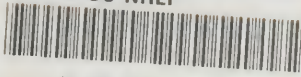


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Bookkeeping Exercises

No. 1

Recording Transactions, Posting
and the Trial Balance



For Beginning Bookkeeping Students

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BOOKKEEPING EXERCISES

DEVELOPING THE PRINCIPLES OF DEBITS AND CREDITS,
RECORDING TRANSACTIONS, THE TRIAL BALANCE,
BALANCE SHEET, STATEMENT OF PROFIT
AND LOSS, AND LEDGER CLOSING

For Beginning Bookkeeping Students

PUBLISHED BY
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Cincinnati, Ohio
1921

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Chapter I

BOOKKEEPING AND ACCOUNTING

§ 1. **Each Individual** requires food, clothing, education, amusement, and many other things necessary for his comfort and enjoyment. These necessities and luxuries can be obtained with money, which is the medium of exchange. The individual secures money through a compensation for services rendered to others, income from investment, or the profit resulting from the operations of a business.

James Brown is employed as salesman for the Citizens Motor Car Co.; his income is the salary received for the services rendered. J. W. Smith owns the building in which the Citizens Motor Car Co. is operated; his income is the rent received from the building, which is his investment. W. O. Winkler owns the Citizens Motor Car Co.; his income is the profit made by selling automobiles at a price greater than the cost.

§ 2. **A Business.** The one who sells to the individual the food, clothing, education, amusement, or other things which he needs for his comfort and enjoyment, is said to be engaged in business, and the operations in connection therewith are referred to as a business. The operations include the buying and selling of the commodities in which the business deals, at a place of business and under a name selected by the owner. There are many kinds of businesses, each supplying a specific demand; there are many businesses of the same kind, each undertaking to supply the same demand.

John Jones owns and operates a drug store at 405 Main Street, known and advertised to the public as "The Central Drug Store." Mr Jones is a business man because he operates a business. The operations of his business include the buying and selling of medicine and drugs as well as the other articles a drug store usually handles, and his business is referred to as a drug business.

§ 3. **The Purpose of a Business.** A business is organized and operated in order that the owner may make a *profit*,* and thus enable him to purchase from others the material or services which his business does not provide. The profit results from selling material or service at a price greater than its cost. If the material or service which the business has for sale is sold at a price lower than its cost to the business, the operations have resulted in a *loss*. The purpose of a business can be accomplished only after the material or service which it undertakes to provide has been sold to those who demand it; no profit can result until the material or service has been sold.

Mr. Jones, the druggist referred to in the illustration in Section (§) 2, hopes to make sufficient profit through the operations of his drug business to permit him to purchase food, clothing, education and amusement for himself and family, and the many other articles and services which are needed in everyday life. To make a profit, it is necessary for him to sell the articles which he offers for sale at a price sufficient to cover (a) the cost of the article, (b) the cost of operating his business (rent, heat, light, etc.), and (c) the profit needed to provide those things necessary for the comfort and enjoyment of himself and family.

§ 4. **Assets, Liabilities, and Proprietorship.** Property is any object of value that an individual or business may lawfully acquire and hold. Any one kind of property (money, goods purchased for sale, land, buildings, etc.) owned by a business is referred to as an *asset*, and all the property owned by a business, as its assets. An oral or written agreement to pay money at a future time is an obligation or debt; an obligation owed by a business is referred to as *liability*, and all the

*The words printed in *italics* are accounting terms and have a special meaning when used in connection with the discussion of bookkeeping and accounting. If the student does not understand the meaning of these terms from the discussion in the text, the teacher will give further explanation upon request. The beginner is not expected to memorize the meaning of these terms, but he should understand their use.

obligations of a business, as its liabilities. *Proprietorship* refers to the interest of the owner in the business; it is the difference between the assets and liabilities of the business. Stated in equation form, assets—liabilities=proprietorship.

Mr. Jones, the druggist, finds by actual count that on December 31 he owns in connection with his drug business, cash \$1,500.00; drugs, medicines, and other material purchased for sale, \$4,500.00; and soda fountain equipment and store fixtures, \$2,500.00. He owes the bank \$1,000.00 for money borrowed from it, and one of the wholesale drug companies from which he buys medicine, \$500.00. Total assets, \$8,500.00, minus total liabilities, \$1,500.00, equals proprietorship, \$7,000.00.

§ 5. A **Business Transaction** is an exchange of equivalent values; that is, the business receives something of value for the material or service which it sells to others, and gives something of value to those from whom it purchases material or services. The *value received* may be an asset, an *operating cost*, or an obligation (liability) canceled; the *value parted with* may be an asset, a service rendered, or an obligation (liability) created. The purpose of a business (§ 3) is accomplished through the performance of business transactions.

Mr. Jones, the druggist, pays money for drugs which he expects to sell; the value received is the drugs, and the value parted with is the money. A railroad receives \$5.00 in payment for a ticket; the value received is the money, and the value parted with is the service rendered the purchaser of the ticket in transporting him from one place to another as specified in the ticket. Mr. Jones, the druggist, pays the telephone company \$5.00 for the use of his 'phone; the value received is the use of the 'phone (operating cost), and the value parted with is the money. A. R. Smith, a farmer, borrows \$500.00 from a bank; the value received by him is the money, and the value parted with is the obligation created by the promise to pay \$500.00 at a future time. When Mr. Smith pays this obligation, the value received by him is the obligation canceled, and the value parted with is the money.

§ 6. **Bookkeeping** is the systematic recording of the transactions performed by a business. Accounting is a term usually used with the same meaning as bookkeeping; there is a distinction which the student will better understand after he is more familiar with the subject of bookkeeping.

A *bookkeeper* records the transactions performed by a business; an *auditor* verifies the bookkeeping records; an *accountant* installs bookkeeping systems, prepares financial reports, and advises the owner in regard to the information that should be obtained from his bookkeeping records; a *certified public accountant* (C. P. A.) is one who has passed the required governmental examination and has the authority to practice the profession of *accountancy*.

§ 7. **The Purpose of Bookkeeping** for a business is to provide a record of all the transactions performed by the business. From this record, the owner can determine the value of the assets and liabilities of the business, the cost of operating it, and the profit resulting from its operations; this information will enable him to control future operations of the business. The purpose of bookkeeping for an individual is to provide a record of his income from salary and investments and his expenditures. From this record he can control future expenditures and avoid contracting obligations which can not be paid from his income.

Mr. Jones, the druggist, wishes to know that the amount of money owned by the business is correct according to the transactions performed. He requires a record of all money received and all money paid; the difference between the total receipts and total payments should correspond with the money owned by the business. Robert Brown, who receives a salary of \$2,500.00 a year, wishes to know that his expenses will not exceed his income. He records his expenses (rent, gas, coal, clothing, food, etc.) and salary received; the difference between the salary and the total expenses is the excess of his income over his cost of living.

§ 8. **An Account** is a record of all the transactions with any one asset, liability, operating cost, profit, or loss collected under a specific heading; this heading is designated as the name of the account. It requires two accounts to record a transaction, one to record the value received and the other the value parted with. The record in an account should be arranged to distinguish between values received and values parted with. Thus, if an account is to show a record of money received and paid by a business, amounts received should be recorded in such a way as to distinguish them from amounts paid. For this reason it is

customary to provide a special ruled form for the recording of transactions in an account. Illustration No. 1 shows one form of ruling; others will be explained and illustrated later.

NAME OF THE ACCOUNT

Values Received

Values Parted With

Year Month	Day	Any special explanation deemed nec- essary.	Page for refer- ence	Dollars	Cents	Year Month	Day	Any special explanation deemed nec- essary.	Page for refer- ence	Dollars	Cents
(1)	(2)	(3)	(4)	(5)	(6)	(1)	(2)	(3)	(4)	(5)	(6)

Illustration No. 1, The Account.

EXPLANATION. The name of the account is written above the ruled form provided for recording transactions affecting the account. The double line in the center separates values received and values parted with. Columns 1 and 2 are for the date, and columns 5 and 6, for the value in dollars and cents of each transaction affecting the account. Column 3 is used when special information is necessary, and column 4, when the transaction is recorded separate from the account and transferred to it. The numbers of the columns on either side are the same because they are used for the same purpose.

Applying the discussion of an account to the illustration in connection with §7, the money received by Mr. Jones, the druggist, would be recorded on one side of an account, the purpose of which is to show a record of money received and paid, and the money paid would be recorded on the opposite side of the same account. The difference between the two sides is the cash balance (§11).

§ 9. **The Name of an Account** should indicate the nature of the asset, liability, operating cost, profit, or loss, which its balance represents. Technical names should be avoided so that any one who can understand what he reads may be able to interpret the name of the account. Custom has established the names of many accounts. Thus merchandise purchased is recorded in an account named "Purchases;" merchandise sold, in an account named "Sales;" money received and paid by the business, in an account named "Cash;" transactions with an individual, in an account with his name. The names of the various accounts needed in connection with the recording of transactions for a business and the purpose of each will be discussed in subsequent chapters.

§ 10. **Debit and Credit** are accounting terms which apply to the two sides of an account, "debit" referring to the left side and "credit" to the right side. When a transaction is performed, the value received is recorded on the debit side of the account affected, and the value parted with on the credit side of the account affected. Values recorded on the debit side of an account are referred to as "debits," and those recorded on the credit side of an account, as "credits."

Applying the illustrations under §§ 7 and 8, the values received in each case would be recorded on the debit side, and the values parted with, on the credit side. Thus Mr. Jones, the druggist would expect all the money received to be recorded on the debit side of the account with money, and all the money paid on the credit side.

§ 11. **The Balance of an Account** is the difference between the total debits and the total credits of the account. The balance of an account shows the value of an asset or a liability, or the amount of a profit or a loss.* If the debit side of an account is the larger, the balance is referred to as a "debit balance;" if the credit side is the larger, as a "credit balance." Debit balances are assets or losses, and credit balances are liabilities or profits. The term "loss" as used here includes the operating cost of the business as well as direct losses resulting from transactions.

An account is "open" when the total of one side is greater than the total of the other side, and is "closed" or "in balance" when the totals of both sides are equal. If the balance of an account shows the value of an asset or a liability, it is sometimes referred to as a *real* account, and if it shows a profit or a loss, as a *nominal* account.

*Negative accounts and other exceptions will be discussed later.

QUESTIONS

1. Would it be advisable for a person who receives a salary for his services to keep a record of the transactions which he performs in connection with his affairs? Why?
2. Name some of the transactions which the individual would perform in connection with his affairs.
3. Would you think it advisable for a person who receives a salary to appropriate fixed amounts for living expenses, clothing, charity, and savings? State reasons for answer.
4. Would it be advisable for the owner of an apartment building with six apartments to keep a record of the transactions performed in connection with the operation of the building? Why?
5. Name some of the transactions which the owner of the apartment building would perform.
6. How would he ascertain whether the ownership of the apartments was a profitable investment?
7. Would you consider a contractor who undertakes to build houses, roads, sidewalks, etc., a business man? Why?
8. Name some of the transactions which he would perform in connection with the operations of his business.
9. Is the payment of street car fare by the individual who rides on the car a business transaction from the standpoint of the street car company?
10. Name some of the assets which would be needed and some of the liabilities which might be incurred in connection with the operation of a railroad.
11. Name some of the assets and liabilities in connection with the operation of a grocery business.
12. Name some of the assets of a dry goods store.
13. Would you consider it advisable for those in charge of a city government to make a record of the transactions completed in connection with its operations? Why?
14. Name some of the transactions which would be recorded in connection with the operations of a city government.
15. Is an automobile truck, owned and used by the grocer for delivering groceries, one of the assets of his business?
16. Name some of the operating costs in connection with the operations of a steamer which carries freight and passengers.
17. Name some of the assets which would be needed and the liabilities incurred in connection with the operations of this steamer.
18. Name some of the operating costs in connection with the publication of a daily newspaper.
19. Name some of the assets and liabilities in connection with the operations of a newspaper.
20. Would the farmer be regarded as a business man?
21. Name some of the transactions which would occur in connection with the operations of a farm.
22. Name some of the assets needed by the farmer and some of the liabilities he might incur in connection with the operations of his farm.
23. Name some of the operating expenses which it would be necessary for the farmer to pay in connection with the operations of his farm.
24. Name some of the transactions which a physician would perform in connection with his practice.
25. Name three businesses of the same kind. Name three businesses of different kinds.

Chapter II

RECORDING TRANSACTIONS

§ 12. **The Purpose of Accounting** (bookkeeping) is to provide the owner with the information which will enable him to know the results of the operations of his business and to control future operations. This information can be obtained only by recording each transaction as it occurs.

§ 13. **Method of Recording Transactions.** The bookkeeper records the transactions as they occur and in the order of their occurrence. Each transaction involves a value received and a value parted with, hence a record in two accounts. Each transaction may be recorded direct in the accounts affected by it or in a separate record and transferred to the accounts. For the purpose of instruction, both methods are illustrated, but in practice, transactions are always recorded separate from the account and transferred to it. The recording of transactions involves the use of books of account because transactions can not be recorded without paper on which to record them.

§ 14. **Books of Account** are bound or loose-leaf, and ruled to meet particular needs. The various books of account used in connection with the recording of transactions will be explained and illustrated as they are introduced in connection with exercises in this text. In the first three exercises, the ledger is the only book of account required.

§ 15. **The Ledger** is a bound book, loose-leaf book, or cards with ruling to contain a record of transactions in accounts. The name of the account is written at the top of the page and each transaction recorded on a horizontal blue line on the opposite sides of two accounts. If an entire page is not needed in connection with recording the transactions for an account, the name of the account may be written across the page in a place other than the top. If more than one account is written on a page, it is customary to indicate the name of a new account by drawing double red lines either all the way across the page as in Illustration No. 3, or beneath the name of the account. Illustration No. 2 shows one form of ruling for a ledger page.

The number of accounts in the ledger depends entirely on the nature of the operations of the business and the extent of these operations. The various accounts that are usually found in the ledger will be discussed as they are needed in connection with the explanation of the accounts and exercises requiring the recording of transactions in them. Accounts with Cash, Purchases, and Sales are discussed and the recording of transactions affecting them illustrated in this chapter.

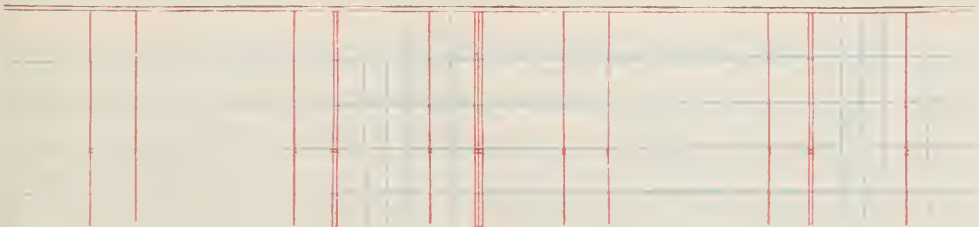


Illustration No. 2, One Form of Ruling for a Ledger

CASH ACCOUNT

§ 16. **The Purpose of this Account** is to show a record of all the transactions in which cash is received and paid. "Cash" is a term applied to money or any *commercial paper* which the *bank* will accept at its face value as money. The various forms of commercial paper which are regarded as cash will be explained and illustrated later.

Debit the Cash Account:

¶ 1. For cash received.

Credit the Cash Account:

¶ 2. For cash paid.

¶ 3. *The Balance of the Cash Account* shows the amount of cash which belongs to the business as a result of the cash transactions completed; it is one of the assets of the business. This cash may be in the *safe*, in the bank for safe-keeping, or a part in each place.

¶ 4. *Proving Cash.* Since the Cash account is a record of all the cash received and paid, the balance should be the same as the cash belonging to the business. If there has been an error in making change, or a transaction affecting cash has not been recorded, it is obvious that the balance of the account will not be the same as the cash on hand. It is customary in business to prove the cash record with the cash on hand at the end of each business day. This proof is effected by counting the cash and comparing the amount with the balance of the Cash account.

PURCHASES ACCOUNT

§ 17. **The Purpose of this Account** is to show the net cost of all the merchandise purchased for sale. Merchandise is a general term applied to goods bought and sold in the trading business, such as groceries, clothing, shoes, hats, hardware, drugs, musical instruments, jewelry, etc.

Debit the Purchases Account:

¶ 1. For the cost of merchandise purchased, and the transportation (freight, express, and postage), drayage, and storage cost of the same.

Credit the Purchases Account:

¶ 2. For the cost price of merchandise returned to the seller, and allowances granted by him.

¶ 3. *The Balance of the Purchases Account* shows the net cost of merchandise purchased during the period for which the record is kept. This balance will not, as a rule, represent the value of the merchandise owned by the business because the merchandise was purchased for sale and a part of it has probably been sold.

SALES ACCOUNT

§ 18. **The Purpose of this Account** is to show the net returns from the sales of merchandise. It is a record of the transactions affecting the sales of those articles purchased for sale, the cost of which is charged to the Purchases account.

Debit the Sales Account:

¶ 1. For the selling price of merchandise returned by the customer, and allowances granted to him.

Credit the Sales Account:

¶ 2. For the selling price of merchandise sold.

¶ 3. *The Balance of the Sales Account* shows the net returns from the sales of merchandise during the period for which the record is kept.

RECORDING TRANSACTIONS DIRECT IN THE LEDGER

§ 19. **Transactions May Be Recorded** direct in the ledger or in a separate book and transferred to the ledger, as explained in §13. When the transactions are recorded direct in the ledger, the date of each transaction and the amount are recorded on the debit side of the account which shows the value received, and the date and the amount, on the credit side of the account which shows the value parted with; each transaction is recorded at the time it occurs.

The following transactions affecting the purchases and sales of merchandise for cash, performed by the soda fountain department of the Central Drug Co. during the week beginning July 2, are shown recorded direct in the Cash, Purchases, and Sales accounts in Illustration No. 3.

- July 2. Cash sales for the day per cash register, \$39.40.
- 3. Bought syrups and extracts, \$5.00; Coca-Cola, \$12.75; ice cream, \$19.20. Cash sales for the day per cash register, \$50.30.

(Concluded on page 12)

<i>Cash</i>			
¹⁹² July 2		39 40	
	3	50 30	
	5	2 50	
	6	21 50	
	7	62 50	
		72 20	
			36 95
			48 90
			1 50
			27 35
<i>Purchases</i>			
		36 95	
		48 90	
		5 45	
			2 50
<i>Sales</i>			
		1 50	
			39 40
			50 30
			21 50
			62 50
			72 20

Illustration No. 3, A Ledger Containing Three Accounts.

EXPLANATION. By comparing the transactions with the record in the ledger, it will be observed that cash is the value received in the first transaction, hence the date, July 2, and the amount, \$39.40, are recorded on the debit side of the Cash account; sales (merchandise sold) is the value parted with, hence the date, July 2, and the amount, \$39.40, are recorded on the credit side of the Sales account. In the second transaction, purchases (merchandise bought) is the value received, hence the date, July 3, and the amount, \$36.95, are recorded on the debit side of the Purchases account; cash is the value parted with, hence the date, July 3, and the amount, \$36.95, are recorded on the credit side of the Cash account. The other transactions are recorded in the same manner. The writing and large figures are written with black ink and the small figures (totals) with a sharp pencil.

5. Returned one gallon of ice cream purchased on the 3d, and received \$2.50, the cost price for the same.
Bought sandwiches, \$12.50; flavoring, \$16.40; ice cream, \$20.00.
6. Cash sales for the day per cash register, \$21.50.
7. Gave James Smith \$1.50 for one-half gallon of ice cream which he returned because it was received in bad condition.
Cash sales for the day per cash register, \$62.50.

§ 20. A **Trial Balance** is a list of the open accounts in the ledger with the balance or the total debits and total credits set opposite the name of each account. The Trial Balance is usually prepared on paper with two money columns ruled at the right, so that debit totals or debit balances may be entered in one column and credit totals or credit balances in the other. If the total debits equal the total credits, the Trial Balance is said to be in balance and proves that the debits and credits recorded in the accounts are equal.

When both sides of the accounts are used in the Trial Balance, it is sometimes referred to as a "Trial Balance of totals," and when the balances of the accounts are used, as a "Trial Balance of balances." A complete discussion of the method of detecting errors when the Trial Balance does not balance will be given later. It is quite evident to the student that, if the ledger is not in balance as indicated by the Trial Balance, it is necessary to check the transactions recorded in the ledger to detect the errors.

F #

Central Drug Co.
Trial Balance July 7, 192

	/ Cash		176 20	87 35
	/ Purchases		85 85	2 50
	/ Sales		1 50	173 70
			263 55	263 55

Illustration No. 4, A Trial Balance of Totals.

EXPLANATION. This Trial Balance is prepared from the ledger in Illustration No. 3. The name of each account is written at the left and the total debits and total credits in the two money columns at the right. The name of each account, the amount, and the totals of the columns are written in black ink; if the Trial Balance is footed before it is ruled, the totals are entered in small pencil figures in the same manner as the totals in Illustration No. 3. By comparing Illustration No. 4 with Illustration No. 3, the student will observe that it is necessary to add the accounts in the ledger and write the totals in small pencil figures before preparing the Trial Balance.

F #

Central Drug Co.
Trial Balance July 7, 192

	/ Cash		88 85	
	/ Purchases		83 35	
	/ Sales			172 20
			172 20	172 20

Illustration No. 5, A Trial Balance of Balances.

EXPLANATION. It is customary, when taking a Trial Balance of balances, to write the balance in the explanation column on the larger side of the account. These balances are not shown in Illustration No. 3 because they are not necessary in taking a Trial Balance of totals.

Exercise No. 1, Recording Transactions Direct in the Ledger.

Record on ledger paper* (paper with the same ruling as Illustration No. 2) the following transactions performed during the month of January by J. W. McCormick, a dealer in musical instruments. It will require fourteen lines for recording the transactions in the Cash account, eight lines for those in the Purchases account, and twelve lines for those in the Sales account. If one sheet of ledger paper is used for the three accounts, separate them by red lines as in Illustration No. 3, being sure to allow the number of lines necessary for recording the transactions, as indicated.

- Jan. 1. Sold for cash one piano, \$450.00.
 2. Bought for cash one hundred Victrola records, \$110.00.
 5. Sold for cash one Victrola, \$225.00; records, \$10.50.
 Enter as one amount in the same manner as the transaction of July 3 recorded in Illustration No. 3.
 7. Sold for cash one piano, \$350.00.
 10. Sold for cash one player-piano, \$500.00; rolls, \$22.50.
 12. Bought for cash three Victrolas, \$320.00; paid freight on the same, \$52.50.
 14. Sold for cash one Victrola, \$200.00; records, \$42.50.
 17. Gave J. O. Smith \$1.50 for a damaged record which he purchased on the 14th and returned.
 18. Sold for cash one Victrola, \$50.00; records, \$6.50.
 20. Bought for cash one piano, \$225.00; paid freight and drayage on the same, \$42.65.
 23. Sent the damaged record returned to us on the 17th to the distributing agent of the records and received 90c for the same.
 27. Sold for cash one Victrola, \$75.00; records, \$10.50.
 Bought for cash one piano, \$300.00; paid freight on the same, \$48.65.
 30. Received \$3.50 from the railroad company to pay for overcharge on freight paid on the 20th.
 31. Sold for cash one piano, \$350.00.

When these transactions have been recorded in the three accounts, add the debit side and the credit side of each account, enter the totals in small pencil figures as in Illustration No. 2, and prove the equality of the debits and credits by a Trial Balance of totals as in Illustration No. 4.

Exercise No. 2, Recording Transactions Direct in the Ledger.

Record on ledger paper* the following transactions performed during the week beginning May 28 by Charles Smith, a butcher. Allow space for the accounts as follows: Cash, ten lines; Purchases, eight lines; Sales, nine lines.

- May 28. Cash sales for the day per cash register, \$42.85.
 29. Bought meat for cash, \$22.50.
 Cash sales for the day per cash register, \$35.60.
 30. Paid the express company \$20.00, \$18.75 of which was for a C. O. D. shipment of lard and \$1.25 for express charges on the same.
 Cash sales for the day per cash register, \$45.25.
 31. Gave Mrs. R. K. Polk \$1.10 cash for a steak which she returned because it was not satisfactory.
 June 1. Bought meat for cash, \$57.50.
 Cash sales for the day per cash register, \$49.90.

(Concluded on page 14)

*NOTE. The exercises in the text are not to be recorded in the books of account provided for the practice set. Unless special blanks, marked "For Exercises in the Text," are provided, the student should use loose sheets of ruled paper. Unless otherwise instructed, the student will present to the instructor for approval each exercise as it is completed.

Exercise No. 2—(Continued from page 13.)

- June 2. Received \$3.50 from the Central Provision Co. for lard which we returned as per agreement.
 Bought meat for cash, \$36.40.
 Cash sales for the day per cash register, \$72.19.

When these transactions have been recorded in the three accounts, add the debit side and the credit side of each account, enter the totals in small pencil figures, and prove the equality of the debits and credits by a Trial Balance of totals as in Illustration No. 4.

Exercise No. 3, Recording Transactions Direct in the Ledger.

Record on ledger paper the following transactions performed during the week beginning September 15 by G. S. Johnson, who conducts the Central Cafeteria. Allow space for the accounts as follows: Cash, eleven lines; Purchases, nine lines; Sales, ten lines.

- Sept. 15. Paid cash for meat, \$25.50; bread, \$4.75.
 Received for cash sales, \$37.55.
 16. Paid cash for vegetables, \$12.80.
 Received for cash sales, \$32.65.
 17. Paid cash for canned goods, \$13.75; meat, \$15.00; bread, \$5.50.
 Received for cash sales, \$29.90.
 18. Received cash, \$2.50, for canned goods returned by us as per agreement.
 Received for cash sales, \$31.55.
 19. Paid cash for meat, \$9.75; bread, \$3.40.
 Received for cash sales, \$27.90.
 20. Paid cash for vegetables, \$13.50; bread, \$5.60; butter, \$7.55.
 Received for cash sales, \$44.59.

When these transactions have been recorded in the three accounts, foot the debit and credit side of each account which has more than one amount recorded on it; enter the balance with small pencil figures in the explanation column on the larger side, and take a Trial Balance of balances as in Illustration No. 5.

§ 21. **A Book of Original Entry.** As explained in § 13, transactions may be recorded direct in the ledger or in a separate book of account and transferred to the ledger. A book of original entry is a book of account used for recording transactions separate from the ledger. When transactions are recorded separate from the ledger, the facts shown by this record must be transferred to the ledger because the information required by the owner is obtained from the accounts in the ledger. There are many kinds of books of original entry, each of which will be explained as it is needed in connection with recording the transactions in the exercises. At present the journal is the only book of original entry used for recording transactions.

§ 22. **The Journal** is a book of original entry (bound or loose-leaf) ruled to provide for the recording of business transactions. If it is the only book of original entry, all the transactions are recorded in it; if other books of original entry are used, it contains only those transactions which are not recorded in the other books. The ruling in the journal provides space for the date of the transaction, the name of the account debited and the amount, the name of the account credited and the amount, and an explanation of the transaction. Illustration No. 6 shows one form of ruling for the journal; others will be explained and illustrated later.

¶ 1. Journalizing is indicating the names of the accounts debited and credited in a transaction before recording it in a book of original entry; if written, the names of the accounts debited and credited and the amounts are arranged in journal form as in Illustration No. 7.

Illustration No. 6, Ruling for a Page in the Journal.

EXPLANATION. The date of the first transaction recorded on the page is written on the blue line at the top, and the date of succeeding transactions on the blue line immediately below the last transaction recorded. The name of the account debited is written at the left, and the amount in the first money column on the same line with it; the name of the account credited is written on the line below, one-half inch to the right of the name of the account debited, and the amount in the second money column on the same line with it. The explanation is begun on the line below the name of the account credited and may occupy one or more lines, depending on the nature of the transaction. The space between the two red lines at the left is for the page of the account in the ledger. The name of the account credited is written to the right of the name of the account debited so as to distinguish between the two accounts affected by the transaction.

RECORDING TRANSACTIONS IN THE JOURNAL

§ 23. **Transactions Are Recorded in the Journal** in the order in which they occur. A complete record of a transaction in the journal must show the date of the transaction, the name of the account debited and the amount, the name of the account credited and the amount, and the explanation. This explanation is for the information of the bookkeeper or any person who may have occasion to examine the record.

The following transactions affecting the purchases and sales of merchandise for cash, performed by the soda fountain department of the Central Drug Co. during the week beginning July 2, are shown recorded in the journal in Illustration No. 7. These transactions are the same as those beginning on page 9.

- July 2. Cash sales for the day per cash register, \$39.40.
3. Bought syrups and extracts, \$5.00; Coca-Cola, \$12.75; ice cream, \$19.20. Cash sales for the day per cash register, \$50.30.
5. Returned one gallon of ice cream purchased on the 3d, and received \$2.00, the cost price, for the same.
Bought sandwiches, \$12.50; flavoring, \$16.40; ice cream, \$20.00.
6. Cash sales for the day per cash register, \$21.50.
7. Gave James Smith \$1.50 for one-half gallon of ice cream which he returned because it was received in bad condition.
Cash sales for the day per cash register, \$62.50.

July 2, 192

1	Cash	39 40	
1	Sales		39 40
	Cash sales for the day		
	3		
1	Purchases	36 95	
1	Cash		36 95
	Bought syrups and Coca Cola for cash		
	3		
1	Cash	50 30	
1	Sales		50 30
	Cash sales for the day		
	5		
1	Cash	2 50	
1	Purchases		2 50
	Received \$2.50 for 1 gal. ice cream returned		
	5		
1	Purchases	48 90	
1	Cash		48 90
	Bought ice cream and sandwiches for cash		
	6		
1	Cash	21 50	
1	Sales		21 50
	Cash sales for the day		
	7		
1	Sales	1 50	
1	Cash		1 50
	Paid \$1.50 for 1/2 gal. ice cream returned		
	7		
1	Cash	62 50	
1	Sales		62 50
	Cash sales for the day		

Illustration No. 7, A Journal Page with Transactions Recorded on It.

EXPLANATION. A comparison of this illustration with the transactions on page 15 and with the explanation of Illustration No. 6 is all the explanation that is needed for this illustration.

§ 24. **Posting from the Journal** is transferring the amounts from the journal to the accounts in the ledger. Each amount in the debit column is posted to the debit side of the account written on the same line with it. Each amount in the credit column is posted to the credit side of the account written on the same line with it. The page in the journal and the letter "J" are entered in the folio column in the ledger for reference; the page of the account in the ledger is written in the folio column in the journal to indicate the posting. These amounts are posted to the ledger in the same order as they are recorded in the journal. The purpose of posting is to provide a record of the transactions in account form.

The transactions recorded in Illustration No. 7, when posted to the ledger accounts, will appear as in Illustration No. 8, and a Trial Balance from these ledger accounts will appear as in Illustration No. 4 or No. 5.

<i>Cash</i>					
¹⁰² July 2	Dr.	3940	¹⁹² July 5	Cr.	3645
3	Dr.	5030	5	Cr.	4390
5	Dr.	250	7	Cr.	6250
6	Dr.	2150			
7	Dr.	6250			
		7250			
<i>Purchases</i>					
¹²² July 3	Dr.	3645	¹²² July 5	Dr.	250
5	Dr.	4890			
		3525			
<i>Sales</i>					
¹²² July 7	Dr.	150	¹²² July	Cr.	3940
				Cr.	5030
				Cr.	2150
				Cr.	6250
					7250

Illustration No. 8, A Ledger with Three Accounts Resulting from Posting.

EXPLANATION. By comparing this illustration with Illustration No. 7, it will be observed that each amount written in the first column in the journal is transferred to the debit side of the account written on the same line with it, and each amount written in the second column in the journal is transferred to the credit side of the account written on the same line with it. The posting is indicated by writing the journal page "1" in the folio column (see column 4, Illustration No. 1) in the ledger, and by writing the ledger page "1" in the folio column of the journal (see explanation of Illustration No. 6). Unless the posting is indicated by these numbers as each transaction is posted the bookkeeper might post the same amount again, especially if there should be an interruption in his work while he was posting.

A comparison of Illustration No. 8 with Illustration No. 3 shows that the facts are the same except that the folio column is used in the former because the amounts are transferred from a book of original entry, while it is not used in the latter because the transactions were recorded direct in the ledger, hence no references were needed

Exercise No. 4, Recording Transactions in the Journal and Posting.

Record on journal paper* (paper with the same ruling as Illustration No. 6) the following transactions performed during the month of March by Robert Smith, a dealer in used automobiles:

- March
1. Sold A. L. Lott a used Chandler for \$840.00 cash.
 3. Bought a used Ford from W. H. Roland for \$250.00 cash.
 8. Sold W. W. Jones a used 1920 Franklin for \$925.00 cash.
 15. Bought a used Packard from Robert MacFarland for \$980.00 cash.
 19. Sold Davis Bros. the used Packard purchased on the 15th, for \$1,200.00 cash.
 25. Bought a used Hudson from David Browning at Danville for \$950.00 cash; paid Charlie Smith \$25.00 for delivering this car.
 31. Sold B. M. Morris the used Hudson purchased on the 25th, for \$1,250.00 cash.

When the above transactions have been recorded in the journal as instructed, open accounts on a sheet of ledger paper with Cash (8), Purchases (7), and Sales (8), allowing for each account the number of lines indicated by the number given in parenthesis after the name of the account; post the transactions, and prove the posting by a Trial Balance of totals. Use loose paper unless otherwise instructed.

Exercise No. 5, Recording Transactions in the Journal and Posting.

Record on journal paper* the following cash transactions performed by the H. F. Ritter Electric Co. during the month of August:

- Aug.
1. Sold M. N. Stewart a No. 9 electric washer, \$135.50.
 2. Sold A. L. Graham three Solvay electric fans, \$99.75.
 5. Bought three electric lamps from the General Electric Co., \$85.70.
 9. Received \$275.00 from the Dowell Construction Co. in payment for one No. 10 electric washer.
 12. Bought two electric washers from the General Electric Co., \$325.00.
 16. Sold Mrs. J. M. Taylor one electric iron, \$13.50.
 18. Sold Mrs. A. L. Day one electric lamp, \$42.50.
 21. Gave H. L. Jones \$5.50 for an electric iron which he purchased for cash and returned per agreement.
 25. Sold Dr. C. C. Doyle one No. 5 electric pad, \$22.50; one No. 6 Violet Ray machine, \$35.00.
 28. Received \$12.50 from the General Electric Co. for a lamp which we purchased from them on the 5th, but returned because it was not the kind ordered.

When the above transactions have been recorded in the journal as instructed, open accounts on a sheet of ledger paper with Cash (11), Purchases (6), and Sales (10), allowing for each account the number of lines indicated; post the transactions, and prove the posting by a Trial Balance of totals.

Exercise No. 6, Recording Transactions in the Journal and Posting.

Record on journal paper* the following transactions performed during the month of March by Martin R. Daley, a retail furniture dealer:

- March
1. Sold for cash one bedroom suite, \$175.00; one dining room suite, \$196.50.

(Concluded on page 19.)

*See note at the bottom of page 13.

(Exercise No. 6—Continued from page 18.)

5. Paid cash for furniture purchased, \$209.60.
10. Paid \$18.75 cash, freight on furniture purchased.
12. Received cash for six rugs sold, \$205.75.
Paid cash for furniture purchased, \$172.60.
15. Gave a customer cash, \$5.50, for a chair returned as per agreement.
18. Paid cash for furniture purchased, \$82.50.
21. Received \$14.75 cash for three small rugs returned by us to the seller as per agreement.
25. Sold for cash one refrigerator, \$55.00; one gas range, \$47.50; one kitchen cabinet, \$65.00.
30. Paid the American Railway Express Co. cash, \$2.50, for express charges on furniture purchased.

When the above transactions have been recorded in the journal as instructed, open accounts on a sheet of ledger paper with Cash (10), Purchases (9), and Sales (7), allowing for each account the number of lines indicated; post the transactions and prove the posting by a Trial Balance of balances.

QUESTIONS

1. What is the purpose of bookkeeping and how is it accomplished?
2. In what order are the transactions recorded?
3. State the two methods of recording transactions.
4. How would you record a cash sale in the journal? Direct in the ledger?
5. Which is preferable, a bound book or a loose-leaf book?
6. If a merchant wishes to know the total sales of merchandise for any given number of months, from which book of account would he obtain the information? from what account?
7. If a drug store has five departments, would it be necessary to maintain a Cash account for each department? Give reasons for your answer.
8. Would it be necessary to keep a separate record of the sales made by each of the five departments mentioned in Question No. 7?
9. If you were keeping books for a local merchant and, when you proved cash at the close of January 10, you found that you had \$2.00 more cash than the amount shown by the Cash account, what entry would you make for the \$2.00?
10. Why will the Sales account always show a credit balance?
11. Why will the Purchases account always show a debit balance?
12. Why will the Cash account always show a debit balance?
13. Why does the Trial Balance prove that the total debits equal the total credits in the ledger?
14. If \$10.00 cash is received for a sale of merchandise and the amount is erroneously entered on the credit side of the Purchases account instead of the Sales account, how would it affect the Trial Balance?
15. How would the error mentioned in Question 14 affect the balance of the Purchases account? the Sales account?

16. If the debits and credits on the Trial Balance are not equal, how does the bookkeeper, who has recorded the transactions separate from the ledger, ascertain the error?
17. Why is it advisable to give an explanation of each entry in the journal?
18. If \$10.10 cash is received for merchandise sold and recorded in the journal as Cash, Dr., \$10.00, and Sales, Cr., \$10.10, what effect will this have on the Trial Balance if the entry is posted as recorded?
19. What does a telephone company sell?
20. Would these sales be recorded in a Sales account?
21. Would the bookkeeper for a city government have a Sales account in his ledger?
22. Would the farmer who keeps a record of the transactions he performs have a Sales account in his ledger?
23. If a merchant discontinues business and sells all the merchandise which he owns, what will the balance of the Sales account show?
24. Under the conditions mentioned in Question No. 23, what would the balance of the Purchases account show?
25. If a grocer buys an automobile truck to be used in delivering merchandise, would the value of this truck be debited to the Purchases account? Give reasons for your answer.

Chapter III

RECORDING TRANSACTIONS—Continued

§ 25. **Purchases and Sales of Merchandise on Account.** It is not always possible for the owner of a business to pay cash at the time merchandise is purchased, or to demand cash at the time merchandise is sold. When the owner of the business does not pay cash for merchandise at the time purchased, the seller extends credit to the business; that is, he accepts the owner's promise to pay at a future date as the value received in the transaction. The owner of the business to which credit is extended regards his promise to pay at a future date for merchandise purchased as a value parted with in a transaction in which merchandise is purchased on account. When the liability is paid, the cancellation of the obligation is the value received.

When the owner of the business does not receive cash for merchandise at the time it is sold, he extends credit to the customer; that is, he accepts the customer's promise to pay at a future date as the value received in the transaction. When the customer pays the amount he owes the business, the cancellation of his debt is regarded as the value parted with.

The one who extends credit to a business is referred to as a creditor, and the one to whom the business extends credit, as a debtor; the term "customer" applies to one to whom the business sells, either for cash or on account.

If no specific time of payment is mentioned, it is understood that collection is to be made on the first of the following month; if a specific time is mentioned, then payment is due on that date.

Mr. Jones, who operates the drug business at 405 Main Street, wishes to purchase a quantity of drugs from a wholesale house, but does not have sufficient cash with which to pay for them. By agreement, he is allowed thirty days in which to pay for the drugs. The wholesale drug house which extends this credit becomes one of his creditors, and he one of its debtors.

James Smith, an employee of a local bank, receives his salary monthly. He is in need of drugs, but has not sufficient money to pay for them. Mr. Jones agrees to sell him the drugs and allow him to pay for them at the time he receives his salary. Mr. Smith becomes one of the debtors of the business, and Mr. Jones one of Mr. Smith's creditors.

ACCOUNTS WITH PERSONS

§ 26. **Accounts with Persons** are those required when credit is extended to the business through the purchase of merchandise, or when the business extends credit to its customers through the sale of merchandise. Accounts with persons are divided into two classes: one (accounts with customers) shows the result of transactions with the persons to whom the business sells merchandise or other assets on account, usually referred to as "accounts receivable;" and the other (accounts with creditors) shows the result of transactions with those from whom merchandise or other assets are purchased on account, usually referred to as "accounts payable."

ACCOUNTS RECEIVABLE

§ 27. **The Purpose of an Account with a Customer** is to show a record of the transactions in which the business sells merchandise or some other asset to him on account. When a customer pays cash for merchandise, it is not necessary to record the transactions in an account with him; but when he buys and

does not pay cash, it is necessary to record the date and amount of the sale in an account with him so that the owner may know the amount the customer owes him when settlement is desired. A separate account is kept with each customer because the owner of the business should know the amount due from each customer to whom he sells on account as well as the total amount due from all customers.

*Debit the Account of
Each Customer:*

¶ 1. For the selling price of merchandise or other assets sold to him on account, and for transportation if the terms of sale do not include delivery.

*Credit the Account of
Each Customer:*

¶ 2. For the cash or other assets received from him to apply on account, and for the amount of any allowance or deduction granted to him. Partial Payments are indicated as explained in ¶ 5.

¶ 3. *The Balance of an Account Receivable* shows the amount the customer owes the business. It is one of the assets of the business. The debit side will be the larger unless the customer should pay for more than he has purchased. When the two sides are equal, his account is said to be in balance; this indicates that he has paid the business for all the assets purchased on account.

¶ 4. *Ruling an Account Receivable.* When the account with a customer is in balance, it should be ruled with a red line as in the account with Walter Rogers in Illustration No. 9. If there are a number of debits or credits, the two sides should be footed to prove that they are equal before ruling. When possible, the red line should be ruled on the same blue line on each side of the account so that the customer's obligation to the business and his settlement of it will be between parallel lines. The use of red ink for ruling is not arbitrary but is it customary for bookkeepers to use it, hence its use in the illustrations.

¶ 5. *Partial Payments.* A debtor has the right, by law, to indicate on what item his payment shall be applied. Thus if he owes several amounts and wishes the payment to be applied to any one particular amount, and indicates this, the credit must be applied on that amount. In cases of this kind the bookkeeper should indicate the amount on which the credit is applied by placing a letter at the left of the amount of the item on the debit side, and placing the same letter to the left of each payment on the credit side. It is best to begin with "a" and continue with as many letters as may be required for payments on different charges. The letters are not necessary when an item is paid in full by one payment, and the account is ruled. If the payments are indicated by the letter as explained the bookkeeper can ascertain the amount due for any one sale without referring to a book of original entry.

ACCOUNTS PAYABLE

§ 28. **The Purpose of an Account with a Creditor** is to show a record of the transactions in which the business buys merchandise or some other asset from him on account. When merchandise is purchased for cash, no account with the one from whom it is purchased is necessary because the transaction is completed; but when the business buys on account, it is necessary to keep a record of such transactions in order that the owner may know the amount he owes at the time settlement is made. A separate account is kept with each creditor because the owner of

the business should know the amount he owes each creditor as well as the total amount due all creditors.

*Debit the Account of
Each Creditor:*

- ¶ 1. For cash or other assets of the business given him to apply on account, and for any allowance or deduction granted to the business by him. Partial payments are indicated as explained in § 27, ¶ 5.

*Credit the Account of
Each Creditor:*

- ¶ 2. For the cost of merchandise or other assets purchased from him on account, and for transportation if the terms of purchase do not include delivery.

¶ 3. *The Balance of an Account Payable* shows the amount the business owes the creditor. The credit side will be the larger unless the business should pay a creditor more than it owes him. The balance due a creditor is one of the verbal obligations of the business, hence a liability.

¶ 4. *Ruling an Account Payable.* The account with a creditor is ruled in the same manner as an account with a customer, as described in § 27, ¶ 4.

¶ 5. *Partial Payments* should be indicated by letter as explained in § 27, ¶ 5. This enables the bookkeeper to ascertain the balance due on any one purchase without referring to a book of original entry.

RECORDING TRANSACTIONS DIRECT IN THE LEDGER

§ 29. **Transactions** with customers on account, and with creditors may be recorded direct in the ledger in the same manner as cash transactions. When credit is extended to a customer of the business, his promise to pay the amount of the sale is recorded on the debit side of his account as the value received, and the value of the merchandise sold, on the credit side of the Sales account in the same manner as a cash sale. When credit is extended to the business, the cost of the merchandise purchased is recorded on the debit side of the Purchases account in the same manner as a cash purchase, and the same amount is recorded on the credit side of the creditor's account because the promise of the owner of the business to pay for the merchandise bought is regarded as the value parted with. The account with a customer remains on the ledger as an asset, and that with a creditor as a liability, until settlement is made, either with cash or some other asset.

The following transactions affecting the purchases and sales of merchandise for cash and on account, performed by J. H. Henderson, a retail furniture dealer, during the month of November, are shown recorded direct in accounts with Cash, Purchases, Sales, customers, and creditors in Illustration No. 9 and a Trial Balance of totals made from the accounts, in Illustration No. 10.

- Nov. 1. Purchased furniture from the Consolidated Furniture Co., Grand Rapids, on sixty days' time, \$215.75.
2. Sold C. H. Powers, Arlington, on account, one bedroom suite, \$125.00.
6. Sold Walter Rogers, City, on account, one hatrack, \$22.50.
12. Received cash for furniture sold today, \$625.50.
14. Paid the Consolidated Furniture Co. \$100.00 on account.
20. Received \$22.50 from Walter Rogers in payment for the hatrack sold him on the 6th.
25. Received \$25.00 from C. H. Powers to apply on account.
26. Sold C. H. Powers on account three leather rockers at \$25.50 each.
29. C. H. Powers returned one of the rockers and was allowed credit for \$25.50.

┌ 9

Cash

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¹⁹² Nov. 12	625.50	¹⁹² Nov. 14	100
20	22.50		
25	675.00		

C. H. Powers
Arlington

¹⁹² Nov. 2	125	¹⁹² Nov. 25	25
26	276.50	29	50.50
	201.50		

Walter Rogers
City

¹⁹² Nov. 6	22.50	¹⁹² Nov. 20	22.50
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Consolidated Furniture Co.
Grand Rapids

¹⁹² Nov. 14	100	¹⁹² Nov. 1 60 days	215.75
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Purchases

¹⁹² Nov. 1	215.75
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Sales

¹⁹² Nov. 29	25.50	¹⁹² Nov. 2	125
		6	22.50
		12	625.50
		26	276.50
			279.50

Illustration No. 9, A Ledger with Six Accounts.

EXPLANATION. This illustration is in the same form as Illustration No. 3, with the exception of three additional accounts, two with customers and one with a creditor. A comparison of the transactions with the record will show that the value received in each is recorded on the debit side, and the value parted with on the credit side. The "60 days" in the explanation column of the account with the Consolidated Furniture Co. refers to the time when payment is to be made. Since the purchase is on November 1, payment will be expected on December 31. When no specific time of settlement is mentioned, the purchase or sale is sometimes referred to as "on account," and settlement is usually required on the first of the month following the purchase or sale.

J. N. Henderson
Trial Balance, Nov. 30, 1912

1	Cash	673	100
1	C. N. Powers	201.50	50.50
1	Consolidated Furniture Co.	100	215.75
1	Purchases	215.75	
1	Sales	25.50	849.50
		1215.75	1215.75

Illustration No. 10, A Trial Balance of Totals.

EXPLANATION. This Trial Balance which is prepared from the ledger in Illustration No. 9 is the same form as Illustration No. 4 with the addition of two personal accounts. By comparing this illustration with Illustration No. 9, it will be observed that the account with Walter Rogers does not appear on the Trial Balance. The reason for this is because the amounts recorded on the debit and credit sides are equal. This emphasizes the fact that only the open accounts in the ledger appear on the Trial Balance.

Exercise No. 7, Recording Transactions Direct in the Ledger.

Record on ledger paper* the following transactions performed during the month of October by J. J. Hammond, a retail shoe dealer. Allow space for the accounts as follows: Cash, ten lines; Purchases, eleven lines; Sales, twelve lines; J. C. Mason, five lines; Walter Love, six lines; J. C. Miller, five lines; Robert Whitacre, five lines; W. O. Crosswhite, seven lines; Davis Bros., five lines; Smith Shoe Company, six lines. Give each customer and creditor a local address.

- Oct. 2. Bought shoes from W. O. Crosswhite on account, \$187.65.
 3. Sold J. C. Mason on account one pair of shoes, \$11.50.
 5. Bought shoes from Davis Bros. on account \$281.36.
 7. Received for cash sales of shoes, \$127.50.
 9. Paid W. O. Crosswhite \$100.00 on account.
 10. Sold Walter Love on account six pairs of shoes, \$56.50.
 11. Bought shoes from the Smith Shoe Company on sixty days' time, \$211.85.
 12. Received for cash sales of shoes, \$97.50.
 13. Paid W. O. Crosswhite \$87.65 in full of account.
 14. Sold J. C. Miller on account two pairs of shoes, \$25.25.
 16. Received for cash sales of shoes, \$106.95.
 17. Allowed Walter Love credit for one pair of shoes returned, \$17.50.
 18. Bought shoes from W. O. Crosswhite on account, \$321.85.
 19. Paid \$82.50 for shoes purchased and delivered today.
 20. Paid Mrs. W. C. Davis \$6.00 for a pair of shoes returned for which she had paid cash when sold to her.
 23. Received \$39.00 from Walter Love in full of account.
 25. Paid the Smith Shoe Company \$25.00 on account.
 26. Received for cash sales of shoes, \$88.90.
 27. Paid the Lawton Transfer Co. \$65.50 for freight and drayage on shoes purchased.
 28. Sold Robert Whitacre one pair of shoes on account, \$15.00.
 30. Bought shoes from the Smith Shoe Company on sixty days' time, \$175.75.
 31. Davis Bros. allowed us credit for \$62.50 for shoes returned to them.

When these transactions have been recorded in the accounts, prove the equality of the debits and credits by a Trial Balance of totals.

*See note at the bottom of page 13.

Exercise No. 8, Recording Transactions Direct in the Ledger.

Record on ledger paper the following transactions performed by F. B. Bellis, a retail candy merchant, during the week beginning July 5. Allow space for the accounts as follows: Cash, eleven lines; Purchases, ten lines; Sales, twelve lines; Candy Kitchen, seven lines; Robert Farland, five lines; Norway Candy Co., six lines; R. H. Hunter, five lines. Give each person a local street address.

- July 5. Purchased from the Candy Kitchen, City, on account, \$65.84.
Cash sales for the day, \$62.48.
6. Paid cash for nuts purchased, \$9.50.
Cash sales for the day, \$55.80.
7. Sold Robert Farland, City, on account, six boxes of candy at *\$2.75.
Purchased from the Norway Candy Co., City, on account, \$32.75.
Cash sales for the day, \$41.90.
8. Paid the Candy Kitchen \$50.00 on account.
Paid a customer \$1.00 for a box of candy which he had purchased for cash and returned per agreement.
Cash sales for the day, \$41.80.
9. Received \$10.00 from Robert Farland on account.
Sold R. H. Hunter, City, on account, twelve boxes of candy at* \$2.25.
Purchased from the Candy Kitchen, City, on account, \$61.50.
Cash sales for the day, \$52.80.
10. Paid cash for chewing gum, \$5.00.
Paid the Candy Kitchen \$25.00 on account.
Purchased from the Norway Candy Co., City, on account, \$26.95.
Returned to the Candy Kitchen six boxes of candy purchased on the 9th and received credit for the same at \$1.75 per box, the cost price.
Cash sales for the day, \$101.19.

When these transactions have been recorded in the accounts, prove the equality of the debits and credits by a Trial Balance of balances.

RECORDING TRANSACTIONS IN THE JOURNAL

§ 30. **Transactions** with customers on account and with creditors may be recorded in the journal in the same manner as cash transactions. When credit is extended to a customer, his name is written in the journal as the account debited, and the Sales account credited; when credit is extended to the business, the Purchases account is debited, and the name of the creditor is written as the account credited. Unless a copy of the items sold to a customer is retained, a description of the articles should be given in the explanation of the transaction in the journal because this information may be needed for reference. Usually a list of the merchandise purchased is supplied by the creditor; hence it is not necessary to itemize the articles purchased in the explanation of the transaction.

The following transactions affecting the purchases and sales of merchandise for cash and on account, performed by J. H. Henderson, a retail furniture dealer, during the month of November, are shown recorded in the journal in Illustration No. 11. These transactions are the same as those on page 21.

- Nov. 1. Purchased furniture from the Consolidated Furniture Co., Grand Rapids, on sixty days' time, \$215.75.
2. Sold C. H. Powers, Arlington, on account, one bedroom suite, \$125.00.
6. Sold Walter Rogers, City, on account, one hatrack, \$22.50.

(Concluded on page 28.)

*NOTE. The word "at," appearing before the price, indicates that this price is per unit; if this word does not appear, the price given applies to the quantity mentioned. "Six boxes candy at \$2.75" means that the amount of the sale is \$16.50. "Six boxes candy, \$2.75," means that the amount of the sale is \$2.75.

November, 1, 192

Purchases	21575	
1 Consolidated Furniture Co.		21575
Bought furniture on 60 days time		
1 C. H. Powers	125	
1 Sales		125
Sold 1 bedroom suite on account		
6		
1 Walter Rogers	2250	
1 Sales		2250
Sold 1 hatrack on account		
12		
1 Cash	62550	
1 Sales		62550
Cash sales of furniture		
14		
1 Consolidated Furniture Co.	100	
1 Cash		100
Paid cash to apply on account		
20		
1 Cash	2250	
1 Walter Rogers		2250
Received cash in full of account		
25		
1 Cash	25	
1 C. H. Powers		25
Received cash to apply on account		
26		
1 C. H. Powers	7650	
1 Sales		7050
Sold on account 3 rockers at 325.00		
29		
1 Sales	2550	
1 C. H. Powers		2550
Allowed credit for one rocker returned		

Illustration No. 11, A Journal Page with Transactions Recorded on it.

EXPLANATION. The numbers in the folio column indicate the page of the ledger to which each entry is posted. These numbers are not entered when the transactions are recorded in the journal, but at the time the amounts are posted to the ledger accounts.

(Continued from page 26.)

- 12. Received cash for furniture sold today, \$625.50.
- 14. Paid the Consolidated Furniture Co. \$100.00 on account.
- 20. Received \$22.50 from Walter Rogers in payment for the hatrack sold him on the 6th.
- 25. Received \$25.00 from C. H. Powers to apply on account.
- 26. Sold C. H. Powers on account three leather rockers at \$25.50 each.
- 29. C. H. Powers returned one rocker and was allowed credit for \$25.50.

12

Cash

1922	Nov. 12	J1	625.50	1922	Nov. 14	J1	100
	20	J1	22.50				
	25	J1	25				

C. H. Powers
Arlington

1922	Nov. 2	J1	125	1922	Nov. 25	J1	25
	26	J1	276.50		29	J1	255.50

Walter Rogers
City

1922	Nov. 6	J1	22.50	1922	Nov. 20	J1	22.50
------	--------	----	-------	------	---------	----	-------

Consolidated Furniture Co
Grand Rapids

1922	Nov. 14	J1	100	1922	Nov. 1	60 days	J1	215.75
------	---------	----	-----	------	--------	---------	----	--------

Purchases

1922	Nov. 1	J1	215.75
------	--------	----	--------

Sales

1922	Nov. 29	J1	2550	1922	Nov. 2	J1	125
					6	J1	2250
					12	J1	625.50
					26	J1	876.50

Illustration No. 12, A Ledger with Six Accounts Resulting from Posting.

EXPLANATION. The transactions in this ledger were not recorded direct in it, but were recorded in the journal shown in Illustration No. 11 and posted to it, as indicated by the figures in the folio column of each account. Compare with Illustration No. 9 and note the information in column 4. A Trial Balance of totals taken from this ledger would be the same as Illustration No. 10.

Exercise No. 9, Recording Transactions in the Journal and Posting.

Record on journal paper the following transactions performed by the Central Paper Co. during the month of February. Give each customer and creditor a local address.

- Feb. 1. Purchased paper from the Whiting Paper Co. on account, \$350.00.
 2. Sold paper to the Federal Press on account, \$126.50.
 3. Received \$352.10 for paper sold today.
 5. Purchased envelopes from the U. S. Envelope Co. on account, \$207.60.
 6. Received \$126.50 from the Federal Press in full of account.
 7. Sold paper to C. J. Krehbiel & Co. on account, \$200.25.
 9. Paid the Whiting Paper Co. \$150.00 on account.
 12. Purchased paper from the Whitaker Paper Co. on account, \$409.37.
 14. Paid \$106.16 for freight and drayage bills to date.
 16. Sold paper to C. W. Ogden on account, \$98.66.
 19. Received credit from the U. S. Envelope Co. for \$36.50, value of envelopes returned by us per agreement.
 20. Received for cash sales of paper today, \$191.96.
 21. Received \$200.25 from C. J. Krehbiel & Co. in full of account.
 23. Sold paper and envelopes to the Federal Press on account, \$161.52.
 24. Allowed C. W. Ogden credit for paper returned, \$12.50.
 26. Paid the Herrlinger Paper Co. \$76.60 for paper delivered today.
 27. Sold paper and envelopes to C. J. Krehbiel & Co. on account, \$112.60.
 28. Paid the U. S. Envelope Co. balance due on account, \$171.10.
 Received \$40.00 from C. W. Ogden on account.

When the above transactions have been recorded in the journal as instructed, open accounts on a sheet of ledger paper with Cash (9), Purchases (9), Sales (11), Federal Press (6), C. J. Krehbiel & Co. (6), C. W. Ogden (6), Whiting Paper Co. (5), U. S. Envelope Co. (6), Whitaker Paper Co. (5), allowing for each account the number of lines indicated; post the transactions, and prove the posting by a Trial Balance of totals.

Exercise No. 10, Recording Transactions in the Journal and Posting.

Record on journal paper the following transactions performed during the month of May by J. O. Cutshaw, an automobile tire dealer:

- May 1. Purchased from the Goodyear Tire Co., City, on account, \$355.00.
 3. Received cash for four Goodyear 33 x 4 cord tires, \$215.60.
 5. Purchased from the Goodrich Tire Co., City, on account, \$525.50.
 Sold the Central Grocery Co., City, on account, two Ford tires, \$32.65.
 7. Received cash for one 35 x 5 Silvertown cord tire, \$67.50.
 10. Paid the Goodyear Tire Co. \$200.00 on account.
 12. Sold I. W. Walker, City, on account, four Miller cord tires at \$52.45 each.
 13. Gave I. W. Walker credit for one of the tires sold him on the 12th and returned by him today per agreement.
 14. Received for cash sales of tires, \$278.50.
 16. Received \$32.65 from the Central Grocery Co. in full of account.
 20. Sold W. L. Watson, City, on account, two 33 x 4 Fisk cord tires at \$48.00; these tires are not carried in stock and were purchased from the Fisk Tire Co., City, on account, at \$36.00.

Record the sale and purchase as separate transactions.

(Concluded on page 30.)

(Exercise No. 10—Continued from page 29.)

25. Sold David Jordan, City, on account, two 32 x 4 Silvertown cord tires at \$41.60 each.
26. Paid the Goodrich Tire Co. \$200.00 on account.
27. Received \$50.00 from W. L. Watson to apply on account.
28. Paid the Fisk Tire Co. \$72.00 in full of account.
Returned to the Goodrich Tire Co. two 32 x 4 fabric tires and received credit for \$34.60.
31. Received for cash sales of tires, \$315.50.
Purchased from the Goodyear Tire Co., City, on account, \$452.40.

When the above transactions have been recorded in the journal as instructed, open accounts on a sheet of ledger paper with Cash (10), Purchases (8), Sales (12), Goodyear Tire Co. (6), Goodrich Tire Co. (6), Fisk Tire Co. (5), Central Grocery Co. (5), I. W. Walker (5), W. L. Watson (5), David Jordan (5), allowing for each account the number of lines indicated; post the transactions, and prove the posting by a Trial Balance of balances.

QUESTIONS

1. If a merchant buys merchandise on March 2, 1922, with the privilege of paying for the same within sixty days, on what date will he be required to pay the amount?
2. Why is it not necessary to keep an account with the person to whom the business sells for cash?
3. Is an amount due from a customer one of the assets of the business?
4. Would you consider the asset of the business described as "Accounts Receivable" as valuable as the asset described as "Cash?" Give reasons for your answer.
5. Distinguish between the meaning of the terms "creditor" and "customer."
6. Why is it necessary for the bookkeeper to indicate payments made to apply on merchandise purchased or sold on a designated date?
7. Would it be possible for an account with a customer to show a credit balance? Explain.
8. Would it be possible for an account with a creditor to show a debit balance? Explain.
9. Why is it advisable to rule an account receivable or an account payable when the two sides are equal?
10. Open an account with Robert Jones, a customer of the business, and record the following transactions in it:
 - Jan. 10. Sold merchandise on account, \$425.00.
 15. Received \$100.00 to apply on account.
 20. Sold merchandise on account, \$72.50.
 31. Received \$200.00 to apply on sale of the 10th.
 - Feb. 10. Received \$72.50 in full for sale of Jan. 20.
11. Why is it not necessary to show on the Trial Balance an account which is in balance?
12. What effect would it have on the Trial Balance if an account which shows a debit balance of \$10.00 was omitted because it was ruled by mistake?
13. What accounts are affected when the business receives cash from a customer in part payment of his account?
14. What accounts are affected when cash is paid to a creditor to apply on an account owed him?

15. If a sale made to a customer on account should not be recorded, would this affect the equality of the debits and credits on the Trial Balance?
16. Can you suggest a plan which would avoid the possibility of failing to record transactions in which merchandise is sold on account?
17. If a sale is made to a customer for cash and the transaction is not recorded, how would the bookkeeper detect the error?
18. If cash is received from a customer in payment of his account, and the transaction is not recorded how would the bookkeeper detect the error?
19. If merchandise is purchased from a creditor on account and the transaction is not recorded, how would the bookkeeper detect the error?
20. If cash is paid for merchandise purchased and the transaction is not recorded, how would the bookkeeper detect the error?
21. If a sale is made to one customer and by mistake debited to another customer, will this affect the equality of the debits and credits on the Trial Balance?
22. How would the bookkeeper detect the error mentioned in the preceding question?
23. If a customer's account, which is not in balance, is ruled by mistake, how would the bookkeeper discover the error?
24. Why is it advisable to indicate the address of a customer on his account in the ledger?
25. If the two sides of the Trial Balance are not equal, how would the bookkeeper ascertain the error?

Chapter IV

RECORDING TRANSACTIONS—Continued

§ 31. **Expense.** Each business has a building or place in which to carry on its operations; this building or place of business is provided with heat and light; modern business requires the use of the telephone, telegraph, and other means of rapid communication; clerks are employed to assist with the purchasing and selling of the merchandise or service which the business sells; bookkeepers and stenographers are required in connection with the office operations; the owner receives a compensation for his services in connection with the operations of the business; these and many other services must be purchased and paid for by the business. Such services are usually referred to as the "operating cost" of the business, also the "expenses" of the business. The term "expenses" also include any material purchased by the business which will be consumed; this class of material includes books of account for use in the office, stationery, wrapping paper, twine, nails for packing cases, etc. The cost of material regarded as expense is usually shown in an account separate from the amounts paid for services; this will be discussed later in more detail.

A record of the payments for operating cost (expenses) is made in one or more accounts, depending on the extent of the business operations. When cash is given in payment for services or property which is regarded as an expense item, the account which is to show a record of this operating cost is debited and the Cash account credited; should an asset other than cash be given, the account which shows the value of the asset parted with is credited instead of the Cash account.

EXPENSE ACCOUNT

§ 32. **The Purpose of this Account** is to show the cost of operating the business, that is, its expenses. If all operating cost is debited to one account, the total cost of the business operations will be shown in this account. The debits and credits given below refer to only one Expense account; other expense accounts will be discussed later.

Debit the Expense Account:

¶ 1. For amounts paid for operating cost as outlined in § 31.

Credit the Expense Account:

¶ 2. For any adjustments which reduce the operating cost as shown by the debit side.

¶ 3. *The Balance of this Account* shows the operating cost of the business for the period covered by the debits and credits to the account. The total expense is a deduction from the profit made by the operations of the business.

§ 33. **Capital.** It is usually necessary for the owner of the business to have cash or other property at the beginning of the business, because, if the business is to supply a demand, it must have on hand those things which its customers will wish to purchase. The cash or other property which the owner assigns to the operations of the business at its beginning is regarded as an investment in the business and referred to as the "capital of the business."

If, during the course of the business, additional capital is needed, the owner may find it necessary to add to his capital. This he can do by one of three ways:

(a) by investing additional assets; (b) by purchasing merchandise on account; (c) by borrowing from the bank. If the operations of the business are successful—that is, if it is receiving more for the merchandise or service which it sells than the cost of the same plus the operating cost of the business—the owner's interest (proprietorship) will be increased by this profit; if the result of operating the business is a loss, the owner's interest (proprietorship) will be decreased by this loss. Usually once each year, the amount of the profit or loss for the year is ascertained and the owner's Capital account credited or debited with the same; this permits his account to show his present interest in the business.

The owner may, if he desires, withdraw a part of the capital which he has invested or a part of the profit resulting from the operations of the business. These withdrawals from investment or profits do not include any amounts which the owner receives from the business for the services he has rendered the business, because such items are operating cost the same as salaries paid employees. When the owner decides to withdraw amounts from the business in payment for his services rendered to the business, these should be charged against a fixed salary. When this plan is followed, it is customary to credit a Personal account with the proprietor for the amount of his salary and debit this account with the withdrawals against salary. Unless this plan is followed, the amounts paid by the business to the owner for services he has rendered the business will not appear as an operating cost of the business. The owner's Personal account will be discussed in detail later.

CAPITAL ACCOUNT

§ 34. **The Purpose of this Account** is to show the result of transactions which the business has with the owner of the business as they relate to investments and withdrawals.

Debit the Capital Account:

- ¶ 1. For any debts owed by the owner at the beginning of the business if they are assumed by the business.
- ¶ 2. For amounts withdrawn from the capital invested. This does not include amounts withdrawn for services rendered to the business.
- ¶ 3. For the net loss at the end of the business year if the results of the operations of the business have been a loss.

Credit the Capital Account:

- ¶ 4. For cash or other assets invested at the beginning of the business.
 - ¶ 5. For subsequent investments.
 - ¶ 6. For the net profit at the end of the business year if the results of the operations of the business have been a profit.
- ¶ 7. *The Balance of this Account*, before the debit or credit mentioned in ¶¶ 3 and 6 have been made, shows the net investment of the owner. After the profit or loss as described in ¶¶ 6 and 3 has been credited or debited to the account, the balance will show the owner's interest in the business, that is, his proprietorship.

RECORDING TRANSACTIONS DIRECT IN THE LEDGER

§ 35. **The Complete Operations** of a business include transactions which relate to the investment at the beginning of the business, the purchases and sales of merchandise, and the payment of operating expenses. All of these transactions may be recorded direct in the ledger as explained in §§ 19 and 29.

The following transactions relative to the complete operations of a business (including investment, operating cost, and purchases and sales of merchandise for

(Concluded on page 35.)

Γ 13

Cash

1

192			192	
Oct. 1	1000		Oct. 24	200
10	75 50		31	50
	1075 50			2 50
	E. B. Moore 305 Elm St., City			
192				
Oct. 18	75			
	J. W. Macon 222 Main St., City			
192				
Oct. 28	127 50			
	A. R. King Clinton			
192			192	
Oct. 24	200		Oct. 7	317 65
	M. E. Studebaker, Capital			
			192	
			Oct. 1	1000
	Sales			
			192	
			Oct. 10	75 50
			18	75
			28	127 50
				278 00
	Purchases			
192				
Oct. 7	317 65			
	Expense			
192				
Oct. 31	50			

Illustration No. 13, A Ledger with Eight Accounts.

EXPLANATION. This ledger contains a record of the transactions outlined in § 35, recorded direct in the ledger. It is the same as Illustrations Nos. 3 and 9 with the addition of accounts with the owner and Expense. Whether only a part or all of the transactions in connection with the operations of a business are recorded, each transaction affects two accounts, one showing the value received recorded on the debit side and the other the value parted with recorded on the credit side. The same amount in each transaction is recorded on the debit side of one account and on the credit side of another account.

cash and on account), performed by M. E. Studebaker during the month of October, are shown recorded direct in accounts with Cash, Purchases, Sales, Capital, Expense, customers, and creditors, in Illustration No. 13. A Trial Balance of balances made from these accounts is shown in Illustration No. 14.

- Oct. 1. M. E. Studebaker invested \$1,000.00 in the office supplies business.
 7. Purchased from A. R. King, Clinton, on account, merchandise, \$317.65.
 10. Received \$75.50 for cash sales of merchandise.
 18. Sold E. B. Moore, 305 Elm St., City, on account, one desk \$75.00.
 24. Paid A. R. King \$200.00 on account.
 28. Sold J. W. Macon, 222 Main St., City, on account, three filing sections, \$127.50.
 31. Paid rent of store, \$50.00.

M. E. Studebaker
Trial Balance, October 31, 192

1	Cash	825.50	
1	E. B. Moore	75	
1	J. W. Macon	127.50	
1	A. R. King		117.65
1	M. E. Studebaker, Capital		1000
1	Sales		278
1	Purchases	317.65	
1	Expense	50	
		<u>1395.65</u>	<u>1395.65</u>

Illustration No. 14, A Trial Balance of Balances Made from the Ledger Accounts in Illustration No. 13.

Exercise No. 11, Recording Transactions Direct in the Ledger.

Record on ledger paper the following transactions performed during the first half of May by R. H. Gillespie, a retail clothing dealer. Allow space for the accounts as follows: Cash, ten lines; Purchases, eleven lines; Sales, nine lines; Expense, six lines; R. H. Gillespie, Capital, five lines; A. C. Dugan, six lines; A. R. Isaacs, five lines; Charles Heaney, five lines; Davis Bros., six lines; Globe Clothing Co., five lines; Pope Clothing Co., five lines. Give each customer and creditor a local address.

- May 1. R. H. Gillespie invested \$2,500.00 in the retail clothing business.
 2. Bought of Davis Bros., on account, merchandise, \$318.67.
 Bought of Brand Bros., for cash, merchandise, \$362.55.
 3. Bought of the Globe Clothing Co., on account, merchandise, \$196.50.
 Sold A. C. Dugan, on account, one suit of clothes, \$65.00.
 4. Bought of Brand Bros., for cash, merchandise, \$318.62.
 5. Sold for cash one suit of clothes, \$65.00; one spring overcoat, \$50.00.
 6. Sold A. R. Isaacs, on account, one suit of clothes, \$60.00; five shirts at \$2.50 each.
 9. Paid the Globe Clothing Co. \$196.50 in full of account.
 Sold Charles Heaney, on account, one suit of clothes, \$50.00; one vest, \$10.00.

(Concluded on page 36.)

(Exercise No. 11—Continued from page 35.)

- May 10. Bought of the Pope Clothing Co., on account, merchandise, \$269.96.
Sold A. C. Dugan, on account, one spring overcoat, \$85.00; six ties at \$1.25 each.
11. Received \$60.00 from Charles Heaney in full of account.
 12. Bought of Brand Bros., for cash, merchandise, \$327.16.
 13. Paid \$12.00 for telephone service.
 14. Received \$25.00 from A. R. Isaacs in part payment of the merchandise sold him on the 6th.
 15. Bought of Davis Bros., on account, merchandise, \$105.81.
Paid rent, \$80.00; salaries of clerks. \$75.00.

When these transactions have been recorded in the accounts, prove the equality of the debits and credits by a Trial Balance of totals.

Exercise No. 12, Recording Transactions Direct in the Ledger.

Record on ledger paper the following transactions performed during the month of May by W. L. Kirby, a retail paint merchant. Allow space for the accounts as follows: Cash, eleven lines; Purchases, eleven lines; Sales, twelve lines; Expense, five lines; W. L. Kirby, Capital, five lines; Jones Bros., six lines; Cowan Bros., six lines; W. L. Luttrell, six lines; W. H. Howland, six lines; C. A. Norman, seven lines; National Paint Co., five lines; Marcus Franklin, five lines.

- May 1. W. L. Kirby invested \$2,500.00 in the retail paint business.
Bought of Jones Bros., Uniontown, on account, merchandise, \$221.35.
Paid one month's rent in advance, \$75.00.
2. Bought of Cowan Bros., City, ten days, merchandise, \$86.40.
Sold W. L. Luttrell, City, on account, merchandise per Sale No. 1. \$42.50. The sale number indicates that a copy of the items sold has been retained.
 4. Paid the National Paint Co., New York, cash for merchandise purchased, \$798.57.
 5. Sold W. H. Howland, Middletown, on account, merchandise per Sale No. 2, \$75.80.
Received for cash sales of merchandise, \$110.00.
 7. Paid Cowan Bros. \$86.49 in full of account.
Sold C. A. Norman, City, on account, merchandise per Sale No. 3, \$87.50.
 9. Bought of National Paint Co., New York, twenty days, merchandise, \$171.58.
 10. Sold W. L. Luttrell, City, on account, merchandise per Sale No. 4, \$78.75.
 11. Received \$50.00 from C. A. Norman to apply on account.
 12. Bought of Cowan Bros., City, on account, merchandise, \$93.25.
 14. Received \$75.80 from W. H. Howland in full of account.
 16. Bought of Marcus Franklin, Ardmore, five days, merchandise, \$218.32.
 17. Bought of Jones Bros., Uniontown, on account, merchandise, \$172.50.
 18. Paid Marcus Franklin \$218.32 in full of account.
Sold W. H. Howland, Middletown, on account, merchandise per Sale No. 5, \$88.50.
 19. Sold C. A. Norman, City, on account, merchandise per Sale No. 6, \$32.45.
 21. Received \$30.00 from W. L. Luttrell to apply on account.

(Concluded on page 37.)

(Exercise No. 12—Continued from page 36.)

- May 21. Sold C. O. Baily, for cash, 20 gallons I. X. L. paint at \$4.75, \$95.00.
 24. Paid Jones Bros. \$100.00 to apply on account.
 C. A. Norman returned one gallon paint purchased from us on the 19th and was granted credit for \$3.00. He paid cash, \$29.45, for the balance due on this sale.
 Enter as two separate transactions.
26. Gave a customer \$2.00 in payment for paint purchased from us for cash and returned per agreement.
 29. Paid the National Paint Co. \$171.58 in full of account.
 C. O. Bailey returned 2 gallons I. X. L. paint purchased on the 21st and accepted in exchange for it 4 gallons varnish.
 No entry is required. Why?
31. Received credit from Jones Bros. for \$12.00, value of 3 gallons paint purchased on the 17th and returned by us per agreement.
- When these transactions have been recorded in the accounts, prove the equality of the debits and credits by a Trial Balance of balances.

RECORDING TRANSACTIONS IN THE JOURNAL

§ 36. **Transactions** with the owner and with operating expenses may be recorded in the journal in the same manner as transactions in which merchandise is purchased or sold for cash or on account. When the owner invests cash or other assets in the business, the transaction is recorded in the journal by writing the date, the name of the account debited and amount, the name of the account credited and amount, and the explanation, in the same form as other transactions; each asset invested is debited to the account which is to show its value, and the owner's Capital account credited. When the owner withdraws a part of his capital, the transaction is recorded in the journal in the same form as the entry for investment; in this case, however, the owner's Capital account is debited with the amount of the withdrawal, and the account which shows the value of the asset withdrawn is credited. When operating costs are paid, the transaction is recorded in the journal by writing the date, the name of the operating account affected (usually Expense) and the amount of the payment, the name and amount of the asset parted with, and the explanation.

Before recording transactions in the journal, the student should journalize each one mentally; that is, he should determine from the nature of the transaction the account to be debited and the account to be credited. Since the information which the owner desires is obtained from the accounts, it is essential that the proper accounts be debited and credited in each transaction. Should an amount be withdrawn by the proprietor from his investment and be debited to the Expense account, it would change the entire meaning of the reports which the owner would receive from the bookkeeper. The same fact is true of any other transaction incorrectly recorded.

The following transactions relative to the complete operations of a business (including investment, operating cost, and the purchases and sales of merchandise for cash and on account), performed by M. E. Studebaker during the month of October, are shown recorded in the journal in Illustration No. 15. These transactions are the same as those at the top of page 35.

- Oct. 1. M. E. Studebaker invested \$1,000.00 in the office supplies business.
 7. Purchased from A. R. King, Clinton, on account, merchandise, \$317.65.
 10. Received \$75.50 for cash sales of merchandise.
 18. Sold E. B. Moore, 305 Elm St., City, on account, one desk, \$75.00.

(Concluded on page 38.)

(Continued from page 37.)

24. Paid A. R. King \$200.00 on account.
 28. Sold J. W. Macon, 222 Main St., City, on account, three filing sections, \$127.50.
 31. Paid rent of store, \$50.00.

F 15

October 1, 192

1	Cash	1000.	
1	M. E. Studebaker Capital Invested in the office supplies business		1000
	7		
1	Purchases	317 65	
1	A. R. King Bought merchandise on account		317 65
	10		
1	Cash	75 50	
1	Sales Sold merchandise for cash		75 50
	18		
1	E. B. Moore	75	
1	Sales Sold one desk on account		75
	24		
1	A. R. King	200	
1	Cash Paid cash to apply on account		200
	28		
1	J. W. Macon	127 50	
1	Sales Sold three filing sections on account		127 50
	31		
1	Expense	50	
1	Cash Paid rent of store		50

Illustration No. 15, A Journal Page with Transactions Recorded on It.

EXPLANATION The transactions recorded in this journal are outlined in § 36 which begins on page 37 and is concluded at the top of this page.

16 -

Cash

¹⁹² Oct 1	\$1 1000.	¹⁹² Oct 24	\$1 200
10	\$1 75.50	31	\$1 250.
	1075.50		

E. B. Moore
305 Elm St., City

¹⁹² Oct 18	\$1 75
-----------------------	--------

J. W. Macon
222 Main St., City

¹⁹² Oct 28	\$1 127.50
-----------------------	------------

A. R. King
Clinton

¹⁹² Oct. 24	\$1 200	¹⁹² Oct. 7	\$1 317.65
------------------------	---------	-----------------------	------------

M. E. Studebaker, Capital

¹⁹² Oct. 1	\$1 1000
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Sales

¹⁹² Oct 10	\$1 75.50
18	\$1 75
28	\$1 127.50
	278.00

Purchases

¹⁹² Oct. 7	\$1 317.65
-----------------------	------------

Expense

¹⁹² Oct. 31	\$1 50
------------------------	--------

Illustration No. 16, A Ledger with Eight Accounts Resulting from Posting.

EXPLANATION. This ledger shows the posting of the transactions recorded in the journal, Illustration No. 15. The amounts entered in the first money column of the journal appear on the debit side of the ledger accounts, and the amounts entered in the second money column of the journal, on the credit side of the accounts. A comparison of Illustration No. 13 with this illustration will show that the facts are the same, except in the latter the folio column is used.

Exercise No. 13, Recording Transactions in the Journal and Posting.

Record on journal paper the following transactions performed during the month of January by E. B. Taylor, a retail grocer:

- Jan. 1. E. B. Taylor invested \$1,000.00 in the retail grocery business.
 2. Bought of E. C. Cline, Chicago, on account, merchandise, \$77.30.
 3. Bought of Langley Bros., City, thirty days, merchandise, \$134.95.
 4. Paid \$20.00, city and state license for one year.
 6. Sold A. R. Manley, 106 Elm St., City, on account, 40 lbs. Arbuckle coffee at 20c; 1 bbl. White Lily flour, \$6.25.

When the sale includes more than one item, the explanation in the journal should be as follows:

"Sold on account:
 40 lbs. Arbuckle Coffee at 40c \$16.00
 1 bbl. White Lily Flour 6.25."

10. Paid J. F. Sherwood \$192.00 for merchandise purchased today.
 12. Received \$30.50 for sundry cash sales.
 13. Paid E. C. Cline \$77.30 in full of account.
 16. Sold Gibson Hotel, 12 E. 4th St., City, ten days, 6 bbls. Roller King flour at \$5.10; 3 bbls. White Lily flour at \$6.25; 40 lbs. Arbuckle coffee at 20c.
 17. Sold T. L. Staples, Clinton, sixty days, 4 bbls. Roller King flour at \$5.10; 4 cans, 200 lbs., lard at 15c.
 20. Received \$10.00 from A. R. Manley to apply on account.
 23. Bought of Logan & Moseley, Centerville, twenty days, merchandise, \$228.60.
 26. Sold A. R. Manley, 106 Elm St., City, on account, 5 bbls. White Lily flour at \$6.25; 115 lbs. Arbuckle coffee at 20c.
 27. Received \$30.50 from the Gibson Hotel to apply on account.
 30. Received \$41.85 for sundry cash sales.

When the above transactions have been recorded in the journal as instructed open accounts in the ledger with Cash (9), Purchases (8), Sales (10), Expense (5), E. B. Taylor, Capital (5), E. C. Cline (5), Langley Bros. (5), A. R. Manley (6), Gibson Hotel (5), T. L. Staples (5), Logan & Moseley (5), allowing for each account the number of lines indicated; post the transactions, and prove the posting by a Trial Balance of totals.

Exercise No. 14, Recording Transactions in the Journal and Posting.

Record on journal paper the following transactions performed during the month of July by E. H. Weatherby, a retail grocer:

- July 1. E. H. Weatherby invested \$1,500.00 in the retail grocery business.
 2. Bought from Woodward Bros., Morgantown, on account, merchandise, \$127.60.
 3. Bought from Winters & Gay, Batesville, on thirty days' time, merchandise, \$204.05.
 Paid \$20.00 cash for city and state license.
 5. Sold J. A. Taylor, 22 Poplar St., on account, 25 lbs. roasted coffee at 33c; 50 lbs. granulated sugar at 7c; 60 lbs. bacon at 23c.
 Bought from Chafin & Jones, City, for cash, merchandise, \$242.00.
 6. Received \$22.50 for sundry cash sales to date.
 Paid Woodward Bros. \$127.60 in full of account.

(Concluded on page 41.)

(Exercise No. 14—Continued from page 40.)

8. Sold the Colonial Hotel, Washington Ave., on account, 5 bbls. Blue Ribbon flour at \$9.10; 3 bbls. White Rose flour at \$9.75; 90 lbs. granulated sugar at 7c.
9. Received \$15.00 from J. A. Taylor to apply on account.
10. Bought from Winters & Gay, Batesville, on thirty days' time, merchandise, \$209.58.
12. Received \$40.00 from the Colonial Hotel in part payment for merchandise sold on the 8th.
13. Paid Winters & Gay \$100.00 to apply on merchandise purchased on the 3d.
Sold M. J. Sanders, 227 Beech St., on account, 5 bbls. White Rose flour at \$9.75; 10 hams, 191 lbs., at 26c.
15. Bought from Woodward Bros., Morgantown, on account, merchandise, \$216.37.
16. Sold the Colonial Hotel, Washington Ave., on account, 7 doz. cans peaches at \$1.75 per doz.; 2,000 lbs. bran at \$16.25 per 1,000 lbs.
17. Bought from the Perfection Creamery, Rosedale, on twenty days' time, merchandise, \$34.45.
18. Received \$30.00 from M. J. Sanders to apply on account.
Bought from Chafin & Jones, City, for cash, merchandise, \$116.60.
19. Sold W. W. Johnston, 1221 Elm St., on account, 2,000 lbs. bran at \$16.25 per 1,000 lbs.; 200 lbs. lard at 22c; 3 doz. cans peaches at \$1.60 per doz. cans.
20. Paid Winters & Gay \$104.05, balance due on merchandise purchased on the 3d.
Received \$52.50 for sundry cash sales to date.
22. Sold W. W. Johnston, 1221 Elm St., on account, 100 lbs. granulated sugar at 7c; 10 bbls. White Rose flour at \$9.75.
23. Bought from the Perfection Creamery, Rosedale, on twenty days' time, merchandise, \$167.55.
24. Received \$50.00 from the Colonial Hotel in full for balance due on merchandise sold them on the 8th, and on account of that sold on the 16th.
Paid Winters & Gay \$200.00 on account of merchandise purchased on the 10th.
26. Received \$10.55 from J. A. Taylor in payment for balance due on merchandise sold him on the 5th.
Sold L. S. Lynn, 915 Jefferson Ave., on account, 5 bbls. White Rose flour at \$9.75; 10 lbs. creamery butter at 42c.
29. Received \$40.00 from L. S. Lynn to apply on account.
Paid Woodward Bros. \$200.00 on account of merchandise purchased on the 15th.
31. Paid bookkeeper's salary, \$60.00; rent, \$50.00; telephone service, \$10.00.

When the above transactions have been recorded in the journal as instructed, open accounts in the ledger with Cash (13), J. A. Taylor (6), Colonial Hotel (8), M. J. Sanders (5), W. W. Johnston (6), L. S. Lynn (5), Woodward Bros. (6), Winters & Gay (8), Perfection Creamery (6), E. H. Weatherby, Capital (5), Sales (13), Purchases (12), Expense (6), allowing for each account the number of lines indicated; post the transactions, and prove the posting by a Trial Balance of balances.

QUESTIONS

1. Name some of the necessary expenses of a grocery business.
2. Can you suggest a plan which would permit the grocer to know the cost of delivering merchandise?
3. What accounts are affected when cash is paid for telephone service?
4. What effect would it have on the operating cost of the business if the salary paid the owner for his services in connection with the business were charged to his Capital account?
5. Name the account debited and the account credited when merchandise is invested at the beginning of business.
6. What accounts are affected when cash and merchandise are invested at the beginning of business?
7. What must the owner of a business take into consideration when he fixes the selling price of the merchandise which the business offers for sale?
8. Name some of the expenses in connection with the operation of a railroad.
9. If a farmer shows all of his operating cost in one account, name some of the expenses which would be debited to this account.
10. If a merchant pays \$25.00 for drayage on merchandise he has purchased, would this be debited to the Expense or the Purchases account? Give reasons for your answer.
11. What accounts are affected when the owner withdraws a part of his capital?
12. Name the account debited and the account credited when the owner invests cash in the business at a time other than the beginning of the business.
13. If a telephone company pays \$2,000.00 for wire used in connection with the service rendered its customers, will this be debited to the Expense account?
14. If a railroad company pays \$8,000.00 for a new engine, will this be debited to the Expense account?
15. What accounts are affected when stamps, the cost of which is charged to the Expense account, are used for parcel post on a package containing merchandise sold a customer on account?
16. Name the account debited and the account credited if the sale mentioned in the preceding question had been made for cash and the customer had given the business cash for the merchandise and stamps.
17. If Robert A. Clark, the owner of a business, is to receive a salary of \$200.00 a month for his services rendered to the business and this is withdrawn at different times, what would be the name of the account kept with the transactions affecting this salary?
18. What accounts would be affected when the entry was made at the end of the month for the \$200.00 salary (§33, page 33?)
19. Name the account debited and the account credited if Mr. Clark accepted merchandise from stock at cost price in payment for a part of his salary.
20. What accounts would be affected if Mr. Clark accepted merchandise from stock at the selling price in payment for a part of his salary?
21. What entry would be required if one customer was debited with merchandise purchased by another customer?
22. Name some of the transactions which might occur in connection with the complete operations of a hardware business.
23. Name some of the transactions which might occur in connection with the complete operations of a plumbing business.
24. Under what circumstances would you advise the keeping of more than one account with the expenses of a business?
25. Name some of the transactions which might be performed in connection with the operations of a dairy.

Chapter V

RECORDING TRANSACTIONS—Concluded

§ 37. **Special Journals.** While all transactions may be recorded in the journal as explained in § 22, yet it is not customary to do this because efficiency in bookkeeping means the greatest amount of work with the best results at the least cost. When a number of transactions affect the same account, much time can be saved by recording them in special journals. Fifty purchases during one month recorded in the journal would require writing "Purchases" fifty times and posting fifty separate amounts to the Purchases account. If these transactions were recorded in a journal and no other transactions were recorded in this journal, it would not be necessary to write "Purchases" in each transaction and the total could be posted to the Purchases account in one amount at the end of the month, thus saving practically half the time in the recording and posting of these transactions.

In a mercantile business the transactions which are of the most frequent occurrence are those in connection with the purchase and sale of merchandise and the receipt and payment of cash. If these transactions are recorded in special journals, the work in the accounting department will be much more efficient, and, where the volume of business is large and more than one bookkeeper is needed, the several bookkeepers can use the different journals without interfering with the work of each other.

§ 38. **The Purchases Journal** is a book of original entry in which all purchases of merchandise are recorded and no other transactions are recorded in it. The complete record of a transaction in which merchandise is purchased includes the date of entry, the name and address of the person or firm from whom the merchandise is purchased, the *terms*, the items purchased, and the amount of the purchase. The ruling in the purchases journal should be so arranged that all this information can be recorded on one line. When arranged in this manner, each person or firm from whom merchandise is purchased can be credited in his account in the ledger, and the Purchases account debited for the total at the end of the month. One form of the purchases journal is shown in Illustration No. 17; other forms will be illustrated and explained later.

Transactions in which cash is paid for merchandise at the time it is purchased may be entered direct in the cash record, or may be entered in the purchases journal in the same manner as a purchase on account and the person from whom it is purchased debited with the cash paid in the cash record. There is no established rule in regard to the method of recording these transactions, but it is customary to record all purchases in the purchases journal except the miscellaneous items that may be purchased for cash as they are needed. The final results are the same whether the record is made in both the purchases journal and cash record or in the cash record only.

The following purchases of merchandise made by E. B. Taylor, a retail grocer, during the month of January, are shown recorded in the purchases journal in Illustration No. 17:

- Jan. 2. Bought of E. C. Cline, Chicago, on account, merchandise, \$77.30.
3. Bought of Langley Bros., City, on thirty days' time, merchandise, \$134.95.
23. Bought of Logan & Moseley, Centerville, on twenty days' time, merchandise, \$228.60.

44 RECORDING TRANSACTIONS IN THE PURCHASES JOURNAL.

17

January, 192

Date	L.F.	Account Credited	Address	Terms	Pur. No.	Amount
2	1	E. C. Cline	Chicago	On acct	1	77.30
3	1	Langley Bros.	City	30 days	2	134.95
23	1	Logan & Moseley	Centerville	20 days	3	228.60
31	1	Purchases Dr. - Total				440.85

Illustration No. 17, Purchases Journal.

EXPLANATION. Each transaction is recorded on one horizontal line. The information in the "Pur. No." column refers to the list of merchandise sent by the seller to the purchaser; this list is filed for future reference. The entire record in this purchases journal is equivalent to one journal entry in which the Purchases account is debited and three personal accounts credited.

§ 39. Posting from the Purchases Journal. Each amount entered in the money column is posted to the credit of the account written on the same line

(Concluded on page 45.)

18

E. C. Cline
Chicago

			192	Jan 2	On acct	P. 1	77.30
		Langley Bros.					
		City					
			192	Jan 3	30 days	P. 2	134.95
		Logan & Moseley					
		Centerville					
			192	Jan 23	20 days	P. 3	228.60
		Purchases					
192	Jan 31					P. 1	440.85

Illustration No. 18, Ledger Resulting from Posting Illustration No. 17.

EXPLANATION. A Trial Balance from this ledger will show that the debit amount is equal to the credit amounts even though the record in the accounts does not represent all of the transactions that the business would perform. One purpose of this illustration is to show that the ledger is in balance when all the transactions from any one journal have been posted.

with it. The date, the letter "P" and the page of the purchases journal, are entered in the ledger the same as in posting from another journal (§ 24); the letter "P" indicates the title of the book of original entry. If a specific time of payment is stated, this should be written in the explanation column of the ledger as explained under Illustration No. 1. The page of the ledger is written in the folio column of the purchases journal to indicate that the transaction has been posted. The Purchases account is not debited with the amount of each purchase, but with the total purchases at the end of the month.

The posting of the transactions recorded in the purchases journal, Illustration No. 17, is shown in Illustration No. 18.

Exercise No. 15, Recording Transactions in the Purchases Journal.

Record in the purchases journal (paper ruled similar to Illustration No. 17) the following transactions relative to the purchase of merchandise during the month of February by W. O. Gardner, who is engaged in the hardware business:

- Feb 1. B. A. Ames, Toledo, 30 days, Purchase No. 1, \$350.00.
 5. H. M. Lowe, Nashville, Feb. 3, 30 days, Purchase No. 2, \$325.00.
 In this purchase the merchandise was shipped Feb. 3 and received Feb. 5; the amount is due 30 days from Feb. 3.
 9. H. T. Harris, Rochester, 20 days, Purchase No. 3, \$486.00.
 12. J. T. Goodrich, City, Feb. 10, 90 days, Purchase No. 4, \$825.00.
 18. J. P. Benson, Cleveland, Feb. 17, 60 days, Purchase No. 5, \$64.00.
 23. C. O. Parsons, City, 30 days, Purchase No. 6, \$128.00.
 28. H. L. Simpson, Dayton, Feb. 26, 30 days, Purchase No. 7, \$242.00.

When the above transactions have been recorded in the purchases journal as instructed, and the purchases journal ruled as in Illustration No. 17, open accounts on a sheet of ledger paper with Purchases and each of the seven creditors, allowing four lines for each account. When the posting has been completed, prove the equality of the debits and credits by a Trial Balance.

Exercise No. 16, Recording Transactions in the Purchases Journal.

Record in the purchases journal the following transactions relative to the purchase of merchandise during the month of January by W. H. Goodwin, a retail grocer:

- Jan. 2. Brown & Co., Elmwood, on account, Purchase No. 1, \$77.30.
 3. Knox Bros., City, on account, Purchase No. 2, \$134.95.
 10. Hazen & Lockhart, Danville, on account, Purchase No. 3, \$228.60.
 15. Brown & Co., Elmwood, on account, Purchase No. 4, \$226.00.
 17. Lake View Creamery, Lake View, Jan. 14, 20 days, Purchase No. 5, \$28.00.
 23. J. Allen Smith & Co., Rockford, 10 days, Purchase No. 6, \$197.10.
 27. Donaldson Bros., City, Jan. 24, account, Purchase No. 7, \$172.75.

When the above transactions have been recorded in the purchases journal as instructed, and the purchases journal ruled, open accounts on a sheet of ledger paper with Purchases and each of the six creditors, allowing five lines for Brown & Co. and four lines for each of the other accounts. When the posting has been completed, prove the equality of the debits and credits by a Trial Balance.

After the instructor has approved this exercise, retain the purchases journal for use in connection with Exercise No. 22.

Exercise No. 17, Recording Transactions in the Purchases Journal.

Record in the purchases journal the following transactions relative to the purchase of merchandise during the month of March by C. U. Steele, a retail shoe dealer:

- March
2. Bay State Shoe Co., Boston, Feb. 28, 10 days, Purchase No. 1, \$496.81.
 3. Haynes, Henson & Co., Newark, N. J., Mar. 2, 10 days, Purchase No. 2, \$387.65.
 4. M. B. Lang, City, Mar. 3, 30 days, Purchase No. 3, \$1,691.42.
 6. Cline Shoe Co., Pittsburgh, Mar. 4, 30 days, Purchase No. 4, \$168.42.
 18. Bay State Shoe Co., Boston, Mar. 15, 30 days, Purchase No. 5, \$987.35.
 25. Haynes, Henson & Co., Newark, N. J., Mar. 20, 30 days, Purchase No. 6, \$462.85.
 26. Cline Shoe Co., Pittsburgh, Mar. 20, 30 days, Purchase No. 7, \$785.00.
 31. A. O. Haines, Albany, Mar. 21, 60 days, Purchase No. 8, \$432.50;
M. B. Lang, City, Mar. 22, 30 days, Purchase No. 9, \$356.00.

When the above transactions have been recorded in the purchases journal as instructed, and the purchases journal ruled, open an account with Purchases at the top of page 1 of a double sheet of ledger paper, and an account with each of the five creditors on page 2 of the same sheet, allowing equal space for each personal account; prove the equality of the debits and credits by a Trial Balance.

If double ledger paper ruled with from thirty to forty horizontal lines on each page can not be obtained, use any ledger paper available and allow five lines for each account.

After the instructor has approved this exercise, retain the ledger sheet for use in Exercises Nos. 20 and 23.

§ 40. **The Sales Journal** is a book of original entry in which all sales of merchandise on account are recorded and no other transactions are recorded in it. The complete record of a transaction in which merchandise is sold on account includes the date of the sale, the name and address of the person or firm to whom the merchandise is sold, the terms, the items sold, and the amount of the sale. If the seller does not retain a copy of the items sold, the ruling in the sales journal should be so arranged that these items may be recorded in connection with the other information in regard to the transaction. If the seller does retain a list of the items sold, this can be numbered and filed for reference and the number recorded in the sales journal. It is necessary for the seller to retain a record of the items sold a customer on account because this information will be needed in case adjustments are required. If a customer returns items which he claims were purchased from the seller and the seller had no record of the items sold to this customer, he might be imposed upon by allowing credit for merchandise which was not purchased from him.

Illustration No. 19 shows the form of sales journal with the items recorded in it, and Illustration No. 20 the same items recorded in a sales journal with the items indicated by the sale number. The method shown in Illustration No. 20 is more efficient because it requires less time to record a number than it does a list of articles sold. The other form is shown because it is used by some business concerns. No matter which method of recording sales is used, the arrangement of the sales journal should be such that the account with each customer may be debited with the amount of his purchase and the Sales account credited at the end of the month with the total sales.

Cash sales are not recorded in the sales journal, but the total cash sales for each day are entered in the cash record. The nature of cash sales is different from that of cash purchases in that it is customary for the customer to pay cash for the

merchandise he purchases and either take it with him or have it delivered. On the other hand, the owner of a business usually orders his merchandise in advance and records the purchase when it is received and pays for it according to the terms. In a business where only occasional cash sales are made, these may be recorded in the sales journal. The nature of the business and desires of the management will determine the practice to be followed in recording cash sales.

The following sales made by E. B. Taylor, a retail grocer, during the month of January, are shown recorded in the sales journal in Illustrations Nos. 19 and 20.

- Jan. 6. Sold A. R. Manley, 106 Elm St., City, on account, 40 lbs. Arbuckle coffee at 20c; 1 bbl. White Lily flour, \$6.25.
16. Sold Gibson Hotel, 12 E. 4th St., City, on ten days' time, 6 bbls. Roller King flour at \$5.10; 3 bbls. White Lily flour at \$6.25; 40 lbs. Arbuckle coffee at 20c.
17. Sold T. L. Staples, Clinton, on sixty days' time, 4 bbls. Roller King flour at \$5.10; 4 cans, 200 lbs., lard at 15c.
26. Sold A. R. Manley, 106 Elm St., City, on account, 5 bbls. White Lily flour at \$6.25; 115 lbs. Arbuckle coffee at 20c.

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1	A. R. Manley 106 Elm St. City			1425
	40 lbs. Arbuckle Coffee 20	8		
	1 bbl. White Lily Flour	625		
	16			
1	Gibson Hotel 12 E. 4th St. City			5735
	6 bbls Roller King Flour 5.10	3060		
	3 " White Lily Flour 6.25	1875		
	40 lbs. Arbuckle Coffee 20	8		
	17			
1	T. L. Staples Clinton			5040
	4 bbls. Roller King Flour 5.10	2040		
	4 cans, 200 lbs. Lard 15	30		
	26			
1	A. R. Manley 106 Elm St. City			5425
	5 bbls. White Lily Flour 6.25	3125		
	115 lbs. Arbuckle Coffee 20	23		
				17625
1	Sales Cr. - Total			17625

Illustration No. 19, Sales Journal with Items Sold Recorded in It.

EXPLANATION. Each transaction recorded shows the date, the name and address of the customer, the total amount of the sale, and the items sold; if the terms are to be indicated, they should be written on the line with the name of the account or the line below. The amount of each sale is written on the same line with the name of the customer to facilitate posting.

F 20

January, 192

Date	L. F.	Account Debited	Address	Terms	Sale No.	Amount
6	1	A. R. Manley	106 Elm St., City	On acct	1	14 25
16	1	Gibson Hotel	12 E. 4th St., City	30 days	2	57 35
17	1	T. L. Staples	Clinton	60 days	3	50 40
26	1	A. R. Manley	106 Elm St., City	On acct	4	54 25
31	1	Sales Cr. - Total				176 25

Illustration No. 20, Form of Sales Journal when a Copy of Items Sold is Retained.

EXPLANATION. All the information in regard to each transaction is recorded on one line the same as a transaction recorded in the purchases journal. The copy of the items in each sale is numbered and filed for future reference. The record in this illustration is equivalent to a journal entry in which three personal accounts are debited and the Sales account credited for the total.

§ 41. Posting from the Sales Journal. Each amount entered in the money column is posted to the debit of the account written on the same line with it. The date, the letter "S" and the page of the sales journal are entered in the

(Continued on page 49.)

F 21

A. R. Manley
106 Elm St., City.

192
Jan. 6 On acct S 1 14 25
26 " " S 1 54 25

Gibson Hotel
12 E. 4th St., City

192
Jan. 16 30 days S 1 57 35

T. L. Staples
Clinton

192
Jan. 17 60 days S 1 50 40

Sales

192
Jan 31 S 1 - 176 25

Illustration No. 21, Ledger Resulting from Posting Illustration No. 19 or No. 20.

EXPLANATION. The same explanation applies here as that given in connection with the ledger resulting from posting the transactions from the purchases journal, Illustration No. 18.

ledger the same as in posting from another journal; the letter "S" indicates the title of the book of original entry. If a specific time of payment is stated, this should be written in the explanation column of the ledger as explained under Illustration No. 1. The page of the ledger is written in the folio column of the sales journal to indicate that the transaction has been posted. The Sales account is not credited with the amount of each sale, but with the total sales at the end of the month.

The posting of the transactions recorded in the sales journal, Illustration No. 19 or No. 20, is shown in Illustration No. 21.

Exercise No. 18, Recording Transactions in the Sales Journal.

Record in the sales journal (paper ruled similar to Illustration No. 20) the following transactions relative to the sale of merchandise on account during the month of February by W. J. Wheeler, a retail merchant:

- Feb. 3. E. M. Miller, 507 Gay St., Sale No. 1, \$25.50.
 8. William A. Wallace, Evanston, Sale No. 2, \$14.50.
 12. B. T. Hart & Co., Maryville, Sale No. 3, \$32.50.
 14. D. T. Sinton, Uniontown, Sale No. 4, \$41.65.
 18. G. L. Frye, 29 Main St., Sale No. 5, \$12.75.
 20. The Long Construction Co., Uniontown, 30 days, Sale No. 6, \$142.50.
 23. Henry Mason, 64 Union St., Sale No. 7, \$21.55.
 27. D. P. Lewis, 310 Chestnut St., Sale No. 8, \$9.75.
 28. Maynard Pritchett, Brookville, 30 days, Sale No. 9, \$65.25.

When the above transactions have been recorded in the sales journal as instructed, and the sales journal ruled as in Illustration No. 20, open accounts on a sheet of ledger paper with Sales and each of the nine customers, allowing four lines for each. When the posting has been completed, take a Trial Balance.

Exercise No. 19, Recording Transactions in the Sales Journal.

Record in the sales journal (journal paper ruled similar to Illustration No. 19) the following transactions relative to the sale of merchandise during the month of January by W. H. Goodwin, a retail grocer:

- Jan. 4. A. R. Jennings, 105 Main St., 20 lbs. roasted coffee at 33c; 100 lbs. granulated sugar at 7c; 50 lbs. bacon at 23c.
 8. Central Hotel, 22 Walnut St., 5 bbls. Blue Ribbon flour at \$9.25; 4 hams, 100 lbs., at 26c; 100 lbs. granulated sugar at 7c.
 11. A. R. Jennings, 105 Main St., 1 doz. cans tomatoes, \$2.00; 4 cans, 216 lbs., lard at 26c.
 13. M. A. Johnson, Kingston, 5 bbls. White Rose flour at \$9.75; 6 hams, 141 lbs., at 26c.
 16. Imperial Hotel, 200 Locust St., 5 bbls. Blue Ribbon flour at \$9.25; 100 lbs. granulated sugar at 7c.
 19. A. C. Williams, 1221 Elm St., 12 doz. cans peaches at \$1.80 per doz.; 2,000 lbs. bran at \$16.25 per 1,000 lbs.
 22. R. G. Mathews, 25 E. Fourth St., 10 bu. meal at \$1.10; 5 bu. beans at \$3.20; 3 doz. cans peaches at \$1.80 per doz.
 25. Imperial Hotel, 200 Locust St., 5 bbls. White Rose flour at \$9.75; 25 lbs. creamery butter at 41c.
 26. J. C. Wilson, 270 Central Ave., 2,000 lbs. bran at \$16.25 per 1,000 lbs.; 5 cans, 248 lbs., lard at 26c.
 27. C. L. Loyd, 1604 Vine St., 100 lbs. brown sugar at 6½c; 100 lbs. granulated sugar at 7c; 5 bbls. White Rose flour at \$9.75.

When the above transactions have been recorded in the sales journal as instructed, and the sales journal ruled as in Illustration No. 19, open accounts on a

sheet of ledger paper with Sales and each of the eight customers, allowing five lines each for A. R. Jennings and Imperial Hotel and four lines for each of the other accounts. When the posting has been completed, take a Trial Balance.

After the instructor has approved this exercise, retain the sales journal for use in connection with Exercise No. 22.

Exercise No. 20, Recording Transactions in the Sales Journal.

Record in the sales journal (journal paper ruled similar to Illustration No. 19) the following transactions relative to the sale of merchandise during the month of March by C. U. Steele, a retail shoe dealer:

- March 1. R. L. Watson, 207 Mason St., 1 pr. Queen City shoes, \$10.50.
 4. C. A. Sheppard, Canton, 3 prs. Ladies' shoes at \$4.00.
 9. J. C. Wilson & Co., Hamilton, 8 prs. Men's Calf shoes at \$2.50; 14 prs. Men's Jefferson shoes at \$3.75.
 12. A. R. King, Boston, 1 pr. Ladies' Bal. at \$4.50.
 15. W. E. Peters, Clinton, 1 pr. Men's Vici Autocrat shoes, \$14.00.
 18. W. K. Love, 207 Main St., 1 pr. Men's Vici Kid shoes, \$11.50.
 21. A. R. King, Boston, 2 prs. Women's Box Calf at \$4.00.
 26. C. A. Sheppard, Canton, 1 pr. Men's Cong. Calf, \$9.00.
 30. R. L. Watson, 207 Mason St., 6 prs. Children's Satin Calf at \$2.75.

When the above transactions have been recorded in the sales journal as instructed, and the sales journal ruled as in Illustration No. 19, open an account with Sales eight lines from the top of page 1 of the double sheet of ledger paper used in Exercise No. 17; open an account with each of the six customers on page 3 of this same ledger sheet, allowing equal space for each personal account; take a Trial Balance. When approved, retain the ledger sheet for use in Exercise No. 23.

§ 42. **The Cash Record.** There are two classes of cash transactions: those in which cash is received, and those in which cash is paid. These transactions may be recorded in two separate journals, the receipts in a cash receipts journal and the

(Concluded on page 51.)

22		Cash		Receipts	
19	Jan. 1	E. B. Traylor Capital Investment		1000	
	12	Sales	Cash sales	3050	
	20	A. R. Manley	On account	10	
	27	Gibson Hotel	" "	3050	
	30	Sales	Cash sales	4185	
	31	Cash Dr.	Total receipts	111285	
					111285
	Feb. 1	Balance	On hand		82355

Illustration No. 22, Receipts Side of Cash Book.

EXPLANATION. The transactions recorded on the receipts side of the cash book in the illustration are equivalent to a journal entry in which the Cash account is debited for the total, and each of the four accounts credited for the amount written on the same line with it. The ruling separates the cash receipts for two different months; the balance at the beginning of the month is carried down below the ruling because it will be needed in subsequent proving of cash.

(Continued from page 50.)

payments in a cash payments journal, or they may be recorded in a cash book which is a combination of the two journals. When one bookkeeper records all the transactions with cash received and paid, it is better to use the cash book; when the recording of cash transactions requires more than one bookkeeper, it is better to use separate cash receipts and cash payments journals.

§ 43. **The Cash Book** is a book of original entry in which all receipts and payments of cash are recorded and no other transactions are recorded in it. Receipts and payments are usually recorded on separate pages opposite each other, receipts on the left and payments on the right. The complete record of a transaction in which cash is received or paid consists of the date, the name of the account affected, explanation, and the amount received or paid. The ruling in the cash book should be so arranged that all this information can be recorded on one line. When arranged in this manner, each account affected by a cash receipt can be credited for the amount and the Cash account debited for the total at the end of the month; each account affected by a cash payment can be debited for the amount and the Cash account credited for the total at the end of the month. One form of the cash book is shown in Illustrations Nos. 22 and 23; other forms will be illustrated and explained later.

The following receipts and payments of cash made during the month of January by E. B. Taylor, a retail grocer, are shown recorded in the cash book in Illustrations Nos. 22 and 23:

- Jan. 1. E. B. Taylor invested \$1,000.00 in the retail grocery business.
- 4. Paid \$20.00, city and state license for one year.
- 10. Paid J. F. Sherwood \$192.00 for a cash purchase of merchandise.
- 12. Received \$30.50 for sundry cash sales.
- 13. Paid E. C. Cline \$77.30 in full of account.
- 20. Received \$10.00 from A. R. Manley to apply on account.
- 27. Received \$30.50 from the Gibson Hotel to apply on account.
- 30. Received \$41.85 for sundry cash sales.

		<i>Cash</i>		<i>Payments</i>					
<i>19</i>	<i>Jan.</i>	4	1	<i>Expense</i>	<i>City and state license</i>	20			
		10	1	<i>Purchases</i>	<i>Cash purchase</i>	92			
		13	1	<i>E. C. Cline</i>	<i>In full of account</i>	77.30			
		31	1	<i>Cash Cr.</i>	<i>Total payments.</i>	<u>289.30</u>			\$ 289.30
		31		<i>Balance</i>					23.55
									<u>1112.85</u>

Illustration No. 23, Payments Side of Cash Book.

EXPLANATION. The transactions recorded on this side of the cash book are equivalent to a journal entry in which three accounts are debited, each for the amount written on the same line with it, and the Cash account credited for the total. The balance is entered in red ink because it is customary to use red ink when an amount is entered in a book of account or a ledger account in order to make the two sides equal. The ruling separates the cash payments for two different months.

24

E. B. Taylor, Capital

			192		
			Jan. 1		Cr 1000
			Sales		
			192		
			Jan. 12		Cr 3050
			30		Cr 4185
			A. R. Manley		
			192		
			Jan. 20		Cr 10
			Gibson Hotel		
			192		
			Jan. 27		Cr 3050
			Cash		
			192		
			Jan. 31	Cr 111235	192
					Jan. 31
					Cr 28930
			Expense		
			192		
			Jan. 4	Cr 20	
			Purchases		
			192		
			Jan. 10	Cr 192	
			E. C. Cline		
			192		
			Jan. 13	Cr 7730	

Illustration No. 24, Ledger Resulting from Posting Illustrations Nos. 22 and 23.

EXPLANATION. This illustration is given to show that the ledger is in balance when all the transactions recorded in the cash book have been posted, and not to show the true meaning of the accounts. Accounts resulting from the posting of transactions recorded in the cash book only will not show their true meaning because of the connection between the record in the cash book and that in the purchases and sales journals. If desired, the posting from the receipts side, the payments side, and both sides of the cash book may each be proved by a separate Trial Balance.

§ 44. **Proving Cash.** The difference between the two sides of the cash book should, at all times, equal the amount of cash belonging to the business. When all cash transactions are recorded in the journal, it is necessary to post these to the Cash account before proving cash; when the cash transactions are entered in the cash book, the proof can be made before posting. At the time of proving, the total receipts and total payments are entered in small pencil figures as in Illustrations Nos. 22 and 23.

After cash is proved at the close of a month, it is customary to enter the balance in red ink on the payments side, rule the cash book, and carry the balance down on the receipts side below the ruling as in the illustrations. The balance carried down on the receipts side is entered in the second money column; otherwise it would be included with the total receipts for the month and again posted to the Cash account when the total is posted. If the ruling in the cash book does not provide a column in which to enter this balance and it is entered in the column with receipts for the month, the amount of the balance must be subtracted from the total of the receipts side before posting the total receipts at the close of the month.

When ruling the cash book, it is customary to draw the double red lines on the same blue line on each side of the cash book even though the number of entries on one side may be greater than that on the other side.

§ 45. **Posting from the Cash Book.** Each amount in the money column on the receipts side is posted to the credit of the account written on the same line with it; each amount in the money column on the payments side is posted to the debit of the account written on the same line with it; the total of the money column on the receipts side is posted to the debit of the Cash account at the end of the month, and the total of the money column on the payments side is posted to the credit of the Cash account at the end of the month. The date, the letter "C" and the page of the cash book are entered in the ledger in the same manner as when posting from another journal; the letter "C" indicates the title of the book of original entry. The page of the ledger is written in the folio column of the cash book to indicate that the entries have been posted.

The posting of the transactions recorded in the cash book, Illustrations Nos. 22 and 23, is shown in Illustration No. 24.

Exercise No. 21, Recording Transactions in the Cash Book.

Record in the cash book (the two inside pages of a double sheet of journal paper* ruled similar to Illustrations Nos. 22 and 23), receipts on the left and payments on the right, the following cash transactions performed during the month of February:

- Feb. 1. Student invested \$1,276.80 in the retail grocery business.
 2. Received \$150.00 from E. H. White to apply on account.
 3. Paid office rent for the month of February, \$40.00.
 4. Received \$80.00 for cash sales.
 Paid H. R. Swanson \$60.00 to apply on account.
 6. Received \$120.00 for cash sales.
 8. Paid A. B. Hill \$90.50 to apply on account.
 9. Received \$90.00 from J. K. Lachman in payment for merchandise sold him on the 4th.
 10. Paid drayage on merchandise purchased, \$22.50.
 11. Paid J. G. Pipkin \$124.00 to apply on account.
 14. Received \$69.75 for cash sales.
 16. Received \$170.00 from P. B. S. Peters in payment for merchandise sold him on the 10th.

(Concluded on page 54.)

*If double journal paper with from thirty to forty lines on each page is not available, cash receipts should be recorded on one sheet of paper and payments on another, as the proper ruling of the cash book cannot be shown when receipts are entered on one side and payments on the other side of the same sheet.

(Exercise No. 21—Continued from page 53.)

18. Paid \$45.00 for office supplies.
20. Paid J. T. Ludlow \$146.00 to apply on account.
22. Purchased merchandise for cash from H. P. King, \$128.00.
23. Received \$47.85 for cash sales.
24. Received \$210.00 from H. M. Lovert to apply on account.
25. Paid salesman's expenses, \$76.00.
Received \$52.50 for cash sales.
27. Paid \$32.80 for freight on merchandise purchased.
Paid clerk hire, \$40.00.
28. Paid for advertising, \$22.50.
Cash balance, \$1,439.60.

When the above transactions have been recorded in the cash book as instructed, prove cash and rule the cash book as in Illustrations Nos. 22 and 23. Open accounts on a sheet of ledger paper with Student, Capital (5), Cash (8), Purchases (7), Sales (9), Expense (9), E. H. White (5), J. K. Lachman (5), P. B. S. Peters (5), H. M. Lovert (5), H. R. Swanson (5), A. B. Hill (5), J. G. Pipkin (5), J. T. Ludlow (5), allowing for each account the number of lines indicated. Post the transactions, and prove the equality of the debits and credits by a Trial Balance of balances.

Exercise No. 22, Recording Transactions in the Cash Book.

Record in the cash book, receipts on the left and payments on the right, the following cash transactions performed during the month of January by W. H. Goodwin, a retail grocer:

- Jan. 1. W. H. Goodwin invested \$2,000.00 in the retail grocery business.
4. Paid \$20.00 for city license.
 5. Paid City Milling Co. \$192.00 for a cash purchase.
 6. Received \$30.00 for sundry cash sales.
Paid Brown & Co. \$77.30 in full of account.
 9. Received \$10.00 from A. R. Jennings to apply on account.
 12. Received \$30.00 from Central Hotel to apply on account.
 13. Received \$40.00 for sundry cash sales.
Paid Knox Bros. \$100.00 to apply on account.
 18. Received \$35.00 from M. A. Johnson to apply on account.
 20. Paid Knox Bros. \$34.95 in full of account.
Received \$50.00 for sundry cash sales.
 24. Received \$15.00 from Central Hotel to apply on account.
Paid Hazen & Lockhart \$125.00 to apply on account.
 26. Received \$15.10 from A. R. Jennings to apply on account.
 27. Received \$42.50 for sundry cash sales.
 29. Received \$50.00 from C. L. Loyd to apply on account.
 30. Paid Brown & Co. \$150.00 to apply on account.
 31. Paid bookkeeper's salary, \$35.00; rent, \$25.00.
Cash balance, \$1,558.35.

When the above transactions have been recorded in the cash book as instructed, prove cash and rule the cash book; then proceed as follows:

1. Open accounts on ledger paper with W. H. Goodwin, Capital (4), Cash (4), Purchases (4), Sales (6), Expense (4), A. R. Jennings (4), Central Hotel (4), M. A. Johnson (4), C. L. Loyd (4), Brown & Co. (4), Knox Bros. (4), Hazen & Lockhart (4), allowing for each account the space indicated; post the transactions, and prove the equality of the debits and credits by a Trial Balance of balances.

(Concluded on page 55.)

(Exercise No. 22—Continued from page 54.)

2. After the instructor has approved the work required in the first paragraph, post to a sheet of ledger paper the transactions in the purchases journal for Exercise No. 16 and the sales journal for Exercise No. 19, which you were instructed to retain, and the cash book in this exercise. Arrange the accounts as follows: Cash (6), customers (each 4 lines), creditors (each 4 lines), W. H. Goodwin, Capital (5), Sales (7), Purchases (4), Expense (4), allowing for each the number of lines indicated; take a Trial Balance of balances from this ledger.

The purpose of the second division of this exercise is to show that the ledger is in balance when all the transactions from all the special journals have been posted, the same as it is when all the transactions from each special journal have been posted.

Present the purchases journal, sales journals, cash book, ledger resulting from posting the transactions from the three books, and Trial Balance to the instructor for approval.

Exercise No. 23, Recording Transactions in the Cash Book.

Record in the cash book the following cash transactions performed during the month of March by C. U. Steele, a retail shoe dealer:

- March
1. C. U. Steele invested \$2,500.00 in the retail shoe business.
 2. Bought from M. B. Arnstine, for cash, stock of shoes, \$1,691.42.
 3. Paid telephone service in advance for three months, \$20.00.
Received \$69.85 for cash sales.
 5. Paid clerk's salary, \$25.00.
 6. Received \$10.50 from R. L. Watson in full of account.
 8. Paid Bay State Shoe Co. \$496.81 in full of account.
 9. Received \$275.40 for cash sales.
 12. Paid clerk's salary, \$25.00.
 13. Paid \$75.00, premium on insurance policy.
 15. Paid Haynes, Henson & Co. \$387.65 in full of account.
 16. Received \$12.00 from C. A. Sheppard in full of account.
 18. Paid \$8.25 for stamps and stationery.
 19. Paid clerk's salary, \$25.00.
 22. Received \$72.50 from J. C. Wilson & Co. in full of account.
 24. Received \$11.50 from W. K. Love in full of account.
 26. Received \$581.92 for cash sales.
Paid clerk's salary, \$25.00.
 29. Received \$4.50 from A. R. King for merchandise sold him on the 12th.
 31. Paid rent, \$50.00.
Paid Cline Shoe Co. \$168.42 for merchandise purchased on the 6th.
Received \$361.92. for cash sales.
Cash balance, \$902.54.

When the above transactions have been recorded in the cash book as instructed, prove cash and rule the cash book. Open an account on page 1 of the double sheet of ledger paper used in Exercises Nos. 17 and 20 with C. U. Steele, Capital, eleven lines below the heading of the Sales account, an account with Expense seven lines below the heading of the account with C. U. Steele, Capital, and an account with Cash fourteen lines below the heading of the Expense account. Post the entries in the cash book to the accounts on pages 1, 2 and 3 of the ledger sheet, and take a Trial Balance of balances.

§ 46. **The General Journal** is a book of original entry in which all transactions are recorded except those recorded in special journals. The general journal is the same as the journal explained in § 22, and the ruling is the same as the various illustrations of the journal given in preceding chapters. The term "general journal" is applied to the journal to distinguish it from the special journals used for recording transactions affecting the same account.

When purchases are recorded in the purchases journal, sales in the sales journal and cash receipts and payments in the cash book, all other transactions are recorded in the general journal. These transactions may be classified into five groups: (1) opening entries; (2) current entries; (3) correcting entries; (4) adjusting entries; (5) closing entries.

¶ 1. *Opening entries* are those necessary to open accounts with the proprietor for his investment and the assets invested or liabilities assumed by the business. If cash is the only asset invested, the opening entry may be made in the cash book; but if assets other than cash are invested, it will be made in the general journal. The opening entry in the journal requires a debit to the account with each asset invested and a credit to the owner's Capital account for the total; also a debit to the owner's Capital account for any liabilities assumed and a credit to the account with each liability.

Illustration. January 1st J. C. Shook began the retail shoe business. He invested cash, \$500.00, merchandise, \$425.65, and an account due him from W. H. Barton for \$221.75. His Capital account will be credited with the cash in the cash book, but it will be necessary to enter the value of the merchandise and account in the general journal. The general journal entry is Purchases, Dr., \$425.65; W. H. Barton, Dr., \$221.75; and J. C. Shook, Capital, Cr., \$647.40, with the appropriate explanation.

¶ 2. *Current entries* are those necessary to record transactions which occur in the regular operations of the business. When the nature of these is such that they can not be recorded in the special journals, it is necessary to record them in the general journal. Current entries which may be recorded in the general journal include returned sales, returned purchases, credits to customers when assets other than cash are received in payment of accounts, and debits to creditors when assets other than cash are given in payment of accounts.

Illustration. May 12th George A. Douglas purchased from the Potter Shoe Co. two pairs shoes at \$8.50, with the privilege of returning one pair within five days. His account was debited in the sales journal with \$17.00, the value of the shoes. May 15th he returned one pair and asked for credit for \$8.50. The entry required in the general journal is Sales, Dr., \$8.50, and George A. Douglas, Cr., \$8.50, with the appropriate explanation.

¶ 3. *Correcting entries* are those which are necessary because of errors in recording or posting transactions. If an error is made in the calculations of a sale and the customer is charged \$10.00 in excess of the amount of the sale, the correcting entry in the journal will require a debit to the Sales account and a credit to the account with the customer. If a sale is recorded correctly, but posted to the account with a customer other than the one who made the purchase, the correcting entry in the journal will require a debit to the account with the customer who made the purchase and a credit to the account with the customer who was debited in error.

Illustration. April 16th C. A. Moore purchased from Dawes Bros., retail tire dealers, two 32 x 33½ Fisk cord tires at \$22.75. The transaction was recorded in the sales journal by the bookkeeper for Dawes Bros. but, through an error, was extended as \$47.50 instead of \$45.50; hence Mr. Moore's account is charged with an amount in excess of the agreed purchase price of the tires. Later Mr. Moore reported the error and asked the bookkeeper to credit his account with the amount of the excess charge. The entry can not be made in the purchases journal because nothing was purchased; it can not be made in the sales journal because the Sales account is credited for the total of the amounts entered in it; it can not be made in the cash book because no cash was received or paid. The general journal entry will be Sales, Dr., \$2.00, and C. A. Moore, Cr., \$2.00, with the appropriate explanation.

¶ 4. *Adjusting entries* are those necessary to transfer the balance of one account to another, and to place in the ledger assets belonging to the business but not shown in the ledger, and liabilities owed by the business but not shown in the ledger. These will be explained and illustrated in subsequent chapters.

¶ 5. *Closing entries* are those necessary to transfer the balance of those accounts showing the profits and losses to the owner's Capital account in order that it will show the net profit or loss. These will be explained and illustrated in subsequent chapters.

¶ 6. *Posting from the General Journal.* Each amount entered in the debit column is posted to the debit side of the account written on the same line with it. Each amount entered in the credit column is posted to the credit side of the account written on the same line with it. The process is the same as that given in §24.

Exercise No. 24, Purchases Journal, Sales Journal, General Journal, and Cash Book.

Record in the purchases, sales (Illustration No. 19), and general journals and the cash book, the following transactions performed during the month of February by Donald D. Sells, a retail hardware merchant:

- Feb. 1. Donald D. Sells invested \$3,000.00 in the hardware business.
2. Bought from Moore & Moore, City, on account, merchandise, \$187.65.
Enter in the purchases journal as Purchase No. 1 and number succeeding entries in this journal in regular order.
3. Sold J. C. Mason, City, on account, four kegs nails at \$4.50 each.
4. Paid Davis Bros., City, \$281.36 for a cash purchase of merchandise.
Enter on the payments side of the cash book as a debit to the Purchases account.
5. Paid \$25.00 telephone rent for three months in advance.
6. Bought from the Pickering Hardware Co., Danville, on fifteen days' time, merchandise, \$321.97.
Paid Moore & Moore \$100.00 on account.
8. Received \$116.50 for cash sales.
9. Sold Walter Love, Riverside, on account, one saw, \$5.00; one corn sheller, \$37.25.
10. Bought from Johnson Bros., Dayton, on fifteen days' time, merchandise \$261.85.
Received \$18.00 from J. C. Mason in full of account.
11. Paid Moore & Moore \$87.65 in full of account.
12. Sold J. C. Miller, City, on account, 100 lbs. lead at 8c; 4 doz. picks at \$14.50 per doz.
13. Received \$106.95 for cash sales.
Gave Walter Love credit for \$5.00, value of the saw sold him on the 9th and returned by him per agreement.
15. Received \$20.00 from Walter Love to apply on account.
16. Paid clerk's salary, \$30.00.
17. Bought from Donaldson Bros., Mooresville, on account, merchandise, \$321.85.
18. Sold Central Construction Co., Arlington, on account, 3 doz. shovels at \$9.00 per doz.; 5 doz. picks at \$14.00 per doz.; 6 scrapers at \$38.50 each.

(Concluded on page 58.)

(Exercise No. 24—Continued from page 57.)

19. Paid Pickering Hardware Co. \$321.97 in full of account.
20. Received \$15.60 cash from Davis Bros. for three kegs of nails purchased from them on the 4th and returned by us per agreement.
Paid Johnson Bros. \$150.00 on account.
22. Received \$125.25 for cash sales.
24. Donaldson Bros. have allowed us credit for \$32.60, cutlery purchased from them on the 17th and returned by us per agreement.
Sold Walter Love, Riverside, on account, 1 Studebaker wagon, \$125.00.
Paid Johnson Bros. \$100.00 to apply on account.
25. Purchased from the Pickering Hardware Co., Danville, on fifteen days' time, merchandise, \$127.50.
26. Received \$17.25 from Walter Love in full for the corn sheller sold him on the 9th.
27. Received \$121.85 for cash sales.
28. Paid rent, \$50.00; clerk's salary, \$30.00.

When the above transactions have been recorded in the four books of original entry, prove cash (balance, \$2,365.42) and rule the cash book as in Illustrations Nos. 22 and 23. Open accounts on a sheet of ledger paper with Cash (8), J. C. Mason (5), Walter Love (7), J. C. Miller (5), Central Construction Co. (5), Moore & Moore (6), Pickering Hardware Co. (6), Johnson Bros. (6), Donaldson Bros. (5), Donald D. Sells, Capital (8), Sales (10), Purchases (10), Expense (8), allowing for each account the number of lines indicated; post from the books of original entry, and take a Trial Balance of totals.

Retain the ledger and Trial Balance for use in Exercise No. 38.

Exercise No. 25, Purchases Journal, Sales Journal, General Journal and Cash Book.

Record in the purchases, sales (Illustration No. 20), and general journals and the cash book, the following transactions performed during the month of October by H. A. Popp, a retail coal dealer:

- Oct. 1. H. A. Popp invested \$1,000.00 in the retail coal business.
3. Bought from the Central Coal Co., Jerseyville, on ten days' time, \$250.00.
Enter in the purchases journal as Purchase No. 1 and number succeeding entries in this journal in regular order.
Sold J. C. Miller, City, on account, coal per Sale No. 1, \$52.50.
4. Bought from Davis Coal Co., Covington, on account, \$175.50.
5. Paid \$10.00 for one month's telephone service.
6. Bought from Jellico Coal Co., Jellico, on fifteen days' time, \$362.75.
8. Paid the Central Coal Co. \$100.00 on account.
Received \$62.80 for cash sales of coal.
9. Sold M. B. Wallace, City, on account, coal per Sale No. 2, \$30.50.
10. Paid the Murray Drayage Co. \$104.90, freight and drayage bills on coal purchased and delivered.
Received \$151.05 for cash sales of coal.
11. Sold the Central Hotel, City, on account, coal per Sale No. 3, \$242.50.
12. Paid the Central Coal Co. \$150.00 in full of account.
13. Sold J. C. Miller, City, on account, coal per Sale No. 4, \$16.50.
15. Paid clerk's salary for the first half of the month, \$40.00.
Received \$122.00 for cash sales of coal.
16. Received \$20.00 from M. B. Wallace on account.
18. Paid the Donaldson Coal Co. \$400.00 for coal delivered today.

(Concluded on page 59.)

(Exercise No. 25—Continued from page 58.)

20. Paid the Jellico Coal Co. \$150.00 on account.
The Jellico Coal Co. has allowed us credit for \$10.00 overcharge on coal purchased on the 6th.
22. Received \$10.50 from M. B. Wallace in full of account.
23. Sold the Central Hotel, City, on account, coal per Sale No. 5, \$27.50.
24. Bought from the Davis Coal Co., Covington, on account, \$209.38.
25. Received \$135.65 for cash sales of coal.
26. Allowed the Central Hotel credit for \$2.50, error in weight of coal sold them on the 23d.
Sold M. B. Wallace, City, on account, coal per Sale No. 6, \$10.00.
27. Received \$200.00 from the Central Hotel to apply on account.
29. Sold J. C. Miller, City, on account, coal per Sale No. 7, \$40.00.
30. Received \$192.80 for cash sales of coal.
31. Paid rent, \$65.00; clerk's salary for the latter half of the month, \$40.00.

When the above transactions have been recorded in the four books of original entry, prove cash (balance, \$834.90) and rule the cash book. Open accounts on a sheet of ledger paper with Cash (8), J. C. Miller (7), M. B. Wallace (7), Central Hotel (6), Central Coal Co. (6), Davis Coal Co. (6), Jellico Coal Co. (6), H. A. Popp, Capital (8), Sales (12), Purchases (10), Expense (8), allowing for each account the number of lines indicated; post from the books of original entry, and take a Trial Balance of balances.

Retain the ledger and Trial Balance for use in Exercise No. 39.

QUESTIONS

1. Describe in detail the labor saved in recording one hundred sales of merchandise on account in the sales journal instead of the journal.
2. Describe in detail the labor saved in recording fifty purchases of merchandise on account in the purchases journal instead of the journal.
3. Can you suggest some method of obtaining a copy of a sale made to a customer on account without writing twice the description of the articles sold?
4. Describe in detail the labor saved in recording one hundred sales in the sales journal, Illustration No. 20, instead of the sales journal, Illustration No. 19, provided you have suggested a means of retaining a copy of the items sold without writing them twice.
5. When is it advisable to record the transactions in a cash receipts journal and a cash payments journal?
6. Is it necessary to enter receipts on the left and payments on the right pages of a cash book?
7. Describe in detail the method of proving cash.
8. Would you consider it advisable to prove cash before posting? Give reason for your answer.
9. Describe in detail the method of recording a purchase of merchandise for cash in the cash book and the purchases journal.
10. Describe in detail the method of entering a cash purchase in the cash book only.
11. What account is debited and credited when the total cash receipts and cash payments are posted at the end of the month?
12. Name the account debited when the total of the purchases journal is posted at the end of the month. What accounts show the credits?
13. What account is affected when the total of the sales journal is posted at the end of the month? How?

14. Why is it necessary to post the total of the purchases journal and the total of the sales journal at the end of the month?
15. If the difference between the two sides of the cash book is greater than the cash on hand, what does this indicate?
16. If the difference between the two sides of the cash book is less than the cash on hand, what does this indicate?
17. If you were keeping books for a retail drug store and the difference between the two sides of the cash book was \$10.00 more than the cash on hand, what entry would you make for this \$10.00?
18. Have you seen a cash register in operation? If so, can you explain its connection with the entries in the cash book?
19. What does the total of the debit side of the cash book show?
20. What does the total of the credit side of the cash book show?
21. What does the total of the debit side of the Cash account in the ledger show?
22. What does the total of the credit side of the Cash account in the ledger show?
23. Will the balance of cash on hand, as shown by the cash book on December 31, 1921, show the same amount as the balance of the Cash account in the ledger which shows a record of cash transactions from January 1, 1921 to December 31, 1921?
24. What additional information, which is not shown in the cash book, does the owner of a business obtain from the totals of the two sides of the Cash account in the ledger?
25. Name some of the transactions which the bookkeeper for a retail jewelry business might enter in the general journal.





Gaylord 
PAMPHLET BINDER
 Syracuse, N. Y.
Stockton, Calif.

YD 2

