gain." At the end of business periods the accumulations of

such returned stock, together with the ordinary expenses of the business, are set against the profits of the business and the balance carried to the regular stock account, there to diminish or increase the proprietor's claim according as the balance is a net loss or a net gain.

Example 1.

The proprietor lost a \$10 bill from his pocket; we debit **Loss and Gain** and credit **Cash**, meaning that the business gets part of the proprietor's "Stock" called "Loss and Gain" and gives "Cash."

Example 2.

J. P. Mason's note is worthless; we debit "**Loss and Gain**," and credit **Bills Receivable**.

Example 3.

H. D. Kemp has failed and can pay only 50c. on the dollar. When the cash is received for the claim, we debit **Loss and Gain** and **Cash** and credit **H. D. Kemp**.

EXERCISE V.

Journalize the following transactions:

- | | |
|---|--|
| 1 A \$5 bill received from a stranger is counterfeit. | 6 B. C. Coulter & Co. have failed and are paying 60c. on the dollar. My account against them is \$67.80. Received a bank draft in full for my share. |
| 2 Fire destroyed part of the stock to the extent of \$200, no insurance. | 7 D. K. Cook bought from me a waggon on a lien note. He has utterly failed to meet the note and I repossess the waggon, and after one year's use value it at \$30. The face of the lien note was \$60. |
| 3 A spring freshet backed up water into the cellar and goods therein were damaged to the extent of \$300. | 8 Gave a cash subscription of \$5 to a football club. |
| 4 Lost a \$5 bill from my pocket-book. | |
| 5 H. D. Smith gave me his cheque for \$10 for a coat before leaving town; the cheque turns out worthless and his whereabouts so diligent to ascertain that I consider the whole transaction a loss. | |

VII.—MISCELLANEOUS.

24. Collections and Exchange.—Exchange is the charge made by a bank for bank drafts, bills of exchange, etc. Collections is the name for the charge made by a bank for forwarding drafts for acceptance, and for collecting and remitting money for notes and acceptances due at distant points. When a business has many of these charges to deal with an account called "Collections and Exchange" is opened. But for a few such charges it will be satisfactory to debit "Expense" or "Interest and Discount."

25. Chattels.—In a broad sense chattels include every species of property that is not real estate, but in a mercantile business the property outside of the store and office, such as horses, waggons, harness, etc., are classed as chattels.

26. Furniture and Fixtures.—This term applies to the property used in a store and office; it includes counters, scales, desk, chairs, safe, stove, etc.

27. Shipments.—Much of the produce of the country is not saleable at best prices in the immediate vicinity in which it is grown, consequently the local purchasers or original producers often ship it to better markets. In the new market it is handled by a commission merchant, but the ownership remains with the shipper.

28. The shipper considers that he has goods in a warehouse distant from his regular place of business, and such merchandise should be re-named, to distinguish it from his other goods. He consequently calls it by the name of the agent, but to distinguish such an account from an unwritten promise account he puts the words "Shipment to" in front of the agent's name. Thus for 15 tubs of butter weighing 765 lbs., and valued at 12c. per lb., shipped to L. Kirby, we would debit "Shipment to L. Kirby," and credit *Mdse.*, \$91.80. We do not give or get anything, but we use debit and credit for the purpose of re-naming. If we pay freight we debit the same account and credit cash. If we draw a draft on the agent on the strength of the expected proceeds, we credit the account. When the agent sells the goods he sends cash, notes or his own promise for the net proceeds. We debit whatever value is received, and credit the Shipment account. The account now shows a loss or gain, and we close it into Loss and Gain account.

29. Consignments.—The commission agent does not own the goods, and upon their arrival gets nothing and gives nothing, so makes no entry that will be posted. He does keep a memorandum book, specially prepared for recording the facts of the case, but it is not a Journal.

30. If he pays any charges for the shipper, or accepts any drafts on the expected proceeds, he debits the shipper's name with the words "Consignment from" preceding it. He debits the same account for his own commission and charges, and for the money, notes, or promises he sends to the shipper when rendering an Account Sales. He credits the account for the gross proceeds of the sales; consequently, it will be seen that this is merely a special unwritten promise account, that will balance when the agent settles with the shipper in full.

GENERAL EXERCISES.

For the following four Exercises the pupil may Journalize the transactions, and if the teacher finds it desirable the work may be completed by carrying out the instructions given below each Exercise.

DEPARTMENTAL FORM I.—BOOK-KEEPING EXAMINATION PAPERS.

Toronto, Jan. 3rd. A. S. Jones commences business, investing as follows:—Real estate, valued at \$5,500; Cash, \$1,750; deposit in Bank of Montreal, \$1,500; merchandise, as per inventory, \$3,500; fuel, valued at \$65; D. Wilson's note—face value, \$600—present value, \$640.

Jan. 4 Rented a store and paid one month's rent in advance, by cheque on Bank of Montreal for \$75. Bought from B. M. Graham, merchandise, amounting to \$650; gave in payment his (A. S. Jones') note at 60 days for \$400 and cash for balance. Sold C. P. Wright, merchandise amounting to \$246; received as payment in full, his note at 90 days for \$250. Sold R. G. Brown, merchandise, amounting to \$400; received in payment, cash, \$100, a draft at 60 days on C. Spencer for \$175, and a sight draft on W. George for \$125.

5 Paid salaries in cash, \$80. Paid sundry expenses in cash, \$25. Had the note received from C. P. Wright, on the 4th inst., discounted at Bank of Montreal, and proceeds (\$247) placed to his (A. S. Jones') credit. Paid for advertising business, by cheque on Bank of Montreal for \$15. Sold T. C.

Kerr, on his acceptance at 30 days, merchandise, amounting to \$525. Had T. C. Kerr's acceptance discounted at the bank; proceeds (\$521) received in cash.

Jan. 6 Prepaid the note given B. M. Graham on the 4th inst., by cheque on Bank of Montreal for \$394. Accepted H. Gordon's draft at 30 days, for \$200. Withdrew from the business for private use, cash, \$150. Paid taxes by cheque on Bank of Montreal for \$85. Lost by fire, merchandise, amounting to \$300. Cash sales, \$125.

7 Compromised with D. Wilson for the note, mentioned on the 3rd inst., by accepting cash, \$500, as payment in full. Lost \$20; paid the finder, cash, \$2, for returning the money. R. G. Brown returned \$25 worth of merchandise.

8 Bought from R. McKay, merchandise, amounting to \$360; accepted his draft at 90 days in payment for the full amount. Prepaid acceptance given R. McKay to-day, by cheque on Bank of Montreal for \$353.

Inventory taken Jan. 8th, at close of day's business:—Merchandise unsold, \$3,125. Rent, prepaid, \$50.

1. Give, A. S. Jones' Journal entries for the foregoing transactions.
2. Open accounts in his Ledger, post the items, and close the account.
3. Write out C. P. Wright's note received Jan. 4th and T. C. Kerr's acceptance referred to on Jan. 5th.

Toronto, Jan. 6th.—G. M. Martin commenced business, investing as follows:—Store and Lot valued at \$4,000; Cash, \$1,200; deposit in Bank of Montreal, \$2,500; merchandise, as per inventory, \$6,000; W. P. Smith's note, dated October 3rd, 1895, at 4 months—face value, \$1,200—present value, \$1,200; W. Jones owes on account, \$300; he (G. M. Martin) owes James Anderson, an account, \$350.

Jan. 7 Deposited in Bank of Montreal, \$800. Paid cash for temporary repairs, \$125. Bought from W. J. Atwood, on account, merchandise, amounting to \$460. Sold W. P. Gregory, on his note at 60 days, merchandise to amount of \$1,250. Cash sales, \$520.

8 Bought from N. Graham, merchandise, amounting to \$210, and gave in payment a note at 3 months. Gave W. J. Atwood, on account, a cheque on Bank of Montreal for \$300. Deposited in Bank of

Montreal, \$750. Paid cash for advertising, \$40. Cash sales, \$480.

Jan. 9 Accepted James Anderson's draft, as payment on account, at 60 days, in favor of E. R. Davies, for \$250. Received from W. Jones, a cheque for \$175, as payment on account. Sent to Bank of Montreal for deposit, \$420; but two ten-dollar bills were returned, being counterfeit. Cash sales, \$325.

10 Paid cash for stationery, \$25. Received from W. P. Gregory his cheque for \$1,238, as payment in full for his note of the 7th inst. Bought from W. J. Atwood, on account, merchandise, amounting to \$300. Deposited in Bank of Montreal, \$1,500. Cash sales, \$230.

11 Paid sundry items of expense, in cash, \$15. Sold W. Jones, on account, merchandise, \$450. Deposited in Bank of Montreal, \$200. Cash sales, \$610.

Inventory taken at close of day's business:—Store and Lot, valued at \$4,100; Merchandise on hand, \$4,350; W. P. Smith's note, present value, say \$1,201. The present value of the note given N. Graham on the 8th inst., say \$207; present value of James Anderson's draft, which was accepted on the 9th inst., say \$247.

1. Journalize the foregoing transactions.
2. Open all the necessary Ledger accounts, post all the items, make out a Trial Balance and close the accounts.
3. Write out the cheque given W. J. Atwood on the 8th inst., and James Anderson's draft after it was accepted on the 9th inst.

MONTREAL, Sept. 1st, 1900.—John Bowers and Henry Jarvis enter into a partnership to conduct a shipping and produce business. Gains and Losses shared according to investment.

John Bowers' capital consists of—	
Cash in Merchants Bank	\$540 00
8,000 doz. eggs, valued at 12c. per doz.	960 00
Debt due by Thos. Mays on a/c	300 00
" " John Boswick on a/c	600 00
Henry Jarvis' capital consists of—	
Cash	\$400 00
3,000 doz. eggs, valued at 12c.	360 00
Debt due by C. & E. Casper & Co.	400 00
Sept. 1 Bought of Jas. Hooper & Co., office furniture, and paid for same with cheque....	50 00
1 Paid petty expenses of starting business, with cash	15 00
1 Paid into Merchants Bank on deposit	335 00
3 Shipped to S. Paton & Co., Liverpool, on consignment, to be sold on our account and risk, 3,000 doz. eggs, at 15c.	450 00
5 Paid freight and charges on shipment with cheque	28 00
5 Drew on S. Paton & Co., at 10 days' sight, for	300 00
7 Sold to T. Roberts & Son, on acct., 2,000 doz. eggs, at 14c.	280 00
8 Received from T. Roberts & Son, C. & E. Casper & Co's acceptance, due Sept. 21st, for	200 00
8 Received from J. Gray, Toronto, consignment of 8,000 doz. eggs, invoiced at 13c., to be sold on their account and risk	910 00
10 Accepted J. Gray's draft on us at 15 days, for	700 00
10 Discounted at Merchants Bank C. & E. Casper & Co's acceptance, and got credited for	199 55

Sept. 10 Discount allowed	\$ 45
14 Sold to Myers & Co., on acct., 5,000 doz. eggs, from J. Gray's consignment, at 14c.	700 00
14 Our commission on above sale	35 00
14 Paid storage, drayage, etc., on J. Gray's consignment	15 00
21 C. & E. Casper & Co's acceptance returned dishonored and is charged to our account	200 00
23 Having agreed to take 75c. on the dollar from C. & E. Casper & Co., in respect to their open debt of \$400 and acceptance of \$200, received from them their note at 6 months from date for the two debts	450 00
25 Bank credits us with face of draft drawn on S. Paton & Co., less \$1 exchange.	299 00
26 Received an account sales from S. Paton & Co., for shipment of 3rd inst. Our net proceeds	506 00
26 Balance of net proceeds stands to our credit on their books	206 00
27 Sold to Nelson Bros., on acct., the balance of J. Gray's consignment, at 14c. per doz.	420 00
27 Our commission at 5	21 00
28 Bank paid our acceptance, favor of J. Gray, due to-day	700 00
29 Accepted J. Gray's draft on us at 30 days, for	250 00
30 Paid office rent, per cheque	15 00
" clerk's salary, per cheque	25 00
" sundry expenses with cash for which one cheque was issued	15 00
John Bowers withdrew from business, per cheque	100 00
Henry Jarvis, ditto	75 00

1. Journalize the foregoing transactions.
2. Calculate your own inventory, valuing eggs on hand at 12c. per doz.
3. Open the Ledger accounts, close the same, and prepare a Statement.

Thos. Long and Jas. Short are in partnership as Brickmakers. Their affairs on 30th Sept., 1900, were as follows:

ASSETS.	
Open Accounts { R. Frame	\$302 75
{ T. Salter	56 00
{ J. West	180 00
Buildings	530 00
Plant and Machinery	1200 00
Waggons, carts, etc	245 00
Stock in Trade	1338 00
Real Estate	1428 00
Bills Rec., S. Pratt, due 14th Dec	50 00
Cash in Bank	1612 00
" Safe	20 00
Oct. 1 Paid ground rent, per cheque	\$50 00
" insurance premium with cash	10 00
" stationery with cash	2 00
2 Workmen's wages	145 00
4 Sold T. Salter, bricks on account	190 00
5 Paid for fuel	65 00
6 R. Frame paid on account	200 00
7 Paid W. Brown's account, per cheque, and was allowed a discount of \$6.82	180 00
8 J. West became a bankrupt, and received a first and final dividend of 50c. on the dollar to settle his account	90 00
9 Bought machinery, per cheque, from S. Leonard	200 00
10 Paid S. Jones, per cheque	290 76

LIABILITIES.	
Open Accounts { W. Brown	\$186 82
{ S. Jones	290 76
{ L. Robinson	348 34
Bills Payable, S. Sharp, due 17th Oct.	80 00
Half-year's ground rent	50 00
Partners' Stock:	
Long owns $\frac{2}{3}$ of net worth of firm.	
Short the balance.	
Oct. 10 Paid per cheque, L. Robinson's a/c, \$348.34 Less discount	8 34
12 Partners each drew per cheque, \$30	60 00
14 Paid sundry expenses with cash	8 32
16 Sold J. West, bricks, and received his note at 2 months	144 00
17 Paid acceptance, favor of S. Sharp	80 00
19 Paid Hill's Foundry, cheque, for repairs to machinery	5 94
20 Consigned to J. Norton, bricks, to be sold on account and risk of firm	450 00
21 Paid shipping expenses of consignment	36 00
23 Drew on J. Norton, at 30 days	365 00
31 Sundry trading expenses due but not paid. Workmen's wages unpaid	10 28
	143 00

Take 1 per cent. off buildings, plant and machinery, waggons, furniture, to obtain inventories. Stock in trade, \$1,060. Journalize, post and prepare a Statement.

PROMISE AND MONEY ACCOUNTS.

MECHANISM OF EXCHANGE.

STOCK

Debit for withdrawals of cash or goods if no private account is kept.

**Debit at the end of the year or set for share of Net Loss (if any) brought from Loss and Gain Account.*

**Balance on debit side with Present Worth.*

Open an account for each partner.

Credit for net investment which is found by deducting Liabilities from Resources.

Credit for all additional investments.

**Credit at end of year for share of Net Gain brought from Loss and Gain Account.*

Carry down in black in Present Worth for reopening

PARTNER'S PRIVATE ACCOUNT.

Debit for all cash withdrawn.

Debit for all goods taken for private use.

**Debit by writing "To E. A. Stuart Stock," if this side is smaller, and transfer same to credit of Stock.*

Credit for salary if one is allowed to a partner.

Credit for interest if same is allowed on investment.

**Credit by writing "By E. A. Stuart Stock," if this side is smaller, and transfer same to debit of Stock.*

CASH—CASH BOOK.

Debit for cash on hand at commencement.

Debit for all current money received.

Debit for all negotiable money received (see page 21).

Carry down in black the balance previously written on credit side.

Credit for all current money paid out.

Credit for all negotiable money parted with.

Credit for all deposits made.

**Write on closing "Balance," followed by figures of money on hand.*

BANK.

Debit for balance on hand at commencement.

Debit for all cash deposited.

Debit for proceeds of notes and drafts discounted.

Debit for proceeds of collections made by bank.

Carry down in black the balance previously written on credit side.

Credit for all cheques issued.

Credit for face and exchange of all Bank Drafts purchased.

Credit for all notes and acceptances paid by banker without cheques being issued.

Credit for interest on overdraft.

Credit for petty charges paid by bank on our behalf.

**Balance in red.*

ACCOUNTS WITH PERSONS—FROM WHOM WE BUY.

Debit for all current money we pay them on account.

Debit for all negotiable money we buy and send to them on account. (See page 21.)

Debit for all goods we return to them.

Debit for all drafts they draw on us.

Debit for all notes we remit to them.

Debit for all discounts they allow us.

Credit at commencement for all we owe them on account.

Credit for all goods we buy from them on account.

(We do not rule off and balance these accounts at the end of the year or set, unless the sides are equal.)

ACCOUNTS WITH PERSONS TO WHOM WE SELL.

Debit at commencement for all they owe us on account.

Debit for all goods they buy from us on account.

(We do not rule off and balance these accounts at the end of the year or set, unless the sides are equal.)

Credit for all current money they pay us on account.

Credit for all negotiable money they remit us on account.

Credit for all drafts we draw on them.

Credit for all notes they send us.

Credit for all goods they return.

Credit for all cash discounts we allow them.

BILLS PAYABLE.

Debit for notes and time drafts we pay.

Debit for all accepted sight drafts paid by banker.

**Write "To Balance," etc., in red ink.*

Credit at commencement for all notes and acceptances we owe.

Credit for all notes we give to other persons.

Credit for all time drafts we accept.

Credit for all sight drafts accepted to be paid at banker's.

Carry down in black the balance previously written on the debit side.

BILLS RECEIVABLE.

Debit at commencement for all notes and acceptances of others on hand.

Debit for all notes and acceptances we receive.

Debit for all time drafts we draw.

Carry down in black the balance previously written on the credit side.

Credit where notes and acceptances which we hold have been paid to us or our banker.

Credit for all notes, acceptances or drafts we discount.

Credit for all notes, etc., we sell.

Credit for all notes or acceptances we endorse over to others on acct.

**Write "By balance, etc.," in red ink.*

TRADING ACCOUNTS.

PROFITS FROM THESE.

MERCHANDISE.

Debit at commencement
"To Inventory" for value
of goods on hand.

Debit for face of in-
voices bought.

Debit for all goods re-
turned to us.

Debit this account In-
terest and Discount, or
a special Cash Discounts
account for all cash dis-
counts we allow.

**Debit for gain on sales.
Carry same to credit of Loss
and Gain.*

Carry down Inventory in
black ink previously entered
on credit side above in red.

Credit for all sales of
merchandise.

Credit for all goods we
return.

Credit this account
Interest and Discount,
or a special Cash Dis-
count account for all
discounts we are allow-
ed.

**Credit for Inventory of
unsold goods at end of year
or set.*

LUMBER, ETC.—AS A BRANCH OF DEBIT OF MANUFACTURING

Debit for all lumber on
hand at commencing.

Debit for all further
lumber purchased.

(This account is taken as
a type of all accounts of
raw material used for manu-
facturing. Treat in same
way paints and oils, hard-
ware, wool, iron, wheat,
oats, etc.)

Credit for any sales.

**Credit for inventory of
lumber on hand at end of
business.*

**Credit at end of the year
for balance of account and
carry same to debit of manu-
facturing.*

REAL ESTATE.

Debit at commencement
for all lots and farms we own.

Debit for all lots and
farms we buy.

Debit for all direct
outlays for improve-
ments, taxes, etc.

Debit for all commis-
sions on sales and pur-
chases.

**Close into Loss and Gain.*

Carry down Inventory in
black ink.

Credit for all sales.

Credit for all direct
returns, rent, etc.

Credit for all products
taken therefrom.

**Credit for Inventory at
closing.*

**Close into Loss and Gain.*

SHIPMENT TO E. A. STUART.

Debit for invoice price
of goods shipped.

Debit for all shipping
expenses.

**Close into Loss and Gain
when Account Sales is re-
ceived.*

Credit for net pro-
ceeds as shown by ac-
count sales.

**Close into Loss and Gain
when Account Sales is re-
ceived.*

MANUFACTURING OR PRODUCTION.

Debit for all finished or
partly finished goods on
hand at commencement.

Debit for all goods re-
turned.

Close to the debit of
this account the bal-
ances of all its branches.
See accounts below.

Close wages into it on
this debit side.

**Debit for gain: carry
same to credit of Loss and
Gain.*

Carry down Inventory in
black ink previously entered
on credit side above in red.

Credit for all sales of
manufactured goods, or
proceeds of commodity
produced.

**Credit for Inventory of
finished and partly finished
products.*

FIFTH STREET PAVING CONTRACT.

Debit for all materials
used.

Debit for wages paid
for labor expended.

**Close into Loss and Gain.*

Credit for all sums re-
ceived on behalf of con-
tract.

**Close into Loss and Gain.*

BUILDING.

Debit for value of store
or other buildings owned,
complete or in course of
erection.

Debit for cost of any
building we may buy.

Debit for complete
cost of further additions
or repairs.

**Close into Loss and Gain.*

Carry down Inventory in
black ink.

Credit for any build-
ings we may sell.

Credit for the income
of any that are rented.

**Credit for Inventory at
closing.*

**Close into Loss and Gain.*

C. E. WILLS CONSIGNMENT. (A Promise Account.)

Do not debit for invoice
price of goods when they
are received.

Debit for all payments
for freight, etc., made
on behalf of the goods.

Debit for commission.
Debit under head of
Charges for drayage, for
insurance, for storage.

Debit for net proceeds
sent or carried to the
credit of shipper.

Debit for any drafts
he draws on strength of
expected proceeds.

Credit for gross pro-
ceeds of sales.

This account must close
in balance when an Account
Sales is rendered.

EXPENSE.

Debit for all articles of this class on hand at commencement.

Debit for all articles purchased for use, such as postage stamps, fuel, etc.

Debit for all services rendered for conducting the business, such as clerks' hire, insurance, etc.

**Debit "To Inventory" at closing for any services rendered but unpaid.*

Bring inventories down on opposite side.

Credit for any articles sold that when purchased were charged to this account.

**Credit "By Inventory" for articles on hand at closing.*

**Credit "By Inventory" for services prepaid.*

**Credit for loss and carry same to Loss and Gain.*

Bring inventories down on opposite side.

COLLECTIONS AND EXCHANGE.

Debit for all payments for collection on drafts, cheques, etc., received.

Debit for exchange on all drafts or money orders purchased.

**Credit for loss at closing and carry same to debit Loss and Gain Account.*

FURNITURE AND FIXTURES.

Debit for all articles on hand at commencement.

Debit for all others bought.

Carry down inventory in black ink.

Credit for any sold.

**Credit "By Inventory" articles on hand at closing.*

**Credit for loss, and carry same to debit of Loss and Gain.*

COMMISSION.

Debit for any commissions paid.

**Close into Loss and Gain Account.*

Credit for commissions earned.

**Close into Loss and Gain Account.*

LOSS AND GAIN.

Debit for losses from accounts above on this page, or any on from page 67 that produce losses.

Debit for parts or whole of notes or accounts where the promissors fail to meet their obligations.

Debit for direct incidental losses.

**Close into Stock, but not with red ink.*

Credit for gains from various accounts on page 67, or any on this page that happen to produce gains.

**Close into Stock, but not with red ink.*

SUMMARY OF CLOSING.

Enter Resource inventories of Trading and Expense Accounts on the credit side of the particular accounts to which they belong.

Expense and Interest and Discount sometimes have Liability inventories. If there be any, enter them on the debit side of either of these accounts. Then close balance of the branches of Manufacturing—raw material and wages accounts—into the debit side of Manufacturing.

Close Freight and Express into Mdse. or Manufacturing.

Close the loss or the gain of Mdse., Manufacturing, Buildings, Ship-

ments, Real Estate, Expense, Interest and Discount, Collections and

INTEREST AND DISCOUNT.

Debit at commencement for deductions off Bills Payable or excesses on Bills Receivable, on account of face value being less than cash value.

Debit for all interest paid on notes, acceptances or mortgages.

Debit for all deductions made by banks on our own or others' notes we discount.

**Debit "To Inventory" for deductions off Bills Receivable or excesses on Bills Payable, on account of the face being less than cash value.*

**Close into Loss and Gain.*

Bring down inventories on opposite sides.

Credit at commencement for deductions off Bills Receivable or excesses on Bills Payable, on account of face being less than the cash value.

Credit for all interest we earn.

Credit for all discounts we receive for prepaying our notes or acceptances.

**Credit "By Inventory" for deductions off Bills Payable or excesses on Bills Receivable, on account of the face being less than the cash value.*

**Close into Loss and Gain.*

Bring down inventories on opposite sides.

FREIGHT AND EXPRESS.

If a special account is kept,

Debit for amount of payments made for transporting all goods received for sale or manufacturing.

Credit for any rebates allowed.

**Credit for loss at closing and carry same to debit of Mdse. or Manufacturing.*

CHATELS.

Debit for all articles on hand at commencement.

Debit for all others purchased.

Carry down inventory in black ink.

Credit for any sold.

**Credit "By Inventory" for articles on hand at closing.*

**Credit for loss, and carry same to debit of Loss and Gain.*

CHARGES.

**Close into Loss and Gain Account.*

Credit for drayage, insurance, storage, etc., earned on goods handled on commission.

BAD DEBTS ACCOUNT.

Debit for amount of notes makers failed to pay.

Debit for amount of accounts that prove a loss in whole or part.

**Debit "To Inventory" for an estimate of those likely to prove bad.*

Credit for any debts subsequently collected that were charged to this account.

**Credit for loss, and carry same to debit of Loss and Gain.*

Carry down inventory in black.

Exchange, Chatels, Furniture and Fixtures, Bad Debts, into Loss and Gain Account—losses on the debit side, gains on the credit.

Close Loss and Gain into Stock—black in Loss and Gain, red in Stock.

Balance Stock, Cash, Bank, Bills Receivable, Bills Payable.

Bring down in black ink to the opposite side the balances of the above accounts.

Bring down in black ink to the opposite sides the inventories of the Trading and Expense Accounts.

Take a Trial Balance of the Inventories and Balances and Personal Accounts.

RED-BLACK ENTRIES.

Every red ink entry has a black companion entry. Every red entry is a fictitious one and throws the Ledger out of balance; the black companion goes to the opposite side of some other account, or below the ruling to the opposite side of the same account, and establishes the equilibrium. Red entries are made first and are therefore positive; black entries are their negatives.

For Balances.—The red ink entry is above the ruling, the black below on the opposite side in the same account.

For Inventories.—Every inventory is entered in red above the ruling, the black below on the opposite side of the same account.

For Present Worth.—In "Stock" the Present Worth is the balance, and is entered in red above the ruling on the debit side; the black is entered below on the credit side.

For Gains and Losses.—In Trading and Expense Account, the gains and losses are entered in red and the black negatives are carried to the opposite side of Loss and Gain Account.

The Net Gain is entered in the debit side of Loss and Gain in black, and carried to the credit side of Stock in red, thus making no red entries in Loss and Gain and giving one case in which the negative entry is red and positive black. Every entry made in red is set on the first available light blue line on the side on which it is entered.

SET III.

Write the Journal and Ledger, and get a Trial Balance for the following transactions. Close the accounts and prepare a Statement.

All money is deposited in Bank same day, and all cash payments over \$15 made with cheques.

Your place.—Tuesday, Sept. 3, 190—. I commenced business with a cash capital of \$5,000 and rented from J. P. Hooper a coal yard at \$600 per year.

Wednesday, 4th. Bought of Henry Pike, 3 teams, 3 waggons and harness, etc., for \$900. Ordered and paid for at Planet Book Bindery a set of account books, paper and stationery, \$22.75.

Thursday, 5th. Contracted with Pangman & Co., Buffalo, to furnish within 30 days, 20 cars, 450 tons, of assorted anthracite coal at \$4 a ton at Black Rock, I paying freight; terms cash in 30 days after delivery of the whole.

Friday, 6th. Engaged John P. Hill as clerk, at \$35 for balance of month, and J. C. Mills as yard hand, at \$7.50 a week, both commencing to-day. Received from Pangman & Co. 5 cars of coal, 105 tons, and paid freight \$1 per ton.

Saturday, 7th. Employed as teamsters to commence on Monday, Sam. Orr, Ed. Carter, Henry Wilkins, at \$7.50 a week. Sold the following persons: H. P. Collins, King St., 1½ tons at \$5.75; Mrs. Jane Hopkins, Centre St., 1½ tons at \$5.75, both delivered on Monday, and to Hawkins & Co. 15 tons at \$5.50, to be delivered on Monday. (Received cash in full for all three sales.) Ordered from Higgins and Hill hay and oats for the stable and received bill, which will be paid on Monday. Received from Pangman & Co. 5 more cars of coal, 120 tons, and paid freight \$1 per ton. Received an order from Canada Furniture Co. for 15 tons to be delivered early next week, and will be paid for first of next month; price \$5.60 per ton. Paid for unloading 5 cars received yesterday, \$10.

Monday, 9th. Received from Pangman & Co. 5 more cars of coal, 115 tons, and paid freight \$1 per ton. Sold to sundry persons for cash 25 tons at \$5.75, and to Samuel Baker on account 20 tons at \$5.75. Paid Higgins and Hill for feed \$40.50. Delivered order of Can. Fur. Co.

Tuesday, 10th. Contracted with Henry & Son, Toronto, for 30 cars, 650 tons, of coal at \$4.95, f.o.b. cars here, payable 3 months. Sold to sundry persons for cash 60 tons at \$5.75. Received from Pangman & Co. the balance of the coal, 5 cars, 110 tons, and paid freight \$1 per ton.

Thursday, 12th. Delivered to sundry persons for cash 40 tons of coal at \$5.75. Paid John P. Hill \$10 on account of salary. Bought of C. D. Foster on account 5,000 ft. of lumber for bins, \$75.

* See page 42, second entry.

Friday, 13th. Delivered to sundry persons for cash 50 tons of coal at \$5.75. Received 10 cars, 225 tons, of coal from Henry & Co.

Saturday, 14th. Settled with Pangman & Co. by accepting their draft at 30 days, dated the 12th inst., for the full amount due them. Delivered to H. Anderson 15 tons of coal on account at \$5.75, and to sundry persons for cash 45 tons at \$5.75. Paid for shoeing horses \$3.50, and settled with the teamsters and yard man to date.

Monday, 16th. Sold to sundry persons for cash 42 tons of coal at \$5.75. Received 10 more cars of coal from Henry & Co., 215 tons.

Thursday, 19th. Sold to sundry persons for cash 55 tons of coal at \$5.75, and to Hollis & Reid on account 30 tons at \$5.60.

Friday, 20th. Received from Henry & Co. the balance 10 cars, 210 tons, of coal and passed to their agents, Messrs. Cook & Price, my note at 3 months dated to-day, for full amount of contract price.

Saturday, 21st. Received from Samuel Baker cash in full of account and delivered to sundry persons for cash 40 tons of coal at \$5.75. Paid John P. Hill on account of salary \$10 and settled with teamsters and yard hand to date.

Monday, 23rd. Henry & Co. offer a discount of 1 per cent. per month on my note if prepaid. I lifted it with cheque and took advantage of the discount. Sold to sundry persons for cash 30 tons of coal at \$5.75 and to Peters & Co. on 30 days credit, 15 tons at \$5.75.

Wednesday, 25th. Pangman & Co. agree to give 10 per cent. discount on my acceptance for unexpired time. Prepaid the same with cheque less discount. Sold to sundry persons for cash 50 tons of coal at \$5.75 and to Hollis & Reid, on account, 10 tons at \$5.75 and received from them on account \$100.

Friday, 27th. Sold to sundry persons for cash 38 tons of coal at \$5.75 and to A. B. Rouse on account 4 tons at \$5.80.

Monday, 30th. Sold to sundry persons for cash 25 tons at \$5.75. Paid clerk, teamsters and yard man in full for salary to date. Paid C. D. Foster's account for lumber. Paid one month's rent.

Inventories, Sept. 30:

493 tons of coal at \$5. Waggon, teams, etc., \$850. Books, etc., \$15. Lumber, \$50. Hay, \$15.

† No cheques.

Results, net gain \$ 279 60
Pr. worth 5,279.60

CHAPTER VI.

SPECIAL BOOKS OF ORIGINAL ENTRY.

1. The desire to reduce the labor of posting to a minimum has given rise to some special books of original entry named *Cash Book*, *Sales Book*, *Invoice Book* and *Bill Book*. In these books transactions of the same character are isolated, and one-half the posting is dispensed with. When the *Cash Book* is kept no cash account is necessary in the Ledger. The *Sales Book* gathers up in one footing dozens of entries that would have to be posted individually to the credit side of *Mdse.* The *Invoice Book* in like manner gives us the total of the purchases, and in this way reduces the entries to the debit side of *Mdse.* Some book-keepers get the whole debit of *Bills Receivable* account from the total footing of a *Bills Receivable Book*, and in like manner they get the whole credit of *Bills Payable* account from the *Bills Payable Book*.

2. On the page to the right is given an exercise which is worked out in a *Cash Book* of the simplest form.

DEBIT PAGE.

— CASH —

Date.	Folio.	Credits.		
April 1		Stock	invested	1250
15		F. Gavan	paid on account	56
20		Falls & Co.	" "	135
27		J. C. Paterson	" "	90
30		Mdse.	month's cash sales	127
				1658
			Balance	22

3. The pupil will never have other than a hazy conception of the *Cash Book* entries until he realizes that a *Journal* may be dispensed with entirely and all the entries made through the *Cash Book*. For the purpose of illustrating work of this character we give below the whole of the original entry of Exercise 1. The transactions involving cash are set down in this book in the same manner as they are in the other book above. But by observing in any *Cash Book* the fact that the list of accounts on the right page are debits and the list on the left are credits, we may make any *Journal* entry we choose by setting down on the right page the debit account and on the left the credit. Since also, the amount we set down on the right page is exactly equal to the amount set down on the left, we do not disturb the *Cash* account. The pupil can prove this by observing that we get the same cash balance in one book as the other.

— JOURNAL-CASH —

Date.	Folio.	Credits.		
April 1		Stock	invested	1250
1		a Bank	cheque for Inv. No. 1	182
6		b Mdse.	sale to Falls & Co.	67
6		c Hamilton & Co.	Inv. No. 2 on account	425
10		d Mdse.	sale to F. Gavan on account	79
15		e Bank	cheque to Hamilton & Co.	285
15		f Mdse. or (Int. and Disc.)	cash discount on Inv. No. 2	15
15		F. Gavan	paid on account	56
18		g Mdse.	sale to K. Lawson	91
18		h Mdse.	sale to Falls & Co.	85
20		i Mdse.	sale to J. C. Paterson	108
20		Falls & Co.	paid on account	135
24		J. C. Paterson	sale to K. Lawson	112
27		Mdse.	paid on account	90
30			month's cash sales	127
				3107
			Balance	22

CASH BOOK.

4. The Cash Book, immediately below, has the debits of cash on the left page and the credits on the right, *i.e.*, the cash receipts are on the left page, and the cash payments on the right. The entries require the same care as the work in Journalizing. When you make an entry on the left page it means you got cash, and gave some other value. The name of the value you gave is set down next to the date, and is followed by an explanation and the amount. The entries on the right page are made in a similar manner. When you have finished the book is closed and balance like a cash account; in fact, that is what it is.

April 1	Commenced business with cash.....	\$1250	April 18	(g) Sold goods to Falls & Co. on account....	\$ 85
2	Paid into the Traders' Bank	1200	20	(h) Sold goods to J. C. Paterson on account....	108
4	(a) Bought goods and paid by cheque.....	182	20	Falls & Co. paid on account, cash.....	135
6	(b) Sold goods to Falls & Co. on account.....	67	20	Paid into the Traders' Bank	175
6	(c) Bought goods from Hamilton & Co. on account.....	425	24	(i) Sold goods to Lawson & Co. on account ..	112
10	(d) Sold goods to F. Gavan on account.....	79	27	J. C. Paterson paid on account, cash.....	90
15	(e) Paid Hamilton & Co. by cheque.....	285	27	Paid Hamilton & Co. cash	125
15	(e) " " by discount.....	300	30	Sold goods for cash during month.....	127
15	F. Gavan paid on account, cash	56	30	Paid expenses with cash during month.....	36
18	(f) Sold goods to K. Lawson on account.....	91	30	Paid into the Traders' Bank	100

CREDIT PAGE.

BOOK.

Date.	Folio.	Debits.		
April 2		Bank	deposited	1200
20		Bank	"	175
27		Hamilton & Co.	paid them on account	125
30		Expense	month's expenses	36
30		Bank	deposited	100
			* Balance	22
				1658

5. The transactions marked with the letters of the alphabet in Exercise I, are those that ordinarily would be entered in the Journal, while those unmarked would be entered and posted from the Cash Book. But take transaction (a), for instance: It demands the entry **Mdse.** debited 182, **Bank** credited 182. Now by setting down Mdse. among the debits on the right page, it will be entered on the debit side of Mdse. account when the posting begins, and by setting down Bank among the credits on the left page an entry will be made on the credit side of Bank account when the posting begins, and since each of them has the number 182 as the measure of its value, they will not interfere with the cash account more than to swell the total footings at the bottom of the page. Let the pupil study out any of the other transactions (try "e") and he will see that a Journal Cash Book is after all a very simple system.

BOOK.

Date.	Folio.	Debits.		
April 2		Bank	deposited	1200
4		a Mdse.	Inv. No. 1	182
6		b Falls & Co.	goods on account	67
6		c Mdse.	Inv. No. 2	425
10		d F. Gavan	goods on account	79
15		e Hamilton & Co.	paid them on account	300
18		f K. Lawson	goods on account	91
18		g Falls & Co.	" "	85
20		h J. C. Paterson	" "	108
20		Bank	deposited	175
24		i Lawson & Co.	goods on account	112
27		Hamilton & Co.	paid them on account	125
30		Expense	month's expenses	36
30		Bank	deposited	100
			* Balance	22
				3107

The Cash Book for the first part of Set IV. is worked out for you on the next two pages. You will copy the same, prepare a Journal for the other transactions, post both books to the Ledger, and get a Trial Balance. Having done so, work the balance of Set IV. for yourself. Close the accounts and prepare a Statement.

SET IV.

(Pupil's name here) has this day commenced the grocery business, investing as follows: Cash in safe, \$150; cash in Merchants Bank, \$1,600; goods in store, \$1,150. James Clancy owes on his note, dated Oct. 2, 190—, at 30 days, \$34; C. K. McIntosh owes on account, \$80; Hooper & Co. owe on account, \$50.

2 Bought of Henderson & Co. an invoice of 30 days' groceries, amounting to \$240. Cash sales, \$29.10

3 Sold Hugh McFarlane $\frac{1}{2}$ barrel gran. sugar, 150 lbs., at 5c; 1 caddy tea, 20 lbs., at 50c; 1 box raisins, 28 lbs., at 6c; 10 lbs. ham, at 15c; 1 bag oatmeal, 100 lbs., at \$3.50 per cwt. Received on account of sale, cash, \$10, balance charged. Deposited in the Merchants Bank, \$100. Paid per cheque Copp, Clark Co., Limited, for set of books and stationery, \$20. Paid cash for freight on invoice No. 1, \$7.42. Cash sales, \$12.50.

4 C. K. McIntosh paid on account an express money order for \$40. Sold Henry Forbes a bill of groceries, amounting to \$20, and received in payment a note against Isaac Ford for \$25, due in 18 days, and gave him 10 lbs. of Ceylon tea to balance. James Clancy remitted a post-office money order to pay his note which is due to-day. Paid for handbills for advertising, \$3.42. Paid for changing shelves in the store, cash, \$10. Cash sales, \$21.80.

5 Deposited in the Merchants Bank, \$50; accepted Henderson & Co's draft at 30 days in full for invoice No. 1. Bought of Sloan & Williams invoice No. 2, amounting to \$300 (net cash). Sold Hugh McFarlane, on account, 3 bbls. flour, at \$5.25; 1 bbl. yellow sugar, 300 lbs. net, at 4c; $1\frac{1}{2}$ doz. ears corn, at 80c. doz; 1 sack cornmeal, at \$2.50; 1 tub, 56 lbs., butter, at 14c. Cash sales, \$37.20.

DEBIT PAGE.

CASH

DATE.	Folio	TO THE CREDIT OF.	PARTICULARS.	SUNDRIES.	MISC.	Bank Cheques
190						
Nov.	1	✓	Balance in safe	150		
	1	✓	Balance in Bank	1600		
	2	✓	cash sales		29	10
	3	269	H. McFarlane	10		
	3	✓	on account			
	3	✓	cheque No. 1			20
	3	✓	cash sales		12	50
	4	281	C. K. McIntosh	40		
	4	18	Bills Receivable	34		
	4	✓	Clancy's note			
	4	✓	cash sales		21	80
	6	✓	" "		37	20
	7	✓	cheque No. 2			25
	7	✓	cash sales		34	50
	8	✓	cheque No. 3			300
	8	✓	cash sales		20	40
	9	✓	part of sale to Poole		20	
	13	✓	cash sales—four days		113	50
	14	✓	cheque No. 4			6
	14	✓	cash sales		25	50
	15	✓	cheque No. 5			60
	15	✓	cash sales		25	
				1834	338	96
	36	Mdse.	Total cash sales	338	90	
			Total of cheques	411	65	
			*Balance in Bank			*1613
				2584	35	35
			Balance in safe	110	23	
			Balance in Bank	1613	35	

6. The above form of Cash Book is in part a Journal-Cash Book. Any transaction that involves Bank account is entered in this book rather than in the Journal. When a book is kept in this manner we require neither a Cash account in the Ledger nor yet a Bank account. In making out the Trial Balance, enter with the debit footings of the various accounts the *balance in Bank* and *balance in safe*.

7. The pupil will observe in opening we put both these balances on the debit page in the Sundries column, but we enter the Bank balance on the other page as well. In closing we put the balance in the safe in the Sundries column, on the right page, and the balance in the bank (obtained from stubs of cheques and Bank Pass-book) in the Bank column on the left page. By arranging the work in this manner we have a book in which, if you subtract the totals of the right page from the totals of the left, you get the *balance of cash in safe*, and if you subtract the Bank column of the left page from that of the right, you get the *balance in the Bank*. The whole book is the Cash account; the Bank columns are the Bank account, but with this peculiarity that the credits are on the left and the debits on the right.

8. For cheques issued two entries are made, one on each page, since the transaction is really a Journal entry. For all deposits one entry is all that is necessary.

money order
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against Isaac
in 10 lbs. of
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due to-day.
Paid for
Cash sales,

ted Hender-
voice No. 1,
amounting to
account, 3
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ormmeal, at
ales, \$37.20.

- 7 Paid cash for freight on invoice No. 2, \$10; paid cash for coal for use in store, \$6. Deposited \$75. Withdrew from business per cheque, \$25 for church subscription. Cash sales, \$34.50.
- 8 Bought of Henry Drummond, goods as per invoice No. 3, \$400, one half net cash and the remainder 30 days goods. Remitted Sloan & Williams a bank draft purchased with cheque for full amount of invoice No. 2. (Exchange on draft 40c., included in cheque.) Cash sales, \$20.
- 9 Sold W. D. Poole a bill of goods amounting to \$74. Received in payment his cheque for \$20 and his note at one month for the balance. Cash sales, \$29.60.
- 10 C. K. McIntosh asked me to accept an order for 7 cords of wood at \$4.50 a cord, on a farmer named Jacob Hurst. Hurst called to-day and agreed to become responsible for the delivery of the wood in two weeks. Paid cash for postage stamps, 75c. Cash sales, \$30.

- 11 Bought of Henderson & Co. invoice No. 4, amounting to \$160, of which \$60 is net cash and the balance 60 days goods. Accepted Henry Drummond's draft at 15 days, this being the average due date of the two kinds of goods of invoice No. 3. Sold Peter Scott on account, \$1 worth of sugar; 10 lbs. of ham, at 14c.; 25 lbs. butter, at 16c. Cash sales, \$24.40.
- 13 Received a bill for advertising in the Free Press, \$6. Hooper & Co. delivered on account 25 bags potatoes, at 60c. per bag. Cash sales, \$32.30.
- 14 Deposited \$200. Paid an order of the Free Press in favor of their foreman, John Hill, with goods, \$5. Paid freight on invoice No. 4, with cheque, \$6.25. Cash sales, \$25.50.
- 15 Bought of Sloan & Williams invoice No. 5 amounting to \$34, (60 days goods). Passed to Henderson & Co. my cheque \$60, and my note at 60 days for invoice No. 4. Cash sales, \$25.

CREDIT PAGE.

BOOK.

Bank Cheques

DATE	Folio	TO THE DEBIT OF,	PARTICULARS,	SUNDRIES,	EXPENSE	Bank Deposits
190						
Nov.	1	✓	Balance in Bank			1600
	3	✓	deposited			100
	3	✓	set of Books, C. C. Co.		20	
20	3	36	Mdse. G. T. R., freight	7	42	
	4	✓	advertising		3	42
	4	✓	changing shelves		10	
	6	✓	deposited			50
	7	36	Mdse. G. T. R., freight	10		
	7	✓	deposited			75
25	7	✓	ton of coal		6	
	7	✓	withdrew from business	25		
300	8	216	Sloan & Williams	300		
	8	✓	pd. them on a c.			
	10	✓	exchange draft		40	
	14	✓	postage		75	
6	14	36	Mdse. C. P. R., freight	6	25	200
	15	204	Henderson & Co. pd. them on a/c.	60		
				108	67	10
111	39	Expense	Total footings	40	65	2025
	✓		Total deposits	2025		
			*Balance in safe	*110	23	
*1613	35			2584	55	2025
2025	00					00
			Balance in Bank			1613
						35

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Journal

9. For Set IV. all the transactions that involve either Cash or Bank will be found on either one page or the other of the book above.

10. From the debit (left) page post to the credit (right) of each account mentioned on that page, and from the credit (right) page post to the debit (left) of each account mentioned on that page. When an entry is posted, set in the page number of the account as it is done in the book above. When setting the folio of the Cash Book in the Ledger account put "C" in the explanation column.

11. In working the remainder of Set IV. (the transactions of which are given on the next page), set down the balance in safe and balance in bank on the left page in the Sundries column. Then set down the balance in bank on the other page in the Bank column. Proceed with the Cash and Bank entries in order of date. A payment with either cheque or current money will be entered on the right page to the debit of the account affected. If it is paid with a cheque, set down on the opposite page the number of the cheque in the Particulars column, and the amount in the Bank column. Cash sales and expense items are each kept out of the Sundries column till the end, and it is needless work to write their account names till they are required. When the entries are all made, set down the footing in small figures and close like the above book.

SET IV—Continued.

- Nov. 16 Paid freight on Invoice No. 5, \$1.20. Sold C. K. McIntosh on account; 2 doz. cans tomatoes at 90c. per doz.; 1 small cheese, 15 lbs., at 12c.; 10 bags of potatoes at 75c.; 10 doz. eggs, at 12c.; 2 bbls. apples, at \$2; 5 gals. coal oil, at 20c. Cash sales, \$15.20.
- 17 Received from sundry persons to-day in trade, 15 bbls. apples, at \$1.75; 75 lbs. butter, at 15c.; 40 bags potatoes, at 60c.; accepted Sloan & Williams draft at 2 months for \$34 in full for Invoice No. 5. Cash sales, \$25.70.
- 18 Deposited \$116.00. Sold Robert Watson on his note at one month a bill of goods, \$28.75. Cash sales, \$36.90.
- 20 Received in trade, 120 lbs. butter, at 15c.; 20 doz. eggs, at 14c.; 12 bags potatoes, at 60c.; Hooper & Co. paid the balance of their account with cheque. Cash sales, \$29.60.
- 21 Bought of Hoskins & Co., 1 car, 125 bbls., salt at \$1 per bbl., f.o.b. here, and passed to their agents my cheque for the amount less 2% for cash. Jacob Hurst paid the order on him in full of the delivery of 7 cords of good wood. Cash sales, \$25.70.
- 22 Deposited \$18. Isaac Ford paid his note in full with cash, \$25. Received in trade, 44 lbs. of butter, at 15c.; 10 doz. eggs, at 14c.; 18 pairs of chickens at 35c. a pair; 5 turkeys, 56 lbs., at 7c. a lb. Cash sales, \$19.80.
- Nov. 24 The Proprietor of the *Free Press* brought in a bill for \$4 for advertising. Settled with him in full to date by giving him \$5 in goods. Bought a new stove for store and gave in payment a cheque for \$35. Cash sales, \$30.25.
- 25 Sold James Sills on account, 3 gals. vinegar, at 40c.; 1 lb. pepper at 35c.; $\frac{1}{2}$ lb. mixed spice, at 40c.; 2 pairs chickens, at 45c.; 5 lbs. tea, at 40c. Cash sales, \$30.35.
- 27 Sold William Jackson on account, 3 brooms, at 30c.; sugar, \$1; 1 doz. fruit jars, at \$1.50; 2 bottles pickles, at 25c.; 1 box bisenits, at 25c.; 15 lbs. pork, at 12c. Cash sales, \$40.70.
- 28 Received from Peter Scott cash in full of account. Cash sales, \$41.75.
- 29 Deposited \$80. Bought from a farmer, 50 bags of potatoes, at 55c., and gave in payment trade \$10, balance in cash. Cash sales, \$22.80.
- 30 Paid per cheque my acceptance favor of Henry Drummond, \$400. Paid clerk's salary \$25, with cash. Paid rent for one month, \$20, with cheque. Merchandise unsold, Nov. 30, \$1820.40; stove, etc., \$30.

For the following transactions write up the Cash Book similar to that used for Set I. Deposits are to be made in even hundreds each day. Local payments over \$5, made with cheque. All payments of invoices made per bank draft, which cost $\frac{1}{8}$ per cent. for exchange; bank drafts and exchange paid with cheque.

- Oct. 20 You began business investing \$5,000 cash, your partner, John Hodge, investing \$6,200. Paid rent in advance \$100. Remitted bank drafts for invoice 1,2,3,4, \$950. Cash sales, \$150. H. W. Thompson pays his note No. 5, \$850, and interest accrued, \$12.70. Received from H. Thornton on account, \$75. Paid J. G. Hemp, on account, \$472.60, with cheque. Cash sales, \$143.10.
- 22 Bought horse and delivery waggon, harness, etc., \$250; 1 ton baled hay, \$11; 50 bush. oats, at 24c. Remitted for invoice No. 5, 6, 7, \$604.70. Paid blacksmith's bill, \$5.10. Discounted at the bank six notes aggregating \$506, and deposited proceeds less \$12.60, discount. (Enter the full amount of notes on left page, proceeds in bank column, on the right page, and discount in the sundries on the same page). Received from Butler & Co., on account, a bank draft for \$146. Bought a warehouse for use in business. Paid same with cheque, \$1,300. Paid for repairs on warehouse, \$45; had it insured for \$1,000, premium, \$35. Leased lot on which it stands for one year, and paid rent in advance, \$400. Bought eight shares Canada Soap Co. Stock for \$100 per share, paid same with cheque. Cash sales, \$129.50.
- 23 Your partner, John Hodge, withdrew from business \$240, and you invest a legacy of \$1,500. Paid freight on invoices 8, 9 and 10, \$47.60, and remitted for same, \$1,398.75. Effected a settlement with S. Cole, at 50c. on the dollar, and received \$250 cash for a claim of \$500. Bought office furniture for \$61.70. Cash sales, \$136.80.
- 24 Sold K. Fuller a bill of goods, \$863.70, and prepaid freight on same, which was charged to his account, \$29.10. Bought and paid for a safe, \$150, and paid freight, etc., on same, \$14.15. Paid bill for coal and wood, \$126.95. Paid solicitors' fees, \$27.60. Paid for advertising, \$69.15. Received a post-office order for \$15.60, from Hector McNish, for interest on his note. H. D. Cook is going out of business, and prepays his note of \$532, and is allowed a discount of \$12.70. Received from S. House, \$36.40, in full of account. Sold Peter Smith, 1 ton of coal, bought for our own use, \$6. Received from L. Van Norman on account, a bank draft, \$386.40. Cash sales, \$160.40.
- At this date close your Cash Book, and bring down the balance.
- Oct. 25 Remitted for invoice No. 11, 12, 13 and 14, \$1,124.42. Bought the lot on which our warehouse stands for \$10,000 (less \$400 paid in advance for rent), paid same with cheque. (Bank allowed you to overdraw your account for a day or two). Paid water rates, \$4.60. Entered a suit against Henry Wilson, Owen Sound, for amount of his account, and sent Division Court Clerk a cheque for \$2.50 as deposit. (Debit Div. Court Deposit.) Paid \$4.75 for whip and horse blanket. Paid acceptance favor of Sloan & Mason, \$72.40. Paid freight bills, \$46.18. Cash sales, \$116.24.
- Paid for 1,000 blank statements, \$4.70. Cash sales, \$194.50.
- Balance and rule up the Cash Book.
- 26 Gave D. D. McCall \$75 for Milse, he had paid for and now returns on account of disagreement as to quality. Paid gas bill, \$16.10; blacksmith's bill, \$1.28; John Hodge withdraws \$45 per cheque. Cash sales, \$116.40.
- 29 Mortgaged the lot and warehouse for \$9,000, and deposited proceeds (credit Mortgage Payable). Paid expense connected therewith, \$14.50. Interest on bank overdraft, \$1.75. (Credit bank same as issue of cheque). Received from R. K. Hayes, a cheque in full for his account, \$200, but it is subject to collection charges, 25c. Cash sales, \$142.50. Paid W. Gibson, book-keeper, \$25, on account of salary. Received from D. D. Henry, on account, \$17.28. Paid telephone bill, \$15. Paid telegram, 75c.
- 31 The bank returns with cancelled cheques, notes, and acceptances paid by them during the month, \$2,460.40. Paid with cheques, salaries of clerks and warehouse employees, \$650 (debit Wages). Cash sales for two days, \$304.50.
- Close and balance the Cash Book.

SALES BOOK.

12. The Sales Book is used for merchandise sales on account, although sales for cash, notes, drafts, etc., including shipments, may be recorded in it. The use of this book saves time in posting, as the debits are posted direct to their respective accounts, while the total of all the sales is carried forward from page to page till the end of the week or month, and then posted in one amount to the credit of Mdse. In posting from the Sales Book enter the letter "S" in the explanation column of the Ledger and the page of the Sales Book in the folio column.

13. A book ruled with three columns like the one below will serve as a Journal and at the same time accomplish all that is desired in the matter of a Sales Book. Every entry wherein Mdse. is credited will have all the extensions or the footing of them carried into the outer column, while all other credits will have their amount carried into the second or middle column, the inner column being considered the regular debit column. At the end of a week or month the total of the outer column will be carried to the debit side of Mdse. :

MONDAY, JAN. 2nd, 190—.

Sale on account	128	D. Shepherd Mdse. 20 doz. Wire Cl. Lines \$1.75 150 lbs. Barbed Wire .03 1½ doz. 6" Scissors 4.50 Less 10% .68 20 lbs. Putty .04		46	37			200	10
		No. 2							
Sale for note	86	Bills Rec. Mdse. Note No. 267, B. B.	R. L. Scott	147	50			147	50
		No. 3							
Part cash	47	W. H. Meldrum Mdse. 160 lbs. White Lead, \$7.00 cwt. 20 lbs. 10d Nails, .04 Cr. By Cash \$10. C. B., page 104							
		No. 4							
Shipment on Com.	192	Shipment to A. Boles, Mdse. For Invoice, 200 bbls. Apples @ 1 25 \$250	Halifax	250				250	
		No. 5						2459	97
✓ 36		Sundries Mdse. For month's sales		2459	97		2459	97	

No. 1 entry shows proper form for sale on account.

No. 2 entry is correct for sale where note is received in immediate payment. Items are unnecessary.

No. 3 shows an entry in which the purchaser is charged for

the whole amount, and will be credited in the Cash Book for the part payment.

No. 4 shows an entry for a shipment on commission.

No. 5 shows entry for end of the month.

BILL BOOKS.

14. In working a set from a text book there are not a sufficient number of notes to make it worth while using a Bill Book as a book from which posting is done, but in business it is the usual custom to debit the drawers of drafts direct from the Bills Payable Book, and it is also customary to post the total footings of the book to the credit of Bills Payable account. For Bills Receivable a similar practice is often followed. In the sets that follow the pupil may use the Bill Books in that manner if the teacher desires him to do so, otherwise he will use them as mere auxiliaries.

Using a double sheet of foolscap, or opposite pages of an exercise book, rule Bill Books with columns like those at the top of the next two pages. Use them for Set V.

BILLS OR NOTES

DATE OF GIVING NOTE OR ACCEPTING DRAFT	No.	PAYER, MAKER OR ACCEPTOR.	PAYEE, PERSON IN WHOSE FAVOR DRAWN.	WHERE PAYABLE.	FOR WHAT GIVEN DRAWER OR TO THE DEBIT OF THE ACCOUNT OF.	LEDGER FOLIO.		
1900 Jan.	1	1	Myself	Note Draft	J. C. Day	Dom. Bk.	J. C. Day on a/c.	269
	7	2	"	Note Draft	R. Burt & Co.	" "	R. Burt & Co. on acc.	316

BILLS OR NOTES

DATE OF RECEIVING NOTE OR DRAFT.		No.	PAYER, MAKER OR ACCEPTOR.	PAYEE, PERSON IN WHOSE FAVOR DRAWS.	WHERE PAYABLE.	DRAWER OF DRAFT OR ENDORSER OF DRAFT OR NOTE.	FOR WHAT REC'D OR CREDIT THE ACCOUNT OF.	LEDGER FOLIO.	
Jan.	9	316	H. Scott	Note Draft	H. Bruce	Mer. Bk.	H. Bruce	H. Bruce on a/c.	69
	18	317	R. Dick	Note Draft	Myself	St. Bk.		R. Dick on a/c.	319

INVOICE BOOK.

15. Some book-keepers keep a book similar to the one shown below. They consider that every invoice purchased was bought *on account*, consequently they credit the accounts of the firms whose names appear in the column marked "To the credit of." From the Bill Book, Journal or Cash Book they afterwards debit these firms for all payments by notes, acceptances, cash or discounts. Monthly, or less often, they post the total footings of the gross amount of the invoices to the debit of Mdse. At the same time they post to the credit of Interest and Discount or Mdse. the total footings of the discounts received. If a note or an acceptance is given and the discount lost, no entry is made in the column.

16. As for the invoices themselves no one ever attempts to re-write their items. They are properly filed away in indexed filing cases, or are sometimes pasted on the leaves of blank book. In the sets in Practical Book-keeping connected with this book the latter method is to be practised. The pupil is there advised to fold them up as letters are folded for enclosing in an envelope. On the back of each is written the Journal entry from which the posting might be done directly to the Ledger.

SAMPLE INVOICE BOOK.

DATE REC'D.		TO THE CREDIT OF.	DISCOUNTS.				Face of Invoice.
			Rate.	Term.	Dating.	Amount.	
1900							
Sept.	2	John Macdonald & Co.	5	3 mo.	Oct. 1	30	600
	5	S. F. McKinnon.	2	30 d.	Sept. 15		40
	20	Gordon, McKay & Co.	5	3 mo.	Nov. 1	9	180
	25	Ames, Holden & Co.	7	4 mo.	Oct. 15	21	500

SET V. -HARDWARE PARTNERSHIP BUSINESS.

Books—Journal-Sales Book, Cash Book, Invoice Book, Bill Book and Ledger. Payments of over \$5 made with cheque. Deposits daily of all cash except \$10.

Your Place, Ont., Jan. 1, 1900.—Hugh Walker and C. Bell have this day entered into a co-partnership to conduct a general hardware business, agreeing to share gains and losses equally. They rent a store at 245 King Street, at \$50 per month, in advance, and engage you as book-keeper at \$40 per month. Hugh Walker invests as follows: Resources—Cash, \$800; J. McRae's note at 60 days, due to-day, and to bear interest at 10% per annum after maturity, for \$1,500. Buckley & Chase owe on account \$40. Mdse, as per inventory, \$7,500; furniture and fixtures, \$730. Liabilities—He owes Banks & Palmer on his acceptance given Dec. 26, at 60 days, \$860, and owes Rose

& Murray on account for two invoices, \$680. J. S. Brown & Sons on account, \$1,080. C. Bell invests cash equal to his partner's net investment.

- Jan. 2 Paid rent in advance to March 1, \$100. Bought of Buckley & Welsh on account, stationery for office use, invoice No. 1, \$15.
- 3 Bought on account from the Security Safe and Lock Co., a safe for office use, \$300.
- 4 Bought of Rice & Murray, invoice No. 2, of 30 days' goods, \$350.75.
- 5 Sold R. L. Scott, Taylor St., on account, 3 dozen table knives, No. 1375, at \$5.50.

PAYABLE.

DATE Year. Mo. Day.	TIME To Run.	WHEN DUE.												Int. Rate	AMOUNT	DATE OF PAYMENT.	EXPLANATION.
		Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			
1900 Jan. 4	2 mo.	1900			7										200		
" " 7	30 dys.	"		9											316 80	Feb. 9	Paid in full

RECEIVABLE.

DATE Year. Mo. Day.	TIME To Run.	WHEN DUE.												Int. Rate	AMOUNT	DATE OF PAYMENT.	EXPLANATION.
		Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			
1900 Jan. 3	6 mo.	1900							7						6	100	
" " 18	2 "	"			21										316 80		

SET I. (Continued).

- very invoice pur-
ces appear in the
ards debit these
y post the total
ost to the credit
an acceptance is
- are properly filed
sets in Practical
there advised to
itten the Journal
- ount. Face of
Invoice.
- | |
|-----|
| 600 |
| 40 |
| 180 |
| 300 |
- s of over \$5 made
- invoices, \$680. J. S.
80. C. Bell invests
vestment.
1, \$100. Bought of
stationery for office
urity Safe and Lock
ce No. 2, of 30 days'
on account, 3 dozen
0.
- Jan. 6 Accepted 30 days' draft of Rose & Murray for the amount of invoice No. 2 and balance of old account. Sold W. H. Meldrum, Baxter St., on account, 1½ dozen "Keen" scythes, \$8.50 net; paid Security Safe and Lock Co. on account, \$50; sold to C. R. Banks for cash, 1800 lbs. of barbed wire, at 3 cents, less 20%; 30 lbs. putty, at 3 cents net; 20 lbs. of glue, at 23 cents net; 5 lbs. of shot, at 12½ cents net; 1 doz. ivory table knives, No. 4255 C, \$7.75 net.
- 9 Paid J. S. Brown & Sons on account, cheque \$500.
- 10 Sold R. L. Scott on account, 60 days, less 5% for cash, 10 lbs. of glue at 23c.; ½ doz. shovels at \$9.50. W. H. Meldrum paid on account, cash, \$10.
- 11 Sold E. Rendall on account, 60 days, less 5%, 10 days, 1,500 lbs. barbed wire, at 3c.; 2 doz. silver spoons, No. 473 C, \$7.50; 2 doz. knives and forks, No. 528, at \$2.50; 3 doz. teaspoons, No. 473, at \$1. Paid Security Safe & Lock Co., \$250.
- 20 Cash sales from 11th to the 20th, \$869.40. There was an error in the charge to R. L. Scott on the 10th inst. He should have been charged with 10 lbs. of No. 5 shot @ 12c. and ½ doz. shovels @ \$9.50, in addition to the other charges.
- Jan. 21 Bought from Whitley Hardware Co., invoice No. 3, \$575.60, less 5% for cash. Bought from Rose & Murray, invoice No. 4, \$975, less 3%, 10 days.
- 23 R. L. Scott remitted cash in full for amount of purchase of the 5th, and cash to cover purchase of the 10th, less 5% offered. (See 20th also).
- 24 Hugh Walker withdrew for private use per cheque, \$200. Received from W. H. Meldrum \$2.75.
- 25 Paid for a typewriter for use of business, \$75.
- 26 Remitted a bank draft to Whitley Hardware Co., in full for invoice No. 3, less cash discount. Exchange ½%, and remitted to Rose & Murray a bank draft for \$500, cash discount allowed on part paid at 3%. Sold Buckley & Chase on account, 900 lbs. of barbed wire, at 3c.; 40 lbs. No. 5 shot, at 11c.; 6 doz. powder flasks No. 73, at \$5.25; 2 doz. coal scuttles at \$7.50.
- 30 Cash sales from 20th to the present date, \$816.80. Pay your own salary with cheque, \$40. Post your books and get a Trial Balance. The Inventories are: Wdse. \$7,896. Furniture and Fixtures, \$1,050. Prepare a Statement and close accounts.
- Feb. 1 Paid cash for 5 tons of coal, \$30.
- 2 Sold W. H. Meldrum on account, 30 days, less 2 per cent. for cash, 160 lbs. of white lead @ 57 per cwt.; 20 lbs. 10d nails at 4c.
- 3 Cash sales for 3 days, \$365.72. J. A. Cockburn has completed some work in fixing back and changing partition; filed his bill for same, \$10.40 (credit his account).
- 5 Bought of Banks & Palmer, inv. No. 5, \$50. Paid the same immediately with cheque.
- 6 Sold to D. Sheppard, 5 doz. "Keen" scythes at \$8.50; 5 doz. dog collars, No. 724, \$5.40; 10 coffee mills, No. 86, \$1.25. Received his note at 60 days in immediate payment.
- 8 Sold R. L. Scott, on account, 30 days, less 3 per cent. for cash, ½ doz. 15 inch monkey wrenches at \$18; 25 lbs. putty at 4c. Received from W. H. Meldrum, cash for sale of 2nd inst., less disct. Gave J. A. Cockburn an order for \$10.40 on E. Rendall, which the latter has agreed to accept.
- 9 Sold D. Sheppard, on account, 20 doz. wire clothes lines at \$1.75; 150 lbs. of barbed wire at 3c.; 1 doz. 6 inch. scissors at \$1.50.
- 10 Bought of A. H. Baird, on account, 30 days, less 3 per cent., inv. No. 6, \$75. Remitted J. S. Brown & Sons bank draft in full of account. Exchange ½ per cent. Cash sales to date, \$443.
- Feb. 12 Bought of Rose & Murray, on account, 30 days, less 3%, inv. No. 7, \$41.46.
- 13 D. S. Shepherd paid for purchase of 9th in full less discount by giving me Mrs. Christie's cheque for \$75, and I gave him cash to balance. Paid A. H. Baird for 1st of 10th inst., less 3 per cent. discount. Buckley & Chase paid \$40 on acct.
- 16 C. Bell took from store for own use, 2 gallon sprinkler, 35c.; broom, 25c.
- 17 Exchanged typewriter and gave \$15 for difference in value of a new one. Cash sales to date, \$510.
- 19 Discounted at bank at 7 per cent. D. Shepherd's note and deposited proceeds.
- 20 Accepted Rose & Murray's draft for \$501 at 30 days, in full of account. J. McFae paid his past due note and interest in full to date.
- 21 Cash sales to date, \$416.10; bought of A. H. Baird, on account, inv. No. 8, \$175.70.
- 24 Paid cash for inv. No. 9, \$135.
- 25 Paid A. H. Baird \$75.70 on account and passed to him my note at 30 days for \$100.
- 28 Paid for painting front of store, \$5; cash sales \$375.40. Pay your own salary with cheque, \$40. The bank paid acceptance of \$860, favor of Banks & Palmer, which matured Feb. 22. Post and get a Trial Balance; close books and prepare a Statement. The Inventories are: Merchandise, \$6,346.25. Furniture and Fixtures, \$1,010.

CHAPTER VII.

SINGLE ENTRY.

1. Every collection of memoranda not intended to produce a Trial Balance is generally called Single Entry Book-keeping. If a man is able readily to tell the dates and items of what others owe him on account, and to check the dates, items and amounts of what others say he owes them on account, he has accomplished all that is really intended by Single Entry.

2. But in addition to this simple record, most Single Entry book-keepers have, at least, a Bill Book for Bills Payable, so that they may know when their notes come due in order to provide a sufficient bank deposit to meet them at maturity. In a business involving the carrying of a great many customers' notes, it will be absolutely essential to have a Bills Receivable Book, in order to watch due dates and notify endorsers. These Bill Books are not different from those shown on pages 76 and 77, but any special set of columns may be used instead of those given. Further, it is usually customary to keep a Cash Book to show the receipts and the expenditure of the money of the business.

THE DAY BOOK.

3. The records that are to be posted are entered in a Day Book. The book itself does not differ in form or ruling from a Journal, but the method of writing the entries is essentially different from that employed in a Double Entry Journal. In the latter system, above, before or associated with the explanation, must be written the names of the values exchanged; in Single Entry the names of the values exchanged is a matter of no concern. Above the explanation is set down the name of the person or firm with whom we are conducting the transaction, and after the name is recorded the fact whether he is a debtor or a creditor. If a person buys anything from us on account, or if we pay another person on account, both are debtors. If we buy anything from a firm on account, it is a creditor; if a man pays us anything on account, he is also a creditor. But, if we buy anything and pay for it with cash, if we settle for it at once with a note; if we sell goods under similar conditions, if we pay our notes, if others pay their notes to us, if we pay for interest or rent, if others pay us for similar things, if we pay for expenses or freight, if we deposit money or issue cheques, we are not to make entries in the Day Book, because such transactions lead to *no debts on account* being contracted or paid either in our favor or against us.

4. Some business men consider themselves debtors for all sums of money or all merchandise withdrawn from the business for private use, and on occasions of withdrawal make Day Book entries showing themselves as debtors; and since they consider themselves as debtors for such transactions, they in like manner record themselves as creditors for the net amount of their investment when they begin business.

On the next page we show the opening entry made by G. R. Irving, upon beginning business on Jan. 2nd, 1900. Further down on the page, we show a number of typical Single Entry transactions properly recorded.

THE LEDGER.

5. The ruling of a Single Entry Ledger is the same as that of a Double Entry Ledger, and the columns are used for the same purpose. There is so little difference between the work of posting from a Day Book and a Ledger, that the pupil will require practically no instruction. Those names that have "Dr." following them are to have the amount found in the second or outer column of the Day Book transferred to the debit side of the Ledger page, together with date and page of original entry. Those with "Cr." after the name are to have posting entries made in the Ledger account on the credit side in like manner. An entry like No. 2 on the lower part of the next page is to be posted to both debit and credit of Henry Brown's account.

6. Since there are only debtors and creditors recorded in the Day Book, and since Cash, Merchandise, Expense, Bills Payable, etc., are only things, and cannot be debtors or creditors, we will have no accounts in the Ledger bearing these titles. The Ledger is devoted exclusively to Personal accounts and Stock.

7. Accounts are ruled off and balanced when the sides are equal, but otherwise there is no closing to be done except that once per year the proprietor may add his net gain to his Stock account, balance it and bring down the Present Worth, as he would for the same account in a Double Entry Ledger.

8. The pupil will, of course, observe that a Trial Balance is impossible.

HEATHDALE, Jan. 2nd, 1900.

I (G. R. Irving) this day commenced business in a general store, investing as follows:

Resources.

Stock of goods purchased from D. A. Newton for cash,	2000			
Furniture and fixtures of the store purchased with stock,	200			
Cash in safe,	38			
Cash on deposit in Dominion Bank, Guelph,	380			
D. L. Egan owes me on account,	16	75	2634	75

Liabilities.

Notes and acceptances of D. A. Newton accepted and assumed by me as per list,	650			
I owe Henry Forbes for work done in store, changing shelves, etc.	20	25	670	25

Net Present Worth,

36	G. R. Irving	Cr.			1964	50
	By Net Investment,					
97	G. L. Egan	Dr.			16	75
	To balance of account,					
25	Henry Forbes	Cr.			20	25
	By balance of account,					

MONDAY, May 1st, 1900.

69	Wm. Graham	Dr.				
	To 4 rolls of Batting,	.12 $\frac{1}{2}$		50		
	" 8 yds. Print,	.10		80	1	30
64	Henry Brown (per Wife)	Dr.				
	To 3 yds. Lace,	.08		24		
	" 10 yds. Carpet,	.50	5	00		
	" 2 $\frac{1}{2}$ " Table Linen,	.40	1	00	6	24
64	Cr. ———					
	By 8 lbs. of Butter,	.15	1	20		
	" 10 doz. Eggs,	.12	1	20	2	40
35	L. K. Holmes, Park St.	Cr.				
	By cash in full of account,				10	
74	Mrs. S. Lisgar	Cr.				
	By balance on Butter and Eggs, for which due bill was given,				3	15
28	Hunter & Co.	Cr.				
	By invoice of Boots and Shoes,				68	40

9. The dating of a S. E. Day Book is done in the same manner as a D. E. Journal. See page 39.

10. In the above page note the use of the columns. The left or margin is used for Ledger pages; the left money column is used for items of extension, the right one is used for the footings in totals of the same.

11. Observe the "To" accompanying "Dr." and the "By" accompanying "Cr."

CASH BOOK.

12. If a Cash Book is kept no posting from it is to be done, therefore no care is taken to write account names; so long as a full explanation is given, an entry is complete. It will be seen that cash received and cash paid out are not put on separate pages. The first, or left money column, collects the amounts received, the second the amounts paid out. Receipts have "To" preceding the explanation, and written close against the date column; payments have "By" preceding them, and written an inch away from the date. This book may be closed and balanced, as shown, once per day, once per week, or as often as desired.

CASH BOOK.

		Dr.		Cr.	
Jan.	2	To amount in safe, interest	38		
"	3	By expenses going to Guelph			50
"	3	" freight paid on goods		1	35
"	3	To day's cash sales	13	75	
"	4	By wood bought of Westman		8	
"	4	" postage stamps			50
"	4	To day's cash sales	16	80	
"	5	By John Barber, sawing wood		1	25
"	5	To day's cash sales	15	28	
"	6	By advertising		2	
"	6	To day's cash sales	15		
"	6	" G. L. Egan, on account	6	75	
		*By balance			
				*91	98
			105	58	105
			91	98	98
		To balance			

SET VI.

Books to be used—Day Book, Cash Book, Bill Books, Ledger.

Samuel Derby presents to you a statement of his affairs, and requests you to take a one-half interest in his grocery business, by investing cash equal to his net present worth. You invest \$1,557 cash, and agree to share gains or losses equally. He has been keeping his books by Single Entry, and consequently can only show you his Resources, Liabilities and Net Gain, which are as follows:—

RESOURCES.

From	{ Merchandise	1200	
Inventories.	{ Store Fixtures and Furniture	95	
Cash Book.	Cash in safe	69	60
Bk. Pass B.	Deposited in Merchants Bank	280	
Ledger.	{ John Lees owes on account	65	27
	{ Queen's Hotel owes on account	137	25
	{ Sullivan's Restaurant owes on account	63	28
Total			1910 40

LIABILITIES.

Ledger.	{ J. Perkins & Co., on account	172	
	{ Sloan & Taylor, on account	42	
Bill Book.	Lively & Son, on note due in 30 d.	39	40
Total			253 40
*Present worth			1557
Ledger.	Investment of 6 months ago		1000
*Net gain			557

- July 1 Received from H. Davidson, an invoice of goods, terms 30 days, 2% for cash, \$39.50. Sales to be charged from counter check book:—Mrs. McCarthy, sugar, \$1.25 lb. sack of flour, \$1.25, 3 lbs. coffee @ 35c. Henry Grieve, sugar 50c., 3 sacks flour @ \$1.25, 2 doz. eggs @ 15c., 3 cans tomatoes for 25c. Sullivan's Restaurant, 3 doz. canned corn @ 90c. Sales for cash, \$46.98.
- 2 Received from John Lees on account, \$15, and his note at one month for balance. Paid month's rent with cash, \$30. Deposited in the bank pupil's investment. Paid cash for creamery butter, \$7.50. Received cheque in full of account from Queen's Hotel.
- 3 Sales to be charged: Wm. Wagh, 2 lbs. butter @ 28c., 12 boxes berries @ 8c. Cash sales, \$72.80.
- 3 Received a cheque from J. Sullivan, to balance account to July 1st. Sent J. Perkins & Co. a cheque in full of account, less 2% for cash. Bought a horse and delivery waggon, \$235. Cash sales today, \$58.40.
- 4 Sales to be charged: Sullivan's Restaurant, 1 bbl. gran. sugar, 306 lbs. net, @ \$4.90 per cwt., 15 lbs. coffee @ 24c., 2 cans honey, 20 lbs., @ 10c., 15 lbs. creamery butter @ 28c., 12 boxes berries @ 8c. Henry Grieve, 8 lbs. raisins @ 6c., 3 pair chickens @ 65c., 1 doz. bananas, 20c. Cash sales, \$72.05.
- 5 Deposited \$250. Sale to be charged: Queen's Hotel, 1 bbl. flour, \$5.00, 15 lbs. S.C. bacon @ 16c., 1 doz.

- cans sardines, \$1.50, 1 case eggs, 36 doz. @ 15c. Paid for creamery butter, \$9.40. Cash sales, \$50.40.
- July 6 Received invoice of goods from Collins & Co., net 10 days, \$78.60. Cash sales to-day, \$69.80. Deposited \$125.
- 8 Accepted Sloan & Taylor's draft at 60 days, for amount of account, \$42. Sales to be charged: Miss Cook, 1 lb. comb honey, 15c., 5 lbs. ham @ 15c., 3 bunches celery @ 5c., 1 lb. coffee, 30c. Mrs. McCarthy, 3 loaves of bread @ 5c., 2 doz. eggs @ 15c., 5 lbs. butter @ 28c. Cash sales, \$47.80.
- 9 Remitted cheque to H. Davidson, in full for invoice of 1st inst., less 2%. Paid for horse keep, \$3.50. Paid cash for freight bills, \$4.29. Cash sales, \$29.80.
- 10 Received invoice of goods from I. Perkins & Co., \$271.30, terms 2 months, 3% for cash. Cash sales, \$46.90.
- 11 Received from Sloan & Taylor, an invoice of goods, \$135.60, terms 2 months, 3% for cash. Deposited \$100. Sale to be charged: Sullivan's Restaurant, 12 bunches celery, 50c., 5 bunches bananas @ \$1.50, 1 box, 10 lbs., S. biscuits @ 6c., 2 bush. new potatoes @ 75c. Cash sales, \$47.20.
- 12 Paid freight bills, \$14.75. Sale to be charged: Queen's Hotel, 50 lbs. lard @ 10c., 1 box laundry soap, \$4.50. Cash sales, \$43.20.
- 13 Cash sales, \$62.30. Deposited \$125.
- 15 Received cheques in full of account from Sullivan's Restaurant and Queen's Hotel. Cash sales, \$39.60. Deposited \$125.

CHANGING FROM SINGLE TO DOUBLE ENTRY.

Having a knowledge of Double Entry, your partner requests you to change the books to that system.

13. Bill Books.—Your Bill Books will require no change.

14. Cash Book.—You will use a Cash Book similar to that you used in Set IV. Rule and close your S. E. Cash Book, and carry the balance to the left page of the new one.

15. Bank Balance.—If you were in actual business you could ascertain your bank balance from the bank clerks, but since you are not, you must go over the transactions of Set VI, and make a list of (1) your partner's original deposit, (2) the deposit of your investment, and (3) all subsequent deposits; total them and from the sum take the total of all cheques issued. Enter this amount on the two pages of the new D.E. Cash Book.

16. Journal and Ledger.—Your S.E. Day Book can be used as a Journal Ledger; your Ledger, and the accounts it at present contains, will be quite satisfactory, but there are some new accounts to be opened.

17. Preparing a Statement.—Before the work can be properly started, you must prepare a new statement. We give you the inventories below, and from them, your Ledger, Cash Book, Bank Balance and Bill Books, prepare a Statement of Resources and Liabilities similar to that on the last page, except that from the difference between Resources and Liabilities you must subtract the combined amount of the investments of your partner and yourself to get the net gain, and you must divide the latter into two equal parts.

Inventories, July 15th.—*Mdse., \$1,053.44. Horse and Waggon, \$230. Furniture and Pictures, \$95. Rent paid in advance, \$15.*

18. Closing Partner's Stock Accounts.—Carry one-half the net gain to the credit side of your own stock account. Write on the debit side in red ink, "Present Worth," and an amount that will make the account balance. Rule off and carry down the balance in black on the credit side. Treat your partner's account in a similar manner.

19. Opening Journal Entry.—Write an entry in the Journal setting forth that you have changed the books from Single to Double Entry. Under that set down the Resources as per Statement, using proper

account
ved and
received,
against
e. This

Cr.

50
1 35

8 50
1 25
2

91 98
5 58

interest in
and agree
can only

1910 40

253 40

1557
1000

557

Ledger titles or account names for each. These Resources are to be the debits of the Journal entry, so set them close to the folio column and put the amounts of each in the first column beneath, and about one inch and a-half to the right set down the Liabilities as the credits of the Journal entry, and as additional credits set down *your own name* Stock and Samuel Derby Stock, and after each in the credit column put the amount you carried down in black ink. When you close the Stock accounts your Journal entry should balance.

20. Posting.—Put check marks in the folio column opposite the personal accounts, the two Stock accounts, Cash and Bank. Then open accounts for each of the other Ledger titles appearing in the entry, and post to the proper side the correct amount for each.

21. Trial Balance.—Take a Trial Balance of the Ledger as it now stands, and if it proves, you may proceed with the following transactions:

SET VI—(Continued--Double Entry).

July 16 Received invoice from I. Perkins & Co., \$146.90, terms 30 days, less 2% for cash, and similar one from H. Davidson for \$165.30. Remitted cheque to Collins & Co. for invoice of 6th inst. Paid freight with cheque, \$16.30. Samuel Derby withdrew cash, \$15, and you withdrew \$45. Paid Sloane & Taylor per cheque, amount of invoice of 11th, less 3% for cash. Sales to be charged: Mrs. Green, 1 sack of flour, \$1.25, 3 lbs. Ceylon tea @ 50c., 1 basket blue-berries, 75c., 1 bottle vanilla extract, 30c. Queen's Hotel, 20 lbs. butter @ 28c., 100 lbs. powdered sugar, \$4.75 cwt., 25 lbs. prunes @ 6c., $\frac{1}{2}$ chest Y. H. tea @ 45c. Cash sales, \$46.30.

17 Sales to be charged: Mrs. McCarthy, 2 lbs. Y. H. tea @ 70c., 1 doz. tea plates, \$1.25, 1 bush. potatoes, 75c. John Roberts, 3 brooms @ 25c., 1 wash tub, \$1, 4 bars soap @ 15c. Cash sales, \$36.85.

July 18 Bought new show case for cash, \$40. Paid for changing shelves, \$1.75. Sales to be charged: S. T. Hennessey, 1 can corn beef, 25c., 2 bottles pickles @ 15c., 1 can baking powder, 25c. Sullivan's Restaurant, 4 cans lobsters @ 25c., 3 bottles salad dressing @ 30c., 1 basket berries, \$1.50. Cash sales, \$35.60.

19 Paid cash for farm produce, \$7.25. Sales to be charged: A. C. Falls, 2 lbs. butter @ 28c., 1 lb. coffee @ 30c., 1 sack salt, 10c. Cash sales, \$42.89.

20 Paid per cheque for wrapping paper and bags, \$10.40. Sales to be charged: Mrs. Green, 1 bush. potatoes, 75c., 2 lamp chimneys @ 8c., 1 gal. coal oil, 20c. 1 can salmon, 20c. D. C. Harris, 3 lbs. dates @ 10c., 2 lbs. mixed candy @ 10c., 1 sack flour, \$1.25, $\frac{1}{2}$ lb. baking powder @ 30c. Cash sales, \$42.95.

Post the above, balance the cash book and make out accounts for all your customers.

MAKING OUT ACCOUNTS.

22. See statement of account No. 1 on page 6, and from your Ledger turn to the various Day Book Entries and write up the items in a similar manner.

Write the Day Book for the following transactions; post to the Ledger and make out accounts for each of the customers (all sales on account).

Mar. 1 Sold J. H. Junior, 1 set double harness, \$30, 1 pair halters, \$1.75.

3 Sold H. B. Hodgson, 1 silver-plate single harness, \$35.

4 Sold D. W. Paterson, 1 pair of breast straps, \$1, and 2 hame straps @ 25c. each.

5 Sold C. D. Cameron, 1 pair collars, \$7, and F. S. Cooper, 4 bridles @ \$1.75, 1 pair martingals, \$1, and 1 halter, 85c.

7 Sold S. N. Newton, 1 set single harness, \$16, 1 breast collar, \$1.75, and B. Dunbar, 1 saddle, \$15.

8 Sold C. Henning, 1 brass-plated single harness, \$30.

10 Sold R. S. Hutchison, 1 set single harness, \$16, 2 pair collars, \$7 pair, 1 pair halters, \$1.75, 1 pair tugs, \$4.

12 Sold C. N. Field, 1 set brass-plated harness, \$38, 1 pair breast-collars, \$5.50, 1 pair martingals, \$1.

13 Sold A. B. Paton, 1 single harness, \$22. J. H. Junior, 1 halter strap, 35c., and mended tug, 15c.

15 Sold C. O. Ramsay, 1 pair collars, \$5, 1 pair breast-straps, \$1.

17 Sold H. B. Hodgson, 1 valise, \$3, and 1 bridle, \$1.50.

Sold J. H. Junior, 1 pair blind bridles, \$4, 3 hame straps, 15c., 1 throatlatch, 12c. Sold John Little, 1 single harness, \$18.

Mar. 21 Repaired harness for C. N. Field, \$3.75. Sold A. C. Maynard 1 trunk, \$4.50.

25 Cleaned harness for H. B. Hodgson, \$2.50. Repaired it, \$1.88. Sold him 1 halter, 85c. Sold T. N. Franks set of silver-plated harness, \$42; saddle and bridle, \$23; and 1 pair halters, \$1.50.

26 Repaired harness for S. N. Newton, \$2.38. Covered dash of his buggy, \$3.50. Bought of R. S. Hutchison, 1 wash tub, \$1.25; 3 pails, 30c. each. Sold T. G. Barton, 1 set harness, \$26. A. B. Paton paid me on account \$10.

29 Bought from D. W. Paterson, 10 doz. eggs at 12c. Sold C. D. Cameron, 1 brass-plated harness at \$30. Sold C. N. Field, 1 pair martingals, \$1, 3 hame straps, 15c.; 1 rein strap, 30c.

31 Repaired harness for J. H. Junior, \$1, and sold him 1 pair tugs, \$4, and 1 pair do. at \$3. Sold R. S. Hutchison, 1 brass-plated Gladstone harness, \$25.

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