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BOOKKEEPING



By

GÉRARD VAN DE LINDE

University of
California



Lux ex Tenebris.



Claus Spreckels Fund.



BOOKKEEPING

AND OTHER PAPERS.



BY
GÉRARD VAN DE LINDE, F.C.A.

SECOND EDITION.

PRICE SEVEN SHILLINGS AND SIXPENCE NET.

[The whole of the Author's profit arising out of the sale of this Work will be presented by him to The Chartered Accountants' Benevolent Association.]



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PREFACE TO THE SECOND EDITION.

AT the request of numerous friends and students, I have decided, owing to the First Edition of 3,000 Copies having been exhausted, to print a Second Edition, incorporating, in addition to the papers already printed, my two papers entitled "Collieries" and "Secretarial."

My object, as on the previous occasion, in thus reprinting is as follows:—

- I. To meet the wishes of students desirous of acquiring technical knowledge on the special subjects dealt with by me in these various papers.
- II. To continue to assist the Funds of the Chartered Accountants' Benevolent Association, of which I have for many years past been a Vice-President.

The whole of the Profits of this Second Edition will therefore, in the same manner as heretofore, be handed over to the above Funds.

The publishers, Messrs. Blades, East & Blades, of 23, Abchurch Lane, E.C., knowing the object I have in view, have from the outset kindly printed and issued the work at actual cost price, for which I take this opportunity of tendering them my sincere thanks.

GÉRARD VAN DE LINDE.

50, Gracechurch Street,
London, E.C.

July, 1904.



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GÉRARD VAN DE LINDE.

50, GRACECHURCH STREET,
LONDON, E.C. 1 July, 1904.

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BOOKKEEPING.

PART I:

IN CONNECTION WITH THE

THREE PRIMARY BOOKS OF ACCOUNTS,

JOURNAL, CASH BOOK, AND LEDGER,

LEADING UP TO

TRIAL BALANCES.

“Precept must be upon precept—precept upon precept. Line upon line—line upon line.”

Introduction. 1. Bookkeeping is a science, perfect in itself, simple and intelligible to those who take the trouble to master it from its foundation, and then to carry out in their strict integrity the fundamental principles forming as they do the basis to the whole structure.

The funda- 2. These fundamental principles are embodied in
mental the well-known axiom that “Every debit requires a
principles. credit,” and vice versâ: once grasp and apply to
every transaction and entry this all important fact, and the rest
is as simple and easy as A B C. You must be good enough, how-
ever, to bear with me if I appear to reiterate this fact over and
over again. My object is to impress upon you its vital import-
ance, and to satisfy you, once and for all, that it is indeed the
basis to the whole structure, and that I, at all events, after many
years' experience in such matters, find I cannot do without it. If,
therefore, any of you find that you can, I shall be glad to change
places with you and learn from you all you have to teach me on
this important subject.

Principle involved.

3. The principle involved consists in the fact that Bookkeeping creates nothing, it merely records transactions as between a giver and a receiver, the giver (as an individual or an aggregate) being credited with what he gives, while at the same time the receiver (as an individual or an aggregate) is debited with what he receives, and thus the balance is always kept equal.

Bookkeeping by Double Entry (as against Single Entry).

4. This system of Bookkeeping (and it is the only scientific and reliable one) is styled

Bookkeeping by Double Entry

as against that by Single Entry, an imperfect system where personal accounts are only posted and no impersonal ones whatever, the consequences of this incomplete system being that no Profit and Loss Account can be prepared, and that any General Statement drawn up of Assets and Liabilities is unreliable per se, as the System of Single Entry provides no independent check for testing the general accuracy of the figures recorded under it. That being the case we will discard any further consideration of this imperfect system altogether, and concentrate our attention entirely upon that by Double Entry.

Its comprehensiveness and universality.

5. Its comprehensiveness and universality are unbounded; it is adapted to every class of business I know of, and is to be met with in every portion of the globe, for however much the method and form in

Bookkeeping and Accounts may vary according to circumstances, the fundamental principles ever remain the same and cannot change one iota. I particularly desire to impress this very important fact upon any of my readers who happen to belong to the banking community, because from the very special nature of Bank Bookkeeping they might otherwise probably think that Bookkeeping by Double Entry in no way interests or affects them, whereas it is quite the opposite. I trust, therefore, that I shall be at one with all my readers upon this point, as indeed upon every other point that I may have to put before them.

Debits and Credits.

6. It often happens (and this is not confined in any way to Bank Bookkeeping) that the one who records and posts the debit entries is quite distinct and separate from the one who records and posts the corresponding credit entries. This, however, makes no difference whatever; these two gentlemen—or it may be army of gentlemen, it is all the same—have ever to bear in mind that they are the integral factors who build up the structure; that each one of them has his

own allotted task to perform, in full harmony and accord with the whole; and that ultimate success depends entirely upon each individual member loyally filling his part in strict compliance with the duties thereto attaching—just exactly in the same way as that stupendous work, the St. Gothard Tunnel, was achieved, the Italian workmen working one end of it, the Swiss the other, and for seven and a-half long weary years the one section never once coming into working contact with the other, until at length, on 29 February, 1880, they finished the final bore and shook hands in the middle, after piercing through 16,309 yards ($9\frac{1}{4}$ miles) of that rocky mountain; and yet really how complete must have been the system and harmony between them, and how loyally carried out by all concerned. One hair-breadth's deviation would have been fatal, whereas with such precision was everything carried out that they on either side hit it exactly at the right spot. Well, that is my idea of what can be and is accomplished by double entry. You deal with millions of pounds sterling, and balance your books to one penny exactly, and I congratulate you upon your accuracy, and urge you never to be satisfied with anything short of this (absolute accuracy); for remember, that what is worth doing at all is worth doing thoroughly. So now, after this preliminary drilling—or boring, if you prefer it—let us pass on to our main subject.

Primary
Books of
Accounts.

7. The heading of Part I of this work gives the primary books of accounts as being—

1. The Journal (or Journals).
2. The Cash Book (or Cash Books).
3. The Ledger (or Ledgers).

Every book of accounts forming part of the system of bookkeeping by double entry will be found to resolve itself into one or another of the above three books.

The Journal.

8. I begin with the Journal, as I require that book to make my opening entries in starting a set of books.

The use of
the Journal.

9. I have already endeavoured to impress upon you, at paragraph 2, that “every debit requires a credit,” and vice versâ, therefore in the case where no other intermediary book is available, the Journal becomes the link of union to record on the one side the debit or debits, and on the other side the equivalent credit or credits, in such a way that these transactions thus get to be posted intelligibly and in proper

order to their respective ledger folios. Let me here impress upon you never to attempt a cross or adjusting entry of any kind whatever, either from one Ledger to another or from one folio of a Ledger to another folio of the same Ledger, without first passing the entry clearly and fully in the Journal or some other similar intermediary book, which after all, as I am about to explain, is nothing but a special Journal under another name. If you attempt any short cut you not only lose direct record of the transaction (which is often most important), but you also run a great risk of making the entry imperfectly, and in such a case detection and correction become most difficult, for you do not know where to look for the mistake. The Journal is the book especially adapted for all such cross and adjusting entries, besides playing the all-important part of being the medium for recording all opening and closing entries. Those, therefore, who avail themselves of it will find it a real friend in need, equal to every emergency, as also a credit to themselves. There is nothing so refreshing and interesting in Bookkeeping as the Journal thus properly kept, recording at regular intervals and in chronological order, in clear and unmistakable language and method, those very transactions which it is all important should thus be recorded. In this way one can see at a glance if any regular entry has at any period been omitted, and it can thus be made in its proper place and order before it is too late, and so preserve the symmetry of the whole, not only for that but for all other occasions, past, present, and future.

The use of the Journal rendered imperative under the "Code Napoléon" and in other countries also.

10. On the Continent, and elsewhere, where the "Code Napoléon" prevails, the use of the Journal is imperative, and the law lays down stringent and precise rules as to its issue, &c. Similar regulations apply to "Le livre des Inventaires" (the Book of Balances, including Stocks, &c.), with this invariable safeguard, the authenticity of these two important books, the Alpha and Omega of the trading, is thus ensured, heavy penalties attaching to non-compliance or infraction of the rules laid down. In Russia and Poland, also, the use of the Journal and correct bookkeeping are strictly enforced by the Legislature, under very heavy penalties. England is a free country, and it is questionable how far such continuous legislative supervision would be acceptable with us. I cannot but think that if it were carried on in an inoffensive and unobtrusive manner, some such supervision would be productive of much good; it would certainly go far to check fraudulent and subsequently improper entries, and the substitution of bogus and posthumous books in place of the original ones destroyed or withheld. I merely throw this out as a suggestion for what it is worth, and again pass on to my subject on the main issue.

The Journal and its off-shoots.

11. A Journal is not necessarily confined to one book, it may consist, and often does, of many books; for instance, the following books, inter alia, perform in every respect the functions of the Journal, being in fact undoubtedly Journals, though under another name: they are—

1. Sales Day Book or Sales Journal.
2. Returns Book Inwards.
3. Bought Day Book or Invoice Book.
4. Returns Book Outwards.

There are other similar ones, but these four will answer present purposes. You will doubtless remember that Mons. Jourdain, in "Le Bourgeois Gentilhomme," one morning suddenly discovered the startling but welcome fact that when he said to his servant, "Nicholas, bring me my slippers, and give me my nightcap," it was prose that he was talking, and that, in fact, he had been talking prose for over 40 years without, for one moment, even suspecting the interesting fact. Just as in the same way it is an undoubted fact, which none of you will question, that I am writing prose on the present occasion, so do I hope to convince you that these four books I have just enumerated are simply Journals under another name, and that you have thus been using the Journal these many long years without suspecting it, just as Mons. Jourdain found he had been similarly talking prose: I sincerely trust the discovery will be as agreeable to you as it was to him. I write this last sentence advisedly and in all seriousness, for I am sorry to say that the Journal has its detractors and maligners, although, happily, they are an insignificant minority who wilfully close their eyes to its superlative advantages: I have no doubt that in time they, too, will be enlightened as was our estimable friend Mons. Jourdain.

1. Sales Day Book or Sales Journal.

12. The Sales Day Book or Sales Journal. This book is used by the manufacturer and general trader, and answers in a measure to the Account Sales Book in a merchant's office, with this distinction, that, instead of being first journalised, the entries it records are at once posted from it direct to the debit of the personal account in the Sales Ledger of the individual purchasers, and the total, or totals, to the credit in the Private Ledger of the impersonal account of sales either en bloc or under the various subheads of the respective articles sold, should it be decided to keep these respective accounts distinct. In the one case one money column answers the purpose; in the other the book is ruled with various columns, headed accordingly, the total cross casts of which agree with the total of debits charged out to the respective customers, e.g. :—

SALES DAY BOOK.

Number of Invoice Outwards.	Date.	Name.	Ledger Folio.	Totals,		Agricultural Implements.	Clocks and Watches.	Cutlery.	French Nails.	Hollow Ware.								
1	1890, Jan. 1	A. Smith	S.L. 170	105	6	9												
2	2	W. Brown	3	20	3	2	20	3	2									
3	4	T. Jones	75	85	7	5		85	7	5								
4	6	R. Williams	193	102	6	4			102	6	4							
5	7	P. Marten	105	40	14	2				40	14	2						
6	8	S. King	92	99	10	4				99	10	4						
7	9	P. Perkins	143	80	7	3												
8	10	B. Wills	198	40	9	5	40	9	5									
9	11	C. Stanley	182	60	8	4		60	8	4								
			£	634	13	2	60	12	7	145	15	9	102	6	4	140	4	6
				P.L. 75.		P.L. 80.		P.L. 85.		P.L. 90.		P.L. 95.						

Credit Posts to Impersonal Accounts.....

The details of these several amounts are to be found in the Invoice Book Outwards, generally a press copy book, in which the original invoice sent out is copied before despatch. The individual items are posted at once to the debit of the personal accounts of the purchaser in the Sales Ledger, while the monthly totals at foot are posted to the credit of the respective impersonal accounts in the Private Ledger—folios 75 to 95.

2. Returns Book Inwards. 13. The Returns Book Inwards represents goods that the purchaser has returned. It is ruled exactly as the Sales Day Book (paragraph 12), only, in this case, the individual items become credits, and are posted to the credit of the personal accounts of the customers in the Sales Ledger, while per contra the monthly totals at foot become debits, and are posted to the debit of the respective impersonal accounts in the Private Ledger—folios 75 to 95.

3. Bought Day Book or Invoice Book. 14. Bought Day Book or Invoice Book. This book, like the Sales Day Book (paragraph 12), also applies to the manufacturer and general trader, and answers in a measure to the Invoice Book in a merchant's office, with this distinction again, that the entries it records instead of being first journalised are at once posted from it direct to the credit of the personal account in the Bought Ledger of the individual person from whom the goods were bought, and the total, or totals, to the debit in the Private Ledger of the impersonal account of purchases, either en bloc or under the respective subheads of the various articles purchased, as the case may be. In the one case, one money column answers the purpose; in the other, the book is ruled with the various columns, headed accordingly, the total cross casts of which agree with the total of credits attaching to the respective customers. The ruling is exactly the same (with suitable headings for Purchases instead of Sales) as that given at paragraph 12, remembering that the customers are here in credit and the purchases (totals) in debit. The invoices are numbered and pasted away in a guard book. Sometimes it happens that this guard book has a money column extended in the margin, and the postings made direct from it. In that case the individual items are credited to the personal accounts again and the one total debited en bloc to an impersonal account in the Private Ledger called Purchases. This account, if it is required that the subheads of purchases be shown separately, is analyzed half-yearly, or at other convenient periods, from the invoice guard book, and an entry passed through the Journal crediting Purchases and debiting the subheads of Purchases, say, for instance, Coal and Coke, Copper, Iron, Timber, Tin, Veneer, &c., &c., for all of which subheads ledger accounts must be opened in the Private Ledger, or, better still, in order to be able to post direct, thus

avoiding mistakes and saving labour, the columnar system, as shown in paragraph 12, might profitably be used, the invoice being pasted on one side and the ruling appearing on the other.

4. Returns Book Outwards. 15. The Returns Book Outwards represents goods returned by the manufacturer or general trader. It is ruled exactly as the Bought Day Book or Invoice Book, only the entries are just reversed. That is to say, the individual items become debits, and are posted to the debit of the personal accounts in the Bought Ledger, whilst per contra the monthly totals at foot become credits, and are posted to the credit of Purchases either to one account or to various subheads, as may have been arranged in dealing with the preceding paragraph 14.

Debits and Credits. 16. You must have noticed, in dealing with these four books in paragraphs 12 to 15, how strictly the debits and credits respond in every case, and these books form a good illustration of what I stated in paragraph 6. I make no doubt but that in a big business the postings to the personal accounts contemplated in paragraphs 12 and 13 would be made by one gentleman to the Sales Ledger (S.L.), while the impersonal ones to the Private Ledger (P.L.) would be made by another gentleman—in some instances by a principal himself. In the same way, in dealing with paragraphs 14 and 15, the same gentleman who posts to the Sales Ledger (S.L.) might or might not post to the Bought Ledger (B.L.). It depends upon the extent of the business generally. If it is of any magnitude they are separate. In any event the same gentleman would not, as a rule, post the impersonal accounts to the Private Ledger (P.L.). Notwithstanding, however, the sub-division and separation of this work, the uniformity and regularity of the books are thoroughly maintained, and they balance equally well. It happens, too, very often in large businesses that these Sales Ledgers (as also the Bought Ledgers, though not to such a great extent) are divided into divisions, such as town, country, foreign; and these each again into four or more alphabetical categories, say A-E, F-K, L-R, and S-Z. This would at once make twelve distinct Sales Ledgers, in addition to the Bought Ledgers, the Private Ledger, and, in fact, any other Ledgers. Each of these separate Ledgers might again be under the care of a distinct and separate bookkeeper; but that would make no difference whatever. The whole thing would work as smoothly and regularly as if it were under the control of one man. When such subdivisions of ledgers take place, it is usual, and more advisable, to adopt the system of balancing each Ledger separately, so that, in the event of any error, it may be at once localised to one single Ledger, and thus more readily detected.

I refer to this later on again in its proper place (at paragraphs 52 and 53), when dealing more particularly with the Ledger (or Ledgers), although, as a matter of fact, I believe it is a point with which my readers are already pretty well acquainted.

The Journal resumed.

17. At paragraph 9 I stated that in the case where no other intermediary Book is available, the Journal becomes the link of union for recording transactions of Debit and Credit. In addition to the four Books already referred to at paragraph 11 and explained at paragraphs 12 to 15, there are, for instance, the Bills Payable Book and Bills Receivable Book (about which I say a word or two later on at Paragraph 41), as well as other Books that at times come in for this purpose, not forgetting, too, the Cash Book with respect to the "Discounts and Allowances" columns, to which I will refer in due course (at paragraphs 25 and 32 hereof), but the principle is the same throughout. We will, therefore, now resume the consideration of the Journal.

The Journal useful in opening a set of Books of Accounts.

18. We will suppose that we wish to open a set of Books of Accounts, and that we are possessed of certain Assets against which we owe certain Liabilities or Debts: the Journal comes in useful for this purpose.

What is Capital?

19. A man's Capital is the surplus of his Assets over his Liabilities, or in other words, the sum of his Liabilities and of his Capital equal the sum of his Assets, and that is the way in which the same is stated, as I show in Part II of this present work, when I take up certain fundamental distinctions, which I need not trouble you, therefore, with for the moment.

Opening Entries.

20. Let us suppose that Mr. John Jones on 1 January, 1890, takes over an old-established Business, for which he pays £2,000 goodwill, and assumes the Assets and Liabilities as they appear on the books of the old firm, including a balance for Preliminary and Formation Expenses incurred by his predecessors in extending the Business some three years previously. He thus becomes possessed of the following Assets, say—

1. Cash at Bank (Messrs. £ s. d.)...		1,516	9	4
2. Cash in hand (Office Cash) ...		25	2	6
3. Investments, say—				
£1,000 The Institute of Bankers'				
4 per cent. Preference Stock,				
at 120 per cent.	£1,200	0	0	
£1,000 Bexley Heath Railway				
Ordinary Stock, at 150 per				
cent.	1,500	0	0	
£1,875 Oceania 3 per cent. Con-				
solidated Stock, at par ...	1,875	0	0	
		<hr/>	4,575	0 0
4. Bills Receivable. Nos. 1 to 75				
(detail here short)		6,570	8	4
5. Debtors. On open Account (detail				
here short)		7,690	9	2
6. Stock. (As per Stock Books) ...		3,201	2	6
7. Plant and Machinery (as valued				
at date)		4,090	10	9
8. Goodwill (as valued at date) ...		2,000	0	0
9. Preliminary or Formation Ex-				
penses, three - fifths of				
£1,515 5s. 5d., amount exp-				
ended in extending the				
Business and establishing				
Agencies in 1888, and which				
it has been decided to spread				
over five years, ending 31				
December, 1892			909	3 3
			<hr/>	
Amounting in all to, say		30,578	5	10
Against which must be deducted the				
following Liabilities, say—				
10. Bills Payable. Nos. 1 to 20				
(detail here short)	2,640	3	9	
11. Creditors. On open Account				
(detail here short)	5,940	6	4	
12. Creditors. On Loans and Mort-				
gages (detail here short) ...	10,500	0	0	
		<hr/>	19,080	10 1
13. The Balance, surplus of Assets				
over Liabilities, forms Mr.				
John Jones' Capital at 1				
January, 1890 (paragraph				
19), say		£11,497	15	9
		<hr/>		
		<hr/>		

Marshalling the Assets and Liabilities. 21. Before proceeding to consider what Journal entries we require to pass in order to record in the Books the above position of Mr. John Jones' affairs, let me call your attention to the order in which I have placed (or marshalled) the above items, Nos. 1 to 13. The Assets are placed directly in the order in which they could be readily realised, and the Liabilities are similarly shown, in the order that Mr. John Jones would be called upon to meet them: this is an important feature for Mr. John Jones to bear in mind, not only for his own sake, but more especially should he have occasion to consult his Bankers (Messrs. £ s. d.) for accommodation at any time, when it is a great thing for them to be able to see at a glance what are really liquid assets, and in what relation they stand to liabilities pressing to be met, and which must be met as they mature. I deal more particularly with this point again in Part II hereof, meanwhile I think it not amiss to prepare you for the same, that you may think the matter out in the meantime.

The Journal Entries. 22. The Journal entries necessary to open Mr. John Jones' Books at 1 January, 1890, in accordance with the particulars given at paragraph 20, consist of two detailed and explicit ones, of which the following are the outlines, say:—

1 January, 1890.							
SUNDRIES.	Dr.	P.L.					
To Capital Account (being Assets at date):—		1				30,578	5 10
		C.B.					
Cash at Bank (Messrs. £ s. d.)...		1	1,516	9	4		
		P.L.					
Petty Cashier		10	25	2	6		
Investments (detail)		6	4,575	0	0		
Bills Receivable (detail)		16	6,570	8	4		
		S.L.					
Debtors on open Account (detail)		1/95	7,690	9	2		
		P.L.					
Stock (as per Stock Books)		30	3,201	2	6		
Plant and Machinery (as valued)		35	4,090	10	9		
Goodwill (as valued)		37	2,000	0	0		
Preliminary Expenses: Balance (detail)		39	909	3	3		
			£30,578	5	10	£30,578	5 10

and

Capital Account. Dr.	P.L.							
To Sundries (being Liabilities at date):—	1	19,080	10	1				
Bills Payable (detail)	50				2,640	3	9	
	B.L.							
Creditors on open Account (detail)	1/100				5,940	6	4	
Creditors on Loans and Mortgages (detail)	P.L. 61/5				10,500	0	0	
		£19,080	10	1	£19,080	10	1	

If you have carefully followed me at paragraphs 12 to 15, I should think you ought of yourselves now to be able to post these two Journal entries to Private Ledger (P.L.), Sales Ledger (S.L.), and Bought Ledger (B.L.), respectively. Let me just, however, impress upon you one or two essential features, viz. :—

1. Make your Journal entries (especially the opening ones) clear, explicit and full, so that he that runs may read.

2. Remember that the Debtors posted to Sales Ledger (S.L.), folios 1 to 95, and the Creditors posted to Bought Ledger (B.L.), folios 1 to 100, and to Private Ledger (P.L.), folios 61 to 65, want detailing and posting separately to their individual folios, 1 to 95, 1 to 100, and 61 to 65 respectively.

3. And then, perhaps, you will allow that the 4 books referred to at paragraph 11, and detailed at paragraphs 12 to 15, are on all fours with the Journal, so that so far we have not got beyond the Journal, and therefore it behoves us to hurry on.

Cross, adjusting and Closing Entries.

23. Just as the Journal is all essential for opening entries, so also is it equally so for the cross, adjusting and closing entries at the end of the financial period. I desire you to bear this fact in mind. At

Part II I have more to say upon this point; at the same time it is not impossible that one or two points bearing hereon may come up for consideration in this present Part I, for the Journal is certainly ubiquitous and all-reaching.

The Journal as in use in the office of Messrs. Blank and Co., Merchants, of the City of London.

24. So far, for the sake of brevity, I have rather dealt with the Journal as used by the Manufacturer or General Trader, and not by the Merchant. At the same time I should here state that in the office of Messrs. Blank & Co., Merchants, of the City of London, the entries from every intermediary Book, as also from the Cash Book itself, are all passed into the Journal monthly, and from that Book, posted to

the Ledger. By this means the Journal contains, in chronological

order, particulars of every transaction of the Firm, and is thus in itself a complete Book of Record, from which at any time the Ledger can be written up; the entries in this latter Book (the Ledger) are thus materially minimised. This, in fact, is the system in force on the Continent and elsewhere, where the "Code Napoléon" prevails, as already mentioned in paragraph 10 hereof. It would take too long to go into the matter on the present occasion, it being, in fact, a subject in itself; but if any of you desire to go more fully into it, I would refer you to two papers I have already read, and bearing directly upon the subject. They are entitled respectively:—

"A Merchant's Office."—London, 8 November, 1887.

"A Merchant's Accounts."—Sheffield, 28 November, 1888.

copies of these are given herein.

The Cash Book. 25. The Cash Book is not necessarily one Book: it often consists of many books; for instance, it is not unusual to have two separate Cash Books, viz., one for Cash Received, and the other for Cash Paid, and thus, often the General Cash Book in Manufacturers' and General Traders' Businesses, except for entries to the Private Ledger (where the record and posting are direct), only transcribes the totals of which the details and postings are given in the following sub-Cash Books, viz.:—For Cash Received, Town Cash Book (or Books), Country Cash Book (or Books), and Foreign Cash Book (or Books), the items of which are posted to the credit of the Sales Ledgers; and for Cash Paid, the Bought Cash Book (or Books), the items of which are posted to the debit of the Bought Ledger. You will notice I say "Book" ("or Books"), it being found convenient in large businesses to divide these into alternate days, say one set for Mondays, Wednesdays, and Fridays, the other set for Tuesdays, Thursdays, and Saturdays. In this way the daily work of the Cashier is not interfered with, and does not clash with that of the Ledger Clerk. The day's totals of these various sub-Cash Books, are entered in the General Cash Book, which (subject to adjustment for outstandings) corresponds to and agrees with the Bank Pass Book, and of which periodical and frequent agreements are both necessary and advisable.

Before dismissing from our notice these sub-Cash Books, I would mention that they (and not the General Cash Book) deal with the entries of discounts and allowances (see paragraph 17 hereof), for which they have special columns. I refer to this matter more particularly again at paragraph 32 later on.

The posting of the Cash Book. 26. In all large well-conducted businesses the invariable and uniform rule prevails that the one who keeps the Cash Book (or Books) has nothing whatever to do with the posting of it: this duty devolves on another (or others), it being advisable that the Cashier and Bookkeeper be always distinct persons: to have them the same might facilitate fraud.

The form of the Cash Book. 27. The Form of the Cash Book differs materially in different businesses. In some cases the objectionable plan is pursued of keeping and recording in it Office Cash—that is to say, not banking everything as it is received, but keeping back a portion of the Cash in hand, and out of it paying accounts in Cash instead of paying everything by Cheque. Of course I do not here refer to Petty Cash, which is a necessary adjunct, but which should be kept altogether distinct, as I explain at paragraph 36 hereof.

Office Cash. 28. As I do not approve of the system of Office Cash, I purposely avoid giving you a form embodying it, simply confining myself to stating that where this mischievous system prevails an extra money column is needed both on the debit and credit side of the Cash Book, and that any Transfers from “Office Cash” or vice versâ to “Bank” are passed from the one money column to the other without being posted, a simple contra tick (thus “√”) recording the respective debit and credit.

Ruling in general use for a Cash Book where all is banked. 29. The ruling in general use for a Cash Book where everything is banked is as shown in the form which I have sketched out for you, giving you at the same time a few simple entries. You will find the ruling of this form, together with the entries, given you at the next page.

[For the Form see next page.]

I. Dr. 1.	Cash.			Contra.			I. Cr.					
	2.	3. 4.	5.	6.	7.	8.	9.	10, 11.	12.	13.	14.	
Date.	Account and Particulars.	Voucher No.	Discs and Allowances.	Cash.		Date.	Account and Particulars.	Voucher No.	Discs and Allowances.	Details.	Totals.	
1890. Jan. 1.	To Blank & Co., Capital a/c	J, 1			150 5 0	1890. Jan. 1.	By Freight and Insurance Goods "Orient" Cheque 1	1			5 12 6	
" 4.	To John Smith, on a/c	SL 100			95 0 0	" "	By J. Robinson " 2	2	10 0	19 10 0		
" 6.	To Bills receivable, No. 1 discounted	PL 13	2 0 0	160 0 0		" "	By T. Wilson " 3	3	1 0 0	99 0 0		
" "	To J. Noakes, settlement of a/c	SL 2	15 9 0	300 0 0		" "	By E. Brown " 4	4	5 0 0	16 0 0		
" 13.	To Blank & Co., D/a paid in	PL 4			460 0 0	" 13.	By Bills Payable, No. 1 due this day	5			134 10 0	
" 14.	To Cash Sales as per book	SL 90			600 0 0	" 14.	By Blank & Co., D/a R. Jones, Cheque 5	6		150 0 0	150 0 0	
" 31.	To W. Brown	SL 16	3 0 6	99 0 6		" "	E. Smithers " 6	7		200 0 0	510 0 0	
	To T. Jones	SL 25	1 0 9	45 0 0		" "	T. Bailey " 7	8		160 0 0	50 0 0	
					130 9 6	" 15.	By Rent and Rates, due Xmas., Cheque 8	9				50 0 0
					144 0 6	" 31.	By Salaries— E. Jones " 9 A. Smithers " 10 T. Brown " 11	10		15 0 0 10 0 0 5 0 0		30 0 0
						" "	By Petty Cashier on a/c Cheque 12	10			10 0 0	10 0 0
						" "	By Balance... ..	11			689 12 6	689 12 6
Feb. 1.	To Balance	PL 15	£21 10 3		£1,579 15 0						£1,579 15 0	
					689 12 6							

See explanations at Paragraph 30.

Explanation of the various Columns 3 and 10 "Voucher Number." 30. I have numbered the various columns, Nos. 1 to 14 respectively, for readier reference. It will be seen that column No. 3, for "Voucher No." is not filled up on this occasion. If we were dealing, however, with Charities, Clubs, or, in fact, any Public Institutions where Receipts are given in consecutive numerical order, this column would contain these numbers seriatim for purposes of ready vouching at audit and other occasions. The corresponding column (No. 10) on the Credit side for Payments, you will see, is filled up, say, Nos. 1, 9 and 10, by separate receipts, numbered and filed away, and "salaries" (intervening between 9 and 10) by a book, which is duly signed by each recipient for the amount he receives, and where the amount comes to £2 and upwards such signature should be across a penny receipt stamp unless the voucher already bears an embossed revenue stamp.

Columns 4 and 11 "Ledger folio." 31. Columns No. 4 on the debit side and No. 11 on the credit side are used for posting, in the first place, to the credit of the one who pays the money (entered on the debit side of the Cash Book); and in the second place, to the debit of the one who receives the money (entered on the credit side of the Cash Book). To realise this clearly, you must again have before you our old time-honoured axiom, that "Every debit requires a credit," and vice versâ, and understand that the principle holds good here equally, and that Cash (as shown in the Cash Book) is Debtor for what it receives in columns Nos. 6 and 7, and Creditor for what it pays away in columns Nos. 13 and 14; and as every "debit requires a credit," &c., "John Smith," "Bills Receivable," &c., are credited at their respective Ledger folios with the moneys they have paid in, while "Freight and Insurance," "John Robinson," and others are debited in the same way with the moneys paid to them. In order to satisfy you that this debit and credit principle is here again strictly and logically carried out, let us take the Debit side of the Cash, £1,579 15s. 0d. Cash is, so far, in debit for this total amount, while the individual accounts making up this amount have been credited for this aggregate sum. Now, turn to the credit side of the Cash and, deducting £689 12s. 6d. from £1,579 15s. 0d., you find Cash credited with £890 2s. 6d., which is the exact amount of payments made from 1 to 31 January, 1890, the individual amounts making up this sum having been debited at their respective Ledger folios. Thus we have—

Credit entries posted to the Ledgers for total of			
Cash received	...	...	1,579 15 0
Deduct debit entries posted for total of Cash paid...			890 2 6
			<hr/>
Leaving balance of credits	...	...	£689 12 6
			<hr/>

exactly the amount, neither more nor less, with which Cash ends in debit, and is, in fact, brought down at 1 February, 1890, as a debit balance, say, £689 12s. 6d. as above.

Columns 5 and 12, "Discounts and Allowances." 32. At paragraph 17 I stated that the Cash Book (in the "Discounts and Allowances" columns) at times takes the place of the Journal in recording and dealing with adjusting entries, and you have here, at columns 5 and 12 of the form of Cash Book given at paragraph 29, an exact case in point. For instance, let us take the first entry of the kind on the debit side.

"Bill Receivable," No. 1, amounts to £162; Mr. Blank has discounted it, receiving cash £160, and has had to allow £2 for discount on the unexpired time the Bill had yet to run. Bills Receivable account is credited in the Private Ledger (P.L., folio 13), with both these sums (£160 and £2), and so the item is there closed; while Cash is debited £160, and "Discount and Allowances" £2. This, of course, supposes that for the Bill £162, only £160 in cash had been received and banked, as would be the case if it were discounted outside. Had Mr. Blank, however, discounted it with his own bankers (Messrs. £ s. d.), they would probably have credited him in the Pass Book with the full amount, £162, and debited him with the £2 on the other side. In that case the Cash Book would have responded and have treated these items as Cash, and then the £2 would not have appeared in the "Discounts and Allowances" columns. The other items on the Dr. side are similarly treated.

Now take J. Robinson on the credit side of the Cash Book. There is really due to him £20, but he is paid £19 10s. in Cash, and he allows 10s. as rebate; he is debited with both these amounts in the Bought Ledger (B.L., folio 90), while Cash and Discount and Allowances are credited with the corresponding amounts. The individual items of Discounts and Allowances are thus posted out separately to the credit and debit respectively, while the totals, say, £21 10s. 3d. in debit and £1 10s. 5d. in credit, are posted at the end of the month to the debit and credit respectively of the impersonal account, "Discount and Allowances," in the Private Ledger (P.L., folio 15), thus making the double entry complete.

Columns 6 and 7, and 13 and 14, "Cash." 33. Now, taking Cash columns 6 and 7 and 13 and 14:—6 and 13 are for Details and purposes of grouping, while 7 and 14 are total extensions. In this way it (the Cash Book) is readily agreed with the Bank Pass Book, and this should be done as often as practicable, say, once a week, or, in any event, never less than once a month, and that before you make your closing monthly entries, so that it (the

Cash Book) includes, within the month itself, every item credited or debited in the Bank Pass Book, such, for instance, as on the credit side—

Dividends collected by the Bank;

Interest allowed by the Bank, or any other direct Receipt; and on the debit side—

Interest charged by the Bank;

Bank charges for collecting Irish or Scotch cheques, or any other direct Payment.

Agreement of Cash Balance with Bank Pass Book. 34. The following would be an illustration of the agreement of our Cash Balance of £689 12s. 6d., as given at paragraph 29, with the Bank Pass Book:—

Say, Balance as per Bank Pass Book ...	659 12 6
Add country cheque (T. Jones) not yet cleared and therefore not yet credited in the Pass Book ...	45 0 0
	704 12 6
Deduct outstanding cheques not yet presented for payment and therefore not yet debited in the Pass Book—	
A. T. Brown, cheque 11	5 0 0
Petty cashier, cheque 12	10 0 0
	15 0 0
Balance as per Cash Book, folio 1.1 ...	£689 12 6

Summarising Observations on the Cash Book. 35. As I shall in Part III, when dealing with “Bookkeeping in connection with General Banking,” refer again to the Cash Book, I will for the present dismiss it with the following twelve summarising observations, which I commend to your careful perusal and consideration:—

1. Enter Cash received on the Debit side: Cash paid on the Credit side.
2. Write up the Cash Book daily, and continuously, so soon (if possible) as the transaction occurs.
3. Pay in all Cash Received, make all payments by cheques drawn on the Bank.
4. Under no consideration keep back any money received to meet any disbursement.
5. Number your cheques in the Cheque Book consecutively, and enter in the Cash Book the number of each cheque against the amount.

6. This often assists in tracing a cheque where there happens to be no other voucher for the payment, as also in agreeing the Bank Pass Book.
7. Get vouchers (receipts) for every payment and number and keep them serially in accordance with the voucher number in the Cash Book.
8. In writing up the Cash Book state clearly and fully the name of the Ledger account, and, where necessary, give short particulars of the receipt or payment.
9. Observe uniformity of dates as regards debits and credits. The date on either side of one page should not be later than the first entry on the other side of the next page.
10. Refer frequently to the Bank Pass Book, entering from it, in order of date, any small charges, as also any receipts or payments passed in direct.
11. Agree your Cash Book with your Bank Pass Book periodically, say, once a week, or never less than once a month, and show such agreement in the Cash Book.
12. The one who keeps the Cash Book should not post from it.

Petty Cash. 36. Reverting back to paragraph 22, where in the opening Journal Entry I show:—

“ Petty Cashier ^{P.L.}10 25 : 2 : 6 ”

to paragraph 27, where I state that

“ Petty Cash should be kept altogether distinct,”

and to paragraph 29, where, on the Credit side of the Form of Cash Book, I enter

“ ¹⁸⁹⁰Jan. 31 By Petty Cashier on account cheque 12, £10 0 0.”

I now take up this subject of Petty Cash and show in the next paragraph how it is best dealt with.

Petty Cash Book. 37. I recommend that the Petty Cash Book, besides having one total money column, should be ruled with such additional money columns as may be required for the respective heads of payments on Impersonal accounts that come through the Petty Cash. There should be one additional money column to be used for “Ledger items” (Personal and Impersonal Accounts not provided for in those already designated), each item of which has to be passed out separately. It should also have a column for vouchers similar to that for the Cash Book. By the adoption of the Imprest System, referred to in the next paragraph (38), the whole of the payments by Petty

Cash are passed, systematically and regularly to their respective Ledger accounts without difficulty or confusion.

The Imprest System. 38. To give effect to the Imprest System a round sum, say from £10 to £50, is in the first instance drawn for the Petty Cashier, which sum at the commencement and end of the financial year is always intact. At regular periods the cast of the Petty Cash Book is taken and a cheque drawn for the exact amount disbursed, this is passed out through the general Cash Book to the debit of the various Ledger accounts as per the respective heads in the columns of the Petty Cash Book, while the cheque itself is cashed and the money handed to the Petty Cashier, and thus the primary round sum in his hand is once again restored, the cheque for the last repayment being drawn and cleared at the end of the year, and so covering every item in Petty Cash expended during the year. I deal with this more fully at paragraph 40.

Another system of passing out Petty Cash. 39. Where, however, the sums that have to be paid out of Petty Cash vary in amount more materially, another plan is to open a personal account in the Private Ledger, entitled Petty Cashier, and to feed this account from time to time by cheques drawn for round sums through the Cash Book and with which the Petty Cashier gets thus debited; on the other hand, clearing his account by passing periodically a Journal Entry of the totals disbursed in the Petty Cash Book under their various heads of accounts, these accounts (impersonal and personal) are thus debited out to the respective Ledger folios, while the Petty Cashier is at the same time credited in his Ledger Account, with the total he has thus correspondingly disbursed. The balance standing to his debit or credit at the end of the year, is the amount that he has in hand or that is owing to him, and forms a Balance Sheet item. The Imprest System is more generally used in the case of Railways, Charities and Public Institutions, while that of journalising the Petty Cash applies rather to Businesses, and that is why, in the two illustrations I give at paragraphs 22 and 29, this system of Journalising (and not that of the Imprest through the Cash Book) is shown. As, however, it is evident that the Imprest System is everywhere finding general favour and adoption, I now show how it is worked.

Form of Petty Cash Book. 40. The following is a sketch of a Petty Cash Book ruled on the Columnar System, and which it is advisable to adopt in good Bookkeeping. For present purposes I adapt the entries to the Imprest System, although it is really applicable to either system.

The Cash Book entries for these two amounts drawn out on 1 and 31 January, 1890, respectively, will be as follows:—They both appear on the Credit side, which side I only therefore produce. You will find the ruling identical to that given at paragraph 29.

Contra.						Cr. I				
Date.	Account and Particulars.	Voucher No.	Ledger Fol.	Discounts and Allowances.	Bank.					
					Details.	Totals.				
1890. Jan. 1	By Petty Cashier : Imprest Cheque No. 1.	1	P.L. 20				20	0	0	
31	By Cartage and Carriage ...	See Petty Cash Book, folio 1	P.L. 22			16	6			
	By Travelling		24				11	6		
	By Stationery and Printing		26			1	14	0		
	By Postages and Telegrams		28			1	11	10		
	By Housekeeper		30			4	0	3		
	By Petties		32			1	13	3		
	By Purchases 17/9, 17/7 ...		39			1	15	4		
	By John Jones		B.L. 96				18	9		
	By Earl Howe		74				12	6		
	By A. Adams		14				1	6		
	Petty Cash items for Jan- uary; Cheque No. 17.							13	15	5

The effect of these Cash entries is to leave Petty Cashier a permanent Debtor in the Private Ledger (P.L., fo. 20) for £20, and forms a Balance Sheet item, the subsequent payment of £13 15s. 5d. to him restoring his Imprest to that amount, and being charged out direct to the various Ledger folios, as per columns in the Petty Cash Book, so far as the first six are concerned, the remaining four (£1 15s. 4d., 18s. 9d., 12s. 6d., and 1s. 6d.) amounting to £3 8s. 1d., the sum of the 7th column (Ledger items) being analysed and posted out accordingly, the first to an Impersonal account, the remaining three to Personal Accounts. The same operation is carried out monthly or oftener, should the Imprest of £20 not hold out so long, and have consequently to be made up again.

Bills Payable Book, and Bills Receivable Book.

41. At paragraph 17 I foreshadowed the use of the Bills Payable Book and Bills Receivable Book as two further subsidiary Books, to a certain extent superseding the use of the Journal, as it has become now pretty well the practice in businesses generally (that of a Merchant or Banker excepted) to post direct from the same. The following are convenient forms for these two Books: they are so ruled as to allow of direct postings to the respective Ledgers without the intervention of the Journal:—

Bills Payable.													
No. of Bill.	Date when accepted.	To whose Debit.	By whom Drawn.	Place.	To whom Payable.	Date of Bill.	Term.	Due, including Days of Grace.	Leid-ger Folio.	Amount.	Remarks.		
1	1890, Jan. 2	E. Brown	E. Brown	Liverpool	A. Brown	1890, Jan. 1	1 month date	1890, Feb. 4	B.L. 16	100	0	Contra Ac- count B/R	
2	3	R. Smith	Transvaal Co., Limited	Amsterdam	Transvaal Co., Limited.	"	3 mths. sight	Apr. 6	120	309	7		
3	9	J. Jones	J. White	Birmingham	J. Jones	8	"	" 12	95	40	2	0	
4	22	W. Harding	W. Harding	Paris	Credit Lyonnais	20	"	" 25	72	200	0	0	
5	24	J. Bailey	J. Bailey	Berlin	German Bank	22	4 mths. date	May 25	15	300	0	0	
6	30	R. Tims	R. Tims	Turin	Anglo-Italian Bank	23	2 mths. sight	Apr. 2	142	150	0	0	
7	31	S. Nokes	Magdeburg Co.	Schwelm	S. Nokes	25	On demand	Jan. 31	101	89	7	6	
									P.L. 15	£1,188	17	0	

I do not put a column "where payable" as they are all made payable at the Bank, otherwise this column at once becomes necessary.

Bills Receivable.												
No. of Bill.	When Received.	To whose Credit.	By whom Drawn.	On whom Drawn.	Where Payable.	Date of Bill.	Term.	Due, including days of grace.	Ledger Folio.	Amount.	How and when disposed of.	
1	1890. Jan. 3	A. Long	Ourselves	A. Long	City Bank	1890, Jan. 1	3 mths. date	1890, Apr. 4	S. L. 55	0	Cash	1890, Apr. 4
2	4	W. Short	W. Short	Linen Compy., Glasgow	Linen Compy., Glasgow	"	3 mths. sight	Apr. 8	70	459 7 6	Discounted	Jan. 6
3	6	A. Brown	G. Brown	Ourselves	"	"	1 mth's. date	Feb. 4	20	100 0 0	Contra a/c B.P.	" 9
4	7	W. Green	Ourselves	Credit Lyon- naas, Paris	Glyn and Co.	7	4 mths. date	May 10	40	325 9 4	Discounted	" 9
5	9	G. Lake	G. Lake	Union Bank	Union Bank	"	3 mths. sight	Apr. 12	50	800 0 0	"	" 20
6	20	T. Starling	T. Starling	Promissory Note	Consolidated	19	3 mths. date	Apr. 22	75	201 7 8	Renewed	" 22
7	31	W. Nightingale	A. Bird	C. Wren	London and Westminster	28	"	May 1	60	300 0 0	Discounted	Jan. 31
8	"	B. Crow	B. Crow	Blank & Co.	Bk. of England	30	On demand	Jan. 31	30	50 9 4	Cash	" 31
									P. L. 22	£2,836 13 10		

You will notice that Bill Payable No. 1 for £100, and due 4 February, 1890, drawn by and for account of E. Brown, is made payable to A. Brown, his brother. A. Brown happens to be a buyer of the firm (E. Brown being a seller to the firm), and with whom he has an account in the Sales Ledger (S.L., fo. 20) for Goods sold to him. E. Brown passes on the firm's acceptance to him, which he (A. Brown) sends them back as a Remittance; as such, it finds its way as Bill Receivable No. 3 in the Bills Receivable Book. On 4 February, 1890, when it matures, a Journal Entry is passed debiting Bills Payable account £100 in the Private Ledger (P.L., fo. 15), and crediting Bills Receivable account in the same Ledger (P.L., fo. 22) with the same amount, and so clearing the transaction in both these Impersonal Accounts, for this £100, which in the ordinary way would have been done through the Cash Book, on this occasion, as no Cash passes, the Journal steps in and does what is needful herein. I mention this, because you must often have similar cases coming under your notice of Bills thus answering the dual purpose. This is of very frequent occurrence in transactions from abroad with this country, and especially with Branches in connection with each other or the Head Office, as I point out in Part IV hereof when dealing with Colonial and Foreign Banking.

Diary of Bills Payable. 42. It is important to keep a Diary of Bills Payable, in order to know daily what amounts are maturing, and to make timely provision for meeting the same. This Diary must be written up daily as the Bills are accepted. Any remissness or oversight in this respect might (in fact, very probably would) lead to serious consequences, especially where one is not over flush of Cash, and has to finance more or less from hand to mouth. In some cases it is the custom to lodge with one's bankers on the last day of each month a list of the bills maturing for the following month. This is more especially the case where the Bank Account is worked on the "overdraft" system (better known in the country and abroad).

Bills Receivable Case. 43. It is usual to put the Bills Receivable, when back from acceptance, in a leather case with 12 openings (one for each month), and to put the Bills, after sorting them in precise order of date of maturity, in their respective monthly compartment. They are thus readily available either for discount or for lodging with the bank for collection. This latter is generally done in batches a few days before maturity. Whenever any Bills are taken out of the case they should be marked off in the Bills Receivable Book (last column showing "how and when disposed of"). In some old-fashioned concerns,

where they are flush of money and never either think of accepting a bill or of discounting one, they have the habit of lodging with their bankers the Bills Receivable as soon as they receive them. So long as they enter them in the Bills Receivable Book and treat them as Bills Receivable passing the necessary entries, well and good; but in some cases they ignore this Book altogether, and at once enter them on the debit side of the Cash Book as if they were Cash actually received, thus leading to great confusion in agreeing the Bank Pass Book with the Cash Book, for, before this can be done, all unmatured acceptances have to be picked out from some pages back and deducted from the quasi Cash Balance. It might be said that the same thing occurs with country cheques uncleared and cheques not presented, but these are generally within easy reach, and readily traceable, whereas the bills are not, especially if there is no Bills Receivable Book. I mention this fact because it is a fact, certainly not as an incentive for imitation, but, on the contrary, as a deterrent to be at all times carefully avoided and, where practicable, deprecated.

The Ledger. 44. Coming now to the Ledger, or Ledgers, for, as I pointed out to you at paragraph 16, this Book, like the Journal, is often made up of several books, as, for instance,

The Sales Ledger (or Ledgers)—Town, Country, and Foreign.

The Bought Ledger (Do.) Do. Do. Do.

The Private Ledger (Do.), &c.

Some of these, too, may have to be divided up into sections, as, for instance, A to E, F to K, L to R, and S to Z (say four books to a department, and sometimes even more). It may here not be inappropriate to give you the approximate proportion of openings to each letter, out of, say, 1,000 accounts, taking in the whole alphabet, say:—

A to E.	F to K.	L to R.	S to Z.
A = 30	F = 50	L = 48	S = 120
B = 84	G = 44	M = 60	T = 30
C = 70	H = 74	N = 28	U = 6
D = 30	I = 6	O = 16	V = 12
E = 16	J = 30	P = 60	W = 74
	K = 30	Q = 6	X = 4
		R = 60	Y = 8
			Z = 4

Totals : A to E 230 F to K 234 L to R 278 S to Z 258 openings.

SUMMARY.

A to E	=	230	openings.
F to K	=	234	„
L to R	=	278	„
S to Z	=	258	„

Making the total say, = 1,000 openings, as applied to one Ledger only.

Definition of the Ledger. 45. The Ledger (or Ledgers) is, as you must have already by this time seen for yourselves, the Book (or Books) into which all the transactions, after sifting and filtering through intermediary Books and stages are finally found analysed and summarized in classified and convenient order for ready reference under their respective Ledger folios, and the art of good Bookkeeping consists in making a study and science of this important point, and acting up to it in every respect. I always find it a real pleasure to open and go through a Ledger thus neatly and methodically kept with every entry at once in its proper place, readily at hand for reference; while when the contrary is the case, it is but too often a sickening, wearying task.

The two Categories of Ledger Accounts. 46. Ledger Accounts consist of two categories, viz. I. Personal Accounts. II. Impersonal Accounts, these latter being subdivided into—

(a) Real Accounts, comprising Capital Property (see paragraphs 47 and 48).

(b) Nominal Accounts, comprising Revenue and Profit and Loss Accounts (see paragraphs 47 and 48).

Their Definition. 47. Personal Accounts are those opened by the Trader with the various persons with whom he transacts business (including himself in Capital Account, as also in Drawing Account). These Accounts (with the exception of the Capital Accounts and the Drawing Accounts, which are to be found, as a rule, in the Private Ledger) are generally kept in distinct Ledgers, as, for instance:—The Sales Ledger (or Ledgers for those he sells to); the Bought Ledger (or Ledgers for those he buys from), and to which Books we have already very frequently referred in the course of this evening.

Impersonal Accounts, on the other hand, are those opened to classify under certain well understood and recognised heads of accounts, the Trader's property in which his Capital is embarked,

as also the results of the Revenue derived therefrom, including the various items of profit and loss, together with the details of expenditure necessary and coincident thereto, and with which I deal more particularly at Part II. With reference to Impersonal Accounts you will remember what I told you at paragraph 4 in connection with the imperfect system of Bookkeeping by Single Entry, where Impersonal Accounts are not even posted. Were I to adopt this incomplete system on the present occasion my labours would be considerably curtailed, but I think you would hardly thank me for that, for your education in this respect so far as this book is concerned would be correspondingly incomplete and imperfect.

Real and
Nominal
Accounts.

48. The Accounts that record Capital Property are called Real Accounts, as, for instance, Cash, Investments, Bills Receivable, Stock, Plant and Machinery, and other similar headings which appear on the credit side of the Balance Sheet (but omitting Debtors, which are Personal Accounts): the Nominal Accounts recording Revenue and Profit and Loss items, &c. (as referred to at paragraph 46) are purely and simply sub-divisions of these Accounts, and more particularly for present purposes of the Profit and Loss Account, it being found for many purposes desirable to keep the various heads of accounts distinct during the financial period between the one Balance Sheet and another, when the totals of these are got out and passed to the Profit and Loss Account, the Balance, either Profit or Loss, represent the increase or decrease of Assets over Liabilities for the period in question, and going (after providing for his Drawings during that period) to correspondingly increase or decrease the Trader's Capital Account.

Ruling for a
Ledger.

49. I refer you now to a convenient ruling for a Ledger, which, I trust, commends itself to you for your adoption. You will find this Form at the next page.

[For the Form see next page.]

You doubtless recognise this as an opening of the Sales Ledger, as indeed it is. For such accounts, as also for those of the Bought Ledger, where the entries are short and intelligible without need of detail, a one-page opening will do very well for the rulings of both the Dr. and Cr. side; but for Private and other Ledgers—executorships, trusts, charities, and other institutions, for instance—where the entries are varied and need to be clearly and fully recorded, the space thus afforded would be too cramped, and in such case folio openings (I.I), putting the Dr. ruling on the left-hand page and the Cr. ruling on the right-hand page, are found to be preferable, and, in fact, in many instances necessary.

Opening the Ledgers. 50. At paragraph 44 I gave you certain alphabetical statistics for, say, 1,000 accounts, and I now again refer you to this paragraph, because you will find the hint there given useful in opening such of your Ledgers as relate to Personal Accounts (omitting the Capital and Drawing Accounts, see paragraph 46), for bear in mind that when opening such accounts, you must not only provide for the Accounts you have already, but for those that you may reasonably expect will follow. It is, therefore, worth some little time and trouble to sketch all this out methodically and systematically, so as not only to have a good start, but a good finish also. It is certainly disheartening, after you think you have begun all right, to find you are short of B openings, and have to put the new ones at the end of the Q contingent, and soon after to find in the same way that you have to relegate the new S openings to the end of the Z ones: just a little more care and forethought might have spared you this annoyance, besides destroying the symmetry of arrangement of the Ledger openings. When opening the Capital, Drawing and Impersonal Accounts in the Private Ledger (or Ledgers), order of importance rather takes the place of alphabetical order, although there, too, it may come in to a modified extent, contingent on the above proviso. The following order might be adopted, say—

- 1 and 2. Capital Accounts: and Drawing Accounts.
3. Impersonal Accounts: Real (in order of importance).
4. Impersonal Accounts: Nominal (do. do.)

bearing in mind that when opening the Impersonal Accounts (Real) it is a good plan to observe the same order, as you will have to marshal them eventually on to the Balance Sheet, and with the Impersonal Accounts (Nominal) as they appear in the Trading Account and in the Profit and Loss Account. You will find it an assistance when closing your books to have all these headings ready to hand in consecutive order, without having to re-arrange them afterwards.

The Ledgers
balance.

51. If you have followed me thus far attentively, you must have noticed that for every debit or debits I have given you a corresponding credit or credits; therefore, if all these entries have been correctly posted to the Ledger (or Ledgers), it (or they) must balance. It frequently happens, however, that the impersonal totals of the Cash itself are not posted to the Ledger. In that case the Cash Book must be looked upon in the light of a kind of subsidiary Ledger, and its balance, too, taken into account. That being so, provided everything is properly written up to a point, on taking out from all the Ledgers, including the Cash Book, the various balances (at any given date), the totals of the debits will be found to equal exactly the totals of the credits. It is easy to bring the Cash into the Private Ledger, and so get everything into the Ledgers, which will thus balance per se. This is done by two monthly Journal entries, as follows, say—

Messrs. £ s. d.	Dr.	9	1,605	7	4			
To Cash— Being Cash paid in during the month, the credits of which have been posted separately from the Cash Book (folios 1-15).						1,605	7	4
Cash— To Messrs. £ s. d.	Dr.	9	902	9	7			
Being Cash drawn out during the month, the debits of which have been posted separately from the Cash Book (folios 1-15).						902	9	7

The Monthly Receipts are found by taking the total cast of the Cash Book for that period and deducting the balance of Cash at the beginning of the month, as shown on the debit side; while the monthly payments are the same total, deducting the balance of Cash at the end of the month, as shown on the credit side of the Cash Book.

It will be seen that in taking out the Trial Balances at paragraph 54, I thus treat "Messrs. £ s. d. (Cash at Bank)" as a Private Ledger Account (P.L., folio 9).

Supposing
they do not
balance?

52. After all, however, we are but mortal, and apt to make mistakes, and one such mistake in a large business, with an infinity of Ledgers, may throw us out entirely. The question is, to devise a plan to at once localize it to one single Ledger, and thus more readily detect it. The answer is given in the following paragraph, No. 53.

Balance each Ledger separately. 53. At paragraph 16 I foreshadowed the foregoing contingency and the cure for it, by adopting the system of balancing each Ledger separately.

The following is the way of doing this:—Have all the Books, from which the various Ledgers are posted, analysed monthly, and this will give you the total sum posted to the debit and/or credit of each Ledger. When you have got all those together, you will find the totals of the debits of all the Ledgers agree with the credits of them. Pursue this plan month by month for six months (if you take out half-yearly accounts) or for twelve months (if you only take out yearly ones): in this way you have, month by month, the Balance, debit or credit, as the case may be, of each separate Ledger, so that when the Ledger keeper of each of these Ledgers takes out his Trial Balances—monthly, three-monthly, half-yearly or yearly, as the case may be—the Balance between his debit and credit accounts should correspond exactly with that given on the analysis sheet attaching to his particular Ledger; otherwise there is a mistake, and it will be found to be in that particular Ledger, so you know at once where to begin to look for it.

Take as an illustration the Sales Ledger: by the analysis you will find that Sales have been made for the month amounting

to	1,675 9 5
-----------	-----------

Against which the Returns Book Inwards shows:—

Goods returned	25 3 4
Cash received from Debtors as per analysis of Cash Book	500 8 3
Discounts and Allowances as per Cash Book analysis, inner column ...	32 6 9
Bills Receivable as analysed	300 9 5
	858 7 9
Balance owing by Debtors as per detailed List of Debtors taken out by the Ledger Clerk ...	£817 1 8

This pre-supposes the first month of a new business: the following month would start with this amount (£817 *ls.* 8*d.*) to the debit, and so on for the consecutive months.

The analysis of the other Ledgers corresponds exactly, only in case of the Bought Ledger the sides are reversed.

Compen-
sating Errors.

54. Do not be misled by supposing that if your Books do not balance, the difference, after all, is so trifling that it is not worth the trouble of looking for it. Remember that there are such things as compensating errors, and that a single mistake of 1d. may lead to the discovery of a combination of mistakes, large and small, which, taken in the aggregate, debit and credit, may result in a difference of 1d. only, while meanwhile a multiplicity of accounts (personal and impersonal) are all wrong and misleading until the whole thing is bottomed and put right.

Trial Ledger
Balances.

55. At Part II, I renew the subject with "Closing Entries, Balance Sheet and Profit and Loss Accounts, &c." Meanwhile, I close Part I by leaving with you a list of "Trial Ledger Balances" which I then propose to deal with, and incorporate in the above accounts, including the Trading Account, and which, perhaps, you may think worth your while to try your hand at, and see how near we approach the one to the other in our final results when we come to compare notes together. These Trial Ledger Balances you will find duly set out on the next page.

[For the "Trial Ledger Balances" see next page.]

Messrs. Blank & Co. : Trial Ledger Balances. 31 December, 1890.

Account and instructions for closing entries.	Ledger Folio.	Debits.		Credits.	
	P.L.				
Thomas Blank : Capital Account	1			10,000	0 0
Edward Blank : Capital Account	3			5,000	0 0
Thomas Blank : Drawing Account	5	2,540	6 9		
Edward Blank : Drawing Account	7	2,300	4 5		
(Credit the two Drawing Accounts with 5% Interest on the Capital Accounts, and also pass the Balance of profit or loss to the two Drawing Accounts in equal shares.)					
Messrs. L. s. d. (Cash at Bank)	9	1,675	9 4		
Cash on Deposit	15	3,000	0 0		
Petty Cashier. (Imprest in hand)	19	30	0 0		
Investments. (Balances standing at)	20	3,385	6 4		
Say £900 Institute of Bankers 4% Stock (valued at 130%)					
£1,000 Bexley Heath Railway Ord. Stock (" " 150%)					
£875 Oceania 3% Consolidated Stock (" " 97½%)					
Pass the difference to Profit and Loss Account.					
Bills Receivable, as per List (make out a List and reserve £300)	25	6,790	7 5		
Bills Payable, as per List (make out a List)	30			6,090	2 4
Creditors on Loans and Mortgages, as per List (make out a List)	33			5,500	0 0
Stock (at 1 January, 1890) (Stock at 31 December, 1890, £4,509 10s. 8d.)	40	3,201	2 6		
Plant and Machinery (write off 7½%)	45	4,090	10 9		
Additions to Plant and Machinery (transfer to Plant and Machinery; no writing off)	47	470	3 5		
Freehold Land and Premises	48	10,000	0 0		
Goodwill (write off 25%)	49	2,000	0 0		
Preliminary Expenses (write off 50%)	50	909	3 4		
Purchases (during the year 1890)	51	35,069	8 10		
Sales (during the year 1890)	55			50,506	11 2
Wages (include in Trading Account)	60	1,509	8 4		
Salaries (include in Profit and Loss Account, and so on with remainder of P. L. items)	63	502	12 6		
Rent, Rates, and Taxes	66	201	6 5		
Current Expenses (sub-divide into Gas, Water, and the other 6 items given at paragraph 40 in Petty Cash)	68/75	206	9 2		
Discounts and Allowances	77	308	7 4		
Bad and Doubtful Debts (fill in when ascertained)	79				
Repairs and Alterations	83	202	8 6		
Depreciation Account (fill in when ascertained)	86				
Interest and Dividends (add Partners' interest when ascertained)	85	105	7 6		
Profit and Loss on Investments (fill in when ascertained)	87				
Total of Private Ledger Balances		78,498	2 10	77,096	13 6
Debtors on Open Account as per List (make out a List and write of £175 6s. 4d., showing details of accounts written off)	S. L. 1/1000 B.I.	3,642	9 6		
Creditors on Open Account, as per List (make out a List)	1/1501			5,043	18 10
		£82,140	12 4	82,140	12 4

BOOKKEEPING.

PART II :

IN CONNECTION WITH

CLOSING ENTRIES,

BALANCE SHEET, AND PROFIT AND LOSS ACCOUNTS,

COMPANIES' ACCOUNTS,

FUNDAMENTAL DISTINCTION BETWEEN

CAPITAL AND REVENUE.

“Practice makes Perfect.”

Closing
Entries.

56. I closed Part I with a list of Trial Ledger Balances at 31 December, 1890, which have now to be incorporated in the Balance Sheet, Trading Account, and Profit and Loss Account, but before arriving at that final stage of the Accounts, the Closing Entries have first to be passed. On referring to this list of Trial Ledger Balances, you will find placed against the bulk of these Balances certain instructions, as an indication of what I now propose to carry out, and, in making these Closing Entries, I have adhered closely to these instructions, and, as far as practicable, in consecutive order, so that you may follow me step by step up to the Balance Sheet and the other accounts.

Journal
Entries.

57. These Closing Entries are made through our old friend, the Journal. I therefore show them in the following Journal Entries, which, for ready reference, at paragraph 59, I number consecutively Nos. 1 to 11.

Journal Entries : 31 December, 1890.		Ledger Folio.	Debit.			Credit.		
1	Interest and Dividends Dr.	P.L. 85	750	0	0			
	To Sundries—							
	Thomas Blank : Drawing Account ...	5				500	0	0
	Edward Blank : Drawing Account ...	7				250	0	0
	5 % Interest for the year on their Capital Accounts.							
2	Investments Dr.	20	137	16	2			
	To Profit and Loss on Investments	87				137	16	2
	Net Profit after valuing the balance held at date at the Market price of the day, say, £900 Institute of Bankers' 4 % Stock at 130 % ... 1,170 0 0							
	£1,000 Bexley Heath Rlwy. Ord. Stock at 150 % ... 1,500 0 0							
	£875 Oceania 3 % Consol.-dated Stock at 97½ % ... 853 2 6							
		<u>£3,523 2 6</u>						
3	Bad and Doubtful Debts Dr.	79	300	0	0			
	To Reserve for Bad and Doubtful Debts ...	36				300	0	0
	Reserve on Bills Receivable (£6,790 7 5)							
4	Depreciation Accounts Dr.	84	1,261	7	5			
	To Sundries—							
	Plant and Machinery	45				306	15	9
	7½ % written off £4,090 10 9.							
	Goodwill	49				500	0	0
	25 % written off £2,000.							
	Preliminary Expenses	50				454	11	6
	50 % written off £909 3 4.							
5	Plant and Machinery Dr.	45	470	3	5			
	To Additions to Plant and Machinery ...	47				470	3	5
	Total of Additions for the year transferred to Plant and Machinery.							
6	Bad and Doubtful Debts Dr.	79	175	6	4			
	To Sundries—							
*	Arthur Bird (£1 left in the Account as remembrancer)	S.L. 75				24	5	4
	William Crow (Balance: loss on final dividend)	160				34	3	6
*	Philip Peacocke (£1 left in the Account as remembrancer)	634				26	2	2
*	Henry Starling (£1 left in the Account as remembrancer)	802				32	6	8
	Percy Woodcock (Bankrupt. 10/- in the £ paid and credited)	931				20	0	6
*	Samuel Wren (£1 left in the Account as remembrancer)	965				38	8	2
	Accounts written off in the Sales Ledger as bad							
	* These 4 Accounts are nominally open as above.							
			£3,094	13	4	£3,094	13	4

Journal Entries : 31 December, 1890—contd.				Ledger Folio.	Debit.			Credit.		
7	Trading Account	...	Dr.	P.L. 90	39,779	19	8			
	To Sundries (transferred)	...	...	40				3,201	2	6
	Stock (1 January, 1890)	...	...	51				35,069	8	10
	Purchases (during the year 1890)	...	...	60				1,509	8	4
	Wages	...	...					
8	Sundries (transferred)	...	Dr.	90				55,016	1	10
	To Trading Account	...	...	55	50,506	11	2			
	Sales (during the year 1890)	...	...	41	4,509	10	8			
	Stock (at 31 December, 1890)	...	...					
9	Sundries (transferred)	...	Dr.	95				15,373	18	4
	To Profit and Loss Account	...	...	90	15,236	2	2			
	Trading Account	...	...					
	Gross Profit for the year 1890.									
	Profit and Loss on Investments	...	...	87	137	16	2			
	On Investments realized and Balances valued at date.									
10	Profit and Loss Account	...	Dr.	95	4,013	5	2			
	To Sundries (Expenses transferred)	...	...	63				502	12	6
	Salaries	...	...	66				201	6	5
	Rent, Rates and Taxes	...	...	68/75				206	9	2
	Current Expenses	...	...					
	Gas	...	...	68	30	6	4			
	Water	...	...	69	21	6	0			
	Cartage and Carriage	...	...	70	22	18	3			
	Travelling	...	...	71	28	14	1			
	Stationery and Printing	...	...	72	26	19	1			
	Postages and Telegrams	...	...	73	24	13	3			
	Housekeeper	...	...	74	34	17	1			
	Petties	...	...	75	16	15	1			
					£206	9	2			
	Discounts and Allowances	...	...	77				308	7	4
	Bad and Doubtful Debts	...	...	79				475	6	4
	Repairs and Alterations	...	...	83				202	8	6
	Depreciation Accounts :—									
	Plant and Machinery	...	...		306	15	9			
	Goodwill	...	...		500	0	0			
	Preliminary Expenses	...	...		454	11	8			
	Interest and Dividends	...	...	84				1,261	7	5
				85				855	7	6
11	Profit and Loss Account	...	Dr.	95	11,360	13	2			
	To Sundries—									
	Thomas Blank : Drawing Account	...	...	5				5,680	6	7
	Edward Blank : Drawing Account	...	...	7				5,680	6	7
	Net Profit for the year ending 31 December, 1890, transferred in equal Shares.									
					£125,543	18	2	£125,543	18	2

Final Ledger Balances. 58. After having posted these Journal Entries (Nos. 1 to 11) we are left with the following Final Ledger Balances, viz. :—

Messrs. Blank & Co. : Final Ledger Balances, 31 December, 1890.								
Account.		Ledger Folio.	Debits.			Credits.		
Assets (say)		P.L.						
Messrs. £ s. d. (Cash at Bank)	1,675 9 4	9						
Messrs. £ s. d. (Cash on Deposit)	3,000 0 0	15						
Petty Cashier (Imprest in hand)	30 0 0	19						
			4,705	9	4			
Investments (as detailed in Journal Entry No. 2, paragraph 57)...		20	3,523	2	6			
* Bills Receivable (as per List)	...	25	6,790	7	5			
Stock (at 31 December, 1890)	...	41	4,509	10	8			
Plant and Machinery	...	45	4,253	18	5			
Freehold Land and Premises	...	48	10,000	0	0			
Goodwill	...	49	1,500	0	0			
Preliminary Expenses	...	50	454	11	8			
		S.L.						
* Debtors on open Account (as per List)	...	1/1000	3,467	3	2			
Liabilities (say)		P.L.						
* Bills Payable (as per List)	...	30				6,090	2	4
		B.L.						
* Creditors on open Account (as per List)	...	1/501				5,043	18	10
* Creditors on Loans and Mortgages (as per List)	...	33				5,500	0	0
Reserve for Bad and Doubtful Debts	...	36				300	0	0
Thomas Blank : Capital Account	10,000 0 0	1						
Edward Blank : Capital Account	5,000 0 0	3				15,000	0	0
Thomas Blank : Drawing Account		5						
Edward Blank : Drawing Account	3,639 19 10	7				7,270	2	0
			£39,204	3	2	£39,204	3	2

* Note.—The various 5 Lists as asterisked in the margin will be found incorporated in the Balance Sheet, and subsidiary Accounts at paragraph 60, sections 4-8.

Trial Balances compared with Final Balances. 59. Before proceeding to the Balance Sheet and Subsidiary Accounts, let us for a moment go back again to paragraph 55 of Part I, and compare the Trial Ledger Balances therein detailed with the Final Ledger Balances given at paragraph 58, taking as our connecting link Journal Entries Nos. 1-11 given at paragraph 57.

1. "Thomas Blank : Drawing Account" P.L. 5, Dr.	£2,540	6	9
By Journal Entry No. 1 he is credited for Interest	500	0	0
And by No. 11 for half share of net profit	5,680	6	7
		6,180	6 7
Deduct the above debit Balance of... ..	...	2,540	6 9
Leaving to his credit in final Balances ... ..	...	£3,639	19 10

The account of Edward Blank is treated in precisely the same way.

2. Investments P.L. 20, stood in debit	3,385	6	4
By Journal Entry No. 2 we increase the amount for profit on sales and value of Balance at market rates at date ... ..	...	137	16 2
Leaving it in debit in final Balances ... ..	...	£3,523	2 6

The Dividends received on these Investments have been credited to "Interest and Dividends," P.L., folio 85.

3. "Bills Receivable," P.L. 25, stood in debit £6,790 7s. 5d. Journal Entry No. 3 creates a Reserve account in credit for the £300 debited to "Bad and Doubtful Debts," so that this Balance, £6,790 7s. 5d. remains unaltered in final Balances.

4. Stock at 1 January, 1890, stood in debit £3,201 2s. 6d. Journal Entry No. 7 transfers this amount to "Trading Account," and so it disappears as a Balance; while Journal Entry No. 8 opens a new "Stock Account" at 31 December, 1890, P.L. 41, in debit £4,509 10s. 9d., and appearing in the final Balances.

5. Plant and Machinery, P.L. 45, stood in debit £4,090 10s. 9d. Journal Entry No. 4 writes off $7\frac{1}{2}$ per cent. to "Depreciation Accounts," say, £306 15s. 9d., leaving it in debit £3,783 15s. 0d., and Journal Entry No. 5 transfers to its debit "Additions to Plant and Machinery," P.L. 47, £470 3s. 5d., bringing up the final Balance to £4,253 18s. 5d., and so closes the account "Additions to Plant and Machinery."

6. "Goodwill," P.L. 49, stood in debit £2,000. Journal Entry No. 4 writes off 25 per cent., say, £500 to "Depreciation Accounts," leaving it in debit £1,500. Although the Goodwill has really increased instead of decreased in value, the partners are

resolved to write off this Asset in four yearly instalments, otherwise they would have been fully justified in retaining it in the Balance Sheet, under the circumstances, at £2,000, the amount they actually paid for it, as you will remember. In the same way "Preliminary Expenses," P.L., fo. 50, which stood at £909 3s. 4d., are written off to the extent of 50 per cent. to the same account, and thus stand in the final Balances at £454 11s. 8d.

7. "Debtors on Open Account," S.L. 1/1,000 stood in debit at	3,642 9 6
By Journal Entry No. 6 we write off to Bad and Doubtful Debts, P.L., fo. 79, accounts amount- ing to	175 6 4
Leaving these "Debtors" in the final Balances in debit	<u>£3,467 3 2</u>

You will notice that here we make no reserve, as we did in the case of "Bills Receivable" (sub-head No. 3), but write the amounts at once off; hence the change in the final total. It will be seen, however, on reference to the Journal Entry, that I asterisk (*) four accounts, leaving £1 in each as a remembrancer, as it is possible something may yet be recovered on them.

It is not a bad plan to transfer these nominal Balances to a "Doubtful Debt Account," and so keep them all together.

8. Journal Entry No. 7 absorbs "Stock at 1 January, 1890," P.L., fo. 40, £3,201 2s. 6d.; "Purchases," P.L., fo. 51, £35,069 8s. 10d.; and "Wages," P.L., fo. 60, £1,509 8s. 4d., by transferring them all to the debit of "Trading Account," P.L., fo. 90, together £39,779 19s. 8d., while on the other hand Journal Entry No. 8 credits this account with "Sales," P.L., fo. 55, £50,506 11s. 2d. (which account it closes), and with "Stock at 31 December, 1890," P.L., fo. 41, £4,509 10s. 8d., the effect being that a new account is opened at fo. 41 in the Private Ledger for this amount, which account ("Stock") stands in debit in the final Balances, £4,509 10s. 8d. These two Journal Entries leave "Trading Account" in credit Balance £15,236 2s. 2d.

9. Journal Entry No. 9 clears "Trading Account," P.L., fo. 90, by transferring the Gross Profit, £15,236 2s. 2d. to the credit of "Profit and Loss Account," P.L., fo. 95, and to the credit of which account we at the same time transfer "Profit and Loss on Investments," P.L., fo. 87, £137 16s. 2d., and close this account, while "Profit and Loss Account," P.L., fo. 95, stands in credit £15,373 18s. 4d.

10. Journal Entry No. 10 takes up "Salaries," P.L., fo. 63, in debit £502 12s. 6d., and the other items of "Expenses" in consecutive order down to and including "Interest," P.L., fo. 85, £855 7s. 6d., closing all these accounts, P.L., fo. 63 to fo. 85, amounting to £4,013 5s. 2d., which are thus transferred to the debit of "Profit and Loss Account," P.L., fo. 95, and which account is left in credit Balance, £11,360 13s. 2d. "Current Expenses" £206 9s. 2d. are sub-divided into "Gas," "Water," and the other items given at paragraph 40 in Petty Cash, as detailed in the inner column of the Journal Entry, and from there posted to their respective Private Ledger Accounts, P.L., fos. 68-75.

11. Finally "Profit and Loss Account," P.L., fo. 95, in credit Balance £11,360 13s. 2d. is by Journal Entry, No. 11, transferred in equal shares to

"Thomas Blank : Drawing Account, P.L. fo. 5 £5,680 6 7
 "Edward Blank : Drawing Account ,, 7 £5,680 6 7

leaving them in credit in final Balances respectively £3,639 19s. 10d. and £3,630 2s. 2d.

The Balance Sheet and its Subsidiary Accounts.

60. The Balance Sheet and its subsidiary Accounts are now set out in the following order:—

1. Balance Sheet (page 42) folio 1.1
2. Trading Account (,, 43) ,, 2.2
3. Profit and Loss Account ... (,, 44) ,, 3.3
4. Bills Payable (List page 45) ,, 4
5. Creditors on Open Account (List ,, 45) ,, 5
6. Creditors on Loans and
 Mortgages (List ,, 45) ,, 6
7. Bills Receivable (List ,, 45) ,, 7
8. Debtors on Open Account ... (List ,, 45) ,, 8

in the next and succeeding pages (42 to 45 inclusive).

4			
Bills Payable : 31 December, 1890.			
P.L.			
30			
No.			
45	William Amos ...	Jan. 4	503 4 0
49	Henry Roberts & Co.	31	401 2 6
65	Arthur Bass & Co.	Feb. 4	600 3 6
70	William Gripper ...	"	102 7 6
85	Thos. Raffle & Co....	"	600 0 0
90	James Stout & Bros.	Mar. 4	803 2 6
91	William Porter ...	"	540 1 6
92	Timothy Salt & Co.	"	630 0 4
93	Benjamin Beer ...	Apl. 4	410 0 4
94	John Wilson & Son	"	250 0 2
95	A. Pilsen & Co. ...	30	514 18 6
96	Bernard Howe ...	May 4	735 1 6
Carried to Balance Sheet (p.42) fo.1.1			£6,090 2 4
5			
Creditors on Open Account : 31 Dec., 1890.			
B.L.			
1	Arthur Abbott & Co. ...		475 12 6
90	Charles Capper & Co. ...		524 7 6
117	Edward Erushaw & Son ...		501 2 6
214	James Johnson & Son... ..		398 17 6
300	Nicholas Narraway ...		515 6 8
350	Robert Ruthven & Co. ...		484 13 4
440	Tracy Turnerelli & Son ...		301 13 6
460	William Wenlock & Co. ...		698 6 6
461	Arthur Woodcock & Bros....		300 2 2
470	Henry Wurrows		599 17 10
473	Thos. Wurrows & Co. ...		99 8 10
479	Evelyn. Wurtemberg Bros...		100 19 6
501	Thos. Zenophon & Nephew		43 10 6
Carried to Balance Sheet, (page 42) fo. 1.1... ..			£5,043 18 10
6			
Creditors on Loan and Mortgage Account : 31 December, 1890.			
P.L.			
33	"The Amicable:" 4 $\frac{3}{4}$ % , terminable at 3 mths. notice		1,500 0 0
	"The Plover:" 4 $\frac{3}{4}$ % , terminable at 3 mths. notice		1,000 0 0
	"The Bird in Hand:" 4 $\frac{1}{2}$ % , terminable at 6 mths. notice		1,000 0 0
	"The Wheatseaf:" 4 $\frac{1}{2}$ % , terminable at 6 mths. notice		1,000 0 0
	"The Moon:" 4 $\frac{1}{2}$ % , terminable at 6 mths. notice		1,000 0 0
	Notice given 31 Dec., 1890.		
	Say repayable 31 Mar., 1891... ..	2,500	
	repayable 30 June, 1891	3,000	
		£5,500	
Carried to Balance Sheet, (page 42) fo. 1.1... ..			£5,500 0 0

7			
Bills Receivable : 31 December, 1890.			
P.L.			
25			
No.			
75	B. Baker on Glyn & Co.	1891. Jan. 31	370 13 4
82	Selves on R. Jones	Feb. 4	383 6 8
86	Do. " E. Davis	"	380 6 6
87	Do. " Roberts & Co. ...	"	373 13 6
90	Do. " J.Twisdan	Mar. 4	300 0 0
93	Do. " R. Ram ...	"	354 1 6
94	Do. " R. Jones	"	376 18 6
95	W. Phillips on Bart Son&Co.,Old Bank	16	302 6 6
96	R. Evans & Co. on G. Borlase & Son	30	375 13 6
97	J. Pye on B/E. ...	31	552 17 6
98	A.N.ye on Ionian Bk.	Apl. 1	377 2 6
99	Direction Suisse on Latin Bank... ..	3	600 0 0
100	Selves on R. Jones	4	154 7 2
101	Do. " W.Purdey	"	377 12 10
102	Do. " T.Thomson	"	376 2 6
103	Comptoir Générale on Glyn & Co. ...	6	254 17 6
104	R. Romer on L. and W. Bank	9	500 0 0
105	H.Denman on Union Bank	10	380 7 5
Carried to Balance Sheet (p.42) fo.1.1			£6,790 7 5
8			
Debtors on Open Account, 31 Dec., 1890.			
S.L.			
1	A. Andrews		67 3 2
75	Arthur Bird (Nominal)*		1 0 0
420	Joseph Jenkins		399 6 6
550	Samuel Matthews & Son ...		200 13 6
596	Robert Nolan... ..		375 16 10
613	Abraham Oppenheim ...		224 13 2
634	Philip Peacocke (Nominal)*		1 0 0
645	Percy Penfold & Co. ...		201 6 4
650	Reginald Quilter & Co. ...		198 13 8
700	Robert Roberts & Co....		100 10 0
730	Henry Ruthven & Co.....		300 0 0
755	Samuel Shepard & Son ...		192 12 6
790	Philip Spurling & Bros. ...		217 18 0
802	Henry Starling (Nominal)*		1 0 0
870	Thos. Turribull & Bros. ...		199 13 4
920	Arthur Whisson & Son ...		203 16 6
931	Samuel Wren (Nominal)*		1 0 0
999	Henry Zenophon & Bros. ...		196 10 2
1000	Gustav Zutphen en Zoonen		384 9 6
* See para. 57, Journal Entry No. 6.			
Carried to Balance Sheet, (page 42) fo. 1.1... ..			£3,467 3 2

Consideration of the Balance Sheet and Subsidiary Accounts. 61. With the Balance Sheet and Subsidiary Accounts (as detailed at paragraph 60, folios 1 to 8) before them, Messrs. Blank & Co. proceed to go through the same seriatim, at the same time having before them, for purposes of comparison, the Balance Sheet and accounts of the previous year (1889), noticing and dealing at once with all points, as they come up for consideration. I do not trouble you with a copy of the previous Accounts (1889), leaving them rather to your imagination, simply remarking, that as the business is a sound and increasing one, the figures for 1890 should not show shrinkage over those for 1889, but rather the other way, for where they did so, it would be a point to look into, and find out the reason for it. The old accounts, you remember, belong to the previous firm, but everything was made over to Blank & Co., when they bought and continued the business.

Balance Sheet. Debit Side. (Liabilities.) 62. Putting ourselves in the place of Messrs. Blank & Co., we start with the debit side, Liabilities of the Balance Sheet, and commence with—

1. To Creditors (31 December, 1890.)

„ on Bills Payable	fo. 4	6,090	2	4
„ on open Account	„ 5	5,043	18	10
„ on Loans & Mortgages	„ 6	5,500	0	0
together, say, ...		£16,634	1	2

In considering these we refer to the several lists (folios 4, 5 and 6) giving the necessary details, and when these liabilities have to be met: for instance, as regards “Bills Payable” we find some £900, and £1,300 mature in January and February, 1891, respectively, the remainder extending over March, April and May, 1891. As regards “Creditors on open account” £5,043 18s. 10d., these really come due at 15 January, 1891, though custom gives us to about the end of the month (but no more) to pay them in, if we wish to keep up our credit and be in a position to go on buying in the best markets and on the most favourable terms and discounts. This amount makes up, with the January and 4 February, 1891, Bills payable, some £7,250 to provide for by the end of January to 4 February, 1891: on turning to the Credit side of the Balance Sheet, we find we have to meet this:—

Liquid Assets, in the shape of Cash in various forms	4,705	9	4
and Investments valued at...	3,523	2	6
	£8,228	11	10

besides "Bills Receivable" £6,790 7s. 5d. (the bulk of which we can discount at reasonable rates) and "Debtors on open account" £3,467 3s. 2d., most of whom pay towards the end of the month (in this case, January, 1891): so, therefore, up to the present, with this financial forecast before us, we breathe freely: and look at "Creditors on Loans and Mortgages" £5,500. When Messrs. Blank & Co. took over the business, they borrowed this amount from various offices under the following conditions, viz. :—

at $4\frac{3}{4}$ per cent. repayable at 3 months' notice	2,500	
„ $4\frac{1}{2}$ „ „ „ „ 6 „ „	3,000	
	—	£5,500
		£5,500

As they desire, as soon as practicable, to have sole control over their property, and find that, with a little sacrifice on their part, they can now do so, they, on 31 December, 1890, gave the requisite notices, falling due 31 March (for £2,500), and 30 June, 1891 (for £3,000), by which time they expect to be in funds to pay off the same; or at any rate, be able to renew any portion that might be temporarily necessary on terms no less advantageous, and possibly more so.

2. "Reserve (for bad and doubtful debts)" £300 was the outcome of Journal Entry No. 3 (paragraphs 57 and 59, item 3), making a "Reserve" for "Bills Receivable," standing as an Asset on the credit side of the Balance Sheet at £6,790 7s. 5d. : this "Reserve" £300 stands as a Liability on the debit side of the Balance Sheet, although it might have been deducted from the amount of "Bills Receivable," which would then stand thus :—

"By Debtors—

"On Bills Receivable, fo. 7 ...	£6,790	7	5	
"Less Reserve (for bad and doubtful debts)		300	0	0
		—	£6,490	7 5

You will probably come across both methods of stating this operation in the course of your experience.

3. Coming to the two Drawing Accounts, viz. :—

"Thomas Blank	3,639	19	10	
"Edward Blank		3,630	2	2
		—	£7,270	2 0

Messrs. Blank & Co. resolve, as from 1 January, 1891, to transfer £3,000 each to their respective Capital Accounts, and this they do by a Journal Entry. The Balances thus left, say, £639 19s. 10d. and £630 2s. 2d., they draw out through the Cash Book, thus

closing their respective Drawing Accounts for the time being, and so far as 1890 accounts are concerned.

4. The foregoing operation strengthens their financial position, and raises the two Capital Accounts, thus:—

“ Thomas Blank ”	from	10,000	to	13,000
“ Edward Blank ”	from	5,000	to	8,000
Together from		£15,000	to	£21,000

bearing as before 5 per cent. interest per annum. I think you will be able to see for yourselves that Messrs. Blank & Co. have thus made sufficient provision for paying off the £5,500 loans on mortgage as they become due, without any fear of hampering their financial position in any way.

Balance Sheet. 63. Having disposed of the Debit side of the Balance Sheet, we now turn to the Credit side, Credit Side. Assets, which we find marshalled in the order in (Assets.) which they can be looked upon and turned to account as “ Liquid Assets.” Bankers lay stress upon the importance of this order being clearly observed, so, as you (their representatives) will often have to cope with this point, I call your careful attention to it.

5. “ Cash ” (from various sources), £4,705 9s. 4d.; we begin with : and here, remember, that it is necessary to give due notice for the withdrawal of the £3,000 “ on Deposit,” so that it may be available cash when wanted.

6. As regards “ Investments,” valued at £3,523 2s. 6d., Messrs. Blank & Co. are watching their opportunity to realize these, and they will no doubt succeed in doing so at the above figure or possibly more. Any difference either way, they will, as before, pass out to “ Profit and Loss on Investments,” P.L., folio 87, on the lines given in Journal Entry No. 2 (paragraph 57), and so close the account.

7. “ Bills Receivable,” £6,790 7s. 5d. as listed at paragraph 60, folios 7 and 8, and against which we have a Reserve per Contra of £300, will also be requisitioned in due course, as cash is needed to meet the outgoings we have already referred to. These Bills may be summarized into two categories, viz. :—

1. “ fine Bank Bills.”
- and 2. “ fine Trade Bills.”

Bills Nos. 75, 95 to 99, and 103 to 105, coming under the first category of “ fine Bank Bills,” and as such readily discountable at favourable market rates, while the others, viz., Nos. 82 to 94, and 100 to 102, coming under the second category of fine Trade Bills, also readily discountable, but at from $\frac{1}{2}$ to 1 per cent. higher rate than the first ones.

8. "Debtors on open Account," £3,467 3s. 2d., as listed at paragraph 60, folio 8, are carefully gone through by the two partners, who satisfy themselves that they represent good current debts of recent date, the Bad and Doubtful ones having been weeded out by Journal Entry No. 6 (paragraph 57), leaving in at S.L., folios 75, 634, 802 and 965, four nominal amounts of £1 each as remembrancers in case anything should turn up on these accounts, which, as a rule, as I mentioned at paragraph 59, item 7, had best be transferred to one account entitled "Doubtful Debt Account."

9. "Stock" £4,509 10s. 8d. they compare with the Stock Books and satisfy themselves that it has been properly taken at cost price or present market value, whichever happens to be lowest at the time of stocktaking: the various heads of departments are responsible for all this, and Messrs. Blank & Co. see that these various managers or heads of departments have gone through them carefully and signed the respective totals when handing in the books to the office.

10. They write off $7\frac{1}{2}$ per cent. for Depreciation from "Plant and Machinery" Balance as standing at 1 January, 1890, and then add to this account the amount of "Additions during the year" (without any deduction), bringing it up to £4,253 18s. 5d. I draw your attention here to the question of "Depreciation," in order that you may remember always to look for this item in all Balance Sheets and Accounts similar to the one we are now considering, and if you do not find it, to ask for it. In indifferently managed concerns this item is too often overlooked or inadequately dealt with, and with, of course, bad results in the end. I note down here for your general guidance a list of the percentages written off various descriptions of assets to which Depreciation applies, as, for instance—

1. Buildings: If well built and kept up by the repairs and alterations being charged to "Profit and Loss," say, from 1 per cent. to 2 per cent. per annum.
2. Plant and Machinery, excluding Boilers, say 4 per cent. to 7 per cent., or including Boilers from 5 per cent. to 10 per cent.
3. Boilers, separately, say, 10 per cent.
4. Loose Tools and utensils, say, 10 per cent. or higher.
5. Furniture, say, from 5 per cent. to 10 per cent.

11. "Freehold Land and Buildings" have had nothing written off this time, as they were considered to have been taken over at a low figure, and the premises being comparatively new and well kept up: in future years, however, they will write 2 per cent. off the

Buildings leaving the value of the Land untouched. The district is an improving one, and the probability is that the Land will rather rise than fall in value.

12. I have already dealt at paragraph 59, item 6, with the question of "Goodwill," and have nothing to add here.

13. At paragraph 20, item 9, of Part I, I explained that "Preliminary Expenses" were being written off over 5 years: the former proprietors had thus, in two years, written off $\frac{2}{5}$ ths, leaving Messrs. Blank & Co. with $\frac{3}{5}$ ths (£909 3s. 4d., balance of £1,515 5s. 5d.). Messrs. Blank & Co., however, prefer only to take 2 years to close this account, so they write off one-half this time, say, £454 11s. 8d., and at 31 December, 1891, they hope to write off the other half, £454 11s. 8d., and close the account.

Contingent Liability. 64. Before dismissing the Balance Sheet, you should notice the italics at the foot of the Debit side, viz. :—"To Contigent Liability on Bills Receivable discounted and not yet matured, £3,295 6s. 4d." This amount represents the Balance of Bills Receivable discounted and still running, and for which Blank & Co. (they having endorsed the same) are liable, should the Bills not be met at maturity. Had they endorsed any of these Bills "without recourse," they would no longer be liable for such, but this endorsement is only made under very special circumstances, which do not apply in the present case. This item of "contingent liability" is sometimes incorporated in the figures of the Balance Sheet, and in that case a corresponding entry appears on the Debit side, entitled, say, "By Debtors on Bills Receivable discounted." Treating it thus has the effect of swelling the totals on both sides of the Balance Sheet by that amount.

Trading Account. 65. I now pass to "The Trading Account" set out at paragraph 60, folio 2.2. Messrs. Blank & Co. enter particulars of these in a book ruled in tabulated form, so as to get the percentages of gross profit year by year on their out turn, say :—

To Stock at 1 January, 1890	...	3,201	2	6
To Purchases	... ..	35,069	8	10
To Wages	... ..	1,509	8	4
		39,779	19	8
Less Stock at 31 December, 1890		4,509	10	8
	a debit of	£35,270	9	0

against a credit of, say, by sales, £50,506 11s. 2d., or 30.166 per cent. gross profit for the year 1890, taking sales at 100 per cent.

Having these totals each year side by side on the columnar form, they have at a glance these particulars ready to hand to refer to at any moment. They do the same thing with the items of their "Profit and Loss Account," and so get the percentages of everything throughout down to the Balance divisible as net profit.

"Wages" are categorically set out weekly in a Wages Book. In some concerns each man signs his name against the amount he receives, but this cannot always be done. The book, however, is always checked and signed by independent parties, and the one who makes it up is different to the one who pays wages, as also the one who posts the same: this is done to avoid dummy and defunct names being put in, or any other irregularities.

Profit and Loss Account. 66. In examining their Profit and Loss Account, given at paragraph 60, folio 3.3, Messrs. Blank and Co. are careful (as in the case of "The Trading Account") to compare item by item with the account for previous years both as regards totals and percentages, and thus are able to put their finger at once on any item of expense which has unduly increased in proportion, and inquire into the reason of such increase, and whether it can be avoided in the future. As you come to have to do with such matters yourselves personally, you will better understand the drift of these remarks: Messrs. Blank & Co. keep a Book for this also on the columnar plan, putting in the years side by side. In order to guide you generally with these items in the "Profit and Loss Account," I now take up one or two points, leaving you to work out the rest for yourselves.

1. We are not dealing here with a simple Cash statement of Receipts and Payments, where only items actually received or disbursed are dealt with. A Profit and Loss Account goes much beyond this, for it takes cognizance of all items of Profit and Loss or Income and Expenditure, whether actually received or paid, or not; the raising, by Journal Entries, of the necessary personal as well as impersonal accounts in the Ledgers enables us to record all such transactions, and so include at once every item attaching to the year it belongs to.

2. For instance, Rent, Rates and Taxes £201 6s. 5d., this includes the Christmas quarter, probably not paid at 31 December, 1890, but, nevertheless, debited to this account through a Journal Entry, crediting a personal account, which Journal Entry (a comprehensive one) takes up and deals with all similar "outstandings" at the same time, such as, for example, Gas, Water, Stationery, Carriage, &c.

3. Discounts and Allowances, £308 7s. 4d., are mostly, if not entirely, the outcome of the monthly totals (debit and credit) of

these items as posted from columns 5 and 12 of the Cash Book. [See paragraphs 29 and 32 at Part I.] They may, however, include one or two small adjusting entries, in order to close accounts in the Ledger. Where any such differences had occurred these would have been made through the Journal.

4. Bad and Doubtful Debts, £475 6s. 4d., are made up of £300 reserves from Bills Receivable, and £175 6s. 4d. written off Debtors on open account. (See Journal Entries 3 and 6 respectively.)

5. Depreciation Account £1,261 7s. 5d. constitute the result of Journal Entry No. 4, which gives particulars of the three several heads composing it, each different the one from the other, but which, for convenience sake, we here group together.

The 5 Lists
of Creditors
and Debtors.

67. At paragraph 60, folios 4, 5, 6, 7, 8, you have the 5 Lists of Creditors and Debtors under their respective categories. I hardly think it necessary to refer to these again. We have already spoken a great deal about them, both directly and indirectly, so that I have no doubt you understand them fully by this time.

Companies'
Accounts.

68. We have thus far considered the Accounts of a Merchant or a Trader in the light of a private firm. I would now say a few words on the same in the light of Companies' Accounts, and as to generally how far they assimilate and where they happen to differ the one from the other.

General
Outline.

69. In the first place the fundamental principles are precisely the same, especially so far as the primary Books of Account, the Journal, Cash Book, and Ledger are concerned, all of which are brought into similar requisition throughout. A company requires many special books which a trader does not, as, for instance, inter alia, the following:—Minute Book, General Meetings' Minute Book, Share Ledger, Shareholders' Address Book, Register of Transfers, Call Book, Dividend Book, Register of Mortgages, Seal Book, &c., &c. A Paper I read at Liverpool on 17 January, 1889, entitled "Company Work" (which following after "A Merchant's Office" and "A Merchant's Accounts," is reproduced here) goes very fully into all these important details, as you will see for yourselves when you come to that portion of this present work. There are two forms that, I think, will be helpful to you.

They are as follows:—

"Applications for and Allotment of Shares,"

"Journal Entries 1 to 7."

as set on pages 53 and 54 hereof.

Applications for and Allotment of Shares: The Bombay and Mufussil Railway Company, Limited.											
1	2	3	4	5	6	7	8	9	10	11	12
Serial Number.	Name.	Address.	Description.	No. of Shares applied for.	Amount of Deposit £1 per Share.	Allotment of Shares.	Distinctive Numbers of Shares Allotted.	Total amount of Shares allotted £2 per Share.	Further amount payable.	Amount Returnable.	Remarks.
1	Ashworth: George Henry	1, Southampton Square, W.	Civil Servant ...	100	100	60	1 60	120	20	nil	A.
2	Blease, C.S.I.: General Robert Stanley	49, Rajah Place, S.W. ...	General (retired)	1,000	1,000	1,000	611,960	2,000	1,000	nil	A. (S.M.)
3	Blease, Walter	Sevenoaks, Kent ...	Merchant ...	10,000	10,000	10,000	1,061,11,060	20,000	10,000	nil	A. (S.M.)
4	Bottlebroy: Sir Dadebroy Northbroy	The Bungalow, Westgate	Marine Store Dealer	5,000	5,000	5,000	11,061,16,060	10,000	5,000	nil	A. (S.M.)
5	Brewer: William Valentin	16, Long Acre, W.C. ...	Coach Builder ...	500	500	50	16,061,16,110	100	nil	400	B.
6	Chalmers, C.E.: Sir Anthony Wigham	Gt. George Street, S.W.	Civil Engineer...	500	500	250	16,111,16,360	500	nil	nil	C.
7	Cookson, Benjamin	590, Lombard Street, S.W.	Bill Broker ...	500	500	200	16,361,16,560	400	nil	100	B.
8	Finney: Charles Erick	52, St. Swithin's Lane, E.C.	Merchant ...	10,000	10,000	10,000	16,561,26,560	20,000	10,000	nil	A. (S.M.)
9	Glass: Walter Spencer	59, Finch Lane, E.C. ...	Stock Broker ...	10,000	10,000	5,000	26,561,31,560	10,000	nil	nil	C.
10	Harmood Banner: John Sutherland	Sir India Office, S.W. ...	Director of Indian Railways	500	500	500	31,561,32,060	1,000	500	500	A.
11	Lever, Samuel	Bleak House, Broadstairs, Kent	Novelist ...	5	5	nil	nil	nil	nil	5	D. (Regret)
12	Maccornall: John	Capel Court, E.C. ...	Stock Broker ...	5,000	5,000	5,000	32,061,37,060	10,000	5,000	nil	A. (S.M.)
13	Read: Theodore William	407, Gresham House, E.C.	Solicitor ...	100	100	100	37,061,37,160	200	100	nil	A.
14	Readymoney: Baboo	Bengali 540, Gresham House, E.C.	Schroff ...	5,000	5,000	5,000	37,161,42,160	10,000	5,000	5,000	A. (S.M.)
15	Rogers: Thomas	Theo-92, Lombard Street, E.C.	Banker ...	20,000	20,000	20,000	42,161,62,160	40,000	20,000	20,000	A. (S.M.)
16	Roychund: Premchund	Back Bay, India ...	Financier ...	5,000	5,000	nil	nil	nil	nil	5,000	A. (S.M.)
17	Suhleman: Jafer	74, Wardour Street	Furniture Dealer	500	500	50	62,161,62,210	100	nil	400	B. (Regret)
18/1601		Total of Sheets Nos. 2 to 40	Total of Sheets Nos. 2 to 40	73,705	73,705	62,210	62,211,200,000	124,420	56,620	5,905	A. to D.
		Total of Sheets Nos. 2 to 40	Total of Sheets Nos. 2 to 40	500,000	500,000	137,790	62,211,200,000	275,580	24,420	248,840	A. to D.
		Total of Sheets Nos. 2 to 40	Total of Sheets Nos. 2 to 40	573,705	573,705	200,000	1,200,000	£400,000	£81,040	£254,745	

While on the subject of "Applications for and Allotment of Shares," it is well to remind you that without any single exception Letters of Allotment must invariably bear the 6d. Revenue

Embossed Stamp, and that affixing an adhesive sixpenny stamp will not do : the stamp must be an embossed one.

JOURNAL ENTRIES Nos. 1 to 7.			
Journal Entry No. 1:		London, 9 September, 1902.	
Sundries.	Dr.		
To Applications and Allotment Account	3		573,705 0 0
Blease Brothers & Co.	4	307,055 0 0	
Deposit of £1 per Share, on Application for Shares		307,055	
Finney & Sons	5	266,650 0 0	
Deposit of £1 per Share, on application for Shares		266,650	
Total of Applications, say, for Shares...		<u>573,705</u>	<u>£573,705 0 0</u>
			<u>£573,705 0 0</u>
Journal Entry No. 2:		London, 13 September, 1902.	
Applications and Allotment Account	Dr.	3	400,000 0 0
To Share Capital Account	1		400,000 0 0
being £1 per Share on Application			
and £2 per Share on Allotment			
say £2 per Share on 200,000 Shares allotted this day			
			<u>£400,000 0 0</u>
			<u>£400,000 0 0</u>
Journal Entry No. 3:		London, 8 December, 1902.	
First Call Account	Dr.	6	300,000 0 0
To Share Capital Account... ..	1		300,000 0 0
being First Call of £1 10s. 0d. per Share made 20 November, 1902, and payable this day on 200,000 Shares, making £3 10s. 0d. per Share paid up			
			<u>£300,000 0 0</u>
			<u>£300,000 0 0</u>
Journal Entry No. 4:		London, 16 January, 1903.	
Second Call Account	Dr.	7	300,000 0 0
To Share Capital Account... ..	1		300,000 0 0
being Second Call of £1 10s. 0d. per Share made 6 January, 1903, and payable this day on 200,000 Shares, making £5 per Share paid up			
			<u>£300,000 0 0</u>
			<u>£300,000 0 0</u>
Journal Entry No. 5:		London, 22 January, 1903.	
Debentures Applications and Instalments A/c.	Dr.	8	50,000 0 0
To Terminable 3½% Debentures Account	2		50,000 0 0
being 5% Deposit on £1,000,000 Three and a-Quarter per Cent. Debentures allotted this day			
			<u>£50,000 0 0</u>
			<u>£50,000 0 0</u>
Journal Entry No. 6: (Prospective: say,)		London, 18 February, 1903.	
Debentures Applications and Instalments A/c.	Dr.	8	950,000 0 0
To Terminable 3½% Debentures Account	2		950,000 0 0
being 95% Balance due this day on £1,000,000 Three and a-Quarter per cent. Debentures allotted 22 January, 1903			
			<u>£950,000 0 0</u>
			<u>£950,000 0 0</u>
Journal Entry No. 7: (Prospective: say,)		London, 2 June, 1903.	
Share Capital Account	Dr.	1	25 0 0
To Sundries:			
To First Call Account:			
£1 10s. 0d. per Share on 5 Shares (due 8 Dec., 1902)	6		7 10 0
To Second Call Account:			
£1 10s. 0d. per Share on 5 Shares (due 16 Jan., 1902)	7		7 10 0
To Forfeited Shares Account:			
£2 per Share (Applications and Allotment) on 5 Shares	9		10 0 0
In respect of 5 Shares Nos. 65,001/65,005 registered in the name of Sillibhoy Babibhoy Blockhead, forfeited this day by the Board as per their minute No. 167 (see Minute Book, folio 59) of 2 April, 1903			
			<u>£25 0 0</u>
			<u>£25 0 0</u>

Any of you that have to do with this sort of work for a large Company where the office is flooded with Applications, all pouring in simultaneously, need to keep a clear brain and a cool head, so as not to be confused over the mass of papers and figures you have to deal with: the second form under Journal Entries No. 1 to 7 will, I hope, give you a hint or two as to how to pass the necessary entries through the Books clearly and briefly. Two different Financial Houses (Messrs. Blease Bros. & Co. and Messrs. Finney & Sons) are supposed to receive the applications simultaneously, and the two forms above given amalgamate and deal with their joint takings.

In a Company, the Share and other Capital takes the place of the Partners' Capital, and this Share and other Capital is not operated upon by Profit and Loss in the same easy and ready way as in a private concern. Thus if a Profit is made, it appears on the Debit side of the Balance Sheet under Profit and Loss: (Profit) and there remains until disposed of in the shape of Dividends and Reserves, leaving, however, generally a Balance of Profit to carry over to the following year: whereas if a Loss is made swallowing up any Balance of Profit and Reserves, it must appear on the Credit side of the Balance Sheet under Profit and Loss: (Loss) and there it must remain until such time as it is wiped out again: all Dividends to Shareholders being meanwhile suspended, as there is nothing then to divide. In some cases, this Loss is wiped out by reducing the Share Capital, for instance, from £10 per Share paid up to only £8; but this is costly, cumbersome work, needing not only the assent of all the shareholders and generally of the creditors likewise, but also the sanction of the Court, and the Judge is chary of sanctioning such a scheme, unless he is satisfied that it is for the common good, and that individual interests are not thereby sacrificed or imperilled. When finally he does give it, it is usually with this proviso, that it shall (for a term to be fixed by him) add to its name "and reduced," as for instance, "The Bull and Bear Assets Company, Limited, and Reduced." The reason I put the word "usually," not making it absolute, is that the Act of 1877, entitled "An Act to amend the Companies Acts of 1862 and 1867" [23 July, 1877] states:—

"Provided that where the reduction of the Capital of the Company does not involve either the diminution of any liability in respect of unpaid Capital, or the payment to Shareholders of any paid up Capital,

"(1.) The creditors of the Company shall not, unless the Court otherwise direct, be entitled to object or required to consent to the reduction, and

"(2.) It shall not be necessary before the presentation of the petition for confining the reduction to add, and the Court

“ may, if it thinks it expedient so to do, dispense altogether
 “ with the addition of the words ‘ and reduced,’ as men-
 “ tioned in the Companies’ Act, 1867.”

But even with this last-named concession, the Court may yet, if it think fit, require the Company to publish in such form as it may order the reasons for the reduction, in order that the public may be fully and properly informed as to all this. To say the least of it, this has anything but a cheery or encouraging ring about it, so that very few Companies, after all, are found to avail themselves of the doubtful benefits the Act bestows, their only course in that case being to postpone paying Dividends until such time as they have wiped out their loss.

In dealing with Trading Account and Profit and Loss Account : Companies, although they make up these Accounts on precisely similar lines as those given at folios 2.2 and 3.3 of paragraph 60, do not, as a rule, publish the same except in a meagre and general form, and with totals lumped together, in fact meaning next to nothing : they are compelled in self-protection to adopt this course, in order to guard themselves against undue information being otherwise imparted to their competitors. You have only to take up the Accounts of any Trading, Finance or Banking Company, to satisfy yourselves of the truth of what I am here stating. There is nothing to compel them to give any such information, therefore, why should they ? Before passing sentence upon them, remember that Blank & Co. publish nothing—not even a Balance Sheet—although they very often have as competitors a Limited Company, the details of whose working they would give much to know.

Form of
 Balance
 Sheet (Table
 A) under the
 Companies’
 Act, 1862.

70. The following is the form of Balance Sheet prescribed by the Companies’ Act, 1862, to be used by such Companies as Table A of such Act applies to, as set out at the next page :—

[For the Form, see next page.]

Dr.		Balance Sheet of the..... Co., made up to.....18.....		Cr.	
Capital and Liabilities.		£ s. d. £ s. d.		Property and Assets.	
I. Capital.	Showing The number of Shares The amount paid per Share If any arrears of Call, the nature of the arrears and the names of defaulters The particulars of any forfeited Shares	1	2	7	Showing Immovable Property, distinguishing— (a) Freehold Lands (b) " Buildings (c) Leasehold " Movable Property, distinguishing— (d) Stock in Trade (e) Plant The cost to be stated with deductions for deterioration in value, as charged to the Reserve Fund or Profit and Loss.
II. Debts or Liabilities of the Company.	Showing The Amount of Loans on Mortgage or Debenture Bonds The amount of Debts owing by the Company distinguishing— (a) Debts for which acceptances have been given (b) Debts to Tradesmen for supplies of Stock in Trade or other articles (c) Debts for Lay Expenses (d) Debts for Interest on Debentures or other Loans (e) Unclaimed Dividends (f) Debts not enumerated above	3	4	8	
III. Property held by the Company.		5	6	9	Showing Debts considered good for which the Company hold Bills or other securities... .. Debts considered good for which the Company hold no security... .. Debts considered doubtful and bad Any debt due from a Director or other officer of the Company to be separately stated.
IV. Debts owing to the Company.		7	8	10	
V. Cash and Investments		9	10	11	
VI. Reserve Fund.	Showing The amount set aside from profits to meet contingencies	11	12	12	Showing The nature of Investments and Rate of Interest The amount of Cash, where lodged, and if bearing Interest
VII. Profit and Loss.	Showing The disposable Balance for Payment of Dividends, &c.	13		13	
Contingent Liability.	Claims against the Company not acknowledged as Debts Moneys for which the Company is contingently liable				
					£ . . .

In Companies where they have their own Memorandum and Articles of Association, and where, consequently, Table A of the Companies' Act, 1862, does not apply, the use of this form is not compulsory; nor do I remember ever having in such cases seen it used, for if it were, it would certainly afford Messrs. Blank & Co. much valuable detail and information, which now, under the forms specially adapted to the Business for which they are intended, are carefully and discreetly veiled from them. You will notice one thing about it, and that is that it marshals the Assets in inverse order to what we are accustomed to in general mercantile practice, leading one strongly to suspect that those who drafted this form did so rather from theoretical knowledge gained from books than from practical experience, and that makes all the difference, an ounce of practice being worth tons of theory.

Railway, Gas and Water Companies. 71. At paragraph 69 I was somewhat plain-spoken as to Companies as a rule only publishing meagre accounts, but I have done them the justice of showing their reason for such abstention, and that they can plead "justification," or, at any rate, "extenuating circumstances." In any such strictures, however, I entirely except the Accounts of Railway, Gas and Water Companies, which are a marvel of clearness and continuity, step by step, from the bottom to the very top—not a detail or a missing link being left out from first to last.

The Accounts of a Water Company. 72. To illustrate what I mean, I now take up the following Accounts of a Water Company, in the order in which they are published half-yearly: we will briefly discuss these six forms seriatim, which, by the kind permission of the Board, I am able to reproduce here in extenso, at the next and following pages.

[For the Forms, see the following pages:—59 to 61.]

The Colne Valley Water Company.

Statement of Share and Loan Capital on 31 December, 1890.

Form I:

Acts of Parliament authorizing the raising of Capital.	Description of Capital.	Maximum Dividend Authorized.	Number of Shares issued.	Nominal amount per Share.	Total paid up.	Remaining to be issued. & called up.	Total amount authorized.
36 Vic., 1873	Shares	10 per cent.	10,000	£10	100,000	...	100,000
Ditto	New Shares	7 per cent.	2,426	£10	23,765	26,235	50,000
36 Vic., 1873, and 48 and 49 Vic., 1885	4 per cent. Perpetual Debenture Stock ... ..	...	...	...	65,000	...	65,000
48 and 49 Vic., 1885	4 per cent. Convertible Preference Shares	7 per cent.	1,150	£10	11,500	85,500	100,000
36 Vic., 1873	Mortgage Debentures or Debenture Stock	5 per cent.	...	...	...	12,500	12,500
					£200,265	£127,235	£327,500

Form II: Dr.

Capital Account 31 December, 1890.

Cr.

Expenditure to 30 June, 1890.	Expenditure during Half-year.	Total Expenditure to date of Account.	By Share Capital	By Debenture Stock	By Preference Shares	Receipts to 30 June, 1890.	Receipts during Half-year.	Total Receipts to date of Account.
189,446 1 7	7,127 8 1	196,573 9 8	...	...	...	116,837 10 0	6,927 10 0	123,765 0 0
To Office Furniture & Fittings ... ..	...	192 15 11	...	...	...	63,000 0 0	...	63,000 0 0
To Plumbing Plant & Tools ... ..	...	110 15 0	...	...	...	11,500 0 0	...	11,500 0 0
To Meters	79 0 6	2,116 17 6	/					
£191,787 9 6	£7,206 8 7	198,993 18 1				£193,337 10 0	£6,927 10 0	£200,265 0 0
To Balance (carried to General Balance Sheet)		1,271 1 11						
		£200,265 0 0						

Form III.— Dr.		The Colne Valley Water Company—continued.				Cr.		
		Revenue Account, Half-year ending 31 December, 1890.		Half-year ending 31 Dec., 1890.		Half-year ending 31 Dec., 1889.	Half-year ending 30 June, 1890.	Half-year ending 31 Dec., 1890.
To Engine Working Expenses :—								
Fuel	710 4 3	727 11 9	832 0 10	...	5,535 4 4	5,438 1 4	5,636 12 11	
Oil	34 12 0	30 4 0	35 2 0	...	143 5 6	147 1 7	159 2 9	
Sundries	13 18 4	4 15 10	4 3 2	...	2 5 0	4 0 0	2 7 6	
To Wages	495 17 9	489 6 2	564 14 9	...	15 8	19 0	...	
To Lime	127 16 5	160 11 1	130 1 10	...	46 2 1	55 1 9	40 11 10	
To Insurance of Boilers, works, &c.	33 17 0	...	21 17 0	...	...	23 10 3	19 15 0
To Engine Repairs	237 7 8	96 7 6	95 17 8	...	...	...	...
To Pipe System Expenses, and Repairs	119 15 10	121 5 1	126 2 5	...	...	...	...
To General Working Expenses and Repairs	147 16 5	130 16 4	136 1 6	...	...	...	...
To Meter Expenses and Repairs	9 2 3	29 18 5	21 2 5	...	...	...	...
To Office Salaries	250 0 0	281 19 0	284 10 0	...	...	...	...
To Office Expenses	8 0 0	10 7 0	8 14 6	...	...	...	...
To Stamps, Stationery and Printing	60 16 9	75 5 6	75 18 1	...	...	...	...
To Sundries & Petty Expenses	25 9 2	14 19 8	29 10 3	...	...	...	...
To Leave Expenses	15 3 6	7 9 0	12 1 0	...	...	...	...
To House Services	24 12 10	...	...	...	...	...	...
To Auditors' Fees	10 10 0	10 10 0	10 10 0	...	...	...	...
To Rates and Taxes	294 7 3	319 11 7	269 7 9	...	...	...	...
To Bad Debts	19 5 2	24 12 8	35 5 7	...	...	...	...
To Incidental Expenses	15 0 0	...	10 0 0	...	...	...	...
To Consulting Engineers ... ..	...	49 13 2	26 5 0	...	...	...	...
To Balance (carried to Dividend and Interest Account)	2,653 12 7	2,855 3 9	2,729 5 9	...	...	...	...
	3,074 0 0	3,083 10 2	3,129 4 3	...	...	...	...
	£5,727 12 7	£5,668 13 11	£5,858 10 0	...	£5,727 12 7	£5,668 13 11	£5,858 10 0	



The Colne Valley Water Company—continued.			
Form IV :—	Dr.	Dividend and Interest, Half-year ending 31 December, 1890.	Cr.
To Interest on Preference Shares paid 1 October, 1890 ...	224 5 4	By Balance at 30 June, 1890 ...	1,767 18 9
To " Debenture Stock (payable 1 January, 1891)	1,267 10 0	Less Dividend paid 1 October, 1890	1,412 14 9
To Amount transferred to Reserve Account ...	100 0 0		355 4 0
To Balance (carried to General Balance Sheet) ...	1,898 11 9	By Interest on Deposits ...	5 18 10
		By Profit for Half-year ending 31 December, 1890 ...	3,129 4 3
	£3,490 7 1		£3,490 7 1
Form V :—	Dr.	Reserve Account, 31 December, 1890.	Cr.
To Balance (carried to General Balance Sheet) ...	500 5 5	By Balance at 30 June, 1890 ...	400 5 5
		By Amount since transferred from Dividend and Interest Account ...	100 0 0
	£500 5 5		£500 5 5
Form VI :—	Dr.	General Balance Sheet, 31 December, 1890.	Cr.
To Balance of Capital Account ...	1,271 1 11	By Stores on hand :—	
To " Dividend and Interest Account ...	1,898 11 9	Pipes, Valves, Hydrants, &c. ...	692 3 5
To Reserve Account ...	500 5 5	House Stores ...	154 13 8
To Outstanding Accounts due by the Company (including Interest on Debenture Stock, due 1 January, 1891) ...	2,564 6 4	By Debtors :—	776 17 1
		For Water Rates ...	2,846 6 10
		" Sundries ...	296 1 8
		By Balance :—	3,142 8 6
		At Bankers ...	2,282 9 8
		Cash in hand ...	32 10 2
	£6,234 5 5		£6,234 5 5

We have examined the above Accounts with the Books and Vouchers, and also the Cash Balances, and certify them to be correct.

B. D. KERSHAW,
 GÉRARD VAN DE LINDE, } *Auditors.*
 (Gérard Van de Linde & Son, Chartered Accountants.)

Form I. is a "Statement of Share and Loan Capital, 31 December, 1890," showing—

1. Acts of Parliament authorising the raising of Capital.
2. Description of Capital.
3. Maximum dividend authorised.
4. Number of Shares issued.
5. Nominal amount per Share.
6. Total paid up (carried to Form II).
7. Remaining to be issued and called up.
8. Total amount authorised.

The detail herein given is both clear and precise, and column No. 6 gives us the total of called up Capital from all sources, which total we find again in the Capital Account, Form II.

Form II, "Capital Account, 31 December, 1890," gives on the debit side details of "Expenditure (under the respective heads) to 30 June, 1890" in an inner column, and "Expenditure during the half-year" in another inner column, extending the "Total Expenditure to date of Account" in the outer column, and on the credit side in the same way, in the two inner columns the "Receipts to 30 June, 1890," and "Receipts during the half-year" respectively, extending to the outer column "Total Receipts to date of Account," detailing—

Share Capital,
Debenture Stock,
Preference Shares,

the details and total of which agree with column 6 of Form I, already referred to. The Balance to the credit of Capital Account at 31 December, 1890, is carried to General Balance Sheet, Form VI.

Form III, "Revenue Account, half-year ending 31 December, 1890," shows on the debit side under detailed heads the Expenditure for the half-year, and on the credit side the Receipts for the half-year, with, on each side, two inner columns giving similar figures for the two previous half-years.

The following are the various heads of Expenditure on the Revenue Account:—

Engine Working Expenses.	Fuel.
" " "	Oil.
" " "	Sundries.
Wages.	
Lime (they soften the water).	

Insurance of Boilers, Works, &c.
 Engine Repairs.
 Pipe System Expenses and Repairs.
 General Working Expenses and Repairs.
 Meter Expenses and Repairs.
 Office Salaries.
 Office Expenses.
 Stamps, Stationery and Printing.
 Sundries and Petty Expenses.
 Law Expenses.
 House Services.
 Auditors' Fees.
 Rates and Taxes.
 Bad Debts.
 Incidental Expenses.
 Consulting Engineers.

Every item of Expenditure on the Revenue Account must thus find its way under one or other of the above heads.

Revenue having thus to bear all the cost of Repairs and Renewals (instead of Depreciation being written off), Dividends might be paid by omitting in any one period to carry out any such necessary Repairs and Renewals, and deferring the same to another and later period. Although this is, in some cases, actually done, it can hardly be considered to be fair to the general public who may thus be induced to buy shares on the faith of the Dividend so declared.

The Balance to the credit of "Revenue Account" is carried to "Dividend and Interest Account," Form IV.

Form IV, "Dividend and Interest Account, half-year ending 31 December, 1890," shows on the debit side—

1. Interest on Preference Shares paid 1 October, 1890.
2. Interest on Debenture Stock payable 1 January, 1891.
3. Amount transferred to credit of Reserve Account, Form V.
4. Balance carried to credit of General Balance Sheet, Form VI.

and on the credit side—

5. Balance brought forward at 30 June, 1890.
6. less Dividend paid 1 October, 1890.
7. Profit for Half-year ending 31 December, 1890.

the totals of debits 1 to 4 equalling those of credits 5 to 7.

Form V, "Reserve Account, 31 December, 1890," shows on the debit side—

1. Any special payments made out of this account.

2. Balance carried to credit of General Balance Sheet, Form VI.

and on the credit side—

3. Balance brought forward at 30 June, 1890.

4. Amount since transferred from "Dividend and Interest Account," Form IV.

the totals of debits 1 and 2 similarly equalling those of credits 3 and 4.

Form VI, General Balance Sheet: 31 December, 1890, contains on the debit side:—

1. Balance to credit of Capital Account, brought from Form II.

2. Balance to credit of Dividend and Interest Account, brought from Form IV.

3. Balance to credit of Reserve Account, brought from Form V.

4. Outstanding accounts due by the Company, including Interest on Debenture Stock due 1 January, 1891.

and on the credit side—

5. Stores on hand: under separate sub-heads.

6. Debtors: under separate sub-heads.

7. Cash Balances: under separate sub-heads.

the totals of debits 1 to 4 equalling those of credits 5 to 7.

These Accounts are clear and intelligible, carrying out in every respect through all the varied stages the fundamental principle we started with that "every debit requires a credit," and vice versâ.

Fundamental distinction, between Capital and Revenue.

73. In the foregoing, the two accounts, Capital Account, Form II, Revenue Account, Form III,

are kept quite apart, the one from the other, in separate Ledgers, called "Capital Ledger" and "Revenue Ledger" respectively. I wish to explain in a few words the fundamental distinction between these two Accounts (diametrically distinct, the one from the other), which, unless kept thus perfectly separate and apart in every shape and way, would lead to endless inaccuracies and misleading mistakes, upsetting entirely the final accounts and results.

Capital
Account.

74. I begin with Capital Account. You have been shown that the credit item for this is got out of

Share Capital,
Debenture Stock,
Preference Shares,

paid up to 31 December, 1890, all clearly Capital Receipts, and to be used solely and entirely for Capital Expenditure. (It is a good thing that the issue is not complicated here by Interest being authorised to be paid out of Capital during construction, as has been done in some Railway and other Companies, only there again such payments are treated purely as Capital and added to the Capital Expenditure, as forming an integral part of it.)

Having got out the Capital Receipts, we proceed to get out the Capital Expenditure also. This is all shown and built up, half-year by half-year, on the debit side of the Capital Account, Form II, under distinct and recognised sub-heads of Expenditure, and apply to works in progress: when once such works are completed and passed and declared as being completed, the Capital Account, so far as those works are concerned, is practically closed, only to be operated upon under the special circumstances of authorised and necessary Capital additions being made thereto. It is for this reason that when works are thus completed, and no new ones or extensions for the moment contemplated, the balance to the credit of Capital Account, as shown in the General Balance Sheet, Form VI, is very low indeed (as, in fact, it is on the present occasion), for the Directors have this point ever before them when they issue their Share Capital (under its different heads), and make the Calls upon it. When new works and extensions are authorised, recourse is had to the provisions contained in column 7 ("Remaining to be issued and called up") of Form I ("Statement of Share and Loan Capital on 31 December, 1890), and they thus call up any balance due on what has been already issued, and then issue the remainder authorised to be issued, until they reach the maximum provided for in column 8 of the same Form I, viz.:—"Total amount authorised," and when they have got so far they must go to Parliament for further powers before they can raise any fresh Capital.

Revenue.
Account.

75. Revenue Account, as you will find at Form III, derives its Receipts from Income earned, against which it disburses all necessary Expenditure, as already fully detailed and shown herein, and providing for every necessary outlay on this account, the balance net Revenue being, as you remember, carried to Dividend and Interest Account, Form IV, as divisible among the several sections of Share and Stockholders in accordance with the provisions attaching to each

separate section as clearly set out in column 3:—(Maximum Dividend authorised, of Form I). (Statement of Share and Loan Capital, on 31 December, 1890).

Conclusion. 76. Having thus concluded my subject of "General Bookkeeping," I purpose at Part III taking up that of "Bookkeeping in connection with General Banking;" meanwhile, it would be well for you to go carefully through these two first Parts by yourselves, so that you may the more readily follow me as I proceed to show you that the general principles therein laid down and opened up apply equally to Bank Bookkeeping as, in fact, to all phases of Accounts where system and method are sought to be carried out on sound and reliable business principles, clear and intelligible to all therein concerned.

BOOKKEEPING.

PART III:

IN CONNECTION WITH

GENERAL BANKING.

“Mony a mickle makes a muckle.”

Introduction. 77. In Parts I and II, I have, so far, confined myself to General Bookkeeping and the Fundamental principles that govern it. I am now about to apply these said fundamental principles to the special subject at present before us, and as we progress I think you will find that you are already carrying out the same in your daily routine work, without perhaps having hitherto given the matter even a passing thought, or paused to consider how they have all along been governing you in your operations: but, after you have followed me in what I will endeavour to explain, I trust the whole thing will become quite clear to you.

Fundamental Principles. 78. At the outset, I must again bring your mind to bear upon the fundamental principle that “every debit requires a credit,” and vice versâ, for I know of no class of gentlemen to whom this axiom is so necessary and all important. The daily work of a Bank is so split up into sections and subsections that it is indeed essential that every one of you should feel he is a co-worker, working in strict harmony,

method and concord up to one common end and final result ; and when dealing with the mass of figures and vouchers you must never lose sight of this fact, nor get out of touch with it, for it is everything for you to understand your work and what you are doing.

Modern Banking. 79. Modern Banking has, within the past few years, made such rapid strides, developing into such vast proportions, that economical subdivision and grouping of labour have become the all absorbing question of growing importance. So many Cash and other transactions require daily to go through their various regular stages and channels until they are finally posted to their respective Ledger Accounts, and these Ledger Accounts again daily increase in number, so that all this necessitates the division of the Ledger and other Books into several sectional ones, with corresponding clerks to take charge of each of them.

Nomenclature of the Books. 80. And here let me say a reassuring word as to the nomenclature of the Books you have to use. You will remember I began Part I with only three primary Books of Accounts, viz. :—

“ The Journal, the Cash Book and the Ledger,”

and with each of which Books, I trust, you are now quite familiar : that being so, let me advise you to keep the functions of these three Books always well before you, and you will then discover more and more how closely one or the other of them assimilates to the particular Book or Books that may happen to come under your especial charge, no matter what the name of the Book may be. And when you have got so far I will invite you to go a step further, and now follow me very closely, paragraph by paragraph, as I deal with the various Books more particularly applicable to Bank Bookkeeping, and if I occasionally give a different name or names to any such Book or Books as come under your notice, do not for that reason jump at the conclusion that either of us (you or I) are therefore necessarily wrong, for it is peculiar to Banks to have different names for the same Book or Books as also different forms : in fact, hardly two Banks are altogether uniform or alike in this respect. It is therefore quite possible that with some of you my forms, names, and illustrations will be unfamiliar, while quite familiar to others (and vice versâ), but in all such cases you will find the best test of your comprehension of the subject is in being able to find out for yourselves where we seem to differ, and then when you do so you will at the same time find out where we

agree, and that the difference, after all, is only imaginary, in no way upsetting our fundamental principles, but rather brought in for adaptation to varied and special circumstances connected with any particular Bank.

Cash. 81. Cash is the first matter we have to deal with : the system of treating it varies possibly in minor points in different Banks, although assimilating closely in the main. Making, therefore, allowance for such shades of differences, and striking a fair average, the system commonly in vogue is pretty much as follows, viz. :—

The Received Cash Book. 82. The Receiving Cashier (for in large Banks one set of cashiers receives money, and another entirely distinct set pays away money, and they keep their tills quite apart the one from the other) when he receives money to the credit of a customer enters the particulars in his "Received Cash Book" under their proper columns as you will understand from the following ruling of the Book in question :—

Received Cash Book.						
1	2	3	4	5	6	7
Date.	Name.	Particulars.	Bank Notes.	Drafts.	Coin.	Total.

After entering particulars of the Bank Notes in columns 3 and 4 he passes them over to a clerk who sorts them and then enters them in what is termed "The Goldsmith's Book," and at the end of the day makes up these Bank Notes assorted into bundles to be paid in to the Bank of England, with all Drafts upon them, to the credit of the Current Account of the Bank in question. These Notes and Drafts are thus dealt with direct without passing through the clearing. The Coin he enters at column No. 6 of his "Received Cash Book," and then puts it into his till, accounting for the total at the end of the day. The Drafts he enters in total in column No. 5 of the same Book, and then passes them over, with the Paying-in Slip, to the Clerk behind him, who enters them up in his "Waste Book" in the columns referring to them.

The Waste Book. 83. The following is the ruling of The Waste Book :—

The Waste Book.						
1	2	3	4	5	6	7
Date.	Name of Customer.	Name of Bank on which each Cheque is drawn.	Clearing Banks.	1 Country Cheques. 2 Suburban Cheques. 3 Walks.	1 House. 2 Bank of England.	Total.

The cheques entered in column No. 4 go into the clearing at once: those in column No. 5 are duly dealt with under three categories (see paragraph 93).

1. "Country cheques" (another clearing).
2. "Suburban cheques" } (collected).
3. "Walks" }

The cheques under column No. 6 are dealt with under two categories—

1. "House" (these do not leave the Bank).
2. "Bank of England" (these are paid in direct to the Bank of England as noted at paragraph 82).

The total of columns Nos. 4, 5 and 6, is given in column No. 7, which agrees with column No. 5 ("Drafts,") of "The Received Cash Book," as per paragraph 82).

The Waste Book Clerk makes his entries: he passes on the cheques (as enumerated in the above columns) over to another clerk, who sorts them ready for collection.

The Sectional Cash Book. 84. The Paying-in Slip is then entered in "The Sectional Cash Book" of which the following is a ruling, showing four Ledgers, or groups of Ledgers, at one opening:

The Sectional Cash Book.									
A to E		F to L			M to R		S to Z		
1	2	3	4	5	6	7	8	9	10

The Columns are appropriated as follows :—

Nos. 1, 2 and 3 for Amount, Ledger folio and Name, A to E.

Nos. 3, 4 and 5 for Name, Ledger folio and Amount, F to L.

Nos. 6, 7 and 8 for Amount, Ledger folio and Name, M to R.

Nos. 8, 9 and 10 for Name, Ledger folio and Amount, S to Z.

The Ledger folios 2, 4, 7 and 9 respectively, are for insertion by the Ledger keeper prior to calling over. The use of this Sectional Cash Book is to facilitate the trial of the Ledgers, and the balancing of the same.

As the Paying-in Slip is thus entered in the above Book, it is passed on to the corresponding Ledger keeper, who posts it, after which it is sorted away in a drawer to the name of the customer ready for the Pass Book keeper for entry by him into the Pass Book.

The Paid Cash Book. 85. In dealing with a Payment out to the debit of a customer the process is very much the same, except that it does not go into the Waste Book, but the paying Cashier enters it direct into his "Paid Cash Book," the ruling of which may be identical with that given above at paragraph 84 for The Sectional Cash Book, the appropriation of columns Nos. 1 to 10 being identical, and here again as the Cheque is thus entered in this Book it is passed on to the corresponding Ledger keeper who posts it, after which it is sorted away in a drawer to the name of the customer ready for the Pass Book keeper for entry by him into the Pass Book, and then (as a rule) put into the pocket of the same for return to the customer.

Books for alternate days. 86. In large Banks it is found convenient for purposes of calling over and general checking the next day, to have the two sets for the following Books which are thus used on alternate days, say :

Set 1 on Mondays, Wednesdays and Fridays.

Set 2 on Tuesdays, Thursdays and Saturdays.

The Books I refer to are these :

The Received Cash Book (paragraph 82).

The Waste Book... (paragraph 83).

The Sectional Cash Book (paragraph 84).

The Paid Cash Book ... (paragraph 85).

it does not alter the system one single iota, for, as you know, "the total parts of a thing are equal to the whole."

Dockets. 87. As a rule, everything is entered and posted direct from the Docket, and thus the various Books are checked the one with the other, and this forms a double check upon the entries. These Dockets are usually cancelled with a perforated Date Stamp. The Dockets constituting the Paying-in Slips and other credits, after all being carefully sorted, are put up in daily bundles available for ready reference at any moment: the Dockets constituting the Payments out, such as cheques, bills and other debits, are sorted alphabetically according to the names of the customers, and, as a rule, are returned in the pocket of their Pass Books, although, in some rare cases, certain Banks retain them as their authority, and only give them up under special circumstances, and after that the customer has agreed his Account with them, thus avoiding the possibility of any question arising in the future: this latter custom, however, is now fast dying out, and bids fair to become very soon a thing of the past. The Pass Books as they come in are entered up, as I have already stated, from these two classes of Dockets, and then called over with the respective Ledger Accounts: this is again a check upon the posting.

The Coin Balance Book. 88. At the close of each day a Balance is struck in the "Coin Balance Book": all the Cashiers' totals are taken and entered, and the whole thus balances and agrees daily with the respective Sectional Cash Books (both received and paid).

The Ledger. 89. In a Bank where the entries are heavy, the Ledger is made up of several denominational ones, and these again, as, for instance, The Customers' Ledgers, are divided up alphabetically, according to the respective letters—thus four Ledgers would be made up of A to E: F to L: M to R: and S to Z, as already foreshadowed at paragraph 84 when dealing with The Sectional Cash Book.

The Customers' Ledger. 90. In large Banks it is generally found that four Customers' Ledgers are hardly sufficient for their requirements, and that they need some 10 or 12. Supposing, therefore, 12 to be in use, they would probably be lettered as follows and allotted to the undermentioned clerks whose respective names appear against each of them, say—

- | | |
|---------------|-----------------|
| 1. A to Bra | : William Pitt. |
| 2. Bre to Cli | : Thomas Burke. |

- | | |
|-------------------------|-----------------------|
| 3. Clo to Do | : Robert Chatham. |
| 4. Dugoort Railway | : Edward Wilberforce. |
| 5. Du to F | : John Wright. |
| 6. G to Hi | : Richard Cobden. |
| 7. Ho to I | : Oliver Goldsmith. |
| 8. International Stores | : Samuel Rogers. |
| 9. J to Me | : John Coleridge. |
| 10. Mi to P | : Samuel Johnson. |
| 11. Q to S | : William Cowper. |
| 12. T to Z | : Henry Zenophon. |

Periodical printed lists giving the above details are hung up at the various departments of the Bank for ready reference. I use the word "periodical" because in most Banks it is usual for the Ledger clerks to be moved up monthly or quarterly to the next Ledger, as an additional check on each other's work; this is far preferable to keeping always in one groove, without change or variety; one is apt to get rusty over it.

As I have already mentioned in dealing with the Dockets, these are all sorted alphabetically before they are entered up and posted: this naturally facilitates greatly the work of the foregoing Ledger clerks, despatch in getting satisfactorily through the day's work (in the day) being of paramount importance.

The ruling
of The
Customers'
Ledger.

91. The following is somewhat the ruling of "The Customers' Ledger": you will notice that I show each Balance brought down with every fresh entry of debit or credit; in some Banks this Balance is only shown daily, and with others even only bi-weekly—it is quite a matter of taste and convenience. The Form I refer to is set out at the next page:—

[For Form, see next page.]

The Customers' Ledger.										
Date.	Particulars.	Debit.			Credit.			Credit Balance unless otherwise stated.		
1890.										
Nov. 1	By Balance				2,000	0	0	2,000	0	0
2	By Half-year's Dividend £5,000 G. I. P. Railway Stock, 2½ % free of Tax				137	10	0	2,137	10	0
					2,137	10	0			
"	To Cash, cheque 1,007	40	0	0				2,097	10	0
"	To Cash, ,, 1,008	15	0	0				2,082	10	0
		55	0	0						
4	By Cash paid in				70			2,152	10	0
"	By Cash, Country Cheque ...				50			2,202	10	0
					2,257	10	0			
"	To Cash, cheque 1,009	5	0	0				2,197	10	0
		60	0	0						
6	To Allotment, £2,300 Dugooft Railway 3 % Debentures at par	2,300	0	0				Dr. 102	10	0
		2,360	0	0						
7	By Cash paid in				2,000	0		Cr. 1,897	10	0
					4,257	10	0			
10	To Cash, cheque 1,010	1,000	0	0				897	10	0
		3,360	0	0						
12	To Cheque Book		4	2						
		3,360	4	2				897	5	10

By writing up this Ledger continuously, should a cheque be presented at the counter for payment, and the Cashier have his doubts about it, he has only to refer to the account in the Ledger and, generally, satisfy himself: before adopting the extreme course of sending a cheque back, he would do well to take advice inside, while at the same time enquiring whether there is anything (though not absolutely Cash at the time) in transitu to come in, he will thus the better arrive at the answer he shall give. I point this out as it would be a very serious thing to return a cheque unnecessarily, possibly leading to grave consequences, which you naturally wish to avoid.

Other rulings. 92. In some Banks the Customers' Ledger is of the Customers' Ledger, just ruled like any other ordinary Ledger, thus, for example:—

Dr.	Contra.	Cr.
To &c. &c. &c.		By &c. &c. &c.
To &c. &c. &c.		By &c. &c. &c.
To &c. &c. &c.		By &c. &c. &c.

In one instance that has come before me the ruling is given as above, but the sides are reversed, the credits being on the left hand, and the debits on the right hand thus :—

“ Cr. Dr.

“ By &c., &c. To &c., &c. „

this Bank began thus over 300 years ago, when they first started, and they have ever since kept to this same form, which is the reverse of every other one I know of. In some Banks, and that more especially where the Columnar Form, as shown at paragraph 91, prevails, I have seen the words “ To ” and “ By ” omitted, and which omission I consider to be a pity.

Country Cheques. 93. Reverting again for one moment to The Waste Book, where, at paragraph 83, I say with reference to column 5 (Country Cheques, &c.) that these “ are duly dealt with, &c.,” I would here mention that Country Cheques are entered in a separate Book, entitled “ Country Drafts Book,” and that credit is only given to the customer when the Bank actually receives the remittance, and that is usually on the third day after the customer has lodged it, a credit slip being made out at the same time, and passed in the ordinary way when the Cheques become Cash, and the same system applies to “ Surburban Cheques ” and “ Walks.”

Some banks, however, where their customers are in the habit of keeping good round steady balances, in order to save trouble on both sides, give them credit at once for Country Cheques as soon as they pay them in, the only exception being Irish and Scotch Cheques, which, it would appear, are never credited to the Account until actually collected, and to these Cheques a small charge for collection attaches. I have sometimes seen this small charge deducted from the gross amount paid in, and only the net amount received credited, but this is wrong. The Bank should in every case give credit for the full enfaced amount of the lodgment, and debit the customer on the other side for any small charge attaching thereto, and for which they should at the same time (as they, in fact, most generally do) make out and put a Debit Slip Docket in

the pocket of the Pass Book for the charge thus debited, just precisely in the same way for all internal entries relating to Loans granted, Bills Discounted, Purchase or Sale of Securities, and the numberless other entries occurring, a Docket Slip is always made out, which is initialled by one Clerk, counter-initialled by another, and then passed through the regular routine, a copy of the same being put in the pocket of the Pass Book.

Other Ledgers. 94. In addition to the Customers' Ledger, Banks keep other Ledgers, as for instance the following:—

The General Ledger (or Check Ledger).

The Private Ledger.

The Loans Ledger.

The Deposit Ledger.

The Investments Ledger.

The Agency Ledger.

The Railways Ledger—Corporations Ledger.

&c., &c., &c.

all of which have their place, although you must remember that with these as with the Customers' Ledger, already referred to, that, notwithstanding that Accounts are thus grouped and entered in separate Ledgers, all such Ledgers are really only parts of one Ledger, and, as I have already reminded you—

“The total parts of a thing are equal to the whole.”

I refer to all these Ledgers at the following paragraphs 95 to 101. You will find that they partake generally of the nature of the ordinary Ledger, already referred to in Parts I and II hereof, with which you are now therefore familiar.

The General Ledger or Check Ledger. 95. The General Ledger (or Check Ledger, as it is sometimes called) containing, as it does, the summary or skeleton of the whole of the entries or balances to be found in all the other Ledgers, balances of itself, and, being closely written up day by day, it affords at once all the requisite information as to the position of the Bank, and which information is all important to the Bank to have constantly at hand. It is from this Ledger, that one gets out so promptly all the salient features and figures of the Accounts at balancing times, and thus arrives at final results. In this way, Joint Stock Banks

are able to publish their net profits, and proposed Dividend (subject to audit), so soon after the half-year has turned, and which has such a good effect, both upon the Shareholders and the general public, as inspiring confidence in the good management and methods observed in Banks of high standing. At paragraph 53 of Part I, under the heading "Balance each Ledger separately," I show that very much the same thing is done by the trader or manufacturer, and so here again you have another instance of how closely all systems of good Bookkeeping assimilate, and in fact they cannot do otherwise.

The Private Ledger. 96. The Private Ledger is kept on very much similar lines as our old friend, its namesake, in a trader or manufacturer's business already dealt with in the two previous Parts. It is kept in the ordinary form and with ordinary ruling, and contains the Capital as well as the more or less Private Impersonal Accounts (real and nominal), which are not to be found in the General or other Ledgers.

The Loans Ledger. 97. The Loans Ledger is kept in the same way, and contains a separate Ledger Account for each Customer to whom the Bank grant Loans, with full particulars of the same, including Rate of Interest, Date of Repayment, Nature of Security given, &c., &c., &c.

The Deposit Ledger. 98. The Deposit Ledger is the converse of the previous one, and contains the Accounts (with full particulars and conditions) of those customers who deposit money with the Bank. It should contain a separate Ledger Account for each such Customer. In some Banks, however, the Deposit Ledger is dispensed with, and an Account called "Deposit Accounts" is kept in one of the other Ledgers: where this is so, great care and regularity should be observed, especially where the Deposit of any customer is either increased or diminished. Where Deposit Receipts are given, it is preferable, in the case of part withdrawal to treat the balance as a fresh Deposit, and in the same way, any addition to it. Where no Deposit Receipts are given, but the Deposit or Withdrawal (either partial or entire) is made by simple transfer from the Current to the Deposit Account, and vice versa, the use of a Deposit Ledger is certainly to be advocated, and it is in fact, well-nigh general. When any such transfer takes place, the Interest should be made up to date, and credited to the customer in Current Account; this, however, is sometimes done only half-yearly. Where no Deposit Receipts are given it is quite usual for the Bank to issue to their customers a Deposit Pass Book in addition to their Current one, and I certainly am in favour of such a course being adopted.

Investments 99. The Investments Ledger contains a separate Ledger. Ledger Account for each different Investment (including their respective categories and issues), thus each of the following Stocks would have a separate Ledger folio.

Consolidated $2\frac{1}{2}$ per Cent. Stock.

London County Council 3 per Cent. Inscribed Stock.

Canada 3 per Cent. Inscribed Stock.

Cape of Good Hope 3 per Cent. Inscribed Stock.

Queensland $3\frac{1}{2}$ per Cent. Inscribed Stock.

Victorian Government Inscribed Stocks, under their respective categories and issues.

New South Wales 3 per Cent. Inscribed Stock.

New Zealand 3 per Cent. Inscribed Stock.

Argentines 5 per Cents. (various categories).

Russian 4 per Cents., 1889.

Chinese 7 per Cents. (A's and B's).

&c.

&c.

&c.

In opening these Accounts care and discrimination must be exercised in posting the proper Stock to its proper Ledger folio, and not to confound one issue or one category with another, otherwise confusion and trouble will ensue, especially as it sometimes happens, that certain categories and issues are domiciled at one Bank and others at another. When closing the Books, take out each Ledger folio Balance at the mean market value of the day, and write off each difference (profit or loss), as the case may be, to an Account called "Profit and Loss on Investments," the Balance brought down will then represent the Balance remaining on each particular Stock at the mean market value of the day. These remarks more particularly apply to Joint Stock Banks, who need in the interests of their shareholders to value their current Investments closely. With Investments representing Reserves, the case is somewhat different: these may very properly stand in the Books at a lower value than present mean market value, provided the fact is duly brought under the cognizance of all concerned.

The Investments Ledger is ruled in the ordinary way, except that sometimes there is an extra subsidiary money column on each side (debit and credit), the debit one, to debit in it the Interest as

it falls due to the corresponding credit of "Interest and Dividends on Investments," and the credit side is credited to the debit of Cash when it is received; the object of this extra subsidiary money column, is, to see at a glance, whether the Interest or Dividend on each particular Stock has been received, and should no such entry appear, or the amount of interest thus credited be below what was anticipated, enquiry should at once be made as to the reason. It may then be found, either that the date for paying off the Stock has been reached (and overlooked), Interest of course ceasing from that date, or that that particular Stock has been either converted or consolidated (and the fact overlooked); or, again, that a portion of the Stock has been drawn, in which case, too, the interest on that particular portion drawn ceases from the date of drawing. All these points have to be borne in mind and carefully watched. These remarks apply, too, in the same way, to the Investments of the Bank's customers, and of which the Bank undertake the custody and the duties attendant thereupon. Time and space do not allow me to go more fully here into this important detail of a Bank's functions and sphere of usefulness, but I trust I have said enough about it to render you alive to the responsibility devolving upon you to see that your Principals are not compromised in any way. At balancing time, Stocks and Securities represented by securities in hand, should be verified with the securities themselves, and where such Stocks are inscribed, these, too, should be verified with certificates (obtainable on application), from those with whom these Stocks are thus inscribed, as for instance, inter alia, at

The Bank of England,
 The Office of the Crown Agents to the Colonies,
 The London and Westminster Bank, Limited,
 The London and County Bank, Limited,
 The National Provincial Bank of England, Limited,
 Messrs. Glyn, Mills, Currie & Co.
 &c. &c. &c.

Remember when making application, to come provided with properly authenticated credentials: then you are all right, otherwise the Bank or other authorities very properly refuse you all information whatsoever. As from 1 January, 1897, the first three institutions above named charge at the rate of 6d. an account, with a minimum of 1s. for such verifications. Prior to that date they made no charge; up to the present the remaining three institutions above named still do these verifications free of all charge. On the next page I give the form in use at the Bank of England for verifying Stocks inscribed with them.

REQUEST FOR THE VERIFICATION OF STOCK ACCOUNTS AT THE BANK OF ENGLAND.

This application must be forwarded to the Chief Accountant, Bank of England, two days before the verification is required, accompanied by Postal Order for the requisite Fee, viz., 6d. per Account, with a minimum of 1s.

The particulars must be filled in by the applicant, and if there is more than one Account, the aggregate total must be shewn at foot.

PLEASE USE
COPYING INK.

..... 190

..... 190

It is requested that the subjoined list of Stocks may be verified, and be then forwarded to—

..... *hereby authorize this application.*

To be signed by a Stockholder in each account; or, in case of a Corporation, by the Chairman, Secretary, or other Officer.

M.....
of.....
(Signature).....

At the close of business on the..... day of..... 190....., the undermentioned amounts of Stock were standing in the names against which they are placed.

Names of Stockholders.	Amounts.	Names of Stocks.

The Agency Ledger and the Branches Ledger.

100. The Agency Ledger as a whole is either in debit or credit to the Bank: the same principles govern the keeping of it, and these remarks apply equally to the Branches of a Bank, who send up their periodical Returns to the Head Office in such an intelligible and methodical shape as enable the Head Office to take them up and incorporate them in their own Books and Accounts, so far as the Debtors and Creditors are concerned, and making the necessary entries also, so as to bring the Impersonal (Profit and Loss) Accounts, of a similar nature, into their own Accounts when they proceed to balancing; this, of course, is done by a Transfer. I have in the above few lines just given the bare outlines of this important Department attaching to a Bank.

The Railways Ledger, Corporations Ledger, &c., &c.

101. The Railways Ledger, Corporations Ledger, &c., &c., complete the list of the Ledgers I propose referring to herein. These Ledgers not only comprise the ordinary Current Accounts, but a great deal more, such as the receiving application for Shares, Debentures, Loans, &c., and the inscription of them with all the work attendant upon registering Transfers, paying Dividends, paying off the Principal at maturity, carrying on the operations of the Sinking Fund with its periodical Drawings and Redemptions as also the Conversions and Consolidations of existing Stocks and Issues and, in cases where, although the Stocks are inscribed, certificates are issued, the issuing and recording of such Certificates. All this indeed requires great care and patience. I will here just instance three well known examples, within the recollection of you all, no doubt.

1. The conversion of the three denominations of 3 % British Government Stocks into the "2 $\frac{3}{4}$ % Consolidated Stock," 1923 ("Goschens"), which as from 5 April, 1903, became automatically a 2 $\frac{1}{2}$ % Stock for the remainder of the period.

2. The taking over by the Indian Government certain Indian Railways, inter alia, "The Eastern Bengal Railway," the Stocks of which are now represented by the three following denominations, viz. :—

"A : Annuity," expiring 30 July, 1957.

"B : Annuity," expiring 30 July, 1957.

"4 % Irredeemable Debenture Stock."

3. The floating as a Joint Stock Company of the business of "Messrs. Arthur Guinness, Sons & Co.'s Brewery," with its various issues of Stocks, viz. :—

Ordinary Stock	...	...	...	...	...	2,500,000
6 % Cumulative Preference Stock, with a priority						
also as to Capital	...	...	...	...	...	2,000,000
Five per Cent. Debenture Stock	...	...	...	...	...	1,500,000
making the total Capital Issue	...	...	...	...	...	<u>£6,000,000</u>

These and other similar financial operations are carried out by Banks in a marvellously expeditious and methodical manner, and such good work redounds, indeed, greatly to the lasting credit of all you gentlemen who undertake it, and thus carry it out to the admiration and wonder of all around. It is quite out of the question for me now to attempt to go into the actual working of any of the foregoing. I have just faintly foreshadowed a little of it in Part II hereof, under paragraphs 68 and 69, and I would again refer you for further information on the subject to my Paper already referred to, entitled—

“Company Work,”

incorporated in this present Book.

Posting by 102. You will have noticed that at paragraph 87
Dockets. hereof, I state that “as a rule everything is entered
 and posted direct from the Docket”: the reason for
this is that in the many entries, daily made, there is by this
method less likelihood of a mistake occurring, or, at any rate, per-
petuating itself by the double check thus instituted of posting and
writing up independently both the Ledger Accounts and the Pass
Books and calling over the one against the other, instead of simply
writing up the Pass Book from its corresponding Account in the
Ledger. These Dockets, to a great extent, replace the Journal,
being, in fact, so many Journals in themselves; for both debits and
credits are posted from them, and at the top left-hand corner of
each of these Dockets the Ledger keeper places the Ledger folio.
At the end of the day, when the Dockets are sorted, the Junior
Clerk, whose duty it is, folios the Cash Book from these Dockets,
and so far facilitates the calling back daily the Ledgers with the
corresponding Sectional Cash Books; this is done the very first
thing the following morning. So far, we have dealt with the Per-
sonal Accounts only (either debits or credits); in order to get the
corresponding Impersonal credits or debits (as the case may be);
the following is the method generally adopted; the Chief or other
Accountant keeps a “General Cash Book” and a General Ledger
(or Check Ledger, see paragraphs 94 and 95), and into this
General Cash Book he personally enters all the daily totals from

the "Coin Balance Book" (see paragraph 88), which contains a daily summary of the respective Sectional Cash Books, and which final daily total he posts to an account in the General (or Check) Ledger, entitled "Current Accounts." In this way the double entry system is fully carried out and completed, so far as the Cash is concerned.

Clearing
Cheques.

103. London Banks, domiciled in the City proper, are mostly members of the Clearing House, a wonderful establishment, where representatives from each Bank (attached to it) meet three times a day, and are there able to clear all their Cheques, one Bank against another, settling the Balance of the whole between them by one single transfer from their Current Account at the Bank of England. Such Banks, however, as are not in the Clearing, send out "Tellers" to the various Banks to collect for all the Cheques that come in daily drawn upon these several Banks, who give a transfer upon the Bank of England, or upon themselves, which the collecting Bank pays into its credit in Current Account at the Bank of England. In such cases, no adjustment of Balance, the one Bank against the other, takes place, but a Cheque in each instance is given for the total amount.

Notes and
Drafts on the
Bank of
England.

104. As the Bank of England clear on the "out" side only, that is all Drafts on other Banks and none on themselves; all Drafts upon the Bank of England, as also all Bank Notes, have to be paid in by each Bank to credit in Current Account with the Bank of England exactly in the same manner as any other customer of the Bank of England lodges money to his credit there.

Bank of England Notes, as they are paid in to any Bank, are collected, sorted, and entered in the "Goldsmith's Book" (see paragraph 82), and having been made up into bundles, with lists of particulars, are paid in daily to the Bank of England (as above mentioned) in Current Account. As a rule, London Banks never re-issue Bank Notes thus paid in to them, except, perhaps, in some instances where the Notes are of large denominations, say for £500 to £1,000, the highest denomination now issued by the Bank of England, though formerly in exceptional cases they have occasionally issued Bank Notes for very large sums, even up to £1,000,000.

Entries other
than Cash.

105. Entries other than Cash get into The Customers' Ledger by means of Dockets also, and their corresponding debits or credits, as the case may be, are recorded in the same way in one or other of the other Ledgers enumerated in paragraph 94, generally in The General (or Check) Ledger already described at paragraph 95.

These Entries other than Cash comprise, however, further Entries quite distinct from the Customers of the Bank and include Transfers and grouping together of Accounts, such, for instance, as Impersonal (real and nominal) from one Ledger to another or from various folios of one ledger to others of the same Ledger, and here, too, all this is generally done in a Bank again by Dockets, or, as is sometimes perpetrated, by a cross entry from one Ledger folio to another without any intermediary whatever, a system I do not hesitate to strongly deprecate in the most forcible manner that I possibly can.

The use of the Journal here advocated. 106. So long as it was a question of multifarious entries connected with Customers and their many Ledgers, I am quite at one with Banks in the free use they make of The Dockets, but I think it at the same time right to point out that the system may be carried too far, and to remind such Banks (as need the reminder) that there is such a thing as the Journal ready to hand to record all the remaining transactions in a concise, clear, and by no means arduous or tortuous manner. Let me explain my meaning by once again referring you for a moment to the General (or Check) Ledger already so often mentioned: this Ledger, besides being an epitome or "vade mecum" of all the other Ledgers combined, and thus balancing itself, contains a number of Impersonal Accounts (nominal), such as "Rent and Rates," "Salaries," "Interest," "Discounts," "Commissions," "Stamps," "Postages and Telegrams," &c., &c., besides real Accounts also (Impersonal), such as "Freehold Land and Buildings," "Premises," "Office Furniture," &c., &c.: where such Entries find their way into this Ledger (and I may add the other Ledgers enumerated at paragraph 94) through the Cash or if they are contras to any Entries debited or credited to Customers, I have not a word to say against the free use of Dockets for the purpose of recording them; but, otherwise, I certainly do not see why they should not be passed by Journal Entries: I really cannot understand their getting into the Ledger, in any way other than by Dockets or Journal Entry. Remember further that, when once in the General and other Ledgers, a time comes (Balancing time) when these Entries have to be dealt with and disposed of. I trust that not one of my audience would, after thus patiently wading with me through these many paragraphs, so far hurt my feelings as for one moment to suggest a direct, cross, or adjusting Entry. No, surely, that would indeed wound me to the quick! for in all such cases I do maintain that there is no better friend than The Journal. You know the working of it; so that I am sure you will be loyal in helping me to carry this point. I know it is a moot one: for, within the last few years, I have argued it out individually with some of you, and I trust I have

now got you all over to the majority and the winning safe side. Your General Ledger will then prove itself to be in every respect a Check Ledger for it will thus have chapter and verse ready at hand for every entry it records.

The Pass Book. 107. At paragraph 87 I mention that the Pass Books as they come in are entered up from the Dockets and then called over with the respective Ledger Accounts, this being again a check upon the posting: you must be all more or less familiar with the form of a Pass Book, but possibly you are not all aware that there are two Forms of entering it up, viz. :—

Form I. 108.—Form I.

“ Messrs. £ s. d.

“ In account with Gérard van de Linde.

“ Dr. Amounts Paid in : Cheques Drawn out. Cr.

“ To Cash. 360 7 2 : By Cheque 1742. 50 9 2 ”

and

Form II. 109.—Form II.

“ Gérard van de Linde with Messrs. Bullion & Co.

“ Dr. Cheques Drawn out : Amounts Paid in. Cr.

“ To Cheques 1650—36 7 9 : By Cash, 472 5 10.”

The difference explained. 110. In Form I, Messrs. £ s. d. are in account with me, and so they debit themselves with what I pay in (£360 7s. 2d.), and credit themselves with what I draw out (£50 9s. 2d.), this reverses the order of the posting of my Account in their Customers' Ledger, while it agrees with the order in which I post my Cash in my own Cash Book.

In Form II, on the other hand, I am in account with Messrs. Bullion & Co., and so they debit me with what I draw out (£36 7s. 9d.), and credit me with what I pay in (£472 5s. 10d.). Their Pass Book agrees with my Account in their Customers' Ledger, but is the reverse of the entries in my own Cash Book. Both systems are right by the way the respective Pass Books are headed, Form I commending itself to the customer, while on the other hand Messrs. Bullion & Co. may very properly contend that Form II is the more logical as being, what it represents to be, a transcript of the customer's Account in their Customers' Ledger. It would certainly be desirable, however, if all the Banks could agree among themselves to adopt one uniform Form, for at present

it is confusing and embarrassing to come across Pass Books thus differently kept the one from the other, especially as in some cases these Pass Books are not as clearly written up as they might be, (though this is the exception, and not the rule); some Pass Books, on the other hand, are models of clearness and neatness. While on this subject, may I suggest that you always carry your "forward" and corresponding casts to the bottom of the page, both debit and credit. I sometimes come across Pass Books with one side of the casts taken in the middle of the page, both casts, too, having double lines ruled under them: these double lines should never be put in the case of a "forward" to the next page, but only when the casts of both sides agree by the Balance merely being carried to the next page, and not the casts on both sides. Where you bring down a cast to the bottom of a page, leaving several blank lines, you can readily dispose of these by drawing a diagonal line from the left-hand bottom corner to the right-hand top corner, and you will find a nice light, smooth ebony ruler, some 9 inches long, come in very useful for this purpose. In the early days of Banking, Pass Books were unknown. It was then usual for the customer to pay periodical visits to his Banker, and for the two of them together to sign the Customer's Account in the Ledger, the Customer signing the debit (or left-hand side for Cheques drawn out by him, and the Banker signing the credit (or right-hand side) for amounts paid in by the customer, each of them inserting the following words:—"I allow this account," and affixing their signature thereto on the respective sides of the Ledger Account.

Origin of the
Pass Book.

111. Mr. F. G. Hilton Price, F.G.S., F.R.G.S., in his interesting work, entitled, "A Handbook of London Bankers," states, at page 100 of the 1876

edition,—

"To Messrs. Mead & Co. must be ascribed the credit of being
"the first bankers on record who gave Pass Books to their
"customers, as, in 1715, Lady Carteret, writing to Mr. Child,
"says:—

" "I should be glad of a Book as I used to have at Mr. Mead's,
"with an account of all that you have received upon this
"article."

I read from the same source, that the first record extant regarding Messrs. Mead & Co. is in 1704, so that we may assume that they originated Pass Books between that year 1704 and 1715. The use of the Pass Book, however, did not become general among Banks for some considerable time afterwards, the old custom of signing the Ledger Account continuing for many a year beyond that date, and even then dying very hard. You are probably aware, too,

that even, at the present day, the custom obtains with some Banks at balancing time, to put in their Pass Book pocket, a slip, giving the balance to the debit or credit of the customer, as per Pass Book, and which slip, the customer agrees, signs and replaces in the pocket of the Pass Book, which the Bank retains as a voucher. This course might, I think, be adopted with advantage more universally than is, as far as I can learn, the case at present, where it appears to be the exception rather than the rule. You will find Mr. Hilton Price's book, as above, both instructive and entertaining on this important subject.

Cheques. 112. Cheques were originally written out in full by the customer himself, on blank sheets of paper, and the practice of using printed cheques is of comparatively modern growth. Messrs. Child & Co. were the last Bankers who generally adopted their issue, some 32 to 34 years ago, and even yet, they, like other Banks, have customers who still continue the old plan of writing out their cheques in full on Blank paper, although, all Banks now discountenance the practice as much as possible, and to the same extent as formerly they encouraged it to the then exclusion of printed cheques. It is a very good plan for the customer to number his cheques "1" upwards after the word "Pay" and before the name of the Payee, which name need only be inserted when the cheque is made payable to order, as for instance:—

“ Pay No. 1. Mr. Jonas Jones or Order ”

and

“ Pay No. 2. or Bearer ”

in both cases, the Bank responds, by quoting the number only in the Pass Book, and this applies also to both " Bills Receivable" and " Bills Payable" where it is much more convenient to the Customer that the number should in all cases only be given. As a rule, I always advocate the use of Cheque Books to " or Order," in preference to those to " or Bearer," because thus, you get the Payee's endorsement without offending him, whereas, you might do so if you changed a " Bearer " to an " Order " Cheque; besides which, if necessary, one can easily change an " Order " Cheque to " Bearer " by initialing the alteration, although, some Banks are more particular, and insist on the customer signing his full name against such alteration. If you want to know more about Cheques and their history, I must again refer you to Mr. F. G. Hilton Price's book, " A Handbook of London Bankers," where you will learn much that is useful for you to know.

Subsidiary Books. 113. In addition to the Books I have already dealt with, I wish to say a few concluding words on the following Subsidiary Books, which Banks, as a rule, find it advantageous to keep: remember they are not direct Books of Account, but Subsidiary ones: they are as follows:—

The Bills Discounted Book	(paragraph 114)
The Short Bills Book	(paragraph 115)
The Securities Book	(paragraph 116)
The Country Drafts Book	(paragraph 117)
The Standing Order Book	(paragraph 118)

The Bills Discounted Book. 114. “The Bills Discounted Book” resembles very much “The Bills Receivable Book” in a Merchant or Trader’s office, and a form of which you will find at paragraph 41 of Part I hereof. I refer you to this paragraph 41, as also to the two succeeding ones, 42 and 43—

42. “Diary of Bills Payable.”

43. “Bills Receivable Case.”

you will do well to refresh your memory as to them, and you will then find again that the principles therein laid down govern you here also. The Book we are now considering together contains, in columnar form, full particulars of all Bills discounted with the Bank; and the postings, debit and credit, can readily be made therefrom: in addition to the other columns it also contains Interest columns, showing:—

1. Rate of Interest charged.
2. Number of days the Bill has to run to maturity.
3. Amount of interest charged on each Bill in an inner money column, with an extension money column for the total Interest charged on each Customer’s batch of Bills so discounted.

Thus, by means of Dockets, or direct from this Book the following daily Entries are made:—

1. Debit “Bills Discounted Account” in the General (or Check) Ledger, with the gross amount of Bills discounted during the day, and
Credit each individual Customer in the Customers’ Ledger with the gross amount of his batch of Bills discounted: the sum of these credits equalling the debit.

2. Debit each individual Customer in the Customers' Ledger with the total Interest charged him on his batch of Bills thus discounted : and credit " Discounts " in the General (or Check) Ledger with the total amount of Interest thus charged out, the sum of the debits again agreeing with this credit.

As the Bills mature, the Account in the General (or Check) Ledger is worked off by credits through Cash, and the Balance of this " Bills Discounted Account," at any given period represents the gross total enfacéd value of Bills in hand in the Bill Case, from which a list can readily be made, the total agreeing with the Balance as shown in the Account in the Ledger.

The Short Bills Book. 115. The Short Bills Book is very similar to the previous Book just dealt with. It is a record of Bills deposited by customers for collection at maturity, and as the Cash is received so are the Customers credited in their accounts.

The Securities Book. 116. The Securities Book records all Securities held by the Bank with full details as to title, numbers, amount, in whose name registered, date of Interest payable, rate of interest (if fixed), date of maturity (if any), &c., &c., &c.

So far as the Bank's own Securities are concerned, this Book is a valuable Compendium to The Investments Ledger referred to at paragraph 99. There are, however, in addition to these Bank Investments the Securities deposited and held for safe custody or against advances, and of which full particulars must necessarily be always readily available at any moment. You will do well to refer again to paragraph 99, and remember that you cannot be too explicit in recording all such important transactions in both of these Books, and in such an intelligible way that you can readily refer to them.

The Country Drafts Book. 117. The Country Drafts Book has entered in it all Country Drafts or Cheques pending collection : as these become Cash they are marked off this Book and passed through Cash in the ordinary way by means of Dockets to the credit of the respective Customers' Accounts.

The Standing Order Book. 118. The Standing Order Book is one in which orders are entered, instructing the Bank to make periodical and other payments, or to receive amounts on behalf of Customers. This Book must of necessity be always closely written up at the time of any fresh entries, and as orders lapse or are cancelled, so they must be marked off : death,

as you know, cancels all such orders or engagements, or at any rate puts them on a new footing. The Clerk who is responsible for this Book must be careful to promptly distribute among the various officials and departments of the Bank all orders and instructions affecting them (including, of course, all cancellations), and for this purpose he needs to keep himself thoroughly well posted up in all its details, and satisfy himself that they are carried out.

Conclusion. 119. I propose at Part IV dealing with the remaining points that I have so far not touched upon : meanwhile I would again impress upon you the important fact that the more you familiarize yourselves with the details of your daily work, and what it leads up to, the more interesting you will find it will become to you : thus you have every possible inducement to persevere.

BOOKKEEPING.

PART IV :

IN CONNECTION WITH

COLONIAL AND FOREIGN BANKING.

“ The calculations of the Counting Room involve consequences beyond the accumulation of wealth. They are made not merely for the actual necessities and artificial requirements of society, but they bring from strange lands new objects for investigation and suggestions which give encouragement to thought.”—Freeman Hunt.

Introduction. 120. The above quotation with which I now open Part IV, the last of the series, is the one with which I closed my Paper, “ A Merchant’s Office ” of London, 8 November, 1887, and I have done this advisedly, because it is now a generally admitted fact, that the dawn and development of Colonial and Foreign Banking have been the eventide and knell, to a very great extent, of A Merchant’s Office, and you will find, as we proceed, how closely the functions of these Banks assimilate, in many respects, those of a Merchant. In a London Bank the piece de resistance is “ Money ” or “ Coin : ” in the Banks we are now considering the ultimate result is no doubt the same, but the primary step to arrive at is “ Barter,” more or less developed, and thus it is that, to be a successful Colonial or Foreign Banker, one needs to be well grounded and trained in all the intricacies and delicacies, not only of “ A Merchant’s Office,” but also of “ A Merchant’s Accounts.”

The three
primary
Books of
Accounts.

121. I am therefore now treating with the Accounts of Colonial and Foreign Banks, as they find themselves finally concentrated and focussed in those of the Head Office, the seat of which is in London, and just as I opened Part I with

“the three primary Books of Accounts,” viz. :—
“The Journal,” “The Cash Book” and “The Ledger,”

with the fundamental principles, governing the system therein carried out, so now I find myself at Part IV resorting to precisely the same Books, governed by precisely the same principles; for, with Accounts we are now dealing with, these Books figure out boldly and unmistakably in all their pristine simplicity and utility.

The Journal
v. Dockets.

122. Especially do the foregoing remarks apply to the Journal, which is an agreeable and healthy alterative and antidote to a too large Dose of Dockets, such as I fear I physicked you with at Part III. For purposes of present illustration, the Dockets come in by way of vouchers, but that is all: for purposes of entry they are nowhere:—all entries passing either through the Cash Book, or else through the Journal into the respective Ledgers. In fact, with some Banks, it is the practice to follow the old-fashioned Merchant’s plan (imitation being the sincerest form of flattery), of passing everything through the Journal, including the Cash, precisely in the same way as at paragraph 24 of Part I, I state that “in the office of Messrs. Blank & Co., Merchants, of the City of London, the entries from every intermediary Book, as also from the Cash Book itself, are all passed into the Journal monthly, and from that Book, and that alone, posted to the Ledger. In that way the Journal contains in chronological order, particulars of every transaction of the House, and is thus in itself a complete Book of Record, from which at any time the Ledger can be written up; the entries in this latter Book (the Ledger) are thus materially minimised.” Those who thus adopt the Journal are loud in its praises, and fail to see how it can be in any way safely superseded by the use of “Dockets,” which they condemn as strongly as those London and Country Bankers, who wilfully adopt them, stand by them.

The General
Books in use.

123. As regards the general Books in use, over and above those I have already just referred to at paragraph 121, they very much resemble those I have enumerated at paragraph 94, “other Ledgers,” and at paragraph 113, “Subsidiary Books,” as also in a modified form “The Customers’ Ledger,” at paragraph 90 (all contained in Part III); such

Books as "The Received Cash Book," "The Waste Book," "The Sectional Cash Book," "The Paid Cash Book," and "The Coin Balance Book," as described at paragraphs 82 to 85 and 88 of the same Part III, being quite unnecessary and, in fact, unknown, and, therefore, never used by these Banks. There are other important Books that we must not lose sight of: they are

The Bills Payable Book,

The Bills Receivable Book,

The Diaries of Bills Payable and Bills Receivable, accompanied by

The Bills Receivable Case,

as already set out at paragraphs 41 to 43 of Part I, and again referred to at paragraph 114 of Part III. Regarding these latter, I would say a few words before passing on to other matter that is pressing very much upon me.

Bills of Exchange.

124. An important factor in Colonial and Foreign Banking is the question of Bills of Exchange: which said Bills of Exchange comprise both Bills Payable and Bills Receivable, or, in other words, Drafts Drawn and Bills Negotiated; the difference of the rate of Exchange between the negotiation of the one set and the other, constituting one of the elements of profit to the Bank.

"Drafts advised Account."

125. It is the custom with the Banks to enter all Bills drawn upon them at once from the Advice Sheets, so soon as they receive these Sheets from their Branches, debiting the said Branch and crediting an Account entitled "Drafts Advised Account," with the total amount of the Bills thus advised. Then as these Bills come forward for acceptance, they are entered in the "Bills Payable Book," and at the same time an entry is passed, debiting "Drafts Advised Account" and crediting "Bills Payable Account." In this way the former Account gets cleared from time to time, any Balance in it representing the Amount outstanding of Drafts advised not yet presented for acceptance or payment.

Diaries of Bills Payable and Bills Receivable.

126. The Diaries of Bills Payable and Bills Receivable are very important Books, and need to be always very closely, carefully, and regularly written up: as regards Bills Payable, "Bills at . . . date" are entered up direct from the "Advice Sheets," as soon as these Sheets are received from the Branches, while "Bills at . . . sight" go in direct from The Bills Payable Book, so soon as they come in for acceptance. As regards Bills Receivable, I refer more particularly to these again at paragraph 128.

"With Bill attached if regular."

127. It is not an uncommon practice with Branches, to issue Bills "at date" (instead of "at sight") upon the Head Office, duly notifying the Head Office at the time.

These Bills, in the usual course, should be presented soon after for acceptance, but it not unfrequently happens that, instead of this, they at once go into circulation, without being presented until the very day they mature, when they are then presented at the Head Office not for acceptance but for payment.

The Diary of Bills Payable being duly written up and regularly referred to, the Head Office are prepared for their thus coming in, and usually have ready an open cheque to meet the same; this cheque being filled up as follows: "Pay No. 7417, *with Bill attached, if regular* or Bearer." It is important, to add to the cheque the words I have italicized ("*with Bill attached, if regular*"), as the Holder of the Bill will not part with it, except against actual Cash; while at the same time, without these words, there would be no certainty of the Bank getting back the Bill on its being thus paid. Another wording for the cheque would be, "Pay ——— Branch Draft No. a/o 921 attached," crossing out the words "or Bearer." This feature only presents itself with Bills drawn "at date," for with Bills drawn "at sight" it is of course necessary for the Holder to present them for acceptance, as they only begin to run from the time they are thus presented. Some Banks, instead of paying these Bills "at date" by an open cheque, prefer to take them up at once over the counter, paying there and then Bank of England Notes and Coin for them; this however necessitates their keeping in their Till large Cash Balances (in Notes and Coin) in addition to the Current Balances they all keep with one London Clearing Bank at least, most of them (if not all) also keeping a Current Account, with the Bank of England, for Discount and other facilities, it being a rule with the Bank of England only to discount Bills with their own Customers and not with an Outsider.

Bills Receivable.

128. As already mentioned at paragraph 41 of

Part I, it often happens that Bills of Exchange answer the dual purpose of being both "Bills Payable" and "Bills Receivable," as, for instance, when a Branch happens to sell a Bill upon its Head Office, the latter, at once on receipt of advice, enters it through the usual channels, attaching to a Bill Payable, as already described at paragraph 125. Later on, the same Branch, or possibly another Branch, or an Agent, or Customer of the Bank purchases this same Bill, after it has meanwhile passed through various hands, with the corresponding endorsements, and the purchaser, whoever he may thus be, forwards it on to the Head Office as a Remittance; the latter then

Head Office in London, is the moving spirit throughout, his motto being "Discipline, not Despotism," and all understand and act up to it.

The Chartered Bank of Rimouski. 131. The Chartered Bank of Rimouski is a good illustration for our present purposes, and through the courtesy of its affable and ubiquitous General Manager, I am able to place before you a sketch of the following complete set of Weekly Branch Returns which, I think, will speak for themselves, needing little, if any, explanation on my part to make them fully intelligible to you all.

The set of its Weekly Branch Returns. 132. The following comprise the set of its Weekly Branch Returns for the week ending 3 January, 1891, viz. :—

- | | |
|---|-----------------|
| 1. Assets and Liabilities | (paragraph 133) |
| 2. Amount under discount for each Firm or Individual | (,, 134) |
| 3. Bills Discounted during the Week ... | (,, 135) |
| 4. Branch Bills Purchased | (,, 136) |
| 5. British and Foreign Bills Purchased ... | (,, 137) |
| 6. Bills Sold | (,, 138) |
| 7. New Advances | (,, 139) |
| <i>a.</i> Advances secured by Mortgages. | |
| <i>b.</i> Advances on Securities and Pledges. | |
| <i>c.</i> Current Accounts secured by Mortgages. | |
| 8. Current Accounts | (,, 140) |
| 9. Deposits at Interest | (,, 141) |
| 10. Operations on Nominal or Impersonal Accounts, Dr. | (,, 142) |
| 11. Operations on Nominal or Impersonal Accounts, Cr. | (,, 143) |
| 12. Inoperative Accounts: Alterations during the Week | (,, 144) |
| <i>a.</i> Bills of Exchange. | |
| <i>b.</i> Open Accounts. | |
| <i>c.</i> Secured by Mortgages. | |
| <i>d.</i> Mortgaged Property taken possession of. | |
| 13. Note of Interest charged and allowed during the Week | (,, 145) |
| 14. General Summary of Journal | (,, 146) |
| 15. Specification of General Cash Account | (,, 147) |
| 16. Certificates | (,, 148) |

134 :— Amount under Discount for each Firm or Individual.						2
Discount Ledger Folio.	Name.	Amount.	Discount Ledger Folio.	Name.	Amount.	
		.....		Forward ... ..	.....
		
		
		
		
	Dollars and Cents forward ... \$	.....		Dollars and Cents \$	.....

135 :— Bills Discounted during the week.										3
When Discounted.	No.	For whom Discounted.	On Whom.	Due.	Amount.		Time to run.	Rate per cent.	Discount.	
					Original.	*Renewed.				
								
								
								
								
			Dollars and Cents ...	\$	.....	.....		

***Renewed" signifies that although a new bill is taken, it replaces wholly or partly a bill accruing due, and does not represent fresh business. "Extended" signifies that the time of payment is extended without a new bill being taken.

136 :— Branches Bills Purchased.									4
When Purchased.	No.	Of whom.	On whom.	Branch where Payable.	Amount.	Time to run.	Commission.	Discount.	
								
								
								
								
			Dollars and Cents	\$	.....			

137:— British and Foreign Bills Purchased. 5.									
When Purchased.	No.	From whom Purchased.	On whom.	Amount in Sterling or Foreign Currency.	Amount in Dollars.	Time to run.	Exc.	Profit.	Loss.

138:— Bills Sold. 6.									
Date.	No.	To whom Sold.	On whom.	Amount in Foreign or Sterling Currency.	Amount in Dollars.	Term.	Exc.	Profit.	Loss.

139:— New Advances. 7.							
Date of Advance.	No.	To whom.	Amount.	Rate of Int.	Total Advanced.	Total Authorized.	Security.
		(a) : Advances Secured by Mortgages.					
		(b) : Advances on Securities and Pledges.					
		(c) : Current Accounts Secured by Mortgages.					

140 :—	Current Accounts.	8.	
Rate of Interest on overdraft, and when allowed by Bank to be stated.			
	Estimated value of Security held.	Dr. Overdrawn.	Cr.
Dollars and Cents\$			

141 :—	Deposits at Interest.	9.			
Received and paid off.					
Dollars and Cents.....\$					

142 :—	Operations on Nominal or Impersonal Accounts.	10. Dr.			
Dollars and Cents.....\$					

143 :—	Operations on Nominal or Impersonal Accounts :	11. Cr.
	Dollars and Cents.....\$	.....

144 :—	Inoperative Accounts.—Alterations during the Week.	12.		
Date.	Particulars.	Dr.	Cr.	Balance.
	(a) : Bills of Exchange			
	(b) : Open Accounts			
	(c) : Secured by Mortgages			
	(d) : Mortgaged Property taken Possession of			

145 :—	Note of Interest Charged and Allowed during the Week.	13.
Interest Charged :		
Bills Discounted		to
Overdrawn Current Accounts		to
Interest Allowed :		
Current Accounts. Credit Balances		to
Deposit at Call		to
Deposit at Notice		to
Deposit fixed : 1 Month		to
: 2 Months		to
: 3 Months		to
Beyond 3 Months : Conventional		to
	

146 :—

General Summary of Journal.

From 27 December, 1890, to 3 January, 1891.

Bills Discounted, viz. :—
 Commercial Bills current
 Do. extended
 Proprietors' Bills current
 Do. extended
 Squatters' Bills current
 Do. extended
 Bills held for Collection, on account of
 the Public
 Bills held for Collection, on account of
 other Branches
 Foreign Bills Purchased
 Branches Bills Purchased
 British Bills Purchased
 Bills Payable
 Current Accounts
 Deposits at Notice at per cent.
 Do. at per cent.
 Do. at per cent.
 Do. at per cent.
 Deposits at Fixed Dates
 for 2 to 3 years
 for 3 to 5 years
 for 5 to 10 years
 for 10 to 15 years
 O/A Liable to be drawn against Mort-
 gages
 Deposits under Notice or Accruing
 Advances Secured by Mortgages
 Advances on Securities and Pledges
 Mortgaged Property taken possession
 of
 Inoperative Accounts, viz. :—
 On Bills of Exchange
 On Open Accounts
 Secured by Mortgages or other
 charges on Property
 Agents :—Balances
 Robin Hood
 Little John
 Friar Tuck
 Maid Marion
 Dominion Bank of Quebec
 Dominion Government : Quebec
 Unsigned Notes
 London Office General Account
 Do. Exchange Account
 Quebec Branch
 Cape Breton Branch
 Belle Isle Branch
 Anticosti Branch

Interest Charged
 Discount Charged
 Commission Charged
 Bill Brokerage Charged
 Receipts from Landed Property
 on Hand
 Current Expenses
 Law Expenses
 Creditor on Exchange

Total Dollars & Cents \$

Bills Discounted, viz. :—
 Commercial Bills current
 Do. extended
 Proprietors' Bills current
 Do. extended
 Squatters' Bills current
 Do. extended
 Bills held for Collection, on account
 of the Public
 Bills held for Collection, on account
 of other Branches
 Foreign Bills Purchased
 British Bills Purchased
 Branches Bills Purchased
 Bills Payable
 Current Accounts
 Deposits at Notice at per cent.
 Do. at per cent.
 Do. at per cent.
 Do. at per cent.
 Deposits at Fixed Dates
 for 2 to 3 years
 for 3 to 5 years
 for 5 to 10 years
 for 10 to 15 years
 O/A Liable to be drawn against Mort-
 gages
 Deposits under Notice or Accruing
 Advances Secured by Mortgages
 Advances on Securities and Pledges
 Mortgaged Property taken possession
 of
 Inoperative Accounts, viz. :—
 On Bills of Exchange
 On Open Accounts
 Secured by Mortgages or other
 charges on Property
 Dominion Bank of Quebec
 Dominion Government : Quebec
 Robin Hood
 Little John
 Friar Tuck
 Maid Marion
 Unsigned Note Account
 London Office General Account
 Do. Exchange Account
 Quebec Branch
 Cape Breton Branch
 Belle Isle Branch
 Anticosti Branch

Interest Paid
 Discount Allowed
 Commission Paid
 Bill Brokerage Paid
 Outlay on Landed Property
 on Hand
 Current Expenses
 Law Expenses
 Debtor on Exchange

Cash Book Balance
 Bills in Teller's Chest
 Cash in Treasury
 Balance per Specification

Total Dollars and Cents \$

148 :—

Certificates.

16.

Chartered Bank of Rimouski : Quebec Branch, 3 January, 1891.

We certify and declare that this Return No. 1001 contains a full, true, and accurate account of the transactions of the Bank here for the week ending 3 January, 1891, and that the General Cash amounting to Dollars and Cents (say Drs. \$), and consisting of the particulars specified above, is in our possession, and corresponds with the Journal and the General Ledger.

Running Water	Local Director.
Old Man afraid of Horses	Manager.
Kicking Bear	Accountant.

I certify that the whole of the foregoing particulars were extracted by me personally from the Books of the Bank, and that the Books are completely written up and balance at 3 January, 1891, the concluding date of this Return.

Silver Moon.

The Branches Returns considered. 149. These Branches Returns, as formulated at paragraphs 133 to 148, will be found in a very great measure to speak for themselves, requiring only, therefore, very passing comment from me. You will doubtless have noticed at—

Form 1 : " Assets and Liabilities " (paragraph 133), and Form 14 : " General Summary of Journal " (paragraph 146), the order in which the various Heads of the Accounts are set out ; the Personal first, and then the Impersonal (nominal), in order that in those Head Offices, where these Returns are not re-entered and incorporated in the Head Office Accounts, but filed away, the Head Office may readily take out such nominal and other Accounts as require to be closed at the Branches, and pass the necessary Journal Entries into their own Books for them, debiting and crediting the General Account of the Branches and advising them accordingly. In making up at Head Office the General Balance Sheet and Subsidiary Accounts, the various Accounts of all the Branches are incorporated under their respective Headings, but all Contra Balances, between the respective Branches with each other and the Head Office, are omitted on both sides, only the respective differences between any of them being considered : these differences, arising from certain Entries, having been passed on the one side before the other side has had time (in the interval between their being advised and the closing of the Books), to respond by making the necessary corresponding

Entries, are always duly agreed on a "Reconciliation Sheet," and narrowed down to the lowest possible point at the time, and thus gradually entirely disposed of; it would never do to have any unexplained or unadjusted Balance perpetuating itself instead of being thus speedily disposed of.

Form 2: "Amount under Discount for each Firm or Individual" (paragraph 134),

is a very important one to keep up closely: the Head Office dissects this Return as it comes in from all its Branches and enters in a Book the total Amount from all sources under discount to each Firm, bringing in its own direct transactions with the same. It is usual to give each Branch a general limit for each Firm, beyond which it must not go, unless their acceptance be accompanied by security (collateral or otherwise), or that the same have one or more other names endorsed upon it, "Pig upon Pork," and "Kiteflying" of any kind being strenuously deprecated and discountenanced. In this connection I would refer you to the Asterisk (*) reference at the foot of Form 3: "Bills discounted during the Week" (paragraph 135)—

"* 'Renewed' signifies, that although a new Bill, it replaces 'wholly or partly a bill accruing due, and does not represent 'fresh business. 'Extended' signifies, that the time of payment 'is extended, without a new bill being taken."

In all such cases either of Renewal or Extension the Branch is always careful to keep the Head Office well advised as to all the circumstances attending the same.

Forms 4 to 6, also relating to Bills, say:—

4.—Branches Bills Purchased (paragraph 136),

5.—British and Foreign Bills Purchased (paragraph 137),

6.—Bills Sold (paragraph 138),

speak for themselves and should be perfectly clear when taken in connection with what I have already dwelt upon at paragraphs 124 to 129, and previous paragraphs.

In dealing with Form 7: New Advances, (*a*, *b* and *c*, paragraph 139), the Branches' Solicitors' services have to be requisitioned and their Report, dealing with every such New Advance, accompanies this Return; it, inter alia, certifies in whose possession the Collateral Security is kept for safe custody, at the same time fully detailing such security. The following Forms, Nos. 8 to 11, I think, speak for themselves.

8.—Current Accounts (paragraph 140).

9.—Deposits at Interest (paragraph 141).

10.—Operations on the Accounts, Dr. (paragraph 142).

11.— Do. Do. Cr. (paragraph 143).

You will do well to familiarize yourselves with all these various Forms, as you are sure to find them come in useful sooner or later. Form 12.—Inoperative Accounts.—Alterations during the Week (paragraph 144),

a—Bills of Exchange,

b—Open Accounts,

c—Secured by Mortgages,

d—Mortgaged Property taken Possession of,

need to be very closely kept up and watched under their various subheads, for of these Inoperative Accounts (so long as they remain debit Balances in the Ledger, and until they are finally disposed of or, as a last resource, written off), the Reserves that the Head Office necessarily keep against the same, are to a great extent earmarked; it is, therefore, all important that reliable and practical information be at all times forthcoming concerning them. The Chartered Bank of Rimouski, being founded and carried on, on sound commercial principles, consider it necessary to be satisfied continuously that they are working at a remunerative margin of profit, and hence it is that you are now brought in contact with Form 13:—Note of Interest Charged and Allowed during the Week (paragraph 145). I am not revealing state secrets when I point out to you that this question of “margin of Interest,” is an important factor in the Revenue accruing to them in the operations during the year.

I have already referred to Form 14,

General Summary of Journal (paragraph 146),
when speaking to you of Form 1,

Assets and Liabilities (paragraph 133),
and so pass on to Forms 15 and 16, viz. :—

No. 15. Specification of General Cash Account (paragraph 147),

No. 16. Certificates (paragraph 148),

and here I cannot be too impressive in dwelling upon the importance of these two Forms, in connection with those that have preceded them; surely you know what I mean, therefore, whenever it devolves upon any of you, my respective readers, to revise these various Returns, let me urge upon you most emphatically to be very precise and methodical in seeing that you never pass them until all the formalities and signatures pertaining to them are “one and all,” all there.

Memorandum
in reference to
the Branches
Returns, &c.

150. As in all this, I do not for a moment wish you to think that I am putting before you the impossible, or as the French would say, “l'inconnu,” I now refer you to the following useful Memorandum Form, viz. :—

Chartered Bank of Rimouski, Quebec Branch. London, 3 January, 1891. No. 1001.			
Memorandum in Reference to the Branches Returns and Accounts.			
Return.		Particulars.	Remarks, &c., of Branch Manager. (To be dated at foot and signed.)
No.	Date.		
			Old Man afraid of Horses; Manager. Quebec, 17 January, 1891.

You will see that it is a regular Printed Form readily available for you, and, consequently, that you need have no scruples to freely make use of it without fear of offending anybody; therefore, if you are remiss in thus using it, the consequences are upon your own head, and you have only yourselves to blame should the day of reckoning come upon you. It often happens that the Head Office are requisitioned by the Branches to make cross entries as between themselves; formerly the advice of these cross entries was incorporated in the Branches' letter to Head Office, leaving to the latter the onus of doing a great deal of detail work, which might or might not turn out to be absolutely correct in every detail; and when questions thereon arose, the reference to the original instructions was tedious and irksome. All this has now been remedied by the use of the accompanying Return, which the Branches fill up and forward to Head Office, except the two following lines, viz. :—

“London, 4 February, 1891.”

and “Received 3 November, 1890.”

which the Head Office fill up. You will notice that an interval of 93 days intervenes between these two dates, the transaction being regarded as a 90 days' Sight Bill, and treated throughout accordingly: that is to say the Docket is primarily dealt with on receipt, and kept in the House Box after having been put through the Branches' Account in their Ledger, as a transaction not yet matured. When matured the Docket is finally taken out of the House Box and the Accounts finally passed out as Cash, and appearing in the Cash Column of the Branches' Account, and then finally filed away with the day's Vouchers.

The Return in question is as under :—

* Year of Bank.	[Front].	C		
	Chartered Bank of Rimouski.	C		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">No. of Transfer.</td> </tr> <tr> <td style="text-align: center;">30 / (1299 on)</td> </tr> </table>	No. of Transfer.	30 / (1299 on)	London, 4 February, 1891.	
No. of Transfer.				
30 / (1299 on)				
		Received 3 November, 1890.		
Dr. Manager at Cape Breton.	£	s.	d.	
To Transfer to Manager at Belle Isle.	10,000	0	0	
Cr. Manager at Belle Isle.	15,000	0	0	
By Transfer from Manager at Cape Breton.				
Cape Breton Branch.	20 October, 1890.	Dripping Well	{ Manager or Accountant.	
	For Instructions see back.			
[Back].				
Instructions.				
—♦♦♦—				
1. No Transfer from one Manager's Account to another will be made at Head Office except from this Voucher.				
2. The Transfer may be ordered by any Branch, the Manager or Accountant signing the order of Transfer.				
3. All Transfers must be numbered in the space provided for that purpose in the top left-hand corner.				
4. The maturity of this Transfer will be ninety-three days after its receipt in London, and will be fixed by Head Office. If a Sight Transfer, insert after the number thus—30/1300 "At Sight."				
5. On receipt of this Form at Head Office, it will be passed through the General Account, and on the due date will be passed through the Cash Account.				
6. The Head Office will be responsible only for not passing it on the proper date; any other error will be due to the Branch making out and forwarding this Voucher.				
7. Should any error be made by a Branch, the correcting entry must also be made on one of these Forms by the same Branch, reversing the incorrect entry, and the slip must be headed "Reversal of No. . . ."; when the incorrect entry has thus been cancelled by a reversal Form, a fresh slip must be passed for the correct entry.				
8. No notice will be taken of advices of these Transfers in the Ordinary Letters unless accompanied by this $\frac{C}{C}$ Form.				
9. These Vouchers cannot be returned by Head Office.				

An Explan-
tion.

151. I take it for granted that you do not for one moment suppose that, in my endeavours to impress upon you your duties and responsibilities with reference to these Branches and other Returns, I am doing it from the Auditors' point of view, although there is certainly that aspect that you should bear in mind also; for if you are neglectful or remiss in any way, these gentlemen will surely have something to say to you upon the subject, so it is well to be prepared. My primary object in this present work has been rather, however, to put myself in your place, and be a co-worker with you in approaching and dealing with all these various problems in a practical and methodical manner, so that I trust we have got to know and understand each other by this time. With this explanation, I would again remind you of the important issues that these Branches Returns represent and involve, and seeing that you cannot be out there on the spot to satisfy yourselves personally on all these points, of what vital importance it is that everything should be dealt with thoroughly and exhaustively, leaving no loopholes for irregularities or leakages of any kind.

Exchange.

152. In incorporating the Accounts of the Branches in the General Balance Sheet, every Item shown thereon, except already actual Sterling amounts, is converted into Sterling at the Exchange of the day on which the Books are closed, say, for instance, 30 June and 31 December, or where Banks still keep to the Old Style, say 12 July and 12 January, &c., &c. The Difference in Exchange is passed to the debit or credit of Profit and Loss, as the case may be, or all these differences sometimes go into "Agio Account" (which may be either a Dr. or Cr. entry), and the Balance of this Account then finally passed to the debit or credit of Profit and Loss accordingly. The foregoing embraces equally too the Items belonging to Trading and Profit and Loss, the ultimate figure of which appears, as you know, as an Item on the Balance Sheet itself. On the other hand, with some Banks, it is the custom to state the Items in the Balance Sheet at a par or uniform rate of Exchange; thus valuing the £1 Sterling as follows:—

Say, for France and other countries	}	= 25 Francs or Lirés, &c.
in the Latin union		
„ for Holland		= 12 Guildens.
„ for Germany		= 20 Marks.
„ for The United States, Canada, &c.		= 5 Dollars,
&c.,	&c.,	&c.

The actual value of these denominations, as a rule, shows a depreciation all round of about 3d. in the £1, and, therefore, in travelling on the Continent, your Sovereigns and Bank of England

Notes are always welcome, for you must make up your mind (unless you go to a money-changer's) to let them go at par, and give the profit away. Once when I was travelling through the Tyrol into Germany, I tried, as an experiment, an indirect or double Exchange; that is, paying for my through Ticket, with Sovereigns, straight away from Botzen to Berlin: first they (the railway people) changed them into base Austrian Paper Money at par or thereabouts, and then they converted this Paper Rubbish into German Gold, at best current rates to them, not to me. I came out of the transaction a poorer but a wiser man; the experiment is worth trying once in a lifetime.

Where Banks assume this par or uniform rate of Exchange, they of course write off the Balance, representing the difference between this nominal and the actual Exchange to a Reserve Account, a Balance Sheet item, the half-yearly differences of which are carried to an Agio, or some other, Account which ultimately finds its way, definitely into Profit and Loss Account.

Five Forms Outwards, Nos. 1 to 5. 153. At paragraphs 133 to 148, I give 16 Forms of Branches Returns homewards, which I now supplement by 5 Forms of outwards ones, issued from the Head Office to the various Branches: say,—

- No. 1. Drafts drawn against Letters of Credit, Quebec Branch.
- „ 2. List of Entries passed through Quebec Branch.
- „ 3. Drafts drawn, or Letters of Credit issued on Cape Breton Branch.
- „ 4. Bills Purchased sent to Belle Isle Branch.
- „ 5. Bills for Collection sent to Belle Isle Branch.

Form 1: The Chartered Bank of Rimouski.

London, 31 December, 1890.

Drafts drawn against Letters of Credit issued by Quebec Branch.

No. of L/C.	On whose Account.	By whom drawn.	Amount.			Due Date of Draft.	Remarks.
			£	s	d		
2,150	Albert Jones	Cunnington Bros. & Co.	£960	7	4	1891 Apl. 3	B/L for 20,000 yds. Cotton goods.
2,065	James Sykes & Co.	Henry Jackson	250	0	0	1890 Dec. 31	Cash.

Archibald MacTavish, Accountant.

This is an advice only: nothing more; no debit or credit Entries being made therefrom.

Form 2: The Chartered Bank of Rimouski.

List No. 10/1.

List of Entries passed through Quebec Branch Account per s/s "City of New York,"
via Liverpool.

		Debits.			Credits.		
To a/c L/C 2,150.	1891.						
Dft. of Cunningham Bros. & Co.	April 3	960	7	4			
a/c do.							
To Insurance on Shipment per s/s "Thames"	1890.						
£1,000 @ 7/6 % F.P.A.... ..	Dec. 31.	3	17	6			
To a/c L/C 2,065.							
s/ dft. of Henry Jackson	"	250	0	0			
a/c do.							
To Insurance on Shipment per s/s "Liguria"							
£300 @ 5/- % all risks	"		15	9			
To Our L/ Credit No. 360 o/ John Smith							
credited you p. our L/E 9/50 now cancelled	"	20	0	0			
By Transfer o/ Hugh Thomson, per self	"				50	0	0
By Your B/C 9/208 on London and County							
Bank, Dartford, due yesterday	30				200	0	0
		£1,235	0	7	250	0	0

E. & O. E. Archibald MacTavish, Accountant.
London, 31 December, 1890.

The first five items are debits, and the last two are credits amounting to £1,235 0s. 7d. and £250 respectively, and which are accordingly passed out.

Form 3: The Chartered Bank of Rimouski.

List No. 10/1. London, 31 December, 1890.

Drafts drawn, or Letters of Credit issued, on Cape Breton Branch.

Draft or L/C.	No.	Date.	In favour of.	Term.	Amount.			Remarks.
L/C,	1,008	1890. Dec. 30.	William Jones	S/	20	0	0	
D	2,106	"	Thomas Smith	S/	30	0	0	
					£	50	0	0

E. & O. E.
London, 31 December, 1890.
Archibald MacTavish, Accountant.

The Head Office credits the Cape Breton Branch with the above Total of £50.

Form 4: The Chartered Bank of Rimouski.						
List No. 10/35.			London, 31 December, 1890.			
Bills Purchased sent to Belle Isle Branch.						
No.	Drawers.	Drawees.	Term.	Amount.		Remarks.
10/110	Kearns Son & Co.	Henry Mason	90 d/s	500	0 0	No documents.
1	Rice & Hudson	Torrance, Scott & Co.	„	375	7 6	Deliver B/L and Invoice on acceptance "Sarmatian" s/s.
3	Vertue, Roe & Co.	Milton & Son	s/-	1,272	1 9	Deliver B/L and Invoice on Payment "Polynesian" s/s.
				£	2,147 9 3	
Archibald MacTavish: Accountant.						

The Head Office debits the Belle Isle Branch with the above Total of £2,147 9 3.

Form 5: The Chartered Bank of Rimouski.						
List No. 10/10.			London, 31 December, 1890.			
Bills for Collection sent to Belle Isle Branch.						
No.	Drawers.	Drawees.	Term.	Amount.		Remarks.
10/50	William Watts	Manuel & Thomson	90 d/s	£157	6 9	Deliver B/L and Invoice on acce. "In case of need incur no expense." Proceeds p. 90 d/s draft ($\frac{1}{2}\%$ com.) "Cambodia," S.S.
3	Luck & Son	Finlayson & Co.	s/-	315	9 2	Deliver B/L and Invoice on payment plus charges. Amount p. s/- draft ($\frac{1}{2}\%$ com.) "Tamar," S/S.
5	P. N. by A. T. Nielsen Master Bk. "Susan Jane."		11 days after arrival Bk. "Susan Jane."	120	0 0	No documents: accepted payable at U.S. Consul's office. Proceeds p. s-draft o/a Morton & Co. $1\frac{1}{2}\%$ com.)
Archibald MacTavish: Accountant.						

The above List is, in the first instance, an advice only: the Bills in question being sent out for Collection, consequently the List is not cast. The Branch is subsequently debited on receipt of advice by the Head Office, that they have obtained payment and retain the proceeds: in some cases it remits the proceeds to the Head Office in London, being then simply an intermediary in the matter.

“E. & O. E.” 154. I cannot but strongly suspect that my esteemed friend, Mr. Archibald MacTavish must have been brought up in that Best of all Schools, “A Merchant’s Office.” You will notice how in Forms 2 and 3 (which are his and not mine) he intuitively slips in the saving initials “E. & O. E.” (“Errors and Omissions Excepted”), which essentially belong to A Merchant’s Office.

At paragraph 11 of “A Merchant’s Office :” herewith, I state that, “in a Merchant’s Office where everything is thus brought to a state of well-nigh absolute perfection, they (Messrs. Blank and Co.) guard themselves in rendering Invoices, Account Sales, or, in fact, statements of any kind, by appending thereto, just above the signature of the Firm, the words “E. E.’ (Errors Excepted), or, ‘E. & O. E.’ (Errors and Omissions Excepted), when, as a matter of fact, I cannot recall to my mind, in an experience of some 45 years, any occasion where they have had to fall back upon such a safeguarding clause. We, in our profession, do not adopt this clause, but can we say in all good conscience that we do not need it? You, my readers, will do well to take note of this, for remember great things are now expected of us, and surely we ought all to aim at our work being as strictly accurate as above indicated.” When I wrote that work I was addressing the Students of my own profession; I am sure you will bear with me, if I now venture to give you the same bit of wholesome advice as an antidote to these days of high pressure and railway speed.

Some of the functions of the Bank. 155. The Chartered Bank of Rimouski, besides borrowing and lending money and operating in Exchange transactions, as we have already seen, undertake, inter alia, the following functions :—

1. The Issue of Circular Notes.
2. The Issue of Letters of Credit.
3. The Negotiation of Documentary Bills.
4. The Advancing on Consignments.
5. The Realization (under certain conditions) of Shipments and Consignments.
6. Purchases and Sales on Behalf of Customers.
7. The Purchase or Collection of Coupons.

&c.,

&c.,

&c.

All these transactions come strictly within the scope of a Merchant’s Business, so that our representative Bank, as above, is

careful to follow in the well-beaten and well-trodden paths of our representative Merchants, Messrs. Blank & Co., whom to know is to respect.

I can now only take up these 7 heads just briefly, but I will endeavour at the same time to make myself intelligible.

1. The Issue of Circular Notes. 156. 1 : The Issue of Circular Notes is, I imagine, pretty familiar to all of you: they are Credits issued by the Bank to their customers, who may be travelling, authorizing them to negotiate with the Bank's Branches, Agents and Correspondents, Drafts upon the Bank, and which the customers can thus cash on their endorsing the Notes, or filling up a small Draft, which is often found on the back of the Circular Note. Some Banks have both the Credit and the Draft on the face of the Document. These Notes, as a rule, are for specified amounts, say £10, £20, £50 each, and any that the customer may have over, he returns to the Bank, who credit him with the same. As a rule the customer pays for these Notes when receiving them from the Bank, unless there is already a Credit at the Bank in his favour in respect of them. The holder of such Circular Notes has with him "a letter of indication," addressed by the Bank to the various parties with whom these Notes can be negotiated, and to which a specimen of his signature is attached. As a rule he can only negotiate these Notes himself in person, and is required to endorse them in the presence of the payer. I remember a personal experience I had as to this, in the Autumn of 1867, when I was returning from India: a lady who had travelled with us as far as Suez (this was before the Canal was open), was going on by the Southampton Steamer, while the bulk of us took the Marseilles one. Just as we were all wishing each other "good-bye," she suddenly found she was quite short of Cash, but had plenty of £20 Circular Notes. So I got her to endorse one, and gave her Gold for it. In due course, a week or so after, I presented myself at Messrs. Hottinguer & Co.'s Bank, at Paris, and asked payment for the Note, when these gentlemen politely handed it me back, saying that I would require to endorse it again, and asking me if I was "Mrs. Rogers?" "Why, of course not," I said. Then there was a bother, but eventually I managed to satisfy them as to my identity and *bonâ fides* by a reference to their Havre House, who happened to know all about me, and so I got the Money. Poor Mrs. Rogers was very apologetic when, weeks after, she got to hear of it, so "all's well that ends well."

2. The Issue of Letters of Credit. 157. 2 : The Issue of Letters of Credit covers a very large area, in fact embracing to a great extent what used to be the Business of a Merchant in all its pristine magnificence. I can best illustrate their scope and

use by reproducing here two different Forms of the same, viz. :—

A : Open Credit : Branch upon Head Office
or vice versâ,
or upon some other Firm.

B : Documentary Credit, Do., Do., Do.

There are a variety of other Forms designed for specific purposes but the above two will, I think, answer our purpose.

Form A.
Open Credit.

158.—

A.

The Chartered Bank of Rimouski,
Quebec, 1 January, 1891.

Letter of Credit No. 1001, for £10,000 Stg.

Messrs. Harvey Billinghurst & Co., of London, are hereby authorised to value upon

The Chartered Bank of Rimouski

(or upon Messrs. Blank & Co., as the case may be) London, for account of Messrs. Timid, Deer & Fawn, of Montmorency Falls, at ninety days sight for any sum or sums not exceeding in all Ten Thousand Pounds sterling.

This credit is to remain in force until the thirty-first day of December. One thousand eight hundred and ninety-one, and all drafts thereunder are to contain the clause, "Against your L/ credit. No. 1001 (dated Quebec, 1 January, 1891,)" and to be duly advised in duplicate.

For the Chartered Bank of Rimouski.

Old Man afraid of Horses, Manager.
Kicking Bear, Accountant.

N.B. It is requested that all drafts issued under this credit may be noted on the back hereof.

The Chartered Bank of Rimouski,
199, Lombard Street,
London, E.C., 31 January, 1891.

We hereby confirm the above credit, and engage with the drawers, endorsers and bonâ fide holders of Bills drawn in the terms of this credit that the same shall be duly accepted on presentation, at our London Office.

For The Chartered Bank of Rimouski,
Frank Knowall, Managing Director.

Form B.
Documentary
Credit.

159.—

B.

The Chartered Bank of Rimouski,

Belle Isle, 15 January, 1891.

Letter of Credit No. 1, for £20,000 Stg.

Messrs. Anchor Hope and Co., of Paul's Wharf, London, E.C., are hereby authorized to value upon The Chartered Bank of Rimouski (or upon Messrs. Turveydrop and Co., as the case may be), of London, for account of Messrs. Omaha, Longfellow and Co., of Hiawatha, at Sixty days sight for any sum or sums not exceeding in all Twenty thousand pounds sterling for three-fourths cost of merchandise shipped by any good vessel or vessels to Belle Isle.

Full sets of B/Lading, made out to order and endorsed in blank, together with Invoice of Shipment and Letter of Advice, in original and duplicate, to be forwarded to The Chartered Bank of Rimouski, London.

Marine Insurance to be effected by Messrs. Anchor Hope and Co., and Policy (made payable in Belle Isle) to accompany the Shipping Documents. All drafts to contain the clause "against your L/Credit No. 1, dated Belle Isle, 15 January, 1891." This credit is to remain in force until the Thirty-first day of December, one thousand eight hundred and ninety-one, and we hereby engage with the drawers, endorsers and bonâ fide holders of Bills drawn in the terms thereof, that the same shall be duly accepted on presentation at our London office.

For The Chartered Bank of Rimouski.

A. de Grand Ry, Manager.

G. A. Readymoney, Accountant.

N.B.—It is requested that all drafts issued under this credit may be noted on the back hereof.

Form A is what is termed "An Open Credit," stating that up to 31 December, 1891, Messrs. Harvey, Billingham & Co. may draw upon the Bank (or upon Messrs. Blank & Co., as the case may be), without any restriction whatever, to the extent of £10,000 Sterling, and that this Credit was "confirmed" on 31 January, 1891, by the Head Office in London. On the other hand, Form B. is what is termed "A Documentary Credit," and so Messrs. Anchor Hope & Co. can only draw against the same to the extent of three-fourths cost of Merchandize to be shipped by them, and for which they must lodge with the Bank complete sets (blank endorsed) of Shipping Documents (including Policies of Insurance made payable abroad) when drawing against this Letter of Credit, the "confirmation" of which you will note is already in the body of it as issued by the Branch, instead of being added subsequently at the foot, as is the case with Form A.

3. The Negotiation of Documentary Bills.

160. 3: The Negotiation of Documentary Bills is closely allied with what I have been just treating about, except that it presupposes the absence of a Letter of Credit, the Bank being content to negotiate the Bill of Exchange in question upon the good standing and repute of their Customer, coupled with the value of the Documents, which he lodges with them as Collateral Security, and of which a complete set (blank endorsed) accompanies his Draft. It is not usual for the Bank to advance more than three-fourths Invoice Cost, and this is generally done by the Bank, discounting or negotiating the Bill in question. The Customer at the same time signs a Letter of Hypothecation (or of Lien) in favour of the Bank, giving them absolute power over the Documents in the event of the Drafts against the same not being duly honoured. In some cases, by special arrangement made beforehand, between the Customer and the Bank, the latter agree to hand over the Documents to the Customer's Consignees upon Acceptance only instead of upon Payment of the Draft, but this was rather in former days, the more general present custom being for the Consignee, when he wants the Documents, to take up his Acceptance under Discount, at a rate fixed by the Bank: for transactions in London the rate is generally from $\frac{1}{2}$ to 1 % below Bank Rate.

4. The Advancing on Consignments.

161. 4: The Advancing on Consignments is another feature of accommodation the Bank afford to their Customers, either against Shipping Documents or Warrants issued by the Docks and Wharves for the Goods or Produce housed by them. It often happens that the Bank, in the first instance, have advanced against the Shipping Documents, and when the Ship arrives, they exchange the Bills of Lading against the Warrants above referred to, which the Customer takes up from time to time as the Produce is sold and has to be delivered, paying back the Bank the pro rata value of the same until the whole Shipment is thus cleared and the transaction duly adjusted.

5. The realisation (under certain conditions) of Shipments and Consignments.

162. 5: The Realisation (under certain conditions) of Shipments and Consignments is a matter that must of necessity sometimes come under your notice. It generally presupposes a hitch or other break down in the arrangements contemplated and explained in the three preceding paragraphs, viz. :—

Form B: Documentary Credit: paragraph 159
 The Negotiation of Documentary Bills: paragraph 160
 The Advancing on Consignments: paragraph 161

as, for instance, the Bills being either refused Acceptance on presentation or being dishonoured at maturity; or, again, the Cash

Advance not being met by the Customer at maturity. In all such cases the Bank, having on the outset (by their Letter of Hypothecation or Lien) fortified themselves with full powers against such a contingency, proceed in the ordinary way of business to realize the Shipments and account for the Proceeds, claiming in due course for any deficiency should such deficiency arise. Bear in mind that the contingency of the Bank having thus to step in does not make it follow as a matter of course that there is always a deficiency on these transactions: remember the Bank are only supposed to advance three-fourths cost, and I have several cases before me where, after they had stepped in, they had to hand over substantial margins to their Customers. Once I remember a whole batch of Timber Bills were refused acceptance. The Bank had to assume the Shipping Documents; when, one, after another, advice came of the Total loss of the Vessels; the cargoes were insured at 20 % Profit over Invoice Cost; the Bank had advanced 25 % below Invoice Cost: they held the Policies of Insurance and proceeded to collect the Total Losses in the ordinary way, rendering Accounts with the usual Merchants, "E. and O. E." attached thereto, and not forgetting to charge the Merchants' Commission, and so everybody was happy, except the poor unfortunate Underwriters, who, however, as usual, paid up promptly and loyally, and without a murmur.

An important reminder.

163. All the foregoing again presupposes a very intimate knowledge of the working and internal arrangements of "A Merchant's Office," with which

I hope you are now becoming in a measure familiar. I cannot impress upon you too forcibly the many advantages to be derived by your being thoroughly up in this all important branch of your work.

6. Purchases and Sales on behalf of Customers.

164. 6: Purchases and Sales on behalf of Customers, form a branch of business that all Banks undertake and where a general knowledge of practical Commercial Business outside that of pure

Banking is all essential; in all such matters I have just one piece of advice, under the seven following heads, to give you.

1. Endeavour to put yourselves in your Customer's place.
2. Master every point connected with what is before you.
3. Then act promptly.
4. Obey orders implicitly.
5. If in doubt obtain further orders.
6. The cost of telegraphing or telephoning in the present day is reduced to a minimum.
7. Report promptly and systematically what you have done, and close up and advise out the final results as expeditiously as you can.

7. The purchase or collection of Coupons.

165. 7 : The Purchase or Collection of Coupons is another important feature with a Bank ; this business requires very great care and precision, for Coupons are small and awkward things to deal with,

but, as I say at the opening of Part III.

“Mony a mickle maks a muckle,”

and this applies herein very especially. In some cases the Bank purchase the Coupons out and out, making their Profit on the Exchange, but generally they send them out for collection on behalf of their Customers accounting to them for the proceeds thus realized, after deducting the recognized commission and other charges (including Marine Insurance) pertaining to the transaction. Let me remind you, in this connection, that it is the duty of the Purchaser or Negotiator of Foreign Coupons, payable abroad, to deduct the English Income Tax from the amount in settlement, and to return the deduction to the Inland Revenue Authorities, who, in certain cases, allow a Commission for the trouble this involves.

General Retrospect.

166. Before closing this all important and interesting branch of “Bookkeeping,” and proceeding to my last point, I would just remind you that in all relations between the Bank and their Customers the question of honour and of mutual respect and confidence must of necessity enter very largely, and I trust you will bear it in mind, and act up to it : the cynical Proverb of “Do, or you will be done,” won’t do at all, believe me ; whereas “Bear and forbear” answers admirably, and I recommend this latter axiom in all confidence to you for your guidance and encouragement. There is much that I have unavoidably had to omit entirely or touch upon only slightly, but I am satisfied that I have told you sufficient to put you on the right track to find out the rest for yourselves : it only requires a little patient thought to work it all out satisfactorily, and such practice should prove invaluable to you. I refer more particularly to what I have said thus far in this very Part IV, where the subjects we have had to consider are so numerous and important, and not so generally within the scope of the bulk of you—though, of course, my remark as above applies equally to all the Parts (I, II, III, and IV respectively).

Prospective.

167. I am not unfrequently called over to the Continent to put there into actual practice the theoretical principles I have been endeavouring to inculcate into you, notably, inter alia, the following important and salient ones :—

1 : The correct use of the Journal.

2 : Bookkeeping by Double Entry.

3: The close writing up of the Books day by day.

4: The question of Exchanges.

5: Cash and General Banking.

I will here only touch briefly on the last two (4 & 5):—

4: My experience on the question of Exchanges is, go where you will, North, South, East or West, you will, as a rule, find Exchanges everywhere in favour of England. I am speaking now more particularly of the Continent of Europe, where my Sovereign, my £5 Note, or my Cheque on my Bankers (Messrs. £ s. d., or Messrs. Bullion & Co.) always commands a premium, and at the same time universal respect. I remember when I was in the Island of Cuba, some 14 years ago, these monetary commodities fetched $2\frac{1}{4}$ times their par value; that is to say that for £100 Sterling, where in the ordinary way I should have purchased \$500 (Five Hundred Dollars), I readily procured \$1,125 (Eleven Hundred and Twenty-five Dollars). I perhaps ought to add that they were Paper Dollars, but that is a detail, the Paper Dollar was the current legal tender in those parts, and procured all I needed.

5: As a rule I find Cash and General Banking on the Continent to be of a more or less primitive kind, and I fancy that the operations of our London Clearing House would somewhat astonish, while at the same time enlighten our friends over there; some five pages or so of the Cash Book sufficing to record their Monthly Operations in this book, whereas in similar English Businesses the operations would probably extend over 10 or 20 times this space, the old idea of hoarding up in the stocking and under the mattress being still very prevalent with them, as indeed it was some 25 to 30 years ago in Liverpool, where the Brokers were then in the habit of paying all Prompts in Cash, Gold and Bank of England Notes, and where bundles and bundles of the latter, cut in half, used to pass daily through the post in order to save the Bank Commission (generally $\frac{1}{8}$ per cent., or if the Account were overdrawn $\frac{1}{4}$ per cent. on the turnover) consequent upon drawing a cheque on a Provincial Bank. The percentage charge still remains, but people have managed to get used to it, and so in the Provinces the payment by cheque is becoming much more general, while on the Continent they move more slowly and reticently. They have now in Liverpool a system of Clearing of their own, both for Cotton and Corn, which very much facilitates operations.

Conclusion.

168. I have had to prepare these Parts I, II, III, and IV, not continuously, but as best I could in the 1001 leisure moments that a busy man always manages to find or

make available for such purposes, as, for instance, up and down in the Train (and not unfrequently, when Frost and Fog-bound, in the Waiting-rooms of the Station), on the Steam Boat, in an ante room while waiting to see a client, during that proverbial quarter of an hour ("le mauvais quart d'heure," as the French call it), before dinner, and many a prolonged one after dinner, so that this work of preparation has spread over weeks, and may, therefore, I fear appear to you to be at times snatchy and non-consecutive; however, I appeal to an indulgent public whom I ask kindly to accept them "E. and O. E.," and "With all Faults," and that being so, I will readily allow you, you my indulgent readers, to debit me with all your valuable time that I am thus taking up and absorbing at this busy season, and at the same time I gladly credit you "per contra" with all the patient, long-suffering endurance that you are exhibiting throughout; and thus we end as we began, with our fundamental principles fully borne out in every detail, viz., that

"Every Debit Requires a Credit,"

and vice versâ.

GÉRARD VAN DE LINDE.

50, Gracechurch Street,

London, E.C., 1 July, 1904.

A MERCHANT'S OFFICE.

A MERCHANT'S OFFICE.

“ When you visit a man of business
“ During the few short hours of business,
“ Make haste and do your business,
“ And then go about your business.”

Advantages to a Chartered Accountant of preliminary training in a Merchant's Office.

1. I think it will be generally conceded that there is no preliminary training for members of our profession that can compare with that acquired in a merchant's office, which, in fact, has been the nursery of many now well-known names amongst us, who, I am confident, look back with pleasing and grateful recollections upon those days when steadily

but surely they were gaining, in every direction, knowledge, with a varied experience, which was to be, and has been, of incalculable advantage to them in their subsequent career.

Such training now practically debarred to beginners who are articulated pupils.

2. Of late years, however, such facilities have been very much restricted, if not indeed entirely (for the time being) lost sight of, for the granting of our Charter on 11 May, 1880, has of necessity been attended with certain restrictions and obligations, inter alia, that on the part of those desiring to enter the profession, of a five years' pupillage in the office

of a chartered accountant; and so the merchant's office has been, for the time being, so to speak, set aside by them, although I question much whether a year or two's training in it would not amply repay the two years' postponement at the outside of their eventual enrolment in our ranks as professional men.

The present object to indicate the special features of a Merchant's Office.

3. It is with this thought upon me that many of my present readers have not the opportunity of personal access to a merchant's office, that I have felt it might be opportune if I were to spend a little time in endeavouring to bring before you certain features of a merchant's office which, in your subsequent career, may help to familiarise you with

matters that may be suddenly thrust upon you, and with which, otherwise, you would have had little, if any, experience.

The wide scope of the subject.

4. The subject that I have chosen is a vast one, and would well and profitably fill many an interesting volume; therefore, you will readily understand that I can now only generalize and touch upon broad principles, assuring you, however, that I will gladly take up with any of you individually any point upon which you may desire further enlightening; and if once the ball has thus been set rolling in the right direction, I feel sure that many of my colleagues (more competent to deal with the various intricacies thus evolved) will also be ready kindly to co-operate herein, recognising Mr. Adam Murray's enlarged thought that what any of us may thus happen to know on any special point should of necessity be common property to the mutual benefit of the profession at large.

Messrs. Blank & Co.

5. Our kind friends, Messrs. Blank & Co., the Merchant Princes of London, have, with their well-known courtesy, kindly notified me that I may freely draw upon their extensive resources, therefore I trust we shall all now have a profitable time together.

The office of an old-established merchant.

6. Messrs. Blank & Co. are not of mushroom growth, having occupied their same old office for nearly 200 years past, therefore, if anything, they are somewhat precise and old-fashioned, but if this be a failing at all, I should say it is certainly one in the right direction, and rather to be commended than otherwise. One cannot but be struck with the perfect order and system which prevails in their office; the motto which heads this work is a conspicuous object in it, hanging under the big clock in the general office.

The secret of order.

7. The secret of it all is evidently "A place for everything and everything in its place," which you will, I am sure, understand when you begin to realise the vast amount of work which is daily got through in their office with perfect ease, systematically and without any flurry or jarring, everyone there not only being master of his art, but having his full heart in it.

Banking operations—how dealt with.

8. Messrs. Blank & Co. have more than one banker; keeping inter alia (for discounting purposes) an account at the Bank of England.

Posting the Bank Account to the Ledger.

9. They therefore find it more convenient to retain the old-fashioned and now somewhat obsolete plan of posting their banking operations to respective ledger accounts thus disposing of all the cash, except any small amount on hand (not banked), which figures as a balance in the Cash Book.

Some advantages of journalising everything.

10. They (Messrs. Blank & Co.) too, retain the old plan of journalising all their transactions and so minimising the monthly entries into the ledger. This plan of necessity takes up time, and in these go-ahead days is, I fancy, somewhat deprecated by the authorities in such matters; it certainly would not work in a general way where the bookkeeper is not thoroughly up to his work and is pressed for time, but at Messrs. Blank & Co.'s office the system works to perfection, for each book of account comes in its regular monthly rotation into the journal, and everything is thus focussed in full detail therein; the result occupies only one line for each class of entry posted to the ledger, but notwithstanding tells its own tale clearly and unmistakeably. Every entry as made is called over the following morning, and the contingency of errors and omissions is thus minimised.

"Errors excepted."

11. This brings me to point out that in a merchant's office, where everything is brought to a state of well-nigh absolute perfection, the house guard themselves in rendering invoices, account sales, or in fact statements of any kind, by appending thereto, just above their signature, the words "E.E." (errors excepted) or "E. & O.E." (errors and omissions excepted), when, as a matter of fact, I cannot recall to my mind in an experience of some 45 years any occasion where they have had to fall back upon a safeguarding clause. We in our profession do not adopt this clause, but can we say in all good conscience that we do not need it? You, my readers, will do well to take a note of this, for remember great things are expected of us, and surely we ought all to aim at our work being as strictly accurate as above indicated.

Numbering cheques and acceptances respectively.

12. Reverting again to the Cash Book, Messrs. Blank & Co. number all their cheques and acceptances respectively, consecutively entering these numbers too in their Cash Book, and the bankers respond by quoting the same numbers in the Pass Book. This very much facilitates ready identification, especially with those banks, where the practice does not prevail of returning the vouchers in the pocket of the Pass Book, though it is every day becoming more general.

A successful merchant.

13. I have already stated that the firm is well-nigh 200 years established, and that these are days of cable messages and quick steam transit through the Suez Canal (dating back from 1861 and 1869 respectively), which have almost annihilated space and time, and indeed

outdistancing Puck's assertion, "I'll put a girdle round about the Earth in forty minutes," and swamping many an ordinary merchant of moderate means, whose business has been absorbed by the colonial bank, the public company, or, shame to have to add, by the colonial broker (the servant in this instance superseding the master), but through all these trying times of rapid transition and vicissitude Messrs. Blank & Co., the representative merchant princes, have stood as a rock immovable, uninfluenced by all these radical changes.

Cypher code. 14. It is true that in a measure they have had to bend to the times: the time-honoured fortnightly circular has had to be given up as obsolete, and in its place they have had to substitute the daily costly cablegram, minimising the expense as far as practicable by the use of a comprehensive and compact cypher code, Verini's Latin Roots System commending itself for its simplicity and scope. But even here the cable companies have not been content to leave well alone, but have combatted the use of the compound terminals "ne" and "ve" of late years, treating these annexes as a separate word and thus necessitating the re-modelling of the code de novo.

Modern innovations. 15. Messrs. Blank & Co. have quietly yielded to all these innovations and have even got by degrees to the introduction of a private wire in their office, both telegraphic and telephonic, followed by the tape rolling out its endless Stock Exchange quotations; and some time after the introduction of the 6d. telegrams they registered at the Post-office their abbreviated telegraphic address as "Blank, London," which abbreviation had long been known all over the world for their cable messages. They have also recently replaced the heavy wax candles in their old massive solid silver candlesticks by the introduction of the electric light (they never would consent to the use of gas in their office). They still write their letters on large double-headed paper, folding the fourth sheet for the address and sealing their letters, still abjuring as far as practicable the use of envelope and gum fastenings.

Present scope necessarily limited. 16. Messrs. Blank & Co.'s business, is like that of other merchant princes, of so extended and varied a nature, that it is really difficult in the short space now at our disposal to know what profitably to take up and what to reluctantly pass by. I am sure you will bear with me, therefore, and in fact encourage me if I treat, as far as practicable, with generalities, so as to bring as much before you as possible, leaving you to chew the cud and evolve results and ideas which will, I trust, stand you in good stead later on.

Imports.

17. Seeing that Messrs. Blank & Co., of London, have branches and agencies all over the world, I think I must now turn to Imports, as all these branches and agencies radiate to one common centre, viz., "Blank & Co., London," whose armchair in that quiet out-of-the-way city office controls the whole. Messrs. Blank & Co.'s letters of credit and cable transfers are considered equal to gold, and in fact, as I have personally instanced on more than one occasion, command a premium over it, for the reason that they save the freight and insurance on the moving of the specie, besides the time necessarily lost in the operation. All things being equal (that is their credit being considered equal to gold), this difference naturally tells in their favour.

Exchange.

18. And here diverting again for one moment, let me direct your attention to the question of Exchange. I will not now deal with Indirect Exchanges, that is a matter involving much explanation and time, but will simply touch upon direct Exchanges and point out that in the following Bourses the £ is the basis of operation, thus, taking the par exchange somewhat arbitrarily for present purposes, the £ is equivalent to the following, viz. :—

Foreign
Bourses.

19. Amsterdam to 12 florins or guildens.

At Hamburg to 20 marks.

At Paris to 25 francs.

At Vienna to 12 florins.

At New York to \$4.80 (4 dollars and 80 cents),

while, on the other hand, in the following Bourses it is the coin of the country that forms the basis, for instance :—

Calcutta.—The rupee equals, say, 1s. 5d.; I remember when it was 2s. and over.

Shanghai.—The tael equals, say, 6s.

Hong Kong and Singapore.—The dollar equals, say, 4s. 2d.; &c., &c., &c., while in Australia and New Zealand our own sterling currency prevails, but generally exchange on London commands a premium of from, say, 1 to 5 per cent., thus £100 in London is worth, say, from £101 to £105 in Colonial currency, and thus again, all things being equal, good bills and cable transfers on London houses of undoubted repute command a higher price than specie with its expenses attendant upon transhipment.

Premium on gold and depreciation on paper.

20. The question too of the premium on gold over paper currency is one to which I can only very briefly draw your attention. It at times becomes an important factor for consideration, as in the case of the American War in and about 1861 and the years following, and the Cuban Insurrection about 1877-1878, when I was out there and witnessed for myself, that it took 235 paper dollars to equal 100 gold ones, and to which I with the rest had to submit, and it was the same thing during the American War, when the U.S. paper dollar depreciated from 4s. 2d. to about 1s. 8d., until it gradually recovered again, and with the resumption of specie payments things once more became thoroughly regulated, but it was an anxious time while it lasted, upsetting all preconceived ideas and introducing for the time being an entirely new condition of things.

Letters of Credit.

21. Messrs. Blank & Co.'s letters of credit are of two kinds, the one "open" or "clean," the other "documentary," that is, the first are negotiated by themselves without any collateral or documentary security, whereas the latter are accompanied by shipping documents to be given up upon acceptance of the draft, or retained until payment at maturity or retirement under discount, according to the wording of the letter of credit and the circumstances attending: the latter, however, being only in the case of outside credit, for Messrs. Blank & Co. always stipulate in their own case that documents be given up to them on acceptance, and the high credit they enjoy admits of this being acceded to in their case without the slightest question being raised, in fact, they only consent to sell their paper on this distinct understanding, which is fully acted upon in every instance.

Bills of Exchange—curtailment of usance.

22. In days gone by, before, say, 1861, when the cable first began to come into vogue, or 1869, the opening of the Suez Canal, when everything, so to speak, went round the Cape by sailing vessels (steamers, except for the regular mail services, being at that time little used), and passages were slow but sure, these bills ran from four to six months sight, mostly six months, but all this has since then been gradually altered. The bills now run from 60 to 90 days sight, and where they are accompanied by documents it has become the practice to warehouse goods by permission of the bank, and when delivery is needed, release them by withdrawing the bills, say at $\frac{1}{2}$ per cent. under bank rate of discount, instead of at bank rate, the custom prevailing in former days.

Effect of the opening of the Suez Canal on British docks and wharves. 23. Before the opening of the Suez Canal, London and Liverpool were the two great emporia of the world, all produce coming there in the first instance and being stored in the capacious warehouses at the magnificent docks and wharves, to be thence distributed again to the various markets far and wide. But with the opening of the Suez Canal wonderful changes have taken place to the detriment of, alas, our British docks and wharves, for steamers now passing through the Canal supply, on their way up, the various ports of the Mediterranean with their respective needs, thus breaking bulk and distributing, to a certain extent, their cargoes before arrival at London or Liverpool, their heretofore only ports of destination.

Australian and New Zealand wool. 24. There is one article of produce that through these many changes appears to have endeavoured to remain faithful to its old love, namely Australian and New Zealand wool, which still mainly comes to London in very large quantities, to be offered in public sale and bought up by Continental buyers to be shipped over to them as a raw material and re-introduced into this country as a manufactured article.

Continent direct—further innovations. 25. But even here innovations and radical changes in the trade are slowly but surely creeping in, for there is now a large and growing trade in these wools to the Continent direct, carried on by the Australian steamers to Antwerp after they have delivered their London cargo. These vessels again bring their outward cargoes for our Colonies from Antwerp, coming to London to fill up before finally sailing for the Australian ports.

Pro ratâ loss of trade to the mother country. 26. As this trade grows so does the mother country lose pro ratâ the benefit of it both in the import and re-export of the wool itself, as also of the Continental goods, which, in such cases, now go out direct. You may imagine how this detrimentally affects not only our London wool warehouses, but also our docks and wharves generally, as also many other branches of our home trade, adding to the general depression and the necessary shrinkage of labour, &c.

Indian cotton. 27. Cotton from India is imported over here in the raw state, to be manufactured at Manchester and elsewhere into piece goods, to be shipped out again to India for use by the natives there, although we find that out there too they are beginning to set up mills and factories of

their own, with a view to economising freight, charges and delay of transmission to and from this country.

Effect of the American War on the import of Indian cotton. 28. The import of Indian cotton into this country was largely stimulated by the American War; before that period, the fibre of the Indian cotton being shorter and weaker than that of its American rival, it was not able to compete with it, but with the American War, American supplies fell off, and our North-country manufacturers having only "Hobson's choice" in the matter, adapted their machinery to the utilisation of Indian cotton, which thus got a hold upon us which it has never thrown off.

Competition in the tea trade: India and Ceylon versus China. 29. In the same way the Chinese, vainly thinking they had the monopoly for Chinese teas, to the exclusion of all others, by degrees became careless as to the quality they shipped over to us, thus giving an opportunity for Indian and Ceylon teas to gently creep up into notice, until China finds that too late it has created two powerful rivals which it cannot now shake off, and which are steadily and rapidly coming into fresh favour to the relative exclusion of their former all-powerful rival.

Jute and Dundee. 30. A very extensive trade was formerly done in jute between Calcutta and Dundee, which was there manufactured into gunnies, to be subsequently made up into bags for wheat and other produce, and packages for wool, &c.

Native Factories. 31. These packages were exported to Eastern ports, Australia, &c., &c., but of late years factories have sprung up in India, where these articles are now made and sent down from Calcutta for shipment direct to Eastern and Australian ports, so that this large and profitable business is now entirely lost to the mother country.

Dundee Linens versus Belfast Linens. 32. I remember that a little over a quarter of a century ago, when I was somewhat new to the many intricacies of insurance business, I showed these outward insurance risks to the underwriters as "Dundee Linens," by which they were sometimes known, and which the underwriters took to be similar to "Belfast Linens" (fine goods), and so they insured these bales, all risks, at normal rates. When the particular averages began to come forward we then realised the difference, so that things soon righted

themselves and found their proper level. The underwriters throughout were (as they ever have been and are) honourable and straightforward in what otherwise might have turned out to be a troublesome business.

Documentary bills of exchange to be given up on acceptance.

33. Messrs. Blank & Co. have issued their documentary letters of credit (documents to be given up on acceptance), drafts at say 60 or 90 days sight are drawn upon them, accompanied by shipping documents, such as invoice, bill of lading, full set (with or without charter party according to circumstances, as I shall explain by-and-bye), and in some instances policy of insurance, payable in this country.

Marine Insurance.

34. Messrs. Blank & Co. prefer, as a rule, to cover at Lloyd's or with the companies in London their own insurances, and for that purpose taking out open policies or open slips pending advice of the shipments, when the necessary declarations are made upon the open policies; or, in the case of open slips, specific policies are taken out covering the risk. In the case where they thus effect the insurance in London, it is usual for them to notify the fact in the letter of credit when issuing the same, in order to obviate the chance of a double insurance being effected.

Stamp duty on foreign policies.

35. In the case, however, of foreign policies forming part of the documents sent over, it is now necessary under the new Customs and Inland Revenue Act, 5th July, 1887, that these should be stamped with the proper stamp duty within ten days of their reaching this country; the rate of duty is 3d. per £100 or any portion thereof, except where the premium does not exceed 2s. 6d. per cent., when the rate of duty is only 1d. per £100 or any portion thereof.

Reason for further limiting date for stamping.

36. Originally these policies were exempt from the English stamp duty, and when this duty was first imposed, the time for stamping the policies was within two months of arrival in this country. It was found, however, that by that time many of the risks had run off, and the policies, therefore, were never stamped at all, hence the alterations from time to time down to the ten days only now allowed. I may mention, however, that from the very outset of the imposition of this duty Messrs. Blank & Co. always had their foreign policies stamped a day or two after the arrival of each mail. They would not run any risk in the matter of oversight,

and they certainly would not lend themselves to any paltry attempted evasion of the Stamp Act, whatever others might do in these days of keen competition.

Insurance
department
in touch with
Import and
Export
departments.

37. And here, again, let me deviate for a moment to point out how important it is for the Insurance department in a merchant's office to be in close touch with the two departments of Import and Export, with all the varied intricacies and shades of difference vitally affecting the question of Marine Insurance and the protection of all interests concerned, not only of the assured but also of the assurers. Messrs. Blank & Co. have always been rigidly precise in this respect, and the relations existing between them and their underwriters have ever been of the closest nature.

Bills of
Lading.

38. This brings me to say a few words about the Bill of Lading, and it opens up an important question which alone we might profitably discuss for some hours or days together. Suffice it to say that the bill of lading of primitive days was a very simple and intelligible instrument, conveying in a few words the obligations binding on either side, and not unduly trenching upon the rights of the underwriters, who are not supposed to become the catspaw of every question or difficulty arising out of the new order of things brought about by this rapid development of steamers as a carrying power for the trade of the world; here, again, it is that our friends, Messrs. Blank & Co., have scrupulously held the scales with an even and just hand, evolving thus order and uniformity out of seeming chaos.

Schedules
A and B:
Ship's and
Steamers'
Bills of
Lading.

39. It may interest you to compare a ship's bill of lading in all its pristine simplicity with a steamer's bill of lading, with all its many clauses and conditions, so I now reproduce a copy of each at the end hereof: see Schedules A. and B. respectively.

Underwriters'
risk.

40. Having glanced at the same let me ask you whether for a matter of 6s. 8d. per £100, any of you my readers would be bold enough to stand the racket, which under these conditions the underwriters are content to underwrite this risk by steamer, and remember that 6s. 8d. % worked down with Brokerage and Discount deducted, leaves 5s. 8d. to be paid to the underwriters in the course of the next one or two months for every £100 he underwrites, and that from the moment he attaches his signature to a marine policy covering the interest declared on this steamer's bill of lading (Schedule B.), he

renders himself not only liable to the extent of £100 for total loss, but meanwhile, also, to the cost of all and every contingency short of total loss leading up eventually however, in some cases to a total loss. The rate by P. & O. Steamer is even less, viz. : 5s. %, or say 4s. 3d. % net, and from India it is 2s. 6d. %, or say 2s. 2d. % net, brokerage and discount deducted for every £100 underwritten. (Note.—Since this was written the rates have been further reduced.)

Opening of the Suez Canal, 17 November, 1869. 41. The Suez Canal was opened in great state on 17 November, 1869, by the Empress of the French, who in her yacht headed a fleet which passed through the Canal from the Mediterranean to the Red Sea.

The Canal in 1867. 42. Happening two years previously to have a day to spare at Suez, on my way home from India I visited the Canal on 12 October, 1867, then in course of construction, and I remember being at the time very deeply interested with what I then saw—strange to say I have so far never been through the Canal, though I shall hope to do so—sooner or later.

Suez Canal Shares (Lord Beaconsfield's foresight). 43. While the Canal was in course of construction, and in fact up to the very time of its opening in November, 1869, it was the fashion in England to ridicule the whole thing as a visionary idea, those who did thus indulge in this ridicule little thinking how soon it was to become an actual reality revolutionizing the whole system of commerce. Lord Beaconsfield was far seeing when he got this country to acquire those 176,602 shares of the Company; besides being of immense political advantage to this country, the operation has not done badly financially viewed, for the original purchase was something under £4,000,000, and the value on the quotation list at 31 December, 1886, stood at £9,795,925, an estimated profit of some £6,000,000 besides 5 % (now 4½ %) interest, from date of purchase until 1894, the date fixed for the shares to commence enjoying full dividend rights.

Import Department. 44. I think by this time our cargo must have arrived in London, I do not want my steamer to be "an overdue," for that is a point I may require to reserve for another occasion.

Close Calculations. 45. In the meanwhile, the Import Department at Messrs. Blank & Co., has not been idle, every phase of the cost has been calculated out to the ultimate fraction and decimal of a farthing; this has not been an over

easy task, for weights and measures fluctuate materially, and so do loss in weight, and customary trade allowances also.

Market fluctuations carefully watched. 46. Messrs. Blank & Co. have all these nice shades of distinction at their fingers' ends, and, therefore, are able to keep pace with the market day by day, hour by hour, and step by step, and quit or hold a cargo at a moment's decision.

Sales, c., f. and i. 47. For instance, they may decide to sell c., f. and i. (cost, freight, and insurance); this is an easy rough-and-ready way of cutting the Gordian knot, and defining then and there one's profit or loss; for such a transaction involves no unascertained quantity such as loss in weight, landing, housing, interest, fire-insurance, and other charges. A sale of this kind applies mostly to seed and similar articles of produce, which are on a very normal basis.

Sales to arrive. 48. While our vessel (steamer or sail) is speeding on, we have another alternative, and that is to sell, "to arrive" on a certain given standard, for instance, Dhollera, Coconada, Tinnevelly, or other well-known standards of East India Cotton. Messrs. Blank & Co. having received overland samples of the shipments, are not wholly in the dark as to what they are to expect, consequently they generally sell to arrive on the next higher standard, say mid-fair, fair, fully-fair, &c., &c., as the case may be, and are prepared to make the necessary allowances should the bulk on arrival not come up to the standard declared by them, but they are not able to claim an enhanced price should it exceed it.

Warehousing and insuring cargo from fire. 49. On the arrival of the ship at its destination the goods are "entered inwards," with marks and numbers in detail in the merchant's name, and warehoused either at the Docks or Wharves, when they are immediately covered by fire insurance.

Documents hypothecated with the bank. 50. These goods cannot be removed thence however, without production and surrender of the bill of lading and freight release; if the bill of lading therefore, is hypothecated at the bank, the acceptance has to be paid under discount to release the same, though as I have already stated, Messrs. Blank & Co. always have the shipping documents delivered up to them on acceptance.

Bill of lading and Charter Party. 51. The bill of lading is subject to the charter party in this respect, viz. : that the charter party is the agreement for freight for the whole cargo, as between the party chartering the vessel and its owner. The party chartering may either elect to take in general cargo from others on a different and varied rate of freight to that on the charter party, or he may load the vessel himself entirely and state in the bill of lading "Freight as per Charter Party."

Sail versus steam. 52. The forms of charter party for sailing vessels are much simpler and shorter than those for steamers, one reason being that everything connected with a steamer is so much more costly, and therefore the owner is fully alive to the necessity of allowing a very limited time for loading and unloading, and he is at the same time very strict in charging a full rate for demurrage in case of detention beyond the period allowed and even the days on demurrage are defined, and restricted to the number specified in the charter party.

Various forms of charter party. 53. While preparing this work, I have come across no less than 14 different forms of charter in common use under the varied conditions as noted hereunder :—

For sailing ships Nos. 1 to 8.

1. Ordinary form of charter party.
2. South Australia, Wheat and/or Flour.
3. Coals.
4. Coals, a more elaborate form.
5. Oversea Charter.
6. Madras.
7. Rice Ports to Madras Coast.
8. Malabar Coast.

For steamers Nos. 9 to 13.

9. Coals.
10. Bombay.
11. Coromandel Coast.
12. Madras Ports.
13. Rice Ports to Malabar Coast.

And for Flag No. 14.

14. Brazil's Northern Ports.

Commission on charter parties. 54. In chartering a vessel, a commission of 5 per cent. on the freight and primage is charged to the owner, which commission, strictly speaking, belongs to the broker who negotiates the charter; but it more frequently happens that it has to be divided into halves, and occasionally even into thirds, as a rule this internal arrangement of division does not appear on the charter party, which states that the commission is 5 per cent. on the amount of freight and primage (some adding the words "dead freight and demurrage") ship lost, or not lost, but in some cases the division does appear stated, and then such words are added as for instance "one-third of which is due to....."

Address commission. 55. The charterers endeavour as much as possible to get the consignment of the vessel and the address commission thereto appertaining by inserting the following additional words to the charter party:—

"And the vessel is to be reported at the Custom House by them upon her return to London or by their agents at the port of discharge."

The cargo in dock. 56. While I have been explaining the foregoing the Dock people or Wharfingers as the case may be have not been idle; they have all this time been discharging the ship either direct alongside the Dock, if the produce is entered for that particular Dock in which the vessel discharges, or into Lighters if for another Dock or Wharf, the Insurance of which falls upon the Marine Policy, or upon the Fire Policy in the case where the Marine Policy does not apply.

Contributions for general average. 57. We are not yet out of the wood though, because our ship may have got into trouble, involving claims for contributions in the nature of general average and particular charges between the owners of the ship and parties interested for the freight and those for the cargo, or as is shortly expressed, ship, freight and cargo, and the parties who have thus disbursed, claim a lien on the whole in respect of the pro ratâ due by each.

General average bond or agreement. 58. Formerly there was no difficulty as to this, for on it being known that there was a claim, an Average Bond was signed by the respective contributors agreeing to pay their quota on the amount being ascertained, that is the general average statement made up, by a duly recognised average stater, an expert in fact; and it was a simple thing to collect the same from the underwriter and pay it over to the ship broker.



General average deposits.

59. By degrees, however, the practice gradually crept in of asking for a deposit on account, on the plea that there were certain technicalities and complications which would delay the rendering of the general average statement, and, for a time, this was considered to be reasonable, therefore the deposit was paid and the balance adjusted either way on the final figures being ascertained. This, however, led to abuse on the part of some, who would collect a round sum as deposit, and then did not sufficiently expedite the adjustment, as it in such cases, generally turned out that they had to recoup instead of receive a difference, and, in some cases, these differences have been somewhat heavy.

Special form of general average bond or agreement.

60. Messrs. Blank & Co. consequently found it necessary in the interests, both of the underwriters and themselves, to bring about a change in this respect, and, accordingly, now when a deposit is asked for of them, an agreement is invariably entered into between the parties concerned, by which the deposits paid by the various consignees are placed in the hands of trustees and distributed in due course upon the general average statement, meanwhile, any interest that can be earned upon it is added to the capital sum, the trustees being sometimes empowered to advance from time to time moneys disbursed on the ad interim certificate of the average adjuster (a member of the average Adjusters' Association), the final balance being settled for on completion of the general average statement. I believe this plan is found to work satisfactorily with prompt results.

Landing account.

61. As soon as the produce is landed it is sorted, the sound from the "sea-damaged" (first, second and third-class sea-damaged, sweepings, &c.), then weighed and sampled, and a landing account showing gross weight, tare, draft, and net weight, made out for the use of the merchant and his produce-broker: the latter generally getting the samples and the landing account, or a copy of it, the merchant requiring this latter also to make his calculations for sale against invoice cost, for, unless the produce is held for some unusual period after being landed, it is generally sold upon these original landing weights.

Gain or loss in weight: see Schedules C 1 and C 5.

62. Messrs. Blank & Co.'s import or produce department is very expert in dealing with these landing accounts, and it is wonderful how soon it gets out the gain or loss in weight, charges, &c., so that when the broker has sampled the produce and handed in his valuation, the principals are in possession of all the information

they need as to what the shipment is likely to show in the way of profit or loss.

Efficiency of the produce department.

63. In fact, so closely and expeditiously does Messrs. Blank & Co.'s produce department perform its work that it is not unusual for the broker to bring in his valuation on the very morning that the produce is to be offered for sale, and while he is talking with Mr. Thomas Blank as to the market generally, the valuation (sometimes lengthy, as in the case of coffee, for instance, or Indian teas, where there are many "breaks" and "chops,") is worked out in a few minutes: the broker gets his instructions, and in an hour or two afterwards comes back with a contract of the sale or, in some cases, a signed catalogue, and, before he has time to leave the office, the whole is cabled out in a word or two full of meaning, as to the result of the sale, the state of the market, and things generally.

Sale of cargo.

64. If the goods are sold on a "long prompt," a warrant and weight note are made out for each lot sold and full particulars given as taken from the landing account.

Warrant and weight note.

65. The consignee on delivering up the bill of lading gets the warrants (which each bear a three-penny stamp), and the buyer on paying the deposit gets the weight notes, and no delivery will be made under the warrant before the expiration of the prompt without the production of the weight note as well as of the warrant.

Expiration of Prompt.

66. After the expiration of the prompt the weight note is of no further validity, and deliveries are then made upon the production of the warrant alone.

Tare and Draft.

67. "Tare" means weight of the package (box, case, bag, or bale, &c.), and "draft," the trade allowance made to the purchaser. The landing account, therefore, plays many important parts; the gross landing weights fix the weight for payment of freight. Deduct from this the tare and you have the net weight, upon which duty is paid to the Customs. Deduct again from this the draft and you have the eventual net weight, upon which basis the buyer pays the importer.

Delivery order.

68. Produce is sometimes cleared upon what is called a "delivery order," this bears a penny stamp, and then no warrant or weight note is taken out. This would generally happen when a single sale of the whole or

good part were made privately (although sometimes also in public auction).

Prime warrant. 69. There is also another document which is sometimes asked for, and that is called a "prime warrant." Messrs. Blank & Co. have never had one in their office, nor have I ever seen one, and therefore cannot tell you what it is like—it only obtains favour among certain somewhat impecunious speculative importers, who need it to raise money upon it; it is certainly not a healthy document to handle or have to do with.

Floating fire policies and their renewals. 70. I need hardly remind you that Messrs. Blank & Co. have taken care to cover the produce from fire insurance as they had previously for the marine risk, and for this purpose they have large floating fire policies which they keep up yearly at one or other of the usual quarter days, the odd days, bringing the date up to these regular periods, being added and charged for, it being a recognised rule among the fire offices (whether for a short or broken period, or for a whole year) that where a policy falls due at any other date but on that of one of the four quarter days it lapses, and a fresh policy has to be taken out again, with a fresh number and everything; whereas the other remains valid so long as the payment of the premium is kept up, and it so gets time-honoured by age as well as by wear and tear.

Ancient Fire Policies. 71. Messrs. Blank & Co. can show some wonderful documents of this kind, which they would not allow to be replaced on any consideration, worn out and threadbare though they be by this time, and they can add, too, with laudable pride, that they are virgin policies upon which they have never had occasion to claim one single penny. This reminds me to point out how important it is that the import and export department should not only be in touch with the marine insurance department, but also with the fire insurance department; Messrs. Blank & Co.'s system as to this is admirable.

Functions of the produce department. 72. The produce department does not find time hang heavily upon its hands: there is always plenty to do and an agreeable variety also, frequent visits to the docks, wharves, the brokers' offices, the Commercial Sale Rooms in Mincing Lane, &c., &c., are very necessary, for it must keep itself posted up with all the varied details attaching thereto.

The "Public Ledger." 73. It also finds a useful vade mecum in the "Public Ledger," which it makes a point of scanning very closely day by day. This "Public Ledger" is certainly a wonderful production, the semi-weekly issues on Wednesdays and Saturdays give, in addition to the other information as to public sales, &c., detailed prices of every imaginable article of produce in the United Kingdom.

Brokers' duties. 74. The brokers having rendered their account sales, the merchants' duties come in to check the same and embody them in their own account sales which they render abroad: for, in a well-regulated office like that of Messrs. Blank & Co., the broker is kept strictly to his legitimate functions, and is not allowed to go beyond them or to help finance the merchant in any way. Messrs. Blank & Co. pay all such charges as marine and fire insurance, entry, landing and housing charges, freight, &c., &c., and their account sales are masterpieces of accuracy and neatness.

Account current. 75. The account current too, dealing with the net proceeds as against the draft, and showing the net balance to debit or credit, is very complete.

Schedule C, 1-6—Various forms of account. 76. Through the courtesy of Messrs. Blank & Co., I annex at Schedule C. the following accounts, which they have kindly furnished me with, for present purposes thus enabling me to make things quite clear to you, and which, by their permission, I accordingly print.

Say Schedule C. 1—6, as follows:—

- | | |
|--|--------|
| C ¹ —Invoice 100 Packages Tea per S.S. "The Institute." | |
| „ ² —Brokers' report and valuation of | ditto. |
| „ ³ —Brokers' contract of sale of | ditto. |
| „ ⁴ —Brokers' account sales of | ditto. |
| „ ⁵ —Merchants' account sales of | ditto. |
| „ ⁶ —Merchants' account current of | ditto. |

You will see on reference to Schedule C¹ that marine insurance is covered abroad, and therefore not charged for in C⁵; but that the foreign stamp is charged for. Please notice, too, on papers C¹, C⁴, C⁵ and C⁶, the words "E. & O. E." and "E. E." respectively, as already referred to.

Account Current Book : 77. The account current book in a merchant's office is an important one indeed, containing as it does, full and ample details with interest calculated at every respective date, and, in fact, essential for ready reference at any moment, being always closely written up. For instance, the debit balance as shown in Schedule C⁶ is carried to it (unless the amount is specifically drawn for in the shape of a "re-draft") seeing that, as I mentioned at the outset, the ledger only gives totals of monthly postings, you will agree with me how important this book is as a reliable, intelligible record of transactions as they occur. The various charges for postages, petties, interest, &c., are carried to the Ledger every half-year or at stated periods, and thus the totals in both books (Ledger and account current) agree. I do not give a specimen of the latter, because it is worked very much on the lines of Schedule C⁶, with more inner columns, however, for discounting bills, adding thereto bill stamp, and extending the result in the main cash column.

Subsidiary Ledger, also important. 78. There is another important book, and that is the Subsidiary Ledger, in which are entered the intermediate accounts of the various shipments open until they are finally closed and the result brought in one line, both into the general ledger and the account current book. These accounts may have been opened for months, or even years, and contain many and varied details, and yet, by the use of this intermediary ledger they can be closed in an incalculably short space of time.

Difference between a merchant's and a manufacturer's office. 79. In a merchant's office transactions are worked quite differently to the course adopted in that of a manufacturer : in the former, separate accounts are kept of each shipment and transaction and the result shown, either profit or loss, at once ascertained and dealt with, instead of like in the latter, being merged into general hotch-potch of purchases and sales through the trading account, and so lost sight of as a unit.

Rates of freight. 80. Note, that in Schedule A, the rate of freight is stated at "per ton measurement of 40 cubic feet," whereas in Schedule B, it is stated at "per cent. ad valorem." There are other standards, as, for instance, "per pound gross weight," used very much in the Australian and New Zealand trade homewards for wool, skins and carcases of fresh meat, and "per ton of 20 cwt. gross" used for general cargo, for rails, &c., &c.

Docks and Wharves :
"Consolidated Rate."
81. Now, as to "Dock Charges." In Schedule C⁵ you find the following charge, "Dock Charges and Rent." I would say as to this, that both the docks and wharves try to simplify accounts as much as possible, by charging where practicable, on the basis of what is called a "consolidated rate," which includes lighterage, working and housing up to a certain period, after which rent accrues. And yet, notwithstanding all this, the thing is by no means an easy one, and Messrs. Blank & Co. have to be very careful in rendering account sales, often too discounting the prompt (as will be seen on the present occasion by comparing Schedules C³ and C⁵ by three months, say 3 December, 1887, versus 3 September, 1887) to see that all these items are properly charged up.

Deposit Accounts with the Docks.
82. With the docks, it is usual to open a deposit account, keeping them in cash advance and having from them a pass book, in which all these charges are entered up in one line, separate details in full being furnished on slips rendered to the merchant, but, with the wharves, they are generally content to work without a deposit, and to be paid on the clearance of each shipment provided no undue delay takes place.

Competition :
Docks v.
Wharves.
83. I have, however, known cases where, from competition with the docks, they have not liked to ask for payment on account, relying upon their lien upon the produce housed with them for eventual payment of their charges.

Competition heavy at times on the Wharves.
84. So unduly and heavily does this weigh in some cases upon the harassed wharfinger, that occasionally (though happily, rarely) he has to succumb under the pressure. Some two or three years ago I had a case in point where a wharfinger, with practically a monopoly in the trade, had to call his creditors together with all his floors actually groaning under the weight of the goods stored in them, and I was called in to administer as trustee. It was a poor and painful business from first to last, but I was struck with the forbearance shown throughout, and the readiness of all concerned to lend a helping hand in making the best of a bad bargain.

Marine Insurance Agency.
85. Our friends, Messrs. Blank & Co., are agents for the "Chow Chow Marine Insurance Co., Limited," of Shanghai, settling claims on policies payable in this country on an all-round fee of say 1%, and writing risks for them on a fee of 5% on the premium, and for this they pay a contribution to Lloyds of a substantial amount per

annum for the privileges the room affords them. This branch of their business is an important one, and the gentleman who manages the department and who goes by the name of underwriter to the company, takes his place with the Underwriters of London Companies in conference to settle matters affecting the common weal, *inter alia*, the question of "general average and special charges," a very important one. You will see also by Schedule B. that Messrs. Blank & Co. are managers of the "Blank Line of Steam Ships" between England and Australia, both in London and the Colonies.

Railroad Agency. 86. Besides all this, Messrs. Blank & Co. are London agents for the "Great Eastern and Western Shore-to-Shore Railroad Co. of America," which they brought out in this country, and the successful floating of which, has added to the high reputation they already enjoyed in the United States generally, but it has especially given them a leading position in the great rising and rapidly increasing Western States. The chairman of the line at San Francisco is Mr. Cyrus M. Poynte, their resident partner for California; and the vice-president at the eastern end of the line, New York, is Mr. Washington Jackson Cypher, their resident partner there.

Distance in America practically not regarded. 87. It was a clever move on the part of the company to locate the chairman at the origin of operations: distance in America is nothing with them in these days of telegraphy. They already have a private wire between the eastern and western offices, and hope at no very distant date to establish a telephone connection; in these days of rapid development in the way of improvements and fresh inventions it is only a question of time; there is no knowing how soon this may be brought about.

Californian Wheat. 88. Messrs. Blank & Co.'s wheat operations, to this country, would somewhat startle you. I have in my mind many an incident where they have simply and calmly held their own against many an iniquitous "corner" and "ring," simply ignoring their very existence, and smiling blandly when their honest ventures have turned out all right, while their dishonest competitors have been very hard hit; all this again showing what a clear insight they possess regarding the markets of the world, and how they never lose their head over anything, but are just as calm in carrying out the largest transactions as the smallest. The secret of this is that they never get beyond their depth, nor do they put themselves at the mercy of others by allowing others to finance for them.

Supply of Rails, &c. 89. As agents for the important railway (referred to at paragraphs 86 and 87), Messrs. Blank & Co. supply the company from this side with all their rails, fish plates, bolts, nuts, and other requirements.

Tem-plates. 90. Were it not outside my present subject I should like to go with you into the mystery of templates, that is to say, patterns of rails, as for instance:—50 and 56 lbs. Erie pattern, which are slotted at the flanges only; 56 lbs. Pennsylvania and other fish plate patterns up to, say, 60 lbs., which, besides being slotted, require bolts and nuts being fished, and here they have to be very strict, for some of the sub-contractors to the line every now and then try and get the rails rolled out a shade below the above regulation specifications and so get an extra length at the expense of the standard weight.

Inspection of Rails at the Works. 91. Messrs. Blank & Co. employ an expert at the various works in South Wales, where the rails are rolled, primarily to inspect and test the quality of the rails turned out, but also to see that the weight turned out is according to specification.

Certificate of Inspection. 92. It is the Inspector's duty with each shipment of rails to furnish his certificate (which goes out) and a sample of the rail, which Messrs. Blank & Co. carefully number and keep at their office in London in case of reference being needed thereto hereafter.

Iron v. Steel Rails. 93. I would like to tell you a little of how some 25, 20, 15, and 12 years ago nothing but iron rails were shipped at a price, f.o.b. (free on board), of say £5, £7 10s., £10, and even £12 per ton, which I think was the maximum price reached, steel rails at the time being something like double the above value. At the present moment the prices assimilate very much indeed: iron rails can be bought at about £3 15s. per ton and steel at about £4 to £4 5s. (some 5s. to 10s. per ton more).

United States' Railroads: some personal experiences. 94. In those days too, and even now, old rails figured and still figure largely in the exports to the United States of America, quasi to be sent out there to be re-rolled in the Pennsylvania Mills, but actually in many cases, I verily believe, to save the bulk of the ad valorem import duty charged upon new English rails imported, and to be laid down ex ship straight on to line. All I can say in corroboration of this statement is that when I was travelling in the United States, in the years 1877 and 1878, I occasionally and

suddenly experienced various rude shocks and awkward joltings. The conductor of our car, a black man, invariably accounted for the phenomenon by explaining to me (a quasi novice in these matters) that we were passing from a 50lb. Erie flanged rail or 56lb. Pennsylvanian fished pattern on to a 75 or 80lb. double-head English pattern and vice versâ; for the eventual monotony of the thing was often unpleasantly varied by a sudden and unexpected drop to a 40lb. light rail mounting up at once, however, to keep up the average to an 80lb. double-head rail, and then descending again by tolerably easy stages say, 5 to 10lbs. at a time, and that this change of level gradients being somewhat novel to the uninitiated, myself among the number, he for once quite forgave my being a bit startled, but that I "had no occasion to be alarmed, stranger." The man may have romanced somewhat, trading upon my being "a stranger," so that I am not responsible for these statistics, all I know, however, is that I was pretty well shaken up.

U.S.A.
Consular
Invoices.

95. All invoices of goods shipped out to the United States of America must be in triplicate and certified in triplicate by the United States Consul at the various British out ports, or in London; one copy is returned to the merchant duly certified by the Consul, one copy is sent out by him and the other retained by him. A member of the firm of merchants has to certify these invoices and the whole regime is very strict.

Shipments of
Rails to
U.S.A.

96. Ships are generally chartered en bloc for these rails, if for New York of a tonnage of from 1,000 to 1,500 tons register, with liberty to take dead weight to one-third over the same, say 1,333 to 2,000 tons; for New Orleans, taking into consideration the Bar there, the ships are of somewhat lighter draft, say from 750 to 1,000 tons register, carrying from 1,000 to 1,300 tons, while for Galveston they have to be still smaller, and a handy ship for that port is one of 600 tons register not carrying over 800 tons. Both at New Orleans, and at Galveston, it is not unusual to discharge part of the cargo into lighters before taking the ship over the Bar, all this is taken into account in effecting Marine Insurance, and the rates for these ports are normally higher than for New York, and similarly safer ports although the question of "in" and "out of season" has to be taken into account by which the rates of insurance are accordingly varied, as also the rates of freight, which here again are regulated in a measure by what is offering homewards in the way of Cotton, Wheat, &c., &c. A successful merchant needs to have all these shades of differences at his fingers' ends, and Messrs. Blank & Co. have them.

Shipment of piece goods to the East. 97. Messrs. Blank & Co. of course reciprocate to their friends in the East for the homeward shipments of produce by shipments outwards, and this mostly in the shape of piece goods, for which Manchester is the great emporium, the staple articles being grey shirtings packed in bales, double or single tar, and as often as not insured f.p.a. (free of particular average), and white shirtings packed in tin and wood, and insured all risks (the rate on account of the packing being only some 2s. 6d. % more than for f.p.a.)

Turkey Reds. 98. Then there are fancy goods, such as Turkey Reds, which, when packed in bales, if you show to an underwriter "all risks" frightens him about as much as if shown to an infuriated bull, so that now they are either insured f.p.a. or packed "in tin or wood," when perchance they may pass muster coupled with a few really good staple risks thrown in.

Mildew, China-clay, &c. 99. The question of mildew, generally consequent upon overloading the fabric with size, china-clay, &c., has had somewhat to do with this antipathy on the part of the underwriters to freely write bale goods "all risks" except to such undoubted firms as Messrs. Blank & Co. But I fancy matters in this respect have now found their level, and that except in serious cases in the past, the underwriters feel tolerably safe in taking these risks in the general way of business to a moderate extent and in conjunction with other all-round business, which latter helps down difficult risks, as instanced at paragraph 98.

Indents to the East. 100. Another branch of their business is that of Indents, or executing orders for natives or colonists abroad. The amounts individually are not large, but they sum up to tolerable respectable proportions, and provided the agents and correspondents abroad know their men and have some hold upon them the business is pretty safe and worth cultivating, if only for the sake of reciprocity.

Policies payable on this side. 101. In these cases the policies are generally made payable abroad. Most English companies have agents at the various places to settle and pay losses, and Lloyd's now, not to be behind with the times, has followed in the same wake and also issues policies payable abroad. With general export business, however, the policies are still payable, as a rule, on this side, therefore, in case of particular average to establish a claim a survey needs to be held on the other side and a certificate assessing the depreciation on the damage sent over here, with account sales and landing weights, making

the whole thing complete and identifiable for the average adjuster on this side to deal with and make out the statement against the underwriters for payment by them.

General average F.G.A. 102. The same applies to general average, and in respect of which I would particularly call your attention to the fact that in certain policies you will notice the following clause:—"General average as per foreign statement if so made up," which means that if a ship goes to a foreign port, meets with a casualty on the way, but gets to her foreign port of destination, the statement for general average and special charges may be made up there and collected here.

Enhanced rate for F.G.A. clause. 103. The underwriters naturally do not like this, but they cannot well help themselves except by, in such cases, charging a higher rate for allowing the clause to be inserted. In the case of San Francisco, Havana, Manilla, and other such like ports, I have known as much as 10s. to £1 per cent. additional premium being paid before the underwriters would permit the insertion of this F.G.A. clause.

The worth of a good name. 104. Messrs. Blank & Co. having the command of unlimited means and enjoying a credit second to none, control, in a great measure, the money market of the world, and when they take up any financial operation, such as the floating of a foreign loan, a government railway, or the conversion of a private business into a public company under "The Companies Acts," they never do so without first satisfying themselves thoroughly as to the bonâ fides of the same in every detail, so that consequently their name attached to the prospectus ensures success with prompt quotation and settlement on the Stock Exchange.

Commission on purchase of Suez Canal Shares. 105. In the early part of this work, at paragraph 43, I casually referred to the purchase of the 176,602 ordinary shares of the Suez Canal by the British Government, through the intermediary of one of their colleagues, for a round sum of say £4,000,000 (it was something under than over this sum, but this figure will suffice for present purposes). The commission on the transaction was said to be $2\frac{1}{2}$ per cent., say £100,000, but, considering the masterly way in which the operation was quietly but effectually carried out, it was well earned, the more so as the transaction now shows a net profit of some £6,000,000 over and above everything. I hardly think that in this instance the normally grumbling British Public have much reason to complain.

Conclusion. 106. I have had to hurry over much, and tell you at the best but an imperfect tale: but I hope what little I have said will be of use to you: one thing I would add, and that is, to remind you that everything in Messrs. Blank & Co.'s offices has to be well done, and that they attach great importance to a neat, legible handwriting, and good, bold, unmistakeable figures and no blurrings, and a mastery of shorthand is I find becoming daily more and more looked upon in the light of a simple essential. I throw this out as a friendly hint to all novices, in fact their "open sesame" in everything has invariably been the simple password of two syllables, viz. :—

"Thorough."

GÉRARD VAN DE LINDE.

"The calculations of the counting room involve consequences beyond the accumulation of wealth. They are made not merely for the actual necessities and artificial requirements of society, but they bring from strange lands new objects for investigation and suggestions which give encouragement to thought."—Freeman Hunt.

50 Gracechurch Street, London, E.C.

1 July, 1904.

SHIP'S BILL OF LADING.

SHIPPED in good Order and well conditioned by BLANK, RULE & Co.,
 in and upon the good Ship called the STUDENTS' SOCIETY whereof is Master for this present
 Voyage GRIFFITHS and now lying in the port of CALCUTTA and bound for LIVERPOOL
 DIRECT.

1/200

B. R. & Co.

200 BALES
COTTON

TWO HUNDRED BALES COTTON

being marked and numbered as in the Margin and are to be delivered in the like good order and
 well conditioned at the aforesaid port of LIVERPOOL (the Act of God, the Queen's Enemies,
 Fire, and all and every other Dangers, and accidents of the Seas, Rivers, and Navigation of
 whatever nature and kind soever excepted,) unto BLANK & Co.,

or to THEIR Assigns THEY paying Freight for the said goods AT THE RATE OF FORTY
 SHILLINGS PER TON MEASUREMENT OF 40 CUBIC FEET DELIVERED with primage
 and average accustomed In Witness whereof the Master of the said Ship, hath affirmed to
 THREE Bills of Lading all of this Tenor and Date the one of which Bills being accomplished
 the other TWO to stand void.

Dated in CALCUTTA, 8 NOVEMBER, 1887,

JOHN G. GRIFFITHS,
Master.

Weight and Contents Unknown.

**Blank Line of Steamships between
England and Australia.**

Apply in LONDON to

Messrs. Blank & Co.,
Managers of the Line.

Or, in AUSTRALIA to

Robt. Blank, Jr.,
GENERAL MANAGER IN AUSTRALIA,
Sydney.

Blank Choice & Co.,
Melbourne.

Richard Poynte,
Adelaide.

Marks and Nos.

B. C. & Co. 1/16

Sixteen

Boxes Treasure.

nature, as by so doing they become responsible for all consequential

¶ 108.

SCHEDULE B.

No. 2071.

STEAMER'S BILL OF LADING.

Shipped in good order and condition by BLANK, CHOICE & Co., on board the
BLANK Line Steam Ship LONDON STUDENT, whereof is Master for this present voyage
TAYLOR, now lying in HOBSON'S BAY, and bound for LONDON, via Adelaide, Suez
Canal, and Naples, with liberty to call at Diego Garcia ^{or} other
intermediate Port or Ports and receive ^{or} discharge Goods and Passengers, and to take in Coal
and or other supplies or for any other purpose at any intermediate Port or Ports, and to sail
with or without Pilots, and to tow and assist vessels in all situations, the following goods, viz. :—
Sixteen boxes Treasure, valued one hundred and sixty thousand pounds (£160,000) only,
being marked and numbered as in the margin, and to be delivered (subject to the exceptions and
conditions herein mentioned in the like good order and condition from the ship's deck, at her
anchorage (where the ship's responsibility shall cease) at the aforesaid Port of LONDON (or so
near thereto as she may safely get), unto BLANK & Co., or to his or their
Assigns, Freight for the said goods with 5 per cent. Primage added, at the rate of
one-half per cent. ad valorem delivered.

payable in LONDON in cash without discount. Average as accustomed.

*The Act of God, the Queen's Enemies, Pirates, Robbers or Thieves (but not pilferage),
Restraints of Princes, Rulers or People, and loss or damage resulting from any of the following
causes or perils are excepted, viz. :—Insufficiency in packing or in strength of packages, loss or
damage from cooling on the voyage, rust, vermin, breakage, leakage, sweating, evaporation, or
decay, injurious effects of other goods; effects of climate or heat of holds; risk of craft, of trans-
shipment and of storage afloat or on shore; fire on board, in hulk, in craft, or on shore; explosion;
accidents to or defects in hull, tackle, boilers or machinery, or their appurtenances; barratry,
jettison, neglect, default, or error in judgment of the master, mariners, engineers, or others in the
service of the owners; collision, stranding or perils of the sea, rivers, or navigation of whatsoever
nature or kind and whatsoever caused, and accidents, loss, damage, delay, or detention from any
act or default of the Egyptian Government or the administration of the Suez Canal, or arising out
of or consequent upon the employment of the Vessels of the Line in Her Majesty's Mail Service.*

*The Ship will not be responsible for correct delivery unless each package is distinctly,
correctly, and permanently marked by the Merchant before shipment, with a mark and number,
or address, and also with the name of the Port of Delivery, which last must be in letters not
less than two inches long.*

*The owners are to be at liberty to carry the said Goods to their Port of Destination, by the
above or other Steamer or Steamers, Ship or Ships, either belonging to themselves or to other
persons, proceeding by any route, and whether directly or indirectly to such Port, and in so doing
to carry the goods beyond their Port of Destination, and to tranship or land and store the goods
either on shore or afloat, and re-ship and forward the same at the Owner's Expense but at
Merchant's risk.*

The ship will not be accountable for gold, silver, bullion, specie, jewellery, watches, clocks, precious stones, precious metals, bank notes, or securities for money, paintings, sculptures, or other works of art, nor beyond the value of £5 per cubic foot, nor exceeding £100 for any one package, unless the value thereof shall have been declared at time of shipment, and the Bills of Lading signed with a declaration of the nature and value of the goods appearing thereon and extra Freight in respect of same agreed upon and paid; nor for loss, injury, or detention to packages, intended for different Consignees, but made up into one Package, unless the contents and value of each separate package be given before shipment and freight paid accordingly; nor for damage to show cases, nor for breakage of glass, glassware, chinaware, or earthenware of any description, from whatsoever cause arising.

If Chemicals, Liquids or other goods of a dangerous or damaging nature are shipped without being previously declared and arranged for, they are liable upon discovery to be thrown overboard, and their loss, as well as any loss or damage to the ship or cargo, or to any person or interest whatsoever, will fall upon the Merchants or Owners of such goods. Double freight will be charged on all goods not correctly described.

All fines and expenses or losses by detention of vessel or cargo, caused by incorrect or insufficient marking of the package, or by incomplete or incorrect description or weight (or any other particulars required by the Authorities at the Port of Delivery) either upon the packages or the Bill of Lading, shall be paid by the Shipper or Consignees of the goods.

Consignees or their Assigns must be ready to take delivery of goods as soon as the ship is ready to discharge them, otherwise the Master or Agent shall be at liberty to land and warehouse the goods, or discharge them into a store ship, or hulk, or into lighters at the Merchant's risk and expense, but Master or Agents may in any case land goods at Ship's expense and Merchant's risk, to expedite discharge of cargo. Any expense incurred by the Ship in repairing insufficient packages is to be borne by the goods, and Ship is not to be liable for pilferage of contents of such packages.

Specie deliverable in London will be conveyed from the Steamer to the Bank of England at Owner's expense, but at the Merchant's risk. All liability of the owners is to cease as soon as the Specie is free from the Steamer's tackles.

In case of quarantine, the goods may be discharged into quarantine depôt, hulk, or other vessel, as required for the Ship's despatch. Quarantine expenses upon the goods of whatsoever nature or kind, shall be borne by the Owners of the goods.

The Ship shall have a lien upon the goods for all freight and charges, for which the goods are liable under the Bill of Lading.

Any claim that may arise in respect of goods shipped by this Steamer must be made at the Port of Delivery, and within one month of Steamer's arrival.

Weight, measurement, contents, quality, and value unknown.

In Witness whereof the Master, Purser or Agent of the said Ship hath affirmed to THREE Bills of Lading, all of this tenor and date, one of which being accomplished, the others to stand void. If required by the Owners or their Agents, one of the Bills of Lading must be given up, duly endorsed, in exchange for the Goods.

Dated in Melbourne, 8 November, 1887.

EDWARD TAYLOR, Master.

Merchants are cautioned against Shipping Goods of a dangerous or damaging nature, and also tender themselves

¶ 109.

SCHEDULE C—(1).

Invoice.

Invoice of 100 Packages Tea shipped by s.s. "The Institute," to London, consigned to Blank & Co., on account of Gee Gee, Esq.

C M		Ex Choicest N.S.							
G		One Crop.							
100 Hf. Chs. Mats True Ching Mow.									
Weight.									
Gross lbs.	Tare.	Net lbs.	P'cls.	Cat.	Price.	Taels.	Dollars.		
7625	1650	*5975	44	81	22	985 82	1369 19		
					Duty 28	125 47	174 27		
						1111 29	1543 46		
Charges.									
Mending Matting and Shipping, &c.						\$ 34 96			
Shroffage @ $\frac{1}{8}$ %						1 92			
Fire Insurance @ $\frac{3}{8}$ %						5 76			
Marine Insurance, "Chow Chow Insurance Company, Limited," on \$1700, @ $1\frac{1}{2}$ %, less 10 % ...						22 99			
Telegrams						2 —			
Inspecting @ $\frac{1}{2}$ %						7 71			
							75 34		
Commission at 2 %							1618 80		
Bill Brokerage on \$1653. 23c. at $\frac{1}{8}$ %							32 37		
							2 06		
							\$ 1653 23		
E. & O. E.									
Foo Chow, 10 June, 1887,									
Cypher Poynte & Co.									

(*Note.—Compare 5975 lbs. net Invoice weight, as above, with 6095 lbs. net delivered weight Merchants' Account Sales (Schedule C 5), a gain of 120 lbs. or 2 per cent. gain in weight. This question of gain or loss in weight is an important one, and which careful merchants like Blank & Co. closely watch. See also ¶ 62, "Gains or Loss in Weight"—G. v. de L.).

¶ 110.

SCHEDULE C (2).

Broker's Report and Valuation.

London, 6 August, 1887.

Messrs. Blank & Co.,

London,

Dear Sirs,

We beg to hand you our characters and valuations of your Teas, per
"The Institute" s.s., at Foo Chow.

We are, Dear Sirs,

Yours faithfully,

W. G. Howgrave & Co.

Value.

C M

G

* 100 Hf. Ch. Congou, Redsh., Blksh., ra. ev. tw. leaf.

Bt. mid. ra. stg. rich thick Seamoo, about 11d. per lb.

* Meaning "100 Half Chests Congou, Reddish, Blackish, rather even twisted leaf."
"But middling, rather strong, rich thick Seamoo."

¶ 111.

SCHEDULE C (3).

 Broker's Contract.

London, 31 August, 1887.

Messrs. Blank & Co.,

London.

We have this day sold on your account, by private sale, ex ss. "The Institute" :—

C M

G

100 Hf. Chests Congou, at 11d. per lb.

Mats

W. G. Howgrave & Co.

Deposit as usual.

Prompt, 3 December, 1887.

Brokerage, 1 %

Public Sale conditions and customary	}
allowances for damage	

¶ 112.

SCHEDULE C (4).

Broker's Account Sales.

Account Sales of 100 Half Chests Congou, per s.s. "The Institute," @
Foo Chow, on account of Messrs. Blank & Co.

C M			
G			
98 Hf. Chs. Congou, 5,973 lbs. @ 11d. per lb.	273	15	3
2 ,, smpld. 122 ,, ,, 10½d. ,, ...	5	6	9
<hr/>			279 2 0
100	6,095		
<hr/>			
	Commission 1%	...	2 15 10
			<hr/>
Net proceeds due 3 December, 1887 ...			£276 6 2
			<hr/>
E. & O. E.			
London, 31 August, 1887.			
W. G. Howgrave & Co.			

¶ 113.

SCHEDULE C (5).

MERCHANT'S ACCOUNT SALES.

Account Sales of 100 Packages Tea ex s.s. "THE INSTITUTE," @ Foo Chow, and sold by Messrs. Blank & Co. for account of Gee Gee, Esq.

CM		
G		
98 Hf. Chs. wg. net 5,973 lbs. @ 11 <i>d.</i> per lb.		273 15 3
2 " smpld. 122 " " 10½ <i>d.</i> " "		5 6 9
<hr/>		<hr/>
100 Hf. Chs. 6,095 lbs. due 3 Dec., 1887		279 2 0
<hr/>		
Less 3 m/s discount at 5% 		3 9 9
		<hr/>
		275 12 3
Inv. ... 5,975 lbs.	} (See Note at foot of Schedule C 1, and also ¶ 62 "Gain or Loss in Weight."—G. v. DE L.)	
A/S ... 6,095 "		
Gain... 120 lbs. or 2%		
<i>Charges.</i>		
Marine Insurance paid in China 		0 0 0
Duty on Policy, £271 16 <i>s.</i> 5 <i>d.</i> @ 3 <i>d.</i> % ...		0 0 9
Freight, 316 ft. 8 in. @ 65 <i>s.</i> per Ton of 40 cubic feet measurement 		25 14 7
Customs' Entry 		0 3 6
Fire Insurance 		0 6 9
Dock Charges and Rent 		10 0 10
Interest on Charges 		0 2 2
Public Sale Expenses 		0 0 0
Proportion of Telegrams 		0 10 0
Brokerage @ 1%... 		2 15 10
Commission at 1¼% 		3 9 10
		<hr/>
		43 4 3
		<hr/>
Net Proceeds discounted as above, due 3 Sept., 1887.		£232 8 0
		<hr/>
E. E.		
London, 16 September, 1887.		
Blank & Co.		

SCHEDULE C (6).

Merchant's Account Current
in respect of

Dr. Consignment 100 Pkgs. Tea p. s.s. "The Institute," a/c Gee Gee, Esq., in a/c current with Messrs. Blank & Co. Cr.

	£	s.	d.	Days.	£	s.	d.	Days.	£	s.	d.				
1887. May 26.—To Messrs. Cypher Poyntie & Co.'s Bill on us for a/c of Gee Gee, Esq., 29 August, 1887 ...	269	10	3	19	9	10			232	8	0	14	6	3	
Sept. 16.—, Postages and Petties...			5	0										3	
„ Interest. Balance per contra @ $3\frac{1}{2}$ % to 17 instant															
	£269	18	10		£	9	10		£269	18	10		£	9	10
E.E. London, 16 September, 1887. Blank & Co.															

A MERCHANT'S ACCOUNTS.

A MERCHANT'S ACCOUNTS.

"My ventures are not in one bottom trusted."

The Merchant of Venice.

Preliminary. 1. In order that you should be better able to follow me through this present work, I must ask you to be good enough to bear in mind what I have already endeavoured to bring before your notice in the previous one entitled

"A Merchant's Office."

"A Merchant's Office."

2. On thus refreshing your memory you will find that "A Merchant's Office" teems with allusions to Accounts (and these of a very varied nature). I just put down here a few of these allusions, a study of which will, I think, be helpful to you if you care further to go into this very important and interesting subject: they are as follows:—

	See Paragraphs as under.
1. Banking operations, how dealt with	18
2. Posting the Bank Account to the Ledger	9
3. Some advantages of journalising everything	10
4. Numbering cheques and acceptances respectively	12
5. Imports	17
6. Exchanges	18
7. Premium on gold and depreciation on paper	20
8. Letters of Credit	21
9. Bills of Exchange, curtailment of usance	22
10. Documentary Bills of Exchange to be given up on acceptance	33
11. Marine Insurance	34
12. Stamp Duty on foreign policies	35
13. Insurance Department in touch with Import and Export Departments	37
14. Sales ("c. f. and i." and "to arrive")	47 and 48
15. Address Commission	55
16. Gain or Loss in weight	62
17. Account Current Book: its importance	77
18. Subsidiary Ledger: also important	78

	See Paragraphs as under.
19. Difference between a Merchant's and a Manufacturer's Office	¶79
20. Deposit Accounts with the Docks	82
21. Marine Insurance Agency	85
22. Railroad Agency	86
23. Supply of Rails, &c. (Exports)	89
24. Shipment of piece goods to the East	97
25. Indents to the East	100
26. Schedules C ¹ to C ⁶	109 to 114

It is outside the scope of my present object to deal with the above 26 points in anything like consecutive order, but I think that if you will only patiently follow me, you will find that by the time I have done, I shall, in the simple and ordinary course of events, have had occasion to refer, if not to the whole of them, at any rate to the bulk of them.

Imports. 3. With the foregoing preliminary but all important remarks, I now take up the subject, without further preamble, dealing first with the question of Imports financially considered.

Previous Schedules. 4. In "A Merchant's Office," I give, among others, the following schedules:—

	Paragraphs.
C ¹ Invoice 100 Packages of Tea per s.s. "The Institute"	109
C ² Broker's Report and Valuation	110
C ³ Broker's Contract of Sale	111
C ⁴ Broker's Account Sales	112
C ⁵ Merchant's Account Sales	113
C ⁶ Merchant's Account Current	114

A study of these respective schedules must have set you thinking as to the difference of dealing minutely and individually with this shipment step by step from a merchant's standpoint instead of lumping Schedule C¹ into Purchases and the remainder into Sales, as you would probably do if treating it from a manufacturer's point of view, and under the system adopted by him.

A fact worth noting. 5. Note for instance at Schedule C¹ (Paragraph 109), how careful Messrs. Cypher, Poynte & Co., of Foo Chow, are to give every detail of gross weight, tare and net weight, the latter being stated at 5,975 lbs., and how faithfully, at Schedule C⁵ (Paragraph 113), Messrs. Blank & Co. take up the point and account for the same by showing a sale of 6,095 lbs. net, the shipment having gained 120 lbs., or 2 per cent.

in weight in the interval—no leakages nor pilfering there, nor any such thing as unaccountable depreciation: everything is fair and above board—the gross and net weight of each single package being set out and filed with the other papers for reference at any moment (as in the case of questions of Marine Claims, General Average, Particular Average, &c., as also of a package falling into the water and being lost while in the act of loading or unloading, &c., &c.). Then, again, consider for a moment Paragraph 114, Schedule C⁶, “Merchant’s Account Current,” where you have the result (a loss of £37 10s. 10d.) set out clearly and unmistakeably and finally dealt with in Account Current. Now this was one isolated consignment from Mr. Gee Gee, of Foo Chow, through Messrs. Cypher, Poynte & Co., there, to Messrs. Blank & Co., their London House. Mr. Gee Gee got as an advance on the shipment the proceeds of Messrs. Cypher, Poynte & Co.’s Bill upon London of £269 10s. 3d.: the whole transaction is briefly recorded at Paragraph 77 of “A Merchant’s Office,” and the debit Balance, £37 10s. 10d., is there shown to be either drawn against as a “re-draft,” or carried into Account Current at 17 September, 1887, with Messrs. Cypher, Poynte & Co., of Foo Chow, leaving them to settle direct with their consignor, Mr. Gee Gee (one of their most valued constituents).

Present Schedules Nos. I to VIII. Paragraphs 103 to 110.

6. I now refer you to the following Schedules given at the end hereof, viz. :—

	Paragraphs.
I. Invoice of Wool shipped to London: advance ...	103
II. Specification of Wool shipped to London ...	104
III. Broker's Account Sales	105
IV. Merchant's Account Sales	106
V. Sales Drafting Book	107
VI. Journal Entry No. 1	108
VII. Journal Entry No. 2	109
VIII. Journal Entry No. 3	110

A comparison. 7. I would ask you to compare these with the previous Schedules, C¹ to C⁶, given at Paragraphs 109 to 114 of “A Merchant’s Office,” they differ in certain details, as I intended that they should (although both of them are thoroughly orthodox in every respect), and if once you begin to understand them, and how they work out from Schedule No. I right up to Schedule No. VIII, you will find that you are in a fair way to grasp the principles of “A Merchant’s Accounts,” so far, at any rate, as Imports are concerned, and the rest will follow quite simply and naturally.

Schedules Nos. I to VIII considered seriatim. 8. Let us now, therefore, consider together the foregoing Schedules Nos. I to VIII seriatim, and so deal with the various points arising out of them. You will, doubtless, understand that proper names must be given, and in order to concentrate your attention I have ventured to use names not unwholly unfamiliar to you. I trust that in the cause of science, and to give some little point to this subject, I shall not be thought to be taking an undue liberty by doing so.

Schedule No I, Paragraph 103. Invoice of Wool shipped. 9. Schedule No. I: Invoice of Wool Shipped to London: Advance. Mr. R. J. Evans, a substantial Victoria Sheep Farmer, brings the last of the season's clip, consisting of 71 Bales of Greasy Wool, to Messrs. Blank, Cartridge & Co., of Melbourne, who advance him say, 9d. per lb. on the Fleece, and 7½d. per lb. on the Lambs, amounting together to £1,003 14s. 6d., they (Blank, Cartridge & Co.) drawing on his account at 60 days' sight upon Messrs. Blank & Co., London (and paying him the proceeds of the draft), against the Bill of Lading, with a request that they, Blank & Co., in London, will effect Marine Insurance under their open Policy, say at the rate of £16 10s. per Bale for the Fleece, and £15 per Bale for the Lambs, or, in all, some £1,170 in round figures, under Insurance No. 903.

Schedule No. II, Paragraph 104. Specification of Wool shipped. 10. The Invoice, as given on Schedule No. I, is accordingly drawn up and sent to Messrs. Blank and Co., together with Schedule No. II. Specification of the 71 Bales of Greasy Wool, shipped per "Wharcliffe Craggs" to London. You will note that the gross weight of each Bale of Wool is given separately under its serial number, with Tare and Draft deducted on the two different lots, thus—

Tare and Draft.

69 Bales Fleece gross	27,087 lbs.	: less	1,001 lbs.	= net	26,086 lbs.
2 " Lambs "	846 "	: "	30 "	= "	816 "
<hr/>					
71 Bales Wool gross	27,933 lbs.	: less	1,031 lbs.	= net	26,902 lbs.
<hr/>					

The gross weight (27,933 lbs.) is required for general purposes of checking the Landing Weights on this side, for when you come to Schedule No. IV ("Merchant's Account Sales") you will find that in going through the East and West India Dock Company's Landing Weights (the weight of each Bale being recorded separately) Messrs. Blank & Co., of London, give the gross Landing

Weights as	...	...	...	...	...	...	27,966 lbs.
against gross Shipping Weights	...	...	...	...	...	...	27,933 „
						or an increase in weight of	<u>33 lbs.</u>

on the Parcel, certainly a satisfactory result, especially as they can, with the Landing Weights, follow up and compare the separate weight of each individual Bale. On the other hand the net weight (26,902 lbs., as given in the Specification, Schedule No. II) agrees with the amount stated in the Invoice (Schedule No. I), and against which the advance at 9d. and 7½d. per lb. respectively is made as already mentioned.

Schedule
No. III,
Paragraph
105. Brokers'
Account
Sales.

11. Schedule No. III (Broker's Account Sales).
Messrs. Knox, Burbidge, Cropper & Co. are so well known, in and about Coleman Street and Finsbury, generally as representative Brokers on the Wool Exchange, and elsewhere, that I need hardly point out that their Account Sales are models of accuracy and

simplicity, containing just what is required and nothing more, and considering all the trouble they have had in sampling, reporting upon, listing, and selling the Wool, you will surely agree with me that they have well earned their ½ per cent. (£5 19s. 5d. in this instance), for remember that they have, after all this, to render Contract Notes and Account Sales, besides attending to the Deliveries, collecting the net proceeds from the buyers, and paying the same over to the Sellers, all with the regularity of clock work, and to the very minute, so that the Merchant need have no anxiety whatever as to his money not coming in exactly on the prompt day, or before, as deliveries are made on account. What a splendid thing it would be if we, Chartered Accountants, could so manage our Dividends in Bankrupts' Estates, and thus save much carking care on the part of the Creditors. Before dismissing Schedule No. III, I would ask you, at your leisure, just to compare it with Schedule C⁴, given at Paragraph 112 of "A Merchant's Office," where again Messrs. W. G. Howgrave & Co. render similar Brokers' Account Sales for 100 Half Chests of Tea, being equally well known and respected in Mincing Lane and the Commercial Sales Room for their business-like and efficient habits. But between ourselves let me point out that Messrs. W. G. Howgrave & Co. get just twice as much percentage of Brokerage as Messrs. Knox, Burbidge, Cropper & Co. do, and for about the same work, certainly no more, but then the former is a three months' prompt sale, which Messrs. W. G. Howgrave & Co. are supposed to guarantee, not having given the names of their Principals either in the Contracts or in the Account Sales, in fact, I have

known cases in the Tea Trade where the Brokers have been their own Principals, a proceeding that I, for one, strongly deprecate, and they know it too.

Schedule No. IV, Paragraph 106, Merchants' Account Sales. 12. We come now to Schedule No. IV, ("Merchants' Account Sales") which, by the way, you might also profitably compare with Schedule C⁵, Paragraph 113 of "A Merchant's Office." The first part you will notice is almost a Transcript of that of Schedule No. III (the "Brokers' Account Sales") except in order that all should arrive out perfectly clear on the other side, Messrs. Blank & Co. set out the fact that the Tare is 12 lbs. per Bale, and the Draft 1 lb. per cwt., and further they work this out with the net weight sold: bringing out the gross weight; cwts. 249 : 2 : 22, into lbs. 27,966, against the Invoice weight of 27,933 lbs., and thus show the increase in weight 33 lbs., as already mentioned by me when dealing with Schedule No. 2. The charges I shall again have to deal with as a whole when taking up Schedule No. V (Sales Drafting Book) and No. VII (Journal Entry No. 2), just, however, casually mentioning by the way one or two points as they occur to me.

Marine Insurance. 13. For instance, Marine Insurance is thus worked out,

£1,170 at 25s. per cent.	...	...	...	14	12	6
Less Brokerage 5 per cent.	...	...	...			7
						13 17 11
Less Discount 10 per cent.	...	...	...			9
						12 10 2
Add Stamp 3d. per cent. (on, say, £1,200, a completed £100)	...	...	...			0
						£12 13 2

A useful reminder. 14. Let me remind you that the 5 per cent. Brokerage and 10 per cent. Discount do not come to 15 per cent. but only to 14½ per cent. off the gross. I have often detected this error being made; one day it might be asked as an Examination question with sinister results. Try it on £100, and you will then see it quite clearly thus:—

Say gross premium amounts to	...	...	100	0	0
Less Brokerage 5 per cent.	...	...			0
					95 0 0
Less Discount 10 per cent.	...	...			0
					£85 10 0

£5 0s. 0d. plus £9 10s. 0d. = £14 10s. 0d. says $14\frac{1}{2}$ per cent. on £100, because the 10 per cent. Discount is taken on the reduced amount £95 0s. 0d., and so gives £9 10s. 0d. (or $9\frac{1}{2}$ per cent. on the original £100) instead of £10 0s. 0d. In fact only quite recently I came across such a mistake in some important accounts I was auditing connected with Insurance matters, so that if you should err herein, it will be in very good company; but that is really no excuse and would not save you. Referring again to the Account Sales (Schedule No. IV) you will remember that the £1,170, amount insured, tallies with that named in the Invoice (Schedule No. 1) where the order to insure is given.

Freight. 15. Freight is charged at $\frac{3}{8}$ ^d per lb. and 5 per cent. on 27,966 lbs. being gross weight delivered, say cwts. 249 : 2 : 22.

Interest on Freight. 16. These Merchants' Account Sales are filled up on skeleton printed forms, a heading appearing in the same for Interest on Freight, which accrues after two months of Landing : in this instance the "Wharneliffe Crags" just arrived in time to get her Wools included in the March Sales, and as Wool is sold on a fourteen days' prompt, the net proceeds became due within the time, and so the charge has not been incurred, although you will see when we come later on to Schedules Nos. V and VII, that I, by way of example, give you instances where the charge comes in.

Interest on Colonial advance. 17. The interest on the Colonial Advance, £1,003 14s. 6d., as given in the Colonial Invoice (Schedule No. I), commences from 18 March, 1888, the date when the 60 days' sight Draft already referred to matures and runs on to 11 April, 1888, the date of the Prompt, which, as you will see, comes to 24 days as stated. There is another way of charging this item, viz., through the Account Current, as shown at Schedule C⁵ of "A Merchant's Office," which you will do well to refer to : in this way I show you both methods.

Warehousing entry. 18. In this instance there is no separate charge for Warehousing Entry : it is but a trifling one—a few shillings at the most. If you will refer to Schedule C⁵ of "A Merchant's Office," Paragraph 113, you will see the item charged as "Customs Entry 3s. 6d." Speaking generally, I should say it is still usual to show this charge separately, trifling though it be, and especially with old-established houses where the pence are looked after, as well as the pounds.

Sale expenses. 19. The Sale Expenses of 4d. per Bale constitute the recognised charge that the Brokers are, by custom, empowered to make for the one thousand and one many offices they perform in getting the Wool up to the Sales Rooms, such as for instance, sampling, lotting, cataloguing, cost of printing, advertising, Sales Rooms, &c., &c., &c., and in fact, as they have often told me, 4d. a bale does not pay them, and I really believe it, but think that like the eels, who, by being used to it, end by not objecting to being skinned, so they too do the same.

Fire Insurance. 20. The rate of Fire Insurance varies according to circumstances—that is to say the nature of the risk covered and the period covered—in this instance it certainly is not excessive, being in fact only $\frac{1}{8}$ per cent. on £1,200 : things have got to be very much cut down nowadays, for 20 or 30 years ago, I well remember that $\frac{1}{4}$ per cent. (just double the above) used to be considered the normal and minimum rate under similar circumstances.

East and West India Dock charges. 21. The East and West India Dock Charges herein are on the “Consolidated Rate” of 4s. and 5s. per Bale respectively, less 15 per cent. ; being the actual charge made by the Company, amounting in this instance to £13 12s. 0d. This Rate includes Warehouse Rent, up to a certain date, after which period it becomes a special and extra charge. It may be profitable to mention here that as all such charges are payable before the goods can be released it is usual (in order to save any difficulties of a “stop”) to keep a Deposit Account with the various Dock Companies, paying in lump sums from time to time for which they give credit in a Pass Book, which they issue to the Merchant debiting him per contra in the same in one sum with the charges on each respective shipment as it accrues, at the same time rendering a charge note detailing particulars of how the amount thus charged is arrived at.

Brokerage. 22. The Brokerage say $\frac{1}{2}$ per cent. on £1,193 17s. 10d., equalling £5 19s. 5d., is what the Brokers get for all their trouble herein, but it is not all clear profit to them, as out of it they have to pay their clerking and other office expenses, so that I think you will agree with me that they deserve all they can get in the way of Brokerage, especially when the rate in their market is only $\frac{1}{2}$ per cent., as against 1 per cent. in others.

Commission. 23. The Commission, say 2 per cent. on £1,193 17s. 10d., amounting to £23 17s. 10d., in the same way reverts to the Merchants, the same remarks as above applying equally to them, and I need hardly add here that the whole of the financial responsibility attaches to them from first to last, so that they too may be well said to have earned their commission.

Schedule
No. V. Para-
graph 107.
Sales Draft-
ing Book.

24. I am afraid that all this time I have been appearing to you to have been moving along very slowly, and perhaps even wearily, but all this has been necessary for the object I have in view, viz., of gradually and well nigh imperceptibly educating you up to my thoughts herein, so that without unduly "startling you" (as my good friends the Americans say), I may now call your attention to Schedule No. V, the Sales Drafting Book: and to do this properly I must draw somewhat upon your imagination, and (to be successful) consequent good-natured attention.

A monologue. 25. While dealing with Schedules Nos. I to IV, I have been confining myself (with a view of concentrating your attention) to the same 71 Bales of Wool of the net value of something under £1,100. You will readily understand that this is just a mere flea bite, or a drop in the ocean, from a Merchant's point of view, who, being in the habit of dealing with very large amounts, only charges 2 per cent., whereas a retailer, whose transactions are of a very much more restricted nature, charges a very much higher percentage of Profit or Commission, as the case may be.

Its result. 26. You will now see, after having carefully studied Schedule No. V, Sales Drafting Book, that Messrs. Blank & Co.'s interest in the March, 1888, London Wool Sales extends to 2,206 Bales of Wool, and, it becomes necessary, for purposes of journalising the same, to analyse from their Account Sales Book, in tabular form, the various items of Expenditure under their respective impersonal headings. If you will run your eye across the first line relating to the particular parcel of 71 Bales, ex "Wharnccliffe Crags," about which I have already said quite enough, you will readily recognise these various items. That being so, please now imagine and follow out line 2 in the same way—in fact, it would not be difficult, and it certainly would be good practice for you, if from line 2 and downwards you were to sketch out a series of Accounts similar to those given in Schedules Nos. I to IV, already dealt with and explained, that is, beginning with the original Invoice from the other side (Schedule No. I) and ending with the Merchants' Account Sales on this side, Schedule No. IV, and when you have done this with line 2, taking line 1 as your working model, you will then have no difficulty in following out the various details of the other lines down to line No. 13, and noticing on lines Nos. 3, 4, 8, 9, 12 and 13 that there is no charge for Marine Insurance, but in its stead there is one for Policy Stamp by which you will understand that the Wool was insured on the other side, and the foreign Policy attached to, and sent over with, the Bill of Lading and Invoice. The charges of 2s. 6d., 1s. 3d., &c.,

are to cover stamping the foreign Policy sent over with the other documents, as the amount, in case of loss, is payable on this side, and could not be recovered on the Policy unless it were thus duly stamped in London under the Act, and which is very emphatic on this point. Please notice further that with the Invoice of 1,000 Bales ex "Probate," as shown on No. 5 line, a charge for Interest on Freight is made, and that is because the "Probate's" Cargo was a long time landed, and therefore its prompt exceeded the two months' allowance already referred to. In the same way the East and West India Dock charges on this Invoice include beyond the Consolidated Rate a special charge for Rent, as shown in the Charge Note, making up the amount of £170. It has also incurred certain other charges disbursed by Messrs. Blank & Co. amounting to £3 6s. 6d., and placed under the head of shipping charges.

No advance taken.

27. Now, if you carry your eye to the last column but two, viz., "Interest on Advances," you will see that for lines 4 and 9 respectively there is no charge made because these two lots of 25 Bales ex "Wharnccliffe Crags" and 50 Bales ex "Oughty Bridge" respectively are free consignments on which no advances have been made: in the first-mentioned case Messrs. Henry Beck & Co. wish certain things (wire fencing and other appliances) to be sent over to their station, known as "Cawthorne Downs," and accordingly instruct Messrs. Blank and Co. so to apply the net proceeds of the 25 Bales of Wool, and this, let me add, is a very common and natural thing to do. In the second case Messrs. A. Badger & Co. have a quaint notion of their own that it is a pity to spoil the cake by beginning to pick out some of the plums, so that they never take an advance but always have the net proceeds remitted over to them intact, and for the exact amount by a demand draft on the Union Bank of Australia. Messrs. Blank & Co. do not object to such constituents, nor would you, I think, if you were in their place.

Totals of
Schedule
No. V, Para-
graph 107.
Sales Draft-
ing Book.

28. The Totals of Schedule No. V: Sales Drafting Book are given as under, say—

Marine Insurance	348	14	9
Policy Stamps Account	0	9	3
Freight Inwards Account	1,803	6	10
Interest on Freight Inwards	4	0	6
Shipping Charges	4	6	1
Fire Insurance	12	3	0
East and West India Dock Company	393	18	6
Interest on Advances	96	10	8
Commission Account	734	5	9
Total Charges in all say	£3,397	15	4

Appear as credit items in Schedule No. VII, Paragraph 109. Journal Entry No. 2.

29. You will find as Credit Items in Schedule No. VII, Journal Entry No. 2, and I fancy by this time you have reasoned out for yourselves the nature of this analysis by which Messrs. Blank & Co. are enabled to pass out the whole of the charges of the March Sales in one journal entry instead of in 13 separate ones.

A surmise.

30. Doubtless at this stage many of you are itching to interfere and show me how (in your opinion) the whole thing from first to last could be much simplified (and perhaps I am as fully aware of the force of your unspoken arguments in this respect as yourselves), but this is not to the point, for in that case these accounts that we are now considering and trying to understand would cease to be a Merchant's Accounts, and I am sure they could not be considered as being a Manufacturer's Accounts, so I do not know what we could possibly call them: added to which we are not now going into the question of a Manufacturer's Accounts and its various bearings, which are not wholly unfamiliar to me, either.

Schedule No. VI, Paragraph 108. Journal Entry No. 1.

31. Coming now to Schedule No. VI: Journal Entry No. 1, I would like you to pause for a moment and familiarize yourselves with certain names, ships, marks, numbers, &c., &c., and thus personally realize for yourselves the certain amount of continuity that of necessity runs through the various Schedules Nos. I to VIII about which I am just now particularly treating.

The entry is—

Sundries (i.e., Wool Brokers)...	Dr.	36,706 19 7	
To Sales of Wool ...			36,706 19 7
		£36,706 19 7	£36,706 19 7

Totals of Brokers' Account Sales.

32. Let us begin patiently with the first line. Messrs. Knox, Burbidge, Cropper & Co. (our old Coleman Street and Finsbury friends) have (among other Wool Brokers) sold for Messrs. Blank & Co. in March Sales, certain lots of Wool their own particular sales, amounting to 246 Bales, their Account Sales coming to £4,096 16s. 8d., the first lot being 71 Bales, ex "Wharnccliffe Crags," = £1,186 14s. 9d., as shown at foot of their Account Sales given at Schedule No. III, and for all of which they are now brought in as Debtors through the Journal, and in the same way the other Brokers say—

	Bales	Ex			
William Harris	1,000	"Probate"	16,503	10	4
C. F. Lawton	250	"Mouslow Castle"	4,041	13	3
H. S. Gardner	650	"Oughty Bridge"	11,139	19	4
J. W. Innes	60	"Rotherham Castle"	925	0	0

add already referred to

Knox, Burbidge, Cropper & Co.	246	"Warncliffe Crags"	4,096	16	8
making in all	2,206	Bales Wool	<u>£36,706</u>	<u>19</u>	<u>7</u>

How they are debited. 33. If you refer back to Schedule No. V, Sales Drafting Book, you will see that the number of Bales, marks and numbers, and names of ships all agree with this present Schedule No. VI, and if you will refer forward to Schedule No. VII, Journal Entry No. 2, you will find the totals (say £36,706 19s. 7d.) reproduced. Now, let us just reason this latter part out together. Excuse my going back so often to first principles—the very A B C of Bookkeeping. By Schedule No. VI, Journal Entry 1, the various Brokers are debited with the aggregate sums of their Account Sales, as just detailed, amounting to £36,706 19s. 7d., their Accounts being credited from time to time, and thus cleared as they pay in the net proceeds, either at prompt date or previously when taking up certain portions of the Wools under discount.

And "Sales of Wool" are credited. 34. On the other hand "Sales of Wool," an Impersonal Account, is credited with the above proceeds of the respective Brokers' Account Sales, say £36,706 19s. 7d., which Impersonal Account, "Sales of Wool," is cleared off by Journal Entry No. 2, as I will now explain.

Schedule No. VII, Paragraph 109. Journal Entry No. 2. 35. On referring to Schedule No. VII, Journal Entry No. 2, you will find what I just stated above, viz., that Sales of Wool is cleared by the Debit Entry of £36,706 19s. 7d., the Credit Entries being composed of the Totals given in Schedule No. V, Sales

Drafting Book, and already referred to, and amounting, as given at Paragraph 28, to	3,397	15	4
and of a credit to Blank, Cartridge & Co.'s Advance Account for the net proceeds, as detailed, of the 2,206 Bales of Wool amounting to	32,309	4	3
making together say	<u>£36,706</u>	<u>19</u>	<u>7</u>

Items of credit also disposed of. 36. The items of credit making up the £3,397 15s. 4d., and constituting the charges, as already detailed at Paragraph 28, as taken from Schedule No. V, Sales Drafting Book, and obtained in the first

instance from the Account Sales Book, are all cleared off in due course in various ways, of which I will just now instance a few as follows, viz. :—

Marine Insurance : Policy Stamps Account. 37. Marine Insurance (£348 14s. 9d.) and Policy Stamps Account (9s. 3d.) are disposed of through the Marine Insurance Department, which, as I have already stated at the commencement hereof, keeps in close touch with the Import (Produce) Department.

Freight Inwards Account. 38. Freight Inwards Account (£1,803 6s. 10d.) is worked off by cash payments as the respective shipments are cleared. The above three Accounts adjust themselves, and, with ordinary care, without much difficulty.

Interest on freight inwards : Shipping charges : Fire Insurance. 39. As regards, however, the next three items, viz., Interest on Freight Inwards (£4 0s. 6d.), Shipping Charges (£4 6s. 1d.), and Fire Insurance (£12 3s. 0d.), these do not get cleared off quite so readily, being credited by Journal Entry No. 2 (Schedule No. VII), in the above sums, and debited from time to time as payments against them are made—these three Ledger Accounts being finally overhauled, and Balances and Differences duly adjusted periodically.

East and West India Dock Co. 40. The East and West India Dock Company is credited in their Deposit Account with the amount shown, viz., £393 18s. 6d., against lump sums paid to them from time to time, so as to keep them always in funds, and thus obviate any stop being put upon the goods when they are required to be cleared. This Ledger Account wants very carefully watching and agreeing with the Dock Company's Pass Book, each item they debit out being accompanied by a Charge Note with which the merchant only credits them on completion of the Account Sales through the Sales Drafting Book, keeping meanwhile on a separate file the charges rendered on such parcels, the Account Sales of which are not yet closed.

Subsidiary Ledger. 41. I make no doubt that you will readily see how this is all agreed periodically, in fact very much like agreeing an ordinary Cash Book Balance with a Bank Book Balance, the differences in the latter case consisting of payments in not cleared, and on the other hand of outstanding cheques, while in the former case the differences consist entirely

of shipments not yet closed in the Merchant's Subsidiary Ledger—see "A Merchant's Office," Paragraph 78—and represented as kept open by the totals of the Charge Notes on the separate file already referred to, it being usual at these periodical adjustments to set these items out, and so record the adjustment.

Interest on advances. 42. Interest on Advances (£96 10s. 8d.) may or may not be partially cleared off from time to time or finally dealt with at the end of the year in Profit and Loss Account, all this is according to circumstances. Sometimes it happens that the advance is made on the other side and left to be dealt with there, as also the Interest, although, as regards the constituent, the advance is treated as if passed on to London through a 60 days' sight Bill or otherwise. In this case it is usual to pass back the amount of the advance, as also the Interest on the advance to the credit of the Account of the house on the other side. I had an idea of working out for you such an operation through another Schedule and Journal Entry, but feel sure that with this explanation it is not necessary, besides it will be more useful for you to work it out for yourselves.

Commission Account. 43. The Commission Account (£734 5s. 9d.) is finally dealt with at the end of the year, or what of it remains, for it is not unusual to return a portion of it to the other side, as doubtless you will understand. I am sorry to have to add that the Merchant's Commission has got to be very much reduced and cut up of recent years.

Advance Account. 44. Messrs. Blank, Cartridge & Co., Advance Account, is credited on behalf of their constituents on the other side with the net Proceeds of the various shipments of the 2,206 Bales of Wool amounting to £33,309 4s. 3d. If you will cast your eye down the amounts you will in the first place recognise the line "R. J. Evans, 71 Bales of Wool, ex "Wharnccliffe Crags," £1,086 1s. 6d., as tallying with the amount of the net proceeds of the Merchant's Account Sales, as given at Schedule No. IV, and I have no doubt you will also recognise all the other names, marks, numbers, &c., which have already been given before, and there is the material before you in these very Schedules of getting out the amounts of every one of these 13 net Proceeds. I, purposely however, do not show any of these, leaving you to work them out for yourselves, merely stating in the event of there being one student of the Pons asinorum genus amongst my present readers that he has only got to take any line of the

Brokers' Account Sale, Schedule No. VI, Journal Entry No. 1	}	:	:	:	
Deduct from it the Total of the corresponding line of Sales Drafting Book Schedule No. V					
And it will give him the particular net proceeds of the shipment as shown on the corresponding line of Schedule No. VII, Journal Entry No. 2 ...		£	:	:	:
The totals of the net proceeds say ...		33,309	4	3	
added to the totals of the charges ...		3,397	15	4	
make up the Credit side of Journal Entry No. 2 (Schedule No. VII) ...		£36,706	19	7	

the Debit side (Sales of Wool) having already been dealt with : the whole particulars for this Journal Entry No. 2 being obtained from the Account Sales Book, and readily identifiable therewith, either direct, or as in the case of the charges through the Sales Drafting Book, Schedule No. V.

Schedule No. VIII, Paragraph 110. Journal Entry No. 3.	45. In Schedule No. VIII, Journal Entry No. 3, I take up and deal with the net proceeds of the 13 Shipments of Wool disposed of at the March Sales, and amounting, as you will remember, to	33,309	4	3
the respective advances on which come to ...	...	29,642	9	3
leaving aggregate margins of surplus amounting to	...	£3,666	15	0
Say Balances of margins over advance on the first 12 Shipments amounting to ... ..	...	3,760	6	10
Less excess of advance over net proceeds on the last shipment of ... ..	...	93	11	10
making aggregate net surplus as above ... ..	...	£3,666	15	0

The object of Journal Entry No. 3. 46. The object of Journal Entry No. 3 (Schedule No. VIII), is, as you doubtless understand by this time, to clear the Advance Account, which, as you will remember, had by the previous Journal Entry No. 2 (Schedule No. VII), been credited with £33,309 4s. 3d.

Advances against Wool Shipped. 47. If you will refer back to Paragraph 9, you will find that in connection with Schedule No. 1, Invoice of Wool Shipped to London, Advance, Mr. R. J. Evans obtains an advance of £1,003 14s. 6d., and in the same way

the other shippers, with the exception of two, take similar advances as follows :—

No.		Bales.			
1	R. J. Evans	on 71	per "Wharnccliffe Crags,"	1,003	14 6
2	W. H. Camm & Co.	" 100	do.	1,402	0 0
3	J. W. Best & Son	" 50	do.	709	5 9
4	Henry Beck & Co.	" 25	do. (none)	:	:
5	T. M. Moulton	" 1,000	per "Probate,"	13,700	0 7
6	W. H. Clayton & Son	" 95	per "Mouslow Castle,"	1,330	0 6
7	S. Mather & Co.	" 100	do.	1,420	0 4
8	T. C. Parkin & Son	" 55	do.	770	7 0
9	A. Badger & Co.	" 50	per "Oughty Bridge," (none)	:	:
10	J. A. D. Hale & Co.	" 450	do.	6,300	0 9
11	A. E. Short & Son	" 100	do.	1,350	11 0
12	H. J. Wells & Co.	" 50	do.	720	8 0
13	Tasker & Shuttleworth	" 60	per "Rotherham Castle,"	936	0 10
Say on				2,206 Bales Wool Advance	<u>£29,642 9 3</u>

How these advances are dealt with. 48. These advances, as already explained in the case of Shipment No. 1, are made by Drafts at 60 days' sight upon Messrs. Blank & Co., London, and upon acceptance debited by them to Messrs. Blank, Cartridge and Co.'s Advance Account in their respective amounts (the question of Interest, &c., upon the same being dealt with in the Merchants' Account Sales, Schedule No. IV, as already explained at Paragraph 17 of this work). In this way this Advance Account has become debited by these 13 Shipments in the sum of £29,642 9s. 3d., whereas by Journal Entry No. 2 : Schedule No. VII, it has been credited by the net proceeds of the Sale of the 13 Shipments of Wool in the sum of £33,309 4s. 3d., leaving margins aggregating a surplus of say £3,666 15s. 0d. : This Journal Entry No. 3

debts it with	...	...	...	...	3,760 6 10
and credits it with	...	...	...	...	93 11 10
and so clears	Advance	Account	of the	above	
Balances of	...	...	...	...	<u>£3,666 15 0</u>

I need not enter into the details of these entries. You have only to cast your eye down the Journal Entry (and by this time I trust you have got to get a little more accustomed to the Journal), to follow the same out for yourselves. There is only one point, however, that I must mention.

Re-draft. 49. This work would hardly read naturally to a Merchant if all the above were credit Balances, and besides I should lose an opportunity of bringing before your notice the matter of the Re-draft. When I read a "A Merchant's Office" to the London Students originally, the well-known genial and highly esteemed New Zealand Merchant and Chairman of the

Association of Australian and New Zealand Underwriters' Association—Mr. Henry J. Blank—favoured us with his presence, and I noticed how he watched me pretty closely as I went through and explained seriatim Schedules C¹ to C⁶ (Paragraphs 109 to 114). On getting to the end of Schedule C⁶ a kind of sigh of relief came over him as I read out the concluding words: "By Balance showing LOSS on the Transaction £35 3s. 3d.," he felt indeed that I had been realistic to the last in making the shipment result in a loss, for, alas! this is too often the fact. I well remember coming down in the train with him afterwards (and as it happened with a great manufacturer too, a staunch believer in the Journal and in the very highest class of Bookkeeper procurable, including an intelligent and comprehensive audit) and his telling me point blank that if I had brought out that shipment to any other but that inevitable result he would have felt it his duty to get up there and then and question whether I knew my business, or was only a rank outsider after all. Just fancy what a narrow escape I had on that occasion!

A reminiscence.

50. This brings me back to the years 1866-67, (now many years ago) when I had a rather busy time of it in India in persuading the Natives to meet the Re-drafts upon them. Mr. Justice Westropp, the President of the High Court of Bombay, was a very good, though involuntary, friend upon such occasions in getting them to see the matter in its right light, and he was ably backed up by my advocates the Government Solicitors and their Portuguese Clerks, so that altogether I did not come out so very badly, although one of these Portuguese clerks at the outset promptly bound himself over to keep the peace lest he might strike me, because I had remonstrated with him at having, through his remissness, to ask the Judge for two consecutive adjournments: after that episode all went well, and I had never to ask for another adjournment.

"Revenons à nos Moutons."

51. With the Accounts before us, however, the case is quite different. Messrs. Blank, Cartridge & Co.'s constituents are such high-class shippers, (as you can judge for yourselves in looking down the list of their names given on Schedules Nos. VII and VIII, Journal Entries Nos. 2 and 3,) that it is perfectly impossible to find one black sheep among them, so I must of necessity turn one into a scapegoat; and to be impartial and above suspicion I will choose from out of the list one of the very best names I can find, and that is Messrs. Tasker & Shuttleworth, whose shipment of 60 Bales of Wool ex "Rotherham Castle" leaves a deficit of £93 11s. 10d. This is how it all came about, for you must know that under ordinary circumstances the thing could not possibly have been managed, because this firm always draws on a strictly moderate scale of advance, as indeed

they did upon this occasion. But as it happened they had a new man out in the Colony to attend to that department who fancied he was too good for his post. This genius of the euphonious name of "Smallwood" (or as he was called in the office "Chips,") conceived the bright idea that it was absurd to cover the wool "all risks" when it might be done at a much lower rate "f.p.a." ("free of particular average") and so as Mr. Shuttleworth, who generally attends to these matters, happened to be up-country that afternoon, he took it upon himself so to instruct Messrs. Blank, Cartridge and Co., when handing them the shipping documents against the advance just as the mail was closing. They were thunderstruck and could not understand it; however, Master Smallwood was so persistent that at length they wondered and finally gave in, thinking there might be something in it after all, and so the orders got over here to cover the 60 Bales per "Rotherham Castle" "f.p.a." Messrs. Blank & Co., could not understand it either, but the orders were clear and so they carried them out. It turned out very unfortunate for Master Smallwood. The "Rotherham Castle" was all but a Total Loss, her cargo was very much sea damaged, all of which damage was recovered of the underwriters except on this particular shipment of 60 Bales; the sea damage depreciation on which came to close upon £250, hence the Re-draft of £93 11s. 10d. instead of an otherwise surplus of about £150. Well, of course, Messrs. Tasker & Shuttleworth, however annoyed they might feel did not let others see it, and so as soon as the 60 days' sight Draft was presented, they there and then paid it under Discount and so wiped out the remembrance of this unfortunate experiment. Master Smallwood endeavoured in the first instance to justify his action by declaring that everybody knew that "f.p.a." meant "for particular average," but when it was pressed home to him pretty forcibly that it meant nothing of the kind, but "free of particular average," he was silent and was quietly allowed to emerge out of it all a sadder but a wiser man: he has since taken to wearing spectacles to give him a more sedate and matured appearance: the above incident is taken from life, I knew "Chips" personally: he is still about and well.

To summarize all the foregoing. 52. To summarize all the foregoing: you understand by this time that Blank, Cartridge & Co.'s Advance Account has now been cleared by Journal Entry No. 3 (Schedule No. VIII), and that their Current Account is in credit in various sums making up together,

say	3,760	6	10
and in debit for the above Re-draft say	93	11	10
which makes the net credit say	<u>£3,666</u>	<u>15</u>	<u>0</u>

How the Balances are disposed of. 53. The Balances respectively making up the above amounts are there and then dealt with on 31 March, 1888, for Messrs. Blank & Co. are prompt people, and perhaps this is how I have somewhat caught their complaint in a mild and mitigated form, what do you think? The Balances on Account Sales Nos. 1, 2, 3, 5, 6, 7, 8, 10, 11, and 12, as there shown, are all remitted out exactly with the Account Sales, &c., by that very Mail of 31 March, 1888. The Balance on Account Sales No. 4 (a free consignment) and amounting to £393 11s. 9d., is transferred to an Indent Account to provide towards the Shipment to Messrs. Henry Beck & Co., which happens to be in excess of the same, and so they are drawn upon for the ultimate balance, amounting to £159 7s. 4d.: this closes the whole transaction. The net proceeds of Account Sales No. 9 (£786 6s. 0d.) also a free consignment, are remitted out in full. Shipment No 13, as I have already pointed out, leaves a deficit of £93 11s. 10d., for which a 60 days' sight draft is drawn upon the shippers, who at once take it up under discount, and so clear this consignment; Master Smallwood thus once more breathing freely. In this way not only is Blank, Cartridge & Co.'s Advance Account in the Subsidiary Ledger so far again adjusted to a point, but their Current Account is also freed of any outstanding differences on these Sales. This is no fanciful picture I have been drawing, but a real fact that I have been stating. All this, indeed, is of periodical occurrence, coming round as regularly as clock work, and as certain too, as you will find when you know what solid and substantially punctual people Messrs. Blank & Co. are, as are also all their Branch Houses and Agencies.

Subsidiary Ledger. 54. These closing entries clear off the intermediate Accounts of the various Shipments open until they are finally disposed of in the Subsidiary Ledger, referred to at Paragraph 78 of "A Merchant's Office," where I add that these intermediate Accounts may have been opened for months or even years, and contain very many and varied details, and yet by the use of this intermediary or Subsidiary Ledger they can be closed in an incalculable short space of time. If you have carefully followed me all through these various Schedules, I think you will have to admit that this is not only literally the case, but also that it has been literally carried out.

Imports thus disposed of. 55. I have been very long, but the subject is not an unimportant one, and so in clearing step by step the various items relating to Imports, you should now understand the converse of the picture, viz., Exports, which I can therefore deal with much more rapidly: presuming of course that you have so far been following me closely throughout.

Exports. 56. The question of Exports is, indeed, a vast one. I have already in a slight degree referred to it, at Paragraphs 89 to 101 of "A Merchant's Office," when speaking of—

Shipment of Rails to the United States,
Shipment of piece goods to the East,
Indents to the East,

this, of course, only just fringes the important subject. At the same time you might refresh your memory by turning at your leisure to these pages, and meanwhile, for purposes of Account.

Schedules Nos. IX to XII. Para- graphs 111-114.	57. I now refer you to the following Schedules Nos. IX to XII.
	Paragraphs-
	No.
	IX. Invoice Outwards (execution of an Indent) 111
	X. Journal Entry No. 4 112
	XI. Invoice of Steel Rails Shipped to New York 113
	XII. Charges on Steel Rails Shipped to New York 114

which, if you master throughout, should, with the foregoing remarks, give you some little insight into this branch of "A Merchant's Accounts."

Schedule No. IX. Para- graph 111. Invoice Out- wards (execu- tion of an Indent).	58. We begin with Schedule No. IX. "Invoice Outwards" (execution of an Indent), Messrs. Blank, Ball & Co., of Hongkong, "indent" (or order) of Messrs. Blank & Co., of London, certain goods to be shipped out to them specifying at the same time of whom these goods are to be bought, viz.,
--	---

the Corrugated Iron, of Messrs. Barber Bros. & Wortley.
the Lubricating Oil, of Messrs. George Franklin-Adams & Co.
and the Crockery, of Messrs. Tasker & Shuttleworth :

the "Indent" (or order) is accordingly passed on to these respective firms, with marks and numbers for the packages, and later on particulars of the dock and the ship by which they are to go, viz., the "Alton Towers" (Captain W. N. Fisher, a fearless and successful navigator), loading at the Tilbury Docks.

The goods in- voiced in triplicate.	59. In due course Messrs. Barber Bros. & Wortley, and the other makers send the goods off to the Tilbury Docks, and furnish Messrs. Blank & Co. with detailed Invoices in triplicate (two of them to be sent out to Messrs. Blank, Ball & Co., and the third copy for them to file away), and against which and on notification of the goods being down at the Docks, Messrs. Blank & Co. pay them cash for the same. These Invoices being voluminous, it is not deemed to be necessary to copy them all out again either in the Invoice Book or in the Invoice Out- wards, which Messrs. Blank & Co. send out accompanying the same :
---	---

they are simply attached to the latter, and the total only given (with Discount deducted in the first two Manufacturers' Invoices, the last one being net) as shown in Schedule No. IX, now under consideration.

Shipping Department. 60. Messrs. Blank & Co. attend to the shipment of the goods through their own Shipping Department (they have constantly one or two men from their office down at the various Docks looking after all this) which passes the necessary entries, and makes out the Bills of Lading, and gets them signed against the Mate's Receipts.

Freight. 61. The Shipping Department also engages the Freight, and gives the Insurance Department the necessary instructions to cover the goods by Marine Insurance.

Marine Insurance, including Risk of Transit. 62. "Including the risk from Sheffield, and or elsewhere to place of Shipment by Railway, and or other conveyance (except carrier's risk) and of fire in transit and whilst waiting shipment in "Docks, Warehouses, or elsewhere."

A possible shut out. 63. The Insurance is duly closed and Policy is taken out as soon as the Bills of Lading are signed, for it sometimes happens that for some reason or another the goods are shut out (either in part or the whole), and have to go by another ship. It is one of the duties of the Shipping Department, and not at all an easy one at times, to watch all this very carefully, and so avoid the annoyance of a shut out.

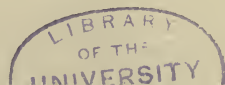
Commission. 64. Messrs. Blank & Co.'s Commission on all this is 5 per cent., say on £241 17s. 5d., equals £12 1s. 9d., and as it is important that you should know how this particular sum of £241 17s. 5d. is arrived at, I will now show you.

Take the gross amounts of the Manufacturers' Invoices, thus:—

Barber Bros. & Wortley's gross invoice	...	152	0	8
George Franklin-Adams & Co. do.	...	62	11	4
Tasker & Shuttleworth's do. (no discount)	...	6	13	3
and add Freight paid	... ..	20	12	2
making together	...	<u>£241</u>	<u>17</u>	<u>5</u>

on which the 5 per cent. Commission, £12 1s. 9d. is charged.

Full rate charged. 65. I would here point out (what possibly you may have already seen for yourselves) that although Messrs. Blank, Ball & Co., of Hongkong, are a branch of Messrs. Blank & Co., of London, the latter charge them the full



rate of Commission, viz. : 5 per cent., just as they uniformly do to all their constituents, making no difference. The fact is, Messrs. Blank & Co. do not believe in cutting down Commissions and working for nothing, and I commend them for it—besides which, where is the necessity for so doing when they invariably command full rates all over the world?

Difference between an Account Sale and an Invoice. 66. You, of course, see the difference between an Account Sale and an Invoice, in the former (to get at the net proceeds) the charges are deducted, whereas in the latter they are added as is done in this case.

Schedule No. X. Paragraph 112. Journal Entry No. 4. 67. Schedule No. X, Journal Entry No. 4, passes the Invoice Outwards, Schedule No. IX, into the Books, debiting Messrs. Blank, Ball & Co., Hongkong, in Current Account with the amount of the same £250 0 6

crediting the three Manufacturers respectively the net amount of their Invoices together	213	5	4	
and the various Impersonal Accounts for Shipping Charges, Freight, &c.	36	15	2	
				£250 0 6

The items disposed of. 68. Messrs. Blank, Ball & Co.'s Current Account is a running one, and is subject to 5 per cent. Interest, as worked out in the Account Current Book. The three Manufacturers' amounts together £213 5s. 4d., as also the item of Freight, £20 12s. 2d., are worked off exactly by cheques drawn for the respective amounts, and debited to these Accounts. The Marine Insurance Department responds to the item, £3 3s. 9d., and this, too, is adjusted in Monthly Settlement Account. The other two items "Shipping Charges, 17s. 6d. and Commission £12 1s. 9d.," go to their respective Impersonal Accounts, which accounts are more or less dealt with in the course of the year, the final Balances at the end of it coming in for Profit and Loss Account.

Schedule No. XI. Paragraph 113. Invoice of Steel Rails shipped to New York. 69. At Paragraph 113 you will find Schedule No. XI, Invoice of Steel Rails Shipped to New York, Brooklyn, or Jersey City, and consigned to Messrs. Poynte, Blank, Cypher & Co., for account of the Great Eastern and Western Shore to Shore Railroad Company of America, Limited; Bexley Heath and Sheffield Extension, consisting of a shipment of 1,002 Tons of Steel Rails of 56 lb. "Pennsylvania" fished pattern,

of Messrs. J. Watson & Sons' well-known make, and shipped by them f.o.b. (free on board) Cardiff at £4 per ton, net cash, against Bill of Lading or Weighed-up Certificate at their wharf there. The section of 56 lbs. per yard gives exactly 40 yards to the Ton—the contract specifies that at least 90 per cent. of the Rails shall be in even lengths of 30 feet, and the remaining 10 per cent. in even lengths of 27, 24 and 21 feet, and nothing shorter. The above price of £4 per Ton for these Steel Rails is the current price of the day. A quarter of a century ago, I well remember Steel Rails being quoted at from £20 to £16 per Ton, against Iron Rails at £10 to £8 per Ton, payable in those days by an acceptance having six months to run, generally from the date of the Bill of Lading; now the price for both Steel and Iron Rails ranges at from £3 15s. to £4 per Ton, for net Cash "f.o.b." Wales, for 50 lbs. Sections and upwards. Light Rails of from 24 down to 12 lbs. Sections being quoted from 10s. to 15s. dearer. These Rails are inspected at the works during process of rolling by Mr. G. W. Knox, a man of herculean strength, who, as the men there say, comes down a regular cropper upon the Rails with the hard knocks he brings to bear upon them to test their soundness. Woe betide a faulty one!!—it simply is nowhere: his charge is 6d. per Ton, and he is always at it, his Certificate being very highly prized and well-known all over the world, especially in the Western States of America.

The Consular Certified Invoice. 70. It will be noticed that the Invoice (Schedule No. XI) differs from the previous one (Schedule No. IX), inasmuch as it does not contain any charges, but simply represents particulars of the Manufacturer's Invoice; made out, however, by Messrs. Blank & Co., of London. The reason is this: It is the Consular Certified Invoice, three copies of which are sworn to by the Merchant before the American Consul in London or elsewhere, at a fee of 12s. 6d. Two of these Invoices are retained at the Consulate (for the use of their London and New York Bureaux respectively), and the third is returned to the Merchant with the Consular seal duly attached. (Vide "A Merchant's Office," Paragraph 95.) Now, seeing that the one that is registered at the New York Bureau is open to the vulgar gaze of all, (whether concerned or unconcerned) it is obviously advisable not to give more information than is absolutely necessary, and as Rails are assessed for Duty in the States on an ad valorem basis, the quantity shipped is really all that is looked for, and so the Manufacturer's Invoice serves for the Merchant's Invoice. The Merchant, when swearing this Invoice before the Consul, declares, on oath, that no other Invoice is sent out, and so the charges go out separately, as shown in Schedule No. XII.

Schedule No. XII. Paragraph 114. Charges on Steel Rails shipped to New York.

71. Schedule No. XII gives the Charges on Steel Rails Shipped to New York, Brooklyn, or Jersey City.

The first two items, 15s. for Bills of Lading and Consular Invoice, and £25 1s. 0d. for Inspection, I have already dealt with, that of £46 4s. 0d. for Marine Insurance, you should understand by this time, the rate, 20s. per cent., (1 per cent.) is for a full cargo of $\frac{1}{3}$ over the registered tonnage per steamer "Denby Dale." In olden days, when I had much of this chartering to do, steamers taking full cargoes of rails from wharf to wharf, from South Wales direct, and avoiding transhipment at either end, were unknown for this class of trade. The rate of freight then by sailing vessel, was somewhat higher; instead of 15s. per ton net, it was nearer 20s. per ton, with 5 per cent. primage, and the rate of Insurance instead of being from 15s. to 20s. per cent. by steamer, according to season, ranged from 40s. to 80s. per cent. by sailing vessel, and sometimes I have paid as high as £5 and even £5 5s. 0d. per cent. The captain gets $\frac{1}{3}$ advance on the freight, less 3 per cent. for Interest and Marine Insurance, which latter is covered by the Merchants (in this instance Messrs. Blank & Co.).

The commission, 2 per cent., speaks for itself.

Messrs. J. Watson and Son's Invoice is...	4,009	10	0
The charges come to	415	6	0
Together net cash on 30 Oct., 1888	<u>£4,424</u>	<u>16</u>	<u>0</u>

which goes to the debit in current account of Messrs. Poynte, Blank, Cypher & Co., New York, for account of the Railroad. I may add, as you will see, for yourselves, directly, that there are plenty of funds available in London to meet the above payment.

A work of supererogation.

72. I really think it would be a work of supererogation to trouble you with the Journal Entry necessary to get these Schedules, Nos. XI and XII into the

Books. I do think I must leave this arduous (?) task to your own fertile imagination to work out. I am sure that, with a little ordinary patience, you will manage it quite easily.

Two cases affecting Exports.

73. I have now given you two cases affecting Exports—

Viz.—Schedule No. IX, the execution of an Indent, and Schedule No. XI, A Shipment of Rails.

Others suggested.

74. I might follow this up by the following additional one, that is to say:—

“A Shipment of Piece Goods to the East:”

this I might make either a Consignment, a Joint account venture, or an out and out purchase, showing, in the first instance, the drafts drawn against the same, and discounted on this side to pay for the purchase of the goods, and then the remittances sent over from the other side to meet the same at maturity, with final Journal Entry closing the transaction, which more often than not would end in a loss. I mention this with a view to giving you the idea, so that when you come across any similar operations you will not be altogether at sea with them, but be thoroughly competent and able to carry them through the books to finality.

American
Railroad
Agency.

75. I mentioned at Paragraph 86 of "A Merchant's Office," that Messrs. Blank & Co. are, inter alia, the London Agents of the "Great Eastern and Western Shore to Shore Railroad Company of America, Limited."

The business
resulting
from it.

76. This brings them into the very thick of the many mysteries affecting American Railroads, (they call them "Railroads," and not "Railways" in the States) with their respective issues of Shares, Cancelled Bond Scrip, Optional Right Bonds, Freeland Redemption Bonds, &c., &c., (all of which you will no doubt come across in course of time) as also the Receipt of Calls, Payment of Dividends and Interest, Purchase of Coupons, the Issue of the Monthly Traffic Returns, &c., &c., in fact, the one thousand and one other things connected with Railroads, which only those who have been at it nearly all their life (as I certainly have) can have any conception of, the operations being simply gigantic, and varied in the extreme. This naturally brings them into close touch with the various Stock Exchanges of London, New York, Amsterdam, and the Continent generally, investing them with very great powers but which they never abuse, for Messrs. Blank & Co. are neither wreckers, smashers, nor corner men; they will have nothing to do with Rings or Syndicates, and the whole of their financing they manage entirely themselves being quite strong enough, single handed, for anything that has yet come before them in that way. I have already told you at Paragraphs 43 and 105 of "A Merchant's Office" how successfully and without aid they carried through the purchase for the Nation of those 176,602 Suez Canal Shares. What a success it has been in every sense of the word. Having done that they can simply do anything.

Bexley Heath
and Sheffield
Extension.

77. Messrs. Blank & Co. have recently carried out successfully the raising of the £500,000 capital required for the Bexley Heath and Sheffield Extension of the "Great Eastern and Western Shore to Shore Railroad

Company, Limited," by the issue in the London market of 50,000 shares of £10 each, which were all subscribed for, some three times over, the very morning the lists were opened at their office which is also the registered office of the Railroad Company. Bexley Heath lies well situated on high ground on the borders of the famous Yellowstone Park, it is a deliciously rural hamlet, where choice flowers, fruits and vegetables of every description flourish, both indoors and out, as perhaps nowhere else; it being especially noted for its glass houses, the air is delightfully bracing, invigorating and health giving. This extension now connects Bexley Heath with the main line from New York to San Francisco at the nearest point, Sheffield, a rapidly rising and flourishing manufacturing town, with its iron and steel industries, and big chimnies (an endless supply of coal ready to hand), bidding fair soon to emulate (and possibly in time overstep, who knows) our own Sheffield, of world-wide repute. The extension has already found favour everywhere, and is likely to be a great financial success, especially as the Railroad has secured from the United States Government exceptional mineral rights, besides very liberal grants of land on both sides of, and all along the line, in order to develop the townships that will of necessity soon be springing up.

Yellowstone
Park.

78. You remember, of course, that the vast extent of land known as "Yellowstone Park" itself belongs to the nation, may never be built over, and is, in fact, one great National Recreation ground of the most romantic and picturesque nature conceivable, so that as hamlets around it are especially favoured, and are becoming highly prized, the traffic is sure to develop rapidly, and lead to exceptional results.

Schedule
No. XIII.
Paragraph
115. Journal
Entry No. 5.

79. In connection with the issue by Messrs. Blank & Co. of the £500,000 share capital required for this extension, I now refer you to Schedule No. XIII, Journal Entry No. 5, showing by four simple consecutive Journal Entries, in order of date, the closing of the various intermediate accounts (created by the Cash Payments for application for shares, allotments, and calls respectively) and focussing on folio 1 of the ledger in four lines the subscribed capital of £500,000. I would point out that the first account, Application and Allotment Account, is used to filter in and out the whole of the cash relating to the first payments by and to the respective applicants, the result being a credit in the account of £150,000 which is cleared off by the first of these Journal Entries straight away to Capital Account; the adjustment of this Application and Allotment Account needs some little care, but it is interesting work, and well worth the extra pains bestowed upon it.

The Call Accounts. 80. The Call Accounts (first, second and third Call Accounts) are all of them simplicity itself, the credits are created by cash received from the shareholders, and each account is exactly cleared by Journal Entries 2, 3 and 4 straight off to Capital Account.

Company work. 81. I do not now propose to go into the other details connected with this Share Capital and how the Share Ledgers are kept, nor into the formalities that Messrs. Blank & Co. had to observe when procuring a quotation for the shares on the London Stock Exchange. While they have no auditor to supervise their own (Merchant's) Books, being as they always state their own auditors, they have two professional auditors for the Railroad, who are, as they should be, members of The Institute of Chartered Accountants in England and Wales, and with which arrangement, I make no doubt, you have no fault to find. I take up this subject of "Company Work" immediately after this present one: you will find it following on consecutively in this present volume.

Demerara Sugar Estates Co., Ltd. 82. Messrs. Blank & Co. own vast Freehold Sugar Estates in British Guiana, known as the "Demerara Sugar Estates Company, Limited," which, for convenience sake, they have registered, under the Companies' Acts, as a private Limited Company, the various partners being the sole shareholders. The Company's Office is registered at their London Office, where all the Books and Accounts are kept. The Sugar (they will not touch Rum) is consigned to Messrs. Blank & Co., as ordinary Merchants, for sale, who treat the Company just as they would any ordinary and outside correspondent. In connection with these Estates, they own large riverside frontages and wharves at Georgetown, which is part of the Freehold of the Company, and which premises are periodically and systematically credited with an Annual Rental, annually fixed on equitable conditions based upon how things rule generally. They also make stated and regular charges on the steamers that come alongside to load and unload. The accounts are made up yearly, at a time convenient to get in, as far as practicable, all the net proceeds of the Sales of the Season's Crop. The Balance Sheet and Profit and Loss Accounts are made up and strictly audited in orthodox style by a firm of Chartered Accountants, and, as a matter of course, they hold their annual general meeting, when they transact all the ordinary business of a Company, including the declaration of a Dividend, subsequently filing at Somerset House, within the period prescribed by the Act, the annual list of shareholders. In fact, to speak nautically, they charter a firm of Chartered Accountants to keep them

generally straight as they go along, and as this is by no means unpleasant or uninteresting work, this firm also keeps them straight with their steamships company in the same way, to which I will now refer.

Demerara
Steamships
Company, Ltd. 83. In connection with this sugar business, Messrs. Blank & Co. own a powerful fleet of steamers, trading between Georgetown and London, this Property being also registered as a private Company under the Companies Acts as
“ The Demerara Steamships Company, Limited,”

the partners being, as before, the sole shareholders, and the Company carried on on similar lines as “ The Demerara Sugar Estates Company, Limited,” with the registered office at the same place, except that they are wise enough not to be their own Managers or Brokers; for these steamers (although Messrs. Blank & Co. largely contribute towards loading them) also look to outside support to keep up full cargoes, both out and home. They further, to a limited extent, take passengers (who have a very comfortable time of it). These duties devolve upon the well-known firm of Shipbrokers and Ships Husbands, Messrs. Deloitte, Saffery, Westcott & Co., of 3, Copthall Buildings, London, E.C., who manage the business in such a manner as always to show satisfactory, and where practicable, paying results. Each voyage of each steamer, both out and home, is serially numbered, and a separate Profit and Loss Account in consecutive order kept of the same: at the end of the year, these are all brought together into general Profit and Loss Account, and a regular Balance Sheet and Subsidiary Accounts (incorporating the above) drawn up and duly audited by the firm of Chartered Accountants, already referred to, all the other formalities (as in the case of the Sugar Estates Company) being strictly observed and duly carried out. I feel that I have now dealt sufficiently upon these two interesting subjects, giving you much to think over besides providing you with useful materials to work out something if you are so inclined. I might just, however, add that with other firms where the ships are held in $\frac{5}{8}\frac{1}{4}$ th shares and not by a limited company, the same process very closely prevails as indicated herein.

Marine Insur-
ance Agency. 84. I mentioned at Paragraph 85 of “ A Merchant's Office ” that Messrs. Blank & Co. are agents for the “ Chow Chow Marine Insurance Company, Limited,” of Shanghai. This agency is carried on as a distinct department in a first floor front office facing the Royal Exchange. Mr. Hans Knickerbocker (a venerable old gentleman with a skull cap, shaggy eyebrows, horn spectacles, and a stooping gait) being the Underwriter and Manager, who has, as his assistant,

Archibald Blank, a dapper young fellow of 24, decidedly of the modern school, who takes very kindly to the business: they have also young Theophilus Cypher to write out both descriptions of policies, to look after the open slips, and see to the office generally, so that they are by no means shorthanded.

Mr. Hans Knickerbocker's office motto. 85. You will remember that at the beginning of "A Merchant's Office," I give Messrs. Blank & Co.'s office motto. Mr. Hans Knickerbocker has also one, which you will find at the end hereof.

Messrs. Blank & Co.'s remuneration. 86. Messrs. Blank & Co. receive for this agency a certain percentage on all Gross Premiums taken in London, as also another percentage on all losses settled there, and for which percentages they pay themselves quarterly; out of this they discharge the three salaries of Mr. Hans Knickerbocker, Archibald Blank, and Theophilus Cypher, and the Rent of the office, &c., &c., but not the Annual Subscriptions to Lloyd's Room and to Lloyd's Register. So far as Messrs. Blank & Co. are concerned, the Bookkeeping recording the above Transactions is very simple (consisting in fact of a few Cash Entries and Journal Entries during the year). As regards the Agency Underwriting Account with the Head Office, a regular Company's underwriting set of books is kept, debiting the Merchants and Brokers for Premiums and Stamps and per Contra crediting Premium Account and Stamp Account respectively, monthly Accounts, payable on the 8th of the following month being rendered, so soon as the month has turned. These are due in cash on that day, and it is not usual to set off losses against them; the losses being paid separately, generally within 7 days of the claims being lodged at the Agency. On the other hand the operation is reversed for losses paid: the Losses Account being debited and the Merchants' and Brokers' Accounts credited, and in the same way once a quarter Commission Account is debited and Messrs. Blank & Co. credited for the Commission earned by them on the Agency. Full Returns are sent out regularly and very frequently to the Head Office in Shanghai—this is Archibald Blank's business, as also to keep the general financial Books and write up the Voyage and Time Risks Books—with very full "indexes," so that Mr. Hans Knickerbocker, the Underwriter, can tell at any moment what line his Company has on any one bottom and can further note when it has run off.

Marine Insurance Trust Fund, &c. 87. Messrs. Blank & Co. as careful intermediaries between the assurers and the assured (especially as the head office of the former is located at Shanghai and not in this country, the Shareholders mostly, over there too,

being more or less dispersed) before taking up this Agency stipulated that at least £30,000 Consols should be held in special trust as security for risks taken at the London Agency, and the Company wisely acquiesced; the Stock (converted into $2\frac{3}{4}$ per cent. Goschen's and since reduced from 5 April, 1903, to $2\frac{1}{2}$ per cent.) is registered in the joint names of Sir Thomas Blank, Bart., M.P., and Lord Readymoney—the dividends as they come in quarterly are credited to the Company—the Capital sum now standing at £40,000 being never touched. It is also further agreed that the Banking Account (either on Deposit or in Current Account) with Messrs. Glyn, Mills, Currie & Co. should always be in credit to the extent of at least £5,000, anything beyond say £6,000 being remitted out to the Head Office and anything short of the £5,000 being at once remitted home by Cable Transfer. The plan has been found to work very well and might, with advantage, be adopted by other Companies similarly situated.

The reason that Messrs. Blank & Co. journalise their cash. 88. Messrs. Blank & Co. journalise their cash monthly, and seeing the many cash entries that come in for the respective Ledger Accounts during the month (very different to a Manufacturer's books where an ordinary Ledger Account takes one, or perhaps at the most two, monthly cash entries) they would very soon fill their Ledger if they posted every cash item separately, and so they journalise them: thus, only using one line per month debit or credit as the case may be for each account of cash transactions. During the month and before the cash gets posted into the Ledger, they may want to know what cash any particular client may have drawn or paid in during the month, and they therefore keep and write up daily from the Cash Book what is called a Cash Index Book as per Schedule XIV.

Schedule No. XIV. Paragraph 116. Cash Index Book. 89. By referring to Letter A of the Cash Index Book, you see at a glance that the Assam Bank, Limited, have paid during October, 1888, three sums of £5,000, £10,000, and £159 11s. 8d., together £15,159 11s. 8d.; and that on the other hand they, (Blank & Co.) have paid to Charles Anstey during the same period £749 11s. 8d., £670 13s. 4d., and £10,000, together £11,420 5s. 0d., and so on. At the end of the month the cast of each letter is taken in alphabetical order, and summarised as at foot of Schedule No. XIV: the monthly debits in column No. 2, the monthly credits in column No. 6, and the whole cash thus:

Total Debits of cash received,	58,770	6	2	and of cash paid,	59,500	6	1
Add cash at 1 October, 1888,	17,008	2	2	at 31 Oct., 1888	16,278	2	3
	<u>£75,778</u>	<u>8</u>	<u>4</u>		<u>£75,778</u>	<u>8</u>	<u>4</u>

Cash Index Book and Alphabetical Cash Summary both helpful.

90. This Cash Index Book and the Alphabetical Cash Summary are also great helps to the Book-keeper in journalising the cash at the end of the month, for by the aid of the former he can readily pick out the items belonging to each account, and so exhaust the Cash Book letter by letter; and by the aid of the latter he can check his casts letter by letter as he goes along, and this is the use of columns No. 1 and No. 7. For instance, A speaks for itself, casting £21,999 18s. 4d., and £20,895 8s. 4d., respectively. When he gets to B, he mentally adds A and B together, and checks himself so far. At C he thinks it wise to be more particular, so he extends the cast of A, B, C into columns Nos. 1 and 7 thus: £27,008 7s. 9d., and £30,000 1s. 0d., and so on. I need not explain further, the thing is very simple.

The Journal.

91. I must now, I think, say a few words as to the Journal, for you must by this time have seen what an important part it plays in Messrs. Blank & Co.'s office in collating shortly and clearly in systematic and regular order the many and varied transactions that they have to record, and the economy of space it saves in the Ledger, besides in itself containing a record of every transaction in consecutive order; and perhaps we might here just refer to what I say of it at Paragraph 10 of "A Merchant's Office," viz.,

Some advantages of journalising everything.

92. "They (Messrs. Blank & Co.), too, retain the old plan of journalising everything, and so minimizing the monthly entries into the ledger. This plan of necessity takes up time, and in these go-ahead days is, I fancy, somewhat deprecated by the authorities in such matters; it certainly would not work in a general way, where the bookkeeper is not thoroughly up to his work and is pressed for time, but at Messrs. Blank & Co.'s office the system works to perfection, for each book of account comes in its regular monthly rotation into the journal, and everything is thus focussed in full detail therein; the result occupies only one line for each class of entry posted to the Ledger, but, notwithstanding, tells its own tale clearly and unmistakeably. Every entry as made is called over the following morning, and the contingency of errors and omissions is thus minimised."

Monthly order of the Journal Entries.

93. I think here it would not be out of place to give the ordinary monthly order of the Journal Entries that Messrs. Blank & Co. are in the habit of making. They are as follows:—

- | | |
|----------------------|--------------------------------|
| 1. Brokers. | 7. Petty Cash. |
| 2. Account Sales. | 8. Consignments out. |
| 3. Marine Insurance. | 9. Invoices (Indents out, &c.) |
| 4. Bills Receivable. | 10. Memo. Accounts. |
| 5. Bills Payable. | 11. Rough Journal. |
| 6. Cash. | 12. &c., &c. |

A candid admission.

94. I certainly do not mind owning at once that such a use of the Journal may appear to involve additional time and labour. Messrs. Blank & Co. are quite aware of this fact, but at the same time they feel that what extra expense is thereby entailed, is fully compensated by the many advantages they derive through this system being carried out in its entirety.

Some of the many advantages of using the Journal.

95. For instance, by the aid of the Journal, without needing to turn to any other book whatever, they can follow at a glance the various monthly transactions, and as these always succeed one another in regular order, they know exactly where to look for them, and so simply read on steadily, understanding everything as they go along, without the great labour and fatigue of having constantly to turn from one folio to another, or from one book to another. They are very careful to keep these Journals in a safe place (some firms have them in duplicate). I manage this at my office for certain clients, so that if every other book in the place were lost or destroyed, it would only be a matter of ordinary bookkeeping to write them up again from the Journal or Journals in their order of date and continuity.

The precision it brings about : everything thus closely and regularly kept up.

96. Messrs. Blank & Co. can satisfy themselves by reference to the Journal that everything is closely written up as regards the initial and subsidiary books of origin (whence the Journal entries are framed), as also that the respective Ledgers are fully posted from the Ledger folios appearing by the respective amounts of the Journal Entries. I, for one, certainly do think it a very great thing to have all the books properly kept up and cast in ink, and totals carried forward at the time, instead of leaving all this to accumulate and to be hurriedly and imperfectly done at balancing time, when so many other things are pressing upon one. Messrs. Blank & Co. insist upon each day's work being done in its own day, and no arrears left over for the next ; the clerks know it and appreciate it, they do their work conscientiously and regularly, and very rarely indeed have to stay late, having everything thus well in hand and under easy control.

Errors both of omission and commission dispensed with.

97. Thus having satisfied themselves that there are no errors of "omission," and that everything is well up, they are also clear that there are no errors of "commission," that is to say that no unjustifiable entries are smuggled into the books without their

having the opportunity of noticing them, which is simply impossible to detect in the ordinary way of casual supervision in the case of cross entries from one Ledger folio to another, or from one Ledger to another, and which unbusinesslike mode of procedure opens the door to endless irregularities and temptations to a weak or unprincipled bookkeeper, and yet I believe some are to be found who not only tolerate, but actually advocate such a slipshod mode of procedure.

The compulsory use of the Journal.

98. I do not know if you are generally aware of the fact that in France and other Latin Countries (such as Spain, Italy, Belgium, Switzerland, those

parts of Germany on the left bank of the Rhine which were formerly in France, &c.) where the Code Napoleon prevails, the use of the Journal in its absolute entirety is not only universal, but imperative; there is no option in the matter. The Trader must only have one Journal in use at the time. Each page is numbered and stamped, or initialled under the supervision of a competent executive. (Where practicable, the President of the Tribunal of Commerce sees to this—in other cases it is the Mayor, or the Adjoint, while in Spain it is the fiscal or Revenue Authorities, and there they make a regular source of revenue out of it.) The first page of the Journal sets out that pages 1 to so-and-so have been duly viséd, and the book issued on the date named to Messrs. So-and-so. When the book is completed (no blanks, erasures, tearings out, or addition of pages being tolerated) it is brought to the official who certifies the last page of this old book and the first page of the new book with reference from one to the other so as to establish continuity. Anyone not complying with this rule, renders his books worthless in the way of evidence in a Court of law, and in case of bankruptcy, the trader would fail to get his discharge, or be protected by the Court.

Where its use is not compulsory.

99. In those parts of Germany and elsewhere on the Continent where no such compulsion exists, the Traders nevertheless, as a rule, use the Journal very extensively, wisely recognising its value.

My own personal experience therein.

100. The foregoing I state from my own personal experience of the examination of Traders' Books, and therefore intimate touch with their Journal in Spain, Cuba, &c., &c., France, Belgium, Switzerland, Italy, Germany, and Bohemia, accounts from all of which countries come

regularly before me personally, and I have always been struck with the satisfactory and uniform results thus invariably attained.

Conclusion. 101. In conclusion, I would like to draw your attention to a quaint old quotation that took my fancy many years ago : perhaps if you carry out the last part of it, you may, with patience, find the first part follow in regular course, and I sincerely trust it may be so. It runs as follows :

A quaint old quotation. 102. "'Tis not in mortals to command success,
"But we'll do more, Sempronius; we'll
"deserve it."

GÉRARD VAN DE LINDE.

"A sociable man is one who, when he has ten minutes to spare, goes and bothers some one who hasn't."

Mr. Hans Knickerbocker's Office Motto.

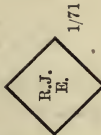
50, Gracechurch Street,
London, E.C., 1 July, 1904.

SCHEDULE No. I.

Invoice of Wool Shipped to London: Advance.

297.

Invoice of 71 Bales of Greasy Wool Shipped per "Wharmcliffe Crags" for London, and consigned to Messrs. Blank & Co. there for Sale on account of the Undersigned.

		Advance on Produce (£1,003 : 14 : 6) Account of R. J. Evans, Esq.			
69 Bales Fleece weighing net	26,086	...	...	at per lb.	978 4 6
2 " Lams	" 816	...	...	" "	25 10 0
71 Bales	26,902 lbs.				1,003 14 6
Marine Insurance to be effected under your Open Policy at the rate of					
£16 10 0 per Bale Fleece	...	...	...	... say	1,140 0 0
15 0 0 " Lams	...	...	...	... "	30 0 0
Insurance No. 903 ...	...	...	...	... "	£1,170 0 0
E. & O. E., Melbourne, 10 December, 1887, Blank Cartridge & Co.					

Analysis of Charges on 2,206 Bales of Wool sold in Public Auction, March, 1888.

No.	Bales of Wool.	Marks and Nos.	Ship.	Marine Insurance.	Policy Stamps Account.	Freight Inwards Account.	Interest on Freight Inwards.	Shipping Charges.	Fire Insurance.	East and West India Dock Co.	Interest on Advances.	Commission Account.	Total.
1	71	R.J. E. 1/71	"Wharnciffe Crags"	12 13 2	0 0 0	45 17 8	0 0 0	0 0 0	1 10 0	13 12 0	3 2 9	23 17 8	100 13 3
2	100	W.H.C.1/100	do.	18 9 0	0 0 0	72 8 2	0 0 0	0 0 0	0 9 6	19 7 4	4 13 3	33 1 2	148 8 5
3	50	J.W. B. 51/100	do.	0 0 0	2 6	37 10 0	0 0 0	0 0 0	0 4 9	9 10 0	2 5 0	16 13 0	66 5 3
4	25	H.B. 76/100	do.	0 0 0	1 3	18 5 0	0 0 0	0 0 0	0 2 3	4 10 3	0 0 0	8 10 0	31 8 9
5	1,000	J.M.M.1/1000	"Probate" ...	182 10 7	0 0 0	850 0 0	1 13 6	3 6 6	5 0 0	170 0 0	45 12 7	330 1 5	1588 4 7
6	95	W.H.O.1/95	"Monslow Castle" ...	17 5 0	0 0 0	70 0 6	0 7 4	0 0 0	0 9 0	17 13 2	4 0 4	30 0 10	139 16 2
7	100	S.M.96/195	do.	19 4 0	0 0 0	75 10 0	0 9 6	0 0 0	0 9 6	17 18 0	4 8 6	32 16 0	150 15 6
8	55	T. C.P. 198/250	do.	0 0 0	1 6	38 4 0	0 0 0	0 0 0	0 5 0	9 2 3	2 10 2	17 19 10	68 2 9
9	50	A.B.2001/2050	"Oughty Bridge" ...	0 0 0	1 3	36 5 0	0 4 2	0 19 7	0 4 9	9 0 0	0 0 0	17 0 0	63 14 9
10	450	J.A.D.H./2051/2500	do.	79 8 0	0 0 0	395 0 6	0 16 0	0 0 0	2 8 0	85 0 6	20 0 0	155 10 10	738 3 10
11	100	A.E.S.2501/2500	do.	19 5 0	0 0 0	75 0 6	0 4 9	0 0 0	0 9 6	18 10 0	4 12 0	33 8 0	151 9 9
12	50	H.J. W. 2501/2550	do.	0 0 0	1 3	39 5 0	0 2 3	0 0 0	0 4 9	9 5 0	2 6 1	16 17 0	68 1 4
13	60	T.E.S. 1501/1550	"Rotherham Castle"	0 0 0	1 6	50 0 6	0 3 0	0 0 0	0 6 0	10 10 0	3 0 0	18 10 0	82 11 0
	2,206	Bales of Wool		£348 14 9	0 9 3	1803 6 10	4 0 6	4 6 1	12 3 0	393 18 6	96 10 8	734 5 9	3397 15 4

SCHEDULE No. VII.—Journal Entry No. 2.
London, 31 March, 1888.

	Dr.		a430	36,706 19 7	348 14 9 0 0 3 1,803 6 10 4 0 6 4 6 1 12 3 0 393 18 6 96 10 8 734 5 9 33,309 4 3
Sales of Wool			
To S'ndries...			
To Marine Insurance	16		
To Policy Stamps Account	21		
To Freight Inwards Account	26		
To Interest on Freight Inwards	31		
To Shipping Charges	36		
To Fire Insurance	41		
To East and West India Dock Company	46		
To Interest on Advances...	51		
To Commission Account	56		
To Blank Carriage & Co., Advance Account	c150		
Net proceeds of Wool sold.			
1 R. J. Evans...	1,086 1 6		
71 Bales Wool ex "Wharnccliffe Craggs."			
2 W. H. Camm & Co.	1,504 2 4		
100 Bales Wool			
3 J. W. Best & Son	766 5 5		
50 Bales Wool			
4 Henry Beck & Co. (no advance)	393 11 9		
25 Bales Wool			
5 T. M. Moulson	14,915 5 9		
1,000 Bales Wool ex "Probate."			
6 W. H. Clayton & Son	1,362 4 7		
95 Bales Wool ex "Mouslow Castle."			
7 S. Mather & Co.	1,489 6 6		
100 Bales Wool			
8 T. O. Parkin & Son	831 7 9		
55 Bales Wool			
9 A. Badger & Co. (no advance)	786 6 0		
50 Bales Wool ex "Oughty Bridge."			
10 J. A. D. Hale & Co.	7,039 3 9		
450 Bales Wool			
11 A. E. Short & Son	1,518 11 3		
100 Bales Wool			
12 H. J. Wells & Co.	774 8 8		
50 Bales Wool			
13 Tasker & Shuttleworth	842 9 0		
60 Bales Wool ex "Rotherham Castle."			
			£33,309 4 3	£36,706 19 7	£36,706 19 7

SCHEDULE No. IX.—Invoice Outwards.—(Execution of an Indent.)

Invoice of 60 packages Sundries shipped per "Alton Towers" (Master, W. N. Fisher), to Hongkong, and consigned to Messrs. Blank Ball & Co. on their account and risk by the undersigned.

1/20	B.B. &Co. Their Order : 20 cases Galvanised Corrugated Iron Less 2½ % and 1 % Discount Barber Bros. & Wortley's Invoice... .. 39 hogsheads Refined Lubricating Oil Less Discount George Franklin-Adams & Co.'s Invoice... .. 1 cask Crockery... .. Tasker & Shuttleworth's Invoice	152 0 8	146 15 0
		5 5 8	
21/59		62 11 4	59 17 1
60		2 14 3	
		(net)	6 13 3
	Charges. Entry, Dock Charges, Shipping Expenses, Bills of Lading Freight as per Memo attached Marine Insurance : f.p.a. £280 at 25s. % 3 10 0 Less Discount 10 % 0 7 0 Add Duty 3d. % 3 3 0 Commission 5 % on £241 17s. 5d., being on Gross Amount and Freight paid 0 0 9	0 17 6 20 12 2 3 3 9 12 1 9	213 5 4 36 15 2
	Due in Cash 30 June, 1888.		£250 0 6

E.E., London, 30 June, 1888,
Blank & Co.



SCHEDULE No. XI.

Invoice of Steel Rails Shipped to New York.

Invoice of 1,002 Tons Steel Rails shipped by the undersigned per "Denby Dale," s. Cardiff to New York, Brooklyn, or Jersey City, and consigned to Messrs. Poynte, Blank, Cypher & Co., New York, for account of the Great Eastern and Western Shore to Shore Railroad Company of America, Limited.—Bexley Heath and Sheffield Extension.

56 lb. Pennsylvania Section.		
	Tons.	cwts. qrs.
3,602 Rails 30 ft.	=	900 0 0
190 "	=	42 15 0
202 "	=	40 8 0
107 "	=	18 14 2
<u>4,101 Steel Rails</u>	=	<u>Tons 1,002 7 2</u>
		at £4 per Ton f.o.b. Cardiff.
		4,009 10 0
		<u>£4,009 10 0</u>
Net Cash 30 October, 1888 ...		
E.E., London, 30 October, 1888. Blank & Co.		

114. SCHEDULE No. XII.

Charges on Steel Rails Shipped to New York.

Charges on 1,002 Tons Steel Rails Shipped by the undersigned per "Denby Dale" s. Cardiff to New York, Brooklyn, or Jersey City, and consigned to Messrs. Poynté, Blank, Cypher & Co., New York, for account of the Great Eastern and Western Shore to Shore Railroad Company of America, Limited.

Bexley Heath and Sheffield Extension.

4,101 Steel Rails = Tons 1,002 7 2:—56-lb. Pennsylvania Section.			
Charges.			
Bills of Lading 2/6, Consular Invoice 12/6	...	0 15 0	
Inspection by Mr. G. W. Knox, as per his Certificate herewith at 6d. per Ton...	...	25 1 0	
Marine Insurance:			
£4,800 at 20/ % (Less Discount) and Duty	...	46 4 0	
Advance to Captain:			
1/3d. of Freight at 15/- per Ton net = £751 15 7, say...	...		243 1 3
Less 3 % for Interest and Marine Insurance	...		100 4 9
Commission 2½ % on £4,009 10 0, amount of Messrs. J. Watson & Sons' Invoice paid this day against Bill of Lading	...		415 6 0
Say Messrs. J. Watson & Sons' Invoice	...	4,009 10 0	
Add Charges as above	...	415 6 0	
Net Cash 30 October, 1888	...	£4,424 16 0	
E.E., London, 30 October, 1888			£415 6 0
Blank & Co.			

The Great Eastern and Western Shore and Shore Railroad Company of America, Limited.
 Bexley Heath and Sheffield Extension.
 London, 2 April, 1888.

1	Application and Allotment Account Dr. To Capital Account being £1 per share on application, and £2 per share on allotment. say £3 per share on 50,000 shares allotted this day.	6	150,000 0 0	150,000 0 0
2	2 July, 1888. First Call Account Dr. To Capital Account... .. being first Call of £3 per share made 17 June, 1888, and pay- able this day on 50,000 shares (making £6 paid).	8	150,000 0 0	150,000 0 0
3	1 September, 1888. Second Call Account Dr. To Capital Account being second call of £2 per share made 6 August, 1888, and payable this day on 50,000 shares (making £8 paid).	10	100,000 0 0	100,000 0 0
4	1 November, 1888. Third Call Account Dr. To Capital Account being third and last Call of £2 per share made 6 October, 1888, and payable this day on 50,000 shares (making £10 per share fully paid up).	12	100,000 0 0	100,000 0 0
			£500,000 0 0	£500,000 0 0

SCHEDULE No. XIV.—Cash Index Book.

1888		1888		1888		1888		1888		
Oct.	1	£	s.	d.	Oct.	1	£	s.	d.	
	15	To Henry Arthur	1,665	7	4	1	By Charles Anstey	749	11	8
	17	To Assam Bank, Limited	5,000	0	0	4	By H. Armstrong	1,350	8	4
	19	To Edward Adams	750	10	6	6	By Charles Anstey	670	13	4
	20	To Charles Angus	249	9	6	8	By Henry Appleby	329	6	8
	24	To Assam Bank, Limited	10,000	0	0	15	By Charles Anstey	10,000	0	0
	"	To Edward Archer	1,770	11	0	17	By Arthur Anyone	650	0	0
	26	To Miss A. Archer	229	9	0	18	By W. W. Arliss	900	0	0
	"	To Thomas Ambler	1,840	8	4	24	By Andrew Arlow	5,150	0	0
	"	To Assam Bank, Limited	159	11	8	25	By Henry Appleby	795	8	4
	29	To Miss A. Archer	334	11	0	26	By Charles Atkins	700	0	0
	31	Carried to Summary	£21,999	18	4	31	Carried to Summary	£20,895	8	4

Alphabetical Cash Summary for the Month ending 31 October, 1888.

Column No. 1.	Column No. 2.	Column No. 3.	Column No. 4.	Column No. 5.	Column No. 6.	Column No. 7.
£ s. d.	£ s. d.	£ s. d.	A. B. C. D. E. F. G. H. J. K. L. M. N. O. P. Q. R. S. T. U. V. W. Y.	Column No. 5.	£ s. d.	£ s. d.
27,008 7 9	21,999 18 4 4,000 1 8 1,008 7 9	21,999 18 4 4,000 1 8 1,008 7 9	A. B. C. D. E. F. G. H. J. K. L. M. N. O. P. Q. R. S. T. U. V. W. Y.	By Charles Anstey By H. Armstrong By Charles Anstey By Henry Appleby By Charles Anstey By Arthur Anyone By W. W. Arliss By Andrew Arlow By Henry Appleby By Charles Atkins Carried to Summary	20,895 8 4 5,104 11 8 4,000 1 0 1,989 19 0 5,425 11 8 4,574 8 4 3,050 16 0 3,949 4 0 1,005 15 8 984 4 4 540 0 0 460 0 0 120 10 3 879 9 9 550 9 0 449 11 0 640 3 6 359 16 6 100 10 6 899 9 6 120 10 6 879 9 6 2,500 6 1	30,000 1 0 45,050 16 0 51,540 0 0 52,120 10 3 54,640 3 6 56,120 10 6
46,245 16 2	4,991 12 3 3,333 3 3 6,663 16 9 4,245 16 2	4,991 12 3 3,333 3 3 6,663 16 9 4,245 16 2				
51,245 16 10	2,754 3 10 1,004 3 4 995 16 8 245 16 10	2,754 3 10 1,004 3 4 995 16 8 245 16 10				
52,222 13 6	754 3 2 222 13 6 777 6 6 240 10 6 759 9 6 666 6 8	754 3 2 222 13 6 777 6 6 240 10 6 759 9 6 666 6 8				
54,666 6 8	333 13 4 222 2 2 777 17 10 101 1 1	333 13 4 222 2 2 777 17 10 101 1 1				
56,101 1 1	898 18 11 1,770 6 2	898 18 11 1,770 6 2				
	58,770 6 2 17,008 2 2	58,770 6 2 17,008 2 2		Cash at 1 Oct., 1888.		
	£75,778 8 4	£75,778 8 4		Cash at 31 Oct., 1888.		£75,778 8 4

COMPANY WORK.

COMPANY. WORK.

“A man is known by the company he keeps.”

Old Adage.

Introduction. 1. My present object is to take you practically through the various stages of a Company from the moment of the applications coming in (and when a Chartered Accountant's services are of use in evolving order out of seeming chaos) on to allotment, and the respective Book Entries and adjustments connected therewith, through the Stock Exchange settlement, the payment of a First Call and of a First Dividend, the adjustment of the Share Capital and the issue of Debentures; in fact, dealing with all such preliminary work (and useful, I think, to be up in) apart from the ordinary and normal functions attaching to the Audit: in all this I will be as simple and as elementary as possible, referring to no Text Books, nor to any Companies' Acts (which you can all look up for yourselves), but relying on this occasion solely upon practice and not upon theory.

Explanation. 2. In order to make this Paper therefore both practical and realistic, I rely upon the friendly co-operation of many well-known names, whom I have taken the liberty of impressing into my service for the time being, as it is essential that my subject should be illustrated by living personages just as with the same object before me I am constantly requisitioning the eminent house of Blank & Co., my beau ideal of British Merchant Princes.

The Bombay
and Mofussil
Railway
Company,
Limited.

3. The Bombay and Mofussil Railway Company, Limited (under contract with the Secretary of State for India in Council dated 5 September, 1902), was successfully launched in the early part of September, 1902: the Lists were open for Town Applications at the Counting Houses of Messrs. Blease Brothers & Co., and Messrs. Finney & Sons respectively, during the Business Hours from 10 a.m. to 4 p.m. of Monday, 8 September, 1902, while, for Country Applications coming through the post, another day (Tuesday, 9 September, 1902) was allowed. During that short space of time the Capital was subscribed nearly three times over. The Shares were at once quoted at a substantial premium which has throughout been ever since steadily maintained, with no violent nor spasmodic fluctuations to disturb the concern or

its well-wishers. The tendency, however, of the price of the Shares being a gradual rise as Investors get to know of it and realise the advantages it possesses as a safe and permanent outlet for their Capital, which they do not quite care to put into the more recognized but perhaps not much safer security of Consols, the interest on which they consider hardly good enough for general purposes of Investment.

The names of some of the Executive. 4. The following are (inter alia) the names of some of the Executive as taken from the Prospectus :

Chairman	...	...	General Robert Stanley Blease, C.S.I.
India Office Director	...	...	Sir John Sutherland Harwood Banner.
Secretary	...	...	John Howe Bourne, Esq.
Solicitors	...	...	Messrs. T. W. Read & Co.
Brokers	...	...	Messrs. John MacConnal & Co.
Consulting Engineer	...	...	Sir A. W. Chalmers, C.E.
Resident Engineer	...	...	Rupert S. Hughes, Esq.
Traffic Manager	...	...	A. E. Wright, Esq.
Local (Bombay) Auditor	...	...	George Quail, Esq.
Bankers in London	...	...	Messrs. T. Theodore Rogers & Co.
Bankers in India	...	...	Messrs. Bengali, Baboo, Readymoney & Co.
Financiers	...	...	} Messrs. Blease Brothers & Co. } Messrs. Finney & Sons.
Auditors in London	...	...		} Messrs. John Straight & Co. } Messrs. Paul Pry & Co.

Authorized Capital. 5. The Authorized Capital (and which cannot be increased without the sanction of the Secretary of State for India) is £2,000,000 sterling divided into

200,000 Shares of £10 each, of which £5 per Share have been called up	...	...	...	...	...	= 1,000,000
the remainder having been raised by the issue of Terminable Three and a Quarter per Cent. (3¼ per cent.) Debentures, maturing 18 February, 1910, and on maturity reduced to 3 per cent., and guaranteed both as regards Principal and Interest by the Secretary of State for India in Council, say	...	...	...	...	...	1,000,000
making up the amount to	...	...	...	...	...	<u>£2,000,000</u>

the uncalled Capital being meanwhile kept in abeyance while the Debentures to an equivalent amount run.

Interest at 4 per cent. during Construction a Capital charge. 6. As practically every contract the Secretary of State for India makes with these Indian Railway Companies varies in some respect or another, and I do not wish to raise invidious comparisons, I purposely avoid discussing with you the full conditions that this particular Company has made with the Government of India (and as to whether or no and, if any, to what extent it comes under the category of an India Guaranteed Railway, as an Investment allowed by the Supreme Court under Order XXII, Rule 17, promulgated 14 November, 1888, and which came in force 26 November, 1888), beyond assuring you that they are equitable and not burdensome, besides proving satisfactory to both parties concerned, and further that they provide that Interest during construction at 4 per cent. per annum, payable half-yearly, be paid to the Shareholders, and which payment forms a charge upon the Capital of the Company, but seeing that the works were commenced by the Government of India in anticipation of the formation of the Company, there is reason to expect that the Line will soon be earning Revenue, and that the charge upon Capital for Interest during construction is therefore not likely to be heavy—at the same time the Capital has so been fixed as to provide for it. You will readily understand that it is not my province either to advocate or to deprecate the principle above involved, but simply to put before you actual and realised facts; the question is a moot one. As you will notice in this case the same has been sanctioned by the Secretary of State for India in Council, and is so stated in his contract with the Company.

The Line of Route taken by the Railway. 7. The line of route taken by our Representative Line is an old favourite of mine, for during the monsoon months (June to September) of 1867, when the mails only ran fortnightly instead of weekly, and business was slack, I often had odd spare days which I employed first in exploring round the Island itself, and afterwards in crossing over into the Mofussil, and visiting those fine old Hill Forts and other Fastnesses of the redoubtable Mahratta Tribe in the Mahratta District, and very interesting it was too. It will be noticed that our line is nearly always to the West and Coastwise, facing the Indian Ocean, and protected from the East and land wind by the Ghautz Mountains, a most favourable feature for the erection of European residences: the sands, too, being nice and hard, afford a delicious place for an early morning gallop before breakfast, and for another in the cool of

the evening, with all the glorious glow of the Western sky and the sun setting over the sea.

The Stations on the Line. 8. The Line starts at Parell, opposite Government House, adjoining the B.B. & C.I. Railway and the G.I.P. Railway, and proceeding South makes a circuit of the Island, and then over the Causeway into the Mofussil. The first station is Mazagon (for the P. & O. and British India Co. Docks, serving at the same time the Byculla District, including the Club, the Hotel and the Race Course), next comes Fort George in front of the Mody Bay Reclamation, and in full view of the Harbour (one of the finest in the world) and of the Ghautz beyond : then The Castle (for Elphinstone Circle and the busy part of the City), next the Dock Yard and Apollo Bunder Stations with its landing stage : Colaba (for the Cotton green), the line does not go to the Point, but leaves that to the B.B. and C.I. Railway—thence it skirts Back Bay, touching at Church Gate for the Cathedral and the Esplanade), next comes Marine Lines Station, and then past the Hindoo Burning Grounds on to Malabar Hill East, Malabar Point (another Government House), Walkeshwur (past the sacred village of that name), then, by the Parsee Towers of Silence (an awful place) to Malabar Hill West, Cumballa Hill on to Breach Candy (the last three stations serving the various European Bungalows dotted most picturesquely in and about this lovely spot) and so on over the Causeway into the Mofussil by Salsette, Trombay (opposite the Island) Elephanta (a landing stage for the Island of that name with its wonderful caves) up to Dhurrumtjur and the old Hill Fort of Sargurghur (now a most perfect sanatorium), Thull Knob (with its delicious sands and beach), Alibaug (all among the breakers, and opposite Khennerly Island with its famous Lighthouse, the foundation stone of which Sir Bartle Frère laid on Saturday, 19 January, 1867, and at which ceremony I was present), and so down the Mahratta Coast, and on the West Side of the Ghautz (stopping at many of its hill side stations and sanatoriums with a branch up to Matheran and Poonah) down to the Portuguese settlement of Goa, where the Line ends at the Junction of the West of India Portuguese Railway, and thus in direct communication with the Southern Mahratta South Deccan Railway and the Madras Railway on the one hand, and the Southern Mahratta East Deccan Railway, His Highness the Nizam's State Railways, The Ramjamtunder Railway, &c., &c., &c., on the other.

Travel on an Indian Railway. 9. I do not know whether any of you have ever travelled on an Indian Railway, if you have I am sure you will never forget your first impressions as to it.

“The Competition Wallah,” “An Indian Railway.” 10. Those, however, who have not experienced this felicity, as well as novel sensation, I strongly recommend to read, “The Competition Wallah,” “An Indian Railway,” in which is given a graphic and interesting description of the whole thing, as I can vouch for from personal experience: it is not one iota exaggerated. It was written in 1865 by the late G. O. Trevelyan, and when I was out in India the following year the book was all the rage.

Schedule No. I. 11. At Schedule No. I you will find Form of Application for Shares to be sent to and retained by Messrs. Blease Brothers & Co. or Messrs. Finney & Sons, the two great financial houses who have undertaken to receive the subscriptions. In the present case Mr. George H. Ashworth, a civil servant (who takes care to remind us at the foot of his application, which refers to the Prospectus and the Memorandum and Articles of Association dated London, 6 September, 1902, that he is an original shareholder in the Ramjamtunder Railway, and that he wants these Shares to hold as an investment), applies through his Brokers to Messrs. Blease Brothers & Co., for 100 Shares and paying them £100, the stipulated Deposit of £1 per Share upon application; his Form, as you will see, being stamped in the right-hand corner by Messrs. “W. S. Glass & Co., Stock and Share Brokers, 59, Finch Lane, E.C.,” who in due course will claim of, and receive from, the Company 1s. per Share as allowed by the Articles of Association on any Allotment arising out of this application. No. 5, at the top of this Form, is Messrs. Blease Brothers and Co.’s serial number, as you will see on reference to their sheet (Schedule No. II), and No. 1 (making “No. 5/1”) is the Company’s alphabetical serial number as given on Schedule No. III: Applications for and Allotment of Shares: it is important that you should follow this and understand the continuity that thus prevails throughout these various Schedules.

Schedule No. II. Lists of applications for Shares—

	Shares.
1. Messrs. Blease Brothers & Co. say for	307,055
2. Messrs. Finney & Sons „ „	266,650
together say for	<u>573,705</u>

and against which the Deposit of £1 per share has been lodged, say £573,705, with Messrs. Blease Brothers & Co. and Messrs. Finney & Sons in the relative proportions given above. You will see that Sheet No. 1 of each of these two Lists is detailed so that you can readily trace the particulars on to Schedule No. III, and

further that the first three names on Messrs. Blease Brothers & Co.'s List and the first four on Messrs. Finney & Sons' give the Subscribers to the Memorandum and Articles of Association for the amounts therein underwritten by them which they must take up from the Company and in no other way, paying cash for the same. These 7 Applications are, of course, allotted in full.

A letter of regret. 13. You will notice, 6th down List No. 1 a certain "Premchund Roychund" applying for 5,000 Shares, against which there is the following remark in the margin, "Back Bay Co.?" You will find when we come to Schedule No. III that this applicant gets no Allotment at all, his application money being returned to him in full, accompanied by a Letter of Regret.

A Directors' question. 14. It is not my province to say why there are cases in which no Allotment is made; this is a matter that must be left to the discretion of the Directors, who as far as my experience goes, have ever acted with great discrimination and fairness in all such matters and with good reasons to guide them, though perhaps not generally known.

Stock Exchange application. 15. Before dismissing Schedule No. II I would point you to Messrs. Blease Brothers & Co.'s List, Application No. 9, of Mr. W. S. Glass for 10,000 Shares, against which the remark in the margin is "for Stock Exchange." Some years ago it was thought to be a knowing thing to catch the Stock Exchange by withholding Allotments, but this was found to be a very great mistake. The Directors realise this fact and are wise, for you will see on reference to Schedule No. III, Applications for and Allotment of Shares, No. 9, that Mr. W. S. Glass gets an Allotment of 5,000 Shares, just one-half of what he applied for, and with which, under the circumstances, he and his clients are thoroughly satisfied, as indeed they should be.

Schedule No. XIV. Journal Entries concentrated on one Schedule. Journal Entry No. 1. 16. As far as possible I endeavour to bring in the Schedules in consecutive order, but sometimes it is difficult, and as regards the Journal Entries that I shall have to refer you to I am of opinion that it is better to concentrate these (Nos. 1 to 7) all together on one Schedule, viz., No. XIV. If, therefore, you will now refer to Journal Entry No. 1 of this said

Schedule No. XIV you will find Messrs. Blease Brothers & Co. debited	...	...	...	...	...	...	...	...	£307,055
and Messrs. Finney & Sons debited	...	...	...	...	...	...	...	...	266,650

while "Applications and Allotment Account" is credited £573,705

for the amounts of the respective Deposits lodged with these two

financial houses against applications for shares, and which respective amounts they duly paid in by various lodgments on 8 and 9 September, 1902, to the account of the Railway Company, with its Bankers, Messrs. T. Theodore Rogers & Co., as passed to their respective credits through the Cash Book and this Journal Entry thereby clears their two Accounts in the Company's Ledger, folios 4 and 5 respectively.

The Company takes up the work with the aid of Chartered Accountants. 17. Messrs. Blease Brothers & Co. and Messrs. Finney & Sons having thus banked the money £573,705 (£373,705 over what was required, the £1 Deposit on 200,000 Shares only coming to £200,000) and handed in their Lists to the Company, their functions are at an end. From this point the Company takes up the work and is glad to avail itself of the services of a firm of Chartered Accountants to enable it to cope with the sudden but temporary rush of work that all this entails, and where the practised experience of Chartered Accountants in all the varied details and technicalities involved comes in very useful; all of which I shall now explain to you seriatim as it arises and is dealt with, referring you very much to the Schedules as illustrating the system in its main features.

Schedule No. III. Applications for and allotment of shares. 18. The first thing to be done is to take all the Applications for Shares (see Schedule No. I) and to arrange them in strictly alphabetical order. (Schedule No. II, Messrs. Blease Brothers & Co., and Messrs. Finney & Sons' Lists, detailing them in the order in which they came in), and to number them afresh alongside the original number as referred to at paragraph 11 hereof; as soon as this is done some 40 or more sheets are distributed (see Schedule No. III, Applications for and Allotment of Shares), and the Applications are thereon duly recorded with full particulars, care being at the same time taken that every detail be accurately recorded and that each application is duly in order; this is a matter requiring very close and technical inspection. If any discrepancy is discovered the best plan is to make a note of it at once and get it put right then and there by a letter to the applicant, or if it is through a Stock Broker by a personal call on him in the morning, and as he expects to get 1s. per Share on all Allotments to Applications bearing his stamp (as already explained to you at paragraph 11, where you will remember Mr. G. H. Ashworth's Application Form bears the stamp of Messrs. W. S. Glass & Co., Stock Brokers, of 59, Finch Lane, E.C.), he is only too ready to avoid the risk of "a regret," and so lose his commission. We cannot expect stock-brokers to do their work for nothing, and their charges on this and similar occasions are undeniably moderate.

Schedules Nos. II & III. 19. If you will turn to Schedule No. III (Applications for and Allotment of Shares), you will notice that the details of Columns Nos. 2, 3, 6 and 7 of Sheet No. 1 tally with those of Columns Nos. 1, 2, 3 and 4 of Schedule No. II, and that the totals of Columns Nos. 6 and 7 of the former agree with that of the Summary at the foot of the latter.

Writing up and agreeing Columns Nos. 1 to 7. Schedule No. III. 20. The work referred to at paragraph 17 comprises in the first instance the writing up and adjusting exactly (clearing up everything as they go along) Columns Nos. 1 to 7 of Sheets Nos. 1 to 40 of Applications for and Allotment of Shares, Schedule No. III. All this occupies everyone pretty closely until about midnight, the first of them catching the 11.53 p.m., last train at London Bridge, and getting home at 1 a.m. The next morning, Wednesday, 10 September, 1902, they are all at it again at 9 a.m., and by steady perseverance and close application the queries are thus disposed of and the sheets fully written up and agreed that very evening so far as Columns Nos. 1 to 7 are concerned.

An early Board Meeting to consider Column No. 8 of Schedule No. III. 21. On Thursday, 11 September, 1902, the Board meet at 10 a.m., to consider Column No. 8 of Schedule No. III, namely "Number of Shares Allotted:" this is a long and tedious plodding through those 40 sheets, and weighing the merits of each application, but the Directors, mostly old Indians, are used to hard work and so they buckle to and get through it. They meet again the next morning Friday, 12 September, 1902, at 10 a.m., (after a night's calm reflection and sleep over it) to finally dispose of all other questions which arose during their meeting of the day before.

Addressing Envelopes, &c. 22. While the Board are considering the applications from the sheets themselves, the staff and their advisers are busy in writing from the letters of application, 1601 addresses that will be required to send out the allotment letters as well as those of regret: these envelopes they keep in alphabetical order putting the serial No. on the left-hand corner of the envelope so that it should not be covered by the postage stamp. They use this little interval, too, for getting everything ready to take up the serious part of the work so soon as the Directors have done with the sheets, and a little such breathing time at these moments is all important and they gratefully take advantage of it.

Columns Nos. 9 to 16 taken up. 23. The Directors having settled Column No. 8, Schedule No. III, namely, the "Number of Shares Allotted," the whole of the Staff again set to work on the sheets and fill up Columns Nos. 9 to 16 of the same.

- Column No. 9 Date of Allotment.
- Column No. 10 Distinctive Number of Shares Allotted.
- Column No. 11 Total Amount in respect of Shares Allotted £2 per Share.
- Column No. 12 Further Amount payable.
- Column No. 13 Amount returnable.
- Column No. 14 Folio in Register of Shareholders.
- Column No. 15 Number of Share Certificate.
- Column No. 16 Remarks, and dealing with Schedule No. IV, Letters of Allotment and regret.

- A. "Further amount payable."
- B. "Amount returnable."
- C. "Allotment Payment completed."
- D. "Letters of Regret."

and all of which I will now proceed to explain seriatim and I trust make clear step to step.

A careful consideration of Schedule No. III recommended, the columns explained.

24. I think now is the stage to recommend to your careful consideration these various Columns Nos. 1 to 16 of Schedule No. III, as it is most important that they should be strictly accurate in every detail: each sheet is cast separately throughout, and the casts of the respective Columns Nos. 6, 7, 8, 11, 12, 13, are carried to a final Summary at the end: for instance,

Column No. 7 "Amount of Deposit £1 per share" ...	573,705
added to column No. 12, "Further amount payable" ...	81,040
gives a total of money received, and to be received, of ...	£654,745
which is thus disposed of—	

Column No. 11 "Total Amount in respect of Shares allotted £2 per share on 200,000 Shares" ...	= 400,000
add Column No. 13 Amount returnable ...	= 254,745
making as above	£654,745

Again, Column No. 10 gives the "distinctive numbers of Shares allotted," and Sheet No. 1 shows the shares allotted come to 62,210 the distinctive numbers being Nos. 1 to 62,210, and the remaining sheets Nos. 2 to 40 give the remainder, namely, Nos. 62,211 to 200,000.

Column No. 1 is a list of the dates which appear at the foot of the respective application forms (Schedule No. I), and the date of the Directors' adjourned meeting gives us Column No. 9. The value of Column No. 14 will be shown later on (at Paragraph 36), and

for reference purposes now and perhaps later also, Column No. 15 (Number of Share Certificate) should be carefully filled in as the certificates are made out.

The last Column No. 16 deals with Remarks and in reference to which I now call your attention to Schedule No. IV as follows, namely :—

Letters of Allotment and Regret.

A.—Further Amount Payable.

B.—Amount Returnable.

C.—Allotment Payment Completed.

D.—Letter of Regret.

On glancing down the various lines 1-17 of sheet No. 1 of Schedule No. III, it will be seen that in Column No. 16 every single line has one of these distinctive letters against it, the other letters, namely, "S.M." mean : "Subscriber to the memorandum of Association" and there are 7 of them. On comparing the names and amounts given at lines 2, 3, 4, 8, 12, 14, and 15, they will be found to agree with applicants 1 to 3 on Messrs. Bleas Brothers & Co.'s list, and to applicants 1 to 4 on Messrs. Finney & Sons' list of Schedule No. II as subscribers to the Memorandum under Column No. 5 of Remarks. I think all who have followed me so far ought now to understand Schedule No. III about which I shall have more to say as I proceed.

Schedule No. IV. Letters of Allotment and Regret. 25. I now direct attention to Schedule No. IV, Letters of Allotment and Regret, under its four categories A, B, C and D respectively, the explanation of which is given in the previous paragraph 24, but to make it all clear I propose adding a few words as to these 4 categories under their respective forms A, B, C and D in the following paragraphs, 26, 27, 28 and 29.

Schedule No. IV form A, further amount payable. 26. Dealing first with Form A. (Further Amount Payable) it will be seen that it bears a sixpenny impressed stamp as also do B and C (all three Letters of Allotment) while form D (Letter of Regret) does not bear one. Had the letter of Allotment been for an amount of £5 or less it would have borne only a penny impressed stamp. Here let me point out, too, that these forms must bear the embossed Revenue stamp, and that an adhesive one will not do. I well remember a case where all these Letters of Allotment had to be issued again in consequence of this informality. Taking up form A again I have chosen for my first example Mr. T. W. Read, serial No. 13 of Schedule No. III, this gentleman applied for 100 Shares and deposited £100 : an allotment in full was made to him, the amount in respect of the same (viz. application and allotment) amounting to

£200, leaving a balance due by him of £100 to be paid to Messrs. T. T. Rogers & Co., on or before Monday, 17 September, 1902. Mr. Read accordingly pays the money on that day as is shown by the receipt that the bank signs at the foot of his allotment letter.

Schedule No. 27. Form B (Amount Returnable) shows serial No. IV, Form B, 7 of Schedule No. III: Benjamin Cookson who applied for 500 shares paying in £500. The Board amount return- only allot him 200 shares, the total amount payable able. in respect of the same coming to £400; consequently there is £100 to return to him, which the Company pays him by a perforated cheque (attached to the foot of Form B) upon Messrs. T. T. Rogers & Co., and which is crossed “& Co., for Credit of Payee, not negotiable.”

Schedule No. 28. Form C (Allotment Payment completed) deals IV, Form C, with Serial No. 6 of Schedule No. III, viz., the appli- allotment cation of Sir Anthony Wigham Chalmers, C.E., for payment 500 Shares and for which he paid in £500. The completed. Board allot him 250 Shares, the total amount payable coming to £500, so that he has neither anything to pay nor to receive. In all these 3 Forms A. B. and C. there is a footnote to the effect that in any communication respecting these letters of allotment the serial No. given to them must be quoted.

Schedule No. 29. It appears by reference to Schedule No. III, IV, Form D, serial No. 11, that Mr. Samuel Lever, the well-known Letter of novelist of Bleak House, Broadstairs, applies for 5 Regret. Shares and pays in £5: his proportion would only come to something over one Share, so that the Directors have, with regret, to decline his application, explaining that the Shares have been largely over applied for. They accordingly send him a letter of regret with, at the foot of the same, a perforated cheque upon Messrs. T. T. Rogers & Co. for £5, and specially endorsed in the manner already indicated at paragraph 27. This latter form D must be presented entire to the bankers who, when cashing the cheque, detach the first part of the letter, and return it to the Company in the pocket of its Pass Book.

Schedule No. 30. At paragraph 16 I pointed out that Applica- XIV, Journal tions and Allotment Account is credited £573,705: Entry No. 2. the effect of Paragraph 26 has been to add £81,040 to this amount by payments to the Credit of this Account from the Cash Book, while by Paragraphs 27 and 29 (Amount returnable and Letter of Regret: Forms B and D) Cheques have been issued

to its debit to the extent of £254,745, leaving £400,000 to the credit of Applications and Allotment Account. Journal Entry No. 2 (part of Schedule No. XIV) transfers this amount to Share Capital Account, which thus stands in credit, £400,000 being £2 per Share (Applications and Allotment) on 200,000 Shares, allotted 13 September, 1902.

All monies to be paid in to the Credit of the Secretary of State for India in Council. 31. At the early stages of this work (see Paragraphs 3, 5, and 6 respectively) I mentioned that the Bombay and Mofussil Railway Company was floated under contract with the Secretary of State for India in Council: one of the conditions in that contract is that all net monies received by the Company, either on Application, and Allotment, Calls, or issue of Debentures are to be paid in to the Bank of England to the credit of the Secretary of State for India in Council, (he paying over to the Company from time to time lump sums for necessary outgoings of every description upon application, and as these sums may be required) accordingly as all the payments are completed to the Bankers of the Company (Messrs. T. T. Rogers & Co.) on the afternoon of Wednesday, 17 September, 1902, the Company on the morning of Thursday, 18 September, 1902, draws a cheque for £400,000 upon these bankers, and pays the same into the Bank of England, to the credit of the Secretary of State for India in Council, and with which he is debited in the Company's Ledger under the head of "Secretary of State for India in Council: Share Capital Account" as follows: "18 September, 1902, To Cash £2 per Share (Applications and Allotment) on 200,000 Shares as per agreement dated "5 September, 1902, £400,000." At the same time the Company sends down a messenger to the India Office, notifying the Secretary of State for India of the fact, and requesting a cheque for £5,000, which cheque is duly forwarded by him to the Company, and paid in by it to Messrs. T. T. Rogers & Co.: this amount then appearing to the credit of the Secretary of State for India in another account in the Ledger, entitled "Secretary of State for India in Council: Capital Advance Account," £5,000.

Interest on Deposit. 32. It will be seen on reference to Paragraph 24 that the Company received, on 8 and 9 September respectively, the sum of £573,705; of this sum £400,000 does not have to be paid away until 18 September, 1902: the Company accordingly requests Messrs. T. T. Rogers & Co. to place the same (£400,000) on deposit from 9 to 18 September, 1902, so that when it makes the payment through the Bank of England to the credit of the Secretary of State of this £400,000 it receives interest upon it, the same being credited to the Company's Current Account with the Bank. This Account is thus kept alive

until the Secretary of State sends the Company the cheque for the £5,000, which comes in the course of a day or two. I might mention here that what with the careful management on the part of the Board on the one hand, and the stringent requirements of the Secretary of State on the other, Messrs. T. T. Rogers & Co. do not make very much out of this Banking Account proper, although at Calls, Dividends, and other periods where somewhat large amounts are floating they occasionally manage to secure one or two days' interest on the same. They are always very nice, however, and treat the Company as if it were one of their very best customers, and this is a lesson which might well be taken to heart in dealing with clients generally as they arise. There is no doubt but what it is the right course to invariably adopt.

Schedules Nos. V and VI, getting out share certificates and writing up Register of Shares. 33. It being one of the conditions, prior to application to the Stock Exchange for a special settlement and quotation, that the Shares should be ready for delivery, and that no impediment exists to the settlement of the account (see Paragraph 44, section 8 (e) hereof) the whole of the executive push on their utmost to get this work forward as promptly as possible, but there is a great deal yet to be accomplished. Accordingly they now devote their energies to get out the Share Certificates, and open the Registers of Shares (Shareholders' Ledger) : at Schedules Nos. V and VI I give you respectively a Form of Share Certificate and a page of the Register of Shares (Shareholders' Ledger).

Schedule No. V, Form of Share Certificate. 34. Schedule No. V : Form of Share Certificate (serial No. 8, see Schedule No. III, Applications for and Allotment of Shares) shows you a Share Certificate issued to Mr. Charles Frederick Finney for 10,000 shares allotted to him (under distinctive numbers 16,561 to 26,560 both inclusive) of £10 each, on which £2 is paid on the date of its issue, viz., 4 October, 1902, "Register Folio 250 : " at the top of the right-hand side of the certificate is his Ledger Folio in the Register of Shares (Shareholders' Ledger) the stamp across "first call of £1 10s. 0d. per Share (due 8 December, 1902) paid, "making the total payment £3 10s. 0d. per Share, John Howe "Bourne, Secretary," is affixed when the first call is paid, as I shall show you when dealing with the following Schedules, namely,

No. X. Call Book,

No. XI. Call Letter,

No. XIV. Journal Entry No. 3 :

there will be a further stamp across when the second call is paid, see Journal Entry No. 4 of the same Schedule No. XIV, which will thus make the Shares £5 paid : this is all it is intended should be paid upon them while the £1,000,000 Debenture Issue is in existence (see Paragraph 5 hereof). It will be seen on reference to Schedule No. V : Form of Share Certificate, that the " ten pounds " are printed while the " *Two Pounds* " are written in the body of the certificate. I refer now for a moment to Schedule No. VII, Register of Transfers (No. of Transfers 4 and 5), where on 27 December, 1902, Mr. Thomas Lloyd and Mr. William Edward Stacey transfer respectively 50 and 150 Shares £3 10s. 0d. paid to Mr. Samuel Baker Simmons, the new certificate No. 1,605 for 200 Shares is filled up £3 10s. 0d. paid, and does not bear this first call endorsement on it: in the same way, new Share Certificates issued consequent upon Transfers subsequent to 16 January, 1903 (the date when the second call is due), are written in as £5 paid and so do not bear the endorsement of the payment of either of these two calls upon them. This Share Certificate No. 8 is dated with all the others " 4 October, 1902," which day happens to be a Saturday: on the day previous (Friday, 3 October, 1902) the Secretary, Mr. J. Howe Bourne, sends out a notice to all the Shareholders that their Share Certificates will be ready for delivery on and after Monday, 6 October, 1902, and meanwhile the Directors are fully occupied in signing the Share Certificates after they have been very carefully examined with the 40 sheets forming Schedule No. III: Applications for and Allotment of Shares, the serial numbers of which have been throughout preserved, and these Share Certificates are consequently delivered upon surrender of the Letter of Allotment with Banker's receipt duly signed at the side or dealt with according to the instructions of the allottee (see Schedule No. IV, Forms A, B or C, as the case may be).

A somewhat
necessary
digression.

35. One of the difficulties that I have to contend with in preparing this work is to fix upon convenient Forms suitable for illustrating the various Schedules to which I have occasion to refer from time to time: nearly every Company's Forms differ in some respect from that of its neighbour, in fact I can truly say that there are really no two Companies that throughout have identical Forms. Therefore if any of these particular Forms that I now make use of, do not happen to exactly coincide with those that some of my readers have been in the habit of using, they will understand how this arises. I do not for one moment pretend to say that the Forms that I have chosen are the best, or that they are perfect, but after due and mature consideration I have framed them in such a way as I trust will be helpful in following me through this work, and after this somewhat necessary digression I will now proceed with my subject.

Schedule No. VI. Register of Shares (Shareholders' Ledger). 36. Referring again to Schedule No. III, Applications for and Allotment of Shares, in taking up Schedule VI, Register of Shares (Shareholders' Ledger), and on making the first entry at folio 352 on 17 September, 1902, I take serial No. 10, the Allotment to Sir John Sutherland Harwood-Banner, who has allotted to him 500 Shares Nos. 31,561 to 32,060, £2 paid.

Column No.

Shares acquired.	{	1. Date	{ being the date of Allotment.	
		2. No of Allotment or Transfer Deed	{ being the Serial Number of Allotment posted from Column No. 2, Schedule III.	
		3. Folio of Transfer Register	{ This is only used when Shares are acquired by Transfer (see next page).	
		4. Number of Shares acquired	{ posted from Column No. 8, Schedule III.	
		5. Distinctive Numbers	{ posted from Column No. 10, Schedule III.	
		6. Amount paid per Share	{ posted from Column No. 11, Schedule III.	
		7. Transferors' folio in this book	{ same explanation as Column 3.	
8-16. These columns are dealt with on next page.				
Cash Account.	{	Debit.	17. Date Call made	{ being in this case the date of Allotment.
			18. Folio in Call book	{ being in this case the serial Number of Allotment.
			19. Amount called up per Share	{ being in this case £2 per Share, i.e., the amount of £1 per share on Application and £1 per Share on Allotment.
			20. Number of Shares	{ same as Column No. 4.
			21. Total Amount	{ posted from Column No. 11, Schedule III.
Credit.	{	22. Date Amount paid	These particulars are posted from the Cash Book and the headings explain themselves.	
		23. Folio in Cash Book		
		24. Amount paid per Share		
		25. Number of Shares	The two separate amounts of £1 each are those paid on Application and Allotment respectively.	
		26. Total Amount		

This Cash Account at the foot of the Ledger is merely a memorandum Account.

On 15 October, 1902, Sir John Sutherland Harwood-Banner transfers 100 Shares (Nos. 31,561 to 31,660), £2 each paid up, and the entries in Columns 8-14 are posted from the Register of Transfers, Schedule No. VII, as follows:—

Shares transferred.	Column No.	8. Date	posted from Column No. 3, Schedule VII.		
	9. No. of Transfer Deed	do.	1	do.	
	10. Folio of Transfer Register	—	—	do.	
	11. No. of Shares Transferred	do.	7	do.	
	12. Distinctive Numbers	do.	8	do.	
	13. Amount paid per Share	do.	9	do.	
	14. Transferees' Folio in this Book	do.	14	do.	
	15. Date	}	These two columns showing the Balance of Shares held should be written up after each acquisition or Transfer.		
	16. Number of Shares				

On 29 October, 1902, he acquires (through Transfer No. 3) 300 Shares (Nos. 61 to 360), £2 each paid up, and the necessary entries are posted from the Register of Transfers, Schedule No. VII. Thus Columns 3 and 7 are brought into requisition.

The First Call was made 22 November, 1902, of £1 10s. 0d. per Share, payable 8 December, 1902, and Call Letter, Schedule No. XI, serial No. 21, was sent to Sir John Sutherland Harwood-Banner. His holding at this date is 700 Shares, and the Call amounts to £1,050. The Debit entry in his Cash Account at the foot of the ledger is posted from the Call Book Schedule No. X. When the Cash £1,050 was received, viz., on 18 December, 1902, his Cash Account was credited with the amount from the Cash Book in a similar manner to the amounts received on Application and Allotment, thus clearing his Cash Account to date.

Note.—Columns Nos. 7 and 14 will be found very useful for ready reference, especially when compiling the Annual Summary.

Schedules 37. I now turn to the question of the Stock
Nos. VII, VIII Exchange settlement, because the Share Certificates
and IX. are by this time ready for issue, and in order to do
so, it will be convenient for me to deal with the following three
Schedules, which are respectively numbered VII, VIII and IX.

- No. VII. Register of Transfers.
- No. VIII. Notice of Transfer.
- No. IX. Shareholders' Address Book.
(Alphabetical Register of Shareholders.)

Schedule No. VII, Register of Transfers. 38. Schedule No. VII: Register of Transfers. I have already indicated how this Schedule works when dealing with Schedule No. VI: Register of Shares (Shareholders' Ledger) at Paragraph 36 hereof, and I think it is only now necessary to draw careful attention to this Schedule, where every detail is properly given, and carried out in consecutive seriatim order in the following columns, viz. :—

1. No. of Transfer.
2. Date when lodged.
3. Date of Registration.
4. } Transferor { Name.
5. } { Address.
6. Ledger folio.
7. Number of Shares.
8. Distinctive numbers.
9. Amount paid per Share.
10. No. of Old Certificate surrendered.
11. Name of Transferee.
12. Address.
13. Description.
14. Ledger folio.
15. Number of Shares.
16. No. of New Certificate issued.
17. By whom left.
18. Directors' initials.

Column No. 10 (No. of Old Certificate surrendered) and No. 16 (No. of New Certificate issued), although not perhaps invariably used, will be found to be of some convenience: it is also well to see that Column No. 18 (Directors' initials) is always filled in by two names where two Directors sign and by one when only one Director signs the Share Certificates, but I must say that I do prefer two Directors to sign as well as the Secretary: (Cæsar's wife should be above suspicion, as indeed she is). Transfers Nos. 4 to 5, making up together 200 Shares to Samuel Baker Simmons, are dealt with by one new Certificate, No. 1,605, being issued to that latter gentleman, it being of course useless (unless specially required) to issue two Certificates when both Transfers to one man are lodged at the same time. Column No. 17 states by whom these Transfers are lodged, in this last case by Messrs. Butcher, Litton & Pownall. Before dismissing the question of Transfers, I presume it is generally known that the same are subject to an Inland Revenue *ad valorem* Stamp, as also (in most Companies) to a Fee, both of which the purchaser pays, but under Act 50 and 51 Vict., Cap. 15, of 1887, it is open to any Company to compound with the Inland Revenue for these Transfer Stamps by an annual payment direct from the Company to the Inland Revenue, as may be agreed upon. It is

then entirely optional with the Company, so compounding, whether it will or will not charge the Purchaser the cost of what he would otherwise have paid for the Stamp—had the Company not thus compounded, Section 16 of the said Act, 50 and 51 Vict., Cap. 15, of 1887, reading as follows:—

“ Where an agreement for composition under this Act has been entered into by any Company or Corporation, or County Justices, such Company, or Corporation, or County Justices shall have power in addition to any fee exigible upon registration of any Transfer of Shares, Stock, or Funded Debt, or County Stock, as the case may be, or upon any issue of any Share Warrant, or Stock Certificate relating thereto to require payment of an amount not exceeding the amount of Stamp Duty which would have been chargeable upon the Transfer, or Share Warrant, or Stock Certificate if no such agreement had been entered into.”

I have thought it well to call attention to this fact, as I know doubts have been raised on it, and which this may set at rest. I would add that the “Bombay and Mofussil Railway Company, Limited,” has compounded with the Inland Revenue, and does not charge the Stamp to the Purchaser, who only pays the Company the usual Transfer Fee of 2s. 6d. on each Transfer lodged with it, and this practice is coming into pretty general favour elsewhere.

Brokers’ rights and privileges. 39. The mention of the name of Messrs. Butcher, Litton & Pownall, the well-known Stock and Share Brokers, leads me now to say a word or two in reference to what I already foreshadowed at Paragraph 11, where I pointed out that Mr. G. H. Ashworth’s Application Form bears the stamp in the right-hand corner of Messrs. W. S. Glass & Co., Stock and Share Brokers, who in due course claim of and receive from the Company 1s. per share on any allotment arising out of this. It has been, as it is in this case, the function of the Chartered Accountants who are called in to assist the Executive in all this preliminary work to settle the relative amounts due to the various Stockbrokers under this head. The plan adopted is to take the various original applications and note down on analysis paper the names of the Stockbrokers whose stamp figures on these Forms, giving them each a separate account, and then under each such separate account to note the number and name of each applicant with the number of Shares finally allotted to him. The Shares are added up and extended out at 1s. each, and so the amount due to each Stockbroker is thus got at: the Stockbroker on the other hand is invited to send in his claim, which is compared with the Company’s calculation. This is necessary, because it sometimes happens that the Application Form bears the stamp of two Stockbrokers, that is to say, John Smith may send a Prospectus to his quasi-Client Robert Brown, but the Client, Robert Brown, may

say, "I do not know John Smith, and I do not mean to deal with him, at any rate: I shall send my Application through my old friend Timothy Muggins." And so he sends a cheque to Timothy Muggins with the Application Form, and Timothy Muggins takes care to put his stamp on the Form and so claim the brokerage. Robert Brown ought to have cancelled John Smith's stamp, but he omitted to do so, and Timothy Muggins felt possibly that it was hardly etiquette of him to interfere, and so until either of these two Brokers claim, the Company cannot decide to whom to allow the Brokerage. The 1s. per share, as thus due to these various Stockbrokers, is cast out, and cheques drawn for the respective amounts and paid to the Brokers, and the same become a capital charge upon the construction of the Railway.

Schedule
No. VIII.
Notice of
Transfer.

40. In dealing with Schedule No. VII, Register of Transfers, under the previous Paragraphs 34, 36, 37 and 38, the question may be raised as to whether the Company does or does not safeguard itself against possible malappropriation of Share Certificates and consequent forgery of transferor's name, I can only state that it does take every possible precaution to avert such a calamity, and for one of these precautions I would draw attention to Schedule No. VIII, Notice of Transfer, by which it will be seen that in reference to Transfer No. 1, Schedule No. VII, our friend Mr. John Howe Bourne, Secretary of the Company, sends out a Circular to Sir John Sutherland Harwood-Banner, at the India Office, notifying him that a Deed of Transfer bearing his name as seller has been sent in for registration of 100 Shares to Rupert S. Hughes, The Wilderness, Malabar Hill, Bombay, and that unless he hears from him in course of post of any irregularity of the same, the Transfer will be treated as authentic, and registered in the Books of the Company accordingly; the plan works well, and has before now overtaken a clumsy swindler at a point where he was not quite prepared for such a check upon him.

Schedule
No. IX.
Shareholders'
Address Book
(Alphabetical
Register
of Share-
holders).

41. I now turn to Schedule No. IX, Shareholders' Address Book (Alphabetical Register of Shareholders) and about which I shall have more to say when dealing with the question of Calls and Dividends, meanwhile I would state the fact that as soon as a *bonâ fide* Company is successfully started, certain nondescript, hungry-looking individuals are in the habit of appearing at the office of the Company, and asking for a list of its shareholders: unfortunately the Company, though it has much more important things to do, is bound to comply with these harpies' requests—these men are generally the hangers-on to some firm of promoters of Companies who find it pays them to get the names of applicants to new Companies upon whom

they may thus hope to foist their own miserable mushroom abominations. The way is to make these people leave a substantial deposit beforehand, and then tell them to call again, taking care meanwhile, not absolutely to neglect them, but by no means to unnecessarily hurry over the work. When they call, it will be generally found that there is some balance to hand them back, over and above the recognised charge payable by them of 6d. for every 100 words requiring to be copied. The readiest source whence to get out this information is the Shareholders' Address Book (Alphabetical Register of Shareholders) as shown on Schedule No. IX hereof. It will be found on reference thereto that I give the details of say letter A. On reference to Schedule No. III, Applications for and Allotment of Shares, it will be seen that I bring out the number of applicants to that of 1,601; from this must be deducted the Letters of Regret, and also a certain number of allottees who for various reasons (such for instance as not getting as much as they wanted, or with the original idea of making their application a mere speculation), sell out as soon as they get their allotment, and thus secure the premium on the same. In this way, and now to suit my own convenience, I must ask my readers to imagine the number of Shareholders as having been brought down to the exact number of 1,000, neither more nor less; that being so, on reference to Schedule No. IX, it will be seen that I give the various numbers of ledger openings for each separate letter in the alphabet, making up these 1,000 Shareholders, and which I think will be useful when opening the books of any Company, for it will only be needful to take the percentages I have there given to feel tolerably safe in thus going to work. Kindly note that Column No. 5, "Number of Shares," is entered up in pencil, and altered with each transfer affecting the respective names belonging to it. When the calls are made, or dividends become payable, the totals of each letter are agreed with the Register of Shares (Shareholders' Ledger), and a summary taken of the total of each letter, the cast of which, if correct, comes out (in this instance to 200,000 shares) to whatever the number of shares issued by the Company to that date may amount. Column No. 6 of Schedule No. IX, will be found useful for the purpose of recording any instructions that may be received with regard to the payment of dividends and other matters. These remarks will also be entered as part of the heading of each Shareholder's account in the Ledger, where, for clearness, they should be in red ink.

An enlightened and far-seeing policy on the part of the Company.

42. The question has sometimes been put as to how far the duties of the Auditors of the Company extend in the verification of the Share Books? This is an important question, and if the Auditors are not careful they may find themselves drifting into very heavy work attending it, and certainly not originally contemplated

when their remuneration was fixed, and which would convert the remuneration that has been voted to them by the Shareholders from a modicum of profit into an absolute item of loss; sooner or later they will have to face this question, and resist any such undue inroads upon their time, meanwhile it is satisfactory to be able to record that enlightened Companies, recognise the many advantages of having the work involved by Schedules Nos. V, VI, VII, VIII and IX, continuously safeguarded by the fortnightly supervision of a firm of Chartered Accountants, and to whom an additional fee is for this extra work awarded over and above the ordinary audit fee. In this way no new certificate is issued until it has passed the eye of the Chartered Accountants, who, at the same time, carry the transaction from the lodgment of the Transfer right through all the various stages indicated by these respective Schedules Nos. V, VI, VII, VIII and IX, already referred to. It is not out of place here to add that it is the practice with English Railway Companies and other large ventures generally, who thus make use of the services of Chartered Accountants to treat the question of the Share Registers, and the work of verification therein involved, apart from that of ordinary audit, making it one of special and extra remuneration, as indeed it should be.

Application to the Stock Exchange for a special Settling day and quotation.

43. Reverting now to what I said in Paragraphs 33 and 37, in reference to the application to the Committee of the Stock Exchange to allow a special settling day and quotation in the Shares of the Company, it will be remembered that at Paragraph 34 I state that a notice is sent out to the Shareholders on Friday, 3 October, 1902, to the effect that their Share

Certificates will be ready on and after Monday, 6 October, 1902; and on the morning of that same day, viz., Friday, 3 October, 1902, the Secretary of the Company writes to the Secretary of the Share and Loan Department of the Stock Exchange, informing him of the fact, and applying accordingly to the Committee to allow the special settling day and quotation in the Shares as above referred to. In due course this official forwards to the Company a printed form setting out the requirements of the Stock Exchange in this respect, and which may be briefly stated as under in the following Paragraph 44.

Requirements of the Stock Exchange.

44. The Secretary to the Share and Loan Department of the Stock Exchange requires the following documents to be sent to him, viz. :—

1. Two copies of Certificate of Incorporation (or Act of Parliament).
2. Three certified copies of the Prospectus with the Memorandum and Articles attached, and date when first advertised.

3. Two certified copies of Memorandum and Articles of Association under the " Limited Liability Acts."

4. The original letters of application for Shares.

5. The Allotment Book containing a list of applicants for Shares, the number of Shares applied for by each, and the result of the applications with summary, signed by Chairman and Secretary.

6. A copy of the letter of Allotment and date when posted.

7. A specimen of the Share Certificate issued to allottees.

8. A statutory declaration made by the Chairman and Secretary stating the following particulars.

(a) The number of Shares applied for by the public.

(b) The number of Shares allotted individually to the public (with their distinctive serial numbers), and the amount per Share paid thereon in Cash.

(c) The number of Shares, if any (with their distinctive serial numbers), taken by Concessionnaires, owners of Property, or other parties not included in the public allotment.

(d) The number of Shares, if any (with their distinctive serial numbers), proposed to be conditionally allotted.

(e) That the Shares are ready for delivery, and that no impediment exists to the settlement of the account.

9. A Certificate (on a special Form furnished by the Stock Exchange) from the Company's Bankers accompanied by the Pass Book stating the amount of deposits received by them, and the number of Shares on which such deposits (i.e., Application Money only, being in this case £1 per Share) were paid.

10. Should the establishment of the Company have included Contracts, Agreements, &c., production of Certified Printed Copies of the same is required.

11. Evidence of any Contract relating to the issue of fully or partly paid-up Shares being filed with the Registrar of Joint Stock Companies, namely, a statutory declaration by some member of his staff to that effect, and evidence from the Secretary of the Company as Secretary, as to the date when such Shares were or are to be issued.

12. Letter nominating some Member of " The House " (i.e., The Stock Exchange) to sign application to the Committee on behalf of the Company.

The said official finishes up by saying that he will be glad to receive the vouchers herein mentioned, and he annexes for the information and guidance of the Company, a copy of the Rules relating to special Settlements and Official Quotations of New Companies, adding that he will be ready to afford any explanation that may be needed.

Rules relating to Special Settlements of new Companies. 45. The Rules relating to special Settlement and Official Quotation of New Companies are as follows :
Condition precedent.—Bargains in the Scrip of a new loan, or the Shares of a new Company, are contingent on the appointment of a Special Settling Day.

Settlement.—The Committee will appoint a Special Settling Day for transactions in the Shares of a new Company, provided that no allegation of fraud be substantiated : that there has been no misrepresentation or suppression of material facts ; that sufficient Scrip or Shares are ready for delivery ; and that no impediment exists to the settlement of the account : the Secretary of the Share and Loan Department shall give one week's notice to the Stock Exchange of any application for a Special Settling Day for transactions in the Shares of a new Company previously to such application being submitted to the Committee, and shall require the production of the following documents, viz. :—

- (a) The Prospectus.
- (b) The Act of Parliament.
- (c) The Articles of Association, or the Certificate that the Company is constituted on the Cost Book System under the Stannary Laws.
- (d) The original application for Shares together with the Allotment Book, signed by the Chairman and Secretary of the Company, and a Certificate signed in like manner, stating the number of Shares applied for, and unconditionally allotted, and the amount of Deposits paid thereon.
- (e) The Bankers' Pass Book, and a Certificate of the Bankers stating the amount of deposits received.

Quotation.—The Committee may order the quotation of a new Company in the Official List, provided that the Company is of bonâ fide character, and of sufficient magnitude and importance : that the requirements of Rule 128 have been complied with, and the prospectus has been publicly advertised, and agrees substantially with the Act of Parliament, or the Articles of Association, and in the case of Limited Companies contains the Memorandum of Association, that it provides for the issue of not less than one half of the nominal Capital, and for the payment of 10 per cent. of the

amount subscribed, and sets forth the arrangement for raising the capital whether by Shares fully or partly paid up with the amounts of each respectively, and also states the amount paid, or to be paid, in money, or otherwise to Concessionnaires, owners of property, or others in the formation of the Company or the Contractors for works to be executed, and the number of shares (if any) proposed to be conditionally allotted. That two-thirds of the whole nominal Capital proposed to be issued (Shares reserved or granted in lieu of money payments to Concessionnaires, owners of property, or others, not being counted in such two-thirds) have been applied for and unconditionally allotted to the public, that the Articles of Association restrain the Directors from employing the funds of the Company in the purchase of its own Shares, and that a member of the Stock Exchange is authorised by the Company to give full information as to the formation of the undertaking, and to be able to satisfy the Committee as to all particulars they may require. Foreign Companies partly subscribed for, and allotted, in this country shall not, unless under special circumstances, be allowed a quotation in the Official List, until they have been officially quoted in the country to which they belong.

The Company
complies with
the Stock
Exchange
requirements.

46. Referring now to Paragraph 44 (with Rules accompanying, as shown in Paragraph 45) the Company at once proceeds to carry out the requirements contained in these two Paragraphs, and is able by Monday, 6 October, 1902, to lodge the whole of the Papers, Vouchers, &c., with the Secretary of the Stock Exchange, including the Statutory Declarations therein referred to. It is hardly necessary for me here to recapitulate categorically what it sends in; suffice it to point out that it complies with these requirements in the order given by the Secretary in his communication contained in Paragraph 44. To make this, however, quite clear, I will mention that as regards requirements 1, 2 and 3 the original Certificate of Incorporation, dated 6 September, 1902, is sent, and that the various copies of the Prospectus, &c., as also of the Memorandum and Articles of Association, bear the following certificate:

“ We certify that this Paper is a true copy of the Prospectus (or Memorandum and Articles of Association as the case may be), and that the same was first advertised 8 September, 1902.”

“

R. S. Blease, Chairman.

“

John Howe Bourne, Secretary.

“ London, 6 Oct., 1902.”

And as regards requirement No. 4 (original Letters of Application for Shares), this is made up of the letters of which an example is given at Schedule No. I hereof. These 1,601 letters are all put together in serial order, between two boards, cut to the exact size, and endorsed outside—

“Bombay and Mofussil Railway Company, Limited.

“Original Letters of Application for Shares.

“Nos. 1—1,601 for Shares 573,705.

“ R. S. Blease, Chairman.

“ John Howe Bourne, Secretary.

“London, 6 October, 1902.”

Then as regards enquiry No. 5, respecting Allotment Book, I refer to Sheets Nos. 1—40 of Schedule No. III (Applications and Allotment of Shares) which are fastened together with an Extra Sheet (41) at the end of it, containing the following summary :

“The Bombay and Mofussil Railway Company, Limited.

“ London, 6 October, 1902.

“ Number of Shares applied for—

“ Through Messrs. Blease Brothers & Co. 307,055

“ Through Messrs. Finney & Sons 266,650

“ as per Letters of Application Nos. 1-1,601 Shares 573,705

“ Number of Shares allotted, 200,000.

“ We certify that the within Sheets, Numbers 1-40, form the Allotment Book, of which the above is the summary.

“ R. S. Blease, Chairman.

“ John Howe Bourne, Secretary.”

Then as regards requirement No. 6, Forms A, B and C (Allotment Letters), as also D (Regrets) are furnished with the following note attached to each of them—

“ posted, London, 13 September, 1902.”

“ R. S. Blease, Chairman.

“ John Howe Bourne, Secretary.

It is well here to note that the cheques constituting the foot of Forms B and D hereof should be marked across “Copy for the Stock Exchange,” so that they may not be improperly used. As regards requirement No. 7, I refer to Schedule No. V, Form of Share Certificate, across which is marked in the margin “A true copy.

“ R. S. Blease, Chairman.

“ John Howe Bourne, Secretary.

“London, 6 October, 1902.”

Then dealing with requirement No. 8 (the Statutory Declaration) the particulars constituting the same are as follows :—

(a) Number of Shares applied for by the
 public “Shares 573,705”

- (b) Number of Shares allotted unconditionally to the public
- | | |
|---|------------------------|
| Serial numbers 1 to 200,000 | ... “ Shares 200,000 ” |
| and upon which £1 on Application and £1 on Allotment, making £2 per Share have been paid thereon, | |
| say | ... “ £400,000 ” |
- (c and d) The answer to these two questions
- | | |
|----|-------------|
| is | ... “ Nil ” |
|----|-------------|
- (e) When the Shares are ready for delivery?
- “ On and after 6 October, 1902.”

As regards the Statutory Declaration, mentioned in requirement No. 8, and embodying the above items *a*, *b*, *c*, *d* and *e* respectively, this is drawn up by the solicitors of the company, Messrs. T. W. Read & Co., and covers the above facts. As it is not my province to trespass on solicitors' work, I do not propose to give a Form of Declaration, as I consider this is best done by the solicitors themselves, whose function it is to keep the Company in order in this respect; the duty of the Chartered Accountants being to prepare the above particulars *a* to *e* in such a form that the solicitors can readily draw this up.

For requirement No. 9, Messrs. Blease Brothers & Co. and Messrs. Finney & Sons supply the following particulars:—

- “ Bleas Brothers & Co.
- “ Finney & Sons.
- “ The Bombay and Mofussil Railway Co., Limited.
- “ London, 6 October, 1902.
- “ The Committee for General Purposes, Stock Exchange.
- “ Gentlemen,
- “ We hereby certify that Applications have been made for $\frac{307055}{266850}$
- “ Shares in the Bombay and Mofussil Railway Company, Limited,
- “ and that Deposits of £1 per Share, amounting to the sum of
- “ three hundred and seven thousand and fifty-five pounds.
-
- “ two hundred and sixty-six thousand, six hundred and fifty
- “ pounds have been paid thereon.
- “ We are, Gentlemen,
- “ Your obedient Servants,
- “ Bleas Brothers & Co.
- “ Finney & Sons.”

You will understand that these are two separate certificates, the top figures referring to Messrs. Blease Brothers & Co. and the bottom ones to Messrs. Finney & Sons.

The whole of the foregoing is accompanied by a letter from the Chairman and Secretary of the Company dealing with every one of these 12 points, and explaining where any of the requirements therein referred to do not apply in this case, and therefore, for which no particulars are consequently given. In dealing with these Stock Exchange requirements in order that there should be no question, the Chairman has, in conjunction with the Secretary, signed everything; it may be alleged that in some cases the Secretary's signature is sufficient; this may be so, but the Chairman, it must be remembered takes a great interest in all this, and while he is about it he likes to be satisfied that everything is thoroughly in order, and has passed through his own hands.

The Company may not operate in its own Shares. "Trevor v. Whitworth."

47. I have in Paragraph 46 fully dealt with the requirements contained in Paragraphs 44 and 45 hereof: There is only one thing further that I wish to point out with the concluding requirement of Paragraph 45, namely, that it is a *sine qua non* with the Stock Exchange that the Articles of Association shall restrain the Directors from employing the funds of the Company in the purchase of its own shares. The Stock Exchange are very strict in this respect and rightly so; and unless this requirement is clearly satisfied in the manner indicated, the special settlement and quotation are withheld. Added to which this point has been clearly settled in law in the well-known case of "Trevor v. Whitworth," with which my readers are, no doubt, all more or less familiar: it is a favourite topic with the Examiners.

A Special Settling day, and quotation granted.

48. So expeditiously and sedulously have our untiring Chairman and Secretary worked over this matter with the Stock Exchange, that although the Stock Exchange has many similar applications in hand it is able to consider the question at the very first meeting of the Purposes Committee, provided by its rules, viz., on Friday week, 17 October, 1902, which approves the same and relegates it to the general Committee which meets on the following Monday, 20 October, 1902, which grants a special settling day for the following Wednesday, 22 October, 1902, and from which date the shares are fully quoted in "The House"; for a concern of such magnitude, this is about as prompt a settlement as I can remember.

Calls on Shares. Schedule No. X, Call Book.

49. I have now to call attention to the question of Calls on the shares, which, as shown by Applications and Allotment Account (Schedule No. III), as also Journal Entry No. 2 (Schedule No. XIV) are £2 paid up. The Company at 22 November, 1902, decides to make the first call of £1 10s. per Share, payable 8 December, 1902, to be followed

by a second call of £1 10s. per Share to be made 6 January, 1903, and payable 16 January, 1903, which will thus make the Shares £5 paid up. I mentioned at Paragraph 5 of this work that the Shares are £10 each, of which £5 is thus at present called up, yielding £1,000,000, and the remaining £5 per Share on these 200,000 Shares are held in abeyance, because the Company has raised this amount by the issue of terminable $3\frac{1}{4}$ per cent. Debentures to the extent of £1,000,000, and about which I will treat later on when dealing with Schedules Nos. XII and XIII, and here, for the purpose of explaining the question of Calls, I refer you to the following Schedules, viz. :—

No. IX. Shareholders' Address Book (Alphabetical Register of Shareholders).

No. X. Call Book.

No. XI. Call Letter.

I have already explained at the end of Paragraph 41, when dealing with Schedule No. IX (Shareholders' Address Book), how this book is kept. As soon as the Call is made the books of the Company are closed for about a fortnight in order to get everything close up without any intermediate variations—when these final figures and particulars are adjusted, the Shareholders' Address Book is compared with the Register of Shares (Shareholders' Ledger), Schedule No. VI (of course all transfers and everything up to date of closing being by this time entered in) and the particulars from it are taken out into the Call Book as shown in Schedule No. X. This Call Book, it will be noted, is ruled with ten columns as follows :—

1. No. of Call Letter.
2. Shareholder's name and address.
3. Share Ledger Folio.
4. Shares held.
5. Amount of Call at £1 10s. per Share.
6. Date when paid.
7. Amount outstanding on the morning of 9 December, 1902.
8. Interest at 5 per cent. on arrears.
9. Date when paid.
10. Remarks.

When once the Shareholders' Address Book (Schedule No. IX) has been agreed, it is easy to arrive at the data required to follow up columns Nos. 1 to 4 of the Call Book, Schedule No. X. As regards column No. 5 (Amount of Call at £1 10s. per Share), this is a matter of simple multiplication : column No. 6 (date when paid) is got from the Cash Book, which latter book of course is written up

from the Pass Book, and the bulk of the money is paid by the due date, viz., 8 December, 1902, some amounts having been paid beforehand. All these are posted at once in daily outside extension totals from the Cash Book to the Ledger to the credit of First Call Account, folio 6 in the Ledger. On the morning of 9 December, 1902, this Ledger folio 6 is cast to see how much has been received on the Call, at the same time the amounts not paid on that day are extended into column No. 7 of Call Book, Schedule No. X, the cast of this column added to what has been posted to the First Call Account at folio 6 of the Ledger makes up the amount of £300,000, with which this First Call Account has been debited by Journal Entry No. 3, London, 8 December, 1902; Schedule No. XIV, Share Capital Account having been credited at the same time with that amount, viz. : £300,000. We now take columns Nos. 8, 9 and 10, as already detailed above. On casting one's eye along No. 10 it appears that Mr. William Brewer paid his call on 10 December, 1902, and is thus two days in arrear : the interest on the amount (£75) was remitted because the Company had given notice to its Bankers not to begin charging interest until two days after. With column No. 9, Sir Anthony Wigham Chalmers, C.E. (Call Letter No. 11), whose Call amounted to £375, the thing is different. This gentleman, as stated in the remarks at column No. 10, left for India to look after the concerns of the Company with so much zeal and expedition that he omitted to give instructions as to payment of any Call that might be due, consequently it was not until 10 January, 1903, that his money was received, therefore he had to pay £1 13s. 11d. interest, as shown on column No. 8. A reference to column No. 10, "Remarks," makes it clear that no further explanation as regards this Schedule is needed.

Schedule No. XI. Call Letter. 50. Having thus explained at Schedule No. X, the Call Book and its workings, I now refer at Schedule No. XI to a Call Letter. I have chosen our old friend Mr. George Henry Ashworth, who holds 60 Shares, and therefore is to pay £90, his serial No. is 5, which agrees with that shown on Schedule No. X of the Call Book, he pays this amount on 8 December, 1902, the Bank detaches the bottom half of the letter, viz., the receipt, and returns it to him, he brings this on to the Company's Office with his Share Certificate, see Schedule No. V, on which he gets the Call endorsed, as explained at Paragraph 34 hereof.

Second Call. 51. Referring to Paragraph 49, I now deal with the Second Call of £1 10s. 0d. per Share (making the Shares £5 paid up) made on 6 January, 1903, and payable 16 January, 1903 : 200,000 Shares yield £300,000, and making paid up on Share Capital Account as per Ledger folio 1, the £1,000,000 as shown by Journal Entry No. 4, Schedule No. XIV : the require-

ments connected with this Call are identical with those given at Paragraphs 49 and 50 when dealing with the First Call, and for which again I bring into requisition the following Books, viz. :—

Schedule No. VII. Register of Shares (Shareholders' Ledger).

Schedule No. IX. Shareholders' Address Book.

(both of which have to be agreed at 6 January, 1903.)

Schedule No. X. Call Book (in this instance Second Call).

Schedule No. XI. Call Letter (in this instance No. 2).

Issue of
Terminable
3¼ per cent.
Debentures.

52. At Schedules Nos. XII and XIII, I deal with the issue of £1,000,000 Terminable 3¼ per cent. Debentures, see Schedule No. XII, for the Prospectus, and Schedule No. XIII for the Form of Tender.

Schedule
No. XII.
The Pro-
spectus.

53. On Schedule No. XII (the Prospectus) will be found all the conditions under which these Debentures are issued, both principal and interest of which are guaranteed by the Secretary of State for India in Council. The minimum price is par, the Debentures are to bearer, and expire on 18 February, 1910; the interest being payable half-yearly by Coupons on 18 February and 18 August respectively, the first being payable 18 August, 1903, and for 6 months' interest, &c., &c., &c.

Schedule
No. XIII,
Form of
Tender for
Debentures.

54. At Schedule No. XIII is a Form of Tender for these Debentures, by which it appears that Mr. William Valentine Brewer applies for 5,000 Debentures at £100 5s. 0d. per cent., viz., ¼ per cent. premium, and for which he encloses a cheque for £250. This Application Form bears the Stamp of our old friends the Stockbrokers, Messrs. John MacConnal & Co., of Capel Court, London, E.C., so that any allotments on the same are subject to a ¼ per cent. Commission to these Brokers, which thus reduces the price of Tender in this case to par.

Form of
Procedure.

55. As notified in Schedule No. XII, the Tenders on forms given as per Schedule No. XIII, have all to be delivered at the Company's Offices, 999, Gresham House, in sealed envelopes addressed to the Directors, marked "Tenders for Debentures," not later than noon on Thursday, 22 January, 1903; at that hour the Directors, the Secretary, and the Chartered Accountants (who are there to assist) are in attendance with the general public, the doors being thrown open, the Tenders are unsealed, and particulars called out in the presence of all assembled. These tenders are listed on forms somewhat similar to the model given at Schedule No. III, Applications for and Allotment

of Shares, after undergoing a preliminary sorting, the highest premiums are taken first, so they, the Tenders, go down stage by stage, the following announcements being made as soon as possible :—

- (1.) Total number of Debentures tendered for.
- (2.) Highest rate of Tender.
- (3.) Lowest rate of Tender.
- (4.) Lowest rate at which allotments are made in full.
- (5.) Rate under which these are made “*pro ratâ.*”
- (6.) Average price at which the Tenders have been allotted.

All these particulars, as soon as got out, are sent to the Stock Exchange, and in this case the same afternoon. The average price, as given at Sub-head No. 6 hereof, is subject to $\frac{1}{4}$ per cent. commission, in those cases where applications come through Brokers. After having paid the brokerage, together with the necessary printing, advertising, &c., the price of Issue comes out at par or a fraction over. The same course is pursued in allotting these Debentures, as in the case of Applications for and Allotment of Shares, and with Schedules Nos. III, IV and V. I leave my readers to work this out for themselves.

Cash arrangements. 56. The cash received, viz., 5 per cent. on application, goes into an account, folio 8, of the Ledger, entitled Debentures Applications and Instalment Account, as also does that for the payment of 95 per cent. on the balance, and in the same way all monies returned for Regrets, &c., are debited to this account, the net 5 per cent. deposit on the £1,000,000 Issue, say £50,000, is posted out by Journal Entry No. 5, Schedule No. XIV, to an account in the Ledger, folio 2, entitled Terminable $3\frac{1}{4}$ per cent. Debentures Account, and a Journal Entry No. 6, will be made at 18 February, 1903, for £950,000, being the 95 per cent. balance, and thus making up the £1,000,000, these two amounts of £50,000 and £950,000 respectively are paid into the account of the Secretary of State for India in Council with the Bank of England, on 23 January, and 19 February, 1903, provided always that the payments on the 95 per cent. balances are completed by the latter date, if they are not, the amount actually received by then is paid over, and in the same way the balances as they are received: it is hardly likely, however, that there will be many such arrears, and the few there might be are likely to be quite through inadvertence or oversight.

Forfeited Shares. 57. It is a most out of the way thing with such a good undertaking that there should be any defaulting Shareholders. At the same time, I really must find one as an illustration, so we will take our friend, Mr. Silliboy

Babibhoy Blockhead, who (for reasons best known to himself, and which I cannot really explain to you), after having paid £2 (Application and Allotment) on his five Shares, say £10, refuses to pay the first and second calls amounting to £7 10s. each, due 8 December, 1902, and 16 January, 1903, respectively, so that the Board, after waiting some time and knowing his determination as to this, passes a resolution on 2 April, 1903, that if these Calls are not paid, say within two months expiring 2 June, 1903, the Shares will be forfeited, and he is so notified. Our friend happens to have his office in Gresham House, and therefore is not hard of access. He does not pay these Calls, and the Shares are accordingly forfeited on 2 June, 1903, the Journal Entry cancelling these Shares is shown as No. 7 in Schedule No. XIV hereof: the First Call Account and the Second Call Account are respectively credited £7 10s. each and so these two accounts are cleared. Forfeited Share Account is credited £10, this amount is the £1 per Share on Application and the £1 per Share on Allotment, which was duly paid in cash, and as Mr. Sillibhoy Babibhoy Blockhead, the owner of the 5 Shares, has refused to pay the Calls, the Shares are forfeited by the Directors in conformity with the Articles of Association; the cash thus received, say £10 Balance, reverts to the Company. This amount of £10 must not, however, be taken to the credit of the Profit and Loss Account, as it is not a legitimate profit: it is shown on the Liabilities' side of the Balance Sheet under a special heading called "Forfeited Shares." Share Capital Account is debited at Ledger folio 1 with the £25, say £5 per Share on these five Shares cancelled. The entry in Schedule No. VI, Register of Shares (Shareholders' Ledger) is made in one line as follows (what I *italicise* being in red ink) "*2 June, 1903. To Shares forfeited as per resolution of Board Minute No. 167, of 2 April, 1903.*" (This comes in Columns 1-3, the remaining entries appearing in Columns 4, 5, 6, 7, 11 and 12

Columns Nos.	4	5	6	7	11	12
Details	£2	5 Shares Nos. 65001-5		£10	Nil.	Nil.

respectively: this closes his Share Ledger Account. The Directors re-issue these five Shares and so restore the Share Capital Account to its original amount. The entries for this are similar to those given at the early part of this work, and can readily be worked out.

Schedule No. 58. I have already mentioned at Paragraph 6 of XV, Half-Yearly Interest. this work that during construction, Interest at the rate of 4 per cent. per annum is payable half-yearly to the Shareholders on their Capital paid-up, and which payment forms a charge upon the capital of the Company. At Schedule No. XV I give the particulars of how the first

half-yearly sheets for interest to 31 December, 1902, and payable 1 January, 1903, are made up. Columns Nos. 1, 2, and 3 are taken from the Shareholders' Address Book, Schedule No. IX, after it has been duly agreed with the Register of Shares (Shareholders' Ledger), Schedule No. VI, in order to be sure that everything has been duly entered. Column No. 4 shows the original amount per Share of £2 paid on Application and Allotment, and No. 5 gives the 86 days from 13 September to 8 December, 1902. Column No. 6 takes up this 86 days' interest at 4 per cent. per annum on amounts shown at Column No. 4. Column No. 7 works out the number of shares appearing at Column No. 3 at £3 10s. per Share after the first Call, 8 December, 1902, has been paid; and No. 8 sets out the number of days to the end of the year. No. 9 gives the 23 days' interest on the amounts extended at Column No. 7 at 4 per cent. per annum. No. 10 states the gross amount of Interest payable, that is the cast of Columns Nos. 6 and 9. Income Tax at 11d. in the £ is deducted at Column No. 11, and thus the net amount of Interest payable is brought out in Column No. 12, that is after deducting the amounts entered in Column No. 11 from those shown in Column No. 10. Column No. 13 shows the date when each dividend is paid out from the special Dividend Bank Pass Book. In reference to this, I would point out that Sir A. W. Chalmers, not having paid his first Call until 10 January, 1903, he only cashes his Dividend Warrant on 12 January, 1903, as stated on line No. 11, extended in Column No. 13. Column No. 14 shows amounts outstanding at 30 June, 1903, and which information comes in useful for purposes of Audit. Column No. 15 shows when these last amounts are paid, and Column No. 16 deals with "Remarks," as, for instance, line No. 11, referring to Sir A. W. Chalmers as already mentioned. The Cash for this half-yearly interest is procured from the Secretary of State for India in Council in the manner already indicated at Paragraph 31. I do not think I need enter further into this Schedule considering the previous experience my readers have by this time gained by working out in detail the calculations attaching to the various Schedules, added to which I purpose leaving something to their fertile imagination to reason out intelligently by themselves.

India Rubber Stamps :
9 different Forms.

59. The Bombay and Mofussil Railway Company attaches a laudable importance to having everything uniform and clear, no slurring or bad writing being tolerated : it finds great help in this as also economy of time by using India Rubber Stamps to impress certain Forms most required. The following are a few useful examples of such stamps :—

No. 1. To be placed on Certificate where Transfers are brought in for certification, the Share Certificate being lodged, pending return of Transfers duly executed.

Retain to meet Transfers.

No. 2. To be placed on Deed of Transfer when the Share Certificate is lodged at the Company's Office to meet several Transfers.

Certificate No.....Relative to
Within Numbered.....Shares Lodged
With Company
Secy.

No. 3. To be placed at foot of Counterfoil of Share Certificate where the Certificate is sent by post.

Sent by Post Registered
on..... 19...
To.....
Address.....

No. 4 is explained at Schedule No. V, Paragraph No. 69.

First Call of £1 10s. 0d. per Share
(due 8 December, 1902) Paid
making the Total Payments £3 10s. 0d.
per Share.
.....
Secretary.

No. 5, and which speaks for itself.

Cancelled.

No. 6 for cheques and other orders for payment.

<p>For Credit of Payee. Not Negotiable.</p>

No. 7 for letters and documents generally.

<p>Bombay and Mofussil Railway Company, Ltd.</p>
No.....
Recd.
Ansd.

No. 8 applying to a cancelled Share or other Certificate.

Transferred by Deed No.....
To
New Certificate No.

No. 9 to impress upon a Transfer Deed.

Old Certificate.....folio..... (Seller)
New Certificate .....folio..... (Buyer)

A plea
"ad miseri-
cordiam."

60. I am sure that no one will think that I am wasting time in thus referring to such simple things —but if they do, I can only say that, when they arrive at my age, they will be thankful for small comforts such as having these simple things thus ready to hand without having to hunt high and low to find them.

Opening the various Books and drawing up the Forms.

61. It is outside the scope of the present work to deal with the many questions attendant upon the opening the general books of the Bombay and Mofussil Railway Company, Limited, as also the drawing up of the several Forms for use at the Home Office, and for the Agent in Bombay, and many other similar things: in fact much of this knowledge can only be acquired by actual practice and experience, at the same time an intelligent reader of my works generally, will find much helpful matter to assist him therein.

Specifications for Tenders.

62. As regards the questions arising out of the preparing the specifications, and inviting Tenders, I propose, while instancing some of the same, to give the various quotations at which these Tenders were respectively accepted, and considering the marvellously low prices at which the Company secured what it wanted, I leave my readers to ask themselves the question as to "how it is done," the quotations are all *bonâ fide*. The simple answer is, that the Directors are practical men and know what they are about, and that they take care to secure good and reliable advisers, who are up in all these points, technical, theoretical and practical.

Sundry Specifications set out.

63. The Specifications for Tenders include the following (and here let me mention that ours is the heavy rail of 75lbs. to the yard, 5 feet 6 inches broad gauge; against the lighter rail of 41½lbs. to the yard, meter gauge), used on some of the Lines on the Eastern side, say:—

I. For 75lbs. Steel Vignoles Rails.

(5 feet 6 inches gauge.)

Messrs. T. Lloyd & Son's Tender accepted at—

£4	5	0	per	Ton,	net	cash,	f.o.b.:	London.
£4	1	0	"	"	"	"	"	Liverpool.
£3	17	6	"	"	"	"	"	Maryport.

II. For Bessemer Steel Fish Plates.

(For 75lbs. Double-headed Steel Rails, 5 feet 6 inches gauge.)

Messrs. A. E. Wright & Co.'s Tender accepted at—

£5	7	6	per	Ton,	net	cash,	f.o.b.:	London.
£5	6	6	"	"	"	"	"	Liverpool.
£4	17	6	"	"	"	"	"	Newport.

III. For Transverse Steel Sleepers.

Messrs. W. E. Stacey & Bros.' Tender accepted.

£4 19 6	per Ton, net cash, f.o.b.	{ London and or Liverpool.
£4 13 0	„ „ „ „ „	{ Middlesboro' and or West Hartlepool.

IV. For Steel Fish Bolts and Nuts.

(For 75lbs. Vignoles Double-headed Steel Rails 5ft. 6in. gauge.)

Messrs. S. B. Simmons & Co.'s Tender accepted.

£12 19 0	per Ton, net cash, f.o.b. :	London.
£12 13 0	„ „ „ „ „	Liverpool.
£12 12 0	„ „ „ „ „	Hull.

In addition to the foregoing four specifications there are many others such as—

- V. Brass Boiler Tubes.
- VI. Yorkshire Iron Plates.
- VII. Wood-Working Machines.
- VIII. Machine Tools.
- IX. Workshop Machines.
- X. Steel Under-Frames, Bogie Trucks and Iron-Wood for Under-Frames, and Bodies for Iron Covered Goods, Bogie Wagons, 26 feet long.
(Wheels 2ft. 4in. diameter, drawings Nos. 225, 229, 233, 235, & 236.)
- XI. Galvanised Wrought Iron Work for Sheds.
- XII. Steel Paddle Ferry Steamers (Drawing 125).
- XIII. Five Barges and Machinery connected therewith (Drawing 136).
- XIV. Three Light Draught Harbour and River Steamers.
(Lithographed Drawing A accompanying this Specification.)

The foregoing details will, I trust, give my readers sufficient preliminary grounding and insight into this interesting subject, so that, when the same comes practically before them in the course of their general work, they should not be altogether at sea about it, but on the contrary, be in a position to approach it calmly and with

a certain degree of confidence in themselves. All this of course, gives a great deal of good work to our friends, Messrs. W. V. Brewer & Co., the Ship and Insurance Brokers, whose function it is to charter room for the foregoing, as also to cover the Marine Insurance.

One Parting
Word.

64. One parting word, and it is this—

“ To thine ownself be true,
“ And it must follow as the night the day,
“ Thou canst not then be false to any man.”
Shakespeare.

Your sincere friend and well wisher,

GÉRARD VAN DE LINDE.

50, Gracechurch Street,
London, E.C., 1 July, 1904.

¶ 65.

SCHEDULE No. I.

Form of Application for
Shares.

No...5/1.

The Bombay and Mofussil Railway
Company, Limited.

W. S. Glass
& Co.,
Stock and Share
Brokers,
59, Finch Lane,
E.C.

Form of Application for Shares.

To be sent to and retained by

Messrs. Blease Bros. & Co., | Messrs. Finney & Sons,
or
95, Bishopsgate Within, E.C. | St. Swithin's Lane, E.C.

To the Directors of

The Bombay & Mofussil Railway Company, Limited,
London.

Gentlemen,

Having paid on your account to

Messrs.Blease Brothers & Co.....
the sum of.....£100...being a Deposit of £1 per Share on 100.....Shares
in the above Company, I hereby request that you will allot me that
number, and I agree to accept such Shares, or any smaller number you
may allot me, upon the terms and conditions of the Prospectus and the
Memorandum and Articles of Association of the Company, dated London,
6 September, 1902, and I request you to place my name on the Register
of Shareholders in respect of the Shares which you may allot to me.

Signature.....George H. Ashworth

Name in full.....George Henry Ashworth

Description..... Civil Servant

Address.....1, Southampton Square, W.

Date of Application.....8, September, 1902

I am an original Shareholder in the "Ramjam Tunder Railway," and
want these Shares to hold as an investment.

G. H. A.

The Bombay & Mofussil Railway Company, Limited.

No...5/1.

Receipt for payment on Application.

(To be returned to Applicant.)

1d.
Stamp.

Received the.....3th.....day of.....September,...1902, from.....
.....George H. Ashworth, Esq.....the sum of.....one hundred.....pounds
.....shillings.....pence, being a deposit of £1 per Share
on.....one hundred.....Shares of £10 each in the above-named
Company.

For Blease Brothers & Co.,

(Signed) Jas. Smith,

Cashier.

£100 : 0 : 0.

¶ 66.

SCHEDULE No. II.

The Bombay and Mofussil Railway Company, Limited.
Applications for Shares: 1—Blease Brothers & Co.'s Lists.

1 No. of Application.	2 Applicant.	3 No. of Shares Applied for	4 Deposit at £1 per Share.	5 Remarks.
1	Blease, C.S.I.: General Robt. Stanley	1,000	1,000	Subscriber to Memorandum.
2	Blease: Walter	10,000	10,000	do.
3	Ready money: Bengali Baboo	5,000	5,000	do.
4	Brewer: William Valentine	500	500	
5	Ashworth: George Henry ...	100	100	
6	Roychund: Premchund ...	5,000	5,000	Backbay Co ?
7	Lever: Samuel	5	5	
8	Harmood-Banner: Sir John Sutherland	500	500	
9	Glass: Walter Spencer ...	10,000	10,000	For Stock Exchange.
	Total of Sheet No. 1	32,105	32,105	
	Total of Sheet No. 2	50,450	50,450	
	Total of Sheets Nos 3/15	224,500	224,500	
10/101 102/1004		307,055	£307,055	

Applications for Shares: 2—Messrs. Finney & Sons' Lists.

1	Bottlebhoj: Sir Dadabhoy Nortibhoy	5,000	5,000	Subscriber to Memorandum.
2	Finney: Charles Frederick...	10,000	10,000	do.
3	Rogers: Thomas Theodore...	20,000	20,000	do.
4	MacConnal: John	5,000	5,000	do.
5	Cookson: Benjamin	500	500	Bill Broker to Bank.
6	Chalmers, C.E.: Sir Anthony Wigham	500	500	
7	Sulieyman: Jaffer	500	500	
8	Read: Theodore William ...	100	100	
	Total of Sheet No. 1	41,600	41,600	
	Total of Sheet No. 2	40,200	40,200	
	Total of Sheets Nos. 3/12	184,850	184,850	
9/99 100/597		266,650	£266,650	

Summary.

I. Messrs. Blease Brothers & Co.'s Lists	307,055	307,055
II. Messrs. Finney & Sons' Lists	266,650	266,650
Total	573,705	£573,705

SCHEDULE

Applications for and allotment of Shares :

1 Date of Application.	2 Serial Number.	3 Name.	4 Address.	5 Description.
8/9/1902	1	Ashworth : George Henry ...	1, Southampton Square, W. ...	Civil Servant ...
	2	Blease, C.S.I. : General Robert Stanley	49, Rajah Place, S.W. ...	General (Retired) ...
	3	Blease : Walter	Sevenoaks, Kent... ..	Merchant
	4	Bottlebhoj : Sir Dadabhoj Norti-bhoj	The Bungalow, Westgate ...	Marine Store Dealer ...
	5	Brewer : William Valentine ...	16, Long Acre, W.C. ...	Coach Builder ...
	6	Chalmers, O.E. : Sir Anthony Wigham	71, Gt. George Street, S.W. ...	Civil Engineer ...
	7	Cookson : Benjamin	590, Lombard Street, E.C. ...	Bill Broker
	8	Finney : Charles Frederick ...	52, St. Swithin's Lane, E.C. ...	Merchant
	9	Glass : Walter Spencer	59, Finch Lane, E.C.	Stock Broker
	10	Harmood-Banner : Sir John Sutherland	India Office, S.W.	Director of Indian Railways
	11	Lever : Samuel	Bleak House, Broadstairs, Kent	Novelist
	12	MacConnal : John	Capel Court, E.C.	Stock Broker
	13	Read : Theodore William... ..	497, Gresham House, E.C. ...	Solicitor
	14	Readymoney : Bengali Baboo ...	540, Gresham House, E.C. ...	Schroff
	15	Rogers : Thomas Theodore ...	92, Lombard Street, E.C. ...	Banker
	16	Roychund : Premchund	Back Bay, India	Financier
	17	Sulieman : Jaffer	74, Wardour Street	Furniture Dealer ...
				Total of Sheet No. 1
	18/1601			Total of Sheets Nos. 2 to 40

No. III.

The Bombay and Mofussil Railway Company, Limited.

6 No. of Shares Applied for.	7 Amount of Deposit £1 per Share.	8 No. of Shares Allotted	9 Date of Allotment.	10 Distinctive Numbers of Shares Allotted.		11 Total amount in respect of Shares allotted £2 per Share.	12 Further amount payable.	13 Amount return-able.	14 Folio in Register of Share-holders.	15 No. of Share Certificate.	16 Remarks.
				From	To						
100	100	60	12 Sept.	160		120	20	nil	15	1	A
1,000	1,000	1,000	"	61	1,060	2,000	1,000	nil	99	2	A. (S. M.)
16,000	10,000	10,000	"	1,061	11,060	20,000	10,000	nil	100	3	A. (S. M.)
5,000	5,030	5,000	"	11,061	16,060	10,000	5,000	nil	105	4	A. (S. M.)
500	500	50	"	16,061	16,110	100	nil	400	109	5	B.
500	500	250	"	16,111	16,360	500	nil	nil	137	6	C.
500	500	200	"	16,361	16,560	400	nil	100	150	7	B.
10,000	10,000	10,000	"	16,561	26,560	20,000	10,000	nil	250	8	A. (S. M.)
10,000	10,000	5,000	"	26,561	31,560	10,000	nil	nil	310	9	C.
500	500	500	"	31,561	32,060	1,000	500	nil	352	10	A.
5	5	nil	"	nil		nil	nil	5	—	—	D. (Regret)
5,000	5,000	5,000	"	32,061	37,060	10,000	5,000	nil	521	11	A. (S. M.)
100	100	100	"	37,061	37,160	200	100	nil	690	12	A.
5,000	5,000	5,000	"	37,161	42,160	10,000	5,000	nil	692	13	A. (S. M.)
20,000	20,000	20,000	"	42,161	62,160	40,000	20,000	nil	710	14	A. (S. M.)
5,000	5,000	nil	"	nil		nil	nil	5,000	—	—	D. (Regret.)
500	500	50	"	62,161	62,210	100	nil	400	770	15	B.
73,705	73,705	62,210				124,420	56,620	5,905			
500,000	500,000	137,790		62,211	200,000	275,580	24,420	248,840			A. to D.
573,705	£573,705	200,000		1	200,000	£400,000	£81,040	£254,745			

¶ 68.

SCHEDULE No. IV.

Letter of Allotment.
(A. Further amount Payable.)

The Bombay and Mofussil Railway Company, Limited,
999, Gresham House, Old Broad Street,
London, E.C.,

6d.

13 September, 1902.

Serial No. 13.

Sir,

In answer to your application, the Directors of this Company have allotted to you 100 Shares of £10 each of The Bombay and Mofussil Railway Company, Limited, upon the terms of the Prospectus of 6 September, 1902, and of your Letter of Application.

The amount payable in respect of this allotment is	...	...	200	0	0
You have already deposited upon Application	...	...	100	0	0

leaving a Balance due by you of	£100	0	0
---------------------------------	-----	-----	-----	-----	------	---	---

Which amount must be paid to Messrs. T. T. Rogers & Co., of 92, Lombard Street, E.C., on or before Monday next, 17 September, 1902, producing this letter at the time of payment.

Due notice will be given when the Share Certificates are ready. They will only be delivered in exchange for this Allotment Letter duly endorsed, accompanied by all Receipts given for amounts paid.

I am, Sir,

Your obedient Servant,

John Howe Bourne,
Secretary.

To Theodore William Read, Esq.,
497, Gresham House, E.C.

This Letter must be presented entire.

** In all communications respecting this letter please quote the above serial number.

The Bombay & Mofussil Railway Company, Limited.

Bankers' Receipt for payment on Allotment.

(To be returned to the Allottee when signed by the Bank.)

92, Lombard Street, E.C.,

17 September, 1902.

1d.
Stamp.

Received from.....Theodore W. Read, Esq.....the sum of
.....one hundred.....pounds.....shillings.....pence,
payment on Allotment in respect of...one hundred.....Shares allotted to
him in the Bombay and Mofussil Railway Company.

For Messrs. T. Theodore Rogers & Co.,
John Ready,

£100 : 0 : 0.

Cashier.

(This Receipt must be preserved to be exchanged for the Share Certificate when ready.)

¶ 68 (continued).

SCHEDULE No. IV.

6d.

Letter of Allotment.
(B. Amount returnable.)

The Bombay and Mofussil Railway Company, Limited,
999, Gresham House, Old Broad Street,
London, E.C.,

13 September, 1902.

Serial No. 7.

Sir,

In answer to your application, the Directors of this Company have allotted to you 200 Shares of £10 each of The Bombay and Mofussil Railway Company, Limited, upon the terms of the Prospectus of 6 September, 1902, and of your Letter of Application.

Your Deposit being 500 0 0
and the amount payable in respect of this Allotment 400 0 0

there remains a Balance in your favour of £100 0 0

for which I annex herewith a cheque to your order.

Due notice will be given when the Share Certificates are ready. They will only be delivered in exchange for this Allotment Letter duly endorsed, accompanied by all receipts given for amounts paid.

I am, Sir,

Your obedient Servant,
John Howe Bourne,
Secretary.

To Benjamin Cookson, Esq.,
590, Lombard Street, E.C.

** In all communications respecting this letter please quote the above serial number.

The Bombay and Mofussil Railway Company, Limited,
999, Gresham House, Old Broad Street,
London, E.C.,

13 September, 1902.

No. 7.

1d.

This should be crossed as follows:—

No.....
For credit of Payee.
Not negotiable.

To Messrs. T. Theodore Rogers & Co.,
92, Lombard Street, E.C.

Pay Benjamin Cookson, Esq.....or Order
One Hundred Pounds,

R. S. Blease,
J. S. Harmood-Banner, } Directors.
John Howe Bourne, Secretary.

£100—
Benjamin Cookson, Signature of Payee.

¶ 68 (continued).

SCHEDULE No. IV.

Letter of Allotment.

(C. Allotment Payment completed.)

The Bombay and Mofussil Railway Company, Limited,
 999, Gresham House, Old Broad Street,
 London, E.C.,

13 September, 1902.

6d.

Serial No. 6.

Sir,

In answer to your Application, the Directors of this Company have allotted to you 250 Shares of £10 each of The Bombay and Mofussil Railway Company, Limited, upon the terms of the Prospectus of 6 September, 1902, and of your Letter of Application.

The amount payable on this Allotment being £500—the exact amount of your deposit—I have merely to inform you that due notice will be given when the Share Certificates are ready. They will only be delivered in exchange for this Allotment Letter duly endorsed, accompanied by all receipts given for amounts paid.

I am, Sir,

Your obedient Servant,

John Howe Bourne,
 Secretary.

To Sir Anthony Wigham Chalmers, C.E.,
 79, Great George Street, S.W.

* * In all communications respecting this letter please quote the above serial number.

¶ 68 (continued).

SCHEDULE No. IV.

D.—Letter of Regret.

The Bombay and Mofussil Railway Company, Limited,
999, Gresham House, Old Broad Street,
London, E.C.,

13 September, 1902.

Serial No. 11.

Sir,

In reply to your application for shares in this Company, the Directors regret that they cannot comply with your request, owing to the large subscription for the same.

I annex a cheque for £5 to your order, the amount of the Deposit paid by you on application, which must be presented for payment accompanied by this letter and the Receipt given by the Bankers on application.

I remain, Sir,

Your obedient Servant,

John Howe Bourne,
Secretary.

To Samuel Lever, Esq.,
Bleak House,
Broadstairs, Kent.

[This portion to be retained by the Bankers as attached to the original receipt for return to the Company.]

This letter must be presented entire.

This must be crossed thus :—

For Credit of Payee.
Not Negotiable.

1d.

No. 11.

The Bombay and Mofussil Railway
Company, Limited.

999, Gresham House, Old Broad Street, London, E.C.,

13 September, 1902.

To

Messrs. T. Theodore Rogers & Co.,
92, Lombard Street, E.C.

Pay Samuel Lever, Esq., or Order

Five Pounds.....

£5 : :

R. S. Blease,
J. S. Harmood-Banner, } Directors.
John Howe Bourne, Secretary.

Samuel Lever, Signature of Payee.

The Bombay & Mofussil
Railway Company, Limited.

Shares.

No. of Certificate 8.

Register Folio 250.

Old Certificate No. Allotment

Transfer No. Allotment

For 10,000 Shares,

Numbered 16,561 to 26,560,

Issued to Charles Frederick
Finney,

of St. Swithin's Lane, E.C.,

Merchant.

Amount paid per Share, £2.

Dated 4 October, 1902.

SCHEDULE No. V.—Form of Share Certificate.

No. 8.

The Bombay & Mofussil Railway Company, Limited.

Register Folio 250.

Under contract with the Secretary of State for India in Council.

10,000 Shares.

Distinctive
Numbers.

From	To
16,561	26,560

inclusive

<p>First Call of £1 10s. 0d. per Share (due 8 December, 1902) £3 10s. 0d. per Share Paid, making the total payments John Howe Bourne, Secretary.</p>
--

This is to Certify that Charles Frederick Finney, of St. Swithin's Lane, London, E.C., Merchant, is the Registered Proprietor of Ten Thousand Shares of Ten Pounds each, numbered as per margin, in the Bombay & Mofussil Railway Company, Limited, subject to the Memorandum and Articles of Association, dated London, 6 September, 1902, and that up to this date the sum of *two pounds* per Share has been paid thereon.

Given under the Common Seal of the Company the
4th day of October, 1902.

L.S.

R. S. Blease,
J. S. Harnood-Banner, } Directors.

John Howe Bourne, Secretary.

No transfer of the above Shares will be registered unless
accompanied by this Certificate.

SCHEDULE No. VI.

Register of Shares (Shareholders' Ledger).

Dr.

Sir John Sutherland Harmood-Banner. India Office, S.W.

Cr.

Company Work.

Shares Acquired.				Shares Transferred.							Balance Shares held.								
1	2	3	4	5		6	7	8	9	10	11	12		13	14	15	16		
				No. of Allotment or Transfer Deed.	Folio of Transfer Register.							Number of Shares Acquired.	Distinctive Numbers.					Amount Paid per Share.	Trans-feror's Folio in this Book.	Date.	No. of Transfer Deed.	Folio of Transfer Register.	Number of Shares Transferred.	From	To	Amount Paid per Share.	Trans-feror's Folio in this Book.	Date.	Number of Shares.
1902								1902											
Sep. 13	A 10		500	31,561	32,060	£2		Oct. 15	1	1	100	31,561	31,660	£2	395	Oct. 15	400		
Oct. 29	T 3	1	300	61	360	£2	99									29	700		
Debit. Credit.																			
17	18	19	20	21	22	23	24	25	26										
Date	Folio in Call Book.	Amount Called up per Share.	Number Called of Shares.	Total Amount.	Date in Amount Paid.	Folio in Cash Book.	Amount Paid per Share.	Number of Shares.	Total Amount.										
1902					1902														
Sep. 13	A 10	2	500	1,000	Sep. 8	7	1	500	500										
Nov. 22	25	1 10 0	700	1,050	17	25	1	500	500										
					Dec. 8	52	1 10 0	700	1,050										

¶ 71.

SCHEDULE

Register of

1 No. of Transfer.	2 Date when Lodged.	3 Date of Registration.	4 5 Transferor.		6 Ledger Folio.	7 No. of Shares.	8 Distinctive Numbers.		9 Amount paid per Share.	10 No. of old Certificate Surrendered
			Name.	Address.			From	To		
1	1902 Oct. 8	1902. Oct. 15	Harmood-Banner: Sir John Sutherland.	India Office, S.W.	352	100	31,561	31,660	£2	10
2	" 15	" 22	Quail : George ...	Breydon Water, Norfolk	679	100	70,001	70,100	£2	801
3	" 20	" 29	Blease, C.S.I. : General Robert Stanley	49, Rajah Place, S.W.	99	300	61	360	£2	2
4	Dec. 27	1903. Jan. 4	Lloyd : Thomas	Byculla Club, Hanover Square	480	50	62,211	62,261	£3 10/-	750
5	" "	" 4	Stacey : William Edward	Breach Candy, St. Helen's, Lancashire	821	150	5,001	75,150	£3 10/-	1,200

No. VII.

Transfers.

11 Name.	12 Transferee. Address.	13 Description.	14 Leger Folio.	15 No. of Shares.	16 No. of New Certificate Issued.	17 By whom left.	18 Directors' Initials.
Hughes : Rupert S.	The Wilderness, Malabar Hill, Bombay	Resident Engineer	395	100	1602	J. MacConnal & Co.	R.S.B. J.S.H.B.
Wright : Albert Edward.	Sandringham Hall, Wroxham	Gentleman	952	100	1603	W. S. Glass & Sons.	R.S.B. J.S.H.B.
Harmood-Banner : Sir John Suther- land.	India Office, S.W.	General (Retired)	352	300	1604	J. MacConnal & Co.	R.S.B. C.F.F.
Simmons : Samuel Baker.	St. Helen's, Lancashire	Maltster	795	200	1605	Butcher, Litton and Pownall	C.F.F. J.S.H.B.
Simmons : Samuel Baker.	St. Helen's, Lancashire	Maltster					

The Bombay and Mofussil Railway
Company, Limited.
999, Gresham House, Old Broad Street,
London, E.C.,
8 October, 1902.

No. 1.

Notice of Transfer.

Seller, Sir John Sutherland Harmood-Banner,
India Office, S.W.
Purchaser, Rupert S. Hughes,
The Wilderness, Malabar Hill,
Bombay.

The Bombay and Mofussil Railway Company, Limited,
999, Gresham House, Old Broad Street,
London, E.C.,
8 October, 1902.

No. 1.

Notice of Transfer.

I beg to advise you that a Deed of Transfer bearing your name
as Seller has been sent in for Registration of 100 Shares to

Rupert S. Hughes,
The Wilderness,
Malabar Hill, Bombay,

and unless I hear from you in course of Post of any irregularity in
the same, it will be treated as authentic, and registered in the Books
of the Company accordingly.

I am, Sir,
Your obedient Servant,
John Howe Bourne,
Secretary.

To Sir John Sutherland Harmood-Banner,
India Office, S.W.

¶ 73.

SCHEDULE No. IX.

Shareholders' Address Book (Alphabetical Register of Shareholders).

Made up to 20 November, 1902.

1 Leger Folio.	2 Name.	3 Address.	4 Description.	5 No. of Shares.	6 Remarks.
1	Abbott, Rev. Henry Edward	The Retreat, Pocket Nook	Clerk in Holy Orders	100	Dividends to be sent to Oxford Old Bank.
3	Alexander, William	Diogenes House, New Brighton, Cheshire	Contractor	10,000	
7	Alexander, William Harrison	Swaylands, Birken- head	Author ...	50	
10	Ambler, Samuel ...	The Travellers' Club, S.W.	Attaché ...	75	
15	Ashworth, George Henry	1, Southampton Square, W.	Civil Ser- vant	60	
30	Ayres, James ...	The Moat, Runcorn	Electrician	5,025	
	1—30	30	Openings	A	15,310
	31—114	84	"	B	14,690
	115—184	70	"	C	9,999
	185—214	30	"	D	10,001
	215—230	16	"	E	6,666
	231—280	50	"	F	13,334
	281—324	44	"	G	8,888
	325—398	74	"	H	11,112
	399—404	6	"	I	4,444
	405—434	30	"	J	5,556
	435—464	30	"	K	7,777
	465—512	48	"	L	12,223
	513—572	60	"	M	11,111
	573—600	28	"	N	8,889
	601—616	16	"	O	12,229
	617—676	60	"	P	7,771
	677—682	6	"	Q	2,222
	683—742	60	"	R	7,778
	743—862	120	"	S	5,420
	863—892	30	"	T	4,580
	893—898	6	"	U	220
	899—910	12	"	V	9,780
	911—984	74	"	W	5,555
	985—988	4	"	X	100
	989—996	8	"	Y	4,156
	997—1000	4	"	Z	189
	Total 1,000	Openings	Total	Shares £2 paid	200,000

Call Book.

The Bombay and Mofussil Railway Company, Limited.

(Made 22 November, 1902.)

First Call.

(Payable 8 December, 1902.)

1	2	3	4	5	6	7	8	9	10
No. of Call Letter.	Shareholder's Name and Address.	Share Ledger Folio.	Shares held.	Amount of Call at £1.10.0 per Share.	Date when paid.	Amount outstanding on the morning of 9 December, 1902.	Interest at 5 per cent. on arrears.	Date when paid.	Remarks.
1	Abbott, Rev. Henry Edward, The Retreat, Pocket Nook.	1	100	150 0 0	1902 Dec. 8				To 92, Lombard Street.
2	Alexander, William, Diogenes House, New Brighton, Cheshire.	3	10,000	15,000 0 0	"				To St. Swithin's Lane, Do.
3	Alexander, William Harrison, Swaylands, Birkenhead.	7	50	75 0 0	7				
4	Ambler, Samuel, The Travellers' Club, S.W.	10	75	112 10 0	"				
5	Ashworth, George Henry, 1, Southampton Square, W.	15	60	90 0 0	"				
6	Ayers, James, "The Moat," Runcorn ...	30	5,025	7,537 10 0	8				
7	Blease, C.S.I., General Robert Stanley, 49, Rajah Place, S.W.	99	700	1,050 0 0	"				
8	Blease, Walter, Sevenoaks, Kent ...	100	10,000	15,000 0 0	"				To Bishopegate Street, Do.
9	Bottlebroy, Sir Dadaboy Northbroy, The Bungalow, Westgate.	105	5,000	7,500 0 0	"			1902 Dec. 10	To St. Swithin's Lane.
10	Brewer, William Valentine, 16, Long Acre, W.C.	109	50	75 0 0	"	75 0 0	-	1903 Jan. 10	Interest re-nitted.
11	Chalmers, C.E.: Sir Anthony Wigham, 71, Great George Street, S.W.	137	250	375 0 0	"	375 0 0	1 13 11		Left for India without giving instructions.
			31,310	£46,965 0 0		£450 0 0	£1 13 11		

Cast of Page 1

¶ 75.

SCHEDULE No. XI.

Call Letter.

First Call.

The Bombay and Mofussil Railway Company, Limited,
999, Gresham House, Old Broad Street,
London, E.C.,

22 November, 1902.

No. 5.

Notice of Call of £1 10s. 0d. per Share.
Payable 8 December, 1902.

Notice is hereby given that the Board have made a Call of £1 10s. 0d. per Share upon the Shares of this Company, payable on 8 December, 1902 (and making £3 10s. 0d. per Share paid at that date), at Messrs. T. Theodore Rogers & Co., 92, Lombard Street, London, E.C.

On the 60 Shares registered in your name the total amount due will be £90, which sum must be paid on or before the above-mentioned date.

By order of the Board,

John Howe Bourne,
Secretary.

George Henry Ashworth, Esq.,
1, Southampton Square, W.

First Call.

The Bombay and Mofussil Railway Company, Limited,

No. 5.

London, 8 December, 1902.

Received from George Henry Ashworth, Esq., the sum of Ninety Pounds, being the amount of Call of £1 10s. 0d. per Share due 8 December, 1902, on 60 Shares of the above Company.

For T. Theodore Rogers & Co.,

John Ready, Cashier.

£90 : :

This Sheet to be presented entire to the Bankers.

¶ 76.

SCHEDULE No. XII.

Issue of £1,000,000 Terminable
3¼ % Debentures.

The Bombay and Mofussil Railway Company, Limited.

Issue of £1,000,000 Terminable Three and a-quarter per cent. Debentures,
guaranteed by the Secretary of State for India in Council.

Minimum Price of Issue—Par.

The Directors, with the sanction of the Secretary of State for India in Council, are prepared to receive tenders for Debentures of the Company to the amount of £1,000,000 sterling, bearing interest at the rate of Three and a-quarter per cent. per annum, guaranteed, both as regards principal and interest, by the Secretary of State for India in Council.

The Debentures, which will be payable to bearer, will expire on the 18th day of February, 1910, the interest thereon being payable half-yearly in sterling, in London, by coupons on the 18th day of February and the 18th day of August in each year; the first coupon payable on the 18th August next will be for six months' interest.

In the event of the Bombay and Mofussil Railway being taken over by the Secretary of State for India in Council the liability of the Secretary of State for payment of the Debentures will be substituted for that of the Company.

Tenders may be made for the whole or any part of the issue, but not for sums of less than £100, nor at a price below par, which is the minimum price fixed by the Secretary of State.

Tenders at a fraction of a shilling other than sixpence will not be preferentially entertained.

In the event of the receipt of tenders at or above the minimum price, for a larger amount than that proposed to be raised, the tenders at the lowest price accepted will be subject to a pro ratâ diminution.

Tenders, on forms to be obtained on application, must be delivered at the Company's Offices, 999, Gresham House, Old Broad Street, London, E.C., in sealed envelopes addressed to the Directors, marked "Tenders for Debentures," not later than 12 o'clock at noon on Thursday, the 22nd day of January, 1903, after which hour the Tenders received will be opened and the Directors will proceed to an allotment.

Cheques for a deposit of five per cent. on the amount tendered for must accompany each Tender, which will be returned in the event of no allotment being made.

The balance of the price must be paid either in cash or by cheque on London, to the Company's Bankers—T. Theodore Rogers & Co., 92, Lombard Street, E.C., on or before the 18th day of February, 1903.

Should default be made by any allottee in payment of the balance due on allotment, the allotment will be liable to be cancelled, and in that case the deposit paid on application will be forfeited to the Company.

The debentures will be ready for delivery at the Offices of the Company in exchange for the allotment letters and Bankers' receipts on or after Monday, the 23rd February, 1903.

Forms of Tender can be obtained on application at the Company's Offices, where also a form of the Debenture intended to be issued can be seen.

By order of the Board,

John Howe Bourne,
Secretary.

999, Gresham House, Old Broad Street,
15 January, 1903.

¶ 77.

SCHEDULE No. XIII.

 Form of Tender for Debentures.

 The Bombay and Mofussil Railway Company, Limited.

Issue of £1,000,000 Terminable Three and a-quarter per cent. Debentures, guaranteed by the Secretary of State for India in Council, pursuant to the Company's notice dated 15 January, 1903.

Form of Tender.

To the Directors of
 The Bombay and Mofussil Railway
 Company, Limited.



J. MacConnal
 & Co.,
 Stock & Share
 Brokers,
 Capel Court,
 London, E.C.

Gentlemen,

I hereby tender for £5,000
 of the above Debentures and enclose *cheque
 for £250

being the required deposit of five per cent. thereon.

The price at which I am willing to take the same is £100 5s. 0d. for every £100 in Debentures, and I agree to accept the amount tendered for, or any less amount that may be allotted to me, and to pay the balance of the price thereof on or before the 18th February, 1903.

Signature.....W. V. Brewer

Name in full.....William Valentine Brewer

Address.....16, Long Acre, London, W.C.

Description..... Coach Builder

Date.....21 January, 1903.....

* Cheques to be payable to "Bearer," and to be crossed as under :—

Messrs. T. Theodore Rogers & Co.
 For a/c Bombay and Mofussil Railway Company, Limited.

¶ 79.

SCHEDULE No. XV.

The Bombay and Mofussil Railway Company, Limited.

1 No. of War- rant.	2 Name of Shareholder.	3 Shares held.	4 Amount at £2 * per Share paid up.	5 No. of Days.	6 Interest at 4 per cent. per annum.	7 Amount at £3 10s. per Share paid up.	8 No. of Days.
1	Abbott, The Rev. H. E. ...	100	200	86	1 17 8	350	23
2	Alexander, William ...	10,000	20,000		188 9 10	35,000	
3	Alexander, William H. ...	50	100		18 10	175	
4	Ambler, Samuel ...	75	150		1 8 3	262 10s.	
5	Ashworth, George Henry ...	60	120		1 2 7	210	
6	Ayers, James ...	5,025	10,050		94 14 4	17,587 10s.	
7	Blease, C.S.I., Gen. R. S. ...	700	1,400		13 3 9	2,450	
8	Blease, Walter ...	10,000	20,000		188 9 10	35,000	
9	Bottlebhoj, Sir D. N. ...	5,000	10,000		94 4 11	17,500	
10	Brewer, William ...	50	100		18 10	175	
11	Chalmers, C.E., Sir A. W. ...	250	500		4 14 3	875	
	Total of Sheet No. 1 ...	31,310	62,620		590 3 1	109,585	
12/1000	Total of Sheets Nos. 2 to 40 ...	168,690	337,380		3,179 13 7	590,415	
		200,000	£400,000		£3,769 16 8	£700,000	

Say from 13 September to 8 December, 1902.

Say from 8 December to 31 December, 1902.

Half-yearly Interest Sheets.

Interest to 31 December, 1902. Payable 1 January, 1903.

9	10	11	12	13	14	15	16
Interest at 4 per cent. per annum.	Gross Amount of Interest payable.	Less Income Tax at 11d. in the £.	Net amount of Interest payable.	Date when paid.	Amounts outstanding at Half-year ending 30 June, 1903.	Date when paid.	Remarks.
17 8	2 15 4	2 6	2 12 10	1903 Jan. 1		1903	
88 4 4	276 14 2	12 13 8	264 0 6	" "			
8 10	1 7 8	1 3	1 6 5		1 6 5	July 8	
13 3	2 1 6	1 11	1 19 7	Jan. 1			
10 7	1 13 2	1 6	1 11 8	Feb. 4			
44 6 7	139 0 11	6 7 6	132 13 5	Jan. 1			
6 3 6	19 7 3	17 9	18 9 6	" "			
88 4 4	276 14 2	12 13 8	264 0 6	" "			
44 2 2	138 7 1	6 6 10	132 0 3	" "			
8 10	1 7 8	1 3	1 6 5		1 6 5	Aug. 5	
2 4 2	6 18 5	6 4	6 12 1	Jan. 12			1st Call un- paid (paid 10 January, 1903)
276 4 3	866 7 4	39 14 2	826 13 2		2 12 10	July 2	
1,488 3 5	4,667 17 0	213 18 10	4,453 18 2		240 0 7	to Dec. 9	
£1,764 7 8	£5,534 4 4	£253 13 0	£5,280 11 4		£242 13 5		

COLLIERIES.

COLLIERIES.

“ I hope, as no unwelcome guest,
“ At your warm fireside, when the lamps are lighted,
“ To have my place reserved among the rest,
“ Nor stand as one unsought and uninvited.”

Longfellow.

1. My present purpose is to take you, my indulgent, sympathetic reader, over the Grangetown Collieries, and there explain to you categorically, systematically, and commercially the whole working of the same, starting with the original raising of the coal at the bank machine office, right away to the final entry in the Ledger, and, in doing so, may I crave your undivided careful attention, for while the subject is an interesting one—it is, at the same time, fraught with many technicalities which it is my aim and object to explain to you thoroughly, and thus gain your full confidence and unqualified approbation.

Beginning at the bank machine office there are found there two weighmen, the one acting for the colliery, and the other (called the “check weighman”) for the men. These two weighmen enter in independent but similar weigh books the weight of each tub as it comes up from the pit on the weigh machine attached to the bank machine office, which records the weight at the desk in the office where the two men are standing, and which they thus each take down in their respective weigh books. These weigh books are ruled and spaced to provide primarily for 60 tubs for each stall daily, and 40 stalls numbered 1 upwards, with spare space and rulings to increase the number of tubs if required. The following is a specimen page of this Bank Machine Office Weigh Book :—

Form No. 1. Bank Machine Office Weigh Book.

1 December, 1903.

No. of Tubs.	Stall No. 1.	Stall No. 2.	Stall No. 3.	Stall No. 4.	Stall No. 5.	Stall No. 6.	Stall No. 7.	Stall No. 8.	Stall No. 9.	Stall No. 10.	And so on up to Stall No. 40.	Fireclay Stall No. 39.	Slack Stall No. 40.	
1	C. 10 Q. 1	C. 8 Q. 1	C. 9 Q. 1	C. 10 Q. 1	C. 9 Q. 2	C. 10 Q. 2	C. 12 Q. 1	C. 9 Q. 2	C. 9 Q. 2	C. 11 Q. 0	...	C. 16 Q. 0	C. 7 Q. 1	
2	C. 11 Q. 3	C. 13 Q. 0	C. 9 Q. 0	C. 11 Q. 3	C. 6 Q. 2	C. 11 Q. 1	C. 9 Q. 3	C. 9 Q. 2	C. 10 Q. 2	C. 11 Q. 0	...	C. 19 Q. 0	C. 6 Q. 2	
3	C. 10 Q. 2	C. 12 Q. 1	C. 10 Q. 2	C. 9 Q. 3	C. 9 Q. 3	C. 9 Q. 2	C. 12 Q. 1	C. 10 Q. 1	C. 10 Q. 0	C. 9 Q. 0	...	C. 17 Q. 2	C. 7 Q. 0	
4	C. 9 Q. 3	C. 10 Q. 1	C. 11 Q. 1	C. 10 Q. 2	C. 12 Q. 1	C. 12 Q. 0	C. 10 Q. 1	C. 10 Q. 1	C. 11 Q. 1	C. 10 Q. 3	...	C. 18 Q. 0	C. 6 Q. 3	
5	C. 11 Q. 1	C. 9 Q. 2	C. 10 Q. 2	C. 11 Q. 2	C. 10 Q. 0	C. 10 Q. 0	C. 10 Q. 0	C. 10 Q. 0	C. 9 Q. 2	C. 9 Q. 3	...	C. 15 Q. 1	C. 5 Q. 2	
6	C. 10 Q. 0	C. 12 Q. 3	C. 10 Q. 0	C. 9 Q. 3	C. 10 Q. 1	C. 10 Q. 2	C. 10 Q. 0	C. 10 Q. 0	C. 11 Q. 0	C. 9 Q. 1	...	C. 17 Q. 0	C. 6 Q. 2	
7	C. 10 Q. 2	C. 11 Q. 3	C. 9 Q. 3	C. 7 Q. 2	C. 9 Q. 2	C. 9 Q. 1	C. 9 Q. 2	C. 10 Q. 3	C. 12 Q. 2	C. 10 Q. 2	...	C. 17 Q. 2	C. 7 Q. 1	
8	C. 11 Q. 1	C. 8 Q. 2	C. 10 Q. 0	C. 14 Q. 1	C. 12 Q. 3	C. 11 Q. 2	C. 9 Q. 2	C. 10 Q. 1	C. 10 Q. 0	C. 11 Q. 1	...	C. 14 Q. 1	C. 6 Q. 3	
9	C. 9 Q. 3	C. 10 Q. 1	C. 11 Q. 1	C. 12 Q. 2	C. 9 Q. 3	C. 10 Q. 2	C. 10 Q. 1	C. 11 Q. 2	C. 10 Q. 1	C. 10 Q. 2	...	C. 12 Q. 3	C. 6 Q. 0	
10	C. 9 Q. 2	C. 11 Q. 2	C. 12 Q. 2	C. 13 Q. 1	C. 10 Q. 2	C. 8 Q. 1	C. 11 Q. 0	C. 9 Q. 0	C. 10 Q. 0	C. 10 Q. 0	...	C. 18 Q. 0	C. 5 Q. 2	
	104	2 108	0 104	0 111	3 103	1 102	2 102	2 102	2 104	2 103	1	165	1 65	0
11/20	97	1 112	2 102	0 97	0 99	2 102	2 31	2 65	2 50	2 96	0	85	1 55	1
	And so on up to 60 Tubs.													
Total	201	3 220	2 206	0 208	0 200	1 205	3 134	0 168	0 155	0 199	1	250	2 120	1

Each lot of 10 is cast, and a grand total of the whole day or shift, as the case may be, taken at the bottom of the page. As each tub comes to the weighing machine a man throws into the window the tally of the stall; these tallies are sorted and kept in the bank machine office till wanted for use again the next morning or shift. The weights taken at this office are of 20 cwts. to the ton, the men being paid from this tonnage through the quantity books at rates according to the seam and other attendant circumstances.

Form No. 2. Bank Machine Office Quantities Book.
1 December, 1903:

No. of Stall.	Coal.			Tubs of Coal.	Slack.			Tubs of Slack.	Fire Clay.			Tubs of Fire Clay.
	T.	C.	Q.		T.	C.	Q.		T.	C.	Q.	
1	10	1	3	20								
2	11	0	2	20								
3	10	6	0	20								
4	10	8	0	20								
5	10	0	1	20								
6/10	43	2	0	83								
39	12	10	2	15
40	6	0	1	18				
Total	94	18	2	183	6	0	1	18	12	10	2	15

Form No. 2 is a specimen page of the Bank Machine Office Quantities Book, also kept in duplicate and apart by the two men in this office already referred to. It may be interesting to mention that John Black, "the master's man," as he is called, daily signs this book, while his mate, James Smut, "the check weighman," is equally careful not to sign his book, being there, as he candidly explains, "simply to check John Black's entries." It should, in justice to both of them, however, be added that there is never any discrepancy between the two, any trifling question that might arise being at once settled on the spot before the entry is made,—one man calling out the tally and weight, and the other saying "Right,"—and then they both enter the same in their respective books, which, as already stated, form the basis for calculating the wages to the men. From the bank machine office the tubs are rolled on to the tramway to the bank, and there part hand-loaded into the railway trucks alongside, and part sent up the hoist on to the screen, the banksman meanwhile watching any badly loaded tub to see that it contains no bats, nor dirt, any such defect being dealt with by a fine, and not by a deduction from the weights

already established, as set out in the above forms Nos. 1 and 2 respectively.

In loading, too, into the railway trucks care is taken to observe the proper percentages of "bests," "seconds," &c., as established in the machine office, and which must not be deviated from.

The trucks or waggons which, in addition to the tare recorded on them, have all when empty been independently tared at the colliery, and the colliery tare marked on them—experience proving that this precaution is a salutary and necessary one—are weighed outside the machine office this time, showing not only the 20 cwt., but also the 20½ cwt. to the ton, the revised recognised sale weight according to the custom of the trade, and reduced in the early part of 1893 from 21 cwt. Up to that date it was usual to allow the customer 1 cwt. per ton for waste and consequent loss of weight in transit, and the railway companies carried the coal at the same rate of 21 cwt. to the ton, thus enabling the collieries to quote a through rate per ton, including railway carriage, to their customers. In the year 1892, however, the railway companies demurred at this allowance as being excessive, and declined to allow the same after 31 December, 1892. On 1 January, 1893, they agreed to allow 2 cwts. per truck load irrespective of its carrying capacity, but this arrangement was found to work unfairly, as a man with small trucks had the same allowance as the merchant who ran larger waggons, consequently shortly after, the following readjustment was finally agreed to, viz. :—

On waggons containing—

From 4 to 5 tons	... ..	... ..	to allow	2 cwt.
„ 5 tons 1 cwt. to 7 tons	... ..	„	3 cwt.	
„ 7 „ 1 „ upwards	... ..	„	4 cwt.	

4 cwt. per truck being the maximum allowance.

This arrangement is still in force at the present day, and it amounts practically to an allowance of 56 lbs. or ½ cwt. per ton to the customer, both from the colliery and the railway company.

These two sets of weights (20 cwt. and 20½ cwt. per ton) are recorded in the Colliery Weigh Book, which further shows under separate columns the following particulars, viz., date, destination, route, who for, on whose account, description, waggons (with owner's name and number), gross weight, tare of truck, net weight under the two categories, and three additional columns showing when ticked: (1) invoiced, (2) declared to railway company, and (3) posted. The invoice being thus sent to the consignee, and the declaration to the railway company, in both cases extended at the recognised average weight of 20½ cwt. per ton as shown in the three following specimen forms, Nos. 3, 4, and 5 respectively :—

Form No. 3. Grangetown Collieries Weigh Book.

Date.	Destination.	Route.	Who For.	On whose Account.	Description.	Waggons.		Gross Weight.	Tare of Truck.	Net Weight 20 cwt.	Charged Weight 20½ cwt.	Invoiced.	Declared.	Posted.
						Owners.	No.							
1903. Dec. 1.	Ilchester	Midland.	John Smith & Co.	J. S. & Co.	Best Brights	M. R.	22	T. C. 11 12	T. C. 5 3	T. C. 6 9	T. C. 6 6			

Form No. 4. Invoice of Coal forwarded by the Grangetown Collieries.

Messrs. John Smith & Co., Ilchester.

Grangetown Collieries. Grangetown, 1 December, 1903.

To	For	Description.	Owners of Waggons.	No. of Waggons.	T. C.
Ilchester	John Smith & Co.	Best Brights.	M. R.	22	6 6

M F 131

No.

Form No. 5.

Declaration of Coal to be forwarded by the Midland Railway from Grangetown. Carriage payable by the Grangetown Collieries. Subject to the rates and conditions in force for the time being. 1 December, 1903.

To	Route.	Consignee.	Ultimate Destination.	Description.	Waggons.		Weight at 20 cwts. per ton less 56 lbs. per ton for wastage.	Total Weight
					Mark.	No.		
Ilchester	Midland	John Smith & Co.	Ilchester.	Coal.	M. R.	22	T. C. 6 6	T. O. 6 6

The invoice to the consignee (Form No. 4) is press copied in a press copy book, and thence entered in the Weigh Ledger, of which the following is a specimen page:—

Form No. 6. Weigh Ledger.

John Smith & Co.

Ilchester.

Folio 30.

Date.	Destina- tion.	Blazer Main Seam.										Waggon Hire.																																			
1903.		G. Main.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	Waggon Hire.																																		
Dec. 1	Ilchester.	G. H. P. Cobbles.	...	G. H. P. Screenings.	...	Steam.	...	Steam Cobbles.	...	Best Brights.	6 6	B. H. P. Cobbles.	...	Screened Cobbles.	...	Nuts.	...	Large Soft.	...	Rough.	...	Slack.	...	Spires.	...	Waggon Charged.	6 6	T. C.	Price Charged.	10s. 3 3 0	Hallway Waggon.	6 6	T. C.	Waggon Waggon.	6 6	...	Merchants' Waggon.	6 6	T. C.	Waggon.	6 6	T. C.	Declared.	6 6	7 3	2 3	6d.

This Weigh Ledger is a subsidiary ledger which works monthly into the Coal Sales Ledger, and contains the personal account of

each customer, each consignment to each customer being posted separately from the press copy Invoice Book as already stated. At the same time a daily abstract is taken from the Weigh Book (Form No. 3) and recorded in the Sales Journal, of which the following is a specimen page:—

Form No. 7. Sales Journal.—Daily Abstract of Railway Sales (including Land Sales)
for the Month of December, 1903.

Date.	Grangetown Main Seam.				Blazer Main Seam.								Total.																							
	G. Main.	G. H. P. Cobbles.	G. H. P. Screenings.	Steam.	Steam Cobbles.	Best Brights.	B. H. P. Cobbles.	Screened Cobbles.	Nuts.	Large Soft.	Rough.	Slack.	Spres.	Waggons charged.	Weights declared on account of Merchant.	Merchants' Waggons.	Land Sales.																			
	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.																			
1903.	14	3	7	1	6	14	...	15	1	16	9	6	2	7	3	5	14	6	19	12	1	4	12	6	1	108	0	41	14	24	9	31	17	10	0	
Dec. 1	7	2	6	1	...	6	3	6	2	...	7	1	6	4	5	15	5	1	6	11	6	11	6	11	6	11	60	15	10	12	24	16	25	7		
2	5	1	...	7	1	8	9	6	1	7	19	4	16	7	14	6	14	5	16	...	5	19	7	12	7	12	73	2	20	5	46	2	6	15		
3	10	4	7	1	5	15	11	17	9	13	6	19	5	7	5	1	7	4	11	0	18	19	13	17	6	2	118	19	36	13	54	18	27	8		
4/5	36	10	20	3	19	10	25	1	30	15	37	10	22	7	19	18	26	13	29	19	36	15	29	9	26	6	380	16	109	4	150	5	91	7	10	0
Totals.	36	10	20	3	19	10	25	1	30	15	37	10	22	7	19	18	26	13	29	19	36	15	29	9	26	6	380	16	109	4	150	5	91	7	10	0

Folio 73.

From Form No. 7 it will be seen that this Sales Journal shows daily in one line the total weights in tons worked out at the agreed

basis of $20\frac{1}{2}$ cwt. of all coal supplied under the various kinds, distinguishing those of the Grangetown Main Seam from those of the Blazer Main Seam; and the daily total of these various qualities and quantities, representing the amount of coal weighed over the machine at the standard basis of $20\frac{1}{2}$ cwt. to the ton, is again analysed into the quantities loaded into (1) waggons charged, (2) weights declared on account of the merchant, (3) merchants' waggons, (4) land sales, so as to keep a correct record (to be checked as explained later on with Form No. 8) of the railway carriage. This is a matter of vital importance, for the railway carriage if to a distance soon equals and then exceeds the actual cost and charge for output at the pit's mouth. The whole cross cast thus daily agrees, as also the totals at foot, at the end of the month, the same further agreeing with those of the monthly abstract of railway sales taken from the Weigh Ledger (Form No. 6), the working out being as follows. This Weigh Ledger, it will be remembered, contains the personal account of each individual customer, the consignment being separately posted to his debit from the press copy Invoice Book. The monthly totals of these personal accounts are at the close of the month also entered in the Sales Journal immediately after the entry therein of the daily abstract of railway sales for the month (Form No. 7), each personal account in this entry recording in one line the same particulars as set out in the impersonal account already dealt with in Form No. 7, as will be seen by reference to Form No. 8.

Reference from the folio of the one book to the other is duly recorded; and the final totals at foot agree in every respect both as regards the tonnage of coal of all descriptions at each seam and their subdivision into the three charges of loading, viz., "Waggons charged," "Weights declared on account of merchant" and "Merchants' Waggons," thus proving throughout the agreement of the personal results with those of the impersonal.

It will be noticed that in Form No. 8 there is a posting column as also a money column representing each customer's account, including one for land sales (to which reference will now shortly be made), and this monthly account is posted to the debit of each of these respective accounts, and the total carried to the credit in the Private Ledger of "Coal Sales Account" (Railway Department). So soon as all the foregoing details have been got out and duly agreed, and this is generally done by the morning of the 4th of the following month, no time is lost in making up and sending out to each customer the monthly statements as per Forms Nos. 9 or 10 herewith.

Form No. 9. Monthly Statement (for small Accounts)—

Grangetown Collieries.

Grangetown, 1st December, 1903.

Messrs. John Smith & Co.

To the Grangetown Collieries.

Terms : Cash on the 10th of the following month, and no discount allowed.

Cheques and Post Office Orders to be made payable to the
"Grangetown Collieries or Order."

Date.	To.	Best Bright.				Trucks.	At.	
1903.		T. C.	T. C.	T. C.	T. C.	T. C.		£ s. d.
Dec. 1	Ilchester.	6 6	...	...	...	6 6	10s.	3 3 0

Form No. 10. Monthly Statement (for larger and more detailed Accounts)—Grangetown Collieries.

Grangetown, 19 .

M

To the Grangetown Collieries.

Terms : Cash on the 10th of the following month, Cheques and Post Office Orders to be made payable to the "Grangetown Collieries or Order." and no discount allowed.

Date.	To.	Grangetown Main Seam.				Blazer Main Seam.								Trucks.	At.	£. s. d.			
		G. Main.	G. H. P. Gobbles.	G. H. P. Screenings.	Steam.	Steam Gobbles.	Best Bright.	B. H. P. Gobbles.	Screened Gobbles.	Nuts.	Large Soft.	Rough.	Slack.				Spires.		
		T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.	T. C.			

These statements are, as a rule, got out and posted by the 5th of the month, say five days after the close of the monthly account, for expedition in this respect is everything. The reader's attention is called to the note on the statement, "Terms: Cash on the 10th of the following month, and no discount allowed," that is to say, that five days after the rendering of the statement, and ten days after the close of the monthly account, the money is due. As a matter of fact, by the 20th of the month the bulk of these accounts is paid, the rule of the owners being "small profits and quick returns," which the customers know and recognise accordingly.

This system of quick returns works satisfactorily in every respect. It not only facilitates the bookkeeping, but also materially assists in keeping the finances on a safe footing, thus enabling the owners to meet their engagements promptly, securing for them the full benefit of trade discounts, and enabling them to make their purchases to the best advantage. It is, besides, the greatest safeguard possible against bad debts. It must be remembered that not only do the owners trust their customers with the cost of the coal at pit's mouth, but in many cases also with the cost of the railway carriage, for which the owners render themselves personally liable to the railway companies. These monthly accounts as a rule are settled by cheques direct from the customers, made payable to the order of the collieries. In some cases (which, however, should never be encouraged), where accounts are paid in cash to agents, a return on a printed form should then at once be made to the collieries, notifying such collection, and the gross amount should at the earliest possible moment either be remitted to the collieries or paid to the credit of their banking account. Under no circumstances should the agent be permitted to deduct his commission from the cash he may thus collect. Such commission should invariably be paid him by a cheque from the collieries. Any deviation from this rule is fraught with risk, and should be strenuously discouraged.

When sales of coal are effected through agents the latter must send in their daily returns of sales made in their various districts at rates authorized from the collieries. Any special sales and contracts should be made direct from the collieries, agents having no power to effect sales at other than at list prices, except with the direct sanction of the commercial manager.

In dealing with the Sales Journal (Form No. 7) it will be remembered that the personal accounts are thence posted direct to the customer's personal account in the "Coal Sales Ledger."

This debit is wiped off on the credit side mainly from the Cash Book, any small differences being cleared off monthly from the "Allowance Book," thus clearing the customer's account monthly. The monthly total of such allowances is debited to an impersonal profit and loss account in the Private Ledger.

The following is the form of a customer's account in the "Coal Sales Ledger" :—

Form No. 11. Coal Sales Ledger.

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Dr. John Smith & Co., Ilchester.

Contra.

Cr.

1903					1904				
Dec.	31	To Coal Account	74	£3 3 0	Jan.	12	By Cash	216	£3 2 6
						31	„ Allowances	10	0 0 6
				£3 3 0					£3 3 0

As a rule with collieries generally the land sales are worked from the pit's mouth; but at Grangetown the truck is weighed at the weigh office in the ordinary way, and is entered to land sales account, the trucks being then taken to the land sales siding. The land sales office is situated just at the colliery gates, and adjoining the commercial office occupied by the commercial manager and his staff; this arrangement is found to work satisfactorily. A cart coming in to load has to be weighed for tare on the weighbridge attached to the land sales office. The land sales clerk then gives the carman an order from a counterfoil ticket book (Form No. 12) to load the cart from a truck at the land sales siding.

Form No. 12. Order from Land Sales Office to load Cart at Land Sales Siding.

A 1532	A 1532	Grangetown Collieries Land Sales.
Load Lord Bacon's cart with.....best coal.	Load Lord Bacon's cart with.....best coal.	
Tare.....20 cwt.	Date, 15 December, 1903.	
Date, 15 December, 1903.		G. I. Long.

It will be noted that the tare is specified on the counterfoil only. At the same time the clerk enters the same tare (this time in both places) in the Land Sales Ticket Book which serves for cash or credit sales (Form No. 13).

Meanwhile the carter proceeds to the land sales siding and delivers up the order to the loader who loads his cart. The loader cannot load any cart without the production of this order, which he delivers at the end of the day to the land sales office clerk who files them. The carter then returns to the land sales office and once more passes his cart (now loaded) over the weighbridge, and the gross weight is entered on the land sales ticket. The tare having been already set down, the difference is the net weight, which is priced out, and either paid or the amount is passed to account. In either case the carter takes away with him a land sales ticket in the following form :—

Form No. 13. Land Sales Ticket (for Cash or Credit).

9/545 Grangetown Collieries, 15 December, 1903.				9/545 Grangetown Collieries, 15 December, 1903.			
Lord Bacon Bought of the Grangetown Collieries.				Lord Bacon Bought of the Grangetown Collieries.			
T. C. Q.		Price	£ s. d.	T. C. Q.		Price	£ s. d.
2 2 0	Gross weight.			2 2 0	Gross weight.		
1 0 0	Tare.			1 0 0	Tare.		
1 2 0	Net weight.			1 2 0	Net weight.		
1 2 0	Bests.	10/	0 11 0	1 2 0	Bests.	10/	0 11 0
	Paid, G. I. Long, or, Passed to account, G. I. Long.				Paid, G. I. Long, or, Passed to account, G. I. Long.		

The Land Sales clerk enters the transaction in the Land Sales Day Book, which is ruled with two money columns (one for cash the other for credit). These columns are cast daily, the cash being paid to the commercial manager, who enters it in a subsidiary Cash Book, and banks it periodically, when it goes into the General Cash Book. The credit items are also posted daily to the debit of the respective personal accounts, and the total to the credit of the impersonal account in the Land Sales Ledger. The monthly totals of the latter are passed through the Journal to the credit

of "Coal Sales Account (Land Sales)" in the Private Ledger, and the monthly totals of weight are also brought into general analysis, and thus with railway sales, sales to workmen, coal used for boilers, &c., &c., the total monthly output is duly accounted for and agreed.

The question of strikes is a serious one and must not be lost sight of, for even in collieries where the relations between master and men are of the most cordial character the contingency may arise, and it is well to be prepared. In all contracts for forward delivery there should be inserted the following saving clause:—
"Strikes, fire, water, and any mining casualties excepted."

Again, in a forward contract provision should be made that where the selling price per ton at the pit's mouth has been fixed, such price should by mutual agreement be subject to any subsequent advance in the men's wages, that is to say, that for every 5 per cent. advance in wages an additional 3d. per ton should be added to the contract selling price, the reason for this addition being that the advance in wages is an indication of an improvement in trade. On the other hand, should the advance in wages be not long maintained the price should be reduced again to the original contract selling price, but not below that price however much the rate of wages may drop. This is generally well understood, and should, consequently, never be deviated from.

Turning again to the commercial side, it must be remembered that in a well-regulated colliery the question of requisition for stores is looked upon as of material importance. The general mode of treating it is as follows:—

Form No. 14. Material Order Sheet.

Grangetown Collieries, 8 December, 1903.

Material.	Quantity.	Size.	Remarks.
2 Best charcoal wire ropes ...	460 yards	4½ in. cir.	No. of Order. 47
Planks	50	9 in. × 3 in.	48 Good for general purposes.
Mining timber	2 setts	6 in. to 8¼ in. girth	
Pit props	2000	6 ft. × 6 in. top.	49
Do.	1000	5½ ft. × 5½ in. top	
Cylinder oil	80 gallons		

George Cheer, Certificated Manager.
William Able, Mining Engineer.

Ordered 8 December, 1903.
G. H. Bright,
Commercial Manager.

These monthly requisition sheets ("Material Order Sheets") are sent in to the commercial manager for all stores required. The sheets are signed by the certificated manager and countersigned by the mining engineer, and are duly registered in the commercial office. In the remarks' column reference is given to the serial number of the order form sent out for the purchases, thus recording that prompt attention has been given to the requirements of the mining department (a matter, in most instances, such as timber, safety lamps, &c., of vital importance). These sheets are finally signed by the commercial manager, who at the same time certifies that the stores required have been duly ordered. The order sheet is then filed away for comparison with the invoices when sent in.

When stores are received they are entered in the "Stores Receiving Book," which records the receipt of all stores, mining timber, iron, &c., with their number and weight. This enables the monthly inwards invoices to be properly checked. All original invoices when duly checked and passed are each quarter pasted (in alphabetical order) into a guard book, with the quarterly statements, defining how much is on collieries, brickworks, and estate rentals account respectively, and under the various subheads of expenditure. This guard book, called "Invoice Book," contains two money columns, the inner one showing the total of each invoice, and the outer one the quarterly extension, and a posting folio by which each of these quarterly totals is posted to the credit of the various accounts in the "Trades Accounts Ledger." The outer column is cast page by page, and the quarterly total is debited in one sum in the Private Ledger to an account called "Purchases." This plan is pursued whether the account be a monthly or a quarterly one, the bulk of the accounts (apart from railway tolls which are monthly accounts) being quarterly. Discounts are cleared through the "Allowance Book," or by an inner discount and allowance column in the Cash Book. At the Grangetown Collieries all such adjustments are made through the "Allowance Book," in one quarterly entry, in the same way as per contra the allowances and other necessary adjustments are cleared in the monthly settlements with the customers as in Form No. 11. This latter system of writing off these various differences and allowances through the "Allowance Book," where they can be readily scrutinised en bloc instead of through extra columns in the Cash Book, where they are more apt to be lost sight of, certainly appears to have its advantages, although perhaps the extra Cash Book "discount and allowances" columns finds more favour with bookkeepers and take up less time. These adjusting entries being made simultaneously with the cash entry are to be deprecated, as they may not infrequently be made

without the direct authority or sanction of the principals or manager. As mentioned, the quarterly totals of all invoices (whether monthly or quarterly accounts) are debited in one sum in the Private Ledger to an account called "Purchases," which thus contains half-yearly two such quarterly debits. In a well-ordered colliery, however, it would never do in the half-yearly Profit and Loss Accounts to show this one bald debit item. These half-yearly items have not only to be correctly allocated to the three distinct accounts "Collieries," "Brickworks," and "Estate Rentals" respectively, but also each class of purchase has to be apportioned to its respective subhead of expenditure. This is done through the Half-Yearly Analysis Book, where all the various invoices are grouped under the respective heads and subheads. It has already been mentioned that each quarterly statement in the Invoice Book has recorded upon it how much is on "Collieries," "Brickworks," and "Estate Rentals" accounts respectively under their various subheads. Each tradesman's statement is then taken out on Analysis Sheets, one for each quarter, these totals are then added and make up the amounts for the half-year, which are entered in the Half-Yearly Analysis Book (Form No. 15).

The headings given in the accompanying form do not exhaust the list, but they are the principal ones, and sufficiently ample and explanatory for present purposes. It will be seen they are divided into three main heads:—

- I. On Collieries' Profit and Loss Account.
- II. On Brickworks' Profit and Loss Account.
- III. On Estate Rentals' Account.

The reason for this being that at Grangetown the surface clay makes excellent brick and pipes at a minimum of cost, the coal being on the spot, also that the property is freehold, and the land covering the coal seams is utilised not only for farming purposes, with farm buildings attached, but the owners have built upon it several cottages, which they are enabled to let to their men on mutually advantageous terms. It is, therefore, of course only right that the revenue derived from these two latter sources (II and III) should bear their proper proportion of expenditure. The various totals of the impersonal accounts thus analysed under Form No. 15 constitute a Journal entry as shown in Form 16.

Form No. 16. Journal Entry.

1903 Dec. 31		Dr.	£ s. d.	PL	£ s. d.	£ s. d.
	Sundries	Dr.				
	To Purchases' Account ... ..	...	...	101	...	12,823 6 3
	Collieries' Profit and Loss Account ... ..	...	...	102	9,167 7 6	
	Railway tolls... ..	...	4,006 18 0			
	Timber ... ..	...	1,609 16 0			
	Stores ... ..	...	1,781 11 0			
	Horse keep ... ..	...	150 5 6			
	Renewals and Repairs ... ..	...	1,001 6 6			
	Rates, Taxes and Fire Insurance ... ..	...	475 15 6			
	Stationery ... ..	...	60 6 0			
	General charges ... ..	...	81 9 0			
			9,167 7 6			
	Brickworks' Profit and Loss Account ... ..	...	...	103	3,470 2 6	
	Railway tolls... ..	...	1,509 14 0			
	Carriage account ... ..	...	205 6 0			
	Stores ... ..	...	802 0 0			
	Renewals and Repairs ... ..	...	540 10 10			
	Rates, Taxes, and Fire Insurance ... ..	...	288 4 6			
	General charges ... ..	...	124 7 2			
			3,470 2 6			
	Estate Rental Account ... ..	...	...	104	185 16 3	
	Renewals and Repairs ... ..	...	98 4 6			
	Rates, Taxes, and Fire Insurance ... ..	...	87 11 9			
			185 16 3			
					12,823 6 3	12,823 6 3

The foregoing Journal entry has the effect of clearing the "Purchases Account" by transferring the items to the debit of the two Profit and Loss Accounts, as also of the Estate Rentals Account in the Private Ledger. This closing entry could have been made direct from the Analysis Book, but where collieries possess a Journal, as in the present case, such an entry had certainly better be made through the same. It will be seen that at the foot of Form No. 15 the various reference folios are shown thus in the Analysis Book:—

P.L. (Private Ledger) 101, 102, 103, 104, and J. (Journal) 25, and that these same reference folios are repeated in Form No. 16 the Journal.

The method above shown has its advantage over the other one of pasting the invoices into a guard book, and then entering them on the columnar system in a Purchases Day Book, because at every stage one has thus before him the original particulars duly authorised and checked all ready to hand, which certainly, from the principal's point of view (to say nothing of the auditors'), must certainly commend itself. Consequently, if this method be scrupulously carried out there can be little question of the credit side of the "Trades Accounts Ledger" being properly posted. The accounts, on the other hand, are periodically cleared by postings direct from the Cash Book, which contains a voucher column for receipts numbered in serial order.

The Cash Book in use at Grangetown is an ordinary one (folioed "1.1," "2.2," etc.) with the debits (or receipts) on the left-hand page, and the credit (or payments) on the right-hand page—each page containing a posting and two money columns, the credit side having also a voucher column as already mentioned.

All monies as received are entered in the inner column (debit side) of the Cash Book, the total as and when banked being cast and extended to the outer column; every receipt being thus banked in consecutive order, the totals in the outer column agree with the entries in the Bank Pass Book, for by an arrangement with the bank all cheques as well as cash thus paid in are treated as cash, and at once credited to the account, the only stipulated exception being Scotch and Irish cheques. In the same way every payment, as recorded in the Cash Book, is made by a cheque on the bank, and a receipt taken therefor serially numbered and recorded in the voucher column.

Petty disbursements are dealt with in the Petty Cash Book by a monthly cheque on the imprest system; by this means the Cash



Book clearly records the whole of the cash transactions (both debit and credit) of the colliery, and it is thus readily agreed with the Bank Pass Book. As already mentioned they allow no discounts at Grangetown, and all allowances or differences in any accounts are adjusted periodically (monthly as regards receipts, and quarterly as regards payments), by a long, exhaustive Journal entry. Under these circumstances there is no need of any discount or allowance columns in the Cash Book. It may be well, however, to explain that where the above system of journalising adjusting differences does not prevail, the extra columns in the Cash Book are thus worked, viz., on the debit (or receipts) side by the individual items being credited to the personal account, and the monthly total to the debit of an impersonal (profit and loss) account, while on the credit (or payments) side the operations are exactly reversed, that is to say, the individual items are debited to the personal account, and the monthly totals are credited to an impersonal (profit and loss) account. In some cases there is only one impersonal account for both credits and debits as above, while in others there are two distinct ones opened, styled, for sake of example, say, and to be quite clear on this point, "Discounts allowed" and "Discounts received" respectively.

In some concerns in the provinces, in order to save bank charges, the pernicious practice prevails of passing on cheques received by way of payment instead of banking the one and drawing cheques for the other. It will readily be seen to how many abuses such an irregular system opens the door. There is not only temptation in the way of the cashier, through having such cash amounts (apart from the regularly recognised one of petty cash) in the office at all, but also the certainty of losing all recourse upon the drawer of the cheque in the event of the bank failing during the interval of the cheque not being presented for payment within the ordinary recognised time according to usage prevailing.

The men's wages at Grangetown are made up weekly to the Tuesday night, and they are paid on the Friday afternoon; thus the owners of the colliery have a beneficial control over the men to the extent of some three days' pay more or less always in hand (subject, of course, to the pit or pits being occasionally standing during that period, and thus correspondingly reducing the amount of wage in hand). Time Books from the mining department, duly certified by the pit manager, are sent into the head office every Tuesday night. On the Wednesday pay sheets are made out as per Form No. 17.

Collieries.

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Form No. 17. Pay Sheet.—Surface Work.—Pay Week ending 3 December, 1903.

Names.	Days.	Rate.	Gross.	Less Club, etc.	Net.
		s. d.	£ s. d.	£ s. d.	£ s. d.
James Soot	6	9 4	2 16 0	0 10 0	2 6 0
No. 1 Pit Topmen—					
John Brown	5	4 0	1 0 0	0 0 3	0 19 9
Charles Green	3	4 0	0 12 0	0 0 3	0 11 9
Coal Sorters—					
W. Peel & Co.	1051·16	0 5	21 18 3	0 8 6	21 9 9
E. Johnson & Co.	39·8	0 4	0 13 2	...	0 13 2
R. Thompson & Co.	126·5	0 3	1 11 6	...	1 11 6
No. 1 Hoist and screen—					
Henry Care	5	3 0	0 15 0	0 0 3	0 14 9
James Belcher	6	3 4	1 0 0	0 0 3	0 19 9
Land salesmen					
Labourers					
Platelayers					
Saddlers					
No. 2 Hoist and screen					
No. 2 Pit Topmen					
No. 2 Coal sorters					
Horse drivers					
Enginewright—					
Thomas Lever	6	9 4	2 16 0	0 6 0	2 10 0
No. 1 Engines, etc.—					
John Wilson	6	5 6	1 13 0	0 0 3	1 12 9
R. King	7	5 6	1 18 6	0 6 3	1 12 3
No. 2 Engines, etc.—					
Locomotive					
Pumps					
Carpenters and sawyers...					
Smiths and strikers					
Fitters and shaftsmen					
No. 1 Pit Underviewers—					
W. Jones	5	9 0	2 5 0	0 6 0	1 19 0
John Tallbutt	6	5 6	1 13 0	0 6 3	1 6 9
Incline					
Drivers					
Engine plane... ..					
Onsetters					
Door Boys					
Lamp man					
No. 1 Pit Nightmen—					
Samuel Smith	6	5 6	1 13 0	0 0 3	1 12 9
John Lord	4	4 0	0 16 0	0 0 3	0 15 9
No. 2 Pit work—					
Underviewer—					
John Carlton	6	9 4	2 16 0	0 6 0	2 10 0
Onsetter—					
T. Allen	4	4 0	0 16 0	0 4 0	0 12 0
Nightmen					
Driver					
Putters					
Add pit stalls Nos. 1 and 2, see below ... ..	...	...	46 12 5	2 14 9	43 17 8
			38 15 8	1 12 9	37 2 11
			85 8 1	4 7 6	81 0 7
Deductions analysed as under—	£ s. d.				
Rents	2 7 6				
Club... ..	0 19 0				
Stoppages	0 8 6				
Carpenters' and Smiths' work...	0 2 0				
Clay	0 1 6				
Powder	0 9 0				4 7 6
G. C. }					
W. A. }			85 8 1		85 8 1

Pay Sheet—Surface Work—continued.

No. 1 Pit Stalls.

No of Stalls.	Names.	T. C.	Rate.	Gross.	Less Club.	Deductions.		Clay.	Total Deductions.	Net.
						Powder.	Rents.			
						s. d.	s. d.			
1	John Johnson & Co. ...	107·8	1 9	9 7 11	2 0	3 6	...	0 4	0 5 10	9 2 1
2	A. Findlay & Co. ...	117·15	1 9	10 6 0	2 0	5 2	3 9	0 4	0 11 3	9 14 9
3	George Fletcher & Co.	102·14	1 9	8 19 8	2 0	4 11	...	0 4	0 7 3	8 12 5
4										
10	No. 2 Pit Stalls.	327·17	...	28 13 7	6 0	13 7	3 9	1 0	1 4 4	27 9 3
31	Joseph Goddard & Co.	62·16	1 0	3 2 9	0 6	...	...	0 3	0 0 9	3 2 0
32	Joseph Clamp & Co. ...	76·0	1 10	6 19 4	1 6	5 11	...	0 3	0 7 8	6 11 8
		466·13	...	38 15 8	8 0	19 6	3 9	1 6	1 12 9	37 2 11
	Carried above ...	...		G.C. }						
				W.A. }						

The first money column gives the gross amount of wages earned upon the basis of 20 cwt. to the ton, as established in the Weigh Books and Quantity Books at the bank machine office, as already explained at Forms 1 and 2. The second total money column shows the various deductions as therein detailed, and the third and last total money column shows the net amount to be paid to the workmen, the stallmen being paid for each stall, while the daymen are all paid separately, the three columns balancing, as shown in the summary at the foot, ensures the accuracy of the pay sheets. It will be seen that each sheet bears the initials G.C. and W.A. respectively, those of the certificated manager and mining engineer, as in the case of the "Material Order Sheet" (Form 14), already dealt with.

At Grangetown, as well as at other well-regulated collieries, the clerks who make out the pay sheets and pay the wages are constantly changed, a manager or other responsible official every now and again paying the wages himself; for large concerns, such as these, might be defrauded were not such necessary precautions taken.

It will, of course, be understood that in the present pay sheets (Form 17) the details have not in every instance been extended, but sufficient detail has been given to enable the reader to work out the rest for himself, consequently, only some of the more

important heads of accounts are here given for illustration: the figures and amounts being of necessity only imaginary.

No difficulty should be experienced in following the various deductions set out at the foot of Form 17 composed respectively of—

1. Rent (of cottages belonging to the estate).
2. Club (workmen's club).
3. Stoppages (fines).
4. Carpenters' and smiths' work (repairs and renewals of workmen's tools, etc.).
5. Clay (for holding the candles at the workings).
6. Powder (for blasting).

Form 6 gives a specimen page of the "Weigh Ledger," a subsidiary ledger working monthly through the "Sales Journal" and "Monthly Abstract of Railway Sales" (Forms 7 and 8) into the "Coal Sales Ledger" (Form 11). Reference has also been made in connection with Forms 12 and 13 (land sales) to the "Land Sales Ledger." Both these ledgers deal with the personal accounts of purchasers on coal account—that is to say, customers who are debtors for the same; on the other hand, the "Trades' Ledger" (or, as it might be called, the "Purchases" or "Bought Ledger") deals with the personal accounts of purchases (stores, materials, etc.), and such personal accounts represent creditors as referred to incidentally in dealing with Form 15 in connection with the Half-yearly Analysis Book.

The operation of the above ledgers should be readily understood, as they are just ordinary ones of their kind, and excessively simple in their treatment. The only other ledger to which attention need be called is the "Private Ledger." This ledger also is an ordinary ledger with a double money column on each page, the debits being on the left-hand page, and the credits on the right-hand page. Besides the capital account the "Private Ledger" contains the record of all the impersonal accounts, working up to the profit and loss accounts by means of closing entries through the "Private Journal," the whole being thus absolutely on the double entry system, and making the preparation of the half-yearly balance sheet and accompanying profit and loss account an easy and methodical matter; for, throughout, every entry has gradually been finding itself focussed up to final service head, and thus all is eventually brought into a nutshell, and made easily intelligible.

In every well-regulated colliery the abstract of Cost Book kept by the mining department is an important one, as will be seen by the following specimen sheet:—

Form No. 18. Grangetown Collieries.—Cost Sheet for the month ending 30 November, 1903.

	(1) Total Working Cost for the Month.	(2) Cost per Ton on Coal raised for the Month.	(3) Cost per Ton on Coal sold for the Month.	(4) Total Working Expenses to date from last Balance Sheet	(5) Cost per Ton on Coal raised to date from last Balance Sheet.	(6) Cost per Ton on Coal sold to date from last Balance Sheet.
	£ s. d.	s. d.	s. d.	£ s. d.	s. d.	s. d.
Coal cutting						
Engineers, fitters, and pitmen ...						
Smiths						
Carpenters and sawyers						
Masons						
Tipplers, sorters, and screeners ...						
Incidental charges						
Stables						
Surfacemen, including labourers and horse drivers						
Undergroundmen, including timbermen, hauliers, door boys, block layers, furnacemen, etc.						
Repairs and furnishings						
Motive power						
Pitmen						
Royalty						
Establishment charges						

(7)
Tons. Cwts.
Total raised for the month ...
Coal " " ...

(9)
Tons. Cwts.
Total raised since last balance sheet
Coal " " " " ...

(8)
Tons. Cwts.
Total sales for the month ...
General " " ...
Land " " ...
Workmen " " ...

(10)
Tons. Cwts.
Total sales since last balance sheet
General " " " " ...
Land " " " " ...
Workmen " " " " ...

For the sake of readier reference and explanation here, the six cash columns have been numbered 1 to 6, and the four weights columns 7 to 10 respectively. Dealing now, say, with the month of November cash column, No. 1 gives in detail under the various heads the total working cost for the month. Taking now column No. 4, and adding these detailed figures to those appearing in the same column No. 4 for the four months ending 31 October, you arrive in detail at the total working cost for the five months ending 30 November, i.e., from the date of the last balance-sheet (30 June). Column No. 7 gives the total weight in tons and cwts. of coal raised for the month of November, and column No. 8 gives the total sales (under the three headings) in tons and cwts. for the same period, while columns Nos. 9 and 10 give the same particulars in tons and cwts. for the five months ending 30 November, these particulars being arrived at in the same way as those for column No. 4. The detailed cash figures given in cash column No. 1, divided by the number of tons in column No. 7, give in each instance the cost per ton on coal raised for the month of November. These details are set out item by item in column No. 2, and the cost at the foot of the same gives the total cost per ton on coal raised for the month of November. Taking now, again, the detailed cash figures given in cash column No. 1, and dividing the same by the number of tons in column No. 8, give in each instance the cost per ton on coal sold for the month of November. These details, item by item, are similarly set out in column No. 3, and the cost at the foot of the same gives the total cost per ton on coal sold for the month of November.

Cash column No. 4, taken similarly in connection with weight column No. 9, gives the details item by item of the cost per ton on coal raised for the five months ending 30 November, and these figures as arrived at are set out in column No. 5, and thus the total cost per ton on quantity raised during those five months is arrived at. Finally, cash column No. 4, treated in a similar way in connection with the weight column No. 10, gives at cash column No. 6 the cost per ton on coal sold for the five months ending 30 November. It will be noticed that columns Nos. 2 and 5 deal with quantities raised, while Nos. 3 and 6 deal with quantities sold. And, further, that columns Nos. 1, 2, and 3 deal with the month of November only, while Nos. 4, 5, and 6 are cumulative, and deal with the five months ending 30 November—that is to say, from the date of the last balance sheet (30 June).

From the foregoing explanation of the working of Form 18 it will be seen that it shows at a glance the monthly cash expenditure of all departments of labour and stores, and that such expenditure is worked down to the average cost per ton, thus

defining where it is possible to sell at a fraction of profit holding one's own, or, where prudence suggests, standing aside for the moment (remembering, however, that the colliery has always certain fixed standing charges of expenditure, whether it works or lies idle, and that it may be found at times more advisable to go on working even at a small loss rather than remain idle). Form 18 is a reliable gauge in such an emergency, and well repays the trouble involved.

At Grangetown each half-year's profit and loss account bears the charge of its own repairs and renewals incurred during that period, and the whole is thus written off and disposed of at once except in special cases, such as structural or other material additions to the plant or buildings, forming a capital expenditure, and therefore treated accordingly. These repairs and renewals, which are thus charged to the half-year's profit and loss account, it should be added, are carried out in no niggardly spirit, for it is throughout the aim of the executive to keep everything as far as practicable, and careful supervision can ensure, in good working order.

Notwithstanding, however, the above attendant circumstances, the question of depreciation and writing off for the same nevertheless, in a measure, still applies more particularly in the case of boiler engines and machinery generally, which, of course, wear out and become obsolete. The cost of replacing such by machinery with the latest improvements to keep pace with the times being a consideration, for which a prudent colliery owner finds it advisable to build up out of profits a reserve fund, in order to make due and timely provision for such necessary outlays.

Rent is a regular annual fixed charge payable quarterly. Royalty, on the other hand, is a varying charge based upon a fixed rate per ton on the gross tonnage of coal won, with an annual minimum charge in the event of the coal won during the year not coming up to that figure; this dead rent, however, is not lost sight of, for any excess charged over tonnage won is allowed for in subsequent settlements until finally cleared off. This question of royalty dead rents is a serious one, especially in bad times with low, unremunerative prices prevailing, and it needs very careful management to cope with it.

The Grangetown Collieries being freehold there are no royalties nor rent charges of any description to pay; at the same time, the fact is not lost sight of that there is only a certain quantity of coal to be won. Provision, therefore, has to be made to recoup during the number of years the colliery has to live and coal is being got, the capital expended upon it, after allowing for estimated net value of the plant at a break-up valuation, stock,

surface land, etc., at the termination of the time. A short way of arriving at this is to take the capital outlay (after making the above deductions for remainder value) and the estimated total output, then ascertain how much per ton of coal this capital outlay comes to, and allow for an owner's royalty of, say, 6d. per ton, or whatever the figure may work out at, thus building up in the balance-sheet a reserve or sinking fund, steadily increasing until it reaches the required sum aimed at. The cottages, farm buildings, and all the accessories to the collieries should be dealt with in the calculation now referred to.

In former years the question of coal waggons was one very much affecting colliery owners, as, in fact, it still does in many places outside the districts now specially referred to. Colliery owners were then in the habit of obtaining from one or other of the waggon companies their waggons on the hire-purchase system, the payments extending over a period of from five to seven years. The average actual life of a waggon varies from ten to twelve, or at the outside fourteen years, and meanwhile they have to be so frequently repaired that it is a question at the last whether there is any of the old original waggon left. So long as the instalments remained unpaid the waggons belonged to the waggon company, and as these instalments whilst running included both principal and interest, it became a nice calculation to keep the accounts connected therewith. At Grangetown there are few waggons, and these are the absolute property of the owners, being used on the spot for the exclusive purposes of the colliery. Being on the Midland Railway system, the owners have adapted themselves to the views of that railway, and the system has been found to work out satisfactorily to all concerned. The Midland Railway (following the lines of the North-Eastern Railway), some fifteen years or so ago, bought up the bulk of the waggons running upon their system, supplying these waggons to collieries as and when required from central depôts. The strong point in favour of railways owning the waggons, and thus having full control over them, is that they not only thus secure to themselves a large amount of competitive traffic, but many other advantages besides; for instance, the waggons they buy up are more or less short lives, and as they fall out the railway companies can replace them by waggons of one uniform specification, with spring buffers, and meanwhile the railway companies are careful to keep up the waggons to an efficient standard, thus guarding against the contingency of a defective waggon suddenly breaking down upon the road, causing of necessity delay and no inconsiderable element of danger. It must be remembered, too, that the Midland and South Yorkshire districts, supplying as they do a soft coal, it is a manifest advantage to load it into waggons with spring

buffers, which prevent much extra jarring and consequent breakage. This soft coal is not stacked nor stored, like Northumberland and Durham hard coal, but is loaded straight from the pit's mouth into the consigned waggons, the exception being the cannel and top hard coal, which can be, and indeed is, when necessary, stacked like other hard coal.

At Grangetown the matter of fire insurance is not lost sight of, the buildings, engine-houses, machinery, plant, etc., etc., being all duly covered in the regular fire insurance offices, the boilers being specially insured in a Boiler Insurance Company.

In former years it was the custom at every well-regulated colliery to have what was then known as a miners' accident relief club, to which both the men and the masters contributed on a regularly recognised scale, the men's pro rata being collected from agreed retentions out of their weekly pay, and the system was found to work generally satisfactorily. Since, however, the passing of "The Workman's Compensation Act, 1897 (60 & 61 Vict. c. 37)" the onus of indemnifying the miners or their representatives for accidents, whether fatal or entailing partial or total disablement, falls upon the colliery owners entirely. Prudent owners protect themselves by insuring this risk with a good insurance office, who insure the owners against all risks at a fixed annual premium on the amount of wages covered. This annual payment constitutes a fixed charge on the profit and loss account, charged half-yearly in equal sums. Grangetown not being what is known as a "fiery" colliery the rate of premium charged is a minimum one. In some collieries, however, of a "fiery" nature, and with a bad record, the rate of premium is very high, and sometimes becomes a very serious question indeed for the colliery owners to face and to cope with.

In Form 17, Pay Sheet for the week ending 31 December, a column is given for certain deductions, the analysis at foot including "Club, 19s." As already mentioned, prior to the above "Workman's Compensation Act, 1897," coming into operation, the colliery had a "Miners' Accident Relief Club," to which both the men and the masters contributed. When the transition took place, and the responsibility fell upon the masters, there was a certain balance of the club fund in hand. This became the nucleus for the formation of a new club, entitled "Workmen's Pension and Annuity Club," which anyone who likes may join. The weekly subscriptions to the club are collected by retentions from the men's wages, and the club is managed by a committee of the workmen assisted by the commercial manager. The banking account is kept by the colliery, who collect the weekly payments and make the necessary disbursements. The whole scheme is managed on strictly commercial principles, and half-yearly

balance-sheets, with accompanying accounts properly audited, are duly and periodically made out.

Incidental reference has been made herein to the brickworks carried on at Grangetown. It is not proposed to go into the working of these; at the same time it may be mentioned that the accounts are kept in the same way and on the same lines as those of the collieries themselves. Half-yearly profit and loss accounts are taken out, everything working up to one general balance-sheet, which is duly audited by a firm of chartered accountants.

There should be pointed out the great importance of the fire-clay and the red brickworks being worked in connection with the collieries. It will be readily understood that inferior coal is not only difficult of sale, but that it also spoils an otherwise good average of quality. At Grangetown the quality of the coal is, as a rule, generally good, but should there be any inferior portions these can always be readily utilised at the brickworks, which also get the benefit of the services of the commercial colliery staff, so reducing the expenses of carrying on the brickworks to a minimum, while at the same time easing the actual colliery working expenses to a sensible appreciable degree. The same remark applies to the estates rental, the final result being that the whole is brought into account in the general balance-sheet, say—

Collieries profit and loss account,
Brickwork profit and loss account,
Estate rentals net balance,

together with the debtors and creditors respectively attaching to each of them.

“ If the B m t put :

“ If the B. putting :

GÉRARD VAN DE LINDE.

50, Gracechurch Street,
London, E.C., 1 July, 1904.

SECRETARIAL.

SECRETARIAL.

“Poeta nascitur non fit, sed Scriba fit et non nascitur.”

Old Adage amplified for the occasion.

“WANTED by a Gentleman of means, a COMPANION-SECRETARY who can write shorthand and shave. One of light complexion preferred. Small commencing salary, to rise in proportion to the skill and cheerfulness of the applicant.— Address, PLUTUS, &c., &c.”

(From the advertisement column of “The Financial News,” of 26 October, 1892).

Introductory. 1. Our Subject is one that should interest, either directly or indirectly, every individual member of our profession (fledged and unfledged). It interests us directly because most (if not, indeed, all) of us add this class of legitimate work to our other numerous functions, and indirectly, because on the inauguration of any Company or Institution which comes to us professionally the Executive usually requests us to properly initiate the Secretary in his various duties. In order, therefore, to be in a position to do this efficiently and with satisfaction to all concerned, it is essential that we ourselves should, from constant practical experience, be thoroughly au fait with the necessary knowledge we propose imparting to others.

Elementary. 2. I have chosen the motto at the head of this Paper, as I must at the outset dispel an erroneous impression that appears to prevail with some persons, but who, in fact, know nothing about it, that anyone can become a Secretary at a moment's notice, without any previous training or aptitude for it whatever, and that there is nothing to learn beforehand. This is a great mistake: on the contrary, there is everything to learn beforehand. It is for this reason that the present Paper, in order to be of any lasting and beneficial service to you, must of necessity be elementary, starting at the very beginning of things. This may not be very flattering to your amour propre, and the Paper may possibly appear to you to be dry and uninteresting in consequence; but I must brave all that, and hope

that sooner or later you will find that you have learnt something, at any rate, from our being together this evening. Of one thing you may rest assured, and it is that, while a Merchant's Office is conceded on all hands to be the best possible preliminary training for members of our profession, a Chartered Accountant's Office is equally and undoubtedly so for the post of an efficient practical Secretary.

Primary
requisites for a
Secretary. 3. The following occur to me to be the primary
requisites for a good Secretary, and they should be
looked for in selecting one from among numerous
applicants.

Education. (a) He should have had a sound liberal education,
with an intimate knowledge of at least one modern
language other than his own. This will, of course, be A B C to
any of you gentlemen who have passed the Preliminary Examina-
tion of our Institute, and by doing so have realised for yourselves
the power such knowledge gives you in the progressive stages of
your career.

Bookkeeping. (b) A thorough knowledge of Bookkeeping by
double entry. It is, alas, a well-recognised fact that
such knowledge is rarely if ever acquired or understood at school,
and thus it is that our Institute makes a very special feature of
this all important subject in the Intermediate and Final Examina-
tions. Remember that it not infrequently devolves upon a Secre-
tary to do—or, at any rate, personally supervise—the whole work
of the Office, and even should he delegate the subsidiary work
(including the keeping of the books and accounts) to a subordinate,
he is, nevertheless, responsible for the work being efficiently done,
and he can only be certain as to this by being himself thoroughly
proficient therein. It is indeed a deplorable state of things when
a Secretary suavely tells you with a certain air of superiority:
“I know absolutely nothing of accounts, nor do I pretend to.”
At this stage of the world's history such an admission ought to be
fatal to the one making it; and it hardly needs the gift of pro-
phesy to state that this result is rapidly being reached.

Shorthand. (c) This is becoming every day more and
more of a recognised necessity, and in this con-
nection I would quote the following from the speech of Lord
Rosebery at the opening of the Borough Road Polytechnic Insti-
tute. His Lordship said on that occasion, in connection with this
Institute, that,

“ He was glad to note that there was to be a Shorthand Writers’ Association, for his first act on entering upon his duties at the Foreign Office was to include shorthand writing among the subjects of examination for clerkships in that department, and he believed that it would become necessary for those who wished to play a useful part in life.”

I may here add, before passing on to the next subject, that the head of the great mercantile house of Blank & Co. assured me—now many years back—that his firm never took anyone into their employ unless they were thorough masters of shorthand. Of course, such knowledge is absolutely imperative in the case of a Private Secretary.

Handwriting and style. (d) A Secretary should certainly write well, legibly and readily: he should be able to express the views of others as naturally as if they were his own, being necessarily the official channel of communicating instructions and opinions which he must thoroughly understand and see carried out. He should studiously avoid clipping his words and phrases, as for instance,

“ Yours 6 inst. to hand, in answer to mine, &c.”

which is nothing but a species of business slang savouring more of the telegram than the carefully-worded letter of a responsible Official. A more correct mode of expressing the foregoing would be

“ I have received your letter of 6 instant in answer to mine, &c.”

This may seem to be a trivial matter, but it is certainly a point deserving of more consideration than at first appears. A Secretary should in fact go beyond this negative condition, and systematically cultivate the positive one of a good and polished style, which will be found to really carry weight with it even in these days of extreme high pressure.

General knowledge of men and things (e) “ Knowledge is power ”: therefore a general knowledge of men and things is essential in a good Secretary, and may be summed up in the expression, “ knowledge of the World,” I mean of course in its best sense. Travel, and consequently coming in contact with one’s fellow creatures of different nationalities and habits, is no doubt the best and most direct way of acquiring this and its attendant “ savoir faire ” (or “ tact ”). A practical experience, therefore, of this kind is very valuable, and should be recognised accordingly. A Cosmopolitan of necessity gains large and liberal views of men and things which a stay-at-home is always slow in acquiring: this remark especially applies to ourselves as Englishmen, who are “ Insulars ” to begin with, and it does us a world of good to

have our "insularities" rubbed down and polished a bit by the experience we thus gain from our travels abroad.

Manners.

(f) "Manners makyth Man" is the motto of Winchester School, as also of New College, Oxford; an old motto surely, but just as appropriate and true to-day as when it was first originated, as you must all admit. There is no doubt but what a habit of self-possession and, generally speaking, of good manners, is materially developed by the experience thus gained as above; these qualifications are everything to a Secretary, as he has to adapt himself to and work with men of a variety of temperaments and constitutions, many of whom be it remembered are to all intents and purposes his Masters and Employers, and whose vagaries and peculiarities he must study while at the same time preserving intact his self-respect.

Common

(g) The outcome of all this is the acquisition by sense and tact. the Secretary of these two very valuable qualities (I might almost say gifts), viz., Common Sense and Tact. Armed with these qualifications a Secretary can feel that he is in a position to do justice to his appointment, and command the confidence of all with whom his lot is cast, from the very highest to the lowest class of Secretaryship.

Technical knowledge.

(h) A good all-round Secretary should be able to adapt himself at very short notice to the technical and special work incident to the employment which he may be called upon to undertake, and which you, of course, know is of the very widest possible description, from the Secretaryship of the smallest Charitable Fund to that of the largest Public Institution, and embracing in its range every possible Industry, Manufacture, and Commercial or Financial Enterprise.

Confidence.

(j) There is no post nor calling involving more confidential relations as between Employer and Employed than that of Secretary, whether he acts as Private Secretary to His Most Gracious Majesty the King, or as Secretary to the smallest of our Institutions, and that being so, he must in honour bound know how to keep such confidence inviolate, remembering always that he is the custodian of other people's secrets, and that they are not his own.

A favourite counsel of a dear old friend of mine, when speaking of higher and spiritual things, was:—

"Say little"—Prov. x. 19.

"Serve all"—1 Cor. ix. 19.

"Pass on"—Gen. xxiv. 56.

"This is true greatness—to serve unseen, to work unnoticed."

I commend this precept to your serious consideration as worthy of practice in mundane things also; it is certainly a safe course to pursue, even from a worldly point of view, for it will keep you out of much trouble if you always bear it in mind and are careful to act up to it.

Order and method.

(k) A Secretary will of course appreciate the value of order and method, giving effect to the motto,

“A place for everything, and everything in its place,”

for, unless he scrupulously carries out this maxim in its entirety, he will find himself constantly embarrassed by not being able to put his hand upon a book or paper at a very moment's notice, and that too when his mind is fully occupied with other pressing business. Thus, for instance, on a mail day when he is writing against time, he is liable to be interrupted then and there by a Director wanting to see some special report or return, and, unless this is properly filed away for ready reference, the time spent in hunting it up is so much valuable time absolutely wasted; or take another equally aggravating contretemps when an important Shareholder calls with one or two pressing enquiries which can be readily answered if things are in order, but not being so the Secretary is at his wits' end, not daring to put off the Shareholder (who is sometimes a Lady!!!) while the Board, who are just sitting, are clamouring for his presence, and “wanting to know “where he can possibly be all this time, keeping them thus “waiting.” I invariably advocate the one safe rule, viz., that of putting everything away in its proper place at once, and sternly forbid the accumulation of papers “to be endorsed and put away at leisure.” The same rule applies to the due recording of all transactions, which I insist upon being done then and there (“ek dum” as they say in India). The Secretary being the custodian for others must preserve every paper and document thus coming to him in his official capacity. He should never destroy anything, but should invariably allocate it to some destination where it can be readily found. All this can easily be accomplished by a judicious method of endorsing, and the use of the corresponding pigeon holes and boxes, all properly classified, labelled, and registered, or else by filing them in Guard Books, similarly classified, labelled, and registered. Another plan, which commends itself as being, perhaps, the most simple, is to use “Stone's Patent Boxes and Cabinets.” In these Boxes, by means of a bar moving in a sloping groove, the contents are as firmly fixed as in a file, but neither pierced, torn, nor mutilated, in any way. Any paper can be taken out, examined, and put back again in the same place, without disturbing the remainder, and the

whole is effectually secured from dust. The Boxes have the appearance of Books, and can be arranged with their contents lettered on the back; thus, for the carefully sorting and preserving of all manuscript or printed papers, they are certainly both convenient and valuable. The Cabinets are with four drawers similarly fitted with the patent slides, the same as the Boxes. The French, who are particularly methodical and precise in all this detail work, and who turn out excellent Secretaries, are in the habit of putting their papers away in flap Boxes; they are also very fond of the "Dossier," which is almost peculiar to them, and replaces to a great extent our English File. This "Dossier" consists of an outside stout covering, generally foolscap size, like the temporary wrapper of a periodical, with full particulars written outside in clear bold upright type ("écriture bâtarde" it is called). Inside this "Dossier" the papers are carefully placed loosely one on the top of the other in consecutive order, there being a separate "Dossier" for each separate matter or section, which is available at any moment, being placed away flat in shallow drawers in cabinets, each drawer being duly labelled. I fancy the term "Portfolio" of a Cabinet Minister has something to do with this. When once the Secretary has thus everything in proper order, it is wonderful how speedily he will find his desk and table cleared of all letters, papers, &c., that he has disposed of, leaving only thereon those he is immediately engaged upon, or remaining to be dealt with. It is a good plan to answer or dispose of letters as soon as practicable after they are received, and so to keep each day's work well within itself; this avoids all unnecessary arrears and accumulations.

Books, &c.,
required.

4. Our typical Secretary, having satisfied these primary requisites as detailed in the preceding paragraphs a to k, and being now duly installed in his chair of office, whether as

1. The Honorary Secretary;
2. The Private Secretary;
3. The Secretary to a Public Institution;
4. The Mercantile or Commercial Secretary;
5. The Secretary to a Public Company;

(and about whose respective functions I shall have something to say later on) will require the following Books, &c., a portion however being only applicable to the special and more extended requirements of some of the Secretaryships above referred to.

[Amongst these "more extended requirements" it would appear that "shaving" and "a light complexion" are in some quarters,

deemed to be essentials, if the 'Advertisement' heading this Paper stands for anything. I can only hope, however, for all our sakes, that when our friend Plutus has read on a bit herein, he will somewhat moderate his pretensions; in that case, one out of you gentlemen here present should stand a fair chance of preferment. I think, however, that in honour bound, you should all stand aside meanwhile, and allow your Honorary Secretary to be the first applicant. What a pity Plutus did not advertise thus while Charles Dickens was still alive, and before he wrote "Our Mutual Friend." The Advertisement would have been a gold mine to Dickens: I dare not contemplate what it would have been to Plutus? He would certainly have been shaved very closely, and that free, gratis, and for nothing!!!]

Attendance
Book.

(a) Attendance Book, to be signed by the Secretary and his staff, recording the exact time of their arrival in the morning. It is everything to begin early, and so clear the decks before callers begin dropping in. Late hours neither morning nor evening commend themselves, and to make a good start for the day one should arrive not later than 9 a.m. I do not know what our continental friends would say to this: their usual hour for commencing is 7 a.m., and sometimes in the summer even earlier. I remember beginning an Audit in the Vosges Mountains on one occasion at 5.30 a.m., and found everyone at his post as if it were nothing out of the way. It is not an unusual thing to draw a line in the Attendance Book, five or at latest ten minutes after the specified time for signing, and shortly after to remove it to the Secretary's room, where the laggard has to present himself and explain the reason of his late arrival.

Call Book.

(b) Call Book, to keep a strict chronological record of all Callers, with particulars regarding their visits. The following is a form of Book that generally commends itself:—

[For the Form, see next page.]

Form of Call Book.

Serial Number.	Date and Time.	Caller.	Enquired for	Seen by	On what Business.	Remarks.	Perforated part.	
							Serial Number.	Caller.
1,001	1892. Sept. 1. 10.30	John Smith.	A. Brown.	W. Jones.	Dividend.	Satisfied.	1,001	1 Sept., 1892. John Smith.

The perforated part is torn out, dated with the date stamp, as shown above, and brought in to the Secretary (or his representative) and put on his file.

Register of letters received (c) Every letter as opened should be entered in this Register, and bear a serial number and date, with date and reference number when answered.

The following is the ruling for the Register of Letters Received :

[For the Form, see next page.]

Form of Register of Letters Received.

Received.				How dealt with.		
Serial No. in.	Date.	From whom.	Department.	Serial No. out.	Date.	Remarks.
1,002	1892, Sept. 6	A. Evans,	Transfer.	992	1892, Sept. 6	
1,003	"	La Compagnie des usines pratiques.	Cash ; Cheque £16 9s. 4d.	995	"	Receipt 1,722

In this Book should be entered all cheques and cash received by letter. The letter itself is stamped by an India rubber stamp, with a serial revolving number (inwards not outwards) thus:—

Number Inwards	...	...	...	...	1,002
Received ...	...	...	...	...	6 Sept. '92
Answered	...	...	...	...	6 Sept. '92
Number Outwards	...	...	...	...	992

Register of
letters, &c.,
sent out.

(d) This Book should be ruled as follows:—

[For the Form, see next page.]

Form of Register of Letters, &c., Sent Out.

Serial No. out.	Date.	Exact Name and Address.	Cost of Postage or Telegrams.	Posted or delivered.		
				Time.	Place.	By whom.
992	1892.	A. Evans, Esq., The Moat, Eltham, S.E.	s. d.	10.45	Lombard St.	W. B.
993	Sept. 6	W. Sims, Esq., 1, Adelaidé Street, E.C.	0 1	12.55	Hand	A. C.
994	"	Virtus, Manchester ... ..	... 6	1.30	Telegram	W. B.
995	"	La Compagnie des usines pratiques, Plancher Haute Saone, France	0 5	5.45	Lombard St.	W. B.

It will be seen that this Book records both letters and telegrams, whether posted or delivered by hand. This Book is entered up from the letter itself before it is press-copied, and the corresponding serial number placed in the top left-hand corner of the letter. The envelope is also addressed from the letter itself, and this address called back to the Register Book before the letter is finally closed or posted; this is an excellent check and repays the little extra trouble. The Cash Column is the Postage Account, and the total with stamps and cash in hand makes up the amount for which the Postage Clerk is responsible. This total is readily analysed monthly, or at other regular periods where it is found desirable to divide up and charge out the respective amounts to various Clients.

Press Copy Letter Books. (e) Let me impress upon every Secretary the absolute necessity of press-copying all his letters, memoranda and telegrams, and seeing that they are indexed up daily, and that the reference folios backwards and forwards are properly recorded in indelible blue pencil on each press copy letter.

Other Press Copy Books. (f) In the same way other Press Copy Books will be required when necessary as follows, for Invoices, Tenders, Returns, Contracts, Indents, Freight, Shipping, and Insurance Notes, Demand Notes, Debit Notes, Credit Notes, &c., &c. It will generally be found convenient to have separate Press Copy Books for each of the above or similar Sections and Departments.

Guard Books. (g) Guard Books for Invoices, Vouchers, &c., &c. These also must be kept distinct the one from the other. These should not be skeleton Books but interleaved, and the Invoices and Vouchers should be pasted on these leaves. In the case of the Invoice Guard Book an outside posting and money column will be found to be useful; in this way the personal accounts can be at once posted direct, and the corresponding impersonal totals monthly if desired. I do not now go into the matter of analysing the latter, this being rather a question of Bookkeeping and Accounts, with which I have already dealt in previous Papers. Remember that all Invoices must be checked and signed as correct by the head of the Department responsible for the receipt of the goods. The signature must be in full and not be initials. This must always be done before the Invoice goes up for payment.

In the case of the Voucher Guard Book each page may be divided into several spaces with a serial number to each space

agreeing with the consecutive number of the Voucher in the Cash Book, each Voucher being pasted in the Guard Book (clear of its serial number) securely along its upper edge, so as to fold on itself neatly within its allotted space.

Secretary's (h) This is an important Book; in it the
Diary. Secretary should note all engagements as soon as made. It should contain also a reference to any mail days affecting him, with a short note of the subject-matter requiring attention. He should also record in it at the respective dates any monies expected to come in, as also any payments requiring to be made.

Diary of (j) In large mercantile and financial Under-
Bills Payable. takings a separate Book entitled as above is kept, in which is recorded at respective due dates full particulars of all Bills Payable, thus relieving the Secretary's personal Diary of this record.

Agenda. (k) Agenda Book. The Agenda are in some isolated cases prepared on loose sheets, but I only mention this to thoroughly deprecate the system. They should always be legibly and neatly entered in the Special Book, as above designated (each page of this Book should be divided down the middle by a red line). At each fresh Meeting, after leaving sufficient space at the top of the page to record the names of those present, the left hand side should be devoted to writing up the day's Agenda in consecutive numbered paragraphs, leaving two or three lines space between each; on the right hand side the subject matter is dealt with and disposed of seriatim, and the Secretary, if he is the man of tact that I take him to be, will readily prevail on the Chairman to deal with these Agenda in such an explicit and clear methodical manner, that the writing on the right hand side of the Agenda Book will practically form the actual wording of the Resolutions and Proceedings as they will finally appear in the Minute Book. In all Concerns where I have any influence, I invariably succeed in educating my Clients up to adopting this course, the benefit of which too they speedily recognise.

Board (l) Board Minute Book. Provided the recom-
Minutes. mendations contained in the preceding paragraph have been carefully attended to, the writing up of this Book will be an easy matter. This should be done immediately after each Meeting, and the Book must be produced at the following one; the first business on the Day's Agenda always being to read these Minutes to the Meeting, and, if approved, for the Chairman to sign them in the presence of those assembled.

Shareholders' (m) Shareholders' General Meetings' Minute
 General Meet- Book. This Book, recording the Proceedings of the
 ings' Minutes. Shareholders' General Meetings, is dealt with in
 precisely a similar manner as the Board Minute Book.

Seal Book. (n) In this Book are recorded full particulars
 of every occasion on which the Seal of the
 Company is affixed to any document. The seal itself is gener-
 ally under two distinct locks and keys (one under the care of the
 Chairman or his locum tenens and the other of the Secretary) and
 is only used in the presence of one or two Directors and the Secre-
 tary, who duly sign the Seal Book on each occasion, the fact being
 also further recorded in the Board Minute Book.

Cash (o) In this Book is entered the reconciliation
 Reconcilia- between the Cash Book and the Bank Pass
 tion Book. Book. Such reconciliation is with some Insti-
 tutions made daily: it should never be made at intervals
 of more than a week, so timed as to be available for each
 Board Meeting, on which occasion the Cash Book and the Bank
 Pass Book (both duly written up to date) should also be "en evi-
 " dence," and the respective figures of the three Books agreed
 either by the Finance Committee or the Board itself. The Cash
 Reconciliation Book is further useful in recording the fluctua-
 tions of the Cash Balances at each of the successive Meetings,
 thus for instance:—

	£	s.	d.
" Balance of Cash at Bank at the last Board			
" Meeting, 3 September, 1892	6,792	6	9
" Add since paid in	2,001	2	6
"	8,793	9	3
" Deduct cheques since drawn, as then authorised	3,597	8	4
"	£5,196	0	11
" Balance available, 10 September, 1892 ...			
" Say at Bank—			
" On Deposit Account ... 3,000 0 0			
" On Current Account ... 2,196 0 11			
	£5,196	0	11

" (Petty Cash in the hands of the Secretary £53 9s. 4d.
 " being Balance of authorised Imprest, say £100.)

" The Board will be asked to sign the following cheques, as

“ per accompanying accounts, all duly checked and agreed.
 “ (Here detail these accounts.)

“

“

“ &c., &c., &c.

£2,565 9 4”

It is advisable to stop here and thus give the Board the satisfaction of figuring out for themselves how much money must be drawn from the Deposit Account to feed the Current Account, the Secretary receiving instructions not to issue the cheques until the Cash on Current Account is actually available to meet them. The money may be on Deposit at Call or at 7 days' notice: if it is with the same Bankers, the transfer is very readily made. My late friend, Mr. Arthur Cooper, would never, unless he was absolutely compelled to do so, accept a Deposit Receipt. Some Banks, however, insist upon issuing the same, and will only pay over the money upon the production of such Deposit Receipt duly endorsed; while others issue a Deposit Pass Book in addition to the Current Pass Book, making the transfer from one Book to the other on receiving the necessary written instructions to that effect. I certainly prefer this latter plan, which is found, I think, to be more generally in vogue with the Private Banks: the Joint Stock Banks and Discount Houses adopting the former plan above mentioned, viz., of issuing Deposit Receipts, which may get into improper hands, and the endorsement of which prove a forgery.

Directors' (p) Directors' Attendances Book. The Secretary Attendances. must be careful to see that the Directors sign their attendances regularly in this Book and at the time, as from it the proportion of fees accruing to each of them is calculated. It is well to set out in this Book the sums thus due to them respectively, and when handing the Directors their cheques to get them to receipt the Book against the amount they each receive, such signature in each case to be on a penny receipt stamp whenever the amount is over £2, as it generally is. The Secretary must be clear as to who pays the Income Tax, the Company or the Directors—for, unless their remuneration is actually stated to be “free of Income Tax,” they (the Directors) and not the Company must pay it; that is to say it must be deducted from their cheque. This reminder applies equally to the Secretary and the other Officials, where the Income Tax must be similarly deducted, unless these gentlemen make their Returns direct like the professional Auditors do, who include the same in their General Yearly Return, and therefore must receive their fees intact.

I mention this because some Income Tax Collectors are unnecessarily fussy in this respect, and give the Secretaries a lot of trouble for nothing. Of course, in all this the Secretary's functions end in seeing that his Company do not pay unnecessarily. The Secretary and other Officials must also give stamped receipts for their salary cheques—this is best done in a Book kept for the purpose.

General Books of account. (q) I merely enumerate these here for form's sake. You are all naturally quite familiar with the use of them as they are constantly coming under your immediate notice, they are as follows :—

- Journal.
 - Cash Book.
 - Ledger (of various kinds).
 - Petty Cash Book.
 - Bills Receivable Book.
 - Bills Payable Book.
 - Day Books (Bought and Sold, &c., &c.).
 - Account Current Book (in use in Merchants' and other Offices, having Branches and Customers abroad, and where the interest on the daily balances, debit or credit, is calculated in the margin).
- &c. &c. &c. &c. &c.

Whether the Secretary actually keeps these Books himself, or the work is delegated to another, he will do well to make himself thoroughly familiar with them in every detail, and thus remain master in his own Office, and of the situation generally; he should see too that they are always closely written up and promptly balanced at the stated periods, if not monthly at least every three months.

- Books, &c., specially applicable to a Joint Stock Company. (r) These may be enumerated as follows :—
- Application and Allotment Book.
 - Call Books.
 - Shareholders' Address Book.
 - Stock and Share Ledgers.
 - Debenture Ledgers.

Register of Mortgages.

Register of Transfers.

Dividend Books.

Register of Members (for filing annually at Somerset House fourteen days succeeding the day of the Annual General Meeting of Shareholders).

&c.

&c.

&c.

&c.

&c.

The above Books having been already fully taken up and dealt with in previous Papers, I do not think it necessary to go over the ground again on the present occasion. Besides which, were I to attempt to do so, this Paper would be out of all proportion; as it is, I fear very much that I shall thoroughly weary you out before I have done.

“The Secretary’s Record Book.” (s) If, however, any of you actually are (or are going to become) Secretaries to a Joint Stock Company, and wish to have all these Books and information ready to hand for practical use, I cannot do better than to commend to your notice

“The Secretary’s Record Book,”

Published by The Accountants’ Stationery Company (Ltd.),
per A. Southey & Co.,
146, Leadenhall Street, London, E.C.

Price, £5 5s. 0d.

Russian Leather—full bound :

where you will find all the Books requisite for a Limited Company bound up in one substantial Volume ready for immediate use. The component parts of the Volume are the Books already referred to in this Paper. “The Secretary’s Record Book” also furnishes special Forms for the use of the Officials of such Companies; these Forms are as follows :—

Application for Shares.

Allotment Letter.

Letter of Regret.

Call Letter.

Dividend Warrant.

Notice of General Meeting.

Notice of Extraordinary Resolution.

List of Shareholders for filing.

Share Certificate.

Notice of Share Certificate ready.

Letter of Indemnity.

Letter sending out Certificates.

Debenture Form.

Transfer Deed Receipt.

Transfer Certification Form (Rubber Endorsement).

Notice of Transfer lodged.

Many of you will doubtless be familiar with most, if not all, of these Forms as having come across them from time to time in previous Papers—besides having met with them in your ordinary round of professional duties, but nevertheless it is certainly useful to have them thus collected together in one Volume for ready reference. You will, of course, kindly understand that I have no pecuniary interest whatever in “The Secretary’s Record Book”; I simply bring it before your notice on its own intrinsic merits. And this remark applies to the other Books, &c., that I refer to in the course of this Paper—I consider them all standard of their kind.

Other Books. (t) There are several other Books with which a Secretary, coming under the various categories of Section 4, will have to render himself familiar on taking up the special work attaching to these respective categories; these are, however, most of them, of a technical and individual nature. An intelligent Secretary who is up in his work generally should find no difficulty in mastering them all as one by one the necessity for their use presents itself to him. It would be perfectly impossible for me to deal with a tithe of them this evening, although I may be able casually to refer to some of the more important of them in the succeeding paragraphs, where I now propose to take up these five categories of Secretaryships seriatim, saying a few words as may occur to me upon each of them.

The Honorary Secretary. 5. The Honorary Secretary is the first on our list. It has been cynically said that “you should not look a gift horse in the mouth,” but this saying does not in the remotest degree apply to the gentlemen who so kindly and unselfishly undertake this duty, with thorough earnestness and a real will, their heart being fully in what they thus undertake “con amore.” In this connection I can but congratulate the various Students’ Societies in the selection of their Honorary Secretaries, and the efficient and splendid way in which these gentlemen vie with one another in turning out their work, which certainly does credit to the oldest and most experienced of long-established Secretaries.

While fully and unreservedly commending Honorary Secretaries for their unselfish labour of love, let me remind them that their labours (thus honourably and efficiently carried out) while benefiting others benefit themselves also, for in this way they gain a vast practical experience, and that at the very outset of their career; such vast practical experience becomes invaluable to them in after life when they find themselves called upon to take up these very duties as a matter of business. Now just one or two words of advice to Honorary Secretaries before I pass on to the next paragraph.

Cash. (a) In all Cash matters be scrupulously prompt and clear, that is enter up all Cash immediately you receive it, bank it the very same day to a special account, and never mix it up with your own; you cannot be too particular as to this.

Counterfoil Receipts. (b) Be careful to have proper Counterfoil Receipt Books with printed serial numbers: give such a Receipt in each case, and no other one; enter up these Receipts consecutively and clearly in your Cash Book, recording each consecutive number therein (on the debit side: Receipts), thus leaving nothing whatever to the imagination.

Vouchers. (c) In the same way get a proper Voucher for every payment you make: number such Voucher also consecutively, similarly recording this number in the Cash Book (Credit Side: Payments).

Write up Books closely. (d) Keep your Books always closely written up, so that at any moment you are in a position to render an account of your trust.

Have your Accounts audited regularly. (e) Insist upon having your Accounts audited regularly: "Caesar's wife must be above suspicion."

Answer your letters promptly. (f) Attend to your Correspondence with promptitude, but, at the same time, not with undue haste. Napoleon made a boast that he never answered any letters, saying that, by waiting only long enough, all letters resolved themselves into one of three categories, viz. :—

- I. "Those that did not really need answering."
- II. "Those that had by that time answered themselves."
- III. "Those that it was then too late to answer."

Do not (in this respect at all events) imitate Napoleon (he was no friend to England), but, on the contrary, answer your letters promptly, if only for the sake of the third category. Without desiring to be egotistical, I can confidently state that one of the main secrets of my success through life is that I have always endeavoured to be prompt in answering letters: others have taken notice of this, and it has borne good fruit to my advantage.

Use good paper and materials. (g) Never use any but good paper for your books, letter paper, and envelopes; for if you use inferior materials you are very seriously handicapped in turning out good work, and which should be a credit to you in the conscientious discharge of your honorary duties. In all this, however, I, of course, do not advocate extravagance, or unnecessary expense, especially where you are dealing with other people's money, but the difference in the cost between the two articles (the good and the bad) is generally so trifling that it is not worth considering.

Almoners. (h) This brings me to mention that it is always a happy thing if it can be managed that the Executive agree to share amongst themselves as "Almoners" all the out-of-pocket expenses attending the administration of the Fund under their charge, so that the whole of the money collected is distributed intact and without any deductions whatever to the object of the Fund. This gives the Honorary Secretary and his co-Almoners (the Executive), a free hand in turning out the very best of work in a form that does credit to all concerned.

Reports and Accounts. (j) Be always studiously particular in drawing up and framing your Reports and attendant Accounts; you little imagine how vitally important this is in your own true interests. Remember that such Reports and Accounts are rarely confined to the circumscribed "côterie" of friends and colleagues for whom they are primarily intended: these documents (which when properly, temperately, and neatly drawn up are your best possible testimonials from the very fact of their not having been prepared for that purpose) often find their way outside into the hands of men of influence, who appreciate good work, especially when it comes thus casually before them, and the lucrative appointment to a permanent Secretaryship is not unfrequently the practical and just, though unlooked-for reward for honorary duties thus honourably and ably discharged.

The Private Secretary. 6. The Private Secretary should be a man possessing rather "tact" than "talent": he must be a well-read, well-travelled and polished man, able to act as companion and friend, as also in many cases adviser (mais

sans que cela ne paraisse) to his Principal as well as being his Private Secretary : in fact, all the primary requisites enumerated in Section 3 of this Paper should more or less be found in him. Especially must he have acquired the happy knack of adapting himself to all circumstances, grave or gay, as occasion may require : and so, manly sympathy (neither servile nor hypocritical) is a trait he will do well to develop. The Private Secretary may often find himself for days and weeks together alone, with no one to supervise him, or know whether he does or neglects his work. It is then indeed that he needs to nerve himself constantly to an honourable sense of his duties and what is required of him to discharge such duties vigorously and manfully under such dispiriting conditions : the dignity of work and the answer of a good conscience are helpful spurs on these occasions : they recall to my mind the noble words of Longfellow—

“ Toiling,—rejoicing,—sorrowing,
 “ Onward through life he goes ;
 “ Each morning sees some task begun,
 “ Each evening sees it close ;
 “ Something attempted, something done,
 “ Has earned a night’s repose.

“ Thanks, thanks to thee, my worthy friend,
 “ For the lesson thou hast taught !
 “ Thus at the flaming forge of life
 “ Our fortunes must be wrought ;
 “ Thus on its sounding anvil shaped
 “ Each burning deed and thought ! ”

The Village Blacksmith.

I venture to throw out the following suggestions which may be helpful to the Private Secretary.

Courtesy to subordinates. (a) To be always courteous though firm with the Subordinates under him, and who, in the absence of his Principal, are called upon to obey him. Willing, cheerful service is the outcome of this, and it is far more profitable and agreeable than mere abject, cringing servitude. Courtesy to all with whom he comes in contact is the attribute of a true gentleman.

Check all Accounts, &c. (b) As Custodian of his Principal’s interests he must carefully examine and closely check all Bills, Accounts, Estimates, and Tenders, and pass nothing until he is thoroughly satisfied that all is right.

“Baksheesh.” (c) Under no circumstances must he accept for himself Discounts or Return Commissions (in the East it is called “Baksheesh”). He should look out for the former, and where due collect it for his Principal. Woe betide him if he shows the slightest weakness as to the latter; he then at once loses all self-respect and is no longer his own master, but the slave of the unscrupulous tradesman who, from that moment, has him at his mercy, and plays with him accordingly.

Accounts generally. (d) His Principal’s Accounts very often, in addition to General Income and Expenditure, include Estate and Farm Accounts. He will do well, therefore, to make a special study of this class of Accounts, and with the numerous Public Libraries now within his reach, he should have no difficulty in obtaining access to the best and most reliable Text Books dealing with this very important subject.

Press copy all Letters. (e) He should invariably press copy all his Letters, and he, above all Secretaries, needs to be most methodical and precise in arranging and putting away all Letters and Documents promptly and in the manner already indicated, otherwise he will soon find them and himself drift into hopeless chaos and confusion, for it is simply marvellous the knack they have of accumulating under these conditions.

Apportionment of the day’s time. (f) A Private Secretary’s work, people often say, is never done—that is, he goes on day by day, from morning till night, without even seeming to make any progress. This is either quite a mistake or, if it is so, it is his own fault. It proves one thing, and that is the absolute necessity for being thoroughly regular in his daily habits. He should apportion the day into certain stated hours for work, exercise, (recreation,) and meals respectively, and strictly adhere to them. It is an error, and now, I am thankful to say, an exploded idea, to think that it is necessarily the number of the hours that gives the best results: this is not so, it is the application one devotes to the work during the regular hours that often accomplishes most.

Prospects. (h) A Private Secretary has his future very much in his own hands as to whether he will make a position for himself in the “Battle of Life,” or be content to remain stationary in it as a listless supernumerary, and without any higher aspiration than to shave Plutus.

The Secretary to a Public Institution. 7. The Secretary to a Public Institution is a gentleman who needs to be under great self-control —for whether he knows it or not he certainly wields immense power both for good as well as for evil. Great care and discernment are, therefore, essential in selecting a gentleman in every way fitted for the post. My valued friend, the Secretary of "The Little Village Hospital," is a splendid type of the courteous, hardworking, able and conscientious Secretary: he has his work at his fingers' ends and under complete control, and although he has a multiplicity of duties to discharge, he is always calm and collected, ready to listen to everyone and attend to everything. His Agenda Book is a pattern of neatness, method and order; he always gives the finishing touch to it every Tuesday afternoon: his Board sits every Wednesday at noon and generally lasts two hours, getting through in that time a very large amount of work, but everything goes off quietly and without the slightest hitch, owing to the careful prescience of the able Secretary. He manages his Committees (often three and four in one week) equally satisfactorily, and it does not matter at whatever moment a Governor, the Treasurer, Solicitor, Auditor, Collector, Nurse, Steward, House Surgeon, Chaplain, Visitor or Patient may come to him for anything of the most varied or heterogeneous kind, he knows at once without a second's hesitation where to lay his hand upon it, and how to answer, thus thoroughly satisfying his many enquirers, and then immediately afterwards he quietly resumes his own particular work, which seems rather to thrive than otherwise from such constant and endless interruptions. Our friend knows and practises the power of "concentration," which is an all-important gift to possess and to cultivate; he also knows the importance of "A place for everything, and everything in its place." Hard work seems to agree with him, but everyone is thankful when the time comes round for his annual holiday, and he can take the change and rest he so richly deserves and truly needs. All are equally rejoiced, however, to welcome him back again; the place does not seem the same while he is away, however ably he is represented in his absence.

Income and Expenditure. Annual Report.

I should occupy a whole evening were I to attempt to enumerate the many Books of various kinds he has to keep; but if any of you are contemplating taking up such work, and will so notify me, I may be able to tell you what you especially want to know. I must, however, mention two subjects before I pass on. The first one is the Books of Accounts, the basis of which is Income and Expenditure, with all its attendant Collectors' Books, Counterfoil Receipt Books, Vouchers, Wages Book, Legacies Book, Alms Boxes Book,

&c., &c., besides the inevitable Journal, Cash Book, Ledger, and Petty Cash Book, with the use of all of which you are all of you of course thoroughly familiar by this time. The second subject is the Annual Report: this should be a masterpiece of clearness and concentration: the matter and statistics therein given would be simply appalling, were not everything so orderly and intelligently set out.

Public Institutions generally. What I have said above regarding this particular Institution (a Hospital) applies generally to all Public Institutions of whatever kind, the same general principles underlie them all, as any intelligent Secretary will soon find out for himself.

The Mercantile or Commercial Secretary. 8. The Mercantile or Commercial Secretary introduces us to quite another type to those referred to in the three preceding Sections (5, 6, and 7), and, to fill this post, the preliminary training acquired in a Merchant's Office is all-important, for to be of any practical use he must have at his fingers' ends the mysteries of Markets (home and foreign), Produce, Piece Goods, Marine and Fire Insurance, Exchanges, Bank-rate, Investments, Languages, Freights, Tare and Draft, Wharf and Dock Charges, Bills of Lading, Bills of Exchange, Mercantile Law, Shorthand, Correspondence, Indents, Invoices, Accounts Current, Debit Notes, Credit Notes, Warrants, Weight Notes, Mercantile Bookkeeping in its very highest form (very different to the ordinary Trader's Bookkeeping), Banking, Discounting, Cypher Codes, Telegrams, Telephones, &c., &c., &c. He must be an apt man, too, and able to bring all this immense array of technical special knowledge into momentary use, and also be very clear about it all, rarely, if ever, making a mistake. Remember, he deals with very valuable commodities, representing large sums of money, and that, at times, with one stroke of the pen, where one single error of calculation or of judgment might entail a serious loss indeed. Fortunately, he never thinks of making a mistake, but pursues the even tenour of his way calmly and unruffled, as if he had not a thought or a care to occupy him, and always looking spick and span as if he had just come out of a handbox. There, gentlemen, is another instance of the wonderful power of "concentration" and of "savoir faire!" My friend is no ideal creation, an emanation of my diseased or fevered imagination, but a real, tangible, solid man in the flesh. He is, in fact, no other than the Secretary to the well-known house of Messrs. Blank & Co., a name familiar to you all—their Office is within a stone's throw of my own, and what I am now telling is from many years' acquaintance with this gentleman, and with the work he gets through and directs, keeping the grip of the whole

always under his own immediate and personal control: it is certainly a wonderful and complete system of vast organisation that manages all this so thoroughly without a hitch, just like a delicate piece of intricate mechanism, only that the works happen in this case to be human beings of a very high order of intelligence. I do not think, gentlemen, I could teach you this Secretary's functions in the course of one or of many evenings; he, like myself, has now been some thirty-five years learning, and we are still learning, and shall be so to the end of the chapter. All I attempt to do this evening is to influence your thoughts in this direction, and there I leave you a-thinking, while I pass on.

The Secretary to a Public Company. 9. The Secretary to a Public Company is a gentleman with whom you are all of you more or less familiar, and, therefore, I will not attempt to describe him, but leave each of you to picture to yourself your own pet Secretary of your own pet Company, and then I am sure we shall all be happy: I know I shall be, for it thus saves me a world of time and trouble. Your own pet Secretary is, of course, expected to be thoroughly proficient in all that I have been so far bringing before you: in addition to which there are one or two accessories which he will do well to bear in mind, if he wishes to answer general expectation, and close this Paper to the satisfaction of all concerned.

His responsibilities. (a) He must remember that he has many Masters, not only the Chairman and Directors, but also the Shareholders, and that he is more or less responsible to all of them for what transpires in the Office, of which he is the ostensible head.

His Board. (b) Where he has honourable and intelligent Directors to deal with, his functions are comparatively speaking rendered much more easy, but when they are not so, the thing becomes very difficult indeed, and he certainly needs great tact and wisdom to guide him in what he shall do or not do.

Lord Claud John Hamilton's views. (c) Lord Claud John Hamilton, himself an important Director in some of the largest and most influential Companies, in touching on this delicate subject as Chairman at a Dinner of the Institute of Secretaries, spoke thus very plainly as to this:—

“I have heard of cases, and I can certainly imagine other cases, where a young man, having an appointment as Secretary of a Company, which is the first appointment of the kind he has held, may possibly on the strength of that appointment have recently married and incurred additional household

“ expenses. He finds in the course of a not very long experience that his Directors are doing things which he knows to be not quite ‘on the square,’ but he does not like to protest, because he knows that if he protested and lost the position he holds as Secretary he might be thrown on the streets, and might never obtain a similar appointment again. That man has to struggle against what he knows to be morally wrong; he has no one to go to, and possibly, therefore, he stands by his Directors. If an Institute like this (the Institute of Secretaries) exists in the heart of London, and he belongs to it he will know that he can go to his friends at the Institute and obtain from them advice, and should he act upon it and lose his position he may feel sure that he will not suffer for it, but that the rectitude he has shown may stand him in good stead in the future instead of damaging him.”

I have only three words to add to the above, and they are these :

“ Via recta tutissima.”

Companies' and other Acts. (d) Our friend the Secretary must, of course, have all the Companies' Acts at his fingers' ends, from 1862 down to the very latest date, besides any special Acts immediately affecting his own particular Company. He should have no difficulty in making a list of these and procuring prints of those that he considers he should have constantly by him—the cost of the same is a mere trifle and really not worth taking into consideration as against their intrinsic value to him at any rate.

Cash and Bank. (e) The Secretary should personally see that the Surprise visits. Books and Accounts are closely written up, and balanced at least every three months. In the case where he does not personally attend to the Cash and Banking Department, he should keep it under strict control, and every now and then pay surprise visits both to the Department as also to the Bank itself, and so satisfy himself that everything is in order, and that there has been no tampering with the Pass Book.

Imprest system. (f) He should see that the Petty Cash, as also the Cash for Postages, are in reliable hands, and under independent check and supervision. By adopting the Imprest system, he will be able to accomplish this, and without creating unpleasant feelings that he suspects anybody.

Securities and Deeds. (g) He must be most particular that all Securities and Deeds are properly recorded, and that they are under safe double lock and key of which the Chairman (or rota Director) holds one key, and he the other.

Balance Sheet and Report. (h) In preparing the Balance Sheet and Report, he should remember always to keep within the mark; a flowery Report with rosy promises this year handicaps the next year just in the same way as overvaluing Stock in the 31 December, 1892, Accounts handicaps the start (1 January) of 1893 Accounts precisely to the extent of the overvaluation, so that there is really nothing to gain (and a great deal to lose later on) by deviating from the strict principles of right and truth.

Annual List of Members. (j) He will of course remember to prepare and send in to Somerset House the list of Members, fourteen days succeeding the day on which the ordinary annual general Meeting is held, as specified under The Companies' Act, 1862, with which you are all thoroughly familiar.

General knowledge and supervision. (k) Although he may merely be the London Office Secretary of a large Concern, having its factories and ramifications all over the Country, Abroad, and in the Colonies—he must lose no time in grasping the situation as a whole, and making himself thoroughly conversant with every detail—both as to manufacture and sale. In the case of Depôts and Agents Abroad and in the Colonies, he must exercise very close supervision over the same, and insist upon proper returns and remittances being sent home regularly and promptly. His time will be well spent over all these very important details of his work.

Valedictory. 10. My task is at length ended, and I am sure you are not sorry for it. Before, however, wishing you all "Farewell" I commend to your notice, as further elucidating what I have been endeavouring to explain herein, the following lines entitled, "Tact" and "Talent," which I some few years ago came across at the country seat of a valued friend—they appear to me to form a fitting close to the present Paper.

"Tact" and
"Talent."

"Tact" and "Talent."

"Talent is much, but Tact is everything.

"Talent is serious, sober, grave, and respectable. Tact is all that and more, too. It is the open eye, the quick ear, the judging taste, the keen smell, and the lively touch. It is the surmounter of all difficulties, the remover of all obstacles. It is useful in all places and at all times.

"It is useful in solitude, for it shows a man his way into the world.

“ It is useful in society, for it shows him his way through the
“ world.

“ Talent is power—Tact is skill. Talent is weight—Tact is
“ momentum.

“ Talent knows what to do—Tact knows how to do it.

“ Talent makes a man respectable—Tact will make him respected.

“ Talent is wealth—Tact is ready money.

“ For all practical purposes of life, Tact carries it against Talent
“ ten to one.”

“ Take them to the Bar :

“ Talent speaks learnedly and logically—Tact triumphantly.

“ Talent makes the world wonder it gets on no faster—Tact
“ excites astonishment that it gets on so fast; and the secret
“ is, it has no weight to carry. It makes no false steps, loses
“ no time, takes all hints, and by keeping its eye on the weather-
“ cock is ready to take advantage of every wind that blows.”

“ Take them into the Church :

“ Talent may obtain a good living—Tact will make one.

“ Talent gets a good name—Tact a great one. Talent convinces
“ —Tact converts.

“ Talent is an honour to the profession—Tact gains honour from
“ the profession.”

“ Take them to the Court :

“ Talent feels its weight—Tact finds its way. Talent commands
“ —Tact is obeyed.

“ Talent is honoured by approbation—Tact is blessed by prefer-
“ ment.”

“ Place them in the Senate :

“ Talent has the ear of the house—Tact wins its heart and obtains
“ its votes.

“ Talent is fit for employment—Tact is fitted for it.

“ It seems to know everything without learning anything. Talent
“ is certainly a thing to be proud of, a glorious eminence to
“ look down from, but Tact is useful, portable, applicable,
“ always alive, always alert, always marketable. It is the
“ talent of talents, the applicability of power, the availableness
“ of resources, the eye of discrimination, the right hand of
“ intellect.”

GÉRARD VAN DE LINDE.

“ A good thing is all the sweeter when won with pains.”

—Spurgeon.

THE AUDIT OF
BANKS AND MERCANTILE FIRMS.



THE AUDIT OF BANKS AND MERCANTILE FIRMS

(With or without Branches at Home or Abroad).

“ I know a Bank.”

Introduction. 1. The subject for present consideration covers a large area; I will endeavour, as far as possible, to touch upon most of the points affecting it, and for that purpose must be as brief as possible. The very nature, however, of its title presupposes that those engaged upon this class of work must of necessity have acquired a certain amount of technical knowledge and general experience. It therefore does not become so vitally necessary for me, as on previous occasions, to go into much explanatory detail.

“ The Companies Act, 1879.” 2. I begin by drawing your attention to “ The Companies Act, 1879 (42 & 43 Vict. c. 76), an “ Act to amend the law with respect to the liabilities “ of members of banking and other joint stock companies, and “ for other purposes, 15 August, 1879.”

Scope of the Act. 3. This Act applies only to joint stock banks registered after the passing of it, and in no wise affects banking institutions registered before that date (15 August, 1879).

City of Glasgow Bank failure. 4. The Act was passed consequent upon the disastrous suspension the year previous of the City of Glasgow Bank, an unlimited institution which closed its doors on 5 October, 1878, never to re-open them again, bringing down with it an avalanche of wholesale devastation, and ruin far and wide; eclipsing in its magnitude and extent the calamitous effects caused by the suspension of Overend, Gurney & Co., on Friday, 11 May, 1866 (“ Black Friday,” as the day has ever since been called). Prior to the suspension of the City of Glasgow Bank all the leading Joint Stock Banks were “ un-“ limited,” just as private banks continue to be at the present day. But the scare caused by the catastrophe of this suspension was so great that the Legislature had to intervene, and by

passing this "Companies Act of 1879," defined under clear conditions the liability of those banks who re-register under its provisions. The effect of the passing of this Act has been to retain on the register a good body of shareholders who otherwise would have been frightened away had things remained as formerly: it is so clearly worded that it speaks for itself, but there are one or two points I desire to briefly touch upon.

(a) Reserve Capital. 5. Section 5, in dealing with this point (in connection with an unlimited company re-registering as a limited company under the Act), provides for an increase of the nominal capital, but that no part of such increased nominal capital shall be called up except for winding-up purposes.

(b) Note Issue. 6. Section 6 deals with this by practically fixing an unlimited liability on the shareholders in respect of the same—that is to say, they are liable in the first instance to the note-holders for payment in full of all outstanding notes, and then, in the event of the assets being insufficient to pay the general creditors in full, the shareholders are liable to them (the general creditors) for a sum equal to the amount paid to the note-holders out of the general assets. You will understand that under certain Acts of Parliament, culminating with the Bank Charter Act of 1844 (7 & 8 Vict. c. 32, ss. 10 & 11), it is provided as follows:—

(1.) That the Bank of England has the exclusive monopoly of issuing bank notes in London and three miles round. (2.) That in the district comprised by the district outside the three miles radius and within 65 miles radius of London this monopoly of bank note issue is divided between the Bank of England and such other banks of less than six members (that is to say, private banks) lawfully issuing their notes prior to May, 1844; and (3) in the district beyond the 65 miles radius round London the Bank of England shares this monopoly with banks of six or more or less members (that is to say joint stock as well as private banks) lawfully issuing their notes prior to May, 1844. Therefore any country banks opening offices in London have at once (by the fact of so doing) to forego their prerogative of issuing their notes; and this also applies to Scotch and Irish banks, so far as the issue of them in England is concerned, though these banks may still continue to issue their notes in their countries of origin, namely Scotland and Ireland. As a matter of fact, London Banks ceased to issue notes in the last century, the last London Banker's note being dated 1793, though they were really not forbidden by law to issue notes till the Bank Act of 1826 (7 Geo. IV, c. 46).

(c) Audit. 7. Section 7 (1) provides for the annual audit and appointment of auditor or auditors, a point that will, no doubt, prove of interest to you.

(d) List of Books, &c. 8. Section 7 (5) is of such importance to the profession that I think it well to reproduce it here in extenso :—

“(5) Every auditor shall have a list delivered to him of all books kept by the company, and shall at all reasonable times have access to the books and accounts of the company; and any auditor may, in relation to such books and accounts, examine the directors or any other officer of the company: Provided that if a banking company has branch banks beyond the limits of Europe, it shall be sufficient if the auditor is allowed access to such copies of and extracts from the books and accounts of any such branch as may have been transmitted to the head office of the banking company in the United Kingdom.”

As the auditor's prerogative herein is so clearly defined he has only himself to blame if he does not avail himself of it. At the same time, should he deem it necessary to “examine the directors or any other officer of the company,” he should exercise tact and discretion, otherwise he may do more harm than good and possibly jeopardise his authority. The question of a bank having establishments beyond the limits of Europe is a matter I am not losing sight of, but will refer to towards the close of this work.

(e) Report of the Auditor. 9. This is referred to at Section 7 (6) which I reproduce here :—

“(6) The auditor or auditors shall make a report to the members on the accounts examined by him or them, and on every Balance Sheet laid before the company in general meeting during his or their tenure of office; and in every such report shall state whether, in his or their opinion, the Balance Sheet referred to in the report is a full and fair Balance Sheet properly drawn up, so as to exhibit a true and correct view of the state of the company's affairs, as shown by the books of the company; and such report shall be read before the company in general meeting.”

You will find on reference to audited Balance Sheets of joint stock Banks that the above wording is pretty closely adhered to by the auditor in his certificate.

(f) Remuneration of the auditors.

10. Section 7 (7) deals with this question.

(g) Signature to the Balance Sheet.

11. Section 8 provides that the Balance Sheet be signed by the auditor, the secretary or manager (if any), and by the directors, or at least three of them. It is a good plan that these latter gentlemen, as well as the secretary or manager, should sign the document first, the auditor signing after them; there should be no difficulty as to this, as the Balance Sheet is after all the bank's and drawn up by it, and not the auditor's. The point in this is that cases may and do arise where the Balance Sheet and accounts as drawn up by the company and submitted for audit are in themselves absolutely correct so that objection cannot be taken to passing them, though at the same time, had the auditor himself prepared them, he might possibly have stated them somewhat differently, for instance, as regards the order of marshalling the assets.

"The Companies Act, 1900," and its purport.

12. While dealing with this very important subject, I would direct your attention to an Act entitled "The Companies Act, 1900" (63 & 64 Vict. c. 48), which came into operation on 1 January, 1901.

Under Sections 21, 22 and 23 of this Act the question of audit is dealt with as follows:—

Sec. 21. "Appointment of auditors."

Sec. 22. "Remuneration of auditors."

Sec. 23. "Rights and duties of auditors."

I may point out to you in this connection that this Act makes it absolutely compulsory for all joint stock companies established under the 1862 and subsequent Acts to have auditors, and that under it the auditors are required to state in their certificate—whether, in accordance with the provisions of this said Act, all their requirements have been complied with. You will do well to familiarise yourself with the wording of this Act, as you will find constant occasion to have recourse to it, in the pursuit of your routine of audit work connected with joint stock companies.

"Leeman's Act, 1867," and its scope.

13. Although this Act does not bear directly upon the subject now immediately before us, I think it well to refer you also to an Act generally known as "Leeman's Act, 1867," the full title being "An Act to amend the law in respect of the sale and purchase of shares in joint stock banking companies. (17 June, 1867. 30 Vict. c. 29)."

This Act provides that all contracts for the sale or purchase of stocks or shares in joint stock banking companies are absolutely null and void unless they designate the distinguishing numbers of such holding, as registered in the books of the company, and where there are no such distinguishing numbers on the register, then the name, or names, of the registered proprietor; any false entry on the contract in respect of such particulars being an offence punishable by fine or imprisonment.

Object of passing the Act.

14. This Act was passed to stop the nefarious practice that had grown up among unscrupulous financiers of wantonly trafficking (with a view of forcing a fall) in the shares of certain joint-stock banks, while at the same time (in order to accelerate the fall in price) they would, by false rumours, create a panic and consequent run upon the bank, and in the chaos thus brought about they would buy back at a materially reduced price the shares they had already sold at considerably higher prices (but which they had never held), and so close the bargain at an enormous profit to themselves but regardless of the wholesale ruin they had spread on every hand. I have before me two cases that at the time came under my personal knowledge, the first one being really the prime cause of this Act being passed. It was the case of a bank of the highest repute and solvability, with branches in the East, which had to temporarily close its doors in consequence of these rascally attacks; subsequently, however, after months of anxious suspense and negotiation, the bank re-opened its doors and, I am happy to add, they have ever since remained open. The other case was that of an English joint-stock bank on which a similar attack was made; but in this case the offenders reckoned without their host, for the bank stood firm in spite of everything, and so the biters for once were bit, and they well deserved the heavy pecuniary loss their piratical actions entailed upon them. I am sorry to learn that while things go smoothly on the Stock Exchange the salutary provisions of this Act are very much disregarded. Of course, those disregarding them, do so at their peril, as the penalty by the Act includes, under contingencies, punishment by fine or imprisonment. For the certain legal aspect of such infringement I must refer you to "The Principles of Common Law," by Indermaur (6th edition, pp. 290-1).

The auditor enters upon his duties.

15. We now follow the auditor as he enters upon his duties. I will clear up, as far as I can, the various points arising as I proceed, and deal with, finally, any remaining points that I may not have been able to dispose of at the time.

His initial duties on the day closing the financial year.

16. On the day closing the financial year the attendance of the auditor (or auditors), accompanied by a contingent of his (or their) efficient staff, becomes necessary, not only at head quarters but also at such branches as come geographically within the limits of the Act (1879), their duties being to simultaneously verify, in the interval between closing the doors at the termination of business for the completed year and the re-opening of them the next morning (the dawn of another financial year), the various assets of the bank that are of a fluctuating and tangible nature, such as, for instance, cash, money at call and short notice (secured by collaterals), bills receivable, investments (but exclusive of inscribed stocks, for which lists, duly certified, come in later on), documents relating to produce, deeds of properties held, bill and postage stamps, &c., &c. So soon as the auditor takes up this work he should retain the custody of all these assets until they have been gone through and accounted for: a bank official should be present throughout the examination. Cases have been known of securities having been delivered back by the auditor piecemeal after verification, and being immediately used again to release other securities (fraudulently pledged elsewhere), in order that they might in their turn come before the auditor for verification. This remark applies to all assets, even to investments duly registered and represented by certificates. These certificates must be produced at the time, as even they, through the medium of blank transfers, might be improperly withheld, as they thus practically become certificates "to bearer," and of a readily negotiable character.

Verification of the Assets.

17. I will, in the first instance, take up the question of verification of the assets under their various heads; the routine that applies to the head office applies equally to all the branches, though the figures at the latter are probably smaller in volume. When I first came to the City, now many years ago, this was a much simpler matter than it is nowadays: in fact, I then knew an old-fashioned private City banker whose only income-bearing asset consisted of Consols, and the interest on this constituted his sole gross Profits: from this he deducted his expenditure: the balance was his net Profit pure and simple, which, however, was burdened with income tax on the whole, viz., his gross and not his net Profit. He did not mind that, however, for he used to say that he went home quietly after his day's work with not a care to worry him or interfere with his night's rest: very different from the general state of high pressure at which most of us live nowadays.

(a) Cash in hand. 18. The cash in hand from the respective tills and firm's reserves (together with the day's "Cash Articles") must be produced to the auditor, and verified by him and his staff. The bank-notes are then counted under their various denominations, and the bullion weighed; the cast of the whole is taken, and the adjustment agreed with the head cashier to tally with the amount shown in his book, this figure being required later on for the grand total.

(b) Cash at Bank of England and other establishments. 19. Cash at Bank of England and other establishments is independently verified by certificates from these establishments, stating the total balance at credit that evening. These certificates include those from brokers to whom the bank has lent money at call and short notice. The auditor will do well not to be satisfied with the production of the Bank Pass Book alone, and unsupported by corroborative evidence, as the one in question may be a bogus one, as was the case with the great Pullinger frauds, where, on 19 April, 1860, the balance appearing in the bogus Pass Book (supposed to be that of the Bank of England) showed

a credit of	...	...	...	...	...	569,706	16	2
while the actual balance as certified on that								
day by them was only	...	...	...	...	...	306,636	7	4
a then deficit of	...	...	...	...	...	£263,070	8	10

subsequently increased to £263,125 6s. 10d. in final adjustment, which was, in fact, the actual amount of the defalcation. The affair created at the time a deep impression on my mind, as I had recently come into the City, so I made a mental note not to trust to the Bank Pass Book alone as sufficient evidence of a bank balance, and I have strictly adhered to this course ever since: as a matter of fact, I rather favour the plan of verifying the Bank Pass Book balance (or balances) by a personal visit to the bank (or banks), where, armed with a proper letter of authority or standing order, I am taken to the Ledger Account itself, where the Ledger keeper calls back the amount to me (not I to him). The amount I enter on the Notes, at the same time intuitively glancing at the Ledger Account itself, while I take down the Bank Ledger folio.

(c) Money at call and short notice. 20. It is usual with banks and large mercantile firms, apart from their more permanent investments, loans to customers, and other business requirements, to lend out their surplus cash to brokers

at call and short notice against good collateral security, generally consisting of high-class bank and mercantile bills, or good and readily realisable Stock Exchange securities passing "to bearer." The auditor verifies all this against lists produced to him, the collateral security being duly detailed against each separate loan, and kept distinct in separate batches corresponding with each separate loan. The auditor, as he proceeds, satisfies himself that the margin of the value of the security over and above the loan is sufficient, and if in his opinion it is not so, he should call attention to the fact, so that additional security be lodged to make the loan absolutely safe.

(d) Bills Receivable. 21. These are similarly listed and produced to the auditor. The amounts are called over to him from the lists against the bills, which he holds and goes through one by one, taking note of any where the names recur too frequently, unless independently supported by good endorsements or collaterally secured as "documentary bills," when the full sets of the documents should be produced and their value stated. As regards the remainder, the auditor should see that the aggregate amount comes within the limit authorised by the bank, as set out in their London Bill Catalogue, revised closely up to date, and which book the auditor has before him for reference. In the case of "document bills" there should also be a limit restricting their actual amount, this limit being generally defined by a letter of credit issued by the bank to their customer either direct or otherwise. The casts of all the lists should be checked and the total, after adjustment, for bills paid in short (to be subsequently checked off through the Pass Book) and bills out for acceptance (to be noted and produced later on), should agree with the amount to the debit of the account in the Ledger.

(e) Investments. 22. The Firm's Investments of whatever kind are produced and checked off, the auditor, watching closely that nothing is being withheld from him, as he needs the whole of these assets before him en bloc to build up his total amount of assets as finally appearing in the Balance Sheet, and he should see that he gets them thus intact.

(f) Inscribed Stocks. Bank of England Form of Verification. 23. These, for which no certificates exist, must be verified by application to the Bank of England and other institutions where these stocks are inscribed. For their certificate to that effect I subjoin the form in use at the Bank of England, which will serve as a model for all.

REQUEST FOR THE VERIFICATION OF STOCK ACCOUNTS AT THE BANK OF ENGLAND.

This application must be forwarded to the Chief Accountant, Bank of England, two days before the verification is required, accompanied by Stamps or Postal Orders for the requisite Fee, viz., 6d. per Account, with a minimum of 1s.

The particulars must be filled in by the applicant, and if there is more than one Account, the aggregate total must be shown at foot.

PLEASE USE
COPYING INK.

.....190.....

.....190.....

It is requested that the subjoined list of Stocks may be verified, and be then forwarded to—

.....*hereby authorize this application.*.....

To be signed by a Stockholder in each account; or, in case of a Corporation, by the Chairman, Secretary, or other officer.

M.....
of.....
(Signature).....

At the close of business on the.....day of.....190....., the undermentioned amounts of Stock were standing in the names against which they are placed.

Names of Stockholders.	Amounts.	Names of Stocks.

This request is filled up and signed by a stockholder (or other duly authorised person) and sent to the Bank of England with cash for the requisite fee as mentioned above (say 6d. per account, with a minimum of 1s.). The Bank then verifies the document and returns it signed to the auditor, whose name and address should be filled up on the left-hand side of the paper. In respect of the fee for verification, this is a charge which came into operation on 1 January, 1897, and confined at present to

The Bank of England,
The London and Westminster Bank, Limited, and
The Crown Agents for the Colonies,

the remaining banks who keep registers of inscribed stocks still continuing to certify free of charge as heretofore. The investments of the Glebe Knoll Bank, Limited, are registered in the names of three of the directors, who sign a letter or letters addressed to the bank stating that such investments are the property of the company, and do not belong to them personally, such letters being produced to the auditors when verifying the certificates. On the other hand, the investments belonging to customers, which are lodged with the bank as collateral security against advances, are registered in the name of the bank itself, and not of any individual directors; in that case the stock is re-transferred under the seal of the bank. I refer more particularly to this bank at Paragraph 37 and subsequent ones.

(g) Documents relating to Produce.

24. This class of securities mainly applies to mercantile firms, as well as to colonial and foreign banks, but it applies indirectly to home banks who make advances to their customers. These documents will have to be examined in a similar manner, and in doing so be careful to see that all documents put before you are complete. Thus in the case of produce on the way:—

(1) Complete sets of Bills of Lading.

(2) Marine Insurance Policy. (If assured abroad, duly stamped within ten days of first arrival in the United Kingdom with the English revenue stamp of 1d. per £100, or fraction of it, where the premium does not exceed 2s. 6d. per cent., and 3d. per £100 or fraction of it, when above that rate of premium, per voyage risk and for any time risk not exceeding six months, the rate being increased to 6d. per £100, or fraction of it, for time risks exceeding six and not exceeding twelve months.) In any further legislation affecting stamps it might be advisable that the question of stamping "open slips" should receive consideration, and thus legalise the risk from its very inception,

and this for the protection of both assured and underwriter. It must be remembered that under the altered conditions of business generally these "open slips" have virtually taken the place of and superseded the "open policies" of the more sedate and scrupulously correct days of my early experience, very many years ago. This is a matter affecting banks who deal with such collateral security, and it certainly affects mercantile firms even more so. The action of "The Royal Exchange Assurance v. Faber and Others," decided by Mr. Justice Mathew, is a case particularly pertinent to the above point, creating very great interest in the mercantile and insurance world at the time.

(3) Invoice (against which the advance has been made and bill drawn).

And in the case of produce warehoused:—

- (1) Dock or Wharf Warrants.
- (2) Fire Policy.
- (3) Invoice (as above).

All these documents should be blank endorsed, if not already issued in the name of the institution holding them. As regards the policy of marine insurance, a "blank endorsement" does not hold good if the point is contested at law. This point was decided as far back as January, 1843, in the well-known and frequently quoted case of "Powles v. Innes." This decision has ever since held good, and the "Policies of Marine Assurance Act, 1868 (31 & '32 Vict. 86)," passed 25 years subsequent to the above decision, did not disturb it. A policy of insurance differs, therefore, from a bill of lading, where a simple blank endorsement suffices. At the same time, in general mercantile practice policies of insurance thus blank endorsed are repeatedly changing hands. For further information on this subject I refer you to my papers, "A Merchant's Office" and "A Merchant's Accounts," both incorporated in the present volume.

(h) Deeds of Property. . 25. As a rule it is preferable that a solicitor attend when the auditor goes through these, so that he may give any information required as the verification proceeds. All such deeds of property, either belonging to the bank or collaterally held by them, should be in the safe custody of the bank itself. In the event of their being required for temporary purposes a receipt must be given for the same, and the bank custodian of these deeds should carefully watch their return, recording their temporary withdrawal and subsequent replacement.

(i) Bill and Postage Stamps. 26. These all possess a monetary value forming a Balance Sheet asset: the stock of each should therefore be duly verified.

(j) Collateral security deposited by customers. 27. This is of a varying nature, but is generally comprised in the previous headings—the course adopted in their verification is similar to what precedes. In verifying this collateral security the auditor must ever have before him its realisable value in relation to the amount of the loan granted, and where this value falls short he must draw attention to the fact, and see that it is either supplemented by the deposit of additional security or that the bank make a reserve for the shrinkage. The collateral security may either be of a specific nature or it may take the form of a general charge over the whole of the customer's investments and other assets lodged by him with them for safe custody; in the latter case the auditor should see that proper safeguards are adopted by the bank in the various securities' departments, that no sale, transfer or release of any of these investments or other assets be made without first communicating with the loans department, thus preventing any risk of undue curtailment in the margin of security given against the loan granted.

(k) Debtors' Balances. 28. I press upon you the necessity of going thoroughly into these balances, as they constitute an important element of asset, and, in fact, very often the crux of the situation. You will readily understand what I mean when I remind you that your general experience has already shown you that there are cases in which both banks and mercantile firms make advances to their customers without security, looking solely to the stability of their customer. A bank may thus grant him an overdraft or it may discount bills and so feed his current account. In the latter case, unless the bank holds a letter of charge over the customer's Banking Account, it is a question whether in the event of his failure it can attach the balance on the same, to subsequently set it off against any loss that may arise on bills not yet matured. I raise this point because it clashes with the answer to Question 631 in the fourth edition (1892) of "Questions on Banking Practice, revised and issued under the sanction of the Council of the Institution," Question 631 reading "In the event of a customer's bankruptcy or of his making an assignment for the benefit of his creditors, could the bank hold any balance standing to the credit of his current account as security for bills

“under discount against the trustee or the customer?” Answer: “Yes.” The auditor should therefore familiarise himself with the history and *raison d’être* of each of these various debtors’ balances of every description, so as to satisfy himself as to those that are actually good and solvent against those that are doubtful (for which reserves require to be made if not written down): as also those that are positively bad (which should either be written off altogether, or, at any rate, fully reserved for). In this connection the auditor will do well to watch how the interest is charged and dealt with in the case of these Inoperative (Dead) Accounts, as it would never do to credit such interest (nothing more nor less than increasing an already bad debt) to ordinary Profit and Loss Account.

Re-valuation of investments. 29. At the close of Part I of my work on “Book-keeping,” I give at the end of Paragraph 55 a set of Trial Ledger balances, with “Account and instructions for closing entries,” in which, under the head of “Debits,” an entry appears relating to Investments, and after Paragraph 57, I show the necessary Journal Entry No. 2, as under:—

2	Investments Dr.	20	137 16 2	
	To Profit and Loss on Investments	87	...	137 16 2
	Net Profit after valuing the Balance held at date at the market price of the day, say—			
	£900 Institute of Bankers 4% Stock at 130%	1,170 0 0		
	£1,000 Bexley Heath Railway Ord. Stock at 150%	1,500 0 0		
	£875 Oceania 3% Consolidated Stock at 97½%	853 2 6		
	£	3,523 2 6		

while at Paragraphs 58, 59 (9), 60 (1), 63 (3), and 60 (6) I follow up this Journal entry to finality.

An alternative mode of treating investments. 30. While some financial firms adopt the above course of re-valuing closely their Investments at the termination of their financial year, writing off differences to Profit and Loss, others prefer to maintain them in the Balance Sheet at original cost price, and only

deal with differences as and when they arise from actual sales. When, however, the value of the investments falls below cost price, cognisance is taken of the fact and due provision is made for the same. I refer you now, in passing, to the "Balance Sheet" of "The Glebe Knoll Bank, Limited," (set out at Paragraph 37), and there you will see, on reference to the "Assets" ("Cr.") side in the line immediately under "Investments" that the £2,500,000 Consols were, when this paper was originally written, extended at 90 per cent. = £2,250,000, whereas had they been extended at their then real value, in round figures at least 110 per cent., the amount would have been £2,750,000, an increase of 20 per cent., representing £500,000. Even with the most persistent adherents to the rigid principle of strict re-valuing, the custom obtains of keeping down their Consols at a low figure, and 90 per cent. appears to be the generally recognised one for valuing this kind of A 1 gilt-edged security. No one can possibly object, because it is done openly and with the sanction of all concerned. The difference in value of this one line of assets provides a reserve of no

less than 500,000

which, added to the Reserve Fund already shown on
the "Liabilities" ("Dr.") side of 3,600,000

brings up the disclosed reserve to no less a sum than £4,100,000

apart from and in addition to the internal reserve the bank has wisely set aside for the purpose of "providing amply for all bad "and doubtful debts." You will find that with all soundly established banks and mercantile firms this internal reserve (while not being extravagantly high or uncalled for) is generally sufficient to meet these contingencies, and thus avoid the necessity of entrenching upon the disclosed reserves, experience proving that it is best, if possible, to keep this figure either intact or steadily on the increase. This question of internal reserve is a sore one with the Inland Revenue authorities, and it often requires tact and patience to satisfy them of the justness of it: some little while back they circularised the mercantile community on this very point. As a rule, these gentlemen are amenable to reason on having produced to them a schedule of bad and doubtful debts with the amount reserved set against each debt, the total agreeing with that of the internal reserve: there have, however, been cases where nothing would satisfy them but to write off the bad and write down the doubtful debts to such a figure as would wipe out the whole of this internal reserve. Verily, what between "Scylla" (Inland Revenue) and "Charybdis" (Court of Chancery's stern Judge), "thou art in a parlous state, shepherd" (I

beg pardon, I mean "honest trader"), "in endeavouring to steer thy bark safely through the narrow channel of rectitude, with these fearful rocks on either side of thee and ready to shipwreck thy bark if thou deviate from the straight course marked out for thee." (I apologise to friend Shakespeare for this digression.) Reverting again to the Balance Sheet (Paragraph 37) and turning to the second line of Investments, you will find it reads as follows :—

“ English Railway Debenture and other
“ first-class Stocks £13,916,509 3s. 4d.”

As, therefore, nothing is said respecting values, you may take it as a fact that the above extension represents all these remaining miscellaneous investments calculated out at the mean market value of the day. I am not now referring to trust companies (vide "Verner v. The General and Commercial Investment Trust, "Limited,"), nor to such concerns as railways, tramways, gas and water companies, where the line between capital and revenue is singularly and specially drawn, nor even to Ship Companies (which opens up another interesting phase of the question), but simply to joint stock banks and mercantile firms, whose business it is (inter alia) to trade in Investments.

Where Investments are re-valued.

31. In all cases where Investments are thus re-valued the auditor should see that such re-valuation is made on a sound basis, supported by the certificate of a reliable stockbroker, who fixes the values, which should in no event exceed the mean price of the day in question, and the auditor for that purpose should have by his side a copy for that particular day of "The London Daily Stock and Share List," published daily by the Trustees and Managers of the Stock Exchange, at 4, Copthall Buildings, London, E.C., under the immediate official ægis and personal supervision of the Stock Exchange authorities, to which he should refer from time to time to check off prices here and there and so make assurance doubly sure. He should also check all the extensions and final casts.

The assets and liabilities verified with their Ledger Accounts.

32. Having verified the assets and their fair values, the auditor proceeds to follow these assets up, as also the liabilities, through their Ledger Accounts, a list of which he already has before him, and which for present purposes we may enumerate

as follows (there may, of course, be others, but these will now suffice for our purpose):—

The various Ledgers enumerated.

(a to i).

(a) The Share or Stock Ledger.

(b) The Debenture Stock Ledger.

33. (a) The Share or Stock Ledger.

(b) The Debenture Stock Ledger.

These contain details of the capital stock; for purposes of general audit they may rather be considered as subsidiary books, for reference in case of need, say, for instance, where during the period covered by the audit there have been changes (increase or decrease, as the case may be) in the totals of either of these categories of the capital of the concern. In normal times the auditor as a rule finds all the necessary particulars in the Private Ledger (c) to which I am now coming.

(c) The Private Ledger.

(c) The Private Ledger contains an epitome of the capital under its respective categories, see (a) and (b) above, as well as of the Private Impersonal Accounts (real and nominal) not contained in the other Ledgers; it sometimes contains the whole of the Profit and Loss Accounts, while in certain banks and mercantile firms some of these accounts are kept in another Ledger called the Charges Ledger. I find the nomenclature of these Ledgers varies very considerably at different institutions, so bear with me if here and there I make use of a term with which you do not happen to be familiar; we are both right and mean the same thing, although differently expressed.

(d) The Customers' (or Current) Ledgers.

(d) The Customers' (or as some call them the Current) Ledgers contain the customers' balances (debit and credit), and are generally made up of numerous denominational Ledgers, according to alphabetical rotation, as already fully explained at Part III, Paragraph 90, of my previous work, "Bookkeeping," known to you all, I think.

(e) The Loans Ledger.

(e) The Loans Ledger contains a separate Ledger Account for each customer to whom the bank grants loans, with full particulars of the same, including "rate of interest charged" (varying according to circumstances), "date of repayment," "nature of security given and value thereof," together with any other special details that the nature of the loans may suggest.

(f) The Deposit Ledger.

(f) The Deposit Ledger is precisely the converse of the preceding Ledger, and contains the accounts of customers depositing money with the bank, with similar details as to the conditions on which the bank accepts the money, for here let me mention that in times of overwhelming plethora of money seeking safe investment, and the value of money

reduced to almost vanishing point, it has not infrequently happened that the bank has conferred a positive favour on their customer by consenting to accept from him money on deposit on any terms—the bank, if the truth were known, preferring in many instances to be without it altogether. In fact, with such a glut of money prevailing, it has not been unusual for the banker to tell his customer that he must limit the amount of his deposit to an agreed fixed sum, anything beyond that being treated as on current account.

(g) The Investments Ledger. (g) The Investments Ledger contains a separate Ledger Account for each separate investment, even for the respective categories and issues of what to the ordinary mind appears to be the same stock. These respective Ledger entries contain full and clear particulars as to the “category” of the “stock,” its “date of issue” and of repayment (if any), as also a subsidiary money column (debit and credit), the credit side to record cash for interest or dividends as and when received, the debit side for interest or dividends as and when they mature (a Journal or Docket entry to the credit of a Profit and Loss Account). If these two sides, debit and credit, do not agree, it means that there is something wrong which requires to be looked into, as, for instance, (1) a bond may have been drawn and cease to bear interest; (2) an investment may have become payable and also cease to bear interest; or again, (3) a stock may have been converted and the formality of sending in the old certificates in exchange for new ones lost sight of, in which case also the payment of interest is temporarily withheld till such formality is observed. These are only three instances out of many to account for the above-noted discrepancy between the debit and credit side, quite apart from the question of fraud—a sad experience of which a little goes a very long way, but which, alas, you must be prepared to face and cope with at any moment, so I feel it but right to put you on your guard.

(h) The Agency and Branches Ledgers. (h) The Agency and Branches Ledgers: these are exclusively used for transactions between the head office and the agencies and/or branches or between themselves. At Balance Sheet periods the agencies and branches, while still retaining in their books all agreed Balance Sheet items of Assets and Liabilities, pass out to head office all Profit and Loss items, such, for instance, as expenditure (other than capital) of every kind, depreciation, writings off for bad and doubtful debts, profits of all kinds, and any other items or accounts that head office may decide upon keeping under its own immediate control. All these various items are passed through the Agency or Branches Ledger to the debit or credit of that particular agency or branch, and to

the corresponding credit or debit of the Personal or Impersonal Account (as the case may be) in the particular Ledger affecting the entry of the head office. This is done either by a Journal entry or Docket (I am afraid more often by the medium of the latter; I certainly prefer the former, but wilful men must have their way sometimes). By this means the head office collates together in proper focus all the various materials it needs to get out of its amalgamated Profit and Loss Account on a correct and uniform basis. I refer later on as to how it gets out its amalgamated Balance Sheet—the thing is simplicity itself.

(i) The General (or Check) Ledger contains a summary or skeleton of the whole of the entries or balances that are found in the other Ledgers, and therefore balances of itself; it gives at a glance all the requisite information as to the position of the bank at any moment, and therefore comes in especially useful at balancing times for focusing to its individual Ledger, and thus accounting for any error in the books, as well as for readily arriving at general totals and final results. The auditor, in the first instance, only looks upon this Ledger as an accessory or “check” one (as the name implies); in order to be sure that this General (or Check) Ledger is thoroughly reliable, he calls over the whole of the postings in this Ledger and also casts it throughout: when this is done the General Ledger gives all the necessary figures for framing the Balance Sheet and the Profit and Loss Account.

The various Ledgers to be gone through seriatim.

34. In connection with the foregoing, the auditor calls through the various Ledgers, checking off the Ledger Balances on the lists or Balance Books, grouping the totals under the various proper heads of account. This is necessary, as the neglect of it has led to serious complications. The cast of these lists from the various Ledgers should agree with the totals of skeleton accounts summarised in the General (or Check) Ledger just previously referred to. If they do not agree, there is a mistake somewhere which it is necessary to find out and rectify. In checking over the various Ledger Balances the auditor should verify the respective monetary values set against them in connection with the items of Assets themselves, the verification of which I have already dealt with. In going through the various classes of creditors (“Liabilities” or Dr. side) he would do well to familiarise himself with the nature of their accounts, and ascertain whether any creditor holds any special asset as collateral security for the indebtedness due to him, as in that case such collateral security should be specified. Thus, for instance, if you refer to the Balance Sheet of the Glebe Knoll Bank, Limited, you will find on the “Cr.” side (Assets) the following entry:—

By Investments :—

“ £2,500,000 Consols at 90 per cent. (of which £500,000
“ is lodged for Kent County Council).”

This entry is framed from a well-known case in point, where the bank earmarks a certain specified amount of Consols to a corporation whose accounts it keeps, and where it very often has the custody of very large sums of floating cash belonging to the corporation in question. In such an event occurring it is usual to register the stock in joint trust names, the bank receiving, as it matures, the interest on the same, so long as no complications arise and the corpus of the stock is not disturbed. In the case of mercantile firms (apart from Banks), the Ledgers (Debtors' and Creditors'), as also the Ledgers on advances against produce and shipments, should also be called over in the same way.

Final Balances of the Agencies and Branches. 35. At Paragraph 33 (h), when dealing with the Agency and Branches Ledgers, I have shown you how the Profit and Loss Accounts are incorporated by Journal or Docket entry into the amalgamated Profit and Loss Account at head office, leaving only in these Branches Books the agreed Balance Sheet items of Assets and Liabilities as similarly verified by the auditors. Certified lists of these are sent up from each agency or branch to head office under their recognised uniform headings, and the whole, including the head office balances, are tabulated on to an analysis sheet, thus arriving at final Balance Sheet totals, which include, of course, the balance remaining on general (amalgamated) Profit and Loss Account. In bringing out these respective balances on to the amalgamated analysis sheet, care needs to be taken to eliminate from the total the amounts between the head office and branches, as also between the branches themselves, dealing only with the outstanding difference between total debit and credit on the whole. It not infrequently happens that a customer may be a creditor at one branch and a debtor at another, or at head office; in that case the balance only between his respective accounts need be taken for Balance Sheet purposes. Where the accounts between head office and branches or between themselves disagree, the reconciliation between them is shown and gone into to see that the differences are of recent date, and therefore could not have been adjusted before the closing of the books, and that they are responded to and cleared up immediately afterwards, precisely in the same way as is done in the reconciliation between the Bank Pass Book and the Cash Book. This point more particularly affects distant branches (abroad): see Form, Paragraph 57, “The Bank of Peloponnesis, Limited, Corinth Branch, Branch adjustments, 12 July, 1897, (old style),” where the question of Bills

and other Accounts in transitu comes in: and in the meantime the following simple table of adjustments will for present purposes make this clear to you:—

Glebe Knoll Bank, Limited.

Adjustment of Differences between Head Office and Branches,
30 June, 1897.

	Debits.	Credits.
London: Head Office—		
Borough	50,000 1 9	
Chatham	80,375 0 5	
Canterbury	5,998 1 7	
Borough—		
London: Head Office ... ..	...	50,009 2 4
Chatham	22,515 1 2	
Canterbury	8,935 2 1	
Dover	5,183 0 6	
Chatham—		
London: Head Office ... ..	...	82,100 1 3
Borough ... ..	...	22,628 0 6
Canterbury	2,506 0 3	
Dover ... ..	...	1,307 4 2
Canterbury—		
London: Head Office ... ..	...	6,215 1 4
Borough ... ..	...	9,000 0 10
Chatham ... ..	...	2,332 1 5
Dover	697 0 8	
Dover—		
Borough ... ..	...	5,201 2 2
Chatham	1,276 1 4	
Canterbury ... ..	...	710 0 6
By Balance carried down	177,485 9 9	179,502 14 6
	2,017 4 9	
	£179,502 14 6	£179,502 14 6
To Balance brought down: Differences in transit between Branches ... ..	...	2,017 4 9

The above credit difference, £2,017 4s. 9d., is the only amount that is dealt with: it is quite optional whether it is shown in a separate distinct line in the Balance Sheet, or whether it is merged in the item of "Amount due by the bank on current accounts," &c.

In Bank audits, postings not usually called over, nor customers' Pass Books verified.

36. In the audit of Banks (with the exception of the General or Check Ledger, where, for the reasons already explained, the thing is both necessary and advisable) it is not generally usual to call over the postings into the various Ledgers either from cash or from other sources; nor is it usual either to verify the balances shown in the Customers' Pass Books with those as taken down from the Ledgers' openings: the former would be simply impossible, and the latter impracticable,

whatever theorists may urge to the contrary. There are certainly cases of banks where the latter course is tried, and in fact emphasised by placing in the pocket of the Pass Book a slip containing the bank balance at the given date, with a request that the customer sign the same as agreed and return it to the bank; but this attempted safeguard has been found to be practically inoperative, owing to the callousness of the customers, who, as a rule, do not carry out their part of the transaction. Moreover, if you have followed out the precepts herein set out, you will find that you have complied with the provisions of Section 7 (6) of the Companies Act, 1879, and can consequently "state" that "in" your "opinion the Balance Sheet is a full and fair Balance Sheet properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as shown by the books of the company," and the thoroughness and efficiency of your audit will be further established if you attend to what I am now going to put before you in connection with the Profit and Loss Account, and carry out in practice the teachings therein conveyed. Before proceeding further, however, I append for your guidance the two following pro forma accounts, entitled—

Form of Balance Sheet
Glebe Knoll Bank,
Limited. 37. Glebe Knoll Bank, Limited, Balance Sheet,
30 June, 1897 :—

[For the Form, see next page.]

The Glebe Knoll Bank, Limited.

Balance Sheet, 30 June, 1897.

Dr.

Cr.

Liabilities.		Assets.	
Capital, 100,000 Shares of £100 each...	£10,000,000 0 0	By Cash in hand and at Bank of Eng-land	7,763,473 16 0
To Amount paid up, £40 per Share on 100,000 Shares	4,000,000 0 0	By Money at Call and Short Notice...	10,811,737 3 8
To Reserve Fund	3,600,900 0 0	By Investments—	2,250,000 0 0
To Amount due by the Bank on Cur- rent Accounts, Deposit Accounts, Deposit Receipts and Circular Notes	50,626,436 0 4	£2,500,000 Consols at 90 % (Of which £500,000 is lodged for Kent County Council)	13,916,509 3 4
To Drafts Current (payable within 21 days), Customers' Acceptances ad- vised, &c.	478,381 2 0	English Railway Debenture and other first-class Stocks	16,166,509 3 4
To Contingent Liability (as per contra)—	51,104,817 2 4	By Bills Discounted	6,423,131 3 4
Acceptances on behalf of Customers	4,823,171 18 4	By Loans and Advances to Customers	17,694,991 0 0
Foreign Bills negotiated	69,817 4 4	By Acceptances on behalf of Cus- tomers, as per contra	4,823,171 18 4
	4,892,989 2 8	By Foreign Bills negotiated, as per contra	69,817 4 4
To Profit and Loss Account—		By Bank Premises and Furniture	4,892,989 2 8
The usual Dividend now proposed	190,000 0 0		863,479 11 4
The usual Dividend proposed to be paid on 1 November, 1897	190,000 0 0		£64,116,311 0 4
Balance of undivided Profit to be carried forward to next Account	138,504 15 4		
	518,504 15 4		
	£64,116,311 0 4		

Form of Profit and Loss Account, Glebe Knoll Bank, Limited.

38.—Accompanied by the Profit and Loss Account of the same bank for the year ending that date :—

Profit and Loss Account for the Half-year ending 30 June, 1897.		Cr.
<p>Dr.</p> <p>To Total Expenditure [of the Twenty-five Establishments], including Salaries, Directors' and Auditors' Fees, Rent, Taxes, Stationery, and all other Charges 319,248 16 0</p> <p>To Rebate of Discount on Bills at 5 per cent. 43,326 11 4</p> <p>To the usual Dividend for the past Quarter now proposed to be paid 190,000 0 0</p> <p>To the usual Quarter's Dividend proposed to be paid on 1 November, 1897 190,000 0 0</p> <p>To Balance of undivided Profit to be carried forward to next Account 138,504 15 4</p> <p style="text-align: right;"><u>£881,080 2 8</u></p>	<p style="text-align: right;">By Balance of undivided Profit at 31 December, 1896 ... 132,211 0 8</p> <p style="text-align: right;">By Gross Profits for the past half-year, including Rebate brought from previous half-year, and after appropriating £14,000 towards the Premises of the Bank, paying the Income Tax and providing amply for all bad and doubtful debts 748,869 2 0</p> <p style="text-align: right;"><u>£881,080 2 8</u></p>	
<p>Silvestre Watersmeat, Manager. Pisistratus Caxton, Secretary.</p>		<p>John Fox, Thomas Hare, Edward Raven, } Directors.</p>
<p>We have duly vouched and audited the Accounts of the Glebe Knoll Bank, Limited, and certify that in our opinion the Balance Sheet is a full and fair Balance Sheet, properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books of the Company.</p>		<p>Hayes, Lane & Co., } Auditors. Perry, Woods & Dingle, } Chartered Accountants.</p>
<p>London, 10 July, 1897.</p>		

(Note.—By omitting the words in brackets above ["of the twenty-five Establishments"] Forms 37 and 38 of Balance Sheet and Profit and Loss Account will do for a bank without branches either at home or abroad.)

The Balance Sheet finally disposed of. 39. There remains little to add with respect to this Balance Sheet, except just to refer briefly to the four following points:—

I.—“To Contingent Liability (£4,892,989 2s. 8d.).” This item is made up of—

Acceptances on behalf of customers ...	4,823,171	18	4
Foreign bills negotiated	69,817	4	4
Total	<u>£4,892,989</u>	<u>2</u>	<u>8</u>

and appears on both sides of the account. With some institutions it is the practice to show these amounts short in the margin of the “Liabilities” side (“Dr.”) and not to extend them, the contention being that this total represents a contingent and not a direct liability of the bank. See forms of Balance Sheet given at Paragraphs 49, The Bank of Peloponnesis, Limited; 61, The Latin Bank, Limited; 63, Blank & Co., Limited; where the contingent liability is in each case shown short, and is not extended.

II.—“To Profit and Loss Account (£518,504 15s. 4d.).” This I refer to later on at its proper place.

III.—“By Bank Premises and Furniture (£863,479 11s. 4d.).” This asset, I think, is generally found to be well worth the book value set upon it, the premises being, as a rule, freehold, and kept up out of current expenditure, in addition to which you will see on reference to the Profit and Loss Account that £14,000 has been written off in the half-year in reduction of the book value of the same. The book value of the furniture, too, you will generally find is kept within reasonable limits by similar writings down.

IV.—The particulars given in the foregoing Balance Sheet are as full as it is deemed prudent to give them; considering that the bank has to face keen competition, it needs to exercise due precaution in this respect. The same precaution, perhaps even to a more marked extent, has to be observed in framing the wording of the Profit and Loss Account.

Profit and Loss Account. 40. Taking up the Profit and Loss Account as given at Paragraph 38, I, in the first instance, direct your attention again to the points I have already incidentally touched upon at the following paragraphs, viz.:—

¶ 27.—“(j) Collateral security deposited by customers,” in connection with the reserve that may have to be provided for out of Profit and Loss in the event of the collateral security deposited being of inadequate value in relation to the amount of the loan.

¶ 28.—“(k) Debtors’ balances,” which also contemplates the possibility of a reserve being necessary, and further warns the auditor to see that no interest on Inoperative (Dead) Accounts be credited to Profit and Loss.

¶ 29.—“Re-valuation of investments,” and Journal entry dealing with the profit arising thereout.

¶ 30.—“An alternative mode of treating investments,” and touching upon the question of reserves (disclosed and internal, and the Inland Revenue authorities’ views as to the latter).

¶ 33.—“(c) The Private Ledger” in connection with the Impersonal (Nominal) Accounts, and calling attention to another Ledger sometimes used to record some of these (the Charges Account).

¶ 33.—“(g) The Investment Ledger,” with its subsidiary money column (debit and credit) used for the purpose of recording the due receipt and passing out of all dividends and interest on the bank’s investments at their respective payable dates.

¶ 33.—“(h) The Agency and Branches Ledgers,” clearing Profit and Loss items from these sources into the amalgamated Profit and Loss Account.

¶ 33.—“(i) The General (or Check) Ledger,” giving a summary of the whole of these accounts, and useful, therefore, as an accessory for reference and for localising any undiscovered error in balancing.

¶ 35.—“Final balances of the agencies and branches” after Profit and Loss items have been eliminated therefrom.

¶ 39.—III. Depreciation on bank premises and furniture.

IV. Form in which the Profit and Loss Account is set out.

Verifying the Profit and Loss items. 41. Having already in previous paragraphs taken you through the work of verifying the various assets of the Balance Sheet, I now proceed to verify with you the items of Profit and Loss under the two following heads:—

I. Checking the postings of the various accounts contained in the General or Check Ledger, and at the same time casting the accounts contained in that Ledger. When this is done, this Ledger becomes, for the reasons already explained, an all-important and useful one at balancing and auditing time.

II. Vouching the several Expenditure Accounts contained in this General or Check Ledger. In cases where the postings in

this General or Check Ledger are not sufficiently detailed, you should have by you, at the same time, the Private Ledger ready for reference, and which should fully satisfy your requirements in this respect.

I. Checking the postings. 42. In carrying out this work, satisfy yourself as you go along that the items thus credited as profits are all actually bonâ fide ones, and not mere bogus (book) entries, as, for instance, in the two following cases, (a) and (b):—

(a) Interest credited on Inoperative (Dead) Accounts, which simply has the effect of creating a fictitious credit of profit by correspondingly adding the amount to the debit of an already bad or doubtful debt, on which, at the best, a dividend can only ultimately be hoped for, and that, too, on the original amount (before it has been improperly added to by this periodical increment of interest which will never be paid, nor even a portion of it).

(b) Commissions prematurely credited in respect of transactions not completed, or perhaps even only in mere embryo at the time—and which transactions may never come to anything, so that there will really be no commission whatever received thereon; or, if it is, very possibly only at a much later stage and to a considerably modified amount, after much additional time and labour have been devoted thereto—not to mention the money expended or advanced to bring the thing to maturity, and which money so expended does not always find its way back to the coffers of the bank which goes out of its way to finance such a questionable undertaking, as, for instance, the development of a concession for a railway at Timbuctoo or in the Fiji Islands; the conversion into a limited company of an old played-out business that has simply been swamped, alas, by the march of the times and by the ever-increasing competition of Army and Navy and other go-ahead stores of the kind, that negotiate everything from an elephant to a better half; and finally, the developing of some wonderful “patent for extracting gold dust out of sunbeams”—all three perfect Eldorados of their kind, at the first blush, but in the end turning out to be mere will o’ the wisps, or at the best very commonplace after all. I am sure you will all agree with me that it would hardly be safe to discount any commission or profit on such or similar operations, of which I might go on illustrating from endless varieties (drawn from fact, not fiction, mind) were it not that I trust to your common sense that, having been put on the right track, you will not deviate therefrom, and so be on your guard against encouraging all such plausible schemes. Having satisfied yourself by the double check, first of calling over the

Ledger balances for Balance Sheet (assets) purposes (where you come across all debits charged to these accounts for interest, discount, commission, &c., and see that all such debits are placed to solvent current accounts); and secondly, by verifying the Profit and Loss postings where the corresponding credits (items of profit) come before you, that you have no such bugbears (as contemplated at (a) and (b)) to cope with, nor any other of a similar improper nature, you continue to direct your attention to the remaining credits of profit. Before passing these, you must be sure that all such items thus credited to profit have been *actually received in cash*, or else that they have been debited to a solvent account about which no question can hereafter arise. Such a debit may either be a personal one to a solvent customer (or to one amply secured) or to an impersonal one, as in the case of the profit arising out of the re-valuation of the Investments. I italicise the words "*actually received in cash*" because you are, no doubt, aware that an eminent Judge of the High Court, a little while ago, pressed the point by stating that, in his opinion, no such amounts should be taken to the credit of profit until actually received in cash. Were the learned Judge taken strictly and literally at his word such a ruling would have the practical effect of postponing to the following year many such legitimate credits to Profit and Loss Account, while, at the same time, this account would, notwithstanding this postponement to it of credit items, have to bear the brunt of being in debit for all the items of expenditure (including depreciation) whether actually paid for within the time or not. It is questionable whether, during that period of transition, the company could pay any dividend at all. In any event, it would probably be but a considerably reduced one, upsetting previous calculations and statistics. At the same time, I certainly do know of at least one joint stock financial institution that, in consequence of that particular Judge's fiat, got its shareholders to pass a resolution, agreeing to forego one year's dividend on their capital in order to give effect *literatim et verbatim* to the Judge's *ipse dixit*, for in that particular instance the profit actually received in cash for the year in question (omitting outstandings received in respect of the previous one) was barely sufficient to meet the expenditure, both paid and incurred during the same period. As the shareholders directly sanctioned this act of self-abnegation, nothing remained but to put the resolution into force, and which was accordingly done; the practical effect of the same being that the company in question thus possesses an additional internal reserve not brought into account, and therefore neither appropriated nor divided. When dealing with the "Investments Ledger" I called your attention to the "subsidiary money column" (debit and credit) used for the purpose of

recording the due receipt and passing out of all dividends and interest on the bank's investments at their respective payable dates. I now refer you again to my remarks on that point, as they explain the various contingencies under which the discrepancies may arise. These should be watched for, and, if come across, attention should be called thereto and an explanation asked for. If it turns out that the omission thus discovered arises from an oversight the matter should be at once put right, in order that the account may get in its proper financial period full credit for what is justly due to it. Another source of profit legitimately accruing to the account is the commission earned by the bank for buying or selling stock for their customers. Seeing the trouble the bank invariably takes over its customers' securities, keeping them for safe custody, collecting the dividends (including the arduous task of cutting off the coupons), advising them of any conversions, drawings, or payings off at maturity (not to mention the thousand and one ways in which the bank is constantly putting itself out to oblige its customers, and that, too, in the most gracious manner), it is but right that the customer should remember this and endeavour to make some return for all the services rendered him, and he might well begin by entrusting the buying and selling of stock to his bankers, thus allowing them to earn a legitimate commission on the same without the customer being a farthing out of pocket, or suffering anything thereby. On the contrary, it is a distinct advantage to him to do so, as it not only saves him endless trouble and worry, but also protects him from the risk of the money going astray in transit, besides being a guarantee to him that, by thus giving this matter to his bankers to see to, everything will be carried through by them in the most efficient manner possible without any hitch from first to last. The auditor should satisfy himself (and this more particularly in the case of mercantile firms and banks with branches abroad, involving consignments of produce inwards and of goods outwards) that all transactions covered by the within brackets are gone through, and at the same time he should see which of these can be closed and which must still remain open, so that the profit or loss arising therefrom may be duly carried to the account in question. When the bank acts as agents and not as principals the profit resolves itself into a percentage of commission charged as shown by it in the account sale (produce inwards) or invoice (goods outwards) that it renders its customers on the completion of each transaction, all of which commission passes through the proper books of accounts, thus finding its way eventually to the credit of Profit and Loss. A reference to my two former works, "A Merchant's Office" and "A Merchant's Accounts," forming part of this present Work, goes fully into all these points, and may

prove helpful reading to you. Dealing now with the question of checking the debit (expenditure) side of the postings of the various Profit and Loss Accounts, I direct your attention to the following points :—

(1) To see that a proper reserve is duly made in the event of the collateral security given by a customer being insufficient in value to cover a loan the bank may have made him, and where the bank have mainly to rely upon such security for repayment, the customer's own credit or standing being not sufficiently strong to cover the difference. The latter part of the above remark applies also to the case where a formerly good customer of the bank may have drifted into being an indifferent debtor to the bank and unable to meet his engagements. In these cases any such fresh reserves affect the Profit and Loss Account, except where the internal reserve is already adequate to meet this additional strain upon its resources.

(2) The question of depreciation, as I have already mentioned, also comes in as a direct charge to Profit and Loss.

(3) The total general expenditure of "Profit and Loss Account" includes "salaries, directors' and auditors' fees, rent, taxes, "stationery, and all other charges:" the General (or Check) Ledger contains accounts for all these under separate headings, and these must also be verified.

(4) The same account (Profit and Loss) further includes the following charge :—"Rebate of discount on bills at 5 (or other agreed "rate) per cent." A list is furnished the auditor showing how this amount is made up, and which he will do well to verify, and see that the amount charged is correct; this is all the more necessary, as the entry is a closing one—a Transfer Book entry in fact, constituting a debit for one half-year and a credit to the succeeding one, and where a mistake, therefore, might very readily inadvertently creep in and be otherwise possibly overlooked.

(5) The Board are in the habit of paying a uniform periodical dividend, raising the rate from time to time as the increased profits of the bank allow of so doing, but not proceeding to such an increase until they see their way to maintain it in succeeding half-years; this is a wise course to adopt, consolidating as it does the value of the shareholders' capital stock. This periodical dividend is usually paid free of income tax, as will be seen by reference to the accounts; the auditor will ascertain for himself that the sum deducted from gross profits is correct. So many points arise out of this question of income tax that it of itself has often formed the subject of an interesting paper. I therefore refrain from again touching upon well-trodden ground.

II. Vouching
the Expen-
diture
Accounts.

43. These accounts are all to be found in the General (or Check) Ledger. but, as already mentioned, in cases where you do not find there sufficient detail you will do well to have the Private Ledger by you to refer to as occasion requires. All the same, there should be no difficulty in grouping and listing the various vouchers making up an item of posting as to obviate the necessity of the auditor having to go beyond this General (or Check) Ledger. In cases, however, where such groupings take place the lists attaching to them should be invariably cast by the auditor, just in the same way as you are in the habit of casting petty cash totals. Of course he must not accept these lists as vouchers, but see that he has the actual vouchers also before him to go through and verify against the lists. Bearing the foregoing in mind, be particular that the vouchers are arranged in consecutive order so as to run *seriatim* with the amounts posted. I know that in well-organised establishments this is always done, but I simply mention it as a rule for your general guidance, especially when engaged on the accounts of charitable institutions, where, in the case of a first audit, a drawer-full of loose vouchers is not unfrequently pell-mell emptied out on the table before you and you are invited to help yourself, which you naturally decline to do and quietly proceed to work on something else while the officials sort the vouchers. It sometimes happens that on such occasions the vouchers are anything but complete, and trouble (with reprimand) ensues in consequence, but this hardly ever occurs a second time. In passing the vouchers the auditor should see that any receipts for £2 and upwards bear a penny receipt stamp, either embossed or affixed; if the latter, the signature should run across the same; this question of receipt stamp is subject, of course, to the exemptions provided for in the Stamp Act. In cases where there are variations in the amounts disbursed, as also fresh amounts paid, the auditor should enquire into these, and, if necessary, refer to the minute or other official source for corroboration that the same is correct.

Additional
vouchers in
special cases.

44. In the case of mercantile firms or of banks with branches abroad, practically doing a merchant's business, in addition to the vouchers already referred to in the previous paragraph, vouchers should also be produced for all other payments, such as freight, insurance, shipping charges, and all the other items generally pertaining to a merchant's office. I have already, in another connection, touched upon this point, as you no doubt remember.

The surprise
Audit.

45. There is yet one thing needed to make this class (as, indeed, all classes) of audit effective. So far, everything that I have just traced out to you has been done at regular stated dates, when every preparation has been made to receive the auditor, who puts in a regular appearance on exactly the same day of the year (or half-year), and at exactly the same hour to a minute. This is all very well in its way; and to guard against fraud or collusion you will remember how, throughout this work, the point has been pressed upon you to keep a very tight grip of everything until you are satisfied. But, even with all these safeguards trouble has arisen, and for this reason the system of "surprise audits" is daily coming more into general favour. These "surprise audits" do not in any way supersede the regular periodical audits but are supplementary to them, and therefore carry with them a supplementary fee. The auditor or auditors have carte blanche to come in (say) twice a year on any day and moment they choose, and on these occasions they generally ask to see (inter alia) the following (reserving to themselves the right at any time of asking to see whatever else they may deem advisable to have before them). I consequently here set out the following eight points for exemplification:—

(1) Cash Book, the balance of which they agree.

(2) Bank Pass Book, the balance of which they verify by a call at the Bank of England or other banks, or else with a certificate obtained from the bank.

(3) Bills receivable, both of the bank as also those held as collateral security against money at call and short notice, other collateral security being also produced to them.

(4) Bank's securities, which they go through seriatim with the Investment Ledger (procuring a certificate or certificates for the inscribed stocks registered at the date of their surprise visit).

(5) Deeds of property.

(6) Bills of lading, dock warrants, and other shipping documents of a valuable nature;

and while the auditor is going through these and other valuable assets, his representatives are seeing after the following:—

(7) Counting the cash in hand.

(8) Counting the bill stamps, and, where necessary, unused policies and other stamps.

The foregoing are, roughly speaking, the eight main points to which they direct their attention, in addition to any others they may think it necessary to similarly deal with. The totals of the

values of each of these eight (or more) main heads are then agreed with the amounts appearing to their debit in the General (or Check) Ledger, with an occasional reference, if necessary, to the Private or other Ledgers, and a record of the whole is entered at the time in the auditor's Note Book. So soon as the auditors receive back from the Bank of England and other institutions the certificates of cash and inscribed stocks properly attested and in order, they report to the Board the result of their surprise audit, commenting at the same time on any points calling for special attention.

The Auditors' Certificate. 46. At the foot of the Profit and Loss Account of the Glebe Knoll Bank, Limited, you will find the auditors' certificate appended (the account itself having been previously signed in the first instance by the manager, secretary, and three directors, in accordance with the requirements of section 7 (6) of the Companies Act, 1879), and duly signed by the auditors themselves. I draw attention by a footnote to this account, that by omitting the words in brackets at the left-hand top of the account [“of the twenty-five establishments”] this Balance Sheet and Profit and Loss Account applies equally to a bank without branches either at home or abroad.

Banks and Mercantile Firms with branches outside the scope of the “Companies Act, 1879.” 47. Thus far our investigation has taken in the audit of the accounts of such institutions as come within the scope of “The Companies Act, 1879,” both as regards their head office as well as their branches within the limits of Europe, and where, therefore, the auditors have personally discharged their duties both at head office and at such branches. Section 7 (5), however, of this Act states:—

“ Provided that if a banking company has branch banks beyond the limits of Europe it shall be sufficient if the auditor is allowed access to such copies of and extracts from the books and accounts of any such branch as may have been transmitted to the head office of the banking company in the United Kingdom.”

It is with these institutions that we have now to deal, as well as with others having branches in remote parts of Europe, but which, being registered as joint stock institutions with limited liability under the Companies Acts prior to 1879, are not amenable to the above wording, and, therefore, act as regards their branch establishments as if they were “beyond the limits of Europe,” and, therefore, coming under the saving provisions of section 7 (5) just above quoted. Time and space preclude me from going as fully into this subject as I should wish, but I will do my best to

bring before you the more salient points, and refer you, for further information directly bearing thereupon, to my work on "Bookkeeping," already referred to. In the fourth paper of that work you will find at Paragraphs 120 to 167 inclusive the whole thing very fully gone into from a "banker's" point of view: this fourth paper (so far as Paragraphs 120 to 167 are concerned) being entitled "Bookkeeping in connection with Colonial and "Foreign Banking," and under their respective paragraphs you will find the following set of weekly branch returns in use with "The Chartered Bank of Rimouski."

Paragraph.

133. (1.) Assets and Liabilities.
134. (2.) Amount under discount for each firm or individual.
135. (3.) Bills discounted during the week.
136. (4.) Branch bills purchased.
137. (5.) British and foreign bills purchased.
138. (6.) Bills sold.
139. (7.) New advances.
 - (a) Advances secured by mortgages.
 - (b) Advances on securities and pledges.
 - (c) Current Accounts secured by mortgages.
140. (8.) Current Accounts.
141. (9.) Deposits at interest (received and paid off).
142. (10.) Operations on Nominal or Impersonal Accounts: Dr.
143. (11.) Operations on Nominal or Impersonal Accounts: Cr.
144. (12.) Inoperative Accounts (alterations during the week).
 - (a) Bills of exchange.
 - (b) Open Accounts.
 - (c) Secured by mortgages.
 - (d) Mortgaged property taken possession of.
145. (13.) Note of interest charged and allowed during the week.
146. (14.) General summary of Journal.
147. (15.) Specification of General Cash Account.
148. (16.) Certificates.
150. Memorandum in reference to the branch returns, &c. (accompanied by form of branch return).
153. Five forms outwards (Nos. 1 to 5).

- (1.) Drafts drawn against letter of credit: Quebec Branch.
- (2.) List of entries passed through Quebec Branch.
- (3.) Drafts drawn or letters of credit issued on Cape Breton Branch.
- (4.) List of bills purchased sent to Belle Isle Branch.
- (5.) Bills for collection sent to Belle Isle Branch.

158. The issue of letters of credit—Form A.: Open credit.

159. The issue of letters of credit—Form B.: Documentary credit. I do not reproduce these forms in this present work, but I have thought that by giving you the above headings of them you will gain some insight into their use. I now, however, place before you other forms to bring out more clearly what I have still further to put before you.

The Bank of Peloponnesis, Limited. 48. I have before me three different Balance Sheets and sets of accounts, viz., those of—

- (a) "The Bank of Peloponnesis, Limited."
- (b) "The Latin Bank, Limited."
- (c) "Messrs. Blank & Co., Limited."

As I can only give forms pertaining to one of these institutions, I propose confining myself to those of "The Bank of Peloponnesis, Limited," setting out at the same time the Balance Sheet and Profit and Loss Account of the other two institutions. I now give you therefore, as under, the following forms of the Bank of Peloponnesis:—

- (1.) 49. Balance Sheet with Profit and Loss Account.
- (2.) 50. Amalgamated Balance Sheet (with conversions).
- (3.) 51. Amalgamated Profit and Loss Account.
- (4.) 52. Detailed Profit and Loss Account.
- (5.) 53. Deposits bearing interest: Corinth Branch.
- (6.) 54. List of advances secured by mortgages: Corinth Branch.
- (7.) 55. List of advances on securities and pledges: Corinth Branch.
- (8.) 56. Securities, &c., held for safe custody: Corinth Branch.
- (9.) 57. Branch adjustments: Corinth Branch.
- (10.) 58. Return of Inoperative Accounts: Corinth Branch.

[For Forms, see Pages 377 to 387.]

The Bank of Peloponnesis, Limited.

Dr.	Cr.
Balance Sheet, 12 July, 1897 (old style).	
(The Exchange for Drachmas is taken at that of the day, viz.: at 46-90 per £.)	
<p>To Capital—</p> <p>.....Shares of.....each</p> <p>To Notes in Circulation</p> <p>To Notes of 1 and 2 Drachmas</p> <p>To Current Accounts</p> <p>To Deposits bearing Interest</p> <p>To Bills Payable</p> <p>To Rebate on Bills Discounted not due</p> <p>To Provision for Doubtful Debts</p> <p>To Rest, being Undivided Profit as per Account</p> <p>Liability on Bills Receivable (London) discounted</p>	<p>By Cash in hand and at London Bankers and Notes of other Banks</p> <p>By Loans at Short Notice, London</p> <p>By Loan to the Peloponnesian Government, under convention for currency of the Note Circulation of the Bank</p> <p>By Do. Notes of 1 and 2 Drachmas</p> <p>By Peloponnesian Government Treasury Bills</p> <p>By Investments, viz.—</p> <p>British Imperial and Colonial Government Stocks and Corporation of London Bonds, Railway Mortgage Bonds and other Securities</p> <p>By Bills Receivable—</p> <p>London and in transit</p> <p>By Bills discounted—</p> <p>Commercial</p> <p>Proprietors'</p> <p>By Advances on Securities</p> <p>By Loans and Current Accounts</p> <p>By Current Accounts secured by Mortgages</p> <p>By Advances on Mortgages</p> <p>By Mortgaged Property taken possession of</p> <p>By Doubtful Debts</p> <p>By Freehold Bank Premises and Bank Furniture</p>
£... .. .	£... .. .

Dr. Profit and Loss Account for the Half-year ending 12 July, 1897 (old style). Cr.

(The Exchange for Drachmas is taken at 25 per £ and the difference is duly adjusted herein.)

To Charges of Management for the Half-year, including Salaries, Pensions, Directors' Fees, and Income and other Taxes ... ..	.. ..	By Balance brought forward from last account—12 January, 1897 .. ..	.. ..
To Interest on Deposits ... ..	.. ..	Deduct—Half-year's Dividend at 4 % paid 1 May, 1897 .. ..	.. ..
To Rebate on Bills Discounted not due ... ..	.. ..	By Gross Profit, after making provision for Bad and Doubtful Debts .. ..	.. ..
To Balance and Undivided Profit ... ..	.. ..		.. ..
	£... ..		£... ..

Davenport,
John Seylla,
Edward Charybdis. } Directors.

Demetrius Homer, Manager,
Horace Zenophon, Secretary.

Report of the Auditors.

We have examined the foregoing Accounts and compared them with the Books at the London Office and with the certified returns from the Branches. In our opinion the Balance Sheet is full and fair and properly drawn up and exhibits a true and correct view of the state of the Company's affairs as shown by the Books of the Company.

London, 1 October, 1897.

John Straight & Co.,
Paul Fry & Co., } Auditors.
Chartered Accountants,

The Bank of Peloponnesis, Limited.

Amalgamated Balance Sheet (with conversions), 12 July, 1897 (old style).

	1	2	3	4	5	6	7	8
Particulars of Assets or Liabilities (see Note at foot).	Amounts as per printed Balance Sheet.	Amounts subject to Exchange.	Amounts at par of Ex- change Drs. 2s per £.	Adjustment Column (for deductions or additions).	Total Column (cross cast) at Drs. 2s per £ and/or Sterling.	Head Office, London.	Corinth Branch.	Ephesus Branch.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
<p>The totals of columns 2 and 3 make up that of column 1.</p> <p>The totals of columns 6, 7 and 8 make up that of column 5.</p> <p>Note.—The rulings on both sides of the Account "Liabilities" (Dr.) and "Assets" (Cr.) are precisely the same.</p>								

¶ 52. The Bank of Peloponnesis, Limited.

Detailed Profit and Loss Account for the Half-year ending 12 July, 1897 (old style). (Containing the original detailed figures not published.)		Cr.	
To Loss on Investments	Dr.	50 0 0	600 0 0
To Loss on Exchange	Cr. 100 0 0	100 0 0	200 0 0
Surplus this half-year	Dr. 80 0 0	80 0 0	150 0 0
Deficit last half-year	Cr. ... ..	...	75 0 0
Excess Surplus over deficit	Cr. ... ..	...	400 0 0
To Corinth Premises, for Depreciation	Dr.	50 0 0	400 0 0
To Differences on Exchange	Dr.	20 0 0	300 0 0
To Reserves, as per Minutes—	Dr.	80 0 0	200 0 0
For General Contingencies	Dr.	100 0 0	200 0 0
On Small Notes	Dr.	50 0 0	60 0 0
To Pro forma Interest (see Contra)	Dr.	150 0 0	1,985 0 0
To Gross Profits carried down	Dr.	200 0 0	10 0 0
	Dr.	1,645 0 0	200 0 0
		£2,195 0 0	£2,195 0 0
To Charges—			
Directors' Fees	Dr.	50 0 0	1,600 0 0
Salaries	Dr.	100 0 0	1,200 0 0
Law Charges	Dr.	5 0 0	400 0 0
General Charges	Dr.	45 0 0	1,645 0 0
To Interest on Deposit	Dr.	200 0 0	...
To Rebate (12 July, 1897)	Dr.	77 0 0	...
To Balance, Undivided Profit (as per printed sheet) carried down	Dr.	277 0 0	...
	Dr.	8 0 0	...
	Dr.	1,760 0 0	...
		£2,045 0 0	£2,045 0 0
The above Balance is subsequently dealt with as under:—			
To Dividend now proposed to be paid at 4%, and as before	Dr.	1,200 0 0	1,760 0 0
To Balance, forward	Dr.	560 0 0	...
(Net Amount appearing in next Half-year's Accounts as published.)	Dr.	£1,760 0 0	£1,760 0 0

(Note.—The above figures are quite arbitrary; they are only given at all in order to make the explanation of this Account all the more clear.—G. V. de L.)

¶ 53. The Bank of Peloponnesis, Limited, Corinth Branch.

Deposits Bearing Interest, 12 July, 1897 (old style).									
Depositor.	Date Deposited.	No. of Deposit Receipt.	Rate of Interest.	Period.	Date Repayable.	Amount.			Interest accrued due.
						At Notice.	At Fixed Dates.	Total Balance of Deposits.	

Demetrius Tofani, Local Director.
Corinth, 14 July, 1897.

Stephanos Pamphilon, Manager.
Argentino Zoe, Accountant.

¶ 54. The Bank of Peloponnesis, Limited, Corinth Branch.

List of Advances secured by Mortgages, 12 July, 1897 (old style).										
Date of Mortgage Contract or Notarial Act.	Date when Advance repayable.	Progressive No.	Name.	Rate of Interest.	Interest accrued due not received.		Present Amount.	Estimated Present Value of Security.	Particulars of Property Mortgaged to the Bank. (When not a First Mortgage, state amount of prior Mortgages, and when there are Buildings of any kind, state amount of Fire Insurance.)	
					Days.	Amount.				
Demetrius Tofani, Local Director. Corinth, 14 July, 1897.							Stephanos Pamphilon, Manager. Argentino Zoe, Accountant.			

¶ 55. The Bank of Peloponnesis, Limited, Corinth Branch.

List of Advances on Securities and Pledges, 12 July, 1897 (old style).

Date when Advance made.	Date when Advance repayable.	Progressive No.	Name.	Rate of Interest.	Interest accrued due not received.		Present Amount.	Market or Estimated Value of Security.	Particulars of Security held.
					Days.	Amount.			

Demetrius Tofani, Local Director.

Corinth, 14 July, 1897.

Stephanos Pamphilon, Manager.
Argentino Zoe, Accountant.

¶ 56. The Bank of Peloponnesis, Limited, Corinth Branch.

Securities, &c., Held for Safe Custody, 12 July, 1897 (old style).			
Date lodged.	By whom lodged.	Particulars of Security, &c.	Where placed. On what Terms held.
Demetrius Tofani, Local Director.		Stephanos Pamphilon, Manager. Argentino Zoe, Accountant.	
Corinth, 14 July, 1897.			

¶ 57. The Bank of Peloponnesis, Limited,
 Corinth Branch.

Branch Adjustments, 12 July, 1897 (old style).		
Particulars of amounts in transitu, &c.	London Office.	
	Balance, per our Ledger, on 12 instant	
	London Ledger, Balance on 12 instant	
	Total ...	£ ...
Particulars of amounts in transitu, &c.	Ephesus Branch.	
	Total Drs.
Particulars of amounts in transitu, &c.	Note.—This space would be similarly filled up for any other Branch, and so on for all of them.	
		...
Demetrius Tofani, Local Director. Corinth, 28 July, 1897.		Stephanos Pamphilon, Manager. Argentino Zoe, Accountant.
(Note.—Time must be given to Corinth to get the Returns from London and the Branches, and to agree the same, hence the forward date of Signature.—G. v. de L.).		

¶ 58. The Bank of Peloponnesis, Limited, Corinth Branch.

Half-yearly Return of Inoperative Accounts, 12 July, 1897 (old style).

(This Return should comprise all Balances or Bills which are considered "Doubtful," whether entered in the Inoperative Accounts Ledger or not.)

Folio Inop. A/cs Ledger.	Date of Advance.	Date transferred to Inop. A/cs.	Progressive No.	Account and Name of Debtor.	Amount last Return.	Present Amount.	Estimated Value.	Remarks. Present circumstances of Debtor, steps taken to recover payment, Nature and Value of Security held, Circumstances of Landed Property, &c.	Reserve. [Leave this column for Head Office.]

The Bank of Peloponnesis, Limited, Corinth, 14 July, 1897.

We certify and declare that we have carefully examined the whole of the amounts of indebtedness to the Bank at 12 July, 1897, at this Branch, and that this Return is made up of every amount which in our opinion is "doubtful" or "bad," or which from any cause has become of uncertain value. We have also included in the Return all property taken possession of by the Bank. The estimates of value are the best we are able to form of the probable future encashments to be expected.

Stephanos Pamphilon, Manager.
Argentino Zoe, Accountant.

(Approved) Demetrius Tofani, Local Director.

Other Forms. 59. In addition to the preceding forms, set out at Paragraphs 49 to 58, there are several other forms that the branches transmit periodically to the head office of "The Bank of Peloponnesis" in London, as also those that emanate from the head office in London, from which I select the following (I do not reproduce the forms, but simply give you their titles, with, in some cases, the headings to the various columns of the form):—

(11.) "Proposal for Agrarian Bills" (Progressive No. of proposal, No. of bill when proposal accepted, Date of proposal, Names, Address and description, Amount asked for, Amount sanctioned, Date of bill, By whom introduced, Remarks of local board, Date dealt with).

(12.) "Catalogue revised to": List of customers, bills at branches (Code No., Name of customer, Local bills drachmas, Sterling bills, Remarks, stating any special circumstances and when credits are restricted or extended in respect of bills on particular drawees, &c.).

(13.) "Memorandum of Forward Contracts in Exchange "Corinth Branch" (numbered and giving the following particulars, thus :—

<p>189</p> <p>Amount of Bills bought forward—not delivered to the Branch... ..</p> <p>Amount of Drafts sold forward uncovered by purchases (bought forward or otherwise) to date</p> <p style="text-align: right;">£.....</p> <hr style="width: 100%;"/>	<p>189</p> <p>Amount of Drafts sold forward—not delivered by the Branch... ..</p> <p>Amount of Bills purchased forward uncovered by Drafts (sold forward or otherwise) to date</p> <p style="text-align: right;">£.....</p> <hr style="width: 100%;"/>
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with remarks at foot).

(14.) "Monthly Return to Head Office from Corinth Branch" (constituting a list of Trial Balances, personal and impersonal, of the Corinth branch at that date. The head office in London make up a similar monthly return of all the Ledger balances in their London books, and including their balances with the branches, as agreed, up to the date of the said monthly return, and which return they do not forward out, the plan they go upon being that all the accounts are focussed at head office and finally dealt with there).

(15.) "Share Ledger Balances, Corinth Branch, 12 July, 1897" (Folio, Surname, Christian name, Address, Occupation, No. of shares, Particulars of notes, &c., on Register). The London head office make up similar sheets; these are needed at dividend times, and are independent of the annual return the bank have to lodge at Somerset House.

(16.) "London Bill Catalogue, revised to 12 July, 1897" (Code No., Name, Address, Description, Amount, Restrictions, Remarks). The auditors have this catalogue before them when verifying the bills receivable. It will be seen, on reference to the forms of branch returns herein set out, that they are all uniformly signed by the local director, manager and accountant of the branch whence they emanate. This remark applies to all other similar returns.

The Latin Bank, Limited. 60. I now reproduce hereunder the Balance Sheet, with Profit and Loss Account, of "The Latin Bank, Limited," which you would do well to compare with the similar accounts of "The Bank of Peloponnesis, Limited," when you will find that the question of exchange is dealt with on a different basis; that is to say, that while the Bank of Peloponnesis, Limited, extends the rate of exchange on its final Balance Sheet totals at the rate of the day (say, for instance, 46⁹⁰), and that on its Profit and Loss Account totals at the uniform rate of 25 drachmas to the £, adjusting the difference in exchange by Journal or Docket entry, the "Latin Bank, Limited," allocates its capital over head office and its respective branches abroad, writing down from time to time the capital thus employed abroad to its exchange value, showing any depreciation that has not been thus dealt with. In some cases, owing to a rise in the exchange, the depreciation disappears and is replaced by a profit. You will see this in the auditor's certificate before you, where, while in the case of "Arcadia" the depreciation amounts to (say) 25,000 the profit on El Dorado is (say) 10,000 leaving only a debit balance to take into account of ... £15,000

In other respects the particulars and forms herein shown and sent over from abroad apply to both these banks.

[For Forms, see Pages 390-391.]

The Latin Bank, Limited.

Balance Sheet, London, 31 December, 1896.		Cr.	
<p>Dr.</p> <p>To Capital—</p> <p>..... Shares issued, £... each</p> <p> Paid up £... per share</p> <p>To Reserve Fund... ..</p> <p>To Current Accounts and Deposits in Currency at Branches</p> <p>To Current Accounts at Head Office</p> <p>To Bills Payable</p> <p>To Agents and Sundry Accounts</p> <p>To Bills for Collection on account of Customers</p> <p>To Profit and Loss</p> <p> Less Interim Dividend paid to 30 June, 1896</p>	<p>Liabilities.</p>	<p style="text-align: center;">Assets.</p> <p>By Specie and Cash at Head Office and Branches</p> <p>By Bills Receivable</p> <p>By Bills Discounted, Loans, &c.</p> <p>By Bills for Collection, as per contra</p> <p>By Bank Premises and Furniture at Head Office and Branches</p>	<p>£... ..</p> <hr/> <p>£... ..</p>

Note.—Contingent Liabilities not included in Balance Sheet—

[I leave my readers to detail these according to the nature of the same as brought before them.—G. V. DE L.]

Dr. Profit and Loss Account for the year ending 31 December, 1896. Cr.

To Dividend of ...s. per Share and Bonus of ...s. per Share for the Half-year ending 31 December, 1895	...	By Balance on 31 December, 1895	...
To Reduction of the Rate of Exchange at which the Capital employed in Arcadia stands in the books to	...		...
To Balance carried forward	£...		£...
To Charges at Head Office and Branches	...	By Balance brought forward	...
To Income Tax	...	By Net Profit for the year ending 31 December, 1896, after providing for Rebate of Interest on Bills discounted not due, Bad and Doubtful Debts	...
To Dividend (Interim) for the Half-year ending 30 June, 1896	...		...
To Balance carried forward	£...	By Balance brought forward	£...

George Bullion, }
 Thomas Sturdy, } Directors.
 Ralph Strong, }

George Light, Manager.
 Richard Cheer, Secretary.

Auditors' Report.

We have examined the above Balance Sheet and Profit and Loss Account with the Books and Vouchers at the Head Office in London, and with the Accounts forwarded by the officers of the several Branches, and we certify the same to be in accordance therewith.
 We have also examined the Cash, Bills, and Securities held by the Bank in London, which we have found correct.
 The depreciation in value of the Capital employed in Arcadia at the current rate of Exchange, say : ...d. per ... amounts to £...
 The present rate of Exchange at Eldorado, viz. : ...d. per ... is £..... in excess of the amount at which the Capital employed there stands in the Books, leaving a debit balance of £...
 London, E.C., 8 March, 1897.
 (Signed) Long, Short & Co., Auditors,
 Chartered Accountants.

Blank & Co., Limited. 62. I reproduce hereunder the Balance Sheet and accounts of "Blank & Co., Limited," because they are the accounts of a mercantile firm and not of a bank. These merchant princes have branches and agencies all over the Colonies, but their transactions are all in sterling, hence the question of exchange does not arise. The branches and agencies likewise furnish to head office similar complete detailed returns, certified in every instance by the local director (if any), the manager, and accountant. The business of this Institution is mainly mercantile and not banking, so that without reproducing the forms themselves I will just here give you a rough idea of those to which the auditors direct more particular attention.

- (1) Detailed list of balances in columnar form (with a remarks and reference column at the side).
- (2) Detailed list of bills receivable, supporting the total of the account in the list of balances.
- (3) Detailed list of bills payable, similarly supporting the total of the account as above.
- (4) List of deposits, supporting the Ledger Accounts.
- (5) List of stock of merchandise and stores on hand, to support the Ledger Accounts thereto relating.
- (6) Cash Adjustment Account to agree with certificates of local bankers, sent over with the same.
- (7) Report of local directors and managers on the accounts, explaining inter alia the nature of any large balances, in order that the board at head office may deal with the same.
- (8) List of securities (mostly deeds of properties mortgaged or taken over by the bank) drawn up and signed by the local solicitors and countersigned as above by the regular other officials of the branches in question.
- (9) List of produce upon which advances have been made and included under debtors.
- (10) Summaries of each of the Ledger Accounts in debit, beginning with the balance at the commencement, and ending with the balance at the close of the financial year, thus recording the changes and transactions during that period.
- (11) Certified list of the various securities held.

I need hardly point out how useful all these important verified returns are to the auditors in the course of their audit.

Blank & Co., Limited.

¶ 63.

Balance Sheet, 31 December, 1896.		Cr.
Dr.	Liabilities.	Assets.
To Capital called up to date, being £... per Share on.....Shares	By Cash at Bank in hand and on Deposit
To Debenture Stock—	By Investment of Reserve Fund in Consols, standing in the Books at 90 % (see contra)
Irredeemable	By Bills Receivable
Interest accrued thereon	By Debtors
To Reserve Fund (see contra)	By Advances
To Creditors	By Mortgaged Property taken possession of by the Company
To Bills Payable	By Freehold and Leasehold Premises
To Differences between Branches and Agencies	By Plant and Furniture
To Balance of Profit and Loss Account...	
<p>Note.—Contingent Liabilities not included in Balance Sheet—Detail these in short.</p>		
	£... ..	£... ..

Profit and Loss Account for the year ending 31 December, 1896.		Cr.
<p>Dr.</p> <p>To Interest on Debenture Stock</p> <p>To Current Expenses and all other Charges at Head Office and Branches</p> <p>To Income Tax</p> <p>To Balance, Net Profit for the year ending 31 December, 1896, carried down</p> <p style="text-align: right;"><u>£... ..</u></p>	<p>Cr.</p> <p>By Profits for the year ending 31 December, 1896, after providing for Bad and Doubtful Debts</p> <p style="text-align: right;"><u>£... ..</u></p>	
General Profit and Loss Account, 31 December, 1896.		
<p>Dr.</p> <p>To Interim Dividend at the rate of 8 % per annum, paid 30 June, 1896</p> <p>To Balance of Profit and Loss Account carried to Balance Sheet</p> <p style="text-align: right;"><u>£... ..</u></p>	<p>Cr.</p> <p>By Balance, 1 January, 1896</p> <p>By Net Profit for the year ending 31 December, 1896, brought down</p> <p style="text-align: right;"><u>£... ..</u></p>	
<p>We hereby certify that we have duly vouched and audited the above Accounts from the Books and Vouchers of the Company in London, and from the various authenticated Statements, Reports and Certificates from the Branches in the Colonies, and we state that the above Balance Sheet and Profit and Loss Accounts are duly in accordance therewith. We have further verified the Cash and Investments in London: original Letters from the various Banks have also been produced to us certifying the Cash at the several Branches.</p>		
<p>Bright, Clear & Son, Auditors, Chartered Accountants,</p>		
<p>London, 22 March, 1897.</p>		

The Balance Sheet considered. 64. Having given you sufficient forms of accounts and returns sent over I will now say a few words as to the amalgamated Balance Sheet (with conversions) of the Bank of Peloponnesis, Limited, as sketched out at Paragraph 50. This sheet is in columnar form, and in it are incorporated both the London and the branches' figures. In examining this the auditor should remember that the first process has been to enter the figures of each branch in its proper column (7 or 8) at the par rate of 25 drachmas to the £ sterling, the head office (London) figures being shown at column 6, and as appearing in the London books, the cross casts of columns 6, 7 and 8 are carried into the total column 5. If any deductions, additions, or adjustments have to be made they must be entered in column 4. These necessary adjustments having thus been made the result is subdivided and carried into columns 2 and 3 respectively, which columns represent:—

- (a) Amounts subject to exchange carried to column 2.
- (b) Amounts at par or at sterling carried to column 3.

The proportion of (b) may be at once transferred to column 3, but the proportion subject to exchange must be converted into drachmas at 25 and re-converted into sterling at the rate (say, by way of illustration, 46⁹⁰) of the day upon which the accounts are made up. This proportion thus converted at the exchange of the day is then transferred to column 2, which thus gives the then value of the exchange assets and liabilities in sterling. If we now take the totals under each head in columns 2 and 3, add them together, and carry these respective casts into column 1, we get the final figures as they appear in the printed Balance Sheet, and which are shown in sterling (£ s. d.). The result of the foregoing operation, however, is to leave a difference in the total value of the assets on the one side, and the capital and liabilities on the other. It is clear that if the assets and liabilities in England were (with the capital) exactly equal, the same being the case with the exchange assets and liabilities, as also those in Peloponnesis not subject to exchange, this difference would not occur, but in practice this never is so. Therefore the branches are said to have "over-remitted" or "overdrawn," as the case may be. In the present instance they have over-remitted, and there will be a surplus in exchange at the then current rate (say, as before, 46⁹⁰), which is the difference between the amount over-remitted at par and at the then current rate (say 46⁹⁰). This surplus, so far as the Balance Sheet is concerned, is added to the "Rest" (Balance of profit undivided).

The Profit and Loss Account considered.

65. This now brings us to the Profit and Loss Account, the figures of which are comparatively simple to deal with. They are brought into an amalgamated Profit and Loss Account, so far as columns 5, 6, 7 and 8 of the Balance Sheet are concerned, and if you will refer to the form given at Paragraph 51 of this amalgamated Profit and Loss Account you will find that these previous columns of 5, 6, 7 and 8 of the Balance Sheet, as given at form, Paragraph 50, now become 1, 2, 3 and 4 of the Profit and Loss Account, as given at form, Paragraph 51; the reason of this is, that the first four columns for conversion and adjustment of the Balance Sheet (form, Paragraph 50) are here superfluous, as the Bank of Peloponnesis, Limited, keep their Profit and Loss figures at the uniform par rate of drachmas 25 to the £, and deal simply with the balance in Profit and Loss. The surplus (or deficit) in exchange referred to at the foot of the previous paragraph is credited (or debited) to Profit and Loss Account, and written back the following half-year. If you now refer to Paragraph 52 you will find there a sketch of the detailed Profit and Loss Account where this question of deficit (or surplus) on Profit and Loss Exchange is clearly dealt with, and the result shown. This detailed Profit and Loss Account is not published; the actual form as published is given at Paragraph 49, to which I also refer you.

The treatment of Exchange considered briefly.

66. It will be necessary, when going through the Balance Sheet figures of the branches, to carefully discriminate which are currency figures and subject to exchange, and those which are not, as, for instance, gold coin, or any liabilities or assets contracted for on a gold basis and which must be settled accordingly, and therefore converted at the par rate (in the present instance of 25 drachmas to the £, instead of 46⁹⁰, the currency rate): all such items are usually carefully marked in the branches accounts by those responsible for making up the returns to head office. No doubt, when travelling on the Continent, you have frequently come across the words "oro" (gold) and "papel" (paper, or its equivalent currency). It is a question worth considering whether it is not more correct to work out the Profit and Loss figures at the then actual current rate of exchange (say 46⁹⁰), instead of at the arbitrary par rate (of 25), but the latter mode has certainly the advantage of simplicity, and the final result is the same, provided the proper loss in exchange is charged (or in the case of profit credited) to Revenue. I have already explained to you how the Latin Bank, Limited, treat this question of exchange, and the result arrived at there is equally correct.

Conclusion. 67. I must apologise for the length of this treatise. When I decided upon the subject I had hardly sufficiently taken into account the many side issues connected with it. As it is I have found it necessary to leave out much that I should have liked to have spoken about, and in some instances to curtail what I felt to be absolutely essential to bring before you. I trust that what I have said will prove of interest and also of utility to many if not all of you.

Special Pleading. 68. This work has now gone through a full edition of 3,000 copies, which have all been sold, and the profits accruing have been handed over from time to time to the Chartered Accountants' Benevolent Association, and I am happy to be able to state that these have been of a substantial nature. At the request of many friends and well-wishers, I have decided to venture upon a second edition of 3,000 copies. May I in this connection venture to crave the cordial co-operation of sympathising readers in securing a ready sale, and thus benefit this deserving Institution. I personally derive no pecuniary advantage from the eventual results, but I feel that I am more than repaid by finding my efforts so warmly appreciated as they have been in the past, and for which I hope for a continuance in the future.

“Bis dat qui cito dat.”

GÉRARD VAN DE LINDE.

50, Gracechurch Street,
London, E.C., 1 July, 1904.

GLOSSARY.

GLOSSARY OF THE PRINCIPAL MERCANTILE TERMS
IN GENERAL USE.

- @ At.
- A.I. Wooden or Composite Ships of the first class, well and sufficiently equipped: with a * implies that they have been built under special survey of Lloyds Register of Shipping.
- Ⓐ I & * Ⓐ Iron Ships built according to the Rules of Lloyds Register of Shipping in force between 1864 and 1871: * implying that they have been built with thicker plates than registered as above.
- A/c. Account.
- A/d. After date.
- A. & C. P. “ Anchors and Chains Proved.” Applying to ships.
- A/o. Account of.
- A. P. Additional Premium.
- A/c Sales. Account Sales (see “ Account Sales ” below).
- A/s. After sight.
- Acceptance. The signature to a Bill of Exchange undertaking to meet (or pay) it when it falls due.
- Accommodation Bill. An acceptance given to benefit another, generally the one who draws the Bill (the Drawer). It has a bad name, as it is usually unsupported by any legitimate transaction which would authorize its creation—differing in that respect from an honest “ Trade Bill ” drawn against “ Value received.”
- Account : (1) A statement recording a financial transaction.
for account. (2) Refers to the settlement day for transactions on the Stock Exchange.

- Account Current. An open Account running on for a stated period and added to from time to time as occasion requires. It sometimes bears interest (especially in a Merchant's Office), and is practically a detail of the Account in the Ledger: it is drawn up in Dr. and Cr. form, in consecutive order of date.
- Account Sales. A detailed statement recording the sale of a particular parcel of Goods and from which are deducted all the charges incurred (including commission), the net proceeds being usually passed to the Account Current above.
- Action. A Law Suit.
- Actuary. A statistician of a high order, whose functions are mostly connected with Life Insurance, Banking and other important Trusts, and who deals with computations, eventualities and possibilities essential thereto.
- Administration: Letters of . . . The Authoritative Document granted to the relatives of a person who dies without making a Will (intestate).
- Ad Valorem. According to the value.
- Advice. A notification.
- Letter of Advice. A notification in writing of a particular transaction having been carried out.
- Affidavit. A legal document attesting upon oath any particular fact, and essential in Courts of Law.
- After Date. Relates to the date at which a certain Bill of Exchange is drawn and fixing the period for its payment—(so many "days after date" for instance).
- After Sight. Is used in the same connection as above, but the period only commences to run from the date the Bill is accepted (the Drawee being presumed to have only then first seen or "sighted" it).
- Agio. A term relating to Exchange and the ratio of value between Gold and Currency (or Paper), very much in vogue abroad, but little used in England—where there is a uniform Gold standard and no debased Currency.

- Allocatur.** The voucher of the official Taxing Master, fixing the amount of a solicitor's taxed costs on which the same are paid.
- Allonge.** A slip of paper attached to a Bill of Exchange to provide room for further endorsements where there is no further room for these on the back of the bill—mostly used for foreign Bills.
- Amalgamation.** The joining together into one of two or more Societies, Firms or Public Companies.
- Amortization.** The gradual reduction of a debt by paying it off in successive instalments, generally through the operation of a "Sinking Fund."
- Amount.** A total.
- Annuity.** A sum payable yearly: the term is applied to "Consols" ("Bank Annuities") and other Government obligations. The Continental equivalent for the same is "Rente."
- Annulment.** Cancellation.
- Ante Date.** Ante dating a document is affixing to it a date prior (or anterior) to that on which it is actually written—in contradistinction to post dating it (the exact converse).
- Appraiser.** A recognised valuer who fixes a price.
- Appreciate.** To raise the value of anything (in contradistinction to depreciating or lowering it, as, for instance, the fall in silver or currency generally).
- Arbitrage.** A term used in connection generally with exchange operations and the ratio of the value of money between the respective countries concerned.
- Arbitration.** The hearing and settlement of any difference between two or more parties by an independent person or persons whose decision is deemed to be final and binding on all concerned.
- Assets.** Property of any kind (real or personal) set out on the right hand (credit) side of the Balance Sheet and equivalent in amount to the "Liabilities" (Creditors and Capital) set out on the left hand (debit) side of the same.

Assignee. The party to whom anything is assigned, or made over, as, for instance, the Trustee in a Bankrupt's Estate who holds in trust for the benefit of all concerned the latter's property (or assets) and distributes the same accordingly and in due form.

Assurance or Insurance. Convertible terms in connection with Fire, Life and Marine Insurance.

Attestation. The formal witnessing to the signature of any document.

Attorney. (1) A duly qualified representative of a principal; (2) an old term for a lawyer.

Power of Attorney. The legal instrument conveying the above authority from the principal to his attorney; used, for instance, in the signing of Cheques, Bills, Transfers of Stocks, Deeds, and other securities: in fact representing the principal in his absence.

Audit. Originally meaning "a hearing," and the auditor one who "hears"; now generally restricted to the examination and verification of accounts—the person carrying out the function of the "audit" being termed "The auditor."

Auditor. (See "Audit" above.)

Average. Generally used in Marine Insurance in connection with damage at sea; thus, (1.) Particular average is a contribution by the underwriters for partial loss or damage of property specially insured by the party taking out the policy. (2.) General average is a combined contribution by the underwriters on ship, freight and cargo for damage done and expenses incurred for the common good. As an ordinary arithmetical term the word "average" implies a mean proportional between two or more figures.

B/E Bill of Exchange.

B/L Bill of Lading.

B/P Bills Payable.

B. P. B. Bank Post Bill.

B/R Bills Receivable.

B/S Bill of Sale.

} All referred to in consecutive order below.

- Backwarda-
tion. A Stock Exchange term—indicating the rate of interest paid by speculators for continuing or “carrying over” a bargain from one fortnightly account to another in lieu of duly closing the transaction on the day originally agreed upon.
- Bailment. Delivery of goods to a person for a special use or purpose.
- Balance. The difference between two sides of an account.
- Balance
Sheet. An epitome of a trader’s accounts, showing on the left hand (debit) side his liabilities and capital, and on the right hand (credit) side his assets. The cast of the two sides of the account agree (that is to say, they “balance”).
- Bank
Annuities. The legal term for the “Funds” or “Consols” (see “Annuities” ante).
- Bank Note. A promissory note given by a banker, undertaking to pay a given sum on demand.
- Bank of Issue. A bank lawfully issuing its own notes.
- Bank Post
Bill.
 (“B. P. B.”) A bill issued by the Bank of England payable at seven days’ sight.
- Bank Rate. The minimum rate at which the Bank of England discounts Bills.
- Bank Return. The Weekly Report issued by the Bank of England, every Thursday afternoon, on the rising of the Court of Directors. (Note.—The Board is styled the “Court,” and the Chairman and Deputy Chairman the “Governor” and “Deputy Governor” respectively.)
- Bankrupt. A debtor who cannot meet his engagements and whose estate is administered by, or under the supervision of, the Court.
- Bank Stock. The Capital of the Bank of England and held by ordinary share (or stock) holders.
- Bargain. A contract, either verbal or written, defining any transaction entered into between two or more parties.

- Barratry.** Damage done to a ship by the captain through wilful neglect, with the object of defrauding the underwriters.
- Barter.** Exchanging one commodity for another without the intervention of money, still in vogue among certain native tribes at the present day.
- Bear.** A Stock Exchange expression denoting a speculative operation intended to bring ("bear") down the value of a certain Stock in contradistinction to "bulling," or sending it up. (Note.—A Bear bears down while a Bull tosses, or sends up, hence the distinctive terms.)
- Bill of Entry.** On the importation of any goods into this country the importer delivers to the Customs House Authorities a document declaring and describing his goods (a "Bill of Entry" in fact).
- Bill of Exchange.** ("B/E.") A written order to pay a sum of money to a certain person or his assignee at a given date. This is a negotiable instrument, and passes from hand to hand by endorsement.
- Bill of Lading.** ("B/L.") A document signed and delivered by the captain for goods taken on board by him. This is also a negotiable instrument, and passes from hand to hand by endorsement, similar to a Bill of Exchange, as above.
- Bill of Sale.** ("B/S.") A document given by a creditor as security for a loan or a debt.
- Bill for Acceptance.** A Bill of Exchange sent out by a trader, on its receipt to be accepted by the party on whom it is drawn and entered in the "Bills for Acceptance Book."
- Bills Payable.** ("B/P.") Bills drawn on a trader, accepted by him, and for which he is responsible. These are entered in the "Bills Payable Book."
- Bills Receivable.** ("B/R.") Bills remitted to a trader in payment for value received (or otherwise) and in lieu of cash. These are entered in the "Bills Receivable Book."

- Bi-Metallism.** A term designating a system of currency or legal tender based on a double standard (say gold and silver) and distinguished from "Monometallism," where only one standard prevails, as in this country, where the standard is gold, and likely to remain so.
- Black Friday.** Friday, 11 May, 1866, the day Overend, Gurney and Co. closed their doors and suspended payment.
- Blank Credit.** Bills negotiated for convenience of trade and exchange purposes unsupported by actual indebtedness or shipping documents of any kind.
- Bon.** French for "good"; is found on monetary documents as thus: "Bon pour cinquante francs" (good for fifty francs).
- Bonâ-fide.** In good faith: a "bonâ-fide" transaction is a real one.
- Bond.** Anything that binds; thus a Corporation Bond, a Railway Bond, a Mortgage Bond, &c.
- Bond to Bearer.**
(Bearer Bond) A Bond which is not inscribed and is a negotiable instrument passing from hand to hand.
- Bonded Goods.** Goods imported and warehoused until the Customs duties have been paid on them.
- Bonded Warehouses.** Where such bonded goods are stored.
- Bonus.** Latin for "good"; an additional special division to shareholders or others over and above their dividend or remuneration.
- Boom.** An outburst of speculation of any kind.
- Bottom.** The hull of a ship, and often the ship itself.
- Bottomry.** A mortgage on a ship (that is her bottom or hull). If the ship is lost the bottomry is lost also.
- Bottomry Bond.** The contract for the above bottomry; where the freight and cargo is included also, the bond is called a "Respondentia Bond."

Bought and Sold Notes.	Contract Notes, for purchases or sales, rendered by the Broker to his Client.	
Bounty.	A premium paid by foreign Governments on exports, to enable the trader exporting to undersell other countries.	
Bourse.	The Continental equivalent for "The Exchange."	
Broker.	An intermediary between buyer and seller.	
Brokerage.	The broker's remuneration for his services.	
Bull.	A speculator who buys for a subsequent rise in price.	
Bullion.	Coin.	
Buying in.	A Stock Exchange operation when a speculator fails to deliver at the proper time stock he has sold.	
C.	Continent.	
C. B. & H.	Continent between Bordeaux and Hamburg.	} Clauses on Marine Insurance Slips.
C. H. & H.	Continent between Havre and Hamburg.	
C. or U. K.	Continent or United Kingdom (or "U. K. or C.").	
C. C.	Continuation Clause.	
C. T. L.	Constructive Total Loss.	
C.F.I. or C.I.F.	Cost, Freight, and Insurance; now more generally written for telegraphic purposes "C.I.F."	
Cr.	Credit or Creditor.	
Cum. Div.	With dividend. (See "Cum Dividend.")	
Caisse.	The French for : (1) a chest; (2) the cash in the chest; (3) the building where the cash is kept; (4) a Bank or Financial Institution.	
Call.	The Instalment due on Shares not fully paid.	

- Cancelling.** The act of rendering non-effectual any obligation that has been satisfied—thus cancelling Coupons or Bonds at maturity and payment—generally done by perforation.
- Capital.** (1) The Surplus of a man's Assets over his Liabilities; (2) the Principal sum, or assets, as distinguished from the Interest accruing thereon.
- Capital Account.** The Account in the Ledger of the principal Sum received and expended on "Capital Account" as distinguished from "Revenue Account."
- Carat.** Signifying in refinery the twenty-fourth part of a given weight;—thus "18 carat gold" means 18 parts pure gold and 6 parts of alloy.
- Carolus.** A gold coin of the time of Charles II, value 23s.
- Carrying Over.** A speculative bargain not closed at the agreed time, but kept open and extended to a subsequent settling day or days (as the operation may be repeated).
- Case of Need.** Applying to a Bill of Exchange—where in the event of a question arising the holder is requested to apply "in case of need" to a third party therein named.
- Cash.** Coined money, or Bank Notes.
- Cash Articles.** Cash items in course of collection, and applying generally to such as do not pass through the bank clearing.
- Cash Discount.** A percentage allowed in Trade to a Buyer who pays Cash instead of taking the usual Trade Credit.
- Cash Bonus.** A Bonus paid in Cash—in distinction to a Scrip Bonus.
- Cashier.** (1) The one who controls the Cash—(2) verb = to dismiss.
- Caution Money.** Cash deposited as security for the fulfilment of a Contract.

- Cedula.** In Latin countries signifies a piece of paper or Coupon to be given up against payment in money.
- Cent.** (1) A hundred; (2) "per cent." means per "hundredth part"; (3) the hundredth part of an American Dollar, worth about one halfpenny.
- Centime.** The hundredth part of a franc, value just under the tenth part of a penny.
- Certificate.** The document attesting one's title to anything—thus a Share or Stock Certificate.
- Certification of Shares.** When Shares represented by one Certificate are sold in batches the Certificate is lodged with the Company, who certify on the Transfer that the Shares therein designated have been duly lodged with them. When only a portion of the holding is sold the owner receives a "Balance Certificate" for the remainder unsold.
- Cestui que trust.** One entitled to the Income and Profits of Property held in trust.
- Chain Rule.** A rule in Arithmetic by which a series of equations is formed, all connected together and dependent the one on the other like the links of a chain.
- Charter Party.** A contract hiring an entire vessel for a specified voyage or period. The ship is then "Chartered" and the hirer is the "Charterer."
- Chattels.** Movable property—that can follow a person as distinguished from Houses and Land—which are fixed.
- Cheap Money.** The term is used when money can be borrowed at a low rate of interest, as opposed to "Dear Money," when it is the reverse.
- Check.** To verify, or call over a second time.
- Cheque.** A written order on a Banker or other person for payment of a specified sum.
- Chose in Action.** A commercial legal term denoting property in which one has a right of action as against property in one's actual possession.

- Cipher or Cypher. (1) A numerical figure—generally 0; (2) verb = to work out calculations; (3) to write in cypher is to write in a secret handwriting only intelligible to those who have the key.
- Cypher-Code. A collection of carefully-selected words, each word representing a sentence or set of figures—mostly used in telegrams both for the sake of economy and secrecy.
- Circular Letter of Credit. A letter of Credit issued by a Bank to a Customer and addressed to various Bankers and Firms all over the world. It is used by travellers, who thus obviate having to carry about with them large sums of money.
- Clear. (1) To clear a Cheque through the Bankers' Clearing House. (2) To clear a vessel, prior to sailing, by obtaining the necessary certificate from the Customs and Port Authorities that all formalities have been complied with. (3) To clear goods, by means of a Shipping Agent, who pays all Customs dues and other charges on the same.
- Clearing House. (1) The Bankers' Clearing House, for clearing cheques between the various Banks; (2) The Stock Exchange Clearing House, for performing the same operations with regard to Sale and Purchase of Stocks; (3) The Produce Clearing House—for the like as regards Produce; (4) The Railway Clearing House, for settling accounts of the various Railway Companies having running powers over each other's lines.
- Clerical Error. A mistake in figures or words made inadvertently.
- Client. The Customer for whom a professional man works.
- Codicil. An appendix to a Will, but at the same time forming a part of it, and often of great importance, as is a postscript to a lady's letter.
- Collateral Security. Security lodged by a Debtor to safeguard a loan granted to him or debt incurred by him.
- Commission. The percentage of remuneration paid a broker or intermediary for carrying out a transaction.

- Composition.** A settlement a Debtor makes with his Creditors, paying them only a part instead of the whole of what is due to them.
- Concession.** A privilege granted by a Government or other Authority to construct a railway or similar important work, and generally conveying to the "Concessionnaire" material lucrative advantages.
- Consign.** To send merchandise to a particular market to be realized there.
- Consignment.** The specific parcel of merchandise thus consigned.
- Consol Certificates.** Government Consols issued in multiples of £50 with Coupons attached, payable and passing to bearer in contradistinction to similar Stock duly inscribed.
- Contango.** A Stock Exchange expression indicating the charge for carrying over a transaction from one settling day to another.
- Contango Day.** Or "continuation day," is the second day before the settling day when such bargains are carried over or continued.
- Contingent Liability.** A subordinate liability which may run off without any actual liability accruing, as when a Banker accepts Bills for a good customer.
- Contract.** A binding agreement between two or more parties.
- Contract Note.** The Broker's written particulars of a Contract entered into by him on behalf of a client and which he hands over to the latter.
- Corpus.** The body or material part of anything: thus, the corpus of an Estate is what constitutes the Capital Value of it.
- Council Drafts.** Drafts issued in this Country by the Secretary of State in Council for India on the Governor-General of India in Council and sold in this Country, generally by tender.
- Counterfoil.** A part of a leaf left in a book, descriptive of the transaction, when the other part has been taken out, as in the case of a Cheque Book or Receipt Book.

- Coupon. The small slip cut from a Bond or a sheet entitling the holder to the Interest on the Bond.
- Credit.
(" Cr.") A credit entry represents so much added to the good, while a debit entry is so much deducted. Remember that "every debit requires a credit," and vice versâ.
- Credit Note. Particulars in writing of an allowance for goods received back short, delivered or damaged, &c. &c.
- Creditor.
(" Cr.") One to whom money is due.
- Cui Bono. A query meaning "To what purpose or good?"
- Cum Dividend.
(" Cum Div.") Implies a transaction that carries with it the Dividend just then accruing, while "Ex Div." ("Ex Dividend") implies that the transaction is exclusive of such Dividend, which then remains to the seller and does not pass to the buyer.
- Cum Testamento annexo. "With the Will annexed": a legal term applying to an administrator appointed where a will exists but there is no executor.
- Currency. The money current as a legal tender in any given country when gold or silver are the legal tender and Bank Notes are convertible at par. The currency is in this case a "Metallic Currency," but when the Paper Notes are by law created into a legal tender, and are not so convertible, the Currency then becomes a "Paper Currency."
- Customs. The Duties levied by the Inland Revenue Authorities on goods imported, and in some countries on those exported also.
- Dbk. (1) Day Book : (2) Drawback.
- D. C. (1) Duration Clause. } On a chartered freight
(2) Detention Clause. } Marine Insurance Slip.
- d/d Days' date.
- Dft. Draft or Bill of Exchange.
- Div. Dividend.

- Dis. Discount.
- Dr. Debit or Debtor.
- d/s. Days' sight.
- Days of Grace. Bills of Exchange (except when payable on demand) drawn upon this country have three "days of grace" over and above the due date as specified on the bill. When the third day of grace falls on a Sunday, Christmas Day, Good Friday, or a day of Public Fast or Thanksgiving, the bill becomes payable the day before; while, if this third day of grace falls on a Bank Holiday (one of Saint Lubbock's days) it is payable the day after.
- Dead Account. (1) An account in the name of a person who has died. (2) An inoperative or ceased account.
- Debenture Bond. An obligation to pay a certain specified sum at a specified date and interest at a specified rate, payable periodically by coupon until the Debenture Bond matures and is paid off.
- Debenture Stock. Similar to the above, except that the principal sum is registered in the owner's name, and the interest is paid by warrant to his order.
- Debit Note. Particulars in writing of an allowance for goods returned short, received or damaged on receipt, &c.
- Debt. An amount owing, and on which there attaches an obligation to pay.
- Deferred Annuities. Annuities the enjoyment of which is postponed sometimes for years, sometimes for months.
- Deferred Bonds or Shares. Securities entitling the holder to a gradually increasing rate of dividend or interest, as circumstances permit, until such time as the dividend or interest reaches a specified rate, when these Deferred Securities practically become merged into the ordinary ones.
- Delcredere. A warranty given by a Broker guaranteeing the solvency of the purchaser of goods sold to him on credit.
- Delcredere Commission. The Commission earned by the Broker in respect of the above.

- Delivery. The carrying out of a contract by delivering over to the buyer the stock or other commodity purchased by him.
- Delivery Order. A written document entitling the holder to receive delivery of the particular commodity described therein.
- Demonetization. Withdrawing certain coins from circulation by declaring them to be no longer a legal tender.
- Demurrage. (1) A charge incurred by a charterer of a vessel who does not load or unload the same within the time specified in the Charter Party. (2) The allowance of $1\frac{1}{2}$ d. per ounce made to the Bank of England in exchanging Coins or Bank Notes against Bullion.
- De Novo. Anew or over again.
- Deposit. Coin or securities lodged either by way of loan, or for safe custody.
- De son tort. "Of his wrong": applying to a person intermeddling in an estate without authority.
- Devastavit. "He has wasted": i.e., caused loss to an Estate by any act either of commission or of omission.
- Discount. A deduction made in settling an account, or in paying, or discounting, a Bill of Exchange not matured.
- Distringas. A stop on Stock inscribed at the Bank of England or elsewhere. The writ of distringas is now abolished, but by affidavit and notice a person interested in any stock may restrain its transfer.
- Dividend. (1) A composition or part payment in Bankruptcy or Company Liquidation; (2) A yearly or periodical payment by way of Interest on an Investment.
- Dividend Warrant. The document (in the form of a cheque to order) making the above payment.
- Dock Warrant. A negotiable document issued by the dock owner against goods or produce warehoused with him.

- Docket. A slip used by bankers to pass transfer entries in the place of making a journal entry for the same.
- Domiciled. Applies generally to Loans as well as to Bills of Exchange which are said to be "domiciled," that is made payable at some specified house or houses.
- Donatio mortis causa. A donation in prospect of death.
- Draft. A written order for payment of money.
- Drawee. The person on whom a bill is drawn.
- Drawer. The one who draws the bill.
- Drawback. The amount allowed back by the Customs on the exportation of any commodity on which there is a duty while it remains in the country itself: (e.g., Silver Plate).
- E.E. Errors Excepted. }
- E.&O.E. Errors and Omissions Excepted. }
- Both mercantile terms meaning the same thing and generally attached to Invoices, Account Sales, Accounts Current, &c., to safeguard the sender in the case of any Error or Omission being subsequently discovered therein.
- Eligit, Writ of. . . A Writ issued to a judgment creditor against the lands of his Debtor.
- Ex Div. Ex Dividend (see "Cum Dividend").
- Endorsee. The party to whom a Bill of Exchange passes on its being made over to him by endorsement.
- Endorsement. Signing one's name on the back of a bill, and therefore sometimes called "backing" it.
- Endorser. One who endorses a bill or other negotiable instrument.
- Engross. To fair copy a document in a bold, round, legal hand.

- Equitable Mortgage. A charge created on an Estate either by deposit of title deeds or by agreement in writing, which does not transfer the legal estate.
- Equity of Redemption. The right of a mortgagor to redeem his Estate after the time appointed for repayment of the money due has actually passed.
- Estoppel. The preclusion imposed by law on a man from alleging or denying a fact; such preclusion arising from his own previous act, allegation or denial of the fact.
- E.G. "Exempli gratiâ": for the sake of example.
- Excise. An inland tax imposed on certain commodities, as distinguished from duties levied by the Customs on imports.
- F.A.A. Free of All Average.
- F.C.&S. Free of Capture and Seizure.
- F.G.A. Foreign General Average.
- F.P.A. Free of Particular Average.
- F.L.N. Following Landing Numbers on landing damaged goods.
- F.O. For Orders ("leave to call for orders").
- F.O.B. Signifies that the goods are contracted to be put "free on board" by the seller.
- Face Value. The value marked on the face of any security.
- Fee. Professional remuneration charged.
- Fee Simple. The largest estate or interest that can be held in land amounting to absolute ownership.
- Feme covert. i.e., "Femme couverte," a married woman.
- Feme sole. i.e., "Femme seule," a spinster, or a widow.
- Financial year. A period not necessarily commencing on 1 January, over which financial operations extend for 12 months.

Clauses on
Marine
Insurance
Slips.

First of Exchange. Foreign Bills of Exchange are usually drawn in triplicate, the set of three Bills being respectively called the First, Second, and Third of Exchange, any one of which being paid or satisfied the other two become of no value.

Fixed Capital. The term applied to the Capital expenditure on land, buildings, machinery, and other works of a more or less permanent nature, such as railways, gas, water, tramways, &c.

Floating Capital. Is that portion of a trader's Capital which he does not appropriate to any fixed or permanent investment, and which therefore should be very readily realizable.

Flotsam. Floating wreckage.

Folio. (1) In Bookkeeping two pages facing each other, like the opening of a Cash Book, and numbered "1, 1"—"2, 2," &c. (2) In a Law Stationer's office, where documents are copied, it means 72 words.

Foreign Bill. A Bill of Exchange either (1) drawn, (2) accepted, or (3) made payable abroad, whether negotiated in this country or elsewhere.

Forfeited Shares. Shares in a Public Company that are confiscated for non-payment of calls or other reasons.

Freehold. Property held in perpetuity not subject to Rent.

Freight. Payment to a ship for carrying goods.

Funded Debt. The National Debt of any country.

Funding. Converting a floating debt into stock.

Garnishee Order. An order made by a Judge of the High Court attaching money due by a third party to a judgment debtor.

G.M.T. Greenwich Mean Time.

Goldsmiths' Notes. Notes issued by the London Goldsmiths before banking came into vogue in this country.

- Good Delivery. A Stock Exchange term denoting that the security delivered over has been examined and found to be in sound condition, that is to say, not mutilated, nor with any coupon or other accessory missing.
- Goodwill. The intrinsic value of the good repute of a well-established and prosperous business.
- Greenbacks. American paper currency, vulgarly termed "Shin-plasters."
- Gross. The whole as distinguished from a part; thus "Gross profit" as against "Net profit."
- Guarantee. (1) A warranty; (2) a contract in writing by one party on behalf of another.
- Habeas Corpus. A legal term signifying the production of an incriminated party in open court.
- H.C. Held Covered : (on Marine Insurance slip).
- H.M.C. His Majesty's Customs.
- H.M.S. His Majesty's Service.
- Hard Cash. Bullion or coin as distinguished from paper money.
- Hire Purchase. (or "Redemption hire"). Goods had on hire with the option of purchase and paid for by instalments.
- Holder. The Holder of any bill or other document is the one who has lawful possession of it for the time being.
- H.P. or HP "Horse Power," applying to ships.
- Hotch Pot. Bringing everything into account for settlement, now confined to personalty.
- Hypothecation. The act of pledging or mortgaging any security or valuable property.
- I.E. "Id est" : that is to say.
- In loco parentis. In the place of a parent or relation.

- In statu quo. In the original position or condition.
- Inter alia. Among other things.
- Intra vires. Within one's rights.
- Int. Interest.
- Inv. Invoice.
- Inconvertible. Paper money, for instance, that cannot be exchanged at the will of the holder into gold or silver coin.
- Imprest. (1) A loan; (2) A payment on account to "Petty Cash."
- Indemnity. A contract entered into by one party holding another party harmless in case of loss or damage arising.
- Indent. An order for goods or merchandise sent from foreign countries and the Colonies; thus "Executing an indent" means carrying out the order in question.
- Indentures. (1) Legal Deeds; (2) Articles of Apprenticeship.
- Inscribed Stocks. Are securities entered with the name and full particulars of the holder on a register and very frequently represented by no certificate, as in the case of Stocks registered at the Bank of England and other well-known institutions. When, however, a certificate is issued, such certificate contains full particulars as on the register, and the same must be surrendered on sale and transfer of the Stock to a third party.
- Instalment. A progressive payment on scrip or shares until the same are paid in full, in which case they are often converted into "Stock."
- Interest. ("Int.") Money earned by the loan of money.
- Investment. The outlay of money in the purchase of houses, land, stocks, shares, and other securities (including Loans of various kinds) yielding a return by way of interest or dividend on the money thus invested.

- Invoice.** ("Inv.") A written statement of goods purchased by and indented to a customer, with full particulars of quantity and quality sent, as also all charges accruing to the same.
- I.O.U.** An abbreviation of "I owe you" and a written acknowledgment of a debt due.
- Issue.** To give out or distribute.
- Issue Department of the Bank of England.** The Department where the Bank of England issue their Bank Notes in Exchange for Bullion and vice versâ. The other Department is styled "The Banking Department," where the Bank of England conduct ordinary banking just in the same way as any other of their Bank competitors.
- J/A.** Joint Account. A mercantile transaction in which more than one party is interested.
- Jetsam.** Wreckage cast ashore.
- Jettison.** Goods thrown overboard to lighten the vessel and for the common good of both ship and cargo, and forming the subject of "General Average."
- Jobber.** The Intermediary on the Stock Exchange for sale or purchase between two brokers.
- Joint Stock Banks.** Banks founded on Joint Stock principles and owned by stockholders or shareholders as distinguished from Private Banks and Partnerships. These Joint Stock Banks were originally founded with unlimited liability, but they are now mostly under "limited liability," and governed by the Companies Acts, 1862—1867, as also by the "Companies Act, 1879," and other leading Acts of Parliament.
- Joint Stock Company.** Is "a Company consisting of seven or more members having a permanent paid-up or nominal capital of fixed amount divided into shares, also of fixed amount, and formed on the principle of having for its members the holders of such capital and no other person."
- Journal.** One of the most important books of account for recording and making in the Ledger entries which are not posted through any other book: it is in fact the merchant's "vade mecum" and sheet anchor. The journal entry is to the merchant and intelligent trader what the docket entry is to the banker.

- Lac. 1,00,000 Rupees.
- L/C. A Letter of Credit issued by banks or merchants to their customers.
- L.C. Label Clause : (on Marine Insurance Slip covering "Bottled Goods").
- Laches. Acts of carelessness or of negligence.
- Leasehold. Property held for a stated number of years, subject to the payment of an annual rental, called "Ground Rent."
- Ledger. One of the principal Books of Account of a trader, into which are focussed, in a permanent form, all his transactions.
- Legacy. A gift under a will.
- Legal Tender. Payment in Bank of England notes, sterling gold and silver (the latter up to forty shillings).
- Letter of Allotment. A document in response to a Letter of Application apportioning so much stock in a loan or so many shares in an undertaking to the applicant. The Letter of Allotment must bear an embossed sixpenny Revenue stamp on it.
- Letter of Application. A printed form signed by anyone desiring to subscribe to the Capital of a Joint Stock Company, or to any public or Government Loan.
- Letter of Credit. A written document placing a specified sum at the disposal of anyone.
- Letter of Regret. A document informing an applicant that his request for an allotment cannot be granted.
- Liability. An obligation incurred in the case of "Limited Liability" to a defined and limited extent, and in the case of "Unlimited Liability" to an indefinite and unlimited extent.
- Liability by Endorsement. An obligation incurred by endorsing or backing a Bill of Exchange or other negotiable instrument.
- Lien. A charge on any property or asset.



- Light Coin. Coin that by use, or other causes, falls below a certain specified weight.
- Limitations, Statute of. The period beyond which recourse for damages sustained, or a debt incurred, ceases to be available.
- Liquid Assets. Property of a readily realisable value, such as Coin, Bank Notes, Consols, and other gilt-edged assets.
- Liquid Reserve. A Reserve consisting of Liquid Assets as above, and therefore readily available.
- Liquid Securities. Securities of a similar nature as the two foregoing.
- Lis pendens. An action pending.
- Lis sub judice. An action under the consideration of the Judge.
- Lloyds. The Underwriter's room on the first floor of the Royal Exchange, London, where Marine Insurance business is transacted and risks are underwritten. It took its name from an old coffee house in Lombard Street whose proprietor's name was Lloyd, and where this class of business was originally carried on.
- Lloyd's Policy. A document signed by the underwriters at Lloyd's setting out the conditions under which they have underwritten a specific risk.
- Lloyd's Bond. A Bond given by a Railway Company to a Contractor for work done and on which he raises money.
- L/T. (1) "Locum tenens," a substitute replacing another. (2) "Lira Turca," the Turkish Pound.
- L. S. D. "Libra" (a pound), "Solidus" (a shilling), "Denarius" (a penny). Plural, "Librae," "Solidi," "Denarii."
- Mala fides. Bad faith.
- M. One thousand; 20/M, Twenty thousand.
- M/d. Months' date. }
M/s. Months' sight. } Used for Bills of Exchange.

- Making up Price.** A Stock Exchange term, fixing the price at which all kinds of stock not taken up on the settling day are carried over to the next one.
- Manifest.** A schedule of a ship's cargo for Custom House and general purposes.
- Marine Insurances.** Contracts to indemnify owners of ship, cargo and freight against a stipulated amount of loss who take out policies covering themselves against such loss.
- Market overt.** A market open to all (a legal term).
- Markings.** The values marked on a board in the Stock Exchange, recording the prices at which securities have been dealt in, during the business hours of the day.
- Mature.** A bill or other instrument matures when it becomes due or payable.
- Middleman.** An agent, broker, factor, or other intermediary between buyer and seller.
- Mortgage.** A Mortgage is when a man borrows of another a specified sum and grants him a legal charge on an estate on condition that if he, the Mortgagor (borrower), repays the Mortgagee (lender) the said sum on a certain day mentioned in the deed, then the Mortgagor (borrower) may re-enter on his estate—the Mortgagor (borrower) meanwhile paying the Mortgagee (lender) the interest at the rate and dates specified by the Mortgage Deed.
- N.R.** No risk until confirmed : (on Marine Insurance slip).
- N.S.** New style. The name given to the change in our chronology resulting from the adoption of the Gregorian in place of the Julian Calendar, e.g. : 1st January N.S. (New Style) is 12th January O.S. (Old Style).
- Nett or Net.** Clear after making all deductions.
- No.** Number.
- Non compos mentis.** Not of right mind.

- Noting a Bill. Is to record the non-acceptance or non-payment of a Bill in due course: this is done by a Notary Public.
- Not Negotiable. Words added to the crossing of a cheque for the better protection both of bankers as well as of innocent holders against fraud. The sooner a cheque so crossed finds its way to the banker the better it is for all concerned, as it is not considered to be a negotiable instrument passing from hand to hand, it being in fact only negotiable on the terms and conditions under which it is issued.
- Novation. Substituting a new debt for an old one, which cannot at the moment be met.
- O/a On account of.
- % Per cent.
- o/oo. Per mille; per thousand.
- O.S. Old Style (see N.S., New Style ante).
- Obligation. A debt or an engagement.
- Official List. "The London Daily Stock and Share List," published by the Trustees of the Stock Exchange.
- Open Cheque. An uncrossed cheque payable on presentation to "bearer" or "order" as the case may be.
- Open Credit. A Credit given by a banker to his customer without a personal guarantee or the deposit of collateral security.
- Open Policy. A Marine Insurance Policy where, at the time of taking it out, it is stated that the interest attaching to the same will be hereafter declared.
- Open Slip. Somewhat similar to the above except that it is presumed to be the initial stage, the risk being on a slip of paper and generally initialled (not signed) by the underwriter, and bearing no Revenue ad valorem or other stamp whatever.
- Option. A right a dealer exercises by purchase either to buy or sell a certain amount of stock at a given price and within a stated period. (Styled "Put or Call.")

- P.L. Partial Loss : (on Marine Insurance Slip).
- P/N. Promissory Note; a written promise to pay a specified sum to a certain person at a stated date.
- Pm. Premium.
- P.O. Postal Order.
- P.O.O. Post Office Order.
- p.p. (1) per procuracy (a delegation of power); (2) "please pay."
- Proxo. Proximo (next month).
- P.P.I. Policy Proof of Interest; which has no insurable value and is in fact a "Wager Policy," void at law.
- Panic. A sudden, groundless fear that not unfrequently overtakes a commercial community on the occasion of some unlooked for financial crisis.
- Par. (1) Par Issue—When securities are launched at the value stated on the face of them and neither at a discount nor at a premium. (2) Nominal Par—The face value of a security. (3) Mint Par—The value of the coins of one country expressed by those of another using the same metal and the basis of all International exchanges. Par means, generally speaking, equal, or even, as for instance, in French, "Paire" stands for "equal" or "even," "Impaire" for "unequal" or "odd."
- Pari passu. Proportionately.
- Payee. The person to whom a sum of money has to be paid.
- Per capita. "Per head:" the next-of-kin take in their own right, as in the case of children inheriting under their parent's will.
- Per stirpes. "By stock, or stump, or root," where the next-of-kin take by right of representation—as in the case of grandchildren—inheriting their parent's share under their grandfather's will.

- Policy.** Italian "Polizza" = a promise. The word was introduced into England by the Lombards, who were great in Marine Insurance. A Policy is a promise to pay a certain stated amount on a certain eventuality arising. In return for the same a sum of money is paid down, which is called the Premium. The one who takes the risk is called the Underwriter or Assurer, and the one in whose favour the Policy is granted is the Assured. There are three principal kinds of Insurance—Fire, Life, and Marine, in addition to Insurance against Loss of Crops, Accidents of all kinds, and Plate Glass Insurance.
- Post.** To make a permanent Entry in a Book of Account, as for instance to post from the Cash Book or Journal to the Ledger.
- Post date.** To affix a date to a cheque or other document subsequent to the one on which it is executed.
- Power of Attorney.** A written document empowering the party therein designated to act for another: (see "Attorney, Power of;" ante).
- Preference Securities.** Issues ranking prior as regards Interest, as also in most cases of Capital, likewise to that of the ordinary ones.
- Pre-preference Securities.** Are Issues taking priority even of Preference ones.
- Premium.**
("Pm.") (1) The price paid for effecting a Policy of Insurance (Fire, Life, or Marine). (2) An increase of the par or face value of a Security.
- Primâ facie.** At the first glance.
- Primage.** A percentage added to the freight to satisfy the Broker's and others' commission for chartering the vessel and looking after the cargo.
- Prime Entry.** The initial Entry made on the estimated value of the cargo and on which duty has to be paid before the vessel can commence discharging; the subsequent entry on which the remaining duty is paid is called the "Post Entry."
- Principal.** (1) A head of a Firm. (2) The party employing an attorney or other agent. (3) A capital sum of money placed out at interest or used as an investment.

- Private Bank.** A Bank owned by one or more partners, and with Unlimited Liability, in contradistinction to a Joint Stock Bank.
- Probate.** The official proof of a Will.
- Procuration.** Delegation of authority to another to act and sign in lieu of the person himself.
- Profit.** The difference between the cost of production of an article and the price which it fetches.
- Pro formâ.** For the sake of form—thus, you say “a pro formâ Invoice,” which gives an idea of the various charges and other conditions attaching thereto, in the same way “a pro formâ Account Sale” shows what a consignment may be expected to realize (or “net”).
- Profit and Loss Account.** Shows the result of a concern’s trading over a given period. If the account shows a profit it is in credit, but if it shows a loss it is in debit.
- Promissory Note.** (“P/N.”) A written promise to pay a specified sum of money at a stated date.
- Prompt.** The date on which produce or other merchandise sold in public auction or by private contract falls due, when the same must be taken up by the buyer and paid for.
- Pro-rata.** Proportionately.
- Proxy.** (1) The act of one party replacing another, as in the term “voting by proxy.” (2) The party so voting is the “proxy.” (3) The written document under which a party so votes is called a “proxy.”
- Quotation.** The official price for Stocks and other commodities in their respective markets.
- Rack Rent.** An annual rental raised to the full annual value of the premises.
- Rate of Exchange.** The price of the money of one country calculated out into that of another country.

- R. D. C. Running down clause. }
 R. I. Reinsurance. } On Marine Insurance Slips.
- Realization. Converting what was contingent into what is actual by selling a commodity, and receiving hard cash for the same—thus fixing the actual amount it has fetched (“realized”).
- Rebate. An allowance—similar to discount; the term is used in calculating at any given period the interest (or discount) on Bills of Exchange not then matured.
- Receipt. A written document acknowledging that a certain sum of money or certain commodities have been received.
- Recoup. To pay back, or indemnify, another for any damage or expense he may have incurred on behalf of the party recouping, or of a third party.
- Recourse. (1) “With Recourse” implies that a transaction is entered upon with the understanding that if something subsequently turns out to be irregular the buyer comes down upon the seller to make any loss or damage thus incurred good. (2) “Without Recourse,” on the other hand, signifies that the transaction is there and then an out and out one, and that it cannot be subsequently re-opened for any reason whatever.
- Registered Stocks. Are those where the name and particulars of the holder are entered on a Register. Such Registered Stocks generally carry with them a Certificate of ownership, which must be surrendered on sale or transfer (see “Inscribed Stocks”).
- Remittance. A sum of money (whether in the shape of a Bill of Exchange, a Cheque, a Bank Note, and/or actual coin) forwarded (remitted) by one person to another.
- Remit. (1) To make such a payment as above. (2) To forego; thus “to remit a debt” is to forgive and cancel it.
- Rentes. Foreign Government Funds—where the Principal sum due does not appear stated, but the Annuity payable thereon only, hence the term “Rentes,” or “Rents.”

- Reserve.** A Fund held by a Public Company or Institution (over and above its capital) to provide for sudden and unlooked for contingencies.
- Respondentia.** A mortgage on the freight and Cargo as well as on the ship, as against "Bottomry," which is a mortgage on the ship alone.
- Rest.** A term used by the Bank of England to denote its surplus of Assets over its Liabilities (including Capital). The Rest is in fact the accumulation of undivided profits, partaking very much of the character of a Reserve (see ante).
- Retire.** To retire a Bill of Exchange is to take it up by purchase or otherwise and thus withdraw (retire) it from circulation.
- Revenue Account.** The Account of an Institution showing the result of its trading and the profit or loss arising therefrom. This Account is in contradistinction to the Capital Account.
- Royalty.** What is due to the king; now frequently used to mark a payment due to a landowner for minerals won, or to an inventor for machines patented by him, sold by a third party.
- Run on a Bank.** In times of crisis and of panic—a rush by customers of the bank to get out their money or change the notes of the bank into cash.
- S.A.** Subject to approval.
- S.I.** Short Interest : the unused portion of an open Policy when cancelled.
- S.L.** Salvage Loss.
- Salvage.** (1) What is saved from a ship in difficulties or from a wreck. (2) The remuneration for services so rendered.
- Sans recours.** Without recourse, generally applying to a Bill of Exchange (see "Recourse" ante).
- Schedule.** A list of documents or of values and properties appended to a deed.

} On Marine
Insurance
Slips.

- Scrip.** A certificate for shares or stock on which the Calls or Instalments have only been partially paid.
- Security.** An instrument entitling the holder to certain property, whether money, goods, or houses, lands, &c.; the same is generally given as a pledge for a loan.
- Securities.** Assets generally.
- Selling out.** The opposite to "buying in": a Stock Exchange term brought into operation when a speculator has bought stock for the account and fails to pay for it, in which case an official of the Stock Exchange publicly sells out the stock in question, thus closing the transaction, the loss incurred falling upon the defaulting speculator.
- Set off.** The extinguishing (partial or total) of a debt payable by presenting ("setting off") against it a debt due.
- Settling Day.** The bi-monthly day fixed by the Stock Exchange when bargains are closed and differences are adjusted.
- Sine die.** Without fixing a day, that is indefinitely.
- Shares.** A portion of the capital of a trading concern.
- Shipping Documents.** (1) Complete set of Bills of Lading (with or without the charter party, according to circumstances). (2) Invoice. (3) Policy of Marine Insurance.
- Sinking Fund.** A fund created by the annual setting aside of a certain percentage in addition to the interest paid, in order to extinguish a loan or other indebtedness by a given stated period.
- Specie.** Coin or Metallic Money, as against Paper Money, Bills of Exchange, Cheques, and other instruments of credit.
- Specie Payments.** Payments in Coin or Bullion, as against those made by inconvertible Paper Money.
- Speculation.** A hazardous venture entailing buying or selling, with a view to re-selling or re-purchasing at a profit.

- Sterling. The old English equivalent for the "Silver Penny," now meaning English money, as apart from that of other countries.
- Stet. Let it stand (a printer's term denoted by "... " under a word scored through and restoring it).
- Stock. The consolidation of Shares and other Securities into a Monetary basis of value.
- Stoppage in transitu. Stopping goods on the way and not yet delivered.
- Sub-judice. Under the consideration of the Court or other duly-constituted authority.
- Sub-pœna. An order to appear before a duly-constituted tribunal under penalty for non-attendance.
- Suspense Account. An ad interim account to which items which cannot for the moment be allocated to their proper Ledger folio are temporarily placed until finally settled and disposed of.
- T.L. Total loss. }
 T.L.O. Total loss only. } On Marine Insurance Slips.
- Tally. A piece cut off. French "tailler" = to cut. A ready-reckoner used in primitive parts of the country, scoring what a customer has had or consumed.
- Talon. The last portion of a sheet of Coupons.
- Tare. An allowance for the weight of a package containing the commodity, and extending even to a railway wagon, the weight of which is marked on it.
- Tariff. A Schedule of Rates or Dues.
- Ticket Day. The day preceding settling day on the Stock Exchange, when tickets are passed between brokers and jobbers for bargains outstanding.
- Time Bargains. Contracts entered into and to be closed at a time specified. These are mostly (if not always) of a speculative nature.

- Tontine. A fund created by a syndicate and reverting to the last survivor.
- Tort. A wrong or damage done.
- Trade Credit. }
Trade } See "Cash Discount."
Discount. }
- Transfer Deed. An instrument conveying certain property from one party to another.
- Trial Balance. A preliminary Account taken of debit and credit Balances from the Ledgers and Cash Books before the closing entries are passed.
- Treasury Bill. A bill issued and sold by H.M.'s Treasury.
- Tret. An allowance to the buyer for wear, damage, or depreciation of produce or goods generally while in transit.
- Truck System. Paying wages of production or manufacture in kind instead of in cash.
- Trust. A Corporation or set of individuals taking up certain responsibilities and carrying them out.
- Turn of the Market. The Stock Exchange difference of quotation between buying and selling, and the mainstay of the jobber, who subsists on this said turn.
- Turnover. The total of money value of goods sold by a trading concern over a given period.
- U.K. United Kingdom.
- Ulto. Ultimo—i.e., last month.
- Ultra vires. Beyond one's rights.
- Underwriter (1) One who underwrites his name at the foot of a Policy of Insurance. (2) The friend of the speculator and company promoter who underwrites the issue of a certain Loan or share capital, and who not infrequently finds himself landed with his proportion of the stock in question.
- Usance. The time allowed by usage and custom for the payment of a Bill of Exchange.

- Utter. To send out or circulate, generally used in a sinister sense; thus to utter coin is to pass off false money, lawful coin being issued and not uttered. Unscrupulous gangs often try to utter a lot of such coin, made of real silver, but counterfeit notwithstanding, as they are supposed to be English silver coin of the Realm, which they endeavour to pass in this country.
- Viva voce. (1) By word of mouth (and not in writing). (2)
("V.V.") Oral testimony.
- Viz. "Videlicet": namely.
- Voucher. A Certificate verifying a certain payment.
- Wager Policy. Another word for a P.P.I. (Policy Proof of Interest), a gambling and perfectly illegal transaction.
- Wd. Warranted.
- W.o.b. Washed overboard. }
W.p. Without prejudice. } On Marine Insurance Slips.
- Waiver. The abnegation of certain rights.
- Warranty. A guarantee (generally in writing).
- Warranty of Attorney. An authority given by a Debtor to an Attorney to enter up judgment against him in an action brought to recover a particular debt from him.
- Watering of Stock. An American innovation signifying increasing the Capital Stock of a concern without the equivalent value of cash being added thereto.
- Y.A.R. York-Antwerp Rules (for General Average on Marine Insurance Slip).
- Winding Up. Another expression for Liquidating or Closing the affairs of a Joint Stock Undertaking or Private Firm.

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