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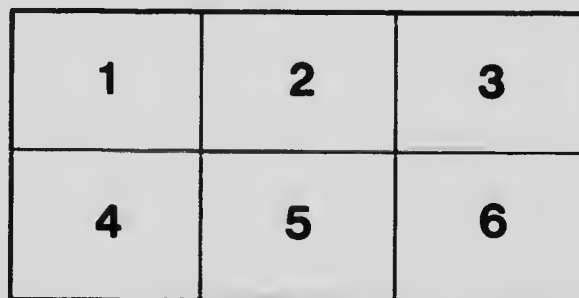
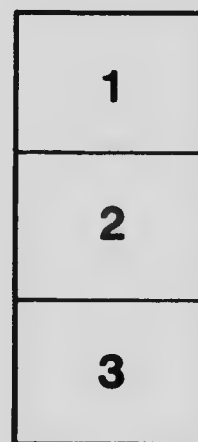
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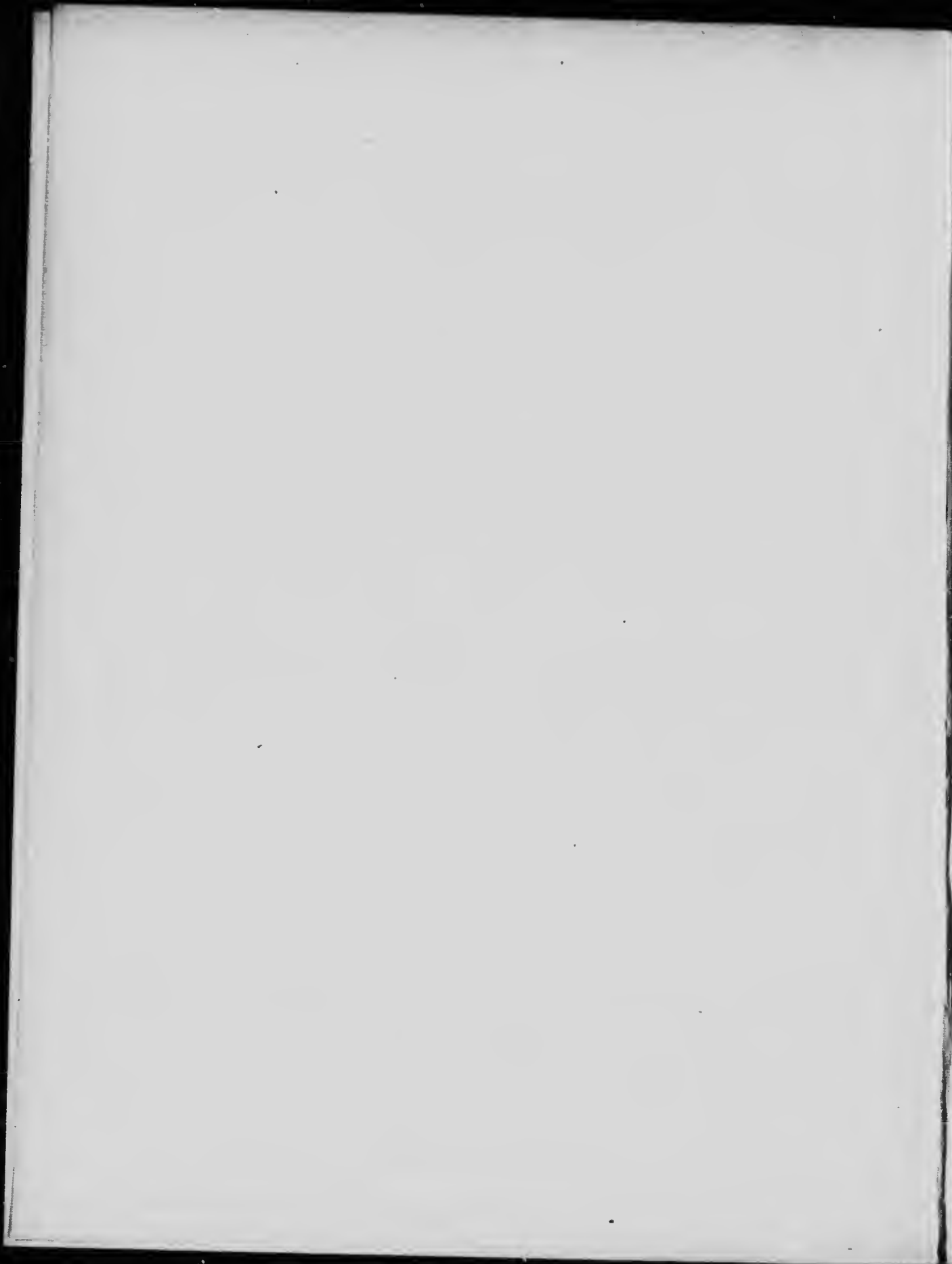
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SUPPLEMENT TO
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IN

PRACTICAL BOOK-KEEPING

AND

BUSINESS FORMS

ADAPTED FOR THE USE OF THOSE CLASSES WHERE SPECIAL ATTENTION
IS PAID TO THE COMMERCIAL BRANCHES, AND FOR CANDIDATES
PREPARING FOR THE COMMERCIAL SPECIALISTS
EXAMINATIONS

BY

J. A. DICKINSON

Commercial Specialist London Collegiate Institute

AND

DAVID YOUNG

Principal Guelph Public Schools

TORONTO

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PREFACE.

IN submitting the complete "COMMERCIAL COURSE IN BOOK-KEEPING" we wish to thank the many masters and teachers who, after using the first part of the work published a year ago, have so kindly expressed their appreciation of it as filling a long felt want in the teaching of modern and practical book-keeping.

Part I (pp. 1-104) is designed to illustrate the leading principles and rules of modern book-keeping, to show the form and relation to one another of the principal books of entry, and also to furnish sufficient material for the application of these principles and for intelligent practice in recording the transactions in the necessary books.

The principal facts of mercantile law and commercial usage in connection with the business forms and office practice are stated so that the pupil, on completing his school course, may begin his real business career with some comprehension of business methods and an intelligent idea of designing the books necessary in any system.

These exercises and sets of business transactions are intended to furnish commercial classes in high schools with a two years' course in writing common books of record and ordinary business forms.

In larger schools, however, where special attention is paid to the commercial course of study, the material found in Part I will not be sufficient for a full two years' course. Additional exercises and sets of transactions will not meet the requirements of such classes unless they illustrate the necessity for, and furnish practice in variety of detail in the different systems employed, as well as in the form and use of the books and accounts.

The old idea that book-keeping and business practice can be learned by writing in journals and ledgers endless sets of transactions has been proved erroneous. We believe better results can be obtained by spending more time in studying the business practice involved in a given set of transactions by re-writing the transactions according to the different methods, and by a careful examination and comparison of the results and the relative values of the different systems.

Part II has been prepared in accordance with this idea, and while the practical work is intended to illustrate the necessity for special books of record in every particular system, it is also intended to show that the principles and rules learned in connection with the work of Part I are applicable to every system, however complicated or varied in detail.

In dealing with Partnership and Joint-stock Company Book-keeping, only the new features peculiar to these records are introduced. Special exercises are given in keeping partners' accounts and making partnership settlements, and these, it is considered, will give the student a fair indication of the character of the problems which may, in the future, require his attention.

The exercises in Joint-stock Company work are intended chiefly to afford practice in recording the capital stock of a company, as this record and the apportionment of profits are the only points wherein Company book-keeping differs from that of an ordinary trading or manufacturing enterprise conducted either by a single proprietor or by partners.

The sets throughout the entire course will be found to contain live business transactions, conveying correct ideas and giving a correct indication of business and practice.

Progressive teachers of advanced commercial work are always on the alert for material illustrating the best systems in use. We feel, therefore, where it is thought additional sets can be utilized to advantage, that the selection of the material—usually available from the records of the business concerns of the locality and from books of reference—can safely be left to the teacher.

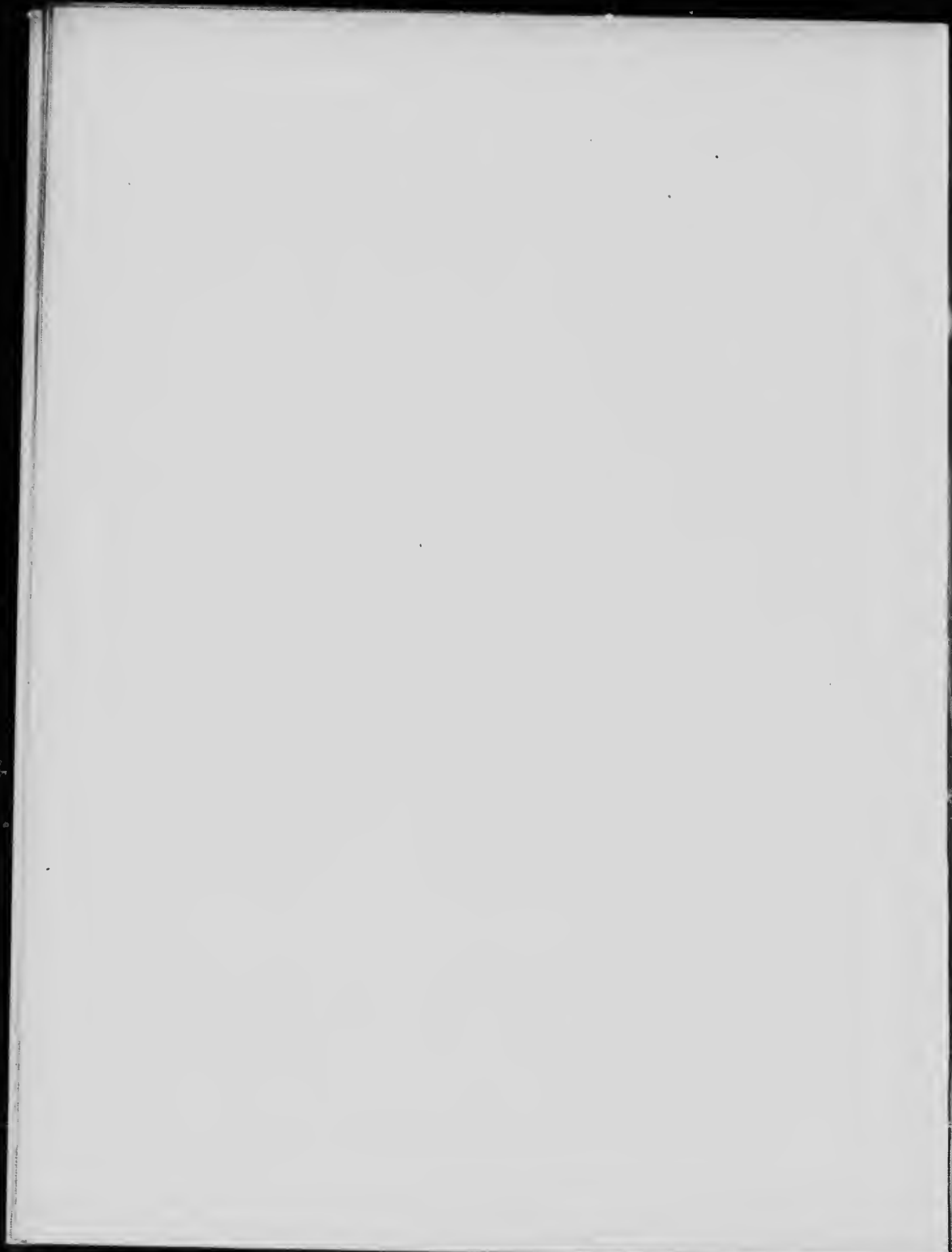
In connection with all the exercises it has been the constant aim of the authors to foster the habit of inquiry in the students and to encourage them to investigate points of business law and commercial custom by frequent references to books from which full information can be obtained.

The same diligence, exercised in the preparation of Part I, has been continued in our endeavor to make the second part practical and up-to-date, and it is earnestly hoped that those who use the supplement may find in it equally valuable assistance in a more extended course.

THE AUTHORS.

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CHAPTER VI.

SINGLE AND DOUBLE ENTRY SYSTEMS.

EXERCISE LXXXI.

J. Copp began business on Sept. 1, a year ago, having Cash on hand \$330; Cash in the Bank \$3,120; Goods on hand \$5,890; Store Fixtures \$125; Delivery horse and vehicles \$230; a note against J. Jones for \$600, dated 10th day of Mar. previous, at 6 mos., bearing interest at 8% per annum; Interest accrued \$—; a note against Jas. Davison for \$200, dated 1st day of Aug. previous, at 3 mos., without interest.

After one year his books which have been kept by the Single Entry system, including the auxiliaries, Invoice Book, Cash Book, Bank Book and Bill Book, show the following state of affairs on Sept. 1, 190—:—Goods purchased during the year \$5,640; Goods on hand \$8,225; Store Fixtures \$125; Delivery horse and vehicles \$220; Cash on hand \$1,290; Cash in Bank \$2,340; Accounts Receivable \$3,925; Accounts Payable \$1,357; a note against Jas. Darville for \$130, dated Aug. 20 last, due Dec. 23 next; a note against J. Jones for \$50, dated Aug. 10 last, due Dec. 13 next, both bearing interest at 6% per annum; Interest accrued \$—. My note outstanding, favor of A. M. Smith for \$1,250, dated July 1 last, at 5 mos., bearing interest at 5% per annum. Interest accrued \$—.

1. Using the Journal ruling of your Blank Book make Statements of Assets and Liabilities at the beginning and at the close of the first financial year.
2. By comparing the Net Worth at the close of the year with the Net Investment at commencing, find the Net Gain or Net Loss for the year.
3. Open an a/c for J. Copp, recording therein his investment at the beginning. Transfer to this a/c the Net Gain or Net Loss for the first financial year on Sept. 1, 190—, and carry forward the balance showing the Net Investment for the next year.
4. Make the necessary Journal entries to change the books to Double Entry at the beginning of the second year. (See Rule p. 15.)
5. Open whatever a/cs are necessary in addition to J. Copp's Capital A/c to change the Ledger to the Double Entry system. Allow two clear spaces for each a/c. Post the above Journal entries and prove your Ledger is then in balance.

NOTE.—Not having the names of the personal a/cs in the S. E. Ledger, record the balances of all these a/cs under the general headings of A/cs Receivable and A/cs Payable.

Results :—Net Gain for financial year \$1,621.64.

Net Worth at close of first year \$12,139.52.

EXERCISE LXXXII.

BUSINESS FORMS AND OFFICE PRACTICE.

1. Write out the two notes on hand at the beginning, and those on hand and outstanding at the close of the first year.
2. Calculate on the back of each note the amount of interest accrued thereon as shown in your financial statements.
3. Record the five notes in the Bill Book. Number the first note 49, but omit consecutive numbers to indicate the omission of those notes of which particulars are not given. File the notes in their proper place and order.
4. If the average rate of gain on sales was 33 $\frac{1}{3}$ %, find approximately the gross gain for the year.
5. What part of the gross gain was used in meeting expenses and losses?

SET 8.

CHANGING FROM DOUBLE TO SINGLE ENTRY.

John Student's books which have been kept by Double Entry are to be closed on Aug. 31, 190—, and continued for the next year by Single Entry. The debits and credits of the Ledger on Aug. 31, 190—, are shown by the following Trial Balance.

TRIAL BALANCE, AUG. 31, 190—.

Jno. Student's Capital a/c			6834	09
Jno. Student's Private a/c	833	34		
Mdse.	9489	62	8809	20
Cash on hand	120	06		
Cash in bank	5207	10		
Bills Rec.	982	25	896	91
Bills Pay.	254	00	954	75
Interest	46	25		
Rent	180	00		
Expense	135	00		
Salaries	367	33		
R. N. Briggs	78	50		
Jno. Graham	107	40		
A. J. Dawson	63	10		
Wm. Sharman	47	90		
Jno. Cameron	146	10		
G. McKay & Co.			563	00
	18057	95	18057	95

The Inventories not posted are:—

Mdse. as per stock sheets	\$3875 76
2 mos. rent paid in advance	60 00
Clerk's salary due and unpaid	15 75
Interest Receivable	2 13
being interest accrued on C. Babb's note No. 131, for \$85.34 dated Apr. 1, previous, at 6 mos., bearing interest at 6%.	
Interest Payable	11 20
being \$2.82 int. accrued on my note No. 84, favor G. McKay & Co. for \$140.75 dated May 1, previous, at 4 mos.; \$8.38 int. accrued on note No. 85, favor W. Green & Co. for \$560, dated June 1, previous, at 90 days. Both bearing interest at 6% per annum.	

EXERCISE LXXXIII.

- Using the Journal ruling of your Blank Book make a Statement of Assets and Liabilities from the above Trial Balance on Aug. 31, 190—.
- Make a Statement of Losses and Gains showing the Net Gain or Net Loss since the books were last closed.

Memo. of Transactions during the first week in Sept. to be recorded by Single Entry.

Books used.—JOURNAL, LEDGER, AND THE AUXILIARIES CASH BOOK, BANK BOOK, INVOICE BOOK AND BILL BOOK.

Sept. 1, 190—. Received invoice of goods from G. McKay & Co., Woodstock, No. 1 dated to-day as follows:—40 bu. Potatoes, at 50c.; 10 bbls. Flour, at \$6.10; 4 sacks Rice, 127 lbs., at 5c.; 1 bbl. Mess Pork, \$14; 2 bbls. Gran. Sugar, 320-14, 299-14, at \$3.80; 2 bbls. Yel. Sugar, 360-11, 299-13, at \$2.40; 76 lbs. Cornmeal, at 1½c. Total, \$— . Sales on a/c:—Jno. Cameron, 100 lbs. Sugar, at 9c.; 20 lbs. Gr. Mogul Tea, at 40c.; 30 lbs. Currants, at 6c. Total, \$— . R. N. Briggs, 10 lbs. Butter, at 18c.; 10 lbs. Almonds, at 25c.; 2 lbs. Cloves, at 60c. Total, \$— . A. J. Dawson, 10 lbs. Pepper, at 30c.; 25 bars Soap, at 10c.; 8 lbs. Coffee, at 40c. Total, \$— . Cash sales, \$78.25. Deposited in bank, \$100.

Sept. 2.—A. J. Dawson delivered 2 cords Wood, at \$5.50 to apply on a/c. Gave R. N. Briggs an order for 1,000 Advertising Hand Bills, \$5.00, to be settled by contra a/c. Gave H. Thomas 1 bbl. Gran. Sugar, 410 lbs., at \$3.60 per cwt. on order from Jno. Graham, \$14.76. Sales on a/c:—Jno. Cameron, 1 Ham, 22 lbs., at 12c.; A. J. Dawson, 50 lbs. Flour, at \$3.20 per cwt.; 4 bags Potatoes, at 90c. Total, \$— . Wm. Sharman, 1 Cheese, 60 lbs., at 11c.; 20 lb. Crock Butter, at 18c. Total, \$— . Cash sales, \$40.60. Deposited \$75. Renewed my note No. 85, due to-day, favor W. Green & Co. Face of new note to cover amount of old, and interest on same for the extended time, one month, at 6%.

Sept. 3.—Sales on a/c:—R. N. Briggs, 5 lbs. Gr. Mogul Tea, at 40c.; 5 lbs. Butter, at 24c.; Gran. Sugar, \$1.00. Total, \$— . Jno. Graham, 2 lbs. Starch, at 10c.; 1 sack Oatmeal, 50 lbs., at 4½c.; 10 gals. Coal Oil, at 18c. Total, \$— . Cash sales, \$86.25. Jno. Graham paid \$40.00 on a/c. Deposited, \$75.00.

Sept. 4.—Paid my note No. 84, favor G. McKay & Co., by check. Accepted G. McKay & Co.'s 30 day draft dated Sept. 1, for \$546.11, being amount of Aug. purchases less 3% disct. as per statement received. Sales on a/c:—R. N. Briggs, 12 bars Soap, at 5c.; 2 lbs. Cheese, at 11c.; Gran. Sugar, \$1.50. Total, \$— . A. J. Dawson, 1 gal. Molasses, 40c.; 1 box

Raisins, 10 lbs., at 12c; 5 doz. Eggs, at 16c. Total, \$——. Wm. Sharman, 5 lbs. Rio Coffee, at 25c.; 3 lbs. Soda Biscuits, at 10c.; 50 lbs. Cornmeal, at 1½c. Total, \$——. Jno. Graham, 14 lbs. Codfish, at 5c.; 10 lbs. Cheese, at 12c.; 1 bbl. Apples, \$2.50. Total, \$——. Jno. Cameron, 15 lbs. Ham, at 14c.; 5 lbs. Butter, at 16c.; 40 lbs. Rice, at 7c. Total, \$——. Cash sales, \$44.90. Deposited \$25.

Sept. 5.—Received an invoice of goods, No. 2, from G. McKay & Co., dated to-day, as follows:—1 bbl. Molasses, 370 lbs., at 8c.; 2 bags Java Coffee, 140-6, 136-10, at 32c.; 4 bhls. Herrings, at \$2.95. Total, \$——. Paid G. McKay & Co.'s sight draft of Sept. 4 by check for amount of invoice of Sept. 1, less 5% cash discnt. Amt. of check \$——. Wm. Sharman settled his a/c in full by paying cash \$20, and his note at one month for balance. Cash sales, \$36.05. Deposited \$50. Paid clerk's salary in full to Sept. 6, by check \$25.75.

1. Open a S. E. Ledger allowing $\frac{1}{4}$ page for each a/c.
2. Transfer to each a/c the August balances, dating each Sept. 1, 190—.
3. Journalize and post all personal debits and credits for the week, Sept. 1-6.
4. Open the auxiliary books and make the proper entries in each after transferring to each the balance from the August Trial Balance.
5. Using the regular form make a Statement of Assets and Liabilities on Sept. 6.
6. By a comparison of the Net Worth on Sept. 6 with that on Aug. 31, ascertain the Net Gain or Net Loss during the week.

NOTE.—Interest Receivable and prepaid rent to be valued the same as on Aug. 31. Sales for Sept. 1-6 amount to \$427.42. Allowing an average rate of profit of 25% on sales, find the value of goods on hand Aug. 6. Wood valued at \$10.

Results:—Net Worth Aug. 31, \$8,502.69; Net Worth Sept. 6, \$8,592.88.

EXERCISE LXXXIV.

BUSINESS FORMS AND OFFICE PRACTICE.

1. Write out the Invoices from G. McKay & Co. on Sept. 1 and Sept. 5.
2. Write a short business letter, dated Sept. 4, in which G. McKay & Co. notify you that they are drawing on you at sight for the amount of invoice Sept. 1, less 3% discount.
3. Write the sight draft as presented to you on Sept. 5, and show the receipt for payment as placed thereon by the bank on payment by you.
4. Write the Monthly Statement received from G. McKay & Co. on Sept. 4. Add a memo. that they are drawing on you at 30 days after date for the August balance, less 3% discount.
5. Write out the order presented by H. Thomas and paid by you in goods on Sept. 2.
6. Write out the two Bills Receivable, Nos. 131 and 132. On the back of No. 131 calculate the interest accrued to the date of beginning business.
7. Write out the four Bills Payable, Nos. 84, 85, 86 and 87. Write in the "Remarks" column of your Bill Book, opposite No. 85, "**R 2/9/190—, by No. 86;**" and opposite No. 84, "**P 4 9/190—, by Ck. No.—,**" to signify how these notes were redeemed.

SETS 9-10.

SHOWING THE DIFFERENCE BETWEEN SINGLE AND DOUBLE ENTRY RECORDS.

Oct. 1, 190—.(Student's Name) and Timothy Hay are partners in the Grain business, and below is a Statement of Assets and Liabilities taken from their books on Sept. 30, 190—. The agreement between partners is that profits and losses are to be divided according to lowest net investment during each calendar month.

Statement of Assets and Liabilities, Sept. 30, 190—.

Assets:—					
Cash on hand			328	60	
Goods unsold			1435	01	
Bills Rec., endorsed to Com. Bk. for collection, No. 89, made by A. B., due Oct. 6, next					
No. 97, made by A. B., due Feb. 4, next	\$120				
Bank Balance	\$100		220	00	
A. Baker owes on a/c			505	30	
Office Furniture			8	64	
J. Craig			44	50	
D. Gibbings			44	20	
			13	25	
Liabilities:—					
Bills Pay., No. 37, favor J. Book, due Oct. 9, next			42	50	
(Student's) Net Investment					
" " Gain	\$1,050				
" " Worth	500		1550	00	
T. Hay's Net Investment					
" " Gain	\$745				
" " Worth	260				
			1005	00	
					2597
					50

Memo. of Transactions for Oct. 1-15, to be recorded first by Double Entry, and afterwards by Single Entry.

Oct. 1.—Sales on a/c:—J. Craig, 6 bbls. Flour, at \$5.90; D. Gibbings, 200 bu. Oats, at 32½c. Received from D. Gibbings an order on J. Craig for \$20, which was accepted by Craig and passed to his a/c. Cash Sales, \$37.60. Deposited \$250.

Oct. 2.—T. Hay withdrew cash for private use, \$10; (Student's Name) withdrew \$25. Cash Sales, \$45.20. Deposited \$100.

Oct. 3.—Received to-day one carload 500 bu. Wheat from Ogilvie Milling Co., Collingwood, as per invoice received yesterday, \$460. The bill of lading dated Dec. 1, which was received on 2nd inst. by Commercial Bank, attached to demand draft for \$460, was handed us to-day by the bank on payment by us of demand draft by check. Paid freight on car with cash, \$21.40. Cash Sales, \$36.90.

Oct. 4.—Shipped 100 bu. Wheat to A. Baker, Ayr Mills, at 95c. Paid freight on same, \$6.00, which is to be charged to A. Baker. Cash sales, \$44.20. Found counterfeit \$10 bill when balancing cash.

Oct. 5.—Sold J. Craig, Lucan, 100 bu. Oats, at 34c., receiving his marked check for \$24 in part payment. Sent office boy with deposit of \$50 including J. Craig's \$24 check, crossed by us. The bank deducted 25c. exchange for collection of check.

Oct. 6.—Bills Rec. No. 89, for \$120 due to-day, was paid by A. Baker at bank, amount placed to our credit, less collection charges of ¼%. T. Hay withdrew \$10; Student withdrew \$15.

Oct. 8.—Received from A. Baker, Ayr Mills, 20 sacks Oatmeal, at \$1.25; 10 sacks Rolled Wheat, at \$1.10; 10 bags "Lily Brand" Flour, at 65c. Total, \$42.50. Paid freight on same, \$8.40 with cash.

Oct. 9.—Our note No. 27, in favor of J. Book, due to-day, was paid at the bank from current acct.

Oct. 10.—Drew sight draft on A. Baker, Ayr Mills, for balance of his a/c. Endorsed the draft. Commercial Bank for collection and deposited amount to our credit, less collection fee of 25c.

Oct. 11.—Received invoice and bill of lading, dated Oct. 10, of one carload, 600 bu. of Wheat ordered on 5th from Ogilvie Milling Co., Collingwood, to be billed through to Chatham to fill order from Arscott Milling Co. Accepted Ogilvie Milling Co.'s 30-day draft of 10/10/190— for amount of invoice, \$540, and freight charges, \$20.60, Collingwood to Chatham, as per statement on invoice.

Oct. 12.—Mailed to Arscott Milling Co., Chatham, invoice of the carload of Wheat, and notice of shipment, stating that we have endorsed the bill of lading to their order and attached thereto a demand draft for amount of invoice \$580, and freight—London to Chatham—\$8.60, both of which are being forwarded through the Commercial Bank. Deposited amt. of demand draft, less cost of collection, at ¼%.

Oct. 13.—T. Hay withdrew \$5; (Student's Name) withdrew \$10. Sight draft on A. Baker, Ayr Mills, has been returned to our bank unpaid and amount of same charged to our a/c with the bank. Cash sales for week, \$276.60. Deposited, \$250.

Oct. 15.—A. Baker, Ayr Mills, has to-day made an assignment. Assets nominal; liabilities consisting largely of preference claims. Our claims not specially secured were filed with assignee to-day as follows:—Book a/c, \$67.14; Note No. 90, \$100; total, \$167.14. Took stock to-day and found value of goods on hand, \$1,629.80.

SET 9.

FIRST RECORD—DOUBLE ENTRY.

Books used.—INVOICE BOOK, CASH BOOK, BILL BOOK, JOURNAL, SALES BOOK, BANK BOOK AND LEDGER. (The first four being books of original entry from which all entries are posted to the Ledger.)

Invoice Book.—Every invoice is recorded in this book, and the amount posted therefrom to the credit of the Seller's a/c, whether the purchase was made for cash, on note, or on a/c. (See specimen Invoice Book, page 32.)

Sales Book.—Every sale of goods other than "Cash Sales" is recorded in this book, and the amount posted therefrom to the debit of the purchaser's a/c, and the total sales for any period of time posted to the credit of Mdse. a/c in one sum. (See specimen, page 46.)

NOTE.—In Set IX the pupil will dispense with the Sales Book and record the Sales in a special column of the regular Journal, headed "Mdse." or "Sales." Carry the amounts of this column from page to page and journalize the total at the end of the month as follows:—"Sundries Dr. to Mdse. sales for Oct., \$—."

Cash Book.—Use a special debit column for Cash Sales and a special credit column for Exchange and Bank Charges. All cash receipts deposited at once in the bank must go through the Cash Book by debit and credit entries of equal amounts. Where a Bill Rec. is discounted and proceeds left in the bank, the Bill's Rec. a/c must be credited for the face value on the debit side of the Cash Book, and Discount and Bank a/cs debited for the allowance and proceeds respectively on the credit side. (See specimen entries, page 82.)

Bill Book.—Every Bill Rec. is posted from the Bill Book to the credit of the person on whose a/c it is received, and every Bill Pay. is posted to the debit of the person in whose favor it is made. (See specimen entries, page 53.)

Journal.—Open the Journal with an entry which, when posted, will transfer all the balances from the closed Ledger to the new one about to be opened. Journalize only those transactions which are not already recorded in some one of the preceding books.

Ledger.—Post all business to Oct. 15, take off a Trial Balance and close all a/cs except the personal a/cs current.

Statements.—Using the regular forms make a Statement of Assets and Liabilities, and one of Losses and Gains on Oct. 15.

Results.—Invoice Book—Mdse. Dr. to Sundries, \$1,053.10.

Cash Book—Cash Sales, \$1,029.10. Balance on hand, \$20.30.

Bill Book.—Bills Pay., outstanding, \$560.60.

Mdse. column of Journal—Sales, \$229.40.

Bank Book—Balance in Bank, \$1,359.86.

Net Gain, \$181.71. (Student's) Net Worth, \$1,609.91. T. H. Net Worth, \$1,051.80.

EXERCISE LXXXV.

BUSINESS FORMS AND OFFICE PRACTICE.

Write out the following Business Forms:—

1. The Order received from D. Gibbings on Oct. 1. What right had you to charge this amount against J. Craig? Show how J. Craig acknowledged the request. (See p. 61.)
2. The check received from J. Craig on Oct. 5. Place words on it to make it a certified check. What is the significance of the acceptance? (See p. 65.) Cross the check. What effect has this?
3. The Sight Draft of Oct. 10. Indorse it to the bank for collection. Why would the bank credit your a/c with the proceeds of this draft before it was presented to A. Baker, in Ayr?
4. The Shipping Bill or Bill of Lading for carload of Wheat received on Oct. 3. Is this Bill of Lading negotiable? Might it be made in favor of the Commercial Bank? Why? If so, what would the bank have to do to it before you could claim your goods?

5. The Demand Draft drawn on you by the Ogilvie Milling Co. for payment of Wheat received Oct. 3. Why was it attached to the Bill of Lading?
6. The Check drawn on Oct. 3 to meet the Demand Draft for payment of carload of Wheat.
7. The Invoice of Wheat received Oct. 3. Add the memo. by which the Ogilvie Milling Co. advised you that they were drawing on you for the purchase price, and that the Bill of Lading would be delivered to you by the Commercial Bank on payment of the Demand Draft.
8. The Shipping Bill or Bill of Lading for carload of Wheat shipped by Ogilvie Milling Co., on Oct. 10. Make it subject to your order in Chatham.
9. The 30-day draft drawn on you by O. M. Co., on Oct. 10, for payment of carload shipped to Chatham. Place your acceptance on the draft.
10. The Invoice of Wheat received from Ogilvie Milling Co., on Oct. 11. Add the memo. stating that the O. M. Co. are drawing on you at 30 days for the purchase price of Wheat and freight charges Collingwood to Chatham.
11. The Invoice of carload of Wheat made by you and mailed to the Arscott Milling Co., Chatham. Add a memo. to the effect that you are drawing on them by Demand Draft for purchase price of Wheat and freight charges, London to Chatham, and that on payment of the draft the Bill of Lading will be delivered to them by the Commercial Bank.

SET 10.

SECOND RECORD—SINGLE ENTRY.

Books used:—CASH BOOK (to record bank and till cash), BILL BOOK, INVOICE BOOK, JOURNAL AND LEDGER.

Cash Book.—Rule two special columns for Bank deposits and checks in which to record the bank cash. As this book is not intended as a Journal in this record, put all receipts and payments of till cash in "Sundries" column. (See p. 82.)

Bill Book, Invoice Book.—These being the same in either system, need not be repeated in the Single Entry Record.

Journal.—Record only personal debits and credits as per specimen entries, p. 73.

Ledger.—Post all personal debits and credits from the Journal and leave the a/cs open when making the Statements on Oct. 15.

Statements.—Using the regular forms, make a Statement of Assets and Liabilities on Oct. 15, obtaining the items from the books used in the Single Entry Record. Make a Statement of Loss and Gain for period Oct. 1-15, by comparing the financial standing at the beginning with that at the close of the period. Show each partner's share of the Net Gain.

Partner's A cs—Close each partner's a/c, recording his share of Net Gain or Net Loss and Net Worth as shown in the Statements.

Lines Required.—

First Page.—(Student's Name) T. Hay, A. Baker, J. Craig, 5 each, D. Gibbings, 2.

Second Page.—Mdse., 8, Loss & Gain, Exchange, 4 each, Office Furniture, Bad Debts, 3 each.

Third Page.—Bank, 10, Cash, 15.

Fourth Page.—Bills Rec., Bills Pay., 4 each.

Results.—Same as in Set 9.

MANUFACTURING.

The Book-keeping of a Manufacturing business differs from that of an ordinary mercantile business, principally in the method of recording the cost of the goods, *i.e.*, the manufactured articles. In addition to the Purchase or Invoice Book of an ordinary business the books of record necessary to show the cost of Manufactures are a **Stores Book**, a **Stock Book**, and a **Wages Register**. Where the goods are manufactured for particular jobs, or in special lots or lines, an **Order Book** and a **Costs Ledger** are necessary in addition to the foregoing.

The Manufacturer's cost includes :—

- (a) The invoice price of materials used.
- (b) Freight, duty and other additional charges in laying down these materials.
- (c) Wages, labor and power expended in the manufacture of the material, and such items as patents, royalties, etc.
- (d) A percentage of the general factory expenses incurred while the goods are being manufactured.

OBSERVATION :—The compensation paid to workmen is recorded as *wages* rather than *salary* and is regarded as part of the cost of producing the manufactures rather than part of the general expense of conducting the business.

Stores.—The raw materials or supplies of a factory are regarded as **material** rather than **merchandise** and are usually recorded in a Stores A/c. The Stores Keeper keeps a record of all such material in a Stores Book, showing the amount received and the amount given out to the workmen for use in the factory. When the cost price is entered, as well as the quantity of material received and given out, the Stores Book will show the **value** as well as the **quantity** of the material on hand. When issuing material to workmen, the Stores Keeper issues a Voucher from which the Book-keeper credits Stores A/c and at the same time charges the a/c recording the job, article or line of goods to be manufactured. When unused material is returned to the Stores Keeper, he issues a voucher on receipt of which the Book-keeper charges the value of the returned material to the Stores A/c and credits the a/c previously charged at the time of issue.

Stock.—When manufactured goods are passed from the factory into stock, a double record is made in the Stock Book. The goods are entered (1) by weight, measure, or number, (2) at manufacturers' cost or the cost of the goods as they come from the factory. The Stock Keeper issues a voucher for the receipt of the goods, from which the Book-keeper charges the Mdse. or Manufactures A/c in the Ledger with the factory cost of the goods thus added to the stock. The credits of the Mdse. or Manufactures A/c are made from the various *records of sales and from vouchers showing defective or spoiled goods returned to the factory. Where it is desired to keep a record of the cost and proceeds of different departments of the stock, a/cs are opened for the particular goods such as Hat and Cap A/c, Biscuit A/c, Confectionery A/c, Castings A/c, Stoves A/c, etc.

Where the stock includes **manufactured goods purchased** as well as **those manufactured from stores**, a method sometimes adopted is to open two separate accounts for the former, called **Purchases A/c** and **Sales A/c**. The **Purchase A/c** is debited with the amount of purchases from the Invoice Book, and the **Sales A/c** is credited with the total sales from the Sales Book and the "Cash Sales" column of the Cash Book. When any of these goods purchased by us are returned, or rebates on the purchase price are allowed to us, the amount of returns or rebates is credited to the Purchases A/c. The balance of this a/c will then show the net cost of goods traded in, and is transferred to the debit or cost side of Trading A/c. When any of these goods sold by us are returned, or rebates on the selling price allowed to the purchasers, the amount of returns or rebates is debited to the Sales A/c. The balance of this a/c will then show the net proceeds of sales, and is transferred to the credit or proceeds side of Trading A/c.

*See Sales Book, p. 46, also Journalizing of Sales in Examination Tests, p. 73.

Trading A/c is a record of the gross cost and proceeds of goods traded in, and shows when balanced the gross profits. It is debited with the balance of Purchases A/c, being the net cost of goods purchased, and is credited with the balance of Sales A/c or net proceeds. The other items of cost such as wages, freight, power, light, patents, royalties are debited to this a/c from the various books in which they are recorded.

EXERCISE LXXXVII.

The following outlines show how the Trading A/c and Loss and Gain A/c are recorded from the Trial Balance of "PAGE & PANTON, Book Publishers;" also how the Net Gain is apportioned, and how the partners' a/cs stand after the apportionment is made.

Summary of debits and credits taken from the Books of "Page & Panton" on —, 190—. A. Page, \$1,000—\$19,100; E. Panton, \$800—\$17,000. Cash on hand, \$1,950; Misc., balance at last closing, \$28,000; Purchases, \$94,000—\$2,550; Discounts to customers, \$450; Discounts off purchases, \$950; Freight (inwards), \$750; Sales, \$1,500—\$184,000; Bank charges, \$300; Stable, \$300; Wages, \$45,000; Rent, \$2,400—\$800; Royalties, \$7,400; Patents at last closing, \$2,600; Insurance, \$950; Travelling Expenses, \$1,600; Salaries, \$5,000; General Expenses, \$4,800; Plant and Machinery, \$6,400; Tools, \$600; Buildings, \$5,000; Bills Rec., \$4,200; Bills Pay., \$5,600; Personal Debtors, \$36,000; Personal Creditors, \$21,000.

1. Value of stock on hand, \$12,950; unearned insurance, \$350.
2. Allow for depreciation as follows:—Patents, 10%; Plant and Machinery, 10%; Tools, 15%; Buildings, 4%.
3. Allow 2% off book a/cs for bad and doubtful debts.

A. PAGE, CAPITAL A/C.

To Sundries (Withdrawals)	1000	00	By Balance	19100	00
To Balance	21708	00	By Interest	168	00
	22708	00	By ½ Net Profit	3440	00
	<u>22708</u>	<u>00</u>		<u>22708</u>	<u>00</u>

E. PANTON, CAPITAL A/C.

To Sundries (Withdrawals)	800	00	By Balance	17000	00
To Balance	19640	00	By ½ Net Profit	3440	00
	20440	00		20440	00
	<u>20440</u>	<u>00</u>		<u>20440</u>	<u>00</u>

Dr.

TRADING A/C.

Cr.

To Balance	28000	By Sales	184000	
To Purchases	\$94000	Less Returns	1500	
Less Returns	2570	Less Discount	450	
Less Trade Discounts	950		1950	
	3500	By Goods on hand		182050
	90500			12950
To Wages	45000			
To Freight	750			
To Royalties	7400			
To Gross Profit	23350			
	<u>195000</u>			<u>195000</u>
				00
				00

Profit and Loss A/c is charged with all general expenses incurred in carrying on the business such as Salaries, Insurance, Travelling Expenses, Taxes, Repairs, Bank Charges, Interest and all depreciation of assets. It is credited with the gross profit from the Trading A/c, and is balanced with the disposition of the net profits. Some accountants charge this account also with the cash discounts allowed to customers on sales, and credit it with those discounts received for cash payment of purchases, while others record these discounts in the Trading A/c along with rebates and returned goods.

PROFIT AND LOSS A/C.

To Bank Charges A/c	300	00	By Gross Profit from Trading A/c	23350	00
To Stable A/c	300	00			
To Rent	2400				
Less Sublet	800				
	1600	00			
To Insurance	950				
Less Unexpired	350				
	600	00			
To Repairs	200	00			
To Travelling Expenses	1600	00			
To Salaries	5000	00			
To General Expenses	4800	00			
To Depreciation as follows—					
Patents, 10% on \$2600	260				
Plant, 10% on 6400	640				
Tools, 15% on 600	90				
Buildings, 4% on 4800	192				
	1182	00			
To Bad Debts—					
2% on \$36000	720	00			
To A. Page—					
Int. on excess Capital	168	00			
To A. Page—					
½ Net Gain	3440	00			
To B. Panton—					
½ Net Gain	3440	00			
	23350	00		23350	00

BALANCE SHEET.

Page & Panton, —190—

Cash on hand	1950	00	Liabilities to public :—		
Goods in stock	12950	00	Bills Pay.	\$ 5600	
Bills Receivable	4200	00	A/cs Pay.	21000	26600 00
Patents	\$2600		Liabilities to proprietors :—		
Less 10% depreciation	260		A. Page, Capital	\$19100	
	2340	00	Less Drawings	1000	
Insurance unearned	350	00		\$18100	
Plant and Machinery	\$6400		Interest on excess Capital	168	
Less 10% depreciation	640		One-half Net Gain	3440	21708 00
	5760	00	B. Panton, Capital	\$17000	
Tools	\$600		Less Drawings	800	
Less 15% depreciation	90			16200	
	510	00	One-half Net Gain	3440	19640 00
Buildings	\$4800			67948	00
Less 4% depreciation	192				
	4608	00			
A/cs Receivable	\$36000				
Less 2%	720				
	35280	00			
	67948	00			

EXERCISE LXXXVIII.

The following Trial Balance shows the condition of A/cs in the Ledger of H. L. Thompson and A. Thomas, Book Publishers, on Dec. 31, 190—.

TRIAL BALANCE, DEC. 31, 190—.

H. L. Thompson, Capital A/c	1650	00	22500	00	1. Value of Stock on hand Dec. 31, 1904, \$24,800. Value of unearned Fire Insurance, \$75.
H. L. Thompson, Private A/c					2. Allow 5% of book debts to cover possible bad debts and discounts to customers.
A. Thomas, Capital A/c	1500	00	20100	00	3. Allow 5% depreciation off Machinery and Office Furniture.
A. Thomas, Private A/c					4. Allow each partner 6% on his investment, a salary of \$150 per month, and one-half of the remaining profits.
Cash on hand	40	00			5. Prepare a Manufacturing or Trading A/c show- ing Gross Profits.
Cash in hand	2410	00			6. Prepare a Profit and Loss A/c showing Net Profits.
Bills Rec.	700	00			7. Prepare a Balance Sheet showing the standing of each partner on Dec. 31, 1904.
Bills Pay.			1340	00	8. What percentage of the year's output was the Gross Profit? The expenses incidental to selling the goods? The general office expenses?
Stock, Jan. 1, 1904	29800	00			Results:—
Machinery and Plant	10000	00			Gross Profits from Trading A/c - \$13,235.00
Real Estate	6500	00			Net Profit, besides partner's interest and salary 356.00
Expense	1080	00			H. L. Thompson's Net Worth - 24,178.00
Purchase A/c (Invoices)	34450	00			A. Thomas' Net Worth 21,784.00
Credit Notes for Goods returned and rebates on Purchases			1245	00	Gross Profit, —%, selling expenses, —%, general office expenses, —% of output.
Sales (Sales Book)			65690	00	
Credit Notes for returned Goods and rebates to Customers	220	00			
Fire Insurance	260	00			
Discounts off Purchases			325	00	
Discounts to Customers	895	00			
Personal Debtors' A/cs	4500	00			
Personal Creditors' A/cs			1970	00	
Office Furniture	360	00			
Wages	11600	00			
Rent	360	00			
Fuel, Light and Power	1440	00			
Commissions for Selling	1060	00			
Travelling Expenses	1440	00			
Freight (inwards)	450	00			
Freight (outwards)	160	00			
Royalties	540	00			
Advertising	260	00			
Interest and Bank Charges	135	00			
Stable Expenses	240	00			
Bad Debts	460	00			
	113170	00	113170	00	

NOTE.—Charge Trading A/c with all costs and charges incurred in producing the goods, and Profit and Loss A/c with all outlays in selling them, also with depreciation and general expenses.

PROBLEM ON COMPUTING PRICE LISTS.

The Vauxhall Bolt Factory has an annual average output of 5 million bolts, 15% of which consists of the standard sizes, $\frac{1}{8}$ in. by $2\frac{1}{2}$ in., $\frac{3}{8}$ in. by 4 in., and $\frac{1}{2}$ in. by 6 in. in equal numbers.

The cost tests for the past year show the following averages:—

- Bolts per 1000.** *Shearing*—All sizes, 3c. *Heading*— $\frac{1}{8}$ in., 45c.; $\frac{3}{8}$ in., 55c.; $\frac{1}{2}$ in., 85c. *Threading*— $\frac{1}{8}$ in., 45c.; $\frac{3}{8}$ in., 50c.; $\frac{1}{2}$ in., 65c. *Packing*—All sizes, \$1.10.
- Nuts per 1000.** Shaping, Threading and Packing— $\frac{1}{8}$ in., \$2.40; $\frac{3}{8}$ in., \$3.00; $\frac{1}{2}$ in., \$3.95.
- Quantity of bar iron, with weight per foot to make bolt and nut.**
 $\frac{1}{8}$ in. by $2\frac{1}{2}$ in. requires $3\frac{3}{8}$ in., weighing .261 lbs. per foot.
 $\frac{3}{8}$ in. by 4 in., requires $5\frac{1}{8}$ in., weighing .375 lbs. per foot.
 $\frac{1}{2}$ in. by 6 in. requires 7 in., weighing .665 lbs. per foot.
- Cost of bar iron per cwt.**— $\frac{1}{8}$ in., \$2.50; $\frac{3}{8}$ in., \$2.30; $\frac{1}{2}$ in., \$2.05.

The Trial Balance for the year shows the following debits:—Fuel, \$5,000; Wages, \$25,000; Power, \$3,000; Light, \$200; Office Expense, \$2,500; Taxes, \$800; Insurance, \$400; Freight, \$5,000; Management, \$6,000; Real Estate, \$20,000; Plant, \$8,000; Tools, \$2,000. Make out a Selling Price List for the above-named sizes per 100, allowing for 5% interest on \$50,000 Capital, 5% depreciation on Real Estate, 10% on Plant, 15% on Tools, and a working profit of 33 $\frac{1}{3}$ %.

Results:— $\frac{1}{8}$ in., \$1.60 per 100; \$2.30 per gross. $\frac{3}{8}$ in., \$1.95 per 100; \$2.80 per gross. $\frac{1}{2}$ in., \$2.65 per 100; \$3.85 per gross.

SETS 11-12.

MANUFACTURING BUSINESS.

Books used.—FOUR COLUMN JOURNAL, DISCOUNT JOURNAL, INVOICE OR PURCHASE BOOK, CASH BOOK, BILL BOOK, TIME BOOK AND PAY ROLL, AND LEDGER.

NOTE.—All sales to be made on the following terms:—Net price in 2 mo., 3% off for spot cash, 2% off for cash in 15 days, or 1% in 30 days. Interest at the rate of 6% per annum will be charged on overdue a/cs.

London, March 2nd, 190—.

A. B. Scott and (Your own name here) have this day formed a co-partnership for the purpose of carrying on a General Biscuit and Confectionery Manufacturing Business under the firm name of Scott and (Your surname here). Either partner is to be allowed interest at the rate of 8% per annum on the excess of his investment over that of the other. After providing for such interest, gains and losses are to be shared equally.

Received from Holden & Co. a five year lease of their buildings, machinery, etc., situated on Front St., at the rate of \$200 per month, payable on the last day of each and every month during the currency of the lease, the first payment to become due and payable on Mar. 31, 190—.

Engaged David Graham as Accountant at \$900 per annum; Miss Mary Marr as typewriter at \$32 per month; J. A. Calder as General Stores and Stock Keeper at \$60 per month; A. C. Hume as foreman of the Biscuit Department, and C. S. Miller as foreman of the Confectionery Department, each at a salary of \$720 per annum; J. S. Riggs, A. F. Ney, B. C. Cooper, S. T. Lane, J. K. Culver, B. S. Milloy, C. B. Watt, at \$1.80 per day; M. Cassels, C. A. Fisher, A. M. Kennedy, R. Rhodes, E. H. Gilmoar, A. K. Stark, at \$1.00 per day; J. A. Stratton, H. C. Fraser, at 80c. per day. Employees are to be paid on the last day of each month; services to be reckoned from the beginning of March.

A. B. Scott invests cash \$3,000, C. S. Gilroy's note, dated Jan. 11th last, at 2 months, payable at the Commercial Bank of Canada for \$1,095, bearing interest at 8% per annum. Interest accrued, \$—-. Total, \$—-.

(Your own name here) invests cash \$7,500, materials for Biscuit Department valued at \$2,500. Total, \$—-.

Bought of Holden & Co. for cash their entire stock of materials and manufactured goods as per inventory—

Materials for Biscuit Department	\$ 500.00
Materials for Confectionery Department	2,000.00
Manufactured Goods—Biscuits	800.00
Manufactured Goods—Confectionery	400.00
Total	\$3,700.00

Mar. 2.—Remitted cash to Copp, Clark Co., Toronto, for a set of Office Books, as per bill received to-day \$30. Received from Martin & Mitchell, Goderich, Flour as per Invoice No. 1, \$460, for Biscuit Department. Paid cash for freight \$18.60. Bought of Boles & Co., Toronto, for cash, Sugar as per Invoice No. 2, for Confectionery Department, \$350. Paid cash for freight \$20. Sold Cameron & Campbell, Galt, 10 crates Soda Biscuits containing 48 cartons, at 20c.; 50 boxes Imperial Biscuits, 35 lbs. each, at 15c.; 5 bbls. Mixed Candies, 240 lbs. each, at 10c. Total, \$—-. Drew on Cameron & Campbell at 15 days for the amount of the above invoice, less discount as per terms, and endorsed the draft to Commercial Bank for collection. Deposited in the Commercial Bank of Canada, cash \$5,000.

Mar. 3.—Took out Insurance Policy for \$6,000 (each department \$3,000) for one year. Paid premium by check, \$120. Received from Ellis & Sons, Hamilton, Essences as per Invoice No. 3, for Confectionery Department, \$240. Remitted a bank draft in payment for which we issued our cheque (Exchange 1%). Paid cash for freight \$6.20. Accepted Martin & Mitchell's draft of 2/3/190— at 15 days, payable at the Commercial Bank for the amount of Invoice No. 1, less discount, \$13.80. Cash Sales:—J. A. McLeod, 29 bbls. Arrowroot Biscuits, 1,200 lbs., at 11c.; 10 bbls. Fruit Biscuits, 700 lbs., at 10c.; 200 boxes Oyster Biscuits, 4,000 lbs., at 7c., \$—; less discount as per terms, \$—-. Charged Sales:—James Mark, Clinton, 50 pails Acid Drops, 1,250 lbs., at 12c.; 5 pails Licorice Pellets, 140 lbs., at 30c.; 58 bottles Licorice Tablets, at \$1.00; Total, \$—-. Harvey & Kane, Seaforth, 100 boxes Arrowroot Biscuits, 1,700 lbs., at 6c.; 5 bbls. Maple Choc. 1,020 lbs., at 18c.; 30 boxes Nuggets, at \$1. Total, \$—-. Drew on James Mark at 15 days and Harvey & Kane at 2 mo through the Commercial Bank, for the amounts of the foregoing sales less discounts as per terms.

Lost Time.—R. Rhodes, ½ day.

Mar. 4.—Cash Sale—J. H. Howie, London, 50 bbls. Soda Biscuits, 3,300 lbs., at 6c. Total, \$—-, less discount as per terms, \$—-.

Lost Time.—B. C. Cooper, E. H. Gilmoar, ½ day each; J. A. Stratton, ½ day.

Mar. 5.—Received from Cooper & Smith, Lucan, barrels, boxes and packages, as per invoice No. 4, for Biscuit Dept., \$200; for Confectionery Dept., \$100. Paid cash for freight, \$12. Cash Sales—Hold & Mills, 25 bbls. Mixed Candies, 5,400 lbs., at 7c. Total, \$—, less discount as per terms, \$—.

Lost Time.—B. C. Cooper, J. A. Stratton, $\frac{1}{2}$ day each; H. C. Fraser, 1 day.

Mar. 6.—Received from Turner & Son, Toronto, 24 bbls. Glucose for Confectionery Dept., as per invoice No. 5, \$300. Paid freight by check, \$12.50. A. B. Scott withdrew cash, \$200. Accepted Cooper & Smith's draft of 5/3/190— at 15 days, payable at the Commercial Bank for amount of invoice No. 4, less discount 1%; also Turner & Sons' draft of 6/3/190— at 15 days for amt. of invoice No. 5.

Lost Time.—B. S. Milloy, J. K. Culver, $\frac{1}{2}$ day each; M. Cassels, 1 day, J. A. Stratton, $\frac{1}{2}$ day; A. F. Ney, 1 hour.

Mar. 7.—Charge Sale—Perry & Co., Brantford, 50 bbls. Soda Biscuits, 3,200 lbs., at 6c; 10 boxes Ginger Snaps, 300 lbs., at 8c; 50 boxes XX Snaps, 1,400 lbs., at 5c. Total, \$—, less discount as per terms \$—. Drew on Perry & Co. at 2 mos. for full amount of invoice.

Lost Time.—J. A. Stratton, A. K. Stark, 1 day each; E. H. Gilmour, $\frac{1}{2}$ day; J. S. Riggs, $\frac{1}{2}$ day. **Overtime.**—A. F. Ney, 1 hour.

Mar. 9.—Charge Sale—Harper & Freeland, Chatham, 15 bbls. Mixed Biscuits, 950 lbs., at 12c; 50 boxes Oatmeal Wafers, 900 lbs., at 11c. Total, \$—, less discount as per terms \$—. Drew at 2 mos. for full amount of invoice.

Lost Time.—B. T. Lane, $\frac{1}{2}$ day. **Overtime.**—J. K. Culver, 2 hours.

Mar. 10.—Paid cash for Stationery, \$5. Cash Sales.—P. C. Riley, 100 boxes Almond Rock, 500 lbs., at 18c; 50 pails Chocolates, 1,250 lbs., at 16c. Total, \$—, less discount as per terms \$—. Charge Sale.—J. H. Howie, Barrie, 10 bbls. XX Chocolates, 2,000 lbs., at 15c; 100 boxes Creams, 600 lbs., at 11c. Total, \$—, less discount \$—. Face of draft, \$—.

Lost Time.—C. B. Watt, $\frac{1}{2}$ day. **Overtime.**—J. K. Culver, $\frac{1}{2}$ hour.

Mar. 11.—Received from Boles & Co., Toronto, Sugar, as per invoice No. 6 for Confectionery Dept., \$650. Paid cash, for freight, \$24.20. Paid cash for repairs, \$12.50.

Mar. 12.—Cash Sale—Craig & Co., Listowel, 5 bbls. Mixed Biscuits, 320 lbs., at 11c; 10 pails Acid Drops, 300 lbs., at 12c. Total, \$—, less discount as per terms \$—. Accepted Boles & Co.'s 30 day draft of 11/3/190— for amount of invoice No. 6.

Lost Time.—B. S. Milloy, 1 day; H. C. Fraser, $\frac{1}{2}$ day; A. K. Stark, $\frac{1}{2}$ day.

Mar. 13.—Holden & Co. have installed new machinery costing \$146, for which we have advanced payment by check on which Holden & Co. agree to allow interest at 8%. Charge Sale—Cameron & Campbell, Galt, 150 boxes Licorice Tubes, 900 lbs., at 45c; 2 bbls. Brownie Candy, 500 lbs., at 8c; 2 bbls. Royal Mixture, 450 lbs., at 9c. Total, \$—, (Student's name.) withdrew by check, \$500.

Lost Time.—B. S. Milloy, 1 day; A. M. Kennedy, $\frac{1}{2}$ day; A. K. Stark, $\frac{1}{2}$ day.

Mar. 14.—Received a bank draft from C. S. Gilroy in full payment of his note which was held for 2 days after maturity at his request. Face of note, \$—, Interest accrued, \$—. Proceeds deposited. Paid cash for 1 bbl. Fuel Oil, \$4.00. A. B. Scott withdrew by check, \$407.00.

Lost Time.—J. S. Riggs, 1 day; H. C. Fraser, $\frac{1}{2}$ day; R. Rhodes, $\frac{1}{2}$ day. **Overtime.**—C. B. Watt, 2 $\frac{1}{2}$ hours; A. F. Ney, 2 $\frac{1}{2}$ hours.

Mar. 16.—Received from Martin & Mitchell, Goderich, flour as per invoice No. 7, for Biscuit Dept., \$800. Remitted in payment a bank draft purchased by check for amount of invoice and exchange at $\frac{1}{2}$ %. Paid cash for petty expenses, \$10.

Lost Time.—C. B. Watt, $\frac{1}{2}$ day; R. Rhodes, $\frac{1}{2}$ day.

Mar. 17.—Shipped to Graham & Co., Hamilton, as per rush order, 200 bbls. Soda Biscuits, 12,000 lbs., at 5c, \$—, less discount as per terms \$—. Paid freight outwards by check, \$18.60, which is to be charged to Graham & Co.'s a/c.

Mar. 18.—Received from Cossit & McKay, Montreal, invoice of Sugar and Glucose, No. 8, \$720, for Confectionery Dept.; also letter of advice dated 15/3/1904, stating that the bill of lading, with Demand Draft attached thereto, for the amount of the invoice has been forwarded through the Bank of Montreal, and that on payment of the draft the bank will endorse the bill of lading to our order. Paid cash for petty expenses, \$12.60.

Lost Time.—B. C. Cooper, $\frac{1}{2}$ day; H. C. Fraser, $\frac{1}{2}$ day. **Overtime.**—C. B. Watt, 2 $\frac{1}{2}$ hours.

Mar. 19.—Shipped to Elliott & Lane, Lucan, as per rush order, 100 pails Brown Mixture, 3,200 lbs., at 8c; 100 pails Royal Mixture, 3,200 lbs., at 9c; 200 boxes Oriental Mixture, at \$1.10, \$—, less discount as per terms \$—. Paid freight outwards by check, \$12.40, which is to be charged to Elliott & Lane. Paid A. G. Hume, on a/c of wages, cash \$10. Issued check in payment of Demand Draft by Cossit & McKay in payment of invoice No. 8.

Mar. 20.—Cameron & Campbell paid their acceptance, due this day as per B.B., with cash, \$—, less discount as per terms \$—. Paid our acceptance, favor Martin & Mitchell, due this day per check, \$—, less discount as per terms \$—. Paid J. A. Calder, on a/c of wages, cash \$10.

Lost Time.—S. T. Lane, $\frac{1}{2}$ day; J. K. Culver, $\frac{1}{2}$ day.

Mar. 21.—Charge Sale—Elliott & Lane, Lucan, 180 bbls. Soda Biscuits, 10,800 lbs., at 5½c. Total, \$——. Paid cash for fuel for office, \$6.20. James Mark paid his acceptance due this day as per B.B., \$——.

Lost Time.—A. F. Ney, ¼ day; E. H. Gilmour, ¼ day.

Mar. 23.—Cash Sale—Robert Holmes, Clinton, 84 boxes Brown Mixture, 420 lbs., at 8c. Total, \$——, less discount as per terms, \$——. Received from Mason & Co., Ayr, Flour, as per Invoice No. 9, for Biscuit Dept., \$750. Remitted in payment a bank draft purchased per check (exchange ¼%). Paid cash for petty expenses, \$12. Paid J. S. Riggs, on account of wages, cash \$8.

Lost Time.—A. F. Ney, 1 day; E. H. Gilmour, ¼ day.

Mar. 24.—Charge Sale—J. H. Raymond, Guelph, 75 bbls. Soda Biscuits, 4,500 lbs., at 6c.; 10 bbls. Arrowroot Biscuits, 620 lbs., at 10c.; 200 pails Mixed Candies, 8,000 lbs., at 8c.; 10 pails Acid Drops, 320 lbs., at 12c., \$——. Drew on J. H. Raymond at 2 mos., through the Commercial Bank, for the full amount of invoice. Paid by check our acceptances, due this day in favor of Turner & Son and Cooper & Smith, as per B.B., \$——.

Lost Time.—M. Cassels, ¼ day; E. H. Gilmour, ¼ day.

Mar. 25.—Charge Sales—C. S. Stuart & Co., Hamilton, 60 boxes Fruit Biscuits, 3,600 lbs., at 10c.; 100 boxes People's Mixed Biscuits, 9,600 lbs., at 11c.; 85 boxes Wine Biscuits, 1,600 lbs., at 10c. Total, \$——. Harvey & Kane, Seaforth, 1 bbl. Imperial Chocolates, 210 lbs., at 15c.; 10 pails Acid Drops, 240 lbs., at 11c. Total, \$——. Drew on C. S. Stewart at 2 mos. for full amount of invoice.

Lost Time.—B. S. Milloy, ¼ day; J. S. Riggs, ¼ day; A. K. Stark, ¼ day.

Mar. 26.—Received from Elliott & Lane, Lucan, J. C. Edward's note at 4 mos., dated 4/2/190—, and payable at the Bank of Montreal for \$600, on which a discount allowance was made at the rate of 5% per annum, and their own note at 15 days, payable at the Bank of Montreal for balance of their a/c. Paid cash for repairs, \$10.

Lost Time.—B. C. Cooper, ¼ day; E. H. Gilmour, ¼ day; A. K. Stark, ¼ day.

Mar. 27.—Received from Macpherson & Co., Fergus, Flour as per invoice No. 10, for Biscuit Dept., \$1,000. Remitted in payment a bank draft purchased with check (Exchange ¼%). Paid cash for freight, \$26.70. Charge Sales—J. H. Howie, Barrie, 10 bbls. Mixed Biscuits, 640 lbs., at 12c. Total, \$——. Perry & Co., Brantford, 20 bbls. Fruit Biscuits, 1,400 lbs., at 10c. Total, \$——.

Mar. 28.—Deposited in bank, cash \$1,000. Sold Harper & Freel, Chatham, on their acceptance at 30 days, 500 boxes Coconut Rock, at \$1.10, \$——.

Lost Time.—C. B. Watt, ¼ day; H. C. Fraser, ¼ day; M. Kennedy, ¼ day; R. Rhodes, ¼ day.

Mar. 30.—Cash Sale—Watson & Williams, Toronto, 200 boxes Soda Biscuits, 4,000 lbs., at 5c.; 120 boxes Snaps, 2,200 lbs., at 5½c.; 100 boxes Ginger Snaps, 1,800 lbs., at 9½c. Total, \$——, less discount as per terms \$——.

Mar. 30.—Charge Sales, as per rush orders, filled to-day:—J. H. Raymond, Guelph, 100 boxes Oyster Biscuits, 2,000 lbs. at 7½c.; 100 bottles Assorted Candies at 98c. Total, \$——. C. S. Stewart, Hamilton, 10 bbls. Fruit Biscuits, 650 lbs., at 9c.; 12 pails Mixed Candy, 250 lbs., at 8½c. Total, \$——.

Lost Time.—B. C. Watt, ¼ day, J. K. Culver, ¼ day.

Mar. 31.—Discounted the following bills, as per B.B., at 8%, and deposited proceeds; C. S. Stewart & Co.'s note dated March 25. Elliott & Lane's note dated March 26. Turner & Co.'s acceptance dated March 28. Face Value, \$——. Discount, \$——. Proceeds, \$——. Paid employees in full to date by check, \$——. Paid Holder & Co. the amount of rent for the month still due them by check, \$——.

Lost Time.—M. Cassels, ¼ day, H. C. Fraser, ¼ day, M. Stratton ¼ day.

INVENTORIES, MARCH 31.

Biscuit Department—Material on hand	-	-	-	-	\$1,210.00	
" " Manufactures	-	-	-	-	988.80	
						\$2,198.80
Confectionery Department—Material on hand	-	-	-	-	660.00	
" " Manufactures	-	-	-	-	685.30	
						1,345.30
Total	-	-	-	-		\$3,544.10
Value of unexpired Insurance, \$120, less 1/4	-	-	-	-	\$110.00	
Interest accrued on excess capital	-	-	-	-	39.29	
						\$149.29

SET 11. SPECIMEN ENTRIES—FIRST RECORD.

FOUR COLUMN JOURNAL (containing memos. of all important agreements and a record of all transactions not recorded in some other book).

London, March 2, 190—.

DATE.	JOURNAL ENTRIES AND EXPLANATIONS.	L.F.	MISCELLANEOUS.		CHARGE SALES.	
			DEBITS.	CREDITS.	BISCUIT.	CONFECTIONERY.
(r)	A. B. Scott and (Student's own name here) have this day formed a co-partnership, etc.					
(a)	Received from Holden & Co. a five-year lease of their building and machinery, etc.					
(a)	Engaged David Graham as accountant at a salary of \$900 per annum, etc.					
	Sundries. To A. B. Scott.	✓		4107 00		
(a)	A. B. Scott's investments as follows:—					
	Cash. See C.B. - - - - -	✓	3000 00			
	Bills Rec. Note No. 1, see B.B. - -	✓	1095 00			
(c)	Interest accrued on above - - -		12 00			
	Sundries. To (Student's name here).	✓		10000 00		
(a)	(.....) investments as follows:—					
	Cash. See C.B. - - - - -	✓	7500 00			
	Biscuit. See Stock Sheets - - -	✓	2500 00			
	Sundries. To Cash.	✓		3700 00		
(a)	Holden & Co.'s Stock. See Stock Sheet.					
	Biscuit. Stores - - - - - \$500					
	Stock - - - - - 800	✓	1300 00			
	Confectionery. Stores - - - - - \$2000					
	Stock - - - - - 400	✓	2400 00			
	3					
	Ellis & Son - - - - -		240 00			
	Exchange - - - - -		30			
(b)	To Bank - - - - -			240 30		
	Ck. No. — for Bk. dft. Invoice No. 3, Ex. 1/2%					
	13					
	Holden & Co. - - - - -		146 00			
(b)	To Bank - - - - -			146 00		
	Ck. No. — for new machinery.					
(a)	Holden & Co. have agreed to allow interest at 8% per annum on payment advanced by us.					
	19					
	Elliott & Lane - - - - -		12 40			
(b)	To Bank - - - - -			12 40		
	Ck. No. — prepaid frt. on rush order.					
	20					
	Bills Pay. - - - - -		446 20			
(b)	To Bank - - - - -			446 20		
	Ck. No. — in payment of Note No. —					

DATE.	JOURNAL ENTRIES AND EXPLANATIONS.—Continued.	L.F.	MISCELLANEOUS.		CHARGE SALES.		
			DEBITS.	CREDITS.	BISCUIT.	CONFECTIONRY.	
	31						
	Wages		752	90	752	90	
(b)	To Bank						
	Cks. No. — for wages as per pay roll.						
	Rent		200	00	200	00	
	To Holden & Co.						
	Rent of premises, March 1-31.						
	Holden & Co. "		54	00	53	42	
(b)	To Bank						
(c)	To Interest					58	
	Ck. No. — for balance of March rent due Holden & Co.						
	Total Charge Sales for March				4417	80	3412 65

- (a) Short memos. of all important agreements should be inserted in the Journal whether posted therefrom or not.
- (b) By opening columns in the Cash Book for deposits and checks all (b) items may be dropped from the Journal. See second record.
- (c) Only discount allowances on goods are recorded in the Discount Journal. All other items of interest or discount are to be recorded in the general Journal.

NOTE.—All check marks ✓ indicate that the items thus checked are to be posted from some other entry.

OFFICE TIME AND PAY SHEET

For the Month ending March 31, 190—.

No. of Workman's Time Card.	NAME	DEPARTMENT AND OCCUPATION.	TIME PER WEEK.					Total.	RATE OF WAGES.			Earnings for Month.	Charges and Drawings.	Amount Paid.	Voucher No.	Balance Unpaid, Remarks, or Receiver's Signature.	
			1	2	3	4	5		Hr.	Day	Mo.						
	Graham, David	Accountant							75			75	00	75	00		
	Marr, Mary	Typewriter							32			32	00	32	00		
	Calder, J. A.	D. & S. Keeper							60			60	00	50	00		
		Biscuit Depart. Foreman								60		60	00				
1	Hume, A. C.								18c			43	20				
2	Riggs, J. S.		55						18c			44	10	8	00		
3	Cooper, B. C.		60						18c			45	00	10	00		
4	Lane, S. T.		57½						18c			42	30				
5	Milloy, B. S.		60						18c			45	00				
6	Watt, Chas.		50						10c			24	00				
7	Cassells, M.		60						10c			26	00				
8	Fisher, C. A.		50						8c			18	40				
		Confection Dep. Foreman								60		60	00				
9	Miller, C. S.		60						18c			45	00				
10	Ney, A. F.		57½						18c			45	00				
11	Culver, J. K.		60						10c			25	00				
12	Kennedy, A. M.		57½						10c			25	00				
13	Rhodes, R.		55						10c			24	00				
14	Gilmour, F. H.		50						10c			23	50				
15	Stark, A. K.		35						8c			18	40				
	Stratton, J. A.											720	00	28	00	752	00

NOTE.—The student may devise his own Time Book for recording employees' time. Before entering the employees' time for the first week into the Office Time and Pay Sheet, he should compare the results of his time-keeping with the entries for the first week in the above. 10 hours constitute a full working day.

Dr.

CASH.

Date.			L.F.	Sundries.	Bills Rec.	Biscuit.	Confectionery
Mar.	2	A. B. Scott - - - Investment - - - - -		3000 00			
"	2	(Your own Name) - - - - -		7500 00			
"	3	Biscuit - - - - - Cash Sales - - - - -	✓	467 54		467 54	
"	12	Biscuit - - - - - " " - - - - -	✓	34 14		34 14	
"	12	Confectionery - - - - - " " - - - - -	✓	34 92			34 92
"	14	Bills Rec. - - - - - Proceeds of Note No. 1 -	✓	1095 00	1095 00		
"	14	Interest - - - - - Accrued Int. on above - -		14 88			
"	31	Total Receipts for March - - - - -		17023 00	4613 67	1170 98	723 47

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NOTE.—In the foregoing Cash Book the check marks ✓ indicate that the amounts placed in special columns are to be posted at the end of the month in the totals of the columns. The figures enclosed by brackets below the totals of special columns indicate the Ledger Folio on which these amounts are posted. The totals are the amounts of all entries for the month.

PURCHASE JOURNAL.

Biscuit A/c.

No. of Invoice.	Date of Invoice.		L.F.	From whom Purchased.	Address.	Amount.	Terms.	When Due.
	Mar.	2		Holden & Co. - - - - -	London - - - - -	1300 00	Net	Paid, 2/3/04
	"	2		Martin & Mitchell - - - - -	Goderich - - - - -	460 00		
	Mar.	31		Biscuit A/c, Dr. - - - - -	Purchases - - - - -	4510 00		

PURCHASE JOURNAL.

Confectionery A/c.

No. of Invoice.	Date of Invoice.		L.F.	From whom Purchased.	Address.	Amount.	Terms.	When Due.
2	Mar.	2		Holden & Co. - - - - -	London - - - - -	2400 00	Net	Paid, 2/3/04
	"	18		Cossitt & McKay - - - - -	Montreal - - - - -	720 00		
	Mar.	31		Confectionery, Dr. - - - - -	Purchases - - - - -	4760 00		

DISCOUNT JOURNAL.

			L.F.			
<i>Discount:—</i>						
<i>To Sundries.</i>						
Mar.	2					
"	10			Cameron & Campbell. Invoice - - - - -		7 59
"				J. H. Howie - - - - -		7 32
"	31			Total Discount Debits for March		19 75
<i>Sundries:—</i>						
<i>To Discount.</i>						
Mar.	3			Martin & Mitchell - - - - -	13 30	
"	6			Cooper & Smith - - - - -	30 00	
"	31			Total Discount Credits for March	43 80	

Book-keepers usually take separate pages of this book for debit discounts and credit discounts, adding dates and items of "Sundries" as they occur.

CASH.

Cr.

Date.			L.F.	Sundries.	Expense.	Biscuit.	Confectionery
Mar.	2	Holden & Co. - - Stock of Goods - - -		3700 00			
"	2	Expense - - - Office Books - - -		30 00	30 00		
"	2	Biscuit - - - Freight on Invoice No. 1		18 60		18 60	
"	2	Confectionery - - " " No. 2		20 00			20 00
"	2	Bank - - - Deposit - - -		5000 00			
"	14	Bank - - - Proceeds Note No. 1 - -		1109 88			
"	19	Wages - - - A. G. Hume - - -		10 00			
"	31	Bank - - - Proceeds Notes 9, 11, 12 -		2890 15			
"	31	Discount - - - On above - - -		19 45			
"	31	Balance - - - On hand - - -		2232 25			
"	31	Total Payments for March - - -		17023 00	102 30	77 50	54 40

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1. Open the foregoing books in your Commercial Blank Book, record therein all the March business, and show how the given results and totals in the various books were obtained on March 31.

2. Open Ledger a/cs in the order indicated, allowing spaces for each as follows:—

Private Ledger.... A. B. Scott (your own name), Biscuit, Confectionery, 5 spaces each, Expense, balance of first page; Exchange and Bank Charges, 5 spaces, Bank, balance of second page; Wages, Discount, 5 spaces each; Bills Rec., Bills Pay., Rent, Insurance, 3 spaces each.

Purchase Ledger. Martin & Mitchell, Cooper & Smith, Ellis & Son, Cossitt & McKay, Boles & Co., McPherson & Co., 3 spaces each Holden & Co., 6 spaces; Turner & Son, Mason & Co., 2 spaces each.

Sales Ledger..... J. H. Howie, J. H. Raymond, C. S. Stewart, Cameron & Campbell, Graham & Co., James Mark, Harvey & Kane, Perry & Co., Harper & Freel, 3 spaces each; Elliott & Lane, 6 spaces.

3. After posting and obtaining a Trial Balance from your Ledger, open a Trading A/c and record therein the costs and proceeds of manufactured goods, including discount allowances on goods, and ascertain the gross profit for the month.

4. Open a Profit and Loss A/c and charge the same with general expenses, including interest and discount on notes, and ascertain the net profit for the month.

5. Make a Statement of Assets and Liabilities, showing each partner's Net Worth on March 31, after the division of the net profits.

Results:—Trading A/c—Gross Profits, exclusive of discounts on notes\$ 597.75
 Profit and Loss A/c—Net Profits due each partner 116.94
 Capital A/cs—A. B. Scott, \$3,616.94; (your own name)..... 9,616.94

It is of great importance that the student who has now nearly completed his school course in Book-keeping, should clearly understand the necessity for variety in the form and records of the same books in different business concerns, according to the different conditions and circumstances under which the business is carried on; also that the records in any particular business may occasionally require alteration to lessen the book-keeper's labor or to suit altered conditions and requirements.

When the student has mastered the principles of book-keeping, as stated and illustrated in the various exercises of this book, and has learned to devise and alter books for recording with the least labor the business of these exercises, he may safely attempt office work in any establishment with the view of becoming, in a comparatively short time, competent to take charge of any part of the office records in detail.

SET 12. MANUFACTURING BUSINESS—SECOND RECORD.

After carefully studying the changes indicated in the succeeding paragraphs in connection with the written work of the First Record, the student will open the books for Set 12 and make the Second Record in accordance with the following directions:—

Discount Journal.—By using the discount column in the Bill Books for discounts allowed to customers who settle by note, and for discounts allowed to us by creditors who draw for purchases, it will enable the book-keeper to dispense with the **Discount Journal**. The amount of discount allowed to a customer and the face of the note received from him, will, when posted from the Bills Rec. Book, balance the charge for which the note is received. Similarly the discount allowed to us by a creditor and the note given him, will, when posted from the Bills Pay. Book, balance the credit for which the payment is made. The totals of the "Discount Columns" in the Bill Books will correspond with the debits and credits of the **Discount Journal** and may be posted in totals as in the First Record. Discounts allowed on cash payments will be recorded in the "Discount Column" of the Cash Book and posted therefrom as in the First Record. Other occasional and irregular interest and discount items should be put through the regular Journal and posted therefrom separately.

Cash Book.—Having introduced a monthly test of the cost of Biscuit and Confectionery Manufactures separately, and being thus able to ascertain the approximate profit from each department for any period of time by knowing the output for that period, it has been decided to discontinue the separate record of cost and proceeds of the two departments in each transaction. Change the heading of the third debit column of the Cash Book in the First Record from "Biscuit" to "Mdse." or "Manufactures," and the third credit column from "Biscuit" to "Freight." As cash paid for freight on all materials for manufacture is really part of the cost of the manufactured goods, the total of the "Freight" column will be posted to the debit of "Mdse." or "Manufactures" A/c, and the cash sales from both departments will be posted monthly in total to the debit of the same a/c.

Change the headings of the fourth columns of the Cash Book in the First Record from "Confectionery" to "Bank." Record all deposits in the debit "Bank" column, omitting a Journal entry in the explanatory column and the amount from the debit "Sundries" column. Record all payments by check in the credit "Bank" column indicating the Journal Entry in the explanatory column, but omitting the amount of the check from the credit "Sundries" column. The difference between the "Sundries" columns will then show **Balance of Cash on hand**, and the difference between the "Bank" columns will show the **Balance of Cash in bank**.

Journal.—Omit all payments by check in the Second Record. Substitute one column "Mdse." or "Manufactures" for the two columns "Biscuit" and "Confectionery" of the First Record. It will be seen that the General Journal of the Second Record thus becomes practically a Sales Journal.

Ledger.—Substitute Purchases and Sales A/cs for Biscuit and Confectionery Ac/s of the First Record. Enter the cost and proceeds of goods in these two a/cs and close each into Trading A/c according to directions on pp. 111-112.

Results:—Cash Book—Totals of special columns as follows:—

Sundries debit	\$17,023.00	Sundries credit	\$14,790.75
Bills Rec. "	4,613.67	Expense "	102.30
Mdse. "	1,894.45	Freight "	144.40
Bank "	10,608.80	Bank "	6,552.51
Trading A/c—Gross Profit, including discounts on notes			588.96
Profit and Loss A/c—Net Profit to each partner			116.94
Capital A/cs— A. B. Scott, \$3,616.94 ; (Your own name)			9,616.94

PRINCIPLES OF COST KEEPING, WITH OUTLINE OF SYSTEM FOR USE IN PRINTING OFFICE.

The three elements in the cost of manufactured articles are :—

- (1) Material ; (2) productive labour ; (3) non-productive labour, or general expense

Material means the actual raw material contained in the finished product.

Productive Labor is that labor which can be applied directly, and charged to a given article, job or lot.

Non-productive Labor is that labor which is expended in the performance of various duties in connection with the proper working of a factory, but which is not applicable to any particular product.

General expense is usually divided into three classes :—

- (1) Factory expense or non-productive labor ; (2) office expense in the administration of the business ;
(3) Selling expense in marketing the furnished product.

Cost of material, plus productive labor, gives the **Prime Cost** of manufactures. Prime cost, plus factory expense, gives the **Factory Cost**. Factory cost, plus administrative and selling expense, gives the **Actual Cost**.

Manufacturers in the past have to a great extent overlooked the item of general expense as an important factor in the cost of their finished products. The amount of material and productive labor expended thereon necessary to make a certain article varies little from year to year, and many manufacturers have taken the combined cost of these two factors as the basis for computing the actual cost, from which, in turn, the selling price is obtained by the addition of a percentage estimated to provide for general expenses, losses and depreciation of assets. In following this course they lose sight of the fact that the Factory, Administrative and Selling Expense varies from year to year, or season to season, and that this variation may be sufficient to seriously affect the financial prosperity of the business before the variation is localized, and provision is made therefor. Every manufacturer should keep his eye on the cost indicator of the business, which moves most irregularly and decisively on the dial of the general expense department.

Productive labor should carry all the burden of general expense items entering into the actual cost of manufactures—that is to say, the percentage of general expense in the cost of any article should be computed on the productive labor that has gone into it. As a general thing, the manufacture of an article containing \$100 worth of material, and having \$50 worth of labor expended on it, will place no more burden on the plant than an article containing only \$50 worth of material, and having \$50 worth of labor expended on it. Consequently, in computing the percentage of each department of general expense entering into the cost of an article, for purposes of comparison and study, the computation should be made on the productive labor expended.

The principal items entering into the actual cost of manufactures, with the accounts in which they are recorded, are shown in the following given below. The items are illustrative only, and are bound to vary in different factories according to the nature of the business and the conditions under which the work is carried on. To give the specific Cost, Accounts for the Cost Ledger of any business, would necessitate a knowledge of the business in detail.

Classified Items of Cost.

A/cs Where Recorded.

Production Charges :—

Cost of Raw Material, including duty and freight (inwards)
Productive labor.

Stores.
Wages.

These items give the Prime or Book Cost.

Factory Charges :—

Non-productive labor.
Insurance on stores, stock and buildings.
Repairs to machinery and buildings.
Fuel, power, light, etc.
Miscellaneous factory supplies.
Rent of factory.
Depreciation of plant.
Spoiled and defective work.

Wages.
Insurance.
Repairs.
Power.
Factory Supplies.
Rent.
Depreciation.

These items added to the Prime Cost give the Factory Cost.

Classified Items of Cost.—(Continued.)

A/cs Where Recorded.

Office Charges:—

Officers' Salaries,
Stationery, Postage, etc.
Office Rent, Fuel, Light, etc.

Salaries,
Office Supplies,
Rent, Fuel, and Light A/cs.

Selling Charges:—

Travellers' Salaries and Expenses, including special discount or Freight (outwards) allowances to customers in certain cases.

Travellers' A/cs.

These items added to the Factory Cost give the Actual Cost.

An essential in any system of cost-keeping is to localize all manufacturing charges sufficiently to show variation of cost items in the different departments, or to expose defects in the factory management. In the following outline this localization is accomplished by means of cards on which the foremen and workmen make entries, as the work on any job proceeds, showing the material, labor and general expense chargeable thereto. From these cards the cost clerk is enabled to summarize the cost and to charge the various accounts in his cost ledger.

All orders for goods to be manufactured are issued to the foreman of the department by the superintendent. These orders (See Form 1) are made out in triplicate, and the original is kept on file in the superintendent's office, remaining under his eye while the job is in progress in the factory. The duplicates go to the foreman in whose department the work is to be done. One of these duplicates he uses as a requisition for material. When signed by the foreman it becomes the first cost item, and is retained by the storeskeeper as his voucher for stores issued. The remaining duplicate is retained by the foreman for reference.

NOTE.—At the end of the month the amount of all these vouchers is credited to the stores account in the ledger to balance the debits made against the different jobs as they were completed.

FORM I.—Order Card.**(a) Superintendent's Copy.**

.....190.....
Job No.....
Ordered by.....
.....
<i>Please supply the following material:</i>
.....
Foreman.

(b) Foreman's Copy.

.....190.....
Job No.....
Ordered by.....
.....
<i>Please supply the following material:</i>
.....
Foreman.

(c) Storekeeper's Voucher.

.....190.....
Job No.....
Ordered by.....
.....
<i>Please supply the following material:</i>
.....
Foreman.

The item of productive labor is accounted for in almost every system of cost-keeping, but in the majority of cases little attention is paid to the non-productive labor. The following Work Cards (See Form 2) show how the latter may be recorded with little extra labor to the foreman. The foreman turns into the office every day one card for each workman, it being himself, showing the localization of the day's work. Each workman's card shows whether he has done productive or non-productive labor, and whether the former was day-work or piece-work. The foreman enters the number of hours each workman has worked on the job during the day on card (a), if by day work, and the number of pieces instead of hours on card (b), if by piece-work. On the reverse of both cards non-productive labor is classified, and when a workman is engaged at this kind of labor it is indicated on the reverse side of his card. In order to verify these labor reports and show that no labor charge has escaped record, these Work Cards may be checked with the workmen's Time Cards or the Time Book as returned to the office by the foreman or time-keeper.

FORM II.—Work Card.

(a) Day Work.

(b) Piecework.

a) (b) Reverse Side.

PING PONG PRINTING CO.		
Card No.		
FOREMAN'S REPORT OF DAY WORK		
Done by (Workman's No.)		
Date		
Began Quit		
Job No.	No. of Hours.	ARTICLE

PING PONG PRINTING CO.		
Card No.		
FOREMAN'S REPORT OF PIECEWORK		
Done by (Workman's No.)		
Date		
Began Quit		
Job No.	No. of Pieces.	ARTICLE

Card No.			
SHOP WORK.			
ITEMIZE ALL ENTRIES.			
No. of Hours.	WORK.	Began.	Quit.
	Proof-reading ..		
	Placing Stock ..		
	Cleaning		
	Repairing		

The Work Cards and Requisitions for all material are forwarded regularly to the cost clerk. From these he makes up two summaries of the productive cost of each job. The first (Form 3) gives by items the total productive labor in the job, and the second (Form 4) the details of the material used with all labor that can be assigned to the job.

Form III.

Summary of Productive Labor in a Job.

ARTICLE				Job No.	
Date.	OPERATION.	Card No.	Workman's No.	No. of Hours.	COST OF LABOR.

NOTE.—These Cards are posted day by day from the Work Cards. They are used in charging a/cs in the Cost Ledger only, the total cost of labor being charged to the various departments in the General Ledger from the Wages Register as follows:—Printing Dr. to Wages, \$....., etc., etc.

Form IV.

Summary of Factory Cost in a Job.

ARTICLE		Job No.	
COST per		(See below.)	
KIND AND QUANTITY OF MATERIAL	Cost of Material.	Cost of Labor.	TOTAL FACTORY COST.

NOTE.—The total of columns 1 in all Form IV Summaries for each month should agree with the Storekeeper's vouchers for the month, and should be posted to the credit of Stores A/c.

The various charges and expenses as found on the reverse side of (a) and (b) (Form 2) are examined by the cost clerk at the end of each month, and all such charges which can be localized are totalled and the amount charged against the particular department by the following journal entries.—Printing Shop Expense Dr. to Wages, \$.....; Lithographing Shop Expense Dr. to Wages, \$....., etc., etc., etc.—one for each department. By dividing the sum charged to each department by the total productive labor charged to that department for the month from the Wages Register the percentage of the departmental shop expense is obtained.

All general factory expenses which cannot be localized are totalled and charged to general expense by the following journal entry:—General Shop Expense Dr. to Wages, and the percentage is obtained by dividing the total by the total productive labor of the factory for the same period.

Factory supplies and general office expenses are totalled and their percentages obtained in the same way. With these percentages of cost obtained every month or quarter in the year, the cost clerk is able to fill out the following Assembly Card (Form 5) which shows the manager at a glance the actual cost of any job, article or line of goods. If so desired these various percentages of cost may be recorded in a Comparative Statement either monthly or quarterly as obtained from the cards, or yearly as obtained by taking the average every twelve months. Such a comparative statement will be of great use to the manager, as forming the cost indicator and dial for every department of the business.

Form V.

ASSEMBLY CARD.		
Job No.....	Article.....	
No. ordered	No. finished.....	
OPERATION.	LABOR.	DEPT. SHOP EXP.
1. Composition		
2. Printing.....		
3. Padding.....		
4. Capping.....		
5.		
6.		
7.		
Totals.....		
.....% for General Shop Expense.....		
.....% for General Office Expense.....		
.....% for Sundry Expense.....		
Material.....		
Actual Cost per.....		

This Assembly Card is particularly valuable where estimates are called for on a job similar to the one the cost of which is here summarized. The manager is not satisfied to know the details of cost of an article as shown by any single card of the series. He wants to know how the cost of this article compares with that of other months, both of this and previous years. By keeping these Assembly Cards conveniently filed for reference and making a thorough study of the information contained therein, he can keep the mechanism of the business properly adjusted, and can ascertain the various conditions under which the maximum output may be obtained at the minimum cost.

Some small factories have in operation a modified form of the foregoing system of cost-keeping, from which satisfactory results have been obtained. The Material and Productive Labor Items only are charged to each job. All other charges classified on pages 123, 124, as Factory Charges, Office Charges, and Selling Charges are designated as Non-Productive Expense. The percentage of Non-Productive Expense is computed yearly on the yearly output of the Factory, i.e., on the total Factory Cost, rather than on Productive Labor only and the percentage of Non-Productive expense thus obtained is added to the Factory Cost of every job during the next year in obtaining the Actual Cost. See Form VI for modification in Assembly Card.

Form VI.

ASSEMBLY CARD.	
Job No.....	Article.....
No. ordered.....	No. finished.....
OPERATION.	LABOR.
1. Composition	
2. Printing.....	
3. Padding.....	
4. Capping, etc.....	
5.	
6.	
7.	
Totals.....	
MATERIALS, p—, S. B.....	
Add 2½% for waste.....	
Total Factory Cost.....	
Add —% for Non-Prod. Exp....	
Actual Cost per ——— \$	

EXERCISE LXXXIX.

At the close of the year 190—, the books of the Ping Pong Printing Co. show the following summary of the year's business: Total output of Factory for year \$30,000; Total Wages paid out during year \$10,000, of which \$780 was for Proof-reading and \$420 for other Non-Productive Labor; Office Rent \$180; Factory Rent \$350; Insurance \$240; Taxes \$90; Interest \$150; Fuel, Light and Power \$210; Office Salaries \$2,150; Traveller's Salary and Expenses \$1,850.

(1) Ascertain the percentage of Non-Productive Expense on the output, allowing a depreciation of 5% on Plant, \$6,000, and 15% on Type \$2,000.

(2) Make out an Assembly Card according to Form VI, showing the Actual Cost of the following job:—1,000 wire-stitched and paper-bound catalogues, estimating cost of paper required \$40; Wages in Printing Department \$25; Wages in Lithographing Department \$35; Stitching and Binding \$20.

(3) Make an estimate on the foregoing job, allowing for 10% profit on Binding sublet, and 35% for working profit.

Results——.

PARTNERSHIP.

A partnership is an association of individuals who place their money, skill or labor in some business enterprise for the purpose of making profit which is to be divided among the partners in some proportions agreed upon. The distinctive mark of a partnership is always the community of profits and distribution of the same amongst those comprising the partnership.

Partnerships are of two kinds ; (1) General, (2) Special or Limited.

A General Partnership is one in which each partner is affected by the general business dealings of the firm and in which each is responsible for the transactions of all the other partners.

A Limited or Special Partnership is one in which one or more partners called limited partners are not liable for the debts of the partnership beyond the amount of cash contributed by them to the capital of the partnership.

A General Partner is one who is authorized to transact business and sign for the partnership, and to bind the same thereby. He is responsible for the debts of the partnership to the full extent of his possessions. He may be either (1) an active partner, or (2) a silent partner.

An Active Partner is one who is generally found at the place of business taking an active part in the management, and whose name usually appears in the firm name of the partnership.

A Silent Partner is one who lends his name and credit to the partnership without taking any active interest in the business. He can be held liable for debts of the partnership by any person who has given credit to the firm in good faith knowing him to be a partner.

A Limited or Special Partner is one who contributes in actual cash payments a specific sum as capital to the common stock, and who is not liable for the debts of the partnership beyond the amount so contributed to the capital. He must comply with the requirements of the "Act respecting Limited Partnerships," R.S.O., 1897, Chap. 151.

Certificate of Formation of Limited Partnerships.—All persons forming a limited partnership are required by law to make and sign a certificate setting forth :—

- (1) The proposed name of the firm.
- (2) The nature of the business to be transacted.
- (3) The names of all the general and special partners interested in the firm, distinguishing which are general and which are special partners, and their usual places of residence.
- (4) The amount of capital contributed by each special partner.
- (5) The date at which the partnership is to commence and the date at which it is to terminate.

NOTE.—This certificate must be signed by each member of the partnership, certified by a notary public, and filed in the office of the Clerk of the County Court of the county in which the principal place of business of the partnership is situated, and no such partnership shall be deemed to exist until such a certificate has been filed and recorded in accordance with the statute in that behalf. For form of certificate see R.S.O. Schedule appended to Chapter 151.

The firm name of a limited partnership shall consist of the names of the general partners only, or some one or more of them, and if the name of a special partner is used in the firm name, he shall be deemed a general partner.

A limited partner cannot withdraw his capital from the firm before the termination of the partnership. In case of insolvency or bankruptcy of a limited partnership no special partner shall be allowed to rank as a creditor until the claims of all other creditors are satisfied.

Registration of General Co-Partnerships and Business Firms.—All persons associated in a general partnership are required by law to deliver to the registrar of the registry division in which they intend to carry on business, a written declaration of partnership setting forth the following facts:—

- (1) The names and places of residence of all the partners.
- (2) The name of the firm under which they intend to carry on business.
- (3) The term during which the partnership has existed or is to exist.
- (4) That the persons named therein are the only members of such co-partnership.

NOTE.—This declaration of partnership must be filed within six months after the formation of the partnership, and every member of the partnership who fails to comply with the requirements of the Statute in that behalf shall be liable to a fine of \$100.

New Declaration for every Material Alteration in Partnership. - A similar declaration shall be made and filed when, and as often as any alteration takes place in the membership or the firm name of the partnership or in the place of residence of any member of the firm, and every new declaration shall state the material alteration in the partnership. Hence, persons signing a declaration of co-partnership shall be deemed partners till a new declaration is filed.

The law does not require that a general partnership agreement shall be in writing. The partners may make any sort of contract between themselves by word of mouth, and in the absence of a stipulated term as to the duration of the contract, the partnership is one at will, and any partner may dissolve on giving reasonable notice. Such a dissolution does not, however, release the retiring party from liability to pay the debts of the firm at the time of his withdrawal, nor the debts incurred by the firm after his withdrawal unless he issues a written *notice of dissolution. Such a notice should be published in the *Gazette* and local papers, and a circular of the same should be mailed to all the creditors and customers.

A Partnership may be dissolved in the following ways:

- (1) By completion of the work or termination of the time for which the partnership was formed.
- (2) By mutual consent of the partners.
- (3) By the death or lunacy of one of the partners.
- (4) By a decree of the court for dissolution.

Division of Profits.—In the absence of some specified manner of apportioning profits, each partner receives an equal share of the net profits. The Articles of co-partnership generally specify the mode of apportionment of profits in some one of the following ways:—

- (1) According to some stated proportion as $\frac{1}{3}$ to A, $\frac{1}{4}$ to B and $\frac{1}{2}$ to C.
- (2) According to capital invested at the beginning of each financial year.
- (3) According to average net investment for the year, taking the lowest investment for each month during the year.
- (4) By allowing interest on each partner's investment at a specified rate and dividing the remaining profits according to some fixed proportion or according to capital invested.
- (5) By allowing interest at a specified rate to the partner or partners having the larger investment, on the amount of excess capital, and dividing the remaining profits equally.
- (6) By allowing a salary to each partner according to services each is to perform, interest to each on excess capital, and dividing the remaining profits equally, or according to some fixed proportion.

Partnership Settlements.—The most difficult and delicate task of the book-keeper of a mercantile partnership firm is the making out of Statements of Profit and Loss, and adjusting the accounts of the partners by a proper apportionment of the Net Gain or Net Loss according to agreement. As this is the only new feature the pupil will have to introduce in connection with book-keeping of mercantile partnership, he will find the following problems for settlement of great assistance in learning to adjust partners' accounts.

*Upon a dissolution of the partnership, any one or all of the partners may sign a declaration certifying the dissolution.

*For forms of dissolution see R.S.O., 1897, Schedules A & B to Chap. 152.

Partners' Accounts.—In keeping Partners' accounts each partner is credited with his investments and debited with his withdrawals exactly as if he were the sole proprietor. In extensive concerns two accounts are kept for each partner, one of which—the Capital a/c—shows his share of the capital invested in the business, and the other—the Private a/c—shows the amount withdrawn for private use. The latter is closed into the former at such times as the books are closed and a division of the profits made.

EXERCISE XC.

Andrus and Baker formed a co-partnership on Jan. 1, 190—, investing $\frac{2}{3}$ and $\frac{1}{3}$ of the Capital respectively and agreeing to share Gains and Losses in the same proportion. At the end of one year their financial statement showed the Assets to consist of Cash, \$5,640, Bills Receivable, \$1,620, Interest Receivable, \$20, Real Estate, \$7,500, Mdse., \$13,320. The Debts were, Bills Payable, \$3,600, A/cs Payable, \$5,720, Mortgage Payable, \$3,500, Interest Payable, \$130. The Net Gain for the year was, \$2,550. Find each partner's investment.

1. Using the Ledger ruling of your Blank Book make a Statement of Assets and Liabilities at the close of the first year.
2. Make a Statement showing how each partner's Investment may be determined.
3. Open Capital A/cs and record therein each partner's Investment, Net Gain and Present Net Worth.

Lines Required:—Partners' A/cs and Statements, $\frac{1}{2}$ page each.

Results:—Andrus' Present Net Worth, \$9,090. Baker's Present Net Worth, \$6,060

EXERCISE XCI.

Cody and Davis are partners in the Coal and Wood Business and on Feb. 1, 190—, they find the firm is insolvent. After apportioning the Net Loss for the past year, $\frac{1}{3}$ to Cody and $\frac{2}{3}$ to Davis, according to Investment they find Cody's insolvency is \$500 less than Davis'. They continued in business and during the next year made a Net Gain of \$9,360, at the end of which time their Assets are, Mdse., \$14,600, Horses, \$1,000, Wagons, \$400, Harness, \$250, Stable Furniture, \$50, Office Furniture, \$200, A/cs Collectible, \$6,500, Bills Receivable, \$950. The Liabilities are a bank overdraft of \$5,600, Lehigh Valley Coal Co.'s a/c due, \$9,500, wages due teamsters, \$50, rent due and unpaid, \$1. Find each partner's share of the Insolvency at the beginning of the year.

1. Using the Ledger ruling of your Blank Book make financial statements showing the Net Worth of the firm at the close of the year, and the Net Insolvency at the beginning of the same.
2. Open Capital a/c and record therein each partner's share of Net Insolvency at the beginning, and his Net Gain and Net Worth at the close of the year.

Lines Required:—Partner's a/cs, $\frac{1}{2}$ page each. Financial Statements, $\frac{1}{2}$ page.

Results:—Cody's Net Worth, \$4,960. Davis' Net Worth, \$3,740.

EXERCISE XCII.

G. Gates is the owner of a business of which the following is the Balance Sheet :—

Assets:—Stock-in-trade, \$5,000; Cash on hand and in bank, \$4,200; Real Estate, \$2,500; Personal Debtors, \$300.

Liabilities:—Personal Creditors, \$3,000; G. Gates (Capital) \$9,000.

H. Hunter and L. Lane are admitted as equal partners with G. Gates upon each paying Gates \$2,500 in cash and each putting \$4,000 in the business. Make out a Balance Sheet for the new firm on commencing, (1) using a Goodwill A/c, (2) without a Goodwill A/c.

Results:—(1) Each partner's $\frac{1}{3}$ interest, \$6,500. (2) Each partner's $\frac{1}{3}$ interest, \$5,666.66 $\frac{2}{3}$.

EXERCISE XCIII.

Barton and Cullis are partners. The articles of partnership state that each partner is to receive interest at 6% per annum on his lowest net investment during each month, that Barton is to receive a salary of \$40 per month and Cullis \$50 per month. The remaining profits to be divided equally.

At the beginning of the financial year Barton invests \$6,500 and Cullis \$5,600. At the end of five months Barton invests \$400 and Cullis withdraws \$500. The net profits for the year, exclusive of partners' salary and interest, is \$2,850.

1. Open a Loss and Gain A/c showing the apportionment of the gross profits.
2. Make out Capital A/cs showing how the net worth for each partner is obtained at the end of the financial year. Each partner has drawn his salary monthly but allows the interest on Capital to remain invested in the business.

Lines Required:—Allow $\frac{1}{2}$ page for each a/c.

Results:—Barton's Net Worth, \$8,729.00.

Cullis' Net Worth, \$6,843.50.

EXERCISE XCIV.

Spring and Winter are partners. Their financial statement for the year ending —, shows a gross profit of \$4,400 since closing the books the previous year. The rent was \$25 per month, taxes \$45, elck's salary \$420, stable expenses \$125, sundry expenses \$180. Spring's capital at last closing was \$2,400 and Winter's \$1,800. Each partner is to be credited with 5% interest on capital and to draw a salary of \$10 per week.

1. Make a Profit and Loss A/c showing the Net Profit for the year, and apportion the same to the partners in proportion to the capital invested.
2. Draw up Ledger A/cs for the two partners, and show the capital of each after being credited with the proper share of net profit. Each partner has drawn his salary monthly but allows the interest on Capital to remain invested in the business.

Lines Required:—Capital A/cs, $\frac{1}{2}$ page each, Loss and Gain, $\frac{1}{2}$ page.

Results:—Spring's share of Net Gain, \$1,188.57; Net Worth, \$3,708.57.

Winter's share of Net Gain, \$891.43; Net Worth, \$2,781.43.

EXERCISE XCV.

Field and Woods are partners. Their Capital A/cs at the time of closing one year ago, showed balances of \$4,500 and \$3,500 respectively. According to the Partnership Agreement each partner is entitled to draw \$15 weekly, but Woods is to receive $\frac{1}{3}$ of the Net Profits at the close of the year as extra allowance for performing office duties. The Remaining $\frac{2}{3}$ of the Net Profits is to be divided equally. Excess Capital is to draw interest at 5%. The Trading A/c of the firm shows a Gross Profit of \$4,550 during the year. General expenses were \$940; bad debts written off, \$150; permanent repairs, \$250, of which 20% only is to be charged against the year's profits.

1. Make a Profit and Loss A/c for the year showing the apportionment of Gross Profits.
2. Make a Capital A/c for each partner showing his Net Worth after the apportionment of Net Profits.

Lines Required:—Partners' a/cs, $\frac{1}{2}$ page each, Loss and Gain a/c, $\frac{1}{2}$ page.

Results:—Field's Net Worth, \$5,350; Woods' Net Worth, \$4,500.

EXERCISE XCVI.

Dickson and Ellis enter into partnership, Jan. 1, 190—, agreeing to share Gains and Losses in proportion to their average investments. At the end of one year their Assets and Liabilities are as follows:—

Assets—Cash, \$5,400, Bills Receivable, \$2,460, A/cs Receivable, \$4,250, Goods in Stock, \$6,500, Real Estate, \$7,500. **Liabilities**—Bills Payable, \$1,500, A/cs Payable, \$1,750.

The investments and withdrawals during the year are as follows:—

Dickson's Investments	-	Jan. 1	-	\$8,000	00	Ellis' Investments	-	Jan. 1	-	\$8,000	00
		Mar. 1	-	6,000	00			July 1	-	3,000	00
Dickson's Withdrawals	-	May 15	-	500	00	Ellis' Withdrawals	-	Jan. 31		300	00
		July 1	-	1,650	00			Apr. 15	-	1,000	00
		Aug. 31	-	3,000	00			Sept. 15	-	500	00

1. Open a Capital A/c for each partner, recording therein the investments and withdrawals. Allow $\frac{1}{4}$ page for each a/c.
2. Using the Ledger ruling of your Blank Book make a Statement of Assets and Liabilities at the close of the year.
3. By comparing the Net Worth of the firm at the close of the year, with the Net Investment as shown in the Capital a/cs, ascertain the Net Gain or Net Loss for the year.
4. Divide the Net Gain or Net Loss according to agreement. Carry each partner's share to his Capital a/c on Dec. 31, and show the Net Worth of each on that day.

Results:—Dickson's Net Gain, \$2,716.57. Ellis' Net Gain, \$2,093.43.
Dickson's Net Worth, \$11,566.57. Ellis' Net Worth, \$11,293.43.

EXERCISE XCVII.

E. James, W. Lewis and J. Sharman form a partnership to carry on a Wholesale and Commission Fruit Business. The declaration of partnership is duly signed and registered. It provides that the co-partnership is to continue for five years under the firm-name of James & Co., that the Head Office of the firm is to be at Toronto, that James and Lewis are general partners, investing \$5,000 and \$4,000 respectively, and that Sharman is a special partner investing \$2,000.

By the Partnership Agreement James is to receive a salary of \$1,500 for buying, selling and shipping, besides his travelling expenses, Lewis is to receive a yearly salary of \$1,000 for performing the office duties, and Sharman is to receive interest at the rate of 5% per annum on his investment. After these charges are provided for, gains and losses are to be shared in proportion to the capital invested.

At the close of the first year, the financial statement shows a Net Gain of \$2,200, which is divided among the partners, each adding his share less \$100 to his investment. Two months before the close of the second year, James purchases all the apples in cold storage in London, Toronto and Trenton at what he considers a speculative figure, giving in payment the promissory notes of the firm secured by Warehouse Receipts as per statement. One month later the market takes a disastrous slump and the firm is obliged to assign. Their statement as handed to the assignee is as follows:—

Assets :

Apples in cold storage hypothecated to the Commercial Bank of Canada :—			
London, 5,000 bbls. @ \$2.00		\$10,000	
Toronto, 10,000 " @ \$2.05		22,000	
Trenton, 15,000 " @ \$2.10		31,500	\$63,500 00
Cash on hand and in bank			500 00
Accounts Receivable			3,200 00
Shipment No. 28 to Woodall & Co., Liverpool, 8,000 bbls. @ \$2.30			18,400 00
Office Furniture			400 00
			<hr/> \$86,000 00

Liabilities :

Bills Pay. to the Commercial Bank of Canada, secured by Warehouse Receipts on 30,000 barrels		\$56,000 00
" to Trade Creditors not secured		18,000 00
Accounts Pay. to Local Agents and Trade Creditors		5,600 00
Capital Accounts—James, Lewis and Sharman, including Sharman's interest for first year		13,000 00
		<hr/> \$92,600 00

The Assignee realizes 90% of the book debts, \$50,000 on the apples hypothecated to the bank, and \$245 for the office furniture. He receives an Account Sales from Woodall & Co., Liverpool, showing the Net Proceeds from the 8,000 bbl. shipment to be £3,410 10s., which amount was forwarded by Bill of Exchange purchased at \$4.86. After deducting \$600 for his own and attorney's fees, the Assignee receives sufficient cash from James to pay all trade creditors in full.

Business Law.

1. Would Sharman be liable for more than \$2,000 as a limited partner?
2. Would Sharman rank as a creditor of the firm to the extent of the interest on his investment?
3. If Sharman, acting under the instructions of James, closed the deal for the apples, would he thereby become liable as a general partner?

Book-keeping.

1. Make out the Assignee's statement of receipts and disbursements.
2. Make out the Capital Accounts for the partners showing the final adjustment with one another.
3. Had Sharman purchased the apples for the firm, and signed the notes in payment for the same, what difference would it make in the adjustment?

Business Forms and Office Practice.

1. Write out the Warehouse Receipts received by the firm from the Cold Storage Co.'s at London, Toronto and Trenton.
2. Indorse each receipt to the Commercial Bank as collateral security for promissory notes given to this bank in London, Toronto and Trenton.
3. Make out the Account Sales received from Woodall & Co., Liverpool, showing how the net proceeds of £3,410 10s. was obtained.

Sales:—4,000 bbls. @ 13s. 10½d.; 3,000 bbls. @ 11s. 9½d.; 1,000 bbls. @ 11s. 4½d. **Charges:**—Steamship freight, 2s. 4½d. per bbl.; Lighterage and quay charges, 1s. 6d. per bbl.; Commission, 2% on sales; Storage, £20 5s.; Insurance, £30.

4. Write the Bill of Exchange on the Commercial Bank of Canada for the amount of Net Proceeds. Show how the amount of the Bill was obtained in Canadian currency.

NOTE.—The student is recommended to read and study carefully the Assignment Act, Chap. 147 R. S. O., for particulars as to duties and rights of Assignees of insolvent persons; Sec. 74 of the Bank Act for form of hypothecation of goods, and "Lindley on Partnership" for decision of points under "**Business Law.**"

CORPORATIONS—JOINT-STOCK COMPANIES.

A Corporation is an association of individuals having capacity to act as a single person in making contracts, acquiring real and personal property, and in suing and being sued at law for debt. Corporations receive their constitution or power to act and exist from some statute of the legislature. This constitution is called a charter, and grants to the corporation perpetual succession, that is to say, it provides that the vacancy caused by the death or retirement of any member may be filled by his legal representative or successor without destroying the corporate existence. Unless expressly stated to the contrary, the charter of a corporation grants perpetual existence so long as there are officers or agents to perform the corporate duties. The charter may, however, be voluntarily surrendered or forfeited by non-usage.

Public Corporations are those created by the legislature and endowed with subordinate legislative powers to assist in carrying on the government of the state. Such corporations include cities, towns and other municipalities.

Private Corporations are those created for manufacturing, mining, banking or trading purposes to make profits for its members. These include banks, railway companies, mining companies, factories and other trading enterprises, and are properly designated Joint-Stock Companies, the capital required being divided into shares of equal amounts which are held jointly by the members of the corporation, called the shareholders, each holding a specified number of shares.

A Partnership differs from a Corporation (1) in the Constitution of the Association:—

A corporation receives its constitution and power of action from some statute of the legislature, whereas a partnership is constituted merely by the mutual agreement of the individuals composing it.

(2) In the liability of the individual members for the debts of the Association:—

So long as the agents or executive officers duly appointed by a corporation act within their powers as specified in the charter, they cannot be compelled to pay the corporation debts out of their own property. As, however, the mutual agreement of a partnership rests wholly upon the general laws of agency, every partner is liable for all partnership debts, which cannot be discharged, to the full extent of his private possessions. The shareholders of a Joint-Stock Company are not personally liable for a greater sum than the amount unpaid on their stock.

(3) In the effect produced by the withdrawal of any individual member from the Association:—

The Constitution of a corporation provides for perpetual succession without altering the corporate body, whereas any change in the membership of a partnership causes a dissolution of the association.

In Canada, a Joint-Stock Company may receive its charter either from the Dominion Legislature or from some one of the Provincial Legislatures, according to the nature and extent of the business to be carried on. When the business of a proposed corporation is to be confined to one Province, a provincial charter is usually obtained, but when its operations and business transactions extend to other provinces a Dominion charter should be secured. The charter may, in either case, be obtained by a special Act of Parliament, or under general Acts passed for this purpose. Banks and railway companies, however, must always obtain their charters by special Act of Parliament from the Dominion Legislature. See R. Statutes of Canada, 1886, Chap. 119, or 40 V., Chap. 43, sec. 3.

The General Act of the Dominion Legislature under which Joint-Stock Companies are formed is called "The Companies' Act." See R. Statutes of Canada, 1886, Chap. 119; 40 V., Chap. 43, sec. 1.

Those passed by the Provincial Legislatures are known by similar names, such as "The Ontario Joint-Stock Companies' Letters Patent Act." See R. S. O., 1897, Chaps. 190, 191.

Promotion.—The promoters of a Joint Stock Company usually issue a written printed statement called a **Prospectus**, setting forth the proposed name of the Company, the nature of the business which it is intended to carry on, and such estimated or probable profits as will induce the public to invest in the capital stock of the company. It should also state the names of the first or Provisional Directors, particulars as to the number and value of the shares, the terms on which they are to be sold, and the names of the persons to whom application can be made for the same.

NOTE.—(For liability of Officers and Directors in making false or misleading statements in any Prospectus, see "Directors' Liability Act," R. Statutes of Canada, 1886, Chap. 118, also R. S. O., 1897, Chap. 216.)

Incorporation.—When the promoters have secured five or more persons to subscribe for stock, they may proceed to apply for a charter, and should observe the following requirements of the Statute.

1. Notice of their intention to apply for a charter of Incorporation must be given in the "Canada Gazette" or "Provincial Gazette," as the case may be, for four weeks previous to making the application. This provision is made so that any valid objections to the granting of the same may be laid by interested parties before the Secretary of State or Provincial Secretary.

NOTE.—This notice may be dispensed with in Ontario by companies whose capital stock does not exceed \$3,000.

2. After the publication of the notice for four consecutive weeks, the promoters numbering not less than five persons, must sign an application to the Governor General of Canada, or the Lieutenant-Governor of the Province, as the case may be setting forth the particulars as stated in the notice, together with the amount of stock each applicant agrees to take, how much has been paid for the same, and in what manner the payment has been made. The application should also give the names of not less than three nor more than fifteen persons who are to be Provisional Directors.

3. Before the charter is granted, the applicants shall establish to the satisfaction of the Secretary of State, or the Provincial Secretary, the truth and sufficiency of the facts set forth in the notice and application, as well as the sufficiency of all signatures, by affidavit or solemn declaration.

4. After the charter is granted the company shall forthwith insert on four separate occasions, in at least one newspaper in the county, city or place where the head office is located, a copy of the official notice made by the Secretary of State or Provincial Secretary in the "Canada Gazette" or "Provincial Gazette."

For form of notice, see Form A schedule of "Companies Act," R. Statutes of Canada, 1886, Chap. 119, sec 103.

For specimens of notices, applications and affidavits relating to the same, see "Shareholders' Manual," by J. Warde.

Organization.—As a corporate body when legally formed cannot act except by agents, the first work of a company is to organize by appointing officers to act for it, and to enact by-laws for the government of the company through its duly appointed officers.

Book-keeping.—The book-keeping for a Joint Stock Company is similar to that for an ordinary mercantile business, so far as the ordinary business transactions are concerned, but differs from it in the method of recording the Capital Stock and Shareholders' a/cs, and in the disposition of the Net Profits. The Statutes also call for certain special annual statements and books of record, the purpose and nature of which will best be understood by the student by a careful examination of the following specimens of books and entries therein.

For statutory requirements as to company records, see R. Statutes of Canada, 1886, Chap. 118 and 119, also R. S. O., 1897, Chap. 191, ss. 71-77.

STOCK SUBSCRIPTION BOOK
OF THE
BURNHAM STOVE AND OVEN COMPANY (Limited)
Capital \$6,000, divided into shares of \$100 each.

We, the undersigned, do severally subscribe for, and each for himself agrees to take, the amount of Capital stock of the Burnham Stove and Oven Company (Limited), set opposite his respective name and seal. We also agree to pay the calls on the same as they are made by the Directors, and to abide by the rules, regulations and by-laws of the said Company made in pursuance of its charter.

DATE.		SUBSCRIBER'S SIGNATURE.	SEAL.	ADDRESS.	SHARES.	VALUE.		WITNESS.
Sept.	1	Thomas Burnham	X	London	20	2000	00	J. A. Dickinson.
"	1	H. L. Thompson	X	London	10	1000	00	J. A. Dickinson.
"	1	A. H. Thomas	X	London	5	500	00	J. A. Dickinson.
"	1	R. N. Briggs	X	Guelph	10	1000	00	D. Young.
"	1	H. E. Harcourt	X	London	5	500	00	J. A. Dickinson.
"	1	J. Whittaker	X	Guelph	10	1000	00	D. Young.

The purpose of the above book is readily understood. The signatures and seals are evidences of the contract by which each of the subscribers creates a debt that may be sued and collected by any court having jurisdiction.

INSTALMENT LIST. Call No. 1.

Call No. 1, 25 % of the Capital Stock of the Burnham Stove and Oven Company (Limited), made by the Board of Directors, and payable on September 30, 1905.

WHEN PAID.		SUBSCRIBER'S NAME.	ADDRESS.	SHARES	AMOUNT DUE.		INTEREST.	AMOUNT PAID.	
Sept.	30	Thos. Burnham	London	20	500	00		500	00
"	30	H. L. Thompson	London	10	250	00		250	00
"	30	A. H. Thomas	London	5	125	00		125	00
"	30	R. N. Briggs	Guelph	10	250	00		250	00
"	30	H. E. Harcourt	London	5	125	00		125	00
"	30	J. Whittaker	Guelph	10	250	00		250	00
		Cash Received	paid to C.B Folio	.....				1500	00

The necessity for the above list will be more apparent in cases where there are a large number of shareholders paying the calls on their stock at different times.

INSTALMENT CERTIFICATE BOOK

(Consisting of blank certificates and the corresponding stubs bound together.)

STUB—To remain in the office for reference.

CERTIFICATE—to be filled up and given to the subscriber as his receipt for payment of call.

**BURNHAM STOVE & OVEN
COMPANY (LIMITED)**

Instalment Receipt No. 1

Amt. \$500.00 **Call No 1**
25 per cent. on 20 Shares

Nos. 1-20

Issued to Thos. Burnham.

Received this Receipt

Thos. Burnham.

Date Jan. 30, 1905.

BURNHAM STOVE & OVEN COMPANY (LIMITED)

\$500.00 Instalment Receipt No. 1 20 Shares.

Received from Thomas Burnham, Five Hundred Dollars, being the first call of 25 per cent. on Twenty Shares of the Capital Stock of the Burnham Stove and Oven Company (Limited), numbered 1 to 20 inclusive, which shares are set apart for him, his heirs, or assigns, on condition that he or they fulfil the terms of subscription.

In Witness Whereof we have signed our names and affixed the Corporate Seal of the Company, first October, 1905.

THOMAS BURNHAM,

President.

JNO. STUDENT,

Secretary.

STOCK CERTIFICATE BOOK.

(Containing blank certificates and the corresponding stubs bound together.)

STUB— to remain in office
for reference.CERTIFICATE— to be filled up and given to the shareholder when the shares are fully
paid up or when it is decided to make no more immediate calls.BURNHAM STOVE & OVEN
COMPANY (LIMITED)

Stock Certificate No. 2

Amt. \$1000.00 10 Shares

Issued to *H. L. Thompson*

Received this receipt

*H. L. Thompson*Date *Dec. 30, 1905.*

BURNHAM STOVE & OVEN COMPANY (LIMITED)

\$1000.00 Stock Certificate No. 2 10 Shares

This certifies that *H. L. Thompson* is the holder of Ten Shares of the Capital Stock of the Burnham Stove and Oven Co. (Limited), of the value of One Hundred Dollars each, fully paid up in the sum of One Thousand Dollars. The said shares are numbered 21 to 31, inclusive, and are transferable on the books of the Company by him or his lawful attorney on the surrender of this certificate.

In Witness Whereof we have signed our names and affixed the Corporate Seal of the Company, at London, this 30th day of Dec., 1905.

THOMAS BURNHAM,
President.JNO. STUDENT,
Secretary.

If these certificates were issued when only two calls had been made, the words "On which is paid the sum of Five Hundred Dollars" should have been substituted for "fully paid up in the sum of One Thousand Dollars."

DIVIDEND BOOK

OF THE

BURNHAM STOVE AND OVEN COMPANY (Limited)

Dividend No. 1, 10% declared by the Directors on Sept. 20, 1906

SHAREHOLDER'S NAME.	ADDRESS.	NO. OF SHARES.	DIVIDEND.		WHEN PAID.		RECEIPT.
<i>Thos. Burnham</i>	<i>London</i>	<i>20</i>	<i>200</i>	<i>00</i>	<i>Sept.</i>	<i>30</i>	<i>Thos Burnham</i>
<i>H. L. Thompson</i>	<i>London</i>	<i>10</i>	<i>100</i>	<i>00</i>	<i>"</i>	<i>30</i>	<i>H. L. Thompson</i>
<i>A. H. Thomas</i>	<i>London</i>	<i>5</i>	<i>50</i>	<i>00</i>	<i>"</i>	<i>30</i>	<i>A. H. Thomas</i>
<i>R. N. Briggs</i>	<i>Guelph</i>	<i>10</i>	<i>100</i>	<i>00</i>	<i>"</i>	<i>30</i>	<i>Ck. No. 49</i>
<i>H. E. Harcourt</i>	<i>London</i>	<i>5</i>	<i>50</i>	<i>00</i>	<i>"</i>	<i>30</i>	<i>H. E. Harcourt</i>
<i>J. Whittaker</i>	<i>Guelph</i>	<i>10</i>	<i>100</i>	<i>00</i>	<i>"</i>	<i>30</i>	<i>Ck. No. 50</i>
<i>Cash Payment entered in C. B. Folio</i>			<i>600</i>	<i>00</i>			

If the shareholder does not receive his dividend at the Head Office where his signature can be obtained in the Dividend Book as a receipt for payment of the dividend, the No. of the check mailed to him should be inserted in the "Receipt" column as it will, when paid and returned by the bank, act as a voucher for payment.

STOCK TRANSFER BOOK.

(Consisting of printed forms for signature of the transferor of shares, or that of his duly appointed attorney, and the corresponding stubs bound together.)

STUB—Containing Journal entry of the transfer.

TRANSFER—to remain attached to the stub, as evidence of the transfer and authority for the Journal entry on stub.

<p>Burnham Stove & Oven Company (Limited)</p>		<p>STOCK EXCH. FOLIO</p>	<p>For value received I hereby assign and transfer to <i>A. H. Thomas</i> all my right, title and interest in <i>Five</i> Shares of the Capital Stock of the <i>Burnham Stove and Oven Company (Limited)</i>, standing in my name on the Books of the said Company.</p>
<p>Date <i>Jan. 10, 1906</i></p>			<p>Witness:— <i>John Student</i> <i>R. N. Briggs</i></p>
<p>From <i>R. N. Briggs</i></p>		<p>141</p>	<p>I hereby accept the transfer of the said <i>Five</i> Shares of the Capital Stock of the <i>Burnham Stove and Oven Co. (Limited)</i>.</p>
<p>To <i>A. H. Thomas</i></p>		<p>141</p>	
<p>5 Shares \$500.00</p>			<p>Witness:— <i>John Student</i> <i>A. H. Thomas</i></p>
<p>No. OF CERTIFICATE</p>			
<p>Cancelled Issued</p>			
<p>{ 7 }</p>			
<p>{ 7 and 8 }</p>			

The foregoing form illustrates how the transfer would be made on the books of the Company if both transferor and transferee were to sign the Transfer Book at the Head Office. Where both parties, however, live in different localities, one or both of which may be considerably distant from the Head Office, the transfer may be made on the books in the Head Office by some person having power of attorney to sign for them. As nearly all transfers of stock are now made through the agency of the Stock Exchange, this power of attorney to transfer and to accept stock is usually given to the stock-broker with whom the order to buy or sell is placed.

The following forms illustrate the authority by which John Stark, stockbroker, of Toronto, could sign the Transfer Book in Toronto for both R. N. Briggs, of Guelph, and A. H. Thomas, of London, without either party seeing the actual transfer.

POWER OF ATTORNEY TO TRANSFER STOCK.

(Executed by R. N. Briggs, in Guelph, and mailed by him to John Stark, Toronto.)

Know all Men by these Presents that I, *R. N. Briggs, of the City of Guelph,* do make, constitute and appoint *John Stark, of the City of Toronto,* my true and lawful Attorney for and in my name and on my behalf, to sell, assign and transfer *Five* Shares of the Capital Stock of the **BURNHAM STOVE AND OVEN COMPANY (LIMITED)**, standing in my name, to receive the consideration money, to give a receipt or receipts for the same, and generally to do all lawful acts requisite for effecting the premises; hereby ratifying and confirming all that my said Attorney shall do therein by virtue hereof.

IN WITNESS WHEREOF I have hereunto set my hand and seal at *Guelph,* this *tenth* day of *January,* in the year of our Lord one thousand nine hundred and *six.*

SIGNED AND SEALED IN PRESENCE OF

D. Young *R. N. Briggs* SEAL.

Address *Guelph*

JOURNAL No. 1.

(Containing specimens of entries peculiar to Company Book-keeping.)

This entry made in the books after the Company was organized is simply a memo. of the application for incorporation with date of the same and names of applicants.

Memos. of all important meetings, appointments, agreements with employees as to salary, office duties, hours of work, etc., should be made in the Journal, with reference to the page of the special book where full particulars may be obtained.

This entry, like the opening entry of an ordinary mercantile business, credits the capital stock a/c with the total investments subscribed by the shareholders, but unlike it, charges each investment to the shareholders' personal a/c until he pays the same into the Company's treasury, where his a/c will be credited and the a/c representing the value paid in, will be debited.

In some cases, the application for charter specifies the number of calls and dates of payment, in which case the charter and not the resolution of the Directors governs the proceedings in respect to calls.

Entries for calls Nos. 2, 3, 4 will be similar to the above, as no transfer of stock has taken place previous to the last call.

When payments of these calls are posted in the General Ledger, it will be seen that the shareholders' a/cs are all in balance, showing that they are no longer liable to the Company for further payments to the Capital Stock.

This disposition of the year's profits places \$200 in the Reserve A/c to meet future losses or decreased earnings in order that some regularity of the rate of dividend may be maintained.

This entry, when posted, will leave the Dividend A/c in balance, showing all dividend claims paid in full.

— London, Sept. 10, 1905. —

Application was this day made by Thomas Burnham, H. L. Thompson, A. H. Thomas, etc.

Sept. 20.

The letters patent having been granted by the Lieut.-Governor of Ontario, a meeting was held to-day for the purpose of organization, and Thomas Burnham, H. L. Thompson, A. H. Thomas, were elected Directors. By-laws were also passed for the government of the company's officers. John Student was engaged as Book-keeper at a salary of \$50 per month. For full report of meeting, see Minute Book.

Sept. 20.

The Capital Stock has been allotted by the Provisional Directors, according to subscriptions in the Stock Subscription Book, as follows:—

<i>Thos. Burnham</i>	. . . . .	20 shares	2000	00		
<i>H. L. Thompson</i>	. . . . .	10 "	1000	00		
<i>A. H. Thomas</i>	. . . . .	5 "	500	00		
<i>R. N. Briggs</i>	. . . . .	10 "	1000	00		
<i>H. E. Harcourt</i>	. . . . .	5 "	500	00		
<i>J. Whittaker</i>	. . . . .	10 "	1000	00		
<i>To Capital Stock.</i>					6000	00

Sept. 20.

The Directors passed a resolution to make four calls on the shareholders for the payment of their subscription to the Capital Stock, each call to be 25% of the amount subscribed, and payable on the 30th days of Sept., Oct., Nov. and Dec., respectively.

Sept. 30.

CASH.

To Sundries—Call No. 1, 25%

<i>Thos. Burnham</i>	. . . . .	20 shares	500	00		
<i>H. L. Thompson</i>	. . . . .	10 "	250	00		
<i>A. H. Thomas</i>	. . . . .	5 "	125	00		
<i>R. N. Briggs</i>	. . . . .	10 "	250	00		
<i>H. E. Harcourt</i>	. . . . .	5 "	125	00		
<i>J. Whittaker</i>	. . . . .	10 "	250	00		

Sept. 20, 1906.

The annual meeting was held at the Head Office to-day, and the following statements presented by the Directors and adopted.

Sept. 20, 1906.

Loss and Gain.

	1200	00		
<i>Dividend</i>			600	00
<i>To Reserve</i>			500	00
<i>To Loss and Gain</i>			100	00

Dividend.

To Cash.

as per Dividend Book, p. 136.

600	00	600	00
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STOCK LEDGER.

(Showing the Subscribed Stock all paid and each shareholder's a/c credited with the amount of his paid-up Capital Stock after being closed in the General Ledger.)

Shareholders' Accounts.—These a/cs are credited with the payments, as in the General Ledger, but are not charged with the amount of stock subscribed. **Thus they indicate liabilities** owing by the Company to the shareholders for the amount of their payments on Capital Stock.

When a transfer of stock takes place the liability of the Company on the amount transferred passes with the stock certificate from the transferor to the transferee. For this reason **the seller's a/c is debited** with the amount transferred, thus lessening the Company's liability to him to that extent **and the purchaser's a/c is credited**, thus increasing the Company's liability to him to the same extent.

The transfer of 5 shares from R. N. Briggs to A. H. Thomas, on Jan. 10, 1906, is journalized in the Stock Journal, as indicated below, and posted therefrom to the Stock Ledger only, as the shareholders' a/cs were all closed at this time in the General or Business Ledger.

R. N. Briggs, Dr. \$500.00 (See Transfer Book.)
To A. H. Thomas, \$500.00.

Had this transfer been made before the last instalment of 25% was paid, two entries in the Stock Journal would have been necessary as follows:—

(a) *A. H. Thomas, Dr. \$500.00* (Transferring from R. N. Briggs to A. H. Thomas the liability to the Company created by R. N. Briggs when he subscribed for the 5 shares.)
To R. N. Briggs, \$500.00.

(b) *R. N. Briggs, Dr. \$375.00* (Crediting A. H. Thomas with the 3 instalments paid on these 5 shares while standing in Briggs' name.)
To A. H. Thomas, \$375.00.

A. H. Thomas' liability to the Company on the 5 shares purchased would thus amount to \$125, being the amount of the last instalment of 25%, and R. N. Briggs' liability to the Company would be the same on the 5 shares retained.

Paid-up Capital Account.—This a/c is debited with the amount of cash or other values paid on the subscribed stock, and as such, shows an asset of the Company. This asset corresponds with that shown in the Cash A/c of the General or Business Ledger. (See p. 139.) When payments on subscribed stock are made in Real Estate, machinery, patents, or other value instead of cash, the a/cs recording these values should be debited instead of Cash A/c, and the total of all these payments will still correspond with the amount at the debit of Paid-up Capital A/c.

When the a/cs in this Ledger are recorded concurrently with those in the Business Ledger, the Paid-up Capital A/c and the Shareholder's A/cs should show the dates and amounts of the different payments on the Subscribed Capital.

Stock Fully Paid Up.—When the stock is fully paid up, the chief use of the Stock Ledger is to record the name and address of each shareholder and the amount of stock held by each. The following form of Shareholders A/c is very simple, and is especially convenient where it is frequently necessary to know the number of votes to which each shareholder is entitled at shareholders' meetings. The balance column always shows the number of shares and not the value of stock held.

(Shareholder's name here.)

(Address here.)

DATE.	NUMBER OF TRANSFER.	NO. OF SHARES.		NO. OF STOCK CERTIFICATE.		BALANCE SHARES HELD.
		BOUGHT.	SOLD.	ISSUED.	SURRENDERED.	

Dr.		PAID-UP CAPITAL STOCK.				Cr.	
1905. Dec. 31	To Sundries	6000	00				
H. L. THOMPSON.							
				1905. Dec. 31	By Paid-up Capital	1000	00
THOMAS BURNHAM.							
				1905. Dec. 31	By Paid-up Capital	2000	00
A. H. THOMAS.							
				1905. Dec. 31	By Paid-up Capital	500	00
				1906. Jan. 10	By R. N. Briggs	500	00
R. N. BRIGGS.							
1906. Jan. 10	To A. H. Thomas	500	00	1905. Dec. 31	By Paid-up Capital	1000	00
H. E. HARCOURT.							
				1905. Dec. 31	By Paid-up Capital	500	00
J. WHITTAKER.							
				1905. Dec. 31	By Paid-up Capital	1000	00

EXERCISE XCVIII.

Five capitalists, E. James, F. Smith, J. Johns, W. Willis, and C. Cullis join together in the formation of a Joint Stock Company, having a Capital Stock of \$20,000, divided into 200 shares of \$100 each, to be called the London Cold Storage Company (Limited). The promoters contract with one another to sign the Stock Subscription Book for 25 shares each. The Charter is obtained in due course under the Ontario Joint Stock Companies Letters Patent Act, and specifies the first three applicants as Provisional Directors.

The Directors, after the organization meeting, decide to purchase a building from C. W. Frost, for which Mr. Frost agrees to accept \$4,000 cash and 10 shares of fully paid-up Stock in the New Company, and signs the Stock Subscription Book for this amount. They also purchase Trucks, Machinery, including engine, for \$2,000, and sign contracts for the building of an elevator at \$200, siding platform at \$50, 20 zinc-lined compartments at \$150 each, and 5 concrete vats at \$50 each. To meet these obligations, they decide to make the first call on the Capital Stock of 50 % payable at once, a second call of 30 % payable at the end of one month, and the third call of 20 % payable at the end of two months.

1. Make Journal entries for posting to the Business Ledger, showing the amount of authorized capital, the subscribed capital, and payments of calls.
2. Make Journal entries for posting to the Stock Ledger, showing the Shareholder's paid-up stock.
3. Make Journal entries for the purchase of Buildings, Machinery and Plant, the latter being paid for with cash when installed.
4. Post the foregoing Journal entries, and take off a Trial Balance from your Business Ledger.

JOURNAL No. 2.

(Containing Specimen Entries showing how the authorized Capital Stock, Unsubscribed or Treasury Stock, as well as the Subscribed Stock, may each be shown in the books.)

	Dr.	Cr.
<p>Entry (a) may be used to show the authorized Capital Stock open for subscription. In this case the entire amount charged first to a Subscription A/c.</p>	<p>(a) <i>Subscription A/c.</i> <i>To Capital Stock.</i> Amounts of authorized Capital Stock charged to Subscription A/c</p>	<p>L. F.</p> <p>6000 00</p> <p>6000 00</p>
<p>Entry (b) shows the Subscription A/c credited with the Subscribed Stock, which is at the same time charged to the Subscribers' personal a/cs, as in Journal No. 1. The entries for payments of calls on the Subscribed Stock will be similar to those in Journal No. 1.</p>	<p>(b) <i>Sundries Dr.</i> <i>To Subscription A/c.</i> Thomas Burnham, 20 shares H. L. Thompson, 10 shares A. H. Thomas, etc. Amount of subscribed Capital Stock all charged to the subscribers' a/cs and credited to the Subscription A/c</p>	<p>2000 00 1000 00 500 00</p> <p>6000 00</p>
<p>Entry (c) is sometimes used to show that a portion of the authorized Capital Stock is not to be offered for subscription. Treasury Stock and Unsubscribed Stock are common names for indicating this portion.</p>	<p>(c) <i>Subscription A/c Dr.</i> <i>Treasury Stock Dr.</i> <i>To Capital Stock.</i> \$10,000 of the authorized Capital not open for subscription</p>	<p>4000 00 1000 00</p> <p>5000 00</p>
<p>Entry (d) shows \$5,000 of the authorized Capital Stock heretofore in the Treasury, now transferred to the Subscription A/c, and offered for sale.</p>	<p>(d) <i>Subscription A/c.</i> <i>To Treasury Stock.</i> \$5,000 of the Treasury Stock offered for subscription</p>	<p>5000 00</p> <p>5000 00</p>
<p>Entry (e) shows the \$5,000 Treasury Stock subscribed for, and charged to the Subscribers' a/cs, as in Entry (b).</p>	<p>(e) <i>Sundries Dr.</i> <i>To Subscription.</i> A. 40 shares B. 10 shares \$5,000 of Treasury Stock subscribed for by A. & B., and charged to their a/cs</p>	<p>4000 00 1000 00</p> <p>5000 00</p>
<p>Entry (f) shows payment made by A. for 40 shares of Subscribed Stock, partly in cash, partly by other value.</p>	<p>(f) <i>Sundries Dr.</i> <i>To A.</i> A.'s payment of subscription—40 shares Cash—amt. of cash payment Patent Right—value of patent transferred to Co.</p>	<p>4000 00</p> <p>1500 00 2500 00</p>
<p>Entries (g), (h), (i), (j), used by some accountants instead of (a) and (b) in Journal No. 2, or (i) (ii) Journal No. 1, are not recommended to the student for different reasons:— (1) The Capital Stock A/c thus shows only the paid-up capital of the company. (2) The Shareholders' a/cs are charged only with the amounts of calls as they are made, and consequently do not show the subscribers as debtors to the Company.</p>	<p>(g) <i>Sundries.</i> <i>To Capital Stock.</i> Call No. 1, 25% of Capital Stock Thomas Burnham, 20 shares H. L. Thompson, 10 " A. H. Thomas, etc., 5 "</p>	<p>3500 00</p> <p>2000 00 1000 00 500 00</p>
	<p>(h) (i) (j) <i>Sundries.</i> <i>To Capital Stock.</i> For each succeeding call of 25% as above</p>	<p>— —</p>

EXERCISE XCIX.

F. Moore and S. Millson entered into partnership in the manufacture of a patent wire fence. Moore owned the patent, valued at \$2,000, and Plant and Machinery valued at \$500. Millson furnished \$1,500 in cash. They agreed to devote all their time to the business and to share profits and losses equally.

At the close of the year 190— they decided to apply for incorporation as a Joint Stock Company, under the name of the Excelsior Wire Fence Co., with a capital stock of \$10,000, divided into 100 shares of \$100 each. Moore and Millson agreed to take as many shares as the amounts at the credit of their Capital A/cs will respectively purchase. They are joined in the Application for Charter by T. Skinner, A. Comfort, and J. Page, who agree to take, and sign the Stock Subscription Book for, 5, 10 and 15 shares respectively. The balance of the authorized capital is to remain in the Treasury unless it is found necessary to increase the working capital.

At the date of incorporation the Statement of Assets and Liabilities of the partnership is as follows:—

ASSETS.				LIABILITIES.			
Goods partly manufactured	\$ 400			Dominion Iron & Steel Co.	\$1600		
Materials for manufacturing	2450			Bills Pay.	1400		
Plant and Machinery	950			Moore's Capital A/c	\$2500		
Tools	150			" Share, Net Gain	1000	3500	
A/cs collectible	450			Millson's Capital A/c	1500		
Cash on hand and in bank	1600			" Share, Net Gain	1000	2500	
Patent Right	3000	3000					9000

1. Make Journal entries for allotment of the Stock, so that the authorized, subscribed, and unsubscribed capital may be shown in the Capital Stock, Subscription, and Treasury A/cs respectively.

Skinner, Comfort, and Page each pay the first call of 50 % on their subscriptions immediately with cash. The remaining 50 % to be paid in one month hence.

2. Make Journal entries to show (a) Moore's and Millson's subscriptions fully paid up and (b) Skinner's, Comfort's and Page's subscriptions partly paid as indicated.

3. Open Ledger a/cs and post the above entries. NOTE.—Allow 2 clear spaces for each a/c except Subscription. In this a/c allow one space each for Moore's and Millson's subscriptions, and two spaces each for the remaining three subscriptions—one for each call of 50 %. Credit each of the former "By Sundries" for the full amount of the subscription in the space opposite the subscriber's name, and each of the latter "By Cash" in the first space opposite the Subscriber's name for Call No. 1 (50 % of the subscription).

4. Journalize and Post the payment of Call No. 2 in cash.

At the first annual Meeting of the Directors the Report shows Net Profits for the year \$12,250, disposed of as follows:—Dividend of 10 % declared on paid-up Stock; \$2,500 transferred to Reserve A/c; and the balance to stand at the credit of Profit and Loss A/c.

5. Journalize the above disposition of Net Profits, post to the respective Ledger A/cs, and take off a Trial Balance.

POWER OF ATTORNEY TO ACCEPT STOCK.

(Executed by A. H. Thomas, in London, and mailed by him to John Stark, Toronto.)

Know all Men by these Presents that I, *A. H. Thomas, of the City of London*, do make, constitute and appoint *John Stark, of the City of Toronto*, my true and lawful Attorney for me, and in my name, and on my behalf, to accept all such transfers as are or may hereafter be made unto him of any interest or share in the Capital or Joint Stock of THE BURNHAM STOVE AND OVEN COMPANY (LIMITED), to the extent of *Five* Shares, and to do all lawful acts requisite for effecting the premises; hereby ratifying and confirming all that my said Attorney shall do therein by virtue hereof.

IN WITNESS WHEREOF I have hereunto set my hand and seal at *London*, this *eighth* day of *January*, in the year of our Lord one thousand nine hundred and *six*.

SIGNED AND SEALED IN PRESENCE OF

J. A. Dickinson
Address *London*

A. H. Thomas

SEAL.

SEE PAGE 137 FOR POWER OF ATTORNEY TO TRANSFER STOCK.

Burnham Stobe and Oden Co. (Limited)
ANNUAL STATEMENT OF ASSETS AND LIABILITIES, Sept. 20, 1906.

ASSETS.			LIABILITIES.		
<i>Manufactured Goods on hand</i>	2000	00	<i>Liabilities to the Public:—</i>		
<i>Manufactured Goods partly finished</i>	610	00	<i>A/c's payable</i>	\$850	00
<i>Materials not manufactured</i>	1030	00	<i>Bills payable</i>	300	00
<i>Tools and Machinery</i>	1500	00		1150	00
<i>A/c's collectible</i>	1230	00	<i>Liabilities to Shareholders:—</i>		
<i>Cash in Commercial Bank</i>	315	00	<i>Capital Stock</i>	\$6000	00
<i>Cash on hand</i>	110	00	<i>Reserve</i>	500	00
<i>Office Furniture</i>	165	00	<i>Profit and Loss</i>	100	00
<i>Stable A/c</i>	180	00		6600	00
	7750	00		7750	00

Burnham Stobe and Oden Co. (Limited)
ANNUAL STATEMENT OF LOSSES AND GAINS, Sept. 20, 1906.

LOSSES.			GAINS.		
<i>General Expense</i>	960	00	<i>Gross Profit from Trading A/c</i>		
<i>Salaries, Directors' fees</i>	1050	00		3725	00
<i>Taxes 75.00, Rent 240.00</i>	315	00			
<i>Dividend No. 1, 10%</i>	600	00			
<i>Balance (placed to the credit of Reserve and Profit and Loss A/c)</i>	600	00			
	3525	00		3725	00

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