

**CIHM  
Microfiche  
Series  
(Monographs)**

**ICMH  
Collection de  
microfiches  
(monographies)**



**Canadian Institute for Historical Microreproductions / Institut canadien de microreproductions historiques**

**© 1998**

## Technical and Bibliographic Notes / Notes techniques et bibliographiques

The Institute has attempted to obtain the best original copy available for filming. Features of this copy which may be bibliographically unique, which may alter any of the images in the reproduction, or which may significantly change the usual method of filming are checked below.

- Coloured covers / Couverture de couleur
- Covers damaged / Couverture endommagée
- Covers restored and/or laminated / Couverture restaurée et/ou pelliculée
- Cover title missing / Le titre de couverture manque
- Coloured maps / Cartes géographiques en couleur
- Coloured ink (i.e. other than blue or black) / Encre de couleur (i.e. autre que bleue ou noire)
- Coloured plates and/or illustrations / Planches et/ou illustrations en couleur
- Bound with other material / Relié avec d'autres documents
- Only edition available / Seule édition disponible
- Tight binding may cause shadows or distortion along interior margin / La reliure serrée peut causer de l'ombre ou de la distorsion le long de la marge intérieure.
- Blank leaves added during restorations may appear within the text. Whenever possible, these have been omitted from filming / Il se peut que certaines pages blanches ajoutées lors d'une restauration apparaissent dans le texte, mais, lorsque cela était possible, ces pages n'ont pas été filmées.
- Additional comments / Commentaires supplémentaires:

L'Institut a microfilmé le meilleur exemplaire qu'il lui a été possible de se procurer. Les détails de cet exemplaire qui sont peut-être uniques du point de vue bibliographique, qui peuvent modifier une image reproduite, ou qui peuvent exiger une modification dans la méthode normale de filmage sont indiqués ci-dessous.

- Coloured pages / Pages de couleur
- Pages damaged / Pages endommagées
- Pages restored and/or laminated / Pages restaurées et/ou pelliculées
- Pages discoloured, stained or foxed / Pages décolorées, tachetées ou piquées
- Pages detached / Pages détachées
- Showthrough / Transparence
- Quality of print varies / Qualité inégale de l'impression
- Includes supplementary material / Comprend du matériel supplémentaire
- Pages wholly or partially obscured by errata slips, tissues, etc., have been refilmed to ensure the best possible image / Les pages totalement ou partiellement obscurcies par un feuillet d'errata, une pelure, etc., ont été filmées à nouveau de façon à obtenir la meilleure image possible.
- Opposing pages with varying colouration or discolourations are filmed twice to ensure the best possible image / Les pages s'opposant ayant des colorations variables ou des décolorations sont filmées deux fois afin d'obtenir la meilleure image possible.

This item is filmed at the reduction ratio checked below / Ce document est filmé au taux de réduction indiqué ci-dessous.

10x		14x		18x		22x		26x		30x	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		16x		20x		24x		28x		32x	

The copy filmed here has been reproduced thanks to the generosity of:

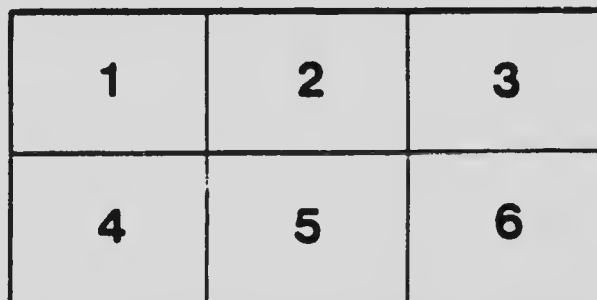
National Library of Canada

The images appearing here are the best quality possible considering the condition and legibility of the original copy and in keeping with the filming contract specifications.

Original copies in printed paper covers are filmed beginning with the front cover and ending on the last page with a printed or illustrated impression, or the back cover when appropriate. All other original copies are filmed beginning on the first page with a printed or illustrated impression, and ending on the last page with a printed or illustrated impression.

The last recorded frame on each microfiche shall contain the symbol  $\rightarrow$  (meaning "CONTINUED"), or the symbol  $\nabla$  (meaning "END"), whichever applies.

Maps, plates, charts, etc., may be filmed at different reduction ratios. Those too large to be entirely included in one exposure are filmed beginning in the upper left hand corner, left to right and top to bottom, as many frames as required. The following diagrams illustrate the method:



L'exemplaire filmé fut reproduit grâce à la générosité de:

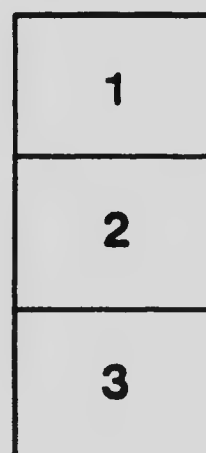
Bibliothèque nationale du Canada

Les images suivantes ont été reproduites avec le plus grand soin, compte tenu de la condition et de la netteté de l'exemplaire filmé, et en conformité avec les conditions du contrat de filmage.

Les exemplaires originaux dont la couverture en papier est imprimée sont filmés en commençant par le premier plat et en terminant soit par la dernière page qui comporte une empreinte d'impression ou d'illustration, soit par le second plat, selon le cas. Tous les autres exemplaires originaux sont filmés en commençant par la première page qui comporte une empreinte d'impression ou d'illustration et en terminant par la dernière page qui comporte une telle empreinte.

Un des symboles suivants apparaîtra sur la dernière image de chaque microfiche, selon le cas: le symbole  $\rightarrow$  signifie "A SUIVRE", le symbole  $\nabla$  signifie "FIN".

Les cartes, planches, tableaux, etc., peuvent être filmés à des taux de réduction différents. Lorsque le document est trop grand pour être reproduit en un seul cliché, il est filmé à partir de l'angle supérieur gauche, de gauche à droite, et de haut en bas, en prenant le nombre d'images nécessaire. Les diagrammes suivants illustrent la méthode.



# MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



APPLIED IMAGE Inc

1653 East Main Street 14609 USA  
Rochester, New York  
(716) 482-0300 - Phone  
(716) 288-5989 - Fax





# RATIONAL BOOKKEEPING

---

A PRACTICAL COURSE  
IN  
COMMERCIAL BOOKKEEPING  
AND  
BUSINESS PAPERS

FOR COLLEGIATE INSTITUTES, HIGH AND PUBLIC SCHOOLS

---

BY  
R. H. ELDON, B.A.,  
*Director of Commerce and Finance in the Technical High School, Toronto.*

---

BOOK I.

---

W. J. GAGE & COMPANY, LIMITED  
TORONTO

HF5635

Eto

fu

---

---

Entered according to Act of Parliament of Canada, in the office of the Minister of Agriculture,  
by W. J. GAGE & COMPANY, Limited, in the year one thousand nine hundred and five.

---

---



READ THE  
PREFACE.

---

The following pages endeavor to teach the principles of Bookkeeping by a rational method. The antiquated rule, "Debit what is received and credit what is given," cannot successfully be applied to all business transactions; the efforts to make a forced application of this rule have led to much straining of the imagination, noticeably in such a transaction as, "Bought from T. Brown on account, Mdse. \$200. This rule requires that *Interest* and *Rent* be called *use*, and that *Wages* and *Commission* be called *services*. In the Introduction, reasons will be given for discarding its general application as irrational.

The useless and unmeaning "To" and "By" have been entirely omitted throughout this work. New points and difficulties have been introduced gradually.

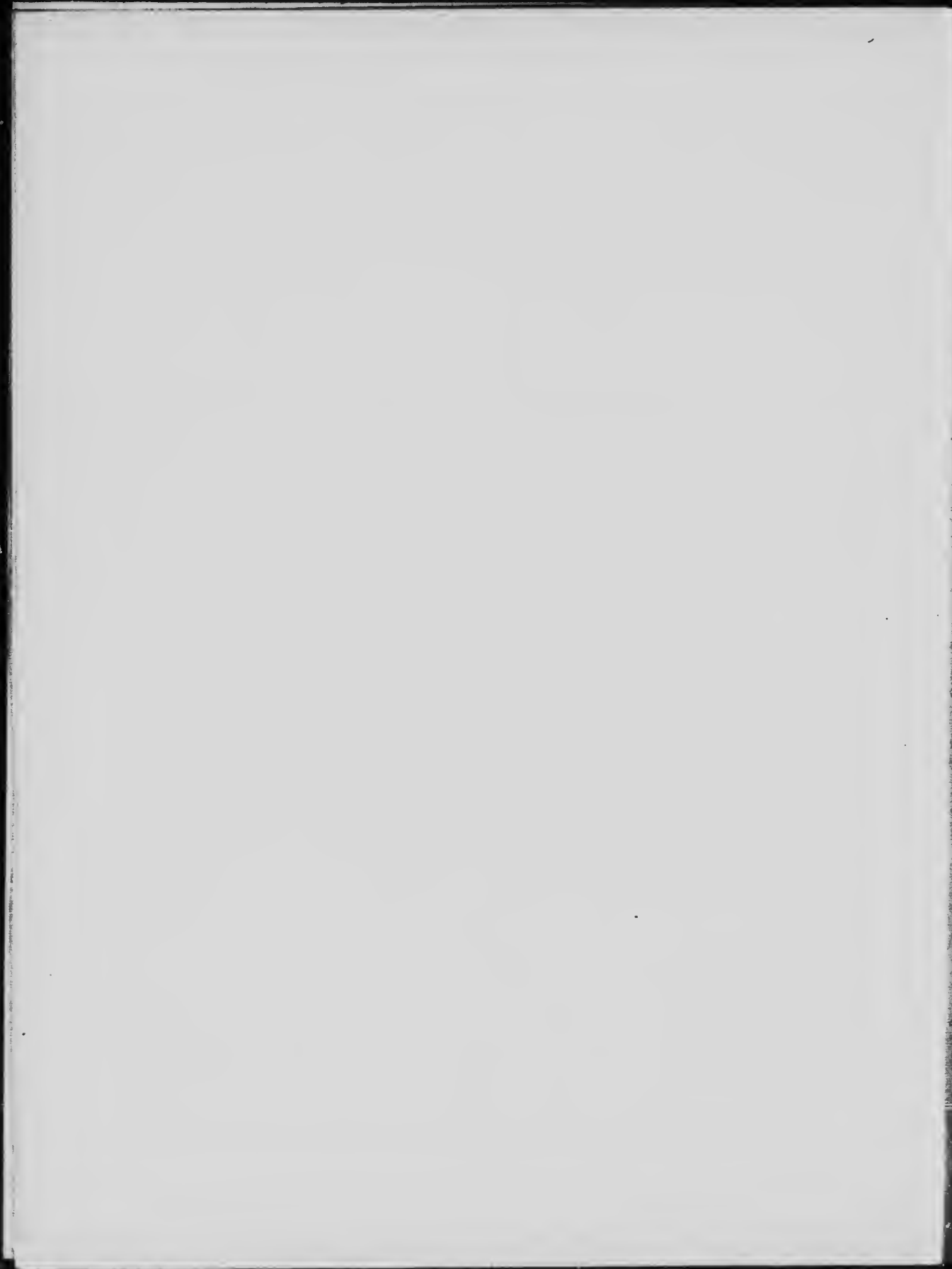
The meaning and application of the terms "*debtor*" and "*creditor*" can be best presented to the learner by teaching accounts, first separately, and afterwards together, first through a *partial* journal entry and afterwards through a *complete* journal entry.

In the Ledger the explanation space is left blank, unless some useful information is obtainable therefrom, as from, "Goods at 30 days," in a personal account. Statements of Losses and Gains and of Assets and Liabilities are made for the proprietor from the trial balance and inventories, before the Ledger is closed; these are made as separate statements, in accordance with practical usage, little stress being laid on the columnar form of statement. The Ledger is closed, only for the purpose of separating the losses and gains of one business period from those of the succeeding one; for this purpose, only the loss and gain accounts and the proprietor's account are closed, at the time of closing the books; all the asset and liability accounts are left unclosed, unless it be Cash Account and Bank Account which are necessarily balanced frequently, and are usually not kept in the Ledger.

The attention is confined for some sets to the Journal as the only posting medium, the Cash Book and the Bill Book being introduced, first as auxiliary books, and later as principal books. As business offices differ very much in the forms and ruling of such books, only some of the most general forms have been illustrated, but sufficient to enable the young bookkeeper to adapt himself to the various forms he may meet with in actual business.

The *proprietor* whether he be a single proprietor or a partner, is distinguished from his *business*, and is considered much the same as an outside person, being debited when he *receives* from his business on account, and credited when he *gives* to it. The business is thought of, as buying and selling, receiving and giving. The proprietor is a debtor to, or a creditor of, his business as much as any other person; when the business becomes insolvent, he is a debtor, and owes to the business from his private means, the amount of the Net Insolvency; when the business is solvent, he is a creditor, and the business owes him the amount of his Net Capital.

Bookkeeping, as a *science*, is unchangeable—the principles are fixed; but bookkeeping, as an *art*, is constantly undergoing change. The teacher should endeavor to thoroughly impress the principles on the mind of the learner; the learner will then himself become the inventor of new forms to suit special circumstances.



READ THE

# INTRODUCTION

---

1. There are various ways of approaching the subject of Bookkeeping, so that it may be well to discuss certain points in an introductory chapter, without bringing them to the attention of the beginner.
2. **Division of Accounts.**—Accounts may be divided into three classes: (1) Personal Asset and Liability Accounts, as Jno. Simpson, Jno. Simpson & Co., The Dominion Bank; (2) Impersonal Asset and Liability Accounts, as Cash, Bills Receivable, Bills Payable; and (3) Loss and Gain Accounts (all Impersonal), as Merchandise, Expense, Real Estate, Interest, Discount.
3. **Rules for Journalizing.**—Journalizing may be stated in three rules to suit the three classes of accounts—(1) For Personal Asset and Liability Accounts: Make a person debtor when he receives value on account, and creditor when he gives value on account; (2) For Impersonal Asset and Liability Accounts: Make the account (say Cash) debtor for amounts received by our business, and creditor for amounts given by our business; (3) For Loss and Gain Accounts: Make the account (say Mdse.) debtor for costs and creditor for proceeds.
4. **Reasons.**—Consider the first rule, which applies to persons alone. The account "Jno. Simpson" certainly does not mean that we *receive* and *give* John Simpson; it is certainly far-fetched to say we receive and give his name; and it is forcing the question to say that the Dr. side shows John Simpson's oral promises received, and the Cr. side John Simpson's oral promises given back, since John Simpson may have given no oral promises at all, which would certainly be the case when we buy goods from him on account. No, the meaning of the account is simply, that John Simpson has received, on account, the amounts on the Dr. side, and is our debtor; and that he has given, on account, the amounts on the Cr. side, and is our creditor. It is in this class of accounts only, that the terms *debtor* and *creditor* have their true meaning.

Consider the second rule, which applies to things alone, and only to those things which belong to asset and liability accounts, such as Cash, Bills Receivable and Bills Payable accounts. In this class of accounts the terms *debtor* and *creditor* have not their true meaning; in Cash Account, for example, the debtor side shows the amount of cash received by our business, and the Cr. side the amount given by our business; it does not show that anyone or anything, is a debtor to, or a creditor of, our business. Here alone is where the old rule "debit what is received and credit what is given" has its true significance.

Consider the third rule, which applies to *things, services* and *uses*, but only to those connected directly with loss and gain accounts, such as Merchandise and Real Estate accounts, Wages and Commission accounts, Rent and Interest accounts. Now, the term *Bills Receivable*, as an Asset and Liability account, and as a ledger heading, really means *values of Bills Receivable*, and these values are received and given; but the term *Merchandise*, as a Loss and Gain account, and as a ledger heading, means *price of Merchandise*, the debtor (Dr.) side showing the *cost price of Merchandise* and the creditor (Cr.) side showing the *proceeds price of Merchandise*. And so with Real Estate, the Dr. side shows the *cost price of Real Estate*, and the Cr. side shows the *proceeds price of Real*

*Estate.* Again, instead of having one account for all *services* called "Services," and one for all *uses* called "Uses," which as before would mean *price of Services* and *price of Uses*, we have, not *Services of Workmen, Services of Buyer, Use of Real Estate, Use of Money*, as we would expect, but *price of Services of Workmen, price of Services of Buyer, price of Use of Real Estate, price of Use of Money*, crystallized into the terms *Wages, Commission, Rent, Interest*; so that *Wages* and *Commission* are not *services*, but the *price of services*; and *Rent* and *Interest* are not *uses*, but the *price of uses*. The term *Merchandise* as a ledger heading stands for *price of Merchandise*, but the term *Wages* really means *price of services*.

- 5. Service and Use Accounts.**—From the foregoing and the following considerations, it will be seen that we cannot say, that *Wages, Commission, Rent* and *Interest* are debtor when they are received, and creditor when they are given. Consider the debtor side alone; *Merchandise Account* is debtor for the *cost price of Merchandise*; of course the merchandise is received as a commodity, but the *Merchandise Account*, as a loss and gain account, is intended to show, not *merchandise received*, nor even the *value of merchandise received* (for we are not dealing with values but prices), but to show the *cost price of merchandise*, and this cost price is not received by our business; *value* has to do with asset and liability accounts, *price* has to do with loss and gain accounts. This will be more evident if we consider *Wages Account*; the Dr. side shows the *cost of wages*, that is, the *cost price of services*; now, it is true that just as the merchandise is received, so the services are received, but just as the *cost price of merchandise* is not received by our business, neither is the *cost price of services* received by our business; so that the Dr. side of *Wages Account* does not show the *cost price of services* received, that is, does not show *Wages* received.

The term *Interest* does not mean *use*, neither as a bookkeeping term, nor in general commercial usage; *Interest* is the *price of use*, just as *Commission* is the *price of services*. If a person loan me \$200 at 6% per annum, I must pay him \$12 extra at the end of the year; the 6% is the price rate of use, and the \$12 is the full price of use. The price of the use may vary, or the lender may let me have it, as a favor, for \$1, instead of \$12, in which case \$1 is the interest; should the lender let me have the use of the \$200 for nothing, there is still the same *use*, but there is no *price of use*—no *interest*. The same may be said of *Commission Account*—the Dr. side shows costs, and the Cr. side shows proceeds, which teaches the learner directly and from the beginning that all such accounts are loss and gain accounts. The learner will grasp the idea of *cost* and *proceeds* in connection with *Wages, Commission, Interest, Rent* and all accounts connected with services and uses more readily than any far-fetched application of the terms *receive* and *give*. Thus the third rule, besides being rational, teaches from the beginning the true nature of the account, as a loss and gain account.

- 6. Summary of Rational Bookkeeping.**—(a) Make three classes of accounts, (1) Personal Asset and Liability Accounts, (2) Impersonal Asset and Liability Accounts, (3) Loss and Gain Accounts. (b) Treat each class separately in the order given. (c) Treat each account separately at first, by means of a *partial* journal entry, from which the account is posted to the Ledger. (d) Treat the accounts in conjunction at a later stage, by means of a *complete* journal entry.

When the learner arrives at complete journalizing, he will do it by a process of reasoning, and not by a mechanical and uncertain application of the terms *receive* and *give*. He will be able to give to each account its true meaning and will understand their relation in the Ledger.

# TO THE STUDENT.

## BUSINESS PAPERS.

The Student should write out the Business Papers indicated in the various Sets and Exercises, as by so doing he will not only have a thorough acquaintance with such papers, but will have a more thorough knowledge of Bookkeeping. Suitable Blanks and a "Student's Outfit in Business Papers" have been prepared to accompany this text; the Student may, however, make up his own, if he so desires.

The Student should write all acceptances of drafts, and all indorsements of orders, checks, notes and drafts, both those which would be written by himself and those which would be written by other persons; he should not, however, write those indorsements and acceptances by other persons, which would never be seen by him, such as that of the draft on April 27 in Set VI. Drafts should be accepted, and orders, checks and sight drafts should be indorsed, at the time of writing the papers, since they are mentioned for this purpose but once in the Set; notes and time drafts should be indorsed at the time of payment or transfer. The Student will not forget to have his own checks properly indorsed, since they are returned to him at the end of each month by the bank.

This will make the work sufficiently like actual business for general interest and good progress in Bookkeeping.

## DUE DATES.

The Sets and Exercises are all dated according to the following calendar. The Student should consult it when determining the due dates of notes and acceptances. When the last day of grace falls on a Sunday or a legal holiday, the date of maturity is the next business day thereafter. Sundays and legal holidays are indicated in darker type.

CALENDAR FOR 1907.

1907	Sun.	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Sun.			
JAN.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
FEB.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
MAR.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
APRIL	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	31
MAY			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
JUNE						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
JULY	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	31
AUG.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
SEPT.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	31
OCT.			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
NOV.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
DEC.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	31

### PAGES REQUIRED FOR THE SETS.

The following are, approximately, the number of pages of a Blank Book of about 27 lines to the page, which will be required for the various Sets. If the Student use the second method of entering the Day Book explanations in connection with the Journal, as shown on page 30, March 25 to 29, then he will require only about two-thirds of the number of pages for the Journal, indicated below. He will himself determine, from his Work Book, the pages he will need for Inventories, Trial Balances and Financial Statements. If desired, the Bill Book may be introduced in Set IV. or Set V.; see Section 85.

SETS.	JOURNAL.	ORDER BOOK.	SALES JOURNAL.	PURCHASE JOURNAL.	CASH BOOK.	BILL BOOK.		LEDGER.
						Rec.	Pay.	
I.	3 pages	—	—	—	—	—	—	2 pages
II. )	3 "	—	—	—	—	—	—	5 "
III. )	5 "	—	—	—	—	—	—	3 "
IV.	5 "	—	—	—	2 hf. pp.	5 lines	6 lines	4 "
V.	6 "	—	—	—	2 " "	6 "	4 "	4 "
VI. )	7 "	—	—	—	2 " "	10 "	7 "	8 "
VII. )	7 "	—	—	—	(2 pages	—	—	—
VIII.	7 "	—	—	—	2 "	5 "	4 "	6 "
IX.	5 "	—	—	—	2 "	7 "	6 "	6 "
X.	3 "	—	2 pages	1/2 page	4 "	7 "	3 "	5 "
XI.	4 "	—	2 "	1/2 "	4 "	6 "	7 "	7 "
XII.	3 "	1 page	—	—	1 "	3 "	3 "	1 "
XIII.	4 "	6 "	—	1/2 page	2 "	5 "	5 "	5 "

# BOOKKEEPING

1. **A Business Transaction** is an exchange of values. This exchange may be a *present* exchange, as when goods are sold for cash, or it may be a *deferred* exchange, as when goods are sold on account, that is, to be paid for at a future time.
2. **Bookkeeping** is the recording of business transactions in a systematic manner in suitable books. The main feature of this record is the **Ledger Accounts**, so that bookkeeping is sometimes called *accounting*.
3. **A Ledger Account** is a number of items of the same kind collected under a heading. Each account has two distinct parts separated by a vertical line; the left-hand side is called the **Debtor (Dr.) side**, and the right-hand side is called the **Creditor (Cr.) side**.

(a) The following is the form of a Ledger Account in outline :

DEBTOR.	JOHN SIMPSON.	CREDITOR.
He received on account . . . . .	\$ 80	He gave on account . . . . .
" " " . . . . .	110 50	" " " . . . . .
		\$75 40 25

(b) The following is the usual form of a Ledger Account :

DR.		JOHN SIMPSON.	CR.	
1907 Jan. 2		80	1907 Jan. 5	
10		110 50	14	
			75	
			40	25

## 4. Debtor and Creditor, Debit and Credit.

We must remember that John Simpson's account, mentioned in Section 3, is an account in *our* books, not in *his* books. John Simpson is our *debtor* (he owes us) for the amounts on the left-hand half of his account; he is our *creditor* (we owe him) for the amounts on the right-hand half of his account. He is our *debtor* when he *receives* any value from our business *on account*, that is, without giving any value in return at the time; he is our *creditor* when he gives any value to our business *on account*, that is, without receiving any value in return at the time.

The terms *debit* and *credit* indicate the effect of a business transaction on the financial relation between a *debtor* and a *creditor*, and therefore the effect on the *debtor* and *creditor* sides of an account. Apply the terms *debtor* and *creditor* to accounts or to the sides of an account, for example, "John Simpson, *Dr.*," "the *creditor* side of John Simpson's account"; apply the terms *debit* and *credit* to the items or separate entries, for example, "that is a *debit* entry," "*credit* John Simpson's account with \$75." *Dr.* is an abbreviation for *debtor* not for *debit*, and so with *Cr.*

**5. Journalizing** is the determining and indicating of the debit and the credit items of a transaction for their respective ledger accounts. The book in which this is done is called the *Journal*.

**6. Example of Journal :**

L. F.				Dr. column		Cr. column	
				\$	c.	\$	c.
Debtor line	Creditor line		Date line				
TORONTO, January 2, 1907.							
John Simpson Dr.				80			
Merch. Cr.						80	
Cash Dr.				75			
John Simpson Cr.						75	

**7. Posting** is transferring the debit and credit items from the Journal to their respective accounts in the Ledger. The *Ledger* is the book of accounts.

**8. Assets and Liabilities.**

An Asset is anything belonging to the business, which has a money value. A Liability is any debt owing by the business.

**9. Losses and Gains.**

A Loss is an excess of cost over proceeds. A Gain is an excess of proceeds over cost.

**10. Classification of Accounts.**

All accounts may be divided into three classes, namely, Personal Asset and Liability Accounts, Impersonal Asset and Liability Accounts, and Loss and Gain Accounts (all impersonal). The first two classes show, either values belonging to the business, or debts owing by the business; the last class shows either losses or gains, in connection with the business.

I. Personal Asset and Liability Accounts : as John Simpson, John Simpson & Co., The Imperial Bank, The Royal Fire Insurance Co., etc.

II. Impersonal Asset and Liability Accounts : as Cash, Bills Receivable, Bills Payable, etc.

III. Loss and Gain Accounts : as Merchandise, Expense, Real Estate, Interest, Discount, Commission, etc.

The first two classes are sometimes called Real Accounts, and the third class is sometimes called Representative Accounts.

**PERSONAL ASSET AND LIABILITY ACCOUNTS.**

**11. Journalizing—Rule I.**

In Personal Asset and Liability Accounts, make the person *debtor* for all the amounts which he *receives* from our business *on account*, and make him *creditor* for all the amounts which he *gives* to our business *on account*.



**12. Instructions to the Student :**

- (a) Think of the business as your own, and of yourself as the proprietor, in the exercises which follow. When another person is mentioned as proprietor, you will be the bookkeeper, and should still think and speak of the business as *ours*.
- (b) Always distinguish between the business, and the proprietor of the business. For the purposes of bookkeeping, consider that it is the business that buys and sells, and otherwise transacts business. The proprietor himself *gives* to his business on account when he *invests*, and is credited for the amount he so gives ; he *receives* from his business on account when he *withdraws* for private use, and is debited for the amount he so receives.

**13 (a). Business Transactions for John Simpson's Account.**

Journalize and post John Simpson's account from the following transactions. Use the illustrations in sections 13 (b), (c), (d) as guides. Leave room enough in both Journal and Ledger to continue with the February transactions of section 14 (a).

Toronto, January 2, 1907.—John Simpson received on account, \$80.

- 5. John Simpson gave on account, \$75.
- 10. John Simpson received on account, cash \$110.50.
- 14. John Simpson gave on account, cash \$40.25.
- 17. John Simpson received on account, goods \$70.50.
- 21. John Simpson gave on account, goods \$90.
- 24. Sold John Simpson on account, goods \$25.
- 25. Bought from John Simpson on account, goods \$45.
- 29. John Simpson paid on account, cash \$10.75.
- 30. Sold John Simpson for cash, goods \$20.

**(b) Journal for John Simpson's Account only.**

TORONTO, January 2, 1907.

John Simpson Dr.	80		
John Simpson Cr.			75
John Simpson Dr.	110	50	
John Simpson Cr.			40
John Simpson Dr.	70	50	
John Simpson Cr.			90
John Simpson D	25		
John Simpson Cr.			45
John Simpson Cr.			10
			25

NOTE.—Why no entry for John Simpson's account on Jan. 30? Because the transaction was not on account.

## (c) Journal with the ledger pages in, after posting.

TORONTO, January 2, 1907.

Ledger Page.					
10	John Simpson Dr.		80		
10	John Simpson Cr.				75
10	John Simpson Dr.	10	110	50	
10	John Simpson Cr.	14			40
10	John Simpson Dr.	17	70	50	
10	John Simpson Cr.	21			90
10	John Simpson Dr.	24	25		
10	John Simpson Cr.	25			45
10	John Simpson Cr.	29			10
					75

## (d) Ledger—John Simpson's Account posted from the Journal.

DR.		JOHN SIMPSON.		CR.		
(he received on %)				(he gave on %)		
1907		Jour. Page		1907	Jour. Page	
Jan. 2		10	80	Jan. 5	10	75
10		10	110	14	10	40
17	25	10	70	21	10	90
24	25	10	25	25	10	45
			25	29	10	10
						75

## (e) Remarks:

1. Experienced bookkeepers recommend the following order in making entries in Ledger Accounts: (1) the amount, (2) the date, (3) the Journal page. Then enter the Ledger page of the account in the Journal, opposite the item posted, first noticing the amount in the Journal again, to make sure that the correct amount has been posted.
2. In John Simpson's account we see that the debtor side is greater than the creditor side by \$25, therefore he is a debtor for that amount, and the balance is an asset.
3. Make the small pin-head totals with a hard lead pencil.

## 14 (a). Business Transactions—John Simpson's Account (Continued)—

Journalize John Simpson's account; continue the posting under the January posting in Section 13 (d); balance and close the account as shown in Section 14 (b).

Toronto, February 1, 1907. Sold John Simpson on account, goods \$200.

6. Received from John Simpson on account, cash \$100.
14. Bought from John Simpson on account, goods \$175.
20. Paid John Simpson on account, cash \$25.
25. Sold John Simpson on account, goods \$80.25.
28. John Simpson paid on account, cash \$30.50.

(b) Ledger Account closed and balance brought down.

Dr.		JOHN SIMPSON.				Cr.	
1907					1907		
Jan.	2	10	80		Jan.	5	10 75
	10	10	110	50		14	10 50 25
	17	10	70	50		21	10 90
	24	10	27			25	10 45
			285			29	10 10 75
Feb.	1	10	200		Feb.	6	10 564
	20	10	25			14	10 100
	25	10	80	25		17	10 175
			591	25		28	10 30 50
							10 564 50
							10 25 75
Mar.	1	11	24	75			10 591 25

(c) Remarks :

1. John Simpson has received on account \$591.25, and has given on account \$566.50 ; therefore he owes \$24.75. We balance his account by placing the \$24.75 on the smaller side in red ink, indicating the red ink by an asterisk (\*), when using a pencil or black ink. We then bring this balance down below the ruling in black ink on the debtor side, for the next month's business. The red ink indicates that the balance is on its wrong side, being placed there simply to balance the account ; the black ink indicates that the balance is now on its right side, since it is a debtor balance.
2. In the page column in Section 14 (b), "10" is the Journal page from which the item came: "11" is a Ledger page, and shows in the red ink where the balance was transferred to, and in the black ink where the balance came from. This latter paging is used when the balance has to be transferred to a new page.
3. Personal Accounts should be balanced and ruled up, only when settled, or when the page is filled and the account has to be transferred to a new page. This is true of all Asset and Liability accounts, excepting Cash and Bank accounts, which are balanced at least monthly as a check against mistakes in handling the cash.

EXERCISES ON PERSONAL ACCOUNTS.

Exercise No. 1.

Journalize and post M. Peters' account, leaving room both in the Journal and the Ledger account to continue with Exercise No. 2. On March 30, is M. Peters a debtor or a creditor? Is the balance an asset or a liability?

Ottawa, March 1, 1907. Sold M. Peters on account, Merchandise (goods) \$230.

5. Bought from M. Peters on account, Merchandise \$150.
9. M. Peters paid on account, cash \$70.
13. Bought from M. Peters on account, Merchandise (Mdse.) \$130.
16. Paid M. Peters on account, cash \$50.

18. Sold M. Peters on account, Mdse. \$100.
20. M. Peters paid on account, cash \$20.
25. Bought from M. Peters on account, Mdse. \$60.
30. Sold M. Peters on account, Mdse. \$90.

**Exercise No. 2.**

Journalize, post, balance and close M. Peters' account, making it a continuation of his account in Ex. 1. Is he a debtor or a creditor? Is the balance an asset or a liability? Why?

Ottawa, April 1, 1907. Bought from M. Peters on account, Mdse. \$280.

3. Sold M. Peters on account, Mdse. \$150.
6. Paid M. Peters on account, cash \$30.
11. Sold M. Peters on account, Mdse. \$270.
15. Received from M. Peters on account, cash \$50.
20. Bought from M. Peters on account, Mdse. \$70.
23. Sold M. Peters for cash, Mdse. \$80.25.
26. M. Peters paid on account, cash \$100.
29. Bought from M. Peters on account, Mdse. \$175.
30. Bought from M. Peters for cash, Mdse. \$200.

**15 (a). The Proprietor's Account.**

This account is treated in the same way as any other personal account, until the close of the business period. The Proprietor is made debtor for what he receives from his business on account (called withdrawals for private use), and he is made creditor for what he gives to his business on account (called investments).

The only difference between the proprietor's account and that of an outside person is, that the *net gain* at the close of the business term is placed on the creditor side of his account; or, if there be a *net loss*, it is placed on the debtor side of his account. There will then be a debtor balance or a creditor balance just as in any other personal account; if the creditor side be the greater we name the balance "Net Capital," or if the debtor side be the greater, we name the balance "Net Insolvency."

The Proprietor may have two accounts—Capital a c and Private a c. For the present we shall use the first one only, as follows, "Proprietor (Capital a c)."

The Student will think of himself as the *bookkeeper* when another person is mentioned as *Proprietor*.

**Exercise No. 3.**

Journalize, post, enter the net gain, balance and close the Proprietor's Account. Compare your T-ldger account with the example in Section 15 (b).

London, May 1, 1907.—The Proprietor gave to the business on account (invested), cash \$1000.

6. The Proprietor received from the business on account (withdrew), cash \$10.75.
  10. The Proprietor gave to the business on account (invested), Mdse. \$1500.25.
  15. The Proprietor withdrew from the business on account, cash \$30.
  27. The Proprietor took for private use, Mdse. \$20.50.
  30. The Proprietor invested in the business, cash \$500.
- Net Gain on May 31, \$75.50.

15 (b). Ledger—Proprietor's Account.

Dr.		PROPRIETOR (Capital A/c).			Cr.	
(he received or withdrew)					(he gave or invested)	
1907					1907	
May		12	10	75	May	1
15		12	30		10	12 1000
27		12	20	50	30	12 1500 35
31	Net Capital		3075	75	31	12 500
						12 75 50
						12 3075 75
					June	1
						Net Capital
						13 3014 50

Exercise No. 4.

Journalize, post, enter the net gain, balance and close the Proprietor's account—"G. Grand, Capital A c." Is he a debtor or a creditor of the business? Is the balance an asset or a liability of the business? What is the balance as regards himself?

St. Thomas, June 1, 1907. G. Grand invested, Mdse. \$2000.

- 6. G. Grand withdrew from the business, cash \$50.
  - 10. G. Grand invested in the business, cash \$1500.
  - 18. G. Grand took for private use, Mdse. \$60.50.
  - 24. G. Grand invested in the business, cash \$500.
  - 29. G. Grand withdrew from the business, cash \$30.
- Net gain on June 29, \$120.60.

16. The terms *Debtor* and *Creditor* have their true meaning, only the first class of accounts—Personal Asset and Liability accounts. The person whose name is at the head of the account is a debtor—he owes to our business the amounts on the debtor side of his account; and he is a creditor—he is owed by our business the amounts on the creditor side.

In the second and third classes of accounts mentioned in Section 10, the terms *Debtor* and *Creditor* do not have this ordinary meaning. In the second class—Impersonal Asset and Liability accounts, the debtor side shows the amounts of Cash, Bills Receivable, Bills Payable, etc., received by our business; and the creditor side shows the amounts of Cash, Bills Receivable, Bills Payable, etc., given by our business. In the third class—Loss and Gain accounts, the debtor side shows the cost to our business of Merchandise, Expense, Real Estate, Interest, Discount, Commission, etc.; and the creditor side shows the proceeds for our business of Merchandise, Expense, etc.

IMPERSONAL ASSET AND LIABILITY ACCOUNTS.

17. Instructions to the Student:

- (a) We shall now deal with the second class of accounts—Impersonal Asset and Liability accounts—Cash, Bills Receivable, Bills Payable, etc.
- (b) Keep your mind fixed on the account under consideration, and think whether the business received, or gave the item mentioned.

(a) When any of the accounts of Class II. or Class III. are mentioned in a transaction, you must make an entry for such, whether the transaction be *on account* or *not*. For an account of Class I. there is an entry for the person, only when the transaction is *on account*.

**18. Journalizing Rule II.**

Make Impersonal Asset and Liability accounts debtor for values received by the business, and creditor for values given by the business.

**19. Cash Account.**

Make this account debtor for all cash received by the business, and creditor for all cash given by the business.

The term Cash includes current money, checks, bank drafts, sight drafts, post office money orders, postal notes, and express money orders.

**EXERCISES ON CASH ACCOUNT.**

**Exercise No. 5.**

Journalize, post, balance and close Cash Account, leaving room in both Journal and Ledger to continue with Ex. No. 6.

Winnipeg, July 2, 1907. Received cash from the Proprietor as an investment, \$300.

- 4. Gave cash for Office Desk, \$50.
- 11. Paid cash for Mdse., \$200.25.
- 18. Received cash for Mdse., \$100.
- 30. Paid cash to T. Dunn on account, \$60.

**20. Journal for Cash Account only.**

WINNIPEG, July 2, 1907.

11	Cash Dr.		300	
	Cash Cr.	4		50
11	Cash Cr.	11		200.25
18	Cash Cr.	18		100
30	Cash Cr.	30		60

**21. Ledger for Cash Account.**

Dr.	(as received)	CASH.	(as paid)	Cr.
1907		1907		
July 2	11 300	July 4	11 50	
18	11 200.25	11	11 200.25	25
		30	11 60	
			11 310	25
			80	
			300	
Aug. 1	Balance	11 89.75		

**22. Closing Cash Account.**

\*The Debtor side can never be less than the Creditor side. Why? Take the difference between the two sides, which will give the balance of cash on hand. Place the balance on the smaller side in red ink, rule and foot the columns, and bring down the balance on the opposite side in black ink. This debtor balance is an asset.

**Exercise No. 6.**

Journalize, post, balance and close Cash Account, making it a continuation of Cash Account in Ex. No. 5. Why is the balance always an asset?

Winnipeg, August 1, 1907. Received cash from P. Mark on account, \$70.

- 8. Proprietor withdrew for private use, cash \$20.
- 14. Sold Mr. Spence on account, Mdse. \$100.
- 20. Bought from T. Dunn for cash, Mdse. \$80.50.
- 24. Sold R. Gray for cash, Mdse. \$150.70.
- 28. Paid cash for August rent, \$30.
- 30. Gave cash to the Children's Hospital, \$10.

**23. Ledger for Cash Account—closed twice.**

Dr.		(see rec. d)	CASH.		(see p. 10)	Cr.			
1907					1907				
July	2		14	500	July	4	14	50	
	18		14	100		11	14	200	
				400		30	14	50	
								50	
				400				50	
Aug.	1	Balance	15	89	75	Aug.	8	15	20
	1		15	70			20	15	80
	23		15	170	70		28	15	30
				500	45		30	15	10
									50
				310	45				50
Sept.	2	Balance	15	160	95				50
									50

**Exercise No. 7.**

Journalize, post, balance and close Cash Account, leaving room to continue with Ex. No. 8. What amount of cash was received? What amount of cash was paid out? What is the balance on hand?

Kingston, September 2, 1907. Received cash from Student as an investment, \$100.

- 9. Gave cash for Mdse., \$200.50.
- 17. Received cash from D. Smith on account, \$300.
- 23. Gave cash to R. White on account, \$100.
- 27. Gave cash to B. Saul for Mdse., \$50.25.
- 30. Received cash from A. Dame for Mdse., \$300.50.

\* If Cash account include Bank account, then the creditor side of Cash account may be the greater owing to an overdraft.

**Exercise No. 8.**

Journalize, post, balance and close Cash Account, making it a continuation of Cash Account in Exercise No. 7. What is the balance called?

Kingston, October 1, 1907. Student invested extra, cash \$600.50.

8. Gave R. Moore on account, cash \$100.

15. Bought Mdse. for cash, \$300.

22. Sold Mdse. for cash, \$200.50.

26. J. Mason paid on account, cash \$100.

28. Paid R. Potter on account, cash \$200.

31. Paid clerk's salary in cash, \$50.

**24. Bills Receivable.**

Other persons' notes and acceptances are called Bills Receivable. The following is K. Spiers' promissory note, in which he promises to pay the amount specified:

\$200.60.	London, November 1, 1907.
<i>Ten days</i>	<i>after date I promise to pay</i>
<i>to the order of Proprietor</i>	
<i>at The Imperial Bank</i>	
<i>Two Hundred</i>	$\frac{60}{100}$ <i>Dollars</i>
<i>for Value Received.</i>	<i>K. Spiers.</i>

Instead of giving the foregoing note, K. Spiers might have given the following acceptance or accepted draft.

\$200.60.	London, November 1, 1907.
<i>Ten days</i>	<i>after date, pay</i>
<i>to the order of myself</i>	
<i>Two Hundred</i>	$\frac{60}{100}$ <i>Dollars</i>
<i>for Value Received, and charge to the account of</i>	
<i>To K. Spiers,</i>	<i>Proprietor.</i>
<i>London, Ont.</i>	



The Proprietor writes the draft and addresses it to K. Spiers, asking him to pay the amount specified; K. Spiers agrees to do so, by writing "accepted" and his name across the face of the draft. It is better also to write the date of acceptance and a place of payment, across the face of the draft.

**25. Bills Receivable Account.**

Make this account debtor for other persons' notes and acceptances received by our business, and creditor for other persons' notes and acceptances given by our business.

We receive them on account or for something we sell; and we give them back, when they are paid, or otherwise disposed of.

The first entry in this account is made on the debtor side, and the difference (if any) between the two sides must always be a debtor balance, and therefore an asset. This balance is the amount of other persons' notes and acceptances on hand.

**EXERCISES ON BILLS RECEIVABLE ACCOUNT.**

**Exercise No. 9.**

Journalize and post Bills Receivable Account, leaving room to continue with Ex. No. 10. What amount of other persons' notes was received? What amount was given back? What balance is still on hand? Is this balance an asset or a liability?

- Stratford, November 1, 1907. Received K. Spiers' note, \$200.60.  
 6 Received S. Parks' note, \$300.  
 14 Gave back K. Spiers' note, \$200.60.  
 26 Received B. Clark's note, \$400.  
 30 Gave back S. Parks' note, \$300.

**26. Ledger for Bills Receivable Account.**

Dr.		BILLS RECEIVABLE.				Cr.	
<i>(we received)</i>						<i>(we gave back)</i>	
1907					1907		
Nor.	1				Nor.	14	
	6	17	200	60		17	200
	26	17	300			17	300
		17	400				300
			600				600

**Exercise No. 10.**

Journalize, post, balance and close Bills Receivable Account, making it a continuation of the account in Ex. No. 9. Close in the same manner as illustrated in Sec. 14 (b). What is the balance called?

- Stratford, December 2, 1907. Received from N. Shore on account his note for \$250.50.  
 10 Sold K. Spiers on his acceptance, Mdse. \$275.  
 10 N. Shore paid his note of Dec. 2 in cash, \$250.50. (Gave it back to him.)  
 21 Sold S. Parks on his note, Mdse. \$150.  
 24 B. Clark paid his note of Nov. 26 in cash, \$400.  
 28 Received from D. Hart on account, his acceptance for \$100.  
 31 K. Spiers paid his acceptance of Dec. 10 in cash, \$275.

**Exercise No. 11.**

Write out the notes and acceptances on Jan. 4, 7 and 20. Journalize and post Bills Receivable Account, leaving room to continue with Ex. No. 12. Find the balance on hand.

St. Catharines, January 2, 1907. Received from the Proprietor as an investment, A. Dame's note \$200.75, and R. Smith's acceptance \$300.

4. Sold T. Marshall, Niagara Falls, on his note at 10 days, Mdse. \$230.25.
7. Received from B. White, Hamilton, on account, his acceptance at 30 days for \$160.
15. A. Dame paid his note due to-day, \$200.75. (Gave it back to him.)
17. Received cash for T. Marshall's note, \$230.75.
20. Sold C. Hurst, Toronto, on his acceptance at 60 days, Mdse. \$150.60.
31. R. Smith paid his note due to-day, \$300.

**Exercise No. 12.**

Write out the notes and acceptances on Feb. 1, 5, 18, 23. Journalize, post, balance and close Bills Receivable Account, making it a continuation of the account in Ex. No. 11. What is the balance called?

St. Catharines, February 1, 1907. Sold M. Roberts, Grimsby, on his note at 10 days, Mdse. \$130.56.

5. Received from G. Teagle, Dundas, in full of his account, his acceptance at 20 days for \$270.20.

9. B. White paid his acceptance of Jan. 7 in cash, \$160.

12. Sold T. Marshall on account, Mdse. \$200. (Why no entry for Bills Receivable?)

14. M. Roberts settled his note of Feb. 1 in cash, \$130.50.

18. D. Foster, Hamilton, settled his account with his acceptance at 10 days for \$90.

23. Sold R. Smith, Welland, on his note at 1 month, Mdse. \$70.50.

28. G. Teagle paid his note of Feb. 5 in cash, \$270.20.

**27. Bills Payable.**

The Proprietor's own notes and acceptances are called Bills Payable. They are signed by him as Proprietor, but are payable by the business; if, however, the business cannot pay them, the law compels him to pay them out of any private means he may have. The following is the Proprietor's note, in which the business promises to pay the amount specified.

\$100.<sup>00</sup>.

Woodstock, March 1, 1907.

One month

after date I promise to pay

to H. Spiers

or order

at The Imperial Bank

One Hundred

$\frac{00}{100}$  Dollars

for Value Received.

Proprietor.

The expression "to K Spiers or order" has the same meaning as "to the order of K. Spiers," and either may be used. The word *order* requires K. Spiers to indorse the paper, that is, write his name across the back, when he receives payment.

Instead of giving the foregoing note, the Proprietor might have given the following acceptance, in which the business agrees to pay the amount asked for by K. Spiers.

\$100. <sup>00</sup> / <sub>100</sub>	Hamilton, March 1, 1907.
One month	after date, pay
to myself	or order
One Hundred	<sup>00</sup> / <sub>100</sub> Dollars
for Value Received, and charge to the account of	
To Proprietor,	K. Spiers.
Woodstock, Ont.	

**28. Bills Payable Account.**

Make this account debtor for all of our own notes and acceptances received (back) by our business, and creditor for all of our own notes and acceptances given by our business.

We give them on account or for something we buy; and we receive them back when they are paid or otherwise redeemed.

The first entry in this account is made on the creditor side, and the difference (if any) between the two sides must always be a creditor balance, and therefore a liability. This balance is the amount of our own notes and acceptances outstanding.

**EXERCISES ON BILLS PAYABLE ACCOUNT.**

**Exercise No. 13.**

Make a copy of the foregoing note and acceptance. Journalize and post Bills Payable Account, leaving room to continue with Ex. No. 14. What amount of our notes were given out (issued)? What amount was received back (redeemed)? What amount is still outstanding or unpaid? Is this balance an asset or a liability?

Woodstock, March 1, 1907. Gave our note for \$100 to K. Spiers, Hamilton, on account.

4. Gave our note for \$200 to J. Robb for Mdse.
8. Bought Mdse. \$150 and gave our note in payment.
18. Received (back) our note of Mar. 4, \$200.
20. Gave our note for \$175 to B. Smith on account.
23. Paid our note of Mar. 8 in cash, \$150. (Received it back.)
27. Bought Mdse. \$225.50 on our note.
30. Paid our note of Mar. 20 in cash, \$175.

**29. Ledger for Bills Payable Account.**

Dr.				BILLS PAYABLE.				Cr.	
		<i>(we received back)</i>				<i>(we gave)</i>			
1907				1907					
Mar.	18		19	200	Mar.	1	19	100	
	23		19	150		1	19	200	
	30		19	175		8	19	150	
				525		20	19	175	
						27	19	225	50
								450	50

**Exercise No. 14.**

Write the notes and acceptances on April 1, 12 and 27. Journalize, post, balance and close Bills Payable Account, making it a continuation of the account in Ex. No. 13. What is the balance called?

Woodstock, April 1, 1907. Bought from J. Robb, Brantford, on our note at 20 days, Mdse. \$125.50.

4. Paid our note of March 1 in cash, \$100.
12. Gave our acceptance at 15 days for \$200, to B. Smith, In. coll, on account.
18. Paid our note of Mar. 27 in cash, \$225.50.
24. Settled our note of April 1 in cash, \$125.50.
27. Bought from K. Spiers, Hamilton, on our acceptance at 10 days, Mdse. \$170.25.
30. Paid our acceptance of April 12 in cash, \$200.

**Exercise No. 15.**

Write the notes and acceptances on May 1, 7, 18, 28. Journalize and post Bills Payable Account, leaving room to continue with Ex. No. 16. What is the balance?

Montreal, May 1, 1907. Student (Proprietor) has a note outstanding, dated April 11, at 30 days for \$110, favor of R. Proctor. The business assumes this note. (Bills Pay. Cr.)

7. Accepted draft drawn by B. Preston, Quebec, at 10 days for \$80.
14. Paid note favor of R. Proctor in cash, \$110.
18. Bought from N. Prior, Ottawa, on my acceptance at 10 days, Mdse. \$120.50.
20. Paid my acceptance of May 7 in cash, \$80.
28. Gave P. Spence on account my note at 1 month for \$30.
31. Settled my acceptance of May 18 in cash, \$120.50.

**Exercise No. 16.**

Journalize, post, balance and close Bills Payable Account, making it a continuation of the account in Ex. No. 15.

Montreal, June 1, 1907. Bought from P. Spence on my note at 10 days, Mdse. \$75.60.

6. Accepted R. Proctor's draft at 15 days for \$130.
14. Paid my note favor of P. Spence in cash, \$75.60.
17. Gave N. Prior on account my note at 30 days for \$65.
24. Paid my acceptance of June 6 in cash, \$130.
29. Bought from C. Rogers on my note at 10 days, Office Desk \$35.

**Exercise No. 17.**

Journalize and post Bills Receivable Account and Bills Payable Account. Leave the accounts unclosed, but find the balance from pin-head totals, and determine whether they are assets or liabilities. "His note" is a Bills Rec.; "my note" is a Bills Pay.

Brantford, July 2, 1907. Student invests N. Mott's note, \$30.

4. Sold D. Powell on his acceptance, Mdse. \$50.
8. Gave A. Martin on account my note, \$60.
11. Received from N. Mott on account his note, \$20.
15. Bought from A. Martin on my note, Mdse. \$100.
18. N. Mott paid his note of July 2 in cash, \$30.
20. Settled my note of July 8 in cash, \$60.
23. Sold D. Powell for cash, Mdse. \$200.
25. Received cash for N. Mott's note of July 11.
29. Accepted A. Martin's draft on account, \$300.
31. Paid my note of July 15 in cash.

---

**LOSS AND GAIN ACCOUNTS.**
**30. Loss and Gain Accounts.**

This third class of accounts includes Merchandise, Expense, Real Estate, Interest, Discount, Commission, and any other account in connection with *things, uses or services*, which cost or produce value to our business. They are all Impersonal Accounts.

**31. Journalizing—Rule III.**

Make Loss and Gain Accounts debtor for costs, and creditor for proceeds.

**32 (a). Merchandise Account.**

Make this account debtor for the cost of goods, and creditor for the proceeds from goods. *Cost* includes purchases, goods returned by customers, freight paid on goods, &c.; *proceeds* includes sales, goods returned by us, etc.

---

**EXERCISES ON MERCHANDISE ACCOUNT.**
**Exercise No. 18.**

Journalize, post and close Merchandise Account, leaving room to continue with Ex. No. 17.

Guelph, August 1, 1907. Bought Mdse. \$300.25.

5. Sold Mdse. \$200.50.
9. Bought from R. Graham, Mdse. \$400.
12. Sold to L. Parker, Mdse. \$100.
16. Sold to T. Sampson on account, Mdse. \$250.
19. Bought from D. Adams for cash, Mdse. \$100.
28. Sold to R. Henry for cash, Mdse. \$150.
31. Sold balance of Mdse. by auction for \$200.

**Caution.**—Although the later illustrations show only the Ledger, still the Student should faithfully journalize the account dealt with in each exercise, as illustrated in Sections 13 (b) and 20. You are learning to journalize and post each account by itself; soon you will be required to consider *all* the accounts in each transaction.

(b) Ledger for Merchandise Account.

Dr.		MERCHANTISE.		Cr.	
		(cost)		(proceeds)	
1907				1907	
Aug.	1	21	300	25	21
	9	21	300		21
	19	21	100		21
			500	28	21
	21	Gain	100	31	21
			900		500
			50		50
		Total proceeds		\$900.50	
		Total cost		800.25	
		Gain		100.25	

(c) Remarks.

1. In all *loss and gain* accounts, either side may be the greater. If the debtor side be the greater then the result is a loss; if the creditor side be the greater, then the result is a gain.
2. In the foregoing Merchandise Account, the result is a *gain*. The gain is placed on the smaller side—the debtor side, to balance the account; it is written in red ink to indicate that it is on its wrong side. Do not bring the "Gain" down below the ruling, as nothing but assets and liabilities are brought down.

Exercise No. 19.

Journalize, post and close Merchandise Account, making it a continuation of the account in Ex. No. 18.

Guelph, September 2, 1907. Bought from R. Graham on account, Mdse. \$320.

10. Sold L. Parker for cash, Mdse. \$60.25.

16. Sold T. Sampson on his note at 10 days, Mdse. \$50.

20. Bought from D. Adams on our acceptance at 30 days, Mdse. \$260.50.

24. Sold R. Henry on account, Mdse. \$130.

30. Sold Mdse. for cash (Petty Sales for the month), \$270.60.

Inventory taken Sept. 30.

Merchandise on hand ..... \$120.50

33 (a). Ledger for Merchandise Account.

Dr.		MERCHANTISE.		Cr.	
1907				1907	
Aug.	1	21	300	25	21
	9	21	300		21
	19	21	100		21
			500	28	21
	31	Gain	100	31	21
			900		500
			50		50
Sept.	2	22	320		22
	10	22	260		22
			580	16	22
			50	24	22
	20	Gain	70	30	22
			631		270
			35		60
			120	30	510
					45
					120
					35
Oct.	1	22	120		22
					631
					35

Total proceeds.....	\$510.85
Inventory—goods on hand.....	120.50 add.
Total value, Cr.....	\$631.35
Total cost, Dr.....	580.50 subtract.
Gain.....	\$ 50.85

(b) **Remarks.**

1. The foregoing Merchandise Account shows August closed without an Inventory, and September closed with an Inventory.
2. The Inventory is placed on the creditor side to find the gain, but being a part of the cost, is on its wrong side and is written in red ink. The difference at this stage is the gain on Merchandise, and is placed on the smaller side to balance the account; and being on the wrong side (the loss side) it is written in red ink. The Inventory is brought down below the ruling on its right side (the debtor or cost side) in black ink, as a cost for the next month.
3. Instead of adding the Inventory to the proceeds, the same result would obtain if we should subtract it from the cost. It is more convenient in the Ledger to show it as an addition.

**Exercise No. 20.**

Journalize, post and close Merchandise Account. Is the difference between the sides a loss or a gain?

Montreal, October 1, 1907. Student invested Mdse. \$300.

2. Bought from R. Quail on account, Mdse. \$200.50.
5. Sold to F. Somers for cash, Mdse. \$100.
10. Sold to K. Spencer on account, Mdse. \$50.75.
14. Bought from E. Galley on my note at 30 days, Mdse. \$300.
16. Sold to M. Peters on his note at 15 days, Mdse. \$400.
23. Bought from E. Galley for cash, Mdse. \$250.
31. Sold to F. Somers on his acceptance at 10 days, Mdse. \$75.

Inventory taken Oct. 31.

Merchandise on hand . . . . . \$450.

**84. Expense Account.**

Goods bought for the purpose of selling again are called "Merchandise." Goods or service for the use of our business are called "Expense."

Make Expense Account debtor for costs and creditor for proceeds.

**EXERCISES ON EXPENSE ACCOUNT.**

**Exercise No. 21.**

Journalize, post and close Expense Account. What is the amount of loss?

Brandon, November 1, 1907. Bought a set of books for office, \$15.

5. Paid for painting store, \$15.
9. Bought fuel for store, \$10.

- 12. Paid clerk's salary in cash, \$20.
- 18. Paid for repairs to store, \$25.
- 25. Paid gas bill in cash, \$8.
- 30. Bought stamps and stationery for cash, \$2.  
Inventory taken Nov. 30.
- Fuel on hand . . . . . \$3.00.

**Exercise No. 22.**

Journalize and post all of the accounts. Write the Journal entry for each transaction as in Section 6. Close only Cash and Expense Accounts.

Vancouver, December 2, 1907. Student invested cash, \$100.

- 3. Bought office desk for cash, \$35.
- 6. Bought fuel for store from E. Rogers & Co. for cash, \$20.
- 9. Paid for cleaning store, cash \$2.
- 12. Paid S. Moore for repairing counters, cash \$10.
- 19. Bought wrapping paper for cash, \$12.
- 23. Sold office desk for cash, \$34.
- 30. Paid rent of store in cash, \$25.

**35 (a). Rules for Journalizing.**

- I. For Personal Asset and Liability Accounts.—Make a person debtor for what he receives on account, and creditor for what he gives on account.
- II. For Impersonal Asset and Liability Accounts.—Make these accounts debtor for what is received by the business, and creditor for what is given by the business.
- III. For Loss and Gain Accounts.—Make these accounts debtor for costs, and creditor for proceeds.

**(b) Remarks.**

- 1. Steps in making a Journal entry: (a) Determine which of the accounts, mentioned in the transaction, are concerned, and which are to be rejected; (b) Select first the debits and then the credits.
- 2. Make no entry for a Personal Account, even though the name be mentioned, unless the transaction be on account; but make an entry for Cash, Mdse., etc., when they are mentioned, whether the transaction be on account or not.
- 3. When opening the books at commencement the foregoing rules still apply: (a) Persons are debtor for what they owe, or *have* received on account; and they are creditor for what is owed them, or what they *have* given on account. (b) Cash, Bills Rec., etc., on hand or invested, are debtor, because they *have* been received; Bills Pay., etc., are creditor, because they *have* been given. (c) Mdse., etc., on hand or invested, are debtor, because they are a cost to the business.

In short, when opening the books, make the Assets debtor and the Proprietor creditor for the amount of his Assets, and make the Proprietor debtor for the amount of his



Liabilities and the Liabilities themselves creditor; or make the Assets debtor, the Liabilities creditor and the Proprietor creditor for the difference between his Assets and Liabilities. (See Section No. 59).

### 86. Business Papers—Receipts and Promissory Notes.

Various forms of receipts can be made from the example (a) following, by changing "on account" to "in full of account," "in full of all demands," etc. In the example (c) the expression "to the order of G. Grand" may also be written "to G. Grand or order" without change of meaning; the word "order" makes it necessary for G. Grand to indorse the paper (write his name across the back) before transferring, or parting with it in any way. In the example (d) if "bearer" be written instead of "order," then there is no need of indorsement.

#### (a) Receipt on Account.

\$50. <sup>00</sup> / <sub>100</sub>	Peterboro, January 15, 1907.
<i>Received from J. Jane</i>	
<i>Fifty</i>	$\frac{00}{100}$ Dollars
<i>on account.</i>	<i>G. Grand.</i>

#### (b) Receipt for Rent.

\$30. <sup>00</sup> / <sub>100</sub>	Woodstock, February 1, 1907.
<i>Received from J. Proctor</i>	
<i>Thirty</i>	$\frac{00}{100}$ Dollars
<i>for Rent of House No. 27 Princess St., for the month ending</i>	
<i>January 31, 1907.</i>	<i>M. Pearson.</i>

Instead of a receipt on a separate piece of paper, as in the foregoing examples, a receipt may be written on a bill or invoice, as in Section 71, or on a check given in payment.

Business courtesy demands that the person receiving a payment should give a receipt for the same without being asked. Anyone making a payment of any kind should ask for a receipt, if the receiver neglect to offer one.

## (c) Promissory Note.

<u>\$100.<sup>50</sup></u>	Peterboro, January 7, 1907.
Three days	after date I promise to pay
to the order of G. Grand	
One Hundred	$\frac{50}{100}$ Dollars
for value received.	J. Jame.

In the printed form of a promissory note, the maker or any holder may cross out "bearer" and insert "order"; but only the maker may cross out "order" and insert "bearer," and he must place his initials near the change.

## (d) Promissory Note with Place of Payment and Bearing Interest.

<u>\$175.<sup>00</sup></u>	Woodstock, February 11, 1907.
One month after date I promise to pay	
to J. Alderson	or order
at the Dominion Bank here	
One Hundred and Seventy five	$\frac{00}{100}$ Dollars
with interest at seven per cent. per annum	
for value received.	James Scott.

**Exercise No. 23.**

- (a) Journalize all the accounts, writing them as in Section 6; you need not do the posting.  
 (b) Make out receipts for Jan. 15 and 16; and promissory notes for Jan. 7, 10, 11, 18, 23, 24 and 25.

Peterboro, January 2, 1907. G. Grand commences business, investing (giving on account)  
Cash \$2000; Mdse. \$1500; Store and Lot (Real Estate), \$1800.

3. Engaged Student as bookkeeper at \$20 per month.
4. Sold S. Dame on account, Mdse. \$300.
5. Sold S. Dame for cash, Mdse. \$200.
7. Sold S. Dame on his note at 3 days, Mdse. \$100.50.
8. Bought from P. Kerr on account, Mdse. \$500.
9. Bought from P. Kerr for cash, Mdse. \$400.
10. Bought from P. Kerr on our note at 4 days, Mdse. \$600.
11. Loaned S. Dame on his note at 20 days, cash \$75.
12. Loaned S. Dame on account, cash \$125.
14. S. Dame paid his note of the 7th inst. in cash.
15. S. Dame paid cash on account, \$50.
16. Paid P. Kerr on account, cash \$250.
17. Paid our note of the 10th inst. in cash.
18. Borrowed from P. Kerr on our note at 1 month, cash \$175.
19. Borrowed from P. Kerr on account, cash \$150.
21. Bought from A. Weir on account, Office Desk, \$90.
22. Bought from A. Weir for cash, Stamps and Stationery, \$5.
23. Bought from A. Weir on our note at 4 days, Stove for store, \$30.
24. Received from S. Dame on account, his note at 2 months, \$130.
25. Gave to P. Kerr on account, our note at 10 days, \$240.
26. S. Dame returned the money loaned him on the 12th inst.
28. Returned to P. Kerr the money borrowed on the 18th inst.
29. Paid cash for advertising, \$3.
30. Redeemed our note of the 23rd inst.
31. Paid Student his month's salary.

#### Exercise No. 24.

- (a) Journalize and post all the accounts.
- (b) Find the gain in Mdse. account and the loss in Expense account; enter the difference, which is the *net gain*, in the Proprietor's account, and balance it. What is this balance? (See Sec. 15.) Leave the other accounts unclosed.
- (c) Write out receipts for Feb. 20 and 28; and promissory notes for Feb. 5, 14, 20 and 26. Write each business paper when journalizing the transaction.

Montreal, February 1, 1907. G. Grand commences business, investing Cash \$1000, Mdse. \$500.

- He engages Student as bookkeeper at \$20 per month, and rents store No. 29 Notre Dame St., from F. Smith at \$25 per month.
2. Sold K. Morris on account, 250 bush. Wheat @ \$1.
  4. Sold K. Morris for cash, 200 bush. Oats @ 30c.
  5. Sold K. Morris on his note at 10 days, 4 tons Pressed Hay @ \$15.
  7. G. Grand withdrew from the business, cash \$20.
  9. Bought from K. Morris on account, Mdse. as per Invoice No. 1, \$180
  12. Bought from K. Morris for cash, Mdse. as per Inv. 2, \$70.
  14. Bought from K. Morris, on our note at 10 days, Mdse. as per Inv. 3, \$40.
  18. K. Morris settled his note of the 5th inst. in cash.
  20. Received from K. Morris on account, his note at 2 months, \$50.
  23. G. Grand invests cash, \$100.
  25. Paid for stationery in cash, \$2.
  26. Borrowed from K. Morris on our note on demand, cash \$250.
  27. Settled our note of the 14th inst. in cash.  
Paid Student his month's salary, \$20.
  28. Paid F. Smith for August rent in cash.  
Sold the balance of Mdse. on hand for cash, \$500.

### 37. Two Kinds of Bookkeeping—Double Entry and Single Entry.

Double Entry Bookkeeping deals with all the accounts of a transaction—both Personal and Impersonal. Single Entry Bookkeeping deals with Personal accounts only.

In Double Entry, there is always one or more debits and also one or more credits in connection with each transaction; the debits are always equal in amount to the credits, and they are written together as one journal entry, so that a transaction is said to be entered *double*. In Single Entry, each journal entry concerns but a single account, and that a Personal account; if a transaction has two Personal accounts connected with it, then a separate entry is made in the Journal for each, so that a transaction is said to be entered *single*.

In Double Entry, an entry is made in the Journal whether the transaction is on account or not. In Single Entry, an entry is made in the Journal, only when the transaction is on account or partly on account.

### 38. The Journal Day Book.

This book is a combination of the Journal and the Day Book or Blotter. The Journal portion arranges the debits and credits ready for posting, and the Day Book portion gives an explanation or history of the transaction.

Double entry bookkeeping is said to have originated with the Italians. Lucas di Vergo was the first, or among the first, to state the general principles. Since his time there have been many changes and much advancement in the application of these principles.

The old form of Day Book and Journal, as two separate books, has been superseded by the Journal Day Book, a combination of these two, generally now called simply the *Journal*. At first the student will post to the Ledger from the Journal Day Book only, but at a later stage he will use other Journals, such as the Sales Journal, Purchase Journal, Cash Journal, etc.

### 39. Set I.—Illustration Set—Double Entry—Dry Goods Business.

**To the Student.**—Study the illustrations, and then work this set out for yourself. Write out the business papers mentioned in (c), either before commencing the set, or with each transaction as it is journalized. In the sets that follow, you will be keeping books or doing business in various towns and cities throughout the Dominion.

**Special Features.** This set is worked out to illustrate Journal Day Book entries, posting, trial balance, financial statements, and the closing of the Ledger.

#### Instructions :

- (a) Books to be used—Business Papers, Journal Day Book and Ledger.
- (b) Business Papers—Notes on Mar. 24 and 25.
- (c) Make out Business Papers and Journalize; post to the Ledger; take a Trial Balance; take stock; make a Statement of Losses and Gains, a Summary of G. Grand's A/c and a Statement of Assets and Liabilities; and close the Ledger.

#### Directory :

Hunter, T., Toronto, Ont.  
Speller, J., Brockville, Ont.

### 40. Transactions—Set I.—Illustration Set.

Ottawa, March 1, 1907.—G. Grand commences the Dry Goods Business at No. 35 Sparks St. with the following Assets: Mdse. \$2000; Cash \$1500.

2. Sold J. Speller on % (account), 130 yds. Can. Tweed @ \$1.
5. Bought from T. Hunter on %, Mdse. as per Invoice No. 1, \$75.
6. Paid for stamps and stationery, \$5.
8. Sold J. Speller for cash, 90 yds. Scotch Tweed @ \$1.50.
11. Bought from T. Hunter for cash, Mdse. as per Invoice No. 2, \$125.
15. Paid W. Moore for painting store, cash \$30.
20. Paid T. Hunter on %, cash \$75.
24. Sold J. Speller on his note at 10 days, 1000 yds. F. Cotton @ 4c.
25. Bought from T. Hunter on our note at 30 days Mdse. as per Inv. 3, \$200.
27. Received from J. Speller on %, cash \$50.
29. Paid student's salary as bookkeeper, \$30.

### 41. Directory.

The Directory in each set gives the addresses of the persons with whom business is transacted. These addresses are to be used when making out the business papers.

42 (a). Journal Day Book—Illustration Set.

OTTAWA, March 1, 1907.

Leger Page	Debtor line	Creditor line	Date line	Debit or column	Creditor column
OTTAWA, March 1, 1907.					
<i>G. Grand commences the Day Goods business at No. 55 Sparks St.</i>					
			1		
31	Misce.			2000	
32	Cash			1500	
31		G. Grand, (Capital a/c) For Assets at Commencement			3500
			2		
32	J. Speller			130	
31		Misce. Sold him on a/c, 1.30 gals. Can. Tiered at 81			130
			3		
31	Misce.			75	
32		T. Hunter Bought from him on a/c Misce. as per Inv. 1			75
			4		
32	Expense			5	
32		Cash Paid for stamps and stationery			5
			5		
32	Cash			135	
31		Misce. Sold J. Speller for cash, 50 gals. Scotch Tiered to Inv.			135
			6		
31	Misce.			125	
32		Cash Bought from J. Hunter for cash, Misce. as per Inv. 2			125
			7		
32	Expense			30	
32		Cash Paid W. Moore for painting store			30
			8		
32	T. Hunter			75	
32		Cash Paid him on a/c			75
			9		
32	Bills Rec.			70	
31		Misce. Sold J. Speller on B. R. 1, 1000 gals. F. Cotton to Inv.			70
			10		
31	Misce.			200	
32		Bills Payable Bought from T. Hunter on B. R. 1, Misce. as per Inv. 3			200
			11		
32	Cash			50	
32		J. Speller Received from him on a/c			50
			12		
32	Expense			20	
32		Cash Paid bookkeeper's salary			20



Ledger Posted—Illustration Set—Continued.

<i>Dr.</i>		<i>Cash.</i>		<i>Cr.</i>	
<sup>1907</sup> Mar 1	30	1500	<sup>1907</sup> Mar 6	30	5
8	30	135	11	30	125
27	30	50	15	30	30
		1685	20	30	75
			29	30	30
					265
<i>J. Speller</i>					
<sup>1907</sup> Mar 2	30	130	<sup>1907</sup> Mar 27	30	50
<i>T. Hunter</i>					
<sup>1907</sup> Mar 20	30	75	<sup>1907</sup> Mar 5	30	75
<i>Expense</i>					
<sup>1907</sup> Mar 6	30	5			
15	30	30			
29	30	30			
		65			
<i>Bills Receivable</i>					
<sup>1907</sup> Mar 24	30	40			
<i>Bills Payable</i>					
			<sup>1907</sup> Mar 25	30	200



**45. Balanced Accounts.**

Whenever an account is settled or balances, particularly a personal account, it should be ruled and footed on that date. If there be but one item on each side, it should be ruled only, as in F. Hunter's account. Any subsequent entries for the closed account should be placed directly under the ruling.

**46 (a). Trial Balances.**

In Double Entry Bookkeeping, the Journal shows as much in the *debtor* column as in the *creditor* column. There is, therefore, as much posted to the *debtor* side of the Ledger as to the *creditor* side, so that the total of the debtor side must be equal to the total of the creditor side. If we wish to test the accuracy of the posting, we make a trial to see if the Ledger is in balance, called "taking a Trial Balance."

There are two methods of taking a Trial Balance.

I. *By Totals.* Total the Ledger accounts in pin-head figures with a hard lead pencil, make a list of these accounts with their respective debtor and creditor totals, then find the two grand totals, which must be equal in amount. See the pin-head totals in the Illustration Ledger.

II. *By Totals and Balances.* Write the totals of the loss and gain accounts, and the balances only of the asset and liability accounts. The two grand totals must be equal.

The second method is preferable, since financial statements are made from the Trial Balance and Inventories. The balances of asset and liability accounts are more convenient than the totals; but in loss and gain accounts, the totals are necessary to obtain the percentages of loss or gain in the respective accounts.

**(b) Trial Balance by Totals—Illustration Set.**

TRIAL BALANCE, March 30, 1907.

L. P.	Ledger Account.	Dr.	Cr.
	G. Grand (Capital A/c)		
✓	31 Merchandise		3500
✓	32 Cash	2400	305
✓	32 J. Speller	1685	265
✓	32 Expense	150	50
✓	32 Bills Receivable	65	
✓	32 Bills Payable	40	
			200
		4320	4320

**(c) Trial Balance by Totals and Balances—Illustration Set.**

TRIAL BALANCE, March 30, 1907.

	G. Grand (Capital A/c)		
✓	31 Merchandise		3500
✓	32 Cash	2400	305
✓	32 J. Speller	1420	
✓	32 Expense	80	
✓	32 Bills Receivable	65	
✓	32 Bills Payable	40	
			200
		4005	4005

**(d) Trial Balance Out of Balance—Finding Errors.**

1. Test the addition of the Trial Balance by adding it both upward and downward.
2. Next take the difference between the Dr. and Cr. columns of the Trial Balance, and look in the Journal for this amount unposted. Then divide the difference by 2 and look for this amount posted to the wrong side.
3. Add the Ledger accounts again. Then see if the footings have been correctly transferred.
4. See if previous Ledger balances have been brought down correctly.
5. Go over the posting again, placing a lead pencil dot (·) or check mark (✓), in both Journal and Ledger, opposite the verified items. Then look for the unchecked items in the Ledger.

**47. Closing the Books.**

This includes (1) taking a trial balance, (2) stock-taking, (3) making financial statements, and (4) closing the ledger. The books are closed annually or semi-annually for the purpose of determining the net gain or the net loss, the net capital, the percentage of gain, etc.

**48. Stock-taking.**

This consists in making inventories or lists at the time of closing the books: (1) Of Merchandise, Real Estate, Office Furniture, etc. on hand, of Rent and Salaries prepaid by us, of Interest Receivable accrued, etc.; and (2) of Rent and Salaries due by us, of Interest Payable accrued, etc.

In the first class, the inventories are in our favor and are called *Asset Inventories*; in the second class, the inventories are debts against us and are called *Liability Inventories*. Any loss and gain account may, or may not, have an inventory; asset and liability accounts do not have inventories. These lists are made on separate sheets called stock sheets, or in a regular Inventory Book.

**49. Inventory—Illustration Set.**

Copy the following into your Inventory Book, or on some special pages of your Journal Day Book reserved for Inventories.

*INVENTORY, March 30, 1907.*

— <i>Asset Inventory</i> —			
<i>Merchandise: — cut gds., Canadian Tanned</i>	\$ 100	\$100	
<i>do " Scotch Tanned</i>	75	175	
<i>do " E. Cotton</i>	125	300	375

**50. Financial Statements.**

There are three general kinds of Financial Statements, namely, Statement of Losses and Gains, Statement of Assets and Liabilities, and Statement of Receipts and Disbursements. The last one is generally used only by non-trading corporations, such as towns, cities, churches, hospitals, etc., which do not exist for the purpose of making profits. So that the term *Financial Statements* will, throughout this book mean, Statement of Losses and Gains and Statement of Assets and Liabilities, together with a Summary of the Proprietor's Account.

After taking a trial balance and stock-taking, and before closing the ledger, make Financial Statements from the trial balance and inventories. The following three forms are the statements in general use; they differ only in arrangement. The first and second forms are generally used by corporations and companies in their annual statements, because they are easily understood; they may be seen frequently in the newspapers. The third form is sometimes called the *bookkeeper's statement*, from which he afterwards prepares the simpler forms for the proprietor or for the shareholders.

**51. First Form of Financial Statements—Illustration Set.**

(a) STATEMENT OF LOSSES AND GAINS, March 30, 1907.

—Losses—		—Gains—	
Expense . . . . .	65	Merchandise . . . . .	85
* G. Grand's Net Gain . . . . .	20		
	85		85

The Merchandise gain and the Expense losses are found from the loss and gain accounts, marked thus (✓), in the Trial Balance in Section 46 (c), and the Inventory in Section 49. Add the Mdse. Inventory to the Cr. side of Mdse. account, and then take the difference: (\$305 + \$2180) - \$2400 = \$85. There is no Expense Inventory, so that the loss is \$65. The difference between the gain and the loss is G. Grand's Net Gain: \$85 - \$65 = \$20.

(b) SUMMARY OF G. GRAND'S ACCOUNT.

* G. Grand's Net Capital . . . . .	3520	G. Grand's Net Credit . . . . .	3500
		" " Gain . . . . .	20
	3520		3520

This Summary is made from G. Grand's account in the Trial Balance, and the Statement of Losses and Gains.

(c) STATEMENT OF ASSETS AND LIABILITIES.

—Assets—		—Liabilities—	
Merchandise . . . . .	2180	Bills Payable . . . . .	200
Cash . . . . .	1420	G. Grand's Net Capital . . . . .	3520
J. Speller . . . . .	80		
Bills Receivable . . . . .	30		
	3720		3720

The Statement of Assets and Liabilities is made from the Asset and Liability Accounts, marked thus (x), in the Trial Balance in Section 46 (c), the Inventory in Section 49, and the "Summary of G. Grand's Account." Debit balances from the Trial Balance are assets, and credit balances are liabilities. The Merchandise Inventory is an asset. The Net Capital from the Summary is a deferred liability; the business owes this amount to the proprietor, but in case of closing up the business, it is paid last of the liabilities.

The Summary may be combined with the Statement of Assets and Liabilities and written as a part of it. The difference between the ordinary assets and liabilities is always equal to the Proprietor's Net Capital, or Net Insolvency in the event of bankruptcy.

**52. Second Form of Financial Statements—Illustration Set.**

(a) STATEMENT OF LOSSES AND GAINS, March 30, 1907.

	Items.	Totals.
Merchandise . . . . .	—Gains—	85
Expense . . . . .	—Losses—	65
	G. Grand's Net Gain . . . . .	20

## (b) SUMMARY OF G. GRAND'S ACCOUNT.

G. Grand's Net Credit	3500
"    "    Gain	20
"    "    Capital	3520

## (c) STATEMENT OF ASSETS AND LIABILITIES.

	Items.	Totals.
—Assets—		
Merchandise	2180	
Cash	1420	
J. Speller	80	
Bills Receivable	40	3720
—Liabilities—		
Bills Payable	200	
G. Grand's Net Capital	3520	3720

## 53. Third Form of Financial Statement—Illustration Set.

FINANCIAL STATEMENT, March 30, 1907.

L. P.	(Trial Balance)		(Statement of)		(Statement of)		
	Dr.	Cr.	Inven- tories.	Losses.	Gains.	Assets.	Liabilities.
31 G. Grand (Capital A/c)		3500					
31 Merchandise	2180	305	2180		85	2180	
32 Cash	1420					1420	
32 J. Speller	80					80	
32 Expense	65			65			
32 Bills Receivable	40					40	
32 Bills Payable		200					200
	4005	4005		65	85	3720	200
*Net Gain				*20			
(Summary)				85	85		
G. Grand's Net Credit		3500					
"    "    Gain		20					
"    "    Capital		3520					3520
						3720	3720

This third form is sometimes called a *Balance Sheet*, but since this term is used by many, as a name for the Statement of Assets and Liabilities alone, we have avoided its use altogether, using instead the term *Financial Statement*.

In all three forms of the Financial Statement, the Loss and Gain Statement and the Asset and Liability Statement are each made from the Trial Balance and Inventories, both of which are shown in the third form only. The loss and gain accounts are marked thus (✓), and the asset and liability accounts thus (×). In loss and gain accounts, debtor balances are losses and

creditor balances are gains ; in asset and liability accounts, debtor balances are assets and creditor balances are liabilities. All loss and gain accounts may or may not have inventories, but asset and liability accounts never have inventories.

*Loss and Gain Statement.*—Since we are making a statement for G. Grand, we shall not use his account until we come to the Summary.

1. Merchandise Account : add the asset inventory, \$2180, to the creditor side and then take the difference, which is a gain, \$85.
2. Expense Account : There is no inventory, and the difference is a loss, \$65.
3. The difference between the two columns is the net gain, \$20.

*Asset and Liability Statement.*—For this statement, besides dealing with the asset and liability accounts, we must look to the inventories from the loss and gain accounts, which inventories are either assets or liabilities.

1. Merchandise Account : the Inventory, \$2180, is an asset.
2. Cash Account : the balance is an asset, \$1420.
3. J. Speller's Account : the balance is an asset, \$80.
4. Expense Account : there is no Inventory.
5. Bills Receivable Account : the balance is an asset, \$40.
6. Bills Payable Account : the balance is a liability, \$200.
7. The difference between the assets and the liability is the net capital, \$3520, which agrees with the net capital found in the Summary. The business owes this amount to the Proprietor as a deferred liability.

#### 54. Purpose of Closing the Ledger.

Since the Loss and Gain Statement shows the details of losses and gains, and the net gain or the net loss for the year, there would seem to be no need of closing the Ledger. It is necessary, however, to close the Ledger : (1) to have a permanent record of the gains, the losses, the net gain or the net loss, and the net capital for the year or the period under consideration ; and (2) to make a separation, in the loss and gain accounts, between the entries of successive years, so that the facts mentioned above may be determined for each year. It is quite evident that there is no need of closing asset and liability accounts for this purpose ; they are closed only when they balance, or are settled, or transferred to a new page.

#### 55. Steps to Close a Double Entry Ledger.

After stock-taking, taking a trial balance, and making financial statements, proceed to close the Ledger as follows :

1. Open Loss and Gain Account.
2. Close the loss and gain accounts, such as Mdse. and Expense, transfer the gains and losses to the Loss and Gain Account and bring down the Inventories.
3. Close Loss and Gain Account and transfer the net gain or the net loss to the Proprietor's Account.
4. Close the Proprietor's Account, and bring down the Net Capital.
5. Do not close any asset and liability accounts except Cash Account and Bank Account. These two accounts are not usually kept in the Ledger, but when they are, they should be closed and the balances brought down, so as to tally with the balances of the Cash Book and the Bank Pass Book respectively.

56. Ledger Closed—Illustration Set.

Dr. *G. Grand (Capital A/c)* Cr.

		1907 Mar 1	30	3500		
			30	Net Gain	39	20
	3520					3520
		Apr 1	38	Net Capital	38	3520

*Merchandise.*

1907 Mar 1	30	2000	Mar 2	30	130
5	30	75	8	30	135
11	30	125	24	30	40
25	30	200			505
		2400			
		2485			2485
Apr 1	38	Inventory	38	2180	

*Cash.*

1907 Mar 1	30	1500	1907 Mar 6	30	5
8	30	135	11	30	125
27	30	50	15	30	30
		1685	20	30	75
			29	30	30
					265
		1685			1685
Apr 1	38	Balance	38	1420	

*J. Speller.*

1907 Mar 2	30	130	1907 Mar 27	30	50
---------------	----	-----	----------------	----	----

*T. Hunter.*

1907 Mar 20	30	75	1907 Mar 5	30	75
----------------	----	----	---------------	----	----

<i>Dr.</i>	<i>Expense</i>		<i>Cr.</i>
<i>Mar</i> 6	30	5	
15	30	30	
29	30	30	
		65	
			65

*Bills Receivable*

<i>Mar</i> 24	30	40	
---------------	----	----	--

*Bills Payable*

<i>Mar</i> 25	30	200	
---------------	----	-----	--

*Loss & Gain*

<i>Mar</i> 30 <i>Expense</i>	39	65	<i>Mar</i> 30 <i>Mdse.</i>	38	85
		85			85

**Remarks:**

1. In all red ink entries, enter the page *to* which transferred; and in the corresponding black ink entries, enter the page *from* which transferred. In the case of an inventory or balance brought down on the same page, the paging may be omitted.
2. Make the pin-head figures neatly with a hard lead pencil and leave them for future reference.

**57 (a) Closing the Ledger—Illustration Set.**

- I. *Open Loss and Gain Account.*
- II. *Close the loss and gain accounts.*

*Merchandise Account:*

- (a) Enter the Inventory (an Asset Inventory<sup>1</sup>) on the Cr. side in red ink<sup>2</sup>, thus, "Mar. 30, Inventory, \$2180."
- (b) Find the difference between the sides, which is a gain, and enter it on the smaller (Dr.) side in red ink, thus, "Mar. 30, Gain, \$85," to balance the account.
- (c) Rule and foot the account.
- (d) Transfer the gain to the opposite (Cr.) side of the Loss and Gain Account in black ink, thus, "Mar. 30, Mdse., (page of Mdse. Acct.), \$85."

- (e) Turn back to Misde. Acct. ; see if you transferred the right amount, called *checking back*; and then enter the page of Loss and Gain Account, called *checking off*.
- (f) Bring down the Inventory on the opposite (Dr.) side, below the ruling, thus, "April 1, Inventory, (page from which taken), \$2180," for next month. *Check back and check off.*

*Expense Account :*

- (a) There is no Inventory.
- (b) Enter the difference, which is a loss, on the smaller (Cr.) side in red ink, thus, "Mar. 30, Loss, \$65," to balance the account.
- (c) Rule the account ; it needs no footing this time.
- (d) Transfer the loss to the opposite (Dr.) side of Loss and Gain Account in black ink, thus, "Mar. 30, Expense, (page of Expense Acct.), \$65."
- (e) Turn back to Expense Account and *check back and check off.*
- III. *Close Loss and Gain Account.*
- (a) Enter the difference which is the Net Gain on the smaller (Dr.) side in red ink, thus, "Mar. 30, G. Grand, \$20," to balance the account.
- (b) Rule and foot the account.
- (c) Transfer the Net Gain to the opposite (Cr.) side of G. Grand's Account, in black ink, thus, "Mar. 30, Net Gain, (page of Loss and Gain Account), \$20."
- (d) Turn back to the Loss and Gain Account, and *check back and check off.*
- IV. *Close G. Grand's Account.*

- (a) Enter the difference, which is his Net Capital, on the smaller (Dr.) side in red ink, thus, "Mar. 30, Net Capital, \$3520," to balance the account.
- (b) Rule and foot the account.
- (c) Bring down the balance on the opposite (Cr.) side, in black ink, thus, "April 1, Net Capital, (page from which taken), \$3520," for next month. *Check back and check off.*

V. *Close Cash Account.*

Balance it, rule and foot it, and bring the balance down. Do not close any other Asset and Liability Accounts. (See Section 54.)

(b) **Remarks :**

1. Asset Inventories are placed on the Cr. side, and Liability Inventories on the Dr. side, in red ink. They are afterward brought down in black ink, on the opposite side to the red ink entry.
2. Red ink may be said to indicate that the entry is on its wrong side, and black ink that the entry is on its right side. Inventories are placed on their wrong sides in red ink, that the true gain or loss may be found ; all other red ink entries are so placed, simply to balance the accounts. In each case, the entry is afterwards transferred to its right side, in black ink.

**58. Real Estate.**

This term includes land and anything attached to the land by nature or by man, such as houses, wells, mines, etc. This account is treated in the same way as any other loss and gain account, being made Dr. for costs and Cr. for proceeds.

**59. Opening Entry and the Proprietor's Account.**

The opening entry is a transaction between the proprietor and his business. He invests (gives) his assets for which he is made Cr. ; the assets are made Dr. He withdraws (receives back) part of his investment, when the business assumes any liabilities he may have, and for this he is made Dr. ; the liabilities are made Cr. Suppose D. Scott's Assets at commencement to be \$3000, and his Liabilities \$200 ; either of the following opening entries may be employed :



## RATIONAL BOOKKEEPING.

### Opening Journal Entries.

1st METHOD (gross investment).			2nd METHOD (net investment).		
Assets Dr.			Assets Dr.		
D. Scott (Capital A/c) Cr.	3000	3000	Liabilities Cr.	200	200
D. Scott (Capital A/c) Dr.	200	200	D. Scott (Capital A/c) Cr.	2800	2800
Liabilities Cr.					

### Set II.—Double Entry—Dry Goods Business.

**Special Features.**—The application of the forms and ruling, as illustrated in Set I.

**Instructions:**

- (a) Books to be used—Business Papers, Journal Day Book and Ledger.
- (b) Business Papers:
  1. Inward.—Notes on Jan. 2 and 22.
  2. Outward.—Note on Jan. 24; Receipt on Jan. 10 and 28.
- (c) Make out business papers and journalize; post to the Ledger; take a Trial Balance; take stock; make Statement of Losses and Gains, Summary of Proprietor's % and Statement of Assets and Liabilities (Sec. 51); and close the Ledger. Close no asset and liability accounts, excepting Cash Account. Bring down the following balances so as to continue Set III. under the same Ledger headings: R. J. Potter's Net Capital, Mdse. Inventory, Real Estate Inventory and Cash Balance.

**Directory:**

Dow, L., Owen Sound, Ont. Moore, P., Whitby, Ont.	Street, M., Montreal, Que. All Others, Toronto, Ont.
--	---

#### Ledger Lines for Sets II. and III.

In the accounts below, the first figure shows the number of lines for Set II., and the second figure the number for Set III. When an account is not the first one on the page, three extra lines for the ledger heading (H) which should be written on the middle line, or one above the ruling. (See Sec. 56.) The small figures on the left (1, 2, 3, 4) indicate that the first two accounts will take one page of Ledger, the next two another page, and so on.

<sup>1</sup> R. J. Potter (Cap. A/c) . . . H+4+ 3 Merchandise . . . . . H+8+ 7 <sup>2</sup> Cash . . . . . H+6+ 10	Bills Receivable . . . H+2+ 4 <sup>3</sup> Real Estate . . . . . H+4+ 2 Expense . . . . . H+4+ 6 L. Dow . . . . . H+1+ 4	<sup>4</sup> P. Moore . . . . . H+1+ 2 M. Street . . . . . H+1+ 4 Bills Payable . . . . . H+1+ 3 Loss and Gain . . . . . H+3+ 3
---	---	--

#### Transactions—Set II.

- Toronto, January 2, 1907.—R. J. Potter commences the Grocery Business at 150 Yonge St. with the following Assets: Mdse. \$2550; Cash \$1887; note against L. Dow, dated Dec. 26, 1906, at 3 months, for \$500; Store and Lot \$1800.
3. Bought for cash a set of office books, \$10.
  - Engaged student as bookkeeper at \$40 per month.
  5. Sold P. Moore on %, 500 lbs. Tea @ 30c.
  8. Bought from M. Street for cash, Mdse. as per Inv. 1, \$500.
  10. P. Moore paid on %, cash \$50.
  14. Sold L. Dow on %, 500# (lbs.) Sugar @ 3c.; 100# Coffee @ 20c.
  16. Bought from M. Street on %, Mdse. as per Inv. 2, \$150.
  18. Paid Mrs. Sims for cleaning store, cash \$2.

## RATIONAL BOOKKEEPING.

22. Sold P. Moore on his note at 60 days, 200 gals. G. Syrup @ 20c.  
 24. Gave M. Street on %, my note at 2 months, \$75.  
 28. Received from L. Dow on %, cash \$25.  
 31. Sold L. Dow for cash, 500# cheese @ 10c.  
 Paid Bookkeeper's salary in goods from store, \$40.

## INVENTORY taken Jan. 31, 1907.

## Asset Inventories:

Merchandise.—17,000# Sugar @  $2\frac{1}{2}c$ . 2,000# Cheese @ 8c.  
 5,000# Coffee @ 15c. 2,000 gals. G. Syrup @ 15c.  
 5,000# Tea @ 25c.

Real Estate.—Store and Lot \$2,000.

Results.—Net Gain, \$263; Net Capital, \$67.37.

**60. Principal and Auxiliary Books.**

Principal books are those from which posting is done, together with the Ledger; auxiliary books are those which are used as memorandum books, and not as posting mediums. In Set III. we shall continue the Journal as the only posting medium, and introduce the Cash Book as an auxiliary book, and at a later stage as a principal book.

**61. Books of Original Entry.**

These are books of account in which transactions are first recorded, and are the only ones admitted as proof of an account in courts of law. They may be either principal or auxiliary books, since a principal book, say the Journal, may have its origin in an auxiliary book, say a Blotter or Counter Check Book.

**62. Cash Book.**

The Dr. side of the Cash Book shows the receipts, and the Cr. side shows the payments; the difference between the two sides shows the balance of cash on hand.

There are four parts to an entry in the Cash Book (1) the date, (2) the name of the account opposed to cash, (3) the explanation, and (4) the amount. The account opposed to cash, on the Dr. side, shows from whom the cash was received, if on account, or for what received, if not on account; on the Cr. side, it shows to whom the cash was paid, if on account, or for what it was paid, if not on account.

**63. Cash Book for Set III.**

Date.	Ledger Accounts Cr.	CASH (Receipts).		Dr.
		Explanations.	Items.	
1907				
Feb. 1	Balance	On hand		1,500
4	Misc.	Sold L. Dow	61	
13	L. Dow	On account	10	
18	Bills Rec.	No. 3	150	
27	P. Moore	On account	5	
28	Misc.	Sold by auction	3,500	
28	Real Estate	Sold store and lot to M. Street	2140	586
				2,966
Mar. 1	Balance	On hand		67.37

**64. The Cash Book a Cash Journal.**

Notice that when Cash is Dr. for a certain amount (say \$61 on Feb. 4), the opposing account (Mdse.) is Cr. for the same amount; and when Cash is Cr. for a certain amount (say \$300 on Feb. 2), the opposing account (Mdse.) is Dr. for the same amount. So that we might omit the cash transactions from the Journal and enter them only in the Cash Book, posting therefrom to the Ledger.

In Sets III. to VII. the student will use the Cash Book as an auxiliary book, and by making the comparisons suggested he will thoroughly appreciate dropping the cash transactions from the Journal Day Book when he comes to use the Cash Book as a principal book in Set VIII.

There are other "short cuts" in connection with the Cash Book which will be taken up as the student advances, from which he will learn to look upon this book as one of great importance in shortening the work of bookkeeping.

**65. The Cash Book a Ledger Account.**

Compare the sides of the following Cash Account (Sec. 66), from the Ledger of Set III., with the corresponding sides of the Cash Book (Sec. 63) of the same set. You will find the amounts the same, item for item, so that we might dispense with the Cash Account in the Ledger, and let the Cash Book take its place. Remember this fact while working Sets III. to VII., and when you come to Set VIII. you will be asked, not only to post from the Cash Book, but to have your Cash Account in the Ledger show only the Dr. and Cr. Cash Book totals; and later you will be asked to omit the Cash Account altogether.

**66. Cash Account from Ledger of Set III.**

Dr.		CASH		Cr.	
1902					
Feb.	1	1,000	1902		
	4	61	Feb.	2	300
	11	25		11	25
	14	50		14	50
	19	50		19	50
	22	100		22	100
	25	110		25	110
				28	60
					170
					300
Mar.					61.25
	Balance	61.25		Balance	61.25

**an Auxiliary Book.**

Date.		CASH (Payments).		Cr.	
Ledger Account's Dr.		Explanations.		Penny.	Totals and Bal.
1902					
Feb.	2	Mdse.	Bought from M. Street	300	
	4	Expense	Painting Store	25	
	11	Expense	Hayes St. Showcase 8/10	50	
	14	M. Street	On account	50	
	19	Expense	Bought from P. Moore	100	
	22	Expense	Postage and Stationery	2	
	25	Bills Pay.	No. 2	110	
	28	Expense	Subscriptions	60	
			* Balance on hand		61.25
					300

**67. Purposes of the Cash Book.**

(1) As an auxiliary book, besides being a record of receipts and payments, it serves as a check on the cash drawer; the balances of the Cash Book and the cash drawer should always agree; and if they do not, a mistake has been made or the drawer has been tampered with. In actual business, this comparison of balances is made daily or weekly, and the Cash Book footed and ruled at the same time or at longer intervals.

(2) As a principal book, it serves as a posting medium, thus lessening the work of the Journal Day Book. It may also serve as a ledger account.

**Set III.—D. E.—Grocery Business.**

**Special Features.**—Continuation of Set II., and the introduction of the Cash Book as an auxiliary book.

**Instructions:**

(a) Books to be used—Business Papers, Journal Day Book, Cash Book and Ledger.

(b) Business Papers:

1. Inward.—Notes on Feb. 5, 20 and 23; Receipts on Feb. 6, 14 and 28.

2. Outward.—Notes on Feb. 12 and 16; Receipts on Feb. 13 and 20.

(c) Make out business papers and journalize; write up the Cash Book, making each entry just after the transaction is journalized, post under the ledger headings of Set II.; take a Trial Balance; make Statement of Losses and Gains, Summary of Proprietor's % and Statement of Assets and Liabilities (Sec. 51); close the Ledger as in Set II.

**Transactions—Set III.**

Toronto, February 1, 1907.—R. J. Potter continues the Grocery Business at 150 Yonge St.

2. Bought from M. Street for cash, Mdse. as per Inv. 3, \$300.
4. Sold L. Dow for cash, 1000# Sugar @ 4c.; 70# Tea @ 50c.
5. Sold P. Moore on his note at 10 days, 1500# Cheese @ 10c.
6. Paid R. Smith for painting store, cash \$25.
7. Bought from M. Street on %, Mdse. as per Inv. 4, \$200.
8. Sold L. Dow on %, 100# Coffee @ 25c.
9. Engaged J. Sims as clerk at \$30 per month.
11. Bought from Rogers & Sons for cash, Chairs \$6, Showcase \$40, for store.
12. Bought from M. Street on our note at 10 days, Mdse. as per Inv. 5, \$150.
13. L. Dow paid cash on %, \$10.
14. Paid M. Street on %, cash \$50.
15. Sold L. Dow on %, 20 bbls. Flour @ \$4.
16. Sent M. Street on %, our note at 15 days, \$100.
18. P. Moore paid his note of the 5th inst. in cash.
19. Bought from P. Marsh for cash, 1 ton Coal \$6, for store.
20. Received from L. Dow on %, his note at 30 days, \$50.
21. Sold P. Moore on %, 10 sacks Oatmeal, 100# each, @ 2½c.
22. Paid for Postage and Stationery, \$2.
23. L. Dow gave us his note at 60 days to close his %.
25. Paid our note of the 12th in cash.
26. Sold M. Street on %, Chairs and Showcase (bought on 11th), \$43.

- 27. Received from P. Moore on account, cash \$5.
- 28. Sold balance of Mdse. at auction for cash, \$3500.  
Paid salaries, clerk \$20, bookkeeper \$40.  
Sold Store and Lot to M. Street for cash, \$2140.

Results.—Net Gain, \$235 ; Net Capital, \$7235.

**68. Business Papers—Deposit Slips and Checks.**

The deposit slip for the business man's account, called current account, is printed in black ink ; the deposit slip for the savings bank account is usually printed in red ink. Checks are sometimes treated in the same way.

(Deposit Slip—Current Account.)

**Scholastic Bank.**

Credit		A. Weir	
Deposited by	Student	Feb.	190...
40	× 1 =		40
30	× 2 =		60
	× 4 =		
100	× 5 =		500
20	× 10 =		200
	× 20 =		
10	× 50 =		500
4	× 100 =		400
	× 500 =		
		\$	1700
Coin		20	50
Checks		40	15
"		39	35
			1800

R. J.

(Deposit Slip—Savings Account.)

**Scholastic Bank.**

Savings Bank Department.

Account No.	375	Rate	3%
Credit	Student	Feb. 28	190... 4
Occupation	Bookkeeper		
Street Address	27 King St.		
Post Office	Hamilton		
Deposited by	Self		
	× 1 =		
3	× 2 =		6
2	× 4 =		8
	× 5 =		
1	× 10 =		10
	× 20 =		
	× 50 =		
	× 100 =		
		\$	24

No. <i>10</i>	Hamilton, Feb. 5: 1907
<b>To the Scholastic Bank</b>	
Pay to <i>S. Pearson</i> or Bearer	
<b>Dollars</b>	
<i>\$ 200.00</i>	<i>a Weir</i>

**69. Bank Pass Book.**

Student, as A. Weir's bookkeeper, hands the cash to be deposited and the deposit slip to the Receiving Teller, who counts the cash, initials the deposit slip and hands the slip to the Ledger Keeper. Student then presents the pass book to the Ledger Keeper, who first enters the amount in the bank ledger and then in A. Weir's pass book; he at the same time enters any of A. Weir's checks that have been paid by the bank. At the end of the month student is required to leave the pass book to be balanced; when given back to him he also receives A. Weir's checks that have been paid by the bank, and is asked to sign a book acknowledging the correctness of the balance and the receipt of the paid checks.

(BANK PASS BOOK.)

Dr. Scholastic Bank in Acct.				with	A. Weir		Cr.
DATE.	PARTICULARS.	AMOUNT.	Ledger Keeper's Initials.	CHEQUES.	CHEQUES.	CHEQUES.	CHEQUES.
1907							
Feb.	2	Deposit	B	200			
	28	"	B	150			
				15			
				77	50		
				25			
		2100		1755	50	Balance	
		2100		2100			
Mar.	1	Balance					
		1755 50					

The leaves of the Pass Book fold here.

**70 (a). Bank Account.**

An account may be kept with the bank : 1. As a personal account in the Ledger only ; 2. On the stubs of the Check Book only ; 3. In the Bank Pass Book only ; 4. In special columns in the Cash Book only ; 5. By combinations or modifications of the first four methods.

Make the Bank debtor for the deposits it receives from us, and creditor for the amounts it gives in paying the checks we draw on it. Other persons' checks on the various banks have nothing to do with our Bank Account ; we call them cash when we receive them, because we may either cash them at any bank, or deposit them with our other cash.

**(b) Bank Account—Transactions Journalized.**

Hamilton, February 2, 1907.—Deposited in the Scholastic Bank 30 ones, 30 twos, 100 fives, 20 tens, 10 fifties, 4 one hundreds, coin \$20.50, checks \$40.15 and \$39.35.	Scholastic Bank Dr. Cash Cr.	1800		1800
Feb. 5.—Bought from S. Pearson for check, Mdse. \$200.	Mdse. Dr. Scholastic Bank Cr.	200		200
Feb. 7.—Sold J. Darwin for check, Mdse. \$250.	Cash Dr. Mdse. Cr.	250		250

**Set IV.—D. E.—Flour and Feed Business.**

**Special Features.**—The introduction of Bank Account as a personal account in the Ledger.  
The use of deposit slips and checks.

**Instructions :**

- (a) Books to be used—Business Papers, Journal Day Book, Cash Book and Ledger.
- (b) Business Papers :
  1. Inward.—Notes on Feb. 8, 13, 20, 23 ; Checks on Feb. 7, 14, 16, 26 drawn on any bank ; Receipts on Feb. 25, 27.
  2. Outward.—Notes on Feb. 1, 6, 15, 21, 25 ; Deposit Slip on Feb. 2 ; Checks on Feb. 5, 11, 22, 25, 27 ; Receipts on Feb. 8, 23.
- (c) Make out business papers, journalize and write up the Cash Book ; post ; take a Trial Balance ; take stock ; make a Loss and Gain Statement, a Summary of the Proprietor's % and an Asset and Liability Statement ; close the Ledger in the same way as in Sets I. and II.

**Directory :**

Calder, A., Grimsby, Ont.	Knight, A., St. Catharines, Ont.
Davis, J., Oakville, Ont.	Taylor & Sons, Toronto, Ont.
Darwin, J., Dundas, Ont.	All Others, Hamilton, Ont.
Kilgour Bros., Toronto, Ont.	

**Ledger Lines** ("H" stands for Heading, 3 lines):

A. Weir . . . . . H + 4	Expense . . . . . H + 7	A. Knight . . . . . H + 4
Cash . . . . . H + 9	Bills Payable . . . . . H + 6	Bills Receivable . . . . . H + 5
Merchandise . . . . . H + 8	J. Davis . . . . . H + 4	Loss and Gain . . . . . H + 3
Scholastic Bank . . . . . H + 8		

**Transactions—Set IV.**

Hamilton, February 1, 1907. A. Weir commences the Flour and Feed Business at 237 King St.  
Assets: Cash, \$2000 ; Mdse. as per Inventory, \$2000 ;  
J. Davis owes on account, \$130.

- Liabilities: Note favor of D. Calder, dated Jan. 8, 1907, at 30 days for \$150; balance due A. Knight, \$500.
2. Arranged to open an account with the Scholastic Bank. Deposited cash 40 × \$1, 30 × \$2, 100 × \$5, 20 × \$10, 10 × \$50, 4 × \$100; coin, \$20.50; checks, \$40.15, \$39.35.
  4. Sold A. Knight on %, 130 bush. Oats @ 35c.; 10 tons Pressed Hay @ \$18.
  5. Bought from S. Pearson for check, Mdse. as per Inv. 1, \$200.
  6. Gave A. Knight on %, our note at 10 days, \$30.
  7. Sold J. Darwin for check, 50 bbls. Flour @ \$5.
  8. Received from J. Davis on %, his note at 1 month \$35, and cash \$50.
  9. Bought from D. Arnold for cash, Mdse. as per Inv. 1, \$90.
  11. Paid our note of the 8th ult. with check, \$150.
  12. Bought from Kilgour Bros. for cash, Wrapping Paper as per Inv. 1, \$40.
  13. Sold A. Kent on his note at 10 days, 500# Flaxseed at 3c.
  14. J. Davis paid on % per check, \$20.
  15. Bought from Taylor & Son on my note at 3 months, bearing interest at 6 % per annum, Safe for office, \$125.
  16. Sold J. Davis for check \$10 and balance on %, 120 bush. Peas @ 50c.
  18. Bought from A. Knight on %, Mdse. as per Inv. 1, \$100.
  19. Paid our note of the 6th in cash.
  20. Sold J. Darwin for cash \$30 and balance on his note at 30 days, 150 bush. Fall Wheat @ 90c.
  21. Bought from S. Pearson on our note at 30 days, Mdse. as per Inv. 2, \$200.
  22. Paid Grand Trunk Railway for freight per check, \$15. (Make Mdse. Dr., not Expense.) Paid advertising in cash, \$5.
  23. Received from J. Davis cash \$10 and his note at 30 days, to close his %.
  25. Gave A. Knight check \$44.50 and our note at 15 days, to close our %.
  26. A. Kent paid his note of the 13th with check.
  27. Paid J. Booth for rent of store with cash, \$30. Paid student's salary with check, \$25.
  28. Deposited balance of cash on hand. (Find the balance from your Cash Book.)

INVENTORIES taken Feb. 28, 1907.

Asset Inventories:

Merchandise.—1000 bush. Oats @ 32c.; 900# Flaxseed @ 2½c.  
 300 " Peas @ 45c.; 20 tons P. Hay @ \$17.00.  
 500 bbls. Flour @ \$4.50.

Expense.—Office Safe, \$120.00.

Results.—Net Gain, \$44.50; Net Capital, \$4524.50.

## 71. Business Papers—Bills and Invoices.

A Bill is an itemized list of goods sold by a retailer or of services rendered. An Invoice is an itemized list of goods sold by a wholesaler.



(BILL.)

HAMILTON, February 2 19 07

Mr. James Scott

BOUGHT OF A. WALLACE & CO.  
RETAIL GROCERS

20	# Sugar	. . . . .		1	
5	# Tea	. . . . .	.25	1	.25
2	bags Potatoes	. . . . .	1.10	2	20
3	doz. Eggs	. . . . .	.15		.45
<i>Paid Feb. 2, 1907,</i> A. Wallace & Co., per M. T.				4	90

(INVOICE.)

TORONTO, February 11 19 07

Mr. R. K. Spencer

Whitby

BOUGHT OF W. J. GAGE & CO. LIMITED

Terms: *Net 30 days.*

WHOLESALE STATIONERS

3	M Envelopes # 4160	. . . . .	1.50	4	.50	
2	gr. Pens # 1623	. . . . .	.55	1	.10	
5	rms. Treasury Foolscap 16#	. . . . .	1.60	8		13 60
<i>Less 3<sup>00</sup></i>						30
<i>Received Payment,</i> Feb. 11, 1907, W. J. Gage & Co. K.						13 20

NOTE.—The sig. # means *number* when placed before figures, and *pounds* when placed after figures.

## 72. Business Papers—Orders.

An Order is a written request drawn by one party, called the drawer, on a second party, called the drawee (the payer or giver), in favor of a third party, called the payee (the receiver).

Kinds of Orders: (1) Orders requesting the payment of money or the giving of goods, commonly called *orders*; (2) bank checks; (3) inland or domestic bills of exchange, commonly called *drafts*; (4) foreign bills of exchange, commonly called *bills of exchange*; (5) bank drafts; (6) post office orders; (7) postal notes; (8) express money orders. (See Sections 103 and 104.)

The last set exemplified bank checks. In this set we shall take up orders for money or goods; this class of order is seldom used, but the student in bookkeeping should know how to deal with them. A farm laborer or other employee buy goods and give an order on his employer, because his employer has not the ready money in his wages; the merchant receives the order and charges the goods to the employer; or the employer may himself give the order, asking the merchant to let his employee have goods on his account, and in this case also the merchant will charge the goods to the employer. Orders may, however, be used between business men themselves.

(ORDER FOR MONEY.)

<p><i>Mr. M. Dark,</i></p> <p style="text-align: center;"><i>City.</i></p> <p><i>Dear Sir,—</i></p> <p style="text-align: center;"><i>Please pay to the order of Student</i></p> <p><i>Thirty</i> ..... <math>\frac{25}{100}</math> <i>Dollars</i></p> <p><i>and charge to my account.</i></p> <p><math>\\$30.\frac{25}{100}</math></p>	<p><i>Winnipeg, March 1, 1907.</i></p> <p><i>J. King.</i></p>
---	---

(ORDER FOR GOODS.)

<p><i>Mr. (Student),</i></p> <p style="text-align: center;"><i>City.</i></p> <p><i>Dear Sir,—</i></p> <p style="text-align: center;"><i>Please let Mr. J. King have goods from your</i></p> <p><i>store to the amount of Thirty</i> <math>\frac{25}{100}</math> <i>Dollars, and charge to my account.</i></p> <p><math>\\$30.\frac{25}{100}</math></p>	<p><i>Winnipeg, March 1, 1907.</i></p> <p><i>M. Dark.</i></p>
--	---

**73. Orders—Transactions Journalized.**

For in-coming orders, make the person debtor who owes (is to pay the order); and if given on account, make the person creditor who gave it. For out-going orders, make the person debtor who receives it, if received on account; and make the person creditor who is to give (is to pay the order).

<p><i>Winnipeg, March 1, 1907.—Sold D. King, Mdse. \$30.25; received in payment his order on M. Dark for the amount.</i></p>	<p><i>M. Dark Dr. -</i></p> <p style="text-align: center;"><i>Mdse. Cr.</i></p>	<p>30</p>	<p>25</p>	<p>30</p>	<p>25</p>
<p><i>Winnipeg, March 1, 1907.—Sold D. King, Mdse. \$30.25 on an order from M. Dark.</i></p>	<p><i>M. Dark Dr. -</i></p> <p style="text-align: center;"><i>Mdse. Cr.</i></p>	<p>30</p>	<p>25</p>	<p>30</p>	<p>25</p>
<p><i>Winnipeg, March 1, 1907.—Received from D. King on account an order on M. Dark for \$30.25.</i></p>	<p><i>M. Dark Dr. -</i></p> <p style="text-align: center;"><i>D. King Cr.</i></p>	<p>30</p>	<p>25</p>	<p>30</p>	<p>25</p>
<p><i>Winnipeg, March 1, 1907.—Gave D. King on account an order on M. Dark for \$30.25.</i></p>	<p><i>D. King Dr. -</i></p> <p style="text-align: center;"><i>M. Dark Cr.</i></p>	<p>30</p>	<p>25</p>	<p>30</p>	<p>25</p>

**Set V.—D. E.—Dry Goods Business.**

**Special Features.**—*The use of Orders for money or goods.*

**Instructions:**

(a) *Books to be used—Business Papers, Journal Day Book, Cash Book and Ledger.*

(b) *Business Papers:*

1. *Inward.*—Invoices on Mar. 8, 22, 27; Checks on Mar. 5, 23, 27, 29, drawn on any bank; Orders on Mar. 6, 12, 26; Notes on Mar. 1, 13, 16, 25, 27.

2. *Outward.*—Invoices on Mar. 5, 6, 16, 23, 26, 27; Deposit Slips on Mar. 4; Checks on Mar. 7, 11, 19, 22, 26, 27, 30; Order on Mar. 15; Notes on Mar. 1, 2, 27.

(c) *Make out business papers, journalize and write up the Cash Book; post; take a Trial Balance; take stock; make a Loss and Gain Statement, a Summary of the Proprietor's % and an Asset and Liability Statement; close the Ledger as in Sets I. and II.*

**Directory:**

Carr, A., Harrisburg, Ont.

Casey, B., Dundas, Ont.

McIntyre, A. & Co., London, Ont.

North, M., Woodstock, Ont.

Spanner, M., Hamilton, Ont.

Tennant, W., Woodstock, Ont.

All Others, Brantford, Ont.

**Ledger Lines:**

<sup>1</sup> A. T. Dingman (Cap %) H+ 7	Bills Receivable . . . . . H+ 6	Scholastic Bank . . . . . H+11
Cash . . . . . H+11	Bills Payable . . . . . H+ 4	<sup>4</sup> Expense . . . . . H+ 7
Real Estate . . . . . H+ 3	<sup>3</sup> R. Swinton . . . . . H+ 5	P. Davis . . . . . H+ 2
<sup>2</sup> Merchandise . . . . . H+11	M. Conway . . . . . H+ 5	Loss and Gain . . . . . H+ 4

**Transactions—Set V.**

Brantford, March 1, 1907. A. T. Dingman commences a Dry Goods Business at 85 Colborne Street.

*Assets:* Cash, \$5000; Mdse., \$1000; note against M. Spanner, dated Feb. 16 at 60 days, for \$750; balance due from R. Swinton, \$350; Office Furniture, \$150.

*Liabilities:* Note favor of A. Carr, dated Feb. 5 at 30 days, for \$150; note favor of B. Casey, dated Feb. 9 at 2 months, for \$350; balance due to M. Conway, \$150.

2. Bought from D. T. Ames, Store and Lot for \$1400, giving in payment cash \$400 and note at 4 months, payable at the Scholastic Bank, for the balance.
4. Deposited in the Scholastic Bank 20 × \$1, 15 × \$2, 100 × \$5, 200 × \$10, 21 × \$50 3 × \$100, coin \$35, checks \$25 and \$40.
5. Sold M. North for his check, 30 yds. Tweed @ 80c.; 50 yds. Velvet @ \$1.
6. Sold R. Gray, 1 suit Clothes \$25; received in payment his order on M. Conway.
7. The proprietor withdrew for private use, \$100 per check.
8. Bought from M. Conway on %, 4000 yds. Toweling @ 9c.; 200 yds. Silk @ \$1.75; 300 yds. Black Velvet @ 90c.; 500 yds. F. Cotton @ 4c.†
9. Paid S. Bates for repairs to store, \$15 cash.
11. Settled Bills Pay. #1 with check, \$150.
12. Received from R. Swinton on %, an order on P. Davis for \$50.

† The items of the purchases are given for making out the Invoices. Since the Invoices are always filed, do not write the items in the Journal Day Book; write, for example, "Bought from M. Conway on account, Mdse. as per Inv. #1."

13. Sold M. Cross on his note at 60 days, Store and Lot for \$1800.
14. Rented Store #50 Colborne Street from S. Powel, at \$30 per month.
15. Gave M. Conway on %, an order on R. Swinton for \$30 in goods from his store.
16. Sold W. Tennant on his note at 10 days, 500 yds. Print @ 10c.; 200 yds. F. Cotton @ 5c.
18. R. Swinton paid cash on %, \$80.
19. Paid M. Conway on % per check, \$800.
20. The proprietor took for private use, 1 suit Clothes \$30.
21. Error in making change from cash drawer, \$4.25, lost.
22. Bought from A. McIntyre & Co. per check, 10 doz. prs. Ladies' Silk Gloves @ \$4; 100 doz. prs. Ladies' Cotton Hose @ \$1.25; 10 doz. prs. Misses' Cotton Hose @ \$1.  
Paid for Postage and Stationery, \$1.20.
23. Sold M. Conway on %, 50 yds. Toweling @ 10c.; 30 yds. Silk @ \$2.  
Sold R. Swinton for check \$30 and balance on %, 20 doz. prs. Ladies' Hose @ \$1.50; 50 gross Cotton Thread @ \$3.
25. Received from R. Swinton on %, his note at 30 days for \$40, and cash \$20.  
Deposited in bank, \$580.
26. Sold W. Scott 10 prs. Ladies' Silk Gloves @ 50c.; 12 doz. prs. Ladies' Cotton Gloves @ \$2; received in payment his order on R. Swinton.  
Paid Insurance Premium, to the British America Assurance Co., per check, \$15.
27. Bought from M. Conway 1000 yds. Assorted Prints @ 8c.; 100 yds. Can. Tweed @ 70c.; 20 gross Cotton Thread @ \$2.50. Gave in payment cash \$50, check \$100, and note at 10 days for balance.  
Sold R. Swinton a job lot of goods, \$180; received in payment cash \$80, check \$70, and his note at 30 days for balance.
28. The proprietor paid from the cash drawer for 5 tons Coal @ \$6, for his private residence.
29. W. Tennant paid his note of the 16th inst. with his check.
30. Loaned R. Swinton on %, \$30 per check.  
Paid rent of store for March with check, \$15.  
Paid student's salary as bookkeeper, \$30.

INVENTORY taken March 30, 1907.

Asset Inventories:

Merchandise.—4200 yds. Traveling @ .09.	150 yds. Tweed @ .70.
1825 " Print @ .08.	45 yr. Cotton Thread @ 2.50.
1600 " F. Cotton @ .04.	120 doz. prs. Ladies' C. Hose @ 1.25.
350 " Velvet @ .90.	12 " Misses' C. " @ 1.00.
280 " Silk @ 1.75.	12 " Ladies' S. Gloves @ 4.00.

Expense.—Office Furniture, \$127.

Results.—Net Gain, \$455.05; Net Capital, \$6855.05.

#### 74. Business Papers—Promissory Notes and Drafts.

A promissory note is a promise to pay; a draft is a request to pay.

The parties to a promissory note are: (1) the *maker*, who signs the note and promises to pay it, (2) the *payee*, who is to receive the payment; when the payee writes his name across the back of the note he becomes the *first indorser*. In the following note, S. Cleaver is the maker, B. Pearson is the payee and first indorser.

The parties to a draft are : (1) the *drawer*, who makes the request and signs the draft, (2) the *drawee*, who is requested to pay, and afterward becomes the *acceptor*, (3) the *payee*, who is to receive the payment ; when the payee writes his name across the back he becomes the *first indorser*. In the following draft, Student is the drawer, M. Sinclair is the drawee (and afterward the acceptor), and R. Bruce is the payee and first indorser.

## (a) PROMISSORY NOTE

\$125.<sup>00</sup>

Brandon, April 1, 1907.

Three months after date I promise to pay  
to the order of R. Pearson  
at the Dominion Bank here  
One Hundred and Twenty five  $\frac{00}{100}$  Dollars  
with interest at seven per cent. per annum  
for value received. S. Clearer.

## (b) DRAFT "AFTER DATE"

\$275.<sup>00</sup>

Montreal, April 1, 1907.

Thirty days after date pay to  
the order of R. Bruce  
Two Hundred and Seventy Five  $\frac{00}{100}$  Dollars  
for value received, and charge to account of  
To M. Sinclair.  
Montreal, Que. Student.

## (c) DRAFT "AFTER SIGHT"

\$275. <sup>00</sup>	Halifax, April 1, 1907
<i>Thirty days after sight, pay to</i>	
<i>the order of the Dominion Bank</i>	
<i>Two Hundred and Seventy-Five</i>	<sup>00</sup> / <sub>100</sub> <b>Dollars</b>
<i>for value received, and charge to account of</i>	
<i>To M. Sinclair.</i>	
<i>Montreal, Que.</i>	<i>Student.</i>

Business men generally draw the drafts on their customers in favor of themselves, thus, "pay to ourselves or order," or in favor of their bank as in the foregoing example (c). When the draft is to be placed with the bank for collection or discount, the second method is preferable.

### 75. Acceptance of Drafts.

In the foregoing draft, M. Sinclair is not liable for the amount until he accepts it, that is, writes his name, with or without the word *accepted*, across the face of the draft, preferably in red ink; see the example in Section 27. By this act he *accepts* the terms of the draft—he agrees to pay the amount. The draft now becomes an *accepted draft* or *acceptance*; the term *acceptance* may mean either the writing across the face of the draft, or the whole draft after it is accepted. In the examples given, it is Student's *draft*, but it is M. Sinclair's *acceptance*.

### 76. Examples of Acceptance.

Form I. is sufficient to make M. Sinclair liable, but Form II. is the one recommended by accountants. "Thirty days *after sight*" means "thirty days *after acceptance*," so that the date must be added to the acceptance in this case, to fix the due date; "thirty days *after date*" means thirty days after the date of the draft at the top, and therefore the date of acceptance is not necessary to fix the due date. It is considered better, however, to add both date and place of payment to all acceptances. Form III. changes the amount, and Form IV. changes the time.

I. *Accepted,*  
*M. Sinclair.*

III. *Accepted, April 3, 1907,*  
*For Two Hundred Dollars,*  
*M. Sinclair.*

II. *Accepted, April 3, 1907,*  
*Payable at the Dominion Bank,*  
*M. Sinclair.*

IV. *Accepted, April 3, 1907,*  
*Payable sixty days after date,*  
*M. Sinclair.*

**77 (a). Kinds of Promissory Notes.**

- (1). *Individual Note*.—One signed by a single person. See example in Sec. 74.
- (2). *Joint Note*.—One signed by two or more persons, each of whom promises to pay an equal share. In the *individual note*, change "I" to "we jointly," and add one or more signatures, and it becomes a *joint note*.
- (3). *Joint and Several Note*.—One signed by two or more parties, each of whom promises to pay an equal share, or the whole amount if the others fail to pay. In the *individual note*, change "I" to "we jointly and severally" and add one or more signatures; or leave the "I" and simply add more signatures, and it becomes a *joint and several note*.
- (4). *Marksmen's Note*.—One signed with a mark by a person who cannot write. There should be a witness to the signature, and the note should be read and explained in the presence of the witness.

Witness: R. Saunders.

his  
P. X Spence.  
mark

- (5). *Lien Note*.—One, which besides promising to pay, contains a clause giving the payee a lien or claim on the article for which the note was given. In case of failure to pay at maturity, the seller may regain possession of the goods, and the buyer loses what he has paid thereon. The buyer may not sell the article until the note is fully paid; the note is negotiable. (See Section 79 on negotiability.)

**(b) Kinds of Drafts.**

A draft commencing "Thirty days after date" or "Thirty days after sight" is called a *time draft*; one commencing "At sight" is called a *sight draft*; one commencing "On demand" is called a *demand draft*. We may also speak of time notes and demand notes.

**78 (a). Days of Grace and Due Date.**

The law allows three days, called *days of grace*, over and above the time specified, in all notes and drafts, excepting those on demand and those containing such words as *without grace*.

A note or accepted draft is legally due on the last day of grace, unless that day should be a legal holiday or non-judicial day, in which case it falls due on the next business day thereafter.

**(b) Finding the Due Date.**

(1). *Time to Run in Days*.—Reckon the number of days to run, together with the three days of grace, forward from the date of the note, or from the date of the draft drawn so many days "after date"; but in the case of drafts drawn "at sight" or so many days "after sight," reckon forward from the date of acceptance. Drafts drawn "at sight" may be accepted, which allows the acceptor three days in which to provide the money; they are usually, however, paid on presentation.

(2). *Time to Run in Months*.—Reckon as in the following examples: a note, dated Jan. 3 at 3 months, is nominally due on April 3, and legally due and payable on April 6; a note, dated Jan. 31 at 1 month, would be nominally due on Feb. 31, but as there are only twenty-eight days in February, it is nominally due on Feb. 28, and legally due and payable on March 3; a note, dated Jan. 31 at 3 months, is nominally due on April 30, and legally due and payable on May 3.

### 79. Negotiable, Non-negotiable and Assignable.

A business paper is negotiable when it can be transferred by the payee with full title. Promissory notes, drafts, checks, etc., having "or bearer" or "or order" after the payee's name are said to be negotiable; those having "or bearer" may be transferred by the payee without indorsement; those having "or order" must be indorsed by the payee before he can transfer them. The expressions "to James Hill" and "to the order of James Hill" are held in law to mean the same as the expression "to James Hill or order."

A business paper is non-negotiable when it cannot be transferred with full title. It is then said to be assignable; the payee can give only as good a title as he himself has; the paper is subject to any counter-claim which the payer may have against the original payee. A paper is non-negotiable or assignable when the word "only" or some such limiting term follows the payee's name.

If the word "bearer" be crossed out in, say, a bank check, the word "order" is understood and need not be written above. It is not allowable for anyone to cross out the words "order" or "only" and to substitute "bearer," excepting the payer, and he should initial the change.

### 80. Indorsement.

When indorsing paper, it should be turned over, with the left-hand end up, and the name written on the back, well above the middle. The purpose of the indorsement is twofold: (1) that the payee may be able to transfer the paper, and (2) that the payee may be held liable in case the maker or acceptor should fail to pay.

### 81. Collection and Discount.

Business men generally arrange with the bank to collect their customers' notes and acceptances. The bank charges a small fee of  $\frac{1}{4}$ %, more or less according to circumstances.

If, however, business men need ready money they discount the drafts drawn on their customers or the notes given by their customers. The bank places the proceeds to their credit at once, and they may then draw checks on the amount. Discounting is more expensive than collection by the bank; but when placed for collection, the money is available only when the paper is due and paid. Drafts are usually discounted before they are accepted by the drawee; the bank obtains the acceptance afterward; if dishonored the bank charges them back to the drawer.

### 82. Dishonor, Protest and Discharge.

A note is said to be dishonored by non-payment, and a draft by non-acceptance or non-payment.

When a note or draft is dishonored, it is necessary for the holder to notify the indorsers of the note, or the indorsers and drawer of the draft, of the dishonor, if he wishes to hold them liable for the amount. He may do this verbally, by letter or by protesting; protesting is the notice given by a notary public. This notice must be given or mailed not later than the next business day after dishonor.

A note or draft is said to be discharged, when paid by or in behalf of the maker or acceptor.



83. Examples of Indorsement.

1. Blank.

*Jas. Scott.*

2. Full.

*Pay to the order of T. Ray.*  
*Jas. Scott.*

3. Restrictive.

*Pay to T. Ray only,*  
*Jas. Scott.*

4. Qualified.

*Without recourse to me.*  
*Jas. Scott.*

5. For Partial Payment.

*Received on the within note,*  
*Feb. 4, 1907, Fifty Dollars.*  
*J. S.*  
*Mar. 4, 1907, Thirty Dollars.*  
*J. S.*

6. For Deposit.

*Pay to the order of the*  
*Dominion Bank.*  
*Jas. Scott.*

7. For Collection.

*Pay to the order of the*  
*Dominion Bank.*  
*Jas. Scott.*

8. For Discount.

*Pay to the order of the*  
*Dominion Bank.*  
*Jas. Scott.*

9. Waiving of Protest.

*Presentation and Protest*  
*waived.*  
*Jas. Scott.*

KINDS.

- (1). *Blank*
- (2). *Full*
- (3). *Restrictive*
- (4). *Qualified*
- (5). *For partial payment*
- (6). *For deposit*
- (7). *For collection*
- (8). *For discount*
- (9). *Waiving of Protest*

EFFECTS.

- Makes it payable to bearer and holds Jas. Scott liable in case the maker fails to pay.
- Requires T. Ray to indorse before he can transfer, and holds Jas. Scott liable.
- Prevents T. Ray from transferring it with full title; he may assign it only Jas. Scott is liable.
- Makes it payable to bearer, and ( Jas. Scott from liability.
- Acts as a receipt for payments thereon. The initials should be signed; if the name were signed in full, it would be payable to bearer.
- Prevents fraudulent cashing. It must be deposited. Banks object to the form "For deposit only."
- Used when notes or drafts are paid with the bank for collection.
- Used when notes or drafts are discounted and the proceeds deposited.
- Holds Jas. Scott liable without protest or notice, in case the maker fails to pay.

APPLICATION.

- (1). To Notes—1, 2, 3, 4, 5, 7, 9.
- (2). To Drafts—1, 2, 3, 4, 5, 7, 8, 9.
- (3). To Checks—1, 2, 3, 6.

(2)  
*Pay to the order of T. Ray.*  
*Jas. Scott.*

*rents, Jan. 4, 1907.*  
*at, I promise to pay*  
*Scott,*  
*and Fifty*      *50*  
*100 Dollars*  
*M. Sinclair.*

**84. Bill Book.**

The Bills Receivable Book is a detailed record of other persons' notes and acceptances received and afterward disposed of by our business.

The Bills Payable Book is a detailed record of our own notes and acceptances issued and afterward redeemed by our business.

These records should be made from the notes and drafts themselves as they lie before us, from bills receivable when received, and from bills payable when issued; the last column is filled in at the time of payment. Bill Books differ very much in form in the various offices, but the following general form is most suitable for the learner, as it will not only teach him the parties to a note or draft, but will enable him to understand any form of Bill Book; this form is used as an auxiliary book, that is, as a book of record from which no posting is done; through it the bookkeeper keeps track of the due dates, so that he may present the bills receivable for payment at the proper time, or have the necessary funds ready to meet the bills payable. In the form in Section 123, it is used as a principal book, and is really a Bill Journal from which posting is done.

**85. Form of Bill Book—Used as an Auxiliary Book.**

The Bills Receivable, recorded below, are from Examples 2 and 3 in Sec. 86, and April 2 in Set VI. The Bills Payable are from Examples 5 and 6 in Sec. 86, and April 8 in Set VI. In the "Begins to Run" column is placed the date from which the *time to run* is reckoned; for drafts drawn payable "after date," enter the date of the draft as in Bills Rec. 1, and Bills Pay. 2; for drafts drawn payable "after sight," enter the date of acceptance, as in Bills Rec. 2 and Bills Pay. 1. An entry is made for "Indorser (note)," only when some outside party indorses as extra security; he is liable in case the maker fails to pay, just as the drawer of a draft is liable if the drawee fails to pay.

For the present, the Student may omit from his Bill Book the heading "Indorser (note)," leaving the single heading "Drawer (draft)."

*BILLS*

No.	WHEN RECEIVED.	INDORSER (NOTE). DRAWER (DRAFT).	MAKER (NOTE). DRAWEE (DRAFT).	PAYEE (NOTE). PAYEE (DRAFT).	PAYABLE AT		BEGINS TO RUN.		
					Place.	Bank.	Month.	Year.	
1	April 1	Ourselves.	R. Spence.	Ourselves	Stratford	His office	April	1	1907
2	" 1	R. Spence.	K. Marshall	"	Dundas	Dominion	April	3	1907
3	" 8		F. Medland	"	Guelph	His office	April	8	1907

*BILLS*

No.	WHEN GIVEN.	INDORSER (NOTE). DRAWER (DRAFT).	MAKER (NOTE). DRAWEE (DRAFT).	PAYEE (NOTE). PAYEE (DRAFT).	PAYABLE AT		BEGINS TO RUN.		
					Place.	Bank.	Month.	Year.	
1	April 1	E. Morrison & Co.	Ourselves	M. Carter	Toronto	Imperial	April	1	1907
2	" 1	E. Morrison & Co.	"	E. Morrison & Co.	Toronto	Our office	April	10	1907
3	Feb. 18		"	D. Peterson	Guelph	Scholastic	Feb.	18	1907

**86. Drafts—Transactions Journalized.**

(1). <i>Hamilton, April 1, 1907.—Drew a draft at 10 days on R. Spence, Stratford, in favor of M. Ford for \$100.</i>	M. Ford . . . . .	100	
	R. Spence . . . . .		100
(2). <i>Hamilton, April 1, 1907.—Drew a draft at 10 days on R. Spence, Stratford, in favor of ourselves for \$100. (Accepted Apr. 3.)</i>	Bills Rec. . . . .	100	
	R. Spence . . . . .		100
(3). <i>Hamilton, April 1, 1907.—Received from R. Spence, Stratford, on acct., a 10-days' sight draft on K. Marshall, Dundas, in our favor, for \$100. (Accepted Apr. 3, payable at the Dominion Bank.)</i>	Bills Rec. . . . .	100	
	R. Spence . . . . .		100
(4). <i>Hamilton, April 1, 1907.—Received from R. Spence, on acct., a sight draft on K. Marshall, in our favor, for \$100.</i>	Cash . . . . .	100	
	R. Spence . . . . .		100
(5). <i>Toronto, April 1, 1907.—Accepted E. Morrison &amp; Co's draft at 20 days' sight, in favor of M. Carter, city, for \$200, payable at the Imperial Bank. (Draft is dated March 29.)</i>	E. Morrison & Co. . . . .	200	
	Bills Pay. . . . .		200
(6). <i>Toronto, April 1, 1907.—Bought from E. Morrison &amp; Co., Montreal, Mdse. \$200, on our acceptance at 20 days, in their favor. (Draft is dated April 10, being dated forward.)</i>	Mdse. . . . .	200	
	Bills Pay. . . . .		200
(7). <i>Toronto, April 1, 1907.—Remitted to E. Morrison &amp; Co., on acct., a draft at 1 mo. on D. Sparks, Montreal, in their favor for \$200.</i>	E. Morrison & Co. . . . .	200	
	D. Sparks . . . . .		200
(8). <i>Toronto, April 1, 1907.—Paid E. Morrison &amp; Co's sight draft on us, in favor of D. Miller, city, for \$200.</i>	E. Morrison & Co. . . . .	200	
	Cash . . . . .		200

Remarks.—1. In actual business, Example 6 would be put through the personal account, as follows : Mdse. Dr. \$200, and E. Morrison & Co. Cr. \$200 ; E. Morrison & Co. Dr. \$200, and Bills Pay. Cr. \$200.

2. The Student should have all inward and outward notes, drafts and checks properly indorsed. Notes and time drafts should be indorsed on their due dates, or at the time of settlement or transfer ; sight drafts and checks may be indorsed when first written out, since they are not again mentioned in the sets. He should indorse those outward papers only, which will be returned to him.

RECEIVABLE.

TIME TO RUN.	WHEN DUE.												Rate of Int.	AMOUNT.	DISPOSED OF.		
	Year	Jan.	Feb.	Mar.	Apr.	May	Jun.	July	Aug.	Sep.	Oct.	Nov.			Dec.	When.	How.
10 dys.	1907				14										Apr.	14	Cash
10 dys' sight	1907				16										Apr.	16	Cash
30 dys.	1907					11									May	11	Settled

PAYABLE.

TIME TO RUN.	WHEN DUE.												Rate of Int.	AMOUNT.	REDEEMED.		
	Year	Jan.	Feb.	Mar.	Apr.	May	Jun.	July	Aug.	Sep.	Oct.	Nov.			Dec.	When.	How.
20 dys' sight	1907				24										Apr.	24	Check
20 dys.	1907					3									May	3	Bank draft
60 dys.	1907														Apr.	25	Check 100

**Set VI.—D. E.—Grocery and Provision Business.**

**Special Features.**—*Use of Drafts. Introduction of the Bill Book as an auxiliary book.*

**Instructions:**

- (a) *Books to be used*—Business Papers, Journal Day Book, Cash Book, Bill Book and Ledger.
- (b) *Business Papers:*
1. *Inward.*—Notes on April 1, 8, 9, 22; Checks on April 4, 11; Drafts on April 9, 19, 20.
  2. *Outward.*—Note on Apr. 1; Deposit Slip on Apr. 3; Checks on Apr. 3, 6, 13, 18, 25, 26, 29; Drafts on Apr. 5, 10, 15, 24, 27; Invoices on Apr. 4, 8, 9, 11, 12, 15, 22.
- (c) *Make out business papers, journalize and write up the Cash Book and Bill Book; post; take a Trial Balance; take stock; make Financial Statements (Loss and Gain, Summary, and Asset and Liability); close the Ledger. Personal Accounts should be closed when they balance. Leave room for the accounts of Set VII, under those of Set VI.*
- (d) *In the business papers and in the Bill Book, make all your own notes and acceptances payable at your own Bank; and make other persons' notes and acceptances payable at their own town or city. Consult the calendar for 1907 on page 5 when determining the due date; the Sets are all framed on this calendar. When the last day of grace falls on a Sunday, or any legal holiday, take the next business day following as due date.*

**Directory:**

Bain, S., St. Mary's, Ont.

Gage, W. J. &amp; Co., Limited, Toronto, Ont.

Mason, P. &amp; Co., Hamilton, Ont.

Mathews, R., St. Mary's, Ont.

Peterson, D., Galt, Ont.

Simpson, D., Stratford, Ont.

Williams, R., Galt, Ont.

All Others, Guelph, Ont.

**Ledger Lines for Sets VI. and VII.**

The first number shows the lines or spaces necessary for Set VI., and the second number the extra lines necessary for Set VII. The cipher shows that such accounts are not used in that Set.

<sup>1</sup> Student (Capital %) II + 6 + 5	P. Mason & Co. . . . . II + 5 + 0	Loss & Gain (April) . . . II + 4 + 0
F. Medland . . . . . II + 1 + 5	<sup>5</sup> Bills Payable . . . . . II + 4 + 3	<sup>7</sup> Interest & Discount . . . II + 0 + 6
R. Williams . . . . . II + 4 + 0	Bills Receivable . . . . II + 5 + 5	Real Estate . . . . . II + 0 + 4
<sup>2</sup> Cash . . . . . II + 11 + 15	D. Simpson . . . . . II + 4 + 0	Scholastic Bank
<sup>3</sup> Merchandise . . . . . II + 13 + 14	<sup>6</sup> Scholastic Bank	(London) . . . . . II + 0 + 10
<sup>4</sup> F. Sinclair . . . . . II + 2 + 3	(Guelph) . . . . . II + 10 + 1	<sup>8</sup> R. Mathews . . . . . II + 0 + 3
Expense . . . . . II + 6 + 5	D. Peterson . . . . . II + 4 + 0	Loss & Gain (May) . . . II + 0 + 5

**Transactions—Set VI.**

Guelph, April 1, 1907.—Student commences the Grocery and Provision Business at No. 37 Upper Wyndham St.

Assets: Cash, \$4,000; Mdse., \$2,000; note against R. Williams, dated March 14, 1907, at 30 days, \$120.

Liabilities: Balance due P. Mason & Co., \$350; balance due F. Medland, \$270; note favor of D. Peterson, dated Feb. 18, 1907, at 60 days, payable at the Scholastic Bank, \$100.

2. Leased from R. Grant the above named store at \$360 per annum, payable monthly. Engaged M. Wilson at \$35 per month.

3. Deposited in the Scholastic Bank 150 × \$2, 200 × \$5, 30 × \$50, 6 × \$100, coin \$30.27, checks, \$50.42 and \$19.31.  
Bought from W. J. Gage & Co., per check, set of books for office, \$18.
4. Bought from P. Mason & Co., on %, Mdsc. \$300 as per Inv. dated April 3.  
Sold R. Williams for his check on the Traders Bank, 300# cheese @ 11c.; 500# S. C. Ham @ 13c.
5. Accepted P. Mason & Co.'s draft on us, dated April 3 at 12 days, favor of F. Proctor for \$300.
6. Withdrew for private use, cash \$30.  
Insured our stock of goods in the British America Assurance Co., and paid premium \$20 per check.
8. Sold D. Simpson on %, 400# Mocha Coffee @ 18c.; 10 bbls. Flour @ \$6.  
Sold F. Medland on his note at 30 days, 4000# Gran. Sugar @ 5½c.; 20 bxs. N. P. Soap @ \$2.50.
9. Drew a draft on D. Simpson in our favor at 10 days, on % for \$60.  
Sold S. Bain on his note at 20 days, 500# Butter @ 20c.
10. Bought from P. Mason & Co., Mdsc. \$150, as per Inv. dated Apr. 8; accepted their draft at 30 days' sight in payment.  
Invoice and draft will be dated April 8, but the acceptance will be dated April 10.
11. Sold K. Spiers for cash, 60# Y. H. Tea @ 30c.; 120# currants @ 4c.  
Received from D. Simpson on %, his check for \$50, on the Molsons Bank.
12. Sold R. Williams on %, 400 gals. G. Syrup @ 20c.; 2400# Cheese @ 10c.  
Bought from D. Peterson, Mdsc. \$175, as per Inv. dated Apr. 10; gave in part payment cash \$20, balance on %.
13. Paid P. Mason & Co. on %, cash \$130.  
Bought from L. Muir per check, desk for office \$70.
15. Sent D. Peterson on %, a sight draft in his favor, drawn on R. Williams for \$100.  
Sold F. Sinclair on %, 1000# Rio Coffee @ 16c.; 500# Lard @ 9c.
16. R. Williams paid his note of Mar. 14 in cash \$120.
17. Took goods from store for private use, \$50.  
Goods damaged by rain to the extent of \$30. (Make no entry. Why?)  
Had a ten-dollar bill burned. (Make an entry. Why?)
18. Paid our acceptance of the 5th inst. with check.
19. Received from R. Williams on %, a sight draft on H. Crane, in our favor, for \$200.
20. Paid in cash D. Peterson's sight draft on us, dated Apr. 18, in favor of C. Frost, \$33.
22. Sold D. Simpson on his note at 2 months, payable at the Merchants Bank, 10 bxs. Raisins @ \$1.50; 50 bbls. Flour @ \$6.50.  
Paid cash \$60 on our note of Feb. 18, and requested D. Peterson to wait 3 days for the balance.  
D. Simpson requests us to wait one day for the payment of his acceptance of the 9th inst.
23. D. Simpson paid his acceptance in cash \$60.
24. Bought from D. Peterson, Mdsc. \$160, as per Inv. dated Apr. 22; accepted his draft at 12 days, in his favor, in payment.
25. Paid the balance of our note of Feb. 18, with check.

26. R. Williams paid the balance of his  $\frac{1}{2}$  in cash.  
Settled our  $\frac{1}{2}$  with P. Mason & Co. per check.
27. Gave D. Peterson on  $\frac{1}{2}$ , a draft at 10 days' sight on D. Simpson for \$22.  
Sold office desk to F. Sinclair for \$60; received \$20 cash in part payment, balance on  $\frac{1}{2}$ .
29. Paid April rent of store with check.  
Paid M. Wilson his month's salary in goods from store.

INVENTORY taken April 30, 1907.

Asset Inventories:

Merchandise.—1000# Cheese @ 8c.	100 bbls. Flour @ \$5.50
800# Ham @ 11c.	95 bcs. N.P. Soap @ \$2.00
1500# Coffee @ 1 $\frac{1}{2}$ c.	80 gals. G. Syrup @ 15c.
2515# G. Sugar @ 4c.	50 bcs. Raisins @ \$1.25
800# Y.H. Tea @ 25c.	500# Currants @ 3 $\frac{1}{2}$ c.

Results.—Net Gain \$475.40; Net Capital \$5495.40.

### 87. Interest and Discount.

These are loss and gain accounts. For a full discussion of these accounts see the introductory chapter. Interest is the price of the use of money; the Dr. side of Interest Account shows *costs* and the Cr. side shows *proceeds*. Discount is an allowance off a bill or an account for prepayment or for other reasons; the Dr. side of Discount Account shows the cost of these allowances and the Cr. side shows the proceeds:

*Rule.*—Make Interest Account debtor, when interest is a cost, and creditor when it is a proceeds. Make Discount Account debtor, when discount is a cost and creditor when it is a proceeds.

These two accounts may be kept separately, or as one account—Interest and Discount.

### 88. Interest and Discount—Transactions Journalized.

(1). May 1.—Paid my note \$100 and the interest thereon \$5, in cash.	Bills Pay. . . .	100			
	Interest . . . .	5			
	Cash . . . .			105	
(2). May 2.—R. Smith paid his note \$200 and the interest thereon \$8, in cash.	Cash . . . .	208			
	Bills Rec. . . .			200	
	Interest . . . .			8	
(3). May 3.—Prepaid my note of \$100 in cash, discount allowed 8%.	Bills Pay. . . .	100			
	Cash . . . .			94	
	Discount . . . .			6	
(4). May 4.—R. Smith prepaid his note of \$200 in cash, discount allowed 8.5%.	Cash . . . .	191	50		
	Discount . . . .	8	50		
	Bills Rec. . . .			200	
(5). May 6.—Settled my account of \$150 with D. Robb, in cash; he allowed 5% discount.	D. Robb . . . .	150			
	Cash . . . .			142	50
	Discount . . . .			7	50
(6). May 7.—Sold F. Somers Misco, \$300 for cash; allowed him 3% discount.	Cash . . . .	291			
	Discount . . . .	9			
	Misco . . . .			300	

**89. Interest Inventories taken May 31.**

*Asset Inventory:* Interest accrued on Bills Rec., \$2.50.

*Liability Inventory:* " " Bills Pay., \$3.25.

**90. Ledger for Interest and Discount Account.**

May 1		62	5		May 2		62	8	
1		62	8	59	3		62	6	
7		62	9		6		62	7	50
			22	50				21	50
	*31 Inventory	63	3	25		*31 Inventory	63	2	50
						*31 Loss		1	75
			25	75				25	75
June 1	Inventory	63	2	50	June 1	Inventory	63	3	25

\* Red ink for these lines.

**91. Inventories.**

All loss and gain accounts may or may not have Inventories, of which there are two kinds—Asset Inventories and Liability Inventories. An Asset Inventory is a value belonging to the business, not shown in the Trial Balance, such as, Mdse. on hand, Real Estate on hand, Rent or Salaries prepaid, Interest Receivable accrued (on Bills Receivable, etc., bearing interest), Discount Receivable (on Bills Payable, etc., not yet due). A Liability Inventory is a debt owing by the business, not shown in the Trial Balance, such as, Rent or Salaries due by the business, Interest Payable accrued (on Bills Payable, etc., bearing interest), Discount Payable (on Bills Receivable, etc., not yet due).

Asset Inventories are placed on the Cr. side in red ink; and after closing, are brought down in black ink on the Dr. side for the next month. Liability Inventories are placed on the Dr. side in red ink; and after closing, are brought down in black ink on the Cr. side for the next month.

These Inventories are placed on their *wrong* sides in red ink, to find the gain or the loss; they are afterward brought down on their right sides in black ink, as assets or liabilities.

**92. Financial Statements—Treatment of Inventories.**

The Statements in Sections 93, 94 and 95 show how to treat the two kinds of Inventories. They are made from two sources—the following Trial Balance and Inventories, which have no connection with any of the given sets. The student may select any one of the three forms, but should understand all; the columnar statement—Form 3, is not much used in actual business.

TRIAL BALANCE, May 31, 1907.						INVENTORIES, May 31, 1907.			
		DR.		CR.					
21	Student (Cap. %)				4400	<i>Asset Inventories:</i>			
21	T. Musson	510	25			<i>Merchandise on hand</i> . . . . . \$1500.75			
22	R. Palmer				404	<i>Real Estate on hand</i> . . . . . 2100.00			
22	Bills Receivable	330			60	<i>Interest Receivable, accrued on Bills Rec.</i> . . . . . 2.50			
22	Bills Payable				250	<i>Liability Inventories:</i>			
23	Cash	1633				<i>Expense—clerk's salary due</i> . . . . . \$30.00			
23	Merchandise	4350	75		3960	<i>Interest Payable, accrued on Bills Pay.</i> . . . . . 3.25			
24	Expense	240			50				
24	Real Estate	2000							
24	Interest and Discount	22	50		21				
		5786	50	5086	50				

NOTE.—See Section 46 (a).

## 93. Financial Statement—Form I.

(a) STATEMENT OF LOSSES AND GAINS, May 31, 1907.

—Losses—			—Gains—		
Expense . . . . .	220		Merchandise . . . . .	1110	40
Interest and Discount . . . . .	1	75	Real Estate . . . . .	100	
*Student's Net Gain . . . . .	988	65			
	1210	40		1210	40

(b) SUMMARY OF STUDENT'S ACCOUNT.

*Net Capital . . . . .	5388	65	Net Credit . . . . .	4400	
			" Gain . . . . .	988	65
	5388	65		5388	65

(c) STATEMENT OF ASSETS AND LIABILITIES.

—Assets—			—Liabilities—		
T. Munson . . . . .	510	25	R. Palmer . . . . .	404	60
Bills Receivable . . . . .	330		Bills Payable . . . . .	250	
Cash . . . . .	1633		Expense, salary due . . . . .	30	
Merchandise . . . . .	1500	75	Interest Payable accrued . . . . .	3	25
Real Estate . . . . .	2100		Student's Net Capital . . . . .	5388	65
Interest Receivable accrued . . . . .	2	50			
	6076	50		6076	50

## Remarks.

1. The Loss and Gain Statement is made from the loss and gain accounts marked thus (x) in the Trial Balance; add the Inventories to the proper sides (see Sec. 91), and then take the difference; a Dr. difference is a loss and a Cr. difference is a gain. The Asset and Liability statement is made from the asset and liability accounts in the Trial Balance; a Dr. difference is an asset and a Cr. difference is a liability; an Asset Inventory is also an asset, and a Liability Inventory is also a liability; Student's Net Capital, from the "Summary," is a liability of the business, and when placed on the liability side of the statement, will balance it.
2. Notice that the Loss and Gain Statement is the same as the Loss and Gain Account in the Ledger. The bookkeeper gives this statement to the proprietor, and then closes the loss and gain accounts and the proprietor's account in the Ledger so as to separate the gains and losses of one year from the succeeding one.
3. Since the purpose of *closing the books* is to determine the Net Gain or the Net Loss, and the Net Worth or the Net Insolvency, there is no necessity for closing any of the asset and liability accounts in the Ledger, unless it be Cash and Bank Accounts. Cash Account is closed because the Cash Book is closed periodically, as a check on the cash drawer; Bank Account is closed as a check on the Bank Pass Book, which is balanced monthly. These accounts are not usually entered in the Ledger; the Cash Book is made to answer for the Cash Account, and Bank Account may be kept as indicated in Sections 111 and 112.



94. Financial Statement—Form II.

(a) STATEMENT OF LOSSES AND GAINS, May 31, 1907.

	Items.		Totals.	
—Gains—				
Merchandise . . . . .	1110	40	1210	40
Real Estate . . . . .	100			
—Losses—				
Expense . . . . .	220			
Interest and Discount . . . . .	1	75	221	75
Student's Net Gain . . . . .			988	65

(b) SUMMARY OF STUDENT'S ACCOUNT.

Student's Net Credit . . . . .			4400	
" " Gain . . . . .			988	65
" " Capital . . . . .			5388	65

(c) STATEMENT OF ASSETS AND LIABILITIES.

	Items.		Totals.	
—Assets—				
T. Musson . . . . .	510	25		
Bills Receivable . . . . .	330			
Cash . . . . .	1633			
Merchandise . . . . .	1500	75		
Real Estate . . . . .	2100			
Interest Receivable accrued . . . . .	2	50	6076	50
—Liabilities—				
R. Palmer . . . . .	404	60		
Bills Payable . . . . .	250			
Expense, salary due . . . . .	30			
Interest Payable accrued . . . . .	3	25		
Student's Net Capital . . . . .	5388	65	6076	50

95. Financial Statement—Form III.

FINANCIAL STATEMENT, May 31, 1907.

L.F.	Trial Balance.		Statement of.				Statement of.	
	DR.	CR.	Inventories.	Losses.	Gains.	Assets.	Liabilities.	
21 Student (Capital A/c) . . . . .		4400						
21 T. Musson . . . . .	510	25				510	25	
22 R. Palmer . . . . .		404	60				404	
22 Bills Receivable . . . . .	330					330		
22 Bills Payable . . . . .		250					250	
23 Cash . . . . .	1633					1633		
23 Merchandise . . . . .	4350	75	3960	40	1500	75	1500	
24 Expense . . . . .	220		50	220	1110	40	1500	
24 Real Estate . . . . .	2000				100		2100	
24 Interest and Discount . . . . .	22	50	21	75			2	
	9086	50	9086	50			2	
*Net Gain . . . . .				221	75	1210	40	
(Summary)				221	75	1210	40	
Student's Net Credit . . . . .		4400						
" " Gain . . . . .		988						
" " Capital . . . . .		5388						
				6076	50	6076	50	

\*Red ink. A = Asset. L = Liability.

**Set VII.—D. E.—Grocery and Provision Business.****Special Features.**—Continuation of Set VI.; Transactions involving Interest and Discount.**Instructions :**

- (a) *Books to be used*—Business Papers, Journal (short for Journal Day Book), Cash Book, Bill Book and Ledger.
- (b) *Business Papers :*
1. *Inward.*—Notes on May 13, 15, 21; Checks on May 11, 28 (drawn on any bank); Drafts on May 10, 17, 29.
  2. *Outward.*—Checks on May 3, 4, 7, 8, 13, 16, 31; Drafts on May 7, 9, 14, 20; Invoices on May 6, 10, 15, 18, 21, 28; Deposit Slip on May 31.
- (c) *Make out business papers, journalize and write up the Cash Book and Bill Book; post; take Trial Balance; take stock; make Financial Statements; close the Ledger.*

**Directory :**

Bain, S., St. Mary's, Out.  
 Dempster, F., Ingersoll, Out.  
 Mathews, R., St. Mary's, Out.  
 Medland, F., Guelph, Out.

Mason, P. & Co., Hamilton, Out.  
 Peterson, D., Galt, Out.  
 Sinclair, F., Guelph, Out.  
 All Others, London, Out.

**Transactions—Set VII.**

- London, May 1, 1907. Student has removed from Guelph to London, and continues the Grocery and Provision Business at #167 Dundas Street.
2. Engaged H. Jordan as clerk at \$40 per month, and B. Davids as bookkeeper at \$60 per month.  
 S. Bain paid his note of the 9th ult. in cash, \$100.
  3. Drew a check on the Scholastic Bank in Guelph for the balance on deposit there, and deposited it in the Scholastic Bank in London.
  4. Paid freight to Grand Trunk Railway Co., for moving expenses, check \$125. (Expense Dr.)  
 Petty Cash sales for the week, \$160.
  6. Sold R. Mathews on  $\%$ , 400# Tapioca @ 4c.; 300# Mixed Nuts @ 14c.
  7. Paid our acceptance of the 24th ult. with check, \$160.  
 Drew a draft at 10 days' sight on F. Sinclair in favor of F. Medland, for \$100.
  8. Bought the Store and Lot we now occupy, from G. Scott for \$2100, giving cash \$500 and check for balance.  
 Insured Store and contents in the Royal Insurance Co. for \$1500 at  $\frac{1}{2}\%$  premium: paid premium per check. (Expense Dr.)
  9. Bought from F. Medland on our acceptance at 10 days, bearing interest at 7% per annum, Mdse. \$180, as per Inv. dated to-day.  
 Paid for Telegram 25c.
  10. Sold W. Taylor for cash, less 3% discount, 10 bbls. Mess Pork @ \$11; 14 bbls. Russet Apples @ \$5.  
 Sold F. Sinclair for his sight draft on D. Horsman, 25 bbls. Y. Sugar, 240# each, @ 4c.; 100 bbls. Salt @ 60c.
  11. F. Medland settled his note of the 8th ult., giving his check for \$100, and requesting that the balance be placed to his debit, against what we owe him on  $\%$ .  
 Petty Cash sales for the week, \$150.  
 Received a legacy of \$500 cash from the estate of John Scott and invested it in the business.

13. Loaned F. Dempster cash \$400 on his note at 4 months, bearing interest at 6% per annum. Bought from F. Medland on %, Mdse. \$650, as per Inv. dated May 11. Paid our acceptance of the 10th ult. with check, \$150.
14. Drew a draft on R. Mathews at 10 days, in favor of F. Medland for \$50.
15. Sold R. Mathews on his note at 2 months, payable at the Bank of Commerce, 5 bbls. Coal Oil, 40 gals. ea. @ 12c.; 20 sacks Oatmeal, 200# ea. @ 2½c.
16. Paid F. Medland in full of account per check; he allowed 3% off.
17. Received from F. Sinclair on %, a sight draft on C. Ross for \$100, dated May 16.
18. Sold R. Mathews, 600# Salada Ceylon Tea @ 35c.; received in part payment cash \$50, balance on %.  
Petty Cash sales for the week, \$165.
20. Bought from F. Medland, Mdse. \$875 as per Inv. dated May 18; accepted his draft at 30 days in favor of W. Dixon, in payment.
21. Sold C. Main 100 tubs Butter, 50# ea. @ 18c.; received his note at 2 months, bearing interest at 6% per annum, in payment.
22. Paid our acceptance of the 9th inst. \$180, and interest 45c., in cash.
23. Paid for painting private residence, \$30 from cash drawer.
25. Theft from cash drawer, \$25.  
Petty cash sales, \$190.
28. Sold F. Sinclair, 120 bxs. Raisins @ \$1.50; 15 sacks Patna Rice, 200# ea. @ 2½c.; received his check for the amount, less 3% discount.
29. Drew a 30-day draft on R. Mathews in our own favor, to close his account. (Is the amount \$168?)
30. Fire destroyed \$500 worth of goods; received insurance \$357 cash. (Should any entry be made for the \$500?)
31. Deposited in bank 30 × \$1, 40 × \$2, 3 × \$4, 80 × \$5, 70 × \$10, 5 × \$20, 3 × \$50, 2 × \$100; coin \$180.65; checks \$100 and \$247.35.  
Paid salaries with checks.

INVENTORIES taken May 31, 1907.

Asset Inventories:

Merchandise.—	50# Tapioca @ 3c.	5 bbls. Sugar, 240# ea. @ 3½c.
	150# Mixed Nuts @ 10c.	5 bbls. C. Oil, 40 gals. ea. @ 11c.
	7 bbls. Mess Pork @ \$10.	10 sacks Oatmeal, 200# ea. @ 2c.
	10 bbls. Apples @ \$4.	200# Patna Rice @ 2½c.

Real Estate.—Store and Lot, valued now at \$2150.

Interest Rec.—Accrued on Bills Rec. 6 and 8, \$2.66.

Results.—Net Loss \$37.45; Net Capital \$5927.95.

96. Cash Book Used as a Cash Journal.

In the example in Section 97, which is the Cash Book for Set VIII., the Cash Book is used as a posting medium; previous to this it has been used as an *auxiliary* book (see Sec. 60.) Notice on the Dr. side, that *Cash* is Dr. (debtor) for \$4944.60, and that *Student, F. Simpson, Dry Goods, etc.*, are Cr. (creditor) for the amounts opposite to them respectively; notice on the Cr. side, that *Cash* is Cr. for \$4877.35, and that *Scholastic Bank, E. Denton & Co., Dry Goods, etc.*, are Dr. for the

amounts opposite to them respectively. Cash is posted in two totals, and the amounts for the other accounts separately. Or the Cash Book may be considered as the Cash Account for the Ledger, in which case the cash totals need not be posted; the cash totals or the cash balance, would then be entered in the trial balance directly from the Cash Book. It will be well now to call the Cash Book by the name *Cash Journal*.

All purely cash transactions are to be entered in the Cash Journal only; for example, the entries on the Dr. side for June 7, 15, etc., will not be found in the Journal.

Transactions in which Cash and other accounts are jointly concerned are to be entered both in the Cash Journal and the Journal. The following, which are not purely cash transactions, are the journal entries for June 1, 6, 8, 18, 21 and 29; it will be seen that the *Cash* in the Journal is marked "C" in the folio column, and is not to be posted, since it will be posted from the Cash Journal; and also that *Student, J. Munro, S. Marks, etc.*, in the Cash Journal, are marked "J" in the folio column, and are not to be posted, since they will be posted from the Journal. Another method of dealing with these transactions would be to separate them each into two parts, one for the Cash Journal, and the other for the Journal; this method will be exemplified at a later stage.

June 1, 1907.				June 18.			
C	Cash	3000		C	Cash	50	
5	Dry Goods	1500		6	Bills Rec.	218	
6	Boots and Shoes	500		7	J. Munro		268
6	Groceries	2000			21		
7	Office Furniture	150		C	Cash	30	
5	(Student Cap. A c)		7150	6	Bills Rec.	129	90
7	E. Denton & Co.	200		8	S. Marks		159
C	Cash	75		8	Expense	50	
8	Scholastic Bank	125		C	Cash		30
5	Student (Cap. A c)	55		7	L. Martin		10
C	Cash	50					
5	Dry Goods	25					

97 (a). Cash Journal for Set VIII.

		L.F.		Accounts Cr.	Explanations.	CASH.		DR.		Totals.
						Items.				
1907										
June	1	J	Student	Invested		2000				
	7	5	F. Simpson	On account		50				
	15	5	Dry Goods	Petty sales		110				
	15	6	Boots and Shoes	" "		90				
	15	6	Groceries	" "		350				
	17	6	Bills Receivable	No. 1		104				
	18	J	J. Munro	On account		50				
	29	6	Student	Invested		500				
	21	J	S. Marks	On account		50				
	25	7	J. Munro	" "		25				
	26	5	Dry Goods	Sold damaged goods		20				
	27	6	Bills Rec.	No. 3 prepaid		50				
	29	5	Dry Goods	Petty sales		140	60			
	29	6	Boots and Shoes	" "		104				
	29	6	Groceries	" "		327				
	29	8		Cash					2077	60
									4044	60



**Set VIII.—D. E.—General Store Business.**

**Special Features.**—*Division of Merchandise Account into Dry Goods, Boots and Shoes, and Groceries Accounts; and Expense Account into Office Furniture, Rent, Insurance, and General Expense Accounts. Use of the Cash Book as a Cash Journal or posting medium.*

**Instructions :**

(a) *Books to be used*—*Business Papers, Journal, Cash Journal, Bill Book and Ledger.*

(b) *Business Papers :*

1. *Inward.*—*Notes on June 8, 14, 18; Checks on June 1, 7, 17, 18, 21, 27 (drawn on various banks); Drafts on June 7, 17, 21; Order on June 19.*

2. *Outward.*—*Note on June 1; Checks on June 2, 6, 10, 11, 12, 17, 19; Drafts on June 7, 14, 24; Deposit Slips on June 3, 22, 29; Invoices on June 4, 5, 6, 10, 13, 14, 19, 27.*

(c) *Make out business papers, and make entries in Journal, Cash Journal, and Bill Book; post; take a Trial Balance; take stock; make Financial Statements; close the Ledger.*

**Directory :**

*Black, R., Listowel, Ont.*

*Denton, E. & Co., Toronto, Ont.*

*Green, W., Galt, Ont.*

*Munro, J., Woodstock, Ont.*

*Marks, S., Seaforth, Ont.*

*Phillips, F., Seaforth, Ont.*

*Rogers, E. & Co., Hamilton, Ont.*

*Simpson, F., St. Mary's, Ont.*

*All Others, Stratford, Ont.*

**Ledger Lines :**

<sup>1</sup> Student (Capital A c).....	II + 6	Bills Payable .....	II + 4	S. Marks.....	II + 4
Groceries .....	II + 9	Insurance .....	II + 4	Rent.....	II + 4
E. Denton & Co.....	II + 6	<sup>4</sup> Scholastic Bank .....	II + 10	Bills Receivable.....	II + 5
<sup>2</sup> Dry Goods.....	II + 14	F. Simpson .....	II + 3	<sup>6</sup> E. Rogers & Co.....	II + 2
Boots and Shoes.....	II + 10	R. Black .....	II + 2	L. Martin.....	II + 2
<sup>3</sup> Office Furniture .....	II + 4	General Expense .....	II + 3	Cash.....	II + 4
Interest and Discount.....	II + 6	<sup>5</sup> J. Munro.....	II + 4	Loss and Gain.....	II + 8

**Transactions—Set VIII.**

Stratford, June 1, 1907. Student leases Store # 75 Wellington Street from D. Winters at \$720 per annum payable quarterly in advance, and opens up a General Store Business.

Assets : Cash \$3000 ; Dry Goods \$1500 ; Boots and Shoes \$500 ; Groceries \$2000 ; Office Furniture \$150.

Liabilities : Balance due to E. Denton & Co. on %, \$300 ; note favor of W. Green for \$219, dated April 5, 1907, at 2 months, bearing interest at 6 per annum ; interest accrued on this note \$2.05.

3. Deposited in the Scholastic Bank 100 × \$5, 5 × \$4, 18 × \$10, 20 × \$50, 5 × \$100 ; coin \$99.75 ; check for \$100.25, made by M. Spanner.

Took out an insurance policy for \$3000, in the Queen Insurance Co., at  $\frac{1}{2}$  premium ; paid premium with check.

Engaged L. Martin as clerk at \$50 per month.

4. Sold F. Simpson on %, 15 prs. Ladies' Shoes @ \$2.25 ; 50 yds. Blk. Lustre @ 50c.  
Sold R. Black on %, 1 bbl. G. Syrup, 40 gals. @ 35c. ; 60 yds. Navy Blue Serge @ \$1.50.
5. Bought from E. Denton & Co. on %, Dry Goods \$292 as per Invoice dated June 3.  
Sold J. Munro on %, 200 yds. Can. Twesl @ \$1.25 ; 5 lbs. Sugar, 240# each, @ 4c.
6. Paid E. Denton & Co. on %, cash \$75, check \$125.  
Sold S. Marks on %, 50 prs. Ladies' Shoes @ \$1.50 ; 150 yds. Blue Denim @ 20c.  
Paid the G. T. R. freight on Dry Goods, \$12 cash.
7. Received from F. Simpson on %, check \$20, and a sight draft on A. Barnes for \$30.  
Accepted E. Denton & Co.'s draft on us, dated June 3 at 30 days' sight, for amount of Inv. of the 5th, \$292. (Is discount 10.)
8. Took for private use on 6, \$10 ; Dry Goods \$25.  
We have requested J. Martin to pay the date of payment of our note of April 5, to the 10th inst.  
Received from F. Simpson on %, his note, dated to-day at 5 days for \$104.
10. Paid our note of April 5, to J. Martin, dated to-day ; face \$219, interest \$2.38 (test this).  
Sold S. Marks on %, 1 bbl. XX Vinegar, 10 gals. @ 16c.
11. Bought from J. Munro on %, 100 prs. Men's Shoes as per Inv. dated June 8, \$300.  
Paid rent of store for June, \$10. (Is discount 10.)
12. Paid the G. T. R. freight on Dry Goods, with cash \$10.  
Paid E. Rogers & Co., for amount of Invoice of the 11th inst.  
Advanced J. Martin \$100 on his salary.  
Since J. Martin is paid at an interval, we put the amount through his personal account—J. Martin Dr. and Cash Cr. If he were paid weekly, we would then say—Expense Dr. and Cash Cr.
13. Sold J. Munro on %, 4 doz. prs. Men's Rubbers @ \$5 ; 6 doz. Gilt Edge Shoe Polish @ \$1.10.
14. Remitted E. Denton & Co. on %, a 30-day sight draft on S. Marks for \$50.  
Sold F. Simpson on %, 20 gr. Thread @ \$3.75 ; 800 yds. Shirting @ 15c.  
Received from J. Munro on %, his note, dated June 13 at 3 months for \$26.60.
15. Petty cash sales for two weeks, Dry Goods \$110 ; Boots and Shoes \$90 ; Groceries \$350.
17. Prepaid our acceptance of the 7th inst. with check ; discount at 6%. (Is discount \$1.10 or \$1.12)  
R. Black paid his note of the 8th, with check.  
Drew a draft at 30 days on S. Marks, for \$73 ; discounted it at 7% and deposited the proceeds. (Is discount 46c. or 48c.?)
18. Received from J. Munro on %, his check \$50, and his note, dated to-day at 60 days for \$248.
19. Sold F. Phillips on an order from S. Marks 120 yds. Canton Flannel @ 20c. ; 10 Men's Fall Overcoats @ \$12.  
Paid for advertising per check \$10.
20. Sold half of the lot belonging to private residence for \$500 cash, and invested the amount in the business.  
Bought from E. Denton & Co. on %, Dry Goods as per Inv. dated June 18, \$500.
21. Received from S. Marks to close his %, check \$30, and his draft, dated June 19 at 7 days on E. Denton & Co., in our favor, for the balance.
22. Deposited 6 x \$1, 25 x \$2, 14 x \$10, 10 x \$20, 16 x \$50, and the in-coming checks on June 7, 17, 18, 21.

- Took for private use, Dry Goods \$20 ; Boots and Shoes \$15.
24. Accepted E. Denton & Co.'s draft on us, dated June 24 at 30 days, for \$300.
25. Sold J. Munro for cash, 1 bbl. Currants, 250# @ 4c.; 10 bxs. Raisins @ \$1.50.  
Put this through the personal account. See Section 99.
26. Rain damaged Dry Goods worth \$60 ; sold them for \$20 cash.
27. J. Munro prepaid his note of the 14th with check ; discount at 6%. (Is the discount 35c. or 36c. ? Fractions under ½c. are dropped.)
28. F. Simpson returned 5 gr. Thread sold him on the 14th.
29. Placed the amount of E. Denton & Co.'s acceptance on the 21st, which is due to-day, to the debit of their %, against what we owe them.
- Petty cash sales for two weeks, Dry Goods \$140 ; Boots and Shoes \$104 ; Groceries \$345.
- Paid L. Martin the balance of his salary in cash.  
Make Expense Dr. \$50 ; L. Martin Cr. \$10 ; and Cash Cr. \$40.
- Deposited 30 × \$1, 50 × \$2, 20 × \$5, 15 × \$10, 1 × \$50, 1 × \$100 ; coin \$43.75 ; check on 27th.

---

INVENTORIES taken June 29, 1907.

*Asset Inventories :*

Dry Goods .....	\$1438.23
Boots and Shoes .....	435.55
Groceries .....	1354.40
Office Furniture .....	140.00
Rent—2 months prepaid .....	120.00
Insurance —11 months unexpired .....	13.75
Discount—6% for unexpired time on B. P. 3 .....	1.38

*Liability Inventory :*

Discount—6% for unexpired time on B. R. 3 .....	212
---	-----

---

Results—Net Gain, \$172.64 ; Net Capital, \$7211.59.

---

### 101. Business Papers—Bank Draft, Bill of Exchange and Negotiation Form.

Inland or Domestic Bills of Exchange are commonly called Drafts ; they are drawn and payable in the same country. Foreign Bills of Exchange are commonly called, simply Bills of Exchange ; they are drawn in one country and are payable in another. Bills of Exchange on the United States of America are, however, called drafts because of the similarity of currency and the proximity of the country. These names apply whether drawn by persons on persons, or by banks on banks.

When a bank in Canada draws upon another bank in Canada, the paper is called a Bank Draft ; but when the second bank is an English or other European bank, the paper is called a Bill of Exchange.



## (a) BANK DRAFT

**Scholastic Bank**\$100.<sup>00</sup>/<sub>100</sub>

St. John, N.B., July 3, 1907.

Pay to The Dominion Plating Co. or Order

One Hundred  $\frac{00}{100}$  Dollars

and charge to the account of this Bank:

To The Scholastic Bank,  
Toronto, Ont.J. J. Crabbe, Manager.  
E. E. Switzer, Accountant.

## (b) BILL OF EXCHANGE

**The Dominion Bank**

£100 Sterling.

Toronto, July 2, 1907.

On Demand of this First of Exchange (second unpaid)

pay to the order of James Proctor

One Hundred Pounds Sterling

as advised.

The National Bank of Scotland,  
London, E.C.R. Price, Manager.  
M. Parker, Accountant.

Suppose that D. Proctor of St. John, wishes to send \$100 to The Dominion Plating Co. of Toronto. He obtains a Bank Draft for the purpose, as follows: He steps into, say, the Scholastic Bank and fills in a Bank Draft Requisition Form, as shown in (c) on the next page; the amount of exchange and the total are filled in by a bank clerk. He presents this at the wicket, and on payment of the amount specified in the Requisition, a bank clerk makes out and hands him a form similar to that shown in (a) above; this he will mail to The Dominion Plating Co.

## (c) REQUISITION FORM.

**Scholastic Bank**

St. John, N. B., July, 3, 1907.

Required, a draft on Toronto.....

In favor of *The Dominion Plating Co.*.....For the sum of *One Hundred*..... *Dollars.*Applicant *L. Procter.*

No.	Par	\$100.00
Exchange	$\frac{1}{4}$	per c. \$ .25
		<u>\$100.25</u>

**102. Bank Drafts—Transactions Journalized.**

(1). Sent D. R. Graham on %, a bank draft purchased with cash \$100. Exchange 25c.	D. R. Graham	100		
	Expense		25	
	Cash			100 25
(2). Received from D. R. Graham on %, bank draft for \$100.	Cash	100		
	D. R. Graham			100

**103. Remitting Cash.**

1. *By Registered Letter.*—Registered letters are numbered and entered in special books so that they may be traced along the mail routes. Should a registered letter be lost or stolen, the post office authorities make a search for it, but if unsuccessful, the sender has himself to bear the loss.

2. *By Postal Note.*—A Postal Note is an order issued by one post office on another post office, requesting it to pay the desired amount. They are used for sending any amount up to \$10, to any place in Canada only. They are made for set amounts, 20c., 30c., etc.; for odd cents, from one to nine, postage stamps may be affixed to the face of the Postal Note. If a Postal Note or any of the following forms be lost, after being properly filled in, a duplicate can be obtained.

3. *By Post Office Money Order.*—These are orders by one post office on another post office and are used for sending any amount up to \$100, to any country in the postal union.

4. *By Express Money Order.*—These are orders by one express office on another express office.

5. *By Bank Check.*—Since Bank Checks are drawn by a depositor on funds in the home bank, they are intended for making local payments only. Should a check be sent to a person in another town he would have to pay exchange to any bank cashing it for him. Occasionally, however, a firm arranges to have its checks payable at par in other towns.

6. *By Bank Draft.*—These are orders by one bank on another bank at a distance. A person wishing to send money by this method, buys a Bank Draft; for this he pays the face amount and a small sum ( $\frac{1}{4}$  or more) for the banker's trouble. A small sum is charged as commission or exchange, in the other cases also.

7. *By Bank Money Order.*—These are orders by one bank on another bank. They are intended for small amounts, whereas Bank Drafts are intended for larger amounts.

104. Cash Remittance Papers—Specimens.

**NOT NEGOTIABLE. POSTAL NOTE.**

**CANADIAN POSTAL NOTE.** A 272040  
**TWENTY CENTS** 20c.

To the POSTMASTER at *Halifax, N.S.*  
PAY to the order of *H. Phillips* the sum of **TWENTY CENTS** on account of the Postmaster General of Canada.

*H. Phillips*  
POSTMASTER  
ISSUING OFFICE

STAMP HERE

**POST OFFICE MONEY ORDER.**

**BLOOR STREET (Toronto), Ont. No 5292**

**CANADIAN MONEY ORDER.**  
MANDAT DE POSTE CANADIEN

35 75

PAY to the person mentioned in advice—(PAIE à la personne mentionnée l'avis)  
*Thirty-five* Dollars  
*Twenty-five* Cents

To the order of *London, Eng. & Marshall*  
Particulars: (Mentionner.)

Recorded the above to— (Enregistrer le montant ci-dessus)

**EXPRESS MONEY ORDER.**

WHEN COUNTERSIGNED BY AGENT AT POINT OF ISSUE. **EXPRESS MONEY ORDER** Series F 3684

**THE Canadian Express Company**  
AGREES TO TRANSMIT AND

Pay to the order of *Chas. Proctor, Montreal, Que*  
The sum of *Forty-three* Dollars

COUNTERSIGNED BY *H. Patterson* AGENT  
ISSUED AT *Toronto, Ont.* BY *J. H. Horton*  
DATE *September 20, 1907* MADE BY *B. Sinclair*

**BANK MONEY ORDER.**

**CANADIAN BANKERS ASSOCIATION**  
BANK MONEY ORDER

ISSUED BY THE CANADIAN BANK OF COMMERCE.  
*Victoria, B.C., Oct. 7, 1907 No. D 9501*

Pay to the order of *John Dwyer & Co.*  
the sum of *Three* Dollars

TO THE CANADIAN BANK OF COMMERCE  
MONTREAL, QUE. *R. Brown*

**MARKED CHECK.**

*16 35* Toronto, Ont., *Sept 28, 1907*

**The Dominion Bank.**

Pay *R. M. Spencer* or Bearer  
*One Hundred and Seventy-five* Dollars.  
*(the full of up to date)*  
*8 175 25* *B. Thompson*

**BANK DRAFT**

*No. 389.* **The Dominion Bank.** \$ *137 50*

*Winnipeg, Man., Sept. 3, 1907.*

Pay to the order of *A. H. McIntosh & Co., New York*  
*One Hundred and Thirty-seven* Dollars  
*for value received which charge to account with advice.*

TO THE NATIONAL CITY BANK.  
33 WALL STREET, NEW YORK.  
*D. R. Calder,* Manager  
*Peter W. Rat.*

The Check above is called a *Marked or Accepted Check*, because of "16, A. M." written across the left-hand end; the "35" is the page of B. Thompson's A/c in the bank ledger, and "A. M." are the ledger keeper's initials; the ledger keeper takes the amount from B. Thompson's A/c and reserves it to pay the check. Notice that "Bearer" is crossed out; the word "Order" is understood and need not be written above.

**105. Two Accounts for the Proprietor.**

It is generally better to keep two accounts in the Ledger for the Proprietor—one for his investments and larger withdrawals, and one for small sums and goods taken for private use. Example: "D. Proctor (Capital A/c)"; "D. Proctor (Private A/c)". When closing the books, the Private A/c should be closed into the Capital A/c, before taking the Trial Balance.

**106. Freight.**

The cost of Merchandise laid down in the store or warehouse includes freight, as well as invoice price. Freight may be dealt with in two ways: (1) Journalize it as Merchandise; (2) Journalize it as Freight, and close the Freight A/c into the Merchandise A/c, when closing the books.

**107. Sales Journal or Sales Book.**

All sales of Merchandise are entered in this book whether settled for at the time or not. It is used as a posting medium, from which each person named is debited in the Ledger for the amount sold him, and from which also Merchandise is credited for the total amount of the month's sales. When a person pays for the goods at the time of the sale, say with cash, he is debited through the Sales Journal for the amount of the sale, and credited through the Cash Journal for the cash payment; if he pay with note or acceptance he will be credited through the Journal, or through the Bill Journal when used as a posting medium. Notice that the Cash Book and the Bill Book are called respectively *Cash Journal* and *Bill Journal* when used as posting media. In the example in Section 108, the entries are for transactions in Set IX. Petty Cash Sales are entered in the Cash Journal only.

**108. Example of Sales Journal.**

Notice the two methods of entering the details: (1) By placing them even with the name, and (2) by indenting them an inch or less.

Notice also the two methods of dating: (1) By placing the dates at the side with an extra column for the Ledger Folio; in which case the heading may then be "Merchandise Sales Cr.," or simply "Sales Journal." (2) By placing the dates between the entries, and leaving the column at the side for the Ledger Folio; the heading should then be "St. John, July 3, 1907." The student may select any of these methods.

		MERCANDISE (Sales).		Cr.	
L.F.	Accounts Debtor.		Items.	Totals.	
July	3 57	K. Clark, Moncton, on % , 30 days.			
		8 Gold Watches . . . . .	30.00	240	
		6 doz. Silver Plated Teaspoons . . . . .	1.50	21	261
	7 58	E. Evans, Fredericton, on % , 30 days.			
		10 Marble Clocks . . . . .	20.00	200	
		1 doz. Alarm Clocks . . . . .		9	209 00
	9 59	R. Johnston, Chatham, on % , 30 days.			
		38 pcs. Silverware assorted . . . . .	2.00	34	
		1 doz. Silver Plated Knives . . . . .	1.50	63	117
	8 60	D. Proctor (Private % ).			
		Silverware assorted . . . . .			50
	9 61	K. Clark, Moncton, on % , 30 days.			
		10 doz. Watch Chains . . . . .	7.50	75	
		15 Ladies' Gold Watches . . . . .	20.00	300	375
		Carried forward			1012 00

MERCHANDISE SALES.

Cr.

		Brought forward		1012	60
11	38	E. Evans, Fredericton, on %, 10 days.			
		3 doz. Ladies' Gold Rings	17 <sup>00</sup>	51	
		6 doz. Gentlemen's Watch Pendants	12 <sup>00</sup>	72	
		13			123
40		R. Johnston, Chatham, on %, 30 days.			
		2 doz. Eight Day Clocks, ea.	4 <sup>00</sup>	96	
		3 " Silver Watches, ea.	10 <sup>00</sup>	360	
		20			456
38		E. Evans, Fredericton, on %, 30 days.			
		8 Marble Clocks	30 <sup>00</sup>		240
		22			
40		R. Johnston, Chatham, cash.			
		Job Lot of Goods			150
		24			
39		Student, city, on %.			
		1 Silver Watch			20
		25			
38		E. Evans, Fredericton, draft at 3 days.			
		1 doz. Fancy Crystal Receivers, ea.	2 <sup>00</sup>	24	
		6 " Napkin Rings	1 <sup>00</sup>	6	
		30			30
		Merchandise	Cr.		60
				2031	60

Remarks.

1. Notice that the Sales Journal is much the same as the Cr. side of the Cash Journal. Merchandise is Cr. (Creditor) for the total sales, just as Cash is Cr. for the total payments; and the other accounts opposite the dates are Dr. (Debtor) both in the Sales Journal and Cash Journal.
2. The date in the Sales Journal may be placed down the centre, as done in the last five entries—July 13 to 25, instead of down the left-hand side; the ruling, paging and dating will then be the same as in the ordinary Journal on page 30; in either case, be sure to leave a space between the entries.
3. The Heading at the top may be "Merchandise Sales Cr." or "Sales Journal" or "St. John, N.B., July 3, 1907." The foregoing form of Sales Journal will, however, be simpler as a first step for the student.

109. Purchase Journal or Invoice Book.

All purchases of Merchandise are entered in this book, whether settled for at the time or not. It is used as a posting medium, from which each person named is credited for the amount purchased from him, and from which also, Merchandise is debited for the total amount of the month's purchases. When we pay for the goods at the time of purchase, say with cash, the person we purchase from is credited through the Purchase Journal for the amount of the purchase, and is debited through the Cash Journal for the cash payment; if we pay with note or acceptance he will be debited through the Journal, or through the Bill Journal if it be used as a posting medium; see Section 99.

There are two forms of Purchase Journal in general use. One form is wider than the ordinary Invoice so that the Invoices may be pasted in, and leave room to rule a money column on the right; the amounts of the Invoice are extended into this column and totalled; each person is credited for the amount purchased from him, and Merchandise is debited for the monthly total. The other form, of which there are many variations, is illustrated in Section 110; the July entries are from Set IX., the August entries do not belong to any set.

## 110. Example of Purchase Journal.

		MERCHANTISE (PURCHASES).				DR.	
L.F.		Accounts Creditor.	Date of Invoice and Terms.		Items.	Totals.	
1907							
July	1	J. D. Proctor (Capital A/c) Investment					2800
	4	G. Sloane & Co.	June 29—15 days				850
	10	Dominion Plating Co.	July 6—30 days				600
	18	G. Sloane & Co.	July 16—15 days				380
	31		Merchandise				4630
Aug.	1	A. McIntyre & Co.	July 30—10 days		150	25	
			" " "		275	50	425
	2	J. M. Foster & Co.	July 31—Cash		200		
			" " Draft, 30 days		150	50	200
	3	O. T. Mather & Co.	Aug. 3—Cash		125	50	175
			" " Note, 2 mos.		165		165
	1		Merchandise				1000
							1000

Remarks.—1. The Purchase Journal is much the same as the Dr. side of the Cash Journal. Merchandise is Dr. for the total purchases, just as Cash is Dr. for the total receipts, and the other accounts opposite the dates are Cr. both in the Purchase Journal and the Cash Journal.

2. The heading at the top may be "Merchandise Purchases Dr." or "Purchase Journal" or "John, N. B., July 2, 1907."

3. The bookkeeper does not enter the details of the Invoices in the Purchase Journal, since he enters the Invoices themselves for reference. He places the Invoices of each firm together, and files them away according to number, or in order of their dates.

4. Although the terms may be *cash* or *note*, still the cash or note may not be received until some days later. In the entry on Aug. 3, the Invoice and goods were received on the date of purchase; the terms are *cash* and *note at 2 mos.*; now whether the cash and note are received once or some days later, the entry should be put through the personal account. See Section

## Set I. D. E. W. Wholesale Jewelry Business.

Special Features. Use of Sales Journal and Purchase Journal. Two accounts for the Proprietor—"Proctor (Capital A/c)" and D. Proctor (Private A/c)." Transactions introducing Bank Draft and Exchange.

## Instructions:

- Books to be used—Business Papers, Journal, Sales Journal, Purchase Journal, Cash Journal, Bill Book and Ledger.
- Business Papers:
  - Inward. Notes on July 13, 16, 29; Checks on July 13, 22; Drafts on July 15, 16, 22, 25; Bank Draft on July 26.
  - Outward. Notes on July 6, 17; Checks on July 3 (two), 5, 16, 17 (two), 23, 30, (three), 31; Drafts on July 2, 9, 11, 24; Bank Drafts on July 3, 8, 23; Deposit Slip on July 4; Invoices on July 3, 5, 6, 9, 11, 13, 20, 22, 25.
- Make out business papers, make entries in Journal, Sales Journal, Purchase Journal, Cash Journal and Bill Book; post to the Ledger; take a Trial Balance; take stock; make Financial Statements; close the Ledger.

Directory :

American Watch Case Co., Montreal, Que.  
 Clarke, K., Moncton, N.B.  
 Dominion Plating Co., Toronto, Ont.  
 Dominion Show Case Co., Montreal, Que.

Evans, E., Fredericton, N.B.  
 Johnston, R., Chatham, N.B.  
 Sloane, G. & Co., Halifax, N.S.  
 All Others, St. John, N.B.

Ledger Lines :

<sup>1</sup> D. Proctor (Capital A c) . . . . . H + 5	<sup>3</sup> Shop Furniture . . . . . H + 5	<sup>5</sup> G. Sloane & Co. . . . . H + 3
Dominion Plating Co. . . . . H + 5	Scholastic Bank . . . . . H + 12	R. Johnston. . . . . H + 6
Real Estate . . . . . H + 4	D. Proctor (Private A c) . . . . . H + 4	Insurance . . . . . H + 4
Cash . . . . . H + 4	<sup>4</sup> Dominion Show Case Co. . . . . H + 2	Student . . . . . H + 3
<sup>2</sup> Merchandise . . . . . H + 8	Bills Payable . . . . . H + 6	<sup>6</sup> K. Clarke . . . . . H + 3
Expense . . . . . H + 6	Interest and Discount . . . . . H + 5	Loss and Gain . . . . . H + 6
Bills Receivable . . . . . H + 7	E. Evans . . . . . H + 5	

Transactions—Set IX.

St. John, N.B., July 2, 1907. 1. D. Proctor opens up a Wholesale Jewelry Business at # 69 Main Street.

Assets : Cash \$2500 ; Merchandise \$2800 ; Store # 69 Main Street, \$2000 ; Shop Furniture, \$300.

Liabilities : Balance due The Dominion Plating Co., \$450 ; draft for \$200 in favor of The American Watch Case Co., dated June 3, at 30 days' sight, accepted June 5, and payable at the Imperial Bank, Montreal.

2. Deposited cash in the Scholastic Bank, 20 × \$5, 50 × \$10, 30 × \$20, 10 × \$100 ; checks \$125.75, \$74.25. (C.J.)

Engaged Student as bookkeeper at \$60 per month, and R. Mills and S. Dow as clerks at \$50 each per month.

3. Sold K. Clarke on % at 30 days, 8 Gold Watches @ \$30 ; 6 doz. Silver Plated Teaspoons @ \$3.50. (S.J.)

Remitted to the Dominion Plating Co. on %, bank draft \$100, purchased with check ; exchange 25c. (J.)

Paid freight \$8 per check, to the C. P. R., on goods ordered from G. Sloane & Co.  
 Make Mdse. A/c Dr.

4. Bought from G. Sloane & Co. on %, 15 days, Mdse. \$850 as per Invoice dated June 29. (P.J.)

5. Sold E. Evans on %, 3 10 days, 10 Marble Clocks @ \$20 ; 1 doz. Alarm Clocks @ \$9.60. (S.J.)

Proprietor withdrew for private use per check, \$30.

Enter withdrawals in "D. Proctor (Private A c)." Before taking a trial Balance close "D. Proctor (Private A c)" into "D. Proctor (Capital A c)."

6. Sold R. Johnston on %, at 30 days, 18 pcs. Silverware assorted @ \$3 ; 14 doz. Silver Plated Knives @ \$4.50.

Bought from The Dominion Show Case Co. on our note at 10 days, 3 Show Cases @ \$25.

Put this through the Personal Account, making two entries in the Journal—Shop Furniture Dr. and Dominion Show Case Co. Cr. ; Dominion Show Case Co. Dr. and Bills Payable Cr. The latter entry would be put through the Bill Book only, if used as a posting medium. See Section 90.

Paid freight on Show Cases in Cash \$6 (Shop Furniture A c).

8. Received from E. Evans, Cash for bill of 5th inst., less 3%.  
 Make two entries in the Cash Journal—the full amount on the Dr. side for E. Evans, and \$6.20 on the Cr. side for the Discount. See example in Section 47, on June 27.  
 Proprietor took for private use, Silverware \$50. (S.J.)  
 Remitted bank draft, purchased with cash, to settle our acceptance of June 5, \$200; exchange  $\frac{1}{4}$ %. (C.J.)
9. Accepted G. Sloane & Co.'s draft, dated July 4 at 10 days, for the amount of Inv. June 29, \$850. (J. and B.B.)  
 Sold K. Clarke on %, 30 days, 10 doz. Watch Chains @ \$7.50; 15 Ladies' Gold Watches @ \$20. (S.J.)  
 Paid freight \$7 in cash, on goods ordered from The Dominion Plating Co. (C.J.)
10. Bought from the Dominion Plating Co. on %, 30 days, Mdse. \$600 as per Invoice dated July 6. (P.J.)
11. Sold E. Evans on %, 10 days, 3 doz. Ladies' Gold Rings @ \$17; 6 doz. Watch Pendants @ \$12.  
 Paid N. Ross for painting done to private residence, \$10 from cash drawer. (C.J.)  
 Gave The Dominion Plating Co. on %, cash \$75, and sight draft on R. Johnston for \$100. (J. and C.J.)
12. Returned to The Dominion Plating Co. defective goods, received on the 10th, \$20. (J.)  
 Insured Store and contents in the Royal Assurance Co. for \$4000; paid Premium \$20 in cash. (C.J.)
13. Sold R. Johnston on %, 30 days, 2 doz. Eight Day Clocks @ \$4 ea.; 3 doz. Silver Watches @ \$10 ea.  
 Petty Cash Sales for two weeks \$450. (C.J.)  
 Received from E. Evans, his check for \$50 and his note dated July 11, at 10 days for \$73, for bill of goods sold him on 11th inst. (J., C.J. and B.B.)
15. Discounted E. Evans' note of the 13th at 6% and deposited the proceeds; face \$73, discount 11c. (J. and B.B.)  
 Drew on R. Johnston on %, a draft at 10 days for \$150, in our favor. (J. and B.B.)
16. Loaned E. E. Switzer on his note at 6 months, bearing interest at 7% per annum, payable at the Imperial Bank, \$500 given him by check. (J. and B.B.)  
 Received from R. Johnston on %, a sight draft on W. Rankin for \$100. (C.J.)
17. Settled our acceptance of the 9th, with check for \$100, and our note at 30 days, bearing interest at 6% per annum, for balance. (J. and B.B.)  
 Paid freight \$10 per check, to the C. P. R., on goods ordered from G. Sloane & Co. (J.)
18. Bought from G. Sloane & Co. on %, Mdse. \$380 as per Invoice dated July 16 at 15 days. (P.J.)
19. Settled our note of the 6th inst. in cash. (C.J. and B.B.)
20. Sold E. Evans on %, 30 days, 8 Marble Clocks @ \$30.  
 Deposited cash \$500. (C.J.)
22. Sold R. Johnston on his check, a job lot of Jewelry, \$150. (S.J. and C.J.)  
 Received from E. Evans on %, a draft at 10 days on The Dominion Plating Co. for \$240. (J. and B.B.)
23. Fire destroyed Mdse. worth \$1000, received this amount on our insurance policy, and deposited the same. (J.)



- Accepted G. Sloane & Co's. draft, dated July 18 at 10 days, for \$280, and also remitted a bank draft for \$100 purchased with check, exchange 2½c., in payment of Mdse. as per Invoice received July 18. (J. and B.B.)
24. Returned R. Johnston's dishonored check received on 22nd. (C.J.)  
Paid for fixing shelving, cash \$25.  
Gave Student on his salary, 1 Silver Watch \$20. (S.J.)  
Student's salary is not due until the end of the month, and as the payment is irregular we must treat this as a sale to Student on %.
25. Sold E. Evans for his draft at 3 days on The Dominion Plating Co., 1 doz. Fancy Card Receivers @ \$2 each; 6 doz. Napkin Rings @ \$1. (S.J., J. and B.B.)  
Put this entry through the Personal Account. See Section 90.
26. Received from R. Johnston on %, bank draft \$250. (C. J.)
27. Paid Student on his salary, cash \$20. (C. J.)  
Put through the Personal Account. See note on July 24.
29. R. Johnston paid cash \$50 on his acceptance of the 15th, and gave his note at 2 months, bearing interest at 6% per annum, for the balance. (J. & C. J.)
30. Paid salaries for July with checks. (J.)  
Expense Dr. \$100, Student Cr. \$40, Scholastic Bank Cr. \$120.
31. Settled our acceptance of the 23rd per check, \$280.  
Petty Cash Sales, \$710.  
The Dominion Plating Co. requests us to place the draft of the 25th to their debit. (J. and B. B.)  
Deposited the balance of cash on hand, excepting \$5.

INVENTORIES (taken July 31, 1907.

Asset Inventories:

Merchandise .....	\$780.65
Office Furniture .....	375.00
Real Estate .....	2100.00
Insurance premium unexpired .....	14.22
Interest accrued on Bills Rec. 3 and 6 .....	1.47

Liability Inventory:

Interest accrued on Bills Pay. 4.....	1.04
---------------------------------------	------

Results. Net Gain, \$233.75; Net Capital, \$7093.75.

111. Partnership.

A Partnership or Co-partnership is an association of two or more persons, who agree to combine their money, labor or skill, or any or all of them in lawful business, and to share the profits or bear the losses, in certain proportions.

112. Partnership Accounts.

An Account is opened for each partner, as, "Student (Capital A c)" and "A. Hamilton (Capital A c)." A partner's account is treated similarly to that of a single proprietor, both in the opening Journal entry and in closing his account in the Ledger. An entry is made in the Loss and Gain A c for each partner's net gain or net loss, and the amounts are then transferred to their respective Capital A c's. Each Capital A c is then closed in the same manner as a single proprietor's account would be closed.

**113. Bank Account.**

In Set X. we shall not keep Bank A/c in the Ledger, but by the second method mentioned in Section 69, namely, on the stub ends of checks; or the student may keep it by the third method, by making a Bank Pass Book, as shown in Section 69, and recording therein the entries of deposits and checks, as they would be recorded by the bank ledger keeper; or he may combine both methods.

When either of these methods is used, no distinction is then made between the cash in the office drawer and the cash on deposit in the bank; both are considered as cash on hand. Payment by check is then treated as payment in cash, and an entry is made in the Cash Journal just as if paid from the office cash drawer. A deposit is considered merely as moving cash from one drawer to another drawer, and no entry is made in the Cash Journal.

The second method is illustrated on the stubs of the following checks. Deposits are added to the last balance and each check is subtracted, thus showing the balance in the bank. The balance in the Cash Journal includes this balance and the balance in the office drawer.

The Student should use the pad of Bank Checks in the "Students' Outfit in Business Papers," which has been prepared to accompany this work; or he may make a Bank Check Book from the leaves of his work book.

**114. Example of Bank Account on Stubs of Check Book.**

<i>No. 1.</i>	<i>Deposited</i>	<i>750</i>	<i>No. 1.</i>	<i>Halifax, August 5, 1907.</i>
<i>Date</i>	<i>Aug. 5, 1907</i>			<u><i>The Dominion Bank.</i></u>
<i>Favor of</i>	<i>L. Taylor</i>		<i>Pay</i>	<i>L. Taylor</i> ..... <i>or order</i>
<i>For</i>	<i>in "</i>		<i>One Hundred</i> .....	$\frac{20}{100}$ <i>Dollars</i>
<i>Amount</i>	<i>\$100<sup>00</sup></i>	<i>100 50</i>	<i>\$100<sup>00</sup></i>	<i>R. J. Peter.</i>
	<i>Bal.</i>	<i>649 50</i>		

<i>No. 2.</i>	<i>Bal.</i>	<i>649 50</i>	<i>No. 2.</i>	<i>Halifax, August 8, 1907.</i>
	<i>Dep.</i>	<i>130</i>		<u><i>The Dominion Bank.</i></u>
<i>Date</i>	<i>Aug. 8, 1907</i>	<i>779 50</i>	<i>Pay</i>	<i>H. Pearson</i> ..... <i>or order</i>
<i>Favor of</i>	<i>H. Pearson</i>		<i>Twenty five</i> .....	$\frac{25}{100}$ <i>Dollars</i>
<i>For</i>	<i>Inv. of Aug. 6</i>		<i>\$75<sup>00</sup></i>	<i>R. J. Peter.</i>
<i>Amount</i>	<i>\$75<sup>00</sup></i>	<i>75</i>		
	<i>Bal.</i>	<i>704 50</i>		

**115. Financial Statements in Partnership.**

The Statements of Losses and Gains, and of Assets and Liabilities differ from those of a single proprietor only in the closing. In the form shown in Sections 93 and 94, there would be two or more entries for the Net Gain, two or more Summaries, and two or more entries for the Net Capital—one for each partner. In the form shown in Section 95, there would be two or more Summaries—one for each partner.

**116. Credit Invoice.**

A Credit Invoice or Credit Note is an acknowledgment of the return of goods, of an abatement in price, or of an error in an Invoice. It is much the same in form as an Invoice, but is usually printed in red ink; the writing is done in black ink.

**117. Example of Credit Invoice.**

CREDIT INVOICE.

VICTORIA, B.C.,

August 1

1907

Mr. James Scott

IN ACCOUNT WITH **GEO. MACDONALD & CO.**

1	pc. Cam. Thread, 42 yds., returned	1 <sup>00</sup>	36	20		
5	gr. Cotton Thread, short Inv. July 29	2 <sup>50</sup>	12	50		
10	doz. ps. Ladies' Cashmere Hose	10	7	00	30	70

**Set X.—D. E.—Dry Goods Business.**

**Special Features.**—Partnership and the division of profits. Keeping Bank Account on the stubs of the Check Book, and not in the Ledger.

**Instructions:**

- (a) Books to be used—Business Papers including Bank Check Book, Journal, Sales Journal, Purchase Journal, Cash Journal, Bill Book and Ledger.
- (b) Business Papers:
  1. Inward.—Notes on Aug. 1, 8; Checks on Aug. 8, 10, 20, 21; Drafts on Aug. 10, 13, 15, 24; Bank Drafts on Aug. 14, 16, 26.
  2. Outward.—Checks on Aug. 5, 12, 14 (two), 17, 21, 29, 30, 31 (three); Drafts on Aug. 10, 19; Bank Drafts on Aug. 5, 12, 14, 29; Deposit Slip on Aug. 3; Invoices on Aug. 3, 5, 8, 10, 12, 15, 20, 23; Credit Invoice on Aug. 12.
- (c) Make out business papers; make entries in Journal, Sales Journal, Purchase Journal, Cash Journal, stub ends of Check Book, and Bill Book; post to the Ledger; take a Trial Balance; take stock; make Financial Statements; close the Ledger.

**Directory:**

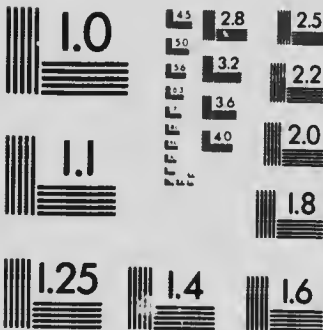
Berry, J., New Westminster, B.C.  
 Brodie, J. & Co., Toronto, Ont.  
 Cameron, C., Vancouver, B.C.  
 Dow, D., Esquimalt, B.C.  
 Dominion Cotton Co., Montreal, Que.

Dunsavill, A., Nelson, B.C.  
 McNab, P., Kamloops, B.C.  
 Murray, P., Nanaimo, B.C.  
 All Others, Victoria, B.C.



# MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



**APPLIED IMAGE Inc**

1653 East Main Street  
Rochester, New York 14609 USA  
(716) 482 - 0300 - Phone  
(716) 288 - 5989 - Fax

## Ledger Lines:

<sup>1</sup> Student (Capital A/c) . . .H+6	<i>J. Berry</i> . . . . .H+3	<i>P. McNab</i> . . . . .H+ 6
<i>A. Hamilton</i> (Capital A/c)H+5	<sup>2</sup> <i>Bills Receivable</i> . . . . .H+7	<i>Donation</i> . . . . .H+ 2
<i>Student</i> (Private A/c) . . .H+2	<i>Bills Payable</i> . . . . .H+3	<i>Interest and Discount</i> . .H+ 8
<i>A. Hamilton</i> (Private A/c)H+4	<i>C. Cameron</i> . . . . .H+4	<sup>5</sup> <i>Expense</i> . . . . .H+14
<sup>3</sup> <i>Cash</i> . . . . .H+4	<i>Furniture and Fixtures</i> .H+4	<i>J. Brodie</i> . . . . .H+ 2
<i>Merchandise</i> . . . . .H+6	<sup>4</sup> <i>D. Dow</i> . . . . .H+2	<i>Loss and Gain</i> . . . . .H+ 5
<i>Dominion Cotton Co.</i> . . .H+5		

## Transactions—Set X.

Victoria, B.C., August 1, 1907. Student and A. Hamilton have formed a co-partnership under the firm name of Student & Co., for the purpose of carrying on a Wholesale Dry Goods Business at # 212 Government Street, which they have leased from R. Dodge at \$40 per month. They are to invest equal amounts, and agree not to withdraw more than \$150 each during the month. Gains and losses are to be shared equally.

*Student's Assets*: Cash \$2000; Mdse. \$4000; Furniture and Fixtures \$425.

*Student's Liabilities*: Balance due the Dominion Cotton Co., \$160.

*A. Hamilton's Assets*: Cash \$5528.52; note against R. Murray, dated June 8 at 2 months, bearing interest at 6 per annum, \$730; interest accrued on this note \$6.48.

2. Engaged J. Watson as bookkeeper at \$70 per month and D. Morgan as clerk at \$50 per month.  
Bought a set of books for the office, for \$15 cash.
3. Sold C. Cameron on %, 30 days, 10 pes. Gingham 35 yds. ea., @ 12c.; 2 pes. N. B. Serge 42, 43 yds. @ \$1.50.  
Deposited in the Scholastic Bank 30 × \$5, 120 × \$10, 40 × \$50, 29 × \$100; coin \$50; checks \$170.60 and \$229.40. (Check Stub.)
5. Sold D. Dow on %, 10 days, 8 doz. prs. Ladies' Cashmere Hose @ \$1.80; 30 yds. Blk. Silk @ \$1.75.  
Remitted the Dominion Cotton Co. on %, a bank draft \$100, purchased with check; exchange 25c. (C.J. and Stub.)
6. Bought from J. Brodie & Co. on %, Mdse. \$400, as per Invoice dated July 29 at 60 days, 3/2 30 days.
7. Discounted R. Murray's note of June 8 at 7 and deposited proceeds; face \$730, interest \$7.80, discount 71c. (C.J., B.B. and Stub.)  
Enter the face amount (Bills Rec.) and the interest as cash received, and the discount as cash paid back. The deposit will be entered on the stub only. This note falls due on Sunday, and is therefore due on the next business day—Monday, Aug. 12.
8. Sold J. Berry 30 pes. Print, 32 yds. ea., @ 9c.; 40 gr. Cotton Thread @ \$2.75; received in payment his check \$96.40 and his note at 10 days for the balance. (S.J., J., C.J., B.B.)  
Put this through the Personal A/c. Enter first in the Sales Journal as a sale on %; then enter the payment in the Journal and Cash Journal; record the note in the Bill Book.
9. Bought from the Dominion Cotton Co. on %, Mdse. \$657, as per Invoice dated Aug. 1; terms, draft at 60 days' sight.  
Student withdrew for private use, cash \$136.48.

10. Sold P. McNab 3 pes. Scotch Tweed 41, 42, 43 yds. @ \$1.60 ; received in part payment his check \$51.60. (S.J., C.J.)  
 Enter In Sales Journal on % ; then enter payment In Cash Journal.  
 Paid for postage and stationery, \$8.50 cash.  
 Drew a draft at 5 days on D. Dow for amount of bill on the 5th, \$66.90, and left with the bank for collection.  
 When a note or draft is left at the bank for collection, write in lead pencil in the Bill Book, "left for collection."  
 Accepted the Dominion Cotton Co.'s draft, dated Aug. 1, and drawn at 60 days' sight, payable at the Bank of Commerce in Montreal, for amount of Invoice on the 9th, \$657.
12. P. McNab returned 1 pc. Scotch Tweed, 42 yds. @ \$1.60.  
 Sold J. Berry on %, 10 days, 140 yds. Toweling @ 10c.; 1500 yds. F. Cotton @ 8c.  
 Sent J. Brodie & Co. on %, bank draft purchased with check for amount of Invoice on 6th, less 3% ; exchange  $\frac{1}{8}$  / (49c.).  
 Enter the full amount on the Cr. side of the Cash Journal, which will make J. Brodie & Co. Dr.; then enter the discount on the Dr. side of Cash Journal, which will make Discount Cr. Enter the exchange as Expense on the Cr. side. Enter check on Stub.
13. A. Hamilton took for private use, goods \$28.48. (S.J.)  
 Drew a 10-day sight draft on C. Cameron in our own favor for \$60, and left it with the bank for collection. (J., B.B.)  
 The bank will present the draft for acceptance, and will afterward collect it and notify us by entering it in our pass book. It will be due 13 days after acceptance; as we do not know the date on which C. Cameron will accept it, we cannot enter the due date in our Bill Book. Although not yet collected we make entries in our Journal and Bill Book.
14. Prepaid our acceptance of the 10th with bank draft purchased with check; discount at 6% \$6.37; exchange 80c. (C.J., B.B. and Stub.)  
 The Student should see if he can himself obtain the amounts of interest and discount in all transactions and inventories.  
 Received from J. Berry, draft on the Dominion Bank in payment of bill sold him on the 12th. (C.J.)  
 Paid advertising with check, \$30. (C.J. and Stub.)
15. Sold C. Cameron on %, 30 days, 8 pes. Lining, 50 yds. ea., @ 10c.; 30 doz. pes. Men's Cotton Hose @ \$1.10.  
 Received from P. McNab on %, his draft on A. Dowswell, dated Aug. 10 at 15 days, for \$75; left it at the bank for collection.
16. Bought from the Dominion Cotton Co. on %, Mdse \$500, as per Invoice dated Aug. 6 at 30 days.  
 C. Cameron remitted a draft on the Imperial Bank in payment of bill of the 15th, less 3% (C.J.)  
 Credit C. Cameron for full amount of bill on the Dr. side of the Cash Journal; debit Discount on the Cr. side.
17. A. Hamilton withdrew for private use per check, \$100. (C.J. and Stub.)  
 Petty Cash Sales for two weeks, \$670.
19. Accepted the Dominion Cotton Co.'s draft on us for \$400, dated Aug. 9, at 30 days' sight. The Scholastic Bank instructs us that D. Dow has paid \$26.90 cash on his acceptance, drawn on the 10th, and promises to pay the balance in 5 days. (C.J., B.B. and Stub.)  
 Credit Bills Rec. on the Dr. side of the Cash Journal; enter the partial settlement of B. R. 3 in the B. B.; enter the deposit on the stub.
20. Sold P. McNab, 1000 yds. Shirting @ 15c.; 2 pes. Cottonade, 40 yds. ea., @ 14c.; received in part payment his check for \$69. (S.J., C.J.)  
 Put this through the Personal A/c.

21. Paid taxes on Store \$15, and on A. Hamilton's residence \$8, per check. (C.J. and Stub.)  
 J. Berry paid his note of the 8th with check, \$100.  
 Deposited checks—J. Berry's \$96.40 and \$100, P. McNab's \$51.60 and \$69. Less collection charges, 40c. (C.J., and Stub.)  
 Enter the deposit on the stub and the collection charges in the Cash Journal.
22. Donated to the General Hospital, \$20 cash (Donation A c).
23. Sold C. Cameron on %, 30 days, 3% 10 days, 500 yds. Sheeting @ 11c.; 3 pcs. Blk. Lustre, 30 yds. ea. @ 40c.
24. The Scholastic Bank has collected the balance of D. Dow's acceptance of the 10th, and has placed the amount to our credit, \$40. Collection charges 20c. (C.J., B.B. and Stub.)  
 Drew a draft on P. McNab, dated Aug. 20 at one month, for the balance of his account.
26. Received from C. Cameron a draft on the Bank of Montreal for the amount of his account, less 3 . (C.J.)
27. Discounted P. McNab's acceptance of Aug. 24 at the bank at 6 , and deposited proceeds; face \$100, discount 44c. (C. J., B.B. and Stub.)
28. The Scholastic Bank has collected the amount of A. Dowsell's acceptance of the 15th, and has placed the proceeds to our credit; face \$75, less collection charges 20c. (C.J., B.B. and Stub.)  
 Enter on Dr. side of Cash Journal for Bills Rec. and on the Cr. side for Expense. Make an entry on stub for the deposit, \$75 less collection charges.
29. Remitted bank draft, purchased with check, to the Dominion Cotton Co., to close our account, exchange 25c.
30. Paid Rent with check, \$40. (C.J. and Stub.)  
 Paid Freight for the month, \$41.50 cash.
31. Paid Salaries with checks, \$120.  
 See note under July 30 in Set IX.  
 Petty Cash Sales, \$1150.  
 Deposited balance of cash in drawer, less \$8.33.

The balance in the Cash Journal includes the balances in the Bank and in the Cash Drawer. The difference between the balance on the Stub and the balance in the Cash Journal is therefore the balance in the Cash Drawer. Is the amount of deposit \$2187 Enter on Stub only.

INVENTORIES taken August 31, 1907.

Asset Inventories:

Merchandise . . . . .	\$2888.14
Furniture and Fixtures . . . . .	415.00
Discount on Bills Pay. #2 at 6% . . . . .	1.38

Results:

Student's Net Loss, \$42.43; Net Capital, \$6086.09.  
 A. Hamilton's Net Loss, \$42.43; Net Capital, \$6086.09.

118. Renewal of Notes and Acceptances—Transactions Journalized.

(1). Renewed my note \$200 due to-day, favor of M. Wingate, by giving a new note at 30 days, bearing interest at 6%.	Bills Pay. . . . .	200			
	Bills Pay. . . . .	200			
(2). Settled my note due to-day, favor of H. Hall; face \$300, interest accrued \$20.50. Gave cash \$200, and a new note bearing interest at 7% for the balance.	Bills Pay. . . . .	300			
	Interest . . . . .	20	50		
	Cash . . . . .	200			
	Bills Pay. . . . .	120	50		
(3). D. Carter settled his acceptance \$400 in our favor, on which \$25.75 of interest has accrued. He gave cash \$200 and accepted a new draft at 60 days, bearing interest at 6%, for the balance.	Cash . . . . .	300			
	Bills Rec. . . . .	125	75		
	Bills Rec. . . . .	400			
	Interest . . . . .	25	75		



**Set XI.—D. E.—Hardware Business.**

**Special Features.**—Two months' business with a Trial Balance at the end of each month, but closing the books at the end of the second month only; renewals of notes and drafts; Net Loss, and insolvency of one of the partners.

**Instructions:**

- (a) *Books to be used*—Business Papers, including Check Book, Journal, Sales Journal, Purchase Journal, Cash Journal, Bill Book and Ledger.
- (b) *Business Papers:*
  - 1. *Inward.*—Notes on Sept. 3, 14; Drafts on Sept. 11, and Oct. 13, 16, 23; Checks on Sept. 3, 23, and Oct. 3, 23; Bank Draft on Oct. 24; Receipts on Sept. 30 (rent) and Oct. 11, 31.
  - 2. *Outward.*—Notes on Sept. 3, and Oct. 17, 28; Drafts on Sept. 10, 13, 24, 28, and Oct. 12; Checks on Sept. 7, 13, 16, 17, 26, 27, 30, and Oct. 4, 11, 12, 16, 22, 28, 30; Invoices on Sept. 6, 9, 14, 18, 21, and Oct. 1, 5, 8, 23; Credit Invoice on Oct. 15; Deposit Slip on Sept. 3; Bank Drafts on Sept. 13, 16, 30; Receipts on Oct. 21, 31.
- (c) *Make out business papers, make entries in Journal, Sales Journal, Purchase Journal, Cash Journal, stub ends of Check Book, and Bill Book; post to the Ledger; take Trial Balances; take stock; make Financial Statements; close the Ledger.*

**Directory:**

- |                                       |                                 |
|---------------------------------------|---------------------------------|
| Burton, F. & Co., Montreal, Que.      | Dale, C., Brandon, Man.         |
| Kent Hardware Co., London, Ont.       | Marshall, T., Rat Portage, Ont. |
| King, B., Hamilton, Ont.              | Laing, L., Regina, Assa.        |
| Rogers, C. & Co., Toronto, Ont.       | All Others, Winnipeg, Man.      |
| Jenkins, R., Portage la Prairie, Man. |                                 |

**Ledger Lines:**

<sup>1</sup> A. McIntyre (Capital A'c).....H + 4	<sup>3</sup> C. Dale .....H + 2	Kent Hardware Co.....H + 5
J. MacDonald (Capital A'c).....H + 5	F. Burton & Co.....H + 3	Cash.....H + 5
A. McIntyre (Private A'c).....H + 5	Merchandise .....H + 16	<sup>6</sup> R. Jenkins.....H + 6
J. MacDonald (Private A'c).....H + 3	<sup>4</sup> T. Marshall.....H + 7	L. Laing .....H + 4
<sup>2</sup> Bills Receivable .....H + 6	Expense .....H + 16	Donation .....H + 2
Interest and Discount .....H + 8	<sup>5</sup> B. King.....H + 4	C. Rogers & Co.....H + 2
Bills Payable.....H + 7	Office Furniture .....H + 4	<sup>7</sup> Loss and Gain.....H + 5

**Transactions for September—Set XI.**

Winnipeg, Man., September 3, 1907. A. McIntyre and J. MacDonald have this day entered into co-partnership to carry on a Hardware Business at No. 194 Main Street, which premises they have leased for one year at \$480 per annum, payable monthly.

According to the Articles of Agreement the firm name is to be "McIntyre & MacDonald." J. MacDonald is to give his whole time to the business and is to receive  $\frac{2}{3}$  of the profits, while A. McIntyre, who is otherwise engaged, is to receive  $\frac{1}{3}$ ; in case of a net loss it is agreed that A. McIntyre shall bear  $\frac{2}{3}$  and J. MacDonald  $\frac{1}{3}$ .

A. McIntyre's Assets: Cash \$5000; note for \$365 against P. Fellows, dated May 11 at  $\frac{1}{4}$  months, bearing interest at 6% per annum; interest accrued on this note to date, \$6.90.

*A. McIntyre's Liabilities:* Balance due B. King \$2300; note for \$100, in favor of R. Wilkins, dated August 15 at 60 days.

*J. MacDonald's Assets:* Cash per check on the Dominion Bank \$1000.

Make the opening entry for A. McIntyre by the Net Investment Method. See Section 51.

3. Engaged Student as bookkeeper at a salary of \$40 per month.  
Deposited in the Scholastic Bank  $30 \times \$1$ ,  $60 \times \$2$ ,  $100 \times \$5$ ,  $300 \times \$10$ ,  $10 \times \$50$ ,  $2 \times \$100$ ; coin \$40; checks \$50, \$60, \$100<sup>00</sup> (Stub.)
4. Bought from F. Burton & Co. on %, Mdse. \$1460, as per Invoice dated Aug. 29,  $3_{10}^n_{30}$  (P.J.)  
 $3_{10}$  means 3% off if paid inside of 10 days;  $n_{30}$  means net cash in 30 days, that is, if not paid in 30 days interest will be charged.
5. Bought from the Kent Hardware Co. on %, Mdse. \$1200, as per Invoice dated Aug. 30,  $1_{30}^n_{60}$  (P.J.)
6. Sold C. Dale on % at 10 days, 30 kegs Wire Nails @ \$2.10; 100 gross Screws @ 15c. (S.J.)
7. Bought a set of books for the office with check, \$12.  
Petty Cash Sales, \$150. (C.J.)  
Deposited cash in bank, \$450.
9. Sold R. Jenkins on %, at 30 days, 9 doz. Ditching Spades @ \$15; 4 doz. Door Locks @ \$6.
10. Accepted B. King's draft on us, dated Sept. 6 at 30 days' sight, favor of J. Mason for \$730. (J., B.B.)  
Make all Bills Payable, payable at the Scholastic Bank. In drafts, do this in the acceptance across the face.
11. Drew a draft on C. Dale in favor of ourselves, for \$78, dated Sept. 6 at 7 days, for amount of bill of the 6th, and left it with the bank for collection. (J., B.B.)
12. Bought from the Kent Hardware Co. on %, Mdse. \$300, Invoice dated Sept. 6,  $3_{10}^n_{30}$
13. Accepted F. Burton & Co's. draft, favor of themselves, dated Aug. 29 at 15 days, for amount of Invoice of the 4th, \$1460.  
Sent the Kent Hardware Co. on %, bank draft purchased with check, for amount of Invoice of the 12th, less 3% discount—\$300 less \$9; exchange  $\frac{1}{8}$  ¢. (C.J. and Stub.)
14. Sold F. Marshall on %,  $3_{10}^n_{30}$ , 16 doz. Door Springs @ \$4; 1500# White Lead @ 5c.  
P. Fellows' note in the opening entry falls due to-day face \$365, interest due \$7.56; he pays \$200 cash on it, and gives a new note at 60 days for the balance, bearing interest at 7%. (J., C.J., and B.B.)  
Petty Cash Sales, \$225.50.  
Deposited in bank, \$300 cash.
16. Bought from C. Rogers & Co., terms  $n_{10}$  (net cash), Office Furniture \$200, Invoice dated Sept. 10.  
Enter this in the Personal A/c. Although the terms are net cash, it is not a cash transaction, as the goods had to be shipped, and will be paid for, after arrival.  
Prepaid our acceptance of the 13th by remitting bank draft purchased with check; discount at 5% (\$3); exchange  $\frac{1}{8}$  ¢.
17. Remitted C. Rogers & Co. check for amount of Invoice on the 16th, \$200.  
A. McIntyre withdrew cash \$75.  
The bank has credited us with the amount of C. Dale's acceptance left for collection on the 11th, less collection charges  $\frac{1}{8}$  ¢; face \$78, coll. 20c.  
Make an entry in the Cash Journal on the Dr. side for Bills Rec. \$78, and an entry on the Cr. side for Expense 2c. Make an entry on the Stub for \$77.80, and a cancellation in the Bill Book.

18. Sold L. Laing for cash, 15 doz. Paint Brushes @ \$1.20 ; 4 bbls. Boiled Linseed Oil, 40 gals. ea., at 50c.  
Put this through the Personal A.c. Receipt the Invoice.
19. Donated to the General Hospital a bill of goods, \$25.
21. Sold R. Jenkins on %, 30 days, 6 doz. Chisels @ \$1.20 ; 50 kegs Cut Nails @ \$2.50.  
Petty Cash Sales, \$260.80.  
Deposited in bank, cash \$550.
23. Bought from B. King on %, Mdse. \$400, Invoice dated Sept. 18,  $\frac{n}{30}$ .  
Received from T. Marshall on %, his check on the Merchants Bank for \$25, dated Sept. 21.
24. Drew a draft on R. Jenkins in favor of the Kent Hardware Co., at 30 days' sight for \$150.
26. J. MacDonald withdrew for private use, \$40 per check.
27. Paid gas bill with check, \$15.
28. Accepted draft drawn by the Kent Hardware Co. in favor of themselves for \$600, dated Sept. 25 at 30 days.  
Petty Cash Sales, \$275.60.  
Deposited in bank \$175 cash, and T. Marshall's check for \$25 on which the bank charges  $\frac{1}{2}$  % for collection.  
Enter deposit on Stub, \$190.35; and collection charges 5c. in the Cash Journal.
30. Remitted B. King on %, bank draft \$800, purchased with check ; exchange  $\frac{1}{8}$  %.  
Paid bookkeeper's salary, \$40 in cash.  
Paid rent of store for Sept., \$10 in cash.  
Foot the Sales Journal and the Purchase Journal, balance the Cash Journal, post, take a Trial Balance, and then proceed with the October set without closing. When totalling in the Ledger for the trial balance, leave the lead-pencil pin-head figures ; add the October items to these totals, when totalling for the October Trial Balance.

#### Transactions for October—Set XI.

- October 1. Sold T. Marshall, terms  $\frac{n}{30}$ , 1 bbl. Whiting \$3 ; 10 bbls. Coal Oil, 45 gals. ea., @ 15c.  
This is a sale on % ; T. Marshall will not remit the cash until he receives the goods on the 3rd.
2. Paid for Stamps and Stationery, \$2.20 cash.
3. Received from T. Marshall for bill of the 1st, his check on the Merchants Bank, dated Oct. 2.
4. Prepaid our acceptance of the 10th ult. with check ; discount at 6 %, \$1.08.
5. Sold L. Laing on %, 15 days, 6 doz. Steel Hammers @ \$9 ; 10 doz. Table Knives and Forks @ \$1.50.  
Petty Cash Sales, \$220.35.  
Deposited in bank, cash \$200, and T. Marshall's check for \$70.50 ; bank charges  $\frac{1}{8}$  % for collection (9c.)
7. A. McIntyre took for private use, Cutlery \$20 ; Paint and Oil \$15 ; and Cash \$40. (S.J. and C.J.)
8. Sold R. Jenkins 5 doz. Axes @ \$12 ; 1  $\frac{1}{2}$  doz. Grindstones @ \$24. Received cash \$25 in part payment, the balance to remain on %.  
Put through the Personal A.c.

9. Bought from F. Burton & Co., Mdse. \$900, Invoice dated Oct. 3,  $3 \frac{20}{30}$ .
11. A. McIntyre, while on a trip to London, paid the Kent Hardware Co. on %, cash \$50, and check dated Sept. 7 for \$350.
12. Remitted B. King on %, a sight draft on T. Marshall for \$50 and a check for \$1120.  
Petty Cash Sales, \$230.20.  
Deposited in bank, cash \$250.
14. Received from T. Marshall in full of %, his draft on S. Somers, dated Oct. 11 at 15 days, \$64.
15. R. Jenkins returned 6 Grindstones bought on the 9th.
16. Drew on R. Jenkins at 5 days' sight, in favor of ourselves, for the balance owing on bills of Sept. 9 and 21, and left the draft with the bank for collection, \$129.20.  
The firm agree to dissolve partnership on Oct. 31, and A. McIntyre now withdraws \$1800 per check. The business is to be continued by J. MacDonald.
17. Renewed our note of \$100, dated Aug. 15, by giving a new note at 3 months to cover face and interest at 6 %; interest (\$1.56).
19. Petty Cash Sales, \$150.10.  
Deposited in bank, cash \$150.
21. L. Laing paid \$40 cash on %, of bill of the 5th and promises the balance in 10 days.  
Bought from the Kent Hardware Co. on %, Mdse. \$850, Invoice dated Oct. 15,  $\frac{1}{30}$ .
22. Paid F. Burton & Co. with check, for goods bought on the 9th, \$900 less 3 %.
23. Sold T. Marshall 5 doz. Drawer Locks @ \$4.25; 20 kegs Wire Nails @ \$3; 5 bbls. Boiled Linseed Oil, 40 gals. ea., @ 50c. Received in part payment his check for \$125 on the Dominion Bank, and his sight draft on R. Spinks in our favor for \$20; balance on % at 10 days.
24. Received from R. Jenkins bank draft for balance of bill of the 9th inst., \$71.
25. The bank has credited us with the amount of draft on R. Jenkins \$129.20, left with them on the 16th, less  $\frac{1}{4}$  % for collection.
26. Petty Cash Sales, \$169.80.  
J. MacDonald withdrew for private use, cash \$40.  
Deposited in bank, cash \$254, and T. Marshall's check and sight draft of the 23rd, less  $\frac{1}{4}$  % for collection (18c).
28. Settled our acceptance of the 28th ult. by giving check \$500, and new note at 30 days for balance, \$100, bearing interest at 7 %.
29. S. Somers has this day paid his acceptance of the 14th in cash, \$64.
30. Paid rent for Oct. with check, \$40.  
Our stock of goods, estimated worth \$2300, has this day been destroyed by fire, except as per Inventory below; no insurance. (Should any entry be made for this?)
31. L. Laing paid cash in full of %, \$29.  
Paid bookkeeper's salary with goods \$15 and cash \$25.  
Petty Cash Sales, \$220.  
Deposited in bank, cash \$250.

## INVENTORIES taken Oct. 31, 1907.

*Asset Inventories :*

<i>Merchandise saved from fire</i> .....	\$320.00
<i>Office Furniture</i> .....	190.00
<i>Interest accrued on Bills Rec. #3</i> .....	1.56
<i>Discount on Bills Pay. #5</i> .....	1.35

*Liability Inventory :*

<i>Interest accrued on Bills Pay. #6</i> .....	.06
--	-----

Treat the Asset Interest and Discount as one Inventory, \$2.91.

*Results :*

<i>A. McIntyre's Net Loss, \$1192.73 ; Net Insolvency, \$170.84.</i>
<i>J. MacDonald's " 795.16 ; Net Capital, 124.84.</i>

**119. Net Capital and Net Insolvency.**

The Proprietor's Capital Account may be considered as an Asset and Liability Account. If, after transferring the Net Gain or the Net Loss to the Proprietor's Capital Account, the Cr. side be the greater, the excess is called his Net Capital and is a liability of the business, since the business owes him this amount; if the Dr. side be the greater, the excess is called his Net Insolvency and is an asset to the business, since he must pay this amount to the business from his private means.

**120. Dissolution of the Partnership.**

How much cash will A. McIntyre require to pay into the business from his private means, so that he may retire from the partnership? Make the necessary Journal entry.

**121. Cash Book and Bill Book—Special Forms.**

Bookkeepers vary the form of the Cash Book and the Bill Book to suit different kinds of business. When used as *principal books*, that is, as posting media, they may be called Cash Journal and Bill Journal respectively.

The form of Cash Journal, shown in Section 122, illustrates the use of special columns. The check mark in the folio column indicates that Merchandise and Expense are not to be posted in separate items, but in totals from the footings of the Merchandise and Expense columns.

The form of Bill Book, shown in Section 85, is a general form and will teach the *parties* to notes and drafts. In the form of Bill Journal, shown in Section 123, a simple change is made from the form in Section 85; in the Bills Receivable Journal, the *items* are posted to the various accounts mentioned in the "Accounts Cr." column, and Bills Rec. Account is debited with the total of the "Amount" column; in the Bills Pay. Journal, the *items* are posted to the various accounts mentioned in the "Accounts Dr." column, and Bills Pay. Account is credited with the total of the "Amount" column.

In Set XI. the Student may continue the forms of Cash Book and Bill Book that he used in Set X., or he may use the new forms in Sections 122 and 123. If he use the new forms he will change the Ledger Lines as follows: Merchandise H + 6; Expense H + 2; Bills Receivable H + 5; Bills Payable H + 5.

If the Student understands the forms of Cash Book and Bill Book illustrated in the text, he will readily understand any special forms he may afterward meet with in his bookkeeping career.

122. Special Column Cash Journal.

				CASH.		Dr.	
1907	L. F.	(Accounts Cr.)	(Explanations.)	Sundries Cr.		Mch. Cr.	
Sept.	2	J	A. McIntyre (Cap. A/c) Invested	5000			
	2	174	J. MacDonald (Cap. A/c) Invested	1000			
	7	✓	Merchandise - Petty Sales			150	
	13	75	Discount - 3% on K. H. Co.'s Inv. Sept. 12	9			
	14	✓	Merchandise - Petty Sales			225	50
	14	J	Bills Receivable - On #1	200			
	16	75	Discount - 5% on B.P. #3	3			
	17	76	Bills Receivable - #2	78			
	18	77	L. Loving - Bill of the 18th	98			
	21	✓	Merchandise - Petty Sales			260	80
	23	78	T. Marshall - On %	25			
	28	✓	Merchandise - Petty Sales			275	60
	30	81	Merchandise - Cr.	911	90	911	90
	30	85	Cash - Dr.	7324	90		
				7324	90		
Oct.	1	✓	Balance ‡ From Sept.				8439.47

\* These items and all ruling in red ink.  
 † The paging in the folio column has no reference to pages in this book.

123. Bill Journal—Set XI. September.

BILLS

No.	WHEN RECEIVED.	L. F.	ACCOUNTS CR.	REMARKS.	MAKER (NOTE). DRAWEE (DRAFT).	PAYABLE AT		BEGINS TO RUN.	
						Place.	Bank.	Month.	Year.
1	May 11	J	A. McIntyre (Cap. A/c)	Investment	P. Fellows	Winnipeg	His office	May 11	1907
2	Sept.	75	C. Dale	Inv. Sept. 5	C. Dale	Braudon	" "	Sept. 6	"
3	" 30	76	J Bills Receivable	On B.R. 1	P. Fellows	Winnipeg	" "	Sept. 14	"

BILLS

No.	WHEN GIVEN.	L. F.	ACCOUNTS DR.	REMARKS.	PAYEE (NOTE). PAYEE (DRAFT).	PAYABLE AT		BEGINS TO RUN.	
						Place.	Bank.	Month.	Year.
1	Aug. 15	J	A. McIntyre (Cap. A/c)	Investment	R. Wilkins	Winnipeg	Schol.	Aug. 15	1907
2	Sept. 10	83	B. King	On %	J. Mason	"	"	Sept. 10	"
3	" 15	86	F. Burton & Co.	Inv. Aug. 29	F. B. & Co.	"	"	Aug. 29	"
4	" 28	80	Kent Hardware Co.	On %	K. H. Co.	"	"	Sept. 25	"
	" 30	81							

‡ Remarks.—1. The Cash Balance for September should be brought down in the wide space, to prevent double posting. When the October total, for "Cash Dr." is obtained, then the September balance should be placed in the "Sundries" column to obtain the October Balance. If the Cash Journal be taken as the Cash Account in the Ledger, then the September Balance may be extended to the "Sundries" column at once, on Oct. 1.



(a). Entry Not Separated Into Distinct Parts.	(b). Entry Separated Into Distinct Parts.	(c). Entry Put Through the Personal A/c.
(Entry for Journal)	(Entry for C. J.)	(Entry for J.)
C Cash . . . . . 200	S7 Cash . . . . . 200	77 P. Follows . . . . . 172.56
B Bills Rec. . . . . 172.56	76 Bills Rec. . . . . 172.56	76 Bills Rec. . . . . 365
76 Bills Rec. . . . . 365	75 Interest . . . . . 7.56	75 Interest . . . . . 7.56
75 Interest . . . . . 7.56		
(Entry for Cash J.)	(Entry for B. J.)	(Entry for C. J.)
85 Cash . . . . . 200	76 Bills Rec. . . . . 172.56	S7 Cash . . . . . 200
J Bills Rec. . . . . 200	76 Bills Rec. . . . . 172.56	S7 P. Follows . . . . . 200
(Entry for Bill J.)		(Entry for B. J.)
76 Bills Rec. . . . . 172.56		76 Bills Rec. . . . . 172.56
J Bills Rec. . . . . 172.56		76 P. Follows . . . . . 172.56

### SINGLE ENTRY BOOKKEEPING.

#### 124. Double Entry Versus Single Entry.

Double Entry deals with both Personal and Impersonal Accounts, whereas Single Entry deals with Personal Accounts only.

In Double Entry there are always one or more debits and one or more corresponding credits in each transaction; and the sum of the debits is equal to the sum of the credits, so that the amount is entered twice, or *double*. In Single Entry there are not corresponding debits and credits in each transaction; each entry concerns but a single account, and that a Personal Account, so that the amount is entered but once, or *single*. In Single Entry there can therefore be no Trial Balance to test the accuracy of the posting.

In a Double Entry Ledger there are Loss and Gain Accounts which give the details of the losses and gains. In a Single Entry Ledger there are no Loss and Gain Accounts, and therefore no details of the losses and gains. The only method of finding the Net Gain or the Net Loss in Single Entry, is by taking the difference between the Net Investment and the Net Capital at closing.

#### 125. Books Used in Single Entry.

The books generally used in Single Entry are the Journal, the Cash Book, the Bill Book and the Ledger; the Cash Book and the Bill Book are used as auxiliary books, though indeed they could be used as principal books, from which payments of cash or notes on account might be posted to the Ledger. Many bookkeepers use an Order Book or a Counter Check Book in connection with the Journal, or even instead of the Journal.

#### 126. Single Entry Journal Rule.

Make a person *debtor* when he *receives on account*, and *creditor* when he *gives on account*.

#### 127. Transactions Entered by Single Entry.

There are three general kinds of transactions: (1) all on account, (2) part payment with cash or note, and balance on account, and (3) payment of the whole amount with cash or note, and nothing on account.

For (1). Make an entry in the Journal, debiting the person when he receives value on %, and crediting him when he gives value on %.



- For (2). Make an entry in the Journal, debiting the person for what he receives on %, and at the same time crediting him for what he gives on %. Also make an entry in the Cash Book or Bill Book.
- For (3). Make no entry in the Journal. Make an entry in the Cash Book or Bill Book. Payments of cash may be included with the Petty Cash Sales and entered in the Cash Book daily or weekly. In the case of a payment all in trade, such as butter and eggs brought in by the farmer, no entry is made at all.

### 128. Set XII.—Single Entry—Illustration Set—Grocery Business.

**To the Student.** Study the illustrations, and then work this set out for yourself, in your work book.

**Special Features.**—Showing the difference between Single Entry and Double Entry. Method of changing a set of books from Single Entry to Double Entry.

**Instructions :**

- (a) Books to be used—Journal, Order Book or Counter Check Book, Cash Book, Bank Check Book (for Bank A/c), Bill Book and Ledger.
- (b) Make entries in the Journal, Order Book or Counter Check Book, Cash Book, Bank Check Book and Bill Book; post to the Ledger from the Journal and Order Book; you cannot take a Trial Balance (Why!); take stock; make a Statement of Assets and Liabilities and a Statement showing gain; enter the Net Gain in the Proprietor's A/c, and close it; make the Journal entry, from the Asset and Liability Statement, necessary to change the books to Double Entry.

**Directory :**

Berry & Co., Toronto, Ont.  
 Chapman, B., Niagara Falls, Ont.  
 Dowd, H., Hamilton, Ont.

Porter, S., Welland, Ont.  
 Powers, L., Grimsby, Ont.  
 All Others, St. Catharines, Ont.

### 129. Transactions—Set XII.—Illustration Set.

St. Catharines, November 1, 1907. W. J. Sykes commences the Grocery Business at #173 St. Paul Street.

**Assets.** Cash \$1500.68; balance on deposit in the Scholastic Bank \$200; Mdse. \$2000; Note at 30 days, against R. Chapman, for \$300, dated Oct. 14, 1907; S. Porter owes on % \$100.50.

**Liabilities:** Note at one month, favor of L. Powers, for \$150, dated Oct. 10, 1907; balance due H. Dowd on %, \$250.

2. Deposited in Bank, \$1400. (Stub.)
4. Sold R. Green, 121 St. Paul St., on %, 15 # S. C. Tea @ 35c.; 10 # Rio Coffee @ 40c.; 2 gals. Coal Oil @ 20c.
5. Sold S. Porter, 82 Queen's Ave., 100 # Gran. Sugar @ 5c.; 3 gals. G. Syrup @ 40c.; 1 bag Flour \$2. Received in part payment 20 doz. Eggs @ 15c.; 18# Butter @ 20c.
6. Bought from Berry & Co. for cash, Mdse. \$250, as per Invoice dated Nov. 2.
9. Cash Sales for the week, \$350.

11. Gave H. Dowd on %, a draft at 10 days' sight on S. Porter, for \$30.
12. R. Green paid cash on %, \$5.  
Paid for Stamps and Stationery, \$2.50 cash.
13. Paid Bills Pay. No. 1 with check, \$150.
15. Bought from H. Dowd on %, Mdse. \$200, Invoice dated Nov. 12.
16. R. Chapman paid Bill Rec. 1 in cash, \$300.  
Cash Sales for the week, \$275.10.  
Deposited in Bank, cash \$950.
18. Sold M. Wilson, 43 Main St., for cash, 10 # Tea @ 40c. ; 20 # Cheese @ 13c. ; 15 doz Eggs @ 18c. ; 20# Sugar, \$1.  
This will be entered in the Order Book or the Counter Check Book only, and marked "Paid." It will not be entered in the Cash Book as a separate item ; the money will be put in the till and included with the other Cash Sales on the 23rd.
19. Received from S. Porter on %, his note dated Nov 19 at 30 days, for \$50, payable at the Imperial Bank.
20. Accepted H. Dowd's draft on us, for \$200, dated Nov. 18 at 30 days.
23. Cash Sales for the week, \$327.20.  
This includes Potty Cash Sales, and Cash Sales from the Order Book or the Counter Check Book, such as that on the 18th. Only one example of a detailed Cash Sale (Nov. 18) has been given, the others have been omitted as unnecessary for illustration.
30. Paid Rent for November, \$30 in cash.  
Cash Sales for the week, \$330.75.  
Deposited in Bank, cash \$650.

INVENTORY taken Nov. 30, 1907.

*Asset Inventory :*

Merchandise—1500# S. C. Tea . . . . . @ 35c.	100 doz. Eggs . . . . . @ 13c.
1500# Gran. Sugar . . . . . @ 4½c.	500# Butter . . . . . @ 18c.
1800# Yellow " . . . . . @ 3½c.	400 gals. S. D. Syrup @ 35c.
500# Rio Coffee . . . . . @ 35c.	200 " Coal Oil . . . @ 17c.
300# Cheese . . . . . @ 11c.	360 bush. Potatoes . . @ 50c.

### 130. Journal—Single Entry—Illustration Set.

The opening entry has been made by two different methods ; the checked items, in the entries by the first method, are not to be posted, since they are impersonal accounts ; there will be but one posting from each entry by the second method. The transaction on the 11th has also been entered in two ways. The Student will make a selection.

The money columns are for items and totals respectively, and the posting is done from the "Totals'" column only, excepting in the opening entry by the first method. The totals, in each entry, may be placed opposite the person's name or opposite the last item ; for example, on Nov. 4, the total "\$9.65" may be placed opposite "R. Green, Dr." or opposite "2 gals. Coal Oil @ 20c., 40c."

RATIONAL BOOKKEEPING.

ST. CATHARINES, November 1, 1907.

		Rems.		Totals.	
W. J. Sykes commences the Grocery Business at #173 St. Paul Street.					
1					
—Assets—					
✓	Cash as per C. B.	1700	68		
✓	Mds. " " Inventory	2000			
✓	Bills Rec. " B. B.	300			
100	S. Porter	100	50	4101	18
—Liabilities—					
✓	Bills Pay. as per B. B.	150			
100	H. Dord	250		400	
100	Student (Capital A/c)			3701	18
or					
100	Student (Capital A/c)			4101	18
	Cash as per C. B.	1700	68		
	Mds. " " Inventory	2000			
	Bills Rec. " B. B.	300			
	S. Porter owes on %	100	50		
100	Student (Capital A/c)			400	
	Bills Pay. as per B. B.	150			
	H. Dord is owed on %	250			
100	S. Porter			100	50
	Balance of %.				
100	H. Dord			250	
	Balance of %.				
101	R. Green			9	65
	15# S. C. Tea	5	25		
	10# Rio Coffee	4			
	2 gals. Coal Oil		40		
100	S. Porter			8	20
	100# Gran. Sugar	5			
	3 gals. G. Syrup	1	20		
100	1 bag Flour	2		5	60
	20 doz. Eggs	3			
	18# Butter	3	60		
100	H. Dord			30	
	Gave him draft at 10 days' sight on S. P.				
100	S. Porter			30	
	For above draft.				
100	H. Dord			30	
100	S. Porter			30	
	Gave H. D. a 10-days' sight draft on S. P.				
101	R. Green			5	
	Cash on %.				
100	H. Dord			200	
	Mds. Invoice Nov. 12.				
100	S. Porter			50	
	He gave Bills Rec. #2 on %.				
100	H. Dord			200	
	Accepted Bills Pay. #2 on %.				

- Remarks.*—1. The Student is advised to journalize the transactions by Double Entry first, and then to make separate entries by Single Entry for each personal account mentioned in the Double Entry. He will thus understand the Single Entry through the Double Entry and will readily see that Single Entry is, in the main, Double Entry with the impersonal accounts dropped out.
2. The money columns may be used as Dr. and Cr. columns respectively; but when this is done, it necessitates the placing of the price and the figures of the "Items" column, in the explanation space, which is neither convenient nor practical. The method of entering, shown on the previous page, is preferable.
3. The Journal is not much used in actual business. The Order Book and the Counter Check Book are used as posting media, leaving few entries for the Journal.

### 131. Order Book—Single Entry—Illustration Set.

The entries are made in the Order Book when the customer gives his order, and are usually made in lead pencil; from this book the goods are put up ready for delivery. In this set, we have transferred the *sales on account* from the Order Book to the Journal and posted them from the Journal to the Ledger. No entry is made for the *sales for cash* recorded in the Order Book, the money from these sales being put in the till and included in "Cash Sales for the Week." The Order Book may be used in Double Entry also.

Would it do to post the *sales on ac<sup>t</sup>*, directly from the Order Book to the Ledger? Would it be better to do so? Why? Compare the two methods of entering items on the 5th and 18th. The check mark (✓) indicates transfer to the Journal; if posting is done directly from the Order Book to the Ledger, this column is used for ledger pages.

		<i>ST. CATHARINES, November 4, 1907.</i>		<i>Items.</i>	<i>Totals.</i>
✓	R. Green, 121 St. Paul St.				
	5# S. C. Tea	.35		5	25
	10# Rio Coffee	.40		4	
	2 gals. Coal Oil	.20		20	65
✓	S. Porter, 82 Queen's Avnue.				
	100# Gran. Sugar	.65		5	
	3 gals. G. Syrup	.30		1	20
	1 bag Flour			2	8
	Cr.				20
	20 doz. Eggs	.15		3	
	18# Butter	.20		3	60
				18	60
✓	M. Wilson, 43 Main St.				
	10# Tea 40c., 20# Cheese 13c.			6	60
	15 doz. Eggs 18c., 20# Sugar			3	70
				10	30

- Remarks.*—1. The total (\$10.30) of the entry on the 18th may be extended to the "Totals" column, when the Order Book is used as a Single Entry book. When it is used as a Double Entry book, as in Set XIII., then the total of a cash sale should not be extended to the "Totals" column.

**182. Counter Check Book—Single Entry—Illustration Set.**

The Counter Check Book takes the place of the Order Book and is more generally used. Each slip is duplicated by means of a carbon sheet; the customer receives one copy, and the other is retained as a record of the transaction. The amounts of those slips marked "Paid" are included with the petty cash sales in the till; the amounts of those marked "Charge" are entered in the Journal, or posted directly from the Counter Check Book to the Ledger. Three leaves of the Counter Check Book are shown herewith. Which is the better method of record—in the Order Book or in the Counter Check Book?

**ST. CATHARINES, Nov. 4, 1907**

**Mr. R. Green,**

*121 St. Paul St.*

BOUGHT OF ... **W. J. SYKES**

DEALER IN

**Provisions, Groceries and Fruits**

1	15# S.C. Tea	.35	5	25
2	10# Pio Coffee	.40	4	
3	2 gals. Coal Oil	.20		40
4	(Charge)		9	65

**ST. CATHARINES, Nov. 5, 1907**

**Mr. S. Porter,**

*82 Queen's Ave.*

BOUGHT OF ... **W. J. SYKES**

DEALER IN

**Provisions, Groceries and Fruits**

1	100# Gran. Sugar	.05	5	
2	3 gals. G. Syrup	.40	1	20
3	1 bag Flour		2	
4			8	20
5	—Cr.—			
6	20 doz. Eggs	.15	3	
7	18# Butter	.20	3	60
8			6	60
9	(Charge)			

**ST. CATHARINES, Nov. 18, 1907**

**Mr. M. Wilson,**

*43 Main St.*

BOUGHT OF ... **W. J. SYKES**

DEALER IN

**Provisions, Groceries and Fruits**

1	10# Tea	.40	4	
2	20# Cheese	.13	2	60
3	15 doz. Eggs	.18	2	70
4	20# Sugar		1	
5			10	30
6				
7				
8				
9	(Paid)			

**133. Cash Book—Single Entry—Illustration Set.**

The one-page Cash Book, illustrated below, is generally called the Single Entry Cash Book. But the two-page Cash Book is a better form, both for Single Entry and Double Entry, as there is less liability of making mistakes. The Student should use the following form in this set, for the sake of practice.

		CASH BOOK.		Dr.	Cr.
1907					
Nov.	1	W. J. Sykes (Cap. A.c) Invested		1700	68
	6	Mdse. - Bought from Berry & Co.			250
	9	Mdse. - Sales for the week	350		
	12	R. Green - On account	5		
	12	Expense - Stamps and Stationery			2
	13	Bills Pay. - No. 1			150
	16	Bills Rec. - No. 1	300		
	16	Mdse. - Sales for the week	275	10	
	23	Mdse. - " " " "	327	20	
	30	Expense - November Rent			30
	30	Mdse. - Sales for the week	330	75	
		*Balance			*2856
					23
				3288	73
				2856	23
Dec.	2	Balance - From November			

**134. Bank Account.**

The Bank Account will be kept in this set and the next one, as in Sets X and X1. See Sections 111 and 112. Only two stubs will be required in this set; balance in Bank \$2850. How much in the till?

**135. Bill Book—Single Entry—Illustration Set.**

The Bill Book for Single Entry does not differ from that used for Double Entry. The Student will use the forms shown in Section 85; and from his Bill Book will obtain the following balances—Bills Rec. unpaid \$50, Bills Pay. unpaid \$200.

**136. Ledger—Single Entry—Illustration Set.**

Dr.		W. J. SYKES (Capital A.c)				Cr.	
1907					1907		
Nov.	1				Nov.	1	
							97 3701 18
S. PORTER.							
1907					1907		
Nov.	1				Nov.	5	
	5	97	100	50		11	97 6 60
		97	8	20		19	97 30
							97 50
H. DOWD.							
1907					1907		
Nov.	11				Nov.	1	
	20	97	30			15	97 250
		97	200				97 200

R. GREEN.

1907				1907			
Nov.	4		97	Nov.	12		97
			5				5
			65				

**137. Financial Statement—Single Entry—Illustration Set.**

This consists of two parts: (1) a Statement of Assets and Liabilities, and (2) a Statement showing the Net Gain or the Net Loss.

The Statement of Assets and Liabilities in Single Entry is made from four sources—the Ledger, the Cash Book, the Bill Book, and the Inventory Book, as follows:

- (1). Find all the balances of the personal accounts from the Ledger. Debtor balances are Assets; Creditor balances are Liabilities.
- (2). Find the balance of cash on hand from the Cash Book. This is an Asset.
- (3). Find the balance of other persons' notes and acceptances unpaid, from the Bills Receivable Book; this balance is an Asset. Find the balance of our notes and acceptances unpaid, from the Bills Payable Book; this balance is a Liability.
- (4). Find the balance of Mdse. on hand from the Inventory. This balance is an Asset.

STATEMENT OF ASSETS AND LIABILITIES.

—Assets—							
S. Porter	Balance due by him		22	10			
R. Green	" " "		4	65			
Cash	" as per Cash Book		2856	23			
Bills Receivable	" " " Bill Book		50	00			
Merchandise	" " " Inventory		1370	50	4253	48	
—Liabilities—							
H. Dowl	Balance due to him		220				
Bills Payable	" as per Bill Book		200		420		
W. J. Sykes	Net Capital				3833	48	

When there are a large number of personal accounts from the Ledger, they are entered as one item under the title "Personal Accounts Receivable" in the Assets or "Personal Accounts Payable" in the Liabilities.

The Statement showing the Net Gain is made from two sources—the Proprietor's Capital A/c, and the Asset and Liability Statement, as follows:

- (1). Find the Net Capital from the Asset and Liability Statement.
- (2). Find the Net Investment from the Proprietor's Capital A/c.
- (3). Find the difference between the Net Capital and the Net Investment. This difference is Net Gain if the Net Capital be the larger, and Net Loss if it be the smaller.

STATEMENT SHOWING GAIN.

W. J. Sykes' Net Capital		2892	18
" Investment		3701	18
" Gain		132	30

**138. Closing the Ledger—Single Entry—Illustration Set.**

This consists in closing the Proprietor's A/c only. The other Personal A/cs are closed, only when settled or when carried forward to a new page.

1. Determine the Net Gain from the Financial Statement.
2. Enter the Net Gain on the Cr. side of the Proprietor's A/c.
3. Close the Proprietor's A/c and bring down the Net Capital, as follows :

DR.				W. J. SYKES (Capital A/c)				CR.			
1907					1907						
Nov.	30	*Net Capital	102	*3833	48	Nov.	1		97	3701	18
							30	Net Gain		132	30
										3833	48
						Dec.	2	Net Capital	102	3833	48

**139. Changing from Single Entry to Double Entry.**

A Single Entry Ledger contains only Personal A/cs ; a Double Entry Ledger contains both Personal A/cs and Impersonal A/cs. To change from Single Entry to Double Entry, it is necessary, therefore, to open Impersonal A/cs in the Ledger, in addition to the Personal A/cs already there :

- (1). Make a Single Entry Financial Statement and close the Proprietor's A/c.
- (2). Make a journal entry from the Single Entry Asset and Liability Statement : 1st Method—make a journal entry containing only the Impersonal A/cs. 2nd Method—make a journal entry containing both the Personal A/cs and the Impersonal A/cs; check the Personal A/cs and post only the Impersonal A/cs.
- (3). Post this opening journal entry and take a trial balance. From the 2nd Method, it will be seen that all the Single Entry Ledger lacks of being in balance, is the Impersonal A/cs.
- (4). Proceed by Double Entry, in the same way as you would after making the opening journal entry from the Assets and Liabilities in a Double Entry Set. Bring down the balance in the Cash Book, and continue the Bill Book.

**140. Journal Entry to Change from S. E. to D. E.—Illustration Set.**

ST. CATHARINES, December 2, 1907.

W. J. Sykes has this day changed his books from Single Entry to Double Entry, and continues the Grocery Business at #173 s. Paul St.											
1st Method											
101	Cash Dr.	-	-	-	-	-	-	2856	23		
101	Bills Rec.	-	-	-	-	-	-	50			
101	Mdse.	-	-	-	-	-	-	1320	50		
101	Bills Pay.	-	-	-	-	-	-				200
Impersonal A/cs as per Single Entry Statement.											
2nd Method											
✓	S. Porter, Dr.	-	-	-	-	-	-	22	10		
✓	R. Green	-	-	-	-	-	-	4	65		
101	Cash	-	-	-	-	-	-	2856	23		
101	Bills Rec.	-	-	-	-	-	-	50			
101	Mdse.	-	-	-	-	-	-	1320	50		
101	Bills Pay.	-	-	-	-	-	-				200
✓	H. Dowd	-	-	-	-	-	-				220
✓	W. J. Sykes (Capital A/c)	-	-	-	-	-	-				3833
For Assets and Liabilities as per Single Entry Statement.											



**141. Changing from S. E. to D. E.—Old Ledger or New Ledger.**

When the *same* Ledger is to be used for the Double Entry as was used for the Single Entry, either of the foregoing methods may be employed. But when a *new* Ledger is to be used, then the second method must be employed, and without the checking; both Personal and Impersonal A/cs must be posted.

**Set XIII. Single Entry and Double Entry.**

**Special Features.**—*Changing from Single Entry to Double Entry. Introduction of Retail Statements of Account, and Wholesale Monthly Statements.*

**Instructions for Part I.—Single Entry.**

- (a) *Books to be used*—*Business Papers, Journal, Order Book or Counter Check Book, Cash Book, Bank Check Book, Bill Book and Ledger.*
- (b) *Business Papers:*
  1. *Inward.*—*Note on Dec. 10; Draft on Dec. 14.*
  2. *Outward.*—*Drafts on Dec. 2, 9; Checks on Dec. 4, 10, 11, 13, 14; Bank Draft on Dec. 4; Receipts on Dec. 5, 6, 13.*
- (c) *Make out business papers; make entries in the Journal, Order Book or Counter Check Book, Cash Book, Bank Check Book and Bill Book; post to Ledger from the Journal and Order Book; take stock; make Financial Statements; close the Proprietor's A c.*

**NOTE.**—Pages of the Journal may be used for the Order Book. If the Student wishes to use the Counter Check Book, he may use the forms provided in the "Student's Outfit in Business Papers," or he may fold sheets of his work book for this purpose, and rule like the Counter Checks in Section 132.

**Directory :**

- |   |  |
|---|--|
| <i>Diamond, A., Norwood, Ont.</i>           | <i>Morrow, M., 82 Dublin St.</i>             |
| <i>Dunster, W., 40 Stewart St.</i>          | <i>Pratt, F., Omemee, Ont.</i>               |
| <i>Duncan, R., Hamilton, Ont.</i>           | <i>Pringle, F. &amp; Son, Montreal, Que.</i> |
| <i>Grant, R., 24 George St.</i>             | <i>Prang, Mrs. S., 30 Brock St.</i>          |
| <i>Grafton, B. &amp; Co., Toronto, Ont.</i> | <i>Score, R. &amp; Son, Kingston, Ont.</i>   |
| <i>Kennedy, C., Lakefield, Ont.</i>         | <i>Smale, G. &amp; Co., Montreal, Que.</i>   |
| <i>Lamont, J., 27 Hunter St.</i>            | <i>All Others, Peterboro, Ont.</i>           |
| <i>Lowry, E., Ashburnham, Ont.</i>          |  |

**Ledger Lines for Parts I. and II. :**

<sup>1</sup> A. Grierson (Cap. A/c) . . . . . II + 3	<i>E. Lowry . . . . . II + 4</i>	<i>Merchandise . . . . . II + 7</i>
<i>A. Diamond . . . . . II + 3</i>	<sup>2</sup> <i>Bills Payable . . . . . II + 3</i>	<i>Cash . . . . . II + 4</i>
<i>M. Morrow . . . . . II + 4</i>	<i>Bills Receivable . . . . . H + 3</i>	<i>Furniture and Fixtures . . II + 4</i>
<i>G. Smale &amp; Co. . . . . II + 3</i>	<i>F. Pratt . . . . . II + 3</i>	<sup>5</sup> <i>F. Pringle &amp; Son . . . . . II + 2</i>
<sup>2</sup> <i>B. Grafton &amp; Co. . . . . II + 6</i>	<i>D. Purvis . . . . . II + 2</i>	<i>Discount . . . . . II + 2</i>
<i>Mrs. S. Prang . . . . . II + 4</i>	<i>Student (Cap. A/c) . . . . II + 4</i>	<i>Expense . . . . . II + 5</i>
<i>R. Grant . . . . . II + 4</i>	<sup>4</sup> <i>C. Kennedy . . . . . II + 3</i>	<i>Loss and Gain . . . . . H + 5</i>

## RATIONAL BOOKKEEPING.

## Transactions—Set XIII.—Part I.

Peterboro, December 2, 1907. A. Grierson buys a General Store Business, formerly conducted by W. B. Short at #76 George Street. He receives all the assets, and assumes all the liabilities, as follows:

*Assets*: Mdse. \$2500; Furniture and Fixtures \$325; A. Diamond owes on %, \$75.60; M. Morrow owes on %, \$28.90.

*Liabilities*: Balance due G. Smale & Co. on %, \$125; draft at 30 days, favor of R. Score & Son for \$150, dated Nov. 10 and accepted Nov. 12.

Besides the above Mr. Grierson invests Cash \$1500.

3. Engaged Miss D. Markham as clerk at \$30 per month, and Student as clerk and bookkeeper at \$40 per month. The Store is rented from S. Gallow at \$60 per month. Deposited in the Scholastic Bank, cash \$1400.
4. Sold R. Grant on %, 1 White Shirt, \$1.25;  $\frac{1}{2}$  doz. Linen Collars @ \$1; 6 prs. Woolen Socks @ 30c.; 1 pr. Shoes, \$3.50.  
Paid G. Smale & Co. on %, per bank draft \$100, purchased with check; exchange 25c.  
Sold Mrs. S. Prang on %, 30 yds. Print @ 12c.; 50 yds. Sheeting @ 14c.; 4 prs. Ladies' Hose @ 25c.; 10# Raisins @ 8c.
5. Bought from B. Grafton on %, Mdse. \$450, Invoice dated Dec. 3 at 30 days.  
A. Diamond paid on %, cash \$50.60.  
Sold W. Dunster, 1 doz. Linen Hdkfs., \$1.50; 3 Neckties @ 40c.; 3 prs. Cuffs, 50c. Paid in cash.  
This is to be entered in the Order Book (or Counter Check Book), but is not to be posted, nor entered separately in the Cash Book, as it and other transactions like it are included in the "Cash Sales" at the end of each week.
6. Bought from G. Smale & Co. on %, Mdse. \$100, Invoice dated Dec. 4 at 10 days.  
Sold E. Lowry on %, 10 yds. Print @ 13c.; 2 yds. Blk. Lustre @ 20c.; 50# Sugar @ 4 $\frac{1}{2}$ c.; 2# Tea at 40c.  
Received from Mrs. S. Prang on %, cash \$18.
7. Paid for Stamps and Stationery, cash \$2.50.  
Sold M. Morrow, 1 bbl. Sugar, 240# @ 4c.; 10 gals. Coal Oil @ 16c.; 25# Tea @ 35c.  
He paid \$10 cash on %. (O.B. and C.B.)  
This \$10 cash is *not* included in the "Cash Sales." The weekly "Cash Sales" are made up of Petty Sales for which no bills are given, and of such sales as the one to Wm. Dunster on the 5th; only one of the latter class has been detailed.  
Cash Sales for the week, \$237.80.  
Deposited in the Bank, cash \$400.
9. Accepted G. Smale & Co.'s draft on us for \$125, dated Dec. 6 at 7 days.  
Sold Mrs. S. Prang, 20 yds. Blk. Silk @ \$1.25; 5 yds. Lining @ 20c.; 12# Butter at 18c.; 10 doz. Eggs. @ 20c. She gave cash \$15 in part payment. (O.B. and C.B.)  
The Proprietor took for private use, 30# Sugar @ 4c.; 5# Tea @ 40c.
10. Received from M. Morrow on %, his note for \$35, dated Dec. 7 at 10 days. (J. and B.B.)  
Bought from R. Duncan for check, Mdse. \$414, Invoice dated Dec. 8.
11. Remitted B. Grafton on %, check for \$125.  
Sold R. Grant on %, 10 gals. Cider Vinegar @ 30c.; 1 bbl. Salt, \$1.25; 20# Wire Nails @ 4c.; 5# Putty @ 5c.
12. Sold E. Lowry,  $\frac{1}{2}$ # Blk. Pepper @ 30c.; 3 Brooms @ 25c.; 1 bbl. Sugar, 240# @ 3 $\frac{1}{2}$ c.  
Received in part payment 15 doz. Eggs @ 15c.; 30# Butter @ 16c.

13. Received from R. Grant, cash in full of %, \$12.35. (J. and C.B.)  
Paid our note favor of R. Scare & Son with check, \$150.
14. Drew a draft at 10 days, on A. Diamond for \$25 to close his %.  
Cash Sales for the week, \$325.60.  
Deposited in the Bank, cash \$340.  
Paid freight bill for two weeks, \$11, with check.

INVENTORIES taken Dec. 14, 1907.

Asset Inventories:

Merchandise on hand . . . . .	\$3134.50
Furniture and Fixtures on hand . . . . .	315.00

Liability Inventories:

Expense—Rent and Salaries accrued . . . . .	65.00
---	-------

Results:

A. Grierson's Net Gain, \$230.81; Net Capital, \$4382.11.

142. Statements of Account—Retail.

These are made out at certain regular periods, usually monthly; they give the items of the customer's purchases and payments on %, and the balance due. When Counter Check Books are used, the customer is expected to keep the bills given with each purchase; then a statement like that in Section 143 is sufficient.

PETERBORO, January 2, 1908

Mr. M. Morrow,

IN ACCOUNT WITH

GRIERSON & STUDENT,

WHOLESALE AND RETAIL GROCERS.

Dec.	2	Account rendered . . . . .				28	90
	7	1 lbl. Sugar, 240# @ 4c. . . . .		9	60		
		10 gals. C. Oil, 16c., 25# Tea 35c. . . . .	875	10	35	19	95
	21	1 doz. cans Vegetables, 2 qts. Oysters 30c. . . . .	120	1	90		
		10# Layer Raisins 15c., 2 bags Potatoes 90c. . . . .	60	3	30	5	20
		Cr.				54	05
	7	Cash . . . . .		10			
	10	Notes . . . . .		35		55	
		Balance due				9	05

**143. Monthly Statements—Wholesale.**

These are sent out monthly; they show the amounts of the purchases and payments on % during the month, and the balance due. Usually a draft is drawn on the customer for the balance; this draft is placed in the bank for collection, or for discount if the firm need ready money; the bank obtains the acceptance.

PETERBORO, January 2 19 08

Mr. F. Pratt

On memo, Ont.

In Account With **GRIERSON & STUDENT,**  
WHOLESALE AND RETAIL GROCERS.

Dec.	19	Misc., 10 days	-	28	35		
	24	" net	-	26	55	54	90
			Cr.				
	19	Cash	-	10			
	25	Goods short	-	2	40	12	40
			Balance due			42	50

**Instructions for Part II.—Double Entry.**

- (a) *Books to be used*—Business Papers, Journal, Order Book or Counter Check Book, Purchase Journal, Cash Journal, Bank Check Book, Bill Book and Ledger.
- (b) *Business Papers:*
- Inward*.—Receipts on Dec. 18 (from W. Baxter), 31 (for Rent); Bank Draft on Dec. 27; Draft on Dec. 30.
  - Outward*.—Draft on Dec. 24; Checks on Dec. 16, 17, 20, 30, 31; Bank Draft on Dec. 17; Invoices for C. Kenardy on Dec. 18 and 25, and for F. Pratt on Dec. 19 and 24; Credit Invoice on Dec. 25; Statements of Account for M. Morrow and Mrs. S. Prang; Monthly Statements for F. Pratt and C. Kenardy.
- (c) *Make out business papers; make entries in Journal, Order Book, Purchase Journal, Cash Journal, Bank Check Book, and Bill Book; post to Ledger from Journal, Order Book, Purchase Journal and Cash Journal; take a Trial Balance; take stock; make Financial Statements; close the Ledger.*
- Keep the Cash Journal with special columns, as in Section 122.*
- Keep the Order Book like the Sales Journal in Section 108. Post partial payments, such as C. Pratt's on Dec. 19, through the Cash Journal. J. Lapaout's entry on Dec. 18, will be treated like M. Wilson's entry in the example in Section 131.*

**Transactions—Set XIII.—Part II.**

Peterboro, December 16, 1907. A. Grierson admits Student as a partner under the firm name of Grierson & Student. They decide to continue the business as a Wholesale and Retail Grocery and Provision Business.

Mr. Grierson is to increase his Net Capital to \$5000; he is to receive  $\frac{1}{4}$  of the profits and may withdraw for private use not more than \$60 per month. Student is to invest \$1000 cash; he is to receive  $\frac{1}{3}$  of the profits and may withdraw not more than \$40 per month.

The books are to be changed to Double Entry.

Miss D. Maikhan's salary is to be increased to \$35 per month.

16. A. Grierson invests cash sufficient to make his Net Capital up to \$5000.  
 Student invests cash, \$1000.  
 The firm sells to R. Purvis all the goods, except the stock of Groceries and Provisions, for cash, \$1563.  
 Put this through the Personal A/c.  
 Paid Student's salary due to date, \$20, in cash.  
 Paid B. P. #2 with check, \$125.  
 Deposited in Bank, cash \$2800.
17. Bought from F. Pringle & Son, Mdsc. \$1475, Invoice dated Dec. 16,  $\frac{4}{10} \frac{n}{30}$   
 Paid B. Grafton & Co. in full of %, with bank draft \$325, purchased with check; exchange  $\frac{1}{2}$ .  
 Sold Mrs. S. Prang on %, 3 bars Soap @ 18c.; 5# Currants @ 8c.; 3 bags Potatoes @ 90c.; 1 bbl. Russet Apples, \$3.50.
18. Paid W. Baxter for painting store, \$20 cash.  
 Bought from B. Grafton & Co. on %, Mdsc. \$1630, Invoice dated Dec. 16,  $\frac{3}{15} \frac{n}{30}$   
 Sold C. Kennedy on % at 10 days, 1 bbl. Gran. Sugar, 220 - 18 = 202# @ 3 $\frac{1}{4}$ c.; 1 chest S. C. Tea, 90 - 8 = 82# @ 35c.; 1 bbl. S. D. Syrup, 35 gals. @ 42c.; 3 bxs. Raisins, 25# ea. @ 7c.  
 Sold J. Lamont, 2# Mustard @ 25c.; 5 doz. Eggs @ 20c.; 1 box Soda Biscuits, 25c.; 3 cans Corn @ 12c. Paid in cash.  
 Included in "Cash Sales" on the 21st.
19. Sold F. Pratt, 1 bbl. XX White Wine Vinegar, 40 gals. @ 17c.; 5 cases Co. ) doz. @ \$1.15; 2 doz. XXX Brooms @ \$2.40; 1 keg Mustard Pickles, 15 gals. at 35c. Received in part payment, cash \$10.  
 Put this through the Personal A/c—the sale through the Order Book, and the cash payment through the Cash Journal.  
 Sold E. Lowry on %, 1 Smoked Ham, 10# @ 15c.; 5# Coffee @ 25c.; 10 gals. Coal Oil @ 16c.; 2 bbls. Salt @ \$1.15.
20. Sent F. Pringle & Son on %, check for amount of Invoice received on the 17th, less discount \$59.  
 M. Morrow paid his note, B. R. 1, in cash \$35.  
 Bought from B. Grafton & Co. on %, Mdsc. \$800, Invoice dated Dec. 18,  $\frac{2}{10} \frac{n}{30}$
21. Sold M. Morrow on %, 1 doz. cans Vegetables assorted, \$1.30; 2 qts. Oysters @ 30c.; 10# Layer Raisins @ 15c.; 2 bags Potatoes @ 90c.  
 Cash Sales for the week, \$780.50.  
 Deposited in the Bank, cash \$950.
23. Bought a delivery Horse and Wagon from E. Sparling for \$180 cash.  
 Sold R. Grant on %, 5# Tapioca @ 7c.; 1 bag Flour, \$2.50; 10# Cheese @ 12c.
24. Sold F. Pratt on % at 10 days, 5 cases Tomatoes, 2 doz. ea., @ \$1.20; 1 bbl. Y. Sugar, 250 - 20 = 230# @ 3 $\frac{1}{2}$ c.; 1 sack P. Rice, 200# @ 3 $\frac{1}{4}$ c.  
 Accepted B. Grafton & Co.'s draft on us, dated Dec. 18 at 10 days, for \$2430 to close %.
25. F. Pratt writes us that the goods, shipped him on the 24th, were short 1 case Tomatoes, 2 doz. @ \$1.20. (J.)  
 Bought from E. Lowry on %, 2 crates Eggs, 18 doz. ea., @ 15c.; 1 tub Butter, 50# @ 16c.
26. A. Grierson took for private use, 50# Gran. Sugar @ 3 $\frac{1}{2}$ c.; 25# Butter @ 16c.; 10# Tea @ 35c.

## RATIONAL BOOKKEEPING.

27. A. Diamond paid his acceptance, B. R. 2, with draft on the Dominion Bank, \$25.  
Sold C. Kennedy on % at 10 days, 1 tin Gr. Ginger, 10# @ 30c. ;  $\frac{1}{2}$  chest O. Tea, 50 - 6  
- 14# @ 30c. ; 1 sack Almond Nuts, 100# @ 11c.
28. Cash Sales for the week, \$830.25.  
Deposited in the Bank, cash \$820.
30. Paid freight bill for two weeks, \$15.50, with check.  
Rendered C. Kennedy a monthly statement, and drew on him at 5 days, for bills of 18th  
and 27th.
31. Paid acceptance favor of B. Grafton & Co. with check, \$2430.  
A. Grierson withdrew for private use \$50.75 cash, and Student withdrew \$40.  
Paid Rent for December, \$60 cash.  
Paid Miss Markham's salary, \$32.50 cash.  
Cash Sales for two days, \$125.10.

## INVENTORIES taken Dec. 31, 1907.

## Asset Inventories:

Merchandise on hand.....	\$4175.74
Furniture and Pictures on hand.....	300.00
Expense—Horse and Wagon.....	180.00

## Results:

A. Grierson's Net Gain, \$440.40; Net Capital, \$5380.40.
Student's " " 110.10; " " 1070.10.

# INDEX.

	PAGE		PAGE
ACCEPTANCE OF DRAFTS DEFINED.....	54	CHECKS.....	46, 74, 75, 82
Forms of.....	16, 19	CHECK BOOK AND USE OF SLIP.....	82
ACCOUNT DEFINED.....	7	CHECKING BACK AND CHECKING OFF.....	40
ACCOUNTS, CLASSIFICATION OF.....	8	CLOSING THE BOOKS.....	34
ASSETS DEFINED.....	8	CLOSING THE LEDGER, PURPOSE OF.....	37
ASSET AND LIABILITY ACCOUNTS.....	3, 8, 13	Double Entry Ledger.....	37, 39
ASSIGNABLE PAPER.....	56	Single Entry Ledger.....	102
BALANCED ACCOUNTS.....	33	COLLECTION AND DISCOUNT.....	56
BALANCE SHEET.....	36	COUNTER CHECK BOOK.....	99
BANK ACCOUNT.....	47, 82, 100	CREDIT INVOICES.....	83
Transactions Journalized.....	47	DAYS OF GRACE.....	55
BANK DRAFTS.....	72, 73, 74, 75	DEBTOR AND CREDITOR.....	7, 13
Transactions Journalized.....	74	DEBIT AND CREDIT.....	7
BANK MONEY ORDER.....	75	DEPARTMENT ACCOUNTS.....	69
BANK PASS BOOK.....	46	DEPOSIT SLIPS.....	45
BILL BOOKS.....	58, 91, 100	DIRECTORY, PURPOSES OF.....	29
Form of.....	58, 59, 92, 9	DISCHARGE.....	56
BILLS AND INVOICES DEFINED AND ILLUSTRATED.....	48, 49	DISCOUNTING.....	56
BILLS OF EXCHANGE.....	72, 73	DISCOUNTS PUT THROUGH THE CASH JOURNAL.....	69
BILLS RECEIVABLE DEFINED.....	16	DISHONOR.....	56
Journal Rule.....	17	DOUBLE ENTRY DEFINED.....	28
BILLS PAYABLE DEFINED.....	18	Illustration Set.....	29
Journal Rule.....	19	DOUBLE ENTRY VERSUS SINGLE ENTRY.....	28, 94
BOOKKEEPING DEFINED.....	7	DRAFTS, DEFINITION OF.....	52
Two Systems of.....	28	Forms of.....	16, 19, 53, 54
BUSINESS PAPERS, FORMS OF.....	5	Kinds of.....	55
Bank Checks.....	46, 75, 82	Parties to.....	53
Bank Drafts.....	73, 75	Transactions Journalized.....	59
Bank Money Orders.....	75	DUE DATES.....	5, 55
Bills of Exchange.....	73	ERRORS IN TRIAL BALANCES.....	34
Bills and Invoices.....	49	EXERCISES ON BILLS RECEIVABLE A/c.....	17, 18, 21
Credit Invoices.....	81	Bills Payable A/c.....	19, 20, 21
Deposit Slips.....	45	Cash A/c.....	14, 15, 16
Drafts.....	16, 19, 53, 54	Cash Journal.....	69
Express Money Orders.....	75	Expense A/c.....	23, 24
Monthly Statements.....	106	Journalizing and Business Papers.....	26, 27
Notes, Promissory.....	16, 18, 26, 53	Merchandise A/c.....	21, 22, 23
Orders.....	50, 74, 75	Personal A/c.....	9, 10, 11, 12
Postal Notes.....	75	Proprietor's A/c.....	12, 13
Post Office Money Orders.....	75	EXPENSE ACCOUNT DEFINED.....	23
Receipts.....	25, 57	Journal Rule.....	23
Requisitions for Bank Draft.....	74	EXPRESS MONEY ORDERS.....	74, 75
Statements of Account.....	105	FINANCIAL STATEMENTS, KINDS OF.....	34, 83
BUSINESS TRANSACTION DEFINED.....	7	Double Entry Forms.....	35, 36, 64, 65
CALENDAR FOR 1907.....	5	Single Entry Forms.....	101
CAPITAL ACCOUNT.....	12, 76	FREIGHT ACCOUNT.....	76
CASH DEFINED.....	14	GAIN DEFINED.....	8
CASH ACCOUNT DEFINED.....	14, 15	ILLUSTRATION SET, DOUBLE ENTRY.....	29
Journal Rule.....	14	Financial Statements.....	34, 35, 36, 37
CASH BOOK EXPLAINED.....	42	Index to Ledger.....	31
Forms of.....	42, 43, 68, 69, 92, 93, 100	Inventory.....	34
Purposes of.....	44	Journal.....	30
Used as a Journal.....	43, 67, 91	Ledger Posted.....	31, 32
Used as a Ledger Account.....	43		
CHANGING SINGLE ENTRY TO DOUBLE ENTRY.....	102		

	PAGE		PAGE
Ledger Closed.....	38, 39, 40	PAGING THE JOURNAL.....	10
Trial Balance.....	33, 34	The Ledger.....	10, 11
ILLUSTRATION SET, SINGLE ENTRY.....	95	PAGES REQUIRED FOR THE VARIOUS SETS.....	6
Bill Book.....	100	PARTNERSHIP AND PARTNERSHIP ACCOUNTS.....	81
Cash Book.....	100	PERSONAL ASSET AND LIABILITY ACCOUNTS.....	8
Counter Check Book.....	99	Journal Rule.....	8
Closing the Ledger.....	102	PERSONAL ACCOUNTS, WHEN CLOSED?.....	11
Financial Statements.....	101	Posting Transactions Through the.....	69
Journal.....	96, 97	PIN-LEAD TOTALS.....	10, 33, 39, 89
Ledger.....	100	POST OFFICE NOTES.....	74, 75
Order Book.....	98	POST OFFICE MONEY ORDERS.....	74, 75
IMPERSONAL ASSET AND LIABILITY ACCOUNTS.....	13	POSTING DEFINED.....	8
Journal Rule.....	14	Order of Entering Items.....	10
INDORSEMENTS DEFINED.....	56	PRINCIPAL AND AUXILIARY BOOKS.....	42
Kinds, Effects, Applications.....	57	PROPRIETOR'S ACCOUNT DEFINED.....	12
Purposes of.....	56	Capital and Private A/c.....	12, 76
INDEX TO LEDGER.....	31	PROPRIETOR AND THE BUSINESS DISTINGUISHED.....	9
INK, USES OF RED AND BLACK.....	17, 40	PROTEST.....	56
INTEREST AND DISCOUNT.....	62, 63	PURCHASE JOURNAL.....	77, 78
Inventory.....	63	PURCHASES AND SALES FOR CASH, ENTRY OF.....	69
Transactions Journalized.....	62	REAL ESTATE DEFINED.....	40
INVENTORY BOOK.....	34	Journal Rule.....	40
INVENTORIES, DEFINITION AND TREATMENT OF.....	21, 40, 63	RECEIPTS.....	25
INVOICES.....	49	REGISTERED LETTERS.....	74
INVOICE BOOK.....	77, 78	REMITTING CASH, METHODS OF.....	74, 75
JOURNALIZING DEFINED.....	8	RENEWALS OF NOTES AND DRAFTS JOURNALIZED.....	86
JOURNAL DAY BOOK.....	28	REQUISITION FORM FOR BANK DRAFTS.....	73, 71
JOURNAL ILLUSTRATED, DOUBLE ENTRY.....	8, 9, 10, 14, 30, 68	SALES JOURNAL.....	76, 77
Single Entry.....	97	SERVICE AND USE ACCOUNTS DISCUSSED.....	4
JOURNAL RULES, DOUBLE ENTRY.....	8, 14, 17, 19, 21, 24, 40	SINGLE ENTRY DEFINED.....	28
Single Entry.....	94	SINGLE ENTRY BOOKKEEPING.....	94
LEDGER ACCOUNTS DEFINED.....	7	Books Used.....	94
Forms of.....	7, 10, 11, 13, 14, 15, 17, 20, 22, 43, 63	Journal Rule.....	94
LEDGER, DOUBLE ENTRY.....	31, 32, 38, 39	Illustration Set.....	95
Single Entry.....	100, 101, 102	STATEMENTS OF ACCOUNT—RETAIL.....	105
LEDGER LINES.....	41	STATEMENTS, MONTHLY—WHOLESALE.....	106
LIABILITIES DEFINED.....	8	STOCK TAKING.....	34
LOSSES DEFINED.....	8	STATEMENT OF LOSSES AND GAINS.....	35, 36, 64, 65
LOSS AND GAIN ACCOUNTS.....	21	STATEMENT OF ASSETS AND LIABILITIES.....	35, 36, 64, 65, 101
Journal Rule.....	21	SUMMARY OF THE PROPRIETOR'S ACCOUNT.....	35, 36, 64, 65
MARKED CHECK.....	75	SET I.....	29
MERCHANTISE ACCOUNT DEFINED.....	21	SET II.....	41
Journal Rule.....	21	SET III.....	44
MONTHLY STATEMENT, WHOLESALE.....	106	SET IV.....	47
NEGOTIABLE, NON-NEGOTIABLE AND ASSIGNABLE.....	56	SET V.....	51
NET CAPITAL.....	91	SET VI.....	60
NET INSOLVENCY.....	91	SET VII.....	66
NOTES PROMISSORY DEFINED.....	52	SET VIII.....	70
Forms of.....	16, 18, 26, 53	SET IX.....	78
Kinds of.....	55	SET X.....	83
Parties to.....	52	SET XI.....	87
OPENING ENTRY, DOUBLE ENTRY JOURNAL.....	24, 40, 41	SET XII.....	95
Single Entry Journal.....	97	SET XIII.....	103
ORDERS DEFINED.....	49	TRIAL BALANCE DEFINED.....	33
Forms of.....	50	Finding Errors.....	34
Transactions Journalized.....	50	Forms of.....	33, 63
ORDER BOOK.....	98		
ORIGINAL ENTRY BOOKS.....	42		



2  
0  
1  
3  
1  
8  
8  
1  
9  
9  
5  
5  
8  
0  
2  
2  
6  
9  
66  
78  
69  
40  
40  
25  
74  
75  
86  
71  
77  
4  
28  
94  
94  
94  
95  
05  
06  
34  
65  
01  
65  
20  
41  
44  
47  
51  
60  
66  
70  
78  
83  
87  
95  
103  
33  
34  
63

