Bookkeeping:

The Principles and Practice of Double Entry.

L. Whittem Hawkins,
A.C.A.

BOOKKEEPING:

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THE PRINCIPLES AND PRACTICE

OF

DOUBLE ENTRY;

WITH

EXERCISES, KEY AND AN APPENDIX OF FORMS.

BY

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FIVE SHILLINGS NET.

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PREFACE.

THE Author has endeavoured to make the following short Treatise intelligible, not only to those who have had some experience in keeping books of account, but also to those who have no knowledge whatever of the subject. It is, however, believed that any but the most expert and accomplished bookkeepers will find in these pages some helpful elucidation of principles and useful guides to practice.

Instead of starting with a description of a full set of books, and so wearying the student with a mass of details, which cannot, without much mental effort, be seen to form parts of a harmonious whole, the author has sought, first, to explain the underlying principle of double entry, then to show its application to practical cases, and, next, by reasoning from these, to evolve a complete and simple set of books, showing the relation of each to the system. Some discussion follows of further principles as they arise with the growth of the system, and the methods of treating certain classes of accounts are explained. The last five chapters treat of comparatively advanced matters of account, and contain practical hints, which are the outcome of long experience of the difficulties of bookkeeping, and of the best ways to avoid or surmount them.

With a view to making the book complete, exercises have been added, with a key, showing in detail the working of each.

Here, at the outset, the necessity for practice is urged upon the reader. Bookkeeping cannot be learned from a book without practice any more than swimming can be completely learned on dry land. A bookkeeper, in charge of a set of books, has the best of all opportunities for perfecting his knowledge, if properly instructed. Others may work out exercises, but this method, good as it is, has not the same advantages as dealing with real transactions. All may, however, find or make an opportunity for practice in keeping their own private accounts, and may gain in this way a knowledge of their own monetary affairs, when periodically reviewed, which will prove so useful that the habit is likely to be continued for its own sake. At the end of the text will be found some hints as to the most advantageous way of keeping private accounts.

66, Nightingale Lane, S.W.,
November, 1904.

BOOKKEEPING: The Principles and Practice of Double Entry.

INTRODUCTION.

If a system of bookkeeping is to be satisfactory, it must fulfil the three following requirements :—

1. To provide a continuous record of transactions in money and in money's worth.
2. To show the sums due to and from various persons at any time, and the values placed upon property of each kind, also additions to and diminution of such values.
3. To furnish the means of bringing together periodically the totals of transactions of various classes, and so ascertaining the result of such transactions, as a whole.

Single-entry bookkeeping fulfils the first two conditions; the double-entry system not only does this, but fulfils the third as well. This is the fundamental difference between the two methods.

To the uninitiated the term double entry is a mystery, and to many suggests the making of two entries where one would suffice. There is, however, no mystery about it, and it involves no unnecessary labour. The double-entry system of bookkeeping rests on the principle that business transactions are two-fold in their nature, and may, for that reason, be regarded in two aspects, which are represented by two entries.

It is not enough to show that there are two parties to every transaction, and that its two-fold nature consists in its effects upon the two parties. It is not proposed to keep books for both parties, but only for one, and it must be shown that from the standpoint of that party each transaction is twofold in its nature, and can be represented in two aspects in books of account.

In considering the ordinary commercial transactions of buying and selling, there is no difficulty in establishing two aspects, thus:—

When a trader buys for cash—

(*a*) He increases his stock of goods.

(*b*) He diminishes his money.

When he buys on credit—

(*a*) He increases his stock of goods.

(*b*) He becomes a debtor to the seller.

When he sells for cash—

(*a*) He increases his money—

(*b*) He diminishes his stock of goods.

When he sells on credit—

(*a*) He makes the purchaser his debtor.

(*b*) He diminishes his stock of goods.

In the case of receiving money from a debtor the matter is equally clear, for—

(*a*) He increases his money.

(*b*) He diminishes the amount owing to himself.

And when he pays a creditor—

(*a*) He diminishes his liabilities.

(*b*) He diminishes his money.

In many other kinds of transactions, their two-fold nature is not so apparent, but can be discerned *when the transaction is considered by itself.* Thus, if you charge a fee for services—

(*a*) You make the person to whom they were rendered your debtor.

(*b*) You make a profit.

Or, if you receive the fee at the time—

(*a*) You increase your money.

(*b*) You make a profit.

If you release a debtor from part of his indebtedness—

(*a*) You lose the amount allowed.

(*b*) You diminish the amount due to you.

If you pay wages or salaries—

(*a*) You pay an expense.

(*b*) You diminish your money.

When at the end of a quarter you owe rent—

(*a*) You have incurred an expense.

(*b*) You have become a debtor to your landlord.

Examples might be multiplied indefinitely, but enough have been given to illustrate the way in which transactions should be regarded by the double-entry bookkeeper, if he is to frame his entries correctly.

The object of double-entry bookkeeping is to ascertain clearly what are the two aspects of every transaction, and to make two entries of equal amount which will represent these two aspects. Each pair of entries is thus a double entry, and from this fact the system derives its name.

Since each transaction has to be considered in its two aspects, a book of accounts should have its pages divided into two sides. One side is called—

The debit, debtor, or *Dr.* side.

and the other—

The credit, creditor, or *Cr.* side.

To prevent confusion the *Dr.* side is always on the left, and the *Cr.* side on the right. This distinction is arbitrary, and must always be clearly remembered.

The principle of double entry is that, whenever an entry is made on one side of the page, an entry of the same amount is to be made on the opposite side of that page, or some other. In other words, the rule is :—

For every debit entry make a credit entry of like amount.

For every credit entry make a debit entry of like amount.

In this way the total debit entries will always be equal to the total credit entries.

From the foregoing it may be supposed that a complete set of double-entry accounts can be kept in one book, which has a sufficient number of pages, divided into *Dr.* and *Cr.* sides. This is the case, and, when transactions are few in number, there is no need to use more than one book. Such a book is called a Ledger.

CHAPTER I.

THE LEDGER.

EVERY page should be numbered and divided into *Dr.* and *Cr.* sides, and ruled so as to provide spaces on each side for :—

The date of a transaction (Date column).
Short particulars of it (Narrative column).
The amount in money (Money column).
The number of the page where the other aspect of the transaction is recorded (Reference column).

A specimen ruling of a Ledger is given in Appendix I.

Separate pages are set apart for particular purposes, and the name written at the head of the page shows the purpose for which it is intended. Each page so set apart is called an account.

An account will be required for each person with whom business is carried on, and for each kind of property, such as goods, furniture, machinery, &c., also for each class of transactions, such as sales, purchases, discounts, and expenses.

At the beginning of the book there should be an index, to facilitate reference to the accounts.

In order to show by examples the way in which a Ledger is used, let us suppose that you wish to record in it certain transactions of your own, as follows :—

1. You buy on credit from John Jones £100 worth of goods on Jan. 1st, 1904. One result of this transaction is that Jones becomes your creditor for £100. You therefore place his name at the head of a page (*i.e.*, you "open an account" for him), and enter on the credit side of the page: "Jan. 1, 1904.—By Goods £100." The

other result is that you acquire goods, and you therefore open another account for Goods, and enter on the debit side: "Jan. 1, 1904.—To John Jones £100." In the reference column of each account you insert the number of the page of the other account.

Before passing to the next transaction it may be remarked that the word "To" is generally used for debit entries, and the word "By" for credit entries. There is no virtue in the words, but their use is sanctioned by custom.

2. You sell the goods to Samuel Smith on credit for £120 on January 2nd, 1904. One result is that Smith becomes your debtor, and you enter in his account on the debit side: "Jan. 2, 1904.—To Goods £120." At the same time you have parted with goods, and you enter on the credit side of Goods Account: "Jan. 2, 1904.—By Samuel Smith £120." The references from one account to the other should also be put in.

3. Smith pays you £120 on January 11th. The effect of his paying you money, *considered by itself*, is that he becomes your creditor, and you enter the £120 to his credit. At the same time Cash is affected and you have, therefore, to open an account for Cash and enter £120 to the debit of it, completing the references as before.

4. You pay Jones £100 on January 12th. The effect of your paying him money, *considered by itself*, is that he becomes your debtor, and you, therefore, enter the £100 to his debit. The other effect is to reduce your cash, and you enter £100 to the credit of Cash, completing the references as in the other cases.

The entries relating to the four transactions are given in Appendix I. From these it appears that in Jones's and Smith's accounts the debits and credits are equal, which corresponds with the fact that their accounts are settled. On the Cash Account you find £20 more on the debit than on the credit side. This represents money in your hands. On the Goods Account you find £20 more on the credit than on the debit side, but this does not represent goods, for you have none left. It represents profit, and should be transferred to Profit Account, since it has no meaning while it remains in Goods Account. To transfer it you need not alter any entry that has been made, but have only to make a debit entry of £20 in Goods Account, and a credit entry of £20 in Profit Account. Both sides of Goods Account will then be equal and it can be ruled off.

Your Ledger now shows that you have £20 in hand, and that you have made a profit of £20. These are the results of your transactions.

In the case of such simple transactions as those just dealt with the result could, of course, be ascertained without any books at all. The entries are given for the sake of illustrating a principle by practical application.

In the illustrations which have just been given it will be seen that the terms "*Dr.*" and "*Cr.*" have been applied to accounts of inanimate objects, viz., goods and cash, and that these terms have evidently a special meaning when so used, since, in their colloquial sense, they can only be applied to persons. It should be observed that *it is the receiving account which is debited, and the imparting account which is credited.* This principle runs through all double-entry bookkeeping, and is the means of determining which aspect of a transaction is to be represented by a debit entry and which by a credit entry.

At this point the reader should turn back to the examples given in the Introduction, and note that in each case the (*a*) and (*b*) aspects are to be represented by debit and credit entries respectively.

If the reader be a beginner, he is recommended, before he proceeds to the next chapter, to rule a sheet of paper in the form of a Ledger, and to make the entries for himself in the order in which they occur in the text. There is no royal road to bookkeeping. It can only be learned by practice, guided by instruction.

CHAPTER II.

THE LEDGER *(continued)*.

THIS chapter will be devoted to an explanation of the way in which a set of transactions, not quite so simple as those dealt with in the previous chapter, should be entered in the Ledger. The following are similar to those which occur daily in the course of trade. Let us assume that they are your own transactions, and that you wish to record them :—

1. Jan. 1st.—Received from T. Thorn £1,000 on loan at 6 per cent. per annum, interest payable quarterly, and paid same to your Bankers.

Thorn becomes your creditor, and you have to enter £1,000 *to his credit. Cash, as the receiving account, should be debited. Paying the money to your Bankers is a separate transaction ; you should debit them, as they have become your debtors, and you should credit Cash, which is the imparting account.* (*See* Appendix II.)

2. Jan. 1st.—Drew £20 from the Bank.

Here you receive money from the Bankers, and should credit them. Cash should be debited.

3. Jan. 2nd.—Bought of C. Carslake £500 worth of goods, to be paid for next month, less $2\frac{1}{2}$ per cent. discount.

Carslake becomes your creditor, and you should enter the £500 *to his credit, and also debit Goods Account* (*as in Transaction* 1, *Chapter I.*). *The discount need not be dealt with till the money for the goods is received.*

4. Jan. 4th.—Sold E. Ellis £200 worth of goods, to be paid for next month, less 5 per cent. discount.

Debit Ellis and credit Goods (*as in Transaction* 2, *Chapter I.*). *It will be convenient to have two Goods Accounts, one for goods bought, which we will call*

"Purchases," and another for goods sold, which we will call "Sales." The two taken together will correspond with the Goods Account in Chapter I. Discount need not be dealt with till the goods are paid for.

5. Jan. 8th.—Bought of F. Fenton £300 worth of goods, and paid for them at the same time by cheque on your Bankers.

Here Fenton is settled with at once, and no account need be opened for him in respect of this transaction. The two accounts affected are Purchases and Bankers. Since you debited the Bankers when you paid money to them, you should credit them now that you draw money from them for Fenton. You should also debit Purchases.

6. Jan. 13th.—Sold goods as follows, to be paid for next month, less 5 per cent. discount:—

T. Toms, £200 worth.
J. Jones, £50 worth.
S. Samuels, £250 worth.

Debit each customer and credit Sales.

7. Jan. 20th.—Sold goods as follows, to be paid for next month, less 5 per cent. discount:—

J. Jones, £100 worth.
S. Samuels, £50 worth.
T. Toms, £100 worth.

Debit each customer and credit Sales.

8. Jan. 28th.—Bought £400 worth of goods from D. Dean.

Credit Dean and debit Purchases.

9. Jan. 30th.—Drew a cheque on the Bank for £25 to pay wages.

Credit Bankers with the amount drawn. This is one aspect of the transaction. The other is that you have paid an expense incurred in the course of business. You have therefore to debit an expense account. As there are several kinds of expenses, you should set apart an account for wages, which are an important kind of expense. Therefore, debit Wages Account.

10. Feb. 6th.—Bought £5 worth of stationery from R. Rogers.

Rogers should be credited. Stationery is not bought to sell again (except in the case of a Stationer's business), and this amount should not be debited to Purchases but to an expense account. Stationery is sufficiently important to have an account to itself, so debit Stationery Account.

11. Feb. 9th.—Bought £300 worth of goods from M. Moss and £200 worth from P. Parker, to be paid for next month.

Credit each Supplier and debit Purchases.

12. Feb. 15th.—Received the following cheque:—
T. Toms, £285 (Discount deducted, £15).

The amount of the cheque should be credited to the customer and debited to Cash (as in Transaction 3, Chapter I.). This leaves the discount to be dealt with. As you have agreed to allow the discount, you must give the customer credit for the amount, just as you give him credit for what he has paid you. Therefore, credit him with the amount of his discount. The corresponding debit must be to "Discount on Sales Account."

13. Received the following cheques:—
J. Jones, £142 10s. (Discount deducted, £7 10s.).
S. Samuels, £285 (Discount deducted, £15).

Credit each customer with the amount of his cheque and debit Cash. Also credit each customer with the amount of his discount, and debit Discount on Sales.

14. Feb. 15th.—Paid £712 10s. to Bank.

Debit Bankers and credit Cash.

15. Feb. 18th.—Paid the following amounts in cash:—
Stationery, £1.
Office Furniture, £14.

Credit Cash and debit Stationery £1.
Credit Cash and debit Office Furniture £14.

16. Feb. 20th—Paid C. Carslake, by cheque on your Bankers, £487 10s. (Discount deducted, £12 10s.).

Debit Carslake and credit Bankers £487 10s. This leaves the discount to be dealt with. Just as you credited your customers with the discount you allowed them, so you should debit Carslake with the discount he allows you. At the same time you credit "Discount on Purchases Account."

17. Feb. 20th.—Paid D. Dean by cheque £400.

Debit Dean and credit Bankers.

18. Feb. 20th.—Bought goods, as follows, to be paid for next month:—

G. Groves, £100 worth (less 5 per cent. discount).
P. Parker, £100 (net).

Credit each supplier and debit Purchases.

19. Feb. 22nd.—Received from E. Ellis cheque £190 (Discount £10 deducted), and paid same to Bank.

Debit Cash and credit Ellis £190.
Debit Discount on Sales and credit Ellis £10.
Debit Bank and credit Cash £190.

20. Feb. 23rd.—Sold E. Ellis £100 worth of goods, to be paid for next month, net.

Debit Ellis and credit Sales.

21. Feb. 29th.—Drew cheque £25 to pay wages.

Credit Bankers and debit Wages.

22. Mar. 1st.—Sold goods as follows, to be paid for next month, net:—

T. Toms, £400 worth.
J. Jones, £300 worth.
S. Samuels, £100 worth.

Debit each customer and credit Sales.

23. Mar. 5th.—Sold goods to L. Lang for £20, and received cash at the same time.

As Lang pays at the time of purchase it is not necessary to open an account for him. All you need do is to debit Cash and credit Sales.

24. Mar. 5th.—Returned to G. Groves £20 worth of goods, which were damaged when you received them from him.

As you credited Groves when you bought the goods, so you now debit him when you return them. Also, as you then debited Purchases, you now credit Purchases. The transaction is not a sale, but a reduction of purchases.

25. Mar. 10th.—Received from S. Samuels £10 of goods, which he said were not of the pattern he ordered, and you agreed to take them back.

As you debited Samuels when he bought the goods, so you now credit him when you take them back. Also, as you then credited Sales, so you now debit Sales. The transaction is not a purchase, but a reduction of sales.

26. Mar. 18th.—Sold goods, as follows, to be paid for, net, next month :—

T. Toms, £100 worth.
J. Jones, £150 worth.
G. Green, £200 worth.

Debit each customer and credit Sales.

27. Mar. 20th.—Paid the following amounts by cheque :—

M. Moss, £300.
G. Groves, £76 (Discount £4 deducted).

Debit each supplier and credit Bankers with the amounts of the cheques. Debit Groves and credit Discount on Purchases £4.

28. Mar. 25th.—Sold £400 worth of goods to F. Fenton, and received his cheque for that amount, and paid same to Bank.

Debit Cash and credit Sales.
Debit Bankers and credit Cash.

29. Mar. 25th.—Paid P. Parker £300 by cheque.

Debit Parker and credit Bankers.

30. Mar. 28th.—Bought goods as follows :—

P. Parker, £200 worth.
G. Groves, £150 worth.

Credit each Supplier and debit Purchases.

31. Mar. 31st.—Drew £20 from the Bank in cash.

Credit Bankers and debit Cash.

32. Mar. 31st.—Paid wages £25 in cash.

Credit Cash and debit Wages.

33. Mar. 31st.—Paid in cash £3 for coal and £2 for office cleaning.

These are general expenses, and do not require separate accounts. You should therefore credit Cash and debit "General Expenses Account" with both items.

34. Mar. 31st.—You find that the Bankers have allowed you £5 interest, and have charged you £2 10s. commission for the three months.

Debit Bankers and credit Interest Receivable Account £5.

Credit Bankers and debit General Expenses £2 10s.

35. Mar. 31st. You owe Thorn £15 for a quarter's interest on £1,000 at 6 per cent. per annum.

It is necessary to credit Thorn with the interest you owe him, just as much as it was necessary to credit Parker and others with the goods they supplied to you. The corresponding debit will be to Interest Payable Account. You have incurred this expense just as much as if you had paid it. It is an expense belonging to the three months ended March 31st, and should come into your accounts for that period. As you have not paid it, it must be brought in by crediting Thorn and debiting Interest Payable.

At 31st March you wish to know what the result of your trading for the three months has been, and you "take stock"; that is, you make a list of all the goods you have on hand, and value them at cost price. The total of the list is, let us assume, £300.

Before proceeding to the next chapter, the student should rule several sheets of paper in the form of a Ledger, and make all the entries for the foregoing transactions from the instructions in italics which follow them. He should then compare his workings with Appendix II. This will take some little time, but is well worth it. He should then make all the entries without referring to the instructions (covering the italics with a piece of paper while he reads the transaction which precedes them). When he can do this correctly, and not before, he may be satisfied that he has mastered the principles of double entry involved in recording these transactions. Until this degree of proficiency is reached the student should not proceed further. Any attempt to learn bookkeeping from a book without making practical application of what is read is foredoomed to failure.

In following the above suggestion, the application of the principle that the receiving account is debited and the imparting account credited should be carefully observed.

When accounts of persons or of property (such as cash, goods, furniture) are affected, there is usually no difficulty in determining whether they receive or impart. An exception occurs in the case of discount, for, when a creditor allows discount, he appears to impart rather than to receive, and yet we have seen that he must be debited. The explanation lies in the fact that, although he does not actually either receive or impart, he has agreed to consider his account as settled in full. He must therefore be treated as receiving the amount of the discount, and debited accordingly; otherwise you would still appear to owe him something. As the amount of discount has not been actually paid, you cannot credit your Cash Account, for it has not been affected by the allowance of discount. You therefore credit the account which is affected, namely, "Discount on Purchases."

When accounts which are only lists of transactions (such as wages, interest, general expenses) are affected, it is not so easy to determine whether they receive or impart, for one cannot imagine a list of transactions doing either one or the other. It is therefore necessary to turn to the aspect of the transaction which affects the account of a person or of property. If this aspect requires a debit entry, then the account which is a list of transactions requires a credit entry, and *vice versâ*.

In the previous chapter we saw that the terms *Dr.* and *Cr.* were applied not only to persons but to things, and in the present chapter we have seen them used in relation to lists of transactions, so that in bookkeeping these terms have a much wider application than is otherwise associated with them.

CHAPTER III.

THE TRIAL BALANCE.

ALL your transactions have now been recorded on double entry principles. The next thing to do is to test the accuracy of the entries by making a Trial Balance. In order to do this, each account should be added up, and, if one side is greater than the other, the difference is the "balance" of the account. If the debits exceed the credits, the account will have a debit balance; if the credits exceed the debits, the account will have a credit balance.

(Up to this point only the entries in ordinary type in Appendix II. have been made, and the entries in italics should be treated as if they did not exist.)

Since for every transaction you have made a debit and a credit entry of equal amount, it follows that, when debits and credits are subtracted from each other on every account, the totals of the debit and credit balances so obtained should be equal. Let us therefore write out all the balances in two columns, and see whether they agree. The list of balances should show the name of each account and its page in the Ledger. When there is no balance, no entry need be made in the list.

TRIAL BALANCE.—March 31st, 1904.

Page.	Name of Account.		Dr. Balances. £ s. d.	Cr. Balances. £ s. d.
1	T. Thorn, Loan Account ...			1,015 0 0
2	Cash		15 0 0	
3	Bankers		351 10 0	
5	Purchases	√	2,230 0 0	
6	E. Ellis		100 0 0	
7	Sales	√		2,710 0 0
8	T. Toms		500 0 0	
9	J. Jones...		450 0 0	
10	S. Samuels		90 0 0	
12	Wages	√	75 0 0	
13	R. Rogers			5 0 0
14	Stationery	√	6 0 0	
16	P. Parker			200 0 0
17	Discount on Sales	√	47 10 0	
18	Office Furniture		14 0 0	
19	Discount on Purchases ...	√		16 10 0
20	G. Groves			150 0 0
21	G. Green		200 0 0	
22	General Expenses	√	7 10 0	
23	Interest Receivable	√		5 0 0
24	Interest Payable	√	15 0 0	
			£4,101 10 0	£4,101 10 0

The totals of the debit and credit balances are equal. A Trial Balance is a test (though not an absolute proof, as will be shown later) of the correctness of entries.

When the accounts in Appendix II. and the Trial Balance are carefully looked into and considered, there are a good many things that may be observed. Here are some of them :—

Observations.

1. That there are separate accounts for—

(*a*) Sales, Discount on Purchases, and Interest Receivable.

(*b*) Purchases, Discount on Sales, Interest Payable, and different kinds of expenses.

These accounts represent the totals of your transactions, and furnish the material for an account showing the result of your trading. Stock on hand at March 31st must also be taken into account, but there is no account for it yet.

2. That there are accounts showing what you possess in the way of furniture and book debts, and what you owe. What you possess at March 31st, including stock, less what you owe, will be what you have made during the three months.

3. That there are thus two ways of ascertaining your profit, and, if the system of bookkeeping is correct, the result should be the same in both cases.

4. That it is troublesome to turn the pages of a book to and fro while making the corresponding debit and credit entries in different parts. The more numerous the entries the more serious would be the inconvenience due to this cause.

5. That there are more entries in the Purchases, Sales, Bank, and Cash Accounts than in any others, and that the inconvenience would be much reduced if these accounts were kept in separate books.

6. That the Discount Accounts are only used when money is received or paid.

7. That some accounts are accounts with persons (these are called "Personal Accounts"), and that of these some are with buyers and others with sellers.

8. That some accounts represent things, such as money, goods, and furniture, and others represent lists of transactions, such as sales, purchases, wages, payments, and expenses. Accounts of these two kinds are called "Impersonal Accounts."

9. That in Paragraphs 7 and 8 there are at least three kinds of accounts referred to, which might well be kept in separate Ledgers, viz.:—

Buyers' Accounts.
Sellers' Accounts.
Impersonal Accounts.

10. That on the debit side of the Ledger you have two classes of balances—

(*a*) Property or assets, such as money, furniture, and debts due to you;

(*b*) Purchases and expenses, such as wages, interest, and stationery (all outgoings);

and that on the credit side of the Ledger you have also two classes of balances—

(*a*) Liabilities (or amounts due by you);

(*b*) Sales, discount on purchases, and interest receivable (all sources of income).

In the next few chapters these observations will be considered and developed in detail. Up to this point the object has been to show in the simplest form the operation of the principle of double entry. At a later stage it will be shown how these principles are applied in a complete set of books, such as are in use in a well-regulated commercial establishment.

CHAPTER IV.

THE PROFIT AND LOSS ACCOUNT.

THE account suggested in Observation No. 1 is known as a Profit and Loss Account.

In Appendix I., where only a single purchase and sale were considered, we had a Profit Account. We have now, however, to deal with many more transactions, and shall require an account which includes expenses which, considered by themselves, are of the nature of losses.

Let us proceed, then, to take from the Trial Balance the various items required, and set them down in an account, keeping them on the same side of the page as they occupy in the Ledger. As there are £300 worth of goods in stock we must bring them into the account also.

PROFIT AND LOSS ACCOUNT,

Dr. *From 1st January to 31st March, 1904.* *Cr.*

	£	s.	d.		£	s.	d.
To Purchases ...	2,230	0	0	By Sales	2,710	0	0
,, Wages	75	0	0	,, Discount on Purchases ...	16	10	0
,, Stationery ...	6	0	0	,, Interest Receivable ...	5	0	0
,, General Expenses	7	10	0	,, Stock at March 31st	300	0	0
,, Discount on Sales	47	10	0				
,, Interest Payable	15	0	0				
	2,381	0	0				
To Balance... ...	650	10	0				
	£3,031	10	0		£3,031	10	0

(As each item in the Trial Balance is entered in the Profit and Loss Account, a tick should be placed against it to show that it has been dealt with.)

It appears that you have made a profit of £650 10s.

The Profit and Loss Account is quite important enough to deserve a place in the Ledger, and we will, therefore, copy it in. This seems a breach of the rule that for every debit there must be a credit. This is easily put right by making an entry in each of the accounts which are represented in the Profit and Loss Account, to correspond with the entries in the latter account. One item in the Profit and Loss Account, viz., "Stock £300," cannot be treated in this way, for there is no corresponding Ledger Account; therefore, a Stock Account should be opened, and the following entry made in it on the debit side :—

	£	s.	d.
1904.—Mar. 31.—To Profit and Loss Account ...	300	0	0

These closing entries are shown in italics in Appendix II. Entries made in this way are known as transfers.

The profit entry, £650 10s., has not been got rid of by transfer to another account, and for the present it may remain in the Ledger as the balance of the Profit and Loss Account.

A Profit and Loss Account cannot be prepared, without a great expenditure of time and trouble, from a set of books kept on any principle but that of double entry. It is an account of the utmost importance, and fulfils the two following functions :—

a. To show what profit or loss has been made, and the causes which have contributed to it.

b. To collect within itself all the balances in the Ledger which do not represent property or liabilities, and, by so doing, to enable you to rule off all the accounts which have been transferred to it, so that you can then make a fresh start with the entries of your transactions for the next period for which you wish to ascertain your profit or loss.

On referring to the accounts in the Ledger which have been transferred to the Profit and Loss Account, it will be seen that in every case the two sides of the account add up to the same amount, and that totals have been made opposite one another, and double lines ruled underneath, so that these totals should not be added in with the figures which will follow in the next period.

The student who has till now only written out his set of accounts up to the point where the italics begin in Appendix II. should complete his set by making the entries which are printed in italics, taking care to make his entries in pairs, debit for credit, and credit for debit, and not merely copying the printed words and figures in the order in which they appear in the Appendix.

Before proceeding to consider Observation No. 2, it may be pointed out that a trader, more often than not, has stock on hand at the beginning of any period for which he desires to ascertain his profit. When this is the case, the Profit and Loss Account must begin with the value of the stock at the commencement, and this is accomplished by crediting the Stock Account and debiting the Profit and Loss Account. The stock with which a trader ends one period is, of course, the same as that with which he begins the next.

CHAPTER V.

THE BALANCE SHEET.

THE balances which now remain in the Ledger (Appendix II.) all represent property or liabilities, except the balance of the Profit and Loss Account. They cannot be cleared off as the others were, for the property and liabilities will exist, at the beginning of the next period, just as they do at the close of the first three months. These balances should, therefore, be "brought down." This is done by adding to the side of the account which is the less, an amount which will make it equal to the other side. A total is then made on each side, and the amount added is entered below the total, on the side opposite to that to which it was added, thus complying with the rule that for every debit there must be a credit of like amount, and *vice versâ*. (*See* entries in Appendix II.)

The balances thus brought down should now be copied into an account having *Dr.* and *Cr.* sides, which is called a Balance Sheet. In the Balance Sheet all the balances should appear on the opposite side to that which they occupy in the Ledger, thus:—

BALANCE SHEET,

Dr. 31*st March*, 1904. *Cr.*

	£	s.	d.		£	s.	d.
To T. Thorn, Loan Account ...	1,015	0	0	By Cash ...	15	0	0
,, R. Rogers ...	5	0	0	,, Bankers	351	10	0
,, P. Parker ...	200	0	0	,, E. Ellis	100	0	0
,, G. Groves ...	150	0	0	,, T. Toms... ...	500	0	0
				,, J. Jones	450	0	0
				,, S. Samuels ...	90	0	0
	1,370	0	0	,, Office Furniture...	14	0	0
,, Capital Account...	650	10	0	,, G. Green ...	200	0	0
				,, Stock	300	0	0
	£2,020	10	0		£2,020	10	0

Although "Stock £300" is not in the Trial Balance, it must be included in the Balance Sheet, for it has been made a Ledger balance since the Trial Balance was prepared.

It will be seen that the property on the credit side exceeds the liabilities on the debit side by £650 10s., which is the profit you have made during the three months, and agrees with the profit shown by the Profit and Loss Account. The Balance Sheet is the account suggested by Observation No. 2, and the system of bookkeeping has stood the test indicated by Observation No. 3.

The item £650 10s. is the balance of the Profit and Loss Account in the Ledger. It should not, however, stay there, or it would form part of the Profit and Loss Account for the next period, with which it has nothing to do. We have seen that not only is it the profit for the three months, but it is also the excess of assets* or property over liabilities; in other words, it is your capital. It should therefore be transferred to Capital Account, which must now be opened. This leaves the books clear for the next period.

It is not expected that this brief statement will have made clear to the reader the nature and meaning of capital.

For the present let the following working definition suffice: *Capital is the excess of assets over liabilities.* The subject receives further treatment in a later chapter.

We have now to consider the nature and purpose of the Balance Sheet. It is not a Ledger Account, to which balances are transferred, but is a summary of balances which remain in the Ledger after the Profit and Loss Account has been completed. All these balances represent assets or liabilities, and the object of the Balance Sheet is to show these in one comprehensive statement, so that your financial position may be clearly exhibited. Not only does it show whether

* The word "assets" is used in bookkeeping and accounts to denote all kinds of property, including land, buildings, plant, furniture, money, stock, book debts, and possessions of whatsoever nature.

your assets exceed your liabilities, but it also shows of what the assets consist, and the nature of the liabilities. In order that it may do this the more clearly, the items are usually grouped, and the following is a more concise form of the account :—

BALANCE SHEET,

Dr. 31*st March*, 1904. *Cr.*

	£	s.	d.		£	s.	d.
To T. Thorn, Loan Account ...	1,015	0	0	By Cash at Bank ...	351	10	0
,, Trade Creditors...	355	0	0	,, ,, in hand ...	15	0	0
	1,370	0	0	,, Book Debts ...	1,340	0	0
,, Capital Account...	650	10	0	,, Stock	300	0	0
				,, Office Furniture...	14	0	0
	£2,020	10	0		£2,020	10	0

The necessity for grouping would be more apparent if, instead of a few items, there were many hundreds, as in practice there frequently are.

The elements of the Balance Sheet are in the Ledger, and can be put together again at any time. The Balance Sheet is not to be regarded as in any sense a Ledger Account, but as a separate document, in which the balances representing assets and liabilities are marshalled. Many Balance Sheets are not headed "Dr." and "Cr." but "Liabilities" and "Assets," and in that case the words "To" and "By" are dropped. This method has the advantage of being clear and explicit, and is open to no objection so long as the items admit of description as liabilities and assets. It, however, frequently happens that items appear on the right-hand side of the account which are not assets. A study of the Balance Sheets of a few unsuccessful Companies will illustrate this remark.

The practice of placing the *Dr.* and *Cr.* Ledger balances on the *Cr.* and *Dr.* sides respectively of the Balance Sheet is sanctioned by long usage, and is so generally known and accepted that to depart from it would tend to confusion. The reversal is due to a change of the standpoint from which the accounts are regarded. Thus, in the Ledger, the accounts show the relationship in which persons and property stand to the trader, but the Balance Sheet shows the relationship of the business (not the trader) to persons and property. Thus, the business stands creditor of the debtors and property, and debtor to the creditors, and also to its proprietor for the amount of his capital. Apart from custom, it would be quite intelligible if the sides of the accounts in the Ledger were not reversed in the Balance Sheet, and it would certainly be simpler to learners of bookkeeping.

In considering the nature and purpose of the Balance Sheet and Profit and Loss Account, it should be borne in mind that the Balance Sheet is a statement of *balances at a date*, and the Profit and Loss Account is a statement of *transactions for a period.* Thus the expressions "Balance Sheet, for the year ended December 31st," and "Profit and Loss Account at December 31st," though often met with, are incorrect.

We have now, by means of a Ledger alone, compiled a complete set of accounts, which comply with the requirements laid down in the Introduction. What can be done in the case of a few transactions can be done with many; but with the increase in number, difficulties, not of principle but of practice, would arise, from the inconvenience of having a multitude of transactions to record in one book. It will be the object of succeeding chapters to show how these difficulties are overcome, by devolving some of the work of the Ledger upon other books, without violating the principle of double entry.

Exercises I. and II. should now be worked.

Commercial Terms used in Chapter VI.

An Invoice is a note sent by a seller to a purchaser containing particulars of the goods sold, with prices, so that the total of the Invoice shows the total value of the purchase. The following are examples:—

Mr. E. Ellis (Purchaser),		Jan. 1st, 1904.		
Dr. to U. Reader (Seller).		£	s.	d.
50 Gross Lead Pencils	@ 12/-	30	0	0
20 ,, Blue Crayons	@ 20/-	20	0	0
10 ,, Red Crayons	@ 28/-	14	0	0
		64	0	0
Trade Discount, 50 per cent.		32	0	0
		£32	0	0

Messrs. Adamson & Co. (Purchasers),		Jan. 2nd, 1904.		
Bought of U. Reader (Seller).		£	s.	d.
25 Reams Typewriting Paper ...	@ 4/6	5	12	6
20 ,, 8vo Note Paper ...	@ 8/-	8	0	0
		13	12	6
Trade Discount, 10 per cent.		1	7	3
		£12	5	3

A Credit Note is a note sent by a seller to a purchaser containing particulars of goods returned by, or an allowance made to, the latter, with prices, so that the total of the Credit Note shows the total value of the goods returned or the amount allowed. The following are examples:—

Mr. E. Ellis (Purchaser),		Jan. 5th, 1904.		
Cr. by U. Reader (Seller).		£	s.	d.
2 Gross Lead Pencils returned ...	@ 12/-	1	4	0
Trade Discount, 50 per cent.		0	12	0
		£0	12	0

Messrs. Adamson & Co. (Purchasers),	Jan. 6th, 1904.		
Cr. by U. Reader (Seller).	£	s.	d.
Allowance of 2d. a Ream on 25 Reams Typewriting Paper	0	4	2
Trade Discount, 10 per cent.	0	0	5
	£0	3	9

CHAPTER VI.

THE DAY BOOK, INVOICE BOOK, AND RETURNS BOOKS.

One of the accounts referred to in Observation No. 5 as being specially suitable for transference to separate books is the Sales Account.

The Day Book.

Since all sales on credit result in a debit to a customer and a credit to Sales Account, let us have a book in which all sales may be entered. Such a book must be considered as one side of a Ledger Account, kept in a separate book for convenience; and, as it is only one side of an account, it will not have *Dr.* and *Cr.* sides, but will contain a continuous series of entries of a similar kind. In it each sale can be entered, with sufficient particulars to furnish a complete and detailed record. From it each amount will be entered or "posted"* to the debit of the various customers in the Ledger. The necessary credit entry is obtained by posting the total each day, week, month, quarter, half-year, or year to the credit side of the Sales Account. The double entry is thus made complete, just as effectively as if every entry had been posted separately to Sales Account, and with much less trouble. Then, if all the entries in the book have been correctly posted to the debit and credit side of the Ledger, either in detail or in total, the book itself is not required when a Trial Balance has to be prepared.

Such a book is called a Day Book, Sales Book, or Sold Day Book (Appendix III. is a specimen page).

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* The words "ledgered" and "to ledger" are to be avoided.

The entry in the customer's account is simply "To Goods," with the date, amount, and page of the Day Book added. In the Day Book the page of the customer's account is inserted, so that the corresponding entries can be turned up one from the other. In posting the total to the credit of Sales Account references should also be inserted.

Some firms make a practice of taking a press copy of every invoice sent out to customers. When this is done the particulars need not be written out again in the Day Book, but only the date, name of customer, and amount, with the page in the Press-Copy Book for reference. In this case the form of the Day Book will be as shown in Appendix IV. The only objection to this plan is that an imperfect or blurred press copy means the partial or entire loss of the particulars of the sale.

The use of a Day Book is not limited to recording *sales*, although this is the purpose for which it is oftenest used. It is adapted for recording any amounts chargeable to persons with whom business is carried on, whether such amounts represent goods sold, services rendered, or any other source of income. Thus, a physician or surgeon would keep a Day Book, in which he would enter the fees charged to his patients for attendance and medicines; an agent would use it for charging up his commissions and expenses; lawyers, accountants, architects, engineers, and other professional men can debit their clients' accounts by means of the Day Book. In all these cases the total of the entries in the book would be posted, not to Sales Account, but to Fees Account, Commission Account, Professional Charges Account, &c., according to business carried on.

The Invoice Book.

Purchases can be dealt with in an exactly similar manner, except that the entries are posted in detail to the credit of the supplier, and in total to the debit of Purchases Account. The entry in the supplier's Account is "By Goods."

Since it is the practice of suppliers to send to the purchaser an invoice for all goods supplied, it is not necessary for the purchaser to keep in his own books full particulars of each purchase. He need only keep the invoices in order, and make in his books a reference to the invoice relating to each purchase. Thus the form of the Invoice Book, Purchases Book, or Bought Day Book, as it is variously called, is similar to the form given in Appendix IV. Instead of the reference being to the Press-Copy Book, it will be to the invoices. The invoices should, therefore, be marked with serial numbers, to correspond with the order of the entries in the Invoice Book, and filed away in that order. They will thus be readily available for reference at any time. Appendix V. shows a good and simple form of Invoice Book, with specimen entries.

When purchases are very numerous, and include a large number of invoices from the same suppliers, a good deal of labour may be saved by adopting a somewhat different form of Invoice Book, as shown in Appendix VI. In most trades accounts are made up monthly, and, when this is so, it saves much time to deal with the invoices at the end of each month. After putting all the invoices for a month together, they should be sorted out, first of all alphabetically under the names of the suppliers, and those under each name should next be arranged in order of date. They are then ready to be entered in the Invoice Book, as shown in Appendix VI. When entered they should be fastened together, and can then be put away. As they are already arranged in alphabetical and date order, they need not be numbered, nor is it necessary to make any reference to them in the Invoice Book. The reference is almost automatic. The invoices should be entered in detail in the right-hand column, and the total for each name in the left-hand column. This total is the amount to be posted to the credit of the supplier, and the object of the arrangement just referred to is to ensure that the amount to be posted shall be alongside the reference column, otherwise there is a risk that the last invoice of a group may be posted instead of the total of the group. Both columns should be added up independently, as this will be a check on the totals for each name.

While on the subject of invoices, the reader may be cautioned against the use of guard-books. They are usually cumbersome volumes, in which the invoices are pasted and folded, being thus undetachable and impossible to read until unfolded. Invoices should be filed flat, and, when the file is full, should be transferred to a binding case, or so fastened together as to be detachable when required.

It is important to bear in mind that "Purchases" should be limited in its application to goods bought for resale or to be manufactured into articles for sale. If this restriction is observed, the total of the Purchases Account will be the correct amount to enter on the debit side of the Profit and Loss Account, as against the total of the Sales Account. When plant, furniture, stationery, and other objects which are to be used but not sold are bought, they should be passed through the Journal (*see* Chapter VIII.) and debited to their proper accounts, as they have nothing to do with "Purchases" as defined above, and their inclusion in the Profit and Loss Account would be incorrect.

Sold Returns Book.

In large businesses, where allowances to and returns of goods by customers occur frequently, a separate book is required to record them.

It should be kept on the same lines as the Day Book, that is, it should show the date, customer's name, amount, reference to Ledger, *and particulars*, unless the last are recorded in a press copy of the credit note.

Its working is, however, just the converse of that of the Day Book, since the allowances and returns must be credited to the customers in detail, and, consequently, debited to Sales Account in total. They are debited to Sales Account because they are in reduction of effective sales. The entry in the customer's account is "By Returns," or "By Allowance." This book is also known as the Credit Book.

Bought Returns Book.

This is similar in form to the Sold Returns Book. The entries should show the date, supplier's name, amount, reference to Ledger, *and particulars*, unless the last are shown in a credit note received from the supplier. In that case the credit notes should be numbered, and referred to in the Bought Returns Book by number.

The entries are posted in detail to the debit of the supplier, and in total to the credit of Purchases Account, since they have reduced the cost or quantity of the purchases. The entry in the supplier's account is "To Returns," or "To Allowance."

In small businesses Sold and Bought Returns Books are not required, but the necessary entries may be passed through the Journal, a book the use of which is described in Chapter VIII.

Four classes of entries relating to goods have now been dealt with, and the way to treat each class in the books has been shown. There are, however, purchases for cash, and sales for cash, which do not need to be passed through Day Book or Invoice Book. In the Ledger Account in Appendix II. they were dealt with by means of entries direct from Bank Account to Goods Account, and in actual practice they may be so dealt with. If they were treated like purchases and sales on credit, four entries would be necessary for each transaction. Thus, in the case of purchases—

Entry in Invoice Book (which is part of the total posted to purchases).
Posting to credit of supplier.
Credit to Bank (or Cash).
Posting to debit of supplier.

The simpler and quite as effective method is to debit Purchases Account and credit the Bank.

A Cash Sales Book, in which particulars of the sales can be recorded, is convenient. It is not a book of account, but only a memorandum book. The total should be entered daily in the Cash Book. Although there is no actual bookkeeping necessity to pass cash sales through the Day Book, it may be well to do so in some cases, as it is thus easier to refer to a past transaction with a customer if he should give a "repeat order."

With regard to the books which have just been introduced and explained, the chief point to remember, as concerning the theory of double entry, is that *each book represents one side only of a Ledger Account, and that its total must be posted in the Ledger to its appropriate account, on the side of which the book in question has taken the place.*

CHAPTER VII.

THE CASH BOOK.

TURNING once more to Observation No. 5, and reading with it Observation No. 6, it will be seen that the Bank Account and the Cash Account are suitable for transference to a separate book, and that the Discount Accounts are closely allied with them, since they only come into operation when money passes to a creditor or from a customer. Having regard to the fact that the Bank Account and Cash Account are also closely allied to one another, since cash in hand may be paid to Bank, and money has to be drawn from Bank at times to replenish cash in hand, the most convenient arrangement of the three accounts will be that which admits of their all being kept in one book, so as to be presented to view on the same opening. This is easily accomplished by means of a book ruled with three parallel money columns on each side, which are respectively set apart for—

Discount.
Cash Account.
Bank Account.

This ruling of extra columns so cramps the space of one page that, instead of each page being divided into *Dr.* and *Cr.* sides, the left-hand page is made the *Dr.* side and the right-hand page the *Cr.* side, and the hinge of the book forms the dividing line.

The appearance of the book and the way it works will be understood from a careful inspection of the specimen double page of a Cash Book given in Appendix VII.

It will there be seen that on one opening of the Cash Book are contained all the particulars which were in the

Ledger divided up among three accounts, and that all the entries appear in the same order.

The cash drawn from the Bank to replenish cash in hand is not posted to a Ledger Account, but the entry is marked "Con." each side, this term being an abbreviated form of the Latin word "*Contra*," meaning "opposite." When cash in hand is paid to Bank, the entries are similarly dealt with. Thus, the physical transfer of cash to or from Bank is represented in the Cash Book by a transfer of figures from one column to another.

The discount belonging to each item received or paid is put down in the discount column alongside such item. The entry in the Ledger remains just the same as before, and the page of the Cash Book is inserted for reference. It is, however, usual to enter in the Ledger, "To Cash" or "By Cash," irrespective of whether the item is in the Bank column or Cash column of the Cash Book.

The pages on each side of the book are numbered alike, and an opening so numbered is called a "folio," a term which is often used in bookkeeping. When a book is referred to as "folioed," the meaning is that the two pages of an opening are numbered alike. When each page is numbered serially after the one before it, the book is said to be "paged." The terms page and folio have definite and distinct meanings to printers of account books. To bookkeepers, however, their meanings are by no means so distinct, since they have become interchangeable, through being used indiscriminately. The term page is used throughout this book.

This is a digression from the purpose of this chapter, which is to explain the use of the Cash Book. Referring again to Appendix VII., it will be seen that at March

31st the book is ruled off, and that the Cash Account and Bank Account go on into April, by means of their respective balances being carried down, but the Discount Accounts stop short with unequal totals on the two sides; also that, while the Cash and Bank totals are not to be posted, there is a note against the Discount totals that they should be posted.

The Discount columns resemble the Day Book, Invoice Book, and Returns Books in this respect, because each Discount column must, like those books, be regarded as representing one side only of a Ledger account; the Discount totals must therefore be carried into the Ledger to that side of the account of which they have respectively taken the place. *The Cash Account and Bank Account, however, represent both sides of the Ledger, and may be regarded as complete Ledger accounts, kept separately for convenience.* To this extent the Cash Book may be considered as a Ledger restricted to special uses. *The Cash and Bank balances must therefore be incorporated in the Trial Balance.*

Without this explanation it would appear to be incorrect to post the total discounts on the *Dr.* side to the *Dr.* side of the Ledger, and the total on the *Cr.* side to the *Cr.* side of the Ledger. The Discount columns are not an effective Ledger account representing anything concrete, as the Cash Account and Bank Account are, but are put in the positions they are seen to occupy because in this way the entries are brought alongside the Cash entries to which they relate. The entries in the Discount column on the left-hand page are posted in detail to the credit of the customers, and the total must, therefore, go to the debit of Discount Account. A similar reasoning applies to the total of discount on the right-hand page.

The principles set forth in the two preceding paragraphs are at first sight a little involved, but they should be studied until thoroughly mastered, for it is a correct understanding of principles which distinguishes the accountant and the intelligent bookkeeper from the unintelligent or mechanical bookkeeper.

In many parts of the country, owing to the fact that banks charge a commission or percentage on all money drawn from the banking account, it is not usual for business men to pay all the money they receive to the bank, because they would be charged with a commission when they drew it out again. They, therefore, make many payments in coin. The Form of Cash Book shown in Appendix VII. is suitable in such cases.

In London, and some parts of the Provinces, Banks do not, as a rule, charge commission in the same way, and it is the practice of most firms whose accounts are well kept to pay into the Bank all the money they receive, and to make as many payments as practicable by cheque. When this is the case the use of the Cash Book is varied somewhat. It is ruled exactly like the Cash Book in Appendix VII., but the columns are used differently. The Discount columns on both sides are used in precisely the same way as before. The second column on each side is, however, not called the "Cash" column, but the "Detail" column. In it are entered on the debit side all moneys received. When a payment to Bank is made, it is only necessary to add up the Detail column and carry the total into the third or Bank column, and this total is the amount to be paid to Bank. A line is then ruled under the last item in the Detail column, and the next addition of that column will start from below this line. Thus all the items below the last line ruled are represented by money or cheques in hand.

On the credit side all cheques drawn are entered in the third or Bank column, just as in the case of the form shown in Appendix VII. The second or Detail column is not much used, in fact, it is in many cases not required. It is, however, useful when one cheque is drawn to pay two or more items of different kinds. Suppose, for instance, a cheque is drawn for £20 12s. 3d., to pay wages, £15 4s. 9d., and travelling expenses, £5 7s. 6d., the £15 4s. 9d. and £5 7s. 6d. would be entered in the Detail column, and the £20 12s. 3d. in the Bank column.

A careful study of Appendix No. VIII. will explain how this form of Cash Book works.

It is obvious that it provides no column in which payments in coin may be entered. To get over this difficulty the Petty Cash Book is introduced, and an explanation of it will be found in Chapter X.

No reference has yet been made to the narrow column on the credit side, headed "Voucher No." This is for numbers which will run serially, to correspond with numbers placed on the vouchers or receipts which will be given by persons to whom money is paid. The numbers will first be entered in the Voucher No. column, and the respective vouchers will then be marked to correspond. The vouchers should then be filed away or bound in the order of the numbers they bear, and will thus be easily referred to. Here, again, avoid the use of a guard-book; it is a source of trouble, and its cost may be saved.

Whatever form of Cash Book is used, it is desirable that all money received, from whatever external source, should be entered in it.

The Bankers' Pass Book.

This is a book in which the Bankers make a copy of their customer's account; it has money columns, and is ruled for *Dr.* and *Cr.* entries. It should be frequently compared with the Bank columns of the Cash Book; once a month is the usual thing, but it is sometimes necessary to make the comparison at shorter intervals The Bankers credit their customer with the money he pays in, and debit him with the cheques he draws, and with interest, commission, discount on bills, and charges for collecting cheques which are payable in Scotland, Ireland, and abroad.

It will frequently be found that the balance shown by the Pass Book does not agree with that shown by the Cash Book. This may be due to several causes, such as—

(*a*) The Bankers may not have credited the customer with the amount of cheques payable in a distant town, as they themselves do not in such cases receive the money for some days.

(*b*) Some person to whom the customer has given a cheque may not have presented it, and in that case the Bankers will not have debited the customer's account.

(*c*) The bankers may have debited cheque-stamps, commission, interest, discount, or collecting charges, or they may have credited interest, none of which have been entered in the Cash Book, because the amount might not be known by the customer till he obtains his Pass Book from the Bankers.

(*d*) There may be errors in the Pass Book or the Cash Book, or both.

When the balances shown by the Cash Book and Pass Book differ, a Reconciliation Statement should be prepared, and it is made in this way :—

1. Compare the items in both books in detail, and make a tick against those that correspond.

2. Examine the Pass Book for items which have not been ticked. If these represent charges made or interest allowed by the Bank, they should, if correct, be entered in the Bank column of the Cash Book. If the balance of the Cash Book thus altered still does not agree with the Pass Book, the next step is to—

3. Examine the Cash Book for unticked items. These may represent—

(*a*) Cheques paid in but not yet credited by the Bankers.

(*b*) Cheques drawn but not yet presented by the persons to whom they were given.

4. The Pass Book balance should now be modified, as for example :—

	£ s. d.	£ s. d.
Balance at Bank, per Pass Book ...		305 9 6
Add Amount paid in but not credited		27 3 0
" " " "		4 19 9
		337 12 3
Less Cheques not presented—		
Smith	204 10 9	
Hopkins	29 4 2	
Robinson	11 3 7	
		244 18 6
Balance shown by Cash Book		£92 13 9

If the figure thus arrived at is not the balance shown by the Cash Book, there must be an error in the addition of one book or the other.

When the Bank Account is overdrawn, unpresented cheques must be added to, and amounts not credited must be deducted from, the Pass-Book balance.

It is quite unsafe to rely on the Pass Book to show the balance really available. The above example shows that, while there was a sum of £305 9s. 6d. to the customer's credit at the Bank, there was only a sum of £92 13s. 9d. available, as cheques to the amount of £244 18s. 6d. might be presented at any moment.

When a cheque paid into your account is "dishonoured," the Bankers will debit you, and you should make an entry in the Cash Book to the credit of the Bankers, and post it to the debit of the person from whom you received the cheque. If you pay the cheque in again, you should make a fresh entry in the Cash Book, debiting the Bankers and crediting the person from whom you received the cheque.

Exercise III. should now be worked.

CHAPTER VIII.

THE JOURNAL.

THE books that have already been introduced suffice for recording the transactions they are intended to deal with. Other transactions may, however, occur, and, if they are of a class for which these books are not adapted, a separate book is required. To meet this want a Journal is used. This is a book ruled on every page for—

Date.
Description of Entry (or Narrative).
Reference to Ledger.
Dr. and *Cr.* money columns.

A specimen page is given in Appendix IX., with examples to illustrate the way in which the book should be used.

Items which are to be posted to the debit side of the Ledger are entered in the first or *Dr.* money column; those which are to be posted to the credit side of the Ledger are entered in the second or *Cr.* money column.

Each entry must be complete in itself (*i.e.*, the debit or debits must equal the credit or credits in every case.) Thus the book can be used for every class of entry, but in practice it is only used for such as, from their nature, cannot be passed through other books.

As shown in Appendix IX., entries may be simple, consisting of—

One debit and one credit,

or compound, consisting of—

One debit and two or more credits,
Two or more debits and one credit,
Two or more debits and two or more credits.

In all cases the total of the debits must equal the total of the credits in the entry. It is usual for the debit to be written first, thus :—

		£ s. d.	£ s. d.
Jan. 29th.—Bad Debts	*Dr.*	10 4 9	
To Z. & Co.			10 4 9

not—

		£ s. d.	£ s. d.
Jan. 29th.—Z. & Co.	*Cr.*		10 4 9
By Bad Debts... ...		10 4 9	

Since Cash and Bank transactions are recorded in a separate book, it is considered bad form to pass through the Journal any entry which would require to be posted to the Cash Book. An exception to this is when the Journal is used to "open" a set of books. This will be referred to later.

As examples of transactions which may with advantage be passed through the Journal, the following are given :—

1. Writing off Bad Debts.
2. Making reserves for discount, doubtful debts, estimated expenses, &c.
3. Interest receivable and payable.
4. Transfers from one Ledger Account to another.
5. Purchase or sale of something that is not part of the merchandise dealt in, such as, for instance, plant, furniture, buildings, stationery, &c.
6. Bills receivable and payable.
7. Rents receivable and other sources of income.
8. Adjustment of accounts when the adjustment is such that it cannot conveniently be made through the other books.
9. Opening or closing a set of books.

A few specimen entries will help to make the use of the Journal understood.

Bad Debts.—*See* Appendix IX.

Reserves.—*See* Chapter XII., pp. 67 and 69.

Interest.—Taking T. Thorn's account in Appendix II., the Journal entry would be—

		£ s. d.	£ s. d.
1904.			
March 31st.—Interest Payable ...	*Dr.*	15 0 0	
To T. Thorn ...			15 0 0
(*Quarter's Interest to date.*)			

If, on the other hand, Thorn were a debtor for the interest, the entry would be :—

		£ s. d.	£ s. d.
1904.			
March 31st.—T. Thorn	*Dr.*	15 0 0	
To Interest Receivable...			15 0 0

Transfers.—Assume that C. D. & Co. are debtors for £150 in the Sold Ledger, and creditors for £50 in the Bought Ledger, and that the latter account is subject to a discount of $2\frac{1}{2}$ per cent. If the accounts are to be set off one against the other, that is, if the Bought Ledger account is to be paid "by contra," the entry would be :—

		£ s. d.	£ s. d.
C. D. & Co., Bought Ledger Account	*Dr.*	50 0 0	
To Sundries—			
C. D. & Co., Sold Ledger Account... ...			48 15 0
Discount Received			1 5 0

The posting to the Bought Ledger would be as follows :—

C. D. & Co.

	£ s. d.
To C. D. & Co., Sold Ledger Account ...	48 15 0
,, Discount	1 5 0

This is clearer than making one debit, such as, "To Sundries £50."

Profit and Loss Transfers.—The entries for the Profit and Loss Account given in Appendix II. would be :—

		£ s. d.	£ s. d.
1904.			
March 31st.—Profit and Loss Account	*Dr.*	2,381 0 0	
To Sundries—			
Purchases			2,230 0 0
Wages			75 0 0
Stationery			6 0 0
General Expenses			7 10 0
Discount Allowed			47 10 0
Interest Payable			15 0 0

		£ s. d.	£ s. d.
1904.			
March 31st.—Sundries —	*Dr.*		
To Profit and Loss Account			3,031 10 0
Sales		2,710 0 0	
Discount Received		16 10 0	
Interest Receivable		5 0 0	
Stock at Date...		300 0 0	

		£ s. d.	£ s. d.
1904.			
March 31st.—Profit and Loss Account	*Dr.*	650 10 0	
To Capital Account ...			650 10 0
(*Profit for the Quarter transferred.*)			

Purchase or Sale of Plant, &c.—Assume that you buy plant to the value of £150 from the Machinery Co. on July 27th :—

		£ s. d.	£ s. d.
July 27th.—Plant	*Dr.*	150 0 0	
To Machinery Co....			150 0 0
(*Their Invoice No.* 2017.)			

If you sell to C. Smith for £20 Office Furniture which stands in the books at £35 :—

		£ s. d.	£ s. d.
Sundries—	*Dr.*		
To Office Furniture			35 0 0
C. Smith...		20 0 0	
Loss on Sale of Furniture		15 0 0	
(*Sale of old Desks*)			

It would be incorrect to pass the purchase or sale through the Invoice Book or Day Book, as the totals of these books would be posted to Purchases and Sales Accounts respectively, and be written off in the next Profit and Loss Account, without affecting the Plant and Furniture Accounts. The difficulty could be got over, it is true, by analysing the totals of these books, but it is unsafe to bury a special item with a mass of others from which it differs materially in character.

Bills Receivable and Payable.—See Chapter IX.

Rent and other sources of income would be dealt with just in the same way as interest receivable.

Adjustments.—Assume that Adams & Co., a firm of Solicitors, have been collecting debts for you, and render an account showing that they have received £120 3s. 2d. from sundry debtors, A. B. and others, as set out below, and have sent you a cheque for £105 4s. 9d., deducting their costs and disbursements, £14 8s. 5d.; the entry would be—

		£	s.	d.	£	s.	d.
Sundries—	*Dr.*						
To Sundries—							
Adams & Co.		105	4	9			
Legal Expenses		14	18	5			
A. B.					29	4	3
C. D.					15	7	9
E. F.					14	2	1
G. H.					21	5	8
I. K.					15	0	0
L. M.					25	3	5
(*Per Adams & Co.'s Account of this date.*)							

If the cheque is then entered in the Cash Book and posted to the credit of Adams & Co. their account will be cleared. The Journal entry will serve to place the amounts collected to the credit of the respective debtors, and to debit Legal Expenses Account with the costs.

An example of a Journal entry to open a set of books is given in Chapter XIII.

In the case of a compound entry it is generally desirable to avoid posting "To Sundries" or "By Sundries," in order to give greater clearness. This is well seen in transferring balances to Profit and Loss Account. Thus, if the Journal entry is—

		£	s.	d.	£	s.	d.
Profit and Loss	*Dr.*	2,250	0	0			
To Sundries—							
Purchases...					1,000	0	0
Wages					800	0	0
Coal					200	0	0
Rent					250	0	0
&c.					&c.		

the debit to Profit and Loss should not be "To Sundries £2,250," but as follows:—

PROFIT AND LOSS ACCOUNT.

	£	s.	d.
To Purchases	1,000	0	0
,, Wages	800	0	0
,, Coal	200	0	0
,, Rent	250	0	0
&c.	&c.		

This principle may be applied to many other entries with advantage.

It is a good plan to number each entry serially, placing the number in red ink under the date. The vouchers or documents (if any) on the authority of which entries have been made should be numbered to correspond, and should be filed in the same way as invoices, but not with them.

Proficiency in journalising is an indication of a thorough grasp of double entry principles, and is only attained by practice.

Few sets of books can be considered complete unless they include a Journal; it is therefore recommended that this book should find a place in every set. From time to time transactions arise, or adjustments become necessary, which can only be recorded satisfactorily through the Journal.

There is much difference of opinion among accountants as to the use of a Journal. One authority, at least, holds that every transaction should be passed through it, so that from this book alone the whole of the entries in the others could be reconstructed. Others avoid the use of the Journal as far as possible, and would make occasional entries by direct Ledger transfer when they cannot be passed through any of the other books, or even make use of the *Dr.* and *Cr.*

columns of the Cash Book for entries which have no reference to actual cash transactions. The author's view lies between these two extremes. The Journal should be used when by means of it an entry can be made more clearly and conveniently than in any other way, and also when an explicit description of an unusual entry is required. It is also better to make a Journal entry rather than a direct Ledger transfer.

Exercises IV. and V. should now be worked.

CHAPTER IX.

BILL BOOKS.

THE following is a form of a Bill of Exchange in blank :—

£ : : ____________ 190____

____________after date Pay____________or

________order____________value received.

*To*____________

____________ ____________

Assume that A. B. & Co. owe C. D. £109 4s. 2d., and that it has been arranged for payment to be made by Bill of Exchange, dated July 3rd, 1904, payable at three months. C. D. will then "draw upon" A. B. & Co., and the latter will "accept" the bill, by writing their names and the place where it is payable across the face of it. The completed document will then appear thus :—

£109 4s. 2d. *July 3rd*, 1904.

Accepted. Payable at the
London Bank, Chelsea
Branch.
A. B. & Co.

Three Months after date Pay me, or my order, One hundred and nine pounds four shillings and two pence, value received.

To Messrs. A. B. & Co., London. C. D.

C. D., the creditor, is the "drawer," and A. B. & Co., the debtors, are the "acceptors." The word "accept" in connection with Bills of Exchange has nothing to do with receiving; on the contrary, it is the acceptor who has to pay; what he accepts is the liability.

BILLS RECEIVABLE.

The completed bill or acceptance is held by C. D., and to him it is a Bill Receivable.

On the date he receives it, duly accepted, he will make a Journal entry debiting Bills Receivable Account, and crediting A. B. & Co., thus :—

		£ s. d.	£ s. d.
July 3rd.—Bills Receivable	... *Dr.*	109 4 2	
To A. B. & Co.	... ...		109 4 2

Three courses are open to C. D. :—

(1.) To hold the bill until it is due, and then present it, which is usually done through Bankers.

(2.) To take it to his Bankers before it is due and discount it.

(3.) To pass it on to some party to whom he owes money; or, in other words, negotiate it.

If the bili is to be presented when it is due, it will be paid in to C. D.'s banking account a day or two before, and on the due date he will enter in his Cash Book, to the debit of the Bank, £109 4s. 2d., and post this amount to the credit of Bills Receivable. This brings the matter to an end if the bill is met, that is, paid by A. B. & Co. at maturity, or due date.

If the bill is discounted, the Bankers will give C. D. something less than the amount of the bill. Assume that the bill is discounted on August 6th, and that the Bank charge a discount of 5 per cent. per annum. The three days of grace allowed by law make the bill due on October 6th, so that there are two months to run. The Bank will therefore charge one-sixth of 5 per cent., or 18s. 2d. Some Banks will credit their customer with the full £109 4s. 2d., and debit him with the discount, 18s. 2d.; others will credit him with the net amount, £108 6s. In either case

C. D. should enter in his Cash Book, in the Bank column on the debit side :—

	£	s.	d.
Aug. 6th.—To Bills Receivable	109	4	2

and on the credit side—

	£	s.	d.
Aug. 6th.—By Discount	0	18	2

The debit entry will be posted to the credit of Bills Receivable, and the credit entry to the debit of Bank Charges Account.

If C. D. negotiates the bill by passing it on to E. F. & Co., the entry will be :—

	£	s.	d.	£	s.	d.
E. F. & Co. ... ... *Dr.*	109	4	2			
To Bills Receivable				109	4	2
(*For amount of A. B. & Co.'s acceptance handed to them.*)						

It will sometimes happen that a bill is dishonoured, that is, not met at maturity. In that case the holder will debit the person from whom he received the bill.

If the bill has been presented through the Bank, the Bank are the holders, and the entry in C. D.'s books will be as follows, in the Bank column on the Credit side of the Cash Book :—

	£	s.	d.
Oct. 7th.—By A. B. & Co. Bill dishonoured	109	4	2

and this will be posted to the debit of A. B. & Co.

If the bill has been handed on to E. F. & Co., they are the holders, and an entry will be made in C. D.'s Journal :—

	£	s.	d.	£	s.	d.
Oct. 7th.—A. B. & Co. ... ... *Dr.*	109	4	2			
To E. F. & Co.				109	4	2
(*A. B. & Co.'s acceptance, held by E. F. & Co., dishonoured.*)						

and the postings will be to the debit of A. B. & Co., and the credit of E. F. & Co.

Sometimes a bill is renewed, that is, the acceptor says he cannot pay, and asks the drawer to give up the old bill and take a new one, payable at a later date, in its place.

Thus, if A. B. & Co. ask C. D. to renew, and the latter agrees, the entries in his books will be :—

		£ s. d.	£ s. d.
Oct. 7th.—A. B. & Co.	*Dr.*	109 4 2	
To Bills Receivable			109 4 2
(*Their acceptance withdrawn.*)			

and in respect of the new bill :—

		£ s. d.	£ s. d.
Oct. 7th.—Bill Receivable... ...	*Dr.*	109 4 2	
To A. B. & Co.			109 4 2
(*Acceptance in lieu of the one withdrawn.*)			

(When a bill is renewed it is usual to charge interest, and this may either be paid in cash or added to the amount of the new bill. In either case the acceptors should be debited with the interest.)

From the foregoing it will be seen that the necessary bookkeeping entries can be made through the Cash Book and Journal. It is, however, important to keep somewhat full particulars of bills, in view of the many contingencies that may arise, and for this purpose a Bills Receivable Book (Appendix X.) should be introduced. This may be a Memorandum Book only (*see* p. 63), or it may be made a Book of Account. Appendix X. shows a book designed for the latter purpose. When used as a Book of Account every bill received should be entered in it and posted to the credit of the person from whom it is received. The total of the bills should be posted to the debit of Bills Receivable.

Once a bill has been entered, subsequent transactions with it should not pass through the Bill Book for posting purposes, but a note of them should be made in it. A fresh bill received on renewal of an old one should, of course, be entered.

The Bills Receivable Account, having been debited with all bills received, and credited with the amount of bills renewed, discounted, or collected at maturity, should show a balance equal to the total value of bills still in hand.

Bills Payable.

To A. B. & Co., the bill referred to at the beginning of this chapter is a Bill Payable.

In their books the entry will be :—

		£ s. d.	£ s. d.
July 3rd.—C. D.	*Dr.*	109 4 2	
To Bills Payable			109 4 2

When the bill is met, the entry will be on the Credit side of the Cash Book in the Bank column :—

	£ s. d.
Oct. 6th.—By Bills Payable	109 4 2

and this will be posted to the debit of Bills Payable, which brings the matter to an end.

If it is not met no entry need be made, and the bill will remain as part of the balance on Bills Payable Account.

The acceptor is not concerned with what happens to the bill after he has accepted it. He only has to provide his Bankers with sufficient funds to meet it at maturity.

If he cannot do this he may ask the drawer to renew, and, if the latter consents, the entry in A. B. & Co.'s books will be :—

		£ s. d.	£ s. d.
Oct. 6th.—Bills Payable	*Dr.*	109 4 2	
To C. D.			109 4 2
(*Our acceptance withdrawn.*)			

and the new bill will be dealt with just as if it were an original one.

Bills Payable can be dealt with, in the first place, through the Journal. It is usual to keep full particulars of them in a Bills Payable Book (Appendix XI.). This may be a Memorandum Book only, or a Book of Account. If used as a Book of Account, the bills will be posted in detail to the debit of the drawer, and the total to the credit of Bills Payable.

The Bills Payable Account, having been credited with all bills accepted, and debited with the amount of all bills paid or renewed, should show a balance equal to the total of bills still current.

General Notes.

Bills of Exchange are often made payable "on demand," "at sight," or so many days or months "after sight." When payable on demand or at sight, no days of grace are allowed. In the case of bills payable after sight the time begins to run, not from the date of the bill, but from the date at which it is sighted, or presented for acceptance.

The customary abbreviation for acceptance is *Ac/ce.*

Promissory Notes may be dealt with in just the same way as Bills of Exchange. There is, however, no acceptor of a Promissory Note: the drawer is the person who is to pay.

The form of a Promissory Note is as follows :—

£100 0s. 0d.

August 15*th*, 1904.

Three months after date I promise to pay you or your order One Hundred Pounds, value received.

To Henry Williams, JOHN JAMIESON.
40, *Market Street, Ware.*

The customary abbreviation for Promissory Note is *P/N.*

Inland Bills of Exchange and Promissory Notes are subject to an *ad valorem* stamp duty, except Bills of Exchange payable on demand, which require only a penny stamp for any amount.

Bills and notes are usually numbered serially by both parties, for convenience in reference. The number should be written on the document in coloured ink, and should be mentioned in every entry referring to the bill.

A note should be made in a diary a week or so before a bill or note payable or receivable falls due. This is safer than relying entirely on the Bill Books, and gives time to prepare for contingencies.

Interest charged and discount allowed on Bills of Exchange and Promissory Notes are usually passed through the Journal. Sometimes columns are added in the Bill Books for these items. In that case, care should be taken to post the totals of these columns to the side of the Ledger opposite to that to which the items have been posted in detail.

Stamps on bills should be charged to the acceptor through the Journal. Such stamps are usually paid for out of Petty Cash, and whatever account they are then charged to should be credited when the acceptor is debited. It is generally inconvenient to debit the acceptor direct from Petty Cash. A good plan is to debit all stamps bought to a Bill Stamps Account, and to credit this account with stamps charged to various acceptors. The balance of the account, if any, should be represented by unused Bill Stamps in hand.

Bankers' discount is not the equivalent of interest. For instance, if a bill of £100, due twelve months later, be discounted at 5 per cent., the Bankers will charge £5, and give credit for £100, which is the same as crediting £95 net. Thus the Bank's customer pays

£5 for the use of £95 for a year, which is equal to rather over $5\frac{1}{4}$ per cent. interest.

Bills are often drawn by one party on another, and made payable to a third. The necessary entries will depend upon the course of dealing with the bill.

Bill Books, when used as books of account (*i.e.*, when the entries are posted to the Ledger), are, each of them, one side of a Ledger Account, kept in a separate book for convenience. In this respect they resemble the Day Book, Invoice Book, and Returns Books.

Exercises VI. to VIII. should now be worked.

CHAPTER X.

THE PETTY CASH BOOK.

When the Cash Book is kept in the form shown in Appendix VIII., a Petty Cash Book is necessary, since there is otherwise no separate book for recording payments in coin. In any case a Petty Cash Book is useful, as it avoids cumbering the Cash Book with numerous small items.

Since all moneys received are entered in the Cash Book, it is clear that the only moneys that can be received into Petty Cash will be those drawn from the Bank or transferred from the Cash Account. These will be the only entries on the *Dr.* side of the book. The entries on the *Cr.* side will consist entirely of payments in coin.

It is obvious that the credit side will contain far more entries than the debit side, and also that the only particulars required on the debit side will be the amounts received and the date. The debit side, therefore, need not occupy half the page. A specimen page of a Petty Cash Book is given in Appendix XII.

The entries illustrate the way in which the book is used. It will be noticed that there is no column provided for Ledger Reference. This is because posting a large number of trivial items to the Ledger would entail unnecessary work, and also take up space needlessly. The Petty Cash Book, therefore, differs from the other books we have dealt with, in that there are no postings from it to the Ledger. It may, therefore, be designated a Memorandum Book, as distinguished from the others, which are Books of Account.

It is, nevertheless, necessary to carry the entries in some way to their appropriate accounts in the Ledger. This is done by analysing the items, and preparing a Summary, which is passed through the Journal.

The analysis should be made on a loose sheet of paper, or, better still, in a rough book kept for the purpose. If the specimen entries given in Appendix XII. are analysed, the Summary will be found to be as set out in the Journal entry given below.

The total of the Summary should be posted to the credit of Petty Cash Account in the Ledger, and the items representing expenses or additions to assets should be posted to the debit of the various accounts indicated by the analysis, thus:—

JOURNAL ENTRY.

		£ s. d.	£ s. d.
1904.			
Jan. 31st.—Sundries—	*Dr.*	£ s. d.	£ s. d.
To Petty Cash			6 11 8
Postages		1 0 0	
Telegrams		0 2 7	
Repairs		0 2 3	
Stationery		0 1 8	
Salaries		5 0 0	
Travelling		0 2 10	
Sundries		0 2 4	

Since the Petty Cash Book is only a Memorandum Book, the debit entries in it are not to be regarded as *postings* from the Cash Book, but the Cash Book payments to Petty Cash should be posted to the Petty Cash Account in the Ledger. In this way this account will show the same balance as the Petty Cash Book itself, because the debits in both will be the same, and the credit in the Ledger will be the same as the total of the payments in the Petty Cash Book.

With regard to Vouchers, the paragraph of Chapter VII., relating to Cash Book Vouchers, applies. Petty

Cash Vouchers should be kept quite separate from those relating to entries in the Cash Book. As formal receipts cannot be obtained for most petty payments, it is often desirable to have an Office Voucher, in the shape of a printed slip or ticket, to be used when no other receipt can be obtained. The slip should be made out and signed by the *employé* to whom the money is paid, and should be initialled by some person in authority. In this way the Petty Cashier can obtain a fairly complete set of Vouchers.

Petty Cash is often kept on the "Imprest" system, that is to say, a round sum is handed to the Petty Cashier to start with, and whatever he has spent is periodically reimbursed to him. In this way his balance is always made up to the original sum. Appendix XII. shows how the system works.

CHAPTER XI.

CLASSIFICATION OF BOOKS.

In Chapters VI. to X. a full set of books has been described, suitable for ordinary commercial use.

The Books of Account may be classified under two heads :—

1. Books of Entry, *in which transactions are entered as they occur.* These are the Day Book, Invoice Book, Returns and Allowances Books, Journal, and Bill Books.

2. The Ledger, which, as shown later in this chapter, may be subdivided into several parts, or separate Ledgers, to each of which a class of accounts is allotted. The Ledgers contain *postings only*, which are made from the entries in books belonging to Class 1.

When the books consist of a full set, it should be a fixed rule that no entry is to be made in any Ledger except by way of posting from a Book of Entry. Direct transfers from one Ledger Account to another are easily made and appear to save time, but the temporary saving is more than counterbalanced by the difficulty of tracing an incorrectly-made transfer, and by the risk of a single or "blind" entry, occurring through inability, from one cause or another, to complete the double entry at the time. Direct transfers from one Ledger to another are also fatal to sectional balancing (*see* Chapter XXI.)

It is true that in the opening chapters all entries were made direct from one account to another, for the purpose of illustrating in the simplest possible way the principle of double entry. It has, however, since been shown how, in practice, not a Ledger only but several other books are required, and when a full set of such books is introduced a new principle arises, viz., that all entries should in the first place be made in Books of Entry as distinguished from the Ledgers. If the value of this principle be not at first sight apparent, it will speedily assert itself in practice.

In addition to Books of Account there are Memorandum or Auxiliary Books. Among these may be classed the Petty Cash Book, as described in Chapter X., and the Bill Books, when they are used only to record particulars of bills. *The characteristic feature of Memorandum Books is that no postings are made from them to the Ledgers.* They are, therefore, merely auxiliary to, and not part of, the Books of Account.

SUBDIVISION OF THE LEDGER.

Observations 7, 8, and 9 (Chapter III.) suggest that three different kinds of accounts might be allocated to three different Ledgers, and in concerns of importance this is nearly always done. The usual division is as follows:—

Sold Ledger.
Bought Ledger.
General Ledger.

The Sold Ledger is also known as the Sales Ledger or Customers' Ledger, and is used for the accounts of persons to whom sales are made on credit. It may, when the number of customers is large, be subdivided, as, for instance, according to customers' names, into—

Sold Ledger, A—K,
Sold Ledger, L—Z;

or, according to their places of business, into—

Town Sales Ledger.
Country Sales Ledger.
Export Ledger.

Another method is to divide up the customers' accounts in separate Ledgers, according to districts served by the firm's travellers.

The Bought or Purchases Ledger is for the accounts of suppliers, or those from whom goods are bought on credit. It is not often necessary to subdivide it. Its use is to check the Statements of Account rendered by suppliers of goods.

A Statement of Account, or, as it is usually called, a "Statement," is a summary rendered periodically by the seller to the purchaser, showing in brief the transactions between them for the period. The following are examples :—

Mr. E. Ellis (Purchaser). Jan. 31st, 1904.

Dr. to U. Reader (Seller).

	£	s.	d.
Jan. 1st.—To Goods	32	0	0
„ 15th. „	1	9	0
„ 18th. „	12	9	7
„ 30th. „	1	10	0
	£47	8	7

Dr. Messrs. Adamson & Co. (Purchasers). July 31st, 1904. *Cr.*

In account with U. Reader (Seller).

	£	s.	d.		£	s.	d.
July 1st.—To Account rendered ...	11	2	1	July 3rd.—By Allowance	0	12	9
„ 1st.—To Goods ...	0	15	9	„ 14th.—By Returns...	1	0	7
„ 11th. „ ...	10	3	1	„ 31st.—By Balance ...	21	18	7
„ 17th. „ ...	1	11	0				
	£23	11	11		£23	11	11
Aug. 1st.—To Balance,	21	18	7				

Statements should always be compared with the Bought Ledger before they are paid. Any difference should be inquired into at once, and settled. If the difference cannot be cleared up, any payment should be in accordance with the Ledger and not the Statement.

The General Ledger is for all other accounts, except Cash and Bank. Some bookkeepers call it the Impersonal Ledger, but this is inaccurate, since it may contain loan and other personal accounts. The term Nominal Ledger is still more inaccurate, since it would exclude accounts of plant, furniture, and other property, as well as all personal accounts.

The Private Ledger is really a subdivision of the General Ledger, and is used for accounts which it is desired to withhold from inspection by the office staff.

The General and Private Ledgers contain nearly all the accounts that go to make up the Balance Sheet and the Trading and Profit and Loss Accounts. It is therefore advantageous to group the accounts in them in such a way that when the balances are entered in the Trial Balance they occur, as nearly as practicable, in the order in which they will appear in the Balance Sheet and Trading and Profit and Loss Accounts.

It will be found convenient to have the Private Ledger ruled as a "Single Ledger," with two money columns on each side. This ruling is known to printers as "Journal ruling folioed."

A "Single Ledger" is one in which the debit side occupies the whole of the left-hand page, while the credit side occupies the right-hand page. In a "Double Ledger" debit and credit sides both appear on each page, as shown in Appendices I. and II.

CHAPTER XII.

CLASSIFICATION OF LEDGER ACCOUNTS.

It now becomes necessary to give some consideration to the nature of Ledger Accounts, and to show how they may be classified.

The two great classes are*—

(1) Real Accounts.

(2) Nominal Accounts.

Real Accounts may be personal or impersonal, or, in other words, they may be the accounts of persons or of property. In a trader's books the balances of personal accounts represent debts due to him or by him (*i.e.*, assets and liabilities). The balances of accounts of plant, furniture, stock, buildings, &c., represent property. All of these are therefore real accounts.

There are also accounts which do not represent anything existing. For example, the balance of the Purchases Account does not represent the value of stock on hand, for many of the goods may have been sold. The Sales Account is merely the total of goods sold, which, so far as the trader is concerned, have ceased to exist. Expense Accounts stand for money spent which is unrepresented by property. All such accounts are therefore nominal, and are nearly always impersonal. The purpose of keeping such accounts is that a Profit and Loss Account may be prepared from the books.

In single-entry bookkeeping only real accounts are kept, so that the only means of ascertaining trading

* The more usual classification is—(1) Personal Accounts and (2) Impersonal Accounts, subdivided into real and nominal. The objection to it is that real accounts, instead of being a subdivision, are, in fact, a class which embraces personal accounts.

results is to prepare a Statement of Assets and Liabilities, and to compare it with the previous one.

It is possible for an impersonal real account to have a credit balance. Suppose, for instance, that at the end of the year it is thought that some debts may be bad, and it is considered prudent to provide £50 against possible loss under this head, without actually writing off any specific debts. The entry to give effect to this will be:—

		£ s. d.	£ s. d.
Dec. 31st.—Bad Debts	*Dr.*	50 0 0	
To Bad Debts Reserve... ...			50 0 0

Bad Debts is a nominal account representing no value, but Bad Debts Reserve is a real account, which represents what may be called a *minus* value, or a diminution of value, and should be deducted from the total of the book debts in the Balance Sheet. Of a similar nature is the reserve which is often made to provide for discounts which it is known will have to be allowed when outstanding debts are collected. A reserve for special expenses which have been incurred, but the amount of which is not known exactly, is another kind of real account which has a credit balance, and yet is not a personal account, unless the entry has been placed to the credit of an individual, which is frequently impracticable.

Observation 10 (Chapter III.) brings out the fact that debit balances are of two classes, representing—

(*a*) Assets (real accounts),

(*b*) Purchases and expenses (nominal accounts),

and that credit balances also consist of two classes, representing—

(*a*) Liabilities (real accounts),

(*b*) Sales and entries of profits (nominal accounts).

The object of this discussion of theory is to lead up to the principle that real accounts, representing, as they do, assets and liabilities, are those which are to be included in the balance sheet, and that nominal accounts, representing neither assets nor liabilities, must be periodically got rid of or "written off," and for that purpose are transferred to the Profit and Loss Account. Real accounts remain in the books, and one period opens with the same balances as those with which the preceding period closed. Nominal accounts are completely written off, and the new period starts with a clean sheet.

It is quite possible for an account to change its character. Thus, a personal account representing a debt due to a trader may become a nominal one by reason of the debtor's inability to pay. It then ceases to represent an asset, and is for that reason written off by being transferred to Bad Debts, which is a nominal account. Similarly, plant and machinery which cost £1,000 may, at the end of a year, have depreciated to the extent of £100. In that case the balance of the account is only real to the extent of £900. It should be reduced to £900 by crediting it with £100, and at the same time debiting Depreciation Account. The latter is a nominal account, and will be written off to Profit and Loss Account. Again, a reserve for an expense, such as commission, may subsequently be found unnecessary, and so becomes nominal, and should be transferred to the credit of Profit and Loss Account as "Commission over-reserved."

In preparing the Balance Sheet and Profit and Loss Account from the Trial Balance, it is therefore necessary to test every Ledger balance by the question, "Is it real or is it nominal?" If it is only partly real it should be reduced to its true amount by transferring part to a nominal account, in some such way as shown in the preceding paragraph. Then all the real account balances should go into the Balance Sheet, and all the nominal account balances should go into the Profit and Loss Account.

It is often undesirable to alter the balance of a real account. In that case the necessary provision should be made by means of a reserve, as, for instance, the Bad Debt Reserve referred to a few paragraphs back. Also, when book debts are known to be subject to a discount, it would be highly inconvenient to reduce each debt, but it is quite simple to make a reserve, thus :—

		£ s. d.	£ s. d.
June 30th.—Discounts allowed ...	*Dr.*	50 0 0	
To Reserve for Discounts ... being 5 per cent. on debts outstanding at date, £1,000.			50 0 0

The reserve should not appear in the Balance Sheet on the *Dr.* side as a separate item, but should be deducted from the asset to which it relates. (*See* p. 97.)

The Profit and Loss is sometimes known as the Trading Account, and sometimes the Trading Account and Profit and Loss Account are considered as two parts of one account. There is no hard-and-fast distinction between the two, but a rough distinction is as follows :—

Trading Account includes sales and purchases, and all the *direct* cost of producing or purchasing goods. It should also include the stocks at beginning and end of the period. The balance of these is carried down to the Profit and Loss Account.

The Profit and Loss Account includes the balance brought down from the Trading Account, the indirect expenses of manufacture, and all the expenses attributable to the sale and distribution of goods, discounts, bad debts, legal expenses, audit fee, and any special sources of revenue, such as rents receivable, commissions, &c. Depreciation is also usually shown in this division of the account.

CHAPTER XIII.

THE CAPITAL ACCOUNT.

THE nature of capital is a subject round which controversy has long raged, and one upon which lawyers, economists, and accountants have different views. It is not proposed to enter into any general discussion of the nature of capital, but only to show how the Capital Account has to be dealt with in bookkeeping. For this purpose the subject will be divided into three heads, to each of which a chapter will be devoted :—

The Capital Account of an Individual.
The Capital Accounts of Partners.
The Capital Account of a Company.

In Chapter V. the Capital Account was stated to represent the excess of assets over liabilities, and while we are dealing with individuals and partners this definition will serve.

In the examples worked out in Appendix II. it was found that the profit was the same in amount as the capital. This was true only because there was no capital at the commencement of the period to which the transactions related.

It is now necessary to contemplate a case in which capital exists from the start. Let us assume, for example, that the reader is called upon to open a set of books for Mr. A. on January 1st, 1904.

It will be necessary, first of all, to find out what

A. has, and what he owes, and we will assume that his assets and liabilities are as follows:—

ASSETS.

	£	s.	d.
Debts due to A. on open account (*i.e.*, not Bills Receivable)	573	10	9
Bills Receivable...	327	11	3
Cash at Bank	129	1	7
Cash in hand	4	2	3
Stock of Goods	211	7	9
Plant and Machinery	500	0	0
	£1,745	13	7

LIABILITIES.

	£	s.	d.
Debts due by A. on open account (*i.e.*, not Bills Payable	395	1	5
Bills Payable	311	2	4
Loan from B. & Co.	400	0	0
	£1,106	3	9

It will be seen that the assets exceed the liabilities by £639 9s. 10d., and this excess is the amount of A.'s capital.

All the items should now be arranged in the form of a Journal entry, thus:—

1904.		£	s.	d.	£	s.	d.
Jan. 1st.—Sundries—	*Dr.*						
To Sundries—							
Sundry Debtors	S.L.	573	10	9			
Bills Receivable	G.L./27	327	11	3			
Cash at Bank	C.B./1	129	1	7			
Cash in Hand	G.L./100	4	2	3			
Stock of Goods	G.L./1	211	7	9			
Plant and Machinery ...	P.L./25	500	0	0			
Sundry Creditors ...	B.L.				395	1	5
Bills Payable	G.L./50				311	2	4
B. & Co., Loan Account	P.L./50				400	0	0
A., Capital Account ...	P.L./1				639	9	10
To open books at date of entry.							

These entries have next to be posted.

Sundry Debtors, £573 10s. 9d., is the total of a list of items which it is not necessary to detail in the opening Journal entry. An account should be opened for each debtor in the Sales Ledger, and the amount due from him copied into his account from the list. When this has been done, the first item has been posted, and "S.L." should be inserted in the reference column.

Bills Receivable, £327 11s. 3d., should be posted to the General Ledger, say, at page 27.

Cash at Bank should be posted into the Bank column of the Cash Book. (This is the one instance in which it is not bad form to post from the Journal to the Cash Book.)

Cash in Hand should be posted to the Petty Cash Account, and the Stock of Goods to Stock Account, both in the General Ledger, say at pages 100 and 1.

Plant and Machinery should be posted to the Private Ledger, say, at page 25.

Sundry Creditors, £395 1s. 5d. (like Sundry Debtors), is the total of a list, and the details should be posted to the individual accounts in the Bought Ledger from the list, and "B.L." should be inserted in the reference column of the Journal.

Bills Payable should be posted to the General Ledger, say, at page 50.

B. & Co., Loan Account, and A., Capital Account, should be posted to the Private Ledger, say, at pages 50 and 1.

Items in the debit column go to the debit of the Ledger, and those in the credit column to the credit of the Ledger. In the Ledgers the page of the Journal should be entered, thus, "J./1," in the reference column. It will suffice if, in the Ledgers, the opening entries read thus:—

		£	s.	d.
1904.				
Jan. 1.—To Balance	J./1	327	11	3

or,

		£	s.	d.
1904.				
Jan. 1.—By Balance	J./1	400	0	0

When all these entries have been made, the books have been opened, and show clearly the position of A.'s business. You are then in a position to commence the record of transactions as they occur from day to day.

Let us assume that at June 30th, 1904, you prepare a Balance Sheet and Profit and Loss Account, and find that A. has made £279 1s. 2d. profit. This should be transferred from Profit and Loss Account to the credit of his Capital Account, for it represents an increase of the excess of his assets over his liabilities.

It may be, however, that he has drawn £100 out of the business for his own private purposes, and that this sum has been debited to "A., Drawings Account." In that case the increase has only been £179 1s. 2d. The £100 balance on Drawings Account does not represent an asset, nor an expense of the business, and has therefore no place in either the Balance Sheet or the Profit and Loss Account. It affects A.'s capital and nothing else, and should be transferred to the debit of that account, which will then stand as follows:—

Dr. A., CAPITAL ACCOUNT. *Cr.*

	£	s.	d.		£	s.	d.
June 30.—To Drawings...	100	0	0	Jan. 1.—By Balance ...	639	9	10
,, Balance ...	818	11	0	June 30.— ,, P. & L. A/c	279	1	2
	£918	11	0		£918	11	0
				July 1.—By Balance ...	818	11	0

Thus the Capital Account has increased by £179 1s. 2d., viz., from £639 9s. 10d. to £818 11s. 0d., and this is in accordance with his actual increase of capital.

If, on the other hand, A. had made a loss of £279 1s. 2d., and had drawn £100 for his own use, both the loss and the drawings would have diminished his capital, and the account would show a balance diminished by £379 1s. 2d., thus:—

Dr. A., CAPITAL ACCOUNT. *Cr.*

	£	s.	d.		£	s.	d.
June 30.—To P. & L. A/c	279	1	2	Jan. 1.—By Balance ...	639	9	10
,, Drawings...	100	0	0				
,, Balance ...	260	8	8				
	£639	9	10		£639	9	10
				July 1.—By Balance ...	260	8	8

The Capital Account may be increased by profits, and by introducing cash or other property, such as furniture or plant; and it may be decreased by losses, and by withdrawing cash or other property.

When all the capital has been lost or withdrawn, the Capital Account ceases to have a credit balance, and may, on the other hand, be found to have a debit balance. In this latter case the account should be entitled, not "Capital," but "Deficiency Account."

It seems curious that the balance of Capital Account should, like a liability, be a credit, for Capital is associated in the mind with assets, and not with liabilities. It is, however, inevitable, as the result of the operation of double-entry bookkeeping, that the Capital Account should have a credit balance, so long as capital exists. Going back to the Journal entry on page 72 it will be seen that the assets and liabilities are first put on the books, and that, *in order to make the debits and credits of the entry equal, an additional credit must be introduced*, under the name of "Capital Account," of an amount sufficient to balance the excess of debits over credits. Then, as capital continues to increase by reason of profit being made, we find that the credit balance of the Profit and Loss Account is equal to the increase of assets, and that this credit balance has to be transferred to Capital Account (*see* page 74); also, if the trader puts more money into his business, the necessary entry will be a debit to Cash, and a credit to Capital Account.

It is clear, then, that on double-entry principles the Capital Account must of necessity show a credit balance. The justification for this is found in the fact that the account is merely a *measure of the amount of capital, and does not represent the capital itself.* Capital itself is already represented in the books by the various accounts of property, money, book debts, &c., from which the liabilities must be deducted. The difference is an excess of debit over credit balances, and this is counterbalanced by a credit balance called "Capital Account," which is the measure of the difference. The balance which measures the excess of debits appears on the credit or opposite side, just as a weight is put into the pan of a pair of scales on the side opposite the object to be weighed.

There is another way of regarding the Capital Account, which is perhaps easier to understand, but it involves a slight shifting of the point of view. Hitherto we have regarded each account as showing the relationship in which persons and property stand to the proprietor of the business. If for the proprietor we substitute the business itself, we can contemplate a state of account between business and proprietor, and can then treat the Capital Account as representing the liability of the business to its proprietor. In other words, the balance of this account shows the amount the proprietor would take out of the business if he wound it up, paying off all creditors and realising the assets at their book values.

Exercise IX. should now be worked.

CHAPTER XIV.

THE CAPITAL ACCOUNTS OF PARTNERS.

THE best way of showing how the accounts of partners are dealt with is to give examples.

Let us assume, therefore, that A. and B. go into partnership on January 1st, 1904; A. brings into the partnership—

		£	s.	d.
Freehold Premises worth £5,000, on which there is a Mortgage of £3,000...	Premises	5,000	0	0
Cash		500	0	0
Stock		1,400	0	0
Plant		600	0	0
		7,500	0	0
	Less Mortgage ...	3,000	0	0
	His Capital, therefore, amounts to ...	£4,500	0	0

B. brings in—

		£	s.	d.
Cash		200	0	0
Stock		300	0	0
A Goodwill, or Trade Connection, which they agree to consider worth		1,500	0	0
	His Capital, therefore, amounts to ...	£2,000	0	0

From these two statements, Journal Entries can be compiled which will bring into account all the firm's property and liabilities, and at the same time give each partner credit for what he has brought in :—

1904.							
Jan. 1st.—Sundries. *Dr.*							
To Sundries—	£	s.	d.	£	s.	d.
Freehold Property	5,000	0	0			
Cash	500	0	0			
Stock	1,400	0	0			
Plant	600	0	0			
Mortgage				3,000	0	0
A., Capital Account ...				4,500	0	0
Assets and Liability brought in by A.						

		£ s. d.	£ s. d.
Jan. 1st.—Sundries.	*Dr.*		
To B., Capital Account	...		2,000 0 0
Cash	...	200 0 0	
Stock	...	300 0 0	
Goodwill	...	1,500 0 0	
Assets brought in by B.			

Let us assume, further, that they have agreed that A. shall take three-fifths of the profit, and B. two-fifths, and that at the end of the first year they have made a profit of £1,000. Then, instead of transferring the balance of the Profit and Loss Account to one Capital Account, it is necessary to divide it into three-fifths and two-fifths, and to credit A. with £600, and B. with £400. Their Capital Accounts will then stand as follows:—

A., CAPITAL ACCOUNT.

1904.	£ s. d.	1904.	£ s. d.
Dec. 31.—To Balance...	5,100 0 0	Jan. 1.—By Balance...	4,500 0 0
		Dec. 31.—,, Profit and Loss A/c.	600 0 0
	£5,100 0 0		£5,100 0 0
		1905.	
		Jan. 1.—By Balance ...	£5,100 0 0

B., CAPITAL ACCOUNT.

1904.	£ s. d.	1904.	£ s. d.
Dec. 31.—To Balance...	2,400 0 0	Jan. 1.—By Balance...	2,000 0 0
		Dec. 31.—,, Profit and Loss A/c.	400 0 0
	£2,400 0 0		£2,400 0 0
		1905.	
		Jan. 1.—By Balance...	£2,400 0 0

If, on the other hand, they have made a loss of £500, then (in the absence of any agreement to the contrary) they would share the loss in the same proportions as they agreed to share profits, and their accounts would stand thus :—

A., CAPITAL ACCOUNT.

1904.	£	s.	d.	1904.	£	s.	d.
Dec. 31.—To Profit and Loss A/c.	300	0	0	Jan. 1.—By Balance ...	4,500	0	0
,, Balance...	4,200	0	0				
	£4,500	0	0		£4,500	0	0
				1905.			
				Jan. 1.—By Balance ...	£4,200	0	0

B., CAPITAL ACCOUNT.

1904.	£	s.	d.	1904.	£	s.	d.
Dec. 31.—To Profit and Loss A/c...	200	0	0	Jan. 1.—By Balance ...	2,000	0	0
,, Balance ...	1,800	0	0				
	£2,000	0	0		£2,000	0	0
				1905.			
				Jan 1.—By Balance ...	£1,800	0	0

It frequently happens that partners agree that each shall receive interest on his capital before profits are divided. Let us assume that A. and B. are each to have 5 per cent. per annum on their capital, and that the profit before charging this interest amounted to £1,000.

The Profit and Loss Account and their Capital Accounts would then stand as follows :—

PROFIT AND LOSS ACCOUNT.

1904.	£	s.	d.	1904.	£	s.	d.
Dec. 31.—To A., Interest on Capital	225	0	0	Dec. 31.—By Balance ...	1,000	0	0
,, B., Interest on Capital	100	0	0				
,, Profit, divided as under:							
A., $\frac{3}{5}$ths	405	0	0				
B., $\frac{2}{5}$ths	270	0	0				
	£1,000	0	0		£1,000	0	0

A., CAPITAL ACCOUNT.

1904.	£ s. d.	1904.	£ s. d.
Dec. 1.—To Balance...	5,130 0 0	Jan. 1.—By Balance ...	4,500 0 0
		Dec. 31.— ,, Interest ...	225 0 0
		,, P. & L. A/c	405 0 0
	£5,130 0 0		£5,130 0 0
		1905.	
		Jan. 1.—By Balance ...	£5,130 0 0

B., CAPITAL ACCOUNT.

1904.	£ s. d.	1904.	£ s. d.
Dec. 31.—To Balance...	2,370 0 0	Jan. 1.—By Balance ...	2,000 0 0
		Dec. 31.— ,, Interest ...	100 0 0
		,, P. & L. A/c	270 0 0
	£2,370 0 0		£2,370 0 0
		1905.	
		Jan. 1.—By Balance...	£2,370 0 0

On comparing the results with those shown in the first example of division of profits, it will be seen that, when interest on capital is charged, it makes a considerable difference in favour of A., who has the larger capital, but does not affect the total of the two Capital Accounts taken together.

If there had been a loss, each partner would still have been entitled to interest on his capital (in the absence of agreement to the contrary), even if the charging of interest converted a profit into a loss.

Any sums drawn by the partners during the year would be charged against their Drawing Accounts, and transferred at the end of the year to their respective Capital Accounts, as shown in the previous chapter.

Exercises X. to XII. should now be worked.

CHAPTER XV.

THE CAPITAL ACCOUNT OF A COMPANY.

It may be remarked at the outset that the working definition of capital as the excess of assets over liabilities only applies, in the case of a Company, at the commencement of its existence, when no profit or loss has been made.

A Company's capital is not a fluctuating item, like that of a sole trader or a firm, and, consequently, profits cannot be added to it nor losses deducted from it. Thus, being fixed in amount, it soon ceases to represent, by itself, the excess of assets over liabilities.

The question of writing up allotment sheets does not come within the scope of the principles and practice of double entry, and the matter will, therefore, be taken up at the point when the allotment of shares to applicants has been made. The method of dealing with share capital in a Company's books is best shown by means of an example.

Let us assume, then, that the A. B. Co., Limited, has a capital of £100,000, divided into 40,000 Preference Shares of £1 each and 60,000 Ordinary Shares, also of £1 each. Assume, also, that all the Preference Shares and 40,000 Ordinary Shares have been offered to the public, who are required to pay 2s. 6d. per share on application and 2s. 6d. per share on allotment, and the balance when called up by the directors, also that all the Preference Shares and 25,000 Ordinary Shares have been allotted. Assume, further, that the vendor is selling a property to the Company for £40,000, of which half is payable in cash and half in Ordinary Shares. Taking the date of allotment and of the agreement between the vendor and the Company as October 31st, 1904, the first Journal entries will be as follows :—

	£ s. d.	£ s. d.
Oct. 31.—Preference Shares, Application and Allotment Account *Dr.*	10,000 0 0	
To Preference Share Capital— For 5s. per share payable on Application and Allotment on 40,000 shares allotted this day		10,000 0 0
Oct. 31.—Ordinary Shares, Application and Allotment Account *Dr.*	6,250 0 0	
To Ordinary Share Capital— For 5s. per Share payable on Application and Allotment on 25,000 shares allotted this day		6,250 0 0
Oct. 31.—Purchase Account... ...*Dr.*	40,000 0 0	
To Vendor, for purchase of property – As per agreement of this date		40,000 0 0

It is essential that the moneys received for Preference and Ordinary Shares should be kept separate from each other, and the Bankers should be requested to open two accounts and provide a Pass Book for each. The moneys received should be posted to the credit of the respective Application and Allotment Accounts. Any moneys overpaid by shareholders should, when returned to them, be posted to the debit of the respective Application and Allotment Accounts. Any balances on these accounts will then represent money due from shareholders.

If all the moneys due from shareholders on application and allotment were paid, the Company will only have received £16,250, and, before the directors can pay the vendor, they should call up part of the capital.

Assume that a call of 5s. per share on the 40,000 Preference Shares is made, payable on December 15th, the following Journal entry should be made:—

		£ s. d.	£ s. d.
Dec. 15.—Preference Shares, First Call Account	*Dr.*	10,000 0 0	
To Preference Share Capital, for 5s. per Share called up on 40,000 Shares, due this day			10,000 0 0

As the money comes in, it should be credited to the Preference Shares, First Call Account.

Let us assume that on January 10th, 1905, the Company allot 20,000 fully-paid Ordinary Shares to the vendor, and pay him £20,000 in cash. The following Journal entry is required:—

		£ s. d.	£ s. d.
Jan. 10.—Vendor	*Dr.*	20,000 0 0	
To Ordinary Share Capital, for 20,000 fully-paid Shares of £1 each allotted this day ...			20,000 0 0

and the cash will be posted to the vendor's debit from the Cash Book. This will close the vendor's account.

The Ledger accounts corresponding to the foregoing entries are given in Appendix XIII.

It should always be remembered that there are at least seven persons who are signatories of the Memorandum of Association, and that each of these takes at least one share. When shares are allotted these signatories' shares should not be lost sight of. The directors may allot them (although this is not actually necessary), and should call up on them the same amount per share as is then payable on the other shares of the same class. The signatories' shares can then be included in the Journal entry dealing with the general allotment.

When the number of shareholders is large, it is not necessary to post to the Ledger each item in detail, but it will suffice if the totals are posted to the respective Application and Allotment Accounts and Call Accounts. The amount received from each shareholder should, however, be entered in detail in the Cash Book, and posted from it to the Share Ledger. This is a double posting, and appears to be a triple entry instead of a double entry; but, as the Share Ledger is not part of the system of books of account, the posting to it is only a memorandum, and does not affect the balancing of the books of account.

In the case of a Company, the balance of the Profit and Loss Account cannot be transferred to the Capital Account, but must be carried forward as a Ledger balance.

In setting out the capital of a Company in the Balance Sheet, it is usual to show not only the amount of the shares issued, but also the amount of the authorised capital, often referred to as the registered or nominal capital. When all the capital authorised has been issued and paid up, one item in the Balance Sheet will suffice, thus:—

Dr.	£	s.	d.
To Share Capital authorised and issued— 100,000 Shares of £1 each, fully paid... ...	100,000	0	0

When part only has been issued, two are necessary:—

Dr.		£	s.	d.
To Share Capital authorised, divided into 100,000 Shares of £1 each.	£100,000 0 0			
,, Share Capital issued— 75,607 Shares, fully paid		75,607	0	0

When there are calls in arrear, the amount of them is shown as a deduction :—

Dr.	£ s. d.	£ s. d.
To Share Capital authorised, divided into 100,000 Shares of £1 each.	£100,000 0 0	
„ Share Capital issued—		
75,607 Shares	£75,607 0 0	
Less Calls in Arrear ...	127 2 6	
		75,479 17 6

The following is an example of the way to set out the capital of a Company where there are two classes of shares, some fully paid, others partly paid, and others on which there are calls in arrear :—

Dr.	£ s. d.	£ s. d.
To Share Capital authorised—		
20,000 6 per cent. Preference Shares of £5 each	100,000 0 0	
30,000 Ordinary Shares of £5 each	150,000 0 0	
	£250,000 0 0	
To Share Capital issued—		
20,000 Preference Shares, £4 called up	£80,000 0 0	
Less Calls in Arrear ...	195 0 0	
	79,805 0 0	
20,000 Ordinary Shares, fully paid	100,000 0 0	
10,000 „ „ £3 called up	30,000 0 0	
		£209,805 0 0

It should be observed that, in all these cases, except the first, the amount of the authorised capital is a memorandum only, and is not added in with the figures in the effective money column. The reason is that no state of account arises until shares are issued.

Some accountants begin their Journal entries in relation to a Company's capital by putting on the books the Nominal Capital on one side, and the

Unissued Capital on the other. This seems a useless and meaningless procedure; one might as well open accounts for Borrowing Powers Authorised, and Borrowing Powers Not Exercised.

FORFEITED SHARES.

Shares are sometimes forfeited for non-payment of calls or instalments due upon them.

Assuming that 5s. per share was payable on 100 forfeited shares of £1 each, and that nothing at all has been paid on them, the necessary Journal entry is :—

	£ s. d.	£ s. d.
Share Capital ... ... *Dr.*	25 0 0	
To Application and Allotment Account (or First Call Account, as the case may be)		25 0 0

For 5s. per share called up on ———'s 100 shares of £1 each ordered to be forfeited by the Board by Minute of this date.

Application and Allotment Account was debited and Share Capital was credited with this £25, among other amounts, when the shares were issued. The effect of the above entry is to cancel the portion of previous entries relating to the forfeited shares, the issue of which is practically cancelled by the forfeiture.

If, however, 5s. per share had been paid on these shares on application and allotment, and they were subsequently forfeited for non-payment of a first call of 2s. 6d. per share, the entry would be :—

	£ s. d.	£ s. d.
Share Capital .. .. *Dr.*	37 10 0	
To Sundries—		
First Call Account		12 10 0
Amounts paid on Forfeited Shares		25 0 0

To give effect to forfeiture of ———'s 100 shares of £1 each by Board Minute of this date.

The effects of this entry are (1) to reduce the called-up capital by the amount called up on the forfeited shares; (2) to clear the First Call Account of calls in arrear; (3) to show, as a credit balance in the Ledger, the amount paid up on the forfeited shares.

In nearly every case the shareholder remains liable for unpaid calls, even though his shares have been forfeited; but it is not usual to show his liability as an asset, because it is, as a rule, of no value. The amount paid on forfeited shares is generally carried forward from year to year, and not credited to Profit and Loss, since it is not a Company's business to make profits by forfeiting partly-paid shares.

Exercise XIII. should now be worked.

CHAPTER XVI.

HOW TO SET OUT ACCOUNTS.

THE two principal qualities which distinguish a well-set-out account are lucidity and conciseness. The bookkeeper's aim should be to suppress all that is unnecessary, to show clearly all that is essential, and so to arrange his figures that they may be easily grouped into convenient and useful totals.

The Trading and Profit and Loss Account which follows will serve as a guide.

It is divided into three sections, one of which shows stocks of manufactured goods (*see* p. 127, 9th line), sales, and the direct cost of manufacture. The balance of this account represents gross profit on manufacture, and is carried down to the second section. By direct cost is meant such cost as can be directly allocated to each article manufactured, such as materials used, and the wages of those actually employed on the articles. This first section is often described as the Trading Account, but, as mentioned elsewhere, the distinction between Trading Account and Profit and Loss Account is by no means a hard-and-fast one.

The second section is often called the Profit and Loss Account, and in it are shown, on the credit side, the gross profit brought down, discounts received, and sundry sources of income other than that derived from sales. On the debit side appear all the expenses of the business, which are grouped as follows :—

Indirect Costs of Manufacture, showing a total.

Costs of Distribution, and general Establishment Expenses, showing a total.

Discounts allowed.

Depreciation, Interest, and Expenses not falling under any general heading.

The balance of this second section is the net profit or loss on the business, and is carried down to the third division, which is styled the Appropriation Account.

In this last division is shown the manner in which the result of the trading is divided between the partners. Income tax is shown here because it is a tax on profits, and not a charge against them.

In the case of a limited Company the Appropriation Account will include the balance of profit or loss brought from the previous account, and will show the appropriations of profit which have been made by way of dividend, bonus to shareholders, special remuneration voted to officers, and the "carry forward" to next account. Proposed appropriations should not be shown, but only those which have been actually made.

In the margin of the account are percentages based on the sales. These are very useful for the purpose of comparing the working of a period with that of a former or subsequent one.

SPECIMEN

TRADING AND PROFIT AND LOSS ACCOUNT.

Dr. TRADING AND PROFIT AND LOSS ACCOUNT,

		£	s.	d.	£	s.	d.
23·7	To Stock of Manufactured Goods on hand Jan. 1st				4,739	0	6
47·2	,, Materials, including Carriage Inwards ...				9,437	11	3
24·9	,, Productive Wages				4,975	12	1
95·8					19,152	3	10
25·3	,, Gross Profit, carried down				5,064	18	1
121·1					£24,217	1	11
2·8	To Unproductive Wages and Supervision ...	563	4	2			
1·1	,, Fuel	217	1	9			
1·6	,, Maintenance of and Repairs to Plant ...	320	7	1			
·4	,, Sundry Manufacturing Expenses	84	1	7			
					1,184	14	7
1·1	,, Rates and Insurance	217	2	2			
3·1	,, Salaries of Manager and Clerks	623	5	0			
1·5	,, Travellers' Salaries, Commission, and Expenses	303	2	1			
·3	,, Printing and Stationery	60	7	4			
·4	,, Postage and Telegrams	87	9	10			
1·2	,, Packing and Carriage Outwards	225	10	9			
·8	,, Sundry Office Expenses	156	3	9			
					1,673	0	11
2·5	,, Discounts on Sales				499	1	8
·6	,, Bad Debts and Reserve for Doubtful Debts				127	8	2
·4	,, Interest on Loans				75	0	0
·3	,, Legal and Accountancy Charges				68	2	5
·2	,, Repairs to Premises...				45	0	0
2·3	,, Depreciation				449	12	10
20·6					4,122	0	7
7·5	,, Balance carried down				1,510	9	0
28·1					£5,632	9	7
·4	To Income Tax				76	1	0
3·1	,, Interest on Capital (*less* Tax)				638	16	7
	,, Net Profit, divided as under :—						
	A. Johnson, two-thirds...	530	7	7			
4·0	S. Hutchins, one-third...	265	3	10			
					795	11	5
7·5					£1,510	9	0

for the Year ended 31st December, 1904. *Cr.*

		£	s.	d.
100·0	By Sales	19,998	9	2
21·1	,, Stock of Manufactured Goods on hand Dec. 31st ...	4,218	12	9
121·1		£24,217	1	11
25·3	By Gross Profit, brought down	5,064	18	1
2·1	,, Discounts on Purchases	417	11	6
·7	,, Rents Receivable	150	0	0
28·1		£5,632	9	7
7·5	By Balance brought down	1,510	9	0
7·5		£1,510	9	0

In setting out the Balance Sheet care should be taken to show the several kinds of liabilities, and also their total. In the case of a sole trader or firm the capital should appear as the last item. There is no good reason why the same should not apply to the capital of a company, but it is not usual. The plan has the merit of rendering it easier to show the total liabilities.

On the *Cr.* side the fixed property, such as land, buildings, and plant, and the office furniture, should be placed first. Depreciation written off, and additions made during the year, should be shown. Then should follow the remaining assets in the order in which they are realisable. Any items which, while not assets, are debit balances standing on the books, should bring up the rear. These undesirables are all too common in the Balance Sheets of Companies, and include Preliminary Expenses, Special Outlay to be written off over a series of years, Expenses of new issues of Shares or Debentures, *Dr.* balance of Profit and Loss Account, &c.

Payments in advance are hardly assets, unless they are recoverable, but they should be brought into account in order to apportion expenses correctly as between one year and another, and, that being so, they must appear in the Balance Sheet. They should never be added in with Sundry Debtors (a common practice) but should always appear as a separate item.

A specimen Balance Sheet follows :—

SPECIMEN

BALANCE SHEET.

JOHNSON &

Dr. BALANCE SHEET,

	£ s. d.	£ s. d.
To Sundry Creditors on open account	1,409 1 3	
,, Bills Payable	1,025 1 6	
,, Proportion of Accrued Expenses	154 1 5	
		2,588 4 2
,, Loans and Interest...		1,518 15 0
Total Liabilities		4,106 19 2
,, Partners' Capital Accounts—		
A. Johnson, as per last A/c	8,412 7 3	
Add Interest (*less* Tax)	400 0 6	
Two-thirds of Net Profit	530 7 7	
	9,342 15 4	
Less Drawings for the year	749 13 3	
		8,593 2 1
S. Hutchins, as per last A/c	5,011 7 11	
Add Interest (*less* Tax)	238 16 1	
One-third of Net Profit	265 3 10	
	5,515 7 10	
Less Drawings for the year	324 1 2	
		5,191 6 8
		£17,891 7 11

HUTCHINS.

31st December, 1904. *Cr.*

	£	s.	d.	£	s.	d.
By Land and Buildings, as per last A/c	3,743	1	9			
Less Depreciation, 2 per cent. per annum	74	17	3			
	3,668	4	6			
Add Additions during the year	60	3	2			
				3,728	7	8
,, Plant and Machinery, as per last A/c	3,642	3	9			
Less Depreciation, 10 per cent. per annum ...	364	4	4			
	3,277	19	5			
Add Additions during the year	491	3	2			
				3,769	2	7
,, Office Furniture and Fittings, as per last account	211	4	3			
Less Depreciation, 5 per cent. per annum ...	10	11	3			
	200	13	0			
Add Additions during the year	4	2	11			
				204	15	11
,, Cash at Bank	356	4	1			
,, ,, in Hand	2	3	1			
				358	7	2
,, Book Debts	3,459	19	9			
Less Provision for Doubtful Debts, £150, and Discounts, £86 10s.	236	10	0			
				3,223	9	9
,, Bills Receivable				763	9	2
,, Stock of Manufactured Goods	4,218	12	9			
,, Materials and Sundry Stocks	847	12	4			
				5,066	5	1
,, Work in Progress				730	9	2
,, Unexpired Insurance and Telephone Rent ...				47	1	5
				£17,891	7	11

CHAPTER XVII.

BRANCH ACCOUNTS.

THE method of treating the accounts of a Branch business must depend to a large extent upon circumstances. It may be that the Branch has a complete set of accounts, from which it can prepare its own Profit and Loss Account and Balance Sheet, or it may be that the Branch keeps no books at all, but that at the Head Office a complete set of books relating to the Branch is required, and, again, it may be that no separate accounts are kept at all for the Branch, and that its transactions are all notified to the Head Office, and there recorded as part of the general transactions.

1.—COMPLETE BRANCH BOOKS AT THE BRANCH.

In the Head Office Books an account for the Branch should be opened, and should be debited with money and goods sent to the Branch, and with money paid and goods delivered for the account of the Branch; it should be credited with money and goods received from the Branch, or for its account.

The entries relating to cash will be posted to the Branch Account from the Cash Book.

Entries relating to goods should be passed through the Journal, as it is advisable to keep them quite separate from the ordinary sales and purchases. The reason for this is that the price at which goods are charged to a Branch usually differs from the price to customers, and, in any case, it is desirable to have an account which shows for any period the total value of goods sent to Branches as distinguished from general sales.

Thus, when goods are sent to a Branch the Journal entry should be :—

Branch ... ... *Dr.*
To Goods sent to Branches ...

and when goods are returned from a Branch :—

Goods sent to Branches ... *Dr.*
To Branch ... ...

When goods are transferred from one Branch to another the entry should be :—

Receiving Branch ... ... *Dr.*
To Despatching Branch ...

When the Branch's Accounts are made up, and the result of the trading ascertained, the Branch should be debited and the Profit and Loss Account credited with any profit; conversely the Branch should be credited and the Profit and Loss Account debited with any loss. The reason for this is that profit increases the value of the assets for which the Branch is responsible or *Dr.* to the Head Office, and loss diminishes it.

The Branch should have in its Ledger an account for the Head Office. The entries in the Branch Account in the Head Office books should agree exactly with the entries in the Head Office Account in the Branch books, but they will, of course, be on opposite sides of the Ledger. The balances of these Accounts should also be equal and opposite.

To achieve this result, it is essential that Head Office and Branch should each notify the other promptly of entries affecting the accounts between them, and it is of importance that balances should be agreed at short, regular intervals. If these precautions are not observed, there may result much inconvenience and waste of time.

2.—Complete Branch Books at the Head Office.

The method of treatment of the accounts will be the same in this case as in the last, that is to say, a set of books will be kept at the Head Office which will be written up exactly as if they were kept at the Branch. There will then be no difficulty in agreeing the accounts between Branch and Head Office, for the two can be compared side by side at any time.

The important point is that the Branch should advise the Head Office punctually and fully of all its transactions, and forms should be provided for the purpose.

It is almost impracticable to do without a Petty Cash Account at a Branch, as payments on the spot are usually necessary. In this case the Branch should send a copy, or at any rate a summary, of its Petty Cash Book to the Head Office at short, regular intervals.

In any case where complete sets of Books are kept for several Branches, either at the Head Office or at the Branches, it is desirable that Branches should not have accounts with each other, but should advise mutual transactions to the Head Office, and debit or credit Head Office Account in their books.

An example will make this clearer. Suppose A. B. & Co. have a Head Office in London, and Branches at Brighton and Hastings, and that Brighton sends £50 worth of goods to Hastings. Then the entries should be:—

In the Head Office Books—

Dr. A. B. & Co., Brighton. *Cr.*

		£	s.	d.
	By A. B. & Co., Hastings	50	0	0

Dr. A. B. & Co., Hastings. *Cr.*

	£	s.	d.	
To A. B. & Co., Brighton	50	0	0	

In the Brighton Books—

Dr.	A. B. & Co., HEAD OFFICE.	*Cr.*
	£ s. d.	
To Goods sent to Hastings	50 0 0	

Dr.	PURCHASES.	*Cr.*
		£ s. d.
	By Head Office	50 0 0

In the Hastings Books—

Dr.	A. B. & Co., HEAD OFFICE.	*Cr.*
		£ s. d.
	By Goods from Brighton...	50 0 0

Dr.	PURCHASES.	*Cr.*
	£ s. d.	
To Head Office	50 0 0	

Thus the Branches receive their proper debits and credits, and their accounts with the Head Office agree with the Head Office's accounts with them.

This is a roundabout way of recording the transaction, but experience shows it to be the best. It ought not to be necessary, but it becomes so because if Branches are allowed to have accounts with each other they unfortunately get them into a tangle. The above method also possesses the considerable advantage of keeping the Head Office informed of inter-Branch transactions.

3.—Branch Transactions merged with Head Office Transactions.

The Branch should advise all its transactions to the Head Office promptly and fully, and forms should be provided for the purpose.

At the Head Office the Branch Purchases and Sales will be passed through the books just as if they were Head Office transactions. The Branch will generally require to keep its own Petty Cash Account, of which a copy or summary should be sent at short, regular intervals to the Head Office, and there passed through the books.

For purposes of comparison, the Head Office will usually keep a separate account of the expenses of each Branch. If it is desired to show the total sales made by each Branch separately, a Day Book for each may be introduced, the total of which would be posted to a separate Sales Account. This makes posting to the Sold Ledgers rather troublesome when there are many Branches.

When Method No. 3 is adopted, sales will be invoiced by the Branch to the customer to avoid delay. Invoices should be marked with a request to the customer to pay the Head Office. Monthly or quarterly statements of account will be sent to the customer from the Head Office.

The choice of method must depend upon circumstances, such as the situation of the Branch, the ability of the Branch bookkeeper to keep full accounts, and the amount of control of the Branch which the Head Office desires to exercise. It is not necessary to adopt any of the three methods in its entirety. Features from two or three methods may be applied to different classes of transactions.

CHAPTER XVIII.

CONSIGNMENTS AND GOODS ON SALE OR RETURN.

It often happens that a trader sends goods to another person for disposal, on the understanding that the goods remain the property of the sender until sold by the person to whom they are sent. In such a case the goods are said to be "on consignment," or "on sale or return."

The sender is the consignor, the person to whom they are sent is the consignee, and the goods themselves are the consignment. (The term consignment is also used to describe any considerable quantity of goods bought or sold, but in this chapter its use is restricted to the circumstances described in the first paragraph.)

Goods sent on consignment are usually entrusted to the consignee for sale at the best price he can obtain, and he receives a commission for his services as salesman. Goods sent on sale or return are invoiced "*pro formâ*," and if they are sold by the consignee he becomes liable for the amount of the invoice. If he does not sell, he is entitled to return the goods to the sender. There is thus, from a bookkeeping point of view, no essential difference between these two kinds of transactions until the goods have been sold.

The despatch of goods on consignment, or on sale or return, is a movement of stock, or a transfer of goods, into other hands for disposal, without a change of ownership, and it is important to recognise this essential fact, and to avoid treating the goods as sold until they have been disposed of by the consignee.

The safest plan is to keep consignments and goods on sale or return out of the *books of account* altogether until sold by the consignee, and to keep a record of them in a separate Consignment Book.

Consignor's Books.

When the consignee has sold the goods he will render to the consignor an "Account Sales," giving credit for the price at which the goods have been sold, and charging commission, discounts allowed to purchasers, and any payments made by him (the consignee) in respect of the goods.

An Account Sales will usually take a shape similar to the following:—

Dr. A.B. (Consignor) Oct. 11th, 1904. *Cr.*

In account with C. D. & Co. (Consignees).

Account Sales of Whisky, per *s.s.* "Rapid."

	£	s.	d.		£	s.	d.
To Freight and Dues ...	25	4	3	By Proceeds (per attached particulars) ...	229	3	8
,, Insurance	1	2	7	*Less* Discount, $2\frac{1}{2}$ per cent.	5	14	7
,, Storage	5	4	9				
,, Duty	55	6	3				
,, Interest	1	3	1				
,, Commission, 5 per cent.	11	3	6				
	99	4	5				
,, Balance	124	4	8				
	£223	9	1		£223	9	1
				By Balance	124	4	8

On receipt of the Account Sales the consignor should pass the following entry through his Journal:—

		£	s.	d.	£	s.	d.
1904. Oct. 11th.—Sundries—	*Dr.*						
To Whisky Sales					223	9	1
Freight, Charges, and Insurance		86	17	10			
Interest		1	3	1			
Commission		11	3	6			
C. D. & Co.		124	4	8			
Per their Account Sales of this date.							

In the Consignment Book he should also mark off the consignment in question as having been sold and accounted for.

The Consignment Book should show the following particulars :—

Date of despatch.

To whom consigned, and where.

Name of ship or other means of transit.

Particulars of goods and marks on packages.

Dates of Accounts Sales.

Reference to page of Journal where entered.

Reference to page of Consignment Book to which the remainder (if any) of the consignment is carried forward.

Consignee's Books.

The consignee will debit the consignor with freight and charges as they are incurred, and after sale will credit him with the price realised. At the same time he will debit his customers with what they have bought. He will also charge the consignor with commission and discount, and credit those accounts with the same amounts.

Pending sale, the consignment should be entered in a Consignment Book, which should show :—

Date consignment received.

By whom consigned.

Name of ship or other means of transit.

Particulars of goods and marks on packages.

Dates of Sales.

Reference to page of Day Book where entered.

Dates of Accounts Sales.

Reference to page of Consignment Book to which the remainder (if any) of the consignment is carried forward.

General Notes.

In the case of both consignor and consignee the Consignment Book is a memorandum book, and not a book of account. Since the state of account between consignor and consignee until sale takes place is indefinite, depending as it does upon the price realised by the goods, it is more satisfactory to treat consignments in the way indicated in this chapter than to treat them as sales and purchases, and then to allow for the fact that at any given date the goods must be treated as in stock.

When a consignor, at stocktaking, values goods in the hands of a consignee, he should take them at cost, *plus* any freight, duty, or charges which he (the consignor) has paid or otherwise passed through his books in respect of them.

Consignments in the hands of a consignee are not his own, and should not be brought into his books as an asset at stocktaking.

CHAPTER XIX.

SOME ELABORATED BOOKS.

Analytical Invoice Book.

A ruling is given in Appendix XIV. The headings shown are merely suggestive, and those suitable to any particular case will vary according to the class of business and the requirements of individual businesses of the same class.

Up to and including the second money column the book is in ordinary form. Columns 3 to 10 are for the purpose of affording an analysis of purchases. The cross total of these columns should agree with Columns 1 and 2. The totals of Columns 3 to 9 should be posted to the debit of the corresponding account in the General Ledger. In Column 10 the items are posted to the debit of the General Ledger in detail, and the total should not be posted.

An analytical Invoice Book may be used for all classes of goods bought, as it furnishes a ready means of charging the proper account, whereas in the ordinary Invoice Book the entries should be limited to those relating to goods bought for resale, or to be manufactured into articles for sale.

Such a book often contains columns for rent, rates, taxes, gas, water, insurance, and other periodically recurring expenses. This, however, is quite unnecessary, and has the disadvantage of increasing the size of the book, or of using up columns which might be better employed. The simplest method of dealing with periodic expenses is to post actual payments only to the proper expense accounts, and to adjust those accounts at the end of each financial year by bringing down as a balance the amount accrued due or unexpired, as shown at p. 125.

Analytical Cash Book.

The most useful form is that which facilitates sectional balancing. For this purpose, in addition to the usual three columns, there are required separate columns on each side for entries posted to the Sold Ledger, Bought Ledger, and General Ledger. In the last would be included Private Ledger items, as it is unnecessary to balance these two separately.

The Sold Ledger column on the *Cr.* side, and the Bought Ledger column on the *Dr.* side, are for occasional reimbursements of overpaid accounts, and may also come into use in connection with dishonoured bills. When economy of space is necessary these columns may be dispensed with, and in that case any receipts posted to the Bought Ledger, and payments posted to the Sold Ledger, should be entered in red ink in the General Ledger columns, so that they may easily be picked out.

A ruling of this form of Cash Book and specimen entries are given in Appendix XV.

A Cash Book is sometimes provided with columns for analysis of receipts, and more especially payments under different heads, for posting in totals to the various income and expense accounts. This plan is not very satisfactory in commercial accounts, as it is generally as troublesome as posting the items in detail. The proper place to analyse expenditure is in the Invoice Book when it is incurred, not in the Cash Book when paid. When business is conducted on a cash system, and an Invoice Book is not used, an analysis of payments may be very useful.

Analytical Petty Cash Book.

The form shown in Appendix XVI. is very useful when payments are numerous and diversified. The headings of the columns will vary according to circumstances. It is a good plan to leave one or two columns with blank headings, in case any new class of petty expense should arise, or any further classification be desired.

Up to and including Column 2 the book is the same as shown in Appendix XII. Columns 4 to 11 furnish an analysis of the payments. The total of Columns 5 to 11 should be posted to the debit of the corresponding accounts in the General Ledger. The total of Column 4 should not be posted, as the items have already been posted in detail.

The cross total of Columns 4 to 11 should agree with Column 2 above the balance.

Column 3 is supplemental, and is only inserted for convenience, just as discount columns are in the Cash Book. Its total should be posted to the *credit* of Discount on Purchases. As the items in it are not among the payments, the total should not be included when checking the cross addition.

When this form is used, a Ledger Account for Petty Cash is not required. It is a book of account, and no longer a memorandum book, and the balance should be included in the Trial Balance.

Day Book and Returns Books.

These may be modelled on the same plan as the Analytical Invoice Book. They are, however, seldom used.

When a classification of sales is required, it is generally effected by the use of separate Day Books for each class, the totals of which are posted to separate Sales Accounts.

Sold Returns can be analysed in the Sold Returns Book, and so posted to the debit of the corresponding Sales Accounts.

Bought Returns can be entered at the back end of the Analytical Invoice Book, or may be journalised.

In some classes of business, a useful addition in the books dealing with goods is a set of columns for weights or number of articles, on the left-hand side. The totals of these columns furnish a valuable check on stock. This plan can only be adopted with advantage when the commodities dealt in admit of simple classification under a few heads.

In some businesses, packages and carriage on goods sold are heavy in proportion to the total sales. In such cases it is useful to have analysis columns in the Day Book, in which the value of the goods sold can be separated from charges for packages and carriage.

CHAPTER XX.

ERRORS IN BALANCING.

THESE arise from a variety of causes, among which are the following :—

1. Errors in posting.
2. Errors in addition.
3. Errors in carrying forward and summarising.
4. *Dr.* and *Cr.* totals of Ledger accounts not agreeing.
5. Unposted items.
6. Posting to the wrong side of the Ledger.
7. *Dr.* balance taken out as a credit, and *vice versâ.*
8. Ledger balance omitted from the Trial Balance, or wrongly taken out.
9. "Blind entry" in the Ledger.
10. Transposition of figures and "tens" for "teens."
11. Illegible figures, read one way in posting and another way in addition.
12. Alterations in starting balances.

Items 1, 2, 3, 4, 6, 7, and 8 are errors which can usually only be detected by checking the work previously done.

Unposted items are generally easily detected by the absence of the reference to the Ledger. When, as sometimes happens, the reference is put in before the posting is complete, and the posting does not get completed, detection becomes difficult; therefore, always complete the posting before inserting the reference to the Ledger.

Items 6 and 7 may sometimes be detected by halving the amount of the difference on the books. Suppose, for instance, the Trial Balance when first prepared shows £20 8s. 2d. more in the total of the debits than in the total of the credits. Half the difference is £10 4s. 1d., and it may be that an item of that amount has been posted to the debit side of the Ledger instead of the credit. The *Dr.* side of the Cash Book, the Invoice Book, Sold Returns Book, and *Cr.* column of the Journal should be scanned for £10 4s. 1d., and this, if found, may be the offending item. Also £10 4s. 1d. among the credit balances in the Trial Balance may be the culprit. It will often happen that a familiar item is brought to light by halving the difference on the books, and, in that case, it can soon be found.

"Blind entry" means an entry which appears in the Ledger only and is not posted from any other book or other page of the Ledger. Errors of this class often arise from unskilled or careless bookkeeping, and are about the most troublesome. They cannot occur if it is made a fixed rule to make no entry in the Ledger except by way of posting. When the books have been called over, and each item ticked as it is checked, the blind entry will show up by the absence of a tick. Even after checking, very careful scrutiny of the Ledger for an unticked item is necessary, or it may easily be overlooked.

Under the heading "Transposition of figures" come such errors as £20 6s. 10d. posted as £26 10s. A clerk calling the former amount may say "twenty six ten," which may be written either way. To avoid this, the word "pounds" should follow even tens. Thus, £20 6s. 10d. should be called "twenty pounds six and ten," £50 1s. 3d., "fifty pounds one and three." Also, shillings may be written for pounds, and pence for shillings, and *vice versâ* in smaller amounts. Thus £6 9s. posted as 6s. 9d. would produce a difference of £6 2s. 3d. Differences caused by transposition of figures may often be discovered by finding what figures when transposed would cause the difference. The following is the method :—

1. Write down the difference.

2. Write under the pence sufficient to make them up to one shilling, and write the same figure on the next line also, under the shillings.

3. Write under the shillings of the difference sufficient (with the 1 carried from the pence) to make them up to the amount just written below, and write the amount so added under the pounds on the line below.

4. Write under the units of the pounds of the difference sufficient (with the amount, if any, carried from the shillings) to make them up to the amount just written below, and write the amount so added under the tens of pounds on the line below.

If the first and second line then add up to the amount of the third line, it is clear that the third line, less the second, will leave the first, and the required figures have been found.

Examples :—

	s.	d.	
Difference	1	10	
Caused by	0	2	
Posted as	2	0	or *vice versâ*.

	£	s.	d.	
Difference	6	2	3	
Caused by	0	6	9	
Posted as	£6	9	0	or *vice versâ*.

	£	s.	d.	
Difference	18	8	4	
Caused by	0	19	8	
Posted as	£19	8	0	or *vice versâ*.

Many amounts will not yield to this treatment, because they cannot be caused by such a transposition, thus :—

£	s.	d.
6	3	3
9	5	9
£95	9	0

Errors in writing "tens" for "teens" may arise through indistinctness of voice, when one clerk calls the item to be posted to another. Thus, 13 may be written as 30, 40 as 14, and so on. In such cases it may be necessary to insist on the tens being mispronounced to distinguish them from teens. If 40 be called "fortye," 50 "fiftye," and so on, the risk of this class of error is done away with. The remedy is rather extreme, to sensitive ears at any rate.

Illegible figures need no comment, except that they should never occur.

Alterations in starting balances can be discovered by checking the previous Balance Sheet or Trial Balance with the books.

Errors of 10d., 10s., £10, £100, and so on are generally to be found by checking additions.

Errors of large amount are usually due to a balance or balances having been omitted, or taken out in the wrong column.

In searching for a difference of 10s. caused by an error in posting, time may be saved by calling back *from the Ledger* all the items with or without double figures in the shillings column, whichever are fewer in number. If this does not bring the error to light, there will be found in the books of entry an unticked item of the kind that has been checked. Thus, if all items in the Ledger with double figures in the shillings column have been called back, those that remain are without double figures. Therefore, an unticked item with double figures in a book of entry must have been wrongly posted. Thus the error is found by checking half the postings or less.

Mistakes of many kinds will produce a difference on the Trial Balance. If, however, there are compensating errors they will not be shown to exist unless the books are checked.

For instance, a debit balance of £5 may be taken out as a credit balance. This would produce an excess of credits amounting to £10. At the same time the Day Book addition may be £10 short, which would, by itself, produce a deficiency of credits, and, as these two errors compensate each other, the books, although wrong, may still balance.

To take another example: A *Dr.* balance of £10 8s. may be carried down as 10s. 8d., producing a deficiency

of debits amounting to	£9 17 4
and an unposted item of 2s. 8d. in the Bought Returns Book would increase the deficiency by	0 2 8
	£10 0 0
At the same time a wrongly-made Journal entry may show an excess debit of... ...	£10 0 0

In spite of these three errors the books would balance.

It should be remembered that a posting to a wrong account will not produce a difference on the Trial Balance.

It will thus be seen that, while a difference on the Trial Balance certainly indicates an error, yet the absence of a difference is not a guarantee that there is no error. Double entry is a very good, but not an absolute, check on the accuracy of the books.

CHAPTER XXI.

SECTIONAL BALANCING.

THIS is achieved by marshalling the totals of transactions posted to a Ledger in such way as to show what the balances on that Ledger ought to amount to at the end of the period covered by the transactions. For example, if at January 1st the balances on the Sold

Ledger amounted to		£500 0 0
and during the year sales on credit amounted to		2,000 0 0
		2,500 0 0
and cash received was posted to the Ledger to the amount of	£1,800 0 0	
also discount	100 0 0	
		1,900 0 0
then the balances at December 31st should amount to		£600 0 0

If, then, the totals of every kind of transaction recorded in a Ledger can be obtained, it is possible to state what the balances at the end of any period should amount to, and if, when taken out in detail, they agree with this figure, the Ledger has been balanced or proved, apart from the other Ledgers.

The case is not often so simple as the example given above, since a Ledger usually contains a much greater variety of entries. When a complete set of books is in use, the balancing of the Sold Ledger would be accomplished by means of a statement similar to the one given below:—

	Dr. £	s.	d.	Cr. £	s.	d.
Dr. Balances at Jan. 1st...	595	4	3			
Cr. Balances at Jan. 1st				1	7	3
Totals of Day Book for the Year ...	2,701	5	11			
Debit Entries Posted from Journal ...	149	3	4			
Cash Paid to Ledger Debtors	2	7	0			
Cash Received from Ledger Debtors ...				2,109	7	8
Bills Receivable				504	8	5
Discount Allowed				109	4	11
Credit Entries Posted from Journal ...				211	4	9
Totals of Sold Returns and Allowances Book				42	9	1
Dr. Balances at Dec. 31st				491	7	9
Cr. Balances at Dec. 31st	21	9	4			
	£3,469	9	10	£3,469	9	10

The *Dr.* and *Cr.* balances at the beginning and end of the period are taken out in detail.

The sales should be taken from the Day Book rather than from the Sales Account, as the latter may include cash sales, which do not pass through the Sold Ledger.

Debit and credit entries from the Journal should be picked out in detail and totalled.

Analysis columns in the Cash Book will give the totals of cash received from and paid to Ledger Debtors. Cash paid will only occur when an over-payment of account has been reimbursed to a customer, or a dishonoured bill has been posted to the Ledger.

Bills Receivable come from the Bills Receivable Book.

Sold Returns and Allowances come from the Credit Book.

It will be observed that all these totals are put into the column of the statement corresponding to the side of the Ledger to which the items composing them have been posted.

The total *Dr.* balances *at the end of the period* should, however, be entered in the *Cr.* column, and the *Cr.* balances in the *Dr.* column.

If the *Dr.* and *Cr.* columns of the statement agree, the Sold Ledger has been balanced. If not, there is an error to be discovered.

The same principle is applied to the Bought Ledger, and an example of its application is given below :—

	Dr.			*Cr.*		
	£	s.	d.	£	s.	d.
Cr. Balances at Jan. 1st				305	4	9
Dr. Balances at Jan. 1st	2	3	9			
Invoice Book Totals				1,723	0	0
Credits Posted from Journal				503	2	11
Cash Received from Ledger Creditors ...				2	3	9
Cash Paid to Ledger Creditors	901	7	3			
Bills Payable	809	4	7			
Petty Cash Paid to Ledger Creditors ...	27	4	4			
Discount Totals from Cash Book ...	41	8	4			
Discount Totals from Petty Cash Book...	0	10	11			
Bought Returns and Allowances ...	21	11	4			
Debit Entries Posted from Journal ...	211	4	9			
Cr. Balances at Dec. 31st...	520	0	3			
Dr. Balances at Dec. 31st				1	4	1
	£2,534	15	6	£2,534	15	6

It is practicable to balance the General and Private Ledgers separately, but it is generally less trouble to check postings and additions. The principal thing is to balance the Sold Ledger, and, next to it, the Bought Ledger.

The advantages of sectional balancing are that it reduces the risk of compensating errors remaining undetected, and that it renders possible the localisation of a difference in the Trial Balance. If the Sold Ledger has been proved, the difference cannot be in it, and checking may be concentrated upon the other Ledgers. If the difference on the Trial Balance is accounted for by errors shown to exist in the Sold and Bought Ledgers, the task of finding the errors is often simplified. For example, a difference of £99 4s. 2d. may be found to be made up of £100 in the Sold Ledger, and 15s. 10d. in the Bought Ledger. A difference of £100 is easily found, and then attention may be exclusively directed to the Bought Ledger.

Transfers from one Ledger to another should be passed through the Journal. It is then quite easy to pick them out from that book, but it is a tedious task to find them in the Ledgers. Unless they are brought into account it is useless to attempt sectional balancing.

Blind entries are, of course, fatal to sectional balancing, since they come from no book of entry, and are therefore not included in the totals which form the test statement.

CHAPTER XXII.

METHODS WHICH SAVE TIME AND TROUBLE.

The Ledgers.

1. When a new account has been opened, index it before you make an entry in it.

2. Do not make an entry in the Ledger in the first instance. All Ledger entries should be by way of postings from the other books of account. (The only exception to this is in the case of bringing down balances.)

3. Whenever an entry has been made, look back at the corresponding item in the book from which you are posting, and see that the two agree.

4. If an entry is incorrect, be sure that, when you correct it, you also correct the corresponding entry in the book from which you posted. It is often better to make a separate correcting entry.

5. A balance brought from the previous financial period, or an entry in such period, should never be altered or struck out. This would upset the balance of the books at the commencement of the current period, and give rise to a difference at the next balancing time.

6. Before proceeding to take out a Trial Balance, clear up and adjust all the accounts that require it. This saves "cutting up" the Trial Balance unnecessarily.

7. When your accounts are subject to an audit, the General and Private Ledger Accounts should not be ruled off. Corrections deemed necessary by the auditors can then be made without disfiguring the books.

8. In taking out the Trial Balance, let the balances

on each Ledger form a separate list, in order to give independent totals.

9. The accounts of Customers and Suppliers should be ruled off and balanced whenever the two sides agree. When balances are brought down, see that they consist of current items, or, if not, take steps to clear up any item of old standing.

The Cash Book.

1. Keep this book up to date.

2. Make your entries as soon as possible after the transaction has taken place. This will render unnecessary the rough Cash Book which some bookkeepers use, and from which they write up the Cash Book proper, and will thus save half the work they do.

3. Reconcile the Bank columns with the Pass Book at least once a month, and as much oftener as necessary.

4. Compare your cash in hand with the balance of the Cash columns daily. This may save you money, as well as time and trouble, by bringing omitted receipts or payments to your recollection while it is easy to recall them.

5. When you get a receipt for money paid, mark the corresponding item in the Cash Book with a small "R" in pencil. Any unmarked item then means that you have yet to get a receipt.

6. Number each payment consecutively; number your receipts or vouchers to correspond, and file them away in numerical order.

7. Receipts should not be taken on invoices. A receipted invoice has to do duty as a Cash Book voucher as well as an invoice, and this causes difficulty and confusion in filing.

8. The Discount columns should be restricted on

the *Dr.* side to entries to be posted to the Sold Ledger, and on the *Cr.* side to those to be posted to the Bought Ledger. For adjustments of discount over-deducted, &c., the Journal should be used.

The Petty Cash Book.

1. If practicable, make an entry before you make your payment. This saves money.

2. Observe Nos. 1, 2, 4, 5, and 6 under "Cash Book."

3. If the book has Analysis columns, see that the cross total of those columns agrees with the Payments column.

The Journal.

1. Let each entry be followed by a short description where the purpose of the entry is not apparent on the face of it.

2. If the entry is made on the authority of a letter, account, or other document, refer to such document in the description following the entry.

3. Add up the columns at the foot of the page, and see that they agree.

4. Transfers of items from one Ledger to another, or even from one account to another in the same Ledger, should be passed through the Journal.

5. If any entry requires correction, care should be taken to make the same correction in both columns and in the postings of both entries.

The Day Book, Invoice Book, and Returns Books.

1. When an entry has been made, look back at the invoice, press copy, credit note, &c., to see that the two agree.

2. Instead of carrying totals forward from page to page, it is better to add up each page by itself, and carry

each total to a Summary at the end of the book. This saves altering a number of totals, if an error should afterwards be discovered or a correction be found necessary.

3. If an entry has to be altered or struck out, the total at the foot of the page should be corrected at once; also the corresponding entry in the Summary, or the totals carried forward, as the case may be.

4. Do not post from the Day Book and Sold Returns Book to the Bought Ledger, nor from the Invoice Book or Bought Returns Book to the Sold Ledger. If there are purchases from and sales to the same person or firm, it is better to open accounts in both Ledgers. This is most important when the books are balanced in sections.

5. When all the items up to a certain point have been posted, make a small mark near the last item posted. When next posting look back among the entries for the mark, in order to avoid the risk of an item being left unposted.

6. When analytical books are used, see that the cross total of the Analysis columns agrees with the general total.

General.

1. Make clear figures, and keep units, tens, hundreds, &c., in their proper positions, to prevent mistakes in addition.

2. When correcting an entry strike out all the figures in it and write the correct figures above. If part of the figures only are altered, the entry is liable to be read incorrectly. Erasures should be avoided, as they weaken the value of the books as evidence in a Court of Law.

3. Do not insert noughts in money columns, unless they are accompanied by another figure. They mean

nothing if inserted, and are liable to be read as ten, especially in making additions.

4. The quickest way to find a known amount in a column of figures is to look among the pence first, instead of reading each item in full.

5. Let your entries be explicit. A few words of description added at the time may save much inquiry and searching of papers at a later date when the facts relating to the entry have been forgotten.

6. Cultivate accuracy before speed. Speed without accuracy is a great waste of time.

7. Check your work at short intervals, and balance your books as often as practicable.

8. Keep your books up to date.

9. Make a point of understanding the effect of every entry, and the reason for it. If this rule be observed it will help you to avoid making entries that are incorrect in principle.

CHAPTER XXIII.

MISCELLANEOUS.

Balances on Expense Accounts.

A convenient way of dealing with expenses outstanding at the date of balancing the books is to bring down the liability as a balance on the expense accounts affected.

If, for instance, certain payments of rent have been made during the year, as shown in ordinary type in the account given below, and a quarter's rent is owing at December 31st, the date of balancing the books, provision for the liability may be made by bringing down a balance as shown in italics, and the Profit and Loss Account will receive its proper debit.

Dr. RENT ACCOUNT. *Cr.*

	£	s.	d.		£	s.	d.
1904.				1904.			
April 15.—To Cash ...	25	0	0	*Dec. 31.—By Profit & Loss Account ...*	*100*	*0*	*0*
July 1.— ,, ,, ...	25	0	0				
Oct. 9.— ,, ,, ...	25	0	0				
Dec. 31.— ,, Balance ...	*25*	*0*	*0*				
	£100	*0*	*0*		*£100*	*0*	*0*
				1905.			
				Jan. 1.—By Balance ...	*25*	*0*	*0*

In the same way a balance may be brought down on Insurance Account in respect of unexpired premium, thus :—

Dr. INSURANCE ACCOUNT. *Cr.*

	£	s.	d.		£	s.	d.
1904.				1904.			
Sep. 30.—To Cash, Premium to Michaelmas, 1905	80	0	0	*Dec. 31.—By Profit & Loss Account ...*	*20*	*0*	*0*
				,, ,, ,, Balance ...	*60*	*0*	*0*
	£80	*0*	*0*		*£80*	*0*	*0*
1905.							
Jan. 1.—To Balance ...	*60*	*0*	*0*				

When an account is dealt with in this way it should be remembered that two entries are required in the Trial Balance, one for the Profit and Loss Account item, and another for the Balance Sheet item.

Thus, in the case of the two accounts given above, there will appear in the Trial Balance the following items :—

	£ s. d.	£ s. d.
Rent (P. & L.)	100 0 0	
,, Liability		25 0 0
Insurance (P. & L.)	20 0 0	
,, Unexpired	60 0 0	

The practice of bringing down balances on expense accounts is sometimes objected to on the ground that a balance on a nominal account is incorrect in principle. The reply to such an objection is that accounts treated in this way partake of the character of real as well as nominal accounts. The objection is, at best, theoretical, and, so long as a bookkeeper understands what he is doing, no harm can result. The practice is convenient, as it furnishes a ready means of adjusting an expense account, and saves making a Journal entry.

Stock.

The value of stock can only be ascertained by stocktaking. Specially designed Stock Accounts, if properly kept, will show what goods ought to be in stock, but will not prove that they are actually there. In commerce the rate of profit on different classes of goods varies, and the fluctuation of stock cannot be accurately gauged by a comparison of the Purchases and Sales Accounts. In the case of a manufacturer's accounts, an estimate of the value of stock is necessarily unreliable. The general books of account cannot therefore be relied on to show the value of stock. Stocktaking is an essential preliminary to the preparation of a correct Balance Sheet and Profit and Loss Account.

Stock should be valued at cost price or market value, whichever is the lower, and due allowance should be made for depreciation of stock which, for any reason, is the worse for keeping. Cost includes carriage, freight, duty, and any other expenses incurred in conveying the goods to the place they occupy.

Stocks of materials are often kept out of the Trading Account altogether, and are shown in the Ledger as balances on the corresponding account. Thus, in the case of a manufacturer, the Materials Account may appear as follows:—

	£	s.	d.		£	s.	d.
Jan. 1.—To Stock at date ...	500	0	0	Dec. 31.—By Trading Account ...	1,900	0	0
Dec. 31. ,, Purchases	2,000	0	0	,, ,, ,, Stock at date ...	600	0	0
	£2,500	0	0		£2,500	0	0
Jan. 1.—To Stock at date ...	600	0	0				

In this way the Trading Account is debited with the *consumption* of materials in one item, which is clearer than burdening it with the purchases and the stocks at beginning and end of the year.

When this plan is adopted, care should be taken to show the stock of materials separately in the Balance Sheet, otherwise there will be an apparent discrepancy between it and the Trading Account. Stocks of finished goods cannot be dealt with in this way unless they were purchased in a finished condition, and there is a separate account for them.

Work in Progress.

The value of work in progress should be calculated in much the same way as that of stock. It should be entered in the books in exactly the same way as stock is dealt with in Appendix II.

Postage Book.

As a check against pilfering, a Postage Book should be kept. In it will be entered on the *Dr.* side the sums handed from time to time to the post clerk, and on the *Cr.* side the stamps used should be shown in detail. When, however, a large number of circulars are sent out, it is sufficient to enter the value of the total stamps used, and the entry should be initialled by some responsible person. The balance of this book should agree with the value of stamps on hand.

The Postage Book is not a book of account, but a memorandum book.

When stamps used are chargeable to a client or customer, the book should be analysed monthly, and a Journal entry should be made, crediting Postages or Sundry Expenses Account, and debiting the persons chargeable.

Wages.

In addition to the direct production of articles for sale, wages are frequently expended in other ways; for instance, in supervision of labour, erection of and repairs to plant, cartage, &c. It is, therefore, advisable to analyse wages under several headings, and charge them to their proper accounts by means of a Journal entry. This is particularly important in the case of wages expended upon additions and permanent improvements to fixed property.

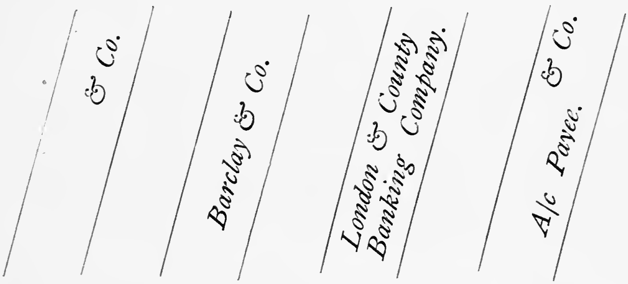
Cheques.

A cheque made payable to a person "or order" must be endorsed by that person (who is known as the "payee") before the Bank will pay it. To endorse is to write one's name on the back of the cheque. Care should be taken to write it as it appears on the face of the cheque.

A cheque payable to a person "or bearer" does not require endorsement.

A bearer cheque, or a duly endorsed order cheque, may be handed on to another person, who can obtain the money for it from the Bankers on whom it is drawn.

A Bank will not pay a "crossed" Cheque over the counter. It must be paid into a banking account for collection. Crossing is effected by drawing two parallel lines across the face of the cheque, and writing "& Co.," or the name of the payee's Banker, between them, thus:—



The fourth example shows an excellent form of crossing, which should be impressed by means of a rubber stamp on all cheques sent out. If this precaution be observed the cheque can only be paid through a Bank, and can only be credited to the account of the payee. Postal Orders can be made safe in exactly the same way. This crossing should, however, not be used when the payee has no banking account.

Income Tax.

In paying rent and mortgage interest, tax is often deducted. In this case the rent or interest account is only debited with the amount actually paid, which is less than the proper charge to the account. An entry should, therefore, be made through the Journal debiting Rent or Interest, and crediting Taxes Account with the amount of tax deducted. The Taxes Account will be debited with the amount of tax paid to the Inland Revenue, and should be credited when the whole, or any part, of the tax is recovered by deduction from the rent or interest payable. The same thing applies to tax deducted by a Company in paying dividends.

On the other hand, when rent, interest, &c., are received less tax, the recipient pays the tax in effect by having it deducted from the amount he receives; in this case, an entry should be made through the Journal, debiting Taxes Account, and crediting Rent, Interest, &c., with the amount deducted in order to bring the latter accounts up to their correct totals.

Income Tax should be deducted from interest on Partners' capital.

Income Tax is often productive of bookkeeping difficulties, and it is useful to keep a separate account for it.

Suspense Account.

When it is uncertain to what account an item should be posted, it may be carried to a Suspense Account, in which it may remain until its proper destination is discovered. This is more satisfactory than leaving it as an unposted item in a book of entry.

Investment Accounts.

These are usually kept in the Private Ledger. When the book has two money columns on each side, it is a good plan to keep the outer ones for the principal, and the inner ones for interest and dividends. The following is an example:—

Dr. WILLIAM SMITH, LOAN ACCOUNT. *Cr.*

1904.	£ s. d.	£ s. d.	1904.	£ s. d.	£ s. d.
Jan. 1.—To Cash, Loan at 5 per cent.		1,000 0 0	Mar. 31.—By Cash, Int., *less* Tax ...	11 18 7	
June 30. ,, Do., further do.		500 0 0	June 30. ,, Do., do. ...	11 17 6	
Dec. 31. ,, Int. Account, Transfer ...	59 8 7		Oct. 3. ,, Do., do. ..	17 16 3	
			Dec. 31. ,, Balance ...	17 16 3	1,500 0 0
	£59 8 7	1,500 0 0		£59 8 7	1,500 0 0
1905. Jan. 1.—To Balance ...	17 16 3	1,500 0 0			

At the end of the year there was a quarter's interest owing, as well as the principal, and two balances are brought down.

Discount on Liabilities.

As discount on outstanding book debts should be provided for, so discount on liabilities may be anticipated. The practice is not, however, recommended. It is a safe rule to provide for all forms of loss that can be foreseen, and not to anticipate profits which may never be realised. Failure to pay a creditor punctually may result in the loss of a discount.

Ruling off Ledger Accounts.

The usual method is the one shown in the appendices. There is another, which is specially applicable to the accounts of customers and suppliers, when periodic settlements are the rule. Assuming that accounts are rendered each month, and are payable during the following month, a line should be left after each month's entries of goods, thus:—

Dr. THOMAS TURNER. *Cr.*

	£ s. d.		£ s. d.
July 2.—To Goods ...	4 3 0	Aug. 15.—By Cash ...	11 18 10
14. ,, ,, ...	1 9 0	,, Discount...	0 12 7
17. ,, ,, ...	2 17 6		
31. ,, ,, ...	4 1 11		
	£12 11 5		£12 11 5
Aug. 12.— To Goods ..	5 9 0		
30. ,, ,, ...	8 4 0		

If Turner, in remitting, had not paid for the invoice dated July 31st, his account would appear as follows, the ruling and totals being interlined:—

Dr. THOMAS TURNER. *Cr.*

	£	s.	d.		£	s.	d.
July 2.—To Goods ...	4	3	0	Aug. 15.—By Cash ...	8	1	0
14. ,, ,, ...	1	9	0	,, Discount...	0	8	6
17. ,, ,, ...	2	17	6				
£8 9 6				£8 9 6			
31.—To Goods ...	4	1	11				
Aug. 12. ,, ,, ...	5	9	0				
30. ,, ,, ...	8	4	0				

Or, again, if he deducted too much discount:—

Dr. THOMAS TURNER. *Cr.*

	£	s.	d.		£	s.	d.
July 2.—To Goods ...	4	3	0	Aug. 15.—By Cash ...	11	15	8
14. ,, ,, ...	1	9	0	,, Discount...	0	12	7
17. ,, ,, ...	2	17	6	,, Balance ...	0	3	2
31. ,, ,, ...	4	1	11				
£12 11 5				£12 11 5			
Aug. 12.—To Goods ...	5	9	0				
30. ,, ,, ...	8	4					
15. ,, Balance ...	0	3	2				

Carrying Forward Ledger Totals.

The following example of the foot of a page and the top of the next page shows the *wrong way*:—

Foot of page 227.

	£	s.	d.		£	s.	d.
Aug. 17.—To Goods ...	5	9	0	Sep. 15.—By Cash ...	11	8	0
20. ,, ,, ...	6	11	0	,, Discount...	0	12	0
£12 0 0				£12 0 0			
Sep. 11.—To Goods ...	1	3	0				
17. ,, ,, ...	2	9	0				
Carried forward	£3	12	0				

Top of page 228.

	£	s.	d.		£	s.	d.
Brought forward	3	12	0	Oct. 15.—By Cash ...	4	15	0
Sep. 19.—To Goods ...	1	8	0	,, Discount...	0	5	0
	£5	0	0		£5	0	0

The *right way* is :—

Foot of page 227.

	£	s.	d.		£	s.	d.
Aug. 17.—To Goods ...	5	9	0	Sep. 15.—By Cash ...	11	8	0
20. ,, ,, ...	6	11	0	,, Discount...	0	12	0
	£12	0	0		£12	0	0
Sep. 11.—To Goods ...	1	3	0	Oct. 15.—By Cash ...	4	15	0
17. ,, ,, ...	2	9	0	,, Discount...	0	5	0
Carried forward	£3	12	0	Carried forward	£5	0	0

Top of page 228.

	£	s.	d.		£	s.	d.
Brought forward	3	12	0	Brought forward	5	0	0
Sep. 19.—To Goods ...	1	8	0				
	£5	0	0		£5	0	0

In one case, the foot of page 227 looks lopsided and incomplete, in the other, symmetrical and complete.

Sundry Personal Accounts.

Since dealings with some customers and suppliers may be few in number, it is well to have, say, one-fourth of the Sold and Bought Ledgers ruled to take two, three, or four accounts to a page. This saves ruling a fresh head line under a dead account, and looks much better.

Some bookkeepers set apart several full pages for "Sundry Debtors" and "Sundry Creditors," and such pages are often a wilderness of small items, among which it is difficult to find the customer's or supplier's name when required. These "Sundry" pages may, however, be made clear enough by devoting a line to the name, thus :—

Dr		SUNDRY DEBTORS.			*Cr.*
JOHN MATHER, 8, Wilson Grove.					
1904.		£ s. d.	1904.		£ s. d.
Jan. 1—To Goods	...	0 10 9	Jan. 11—By Cash	...	0 10 9
THOMAS PARSONS, 21, Prospect Place.					
		£ s. d.			£ s. d.
Jan. 11.—To Goods	...	0 18 4	Jan. 23.—By Cash	...	0 17 5
			,, Discount	...	0 0 11
		£0 18 4			£0 18 4
WALTER GORDON, Cornmarket.					
		£ s. d.			
Jan. 14.—To Goods	...	0 9 7			

All accounts among "Sundries" should be separately indexed.

PRIVATE ACCOUNTS.

In keeping one's own private accounts two principal considerations suggest themselves :—

1. To provide a means of making a periodical comparison of income and of expenses.
2. To keep an accurate record of one's possessions and liabilities, and of the fluctuations of the Capital Account, which is the measure of one's net possessions after deducting liabilities.

In most cases a Ledger, Cash Book, and Journal are the only books required, and these can be purchased cheaply.

Income and expenses should be classified under heads, such as, on the one hand—

Business Profits,
Salary,
Allowance from Friends or Relatives,
Income from Investments,
Sundry Receipts;

and, on the other hand—

Rent, Rates, and Taxes,
Housekeeping (or Board and Residence),
Lunch (away from home),
Clothing,
Heating and Lighting,
Repairs and Replacements,
Holidays,
Recreation,
Charity,
Smoking,
Sundry Expenses.

Most of the required classification can be effected by posting from the Cash Book. It is, however, not a bad plan to treat cash purchases as if they were purchases on credit (*e.g.*, when buying a hat, credit the hatter and debit Clothing Account through the Journal, and then debit the hatter from the Cash Book). This serves to familiarise one with the use of personal accounts.

An Income and Expenses Account, corresponding with a Trader's Profit and Loss Account, should be prepared periodically, say, once in every three months, and at the same time a Balance Sheet should be drawn up. A comparison of successive accounts is often interesting.

When one's private affairs are of large extent, bookkeeping becomes a necessity. When they are small, they usually require a good deal of looking after to make ends meet, and bookkeeping will help to find the weak spots.

EXERCISES AND KEY.

EXERCISES AND KEY.

The Exercises should be worked after perusal of the portions of the text upon which they are based, as follows:—

Exercises	I. and II.	after Chapters	I. to V.
,,	III.	,,	VI. and VII.
,,	IV.	,,	VI. to VIII.
,,	V.	,,	VIII.
,,	VI., VII., VIII.	,,	IX.
,,	IX.	,,	XIII.
,,	X., XI., XII.,	,,	XIV.
,,	XIII.	,,	XV.

In order to derive the maximum of benefit from the Exercises, the Student should work each one carefully, without referring to the Key until he has completed the Exercise.

The Exercise should then be compared with the Key, and, if the two do not agree, the Exercise should be worked out again, and so on until the Student can work each one in full without mistakes

EXERCISES

EXERCISE I.

MAKE entries for the following transactions, using the Ledger only, in the way explained in Chapter II. :—

(*a*) Bought goods as follows : —

July 1.—Addison & Co.	...	£100	0	0
,, 2.—Bentley & Sons	...	50	0	0
,, 4.—Carter Brothers	...	150	0	0
,, 5.—Duncans, Ltd.	...	100	0	0
		£400	0	0

(*b*) Returned goods to suppliers as follows :—

July 4.—Addison & Co.	...	£20	0	0
,, 10.—Duncans, Ltd.	...	40	0	0
		£60	0	0

(*c*) Sold goods as follows :—

July 7.—Embery, J. ...	...	£25	0	0
,, 7.—Faulding & Co.	...	125	0	0
,, 8.—Green, Wm. ...	...	100	0	0
,, 9.—Holden, A. ..	...	50	0	0
,, 11.—Ibbotsons, Ltd.	...	100	0	0
,, 12.—Jackson, F. ...	...	50	0	0
,, 13.—King, J. ...	...	50	0	0
		£500	0	0

(*d*) Received back from customers goods as follows :—

July 9.—Embery, J. ...	...	£5	0	0
,, 12.—Holden, A. ...	...	10	0	0

Allowed Faulding & Co. £5 off their account, on July 14th, for defects in goods sold to them.

(*e*) Received cash as follows:—

July 11.—Green, W.	£50	0	0
,, 12.—Cash Sale (Smith) ...	5	0	0
,, 13.—Holden, A.	40	0	0
,, 16.—Faulding & Co. ...	120	0	0
,, 18.—Cash Sale (Jenkins)...	10	0	0
,, 27.—Jackson, F.	50	0	0

(*f*) Made following payments out of cash:—

July 12.—Banked	£50	0	0
,, 16.— ,, ...	160	0	0
,, 18.—Petty Expenses ...	2	0	0
,, 27.—Banked	50	0	0
,, 31.—Wages	4	0	0
,, 31.—Petty Expenses ...	4	0	0

(*g*) Paid following amounts by cheque:—

July 18.—Addison & Co. ...	£80	0	0
,, 30.—Duncans, Ltd. ...	60	0	0
,, 31.—Rent (one month) ...	5	0	0

There was no stock on hand at the end of the month.

Prepare Trial Balance at July 31st, Profit and Loss Account for the month, and Balance Sheet at July 31st.

Write up the Profit and Loss Account in the Ledger, and transfer the profit to Capital Account.

EXERCISE II.

Make entries for the following transactions, using the Ledger only, in the way explained in Chapter II.:—

Jan. 1.—Received of William Ewart £600 as a loan, at 4 per cent. per annum.

,, 1.—Paid £600 to Bank.

,, 2.—Bought goods to the value of £80, and paid for them by cheque.

,, 5.—Sold goods as follows:—

Arthur James	£20	0	0
William Vernon	40	0	0

Jan. 8.—Bought goods as follows :—

Henry Campbell... ...	£150	0	0
Charles Thomson ...	200	0	0

,, 9.—Drew £10 from the Bank.

,, 15.—Sold £5 worth of goods, and received cash for them.

,, 18.—Sold goods as follows :—

Walter Hume	£60	0	0
Arthur James	50	0	0
Henry Torrens	80	0	0

,, 19.—Bought goods to the value of £100, and paid for them by cheque.

,, 21.—Paid in coin £1 for general expenses.

,, 22.—Sold William Vernon goods to the value of £10.

,, 23.—Paid in coin £2 for stationery.

,, 26.—Sold goods as follows :—

Michael Hicks	£15	0	0
William Hayes	35	0	0
Walter Hume	65	0	0

,, 29.—Drew £20 from the Bank.

,, 29.—Paid in coin £10 for goods.

,, 31.—Paid wages £6 in coin.

Feb. 1.—Received cheque £48 from W. Vernon, and allowed him £2 discount.

,, 1.—Received back from A. James goods value £10

,, 2.—Sold goods as follows :—

Michael Hicks	£50	0	0
William Hayes	25	0	0
Arthur James	40	0	0

,, 4.—Bought goods as follows :—

Gerald Williams	£120	0	0
Henry Campbell... ...	80	0	0

,, 4.—Received cheques, and allowed discount. :—

W. Hume	Chq.	£120	0	0	Discount	£5.
A. James	,,	57	0	0	,,	3.
H. Torrens	,,	78	0	0	,,	2.

Feb. 4.—Paid to Bank, £303.

,, 4.—Returned to G. Williams goods value £20.

,, 7.—Paid by cheque :—

H. Campbell ...	£150 0 0	
C. Thomson ...	190 0 0	Discount £10.

,, 8.—Returned to H. Campbell goods value £5.

,, 9.—Sold Goods for £10, and received cash for them.

,, 13.—Sold Goods as under :—

A. James	£5 0 0
W. Vernon...	40 0 0
H. Torrens...	25 0 0
W. Hayes	25 0 0

,, 15.—Received back from customers goods as follows :—

A. James	£1 0 0
H. Torrens	5 0 0

,, 18.—Received from M. Hicks cheque £15.

,, 18.—Paid same to Bank.

,, 21.—Sold goods as follows :—

W. Vernon	£10 0 0
H. Torrens	12 0 0
W. Hume	80 0 0

,, 23.—Received from W. Hayes cheque £35.

,, 24.—Received from M. Hicks cheque £48, and allowed him discount £2.

,, 24.—Paid to Bank £83.

,, 28.—Paid wages £6 in coin.

At Feb. 28th you owed W. Ewart two months' interest, and had goods in stock which had cost £152.

Prepare Trial Balance at February 28th, Profit and Loss Account for two months, and Balance Sheet at February 28th.

Write up the Profit and Loss Account in the Ledger, and transfer the profit to Capital Account.

EXERCISE III.

Pass the transactions given in Exercise I. through the appropriate books of entry, and post them to the Ledger :—

(*a*) Invoice Book.
(*b*) Bought Returns Book.
(*c*) Day Book.
(*d*) Sold Returns Book.
(*e*), (*f*) and (*g*) Cash Book.

EXERCISE IV.

Pass the transactions given in Exercise II. through the appropriate books of entry, and post the entries to the Ledger. The Journal should be used as required.

EXERCISE V.

Make Journal entries to give effect to the following :—

(*a*) Bought of Smith & Sons plant and machinery to the value of £150.

(*b*) Sold to Jameson & Co. for £25 an old gas engine standing in your Plant Account at £80.

(*c*) Received from A. & Co. a cart worth £15 in satisfaction of their debt of that amount.

(*d*) Wrote off Bad Debts as under :—

A. & Co.	...	...	£20	0	0
B. Bros....	...	...	10	0	0
C. & Sons	...	...	25	0	0

(*e*) Fitted up in your office a safe worth £25 transferred from your private house.

(*f*) Received from Messrs. Parchment & Seals, Solicitors, an account showing that they had collected for you debts due from A. B. & Co. £20 1s. 9d., and C. D. & Co. £11 3s. 7d., and that their charges were £1 1s. 0d.

(*g*) Reserved for Discounts $4\frac{1}{4}$ per cent. on debts due to you amounting to £1,127 3s. 1d.

(*h*) Wrote off Depreciation for a half-year as under:—

10 per cent. per annum on plant and machinery, worth £1,000.

5 per cent. per annum on furniture, worth £120.

(*i*) Reserve for Bad Debts 5 per cent. on debts outstanding, £842 1s. 9d.

(*j*) Found that Petty Cashier had misappropriated cash to the amount of £11 7s. 3d.

(*k*) Bought of Thompson & Co. for office use stationery to the value of £30 1s. 9d.

(*l*) Adams & Co. owed you, say, £100; you owed them £80, subject to 5 per cent. discount; you allowed them their account off the amount they owed you.

EXERCISE VI.

A. B. & Co. owed you on January 1st £200; open their account and show this balance.

On January 5th you received their acceptance, due April 7th, for £195, allowing them $2\frac{1}{2}$ per cent. discount.

On February 7th you discounted their acceptance with your Bankers at 5 per cent. per annum.

On April 7th their acceptance was returned to you dishonoured.

Pass the necessary entries through the Journal and Cash Book, and post them to the Ledger.

EXERCISE VII.

C. D. & Co. owed you on January 1st £30; open their account and show this balance.

On January 10th you received their acceptance for this amount, due July 10th.

On February 19th you passed the acceptance on to E. F. in part payment of his account of £40, and he charged you £1 interest for taking a bill instead of cash.

On March 31st you paid E. F. £11, the balance of his account.

On July 11th you received from E. F. notice that C. D. & Co.'s acceptance had been dishonoured, and you sent him a cheque to take it up. He then returned the bill to you.

C. D. & Co. became bankrupt, and you received on November 21st a first and final dividend of 2s. 6d. in the £.

Pass the necessary entries through the Journal and Cash Book, and post them to the Ledger.

EXERCISE VIII.

On January 1st you owed Benson & Sons £250; open their account and show this balance.

On February 1st they drew on you at three months for £246 17s. 6d., allowing you £3 2s. 6d. discount, and you accepted the bill.

On May 4th you paid the bill.

Pass the necessary entries through the Journal and Cash Book, and post them to the Ledger.

EXERCISE IX.

You commenced business on July 1st with the following assets and liabilities :—

Cash at Bank	£150	0	0
Cash in hand	5	0	0
Stock	200	0	0
Plant and Machinery	300	0	0
Office Furniture	25	0	0
Loan from J. Carter	500	0	0

Prepare and post Journal Entry to open your books, and show the amount of your capital.

EXERCISE X.

On January 1st James Turner and John Roberts, trading separately, agreed to go into partnership. James Turner's assets and liabilities were as follows :—

Cash at Bank				£700	0	0
Cash in hand				2	0	0
Goodwill				1,000	0	0
Stock				510	0	0
Plant and Machinery				1,000	0	0
Office Furniture				80	0	0
Book Debts	£800	0	0			
Less Reserve for Discount £40 and Doubtful Debts 100	140	0	0			
				660	0	0
Bills Receivable				420	0	0
Liabilities on open Account				250	0	0

John Roberts's assets and liabilities were as follows:—

Cash in hand				£20	0	0
Goodwill				1,200	0	0
Stock				800	0	0
Office Furniture				50	0	0
Book Debts	£1,000	0	0			
Less Reserve for Discount £50						
And Doubtful Debts 30	80	0	0			
				920	0	0
Liabilities on open Account				1,500	0	0
Bills Payable				500	0	0
Bank Overdraft				250	0	0

Prepare and post Journal Entries to open the books of the firm, and show the capital of each partner.

EXERCISE XI.

From the accounts written up in accordance with the previous Exercise, prepare the Balance Sheet of Turner & Roberts at January 1st.

EXERCISE XII.

At the 31st December Turner & Roberts found that they had made a profit of £1,200 before allowing for interest on partners' capital. Turner had drawn £150 for his private account, and Roberts £300. Open Capital Accounts with balances as shown in the Key to Exercise X., also Profit and Loss Account and Partners' Drawing Accounts. Allow each partner 5 per cent. interest, less Income Tax at 1s. in the £, on his capital at January 1st, and divide the remaining profits, two-thirds to Turner, and one-third to Roberts. Close Capital Accounts, and show amount of each partner's capital at December 31st.

Make the necessary entries in the Journal, and post them to the Ledger.

EXERCISE XIII.

A limited Company was registered with a capital of £75,000, divided into 75,000 shares of £1 each. A prospectus was issued, and, on October 22nd, 64,301 shares were allotted. 5s. per share was received on 65,702 shares applied for, and had to be returned to applicants for 1,401 shares who received no allotment. A further 5s. per share was payable on allotment, and was all received by December 31st, except in respect of 100 shares.

Prepare the necessary entries in the books of the Company in totals, and show how the Capital Account should be stated in the Balance Sheet.

KEY TO EXERCISES.

EXERCISE I.

1.

PURCHASES.

Dr.		£ s. d.	*Cr.*		£ s. d.
July 1.—To Addison & Co.	(2)	100 0 0	July 4.—By Addison & Co.	(2)	20 0 0
2. ,, Bentley & Sons	(3)	50 0 0	10. ,, Duncans, Ltd.	(4)	40 0 0
4. ,, Carter Bros.	(4)	150 0 0	31. ,, Profit and Loss A/c...	(19)	340 0 0
5. ,, Duncans, Ltd.	(5)	100 0 0			
		400 0 0			400 0 0

2.

ADDISON & CO.

Dr.		£ s. d.	*Cr.*		£ s. d.
July 4.—To Returns ...	(1)	20 0 0	July 1.—By Goods	(1)	100 0 0
,, 18. ,, Bank	(15)	80 0 0			
		100 0 0			100 0 0

3.

BENTLEY & SONS.

Dr.	£ s. d.	*Cr.*	£ s. d.
July 31.—To Balance	50 0 0	July 2.—By Goods...	50 0 0
		Aug. 1.—By Balance	50 0 0

4.

CARTER BROTHERS.

Dr.		£ s. d.	*Cr.*		£ s. d.
July 31.—To Balance		150 0 0	July 4.—By Goods ...	(1)	150 0 0
			Aug. 1.—By Balance ...	...	150 0 0

5.

Dr.	DUNCANS, LTD.			*Cr.*	
		£ s. d.			£ s. d.
July 10.—To Returns	... (1)	40 0 0	July 5.—By Goods ...	... (1)	100 0 0
,, 30. ,, Bank ...	...(15)	60 0 0			
		100 0 0			100 0 0

6.

Dr.	SALES.			*Cr.*	
		£ s. d.			£ s. d.
July 9.—To J. Embery ...	(7)	5 0 0	July 7.—By Embery, J....	(7)	25 0 0
,, 12. ,, A. Holden ...	(10)	10 0 0	,, 7. ,, Faulding & Co.	(8)	125 0 0
,, 14. ,, Faulding & Co.	(8)	5 0 0	,, 9. ,, Green, Wm.	(9)	100 0 0
,, 31. ,, Profit and Loss A/c...	(19)	495 0 0	,, 9. ,, Holden, A. ...	(10)	50 0 0
			,, 11. ,, Ibbotsons, Ltd.	(11)	100 0 0
			,, 12. ,, Jackson, F....	(12)	50 0 0
			,, 12. ,, Cash	(14)	5 0 0
			,, 13. ,, King, J. ...	(13)	50 0 0
			,, 18. ,, Cash	(14)	10 0 0
		515 0 0			515 0 0

7.

Dr.	J. EMBERY.			*Cr.*	
		£ s. d.			£ s. d.
July 7.—To Goods ...	... (6)	25 0 0	July 9.—By Returns	... (6)	5 0 0
			,, 31. ,, Balance	...	20 0 0
		25 0 0			25 0 0
Aug. 1.—To Balance	...	20 0 0			

8.

Dr.	FAULDING & CO.			*Cr.*	
		£ s. d.			£ s. d.
July 7.—To Goods ...	... (6)	125 0 0	July 14.—By Allowance ...	(6)	5 0 0
			,, 16. ,, Cash ...	...(14)	120 0 0
		125 0 0			125 0 0

9.

Dr.	WM. GREEN.			*Cr.*
	£ s. d.			£ s. d.
July 8.—To Goods ...	... (6) 100 0 0	July 11.—By Cash ...	...(14)	50 0 0
		,, Balance	...	50 0 0
	100 0 0			100 0 0
Aug. 1.—To Balance ...	50 0 0			

10.

Dr.	A. HOLDEN.			*Cr.*
	£ s. d.			£ s. d.
July 9.—To Goods ...	... (6) 50 0 0	July 12.—By Returns	... (6)	10 0 0
		,, 13. ,, Cash ...	...(14)	40 0 0
	50 0 0			50 0 0

11.

Dr.	IBBOTSONS, LTD.			*Cr.*
	£ s. d.			£ s. d.
July 11.—To Goods ...	...(6) 100 0 0	July 31.—By Balance ...	...	100 0 0
Aug. 1.—To Balance ...	100 0 0			

12.

Dr.	F. JACKSON.			*Cr.*
	£ s. d.			£ s. d.
July 12.—To Goods ...	... (6) 50 0 0	July 27.—By Cash ...	...(14)	50 0 0

13.

Dr.	J. KING.			*Cr.*
	£ s. d.			£ s. d.
July 13.—To Goods ...	... (6) 50 0 0	July 31.—By Balance ...	...	50 0 0
Aug. 1.—To Balance ...	50 0 0			

14.

Dr. CASH ACCOUNT. *Cr.*

		£ s. d.			£ s. d.
July 11.—To W. Green ...	(9)	50 0 0	July 12.—By Bank	(15)	50 0 0
,, 12. ,, Cash Sale (Smith) ...	(6)	5 0 0	,, 16. ,, Bank	(15)	160 0 0
,, 13. ,, A. Holden ...	(10)	40 0 0	,, 18. ,, Petty Expenses ...	(16)	2 0 0
,, 16. ,, Faulding & Co.	(8)	120 0 0	,, 27. ,, Bank	(15)	50 0 0
,, 18. ,, Cash Sale (Jenkins) ...	(6)	10 0 0	,, 31. ,, Wages	(17)	4 0 0
,, 27. ,, F. Jackson ...	(12)	50 0 0	,, 31. ,, Petty Expenses... ...	(16)	4 0 0
			,, 31. ,, Balance ...		5 0 0
		275 0 0			275 0 0
Aug. 1.—To Balance ...		5 0 0			

15.

Dr. BANK ACCOUNT. *Cr.*

		£ s. d.			£ s. d.
July 12.—To Cash	(14)	50 0 0	July 18.—By Addison & Co.	(2)	80 0 0
,, 16. ,, ,, ...	(14)	160 0 0	,, 30. ,, Duncans, Ltd.	(5)	60 0 0
,, 27. ,, ,, ...	(14)	50 0 0	,, 31. ,, Rent	(18)	5 0 0
			,, 31. ,, Balance ...		115 0 0
		260 0 0			260 0 0
Aug. 1.—To Balance ...		115 0 0			

16.

Dr. PETTY EXPENSES. *Cr.*

		£ s. d.			£ s. d.
July 18.—To Cash	(14)	2 0 0	July 31.—By Profit and Loss A/c...	(19)	6 0 0
,, 31. ,, ,, ...	(14)	4 0 0			
		6 0 0			6 0 0

17.

Dr. WAGES. *Cr.*

		£ s. d.			£ s. d.
July 31.—To Cash	(14)	4 0 0	July 31.—By Profit and Loss A/c...	(19)	4 0 0

18.

Dr. RENT. *Cr.*

		£ s. d.			£ s. d.
July 31.—To Bank	(15)	5 0 0	July 31.—By Profit and Loss A/c...	(19)	5 0 0

19.

PROFIT AND LOSS ACCOUNT.

Dr.		£ s. d.	Cr.		£ s. d.
July 31.—To Purchases ...	(1)	340 0 0	July 31.—By Sales	(6)	495 0 0
" 31. " Rent	(18)	5 0 0			
" 31. " Wages	(17)	4 0 0			
" 31. " Petty Expenses... ...	(16)	6 0 0			
		355 0 0			
" 31. " Capital A/c...	(20)	140 0 0			
		495 0 0			495 0 0

20.

CAPITAL ACCOUNT.

Dr.		Cr.	£ s. d.
		July 31.—By Profit and Loss A/c...(19)	140 0 0

TRIAL BALANCE, JULY 31ST.

	£ s. d.	£ s. d.
1.—Purchases	340 0 0	
3.—Bentley & Sons		50 0 0
4.—Carter Brothers		150 0 0
6.—Sales		495 0 0
7.—Embery, J.	20 0 0	
9.—Green, W.	50 0 0	
11.—Ibbotsons, Ltd...	100 0 0	
13.—King, J....	50 0 0	
14.—Cash	5 0 0	
15.—Bank	115 0 0	
16.—Petty Expenses	6 0 0	
17.—Wages	4 0 0	
18.—Rent	5 0 0	
	£695 0 0	£695 0 0

BALANCE SHEET, JULY 31ST.

Dr.	£ s. d.	Cr.	£ s. d.
To Sundry Creditors	200 0 0	By Cash at Bank	115 0 0
" Capital Account...	140 0 0	" " in hand	5 0 0
		" Sundry Debtors...	220 0 0
	340 0 0		340 0 0

EXERCISE II.

1.

Dr. WILLIAM EWART, LOAN ACCOUNT. *Cr.*

	£ s. d.		£ s. d.
Feb. 28.—To Balance	604 0 0	Jan. 1.—By Cash ... ... (2)	600 0 0
		Feb. 28. ,, Interest to date ... ...(20)	4 0 0
	604 0 0		604 0 0
		Mch. 1.—By Balance	604 0 0

2.

Dr. CASH ACCOUNT. *Cr.*

	£ s. d.		£ s. d.
Jan. 1.—To W. Ewart, Loan... ... (1)	600 0 0	Jan. 1.—By Bank ... ... (3)	600 0 0
,, 9. ,, Bank ... ... (3)	10 0 0	,, 21. ,, General Expenses ...(16)	1 0 0
,, 15. ,, Cash Sales... (5)	5 0 0	,, 23. ,, Stationery...(11)	2 0 0
,, 29. ,, Bank ... ... (3)	20 0 0	,, 29. ,, Goods ... ... (4)	10 0 0
Feb. 1. ,, W. Vernon... (7)	48 0 0	,, 31. ,, Wages... ...(17)	6 0 0
,, 4. ,, W. Hume ...(10)	120 0 0	Feb. 4. ,, Bank ... ... (3)	303 0 0
,, 4. ,, A. James ... (6)	57 0 0	,, 18. ,, ,, ... (3)	15 0 0
,, 4. ,, H. Torrens...(15)	78 0 0	,, 24. ,, ,, ... (3)	83 0 0
,, 9. ,, Cash Sale ... (5)	10 0 0	,, 28. ,, Wages... ...(17)	6 0 0
,, 18. ,, M. Hicks ...(12)	15 0 0	,, Balance ...	20 0 0
,, 23. ,, W. Hayes ...(13)	35 0 0		
,, 24. ,, M. Hicks ...(12)	48 0 0		
	1,046 0 0		1,046 0 0
Mch. 1.—To Balance ...	20 0 0		

3.

Dr. BANK ACCOUNT. *Cr.*

	£ s. d.		£ s. d.
Jan. 1.—To Cash .. ... (2)	600 0 0	Jan. 2.—By Goods ... ... (4)	80 0 0
Feb. 4. ,, ,, ... (2)	303 0 0	,, 9. ,, Cash ... ... (2)	10 0 0
,, 18. ,, ,, ... (2)	15 0 0	,, 19. ,, Goods ... ... (4)	100 0 0
,, 24. ,, ,, ... (2)	83 0 0	,, 29. ,, Cash ... ... (2)	20 0 0
		Feb. 7. ,, H. Campbell (8)	150 0 0
		,, 7. ,, C. Thomson (9)	190 0 0
		,, 28. ,, Balance ...	451 0 0
	1,001 0 0		1,001 0 0
Mch. 1.—To Balance ...	451 0 0		

4.

Dr. PURCHASES. *Cr.*

			£	s.	d.				£	s.	d.
Jan. 2.—	To Cash	(3)	80	0	0	Feb. 4—	By G. Williams	(14)	20	0	0
,, 8.	,, H. Campbell	(8)	150	0	0	,, 8.	,, H. Campbell	(8)	5	0	0
,, 8.	,, C. Thomson	(9)	200	0	0	,, 28.	,, Profit and Loss A/c ...	(21)	715	0	0
,, 19.	,, Bank	(3)	100	0	0						
,, 29.	,, Cash	(2)	10	0	0						
Feb. 4.	,, G. Williams	(14)	120	0	0						
,, 4.	,, H. Campbell	(8)	80	0	0						
			740	0	0				740	0	0

5.

Dr. SALES. *Cr.*

			£	s.	d.				£	s.	d.
Feb. 1.—	To A. James ...	(6)	10	0	0	Jan, 5.—	By A. James ...	(6)	20	0	0
,, 15.	,, ,, ...	(6)	1	0	0	,, 5.	,, W. Vernon...	(7)	40	0	0
,, 15.	,, H. Torrens	(15)	5	0	0	,, 15.	,, Cash	(2)	5	0	0
,, 28.	,, Profit and Loss A/c ...	(21)	686	0	0	,, 18.	,, W. Hume ...	(10)	60	0	0
						,, 18.	,, A. James ...	(6)	50	0	0
						,, 18.	,, H. Torrens...	(15)	80	0	0
						,, 22.	,, W. Vernon	(7)	10	0	0
						,, 26.	,, M. Hicks ...	(12)	15	0	0
						,, 26.	,, W. Hayes ...	(13)	35	0	0
						,, 26.	,, W. Hume ...	(10)	65	0	0
						Feb. 2.	,, M. Hicks ..	(12)	50	0	0
						,, 2.	,, W. Hayes ...	(13)	25	0	0
						,, 2.	,, A. James ...	(6)	40	0	0
						,, 9.	,, Cash	(2)	10	0	0
						,, 13.	,, A. James ...	(6)	5	0	0
						,, 13.	,, W. Vernon...	(7)	40	0	0
						,, 13.	,, H. Torrens	(15)	25	0	0
						,, 13.	,, W. Hayes ...	(13)	25	0	0
						,, 21.	,, W. Vernon	(7)	10	0	0
						,, 21.	,, H. Torrens	(15)	12	0	0
						,, 21.	,, W. Hume ...	(10)	80	0	0
			702	0	0				702	0	0

6.

Dr. ARTHUR JAMES. *Cr.*

			£ s. d.				£ s. d.
Jan. 5.	—To Goods	(5)	20 0 0	Feb. 1.	—By Returns ...	(5)	10 0 0
,, 18.	,, ,, ...	(5)	50 0 0	,, 4.	,, Cash	(2)	57 0 0
Feb. 2.	,, ,, ...	(5)	40 0 0	,, 4.	,, Discount ...	(18)	3 0 0
,, 13.	,, ,, ...	(5)	5 0 0	,, 15.	,, Returns ...	(5)	1 0 0
				,, 28.	,, Balance ...		44 0 0
			115 0 0				115 0 0
Mch. 1.	—To Balance ...		44 0 0				

7.

Dr. WILLIAM VERNON. *Cr.*

			£ s. d.				£ s. d.
Jan. 5.	—To Goods	(5)	40 0 0	Feb. 1.	—By Cash	(2)	48 0 0
,, 22.	,, ,, ...	(5)	10 0 0	,, 1.	,, Discount ...	(18)	2 0 0
Feb. 13.	,, ,, ...	(5)	40 0 0	,, 28.	,, Balance ...		50 0 0
,, 21.	,, ,, ...	(5)	10 0 0				
			100 0 0				100 0 0
Mch. 1.	—To Balance ...		50 0 0				

8.

Dr. HENRY CAMPBELL *Cr.*

			£ s. d.				£ s. d.
Feb. 7.	—To Bank	(3)	150 0 0	Jan. 1.	—By Goods	(4)	150 0 0
,, 8.	,, Returns ...	(4)	5 0 0	Feb. 4.	,, ,, ...	(4)	80 0 0
,, 28.	,, Balance ...		75 0 0				
			230 0 0				230 0 0
				Mch. 1.	—By Balance ...		75 0 0

9.

Dr. CHARLES THOMSON. *Cr.*

			£ s. d.				£ s. d.
Feb. 7.	To Bank	(3)	190 0 0	Jan. 8.	—By Goods	(4)	200 0 0
,, 7.	,, Discount ...	(19)	10 0 0				
			200 0 0				200 0 0

10.

WALTER HUME.

Dr.		£	*s.*	*d.*	*Cr.*		£	*s.*	*d.*
Jan. 11.—To Goods... ...	(5)	60	0	0	Feb. 4.—By Cash	(2)	120	0	0
,, 26. ,, ,, ...	(5)	65	0	0	,, 4. ,, Discount ...	(18)	5	0	0
Feb. 21. ,, ,, ...	(5)	80	0	0	,, 28. ,, Balance ...		80	0	0
		205	0	0			205	0	0
Mch. 1.—To Balance ...		80	0	0					

11.

STATIONERY.

Dr.		£	*s.*	*d.*	*Cr.*		£	*s.*	*d.*
Jan. 23.—To Cash	(2)	2	0	0	Feb. 28.—By Profit and Loss A/c ...	(21)	2	0	0

12.

MICHAEL HICKS.

Dr.		£	*s.*	*d.*	*Cr.*		£	*s.*	*d.*
Jan. 26.—To Goods... ...	(5)	15	0	0	Feb. 18.—By Cash	(2)	15	0	0
Feb. 2. ,, ,, ...	(5)	50	0	0	,, 24. ,, ,, ...	(2)	48	0	0
					,, 24. ,, Discount ...	(18)	2	0	0
		65	0	0			65	0	0

13.

WILLIAM HAYES.

Dr.		£	*s.*	*d.*	*Cr.*		£	*s.*	*d.*
Jan. 26.—To Goods... ...	(5)	35	0	0	Feb. 23.—By Cash	(2)	35	0	0
Feb. 2. ,, ,, ...	(5)	25	0	0	,, 28. ,, Balance ...		50	0	0
,, 13. ,, ,, ...	(5)	25	0	0					
		85	0	0			80	0	0
Mar. 1.—To Balance ...		50	0	0					

14.

GERALD WILLIAMS.

Dr.		£	*s.*	*d.*	*Cr.*		£	*s.*	*d.*
Feb. 4.—To Returns ...	(4)	20	0	0	Feb. 4.—By Goods... ...	(4)	120	0	0
,, 28. ,, Balance ...		100	0	0					
		120	0	0			120	0	0
					Mch. 1.—By Balance ...		100	0	0

15.

Dr. HENRY TORRENS. *Cr.*

		£ s. d.			£ s. d.
Jan. 18.—To Goods ...	... (5)	80 0 0	Feb. 4.—By Cash ...	... (2)	78 0 0
Feb. 13. ,, ,, ...	... (5)	25 0 0	,, 4. ,, Discount	...(18)	2 0 0
,, 21. ,, ,, ...	... (5)	12 0 0	,, 15. ,, Returns	... (5)	5 0 0
			,, 28. ,, Balance	...	32 0 0
		117 0 0			117 0 0
Mch. 1.—To Balance	...	32 0 0			

16.

Dr. GENERAL EXPENSES. *Cr.*

		£ s. d.			£ s. d.
Jan. 21.—To Cash ...	... (2)	1 0 0	Feb. 28.—By Profit and Loss A/c	...(21)	1 0 0

17.

Dr. WAGES. *Cr.*

		£ s. d.			£ s. d.
Jan. 31.—To Cash ...	... (2)	6 0 0	Feb. 28.—By Profit and Loss A/c	.. (21)	12 0 0
Feb. 28. ,, ,, ...	... (2)	6 0 0			
		12 0 0			12 0 0

18.

Dr. DISCOUNT ON SALES. *Cr.*

		£ s. d.			£ s. d.
Feb. 1.—To W. Vernon...	(7)	2 0 0	Feb. 28.—By Profit and Loss A/c	...(21)	14 0 0
,, 4. ,, A. James ...	(6)	3 0 0			
,, 4. ,, W. Hume ...	(10)	5 0 0			
,, 4. ,, H. Torrens...	(15)	2 0 0			
,, 24. ,, M. Hicks ...	(12)	2 0 0			
		14 0 0			14 0 0

19.

Dr. DISCOUNT ON PURCHASES. *Cr.*

	£ s. d.		£ s. d.
Feb. 28.—To Profit and Loss A/c ...(21)	10 0 0	Feb. 7.—By C. Thomson (9)	10 0 0

20.

Dr. INTEREST PAYABLE. *Cr.*

	£ s. d.		£ s. d.
Feb. 28.—To W. Ewart ... (1)	4 0 0	Feb. 28.—By Profit and Loss A/c ...(21)	4 0 0

21.

Dr. PROFIT AND LOSS ACCOUNT. *Cr.*

	£ s. d.		£ s. d.
Feb. 28.—To Purchases ... (4)	715 0 0	Feb. 28.—By Sales ... ... (5)	686 0 0
,, 28. ,, Wages ...(17)	12 0 0	,, 28. ,, Discount on Purchases (19)	10 0 0
,, 28. ,, Stationery...(11)	2 0 0	,, 28. ,, Stock... ...(22)	152 0 0
,, 28. ,, General Expenses ...(16)	1 0 0		
,, 28. ,, Interest ...(20)	4 0 0		
,, 28. ,, Discount on Sales... ...(18)	14 0 0		
	748 0 0		
,, 28. ,, Capital A/c (23)	100 0 0		
	848 0 0		848 0 0

22.

Dr. STOCK. *Cr.*

	£ s. d.		
Feb. 28.—To Profit and Loss A/c ...(21)	152 0 0		

23.

Dr. CAPITAL ACCOUNT. *Cr.*

			£ s. d.
		Feb. 28.—By Profit and Loss A/c ...(11)	100 0 0

TRIAL BALANCE, FEBRUARY 28TH.

	£ s. d.	£ s. d.
1.—Ewart, W.		604 0 0
2.—Cash	20 0 0	
3.—Bank	451 0 0	
4.—Purchases	715 0 0	
5.—Sales		686 0 0
6.—James, A.	44 0 0	
7.—Vernon, W.	50 0 0	
8.—Campbell, H.		75 0 0
10.—Hume, W.	80 0 0	
11.—Stationery	2 0 0	
13.—Hayes, W.	50 0 0	
14.—Williams, G....		100 0 0
15.—Torrens, H.	32 0 0	
16.—General Expenses	1 0 0	
17.—Wages...	12 0 0	
18.—Discount on Sales	14 0 0	
19—Discount on Purchases		10 0 0
20.—Interest Payable	4 0 0	
	£1,475 0 0	£1,475 0 0

Dr. BALANCE SHEET, 28TH FEBRUARY. *Cr.*

	£ s. d.		£ s. d.
To Sundry Creditors... ...	175 0 0	By Cash at Bank...	451 0 0
,, W. Ewart, Loan Account	604 0 0	,, ,, in hand	20 0 0
,, Capital Account	100 0 0	,, Sundry Debtors	256 0 0
		,, Stock	152 0 0
	£879 0 0		£879 0 0

EXERCISE III.

The entries in the Invoice Book, Bought Returns Book, Day Book, and Sold Returns Books will be copies of the transactions given in Exercise I., with references to the Ledger added.

Purchases and Sales Accounts in the Ledger will appear as follows :—

Dr. PURCHASES. *Cr.*

	£ s. d.		£ s. d.
July 31.—To Sundries	400 0 0	July 31.—By Sundries	60 0 0
		„ 31. „ Profit and Loss A/c	340 0 0
	400 0 0		400 0 0

Dr. SALES. *Cr.*

	£ s. d.		£ s. d.
July 31.—To Sundries	20 0 0	July 12.—By Cash	5 0 0
„ 31. „ Profit and Loss A/c	495 0 0	„ 18. „ „	10 0 0
		„ 31. „ Sundries	500 0 0
	515 0 0		515 0 0

The Cash Book will appear as under :—

	Cash. £ s. d.	Bank. £ s. d.		Cash. £ s. d.	Bank. £ s. d.
July 11.—To W. Green (9)	50 0 0		July 12.—By Bank ... (*Con.*)	50 0 0	
„ 12. „ Cash Sale (Smith) (6)	5 0 0		„ 16. „ „ ... (*Con.*)	160 0 0	
„ 12. „ Cash ... (*Con.*)		50 0 0	„ 18. „ Petty Expenses (16)	2 0 0	
„ 13. „ A. Holden (10)	40 0 0		„ 18. „ Addison & Co. (2)		80 0 0
„ 16. „ Faulding & Co. (8)	120 0 0		„ 27. „ Bank ... (*Con.*)	50 0 0	
„ 16. „ Cash ... (*Con.*)		160 0 0	„ 30. „ Duncans, Ltd. (5		60 0 0
„ 18. „ Cash Sale (Jenkins) (6)	10 0 0		„ 31. „ Wages ... ...(17)	4 0 0	
„ 27. „ F. Jackson (12)	50 0 0		„ 31. „ Petty Expenses (16)	4 0 0	
„ 27. „ Cash ... (*Con.*)		50 0 0	„ 31. „ Rent ... ...(18)		5 0 0
			„ 31. „ Balance ...	5 0 0	115 0 0
	£275 0 0	£260 0 0		£275 0 0	£260 0 0
Aug. 1.—To Balance ...	5 0 0	115 0 0			

The entries in the personal accounts will be the same as in the Key to Exercise I., except that the references will differ.

EXERCISE IV.

INVOICE BOOK.

		£	s.	d.
Jan. 8.—H. Campbell	(8)	150	0	0
,, 8.—C. Thomson	(9)	200	0	0
Feb. 4.—G. Williams	(14)	120	0	0
,, 4.—H. Campbell	(8)	80	0	0
	(4)	£550	0	0

BOUGHT RETURNS BOOK

		£	s.	d.
Feb. 4.—G. Williams	(14)	20	0	0
,, 8.—H. Campbell	(8)	5	0	0
	(4)	£25	0	0

DAY BOOK.

		£	s.	d.
Jan. 5.—A. James	(6)	20	0	0
,, 5.—W. Vernon	(7)	40	0	0
,, 18.—W. Hume	(10)	60	0	0
,, 18.—A. James	(6)	50	0	0
,, 18.—H. Torrens	(15)	80	0	0
,, 22.—W. Vernon	(7)	10	0	0
,, 26.—M. Hicks	(12)	15	0	0
,, 26.—W. Hayes	(13)	35	0	0
,, 26.—W. Hume	(10)	65	0	0
Feb. 2.—M. Hicks	(12)	50	0	0
,, 2.—W. Hayes	(13)	25	0	0
,, 2.—A. James	(6)	40	0	0
,, 13.—A. James	(6)	5	0	0
,, 13.—W. Vernon	(7)	40	0	0
,, 13.—H. Torrens	(15)	25	0	0
,, 13.—W. Hayes	(13)	25	0	0
,, 21.—W. Vernon	(7)	10	0	0
,, 21.—H. Torrens	(15)	12	0	0
,, 21.—W. Hume	(10)	80	0	0
	(5)	£687	0	0

SOLD RETURNS BOOK.

		£ s. d.
Feb. 1.—A. James	(6)	10 0 0
,, 15.—A. James	(6)	1 0 0
,, 15.—H. Torrens	(15)	5 0 0
	(5)	£16 0 0

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		£ s. d.	£ s. d.
Feb. 28.—Interest Payable ... *Dr.*	(20)	4 0 0	
To William Ewart ...	(1)		4 0 0
(2 mos. interest to date.)			

		£ s. d.	£ s. d.
Feb. 28.—Profit & Loss Account *Dr.*	(21)	748 0 0	
To Sundries—			
Purchases	(4)		715 0 0
Wages	(17)		12 0 0
Stationery	(11)		2 0 0
General Expenses ...	(16)		1 0 0
Interest	(20)		4 0 0
Discount on Sales ...	(18)		14 0 0

		£ s. d.	£ s. d.
Feb. 28.—Sundries— *Dr.*			
To Profit & Loss Account	(21)		848 0 0
Sales	(5)	686 0 0	
Discount on Purchases	(19)	10 0 0	
Stock	(22)	152 0 0	

		£ s. d.	£ s. d.
Feb. 28.—Profit & Loss Account *Dr.*	(21)	100 0 0	
To Capital Account ..	(23)		100 0 0
(Profit for 2 mos. to date transferred.)			

CASH BOOK.

Date		Particulars	Fo.	Dis.	Cash.	Bank.	Date		Particulars	Fo.	Dis.	Cash.	Bank.
				£ s. d.	£ s. d.	£ s. d.					£ s. d.	£ s. d.	£ s. d.
Jan.	1.	To W. Ewart, Loan	(1)		600 0 0		Jan.	1.—	By Bank... ...	...(Con.)		600 0 0	
,,	1.	,, Cash	...(Con.)			600 0 0	,,	2.	,, Goods ...	... (4)			80 0 0
,,	9.	,, Bank	...(Con.)		10 0 0		,,	9.	,, Cash	...(Con.)			10 0 0
,,	15.	,, Cash Sale	... (5)		5 0 0		,,	19.	,, Goods ...	... (4)			100 0 0
,,	29.	,, Bank ...	...(Con.)		20 0 0		,,	21.	,, General Exps.	(16)		1 0 0	
Feb.	1.	,, W. Vernon	... (7)	2 0 0	48 0 0		,,	23.	,, Stationery	...(11)		2 0 0	
,,	4.	,, W. Hume	...(10)	5 0 0	120 0 0		,,	29.	,, Goods ...	... (4)		10 0 0	
,,	4.	,, A. James ...	... (6)	3 0 0	57 0 0		,,	29.	,, Cash	...(Con.)			20 0 0
,,	4.	,, H. Torrens	...(15)	2 0 0	78 0 0		,,	31.	,, Wages ...	...(17)		6 0 0	
,,	4.	,, Cash	...(Con.)			303 0 0	Feb.	4.	,, Bank	...(Con.)		303 0 0	
,,	9.	,, Cash Sale	... (5)		10 0 0		,,	7.	,, H. Campbell ...	(8)			150 0 0
,,	18.	,, M. Hicks...	...(12)		15 0 0		,,	7.	,, C. Thomson ...	(9)	10 0 0		190 0 0
,,	18.	,, Cash	...(Con.)			15 0 0	,,	18.	,, Bank... ...	...(Con.)		15 0 0	
,,	23.	,, W. Hayes	...(13)		35 0 0		,,	24.	,, Bank... ...	...(Con.)		83 0 0	
,,	24.	,, M. Hicks	...(12)	2 0 0	48 0 0		,,	28.	,, Wages ...	...(17)		6 0 0	
,,	24.	,, Cash	...(Con.)			83 0 0	,,	28.	,, Balance			20 0 0	451 0 0
			(18)	£14 0 0	£1,046 0 0	£1,001 0 0				(19)	£10 0 0	£1,046 0 0	£1,001 0 0
Mar.	1.—	To Balance			20 0 0	451 0 0							

The entries in the personal accounts will be the same as in the Key to Exercise II., except that the references will differ. In the Sales, Purchases, and Discount Accounts, the entries will be much reduced in number by posting totals instead of details.

EXERCISE V.

		£ s. d.	£ s. d.
(*a*) Plant and Machinery ...	*Dr.*	150 0 0	
To Smith & Sons			150 0 0

		£ s. d.	£ s d.
(*b*) Sundries –	*Dr.*		
To Plant & Machinery ...			80 0 0
Jameson & Co.		25 0 0	
Loss on Sale of Plant		55 0 0	
Sale of old Gas Engine.			

		£ s. d.	£ s. d.
(*c*) Vehicles Account	*Dr.*	15 0 0	
To A. & Co.			15 0 0
Cart received from A. & Co. in satisfaction of their debt.			

		£ s. d.	£ s. d.
(*d*) Bad Debts	*Dr.*	55 0 0	
To Sundries—			
A. & Co....			20 0 0
B. Bros.			10 0 0
C. & Sons			25 0 0

		£ s. d.	£ s. d.
(*e*) Office Furniture	*Dr.*	25 0 0	
To Capital Account... ...			25 0 0
My Safe brought into the business.			

	£	s.	d.	£	s.	d.
(*f*) Sundries— *Dr.*						
To Sundries—						
Parchment & Seals	30	4	4			
Legal Expenses	1	1	0			
A. B. & Co.				20	1	9
C. D. & Co.				11	3	7
Per Parchment & Seals' A/c of this date.						

	£	s.	d.	£	s.	d.
(*g*) Discount on Sales .. *Dr.*	47	18	0			
To reserve for Discounts ...				47	18	0
$4\frac{1}{4}$ *per cent. on debts outstanding, £1,127 3s. 1d.*						

	£	s.	d.	£	s.	d.
(*h*) Depreciation ... ... *Dr.*	53	0	0			
To Sundries—						
Plant and Machinery, 10 per cent. p.a.				50	0	0
Furniture, 5 per cent. p.a. ...				3	0	0
For half-year to date.						

	£	s.	d.	£	s.	d.
(*i*) Bad Debts ... ... *Dr.*	42	2	1			
To Reserve for Bad Debts ...				42	2	1
5 per cent. on Debts outstanding, £842 1s. 9d.						

	£	s.	d.	£	s.	d.
(*j*) Defalcation Account ... *Dr.*	11	7	3			
To Petty Cash				11	7	3
Amount misappropriated by Petty Cashier.						

	£	s.	d.	£	s.	d.
(*k*) Stationery ... ... *Dr.*	30	1	9			
To Thompson & Co.				30	1	9

	£	s.	d.	£	s.	d.
(*l*) Adams & Co., Bought Led. A/c *Dr.*	80	0	0			
To Sundries—						
Adams & Co., Sold Ledger A/c				76	0	0
Discount on Purchases ...				4	0	0

The student is recommended to open Ledger Accounts and post the above entries.

EXERCISE VI.

LEDGER.

Dr. A. B. & CO. Cr.

	£ s. d.		£ s. d.
Jan. 1.—To Balance ...	200 0 0	Jan. 5.—By Bill Receivable ..	195 0 0
Apl. 7. ,, Cash, Ac/ce due this date dishonoured	195 0 0	,, 5. ,, Discount...	5 0 0

Dr. BILLS RECEIVABLE. Cr.

	£ s. d.		£ s. d.
Jan. 5.—To A. B. & Co.	195 0 0	Feb. 7.—By Cash ...	195 0 0

Dr. DISCOUNT ON SALES. Cr.

	£ s. d.		
Jan. 5.—To A. B. & Co.	5 0 0		

Dr. BANK CHARGES. Cr.

	£ s. d.		
Feb. 7.—To Cash ...	1 12 6		

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		Dr. £ s. d.	£ s. d.
Jan. 5.—Sundries—	Dr.	£ s. d.	£ s. d.
To A. B. & Co....	...		200 0 0
Bills Receivable ...	...	195 0 0	
Discount on Sales ...	...	5 0 0	
Their Ac/ce due April 7.			

Dr. CASH BOOK. (Bank Columns). Cr.

	£ s. d.		£ s. d.
Feb. 7.—To Bills Receivable ..	195 0 0	Feb. 7.—By Bank Charges	1 12 6
		Apl. 7. ,, A. B. & Co., their Ac/ce dishonrd.	195 0 0

EXERCISE VII.

LEDGER.

Dr. C. D. & Co. *Cr.*

	£ s. d.		£ s. d.
Jan. 1.—To Balance ...	30 0 0	Jan. 10.—By Bill Receivable..	30 0 0
July 11. ,, Ac/ce due July 11th dishonrd.	30 0 0	Nov. 21. ,, Cash, First and Final dividend of 2s. 6d. in £ ...	3 15 0
		,, 21. ,, Bad Debts	26 5 0
	60 0 0		60 0 0

Dr. E. F. *Cr.*

	£ s. d.		£ s. d.
Feb. 19.—To Bill Receivable..	30 0 0	Jan. 1.—By Balance ...	40 0 0
Mch. 31. ,, Cash ...	11 0 0	Feb. 19. ,, Interest ...	1 0 0
July 11. ,, Cash to take up C. D. & Co.'s Ac/ce ...	30 0 0	July 11. ,, C. D. & Co.'s Ac/ce dishonrd.	30 0 0
	71 0 0		71 0 0

Dr. INTEREST. *Cr.*

	£ s. d.		
Feb. 19.—To E. F. ...	1 0 0		

Dr. BAD DEBTS. *Cr.*

	£ s. d.		
Nov. 21.—To C. D. & Co.	26 5 0		

Dr. BILLS RECEIVABLE. *Cr.*

	£ s. d.		£ s. d.
Jan. 10.—To C. D. & Co.	30 0 0	Feb. 19.—By E. F. ...	30 0 0

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		£ s. d.	£ s. d.
Jan. 10.—Bills Receivable ...	*Dr.*	30 0 0	
To C. D. & Co. ...	...		30 0 0
Their Ac/ce due July 10.			

		£ s. d.	£ s. d.
Feb. 19.—E. F.	*Dr.*	30 0 0	
To Bills Receivable ...			30 0 0
C. D. & Co.'s Ac/ce handed to him.			

		£ s. d.	£ s. d.
Feb 19.—Interest	*Dr.*	1 0 0	
To E. F.			1 0 0
Interest on C. D. & Co.'s Ac/ce in lieu of cash.			

		£ s. d.	£ s. d.
July 11.—C. D. & Co.	*Dr.*	30 0 0	
To. E. F.			30 0 0
C. D. & Co.'s Ac'ce, held by E. F., dishonoured.			

		£ s. d.	£ s. d.
Nov. 21.—Bad Debts	*Dr.*	26 5 0	
To C. D. & Co.			26 5 0

Dr. CASH BOOK. (Bank Columns.) *Cr.*

	£ s. d.		£ s. d.
Nov. 21.—To C. D. & Co. 1st and final dividend of 2/6 in £ ...	3 15 0	Mar. 31.—By E. F.... ...	11 0 0
		July 11. ,, ,, to take up C. D. & Co.'s Ac/ce ...	30 0 0

EXERCISE VIII.

LEDGER.

Dr. BENSON & SONS. *Cr.*

	£ s. d.		£ s. d.
Feb. 1.—To Bill Payable ...	246 17 6	Jan. 1.—By Balance	250 0 0
,, 1. ,, Discount	3 2 6		
	250 0 0		250 0 0

Dr.	BILLS PAYABLE.		*Cr.*
	£ s. d.		£ s. d.
May 4.—To Cash ...	246 17 6	Feb. 1.—By Benson & Sons ...	246 17 6

Dr.	DISCOUNT ON PURCHASES.		*Cr.*
			£ s. d.
		May 4.—By Benson & Sons ...	3 2 6

JOURNAL.

		£ s. d.	£ s. d.
Feb. 1.—Benson & Sons ...	*Dr.*	250 0 0	
To Sundries—			
Bill Payable			246 17 6
Discount on Purchases ...			3 2 6
My Ac/ce due May 4th.			

Dr.	CASH BOOK. (Bank Columns.)		*Cr.*
			£ s. d.
		May 4.—By Bills Payable ...	246 17 6

EXERCISE IX.

JOURNAL.

		£ s. d.	£ s. d.
July 1.—Sundries—	*Dr.*		
To Sundries—			
Cash at Bank		150 0 0	
,, in hand		5 0 0	
Stock		200 0 0	
Plant and Machinery ...		300 0 0	
Office Furniture		25 0 0	
J. Carter—Loan A/c ...			500 0 0
Capital Account			180 0 0
Assets and Liabilities at date.			

CASH BOOK. (*Dr.* Side.)

	Discount.	Cash.	Bank.
	£ s. d.	£ s. d.	£ s. d.
July 1.—To Balance		5 0 0	150 0 0

LEDGER.

Dr. STOCK ACCOUNT. Cr.

	£ s. d.		£ s. d.
July 1.—To Balance ...	200 0 0		

Dr. PLANT AND MACHINERY. Cr.

	£ s. d.		£ s. d.
July 1.—To Balance ...	300 0 0		

Dr. OFFICE FURNITURE. Cr.

	£ s. d.		£ s. d.
July 1.—To Balance ...	25 0 0		

Dr. J. CARTER, LOAN ACCOUNT. Cr.

	£ s. d.		£ s. d.
		July 1.—By Balance ...	500 0 0

Dr. CAPITAL ACCOUNT. Cr.

	£ s. d.		£ s. d.
		July 1.—By Balance ...	180 0 0

EXERCISE X.

JOURNAL.

	Dr. £ s. d.	£ s. d.
Jan. 1.—Sundries— Dr.		
To Sundries—		
Cash at Bank	700 0 0	
,, in hand	2 0 0	
Goodwill	1,000 0 0	
Stock	510 0 0	
Plant and Machinery ...	1,000 0 0	
Office Furniture	80 0 0	
Book Debts (per list) ...	800 0 0	
Bills Receivable	420 0 0	
Sundry Creditors (per list)		250 0 0
Reserve for Discount ...		40 0 0
Reserve for Bad Debts		100 0 0
James Turner—Capital A/c		4,122 0 0

Assets and Liabilities brought into the business by James Turner at date.

	Dr.	£ s. d.	£ s. d.
Jan 1.—Sundries—			
To Sundries—			
Cash in hand		20 0 0	
Goodwill		1,200 0 0	
Stock		800 0 0	
Office Furniture		50 0 0	
Book Debts (per list) ...		1,000 0 0	
Sundry Creditors (per list)			1,500 0 0
Bills Payable			500 0 0
Bank Overdraft			250 0 0
Reserve for Discount ...			50 0 0
Reserve for Bad Debts ...			30 0 0
John Roberts — Capital A/c			740 0 0

Assets and Liabilities brought into the business by John Roberts at date.

Dr. CASH BOOK. Cr.

	Cash. £ s. d.	Bank. £ s. d.		Cash. £ s. d.	Bank. £ s. d.
Jan. 1.—To J. Turner	2 0 0	700 0 0	Jan. 1.—By J. Roberts		250 0 0
,, 1. ,, J. Roberts	20 0 0				

NOTE:—The opening entries dealing with the Bank Account would be posted in this way if both partners had previously banked with the firm's Bankers. If not, then it would be necessary to open a Ledger Account for one or both of the Bankers of the individual partners. The former Bank balance or balances would be transferred to the firm's Bankers, and would then appear in the Cash Book, from which postings would be made to the Ledger Account of the former Bankers.

LEDGER.

Dr. GOODWILL. Cr.

	£ s. d.	
Jan. 1.—To J. Turner	1,000 0 0	
,, 1. ,, J. Roberts	1,200 0 0	

Dr. STOCK. Cr.

	£ s. d.	
Jan. 1.—To J. Turner	510 0 0	
,, 1. ,, J. Roberts	800 0 0	

Dr.	PLANT AND MACHINERY.			*Cr.*
		£ s. d.		
Jan. 1.—To J. Turner		1,000 0 0		

Dr.	OFFICE FURNITURE.			*Cr.*
		£ s. d.		
Jan. 1.—To J. Turner		80 0 0		
,, 1. ,, J. Roberts		50 0 0		

BOOK DEBTS.

These would be posted in detail to the firm's Sold Ledger from Lists.

Dr.	BILLS RECEIVABLE.			*Cr.*
		£ s. d.		
Jan. 1.—To J. Turner		420 0 0		

SUNDRY CREDITORS.

These would be posted in detail to the firm's Bought Ledger from Lists.

Dr.	BILLS PAYABLE.			*Cr.*
				£ s. d.
			Jan. 1.—By J. Roberts	500 0 0

Dr.	RESERVE FOR DISCOUNT.			*Cr.*
				£ s. d.
			Jan. 1.—By J. Turner	40 0 0
			,, 1. ,, J. Roberts	50 0 0

Dr.	RESERVE FOR BAD DEBTS.			*Cr.*
				£ s. d.
			Jan. 1.—By J. Turner	100 0 0
			,, 1. ,, J. Roberts	30 0 0

Dr.	JAMES TURNER—CAPITAL ACCOUNT.			*Cr.*
				£ s. d.
			Jan. 1.—By Sundries	4,122 0 0

Dr.	JOHN ROBERTS.—CAPITAL ACCOUNT.			*Cr.*
				£ s. d.
			Jan. 1.—By Sundries	740 0 0

EXERCISE XI.

TURNER AND ROBERTS.

Dr. *Balance Sheet, 1st January,* 1905. *Cr.*

	£ s. d.	£ s. d.
To Sundry Creditors on open A/c ...		1,750 0 0
,, Bills Payable		500 0 0
		2,250 0 0
To Partners' Capital Accounts—		
James Turner	4,122 0 0	
John Roberts	740 0 0	
		4,862 0 0
		£7,112 0 0

		£ s. d.	£ s. d.
By Plant and Machinery			1,000 0 0
,, Office Furniture			130 0 0
,, Cash at Bank...		450 0 0	
,, Cash in hand...		22 0 0	
			472 0 0
,, Book Debts		1,800 0 0	
Less Reserve for Discounts	£90 0 0		
And Doubtful Debts	130 0 0		
		220 0 0	
			1,580 0 0
,, Bills Receivable			420 0 0
,, Stock			1,310 0 0
,, Goodwill			2,200 0 0
			£7,112 0 0

EXERCISE XII.

LEDGER.

Dr. JAMES TURNER.—CAPITAL ACCOUNT. *Cr.*

	£	s.	d.		£	s.	d.
Dec. 31.—To J. T., Drawing A/c	150	0	0	Jan. 1.—By Balance	4,122	0	0
,, 31. ,, Balance...	4,813	16	7	Dec. 31. ,, Interest	195	15	10
				,, 31. ,, Two-thirds share of Profit	646	0	9
	4,963	16	7		4,963	16	7
				Jan. 1.—By Balance	4,813	16	7

Dr. JAMES TURNER.—DRAWING ACCOUNT. *Cr.*

	£	s.	d.		£	s.	d.
Dec. 31.—To Balance	150	0	0	Dec. 31.—By J. T., Capital A/c... ...	150	0	0

Dr. JOHN ROBERTS—CAPITAL ACCOUNT. *Cr.*

	£	s.	d.		£	s.	d.
Dec. 31.—To J. R., Drawing A/c	300	0	0	Jan. 1.—By Balance	740	0	0
,, 31. ,, Balance...	798	3	5	Dec. 31.— ,, Interest	35	3	0
				,, 31. ,, One-third share of Profit	323	0	5
	1,098	3	5		1,098	3	5
				Jan. 1.—By Balance	798	3	5

Dr. JOHN ROBERTS—DRAWING ACCOUNT. *Cr.*

	£	s.	d.		£	s.	d.
Dec. 31.—To Balance	300	0	0	Dec. 31.—By J. R., Capital A/c ...	300	0	0

Dr. INTEREST ON CAPITAL. *Cr.*

	£	s.	d.		£	s.	d.
Dec. 31.—To Sundries	230	18	10	Dec. 31.—By Profit and Loss A/c ...	230	18	10

PROFIT AND LOSS ACCOUNT.

Dr.	£	s.	d.	*Cr.*	£	s.	d.
Dec. 31.—To J.T., Intrst.	195	15	10	Dec. 31.—By Balance	1,200	0	0
„ 31. „ J. R. „	35	3	0				
„ 31. „ J. T. Two-thirdsshare	646	0	9				
„ 31. „ J. R., One-third share	323	0	5				
	1,200	0	0		1,200	0	0

JOURNAL.

	£	s.	d.	£	s.	d.
Dec. 31.—Interest on Capital *Dr.*	230	18	10			
To Sundries—						
James Turner				195	15	10
John Roberts				35	3	0
5 per cent. on Capital at Jan. 1st, less Income Tax at 1/- in the £.						

	£	s.	d.	£	s.	d.
Dec. 31.—Profit and Loss Account *Dr.*	230	18	10			
To Interest on Capital				230	18	10

	£	s.	d.	£	s.	d.
Dec. 31.—Profit and Loss Account *Dr.*	969	1	2			
To Sundries—						
James Turner, two-thirds Share				646	0	9
John Roberts, one-third Share				323	0	5
Profit transferred.						

	£	s.	d.	£	s	d.
Dec. 31.—James Turner — Capital Account ... ... *Dr.*	150	0	0			
To James Turner — Drawing Account ...				150	0	0

	£	s.	d.	£	s.	d.
Dec. 31.—John Roberts — Capital Account ... ... *Dr.*	300	0	0			
To John Roberts — Drawing Account...				300	0	0

EXERCISE XIII.

LEDGER.

Dr. SHARE CAPITAL ACCOUNT. Cr.

		Oct. 22.—By Application and Allotment A/c	£ 32,150	s. 10	d. 0

Dr. APPLICATION AND ALLOTMENT ACCOUNT. Cr.

	£	s.	d.		£	s.	d.
Oct. 22.—To Share Capital A/c	32,150	10	0	Oct. 22.—By Cash on Application ...	16,425	10	0
,, 22. ,, Cash ...	350	5	0	Dec. 31. ,, Cash on Allotment	16,050	5	0
				,, 31. ,, Balance	25	0	0
	32,500	15	0		32,500	15	0
Jan. 1.—To Balance, being calls in arrear...	25	0	0				

JOURNAL.

	£	s.	d.	£	s.	d.
Oct. 22.—Application and Allotment A/c ... *Dr.*	32,150	10	0			
To Share Capital A/c				32,150	10	0
For 5/- per Share payable on Application, and 5/- per Share on Allotment, on 64,301 Shares of £1 each, allotted this day.						

Dr. CASH BOOK. Cr.

	£	s.	d.		£	s.	d.
To Application A/c	16,425	10	0	By Application A/c	350	5	0
,, Allotment A/c	16,050	5	0				

IN THE BALANCE SHEET. (*Dr.* side.)

Dr.

	£	s.	d.	£	s.	d.
To Share Capital authorised,... in 75,000 Shares of £1 each.	75,000	0	0			
,, Share Capital issued—						
64,301 Shares 10/- called up	32,150	10	0			
Less Calls in arrear ...	25	0	0			
				32,125	10	0

INDEX.

APPENDICES.

APPENDIX I.

THE LEDGER.

Dr. Side. *Cr.* Side.

NAME OF ACCOUNT.

Date.	Narrative.	Ref.	Money. £	s.	d.	Date.	Narrative.	Ref.	Money. £	s.	d.

1.

Dr. JOHN JONES. *Cr.*

			£	s.	d.				£	s.	d.
1904						1904					
Jan. 12	To Cash... ...	4	100	0	0	Jan. 1	By Goods ...	2	100	0	0

2.

Dr. GOODS. *Cr.*

			£	s.	d.				£	s.	d.
1904						1904					
Jan. 1	To John Jones...	1	100	0	0	Jan. 2	By Samuel Smith	3	120	0	0
,, 12	,, Profit ...	5	20	0	0						
			120	0	0				120	0	0

3.

Dr. SAMUEL SMITH. *Cr.*

			£	s.	d.				£	s.	d.
1904						1904					
Jan. 2	To Goods ...	2	120	0	0	Jan. 11	By Cash... ...	4	120	0	0

4.

Dr. CASH. *Cr.*

			£	s.	d.				£	s.	d.
1904						1904					
Jan. 11	To Samuel Smith	3	120	0	0	Jan. 12	By John Jones...	1	100	0	0

5.

Dr. PROFIT. *Cr.*

									£	s.	d.
						1904					
						Jan. 12	By Goods ...	2	20	0	0

APPENDIX II.

1.

Dr. T. THORN, LOAN ACCOUNT. *Cr.*

1904			£ s. d.	1904			£ s. d.
Mch. 31	*To Balance...* ...		*1,015 0 0*	Jan. 1	By Cash	2	1,000 0 0
				Mch. 31	,, Interest... ...	24	15 0 0
			1,015 0 0				*1,015 0 0*
				Apl. 1	*By Balance...* ...		*1,015 0 0*

2.

Dr. CASH. *Cr.*

1904			£ s. d.	1904			£ s. d.
Jan. 1	To T. Thorn ...	1	1,000 0 0	Jan. 1	By Bank	3	1,000 0 0
,, 1	,, Bank	3	20 0 0	Feb. 15	,, ,, ...	3	712 10 0
Feb. 15	,, T. Toms ...	8	285 0 0	,, 18	,, Stationery ...	14	1 0 0
,, 15	,, J. Jones ...	9	142 10 0	,, 18	,, Office Furniture ...	18	14 0 0
,, 15	,, S. Samuels...	10	285 0 0				
,, 22	,, E. Ellis ...	6	190 0 0	,, 22	,, Bank	3	190 0 0
Mch. 5	,, L. Lang, Cash Sale	7	20 0 0	Mch. 25	,, ,, ...	3	400 0 0
				,, 31	,, Wages ...	12	25 0 0
,, 25	,, F. Fenton, Cash Sale...	7	400 0 0	,, 31	,, Coal	22	3 0 0
,, 31	,, Bank	3	20 0 0	,, 31	,, Office Cleaning ...	22	2 0 0
				,, *31*	,, *Balance* ...		*15 0 0*
			2,362 10 0				*2,362 0 0*
Apl. 1	*By Balance* ...		*15 0 0*				

3.

Dr.				BANKERS.			Cr.
1904			£ s. d.	1904			£ s. d.
Jan. 1	To Cash	2	1,000 0 0	Jan. 1	By Cash	2	20 0 0
Feb. 15	,, ,, ...	2	712 10 0	,, 8	,, Fenton, Cash Purchases ...	5	300 0 0
,, 22	,, ,, ...	2	190 0 0	,, 30	,, Wages	12	25 0 0
Mch. 25	,, ,, ...	3	400 0 0	Feb. 20	,, C. Carslake ...	4	487 10 0
,, 31	,, Interest ...	23	5 0 0	,, 20	,, D. Dean ...	11	400 0 0
				,, 29	,, Wages	12	25 0 0
				Mch. 20	,, M. Moss ...	15	300 0 0
				,, 20	,, G. Groves ...	20	76 0 0
				,, 25	,, P. Parker ...	16	300 0 0
				,, 31	,, Cash	2	20 0 0
				,, 31	,, Commission ...	22	2 10 0
				,, 31	,, *Balance* ...		*351 10 0*
			2,307 10 0				*2,307 10 0*
Apl. 1	*To Balance* ...		*351 10 0*				

4.

Dr.				C. CARSLAKE.			Cr.
1904			£ s. d.	1904			£ s. d.
Feb. 20	To Bank	3	487 10 0	Jan. 2	By Goods	5	500 0 0
,, 20	,, Discount ...	19	12 10 0				
			500 0 0				500 0 0

5.

Dr.				PURCHASES.			Cr.
1904			£ s. d.	1904			£ s. d.
Jan. 2	To C. Carslake ...	4	500 0 0	Mch. 5	By G. Groves ...	20	20 0 0
,, 8	,, Bank, Fenton	3	300 0 0	,, *31*	,, *Profit & Loss A/c*	*25*	*2,230 0 0*
,, 28	,, D. Dean ...	11	400 0 0				
Feb. 9	,, M. Moss ...	15	300 0 0				
,, 9	,, P. Parker ...	16	200 0 0				
,, 20	,, G. Groves ...	20	100 0 0				
,, 20	,, P. Parker ...	16	100 0 0				
Mar. 28	,, ,, ,, ...	16	200 0 0				
,, 28	,, G. Groves ...	20	150 0 0				
			2,250 0 0				*2,250 0 0*

6.

Dr. E. ELLIS. Cr.

1904			£ s. d.	1904			£ s. d.
Jan. 4	To Goods	7	200 0 0	Feb. 22	By Cash	2	190 0 0
Feb. 23	,, ,, ...	7	100 0 0	,, 22	,, Discount ...	17	10 0 0
				Mch. 31	,, *Balance* ...		*100 0 0*
			300 0 0				*300 0 0*
Apl. 1	*To Balance* ...		*100 0 0*				

7.

Dr. SALES. Cr.

1904			£ s. d.	1904			£ s. d.
Mch. 10	To S. Samuels ...	10	10 0 0	Jan 4	By E. Ellis ...	6	200 0 0
,, *31*	*Profit and Loss A/c*	25	*2,710 0 0*	,, 13	,, T. Toms ...	8	200 0 0
				,, 13	,, J. Jones ...	9	50 0 0
				,, 13	,, S. Samuels...	10	250 0 0
				,, 20	,, J. Jones ...	9	100 0 0
				,, 20	,, S. Samuels...	10	50 0 0
				,, 20	,, T. Toms ...	8	100 0 0
				Feb. 23	,, E. Ellis ...	7	100 0 0
				Mch. 1	,, T. Toms ...	8	400 0 0
				,, 1	,, J. Jones ...	9	300 0 0
				,, 1	,, S. Samue ...	10	100 0 0
				,, 5	,, Cash, L. Lang	2	20 0 0
				,, 18	,, T. Toms ...	8	100 0 0
				,, 18	,, J. Jones ...	9	150 0 0
				,, 18	,, G. Green ...	21	200 0 0
				,, 25	,, Cash, F. Fenton	2	400 0 0
			2,720 0 0				*2,720 0 0*

8.

Dr. T. TOMS. Cr.

1904			£ s. d.	1904			£ s. d.
Jan. 13	To Goods	7	200 0 0	Feb. 15	By Cash	2	285 0 0
,, 20	,, ,, ...	7	100 0 0	,, 15	,, Discount ...	17	15 0 0
Mch. 1	,, ,, ...	7	400 0 0	*Mch. 31*	,, *Balance* ...		*500 0 0*
,, 18	,, ,, ...	7	100 0 0				
			800 0 0				*800 0 0*
Apl. 1	*To Balance* ...		*500 0 0*				

9.

Dr. J. JONES. *Cr.*

1904			£ s. d.	1904			£ s. d.
Jan. 13	To Goods	7	50 0 0	Feb. 15	By Cash	2	142 10 0
,, 20	,, ,, ...	7	100 0 0	,, 15	,, Discount ...	17	7 10 0
Mch. 1	,, ,, ...	7	300 0 0	*Mch. 31*	,, *Balance* ...		*450 0 0*
,, 18	,, ,, ...	7	150 0 0				
			600 0 0				*600 0 0*
Apl. 1	*To Balance* ...		*450 0 0*				

10.

Dr. S. SAMUELS. *Cr.*

1904			£ s. d.	1904			£ s. d.
Jan. 13	To Goods	7	250 0 0	Feb. 15	By Cash	2	285 0 0
,, 20	,, ,, ...	7	50 0 0	,, 15	,, Discount ...	17	15 0 0
Mch. 1	,, ,, ...	7	100 0 0	Mch. 10	,, Goods returned	7	10 0 0
				,, *31*	,, *Balance* ...		*90 0 0*
			400 0 0				*400 0 0*
Apl. 1	*To Balance* ...		*90 0 0*				

11.

Dr. D. DEAN. *Cr.*

1904			£ s. d.	1904			£ s. d.
Feb. 20	To Bank	3	400 0 0	Jan. 28	By Goods	5	400 0 0

12.

Dr. WAGES. *Cr.*

1904			£ s. d.	*1904*			£ s. d.
Jan. 30	To Bank	3	25 0 0	*Mch. 31*	*By Profit & Loss A/c*	*25*	*75 0 0*
Feb. 29	,, ,, ...	3	25 0 0				
Mch. 31	,, Cash	2	25 0 0				
			75 0 0				*75 0 0*

13.

Dr. R. ROGERS. *Cr.*

				1904			£ s. d.
				Feb. 6	By Stationery ...	14	5 0 0

14.

Dr. STATIONERY. *Cr.*

			£ s. d.				£ s. d.
1904				*1904*			
Feb. 6	To R. Rogers ...	13	5 0 0	*Mch. 31*	*By Profit & Loss A/c ... ...*	*25*	*6 0 0*
,, 18	,, Cash	2	1 0 0				
			6 0 0				*6 0 0*

15.

Dr. M. MOSS. *Cr.*

			£ s. d.				£ s. d.
1904				1904			
Mch. 20	To Bank	3	300 0 0	Feb. 9	By Goods	5	300 0 0

16.

Dr. P. PARKER. *Cr.*

			£ s. d.				£ s. d.
1904				1904			
Mch. 25	To Bank	3	300 0 0	Feb. 9	By Goods	5	200 0 0
,, *31*	,, *Balance* ...		*200 0 0*	,, 20	,, ,, ...	5	100 0 0
				Mch. 28	,, ,, ...	5	200 0 0
			500 0 0				*500 0 0*
				Apl. 1	*By Balance* ...		*200 0 0*

17.

Dr. DISCOUNT ON SALES. *Cr.*

			£ s. d.				£ s. d.
1904				*1904*			
Feb. 15	To T. Toms ...	8	15 0 0	*Mch. 31*	*By Profit & Loss A/c ... ...*	*25*	*47 10 0*
,, 15	,, J. Jones ...	9	7 10 0				
,, 15	,, S. Samuels...	10	15 0 0				
,, 22	,, E. Ellis ...	6	10 0 0				
			47 10 0				*47 10 0*

18.

Dr. OFFICE FURNITURE. *Cr.*

			£ s. d.				
1904							
Feb. 18	To Cash	2	14 0 0				

19.

Dr.		DISCOUNT ON PURCHASES.					*Cr.*
1904			£ s. d.	1904			£ s. d.
Mch. 31	*To Profit & Loss A/c ... ...*	*25*	*16 10 0*	Feb. 20	By C. Carslake...	4	12 10 0
				Mch. 20	,, G. Groves ...	20	4 0 0
			16 10 0				*16 10 0*

20.

Dr.		G. GROVES.					*Cr.*
1904			£ s. d.	1904			£ s. d.
Mch. 5	To Goods returned...	5	20 0 0	Feb. 20	By Goods	5	100 0 0
,, 20	,, Bank	3	76 0 0	Mch. 28	,, ,, ...	5	150 0 0
,, 20	,, Discount ...	19	4 0 0				
,, *31*	,, *Balance* ...		*150 0 0*				
			250 0 0				*250 0 0*
				Apl. 1	*By Balance* ...		*150 0 0*

21.

Dr.		G. GREEN.					*Cr.*
1904			£ s. d.				
Mch. 18	To Goods	7	200 0 0				

22.

Dr.		GENERAL EXPENSES.					*Cr.*
1904			£ s. d.	*1904*			£ s. d
Mch. 31	To Cash, Coal ...	2	3 0 0	*Mch. 31*	*By Profit & Loss A/c ... ...*	*25*	*7 10 0*
,, 31	,, ,, Office Cleaning	2	2 0 0				
,, 31	,, Bank, Commission ...	3	2 10 0				
			7 10 0				*7 10 0*

23.

Dr.		INTEREST RECEIVABLE.					*Cr.*
1904			£ s. d.	1904			£ s. d.
Mch. 31	*To Profit & Loss A/c ... ...*	*25*	*5 0 0*	Mch. 31	By Bank	3	5 0 0

24.

Dr. INTEREST PAYABLE. *Cr.*

1904			£ s. d.	1904			£ s. d.
Mch. 31	To T. Thorn ...	23	15 0 0	Mch. 31	By Profit & Loss A/c	25	15 0 0

25.

Dr. *PROFIT AND LOSS ACCOUNT.* *Cr.*

1904			£ s. d.	1904			£ s. d.
Mch. 31	To Purchases ...	5	2,230 0 0	Mch. 31	By Sales	7	2,710 0 0
,, 31	,, Wages	12	75 0 0	,, 31	,, Discount on Purchases ...	19	16 10 0
,, 31	,, Stationery ...	14	6 0 0	,, 31	,, Interest receivable	23	5 0 0
,, 31	,, General Expenses ...	22	7 10 0	,, 31	,, Stock at date	26	300 0 0
,, 31	,, Discount on Sales	16	47 10 0				
,, 31	,, Interest payable	24	15 0 0				
			2,381 0 0				
,, 31	,, **Profit transferred to Capital A/c**	27	650 10 0				
			3,031 10 0				3,031 10 0

26.

Dr. *STOCK.* *Cr.*

1904			£ s. d.				
Mch. 31	To Profit & Loss A/c	25	300 0 0				

27.

Dr. *CAPITAL ACCOUNT.* *Cr.*

				1904			£ s. d.
				Mch. 13	By **Profit transferred from Profit and Loss A/c ...**	25	650 10 0

APPENDIX III.

DAY BOOK.

JANUARY, 1904.

Reference.		Price.	Items. £	s.	d.	Total. £	s.	d.
	1st		£	s.	d.	£	s.	d.
	E. ELLIS.							
	50 gross Lead Pencils	12/-	30	0	0			
81	20 ,, Blue Crayons	20/-	20	0	0			
	10 ,, Red ,, ...	28/-	14	0	0			
			64	0	0			
	Discount 50 %		32	0	0			
						32	0	0
	2nd							
	ADAMSON & CO.							
	25 reams Typewriting Paper ...	4/6	5	12	6			
5	20 ,, 8vo Notepaper	8/-	8	0	0			
			13	12	6			
	Discount 10 %		1	7	3			
						12	5	3
	4th							
	P. GRAHAM.							
90	2 gross 6d. boxes Pens	50/-				5	0	0
	5th							
	M. HODGKINSON.							
74	1 gross 6d. boxes Pens	50/-	2	10	0			
	6 quart bottles Ink	2/-	0	12	0			
						3	2	0
	Carried forward ... ... or to Summary.					52	7	3

Trade Discounts should be deducted in the Day Book as shown above, whereas Cash Discounts will be entered in the Cash Book and posted to the Ledger when the account is paid. As a general rule all discounts exceeding 5 % are considered Trade Discounts.

APPENDIX IV.

DAY BOOK.

Date.		Name of Customer.	Copy Book Reference.	Ledger Reference.	Amount.		
1904					£	s.	d.
Jan.	3	E. Ellis	1	6	200	0	0
,,	11	T. Toms	2	7	200	0	0
,,	11	J. Jones	3	8	150	0	0
,,	11	S. Samuels	4	9	250	0	0
,,	15	J. Jones	5	8	100	0	0
,,	15	S. Samuels	6	9	50	0	0
,,	15	T. Toms	7	7	100	0	0
Feb.	15	T. Toms	8	7	400	0	0
,,	15	J. Jones	9	8	300	0	0
,,	15	S. Samuels	10	9	600	0	0
		(Credit to Sales Account) ...		16	2,350	0	0

APPENDIX V.

INVOICE BOOK.

Date.		Name of Supplier.	Invoice No.	Ledger Reference.	Amount.		
1904					£	s.	d.
Jan.	2	C. Crowther	1	4	500	0	0
,,	20	D. Dean	2	10	400	0	0
Feb.	2	M. Moss	3	12	300	0	0
,,	2	P. Parker	4	13	200	0	0
,,	10	P. Parker	5	13	100	0	0
,,	10	G. Grooves	6	17	500	0	0
		(Debit to Purchases Account)...		21	2,000	0	0

APPENDIX VI.

INVOICE BOOK.

Date.	Name of Supplier.	Ledger Ref.	Total. £	s.	d.	Details. £	s.	d.
2	Adams & Co.					0	11	9
4	,, ...					0	12	3
7	,, ...					1	0	6
12	,, ...	278	2	15	6	0	11	0
10	Beardmore & Sons					2	0	0
15	,, ...					1	10	0
17	,, ...	311	6	10	0	3	0	0
1	Crossman, T.					0	7	6
5	,, ...					0	2	9
11	,, ...					0	0	3
16	,, ...					0	2	11
18	,, ...					0	4	7
21	,, ...					0	2	0
24	,, ...					0	7	3
27	,, ...					0	1	2
31	,, ...	318	1	9	4	0	0	11
17	Dennison, J. H., & Co. ...	73	4	10	0	4	10	0
3	Greatorex & Co., Ltd. ...					0	2	0
11	,, ...					0	11	7
13	,, ...	292	3	5	2	2	11	7
	Carried forward... ... or to Summary.		18	10	0	18	10	0

Dr. CASH

Date.	From whom Received.	Ref.	Discount. £ s. d.	Cash. £ s. d.	Bank. £ s. d.
1904					
Jan. 1	To T. Thorn, Loan... ...	1		1,000 0 0	
,, 1	,, Cash	*Con.*			1,000 0 0
,, 1	,, Bank	*Con.*		20 0 0	
Feb. 15	,, T. Toms	8	15 0 0	285 0 0	
,, 15	,, J. Jones	9	7 10 0	142 10 0	
,, 15	,, S. Samuels	10	15 0 0	285 0 0	
,, 15	,, Cash	*Con.*			712 10 0
,, 22	,, E. Ellis	6	10 0 0	190 0 0	
,, 22	,, Cash	*Con.*			190 0 0
Mch. 5	,, L. Lang, Cash Sale ...	7		20 0 0	
,, 25	,, F. Fenton, Cash Sale ...	7		400 0 0	
,, 25	,, Cash	*Con.*			400 0 0
,, 31	,, Bank	*Con.*		20 0 0	
,, 31	,, Interest	23			5 0 0
	(*Post to debit of Discount on Sales*)	17	47 10 0	2,362 10 0	2,307 10 0
Apl. 1	To Balance			15 0 0	351 10 0

Dr. BANK

Date.	From whom Received.	Ref.	Discount. £ s. d.	Details. £ s. d.	Bank. £ s. d.
1904					
Jan. 1	To Balance				407 3 11
,, 1	,, F. Robinson & Co. ...	11	0 4 0	7 16 0	
,, 1	,, P. Jamieson	493	1 0 6	20 9 6	
,, 1	,, F. Moore, on A/c.... ...	279		75 0 0	
,, 1	,, L. Hardman & Sons ...	83		29 4 2	
,, 1	,, J. Smith	401	0 4 3	4 0 9	
					136 10 5
,, 2	,, A. Thomas	227		12 9 0	
,, 2	,, B. Jones	49	0 12 6	11 17 6	
,, 2	,, Taylor & Turner	473		7 9 3	
,, 3	,, Adamsons, Ltd.	39	0 0 4	110 11 0	
					142 6 9
	(*Post to debit of Discount on Sales*)	G.L./100	2 1 7		686 1 1
Jan. 4	To Balance				262 2 5

VII.

BOOK. *Cr.*

Date.		To whom Paid.	Ref.	Discount.	Cash.	Voucher No.	Bank.
1904				£ s. d.	£ s. d.		£ s. d.
Jan.	1	By Bank	*Con.*		1,000 0 0		
,,	1	,, Cash	*Con.*				20 0 0
,,	8	,, Fenton, Cash Purchases	5			123	300 0 0
,,	30	,, Wages	12			124	25 0 0
Feb.	15	,, Bank	*Con.*		712 10 0		
,,	18	,, Stationery	14		1 0 0	125	
,,	18	,, Office Furniture... ...	18		14 0 0	126	
,,	20	,, C. Carslake	4	12 10 0		127	487 10 0
,,	20	,, D. Dean	11			128	400 0 0
,,	22	,, Bank	*Con.*		190 0 0		
,,	29	,, Wages	12			129	25 0 0
Mch.	20	,, M. Moss	15			130	300 0 0
,,	20	,, G. Groves	20	4 0 0		131	76 0 0
,,	25	,, Bank	*Con.*		400 0 0		
,,	25	,, P. Parker	16			132	300 0 0
,,	31	,, Cash	*Con.*				20 0 0
,,	31	,, Wages	12		25 0 0	133	
,,	31	,, Coal	22		3 0 0	134	
,,	31	,, Office Cleaning	22		2 0 0	135	
,,	31	,, Commission	22			136	2 10 0
,,	31	,, Balance			15 0 0		351 10 0
		(*Post to credit of Discount on Purchases*) ...	19	16 10 0	2,362 10 0		2,307 10 0

VIII.

CASH BOOK. *Cr.*

Date.		To whom Paid.	Ref.	Disct.	Details.	Voucher No.	Bank.
1904				£ s. d.	£ s. d.		£ s. d.
Jan.	1	By Simpsons, Ltd.	B.L./81				49 3 2
,,	1	,, Mathieson & Co. ...	168	0 7 6			7 2 6
,,	2	,, Wages	G L./20		15 4 9		
,,	2	,, Travelling Expenses ...	30		5 7 6		
							20 12 3
,,	2	,, Rent to Dec. 25/03 ...	40				75 0 0
,,	2	,, R. James, Drawings ...	P.L./1		20 0 0		
,,	2	,, Petty Cash	G.L./10		5 0 0		
							25 0 0
,,	2	,, Bill Payable, No. 133 ..	50				201 7 1
,,	2	,, Peterson & Son	B.L./97	1 3 0			44 17 0
,,	2	,, Cheque Book					0 16 8
,,	2	,, Balance					262 2 5
		(*Post to credit of Discount on Purchases*) ...	G.L./110	1 10 6			686 1 1

APPENDIX IX.

JOURNAL.

1904			£ s. d.	£ s. d.
	(One debit and one credit.)			
June 30	Bad Debts ... ... *Dr.*	24	10 4 3	
	To Z. & Co.	171		10 4 3
	(One debit and several credits.)			
June 30	Bad Debts ... ... *Dr.*	24	35 15 2	
	To Sundries—			
	Z. & Co.	171		10 4 3
	X. & Sons	193		21 7 0
	Y., Ltd.	211		4 3 11
	(Several debits and one credit.)			
Sep. 29	Sundries— *Dr.*			
	To J. Brown	73		125 0 0
	Rent to date	129	25 0 0	
	Plant and Machinery	143	100 0 0	
	(Several debits and several credits.)			
Oct. 1	Sundries— *Dr.*			
	To Sundries—			
	Plant and Machinery	48	1,000 0 0	
	Buildings	72	2,500 0 0	
	Stock-in-trade	89	1,500 0 0	
	J. Jones, Mortgage	121		1,200 0 0
	Capital Account	100		3,800 0 0
	Assets and Liabilities brought into the business.			

APPENDIX X.

BILLS RECEIVABLE BOOK.

No.	Date of Bill.	Date Received.	From whom received. (Account to be Credited).	Ref.	Amount. £	s.	d.	Drawn by.	Accepted by.	Where Payable.	Term.	Due Date.	How Disposed of
	1904	1904										1904	
134	Jan. 3	Jan. 5	Jones & Co. ... S.L.	47	121	5	2	Selves	Jones & Co. ...	London ...	3 mos.	Apl. 6	Banked Apl. 5
135	,, 7	,, 12	A. B. Smith ... ,,	54	116	10	3	,, ...	A. B. Smith ...	,, ...	1 mo.	Feb. 10	,, Feb. 9
136	,, 20	,, 21	Parker & Jones ,,	29	102	10	0	,, ...	Parker & Jones	Hastings...	6 mos.	July 23	Disctd. Feb. 9
137	Feb. 11	Feb. 29	Jones & Co. ... ,,	47	79	3	0	Morrison & Co.	Smith & Sons	Eastbourne	3 mos.	May 14	Bank'd May 12
138	,, 17	Mch. 12	Adams & Sons ,,	93	100	0	0	Adams & Sons	Pain & Co. ...	London ...	3 mos.	May 20	
			G.L.	50	519	8	5						

APPENDIX XI.

BILLS PAYABLE BOOK.

No.	Date of Bill.	Date Accepted.	Account to be Debited.	Ref.	Amount. £	s.	d.	Drawn by.	Payable to.	Where Payable.	Term.	Due Date.
	1904	1904										1904
219	Jan. 12	Jan. 13	Petersons, Ltd.... B.L.	41	211	7	9	Petersons, Ltd. ...	Craig & Co. ...	Lloyds Bank ...	4 mos.	May 15
220	,, 29	,, 30	Baines & Sons ... ,,	75	109	10	10	Baines & Sons ...	Baines & Sons ...	,, ,, ...	1 mo.	Mch. 3
221	Feb. 21	Feb. 23	Johnson & Co., Ltd.... ... ... P.L.	87	453	11	1	Johnson & Co., Ltd.	Thomas & Wells	Joint Stock Bank	6 mos.	Aug. 24
222	Mch. 9	,, 10	Petersons, Ltd.... B.L.	41	197	6	3	Petersons, Ltd. ...	Craig & Co. ...	Lloyds Bank ...	4 mos.	July 12
223	,, 20	,, 21	MacLaren & Sons ,,	102	209	1	7	MacLaren & Sons...	MacLaren & Sons	,, ,, ...	3 mos.	June 23
			G.L.	60	1,180	17	6					

NOTE.—Ruled Books similar to the above can be obtained from Commercial Stationers. It will, however, be found that the order of columns here given differs from that in ready-made books, and is more convenient for posting, as all the necessary information is on the left-hand side of the book.

APPENDIX XII.

Dr. PETTY CASH BOOK. *Cr.*

Date.	Amount.	Date.	Particulars of Payments.	Voucher. No.	Amount.
1904	£ s. d.	1904			£ s. d.
Jan. 1	5 0 0	Jan. 1	Stamps 5/-, Telegram 6d.	1, 2	0 5 6
		,, 2	Repairs to Desk	3	0 2 3
		,, 4	Gum 1d., Pens 6d., Brush 1d. ...	4	0 0 8
		,, 6	Stamps 5/-, Money Orders 4d. ...	5, 6	0 5 4
,, 7	3 3 9	,, 7	Office Salaries...	7	2 10 0
					3 3 9
		,, 7	Balance...		5 0 0
	8 3 9				8 3 9
Balce.	5 0 0	,, 8	Stamps 10/-, Telegrams 1/4... ...	8, 9	0 11 4
		,, 9	Cleaning Windows	10	0 2 0
		,, 11	Paste 6d., Fares 7d.	11, 12	0 1 1
			Telegrams 9d., Paper Fasteners 6d.	13, 14	0 1 3
		,, 13	Mr. Smith, fare to Hendon	15	0 2 3
Jan. 14	3 7 11	,, 14	Office Salaries	16	2 10 0
					3 7 11
			Balance...		5 0 0
	8 7 11				8 7 11
Balce.	5 0 0				

SUMMARY, JAN. 1—14, 1904.

Postages	£1	0	0
Telegrams	0	2	7
Repairs	0	2	3
Stationery	0	1	8
Salaries	5	0	0
Travelling	0	2	10
Sundries	0	2	4
Journal, p. 24 ...	£6	11	8

APPENDIX XIII.

PREFERENCE SHARES, APPLICATION AND ALLOTMENT ACCOUNT.

Dr.					*Cr.*
1904		£ s. d.			
Oct. 31	To Sundries	10,000 0 0		By Cash (received from Shareholders)	
	,, Cash (returned to Shareholders)				

PREFERENCE SHARE CAPITAL.

Dr.					*Cr.*
			1904		£ s. d.
			Oct. 31	By Application and Allotment A/c.	10,000 0 0
			Dec. 15	,, First Call A/c....	10,000 0 0

ORDINARY SHARES, APPLICATION AND ALLOTMENT ACCOUNT.

Dr.					*Cr.*
1904		£ s. d.			
Oct. 31	To Sundries	6,250 0 0		By Cash (received from Shareholders)	
	,, Cash (returned to Shareholders)				

ORDINARY SHARE CAPITAL.

Dr.					*Cr.*
			1904		£ s. d.
			Oct. 31	By Application and Allotment A/c.	6,250 0 0
			1905 Jan. 10	,, Vendor	20,000 0 0

PURCHASE ACCOUNT.

Dr.					*Cr.*
1904		£ s. d.			
Oct. 31	To Vendor	40,000 0 0			

VENDOR.

Dr.					*Cr.*
1905		£ s. d.	1904		£ s. d.
Jan. 10	To Ordinary Share Capital	20,000 0 0	Oct. 31	By Purchase A/c....	40,000 0 0
	,, Cash...	20,000 0 0			

PREFERENCE SHARES, FIRST CALL ACCOUNT.

Dr.					*Cr.*
1904		£ s. d.			
Dec. 15	To Sundries	10,000 0 0			

ANALYTICAL

Inv'ce No.	Date.	Name.	Ref.	1 Total for each Name.	2 Invoices in Detail.	3 Materials.	4 Coal and Coke.
	1904			£ s. d.	£ s. d.	£ s. d.	£ s. d.
197	Jan. 12	Adamson & Co.			4 3 2		
198	,, 14	,, ...			0 11 9	0 11 9	
199	,, 19	,, ...			12 1 2	12 1 2	
200	,, 25	,, ...	93	18 5 8	1 9 7		
201	,, 7	Barrington & Sons ...	28	120 0 0	120 0 0		
202	,, 7	Colemans, Ltd.			5 0 3		
203	,, 12	,, ...			129 7 6		
204	,, 14	,, ...			8 1 7		
205	,, 21	,, ...	38	150 12 6	8 3 2		
306	,, 12	Dynamo Co., Ltd. ...			19 10 0		
207	,, 19	,, ...	49	27 15 0	8 5 0		
208	,, 19	Featherstone, A.... ...	57	0 14 9	0 14 9		
209	,, 19	Gas Light & Coke Co.			21 10 0		21 10 0
210	,, 30	,, ,,	25	29 14 7	8 4 7		8 4 7
211	,, 30	Great Eastern Railway	29	25 4 3	25 4 3		
212	,, 5	Jenkins, A.			4 3 9		
213	,, 7	,, ...			5 7 4		
214	,, 19	,, ...			0 0 11		
215	,, 30	,, ...	75	10 4 9	0 12 9		
216	,, 7	Hendersons, Ltd.... ...			20 14 2	20 14 2	
217	,, 19	,, ...			7 9 7	7 9 7	
218	,, 21	,, ...			8 4 1	8 4 1	
219	,, 21	,, ...			5 0 0		
220	,, 30	,, ...	84	72 0 2	30 12 4	30 12 4	
				454 11 8	454 11 8	79 13 1	29 14 7
						G.L./86	G.L./97

XIV.

INVOICE BOOK.

5 Manuf'd. Goods.	6 New Plant.	7 Repairs to Plant.	8 Carriage Inwards.	9 Carriage Outwards.	10 Unclassified.		
£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.			£ s. d.
4 3 2							
1 9 7							
	120 0 0						
5 0 3							
129 7 6							
8 1 7							
8 3 2							
		19 10 0					
		8 5 0					
					Stationery ...	G.L./83	0 14 9
			14 1 10	11 2 5			
4 3 9							
5 7 4							
0 0 11							
0 12 9							
					Storage	G.L./97	5 0 0
166 10 0	120 0 0	27 15 0	14 1 10	11 2 5			5 14 9
G.L./105	G.L./117	G.L./121	G.L./75	G.L./70			

APPENDIX XV.

ANALYTICAL CASH BOOK.

Dr. Side.

Date.		From whom Received.		Ref.	Discount.	Cash.	Bank.	Sold Ledger.	G.L. and P.L.	Bought Ledger.
					£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Jan.	1	To Robinson & Co....	S.L.	11	0 4 0	7 16 0		7 16 0		
,,	1	,, T. Thorn	G.L.	1			1,000 0 0		1,000 0 0	
,,	1	,, Smith & Sons	S.L.	20	0 10 3	19 19 9		19 19 9		
,,	2	,, Thompson, Rent to Dec. 25th	G.L.	15			25 0 0		25 0 0	
,,	2	,, Alexander, T. (amount overpaid)	B.L.	95		0 14 2				0 14 2
,,	2	,, Paid to Bank		*Con.*			28 9 11		28 9 11	

Cr. Side.

Date.		To whom Paid.		Ref.	Discount.	Cash.	Voucher No.	Bank.	Bought Ledger.	G.L. and P.L.	Sold Ledger.
					£ s. d.	£ s. d.		£ s. d.	£ s. d.	£ s. d.	£ s. d.
Jan.	1	By Peterson, A. T.	B.L.	15	1 9 0			27 11 0	27 11 0		
,,	2	,, City Offices Co., Rent to Dec. 25th	G.L.	18				100 0 0		100 0 0	
,,	2	,, Paid to Bank		*Con.*		28 9 11				28 9 11	
,,	2	,, Jones & Co. (amount overpaid) ...	S.L.	91		0 10 0					0 10 0
,,	2	,, X. Y. Z. & Co., Bill dishonoured	,,	49				203 4 2			203 4 2
,,	2	,, Parker, P.	B.L.	40				31 7 9	31 7 9		

NOTE.—The "*Contra*" items are carried into the G.L. and P.L. columns, so that the totals of the three analytical columns may together equal those of the Cash and Bank columns (allowing for the Cash and Bank balances). As the "*Contra*" items are equal on both sides, this method will not interfere with the balancing of the General and Private Ledgers.

APPENDIX XVI.

ANALYTICAL PETTY CASH BOOK.

	1				2		3	4	5	6	7	8	9	10	11
Date.	Receipts.	Date.	Particulars of Payments.	Voucher No.	Payments.	Ref.	Discount.	Personal A/cs.	Postage.	Telegrams.	Stationery.	Fares.	Purchases.		Sundries.
1904	£ s. d.	1904			£ s. d.		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Balce.	2 1 9	Jan. 1	Stamps 10/-, Telm. 8d., Fare, 3d.		0 10 11				0 10 0	0 0 8		0 0 3			
Jan. 4	5 0 0		Paste 6d., Paper fasteners 6d.		0 1 0						0 1 0				
		,, 2	Milne & Co.'s A/c		0 10 9	47	0 0 3	0 10 9							
		,, 4	Fares 1/0½, Telms. 1/9 ...		0 2 9½					0 1 9		0 1 0½			
		,, 8	Glue 1/7, Fares 4d., Stamps 5/-...		0 6 11				0 5 0			0 0 4	0 1 7		
		,, 11	Tip 2d., Telm. 6d.		0 0 8					0 0 6					0 0 2
		,, 14	Gum 3d., Pens 2/6		0 2 9						0 2 9				
		,, 16	Dusters 4½d., Brush 1/-...		0 1 4½										0 1 4½
		,, 19	Stamps 10/-		0 10 0				0 10 0						
		,, 20	Peterson's A/c...		0 4 10	43	0 0 2	0 4 10							
		,, 21	Fares 3d., Sealing Wax 6d.		0 0 9						0 0 6	0 0 3			
		,, 25	Soap 1/-, Fares 4d., Telm. 9d.		0 2 1					0 0 9		0 0 4			0 1 0
		,, 26	Steel Wire 3/7, Fares 4d.		0 3 11							0 0 4	0 3 7		
		,, 27	Nails 2/3, Copper Wire 5/4		0 7 7								0 7 7		
		,, 28	Stamps 10/-, Telm. 6d. ...		0 10 6				0 10 0	0 0 6					
		,, 29	Tip 6d., Fares 1/3		0 1 9							0 1 3			0 0 6
		,, 30	Ink 3/6, Penholders 1/-, Fares 3d.		0 4 9						0 4 6	0 0 3			
					4 3 4		0 0 5	0 15 7	1 15 0	0 4 2	0 8 9	0 4 0½	0 12 9		0 3 0½
			Balance		2 18 5										
							G.L./29		G.L./28	G.L./37	G.L./48	G.L./20	G.L./10		G.L./60
	7 1 9				7 1 9										
Balce.	2 18 5														

LIFT HERE.

NDICES.