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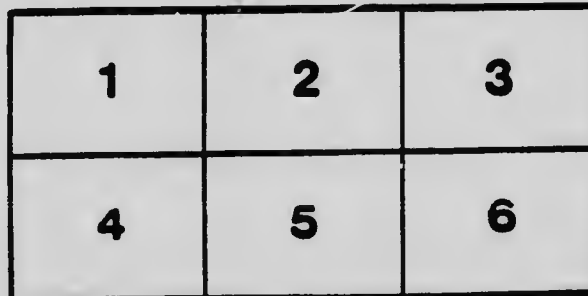
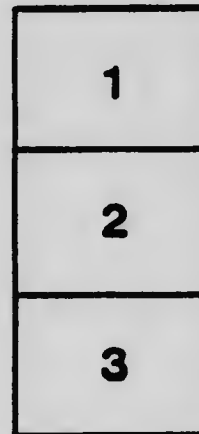
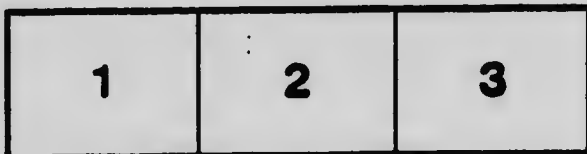
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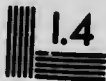
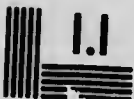
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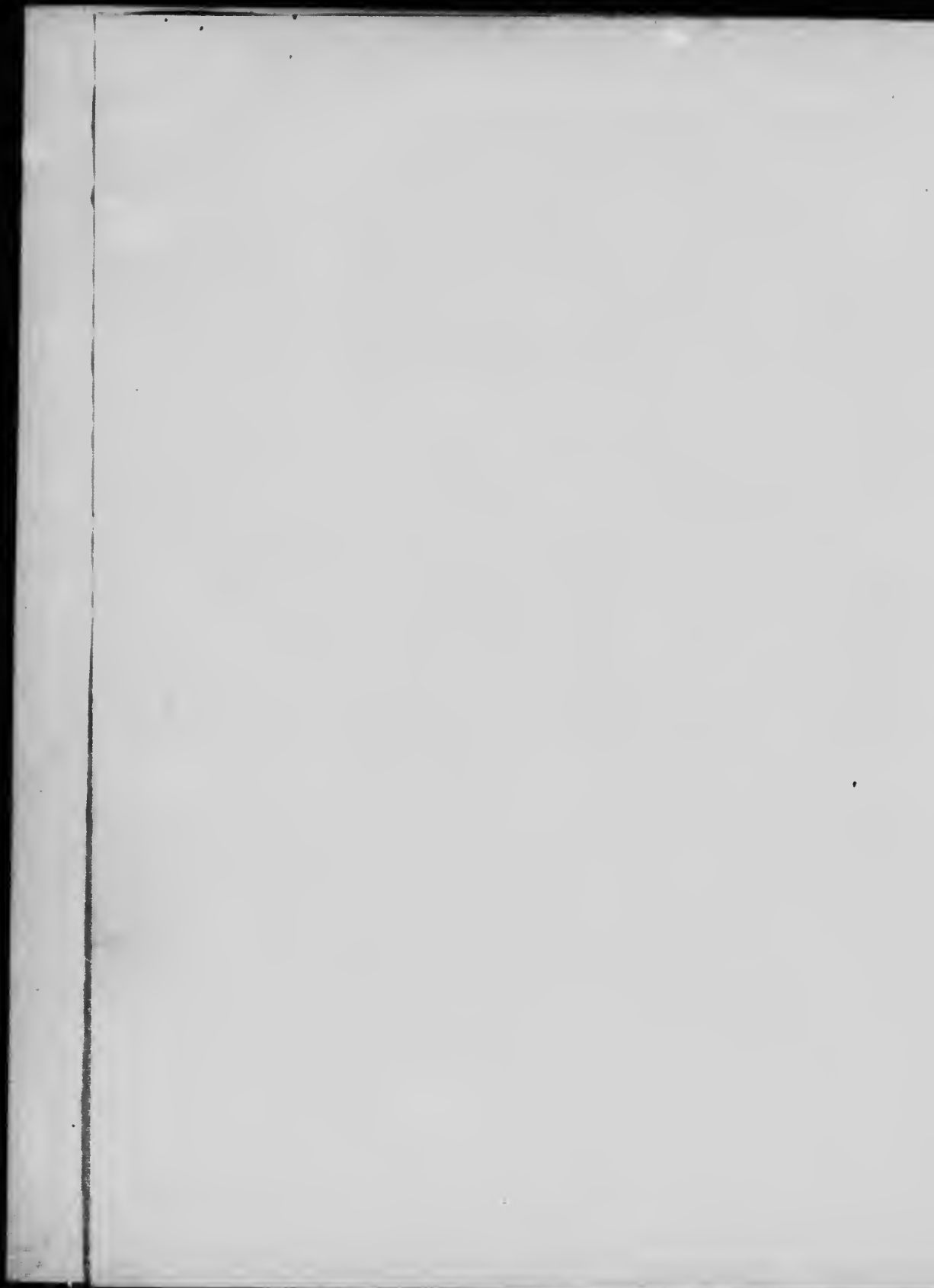
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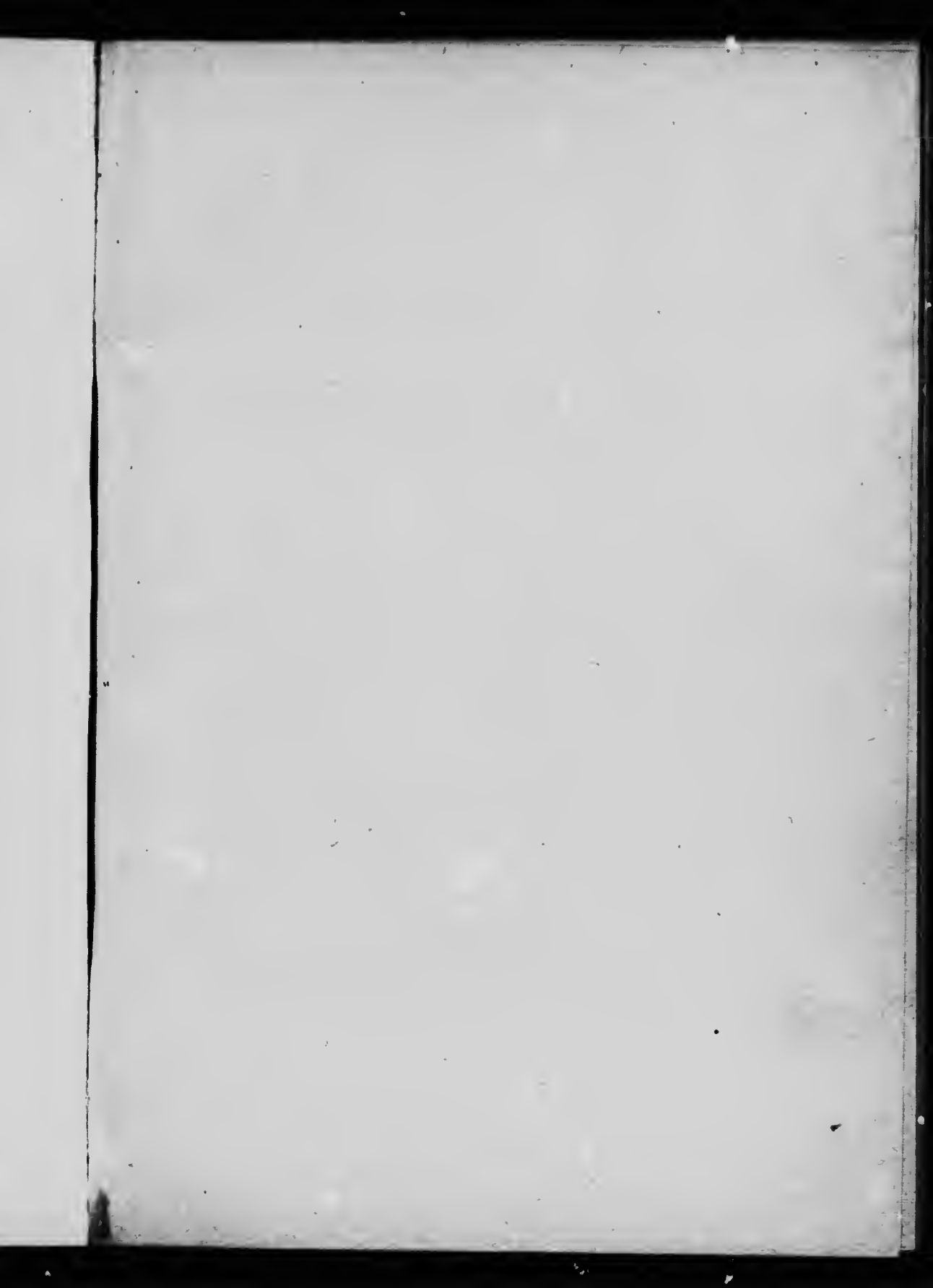


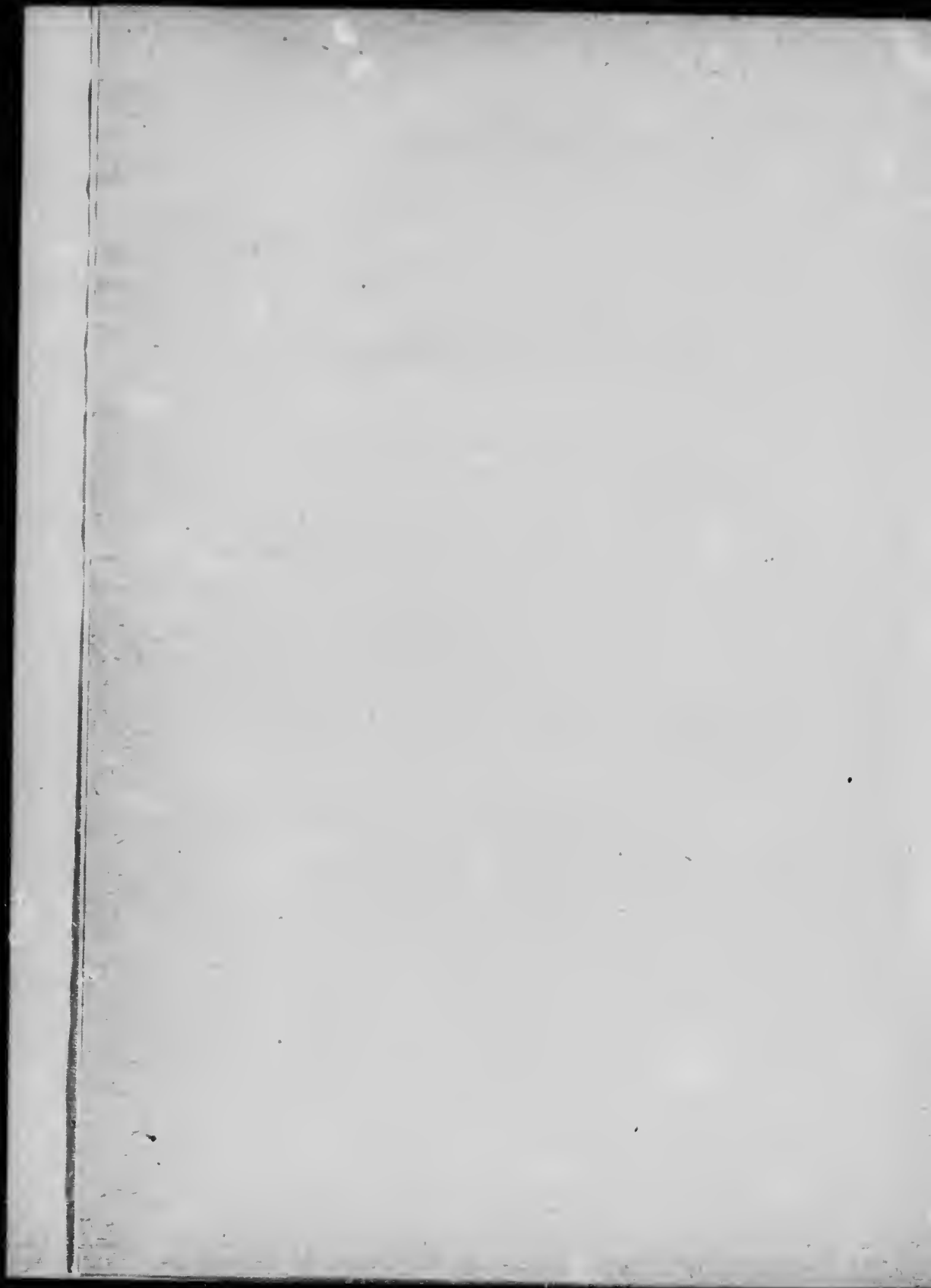
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BY

**W. J. Ross, A. C. A.**

Member of The Institute of Chartered Accountants of Ontario.

BARRIE, CANADA.

1909

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## PREFACE

In presenting this work to the public I desire to give in a few words, my reason for adding one more to the already long list.

During my varied experience, as a bookkeeper, accountant, and teacher of the subject; I have constantly felt the great need of an elementary text-book. One that assumes the reader is ignorant on all points, and endeavors to enlighten him in fullest detail. I have never yet found one, and to supply that deficiency is the object of the present volume.

A distinguished author and accountant of world-wide reputation, prefaces one of his works, indeed all his works, by saying:

"Assuming a certain amount of preliminary knowledge."

"Not to occupy time upon elementary matters."

"To cover the earlier part of the ground very quickly,"

and treats these very necessary subjects very lightly.

All authors of lesser note, that I am acquainted with, seem to follow the above principle very closely, but appear to forget that the gentleman quoted writes exclusively for experts, or persons wishing to become such.

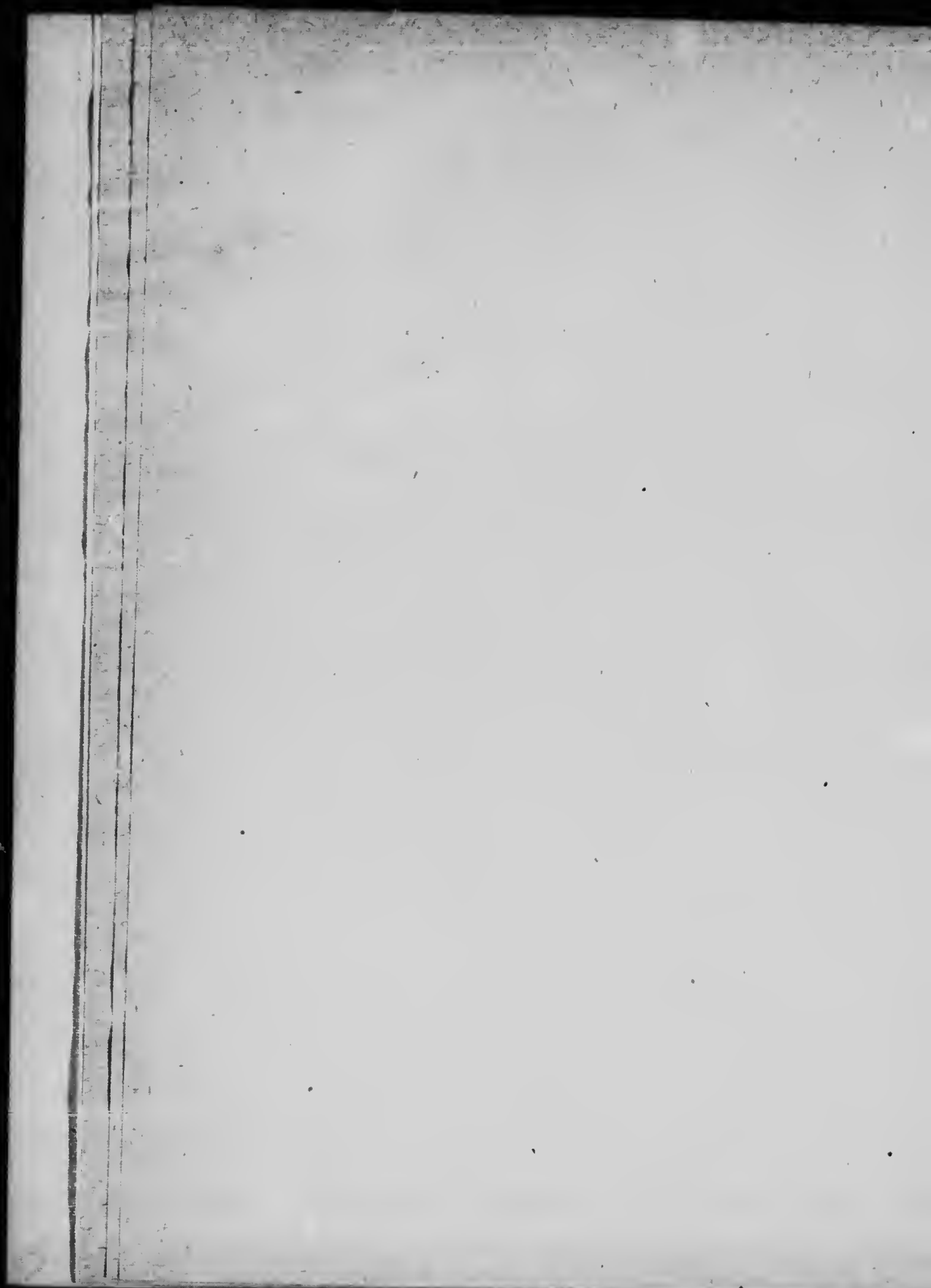
We have many good works by Canadian authors, all of them accountants of note, but they are specialists on special lines, and the books are written for bookkeepers, not for those who sit in darkness and pine for information, of an elementary nature.

My labor has been directed toward placing in the hands of those who are totally ignorant of the science, a book that takes that fact into careful consideration; and to those who have more or less knowledge, a book to afford reliable information on a variety of subjects appertaining to good business records.

I have striven to use plain language, to dwell persistently on matters of a difficult nature, to spare no pains in explanation, and to write entirely for the benefit of those who want to know.

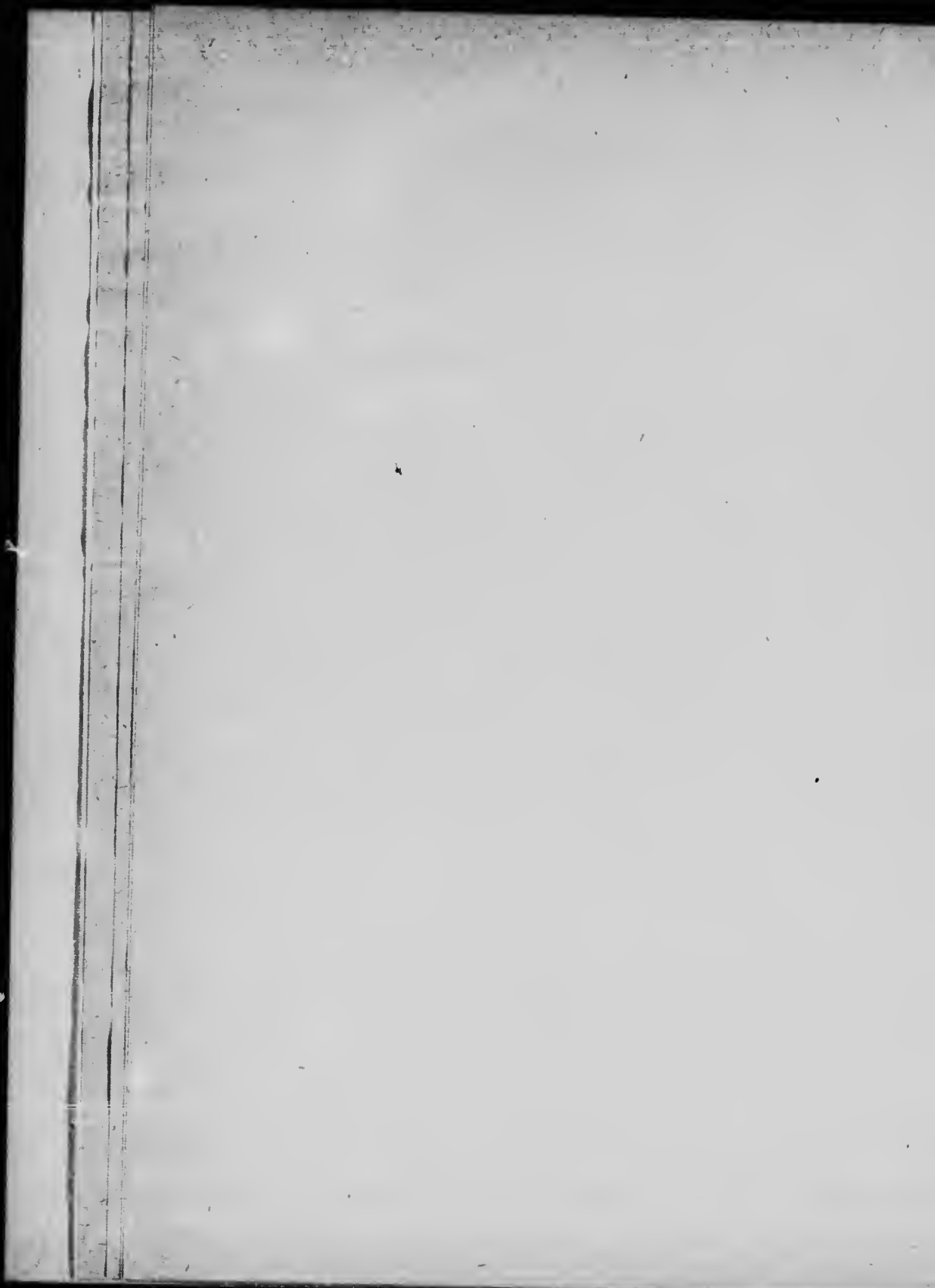
W. J. ROSS

Barrie, Canada,  
April, 1909.



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## WHAT BOOKKEEPING IS.



**M**ONEY IS A MEASURE OF VALUE; whatever we can not or do not give a money value to, has nothing to do with Bookkeeping, should have no place in our books, and will not be considered in the following pages. The student must endeavor, therefore, to always keep before him this fact, also that Bookkeeping creates nothing; it merely records transactions between a giver and a receiver, the giver being credited with what he gives, and the receiver being debited with what he receives, and in both cases only when that given or received is valued in money.

Bookkeeping is the science of recording in books, in a systematic manner, business transactions we have had with other people.

By recording, we mean writing the particulars of the matter transacted between you and some other person; in such a way that your writing makes plain what the transaction was, and as it is not always convenient, at the time the transaction occurs, to write the full particulars in the final book, the practice is to make a more or less rough record, in what is termed a subsidiary or auxiliary book, and afterwards when it is convenient, to make a careful and full record in another book, and perhaps still another one, until we are satisfied our record is so complete that we can refer to it easily and understand the transaction thoroughly twenty years after as well as at the time it was written. The first record is called the Original Entry, the others are termed Posting. There are three points equally important in making any record that the student must always bear in mind:—That the record be plain; that each class of transaction be kept together; that we try to do this with as little trouble to ourselves as a full and complete record will admit.

In a systematic manner we mean, keeping things of a kind together, doing the same thing the same way as often as it occurs; the essentials being the date, the thing done, the items, their value and the name of the person the transaction is with, and it is very necessary to

see that every entry covers this, and no system of Bookkeeping worthy of the name, can be imagined that does not do so.

By a business transaction we mean, the exchange of values between different owners, something, upon which the owner places a value in money, is given in exchange for something, upon which the other owner places an equal money value, for example :—when we receive or pay money, give or receive commercial paper, buy or sell anything, sell our labor, hire other's labor, rent our property, rent other's property, we are transacting business, and we should record them as carefully as possible, while they are fresh in our minds, that is make the original entry. When we give or receive something and at the same time, give or receive in exchange :—Dollars and cents, cheques, bank drafts, postal notes or orders, express orders, coin of any description that passes as currency in Canada, we call that a Cash transaction. When we give or receive something, for which we will have to pay another person, or another person will have to pay us, but at the time nothing passes in exchange, for what has been given or received, we call that a Credit transaction. When we give something, and in exchange get less value than we gave, or get nothing, and will get nothing, we call that a Losing transaction. When we give something, and in exchange get something of more value than we gave, we call that a Profitable transaction, and any or all of them correctly recorded in books, is what we understand by the word BOOKKEEPING.

It must also be borne in mind, that the same books are, not always equally suitable for the records of all kinds of transactions, or that the same books are equally suitable for all kinds of businesses. The books of a bank, and the books of a church, are not the least alike. The cash book is not suitable to record credit sales and purchases in, the bill book would serve badly, as a record for cash received and paid, but in all cases books are kept for the same purpose, the record of our transactions with other people, the ruling principle is the same in all of them, and they vary in matters of detail only, and in individual fancy.

There are two methods, or systems, of Bookkeeping, DOUBLE ENTRY and SINGLE ENTRY. At present we will confine ourselves strictly to single entry.

### SINGLE ENTRY

In Single Entry PERSONAL accounts only, are kept, and the system calls for one entry in one account, debiting the person when



they receive, crediting the person when they give, for each and every transaction with that person, hence the name of the system, Single Entry.

An account is a record in a special book, called a Ledger, of your transactions with another person. We call it the ledger because in it we LAY AWAY or STORE UP, these transactions for future reference, and this book contains the names of all things that have cost the business, value in different shapes and forms, and of all things that have brought, value in different shapes and forms, to the business, it also contains the names of all persons who owe money to the business, and of all persons whom the business owes, it is a complete store house of all the debits, or rights and claims of the business; and of all the credits, or obligations and claims on the business, a usual summing up of all our business transactions with the various persons we do business with, properly classified, or arranged, under proper titles, or names, which in bookkeeping are called ACCOUNTS. The proper title for an account is the name by which the person or thing is usually known:—person, J. Smith; firm, Hobson & Brown; company, The Sarjeant Coal Company, Limited; bank, The Bank of Toronto; things, Expense, Fixtures, Rent. As every transaction affects a person and his account in two ways only, RECEIVING or GIVING, the account which receives is debited, and the account which gives is credited, and we must never forget this, or neglect to enter the transaction accordingly in the account affected. All transactions affecting any person or thing, must be always kept in the account headed with the name of that person or thing. It is a question of taste entirely as to the best method of ruling this book. You will find many different ways, you will also find many different forms, there are bound ledgers, loose leaf ledgers, card ledgers, and ledgerettes, but always keep this before you, however they are ruled or however they are bound, there is only one principle in keeping a ledger account and that is to debit the account which receives, to credit the account which gives, and to separate the amount received from the amount given.

The terms DEBIT and CREDIT are everything in bookkeeping. Unless the student perfectly understands their meaning in a bookkeeping sense there is no progress possible. They are the whole of bookkeeping. They are two words intended to mean two distinctly opposite acts. They are derived from two Latin words signifying receive and give. They convey to a bookkeeper two distinctly different transactions. They are used for convenience to save a very great deal of labor. It is impossible to make any

entry in any book of account correctly until their proper meaning, is properly understood. The word transaction means literally, a movement from one place to another place, in single entry bookkeeping it means; a movement from you to another person, a movement from another person to you. Therefore when we debit an account, the account has received something, we have put something in; and when we credit an account, we have taken something out, the account has given something. We sell goods to J. Brown, pay him money, pay money for him, loan him money, pay someone else money for him, work for him, rent a house to him, and as his account in our ledger represents him, we debit his account with the value of what he has received. On the other hand J. Scott does all that for us, his account in our ledger represents him, we credit him for the value of what he has given. An account in our Ledger must always represent to our mind a person or thing, and if we consider that in every transaction, the person represented by their account has either given us or received from us, value of some description, it should be plain whether the account is to be debited or credited. This treatment must be applied to every account that is ever opened in our books, and unless it is, there will never be any progress in the art of keeping books.

The Ledger is called THE BOOK OF ACCOUNT, because only accounts are to be found in it. The material for the account is first entered in another book, or books, and then transferred to the account in the ledger. These other books are known as Subsidiary or Auxiliary, and the process of transferring out of them to the ledger is termed Posting.

These are the accounts usually kept where books are on the single entry system, and following carefully what has already been said, the student should not have much difficulty in understanding them.

### THE ACCOUNTS THAT ARE KEPT.

*Debit side*

CAPITAL ACCOUNT

*Credit side*

This is the proprietor's own account.

To cash drawn for private use

.. goods drawn for private use

.. loss he sustains by the business

By first investment in the business

.. any further investment

.. profit he derives from the business

FIXTURE ACCOUNT

<p>To scales, safe, stoves, desks, chairs, horse, harness, wagon, electric-gas-water fixtures, and everything of this description, to be used in the business.</p>	<p>By loss of any kind, worn out, broken, depreciation, anything included on the other side which has been sold.</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------

EXPENSE ACCOUNT

<p>To advertising, postage, books, stationery, twine, wrapping paper, freight, cartage, insur- ance, discount you allow your customers, and everything of a similar description.</p>	<p>By discounts allowed to you by the firms you buy from, and any direct profit you may make, also anything included on the other side you may sell.</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------

RENT ACCOUNT

<p>To cash paid by you for use of someone's premises.</p>	<p>By cash paid to you for rent of your premises.</p>
---------------------------------------------------------------	-----------------------------------------------------------

WAGES ACCOUNT

<p>To cash paid for assistants, clerks, salesmen, boys, girls, book- keeper, that are regularly em- ployed in the business.</p>	<p>By nothing as a rule, unless wages re- turned.</p>
---------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------

BANK ACCOUNT

<p>To deposits per deposit slip, drafts and notes discounted, notes, drafts and cheques col- lected by the bank.</p>	<p>By cheques, drafts, notes, paid by the bank on your orders.</p>
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PERSONS TO WHOM WE SELL GOODS

<p>To goods sold to them ,, cash paid to them as loan ,, cash paid for them to some other person ,, freight we pay for them ,, work we do for them ,, boxes or wrappers we get to put the goods in.</p>	<p>By cash they pay us. ,, goods they return to us ,, draft we draw on them ,, note they give us ,, discount we allow them ,, work they do for us ,, goods they sell to us ,, boxes and wrappers they return</p>
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## PERSONS FROM WHOM WE BUY GOODS

To cash we pay them	By goods they sell us
„ draft they draw on us	„ cash they pay for us
„ note we give them	„ cash they loan to us
„ discount they allow us	„ freight they pay for us
„ goods we return to them	„ work they do for us
„ boxes and wrappers we return	„ boxes and wrappers they get to put the goods in.
„ freight we pay for them	„ insurance they pay for us.
„ duty we pay for them.	

When we open an account in the ledger, we put "TO" at the beginning of debit entries; and "BY" at the beginning of our credit entries. These words simply express that the account, or person represented by that account is debtor "TO" what they receive and creditor "BY" what they give. Instead of continuously writing "He is in our debt TO amount of the "value of what he has received or been paid" or "He is now out of our debt BY the value of what he has paid or given," the words "TO" or "BY" express to the bookkeeper the same thing exactly, and avoid the necessity of continuously writing and re-writing that explanation.

### THE BOOKS THAT ARE USED, AUXILIARY OR SUBSIDIARY TO THE LEDGER

Thus far the student's attention has been directed to the principles of debit and credit and the various ways to apply them. This foundation knowledge is the first essential in learning how to keep books. There are two other important matters to which his attention must be directed and we will say a few words on them. Posting and Original Entries.

By Posting is meant, to transfer entries from any book to the ledger. The books from which we usually post are: Journal or Day Book, Cash Book, Blotter, Invoice File, and Bill Books. Debit items should be posted to the debit side of the accounts affected, and credit items to the credit side. It is a common error of new beginners to post items to the wrong side of an account and thus throw everything out. It is also very important in posting to have no discrepancies of figures in the amounts posted. Errors in posting cause ceaseless trouble and worry. Almost every mistake that can possibly arise in bookkeeping may be traced to errors in posting.

The Day Book, or Journal, is a very simple book, usually a long narrow page, with a column for the ledger reference on the left hand side, a wide space for the particulars of the transaction, and columns on the right hand side for dollars and cents. The date is put at the top of each page, and when a half, quarter, or three-quarter of the page has been left over from last using, the date of the new day is put in the centre of the particular space.

The entry is first made in the day book in fullest detail possible, then a brief abstract of the transaction is posted to the ledger. Each page of the day book is shewn in the ledger and the page of the ledger is shewn in the day book. All entries, not cash, which are to be posted to a ledger ruled with a division down the centre, are first made in the day book, and all entries, which from their nature are not entered in the cash book or blotter, are first made in the day book to be afterwards posted to the ledger. Certain classes of accounts, kept in a certain style of ruling, being found more satisfactory kept in that way; for them the day book is specially designed, while there are other classes of accounts which taste or convenience have proved to be more satisfactory kept in a different style of ruling, and in making entries in them the day book is never used, because there would only be a useless waste of time to first copy from the blotter to the day book, and then just do the same thing all over again into the ledger, hence the reason for using the day book with one style and not using it with another.

In posting to the ledger much diversity of taste prevails. Some only put date, amount, and page of day book in the ledger, some put "Sundries," some put an outline of the transaction, such as Mdse., B. Rec., Dis., etc., some only put page and amount.

It is not considered good bookkeeping to enter cash transactions in this book, as the cash book strictly speaking, is the recognized posting medium for cash.

When we draw a cheque, when we accept a draft, when we give a note, it is advisable to have a record of these transactions, and we find the day book a suitable and convenient book to enter them in before they are posted where they belong in the ledger.

As all bookkeeping simply represents transfers from one person to another person, from one account to another account, the journal or day book entry should make it perfectly plain what account it is transferred from, or account it is transferred to.

In olden days this was considered an indispensable book, we could hardly understand a set of books without this one, but there have been so many labor, and mistake, saving devices put on the market, and brought into almost universal use in these twentieth century bustling times, that you may now go into more offices where there is no day book, than where there is one, or if there is one, its use is very limited to what it was long ago.

The Cash Book is to keep a record of all cash received. This is entered on the Debit or left hand side. There is a column for the month and day of month, a space for: from whom received; a space for: for what received; a column for reference, called a folio column, and dollar and cents columns. Whatever is entered on this side of the Cash Book is posted to the Credit side of an amount in the Ledger. The Cash Book is also to keep a record of all cash paid out. This is entered on the Credit or right hand side. There is a column for the month and day of month, a space for: to whom paid; a space for: for what paid; a column for reference, called a folio column, and dollar and cents columns. Whatever is entered on this side of the Cash Book is posted to the Debit side of an account in the Ledger. Do not forget these differences. The Debit or left hand side shows what cash has been received by you from other people, what for and when; the Credit or right hand side shows what cash has been paid by you to other people, what for and when.

The Cash Book is the cash account of the business, consequently the cash account is debited or credited by simply entering an amount on the debit or credit side of the cash book, so when cash is debited, all accounts in the ledger paying the cash must be credited; and when cash is credited all accounts in the ledger receiving the cash must be debited.

The form of this book differs materially in different businesses. Like the ledger some prefer one ruling, some another. But in all cases it is kept for the same purpose: a detailed record of cash received, and cash paid. Cash includes dollars and cents whether in bills or coin, cheques, bank drafts, express orders, post office orders, and when you discount as you draw them, sight drafts.

There is usually double money columns in an ordinary cash book, the inner one being used to extend the items on each line, and the outer for the total amount paid or received on that day, so that a glance at the outer column shows the total received or paid on any date.

This book should always be used as a book of original entry and posting done directly therefrom to the ledger, and in making entries in this book, sufficient explanation should accompany the entries to make them plain. Of course many entries require little explanation; if a person pays us, in part or in full, of what he owes, we simply enter date, name, and amount on the debit side. But while little explanation, from the nature of the entry, is necessary, as they vary very slightly on the debit side; a great deal of explanation is required on the credit side, as from their nature the entries must vary greatly, and a little thought in making full explanation of the entry will avoid trouble in trying to explain afterwards. Observe uniformity of dates, do not have one date on the debit side and a different one on the credit side. As there is almost always considerably more space required for payments, than there is for receipts, when either side is full carry both totals over to the next pages, even though you have left a blank space of a half or quarter page on one side. To avoid these blank spaces; some put an entry on every line on the debit side, and on the credit side put as many entries on one line as it will hold, then in posting instead of using the folio column, they put the reference above the item, sometimes in a different colored ink, sometimes by drawing a short stroke above and below the reference number, to avoid confusing it with the value of the item, which in such cases would also be above it; and the totals extended to the money columns.

This book and your till should correspond, at any time of the day, any day, adding up both sides, and subtracting what has been paid from what has been received, should equal what cash, or its equivalent, is in your till. It should always agree and great care should be taken to keep it so that it does. If there is any one account more than another we should take particular pains with, it is this one. The student should pay particular attention at all times to keeping this book absolutely in agreement with the actual cash. Let me forcibly impress this.

The Blotter, Waste Book, Counter Book, Counter Check, Stub, Salesman's Duplicate, etc., for it has a variety of names; is a memorandum record, sometimes in the form of a book, sometimes merely loose leaves. It is used to record the transaction at the time it occurs, and it is always the book of original entry. In questions of dispute, or doubt, as to the exact meaning of an entry in a book of account it is always referred to. In some places and from some blotters, entries are made direct to the ledger, while in other places and from other blotters, entries

are made into day books, etc., before they are posted to the ledger. These are questions of taste, convenience, or individual fancy.

The Invoice File, was originally a book, and where people still cling to the fashions of their fathers, is still a book, but there have been so many inventions, especially of late years, which are so much handier and cheaper than the book form of file, that now we rarely see it used. Like the blotter there are now a great variety of devices in use, we will name a few of them: Guard book—is a book, in which the invoices are pasted on the leaves, in the order in which they are received; Board file—is a flat board with a hinged fastening at one end, which carries an alphabetical index; the invoices to be filed are first punched with two holes to correspond with the fastener, and then the fastener is raised and the invoice placed on the board under the letter of the alphabet, corresponding with the name of the person from whom the invoice was received; Shannon file—is a card-board precisely like the board file, and is enclosed in a case, opening at the end, in every particular it is used like the board file; Flat-filing cabinet—is a cabinet of drawers, and are in wood, exact duplicates of the Shannon file; Vertical files—are square drawers enclosed in a cabinet, the drawers are made to hold from one hundred up to any number of stiff paper portfolios, these are numbered, and a small drawer containing cards to correspond with the portfolios is part of the system, the firm sending you invoices is indexed on the card, and the number of the portfolio placed on the card; to file you merely look at the index card, get the number, pull out the drawer, drop the invoice in the portfolio, the oldest first, and it is done. There are very many patents now on the market but they are merely modifications of the above, and are all used to keep invoices, papers, etc., together for handy and quick reference. In single entry, invoices are usually posted to the ledger; that is — credit is given to the person sending them, from the file to the account direct, without any other medium, reference being made in the ledger to the invoice file, and on the invoice to the ledger page.

The Bill Books are something of the nature of a memorandum book, a blotter, and a day book. When we accept a draft, draw a draft, give a note, or receive a note, after debiting or crediting the account affected, it is well to have more record of the paper itself than the ac-



count affords us, and these books are designed to give us as much information as if we had the paper itself before us, which in the case of **BILLS PAYABLE**, or notes and drafts we will have to pay, would be impossible; as the person who is to receive the money from us will have them in their possession. In the case of **BILLS RECEIVABLE**, or notes and drafts we will receive payment for, they will not always be in our hands either, and for these reasons the above books are indispensable to good records. Like every other book, they have their variety of ruling and heading but the same principle governs all patterns. They are ruled with many divisions, each of which has a printed heading and showing:—the date the paper is made out, who made it out, where, when received, where to be paid, to whom paid, what time is given, when that time elapses, the amount, any interest or discount, and if paid or not when due. In using these books we need only look at the document and at the headings and enter accordingly. Some people make their books of original entry and post from them to the account, while others use them as a record of the document only, entering all particulars in the day book and posting from the day book to the account. One method is about as common as the other.

We will now consider Original Entries, or those entries that should be made at the time the transaction occurs, and which supply the information for afterwards making the entries in the ledger accounts. So important is the original entry in a set of books that it alone of all our records can appear as evidence in a disputed transaction. If in our settlement with a person with whom we have had dealings our account is disputed, and we have to bring our books into court, our original entry only will be accepted as evidence, and then only on certain conditions, namely:—that our records in other cases than those under dispute can be proven correct, that the records were written at or near the time of the transaction, and that there are no signs of erasures or alterations in the original entries in question. As bookkeeping affords no method of proving original entries correct, the bookkeeper must train himself to absolute accuracy in recording his entries.



ORDINARY CASH BOOK RULING

Debit or Cash Received by you				Credit or Cash Paid by you			
Year			\$	C	\$	C	Year
Month		From Whom and For What Received			Daily	Total	To Whom and For What Paid
Day		Folio or Reference			Month	Day	Folio or Reference
			\$	C			\$
							C
			\$	C			\$
					Daily	Total	C

BILLS PAYABLE BOOK, ORDINARY RULING

Year	Date Draft or Note is Drawn
(Month)	Drawer or Maker
(Day)	Name of person who draws the Draft or makes the Note. His name is in lower right hand corner.
	In Whose Favor (Payee)
	Name of person or bank who is to collect the amount when due. The name is in centre of document.
	Where Payable
	The name of the bank or other place where payment can be demanded when due.
	Time—10, 20, 30 days after date.
	Showing what time is given before payment is due. Put 10, etc., here.
	The same thing, if in Months
	Put 1, etc., here.
	No. on page—the first is No. 1
	When Due—Generally there are 2 columns here, one for each month of the year. Suppose it is due May 7th, 7 is put in the column headed May.
	Amount of the Note
	or Draft
	How Disposed of.—If paid or renewed, protested or part paid, and the date is put here

Bills Receivable Book is ruled exactly the same as Bills Payable is, and headed the same except in second division, where Drawee is substituted for Drawer.

ORDINARY DAY-BOOK RULING AND ILLUSTRATIVE ENTRIES

		Date				\$	c
Folio or reference.	J. B. Harris (\$2.90 is posted to his acct., debit side) . . . . .						
		1.00	1.00	.75	.15		
		50		25			
	To 2 B Congou G. Sugar 3 Cy. Butter C. Salmon..					2	90
	Barrie R. M. Co. (This is debited in this acct.).....					116	04
	To Bank (This is credited in this t).....					116	04
	Cheque in full of Invoice of 3-9-08						
	F. W. Fearman (This is debited in his acct.) . . . . .					113	29
	To Discount (This is credited in Expense acct.) . . . . .					1	08
	" Bills pay. (This is credited in Bank acct.) when due...					112	21
Accepted at sight—Sugar, net ; oil, 5 per cent . . . . .							

ORDINARY BLOTTER

Barrie, September 1st, 1908

Mr. J. B. Harris,  
84 Owen Street

No. 75

Bought of JAMES VAIR & SONS  
Wholesale and Retail Grocers, Jobbers, Etc.

Sold by 6. Got out by 10.

2	lbs. Black Congou, at 50c.....	1	00
	G. Sugar .....	1	00
3	lbs. Creamery Butter at 25c .....		75
1	C. Salmon .....		15
	CHARGE		2 90

This is made in duplicate, one copy goes with the goods, one copy is kept in office and debited in ledger account of Harris.

ANOTHER FORM OF BLOTTER

Mr. J. B. Harris, Date  
84 Owen Street.

2 B. C. Tea, .50; G. Sugar, 1.00; 3 Creamery Butter, .25; 1 C. Salmon, .15.

Send at 4.30.

This is simply a memorandum book with long narrow pages. Each sale is entered as above in the order in which they are received, one below the other.

ORDINARY LEDGERETTE

Mr. J. B. HARRIS,  
84 Owen Street, Barrie.

Amount settled for.  
\$15.08.....

Account opened Sept. 1, 1908.  
Paid in full, Oct. 1, 1908.  
Paid on account.....

You require a new one each time  
the amount is paid in full,

JAMES VAIR & SONS.

1908 Wholesale and Retail Grocers, Jobbers, Etc.

Sept.	1	To Goods	Entered	75	2	90
	9	"	from blotter	88	5	25
	17	"	No. of which is shown	63	1	00
	25	"	75, etc.	86	3	60
	30	"		27	2	33
					15	08
			Paid			
			Oct. 1, 1908			
			JAS. VAIR & SONS,			
			Per C. M. B.			

This is used for small accounts which are paid regularly, and when paid, constitutes a bill, which is added up, receipted and torn out at the dotted line. It is a great convenience in stores where there are many small accounts. Very many devices of this nature are on the market and in use. They are usually on a system of indexing and fastening like a Shannon File.

## A SET OF ACCOUNTS TO BE KEPT BY SINGLE ENTRY

Having now made plain to a certain extent the nature of the records to be made, and the books that are used, the student will be given a set of accounts to be kept by single entry, and the following must be strictly in view at all times, if a success is to be made of the undertaking.

You are commencing the business of a retail grocer in the town in which you are now living. You are conducting your own business and keeping your own books. You must make every entry yourself. You must use the books the instructions tell you to use. You will make your entries to correspond with the dates appearing in the following pages, commencing as the first day of the current month. You must realize you are dealing with others, not yourself. You will require to study what has already been said, continually, learn to rely upon yourself, and read the whole of the instructions for each day, which try to understand before you begin the day's work.

1.—You commence business to-day as a retail grocer with a Cash Capital of \$1500.00. You agree with J. H. Scott to take the premises No. 63 Dunlop Street at a rental of \$540 per annum, payable monthly in arrears, due last day of each month, you to pay taxes and water rates, and give or receive six months' notice. You hire two salesmen, J. Smith and H. Brown, at salaries of \$30.00 and \$15.00 respectively; pay every two weeks in arrears. You order a stock of goods and the invoices you have are assumed to be those sent you by the wholesale houses.

As you intend to sell groceries you will require to buy them first. We will assume you have gone to the city and made the acquaintance of the people you intend buying your goods from, also that they have accepted you as a customer and taken an order from you for a beginning. When they send you the goods they also send you the bill of them; this bill shows when you bought, where, who from, what kind, quantity, price, and when you will have to pay for them. A bill made out this way is called an invoice, you will find that you have been supplied with eleven altogether and that they have a number on them, to which these instructions will refer.

At the beginning of all businesses there are a great many things to buy and attend to, without which no business could begin operations. These are generally termed, "Opening Expenses," and the following are yours: You put a card in a paper advertising yourself, \$15.00; get 3000 dodgers, \$7.50; books, \$15.75; stationery, \$10.00; towels, \$1.00; freight, \$45.00; cartage, \$10.00. These are expense items and are debited to your expense account.

We have already spoken about the expense account, but we will again say a word. One cannot carry on any undertaking without a certain amount of outlay and in order to guard against too much unprofitable outlay, we keep careful account of part, in what is called the Expense Account. An expense item is one on which we get no return, we cannot charge the customer with it, and we cannot use the same expense twice, as for example a stamp to send an account to a customer, the post office will not allow us to send another letter with the same stamp, we incur a new expense. Study carefully this distinction and you will soon know expense items from other payments or obligations. It will be pointed out all through this set, what are expenses, but the student must endeavor to see the difference himself, or he will never know with any accuracy.

You get three signs, \$22.00; horse, \$35.00; harness, \$15.00; wagon, \$45.00; safe, \$65.00; water fixtures, \$25.00; light fixtures, \$12.00; scales and weights, \$25.00; scoops, \$3.50; knives and steels, \$5.00; measures, \$7.00; office fixtures, \$10.00; chairs and stools, \$15.00; refrigerator, \$25.00; stoves and piping, \$60.00; cheese screen, \$5.00; show cases, \$50.00; stable tools, \$3.00. These are fixture items and are debited to your fixture account.

Another source of outlay to the business man is to provide the different tools of his trade. In business these are called fixtures. This does not at all mean that they cannot be moved. If you look over the above list you will notice they are nearly all movable. A fixture differs from an expense item in that, we use our fixtures over and over again, not one time only but many times, an expense once used ends. The business man is careful of this business expenditure, hence he keeps an account of his fixtures and what they cost, as carefully as of his expenses.

The next thing to which your attention is to be directed is to

open your books, and we will do it this way. Turn to your day book; at the top of the page above the head line, put the town you live in, current month, first day of the month, and current year like this: Barrie, Ont., September 1, 1908. Always have a similar heading to every page, of course changing the day of the month as you progress through the month. On the first blue line below the head line write College bank and in the money columns put \$1500.00, then on the next line write To "your own name" and in the money columns put \$1,500.00 again, then on the next line below write, For capital invested in the business this day, deposited in bank, and to open capital and bank accounts. Look inside the cover of your ledger and you will see on what pages these accounts are to be opened. Turn to the first one, write your own name at the top of the page, turn back to page (4) and look at the capital account there, you will see the investment is credited, because the proprietor has given to the business. Turn back to your own account and notice the ledger is ruled with a division between debit and credit sides; on the credit side put the year at the top of the date column, below on first blue line put month in the column for that purpose, put first day of month in next column, in the next space put By cash invested, in the next column put the page of the day book you made your opening entry on, in the next columns put the investment \$1500.00, put the page of the ledger in your day book opposite your own name, then look again at page (5) and consider the bank account there, you will see deposits are debited, see where you should open a bank account, write College Bank there, just as you wrote your own name in capital account, then on the debit side put year, month and day of month in their proper columns, then in the next space put To deposit, in the next column put the page of the day book, in the next your money \$1500.00, put the page of this new account opposite the word Bank in the day book, and you have finished. Capital account has given, Bank account has received, the day book records the detail of the transaction, and the references from one to the other is plain to see. Now go the bank and ask for your pass book.

When you open a current account with a bank, you have first to interview the manager. He will ask you a number of questions and it will be much to your interest to truthfully answer them, if



you satisfy him he will direct the clerks to open an account with you. You make out a deposit slip which you hand to the Teller along with your money, he refers you to the Ledger-Keeper, that person gives you a small book in which he gives you CREDIT for the amount deposited, asks you to sign your name on a slip of paper, or in a book, and you are done, you can take your book and go. In our case we suppose you have done the interviewing and paid in the money, so that you need only sign the slip and get your book, you go to the Ledger-Keeper remember.

As the rent is to be paid at the end of the month, you have no record of any kind in your books until the rent is due.

As you pay your salesmen twice a month, in arrears; that is after they have earned it, you have no record of this either, until the first payment.

When you receive an invoice, it is usually put on a certain kind of file known as a Clip, and kept there until the goods arrive and are opened. The goods and invoice are then compared, or checked off as it is termed, then the calculations are gone over to see there are no errors. Should there be discrepancies of any kind discovered by the checking, the firm sending the goods is immediately notified, and the discrepancy noted on the invoice. We presume goods have arrived in good order and invoices are checked and found correct, they are now to be filed and posted. The invoice is the original entry.

Turn to page (6) and look at the description of the account of Persons from whom we buy goods. You will see the account is credited By goods they sell us. Turn to page (10) and read the description given of files, and the method of treating invoices in single entry. A Shannon file and punch will be given to you, and you will be shown how to use them. Look where you got the information to open your ledger accounts from, and you will see where to open these accounts. You write name of the person, or company, selling the goods, first, then their address and the same as you did in your capital account as to date; then write By Mdse. in the space for particulars; put the letter you see on the file, in the reference column A B C, or whatever it is, put the total of invoice in the money column, put the ledger page on the top of your invoice, put the invoice under the alphabetical letter of the file index, corresponding with the name

you have written in your ledger, and that account is finished. A new account has to be opened for each invoice, as they are from different people, and you must have a separate account for each, eleven accounts altogether.

You have now to pay for your opening expenses, and open accounts for them. If you add together your expense and fixture items, as shown on page (17), you will see one amounts to \$104.25, the other to \$427.50. The total, then, you will have to pay out is \$531.75. You will require to draw this money from the bank, and to save the trouble of many drawings, we will suppose you have made it convenient to pay for them in cash, and all at the same time. If you look at your cheque book, you will notice it is in two parts, a short part with a place for the No., date, payable to, what for, and the amount; the other part is much longer, and contains a place for No., place and date, the bank drawn on, who is to get the money, the amount drawn to be written in words, the amount drawn to be written in figures, and a place for your signature (that is your name written by yourself.) A cheque is an order to a bank, to pay out your own money to any person you may wish it to be paid to. You cannot get any money out without a cheque, and the bank people are very particular about these orders. You may fill in the part that stays in your book (the short part called the Stub), just as you please; but the cheque must be always filled out and signed one way only. Below we give you a sample of a stub and cheque, filled in for this particular payment, by the bank to you. The stub is the original entry.

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No..I..	\$531.75	No..I..	Barrie, Ont., Sept. 1, 1908
...Sept. 1,....1908		To THE COLLEGE BANK	
.....(Self).....		Pay.....(Self).....or Order	
Opening.. .....		Five hundred and thirty-one $\frac{75}{100}$ Dollars	
Expenses.....	\$531.75	(Your Signature here)	.....

Tear the cheque out and leave the stub in your book, take the cheque to the ledger-keeper and ask him to mark it, when he gives it back, take it to the teller, he will give you the cash in exchange for the cheque, take the cash and put it in your till.

As you are going to pay this out to a number of different people in different sums, you must use your cash book, and before it goes out it must come in. The stub is the original entry, and the day book is the first subsidiary book, the cash book being the second. Look on page (1) and see what has been said about recording transactions from the original entry, then look again, on page (7) and see at the foot of what has been said about the day book, the remarks regarding the drawing of cheques, etc., and their record.

Turn again to your day book and make the following entry below the last one, leaving one blue line blank between the entries. Begin by writing Cash and put the the money drawn, \$531.75, in the money columns, on the next line below put, To Bank and put the same figures \$531.75 in the money columns then on the next line, write Cheque to self for money to pay opening expenses. Take your cash book, look on page (8) for a description of the book, how to be used, etc., and dating it on the debit side, write To Bank, in the space, showing where from, put the page of the day book in the reference column, the amount \$531.75 in the outer money columns, and put the page of the cash book in the day book opposite the word Cash. Then look on page (5) for description of the bank account; we have been paid by the bank on a cheque, the bank must be credited. Turn to the bank account in your ledger, and on the credit side write the date, the same as you have it on the debit side, then write By self, as the cheque was drawn that way, put the money taken out, \$531.75, in the money columns, the page of the day book in the reference column, and the page of the ledger opposite To bank, in the day book. Now you are ready to pay out your money through the cash book.

On the credit side of the cash book, begin by putting the date in the proper columns, in the first space write By advertising, 3000 dodgers, books and stationery on the first line; put the cost of each above them, and extend the whole \$48.25 to the inner columns. On the next line put two commas below By, and then follow on with the rest, towels, freight, and cartage, put the cost above them and extend the whole, \$56.00 to the

inner columns below the \$48.25. On the next line put two commas and then write, 3 signs, and go on till you have all entered, as you already have the expense items. Always begin each line with the two commas. (When you have several entries to be entered on the credit side, on the same date, do as you are doing now, get two or three on the same line, with the cost above them. It helps to equalize your book.) When you have all entered and all extended, add up the total, if correct it is \$531.75, if not find your error, which correct. Then put the total in the outer columns opposite the last figures in the inner, on the same line. Make out a cash slip for the cash desk like this:—Sept. 1, '08, cash paid \$531.75, sign your name, take slip and cash to the cash desk, leave them there. Then post your entries to the ledger. Look up both expense and fixture accounts on page (5), you see what goes in each, look on page (17) for a further description of what each are, then see where they are opened in the ledger. Write Expense as the name of one account, Fixtures as the name of the other. I trust that you already see that debit is going in, so it is on the debit side of both these accounts we make the entries.

Now you have noticed, we do not name any person the money has been paid to, or the articles bought from, in the cash book entries. We have only named the item. You have the article the other has the money, the transaction has been completed, and as there is no debtor or creditor in the matter, we usually enter the item only and the cost in the cash book. Now as these two accounts we are at present dealing with, are solely kept to advise us of the date, kind, and cost of the expense or fixture, it is usual to enter them in the ledger in as much detail as possible. Do not write cash only, and the cost, we want the article too. On the debit side of the expense account put date, in the next space begin, To advertising, put page of cash book in reference column, and what paid for advertising \$15.00 in money columns. Two commas below To and then go on as before until all expense items are entered. The fixture items are treated exactly the same. As you get a line in the cash book entered in the ledger, put the ledger page in the cash book reference column, so you can easily refer from ledger to cash book, from cash book to ledger. This is called folioing and in future we shall call it by that name. Now begin at your first entry and carefully go over all you have done,

and try to see that you have a record you perfectly understand, that they are in the right books, in the right places in the books, and they carry out all the ideas meant to be conveyed in our first remarks on the art of keeping books.

Much importance is justly attached to keeping plenty of insurance on your stock and fixtures, and we will briefly say a few words here on the important subject. Business men usually insure for twelve months, then re-insure for another like term. Owners only insure and as your real premises you do not insure them. You always settle in advance for the cost of insurance (the Premium,) and insurance law and usage does not permit you to insure to full value, two-thirds is the common risk taken by companies on the stock of businesses. An agent takes your application, settles the premium and gives you what is called an interim receipt, this secures you until you get the contract from the company, policy as that contract is called. In addition to the premium the agent is entitled to charge you a fee for his trouble and expense in taking your application, etc. This fee varies greatly according to a number of circumstances, and runs from .25 to \$500.00. We will suppose you are going to insure your stock in the Perth Mutual, and Northern Fire Insurance Companies, and the agent is J. Smith. Add all your wholesale accounts together and find what two-thirds of their value is, add your fixture account and find what two-thirds of that is, calculate what  $1\frac{1}{2}$  per cent. of these values amount to, add to that \$2.00 for agent's fee and you will see what it is going to cost to insure. Mr. Smith gives you the receipt and you agree in writing to pay him when he brings the policies. Now you are ready for business, your books are opened, and we assume so are your doors. We will now turn your attention to money making.

2. Four farmers between them bring:—300 lbs. fresh butter, 300 lbs. crock butter, 100 dozen eggs, 50 pairs fowl, 300 lbs. turkey, 300 lbs. geese, and take groceries in exchange; another brings a ton of hay and 50 bushels oats, these are for your stable, he takes groceries also. This is called trading and you make no entries in your books as they get your goods and they give you theirs. Your cash sales for this day are \$45.65. Cash sale means anything you sell a customer, for which he pays at the time, and only requires a record of the amount received. The cash sales are entered in the cash book once only, for the day, and not posted to

any account, they come from sales of merchandise of which you keep no account separately in the ledger. You buy from a farmer 100 bushels potatoes at 35 cents per bushel, which you give him cash for. As the potatoes are mdse. you have no account for them. And you open accounts with 12 credit customers.

On the debit side of your cash book book in the day column, put 2 to correspond with this date, then two commas, then Cash Sales, a tick in folio column, and \$45.65 in the outer money columns. On the credit side, put 2 in the day column, then two commas, then 100 bushels potatoes, then a tick in the folio column, and \$35.00 in the outer money columns. Make a cash slip thus:—

Sept. 2, 1908.

Cash received .....	\$45.65
Cash paid .....	35.00
	<hr/>
Balance due me .....	\$10.65

Sign this and take to cashier who will give you what is due, put the money in your till and your cash transactions for the 2nd are completed. You must do this every day.

If you look on page (2) you will find what a credit transaction is. Look on page (5) and see what is described in the accounts of persons to whom we sell goods. Look again on page (9) as the definition of a blotter, etc. Again on page (11) read the remarks on the original entries. You will now get a small packet of what we call Counter Checks, they are the original entries of your credit sales, and must be debited to the account of the person buying from you. On page (12) attention is directed to the various rulings and forms of ledger, you have found your own ledger has different rulings, and the accounts to be considered now will go in a different ruling to that in which the others are. This ruling saves day book entries, is easier to prepare bills from, shows the standing of the account, or any item, at a glance, and is a favorite with retail tradesmen. See what is said under the description of the day book on page (7) as to different classes of accounts. In this new form of ruling remember, one page to one account, the name at the top, the date in its column, and the extension of each line into the inner money columns. Begin to enter

the new accounts by, writing the name of the person and street address at the top, on the line for that purpose, put the date in the date columns, then close to the date column put To and follow on with whatever is on the check, item by item, put the value above each and when the line is full extend to the inner money columns. If the items are more than will fill one line take the next, or the next six if necessary. When a line is not filled do not extend it, you will sell more some other time; when the next time, you make a date thus (5) and fill the line out; then extend both old and new to the money columns. Turn to the next page for the next check, do the work the same way, and go on until all are in, 12 checks 12 new accounts. This ends the second day.

3. Your cash sales today are \$47.35. You buy and pay cash for twine, to use tying up parcels \$4.00, get a letter press from Toronto \$5.00, pay express on the press 80 cents, and make 6 new credit accounts. Enter the cash sales as you did before, enter the twine, letter press and express, just as you did similar items on the first day. The letter press is a fixture, the twine and express are expense, and you now know where to post them and how. Make a cash slip for the cash transactions just as you did on the 2nd, and receive \$37.55 from cashier. You have now \$48.20 in your till and you should put \$40.00 of it in the bank. The careful man tries to see how much he can keep in the bank, and how little he can manage with in his till. You put money in the bank for safety, standing and convenience. Each day try to make a deposit in the bank, you will always require some money for change, small payments, etc., so keep about \$5.00 in your till, and deposit once only each of the days on this paper if you have \$15.00 or more to deposit, do not deposit less than \$15.00 at any time. Look at your deposit slips, you see first the name of the bank then credit . . . . ., below that deposited by . . . . ., below that . . . of . . . . . 190.. Put your name after credit, your name after deposited by, 3 before of, Sept. after of, and 8 after 190. You want the money to be put to your credit, you took it to the bank yourself, on the 3rd of September, 1908, are the meanings of these entries. You will notice below the heading the slip has two divisions, with money columns running through them. There are the names of the different bills we use in Canada in the first division, gold, silver, cheques, and a





As the deposit is money paid out, you enter on credit side of Cash Book, using the word "deposit." Put the amount in the inner column, \$40.00; add this to the sum above, \$9.80, and put \$49.80 in the outer column. Post the deposit to debit of bank account, referring cash book to ledger, and ledger to cash book, as you have with every other item posted from the cash book.

4. Cash sales, \$57.60; 12 credit sales. Cash payments: saw \$1.25, lantern \$1.00, show counter \$7.50. These are fixtures. Make a deposit.

5. Cash sales, \$61.15; 6 credit sales. Cash payments: bread \$5.00, hammer 50c, nails 25c, postage stamps \$1.00, rent P.O. box \$1.50. Bread is mdse., hammer is fixture, the others are expense. Make a deposit. Every fifth day add up the outer columns of the debit and credit sides of the cash book, subtract what has been paid from what has been received, count the money in the till, and if they are the same amounts you are keeping your cash correctly; if they do not agree you must find the error and correct it. Try the bank account the same way, find the difference, then go to the ledger-keeper and get his balance; these should also agree, and any errors between you must be set right at once.

6. Cash sales, \$70.66; 12 credit sales; make a present of \$1.00 to each of your salesmen, and take \$5.00 yourself; make a payment of \$2.00 and \$2.50 for butter and eggs. Present is expense; enter your own as "your own name" and post to debit of your account as cash; butter and eggs are mdse. Make a deposit.

We will now close the work by making some reminders for constant use.

1. Have you entered the year in the head of all date columns in the ledger accounts?
2. Have the pages been entered in all folio columns?
3. Have you indexed every account opened in the ledger?
4. Have you begun to notice steady improvement in your books as regards legibility and neatness?
5. Are you working mechanically, or do you think of the reason for each entry as you make it?

8th Day.—Cash sales, \$26.30; 6 credit sales. Cash payments: freight \$6.00, expense; fish 50c, fruit \$5.00, patent medicine \$1.00, mdse. You cannot make a deposit. On the 5th you ordered 10 barrels sugar; you get the goods and invoice to-day. Look at page (19) and see what you

did with your last invoices, do the same with this one. Drafts for your invoices numbered 1, 2, 3, 4, come in today. This requires an explanation. When one buys from wholesale firms they usually buy subject to draft. A draft is a piece of paper that a very great deal of business is transacted with, as it has been found the most convenient method of collecting money, as well as the cheapest, yet invented. It has three different persons connected with it, the one who draws called the DRAWER, the one drawn upon called the DRAWEE, the one who collects called the PAYEE. Generally the payee is the drawers bank. The creditor draws, the debtor accepts and pays, the payee is the agent of the drawer. A draft where all parties live in the same country is called an Inland or Domestic draft, and there are three ways of drawing them:—Demand, Sight, Time. A demand draft is due and payable anytime, a sight draft is due three days after it is accepted, a time draft is due the time specified plus three days. A draft to hold the drawee liable to pay must be accepted by him; which is done by filling in the blank spaces on the form stamped across the face of the draft, and signing his name to it. No one can be compelled to pay a draft who does not accept it, when he does accept he is legally and morally bound to pay it when due. When the drawer makes out the draft he hands it to his bank, in Toronto we will say, that bank sends it to a bank here, the bank here stamps it with the acceptance stamp and sends it to you for acceptance, this is done by a clerk bringing it to you. One always gets at least one day to look up the invoice make proper entries in his books, etc., consequently the draft is presented one day and taken away the next. Should the drawee not be inclined to accept it, because it is wrong or any other reason, he gives it back not accepted, when the clerk comes next day; should he find it properly drawn, business honor and usage demands that he does accept it and prepares to have sufficient money to pay it when due. One generally accepts it payable at the bank where his account is, and the day it is due the holder's clerk goes to the bank and asks for payment. If there is sufficient money there the teller pays it and debits the drawee's account, the bank that got the payment sends the money to the bank in Toronto, and it is put to the credit of the drawer there. The Toronto bank charges the drawer a small commission for

## ACCOUNTS KEPT BY SINGLE ENTRY

their trouble, usually 25 cents per \$100.00. Copy of a draft is given below.

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\$112.21	No. 365	Toronto, Ont., Sept. 1, 1908.
AT SIGHT.....after date, pay to the order of		
The Merchants Bank of Canada ( <i>Payee</i> )		
One Hundred and Twelve..... $\frac{21}{100}$ Dollars		
To, your name, ( <i>Drawee</i> )		
.....		
Your address	F. W. FEARMAN, ( <i>Drawer</i> )	
.....		

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When you receive a draft the first thing is to look up the account of the drawer and see if you owe anything. In this case look at Fearman's account you will see on the credit side there is \$113.29, but nothing on the debit side. This amount is therefore owing, and the draft is drawn by Fearman to settle it. Turn up the invoice he sent you and read the terms of settlement, you will see: Terms, sugar sight net, oil 5 per cent. sight, look at the draft and you will see it is drawn at sight, also that it is drawn for \$112.21. According to this, the agreement between you is that he was to draw on you at sight, allow in drawing 5 per cent. off the invoiced price of the oil, but nothing off the price of the sugar or paper. The item on the invoice \$21.69 is the amount the discount has been allowed on. If you calculate 5 per cent. of \$21.69, you will find it amounts to \$1.08, then subtracting this from \$113.29 you will find the draft and terms agree. On the face of the draft there is a form impressed with a rubber stamp which reads Accepted payable at Bank of..... Barrie, Ont., ..... 190.. This is where you accept, which you do by putting College in first vacant space, Sept. 9 in second space, and 8 in third, then sign your name below. Now look carefully over what has already been said about drafts and accepting on page (28) and you will understand what you have done. Now go on with the rest as you have with this, being careful to see that draft, terms, and invoice amounts agree. Turn to page (7) and read at foot of day book description, the remarks about entering accepted drafts in the day book, then turn to your day book. The accepted draft in this case is the original entry, and we de-

sire to record the transaction so that it is plain, also where we have it in the ledger. To do this we make what is termed a Journal Entry in the day book and then post to the ledger. Take the first one, Fearman has settled with us by a draft, and an allowance or discount as it is called, he has received our promise to pay but he has also received a loss in the discount, we have given a promise to pay but we have also profited by his loss on the discount. Looking at the forms of account on pages (5 and 6) you will see a proprietor is debited with loss, credited with gain; you will also see persons are debited with drafts they draw on us, and with discount they allow us, and that the expense is credited with any discount allowed to us. We have to make all this plain in our journal entry, and we do it this way:

F. W. Fearman .....	\$113 29
To Discount.....	1 08
„ Bills Payable.....	112 21
For settlement of invoice dated 1-9-08.	

We debit Fearman's account, date, To Sundries, page of day book, \$113.29, and we put page of ledger opposite his name in day book; we credit expense account, date, By F. W. Freeman, page of day book, \$1.08, put ledger reference in day book opposite Discount; we enter draft in bills Payable book, giving it a number and put that number opposite Bills Payable in day book. Then leaving one line blank in day book enter the next one, treat it same way and so on till all are put in. Then take drafts back to ledger-keeper. Study up bill book on page (13).

9. Cash sales, \$33.90; 12 credit sales. Cash payments, express .28, expense; lend J. Brown \$2.00, J. M. Holly \$5.00, pay a bill for B. Cone \$2.30. Make a deposit. Crawford, Beaumont, Trout, Connolly, Batty and Shaw ask for their bills. They will pay to morrow; make them out. In making out a bill, you head them just as you do an invoice, dating them the day they are made out, and they are an exact copy of what is in their ledger account, each day's transactions kept under its own date. Lamb, Rowe, Williams, Graham and Robertson pay their accounts; they ask for receipts only, do not want bills made out. Look at your receipt book, you will see it is in two parts like a cheque book, a stub and a receipt. It is a simple matter to give a receipt, first see what they owe; then fill in stub, No, date,

\$. 22.00. . . . . Barrie, Ont . . . . . Sept. 17 . . . . . 1908

Due to W. Reid, goods to value of . . . . .

Twenty-Two \_\_\_\_\_  $\frac{00}{100}$  Dollars

At my store.

.....(Your name here)....Signature.

As explained on page 33, this is a Due Bill.

A Due Bill like an order may be given for a variety of indebtednesses. They are usually made out in the above form. Sometimes you redeem them at one time and in one sum. Sometimes the holder may choose to get the sum due to him at different dates and in different sums, when he chooses the latter; date and amount are endorsed upon the back, like the partial payment of a note, mortgage, etc.

Barrie, Ont., . . . . . Sept. 9 . . . . . 1908

Mr. C. B. Crawford,  
Town.

To . . . . . (Your name here) . . . . . Dr.

Date	Particulars of goods sold, or any other indebtedness, for which Mr. Crawford owes you. Be sure you enter date of transaction, quantity, price and any other detail necessary to make plain what you are billing him for. The extension of each line is usually entered in the inner money columns, the total in the outer one.				

There are many forms of heading and ruling a bill-head, almost every person in a large way of business has his own way, but the essentials as I have shown them are always there:—When the bill is made out, where, the debtor, the creditor, terms of payment sometimes, particulars as to interest, etc. All kept above the head line, while the detail is kept below the head line, and should always show as much detail as is possible, as it saves delay and much explanation very often, to send out your accounts giving all possible particulars.



to whom given, what for and amount received; fill in receipt exactly the same way, which tear out, hand to person paying. The stub is the original entry. On debit side of cash book below cash sales for the day, put two commas, each person's name on a line to itself, and the amount paid in the inner column. Add cash sales and accounts paid together and extend to outer column, which is the amount of cash received to be put on the cash slip. Credit in ledger accounts each person paying, date, By cash, put the money in the outer column, folio ledger page in cash book and cash book page in the ledger.

10. Cash sales, \$3.50; 6 credit sales. Make a deposit. The accounts given yesterday are paid to-day. As regards entry in cash book and credit in ledger, they are the same as when you gave receipts, but as you have the bill, you give a receipt on the bill itself. This is done by writing: Paid, Paid in full, or Received Payment, the date, and your signature, across the face of the bill, one above the other. Drafts for invoices 5 and 6 come in; you know how to deal with them now. Price returns some unsuitable goods, \$2.00 worth. Watters finds some goods he bought from you had, \$1.75 worth. Make an entry in day book: date, name, By goods returned, give reason for returning them, and put value in money column. Give them credit in ledger: date, By goods returned; folio day book to ledger, ledger to day book, credit column in ledger, remember. On 1st, you remember, when you insured, you promised to pay when the policies were brought. The agent brings them to-day, and you give him a cheque, \$30.66. Fill in stub of cheque book, No. 2, date, J. Smith, for insurance on stock and fixtures, amount; then fill in cheque, No., date, J. Smith, amount in words, amount in figures. Tear out cheque, which put on principal's desk. Then make day book entry: expense \$30.66. To bank, \$30.66, for cheque given to J. Smith for insurance on stock and fixtures. Post to debit of expense: date, insurance, day book folio, \$30.66; post to credit of bank: date, J. Smith, day book folio, \$30.66. Put ledger folios opposite expense and bank in day book. Now balance cash book and bank account as you did on the 5th.

11. Cash sales, \$28.70; 12 credit sales. Make a deposit. A farmer brings in 50 lbs. butter and 20 doz. eggs. He does not want trade and you do not want to pay him cash, but he will take an order for the amount due him on a dry goods house. You give him one on James

Vair & Sons. Take a piece of paper, head and date it, address it to James Vair & Sons. Then write: "Please give the bearer, H. Scott, goods to the value of Fourteen Dollars and Fifty Cents, and charge to me." Sign it. Open an account in your ledger for Jas. Vair & Sons, date, By order to H. Scott, day book folio, \$14.50. This entry is first made in day book as original entry, then posted as above. Goodrich Brown and Mrs. Tapscott ask for their bills. Treat them as you did the others on the 9th. They pay them to-day.

12. Cash sales, \$73.00; 6 credit sales. Cash payments: 65c balance on mdse., butter and eggs traded. Make a deposit. You get in another invoice of flour, etc., from the Barrie R. M. Co. Treat it as you did the last you got from them. Your agreement is to pay for the last when you give a new order. Take your cheque book: No. 3, date, Barrie R. M. Co., for settlement of invoice dated 1-9-08, \$116.04. Fill in cheque which put on principal's desk. Then make day book entry: Barrie R. M. Co. \$116.04. To bank \$116.04, for settlement of invoice dated 1-9-08; debit account To bank \$116.04; credit bank By Barrie R. M. Co. \$116.04. Draft for invoice No. 1 is due; look in bills payable book and see whose it is, then credit bank, date, by F. W. Fearman, \$112.21; put No. of draft in bank folio and in bill book at extreme right-hand side; on line alongside the amount, write Paid 12-9-08. B. Cone wants to borrow \$5.00. He does not want it to appear in his account, so gives you an I.O.U. for it. Take a piece of paper, write I.O.U., underneath put Five Dollars, date it in lower left hand corner, sign B. Cone below amount. Put the I.O.U. in your till and give \$5.00 to the cashier without a slip, telling him it is lent on I.O.U. Do not put this in your cash book, it counts as \$5.00 in your till.

13. Cash sales, \$72.25; 12 credit sales. Cash payments, to yourself \$10.00, capital; fruit \$0.75, pork \$10.20, cheese \$15.25. This is mdse., p. o. stamps \$2.00, expense; office files \$5.25, fixtures. Hawley, Almy, Simpson and Burnham pay their accounts. They want receipts only. Make a deposit. Drafts come for invoices 7, 8, 9.

15. Cash sales, \$27.89; 6 credit sales, no payments. Make a deposit. Drafts for invoices 2, 3, 4, are due, yesterday was Sunday so they are due to-day, treat them as you did on the 12th. Balance cash book and bank account.

16. Cash sales, \$40.60; 12 credit sales. Make a deposit. On page (16) you will see you pay your salesmen twice a



month, J. Smith has \$15.00, and H. Brown \$7.50 due to them to-day; credit the cash book and open a wages account. Head it Wages, then on debit side after date, write To J. Smith, cash book folio, \$15.00; below put H. Brown the same way, folio ledger to cash book. This is a cash payment.

17. Cash sales, \$32.85, 12 credit sales. Cash payments: sawing wood \$3.00, expense. A farmer brings in 4 cords wood, he does not want goods to-day but will take a due bill. Take a piece of paper, head and date it, then write:—Due to W. Reid, goods to value of Twenty-two Dollars, at my store; sign and give to him. This is simply an I.O.U. in goods. When he wants anything for it, whatever he gets is endorsed on the back as often as he gets goods, then when he has had the value of the due bill he gives it back and the transaction is completed. No entry in your books. Draft comes in for invoice No. 10 and for sugar you got invoice on 8th. Make a deposit.

18. Cash sales, \$5.25, 6 credit sales. Cash payments:—Fish \$5.25, fruit \$2.25, mdse; oil \$1.00 expense. Cone returns his loan of 12th, he gives you \$5.00 and you give up his I.O.U., take it to cashier and he will give you \$5.00. You pay out more than you receive to-day. You cannot make a deposit. Cone, Holly, Mills and Mrs. Long settle their accounts by note at 10 days. They ask for accounts, make them out as you have for others. Instead of receipting the bill you put on a blank line at the foot of the bill head:—Date, By note at 10 days, and the money value of the note in the money column, do not sign it as they have promised to pay only, when they have paid the note, they will retain it and that is their receipt. I will explain a note and how they are dealt with, and the method of recording them. A note is another piece of paper we do a great deal of business with. Cheques, notes and drafts are termed commercial paper, and about 97 per cent. of business transactions are completed by means of them. A cheque is an order for the bank to pay at once, an accepted draft is an order for the bank to pay when it is due, and a note is a promise in writing to pay a debt at a specified time at a specified place. Very many notes amongst private persons are given and paid without going near a bank, but business people make them payable, if they can, at their own bank, then the bank pays them when they are due and payment is demanded. There are two



19. Cash sales, \$38.95; 12 credit sales. Cash payments: \$5.00 to yourself, capital; horse shod \$1.20, expense; show case \$7.50, fixtures. Make a deposit. Brownlee, Gunn and H. H. Smith ask for their accounts. After they get them they pay half what they owe. Enter their names in cash book and credit in ledger just as you have other accounts paid, but on the bill head credit the amount paid as you did the notes on the 18th, By Cash. Do not sign them as they are not paid in full. Drafts for invoices 5 and 6 are due; attend to them. You find you are paying out more money than you are taking in, so decide to borrow \$500.00. You see the manager of the bank, and he agrees to loan you that amount at six per cent. interest for thirty days. As collateral to your own signature, he asks that you get an endorser, who will be in this case your desk-mate. Make a note for \$503.70, at thirty days, payable to your desk-mate at the College Bank. Turn it over and have it endorsed—that is, the person who endorses, writes their name across the top end at the back—the effect being that the bank has two persons to look to for their loan. If you cannot pay, the endorser must. Then in your day book make this entry:

Bank .....	\$500 00
Discount .....	3 70
To Bills Pay .....	503 70

For loan and charges, account of note given bank, endorsed by (whoever it is).

Debit bank, discount \$500.00; debit expense, bank charges, \$3.70. Put note in Bills Pay. book, give proper references; take note and pass book to ledger-keeper and see he credits you \$500.00.

20. Cash sales, \$65.75; 12 credit sales. Cash payments: extra help \$2.50, expense; \$3.25 balance on trading, misc. Make a deposit. Austin, Demmon and Miss Emmonds ask for their bills; make them out. They pay to-day. Balance cash book and bank.

22. Cash sales, \$28.90; 6 credit sales. Cash payments: wagon repaired \$3.00, knives sharpened 25c., both expense. Dean, Symes and Mrs. J. H. Smith ask you to draw on them for the amount of their accounts, they do not want receipts or bills; draw at six days after date which brings them due on August 1st. You are the drawer, they the drawee. Handle them as regards entry in day book, credit in ledger,

and entry in bill rec. book, references, etc., just as you did the note transactions on the 18th. Draft for the sugar is due. Take your drafts to the bank teller and say they are for collection. When they collect them on their due date, you will get credit for the money.

23. Cash sales, \$25.75; 12 credit sales. Cash payments: to yourself \$5.00, capital; ink \$1.00, registered letters 15c., both expense. Make a deposit. The same people who paid their accounts on the 9th, pay for what they have had since. They only want receipts this time.

24. Cash sales, \$26.20; 6 credit sales. Cash payments: for barrel coal oil \$7.90, mdse. Make a deposit. Drafts for invoices 7, 8 and 9 are due. Treat the first two as usual, but the other one is to be handled differently. You have not money to pay all three, so you arranged a few days ago with P. C. Larkin & Co. to take a partial payment which you handle this way. Make an entry in day book:

Bills pay .....	\$315 87
Interest and bank charges.....	1 64
To P. C. Larkin & Co .....	317 51

For draft due to-day and not paid.

In your bill book, in how disposed of space, write: "Part paid and renewed, 24-9-08." Debit expense with \$1.64, say what it is; credit Larkin's account By unpaid draft; give proper references. Then go to bank and ask for new draft; you will find it drawn for \$217.51. Accept it on this date, 24th, then make another entry in day book:

P. C. Larkin & Co ..	\$317 51
To Bank .....	100 00
" Bills Pay .....	217 51

For cheque and new draft to retire unpaid draft due this date.

Debit Larkin To sundries, credit bank By College Bank, enter new draft in bill book, draw a cheque payable to the College Bank, to part pay P. C. Larkin & Co.'s draft; take the accepted draft and cheque to the bank, give proper references, and try to understand the transaction all the way through.

25. Cash sales, \$36.20; 12 credit sales. No payments. Make a deposit. Price, Noble, Anderson and Watters pay what they owe; they

only want receipts. Farmer gets goods on his due bill, \$9.50; endorse it on due bill, no entry in books. Balance cash book and bank. You get invoices from the firms specified, 3, 5, 8, which you ordered a few days ago. You know now what to do, look at page (29) to make sure.

26. Cash sales, \$32.10; 6 credit sales. Cash payments, customer brings back goods to value of \$1.00, she will not exchange so you give her back her money, mdse; you buy three tickets for garden party from three different persons, they are 25c. each, expense. Credit Burnham for goods returned, \$1.68. Look how you did this on 10th. Make a deposit. Shaw, Green, Hawley and Martin ask for bills, they pay to-day. You know what to do.

27. Cash sales, \$76.50; 12 credit sales. Cash payments: paint 50c., oil 25c., expense; lanterns \$2.50, fixtures; pork \$5.65, turkeys \$7.50, geese \$3.70, mdse. Make a deposit.

28. Cash sales, \$25.35; 6 credit sales. Cash payments; \$15.20 freight, expense. Brownlee, Gunn and Smith who paid part on 19th, now ask for bills again to date. Head bill head just as before but on commencing items, look what balance was owing, unpaid on 19th. Put that debt as first item on the bill:—19, To balance, whatever it is, then on next line go on with what they have had since. They pay in full of their debt now. Make a deposit.

29. Cash sales, \$15.75; 6 credit sales. Cash payments: two telegrams sent 50c. each, expense. Make a deposit. You have had a telephone put in and to-day you pay your first half-year's rent \$15.00. Give a cheque to the Bell Telephone Co., handle this as you did the insurance on 10th, it is an expense the same as the insurance was. Henry, Chapman and Clark pay half what they owe, they want receipts. In every particular this is handled as any other payment for which a receipt is given, except in stub of your book, put "on account," and in receipt itself put "on account." This means the sum given is in part payment of a debt. Take the notes you had in your till since the 18th, turn them over and write your name across the top end, on the back, then give them to the bank teller for collection.

30. Cash sales, \$27.75; 6 credit sales. No cash payments, make a deposit. Your taxes and water rates are due to-day, pay them by cheque. As a general rule the bank having the Council's account collect the water rates and electric light bills. The taxes are paid to the Town

Clerk, usually in cash. Your bill for light used during the month also comes in to-day and you pay all three. Make a cheque payable to the College bank for \$18.90, fill in your stub, water rates, \$7.50; electric light, \$11.40, as reason for drawing cheque. Draw another cheque payable to yourself for \$120.00, for taxes. Make a day book entry for the first one Expense to bank, explanation; cheque to bank to pay water rates \$7.50, electric light \$11.40. Debit expense and credit bank. For the other cheque make entry Cash to bank, explanation; for cash to pay taxes. Debit cash book, credit bank. Pay out the cash on credit of cash book, Town of Barrie taxes \$120.00, make cash slip to correspond and hand slip and cash to cashier, debit expense.

31. Cash sales, \$25.25, 6 credit sales. Cash payments: the two salesman's wages are due, do as you did on 16th. No deposit. Enquire at bank about the notes and drafts to be collected, you will be told they have all been paid except Holly's which has been protested for non-payment. The bank gives you credit for the face value of Cone, Mills, Mrs. Long, Dean, Symmes, and Mrs. Smith's paper, and debits you with you with 95c. collection charges and \$1.18 protest charges. Open your bank account and on debit side record these collections by putting date and then each person's name in space where you write deposit, in folio column put, No. in your bills receivable book each draft or note has, amount in money column. In your bill book opposite each name write, Paid and date. Then make day book entry:—

J. M. Holly, (what he gave note for, and protest charges added)	
To Bills Receivable .....	(Face of note)
„ Bank .....	(Protest charges)

For note dishonored and protested.

Debit Holly, credit bank with protest fees, and in bill book write, Protested and date. Make another day book entry, Expense to bank, for collection charges. Debit expense, cost of collection and credit bank.

You are now to close your books and see how your month in business has turned out, have you made money? or have you lost money? and it will be necessary to turn your attention to every

## Customer's Ledger with Account Closed

### Example of a Closed and Balanced Account.

NAME (Ordinary Customers' Ledger)  
ADDRESS

1908 Sept				
2	To (goods purchased in detail) .....		525	
6	" .....		1520	
10	" .....		370	
14	" .....		725	
17	By Cash .....	6		
18	To (goods purchased entered in detail) .....			3140
23	" .....		320	
24	By goods returned .....		1530	
26	To (goods purchased entered in detail) .....	8		220
29	By Cash .....		345	
30	" Balance .....	7		1500
				475
			5335	5335

### The Same in Another Form of Ruling.

1908 Sept				
2	To entries from day-book, usually only the opening date is entered.	1	525	
		2	1520	
		3	370	
		4	725	
		5	320	
		6	1530	
		7	345	
			5335	
	By entries from cash book and day-book. Usually only the opening date is entered.			3140
	Balance .....			1500
				475
			5335	5335

## Balance Sheet as at December 31, 1908.

To Capital (balance in the account).....	3475 25		1575
" Accounts payable.....	850 00	By Cash on hand.....	575 35
" Bills payable.....	1650 75	" " in bank.....	591 10
	2500 75	" Accounts rec.....	687 76
Less discount.....	5 50	" Bills receivable.....	158 89
	2475 25		845 65
Loan from bank.....	500 00	Less reserve for bad and doubtful debts, 5 per cent ..	42 28
" Mortgage on Rl. Est.....	800 00		803 37
" Inst. accrued.....	45 00	" Stock on hand (cost).....	3565 45
	845 00	" Allowed for deprec.....	340 00
Taxes accrued.....	65 00	" Fixtures (cost).....	427 50
" Wages.....	22 50	" Depreciation, 10 per cent.....	42 75
" Rent.....	45 00	" Real Estate.....	2250 00
" Net profit.....	132 50	" Cobalt Stock.....	800 00
	702 27	" Unexpired values.....	75 60
	8130 27		3125 60
			8130 27

The above is the classification of an ordinary balance sheet, in an ordinary retail business; where the accounts are kept by single entry.



particular in the following pages, in order to learn what to do and how to do it, to discover your standing.

## CLOSING THE BOOKS

In every business it is desirable at certain times, usually once a year, to close the books, take stock and prepare a balance sheet. A Balance Sheet is a statement of the Assets and Liabilities of a business, arranged in such a way as to clearly show the financial position of the business at a particular time. As the object of stocktaking and preparing a balance sheet is to discover the true state of your affairs, and grouping the surplus balances of all your accounts under their proper heading, by placing the LIABILITIES, or what the business owes, on one side, and the ASSETS, or what the business possesses to meet these, on the other side, is the method adopted; and by this to learn whether your original investment has increased or decreased during the period you have been in business, or since you took a balance sheet last, it must be plain that you will have to exactly determine the standing of every current account in the ledger by closing and balancing them.

The accounts of the various persons we are continually having dealings of any description with, selling to or buying from, receiving money from or paying money to, as well as the various other accounts we keep open:—expense, fixtures, bank, salesmen's, rent and capital, or any other of like kind, are all termed current accounts, and closing them is the process by which we get their surplus balances into such a form that it is easy to group, or place, liabilities and assets on our balance sheet.

All the accounts of persons we sell to are closed alike. They will probably show a debt, or asset, greater or lesser, at the time of closing. The rule for these accounts is, to place the unpaid part of the account as a credit, using the words "By Balance." You will note "place the unpaid part of the account to credit," what they owe will debit, and putting the debt on the credit side will make the account balance, that is both sides of the account will be even, then rule it off as finished. In single entry ledgers, there are different forms of rulings, and you will have to be guided by the style of ruling as to where the balance appears, and always take care to place the date you are closing your

accounts on in the date columns. It also saves time and trouble to keep note of each balance as you find it.

Accounts of persons from whom we buy are usually settled shortly after we incur the debt, by draft, note or cheque, but it will often happen that we are still in debt at the time of closing. They will, of course, be exactly opposite in character to the above-mentioned accounts and will have to be closed the opposite way. Place the unpaid part of the account on the debit side, using the words "To Balance," and rule off as you did your debtors' accounts, and this balance will be a liability of the business.

**Bank Account.** On the last day of each month it is the custom for depositors to leave the pass book in the bank. This book is returned about the first of the month properly balanced, and all vouchers for payments made by the bank to your order returned with it. You then compare the bank's balancing with your own ledger account, and finding them correct close and rule off your account. At closing the books it is usual to do the same, putting the balance you have still in the bank on the credit side of the account, using the words "By Balance." This is an asset for the balance sheet. Rule it off as finished.

The cash book is closed like the bank account, the difference between what has been received and what has been paid, being entered on the credit side as "Balance," and the two sides being even are now ruled off. This balance is also an asset for the balance sheet.

**Fixtures Account.** When closing this one it is usual to allow for a certain wear and tear that has gone on while you have been using them. This is called depreciation, and will vary considerably in value according to the class of fixture, some wearing much more than others. A fair allowance is twelve per cent. per annum of their first price, and supposing you had been using them ten months, on the credit side of the account place this depreciation ten per cent., with the word "depreciation"; below put "balance," which in this case would be ninety per cent. of their value. The account will now balance; rule it off. The balance is also an asset for your balance sheet.

**Expense Account**—At the time of closing there is almost sure to be a number of items charged up, which still have a value to you. It rarely happens that the insurance, water, stationery, coal, wood, advertising, etc., are all used up at the time you are closing the account,

if any are left, place them on the credit side of the account with a line to each, and in the money columns put the amount you value the unexpired portion at, they are assets for your balance sheet. This and the discounts allowed you by your wholesale houses will have considerably eased off the debit, but there will still be a debit balance, place this on the credit side using the words "By Profit or Loss" and the account will now be even, so rule off.

**Salesmen's Accounts.**—It is a general practise when you keep individual accounts for each person, to close them monthly, but it may happen at the time of stocktaking that they are not all paid, if such is the case, give them credit for wages to date and on debit side place the unpaid portion of the month's wages, using the words "To Balance," this amount will be a liability for your balance sheet. Both sides should now be even, rule it off. In making the monthly closing, or whatever period you close these accounts to, it is usual to place on the credit side the date you close to, and use the words "By Services" putting the value of these services in the money columns, and as it is not customary to owe your employees beyond the date agreed upon, these accounts usually balance even.

**Rent Account.**—This is a somewhat similar account to the employees' accounts, and is treated monthly very much the same way, except that in closing, you use the phrase "By Rent to Date." Should there be anything owing for rent at time of closing, you do just as in the last mentioned account and the balance would also be a liability for the balance sheet.

**Capital Account.**—This account must remain open until you have completed the balance sheet. If your balance sheet shows a net profit, the amount of same is placed on the credit side of the capital account, but if the balance sheet shows a net loss, the amount of same is placed on the debit side of the capital account. The account is then balanced by placing the surplus on the opposite side to that on which it appears, and the two sides being even, are ruled off.

If you have any other accounts representing assets or liabilities, treat them as the case demands. They either have a value, that is they are an asset, or you owe them, that is they are a liability, and you will by this time, I trust, see how balances, debit or credit, are treated, and what these balances mean.

There is still another asset to be dealt with—the stock you have on hand. As this may probably be the largest asset you will have, it is important that you have its value also. Once a year it is usual to take stock very minutely, weighing, measuring, counting, etc., everything on your premises that you have purchased to sell again, value at the purchase cost. If you have reason to consider that they do not all bear the same value now as they did at time of purchase, you estimate as accurately as possible what they have depreciated, and deduct that from their value when putting the amount they represent on the balance sheet. Frequently it is inconvenient to obtain an itemized schedule of their values, and then you adopt another method, that is you get an approximate value from the books. The method I will now explain. First, let me add there are various ways of doing this. I will only give you one of them.

First, the total sales must be obtained. The cash book will give you all moneys received for sales at time of purchase, and sales paid for after date of purchase. Sometimes there will be sums on the debit side of the cash book that come from other sources than those just specified; if so subtract them from the total. All the unpaid balances in the ledger accounts (your debtors) will give you the sales made not yet paid. The total of your Bills Receivable book will give you the total sum for sales settled by note or draft. Should there be any renewals or anything else not on account of sales, they will require subtracting as in the cash book. It is quite customary to have some of your accounts settled by contra ones, that is you have an account against someone, they have an account against you, and at settling time they send in their bill and you send in yours, difference being adjusted by the debtor paying the balance, if any, in cash. If there are any, the sales must be taken into account. By carefully following the above you will find you have arrived at your total sales. You will have an average percentage at which you sell above cost, and dividing the sum of your sales by 100 plus that percentage, you will have a very close approximation of the invoice value of goods sold, having this you have only to get together the sum of your purchases, obtained from the credit of your wholesale accounts, and subtracting the value of goods sold from the value of goods purchased, will give the value of stock now on hand.

Turn now to your Bills Receivable book and pick out any not yet paid, you are sure to have some, this is an asset for the balance sheet.

Turn to the Bills Payable book and pick out any not yet paid, there are sure to be some here also, this is a liability for the balance sheet.

Before beginning to put your values, together there is another matter I must mention. On going over your accounts, either open, or closed by bills receivable; there is every probability of finding some of them very doubtful assets. Under the circumstances it is not wise to put them on your balance sheet as worth 100 cents to the dollar, when you have little hope of realizing it. It is usual to calculate a percentage, say 5 per cent. of the whole, and in placing the figures representing total accounts and bills rec. due to you, on the balance sheet, to put the totals of these first and under them subtract the percentage you are deducting for possible bad debts. This allows you to see what the total values are and what you have allowed from these total values, as possibly never to be received.

This is called Reserve for Bad and Doubtful Debts, and shown on the balance sheet accordingly.

In your wholesale accounts occasionally there will be cases; when the drafts have not yet come in, but when they do come in, there will be a discount allowance. In such cases calculate what these discount allowances will come to, and in placing the amounts due by you for accounts and bills payable on the balance sheet subtract the discount, just as previously mentioned you have done on the opposite side for the bad debts, using the expression "Less Discount."

In preparing a Balance sheet it is usual to put the assets on the right hand side, and the liabilities on the left hand side, in a certain order. We will begin with the assets. The first asset is cash in the till; next, cash in the bank; followed by accounts and bills receivable, due to you; then stock on hand, then fixtures, then the unexpired values of the items from expense account. This list and order usually cover businesses of a general description, but should you have any other assets that I have not specified, they would follow on below the expense account items. Now the other side. First place the balance as at present of the cap-

ital account, followed by accounts due and bills payable, due by you. Should you have anything else in the form of a liability, follow on, if not, then this is all and the sheet only requires adding up to get the totals of each side. If the assets are greater than the liabilities, you have made a profit, and the difference is entered on the debit side below the last liability, using the words "Net Profit," if the liabilities are greater than the assets, you have made a loss, and the difference is entered on the credit side below the last asset, using the words "Net Loss." The sheet will now balance, rule it off.

Everything is now completed and all you have to do is to bring forward all balances in the various accounts, and go on again for another year.

This completes our lessons in single entry bookkeeping.



## THE REASON FOR THE SYSTEM, AND THE MEANING OF DOUBLE ENTRY.



**A**S IN SINGLE ENTRY, SO IN DOUBLE ENTRY, Book-keeping is the science of correctly recording business transactions. We are told that in the early days of the art, those who kept books were considerably, as they are still, vexed, annoyed and worried by the errors that would creep in, even in the best kept books. It was therefore only natural that men would begin to see if they could not devise some means by which such errors should become self evident. Then, no doubt, they asked themselves what was the exact nature of the transactions they recorded in their books, and arrived at the conclusion they were simply transfers.

A transfer is a conveyance of anything from one place to another place, from one person to another person, and it occurred to those advanced thinkers that if they showed these transfers in two places, who they transferred to, and who they transferred from, that it to say by having every transfer recorded on both sides of their ledger, at any time adding up the records they should be the same, if they were correctly recorded, if they were not, there was a mistake. Here at once they had a check, for, if there was a mistake it would be an extremely unlikely occurrence that both sides would agree.

This then put in a few words is, Double Entry, and this then is the chief object of keeping books by this system, the debits and credits of every transaction being entered or posted to the proper side of, at least two, different accounts in the ledger, thus making double postings or double entries; hence the name Double Entry.

It would appear to the student that if there are to be two entries made for every transaction, there will need to be accounts opened in the ledger for every class of transaction that can possibly arise, and consequently a great many different accounts. To avoid

this, an arrangement is made by which the double entry can be perfectly maintained, and a great deal condensed into a single account.

This is on the same principal exactly as you have learned to keep a bank account. In it as you already know, on one side, we show the money we receive from many different persons, and on the other side, show the money we pay out to many different persons. By this practice we do not have to keep a separate bank account for each person, one serves for all of them. So in double entry an account kept as a check serves to record our dealings of one kind with any number of persons. We keep an account for Bills Receivable, if we debit that account with every note or draft we receive, and credit the personal account giving to us, whether a check. We keep an account for Bills Payable, if we credit that account for every draft drawn on us which we accept, and every note we give, and debit the personal account we accepted the draft of, or that we gave the note to, we have a check. We keep an account for Merchandise Bought and Sold, if we debit that account for the merchandise we buy, and credit the personal account we buy from, and credit that account for the merchandise we sell, and debit the personal account we sell to, we have a check. So you see by keeping certain dealings strictly in certain accounts, we are always able to see that they check.

Two classes of accounts are kept in double entry bookkeeping: Personal and Impersonal. Personal are known by several different names: Capital, Property, Real, Resource or Liability accounts. Impersonal also have a variety of names: Representative, Revenue, Nominal, and Profit and Loss accounts. This make a formidable list but in reality there is not so very much more than there was in single entry, and as it is much more difficult to find a mistake in a large transaction than in a small one, more details of accounts are necessary, and what in single entry is usually put into one account, Expense for example, in double entry, these are kept in several different ones, under the class of, and name of, Impersonal Accounts, and serving as a check on the personal accounts.

Personal accounts are those you open with the various persons you trade with, or buy or sell to and from, and the various accounts representing your capital. Impersonal on the other hand represent



matters in which your capital is increased or decreased. Personal accounts are said to group Capital, Impersonal accounts to group Revenue.

What is Capital? If an item is on the debit side of an account, by this we mean:—Cash in the till, cash in the bank, accounts owing to us, notes and drafts owing to us, goods we have bought, fixtures we have bought, real estate we have bought, machinery and plant we have bought, money we have loaned to others; and we will eventually receive the value represented in these accounts, we call that value Capital.

What is Revenue? If an item is on the debit side of an account, and we shall not receive that money eventually, it is a loss in bookkeeping, if an item is on the credit side of an account, and we shall not at any time be called upon to pay that money, it is a profit in bookkeeping. Both of these are Revenue.

Personal accounts also distinguish between Resources and Liabilities. What is Resource? If the item is on the debit side of a personal account, and we possess it by ownership or will eventually receive the money value of it, in bookkeeping that is called a Resource or Asset of the business. What is Liability? If an item is on the credit side of a personal account, and we will eventually have to pay it, in bookkeeping that is called a Liability or a debt of the business.

If we sort out of our personal accounts these two classes of debts or possessions, and putting on the one side what debts the business owes and on the other what debts are owed to the business, or what the business possesses, we see our capital. And if we sort out of the revenue accounts what represents a loss and what represents a profit, we can see what has been the profit or loss of the business, and how our capital has increased or decreased.

Some explanation is necessary as to the meaning of Profit and Loss, as understood in a bookkeeping sense. On page (2) I explained what is meant by a profitable, and a losing, transaction. In bookkeeping when we have an amount on the debit side of any account, and we shall never receive the value of it, we call that loss; and when we have on the credit side of any account an amount we have never given value for, nor ever be asked to pay it, we call that profit. Let me illustrate this a little: We pay out cash for ink and

pens \$1.50, and debit the expense account, we shall never receive a value for that outlay that we can estimate in money: we sell goods to B. Cone for \$25.00, he goes insolvent and we never get anything for our goods, labor, etc. We allow a customer \$5.65, discount on the price of goods bought from us, if we did not do so he would go somewhere else, we get more trade through this perhaps, or we may not; but we cannot estimate the return in money. Now remembering what was said on the first page: money being a measure of value, and there being no value received in any of these cases, there must be Loss. Suppose we buy an article, first cost is \$10.00, we incur in various ways additional costs \$5.00, the article stands at \$15.00, we sell it for \$25.00, and allow discount for prompt payment \$2.00, now we have \$8.00 for which we gave no value and for which we shall never have to return anything, we find our purchases for the year amount to \$10,000.00, our sales to \$8,000.00, and the stock we still have on hand is worth \$6,000: if we add sales and stock together we find they are \$4,000.00 in excess of what the goods costs us, we shall never have to return anything out of this, and we gave no value for it: we buy a quantity of goods from a man who allows us \$25.00 discount off the invoice price, we get full measure but in consideration of our prompt payment he returns us \$25.00, we shall never have to pay it, and we gave no value for it, we are getting the money in each of these cases for nothing, and we call that Profit, and a function of an entry in an impersonal account is to record either a profit or a loss.

### THE ACCOUNTS THAT ARE KEPT

I sincerely trust that having worked through a set of single entry you now understand why an account is debited and why it is credited, consequently we will not take up your time in again going over the nature of debit and credit only in so far as it relates to the use of the journal and the new accounts you will meet in double entry.

The Personal accounts are kept identically as in single entry, but you have some new ones which I will mention and explain.

**Bills Payable account.** Credit for notes you give, drafts you accept and debit for payments you make when they are due, and you have retired them, or any other settlement made.

**Bills Receivable account.**—Debit for notes you receive, drafts you draw on others, (except sight and demand, which are usually discounted through the cash book,) credit for payments or other settlements made when they are due, and have been honored, or you have discounted them.

**Real Estate Account.**—Debit for whatever you have paid, or agree to pay, for the property; credit for whatever you realize from your investment; either by rent or by selling it.

**Mortgage Payable and Mortgage Receivable Accounts** are treated exactly as you treat **Bills Receivable and Payable Accounts**. They are just the same style of transaction under a different distinguishing name.

**Fixture Account.**—Where there are many kinds of fixtures used, there are separate accounts kept for each. Plant, machinery, loose tools, office and show room, horses and wagons, light heat and power are examples of how you may expect to find a fixture account subdivided. They are kept for the same purpose and entered the same way as in Single Entry.

**Investment Accounts.**—You may buy shares in various companies, or become interested in many kinds of money-making ventures outside of your regular business, and it is necessary to keep a record of what they cost and what return they bring. Usually you open a separate account for each investment; debiting what they cost, and crediting what they return.

**Maintenance or Depreciation Account.**—Fixtures of any description will wear away and require renewing and repairing. Any sum expended in replacing something worn out, or part worn out, is not adding new value to it, only putting it where it was before, and should never be charged to the fixtures. It is an expense, purely, and as such should be charged to the Expense Account. It is usual to make a yearly deduction from the value of the fixtures calculated on a general basis, for the ordinary wear and tear; writing down the first cost in gradual descent, so that as the article is wearing out, a provision is being made to replace it, the depreciation being charged to the Profit and Loss and credited to the Fixtures. Another, and to my mind, very much better method, is to open an account as above, and in making the yearly calculation for depreciation, debit the profit and loss, and credit this one; then whatever is used for replacement or repairs is debited here, and the Fixture

Account is kept intact, showing their real value, while the Maintenance Account will show the expense incurred in doing so. In the event of a fire and adjustment of loss, a Fixture Account with depreciation written down would not admit of an equitable settlement as readily as where a Maintenance Account was kept, and no depreciation appearing in the account of the fixtures destroyed.

**Reserve Accounts.**—These are kept with a view of having a fund, kept apart from others, to meet a loss that may happen, to provide for a distant payment (that at time of payment, with no provision made, could not be met), bad debts, discount, interest, dividends, etc., are some that belong to the first class; while redemption of mortgages, bonds, and debentures, repairs to buildings, replacement of machinery, etc., belong to the second class. They have many names, but their object is alike in all: to have something to pay with, when the time of payment is due, without crippling the business. When an amount is specially reserved, it should never be taken for any other purpose, though the temptation is strong, sometimes. In the first class I have mentioned, profit and loss is debited, and the reserve account is credited, when the account is formed; then the account is debited, and the bad debt, etc., credited, when the reserve is drawn upon. In the second class I have mentioned, the cash or bank is credited, and the amount withdrawn is specially invested, in some good interest-producing security, which is realized upon and the proceeds applied to the redemption of the mortgage, etc., when the payment of such is due. You will observe the first class of reserves would be a liability, something the business owes: while the other is an asset, something the business possesses.

**Goodwill, Patents, Trade Marks, Patterns, etc., Accounts.**—When one buys a business, or becomes a partner in one, it will invariably be found that he has to pay a certain sum over and above the value of the assets. It is reasonable to consider that the person who has built up the business, suffered, struggled, starved, and eventually prospered in doing so, should have something for his efforts; and that something, extra to the value of the assets, is usually styled goodwill. An account is usually opened under that name, and debited with what it cost. Sometimes an allowance is made yearly to reduce it out of each year's profits, but sometimes it stands at cost price for all time, as an asset of the business. Usually

in taking over a manufacturing business, the other three items mentioned have a price put on them, and accounts are opened similar to goodwill, debited with what they cost. As they usually have a certain number of years to run before they expire, it is wise to write them down like a fixture, a certain sum being charged to profit and loss, and credited to the account yearly, so that when the patent, etc., has expired, the account represents no value to the business.

The Impersonal accounts will require some explanation.

**Discount Account**—You will allow others discount on their purchases from you, and you will charge interest on overdue accounts owing you, and on mortgages, loans, etc., owing you. You will be allowed discount by others selling to you, and you will be charged interest on overdue accounts owing by you, and on mortgages, loans, etc., owing by you, and record of these transactions are kept in this account. Where there are many interest transactions a separate account is opened for interest, but where there are not very many, interest and discount are kept together in one account. Sometimes it is called interest and discount account, sometimes discount only. Debit for interest you pay and for discount you allow. Credit for discount you receive and interest you charge. Debit entries are loss, credit entries are profit.

**Salary Account**—Debit with the name and amount of, salary or wages paid. This account represents loss.

**Advertising Account**—Debit for all sums you pay for advertising with a description of what it is for. This is also a loss.

**Freight and Cartage Account**—Enter on the debit side all sums you pay for freight or cartage on goods you receive, which sums are usually entered in the same shape in which you pay them. If you pay by cheque you enter "Bank," if you pay in cash you enter "Cash." This account will represent loss.

**Insurance Account**—Enter on the debit side all sums you pay for insuring your merchandise and fixtures, enter these sums in the name of the company you insure with, as you always wish to know who you insured with and when you paid it. This account will represent loss.

Postage, telephone, telegraph, traveller's salary and expenses, commission, fuel, light, rent, taxes, exchange and collection, etc., are

very often kept in separate accounts, but just as often all put together in one, called General Expense. When they are kept separately they are debited just as the freight and cartage account is, just what and how paid. When they are kept in one account the items must be shown, as well as amount, in order to know what they are. They all represent loss.

Expense Account, therefore, contains any items that are not to be found in accounts specially kept for special expenses, such as I have already named from discount to this one.

Merchandise Account—This account shows on the debit side, all purchases made of goods or material of any description you intend selling, whether in the same shape as you buy them or after they have been manufactured; and on the credit side all goods you part with, either by selling outright, sent to your factory to be manufactured, or lost by fire, theft, depreciation, weather or any other manner, in which you may part with them. There are various ways and systems of keeping this account, the most general methods are two, all others may be said to be modifications of these two, and I will explain them. In the first method every purchase is debited singly, and every sale or other parting with is credited singly; special attention is given to date, name of person bought from, or sold to, which particulars are posted from a journal, and of course the amount. In the second method the sales are kept in a book called the Sales Book, all particulars are entered in this book, it being ruled with suitable columns for every particular of the transaction, then at the end of the month a total is made of the value parted with, and this total is posted to the credit of an account called Sales. The purchases are entered in a somewhat similarly ruled book called the Purchase Book, and at the end of the month totalled and posted to the debit of an account called Purchases. When stock is taken; in the first method, it is credited in the merchandise account; in the second method an account is kept called the Stock account, and the stock is credited in it. The first method here is one account called the Merchandise account, in the other method there are three accounts for the same purpose, as I have described.

Adventure Accounts—Outside of the regular business, ventures are very often made in various commodities, such as buying in car

load lots: potatoes, wheat, peas, barley, etc., and selling them again without breaking bulk. It is usual to keep such transactions apart from the regular mdse. accounts. They are usually styled Adventure, Potatoes, or whatever the venture is in. Debited with first cost and all other costs, such as freight, storage, etc., and credited when they are sold, with whatever they return. The account is then balanced by a profit and loss entry and closed off. Generally each transaction has a separate account.

**Consignment Accounts**—A person may send you something to sell for him, giving you an agreed commission for doing so, consignment inwards. You may send something to a person to sell for you, also on an agreed commission, consignment outwards. Inwards, you open an account and debit with all expenses you incur, freight, storage, labor, etc., and credit with the sales you make, balancing by debiting your commission on the sales and the money you remit the owner. Outwards, you open an account and debit with the cost of the goods, and any expenses you incur in connection with the shipment; and credit with the remittance from the person selling for you.

**Suspense Account**—When you are closing your books at stock-taking, or any other time for a special reason; it will frequently happen that there will be items in the various accounts not yet settled, perhaps they are not yet due, or many causes, and the function of this account is to adjust them. We will suppose it is stocktaking and preparing a balance sheet, and quote examples that frequently arise at such times. Wages due not yet paid, Rent accruing due, Taxes accruing due, Commission due not yet paid, Interest accruing due, Discount to be allowed when settlement of account is made, etc. You would calculate in all but last one, amount due up to time of closing books, discount would be a rate on the item irrespective of time; make a journal entry debiting each: wages, rent, taxes, commission, interest and discount, in the accounts where they properly belong, and crediting the suspense account: this has the effect of showing the truth of the accounts, in the accounts, and the suspense account shows the total not yet due and not yet paid. Then if any and similar items are due to you in settlements not yet made: a journal entry is made, the items are credited in the accounts where they properly belong, and debited in the suspense account. I

am speaking of impersonal accounts only, personal accounts would not be affected, or interfered with, they are either a liability or asset according to their balance. The suspense account is closed and balanced by placing the surplus on the opposite side, which is either a liability or asset according to which side the surplus is on: for example on the debit side is a total of \$240.00, that sum is a credit in the impersonal accounts, on the credit side is a total of \$340.00, that is a debit in the impersonal accounts, the surplus then is \$100.00, credit, other people owe you \$240.00, you owe other people \$340.00, the \$100.00 is a liability for your balance sheet. When the settlements are made, it is usual to debit and credit the opposite way in the suspense, instead of into the impersonal, but some make a journal entry closing the suspense and bringing the items back into the impersonal accounts, after the balance sheet is taken.

**Profit and Loss Account**—As already explained on page (47) impersonal accounts are said to group Revenue, but as these are spread over many pages of our ledger, without getting them together in some form, we could never exactly determine, or find out, what our profits or losses really amount to. To bring them together is the special function of this account, which is done by closing all impersonal accounts into this one; putting the losses on the debit side, and the profits on the credit side, then we see which is the greater, the losses or the profits, and can easily form an opinion as to whether our business is increasing our capital, making money: or decreasing our capital, losing money. While the books are open there are very few entries made in this account, only direct gains or losses appear here, and as you have accounts representing almost every description of gain or loss, and necessary outlay, which may be termed indirect gains or losses; it should be apparent there will be few entries made here throughout the year, but it is a very important account when we are closing our books. In a manufacturing or trading firm it should be divided into two parts; 1st, the Trading Account, showing the gross profits, 2nd the Profit and Loss Account showing the net profit or net loss. In Partnerships and in Joint Stock Companies there should be, and invariably is, a 3rd part showing the detail of the division of the profits or losses. It is strictly an adjusting account, and the net result is closed into the Capital account thereby adjusting the year's business.



**Capital Accounts.**—Where one man owns and controls the business, his account is kept exactly as in single entry, but you will very often find a separate account kept for what he draws out during the year, and this termed a Drawing or Private Account. Very often he allows himself a salary and limits his drawings to the amount of his salary, an excellent plan. When this is followed, the salary is debited to the profit and loss, and credited to the drawing account; and at the closing of the books, the drawing account, if any balance exists, is closed into the capital account. When no salary is allowed, the total of the drawings is closed into the capital, the drawings being credited and the capital being debited, for the full amount.

When two or more persons are together in a business, each having a share of the capital invested, and each bearing a share of the loss, if any, and each entitled to a share of the profit, if any, that the business may produce during a given period; they are termed partners and the business is said to be a firm. When two or more people agree to carry on a business as a firm, there should be and very often is, a properly executed deed of partnership in existence, setting forth the terms, amounts, division, duties, etc., of each; unfortunately, very often there is not, and courts of law benefit by its absence. Partnership accounts do not differ from a single proprietor's in any way, excepting in the particular that each partner must have a capital and private account for himself. Each is a proprietor, and of course must have an account as such. Interest on capital, division of profits and losses, or any other increase or decrease, is a matter of agreement, and the bookkeeping necessary is to show in each partner's account just what he is entitled to according to that agreement.

### THE BOOKS THAT ARE USED

As in single entry so in double entry there are Principal and Auxiliary Books. Their uses are for the same purpose and they are kept almost the same way, except, every entry in the cash book is posted, cash sales of merchandise and cash purchases of merchandise included. The cash book is kept to record, all cash transactions, and it is not usual to make an entry in the journal for them, but we have a very great many transactions in every day business, that are not cash transactions, and for them the journal is especially designed.

For convenience merely, in double entry, the day book is divided and two books are used; one is called the Invoice book, or Purchase book, the other is known as the Sales book, or Journal. The day book is usually ruled like the single entry one, but has two columns on the right hand side. As the Ledger has a debit and a credit side, it is necessary in making an entry in the day book to distinguish upon which side of the ledger the entry is to appear, but as every entry must appear on both sides of the ledger the necessity for care and exactness in making the journal, or day book entry, should be apparent. The entry is our guide for posting to the ledger, if the entry is correctly made and posted in accordance, our entry in the ledger will be on the right side of the account, and also in the right account, if we do not get it properly entered in the day book it is only a lottery afterwards whether we have it posted in the right account, or on the right side, consequently it is a matter of extreme importance in double entry bookkeeping to make the entry in the day book correctly, or as it is called journalizing the transaction.

There are four forms, at least in which journal entries are made. (1) When there is one debit and one credit. (2) When there are several debits and one credit. (3) When there is one debit and several credits. (4) When there are several debits and several credits. You will observe the debit is always mentioned first, and always consider what account, or accounts, in the transaction are receiving, settle that in your mind and debit entry make; then consider what account, or accounts, are giving in the transaction, settle that in your mind and credit entry make, then post accordingly. If you make a point of this you will rarely find you have made an error.

Anything that is that is the nature of a purchase of MERCHANDISE is recorded in the Purchase journal, the account to be debited comes first, and the account, or accounts, to be credited coming after. We put the amount to be debited in the inner columns, and the amount to be credited in the outer columns, and so we have an infallible guide for posting to the proper accounts, and we put any necessary explanation on the line below. Anything in any shape of a transaction, that is not cash or purchase of MERCHANDISE we put in the Sales book, on the same principle as in the Purchase journal. The account to be debited coming first, with

the amount in the inner column; the account, or accounts, to be credited coming after, with the amount in the outer column and any necessary explanation on the lines below. Thus we have, as in the Purchase journal, an infallible guide to proper posting. As before mentioned it is a matter for thought how to make a proper journal entry, as on the entry depends all our bookkeeping, and I cannot too strongly impress upon your minds the necessity of thinking out every transaction in all its relations before you enter them in your journals.

The Bill books are kept identically as in single entry, so require no explanation here. The Blotter is kept as in single entry, and so are the Files for invoices with this exception, that the record is made, to post from, in the Purchase journal as I have already pointed out.

Very great diversity of taste and opinion prevails as to the auxiliary books used in double entry. Where a Sales and Purchase book are used, ruled with columns for date, name, transaction, amount, etc., a journal is not used at all. The debit is made from each entry in the Sales book, the total being credited monthly, in the Sales account. The credit is made from each entry in the Purchase book, the total being debited monthly, in the Purchase account. Then again the cash book is often ruled with a number of columns, subsidiary to the total columns. The item is entered in the total, and also in the subsidiary columns; and these columns are posted in monthly totals to accounts-affected. Mdse., bills rec., discount, and bank, are usual items provided with special columns on the debit side. On the credit side usually there are many more columns, subsidiary to the total. Bills pay, expense, discount, wages, freight and cartage, postage, bank, and many others suitable to the business, and the subdivisions of the outlay. The Bill books are also provided with subsidiary columns, such as discount, draft or note, amount of these and reference. The columns are added monthly and totals only debited and credited to discount, bills payable, and bills receivable, in the ledger; individual postings taking place as the entry is made in the bill book, just as I have described in the sales and purchase books. These methods do away with a multiplicity of journal entries, and are convenient, keeping the transactions together which in journal entries are not possible always.

A stock book is another book you will generally find in use. All purchases are entered in it from the invoices, and all sales from the blotters. It is usually ruled with columns for every particular, date, seller, article, quantity, price, etc., on left hand side; and the same with purchaser instead of seller, on the right hand side. Where the business is in departments, each department keeps a stock-book of its own. By the use of this book a close check is easily kept on both stock and stockkeepers.

In all businesses there is a certain amount of goods being returned, by you as well as to you, and it is usual to have two books to record them in. Goods returned by you to the person you bought them from are called Returns Outwards, goods returned to you by the person who bought them are called Returns Inwards, and the books are ruled to contain all particulars of the transaction, very much like a stock book. At the end of the month the total returns outwards are subtracted from the purchases, and the total returns inwards are subtracted from the sales. Sometimes each item is put through the journal, or invoice book, and posted to the ledger according to the entry, (in small businesses invariably,) while in larger firms the debit or credit is made from the above books, and no journal entry made.

## THE TRIAL BALANCE

**TAKING A TRIAL BALANCE.** In double entry as already explained, the ruling principle is; that every debit should have a corresponding credit, that every entry in any ledger account is balanced by an opposite entry in some other account. To prove that this is the fact is the function of the trial balance. It is always taken before the books are closed, and is also frequently taken to ascertain that the accounts are in balance. In all well-kept books it is regularly taken the first day of every month, twelve times a year, simply to see if the accounts are in balance. Absolute accuracy only, will satisfy the capable book-keeper, and errors in balances will not be tolerated for a moment. They must be found and corrected. There are many different forms and methods of preparing trial balances, but I will only explain one of them, and as all are on the same principle and for the same object, I trust this explanation will be sufficient.

Get a sheet of paper, rule the right hand margin in double money columns, put Dr. above the inner, and Cr. above the outer one, date the sheet at the top and then :—Beginning with the cash book, add up both sides, place the totals in small pencilled figures below the last item on either side, subtract the lesser from the greater then write "Cash" on the trial balance sheet, at the top, below the dating; and as the difference, if any, must be on the debit side, place the amount in the column headed Dr. Now turn to the ledger and beginning at the first page and the first account, proceed exactly the same way with every account you have. Some of them will balance even; with these there will be nothing to try. Some will have the balance on the credit side then place the amount in the credit column of your sheet. Be careful to see that you are exact in your additions and subtractions, also what is a debit balance goes into the debit column of your sheet, and what is a credit balance goes into the credit column, also that you have not neglected to enter the totals of each side of each account, below the last item in that account, in pencil. When you have gone over every account and are satisfied you have properly added, subtracted, and the proper balances entered in the proper columns in the trial balance, add up both columns. If your accounts have been properly kept, both columns will add alike, or agree in quantity, proving the ledger to be correct, and your work is done. If they do not agree, then there are errors somewhere and you must try and find them. This must take the form of checking every individual debit with its corresponding credit, as these must agree to be right, whenever you find any that do not, you have an error to be corrected. It is impossible to lay down any definite rule for the detection of errors, the very best one that has ever been discovered is not to make errors. What would possibly be a safe guide for the discovery of one error, would probably be useless to discover another, as you will find that errors can vary very considerably. A careful analysis of every ledger account always discovers the error and nothing else will do it. Sometimes an error is very easily found and sometimes every item in the ledger has to be checked. Never be satisfied until you have found where you are wrong, and in your work try to be careful to avoid errors, and your trial balance will give you very little worry. It is usual to have a book "The Trial Balance" and when the sheet is corrected, to enter a copy of the sheet in the book. As accounts are very similar in double entry the

year round, this book usually admits of once entering the names of the accounts for a year, saving you the trouble of making a fresh copy each time you take a trial balance. This record is useful in many ways, for comparison, as a hint as to about what a balance should amount to, in an account, as a reminder that you have not overlooked any, and as a basis to start next month's trial balance on. When the book is entered up from the sheet the work is done, and on you go again for another month.

The great difference between the two systems is that in double entry the transaction must be recorded on both sides of the ledger, every debit must have a credit, the one must always check the other, there is little use in making an entry in any account unless a corresponding one is made in another, and on an opposite side. The keystone of the whole structure, the foundation knowledge to possess is the above, and unless this is firmly engrafted and firmly fixed, your books will always be in a muddle and you cannot rectify mistakes, however much knowledge of the different accounts and books you may possess, unless the primary idea of the object of double entry is plain in your mind :—to have a debit for every credit, to have every transaction on opposite sides of the ledger, to see they check each other.

### A SET OF ACCOUNTS KEPT BY DOUBLE ENTRY

Having now explained the principles of double entry, the accounts to be kept, the books to be used, and the object of the system; the student will be given a set of accounts to be kept by double entry and his attention is directed to page (16) as what has been said there applies with equal force to the following, and read over the whole of the instruction for each day, which try to understand before you begin the day's work.

First, Last and Always, Never Forget, **EVERY DEBIT MUST HAVE A CREDIT, EVERY CREDIT MUST HAVE A DEBIT.**

You will keep an account for yourself, bank, bills rec., bills pay, fixtures, each person you sell to, each person you buy from, these are **PERSONAL ACCOUNTS**; expense, freight and cartage, advertising, rent, salary, discount, insurance, profit and loss, and misc., these are **REPRESENTATIVE ACCOUNTS**, and use cash, invoice.

day and bill books. Try to keep your books neatly and to have the proper FORM OF ENTRY in each.

Change dates to agree with instruction paper, apply the principles and try to understand them.

You commence business to-day as a Wholesale Grocer with a Cash Capital of \$1500.00, you rent from C. L. Grant the premises No. 346 Dunlop Street, Barrie, at a rental of \$90.00 per month, payable in arrears, you pay taxes and water and give or receive six months' notice. You hire bookkeeper, traveller, porter, and boy, named:—C. Mole, H. Young, D. Williams, H. Plant, at salaries of \$50.00, \$50.00, \$35.00 and \$25.00 respectively, monthly, pay every two weeks in arrears, except the traveller, who receives his expense bill and his salary together, last day of each month. Buy from the firms as per invoices at terms shown therein, and the following are your opening expenses:—Cartage \$15.00, freight \$120.00, Freight account; travelling \$25.00, incidentals \$10.00; books and stationery \$20.00; hammers and nails \$2.50; stamps \$5.00; P.O. box \$1.50; packing cases \$12.00; twine and wrapping paper \$10.00, Expense account; large sign \$12.00, signs for door posts and fancy letters for windows \$15.00, office fixtures \$20.00; warehouse trucks \$6.50; platform scales \$10.00; counter scales and weights \$3.00; water fixtures \$7.50; gas fixtures \$12.00; elevator fitted up \$15.00; letter press \$5.00; sample cases \$25.00; safe \$120.00, Fixtures account; put a card in each paper \$30.00, purchase and distribute 1000 circulars \$10.00, Advertising account.

As so much explanation has already been given on pages (16) to (23), it is hoped the student will not now require what is on above quoted pages to be again given here, as it is just the same thing, so we will now explain how he will proceed to open his books. Look on page (56) for description of day book in double entry.

A journal entry will be required just as on page (18) to get the capital and bank accounts opened, another one will be necessary to pay the freight and cartage, another for the cash payments, and still another for the safe. I hope no explanation is necessary for the first, you are going to pay the second by cheque, draw a cheque payable to J. Scott for \$135.00, then make entry:

Freight and cartage . . . . .	\$ 135.00
To Bank . . . . .	135.00
For cheque to J. Scott, for freight \$120.00, cartage \$15.00	

Debit Freight account and credit Bank account, make proper references.

Draw three notes of \$40.00 each, to Taylor Safe Co., at 10, 20 and 30 days' time, then make entry:

Fixtures.....	\$ 120.00	
To Bills Pay.....		120.00

For 3 notes given Taylor Safe Co., for office safe.

Debit Fixture account and credit Bills Pay account, make proper references.

In Fixtures put "Safe," and in Bills Pay put "Taylor Safe Co." Enter notes in Bills Pay book, then put them on principal's desk,

The cash payments are expense \$86.00, fixtures \$131.00, and advertising \$40.00, total sum required \$257.00, for which draw cheque to yourself and handle just as you did on page (21), after which post your payments to the proper accounts.

The invoices now require attention. Head Invoice book as you did the Day book. Look on page (56) about purchases of mdse. Mdse. is the account to be debited, \$272.25 is the amount to be debited in the inner column, S. Pickford & Co. is the account to be credited, \$272.25 is the amount to be credited in the outer column, and the invoice letter is the explanation to be put on the line below.

On first writing line begin: Mdse..... \$272 25

To S. Pickford & Co 272 25

A

Then follow on with similar entries for each invoice, you have 8, so make 8 entries. Debit Mdse. account To S. Pickford & Co., credit his account by Mdse. A is the file reference. Put folio of Invoice book, in ledger, and ledger folio in invoice book, and do the same with all the others, a separate account for each firm purchased from. Look on page (52) for description of Mdse. account.

Turn to page (58) and read up what is said about a trial balance then take a piece of paper and make a trial balance of what you have done. If your work is correct it will balance, if it does not there are errors to be corrected, every debit has not got a credit. Do not attempt to go further in the set till you have the opening entries proved absolutely correct; your books must balance to be properly opened.



Turn to page (23) and see how you applied for insurance. This time the Mdse. account will give value of stock, the fixtures are in their own account. Proceed as you did on page (23), with these differences; survey fee is \$3.00, and the Queen's and Royal are the companies you insure the mdse with, they take half each; the Northern takes the fixtures. Premium on all \$1.20 per \$100.00. Now we will begin business.

You already know who you buy from and their terms, and these are who you sell to and your terms to them.

J. Adams	.....	Barrie	.....	Terms 5 per cent.	....	20 days
D. Chapmar. & Co.	..	..	.....	3	..	....10 ..
G. C. Deau & Bros.	..	..	.....	2	..	....30 ..
M. Austin		Orillia	.....	5	..	....15 ..
H. Brownlee	..	..	.....	3	..	....20 ..
R. H. Graham	..	..	.....	1	..	....30 ..

You draw time drafts, dating draft and invoice alike, deducting discount on the first five, each time you sell to them, putting drafts in bank for collection, Graham gives you a note for what he buys, less discount.

S. E. Mills, Beeton	.....	.....	5 per cent., 10 days
E. Bates	..	.....	" "
R. Rowe	..	.....	" "

They remit you a cheque for what they buy, deducting the discount, you will receive the cheque 10 days after date of invoice.

B. Cone, Elmvale	.....	.....	10 per cent. Sight.
J. C. Dickson, Coldwater	.....	..	" "
F. S. Clark, Gravenhurst	.....	..	" "

You draw at sight, deducting the discount, each time you sell to these, and you discount drafts at time you draw them.

J. P. Holt, Kearney	.....	.....	10 per cent. Cash
C. D. Noble, Huntsville	.....	..	" "
A. Lamb, Sprucedale	.....	..	" "
J. C. Wilson, Midland	.....	..	" "

These pay cash, less 10 per cent., for what they buy at the time they buy it, and have no account opened.

You will get slips to give you the information to make up the above sales, just as in single entry.

2. One cash sale, 3 credit sales, no payments. Look on page (52) about sales of mdse. J. Adams is the account to be debited, Mdse. the account to be credited and the necessary explanation is detail of goods sold. Turn to day book and make entry :

J. Adams .....		\$99 30	
To Mdse .....			\$99 30
10 boxes Messinas. ....	<u>\$40 60</u>		
	4 60		
10 boxes Navels. ....	<u>\$43 70</u>		
	4 37		
3 barrels C. Cod .....	<u>\$15 00</u>		
	7 50		

5 per cent, 20 days

Make all your credit sales in this form, debit Adams, To Mdse., credit Mdse., By J. Adams ; put ledger folio in day book and day book folio in ledger. Cash sale is entered ;

Cash .....		\$98 50	
Discount .....		10 94	
To Mdse .....			109 44
8 Sks Grocers A 800.....	<u>\$40 00</u>		
	5 00		
2 Chsts G.T.P. 112 .....	<u>\$69 44</u>		
	62		

J. P. Holt, Kearney, 10 per cent. cash.

Make all your cash sales in this form, debit cash book To Cash sales, debit Discount To Cash Sales ; credit Mdse. By Cash sales, put day book folio in cash book and cash book folio in day book, ledger folio in day book, and day book folio in ledger.

Draw draft at 20 days on Adams, at 10 days on Chapman, at 30 days on Dean, in each case less the agreed discount. Make day book entry like this, for them :

Bills Rec .....		\$94 34	
Discount .....		4 96	
To J. Adams .....			\$99 30

Drew at 20 days less 5 per cent.

Debit Bills Rec. to J. Adams, debit discount to J. Adams ; credit J. Adams By Sundries, make proper references. Enter drafts in bills rec book, make a deposit of \$88.50, keeping \$10.00 in hand, do not keep less

at any time, give in drafts to bank teller for collection. You will see with this explanation how sales and their settlements are made, and do not neglect to do the same thing the same way, as often as it occurs. Get your cash from cashier as in single entry.

3. One cash sale, 2 credit sales, make deposit. Cash payments \$5.75 duty on advertising novelties; \$3.20 express on same; \$17.00 cost, and .07 cost of remitting, charge these four items to advertising. Drafts for invoices 1, 2, 3, 4 come in. Look at page (28) and see how you handled these in single entry, do exactly the same with these as far as checking, etc., then make journal entry:—

S. Pickford & Co.....	272 25
To Discount.....	13 61
To Bills Pay .....	258 64

Accepted at 20 days 5 per cent.

Debit the firm To sundries, credit discount By S. Pickford & Co., credit Bills Pay account By S. Pickford & Co., enter drafts in bills pay book, accept them dating acceptance 4th, make proper ledger and journal references, then do the same with the rest; place drafts on principal's desk.

4. No cash sales, 3 credit sales. Look at your list and see these are sight settlements. Make the sale record and postings as you did the credit sales on the 2nd. Make drafts at sight, less the discount, for each one, enter on debit of cash book name of each person drawn on, put in inner column of cash book amount of draft, then turn to copy of deposit slip on page (26). You will see how discounts are put on slip, enter these three the same way, total slip, and this is a deposit, credit cash book as you have other deposits, look at the scale hanging on the bank wall and see what these discounts will each cost you, make an entry on credit side of cash book:— „ bank charges on three drafts discounted, put what this amounts to in money columns below the amount of deposit. Take deposit slip, drafts and amount of bank charges and hand them all to the bank teller, the ledger keeper will give you credit the same as for a regular deposit. Credit each person's account from debit of cash book, debit bank for deposit, debit expense for bank charges, make proper references. The discount you allowed on the sales has to be accounted for, which is done by making an entry in the journal:—

Discount .....	15 00
To B. Cone .....	5 00
,, J. C. Dickson .....	5 00
,, F. S. Clark .....	5 00

For discount allowed on sales settled by sight draft.

Debit Discount To Sundries \$15.00, credit each person's account separately as you have them entered, make proper references. It is not usual to enter sight drafts in the bill book, and as you have treated them as cash received, of course it would not be correct to enter them in the bills rec. account. It is common to enter the credits for this class of settlement, in figures only, in each person's account, saves a line and keeps debits and credits uniform. This is done in this way :

	<u>75 00</u>	<u>5 00</u>	
Date, By	5	17	80 00

The first figures come from the cash book, the 5 is cash book folio, the second figures come from the journal, the 17 is the journal folio, the third figures are in the money columns, total credits, and will balance debit on same line opposite. As they are posted from separate books, there must be separate references and as you have full particulars in the books, figures are sufficient here.

5. One cash sale, 3 credit sales, make a deposit. Handle sales as on 2nd except Graham's, for him make a note at 30 days, less 1 per cent. discount, the entry for this in your journal is precisely the same as the other bills receivable, entry in ledger accounts the same. but do not take note to bank for collection, put it on principal's desk. Look carefully over your day's work of 2nd and see how everything was done. Balance cash book and bank account as you did in single entry.

6. One cash sale, 2 credit sales. Cash payments \$6.50 freight, .50 cartage, you know how and where to post them. Get in another order of goods, invoice 9. R. L. Holmes asks you to give him credit for a few days and draw on demand on 9th. You agree, open an account and handle in ordinary way, it is a credit sale.

8. No cash sales, 3 credit sales. No. 9 invoice and goods do not correspond. 1 box lemons short, note shortage on invoice and write firm a short letter, giving date of invoice, when you received goods, number invoiced, number received. Tell them as it is one box

only you would prefer credit note, if goods were short-shipped. Look how you handled sight settlement on 4th, do same now.

9. One cash sale, one credit sale. Get in another order of goods invoice 10, drafts for invoices 5, 6, 7 come in, see how you handled these on 3rd and do the same things now. Make a deposit, but before doing so look and see how you handled sight drafts on 4th, then look at agreement with Holmes on 6th, allow him 5 per cent. discount, and make draft on demand, and in every particular handle as you did Cone's on 4th. Look at page (26) deposit slip, and see draft and cash can go together on same slip.

10. No cash sales, two credit sales, get in more goods invoices 11, 12. J. Scott brings his bill for freight \$15.40, cartage \$1.45. Look at page (61) and see how you did this before, give Scot a cheque for \$16.85. You get a credit note for \$3.25, make a journal entry:— Firm to Mdse, explanation, shortage on invoice of 6th, debit firm To Mdse, credit mdse. By firm, make proper references, file credit note with invoice it corrects. You have no right to alter another's figures and as it takes two to make a bargain, you would have to get the other's consent before you could short pay his invoice, this arrangement allows you for what you did not receive, and authorizes you to correct the error, you will see you owe him the amount of invoice, less amount of credit note, you owe for what you received. Balance cash book and bank account.

11. One credit sale. Get in more goods invoices 13, 14. Drafts for invoices 8, 9, 10, come in. There is a damage amounting to \$6.50 on goods covered by invoice 14. On examination you find this is caused by the railway people, you write the agent here a short letter describing the damage, the no. and date of his freight bill, and the amount of loss. As the railway will not give you a credit note and it may be some indefinite period, much remote, before you get any compensation, you open an account for the railway and debit them with the amount:—G.T.R to Mdse., explanation, For damage to goods received per freight bill No. 12345 of (2 days ago). Debit G.T.R to claim, credit Mdse. By G.T.R. freight.

12. Two cash sales, 2 credit sales. Cash payments 4.20 freight, 1.00 cartage. The draft made on Holmes on 9th was not accepted by him and the bank protected it, this causes a lot of trouble. The

him and the bank protested it, this causes a lot of trouble. The entire settlement recorded on the 9th, is just as if it had never been made and you will have to make cross entries now, to record its worthlessness. The bank bought a bad draft, you must take it back and return the money; the discount was given by you for prompt payment, there has been no payment; you had to pay the bank discount and collection fees for nothing; the bank will make you pay protest fees for no fault of yours, so all this has to be re-adjusted. Make a journal entry:—R. L. Holmes To Bank, discount, expense, explanation, For draft dishonored by non-acceptance. Credit bank amount of draft, and protest fees \$1.03, credit discount, amount you, allowed on sale, credit expense, bank discount and collection, Debit Holmes with the total credits. Look at page (45) and study what is said there about transfers, then back to your entries and see how they transfer. Look at pages (58 and 59) and study what is said and meant by a trial balance, then take a piece of paper and take one now. Make a deposit.

14. Two credit sales. Look up your bill pay book and find you have some paper due to-day, make journal entry:

Bills Payable.....	1047 90
To Bank.....	1047 90

For paper, Nos. due and retired.

Debit bills pay To bank \$1047.90, credit bank By No. of draft or note retired, putting amount of each in money column, make proper references, and in bill book write opposite each one Paid 14-9-08 or whatever date it may be. I cannot say what the numbers in your bill book may be, so cannot give them here. Do the same in every particular each time you have any drafts or notes due.

15. One cash sale, one credit sale. Make a deposit. Drafts for invoices 11, 12 come in. Cheques from Mills, Bates and Rowe come in, enter in cash book and make journal entry for the discount and post in ledger accounts, just as you did for the sight drafts on 4th. You will see in your list on page (63) what discount they have deducted and what terms they receive, you will also see the cheques are made to order, they will require endorsing or the bank will not accept them from you, turn each over and across the back at the upper end sign your name. Look at deposit slip on page (26) and see how cheques

are entered, look at the bank charges list and see what you have to pay for exchange. On credit side of cash book write:—Exchange on 3 cheques, put amount in money columns and post to debit of expense, as you did on 4th; take amount of this, deposit slip, cash, and cheques to bank. Pay the teller the exchange and get credit for the deposit from the ledger-keeper. Balance cash book and bank.

16. One cash sale, two credit sales. Cash payments, to yourself \$10.00, capital; stamps \$2.00, cleaning office \$1.00, subscription to picnic \$2.00, these are expense; circulars \$7.50, advertising; storm sashes \$7.50, fixtures. Look on page (61), wages of your staff, who they are, amount due and when paid. This is pay day and you draw a separate cheque for each, then make journal entry; Salary to Bank, explanation, for wages (or salary) of staff to date, cheques Nos. 3, 4, 5, or whatever they may be. Look at page (33) salaries and as you kept that account, keep this one. Debit salary account, credit bank account, make proper references. You have a bills rec. due, look it up in bill book and ask at bank if it has been paid, you find it has, then make journal entry; Bank to Bills Receivable, explanation, for draft No. collected by bank. Debit bank, Chapman (or Collection) amount; credit bills rec. account By bank, amount, write it off in bills rec. book; Paid 16-9-08 or whatever date it is. The insurance agent brings policies and asks for payment, as per agreement, see page (63). He makes it up Queens \$14.33, Royal \$14.33, Northern \$2.01, survey fees \$3.00. Give him a cheque for total \$33.67. Make journal entry: Insurance to Bank, explanation, for insurance on stock and fixtures. Look up drawing cheque on page (20) insurance account on page (51) post the debit in insurance account in four items, credit the bank by J. Smith (the agent.) Drafts for 13, 14 come in. Make a deposit.

17. 3 credit sales. Get in some more goods invoice 15, give J. Scott cheque for \$15.25 freight; \$1.50 cartage. Look how you handled this on 10th. Buy on credit stove for office \$30.00, for warehouse 25.00; pipes, elbows, boards, time putting up \$7.50. Make journal entry Fixtures \$55.00, Expense \$7.50, To H. H. Moore 62.50, explanation, For stoves and fittings for office and warehouse. Debit fixtures and expense, credit H. H. Moore, open an account for him.

18. One cash sale. A man sells you a carload of potatoes at .45 per bushel. (Look at page (52) description of adventure account.) You to unload, measure and cart them. You get them unloaded and measured, there are 610 bushels for which you give him a cheque, he has no invoice. Make invoice book entry Adv. to Bank \$274.50, explanation, For C. L. Potatoes, 610 bush. at .45, f.o.b. here, bought from J. Hamlin, Kearney, cash. Debit Adv. To bank, credit bank By J. Hamlin. Explain transaction in stub of cheque book. Labor in getting them in costs \$15.00, for which give cheque to . Scott, and make journal entry for it:—Adv. to Bank, explanation, For labor and cartage unloading and measuring C. L. Potatoes. Debit Adv. and credit bank. You cannot take them in yourself so store them in C. H. Ross's storage house, he charges  $\frac{3}{4}$  cent per bush. for first 10 days,  $\frac{1}{2}$  cent per bush. each 10, or part of 10, days after the first 10. Mills' cheque comes in. Look at 15th, same thing again. Make a deposit. Call the new account Adventure, Potatoes.

19. One credit sale. You have a bills rec. due, and two bills pay due. Look up 14th and 16th, and as you did then so do now. Draft for invoice 15 comes in.

21. One credit sale. There is a bills rec. due, Bates' cheque comes in, and there are three bills pay due. Balance cash book and bank, make a deposit. Holmes comes in and explains why draft went to protest, you agree to take a note with .75 added as interest, to settle the account. Look at discount on page (51). You draw a note for amount he owes with .75 added, at 10 days from 12th. You make a journal entry to get the interest in proper accounts: Holmes to Discount, for interest charged on unpaid account, debit Holmes credit discount. Make another entry to record settlement: Bills rec. to Holmes, for note given to settle unpaid account, open by dishonored draft. Enter note in bills rec book and put it on principal's desk. Debit Bills Rec. and credit Holmes.

22. One cash sale. Get in some more goods, invoice 16, you find it has an error of \$20.00 in addition, write for credit note, see page (67). Some of your customers have complained of goods, not being to sample when opened, you have written firm you bought from, and they have authorized you to return them, you take back from Clarke \$15.25, and Bates \$17.75. Make invoice book entry Mdse.



\$33.00, To Clark \$15.25, and Bates \$17.75, explanation, For goods returned, not to sample. Debit mdse. To Sundries, and credit each By Mdse. Make journal entry P. C. Larkin & Co. to Mdse., explanation, For goods returned per their letter of 19th inst. Debit firm To Mdse., and credit mdse. By Firm. Look up trial balance on page (58) and page (62)<sup>n</sup> and take another one now. Rowe's cheque comes in, make a deposit. Look up returns inwards and outwards on page (58).

23. One credit sale. Discount the three drafts you drew on Dean. You will notice one falls due in the first week, another in the second week and another in the third week, of next month. You want the money now and if the banker is satisfied they will be paid when due, or if not, that you can return the money advanced, he will give you their face value, less 7 per cent. interest, which he charges for the accommodation. We presume you have seen the manager and arranged the discount, then take a piece of paper and date it to-day, put name and address of the Dean firm at top below date, then amount of each draft, amount of interest, amount of proceeds, and sign your name to it, give this to the principal who will act bank manager and initial it for you, then take slip and pass book to ledger-keeper who will give you credit for proceeds. You will be charged interest on each separately, from 24th to and including the day each falls due. Make a journal entry: Bank, Discount, to Bills Rec., for bills rec. Nos. —, discounted. Debit Bank To Discount, debit discount To discount, credit bills rec. By discount, in bills rec. book put Discounted 23-9-08 against each one discounted. You understand like the sight drafts, the bank is advancing you the money, and when they collect each one they keep the amount, therefore you have parted with the draft; but if not paid you must take it back and return the money. Look at page (35) in single entry, money borrowed from the bank, it is a similar transaction.

24. One cash sale, One credit sale. Cash payments, \$4.60 freight, \$1.50 cartage. Make a deposit. You have three bills pay due. You invest in Lot 46, Block A, Drake St. West, Gravenhurst; your agreement is \$500.00 cash and a mortgage for \$1500.00; mortgage bears 6 per cent. interest and is re-payable in half-yearly instalments of \$200.00, and interest to date of each payment. Give a cheque of \$500.00 to J.

Chester; and another to D. Ross, barrister, for \$27.85. Then make journal entries:—

Real Estate.....	2000 00
To Bank.....	500 00
„ Mortgage Payable.....	1500 00
For (here describe purchase and terms)	„
Expense.....	27 85
To Bank .....	27 85

For cheque to D. Ross for conveyancing, etc.

Open an account for Real Estate, debit with bank and mortgage, open an account for Mortgage Payable, credit by J. Chester, credit bank with cheque. Debit expense to conveyancing and credit bank with cheque. Look at description of these new accounts on page (49). Get in some more goods invoice 17, you will find it is undercharged \$13.00; write firm and ask for u-c debit note. Look how you handled this last time on page (67), and do the same now, except that it was o-c last time.

25. You had a fire last week which damaged stock to amount of \$500.00, fixtures to amount of \$200.00; to-day you get cheques from the companies. Now consider your insurance; the companies assume two thirds of risk, they will only pay a like part of the loss, the stock is carried equally by Queen's and Royal, the fixtures by Northern alone, you will get cheques in the above proportions. Look at description of Mdse. account on page (52) and look up the insurance on page (69). Debit cash book in name of companies with each cheque, and amount, credit mdse. By Q.I. Co. and R.I. Co., credit fixtures by N.I. Co. Then make journal entry: Profit and Loss \$233.34, To Mdse. \$166.68, To Fixtures \$66.66, explanation, loss and damage by fire. Open a profit and loss account, debit To sundries, credit mdse. and fixtures. Endorse and deposit cheques, there is no collection on them. Balance cash book and bank. You have a bills rec. due. Holmes' note is due also, endorse and give to bank for collection same as you did on page (37). Instead of payment you get notice of protest, amount of protest fees \$1.03. Make a journal entry; R. L. Holmes (amount of note and protest fees added) to Bills rec. (amount of note) to Bank (amount of protest fees) for dishonored draft and protest fees. Debit Holmes, credit Bills Rec. and

credit Bank, write off note in bills rec. book, Protested 25-9-08, or whatever date it is. Look at similar transaction on page (38).

26. You get your debit note, make a purchase book entry, describe as you did on page (67) debit mdse, credit firm, and file correction. Cone became insolvent on 21st, the bank protested for better security and to-day it falls due and they demand payment, give the bank a cheque for the amount of the draft you made on Cone on the 17th, with protest and exchange charges added \$1.78, make journal entry: B. Cone to Bank, explanation, For cheque to retire discounted draft of 17th, dishonored and protested. Debit Cone To Bank, credit bank. By bank. You had a claim against Cone's estate as a contingent creditor for the amount of the above and you get a cheque to-day for 50 per cent. of the claim, all they can pay, you lose the other 50 per cent. Enter cheque as you did the insurance cheques in cash book, which post to credit of Cone's account, then make journal entry for the loss: Profit and loss to B. Cone, for loss on assignment, of 50 per cent. of the draft, and expenses. Debit profit and loss To B. Cone, credit B. Cone By profit and loss. You have a bills pay due, and a bills rec due, and Mills' cheque comes in, deposit it.

28. Draw \$25.00 for self from bank, make journal entry: Capital to bank, for cheque to self for personal use. Replace lost fixtures by cheque; make journal entry: Fixtures to bank, for cheque to Orillia Hardware Co., to replace fixtures destroyed by fire. Pay freight \$7.50 and cartage \$1.50 to J. Scott by cheque. You have two bills rec. due. Discount Graham's notes, there are three of them. As you hold them yourself you must endorse and hand them in to the bank. We will handle them in a different way to what we did with Dean's drafts on 23rd, which look up first. Enter them as you do sight draft transactions, on debit side of cash book at full value, then put them on a deposit slip as you do sight drafts, calculate what it will cost to discount them, just as you did Dean's, then make entry on credit side of cash book for deposit and exchange, take notes, deposit slip and amount of exchange and hand to teller like any ordinary deposit, the ledger-keeper will give you credit for a deposit. Post cash book debit to credit of bills rec. account: By discount, debit bank; to deposit, debit expense; to discount, mark off in bill



# MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



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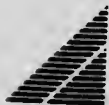
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rec. book as you did Dean's drafts. You have one bills pay due. You get a cheque from Larkin & Co. to settle goods returned to them on 22nd, they deduct \$6.60 as you returned the goods at your selling price not their's. Handle just as you do a cheque from Mills or Bates.

29. You have one bills rec. due to-day. Holmes comes in, says he cannot pay in full but will make partial payments, balance to bear 7 per cent. interest, he makes a beginning by giving you \$15.00 now. Enter in cash book debit side, credit his account, give him a receipt on account, see page (37) and endorse on note this way:—At top of note on the back, put year, month and day, 25th, amount he owes on note, underneath add Protest fees, underneath add interest at 7 per cent. for 5 days, total this; then put day, 29th, and write By cash \$15.00, subtract payment from debt. Make journal entry for the interest: R. L. Holmes to Discount, for interest charged on partial payment. Debit Holmes and credit Discount. Look up partial payments in your arithmetic, and look at Discount on page (51).

30. Sell the potatoes you have in store for .50 per bushel cash f.o.b. at where they are stored. You get a cheque for \$305.00, and he attends to the delivery, enter as cash sale, adventure, in cash book and credit adventure account. Look at page (70) and see arrangement about storage, as you sold f.o.b. you must pay, give Ross a cheque for \$7.63, as you had them in store over 10 days, it costs the two rates, look at page (70). Make entry for cheque Adventure to Bank, for cost of storage 610 bush. at  $1\frac{1}{4}$  cents. Debit adventure To storage, credit bank By C. H. Ross. Look up adventure on page (53). You have a profit so close account by journal entry: Adventure to Profit and Loss, for profit on sale of potatoes, debit adventure to profit and loss \$17.88, credit profit and loss By Adventure, rule off the account. Deposit the cheque, there is a collection charge on it. You got in some coal at different times during the month, they completed the order today and you give a cheque to the Sarjeant Co. for 7 tons at \$6.75—\$47.25. Make journal entry: Fuel to Bank, for 7 tons coal at \$6.75. Open a Fuel account, debit with 7 tons coal \$47.25, credit bank By The Sarjeant Co.

31. Bates' cheque comes in, deposit it. Pay the salaries of your staff, as you did on the 16th. Young, your traveller, presents his expense

bill \$25.00 for the month, give him a cheque for salary and expense together. Separate them in the stub of cheque book and make journal entry: Expense \$25.00, salary \$50.00, to Bank \$75.00, for traveller's salary and expenses for month, debit expense, debit salary, credit bank. Look at page (61) and see you have rent to pay, give C. L. Grant cheque for amount, make journal entry: Rent to bank, for cheque to C. L. Grant for rent to date. Debit rent, credit bank. Your bill for gas used for month comes in, \$3.00, for water rates for half year \$8.00, for taxes for current year \$300.00. Look up page (38) and see what you did then, it is very much the same now. Draw cheque to self to pay the taxes and pay them through the cash book, draw separate cheques for the gas and water, which pay to bank. Make journal entries: Expense to Bank, for gas used during month; Expense to Bank, for water rates half year in advance; Cash to Bank, for cheque to self to pay taxes. Debit expense and credit bank for first one, debit expense and credit bank for second one, debit cash and credit bank for third one, credit cash and debit expense for tax payment. We are now at the end of the set. Take a trial balance and study carefully what is said in the following page about closing books, stocktaking and preparing a balance sheet.

When you have read and studied what is said about closing accounts, preparing the balance sheet, etc., begin at the beginning and close yours, and be careful that nothing is transferred to the profit and loss account, until you have made a journal entry, also make good references in transferring. We will divide the profit and loss into two accounts; the trading, and the profit and loss.

### MEMORANDA FOR CLOSING THIS SET OF BOOKS

From the total credits of the merchandise account subtract the Fire transaction \$500.00, divide the balance by \$1.25 (you have been selling at 25 per cent. over cost) add the \$500.00 fire transaction to the result of your division and subtract their total from the total debits of the merchandise account, place the result on the credit side By stock on hand. You will find the credit side is much greater than the debit side now, the difference is the gross profit on merchandise. Make a journal entry: Merchandise to Trading Account, for

gross profit on merchandise, debit the merchandise account To gross profit and credit the trading account By gross profit. This closes the merchandise account finds your stock on hand, asset, and the profit for the trading account. Debit the trading account with debit discount, freight and cartage, wages of Williams and Plant, insurance earned on stock, one ton of fuel, and \$1.00 depreciation on fixtures. Credit with credit discount only, find the difference now which is profit, debit Trading and credit Profit and Loss, for gross profit. Go on now and finish the profit and loss with what is left in the impersonal accounts.

When you had settled with the insurance companies, they would indorse on the policies what they paid you, you cannot keep insurance going and receive it as well, therefore, your policies are worth now \$466.67 less than they were before the fire. The premium on that is \$5.60, deducting that from the \$33.67 paid for premium leaves \$28.07 as the premium value of insurance now in force. Look at page (69) remarks on premium values. As you insured for 12 months you have 11-12ths of \$28.07 unearned—\$25.73, there is then to be debited to profit and loss \$7.94 and left as a balance \$25.73, which is an asset. Work this out yourself. We will suppose you have burned one ton coal, then debit profit and loss with \$6.75 and you have a balance of \$33.75 in Fuel account, another asset.

We will consider the card has still a value of \$10.00, and the novelties not yet disposed of are worth \$15.00, then debit profit and loss \$38.52 and you have a balance of \$25.00 in Advertising account, asset.

The books and stationery are now worth \$15.00, postage stamps \$1.00, water rates unexpired \$6.67—\$22.67 balance in the Expense account, all the rest is a debit for profit and loss. \$22.67 is another asset.

We will suppose you are going to calculate depreciation on your fixtures by the first plan page (40). As your fixtures are worth now \$313.50 and we will assume 12 years as their duration there will be \$2.18 to debit profit and loss for 1-144ths depreciation, and \$301.32 to balance as an asset.

There will be two days' interest on Holmes' note, and seven days' interest on Chester's mortgage to calculate. The interest Holmes owes is a credit in the discount and a debit in the suspense. The interest on



the mortgage is a debit in the discount and a credit in the suspense. There is 5 per cent. to be allowed on the sum owing by Bates, a similar entry to Chester's interest, 2 per cent. to be received on Brown, Balfour & Co.'s invoice No. 16, 5 per cent. to be received on S. Pickford & Co.'s invoice No. 17, a similar entry to Holmes' interest. Look up this on page (79). Your suspense will be an asset.

You discounted some time paper; it may and it may not be paid. Holmes may pay his note and he may not; Bates may send his cheque and he may go insolvent before it is due. There are several other drafts still outstanding, which may or may not be paid, and we will create a reserve for bad or doubtful debts, trusting it may not be required. We will put it at 2 per cent. of all unpaid amounts due you. Add together Holmes' balance on note, Bates' debt (less discount), the drafts owing by Adams, Dean, Austin, Brownlee and Graham; find what 2 per cent. of the total amounts to. Debit profit and loss, and open an account for Reserve for Bad and Doubtful Debts, which credit, and it is a liability. Look up reserves on page (50).

## CLOSING THE BOOKS AND PREPARING A BALANCE SHEET

When books are kept by double entry, it is just as necessary and desirable to close them and prepare a balance sheet for the same reason and at the same periods as when they are kept by single entry. Look at pages (39) to (44), as to what has already been said on this subject. Study it up.

The beginning of all closings is to get a correct trial balance. Never, at any time, attempt to close your books until this is done.

After the trial balance is taken and proved correct, close all personal accounts as you do in single entry. The impersonal accounts when they have no unexpired value, are entirely closed into the profit and loss account but when they have an expired value, they are treated somewhat as we do the expense account in single entry, leaving the value they possess in the account, and then closing the expired part into the profit and loss. I trust you can see the meaning of this. When an account is closed into the profit and loss, as a separate account it exists no longer, but has gone into another to assist in making the

total profit or loss of the business. When it is closed by profit and loss and balance, the value represented by the words "profit or loss" has gone, but the value represented by the word "balance" remains, to be shown on the balance sheet as an asset or liability, and afterwards to be carried forward to a new period. All closings of impersonal accounts should be done with a journal entry. Never attempt to close any of them without first passing the closing through the journal, before you do any posting.

**Fixtures Account.** If you keep a maintenance account, the fixture account, or accounts, are simply closed by balance, if you do not keep a maintenance account, you calculate the depreciation; there are four ways of doing this:—1. As a fixed proportion of the original value. 2. As a fixed percentage upon the diminishing value. 3. As a fixed proportion upon the original value, less interest at a fixed rate upon the diminishing value. 4. By setting aside and specially investing, a fixed proportion of the original value. Suppose the property costs you \$100.00 and it is estimated to last 10 years; by the 1st plan you would write off \$10.00 each year for depreciation; by the 2nd plan you would write off \$10.00 the first year, \$9.00 the second year, \$8.10 the third year, and so on; by the 3rd plan at 6 per cent., you would write off \$13.58 yearly; by the 4th plan you would require to specially invest \$7.69 at 6 per cent. yearly. Now either of these would appear in your fixture account on the credit side and the balance below, on the same side. The balance would be an asset; the first three plans would be debited to profit and loss, the fourth plan would be debited to the special investment.

**Investment Accounts.** Very great difference of opinion has existed, and still exists, as to the propriety of raising or lowering the value of these, as the value has raised or lowered in the market:—for example, suppose you bought ten shares in a flourishing concern at \$100.00 per share, suppose you are closing the books and you could get \$125.00 for each of these shares, are you justified at putting their value at \$1250.00? I think not. Suppose on the other hand at the time you are closing your books they would be hard to sell at \$25.00 each, are you justified at putting their value at \$250.00? Again I think not. As many authorities think as I do as think the contrary, but if I were closing my own books I would treat these

accounts as I would a personal one, and wait until I had disposed of them before making any profit or loss entries.

**Bills Payable account.** As this is a personal account it is closed by finding the amount unpaid, on the credit side, and placing that amount on the debit side, To balance, which will then make both sides alike. This is a liability.

**Bills Receivable account.** This is closed by placing the unpaid amount on the debit side; on the credit side, By balance, which will then make both sides alike. This is an asset.

**Mortgages Payable and Mortgages Receivable accounts.** These are just the same kind of account, and receive the same treatment in closing as Bills Payable and Bills Receivable. In the first one the balance is a liability, in the second one the balance is an asset.

**Maintenance account.** Simply close as you would an ordinary personal one, the balance will be a liability.

**Reserve accounts.** These are closed also like a personal account, but as there are two classes of reserves, see page (50), so the balance will be either a liability or an asset, according to which class they belong.

**Goodwill, etc., accounts.** As explained on page (50) these are very closely allied to fixtures, and are treated and closed almost identically the same way.

**Discount and Interest accounts.** Before closing these it is necessary to go carefully over all open accounts, and see if any interest or discount is accruing due. If there is and it is hardly possible to imagine when there is not, calculate it to date of closing and debiting this account credit the suspense, for interest or discount due by you. If due to you, credit this one and debit the suspense. Look up suspense on page (53). The debit discount is debited in the trading account, and the credit discount is credited in the trading account; while the debit Interest is debited in the profit and loss, and the credit Interest is credited in the profit and loss. No balance is left in these accounts.

**Salary and Wages account.** Salary is the name given to office staff remuneration, while wages is given to the workers in the factory, in the warehouse, etc., (producers). It is usual to keep them apart

and, in closing the accounts, wages are debited in the trading account, while salaries are debited in profit and loss.

**Advertising account.** There will probably be less or more stock on hand in this account, at closing time; the stock is valued at what it is worth and placed on the credit side, By balance, the rest is closed into the profit and loss, debit side.

**Freight and Cartage account.** This is closed into the trading account, debit side.

**Insurance account.** You pay insurance premiums usually for one year in advance, and when you are closing, there is sure to be some of the premium unearned, that is the year paid for has not elapsed. Suppose you insure on January 2nd and are closing books on July 2nd, there would be six months earned and six months unearned, suppose the premium is \$50.00, \$25.00 is closed into profit and loss debit side, and \$25.00 is placed on credit side By balance, which is an asset.

**Expense account.** As previously explained on page (51) this account is very often sub-divided. Like the advertising there will probably be unexpired values in postage stamps, telephone rent, fuel, etc. If any, they are treated as unearned insurance is and are assets, the expired portions being closed into debit of profit and loss for postage, telephone, telegraph, traveller's salary and expenses, commission, rent of office, exchange and collection; fuel, light, power, rent of factory, or warehouse, duty on goods bought, into the trading account, debit side.

**Merchandise account.** If one account is kept: the stock on hand is placed on the credit side, below the last sale, the profit is placed on the debit side below, the last purchase, the profit is closed into the trading account credit side. and stock, which is an asset, is carried forward to the debit side of the merchandise account. If three accounts are kept, purchases, sales and stock, as described on page (52), the purchases are closed into the trading account, debit side, the sales and stock are closed into the trading account, credit side.

**Adventure accounts.** If still open, are closed by balance, and are an asset.

**Consignment Inwards.** As the debit of this shows what you have expended on account of another person, and the credit shows what you

the difference between the two sides will be either owing to you, asset, or owing by you, liability, at the time of closing; and the account is closed to or by balance, as the balance requires.

Consignment Outwards.—The debit side shows what you have expended, and the credit side shows what you have received. If you have not received all that is due you, the account is closed like any ordinary personal account, and the balance is an asset, but if you have received all that is due you, and the sum received is not equal to the sum expended, then the difference is a loss and is debited to the profit and loss, and credited to the consignment account. Should the difference be the other way, it is a profit and the above entries are reversed.

Suspense account.—This is closed like a personal account, if the debit side be greater, it is an asset; but if the credit side be greater it is a liability.

Trading account.—As explained on page (54) this is the first part of the profit and loss account. In a trading business it is debited with:—Stock on hand at beginning, all purchases of stock during the year, discounts allowed on sales, freight and cartage, wages, warehouse rent, insurance on stock and warehouse fixtures, duty, power, light, heat, and in a factory, depreciation in plant and machinery; and it is credited with sales, discount received on purchases, stock on hand, and in a factory, all partly finished goods at their cost of partly finished production. The gross profit, as the difference between the sides is called, is carried to credit side of the profit and loss, and debited to this account.

Profit and Loss account.—There will probably be a few entries in this one account, side, profits on consignments, adventures, etc., and losses through insolvency, fire, and other causes that do not fairly come within the expenses of the business; and this is the end of our closing when we reach this account. The profit from the trading account is credited, and the losses from the various expense accounts, as I have been detailing them, are debited here, then the balance is found, which if a profit is debited here and credited in the capital account. If the balance is a loss it is credited here and debited in the capital account.

Capital Accounts.—As so much has been said already on page (55) I think an explanation here is hardly required, but I will just add that the capital account is closed and balanced after the net profit or loss has

been added to, or subtracted from, the capital originally shown, and the new, and of course the present capital has been ascertained.

There are a number of different forms of balance sheet in existence, some excellent, some good for nothing unless to confuse with a bewildering array of columns. You will generally find a small business with considerably more frills on its statements than a large business has, and though I do not for a moment condemn the frilling, I am at the same time of opinion that the plainer a balance sheet is, or any other statement, the easier it is to grasp, and undoubtedly the easier to prepare.

In preparing a balance sheet keep before you ; that assets are to be placed in the order in which they may be most readily realized, that is, the most available first, supposing you wanted their value ; and the liabilities in the order in which they are to be met. This is the most general arrangement for Assets :—Cash on hand, in office, in petty cash, in bank, in special deposit. Investments, if any. Sundry debtors, or Trade debtors, on bills receivable, on open account. Stock, mdse. in hand, in adventure, in consignment outwards. Fixtures, Land and Buildings.—Goodwill, patents, patterns, etc. Unexpired Values—Suspense, if an asset. Take care to show each and all of these separately, and keep them together in an inner column, extending to the outer column the total of each particular group of assets. The liabilities are usually arranged this way :—Sundry creditors, or Trade creditors, on bills payable, on open account, on mortgages, on loans. Reserves, bad debts, maintenance, etc. Suspense, if a liability. Capital account, if partners, each one separately. As on the asset side, show each and all of the different liabilities separately, keep them together in the inner columns, and each group extended to the outer column, as directed with the assets. Assets on right, Liabilities on left side of the balance sheet as directed on page (43) rules for single entry balance sheet.

Remember the new balance in the capital account appears as the capital item, and as you have adjusted everything, both sides of the balance sheet should agree in quantity, as a trial balance does ; indeed the balance sheet is a proof that everything has been adjusted. If both sides do not agree, there is either an error in adjusting, every debit has not got a credit, or else you have not taken off all the balances, a very common error and very often made.







## ADVANCED BOOKKEEPING



**T**HIS CONSISTS, first, in posting direct from the books of original entry to the ledger; and second, in so classifying our business transactions by the use of special books and extra columns as to require only a single posting for each of the transactions appertaining to personal accounts; and, as far as possible, only a single monthly posting for the total of each class of transactions appertaining to other than personal accounts. When a system of bookkeeping is thus organized, it requires but little extra labor over the simplest system of Single Entry, and is at the same time, the most advanced system of Double Entry.

On page (57) I have described a Sales book, a Purchase book, Bills Payable and Bills Receivable books, and a Cash book; ruled with necessary columns to afford requisite information, save labor, avoid chances of error, and almost remove the journal, as you have been using it, from the system entirely.

The student will bear in mind, what I have been endeavoring to convey through all these pages, that individual fancy will govern the ruling and method of keeping any book, also that what is very convenient for one business, or one office staff, is neither convenient nor suitable for another staff or business; but, if he masters principles, a book with a ruling not exactly like the one he has perhaps been using in the last office, will present no difficulties to him; whereas, on the other hand if he does not master principles, every office and every business, every ruling and every heading, will be a fresh cause for bewilderment.

There are only two systems of bookkeeping, Single and Double entry, if you are not using one system you must be using the other; you may have innumerable methods of keeping track of your transactions, following them from the very beginning to the very end, but you cannot have more than two methods of recording them in your ledger. You will very often hear the remark, "Oh! I keep my

books after a way of my own, I find it much more suitable to my business than the method I learned at school, etc.;" but he is only keeping them by one of the two systems, and following exactly, though he will neither admit or believe the fact, exactly what he did learn at "school," with modifications suitable to his own needs. The principles have been engrafted and he is still following them. I sincerely trust that the student who has carefully followed what I have said in the preceding 84 pages has imbibed the principles of systematic record, and is aware of the difference between the two systems.

By the methods almost universally in vogue, using the subsidiary books now so generally used, the work of the bookkeeper, until the end of the month is really single entry, and at the end of the month only, do the balancing postings occur, which completes the record, and forms the double entry, and as the student cannot see the double entry in detail, but only in aggregates, or totals, the necessity of being able to perceive the double entry becomes a serious matter, a matter so vital that very many people who have gone on keeping books by double entry, by the old familiar form of passing every entry through the journal, seeing a debit and a credit always before them, fail egregiously when confronted with a very simple system of direct posting, and rail at "the new-fangled ideas that confuse and bewilder all good bookkeepers," when the fault entirely lies with the fact that they only know their work by rule, and not by principle.

A bookkeeper is not a machine; the bookkeeper who works like a machine is not worth the cost of running. Method is a good friend, but sometimes our best friends are our worst enemies. Let us therefore step off the beaten track laid down by those who made the road long long ago. Gone are the bookkeepers of bygone days, who lived their little lives writing up the Journal and Ledger without a thought of the mysteries of double entry; their places are now occupied by the product of modern necessity, who have mastered the principles, who can adapt themselves to any system of record, and such I wish to impress upon my readers are the people the business world wants all the time.

A Sales book usually has certain well-defined lines common to all the posting mediums generally known as sales books; which are the books used to record the outgoing of the transactions, from the

payment of which the business derives its revenue. One rule is almost universal in these books; a personal account is debited with every entry in a sales book at the time of the entry, while an impersonal account or accounts is credited with the total only, (usually once a month,) making the double entry. They are also very uniform in ruling, varying of course to suit different businesses and different departments of any business, but you will invariably find the following in all of them: a column for the date of sale, the number of the sale, the person sold to, his address, amount of sale in dollars and cents, the terms of the sale, reference to the ledger, and reference to the items of the sale, or invoice sent out.

A Purchase book resembles the sales book very closely and also has certain well-defined lines common to all of the posting mediums generally known as purchase books; which are the books used to record the incoming of all material, purchased to sell again, either as it is purchased or worked up to be sold in a different form. One rule is almost universal in using these books: a personal account is credited with every entry in a purchase book at the time of the entry, while an impersonal account or accounts is debited with the total only, (usually once a month,) making the double entry. They are also very uniform in their ruling, varying of course to suit different businesses and different departments of any business, but you will invariably find the following in all of them:—a column for the date of purchase, the number of the purchase, the person purchased from, his address, amount of purchase in dollars and cents, the terms of the purchase, reference to the ledger, and reference to the items of the purchase, or invoice received.

A Bills Payable book usually contains:—a column for when the draft or note payable by you was issued, who drew the draft or made the note, in whose favor it was drawn, where it is payable, when received by you, what time it was drawn at, the number you give it, when it matures, ledger reference, discount allowed on the transaction for which the note or draft is drawn, amount of the draft or note, total of discount and face of draft or note, and a disposal column. Like the books already mentioned, there are varieties of these also, but the above is a general form of a bill book designed as a record and a posting medium. There is also a well-defined rule that a per-

sonal account is debited with the sum appearing in the total column (at the time of the entry) while an impersonal account or accounts is credited with the totals only, of the discount and face of draft or note columns, (usually once a month,) making the double entry.

A Bills Receivable book usually contains almost identically the same columns and information, excepting of course that it is drawee instead of drawer in the second column, in every other particular they are about the same. There are also varieties of ruling and heading, but they also have their own well-defined rules : a personal account is to be credited with the sum appearing in the total column, (at the time of the entry,) while an impersonal account or accounts is debited with the totals only, of the discount and face of draft or note columns, (usually once a month,) making the double entry.

As I have already said so much about bill books on pages 11 and 13, I do not intend to say any more about their uses here, trusting the student has before this realized their usefulness, method of keeping, nature of record, and general utility to any business. In the description above given you have all that that you have already been accustomed to, in following me through the foregoing pages, with the added difference that they are now, all they were before and a journal or posting medium added.

The modern cash book now ; has travelled so far from our preconceived ideas that sometimes the only earmark to the old-fashioned bookkeeper is the embossing on the back. An array of columns whose name is legion confronts the new bookkeeper, a regiment of entries whose source is chaos to his mind is a common state of affairs ; and yet a little study with a good grasp of principle and detail would soon render entries and columns plain and systematic to any open mind, and the beauty of the method so obvious, that a little familiarity soon causes the new bookkeeper to swear by it, and wonder how any person can go on and be content with the methods of ancient days, laboriously acquired ; where cash book and journal are on stock principles and maintained on the law of the Medes and Persians, which as every good student well knows "altereth not." You will often find a cash book that embraces the whole business, every transaction ultimately coming into this book, and a trial balance of the cash book is actually a trial balance of the accounts of the entire business. Probably there is no one book in

which there has been such sweeping reform, as this one, and positively there is no one book, in which the objection of the machine bookkeeper has been more strenuously rampant.

It is argued with more or less force, that a separate account in the ledger for keeping record of bank transactions is a thing of the past, and that modern necessity requires cash in the bank to be kept along with cash in the till, in other words to keep a bank account in the cash book. This is now in various forms very general, some I think very good, some I think very poor. One method is to have no distinction in the cash book; keeping a record in the cheque book, which is often made with money columns in the stub, deposits are added in these columns, collections by the bank, discounts made to you by the bank, are also added, while all withdrawals are subtracted; the pass book being compared as a cheque, when any discrepancy occurring can be rectified in the check book. This system has its drawbacks however; if every entry either to or from the bank is rigorously made on the stub, and cash in the till is a small matter, the account can usually be kept right, but if these bank entries are not rigorously made, and cash in till is a large matter, then it becomes a fruitful source of worry. Another method, and much better to my mind, is to have separate columns in the cash book, a column on the debit side representing the debit side of the bank account, and a column on the credit side representing the credit side of the bank account, all deposits in the bank, of whatever nature, entered in the bank column debit side of the cash book, and all payments by the bank of whatever nature entered in the bank column credit side of the cash book.

A common form of cash book has, on the debit side, in addition to the usual columns for date, particulars and ledger folio, columns for every source from which the business receives money, such as merchandise sales, bills receivable, discounts, and any other that the nature of the business demands; a separate column for cash, another for bank, and still another for discount allowed on transactions settled through the cash book. Personal accounts are credited (at the time of the entry) and the columns are totalled and posted (monthly) to the debit of the ledger discount account, credit of merchandise, credit of bills receivable, and credit of any account which has pro-

duced the cash. On the credit side in addition to the usual columns for date, particulars and ledger folio, there will be found a separate column for cash, another for the bank, and still another for discount received on transactions settled through the cash book; then columns for every material source to which money goes such as: bills payable, freight, wages, material, duty, expense, and any other the business may require; very few entries on this side are debited at the time of the entry the majority being posted in monthly totals to the various impersonal accounts that have received the money during the month. An exception being possibly made to a few personal accounts, which will have a separate column provided for them. The discount on this side is posted (monthly) to the credit side of the ledger discount. The cash and bank columns are totalled, the balance found and entered and the book is completed. The balance in the bank and till is brought forward in the proper columns and the month begun again. This is a convenient form, a very common one, and easily adapted to almost any business, and either system of book-keeping. The monthly postings completing the double entry in every case.

Another form of cash book now very generally used is what is termed "A Synoptic" cash book. The Copeland-Chatterson-Crain, Limited, have patented perhaps the most perfect conception of the word synoptic in the form of a book yet before the public, and with their permission I will endeavor to explain the book and the method.

This book, like all the publications issued by the above company, is on the loose leaf system. Usually there are two binders, one for the current pages and another for the used leaves; by this method one has only leaves in use in the current binder, no turning over filled and balanced pages perpetually and continually, as must be the case when the loose leaf is not adopted. The pages are ruled and have the headings of each column printed; where necessary with both, debit and credit sub-headings, under each general heading, there is no separate debit side and credit side, the subdivision of the columns across the entire page supplying the distinction. There is usually a column for: date, ex-

planation, ledger debit and credit, cash debit and credit, bank debit and credit, discount debit and credit, etc., etc., extending to almost everything that can possibly arise in any business. Ledger and other references are of course provided for. All cash transactions are entered in the column debit or credit as the case calls for, and also entered in the opposite column of a sub-heading, making the double entry. Should there not be a sub-heading, as for instance, cash loaned to a customer, Cash would be credited and Ledger debited; the borrower's name would be inserted in the explanation space, and amount posted to his account. On the other hand, suppose cash were paid for postage stamps, Cash would be credited and Expense debited. A draft paid at maturity would have Bills Payable debited and Bank credited. A bills receivable discounted would have Bank and Discount debited, and Bills Receivable credited. At the end of each month all the various subsidiary books are totalled and entered in the various columns provided for that purpose, debit and credit; a summary of the various column footings is made then in the explanation column, and their totals entered in the ledger debit and credit columns, which are then footed. These must agree in quantity, and then you have the trial balance, which is the trial balance actually of your Ledger.



CASH BOOK, with columns for Int., Dis. and Exchange, Mfse. Dis., Cash, and Bank, on both Debit and Credit Sides

Date
Account to be Credited
Space for Explanation
Folio or Reference
Interest, Discount and Exchange
Merchandise Discount
Bank
Cash
Date
Account to be Debited
Space for Explanation
Folio or Reference
Interest, Discount and Exchange
Merchandise Discount
Cash
Bank

DEBIT

CREDIT

BILL BOOK, used as a Posting Medium.

When Issued
Drawer or Maker
In Whose Favor
Where Payable
When Received
Demand, Sight, or Time
Number
When Due
Ledger Folio
Amount of Discount
Amount of Draft or Note
Total Amount
How Disposed of



Date of
Purchase
Number of Purchase
Name of Person Purchased from.
His Address
Amount of
Purchase
Ledger Folio
Terms of
Purchase
Invoice File

PURCHASE BOOK

Date
of Sale
Number of Sale
Name of Person Sold to
His Address
Amount
of Sale
Ledger Folio
Terms
of Sale
Invoice Reference

SALES BOOK

## DIRECT POSTING

Having now in a general way explained the principles of Direct Posting, or if you choose to give it such a name, Advanced Bookkeeping, the student will be given another set of accounts to be kept by that method, and his attention is directed to pages 1 to 4, 45 to 55, 58 to 60, as what has been said on them applies with added force to what is to follow.

You will continue in this new set as regards accounts, sales, purchases, terms, names and detail, generally, as you have been doing in the set just completed, but there will be introduced some new transactions, names, accounts, etc., and the records in the subsidiary books will be entirely new.

You will have a cash book exactly the same as the sample copy given here. All cash received, sight and demand drafts discounted, bills receivable discounted or collected by the bank, are entered on the debit side. Cash received and sight and demand drafts discounted are entered in the cash column, bills receivable are entered in the bank column. The interest column is to record the cost of discounting, exchange on cheques etc., the indse discount column is to record the discount allowed on cash payments, sight draft settlements, cheques received or paid settlements, and also to charge back discount allowed which has not been earned, as in the case of R. L. Holmes in the last set. When you make a deposit the amount is entered on the credit side in the cash column, just as you have been doing all along, but it is now in addition brought over to the debit side and entered in the bank column. Cash and bank column items are posted to the credit side of the account affected, at the time of the entry, (except the deposit), and the interest and discount columns are posted in one total, each time you make a trial balance.

All cash paid out is entered on the credit side in the cash column, and all cheques issued and bills payable paid are entered in the bank column. Cash and bank column items are posted to the debit of the account affected at the time of the entry, (except the

deposit), and the interest and discount columns are posted in one total, each time you make a trial balance.

You will have sales and purchase books, and the bill books will be posting mediums. I will explain their methods when we reach them.

Now to open your books, begin by:—

Open the Cash Book—Putting date on debit side, your name in next space, "Investment" in next, and amount in bank column, \$1500.00, which post to credit of your capital account. Put date on credit side, freight in next space, J. Scott in next, and amount you pay Scott for freight and cartage (\$135.00) in bank column, post to debit of freight account. Put self under freight, opening expenses under J. Scott, and amount you require to pay them (\$257.00) in bank column under \$135.00 on next line. Draw these cheques as in last set and take them to the bank. Debit your cash with "Bank" under your own name, "for cash payments" under Investment and \$257.00 in cash column. Study these entries very carefully.

On the Credit side put expense under self, then itemize each expense in the next space, and put their values in the cash column. Turn back to page 61 of this book for detail. When the expenses are all entered, enter fixtures the same way, and after that advertising the same, the items being the same as in former set, page 61. Always keep the account to be debited in the first space, the items to be debited in the second space, cash in cash column, cheques in bank column.

When all are entered, post the expenses in one sum, "Sundries," the fixtures the same, the advertising the same, in the ledger accounts. I hope I need not say to the debit of each account.

Draw the notes to Taylor Safe Co., as in the last set, then turn to your bills payable book, and enter date, your own name, Taylor Safe Co., College Bank, date, 10. 1; month and day they fall due; pass ledger folio, nothing, 40.00, 40.00. Enter all three the same way, then turn to fixtures account in ledger, debit with safe 120.00, give as reference 1, 2, 3, the numbers of the notes in the bill book, and this is completed. Put notes on principal's desk.

Turn to your purchase book; take your first invoice, enter date on invoice in date column 1, in No. column; S. Pickford & Co., under name; Toronto, under address; 272.25, under amount;

20-5, under terms; invoice file under references; enter all invoices in the same way, then post to the credit of each firm and reference in each case is the No. in the number column, 1, 2, 3, etc.; put folio of account in ledger, in ledger folio column in purchase book. This completes the opening of your books. Apply for insurance as you did on page 63. Study up the explanations and ideas on page 85 to this one.

2. One cash sale, 3 credit sales, look at page 63 for detail, no payments. Turn to your sales book; calculate what the first credit sale amounts to, you will find it is 99.30, enter date in date column 1, in No. column; J. Adams in name column; Barrie in address column; 99.30 in amount column; 20-5 in terms column; file reference in reference column. Turn to J. Adams' account, enter date in proper column; mdse in next space, 1, in folio column, 99.30 in money column; then put page of his ledger in ledger folio column in sales book, and the transaction is recorded. Treat the other two the same way. For the cash sale put J. P. Holt in name column, Kearney in address column, 109.44 in amount column, cash-30 in terms column, file reference in reference column; turn to your cash book, put date in date column, mdse in first space, cash sales in explanation column, 10.94 in mdse discount column, 98.50 in cash column, put 4 in reference column, the number of the sale, and page of cash book in ledger folio column in sales book, and the transaction is recorded. The directions are general for all credit and cash sales, do not forget them, and once again refer to first paragraph on page 85. Continue to go to the cash desk as before. The file reference is where and how you would file the salesmen's slips from which you make your entries, we will suppose they are filed by number and the first is 01. Draw draft on Adams at 20 days, allowing 5 per cent. discount, at 30 days on Dean & Bros., less 2 per cent. discount, at 15 days on Austin, less 5 per cent. Turn to your Bills Receivable book, enter date in when issued column, J. Adams next, College Bank next, nothing in next, 1 under No., date of maturity in next, 4.96 in discount column, 94.33 in draft column, 99.30 in amount column. Credit Adams by sundries in his ledger account, from amount column, give posting reference as 1, the number in bill book, put Adams ledger folio in bill book ledger folio

in bill book ledger folio column, and this transaction is recorded. Follow on similarly with the others. These directions are general for all such transactions, do not forget them. Read this up on pages 87 and 88.

To record deposit. On credit side of cash book, put date, in explanation space put deposit, tick in folio column, and amount in cash column. On debit side put deposit in explanation space, tick in folio column, and amount in bank column. That completes the deposit. Go to bank as usual. See page 89 for full explanation.

3. Same as on page 65 as to sales. Enter advertising expense as you did the first day, and post as sundries in advertising account.

To record drafts. Turn to your bills payable book, enter date of issue, drawer, payee, where payable, when received, time, No., when due, in their proper columns, just as you have been doing. Put discount allowed on invoice in its column, face of draft in next column, then debit Pickford's account in ledger with what you have in the total column. Put ledger page in folio column in bill book, and number you have given draft (4) in ledger as reference. This completes the record. Follow on with the others. Then accept and give drafts back to bank. These methods are for all Bills Payable. You have had the notes before, now you have the drafts. Read up page 87 on bill books.

4. Same as on page 65 as to sales. To record the sight drafts. On the debit side of cash book put date, B. Cone, sight draft, 8.00 in mdse. discount column, 72.00 in cash column, same with the others. Add mdse. discount and cash together and post to the credit of each ledger account as sundries, ledger page folioed in cash book, cash book page folioed in ledger. Enter drafts on deposit slip and make deposit as you did on the second; enter the bank discount charges in cash column, credit side; then on the debit side, enter it in the interest column opposite each one's name, B. Cone, etc. Do not post this as they are posted only in totals when you take a trial balance.

5. Same as page 66. Balance as in last set.

6. Same as page 66. Invest in ten shares, Penman's, common stock. Get to-day's paper and see what they are selling at. Toronto quotations; buy at lowest quotation. Send a marked cheque at par; cost you  $12\frac{1}{2}$  cents per 100, and the broker will charge you 25 cents on each share and 2.50 besides transfer fees. Make your cheque cover cost

of shares, bank charges, broker's charges, and transfer fees. Make it payable to H. O'Hara & Co., Toronto, who will get the shares for you. On credit side of cash book, put "Penman's," next ten shares cost, exchange cost, brokerage cost, to agree with amount of cheque, put amount in bank column. Then open an account in the ledger. Call it "Penman Stock," debit; date, to sundries, cash book page, amount; and folio ledger in cash book. Read up this transaction on page 49, investment accounts.

8. Same as page 66: Buy two carloads of apples from J. O. Hutton at 2.20 per barrel, 1000 barrels. Ship them to Cully & Co., Liverpool, England, on commission. You get a through rate of 30 cents per barrel from the G. T. R.; you load them in cars N. D. L. 6780 and 6790. You must make invoice of value and export entry. Ask principal for forms. You must put a stove in each car, get fuel and a man to look after them. Stoves cost 4.00, fuel costs 3.00, pay man 5.00 when he leaves and get a ticket for him to come home with, 13.50. Pay these in cash. Give the G. T. R. cheque for 300.00, freight. Open an account for this in the ledger. Call it Adventure, apples. Put these payments through cash book in detail and charge to the account. Draw on Cully & Co., for 3000.00 at current rate of exchange, 60 days sight. Look in to-day's papers for current exchange rates, foreign draft in English currency. Discount this and pay Hutton by cheque for what you owe him for the apples. Ask the principal to give you drafts. Insure apples at 3.00 per barrel with Lloyd's company, J. Jones, agent, premium 1-10 of one per cent., charge to adventure. Take the draft in on the debit of cash book as adventure, Cully & Co., advance. There will be no discount charge, so it will go into the bank column, post to credit of adventure as Cully & Co., advance 3000.00. Read up these accounts on page 53. Adventure and consignments.

9. Same as page 67.

10. Same as page 67. Treat credit note as a sale made to Pickford, put in sales book and post to debit of his account. Balance as in last set.

11. Same as page 67. Treat damage as a sale to G. T. R., put in sales book and post to debit of G. T. R. account.

12. Same as page 67. On credit side of cash book put R. L.

Holmes explanation "Dishonored draft," put discount allowed him in mdse. discount column, amount of exchange paid for discount on the 9th in interest column, face of draft and protest fees in bank column. Add these three together and debit Holmes' account, "To dishonored draft," with the full amount in the three columns. Study first paragraph on page 85 and try to see its application in this transaction. Take a trial balance, but you have to make some preparation first. Total and rule off the sales book. Open an account in the ledger which call "Sales." Post the total of sales book to the credit side of the account, date, by sundries, last sale No. as reference, and put ledger folio in sales book folio column, beside total of sales. Total and rule off purchase book. Open an account in ledger which call "Purchase." Post the total of purchase book to the debit side of the account, date, to sundries, last purchase No. as reference, and put ledger folio in purchase book folio column, beside total purchases. Add up the mdse. discount on the debit side of cash book, put the total amounts in the corresponding columns on the credit side, put the credit mdse. discount in the corresponding columns on the debit side. Post the debit mdse. discount from credit side of cash book to the debit side of mdse. discount account in the ledger. Post credit mdse. discount from debit side of cash book to credit side of mdse. discount account. Same with the interest, you will require two accounts. Mdse. discount and interest and exchange. Find balance of cash on hand and cash in bank, which, put in proper columns on credit side of cash book. Now draw a line across the four columns on each side and add up. You should find them alike on debit and credit side, which is a proof you have them right. Do not be satisfied until they do agree. Rule off, the cash book is finished. Add up the discount columns, draft and note columns, and amount columns, in Bills payable book. The amount should and must equal the other two columns. Post the discount to the credit side of the mdse. discount account in the ledger, the draft total to the credit side of the Bills payable account in the ledger, date, by sundries, the last No. in bill book as reference, both accounts the same, and the ledger folios in the ledger folio columns in the bill book beside the totals. Rule off, the bill book is finished. The Bills Receivable is added and ruled off the same, but the discount is posted to the debit of the mdse. discount account, and the draft total is posted to

the debit side of Bills Receivable account in the ledger, which I hope I need hardly point out. The references are put in the same as the Bills Payable, the words "To Sundries" being used in this case. Look up what I have said already about these books on pages 87 and 88. Now proceed to take a trial balance, which should be a comparatively easy task.

14. Bring forward the cash and bank balances in their proper columns, debit side of cash book. 2 credit sales. Look up Bills Payable book and find you have several due to-day. On the credit side of cash book put date, then Bills Payable, then the Nos. of the drafts and note due. They amount to 1047.90, which place in bank column. Post this to debit of Bills Payable account in ledger, date, to bank, cash book page, 1047.90; put ledger page in cash book. Write them off in Bill book as you did in last set, except that you have a date column for this date, which you did not have in the old bill book. Man comes back from looking after apples, pay him 7.00, balance due him, and charge to apples.

15. Same as page 68. Enter S. E. Mills on debit side of cash book, on a line by itself. In explanation column put "Cheque," in discount column put amount of discount he is entitled to, in cash column put amount of cheque, then add cheque and discount together and post to credit of his account, date, by sundries, cash book page, amount, same with the others. Then deposit as on page 69, but exchange is entered in interest and cash columns as with sight drafts on 4th and not posted now.

16. Same as page 69. You now know how to handle the cash payments, and cheques for wages and salaries should now be plain to you also. Open two accounts. Call one wages. Post Williams and Plants two week's pay to it. Call one salaries and post Mole's two week's pay to it. On the debit side of cash book put Bills Receivable, No. of draft due, and put amount in bank column, which post to credit of Bills Receivable account, date, by bank, cash book page, amount, folio ledger in cash book. Write off in Bill book. On credit of cash book put insurance, next Queens 14.33, Royal 14.33, Northern 2.01, survey 3.00, place total, 33 67, in bank column and give cheque as on page 69. Enter in Insurance account as you have them in cash book.



17. Same as page 69. You will have to make an old fashioned Journal entry for the stoves just as you did on page 69 in the last set and treat exactly as you did them.
18. Same as on page 70. Purchase book for purchase, cash book for payments, no journal entries.
19. Same as on page 70. You know now how to handle bills due. Look at the entries on the 14th and 16th.
21. Same as page 70. When you draw Holmes' note put in Bills Receivable book and credit his account with it. On credit side of cash book put R. L. Holmes, interest, 75 cents in interest column only, debit his account with this. Balance cash and bank.
22. Same as page 70. The goods you take back from Clark and Bates are purchases, put them in purchase book and credit their accounts. Then sell them to P. C. Larkin & Co. in sales book and debit his account. Take a trial balance, but before doing so balance and post up as you did on the 12th.
23. Same as page 71. Take the three drafts you are going to discount in on the debit side of the cash book, Dean & Bros., B. R. discounted, cost of discount in interest column, face of draft less cost of discount in bank column, a line for each, then add the amounts together, interest and proceeds, and post to credit of Bills Receivable account, date, by discount, cash book folio and amount, folio ledger in cash book.
- P. C. Dunn sends you a car load of potatoes to sell for him, 500 bushels, you pay freight 35.60 and store them as on page 70. Cost of handling 15.00, pay to J. Scott. Open an account which call Dunn Cons, Inwards. F. S. Brown sends you a car load of Baskets to sell for him, pay freight 35.75, cost of handling 7.00. Open an account which call Brown Cons. Inwards. Read this account up on page 53 and act accordingly.
24. Same as page 71. Make an old fashioned Journal entry for the Mortgage, Real Estate to Mortgage payable, debit real estate, credit mortgage, accounts. Pass cheque for 500.00 through cash book, also cheque for conveyancing, post both as you did on page 72. Read up these accounts on page 49.
25. Same as page 72. Take in cheques from Insurance companies on debit side of cash book, Mdse.; Queen's Insurance, Royal

Insurance, amount of cheques in cash column, post them as sales in sales book. For other one, fixtures, Northern insurance, amount in cash column, credit fixtures account, then make an old fashioned Journal entry for profit and loss as on page 72, debit profit and loss credit fixtures account, and credit sales book with misc. loss, just as you would any sale. Pass Holmes' dishonored note through cash book this way. Take it in on debit side, Bills Receivable, R. L. Holmes dishonored note, amount in cash column, credit Bills Receivable account, by R. L. Holmes; on credit side of cash book R. L. Holmes, dishonored note, amount in cash column, protest fees in book column, debit Holmes' account with these amounts. Cully & Co., write to-day asking if apples are coming. Wire G. T. R. agent Portland, asking if they are shipped, message costs 1.00 for ten words, three cents each word over ten. G. T. R. replies they sailed on S. S. Parisian on 18th, cable Culdrown, Liverpool, Cully's cable address, this information and tell them to sell afloat. You learn by reading the paper, apples are falling on English market. Cable costs 25c each word, address and signature included. Write out both messages and show to principal. Debit adventure with cost of messages.

26. Same as page 73. Put Cone's dishonored draft, discount, exchange and protest fees through the cash book just as you did Holmes on the 12th. Make an old fashioned Journal entry for profit and loss and post accordingly.

28. Same as page 73. Pass all the work through cash book. Make a Journal entry for the 6.60, loss, debit profit and loss and credit Larkin & Co. Sell the 500 bushels potatoes of Dunn's for 175.00, cheque as cash. Delivery costs 12.00, storage is due 3.75, take in cheque on debit of cash book, J. C. Dunn, Cons, inwards, amount in cash column, post to credit of Dunn's account, pay delivery and storage and debit Dunn's account. Take credit for 10 per cent. commission and close the account.

29. Same as page 74. Put the interest through the cash book same as you did the 75c on the 21st.

30. Same as page 74. Pass all these items through the cash book except the profit and loss entry, which must be made the old fashioned way.

31. Bates' cheque comes in; deposit it. Pay salaries as you did on the 16th, page 100. Young, your traveller, presents his expense bill, 25.00 for the month. Give him a cheque for salary, 50.00, and expenses, 25.00, one cheque for 75.00, and show items in stub of cheque. Pass through cash book, and debit expense and salary accounts. Look at page 61, and see you owe rent. Give cheque to C. L. Grant for 90.00, pass through cash book and debit rent. Pay for gas for office, 5.00; for electric light for warehouse, 7.00. Make two separate cheques, Gas Co. and Electric Light Co. Pass through cash book and charge to light. Open a new account for this. We will not have any payment for taxes this time.

R. P. Cully & Co. advise you to-day that they have sold the apples at thirteen shillings per barrel. They enclose account showing that they have charged you sixpence per barrel incidentals, and commission of ten per cent., leaving a balance in your favor of nine pounds, nine shillings and one penny, for which they enclose a draft. Ask the principal for the draft. Convert it into Canadian money at to-day's demand rates. Look in newspaper for the exchange quotations. Take in on debit of cash book, R. P. Cully & Co., balance on adventure. Put amount in cash column, post to credit of adventure as R. P. Cully & Co., balance. Deposit the draft, there is no exchange to pay.

Work out at the same rate of exchange as the draft, what the sixpence per barrel incidentals, and the ten per cent. commission amounts to, and pass through cash book. Debit side: apples, over-seas expenses, ten per cent. commission, amount in cash column. Post to credit of adventure as "Over-seas." Credit side: apples, same explanation, amounts in cash column, and post to debit of adventure as R. P. Cully & Co. expenses, R. P. Cully & Co. commission. This allows you to see what the gross cost and gross return have been. As you have a profit, make a journal entry, debiting adventure and crediting profit and loss. This closes the account.

We are now at the end of this set. Take a trial balance as on pages 100 and 101, then close the books, prepare a Trading Account, Profit and Loss Account, and a balance sheet.

## MEMORANDA FOR CLOSING THIS SET OF BOOKS.

As I have already explained the objects and methods so fully on pages 39 to 44, 77 to 84, I will not take up your time with any further explanation now, beyond observing that the above mentioned pages should be very carefully studied before you begin to close and balance this set, also that constant reference to pages 77 to 84 will very greatly assist you now. Look at page 79, then 76 and 77, Suspense account items. Make a journal entry, debiting and crediting the Mdse., Discount and Suspense accounts, for Pickford & Co., Brown, Balfour & Co., and Bates' discount. Make another journal entry, debiting and crediting the Interest and Suspense accounts; for Chester's Mortgage and Holme's Note interest.

Look at Trading account, page 83. Make another journal entry.

Debit Trading account with total of purchases, debit side of Mdse., Discount, total of Freight and Cartage, total of Wages, Electric Light, from Light account; 6.75 1 ton Fuel from Fuel account, 6.00 for Insurance on stock, from Insurance account and 1.00 depreciation on the fixtures. Your stock on hand is 3,050.77. Open an account which call "Stock" and enter this on credit side. Date, by sundries, tick, 3,050.77. Another journal entry, credit Trading account with total of credit Mdse., discount, total of sales, total of stock. Find the difference, then another journal entry, debit Trading and credit Profit and Loss, with gross profit. Rule off the Trading account, it is finished.

Look at Profit and Loss account, page 83.

Another journal entry, Debit Profit and Loss with 1.94 Insurance on fixtures, from Insurance account, 6.75 for 1 ton Fuel, from Fuel account, 5.00 for Gas, from Gas account, 38.52 from Advertising account, all the Salary from Salaries account, all the expense account, excepting 16.00 sundries on hand, see page 76, 1.18 depreciation on fixtures, the debit side of your Interest account and the Reserve for Bad and Doubtful Debts, (this last exactly the same as in the last set, see page 77). Another journal entry, debit Interest and credit Profit and Loss with what is on the credit side of the Interest account. Now add up and balance the Profit and Loss accounts. If a loss, debit Capital, credit Profit and Loss. If a profit, debit Profit and Loss and credit Capital.

## DIRECT POSTING

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Now go carefully over all the unclosed accounts, there will only be the Consignments Inwards, and the Personals to close. The Impersonal are all closed now, or should be. Read up again what has been said about closing accounts, and then study up pages 82 and 84, and prepare the balance sheet.



## TO CHANGE THE SYSTEM FROM SINGLE TO DOUBLE ENTRY.

Very often the man who has been satisfied to have his business records kept in a more or less disjointed manner, resolves he will have a new and up-to-date bookkeeper, and change his loosely kept, inaccurate, books and methods to a comprehensive and accurate double entry system. He carries this out so far as hiring a new bookkeeper, and upon the arrival of that person, usually a young lady fresh from a business college, he lays open to her just what he desires, and tells her to get at it. The young lady has some hazy ideas on the subject, her employer knows what he wants but knows little or nothing about the procedure, unfortunately in most cases, the young lady knows less and has had no business experience, and, after many disappointing attempts, she acknowledges her inefficiency and very often has to go at short notice, to be replaced by another person, a machine bookkeeper who has kept books for years, but who is as much at sea probably more so, than the person he has replaced. Then the enterprising business man either calls in a Chartered Accountant at an inadequate expense or gives the thing up and tells his friends disgustedly, that these business colleges are nothing but frands, etc., etc., and double entry is a delusion of fools, etc., etc. To avoid such dreadful contingencies is the object of this article.

The beginning of the operation is to get out a balance sheet. In many businesses this is an undertaking of considerable magnitude. So very many people never think of taking stock and getting out a statement of their affairs if even, only once a year, and as it would be a lame changing of systems unless everything were included, the necessity for a statement that really does show everything is obvious to even the most negligent.

You will be surprised to find how very many business people carry on their business in a most surprisingly slipshod fashion as regards their records, and how very many record a great deal in their head, on various scraps of paper, in loose memoranda, and in no

record at all, so you will understand preparing a balance sheet from such material is something to grapple with.

I may as well mention at this point that the change is rarely made in small retail businesses. It is usually in Milling, Factories, Foundries or when the retail is extended to include wholesale, or where several lines are carried on under one proprietorship, but the method is the same in each and every case, and if you include everything that has a value either as an Asset or Liability, in preparing the balance sheet, it makes little difference what the nature of the business is.

It will usually take some time to prepare, sometimes weeks; do not be in a hurry, go carefully over everything that can give you information. Ask questions without end, grope into dark corners, pry into secret places, and even then you will undoubtedly fall short. At least that has been my experience. Prepare for a certain date, the first of a month if possible.

Get the stock on hand, by which I mean the material, either bought to be sold as bought, or to be worked up and then sold. If there are varieties, and it is intended to keep accounts for each, take stock of each separately. As nearly as is possible put the stock at its cost price, that is the invoice price.

If freight and duty charges are worth considering in the purchase of the stock, add them to the stock value, that is always supposing that you can arrive at this information. Next, the fixed plant, and that is much better taken at a valuation of its present worth, not what it has cost, but what it is worth to-day. Next machinery, then loose tools, then fixtures, stable, factory, mill, office, show room, horses and wagons. Treat all these as you have the fixed plant. Re-value them and take their present worth. Partly finished material; just what it has cost to date to get it into its present shape. Land and buildings; this is a knotty subject, and one on which there is much difference of opinion. My own opinion inclines to re-valuation at present date, with a liberal inclination to under, rather than over, valuation. Some say that what the property has cost is its value, but so many causes arise to lower or raise value of such property since purchase or erection, that present day re-valuation seems to present a nearer approach to actuality than any other method of computation.

Then the accounts. Go over every one in the records. Those that are outlawed or hopeless it is little use worrying over, they are gone; but any account that there is any possibility of recovering take into the list. Probably they are in half a dozen ledgers, and probably hardly any reliable information exists as to the accuracy of a number of them, but get all you possibly can in the way of information and ferret out as well as you can their indebtedness. There is usually a fearful chaos in hunting up old, and sometimes new accounts, when you try to make statement. Then make three lists, ledger, page, date of last item and amount. Separate them into good, doubtful and bad.

Then Bills Receivable. In most businesses you will find a surprising number of notes, not many drafts. Some of these notes have been renewed many times, some are relics of ancient date, and some good and reliable. You will very likely find no record of them anywhere, not even in the accounts they are supposed to close. You will require to go over them as you have the accounts. Then list them the same way as you did the accounts.

Then the various investments. Sometimes the only record you can find of these is the debit in the pass book for the cheque given to pay for them. Usually there is a great deal of trouble to get at their cost. Put them in separately at their cost, not at what they are worth now; investments fluctuate in value too greatly to allow of any other than their original cost, in recording their present worth.

Then Unexpired Values, Insurance, etc. You will most likely find the policies somewhere, and you will see by the documents themselves when they were paid for and how long to run. And from that you must make the calculations. Go over what may be called expense items, such as fuel, stationery, and advertising matter, and calculate the present value of them, and with this you will have completed the preliminaries for the balance sheet, credit side.

When you have all this done, count the cash in the till, and have the pass book made up for the same date, and you have finished all you can do.

There is not likely to be a capital account found in the ledger, so your balance sheet must find that for you. There is sure to be some bills payable, with little or no record for them. Hunt up the invoices, see what terms are shown, then ask about drafts or notes,



and probably find they were received and accepted. Look up the discounts to be allowed, and you will be able to determine the value of the bills payable. When they are due is another matter. Perhaps you will find an insignificant calendar, with figures in pencil on certain dates, and the "boss" will endeavor to make you believe this is superior to any bill book on the market, and perhaps cause you to wonder why he doesn't hold a patent for it. There will probably be various invoices on some kind of a file, and sometimes pencilings to the effect that a draft was drawn against them, and sometimes nothing but memory. Of course bills payable will all be good, and unpaid invoices, in the same list. Make out a list of all unpaid invoices and of all bills payable. It is not likely you can get dates, but you will most likely be able to get names and amounts. Then find if wages, rents, taxes, etc., are all paid up; if not try to get at unpaid to date, and make a list of them. Then ascertain if there are not some other matters pertaining to the business for which the accounts have not been rendered. If so, get these accounts.

Now, you have all and everything ready to prepare the balance sheet. Look at page 39; prepare this one the same way, except as to capital account, and putting in accounts, and bills receivable, as it useless putting in those that cannot be realized on, to get at the capital, and you are not likely to have a capital account that can be relied upon.

Put in good at full value, doubtful at what you think they are worth, and bad at no value for the outer column. This way:

Good	.....	640 50	
Doubtful	350 25, worth say....	100 00	
Bad	300 00, " " ....	0 00	extend 740.50 to outer column.

Show accounts receivable and bills receivable separately. After you have everything entered find the difference which will be the amount for the capital account. Even should there be some kind of a capital account, it is not likely to be reliable enough to open the books on, but by carefully following my methods you will have a certainty, as nearly as possible.

Now make a journal entry as follows:—Everything on the asset side of the balance sheet is debit, and everything on the liability side

is credit, in the journal entry. Then open all the new accounts from the journal and your lists, take a trial balance, which ought to come out with no trouble, and your work is completed.

Do not think I have overdrawn in this description. I have changed the system many times, for many people in many places, and the above, with slight modifications, has been my experience on each occasion. When you undertake to change a set of books from single to double entry, prepare for a great deal of very bad bookkeeping, and a great deal of trouble. You will not often be called upon to do the stock-taking, but all the other work and worry you must certainly be prepared for.



## AN EXCURSUS ON BANKING.

A bank is a public corporation which deals in money in all its forms. It may carry on a business as a dealer in gold and silver, coin and bullion, and issue notes for circulation as money. It may receive deposits, whether in the form of cash, cheques or drafts. It may lend money on security, discount bills of exchange and promissory notes—buy and sell exchange, bonds, and debentures—make collections, and transmit money to any part of the world. In general, banks facilitate the exchange of commodities, and without them many of the commercial transactions of to-day would be well-nigh impossible.

In Canada, a Bank can only obtain a charter to do business from the Dominion Government. It must have a large paid-up capital, and be backed up by reputable men. It is restricted to certain lines of business, and has to furnish the Government with certified statements of its position every month. Its shareholders are liable for as much again as the amount of stock they hold. All this is done to fully safe-guard the public.

There are three ways of depositing money in a Bank—in Current Accounts, Deposit Receipts, and Savings Bank Departments. Business accounts are kept in the first, stationary deposits in the second. If you wish to accumulate money and get interest on it you should open an account in the third.

A current or running account is one in which you may have placed at your credit, deposits of cash, the present worth of notes, etc., discounted, or collections made, and to which will be charged any cheques you may draw in favor of yourself or others, and your own notes or acceptances as they fall due. You can thus make the Bank your bookkeeper by depositing all monies received and making all payments by cheque. Business men and all who appreciate the convenience keep current accounts. No interest is allowed. Payment by cheque provides a receipt which prevent disputes. The Bank takes all the risk of over-payment or payment to the wrong person.

Ordinarily the first step to be taken in opening a Current Account is to secure an introduction to the Manager of the Bank, through some responsible person known to him. This interview will disclose to him the probable magnitude of your future dealings with the concern, and whether your account will be of advantage to the Bank. If you desire specific information he will cheerfully and courteously answer your inquiries. Having concluded your conference with him, you will make out a deposit slip and hand it and the cash to the Receiving Teller, who upon learning the nature of account you wish to open, will supply you with a pass-book, deposit slips and cheque book adapted to your needs. Tell him what business you are engaged in and its location. He will take a specimen of your signature, and all subsequent signatures and endorsements by you should be written precisely the same to avoid confusion.

You will be required to endorse all cheques deposited, even if they are payable to bearer, so that the Bank can tell afterwards from whom it received them. This is done by writing your name across the back of the cheque.

Deposit all cheques and bank drafts coming into your hands the day you receive them if possible. Should the account on which a cheque is given to you be low, the first cheque in is the first paid, whether there is enough to pay others or not, and in the event of any trouble in which any bank, financial institution or firm becomes involved, no matter what the nature of it, if you hold unpaid cheques or bank drafts on them you may be obliged to show that you used due diligence in your efforts to collect, or lose on the amount involved. Then you are in duty bound to give your bank the chance to collect your money for you as soon as possible. Always give them the use of your money rather than someone else.

The pass-book will furnish a record of all your transactions with the Bank, and should always be brought in to have deposits entered at the time you make them. As these credit entries are your receipts, see that the entry by the Ledger-Keeper is correct before leaving the Bank. This book should be left at the Bank at the close of each month to be balanced, and will be returned to you on application a day or two later, showing your balance, accompanied by your cancelled cheques, notes and drafts, for which you will be asked to sign a

receipt. It is your duty to examine carefully the account and cheques, etc., and report at once any possible errors.

The pass book, while kept by the customer, is really the property of the Bank, and nothing should be written in it by the depositor. The custom of some persons using their Bank pass-books as personal memorandum books causes endless annoyance and labor to the Ledger-Keeper, who has to handle large numbers of these books in a short space of time.

Deposit Receipts are issued by the Bank for substantial amounts which it is expected will remain undisturbed for some time. Such deposits are not entered in the pass-book, and are not subject to cheque, but can be withdrawn by returning the receipt endorsed. If it is desired to withdraw a part of the amount the receipt must be returned and cancelled, and another issued for the balance left on deposit. Deposit receipts are not negotiable, so cannot be transferred, although the claims represented by them may be assigned. They bear interest from date of issue, provided the money is not disturbed for a specified time. Interest is not credited until asked for. Although not so convenient as savings pass-books, they are preferred by some people.

How to open a Savings Account—Take the money you wish to deposit to the "Teller," inform him that you wish to open a savings account; give your name and street address, and hand him the money, stating the amount. He will count it and fill up a deposit slip for you, which you must sign to certify that it is right. He will ask you for a specimen of your signature for record. The Ledger-Keeper will then hand you a pass-book showing the amount which you have deposited. See that the entry is correct. This little book is your record, so take great care of it. Be sure to bring it every time you wish to deposit or withdraw.

Customers who wish to draw from their saving account should come to the Bank, fill out a receipt, which they furnish, for the amount wanted, and present it with the pass-book. They will pay over the money and the Ledger-Keeper will hand back the pass-book, showing an entry of the amount withdrawn and the balance left. See that there is no mistake in either the cash or the entries before leaving the counter.

In filling out a savings withdrawal receipt, write the amount in figures in the right hand corner, date it, express the amount in words on

the line ending "dollars," and sign it. That's all.

**Pointers on Cheques**—A certified cheque is a cheque guaranteed by the Bank on which it is drawn, to be good when properly endorsed. This guarantee is stamped across the face and initialed by a responsible officer of the Bank. This is a legal acceptance, and binds the Bank to pay the cheque when presented (within a time limit).

Never destroy a certified cheque. It has been charged to your account and its payment assumed by your bank. If you do not use it as intended take it back and arrange with the Manager to replace it to your credit. If a certified cheque has been delivered to the person to whose order it is payable, the Bank will not pay it, even to the drawer, without a release from the payee, that is his endorsement. The holder is prohibited from altering it in any way, even from "order" to "bearer" after it has been certified. Do not have a cheque certified in favor of anyone with whom you are not certain to make a deal, better draw it in favor of yourself and have it certified; if needed, you can endorse it over to him; if not, it may be deposited to your credit again without trouble.

Never write a cheque with lead pencil—always use ink.

It is safer to draw cheques payable "to order," as those drawn payable "to bearer," will be cashed for anyone who presents them.

Never send a cheque drawn to "bearer" through the mails.

In depositing cheques by mail put such words as "Pay to the order of Bank of \_\_\_\_\_" over your endorsement. If endorsed in blank they can be cashed by anyone who gets possession of them.

Inform the Bank immediately if you lose a cheque, so that its payment may be stopped.

There are no "days of grace" on cheques—they are payable on demand.

Cheques should be presented for payment as soon as possible after they are received. There is danger in holding them.

A cheque does not operate as an assignment of any funds in the Bank.

The duty of a Bank to pay the cheque of its customer will cease on notice of his death.

The property in a cheque sent by mail passes to the person addressed as soon as it is posted.

As a makeshift, sometimes persons date a cheque ahead, or give a cheque for more than their Bank balance, expecting to make it good in time or before it is presented. This is not a good or safe habit. Once formed, it will give you no little uneasiness and in the long run make trouble. Your Bank, if it honors the cheque, does so by using its own funds, which is contrary to its rules.

The fact of your having kept a credit balance at your Bank for a considerable length of time does not entitle you to overdraw your account without notice.

To make a request for a loan is proper at all times, but to overdraw is not the form in which to make this request, and is something that no Bank Officer takes pleasure in granting.

There is more in these suggestions than at first appears. You are responsible in not using care to prevent fraud, and the law may hold you for the loss which some innocent third party has sustained who, knowing your financial standing and ability, has taken your cheque in good faith.

You should learn how to make out your own deposit slips as soon as possible. It is important (both to the depositor and to the Bank) that this should be the case. These slips are all preserved and can be produced whenever wanted. Serious mistakes are sometimes avoided in this way. Matters in dispute are often settled by these slips, hence the Teller will ask you to fill out your own slip and not because he wants to escape making a few rapid strokes of his pen. He must adhere to the rules and business methods of the Bank.

Identification—This is a very necessary banking custom which many persons imperfectly understand. The law makes the Bank responsible for paying a cheque to any but the person to whose order it is payable. The Teller is therefore compelled to require those whom he does not know to be vouched for by some responsible acquaintance of the Bank. The acquaintance does not guarantee that the cheque is good, but only that the person presenting it is the one entitled to receive the money. In the case of out-of-town cheques or cheques on other local Banks, the identifier is usually required to endorse them as well. Of course this makes him responsible to the Bank in case they prove worthless.

It is a good plan when you give a cheque to a person who is not known at the Bank, to get him to endorse it in your presence and then write your name under his. This will save him the trouble of getting some one to identify him at the Bank.

Identification often causes annoyance to people who don't understand it, but it is a protection, not only to the Bank, but to all honest persons, by whom it should not be resented.

The Bank has many hundreds of customers on its books and identifies most of them by their signatures. You should be very careful, therefore, to always sign your name precisely the same. For instance, if you gave your signature to the Bank as G. W. Smith, don't afterwards sign as "George W. Smith," or "G. Washington Smith." Married women should sign their own given name with husband's surname. For example, if her given name is Lydia, Mrs. George Brown should sign "Lydia Brown" every time. Do not vary your style of writing. People who cannot write should have their mark witnessed in this way:

his  
HARMON X BROWN.  
mark

Witness:

J. W. SMITH.

Notice the proper place for the mark between the given and the surname.

A promissory note is an unconditional promise in writing signed by the maker, engaging to pay at a determinable future time, a certain sum in money, to a specified person, or to his order, or to bearer.

If there is a condition expressed, its character as a promissory note is destroyed, and it is nothing but an agreement, binding, perhaps on both parties, but not negotiable.

A note payable on a contingency such as: "when a sale is made" or "a ship arrives" would not be a note.

A place where it is payable should be specified in every note. If you make all your notes payable at one Bank, which is your privilege, you will always know where to attend to them. You need not then hunt up the holder, but provide for it there, where the holder will have to present it at maturity.

The maturity of a note is the day on which falls due and must be paid. In Canada all, except demand notes, bear three days of grace.



If the time is expressed in days, the actual number of days must be counted; if in months, calendar months are meant, not merely periods of thirty days each. For instance, a note dated October 31st, payable four months after date, would be due the end of February, plus the three days of grace, which gives March 3rd as its maturity. A note due on a Sunday or any legal holiday is payable on the following day. It is customary with Banks to notify the makers of the notes they hold a few days before they are due. But they are not required by law to send any such notice. If they do so, it is purely a matter of accommodation.

An innocent holder who has given value for a note before maturity can collect it if the maker or endorser are good for it, no matter what the fraud may have been by which it was obtained, or even if it was stolen.

Payment of a note should never be made except to the actual holder, who can and does deliver it over on receipt of payment, or to the Bank where it is payable. Serious losses constantly occur by neglect of this plain business procedure. Payment even to the supposed holder who has not the note in his possession, is not paying the note, but is simply trusting to his honor to apply the money on the note. He may have transferred it and if he kept the money the true holder could collect it over and over again from the maker. His receipt would be worthless as a set-off to stop an action.

A note is not invalid by reason that it is not dated, or that it is dated by mistake on Sunday; that it does not specify "value received," or name the place where it is drawn or when it is payable. It might be dated either forward or backward, and yet be binding.

When a note has been lost the debt is not thereby cancelled. If it was lost before maturity the person who was the holder of it can compel the maker to give him another note of the same tenor, giving him security, if required, to indemnify him against all persons in case the original note should be found again.

Sale notes are specially designed for farmers' credit sales. They have room for two or more makers to sign, each of whom is responsible for the whole amount, and should therefore keep track of when it is due, where it is payable and the amount. They bear interest if not paid when due.

Chattel note is one payable in merchandise of some kind instead of money. They are not negotiable, even if the words bearer or order should be inserted, but they may be transferred by assignment the same as a due bill or book account. They have no days of grace, and if the articles are not tendered on the due date the holder may sue, and if payment in the chattel is not tendered on due date the amount becomes payable in money.

**Patent Right Notes**—Any note or acceptance given for a patent right or any interest in a patent right, must have legibly printed or written across the face of it "Given for a Patent Right." A fine of \$200.00 or one year's imprisonment follows neglect of this. No better title can be given by the transferrer than what he possesses himself.

**Joint Note**—Where two or more persons, not partners, are giving a note in settlement of any transaction, and they each agree to pay their share of the note, the promise is written "we promise to pay, we jointly promise to pay," and is signed by each person, one below each other. Each one then becomes liable for his share only.

**Joint and Several Note**—Where two or more persons, not partners, are giving a note in settlement of any transaction, and they each agree to pay their share, or if one does not the other will pay it all, the promise is written "we, or either of us promise; we jointly and severally promise, or I promise," and is signed by each person, one below the other. Each one is liable for his share, or if any or all of the others do not pay, one is liable for the whole amount.

**Lien Note**—Is simply an ordinary promissory note, with a clause added which prevents the ownership of the article sold, for which the note is given, from passing from the purchaser until the note has been paid in full. This note is negotiable as regards the first part, but it must be assigned as regards the last part, if the new holder is to have the ownership of the article sold. This note cannot be taken in the first place unless there really is a bona-fide sale. Unless the name of the seller is affixed in some certain manner to the article sold, the note should be filed by copy in the office of the County Court Clerk within ten days of its date.

**Collateral Note**—Is very much like a lien note, a simple promissory note with a clause added, specifying what the maker is handing

over as additional security, which may be shares of various companys, stock, etc.

**Installment Note**—This is an ordinary note with a clause to the effect that the amount is to be paid in certain stated portions, on certain stated dates. In making this note it is usual to insert a clause that in the event of any installment not being paid when it should be, the whole amount becomes due. It can then be sued on if default of payment is made, otherwise it could not until the expiration of the last payment matures, even if no payment had been made of any installment.

**Interest Bearing Note**—Where a note is given to settle any transaction, and is intended to draw interest on the amount the note is given for; this fact and the rate of interest to be paid, must be shown on the face of the note. Usually this is inserted below that part of the paper where the amount is written in words. The legal rate is at present five per cent. but any rate can be collected that a person legally agrees to pay. But if a note is drawn at a higher rate than 5, if not paid at maturity will drop back to 5 per cent., and if drawing less than 5 will raise to five, unless the note expressly stipulates to the contrary. To make the rate binding after maturity something like this should be written:—with interest at ..... until maturity, and thereafter at the same rate until paid. The common notation "until paid" has been ruled out in the courts, as they say that only means until the due date, the time the note should be paid.

**Innocent Holder for Value**—Are those who give value for a note, draft or cheque before maturity, and not knowing of any fraud, defect or infirmity in the document. Such persons can collect their money, no matter what fraud may have been before they got possession of it, provided they did not know of it when they gave value.

**Holder in due course**—Means the payee or indorsee of a draft, note or cheque, who is lawfully in possession of the document, who has taken it before it was overdue, and who has no notice that it is not lawfully his.

**Legal Tender**—Is the attempted performance of a contract. If payable in goods, the goods of that quality and kind must be offered at the exact place and time called for in the contract; if in money, it must be the lawful money of the country. In Canada, Canadian and

British copper coins to the amount of twenty-five cents; silver to the amount of ten dollars; Dominion bills, British and United States gold coin to any amount, is legal tender only.

A draft is a written order addressed by one person to another, requiring him to pay on demand, or at a determinable future time, a sum of money to a specified person, or his order, or to the bearer.

Commercial accounts out of town are generally collected by means of drafts. The terms are a matter of agreement with the debtor. If you should sell goods to someone in another town on thirty day's time, you may collect by drawing a draft on him through your Bank. The Bank will get its agent in his town to present it to him; if he is satisfied he will accept it, and if he pays it at maturity your Bank will give you the money, less a small commission. The Bank will supply you with draft forms without charge, and show you how to make them out.

A draft is not binding on the person to whom it is addressed until it has been accepted, any more than an order on a merchant would be until he has accepted it. A draft should be accepted by writing across the face of it the word "accepted," giving the date, stating where it is to be payable, and signing your name underneath.

The person on whom a draft is drawn has two days from the date on which it is presented to him in which to decide whether he will accept or not. The maturity of a draft is calculated in the same way as that of a note, but a draft drawn "at sight" is due three days after date of its acceptance. Three days are not allowed on a draft drawn "on demand," which is payable forthwith.

A Qualified Acceptance is one in which the effect of the draft as drawn has been varied in express terms. The acceptor has that privilege within certain limits. He may accept, making the payment depend upon a condition being fulfilled or he may accept for only part of the amount, or for a different time than was stated in the draft. In all such cases the holder of the draft notifies the drawer and endorsers of the qualified acceptance, and if they do not dissent in a reasonable time they are held to have agreed to the change.

An allowance from the face value of a note, or a rebate on a bill not due, or the amount paid by way of interest for the advance of money on a draft, or other evidence of debt, is discount.

Banks confine their accommodations mainly to their regular customers. Banks are willing to loan their funds on security to responsible persons within proper limits. This is one of the functions of the banking business, and one of the chief sources of profit. Various laws governing banking compel Banks to refuse what others may take.

A judicious course is to call on your banker beforehand and make known your needs. When you become a borrower you should make a true and fair statement in regard to the paper you propose to offer. Have your discounts entered to your credit in your bank book, and prove all calculations yourself.

Notes or drafts discounted, but not paid, as a rule are not returned to you until your book is written up, although they are charged to your account at the time they are due. It is best to keep posted on all due dates of notes and ascertain if they were paid. If not paid take them up at once yourself and attend to the matter of adjusting, securing or renewing them without delay. Past due paper, particularly if unsecured, is looked upon very unfavorably by the banks.

**ENDORSEMENTS**—Notes, cheques and drafts are endorsed for the purpose of negotiating them, or for additional security. Endorsing is signing the name across the back. An endorsement must be on the note itself. It must be an endorsement of the whole note and not merely a part of it. If a note is payable to two or more persons, who are not partners, all must endorse. Endorsement in blank is where the name only is written across the back of the note. It makes it negotiable by the bearer. A specific endorsement is one to a particular person as "Pay to A. Brown, or order, John Jones." A. Brown must cash this himself, or endorse it before anyone else can use it.

A restrictive endorsement is one which prohibits the further negotiation of the note, or merely gives authority to deal with it as thereby directed, as, "Pay A. Brown only," or "Pay Bank of \_\_\_\_\_ or order, for deposit to credit of John Jones," or "Pay Bank of \_\_\_\_\_ for collection, on account of John Jones."

The endorser in effect guarantees to all subsequent holders (1) That the instrument itself is genuine. (2) That he has a good title. (3) That he and all previous parties to it are competent to contract. (4) That the maker will pay it at maturity. (5) That in case the maker fails to meet it he will pay it himself.

If the note is properly presented and not paid by the maker at maturity, the endorser is entitled to have notice of the fact mailed to his given address, if he is to remain liable. This is usually done by a notary in protesting it.

A protest is a legal document drawn by a notary public, giving notice of the non-payment of a note or draft. Whether he received the notice or not, an endorser cannot get out of paying a protested bill. The Bank is therefore compelled to protest an unpaid note or draft to hold the endorser or drawer, unless he has signed a waiver. A waiver may be in the following words, written above the endorser's signature, viz.: "For value received, I hereby waive presentment for protest and notice of dishonor, and also guarantee payment of the within note or draft." The charges for protesting vary in the different Provinces, but must be paid. The Bank makes nothing out of them, but merely collects them for the notary.

Most Banks issue money orders, bank drafts, and sterling bills of exchange. These are really orders drawn on other Banks, and provide the most convenient, safest and cheapest method of remitting money anywhere. Business men generally realize that there is no better way to send money than by a bank draft. A large sum can be sent in a single draft, as well as a small amount. It is absolutely safe, and yet negotiable with ease. There is no need to register a letter containing a Bank draft. If lost, it could not be cashed by the finder. The receiver is not delayed, as the money to pay it, is always waiting at its destination.

Sterling bills of exchange are drafts payable in pounds, shillings and pence, and afford the best medium for sending money to the Old Country.

The books of the Bank or the draft itself is an evidence of the payment made, but a receipt will be furnished on request with the drafts. Small commissions are charged for drafts.

Letters of credit are circular letters addressed by a Bank to certain other Banks throughout the world, instructing them to cash the purchaser's draft up to a specified sum at regular commissions. They are largely used by business men.

Travellers' cheques are issued for even amounts, viz.: \$10, \$20, \$50, \$100 and \$200 each. They also call for a definite sum in the kind of money used in the country where they are cashed, whether pounds,

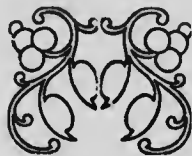
francs, marks, roubles, etc. This amount is printed right on the cheque, and no exchange, commission, or charge of any kind is made in the country where they are cashed. They do not cause any trouble about identification, yet are perfectly safe. They may be cashed at hotels and shops on the Continent. These cheques are more convenient and less expensive than any other safe method of carrying funds while travelling abroad.

The legal holidays for all the Provinces are: Sundays, New Year's Day, Good Friday, Easter Monday, Victoria Day (24th May), Dominion Day (1st July), Labor Day (the first Monday in September), Christmas Day, the birthday (or the day fixed by proclamation for its celebration) of the reigning Sovereign; any day appointed by proclamation for a public holiday, or for a general fast, or a general Thanksgiving throughout Canada. When any of these dates fall on Sunday, then the following day is observed.

In the Province of Quebec the said days and also the following:—The Epiphany (Jan. 6th); The Ascension (movable); All Saints' Day (Nov. 1st); and Conception Day (Dec. 8th).

And also in any of the Provinces any day proclaimed by the Lieutenant-Governor of such Province for a holiday, fast, or thanksgiving within the same.

Banks are closed on legal holidays, but not on local and civic holidays. Notes falling due on the above days will legally mature on the next day, which is not a holiday.



## PARTNERSHIP

Partnership is a contract between two or more persons, who join together for the purpose of conducting a certain business, with an understanding to share in agreed proportions in the profits or losses accruing. They may join their money, goods, labor and skill, or any or all of them. Firm, Company, House and Co-partnership all mean the same thing, and are terms used to designate a partnership business.

There are two kinds of partners: General and Limited. There are three classes of the first, one only of the second. Dormant, silent, sleeping partner, is one who has an interest in the business, but whose name does not appear. He is represented in the firm name as "& Co." Ostensible partner is one who lends his name to the firm for the sake of its reputation, but who has no financial interest in the business. Actual partner is one who has both an interest and whose name appears in the firm name. These three classes are equally liable to the public, and each is not only liable for his particular interest in the business, which may be nothing, as in the case of an "Ostensible Partner," but also for the whole debts of the firm. A case of joint and several liability.

Limited partner is one who takes only a certain interest in the business, and who undertakes to share only a certain amount of the profits or losses. The amount of loss he undertakes must not be less than the amount he invests. He must not take part in the management nor share in the work, his name must not appear in the firm, and he must not allow his original investment to fall below that amount. Doing any of the above constitutes him a general partner with all its liabilities. A certificate of registration must be filed for a limited partner at once, or he is a general partner. This certificate must contain the particulars of the partnership, when to begin, when to end, what the firm name is to be, how much he invests (which can be nothing but cash), where the business is to be carried on, the names of his partners, and must be signed by each in presence of each other.

All partnerships are required by law to be registered, the certificate required and the time limit vary in the different provinces. In Ontario a very simple form of certificate is required. Limited part-



nerships must be filed with the Clerk of the County Court before business may begin. General partnerships must be filed in the County Registry Office within six months after the partnership is formed. A penalty of \$100.00 is incurred for not registering.

Partners should always have properly drawn articles of agreement at the beginning, and save much trouble and friction afterwards. This should contain:—Names in full and places of residence; the nature of the business; the place of business; the amount each invests; which partners are general, and which limited if any; if no investment except skill; the date it is to begin and the date it is to end if so agreed; what each one is to do; what amount each is to take out and when, as salary, share of profits, etc.; provision as to settlement in case of death; as to closing in case of dissolution; as to agreement to be reached and communicated, in the event of wish to dissolve partnership. Besides many others that can and may easily arise, the above should never be omitted.

Each partner is principal for himself and agent for his partner, therefore anything he does should always be so regarded, so that whatever one does in the interest of the firm, and not beyond his authority the others are bound by it.

The certificate for a limited partnership must be signed before a notary public. Partnerships are formed by agreement, either expressed:—oral, written, or under seal; or implied:—by action of the parties, common fund, or a community of profits.

Any person who wishes to add "& Co." to his name, or to use any special name other than his own, may do so by registering to that effect and he is liable to the same penalty as partners are, if he does not.

A partner cannot sue the firm, cannot sell his interest, his heirs cannot carry on the business, an insane person cannot remain a partner, nor can a permanent invalid.

In case of dissolution notice must be given to the public. When the business is in one province, it must be given in the Provincial Gazette; in more than one province, it must be given in the Canada Gazette. It is wise also to give notice in the local press, and as the partnership formation has to be registered, so must the dissolution.

After dissolution no partner has a right to sign the firm name, without a power of attorney. If a note has to be given each late member must sign separately.

## STATUTE OF LIMITATIONS.

The time within which the various kinds of debts must be paid, or sued for, is fixed by law; after that time they are said to be "Statute-barred or Outlawed." The debt is not cancelled but the creditors right of action is; action is commenced by the issue of a summons or writ.

Promissory notes outlaw six years after last day of grace, any payment on account or written acknowledgment will keep the paper alive, six years from date of payment or written acknowledgment, against the party signing the paper or paying the money. In Quebec five years is the limit.

Demand notes and draft, are due when made or accepted, so time runs from date of making or accepting. This includes a cheque.

Book accounts, lending money, rent, interest, arrears of a legacy, arrears of dower; six years from time cause of action arose, or last payment, or last written acknowledgment. Quebec five years.

In all provinces accounts are itemized, each item under its own date, and they begin to outlaw from date of purchase unless there is a time fixed for payment, 30 days etc. **All moneys paid on a debt, unless specified are applied to the oldest items.** A debtor has the right when making a payment to say on which particular item it shall be applied; neglecting to do this, the creditor has the right, if neither avail themselves of this privilege, the statute applies it to the oldest items. Purchases on different dates put into one bill and rendered to the debtor does not merge them into one debt, they are still entirely separate. Part payment on a running account does not keep the whole account alive.

An account stated means the parties have come to an agreement by which every item is acknowledged. If this has not been done, a way out for the creditor is to make an entry in his books with every payment, unknown to debtor, "Received from J. Smith \$5.00 on account, an equal amount to be applied on each purchase to date." If the debtor signifies on which item the amount applies, the above entry must not be made.

Judgments hold for twenty years. Quebec thirty years.

Mortgages on real estate, legacies and dower, in Ontario hold for ten years after maturity, or last payment, on either principal or interest. Every other province has a different time limit.

Chattel mortgages in Ontario hold between the principals for twenty years, against other parties one year. The other provinces have different laws.

Bank bills and trusts never outlaw.

Exceptions to the whole of the above may arise:—if a person lived beyond the sphere of the law, was in prison, or was insane, at the time cause of action arose; then the time would begin to run after they returned, came out of prison, or became sane. This does not hold forever bear in mind, and each province has a limit ranging from twenty to forty years.

Each province has various limitations as to claim to compensation for damages on divers grounds or causes, such as slander, libel, breach of contract, accident, wages, etc., which are so numerous and varied that I have not attempted to touch on them.



## VOCABULARY OF MERCANTILE TERMS

- Acceptor.** A person, who by accepting a draft, binds himself to pay it.
- Accommodation Note or Draft** Often called "A-Kite," is one to which a person has put his name, either as drawer, acceptor, maker or endorser, without any benefit, but for the benefit of another. It is not a transfer of a debt, but a means of raising a loan.
- Account Current** An open account running for a stated or unstated period, added to or subtracted from, as occasion requires, it sometimes bears interest and in rendering a statement of it, it is drawn in Dr. and Cr. form in consecutive order of date.
- Account Sales** A detailed statement recording the sale of a particular parcel of goods, and from which is deducted all the charges incurred, of whatever nature, including commission, if any.
- Account Purchase** A detailed statement recording the purchase of a particular parcel of goods, and to which is added all the expenses incurred, of whatever nature, including commission, if any.
- Account Stated** A rendering of an account with many different purchases, etc., at different dates, to which the party receiving the account acknowledges his indebtedness to everything.
- Actuary** The person who makes calculations connected with Insurance, Bonds of all descriptions, Banking and other important trusts.
- Ad Valorem** According to value, regardless of their quantity or weight.
- Administration Letters** The legal power or right granted by the Surrogate Court to a person, by which that person can administer the estate of another person, who died without leaving any will.
- Advice Note** The notice sent by a transportation company, advising you that goods have arrived for you, the charges, and that they are in the company's premises where consigned to.

- Advice.** Information by letter, sent by one bank to another, by one merchant to another, informing the receiver that something is on the way etc.
- Advance.** Money paid for goods before they are delivered, or paid by an agent before he has sold all the goods sent him to sell.
- Affidavit.** A declaration given on oath, signed by the declarer before a person legally qualified to accept the affidavit.
- Adventure.** A shipment to be sold on commission, made by a person to another for the benefit of the first person.
- Ad. Inf.** Without limit.
- Ad. Int.** In the meanwhile.
- Ad. Lib.** At pleasure.
- Agent.** One intrusted with the business of another, for whom he acts within a certain limit. A representative.
- Affirmation.** A solemn statement without oath.
- A/d.** After date, relates to the date to which a certain Bill of Exchange is drawn and fixing the period for its payment; (30 days after date for instance).
- A/s.** After Sight—Is used in the same connection as the above, but the period only commences to run from the date the bill is accepted (the Drawee being presumed to have only then first seen or sighted it).
- Allonge.** A slip of paper attached to a Bill of Exchange to provide room for further endorsements, when there is no further room for these on the back of the bill.
- Amalgamation.** The joining together into one, two or more Societies, Firms or Public Companies.
- Annulment.** Cancellation.
- Ante-date.** Ante-dating anything, is dating it prior to a date on which it is actually written.
- Appraiser.** A recognized valuer, who fixes a price.
- Appraisment.** The estimate of a sworn valuer.
- Appreciate.** To raise the value of anything.
- Arbitration.** The hearing and settlement of any difference between two

or more parties by an independent person, whose decision is deemed to be final and binding on all concerned in the subject under dispute.

- Arbitrators.** The persons mutually appointed to hear and settle the disputed subject.
- Award.** The decision of an arbitration.
- Arrears.** Amounts past due not paid, or amounts paid after a transaction has been completed.
- Assign.** To transfer to others by means of writing, rights or property which hitherto belonged to yourself.
- Assignee.** The person assigned to. A person charged with the management of another's estate for the mutual benefit of creditors.
- Assignment.** The act of assigning.
- Assignor.** The person making an assignment.
- Assessor.** One who values property, with a view to a common tax being laid upon it.
- Assessment.** The valuation, as per above.
- Assets.** The entire property belonging to, or in legal possession, of any person. Anything you possess that has a money value.
- Attachment.** A legal process to enable one person to seize, or hold another person's goods.
- Average General.** The proportionate share; owners of freight, carried by a vessel which meets with a disaster, must bear of the damage done to the vessel.
- Attorney.** A person appointed to act for another in important matters, and especially those pertaining to law. The authority under which an attorney acts is usually in writing and under seal, called "Power of attorney."
- Attestation.** The formal witness to the signature of any document.
- Audit.** The examination of accounts by persons appointed to test their accuracy; by comparing items with vouchers, adding up totals, and making a duly authentic report.
- Bargain.** A contract, either verbal or written, defining any transaction entered into between two or more persons.
- Barter.** Exchanging one commodity for another without the in-

tervention of money, and still in vogue among certain native tribes at the present day (and others).

- Bear & Bull.** Stock Exchange expressions denoting a speculative operation intended to bring ("bear") down the value of a certain stock in contradistinction to "bulling" or sending it up. A Bear bears down, while a Bull tosses, or sends up, hence the distinctive terms.
- Balance.** In accounts, the sum required to equalize debits and credits.
- Balance Sheet.** A ledger abstract, exhibiting on the one side the gross property of a concern, and on the other side its bills and debts payable, etc. The difference is the net capital, or the net deficiency at the period of balance.
- Bill of Lading.** A document or receipt given by a Transportation Co., acknowledging receipt of certain specified goods, and agreeing to convey them to their destination *per ad-*dress, for a fixed charge. It is negotiable by indorsement.
- Bill of Sight.** A form of entry given at the Customs House, by which one can secure his goods without an Invoice. The Invoice not having been received, or having been mislaid or lost, and in consequence unable to describe them accurately.
- Board of Trade.** An association of business men for the general advancement of business interests.
- Book Debt.** A debt of goods sold, whose evidence is the entry in the books of the seller.
- Bank Note.** A promissory note given by a Bank, undertaking to pay a given sum on demand. (A Five Dollar bill).
- Bank of Issue.** A Bank lawfully issuing its own notes. All Chartered Banks in Canada.
- Bonded Goods.** Goods imported and warehoused, until the Customs duties have been paid on them, or while they are in the charge of the customs authorities.
- Bonded Warehouses.** Where such bonded goods are stored.
- Bonus.** Latin for "good"; an additional special division to shareholders or others, over and above their dividend or remuneration.

- Boom.** An outburst of speculation of any kind.
- Bona Fide.** In good faith; "Bona-Fide" transaction is a real one.
- Bond.** Anything that binds; A Corporation Bond, a Railway Bond, a Mortgage Bond, &c. A written instrument under seal binding the person who executes it to perform certain expressed acts; usually to pay a certain sum of money, with interest payable quarterly, semi-annually, or annually. Corporations borrow money by giving bonds secured by a mortgage on their property; towns, cities, counties, states and governments borrow money, issuing bonds for a term of years, secured only by the pledge of good faith in the government.
- Bill of Sale.** A contract under seal whereby a man transfers to another the interest he has in goods. A document given by a debtor to a creditor as security for a loan or debt.
- Bill of Entry.** On the importation of any goods into this country the importer delivers to the Custom House Authorities a document declaring and describing his goods (a "Bill of Entry," in fact).
- Blank Credit.** Bills negotiated for convenience of trade and exchange purposes; unsupported by actual indebtedness, or shipping documents of any kind.
- Brokerage.** The commission or percentage charged by the broker for his services.
- Broker.** One who acts in business for another, middleman, an agent, or commissioner.
- Bounties.** Premiums paid by governments to producers generally, to enable them to compete with foreign rivals.
- Bullion.** Gold and silver not coined, used as coin transmission between countries, when paying their debts.
- Capital.** The surplus of assets over liabilities. The principal sum as distinguished from the interest accruing thereon.
- Capitalization.** Converting into capital, that is immediately realizing, anything the payment of which by its face is deferred, such as taking in one sum, an annuity payable in several sums, bonds, etc.
- Cipher.** A form of writing in which certain words, phrases, symbols, or arbitrary characters, are used to mean something



- very different. Keeps correspondence by wire confidential as well as being much cheaper to transmit.
- Consul.** An officer appointed by a government to reside in a foreign country, and represent his government, chiefly in a commercial capacity. Anything he does in his office is regarded as being done in the country he represents.
- Consols.** The national debt of Great Britain. An abbreviation of consolidated debt.
- Contingent Liabilities.** Something that may become a debt, such as a person endorsing or discounting a note or draft, he may have to pay.
- Credit Note.** Similar to an invoice, but usually printed in red ink, authorizing the receiver to correct an error in the sender's work, take credit for an overcharge, for goods or empties returned.
- Call.** The instalment due on shares etc. now demanded.
- Cancelling.** The act of rendering non-effectual any obligation, that has been satisfied. Cancelling bonds, coupons, debentures at maturity, and payment has been made, is usually done by perforating.
- Caution Money** Cash deposited as security for the fulfilment of a Contract.
- Chattels** Movable property that can follow a person as distinguished from houses and land, which are fixed.
- Chattel Mortgage** A mortgage on chattels or movable effects.
- Clearing** The adjustment of the payments between banks, usually done once a day, for the settlement of the day's business in bills of exchange, etc.
- Clearing House** The locality where bank clearances are performed.
- Commission** An agent's percentage for the sale of commodities, etc.
- Company** An association of two or more persons in partnership. The union of two or more persons for the purpose of trade, or carrying on of any enterprise; a joint interest or concern in any matter.
- Contra** Against, in opposition.
- C.O.D.** Cash (or Collect) on Delivery.
- C.F.I. or C.I.F.** Cost, Freight and Insurance; now more generally written for telegraphic purposes "C. I. F."

- Cheap Money** The term used when money can be borrowed at a low rate of interest.
- Client** The customer for whom a professional man works.
- Codicil** An appendix to a will, but at the same time forming a part of it, and often of great importance, as is a postscript to a lady's letter.
- Collateral Security** Security lodged by a Debtor to safeguard a loan granted to him, or debt incurred by him.
- Consign** To send merchandise to a certain market to be realized there.
- Consignment** The specific parcel of merchandise thus consigned.
- Contract** An agreement between competent persons, upon a legal consideration, to do or to abstain from doing some act.
- Counterfoil** A part of a leaf left in a book, descriptive of the transaction when the other part has been taken out, as in the case of a cheque book or a receipt book.
- Cum. Dividend** Implies a transaction that carries with it the dividend just then accruing.
- Currency** The money current as a legal tender in any country. When gold and silver are the legal tender, and bank notes are convertible at par, the currency is a "Metallic Currency," but when the paper notes are by law created into legal tender, and not so convertible, the currency is a "Paper Currency."
- Customs House** A place established by government, where vessels, cars and goods of all description are entered (brought in) and cleared (sent out) of the country, and duties collected.
- Customs Entry** The submission to the Customs Officer of the papers prescribed to bring the above into the country.
- Customs Clearance** The same thing to send the above out of the country.
- Customs Duties** A tax levied on goods coming in from another country.
- Days of Grace** The time allowed by law and usage between the written date and maturity of a note or draft, and the date upon which it must be paid, usually three. Bills of Exchange (except when payable on demand) drawn in this country have three "days of grace" over and above the due date as specified on the bill.

- Dead Account.** (1) An account in the name of a person who has died.  
(2) An inoperative or ceased account.
- Debit Note.** Particulars in writing of a charge for goods overshipped, undercharged on invoice, &c.
- Debt.** An amount owing, and on which there attaches an obligation to pay.
- Delivery.** The carrying out of a contract, by handing over to the buyer the commodity purchased by him.
- Delivery Order.** A written document entitling the holder to receive delivery of the particular commodity described therein.
- Demurrage.** A charge incurred by a charterer of a vessel or car, who does not load or unload the same, within the specified time in the agreement.
- Deed.** Any document drawn in a certain form, with seals attached.
- Debenture.** Actually a debt. Usually applied to a note in a certain form issued by a corporation, by which the corporation binds itself to pay a stated sum at a stated period, usually with an agreed rate of interest. They are always under seal and generally not less than \$100.00.
- Del. credere.** When an agent sells anything on credit and guarantees the solvency of the purchaser to his principal.
- Discount.** There are three general meanings to this. The allowance off a bill to induce prompt payment. The operation when a bank advances the face of a draft or note given to them for collection. The selling of shares for less than their book value.
- Dividend.** The portion of a joint fund shared by the shareholders. The interest paid investors. A composition or part payment of an insolvent's debts.
- Dividend Warrant.** The document (in the form of a cheque to order) making the above payment.
- Doct st.** A slip used in business to pass transfer entries saving a journal entry. A short certificate or memo. An outline of a charge.
- Drawback.** The amount allowed back by the customs, on the exporting of any commodity, on which duty has been paid, or overcharged, or imported for a purpose and used for another.

- E. & O. E.** Errors and omissions excepted. A formerly much used expression on an invoice. Not much used in the 20th century.
- Ex. Dividend.** Without dividend, that is the buyer does not receive the dividend then accruing.
- Endorsee.** The party to whom a bill of exchange passes, on its being made over to him by endorsement.
- Endorsement.** Signing ones name on the back of a bill, and therefore sometimes called "backing" it.
- Endorser.** One who endorses a bill or other negotiable instrument.
- Estoppel.** The preclusion imposed by law on a man from alleging or denying a fact; such preclusion arising from his own previous act, allegation, or denial of the fact.
- E. G.** "Exempli gratia"; for the sake of example.
- Excise.** An inland tax imposed on certain commodities, as distinguished from duties levied by Customs on imports.
- Et Al.** And others.
- Etc. or &c.** And others; and so forth.
- Et. Seq.** And the following.
- Escrow.** A document empowering a person to do something, when another person does something else. A cheque payable to order is a case in point, it will be paid after endorsement.
- Face Value.** The value written or printed on the face of any paper, note, draft, bond, etc.
- Factor.** One who sells or buys for another, but carries out the whole transaction as in his own name and capacity as owner.
- Flotsam.** Found floating. A term applied to anything picked up on the face of the water.
- Freehold.** Property held in perpetuity not subject to rent.
- Freight.** Payment to carrier for carrying goods.
- Funded Debt.** The National debt of any country.
- Folio.** (1) In bookkeeping two pages facing each other, like the opening of a Cash Book, and numbered, "1, 1"--"2, 2" &c. (2) In a Law Stationer's office where documents are copied, it means seventy-two words usually spoken of

- with regard to a page.
- F. O. B.** Signifies that the goods are contracted to be put "free on board" by the seller, without any charge for loading.
- Fee.** Professional remuneration charged.
- Fee Simple.** The largest estate or interest that can be held in land, amounting to absolute ownership.
- Financial Year.** A period not necessarily commencing on 1st January, over which financial operations extend for twelve months.
- First, and, 3rd of Exchange.** Foreign Bills of Exchange are usually drawn in triplicate, the set of three bills being respectively called the First, Second, and Third of Exchange, any one of which being paid, or satisfied, the other two become of no value.
- Fixed Capital.** The term applied to the Capital expenditure on land, buildings, machinery, and other works of a more or less permanent nature.
- Floating Capital.** Is that portion of a trader's Capital which he does not appropriate to any fixed or permanent investment, and which therefore should be readily realizable.
- Fine.** A penalty, forfeit, or money paid for any exemption or liberty.
- Firm.** The style or title of a mercantile company.
- Foreign Bill.** A Bill of Exchange either (1) drawn, (2) accepted, or (3) made payable abroad, whether negotiable in this country or elsewhere, when drawer and drawee live in different countries.
- Forfeited Shares.** Shares in a Public Company that are confiscated for non-payment of calls, or other reasons.
- Ground Rent.** Rent paid to a landlord for liberty to build on the landlord's ground.
- Guarantee Company.** A company which upon payment of a premium, guarantees security to the amount of a certain sum, covered by the premium, indemnity to an employer against loss by theft or other dishonesty, of employees.
- Garnishee.** A process by which a creditor can compel A to pay money due by A to B, to the creditor instead of to B. Usually wages are garnished but any money may be.
- Goodwill.** The intrinsic value of the good repute of a well established and prosperous business.

- Gross.** The whole as distinguished from a part; thus "Gross Profit," as against "Net Profit."
- Guarantee.** (1) A warrant; (2) a contract in writing by one party on behalf of another.
- Hire Purchase.** (or "Redemption Hire.") Goods had on hire with option of purchase and paid for by instalments.
- Holder.** The Holder of any bill or other document, is the one who has lawful possession of it for the time being.
- Hypothecation.** The act of pledging, or mortgaging, any security or valuable property to a bank; as security for a loan.
- Ib.** In the same place.
- Id.** The same.
- I. E.** That is.
- In. Lim.** At the outset.
- In Loco.** In its place.
- Inst.** Instant; in the present month.
- In. Trans. Itu.** In the passage, on the way; goods etc. being carried or in the possession of the carriers.
- Inconvertible.** Paper money, that cannot be exchanged at the will of the holder into gold or silver coin.
- I. O. U.** An abbreviation for "I owe you," a written acknowledgment of a debt.
- Insolvent.** Literally, unable to pay a debt in full, when it is demanded. Generally, a person who assigns to another, in consequence of being unable to pay any debts.
- Imports.** Goods brought from a foreign country, as opposed to Exports, goods sent to a foreign country.
- Income.** Gain, profit, interest, or revenue, resulting from any kind of an investment.
- Indemnity.** Compensation for loss or injury.
- Indenture.** A written agreement between two or more parties, signed by each, an evidence of a contract. In olden times to prevent substitution each had indents, or cuts, in their edges corresponding with each other, hence the name.
- Inland Bill of Exchange.** A draft issued, where both drawer and drawee live in the same country. Also called a domestic bill.

- Insurance or Assurance.** A contract between two parties whereby the one party, Insurer agrees to indemnify the other party, Insured, against loss. In consideration of which the insured pays the insurer an agreed sum, (or promises to do so), called the premium.
- Inventory.** A list of anything, with the value of each being shown.
- Jobber.** A dealer who is both wholesaler and retailer. He will sell one pound or one ton, break an original package, or sell in the original package. A trafficker in shares of joint stock.
- Joint Stock Company.** A company consisting of not less than five persons, who contribute money or money's worth to a common, or joint, stock; and employ it in some trade or business, and who share the profit or loss arising therefrom. The common stock is the capital, each contributor is a shareholder, which is transferable. It sues and is sued by the name of the company, carries on all business in the name of the company, and is exclusively formed by the law of the province, in which it does business, or the Dominion, and may go on for ever. A corporate body authorized to act as an individual.
- Legacy.** A gift under a will.
- Letter of Allotment.** A document in response to a letter of application; apportioning so much stock in a loan, or so many shares in an undertaking to the applicant.
- Letter of Credit.** A written document placing a specified sum at the disposal of anyone.
- Liability.** An obligation incurred in the case of "Limited Liability" to a defined and limited extent, and in the case of "Unlimited Liability" to an indefinite extent.
- Liability by Endorsement.** An obligation incurred by endorsing or backing a Bill of Exchange or other negotiable instrument.
- Lien.** A charge on any property or asset.
- Limitations, Statute of.** The period beyond which recourse for damages sustained, or a debt incurred, ceases to be available.
- Lb. — #** A pound in weight. # if after figures a pound weight, if before figures it signifies No.
- £** A pound in money (English) about \$4.86 in Canadian currency.

- Lex Mercatoria.** The universal law, custom, and usage amongst civilized nations; which regulates matters of business, shipping, buying and selling, negotiable instruments, etc. the world over. The law of the merchant.
- Life Estate. Life Interest.** Certain privileges existing only during the person's own life, and ceasing at their death, cannot be willed to another.
- Locum Tenens.** A substitute or deputy.
- Manifest.** A paper describing the cargo of a ship, or the contents of a car, for customs and duties.
- Metre.** The ten-millionth part of the distance from the Pole to the Equator, measured along the surface of the sea. It is 39.37079 Imperial Inches long.
- Metric System.** Founded on the above. There are four elements: metre for length, are for surface, litre for capacity, and gramme for weight. These are subdivided into tenths, hundredths, thousandths, called: deci, centi, and milli. Their multiples are called deca, hecta, kilo, and myria.
- Money Orders.** Post office, postal, express, and bank, are simply orders for money deposited in one office by one person, and payable in another office to another person, as the first person directs.
- Mortgage.** When a person borrows a sum of money of another and grants the lender a legal hold on his property, as security for the re-payment: the operation is termed mortgaging. The borrower is called the Mortgagor, the lender is called the Mortgagee, the document is called the Mortgage. It literally means the "Grip of death."
- Market Overt.** A market open to all.
- Middleman.** An agent, broker, or other person, who handles a bargain between buyer and seller.
- Negotiable Documents.** Bills of lading and storage receipts, etc., which when transferred by endorsement from one owner to another, give the new owner a legal right to the property represented by the paper, and all the rights of the former owner.
- Negotiable Instruments.** Notes, drafts, cheques which when transferred, give exactly the same ownership and value to the new holder as the old holder possessed, and in every case a better title goes with the transfer.



- Nominal.** In name only.
- Noting.** When a negotiable instrument is presented for payment, the person who should pay may request the holder to note it for tomorrow. The holder takes it to a notary who notes the fact on the document. It may then be held over one day before protesting.
- Nett or Net.** Clear after making all deductions.
- N. B.** Note well, or take notice.
- Novation.** Substituting an old debt for a new one, which cannot at the moment be met.
- Obligation.** A debt or engagement.
- Open Credit.** A credit given by a banker to his customer without a personal guarantee, or the deposit of collateral security.
- Payee.** The person to whom the money has to be paid.
- Policy.** Really means promise. In insurance it is a written evidence of a promise to pay a certain amount on a certain eventuality happening: a fire, a death, a loss of any description, which has been specified by the policy. There are four principal losses covered by a policy of insurance: Life, Fire, Accident, and Marine. There are a host of smaller ones, Crops, Hail, Burglar, Plate Glass, etc. etc.
- Post.** To make a permanent entry in a book of account, to send a letter by mail.
- Post-date.** To affix a date to a cheque or other document, subsequent to the one on which it was executed. Dating on the 10th something that was written on the 1st.
- Power of Attorney.** A simple document under seal, giving A power to act for and in place of B, B ratifying any act of A as if he had done it himself.
- Premium.** The price paid for an insurance policy. An increase of the par or face value of a security or share.
- Prima Facie.** At the first glance.
- Prox.** Proximo, next month.
- Package.** Generally understood as the receptacle in which the manufacturer encloses his goods: barrel, bale, box, crate.
- Paid up Capital.** The amount paid up on the shares of a company.

- Partnership.** Sharing of profits or losses. A joint and several interest in an undertaking.
- Per Contra.** On the other side.
- Personalty.** A term applied to all kinds of movable property.
- Plant.** Tools, machinery, and other appliances of a business.
- Precis.** An abstract of a letter or document, containing all the important matter.
- Prime Cost.** The first cost of an article.
- Price Current.** A regularly published list, showing the price of commodities, and how they ranged from the last list to the publishing of this one.
- Pro.** For: used by an employee when signing his employer's name. (Smith & Co. pro. J. Cook). Sometimes p.p. or per.
- Procuration.** The power given to J. Cook to sign Smith & Co's name.
- Pro Forma.** For the sake of form.
- Pro Rata.** At a certain proportionate rate.
- Protest.** The attestation of a notary that a draft, note, or cheque, has not been paid at maturity. (When it should have been).
- Par.** (1) Par Issue—When securities are launched at the value stated on the face of them and neither at a discount or premium. (2) Nominal Par—The face value of a security. (3) Mint Par—The value of the coins of one country expressed by those of another using the same metal, and basis of all International Exchanges. Par means generally speaking, equal or even.
- Prospectus.** A document issued by Promoters of Loans and Public Companies and, while inviting public subscriptions thereto, setting out the particulars for which the capital asked for is required.
- Proxy.** (1) The act of one party replacing another, as in the term "voting by proxy." (2) The person so voting is the proxy. (3) The written document under which a party so votes is called "a proxy."
- Principal.** (1) The head of a firm. (2) The party employing an attorney or other agent. (3) A capital sum of money placed out at interest or used as an investment.

- Quotation.** The official price for stocks and other commodities in their respective markets.
- Quid. pro. quo.** One thing for another.
- Reference.** A common name for an arbitration. A person who answers as to another's ability, honesty or financial standing.
- Rest.** The reserve fund of a bank.
- Retail.** Selling out of a broken package.
- Rolling Stock.** Engines, coaches or cars of a railway.
- Royalty.** Dues paid; to the landowner for working a mine, to a patentee for the use of his patent, to an author for publishing and selling his work. What is due to the king, literally.
- Rate of Exchange.** The price of the money of one country calculated out into that of another country.
- Realization.** Converting what was contingent into what is actual; by selling a commodity, and receiving cash for the same, thus fixing the actual amount it brought ("realized").
- Rebate.** An allowance—similar to discount; the term is used in calculating at any given period the interest (or discount) on Bills of Exchange not then matured.
- Receipt.** A written document acknowledging that a certain sum of money or certain commodities have been received.
- Recoup.** To pay back, or indemnify, another for any damages or expense he may have incurred on behalf of the party recouping, or of a third party.
- Recourse.** (1) "With Recourse" implies that the transaction is entered upon with the understanding that if something subsequently turns out to be irregular the buyer comes down upon the seller to make any loss or damage thus incurred good. (2) "Without Recourse," on the other hand, signifies the transaction is there and then an out and out one, and that it cannot be subsequently reopened for any reason whatever.
- Remittance.** A sum of money (whether in the shape of a Bill of Exchange, a Cheque, a Bank Note, or actual coin) forwarded (remitted) by one person to another.

- Remit.** (1) To make such a payment as above. (2) To forego; thus "to remit a debt" is to forgive and cancel it.
- Reserve.** A fund held by a Public Company or Institution (over and above its capital) to provide for sudden and unlooked for contingencies.
- Retire.** To retire a Bill of Exchange is to take it up by purchase or otherwise, and thus withdraw (retire) it from circulation. To pay it.
- Revenue Account.** The account of an Institution showing the result of its trading and the profit or loss arising therefrom. This Account is in contradistinction to the Capital Account.
- Realty.** Land; and all buildings firmly fixed to the land, or supposed to be firmly fixed. What cannot be moved actually, without damage.
- Sundries.** Miscellaneous small things; in journalizing, a term indicating that several accounts, or items are involved in one entry.
- Surety.** A person who renders himself responsible for the performance of another's contracts, the payment of his debts, or for his appearance in court; security.
- Schedule.** An inventory or catalogue of goods, generally with prices given.
- Sinking Fund.** A fund set apart from the earnings of a corporation, or from the revenue of a government or municipality, for the extinction of a bonded or other debt.
- Sine Die.** Without fixing a day.
- Sine Qua Non.** An indispensable condition.
- Sleeping or Silent Partner.** One who has an interest in the profits without letting his name appear, or taking any active part in the business.
- Shipping Bill.** The part of the agreement with the railway, that the person who ships the goods, sign, the railway sign the other part (the bill of lading).
- Shares.** The division of the capital of a Joint Stock Co. Common is a share entitling the owner to a pro-rata division of profits. Preference, the owner is entitled to a share of the profits before the common shareholder. Cumulative preference, if the division cannot be made

one year, next year there will be two to pay before the other classes get any.

- Syndicate.** A combination of capitalists who unite for the purpose of carrying out some special financial undertaking.
- Signature.** The name of a person written by himself, or any mark or sign executed by him, and representing his name; the authorized signed name of a person, firm, or corporation, and which if authoritatively affixed to any document, is binding upon the person or firm which the signature represents.
- Salvage.** Money paid to those who assist in saving a vessel. The goods saved from any kind of a wreck. Property saved from a fire.
- Scrip.** A voucher. When a person agrees to take shares, bonds, etc., and only pays part of his indebtedness, the receipt given him is called a scrip. An interim receipt.
- Security.** A document which gives the holder a right to property not in his actual possession.
- Set-off.** A counter-claim. Two persons owe each other, each sum is a set-off as part payment of the debt due the other.
- Solvent.** Able to pay all his debts when they are demanded.
- Sterling.** English money. Of the best quality.
- Specie.** Gold and silver coin.
- Subscribed Capital.** The amount of capital guaranteed by the shareholders, but not paid up.
- Stock.** Amount invested. Unsold goods or material on hand. The capital of a corporation. A common name for a share of joint stock.
- Stoppage in Transitu.** The right of a shipper of goods sold on credit to obtain possession of them during their transit, while they are in the carrier's hands, and before their delivery to the buyer; should the seller learn of the buyer's insolvency.
- Tare.** A deduction from the gross weight of goods, of an amount approximately equal to the weight of the box, crate or other package containing them.
- Tariff.** A scale or table of charges; a list or table of duties to be paid on imported goods.
- Ult. or Ulto.** Ultimo, last, or of the last month.

<b>Vs.</b>	Against; or in opposition.
<b>Vide.</b>	See.
<b>Viz.</b>	Namely; to wit.
<b>Valid.</b>	Good or sufficient in point of law; as a valid contract.
<b>Vendor.</b>	The person who vends, or sells, any article; a dealer. Vendee—One who buys.
<b>Void.</b>	Of no effect legally; not enforceable.
<b>Voucher.</b>	Anything that evidences the correctness of accounts; a receipt, a cancelled cheque, or other evidence of payment.
<b>Waive.</b>	To relinquish a legal right.
<b>Wholesale.</b>	Selling from the original package, without breaking bulk.



