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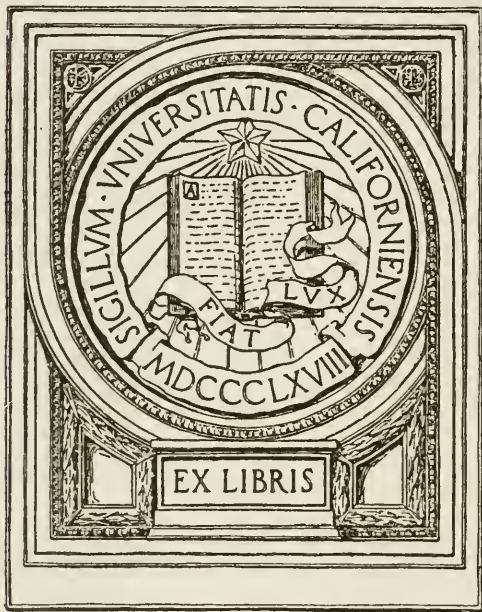
BOOK-
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AND
BUSINESS
PRACTICE



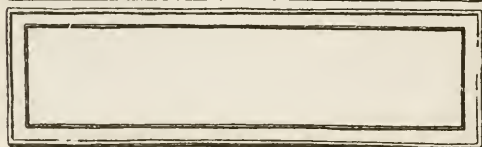
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BOOKKEEPING
AND
BUSINESS PRACTICE

BY

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PREFACE

IN the preparation of this text, two aims have been constantly kept in view, viz.: To present the subject so that the pupil may derive the greatest possible cultural benefit, and to make the work practical; that is, to make it conform as nearly as possible to the methods and practices of the business world.

The inductive method of development is followed in this text whenever the nature of the subject makes it practicable. As far as possible, long discussions of theoretical points have been avoided. Subjects have not been introduced more rapidly than the average pupil is capable of comprehending the theory and processes involved. Throughout the text it has been the aim to lead the pupil to make use of his previous knowledge.

In the beginning, the account rather than the journal has been introduced. First, because the inductive method of development lends itself more readily to this order of presentation. Second, because by this order the pupil concentrates his powers upon one kind of value received and disposed of, and also because the pupil immediately realizes that his work is productive of results. If the journal is introduced at the beginning, the pupil works unintelligently because he does not comprehend the purpose of what he is required to do. Third, because this is the historical order of the development of bookkeeping. At first the ledger was the original book of entry, and still is in many instances, while the journal never has been regarded as a book of original entry. Fourth, because this order of presentation is advocated by the best accountants.

This text is divided into lessons, and what is required of the student is definitely stated. In the average text-book on bookkeeping, such directions are nearly always lacking, making it extremely difficult to determine what is wanted.

Theoretical bookkeeping and business practice are included in one text. The aim has been to give sufficient exercise in the making of bookkeeping records thoroughly to familiarize the pupil with the forms and the language of the subject before he is called upon to write and receive the business papers that are necessary in the second part of the text. It is the common experience of teachers that pupils beginning the subject with the business practice always regard bookkeeping proper as of secondary importance.

In the introductory exercises and in the earlier sets no price lists are given, the pupil's efforts in this part of the work being directed mainly to the mastering of forms and principles. In Set IV thirty price lists are supplied. In the beginning of the business practice, only one set of prices is given, but the latter part is so arranged that each pupil of a class may use different selling prices for certain commodities.

It has been our aim to make the transactions conform to those occurring in actual practice, and we have, therefore, avoided three-party personal drafts and other nearly obsolete forms.

The authors have used the development followed in this text in their classes with gratifying results. The transactions have also been tested in the class room, to be assured that the proper material has been provided.

In the development of single entry, matter is used that has already been used in double entry. In this way the student has an opportunity of comparing the two methods. It is believed that by so doing he will best appreciate the advantages and disadvantages of the two systems. Should the teacher desire to do so, there is no reason why the subject of single entry may not be used at an earlier period in the course than its position in the text indicates.

The authors desire to express their appreciation to the following teachers for criticisms and suggestions offered during the progress of the development of this text: Mr. E. E. Gaylord, High School, Beverly, Mass.; Mr. J. C. Edwards, Wendell Phillips High School; Mr. William A. Hadley, Lake View High School, and Mr. James C. Reed, McKinley High School, Chicago, Illinois.

W. H. W.
O. D. F.

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TO THE PUPIL

IN addition to books and papers included in this bookkeeping outfit, you should supply yourself with paper, pens, penholders, ruler, ink, etc., as your teacher may direct. The best materials obtainable are none too good.

Neatness and accuracy count for so much in bookkeeping that you cannot afford to do any part of the work carelessly. Make up your mind to do your best all the time.

Never begin to make entries until you understand exactly what is to be done. In working out exercises on loose paper be as painstaking as if you were making entries in permanent books. Your penmanship needs constant attention. Follow carefully the instructions of your teacher regarding the holding of the pen, position, etc.

ABBREVIATIONS

A I	First-class.	Dr.	Debit; Debtor.
Acct. or acct.	Account.	Dray.	Drayage.
Acct. Cur.	Account Current.	E.E.	Errors excepted.
Acct. Sales	Account of Sales.	E. and O.E.	Errors and omissions excepted.
Adv. or adv.	Advertisement.	ea.	Each.
Agt.	Agent.	e.g.	For example.
A.M.	Before noon; Master of Arts.	Esq.	Esquire.
Amt.	Amount.	etc. or &c.	And so forth.
Ans.	Answer.	Ex.	Express; Example.
App.	Appendix.	Exch.	Exchange.
Asst.	Assistant.	Fig.	Figure, Figures.
Atty.	Attorney.	F.O.B. or f.o.b.	Free on board.
Av. or Ave.	Avenue.	Fol.	Folio.
Bal.	Balance.	Frt.	Freight.
B.B.	Bill Book.	ft., also '	Foot, Feet.
bbl.	Barrel.	gal.	Gallon.
bdl.	Bundle.	gr.	Grain.
Bk.	Bank.	gro.	Gross.
bkt.	Basket.	hhd.	Hogshead.
B/L.	Bill of Lading.	hund.	Hundred.
Bldg.	Building.	I.B.	Invoice Book.
B.O.	Back order.	i.e.	That is.
Bot.	Bought.	in., also "	Inch, Inches.
B/S.	Bill of Sale.	Ins.	Insurance.
bu.	Bushel.	inst.	Instant (the present) month.
bx.	Box.	Int.	Interest.
c.	Cent.	Inv.	Invoice; Inventory.
Cash.	Cashier.	I.O.U.	I owe you.
C.B.	Cash Book.	J.	Journal.
C.H.	Custom House.	Jr.	Junior.
Chgs.	Charges.	kg.	Keg.
Ck.	Check.	lb.	Pound.
Co.	Company; County.	L.B.	Letter Book.
C.O.D.	Collect on Delivery.	L/C	Letter of Credit.
Coll.	Collection.	Led.	Ledger.
Com.	Commission.	L.F.	Ledger Folio.
Cr.	Credit; Creditor.	Ltd.	Limited.
cwt.	Hundredweight.	M.	Thousand.
da.	Day.	Mdse.	Merchandise.
Dept.	Department.	Mem. or Memo.	Memorandum.
Dft.	Draft.	Messrs.	Gentlemen; Sirs.
Disc.	Discount.	Mfg.	Manufacturing.
do.	The same.	min.	Minute.
doz.	Dozen.		

mo.	Month.	pt.	Pint.
M.O.D.	Mail Order Department.	P.S.	Postscript.
Mr.	Mister.	qr.	Quire ; Quarter.
Mrs.	Mistress.	qt.	Quart.
MS.	Manuscript.	Recd.	Received.
MSS.	Manuscripts.	Reg.	Registered.
Mtg.	Mortgage.	Retd.	Returned.
N.A.	North America.	R.F.D. or R.D.	Rural Free Delivery.
N.B.	Take Notice.	R.R.	Railroad.
No.	Number.	Ry.	Railway.
N.P.	Notary Public.	S.B.	Sales Book.
O.K.	All correct.	Sec.	Secretary.
Oz. or oz.	Ounce.	Shipt.	Shipment.
p.	Page.	sq. ft.	Square Feet.
Payt. or payt.	Payment.	Sr.	Senior.
pc.	Piece.	St.	Street.
Pd.	Paid.	Str.	Steamer.
per	By.	Sund.	Sundries.
Per cent or per cent	By the hundred.	Supt.	Superintendent.
pk.	Peck.	Tr.	Transpose.
pkg.	Package.	Treas.	Treasurer.
P.M.	Postmaster ; Afternoon.	ult.	Ultimo ; of the last month.
P.O.	Post Office.	U.S.M.	United States Mail.
pp.	Pages.	vol.	Volume.
pr.	Pair.	viz.	Namely ; to wit.
Pres.	President.	vs.	Against.
prox.	Proximo ; of the next month.	W/B	Way Bill.
		wk.	Week.
		wt.	Weight.

ARBITRARY SIGNS

a/c	Account.	#	Number.
@	At or to.	%	Per cent.
c/o	Care of.	"	Ditto.
¢	Cent.	1 ¹	One and one-fourth.
✓	Check mark.	1 ²	One and two-fourths.
\$	Dollar.	1 ³	One and three-fourths.

BOOKKEEPING

PART I

LESSON I

CASH ACCOUNT

Introduction. — If a boy were given a five-dollar bill with instructions to make a purchase, he would probably not find much difficulty in doing what was required. He would return with the purchase and the correct change without necessarily making a written record of what he had done.

If, however, he received money at different times with which to make a number of purchases, or were to make several collections and payments, he would find it necessary to make some kind of written record. Such record, if made in some systematic manner, would be bookkeeping.

Read the transactions stated in Example 1, and observe how they are recorded in the model form.

Example 1. — A boy makes the following collections and payments of cash: Jan. 2, 19—, collects from James Smith \$75; Jan. 2 collects \$50.40 for wheat sold; Jan. 3 pays for groceries \$24.36; Jan. 4 pays tax bill \$43.60; Jan. 7 collects from S. B. Jones \$46.80, also from P. F. Doe \$25.60; Jan. 7 pays for sidewalk repairs \$26.30; Jan. 9 collects from L. Smith \$21. He hands in the following statement of money received and paid out and the amount he has on hand on Jan. 10:

Cash

1	2	3	4	5	6	7	8	9	10	11	12
<i>19—</i>						<i>19—</i>					
<i>Jan.</i>	<i>2</i>				<i>75</i>	<i>Jan.</i>	<i>3</i>				<i>24 36</i>
	<i>2</i>				<i>50 40</i>		<i>4</i>				<i>43 60</i>
	<i>7</i>				<i>46 80</i>		<i>7</i>				<i>26 30</i>
	<i>7</i>				<i>25 60</i>		<i>10</i>	<i>Balance</i>	<i>✓</i>		<i>124 54</i>
	<i>9</i>				<i>21</i>						
					<i>276 80</i>						
					<i>218 80</i>						<i>218 80</i>
<i>Jan. 11</i>	<i>Balance</i>		<i>✓</i>		<i>124 54</i>						

The above is one bookkeeping form of keeping a record of money received and paid out. It is a ledger form and is called a cash account; other forms will be given in later lessons.

The vertical rulings divide the page into a number of columns or spaces. For the purpose of explaining their use they are numbered in the model form. You will omit the numbers in your work.

Spaces 1, 2, 7, and 8 are date columns; *i.e.* day and month.

Spaces 3 and 9 are for explanations.

Spaces 4 and 10 are folio columns (that is, page columns: columns in which to record pages of other books), and not used at present.

Spaces 5, 6, 11, and 12 are money columns.

QUESTIONS

1. On which side are the receipts entered? The payments?
2. What are the total receipts? Total payments?
3. What is the difference between the two?
4. In the model what name is given to the difference?
5. How do the sides compare in amount after entering the balance?
6. How would you define a balance?
7. Is the balance a record of a payment or a receipt?
8. Can you see any reason why the entry is made in red ink?
9. Where and how is the balance entered a second time?
10. Across which spaces do the single rulings extend? The double?
11. If there is a difference, which side is the greater? Why?

Closing an Account. — Closing an account is the process of finding the amount necessary to make the two sides equal, and entering it in red, afterward footing both sides in black and ruling a single line across the money column, immediately beneath the last entry on the longer side; another single line across the other money column directly opposite the first; and then double lines across everything but the wide explanation columns.

Closing entries when carried below the double rulings are generally entered as of the day following the date of closing.

The Use of the Ruler. — All rulings are made in red ink with the use of a ruler. The beveled side of the ruler is placed on the paper. The pen is held against the edge of the ruler. If but a single line is used, it should be ruled on the light blue line; if two lines, the upper one should be on the light blue line, and the other just beneath. Do not move the ruler until both lines have been drawn; they will then be parallel. Diagonal lines are sometimes used.

The lines are designated as follows in bookkeeping: single line, addition line; double line, closing or balancing lines; and diagonal line, guard line. See form, page 5.

Required of the Student. — Copy on loose ledger paper the form given on page 1. Observe every step of the work with care. After all the items received and paid out are entered, the total receipts and payments are entered in small pencil figures. Do not try to work rapidly at first. Your teacher will instruct you how to make the rulings most successfully.

Record the receipts and payments of cash in Examples 2, 3, and 4, following the model given for Example 1.

Example 2. — Jan. 2, 19—, balance of cash on hand \$75.61 (enter on left side); Jan. 2 received cash \$42; Jan. 3 received cash \$81.24; Jan. 4 paid cash \$25.62; Jan. 5 paid cash \$43.60; Jan. 6 received cash \$14.20; Jan. 6 paid cash \$21.75; Jan. 7 paid cash \$14.70; Jan. 9 received cash \$18.75; Jan. 10 received cash \$24.50; Jan. 11 paid cash \$24.30; Jan. 13 paid cash \$21.45. Enter the balance and rule, using the last date.

Example 3. — John Smith was attending school outside of his home town and received cash and made necessary payments as follows: Jan. 2, 19—, left home with cash \$75; Jan. 2 paid railroad fare \$14.60; Jan. 3 paid for board and room rent one week in advance \$6; Jan. 3 paid tuition for one term \$40; Jan. 3 paid for delivering trunk, etc., \$.75; Jan. 5 paid for books \$6.40; Jan. 6 received for work done during week \$2.50; Jan. 8 gave contribution at church \$.25; Jan. 10 paid for gymnasium suit \$5; Jan. 11 received from home \$25; Jan. 11 paid board and room rent \$6; Jan. 13 paid laundry bill \$.75; Jan. 13 received for work done \$3.50. Enter the balance and rule up the account, using last date.

Example 4. — Robert White made collections and payments for the Excelsior Laundry Company as follows: Jan. 3, 19—, collections from A. B. Jones \$5.43; from Mrs. A. L. Brown \$4.27; from J. P. Shaw \$3.64; from J. A. Lyons \$10.04; from J. F. Sarley \$3.60; from E. L. Coe \$2.37; from Mrs. L. Greenwood \$2.61; from Mrs. A. E. Baker \$1.94; from R. A. Reed \$.97; from B. Conway \$1.94; from J. F. Norek \$2.61; from W. L. Mayer \$4.73; from D. E. Borg \$2.04; from D. G. Mayer \$6.21; from Wm. Newman \$1.84. Payments to F. Monk \$1.25; to Marshall Field & Co. \$14.60; to W. L. Mayer \$2.03. Balance the account and rule, using last date.

After your work for these examples has been approved, copy it into the exercise book. Do not crowd your work — allow at least two blank spaces after each account.

Forwarding Accounts to New Pages. — It frequently becomes necessary to forward an account to another page. The account ruled up and forwarded must show the page of the new account and the latter account must show the page of the former account. The following "Cash" account is recorded as of page 10, and is forwarded to page 21. The cross references are shown in the accounts. The column in which the page numbers are entered is called the folio column.

Cash

19-	Jan	2			75	19-	Jan	3			24	36
		2			50			4			43	60
		4	Carried forward	21	125			4	Carried forward	21	67	36

Bookkeeping authorities do not altogether agree as to the use of red ink. All prefer it in closing an account, as shown on page 1; but when it comes to forwarding a footing to a new page, some advocate the use of red ink and others black ink. In this text red is used.

Cash

19-					19-				
Jan.	4	Brought forward	10	125 40	Jan.	4	Brought forward	10	67 96
	7			46 80		7			26 30
	7			25 60		10	Balance	✓	124 54
	9			21 80					
				218 80					218 80
Jan.	11	Balance	✓	124 54					

DEFINITIONS

Bookkeeping is the process of making records of business transactions for future reference.

A business transaction is an exchange of values.

An account is an item, or several items, properly arranged under a distinct head; e.g. a cash account.

A cash account is a record of cash receipts and payments. Cash includes money, checks, postal orders, etc.

To open an account is to write a special heading, such as "Cash," under which will be entered receipts on one side and payments on the other side. The account is opened when the heading is written. The model should always be followed as to the place for the heading.

A balance is the difference between the two sides of an account. It is entered in red ink, showing that it is an item not occasioned by a transaction.

Closing an account is the process of making an entry that will render the two sides equal.

LESSON II

MERCHANDISE ACCOUNT WITHOUT INVENTORY

Introduction.— The purpose for which business is carried on is gain, or profit. The cash account explained in the previous lesson does not show that anything has been gained or lost. The reason for this is evident: money is received and paid out at the same value unit for unit. Not so with the commodities in which a merchant deals. A ton of coal may be bought for \$5.50 and sold at \$7.60. The difference is gain.

The commodities bought and sold by a business for the purpose of gain are usually designated by the general term "merchandise," and the account in which a record is kept of them is called the merchandise account.

Example 1.— The record of the following transactions illustrates how this account is kept: Feb. 1, 19—, bought sugar \$125; Feb. 2 bought coffee \$143.60; Feb. 3 sold coffee and sugar \$67.80; Feb. 3 sold coffee \$89.17; Feb. 4 sold sugar \$64.25; Feb. 6 bought flour \$142.60; Feb. 7 sold flour \$94.36; Feb. 8 sold flour and sugar \$124.60; Feb. 10 sold flour and coffee \$43.60; Feb. 11 sold all remaining goods \$83.20. Find the gain or loss, and close the account as of Feb. 12.

<i>Dr.</i>	<i>Merchandise</i>	<i>Cr.</i>
<i>19—</i> <i>Feb</i> 1	125	<i>19—</i> <i>Feb</i> 3 67 80
2	143 60	3 89 17
6	142 60	4 64 25
12 <i>Loss & Gain</i>	155 78	7 94 36
		8 124 60
		10 43 60
		11 83 20
	566 98	566 98

QUESTIONS

1. On which side of the account is merchandise entered when bought?
2. Merchandise sold is entered where?
3. What is the total cost? The total sales?
4. What is the difference between the total cost and the total sales called?
5. On which side of the account is the gain entered?
6. How would you explain the use of red ink in this entry?
7. What would the account show if the red ink difference had been required on the other side of the account? Explain fully.
8. How much was gained? On a cost of how much? Find the per cent of gain.

9. Why was there no "Balance" to bring down in this account?
10. You have \$100 cash with which you buy a bicycle, later selling it for \$125 cash. Open a bicycle account on loose paper.
- What is the cost as shown by the bicycle account?
 - What is the amount produced as shown by the bicycle account?
 - How much did you gain?
 - How much cash have you on hand? How much did you have on hand?
 - Is the gain in the bicycle account or in the cash account?
 - Which account produced the gain?

You will notice the difference between this account and those of the previous lesson. In one case the difference represents something of a fixed value that the business has on hand; in the other, what is gained or lost. Whether the result is a loss or a gain, the term "Loss and Gain" is used.

You will notice the abbreviations for debit and credit, Dr. and Cr., respectively, in connection with the preceding account. Debit means to charge; it also means the cost or charge side of an account. Credit means the opposite of debit. Custom has established that the left-hand side of an account shall be the debit and the right-hand side the credit. Hereafter the terms Dr. and Cr. will be used to designate the sides of accounts.

In the above account "Loss and Gain" is written in the explanatory space as a part of the closing entry. The result here is a gain. The same expression is used in this text when an account shows a loss. It is advocated by some that only one word, either gain or loss, be used as an explanation. "Profit and Loss," or either of these words, may be used with equal propriety. But bookkeepers and accountants generally prefer to use both words. The important thing is to understand what the closing entry means, and to be uniform in the form of explanation.

Required of the Student.—Copy the model on loose paper; then make similar records of Examples 2 and 3, and, after having your work approved, copy it in the exercise book.

Example 2.—Feb. 1, 19—, bought mdse. \$123.40; Feb. 2 bought mdse. \$162.19; Feb. 2 sold mdse. \$46.30; Feb. 3 bought mdse. \$99.26; Feb. 4 bought mdse. \$135.44; Feb. 5 sold mdse. \$47.50; Feb. 6 sold mdse. \$16.35; Feb. 8 sold mdse. \$22.19; Feb. 9 sold mdse. \$74.25; Feb. 10 sold mdse. \$104.13; Feb. 11 sold mdse. \$44.21; Feb. 12 sold all mdse. for \$246.75. Find the gain or loss, and close the account as of Feb. 15.

Example 3.—Feb. 1, 19—, mdse. on hand, \$1065.25 (enter on Dr. side); Feb. 1 bought mdse. \$87.96; Feb. 2 bought mdse. \$165.30; Feb. 2 sold mdse. to J. P. Doe \$16.75, to R. K. Lee \$15.18, to S. S. Snow \$9.65; Feb. 3 bought mdse. from R. M. Towne & Co. \$196.48; Feb. 4 sold mdse. as follows: to M. L. Sawyer \$28.16, to E. N. Piper \$3.75, to M. W. Fry \$89.60; Feb. 5 sold mdse. \$186.14; Feb. 6 sold mdse. \$48.29; Feb. 8 sold mdse. to John Kulp \$46.82, to J. J. Clare \$14.86, to A. D.

Ziegler \$341.82; Feb. 9 sold all mdse. remaining on hand for \$500. Find gain or loss, and close the account as of Feb. 10.

QUESTIONS ON EXAMPLE 3

1. Explain why merchandise on hand at the beginning was entered on the debit side.
2. Which is the greater, the debit side or the credit side?
3. On which side was the difference entered to make the sides equal?
4. Does the account show a loss or a gain?

LESSON III

MERCHANDISE ACCOUNT WITH INVENTORY

To find the gain or loss when the goods have not all been sold.

Example 1. — Feb. 1, 19—, bought mdse. \$ 657.50; Feb. 2 bought mdse. \$ 284.30; Feb. 3 bought mdse. \$ 327.34; Feb. 4 sold mdse. to M. S. Lowe \$ 69.18; Feb. 5 sold mdse. to S. W. Ruth \$ 72.50; Feb. 6 sold mdse. to W. L. Jones \$ 10.15; Feb. 8 bought mdse. \$ 28.90; Feb. 8 sold mdse. to W. W. Peters \$ 128.60; Feb. 9 sold mdse. to Mrs. Samuel Buckman \$ 42.20; Feb. 10 sold mdse. to K. G. Lowell \$ 143.50; Feb. 11 mdse. remaining unsold is worth \$ 935.03. Find the gain or loss on merchandise as of Feb. 15.

In computing the value of merchandise on hand at any time it is customary to use the cost price.

<i>Dr.</i>	<i>Merchandise</i>	<i>Cr.</i>
<i>Feb</i> 1 (Cost)	657 50	
2	284 30	
3	327 34	
8	28 90	
15 <i>Loss & Gain</i>	1,403 12	
	1 401 16	
<i>Feb</i> 16 <i>Inventory</i> ✓	935 03	
		69 18
		72 50
		10 15
		128 60
		42 20
		143 50
		935 03
		1 401 16

QUESTIONS

1. What is the total cost of goods bought?
2. How much was received for the goods sold?
3. Were all the goods sold?
4. Where is the value of the goods on hand entered?
5. Why is this amount entered on the credit side?
6. Work the following examples in two ways and explain which method is similar to that used in the account above: A quantity of goods cost \$ 1298.04; part of it was sold for \$ 466.13. Find the gain or loss if the cost price of the remainder is \$ 935.03.
7. What is the cost price of the goods sold?
8. What is the gain per cent?
9. Why is the "Inventory" entered in red ink?
10. Why is the "Inventory" carried below the ruling?
11. Why is not the gain carried below the ruling?

Required of the Student. — Following the form on page 8, enter the transactions of Examples 2, 3, and 4. In each case find the gain or the loss. Close the account and bring down the inventory.

Example 2. — The purchases of mdse. are as follows: Feb. 1, 19—, \$ 329.16; Feb. 2 \$ 216.50; Feb. 5 \$ 128.14; Feb. 7 \$ 135.12; Feb. 12 \$ 234.09. The sales are: Feb. 2 \$ 12.96; Feb. 3 \$ 87.50; Feb. 4 \$ 126.30; Feb. 8 \$ 14.25; Feb. 9 \$ 226.35; Feb. 10 \$ 62.25; Feb. 12 \$ 36.50; Feb. 13 \$ 48.60; Feb. 14 \$ 286.75. Mdse. on hand Feb. 15 \$ 312.40. Find the gain or loss.

Example 3. — On Feb. 2, 19—, O. E. Grant commenced business with a stock of groceries valued at \$ 1260.75; Feb. 5 bought of B. J. Krauss Bros. groceries amounting to \$ 1450.75; Feb. 7 paid freight and drayage on mdse. \$ 36.45; Feb. 8 sold J. F. Stanley groceries \$ 564.50; Feb. 9 sold to M. Vickory groceries \$ 88.50; Feb. 12 sold A. H. Hopkins groceries for cash \$ 345.90; Feb. 13 sold O. F. Heenzie groceries \$ 324; Feb. 14 bought of W. F. Durand & Co. groceries amounting to \$ 725; Feb. 16 paid cash for freight and drayage on mdse. \$ 63.75; Feb. 18 sold W. H. Hentz groceries \$ 853.62; Feb. 20 the value of unsold merchandise was \$ 1890.20. Close the account as of Feb. 20.

Example 4. — In this example write up two accounts, Cash as in Lesson I, and Merchandise as in previous examples in this lesson. Feb. 1, 19—, A. B. Jones commenced business with cash on hand \$ 5000; Feb. 2 bought a stock of mdse. for cash \$ 872.50; Feb. 3 bought mdse. for cash \$ 249.70; Feb. 4 paid cash for freight on mdse. \$ 14.76; Feb. 5 sold mdse. for cash \$ 18.91; Feb. 6 sold mdse. for cash \$ 30.80; Feb. 7 sold mdse. for cash \$ 36.80; Feb. 8 bought mdse. from Central Grocery Company for cash \$ 746.90; Feb. 9 sold mdse. to Wm. Benson for cash \$ 163.18; Feb. 10 sold mdse. for cash \$ 92.80; Feb. 11 sold mdse. for cash \$ 116.50; Feb. 12 sold mdse. for cash \$ 224.96. The mdse. remaining unsold Feb. 12 was valued at \$ 1250. What is the cash balance and what was gained on merchandise? Close the accounts as of Feb. 15.

QUESTIONS

1. When is the profit on goods made, at the purchase or at the sale?
2. If the unsold goods were sold, on which side of the account would the record be made?
3. What price is used in figuring the unsold goods, cost or selling?
4. Why is this price used?
5. In the above examples you have entered the unsold goods on the credit side in order to find the gain or loss. How could you find the gain or loss by recording the unsold goods on the debit side?
6. What was debited in the second transaction? What was credited? Are these amounts equal? (Ex. 4.)
7. What was debited Feb. 12? What credited? Are these amounts equal? (Ex. 4.)
8. In business when you buy something must you give something?
9. On which side of the account do you record what you receive?

10. On which side what you dispose of ?
11. Must these amounts equal each other ?
12. Is there a debit for each credit, not counting the first transaction ? (Ex. 4.)

DEFINITIONS

An inventory of property is a list of goods together with the prices of the items. The term "inventory" may have a broader meaning. This phase of it will be discussed later. Inventories are taken at the end of the year or whenever it becomes desirable to determine the loss or gain of the business.

In the preceding examples all cash and merchandise received were entered on the left-hand side, and likewise all cash and merchandise disposed of were entered on the right-hand side of the accounts. It requires but little thought to understand that the two processes — receiving and disposing of things of value — have such an opposite effect on the business that the records of them should be kept separate. The custom of placing receipts on the left and what is disposed of on the right is, however, entirely arbitrary, and a system reversing this order would be no less exact theoretically and no more difficult in practice. The general rule for determining what to debit and what to credit may be stated as follows :

GENERAL RULE. — **Debit what you receive, or what costs value. Credit what you dispose of, or what produces value.**

LESSON IV

NOTES

In the previous lessons it was sometimes stated that cash was paid or received in settlement of purchases or sales. In other transactions no method of payment was mentioned. It frequently happens that the buyer finds it inconvenient to make immediate cash payment and the seller agrees to accept a written promise to pay at some future time. Such promises, when made out in proper form, are called promissory notes or simply notes. Notes, as you will see later, are used also for other purposes than that explained here.

Transaction illustrating the use of a Note.—On March 1, 19—, Wm. Thompson sells to Warren Moore, of Milwaukee, mdse. amounting to \$174.25. Mr. Thompson agrees to accept in payment Mr. Moore's note, due in 30 days with interest at 6%.

FORM OF NOTE

\$ <u>174 ²⁵/₁₀₀</u>	<u>Milwaukee, Wis., Mar. 1, 19—</u>
<u>Thirty days</u>	after date <u>I</u> promise to pay
<u>Wm. Thompson</u>	or order
<u>One Hundred Seventy-four and ²⁵/₁₀₀</u>	Dollars
Value received, with interest at 6% per annum.	
Due <u>Mar. 31, 19—</u>	<u>Warren Moore</u>

In the form above, Warren Moore is the maker and Wm. Thompson the payee of the note. The maker and payee are called the parties to the note.

If interest is to be paid on a note, it must be mentioned; generally this is entered after the words "Value received." The place of payment, especially if it is a bank, is frequently stated in the note. A note may be signed by two or more persons.

Write the notes indicated in the following exercises.

Use slips of paper about $8 \times 3\frac{1}{2}$ inches, leaving a margin of one inch at the left.

Example 1.—John Morris, of Boston, Mass., gives his note, dated Mar. 15, payable in 60 days, to Thomas T. Davis for \$288.90.

Example 2.—On Mar. 10, 19—, M. W. Lafflin gives you his note at 10 days for \$28.50. Use the name of your town in the heading.

Example 3.—Using the date of writing and Philadelphia, Pa., in the heading, give your note at 60 days favor K. P. Towne & Co. for \$1000, payable at the Importers' National Bank.

Example 4. — Maker, Chas. Maxwell; payee, pupil; time, 3 months; date, Mar. 12, 19—; place, Indianapolis, Ind.; rate of interest, 6%; face, \$350. On Apr. 11 a payment of \$100 was made on this note.

If part payment of a note is made, it is customary to indorse the amount on the back of the note.

Example 5. — On the day you are writing, at Cleveland, Ohio, Ernest Wireman gives his note in your favor, payable one year after date, interest 5%, face \$600.

The payee usually holds the note until it is due and then presents it for payment. If the note is payable at a particular place, the note should be there when it becomes due so that it may be taken up and canceled when paid.

INDORSEMENTS

If for any reason the payee of a note wishes to dispose of it, he may do so by writing his name on the back of the note and delivering it to the proper party. The writing on the back is an indorsement. The two forms most frequently used are illustrated below. They are designated as the blank and the full indorsement. The latter names the party to whom the paper is transferred, while the former does not.

ON BACK OF NOTE—FORMS OF INDORSEMENTS

(Blank)
<i>Wm. Thompson</i>
or
(Full)
<i>Pay to the order of</i>
<i>J. J. Shaw</i>
<i>Wm. Thompson</i>
(Part Payment)
<i>Mar. 10, 19—.</i>
<i>Received on within note</i>
<i>One Hundred Dollars</i>

The first needs no further indorsement — the note is now payable to bearer. The second must be indorsed again if the note is sold by Mr. Shaw. Every note received should be indorsed, as each indorsement adds security to it. Indorse the notes written up in this lesson. For the first and second, use blank indorsements; for the rest use full indorsements.

QUESTIONS

1. What is a promissory note ?
2. How many parties are there to a note ?
3. Name and define each.
4. What is discounting a note ?
5. In what business is the buying of notes a very important feature ?
6. What name is given to the difference between the face value of a note and the amount the seller must accept for it if it is sold before it is due ?
7. What is an indorsement ?
8. What is a full indorsement ?
9. What is a blank indorsement ?
10. What is the meaning of the words "indorser" and "indorsee" ?
11. What are the purposes of an indorsement ?

DEFINITIONS

A note is a written acknowledgment of a debt, coupled with a promise to pay.

The maker of a note is the one who issues it ; he promises to pay it when due.

The payee is the one to whom the note is issued ; the payment is to be made to him or to the person to whom he orders it paid.

An indorsement is a writing, usually upon the back, to show a transfer or to acknowledge a payment.

LESSON V

BILLS RECEIVABLE ACCOUNT

Introduction. — In bookkeeping, notes are divided into two classes. This division is not due to any peculiarities in the notes themselves, but is entirely dependent upon the relation we bear to them. Those that are signed by some one else and that we first receive and later dispose of are called "bills receivable." Those that we first issue and dispose of and later redeem are called "bills payable." Some bookkeepers prefer to use the expressions "notes receivable" and "notes payable." It is immaterial which names are used, so long as there is uniformity.

TRANSACTIONS WITH BILLS RECEIVABLE

Required of the Student. — Copy Example 1 and write up Examples 2 and 3, close the accounts, and have them approved.

Example 1. — Mar. 1, 19—, received Smith's note for \$860; Mar. 2 received Doe's note for \$543.75; Mar. 4 received Johnson's note for \$124.36; Mar. 7 bought two notes of Henry Marx, one signed by himself for \$360, and one signed by Charles Brown for \$423.75; Mar. 10 Smith paid us cash for his note of the 1st inst.; Mar. 11 Marx paid cash on his note \$200; Mar. 12 sold Doe's note for cash \$543.75; Mar. 15 Johnson paid cash for his note of the 4th inst.; Mar. 15 closed the account.

<i>Dr.</i>	<i>Bills Receivable</i>	<i>Cr.</i>
<i>Mar</i> 1	860	<i>Mar</i> 10 860
2	543 75	11 200
4	124 36	12 543 75
7	360	15 1,24 36
7	423 75	15 <i>Balance</i> ✓ 583 75
	<u>2,311 86</u>	<u>2,311 86</u>
<i>Mar</i> 15	<i>Balance</i> ✓ 583 75	

QUESTIONS

1. What is the total of the notes received?
2. What is the total of the notes disposed of?
3. When cash or something else is received for a note, what is done with the note?
4. Was Marx's note paid in full on the 11th?
5. Was the note in this case disposed of?
6. Why was the \$200 entered on the Cr. side of "Bills Receivable"?

7. What indorsement should have been made on Marx's note on Mar. 11?
8. What does the balance in the account show? How could you verify it?
9. Can the credit side of this account ever become the greater? Why?
10. Why is the "Balance," when carried below the rulings, entered on the opposite side?
11. By what means could Marx give us the title to the note signed by Brown?
12. Will a business man take any one's note for what he sells? Will he take cash?
13. What things are considered when we think of taking a person's note?

Example 2. — Mar. 1, 19—, had several notes on hand amounting to \$2124.30; Mar. 2 sold mdse. to Coe & Co. for their note \$750.60; Mar. 3 gave cash for James White's note \$604; Mar. 5 received cash for one of the notes in our possession on the 1st \$624.30; Mar. 6 Smith & Co. sent me their note at 30 days to apply on account \$600; Mar. 7 sold a house and lot for note amounting to \$1600; Mar. 9 James White paid cash for his note received on the 3d inst. \$604; Mar. 11 sold a horse and wagon for note \$240; Mar. 12 Smith & Co. paid cash for their note of the 6th inst. What is the balance of notes on hand Mar. 15?

Example 3. — Mar. 1, 19—, had on hand other persons' notes amounting to \$1824.60; Mar. 2 received Wm. K. Boyd's note payable in 3 days for mdse. \$199.20; Mar. 3 Henry Brownback gave me on account a note signed by John Davis for \$88.25; Mar. 5 Wm. K. Boyd paid cash on his note of the 2d inst. \$99.20, and gave me a new note for the remainder; Mar. 6 sold mdse. to Wm. Craft amounting to \$872.64, and received in payment John Stauffer's note due in 5 days \$300, Roy Langher's note due in 10 days for \$400, and Craft's note at 5 days for the balance; Mar. 7 Elias Detweiler paid cash for his note of Feb. 10 \$960.75; Mar. 8 Wilson Benson paid cash for his note of Feb. 20 \$85.75; Mar. 11 Wm. Craft paid cash for his note due to-day.

BUSINESS PAPERS TO BE WRITTEN

You are the person doing business in these examples.

1. Write the note received from Wm. K. Boyd on the 2d inst. Use your town for heading (Ex. 3).
2. Boyd's note is paid on the 5th, and is returned to Boyd on that date. Write the following crosswise on the face of the note in red ink: "Paid March 5, 19—." The name of the one receiving the payment may follow, but it is not necessary.
3. Write the note received on the 3d inst.; use your town for heading, date Mar. 1, 19—, John Davis maker, Henry Brownback payee. Indorse in full to yourself (Ex. 3).
4. Write the note received from Marx on Mar. 7 signed by Charles Brown. Use a full indorsement by which the note is transferred to you (Ex. 1).

LESSON VI

BILLS PAYABLE ACCOUNT

Required of the Student. — Copy Example 1, tracing transactions from the text, and write up the following examples.

Example 1. — Mar. 1, 19—, gave my note for mdse. \$650; Mar. 2 bought horse and wagon for note at 10 days \$125; Mar. 9 paid cash for my note of the 1st inst. \$650; Mar. 10 bought for note mdse. of Brown & Co. \$750.60; Mar. 11 gave my note for insurance on mdse. \$24.75; Mar. 12 paid cash for my note of 2d inst. due to-day; Mar. 15 paid cash in part payment of my note of the 10th inst. \$150.60. Mar. 20 what is the balance of bills payable?

<i>Dr.</i>	<i>Bills Payable</i>	<i>Cr.</i>
¹⁹⁻ Mar 9	650	¹⁹⁻ Mar 1
12	125	2
15	150 60	10
20 <i>Balance</i> ✓	624 75	11
	1 550 35	
		<i>Mar 21 Balance</i> ✓
		624 75

QUESTIONS

1. What is the total of notes issued?
2. What is the total of notes redeemed?
3. Why, if there is a balance, must it always be entered on the Dr. side of this account?
4. Could you verify the balance as in bills receivable?
5. Under what condition are the two sides equal?

Example 2. — Mar. 1, 19—, notes signed by me in possession of others are as follow: Favor of Nicholas Murray due in 5 days \$196.30; favor of Geo. Allen due in 8 days \$248.12; favor of S. D. Schoefield, dated Feb. 20 at 30 days \$569.18. Total, \$1013.60. Mar. 2 bought mdse. from Theo. Tyson \$128.30, and gave my note at 3 days in payment; Mar. 3 gave my note favor Isaac Jones due in one year in part payment of house and lot \$1000; Mar. 4 I owed Oscar Bauer \$132 on account and gave him my note at 10 days in payment; Mar. 5 sold mdse. amounting to \$200; received cash \$71.70 and my note favor Theo. Tyson of the 2d inst. for balance; Mar. 6 paid cash for my note favor of Nicholas Murray due to-day \$196.30; Mar. 7 gave my 5-day note in payment for mdse. purchased this day \$938.40; Mar. 9 paid cash for my note favor Geo. Allen \$148.12, and gave my 3-day note for the balance. Close the account as of Mar. 10.

In the examples of Lesson V, as well as in the preceding examples of this lesson, all the notes in any one example belong to the same class. In Examples 3 and 4 of this lesson, both kinds—"bills receivable" and "bills payable"—occur. Be sure that you understand clearly what determines to which class a note belongs.

In Example 3 write up both the bills receivable and bills payable accounts and close them.

Example 3.—Mar. 1, 19—, bought mdse. amounting to \$796.80 and gave my note in payment; Mar. 2 bought from Geo. Klein, Wm. White's note at 10 days, Klein's favor, for \$624.75 and gave in payment my note due in 30 days \$200 and cash for the balance; Mar. 3 bought mdse. \$986.90, gave in payment my note due in 10 days \$362.15 and White's note bought on the 2d inst. for the balance; Mar. 4 sold mdse. to Frank Hendricks \$166.30 and received his note in payment; Mar. 6 paid cash for my note of the 1st inst. due to-day \$796.80; Mar. 8 sold mdse. to Jas. Smith for \$300, received in payment a note signed by Walter Brown, Smith's favor; Mar. 10 borrowed \$500 cash on my note, favor LeRoy Watson; Mar. 31 close accounts.

In Example 4, record cash, merchandise, bills receivable, and bills payable received and disposed of.

Example 4.—Mar. 1, 19—, bought mdse. on my 5-day note amounting to \$864.90; Mar. 2 bought mdse. amounting to \$388.66 and paid for it with my 10-day note; Mar. 4 sold mdse. to Alfred Rowe \$248.60, received cash \$148.60 and his note at 3 days for the balance; Mar. 5 sold mdse. for cash \$266.90; Mar. 6 paid note of the 1st inst. due to-day by giving cash \$64.90 and a new note due in 10 days for the balance \$800; Mar. 7 Alfred Rowe paid me cash for his note of the 4th due to-day; Mar. 9 sold mdse. to Silas Hooper \$466.22, receiving cash \$166.22 and his note at 10 days for the balance; Mar. 10 bought mdse. on my note at 20 days, favor Louis Slocum \$972.86; Mar. 12 sold mdse. for cash \$28.19; Mar. 14 received Septimus Down's 2-day note for mdse. sold him to-day \$649.20; Mar. 16 paid my note due to-day, dated the 6th inst., by giving cash \$150.80 and Down's note of the 14th for the balance; Mar. 18 sold for cash all mdse. remaining on hand \$872.50. Follow instructions contained in Question 9.

QUESTIONS ON EXAMPLE 4

1. What is the rule for debiting an account?
2. What is the rule for crediting an account?
3. What did you debit on Mar. 1? What did you credit?
4. Were these debits and credits equal?
5. What did you debit on Mar. 2? What did you credit?
6. Were these debits and credits equal?
7. Will the total debits for the first and second transactions equal the total credits for the same dates?
8. In this example how many accounts are kept? Was a record kept of everything received or disposed of?
9. Write the names of these four accounts in a vertical column, following each

account by its total debit and total credit in columns, and add these two columns. How do they compare? Why?

10. You may now close the accounts in Example 4, using as a closing date Mar. 31, 19—.

DEFINITIONS

Bills Receivable are other people's notes — notes signed by others — the value of which we are to receive.

Bills Payable are our own notes — notes signed by us — the value of which we must pay.

LESSON VII

COMBINATION OF ACCOUNTS

Required of the Student. — The following exercises contain transactions involving the receipt and disposal of notes, in addition to cash and merchandise. In the first exercise the pupil will open accounts for bills payable, bills receivable, and merchandise; in the remaining exercises an account is also to be kept with cash.

Example 1. — Mar. 1 gave my note payable in 10 days for mdse. \$1000; Mar. 2 bought mdse. from Raymond & Co. for \$620 and gave my note at 5 days in payment; Mar. 4 gave my 30-day note favor S. K. Wolff & Co. for mdse. purchased this day \$318.50; Mar. 6 sold mdse. amounting to \$66.20 to John Lyman and received his 5-day note in payment; Mar. 7 my note dated the 2d inst. is due to-day, I paid cash for it \$620 (what does the business receive?); Mar. 8 sold mdse. to K. H. Wampole & Co. \$138.60 and received their note at 10 days in payment; Mar. 11 received cash from John Lyman for his note due to-day \$66.20; Mar. 12 sold mdse. for cash \$411.50; mdse. unsold is valued at \$1300. Close the accounts as of Mar. 15.

QUESTIONS

1. Can you determine from your work the value of the notes receivable on hand?
2. The value of the notes payable outstanding?
3. Are these accounts in this respect like cash, or merchandise?
4. Would you explain the closing entry as "Balance" or "Loss and Gain"? Why?

Example 2. — Mar. 1 commenced business with cash \$1750; Mar. 2 bought mdse. on my note \$412.50; Mar. 3 bought mdse. for cash \$366.18; Mar. 4 sold mdse. to Samuel Reynolds on his 5-day note \$136.20; Mar. 5 sold mdse. to L. K. Parker \$81.60 and received his 10-day note in payment; Mar. 6 bought mdse. from Wilson Meyers \$517.50, gave in payment Samuel Reynolds's note received on the 4th inst. and my note at 3 days for balance \$381.30; Mar. 8 sold mdse. for cash \$12.72; Mar. 9 paid cash for my note of the 6th inst. \$381.30; Mar. 10 sold entire stock of mdse. to M. S. Way on 10-day note \$1250. Mar. 10 close all the accounts.

Example 3. — Mar. 1 commenced business with mdse. on hand \$2000, cash \$2200; Mar. 2 bought mdse. for cash \$600; Mar. 5 bought mdse. on my 10-day note \$800; Mar. 7 sold mdse. on 15-day note \$112.60; Mar. 9 sold mdse. for cash \$72.21; Mar. 11 gave my 30-day note for mdse. bought to-day \$700; Mar. 13 sold mdse. on 20-day note \$124.86; Mar. 14 sold mdse. for cash \$34.19; Mar. 15 paid cash for my note of 5th inst. \$800; Mar. 17 paid cash for insurance on mdse. \$37.50; Mar. 19 bought mdse. for cash \$450; Mar. 20 sold mdse. for cash \$91.27; Mar. 21 exchanged notes with Silas Sharpless each for \$500 at 30 days; Mar. 22 received cash for note, my favor, dated Mar. 7 \$112.60; Mar. 23 received cash from insurance company for mdse. damaged by fire \$721.50; Mar. 25 sold remaining stock of goods for cash \$2750. Mar. 31 close all accounts.

QUESTIONS

1. In how many of the accounts of Examples 2 and 3 did you use "Balance" for the closing entry? "Loss and Gain"?
2. In Example 2 how many of the balances were carried below on the debit side? On the credit side?
3. Which of these balances show values the business had on hand? Which amounts is the business under obligations to pay?
4. How much is the business worth on Mar. 10?
5. With how much cash was the business commenced?
6. How much was gained?
7. How does this compare with the amount of the closing entry in merchandise?
8. Find the gain or loss in Example 3 by considering cash, bills receivable, and bills payable, and compare your result with the amount of the closing entry in merchandise.

LESSON VIII

PERSONAL ACCOUNTS

Introduction. — All the transactions of the foregoing lessons are exchanges of values represented by something tangible—cash or notes are given in exchange for mdse., etc. But goods are frequently sold and delivered, it being understood, if not specifically stated, that the buyer will pay for them at some future time. Such sales are said to be made on account or on credit. Such transactions make it necessary to keep a record of dealings with persons. In the transactions of former lessons no attention was given to the names in making the records. The following examples contain illustrations of transactions on account.

Required of the Student. — Copy the first form and write up Examples 2 and 3.

Example 1. — Business transacted with A. B. Campbell, Ada, O. Apr. 1 sold him mdse. on account \$36.84; Apr. 3 sold him on account mdse. \$41.14; Apr. 6 received from him cash on account \$30; Apr. 8 he has worked for me five days at \$4 per day and asks to be credited on account; Apr. 9 he returns part of goods purchased as unsatisfactory \$11.14; Apr. 10 sold him bill of goods for which he is to pay in 2 days \$29.37; Apr. 12 he pays for bill of goods of the 10th inst. \$29.37.

The form below shows how these transactions will appear under Mr. Campbell's account. Always include the address with personal accounts. The pupil should not consider his study of this example and the accompanying form complete until he has a clear idea of the meaning of the phrase "on account."

<i>A. B. Campbell</i>				<i>Ada, O.</i>			
<small>19-</small>				<small>19-</small>			
<i>Apr.</i>	<i>1</i>	<i>(Dr. Side)</i>	<i>36 84</i>	<i>Apr.</i>	<i>6</i>	<i>(Cr. Side)</i>	<i>30</i>
	<i>3</i>		<i>41 14</i>		<i>8</i>		<i>20</i>
	<i>10</i>		<i>29 37</i>		<i>9</i>		<i>11 14</i>
			<i>107 35</i>		<i>12</i>		<i>29 37</i>
			<i>107 35</i>		<i>12</i>	<i>Balance</i>	<i>16 84</i>
<i>Apr. 13</i>	<i>Balance</i>	<i>✓</i>	<i>16 84</i>				<i>107 35</i>

QUESTIONS

1. On which side of Campbell's account are amounts that he received from us recorded?
2. On which side of Campbell's account are amounts that we received from him recorded?
3. Does this account show that we have become indebted to him, or he to us?
4. Is this account closed like merchandise, or cash, bills receivable, etc.?

5. May the balance to close a personal account appear on the Dr. side?
6. Does this account show a loss or a gain, or a balance due?
7. Does Campbell owe us or do we owe him?
8. What does "on account" mean?
9. Will a merchant sell to any one on account?
10. Give reason for your answer to Question 9.
11. What does a merchant consider before selling to one on account?

Example 2.—Dealings with E. B. Jones: On April 1, 19—, he owed me a balance of \$36.41; Apr. 2 sold him on account mdse. amounting to \$62.50; Apr. 3 he returned mdse. amounting to \$6.40; Apr. 4 sold him mdse. \$72.80; Apr. 5 allowed him a claim for shortage on his purchase of the 4th inst. \$9.35; Apr. 6 he paid me cash for the balance due on Apr. 1, \$36.41; Apr. 7 received his note due in 30 days \$56.10; Apr. 8 sold him mdse. \$52.80; Apr. 9 bought from him on account a horse and wagon for \$360; Apr. 10 gave him credit for a bill for delivering goods to date \$6.20; Apr. 11 gave him in payment of horse and wagon my note due in 60 days \$303.90 and his note received on the 7th inst.; Apr. 12 he paid me cash for the purchase of Apr. 4 less the allowance for shortage. Close the account as of Apr. 13.

Example 3.—Keep accounts with cash, merchandise, bills payable, and all persons whose names occur. Apr. 1, 19—, cash on hand \$800, mdse. \$1500; Apr. 2 bought mdse. on account from K. G. Towne & Co. \$316.90; Apr. 3 sold J. T. Newcomb on account mdse. \$66.20; Apr. 5 sold mdse. to W. E. Harley on account \$49.80; Apr. 7 paid K. G. Towne & Co. on account cash \$116.90; Apr. 9 sold mdse. for cash \$54.60; Apr. 12 bought from W. E. Harley mdse. on account \$92.35; Apr. 15 J. T. Newcomb paid cash on account \$33.10; Apr. 16 W. E. Harley returned goods amounting to \$12.29; Apr. 18 gave K. G. Towne & Co. on account 10-day note for \$100; Apr. 20 J. T. Newcomb paid cash to balance his account; Apr. 21 mdse. unsold \$1700. Close all accounts as of Apr. 21.

QUESTIONS

1. To whom is the balance due if the personal account shows a debit balance?
2. To whom if it is a credit balance?
3. How is a debit balance shown when the account is closed?
4. How is a credit balance shown when the account is closed?
5. In Example 3 how does the sum of the debit balances compare with the sum of the credit balances?

DEFINITION

A personal account is one kept with a person or firm. Its balance shows the amount due us, or the amount we owe the firm in whose favor the balance appears.

GENERAL RULES FOR PERSONAL ACCOUNTS

We debit a personal account:

When a person gets anything from us on account.

We credit a personal account:

When we get anything from a person on account.

LESSON IX

SUNDRY ACCOUNTS

Introduction.—This lesson includes accounts with the following: Real estate, expense, loss and gain, and proprietor.

A real estate account is kept to show the cost and returns of such properties as farms, stores, residences, etc. In some cases, however, it may be desirable to use instead of "real estate," a special title to designate a certain property; as, "House and Lot, 130 Madison Ave.," "160-acre Farm at Vernon, Ill." This account, and in fact all property accounts, are so similar to the merchandise account that a clear comprehension of the latter renders the meaning of all comparatively simple. If the property is sold, the account closes to "Loss and Gain," that is, the difference between the two sides is the gain or the loss. If property remains on hand at the time of closing the ledger, its value is entered as an inventory in the usual manner, and the account is then closed to "Loss and Gain."

Expense is the name of an account under which are recorded the expenses of running a business. The items are nearly always cost items and appear on the debit side. At times an expense item is disposed of and the account is credited with this amount. The expense account may be subdivided under several headings, such as rent, wages, selling expense, buying expense, freight, etc. There is practically no limit to the number of subdivisions of the expense account. Whenever it becomes desirable to keep a separate record of any class of expense items, an account may be opened for that purpose. Almost every line of business develops peculiar classes of such items that demand separate accounts.

If a portion of the cost charged to an expense account—as, for example, rent paid in advance—is still available at the time of closing the ledger, it is entered in red ink as an inventory on the credit side of the account, and the account is then closed to "Loss and Gain," the difference being the cost of conducting the business for the past period.

At times an item that for the past period should be charged to the expense, or some similar account, has not been presented at the time of closing and the amount is entered in red ink as an inventory on the debit side of the account. This account, then, may have inventories on both sides. These, like all other inventories, are brought down below the red line rulings and become balances for the next period.

The loss and gain account is a summary account—one to which all the loss and gain differences of the several accounts that have been closed to "Loss and Gain" are transferred. The losses are entered on the debit side of this account and the gains on the credit side.

This account is closed to the proprietor's account. If the account shows a credit balance, the account is closed by a debit entry and the amount is carried to the credit side of the proprietor's account. The reverse is true if the account shows a loss.

If there are partners in the business, the loss or gain is distributed among the several persons interested.

The proprietor's account is a personal account representing the amount that has been invested by the proprietor in the business. It is credited because the business owes the proprietor for it just as it owes any other person from whom it receives anything of value on account. It is charged with withdrawals and losses and credited with additional investments and gains. At the time of closing the ledger this account is debited or credited with the closing difference of the loss and gain account. That is, if the loss and gain account shows a net gain, the proprietor's account is credited; if a net loss, it is debited. After closing, the account shows the present worth of the proprietor's interest in the business. This is because the business cannot have anything of itself. Whatever it gains above expenses it owes to the investor; therefore he is credited, just as others whom the business owes are credited. If there is a loss, the proprietor must make it good to the business, so he is debited as others are when the business has something due from them.

REAL ESTATE ACCOUNT

Example 1.—July 1, 19—, bought a farm of 160 acres at \$25 per acre, paying cash; July 5 paid for repairing fences \$75.60; July 8 received rent for past three months in cash \$125; July 15 paid cash for painting barn \$18.75; July 30 sold farm at \$35 per acre, receiving cash \$1000 and note with interest for the balance due in one year, secured by mortgage. Write up the account and close it as of July 31, 19—.

Real Estate

19—				19—			
July 1		4 000		July 8		125	
5		75 60		30		5 600	
15		40 ¹⁸ / ₄ ⁷⁵ / ₁₀₀				7 25	
31	Loss & Gain	1 630 65					
		5 725 00				5 725 00	

Example 2.—July 1, 19—, paid rent of store for one month \$125; July 7 paid cash for clerk hire for week ended to-day \$21.75; July 9 paid cash for advertising in yesterday's *Tribune* \$35; July 10 paid cash for cleaning up store \$3.75; July 12 paid cash for 5 tons of coal at \$7; July 15 paid clerk hire for last week \$21.75; July 20 paid for postage \$4.26; July 21 paid clerk hire for week ended to-day \$21.75. On July 31 I desire to know the cost of expense for the month of July. I have not paid the last week's hire amounting to \$26.30. Coal on hand valued at \$38.

Expense

¹⁷⁻ July 1		125	¹⁷⁻ July 31	Inventory ✓	38
7		21 75	31	Loss & Gain	256 56
9		35			
10		3 75			
12		35			
15		21 75			
20		4 26			
21		21 75			
31	Inventory ✓	26 30			
		<u>274 56</u>			<u>294 56</u>
Aug 1	Inventory ✓	38	Aug 1	Inventory ✓	26 30

Example 3. — This is a continuation of Example 2. Enter debits and credits under the balances brought down. Add in the balances when closing the account at the end of the month.

- Aug. 1 Paid rent for one month \$ 125.
- “ 2 Paid for July balance unpaid clerk hire.
- “ 3 Paid for advertising \$18.75.
- “ 4 Paid for repairs to shelving \$14.60.
- “ 5 Paid for cleaning up store \$2.50.
- “ 6 Sold one ton of coal to Robert Thompson for cash \$7.50.
- “ 7 Paid for postage stamps \$3.
- “ 15 Paid for clerk hire to date \$36.75.
- “ 16 Received cash for postage stamps \$1.20.
- “ 18 Paid drayage bill on store fixtures \$8.75.
- “ 24 Paid for advertising \$20.
- “ 31 Find the expense for August; the inventories affecting the account are :
 Coal on hand valued at \$21.50.
 2 weeks' clerk hire unpaid, same as paid on 15th.

LOSS AND GAIN ACCOUNT

Example 4. — The items included in the following “Loss and Gain” account include all losses and gains as shown in forms in previous lessons. It shows how the loss and gain items are collected under one head instead of being carried down as balances. The balance of the loss and gain account is carried to the proprietor's account. The names of the several accounts in which the gains and the losses originated are used as explanations in this account. The proprietor's name is the explanation for the closing entry.

Loss & Gain

19-						19-						
	July 31	Expense		256	56	Feb. 12		Ordse		155	78	
										103	12	
	31	D. E. Borg		163	279	July 31		Real Estate		1	630	65
										1	889	55
				1	889					1	889	55

Example 5.—Collect under a loss and gain account all the losses and gains shown in examples that you have written up in previous lessons, not including the model forms. Close the account by writing your name in the smaller side in red ink, but do not transfer the difference until a later account is complete.

PROPRIETOR'S ACCOUNT

Example 6.—July 1, 19—, D. E. Borg commenced business with a cash capital of \$2000; July 15 he drew out for personal use \$150; July 16 he invested an additional sum of \$500. His profit is shown in Example 4 of this lesson. It is now transferred to this account. The following is a complete record of his transactions:

D. E. Borg

19-						19-						
	July 15			150		July 1				2	000	
										500		
	31	Balance	✓	3	982	16				1	632	99
						31		Loss & Gain		4	132	99
				4	132					3	982	99
				4	132	Aug 1		Balance	✓	3	982	99

Example 7.—Open an account with your name as a heading. July 1, 19—, you invested in business \$3000; July 5 you drew for private use \$75; July 9 you invested additional capital of \$1200; July 20 you withdrew from the business \$900. You closed your account as of Aug. 31, first crediting or debiting your account with "Loss and Gain" shown in Example 5 of this lesson. Close the account to "Balance" and bring the amount down.

QUESTIONS

1. What amounts are entered on the Dr. side of real estate? The Cr. side?
2. On the Dr. side of expense? The Cr. side?
3. What are the advantages of dividing the expense account?
4. What four accounts, including expense, do you suggest for the transactions of Examples 2 and 3 of this lesson?

5. Write up the transactions of Example 2, using the four accounts suggested, and close them.
6. How many of the accounts show gains? Losses?
7. Is the net loss of the four equal to the loss on expense as written up before?
8. After bringing down the balances write up Example 3 under the headings used for Example 2.
9. Where is the gain on real estate entered a second time?
10. Where is the loss on expense entered a second time? On which side? Why?
11. What is the closing entry of the loss and gain account?
12. Where is the amount entered a second time? On which side? Why?
13. What is the closing entry of the proprietor's account? What is done with this closing amount?
14. In what order are the following accounts closed: loss and gain, proprietor's, and expense?

LESSON X

ENTERING TRANSACTIONS IN THE JOURNAL

Introduction.— In the preceding lessons the records of transactions were entered under particular headings or accounts. The results thus obtained are correct in so far as individual departments of the business are concerned. But if no other records of transactions were kept, several serious defects would soon reveal themselves. First, it is apparent that the records are lacking in detail. They do not give a sufficiently complete history of the business as a whole, nor even of individual transactions. Again, they are not arranged in chronological order. The work cannot be readily traced from date to date.

Journalizing is but another form of arranging debits and credits. The entries follow each other in the order in which the transactions occur. This form of entry is also better suited for giving detailed explanations of transactions. At present, however, explanations will be omitted.

RULING FOR JOURNAL

1	2	3	4	5	6	7	8	9

Explanation of Columns.— One and 2 are for the date, month and day; 3 is the folio column and contains the page where the item may be found in another book, generally the ledger; 4 is for the name of the debit item; 5 is for the name of the credit item; 6 and 7, for the debit money amount, dollars and cents; 8 and 9, for the credit money amount, dollars and cents.

By reference to the above form it will be seen that the debits and credits are arranged somewhat differently from the ledger forms previously used; still the debits are at the left and the credits at the right.

A journal entry records a debit and a credit. You will record in the debit space the name of the thing that you receive, or the name of what costs you value, and the amount in the debit money column; and in the credit space the name of the thing disposed of, or the name of what produces value, and the amount in the credit money column. There may be several debit items and only one credit item or the reverse, but the total on one side must equal the total on the other side.

In determining the debit and credit items of a transaction you must look at it from the standpoint of the business, not from the standpoint of the proprietor nor from your own standpoint.

Make entries in the journal for the set of transactions beginning on page 30.
Follow the forms given below.

In the first transaction, page 30, E. L. Coe invests cash. The business receives cash; therefore "Cash" is the debit item.

The business receives cash from E. L. Coe—that is, becomes indebted to him; therefore E. L. Coe, proprietor, is to be credited.

THE JOURNAL RECORD

¹⁹⁻ May	1	Cash	E. L. Coe, Proprietor	2000	2000
-----------------------	---	------	-----------------------	------	------

In the second transaction the business pays cash for rent of store. This is an expense to the business—it costs value. The debit item is "Expense." At the same time cash is paid out. "Cash" is the credit item.

THE JOURNAL RECORD

"	1	Expense	Cash	45	45
---	---	---------	------	----	----

In the third transaction the business purchases wheat. The business receives wheat and pays out cash.

THE JOURNAL RECORD

"	2	Wheat	Cash	144	144
---	---	-------	------	-----	-----

In these transactions debit and credit the names of commodities bought and sold instead of the general name "Merchandise." In the fourth transaction the business buys corn. The business receives corn and pays out cash.

THE JOURNAL RECORD

"	2	Corn	Cash	492	492
---	---	------	------	-----	-----

The following form shows how these journal entries will appear in your journal; also two other entries are made as models of journal entries that may have several debits or several credits.

19-	May 1	Cash	E. L. Coe, Propr.	2 000		2 000
	" 1	Expense	Cash	45		45
	" 2	Wheat	Cash	144		144
	" 2	Corn	Cash	492		492
	" 8	Corn Wheat Oats	Cash	225 197 50 200		622 50
	" 15	Cash	Oats Corn Carried forward	540		280 260
				<u>3 843 50</u>		<u>3 843 50</u>

As the journal footings appear when carried forward to a new page:

19-	May 15		Brought forward	3 843 50		3 843 50
-----	--------	--	-----------------	----------	--	----------

Required of the Student.— You will now, beginning with the first, journalize the following transactions, observing the form just given. After they are completed and corrected, copy in your journal, forwarding the totals for each page.

It is not necessary to foot up the columns of the journal, but you will do so in these exercises. If the two sides do not foot up equally, there is an error in your work. The footings will be found valuable in testing results you will obtain later.

TRANSACTIONS — SET I

May 1, 19—, E. L. Coe commenced business as a grain dealer with a cash capital of \$ 2000.

" 1 Paid for rent of office for one month in advance \$ 45.

" 2 Bought of J. F. Stacey for cash,
180 bu. wheat at \$.80 \$ 144.

" 2 Bought of J. S. Gridley for cash,
1200 bu. corn at .41 492.

May 4	Sold Smith Elevator Company for cash, 180 bu. wheat at	\$.86½	\$ 155.70	
" 5	Bought of W. J. Durand for cash, 300 bu. corn at	.45	135.	
	450 bu. wheat at	.75	<u>337.50</u>	\$ 472.50
" 6	Paid cash for clerk hire to date \$ 16.			
" 8	Bought of Daniel Borg for cash, 500 bu. corn at	.45	225.	
	250 bu. wheat at	.79	197.50	
	1000 bu. oats at	.20	<u>200.</u>	\$ 622.50
" 9	Paid cash for weighing and measuring grain \$ 12.			
" 12	Sold Smith Elevator Company for cash, the balance of wheat on hand, 700 bu., at	.87½	612.50	
" 13	Bought of J. A. Stephens for cash, 900 bu. barley at	.28	252.	
" 15	Sold B. J. Knauss Storage Company for cash, 1000 bu. oats at	.28	280.	
	500 bu. corn at	.52	<u>260.</u>	\$ 540.
" 15	Paid cash for office help to date \$ 24.50.			
" 17	Bought of George Bauman for cash, 500 bu. oats at	.21	105.	
	600 bu. corn at	.43	<u>258.</u>	\$ 363.
" 19	Paid cash for storage on grain to date \$ 30.50.			
" 20	Bought of Fred Holtkamp for cash, 646 bu. wheat at	.78	503.88	
	324 bu. barley at	.27½	<u>89.10</u>	\$ 592.98
" 20	Sold Brown Bros. & Co. for cash, 600 bu. corn bo't on 17th inst.	.40	240.	
" 22	Paid cash for set of blank books \$ 6.75.			
" 23	Sold B. J. Knauss Storage Company for cash, 600 bu. wheat at	.86¼	517.50	
	300 bu. barley at	.35	<u>105.</u>	\$ 622.50
" 25	Bought of J. F. Stacey for cash, 750 bu. corn at	.46½	348.75	
" 27	Sold for cash, 46 bu. wheat at	.50	23.	
	2250 bu. corn at	.52	<u>1170.</u>	\$ 1193.
" 29	Sold for cash, 500 bu. oats at	.27½	137.50	
	924 bu. barley at	.35	<u>323.40</u>	\$ 460.90
" 30	Paid each for storage and inspection on grain for balance of month ending to-day \$ 36.50.			
" 31	Paid cash for office help to date \$ 30.50. All property has been sold.			

LESSON XI

TRANSACTIONS — SET II

Required of the Student.—1. Find the amount of all sales and have the results approved. 2. Journalize the following transactions, following the instructions given in the previous lesson, except that the goods bought and sold will be included under one title, *i.e.* "Merchandise." Freight and cartage on goods bought will be charged to merchandise in this set.

June 1, 19—, E. E. Gaylord has to-day commenced the boot and shoe business with a cash capital of \$ 2500.

- " 1 Bought of Phelps, Dodge & Co. an invoice of boots, for cash \$ 760.25.
- " 2 Rented fully equipped store for one year at \$ 75 per month, payable monthly in advance. Store located 25 E. Madison St.
Paid first month's rent in cash \$ 75.
- " 2 Paid cash for a safe for use in the office \$ 60. (Debit Fixtures.)
- " 2 Paid cash for freight and drayage on the bill of goods \$ 12.75; also paid cash for advertisement in *Daily Times* \$ 25. (Debit expense for the latter.)
- " 3 Bought of Holden & Co. an invoice of boots and shoes on my note at 10 days, \$ 965.80.
- " 5 Sold James Wright for cash,
- | | |
|-------------------------------------|---------|
| 9 pr. Ladies' vici kid at | \$ 2.30 |
| 9 pr. Ladies' patent colt at | 2.45 |
| 9 pr. Ladies' patent colt button at | 2.45 |
- " 6 Insured goods in store for \$ 1000 and paid cash for premium at 1 %, \$ 10. (Exp.)
- " 7 Paid clerk hire to date \$ 16.25.
- " 7 Sold D. E. Borg, for his note due in 12 days,
- | | |
|----------------------------------|-------|
| 24 pr. Ladies' patent oxfords at | 2.10 |
| 12 pr. Men's oxfords at | 2.37½ |
| 12 pr. Boys' vici kid button at | 1.30 |
- " 10 Sold M. E. Brown & Co., for note due in 15 days,
- | | |
|--------------------------------------|------|
| 6 pr. Ladies' vici kid at | 2.35 |
| 12 pr. Ladies' vici kid oxfords at | 2.10 |
| 18 pr. Ladies' patent colt lace at | 2.60 |
| 24 pr. Ladies' patent colt button at | 2.65 |
| 24 pr. Men's vici oxfords at | 2.40 |
| 12 pr. Men's patent colt at | 2.65 |
| 12 pr. Men's patent kid congress at | 2.85 |
| 24 pr. Boys' school lace at | 1.25 |
- " 10 Sold E. F. Scofield for cash,
- | | |
|------------------------------|------|
| 6 pr. Boys' school at | 1.20 |
| 6 pr. Boys' school button at | 1.25 |
| 9 pr. Misses' school at | 1.25 |

- June 12 Sold B. Cerveny & Bros., for their note at 15 days,
- | | |
|---------------------------------|----------|
| 4 pr. Ladies' satin slippers at | \$ 2.87½ |
| 3 pr. Ladies' patent kid at | 2.50 |
| 24 pr. Ladies' French kid at | 2.37½ |
| 18 pr. Men's patent colt at | 2.62½ |
- “ 13 Paid cash for my note of the 3d inst. due to-day.
- “ 14 Sold A. A. Brewer, on his note at 10 days,
- | | |
|---------------------------------------|------|
| 12 pr. Men's English enamel at | 2.90 |
| 12 pr. Men's English enamel button at | 2.95 |
| 18 pr. Men's patent kid at | 2.60 |
- “ 14 Paid clerk hire and bookkeeper for services to date \$ 24.
- “ 16 Sold W. L. Mayer for his note at 10 days,
- | | |
|-------------------------------|------|
| 15 pr. Men's tan oxfords at | 2.85 |
| 18 pr. Ladies' tan oxfords at | 1.95 |
- “ 17 Sold Pulver & Tobias for cash,
- | | |
|------------------------------------|------|
| 3 pr. Men's patent kid oxfords at | 2.85 |
| 2 pr. Men's vici kid congress at | 2.90 |
| 3 pr. Men's patent colt oxfords at | 2.50 |
| 4 pr. Men's vici kid lace at | 2.70 |
- “ 17 Sold H. E. Ives for cash,
- | | |
|-------------------------------|------|
| 12 pr. Men's working shoes at | 1.30 |
|-------------------------------|------|
- “ 19 Received from D. E. Borg, cash for his note of the 7th inst. due to-day.
- “ 19 Bought of Schoch & Foberg lot of shoes and slippers, giving in payment my note due in 30 days \$ 324.60.
- “ 21 Sold Edward Taylor for cash,
- | | |
|---------------------------|------|
| 3 pr. French kid shoes at | 2.65 |
|---------------------------|------|
- “ 21 B. Cerveny & Bros. returned the following goods purchased on the 12th inst.,
24 pr. French kid shoes.
- They asked that the amount be indorsed on their note given same day. (This is part payment of *bills* receivable.)
- “ 22 Sold Pulver & Tobias for note at 30 days,
- | | |
|---------------------------------------|------|
| 8 pr. Ladies' patent kid button at | 2.35 |
| 8 pr. Ladies' patent kid lace at | 2.30 |
| 12 pr. Ladies' patent kid congress at | 2.20 |
| 8 pr. Ladies' patent oxfords at | 2.25 |
| 9 pr. Boys' school at | 1.22 |
| 18 pr. Misses' school at | 1.30 |
- “ 24 Received from A. A. Brewer in payment of his note of the 14th inst. cash \$ 50 and a new note at 10 days for the balance.
- “ 24 Bought of The Galloway Company a job lot of boots and shoes for our note due in 30 days, \$ 225.10.

June 24 Sold D. E. Borg for cash,		
2 doz. Combination polish at		\$.62 $\frac{1}{2}$
2 doz. IXL polish at		.70
2 gr. Laces at		.85
“ 24 Received from M. E. Brown & Co., in part payment of note of 10th inst., \$ 20 in cash. They asked an extension of 10 days on the balance.		
“ 26 Edward Taylor returned one pair men's French kid shoes purchased on the 21st., as not being of the desired size. Refunded him cash for the goods.		
“ 26 Sold James Wright for cash,		
6 pr. Men's extra patent colt at		3.12 $\frac{1}{2}$
“ 27 B. Cervený & Bros. paid cash for balance on their note due to-day. (See June 21.)		
“ 28 Sold M. K. Knudson for his note at 10 days,		
36 pr. Children's at		.62 $\frac{1}{2}$
24 pr. Men's working at		1.20
12 pr. Men's box calf at		2.15
12 pr. Men's vici kid at		2.30
Inventory of unsold property :		
Office safe valued at	\$	58.
Merchandise valued at		1525.67

LESSON XII

FIRST PART—INTEREST ACCOUNT

Introduction.—When goods are bought on credit, the buyer gets the benefit of the use of the seller's credit until the goods are paid for. If the purchase is not paid when due, it is legal to add an extra amount for the use of this credit. This is called interest. If a note is written with interest, it draws interest from the time it is dated; if no interest is mentioned and the note is not paid when due, it draws interest from the due date until paid.

The interest items in the accompanying transactions are entered in the following form:

Example 1.—May 1, paid cash \$3.25 for interest on note; May 2 received cash \$4.16 for interest on money loaned; May 5 paid James Smith \$103.21 for note and interest due to-day, the interest being \$3.21; May 6 H. G. Clark paid cash for his note due to-day, face of note \$1000, and interest \$10.24. The account is closed as of May 10.

Interest

<i>19-</i>					<i>19-</i>				
<i>May</i>	1			3 25	<i>May</i>	2			4 16
	5			3 21		6			10 24
	10	<i>Loss & Gain</i>		7 94					
				14 40					14 40

Required of the Student.—Copy Example 1 and then write up the following example:

Example 2.—May 4, 19—, paid cash for the use of a loan \$4.75; May 5 Henry Smith paid us cash for the use of money borrowed \$3.76; May 7 paid cash to Brown & Co. for note and interest due to-day \$325.62, the face of the note being \$310; May 10 received cash for several notes and interest due to-day \$1264.75, the interest being \$64.75. Close the account as of May 15.

QUESTIONS

1. What did interest cost us?
2. What did interest produce?
3. Was it a loss or a gain? How much?
4. Why is interest paid?
5. Has interest always been allowed?
6. What is usury? See definition, page 36.

LESSON XIII

CLASSIFICATION OF BOOKS OF RECORD

Introduction.— Books of record are usually divided into two classes—original and subsequent.

Books of original entry contain the first written records of transactions. Great care should be exercised in making these records. No erasures or changes should be permitted. If errors occur, no attempt should be made to hide what has been done. In case of litigation, these are generally the only records accepted as evidence, and erasures or changes may defeat a just claim.

Any entries made from the original records are subsequent entries. The ledger and usually the journal contain such entries.

According to another method of classification, books are either principal or auxiliary. The former include the ledger and the journal and books of original entry from which items are transferred to the ledger. The latter, as the name indicates, are helpers. They are used mainly for classification and reference.

The day book is frequently referred to as *the* book of original entry. This is due to the fact that in the earlier history of accounting all transactions were first recorded in this book. The business methods of the present time have necessitated its division. The cash book, sales book, etc., are branches of the original day book and contain all its essential features.

The record of a business transaction must contain the elements of a contract.

Although the day book is rarely found in its entirety in the modern business office, yet, because it affords an exceptionally good drill in bookkeeping forms and language, it is advised that the transactions of Set III (page 39) be written up according to the form on the following page:

Day Book

July	1	<p><i>D. C. Meyer and E. E. Anderson have this day commenced the grocery business with the following investments :</i></p> <p><i>D. C. Meyer invests cash</i></p> <p><i>E. E. Anderson invests storehouse and lot located at 20 E. Madison St., valued at and fixtures in same valued at</i></p> <p><i>The gains and losses are to be shared equally.</i></p>							
						2	000		
						3	000		
							135	3	135
"	3	Bought of Franklin McVeigh & Co. on account, 20 days, an invoice of groceries amounting to						1	204 60
"	3	Sold A. A. Brewer, on $\frac{1}{2}\%$							
		3 bbl. S. A. sugar, 325 lb. \$4.12 $\frac{1}{2}$	40	22					
		6 " G. " 340 lb. 4.60	93	84					
		2 bg. G. R. coffee, 128 lb. .15	83	40				172	46
"	8	A. A. Brewer has failed in business. The goods sold to him on the 3d have been returned.						172	46
"	8	Paid cash for freight and drayage on goods returned from A. A. Brewer.						14	60
"	13	Bought from Jevne & Co., Mdse. as per invoice. Terms, Account 20 days.						1	360 40
"	13	Gave Jevne & Co. on account our note due in 20 days without interest						1	000
		Carried forward						9	069 52

LESSON XIV

TRANSACTIONS—SET III

Required of the Student.—Write up the journal for the following transactions and have it approved.

If the day book has been written up as suggested in Lesson XIII, use your own records from which to journalize. The journal entries should contain a full record of all purchases from persons and sales to them. For example, refer to the transaction of the 6th inst.: G. E. King & Co. buy mdse. amounting to \$190.28 and pay \$50 on account. The first entry records the sale thus:

<i>G. E. King & Co.</i>	\$190.28	
<i>Mdse.</i>		\$190.28.

The payment of cash thus:

<i>Cash</i>	\$50.	
<i>G. E. King & Co.</i>		\$50.

By this method King & Co.'s account will show the full record of the sale and payment.

The following is known as the balance method:

<i>G. E. King & Co.</i>	\$140.28	
<i>Cash</i>	50.	
<i>Mdse.</i>		\$190.28

July 1, 19—, D. C. Meyer and E. E. Anderson have this day commenced the grocery business with the following investments: Meyer invests cash \$2000 and Anderson invests the building and lot located at 20 E. Madison St., valued at \$3000 and fixtures in the store valued at \$135. The gains and losses are to be divided equally.

- “ 3. Bought of Franklin McVeigh & Co. an invoice of selected groceries amounting to \$1204.60 on 20 days' credit.
- “ 3. Sold A. A. Brewer on account,
- | | |
|--|---------|
| 3 bbl. Standard A sugar 325 lb. each at (per cwt.) | \$4.12½ |
| 6 bbl. granulated sugar 340 lb. each at (per cwt.) | 4.60 |
| 2 bg. Golden Rio coffee 128 lb. each at | .15 |
- “ 3. Sold James K. Smith on account,
- | | |
|---|--------|
| 2 bx. laundry soap 60/60 (60 bars, 60 lb.) at | \$3.80 |
| 1 bx. toilet soap 100/6 (100 bars, 6 oz. each) at | 4.15 |
| 2 bbl. salt 120 5-lb. bg. at | 1.22 |
| 2 bbl. 16 sk. flour at | 5.60 |
- “ 5. Bought of Jevne & Co. a bill of groceries amounting to \$680, to be paid for in 20 days.

July 6.	Sold G. E. King & Co. on account,	
	5 bbl. granulated sugar 2-340, 2-350, 1-360 lb. at	\$4.62
	2 bg. Rio coffee 128 lb. each at	.15
	2 bx. American cheese 1/40, 1/43 lb. at	.09½
	2 ½-chests Oolong tea 60 lb. each at	.53
	They paid \$50 to apply on the purchase.	

NOTE.—2-340 = 2 bbl. of 340 lb. each.

“ 7.	Returned to Jevne & Co. goods to the amount of \$84 purchased on the 5th inst.	
“ 8.	Paid clerks and bookkeeper cash for services to date \$36.	
“ 8.	A. A. Brewer has failed in business, but we were able to reclaim our goods sold on the 3d inst. Paid cash for drayage and freight on return of these goods \$14.60. (Charge the drayage and freight to expense.)	
“ 8.	James K. Smith paid cash for a bill of goods bought on the 3d inst.	
“ 10.	Paid <i>Chicago Tribune</i> cash for advertising \$15.60.	
“ 11.	Sold W. W. Mason on his note due in 10 days, int. 6%,	
	10 bbl. Family flour at	\$5.60
	4 mats Java coffee 150 lb. each at	.24½
“ 12.	Sold James K. Smith on account,	
	10 bbl. 80 sacks flour at	\$5.60
	6 bbl. granulated sugar 3-340, 2-350, 1-345 at	4.65
	4 bg. Java coffee, 75 lb. each at	.24½
	6 bg. Golden Rio 2-128, 1-130, 3-132 at	.18
	3 ½-chests Oolong tea 60 lb. each at	.52
	10 bx. Family soap 60/60 at	3.75
	Received in part payment cash \$100.	
“ 12.	Sold Foberg & Stacey, receiving in part payment note at 10 days for \$100 interest 6%, balance on account,	
	10 bbl. Excelsior flour at	\$5.20
	6 mats Java coffee, 150 lb. each at	.24½
	5 bbl. granulated sugar 3-340, 2-355 at	4.62
	2 bbl. oyster crackers 60 lb. each at	.08
	4 ½-chests Japan tea 60 lb. each at	.48½
	5 bx. laundry soap at	3.10
	5 cases Columbia salmon, 20 doz. (per doz.) at	1.30
	2 bbl. Golden Gloss starch 160 lb. each at	.03½
“ 13.	Bought of Jevne & Co. invoice of fancy groceries amounting to \$1360.40 on account 20 days. They asked as an accommodation that we give them our note for \$1000 due in 20 days. We issued the note.	
“ 14.	Sold Wyrick & Conrad on account,	
	24 lb. Breakfast cocoa at	\$.32
	2 bx. evaporated apricots 25 lb. each at	.09
	2 bx. London layer raisins 20 lb. each at	.08
	4 doz. olives pt. bottles at	2.35

- July 15. Sold D. E. Borg Bros. & Co. on account,
 10 bbl. granulated sugar 3-340, 3-345, 4-350 at \$ 4.60
- “ 15. James K. Smith remitted his check to apply on account \$ 100 ; also G. E. King & Co. remitted to us the balance due on their purchase of the 6th inst.
- “ 15. Paid clerks and bookkeeper cash for services for one week to date \$ 36.
- “ 16. Sold W. W. Mason a job lot of mdse. amounting to \$ 220, for which he gave his note at 10 days, interest at 6 %.
- “ 17. Sold James K. Smith on account mdse. amounting to \$ 94.25.
- “ 18. Paid cash for taxes on our store property for this year \$ 45. Dr. Expense.
- “ 19. Bought of Franklin McVeigh & Co. on account mdse. \$ 603.90.
- “ 19. D. E. Borg Bros. & Co. returned goods not satisfactory amounting to \$ 26.30 bought on the 15th inst. They paid the balance of the bill in cash.
- “ 21. W. W. Mason paid his note dated July 11 and interest due,
 Face of the note \$ 203.
 Interest for 10 days 6 % .xx
 Received in cash \$ 203.xx
- “ 21. James K. Smith paid us cash on account \$ 100.
- “ 22. Paid cash to clerks and bookkeeper to date \$ 36.
- “ 22. Foberg & Stacey paid their note and interest due to date in cash,
 Face of the note \$ 100.
 Interest for 10 days .xx
 Received in cash \$ 100.xx
- “ 22. Paid \$ 1000 cash to Franklin McVeigh & Co. to apply on our account.
- “ 25. Paid Jevne & Co. cash for a bill of goods purchased on the 5th inst. less goods returned on the 7th inst.
- “ 26. W. W. Mason paid his note of the 16th inst. and interest due,
 Face of the note \$ 220.
 Interest for 10 days at 6 % .xx
 Total amount received \$ 220.xx
- “ 28. James K. Smith paid cash in full for a bill of goods bought on the 17th inst.
- “ 29. Paid to clerks and bookkeeper to date \$ 36.
- “ 29. Bought of Franklin McVeigh & Co. on account mdse. \$ 302.60
- “ 31. Sold D. E. Borg Bros. & Co. on account,
 2 bg. Rio coffee 128 lb. each at \$.14
 2 bx. laundry soap at 3.15
 2 cases salmon 8 doz. (per doz.) 1.20
- “ 31. James K. Smith asked for a statement of his account and paid the balance due in cash.

Inventory of Properties

Merchandise valued at	\$ 2875.
Store and lot valued at	3100.
Fixtures valued at	122.50

ERRORS AND HOW TO CORRECT THEM

Make up your mind not to make any errors; this determination will reduce the number of them to a minimum.

1. Do not erase words or figures. If a mistake of a word or a number is made, draw a red line through the part in error and write the correct form above.

2. If an entire entry is incorrect, as a day book record or a sale, draw red lines through the amount in the total money column and write "Void" at the left in the folio column and reference to where the correct entry is made, thus, "Void, see page 20."

3. Books having special columns should never be totaled and ruled up until careful tests have been made as to accuracy. Some of the columnar books are susceptible of proof.

4. If an item is posted to the wrong account or on the wrong side of the ledger, draw a red line through the part in error. Never correct by making a counter entry on the opposite side of the account.

5. Never correct an error in the ledger if it is due to an error in the book from which the item was posted without tracing it back to the original record and rectifying it there and in all intermediate records.

LESSON XV

TRANSFERRING ENTRIES FROM JOURNAL TO LEDGER

Introduction. — The journal entries of Lesson X are now to be transferred to the ledger. This process is called “posting.”

Why Posting is Done. — In the journal the entries occur in the order of the dates of the transactions. The final object of bookkeeping is to show results in the most convenient form. This is not accomplished in the journal. For example, if it is desired to know how much cash has been received or paid out, it is necessary to examine all the entries and collect all items for which cash is debited or credited. How could the total cost of wheat be determined from the entries of Lesson X? The total sales? By posting the entries of the journal to the ledger the necessity of picking out items is avoided.

How Posting is Done. — You are familiar with the ruling of a ledger page and the purpose of each column. The journal entries show the names of the ledger headings under which items must be placed, also on which side of the page. If the debit of the first entry is to be posted, the “Cash” heading must be found in the ledger. On the left side, in the first space under the heading, enter the date as in the journal, and write the amount in the money column. Both the ledger and journal are provided with folio columns. In this column in the journal, place the number of the ledger page to which the item has been transferred. In the ledger folio column, place the number of the page from which the item was brought. This is called “postmarking.” If a credit item is to be posted, the process is the same except that it must be taken to the credit side of the ledger.

Required of the Student. — 1. Begin each blank book with page 1 and number all the pages in the book. The page number should be written in the outer upper corner.

2. Write the following headings on ledger paper, writing the first one on the light blue line at the top and skipping the number of spaces indicated by the number following the names of accounts. If there is not enough space for an account near the bottom of the page, skip the space and write the heading at the top of the next page, as we do not wish to begin forwarding accounts at this time. Every ledger page should have the name of an account at the top. The accounts are as follows:

E. L. Coe, Propr., 6 spaces: Wheat, 10; Corn, 10; Oats, 8; Barley, 6; Expense, 10; Cash, 10; and Loss and Gain, 6.

3. Transfer all debit items from the journal to the ledger under their respective headings or accounts.

4. Transfer all credit items from the journal to the ledger under their respective headings or accounts.

The first debit item is cash and will be recorded on the debit side of the cash account thus:

Cash

19- May 1			2 000						
--------------	--	--	-------	--	--	--	--	--	--

The second debit is expense and when posted to the debit side of that account will appear as follows:

Expense

19- May 1			45						
--------------	--	--	----	--	--	--	--	--	--

Do not fail in the posting of each item to record in the folio column of the journal the number of the ledger page to which the item is carried and in the folio column of the ledger the number of the journal page from which it is brought. Care in this particular will almost eliminate from your work the error of omitting the posting of an item or of posting items twice.

You are now ready to post the credit items. The credit items are to be posted on the credit side of the respective accounts in the ledger.

The first credit item is E. L. Coe and when posted will appear as follows:

E. L. Coe

					19- May 1			2 000	
--	--	--	--	--	--------------	--	--	-------	--

The same folio column is used in the journal for both debits and credits. You may now post the remaining credit items.

A TEST OF YOUR POSTING

After the items of the journal have all been transferred to the ledger it is desirable to know that the work has been correctly done.

Take a page of journal paper and write the names of the several accounts that appear in the ledger in a vertical column, the total debit of each account in the corresponding debit money column, and the total credit of each account in the corresponding credit money column. When the totals of all the accounts have been entered, the totals of the two columns should be equal. If they are, the test is complete and you have taken what is called in bookkeeping a "trial balance." Compare the totals of your trial balance with the totals of your journal.

Have your work approved, then copy this trial balance into the journal, and the accounts into the ledger, using the first blank pages. A correct trial balance follows, with the proper heading:

Trial Balance, May 31, 19—

	<i>E. L. Coe</i>				2	000	
	<i>Wheat</i>	1	530	88	1	672	
	<i>Corn</i>	1	110	75	1	202	
	<i>Oats</i>		305			417	50
	<i>Barley</i>		341	10		428	40
	<i>Expense</i>		201	75			
	<i>Cash</i>	5	719	90	3	489	48
		9	209	38	9	209	38

QUESTIONS

1. Why do the total debits equal the total credits in the trial balance?
2. Why do the totals of the trial balance equal the totals of the journal?
3. What is posting?
4. What is postmarking?
5. Why is postmarking necessary?

LESSON XVI

POSTING THE TRANSACTIONS OF LESSON XI—SET II

Required of the Student. — 1. Open the following accounts in your ledger, beginning on the first unused page following the last lesson. The figures indicate the number of spaces to leave for each account. E. E. Gaylord, 6; Merchandise, 20; Expense, 10; Fixtures, 6; Cash, 18; Bills Payable, 8; Bills Receivable, 12; and Loss and Gain, 6.

2. Post all debit items to their respective accounts in the ledger. Postmark all entries.

3. Post all credit items to their respective accounts in the ledger. Postmark all entries.

4. Add both sides of accounts and enter totals in pencil footings.

5. Take a trial balance. Test your results with the following:

The cash balance is	\$ 949.10
The bills payable balance is	549.70
The bills receivable balance is	648.83

6. Have work approved and copy in your blank book, following the trial balance for Set I.

QUESTIONS

1. If the ledger headings were not given, how could you tell how many were required?

2. Can you think of any mistakes that might be made in posting that would not be discovered by means of the trial balance?

3. Have you postmarked all items in the journal and ledger?

4. What are two purposes of postmarking?

5. Compare the totals of your trial balance with the totals of the journal.

6. Why should postmarkings be entered at the time of posting?

LESSON XVII

POSTING THE TRANSACTIONS OF LESSON XIV—SET III

1. Open the following accounts in your ledger, beginning with the first unused page: D. C. Meyer, 6; E. E. Anderson, 6; Merchandise, 16; Real Estate, 7; Fixtures, 5; Expense, 9; Interest, 6; Cash, 18; Bills Receivable, 6; Bills Payable, 6; 9 personal accounts, one fourth of a page each; and Loss and Gain, 8.
2. Post all debit items. Be sure you are entering the pages, *i.e.* postmarking.
3. Post all credit items, paying careful attention to postmarking.
4. Rule up all accounts that balance, that is, all in which the debits and credits are equal in amount.
5. Take a trial balance. Test your results with the following:

The cash balance is	\$ 1648.16
The bills payable balance is	1000.
The total of accounts payable is	1471.50
The total of accounts receivable is	507.65
6. Have your work approved and copy in your blank book.

QUESTIONS

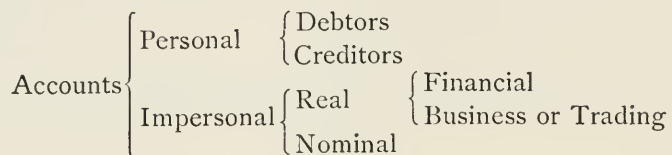
1. Why do the total debits equal the total credits? (Journal or trial balance.)
2. The ninth journal entry is expense debit \$ 36, cash credit \$ 36.
 - (a) Would your trial balance be affected if you had omitted this transaction from your ledger? How about the totals?
 - (b) How would it be affected if you had posted each item of this transaction twice?
 - (c) How would the trial balance be affected if you had omitted the debit item only?
 - (d) How if you had omitted the credit item only?
 - (e) If your journal entry had been made cash debit \$ 36 and expense credit \$ 36, would this have affected the totals of the trial balance?
3. How do the totals of the trial balance compare with the journal totals? Why do they not agree?
4. Compare the totals of the trial balance with the totals of the day book.
5. Compare journal totals and the day book total. (They should agree. Why?)
6. What effect will it have on your trial balance if you make a mistake in figuring one of the sales?
7. Explain No. 6 fully.
8. Make several tests involving No. 6.
9. Why is it not necessary to include Brewer's account (p. 40) in the trial balance?
10. How many accounts were not included in the trial balance?
11. If the debit and credit totals of these accounts were added to the totals of the trial balance, how would the results agree with the totals of the journal?
12. What does a trial balance show?

LESSON XVIII

ANALYSIS OF ACCOUNTS AND CLOSING THE LEDGER

Introduction.—The merchant desires to know at various times what results his business is producing; that is, whether he is gaining or losing, how much his business is worth, etc. This information is generally obtained by a process known in book-keeping as closing the ledger. It has already been shown that some accounts show balances, and that the differences between the sides of other accounts show losses or gains. The classification of accounts is based upon the meaning of the difference between the two sides.

CLASSIFICATION OF ACCOUNTS



Personal accounts include all those kept with individuals or firms. The explanation of the closing entry is "Balance." The balance shows an amount due to the firm or from the firm.

All other accounts are impersonal, and are either real or nominal. A real account is one in which the debit and the credit items relate to tangible things; *e.g.* when cash is debited or credited, a commodity called cash is received or paid out, likewise with merchandise, real estate, bills receivable, etc. Real accounts must be considered from two standpoints: First, those real accounts in which the difference between the two sides is a balance; *e.g.* cash, bills receivable, etc.—these are known as financial accounts. Second, those real accounts from which profits are naturally expected, although they may show losses; *e.g.* merchandise, real estate, etc.

The financial accounts close by using the explanation "Balance"; however, these accounts under abnormal conditions may show a loss to the business.

The business accounts close by using the explanation "Loss and Gain," but before the true condition can be ascertained, it is necessary to consider the value of any unsold goods.

A nominal account is an account in name only, no tangible thing being received when such an account is debited, and none given out when it is credited; *e.g.* interest is debited not because received but because it costs value—no commodity known as interest exists. Nominal accounts are necessary to complete the scheme of a debit for every credit. These accounts close to "Loss and Gain" and the results may be affected by inventories.

GENERAL ORDER OF CLOSING

1. Close personal accounts to "Balance."
2. Real Accounts :
 - (a) Close to "Balance" cash, bills receivable, etc.
 - (b) Close to "Loss and Gain," merchandise, expense, real estate, etc., after recording inventories.
3. Close nominal accounts to "Loss and Gain."
4. Close loss and gain account to the proprietor's account.
5. Close the proprietor's account to "Balance."
6. Take a second trial balance.

LESSON XIX

CLOSING LEDGER OF SET I

Required of the Student.—1. Open an account with “Loss and Gain,” if it is not already opened.

2. Close cash account to “Balance,” rule up the account, and bring down the balance.

3. Close the following accounts to “Loss and Gain”: Wheat, Corn, Oats, Barley, and Expense.

The difference in each of the first four accounts shows a gain or a loss, and this difference is to be carried to the opposite side of the loss and gain account (see form, Lesson IX). Enter pages in each account, showing the transfer.

Expense account shows a loss, and the difference is carried to the debit side of the loss and gain account.

4. Close the loss and gain account (see form, Lesson IX) by writing the proprietor's name on the debit side and carrying this difference to the credit side of the proprietor's account.

5. Close the proprietor's account to “Balance,” rule up the account, and bring down the balance.

You will find in this set but two balances brought down — one credit and one debit. The debit must equal the credit. Compare these amounts. If they are not equal, you have made a mistake somewhere in closing.

In more extensive sets many debit and credit balances will be found whenever the ledger is closed, but this rule always holds good: The total of the several debit balances must equal the total of the several credit balances. Making this test is called taking a second trial balance, and it should always be made as soon as the ledger is closed.

The debit balances are known as assets or resources. They represent properties belonging to the firm or debts due the firm or business.

The credit balances are known as liabilities and represent debts due by the firm or business.

After a ledger is closed, the total assets must equal the total liabilities.

QUESTIONS

1. What is meant by closing an account?
2. How do you close an account?
3. What is the per cent of gain or loss on wheat? On barley? On oats?
4. What is the per cent of gain on the investment made by the proprietor?
5. The expenses are what per cent of the purchases? Of the sales?
6. Name the nominal accounts in this set.
7. Name the real accounts of the first class. Of the second class.
8. Why must the total debits equal the total credits after a ledger is closed?
9. How is the equality of debits and credits in the ledger preserved when the closing entry is “Balance”? “Loss and Gain”?

LESSON XX

CLOSING LEDGER OF SET II

Closing the ledger of Set II differs from that of Set I in one particular : not all the merchandise bought during the month has been sold. This must be considered in determining the losses and gains for the month. The present value of the safe charged to fixtures must also be considered.

ORDER OF CLOSING

1. Close to "Balance" cash and bills payable. Rule up these accounts and bring down the balances.

Credit each of the following accounts with inventories :

Fixtures \$58. Mdse. \$1525.67.

2. Close to "Loss and Gain," expense, fixtures, and merchandise, carrying the loss or gain differences to the opposite side of the loss and gain account. Enter the pages in transferring these differences.

3. Close the loss and gain account, and transfer the difference to the proprietor's account.

4. Close the proprietor's account, rule up the account, and bring down the balance.

Take a second trial balance. Copy the second trial balance in the journal. Head it "Second Trial Balance, June 30, 19—."

QUESTIONS

1. Classify the accounts of this set.
2. What is the gain per cent on merchandise?
3. The expenses are what per cent of the sales?
4. What per cent profit has the proprietor realized on his investment?

LESSON XXI

CLOSING LEDGER OF SET III

1. Close accounts to "Balance."
2. Credit inventories shown at the end of Set III.
3. Close accounts to "Loss and Gain."
4. Close loss and gain and proprietor's account.
5. Take a second trial balance.

QUESTIONS

1. Why does the second trial balance balance?
2. What is the difference between the first and second trial balances?
3. If in closing an account you carry down the balance on the wrong side, how will the second trial balance be affected?
4. What effect would it have on your final results if you should omit an inventory in closing an account?
5. Would the omission in Question 4 affect equality of debits and credits in the second trial balance?

LESSON XXII

BALANCE SHEET

Introduction. — The books of a firm are usually kept in the office. They are bulky and not at all times accessible to the proprietor. As a consequence a condensed statement of the ledger is usually drawn off and submitted to those owning the business. This statement, in whatever form it may appear, is known as a “balance sheet.” The balance sheet should show the assets and liabilities of the business, the present worth of the proprietor, and, in detailed or condensed form, the losses and gains of the business.

The listing may be in the following order :

1. The itemized assets and the total.
2. The itemized liabilities and the total.
3. The present worth or net capital.
4. The itemized gains and the total.
5. The itemized losses and the total.
6. The net gain or net loss.
7. The net investment of the proprietor with net gain added or net loss deducted.

Some of the items are best shown in totals ; *e.g.* accounts receivable and accounts payable.

The balance sheet may be made out before or after the ledger is closed. When the balance sheet is made out after the closing, all that is necessary is to copy the balances brought down representing the assets and liabilities. The loss and gain account gives an itemized statement of the losses and gains. When the balance sheet is made out before the closing of the ledger, the regular steps of closing a ledger must be followed in order to secure the material necessary to construct the balance sheet. It is easier to make out the balance sheet after the ledger has been closed ; but, owing to errors that may be made in the closing of the ledger, it is safer to make out the balance sheet first. The student should experience no difficulty in following either procedure. In this text the sets are closed before the balance sheet is made out, but the method is reversed in all exercises for making balance sheets from trial balances, thus making use of both methods.

The following is a trial balance of a ledger, with a complete balance sheet given as a model form :

Trial Balance, Jan. 31, 19—

E. P. Drummond, Prop.		\$ 190.	\$ 6220.
Cash		4942.69	3358.50
Mdse.	(Inventory \$4500)	8760.	5085.40
Expense	(Inventory 200)	642.60	24.70
Office Fixtures	(Inventory 150)	187.50	
Bills Rec.		780.	230.
Bills Pay.		540.	1040.
H. W. Ford & Co.		1045.	745.
F. W. French		198.13	75.61
K. W. Freyding		72.60	487.20
Michael, Tabbot & Co.			92.11
		<u>\$17358.52</u>	<u>\$17358.52</u>

Balance Sheet, E. P. Drummond, Prop. Jan. 31, 19—

<i>Resources</i>					
Cash		1	584	19	
Bills Receivable			5	50	
Per. Accts. Rec.			4	22	52
Merchandise		4	500		
Expense			2	00	
Office Fixtures			1	50	
<i>Total Resources</i>					7 406 71
<i>Liabilities</i>					
Bills Pay.			5	00	
Per. Accts. Pay.			5	06	71
<i>Total Liabilities</i>					1 006 71
<i>(Net Capital)</i>					6 400
<i>Gains</i>					
Merchandise			8	25	40
<i>Total Gain</i>					8 25 40
<i>Losses</i>					
Expense			4	17	90
Office Fixtures			3	7	50
<i>Total Losses</i>					4 55 40
<i>Net Gains</i>					3 70
E. P. Drummond	Invests	6220			
	Withdraws	190			
	Net Investment		6	030	
	Net Gain			3	70
<i>Net Capital</i>					6 400

Required of the Student. — Make out balance sheets conforming to such of the following trial balances as your teacher may direct and have them approved. Copy them in your journal, but do not have part of a balance sheet on one page and part on another.

I. Trial Balance, Jan. 31, 19—

Pupil, Prop.		\$ 60.	\$ 500.
Cash		1265.40	993.90
Mdse.	(Inventory \$ 600.)	1544.30	1369.80
Fixtures	(Inventory 55.)	62.50	
Expense	(Inventory 12.75)	86.40	3.20
Freight and Expressage		18.75	
Advertising		26.50	
William Kennedy		43.20	13.20
Elmer Foster		100.	212.90
H. H. Snow		9.60	
L. G. Wilson		22.95	10.
Mercer Johnson & Co.		163.40	300.
		<u>\$ 3403.</u>	<u>\$ 3403.</u>

II. Trial Balance, Feb. 28, 19—

Frank Marshall, Prop.		\$ 225.	\$ 8000.
Mdse.	(Inventory \$ 5000.)	10678.90	9286.74
Expense	(Inventory 65.)	592.61	
Wages		1645.	
Postage	(Inventory 61.50)	365.	
Bills Pay.		100.	3100.
Central Supply Co.		564.30	1364.30
Cash		15489.76	7909.53
		<u>\$ 29660.57</u>	<u>\$ 29660.57</u>

III. Trial Balance, Mar. 31, 19—

Pupil, Prop.			\$ 4000.
Cash		\$ 6783.66	6289.03
Bills Rec.		1500.	500.
Bills Pay.		660.	1660.
Mdse.	(Inventory \$ 3000.)	9687.36	7938.67
Fixtures	(Inventory 165.)	185.50	
Expense	(Inventory 16.80)	293.15	4.30
Horses and Wagons	(Inventory 1200.)	1645.	500.
John Rupert		765.	265.
Raymond Sharpless		92.13	50.
Herbert Johnson		1000.	1316.20
Reynolds, Case & Co.			88.60
		<u>\$ 22611.80</u>	<u>\$ 22611.80</u>

IV. Trial Balance, Apr. 30, 19—

Irene Hall, Prop.			\$5986.59
Cash		\$764.55	
Mdse.	(Inventory \$4100.)	5932.46	2329.79
Expense	(Inventory 12.50)	72.50	
Insurance	(Inventory 21.75)	23.50	
Freight and Cartage		75.00	
Horse and Wagon	(Inventory 237.50)	250.	
Light and Fuel	(Inventory 20.)	82.50	
Office Fixtures	(Inventory 52.)	57.25	
Shipt. J. Carter & Co.	(Inventory 946.45)	966.45	
F. E. Peters		90.	
S. M. Sloan		140.	
D. J. Moore & Co.		99.	
E. B. Ramoser		116.40	
Geo. Hartman		841.80	
Dena Schlaes		70.01	
Hattie Klitzke		173.	
Florence Coaleur		63.13	
J. P. Shaw		49.64	
I. Hall & Co.			958.40
M. E. Kane & Co.			250.
Wm. Phillips			182.65
Wisconsin Produce Co.			123.61
J. Coulter			18.90
C. Meschter			17.25
		<u>\$9867.19</u>	<u>\$9867.19</u>

V. Trial Balance, May 31, 19—

J. P. Barker, Prop.			\$3500.
E. M. Mearns, Prop.			3750.
Mdse.	(Inventory \$6000)	\$9678.20	5869.20
Expense	(Inventory 250)	965.30	200.
Cash Discount		165.10	74.18
Interest and Discount		6.50	8.72
Wages		127.50	
Traveling Expenses		45.	
Shipments	(Inventory \$2000)	3162.50	1960.
Bills Rec.		720.00	500.
Bills Pay.		600.	1000.
Accounts Rec.		4000.	
Accounts Pay.			3000.
Cash		392.	
		<u>\$19862.10</u>	<u>\$19862.10</u>

VI. Trial Balance, June 30, 19—

John Smith, Prop.		\$400.	\$15500.
Cash		3746.75	
Bills Rec.		800.	
Bills Pay.			5000.
Mdse.	(Inventory \$15675)	26350.	19250.
Real Estate	(Inventory 10750)	11000.	500.
Good Will	(Inventory 800)	1000.	
General Expense		965.75	
Wages		3420.	
Fixtures	(Inventory 425)	460.	
Light and Fuel	(Inventory 175)	420.	
Cash Discount			212.50
C. L. Meade		200.	
R. M. Barker			300.
J. Evans & Co.			3000.
G. M. Phillips			5000.
		<u>\$48762.50</u>	<u>\$48762.50</u>

LESSON XXIII

Required of the Student.— Write up a balance sheet for each of the Sets I, II, and III. Have them approved and then copy in the journal.

Example 1. — A sells B a bill of goods amounting to \$ 360, subject to the following discount series: 25, 20, and 10 %.

25 % of 100 % of the face of the bill equals 25 % of the face of the bill, 1st discount.

100 % — 25 % of the face of the bill equals 75 % of the face of the bill, 1st net.

20 % of 75 % of the face of the bill equals 15 % of the face of the bill, 2d discount.

75 % — 15 % of the face of the bill equals 60 % of the face of the bill, 2d net.

10 % of 60 % of the face of the bill equals 6 % of the face of the bill, 3d discount.

60 % — 6 % of the face of the bill equals 54 % of the face of the bill, 3d net of bill.

\$ 360 × .54 is \$ 194.40, net of bill.

\$ 360 — 194.40 is \$ 165.60, discount on bill.

or

$$\frac{100\%}{75\%} \times \frac{100\%}{80\%} \times \frac{100\%}{90\%} \text{ is } 54\% \text{, net of bill.}$$

Required of the Student. — Find the net of the following bills

Example 2. — Gross amount of bill, \$ 450; discounts $33\frac{1}{3}$ and 20 %.

Example 3. — Gross amount of bill, \$ 244.90; discounts 10, 10 and 10 % (or 3-10's).

Example 4. — Gross amount of bill, \$ 720; discounts $62\frac{1}{2}$, 20, 10, 5 and $2\frac{1}{2}$ %.

Example 5. — Sold a bill of mdse. amounting to \$ 64.75 less 5, 5 and 10 %.

Example 6. — Bought the following goods:

1 Safe \$ 120 less $12\frac{1}{2}$ and 20 % discount.

1 Desk \$ 80 less $33\frac{1}{3}$ and 50 % discount.

1 Chair \$ 16.50 less 20 and 40 % discount.

LESSON XXV

THE USE OF THE CASH BOOK

Introduction.— A knowledge of the condition of the cash account is very desirable to the business man. This is the account that finally records the receipt for all sales and the payments of all expenditures in the ordinary business establishment.

The business man refers to this account more often than to any other. In view of this it has become customary to keep a special book for the record of receipts and payments of cash; it is known as a cash book. If the form that is written up in this lesson be compared with the cash accounts in the ledger, there will be found a great similarity; in fact the only difference is that full explanations are made in the cash book and these are not always used in the cash account as found in the ledger.

The entries representing the receipts and payments are entered at the time the transactions occur; this enables the balance of cash on hand to be determined at any time.

<i>Dr.</i>		<i>Cash</i>	
<i>Jan</i>	<i>1</i>	<i>Martin Peterson</i>	<i>Investment.</i> 1 500
	<i>4</i>	<i>W. J. Fisher</i>	<i>On account</i> 124 96
	<i>5</i>	<i>Bills Rec.</i>	<i>Wm. Kaiser's note</i> 200
	<i>5</i>	<i>Interest</i>	<i>On above note</i> 2 35
	<i>10</i>	<i>W. J. Fisher</i>	<i>Bal. on account</i> 75 14
	<i>11</i>	<i>Bills Rec.</i>	<i>A. Q. Brewer's note</i> 175
	<i>15</i>	<i>Discount</i>	<i>On G. Brown's note</i> 1 50
			<i>Total receipts</i> 2 078 95
			2 078 95
<i>Jan</i>	<i>16</i>		<i>Balance</i> 1 595 74

The accompanying form contains the records of cash received and paid out in the transactions following.

The cash book as commonly used requires two pages facing each other, one for the receipts and one for the payments. As in other bookkeeping forms, the left and the right sides are respectively the debit and credit positions. An entry on the left page of a cash book therefore denotes a receipt, or that cash is debited. An entry on the right page similarly indicates a payment or that cash is credited.

Required of the Student.— Journalize the transactions that are recorded in cash book form. Compare the cash book entry of each transaction with its journal entry. Notice with care the following facts about the cash book entry of each transaction: on which page of the book the entry is made; where the name of the account that you have on the opposite side of the journal entry is placed; what part of the page the explanation occupies; and in which amount column the entry is made. Now enter the transactions you journalized in cash book form, referring to model only when necessary. Copy the

journal and cash book forms into the exercise book after they have been approved. Use the first two unused pages facing each other for the cash book.

Jan. 1, 19—, Martin Peterson commenced business with a cash capital of \$1500; Jan. 2 paid cash for rent of store, one month, \$35; Jan. 3 paid W. W. Coffin cash in full of account \$24.37; Jan. 4 received cash on account from W. J. Fisher \$124.36; Jan. 5 Wm. Kaiser paid cash for his note and interest on it up to the 5th of last month, face of the note \$200, interest \$2.35; Jan. 6 paid cash for my note now due favor A. B. Smith and interest on it, face of the note \$175, interest \$3.24; Jan. 9 paid cash for cleaning storeroom \$3.25; Jan. 10 W. J. Fisher paid cash for balance \$75.14; Jan. 11 A. A. Brewer paid cash for his note less discount for 30 days, face of the note \$175, discount \$1.75; Jan. 15 paid my note favor Geo. Brown less discount, face of note \$300, discount \$1.50.

Trace these transactions through the accompanying form known as a cash book.

Cash

Cr.

<i>Cash</i>		<i>Cr.</i>	
Jan. 2	Expense	Store rent 1 month	35
3	W. W. Coffin	In full of acct	24 37
6	Bills Pay.	Note favor A. B. Smith	175
6	Interest	On above note	3 24
9	Expense	For cleaning store	3 25
11	Discount	On G. A. Brewer's note	1 75
15	Bills Pay.	Note favor G. Brown	300
		Total payments	542 61
15		Balance	1 535 74
			2 078 35

QUESTIONS

1. Point out the differences between the cash book form as given and the cash account as found in the ledger.
2. Explain the use of the several columns.
3. How often may the cash book be closed?
4. Why is the balance that is brought down entered in the second column?
5. Explain the reason for the transaction of the 11th being entered in part on each side.
6. Also the reason for the entry of Jan. 15.
7. How much was actually received on the 11th?
8. Why not make an entry of the actual amount received?
9. Apply questions in reverse to the 15th.
10. What effect will it have on the receipts and payments to increase each side equally? What effect on the balance?
11. How would the left-hand side of the cash book appear if put in one journal entry? Make the entry.

12. How would the right-hand side appear? Make the entry.
13. Make one journal entry showing all the debits and credits of the cash book.
14. Which would require the more labor, to post the journal entries made in Questions 11 and 12 or those resulting from journalizing each transaction?
15. Could you post the items directly from the cash book?
16. What advantages are there in using the cash book?

THE BILL BOOKS

When the character of a business is such that a considerable number of notes are received and issued, it is desirable to provide some special arrangement for recording them. Unless the number is large the bill book meets all requirements satisfactorily. Because of the classification of notes, as previously explained, the bill book generally consists of two parts—the bills receivable and the bills payable. They may be bound together or separately according to the demands of the business. It may happen that a business receives a large number of other parties' notes while but few, if any, are issued; or the reverse may be true.

These books may be used merely for reference, and are then auxiliary to some other book—as the journal, in which debits and credits arising from transactions involving notes are recorded; or they may be used as principal books and contain the only records of notes, excepting the ledger accounts. For the transactions of August and September following, they are treated as auxiliary to the journal.

Bills

DATE RECORDED	No.	DRAWEE OR MAKER	IN WHOSE FAVOR	FOR WHAT RECEIVED (LEDGER ACCOUNT)	WHERE PAYABLE
19— July	11	<i>W. W. Mason</i>	<i>Ourselves</i>	<i>W. W. Mason</i>	
“	12	<i>Foberg & Stacey</i>	<i>Ourselves</i>	<i>Foberg & Stacey</i>	
“	16	<i>W. W. Mason</i>	<i>Ourselves</i>	<i>W. W. Mason</i>	

Bills

DATE RECORDED	No.	DRAWEE OR MAKER	IN WHOSE FAVOR	FOR WHAT GIVEN (LEDGER ACCOUNT)	WHERE PAYABLE
19— July	13	<i>Ourselves</i>	<i>Jevne & Co.</i>	<i>Jevne & Co.</i>	

THE BILLS RECEIVABLE BOOK

This contains a record of all promises to pay made by others and received by the business. Special spaces are provided for recording all important information in connection with a bill receivable from the time it comes into the possession of the business until it is disposed of.

THE BILLS PAYABLE BOOK

This contains a record of all promises to pay issued by the business. It is similar in form to the bills receivable book. The difference between them will be best understood by a comparison of the headings of the pages.

The entries in the two books following are the notes receivable and payable of Set III. Compare with the ledger accounts of that set. The ruling and totaling are not necessary, but are given for comparative purposes, and to show how such books are ruled if posting is made from them.

QUESTIONS

1. With what amount in the ledger must the total of the bills receivable book agree?
2. The total of the bills payable book?
3. The total of those disposed of in the bills receivable book?
4. The total of those not disposed of?
5. The total of those redeemed in the bills payable book?

Receivable

DATE			TIME	WHEN DUE												AMOUNT	RATE OF INT.	WHEN AND HOW DISPOSED OF
Year	Month	Day		Year	1	2	3	4	5	6	7	8	9	10	11				12
19—	July	11	10 da.	19—							21					203	6%	<i>Pd. July 22, 19—</i>
19—	"	12	10 da.	19—							22					100	6%	<i>Pd. July 22, 19—</i>
19—	"	16	10 da.	19—							26					220	6%	<i>Pd. July 26, 19—</i>
																523		<i>Total notes rec'd</i>

Payable

DATE			TIME	WHEN DUE												AMOUNT	RATE OF INT.	WHEN AND HOW REDEEMED
Year	Month	Day		Year	1	2	3	4	5	6	7	8	9	10	11				12
19—	July	13	20 da.								2					1000	6%	<i>Total notes issued</i>
																1000		

6. The total of those not redeemed?
7. How can you find the due date of a note from the bill book?
8. From the journal or day book entry?
9. How can you find from the bill books all the notes falling due at a certain time?
How would you get the same information from the journal or day book entries?
10. How can you determine from the bill books whether a particular note has been paid or redeemed? How would you get this information from the other books?

THE SALES BOOK

Since the sales of merchandise constitute a large proportion of the transactions in any regular mercantile establishment, it is customary to provide a separate book in which to record these transactions. The sales book, or sales register, as this book is frequently called, should contain an itemized record of all sales of merchandise except such as are made for cash to parties with whom no accounts are opened. We shall designate these as petty cash sales. In general each sales book record should contain, besides an itemized list of the goods with their prices, the name of the purchaser, his address, the terms of the sale, and such additional information as may be required in reference to the transaction.

THE USE OF THE EXPLANATION COLUMNS OF THE LEDGER

The wide spaces of the ledger are always used for the purpose of explaining closing entries. Except in personal accounts this part of the page is not generally used for any other purpose. The exact explanation used in any case depends upon the nature of the item and the requirements of the particular business.

LESSON XXVI

FURNITURE BUSINESS—SET IV

Introduction.—The books of record used in this set are the Day-book Journal, Cash Book, Sales Book, Bill Book, and Ledger.

The day-book journal contains as a complete record, first, the journal entry—that is, the debit and credit items; and, second, an explanation sufficiently complete to contain all the essential details of the transaction that have made the debits and credits of the journal entry necessary. See model form in this lesson.

The ledger is of the same form as in previous exercises, except that the explanation column is used in personal accounts. See model form in previous lesson.

The routine of work is as follows: All receipts and expenditures of cash are recorded in the cash book. All sales of merchandise are recorded in the sales book, except petty cash sales. The journal contains a record of all other transactions. The bill book contains records of all notes, either issued or received by us. No posting is made from this book; it is called “a helper” or “an auxiliary book.” The personal accounts are to show full debit and credit amounts of all sales and purchases. In all transactions the buying price of merchandise is given. Refer to the price lists, pages 68 and 69, for the selling prices of merchandise whenever they are omitted from the text.

The student is the bookkeeper and receives a salary of \$18 a week. Frank Andrews is a salesman and receives a salary of \$15 a week. Accounts are opened with these persons. They receive credit for salaries, and are charged for all amounts paid them. Make a brief memorandum entry of their engagement in the day-book journal, following the opening entry.

Required of the Student.—You will be assigned one of the price lists for this set. Do not change price lists after starting. Figure the extensions of all bills for the month of August, then write up the transactions in the day-book journal, the sales book, the cash book, and the bill book, observing the forms for books illustrated in Lesson XXV. The day-book journal is shown in this lesson. Observe the instructions following each of the first ten transactions.

TRANSACTIONS

Aug. 1, 19—

Daniel G. Cummings this day began a wholesale and retail furniture business at 635 Main Street. His investment consisted of cash \$1060; the store building in which the business will be conducted, valued at \$5000; a stock of mdse. remaining from a former business \$3280; a note for \$500, dated to-day, due in 15 days, interest at 5%, signed by Charles Moore; an account against H. W. Erving, 1638 Walnut Street, for \$300; an account against Edward Alleston, 1920 Central Avenue, \$60.

See the opening entry in the day-book journal. Enter cash on the debit side of the cash book, and record the note in the bill book.

(Day-Book Journal)

19- Aug	1	Daniel G. Cummings has commenced the wholesale and retail furniture business at 635 Main Street investing as follows:				
		CR. Cash	\$1060			
		Store building	5000			
		Stock of merchandise	3280			
		Note signed by Charles Moore	500			
		H. W. Erving owes on acct.	300			
		Edward Alleston owes on acct.	60			
	1	Real Estate	5 000			
		Merchandise	3 280			
		Bills Rec.	500			
		H. W. Erving	300			
		Edward Alleston	60			
		Daniel G. Cummings Resources listed above				9140
	3	Merchandise Central Furniture Co. Invoice 27.5 days.	462 13			462 13
	11	Williamson Chair Co. Merchandise Returned 6 Fancy rockers at \$4.25 Less 10%	22 95 25.50 2.55 22.95			22 95

Aug. 2

Paid cash for a set of blank books \$37.50.

Enter in the cash book on the credit side, charge to "Expense."

Paid cash for office safe

\$180.

Less 10 and 12½ %

38.25

\$141.75

Enter the net amount on credit side of cash book, charge to "Fixture" account.

Placed insurance on our stock of goods with the Home Insurance Company \$2000, premium at \$12 per thousand, \$24. Enter in the cash book, charge to "Insurance."

Aug. 3

Received goods ordered on the 25th ult. from Central Furniture Co., 122 Front Street, terms 2%, 5 days, as follows:

6 Oak dining room tables at \$15	\$ 90.
10 Mahogany parlor tables at \$18.50	185.
3 Oak parlor tables at \$12.50	37.50
24 Leather-seat dining chairs at \$2.90	69.60
36 Cane-seat dining chairs at \$1.40	50.40
6 Oak sideboards at \$18	108.
	<u>\$540.50</u>
Discounts 10 and 5%	78.37
	<u>\$462.13</u>

See entry in the day-book journal. Why is it not necessary to itemize the purchase?

Aug. 4

Sold for cash one cane-seat rocker \$2.50, one brass bedstead \$xx.xx. Total \$xx.xx.
Enter in the cash book.

Sold Imperial Hotel Company, Main and Market Sts., on account:

12 Iron bedsteads at \$x.xx	\$xx.xx
12 Wool mattresses at 3.75	45.
16 Cane-seat chairs at 2.10	33.60
	<u>\$xxx.xx</u>

See entry in sales book (p. 68).

Sold Wilson, Demming & Co., 624 Pine St., on account 5 days:

3 Oak dining tables at \$25.	\$xx.xx
2 Oak office chairs at 6.80	13.60
12 Leather-seat dining chairs at \$3.50	xx.xx
	<u>xxx.xx</u>
5 and 10% off	xx.xx
	<u>\$xxx.xx</u>

See entry in sales book.

Aug. 6

Paid cash for horse and wagon for delivering goods \$360. Enter in cash book.
Charge "Horse and Wagon" account.

Received from H. W. Erving on account cash \$100.

Received from Edward Alleston his note at 10 days, in settlement of account, \$60, interest 6%.

Enter in day-book journal and record in bill book.

Sold H. K. Simpson, 1645 Walnut St., on account:

1 Complete dining room set	\$ 95.
1 Brass bedstead	xx.xx
1 Hair mattress	16.75
	<u>\$xxx.xx</u>

Sales Book

19-												
Aug.	4	Imperial Hotel Co, Main & Marshalls.										
		on acct.										
		12 Iron bedsteads @ \$6.50					78					
		12 Wool mattresses " 3.75					45					
		16 Cane-seat chairs " 2.10					33	60			156	60
	4	Wilson, Demming & Co, 624 Pine St.										
		on acct. 5 da.										
		3 Oak dining tables @ \$25.00					75					
		2 Oak office chairs " 6.80					13	60				
		12 Leather-seat dining chairs @ 3.50					42					
							130	60				
		5 and 10 % off					18	94			111	66
	6	H. H. Simpson, 1645 Walnut St.										
		on acct.										
		1 Complete dining room set					95					
		1 Brass bedstead					32	50				
		1 Hair mattress					16	75			144	25
		(Mdse. sales carried forward)										

Selling Price Lists for

	1	2	3	4	5	6	7	8	9	10	11	12
Beds, Folding	30	30	30	30	30	30	30	30	30	30	32 ⁵⁰	32 ⁵⁰
Beds, Sofa	22 ⁵⁰	22 ⁵⁰	22 ⁵⁰	22 ⁵⁰	22 ⁵⁰	20	20	20	20	20	25	25
Bedsteads, Brass	32 ⁵⁰	32 ⁵⁰	32 ⁵⁰	32 ⁵⁰	32 ⁵⁰	32 ⁵⁰	32 ⁵⁰	32 ⁵⁰	32 ⁵⁰	32 ⁵⁰	35	35
Bedsteads, Iron	6 ⁵⁰	6 ⁵⁰	6 ⁵⁰	6 ⁵⁰	6 ⁵⁰	6	6	6	6	6	5	5
Bedsteads, Oak	18	19	20	21	22	23	24	25	26	27	18	19
Bookcases, Combination	35	36	37	38	39	40	30	31	32	33	34	35
Bookcases, Mahogany	35	35	35	35	35	35	35	35	35	35	37	37
Bookcases, Oak	24	25	26	27	28	24	25	26	27	28	24	25
Cabinets, Music	10	10	10	10	10	10	10	10	10	10	10	10
Cabinets, Parlor	20	22	24	26	28	30	32	34	36	38	40	38
Chairs, Cane-seat Dining	2 ³⁰	2	2 ²⁰	2	2 ³⁰	2	2 ³⁰	2	2 ²⁰	2	2 ³⁰	2
Chairs, Leather-seat Dining	3 ²⁵	3 ²⁵	3 ²⁵	3 ²⁵	3 ²⁵	3 ²⁵	3 ²⁵	3 ²⁵	3 ²⁵	3 ²⁵	3 ²⁵	3 ²⁵
Chairs, Office	9 ⁵⁰	9 ⁵⁰	9 ⁵⁰	9 ⁵⁰	9 ⁵⁰	10	10	10	10	10	9 ⁵⁰	9 ⁵⁰

Aug. 7

Bought from Central Furniture Co. on account, bill of goods amounting to \$ 312.60.

Sold H. W. Erving on account :

3 Oak writing desks at \$ 8.60	\$ 25.80
2 Oak bookcases " 24.	xx.xx
2 Library tables " 20.	xx.xx
	\$ xxx.xx
5 and 5 %	xx.xx
	\$ xxx.xx

Aug. 8

Gave Student, bookkeeper, and Frank Andrews, salesman, credit for week's wages. Charge "Salary" account.

Hired Emil Hauck at \$10 per week to pack and deliver goods.

Paid Central Furniture Co. for invoice of the 3d \$ 462.13, less 2 % cash discount.

Review Lesson XXIV for cash discount.

When a bill is paid on which a cash discount is allowed, the net amount will be entered in the cash book and the discount allowance will be entered in the journal.

The payment to the Central Furniture Co. will be entered in the cash book on the credit side as follows :

<i>Aug. 8</i>	<i>Central Furniture Co.</i>	<i>Inv. of 3d inst. less 2 %</i>	<i>452</i>	<i>89</i>
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August and September

13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
<i>32⁵⁰</i>	<i>32⁵⁰</i>	<i>32⁵⁰</i>	<i>32⁵⁰</i>	<i>32⁵⁰</i>	<i>32⁵⁰</i>	<i>32⁵⁰</i>	<i>32⁵⁰</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>
<i>25</i>	<i>25</i>	<i>25</i>	<i>25</i>	<i>25</i>	<i>25</i>	<i>25</i>	<i>25</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>22⁵⁰</i>	<i>22⁵⁰</i>	<i>22⁵⁰</i>	<i>22⁵⁰</i>	<i>22⁵⁰</i>
<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>35</i>	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>
<i>5</i>	<i>5</i>	<i>5</i>	<i>6⁵⁰</i>	<i>6⁵⁰</i>	<i>6⁵⁰</i>	<i>6⁵⁰</i>	<i>6⁵⁰</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>5</i>	<i>5</i>	<i>5</i>	<i>5</i>	<i>5</i>
<i>20</i>	<i>21</i>	<i>22</i>	<i>23</i>	<i>24</i>	<i>25</i>	<i>26</i>	<i>27</i>	<i>18</i>	<i>19</i>	<i>20</i>	<i>21</i>	<i>22</i>	<i>23</i>	<i>24</i>	<i>25</i>	<i>26</i>	<i>27</i>
<i>36</i>	<i>37</i>	<i>38</i>	<i>39</i>	<i>40</i>	<i>30</i>	<i>31</i>	<i>32</i>	<i>33</i>	<i>34</i>	<i>35</i>	<i>36</i>	<i>37</i>	<i>38</i>	<i>39</i>	<i>40</i>	<i>30</i>	<i>31</i>
<i>37</i>	<i>37</i>	<i>37</i>	<i>37</i>	<i>37</i>	<i>37</i>	<i>37</i>	<i>37</i>	<i>33</i>	<i>33</i>	<i>33</i>	<i>33</i>	<i>33</i>	<i>33</i>	<i>33</i>	<i>33</i>	<i>33</i>	<i>33</i>
<i>26</i>	<i>27</i>	<i>28</i>	<i>24</i>	<i>25</i>	<i>26</i>	<i>27</i>	<i>28</i>	<i>24</i>	<i>25</i>	<i>26</i>	<i>27</i>	<i>28</i>	<i>24</i>	<i>25</i>	<i>26</i>	<i>27</i>	<i>28</i>
<i>10</i>	<i>10</i>	<i>10</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>
<i>36</i>	<i>34</i>	<i>32</i>	<i>30</i>	<i>28</i>	<i>26</i>	<i>24</i>	<i>22</i>	<i>20</i>	<i>20</i>	<i>22</i>	<i>24</i>	<i>26</i>	<i>28</i>	<i>30</i>	<i>32</i>	<i>34</i>	<i>36</i>
<i>2²⁰</i>	<i>2</i>	<i>2²⁰</i>	<i>2</i>	<i>2²⁰</i>	<i>2</i>	<i>2²⁰</i>	<i>2</i>	<i>2²⁰</i>	<i>2</i>	<i>2²⁰</i>	<i>2</i>	<i>2²⁰</i>	<i>2</i>	<i>2²⁰</i>	<i>2</i>	<i>2²⁰</i>	<i>2</i>
<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>	<i>3²⁵</i>
<i>9⁵⁰</i>	<i>9⁵⁰</i>	<i>9⁵⁰</i>	<i>10</i>	<i>10</i>	<i>10</i>	<i>10</i>	<i>10</i>	<i>9⁵⁰</i>	<i>9⁵⁰</i>	<i>9⁵⁰</i>	<i>9⁵⁰</i>	<i>9⁵⁰</i>	<i>10</i>	<i>10</i>	<i>10</i>	<i>10</i>	<i>10</i>

Enter in the day-book journal:

Aug. 8	Central Furniture Co.			
	Cash discount		9	24
				9 24

Allowance on Inv. of 3d inst. 2%.

There are three well-known ways of entering cash discount, viz.:

1. By entering in the cash book the net amount of the bill and making a journal entry for the amount of the discount.
2. By entering the full amount of the bill on one side of the cash book and the amount of the discount on the opposite side.
3. By entering the discount in a special column in the cash book and the net of the bill in the regular cash column.

Aug. 9

Received from H. W. Erving cash on account \$100.

Sold for cash 1 china closet \$27.50.

Received goods ordered from Michigan Furniture Co., Grand Rapids, Mich., terms 2% 5 days, 1% 10 days:

6 Oak bedsteads at \$22	\$132.
4 Cane-seat rocking chairs at \$6.50	26.
4 Oak bookcases at \$16.25	65.
6 Toilet tables at \$13.50	81.
4 China closets at \$18.25	73.
8 Oak sideboards at \$26.50	212.
	\$589.
Less 20 and 5%	141.36
	\$447.64

In business it is customary to prove the cash account as found in the cash book each day; that is, to find the cash book balance and compare it with the amount of cash on hand. You will determine the balance as shown by your cash book and have it approved. Do not enter the balance or rule up the book. You may enter the footings in small pencil figures.

Received from Wilson, Demming & Co., cash for invoice of the 5th.

Received from Imperial Hotel Company, on account, cash \$100.

Received mdse. ordered from Williamson Chair Co. on the 3d inst. as follows:

48 Leather-seat dining chairs at \$3	\$144.
36 Cane-seat dining chairs at \$1.40	50.40
6 Fancy oak rockers at \$4.25	25.50
2 Turkish rockers at \$16.25	32.50
	\$252.40
Less 10%	25.24
	\$227.16

Terms 2%, 5 days

Aug. 11

Bought bill of mdse. on account from L. M. Merrill & Co., Erie, Pa.,	\$ 238.90.
Sold H. W. Erving, on account :	
18 Cane-seat dining chairs at \$ x.xx	\$ xx.xx
12 Leather-seat dining chairs at \$ 3.25	39.
2 Parlor cabinets at \$ 23	46.
1 Ornamental table	5.25
3 Oak bookcases at \$ 24	72.
	<u> </u>
	\$ xxx.xx
Returned to Williamson Chair Company :	
6 Fancy rockers at \$ 4.25	\$ 25.50
Less 10 %	2.55
	<u> </u>
	\$ 22.95

NOTE.—This is not a sale, but part of a purchase returned. It cannot of course properly be entered among the sales. If the number of such transactions is large enough to justify their use, it is customary to use a separate book for recording returned purchases, and another for returned sales. You may enter this transaction and similar ones in the day-book journal. See form, page 66.

Aug. 13

Paid Frank Andrews, salesman, cash on account	\$ 10.
Mr. Cummings, proprietor, took from the store for use in his home :	
1 Complete bedroom set	\$ 90.00
Less 10 and 15 %	xx.xx
	<u> </u>
	\$ xx.xx
Sold for cash mdse. amounting to	\$ 106.40.
Sold Wm. J. Wagner, 2630 West St., on account :	
1 Roll-top desk	\$ 35.
1 Oak bookcase	xx.xx
1 Office chair	11.25
	<u> </u>
	\$ xx.xx

Aug. 14

Paid Williamson Chair Co. for invoice of the 9th, \$227.16, less \$22.95, goods returned, cash discount 2 %.

Received from Imperial Hotel Company cash for balance due on bill of the 4th inst. (See Aug. 9 for part payment.)

Aug. 15

Paid Emil Hauck wages to date	\$ 10.
Credited bookkeeper and salesman for 1 week's wages.	
Sold Imperial Hotel Company, on account :	
10 Iron bedsteads at \$ x.xx	\$ xx.xx
10 Wool mattresses at \$ 4.65	46.50
5 Oak wardrobes at \$ 28.50	142.50
10 Cane-seat dining chairs at \$ 2.20	xx.xx
	<u> </u>
	\$ xxx.xx

Sold mdse. for cash \$ 46.80.

Aug. 16

Chas. Moore paid his note of the 1st by giving a new note at 60 days for \$300, interest 6%, and cash for balance due on note and interest. Balance due on note \$200, interest for 15 days, at 5%. Credit "Interest and Discount" account for the interest.

Edward Alleston paid cash for his note of the 6th with interest; face of note \$60, interest for 10 days.

Imperial Hotel Company returned 1 wardrobe bought on the 15th at \$28.50. Credit through journal.

Aug. 17

Received from Eastman, Fish & Co., Rochester, N. Y., by express:

1 Mahogany music cabinet	\$28.
Less 20%	5.60
	<u>\$22.40</u>

Paid express charges on above \$1.25. Charge "Freight and Expressage" account.

Received mdse. ordered from Blair, Jackson & Co., Indianapolis, Ind.:

6 Parlor cabinets at \$28, terms on acct.	\$168.
---	--------

Aug. 18

Paid Michigan Furniture Company for invoice of 9th inst., less 1%.

Paid cash for horse feed \$6.80. Charge "Expense" account.

Paid bookkeeper and salesman, on account, \$7.50 each.

Sold Robert Whittaker, 344 Madison St., on account:

1 Oak dining table	\$ 25.
6 Leather-seat dining chairs at \$ x.xx	xx.xx
	<u>\$ xx.xx</u>

Have your cash balance approved, as on Aug. 9.

Aug. 20

Mr. Cummings withdrew from business for personal use \$50.

Sold Elmer T. Childs, 1160 Park Av., on account:

1 Complete bedroom set	\$90.
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Sold Robert Whittaker, 344 Madison St., on account:

1 Brass bedstead	\$xx.xx
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Aug. 21

Sold H. W. Erving, on account:

2 Brass bedsteads at \$32.50	\$xx.xx
------------------------------	---------

2 Oak hall stands at \$23.50	47.
------------------------------	-----

8 Leather-seat dining chairs at \$3.25	26.
--	-----

\$xxx.xx

Less 12½ and 5%

xx.xx

<u>\$xxx.xx</u>

Took two office chairs from stock for use in office at \$12.50

\$25.

Less 20%

5.

<u>\$20.</u>

Aug. 22

Paid Emil Hauck salary to date \$10, and credited bookkeeper and salesman for salaries to date.

Sold to Theodore Tyson, 465 Columbia Av., on account :

6 Leather-seat dining chairs at \$*x.xx* \$*xx.xx*

Bought from Williamson Chair Company for cash :

36 Cane-seat chairs at \$1.12 $\frac{1}{2}$ \$40.50

Aug. 23

Received on account from H. W. Erving, cash \$100.

Sold mdse. for cash \$165.25.

Aug. 24

Received from Robert Whittaker note at 10 days for \$40, no interest, to apply on bill of the 18th inst.

Bought on account from Williamson Chair Company :

10 Leather rockers at \$15.50 \$155.

Aug. 25

Paid bill for repairing roof of store (charge to expense) \$23.90.

NOTE.—If improvements or repairs on real estate are of such character as to add permanently to the value of the property, it is proper to charge such expenditure to the real estate account, otherwise it should be regarded as an item of expense. Not infrequently two real estate accounts are kept, one designated as the investment and the other as the revenue account. If both accounts are kept, repairs are charged to the latter account and additions and permanent improvements to the former.

Received invoice from Tomlinson Mfg. Co., Toledo, Ohio, terms net cash, for

4 Brass bedsteads at \$29.60 \$118.40

Sent check in payment of above.

Aug. 27

Received cash on account from H. W. Erving \$200.

Sold Edward Allerton on account :

1 Sofa bed \$35.

1 Parlor cabinet 36.50

1 China closet 19.50

\$91.

Less 5 and 12 $\frac{1}{2}$ % 15.36

\$75.64

Aug. 28

Received from Elmer T. Childs cash on account \$55.

Sold mdse. for cash \$163.70.

Aug. 29

Paid Emil Hauck cash for week ended to-day, and credited bookkeeper and salesman for salaries to date.

Paid taxes on store building \$47.63.

Sold E. S. Madsen, 2240 Washington St., on account :

1 Oak sideboard	\$50.00
1 Oak dining table	25.00
6 Leather-seat dining chairs at \$4.10	24.60
	<u>\$ xx.xx</u>
Less 10%	x.xx
	<u>\$ xxx.xx</u>

Aug. 30

Paid electric light bill to date \$6.35.

Paid Rand Teaming Co. for hauling during month \$31.50.

Paid freight bills for month \$81.72.

Have your cash balance approved, and then close the cash book. Also have your sales book approved and then rule it up.

Inventory, Aug. 31

8 Bedsteads, brass	at \$23.50	\$188.
20 Bedsteads, iron	at 4.10	82.
6 Bedsteads, oak	at 15.	90.
7 Folding beds	at 15.	105.
4 Bookcases, oak	at 20.	80.
3 Bookcases, mahogany	at 26.50	79.50
6 Bookcases, combination	at 27.50	165.
4 Cabinets, parlor	at 25.	100.
3 Cabinets, music	at 8.50	25.50
8 China closets	at 16.50	132.
60 Chairs, cane-seat dining	at 1.50	90.
40 Chairs, leather-seat dining	at 2.60	104.
6 Chairs, oak, office	at 7.50	45.
10 Chairs, fancy rockers	at 4.25	42.50
3 Chairs, Turkish rockers	at 16.25	48.75
6 Chairs, reclining	at 10.50	63.
6 Davenport	at 40.	240.
6 Desks, roll top	at 24.25	145.50
10 Desks, writing, oak	at 8.	80.
6 Desks, writing, mahogany	at 12.50	75.
2 Hall stands	at 15.	30.
6 Lounges, leather	at 30.	180.
20 Mattresses, wool	at 3.50	70.
10 Mattresses, hair	at 12.50	125.
8 Tables, oak, dining	at 20.	160.
6 Tables, oak, parlor	at 15.	90.
4 Tables, mahogany, parlor	at 25.	100.

\$

Carried forward,		\$
5 Tables, oak, library	at \$ 14.	70.
6 Tables, oak, toilet	at 22.50	135.
5 Sets, dining-room	at 80.	400.
6 Sets, bedroom	at 75.	450.
5 Sets, parlor	at 105.	525.
4 Ornamental tables	at 13.	52.
3 Sideboards	at 42.50	127.50
4 Sofa beds	at 35.	140.
10 Wardrobes, oak	at 22.	220.
5 Wardrobes, combination	at 30.	150.
		<u>\$5005.25</u>
	Less 25%	1251.31
		<u>\$3753.94</u>

The 25% deducted from gross total of inventory is an allowance for deterioration in value of certain goods in stock, and for trade discounts allowed from list prices when goods were purchased.

Real estate	\$ 5000.
Expense	25.
Office fixtures	155.
Insurance	22.
Horses and wagons	350.

LESSON XXVII

POSTING SET IV

Required of the Student.—1. Enter the following ledger headings, giving each account the number of lines indicated: Daniel G. Cummings, Proprietor, 12; Cash 8; Real Estate 8; Mdse. 1 page; Expense 1 page; Fixture 10; Insurance 10; Horse and Wagon 10; Freight and Expressage 8; Cash Discount 10; Interest and Discount 15; Salary 15; Bills Receivable 20; Bills Payable 10; Pupil, Bookkeeper, 15; Frank Andrews, Salesman, 15; Central Furniture Co. 10; Williamson Chair Co. 10; L. M. Merrill & Co. 8; Eastman, Fish & Co. 8; Blair, Jackson & Co. 8; Michigan Furniture Co. 8; H. W. Erving 15; Edward Alleston 12; Wilson, Demming & Co. 12; Imperial Hotel Co. 12; H. K. Simpson 8; W. J. Wagner 8; Robert Whittaker 8; Elmer T. Childs 8; Theodore Tyson 8; E. S. Madsen 8; Tomlinson Mfg. Co. 8; Loss and Gain 20. Use addresses given in the transactions as part of the ledger headings of personal accounts.

2. Post all items from the journal, cash book, and sales book to the ledger. Post-mark all postings in each book. By means of the abbreviations J., C.B., S.B., designate from which book each item is transferred to the ledger. Place the abbreviations in the explanation space to the left of the page numbers.

In posting the journal entries, follow instructions given in previous sets.

HOW TO POST THE CASH BOOK

If each transaction recorded on left side of the cash book was put into the ordinary journal form, the result would be a series of journal entries each having cash for the name of the debit item and the name in the account space of the cash book for the credit item. It is suggested that the pupil make these journal entries.

Since the final results in the ledger for a given set of transactions must be the same whatever the form of the original entries, it follows that the individual items on the credit side of the cash book must be posted to the credit side of the ledger accounts. (Read explanations and suggestions given in Lesson XXV.)

QUESTIONS

1. What amount in the cash book equals the sum of all the items posted to the credit side of the ledger according to the directions given above?
2. What saving of labor is accomplished by posting this amount to the debit side of the cash account instead of the individual items as shown by the journal entries?
3. Will the result in the cash account be the same by the two methods of posting? How about the amount of space required?

By a process of reasoning similar to the above you should be able to determine how to post the credit side of the cash book. Journalizing each transaction will be of assistance in determining how to proceed.

QUESTIONS

1. How would you state a general rule for posting the cash book?
2. Would the balance of the ledger be preserved if only the balance of the cash book were carried to the cash account? Explain fully.

HOW TO POST THE SALES BOOK

If all the entries in the sales book were journalized, the result would be a series of journal entries, each having the name of a personal account on the debit side and merchandise on the credit side. The sum of the amounts on either side of these entries would obviously be the total of the sales. Therefore in posting the sales book the accounts of the several purchasers must be debited, and the merchandise account must be credited for the total sales.

After having posted the transactions as instructed, check over your postings to insure accuracy. Use small check marks in each book, placing them at the edge of the ruled line at the left of the amount. This may seem like useless work, but if errors have been made in posting, it is better to discover them before attempting to make a trial balance.

You may now enter pencil footings in the ledger and take a trial balance.

HOW TO FIND ERRORS IN TRIAL BALANCES

If every part of your work is free from errors, the two sides of your trial balance will foot up equally. In a previous lesson your attention was directed to certain classes of errors that the trial balance will not reveal. But the existence of any error that destroys the equilibrium of the ledger is sure to be discovered when an attempt is made to obtain a trial balance. Remember that the possibility of a trial balance depends upon strict observance of the principle of equality of debits and credits.

The one infallible method of discovering errors is the rechecking of all postings and the verifying of all computations. Check marks must be entered in the ledger as well as in the books from which the posting is done. A little reflection will convince you of the foolishness of checking items in one place only.

Bookkeepers and accountants make use of numerous devices to aid them in determining the character of errors or in locating them, but frequently in the end it is found necessary to check the work item by item. Since you have the footings of all the books from which you posted and have not ruled up any of the accounts in the ledger, you may test the footings of your trial balance by the method illustrated below.

The Journal	Total Debits	Total Credits
Cash Book	Total Receipts and Payments	Total Receipts and Payments
Sales Book	{ Total of items posted to { Dr. of personal accounts	Total Sales
Trial Balance Footings		\$xxxxx.xx	$xxxxx.xx

QUESTIONS

1. When you had posted the day-book journal items of this set, could you have secured a trial balance?
2. When the debit side of the cash book had been posted, could a trial balance have been secured? Why?
3. When the credit side of the cash book had been posted, could a trial balance have been secured? Why?
4. How does the cash account in the ledger compare with the cash book? How do the balances compare?
5. What items make up the accounts receivable?
6. What items make up the accounts payable?
7. How does the total of the unpaid notes in the bills receivable book agree with the balance shown in the ledger account of bills receivable?
8. Test the bills payable in a similar way.
9. When you had posted the debits from the sales book, could you have made a trial balance? Why?
10. Could you have made the trial balance after posting the total sales? Why?
11. In the form for testing the trial balance footings, why must the sum of the three items on the left equal the sum of the three on the right?
12. Why must these footings equal the trial balance footings?
13. What conclusion would you draw from each of the following conditions:
 - (a) If both of the trial balance footings differed from the results given by the test?
 - (b) If one of the footings was the same as those given by the test, the other different?
14. What modification of the test would be necessary under the following conditions:
 - (a) If one or more accounts whose footings are equal had been omitted from the trial balance?
 - (b) If only the balances had been entered in one or more of the accounts?

LESSON XXVIII

MAKING THE BALANCE SHEET AND CLOSING THE LEDGER

- Required of the Student.**—1. Make out a balance sheet.
2. Open an account with Loss and Gain, if you have not already done so.
 3. Enter inventories.
 4. Close accounts to Loss and Gain.
 5. Close loss and gain account to the proprietor's account.
 6. Close proprietor's account, bringing down the balance.
 7. Close bills receivable and bills payable accounts and bring down the balances.
 8. Take a second trial balance.

LESSON XXIX

SET IV.—Continued

Required of the Student. — Write up the transactions for September.

Use the same books and enter the transactions as in August.

Post the journal, cash book, and sales book entries under the headings already in the ledger. Open additional accounts if necessary.

At the end of the month make a statement or balance sheet and close the books.

TRANSACTIONS FOR SEPTEMBER

Sept. 1

Sold Theodore Tyson on account:

1 Brass bedstead	\$ xx.xx
1 Sideboard	<u>50.00</u>
	\$ xx.xx

Paid cash for shoeing horses \$4.50.

Rented 3d floor of our store building to James Egan at \$20 per month. Received his check for one month's rent in advance. Cr. Expense.

Sept. 3

Sold for cash:

12 Cane-seat dining chairs at \$x.xx	\$ xx.xx
1 Dining-room table, oak	<u>25.00</u>
	\$ xx.xx

Sold I. C. Swain, 965 East Av.:

1 Oak writing desk	\$ 10.
1 Toilet table	26.25
1 Combination bookcase	<u>32 50</u>
	xx.xx

Robert Whittaker paid cash for his note of the 24th ult.

Sept. 4

Sold Wilson, Demming & Co. 10 days net:

24 Cane-seat chairs at \$x.xx	\$ xx.xx
12 Leather-seat chairs at \$x.xx	xx.xx
3 Fancy rockers, oak, at \$5.	xx.xx
2 Wardrobes at \$24.50	xx.xx
2 Parlor sets at \$124.	<u>xxx.xx</u>
	\$ xxx.xx

10% and 5% disc.

xx.xx
<u>\$ xxx.xx</u>

Paid Frank Andrews, salesman, on account, \$15.

Sept. 5

Paid Emil Hauck one week's wages, \$10.

Credited bookkeeper and salesman each with week's wages.

Sold for cash :

1 Iron bedstead	\$ 5.50
1 Wool mattress	4.50
1 Toilet table	26.25
1 Combination bookcase	35.50
	<hr/>
	\$ 71.75
Bought for cash 2 brass bedsteads at \$23.50	\$ 47.

Sept. 6

Received from H. K. Simpson a note signed by John Coleman, dated July 15, at 60 days, face \$120, interest 6%, and cash to balance his account. Interest accrued and allowed \$1.06.

Sold Imperial Hotel Company, 10 days net :

2 Brass bedsteads at \$xx.xx	\$ xx.xx
2 Hair mattresses at \$13.50	27.
2 Fancy rockers at \$4.50	9.
2 Wardrobes, oak, at \$27.	54.
	<hr/>
	\$ xxx.xx

Sept. 7

Bought from Williamson Chair Company, 5 days net :

48 Leather-seat dining chairs at \$2.90	\$ 139.20
8 Fancy rockers, oak, at \$4.10	32.80
4 Turkish rockers at \$16.	64.
	<hr/>
	\$ 236.00
Less 10 %	23.60
	<hr/>
	\$ 212.40

Received from the Imperial Hotel Company cash for our bill of Aug. 15, less \$28.50 for returned goods.

Sept. 8

Gave Williamson Chair Co. 10-day note, interest 6%, for invoice of Aug. 24, \$155.
Theo. Tyson paid cash for purchase of Aug. 22.

Sept. 10

Elmer T. Childs paid cash to balance his account.

Gave Blair, Jackson & Co. 10-day note, interest 6%, for invoice of Aug. 17.
Frank Andrews drew cash \$25.

Have your cash balance approved and then balance the cash book. Since the cash book has been balanced, it is necessary to post the total receipts and payments just as you did at the close of August.

Sept. 11

Sold French Furniture Co., Kansas City, Mo., 2 % 5 days :	
6 Brass bedsteads at \$ xx.xx	\$ xxx.xx
6 Hair mattresses at \$ 18.	108.
2 Bedroom sets at \$ 90.	180.
30 Leather-seat dining chairs at \$ 3.25	<u>97.50</u>
	\$ xxx.xx
Less 10 and 10 %	<u>xx.xx</u>
	\$ xxx.xx

Sept. 12

Emil Hauck's salary has been increased \$1 per week. Paid him cash \$11 for week ended to-day.

Credited bookkeeper and salesman for salaries for week ended to-day.

Paid repairs on wagon \$3.75.

Paid Williamson Chair Co. for invoice of the 7th.

Sept. 13

John Coleman paid his note due to-day with interest, face \$120, interest for 60 days at 6 %.

Sold to Walter Rogers, 1972 Lincoln St., 1 parlor set \$124.

Received in payment John Fischer's note, Rogers' favor, at 30 days, dated Aug. 20, interest 5 %, for \$100 ; interest accrued and allowed \$.33, cash for balance.

Sept. 14

Received from Wilson, Demming & Co. their note at 30 days, 6 % interest, for invoice of 4th inst., due to-day.

Sold for cash :

4 Folding beds at \$19.20	\$ 76.80
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Sept. 15

Imperial Hotel Company paid for invoice of the 6th inst.

French Furniture Company paid for invoice of the 11th inst., less cash discount.

Edward Alleston paid cash for invoice of Aug. 27th. Sold him on account 5 days :

3 Folding beds at \$19.20	\$ 57.60
1 Brass bedstead	xx.xx
10 Iron bedsteads at \$ 5.25	52.50
2 Bookcases, oak, at \$ 24.	48.
1 Mahogany bookcase	<u>32.50</u>
	\$ xxx.xx

Sept. 17

E. S. Madsen has failed in business and we have accepted cash, 70¢ on the dollar, for his invoice of Aug. 29 ; the balance is lost. Make a journal entry for the loss.

Paid cash for horse feed \$ 26.18.

Sept. 18

Paid cash for note dated Sept. 8, favor Williamson Chair Company, with interest, face of note, \$ 155, interest for 10 days 6 %.

Sold for cash,

2 Oak bedsteads at \$ 21.50	\$ xx.xx
2 Mahogany bookcases at \$ 32.25	64.50
2 Parlor cabinets at \$ 28.40	56.80
3 Music cabinets at \$ xx.	<u>xx.xx</u>
	\$ xxx.xx

Sept. 19

Paid Emil Hauck, and credited bookkeeper and salesman with wages for week.

John Fischer paid cash for his note received on the 13th, with interest.

Sold D. E. Casselberry, 459 N. 20th St., on account:

1 Combination bookcase	\$ 35.
1 Sideboard, oak	50.
6 Leather-seat dining chairs at \$ x.xx	<u>xx.xx</u>
	\$ xxx.xx

Sept. 20

Pupil drew cash on account, \$ 100.

Theo. Tyson paid cash for invoice of the 1st.

Paid Blair, Jackson & Co. for note dated the 10th inst. and interest.

Bought from Central Furniture Co. invoice of mdse. \$ 1684.76, terms 3 % 5 days.

Balance the cash book again, following directions at close of transactions of Sept. 10.

Sept. 21

Received H. W. Erving's note for 30 days, interest 5 %, to balance account.

Allowed D. E. Casselberry a claim of \$ 4.50 for defect in wardrobe sold him on the 19th inst.

Sept. 22

Sold H. W. Erving on account :

1 Dining room set	\$ 92.50
1 Parlor set	<u>124.</u>
	\$ 216.50

Discounted at bank Wilson, Demming & Co.'s note, dated the 14th, at 30 days.

Face \$ ——. Discount off, 22 days at 7 %.

Sept. 24

Sold Imperial Hotel Company on account :

4 Oak bedsteads at \$ 19.15	\$ 76.60
1 Sideboard, oak	50.
3 Combination bookcases at \$ 37.50	<u>112.50</u>
	\$ 239.10

Daniel G. Cummings discounted at the bank his 30-day note indorsed by H. W. Erving. Face \$ 2000; discount at 7 %. Proceeds placed to Mr. Cummings' credit.

Sept. 25

Frank Andrews drew cash \$ 25.

Sold H. W. Erving on account:

3 Oak writing desks at \$ 10.	\$ 30.
1 Parlor set	124.
2 Parlor cabinets at \$ 32.50	65.
3 Fancy rockers at \$ 5.25	15.75
	<u>\$ 234.75</u>

Discounted at the bank H. W. Erving's note of the 21st inst., face \$ — ; discount off, 26 days, at 7 %.

Paid Central Furniture Co. for invoice of Sept. 20, less 3 % cash discount.

Sept. 26

Paid for advertising and printing \$ 28.30.

Sold K. G. Tucker & Sons, St. Paul, Minn., 2 % 3 days :

2 Oak bookcases at \$ xx.xx	\$ xx.xx
2 Oak office chairs at \$ 9.	18.
3 China closets at \$ 21.25	63.75
2 Roll-top desks at \$ 27.50	55.
4 Oak writing desks at \$ 10.	40.
	<u>\$ xxx.xx</u>
	Less 5 %
	<u>xx.xx</u>
	\$ xxx.xx

Credited bookkeeper and salesman and paid Emil Hauck wages to date.

Sept. 27

Bought from Michigan Furniture Co., cash 2 % :

5 Oak dining tables at \$ 16.50	\$ 82.50
3 Oak parlor tables at \$ 12.50	37.50
4 Bedroom sets at \$ 75.	300.
5 Dining-room sets at \$ 80.	400.
4 Oak sideboards at \$ 32.50	130.
6 Oak bedsteads at \$ 16.	96.
	<u>\$ 1046.00</u>
	Less 5 % & 12½ %
	<u>176.51</u>
	\$ 869.49

Paid above bill less cash discount. Discount off \$ 17.39.

Sold for cash, 6 cane-seat chairs at \$ x.xx

\$ xx.xx

Sept. 28

Sold H. K. Simpson:

2 Hall stands at \$ 17.50	\$ 35.
1 Davenport	50.
1 Mahogany parlor table	32.75
1 Dining room set	95.
	<u>\$ 212.75</u>

Received his 10-day note without interest in payment.

Sept. 29

Discounted at the bank H. K. Simpson's note dated the 28th inst., discount off, 9 days 7 %.

Paid freight and express for this month \$ 43.75.

Paid electric light bill \$ 12.80.

Paid small expense bills for this month \$ 18.72.

Bought for cash 10 tons coal at \$ 7.25, for use in our store, and paid cash for 6 tons delivered to Mr. Cummings' home at \$ 7.50 per ton.

Paid pupil in full of account.

Paid Frank Andrews in full of account.

Paid Merrill & Co. in full of account.

Inventory, Sept. 29, 19—

9 Bedsteads, iron	@	\$ 4.10	\$ 36.90
6 Bedsteads, oak	@	15.	90.
5 China closets	@	16.50	82.50
18 Chairs, C. S. dining	@	1.50	27.
40 Chairs, L. S. dining	@	2.60	104.
4 Chairs, oak office	@	7.50	30.
10 Chairs, fancy rockers	@	4.25	42.50
7 Chairs, Turkish rockers	@	16.25	113.75
6 Chairs, reclining	@	10.50	63.
5 Davenports	@	40.	200.
4 Desks, roll-top	@	24.25	97.
2 Desks, oak writing	@	8.	16.
6 Desks, mahogany writing	@	12.50	75.
6 Lounges, leather	@	30.	180.
19 Mattresses, wool	@	3.50	66.50
2 Mattresses, hair	@	12.50	25.
12 Tables, oak dining	@	20.	240.
9 Tables, oak parlor	@	15.	135.
3 Tables, mahogany parlor	@	25.	75.
5 Tables, oak library	@	14.	70.

Forward

\$ xxxx.xx

	Forward		\$ xxxx.xx
4 Tables, toilet	@	\$ 22.50	90.
8 Dining-room sets	@	80.	640.
8 Bedroom sets	@	75.	600.
4 Ornamental tables	@	13.	52.
4 Sideboards	@	42.50	170.
4 Sofa beds	@	35.	140.
6 Wardrobes, oak	@	22.	132.
5 Wardrobes, combination	@	30.	150.
			<u>\$ 3743.15</u>
	Less 25 %		935.79
			<u>\$ 2807.36</u>
Plus entire purchase from Central Furniture Co., Sept. 20.			1684.76
			<u>\$ 4492.12</u>
Real Estate		\$ 5000.	
Office Fixtures		140.	
Insurance		20.	
Horses and Wagons		335.	
Expense — coal, blankbooks, etc.		100.	

LESSON XXX

SHIPMENTS AND CONSIGNMENTS

Introduction. — In certain lines of business — the produce business, for example — a merchant frequently finds that he has goods on hand for which there is little demand in his home market. He learns, however, that there is a good demand for the commodities in other markets. He therefore ships these goods to a merchant in the more favored locality to be sold. Firms who sell goods for others are known as commission merchants, or commission houses. They usually charge a certain percentage of the selling price for their services. It is to be observed that the goods received by a commission firm remain the property of the sender until they are sold.

The party sending the goods is called the "consignor," the one receiving them the "consignee." The consignor calls the goods sent to another for sale a "shipment." The commission merchant calls them a "consignment."

When a shipment is made, an account is usually opened by a journal entry like the following :

Jan. 1.	Shipment Jones & Co., Buffalo	\$ 300.	
	, Mdse.		\$ 300.

The new title shows the disposition of the goods, both to whom and where. When the sale is reported and cash remitted, it is recorded as follows :

Jan. 20.	Cash	\$ 325.	
	Shipment Jones & Co., Buffalo		\$ 325.

If the account sale was not accompanied by a cash remittance, the merchant would be debited thus :

	Jones & Co.,	\$ 325.	
	Shipment Jones & Co., Buffalo		\$ 325.

When the commission merchant receives the goods, no entry of a debit or credit nature is made by him unless he pays the freight or some other charge, as the goods do not belong to him. If freight is paid, the record will be :

	(Sender's Name) Consignment	\$ 5.50	
	Cash		\$ 5.50

As sales are made, the consignment account will be credited instead of merchandise. When all the goods are sold, the consignment account will be charged with commission, etc. The difference will then show the balance due, and when paid, this will be charged to the consignment, thus closing the account. The commission is the commission merchant's gain, or pay for his services.

The valuation placed on merchandise when shipped to be sold on commission is generally the amount at which it would be inventoried if retained in stock. Any expenses incurred in sending a shipment should be charged to it.

LEDGER ACCOUNT WITH A SHIPMENT

Shipment Jones & Co., Buffalo, N. Y.

19— Jan.	1		300		19— Jan.	20		325
"	31	<i>Loss and Gain</i>	25					325
			325					325

Required of the Student. — Journalize the following transactions, open accounts with the shipments, post the debit and credit items affecting shipments, and close the accounts.

July 1, 19—. Shipped to Cervený & Anderson, Philadelphia, Pa., to be sold on our account and risk, 500 bushels of barley, invoiced at 50 ¢ per bushel.

July 3. Shipped to Mann & Co., Boston, Mass., to be sold on our account and risk, 1 car potatoes, 200 bushels, at 75 ¢ per bushel.

July 5. Shipped to E. Earl & Sons, Erie, Pa., 1 car sweet potatoes, 225 bushels, at \$1.25 per bushel. Prepaid freight in cash \$29.60.

July 9. Received on account sales from Cervený & Anderson together with check for proceeds, \$290.76.

July 14. Received notice of destruction of shipment made on the 3d inst. The shipment is a total loss.

July 20. Received on account sales of shipment made on the 5th inst. The proceeds, amounting to \$360.50, have been credited to our account.

LESSON XXXI

DRAFTS

IN the course of business it frequently becomes necessary to make payments at distant places. It is obvious that this might be done by carrying the money from one place to another. But this would involve the risk of loss, prevent the use of the money while in transit, and be expensive.

For example, if A of Chicago buys merchandise amounting to \$1000 from B of New York, and B of New York buys produce from D of Chicago for the same amount, it is clear that all obligations might be canceled by transferring the money in both directions between the cities. But after all the time, risk, and expense involved, there would be just as much money in each city as at the start.

Early in the history of commerce, methods were adopted to avoid, as far as possible, the actual transfer of money. This was accomplished by the use of drafts, or bills of exchange. These were orders by which one party directed a second party to pay a specified amount to a third party or to his order.

To illustrate the use of such papers, return to the transactions above. B, who is in New York, has \$1000 due him from A, in Chicago. Suppose that at the same time B owes D, also in Chicago, \$1000. Instead of actually transmitting the money, B writes an order directing A to pay the \$1000, due B, to D. This order, which is a draft, is sent to D, who takes it to A and receives the \$1000, or the assurance that he will receive it after a certain time. No money has been carried between the cities and yet the two debts have been canceled.

B, who signs it, is called the drawer of the draft; D, to whom it is made payable, the payee; and A, who is directed to pay it, the drawee.

The use of drafts is based on the supposition that the drawee has in his possession funds belonging to the drawer, or that he is in some manner under obligation to pay the drawer. The obligation may be an agreement between the parties to honor each other's drafts.

When the payee of a draft presents it to the drawee for payment, the latter may either express his willingness to pay or refuse to do so. If the draft is payable after sight, as in the form below, the drawee gives his written promise to pay when it becomes due. He does this by writing the word "Accepted," with his name and date, across the face of the draft. If the draft is payable at sight, it must be paid when presented. In either case the draft is said to have been honored.

If the parties to a draft are individuals or firms, the paper is called an individual or personal draft. If the drawer and drawee are banks, or banking houses, the draft is called a bank draft. Although the theory on which is based the use of personal drafts as described above, is correct, in practice personal drafts are at the present time rarely, if ever, used. Bank drafts are used extensively in making payments in distant places. Banks furnish these drafts to depositors generally without charge for exchange.

4. Elmer Rixon & Co., Altoona, Pa., drew on you at sight through the Central National Bank, of that city, on Jan. 2, 19—, for \$ 64.20.

QUESTIONS

1. In each of the drafts written, who is the drawer? Payee? Drawee?
2. In each, what entry should the drawee make when he honors the draft?
3. What entry should the payee make in each case when the draft is honored?
4. What entry should the drawer make?
5. How many uses of drafts are illustrated in the exercises?

LESSON XXXII

BUSINESS LETTER WRITING

Introduction. — The three ordinary means used by the business man to communicate with dealers and customers are the letter, the telephone, and the telegraph. It is not the purpose of this lesson to discuss these means of communication in detail, but to give a few hints relating principally to the correct form of a business letter. The student will find a fuller discussion of business correspondence in special works on this subject.

Every business letter should possess the following qualities :

1. It should be well written.
2. It should be neat.
3. Its meaning should be clear.
4. It should be as brief as possible, consistent with clearness.
5. It should be courteous.
6. It should be mechanically correct.

When answering a letter, give the date of the letter answered. When paying a bill, give the full amount of the bill and discount, if deducted.

Required of the Student. — In preparing the following exercises use regular commercial letter paper, which measures usually $8\frac{1}{2} \times 11$ inches. Rule two parallel lines at the left, one three quarters and the other one and one half inches from the left edge of the paper. There will be no writing to the left of the first line; all paragraphs will begin at the second line. If you find that you need additional information in writing the letters required by the exercises, apply to your teacher or refer to some work on letter writing.

LETTER ORDERING GOODS

OFFICE OF
JAMES BROWN & SONS
MERCHANTS

Chicago, Ill., Mar. 3, 19—.

*Messrs. Jones, Laughlin & Co.,
Rochester, N. Y.*

Gentlemen

Kindly forward by fast freight the following:

*12 bbl. H. & C. Granulated Sugar,
20 cases 5-lb. Crystal Domino Sugar.*

*You may draw on us at sight for the amount,
less cash discount.*

Yours truly,

James Brown & Sons.

By S.

Required of the Student. — Prepare the following letters, supplying dates and using your home address :

Example 1. — Order from D. C. Heath & Co., Boston, Mass., a number of books ; ask them to send the goods cash on delivery.

Example 2. — Order from Clafflin & Co., New York City, five items, dry goods, asking for best terms, and giving your banker as a reference.

Example 3. — You owe Brown & Brown \$125 for a horse, for which you are to give your note at 30 days, bearing 6 % interest. Write a letter inclosing the note.

Example 4. — You received the goods ordered in Example 2, amounting to \$125.60, less 2 % for cash. Write a letter stating that you are inclosing a bank draft for the bill, less the discount. Use the following form in the body of the letter :

Bill of goods, Mar. 1, 19—	\$125.60.
2 % Cash Discount	2.51.
Bank draft inclosed for	<u>\$123.09.</u>

Example 5. — Order from Crane Manufacturing Company, Philadelphia, Pa., dealers in stoves, etc., five items ; give reference.

Example 6. — Write to the Crane Manufacturing Company, dating your letter ten days after the date used in Example 5. Make your letter include all the essential facts contained in the following data :

- (1) Acknowledge receipt of the goods ordered in Example 5 together with invoice.
- (2) Explain that they have billed and shipped you a No. 7 family range that was not included in your order.
- (3) State that you are inclosing a bank draft for the amount of the invoice, \$265.75, less the invoice price of the article not ordered, \$41.50, and less the 4 % discount allowed by the terms of the invoice for payment within ten days.
- (4) Ask what disposition they desire you to make of the article that was not ordered.

LESSON XXXIII

OPENING AND CLOSING ACCOUNTS

THE following examples afford practice in opening and closing sets of transactions. Each presents in complete form the results of one or more years' business.

The most difficult part of bookkeeping is found in the opening and closing of sets of books. These exercises omit the details of the business that are but a varied repetition, and bring the important parts close enough together to illustrate clearly the relation each bears to the other.

The student will journalize, post, take a trial balance, make balance sheet, and close the ledger according to the provisions of each exercise. When no dates are given, use the first business day of the year for the opening entries and the last business day of the year for the closing entries.

Example 1

Losses and Gains shared equally. Salary Adjustment

1. W. F. Barnes and R. A. Smith commenced business with the following resources :

Barnes invested cash	\$ 3000.
Smith invested merchandise	4000.

Losses and gains are to be shared equally. It is agreed that salaries shall be allowed as follows : Barnes \$90 per month and Smith \$100 per month.

2. Total purchases of merchandise on account for the year amounted to \$15,000.
3. Total sales for the year amounted to \$18,000, one half on account, the remainder for cash.
4. Total expenses for the year paid in cash, not including salaries of partners, amounted to \$2500.
5. All the accounts receivable were paid in cash less an average cash discount of 2 per cent.
6. One half of the accounts payable were paid in cash less an average cash discount of $1\frac{1}{2}$ per cent.
7. Credit each partner with salary for one year.
8. One half of each partner's salary was paid. Barnes took merchandise from the store and Smith was paid in cash.
9. The inventories are as follows :

Merchandise	\$ 6500.
Expense	175.

*Example 2**Losses and Gains shared in Proportion to Capital*

1. R. W. Miller and H. B. Brown commenced business with the following resources and liabilities :

2. R. W. Miller invested as follows :

Cash	\$ 2100.
A note signed by O. B. Grow, due in 60 days	800.
An account against Fair & Co. for	475.
A balance due A. B. James on account	375.

3. H. B. Brown invested as follows :

A store building and lot valued at	\$ 6000.
There was a mortgage against the above which was assumed by the firm amounting to	2500.

4. According to the articles of copartnership the losses and gains were to be shared in proportion to the net investments of the partners.

5. The total purchases of merchandise for the year on account amounted to \$12,000.

6. The total sales of merchandise for the year on account amounted to \$17,500.

7. The total expenses for the year, all paid in cash, amounted to \$1350.

8. Three fourths of the accounts receivable were paid in cash less an average cash discount of $2\frac{1}{4}$ per cent.

9. One half of the accounts payable were paid in cash less an average cash discount of $1\frac{3}{4}$ per cent.

10. Paid cash for new elevator in building \$ 200.

11. Inventories at end of year :

Real Estate	\$ 6200.
Merchandise	3000.

No allowances were made for discount on the note invested by Mr. Miller or for interest accrued on the mortgage assumed by the firm.

Close the accounts and distribute the net loss or the net gain.

*Example 3**Interest Adjustments on Investments*

1. E. L. Coe and M. F. Scofield commenced the retail grocery business Jan. 1, 19— Their investments and withdrawals were as follows :

E. L. Coe :

On Jan. 1 invested	\$ 1500.
On Mar. 1 withdrew	500.
On July 1 invested	2000.
On Nov. 1 withdrew	300.

M. F. Scofield :

On Jan. 1 invested	\$ 3000.
On Apr. 1 withdrew	800.
On Aug. 1 withdrew	200.

The above were all cash items.

2. Each partner was credited with interest on all investments at the rate of 5 %, and was charged with interest at the rate of 6 % on all withdrawals.

3. Total purchases for the year, one half on account and one half for cash, amounted to \$ 14,000.

4. Total freight charges paid in cash amounted to \$ 320.

5. Total sales for the year amounted to \$ 21,000, one quarter being on account and the balance for cash.

6. Each partner was credited with a salary of \$ 100 per month. This was promptly drawn out on the date of credit, *i.e.* the end of the month. (No interest.)

7. Total expenses for the year paid in cash \$ 1600.

8. Inventories at the end of the year :

Merchandise	\$ 3250.
Expense	250.

9. Losses and gains were to be shared equally.

10. Find each partner's present worth as of Dec. 31, 19—, the business having been in operation for one year.

Example 4

Admitting a Partner

1. A. A. Brewer started in business Jan. 1, 19— with an investment of \$ 7500 in cash.

2. The total purchases for the year amounted to \$ 17,500, one half for notes and one half on account.

3. The total sales for the year amounted to \$ 16,750, one half for cash and one half on account.

4. The total expenses for the year, amounting to \$ 1350, were paid in cash.

5. Three fourths of the accounts receivable were paid in cash less an average cash discount of $2\frac{1}{2}$ %.

6. One half of the accounts payable were paid in cash less an average cash discount of 2 %.

7. Dec. 31, 19—, Mr. Brewer offered a half interest in the business to H. B. White, for a cash investment equal to the present worth of the business. It will be necessary for you to close the books to determine this amount. It was agreed that the accounts receivable pass at their face values and that no account should be taken of any interest.

The inventories were :

Merchandise	\$ 5250.
Expense	250.

8. H. B. White invested cash as agreed.

Summary of business for the following year :

9. Paid all notes payable in cash and also interest due on the same, \$ 25.60.

10. The total purchases for the year amounted to \$ 23,000, one half paid in cash and the balance on account.

11. The total sales for the year amounted to \$ 23,125, one half for cash, and notes for the balance.

12. The total expenses for the year, paid in cash, amounted to \$ 1900.

13. The old balances of accounts receivable were paid in cash.

14. The inventories were :

Merchandise	\$ 9150.
Expense	315.

15. An expense item of \$ 120 purchased on account had not been entered on the books.

16. Partners shared losses or gains equally.

Example 5

Buying out a Partner

1. Jan. 1, 19—, B. Cerveny and W. A. Wheeler engaged in business with the following resources and liabilities :

Cerveny's investment :

Cash	\$ 2500.
Merchandise	3000.
Real Estate	4000.

There was mortgage on the real estate amounting to \$ 2500, which was assumed by the firm.

Wheeler's investment :

Bills receivable	\$ 3000.
Furniture and Fixtures	1000.

The notes were guaranteed by Mr. Wheeler.

Losses and gains were to be shared in proportion to investments.

2. The total purchases on account for the year amounted to \$ 19,500.

3. The total sales for the year amounted to \$ 21,000, one half on account and the balance for cash.

4. The total expenses for the year paid in cash amounted to \$ 1500.

5. One of the notes invested by Mr. Wheeler amounting to \$ 1400 was found to be worthless and it was charged to him.

6. The balance of the bills receivable account and interest due on notes amounting to \$ 24.50 were paid in cash.

7. Dec. 31, 19—, Mr. Wheeler, desiring to sell out, offered his interest to Mr. Cervený for cash. The accounts receivable were to be taken at their book values, but in determining the amount to be paid to Mr. Wheeler, it was proposed to deduct 2 % from the present worth of his interest. Mr. Cervený accepted the proposition.

The inventories were :

Merchandise		\$ 7650.
Expense		320.
Real Estate	\$ 4000.	
Less Mortgage	<u>2500.</u>	1500.
Furniture and Fixtures		1000.

8. Paid cash to Mr. Wheeler according to the agreement. This cash was taken out of the business.

Summary of the business for the following year :

9. The total purchases for the year amounted to \$ 18,500, one half on account and the balance for notes.

10. The total sales for the year amounted to \$ 31,000, one half for cash and the balance on account.

11. The total expenses for the year paid in cash amounted to \$ 1850.

12. Withdrawals of cash by the proprietor amounted to \$ 2150.

13. One half of the old balance of accounts receivable and three fourths of the sales on account were paid in cash.

14. The old balance of accounts payable was paid in cash.

15. Inventories at the close of the year were :

Merchandise		\$ 3600.
Expense		220.
Real Estate	\$ 3900.	
Less Mortgage	<u>2500.</u>	1400.
Furniture and Fixtures		950.

LESSON XXXIV

SINGLE ENTRY BOOKKEEPING

SINGLE ENTRY BOOKKEEPING is a method of recording business transactions in such a manner as to determine the condition of the personal accounts. This purpose it accomplishes as satisfactorily as double entry, if we disregard the advantages of the latter in the detection of errors. It is evident from the purpose of the method that the law of equality of debits and credits, as found in double entry, can have no place in single entry, and that the checks upon the work provided by this law are lacking.

It is obvious that the resources and liabilities of a business whose records are kept by the methods of single entry can be determined, and from these facts it is possible to find the net capital or present worth. Also it is clear that the difference between the net capitals at two dates in the history of the business is the net gain or net loss for the intervening period, provided allowances are made for additional investments and for withdrawals of capital from the business.

It should, however, be explained that all information required for determining the resources is not necessarily found in the records of the business and may have to be obtained from other sources. For example, if the day book alone is used for original records, and no cash account is kept, the amount of cash on hand can be found only by actually counting it; and the total of the notes on hand can be found only by adding the values of those in possession of the business. Since the notes outstanding cannot readily be determined in any other way, it is customary to keep a record of them in a notes payable book. The value of merchandise and other property must, of course, be determined as in double entry.

The great weakness of the single entry method appears when it is desired to find where the gains and losses of a business occur. One department of a business may be pleasingly profitable, while another may be a source of loss, but the single entry method is inadequate to discover either of these facts.

Among other defects of the single entry method are the following:

Trial balances in the double entry sense are impossible.

The accounts giving rise to the losses and gains of the business are not found in the ledger.

The discovery of an omission of a debit or a credit item from the ledger is accidental and not due to any merit of the method.

BOOKS USED IN SINGLE ENTRY

As in double entry, the number of books used and the nature of records made in them depend upon the requirements of the business. It should, however, be remembered that the books selected in single entry are those that most readily lend themselves to

determining the condition of the personal accounts. Below are a few of the combinations found in common use.

I. But one book of record may be used. This is a form of ledger with sufficient space on both sides for explanations. For particular lines of business this form of record is admirably adapted. Although the history of accounting fails to give positive information upon this point, it is generally believed that the first systematic records of transactions were of this form.

II. A very common form of single entry is that in which the day book and ledger are used. The original records are made in the day book. Generally, only those transactions that affect personal accounts are recorded. But the day book may contain a full record of all transactions. It is necessary in posting to discriminate between those affecting personal accounts and others.

III. Frequently the cash book is added to those just described. It may contain a record of receipts and payments, none of which are carried to the ledger; in this case it is an auxiliary book. It may be used in such manner that cash items affecting personal accounts are transferred from it to the ledger. In the former case, the day book would necessarily contain a record of all cash items to be carried to the ledger; in the latter case, all cash items may be omitted from the day book.

Other Books. — All the books used in double entry except the journal may be used in single entry. The cash book, the sales book, and the invoice book are subdivisions of the day book in either case. Notes receivable and notes payable books are frequently used. It should be kept in mind that single entry concerns itself with personal accounts, and that the introduction of additional books is not for the purpose of more readily obtaining detailed information concerning any impersonal account. They are used either for reference or as a matter of convenience in keeping records of one kind of transactions in a separate book.

Sometimes purely impersonal accounts are kept in single entry, but to this extent the system encroaches upon the methods of double entry bookkeeping.

SINGLE ENTRY. SET I

In recording the transactions of this set you will use a day book, a cash book, and a ledger.

The day book will contain a complete record of all transactions that affect personal accounts. The cash book will contain a record of all receipts and payments of cash. These are the books of original entry, and they should contain records so complete and clear that a full history of the business is revealed by them. The cash book here has the same rulings as in the double entry sets, but the receipts and the payments will be entered on the same page. Since no book corresponding to the journal of double entry is used, it is convenient to indicate in the day book entry whether a personal account is to be credited or debited. The forms of the day book and the cash book as given illustrate how entries are made. The rules for determining when a personal account must be credited and when debited apply to single as well as to double entry.

The ledger used here has the same rulings as the day book. The left amount column contains the charges, and the right amount column the credits, of personal accounts.

Day Book

19—

Oct.	1	John Phillips commenced the business of repairing and dealing in automobile tires at 1620 Park St. He invested cash \$1500. John Phillips	Cr.		1500
"	2	Union Mfg. Co. Vulcanizing outfit	Cr.		620
"	2	Union Mfg. Co. Cash in part payment of above	Dr.		120
"	3	J. Ames & Son Fabric as per invoice	Cr.		113 55
"	5	W. M. Davis, 1785 Park St. 2 sections in casing @ \$4.25	Dr.		8 50
"	6	Harold Steiner, 420 Green St. Rebuilding casing, 32 x 4	Dr.		24 50
"	10	T. M. Fischer & Co. Lathe and motor	Cr.		125
"	11	J. P. Sand Automobile	Cr.		450
"	11	J. P. Sand Cash in part payment of above	Dr.		300
"	12	Central Garage, 1645 York Ave., Repairing 8 inner tubes @ \$.75 Repairing 6 casings @ \$4.50	Dr.	6 27 33	
		Less 15 %		4	95
"	13	J. Ames & Son Cash for invoice of the 3d inst.	Dr.		113 55
"	15	John Gray, 562 Elm Ave. Retreading 2 36 x 4½ casings @ \$18.25	Dr.		36 50
"	30	R. J. Raymond, 1524 East Ave. Allowance for defect in casing Cash for balance of account	Cr.	10 43	53

19—		<i>Cash</i>	<i>Received</i>	<i>Paid</i>
Oct.	1	John Phillips investment	1500	
"	1	Rent of store 1 mo. in advance		40
"	2	Sheet rubber, 60 lb. @ \$1.12½		76 50
"	2	Benzine, 5 gal. @ \$.22		1 10
"	2	Union Mfg. Co. on acct.		120
"	3	Tools as per bill		28 70
"	4	Repairs, 4 tubes @ \$1.25	5	
"	6	Balance (To be entered in red ink)	1505	257 30
			1505	1247 70
Oct.	8	Balance	1247 70	

Required of the Student. — Write up the transactions of Set I in the day book and the cash book. Then post the day book entries. The posting here is so similar to the posting in double entry, so far as the personal accounts are concerned, that you should have no difficulty. Postmark postings as in double entry. Several items have been posted to show the form of the accounts. Balance and rule up the cash book on the 6th, 13th, 20th, 27th, and 31st of the month.

TRANSACTIONS

Oct. 1, 19—. John Phillips commenced the business of repairing and dealing in automobile tires at 1620 Park St. He invested cash \$1500.

PERSONAL ACCOUNTS

19—		<i>John Phillips, Prop.</i>	<i>Dr.</i>	<i>Cr.</i>
Oct.	1	Investment		1500

- Oct. 1. Paid rent of shop for 1 month in advance \$40.
- " 2. Paid cash for 60 lb. sheet rubber at \$1.12½.
- " 2. Paid cash for 5 gal. benzine at \$.22.
- " 2. Bought from the Union Manufacturing Co. a vulcanizing outfit \$620. Paid cash \$120, balance on account.

19—		<i>Union Mfg. Co.</i>	<i>Dr.</i>	<i>Cr.</i>
Oct.	2	Vulcanizing outfit		620
"	2	Cash	120	

- Oct. 3. Bought from J. Ames & Son on account per invoice 62 lb. fabric at \$.90,
55 lb. fabric at \$ 1.05.
- “ 3. Paid cash for tools as per bill \$ 28.70.
- “ 4. Repaired 4 inner tubes at \$ 1.25, received cash for same.
- “ 5. Put 2 sections in casing for W. M. Davis, 1785 Park St., at \$4.25 on account.
- “ 6. Rebuilt a 32 × 4 casing for Harold Steiner, 420 Green St., \$ 24.50.
- “ 8. Made sundry repairs for cash amounting to \$ 7.65.
- “ 9. Paid Union Manufacturing Co. cash on account \$ 100.
- “ 10. Bought a lathe and motor from T. M. Fischer & Co. on account \$ 125.
- “ 11. Bought a second-hand automobile for delivering work from J. P. Sand for
\$ 450, paid him cash \$ 300, balance on account.
- “ 12. Repaired for Central Garage, 1645 York Ave., on account,
8 inner tubes at \$.75
6 casings at 4.50
Allowed a commission of 15 % on bill.
- “ 13. Paid J. Ames & Son for purchase of the 3d inst.
- “ 15. Retreaded 2 36 × 4½ casings for John Gray, 562 Elm Ave., at \$ 18.25, which
was charged to his account.
- “ 16. Bought from J. Ames & Son materials as per invoice \$ 222.50.
- “ 16. Hired Frank Jones to assist in shop and to deliver work at \$ 15 per week.
- “ 17. Made repairs for cash amounting to \$ 16.50.
- “ 18. Repaired for Central Garage on account,
8 inner tubes at \$.75
6 inner tubes at 1.25
5 casings (rebuilt) at 23.50
Allowed a commission of 15 % on above.
- “ 19. Received from Central Garage cash for bill of the 12th inst.
- “ 20. Paid Frank Jones for 3 days' work \$ 7.50.
- “ 22. Bought for cash 16 second-hand casings at \$ 7.40.
- “ 23. Sold R. J. Raymond, 1524 East Ave., on account 4 second-hand casings at
\$ 13.25.
- “ 24. Paid Union Mfg. Co. on account cash \$ 200.
- “ 25. Received bill from Lewis Clark for printing \$ 7.30, paid cash for same.
- “ 25. Rebuilt for John Gray, 562 Elm St., 2 34 × 5 casings at \$ 27.50. Received
from him cash on account \$ 50.
- “ 26. Paid J. Ames & Son on account \$ 150.
- “ 27. Paid Frank Jones cash \$ 7.50 and gave him credit for balance due on week's
wages \$ 7.50.
- “ 29. Made repairs for cash \$ 29.75.
- “ 30. Allowed R. J. Raymond a rebate of \$ 10 on his purchase of the 23d because
of defects in one casing. He paid cash for balance of his account.
- “ 31. Credited Central Garage for oil and gasoline received during month as per
bill \$ 9.60.

Oct. 31. John Phillips, Prop., withdrew cash from business for personal expenses \$100.

Inventory :

Materials	\$ 300.
Equipment (Vulcanizing outfit, tools, motor, and lathe)	750.
Automobile	440.
Second-hand Casings	88.40

After completing work as instructed, make a statement to show the resources and the liabilities of the business as well as the net gain or net loss. The information obtainable from your books together with the inventory of property on hand should enable you to determine the resources and liabilities. This statement, as far as it goes, is like those you made for the double entry sets. The only method of discovering whether there is a gain or a loss consists of a comparison of the present worth with the proprietor's net investment.

QUESTIONS

1. If the present worth is just equal to the net investment, what conclusion will you draw ?
2. If the present worth is greater than the net investment, how can the increase be accounted for ?
3. If the present worth is less than the net investment, how can the decrease be accounted for ?
4. Does single entry bookkeeping seem satisfactory for a business giving rise to transactions similar to those of this set ?
5. If the proprietor wished to know the total cost of materials used, would he have much difficulty in determining it ? Why ?
6. If you should be required to work out this set by the methods of double entry, and were allowed entire freedom as to books, what books of original entry would you select ?
7. Would you open a merchandise account ? Why ?
8. Would a sales book be of much use ? What book would you suggest to take its place ?

INSTRUCTIONS FOR DOUBLE ENTRY

Unless otherwise instructed by your teacher, you will work out the above set by the methods of double entry. The inventory as given at the end of the transactions should suggest some of the impersonal accounts that should be opened. It is suggested that you open a repair account. For original entries you will use the day-book journal, the cash book, and a repair book. The last may be used in the same manner as the sales book in previous sets. Only those repairs that are charged to the personal accounts will be entered into this book. The cash book and day-book journal will be used as in previous sets.

Compare the results obtained by the methods of single and double entry. Find as many points of similarity and of difference as possible.

SINGLE ENTRY. SET II

The transactions used in this set are those of Set III, double entry, page 39.

The day book will contain a record of all transactions affecting personal accounts except cash received and paid. The same form of ledger will be used as in the double entry sets. There is not necessarily any difference in the form of ledger used in single entry and double entry.

If the bill book is used, it will be similar to the form illustrated on pages 62-63.

The cash book will be of the same form as in the first set of single entry; but since no cash will now be entered into the day book, those receipts and payments affecting personal accounts must be posted from the cash book.

With the exception of the modification noted above, the day book here will be like that in the previous set. You may use loose paper for this book.

After having worked this set as directed you should, with the aid of a few suggestions, be able to make changes necessary to convert a set of double entry books to single entry and *vice versa*.

PART II

BUSINESS PRACTICE

IN recording transactions—that is, in making bookkeeping entries—follow the same general methods here that were used in Part I of this book. The use of additional books will be found convenient, and their use will be explained as they are introduced. Except in transactions where you are otherwise instructed, make the entries so that the personal accounts will contain complete records.

In this part of the work you will be required to write or fill out a variety of papers known by the general term “business forms.” You will also receive similar forms made out by those with whom you transact business. These two sets of papers will constitute the evidence of business transacted. The papers made out by you will be referred to as “outgoing papers”; those already filled out when you receive them are “incoming papers.”

As a rule, the transactions in the book would not be intelligible without the papers provided to accompany them. The transactions and the incoming papers bear the same numbers. A large part of your work will consist in making out papers and filing them for future reference. Filing is any systematic arrangement of papers; there are various systems. Several methods are suggested below that will answer your purpose. Be sure that the plan you follow enables you to find any particular paper quickly.

In this part of the course you will also keep the books and attend to the general office work of the business. According to your agreement with the proprietor you will receive a salary of \$15.00 per week.

It will frequently be necessary for you to sign the proprietor’s name to papers of various kinds. You will assume that the proprietor has given you authority to do this whenever the requirements of the business demand it. But in all cases where you sign his name, follow it with your name as in the form below:

B. J. Knouss
By (Your Name).

METHODS OF FILING

Envelopes are provided in your outfit for taking care of all papers you handle. The printed instructions on the outside explain what is to be filed in each. The incoming papers should be placed in the proper envelopes and arranged in the order in which they are received.

All outgoing papers may be placed in one envelope. Either file all the papers in the order in which they are received, which will keep the papers belonging to the same transaction together, or file all the papers of one class by themselves, which will enable you to find any particular paper more quickly. Be sure in either case that the filing is done carefully.

The foregoing is a memorandum entry. No debits or credits have been entered.

As the preceding items are entered in the cash book and the day-book journal, use (✓) marks to show that the entries have been transferred to other books.

Enter the investment of cash in the cash book on the debit side, thus :

<i>Cash</i>		<i>Dr.</i>
<i>Jan. 2</i>	<i>B. J. Knouss</i>	<i>Investment</i> 2,500

Enter the remaining assets in the journal thus :

2	<i>Merch.</i>	2000	
	<i>Horse & Wagon</i>	350	
	<i>Safe</i>	100	
	<i>Expense</i>	25	
	<i>B. J. Knouss</i>		2475
	<i>Assets invested in business</i>		
	<i>as per mem. statement above</i>		

Remove check and currency from the pad and place in the cash envelope.

2

Jan. 2. Open an account with the Bankers School Bank of Chicago and deposit the check for \$2400 which the proprietor invested in the business. In indorsing the check use a blank indorsement. (For forms of indorsement, see Lesson IV.)

BANKERS SCHOOL BANK

DEPOSITED BY

B. J. Knouss

Jan. 2, 19—

Currency		
Coin		
Total Checks and Drafts	2400	
List Checks and Drafts ...	2400	

Practice. — The proprietor will introduce you to the various bank officials so they may be informed of your business relations to him and that he authorizes you to sign checks. He records this information with the bank. You will be requested to sign the proprietor's name and your own name in the bank signature book or on a card. This is for comparison when a check drawn by you is presented for payment.

Now fill out a deposit ticket, following the accompanying form, and hand it to the receiving teller, together with the check. He will enter the deposit in a small book known as a pass book. This book will be handed to you.

It is your receipt from the bank for the deposit. Take this book with you whenever a deposit is made. At stated intervals, generally once a month, the book will be balanced and the checks you have drawn, properly canceled, will be returned to you. (You make no entries in the pass book.) Most banks keep the depositor's account showing daily balances on a loose sheet of ledger paper specially ruled. This is given to the depositor at the end of the month, together with the canceled checks. The depositor is generally requested to sign a receipt for the returned checks.

In the pass book deposits will be recorded by the teller on the debit side thus :

19—									
Jan.	2	Deposit	C	2400					

NOTE. — C is the initial of the receiving teller.

It will not be necessary to make a debit and credit entry. The cash deposited still belongs to the business. Of what reasons can you think for placing it in the bank? Your cash book balance will show the amount of cash you have at your disposal. This balance will include the amount of cash on hand and the amount in the bank.

It is, however, necessary to keep a record of the money that you place in the bank as well as the amounts you order the bank to pay out. The most convenient place for doing this is in the check book. Space is provided for this purpose at the left of the blank checks. You will enter the deposit just made at the top of the first page of the check book in the money column. To the left of the amount write Jan. 2, 19—. Dep.

<p>Jan. 2, 19 Dep. 2400 No. 1</p> <p>19</p> <p>Order of A. S. Dietrich & Co</p> <p>For Insurance on Mdse. in Store</p> <p>\$ 75⁰⁰</p>	<p>75</p>	<p>Chicago</p> <p>The Bankers</p> <p>MASS</p> <p>Pay to the order of A. S. D</p> <p>Seventy-five and</p>
--	-----------	--

Many business firms deposit in the bank all money, checks, and other forms of cash received and make all payments by drawing checks on the bank. This is the safer way and prevents many mistakes. However, to afford practice in handling currency, you will keep a small amount of it on hand, and from this pay small bills.

Jan. 2. Order from Gray & Farwell, Chicago, Ill., the following bill of groceries, to be delivered C. O. D.:

48 lb. Baker's chocolate
 48 $\frac{1}{4}$ -tins Baker's cocoa
 12 lb. Black pepper
 10 bx. Cal. raisins
 10 bx. Cal. prunes
 3 bbl. Oatmeal
 5 bx. Sanitary toilet soap
 10 bx. Excelsior laundry soap.

Practice. — Write a letter (Refer to Lesson XXXII) for the above order. No debit or credit entry is to be made until the goods and a bill are received. Why? Address an envelope and inclose the letter properly folded. The disposition of this letter is to be in accordance with the method suggested in the introduction of this set.

NOTE. — You should have a copy of every important letter for reference. There are several methods of making duplicates. If a letter press is included in your school equipment, satisfactory results can be obtained with it. Since typewriters have become a part of the equipment of almost every business office practically all duplicates of letters are made on them. A sheet of carbon paper will enable you to make duplicate copies for this work. Which of these methods you will follow must be determined by the facilities at your disposal and the instructions of your teacher.

4

Jan. 2. The proprietor instructs you to pay the premium for insurance on the merchandise in the store. The bill will be found on Pad No. 2. The proprietor has taken charge of the policy.

NOTE. — Most of the payments in these transactions will be made by checks. A check is an order on a bank by a depositor for the payment of money. A check ordinarily does not specify in payment of what items or bills it is issued. Your checks, however, have a form on the back for the purpose of naming specifically what is paid by each check. When the check is returned to you by the bank it will contain the payee's indorsement, which will be your receipt that the items named have been paid. This is one form of voucher check. Do not dispose of a check until the stub has been properly filled out. The checks should be numbered consecutively and the numbers on a check and its stub must be the same. Follow the model forms in writing checks and filling out stubs.

Chicago, <u>Jan 2, 19</u> No. <u>1</u>	
<i>The Bankers College Bank</i> MARQUETTE BUILDING	
Pay to the order of <u>H. S. Dietrich & Co.</u>	<u>\$75</u> ⁰⁰
<u>Seventy-five</u> ^{and} <u>no</u> ¹⁰⁰	<u>Dollars</u>
<u>B. J. Knouss</u> Per _____	

Practice. — Write a check for the amount of the bill. Make it in favor of the firm by whom the bill is presented. In the form on the back explain in payment of what the check is issued.

Bookkeeping. — Record this payment on the credit side of the cash book, charging the amount to Insurance. Use the following form :

<i>Cash</i>			<i>Cr.</i>
<i>Jan</i>	<i>2</i>	<i>Insurance</i>	<i>Prem. 1 yr. on Mdse</i>
			<i>75</i>

File the check and the bill.

5

Jan. 2. Purchase a set of office furniture according to bill No. 5. (The large numbers at the top of the incoming papers correspond with the numbers of the transactions.)

Practice. — You will find the bill for the above on Pad No. 2 of incoming papers. It has been O.K.'d by the proprietor. What does this indicate? It is also receipted. It should not be removed from the pad until a check to meet it has been written.

Write out a check for the amount called for in the bill.

Refer to Transaction 4 for the correct method of filling out the check and for getting the bank balance. You should show the bank balance after the drawing of each check; you will thus never make the mistake of overdrawing your bank account. Carry this second balance to the top of page 2.

File the bill received in the envelope marked "Paid Bills and Receipts."

Bookkeeping. — Enter on the credit side of the cash book, charging the expenditure to Fixtures.

6

Jan. 2. As help is needed in conducting the business, the proprietor hires Allen Brown as salesman at \$12 per week and James Rooney as driver and helper at \$13 per week.

Bookkeeping. — No debit or credit entry is required, but it is an excellent plan to have a record for reference. You may therefore make a memorandum entry in your journal, that is, simply a statement of the substance of the agreement. Do not extend amounts into the money column; except for the date, use the wide space only. Include in this entry a record of your agreement with the proprietor. (See introduction.)

NOTE.—Write up this memorandum explanation on trial paper and submit it to the teacher for approval.

7

Jan. 2. The proprietor rented the store building you occupy previous to Jan. 1, but the lease was not delivered until to-day. You will find the lease in your outfit.

Practice. — It is customary to make two copies of a lease, one for the lessor and one for the lessee. The copy you receive has been signed by both parties, and you may assume that the other also has been signed. Read the conditions of the lease carefully.

Draw a check for the first month's rent, making it payable to the agents by whom the accompanying receipt is signed. Although you here have a separate receipt (see Pad No. 1), you will fill out the voucher on the back of the check.

Bring down the bank balance in the check book.

Bookkeeping.— Charge this payment to Expense.

File the lease, the check, and the receipt.

8

Jan. 3. Order from the Union Milling Company, Minneapolis, Minn., the following items, asking for prompt shipment :

- 10 bbl. Fancy family flour
- 10 bbl. $\frac{1}{4}$'s Fancy family flour
- 15 bbl. $\frac{1}{4}$'s Union medal flour
- 20 bbl. $\frac{1}{8}$'s Union medal flour.

Practice.— Write the letter for the above order. Copy the letter and dispose of it as previously instructed. See Transaction 3.

No debit or credit entry is required.

9

Jan. 4. You will receive to-day by delivery the goods ordered the 2d inst., together with bill, which is in Pad No. 2. The goods are according to bill and are checked on it.

Practice.— When goods are received they are checked against the items called for on the invoice. This is done by a receiving clerk, after which the goods are placed in the general stock. The invoice as you take it from the pad shows these check marks, and the O.K. and initials of the proprietor. It will be your duty to verify the extensions on all invoices.

The terms are C.O.D. Write a check for the purchase, making it in favor of the seller. Bring down bank balance.

In filling out the voucher say "For Inv. No. 9, Jan. 3."

Bookkeeping.— Since it is desirable that the ledger accounts show all of the dealings with creditors and customers, you will make a record in the journal as follows :

Jan.	3		<i>Mdse.</i>			181	05		
			<i>For Inv. No. 9</i>	<i>Gray & Farwell</i>				181	05

Also make the following entry on the credit side of the cash book :

Jan.	3		<i>Gray & Farwell</i>	<i>For Inv. No. 9</i>		181	05		
------	---	--	---------------------------	-----------------------	--	-----	----	--	--

The record of this purchase might be made by the following entry in the cash book on the credit side :

<i>Jan.</i>	<i>3</i>	<i> </i>	<i>Mdse.</i>	<i> </i>	<i>For Inv. No. 9</i>	<i> </i>	<i>181</i>	<i>05</i>	<i> </i>	<i> </i>
-------------	----------	---------------	--------------	---------------	-----------------------	---------------	------------	-----------	---------------	---------------

This record does not show the personal account. The first entry shows a complete record, the second does not. Follow the first method in this set in recording the purchases and sales of merchandise only.

File the invoice and the check. Where?

NOTE. — It is customary to file invoices of purchases in some systematic manner so that reference may be made to them easily and promptly. There are several methods in general use. One is to paste them in a specially prepared book, numbering the invoices consecutively as they are entered. The record in the book of entry contains this number, thus making reference easy. Another common way is to file the invoices in a specially prepared binder, numbering as before. Each method has its advantages and disadvantages.

10

Jan. 4. The proprietor ordered from W. P. Rend & Co. coal for use in the store. The coal has been delivered and you will find the invoice in Pad. No. 2.

Practice. — Treat the bill according to its terms.

Bookkeeping. — Record in the cash book on the credit side, charging to Expense. File the papers.

11

Jan. 4. Order from F. M. Alling & Son, New York, the following goods :

- 5 H/C Y. H. tea.
- 3 H/C English breakfast tea.
- 5 H/C Formosa Oolong tea.

See Transaction 3 for instructions.

12

Jan. 4. Order from Antonio Valdez & Co., Philadelphia, Pa., the following goods:

- 5 bags O. G. Java Coffee.
- 10 bags Golden Rio Coffee.

See Transaction 3 for instructions.

13

Jan. 5. Sale according to ticket No. 13.

Practice. — You will find the sales ticket bearing the number of this transaction in Pad No. 3. The sales tickets are made out by sales or order clerks, who see to the filling of the orders. They are then sent to the bookkeeping department; first, for a guide in making out the bill; second, for making the bookkeeping record. They are then filed for future reference.

Make out an invoice for the sale in this transaction. For a model refer to invoice received in transaction No. 9. Use selling prices as shown on the ticket.

Bookkeeping. — Enter the sale in your sales book.

File the sales ticket and dispose of the bill as directed in the general instructions given at the beginning of the set.

14

Jan. 6. Received from the Union Milling Company flour ordered on the 3d inst., also invoice and bill for freight charges.

Practice. — The invoice and freight bill will be found in Pad No. 2. Write a check in favor of the railroad company for the freight.

Bookkeeping. — Enter the invoice in the day-book journal thus: Debit mdse. and credit the Union Milling Company for the amount of the purchase. Give the entry the date of the invoice and explain it thus: "Invoice No. 14."

Enter the payment in the cash book on the credit side. Charge the item to Freight, using for an explanation "On invoice No. 14."

File the invoice, the check, and the freight bill in proper envelopes.

15

Jan. 8. Sale according to ticket.

See Transaction 13 for instructions relating to practice and bookkeeping.

16

Jan. 8. Sale according to ticket.

See Transaction 13 for instructions.

17

Jan. 8. Received goods from New York in accordance with accompanying invoice, also freight bill from the railroad company.

QUESTIONS

1. What bookkeeping record of the purchase will you make? Of the check in payment of the freight?

2. What is the object of the check marks that you notice on the left margin of the invoice?

3. Where will you file the invoice? The freight bill? The check?

4. What is your check book balance after completing this transaction?

To verify what you have decided to do, refer to Transaction 14, since the transactions are similar.

18

Jan. 8. Sale according to ticket.

Practice. — This sale is for cash. You will find the check for the payment in Pad No. 1.

Make out the bill according to previous instructions. As this is a cash sale, write beneath the items thus:

Received Payment,
B. J. Knouss
By (Your Name).

Be sure that all items are postmarked.

Check all posting to insure accuracy.

Rule up all accounts that balance, and do not include them in the trial balance.

Enter footings in small pencil figures in all ledger accounts.

Take a trial balance and, when approved, copy it on the special ruled pages for trial balances. This form is known as a continued trial balance ruling. Use the first debit and credit money columns. Enter the date of the trial balance in the space at the top of the columns.

Do not erase the small pencil footings in the ledger.

22

Jan. 11. Sale according to ticket.

QUESTIONS

1. What papers will you make out?

2. What bookkeeping record will you make?

23

Jan. 12. Sale according to ticket.

24

Jan. 12. Petty cash sales according to ticket.

Practice. — Petty cash sales, sometimes called sundry cash sales, represent cash sales in various amounts to customers with whom no accounts are kept. To buy on account one must have credit or standing with the merchant. A large number of buyers, however, pay cash. Generally tickets are made out in duplicate by the clerk, one going with the sale to the purchaser and the other with the money to the cashier. The customer's name is usually not taken. At the end of the day the total of these tickets must equal the petty sales receipts. Total the sales on the sales ticket for this transaction. The amount should equal the amount of currency you will find in Pad No. 1.

Bookkeeping. — Enter in the cash book on the debit side, thus:

Jan.	12	<i>Mdse.</i>	<i>Petty Sales No. 24</i>						
				45	50				

25

Jan. 12. Sale according to ticket.

26

Jan. 12. Send Union Milling Company a check for invoice of the 4th inst., less the discount allowed on the invoice.

Practice. — The terms on the invoice show the rate of discount to be deducted if paid within the discount time. Write a check for the net amount of the invoice. Show the amount of discount on the stub of the check, but subtract from your bank balance only the net amount. Fill out the voucher on the back of the check, showing the amount of the bill, the discount, and the net amount. Write a letter explaining the transaction, inclosing the check. Refer to Lesson XXXII for the correct form of letter.

Bookkeeping. — The ledger account shows the full amount of the bill. If you post only the amount of the check, the account will not balance, but will show that you still owe the difference, which is the discount. But this you should not pay, as you are entitled to deduct this amount for prompt payment.

The instructions following are the same as those in Set 4 for similar transactions:

Record the payment by check in the cash book on the credit side, debiting the Union Milling Company. For explanation say "For Invoice No. 14 less 1%."

In the day-book journal debit the Union Milling Company and credit Cash Discount. For explanation say "1% on Invoice No. 14."

27

Jan. 13. Pay employees' wages to date, each for two weeks.

Practice. — Refer to Transaction 5 for names and amounts. Write a check in favor of each party.

Bookkeeping. — An expenditure of this character may be charged to Expense, Salary, or any special account desired. You may enter the payment as a charge to Expense. Make an entry in the cash book for each check.

28

Jan. 15. Order from Central Canning Company, Cincinnati, Ohio, the following goods:

100 cases Royal brand tomatoes
 100 cases Royal brand peas
 200 cases Royal brand corn
 25 cases Royal brand cherries
 25 cases Royal brand raspberries.

Practice. — See Transaction 3 for instructions.

29

Jan. 15. Send F. M. Alling & Son, New York, check in payment of goods bought, less discount as per invoice.

See Transaction 26 for instructions relating to practice and bookkeeping.

30

Jan. 17. Pay currency for cleaning store room, \$5.25.

Practice. — You will find a receipt for this amount in Pad No. 1.

Bookkeeping. — Enter in cash book. Charge to Expense.

31

Jan. 17. Send Antonio Valdez & Co. check in payment of invoice, less cash discount.

See Transaction 26 for instructions relating to practice and bookkeeping.

Jan. 17. Sale according to ticket. 32

Jan. 17. Sale according to ticket. 33

QUESTIONS

1. What are the terms of the sale?
 2. What record will you make in the sales book?
 3. What record will you make in the cash book?
 4. What is the object of carrying the transaction to the personal account?
- See Transaction 18 to verify your answers and records.

34

Jan. 17. Pay to the *Tribune* for advertising to date, \$ 12.50.

Practice. — Pay currency.

Bookkeeping. — Record in the cash book, charging to Expense.

35

Jan. 18. Receive a bill for goods ordered from Central Canning Company, also freight bill.

QUESTIONS

1. What paper must you write?
2. Does the invoice have the proper O.K.?
3. Are the extensions correct?
4. What entries must be made?
5. Where must each paper be filed?

36

Jan. 20. Deposit checks and currency in the bank, keeping about \$25 in currency of smallest denominations.

Practice. — Follow instructions under Transaction No. 21.

37

Jan. 20. Petty cash sales according to ticket.

See Transaction 24 for instructions relating to a similar transaction.

38

Jan. 20. Buy from John Roller, 312 Main St.:

20 bu. oats at 45¢	\$9.	
1 ton Upland hay	9.	\$18.

Practice. — Pay by check. You will receive no bill for this purchase. The voucher on the back of the check will be sufficient.

Bookkeeping. — As these articles were bought as feed for the horse, the purchase will be charged to Expense.

39

Jan. 20. Prove and close your cash book. Bring down the balance as of Jan. 22. Post and take a trial balance. Copy it in the trial balance book, using the second set of columns and placing the date in the space at the top. Write the names of the new accounts under those occurring in the first trial balance.

40

Jan. 22. Sale according to ticket.

41

Jan. 22. Sale according to ticket.

42

Jan. 23. — Received check from the Travelers Hotel to balance account.

Practice. — Find check in Pad No. 1. Compare the amount of the check with the ledger account. Give the Travelers Hotel a receipt "In full of account."

Bookkeeping. — Record the check as a cash receipt, crediting the Travelers Hotel and using as an explanation "In full of account."

43

Jan. 24. Sale according to ticket.

44

Jan. 24. Received a check from the Cleveland Hotel to balance account. See Transaction 42 for information relating to practice and bookkeeping.

45

Jan. 25. Pay lighting bill to Jan. 15, by check \$ 5.25.

Practice. — Write a check for the amount, filling out the voucher on the back. Make the check in favor of the Consumers' Gas Company.

Bookkeeping. — Record in the cash book on the credit side, charging the item to Expense.

46

Jan. 26. Send the Central Canning Company a check in payment of their last bill, less the discount they quote.

47

Jan. 27. Sale according to ticket.

48

Jan. 27. Petty cash sales according to ticket.

QUESTIONS

1. What is meant by petty sales?
2. Is a record kept of the individual sales?
3. With what must the total of such sales agree at the end of the day?

49

Jan. 27. Sale according to ticket. The purchaser pays \$ 20 to apply on account.

Practice. — Make out a bill as usual, terms, account. Following the last item on the bill, write “Credit by cash \$ 20,” deduct this amount from the total of the sale, showing the balance due, but do not sign the proprietor’s name.

Bookkeeping. — Enter the sale in the sales book, charging the purchaser as if no payment had been made. Enter the payment of \$ 20 in the cash book, crediting the purchaser.

When all items are posted, how will the purchaser’s account stand in the ledger?

	50
Jan 27. Sale according to ticket.	
	51
Jan 29. Pay employees’ wages for the past two weeks by checks. See Transactions 6 and 27.	
	52
Jan. 29. Sale according to ticket.	
	53
Jan. 30. Test your cash balance.	
	54
Jan. 30. Received a check from the Reynolds Catering Co. for bill dated Jan. 8.	

QUESTIONS

1. What bookkeeping record will you make?
2. What will you do with the check?
3. You may give a receipt. Is it necessary?

	55
Jan. 30. Sale according to ticket.	
	56
Jan 31. Give John Swanson a check for \$5 for rent of space used in his barn for month of January.	

Practice. — You will find a receipt in the proper pad.

Bookkeeping. — Record the payment in the cash book.

	57
Jan. 31. Deposit all checks and currency of denominations greater than five-dollar bills. Follow previous instructions.	
	58
Jan. 31. The following are instructions for closing your books to determine the present worth of the business :	

1. Prove your cash book and close it.
2. You will receive a statement from your bank, with all checks that have been presented for payment to date. These checks are stamped “Paid” and are valuable to you as evidence of payments that you have made.

The following form shows the first page of the pass book after the deposits for January are entered :

BANKERS SCHOOL BANK			In Acc't	
19 —				
Jan.	1	Deposit	2	400
"	10	"		155 60
"	20	"		128 06
"	31	"		416 24
			3	099 90

The Bank Statement. — Although the statements used by banks vary somewhat in form, they all embody the essential features of the one you receive. The amounts for which the bank has credited your account are shown in one column; these should agree with the entries in the pass book. The charges against your account appearing in another column should agree with the vouchers returned to you.

At the close of February and of March you will be provided with blank statement forms; either these will be filled out for you, or you will perform the work according to the instructions of your teacher.

Arrange the returned checks consecutively and compare each check with its stub as to amount. As each check is compared, check-mark the stub. When you have compared all the returned checks, the stubs unchecked will represent those that have not been presented

to your bank for payment. Make a list of these unpaid checks and find the total. This amount will be equal to the difference between the balance shown by your check book and that shown by your statement. The statement balance should equal the check book balance if all checks drawn have been presented for payment. If all have not been presented, the statement balance should be the greater by the amount of these unpaid checks.

The form below is one of several ways in which the work may be arranged to show the agreement of the check book and statement balances.

CHECK PROOF, JAN. 31, 19—.

Check Book Balance	xxx	xx
Checks out: No.	xx	xx
"	xx	
"	xx	
"	xx	
"	x	
Statement Balance	770	76

QUESTIONS

1. Can the statement balance ever be less than the check book balance? Why?
2. If all the checks issued are returned, why must the check book balance and the statement balance be equal?

3. Post the day-book journal, sales book, and cash book.
4. Check your posting.
5. Take a trial balance, and after it has been approved, copy it in the trial balance book.
6. Credit the following inventories :

Mdse.	\$ 2826.
Horse and wagon	343.
Insurance	68.75
Expense	20.
Fixtures	183.40

7. Close the ledger and take a second trial balance. When correct, copy it in the trial balance book.
8. Make a balance sheet.

59

Jan. 31. Send statements to all persons or firms owing you on account.

60

Feb. 1. Mr. Knouss some time ago placed a proposition before you by which you might secure a one-third interest in the business. You have decided to accept his proposal. You consider the present worth of the business as shown by the balance sheet correct, and you are to pay Mr. Knouss on the basis of your interest. The capital of the business remains unchanged. The payment you make to Mr. Knouss is a private matter and does not appear on the books of the business.

The articles of copartnership, of which each partner will have a copy, give detailed information to guide you in conducting the business. You will find your copy of these articles in your outfit. Mr. Knouss has signed it and you will do the same.

If the business has on hand any notes, checks, etc., you will indorse them in full in favor of the new firm. The name of the new firm will be B. J. Knouss & Co. Mr. Knouss's interest in the insurance policy and lease must be assigned; you may assume that the insurance company and the owner of the building have consented to these assignments, and that Mr. Knouss has made the transfers.

It will also be necessary to notify the bank of the change in the firm and leave the new signature there. You will write a check in favor of the new firm for the balance in the bank according to your check stub and immediately deposit it in the bank.

All firms with whom Mr. Knouss has had dealings should be notified of the change that has occurred in the firm.

Bookkeeping. — Debit B. J. Knouss's account with one third of his present worth and credit your account with the same amount. A short explanation of the agreement, new name of the firm, sharing of gains and losses, etc., should follow this entry.

Hereafter few explanations will be given. New transactions will be explained, but it is believed that you will be able successfully to carry out transactions similar to previous ones without constant reminders and injunctions. Give each transaction careful consideration. Consider whether everything has been done. Make a record of everything that you do, so that if an error is made, it may be traced and corrected.

THE USE OF PRICE LISTS

In some transactions that follow you will receive orders for merchandise from out-of-town customers. As these orders come to you they do not, as a rule, contain the prices

SELLING PRICE LISTS FOR FEBRUARY AND MARCH

Lists 1-15

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<i>Apples</i>	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²
<i>Asparagus</i>	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰
<i>Beets</i> . . . . .	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83
<i>Cherries</i>	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵
<i>Corn</i> . . . . .	.85	.86	.87	.88	.89	.85	.86	.87	.88	.89	.90	.90	.90	.90	.90
<i>Peaches</i>	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵
<i>Peas</i> . . . . .	.93	.95	.97	.99	1 ⁰¹	1 ⁰³	1 ⁰⁵	1 ⁰⁷	1 ⁰⁹	1 ¹¹	.90	.91	.92	.93	.94
<i>Plums</i>	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰
<i>Raspberries</i>	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵
<i>Tomatoes</i> . . . . .	.90	.90	.90	.90	.90	.90	.90	.90	.90	.90	.85	.85	.85	.85	.85

Lists 16-30

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
<i>Apples</i>	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ²⁰
<i>Asparagus</i>	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰
<i>Beets</i> . . . . .	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83
<i>Cherries</i>	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵
<i>Corn</i> . . . . .	.90	.90	.90	.90	.90	.80	.80	.80	.80	.80	.80	.80	.80	.80	.80
<i>Peaches</i>	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵
<i>Peas</i> . . . . .	.95	.96	.97	.98	.99	.95	.95	.95	.95	.95	.95	.95	.95	.95	.95
<i>Plums</i>	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰
<i>Raspberries</i>	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵
<i>Tomatoes</i> . . . . .	.85	.85	.85	.85	.85	.80	.81	.82	.83	.84	.85	.86	.87	.88	.89

Lists 31-45

	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
<i>Apples</i>	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²	1 ⁰²
<i>Asparagus</i>	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰
<i>Beets</i> . . . . .	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83	.83
<i>Cherries</i>	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵	1 ³⁵
<i>Corn</i> . . . . .	.85	.85	.85	.85	.85	.80	.80	.80	.80	.80	.89	.89	.90	.90	.80
<i>Peaches</i>	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵	1 ⁶⁵
<i>Peas</i> . . . . .	.80	.85	.90	.95	1 ⁰⁰	1 ⁰⁰	1 ⁰⁰	1 ⁰⁰	1 ⁰⁰	1 ⁰⁰	1 ⁰¹	1 ¹¹	.94	.99	.95
<i>Plums</i>	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰	1 ⁶⁰
<i>Raspberries</i>	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵	1 ⁷⁵
<i>Tomatoes</i> . . . . .	.90	.90	.90	.90	.90	.70	.75	.80	.85	.90	.90	.90	.85	.85	.84

of the commodities, and you will be required to supply the omissions from the price list assigned to you by your teacher. Enter the prices on the original order, and then make out the customer's bill from it, and file the order. If prices of commodities are not given in the list, they will be found in the text.

61

Feb. 1. Order from Union Milling Company as follows :

20 bbl. F. flour
 10 bbl. 40 sacks F. flour
 10 bbl. 80 sacks F. flour
 10 bbl. Union Medal flour
 5 bbl. 20 sacks Union Medal flour
 5 bbl. 40 sacks Union Medal flour.

62

Feb. 1. Pay rent for the present month by check.

63

Feb. 1. Order from the Central Canning Company as follows :

100 cases R. B. peas
 50 cases R. B. corn
 100 cases R. B. tomatoes
 30 cases R. B. asparagus
 10 cases R. B. pumpkins
 5 cases R. B. beets
 20 cases R. B. cherries
 10 cases R. B. apples
 50 cases R. B. peaches
 20 cases R. B. plums.

64

Feb. 1. Sale according to order.

Practice. — You will find this order in Pad No. 2. The terms are C.O.D. Make out an invoice, billing 135 lb. at \$.18. Receipt the bill. In your supplies you will find express envelopes. Fill one out except the line for charges. Fold the bill lengthwise once and inclose in the envelope, but do not seal. Write on the lower end of the envelope, "Collect return charges."

When the express company calls for the goods, they will be given the envelope, which is their notice to collect the amount of the sale before they deliver the goods. The company will make a delivery of the goods, collect the amount due you, and return the envelope containing the company's money order. In practice when a representative of an express company receives goods to be forwarded, he issues a receipt for them or he receipts for them in a book furnished by the company for this purpose. File the envelope with outgoing papers.

Bookkeeping. — Two methods are in general use, one charging to "C.O.D. Account," using the name of the buyer as an explanation in the ledger, and the other charging the express company. As the latter is considered more practical, use it. This account will be used for all C.O.D. sales handled for you by the same express company. Make the sales book entry accordingly.

65

Feb. 2. Order from F. M. Alling & Son, New York :
 10 H/C Y. H. tea
 5 H/C Extra Oolong tea
 2 H/C Ceylon tea
 5 H/C Best English Breakfast tea.

66

Feb. 2. Pay \$3 in currency for postage stamps.

Practice. — Various methods are used to keep track of this expense item. It is generally necessary to pay currency for stamps, as the postal authorities will not, as a rule, take checks on account of the personal liability. Large firms generally make some one responsible for the purchasing of the stamps and their use. The letters and packages sent are sometimes counted and a record made of stamps used. The cash book record will be your voucher.

Bookkeeping. — Charge the item to Expense.

67

Feb. 2. Sale as per order. Bill 80 lb. at \$.32. See Transaction 64 for instructions.

68

Feb. 2. Sale according to order.

Practice. — Make out the bill in accordance with the order.

Bookkeeping. — Charge the purchaser with the sale.

69

Feb. 3. Sale according to order.

See Transaction 68 for instructions relating to practice and bookkeeping.

70

Feb. 3. Received check from the Continental Hotel Co. on account.

Practice. — What bills does this check pay? Compare with the ledger. Send a special receipt stating bills paid.

71

Feb. 3. Petty sales according to ticket. Do not fail to test footings.

72

Feb. 5. Received invoice of flour. Enter in purchase book. See next page. Pay freight.

THE PURCHASE BOOK

Hereafter, instead of recording purchases in the journal, you will enter such transactions in a separate book. The first page of the sales book has been reserved for this purpose. Purchase book is the title by which this book will be designated. The name fully explains its use. It is unnecessary to itemize purchases. The form below illustrates the method of recording a purchase.

Purchase Book

19— Feb.	5	Union Milling Co.	Inv. No. 72, 60 da., 1 % 10 da.	330	50
-------------	---	-------------------	---------------------------------	-----	----

QUESTIONS

1. Why is it unnecessary to itemize purchases?
 2. To which side of the personal accounts must purchases be posted?
 3. What two advantages do you see in the use of the purchase book?
- Determine how to post this book from its similarity to the sales book.

73

Feb. 5. Received invoice of goods from Central Canning Company. Pay freight.

74

Feb. 5. Sales according to tickets.

75

Feb. 5. Received invoice of goods from F. M. Alling & Son. Pay freight by check.

76

Feb. 5. Sale according to order.

77

Feb. 6. Sale according to ticket.

78

Feb. 6. Sale according to order.

79

Feb. 7. Received on account checks from the following firms:

Reynolds Catering Company,
Rheinlander Restaurant Company,
Rice Catering Company.

Practice.— Send a receipt to each party, stating “In full of account,” or give dates and amounts of bills paid.

80

Feb. 8. Sale according to ticket.

81

Feb. 8. Order from Gray & Farwell the following goods :

- 4 boxes B. pepper
- 2 boxes Cinnamon
- 10 boxes Excelsior laundry soap
- 5 boxes S. T. soap
- 20 cases Queen olives
- 10 kgs. 10 gal. Queen olives
- 10 cases Rex breakfast food
- 10 cases C. R. salmon
- 5 boxes Evaporated peaches
- 5 boxes Evaporated pears
- 10 cases pts. Olive oil.

82

Feb. 9. The Inter State Express Company makes return for two C.O.D. sales.

Practice. — In Transactions 64 and 67 the express company received merchandise from you. The goods have been delivered to the buyers and now the company brings you the proceeds of the sales. The company has collected from the consignee its charges for delivering the merchandise and also for collecting and remitting the money.

Bookkeeping. — What account will you credit ?

83

Feb. 10. Gray & Farwell delivered goods ordered on the 8th inst., together with invoice. Study the invoice and enter according to terms.

84

Feb. 10. Petty cash sales according to ticket.

Deposit all checks and currency, except \$ 20.

85

Feb. 10. Sale according to order. Bill 135 lb. at \$.47.

86

Feb. 10. Received order by telegram.

Practice. — Fill order as directed. File telegram with orders.

Bookkeeping. — Charge purchaser.

87

Feb. 10. Sale according to ticket.

88

Feb. 12. Draw at sight on Goertz & Bro. for amount of sale made to them on the 2d inst., and leave draft with your bank for collection.

Practice. — Refer to Lesson XXXI for form of draft. Make the draft in favor of your bank. When your bank receives this paper for collection it will be entered on the last page of your pass book, thus :

“ Feb. 12. Goertz & Bro. \$ -----.”

Write Goertz & Bro. notifying them of what you have done.

Bookkeeping. — No debit or credit record is necessary. The entry will be made when the bank notifies you of the collection.

89

Feb. 12. Credit salaries for the past two weeks, increasing each employee's salary \$1 per week. Your salary remains the same.

Bookkeeping. — Explain the entry fully.

90

Feb. 12. Pay advertising bill by check.

91

Feb. 13. Buy bank drafts and remit to the following firms :
 Union Milling Company, account in full, less discount.
 F. M. Alling & Son, account in full, less discount.
 Central Canning Company, account in full, less discount.

Practice. — Make out an order on the bank, using one blank for the three drafts, and draw one check. The stub of the check should show the transaction in full. Since the space is hardly large enough, use the back of the stub at the left. Show amount, discount, and net of each invoice. You will find the drafts in Pad No. 1. Write to each firm inclosing proper draft indorsed in full.

Bookkeeping. — Make three entries in the cash book, but one entry for cash discount may cover the transaction in the day-book journal.

Prove and balance your cash book.

92

Feb. 13. Sale according to order.

93

Feb. 13. Request Antonio Valdez & Co. by telegram to duplicate your order of Jan. 4. Pay charges for telegram in currency, 50¢.

Practice. — File a copy of the telegram, which should not exceed ten words.

94

Feb. 14. Received bank draft from Potter, Brown & Co. to apply on the bill of the 6th inst.

Practice. — Write a letter acknowledging receipt of draft and inclose receipt.

95

Feb. 15. Write Central Canning Company to duplicate your order of Feb. 1.

96

Feb. 15. Sell your driver goods according to ticket.

Practice. — It is customary for a house to sell to employees at reduced rates. Make out a bill as usual.

97

Feb. 16. See incoming papers for this transaction.
Practice and Bookkeeping as usual.

98

Feb. 16. Sale according to ticket.

99

Feb. 16. The express company makes return for the C.O.D. sale of the 10th inst.

NOTE. — Since the express company does not issue money orders for amounts exceeding \$50, the agent at South Haven has sent you the express company's check.

100

Feb. 16. The bank notifies you of the collection of your draft on Goertz & Bro. and that the proceeds has been placed to your credit.

Practice. — When the bank received this draft on the 12th inst., a record was made in a collection register and the draft was sent to a bank in the town where the drawee resides; this bank collected and reported the collection to your bank. The draft might have been sent by you to a bank in the customer's town, and when collected, that bank would have remitted the proceeds to you directly. You will find the collection notice in Pad No. 1.

Bookkeeping. — Enter in the cash book on the debit side, crediting Goertz & Bro. for the face of the draft. Enter the collection charges on the credit side of the cash book, charging Expense. The bank has credited your account for the proceeds of the collection. Have it entered in your pass book.

Since you have received credit for the proceeds of the draft, the amount must be added to the stub of your check book. Explain on the back of the stub.

101

Feb. 17. Pay employees by checks, as follows: salesman \$10; driver \$7.50.

102

Feb. 19. See incoming papers for this transaction.

103

Feb. 19. Petty cash sales according to ticket.

104

Feb. 20. See incoming papers for this transaction. Bill 130 lb. at \$.27.

105

Feb. 20. Received bank draft from Zimmer & Co. to apply on account.

Practice. — Write a letter acknowledging payment and inclose a receipt.

106

Feb. 20. Your salesman hands you checks collected from the following city customers :

A. B. Anderson,
Rheinlander Restaurant Co.,
Smith & Jones,
Continental Hotel Co.,
Jenkins House.

Make deposit, retaining \$20 in currency.

107

Feb. 20. Send Gray & Farwell check for last purchase less discount.

108

Feb. 21. Sale according to ticket.

109

Feb. 21. Sale according to ticket.

110

Feb. 21. Sale according to order.

111

Feb. 21. Sale according to order. Use the following prices per dozen in filling this order : Peaches \$ 1.65, asparagus \$ 1.60, beets \$.83, peas \$.93, plums \$ 1.62½.

112

Feb. 23. Sale according to ticket.

113

Feb. 23. Sale according to ticket.

114

Feb. 24. Sale according to ticket.

115

Feb. 24. Pay electric light bill to Feb. 15 by check \$12. Make check payable to People's Light and Power Co.

116

Feb. 24. Order from the Union Milling Company goods as follows:

20 bbl. Family flour
10 bbl. 40 sk. Family flour
10 bbl. 80 sk. Family flour
10 bbl. Union Medal flour
5 bbl. 20 sk. Union Medal flour
5 bbl. 40 sk. Union Medal flour.

117

Feb. 24. Buy a bank draft and remit it in payment of goods received on the 16th inst. Refer to Transaction 97.

118

Feb. 26. Credit employees for wages for the past two weeks. Credit yourself for salary for the same time.

119

Feb. 27. Petty cash sales according to ticket.

120

Feb. 27. Received notification (See Pad No. 2) from express company.

Practice. — Write the agent instructing him to return the goods.

121

Feb. 28. Received invoice from the Union Milling Company for goods ordered Feb. 24, also freight bill. Mr. Knouss reports 4 barrels Family flour injured by water.

Practice. — From the invoice deduct the value of the damaged goods and notify the Union Milling Company by letter of what you have done and ask them to send you a memorandum of credit. Ask how to dispose of the damaged goods.

Bookkeeping. — First credit the Union Milling Company for the full amount of the invoice, then make a journal entry charging them with the value of the damaged goods.

122

Feb. 28. Pay stable rent in currency. See Transaction No. 56.

123

Feb. 28. Pay by checks as follows :

Driver, \$ 15 ; salesman, \$ 10 ; yourself, \$ 20 ; Mr. Knouss, \$ 75.

Make deposit, retaining \$ 15 currency.

124

Feb. 28. Send statements to all customers.

125

Feb. 28. Close your books for the month. Follow instructions at the end of January.

In distributing the net gain or the net loss for the month, two thirds is to be carried to B. J. Knouss's account and one third to your own.

Inventories :

Mdse.	\$ 4310.96
Fixtures, write off	1 %
Insurance, 10 months' unexpired premium	\$62.50
Expense	\$ 15.
Horse and wagon, write off	2 %.

To the Student. — In writing up the transactions for March, follow the instructions given in the previous months. Special instructions will be given whenever the character of the transaction makes it necessary.

You should prove your cash book at the close of each day's work.

Take a trial balance after the transactions of the 10th and 20th of the month.
 All checks received should be deposited not later than the day after their receipt.
 Keep your work posted, so that you may make reference to the ledger when settlements are made.

126

March 1. Bought of Harris Bros. & Co., Chicago, one car potatoes.

Practice. — Make out a note in payment according to the terms shown on the invoice. You are referred to Lesson IV for instructions relating to the correct form for writing notes.

Bookkeeping. — Record the note in the bills payable book.

Make a journal entry debiting Harris Bros. & Co. and crediting Bills Payable.

127

March 1. Ship the potatoes purchased in Transaction 126 to Dennis & Wright, New York, to be sold on your account and risk.

Practice. — Refer to Lesson XXX for instructions relating to shipments. Make out a shipment invoice, listing the goods at cost.

Bookkeeping. — Open an account with Shipment Dennis & Wright.

128

March 1. Order from the Central Canning Company goods as follows :

150 cases R. B. tomatoes
 100 cases R. B. corn
 50 cases R. B. peas
 40 cases R. B. peaches
 20 cases R. B. plums
 15 cases R. B. cherries
 10 cases R. B. pumpkins
 8 cases R. B. beets
 10 cases R. B. apples.

129

March 1. Pay rent for the month by check.

130

March 1. Sale according to ticket.

131

March 2. The Inter State Express Co. returned goods not accepted by Peter Schneider, Peoria.

Pay charges in currency for carrying the goods in both directions, \$1.75.

Bookkeeping. — Charge the amount paid for expressage to Expense. Why not charge this to the freight account?

What account was debited when the goods were given to the express company? You should be able to decide what entry to make, now that the goods have been returned.

132

March 2. Sales according to ticket.

133

March 3. Draw at sight on Zimmer & Co. for the amount they owe you and leave the draft at the bank for collection.

See Transaction 88 for instructions.

134

March 3. Received a check from the Continental Hotel Co. to balance account to March 1.

135

March 3. Received from Potter, Brown & Co. a bank draft to apply on account.

136

March 3. Received a note from Smith & Jones in full of account.

Practice. — Compare the amount of the note with the balance due from the maker.

Bookkeeping. — This note is a bill receivable to you.

What will you debit? What account will you credit? Enter the note in the bill book.

137

March 3. Sale according to ticket.

138

March 3. Sale according to order.

139

March 5. Received invoice and freight bill.

140

March 5. Received memorandum of credit.

Practice. — A memorandum of credit is an affirmative answer to a claim for damages or shortage.

Bookkeeping. — The entry is made either at the time of reporting the shortage or claim for damages, or when the memorandum of credit is received. When you made the claim for damages, did you make an entry?

141

March 5. Sale according to order.

Practice. — Draw on the firm as per instruction in the letter, leaving the draft at the bank for collection.

142

March 5. Order from the Elgin Dairy Company 40 tubs of best creamery butter. Direct them to send you the invoice, but to send the goods by freight to R. J. Jerome & Co., Buffalo, N.Y.

143

March 6. Send the Union Milling Company a bank draft in settlement of their last invoice, less the discount.

144

March 6. Telegraph J. M. Alling & Son to duplicate your order of the 2d inst. Pay charges in currency 50¢.

145

March 6. Buy horse feed from John Roller as follows:

15 bu. oats at 48¢	\$7.20	
$\frac{1}{2}$ ton Timothy hay at \$14	<u>7.</u>	\$14.20

Pay by check.

146

March 6. Sale according to ticket.

147

March 6. Sale according to order.

148

March 7. Sales according to ticket.

149

March 7. Received an invoice from the Elgin Dairy Company. The goods were shipped as per instructions in Transaction 142.

Jerome & Co. are commission merchants and will sell these goods on your account and risk.

Practice. — Make out a shipment invoice as in Transaction 127.

Bookkeeping. — First, record the purchase; second, make a record of the shipment.

150

March 7. According to agreement, draw on R. J. Jerome & Co. for \$200 on account of your shipment and leave the draft at the bank for collection.

Practice. — While commission merchants are not under any obligation to pay for the goods until they have been sold, the goods are, nevertheless, in their possession as a security, and they are safe in allowing you an advance payment. They will deduct this amount, and perhaps interest on the same, from the proceeds of the sale.

151

March 7. Sale according to ticket.

152

March 7. Send the Elgin Dairy Company a note at 5 days with interest at 6%, in payment of their invoice of the 6th inst.

Practice. — Write explaining why you do not make settlement according to the terms of the invoice. Give a reasonable excuse.

153

March 8. Discount at the bank the note received of Smith & Jones.

Practice. — It is frequently the case that a business is in immediate need of cash, while it has in its possession other parties' promises to pay at some future date. Under these circumstances it is customary to sell the notes or other paper to a bank before they fall due. This is called discounting the paper. Generally the face value of the paper is not received. The bank deducts interest from the date of discount until the paper becomes due. When will the note in this transaction become due? For how many days will the bank deduct interest? What is the amount deducted, if the rate is 6%? The amount deducted is called discount.

Bookkeeping. — In recording the transaction in the cash book, an entry is first made as though the face value of the note had been received. The second entry is made as though the amount of the interest had been paid back to the bank. Charge the interest to Interest & Discount.

154

March 9. Received invoice and freight bill.

155

March 9. Received an account sales of the shipment of potatoes, together with a draft for the proceeds. See incoming papers.

Practice. — The account sales is your information that the goods have been sold. It gives not only the selling price, but also the expenses, so far as the commission merchant is concerned, his charge for selling and the amount you are entitled to receive, or net proceeds.

Bookkeeping. — When the seller sends you the amount of the net proceeds, debit what you receive and credit the shipment that was charged when the goods were shipped.

156

March 9. A. B. Anderson is having some difficulty in meeting his obligations and has asked you to take his note at 30 days for the amount he owes you. Accept his proposition.

See Transaction 136 for instructions.

157

March 10. Sale according to ticket.

158

March 10. Order from J. F. Stacey, Muscatine, Iowa, one car sweet potatoes, directing him to bill the goods to you and ship them to your Buffalo commission merchant. See Transaction 142 for instructions.

159

March 10. Sale according to ticket.

160

March 12. Discount A. B. Anderson's note at the bank.
See Transaction 153 for instructions.

161

March 12. Pay note due to-day, with interest, by check.

Practice. — When the note was issued it was filed with the outgoing papers. Some one instructed by your teacher to act for the payee should now write across the face “Paid March 12, 19—”

Bookkeeping. — Make two entries in the cash book, one for the face of the note, and one for the interest. Now file the note with paid bills and notes.

162

March 12. Credit the salaries due to date.

163

March 12. Sale according to ticket.

164

March 12. Received an invoice for sweet potatoes ordered March 10.

Bookkeeping. — Make two entries. See Transaction 149.

165

March 12. J. F. Stacey draws on you at 10 days' sight or the amount of his invoice.

Practice. — Accept the draft. See Lesson XXXI.

166

March 13. Sale according to ticket.

167

March 13. Send the Central Canning Company check to apply on account, \$200. Ask for credit memorandum of the following shortage in shipment of March 3:

10 cases R. B. corn 20 doz. at \$.72	\$14.40
2 cases R. B. apples 2 doz. at \$.86	1.72
	<u>\$ 16.12</u>

Bookkeeping. — Follow instructions in Transaction 121.

168

March 14. Sale according to ticket.

169

March 14. The bank reports the collection of three drafts, collection charges 45¢. See Transaction 100 for instructions.

170

March 14. Draw at sight on the following firms to balance their account:

Geo. Bowman.

Potter, Brown & Co.

Leave drafts at the bank for collection.

171

March 14. Mrs. W. E. Blair paid her bill of Feb. 8. Give a receipt.

172

March 14. Sale according to ticket.

173

March 15. Received an account sales, also a draft for balance of proceeds.

174

March 15. Pay \$10 in currency for an office chair.

175

March 15. The Rice Catering Company paid their account.

176

March 16. Young & Gregg paid their bill of March 14, less discount.

Amount of the bill \$ xxx.xx

Less 2 % discount x.xx

Net amount per draft \$ xxx.xx

Bookkeeping. — Make a cash book entry for the face of the draft. Enter the cash discount in the day-book journal. The two credits to Young & Gregg must equal the amount of the bill.

177

March 16. Petty cash sales according to ticket. .

178

March 19. Sale according to ticket.

179

March 19. Received credit memorandum. Have you made the bookkeeping entry for this credit?

180

March 20. The bank credited your account for two collections.

181

March 20. Sale according to ticket.

182

March 22. Received an account sales.

183

March 22. Write a check in favor of J. F. Stacey in payment of the draft accepted on the 12th inst.

Practice. — The draft is a bills payable. See Transaction 161.

184

March 23. Sale according to ticket.

185

March 23. Pay People's Light & Power Co. for lighting to March 15 by check, \$12.25.

186

March 26. Draw at sight on R. J. Jerome & Co. for the net proceeds of shipment and leave draft at the bank for collection.

187

March 26. Credit salaries to date.

188

March 28. Petty cash sales according to ticket.

189

March 30. Sale according to ticket.

190

March 31. The Jenkins House failed, and your account with them is a total loss.

Practice. — As this is a loss to you, the account should not be allowed to stand on your books as an asset. Some firms set aside a certain per cent of their sales to cover such losses, and others simply close the account to Loss and Gain. In a large concern the former is preferable.

Bookkeeping. — Make the entry in the day-book journal, debiting Loss and Gain and crediting the firm for the amount. Give a full explanation for this entry.

191

March 31. The bank reports a collection.

192

March 31. Pay by checks all unpaid salaries that have been credited on the books. Deduct from James Rooney's account the amount of his purchases.

193

March 31. Pay stable rent in currency; get receipt.

194

March 31. Close the books and make a statement, following instructions at the end of January and of February.

Inventories :

Merchandise	\$2850.83
Expense	10.
Horse and Wagon : write off 2 %	
Fixtures : write off 1 %	
Insurance, 9 months' unexpired premium	56.25

195

Selling the business and closing the books subsequent to the sale.

Mr. William Anderson has offered to buy the business for \$5250 cash, the sale not to include the cash on hand. The offer provides that all outstanding obligations of the firm shall be paid by the present owners. After careful consideration Mr. Knouss and you decide to accept the offer.

Mr. Anderson will continue the business at the present location. The consent of the owner of the building and of the insurance company for the transfer of interests has been secured.

Mr. Anderson will open a new set of books, and requested that the bill of sale, which

will be drawn up and delivered by Mr. Knouss, shall contain the following items: Merchandise, fixtures, horse and wagon, at 5% less than their inventory values; unexpired insurance at the inventory value; a list of accounts receivable, with $2\frac{1}{2}\%$ deducted from the total; good will for the balance of the purchase price. From the bill of sale Mr. Anderson's bookkeeper can debit the proper accounts in opening a new set of books.

NOTE. — The good will of a business is a valuation placed upon the established trade, its reputation, etc. Frequently this item appears among the assets of a business. It will do so in Mr. Anderson's books. In your books it will finally appear as a gain.

The closing of your books may be accomplished as follows:

1. Issue checks in payment of all accounts you owe.
2. Give a check in payment of the unpaid note by agreement, deducting discount at the rate of 6%.
3. Make a journal entry, debiting Mr. Anderson for \$5250 and crediting the accounts listed in the bill of sale; also debiting Loss and Gain for the $2\frac{1}{2}\%$ deducted from the accounts receivable. Explain this entry fully.
4. Make an entry for the check received from Mr. Anderson. See Pad No. 2.
5. Post all entries, and then make a journal entry to close the merchandise, horse and wagon, and fixtures accounts to Loss and Gain. Explain the entry fully.

NOTE. — The deductions made on the property are not discounts in the usual sense. They are losses incidental to the selling out of the business. Those on the accounts receivable are allowances for cost of collections and possible losses.

6. Make a journal entry to close expense and good will to Loss and Gain. The item of \$10 in the inventory consisted of such expense items that had real values on the supposition that the business would be continued by the same proprietors, but that are worthless to the purchaser.

NOTE. — All accounts here closed to Loss and Gain by journal entries might have been closed through the ledger. But since explanations were necessary, the journal was the more convenient. Some bookkeepers always journalize closing entries affecting Loss and Gain, and there is much to be said in favor of this practice.

7. After posting all entries, make a journal entry to close the Loss and Gain account. Post this entry.
8. Deposit the check received from Mr. Anderson.
9. Write a check in favor of each partner for the amount of his net capital as shown by his account. Make the cash-book entries and post. If you have not made any mistakes in your work,* the cash-book and all ledger accounts will now be in balance. Rule them up.

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