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Modern illustrative bookkeeping : introd

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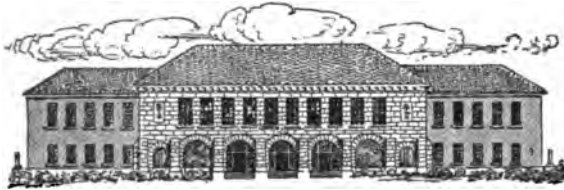
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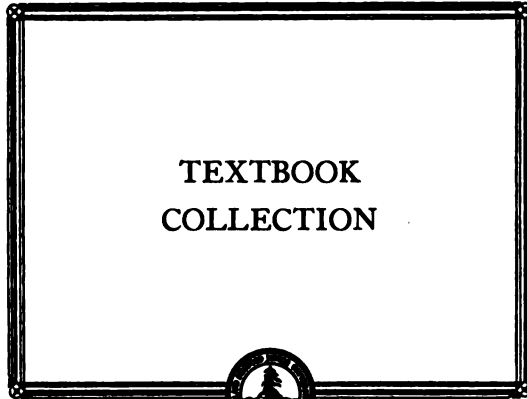
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WILLIAMS & ROGERS SERIES

MODERN ILLUSTRATIVE BOOKKEEPING

INTRODUCTORY COURSE

BY

E. VIRGIL NEAL AND C. T. CRAGIN

REVISED AND ENLARGED

BY

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SCRIPT ILLUSTRATIONS BY E. C. MILLS

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W. P. I

PREFACE

THIS book is designed to teach bookkeeping as it is practiced by progressive business houses. No time is wasted on unnecessary theorizing. The student is given actual bookkeeping work to do from the very outset, and is made to feel at all times that his work is similar in reality and importance to that which is done in the business office.

Special attention is called to the teaching plan of the book, which **embraces** the presentation of one principle at a time, an explanation of the principle, followed by a script illustration, and the employment of the principle in such a way that it may be mastered easily and quickly. Thus the student is grounded thoroughly in the principles, and is given ample practice in bookkeeping at every stage of the work.

In the preparation of the transactions which form the basis of the student's work, great care was taken to grade them properly and to make them conform to modern business customs.

Only the necessary technical expressions are used, and these are carefully explained. The aim of the authors is to present the subject in such a simple and logical manner that any one of ordinary intelligence can readily understand it.

The incoming vouchers, which form a part of the business practice feature of the book, are made out practically complete; and, like the forms for outgoing papers to be made out by the student, are facsimiles of similar documents used by the best business houses.

The script illustrations are an important feature of the book. They present correct models of bookkeeping entries and business forms, and serve as a guide to the student in performing his work. The style of penmanship in these illustrations, and on the vouchers, is uniform throughout, and is the accepted standard for business purposes.

In the preparation of this book, both originally and in its present improved form, valuable assistance was received from leading business houses in different parts of the country. Important recent changes in the laws and customs relating to transportation have been incorporated in the present volume, and in the supplies to accompany it.

The book is offered to commercial schools and teachers in the belief that it will fully meet the requirements of present conditions in the schoolroom and in the modern business office.

TO THE STUDENT

Accuracy is the first essential of business; without it you cannot hope to hold a paying position in the commercial world. Accuracy can be acquired only by painstaking, thoughtful work on your part from the start. Read carefully all instructions, and do just as you are told to do.

Do not make mistakes in simple mathematical operations. Errors in addition, subtraction, and multiplication are inexcusable, and will not be tolerated in business. *Verify all additions and multiplications.* Know you are right before you go ahead.

Neatness and Legibility. — A neat, legible style of handwriting which can be executed at a fair rate of speed, and absolute legibility in figures, are necessities in the modern office.

The acquirement of these attainments will necessitate constant practice on the part of most students. The script illustrations in the book are excellent models to follow. Do not allow yourself to do careless and slovenly work either in writing or in making figures.

Ruling should be done in red ink. The metal or thin edge of the ruler should be used to guide the pen, the ruler being placed with the beveled side on the paper and the metal edge up and farthest from you. This will prevent the ink from collecting on the ruler and dropping on the paper. It will also enable you to draw double lines without moving the ruler for the second line, by holding the pen at a slightly different angle.

The ruled lines should be of uniform thickness, neither too heavy nor too light. Many bookkeepers make them about as heavy as the vertical red lines in the blank books; but it is perhaps better to make them about twice as heavy as those lines. In double ruling, the two lines should be reasonably close together, but not so close as to look like one heavy line.

Ruling should be done very neatly and carefully. When so done it will greatly enhance the appearance of a set of books. On the other hand, the appearance of an otherwise neat set of books may be ruined by careless and slovenly ruling.

Details. — Inability to estimate the importance of a thorough mastery of details is the cause of more failures in life than all other causes combined. Learn to pay attention to the little things. Follow your instructions implicitly; do not be content with doing a thing nearly right, but do it exactly right. Remember, "Perfection is made up of trifles, but perfection itself is no trifle." The successful business man must master multitudinous detail.

MODERN ILLUSTRATIVE BOOKKEEPING

Bookkeeping consists in making a systematic record of business transactions.

The Object of Bookkeeping is to show the proprietor at any time whether his business is being conducted at a profit or a loss; to indicate the sources from which the profits and losses arise; and to afford a record of all debts owed by the business, and of all debts due and all property belonging to the business.

Single-Entry Bookkeeping usually provides for keeping accounts with persons only.

Double-Entry Bookkeeping provides for keeping accounts with persons, property, expenses, and allowances.

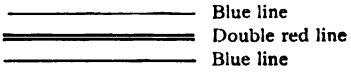
The Books Required depend upon the nature of the business, but a complete record of any business may be kept in two books—the journal-daybook and the ledger.

The Journal-Daybook contains a record of all transactions in the order in which they took place, and also the names of the accounts affected by each transaction, showing which accounts are debited and which are credited.

The Ledger contains all the accounts named in the journal-daybook, and records the same debits and credits, but in a different arrangement. Each debit is carried from the journal-daybook to the debit or left-hand side of the proper ledger account, and each credit to the credit or right-hand side; so that a ledger account will show all transactions by which that account has been affected in the course of the business as recorded in the journal-daybook.

EXERCISES FOR THE STUDENT

Ex. 1. — On a sheet of journal paper copy neatly the model journal-daybook shown on pages 6 and 7, following carefully the script forms of both letters and figures. Always write the current year in full, instead of 19—.

Ex. 2. — On a sheet of ledger paper, rule clear across the page, in red ink, double lines exactly in the middle of the spaces between blue lines, as  here illustrated. (Read page 4, section on Ruling.)

Ex. 3. — On a sheet of ledger paper copy carefully the model ledger shown on pages 8 and 9, writing four accounts on a page. Make the ledger headings larger than ordinary writing; write each one on a blue line, and center it so that the triple vertical line will come exactly, or nearly, in the middle of the heading. Rule a double red line in the space under each heading, except the one at the top of the page, as in Ex. 2. In the account at the top of the page, write the first entry (month, day, folio, and amount) on each side on the first blue line under the heading, and write the year in the blank space over the month. In other accounts, write the first entry on the second blue line under the heading, and the year on the first blue line, over the month.

Your teacher should not accept your work in these exercises unless the writing is legible and neat, the figures plain, and the ruling accurate.

1

January 1, 19 -

1	Cash	A. H. Harper has	3000	
1		A. H. Harper commenced the Flour and Grain business, investing cash \$3000.00		3000
		2		
1	Expense	Paid rent of store	75	
1	Cash	for month of Jan.		75
		3		
1	Merch.	Bot. of A. H. Roe & Co.	780	
1	Cash	for cash 200-bbls. Flour 3.22		780
		4		
1	Cash	Sold W. D. Leach	450	
1	Merch.	for cash 100-bbls. Flour 4.52		450
		5		
2	J. B. Allen	Sold on account	225	
1	Merch.	50-bbls. Flour 4.52		225
		6		
1	A. H. Harper	Drew for private	50	
1	Cash	use		50
		8		
1	Merch.	Bot. on acct. 30 ds.	198	
2	J. Grant & Co.	600 bu. Oats 36¢		198
		9		
2	Bills Rec.	Sold A. B. Frye on	338	
1	Merch.	his note at 20 ds. 50-bbls. Flour 4.52 300 bu. Oats 36¢		338

January 11, 19 -

1	Mdse.	Bot. of Garland & Co.	571	
2	Bills Pay.	on my note at 45 ds.		571
		100 bbls. Flour	42	
		300 bu. Rye	578	
		13		
1	Cash	Recd. on acct.	100	
2	J. B. Allen			100
		13		
2	J. Grant & Co.	Paid inv. of 8th	198	
1	Cash			198
		20		
1	Mdse.	Bot. of B. W. Keene	820	
2	Bills Pay.	on my note at 2 ms.		820
		200 bbls. Flour	412	
		25		
2	J. B. Allen	Sold on acct. 10 ds.	23750	
1	Mdse.	50 bbls. Flour	425	23750
		31		
1	Expense	Salaries to date	60	
1	Cash			60

A. N. Harper

1919 Jan. 5		1	50	1919 Jan. 1		1	3000
<i>Cash</i>							
1919 Jan. 1		1	3000	1919 Jan. 2		1	75
4	$\begin{array}{r} 3550 \\ -2377 \\ \hline 1173 \end{array}$	1	450	3		1	780
13		2	198	6		1	50
Feb. 1		2	338	13		1	198
5		2	357.50	31		1	.69
				Feb. 26		2	75
				27		2	571
<i>Merchandise</i>							
1919 Jan. 3		1	780	1919 Jan. 4		1	450
8	$\begin{array}{r} 2369.50 \\ -1197.50 \\ \hline 1172.00 \end{array}$	1	198	5		1	225
11		2	571	9		1	338
20		2	829	25		2	237.50
Feb. 12		2	275	Feb. 5		2	357.50
				20		2	158.50
<i>Expense</i>							
1919 Jan. 2		1	75				
31		2	.69				
Feb. 26		2	75				

2

Bills Receivable

Jan. 9	1	338	Feb. 1	2	338
Feb. 20	2	158.50			

Bills Payable

Feb. 27	2	571	Jan. 11	2	571
			20	2	820

J. B. Allen Marion, O.

Jan. 15	1	225	Jan. 13	2	100
25	2	237.50			

425 Lake St. J. Grant & Co. Chicago.

Jan. 13	2	198	Jan. 15	1	198
			Feb. 12	2	275

FLOUR AND GRAIN BUSINESS — JANUARY

JOURNALIZING

Journalizing is the process of determining the debits and credits of business transactions.

General Rule for Journalizing

*DEBIT what comes into the business
or what costs value.*

*CREDIT what goes out of the business
or what produces value.*

Make, on journal paper, the journal-daybook entries required for the following transactions, similar in form to those shown in the model journal-daybook on pages 6 and 7.

No. 1. — JANUARY 1, 19 . I (your name) engage in the Flour and Grain business, investing cash, \$4000.

INSTRUCTIONS. — First write *January 1* and the current year on the blue line at the top of the first page of your journal-daybook. This shows the date of the transaction.

Next consider what account is to be debited. Remember that you should debit what the business receives, or what comes into the business. In this instance cash to the amount of \$4000 has come into the business, hence *Cash* should be debited. Do this by writing the word *Cash* at the left-hand side of the first wide column, and *4000* on the same line in the left-hand money column. The left-hand side is the debit side.

Whatever or whoever produces value for the business should be credited. In this transaction the proprietor has produced value for the business to the amount of \$4000 by giving that sum of money to the business as an investment; hence the *Proprietor* should be credited. Do this by writing your name (you are the proprietor) on the line below the debit entry, about half an inch to the right of where the word *Cash* begins, and writing *4000* in the right-hand money column, on the same line with your name. The right-hand side is the credit side.

In the second wide column write a brief record of the transaction, as in the illustration below; this illustration shows the form of the whole entry, though the amount and the proprietor's name are different.

January 1, 19 -

<i>Cash</i>	<i>Commenced the</i>	<i>3500.</i>	
<i>F. W. Leonard</i>	<i>Flour and Grain</i>		<i>3500.</i>
	<i>business, investing</i>		
	<i>cash</i>		

The daybook part of this entry consists of the explanatory record "Commenced the Flour and Grain business, investing cash," together with the amount, \$3500. The journal entry would be read or stated as follows: "Cash, To F. W. Leonard, \$3500." The name of the account debited is always read first, followed by the word "To" and the name of the account credited. The amount is named but once.

For the sake of brevity, the journal-daybook is often called simply the journal.

The amount placed in the left-hand money column of your journal (the debit) should be the same as that placed in the right-hand column (the credit); in other words, *your debits and credits should always be equal*. From the bookkeeper's point of view, every business transaction is an exchange of equal values.

Rule 1. — *Debit CASH for all cash received.*

The term "cash" includes specie (gold, silver, nickel, and copper), treasury notes, national bank notes, gold and silver certificates, checks, post-office money orders, express money orders, bank drafts, and certificates of deposit.

Rule 2. — *Credit the PROPRIETOR with all amounts which he invests in the business.*

No. 2. — JANUARY 2. Paid J. C. Smith \$75 for rent of store for this month.

INSTRUCTIONS. — Rent is one of several expenses incurred in carrying on a business. Whatever costs the business value should be debited. In this instance you have paid \$75 rent for the benefit of the business. This expense has cost the business value, hence *Expense* should be debited.

Cash has gone out of the business, hence *Cash* should be credited.

The following illustrates the form of your entry, though the amount and explanation are different.

	2		
Expense	Paid B. W. Ames	100	
Cash	January rent		100

Before attempting to make your entry, examine the model journal-daybook on page 6, as well as the above illustration, so as to be sure of the form and arrangement. Never copy the illustrations, but make entries similar to them. Your entries must be made for the transactions given, and your amounts must be the amounts given in the transactions, and not the amounts shown in the illustrations.

After each entry, leave one line blank, except that the day of the month should be written in the center of this line.

Rule 3. — *Debit EXPENSE for all the expenses of the business.*

The term "expense" comprises such outlays as for rent, postage stamps, stationery, fuel, light, clerk hire, and advertising — all for the use or benefit of the business.

Rule 4. — *Credit CASH for all cash paid out.*

No. 3. — JANUARY 2. Bought of Scrantom & Wetmore books and stationery for office use, for which I paid cash, \$15.

INSTRUCTIONS. — This transaction is of the same nature as the preceding one. Debit *Expense* (see rule 3); credit *Cash* (see rule 4).

The explanation written in the second wide column in your journal-daybook should be a complete record of the transaction. This explanatory record should be as brief as possible, yet it must show exactly what took place, for should any dispute arise, this is the record that will be used as evidence — not the journal entry nor the ledger record.

The explanatory record for transaction No. 3 should be as follows: Bot. of Scrantom & Wetmore, for cash, books and stationery for office use.

No. 4. — JANUARY 3. Bought of the Upton Coal Co., for cash, for use in store, 5 tons of coal at \$5.50 per ton; total, \$27.50.

INSTRUCTIONS. — As the coal is to be used for fuel, in carrying on the business, it is an expense. Make entry similar to those for transactions Nos. 2 and 3. Determine the debit by rule 3; determine the credit by rule 4.

No. 5. — JANUARY 3. Paid \$10.50 for 500 stamped envelopes.

No. 6. — JANUARY 4. Bought of P. D. Hamlin, for cash, 100 brls. flour at \$3.90 per brl., 400 bu. oats at 35¢ per bu.; total \$530.

INSTRUCTIONS. — Goods which you buy with the intention of selling are called "merchandise." You have bought \$530 worth of flour and oats for this purpose, and as the merchandise has cost the business value, *Merchandise* should be debited. Cash to the amount of \$530 has gone out, hence *Cash* should be credited. The following is the form of your entry, though the amount and explanation are different.

<p><i>Merch.</i> <i>Cash</i></p>	<p>4 Bot. of A. R. True for cash 200 brls. Flour 3.75 500 bu. Corn 40¢</p>	<p>950</p>	<p>950</p>
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Rule 5. — Debit *MERCHANDISE* for the cost of all goods which you buy for the purpose of selling.

No. 7. — JANUARY 4. Bought of Charles A. Hubbard, for cash, 1000 bu. oats at 30¢ per bu.; total, \$300.

INSTRUCTIONS. This transaction is similar to the preceding one. *Merchandise* should be debited (see rule 5); *Cash* should be credited (see rule 4).

No. 8. — JANUARY 4. Bought of M. F. Lynch, for cash, 500 bu. corn at 35¢ per bu.; total, \$175.

INSTRUCTIONS. — Make entry similar to that for transaction No. 6. Determine the debit by rule 5; determine the credit by rule 4.

No. 9. — JANUARY 4. Bought of H. P. Dennis & Co., for cash, 100 bu. rye at 50¢ per bu., 50 brls. flour at \$4.10 per brl.; total, \$255.

No. 10. — JANUARY 5. Sold Wilson Bros., for cash, 100 bu. rye at 60¢ per bu., 50 brls. flour at \$4.50 per brl.; total, \$285.

INSTRUCTIONS. — *Cash* should be debited when it is received, or comes into the business; and *Merchandise* should be credited when it goes out of the business or produces value.

The following illustrates the form of your entry, though the amount and explanation are different.

Cash Mdse.	5	Sold Curtis & Co. for cash 100-bbls. Flour 4.50 100-bu. Barley 35¢	48.50 48.50
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Rule 6. — Credit *MERCHANDISE* for the sale price of all goods which you sell.

No. 11. — JANUARY 6. Sold H. A. Harvey, for cash, 400 bu. oats at 35¢ per bu.; total, \$140.

INSTRUCTIONS. — Make entry similar to that for the preceding transaction. Determine the debit by rule 1; determine the credit by rule 6.

No. 12. — JANUARY 6. Sold W. D. Menter, for cash, 200 bu. corn at 40¢ per bu.; total, \$80. (Entry similar to that for transaction No. 10.)

No. 13. — JANUARY 6. Sold J. B. Hamill, for cash, 200 bu. oats at 36¢ per bu., 100 bu. corn at 40¢ per bu.; total, \$112.

POSTING

At such times as may be convenient, the bookkeeper transfers the items from his journal (in which they have been entered daily as the transactions have occurred) to the ledger. This is called "posting." When the posting is completed, all the debit cash items in the journal will appear on the debit side of the Cash account in the ledger, and all the credit cash items in the journal will appear on the credit side of the Cash account in the ledger. (See Cash account in model ledger, page 8.) All debit merchandise items in the journal will appear on the debit side of the Merchandise account in the ledger, and all credit merchandise items in the journal will appear on the credit side of the Merchandise account in the ledger; and the same will be true of Expense account, the proprietor's account, and all other accounts of the business.

There is no stated time at which posting should be done. In the busy office it is generally done at odd times, when the bookkeeper is not otherwise occupied, but it must be completed at the close of each month, in order to take a trial balance.

In posting, the utmost care should be exercised that all debit items shall be carried to the debit side of the proper accounts in the ledger, and all credit items to the credit side of the proper accounts in the ledger. It is a common error to post a debit item to the credit side, or a credit item to the debit side of an account, especially when the posting is done by alternate debits and credits. The progressive bookkeeper rarely posts in this manner, but instead posts first all his debits, then all his credits. As he is at any time posting to only one side of the ledger, he reduces to the minimum the danger of posting an amount to the wrong side of an account.

Opening Ledger Accounts. — Examine the model ledger on page 8, and notice the form and arrangement of the accounts. On a sheet of ledger paper, open accounts as follows: At the top of the first page write your own name. (For form, see account of A. H. Harper

in model ledger, page 8.) See that the name is in the middle of the line. On the tenth line below write *Cash*. At the top of the second page write *Merchandise*; 20 lines below *Merchandise* write *Expense*.

Rule a double red line under each of the ledger headings, *Cash* and *Expense*, as directed in Exercises 2 and 3 on page 5. Number your journal pages 1 and 2; number your ledger pages 1 and 2.

Successive Steps in Posting. — You will first carry all amounts in the debit money column of your journal to the left-hand or debit side of your ledger. All amounts in the credit money column of your journal are then to be carried to the credit or right-hand side of your ledger.

FIRST STEP. — The first item on the debit side of your journal is *Cash*, \$4000. Turn to the *Cash* account in your ledger and write the amount, 4000, on the debit side of this account. Write the page number of the journal page containing this debit (1) in the folio column of the ledger, and write the date of the transaction, as shown by the journal entry (*Jan. 1*) in the date column of the ledger. Write also the current year above the first entry in the date column, as directed in Exercise 3 on page 5. The following shows the form of your ledger entry. (In this and later illustrations, of course, the current year should be given in full.)

	<i>Cash</i>	
<i>Jan. 1</i>		4000

Next enter the page number of the ledger page containing cash account (1) in the folio column of the journal. The following shows the form.

1 <i>Cash</i>	<i>Commenced this</i>	4000
<i>Student's name</i>	<i>Flour and Grain</i>	4000
	<i>business investing</i>	
	<i>cash</i>	

In posting always write in the folio column of your ledger the number of the page of the journal from which the amount is posted, and write in the folio column of your journal the number of the page of your ledger on which the account is written. This is termed "postmarking," and is done to make it easy to find the place in the book to which or from which any item has been posted.

SECOND STEP. — The next debit item in your journal is *Expense*, \$75. Turn to your *Expense* account in the ledger and write 75 in the amount column on the debit side. Write

the journal page number (1) in the folio column, and the date of the transaction (*Jan. 2* and the current year) in the date column. The following shows the entry.

		<i>Expense</i>		
<i>19</i>	<i>Jan 2</i>	1	75	

Write the ledger page number (2) in the folio column of your journal. (For form of folio entry, see illustration of journal in first step; also see model journal on page 6.)

THIRD STEP. — The next item on the debit side of your journal is *Expense, \$15*. Turn again to the debit side of the *Expense* account in your ledger and enter the amount in the money column, the journal page number in the folio column, and the date (*Jan. 2*) in the date column of the ledger. When the month is the same as for the entry just above, it need not be written again; but the day must always be written. The following shows the *Expense* account as it should now appear in your ledger.

		<i>Expense</i>		
<i>19</i>	<i>Jan 2</i>	1	75	
	<i>2</i>	1	15	

Write the ledger page number in the folio column of your journal.

FOURTH STEP. — The next item on the debit side of your journal is *Expense, \$27.50*. Post this to your ledger, as previously instructed. Do not neglect to enter the journal page in the folio column of your ledger, and the ledger page in the folio column of your journal.

FIFTH STEP. — The next item on the debit side of your journal is *Expense, \$10.50*. Post as before to the left-hand side of *Expense* account in the ledger; and postmark properly.

SIXTH STEP. — The next item on the debit side of your journal is *Merchandise, \$530*. Turn to the *Merchandise* account in your ledger, and post this item as previously instructed. The following shows the form of the entry.

2

		<i>Merchandise</i>		
<i>19</i>	<i>Jan, 4</i>	1	530	

SEVENTH STEP.— The next item on the debit side of your journal is *Merchandise*, \$300. Post this according to previous instructions.

EIGHTH STEP.— The next item on the debit side of your journal is *Merchandise*, \$175. Post this properly.

The following shows *Merchandise* account as it should now appear in your ledger.

Merchandise

Jan. 4	1	530			
4	1	300			
4	1	175			

NINTH STEP.— The next item on the debit side of your journal is *Merchandise*, \$255. Post properly.

TENTH STEP.— The next item on the debit side of your journal is *Cash*, \$285. Post this to the debit side of your *Cash* account, writing 285 in the money column, the journal page number in the folio column, and 5 (the day) in the day column. This ledger account should now have two debit items, namely, \$4000 and \$285. Never forget to postmark the journal as previously directed.

ELEVENTH STEP.— The next debit item in your journal is *Cash*, \$140. Post properly.

TWELFTH STEP.— The next debit item in your journal is *Cash*, \$80. Post properly.

THIRTEENTH STEP.— The next and last item on the debit side of your journal is *Cash*, \$112. Post properly.

FOURTEENTH STEP.— As you have finished posting the debit items, you should next post the credit items of your journal to the credit or right-hand side of your ledger.

The first credit item in your journal is that in which you are credited with your investment, \$4000. This should be transferred to your account on the credit side of the ledger. Remember to write the current year in the date column over the first item in an account. The following illustrates the form of the ledger entry.

Student's Name

			Jan. 1		4000
--	--	--	--------	--	------

Be sure to enter the journal page number in the folio column of the ledger, and the ledger page number in the folio column of the journal opposite your name.

FIFTEENTH STEP.— The next credit item in your journal is *Cash*, \$75. Transfer the amount to the credit side of the *Cash* account in the ledger.

The following illustrates the form of the *Cash* account in your ledger as it should appear at the present time.

		<i>Cash</i>			
<i>Jan. 1</i>		1	4000	<i>Jan. 2</i>	1
	5	1	285		75
	6	2	140		
	6	2	80		
	6	2	112		

SIXTEENTH STEP. — Transfer the remaining credit items of your journal to your ledger. The Cash account in your ledger will then contain eight credit amounts, and the Merchandise account four credit amounts.

All the debit items of your journal have now been transferred to the debit or left-hand side of your ledger, and all the credit items to the credit or right-hand side. As the amounts in the debit and credit columns of the journal are equal, it is evident, if you have made no mistake in transferring the entries, that the amounts on the debit and credit sides of your ledger must also be equal; that is, that the sum of the amounts on the debit side of your ledger should equal the sum of the amounts on the credit side of your ledger. To ascertain if this is true, we take what is known as a "trial balance."

TRIAL BALANCE

At the top of a sheet of journal paper write the words *Trial Balance*, and the proper date. Under this at the left-hand side of the wide column write the names of all the accounts that appear in your ledger, with the ledger pages in the folio column. The following illustrates the form.

Trial Balance Jan. 6, 19 -

<i>1 Q. H. Harper</i>				
<i>1 Cash</i>				
<i>2 Mdse.</i>				
<i>2 Expense</i>				

The names of the accounts in your trial balance must be the names of the accounts in your ledger.

Trial Balance, Jan. 6, 19 -

1	<i>Student's name</i>		3000
1	<i>Cash</i>	4177	1631
2	<i>Merchandise</i>		
2	<i>Expense</i>		

Foot the debit and credit sides of your Merchandise account, and write the footings in neat pencil figures, as in the Cash account. Transfer the footing of the debit side to the debit column of your trial balance, and the footing of the credit side to the credit column of your trial balance.

Make all pencil footings in the ledger with a sharp pencil and as small as possible, so that they will appear neat and businesslike. This is important for the reason that such footings are not erased, but are permitted to stand in the ledger for future reference.

Foot the debit side of your Expense account, and transfer the footing to the debit side of your trial balance. There is nothing on the credit side of your Expense account. (For form of complete trial balance, see below.)

Foot the debit and credit columns of your trial balance; the two footings should be equal. If the footings of the debit and credit columns of your trial balance are not equal, it is evident that an error has been made, and you should review your calculations, or both your posting and your calculations, until you find the mistake. If the error is in a pencil footing, you may erase it; but *never erase anything written in ink*. In business a correction is made by drawing a red-ink line through the erroneous entry and writing the correct one over it. But in this preliminary work you should rewrite the whole page.

The following is the form of a trial balance containing the same number of items as in your trial balance. The amounts are different.

Trial Balance, Jan. 6, 19 -

1	<i>A. H. Harper</i>		3000
1	<i>Cash</i>	6200	5100
2	<i>Merch.</i>	6100	4342
2	<i>Expense</i>	142	
		12442	12442

Exercise. — On another sheet of journal paper practice the rulings indicated below. The light lines stand for the blue and red lines already on your paper; the heavy lines are the ones you are to draw in red ink. The single line across the money columns, and the upper line of the double rulings at the left and across the money columns, may be drawn either on the blue line, or slightly below it. Whichever style is adopted should be followed consistently. (Read page 4, section on Ruling.)

If the footings of your trial balance are equal, write them in ink, rule the trial balance as in the above exercise (see last form on page 19), and present it with your journal and ledger to your teacher for approval. Do not do any further work until your teacher certifies to the correctness of what you have already done.

QUESTIONS

1. Define bookkeeping. Define double-entry bookkeeping.
2. What books are required to make a complete record of any business?
3. What should the journal-daybook contain?
4. What should the ledger contain?
5. What is a business transaction?
6. Define journalizing.
7. What is the general rule for journalizing?
8. Why should the debits and credits of every journal entry be equal?
9. What does the term "cash" include?
10. When should the Cash account be debited?
11. When should the Cash account be credited?
12. When should the Expense account be debited?
13. What items should be charged to the Expense account?
14. What are the two leading points to be borne in mind in writing the explanatory record in your journal entries? Explain.
15. What do you understand by the term "merchandise"?
16. When should the Merchandise account be debited?
17. When should the Merchandise account be credited?
18. Explain and illustrate the difference between Merchandise and Expense.
19. Define posting. When should posting be done?
20. Upon which side of the ledger accounts should all items in the left-hand money column of the journal appear? Upon which side, all those in the right-hand money column of the journal?
21. What is the object of a trial balance?
22. How often should a trial balance be taken?
23. What names should appear in a trial balance?
24. Why should the debit and credit columns of a trial balance show equal footings?
25. Does a trial balance prove your work to be absolutely correct?
26. Explain the pencil footings in the ledger.
27. Is it possible to have mistakes in the work and yet have the trial balance in balance? Explain in detail.

FLOUR AND GRAIN BUSINESS—FEBRUARY

Make the journal-daybook entries required for the following transactions, either on journal paper or in Blank No. 1, as your teacher directs.

No. 1. — FEBRUARY 1, 19—. I (your name) engage in the Flour and Grain business, investing cash, \$ 2500.

INSTRUCTIONS. — Write *February 1* and the current year at the top of page 1 in your journal-daybook (see model, page 6). Determine the debit by rule 1, page 11; determine the credit by rule 2, page 11. For form of entry similar to this, see page 10.

No. 2. — FEBRUARY 2. Paid Henry Jones rent of store for two months, in cash, \$ 50.

INSTRUCTIONS. — Determine the debit by rule 3, page 11; determine the credit by rule 4, page 11. For form of entry similar to this, see page 11.

No. 3. — FEBRUARY 3. Bought of R. C. Thompson, for cash, 200 brls. flour at \$4 per brl.; total, \$ 800.

INSTRUCTIONS. — Determine the debit by rule 5, page 12; determine the credit by rule 4, page 11. For form of entry similar to this, see page 12.

No. 4. — FEBRUARY 5. Sold A. H. Warren, for cash, 50 brls. flour at \$4.50 per brl., total, \$ 225.

INSTRUCTIONS. — Determine the debit by rule 1, page 11; determine the credit by rule 6, page 12. For form of entry similar to this, see page 13.

No. 5. — FEBRUARY 6. Bought from Winter Bros., for cash, 600 bu. of corn at 35¢ per bu.; total, \$ 210. (Entry similar to that for transaction No. 3.)

No. 6. — FEBRUARY 7. Sold Wm. Archer & Co., for cash, 50 brls. flour at \$4.50 per brl., 200 bu. corn at 40¢ per bu.; total \$ 305. (Entry similar to that for transaction No. 4.)

No. 7. — FEBRUARY 8. Bought of Arthur McMillan, for cash, 100 brls. flour at \$3.90 per brl., 1200 bu. oats at 33¢ per bu.; total, \$ 786. (Entry similar to those for transactions Nos. 3 and 5.)

No. 8. — FEBRUARY 9. Paid cash for clerk hire, \$15, for insurance, \$10; total, \$ 25. (Determine the debit by rule 3, page 11.)

No. 9. — FEBRUARY 10. Sold E. H. French & Co., for cash, 25 brls. flour at \$4.50 per brl., 300 bu. oats at 38¢ per bu., 200 bu. corn at 40¢ per bu.; total, \$ 306.50.

No. 10. — FEBRUARY 12. Bought of John C. Cornell, for cash, 200 bu. rye at 55¢ per bu.; total, \$ 110.

No. 11. — Open the following accounts in your ledger, at the places indicated. (Student's name), top of the third page in the blank (first two pages are for index); number this page 1, and number the following pages in order. *Merchandise*, 11th line, page 1 (rule as directed in Exs. 2 and 3, page 5). *Expense*, top of page 2. *Cash*, top of page 3.

No. 12. — Post the transactions from your journal-daybook to your ledger. For explanation of posting, see pages 13-17.

No. 13. — Take a trial balance from your ledger. See form and explanation on pages 17-20.

No. 14. — Submit your journal-daybook, ledger, and trial balance to your teacher for inspection and approval.

After the trial balance has been approved, copy it in Blank No. 1, a portion of which is set apart for a trial balance book as indicated by the index on the front cover.

Special Rules for Personal Accounts

Rule 7. — *DEBIT persons when they become indebted to the business or when the business pays them on account.*

Rule 8. — *CREDIT persons when the business becomes indebted to them or when they pay the business on account.*

No. 15. — FEBRUARY 14. Bought of A. J. Lane, on account, 30 days, 250 bu. oats at 33¢ per bu.; total, \$ 82.50.

INSTRUCTIONS. — When you buy goods from a person without paying for them at the time of the purchase, the goods are said to be bought *on account*, that is, *on time* or *on credit*, and the *PERSON* from whom you buy should be credited, because the business becomes indebted to him for the amount of the purchase.

In this instance you have bought goods for the purpose of selling, hence *Merchandise* should be debited for the cost of the goods. The purchase was made from A. J. Lane on your promise or implied promise to pay for the goods in 30 days, hence *A. J. Lane* should be credited because you have become indebted to him on account.

The following illustrates the form of the entry.

	14		
Mdse.	Bot. on acct. 30 days	70	
P. M. Smith	200 bu. corn 35¢		70

Rule 9. — *When you purchase goods without paying for them at the time of the purchase, credit the PERSON from whom the goods are bought, because the business has become indebted to him on account.*

No. 16. — FEBRUARY 15. Bought of W. H. Stevens, on account, 600 bu. oats at 33¢ per bu.; total, \$ 198.

INSTRUCTIONS. — This transaction is similar to the preceding one. Debit *Merchandise* (see rule 5); credit *W. H. Stevens* (see rule 9).

No. 17. — FEBRUARY 15. Bought of F. A. Smith & Co. on account, 10 days, 300 bu. rye at 55¢ per bu.; total, \$ 165.

No. 18. — FEBRUARY 16. Sold W. A. Scott on account, 10 days, 200 bu. oats at 36¢ per bu.; total, \$ 72.

INSTRUCTIONS. — When you sell merchandise without receiving payment for it at the time of sale, the goods are said to be sold *on account*, that is, *on time* or *on credit*, and the person to whom the goods are sold should be debited. In this instance W. A. Scott has

purchased from you \$72 worth of merchandise without paying for it; you simply have his promise or implied promise to pay. Therefore *W. A. Scott* has become indebted to the business and should be debited. Credit *Merchandise* because merchandise produces value for the business.

The following illustrates the form of your entry.

<p><i>Geo. C. Chase</i> <i>Merch.</i></p>	<p>16</p>	<p><i>Sold on acct. 30 da.</i> 450 <i>100 brls. Flour</i> 4.50</p>	<p>450</p>
			<p>450</p>

Rule 10. — When you sell goods without receiving payment therefor at the time of the sale, debit the *PERSON* to whom the goods are sold, because he has become indebted to the business on account.

No. 19. — FEBRUARY 17. Sold *S. A. Dodge & Co.* on account, 60 days, 50 brls. flour at \$4.75 per brl.; total, \$237.50.

INSTRUCTIONS. — This transaction is similar to the preceding one. Debit *S. A. Dodge & Co.* (see rule 10); credit *Merchandise*.

No. 20. — FEBRUARY 17. Sold *J. S. Sumner*, on account, 500 bu. rye at 60¢ per bu., 500 bu. oats at 36¢ per bu., 600 bu. corn at 40¢ per bu.; total, \$720. (Determine the debit by rule 10; determine the credit by rule 6.)

No. 21. — FEBRUARY 19. Sold *E. H. French & Co.* on account, 10 days, 50 brls. flour at \$4.60 per brl., 200 bu. oats at 36¢ per bu., 100 bu. of corn at 40¢ per bu.; total, \$342.

No. 22. — FEBRUARY 20. Sold *E. B. Adams*, for cash, 400 bu. oats at 38¢ per bu.; total, \$152. (Determine the debit by rule 1; determine the credit by rule 6.)

No. 23. — FEBRUARY 23. Bought of *Rice, Miller & Co.* on account, 30 days, 250 bu. rye at 57¢ per bu., 600 bu. corn at 35¢ per bu.; total, \$352.50. (Entry similar to that for transaction No. 15.)

No. 24. — FEBRUARY 24. Sold *Roberts Bros.*, for cash, 200 bu. rye at 60¢ per bu.; total, \$120.

No. 25. — FEBRUARY 26. *W. A. Scott* has paid you \$72 cash in full settlement of his account.

INSTRUCTIONS. — In transaction No. 18 *W. A. Scott* became indebted to you to the extent of \$72. He now pays you this amount in cash on account, that is, in settlement of what he owed you; therefore, credit *W. A. Scott*. Cash comes into the business, hence *Cash* should be debited.

The following illustrates the form of your entry.

<p><i>Cash</i> <i>Geo. C. Chase</i></p>	<p>26</p>	<p><i>In full of acct.</i> 450</p>	<p>450</p>
			<p>450</p>

Rule 11. — *When a person pays you on account, credit that PERSON.*

No. 26. — FEBRUARY 26. — Received cash of J. S. Sumner, \$100, to apply on account.

INSTRUCTIONS. — This transaction is similar to the preceding one, with the exception that the explanation should read *On account* instead of *In full of account*.

No. 27. — FEBRUARY 27. Paid A. J. Lane cash, \$82.50, in settlement of his account to date.

INSTRUCTIONS. — In transaction No. 15 you became indebted to A. J. Lane to the amount of \$82.50. You now pay him cash on account, that is, in settlement of the debt you owe him; hence *A. J. Lane* should be debited. Cash goes out of the business; therefore, credit *Cash*.

The following illustrates the form of your entry.

P. M. Smith Cash	27	In full of acct	70		70
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Rule 12. — *When you pay a person on account, debit that PERSON.*

No. 28. — FEBRUARY 28. Paid W. H. Stevens cash, \$100, to apply on account.

INSTRUCTIONS. — Make entry similar to that for the preceding transaction, except that the explanation should read *On account* instead of *In full of account*.

No. 29. — FEBRUARY 28. Received cash of E. H. French & Co., \$342, in payment of bill of 19th inst. (Entry similar to that for transaction No. 25.)

No. 30. — FEBRUARY 28. Sold Emerson & Sons, on account, 100 bu. corn at 40¢ per bu., 60 brls. flour at \$4.50 per brl., 100 bu. oats at 35¢ per bu.; total, \$345. (Determine the debit by rule 10; determine the credit by rule 6.)

No. 31. — FEBRUARY 28. Paid cash for postage and advertising, \$12. (Determine the debit by rule 3; determine the credit by rule 4.)

No. 32. — Open the following new accounts in your ledger, leaving space as indicated.

W. A. Scott, 11th line, page 4. *S. A. Dodge & Co.*, 22d line, page 4. *J. S. Sumner*, 33d line, page 4. *E. H. French & Co.*, top of page 5. *Emerson & Sons*, 11th line, page 5. *A. J. Lane*, 11th line, page 7. *W. H. Stevens*, 22d line, page 7. *F. A. Smith & Co.*, 33d line, page 7. *Rice, Miller & Co.*, top of page 8.

Rule a double line under headings as heretofore instructed. Select addresses for these persons and companies from your own section of the country, and write them in the ledger as shown on page 9.

No. 33. — Post the entries from your journal-daybook to your ledger, according to instructions given on pages 13–17. Do not open new accounts in your ledger with Cash, Merchandise, and Expense, but post the items under the old accounts, as this is simply a continuation of your business.

The following illustrates the form of a Merchandise account, showing how it should appear in the ledger with the pencil footings for the first trial balance. (This is not your Merchandise account.)

2

Merchandise

1919 -				1919 -			
Feb. 2	1	1800	Feb. 3	1	650		
5	2	740	7	2	1590		
9	2	600	10	2	325		
15	3	725	12	3	275		
24	4	1475	19	4	745		
			25	4	387		

HOW TO CHECK FROM JOURNAL TO LEDGER

In order to avoid mistakes in posting, many bookkeepers check every item from the journal to the ledger after it has been posted. As you have completed the posting for the month of February, you may check your entire journal to your ledger. Use a hard, sharp-pointed pencil. On page 1 of your journal you find the item *Cash, Dr., \$2500*. Turn to the Cash account in your ledger and place a light pencil dot, as illustrated in the following form, on the vertical double line to the left of the amount 2500, which should be the first item on the debit side of this account.

Cash

1919 -					
Jan. 1		2500			

Now return to the journal and place a dot to the left of the debit amount, 2500, as illustrated by the first dot in the form below.

You have now "checked" the first debit item. Check each debit item in a similar manner.

Always find the correct amount in the ledger and check it there before checking it in the journal. Carefully inspect each amount to see that it has been written correctly, as errors are often made by transposing or misplacing figures, thus: \$125 for \$152; \$1.50 for \$150.

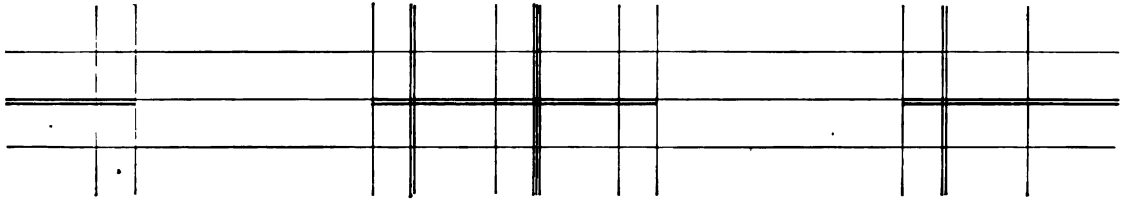
After checking all debits, turn to the beginning of your journal and check all the credit items. Note the location of the dot for the first credit item in the illustration below.

January 1, 19 -

3	Cash	Commenced this	3500		
1	F. W. Leonard	Flour and Grain		3500	
		business investing			
		cash			

If any posting has been omitted, or if an item has been posted to the wrong side, it will be observed in the checking. If an amount has been posted twice, it will appear once in the ledger unchecked, and thus the error will be detected.

Exercise. — On a sheet of ledger paper practice ruling double lines as illustrated below by the heavy lines. These are to extend across all columns except the wide space on each side, and are to begin and end exactly at the proper vertical line. Compare with the exercise on page 20.



No. 34. — Rule off all your ledger accounts that balance, with ruling like that in the above exercise; for illustration, see account of J. Grant & Co., on page 9. The accounts in your ledger to be ruled off are those of W. A. Scott, E. H. French & Co., and A. J. Lane.

Now foot your ledger in light pencil figures as shown on page 18, and then take off a trial balance as explained on pages 17–20. The accounts which you have ruled off are to be omitted from the trial balance; as the debits and credits of these accounts are equal, their omission will not affect the equality of the debits and credits as a whole.

No. 35. — Submit your journal-daybook, ledger, and trial balance to your teacher for approval. After the trial balance has been approved, copy it in Blank No. 1 on the same page with the previous trial balance. Write the heading on the second blank line below the footings of the trial balance of Feb. 12, and draw a double red line under it as under a ledger heading. (See Exercise 2 on page 5.)

MARCH; CONTINUATION OF FEBRUARY BUSINESS

No. 36. — MARCH 1. Bought of H. S. Clough & Co. on account, 10 days, 200 brls. flour at \$4.05 per brl., 1000 bu. oats at 30¢ per bu.; total, \$1110. (Entry similar to that for transaction No. 15, page 22; write it at the top of the first blank page in Blank No. 1, in same style as the entry illustrated on page 10.)

No. 37. — MARCH 2. Sold Wm. Archer & Co., on account, 500 bu. oats at 38¢ per bu., 50 bu. rye at 60¢ per bu.; total, \$220. (Entry similar to that for No. 18, page 22.)

No. 38. — MARCH 3. Paid Rice, Miller & Co. cash, \$352.50, in payment of invoice of February 23d. (Entry similar to that for transaction No. 27, page 24.)

No. 39. — MARCH 3. Received cash of Emerson & Sons, to apply on account, \$250. (Entry similar to that for transaction No. 26, page 24.)

No. 40. — MARCH 5. Paid H. S. Clough & Co. cash, on account, \$500. (Determine the debit by rule 12, page 24; determine the credit by rule 4, page 11.)

No. 41. — MARCH 6. Bought of Kidder & Hill on account, 60 days, 1000 bu. corn at 34¢ per bu.; total, \$xxx.

No. 42. — MARCH 7. Paid cash for freight and drayage of flour and grain to date, \$15.

INSTRUCTIONS. — Cash paid for freight, cartage, drayage, etc., of your merchandise is a part of the cost of your merchandise, hence *Merchandise* should be debited. The following illustrates the form of your entry, though the amount is different.

Mdse. Cash	7 Paid freight and drayage to date	22 50		22 50
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Rule 13.— Debit *MERCHANDISE* for all amounts paid for freight, express, cartage, drayage, etc., on merchandise.

No. 43.— MARCH 8. Sold E. H. French & Co. on account, 10 days, 300 bu. corn at 40¢ per bu., 400 bu. oats at 38¢ per bu.; total, \$xxx.

No. 44.— MARCH 9. You have withdrawn from the business, for private use, cash, \$25.

INSTRUCTIONS.— As the *Proprietor* is credited with money, property, etc., which he invests in the business, it is evident that he should be debited for anything which he takes out of the business for his own use. In this instance he has withdrawn cash, hence the *Proprietor* should be debited for \$25. The following illustrates the form of your entry.

A. H. Harper Cash	9 Drew from the business for pri- vate use	50		50
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Rule 14.— Debit the *PROPRIETOR* for all cash, merchandise, etc., which he takes out of the business for his private use.

No. 45.— MARCH 10. Bought of Kidder & Hill on account, 30 days, 1000 bu. corn at 36¢ per bu., 200 bu. rye at 54¢ per bu.; total, \$xxx.

No. 46.— MARCH 12. Paid H. S. Clough & Co. cash, \$100, to apply on account.

No. 47.— MARCH 12. Sold F. W. Garland, of Rochester, N.Y., on his note at 10 days, 50 brls. flour at \$4.60 per brl.

The following illustrates the form of the note which F. W. Garland gives you, the amount and time being different. F. W. Garland is the "maker" of this note; the student is the "payee."

\$ 250.00 Rochester, N.Y. Mar. 12, 19__

Thirty days _____ after date, I promise to pay
to the order of _____ Student's name _____
Two hundred fifty _____ Dollars
Payable at my office _____
Value received _____
No. 66. Due Apr. 11, 19__ F. W. Garland

INSTRUCTIONS. — You have sold merchandise, and F. W. Garland has given you his written promise to pay in 30 days the amount of the bill. This kind of written promise to pay is called a promissory note. When such notes, or promises, are in favor of the business, they are called "Bills Receivable," and, like any other property, their account is debited when they are received and credited when they are disposed of; hence in this instance *Bills Receivable* should be debited. The following illustrates the form of your entry.

<p><i>Bills Rec.</i> <i>Merch.</i></p>	<p>¹² <i>Sold G. B. Rand</i> 190 <i>on his note at 30</i> <i>days</i> <i>500 bu. Oats</i> 50¢</p>	<p>190</p>	<p>190</p>
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Rule 15. — Debit *BILLS RECEIVABLE* when another's written promise comes into the business.

No. 48. — MARCH 13. Sold Wm. Archer & Co., on their note at 15 days, 150 brls. flour at \$4.60 per brl. (Entry similar to that for preceding transaction.)

No. 49. — MARCH 14. S. A. Dodge & Co., who owe you \$237.50, have requested you to accept their note at 30 days in payment of the account. This you have done.

INSTRUCTIONS. — In this instance you have received S. A. Dodge & Co.'s written promise to pay, hence *Bills Receivable* should be debited (see rule 15). As S. A. Dodge & Co. have paid you on account, *S. A. Dodge & Co.* should be credited. The following illustrates the form of your entry.

<p><i>Bills Rec.</i> <i>M. B. Field</i></p>	<p>¹⁴ <i>Recd. of M. B. Field</i> 375 <i>his note at 90 da.</i> <i>in full of acct.</i></p>	<p>375</p>	<p>375</p>
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No. 50. — MARCH 15. J. S. Sumner sends you his note at 10 days, dated March 14, to apply on account \$250. (Entry similar to that for preceding transaction.)

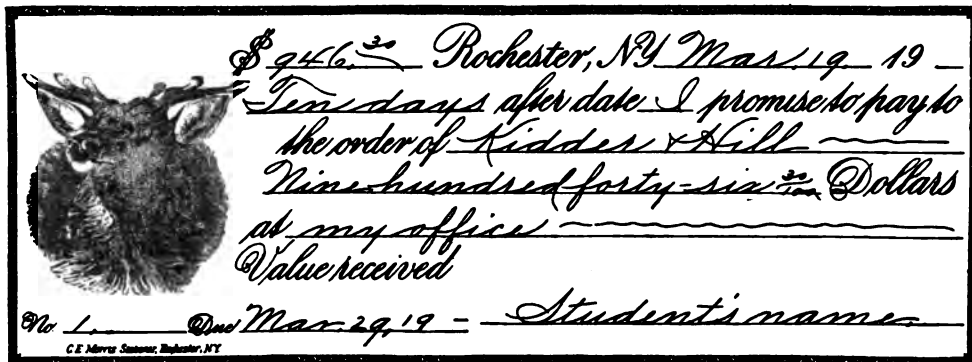
No. 51. — MARCH 16. Sold S. A. Dodge & Co., on account, 600 bu. corn at 40¢ per bu., 50 brls. flour at \$4.50 per brl.

No. 52. — MARCH 17. Bought of H. S. Clough & Co., on account, 100 brls. flour at \$4 per brl., 500 bu. corn at 35¢ per bu.

No. 53. — MARCH 19. Sold J. B. Fulton, on his note at two months, 400 bu. oats at 38¢ per bu., 200 bu. corn at 40¢ per bu.

No. 54. — MARCH 19. Bought of Kidder & Hill, on your note at 10 days, 200 brls. flour at \$4 per brl., 500 bu. corn at 35¢ per bu.

The following is the form of the note which you will give Kidder & Hill. The amount, and probably the address, will be different.



INSTRUCTIONS. — You have bought merchandise and have given Kidder & Hill your note or written promise to pay the amount of the bill in 10 days. Written promises to pay, given by you for the benefit of the business, are called “Bills Payable,” and, like any other property, their account should be credited when they are issued or disposed of. Hence *Bills Payable* should be credited for the amount of the note. The following illustrates the form of your entry.

Mdse. Bills Pay.	19 Bot. of B. F. Perry on my note at 60 days. 100 brls. Flour 3 25 600 bu. Corn 35 1/2	600 325 212 50	600
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Rule 16. — Credit *BILLS PAYABLE* when the business issues, or gives out, its own written promise to pay.

No. 55. — MARCH 20. Bought of Warner & Freeman, on your note at 10 days, 600 bu. corn at 35¢ per bu. (Entry similar to that for preceding transaction.)

No. 56. — MARCH 21. Sold A. H. Warren, on his note at 30 days, 50 brls. flour at \$4.60 per brl., 190 bu. corn at 40¢ per bu.

No. 57. — MARCH 22. Sold Weston & Hill, on account, 25 brls. flour at \$4.60 per brl., 380 bu. corn at 40¢ per bu.

No. 58. — MARCH 23. Bought of Chas. A. Hill & Co., on your note at 60 days, 1000 bu. oats at 33¢ per bu., 500 bu. corn at 35¢ per bu.

No. 59. — MARCH 23. Sold Roberts Bros. on account, 15 days, 50 brls. flour at \$4.50 per brl.

No. 60. — MARCH 23. F. W. Garland has paid his note of 12th inst. in cash, \$230.

INSTRUCTIONS. — You have received cash and disposed of the note, which should be returned to F. W. Garland. As *Bills Receivable* was debited when the note was received, it is evident that *Bills Receivable* should be credited when the note is disposed of. The following illustrates the form of your entry.

Cash Bills Rec.	23	Recd. of C. A. Ross in paymt. note 1/15	460	460
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Rule 17. — Credit BILLS RECEIVABLE when the business disposes of, or gives out, another's written promise.

No. 61. — MARCH 24. J. S. Sumner has paid his note, due this day, in cash, \$250. (Entry similar to that for preceding transaction.)

No. 62. — MARCH 24. You have paid your note of 19th inst., favor of Kidder & Hill, in cash, \$975.

INSTRUCTIONS. — You have disposed of cash and received for it your note. As *Bills Payable* was credited when your note was issued, it is evident that *Bills Payable* should be debited when your note is paid or redeemed. The following illustrates the form of your entry.

Bills Pay. Cash	29	Note #1. favor A. B. Reed	685	685
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Rule 18. — Debit BILLS PAYABLE when the business redeems, or pays, its own written promise.

No. 63. — MARCH 24. You have paid your note, favor of Warner & Freeman, in cash, \$210. (Entry similar to that for preceding transaction.)

No. 64. — MARCH 26. Received of E. H. French & Co., to apply on account, their note at 30 days for \$200.

No. 65. — MARCH 26. Transfer, by indorsement, A. H. Warren's note of the 21st inst. for \$306 to H. S. Clough & Co., to apply on account.

INSTRUCTIONS. — Instead of keeping A. H. Warren's note (bills receivable) until it becomes due, and collecting the money yourself, you have given the note to H. S. Clough & Co. to apply on account, and they agree to accept it at its face value. You have paid Clough & Co. on account, therefore they should be debited; you have disposed of another's written promise, hence *Bills Receivable* should be credited. The following illustrates the form of entry.

B. E. Wells & Co.	²⁵ Gave them W. A.	300	
Bills Rec.	Lacy's note of 2/24 in our favor, to apply on acct.		300

Indorsing a note consists in writing a signature, with or without other words, on the back of the note. The left-hand end of the note should be turned away from you as you turn the note reverse side up, and the signature should then be written about one and one-half inches from the upper end. The effect of an indorsement is to make the person who writes his name on the back of a note responsible for its payment in case the maker fails to pay the note when it is due. The indorsement of the payee is necessary also for the purpose of transferring the ownership of the note to another person.

Here is a form of indorsement commonly used in transferring notes like that referred to in transaction No. 65.

Pay to the order of
H. S. Clough & Co.
Student's Name.

No. 66. — MARCH 26. Paid cash for clerk hire, \$15, for stamps, etc., \$2.

No. 67. — MARCH 27. Gave Kidder & Hill your note at 30 days, for \$340, to apply on account.

No. 68. — MARCH 27. William Archer & Co. paid their note of the 13th inst. in cash, \$690.

No. 69. — MARCH 28. The freight and drayage bills to date are \$12; they have been paid in cash.

No. 70. — MARCH 28. You have taken from the store, for personal use, 2 brls. flour at \$4 per brl.

INSTRUCTIONS. — You (the proprietor) have taken from the business, for your own private use, merchandise valued at \$8. The *Proprietor* should be debited for the withdrawal from the business, and *Merchandise* should be credited, as it has been sold to the proprietor.

No. 71. — MARCH 29. Bought of A. J. Lane, on account, 600 bu. oats at 32¢ per bu., 200 bu. rye at 55¢ per bu.

No. 72. — MARCH 29. Paid F. A. Smith & Co. cash, \$165, in full of account to date.

No. 73. — MARCH 29. Received of Wm. Archer & Co. cash, on account, \$150.

No. 74. — MARCH 30. Bought of Rice, Miller & Co. on account, 30 days, 50 brls. flour at \$3.95 per brl., 400 bu. corn at 35¢ per bu.

No. 75. — MARCH 30. Sold W. A. Scott on account, 30 days, 400 bu. oats at 38¢ per bu., 50 brls. flour at \$4.50 per brl.

No. 76. — MARCH 31. Bought of F. A. Smith & Co. on account, 30 days, 75 brls. flour at \$4 per brl.

No. 77. — Open the following accounts, at the places indicated.

Loss and Gain, 12th line, page 2. *Bills Receivable*, top of page 4. *Wm. Archer & Co.*, 22d line, page 5. *Weston & Hill*, 33d line, page 5. *Roberts Bros.*, top of page 6. *Bills Payable*, top of page 7. *H. S. Clough & Co.*, 11th line, page 8. *Kidder & Hill*, 22d line, page 8.

Select addresses for the personal accounts and insert them on the ledger as directed at the end of February, page 24.

No. 78. — Post from your journal, following directions for posting on pages 13-17. Rule off all accounts which are in balance, or a portion of which balances, as directed on page 26.

No. 79. — In the trial balance for March 31st, you may write, in the proper money column, only one amount for each account — namely, the difference between the two sides of that account in the ledger. Pencil foot your ledger accounts as usual, using a hard, sharp-pointed pencil. On the larger side of the ledger account, in the explanation space, near the top of the account, write in small pencil figures the footing of that side of the account; underneath it write the footing of the smaller side; subtract, writing the remainder underneath, and leave these pencil figures in your ledger. Carry this remainder only into the trial balance opposite the name of the account, and place it on the larger side. (See Cash and Merchandise accounts in model ledger, page 8, for the method of finding the difference between the two sides of an account.)

The following is a trial balance taken in this manner from the model ledger on pages 8 and 9.

Trial Balance, Feb. 28, 19 -

1	<i>A. H. Harper</i>		2950
1	<i>Cash</i>	243650	
1	<i>Merchandise</i>	87750	
1	<i>Expense</i>	210	
2	<i>Bills Receivable</i>	15850	
2	<i>Bills Payable</i>		820
2	<i>J. B. Allen</i>	36250	
2	<i>J. Grant & Co.</i>		275
		4045	4045

HOW TO FIND ERRORS IN TRIAL BALANCES

Although the bookkeeper should perform his work so carefully as to avoid all errors, it is not unusual for errors to occur which will cause a difference between the footings of the

two sides of the trial balance. These errors would probably be located by checking the posting as explained on page 25, but many bookkeepers prefer to make use of every other means for locating errors before resorting to checking, as this expedient means considerable additional work.

The following directions, it is believed, will enable you to detect most mistakes.

1. Having made sure that the trial balance is correctly added, find the exact amount of the error by taking the difference between the two sides of the trial balance. Look through your journal for this amount and also for half the amount. If you find the exact amount, it has probably been omitted in posting, or it may have been posted twice. If you find an amount equal to half the error, this amount may have been posted to the wrong side of the ledger.

2. Verify your additions and subtractions in the ledger.

3. See that you have transferred your balances correctly from the ledger to the trial balance. You may have omitted an account, placed a balance on the wrong side of the trial balance, or made a mistake in writing the amounts.

4. See if the amount of the error is exactly divisible by 99. If so, the error *may* be due to a transplacement of figures; for instance, \$.95 posted as \$95, or \$975 posted as \$9.75. In the latter case, the amount of the error would be \$965.25. The quotient of 96525 divided by 99 is 975, the number transplaced. If the amount of the error is exactly divisible by 99, note the quotient; look in your journal for this amount, and trace it to your ledger.

5. If the amount of the error is exactly divisible by 9, it *may* be due to a transposition of figures; for instance, 95 posted as 59, or 904 posted as 940. The error in either of these cases would be 36, and the quotient obtained by dividing by 9 would be 4, the difference between the two figures transposed. But in such cases it is usually best to proceed as directed in the next paragraph (6).

6. If the error is not discovered by any of these methods, it will be necessary to check the postings from the journal to the ledger, being careful to check the amounts in both books as explained on page 25.

How to Correct an Error.— Make no erasure of anything written in ink. Rule a red-ink line through the incorrect entry, and write the correct entry above it.

STATEMENTS OF RESULTS

In addition to keeping the accounts, the bookkeeper must be able to show at any time the general condition of the business and whether it is profitable or unprofitable. This is usually done at the end of each year, but it may be required at more frequent intervals.

For this purpose, the bookkeeper makes two detailed statements. One is known as the Business Statement, or Statement of Losses and Gains; it shows all the losses and gains and indicates the sources from which they arose. The other is known as the Financial Statement, or Statement of Resources and Liabilities; it shows what property, or resources, the business owns, and what debts, or liabilities, it has outstanding. The latter statement is frequently spoken of as a Balance Sheet.

These statements of results should be written up before closing the ledger, a process which is explained later. They show in compact form, convenient for the proprietor's inspection, the same results of the business as are later shown on the pages of the ledger by the closing process.

To be able to write statements of results and to close the ledger intelligently, the student should know definitely the meaning of certain terms used; the following definitions should be thoroughly learned.

An Account is a systematic collection of the debits and credits of the same name under one head.

The General Results shown by the difference between the two sides of accounts are **Losses, Gains, Resources, and Liabilities.**

A Loss is what a thing costs more than it produces.

A Gain is what a thing produces more than it costs.

A Resource is what the business owns.

A Liability is what the business owes.

In preparing statements of results of your Flour and Grain business, as of March 31, 19—, you can secure most of the necessary data from the trial balance of the same date, referring to the ledger when necessary to obtain additional facts or a clearer understanding of the accounts.

But there is one resource that is not shown on your books at present, namely, the value of merchandise on hand. It may seem to you at first that the difference between the two sides of the Merchandise account should be the value of goods on hand. This is not the case for the reason that goods bought are debited at cost price, while goods sold are credited at selling price.

An Inventory is a resource or liability not shown, or not correctly shown, by items posted to the ledger. The amount of an inventory of property is found by "taking stock," or making a list of the property on hand.

The ordinary method of taking an inventory of merchandise, that is, finding the value of goods on hand, is first to determine the quantity of goods on hand by going through the stock, and then to compute its value at the cost price. This is assumed to be the present value of the goods, unless there has been a decided rise or fall in the market price since they were purchased. You may suppose that an inventory of merchandise has been taken with the following result. Copy this in Blank No. 1, in the part set aside for inventories.

INVENTORY, MAR. 31, 19—

2830 bu. Corn,	35¢,	990.50
1250 " Oats,	30¢,	375.
400 " Rye,	55¢,	220.
213 brls. Flour,	3.90,	830.70. 2416.20

HOW TO MAKE OUT A BUSINESS STATEMENT

Every business will have certain accounts which indicate a gain or a loss to the business, such as Merchandise, Expense, Interest, Discount, Real Estate, Furniture and Fixtures, and other accounts of a similar nature. These are called Business Accounts, to distinguish them from the rest, which show no gain or loss. The chief business account of any mercantile business will be Merchandise, for it is from the buying and selling of goods that the principal profit is derived. The business statement shows the gain or loss arising from each and all of the business accounts. The form of such a statement is shown at the top of the opposite page.

At the top of a page of journal paper write *Business Statement, Mar. 31, 19—* (current year). All losses are then to be entered in the left-hand or debit column of the statement, and all gains in the right-hand or credit column.

Business Statement, Mar. 31, 19—

		Losses	Gain
<i>Merch.</i>	<i>Value of unsold</i> 4200.		
.	<i>Excess of cost over sales</i> 3642		
.	<i>Gain</i>		558
<i>Expense</i>	<i>Cost</i>	12650	
<i>Net Gain</i>		558	558

1. The amount of merchandise which you have on hand, as shown by your inventory, is \$2416.20. Write this sum after *Merchandise, value of unsold*; write it short, as shown in the above model.

2. The excess of the debit over the credit side of your Merchandise account, as shown by your trial balance, is \$1736.50. Enter this amount after *Merchandise, excess of cost over sales*, writing it directly under the amount of the inventory, as shown in the model.

3. It is evident, from the above, that you have paid out \$1736.50 more than you have received for merchandise, and if you had no goods on hand, your loss would be \$1736.50; but it is estimated that the goods you have on hand are worth \$2416.20, and could be sold immediately for this amount, so in reality you have a profit of \$679.70 ($\$2416.20 - \$1736.50 = \679.70). Write the amount of your profit in the Gain column after *Merchandise, Gain*. (See model.)

4. The debit side of your Expense account is \$104 greater than the credit side, indicating a loss of \$104 on expense. Place this amount after *Expense* in the Loss column.

5. Find the totals of Loss and Gain columns. The total of your Gain column is \$679.70, and the total of your Loss column is \$104; the difference between these totals is \$575.70. As the Gain column is the greater, it is evident that the business has made a profit, during February and March, of \$575.70. Write this amount in the left-hand column in red ink after the words *Net Gain*, which should also be in red ink. Now rule and foot both columns, and write the footings as illustrated in the model. The net gain item is written in red ink, because that is the rule whenever the entry indicates the difference between two columns, or between two sides of an account. Such red ink entries are always placed on the smaller side, and show that the opposite side or column is greater than the column containing the red ink entry by the amount of such entry.

HOW TO MAKE OUT A FINANCIAL STATEMENT

Accounts which, as a rule, show either a resource or a liability are called Finance Accounts, since they represent money value or money indebtedness. They represent the resources, or property, of the business, and its liabilities, or debts, and include such accounts as Cash, accounts with persons, Bills Receivable, and Bills Payable.

The difference at any time between the resources and the liabilities of any business

will show the present worth of that business, and the Proprietor should have credit for this amount. To ascertain the present worth of your business on March 31, you should make out a financial statement, such as is illustrated by the following form.

Financial Statement, Mar. 31, 19—

		RESOURCES.	LIABILITIES.
<i>Merch.</i>	<i>as per Inventory</i>	4200	
<i>Cash</i>	<i>amount on hand</i>	182530	
<i>B. W. Freeman</i>	<i>balance due</i>	29650	
<i>A. H. White & Co.</i>	" "	62845	
<i>J. C. Barnes & Co.</i>	" "	92830	
<i>M. F. Hyde & Son</i>	" "	38870	
<i>Bills Rec.</i>	<i>notes on hand</i>	745	
<i>L. C. Kean & Co.</i>	<i>due them</i>		1260
<i>Calhoun, Robbins & Co.</i>	" "		1865
<i>J. D. Leach & Co.</i>	" "		432
<i>Bills Pay.</i>	<i>notes outstanding</i>		1865
			21012
		901225	901225

At the top of a page of journal paper write *Financial Statement, Mar. 31, 19—* (current year). Write on the statement the names of all accounts in your ledger except your own, Expense, and Loss and Gain, as shown in the above model, but do not yet put any figures in the amount columns. The left-hand or debit column of your statement is used for your resources; the right-hand or credit column is used for your liabilities. In making up your statement all resources should be given first, then the liabilities.

It will be noted that Merchandise account appears in both the business and the financial statements. Since Merchandise account shows a gain or a loss, it is a business account, and must be made a part of the business statement; but it also shows a resource in the form of an inventory, and therefore must be included in the financial statement. Any business account that has an inventory must be included in the financial statement as well as in the business statement.

1. After *Merchandise*, in the Resource column, enter the value of merchandise you have on hand, as shown by your inventory (\$2416.20).
2. The debit side of your Cash account, as shown by your trial balance, is \$1145.50 more than the credit side. Write this amount after *Cash* in the Resource column.
3. The debit side of your Bills Receivable account, as shown by your trial balance, is \$669.50 more than the credit side. Enter this amount in your Resource column.
4. The debit side of the account of W. A. Scott, as shown by your trial balance, is \$377 more than the credit side, which indicates that W. A. Scott owes your business this amount. This is a resource, and should be entered after *W. A. Scott* in the Resource column.
5. Treat the accounts of S. A. Dodge & Co., J. S. Sumner, E. H. French & Co., Emerson & Sons, Wm. Archer & Co., Weston & Hill, and Roberts Bros. in a similar manner.

6. By referring to your trial balance, you find that the credit side of your Bills Payable account is \$845 more than the debit side, hence you have a liability of \$845 in outstanding notes. This amount should be entered after *Bills Payable* in your Liability column.

7. Your trial balance shows that the credit side of the account of A. J. Lane is \$302 more than the debit side, which shows that you owe A. J. Lane \$302. This is a liability of the business, and should be entered after *A. J. Lane* in the Liability column.

8. Treat the accounts of W. H. Stevens, F. A. Smith & Co., Rice, Miller & Co., H. S. Clough & Co., and Kidder & Hill in a similar manner.

9. Find the difference between your Resource and Liability columns. It is \$3042.70. Write this amount in your right-hand column, in red ink, after the words *Present Worth*. The difference between the resources or property of any business and its liabilities or debts will show the present worth of that business. In case the liabilities or debts should exceed the resources or property, it is evident that there would be no present worth, and that the business would be insolvent; that is, it could not pay its debts if called upon to do so. Rule and foot as in model.

Now make out a proof of your financial statement, following the form shown below.

Proof of Statement, Mar. 31, 19-

<i>D. H. Martin</i> PROPRIETOR	Invested	3300.	
	Withdrawn	141.25	
	Net Investment		3158.75
	Net Gain		431.50

The amount of the Proprietor's investment is taken from the credit side of his ledger account. In your ledger this amount is \$2500. The amount of his withdrawals is taken from the debit side of his ledger account. In your ledger this amount is \$33. Subtract the withdrawals from the investment, to find the net investment, in your case \$2467. Enter this in the left-hand money column, as illustrated in the model.

The net gain of the business, as shown by your business statement, is \$575.70. Write this amount after *Net Gain*.

Your net gain added to your investment should give the present worth of the business, which is \$3042.70. Write this after *Present Worth*, in red ink, as in the model. The amount \$3042.70 agrees with the amount shown in the financial statement, hence the statement is correct. If the business shows a loss, the amount of the loss should be subtracted from the net investment to find the present worth.

HOW TO CLOSE THE LEDGER

The next two pages represent a model ledger properly closed and ruled. The student should carefully examine the form and ruling.

L. M. Harris
PROPRIETOR.

¹⁹ Jan. 25	<i>Present Worth</i>	7 200	¹⁹ Jan. 31	<i>Net Gain</i>	1 6500
		1552.97			3 552.97
		7052.97			7052.97
			¹⁹ Feb. 1	<i>Present Worth</i>	6852.97

2

Merchandise

¹⁹ Jan. 3		1 1836	¹⁹ Jan. 4		2 62260
10	<i>Gain</i>	4 1260	5		3 598
15		5 98150	8		4 742
20		6 189760	12		4 31287
25		7 34530	16		5 644
		75167	26		7 94225
		707197		<i>Inventory</i>	707197
¹⁹ Feb. 1	<i>Inventory</i>	321025			

3

Expense

¹⁹ Jan. 5		2 125			
10		4 5250			
13		5 3438			
		19870			19870

Loss & Gain

¹⁹ Jan. 31	<i>Expense</i>	3 19870	¹⁹ Jan. 31	<i>Merch.</i>	2 75167
		75167			75167

4

Cash

1911	Jan 1	1 6500	1911	Jan 13	1 1836
	4	2 62260		5	3 125
	6	3 598		10	4 5250
	15	5 31287		13	5 2120
	18	6 74227		20	6 1260
				25	7 200
				30	8 98150
				Balance	98150
1912	Feb 1	Balance			98150
		429927			98150

A. B. Case

427 Main St.

1911	Jan 12	4 31287	1911	Jan 15	5 31287
	26	7 94225			

D. E. Frye

65 Laclede Bldg.

St. Louis

1911	Jan 30	8 98150	1911	Jan 15	5 98150
				25	7 34520

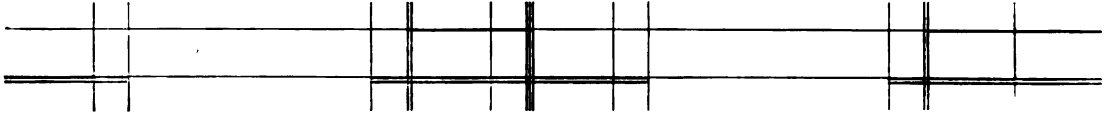
Bills Receivable

1911	Jan 10	4 742	1911	Jan 10	6 742
	1660	5 644			

Bills Payable

1911	Jan 30	6 1260	1911	Jan 10	4 1260
				20	6 189760

Exercise. — On ledger paper practice the rulings illustrated below by the heavy lines. All the rulings for each line should be drawn without changing the position of the ruler. Note where each line begins and ends. (Compare with exercise on page 20.)



In closing a ledger, you should close the business accounts first.

Merchandise. — The first account in your ledger which shows a loss or a gain is Merchandise. The debit side of this account is \$ 1736.50 more than the credit side. This indicates that your purchases of merchandise amount to \$ 1736.50 more than your sales; but you still have on hand (see inventory, page 34) \$ 2416.20 worth of merchandise. It is presumed that you could sell this merchandise immediately for its cost value, \$ 2416.20; therefore *Merchandise* should be credited for this amount. Enter your inventory on the credit side of your Merchandise account, in red ink. Write *31* in the day column (as the date is March 31), the word *Inventory* in the explanation column, and *2416.20* in the amount column. (See illustration below; also see page 38.) The footing of the credit side of your Merchandise account, including the inventory, is now \$ 8533.20. The footing of the debit side is \$ 7853.50. As the footing of the credit side is the larger, it is evident that there has been a gain of \$ 679.70 ($\$ 8533.20 - \$ 7853.50 = \$ 679.70$). Enter the gain, in red ink, on the debit side of Merchandise account, writing *31* in the day column, the word *Gain* in the explanation column, and *679.70* in the amount column. (See illustration below; also page 38.) Rule and foot the Merchandise account, as shown below, and enter your inventory again, in black ink, below the ruled lines on the debit side, with date *Apr. 1* and the current year.

<i>Merchandise</i>			
19-			
Feb. 1	2 1865 25	19-	Feb. 5
20	5 1545 50	7	2 600
28	7 694 40	14	2 850 25
Mar. 6	8 918	20	3 425 50
15	9 1265	26	5 840
29	11 1500	Mar. 3	6 912
	12 722 15	7	5 277 5
		15	7 1220
		22	8 410 50
		28	9 650
			10 915 25
			11 6100
	8995 95		8995 95
Apr. 1	Inventory 2072 45		

When you began the closing process, your ledger was in balance, as shown by the trial balance. A double-entry ledger should always be in balance; that is, its debits should always equal its credits. In closing the Merchandise account you made a credit entry of \$2416.20 with no corresponding debit. But by transferring this amount, in black ink, to the debit side of Merchandise on the first line below the ruling under date of April 1, you restore the equilibrium of the ledger, so far as this entry is concerned. You also show what the merchandise has cost which you now have on hand.

All red-ink entries which you make in your ledger must be transferred to the opposite side of the account in which they are made, or to the opposite side of some other account; otherwise the ledger will be thrown out of balance.

You made an entry of the gain (\$679.70), in red ink, on the debit side of your Merchandise account, with no corresponding credit. Transfer this amount, in black ink, to the credit side of the Loss and Gain account, writing the ledger page of Merchandise account in the folio column, *Mdse.* in the explanation column, and the date in the date column (see illustration below); also write the ledger page of Loss and Gain account in the folio column of the Merchandise account. You have now restored the equilibrium of the ledger

Loss & Gain

Mar. 31 *Mdse.* 1 1207 80

and placed the amount of your gain from merchandise on the gain side of the Loss and Gain account. All gains of the business are placed on the credit side of this (Loss and Gain) account, and all losses on the debit side. In the space for the explanation we write *Mdse.* to indicate the source from which the gain was derived. On page 38 the student should trace the gain from the Merchandise account to the Loss and Gain account.

Expense. — The debit side of the Expense account is \$104. As there is nothing on the credit side, it is evident that expense has cost the business \$104. Write the amount of this loss, with date, explanation, and folio, on the credit side of the Expense account, in red ink, and rule and foot the account. (See illustration below.)

2

Expense

Feb. 13	2	150	
15	5	60	
28	7	62.50	
Mar. 1	7	150	
20	10	45	
31	12	65	
		<u>532.50</u>	<u>532.50</u>

Transfer the loss (\$104) of the Expense account to the debit side of the Loss and Gain account, thus restoring the equilibrium of the ledger. Write *Expense* on the same line with the amount to show what account caused the loss. Do not forget to write the page of expense account in the folio column of Loss and Gain account, and the page of Loss and Gain account in the folio column of Expense account. (See illustration below.)

3

Loss & Gain

19--	Mar 31 Expense	2	532.50	19--	Mar 31 Mdse.	1	1207.80
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Loss and Gain. — Your Loss and Gain account now contains on the debit side the names of all accounts that show a loss to the business, and on the credit side the names of all accounts that show a gain. As all the gains and losses are given, it is evident that the difference between the sides of the Loss and Gain account will show the net gain or net loss to the business. As the credit side of this account is \$575.70 in excess of the debit side, it is evident that the business has made a net gain of \$575.70. Enter this amount on the debit side of the Loss and Gain account, in red ink, writing the name of the proprietor (yourself) in the explanation column, and the date in the date column; and rule and foot the account. (See illustration below.)

3

Loss & Gain

19--	Mar 31 Expense	2	532.50	19--	Mar 31 Mdse.	1	1207.80
	Proprietor's		575.70				
			1207.80				1207.80

As the proprietor has increased the value of the business by conducting it so as to make a net gain, the amount of the net gain (\$575.70), as shown by the Loss and Gain account, should be transferred to the credit of the Proprietor's (your) account. Write, in black ink, on the credit side of the Proprietor's account, *Mar. 31, Net Gain, \$575.70*. Write the proper page number in the folio column of each account. (See illustrations above and below.)

1

Student's Name

19--	Feb. 28	7	1.25	19--	Feb. 1	1	7.000
	Mar 31		12.50		Mar 31 Net Gain		3 675.30

Proprietor's Account.— The debit side of the Proprietor's account shows withdrawals to the amount of \$ 33; the credit side shows an investment of \$ 2500 and the gain \$ 575.70, making a total of \$ 3075.70. It is evident that the present worth of the business is the difference between the two sides of the Proprietor's account. This difference is \$ 3042.70. Make an entry on the debit side of the Proprietor's account, in red ink, for this amount, and rule and foot the account. Transfer the amount, in black ink, to the opposite side of the Proprietor's account on the first line below the ruling, with the date *Apr. 1* and the current year.

(The following represents the form of a Proprietor's account properly ruled and footed.)

Student's Name

<i>Feb. 20</i>		<i>7</i>	<i>125</i>	<i>Feb. 1</i>		<i>1</i>	<i>7000</i>
<i>Mar. 31</i>		<i>12</i>	<i>159</i>	<i>Mar. 31</i>	<i>Net Gain</i>	<i>3</i>	<i>67530</i>
			<i>767530</i>				<i>767530</i>
				<i>Apr. 1</i>	<i>Present Worth</i>		<i>740030</i>

Closing Finance Accounts.— It is not customary to close any accounts but the business accounts and Proprietor's account. If a personal account balances at any point, it should be ruled, as directed on page 26 and illustrated on page 39. If it is desired to close any finance account at any time, this may be done by finding the difference between the two sides and entering it on the smaller side, in red ink, writing the word *Balance* in the explanation column. (See Cash account in model ledger, page 39.) The account should then be ruled and footed and the balance transferred, in black ink, to the opposite side of the account below the ruled lines, with the date of the following day.

Use of Red Ink.— Notice the fact that the closing entries in the ledger are made in red ink, and that all transfers are made in black ink. When an entry is made in red ink in closing the ledger, it signifies that the amount is on the opposite side from where it belongs according to the rules for journalizing. Never enter the same item twice in succession in red ink; but always see that an item entered in red ink is entered on the opposite side in black. (Some accountants use no red ink, but make all entries, and even rulings, in black. The beginner, however, will find that the proper use of red ink will help him to avoid errors.)

Inspection by Teacher.— Your ledger is now closed. Present the work to your teacher for inspection, after making sure that every detail has received proper attention, and that no dates, page marks, or explanations have been omitted.

PROOF TRIAL BALANCE

After closing the ledger, the student should take off a proof trial balance in order to be sure that the ledger is in balance before making additional entries in it.

At the top of a sheet of ordinary journal paper, write the heading *Proof Trial Balance, Mar. 31*, and the current year. Do not write the names of the accounts in the explanation

column, as the amounts are sufficient for this work, but insert the ledger page numbers, as usual, in the folio column. Begin with the first account in your ledger. If the balance is on the debit side, write the balance in the debit column of your proof trial balance; if the balance is on the credit side, write the balance in the credit column. In the present instance the balance as shown by your Proprietor's account is \$3042.70. Enter this in the credit column of your trial balance. The balance as shown by your Merchandise account (as brought below the ruled lines) is \$2416.20. Enter this in the debit column of your trial balance. There is no balance shown by Expense account or Loss and Gain account, so omit these accounts from your trial balance. The balance shown by your Cash account is \$1145.50. Enter this in the debit column of your trial balance. Continue this process until the balances of all the accounts in your ledger have been placed on your trial balance, then foot your trial balance. If it balances, present it to your teacher for examination and approval.

TEST LEDGER NO. 1

You are now ready to proceed with test ledger No. 1, as follows:

1. Rule off all personal accounts that balance.
2. Take a trial balance.
3. Make business and financial statements; inventory of merchandise is \$2530.45.
4. Close the ledger according to instructions given below.
5. Take a proof trial balance.
6. Present all your work to the teacher for examination and approval.

How to close Test Ledger No. 1. — Write, in red ink, on the credit side of the Merchandise account, *Inventory*, with the amount, \$2530.45, and the date Sept. 30. Then find the difference between the two sides of the account, being sure to add the inventory to the credit side. Enter the difference on the smaller side of the account, the debit side in this instance, in red ink, writing also the word *Gain*, and the proper date and page number. Rule and foot the account. Transfer the inventory to the debit side of the Merchandise account with date of Oct. 1, 19—, and transfer the gain to the credit side of Loss and Gain account, writing the date Sept. 30, the Merchandise folio, and the amount. In what color should transfers be made? (See pages 41, 43.)

Write on the credit side of Expense account, Sept. 30, *Loss, 1*, \$125, in red ink. Rule and foot the account. Transfer the red-ink entry to the opposite side of Loss and Gain account.

Close your Loss and Gain account into the Proprietor's account by writing, in red ink, on the smaller side of the Loss and Gain account, *T. M. Hunter*, and the difference between the sides. Rule and foot the account. Transfer the red-ink entry to the opposite side of T. M. Hunter's account, in black ink, with the explanation, *Net Gain*.

Close T. M. Hunter's account by writing, in red ink, *Present Worth*, on the debit side with the amount necessary to balance the account. Rule and foot. Transfer the present worth to the opposite side of T. M. Hunter's account, with date Oct. 1.

Remember that closing or balancing entries are always first made in red ink, and transfers in black ink.

TEST LEDGER NO. 2

Test ledger No. 2 is a little more extensive than test ledger No. 1. The amount of the merchandise inventory is \$4502.96.

Rule off all accounts that balance, take a trial balance, make statements, close the ledger,

take a proof trial balance, and present all the work to your teacher for examination and approval.

How to close Test Ledger No. 2. — Close Merchandise account as in test ledger No. 1, and as in your ledger for March.

Close Expense account as in test ledger No. 1, and as in your ledger for March.

Close Loss and Gain account as in test ledger No. 1, and as in your ledger for March.

Close T. W. Bowen's account as the Proprietor's account is closed in test ledger No. 1, and in your ledger for March.

Be sure that you transfer all red-ink entries to the opposite side of the ledger. Always make closing or balancing entries in red and transfers in black.

Make sure that all dates and page numbers are properly entered.

QUESTIONS

1. Define buying on account. Define selling on account.
2. When are personal accounts credited? When debited?
3. Give full directions for checking the posting. What is the object of this checking?
4. Why should the Merchandise account be debited for freight and drayage on merchandise?
5. Why should the proprietor be debited for money taken from the business?
6. Define a promissory note.
7. What are bills receivable?
8. When should Bills Receivable account be debited? When credited?
9. What are bills payable?
10. When should the Bills Payable account be credited? When debited?
11. Why are others' written promises spoken of as Receivable and your own written promises as Payable?
12. Which side of Bills Receivable account is always the larger if there is any difference? Why?
13. Which side of Bills Payable account is always the larger if there is any difference? Why?
14. Name other accounts on which you may always know which side is the larger if there is a difference. Give reason.
15. Define indorsement. What is the effect of an indorsement?
16. How does the trial balance of March 31 differ from those previously taken?
17. Name and define the statements of results. By what other names are these statements known?
18. What is the purpose of making out these statements? When and how often are they made?
19. Define an account; a loss; a gain; a resource; a liability.
20. Define an inventory.
21. Why is it necessary to take an inventory of merchandise before making a statement?
22. How is a merchandise inventory taken?
23. What price is given the goods?
24. Define business accounts. Give examples of such accounts.
25. What information should a business statement contain?
26. Define finance accounts. Give examples. In what statement should these accounts appear?
27. What accounts should be included in both statements?
28. How is the present worth of any business determined?
29. Explain the method of taking a proof of the financial statement.
30. What class of accounts should be closed first?
31. What should be done with inventories? Why?
32. Why is it necessary to enter the resource inventory on the credit side in order to find the loss or gain on the account?
33. In what color should inventories appear on the ledger? Why?

34. In what color should closing entries always be first written? Why?
35. In what color should transfers always be written? Why?
36. What is the object of opening a Loss and Gain account in the ledger?
37. When all transfers have been made, what should the credit side of the Loss and Gain account show?
38. What should the debit side of the Loss and Gain account show?
39. What should the difference between the two sides of the Loss and Gain account show? To what account should this difference be transferred? Why?
40. How should the Proprietor's account be closed?
41. Where should the Proprietor's present worth appear after the ledger is closed?
42. Where should the inventory of merchandise appear after the ledger is closed?
43. If finance accounts are closed, what is the process?
44. What is the object of a second trial balance after closing the ledger? How is it taken?

BRIEF SUMMARY OF RULES FOR JOURNALIZING

Each Account Representing Property, Expenses, or Allowances—General Rule

<i>Debited</i> when the thing represented comes into the business or when it costs the business value.	<i>Credited</i> when the thing represented goes out of the business or when it produces value for the business.
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The following are special cases of the above; notice that each special rule agrees with the general rule.

Cash

Debited for all cash received. Rule 1.

Credited for all cash paid out. Rule 4.

Merchandise

Debited for the cost price of all goods bought for the purpose of selling; and for freight, cartage, etc., on merchandise. Rules 5 and 13.

Credited for the sale price of all goods sold. Rule 6.

Real Estate

Debited for the cost of houses and lands purchased, and for sums paid for their improvement and permanent repair.

Credited for the sale price of houses and lands sold, and for any returns such as rent.

Expense

Debited for all expenses of the business. Rule 3.

Credited with returns on anything previously debited to expense.

Bills Receivable

Debited when another's written promise comes into the business. Rule 15.

Credited when the business disposes of, or gives out, another's written promise. Rule 17.

Bills Payable

Debited when the business redeems, or pays, its own written promise. Rule 18.

Credited when the business issues, or gives out, its own written promise. Rule 16.

Interest

Debited when interest is allowed by the business to others (for then it costs the business value).

Credited when interest is allowed to the business by others (for then it produces value for the business).

Discount

Debited when discount is allowed by the business to others (for then it costs the business value).

Credited when discount is allowed to the business by others (for then it saves or produces value for the business).

Each Personal Account

Debited when the person becomes indebted to the business or when the business pays him on account. Rules 7, 10, and 12.

Credited when the business becomes indebted to the person or when he pays the business on account. Rules 8, 9, and 11.

The Proprietor

Debited for all cash, merchandise, etc., *Credited* for all amounts which he invests in the business. Rule 14. Rule 2.

JOURNAL ENTRIES OF MORE THAN TWO ITEMS

The ability to determine readily the debits and credits of any given business transaction is an essential qualification of a competent bookkeeper. If the teacher considers additional drill necessary for developing this ability, the following exercises (pages 47-52) will be found useful.

We have learned that the debits and credits of every transaction must be equal in amount. In the preceding work each transaction requires but one debit item and one credit item. However, an entry may consist of several debits and one credit, several credits and one debit, or several debits and several credits; but in every instance the sum of the debits of any transaction must equal the sum of the credits.

Journalize the following transactions on loose journal paper, making constant use of the rules on pages 46, 47.

Several Debits and One Credit

JANUARY 1, 19—.—Sold F. E. Clark 25 brls. beef at \$16; total, \$400. Received in part payment cash, \$150. Balance on account, \$250.

INSTRUCTIONS.—In this case it is clear that *Cash* is to be debited for \$150, and *F. E. Clark* for \$250; while *Merchandise* is to be credited for \$400. The following illustrates the form of entry required for this kind of transaction.

<p><i>Cash</i> <i>J. M. French</i> <i>Mdse.</i></p>	<p><i>Sold J. M. French</i> 225 <i>40 brls. Beef</i> 1500 375 <i>Recd. cash in part</i> <i>payment, \$225.</i></p>	<p>225 375 600</p>
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Instead of an entry in the above form, many bookkeepers would make two separate entries. one debiting *F. E. Clark* and crediting *Mdse.* for \$400, and the other debiting *Cash* and crediting *F. E. Clark* for \$150. That is, the transaction would be treated as though divided into two separate ones. Either method is correct; notice that the final result in the ledger accounts would be the same by both methods.

Every one of the following transactions could in a similar way be divided up into two or more transactions each requiring a journal entry of one debit and one credit. The teacher will find it a helpful exercise to require entries in both forms, with a comparison of the results in each case.

JANUARY 2.—Sold Albert Stewart 30 brls. apples at \$3; total, \$90. Received in part payment cash, \$55. Balance on account, 30 days, \$35.

JANUARY 3.—Sold J. D. Lawrence 55 brls. flour at \$7, 25 brls. beef at \$16.50; total, \$797.50. Received in payment cash, \$275, and his 30-day note for the balance, \$522.50. (What are the two accounts debited?)

JANUARY 4.—Sold D. C. Schneider 100 brls. apples at \$3.50, 50 bu. potatoes at 60¢; total, \$380. Received in payment his 30-day note, \$100; John Smith's 10-day note, \$80; cash for the balance, \$200. (Debit *Bills Receivable* separately for each of the two notes; the entry will have three debit items.)

JANUARY 5.—Frank Miller, being unable to pay in full his 6 months' note for \$ 1000 which you hold and which is due to-day, arranges with you to renew one-half of the note for 30 days. Consequently, he gives you, for his old note, \$ 500 cash and a new note for \$ 500.

Several Credits and One Debit

JANUARY 6.—Bought of Marion Douglas 250 brls. flour at \$ 7; total, \$ 1750. Gave in part payment cash, \$ 875, and my 60-day note for \$ 500. The balance, \$ 375, is to remain on account.

The following illustrates the form of entry for this kind of transaction.

	6		
Mdse.	Bot. of Byron Harris	2100	
Cash	300 brls. Flour	7 ⁰⁰	925
Bills Payable	Gave in part paym ^t		500
Byron Harris	cash, \$925. and my		675
	60-day note, \$500.		

JANUARY 8.—Bought of Henry Lindlinger 100 bu. peas at \$ 2.35, 25 bu. clover seed at \$ 4.50; total, \$ 347.50. Delivered in payment my 30-day note for \$ 200, and cash for the balance, \$ 147.50.

JANUARY 9.—Received cash, \$ 750, from Benj. D. Collins in payment of balance due on his account, \$ 150; in payment of his note due to-day, \$ 300; and also to pay for bill of goods sold him to-day as follows:— 5 hf. chts. Japan tea, 375 lbs., at 30¢ per lb.; 10 mats Java coffee, 750 lbs., at 25¢ per lb.; total, \$ 300.

Several Debits and Several Credits

JANUARY 9.—Bought of C. N. Brown 10 brls. sugar, 2600 lbs., at 5¢, \$ 130; 5 shares City Bank stock at \$ 125, \$ 625. Gave in part payment cash, \$ 200, and my note for \$ 200; the balance to remain on account, \$ 355.

The new feature here is the purchase of City Bank stock. The general rule applies: debit what comes into the business or costs value. The only question in any such case is what name to give the account. Some would make it *Stocks and Bonds*; others, *City Bank Stock*. The following illustrates the form of entry required for this kind of transaction.

	9		
Mdse.	Bot. of Harry Hall	156	
City Bank Stock	12 brls. Sugar, 3120. 5¢	750	
Cash	5 sh. City Bnk. Stock, 150 ⁰⁰		300
Bills Payable	Paid him cash, \$300.		200
Harry Hall	and my note, \$200.		406
	Bal. on acct.		

JANUARY 10. — Bought of John Hamilton a house and lot for \$5000; also 500 brls. apples at \$4, \$2000. Gave in payment John Smith's note for \$1500; my 60-day note for \$3000; and cash, \$2500. (Debit *Real Estate* for the cost of the house and lot.)

JANUARY 11. — Sold Norris Bros. 1000 bu. wheat at \$1; total, \$1000. Received in payment my note, now due, for \$500, and John Brown's note for \$525. I pay Norris Bros. the difference in cash, \$25.

JANUARY 12. — Student (the business) owes Henry Nussbaum \$500 on a note, and \$300 on account. Both amounts being now due, student pays them by delivering to Nussbaum cash from the business, \$700, and from his private funds (an additional investment), \$100.

SUPPLEMENTARY EXERCISE—No. 1

The entries for this supplementary exercise are to be made on loose journal and ledger paper. If you are in doubt as to the correctness of a journal entry which you are about to make, refer to the rules on pages 46, 47.

JANUARY 1, 19—. — (Student) commenced business this day with \$4000 cash capital.

JANUARY 2. — Bought of Wm. Brown, for cash, 100 brls. flour at \$5; total, \$500.

JANUARY 3. — Sold H. Davis for cash, 50 brls. flour at \$6; total, ?

JANUARY 4. — Bought of Hart & Co., for cash, 100 brls. pork at \$9, and 100 brls. beef at \$12; total, ?

JANUARY 5. — Sold Chas. D. Gordon, for cash, 25 brls. flour at \$6.25, and 50 brls. beef at \$14.

JANUARY 6. — Paid rent of store in cash, \$50.

JANUARY 8. — Bought of J. D. Morgan, on account, 100 brls. flour at \$5.

JANUARY 10. — Sold A. O. Steele, on account, 50 brls. flour at \$6.

JANUARY 12. — Bought of D. Hammond, on account, 100 brls. salt at \$1.25, and 50 brls. beef at \$12.

JANUARY 15. — Sold James T. Wood, on account, 25 brls. pork at \$10.50, 10 brls. salt at \$1.50, and 30 brls. flour at \$6.

JANUARY 16. — Sold Larkin Bros., for cash, 50 brls. pork at \$10.50, and 25 brls. flour at \$6.

JANUARY 20. — Bought for cash 2 tons coal for use in store, \$10.50.

JANUARY 22. — Bought of Clark, Good & Co., for cash, 100 brls. flour at \$5.

JANUARY 23. — Received cash of A. O. Steele in full of account, \$300.

JANUARY 25. — Sold James T. Wood, on account, 40 brls. flour at \$6.

JANUARY 26. — Paid D. Hammond cash to apply on account, \$400.

JANUARY 27. — Sold Chas. D. Gordon, for cash, 25 brls. salt at \$1.50, and 25 brls. beef at \$14.

JANUARY 29. — Paid clerks' salaries for January in cash, \$175.

JANUARY 30. — Received cash of James T. Wood on account, \$200.

JANUARY 31. — Bought of D. Hammond, on account, 50 brls. pork at \$9.

Present your journal to the teacher for inspection, and, if it is approved, post the entries to the ledger (loose paper). Allow one-half page each for your (*Proprietor's*) account and *Expense*, one page each for *Cash* and *Merchandise*, and one-fourth page each for other accounts.

Foot the ledger accounts in pencil and take off a trial balance.

Present journal, ledger, and trial balance at the teacher's desk for approval.

- FEBRUARY 1, 19—. — Sold H. Galt, for cash, 25 brls. salt at \$ 1.50.
 FEBRUARY 2. — Bought of Hart & Co., for cash, 25 brls. lard, 5000 lbs., at $8\frac{1}{2}$ ¢.
 FEBRUARY 3. — Paid J. D. Morgan cash on account, \$ 100.
 FEBRUARY 5. — Bought of Bell Bros. & Day on account, 30 days, 10 brls. A. sugar, 2500 lbs., at $6\frac{1}{2}$ ¢, and 10 hf. chts. Japan tea, 600 lbs., at 50¢.
 FEBRUARY 6. — Paid gas bill for January in cash, \$6.50.
 FEBRUARY 8. — Sold A. O. Steele, on account, 10 brls. lard, 2000 lbs., at $12\frac{1}{2}$ ¢.
 FEBRUARY 9. — Received cash of James T. Wood on account, \$ 100.
 FEBRUARY 10. — Sold Sherman, French & Co. 60 brls. beef at \$ 14. Received part payment in cash, \$ 240; balance on account. (For form of entry, see page 47.)
 FEBRUARY 12. — Student drew cash for private use, \$ 100.
 FEBRUARY 13. — Bought of Miller & Beach 50 brls. beef at \$ 12, and 50 brls. pork at \$ 9. Made part payment in cash, \$ 250; balance on account.
 FEBRUARY 13. — Received cash of A. O. Steele on account, \$ 100.
 FEBRUARY 14. — Sold D. W. Powers, on his note at 10 days, 50 brls. pork at \$ 10.50.
 FEBRUARY 15. — Bought of Chas. H. Norris, on my note at 10 days, 50 brls. flour at \$ 5.
 FEBRUARY 17. — Sold O. W. Gardner, for cash, 3 brls. A. sugar, 625 lbs., at 7¢.
 FEBRUARY 19. — Sold Freeman & Johnson, on their note at 15 days, with interest, 40 brls. beef at \$ 14. (Make no entry for the interest until the note is paid.)
 FEBRUARY 21. — Bought of Long & Martin, on my note at 10 days, with interest, 50 brls. pork at \$ 9, and 50 brls. beef at \$ 12.
 FEBRUARY 22. — Paid Miller & Beach cash on account, \$ 200.
 FEBRUARY 23. — Received of James T. Wood his note at 15 days in full of account, \$ 397.50.
 FEBRUARY 24. — Received cash of D. W. Powers for his note of the 14th inst., \$ 525.
 FEBRUARY 25. — Paid my note of the 15th inst. in favor of Chas. H. Norris, in cash, \$ 250.
 FEBRUARY 26. — Gave D. Hammond my note at 10 days on account, \$ 300.
 FEBRUARY 28. — Paid rent and salaries in cash, \$ 175.

Copy the inventory, as given below, into your journal, immediately following the transactions for February.

INVENTORY OF MERCHANDISE, FEB. 28, 19—

130 brls. Flour,	5.	650.	
40 " Salt,	1.25	50.	
10 hf. chts. Japan Tea, 600 lbs.,	.50	300.	
7 brls. A. Sugar, 1875 lbs.,	.06 $\frac{1}{2}$	121.88	
75 " Beef,	12.	900.	
125 " Pork,	9.	1125.	
15 " Lard, 3000 lbs.,	.08 $\frac{1}{2}$	255.	3401.88

As the business of February is a continuation of that of January, post it under the same ledger headings, opening new accounts only when they are required. Allow one-fourth page space for each new account in this month. Do not leave blank lines between the items of January and those of February in old accounts. (See model ledger on page 8.)

Your ledger now contains the entries of two months. Rule off any accounts that balance. Foot the accounts in pencil and take off a trial balance on a sheet of journal paper.

Your trial balance should show a debit balance of \$2523 for *Cash*, and a debit balance of \$2540 for *Mdse*.

Make business and financial statements, according to the models on pages 35, 36. These statements should show a net gain of \$444.88, and a present worth of \$4344.88. Present the statements to the teacher for inspection, then close the ledger.

Review your work carefully, and if you are satisfied that entries and ruling are correct, hand journal, ledger, trial balance, and statements to the teacher for approval.

MARCH 1, 19—Paid Miller & Beach cash on account, \$300.

MARCH 2.—Sold Alex. Goodman, on his note at 10 days, with interest, 50 brls. flour at \$6; 10 brls. beef at \$14.

MARCH 3.—Paid February gas bill in cash, \$6.

MARCH 3.—Paid my note of Feb. 21, favor of Long & Martin, and interest, in cash; face of note, \$1050; interest, 10 days, \$1.75. (The total paid is \$1051.75. Interest to the extent of \$1.75 has been allowed to others, and has cost the business value. Debit *Bills Payable* for face of note; debit *Interest* for \$1.75; credit *Cash* for the total paid.)

MARCH 5.—Gave Bell Bros. & Day my note at 10 days, with interest, in full of account, \$462.50.

MARCH 6.—Bought of E. L. & E. B. King 50 brls. beef at \$12. Made part payment in cash, \$200; balance on account.

MARCH 6.—Sold R. H. Day, for cash, 5 hf. chts. Japan tea, 300 lbs., at 60¢.

MARCH 6.—Received cash, \$561.40, of Freeman & Johnson for their note of Feb. 19, and interest. Face of note, \$560; interest, 15 days, \$1.40. (The business has received value, \$1.40, produced by interest. Make one debit and two credits.)

MARCH 8.—Paid rent of store in cash, \$50.

MARCH 8.—Paid my note of Feb. 26, favor of D. Hammond, in cash, \$300.

MARCH 10.—Sold A. O. Steele on account, 10 days, 25 brls. pork at \$10.50; 5 brls. lard, 1000 lbs., at 10¢; 20 brls. flour at \$6.

MARCH 10.—Received cash of James T. Wood for his note of Feb. 23, \$397.50.

MARCH 11.—Received of Sherman, French & Co., in full of account, as follows: cash, \$200; their note at 60 days, \$400.

MARCH 12.—Bought of Beach & Gould, on my note at 90 days, 100 brls. flour at \$5.

MARCH 12.—Received cash of Alex. Goodman for his note of March 2, and interest. Face of note, \$440; interest, 10 days, 73¢. (Entry similar to last one for March 6.)

MARCH 13.—Sold Collins & Carpenter, 40 brls. salt at \$1.50; 50 brls. pork at \$10.50; 50 brls. beef at \$14. Received part payment in cash, \$785; their note at 30 days for balance.

MARCH 15.—Paid J. D. Morgan cash on account, \$200.

MARCH 15.—Paid my note of 5th inst., favor of Bell Bros. & Day, and interest, in cash. Face of note, \$462.50; interest, 10 days, 77¢. (Entry similar to last one for March 3.)

MARCH 16.—Bought of Leffingwell Mfg. Co., for cash, a safe for office use, \$475. (Debit *Expense*.)

MARCH 16.—Bought of Gardner & Gardner, 50 brls. beef at \$12. Paid them cash, \$300; gave them my note at 60 days for balance.

MARCH 17.—Sold Sherman, French & Co. on account, 60 days, 7 brls. A. sugar, 1875 lbs., at 7¢; 5 hf. chts. Japan tea, 300 lbs., at 60¢.

MARCH 18.—Collins & Carpenter prepaid their note of 13th inst. in cash, less discount. Face of note, \$500; discount off, 25 days, \$2.08; cash received, \$497.92. (A discount of \$2.08 has been allowed by the business to another party, and has cost the business value.)

Debit *Cash* for the amount received; debit *Discount* for \$2.08; credit *Bills Receivable* for \$500, the face of the note.)

MARCH 19.—Bought of Miller & Beach, on account, 25 brls. pork at \$9; 10 brls. lard, 2000 lbs., at $8\frac{1}{2}$ ¢.

MARCH 21.—Sold James T. Wood, on account, 10 brls. pork at \$10.50; 10 brls. beef at \$14.

MARCH 22.—Prepaid my note of the 12th inst., favor of Beach & Gould, in cash, less discount. Face of note, \$500; discount off, 80 days, \$6.67; cash paid, \$493.33. (Debit *Bills Payable* for face of note; credit *Discount* for the \$6.67 allowed you, the amount saved or produced for the business by the discount; credit *Cash* for the amount paid.)

MARCH 23.—Received cash of A. O. Steele on account, \$150.

MARCH 24.—Paid in cash, Scrantom & Co.'s bill for books, stationery, etc., for office use, \$15.75.

MARCH 26.—Bought of J. D. Morgan, on account, 50 brls. flour at \$5.

MARCH 27.—Sold Wm. N. Marsh, 25 brls. pork at \$9; 25 brls. beef at \$14. Received cash on above, \$225; his note at 3 mos. with interest, for balance, \$350.

MARCH 28.—Gave Miller & Beach my note at 2 mos., to apply on account, \$300.

MARCH 29.—Paid clerks' salaries in cash, \$125.

MARCH 30.—Received cash of James T. Wood on account, \$100.

MARCH 31.—Sherman, French & Co. prepaid their note of the 11th inst., in cash, less discount. Face of note, \$400; discount off, 40 days, \$2.67; cash received, \$397.33. (Entry similar to that for March 18.)

Copy the following inventories in your journal and, before commencing to post, hand your journal to your teacher for approval.

INVENTORY OF MERCHANDISE, MARCH 31, 19—

210 brls. Flour,	5.	1050.	
80 " Beef,	12.	960.	
40 " Pork,	9.	360.	
20 " Lard, 4000 lbs.,	.08½	340.	2710.

INVENTORY OF EXPENSE, MARCH 31, 19—

Office Safe, valued at	475.
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The business of March, being a continuation of that of January and February, should be posted under the same ledger headings, so far as they go. Give each new account in this month one-fourth page space.

When the posting is finished, foot the accounts in pencil. Include all the items of January, February, and March, except those items that appear above rulings in accounts that have been closed. Rule off any account that balances. Take off a trial balance.

Make a business statement and present it to the teacher for inspection.

Make a financial statement, and close the ledger.

Hand your journal, ledger, trial balance, and statements to the teacher for approval.

FLOUR, GRAIN, AND PRODUCE BUSINESS — APRIL

BUSINESS PRACTICE

You are now to act as bookkeeper for James M. Hastings, who commences the Flour, Grain, and Produce business to-day (April 1), at 146 Elm St., your city. You will receive from him a salary of \$60 per month. Your teacher will furnish you all the vouchers (business papers) and blank forms that are necessary in performing the numbered transactions which follow.

You will get the same experience you would in a real business, so far as it is possible within the limits of a school to give this experience. Bills for merchandise bought, and other business papers, will come from the pad of "Incoming Vouchers," just as they would come to the business house by mail. These papers are similar in every respect to those used in business. All papers issued by the business are to be written up by you, and all transactions must be recorded in the books exactly as in real business.

As Mr. Hastings attends to the buying and selling, and is absent from the city a large part of the time, it will be necessary that you sign and indorse notes, checks, and other papers during his absence, besides keeping the books of the business. In order to do this, you must have a power of attorney. Mr. Hastings gives this to you; take it from the top of the pad of incoming vouchers and fill out the blank spaces. Read it carefully and see what powers it confers upon you, then fold lengthwise and write on the back of the upper left-hand corner, *Power of Attorney, J. M. Hastings, April 1*, and the current year, and place the paper in the envelope called "Voucher File," which you will find in your large envelope marked "Business Forms."

A power of attorney is a legal document which confers upon the person named in it the right to perform certain acts specified therein, in the name of some other person who issues the power of attorney. It is generally witnessed by a notary public, who stamps the document with his seal.

Such a power of attorney as you have received would be presented at the bank with which the maker does business, and also at the post office and express office, as it gives the holder the right to indorse post office and express money orders in the name of the maker.

You will receive all goods purchased, deliver the goods sold, and make in the books of the business a full and complete record of all transactions which may occur.

The work in your books will not be like the work of any other student. Your selling price-list will be assigned by your teacher from the numbered lists found in the text-book, page 69. Your price-list will be unlike that of any other student, and you must adhere strictly to this price-list in order to get correct results.

Do not compare your books with those of other students. The results will be different, and you cannot learn too early the habit of self-reliance. Understand *why* you make each record, and you will succeed.

In doing the work which follows, proceed in the proper order, by performing the transaction first and making the entry for it in your books afterwards. The performance of the transaction will consist of receiving the money or business papers involved in the transaction (usually by separating them from the pad of incoming vouchers), and paying out all money and writing all papers required to be delivered to the other party to the transaction.

Before making the entry in your books for any transaction, determine first which accounts are affected by that transaction, and then determine which account is to be debited and which is to be credited, by applying the rules for journalizing which you have learned in the preceding work.

Books Kept. — The books which you will keep in this work are the journal-daybook and the ledger as principal books, and the check book as an auxiliary book.

A **Principal Book** is one from which or to which posting is done.

An **Auxiliary Book** is one which helps to complete the record by supplying certain details, but in which no debits and credits are recorded, and from which, consequently, no posting can be done.

TRANSACTIONS

No. 1. — APRIL 1, 19—. After reading page 53 carefully, ask your teacher to assign you a selling price-list, and take from your incoming voucher pad the cash which shall constitute Mr. Hastings's investment. After this has been done, count your cash and place it in the envelope entitled "Cash Drawer," which you will find, with others, in the large envelope of Business Forms.

Determine the debit by rule 1, page 11 or 46; determine the credit by rule 2, page 11 or 47. For transaction similar to this, see transaction No. 1, page 10. Make proper entry in your journal-daybook on the first blank page after the March journal. The following illustrates the form of your entry.

9

April 1, 19 -

<i>Cash</i>	<i>Commenced the</i>	<i>4000</i>	
<i>E. E. Myers</i>	<i>Flour, Grain and</i>		<i>4000</i>
	<i>Produce business,</i>		
	<i>investing cash</i>		

No. 2. — APRIL 1. Mr. Hastings has rented the building at 146 Elm St. from R. B. Hines; he is to pay \$100 per month rent. Pay the rent for April in cash, placing the cash in your "Cash Paid Out" envelope.

In paying out money always make payment in bills of the largest denominations possible. In this instance you should take a hundred-dollar bill. If you have occasion to pay out \$75, you should make payment by using one fifty-dollar bill, one twenty-dollar bill, and one five-dollar bill.

Take from the incoming voucher pad the lease and receipt numbered 2. All the vouchers, cards, etc., on this pad are numbered to correspond with the numbers of the transactions in this book. Be sure that the voucher number in each case agrees with the transaction number before making a book entry. Read the lease carefully and see


what rights and restrictions it mentions. Put it and the receipt in your "Voucher File" envelope.

Determine the debit by rule 3, page 11 or 46; determine the credit by rule 4, page 11 or 46. The following illustrates the form of your entry.

<i>Expense</i>	<i>1</i>	<i>Paid April rent</i>	<i>75</i>	
<i>cash</i>		<i>in cash</i>		<i>75</i>

No. 3.—APRIL 2. Incoming voucher No. 3 shows a cash purchase from Daniels Bros. of 200 brls. flour at \$4.20 per brl., and 400 bu. oats at 23¢ per bu.

Detach from the pad the invoice or bill, and the merchandise cards representing the flour and oats. See that you have on your cards the quantity of flour and oats called for in the bill, and if so, check each item on the bill, using pen and ink and placing a check mark in the vertical column at the left of the bill. See that the multiplications and the addition are correct, placing a check mark against each correct amount at the right. If the bill is correct, write *O.K.* with your initials underneath, in the lower left-hand corner. The following represents the form of a bill after it has been treated as explained above.

Book _____	Page _____	<i>New York</i> 454 Broadway St.	<i>Manchester</i> 17 Nicholas St.	<i>Paris</i> 30 Rue de Valenciennes	<i>Germany</i> 23 Theater Strasse
SIBLEY, LINDSAY & CURR CO.					
Directors: <i>R. S. Sibley</i> <i>A. M. Lindsay</i> <i>J. E. Curr</i> <i>J. S. Sibley</i> <i>J. S. Curr</i>					
					
Sold to <u><i>E. H. French</i></u> <u><i>Nashua, N.H.</i></u>					
PAID <u><i>cash</i></u>					
✓	<i>200</i> bbls. <i>N. Star Flour</i>	<i>4.20</i>	<i>90</i>	✓	
✓	<i>20</i> " <i>Pastry</i>	<i>5.00</i>	<i>1.00</i>	✓	
✓	<i>30</i> doz <i>C. Tomatoes</i>	<i>1.10</i>	<i>3.30</i>	✓	
✓	<i>24</i> " <i>C. Corn</i>	<i>1.15</i>	<i>27.60</i>		<i>2.5060</i>
Received Payment <i>Sibley Lindsay & Curr Co.</i> <i>per Miller</i>					

If anything is wrong with the invoice or the merchandise, ask your teacher (representing Daniels Bros.) to correct it. If they are correct, take from your Cash Drawer the money to pay the bill, and place it in "Cash Paid Out" envelope. Place the merchandise in the envelope marked "Store Room."

Determine the journal entry by referring to the rules on page 46. The following illustrates the form of your entry. As you have the invoice to refer to at any time, there is no need of inserting the items in the journal entry.

<i>Mdse.</i> <i>Cash</i>	² <i>Bot. of Sibley, L.</i> <i>r. C. Co. mdse. as</i> <i>per invoice</i>	250 60	250 60
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Fold the bill lengthwise, face outward, and write across the face, *Entered*, with the date underneath. Place it in the envelope entitled "Voucher File."

No. 4. — APRIL 2. This bill (No. 4) shows a purchase from D. Deavenport & Co., for cash.

Check and O.K. the bill as in No. 3. Take cash to pay the bill from your Cash Drawer, and place in the "Cash Paid Out" envelope. Place the merchandise in the "Store Room." Your journal entry will be similar to that for No. 3. Fold the bill, write *Entered* across the face, with the date, and file as in No. 3. Follow all instructions in the exact order in which they are given.

No. 5. — APRIL 3. Mr. Hastings has taken this order from J. A. Barker, and received the cash for the goods, 50 brls. flour, 50 brls. apples.

Copy the selling price-list which your teacher assigned you on voucher No. 5 *a*, and paste it on the inside of the front cover of your text-book.

Select from your Store Room the merchandise which the order calls for, and make out a bill to J. A. Barker at your selling price on one of the blank billheads which you will find in your envelope of Business Forms. Use one of the bills in your Voucher File as a model. Place the order in your Voucher File.

After making out the bill, review your multiplications and addition so as to be positive that they are correct. Remember that bills sent from an office *must* be right. If the bill is correctly made out, its amount will agree with the cash received with the order (No. 5), and you may receipt the bill (by writing on it *Received Payment, J. M. Hastings, by* and your initials) and place the cash in your Cash Drawer.

Make the proper journal entry for the transaction. Place the merchandise and the receipted bill in the envelope entitled "Vouchers for Others."

The following illustrates the form of the journal entry.

<i>Cash</i> <i>Mdse.</i>	³ <i>Sold M. B. Dale</i> <i>10 brls. Flour 5.25</i> <i>12 " Apples 2.50</i>	82 50	82 50
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Notice that all merchandise which you sell should be itemized in your journal-daybook, while that which you buy should be entered in total only. In selling merchandise you give a bill to the person to whom the sale is made, and to preserve a complete record of the sale you must enter the items singly in your journal-daybook, for the purchaser may require of you a duplicate bill at any time, and unless you have the items in your books it will be impossible or inconvenient to prepare the duplicate.

When you buy merchandise, you receive a bill, and as this bill is on file you can refer to it at any time that you desire to examine the items, so that it is not necessary to enter more than the total in your journal-daybook.

No. 6.—APRIL 3. Bought merchandise for cash, from L. A. Wright & Co.

Detach from the pad the invoice and the merchandise cards numbered 6, and compare the merchandise cards with the items on the invoice; if they are correct, check the items and verify the calculations, and then pay the bill by taking the proper amount of cash from your Cash Drawer and placing it in the envelope entitled "Cash Paid Out."

Place the merchandise in the Store Room and make proper entry in your journal-daybook. Fold and file your invoice according to instructions given in transaction No. 3, page 56.

No. 7.—APRIL 4. You have purchased, for cash, books and stationery as per invoice.

Take the invoice from your incoming voucher pad, verify, and if it is correct, write O.K. and your initials and pay the bill, placing the cash in the envelope entitled "Cash Paid Out." Make proper entry. (Review rule 3, page 11.) Fold and file the bill.

No. 8.—APRIL 4. Sell E. M. Smythe & Co., for cash, merchandise as per order.

Perform the transaction and make the entry according to directions given in transaction No. 5, page 56. Do not forget to place the merchandise cards, with a receipted bill, in the "Vouchers for Others" envelope. Always count your cash before receipting a bill.

No. 9.—APRIL 4. You have bought merchandise on account, as per invoice, from Hatheway & Reynolds.

Detach the invoice and the merchandise cards from the pad. Verify the calculations and if the bill is correct, O.K. it, and place the merchandise in the Store Room. Make the proper entry in your journal-daybook. (Review rule 9, page 22.)

This bill is not receipted. Why not? Fold lengthwise, write *Entered* across the face, with the date, and place it in your Invoice File. Hereafter place all incoming unpaid bills in the Invoice File without further special instructions.

No. 10.—APRIL 4. FIRST REPORT. Detach the report blank (No. 10) from your incoming voucher pad and write your name, report number, and price-list number in the proper places. From your journal entries determine how much cash has been received. This will be shown by taking the sum of your cash debits. Write the amount in the amount column of the report, opposite *Cash Received*. From the cash credits in the journal find how much cash has been paid out, and write the amount in the report opposite *Cash Paid Out*. Opposite *Cash on Hand* write the difference between the cash received and the cash paid out. Count the cash in the "Cash Drawer," and if it agrees with the cash on hand as shown on the report, the cash is said to be in balance, and you may place the amount opposite *Cash in Drawer* on the report.

If the cash in drawer does not agree with the amount on the report, the discrepancy may be due to an error in the journal or to a mistake in paying out the cash. Go over all transactions where cash was received or paid to see that each has a correct entry in the journal. Also determine if the proper amount of money has been paid out by going through the transactions in the text-book, finding the sum of all cash to be paid, and comparing this amount with the total cash in the "Cash Paid Out" envelope.

Count and add the debits of merchandise in the journal, and write the number and the sum in the proper columns opposite *Merchandise Purchases* on the report. Count and add the credits of merchandise in the journal, and write the number and the amount opposite *Merchandise Sales* on the report.

These are all the results required in the first report. You will now present the report to your teacher, with your journal, and the "Vouchers for Others" and "Cash Paid Out" envelopes. Examine every voucher carefully to see that it is correctly made and checked, as well as neatly written. Poor work will not be accepted, and you would waste time to hand it in. Rewrite all work that is not your best before presenting it for inspection. If your report is correct, your teacher will O.K. it, after which you should place it in your Voucher File.

No. 11. — APRIL 5. Mr. Hastings has decided to open a bank account and has selected the Commercial Bank of your city as the institution with which to do business. Deposit \$5000 in that bank.

Method of Opening a Bank Account. — If the person who wishes to open a bank account is not acquainted with the officers of the bank, he should get some one to introduce him. At the time of the introduction the cashier takes the depositor's signature in a signature book or on a card. The following represents a signature card on which a person has signed as attorney.

FORM OF SIGNATURE CARD

R		
NAME.	BUSINESS.	By WHOM INTRODUCED
<i>J. Q. Rand by J. Q. Lane, Atty.</i>	<i>Dry Goods</i>	<i>Reed & Hayes</i>

In this instance you represent Mr. Hastings, and he has given you a power of attorney to sign his name. Take the power of attorney (No. A) from your Voucher File, and read it carefully. Next detach the blank card (No. 11) from your incoming voucher pad, and write on it the name of J. M. Hastings and your name, according to the form shown above. You should write the signature on the card in the exact manner in which you intend to write it on checks. Take the power of attorney and the card to the bank. In case there is no regular bank in the school, your teacher will receive your signature

card and transact with you the business of the bank (or will assign some other student to transact it). Replace the power of attorney in your file.

The Deposit Ticket. — Make out a deposit ticket for \$5000, according to the illustration herewith (of course filling in also the current year).

In making out a deposit ticket hereafter, always list bills, specie, and checks separately. Each check should be set down as a separate and distinct item. If the check is on a local bank, give the name of the bank. If on an out-of-town bank, give the name of the town.

Write your own name and price-list number on the deposit ticket, near the bottom. This is only for the convenience of the teacher in identifying your ticket, and would not be done in business.

Count out \$5000 in cash from the Cash Drawer and take the money, deposit ticket, and bank pass book to the bank and present them to the teller, who will receive the cash and give you credit for the amount, by entering it upon the left-hand page of the bank pass book, with the date and his initials. (If the school has no regular bank, go to your teacher, who will make the teller's entry, or will have some other student make it.)

Make a record of the deposit on the stub of your check book according to the following form, filling in the current year after the date *Apr. 5*.

FORM OF DEPOSIT TICKET

DEPOSITED BY		
<i>J. A. Rand</i>		
IN		
COMMERCIAL BANK		
<i>April 5, 19</i>		
	Dollars	Cents
<i>Bills</i>	<i>5000</i>	
<i>Specie</i>		
<i>Check</i>		
"		
"		
"		
"		
"		
"		
"		
"		

FORM OF STUB AND CHECK

Deposited <i>Apr. 5, 19</i> — <i>5000</i> No. _____ Date _____ 19____ Order of _____ For _____ Amount of Bill, \$ _____ Discount \$ _____	<table border="1"> <tr> <td rowspan="2" style="writing-mode: vertical-rl; transform: rotate(180deg);"><i>At East Main St.</i></td> <td style="text-align: right;">_____ 19 — No. _____</td> </tr> <tr> <td style="text-align: center;"><i>Commercial Bank</i></td> </tr> <tr> <td colspan="2"><i>Pay to the order of</i> _____ \$ _____</td> </tr> <tr> <td colspan="2" style="text-align: right;"><i>Dollars</i></td> </tr> </table>	<i>At East Main St.</i>	_____ 19 — No. _____	<i>Commercial Bank</i>	<i>Pay to the order of</i> _____ \$ _____		<i>Dollars</i>	
<i>At East Main St.</i>	_____ 19 — No. _____							
	<i>Commercial Bank</i>							
<i>Pay to the order of</i> _____ \$ _____								
<i>Dollars</i>								

Make no journal entry for this transaction. The \$5000 has not left the business, but has been placed in the bank for safe keeping and is still at your disposal.

No. 12. — APRIL 5. Sell Chas. E. Hayes merchandise on account, as requested.

Select the goods from the Store Room and check each item on the order as soon as filled. Make out the bill from your price-list, but do not receipt it. Verify your calculations and make your journal entry. (Review rule 10, page 23.)

In filling orders be sure that the proper merchandise cards accompany each bill. Unless you are careful in this respect, you will not have the right quantity of merchandise on hand when you take your inventory at the end of the month. If you have followed directions, the cards in your Store Room will then agree with the quantity of merchandise on hand.

Place the merchandise and the bill in the envelope entitled "Vouchers for Others." Fold the order lengthwise, face outward, and write *Filled*, with the date, across the face. Place the order in the Voucher File.

No. 13. — APRIL 6. This order calls for merchandise to be sold to Ellis & Rand, on account.

Select the goods and check each item upon the order as filled. Do all the other things necessary, as you did for transaction No. 12.

No. 14. — APRIL 8. This invoice of merchandise has been purchased from Smith & Dorothy, on account.

When terms are not mentioned, it is understood that the purchase is on account. Proceed as with transaction No. 9.

N.B. — The student must use great care in checking up all invoices, both as to quantity of goods bought and as to calculations. If he finds any errors, he must not correct them himself, but should report the matter to his teacher, who will make any necessary corrections (or instruct some student to make them).

No. 15. — APRIL 8. You have received \$300 cash in part payment of bill sold to Chas. E. Hayes on the 5th inst.

Count the cash, and if it is correct, write a receipt for the amount, using voucher No. 2 as model. Place the cash in your Cash Drawer and the receipt in Vouchers for Others. Make proper entry in your journal-daybook. (Review rule 11, page 24.)

No. 16. — APRIL 9. Pay Hatheway & Reynolds \$400 in cash.

Take the cash from your Cash Drawer and place it in the "Cash Paid Out" envelope, taking a receipt (No. 16) for the amount. Place the receipt in your Voucher File. Make proper entry in your journal-daybook. (Review rule 12, page 24.)

N.B. — Hereafter the student must always make the proper journal entry without being so instructed in each case. He must also do all other things called for by the transaction, as in previous cases, even if they, or some of them, are not specially mentioned.

No. 17. — APRIL 10. Bought merchandise on account from Geo. C. Cary.

Examine the merchandise and see that it corresponds with the quantities called for in the invoice. Check each item, verify the calculations, and O.K. the bill if everything is correct. (What should you do if anything is wrong?) What else should you do with the bill? (Compare with transaction No. 9.)

No. 18. — APRIL 10. This note has been received from Ellis & Rand in part payment for transaction No. 13.

Examine the note carefully. Who promises to pay the note? Who should receive credit for this note? (Review rule 15, page 28, and rule 11, page 24.) Place the note in your Cash Drawer and keep it there until it is disposed of or paid.

Notes are not cash, but are kept in the Cash Drawer for convenience only.

No. 19. — APRIL 11. Sell Chas. E. Hayes merchandise as ordered.

Select the merchandise from the Store Room and make out the bill. Verify your calculations. Place the bill and the merchandise in Vouchers for Others.

No. 20. — APRIL 12. Bought merchandise from L. A. Wright & Co. on account.

Check each item on the bill as you compare the merchandise with the items, and verify the calculations. If the bill is correct, O.K. it. Place the merchandise in the Store Room.

No. 21. — APRIL 14. Give L. A. Wright & Co. Mr. Hastings's note for \$400, at 10 days, on account.

Make out a note, using Voucher No. 18 as model; also see form of note, transaction No. 54, page 29. (Review rule 12, page 24, and rule 16, page 29.) Place this note in the envelope entitled "Bills Payable File," which you will find in your package of Business Forms. Do not lose the contents of this envelope, as you will be required to take from it each note or bill payable when it becomes due.

No. 22. — APRIL 14. Fill this order from Ellis & Rand, on account.

Select the goods and make out the bill. Do not forget to place all bills to others, with goods sold, in Vouchers for Others.

No. 23. — APRIL 16. Chas. E. Hayes has given his check to apply on account.

The check is regarded as cash, because it can be converted into cash at once by presenting it at the bank. Examine the check carefully to see that it is properly dated, filled out, and signed. Place the check in your Cash Drawer and count it as part of your cash.

A check is an order written by a depositor, requesting the bank in which he has money deposited to pay a certain amount to some person named, or to his order, upon presentation of the check. The bank will require the person named to be identified, if he is not personally known, and will also require him to indorse the check; that is, write his name across the back at the left end of the check about one and one half inches down from the end.

All checks received in business each day should be deposited the same day or the day following, because of the possibility that either the bank or the maker of the check may fail. In the student's work for this and the following month, however, deposits are made at longer intervals, in order to simplify the entries in the check book and to give practice with deposit tickets containing a number of different items.

No. 24. — APRIL 16. SECOND REPORT. Find the cash balance on your previous report and write the amount on your report blank opposite *Cash Balance, Last Report*. Find the sum of all cash debits in the journal since the previous report was made out, and write the amount opposite *Cash Received*. Find the sum of all cash credits during the same period and enter it opposite *Cash Paid Out*.

Add the cash balance, last report, to the cash received since, and from the sum subtract the cash paid out. The remainder should be entered opposite *Cash on Hand*.

To prove the work, count the money in the Cash Drawer and write the amount on the report opposite *Cash in Drawer*. But \$5000 of your money is in the bank, as shown by the stub of your check book. Write this amount opposite *Cash in Bank* on your report. Add the amount *In Drawer* and *In Bank*. The sum represents the total cash on hand and should be the same as *Cash on Hand* on your report as determined from your journal record of cash debits and credits. If this is the case your cash is in balance. If not, your cash is out of balance, and you must go over your work until you find the error.

Find from your journal, and enter on the report, the number and total amount of merchandise purchases and of merchandise sales since the preceding report; also the number and amount of notes issued by the business. The latter will be found by taking from the journal the credits of Bills Payable, which should correspond with the bills payable in your envelope entitled "Bills Payable File."

Examine your vouchers to see that they are correct in every respect. Hand the report, with your journal, Cash Paid Out, and Vouchers for Others, to your teacher.

No. 25. — APRIL 17. Give Geo. C. Cary a check for \$300, to apply on account.

Open your check book, and fill out the stub as shown in the form of check-book stub

CHECK STUB FILLED OUT

Deposited <i>Apr. 5</i> 19 —	5000
No. <i>1</i>	
Date <i>Apr. 17</i> 19 —	
Order of <i>Geo. C. Cary</i>	300
For <i>On acct.</i>	
Amount of Bill, \$ _____	
Discount — \$ _____	
	4700
Deposited _____ 19 —	

herewith, filling in the current year. This is the original entry of the transaction, and should be made before the check is written. The line stating what the check is for should always be filled out.

Write the check according to the form below, filling in also the name of your city or place, and the current year.

In filling out a check be sure to write the amount in figures close to the dollar sign, and to begin writing the amount in words at the extreme left-hand end, as shown in the model, filling up the blank space after the amount with a wavy line. Failure to observe these instructions may render the maker of a check liable, in case the amount of the check should be raised by any dishonest person into whose hands it might happen to fall. Sign the check in the same manner as that in which you wrote J. M. Hastings's name upon the signature card.

You will notice that the following check is made payable to order. When a check is so written, the holder must indorse it before obtaining money for it, or before transferring it to another person. If a check is made payable to bearer, it is transferable upon delivery without indorsement. Most banks require all checks to be indorsed before they will cash them. This is not necessary if the check is payable to bearer, but the indorsement affords a means of identification should any dispute arise as to who obtained the money.

(Your place here.)	<i>Apr. 17, 19</i>	<i>No. 1</i>
<i>Commercial Bank</i>		
<i>Pay to the order of</i>	<i>Geo. C. Cary</i>	<i>\$300.00</i>
<i>Three hundred</i>		<i>Dollars</i>
<i>J. M. Hastings</i> <i>by Student-Atty.</i>		

Remove the check from the check book and place it in the Cash Paid Out envelope. Subtract the amount of the check from the amount in the bank, and bring down the balance, as shown in the stub above. Geo. C. Cary will present this check at the bank, and when the bank pays it, the check will be charged to J. M. Hastings's account and deducted from the deposit he has made.

In order to make the check book agree with the bank account, you must subtract all checks when given and add all deposits when made. Errors in the check book are very easily made, and you must use the utmost care to prevent their occurrence.

This is check No. 1. Number the next check and stub 2, the next 3, and so on consecutively to the end of the check book. Do this now, using red ink for the purpose.

In your journal entry the account to be credited is *Cash*.

No. 26. — APRIL 19. Fill the order of T. W. Bowen & Co. on account.

Select the merchandise called for, checking each item on the order as filled. Make out the bill and verify your calculations. Place the goods and bill in Vouchers for Others.

No. 27. — APRIL 20. This check has been received from T. W. Bowen & Co., to apply on account.

This check (No. 27) is in part payment of No. 26. What account should be debited? Why? What account should receive credit? Why? Place the check in your Cash Drawer.

No. 28. — APRIL 20. Ellis & Rand's note, dated Apr. 10, is due to-day, and they have sent a check for the amount.

See that the check is properly filled out, and that the amount named in the check agrees with the amount of the note. Take the note from your Cash Drawer, write *Paid, April 20, J. M. Hastings, by,* and your own name as *Atty.*, in red ink, across its face, and place it in Vouchers for Others. Place the check in the Cash Drawer. (Review rule 17, page 30.)

No. 29. — APRIL 20. Write a thirty-day note in favor of Geo. C. Cary for the balance due him.

Determine the balance due Cary by examining all entries to his account in the journal; be sure that you get the right amount. Make the note payable at your office. Proceed as you did with transaction No. 21 on page 61.

No. 30. — APRIL 23. Bought merchandise from Grunsfeld Bros. on account.

Compare the bill received and check the items. Store the merchandise. Make proper journal entry and place the bill in the Invoice File.

No. 31. — APRIL 23. Pay Grunsfeld Bros., by check, \$200 on account.

Fill out the stub of the check and deduct the amount from the balance in bank as shown on the stub. The illustration herewith represents the face of the stub of your check book properly filled out to date.

Fill out the check in favor of Grunsfeld Bros., remove it from the check book, and place in Cash Paid Out. Transfer the balance in bank, after deducting this check, to the face of the next stub, writing the amount, \$4500, at the top of the money column opposite the space above the deposit line. Write *Ford.* before the amount at the bottom of the first page of stubs, and *Brot. Ford.* before the same amount at the top of the next page of stubs; do the same on later pages.

No. 32. — APRIL 24. The note (No. 21) in favor of L. A. Wright & Co., dated April 14th, is due to-day; pay it with a check.

Fill out the stub of your check book, and deduct the amount from the balance in bank; then fill out the check, remove it from your check book, and place it in your Cash Paid Out. Receive the note from L. A. Wright & Co. by removing it from the envelope entitled "Bills Payable File." Write *Paid, April 24,* and the current year, in red ink, across the face of the note, and ask your teacher to sign L. A. Wright & Co.'s name. Place the canceled note in your Voucher File. (Review rule 18, page 30.)

CHECK STUB FILLED OUT

Deposited	<i>April 5, 19</i>	5000
	No. <i>1</i>	
Date	<i>April 17, 19</i>	
Order of	<i>Geo. C. Cary</i>	300
For	<i>On acct</i>	
Amount of Bill,	\$ _____	
Discount — \$	\$ _____	
		4700
Deposited	_____ 19	
	No. <i>2</i>	
Date	<i>April 23, 19</i>	
Order of	<i>Grunsfeld Bros.</i>	200
For	<i>On acct</i>	
Amount of Bill,	\$ _____	
Discount — \$	\$ _____	
	<i>Ford.</i>	4500

No. 33. — APRIL 25. Purchased merchandise from Bernet & Craft, on account.

Compare the merchandise received with the bill and check each of the items. Store the merchandise. Place the bill in the Invoice File.

No. 34. — APRIL 26. Fill the order of H. A. Woodbury, on account.

Select the merchandise called for and check the items on the order. Make out the bill and verify your calculations. Place the bill, merchandise, and order in the proper receptacles.

No. 35. — APRIL 27. J. M. Hastings requires \$75 for his own use, and he draws the amount from the business by check.

Fill out the stub of your check book, then make the check and deduct the amount from the balance in the bank, as shown on the stub of your check book. Remove the check and place it in Cash Paid Out. Determine the debit by rule 14, page 27.

When money is drawn for private use, the check should be made payable to the proprietor's name. If the cash were drawn for use in the business, the check should read, *Pay to the order of Cash.*

No. 36. — APRIL 28. Sell merchandise to T. W. Bowen & Co., as ordered. Proceed as with other such orders.

No. 37. — APRIL 30. Pay drayage bill with check.

Fill out the stub, write the check, and deduct the amount from the bank balance. (This transaction is similar to No. 42, page 26.) Place the check in Cash Paid Out.

No. 38. — APRIL 30. T. W. Bowen & Co. have given their note to apply on account. Determine the debit by rule 15, page 28. Place the note in your Cash Drawer.

No. 39. — APRIL 30. Sell merchandise to H. A. Woodbury, as ordered.

No. 40. — APRIL 30. Mr. Hastings hands you \$60 in currency, the amount of your salary.

Take this amount of money from the cash drawer, and retain it in your personal possession.

FORM OF CHECK, INDORSED

<p><i>Pay to the order of Commercial Bnk. J. M. Hastings, by Student- Atty.</i></p>	<p><i>NY Apr 5, 19</i> BANK <i>tings \$85.00</i> <i>===== Dollars</i> <i>R. P. Purcell</i></p>
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No. 41. — APRIL 30. Take from your Cash Drawer all currency and all checks payable to the order of J. M. Hastings. Leave the notes payable to his order in the Cash Drawer. *They are not cash.* Indorse the checks, by writing across the back, about one and one-half inches down from the left end of the check, *Pay to the order of Commercial Bank, J. M. Hastings, by (Student's Name), Atty.* (See form on page 64.)

On a blank deposit ticket write opposite the word *Bills* the amount of bills in your Cash Drawer; opposite the word *Specie* the amount of your fractional currency (one-cent to fifty-cent pieces, inclusive); and on the following lines the amount of each individual check separately. To the left of the amount of each check, write the name of the bank on which the check is drawn, provided it is a local bank. If the check is on an out-of-town bank, write the name of the town.

Specie includes gold, silver, nickel, and copper coin. In making out your deposit tickets treat your fractional currency as specie.

The accompanying illustration represents a deposit ticket properly filled out.

Remember to write your own name and price-list number near the bottom of deposit tickets.

Enter the details of your deposit (date, items, and amounts) on the back of a stub in your check book, using the left-hand page that is opposite the next check that is to be filled out, as illustrated in the form below.

Now take your deposit ticket, currency, checks, and bank pass book to the bank, or to your teacher, and the amount of your deposit will be placed to your credit in your bank pass book. After this has been done, you should enter the amount on the right-hand stub of your check book on the first deposit line following the last check written out. Add the amount of the deposit to the previous balance, as illustrated below.

FORM OF DEPOSIT TICKET

DEPOSITED BY		
<i>John B. Lyons</i>		
IN		
COMMERCIAL BANK		
<i>April 30 19</i>		
	Dollars	Cents.
<i>Bills</i>	<i>305</i>	<i>75</i>
<i>Specie</i>	<i>224</i>	<i>80</i>
<i>Check Coml.</i>	<i>175</i>	<i>20</i>
<i>" Utica</i>	<i>206</i>	<i>10</i>
<i>"</i>	<i>911</i>	<i>85</i>
<i>"</i>		
<i>"</i>		
<i>"</i>		
<i>"</i>		
<i>"</i>		
<i>"</i>		

<i>Apr 30</i>	<i>Bills</i>	<i>30575</i>	
	<i>Specie</i>	<i>22480</i>	
	<i>Coml.</i>	<i>17520</i>	
	<i>Utica</i>	<i>20610</i>	
		<i>91185</i>	

	No.	
<i>Deposited</i>		<i>Brookford 212610</i>
		<i>Apr. 30, 19 91185</i>
		<i>303795</i>
<i>Date</i>	19	
<i>Order of</i>		
<i>For</i>		
<i>Amount of Bill,</i>	\$	
<i>Discount</i>	%	

No. 42. — APRIL 30. THIRD REPORT. Prepare your report blank, showing cash received, cash paid out, cash on hand in the Commercial Bank, merchandise purchases and sales, and such other results as are called for on the report blank. Hand the report, to-

gether with your vouchers and journal-daybook, to your teacher. Leave your bank pass book at the bank, or with your teacher, to be balanced.

Comparing Pass Book with Stub of Check Book. — It is customary to leave the pass book at the bank at least once a month to be balanced. After the book has been written up, the bank will return it to you with your checks that have been paid by the bank to date. The bookkeeper should compare the pass book and canceled checks with the stub of the check book. If all the checks issued were presented at the bank and paid before the pass book was written up, then the bank balance as shown in the pass book should agree with the balance as shown on the stub of the check book. However, if some of the checks issued have not been paid by the bank up to the time the pass book was balanced, their amount must be deducted from the balance shown in the pass book to make it agree with the real bank balance as shown on the stub of the check book.

POSTING

No. 43. — In your ledger, at the top of page 9, or the first right-hand blank page after your previous ledger, write *J. M. Hastings*; 15 lines below write *Merchandise*. At the top of page 10 write *Expense*, and 15 lines below write *Loss and Gain*.

These accounts make a section of the ledger containing all the business accounts (see page 34), or accounts showing losses or gains; the Loss and Gain account, where these gains and losses are gathered under one head (see page 38); and the account of the Proprietor, who receives the gain from the business or sustains the loss, should there be one.

On page 11 of your ledger, at the top, write *Cash*; 18 lines below write *Chas. E. Hayes*; and 15 lines below this write *Ellis & Rand*. At the top of page 12 write *T. W. Bowen & Co.*; 15 lines below write *H. A. Woodbury*; and 15 lines below this write *Bills Receivable*.

These accounts make a section of your ledger containing finance accounts (see page 35) which show in their balances resources of the business. In large business houses accounts with persons owing the business are generally kept in a separate ledger, called the "Customers' Ledger," "Sales Ledger," or "Accounts Receivable Ledger."

At the top of page 13 write *Hatheway & Reynolds*; 15 lines below write *Smith & Dorothy*; and 15 lines below this write *Geo. C. Cary*. At the top of page 14 write *L. A. Wright & Co.*; 15 lines below write *Grunsfeld Bros.*; 15 lines below this write *Bernet & Craft*; at the top of page 15 write *Bills Payable*.

This third section of your ledger will contain finance accounts which show in their balances a liability of the business.

Be sure to insert in your ledger the proper addresses for all personal accounts, as shown by your vouchers.

In business it is, of course, not practicable to write the names of all ledger accounts before posting, and they are opened in the ledger in the order in which they appear in the journal; but separate sections of the ledger should be taken for each class of accounts.

No. 44. — Post your journal entries (see directions, pages 13-17). Check back your postings (see directions, page 25). Rule off each account, or portion of an account, which balances (see page 26). Take a trial balance of ledger balances and submit to your teacher.

If the trial balance is correct, take an inventory of your merchandise from the cards found in your Store Room. You should have on hand 305 brls. apples, 200 brls. flour, 25 bu. barley, 675 bu. corn, 800 bu. oats, 1025 bu. potatoes. If you have this quantity of goods in your Store Room, find the value at the latest cost price as shown on your latest invoices. Submit the result to your teacher, and if it is correct, copy the inventory in your Blank No. 1, as you did the one on page 34.

Then make statements according to forms on pages 35 and 36.

After the statements are approved, close the ledger (see directions, pages 37-44).

pared entirely from the ledger accounts, and of course the posting must be completed before the statements can be made out.

No. 45. — You may now prepare statements of accounts for all customers who owe you a balance.

Turn to Chas. E. Hayes's account in your ledger, and from it prepare a statement like the second form given on page 67, writing also, of course, your place and the current year. Study the form carefully, in all its details. The debits in the form are not your debit amounts.

Prepare similar statements for all others who owe you a balance. Place them in properly addressed envelopes and hand to your teacher.

Take note that the first column in a statement is an item column and is to be used only when there are two or more debit or credit items. When a statement has only one debit or credit item, enter it in the second column only.

The following illustrates a form of statement required when an account has a debit balance at the beginning of the month for which the statement is made.

STATEMENT					
FOLIO <u>3</u>		<u>St. Louis, Mo. June 1, 19</u>			
BY <u>Chas. E. Hayes,</u>					
		<u>633 Union St.</u>			
IN ACCOUNT WITH		J. M. HASTINGS			
		146 ELM STREET			
May	1	Balance <i>rend.</i>	647.50		
	10	<i>Dr</i> <i>Mdse.</i>	125		
	19	" "	342.50	1115	
		<i>bal.</i>			
May	15	<i>By</i> <i>Cash</i>		800	
				<u>315</u>	

Ciphers in the Cents Column. —

When the amount to be written, either in a statement or in a book, consists of an even number of dollars, some bookkeepers write two ciphers in the cents column, while others place a dash in that column. Both of these methods waste time without accomplishing any good, and the latter tends to destroy neatness, because of variation in the length, form, and position of the dash. The best method to pursue when there are no cents is to leave the cents column blank, as shown in the preceding models and in the form of statement on this page.

No. 46. — Present your books to your teacher for inspection, after having carefully examined them yourself to see that all rulings are correct and that page marks, dates, and transfer pages have not been omitted. See that all closing entries and rulings in your ledger are in red ink, and that all transfers are in black ink.

Do not allow yourself to be careless in these small matters; they are more important than they appear. In your small ledger it is an

easy matter to find an account, even if the page mark is not in the journal, but in business where the ledger sometimes has 1000 pages the omission of page marks causes much unnecessary work.

APRIL PRICE LISTS

	1	2	3	4	5	6	7	8	9	10	11	12	13
Apples	1.75	1.80	1.85	1.90	1.95	2.00	1.76	1.81	1.86	1.91	1.96	1.77	1.82
Barley . . . . .	.26	.31	.36	.41	.46	.27	.32	.37	.42	.47	.28	.33	.38
Corn . . . . .	.56	.30	.45	.31	.46	.51	.40	.36	.37	.50	.41	.32	.47
Flour	4.50	4.45	4.40	4.35	4.30	4.25	4.49	4.44	4.39	4.34	4.29	4.48	4.43
Oats . . . . .	.26	.52	.37	.51	.36	.31	.42	.46	.45	.32	.41	.50	.35
Potatoes . . . . .	.28	.32	.36	.40	.44	.48	.39	.33	.37	.41	.45	.39	.30

APRIL PRICE LISTS (continued)

	14	15	16	17	18	19	20	21	22	23	24	25
Apples	1.87	1.92	1.97	1.78	1.83	1.88	1.93	1.98	1.79	1.84	1.89	1.94
Barley . . . . .	.43	.48	.29	.34	.39	.44	.49	.30	.35	.40	.45	.50
Corn . . . . .	.33	.43	.53	.39	.49	.44	.34	.48	.38	.52	.42	.35
Flour	4.38	4.33	4.28	4.47	4.42	4.37	4.32	4.27	4.46	4.41	4.36	4.31
Oats . . . . .	.49	.39	.29	.43	.33	.38	.48	.34	.44	.30	.40	.47
Potatoes . . . . .	.34	.38	.42	.46	.50	.31	.35	.39	.43	.47	.51	.54

QUESTIONS

1. What is the object of bookkeeping?
2. What is a power of attorney? When is it given?
3. How should you proceed with a bill of merchandise received, before writing O.K. upon it?
4. How do you show that the bill has been carried to the proper accounts?
5. Why should merchandise sold be itemized in the journal?
6. Why is it unnecessary to itemize merchandise purchased?
7. Why should a receipt be taken when cash is paid for any purpose?
8. Is a receipted bill, or a receipt, proof that a bill has been paid? Give your reasons for your answer.
9. How do you find the amount of cash received in making out your reports?
10. How do you find the amount of cash paid out?
11. How do you find the amount of cash on hand?
12. What is a cash balance?
13. What is a bank?
14. Why is it customary for a business house to keep its money in a bank instead of in its own safe?
15. What is necessary to be done before opening an account with a bank?
16. How should a signature be written in the signature book of a bank?
17. What is a deposit ticket? When and how is it prepared?
18. What is a bank pass book, and who makes the entries in this book?
19. Where and when should the depositor make a record of a deposit?
20. Why is no entry required in the journal when a deposit is made in the bank?
21. What should be done with an order for merchandise when it is received?

22. How would you show that the order had been filled, and what would you do with it after it had been filled?
23. Why should orders for merchandise be carefully preserved?
24. What is the meaning of a purchase or a sale on account?
25. When terms are not mentioned on an invoice, what is understood?
26. What is a note?
27. When is a note called a bill receivable, and when a bill payable? Why?
28. Why is a check regarded as cash?
29. Why should it be presented immediately at the bank?
30. Suppose you have a check, how would you get the money called for if you were unknown at the bank?
31. Why should the stub of a check book be filled out before the check itself is written?
32. What special care should be taken in filling out a check, and what is the consequence of carelessness in this respect in case the check is raised?
33. How is it possible to determine at any time what amount remains to your credit in the bank?
34. When it is necessary to draw a check for private use, in whose name should the check be made out?
35. When cash is checked out for use in the business, to whose order should the check be drawn?
36. Where should the indorsement of a check appear?
37. Define business accounts; finance accounts.
38. What is a customer's ledger?
39. What is the object of checking back postings, and when should it be done?
40. What is an inventory and when is it taken?
41. What prices should be used in taking an inventory?
42. Where are inventories carried in the ledger when that book is to be closed?
43. What is the object of sending statements of accounts to customers, and when is this generally done?
44. How often should a bank book be balanced, and who attends to this work?

SUPPLEMENTARY EXERCISE—No. 2

The United States Civil Service Commission in its examinations in bookkeeping requires the candidate to use ordinary foolscap paper and make all rulings required for the different books. Unless otherwise directed, you may use ordinary foolscap paper and rule properly for the journal and ledger on which to make the entries required in the following transactions.

TRANSACTIONS

- APRIL 1, 19—. — Student commenced business this day, investing cash, \$ 6000.
- APRIL 2. — Paid cash for advertising in the daily paper, \$ 25.
- APRIL 3. — Paid for a set of books and other stationery for office use, \$ 50.
- APRIL 4. — Bought of William Brown, for cash, 100 brls. flour at \$ 5.
- APRIL 4. — Paid rent for the month of April, \$ 75.
- APRIL 5. — Sold Henry Davis, for cash, 50 brls. flour at \$ 6.
- APRIL 5. — Bought of Haynes & Co., on account, 100 brls. pork at \$ 9, 100 brls. beef at \$ 12.
- APRIL 6. — Sold John Wood, on account, 50 brls. flour at \$ 6, 25 brls. beef at \$ 15.
- APRIL 8. — Sold A. O. Henry, on his 30 day note, 50 brls. pork at \$ 12, 25 brls. beef at \$ 15.
- APRIL 9. — Bought of Jordan Bros., on my 60 day note, 125 brls. salt at \$ 1.25.

APRIL 11. — Bought of Haynes & Co., on my note at 30 days, 125 brls. pork at \$ 9, 100 brls. beef at \$ 12.

APRIL 12. — Paid Haynes & Co. cash for invoice of the 5th inst.

APRIL 13. — Received \$970.94 in cash from A. O. Henry for his \$ 975 note, dated April 8, less discount for the unexpired time, \$ 4.06.

APRIL 13. — Paid \$ 2314.15 in cash for my \$ 2325 note to Haynes & Co: of the 11th inst., less discount for the unexpired time, \$ 10.85.

APRIL 16. — Sold D. M. McKensy, for cash, 100 brls. pork at \$ 12.

APRIL 16. — Received of John Wood cash for bill of April 6th.

APRIL 17. — Paid cash for coal for use in store, \$ 20.75.

APRIL 19. — Sold Clark & Henry, on account, 40 brls. salt at \$ 1.75.

APRIL 20. — Sold Martin & Co., on their 10 da. note with interest, 25 brls. pork at \$ 12, 50 brls. beef at \$ 15; 20 brls. salt at \$ 1.75.

Make no entry for the interest at this time.

APRIL 23. — Bought of Larkin & Co. 40 brls. lard, 8000 lbs., at $12\frac{1}{2}$ ¢. Paid cash \$ 500; balance on account 30 da.

APRIL 25. — Sold A. O. Henry, on account, 25 brls. pork at \$ 12, 75 brls. beef at \$ 15, 50 brls. salt at \$ 1.75.

APRIL 27. — Paid cash for freight and drayage, \$ 37.82.

APRIL 29. — Sold John Wood, on account, 15 brls. lard, 3000 lbs., at 17¢.

APRIL 30. — Received \$ 1086.81 cash from Martin & Co. for their \$ 1085 note of the 20th inst., with interest.

Has the \$ 1.81 interest been allowed by you or to you? See rule, page 46.

APRIL 30. — Paid cash as follows: Bookkeeper's salary, \$ 75; Clerk's salary, \$ 50; Gas bill, \$ 7.80.

After you have posted the journal entries for the above transactions, take a trial balance.

The inventory of merchandise at the end of the month is \$ 1168.75.

Make out statements of results, and close the ledger.

Hand your work to the teacher for examination and approval.

TEA, COFFEE, AND SPICE BUSINESS—MAY

Having been offered a higher salary and a better opportunity for advancement, you have accepted a position as bookkeeper for Henry F. Adams, who is about to commence business as a wholesale dealer in Tea, Coffee, and Spices, at 246 Main St., your city. Your salary is to be \$75 per month. Mr. Adams will do all the buying and fix all selling prices of the goods, and will spend much of his time on the road. You will receive all goods, verify the prices, etc., attend to the filling of all orders, and have full charge of the books of the business.

Books Kept.—The books which you will keep in this work are the journal-daybook, cash book, check book, sales book, and ledger.

2

Cash

May	1	A. B. Fowler	investment	6000
	2	C. H. Carroll	bill of Apr. 20	268 75
	4	Bills Rec.	A. M. Frye's note %	721 80
	5	A. R. Free	in full of acct.	209 70
	7	D. B. Hill	bill of May 1	176
	9	Bills Pay.	note disc.	600
	11	M. C. Dean & Co.	on acct.	925
	12	Mdse. Disch.	invoice % 2%	420
	13	Bills Rec.	C. B. Lyons, note % disc.	700
	15	P. M. Trainer	bill of even date, less 5%	260
				9865 45
May	16	Balance	on hand	2965 68

The Cash Book.—Cash transactions are numerous in almost any business, and from this fact it has been found advisable to take the Cash account from the ledger and place it in a book called the "Cash Book." On the left-hand page of the cash book are entered all cash debits, with the name of the account to be credited in the first wide column, and in the sec-

and wide column a brief description of the transaction. The amount is entered in the left-hand money column. All items of cash paid out or cash credits are entered on the right-hand page of the cash book, with the name of the account to be debited in the first wide column, and a brief description of the transaction in the second wide column. The amount is entered in the left-hand money column. The extra column at the left of the first wide column is for the ledger page when the item is posted.

Since the debit of the cash book shows all cash received, and the credit all cash paid out, it is evident that the difference between the two sides of the cash book should show at any time the amount of cash on hand.

It is unnecessary to keep a Cash account in the ledger, although some bookkeepers do so, carrying the total receipts for each day or month to the debit side of it, and the total payments for each day or month to the credit side.

The cash book should be balanced at frequent intervals. If a considerable amount of business is done in cash, it is well to balance the cash daily. In this and in all following sets, the Cash account will be kept in the cash book only, and not carried into the ledger.

Cash

3

	L.R.		
May 2		Expense	rent 50, books 12, stamps 2, 64
4		Real Estate	lot, 212 Allen St. 2900
4		Mdse.	bot. of A. J. Carson & Co. 1600
6		Bills Pay.	note favor Larson & Co. 720
9		Discount	" " F. N. Bnk, 60 ds. 6
11		Expense	clerks 20, insurance 30 50
12		M. A. Ellis & Co.	inv. 210
13		Discount	C. B. Lyon, note disc. 43 502
13		A. M. Dennis	on acct. 295
14		L. C. Merritt	in full of acct. 644
15		Mdse. Disct.	5% on bill of F. M. T. 13
15		Mdse.	bot. of L. M. Carter & Co. 39275689977
			986545

Remember that the cash book is the Cash account of the ledger; therefore, the balance of the cash book must be carried into the trial balance when that is taken from the ledger.

The Sales Book.—It is customary in business to enter all sales of merchandise, whether for cash, on account, or for a note, in a book called the "Sales Book." The footing of this

book will at any time show the total sales of merchandise, for the month or other period, to date. This book does away with a long Merchandise account in the ledger, as the footing of the sales book is carried to the credit of Merchandise in the ledger at the end of each month, or as often as may be desired.

The first or left-hand money column of the sales book contains the separate items of each bill. The second or right-hand money column contains the total amount of each sale, which is to be posted to the debit side of the customer's account in the ledger.

FORM OF SALES BOOK

May 1, 19-

1

J. Stewart,		A/c, 30 ds.			
25 E. 3rd. St.					
5 hf. chts. Y. H. Tea	375#	40¢	150		
10 bales Mocha Coffee	1500#	30¢	450		
5 mats Java	"	350# 25¢	87.50		
5 bags Rio	"	375# 20¢	75	762.50	
	15				
P. M. Trainer,		Cash, 5%			
138 Market St.					
5 bales Mocha Coffee	750#	30¢	225.		
2 mats Java	"	140# 25¢	35	260	
	29				
Allen & Bennett,		Note, 4 mos.			
Medina, N. Y.					
2 hf. chts. Japan Tea	150#	35¢	52.50		
3 " " Y. H.	"	145# 30¢	43.50		
2 bales Mocha Coffee	300#	30¢	90		
1 bag Maracaibo	"	125# 15¢	18.75	204.75	
					1227.25
					Merch. Cr.

TRANSACTIONS

No. 1. — MAY 1, 19—. Mr. Adams gives you a power of attorney.

Take the document from the incoming voucher pad, fill in the proper names in the blank spaces, and file it.

No. 2. — MAY 1. Ask your teacher to assign you a price-list from the numbered lists on pages 102 and 103, and take from your incoming voucher pad the cash required for Henry F. Adams's investment, \$8800.

Make an entry in your journal-daybook, giving a description of the conditions under which the business is begun. Do not extend the amount of cash received in the money column. The following illustrates the form of your journal-daybook entry.

13

May 1, 19 -

	<i>Eben W. Jones has this day commenced the Wholesale Tea Coffee and Spice business, at 172 North St., investing cash, \$6000.</i>			
--	--	--	--	--

It is customary in commencing business to write in the journal-daybook a brief statement of the conditions under which the business was commenced, and if it be a partnership, a brief summary of the partners' agreement. This record is made in the journal-daybook as a matter of convenience only. The amount is not extended in the money column, as this is a cash transaction, but the entry therefor is made in the cash book.

Sometimes such a record as the above, an abstract of the principal accounts, and a record of the results of the business are kept by the proprietor, one of the partners, or a confidential clerk in a private set of books.

Cash Book Entry.—Enter the amount of cash received in your cash book, which you should begin in Blank No. 1 at the place indicated by the index on the front cover; notice that this is a left-hand page, which should be numbered 2. The following illustrates the form of the entry, but the amount and proprietor's name are different.

2

Cash

<i>May 1</i>	<i>B. W. Lyman investment</i>	<i>9200</i>		
--------------	-------------------------------	-------------	--	--

The amount is entered in the first money column of the debit or left-hand page of the cash book. The date is written at the left, as in a ledger. In the first wide column is written the name of the account to be credited, and in the second wide column a brief description of the transaction. Place the cash in your Cash Drawer.

No. 3. — MAY 1. Pay one month's rent in advance to, and take a receipt from, the National Real Estate Co., which owns the building at 246 Main St.

Put the receipt in your Voucher File. Make an entry for this transaction on the credit or right-hand page of the cash book. The following illustrates the form of cash book entry.

3

Cash

<i>May 1</i>	<i>Expense</i>	<i>rent for May</i>	<i>90</i>
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The first wide column contains the name of the account to be debited, and the second wide column a brief description of the transaction. All cash received or paid out must be entered in the cash book.

No. 4. — MAY 2. You have purchased of the Upton Coal Co., for cash, 5 tons coal at \$ 5.25, amounting to \$ 26.25.

This is a cash transaction and the entry will be made on the credit side of the cash book, since cash is paid out. The following illustrates the form of the entry.

<i>2</i>	<i>Expense</i>	<i>5 tons coal</i>	<i>25</i>
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No. 5. — MAY 2. You have bought on account an invoice of merchandise from West, Stone & Co., New York: 20 half chests Japan tea, containing altogether 1200 lbs., at 23¢ per lb., etc.

In this series of transactions you will not receive cards to represent merchandise, but will assume that the merchandise has been received, and will check each item on the invoice after verifying the calculations. If you find the invoice correct, O.K. it. If not, ask your teacher (representing West, Stone & Co.) what to do. This transaction calls for an entry in the journal (see rule 5, page 12 or 46). Write *Entered*, with the date, on the invoice, and put it in your Invoice File.

Terms of Payment are of great variety. A few of the more common terms, and the method of indicating them, are as follows:

"Terms on account," often abbreviated *o/a*, usually means that the bill is due on the first of the following month.

"Terms *1/30* das.," or "30 das.," signifies that the bill is due in 30 days from date of invoice.

"Terms Net" or "Net Cash" indicates that no discount will be allowed for cash.

"Terms Cash 2%" or "2% Cash" indicates that an allowance of 2% will be made off the amount of the invoice if it is paid at once or within a certain short time, as ten days. The custom of business houses varies as to the time; some insist that only three days should be allowed; many allow ten days; and others allow thirty days.

If a bill is paid promptly, it is customary with many to take off 2%, even though the terms are not so stated.

"Terms 30 das., 3/10," signifies that the amount of the bill will be due in 30 days, but 3% will be allowed off the amount if it is paid within ten days.

"Terms 2/10, 1/30, net 60," indicates that 2% discount will be allowed if paid within ten days, 1% if paid within 30 days, and that the amount of the bill will be due without discount in 60 days.

"Terms C.O.D. Am. Ex." means that the goods have been sent C.O.D. (cash to be paid on delivery) by the American Express, and that no discount will be allowed.

"Terms C.O.D., less 2%, U. S. Ex." means that merchandise has been sent by United States Express, C.O.D., and that 2% discount will be allowed from amount of invoice.

No. 6. — MAY 2. Goods have been purchased of L. Hennes & Co., New York, by Mr. Adams, who has agreed to give a note at 60 days in payment.

Verify the calculations. Write the note required by the transaction. Fill out the stub of your note book; then detach the note and place it in Bills Payable File.

In this transaction you will debit *Merchandise* in the journal and credit *L. Hennes & Co.* for the amount of the invoice, and debit *L. Hennes & Co.* and credit *Bills Payable* for the amount of the note given them in payment, making two complete but separate journal entries.

The one journal entry, *Mdse., To Bills Payable*, would be sufficient to record the transaction (see transaction No. 54, pages 28, 29); but Mr. Adams expects to purchase of L. Hennes & Co. also on account, and it is advisable that their personal account in your ledger should show all transactions made with them, hence the entries should be made as directed above.

No. 7. — MAY 2. Deposit in the Commercial Bank all your cash, except \$ 200, which you may retain in the Cash Drawer.

Make out a deposit slip and hand it to the bank teller with the currency and bank pass book. Do not fail to enter the deposit on the stub of your check book.

No. 8. — MAY 3. This invoice of merchandise has been purchased of Shields Bros., City, for cash, and you receive a discount of 2%.

Verify the calculations. Make a journal entry for the purchase of goods, debiting *Merchandise* and crediting *Shields Bros.* for the gross amount of the bill, this being the amount before the discount is subtracted.

Write a check in favor of Shields Bros. for the net amount of the bill, which is the amount after the discount has been taken off. Do not forget to fill out the stub first, and to subtract the amount from the amount in bank. Show the gross amount and the discount on the stub of check book, in the blanks left for the purpose.

Make the following entry in the cash book, credit side, debiting *Shields Bros.* and crediting *Cash* for the full amount of the purchase.

3	Shields Bros. inv. 1/3, 2%	284.50	
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This entry credits *Cash* with \$ 5.69 (the amount of the discount) more than the amount actually paid. To offset this, enter on the debit side of the cash book the amount of the discount, crediting *Merchandise Discount*. This is the entry.

3	Mdse. Disc. inv. Shields Br. 1/3, 2%	5.69	
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The difference between the amounts entered on the debit and credit sides of the cash book is the same as the amount of cash paid out, and represents a net credit to the cash account. Shields Bros. are debited for the full amount of the invoice, because this is the amount of the debt settled, and *Merchandise Discount* is credited because it produced value by saving to the business the amount of the discount allowed.

Rule 19. — MERCHANDISE DISCOUNT is credited when a discount is allowed to the business for the payment of a bill of merchandise at a given time; for such an allowance saves or produces value for the business.

No. 9. — MAY 3. This order calls for a sale of merchandise to A. W. McKey, on account. Make out the bill, checking each item on the order as soon as entered on the bill. Verify your calculations and be sure the bill is right.

The number of pounds in a half chest of Japan tea varies somewhat. In actual business the number of pounds in each lot sold is found by weighing. In your work here, however, you may assume that each half chest of Japan has the *average* weight (60 lb.) shown by voucher No. 5. A similar assumption may be made concerning other goods (see Price Lists, p. 102).

In this month's work all sales of merchandise in wholesale lots, whether on account or otherwise, will be entered in the sales book. Therefore, enter this bill in the sales book, which you should begin in Blank No. 1 at the place indicated by the index on the front cover. See form of entry below. The names and items are different.

No. 10. — MAY 4. Fill F. C. Tenney's order and allow him 3% off for cash; also deposit his check in the bank.

Make out the bill and deduct 3% discount from the gross amount. Use bill No. 8 in your Voucher File as a model. After *Terms* write *Cash 3%*. If the net amount of the bill agrees with F. C. Tenney's check No. 10, \$611.10, receipt the bill and place it in Vouchers for Others. Enter the sale in your sales book, one line below your last entry, debiting *F. C. Tenney*. Write the date in the middle of the line, as in the journal.

Do not deduct the discount in the sales book, but enter the sale for the full amount, which will be posted to the debit of Tenney's account in the ledger.

The following shows the form of your sales book to date, the names and amounts being different. Notice the addresses of customers, and the terms given.

1

May 3, 19-

<i>E. M. Barnard,</i>					
<i>324 E. 34th St.</i>					
<i>5 hf. chts. Japan Tea</i>	<i>300#</i>	<i>46¢</i>	<i>138</i>		
<i>2 " " Y. Nyson "</i>	<i>140#</i>	<i>35¢</i>	<i>49</i>		
<i>3 cases Ceylon "</i>	<i>150#</i>	<i>40¢</i>	<i>60</i>		<i>247</i>
<i>4</i>					
<i>D. E. Allen & Co. Cash, 3%</i>					
<i>45 Russell Ave.</i>					
<i>3 hf. chts. Japan Tea</i>	<i>120#</i>	<i>40¢</i>	<i>48</i>		
<i>2 " " Oolong "</i>	<i>100#</i>	<i>60¢</i>	<i>60</i>		
<i>5 cases Ceylon "</i>	<i>250#</i>	<i>50¢</i>	<i>125</i>		<i>233</i>

Give *F. C. Tenney* credit on the debit side of the cash book for the full amount of the bill. When this amount is posted to the ledger, his account will balance. Enter the amount of the discount on the credit side of the cash book, debiting *Merchandise Discount*. See form of entry in cash book, pages 72 and 73, May 15, P. M. Trainer on debit side and *Merchandise Discount* on credit side.

The principles involved in recording this transaction are similar to those in transaction No. 8, although this transaction is the exact reverse of the other. In No. 8 the full amount of the purchase was entered in the journal to the credit of the firm from whom purchased, and *Merchandise* was debited. Here the full amount of the sale is entered in the sales book, which debits the firm to whom sold and credits *Merchandise*. The cash book entries are also similar in that the full amount of the bill settled is entered on one side to the firm's account and the discount on the opposite side to *Merchandise Discount*.

By this method of entering cash purchases and sales when a discount is allowed, *Merchandise Discount* account will show the total amount allowed to the business by others (debit side) and the total amount allowed by others to the business (credit side) for prompt payment, while *Merchandise* account will show the total cost and total production of goods handled.

Rule 20. — *MERCHANDISE DISCOUNT is debited when a discount is allowed by the business to others for the payment of a bill of merchandise at a given time; for such an allowance costs the business value.*

In this and the following month's work, cash sales, except for occasional small purchases made by individuals who are not regular customers, will be entered in the sales book and charged to the persons making them, while the payments will be entered in the cash book and credited to the persons making them. In this way the ledger accounts of all regular customers of the business will show the amount of all purchases they have made, both on account and for cash.

Make out a deposit ticket for *F. C. Tenney's* check. Indorse the check properly (see illustration, p. 64). Make a memorandum of the deposit on the left-hand page of check stubs, opposite stub of next check to be made out. Place the deposit slip with the check in your bank pass book, and have the amount entered at the bank. Enter the amount on the stub of your check book and add to your deposit. Make no entry in the cash book.

No. 11. — MAY 4. Fill this order for merchandise sold to *Dickson & Young*.

Make out the bill and check the items on the order. Enter the transaction in the sales book and place the order in your Voucher File. Be sure the amount is correct.

No. 12. — MAY 4. Pay this bill of *Scrantom, Wetmore & Co.* for books and stationery to be used in the office.

Verify the calculations, and write a check for the amount. Enter in the cash book. Do not fail to deduct the amount of the check from your bank balance. This is a common error and causes much trouble in balancing the bank account at the end of the month.

No. 13. — MAY 5. This bill is for office furniture and a safe, which *Mr. Adams* has purchased for permanent use in the business. An account of this property will be kept in the ledger under the head of "*Furniture and Fixtures*," instead of charging it to *Expense* as heretofore.

Fill out a check for the amount and make the proper entry in the cash book, debiting *Furniture and Fixtures*.

No. 14. — MAY 5. *Mr. Adams* has decided to purchase the building and lot at 246 Main St. of the *National Real Estate Co.* Their price is \$12,000 cash. Not having this amount

on hand, Mr. Adams has arranged with James D. Branson to indorse a \$ 5000 note for him so that he may borrow money of the Commercial Bank. This is usually spoken of by business men as discounting your own note at bank.

The following is the form of note required, except that of course the place and year need to be filled in.

<u>\$5000⁰⁰</u>	(Your place here)	<u>May 5, 19</u>
<u>Four months</u> after date I promise to pay to		
<u>the order of James D. Branson</u>		
<u>Five thousand</u>		<u>Dollars</u>
<u>at Four City Bank</u>		
<u>Value received</u>		
<u>No. 2</u>	<u>Due Sept. 5, 19</u>	<u>H. F. Adams.</u> <u>by Student, atty.</u>

Indorsing a note consists in writing one's name on the back of the note, and the person who thus writes his name becomes responsible for the payment of the note in case the maker fails to make payment when it becomes due. The note given above is made payable to the order of the indorser, who writes his name upon the back and returns it to H. F. Adams. Adams takes the note to the bank, receives money or credit for it, and will pay the note when it is due. In case he should fail to do this, James D. Branson would be called upon to pay it.

Write the note required for transaction No. 14; make it payable at Commercial Bank. Take the note to your teacher, who will indorse it for James D. Branson, if it is correct; then take it to the bank for discount.

The note is due Sept. 5th, which is 123 days after May 5th, the date of discount. Bank discount is found by taking the simple interest on the face of the note for the time in days from the date of discount to the date of maturity; therefore, you may find the interest on \$ 5000 at 6 % for 123 days, which is \$ 1xx.x0. Subtract this amount from \$ 5000, and the remainder, \$ 489x.x0, is the net proceeds, or amount that will be placed to your credit at the bank.

Bank discount is the simple interest on the face of commercial paper for its unexpired time; that is, from the date the paper is discounted to the day upon which it becomes due. *In this work the exact number of days between these two dates will be used in all calculations of bank discount.* For instance, a note dated May 1st at four months would be due Sept. 1st of the same year; but most banks discounting such paper for the full time would not calculate the interest on its face for four months (120 days), but would take the exact number of days between May 1st and Sept. 1st (123 days). This must be remembered in all calculations of bank discount.

First find the date the note becomes due; next find the number of days to elapse from the day of discount to the day of maturity, and then calculate the simple interest on the face of the note for this number of days at the rate of discount given, and you have the bank discount.

For computing the interest, any method that is based on the commercial year of 360 days may be used.— such as the 60-day 6 % method. etc.

Discount Memorandum. — Take a discount memorandum from your envelope of Business Forms, and fill it out properly. Supply the items from Mr. Adams's note. Pin the memorandum and the note together, and hand them with your bank pass book to the bank teller, who will place the net proceeds to your credit if your calculations have been correctly made.

The form of memorandum is shown herewith. The name and amounts are not the same as appear in your memorandum.

In case no bank is conducted with this work, you may place the note and discount slip in Bills Payable File, and (acting for the bank teller) enter the amount of the proceeds on the left-hand page of your bank pass book, as shown in the following illustration.

FORM OF DISCOUNT MEMORANDUM

DISCOUNT MEMORANDUM.	
DATE	<u>May 1, 19 -</u>
DISCOUNTED FOR	<u>R. M. Parker</u>
MAKER	<u>R. M. Parker</u>
FACE <u>\$5000.00</u> INT. _____ TOTAL _____	
DISC. <u>487.50</u> COLL. _____ TOTAL _____	
PROCEEDS	<u>29.50</u>

	d. 102.50	
5 N.F.A. note proceeds		4897.50

After the amount has been entered in your pass book, make an entry in the blank space immediately below the last stub filled out in your check book, as shown in the following illustration; and add the proceeds, \$4897.50, to the balance in bank after deducting the last check.

Cash Book Entry. — Make an entry on the debit side of the cash book for the face of the note, \$5000. The following is the form of your entry.

Discount	\$ _____	\$ _____	
1/2 Our note	5000.		
dis.	102.50		4897.50
Deposited	_____	19 _____	

	5 Bills Pay.	dis. our 4 mos. note	5000
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This entry on the debit side of the cash book debits *Cash* and credits *Bills Payable*. Make an entry on the credit side of the cash book for the amount of the discount, \$102.50. The following is the form of your entry.

	5 Discount	our note, 123 ds.	102.50
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This credits *Cash* and debits *Discount*. The bank really gave you only \$4897.50; but if the bank had given you \$5000, you would have been required to take from the \$5000 the sum of \$102.50 and pay it to the bank for discount; and this is the principle upon which the cash book entries are made.

Rule 21. — *DISCOUNT is debited when a discount is allowed to others on a note or draft; for such an allowance costs the business value.*

It is evident that the accounts affected by the transaction in the above example are Cash, since cash has been received by the business; Discount, since discount has been allowed the bank for cashing the note 123

days before it is due; and Bills Payable, since Mr. Adams has given a note payable in four months. It is evident that *Cash* should be debited, since cash has been received, and that *Bills Payable* should be credited, since a note has been issued (see rule 16, page 29). Discount has cost the business value, since you have allowed the bank \$ 102.50 for cashing a note before it is due; therefore, *Discount* should be debited (see rule 21).

If the entries were made in the journal, *Cash* and *Discount* would be debited and *Bills Payable* credited, according to the following form.

	Cash	4897.50	
	Discount	102.50	
	Bills Payable		5000.00

A distinction is made between discount on notes and drafts and discount on invoices of merchandise. The former is called "Discount" simply, while the latter is designated as "Merchandise Discount," or "Cash Discount." The two kinds of discounts, although similar in character, are allowed for different purposes and therefore should never be charged to the same account.

After you have finished this transaction, you will do well to return to page 79 and review it from beginning to end.

No. 15. — MAY 5. Mr. Adams has received from the National Real Estate Company the deed of the building and lot No. 246 Main St., and has sent it to be recorded. Pay the purchase price, \$12,000, by check.

Write the check. In this transaction real estate has cost the business value, and therefore *Real Estate* should be debited. The Real Estate account is subject to rules like those for the Merchandise account.

Rule 22. — Debit REAL ESTATE for the purchase price of houses and lands purchased, and also for all amounts paid for their improvement and permanent repair.

No. 16. — MAY 6. This invoice of merchandise has been purchased of the E. Westen Tea & Spice Co. on account.

Verify the calculations. Make the proper entry in your journal.

No. 17. — MAY 6. This order from A. A. Knowles & Co. is accompanied by a note for \$500 to apply on account. Fill the order, and make terms 60 days.

Make out the bill and check each item on the order. After *Terms* write *60 ds.* Enter in the sales book as a sale on account, 60 ds., making no mention of the note for \$500 received with the order. In your journal make the proper entry for the note. What account should be debited? What account should be credited? Place the note in your Cash Drawer.

No. 18. — MAY 8. Take the note received from A. A. Knowles & Co. to the Commercial Bank and have it discounted.

Take the note from your Cash Drawer, and indorse it to your bank. Calculate the discount on the note from May 8th to the date of maturity (58 days). The discount on \$500 for 58 days at 6% is \$4.x3. Make a discount memorandum and attach it to the note; take the note to the bank teller, and have the net proceeds entered in your bank pass book. Enter the amount on the stub of your check book, as explained in No. 14, and add the amount to your bank balance. You have now discounted Knowles's note at bank; in other words, you have had the note cashed, allowing a discount.

Make an entry on the debit side of the cash book for the face of the note (\$500). The following illustrates the form of your entry.

<p style="font-size: 1.5em; font-family: cursive;">10 Bills Rec.</p>	<p style="font-size: 1.5em; font-family: cursive;">Allen's disc. 560</p>
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Make an entry on the credit side of the cash book for the amount of the discount. The following illustrates the form of your entry. (See rule 21, and analysis of transaction No. 14 accompanying it.)

15	Discount	Allen note 41/100	448
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In case there is no bank, enter the proceeds in your bank pass book (see model in transaction No. 14, page 77), and place the note in Vouchers for Others.

No. 19. — MAY 8. Fill this order from F. C. Tenney on account. What should you write after *Terms* on the bill? Verify your calculations and make the proper entry.

No. 20. — As a convenience in preparation for making your next report, you may pencil foot your cash book and sales book. As the first page of your sales book is now filled you should carry the footing forward to the top of the next page, as illustrated below.

FORM OF ENTRY AND RULING AT BOTTOM OF FIRST PAGE OF SALES BOOK

	<i>Footd.</i>	
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FORM OF ENTRY AT TOP OF SECOND PAGE OF SALES BOOK

	<i>Prot. footd.</i>	127060
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Notice that, in making this transfer, the first entry is in red ink and the second in black. Never make the same entry in red ink twice in succession. In actual business the footings in the sales book may not be carried forward from page to page till the time when posting is to be done; but if so, the top line of each page (after the first) would be left blank to receive the footing when it is carried forward.

The same method is used in carrying forward the footings from one page to another in the cash book, when necessary, as illustrated below.

FORM OF ENTRY AND RULING AT BOTTOM OF CASH BOOK PAGES

Left-hand Page

Right-hand Page

<i>Footd.</i>	<i>Footd.</i>
---------------	---------------

FORM OF ENTRY AT TOP OF FOLLOWING CASH BOOK PAGES

Left-hand Page

Right-hand Page

Cash

Cash

<i>Prot. footd.</i>	950280	27254	<i>Prot. footd.</i>	154523
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A ledger account is forwarded to a new page when the space originally allotted to the account has been filled. For instance, if the account of A. H. Harper on page 15 is to be continued on page 24, the following entries might be made (note the page numbers in the folio columns).

FORM OF ENTRY AND RULING ON OLD LEDGER PAGE (15)

The diagram shows a ledger page with a double horizontal line at the top. On the left side, there is a handwritten entry 'A. H. Harper' in the first column. On the right side, there is a handwritten entry '24 207.80' in the first column. The page number '15' is written in the folio column.

FORM OF ENTRY ON NEW LEDGER PAGE (24)

24

A. H. Harper

<i>Brookford.</i>	<i>15</i>	<i>675</i>		<i>Brookford.</i>	<i>15</i>	<i>207.80</i>
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No. 21. — MAY 8. **FOURTH REPORT.** — Fill out the report blank. After the report has been approved by the teacher, balance your cash book. Rule and foot, and bring down the balance to the debit side in the second money column, but before doing so, see that the amount agrees with your report, and also with your bank balance plus the amount in your cash drawer if any. See model, pages 72 and 73, for form of ruling and closing. Hand in your cash book, journal, sales book, and all vouchers for inspection.

No. 22. — MAY 9. The invoice of April 30th received from West, Stone & Co. must be paid to-day, in order to take advantage of the 3% discount for payment in 10 days.

Take the invoice from your Invoice File and calculate the discount on the amount, \$1693.50, at 3%, which is \$5x.xx. Deduct this discount from \$1693.50 and draw a check for the remainder. Proceed with check book and cash book entries similar to those you made for transaction No. 8, page 77.

No. 23. — MAY 9. Fill this order from Fletcher Bros., and allow 3% cash discount.

Make out a bill at the regular prices, and after *Terms* write *Cash 3%*. Enter the sale in the sales book. Charge Fletcher Bros. for the full amount, and if they pay the bill within two or three days, allow them the discount.

In making this entry on the second page of the sales book, begin it on the second line, as the first line is occupied by the footing from the preceding page. Enter the date of this transaction at the top of the page only, the same as on the first page.

No. 24. — MAY 10. This purchase has been made of Shields Bros., on account.

Verify the calculations, and make the proper entry.

No. 25. — MAY 10. This check has been received from Fletcher Bros. in payment of invoice of goods sold them on May 9th, terms cash 3%.

Is the check for the correct amount? Make cash book entries similar to those for transaction No. 10, page 78.

No. 26. — MAY 11. Dickson & Young hand you, on account, \$200 in currency.

Place the bills in your Cash Drawer, give a receipt, and make the proper entry.

No. 27. — MAY 11. Deposit \$200 currency and the check of Fletcher Bros. in Commercial Bank.

Make a deposit ticket, placing \$200 opposite *Bills*, and *Alliance, 706.64* opposite *Check*. Enter on left-hand page of check stubs. Take the ticket with the cash, the check, and your bank pass book, to the bank, and have the amount placed to your credit. Then enter the deposit on the right-hand page of stubs, and add the amount to your balance in bank.


No. 28. — MAY 12. Fill A. W. McKey's order, on account. Make out the bill, and check each item from the order.

N.B. The student must always make proper entry for each transaction, whether or not he is especially told to do so.

No. 29. — MAY 14. H. F. Adams draws, by check, \$100 for his private use.

Make a check payable to the order of H. F. Adams, after filling out the stub and deducting the amount from the bank balance. Be sure to explain on the stub that it is for *private use*. Hand the check to Mr. Adams (by placing it in Vouchers for Others).

FORM OF ACKNOWLEDGMENT OF REMITTANCE



WESTERN OFFICE:
334 DEARBORN ST., CHICAGO, ILL.

Rochester, N.Y. May 12, 19__

F. C. Warner & Bros.

Springfield, Mass.

Gentlemen:

Your favor of *May 10* is at hand, enclosing
check for \$ *246.¹⁵* in payment
of invoice, Apr. 10

We have placed this amount to your credit, and awaiting your
further orders, we remain,

Yours truly,

WILLIAMS & ROGERS.
b.

No. 30. — MAY 14. When Mr. Adams bought the building No. 246 Main St., it was insured by the Equitable Fire Insurance Company for \$8000. The policy has expired and has been replaced by a new one, running for one year; you may write a check for \$80 to pay for it.

Do not fail to fill the stub and deduct the amount from your bank balance. Check may be made payable to order of S. B. Stearns, Agent, or to order of Equitable Fire Insurance Co.; either way is correct. Debit *Expense*.

In case a large amount of insurance is carried, it may be advisable to open an Insurance account instead of carrying the cost of insurance to the Expense account, but in the ordinary course of business this outlay may very consistently be carried to the Expense account, since there is no return from it.

No. 31. — MAY 15. Fill this order from F. H. Randall & Co., on account. Write the terms on the bill. Check each item.

No. 32. — MAY 15. This check is received from F. C. Tenney on account. Write an acknowledgment of the remittance (see form, page 85) and place the check in your Cash Drawer.

No. 33. — MAY 15. FIFTH REPORT. Make your report and see that your cash on hand in the report agrees with the cash as shown by the balance on the stub of your check book, plus the currency and checks in your Cash Drawer, and also see that it agrees with the balance of your Cash account, as shown in the cash book.

After your report has been O.K'd, balance your Cash book, rule and foot, and bring down the balance on the debit side in the last money column. (See form, pages 72 and 73.)

Present all books and vouchers to your teacher for approval.

POSTING

Opening Accounts. — At the top of page 17, or the first right-hand blank page in your ledger, write *H. F. Adams*. At the top of page 18 write *Merchandise*. In the middle of page 18 write *Expense*. At the top of page 19 write *Merchandise Discount*. In the middle of page 19 write *Furniture and Fixtures*. At the top of page 20 write *Real Estate*. In the middle of page 20 write *Discount*. In the middle of page 21 write *Loss & Gain*. At the top of page 22 write *Bills Receivable*. In the middle of page 22 write *A. A. Knowles & Co.* At the top of page 23 write *Dickson & Young*. In the middle of page 23 write *A. W. McKey*. At the top of page 24 write *F. C. Tenney*. In the middle of page 24 write *Fletcher Bros.* At the top of page 25 write *F. H. Randall & Co.* In the middle of page 25 write *Rice & Pond*. At the top of page 26 write *E. Mason & Co.* At the top of page 30 write *Bills Payable*. In the middle of page 30 write *West, Stone & Co.* At the top of page 31 write *E. Westen Tea & Spice Co.* In the middle of page 31 write *Shields Bros.* At the top of page 32 write *L. Hennes & Co.* In the middle of page 32 write *Chas. K. Fox*.

See that you have the proper address on each personal account (refer to sales book and vouchers).

Posting from the Journal is done the same as heretofore, excepting that *J* is written in the explanation space in the ledger to indicate that the entry was brought from the journal. See illustration on debit side of Merchandise account, page 88.

Post from your journal, and be careful to postmark both journal and ledger.

Posting from Cash Book. — Each amount on the debit side of the cash book is posted to the credit side of the ledger account named on the same line in the first wide space. *C* is

form below; write *S. B.* in the explanation column in the ledger to indicate that the item is posted from the sales book. Postmark the item in the sales book, by writing the ledger page of Merchandise account (18) as shown in the preceding illustration.

18

Merchandise

¹⁹⁻ May 2	J	13	134750	¹⁹⁻ May 15	S. B.	2	378634
-------------------------	---	----	--------	--------------------------	-------	---	--------

Next, the amount of each sale must be posted to the debit side of the account of the person or firm to whom the sale was made, with the terms of the sale in the explanation space, as in Tenney's account on page 87; this will indicate that the entry came from the sales book. If there are no special terms, write *S. B.* in the explanation space.

It will be noted that the posting is done from three books in which the original entries were made. C in the explanation indicates that the entry is from the cash book; J, from the Journal; and the terms or S. B., from the sales book.

TRIAL BALANCE

Take a trial balance of your ledger. (For instructions, see No. 79, page 32.)

Do not forget to place the balance of cash, as shown by your cash book, on the debit side of your trial balance. This is a common omission. Remember that the cash book is really the Cash account of the ledger, and its balance, like that of any ledger account, must be carried to the trial balance.

Present your trial balance to your teacher for approval. Do not make business and financial statements, as the trial balance is taken at this time merely to show that your posting is correct, and that you understand the posting of the cash book and the sales book.

TRANSACTIONS FOR MAY, CONTINUED

No. 34. — MAY 17. Rice & Pond, of Georgetown, your state, have sent you an order and have given you satisfactory references. Bill them the goods at regular prices, terms cash 3%.

As these goods are to be sent by freight, you will make out a shipping order to be given to the railroad company which is to transport them, and also two receipts to be signed by the agent of the railroad company when you deliver the goods to him.

One of these receipts, called the Bill of Lading, you will forward to the customer; the other, a Memorandum copy of the bill of lading, you will retain. The bill of lading and the memorandum copy should be carefully preserved by the customer and the shipper, as one of them is necessary in making proper claim if the goods are lost, destroyed, or damaged.

These three forms — Bill of Lading, Memorandum Copy, and Shipping Order — form a set, of which the Bill of Lading is the *original*. The wording of all three forms in the set is identical, with the exception of the heading. The conditions are printed on the back of the forms. The bill of lading is illustrated herewith as R. T. Brown of Philadelphia might fill it out for another shipment.

carbon paper and a lead pencil, all three bills can be filled in at one writing. Many shippers use rubber stamps in filling in parts of their bills of lading. (For further information concerning bills of lading, see Appendix II.)

FORM OF SHIPPING ORDER (Heading)

For use in connection with the Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908.

Pennsylvania Railroad Company.

THIS SHIPPING ORDER must be legibly filled in, in Ink, in Indelible Pencil, or in Carbon, and retained by the Agent. Shipper's No. _____
Agents No. _____

RECEIVE, subject to the clarifications and tariffs in effect on the date of issue of this Shipping Order,
at *Philadelphia* *May 17*, 19____,
from *H. J. Adams* the property described below, in
apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof), and which are agreed to by the shipper and acceptor for himself and his assigns.

The Rate of Freight from _____
to _____ is in Cents per 100 Lbs.

If 1st Class	If 2d Class	If 3d Class	If 4th Class	If 5th Class	If 6th Class	If 7th Class	If 8th Class	If 9th Class	If Special	If Special
per.....	per.....	per.....	per.....	per.....	per.....	per.....	per.....	per.....	per.....	per.....

Make out a set of the forms which you will find among your supplies; fill them out at one writing by the use of the carbon paper. Take them to your teacher or freight agent. He will sign and return to you the bill of lading and memorandum copy, and will retain the shipping order. Inclose the bill of lading, with a bill of the goods, in an envelope properly directed to Rice & Pond.

Hereafter you must make out similar forms whenever merchandise is sold to out-of-town customers and sent by freight.

No. 35. — MAY 18. Write a check for \$ 800 and send it to E. Westen Tea & Spice Co., accompanied by a letter advising them of the remittance.

The Telegram is an important feature of modern business, and is used very extensively in ordering goods for immediate delivery.

The charge for a telegram depends somewhat upon the distance, and, except in the case of cable messages, it is a fixed sum for a ten-word message, with an additional charge for each word in excess of that number, no charge being made for the name and address of the person to whom the message is sent or the name of the sender. Night messages, that is, messages sent at the convenience of the Company after 6 P.M., are taken at about half the regular rate, and a large proportion of business messages are of this kind.

In writing a telegram care should be taken to avoid the use of all superfluous words, and yet the message must be clear and definite, that mistakes may be avoided. Numbers should be written out in full, since the charge is the same for a figure as for a word; for instance, 20 written in figures (20) would be charged for as two words, while written in full (twenty) would be charged for as only one word. In sending important messages, those in which a mistake would mean the loss of a large sum of money, it is better in every case to have the telegram repeated; that is, have the operator at the point to which the message is sent telegraph it back to the operator at the sending point, so that the sender may know that his message has been received as it was sent: for telegraph operators are only human, and mistakes in unrepeated messages are by no means uncommon. The charge for repeating a message is one half more than the original cost.

The cost of cablegrams is a certain amount for each word, and the same charge is made for the address and signature as for the words which make up the body of the message. Business houses generally have a code address for cablegrams; that is, the name and address are represented by one word; for instance, Smith, Jones & Robinson, 42 Soho Square, London, E.C., England, would be represented by a single word, as "Extract."

The following form of telegram shows the correct method of writing a message containing numbers.

THE COMMERCIAL TELEGRAPH COMPANY.
INCORPORATED
21,000 OFFICES IN AMERICA. CABLE SERVICE TO ALL THE WORLD.
PHILO M. BECKLEY, PRESIDENT AND GENERAL MANAGER.

Receiver's No.	Time Filed	Check

SEND the following message subject to the terms on back hereof, which are hereby agreed to. *Dayton, O., May 18, 19*

To *John L. Osborne,*
26 Madison Ave. New York.

Send forty cases number sixteen
braid Erie Dispatch train thirteen.
A. B. Ellis

READ THE NOTICE AND AGREEMENT ON BACK.

No. 36. — MAY 18. Write a telegram, of not more than fifteen words, ordering of West, Stone & Co., 10 half chests each Japan and Young Hyson; 10 bales Mocha; 15 mats Java. Pay 50¢ in currency for the telegram.

Fill out the telegram blank and place in Vouchers for Others. Debit *Expense* for the 50¢.

No. 37. — MAY 20. E. Mason & Co., an out-of-town firm, have sent you this order for goods. They refer to your own bank, and the reference being satisfactory, Mr. Adams instructs you to fill the order.

Make out the bill, also the bill of lading, following instructions given under No. 34. Inclose invoice and bill of lading in an envelope properly addressed. On the invoice and in the sales book give the terms as *30 das. sight draft.*

No. 38. — MAY 20. Pay this painter's bill by check.

Painting comes under the head of permanent repairs to your real estate. Make the proper cash book entry (rule 22, page 82).

No. 39. — MAY 20. Dickson & Young have given their note at 60 days for \$400, on account, and at the same time have ordered more goods. Fill the order.

Place the note in your Cash Drawer, make out the bill, and make the proper entries.

No. 40. — MAY 21. Fill Vincent's order.

In this transaction you are to receive the cash on delivery of the goods, which are to be sent by express. This is known as C. O. D. by express. Make out a regular bill of the goods for James H. Vincent. Inclose an abstract of this bill in a C. O. D. envelope which

you will find among your supplies; the abstract of bill should read, *Mdse. as per bill forwarded*, and should give the total amount. On the front of the C. O. D. envelope write the address of H. F. Adams. On the back write the amount of the invoice in the blank space for that purpose; write *No* opposite *Chgs. for Return of Money*; and write the amount of the invoice again on the following line. Farther down on the back, in the proper spaces, write the date of shipment and the address to which the goods are to be sent. Place the envelope with inclosures, unsealed, in Vouchers for Others; in business it would be delivered, together with the goods, to an agent of the express company. The company delivers the goods to the consignee, after collecting the amount called for on the bill plus express charges. The agent of the express company receipts the abstract of bill and gives it to the consignee.

Make an entry in the sales book as follows :

		21		
<i>C. O. D. Jas. H. Vincent,</i>				
<i>Northboro</i>				
<i>2 bxs. W. Pepper</i>	<i>20#</i>	<i>30¢</i>	<i>6</i>	
<i>2 " Cloves</i>	<i>20#</i>	<i>20¢</i>	<i>4</i>	<i>10</i>

Post to your ledger, opening a C. O. D. account in the section of your ledger reserved for accounts receivable. The following is the form of a C. O. D. account.

		<i>C. O. D.</i>		27
19-	<i>May 21</i>	<i>Jas. H. Vincent</i>	<i>3 10</i>	
	<i>22</i>	<i>Henry James</i>	<i>5 1850</i>	
		<i>May 26</i>		<i>7 1850</i>

Every C. O. D. sale should be posted to this account, and the name of the person to whom the goods are sent should be written in the explanation space. The posting should be done immediately after the sale is entered in the sales book.

When the returns are received from the express company, an entry is made on the debit side of the cash book, and from there the item is posted to the credit side of C. O. D. account in the ledger, as illustrated above. Note that each credit should be placed on the line with the corresponding debit.

Some business houses enter C. O. D. sales in a special book kept for that purpose, and do not carry them into the main books until the returns have been received. Then they enter the cash in the cash book, crediting Merchandise.

No. 41.—MAY 21. Have the bank discount the note of Dickson & Young received May 20th.

Proceed as in transaction No. 18. Take the note and discount memorandum to the bank, where you will receive credit for the net proceeds.

No. 42.—MAY 22. Make a bill of the goods called for in this order from Rice & Pond, checking items. File the order. Enter the sale in sales book, place the check received on account in the Cash Drawer, and make the proper entry. Acknowledge the receipt of the check by letter.

No. 43.—MAY 23. This invoice is for goods ordered from West, Stone & Co. by telegraph May 18th. Verify and enter.

No. 44.—MAY 23. You have made this purchase of Chas. K. Fox, City, to supply immediate needs. Verify and enter.

No. 45.—MAY 23. Sold G. H. Thomas, for cash, a sample lot of 75 lbs. Maracaibo at $18\frac{1}{2}$ ¢ and 25 lbs. Rio at $14\frac{1}{2}$ ¢.

Do not enter this in the sales book, as it is not for a regular customer, but carry it direct to the cash book, giving *Merchandise* credit in that book. Make a memorandum of the sale on a slip of paper, and place it in your Vouchers for Others.

In any wholesale house there will be a few of these petty sales. They are not entered in the sales book but carried direct to the cash book.

No. 46.—MAY 23. SIXTH REPORT. Pencil foot the cash book up to this date. Make a report and take all papers to your teacher for approval. Do not balance your cash book, but see that the cash balance on your report agrees with the amount of cash in your Cash Drawer, plus your bank balance, and also that this amount is the same as the difference between the two sides of your cash book.

No. 47.—MAY 24. The express company has returned the collection of May 21 in the form of an express money order. It collected \$10 from Vincent for you, but it retains 25¢ as its charge for returning the money; so the order is for \$9.75.

In actual business, this money order would be received by mail in the envelope you filled out in No. 40; and on the envelope would be noted the charge of 25¢ for return of money.

On the debit side of the cash book write in the first wide column *C. O. D.*, in the explanation space *Jas. H. Vincent*, and in the money column *10*. Post the \$10 at once to the credit of *C. O. D.* account as explained and illustrated on the preceding page. On the credit side of the cash book debit *Expense* for the return charge, 25¢. Put the express money order in your Cash Drawer.

Some shippers require the purchaser to pay the charges for the return of amount collected. In that case the word *Add* is written before *Chgs. for Return of Money* on the *C. O. D.* envelope when it is filled out.

No. 48.—MAY 24. Send a telegraphic message of not more than 15 words to L. Hennes & Co., New York, ordering 12 bags Maracaibo coffee, 12 half chests Oolong tea, and 5 cases Ceylon tea, to be sent by fast freight. Pay 35¢ for the telegram; also pay for having windows cleaned, \$1.50. Place this money in Cash Paid Out.

No. 49.—MAY 24. Fill this order from A. A. Knowles & Co., which is received with a note to apply on account.

Place the note in your Cash Drawer, and file the order. Write a letter of acknowledgment for the note, place it, with the invoice, in an envelope properly addressed, and put in your Vouchers for Others.

No. 50.—MAY 25. Deposit the check you received from F. C. Tenney, May 15th, and Rice & Pond's check of May 22d; also the \$9.75 express money order and \$100.25 currency. Also discount the note of \$600 received from A. A. Knowles & Co. yesterday.

Calculate the discount and find the net proceeds. Make out discount memorandum

and deposit slip; treat the money order like a check. After entering the deposit slip on left-hand page of check stubs, take the deposit slip, the checks, the express money order, the currency, the note properly indorsed, the discount memorandum, and your bank pass book to the bank teller, who will give you credit for the deposit and for the net proceeds of the note. Do not fail to enter these amounts on the stub of your check book. Make the proper cash book entry. (See transaction 18, page 82.)

No. 51. — MAY 25. Write a check for \$700 and mail it, with letter, to E. Westen Tea & Spice Co., to apply on account.

No. 52. — MAY 26. This invoice is received from L. Hennes & Co., in response to your telegram of May 24th. Verify, enter, and file.

No. 53. — MAY 26. Fill this telegraphic order from E. Mason & Co. Make the terms 30 days, $\frac{3}{10}$. Check off each item, and place the telegram in your Voucher File.

No. 54. — MAY 26. Pay the invoice purchased of Chas. K. Fox, May 23d, by check, less 3%.

No. 55. — MAY 26. This order comes from S. E. Kingsley, a stranger, and as you know nothing of his standing you may fill the order and send as directed, C. O. D. Make the terms C. O. D. less 3%, and write him that if references prove satisfactory, you will be pleased to open an account with him. Take off 3% for cash on the bill, but enter in the sales book for the full amount. Post at once from sales book to C. O. D. account (see No. 40).

No. 56. — MAY 28. Fill this new order from E. Mason & Co. as requested. Make the terms 30 days, $\frac{3}{10}$.

What do you do with the order? What with the bill?

No. 57. — MAY 28. This purchase is made of Chas. K. Fox, City, on account.

What do you do with the invoice? (Compare with No. 5, page 76.)

No. 58. — MAY 28. C. O. D. to S. E. Kingsley sent May 26 has been returned. There are two orders because express money orders are not made for more than \$50. The total amount is only \$86.80, instead of \$87.30, because the express company retains 50¢ for return charge.

Credit C. O. D. on the debit side of the cash book for the full amount of the bill before the discount was deducted. On the credit side of the cash book, debit *Merchandise Discount* for the 3% discount, and in the explanation space write *C. O. D., S. E. Kingsley*.

What entry do you make for the 50¢? (See No. 47.)

No. 59. — MAY 29. The goods listed in this invoice have been purchased of West, Stone & Co., by Mr. Adams.

No. 60. — MAY 29. Send a check for \$500 to Shields Bros., to apply on account.

No. 61. — MAY 30. The City Carting Company have paid your freight bills and delivered goods which you have purchased, and now present their bill for the month, which you will pay by check. Enter in the cash book (see rule 13, page 27).

No. 62. — MAY 31. Your own salary for the month is \$75, for which you may write a check; also write a check for \$45, favor of R. E. Leavitt, clerk.

No. 63. — MAY 31. H. F. Adams has given, as a personal gift to the city mission, 20 lbs. Young Hyson tea, 10 lbs. Japan tea, 10 lbs. of English Breakfast tea. Charge him with these goods at the cost price. Enter in the sales book.

No. 64. — MAY 31. You have received a note for \$ 700 at 10 days, with interest, from A. W. McKey, for which you will give him credit. See that the note is correctly written and place it in your Cash Drawer. (No entry for interest.)

No. 65. — MAY 31. Deposit express money orders and all cash in your bank. Have your bank book written up, and see that your balance agrees with the balance as shown on the stub of your check book.

No. 66. — MAY 31. SEVENTH REPORT. Prepare your report and hand in all vouchers for approval. After your report has been O.K.'d, balance your cash book and see that the cash balance as shown by the cash book agrees with the bank balance as shown on the stub of your check book.

POSTING

Post from all your books to the ledger and check your postings. If in doubt in regard to the posting, review pages 86–88. Be sure that the total of the sales book is carried to the credit of Merchandise. After reading carefully pages 67 and 68, make out your monthly statement to each customer. Take a trial balance of differences only.

INVENTORIES

Merchandise unsold :

26 hf. chts. Oolong, 1300 lbs.,	48¢
18 " " Young Hyson, 1260 lbs.,	33¢
18 " " E. Breakfast, 1080 lbs.,	31¢
25 " " Japan, 1500 lbs.,	23¢
15 cases Ceylon, 750 lbs.,	35¢
12 bales Mocha, 1800 lbs.,	23¢
26 mats Java, 1950 lbs.,	22¢
1575 lbs. Maracaibo,	11¢
650 lbs. Rio,	10¢
34 boxes W. Pepper, 340 lbs.,	23¢
24 " Cinnamon, 240 lbs.,	27¢
26 " Cloves, 260 lbs.,	14¢
9 " Ginger, 90 lbs.,	22¢
8 pails Ginger, 200 lbs.,	22¢
110 lbs. Nutmegs,	60¢

Office furniture and fixtures are valued at 10% less than cost.

Office books, stationery, and unexpired insurance are valued at \$98.75.

Your real estate is valued at cost, as shown by the debit side of your ledger account.

Calculate the amount of your inventories of Merchandise and Furniture and Fixtures and present to your teacher for approval. Write all your inventories at the proper place in Blank No. 1.

STATEMENTS

Prepare business and financial statements, according to instructions below. In your business statement, you should include Merchandise Discount, Discount, and Furniture and Fixtures, besides accounts previously included. In the financial statement, you should include inventories of Merchandise, Furniture and Fixtures, and Expense among the resources.

Business Statement

1 <i>Merch. on hand at close of last month</i>			
2 <i>Merch. purchased during the month</i>	7200	7200	
5 <i>Merch. on hand at close of month</i>			
		8640	
6 <i>Expense, cost for the month</i>	26550		
7 <i>Less inventory of unexpired insurance and stationery</i>	75		19050
8 <i>Discount</i>			4250
<i>Depreciation as under:</i>			
9 <i>Furniture & Fixtures</i>			2750
12 <i>Net Stationery</i>			
		150587	

In the previous work the student has prepared simple forms of business and financial statements, designed to help in making clear the fundamental principles of bookkeeping. Now that the student has taken up the study of practical bookkeeping, he may prepare statements in the forms shown above and on pages 100, 101, which are the forms commonly used by experienced accountants and auditors.

Form of Business Statement. — The business statement, or statement of losses and gains, is closed in two sections. The first section is really an abstract of Merchandise account; it shows details of the gain or loss on Merchandise account only. The second section is a statement of the losses and gains of the business proper. It shows the amount of gain or loss from Merchandise account, the expenses of the business, gains or losses other than from Merchandise account, such as from Merchandise Discount, and finally the net gain or loss of the business as a whole.

If there are transactions in stocks and bonds, or anything else outside of the business proper, the gain or loss on such transactions should be shown in a third section of the statement.

On the debit side of the first section of the business statement, we have (1) merchandise on hand at the close of last month; (2) cost of merchandise during the month. These two items are entered in the first column, added, and their sum extended into the second column. In the above model statement there was no merchandise on hand at the close of last month, hence there is no amount after this item.

On the credit side of the business statement in the first section, we have (3) amount of merchandise sales during the month; (4) merchandise now on hand, as per inventory.

ment, May 31, 19-

3	Merch. sales during the month	6400	
4	" on hand now	2240	8640
			8640
10	Gain brought down		1440
11	Merch. Discount		6587
			15057

The amounts of these two items are entered in the first column, and their sum extended into the second column.

It is evident that the difference between the amount of merchandise on hand in the beginning of the month plus the amount purchased during the month, and the amount of merchandise sold during the month plus that on hand at the end of the month, will be the loss or gain on merchandise. In the above statement the gain is found to be \$1440, and the amount is written after *Gain carried down*, in red ink, on the debit side.

In the second section of the business statement we have, on the debit side (6) the total cost of expense; (7) the amount of unexpired insurance and stationery, which, paid for under expense, has not yet been used; the difference between (6) and (7), extended into the second money column as the loss on expense; (8) the loss on discount; (9) the loss on furniture and fixtures on account of depreciation in value.

In the second section of the business statement, on the credit side, we have (10) the gain on merchandise, which is written after *Gain brought down* (that is, this gain is brought down from the first section); and (11) the gain on merchandise discount. The difference between the sum of the debit amounts and the sum of the credit amounts will show the net gain of the business. The net gain is written in red ink on the debit side of the statement (12).

When the proprietor examines the above statement, he can tell at a glance the amount of merchandise purchased during the month, the amount of sales, the amount on hand, his gain on merchandise, and his net gain on the business as a whole.

If he has purchased and sold stocks and bonds, bank stock, real estate, or anything of this character, the result of such transactions would be shown in a third section of the business statement. In this case the net gain of the second section would be the net gain of the business proper, and this would be carried down to the third section. The difference between the two sides of the third section would be the net gain or loss on his entire transactions.

A business might be paying, and the proprietor still be losing money on account of losses sustained by outside transactions. The profit on merchandise might be sufficient, and still the business be conducted at a loss, on account of enormous expenses. For this, and various other reasons, it is essential that the loss and gain statement should be closed in sections, so that the proprietor may determine at a glance the exact condition of his business.

How to Make out Your Business Statement for May. — The following paragraphs are numbered to correspond with the numbers before the items in the statement on pages 96 and 97. These numbers indicate the order in which the various items are to be placed on the statement, *but the student should omit them* in making out his statement.

1. Turn to the merchandise account in your ledger. As this is the beginning of the business, there was no merchandise on hand at the beginning of the month, hence nothing will be written after *Merchandise on hand at the close of last month*, but you may write these words in your business statement (see model, page 96).

2. The sum of the items on the debit side of your Merchandise account in your ledger represents the cost of merchandise during the month. Write the amount after *Merchandise, cost of, during the month*.

3. The sum of the items on the credit side of your Merchandise account represents the amount of merchandise you have sold during the month. Place the amount after *Merchandise sales during the month* (see model, page 97).

4. Write the amount of your inventory after *Merchandise on hand now*.

5. Find the difference between the sum of the items on the debit side and the sum of the items on the credit side of your business statement, and write this difference, in red ink, after *Gain carried down* on the debit side of your business statement in the second column, after which rule and foot the first section of your business statement, as in the model.

6. Write the total cost of expense, as shown by your trial balance, after *Expense, cost for the month*.

7. After *Less inventory of unexpired insurance and stationery*, write the amount of your expense inventory. Subtract this from cost of expense, and extend the difference into the second column (see model, page 96).

8. After *Discount*, write the amount of the loss on discount, as shown by your trial balance.

9. A depreciation of 10% has been allowed for wear and tear on office furniture. Write the amount of this depreciation, which is a loss to the business, opposite *Furniture and Fixtures*, under the heading *Depreciation as under*: (see model).

10. Bring down the amount of the gain shown in the first section of the business statement, and write it under *Gain brought down* in the second section.

11. After *Merchandise Discount*, write the gain on merchandise discount, as shown by your trial balance.

12. Find the difference between the sum of the items on the debit side and the sum of the items on the credit side of your business statement, and write the amount, in red ink, after *Net Gain*. Rule and foot the second section of your statement, as in the model.

Form of Financial Statement. — A financial statement, or balance sheet, should begin with the most available resource, *Cash*. The amounts of cash in safe and in bank are writ-

ten separately in the first column, and their sum in the second column (see model, pages 100 and 101).

Various kinds of property owned by the business are next listed under the title, *Properties as under*: Real estate, in the model, is listed at its ledger valuation, on the presumption that it is worth at the present time the amount paid for it. Naturally there has been wear and tear, or depreciation, upon office furniture and fixtures: their cost is shown in the first column; under this is written the amount charged off for depreciation; and the difference, or present value of the furniture and fixtures, is extended into the second column. Goods on hand are inventoried usually at their cost price, and the amount is written in the second column. If there is any property on hand which was charged to Expense when bought, it is considered a resource inventory and listed in the second column.

The next title, *Sundry trade debtors as under*, covers all amounts owing the business by firms and individuals. The amount of notes held is written after *Bills Receivable*, and the amount due the business on personal accounts is written after *Open book accounts considered good*. Usually an amount is deducted from *Open book accounts* as a reserve for bad debts. *Open book accounts* are also frequently divided into two classes — *Open book accounts considered good* and *Open book accounts considered doubtful*. In connection with this statement, it is customary to make out a list of all debtors and creditors of the business.

If there were any other assets, they would be enumerated in detail on the debit side of the financial statement.

The liabilities are written on the credit or right-hand side of the statement. The first title, *Sundry trade creditors as under*, covers all persons or firms whom the business owes, either on note or on account. The amount owed on notes is written after *Bills Payable*. The amount owed on personal accounts is written after *Open book accounts*. If the business had other liabilities, they would be here enumerated. The sum of the liabilities is written in below a red line, as shown in the model.

The amount the proprietor has invested in the business is next written down in the first column, and from this is subtracted the sum of his withdrawals. To the remainder is added the net gain from the business statement, and the sum is extended to the second column, in red ink, after the title, *Present worth of business*.

Notice the footings and ruling of the model.

A financial statement, or balance sheet, made out as above, will show in classified form the actual assets (resources) and liabilities of the business. The proprietor of a business, in examining such a balance sheet, can tell at a glance the amount of property he has on hand, and the basis of its valuation; for the statement shows any amount that has been charged off for depreciation, or anything that has been added on account of an increase in value.

How to Make out Your Financial Statement. — Follow the style of the model on pages 100, 101, inserting the headings as you reach them. The following paragraphs are numbered to correspond with the numbers in the model. Do not write these numbers.

1. Ascertain the amount of cash in the safe or drawer, and write it in the first column after *Cash in safe*.

2. Ascertain from your check book the amount of cash in bank, and write it after *Cash in bank*. The amounts of cash in bank and in safe should be added, and written in the second money column of the statement (see model, page 100). The amount of cash shown by the statement should be the same as that shown on the trial balance.

3. After *Real Estate, Ledger valuation* write the amount of real estate (\$ 12,125), as shown by your trial balance, in the second column of your statement.

Financial Statement

1 Cash in safe	1140	
2 " in bank	60	1200
<i>Properties as under:</i>		
3 Real Estate, Ledger valuation		2000
4 Furniture & Fixtures	275	
5 Less depreciation	2750	24750
6 Mdse. on hand, valued by Mr. White		2240
7 Expense, inventory		75
<i>Sundry trade debtors as under:</i>		
8 Bills Rec.		1500
9 Open-book accts. considered good		616967
		1343217

4. Find the amount charged to Furniture and Fixtures, as shown by your trial balance (\$231), and write it after *Furniture and Fixtures* in the first money column of your statement.

5. A depreciation of 10% is allowed on furniture and fixtures. Write the amount of depreciation (\$23.10) after *Less depreciation*, subtract this amount from the amount of furniture and fixtures, and extend the difference to the second column of your statement.

6. Write the amount of the inventory of merchandise after the proper title, in the second column. You should write Mr. Adams's name in place of Mr. White's, as the value of the merchandise is estimated by him.

7. Write the inventory of expense (\$98.75) after the proper title.

8. Write in the proper place the amount of bills receivable, as shown by your trial balance.

9. Find the sum of the amounts owing the business on account by different persons, as shown by your trial balance, and write it after *Open book accounts considered good*. The persons who owe H. F. Adams are A. A. Knowles & Co., Dickson & Young, A. W. McKey, F. C. Tenney, F. H. Randall & Co., Rice & Pond, and E. Mason & Co.

10. Next come the liabilities. Write the amount of bills payable, shown by your trial balance, in the proper place.

11. Find the sum of the amounts that H. F. Adams owes different persons on account, as shown by your trial balance, and write this sum after *Open book accounts*. Find the sum

ment, May 31, 19-

<i>Sundry trade creditors as under:</i>			
10	<i>Bills Pay.</i>		2890
11	<i>Open book accts.</i>		449680
			738680
12	<i>H. F. Adams invested</i>	4900	
13	<i>" " " withdrew</i>	100	
		4800	
14	<i>Net Gain</i>	124537	
15	<i>Present worth of business</i>		1343217
			<u>1343217</u>

of your open book accounts and bills payable, and write the amount below a single-ruled line, as shown in the model.

12. Show the amount of H. F. Adams's investment in the style of the model. The amount of his investment will be the total of the amounts on the credit side of H. F. Adams's account in the ledger.

13. Write, as the amount of H. F. Adams's withdrawals, the sum of the amounts on the debit side of his account in the ledger. Subtract the withdrawals from the amount invested, and write the difference, which is the net investment, below a single-ruled line (see model).

14. Underneath the net investment write the amount of the net gain, as shown by your business statement.

15. Add the net gain to the net investment, and write the amount in red ink after *Present worth of business*, in the second money column. Rule and foot your financial statement as indicated in the model.

CLOSING THE LEDGER

Hand your business statement and your financial statement to your teacher for approval. If they are correct, close your ledger, and hand in all your books to your teacher for examination.

PRICE LISTS FOR MAY AND JUNE

		1	2	3	4	5	6	7	8	9	10	11	12	13
Japan	Hf. Ch. lbs. 60	.40	.38	.37	.36	.25	.26	.41	.35	.34	.39	.24	.25	.30
Oolong	" 50	.55	.60	.61	.62	.73	.66	.72	.70	.71	.56	.63	.62	.57
Ceylon	Case 50	.60	.58	.55	.65	.45	.50	.53	.55	.45	.40	.57	.56	.59
Y. Hyson	Hf. Ch. 70	.35	.37	.38	.39	.50	.49	.34	.40	.41	.36	.51	.50	.45
Eng. Breakfast	" 60	.50	.45	.44	.43	.32	.39	.33	.35	.34	.49	.42	.43	.48
Mocha	Bale 150	.25	.25 ²	.24	.24 ²	.26 ²	.25 ²	.24 ²	.27	.28 ²	.29	.30	.32	.28
Java	Mat 75	.28 ²	.25	.25 ²	.26 ²	.29	.30	.30 ²	.29 ²	.27 ²	.26	.27	.24 ²	.24
Maracaibo	Bag 125	.18 ²	.18	.19 ²	.19	.17	.18	.19	.16 ²	.15	.14 ²	.13 ²	.11 ²	.15 ⁴
Rio	" 125	.14 ²	.18	.17 ²	.16 ²	.14	.13	.12 ²	.13 ²	.15 ²	.17	.16	.18 ²	.19
W. Pepper	Box 10	.30	.31 ²	.29	.28	.31	.33 ²	.30	.33	.32	.30 ²	.26 ²	.28	.29
Cinnamon	Box 25	.35	.36	.33	.34	.37	.38	.33	.32	.35	.39	.37	.34	.34 ⁴
Cloves	Box 10	.20	.18 ²	.21	.22	.19	.16 ²	.20	.17	.18	.19 ²	.23 ²	.22	.21
Nutmegs	Pail 25	.70	.69	.72	.71	.68	.67	.72	.73	.70	.66	.68	.71	.70 ²
Ginger	Box 10	.30	.32	.35	.25	.45	.40	.37	.35	.45	.50	.33	.34	.31
	Pail 25													

The small index figures used in the above price lists indicate "fourths." 25¹ equals 25¼. 25² equals 25½. 25³ equals 25¾.

PRICE LISTS FOR JUNE

		1	2	3	4	5	6	7	8	9	10	11	12	13
Flour, Northern Star . . .	Brl. lbs.	4.08	4.10	4.12	4.14	4.16	4.18	4.20	4.22	4.24	4.26	4.28	4.30	4.32
" Searchlight Pastry . .	"	4.60	4.58	4.56	4.54	4.52	4.50	4.48	4.46	4.44	4.42	4.40	4.38	4.36
" Graham	Case	2.85	2.90	2.95	3.00	2.86	2.91	2.96	3.01	2.87	2.92	2.97	3.02	2.88
H. O. Buckwheat	"	3.25	3.20	3.15	3.10	3.24	3.19	3.14	3.09	3.23	3.18	3.13	3.08	3.22
Oatmeal, Pawnee	Brl.	4.35	4.30	4.25	4.20	4.34	4.29	4.24	4.19	4.33	4.28	4.23	4.18	4.32
Quaker R. O.	Case	3.49	3.54	3.59	3.64	3.50	3.55	3.60	3.65	3.51	3.56	3.61	3.66	3.52
Sugar, Granulated	Brl. 300	.05½	.05¼	.06¼	.06½	.05½	.05¾	.06¾	.05¾	.06¼	.05¾	.06¼	.06½	.05¼
Rice	" 150	.06½	.06¼	.05½	.05¾	.06¼	.06¾	.05¾	.06¼	.05¾	.06¼	.05¾	.06¼	.06½
Corn	Doz.	.85	1.10	.86	1.09	.87	1.08	.88	1.07	.89	1.06	.90	.98	.91
Tomatoes	"	1.20	.95	1.19	.96	1.18	.97	1.17	.98	1.16	.99	1.15	1.07	1.14
Beans, Lima	"	.81	1.07	.82	1.06	.83	1.05	.84	1.04	.85	1.03	.86	1.02	.87
Soap, Ivory	Box	7.27	7.01	7.26	7.02	7.25	7.03	7.24	7.04	7.23	7.05	7.22	7.06	7.21

PRICE LISTS FOR MAY AND JUNE (Continued)

		14	15	16	17	18	19	20	21	22	23	24	25
Japan	Hf. Ch. lbs. 60	.32	.38	.40	.34	.29	.31	.33	.27	.28	.26	.30	.29
Oolong	" 50	.55	.49	.52	.58	.64	.67	.65	.72	.57	.69	.66	.58
Ceylon	Case 50	.61	.52	.47	.43	.39	.38	.41	.44	.37	.36	.42	.46
Y. Hyson	Hf. Ch. 70	.43	.37	.35	.41	.46	.44	.42	.48	.47	.49	.45	.46
Eng. Breakfast	" 60	.50	.56	.53	.47	.41	.38	.40	.33	.48	.36	.39	.47
Mocha	Bale 150	.28 ²	.27 ²	.30 ²	.25	.31	.28	.26	.27	.29 ²	.24	.28	.26 ²
Java	Mat 75	.26 ²	.28 ²	.25 ²	.28 ²	.31 ²	.27 ²	.29	.24	.26 ²	.23	.24 ²	.29 ²
Maracaibo	Bag 125	.15	.16	.13	.18 ²	.12 ²	.15 ²	.17 ²	.16 ²	.14	.19 ²	.15 ²	.17
Rio	" 125	.16 ²	.14 ²	.17 ²	.14 ²	.11 ²	.15 ²	.14	.19	.16 ²	.20	.18 ²	.13 ²
W. Pepper	Box 10	.27	.25	.32	.31	.28	.33	.28 ²	.27 ²	.28	.29	.31	.27
Cinnamon	Box 25	.40	.38	.32	.36	.41	.37	.39	.42	.40	.35 ²	.33	.34
	Box 10												
Cloves	Box 10	.23	.25	.18	.19	.22	.17	.21 ²	.22 ²	.22	.21	.19	.23
	Pail 25												
Nutmegs . . . . .		.65	.67	.73	.69	.64	.68	.66	.63	.65	.69 ²	.72	.71
Ginger	Box 10	.29	.38	.43	.47	.51	.52	.49	.46	.53	.54	.48	.44
	Pail 25												

The small index figures used in the above price lists indicate "fourths." 25¹ equals 25¼. 25² equals 25½. 25³ equals 25¾.

PRICE LISTS FOR JUNE (Continued)

		14	15	16	17	18	19	20	21	22	23	24	25
Flour, Northern Star	Brl. lbs.	4.34	4.36	4.38	4.40	4.42	4.44	4.46	4.48	4.50	4.52	4.54	4.56
" Searchlight Pastry	"	4.34	4.32	4.30	4.28	4.26	4.24	4.22	4.20	4.18	4.16	4.14	4.12
" Graham	Case	2.93	2.98	3.03	3.08	2.89	2.94	2.99	3.04	2.80	2.84	2.82	2.83
H. O. Buckwheat	"	3.17	3.12	3.07	3.02	3.21	3.16	3.11	3.06	3.30	3.26	3.28	3.27
Oatmeal, Pawnee	Brl.	4.27	4.22	4.17	4.12	4.31	4.26	4.21	4.16	4.40	4.36	4.38	4.37
Quaker R. O.	Case	3.57	3.62	3.67	3.72	3.53	3.58	3.63	3.68	3.44	3.48	3.46	3.47
Sugar, Granulated	Brl. 300	.05½	.05½	.06½	.05½	.06½	.05½	.06½	.05½	.05½	.05½	.05½	.06½
Rice	" 150	.06½	.06½	.05½	.06½	.05½	.06½	.05½	.06½	.06½	.06½	.06½	.05½
Corn	Doz.	1.04	.92	1.03	.93	1.02	.94	1.01	.95	1.00	.96	.99	.97
Tomatoes	"	1.01	1.13	1.02	1.12	1.03	1.11	1.04	1.10	1.05	1.09	1.06	1.08
Beans, Lima	"	1.01	.89	.99	.90	.98	.91	.97	.92	.96	.93	.95	.94
Soap, Ivory	Box	7.07	7.19	7.09	7.18	7.10	7.17	7.11	7.16	7.12	7.15	7.13	7.14

QUESTIONS

1. Explain the use of the cash book.
2. Where should cash received be entered?
3. Where should cash paid out be entered?
4. What should the difference between the sides of the cash book show?
5. Why should the cash book be balanced frequently?
6. When should it be balanced daily?
7. What ledger account does the cash book enable us to dispense with?
8. How should you show the balance of cash in the trial balance?
9. Explain the use of the sales book.
10. To what account in the ledger, and to which side of the account, should the footing of the sales book be carried?
11. What should be the first entry in the journal-daybook of any business?
12. Why are persons debited from the sales book for merchandise sold them for cash, and then credited from the cash book for the cash paid?
13. What is meant by indorsing a note?
14. What is bank discount?
15. For what length of time is bank discount always calculated?
16. How would you proceed to find the time of discount?
17. What entry should be made on the debit side of the cash book when a bill receivable is discounted?
18. What entry should be made on the credit side of the cash book in this case?
19. What entries should be made when a bill payable is discounted?
20. Define merchandise discount.
21. When is merchandise discount debited? When credited?
22. What is the difference between discount and merchandise discount?
23. To which side of the ledger should amounts on the left-hand side of the cash book be carried? To which side the amounts on the right-hand side?
24. How should the cash book posting be designated in the ledger?
25. Why should the terms of sale be shown in posting the sales book items to the ledger?
26. What is a bill of lading? What other forms are made out at the same time with a bill of lading?
27. Explain in full the process of making and handling a set of these forms.
28. What care should be taken in writing a telegram?
29. How should figures be indicated in a telegram?
30. What is meant by repeating a message? What is a code?
31. Describe the process of shipping goods C. O. D. by express.
32. Describe the method of entering C. O. D. sales in the sales book and in the ledger.
33. How should petty cash sales be entered?
34. In how many sections is the business statement closed?
35. What does the first section of the business statement show? The second section?
36. If there are outside speculations, what further closing would be necessary?
37. What three classes of resources are shown in the financial statement?
38. In making a financial statement, where would you find the cash on hand?
39. Where would you find the items comprised in "Properties as under"?
40. What is comprised in "Sundry trade debtors"? Explain where these items are found.
41. What does "Sundry trade creditors" include? Where may these be found?
42. How is the proprietor's net investment found?
43. How is the present worth of the business determined?
44. Why must the present worth added to the liabilities equal the resources?
45. What entries in your books should be made in red ink?

SUPPLEMENTARY EXERCISE—No. 3

BANK DISCOUNT AND INTEREST

On a sheet of journal paper arrange a cash book for the following transactions. You will need to rule one additional vertical line. Get a sheet of foolscap, on which to write the notes.

For each of the following transactions, write the note and make the proper cash book entries. Reckon interest and discount at 6% per annum unless otherwise stated.

In discounting notes, always find first the due date of the note, then find the actual number of days from the date of discount to the due date, and calculate the discount for this time.

TRANSACTIONS

MAY 1, 19—. — You have on hand D. H. Farley's note for \$1200, dated this day, at four months. Have it discounted at the City Bank at 6%.

MAY 2. — Desiring to borrow money, you arranged with E. M. Parker to indorse a note of \$4500 for you, payable at the City Bank in 90 days, and the City Bank has discounted this note and placed the net proceeds to your credit. (See No. 14, pages 79, 80.)

MAY 3. — You have on hand H. G. Smith's note for \$800, dated Jan. 16, at four months. Have this note discounted at the City Bank.

MAY 4. — You have outstanding a note in favor of Reed & Barton, dated April 25, at three months, for \$950, and you pay it to-day less the bank discount for the unexpired time. (*Credit Discount.*)

MAY 5. — You have on hand J. B. Freeman's note for \$728.50, dated April 5, at four months. He pays it to-day in cash, less discount for the unexpired time.

MAY 5. — You have on hand J. C. Schlueter's note for \$2400, dated April 5, due 30 days from date, with interest; he pays you to-day in full.

In the above problem the interest should be found for the time of the note at 6%. In the cash book *Cash* should be debited and *Bills Receivable* credited for the face of the note, with the explanation, *J. C. Schlueter note 4/5*. *Cash* should also be debited and *Interest* credited for the amount of interest on the note (\$12) with the explanation *on above note*.

MAY 5. — Paid cash for my 6-months' note due to-day, favor of Clark & Harris, for \$1000, with interest.

This problem is exactly the reverse of the preceding one. *Cash* is credited and *Bills Payable* debited, with *Clark & Harris note 11/5* as explanation; and *Cash* is credited and *Interest* debited, with *on above note* as explanation.

MAY 7. — You have on hand C. B. Fenner's note for \$1100, dated April 25, at 90 days. Have it discounted to-day at 5%.

MAY 7. — You have a note outstanding in favor of Charles Langdon for \$1200, dated April 20, at four months. Langdon offers to allow you bank discount at 9% for the unexpired time if you will pay now, and you accept the proposition, paying cash.

MAY 8. — D. W. Evans & Co. owe you a note of \$7000, dated April 30, at four

months. Needing the money, you offer them bank discount at 8% if they will pay the note to-day, which they do.

MAY 9.—You have on hand Sam. F. Curtis's note for \$1200, dated April 20, at 60 days, with interest at 6%. Have it discounted at the City Bank to-day.

In discounting an interest-bearing note, the bank will first find the amount due at maturity. S. F. Curtis's note of April 20, at 60 days, will be due June 19, and the interest on \$1200 from April 20 to June 19, 60 days, equals \$12, which, added to \$1200, makes \$1212, the amount due June 19. This amount should be written on the face of the note, in red ink, by the bank teller. You have the note discounted May 9. The bank teller will find the time from May 9, the date of discount, to June 19, the date of maturity (41 days), and will compute the discount on \$1212, the amount due at maturity, and deduct this discount from \$1212, leaving \$1203.72, the net proceeds of the interest-bearing note.

In this transaction, you have received \$1200 for the face of the note. In the cash book debit *Cash* and credit *Bills Receivable* for \$1200, with the explanation *S. F. Curtis note 4/20*. The bank allowed you \$12 interest. Debit *Cash* and credit *Interest* for this amount, with the explanation *on above note*. The bank charged you discount, \$8.28. Credit *Cash* and debit *Discount* for this amount, with the explanation *S. F. Curtis note 4/20*.

MAY 10.—You have outstanding a note for \$1500 in favor of Barnes Bros., dated April 17, at 90 days, with interest at 5%. Barnes Bros. need the money, and agree to allow you bank discount at 6% if you will pay the note to-day, which you do. (Credit *Cash* for interest; debit *Cash* for discount.)

In this problem calculate the interest at 5% and the discount at 6%.

MAY 12.—You have on hand the note of The Allen Chemical Company for \$2650, dated April 12, at four months, with interest at 6%. Have it discounted to-day at the City Bank at 5%.

MAY 12.—O. M. Curtis gave you a note March 13, at 60 days, for \$890.75, with interest. The note is due to-day, and Curtis has paid you the amount due to redeem his note.

MAY 14.—Your note for \$746, in favor of G. W. Longley, dated Feb. 14, at three months, with interest, is due this day, and you pay the note and interest.

MAY 14.—A. S. Hewitt's note of March 14, at two months, for \$722.87, with interest, is due to-day, and he has given you a check for the note and interest.

MAY 15.—Your note for \$1262.25, in favor of L. E. Pearson & Co., dated March 31, at 45 days, with interest at 5%, is due to-day, and you pay the note and interest.

MAY 15.—You have your note for \$825, favor E. C. Ayer, and indorsed by him, dated this day, at three months, discounted at the Commercial Bank at 6%, and receive cash for the net proceeds.

MAY 16.—Bank messenger returns to you the check of A. S. Hewitt, received by you and deposited May 14, marked "No Funds," with a request for your check to cover same, which you give. (Debit *A. S. Hewitt*.)


MAY 17.—The note of H. G. Smith, which you discounted at bank May 3, has been protested for non-payment, and you have been obliged to give your check for the face of the note plus protest fees, \$2.50. (Debit *Protested Paper* for the total amount, which you will endeavor to recover from Smith.)

DRAFTS—JUNE

The business practice for the month of June, beginning on page 115, is a continuation of that for the month of May, with several additions, including drafts. As the subject of drafts sometimes gives trouble, the student should study it now until it is clear to him, before being called upon to handle that form of commercial paper in his vouchers.

A **Draft** is an order from one person, firm, or company on another to pay a certain sum of money, unconditionally, to the order of some person, firm, or company named in the body of the draft.

FORM OF SIGHT DRAFT, THREE PARTIES

 \$300.00 Rochester, NY June 1, 19
At sight Pay to
the order of Adams & Baker
Three hundred Dollars
Value received, and charge the same to account of
For Wm. French Boston Chas. Rand
No. 714
CHASE & CO. BANKERS, 60 WALL ST. N.Y. STROUD, ALLEN & CO. BANKERS, CHICAGO, ILL.

In the above draft Chas. Rand orders Wm. French to pay to the order of Adams & Baker \$300. It is presumed that Wm. French owes Chas. Rand this amount, and that Chas. Rand is indebted to Adams & Baker, and gives them this order on Wm. French in payment of his indebtedness.

Parties to a Draft.—The “drawer” is the person, firm, or company that writes or draws the draft. In the form of draft given above the drawer is Chas. Rand.

The “payee” is the one to whom the draft is made payable. In the form of draft given the payee is the firm Adams & Baker.

The “drawee” is the one on whom the draft is drawn. In the preceding form Wm. French is the drawee.

General Rule for Journalizing Drafts

The drawer always credits the drawee, and the drawee always debits the drawer.

COURSE OF PROCEDURE WHEN A DRAFT IS DRAWN

Chas. Rand owes Adams & Baker and wishes to pay them \$300 on account. Wm. French owes Chas. Rand and is willing to pay to him, or to his order, \$300. Therefore the

following transaction is carried out: Chas. Rand writes an order, or draws a draft, June 1, on Wm. French, requesting him to pay to the order of Adams & Baker \$ 300.

The drawer should, in every case, notify the drawee that he has drawn on him; or, better still, notify him in advance that he will draw on him at a certain date, for no one is obliged to accept or pay a draft drawn on him by a creditor.

Drawer's Entry. — Having drawn the draft, Rand gives it to Adams & Baker and makes his journal entry, since the transaction is completed so far as he is concerned. Rand has given Adams & Baker the order, which will be worth \$ 300 to them when presented to Wm. French for payment; therefore, *Adams & Baker* should be debited \$ 300, the amount they will be paid. This amount, \$ 300, will be paid by Wm. French, therefore *Wm. French* should be credited the same as if he had paid the amount to Rand instead of to the person Rand designated in the draft.

The following is the journal entry required in the drawer's books for the above draft.

<i>Adams & Baker</i>	<i>Drew a sight dft</i>	<i>300</i>
	<i>Wm. French on Wm. French,</i>	<i>300</i>
	<i>favor of Adams</i>	
	<i>& Baker</i>	

Rule A. — *The drawer's entry when a draft with three parties is drawn, whether it be a sight or a time draft, is Payee, Dr. and Drawee, Cr.*

Payee's Entry. — The payees, Adams & Baker, receive the draft from Chas. Rand, and they at once take it to Wm. French, or deposit it in their bank for collection, in which case the bank will take it to French, who pays the \$ 300. In either case Adams & Baker receive cash, \$ 300, and should debit *Cash*. The draft which produces them the \$ 300 was received from Chas. Rand, therefore *Chas. Rand* should be credited the same as if he had given them the \$ 300.

The following should be the payee's entry on the debit side of the cash book.

<i>June 1</i>	<i>Chas. Rand</i>	<i>sight dft on Wm. French</i>	<i>300</i>
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Rule B. — *The payee's entry for a sight draft received and paid is Cash, Dr. and Drawer, Cr.*

Drawee's Entry. — When the draft is presented to Wm. French he examines it and notes that Chas. Rand has requested him to pay \$ 300 to the order of Adams & Baker, and if he honors the draft, he pays the amount, \$ 300, for it; and since he pays this amount on Chas. Rand's order, he debits *Chas. Rand* the same as if the cash were paid direct to him; and he credits *Cash* for the amount paid out.

The following is the drawee's entry for the above draft on the credit side of his cash book (assuming that he pays it on June 2, to the bank in which Adams & Baker deposited it)

<i>June 2</i>	<i>Chas. Rand</i>	<i>paid dft at sight. A & B.</i>	<i>300</i>
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Rule C. — Drawee's entry for a sight draft paid is *Drawer, Dr. and Cash, Cr.*

When a draft is paid, it is kept by the drawee, as evidence of the payment.

Ex. 1. — Edward Martin draws a sight draft on B. W. Hammond, June 1, requesting him to pay to the order of Chas. Carter \$400, which he does the same day. Write the draft and make the entry of each party to the transaction. For this and the following examples, page 110, use foolscap paper, or foolscap and journal paper.

FORM OF TIME DRAFT, THREE PARTIES

\$ <u>900.⁰⁰</u>	Rochester, N. D.,	June 2, 19
— <u>Thirty days after date</u> —		Pay to
the order of <u>Edward Curtis</u>		_____
<u>Nine hundred ⁰⁰/₁₀₀</u>		Dollars
Value received and charge the same to account of		
To <u>D. H. Parsons,</u>		} <u>M. F. Archer.</u>
No. <u>46</u> <u>Detroit, Mich.</u>		

Time Drafts. — The above draft, instead of being payable at sight, is not payable until 30 days after its date, or July 2, and is called a *time draft*. This draft, as soon as received by the payee, Edward Curtis, should be taken to the drawee, D. H. Parsons, who, if he decides to pay it, will write *Accepted* across the face, and sign his name, as shown above. This is generally done in red ink, though the color of the ink is unimportant.

For this draft, the drawer's entry will be the same as in the case of the sight draft, for the payee has received value, and should therefore be debited, while the drawee is to pay the draft when it falls due, and should therefore be credited.

The payee, however, instead of receiving cash from the drawee, Parsons, has received a promise to pay in 30 days; for writing the word "Accepted," and signing the name across the face of a draft, constitutes at law a promise to pay. This promise to pay is a bill receivable to the holder, therefore the payee's entry should be as follows.

Bills Rec.	Recd. M. F. Archer's	900	
M. F. Archer	draft at 30 days on		900
	D. H. Parsons		

Rule D. — The payee's entry for a time draft accepted is *Bills Receivable, Dr. and Drawer, Cr.*

When this draft is presented to D. H. Parsons, and he writes *Accepted*, D. H. Parsons across its face, he agrees to pay it in 30 days after June 2, and the draft at once becomes

to him a bill payable. He should debit the drawer, *M. F. Archer*, since it is for him that he has assumed this obligation, and should credit *Bills Payable*, since he has issued his written promise to pay \$900 in 30 days after June 2, or on July 2. The following should be Parsons's entry when he accepts the draft.

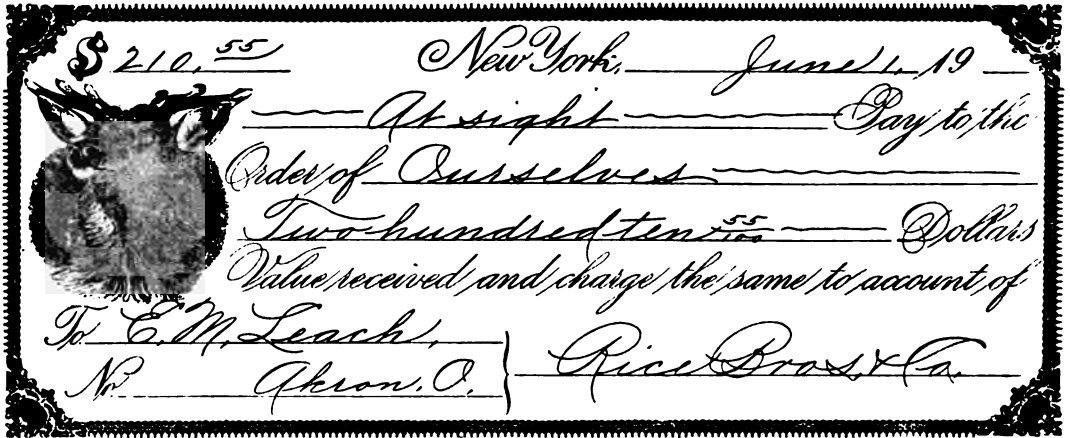
<i>M. F. Archer</i> <i>Bills Pay.</i>	<i>Accepted M. F. Archer's dft at 30 days from June 2 favor of Edward Curtis</i>	<i>900</i> <i>900</i>
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Rule E. — *The drawee's entry for a time draft is Drawer, Dr. and Bills Payable, Cr.*

Ex. 2. — Geo. W. Allen draws a draft on Chas. W. Clinton for \$500, June 2, at 45 days from date, in favor of P. Y. Black. Write the draft as accepted by Chas. W. Clinton, and make the journal entry of each party to the transaction.

Two-party Drafts. — The draft is used extensively in business for the purpose of collecting accounts that are past due, and instead of the promissory note in ordinary sales of merchandise. In these cases, the draft is made payable to the order of the drawer, and is generally collected through his bank.

FORM OF SIGHT DRAFT, TWO PARTIES



Rule F. — *When the drawer is also the payee, he credits the drawee as usual and debits Cash if the draft is at sight, or Bills Receivable if the draft is a time draft.*

Ex. 3. — J. B. Flint, of Rochester, N.Y., draws a draft at sight, June 3, in favor of himself, on A. H. Hines, of Portland, Me., for \$250, and deposits it in his bank. Write the draft and make the entries of J. B. Flint and A. H. Hines.

Ex. 4. — J. B. Flint, of Rochester, N.Y., draws a draft for \$300, at 30 days' sight, in favor of himself, on J. L. Osborn, of Manchester, N.H., who accepts it June 4. Write the draft and the acceptance, and make the journal entries of J. B. Flint and J. L. Osborn. (For form, see next page.)

FORM OF TIME DRAFT, TWO PARTIES

\$ 275.⁰⁰ Brooklyn, N. Y., June 1, 19
At thirty days' sight Pay to
the order of Ourselves
Two hundred seventy five ⁰⁰/₁₀₀ Dollars
Value received and charge the same to account of
To E. B. Lacy & Co. }
No. Chicago, Ill. } D. B. Leach & Co.

BANK DRAFTS

In business a large proportion of remittances are made by means of bank drafts, which are accepted as cash.

FORM OF BANK DRAFT

No. 569 St. Louis, Mo. June 2, 19
THE **Traders National Bank**
Pay to the order of Emerson Bros. \$ 590.⁵⁰
Five hundred ninety and ⁵⁰/₁₀₀ Dollars.
to **The Seaboard National Bank** }
New York } J. R. Page CASHIER

A bank draft, it will be seen, is an order from one bank on another, requesting the payment of a sum of money, unconditionally, to some person, firm, or company named in the body of the draft. Such drafts can be purchased at any bank for a small sum in excess of the amount for which they are written. It is the custom of every bank to keep on deposit a certain amount at some bank in the commercial center nearest to its place of business. For instance, each bank in the northeastern states will have a deposit with some bank in Boston; each bank in the middle west with some bank in Chicago; each bank in the southwest, with some bank in St. Louis; each bank on the Pacific coast, with some bank in San Francisco; and every leading bank in the United States will have a deposit with some bank in New York, since New York is the commercial center of the United States.

In the case of the draft shown in the illustration, let us suppose that Emerson Bros. of St. Louis, Mo., wish to send the Eastman Kodak Co. of Rochester, N.Y., \$590.50, to pay

for an order of goods to be shipped at once. If the Eastman Kodak Co. are not acquainted with Emerson Bros., they would probably hesitate to accept their personal check for so large an amount as \$590.50, and would delay shipment of the goods until they found out whether or not the check was good; therefore, Emerson Bros. make out a check like the following.

St. Louis, Mo. June 2, 19__

THE Traders National Bank

~~Pay to order of~~ N.Y. Draft (\$590.⁵⁰) Cash, 50¢ \$591.⁰⁰

Five hundred ninety-one ⁵⁰/₁₀₀ Dollars.

No. 282 Emerson Bros.

Emerson Bros. take the above check to the Traders National Bank of St. Louis. The bank will charge a small fee for exchange (in this case 50¢), which is included in Emerson Bros.' check, and will make out a draft similar to the form on page 111. Some business houses have these remittance drafts made payable to the order of the person to whom they are to be sent, but the better way is to have the draft made payable to the order of the sender, who will indorse it over to the order of the person to whom it is sent. When this is done, the draft itself, after it has been presented and paid, becomes a receipt for the amount named in its face. In this case, the draft would be indorsed as shown below. It would be accepted as cash by the Eastman Kodak Co., and they would place it as a deposit

June 2, 19__

Pay to order of
Eastman Kodak Co.
Emerson Bros.

mk

\$590.⁵⁰

50 Dollars.

J. B. Page
CASHIER.

in their bank in Rochester. This bank would forward the draft to the bank with which it does business in New York, and the draft would be presented to the Seaboard National Bank of that city, and that bank would pay it and charge the amount to the Traders Bank of St. Louis. The draft would be returned to the Traders Bank as a voucher and would be kept by that bank.

EXERCISES IN JOURNALIZING DRAFTS

In the following exercises it is required that the student write each draft, with such indorsement or acceptance as it should bear, and make his journal and cash book entries on foolscap or journal paper.

If the teacher deems it advisable, he may require the student to make the journal and cash book entries of all parties to these drafts.

JUNE 1, 19—. — Emmons, Hyde & Co., of Chicago, Ill., have agreed to honor your draft at sight for \$600, favor of E. L. Martin, and you draw on them accordingly. (See rule A, page 108.)

JUNE 2. — Draw on Geo. C. Chase, Manchester, N. H., for \$275 at 10 days' sight, in favor of Wm. Darling & Co. (See rule A, page 108.)

JUNE 3. — S. A. Dodge & Co., Millbury, Mass., have accepted your draft, dated June 2, for \$800 at 60 days after date, in favor of yourself. (See rule F, page 110.)

JUNE 4. — Draw on John Reynolds & Co., St. Louis, Mo., for \$250 at sight, in favor of yourself. Deposit the draft in your bank (College Bank; indorse correctly), and receive credit for its face. (For proper cash book entry, see rule F, page 110.)

JUNE 5. — O. H. Waters, Boston, Mass., has accepted your draft, dated June 5, for \$1200 at four months after date, favor of yourself. Have it discounted at the College Bank and the net proceeds placed to your credit.

Prepare a discount slip, treating the draft exactly as you would a four months' note of a similar amount and date.

For the above transaction, some bookkeepers would make a journal entry, debiting *Bills Receivable* (see rule F, page 110) and crediting *O. H. Waters*, after which they would make a cash book entry, debiting *Cash* and crediting *Bills Receivable*; also crediting *Cash* and debiting *Discount* for the discount. But the journal entry is unnecessary, since the bill receivable does not remain in your possession. The better method would be to debit *Cash* for the amount of the draft and credit *O. H. Waters* in the cash book, writing *draft at 4 mos.* in the second wide column of the cash book; then credit *Cash* and debit *Discount*, writing *O. H. Waters dft., 122 das.* in the second wide column on the credit side of the cash book.

JUNE 6. — Wm. Parsons & Co., Worcester, Mass., have drawn on you at sight through the College Bank, for \$650. You pay it by check on the College Bank, where you have a deposit. (See rule C, page 109.)

JUNE 8. — You receive from T. W. Preston, Toledo, Ohio, a draft dated June 5, drawn on you at 30 days after sight, favor of himself, for \$200. Accept the draft, payable at your office. (See rule E, page 110.)

JUNE 8. — Ward Bros., El Paso, Texas, who owe you on account, send you a sight draft on Thomas Traynor & Co., Buffalo, N.Y., in your favor, for \$300, and you place the draft in the College Bank with your daily deposit, receiving credit for its face. (See rule B, page 108.)

JUNE 9. — Fred Kemble & Co., Concord, N.H., owe you on account, and they send you

a draft at ten days from date, for \$4000, on A. B. Collins, Pittsburg, Pa., to apply on account. Receive it at its face value, and give it to the College Bank for collection. Do not forget to indorse properly. (See rule D, page 109.)

JUNE 10. — You owe Chas. Farnham & Co. \$510 on account, and you give them a sight draft on H. A. Bowen, Portsmouth, N.H., for the amount.

JUNE 11. — You owe O. D. Byron \$240 on account, and in payment you give him a draft on C. P. Larcum, Syracuse, N.Y., at 10 days after date for this amount.

JUNE 12. — Geo. Farrish & Co., who are indebted to you, indorse over to you a draft drawn by them, in their favor, on Amos Martin, Philadelphia, Pa., for \$485, dated June 1, at four months from date, and accepted by Martin. You receive the draft and give Farrish & Co. credit for its face, less bank discount at 6% for the unexpired time. (Find the due date of the draft, and discount it for the time between June 12 and the due date.)

JUNE 13. — You have in your possession a draft drawn by yourself, June 4, on J. C. Dennis & Co., Brooklyn, for \$915, at 90 days from date, and accepted by J. C. Dennis & Co. You give this acceptance to J. L. Osborn & Co. on account, indorsing it properly, and they allow you its face, less bank discount at 6% for the unexpired time. (Find due date and discount for unexpired time.)

JUNE 13. — You have the acceptance of S. A. Dodge & Co., dated June 2, discounted at the College Bank, and the net proceeds placed to your credit.

Hand the journal sheet containing the journal and cash book entries for the above transactions, and the drafts which you have written, to your teacher for examination. Be sure you understand each transaction before proceeding.

WHOLESALE GROCERY BUSINESS—JUNE

H. F. Adams is desirous of adding a line of standard groceries to his tea, coffee, and spice business, and has admitted you as an equal partner. Mr. Adams is to do all the buying for the new firm and also to spend a part of his time as traveling, or outside, salesman, while you are to take full charge of the books and attend to the payment of bills, write all notes, checks, drafts, and other negotiable paper of the firm, and attend to the management of the store.

Books Kept.— In this month's work you will use, in addition to the books already in use, the invoice book and bill book.

The Bill Book contains a list and a brief description of all notes which come into the business or which are given by the business. When notes are received or given, the information called for should be written under the proper headings, as shown in the bill book (see model, page 116). This model contains the proper entries for all notes received and given during the month of May.

N.B.— You may copy the entries found in the model bill book into your bill book exactly as they appear in the model. Your bill book will then show all notes on hand and outstanding at the beginning of the month of June.


The Invoice Book is generally made up of the original invoices, which are pasted in the book as shown in the model on page 117, the amount of each invoice being carried into the money column of the invoice book, as shown in the model. When bills are received, after they have been O. K.'d, paste them in your invoice book, taking care that the right-hand edges of the bills do not extend into the money column of the invoice book.

A good plan to pursue in this work is to lay the invoices in the invoice book as you receive them, until you have accumulated from four to six bills. Then ask your teacher to show you how to paste them in the book. In actual business, the bills are usually pasted in the invoice book at the end of each day.

It will be seen that the money column of the invoice book should contain the amount of all merchandise bought by the business, and therefore the footing of this money column should be the debit of the Merchandise account. It will no longer be necessary to enter merchandise purchases in the journal, but at the end of the month, or at such periods as may be desired, the total footing of the money column of the invoice book should be carried to the debit side of the Merchandise account; postmark by writing the page number of the invoice book in the folio column of the ledger, and the ledger page of the Merchandise account in the folio column opposite the footing in the invoice book. The amount of each bill should be posted directly from the invoice book to the credit of each person or firm from whom the merchandise is purchased, and the page of the account in the ledger should be written on the invoice itself, as shown in the model on page 117.

Grouping Invoices in the Invoice Book.— It is customary in some houses to file the invoices until the end of the month. Then they are pasted in the invoice book, but all invoices of any one firm are placed together and only the total amount posted to the firm's account in the ledger. Where this plan is practicable, considerable labor is saved in posting, and the accounts in the ledger are considerably condensed.

J. J. DUBOY **SEEDS** *No. 104* T. G. STINE



GRAIN

Josway & Co.
GENERAL GROCERS AND COMMISSION MERCHANTS,
St. Louis, Mo. *Mar. 1*


Sold to *C. W. Hammond & Co.*
122 Main City

Terms _____

110220

GEO. R. DANENHOWER JNO. C. DANENHOWER *No. 110* THOMAS E. WOOD, Special Partner

Agents for **EXTON'S** **WRAPERS**



G. R. DANENHOWER & SON
Coffees & Teas a Specialty.
St. Louis, Mo. *Mar. 1*

Sold to *C. W. Hammond & Co.*
122 Main City

Terms *1/2 net 30 days*

106160

No. 112



C. W. Johnson
GROCERIES AND DELICATES


St. Louis, Mo. *Mar. 1*

Sold to *C. W. Hammond & Co.*
122 Main City

Terms *1/2 per cent 60 days*

94534

ISAAC WIFE ANDREW WIFE CHAS. & WIFE WIFE *No. 117*



White Star Mills
HIGH GRADE FLOURS

St. Louis, Mo. *Mar. 9*

Sold to *C. W. Hammond*
124 Main City

TERMS _____

1687

<i>1 1/2 cts. White S. Flour 3 1/2</i>	<i>1687</i>

Ford. 479614

FORM OF ARTICLES OF COPARTNERSHIP

ARTICLES OF COPARTNERSHIP, made the first day of June, one thousand nine hundred and . . . , between J. B. Lamson, of Manchester, N.H., of the first part, and Frank W. Garland, of Boston, Mass., of the second part, witnesseth as follows:

The parties hereunto, having mutual confidence in each other, do this day form with each other a copartnership under the firm name of J. B. Lamson & Co., for the purpose of conducting a wholesale business in tea, coffee, spices, and general groceries, at 241 Chestnut St., Manchester, N.H., under the following terms and conditions, to wit:

First. That the said J. B. Lamson of the first part shall contribute the entire resources of his late business located at 241 Chestnut St., Manchester, N.H., as shown by his financial statement prepared May 31, 1900, less the liabilities, as shown by that statement, which liabilities are to be paid by the firm of J. B. Lamson & Co. The total net investment of J. B. Lamson, as shown by these statements, is \$7245.

Second. The said Frank W. Garland of the second part shall contribute cash to the amount of \$7245.

Third. The capital so formed is to be used and enjoyed in common between them for the prosecution and management of said business, to their mutual benefit and advantage.

Fourth. Both parties shall devote their entire time to the business, and shall share gains and assets equally, and bear losses equally. J. B. Lamson is entitled to draw a salary of \$125 per month, and Frank W. Garland is entitled to draw a salary of \$100 per month from the funds of the business.

Fifth. The said J. B. Lamson hereby guarantees that all notes and personal accounts due J. B. Lamson, and invested by him in the firm of J. B. Lamson & Co., shall be worth their face value, less any regular trade discounts to which they may be entitled.

In Witness Whereof, the parties hereto have hereunto set their hands and seals, in duplicate, the day and year first above written.

*Signed, sealed, and delivered }
in the presence of }*
F. W. EARL.

J. B. LAMSON. [L. S.]
FRANK W. GARLAND. [L. S.]

TRANSACTIONS

No. 67. — JUNE 1, 19—. H. F. Adams and you have agreed to form a partnership, to carry on a wholesale grocery business as a continuation of Mr. Adams's tea, coffee, and spice business. You are to invest a cash sum equal to the present worth of Mr. Adams at the close of May. The gains and losses of the business are to be shared equally. Each partner is to give his full time to the business, and H. F. Adams is to draw a salary of \$125 per month and you a salary of \$100 per month. The firm name is to be H. F. Adams & Co.

Prepare articles of copartnership between the two partners, yourself and H. F. Adams (see model above). For amount of each one's investment, see H. F. Adams's present worth, financial statement May 31. Present this copy to your teacher for approval, and make such changes as he may suggest. Copy carefully, in ink, on legal cap, the corrected articles of copartnership and present to your teacher, who will sign for H. F. Adams. Sign your own name below that of H. F. Adams, and affix seals. Ask some one to sign as witness in the left-hand corner opposite the names of yourself and H. F. Adams.

In business a lawyer experienced in partnership affairs should prepare these articles of copartnership. Two copies should be made, one for each partner.

Fold the articles of copartnership twice from bottom to top, and brief them by writing on the back of the left-hand end, at the top, the following: *Articles of Copartnership between H. F. Adams and (Student's name), June 1, 19—* (current year).

Fill the blanks in the bill of sale (No. 67), attach a copy of the May financial statement, and put it in your Voucher File. In your Cash Drawer is A. W. McKey's note. Indorse it *Pay to the order of H. F. Adams & Co.*, and sign the name *H. F. Adams*. Write a check in favor of H. F. Adams & Co. for the amount of H. F. Adams's balance in Commercial Bank, as shown by the stub of your check book; sign it as you signed checks in May. The transactions described in this paragraph are necessary to transfer the property of the business of H. F. Adams to the new firm H. F. Adams & Co. Make no book entry for them, because you are going to treat the June business as a continuation of the May business, instead of opening a new set of books.

Make your investment in the business by check No. 67 on your own private account in the Bank of Monroe. Detach the check from the voucher pad and fill it out for the proper amount. Sign your own name to it. Enter the amount in the cash book on the first line below the balance for June 1, crediting yourself for investment.

Deposit Adams's check and your own check. Be sure to enter this deposit on your check book stub so that your check book will show the correct balance in bank. How will you indorse these checks?

N. B. You should no longer sign or indorse checks and other papers with your name as attorney, for you are now a member of the firm of H. F. Adams & Co., and have the same right to sign checks and other papers that Mr. Adams has; but, in order that your teacher may be able to identify your work readily, write *By* and your own name under that of H. F. Adams & Co. on all paper you may have occasion to indorse or sign.

No. 68. — JUNE 1. Write a cash check on the Commercial Bank (see form below) for \$200, get the cash for it, and put the money in your Cash Drawer. Such a check requires no indorsement.

<i>St. Louis, Mo. June 15, 19—</i>	
ALLIANCE BANK	
Pay to the order of <u><i>cash</i></u>	<u><i>\$ 200</i></u>
<u><i>Seventy in</i></u>	<u><i>Dollars</i></u>
<u><i>No. 914</i></u>	<u><i>John B. Smith</i></u>

No. 69. — JUNE 1. Pay this bill for stationery.

Write a check for the amount and place the receipted bill in your Voucher File. Place the check in Cash Paid Out. Make the proper entry in your cash book.

No. 70. — JUNE 3. Bought merchandise of the City Mills Company.

Examine the invoice and see that the multiplications and addition are correct. Mr. Adams's "O.K." applies only to the terms, quantity of goods, and prices. If you find any

error, ask your teacher (representing City Mills Company) what to do. If you find the invoice correct, O.K. it, paste the invoice in your invoice book, and write the amount of the invoice in the money column of the invoice book (see model, p. 117). No journal entry is required for this transaction, for, as explained on p. 115, postings are made directly from the invoice book.

No. 71. — JUNE 3. Bought merchandise of Reynolds, Davis & Co. This transaction should be treated in the same manner as No. 70.

No. 72. — JUNE 4. You now take out a policy of insurance on your stock of merchandise for \$ 3000 at 1 % premium.

Write a check for the amount of the premium. Place it in your Cash Paid Out envelope. Place the policy in your Voucher File, and make the proper cash book entry (see transaction No. 30, page 86).

No. 73. — JUNE 4. You have outstanding a note in favor of L. Hennes & Co., for \$ 1505, which is due 60 days after date, May 2. This note will not fall due until July 1, but as you have money in the bank which you do not need to use in your business at present, you may pay it now. It is the custom in business to allow discount for the unexpired time on all notes paid before due, and L. Hennes & Co. have agreed to allow bank discount at the rate of 6 % per annum.

Calculate the discount on the amount of this note for the time which it still has to run (from June 4 to July 1 = 27 days). Subtract the discount, \$ x.xx, from the amount of the note, and write a check for the balance. Place the check in Cash Paid Out. Receive the note from L. Hennes & Co. by taking it from your Bills Payable File; write *Paid, June 4, 19—*, across its face, and ask the teacher to sign the name *L. Hennes & Co.*; and place the note in your Voucher File.

This transaction calls for two cash book entries. Credit *Cash* for the full amount of the note, and debit *Cash* for the amount of the discount. In your bill book under "When and how disposed of" write *1505* in the amount column, *June 4* in the date column, and *Dis.* and the amount of the discount in the explanation column.

Rule 23. — *DISCOUNT is credited when discount is allowed to the business on a note or draft; for then it saves or produces value for the business.*

FORM OF NOTIFICATION OF DRAFT

Rome, N. Y., June 1, 19—.

Messrs. White, Smith & Perry,

262 Brown St.,

Providence, R. I.

Gentlemen, —

We have this day drawn upon you at sight, in favor of A. V. Jackson & Co., for \$ 225. Please honor the draft.

Yours truly,

Williams & Raymond.

W

No. 74.—JUNE 5. Draw at sight on Rice & Pond, of Georgetown, for \$265, in favor of E. Westen Tea & Spice Co., and send the draft to balance your account with the latter firm.

Write the draft, following the model on page 107. Inclose it with a letter properly addressed to E. Westen Tea & Spice Co., advising them of the remittance. Write a letter to Rice & Pond, notifying them that you have drawn on them at sight for \$265, and request them to honor the draft (see model, page 120). Referring to Rule A, page 108, make your journal entry. Place both letters in Vouchers for Others.

No. 75.—JUNE 5. F. C. Tenney has agreed to honor your draft at sight for \$90. Draw on him in favor of C. K. Fox.

This transaction is similar to No. 74. Proceed in the same way. Why do you debit C. K. Fox? Why do you credit F. C. Tenney?

No. 76.—JUNE 5. On A. W. McKey's order of goods you will allow 1% discount in consideration of McKey's accepting a draft at 30 days from the date of the sale.

Make a bill, checking off each item on the salesman's order. Enter the sale in your sales book for the full amount and place the bill in your Vouchers for Others.

Using the forms on pages 109, 111, as models, draw a draft at 30 days for the amount of the bill, less 1%. Do not write *Accepted* across the face, but take the draft to your teacher, who will accept it for Mr. McKey by writing *Accepted*, with the name *A. W. McKey*, across the face of the draft. When he has done so, enter the accepted draft in your bill book, after which place it in your Cash Drawer.

This transaction requires a journal entry of two debits and one credit. (See rule F, page 110, and rule 20, page 79.) Submit entry to teacher before placing it in your journal.

No. 77.—JUNE 6. Mr. Adams sends in this order from F. C. Tenney. This transaction is like No. 76, except that you allow a discount of 3% for payment by a ten-day acceptance.

Make out a bill and verify your calculations. Draw a ten-day draft on F. C. Tenney for the amount of the bill, less 3%, get it accepted, and make proper entries.

No. 78.—JUNE 6. Bought merchandise of West, Stone & Co. Mr. Adams has agreed to accept a draft at 10 days, and the draft ready for acceptance accompanies the invoice.

See that the invoice is correctly made, and if the amount is correct, write across the face of the draft, in red ink, *Accepted, payable at Commercial Bank, H. F. Adams & Co. by*, and your own name. Return the draft thus accepted to West, Stone & Co. (by placing it in your Bills Payable File), after you have entered it in your bill book.

Paste the invoice in your invoice book, and enter the full amount in the money column (at the proper time you will post it from this book to the credit of *West, Stone & Co.*, and will include it in the amount posted to the debit of *Merchandise*).

Make a journal entry for the draft and the 3% discount allowed. (See rule 16, page 29, and rule 19, page 78.)

No. 79.—JUNE 7. This order from A. A. Knowles & Co. comes in with a check for \$600 to apply on account.

Make bill, verify your calculations, and enter in the sales book. Place the check in your cash drawer and make the proper entry in your cash book.

No. 80.—JUNE 7. Deposit in your bank the check received from A. A. Knowles & Co., and have the two acceptances received June 5 and 6 discounted and the net proceeds placed to your credit. Also leave for collection the note of A. W. McKey, which is due June 10.

See that your note and acceptances, as well as the check, are properly indorsed.

Make out a separate discount slip for each of the acceptances. Make cash book entries and enter the acceptances in the bill book under "When and how disposed of," on the same line with the original entries, writing the face of each in the amount column, and *Dis.* and the amount of the discount in the space for "Remarks." Your bank pass book should show a separate entry for each acceptance. Do not forget to enter the net proceeds of the two acceptances and the deposit separately on the stub of your check book.

Make no entry in your journal or cash book for the note left for collection, but in the "Remarks" column of the bill book, write *For coll. Coml. Bank, June 7, 19—*. This note should be entered on the last page of your bank pass book under the heading *Collections*. (If you have no bank, write the heading *Collections* at the top of the last page, and below it, in proper columns, *19—, June 7, Note A. W. McKey, 700.*) You will be notified when the note is paid, and the amount will then be placed to your credit in the pass book the same as a deposit.

Some banks give a receipt for notes and other paper left for collection, instead of entering them in the back part of the pass book. Others enter all such paper in the regular place in the pass book, short extending the amount (that is, writing the amount in the explanation column and not in the money column). Then after the collection has been made, the amount is entered in the regular money column by the bank bookkeeper.

No. 81. — JUNE 7. EIGHTH REPORT. Make out your report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher. Do not balance the cash book at this point, but if your cash book pages are nearly filled, rule and foot them in red, writing the word *Ford.* on the line with the footings on both pages; and transfer the footings to the following pages, in black ink, with the explanation *Brot. Ford.* See page 83 for these forms.

No. 82. — JUNE 8. Pay City Mills Co. for bill of June 1, deducting a discount of 3%. Calculate the discount and make out a check for the balance. Write a letter to go with the check, inclose them in an envelope properly addressed, and place in Vouchers for Others. Be sure to make proper entries in the cash book and on the check stub.

No. 83. — JUNE 8. Purchased merchandise of City Mills Co. Verify the invoice and paste it in your invoice book. What should you do if you find an error in it?

No. 84. — JUNE 10. Pay invoice of Reynolds, Davis & Co. by check, less discount.

No. 85. — JUNE 10. Fill E. Mason & Co.'s order, making an invoice and bill of lading as usual; draw a draft as requested; enter the draft in your bill book; and leave the draft at your bank for collection, having it recorded under *Collections* in your bank pass book.

This draft, when accepted, will become a bill receivable. If you should send the draft to Mason & Co. for acceptance, you would make no entry at the time, in either bill book or journal, but would await its return from them. Instead of doing this you have placed the draft in the bank for collection, which is the ordinary method of handling such paper. As Mason & Co. have agreed to accept it, you may debit *Bills Receivable* and credit them.

No. 86. — JUNE 11. This order for Fletcher Bros. has been handed in by Mr. Adams. Make a bill, and do not forget to check off the items. Be sure your calculations are right. Charge Fletcher Bros. in the sales book with the full amount of the bill.

No. 87. — JUNE 12. This check has been received in payment of merchandise delivered yesterday to Fletcher Bros., less 3% cash discount. Credit them on the debit side of cash book for the full amount of the bill, as shown in your sales book. Debit *Merchandise Discount* on credit side of cash book for the amount of the discount.

No. 88. — JUNE 12. This bill is for freight and drayage on all goods received up to date. Pay it in cash.

Place the proper amount of cash in your Cash Paid Out envelope, and place the receipted bill in your Voucher File.

No. 89. — JUNE 12. On May 5th H. F. Adams borrowed from the bank \$ 5000, to pay for the building and lot, No. 246 Main St., giving a four months' note for the amount. As you now have several thousand dollars in the bank, for which there is no immediate use, you have decided to pay this note, as discount will be allowed for the unexpired time. The note has 85 days to run, and the discount on \$ 5000 for 85 days is \$ 7x.x3.

Make a check for \$ 49xx.x7, take it to the bank teller, and receive the canceled note.

If no bank is used in connection with these transactions, the note will be found in Bills Payable File. Take it from the file, write *Paid, June 12, 19—*, across the face of the note and ask the teacher to sign for the bank. Place the check in Cash Paid Out, instead of giving it to the bank teller, and place the note in your Voucher File.

Make proper entries in your cash book and bill book. In the bill book, under "When and how disposed of," on the same line with the original entry of the note, enter the face of the note in the amount column, and write *Dis.* and the amount of the discount under "Remarks."

No. 90. — JUNE 12. This order from F. H. Randall & Co. comes in with a check for \$ 500 to apply on account. Make the bill and enter in the sales book. Credit *F. H. Randall & Co.* in the cash book for the amount of the check.

No. 91. — JUNE 13. This invoice has been purchased from Reynolds, Davis & Co. Verify the calculations and paste the invoice in the invoice book.

No. 92. — JUNE 13. Take from your Cash Drawer \$ 100 in currency, and also the checks of Fletcher Bros. and F. H. Randall & Co. Deposit these in the bank, and ask the teller if the interest-bearing note of A. W. McKey, dated May 31, and left by you for collection, has been paid. It has been paid. Therefore, ask him for the proper credit in the bank pass book.

On a slip of paper calculate the interest on this note for 10 days, and add the amount of the interest to the face of the note. This is the amount which should be placed to your credit in the bank pass book. If your interest calculation is correct, the bank clerk will give you credit for the amount of the note, which is its face plus the interest. (If no bank is used, enter the amount yourself.) Add this amount to your bank balance on the stub of your check book, and also add the amount of the deposit slip.

You have received \$ 701.17 in cash. Of this amount \$ 700 is for bills receivable, the amount of A. W. McKey's note; therefore, *Bills Receivable* should be credited for \$ 700 in the cash book, with the explanation, *A. W. McKey's note 5/31*. The remaining \$ 1.17 has been received for interest, and therefore *Interest* should be credited in the cash book for that amount, with the explanation, *on above note*. Make proper entry in the bill book.

Rule 24. — *INTEREST is credited when interest is allowed to the business by others; for then it produces value for the business.*

No. 93. — JUNE 13. Your acceptance of June 3 is due to-day, and as it was made payable at the bank, it should be charged to your account.

Take this acceptance from the Bills Payable File, and present it to the bank teller, requesting him to charge it to your account. (In business the draft would be presented by West, Stone & Co.'s bank.) He will keep the draft and return it to you canceled, together

with the paid checks, when your bank book is written up. If you have no bank, write *Paid, June 13, 19—*, across the face of the draft, and enter it on the credit side of your bank pass book, placing the canceled draft in your Voucher File.

Make an entry in your cash book, to show that the acceptance has been paid. What account should be debited? Why? In your check book on the stub deduct this amount, \$1111.62, from the amount on deposit, as shown by the balance of the stub. Why should this be done?

Some banks would require a check in favor of the bank for the amount of the acceptance and would deliver the paper at once.

No. 94. — JUNE 14. This order for Rice & Pond has been sent in by Mr. Adams, who is on an out-of-town trip. Desiring to take advantage of the discount, Rice & Pond have given him their note at four months, with interest, for \$1000, to pay the balance of their old account and to apply on this order. They agree to accept a sight draft for the balance of the order, whatever it may be, or will send check on receipt of bill.

Deduct 3% on the face of the invoice, but enter the full amount in the sales book. Make proper entry for the discount and note in the journal. Also enter the note in the bill book. Do not draw at sight for the balance, as the amount is small, but allow it to remain on account.

No. 95. — JUNE 14. This order from Thos. Varick & Co. is sent in by Mr. Adams, who vouches for the financial standing of the firm. They ask regular ten-day cash discount, and agree to honor a sight draft in ten days.

Make out the invoice and bill of lading as usual, and draw a sight draft for the amount of the invoice less 3%, dating it ten days ahead, or June 24. Write a letter to accompany the bill, informing Varick & Co. that you will draw on them in ten days for the amount of the bill less 3%. Inclose invoice, letter, and bill of lading in an envelope properly addressed. Put the draft in your Cash Drawer after pinning to it a memorandum of the cash book entries to be made when the draft is disposed of — namely, *Cash Dr.* and *Thos. Varick & Co. Cr.* for the gross amount of invoice, and *Cash Cr.* and *Mdse. Discount Dr.* for the discount. On June 24, or two or three days before, you will place the draft in bank for collection, or deposit it. You will be reminded when to do this.

No. 96. — JUNE 14. Pay your invoice of June 5, City Mills Co., \$1266, less 3% discount. Calculate the discount, which will be \$3x.x8. Write a check for the amount due. Inclose the check with a letter, advising them of the remittance, in a properly addressed envelope, and place in Vouchers for Others. Make the proper entries for the transaction.

No. 97. — JUNE 15. This purchase has been made from Smith, Perkins & Co., and you get 3% discount in consideration for giving an interest-bearing note.

Write a note at 15 days, with interest, for the amount of the invoice less 3%. Make proper entries. Place the note in Bills Payable File.

No. 98. — JUNE 15. SHIPMENTS. This letter suggests a shipment of merchandise to another person, to be sold on commission; such transactions are not at all uncommon in business. When, for any reason, goods are not selling well in any particular locality, it is often good policy to send them to a commission merchant in some place where there is likely to be a better demand for them. The commission merchant sells the goods, and after taking a certain per cent for commission, and deducting other charges, sends the balance to the person who shipped the goods. A quantity of goods shipped to be sold on commission is designated as a "shipment." The shipment is entered in the sales book under the title

“*Shipment to* (the name of the commission merchant).” The shipment is charged for the regular cost price of the merchandise, and if any charges have been paid, the shipment is also debited for these in the cash book.

An account is opened in the ledger with each shipment. If two or more shipments are sent to the same firm, separate accounts are opened with *Shipment* (firm name) *No. 1*, *Shipment* (firm name) *No. 2*, and so on.

Send Thos. W. Bowen & Co., Dover, a trial shipment of 50 barrels Northern Star and 25 barrels Searchlight. Fill out a shipment invoice found in your business forms, figuring the goods at the latest cost price as shown in your invoice book. Also fill out a bill of lading and inclose both shipment invoice and original bill of lading in an envelope addressed to Thos. W. Bowen & Co. The following form illustrates the proper method of entering the shipment in the sales book.

15			
<i>Shipment E. M. Pace #1</i>			
<i>Chicago, Ill.</i>			
<i>50 bbls. White Cloud Flour</i>	<i>4.25</i>	<i>225</i>	
<i>100 " Snow Flake "</i>	<i>4.25</i>	<i>425</i>	
<i>20 hf. chts. Oolong Tea 1000#</i>	<i>50¢</i>	<i>500</i>	<i>1150</i>

Rule 25. — *SHIPMENTS* are debited for the cost price of the merchandise shipped, and for all advance charges paid upon it.

No. 99. — JUNE 15. Pay your clerks as follows: R. E. Leavitt, \$30; D. J. Allard, \$20. As you have not enough money in your Cash Drawer, make out a cash check for the amount required, \$50. (See transaction No. 68.) Get the cash from the bank and place it in Cash Paid Out. (If there is no bank, present the check to your teacher, who will give you the money.)

No. 100. — JUNE 15. NINTH REPORT. Make out your report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher. Although on the report it is desired to show only the amounts of cash received and paid since the last report, the cash book should be pencil footed so as to show the totals of cash received and paid since the last of May, when the cash book was last balanced. Do not rule the cash book again until the end of June.

No. 101. — JUNE 17. Fill D. W. Perry & Co.'s order for the small lot of tea (100 lb.), and on the bill deduct a discount of 3%. Hold the order for the larger lot of goods until you and Mr. Adams are satisfied as to the reliability of the firm.

Make out a C. O. D. envelope and enter the sale in your sales book, as in No. 55, page 94. (The discount will be entered through the cash book when the returns come in.)

No. 102. — JUNE 17. You have received but few orders for Ceylon tea recently, so you have decided, with Mr. Adams, to make a shipment of 20 cases of this tea, closing out your stock. Send it, with 10 mats Java coffee, to Thos. W. Bowen & Co., of Dover, to be sold on commission. Pay freight in advance, \$3.60, in currency.

Enter the shipment in your sales book (*Shipment Thos. W. Bowen & Co. No. 2*), and make the proper entry in your cash book for the \$3.60 paid as freight. What account should be debited for this amount? Why? (See No. 98.)

No. 103. — JUNE 17. This purchase of merchandise has been made from Geo. C. Buell & Co. Paste the invoice in your invoice book after verifying the calculations.

No. 104. — JUNE 18. Write a check for the amount due Shields Bros., and send it to them with a letter. Make the proper entry.

No. 105. — JUNE 18. This draft has been drawn on you by L. Hennes & Co., and is the amount due for bill of May 24. Accept the draft, and return it to L. Hennes & Co. (by placing it in your Bills Payable File). Why should you write the date in your acceptance? What account should be debited? Why? (See transaction No. 78, page 121.)

No. 106. — JUNE 19. The references given by D. W. Perry & Co. prove satisfactory; fill the main part of their order of June 15 (No. 101); make the terms 4 mos., 3/10.

No. 107. — JUNE 19. These two express money orders are a return of C. O. D. sent June 17. The express company has retained 50¢ for return charges. Make the proper entries in cash book (see No. 58, page 94).

No. 108. — JUNE 19. Take from your Cash Drawer the note of Rice & Pond received June 14th, and have it discounted and the net proceeds placed to your credit.

This is a four months' interest-bearing note; therefore, on a discount memorandum, write the amount of interest which will be due Oct. 12, on which date the note is payable, and add the interest to the face of the note. The interest on \$1000 for four months is \$20. From June 19 to Oct. 12, the due date of the note, is 115 days. Calculate the discount on \$1020, the amount due Oct. 12, for 115 days, subtract this amount from \$1020, and you will have the amount to be placed to your credit in your bank pass book and on the stub of your check book.

In the cash book debit *Cash* for the note, \$1000, and also for the interest, \$20. What account should be credited for the \$1000? Why? What account should be credited for the \$20 interest? Why?

On the credit side of your cash book you should enter the amount of discount you have allowed the bank, which is \$19.55. Make proper entry on your check book stub.

No. 109. — JUNE 19. F. H. Randall & Co. have ordered goods and sent you a check sufficient to pay the balance of their bill of June 12, and part of the merchandise ordered in their letter accompanying the check. Allow them 3% discount on as much of the goods as this check will pay for.

At 3% discount, 97¢ will pay for \$1.00 worth of goods as invoiced at their regular price, therefore it is evident that \$600 will pay for as many dollars' worth as 97¢ is contained in \$600. $\$600 \div .97 = \618.56 , and *F. H. Randall & Co.* should be credited for this amount. Enter \$618.56 on the debit side of your cash book, and on the credit side enter \$18.56, the amount of merchandise discount allowed *F. H. Randall & Co.* Enter the sale as usual in the sales book.

No. 110. — JUNE 20. This account sales has been received from Thos. W. Bowen & Co., together with a check for the net proceeds. It is the amount you have received for the shipment made June 15, and shows you how much Bowen & Co. received for the goods, also the amount they paid for freight and their commission. What account should be debited? What has produced value to the business in this case?

Rule 26. — *SHIPMENTS are credited with the net proceeds shown on the account sales received from the person to whom the shipment was sent.*

Place the check in your Cash Drawer, and the account sales in your Voucher File.

No. 111. — JUNE 20. Take from your Cash Drawer and indorse properly the express money orders received June 19; also the checks of F. H. Randall & Co. and Thos. W. Bowen & Co. Enter the amounts on a deposit ticket, and take it with the checks, orders, and your bank pass book to the bank. Make the proper entry on your check book stub.

No. 112. — JUNE 20. Purchase of merchandise on account from Shields Bros.

No. 113. — JUNE 20. Pay Reynolds, Davis & Co.'s invoice of June 10, less 2%, by check.

No. 114. — JUNE 21. This bill from City Carting Co. is for freight and cartage to date. Write a check for the amount, and place it in Cash Paid Out. What do you do with the receipted bill? What account should be debited for this amount in your cash book?

No. 115. — JUNE 21. Mr. Adams has purchased this invoice from E. Westen Tea & Spice Co. and has agreed to accept a draft at 30 days for \$800, the balance to be paid in four months. Accept the draft which accompanies the invoice, and place it in Bills Payable File. Why is it unnecessary to write the date in your acceptance? . Make the proper entries.

No. 116. — JUNE 21. Bought merchandise of West, Stone & Co. Enter as usual.

No. 117. — JUNE 22. Mr. West, of West, Stone & Co., has called upon you, soliciting orders, and being short of money has agreed to allow you 2% discount on the invoice of May 20, which is not due until July 19, if you will accept a ten-day draft. You agree to this proposition, and accept a draft for the amount, less 2%. Submit your journal entry to your teacher for approval before writing it in the journal.

No. 118. — JUNE 22. Smith, Perkins & Co. have decided to retire from business, and have offered Mr. Adams a trade discount of $12\frac{1}{2}\%$ from regular market quotations for such goods as he can use from stock. This invoice has been selected on the terms indicated.

Write the check and note, and make proper entries in cash book, journal, and bill book. (If in doubt, show entries to your teacher before writing them in the books.) Place the check in Cash Paid Out and the note in Bills Payable File.

A trade or commercial discount is an allowance deducted from the catalogue or list price of goods in order to meet the current market quotations or to encourage or effect a sale. It is deducted on the invoice, to show the net price really asked for the goods, and this net price is the one extended to the money column of the invoice book or sales book, to be carried to merchandise account; for no Trade Discount account is kept in the books.

Merchandise Discount account includes only such allowances as are offered for the purpose of securing prompt payment; these allowances are commonly called cash discounts. A cash discount is always allowed *on condition* of prompt payment; if the purchaser does not pay within the given time, he becomes liable for the gross amount. But a trade discount is allowed without conditions; the purchaser does not become liable for the gross amount in any case.

No. 119. — JUNE 24. Take the sight draft on Thos. Varick & Co. from your Cash Drawer, detach memorandum, and enter the draft on a deposit ticket. Take this ticket and the draft, with your bank pass book, to the bank, and ask the teller to enter the draft to your credit. You drew this draft at the time of sale, but made no entry. What account should be debited, now that you have received credit for the draft at your bank?

It is the custom of most banks to place sight drafts to the credit of responsible depositors, when requested, the same as checks. If not paid, the depositor is notified, whereupon he gives the bank his check for the amount, and takes the draft back.

No. 120. — JUNE 24. TENTH REPORT. Make out your report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher. Do the pencil footings of your cash book show the total cash received and paid since the last of May?

No. 121. — JUNE 24. This account sales has been received from Thos. W. Bowen & Co., who have placed the net proceeds to your credit subject to your sight draft. What account should be debited for this amount? Why? What account should be credited? Why? Where should you keep the account sales?

No. 122. — JUNE 24. Fill this order from Fletcher Bros. as requested. Allow a merchandise discount of 3%; and draw a draft at 30 days on them for the net amount of the bill, with 30 days' interest at 6% added. (Adding 6% interest to the net amount of the bill will give you in 30 days the same amount as if they had paid you cash and you had placed it on interest for that time.)

Take the draft to your teacher, who will accept it for Fletcher Bros. if the amount is correct. Enter the sale in the sales book for the full amount of the invoice; and make journal entry for draft, interest, and merchandise discount. Submit to your teacher before entering.

No. 123. — JUNE 24. The draft on E. Mason & Co., at 10 days, left for collection June 10th, has been paid. Have the bank teller enter the amount in your bank pass book. (If you have no bank, enter it yourself.) Make the proper entry in your cash book, and do not fail to add the amount to the balance shown on the stub of your check book.

No. 124. — JUNE 24. Draw a draft at sight on Thos. W. Bowen & Co. for the net proceeds of shipment No. 2, as shown by account sales of June 22. Enter the amount of this draft on a deposit slip and take it to the bank with your bank pass book. Have the teller give you credit for the amount of the draft (see No. 119). Make proper entries.

No. 125. — JUNE 24. Fill this order from Thos. Varick & Co. Do not forget bill of lading.

No. 126. — JUNE 25. This order from D. W. Perry & Co. is sent in by Mr. Adams, with a check for \$500 to apply on invoice of the 19th. Allow 3% discount for such part of the bill as this check will pay (see transaction No. 109, page 126).

No. 127. — JUNE 25. This draft was drawn by A. W. McKey on C. H. Brooks & Co. on June 15, and was accepted by C. H. Brooks & Co. McKey hands the acceptance over to you to apply on account, less bank discount at 6%.

The acceptance is not due for 50 days, therefore it is not worth its face, \$500, but the discount on \$500 for 50 days should be deducted from the face of the paper in order to find out what it is really worth to you on June 25. The discount on \$500 for 50 days, this being the time from June 25, the date of discount, to August 14, the date of maturity, 50 days, equals \$4.17. Deducting \$4.17 from \$500 leaves \$495.83, the cash value of the draft June 25. Credit *A. W. McKey* for this amount. What account should be debited for the face of the draft? Why? What account should be credited for \$4.17? Why?

No. 128. — JUNE 25. Ship Thos. W. Bowen & Co. 100 brls. N. S. flour, 100 brls. Searchlight, 20 hf. chests English Breakfast, 24 hf. chests Oolong, 100 doz. C. corn, 100 doz. C. tomatoes, and pay freight in advance by check, \$27. Make proper entries.

No. 129. — JUNE 25. Draw at four months from date, on Varick & Co., in favor of E. Westen Tea & Spice Co., for the amount of the bill of the 24th, \$510.04. Send the draft to E. Westen Tea & Spice Co., to apply on account, less discount for four months at 6%.

The draft is not worth \$510.04 until it becomes due, four months after date, or Oct. 25. The discount for four months will be \$10.20. The net value of the draft at this time, therefore, is \$499.84. Place the draft in Vouchers for Others.

No. 130. — JUNE 26. On the evening of June 25 a fire resulted in the partial destruction of the building, No. 246 Main St., and the total loss of office furniture. The books were saved; also the cash and the contents of the safe. Most of the goods were destroyed. From your books you find that you had on hand the list of goods No. 130. This schedule of goods has been carefully made up from your sales book and invoice book, and is believed to be a correct statement of merchandise on hand at the time of the fire.

Fill out the amounts. Sign your own name after that of Mr. Adams. Then hand the schedule to your teacher, who represents the insurance company, and tell him that you present this as your claim for loss by the fire.

No. 131. — JUNE 26. This offer from Fletcher Bros. requires the consent of the Equitable Insurance Company before it can be accepted, as no adjustment of the loss has been made. Ask your teacher, who represents the insurance company, for permission to accept this offer. He will write *Permission is hereby granted to accept this offer*, across the face of the letter from Fletcher Bros., and you may make out a bill of sale for the entire lot without itemizing.

No. 132. — JUNE 27. Deposit all the checks you have on hand. Pay invoice of Geo. C. Buell & Co., of June 14, less discount, by check.

No. 133. — JUNE 28. Your acceptance of June 18, favor of L. Hennes & Co., is due to-day.

Take this acceptance from Bills Payable File, and proceed exactly as in No. 93.

No. 134. — JUNE 30. This draft is in full payment of claims against the Equitable Insurance Company, which pays you \$5000 on the building and \$3000 on the stock of merchandise. What account should be credited for \$5000? What account for \$3000? Make the proper entries.

No. 135. — JUNE 30. Deposit the New York draft received to-day, and all your cash. Pay your note of June 15 and interest by check. Face of note, \$816.55; interest, 15 days, \$2.xx. The check is for \$818.xx. What account is debited for \$816.55? What account is debited for \$2.xx?

Rule 27. — *INTEREST is debited when interest is allowed by the business to other persons; for then it costs the business value.*

No. 136. — JUNE 30. In the journal credit yourself \$100 and H. F. Adams \$125 for the amount due for salaries for the month of June. What account should be debited for \$225?

No. 137. — JUNE 30. Draw a cash check for \$50, and pay H. F. Leavitt \$30 and D. J. Allard \$20, salaries due to date.

No. 138. — JUNE 30. H. F. Adams hands in a bill of \$87.50 for traveling expenses incurred while on the road during the month of June, which he has paid from his own funds. What account should be debited for this amount? What account should be credited?

No. 139. — JUNE 30. Pay freight and cartage bill to date by check.

No. 140. — JUNE 30. ELEVENTH REPORT. Make a report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher.

If your report is O. K., balance and rule your cash book as at the end of May, dropping the balance to the debit side and placing the amount in the right-hand money column.

Leave your pass book at the bank to be written up. As soon as it is returned to you, compare it and the canceled checks with the stub of your check book in the manner described on page 66.

Business Statement

<i>Merch. on hand at end of May</i>	2240		
<i>" purchased during June</i>	6860	9100	
		9100	
<i>Loss brought down</i>			1490
<i>Shipt. Bowen & Co. #2 cost</i>	540		
<i>" " " " net proceeds</i>	525		15
<i>Real Estate value at end of May</i>	2000		
<i>" " recd. insurance</i>	1200.		
<i>" " value of lot</i>	400.	1600	400.
<i>Expense</i>			420
<i>Office Fixtures destroyed by fire</i>			24750
			257250

POSTING, ETC.

Post your entries from journal, cash book, invoice book, and sales book. For instructions in regard to the posting of the invoice book, see page 115. Check back your postings according to instructions on page 25. Make out your monthly statement to each customer and take a trial balance.

Verify the bill book by comparing it with the Bills Receivable and Bills Payable accounts in the ledger. The footing of the left-hand money column of the bills receivable book should agree with the total debit of Bills Receivable account. The footing of the right-hand money column must equal the total to the credit of Bills Receivable account.

In comparing the bills payable book, the left-hand money column must tally with the credit side of Bills Payable account in the ledger, and the right-hand money column of the bills payable record must agree with the debit side of the Bills Payable account.

Consequently the difference between the money columns of the bill book must be the same as the balance of these accounts in the ledger.

How to Make the Business Statement.— Using the above form as a model, prepare a statement of the gains and losses of the month just closed. The names of the accounts used in the model are those of your June accounts, but the amounts are different, and are used only to show you the exact form of a complete statement.

The *Merchandise on hand* at the beginning of June, and the cost of *Merchandise purchased* during the month, will be found on the debit side of the Merchandise account in the ledger. The *sales of Merchandise* during the month of June will be found on the

ment, June 30, 19-

Merch. sales during the month of June		7610
Loss carried down		2340
		9100
Shipt. Bowen & Co. No. 1 net proceeds	845	
" " " " cost	750	95
Merch. Disc. excess of credits		65
Interest " " "		750
Discount " " "		12
Real Estate insurance	17	
Expenses " " "	17	2340
		257250

credit side of the Merchandise account in the ledger. This amount includes the amount received for insurance. Find the loss, and close the first section of your business statement, bringing down the loss in the second section. Find the *cost of Shipment to Thos. W. Bowen & Co. No. 2*, from the debit side of that account in the ledger; find the *net proceeds* from the credit side. Find the *value of Real Estate* at the end of May from the financial statement of May 31. The *lot* on which your building stood is estimated to be worth \$6000. The amount *received for insurance* is shown on the credit side of Real Estate account in your ledger. The amounts of *Expense* and *Office Fixtures* will be found on the debit side of those accounts in the ledger. *Net proceeds of Shipment to Thos. W. Bowen & Co. No. 1* will be found on the credit side of that account in the ledger; the *cost* on the debit side. The excess of *Merchandise Discount* will be found by taking the balance of that account, as shown in your trial balance, and the same is true of *Interest* and *Discount*. Write the net loss in red ink, and close the business statement.

How to Make the Financial Statement.—Using the form on the following pages as a model, prepare a financial statement for the month of June. The names used in the model are those of your accounts for the month of June, but the amounts are different, and are used merely to give you a complete form.

Cash in bank will be the amount of cash shown in your trial balance; also on the stub of your check book. *Real Estate* will be shown by your inventory at the end of June, \$6000. The ledger valuation of *Shipment to Thos. W. Bowen & Co. No. 3* will be shown by the trial

Financial State-

<i>Cash in bank</i>	5697
<i>Property as under:</i>	
<i>Real Estate inventory valuation</i>	400
<i>Shipt. Bowen & Co. # 3 Ledger val.</i>	600
<i>Sundry trade debtors as under:</i>	
<i>Bills Rec. notes and acceptances</i>	3660
<i>Open book accts. considered good</i>	8000
	18357

balance. The amount of *Bills Receivable* will be the balance of that account, as shown in your trial balance. *Open book accounts considered good* will comprise the eight personal accounts having a debit balance, as shown in your trial balance. The amount of *Bills Payable* will be the balance of that account, as shown in your trial balance. *Open book accounts* will comprise the balances due the four firms which you owe on account.

Close all accounts in your ledger showing losses or gains; also the Loss & Gain account, and the partners' accounts.

No. 141. — JUNE 30. It has been decided to discontinue the business. You take as a part of your net worth the amount of the shipment to T. W. Bowen & Co. No. 3, at its ledger valuation, \$1955, and receive a check for the balance. Make out the check, and enter in the cash book. Make a journal entry to show the transfer of the shipment. Post these two entries and balance the cash book. H. F. Adams retains the remaining resources of the business, you agreeing to make up half of any losses which may occur from bad debts, and he agreeing to pay all the liabilities of the business. The real estate is valued at \$6000. Draw a check to the order of H. F. Adams for the balance of cash remaining in bank.

Prepare a memorandum of this agreement, and sign it and ask your teacher to sign for H. F. Adams. Get your check cashed and hand the amount to your teacher.

Prepare a notice of dissolution of partnership (see model on next page), and inclose a copy with your monthly statement to each customer.

In business such a notice would be sent to all persons with whom this firm had dealings, and it would also be published in the local newspapers.

ment, June 30, 19-

Sundry trade creditors as under,	
Bills Pay, notes and acceptances	1200
Open book accts.	5300
	6500

H. F. Adams invested	7200
" " 1/2 net loss	119650
" " 1/2 net loss	
Student invested	7050
" " 1/2 net loss	119650
" " 1/2 net loss	
	18357

Write a letter to Thos. W. Bowen & Co., Dover, notifying them of the dissolution, and requesting them to send the net proceeds of shipment No. 3 to you when they render an account of sales. Sign the letter, and ask your teacher to sign for H. F. Adams.

FORM OF NOTICE OF DISSOLUTION OF PARTNERSHIP

You are hereby notified that the copartnership heretofore existing between H. F. Adams and E. C. Mills under the firm name of H. F. Adams & Co., at Albany, N. Y., is this day dissolved. Accounts due the firm are to be paid to H. F. Adams, and all claims against the firm should be presented to him for payment when due.

Dated Albany, N. Y., June 30, 19—.

H. F. ADAMS.
E. C. MILLS.

ACCOUNT BOOKS

The Books of Account which you have used in this course are divided into two classes: Principal books and Auxiliary, or helping, books.

Principal Books. — A principal book, you have learned, is one from which or to which posting is done. In this class are the journal, cash book, sales book, invoice book, and ledger.

Auxiliary Books. — An auxiliary book, you have learned, is one which helps to complete the record by supplying certain details, but in which no debits and credits are recorded and from which, consequently, no posting can be done. In this class are the check book and bill book. Other examples are the stock book, in which is kept a detailed record of the merchandise on hand; and the time book, which records the number of hours' labor done by each employee.

Books of Original Entry. — A book of original entry is one in which the first, or original, record of a transaction is made.

The daybook, when used as a separate book, is a book of original entry. The modern method is to combine the daybook with the journal as explained on page 10, which makes the journal-daybook a book of original entry. The other books mentioned on page 133, except the ledger, are also books of original entry.

The books of original entry have a value peculiar to themselves, which is not possessed by books of subsequent entry. If all books were destroyed except the books of original entry, the set could be easily completed, since the books of original entry contain a record of every transaction and all other books are written up from these original records.

Furthermore, books of original entry are the only books admitted as evidence in court. As such their value is greatly enhanced if they have been written up with care and accuracy. Any errors occurring in them should be corrected in such a way as to be self-explanatory and without making any erasures.

Index Book. — For convenience in referring to accounts in the ledger, it is necessary to have the names of all accounts arranged in alphabetical order in a book especially arranged for that purpose, with the page number of the ledger page on which the account appears written immediately after the name of the account. This index book may be bound in the fore part of the ledger, or it may be a separate book. The student should make a careful index of his ledger on the pages left for that purpose at the beginning of the ledger.

Before beginning to post, the bookkeeper in actual business (or an assistant) will find from the index book the ledger page number of each account appearing in the cash book, sales book, journal, or invoice book, and insert it in the folio column before the name of the account. This enables one in posting to refer directly to the page of the ledger on which the account appears, without loss of time. As each entry is posted, a check mark is placed by the folio in the book posted from.

GENERAL REVIEW

Unless otherwise directed, you may use common foolscap paper and rule properly for the journal, sales book, cash book, and ledger, on which to make the records required in the following series of transactions, which are designed to test your understanding of the principles taken up in the past three months' voucher work.

The Stock Book. — The only thing new in this review exercise is the stock book. The form of stock book, or perpetual inventory, illustrated below is designed to show the quantity of goods on hand from day to day. As goods are purchased, the number of yards is entered in the *Bot* column and added to the number in the *On Hand* column. The number of yards sold is entered in the *Sold* column and deducted from the *On Hand* column. Thus the last number in the *On Hand* column will always show the quantity of goods in stock. The form below shows part of the stock book for the following transactions.

FORM OF STOCK BOOK

	AXMINSTER			BODY BRUSSELS			INGRAIN			LINING		
	Bot.	Sold	On Hand	Bot.	Sold	On Hand	Bot.	Sold	On Hand	Bot.	Sold	On Hand
June	2			750		750	1200		1200	2500		2500
	4				150	600					300	2200
	4				450	150		200	1000		600	1600
	4				150						850	750
	5			892		892				2200		2950
	5									2000		4950
	6	400										
	7		145									
	8		255		392	500	400	600		1200		3750

An inspection of the form will show that each purchase or sale, whether composed of one or many items, occupies one line. The date of the transaction is given in each case.

A stock record of this kind does not obviate the necessity of taking an inventory. An inventory of goods on hand should be taken periodically and the result compared with the stock book.

Some bookkeepers prefer the card index system for keeping a record of stock on hand. By this method a card is used for each item of merchandise, the name of the article being written at the top of the card. Underneath this, in special ruled columns, is kept a record of goods *bot.*, *sold*, and *on hand*. There is also a column for the date or order number. The cards are filed in a drawer in alphabetical order according to the name of the article. When a card is filled, the record is continued on a new card.

Rule on foolscap paper a stock book similar to the form shown. Use red ink, of course, for the rulings. Enter in your stock book the quantities bought, sold, and on hand from day to day. If you do not fully understand this book, ask your teacher to explain it. The results shown by the stock book at the end of the month must agree with the inventory on page 137.

With reference to the remainder of the work in this review, you are not to secure any information from any source, but you are expected to rely solely upon the knowledge of the subject which you have gained thus far.

Your teacher will assign you price lists from the Cost and Selling Price Lists, page 137.

Use great care in figuring your bills and making your entries so that no mistake will appear in your work.

After your journal, cash book, and sales book have been written up, go over the transactions carefully to see that no mistakes have been made. Then post to your ledger and take a trial balance. Prepare business and financial statements, and close your ledger, after which present all your papers to the teacher.

TRANSACTIONS

JUNE 1. — Commenced the Wholesale Carpet business, at No. 182 Elm Street, investing cash, \$5500.

JUNE 1. — Paid \$250 for office furniture.

JUNE 2. — Bought of John H. Pray & Co., Boston, net 30, 2/10, 600 yds. moquette, 750 yds. body brussels, 1200 yds. ingrain, 1200 yds. matting, 2500 yds. lining.

JUNE 3. — Bought of Barton & Bros., Philadelphia, on your note at 15 days, with interest, 1220 yds. linoleum, 1429 yds. oilcloth.

JUNE 4. — Sold E. B. Alling & Co., for cash, less 3%, 125 yds. moquette, 150 yds. body brussels, 300 yds. lining.

JUNE 4. — Sold F. H. Walling & Co., net 30, 2/10, 200 yds. ingrain, 400 yds. matting, 600 yds. lining.

JUNE 4. — Sold J. G. Carter & Co., on their note at 4 mos., 400 yds. moquette, 450 yds. body brussels, 850 yds. lining.

JUNE 5. — Sold E. H. Smith & Co., on their acceptance at 30 days, 75 yds. moquette, 150 yds. body brussels, 600 yds. linoleum, 429 yds. oilcloth.

JUNE 5. — Discounted J. G. Carter & Co.'s note of the 4th inst. at the City Bank.

JUNE 5. — Bought of John H. Pray & Co., Boston, net 30, 2/10, 950 yds. moquette, 892 yds. body brussels, 2200 yds. lining.

JUNE 5. — Paid freight and drayage on merchandise, \$32.10; rent for month of June, \$75; books and stationery, \$22.50.

JUNE 5. — Bought of James Smith & Co., New York, subject to a 10-day draft, 400 yds. axminster, 525 yds. velvet, 984 yds. tapestry brussels, 2000 yds. lining.

JUNE 7. — Paid James Smith & Co.'s draft of June 5, at 10 days from date, for \$2252.88, less discount for the unexpired time.

JUNE 7. — Sold Reed & Savage, subject to sight draft, less 3%, 145 yds. axminster, 220 yds. velvet, 484 yds. tapestry brussels.

JUNE 8. — Drew a sight draft on Reed & Savage for the amount of invoice sold them 7th inst., less 3%, and had the draft placed to your credit in the City Bank.

JUNE 8. — Sold Knowles & Johnson, on account, net 30, 2/10, 300 yds. moquette, 392 yds. body brussels, 400 yds. ingrain, 1200 yds. lining.

JUNE 9. — Paid the invoice of J. H. Pray & Co., received June 2, \$2768.75, less 2%.

JUNE 10. — F. H. Walling & Co. paid their bill of June 4, less 2%.

JUNE 11. — Discounted E. H. Smith & Co.'s acceptance of June 5, at the City Bank.

JUNE 12. — Sold F. H. Walling & Co., on their note at 4 mos., with interest, 600 yds. ingrain, 475 yds. matting, 1200 yds. lining. Allowed them the cash discount of 3%.

JUNE 14. — Bought of John & James Dobson, Philadelphia, net 30, 2/10, 892 yds. body brussels, 1225 yds. tapestry brussels.

JUNE 14. — Bought of Barton Bros., Philadelphia, net 4 mos., 8/15, 1500 yds. linoleum, 1400 yds. oilcloth.

JUNE 15. — Knowles & Johnson sent you, to apply on account, T. H. Sullivan's note in their favor, dated Denver, Colo., May 24, 19—, at 90 days, for \$742.28, with interest. Accepted the note and allowed Knowles & Johnson credit for its face and the interest accrued upon it to date.

JUNE 15. — Paid John H. Pray & Co. invoice of June 5, less 2%.

JUNE 16. — Discounted the Sullivan note, received of Knowles & Johnson, at the City Bank. (This is an interest-bearing note.)

JUNE 16. — Sold J. G. Carter & Co., on acct., net 60, 2/10, 600 yds. linoleum, 480 yds. oilcloth.

JUNE 17. — Drew for private use, \$150.

JUNE 17. — Paid clerks, \$75.

JUNE 18. — Sold E. H. Smith & Co., on their acceptance at 30 days, 212 yds. axminster, 305 yds. velvet, 250 yds. tapestry brussels.

JUNE 18. — Knowles & Johnson paid the balance due on their bill of June 8, less 2 1/2% of the entire bill.

JUNE 18. — Paid note (dated June 3) and interest favor of Barton Bros. due this day.

JUNE 21. — Sold E. B. Alling & Co., net 30, 2/10, 420 yds. moquette, 280 yds. body brussels, 800 yds. lining.

JUNE 21. — Discounted F. H. Walling & Co.'s note of June 12 at the bank.

JUNE 22. — Bought of John H. Pray & Co., Boston, net 60, 3/10, 897 yds. moquette, 1745 yds. ingrain, 2400 yds. lining.

JUNE 23. — Bought of James Smith & Co., New York, subject to sight draft in 10 days, 722 yds. axminster, 941 yds. velvet.

JUNE 23. — Paid John & James Dobson's invoice of June 14, less discount.

JUNE 24. — Sold Reed & Savage, on their acceptance at 10 days, less 2%, 400 yds. moquette, 712 yds. body brussels, 1200 yds. lining.

JUNE 25. — Bought of John & James Dobson, Philadelphia, 1892 yds. body brussels,

671 yds. moquette, 3200 yds. matting. Gave in part payment your note at 4 mos. for one-half the amount of the invoice; the balance on account, 4 mos.

JUNE 26.—Sold Knowles & Johnson, net 4 mos. 2/15, 920 yds. linoleum, 1220 yds. oilcloth, 43 yds. axminster.

JUNE 28.—Sold F. H. Walling & Co., net 30, 2/10, 698 yds. moquette, 792 yds. body brussels, 1500 yds. lining.

JUNE 28.—Sold E. B. Alling & Co., net 30, 2/10, 390 yds. moquette, 822 yds. body brussels, 975 yds. tapestry brussels.

JUNE 29.—Paid Barton Bros.' invoice of the 14th inst., less 8%.

JUNE 30.—E. B. Alling & Co. desired to take advantage of 2% discount on their purchase of June 21, but being short of money, they sent \$1000 to apply on account, with the understanding that they are to be allowed the discount on so much of the bill as this amount will pay for.

JUNE 30.—Paid clerks, \$75. Paid freight bills to date, \$68.92.

INVENTORY

310 yds. moquette, 1745 yds. ingrain, 1450 yds. lining, 722 yds. axminster, 500 yds. tapestry brussels, 678 yds. body brussels, 3525 yds. matting, 700 yds. oilcloth, 941 yds. velvet, 600 yds. linoleum, at cost price; office furniture, valued at \$225.

COST AND SELLING PRICE LISTS—GENERAL REVIEW

Cost		1	2	3	4	5	6	7	8	9	10
1.87 ²	Axminster	2.25	2.27	2.26	2.24	2.25	2.28	2.27	2.25	2.30	2.24
1.05	Body Brussels	1.50	1.48	1.49	1.52	1.50	1.48	1.50	1.53	1.48	1.50
.62 ²	Ingrain . . . . .	.87 ²	.87 ²	.87 ²	.87 ²	.87	.87 ²	.86	.87 ²	.88	.87 ²
.06 ¹	Lining . . . . .	.09	.08	.10	.08 ²	.09 ²	.09	.10 ²	.09	.09 ²	.09
.67 ²	Linoleum . . . . .	.75	.76	.74	.77	.75	.73	.75	.74	.73	.76
.33 ¹	Matting . . . . .	.50	.52	.51	.48	.49	.50	.52	.50	.51	.49
1.12 ²	Moquette	1.62 ²	1.62 ²	1.66 ¹	1.62 ²	1.66 ¹	1.67 ²	1.62 ²	1.66 ¹	1.62 ²	1.67 ²
.33 ¹	Oilcloth . . . . .	.45	.43	.44	.42	.45	.43	.44	.45	.46	.42
.66 ¹	Tapestry Brussels . . . . .	.87 ²	.87 ²	.87 ²	.87	.87 ²	.87 ²	.87 ²	.87 ²	.87 ²	.87 ²
1.37 ²	Velvet	1.67 ²	1.67 ²	1.66 ¹	1.62 ²	1.67 ²	1.66 ¹	1.62 ²	1.67 ²	1.62 ²	1.67 ²

QUESTIONS

1. What is a draft, and what names are given to the parties to a draft?
2. What is a sight draft? A time draft?
3. What should be the drawer's entry when a draft with three parties is drawn?
4. What should be the payee's entry for a sight draft paid?
5. What should be the drawee's entry for a sight draft paid?
6. What is meant by "accepting" a draft, and what agreement does it constitute?
7. What should be the payee's entry when a time draft has been accepted?
8. What should be the drawee's entry when he accepts a time draft?
9. When drafts are made for the collection of debts, to whose order are they generally payable?
10. What should be the drawer's entry when such a draft is honored if it is a sight draft? What entry if it is a time draft?
11. Define a bank draft and explain its use.

12. To whose order should a bank draft be made?
13. How should a bank draft be indorsed?
14. Explain the use of the invoice book.
15. To what account should the footing of the money column of the invoice book be posted? To which side of the account, and why?
16. Explain the use of the bill book.
17. What are articles of copartnership, and how should they be prepared?
18. When should Interest be credited?
19. What is meant by a shipment?
20. Give the rules for debiting and crediting a Shipment account.
21. Under what circumstances would a bank receive a sight draft on deposit? Suppose it were not paid, what would the bank do?
22. When should Discount be credited?
23. When should Interest be debited?
24. Explain how to verify the bill book.

OPENING ENTRIES

In opening a set of books, first make a complete statement of the resources and liabilities of the business. The resources will consist of Cash in drawer and in bank, all forms of property in the possession of the business, such as merchandise, materials, furniture and fixtures, real estate, machinery and tools, etc., and all debts due the business either on personal accounts, generally spoken of as accounts receivable, or on notes, called bills receivable. There should also be included under the resources any other items of indebtedness due the business, such as accrued interest on bills receivable, prepaid insurance, etc.

The liabilities of a business consist of all it owes. This indebtedness may be either on personal accounts, which are called accounts payable, or on notes, known as bills payable. There may also be other items of debt owing by the business, such as unpaid rent, accrued interest on bills payable, etc.

The difference between the sum of the resources and the sum of the liabilities represents the net investment, or net capital, of the business. This difference should be added to the list of the liabilities of the business, since it is the amount which the business owes to the proprietor or partners.

After this statement of resources and liabilities is completed, it is easily journalized by the following rule:

Debit the resources and credit the liabilities.

This rule will make a complete journal entry of any opening statement, since the resources and liabilities of every business are made equal by considering the net capital, or present worth, as a liability to the business.

By this method, the opening statement of the resources and liabilities of any business is included in one journal entry.

If desired, however, a separate entry may be made for the resources and another one for the liabilities. In this case the rule would be:

Debit the resources and credit the proprietor for the total; credit the liabilities and debit the proprietor for the total.

The opening entry of a business is placed in the journal, the cash being included in this entry as a matter of convenience and to show the complete investment in one entry. The

cash investment is entered also in the cash book, but is checked off so that it will not be posted a second time to the credit of the proprietor or partners. In the journal the cash debit is checked off when the entry is made in the cash book.

Investment of Single Resource by Single Proprietor

This is the simplest kind of opening transaction. The form of the entry required has been shown in previous work. (See pages 6, 10, and 75.)

Investment of Several Resources by Single Proprietor

Make on journal paper the opening entries (journal and cash book) for the following :

1. Geo. W. Carter begins the Coffee, Tea, and Spice business this day with the following resources : Cash on hand and in bank, \$ 385 ; mdse. as per inventory, \$ 1250 ; store fixtures, \$ 275 ; Jno. Harper owes on acct., \$ 25.

The entry below illustrates the proper form of journal entry.

G. T. Berry has this day commenced the Tea, Coffee, and Spice business at 309 Elm St., investing resources as follows :			
Cash	on hand and in bank	400	
Mdse.	per inventory	1500	
Store Fixtures	" "	300	
Jno. Harper	on acct.	50	
G. T. Berry	investment		2250

Do not neglect to check off the cash investment entry in both journal and cash book.

2. James Wooley begins business with the following resources : Cash in safe, \$125 ; cash in bank, \$3675 ; store building and lot, \$5000 ; goods per inventory, \$2500 ; Harry Altenau owes, \$140 ; Daniel Jenkins owes, \$320 ; note of Davis Bros. per B. B., \$627.50 ; interest accrued on above note to date, \$6.28.

3. E. M. Harrigan begins business with these resources : Cash in bank, \$3750 ; mdse. as per inventory, \$5378 ; office safe, \$375 ; typewriter and other office furniture, \$200 ; building and lot partially occupied by business, \$7000. The following firms owe Harrigan on acct. : Harrison Loeb, \$126 ; Fay & Eagan Co., \$75.84 ; Jones Bros. Co., \$186.75.

Investment of Resources and Liabilities by Single Proprietor

4. J. W. Jones has this day opened a Wood and Coal business at 125 W. Fifth St., with the following resources and liabilities :

RESOURCES. — Cash on hand and in bank, \$675.50 ; mdse. as per inventory, \$1672.25 ; horses and wagons valued at \$570 ; S. M. Blue on account, \$72.50 ; J. D. Simpson on account, \$45.

LIABILITIES. — Due Jno. Solzer & Co., on account, \$395 ; due H. C. Bailey on 30 da. note, \$500.

The following illustrates the form of journal entry required.

Cash	on hand and in bank	700	
Mdse.	per inventory	1345	
Horse & Wagon	" "	590	
E. H. Beel	on account	73	
E. L. Schuler	" "	50	
R. E. Brown & Co.	" "		400
Bills Payable	30 da. note		600
J. W. Smith	net investment		1758

5. V. C. Taylor commenced business with cash, \$5000; real estate, \$12,000; mdse., \$8500; note for \$1500 against J. Wilson, with accrued interest, \$10.50; note for \$600 against A. R. White, with interest accrued, \$7.20; due from D. D. Jones on account, \$175, and from J. C. Henry, \$375. Taylor owes on a note to Carl D. Steiner, \$460; interest accrued on this note, \$9; Taylor owes on account to Brown & Jones, \$1265.50, and to Jacob J. Anstead, \$324.75.

Opening Entries of Partnerships

6. Harry Peck and Joseph Long form a partnership under the firm name of Peck & Co., for the purpose of conducting the Furniture business. Peck invests cash \$5000, and Long invests \$3000.

Make the entry, debiting cash for the total amount of money invested, this being the resource at beginning, and crediting the partners for their respective investments.

7. John Shaler, Henry Desmond, and J. C. Cunningham have formed a partnership under the style of Shaler, Desmond & Co., to carry on the dry goods business. Their investments are as follows:

Shaler invests cash, \$3000; stock of goods, \$2000; sundry personal accounts due him amounting to \$1500; and Henry Gorman's note, \$500, with accrued interest, \$5.

Desmond invests cash, \$2000; store building and lot, \$7000.

Cunningham's investment consists of cash, \$1500, and 50 shares of Pa. R. R. stock at the market value of \$120 per share.

Make one entry for the entire opening transaction, debiting resources and crediting liabilities. The only liabilities in this case are to the three partners for the amount of their investments. Debit *Accounts Receivable* for the total of personal accounts due.

8. Thomas Bender and J. B. Potter have this day formed a partnership and will hereafter conduct their respective businesses as one business under the style of Bender & Potter.

Bender's statement of resources and liabilities is as follows:

RESOURCES. — Cash on hand, \$1000; stock of groceries, \$1125; outstanding accounts, \$395; store and office fixtures, \$890; office furniture, \$250.

LIABILITIES. — Due sundry creditors on account, \$500; notes outstanding, \$750.

Potter's statement is as follows:

RESOURCES. — Cash, \$1500; stock of coffee, tea and spices, \$2000; store lot and building, \$6000; rent due on part of storeroom, \$200.

LIABILITIES. — Due creditors on account, \$1500; mortgage on store building, \$3000.

Make entry for the opening statement of the new firm. Credit *Accounts Payable* for the total due creditors. Credit *Mortgages Payable* for the mortgage.

SUPPLEMENTARY EXERCISE—No. 4

HARDWARE BUSINESS

The books to be used in this set are journal, cash book, check book (stub only), sales book, and ledger. Use loose journal and ledger paper for the work.

The accounts to be kept in the ledger are similar to those in previous work, with two exceptions: (1) Instead of keeping two separate accounts called *Interest* and *Discount*, keep only one *Interest and Discount* account, including all items such as have been previously included in Interest account or in Discount account. (2) A new account, called *Collection and Exchange*, is kept, to include allowances made for collecting and transmitting money.

Give Merchandise, Expense, Interest and Discount, Collection and Exchange, Bills Receivable, and Bills Payable each one-half page space in the ledger, and all other accounts each one-fourth of a page space. In opening personal accounts, give the place of business.

TRANSACTIONS

JUNE 1. — "Student" and Geo. D. Whitney have this day formed a co-partnership, under the firm name of "Student" & Co., and have leased of H. N. Smith the store No. 1466 Main Street, at \$1200 per year, rent payable monthly in advance, for the purpose of carrying on the hardware business. The gains and losses of the business are to be shared equally.

"Student" invests the following resources: Cash paid in, \$1500; Geo. B. Gordon, City, on account, \$1600; A. G. Steele & Co., City, on account, \$954.50; Sewell & Clark, Greenville, on account, \$1050.75; Wm. Peet, City, on account, \$800; French & French, Oakland, on account, \$375.25; The Grover Mfg. Co., North Bend, on account, \$1625.60.

The following liabilities of "Student" are assumed by the firm: Swift, Ennis & Co., City, on account, \$918.75; A. B. Smith, Centralia, on account, \$411.51; Wells & Gardner, City, on account, \$575.84; D. B. Pond & Bro., Chicago, on account, \$1000.

Geo. D. Whitney invests cash, \$2500, and an account of Carter & Weeks, Plainfield, \$2500.

JUNE 1. — Open an account at Flour City Bank, and deposit cash, \$2000.

JUNE 1. — Buy of Hemingway & Selden, City, on account, 60 days, 2% 10 days, 20 doz. C. S. Axes; 1000 lbs. B. Metal; 4 doz. Hand Saws; 5 doz. W. Wrenches; 10 I. C. Freezers; 6 doz. Steelyards; 20 doz. Porc. Knobs; 20 doz. Knives and Forks; 10 U. C. Wringers; 200 lbs. Washers; 10 doz. A. E. Hammers.

Ask your teacher to assign you a price-list number from the lists shown on page 147. In this work you will be required to find the amount of the purchases as well as of the sales.

Enter the above, and all similar transactions in this exercise, in the journal. Write the items and prices in the explanation column. Abbreviate the items as shown in the record of the transaction.

JUNE 1. — Pay H. N. Smith one month's rent of store, in advance, by check (see first transaction, above).

JUNE 1. — Sell E. Langworthy, Marcellus, on account, 10 days, 2 doz. W. Wrenches; 3 doz. A. E. Hammers; 4 I. C. Freezers; 2 doz. C. S. Axes; 200 lbs. B. Metal.

JUNE 2. — Sell Barber & Swift, Georgetown, on account, 10 days, 1 doz. Hand Saws;

5 doz. Knives and Forks; 5 doz. Porc. Knobs; 1 doz. Steelyards; 100 lbs. B. Metal; 4 U. C. Wringers.

JUNE 2. — Sell L. B. Mason, City, on account, 10 days, 2 doz. A. E. Hammers; 2 doz. C. S. Axes; 3 I. C. Freezers; 50 lbs. Washers.

JUNE 2. — Buy of Briggs & Son an office safe, and pay for same by check on F. C. Bank, \$225. (Debit *Office Furniture and Fixtures* account.)

JUNE 2. — Give Wells & Gardner check to apply on account, \$275.84.

JUNE 2. — Receive of Wm. Peet his check on Traders Bank to apply on account, \$300.

JUNE 2. — Deposit in F. C. Bank \$500 in currency, and Wm. Peet's check.

JUNE 3. — Receive by Commercial Freight Line from Hart, Bliven & Mead, 494 and 496 Broadway, New York, goods as per invoice dated June 1, 19—, terms, 90 days, 2/30, 3/10: 25 doz. Carpet Stretchers; 15 doz. Jack Planes; 10 doz. R. R. Picks; 10 doz. Try Squares; 25 doz. Mortise Locks; 15 Copying Presses; 5 doz. Ratchet Braces; 10 pr. B. D. Hangers; 5 doz. P. G. Coal Hods.

JUNE 3. — Sell French & French, Oakland, on account, 10 days, 2 pr. B. D. Hangers; 5 Copying Presses; 2 doz. Jack Planes; 5 doz. Mortise Locks; 2 doz. R. R. Picks; 3 doz. Try Squares; 200 lbs. B. Metal.

JUNE 3. — Pay J. B. Jones's bill for stationery supplied for office use in cash, \$27.50.

JUNE 3. — Accept, payable at F. C. Bank, D. B. Pond & Bro.'s draft, dated June 2, at 3 days' sight, favor Charles Green, \$400.

JUNE 3. — Receive of G. B. Gordon, on account, his check on Merchants Bank, \$600.

JUNE 3. — Sell E. Langworthy, 10 days, 2 doz. Ratchet Braces; 5 doz. Carpet Stretchers; 3 doz. R. R. Picks; 2 doz. Try Squares; 3 Copying Presses.

JUNE 3. — Sell L. B. Mason, 10 days, 1 doz. Hand Saws; 3 Copying Presses; 5 doz. Knives and Forks.

JUNE 3. — Receive of Carter & Weeks, on account, their check on First National Bank of Plainfield, \$500.

JUNE 3. — Deposit currency, \$300; also the checks of Gordon and Carter & Weeks. Bank charges $\frac{1}{10}\%$ collection on Carter & Weeks's check.

(Debit *Collection and Exchange* in the cash book for the amount of the collection charge; in this case $\frac{1}{10}\%$ of \$500 = 50 cents. The collection charge is an allowance to others. The bank credits your account with \$499.50; but that is the same as if it gave you \$500 and then took back \$.50. The rules governing *Collection and Exchange* account are like those for accounts of other allowances, such as for *Discount*.)

JUNE 5. — Receive cash of Barber & Swift, in full of invoice, 2d inst.

JUNE 5. — Sell Sewell and Clark, Greenville, on account, 10 days, 2 doz. R. R. Picks; 5 doz. Mortise Locks; 5 doz. C. S. Axes; 3 pr. B. D. Hangers; 5 doz. Porc. Knobs; 5 doz. Knives and Forks; 5 doz. Carpet Stretchers.

JUNE 5. — Receive of A. G. Steele & Co. their note at 60 days, payable at Merchants Bank, to apply on account, \$500.

JUNE 5. — Give Hemingway & Selden a check in full of invoice, 1st inst., less 2%.

JUNE 6. — Your acceptance of 3d inst., for \$400, due to-day, has been presented at F. C. Bank, paid, and charged to your account.

JUNE 8. — Receive of Pratt, Conway & Mills, 200 kegs 8d. Cut Nails. Invoice dated June 2. Terms cash, in 10 days.

JUNE 8. — Receive cash of E. Langworthy, on account, \$50.

JUNE 8.—Draw on Carter & Weeks, at sight, for \$500, your favor, to apply on account, and leave the draft at F. C. Bank for collection. (Memorandum only.)

JUNE 8.—Sell Daniels & Baker, Cedar Grove, on account, 10 days, 25 kegs Cut Nails; 3 doz. Jack Planes; 3 doz. C. S. Axes; 5 doz. Mortise Locks; 200 lbs. B. Metal.

JUNE 9.—Receive of French & French their check on Farmers Bank of Oakland on account, \$375.25.

JUNE 9.—Deposit cash in F. C. Bank, \$200. Also French & French's check. Bank charges $\frac{1}{10}\%$ collection on the check. (See deposit on June 3.)

JUNE 10.—Receive by Commercial Freight Line, from Hart, Bliven & Mead, goods as per invoice dated June 8, terms 90 days, 2/15: 25 doz. pairs Strap Hinges; 10 U. C. Wringers; 10 doz. A. E. Hammers; 5 doz. H. Saws; 15 Copying Presses; 10 doz. W. Wrenches; 5 doz. Ratchet Braces; 20 doz. Knives and Forks; 10 I. C. Freezers; 20 pr. B. D. Hangers; 10 doz. Steelyards; 5 doz. C. S. Axes.

JUNE 10.—Receive of Grover Mfg. Co., to apply on account, their draft for \$1000, dated June 8, at 15 days' sight, on Colton & Reese, this city, which they have accepted this day, payable at F. C. Bank. Indorse the acceptance, and leave it at F. C. Bank for collection.

JUNE 12.—Buy at F. C. Bank by check, at $\frac{1}{4}\%$ exchange, a draft on Exchange Nat. Bank, New York, and remit the same to Hart, Bliven & Mead, in full of invoice Mdse. received 3d inst., less 3%.

(Debit *Collection and Exchange* for the bank's charges. Reckon exchange on the amount remitted. Exchange is an allowance.)

JUNE 13.—Receive of French & French their check on Farmers Bank of Oakland for invoice, 3d inst.

JUNE 13.—Receive of L. B. Mason his check on Traders Bank for invoice, 3d inst.

JUNE 13.—Sell C. B. Shafer, Gasport, 3 doz. C. S. Axes; 2 doz. P. G. Coal Hods; 3 doz. W. Wrenches; 4 doz. Ratchet Braces; 2 doz. Jack Planes; 5 Copying Presses. Receive cash, \$75; balance on account, 10 days.

JUNE 13.—Deposit currency, \$100, also checks of French & French and L. B. Mason; bank deducts $\frac{1}{10}\%$ for French & French's check.

JUNE 15.—Pay Hamilton & Groves's bill for office desk, by check, \$100.

JUNE 15.—Receive by C. N. Line from D. B. Pond & Bro., Chicago, goods as per invoice dated June 8, terms 60 days: 100 Grindstones; 50 Blacksmiths' Drills.

JUNE 15.—Sell E. Langworthy on account, 10 days, 25 kegs Cut Nails; 5 B. S. Drills; 5 doz. pr. Strap Hinges; 2 doz. P. G. Coal Hods; 50 lbs. Washers.

JUNE 15.—Receive of Sewell & Clark their check on First Nat. Bank of Greenville, in full for invoice of 5th inst.

JUNE 15.—Deposit Sewell & Clark's check. Bank charges $\frac{1}{10}\%$ collection.

JUNE 17.—Pay A. B. Smith's sight draft on you, dated June 15th, favor A. M. Purdy & Co., \$200, by check.

JUNE 17.—Receive credit at F. C. Bank for the \$500 draft on Carter & Weeks, left for collection on the 8th inst., less charges for collection, $\frac{1}{4}\%$.

JUNE 18.—Buy a draft on New York at F. C. Bank, by check, at $\frac{1}{4}\%$ exchange, and remit it to Pratt, Conway & Mills, in full of invoice of Mdse. received on the 8th inst.

(See instructions for remitting to Hart, Bliven & Mead, 12th inst. In this case, however, there is no discount allowed.)

JUNE 18.—Receive of Daniels & Baker their check on Citizens Bank, Cedar Grove, for invoice 8th inst.

JUNE 18. — Sell Barber & Swift, for cash, 50 kegs Cut Nails.

(Debit *Barber and Swift* in sales book and credit them in cash book.)

JUNE 18. — Deposit currency, \$ 300, and Daniels & Baker's check. Bank charges $\frac{1}{16}$ % collection on the check.

JUNE 19. — Discount, at F. C. Bank, A. G. Steele & Co.'s note, received 5th inst.; receive credit for the proceeds.

JUNE 20. — Geo. D. Whitney draws from the business for individual use, by check, \$ 350.

JUNE 20. — Remit Hart, Bliven & Mead a draft on New York for invoice of goods received 10th inst., less 2 % discount; buy the draft at F. C. Bank by check. Exchange $\frac{1}{4}$ %.

JUNE 23. — Pay Wells & Gardner cash to balance account.

JUNE 23. — Sell French & French on account, 10 days, 5 B. S. Drills; 10 Grindstones; 5 doz. Porc. Knobs; 3 doz. W. Wrenches; 2 doz. C. S. Axes; 100 lbs. B. Metal; 5 doz. A. E. Hammers; 4 Copying Presses.

JUNE 25. — Pay Barton & Co.'s bill for coal for use of store, in cash, \$ 50.

JUNE 26. — Student takes from the stock for his individual use, to be charged to him at cost, 1 I. C. Freezer; 1 doz. Knives and Forks; 1 U. C. Wringer.

JUNE 28. — Receive cash of A. G. Steele & Co. to balance account.

JUNE 28. — Deposit cash in F. C. Bank, \$ 400; also receive credit for the acceptance of Colton & Reese, which was left the 10th inst. for collection, and has been paid. (This paper being payable in the city, the bank makes no charge for collection.)

JUNE 28. — Accept, payable at F. C. Bank, D. B. Pond & Bro.'s draft, dated June 22, at 3 days' sight, favor Charles Green, \$ 600.

JUNE 29. — Pay freight bills for the month, in cash, \$ 35.50.

JUNE 30. — Pay salaries of employees for the month, in cash, \$ 100.

Close the cash book, rule and foot the journal and sales book, and post. Take off a trial balance by differences (no statements are required and no accounts are to be closed), and hand in books and trial balance for approval.

JULY 1. — Receive of C. B. Shafer his check on East Side Banking Co., City, to balance account.

JULY 1. — Your acceptance of June 28 for \$ 600, due to-day, has been paid at F. C. Bank and charged to your account.

JULY 1. — Sell Daniels & Baker, at 10 days, 5 doz. Steelyards; 10 Grindstones; 2 doz. C. S. Axes; 5 doz. M. Locks; 5 U. C. Wringers.

JULY 1. — Receive cash of L. B. Mason, in full of account.

JULY 1. — Deposit cash, \$ 300, and Shafer's check.

JULY 1. — Draw on E. Langworthy at sight, in full of his account, and leave the draft for collection.

JULY 2. — Receive a letter from Hart, Bliven & Mead, expressing regret that the coal hods in their first invoice were not satisfactory, and informing you that a reduction of \$ 10 has been allowed and the amount placed to your credit.

(Debit *Hart, Bliven & Mead*, and credit *Mdse.* in the journal for the amount allowed.)

JULY 3. — Receive of Sewell & Clark their note dated June 15th, at 60 days, payable at First Nat. Bank, Greenville, in full of their account and 60 days' interest on same.

(Instead of writing an interest-bearing note, they have given you a note for an amount equal to the original debt plus interest on the same from June 15 to maturity of note.)

JULY 3. — Give H. N. Smith a check for one month's rent of store, in advance (p. 141).

JULY 3. — Receive by Commercial F. F. Line, from Hart, Bliven & Mead, goods as per invoice dated July 1, terms, cash in 10 days: 10 doz. P. G. Coal Hods; 5 doz. C. S. Axes; 10 doz. Hand Saws; 15 doz. Porc. Knobs; 10 doz. R. Braces; 5 doz. R. R. Picks; 5 doz. Try Squares; 5 doz. W. Wrenches; 200 lbs. Washers.

JULY 3. — Sell Barber & Swift, at 10 days, 5 doz. C. S. Axes; 10 doz. Porc. Knobs; 100 lbs. Washers; 4 doz. R. Braces; 5 B. S. Drills.

JULY 6. — Sell L. B. Mason, at 10 days, 5 doz. Knives and Forks; 10 kegs Cut Nails; 50 lbs. B. Metal; 3 doz. R. R. Picks; 5 doz. pr. Strap Hinges; 2 doz. A. E. Hammers.

JULY 6. — Receive of Wm. Peet his check on Traders Bank, to balance account; also receive of Geo. B. Gordon his check on Merchants Bank, to apply on account, \$400.

JULY 6. — Deposit the checks received of Wm. Peet and Geo. B. Gordon.

JULY 6. — Give Swift, Ennis & Co. your check to apply on account, \$500.

JULY 6. — Receive cash of French & French in full of invoice, June 23.

JULY 8. — Sell Oliver & Brayton, City, at 10 days, 3 Copying Presses; 2 doz. P. G. Coal Hods; 2 doz. Try Squares; 50 lbs. Washers; 3 doz. J. Planes; 2 U. C. Wringers.

JULY 10. — Accept, payable at F. C. Bank, D. B. Pond & Bro.'s draft at 30 days' sight, favor themselves, in full of invoice received June 15.

JULY 10. — Deposit cash in F. C. Bank, \$250.

JULY 10. — Pay June gas bill, in cash, \$5.25.

JULY 11. — Receive, via P. & W. R. R., from Pratt, Conway & Mills, 100 kegs Cut Nails. Invoice is dated July 6, at 10 days.

JULY 11. — Receive cash of Geo. B. Gordon, on account, \$200.

JULY 13. — Receive credit at F. C. Bank for draft on E. Langworthy, left 1st instant, less charges for collection, $\frac{1}{4}$ %.

JULY 13. — Receive of Daniels & Baker their check on Citizens Bank, Cedar Grove, in full of invoice, 1st inst.

JULY 13. — Deposit cash, \$200, and Daniels & Baker's check. Bank charges collection on check, $\frac{1}{10}$ %.

JULY 13. — Buy a New York draft at F. C. Bank, by check, at $\frac{1}{4}$ % exchange, and remit to Hart, Bliven & Mead, in full of invoice received 3d inst., less amount charged to their account for allowance on coal hods, July 2.

JULY 14. — Accept, payable at F. C. Bank, A. B. Smith's draft dated July 8, at 5 days' sight, favor John H. Boyd, in full of account.

JULY 15. — Receive cash of Barber & Swift, in full of their invoice of 3d inst.

JULY 18. — Sell Sewell & Clark, at 10 days, 5 doz. R. Braces; 5 doz. Knives and Forks; 50 lbs. Washers; 3 Copying Presses; 25 kegs Cut Nails; 3 B. S. Drills; 10 Grindstones; 5 doz. pr. Strap Hinges.

JULY 18. — Receive cash of L. B. Mason, in full of invoice of 6th inst.

JULY 18. — Sell A. G. Steele & Co., City, 5 doz. Porc. Knobs; 5 doz. C. Stretchers; 10 pr. B. D. Hangers; 3 I. C. Freezers; 5 doz. W. Wrenches. Receive cash, \$50; balance on account, 10 days.

JULY 19. — Your acceptance of July 14, favor John H. Boyd, due to-day, has been paid and charged to your account at F. C. Bank.

JULY 20. — Receive cash of Oliver & Brayton, in full of invoice of the 8th inst.

JULY 20. — Deposit cash in F. C. Bank, \$300.

JULY 20. — Student draws from the business for his individual use, by check, \$300.

JULY 21.—Buy of Hemingway & Selden, 60 days, 2% 10 days, 10 doz. Hand Saws; 10 doz. W. Wrenches; 5 doz. C. S. Axes; 10 doz. Knives and Forks; 20 doz. M. Locks.

JULY 23.—Draw on Carter & Weeks at sight for \$500 in your favor, and leave the draft for collection.

JULY 24.—Discount at F. C. Bank, Sewell & Clark's note received on the 3d inst. and have the proceeds placed to your credit. The bank charges $\frac{1}{4}$ % collection in addition to the discount.

(The collection, as well as the discount, is computed on the face of the paper.)

JULY 24.—Pay Pratt, Conway & Mills's sight draft on you for invoice received on the 11th inst., by check on F. C. Bank.

JULY 26.—Pay freight bills for the month, in cash, \$21.60.

JULY 27.—Sell E. Langworthy, at 10 days, 5 doz. pr. S. Hinges; 5 doz. W. Wrenches; 10 doz. M. Locks; 5 pr. B. D. Hangers; 5 doz. J. Planes; 1 Copying Press; 5 doz. C. Stretchers; 50 lbs. Washers.

JULY 27.—Receive of Carter & Weeks their note dated July 24, at 30 days, payable at First Nat. Bank, Plainfield, to balance account, \$1000.

JULY 28.—Received cash of A. G. Steele & Co. for balance due on invoice of the 18th inst.

JULY 29.—Receive credit at F. C. Bank for draft on Carter & Weeks, left 23d inst., less collection, $\frac{1}{4}$ %.

JULY 30.—Give Hemingway & Selden check in full of invoice 21st inst., less 2%.

JULY 30.—Pay salaries of employees for the month, in cash, \$100.

JULY 31.—Receive Sewell & Clark's check on First Nat. Bank of Greenville, in full for invoice of 18th inst.

JULY 31.—Deposit Sewell & Clark's check and all the currency on hand. Bank charges $\frac{1}{10}$ % collection on the check.

INVENTORIES, JULY 31, 19—

Mdse. as follows. Inventory at buying price.

8 doz. A. E. Hammers,	70 Grindstones,	5 doz. R. R. Picks,
32 B. S. Drills,	27 doz. Hand Saws,	5 doz. pr. Strap Hinges,
150 lb. B. Metal,	9 I. C. Freezers,	10 doz. Steelyards,
10 pr. B. D. Hangers,	24 doz. Knives and Forks,	8 doz. Try Squares,
165 kg. (16,500 lb.) Cut Nails,	15 doz. M. Locks,	8 U. C. Wringers,
11 doz. C. S. Axes,	5 doz. P. Knobs,	12 doz. W. Wrenches,
5 doz. Carpet Stretchers,	9 doz. P. G. Coal Hods,	50 lb. Washers.
3 Copying Presses,	5 doz. R. Braces,	

Office Furniture and Fixtures. Office safe, \$200; desk, \$75; total, \$275.

Expense. Coal on hand, \$50.

Copy the above inventories in the journal. Find the value of the mdse. by using your buying price list.

You will now balance the cash book, foot the sales book, and complete the posting, after which make business and financial statements. If your teacher wishes, make also a balance sheet of the kind described on page 148.

Close the ledger, and hand your books and statements to the teacher for approval.

BUYING PRICE LISTS FOR JUNE AND JULY

	No. 1	2	3	4	5	6	7	8	9	10
Adz Eye Hammers	4.75 doz.	4.60	4.55	4.65	4.50	4.60	4.55	4.75	4.60	4.50
Blacksmiths' Drills	5.00 each	5.00	5.25	4.90	5.00	4.90	4.95	4.90	5.00	5.25
Babbitt Metal . . . . .	.12½ lb.	.12	.12½	.11	.12	.11½	.12½	.12	.11	.11½
Barn Door Hangers	2.00 pr.	1.90	1.75	1.80	1.90	1.75	2.00	1.80	1.75	1.90
Cut Nails, 8d., 100 lb. keg . . .	.03½ lb.	.03	.03½	.03½	.04	.03½	.03½	.03½	.03	.04
Cast Steel Axes	10.00 doz.	9.00	9.25	9.00	9.50	9.00	9.25	9.50	10.00	9.25
Carpet Stretchers	2.25 doz.	2.10	2.00	2.05	2.50	2.25	2.00	2.20	2.25	2.10
Copying Presses	4.50 each	4.00	3.90	3.95	4.00	4.25	3.90	3.95	4.00	3.90
Grindstones	1.50 each	1.40	1.50	1.40	1.35	1.45	1.50	1.40	1.45	1.35
Hand Saws, 26 in.	15.00 doz.	14.00	13.50	14.25	14.00	13.25	13.50	14.00	14.50	15.00
Ice Cream Freezers	4.00 each	3.75	3.60	3.50	3.60	3.75	4.00	3.60	3.75	3.50
Jack Planes	5.00 doz.	5.00	4.90	4.85	4.75	4.80	4.90	5.00	4.95	4.80
Knives and Forks	4.00 doz.	4.00	3.80	3.90	3.75	3.90	3.85	4.00	3.75	3.90
Mortise Locks	2.25 doz.	2.10	2.00	2.05	2.00	2.05	2.10	2.25	2.10	2.05
Porcelain Knobs . . . . .	.75 doz.	.75	.70	.75	.65	.70	.75	.70	.75	.70
Plain Galv'd Coal Hods	10.00 doz.	9.50	10.00	10.25	9.75	10.00	9.50	9.25	9.75	9.50
Ratchet Braces	8.75 doz.	8.50	8.10	8.50	8.25	8.50	8.75	8.50	8.25	8.50
Rail Road Picks, 8 lb.	6.50 doz.	6.25	6.20	6.25	6.00	6.25	6.20	6.50	6.20	6.50
Strap Hinges, 8 in.	3.00 dz. pr.	2.90	2.75	3.00	2.75	2.90	3.00	2.75	2.80	2.90
Steelyards	6.50 doz.	6.40	6.35	6.40	6.30	6.40	6.35	6.50	6.40	6.45
Try Squares, 8 in.	3.50 doz.	3.25	3.00	3.25	3.00	3.50	3.25	3.50	3.00	3.25
Universal Clothes Wringers	4.00 each	4.25	4.00	4.10	4.00	4.25	4.10	4.50	4.25	4.50
Wrought Wrenches	11.50 doz.	11.25	10.00	10.50	10.00	10.25	10.75	11.00	11.25	11.00
Washers, ½ in. . . . .	.06 lb.	.05	.04½	.05½	.05	.05½	.06	.06½	.05½	.06

SELLING PRICE LISTS FOR JUNE AND JULY

	No. 1	2	3	4	5	6	7	8	9	10
Adz Eye Hammers	5.75 doz.	5.75	5.70	5.75	5.50	5.55	5.50	5.60	5.50	5.40
Blacksmiths' Drills	6.00 each	6.25	6.10	5.80	5.90	5.75	5.80	5.75	5.90	6.00
Babbitt Metal . . . . .	.15 lb.	.15	.16½	.14	.14½	.14	.15	.14	.13½	.14
Barn Door Hangers	2.50 pr.	2.50	2.33½	2.25	2.35	2.20	2.45	2.25	2.10	2.30
Cut Nails, 8d., 100 lb. keg . . .	.04 lb.	.04½	.04½	.04	.05	.04½	.05	.05	.04	.05
Cast Steel Axes	12.50 doz.	12.25	11.75	11.50	12.00	11.60	11.75	12.00	12.50	11.75
Carpet Stretchers	3.00 doz.	3.10	3.25	2.75	3.00	2.90	2.75	2.95	3.00	3.15
Copying Presses	5.50 each	5.25	5.00	4.75	4.85	5.00	4.80	4.85	4.75	4.40
Grindstones	2.25 each	2.25	2.00	2.10	2.00	2.15	2.25	2.15	2.20	2.10
Hand Saws, 26 in.	18.00 doz.	18.00	17.00	17.50	17.00	16.75	16.85	17.00	17.25	18.00
Ice Cream Freezers	5.00 each	5.00	4.75	4.50	4.60	4.75	4.95	4.50	4.70	4.25
Jack Planes	6.00 doz.	6.25	5.75	5.70	5.60	5.75	5.85	5.75	5.50	5.40
Knives and Forks	5.00 doz.	5.25	5.20	4.80	4.75	4.85	4.80	4.90	4.75	4.80
Mortise Locks	3.00 doz.	3.00	2.75	2.70	2.65	2.70	2.75	2.85	2.70	2.65
Porcelain Knobs	1.25 doz.	1.30	1.25	1.20	1.15	1.20	1.25	1.20	1.25	1.15
Plain Galv'd Coal Hods	12.50 doz.	12.25	12.00	12.50	11.75	12.25	11.50	11.00	12.00	11.75
Ratchet Braces	10.75 doz.	10.75	10.10	10.50	10.25	10.50	10.75	10.50	10.75	10.50
Rail Road Picks, 8 lb.	9.00 doz.	9.00	8.75	8.80	8.50	8.75	8.70	8.65	8.50	8.75
Strap Hinges, 8 in.	4.50 dz. pr.	4.50	4.00	4.25	4.00	4.25	4.50	4.25	4.30	4.40
Steelyards	8.50 doz.	8.50	8.25	8.40	8.35	8.40	8.25	8.45	8.30	8.35
Try Squares, 8 in.	4.75 doz.	4.75	4.30	4.50	4.25	4.75	4.50	4.75	4.25	4.50
Universal Clothes Wringers	5.50 each	5.75	5.00	5.50	5.40	5.65	5.50	5.75	5.50	5.75
Wrought Wrenches	14.75 doz.	14.75	13.50	13.75	13.50	13.25	14.00	14.25	14.50	14.00
Washers, ½ in. . . . .	.07½ lb.	.07½	.06½	.07	.06½	.07	.07	.07½	.07	.07½

OLD-STYLE BALANCE SHEET

The form of balance sheet given below is in use to some extent. It includes in one statement the trial balance, losses and gains, resources and liabilities, and proprietor's account.

In making out this balance sheet, first enter the names of the proprietors' or partners' accounts, and of all the business accounts, extending the total debits and credits into the trial balance columns. Enter the inventories in connection with their respective accounts, in red ink, as shown by *Italic type* in the following form. Enter the balance of cash. Add all personal accounts and enter as *Accounts Receivable*. Do likewise with personal accounts having credit balances and enter as *Accounts Payable*. Add the trial balance columns to see that they balance.

Next extend the results of the various accounts into their proper columns. All accounts showing a loss or a gain should be extended into the losses and gains columns for the proper amount of loss or gain. Extend all resources and liabilities (except proprietor's account) into the resources and liabilities columns. Find the total results by adding all columns.

It will be noted that all accounts have now been condensed into three accounts, namely, Proprietor's, Loss & Gain, and Resource & Liability. Close the Loss and Gain account by finding the difference between the debit and credit sides and placing it on the smaller side in red ink with the wording, *Net Loss* or *Net Gain*. This difference will represent either the net loss or net gain of the business. To the net credit of the proprietor's account add the net gain or from it deduct the net loss, and the result will be the present worth. Extend the amount into the liabilities column, which will put the two columns in balance. In a partnership determine each partner's interest separately, and extend to the liabilities column, as shown in the form below.

BALANCE SHEET OF JONAS, SMYTHE & BROWNE, DEC. 31, 1909

		Trial Balance				Losses and Gains				Resources and Liabilities			
1	John Jonas, part.	200		3000									
1	Henry Smythe, part.			2500									
1	Frank Browne, part.			2500									
2	Mdse. <i>Inv. 4596.74</i>	7326	82	4678	90			1948	82	4596	74		
4	Expense <i>Inv. 121.50</i>	528	92			407	42			121	50		
5	Collection	23	45			23	45						
6	Mdse. Disc.	176	83	243	76			66	93				
7	Real Estate, <i>Inv. 2350.00</i>	2250		220				320		2350			
	Cash	2458	23							2458	23		
	Accts. Rec.	1478	72							1478	72		
	Accts. Pay.			1300	31							1300	31
		14442	97	14442	97	430	87	2335	75	11005	19	1300	31
	<i>Net gain</i>					1904	88						
						2335	75	2335	75				
	John Jonas' Inv.	3000											
	" " withdrew	200		2800									
	" " 1/3 net gain			634	96							3434	96
	Henry Smythe's Inv.			2500									
	" " 1/3 net gain			634	96							3134	96
	Frank Browne's Inv.			2500									
	" " 1/3 net gain			634	96							3134	96
										11005	19	11005	19

APPENDIX I

SINGLE ENTRY

In single-entry bookkeeping the ledger contains only accounts with persons, and consequently only such entries as affect personal accounts should appear in a single-entry journal. There is no equality of debits and credits in single-entry bookkeeping, and therefore the journal entries will, in most cases, contain only a single debit or credit.

The rules for journalizing in single entry are exactly the same as in double entry, so far as personal accounts are concerned. A good plan for the student who knows double-entry bookkeeping, is to decide first what the journal entry would be by the double-entry method. Any persons debited or credited in the double-entry journal should be debited or credited in the same way in the single-entry journal. All other debits and credits should be omitted.

The following is a model of a single-entry journal, showing the records which would be made by single-entry bookkeeping for the transactions shown in the model journal-day-book on pages 6 and 7.

MODEL SINGLE-ENTRY JOURNAL-DAYBOOK

JANUARY 1, 19—

A. H. Harper,		Cr.		3000
Commenced this day the Flour and Grain business, investing \$ 3000 in cash.				
	5			
J. B. Allen,		Dr		225
Sold him on account 50 brls. Flour,		4.50		
	6			
A. H. Harper,		Dr.		50
Drew cash for private use.				
	8			
J. Grant & Co.,		Cr.		198
Bought of them on account 600 bu. Oats.		.33		
	13			
J. B. Allen,		Cr.		100
Received of him cash on account.				
	13			
J. Grant & Co.,		Dr.		198
Paid invoice Jan. 8th in cash.				
	25			
J. B. Allen,		Dr.		237
Sold him on account 50 brls. Flour,		4.75		50

It will be seen, by comparison, that all records of transactions which do not affect personal accounts have been omitted from the single-entry journal-daybook; but a cash

book should be kept, which may be the same in form as a double-entry cash book, or it may be kept like the following model, which records the cash transactions of the model journal-daybook on pages 6 and 7.

19—		CASH		Dr.	Cr.
Jan.	1	Invested,	by A. H. Harper,	3000	
	2	Paid	rent for January,		75
	3	Bot. of A. H. Roe & Co.,	200 brls. Flour,	3.90	780
	4	Sold W. D. Leach,	100 " "	4.50	
	6	A. H. Harper,	drew for private use		50
	13	Received of J. B. Allen,	on acct.	100	
	13	Paid J. Grant & Co.,	invoice 1/8		198
	31	Paid	salaries to date		60
	31	<i>Balance on hand*</i>			2387
				3550	3550
Feb.	1	Balance	on hand	2387	

* This entry to be written in red ink.

A record of notes issued and of notes received should be kept in a bill book similar to the ordinary double-entry bill book, and these records, with an inventory taken in the usual manner, will enable the bookkeeper to prepare a statement at any time showing the resources and liabilities, the present worth, and the net gain of the business.

After comparing the journal and cash book models with the model journal on pages 6 and 7, copy them on a page of journal paper. On a half sheet of ledger paper post the journal entries the same as in double entry, opening the personal accounts required—A. H. Harper, J. B. Allen, and J. Grant & Co.

The cash book shows the amount of cash on hand, \$2387. The inventory of unsold merchandise, if taken Jan. 31, would show the following goods on hand: 350 brls. flour, valued at \$4 per brl.; 300 bu. oats at 33¢ per bu.; 300 bu. rye at 57¢ per bu.

The bill book, if kept, would show a note for \$338, in favor of the business, signed by A. B. Frye; and the following notes outstanding—one in favor of Garland & Co. for \$571, and one in favor of B. W. Keene for \$820.

The ledger shows that J. B. Allen owes the business \$362.50.

From the foregoing data it will be easy to prepare a statement of resources and liabilities according to the following model.

STATEMENT OF RESOURCES AND LIABILITIES, JAN. 31, 19—

		Resources	Liabilities
Cash	on hand, as per C. B.	..	
Bills Receivable	" " " B. B.	..	
Merchandise	value " " inventory	..	
J. B. Allen	owes on account	..	
Bills Payable	notes outstanding, as per B. B.		..
<i>A. H. Harper</i>	<i>present worth*</i>		..

* This entry to be written in red ink.

Having found the present worth of A. H. Harper in this way, a comparison of his present worth Jan. 31, 19—, with the amount of his net investment as shown by the ledger, will show his gain or loss, the same as in double-entry bookkeeping. Find A. H. Harper's net gain according to the following model.

STATEMENT OF A. H. HARPER'S GAIN

A. H. Harper's present worth, Jan. 31, 19—	3366	50		
“ “ “ net investment	2950			
“ “ “ net gain			416	50

Write the statement of resources and liabilities and the net gain on the first blank page of your journal. Carry the net gain to the credit side of A. H. Harper's account in your ledger, the same as in double entry, and hand the journal with your ledger to your teacher for approval.

CHANGING FROM SINGLE TO DOUBLE ENTRY

If A. H. Harper should desire to change his books from single entry to double entry, he should first prepare a statement of Resources and Liabilities as heretofore explained. He should then make a journal entry of the resources and liabilities, debiting the former and crediting the latter. The form of the entry would be as follows :

Cash	on hand	2387		
Bills Receivable	as per B. B.	338		
Merchandise	as per I. B.	1670		
J. B. Allen	on acct.	362	50	
Bills Payable	as per B. B.			1391
A. H. Harper	net investment			3366 50

After this journal entry is made it should be posted, excepting those accounts which are already in the ledger, which should be checked off.

The new accounts in the above entry to be opened and posted are Bills Receivable, Merchandise, and Bills Payable. Cash is entered on the debit side of the cash book ; but if it is desired to keep a cash account in the ledger, it should be posted also.

The books would then be on a double-entry basis and ready for the double-entry record of further transactions. Any other books desired may be added, such as sales book, invoice book, etc.

AN EXERCISE IN SINGLE ENTRY

Keep books for the following transactions by the single-entry system, using the single-entry journal-daybook, cash book, and bill book as records of the business.

JAN. 1, 19—. — You have commenced the retail furniture business with the following investment : a stock of furniture, valued at \$1968.75 ; office furniture, fixtures, and books, valued at \$300 ; cash in the City National Bank, \$1245.50.

Enter in the journal and in the cash book. Use the first column of your journal for items, and the second column for the debit or credit amount.

valued at \$1968.75 ; office furniture, fixtures, and books, valued at \$300 ; cash in the City National Bank, \$1245.50.

The following illustrates the form of your journal entry.

Jas. B. Houghton,	Cr.		2210
Commenced the Furniture business, investing as follows:			
Cash in bank, as per C. B.		460	
Furniture valued at		1500	
Office furniture and fixtures		250	

JAN. 1. — Bought of the Grand Rapids Furniture Co., Grand Rapids, Mich., on account, 30 days, furniture as per invoice, \$1468.20. (Enter in the journal.)

JAN. 1. — Paid freight on the above invoice, \$62.25. (Enter in cash book only.)

JAN. 2. — Sold Wm. M. Rand, on account, 1 parlor set, \$65; 6 dining chairs at \$2; 1 extension table, \$15. (Enter in the journal, carrying each item into the first money column.)

JAN. 3. — Sold sundry items for cash, as per cash drawer, \$104.50. (Enter in cash book only.)

JAN. 4. — Sold Thomas W. Parsons, on account, 12 dining chairs at \$1.50; 6 kitchen chairs at 75¢; 1 kitchen table, \$2.50.

JAN. 4. — Sold E. M. Wardner, on account, 1 oak bedroom set, \$55; 2 ash bedroom sets at \$15; 1 leather couch, \$45.

JAN. 5. — Bought of E. M. Farmer & Co., Detroit, merchandise as per invoice, \$550. Gave them in payment your note at 30 days for \$250; the balance on account, terms 4 mos., 5/10. (Make two separate journal entries, one crediting *Farmer & Co.* for the full amount, and the other debiting them for the note. Enter the note in the bill book, the same as in double entry.)

JAN. 5. — Paid freight on the above invoice, \$27.50.

JAN. 6. — Paid one month's rent, \$60; also paid insurance premium, \$30, 1% of insurance policy for \$3000 on your stock of furniture.

JAN. 6. — Sold Thomas Hunter, for cash, 24 cane-seated chairs at 75¢; 3 settees at \$2.25. (Enter in cash book only.)

JAN. 6. — Sold Emma B. Sheridan, on account, 12 ash bedroom sets at \$25; 12 cotton mattresses at \$6; 4 dining tables at \$12; 24 dining chairs at \$1.50. Received cash, \$150, to apply on account. (Debit in the journal for the full amount, and by another entry credit for cash; also enter cash in the cash book.)

Balance your cash in the cash book, writing the balance, in red ink, in the smaller column. Rule, foot, and bring down the balance to commence the next week.

In actual business the cash should be balanced daily, but in this series of transactions you may balance the cash at the end of each week. Your balance at the end of this week should be \$1345.

JAN. 8. — Sold C. H. Stratton, Elm House, 6 hair mattresses at \$25; 2 oak bedroom sets at \$40; 1 parlor set, \$125; 2 French plate mirrors at \$15.

JAN. 8. — Paid Grand Rapids Furniture Co., on account, \$500.

JAN. 8. — Sold sundry items for cash, as per cash drawer, \$46.50.

JAN. 9. — Sold Wm. M. Rand, on account, 2 oak bedroom sets at \$45; 1 cherry bedroom set, \$35; 2 hair mattresses at \$30; 1 cotton mattress, \$6. Received cash on account, \$100. (See third transaction under Jan. 6.)

JAN. 10. — Bought of E. F. Higgins & Co., Michigan City, Ind., furniture as per invoice, \$498.75.

JAN. 10. — Paid freight on above invoice, \$24.93.

JAN. 11. — Paid cash for books and stationery, \$7.50, and for a horse and delivery wagon, \$275.

JAN. 12. — Sold Mrs. Edward Leary, on account, 6 ash bedroom sets at \$20; 1 extension dining table, \$12; 12 cane dining chairs at \$1. Received cash to apply on account, \$44.

JAN. 12. — Sold sundry items for cash, as per cash drawer, \$28.75.

JAN. 13. — Received of T. W. Parsons cash in full of account, \$25. (Journal and cash book.)

JAN. 13. — Sold Edward Strang, on account, 1 cotton velour covered couch, \$18; 1 Morris chair, \$12.50; 4 library chairs at \$6.50; 1 library table, \$30.

JAN. 13. — Paid for clerk hire, two weeks' salary, \$30.

Balance your cash book, and bring down the amount, as on Jan. 6.

JAN. 15. — Received of C. H. Stratton his note at 60 days, to pay invoice of the 8th inst. (Enter in journal and bill book.)

JAN. 15. — Paid the balance of E. M. Farmer & Co.'s invoice of the 5th inst., \$300, less 5% of the full invoice for payment in 10 days. Discount, \$27.50; cash paid, \$272.50. (Enter the full amount in the journal; only the net amount in the cash book. Use the following form.)

	15			
E. M. Farmer & Co.,		Dr.		300
Paid to balance their invoice of Jan. 5, cash,			272	50
5% discount on invoice of \$550,			27	50

JAN. 15. — Cash sales of merchandise, as per cash drawer, \$48.50.

JAN. 16. — Bought of the Grand Rapids Furniture Co. merchandise invoiced at \$1262.75.

JAN. 16. — Paid freight on above invoice, \$63.13.

JAN. 16. — Sold Thomas W. Parsons, on account, 1 oak bedroom set, \$75; 1 parlor set, raw silk, \$120; 1 library lounge, \$18.

JAN. 17. — Paid for advertising, \$12.

JAN. 17. — Paid for shoeing horse, \$1.25.

JAN. 17. — Sold Richard Vose, on account, 1 parlor set, \$110; 1 library table, \$20; 4 library chairs at \$6; 1 screen, \$5.50.

JAN. 17. — Cash sales of merchandise, as per cash drawer, \$38.75.

JAN. 18. — Bought of E. M. Farmer & Co., Detroit, net 4 mos, 5/10, furniture invoiced at \$490.50.

JAN. 18. — Paid freight on above invoice, \$24.50.

JAN. 19. — Bought of J. D. Lansing & Bros., on account, 90 days, 5/10, furniture invoiced at \$633.25.

JAN. 19. — Paid freight on above invoice, \$31.66.

JAN. 19. — Sold Morris Chaney, on account, 1 plate glass beveled mirror, \$22.50; 1 leather library chair, \$25; 4 jardiniere stands at \$1.25.

JAN. 19. — Cash sales of merchandise, as per cash drawer, \$47.75.

JAN. 20. — Sold H. M. Preston, on account, 1 parlor set, plush, \$75; 1 oak bedroom set, \$45; 1 pillar extension table, \$12; six dining chairs at \$1.50.

JAN. 20. — Bought of Phillips Chair Co., Phillipsburg, Ind., net 4 mos., 5/10, furniture as per invoice, \$244.75.

JAN. 20. — Paid freight on above invoice, \$12.24.

JAN. 20. — Paid for hay and oats, \$7.50; clerk hire, \$20; postage and express charges, \$2.50.

JAN. 20. — Cash sales of merchandise, as per cash drawer, \$69.87.

JAN. 20. — Sold Hunter & Allison, on account, 50 cane-seated chairs at \$1; 50 school desks, individual lock, at \$3.75; 1 teacher's desk, \$12.50.

Balance your cash, as on Jan. 6 and Jan. 13.

JAN. 22. — Received of E. M. Wardner, to balance account of Jan. 4, cash, \$30, and his note at 30 days, with interest, \$100. (Enter note in bill book.)

JAN. 22. — Received of Mrs. E. Leary \$15, to apply on account.

JAN. 22. — Cash sales of merchandise, as per cash drawer, \$62.

JAN. 22. — Received of Edward Strang \$50, to apply on account.

JAN. 22. — Sold Emma B. Sheridan 1 parlor set, silk brocatel, \$75; 2 card tables at \$2.50; 2 mirrors at \$3.

JAN. 23. — Hunter & Allison returned 10 cane-seated chairs at \$1.

JAN. 23. — Bought of E. F. Higgins & Co. furniture as per invoice, \$235.75.

JAN. 23. — Paid freight on above invoice, \$11.75.

JAN. 24. — Accepted E. F. Higgins & Co.'s draft at 30 days for amount of invoice of Jan. 10, \$498.75. (Journal and bill book.)

JAN. 24. — Sold C. H. Stratton & Co., on account, 5 oak bedroom sets at \$35; 1 carved sideboard, \$80; 6 card tables at \$3.

JAN. 25. — Have C. H. Stratton's note of Jan. 15 discounted at the bank, and receive cash for the proceeds. Face of note, \$385; discount, 50 days. (Enter the net proceeds in cash book and make proper entry in bill book.)

JAN. 25. — Sold E. M. Wardner, on account, 1 library desk, \$60; 1 revolving book case, \$22.50; 1 revolving chair, \$8.

JAN. 25. — Bought of the Phillips Chair Co. merchandise as per invoice, \$192.85.

JAN. 25. — Paid freight on above invoice, \$9.65.

JAN. 26. — Paid Lansing & Bros. for invoice of the 19th, less 5%. (Journal and cash book.)

JAN. 26. — Cash sales of merchandise, as per cash drawer, \$84.60.

JAN. 27. — Received of Hunter & Allison, to balance account, cash, \$40, and their note at 4 mos., with interest.

JAN. 27. — Sold Edward Strang, on account, 6 dining chairs at \$2.50; 1 pillar extension table, \$18; 1 writing table, \$6.50. Received on account, \$50.

Balance your cash book.

JAN. 29. — Sold Richard Vose, on account, 1 Morris chair, leather, \$20; 1 rattan rocker, \$7.50. Received \$50, to apply on account.

JAN. 29. — Returned to the Phillips Chair Co. 24 cane-seated chairs at \$1; 6 rockers at \$2. These goods were not as ordered.

JAN. 29. — Cash sales of merchandise, as per cash drawer, \$91.40.

JAN. 30. — Paid Phillips Chair Co. for invoice of Jan. 20, less 5%, \$232.51.

JAN. 30. — Bought of Lansing & Bros., 4 mos., 5/10, merchandise as per invoice, \$498.70, freight prepaid.

JAN. 30. — Received of H. M. Preston, on account, \$75.

JAN. 30. — Sold Morris Chaney, on account, 1 office desk, roll top, \$40; 1 office chair, \$6.50.

JAN. 31. — Paid clerk hire to date, \$30.

JAN. 31. — Cash sales, as per cash drawer, \$62.87.

JAN. 31. — Sold Mrs. E. Leary 1 parlor set, \$55; 1 beveled mirror, \$6.50. Received, to apply on account, cash, \$25.

After entering the preceding transactions in your journal and cash book, balance your cash book, and hand it with the journal to your teacher for inspection before posting. After your journal and cash book have been approved, post from the journal to the ledger. Since there is no equality of debits and credits in the journal, of course no trial balance can be taken.

Your inventory shows merchandise on hand, valued at \$5040.75; horse and delivery wagon, valued at \$275; office furniture, fixtures and books, valued at \$275; 11 months' unexpired premium on insurance policy, valued at \$27.50.

Find from your ledger the amounts due from personal accounts; from your bill book, the value of notes on hand, also the notes outstanding. From your ledger find the balances due from you to other firms, and using the model on page 150, prepare a statement of resources and liabilities. Your present worth should be \$3799.32. Compare this with your investment, and find your gain or loss for the month's work.

Make the necessary entries to change the books from single to double entry. Post to the ledger, take a trial balance, and submit to your teacher for approval.

APPENDIX II

BILLS OF LADING

Upon the recommendation of the Interstate Commerce Commission there were adopted in 1908 uniform bills of lading as follows:

(a) One set to be used in connection with "straight" shipments, consisting of bill of lading, shipping order, and memorandum acknowledgment (all to be printed on white paper).

(b) One set to apply to "order" shipments, consisting of order bill of lading (to be printed on yellow paper), shipping order, and memorandum acknowledgment (the last two forms to be printed on blue paper).

The forms for a "straight" shipment are illustrated on pages 89, 90. Goods sent in this way may be delivered to the consignee without his surrendering the bill of lading for them.

On the other hand, an "order" shipment is consigned to "Order of —," and an order bill of lading contains the provision that "the surrender of this original order bill of lading properly indorsed shall be required before the delivery of the property." (See opposite.)

The order bill of lading is negotiable by indorsement, while the straight bill of lading is not negotiable. Order bills of lading are much used in shipping by freight goods that are not to be delivered until paid for. Payment is often made through a local bank, to whose order the goods are consigned, and to which the order bill of lading is sent, together with a draft (order to pay money) on the purchaser of the goods, which must be paid before the bank will give him the bill of lading.

Carriers will supply shippers with these forms. But for convenience' sake, a shipper may prepare his own bills of lading with his name and list of commodities printed thereon, provided such forms contain the precise language of the uniform contract and conditions, and conform to the essential requirements, such as the titles of the respective forms, the color distinction for "order" shipments, the provision for shipper's signature, and the prescribed width of $8\frac{1}{2}$ inches (the forms may be of any length desired).

The shipper may elect to ship under the terms and conditions of the uniform bill of lading and shipping order, in which case the rates provided in the official classification and tariffs will apply; or he may elect not to accept the conditions of the new uniform bill of lading and shipping order, in which case the property will be transported at carrier's liability, and the charge therefor will be ten per cent higher than the former rate.

Draft with Attached Bill of Lading. — The principal use of the order bill of lading is where shipper desires to collect from consignee in advance of the delivery of goods to him. This is usually known among business men as "SHIPPER'S ORDER," and accomplishes the same purpose when goods are shipped by freight as C. O. D. by express does when shipment is made by express. The name of the bank through which the collection is to be made is inserted after "Consigned to Order of" and the name of consignee after "Notify." A draft is drawn on the consignee for the amount of the shipment in favor of the bank and attached to the bill of lading. The draft with bill of lading attached is left with the bank for collection. Consignee cannot obtain possession of bill of lading unless he pays the draft, and

Uniform Bill of Lading—Standard form of Order Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908.

Pennsylvania Railroad Company. ORDER BILL OF LADING—ORIGINAL.

Shippers No. Agents No.

RECEIVED, subject to the classifications and tariffs in effect on the date of issue of this Original Bill of Lading, at Philadelphia, Pa. May 17, 19

H. F. Adams the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof), and which are agreed to by the shipper and accepted for himself and his assigns.

The surrender of this Original ORDER BILL OF LADING property indorsed shall be required before the delivery of the property. Inspection of property covered by this bill of lading will not be permitted unless provided by law or unless permission is indorsed on this original bill of lading or given in writing by the shipper.

The Rate of Freight from. is in Cents per 100 Lbs. Table with columns for various freight classes (1st, 2d, 3d, 4th, 5th, 6th) and special rates.

Consigned to ORDER OF First Nat'l Bank (Mail Address—Not for purpose of Delivery.) Destination, Georgetown State of Pa. County of Notify Rice & Bond At, Georgetown State of Pa. County of Route, Car Initial Car No.

Table with columns: NO. PACKAGES, DESCRIPTION OF ARTICLES AND SPECIAL MARKS, WEIGHT (Subject to Correction), CLASS OR RATE, CHECK COLUMN, If charges are to be prepaid, write or stamp here, "To be Prepaid." Rows include: 15 lbs. packets Tea (10.50), 8 bags Coffee (10.45), 5 lbs. Pepper (5.5), 5 lbs. Cloves (5.5).

Per H. F. Adams Shipper. Per R. T. Brown Agent. (This Bill of Lading is to be signed by the shipper and agent of the carrier joining same.)

For use in connection with the Standard form of Order Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908.

Pennsylvania Railroad Company. THIS MEMORANDUM is an acknowledgment that a bill of lading has been issued and is not the Original Bill of Lading, nor a copy or duplicate, covering the property named herein, and is intended solely for filing or record.

Shippers No. Agents No.

RECEIVED, subject to the classifications and tariffs in effect on the date of the receipt by the carrier of the property described in the Original Bill of Lading, at Philadelphia, Pa. May 17, 19

H. F. Adams the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof), and which are agreed to by the shipper and accepted for himself and his assigns.

The surrender of this Original ORDER BILL OF LADING property indorsed shall be required before the delivery of the property. Inspection of property covered by the bill of lading will not be permitted unless provided by law or unless permission is indorsed on the original bill of lading or given in writing by the shipper.

For use in connection with the Standard form of Order Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908.

Pennsylvania Railroad Company. THIS SHIPPING ORDER must be fully filled in, in ink, in Indelible Pen, or in Carbon, and retained by the Agent.

Shippers No. Agents No.

RECEIVE, subject to the classifications and tariffs in effect on the date of issue of this Shipping Order, at Philadelphia, Pa. May 17, 19

H. F. Adams the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof), and which are agreed to by the shipper and accepted for himself and his assigns.

The surrender of this Original ORDER BILL OF LADING property indorsed shall be required before the delivery of the property. Inspection of property covered by the bill of lading will not be permitted unless provided by law or unless permission is indorsed on the original bill of lading or given in writing by the shipper.

without the bill of lading he cannot get possession of the goods. Thus we have C. O. D. by freight. The invoice is sent to consignee in the regular way with terms "— Ry. S. D. B. L."

FORMS OF INDORSEMENT

An **Indorsement** is the writing of one's name, with or without other words, on the back of negotiable paper, such as notes, drafts, checks, etc.

The forms of indorsement in most general use are the blank and the full indorsement.

FORMS OF INDORSEMENT

BLANK

Thos. A. Seyton

Blank Indorsement.— To indorse a paper in blank consists in writing one's name across the back, without any other words.

FULL

*Pay to the order of
J. T. Key
Thos. A. Seyton*

Full Indorsement.— A full indorsement consists in writing on the back of a negotiable paper an order to pay to the order of a particular person, signed by the payee of the paper. This is the safest kind of indorsement, as the paper cannot be collected without the indorsement of the indorsee.

When a paper is indorsed in blank as above described, the person who receives the paper may write above the name of the indorser the necessary wording to make it a full indorsement.

Other forms of indorsement are the following :

QUALIFIED

*Without recourse
Thos. A. Seyton*

Qualified Indorsement.— This is often called an indorsement "without recourse." It may be either blank or full. The words "without recourse" written above the indorser's name have the effect of relieving him from responsibility for the payment of the paper.

RESTRICTIVE

*Pay to J. T. Key only
Thos. A. Seyton*

Restrictive Indorsement.— A restrictive indorsement restricts the payment of the paper to some particular person named, by omitting the word "order" and adding the word "only" to the full form.

Indorsement for Deposit or Collection.— When a paper is left at the bank for collection or for deposit, this may be indicated by writing "For Collection" or "For Deposit," above the indorser's name, although some banks object to this.

FOR DEPOSIT

*Pay to City Bank for
deposit
Thos. A. Seyton*

Where and How to Indorse Name.— As a matter of business custom and convenience, all indorsements should be placed across the back of the left-hand end of the paper, about one and a half inches down from the end.

In indorsing one's name on a note or draft, one should write it exactly as it is in the face of the paper, and if this differs from one's usual signature, or contains errors of any kind, the correct signature should be placed immediately underneath it. For instance, if a check is made payable to Henry C. Miller, while the payee's customary business signature is H. C. Mueller, he should first indorse his name as Henry C. Miller and then place his correct signature under it.

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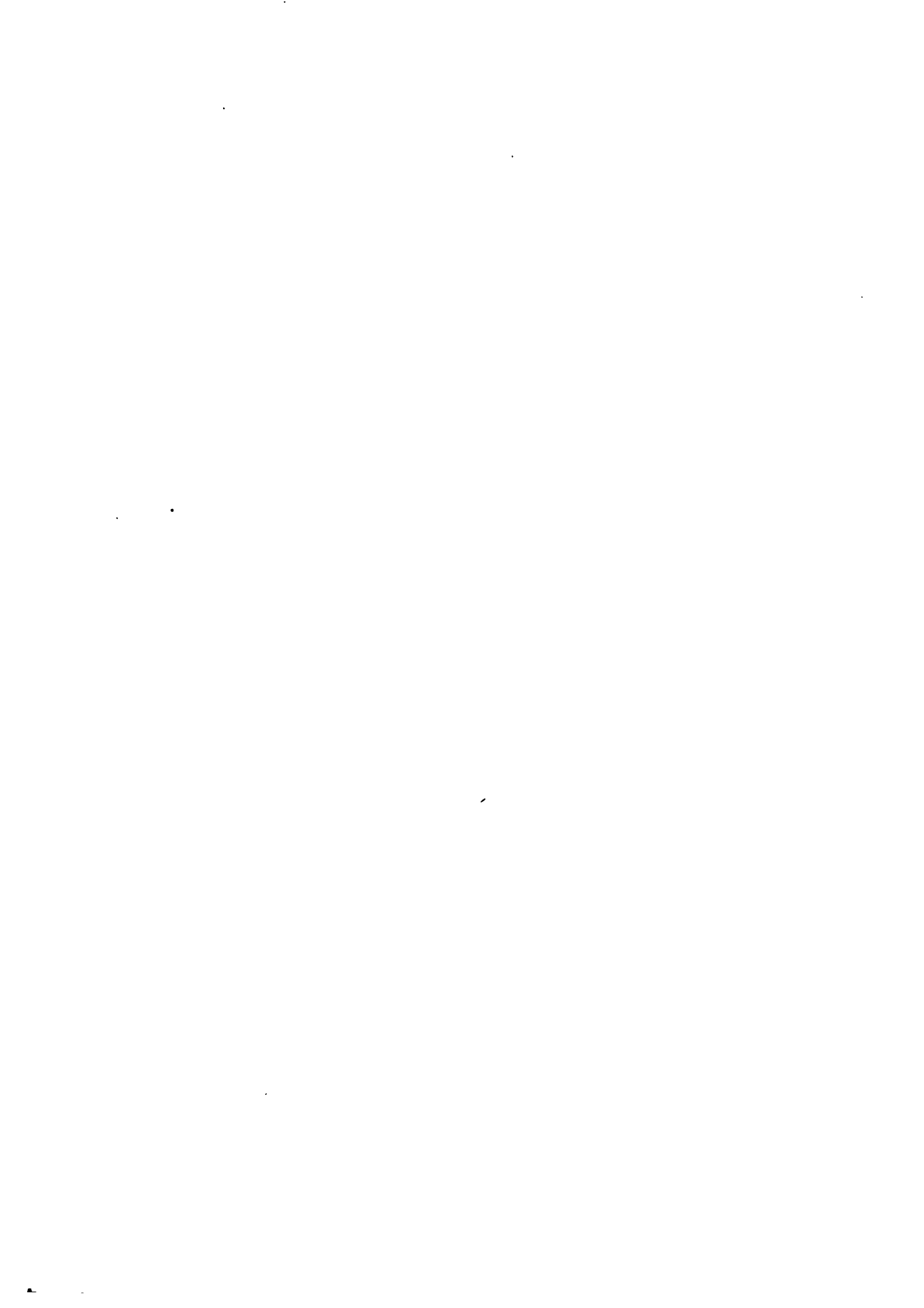
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