

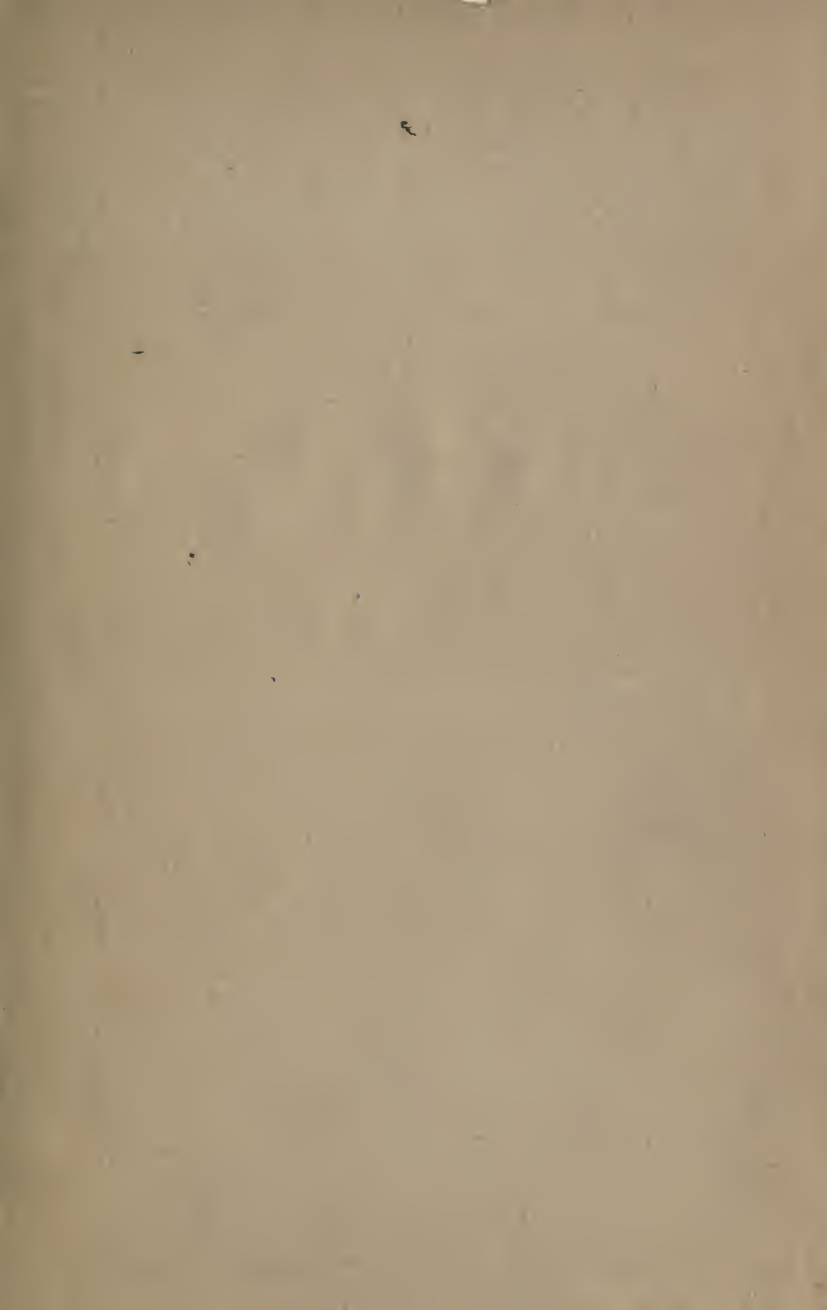
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BOOKKEEPING FOR BEGINNERS



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# BOOKKEEPING FOR BEGINNERS

BY

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ETC., ETC.



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GENERAL





## PREFACE

As teacher of Bookkeeping I have found that pupils taking up the subject find a difficulty in grasping the practice of Bookkeeping.

In the following pages I have tried to set forth in the clearest and simplest manner possible the rudiments of the subject, taking each book separately, and showing by minute examples how each transaction is dealt with, pointing out the why and the wherefore, and from pure reasoning arriving at the correct solution.

From the very first I have ventured to assume that the student knows *nothing* of the subject, which from experience I consider the only way to deal with the pupil satisfactorily.

Bookkeeping being chiefly a matter of practice, I have been particular to insert many varied exercises, all of which the pupil should work through, being careful to remember that the necessary qualifications to good Bookkeeping are—

Neatness,

Accuracy,

Speed.

Neatness I put in the first place, as without this it is impossible to be accurate.

A great number of persons anxious to know how to keep Books, think it unnecessary to learn "Double Entry." The

term "Double Entry" seems to fill them with an unknown horror. It is a great mistake to consider this system of Book-keeping a marvellous intricate maze; on the contrary, if the reader will study the foundation as set out in the following pages, he will see what a simple process this "Double Entry" is, and, having worked through the book, will be enabled to undertake and adapt, keeping in a concise form, any set of books that may come his way.

The student should work up to the standard of the Society of Arts, for which purpose I have included the Elementary Examination Papers at the end of Part I., and the Intermediate Examination Papers at the close of Part II.

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28, WESTMINSTER PALACE GARDENS,  
LONDON, S.W.  
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## PART I

### CHAPTER I

#### ERRATA.

- Page 27, Total of Discounts, for "£3 3s. Od." read "£4 3s. Od."*
- „ 53, May 7, *for Received from "W. Tilson" read "W. Tipon."*
- „ 84, Jan. 2, *for "Bought goods for cash £400" read "Bought Fixtures and Fittings £400."*
- „ 101, Bills Receivable Account, *for "To Sundries £800" read "To Sundries £1550."*
- „ 101, Ditto, *for "By Bank £800" read* { *"By Cash £500*  
*By Bank £800."*
- „ 104, *for "Jan., 1906" read "July, 1898."*

The system of Double-Entry, which is dealt with later, is used as being the quickest and most reliable way of ascertaining how a man stands with his Debtors and Creditors—and to be able to show at any given period the exact value of his business.

There are two sides of every account, the debit, the left hand side, the credit, the right hand side, and the difference between the *total* entries of these two sides is called the *Balance*. If the debits are greater the balance is termed a *debit Balance*, if the credits are greater then it is a *credit Balance*. If the debits and credits are equal, then the account is said to *Balance*.





## PART I

### CHAPTER I

#### CASH BOOK—PETTY CASH BOOK—POSTAGE BOOK

THE first question that arises is "What is meant by Book-keeping?"

Book-keeping is a system of keeping accounts on a sound and simple basis, the objects of keeping such books being to show the amount of capital a man has in his business, the sum owing to him, the amount he owes, and whether he is making a profit or is losing on his business.

It is of course most essential that these Books be kept absolutely correctly, as if otherwise, it is waste of time, it being worse than useless if entries made cannot be relied upon.

There are two kinds of persons necessary to business, the Debtor and the Creditor—as without a Debtor there cannot be a Creditor. This is clearly seen, for no one can *owe* money (thus being a Debtor) unless they owe money to some one (who must necessarily be the Creditor). Therefore the whole system of Book-keeping deals with the Debtor and the Creditor—

**Debtors** being those who owe money to the business ;

**Creditors** being those who are owed money *by* the business.

The system of Double-Entry, which is dealt with later, is used as being the quickest and most reliable way of ascertaining how a man stands with his Debtors and Creditors—and to be able to show at any given period the exact value of his business.

There are two sides of every account, the debit, the left hand side, the credit, the right hand side, and the difference between the *total* entries of these two sides is called the *Balance*. If the debits are greater the balance is termed a *debit Balance*, if the credits are greater then it is a *credit Balance*. If the debits and credits are equal, then the account is said to *Balance*.





There are several forms of Cash Book, one column, two column, three column, and tabulated Cash.

One column Cash Book is the simplest and therefore most generally used—there being one Cash column on the debit side and one Cash column on the credit side.

The following are the Cash transactions of William Smith, during the first week in April, 1902—

		£	s.	d.
April 1.	Received from W. Pole . . . . .	20	8	6
” 2.	Paid F. Wood . . . . .	10	3	1
” 3.	Paid W. West . . . . .	8	10	0
” 4.	Received from S. Peach . . . . .	11	19	8
” 5.	Received from B. Black . . . . .	13	2	11
” 6.	Paid Wages . . . . .	10	15	2
” 7.	Received from T. Trent . . . . .	32	14	7

Dr.

CASH ACCOUNT.

Cr.

1902.		£	s.	d.	1902.		£	s.	d.
April 1	To W. Pole . . . . .	20	8	6	April 2	By F. Wood . . . . .	10	3	1
” 4	” S. Peach . . . . .	11	19	8	” 3	” W. West . . . . .	8	10	0
” 5	” B. Black . . . . .	13	2	11	” 6	” Wages . . . . .	10	15	2
	” T. Trent . . . . .	32	14	7					

Having divided the debits from the credits of the foregoing exercise, it now remains to show what money is left over—that is, to find the “balance in hand.” By casting the debits we find the total to be £78 5s. 8d., and the total credits £29 8s. 3d.—therefore the difference between the debit and credit, *i.e.* the balance in hand, is seen to be £48 17s. 5d. and is shown in the Cash Book thus—

						By Balance . . . . .	48	17	5
			78	5	8		78	17	5
			78	5	8		78	17	5

To prove that the balance in hand is correct it is added to the expenses, *i.e.* the credit side—the total of which should agree with the receipts, *i.e.* the debit side.

The following are the cash transactions of William Smith for the week ending May 28th, 1904—

	£	s.	d.
May 23. Cash in hand . . . . .	10	0	0
” ” Received from B. Robbins . . . . .	9	2	3
” ” Paid J. James . . . . .	13	5	0
” 24 Received from B. Bird . . . . .	29	2	4
” ” Cash Sales . . . . .	7	11	3
” 25. Paid Edwin Earl . . . . .	10	4	9
” 26. Received from S. Sand . . . . .	16	11	4
” 27. Cash Sales . . . . .	9	3	2
” ” Paid F. Friend . . . . .	34	2	6
” 28. Paid Wages . . . . .	5	9	6

Make out a Cash Account, and balance at the end of the month—

1905.		£	s.	d.
Sept. 1.	Balance in hand . . . . .	19	7	8
” 3.	Paid R. Smith . . . . .	2	11	10
” 4.	Paid Wages . . . . .	4	9	9
” 6.	Received from P. Wilson . . . . .	12	9	8
” 7.	Received from S. P. Davis . . . . .	5	10	2
” 11.	Paid sundry expenses . . . . .	1	2	1
” 13.	Bought goods for cash . . . . .	5	11	9
” 15.	Paid K. Brown . . . . .	11	2	7
” 18.	Received from B. Long . . . . .	26	5	8
” 22.	Paid G. Steil . . . . .	29	3	9
” 25.	Paid sundry expenses . . . . .	1	2	8
” ”	Paid Wages . . . . .	2	8	9
” 28.	Received from J. White . . . . .	12	4	10
” 30.	Paid John West . . . . .	2	10	2
” ”	Paid Rent . . . . .	3	1	9

Write up the following entries in Cash Book, showing balance in hand—

1906.		£	s.	d.
Jan. 1.	Cash in hand . . . . .	18	5	8
” ”	Cash Sales . . . . .	4	5	2
” ”	Paid sundry expenses . . . . .	3	1	9
” ”	Received from S. Coles . . . . .	15	3	7
” 2.	Paid G. Berry . . . . .	2	10	0
” ”	Cash Purchases . . . . .	1	3	5
” ”	Took out for self . . . . .	3	1	9
” 3.	Received from H. Steele . . . . .	15	10	8
” ”	Paid C. Webb . . . . .	14	9	5
” ”	Paid sundry expenses . . . . .	4	2	7
” ”	Paid R. Field . . . . .	11	5	3
” 4.	Paid carriage . . . . .	1	2	0
” ”	Cash Sales . . . . .	5	9	10

1906.		£	s.	d.
Jan.	4. Received from F. Arnold . . . . .	19	7	10
"	" Paid Thompson and Co. . . . .	13	8	2
"	5. Received from T. North, on account of amount owing by him (£34 9s. 8d.) . . . . .	8	1	9
"	" Paid G. Adams . . . . .	15	7	0
"	6. Received from T. North, balance.			
"	" Paid sundry expenses . . . . .	4	8	0
"	" Paid Wages . . . . .	12	3	8
1906.				
Feb.	1. Cash in hand . . . . .	50	2	1
"	2. Paid M. Taylor . . . . .	3	19	2
"	3. Paid Insurance . . . . .	0	10	6
"	4. Received Salary . . . . .	10	10	0
"	5. Loan repaid to L. Brown . . . . .	5	0	0
"	6. Received dividends . . . . .	12	19	2
"	7. S. Woodhouse paid . . . . .	36	2	6
"	8. Railway fares . . . . .	11	10	9
"	9. F. Foot paid on account . . . . .	27	10	0
"	10. I paid wages . . . . .	3	3	6
"	11. Rent . . . . .	10	0	0
"	12. Received from C. Oats . . . . .	36	10	10
"	13. Hotel expenses . . . . .	6	3	4
"	14. Paid Gas, Light & Coke Co. . . . .	3	15	11
"	15. Sale of books . . . . .	35	0	0
1906.				
Mar.	1. Balance in hand . . . . .	198	7	2
"	2. T. Armstrong paid me . . . . .	11	3	6
"	3. Cash Sale . . . . .	36	9	4
"	4. V. Ryder received from me . . . . .	10	5	0
"	5. Paid Wages . . . . .	5	10	0
"	6. I received from Dividends . . . . .	36	19	10
"	7. Bought goods . . . . .	40	12	11
"	8. Wedding Present for friend . . . . .	5	5	0
"	9. Paid B. Green . . . . .	20	10	6
"	10. Paid Wages . . . . .	5	10	0
"	11. Interest on loan paid to Bank . . . . .	2	10	0
"	12. Cash Sale . . . . .	50	9	0
"	13. Sundry expenses . . . . .	12	7	6
"	14. Rent . . . . .	6	6	0
"	15. Cash Sale . . . . .	44	12	10
"	16. Paid Wages . . . . .	5	10	0

The Two Column Cash Book, as its name implies, deals with two columns on the debit and two columns on the credit, and are used respectively for Cash and Bank. As in some cases it is convenient to keep money in hard cash with which to meet sundry expenses—and not to pay all money received direct into the Bank, it is necessary to keep a separate account of such monies.

For example—

		£	s.	d.
June 15.	Cash in hand . . . . .	5	0	0
	Cash at Bank . . . . .	95	0	0
„ 16.	Received from L. Acres (cheque) . . . . .	14	17	8
	Received from B. Weston . . . . .	23	0	0
„ 17.	Paid Wages . . . . .	12	0	0
	Paid S. Snow by cheque . . . . .	45	10	0

Dr.

## CASH ACCOUNT.

Cr.

		Cash.			Bank.					Cash.			Bank.		
		£	s.	d.	£	s.	d.			£	s.	d.	£	s.	d.
June 15	To Cash in hand . . . . .	5	0	0				June 17	By Wages . . . . .	12	0	0			
„ „	„ Cash at Bank . . . . .				95	0	0	„	„ S. Snow . . . . .				45	0	0
„ 16	„ L. Acres . . . . .				14	17	8		„ Balances . . . . .	16	0	0	64	17	8
„ „	„ B. Weston . . . . .	23	0	0											
		28	0	0	109	17	8			28	0	0	109	17	8
		<u>28</u>	<u>0</u>	<u>0</u>	<u>109</u>	<u>17</u>	<u>8</u>			<u>28</u>	<u>0</u>	<u>0</u>	<u>109</u>	<u>17</u>	<u>8</u>

All items are understood to be *Cash* unless stated to be received by *cheque* or paid by *cheque*.

In balancing, the Bank debit must balance with the Bank credit, and the Cash debit with the Cash credit; thus it will be seen that the Bank balance is £64 17s. 8d., and the Cash balance £16.

When money has been received and placed in the Cash box, it is entered in the Cash column on the debit. If it is subsequently paid into the Bank, it is necessary to take it out of the Cash box before being able to do so. It is therefore *also* necessary to enter the amount taken *out* of the Cash box in the Cash column on the credit; showing that the Cash box is lessened by that amount. When this is done and the money paid into the Bank it must be shown on the Debit in the Bank column; the amount of money in the Bank being increased by that sum.

If the money were placed in the Bank column on the debit only, and not also entered in the Cash column credit, it would appear that the money had been received twice over—whereas this is not the case.

Enter the following transactions in a Two Column Cash Book and balance :—

		£	s.	d.
1906.				
Sept.	1. Cash in hand . . . . .	12	9	1
"	2. Cash at Bank . . . . .	102	9	1
"	3. Received from J. Hill . . . . .	26	6	9
"	4. Received from L. Martin . . . . .	17	2	5
"	6. Paid into bank . . . . .	41	10	1
"	7. Paid F. Harris cheque . . . . .	37	1	1
"	8. Paid sundry expenses . . . . .	5	9	1
"	9. Cash Sales . . . . .	7	6	7
"	10. Received from T. Salmon . . . . .	14	4	1
"	11. Paid into bank . . . . .	19	11	7
"	12. Paid A. Crew cheque . . . . .	30	8	1
"	13. Drew from bank for self . . . . .	22	9	1
"	14. Paid Wages by cheque . . . . .	18	9	1
1905.				
June	1. Cash brought in as capital by James Brown . . . . .	602	9	1
	Paid to bank on opening account . . . . .	562	9	1
"	3. Paid William Smith by cheque . . . . .	249	9	1
	Paid Wages . . . . .	17	9	1
"	5. Received from H. Atkins . . . . .	100	9	1
"	6. Paid to Bank . . . . .	102	9	1
"	12. Paid for stationery in cash . . . . .	7	4	1
"	19. Bought goods for cash . . . . .	14	6	7
"	22. Paid W. England by cheque . . . . .	39	13	7
	Drew from bank for cash . . . . .	17	9	1
"	23. Drew cheque for self . . . . .	22	9	1
"	27. Received from F. Robinson . . . . .	182	9	1
"	28. Paid to bank . . . . .	202	9	1
"	30. Bank interest (received) . . . . .	4	9	1
	Bank charges . . . . .	3	0	1
1906.				
Nov.	1. Balance due to the bank . . . . .	139	3	4
"	2. Paid into bank . . . . .	63	3	8
"	3. Paid Jones & Co., cheque . . . . .	68	8	4
"	5. Paid Hill & Co., " . . . . .	7	3	1
"	6. Paid into bank . . . . .	102	9	1
"	7. Drew cheque for wages . . . . .	22	9	1
"	8. Paid into bank . . . . .	73	9	1
"	9. Drew cheque for Frank Ellis (half-year's rent) . . . . .	27	9	1
"	11. Paid Johnson Bros., cheque . . . . .	8	0	4
"	15. Paid into bank . . . . .	27	9	1
"	18. Drew cheque for self . . . . .	7	9	1
1904.				
May	2. Balance of cash in office . . . . .	23	11	9
"	3. Bank Account, overdrawn . . . . .	135	18	5
"	5. Receive cheque from F. Hill . . . . .	50	1	9
"	7. Receive cheque from N. Willis . . . . .	22	10	9
"	8. Receive cash from R. White on Account . . . . .	13	1	9

1904.		£	s.	d.
May	10. Pay C. Way cheque, value . . . . .	35	11	9
"	" Pay B. Wall cheque . . . . .	41	1	9
"	12. Pay S. Webb rent by cheque . . . . .	9	1	9
"	14. Pay cash to J. Bury . . . . .	12	1	9
"	15. Receive cash from H. Sampson and pay it into Bank . . . . .	15	1	9
"	17. Receive cheque from T. Davies . . . . .	18	1	9
"	20. Pay cheque to Cotton Bros. . . . .	12	0	1
"	24. Receive cheque from L. Night . . . . .	31	1	9
1906.				
July	4. Cash in hand . . . . .	149	1	9
	Cash in Bank . . . . .	249	1	9
"	6. Payments from cash—			
	To D. Jones . . . . .	39	1	9
	" B. Leigh . . . . .	29	1	9
	" W. Jenkins . . . . .	19	1	9
	" T. Denman . . . . .	39	1	9
	" Expenses . . . . .	4	1	9
"	9. Payments from Bank by cheques—			
	To G. Retford . . . . .	79	1	9
	" W. Brooks . . . . .	99	1	9
	" G. Browne . . . . .	89	1	9
"	12. Receipts in cash—			
	From A. West . . . . .	24	1	9
	" G. Cocks . . . . .	34	1	9
	" B. Day . . . . .	29	1	9
"	20. Receipts through Bank—			
	From E. Beavan . . . . .	119	1	9
	" F. Marshall . . . . .	74	1	9
	" V. Wallis . . . . .	84	1	9

The Three Column Cash Account will be dealt with later, appearing under the heading of Discount.

**Tabulated Cash Book.**—In the keeping of some accounts it is found convenient to divide the receipts and expenditure into a series of columns, and to head these analytical columns with the descriptive names which according to the business are most likely to be required.

The first column on both the Debit and Credit is known as the Total column, all entries being first entered therein before being carried out into the analytical column provided.

To prove that each item has been correctly entered in the analytical column from the total column, it is necessary to cross cast; *i.e.* to cast the totals of the analytical columns together, *which* total should equal the sum total of the Total column.

**Petty Cash Book.**—Having dealt with the Cash Account, we now turn to the Petty Cash Account, which is used for all minor cash payments, and is arranged in tabular form.

The Petty Cashier receives a cheque from the Cashier, out of which he is to account for all payments which pass through his hands—of which record is kept in the Petty Cash Book; at the end of the month petty cash is balanced, the balance of which cast to the expenses must agree with the sum total the Petty Cashier has received from the Cashier.

The analysis columns must also Cross Cast with the Total Column of expenses, thus showing that all items spent and entered in the total column of expenses have been correctly carried out into their respective columns.

The Petty Cashier receives £5 from the Cashier on January 1st, 1905, and he makes the following records:—

Date.	Amount received.			Date.	Particulars.	Total.			Printing and Stationery.			Postage and Telegrams.			Fares and Parcels.			Cleaning and Repairs.			Clerical Help.		
	£	s.	d.			£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1905. Jan. 1	5	0	0	Jan. 1	Stamps	1	0	0	.	.	.	1	0	0	.	.	.	.	.	.	.	.	.
				" 2	Parcel	0	0	3	.	.	.	.	.	.	.	.	.	.	.	.	.	.	
				" 4	Window mended	0	4	8	.	.	.	.	.	.	.	.	.	.	0	4	8	.	.
				" 16	Stationery	0	5	2	0	5	2	.	.	.	.	.	.	.	.	.	.	.	
				" 27	Telegram	0	0	6	.	.	.	0	0	6	.	.	.	.	.	.	.	.	
				" "	"	0	1	2	.	.	.	0	1	2	.	.	.	.	.	.	.	.	
				" 29	Printing	1	9	4	1	9	4	.	.	.	.	.	.	.	.	.	.	.	
				" 31	Cleaning rugs	0	7	9	.	.	.	.	.	.	.	.	.	.	0	7	9	.	.
					Clerical help	0	2	0	.	.	.	.	.	.	.	.	.	.	.	.	.	0	2
					Balance	3	10	10	1	14	6	1	1	8	0	0	3	0	12	5	0	2	0
						1	9	2															
	5	0	0			5	0	0															
	1	9	2	Feb. 1	Balance in hand.																		

It will thus be seen that the balance in hand is £1 9s. 2d. and is brought down to be used during the following month.

Prepare a form of Petty Cash Book in which the payments shall be divided into "Printing and Stationery, Fares and Parcels,

Postage and Telegrams, Cleaning, Repairs," and record the following transactions :—

		£	s.	d.
June	1. Received from Cashier . . . . .	20	0	0
"	2. Paid Stamps . . . . .	0	10	0
"	3. " Parcel . . . . .	0	0	3
"	4. " Stationery . . . . .	1	4	7
"	5. " Office Cleaning . . . . .	0	2	6
"	6. Bus fares . . . . .	0	0	6
"	7. Telegram abroad . . . . .	0	4	10
"	8. Paid Stamps . . . . .	0	15	0
"	9. " Repairs . . . . .	0	19	4
"	10. " Printing Circulars . . . . .	3	6	10
"	11. " Return fare from Scotland . . . . .	6	10	3
"	14. " Stamps . . . . .	0	11	6
"	16. " Paper and Ink . . . . .	0	3	4
"	18. " Sweep . . . . .	0	4	2
"	19. " Telegram . . . . .	0	0	6
"	24. " Directory . . . . .	0	6	4
"	27. " Fare to Brighton . . . . .	0	7	6
"	30. " Printing . . . . .	2	4	11

Prepare a Petty Cash Book, and show the entry of the following transactions under suitable heads :—

Jan.	1. Balance in hand . . . . .	5	0	0
"	3. String and Brown Paper purchased . . . . .	0	4	6
"	4. Carriage of Parcel Christmas Box . . . . .	0	0	3
"	5. Sundries for Typewriter . . . . .	0	10	0
"	6. Postage Stamps . . . . .	0	2	9
"	8. Registered Letter Housekeeper . . . . .	0	5	0
"	9. Cab Fare . . . . .	0	0	4
"	Telegram . . . . .	0	1	6
"	11. Bottle of Ink purchased . . . . .	0	0	10
"	Postage Stamps . . . . .	0	3	9
"	12. Gratuity to Carman . . . . .	0	10	0
"	13. New Letter Book purchased . . . . .	0	0	6
"	15. Housekeeper . . . . .	0	3	6
"	Travelling . . . . .	0	6	10
		0	1	2
1906.				
May	1. Received from Cashier . . . . .	10	0	0
"	2. Stamps . . . . .	0	12	6
"	4. Fare to Birmingham . . . . .	1	10	6
"	5. Repairs . . . . .	0	15	0
"	6. Stationery . . . . .	2	0	0
"	7. Cleaning Office . . . . .	0	3	6
"	8. Messenger Boy . . . . .	0	5	0
"	9. Clerical Help . . . . .	0	10	0
"	10. Buses . . . . .	0	1	0
"	11. Printing . . . . .	1	5	0
"	13. Received from Cashier . . . . .	5	0	0



1906.		£	s.	d.
May 14.	Messenger Boy . . . . .	0	5	0
" 16.	Stamps . . . . .	0	15	0
" 18.	Fares . . . . .	0	10	6
" 20.	Repairing Typewriter . . . . .	0	15	6
" 21.	Buses . . . . .	0	0	8
" 22.	Stationery . . . . .	0	13	4
" 24.	Clerical Help . . . . .	0	12	6
" 26.	Printing . . . . .	1	10	0
" 28.	Cleaning Windows . . . . .	0	5	6
" 29.	Messenger Boy . . . . .	0	5	0
" 31.	Postage Stamps . . . . .	0	10	0

**Postage Book.**—This is a most important book, and one which should be kept in all offices and business houses. It is to check all stamps bought by the Petty Cashier and used by the Clerk, and is a record of all letters despatched.

The following is a ruling of a Postage Book. In the extreme left-hand column is entered the date on which the stamps are received, which date must correspond with the date in the Petty Cash Book on which the stamps are bought. The next column is for the stamps, and then follow the details of all stamps used, *i.e.* date, name, address, and amount of postage.

The Postage Book must be balanced every month, the amount received column corresponding with the "Postages" column in the Petty Cash Book, and the difference between the stamps received and used must tally with the stamps in hand.

POSTAGE BOOK.

Date received.	Amount received.			Date.	Name.	Address.	Postage.		
	£	s.	d.				£	s.	d.
1905. Feb. 3	1	0	0	1905. Feb. 3	B. Jones . . .	23, Adelphi Crescent, Glasgow.	0	0	1
				" 4	F. King . . .	24, Chancery Lane, London.	0	0	1
				" 5	E. Beaufort . .	4, Rue des Champs, Paris.	0	0	2½
				" 6	W. Ward . . .	125, Fisherton Street, Salisbury.	0	0	1
				" 7	R. Brown . . .	15, High Street, Dublin.	0	0	1
							0	0	6½
						Balance . . .	0	19	5½
	1	0	0				1	0	0

## CHAPTER II

DOUBLE-ENTRY : PURCHASES JOURNAL—SALES JOURNAL—  
LEDGER

DOUBLE-ENTRY is a method of Bookkeeping, which, as its name implies, necessitates each transaction being entered twice, *i.e.* on the debit and the credit ; and by so doing it will be seen that the debits must equal the credits.

There are several books used in Double-entry—such as Purchases Journal, Sales Journal, Return Inwards Book, Return Outwards Book, Cash Book, Bills Receivable Book, Bills Payable Book, and Ledger.

We first of all deal with the Purchases and Sales Journals. All goods bought and sold *on credit* are entered in these Journals.

For example, on January 3, 1906, we buy goods to the value of £50 from John Smith on credit ; which transaction would be thus entered in your Purchases Journal—

## PURCHASES JOURNAL.

1906.		£	s.	d.
Jan. 3	John Smith, Goods . . . . .	50	0	0

The day following we sell on credit to W. F. Harrison £25 worth, T. Brown £10 worth, and Messrs. Swan & Co. £40 worth. All these transactions must be entered in the Sales Journal.

## SALES JOURNAL.

1906.		£	s.	d.
Jan. 4	W. F. Harrison, Goods . . . . .	25	0	0
	T. Brown, Goods . . . . .	10	0	0
	Messrs. Swan & Co., Goods . . . . .	40	0	0

Thus, by having entered our Sales and Purchases under two headings we can see at a glance that our total Purchases amount to £50, and the total Sales to £75—but these items have thus far only been entered once, and according to our method of Book-keeping, *i.e.* Double-entry, each item must be entered twice. So we next turn to the *Ledger*, which book is a record of all transactions, both goods and cash, with every one with whom we deal.

From the Purchases Journal it will be seen that we bought goods from John Smith to the value of £50. Therefore, in the Ledger we open an account for John Smith, thus :—

Dr.		JOHN SMITH.				Cr.			
1906.		£	s.	d.	1906.		£	s.	d.
					Jan. 3	By Goods . . .	50	0	0

As *we* have received the goods, John Smith must of necessity have parted with them, therefore in *his* account in the Ledger the goods he has sold appear on the credit side as having gone *out* from him.

The next account to be opened is from the Sales Journal—the first person we have sold goods to being W. F. Harrison—and as he *received* the goods we sold to him, the goods must appear on the debit side of *his* account in the Ledger.

Dr.		W. F. HARRISON.				Cr.			
1906.		£	s.	d.	1906.		£	s.	d.
Jan. 4	To Goods . . .	25	0	0					

Likewise must accounts be opened for T. Brown and Messrs. Swan & Co.

Dr.		T. BROWN.			Cr.				
1906.		£	s.	d.	1906.		£	s.	d.
Jan. 4	To Goods . . .	10	0	0					

Dr.		MESSRS. SWAN & CO.			Cr.				
1906.		£	s.	d.	1906.		£	s.	d.
Jan. 4	To Goods . . .	40	0	0					

**Rule.**—All items from the Purchases Journal to be posted to *credit* of Ledger accounts.

All items from the Sales Journal to be posted to *debit* of Ledger Accounts.

No entry can be made direct into the Ledger without first appearing in some other book, *i.e.* the Ledger entry of a transaction is *always* the second entry.

From our Ledger we can clearly see that we owe John Smith £50, he having parted with goods valued at that amount and having received nothing in payment. So we pay him £10 on account, and make the necessary entry in our Cash Book thus:—

Dr.		CASH BOOK.			Cr.				
1906.		£	s.	d.	1906.		£	s.	d.
					Jan. 6	By John Smith .	10	0	0

As we pay John Smith £10, the entry must, of course, appear in our Cash Book as an expense, *i.e.* on the credit side, and as

John Smith receives £10, the ledger entry in his account must necessarily appear on the debit side as a receipt—thus :—

Dr.		JOHN SMITH.			Cr.				
1906.		£	s.	d.	1906.	£	s.	d.	
Jan. 6	To Cash . . .	10	0	0	Jan. 3	By Goods . . .	50	0	0

Having sold goods to W. F. Harrison he sends us a cheque for £15 on account, which we enter in our Cash Book on the debit side as a receipt—

Dr.		CASH BOOK.			Cr.				
1906.		£	s.	d.	1906.	£	s.	d.	
Jan. 7	To W. F. Harrison . . .	15	0	0	Jan. 6	By John Smith . . .	10	0	0

and in the Ledger that amount must be posted to Harrison's account as an expense, *i.e.* on the credit side, Harrison having parted with the £15 he sent to us.

Dr.		W. F. HARRISON.			Cr.				
1906.		£	s.	d.	1906.	£	s.	d.	
Jan. 4	To Goods . . .	25	0	0	Jan. 7	By Cash . . .	15	0	0

Messrs. Swan & Co. also pay us half of what they owe, which by our Ledger we see to be £20. Therefore our Cash Book must be debited with that amount thus :—

<i>Dr.</i>		CASH BOOK.			<i>Cr.</i>				
1906.		£	s.	d.	1906.	£	s.	d.	
Jan. 7	To W. F. Harrison . . .	15	0	0	Jan. 6	By John Smith . . .	10	0	0
"	" Swan & Co. . .	20	0	0					

and Messrs. Swan & Co.'s account in the Ledger credited thus :—

<i>Dr.</i>		SWAN & CO.			<i>Cr.</i>				
1906.		£	s.	d.	1906.	£	s.	d.	
Jan. 4	To Goods . . .	40	0	0	Jan. 8	By Cash . . .	20	0	0

So far everything has been posted to the Ledger with the exception of two things, and they are the totals of our Purchases and Sales Journals. So the Journals must be cast thus :—

<i>Dr.</i>		PURCHASES JOURNAL.			<i>Cr.</i>		
1906.		£	s.	d.			
Jan. 3	John Smith, Goods . . . . .	50	0	0			
		50	0	0			

<i>Dr.</i>		SALES JOURNAL.			<i>Cr.</i>		
1906.		£	s.	d.			
Jan. 4	W. F. Harrison, Goods . . . . .	25	0	0			
	T. Brown, . . . . .	10	0	0			
	Messrs. Swan & Co., Goods . . . . .	40	0	0			
		75	0	0			

and posted to the Ledger thus:—

Dr.	PURCHASES.			Cr.			
	£	s.	d.		£	s.	d.
To Sundries, as per Purchases Journal . . .	50	0	0				

Dr.	SALES.			Cr.			
	£	s.	d.		£	s.	d.
				By Sundries, as per Sales Journal	75	0	0

As the *items* from the Purchases Journal have been posted to the *credit* of the Ledger according to the account to which each belongs, it will be seen that the *total* of the Purchases Journal must of necessity be posted to the *debit* of the Ledger.

The account headed *Purchases* in the Ledger may be thought of as a Department—so that as goods are bought so are they placed in the Department and must of necessity be entered on the *Debit* or receipt side of that account.

So also as items from the *Sales* Journal have been posted to the *debit* of the Ledger, the total must be posted to the *credit*. As goods are sold they are taken *out* of the *Sales Department*, so must therefore be entered on the *credit side* of that account in the Ledger.

**Rules.**—All items from the Purchases Journal to be posted to credit of Ledger accounts.

All items from the Sales Journal to be posted to debit of Ledger accounts,

Total from the Purchases Journal to be posted to debit of Ledger.

Total from the Sales Journal to be posted to credit of Ledger.

Items from the *Debit* of Cash to be posted to the *Credit* of Ledger accounts.

Items from the *Credit* of Cash to be posted to the *Debit* of Ledger accounts.

Enter the following items in the Cash Book and Journals and post to the Ledger :—

		£	s.	d.
1906.				
May	1. Sold goods to W. Reed . . . . .	50	0	0
"	3. Bought goods from Couper & Co. . . . .	30	10	0
"	4. Received from W. Reed . . . . .	50	0	0
"	6. Bought goods from R. Hicks . . . . .	105	7	6
"	7. Paid Couper & Co., on account . . . . .	20	0	0
"	8. Sold goods to P. Harris & Son . . . . .	254	12	6
"	10. Bought goods from T. Black . . . . .	25	0	0
"	12. Paid Couper & Co. . . . .	10	10	0
"	15. Received from P. Harris & Son, on account . . . . .	54	12	6
"	18. Paid T. Black . . . . .	10	0	0
1907.				
Aug.	2. Cash in hand . . . . .	500	0	0
"	4. Bought goods from T. Hatton . . . . .	50	0	0
"	5. Sold goods to B. Williams . . . . .	10	10	0
"	6. Bought typewriter from Click & Co. . . . .	20	0	0
"	8. Paid T. Hatton, on account . . . . .	30	0	0
"	9. Sold goods to T. Emery . . . . .	66	8	9
"	16. Received from B. Williams . . . . .	10	10	0
"	18. Bought goods from T. Hatton . . . . .	35	0	0
"	19. Sold goods to B. Williams . . . . .	15	0	0
"	21. Paid T. Hatton . . . . .	20	0	0
"	24. Received from T. Emery . . . . .	50	0	0
1905.				
Jan.	3. Bought goods from Wakeling Bros. . . . .	150	0	0
"	5. Sold goods to M. O'Neal . . . . .	60	0	0
"	6. Sold goods to Macpherson & Co. . . . .	120	10	0
"	8. Paid Wakeling Bros., on account . . . . .	100	0	0
"	9. Bought goods from W. Newnham . . . . .	40	0	0
"	Received cash from M. O'Neal . . . . .	60	0	0
"	11. Sold goods to M. O'Neal . . . . .	35	0	0
"	14. Received from Macpherson & Co. . . . .	100	0	0
"	16. Paid W. Newnham . . . . .	40	0	0
"	17. Bought goods from Seymour Bros. . . . .	45	0	0
"	24. Bought goods from E. Robinson . . . . .	15	0	0
"	28. Paid Wakeling Bros. . . . .	50	0	0
1906.				
June	1. Sold goods for cash . . . . .	20	0	0
"	3. Bought goods from B. Seaman . . . . .	15	0	0
"	5. Sold goods to A. Bennett . . . . .	8	0	0
"	6. Paid B. Seaman . . . . .	5	0	0
"	9. Bought goods for cash . . . . .	10	0	0
"	10. Received from A. Bennett . . . . .	8	0	0
"	11. Sold goods to L. Horton . . . . .	25	0	0
"	14. Bought goods from B. Seaman . . . . .	7	0	0
"	16. Sold goods to L. Fox . . . . .	18	0	0
"	18. Bought goods for cash . . . . .	5	0	0
"	19. Received from L. Horton . . . . .	15	0	0



TRIAL BALANCE

1906.		£	s.	d.
June	22. Received from L. Fox . . . . .	8	0	0
„	24. Paid B. Seaman . . . . .	10	0	0
1904.				
Nov.	2. Bought goods from H. Kenedy . . . . .	80	10	0
„	3. Sold goods to P. Oliver . . . . .	34	7	6
„	5. Sold goods to O. Manner . . . . .	23	4	6
„	6. Paid H. Kenedy . . . . .	40	0	0
„	7. Bought goods from H. Kenedy . . . . .	26	0	0
„	10. Sold goods to G. Heatman . . . . .	54	4	0
„	14. Received from P. Oliver . . . . .	34	7	6
„	18. Bought goods from O. Twist . . . . .	37	5	0
„	19. Received from G. Heatman . . . . .	40	0	0
„	25. Paid H. Kenedy . . . . .	40	10	0
„	„ Paid O. Twist . . . . .	37	5	0
„	28. Received from O. Manner . . . . .	23	4	6
„	29. Sold goods to G. Heatman . . . . .	70	0	0
„	30. Bought goods from O. Twist . . . . .	30	0	0
„	„ Received from G. Heatman . . . . .	50	0	0

CHAPTER III

TRIAL BALANCE

By the system of Double Entry it is quite clearly seen that as all entries are made twice, on the debit and credit sides, the totals (if each item be properly posted) of the debits and the credits *must* agree. So likewise must the *Balances* of both sides agree. Therefore in order to see whether every item has been posted correctly it is necessary to extract a Trial Balance—that is, to take the Balance from the Cash account and all balances as they stand in the Ledger.

For example—The following are John Smith's balances from which he extracts his Trial Balance—

Dr.	CASH BOOK.			Cr.					
		£	s.	d.		£	s.	d.	
Mar. 1	To Capital . . . . .	500	0	0	Mar. 21	By A. Gardner . . . . .	30	0	0
„ 10	„ B. Hammon . . . . .	100	0	0	„ 30	„ Goods . . . . .	100	0	0
„ 15	„ H. Seaton . . . . .	130	0	0	„ 30	„ Sundry Ex-			
„ 29	„ B. Hammon . . . . .	70	0	0		„ penses . . . . .	10	0	0
„ 30	„ Goods . . . . .	40	0	0	„ 31	„ Goods . . . . .	400	0	0
						„ Balance . . . . .	300	0	0
		840	0	0			840	0	0

## LEDGER ACCOUNTS.

## A. GARDNER.

		£	s.	d.		£	s.	d.	
Mar. 21	To Cash . . .	30	0	0	Mar. 12	By Goods . . .	50	0	0

## B. HAMMON.

		£	s.	d.		£	s.	d.	
Mar. 4	To Goods . . .	120	0	0	Mar. 10	By Cash . . .	100	0	0
„ 20	„ Goods . . .	50	0	0	„ 29	„ Cash . . .	70	0	0

## H. SEATON.

		£	s.	d.		£	s.	d.	
Mar. 8	To Goods . . .	130	0	0	Mar. 15	By Cash . . .	130	0	0

## B. FRIEND.

		£	s.	d.		£	s.	d.
Mar. 22	To Goods . . .	95	0	0				

PURCHASES.

		£	s.	d.			£	s.	d.
	To Sundries, as per Purchases Journal . . .	50	0	0					

SALES.

		£	s.	d.			£	s.	d.
					By Sundries, as per Sales Journal		395	0	0

Dr.

CAPITAL.

Cr.

		£	s.	d.			£	s.	d.
					Mar. 1 By Cash . . .		500	0	0

GOODS.

		£	s.	d.			£	s.	d.
Mar. 30	To Cash . . .	100	0	0	Mar. 30	By Cash . . .	40	0	0
" 31	" Cash . . .	400	0	0					

## SUNDRY EXPENSES.

		£	s.	d.		£	s.	d.
Mar. 30	To Cash . . . . .	10	0	0				

## TRIAL BALANCE.

Dr.

Cr.

	£	s.	d.	£	s.	d.
Cash . . . . .	300	0	0			
A. Gardner . . . . .				20	0	0
B. Friend . . . . .	95	0	0			
Purchases . . . . .	50	0	0			
Sales . . . . .				395	0	0
Capital . . . . .				500	0	0
Goods . . . . .	460	0	0			
Sundry Expenses . . . . .	10	0	0			
	<u>915</u>	<u>0</u>	<u>0</u>	<u>915</u>	<u>0</u>	<u>0</u>

From the Cash Book it is seen that the Balance is £300. The debit side being that amount greater than the credit, so therefore in the Trial Balance £300 is entered in the debit column.

We then turn to our Ledger, which shows our first account to be with Gardner. The difference between his debit and credit being £20, the credit being the greater, so in the Trial Balance £20 is entered in the credit column. In Hammon's account, as the debits are equal with the credits, there is no balance to show, so we pass him over. Likewise in Seaton's account, as the debits and credits amount to £130. B. Friend is seen to have received £95 worth of goods for which he has paid nothing—so his balance is £95 and must appear in the debit of the Trial Balance. So also is the balance of "Purchases" seen to be £50 on the debit and of "Sales" £395 on the credit. "Capital" £500 on the credit, "goods" £460 on the debit, and "Sundry Expenses" £10 on the debit.

Then, by casting the Debit and Credit of our Trial Balance, we find the totals agree, making £915, which according to our system

of Double Entry proves to us that each item has been entered correctly, *i.e.* on the debit and on the credit.

Enter the following transactions into the Journals and Cash Book and post to the Ledger, extracting a Trial Balance.

		£	s.	d.
1906.				
Jan.	2.	Bought goods from Harrison & Co.	95	11 4
"	3.	Sold goods to William Jackson	70	15 0
"	"	Bought goods from J. Field & Co.	30	9 9
"	4.	Sold goods to D. Day	43	8 1
"	"	Received, cash on account, from Day	25	5 0
"	"	Bought goods for cash	15	5 0
"	5.	Sold goods to William Jackson	55	9 0
"	"	Received cash from William Jackson	70	15 0
"	"	Paid Harrison & Co.	95	11 4
1905.				
Feb.	19.	Bought goods from West & Co.	124	11 0
"	"	Sold goods to Peterson Bros.	65	13 4
"	"	Sold goods for cash	55	5 0
"	20.	Paid West & Co., on account.	45	5 0
"	21.	Sold goods to F. Cooper	65	13 0
"	22.	Bought goods from P. Wilkins	84	9 6
"	23.	Received cash from Peterson Bros.	35	13 4
"	24.	Paid West & Co.—balance	79	6 0
"	"	Sold goods for cash	25	5 0
1906.				
Aug.	4.	Bought goods from A. Martin	21	6 8
"	6.	Sold goods for cash	3	7 0
"	"	Sold goods to David Jones	9	8 0
"	7.	Bought goods for cash	0	9 6
"	"	Received cash from David Jones	9	8 0
"	8.	Bought goods from J. Hill	12	14 6
"	"	Sold goods to B. Bailey.	15	10 8
"	9.	Received cash from B. Bailey, on account	5	5 0
"	"	Paid A. Martin	21	6 8
"	10.	Sold goods to W. Graham	2	11 9
1904.				
Oct.	1.	Borrowed from W. Smith	20	5 0
"	"	Bought stock for cash	5	5 0
"	2.	Sold goods for cash	3	5 6
"	"	Bought goods from D. Skinner	9	12 9
"	3.	Sold goods for cash	4	7 3
"	4.	Sold goods to T. Tanner	0	12 8
"	4.	Received cash from T. Tanner	0	12 8
"	"	Repaid W. Smith	3	5 0
"	6.	Bought goods from D. Young	12	14 6
"	"	Sold goods for cash	10	15 0
"	"	Repaid W. Smith	5	0 0

		£	s.	d.
1906.				
July	2.	Bought goods from G. Thompson . . . . .	35	8 0
"	3.	Sold goods to E Richardson . . . . .	17	10 0
"	5.	Sold goods for cash . . . . .	5	4 0
"	6.	Received from E. Richardson . . . . .	17	10 0
"	7.	Bought goods for cash . . . . .	10	4 1
"	9.	Sold goods to M. Webb . . . . .	7	8 0
"	10.	Bought goods from S. Brockley . . . . .	17	11 0
"	11.	Sold goods to R. Oxford . . . . .	20	8 6
"	"	Received cash on account . . . . .	10	2 0
"	12.	Paid G. Thompson, on account . . . . .	4	12 0
"	13.	Sold goods for cash . . . . .	5	0 0
"	14.	Paid G. Thompson, balance . . . . .	30	16 0
1904.				
Nov.	1.	E. Robinson commenced business with cash . . . . .	300	0 0
"	3.	Bought goods from Dombey & Son . . . . .	140	10 0
"	4.	Sold goods to H. Cox . . . . .	31	6 3
"	6.	Paid Wages . . . . .	17	5 0
"	8.	Sold goods to R. Green . . . . .	85	4 0
"	10.	Bought goods for cash . . . . .	17	8 6
"	12.	Paid Dombey & Son . . . . .	140	10 0
"	13.	Bought goods from Church & Co. . . . .	90	5 0
"	16.	Sold goods to Isaac Brown . . . . .	35	8 0
"	18.	Received cash from H. Cox . . . . .	31	6 3
"	20.	Paid Wages . . . . .	17	5 0
"	22.	Bought goods for cash . . . . .	15	6 7
"	24.	Sold goods to R. Green . . . . .	68	5 0
"	25.	Bought goods from Dombey & Son . . . . .	60	4 7
"	26.	Received cash on account from R. Green . . . . .	50	2 6
"	27.	Paid carriage . . . . .	3	4 7
"	29.	Sold goods to Musselwhite & Son . . . . .	151	5 2
"	30.	Paid sundry expenses . . . . .	3	18 6
"	"	Paid rent . . . . .	10	2 0
1905.				
Sept.	1.	E. Nickol commenced business with Cash, £100 ; Stock, £200 . . . . .	300	0 0
"	2.	Sold goods to B. White . . . . .	18	11 6
"	"	Paid sundry expenses . . . . .	2	5 4
"	3.	Bought horse and cart for cash . . . . .	25	2 0
"	4.	Bought typewriter from Remington Co. . . . .	15	0 0
"	"	Paid £5 on account for typewriter . . . . .	5	0 0
"	6.	Bought goods from C. Wall . . . . .	72	11 4
"	"	Sold goods to Steele & Sons . . . . .	43	4 6
"	7.	Sold goods for cash . . . . .	59	9 1
"	8.	Paid C. Wall . . . . .	72	11 4
"	9.	Paid carriage . . . . .	7	3 0
"	10.	Sold goods to B. White . . . . .	32	9 0
"	"	Received from B. White . . . . .	18	11 6
"	11.	Paid horse keep . . . . .	2	9 1
"	13.	Paid Remington Co., balance . . . . .	10	0 0
"	14.	Received from Steele & Sons . . . . .	43	4 6

1905.		£	s.	d.
Sept. 14.	Sold Goods to F. Brown . . . . .	29	9	9
" 15.	Bought goods from J. Barratt . . . . .	32	3	0
" 18.	Sold goods to Steele & Sons . . . . .	81	11	5
" 20.	Paid sundry expenses . . . . .	5	8	0
" 23.	Sold goods for cash . . . . .	2	9	6
" 25.	Sold goods to B. White . . . . .	89	19	4
" 29.	Received from B. White, on account . . . . .	50	2	0
" "	Paid J. Barratt . . . . .	32	3	0
" 30.	Sold goods for cash . . . . .	29	10	1
" "	Paid Wages . . . . .	10	10	1
" "	Paid rent . . . . .	10	2	0
" "	Paid sundry expenses . . . . .	2	6	0

Thomas Smith commenced business on May 1, 1906, with a capital of £800, consisting of stock £300 and cash £500.

His transactions during the month were as follows:—

1906.		£	s.	d.
May 1.	Bought goods from G. Adams . . . . .	101	8	1
" "	Paid carriage on goods . . . . .	3	5	9
" 2.	Sold goods for cash . . . . .	9	0	1
" "	Sold goods to W. Hillier . . . . .	41	2	3
" 3.	Bought goods from B. Haines . . . . .	161	3	7
" 4.	Sold goods to J. Samuel . . . . .	71	3	1
" 5.	Sold goods for cash . . . . .	11	3	1
" "	Received payment from W. Hillier . . . . .	41	2	3
" "	Paid Wages . . . . .	5	0	0
" "	Paid sundry expenses . . . . .	4	3	1
" 8.	Sold goods to W. Hillier . . . . .	17	5	3
" "	Sold goods to A. Baker . . . . .	15	2	2
" 10.	Paid G. Adams . . . . .	101	8	1
" 11.	Bought goods from B. Haines . . . . .	43	0	7
" "	Sold goods to J. Samuel . . . . .	185	5	1
" 12.	Paid Wages . . . . .	5	0	0
" "	Paid sundry expenses . . . . .	3	3	8
" "	Took out cash for self . . . . .	11	0	0
" 14.	Received cash from J. Samuel . . . . .	71	3	1
" 16.	Sold good to A. Baker . . . . .	47	3	1
" 18.	Bought goods from G. Adams . . . . .	14	0	10
" 19.	Paid Wages . . . . .	5	0	0
" "	Paid sundry expenses . . . . .	2	15	0
" 23.	Received cash from W. Hillier . . . . .	17	5	3
" 25.	Paid B. Haines . . . . .	161	3	7
" "	Bought goods from D. Taylor . . . . .	29	3	1
" 26.	Paid Wages . . . . .	5	0	0
" "	Paid sundry expenses . . . . .	2	4	1
" "	Took out cash for self . . . . .	11	0	0
" 28.	Sold goods for cash . . . . .	18	1	5
" 31.	Paid rent . . . . .	6	0	0

## CHAPTER IV

## DISCOUNT—RETURNS INWARDS—RETURNS OUTWARDS

THERE are two kinds of discount, Trade Discount and Cash Discount. Trade Discount is a reduction from the nominal price at which goods are sold, and is allowed to trade customers. Cash Discount is discount allowed for prompt payment or payment within a certain time, as one month, three months, etc.

The first place in which Discount is entered is in the Cash Book—the discount column being the first column on the debit and the credit. Thus if John Jones owes Tom Brown £5, and Tom Brown allows him 5 per cent. discount, the transaction would be entered in John Jones' Cash Book thus :—

Dr.		CASH BOOK.						Cr.						
		£	s.	d.	£	s.	d.			£	s.	d.		
					Jan. 4			By Tom Brown	0	5	0	4	15	0

which shows that the discount allowed was 5s. and the cash which was absolutely paid amounted to £4 15s. 0d.

In posting this transaction to the Ledger, Tom Brown's account must be debited with the total amount of £5. If only £4 15s. 0d. was posted it would appear in Tom Brown's account that he was still owed 5s., whereas this amount was allowed by him as discount.

Dr.		TOM BROWN.						Cr.		
		£	s.	d.				£	s.	d.
Jan. 4	To Cash . . . .	5	0	0						





Then the total discounts allowed from the credit of the Cash is posted to the debit of the Ledger, and the discounts received from the *debit* of the Cash is posted to the credit of the Ledger. For example:—

Dr.		DISCOUNTS.			Cr.				
		£	s.	d.		£	s.	d.	
Jan. 31	To Cash Sundries	2	12	6	Jan. 31	By Cash Sundries	1	10	6

For the Trial Balance, instead of taking the balance of Discount account, the total debit and total credit appears in the Trial Balance. The reason of this is that the persons to whom we allow discount as a rule are not the same as the persons by whom we are allowed discount, so the debit does not in that case cancel the credit.

Record the following in suitable books and work out a Trial Balance—

1890.		£	s.	d.
Jan.	1. Bought goods from Jones & Co. . . . .	30	10	9
"	2. Received cash sales, less 2½% discount . . . . .	20	10	0
"	3. Sold goods to Green & Co. . . . .	56	8	7
"	4. Received from Green & Co., less 2½% discount . . . . .	20	0	0
"	5. Bought goods from Bird, Ltd. . . . .	40	0	0
"	6. Paid Jones & Co., less 2½% discount . . . . .	10	0	0
"	7. Cash sales less 2½% discount . . . . .	50	10	6
"	8. Received from Green & Co. remainder of amount owing, less 5% discount.			
"	9. Paid Bird & Co., less 2½% discount . . . . .	20	0	0

Messrs. Rook & Co. opened a business with a capital of £800. They allowed discount of 2½ per cent. on all transactions.

1890.		£	s.	d.
Feb.	1. Bought stock . . . . .	200	0	0
"	2. Sold goods to Robin & Co. . . . .	40	10	0
"	3. Received from Robin & Co. ½ of amount owing.			
"	4. Bought goods from S. Silt . . . . .	50	0	0
"	5. Paid them on account ¼ due to them.			
"	6. Sold goods to Victoria Co., Ltd. . . . .	300	0	0
"	7. " " " Marlborough & Co. . . . .	50	10	6
"	8. Received cash from Victoria Co., Ltd. in settlement of their account.			
"	9. Marlborough & Co., paid one-third of amount due.			

Work out Trial Balance.

Show the following entries in suitable books—with a Trial Balance at close.

1904.		£	s.	d.
Jan.	1. Bought goods from K. Owles . . . . .	36	5	0
"	3. Sold goods to R. Wicker . . . . .	18	7	1
"	5. Sold goods for cash and allowed Discount 6 <i>d.</i> in the £ . . . . .	5	2	0
"	6. Received from R. Wicker, less 2½% discount . . . . .	18	7	1
"	7. Bought goods for cash and deducted discount, 2½% . . . . .	10	0	0
"	9. Sold goods to W. Jyld . . . . .	6	7	0
"	10. Bought goods from T. Widesfield . . . . .	19	17	8
"	11. Sold goods to O. Wey . . . . .	60	2	10
"	" Received cash from them, having allowed them 2½% discount . . . . .	40	0	0
"	12. Paid K. Owles, less 2½% discount . . . . .	20	0	0
"	13. Sold goods for cash, less 2½% discount . . . . .	5	15	9
"	14. Paid K. Owles balance due, less 5% discount.			

**Returns.**—Returns are of two kinds : Returns Inwards and Returns Outwards.

Returns Inwards are goods which are returned to you by your customer. Returns Outwards are goods which *you* return to your creditor.

These returns are dealt with in the same way as Sales and Purchases.

Items from "Returns Inwards" Book must be posted to the credit of the accounts in the Ledger. The total of "Returns Inwards" must be posted to the debit of "Returns Inwards" account in the Ledger. Thus :—

RETURNS INWARDS BOOK.

1906.		£	s.	d.
Jan.	3 Thomas Coal . . . . .	34	10	0
	Messrs. North and Acres . . . . .	42	11	6
	Middleton & Co. . . . .	10	0	0
		87	1	6
		—	—	—

As Thomas Coal, Messrs. North and Acres, and Middleton and Co., have all returned goods, these goods must therefore be entered on the credit side of their account in the Ledger, showing that they have parted with the goods. Thus :—

<i>Dr.</i>	THOMAS COAL.						<i>Cr.</i>		
		£	s.	d.			£	s.	d.
					Jan. 3	By Returns	34	10	0

MESSRS. NORTH & ACRES.

		£	s.	d.			£	s.	d.
					Jan. 3	By Returns	42	11	6

MIDDLETON & CO.

		£	s.	d.			£	s.	d.
					Jan. 3	By Returns	10	0	0

and the total of the Returns being £87 1s. 6*d.* must appear thus :—

<i>Dr.</i>	RETURNS INWARDS.						<i>Cr.</i>		
		£	s.	d.			£	s.	d.
	To Sundries	87	1	6					

As "Returns Inwards" Department has received the goods sent back by Customers, items from the "Returns Outwards" Book must be posted to the debit of Ledger accounts, and the total to the credit of "Returns Outwards" account in the Ledger. For example :—

RETURNS OUTWARDS BOOK.

1906.		£	s.	d.
Feb. 2	Hayward, Ltd. . . . .	20	0	0
	Heath & Sons . . . . .	15	15	0
	Lewes Bros. . . . .	5	10	6
		<hr/>	<hr/>	<hr/>
		41	5	6

As goods have been returned to Hayward Ltd., Heath and Sons, and Lewes Bros., these must of necessity be entered in their Ledger Accounts as having been received *by* them; and the total of £41 5s. 6d. posted to the credit of "Returns Outwards" account, being the amount of goods returned to creditors. Thus:—

Dr.

HAYWARD, LTD.

Cr.

		£	s.	d.			
Feb. 2	To Returns .	20	0	0	£	s.	d.

HEATH & SONS.

		£	s.	d.			
Feb. 2	To Returns .	15	15	0	£	s.	d.

LEWES BROS.

		£	s.	d.			
Feb. 2	To Returns .	5	10	6	£	s.	d.

## RETURNS OUTWARDS.

		£	s.	d.			£	s.	d.
					Feb. 2	By Sundries	41	5	6

The following were transactions in business by Harvey & Co. Enter them in the proper books and show a Trial Balance.

1903.		£	s.	d.
May	1. Bought goods from Tale & Co.	50	0	0
"	2. Sold goods to Jack & Frost	70	10	0
"	3. Returned goods to Tale & Co.	5	15	0
"	4. Paid Tale & Co.	10	10	0
"	5. Sold goods to W. Ames	40	10	10
"	6. Jack & Frost returned goods	10	10	0
"	7. Bought goods from Brown & Co.	46	15	6
"	8. Jack & Frost paid	15	0	0
"	9. Returned goods to Brown & Co.	20	0	0
"	10. Paid Brown & Co. half remainder of account owing.			
"	12. W. Ames returned goods		12	6
"	14. W. Ames paid	20	0	0
	Cash sales	70	10	0

Record the following details and show a Trial Balance :—

1897.		£	s.	d.
	Capital	500	0	0
June	1. Bought stock for cash	200	0	0
"	2. Sold goods to Swan & Edgar	50	0	0
"	3. Bought goods from Liberty & Co.	40	10	6
"	4. Swan & Edgar returned goods to the value of	5	5	0
"	5. Returned goods to Liberty & Co.	4	10	6
"	6. Received from Swan & Edgar	10	10	0
"	7. Paid Liberty & Co.	20	18	9
"	8. Sold goods to Dale & Co.	30	10	0
"	9. Bought goods from Lyons & Co.	14	10	0
"	10. Returned goods to Lyons & Co.	7	7	9
"	11. Dale & Co. returned goods to me value one-quarter of amount sold to him.			
"	12. Received cash from Dale & Co. in settlement of their account.			

The following were transactions in business by Way & Co. Enter them in the proper books and show a Trial Balance.

		£	s.	d.
1907.	Capital . . . . .	300	0	0
July	2. Bought goods from Brown & Son . . . . .	100	0	0
"	3. Sold goods to Brockway Bros. . . . .	30	0	0
"	4. Paid Brown & Son . . . . .	50	0	0
"	5. Returned goods to Brown & Son . . . . .	25	0	0
"	7. Brockway Bros. returned goods to the value of . . . . .	10	0	0
"	8. Sold goods to T. Fordham . . . . .	75	10	0
"	9. Received from Brockway Bros. . . . .	20	0	0
"	11. Bought goods from Hill & Dale . . . . .	68	0	0
"	" Sold goods to H. Barker & Son . . . . .	120	0	0
"	12. Received from H. Barker & Son . . . . .	70	0	0
"	13. Returned goods to Hill & Dale . . . . .	40	0	0
"	14. H. Barker & Son returned goods to the value of . . . . .	20	0	0
"	16. Paid Hill & Dale . . . . .	28	0	0
"	18. Cash Sales . . . . .	45	10	6
"	20. Sold goods to P. Brent . . . . .	25	7	6

Record the following details and show a Trial Balance :—

		£	s.	d.
1906.	Aug. 1. Capital . . . . .	675	0	0
"	" Bought goods from Derry & Toms . . . . .	55	10	0
"	" Bought stock for cash . . . . .	100	0	0
"	3. Sold goods to Express Dairy Co. Ltd. . . . .	160	0	0
"	4. Goods returned by Express Dairy Co. Ltd. . . . .	60	0	0
"	6. Bought goods from Peter Robinson . . . . .	245	10	0
"	7. Received from Express Dairy Co. Ltd. . . . .	50	0	0
"	9. Returned goods to Peter Robinson to the value of . . . . .	100	0	0
"	11. Sold goods to Robinson & Cleaver . . . . .	56	10	6
"	12. Paid Peter Robinson . . . . .	95	0	0
"	14. Goods returned by Robinson & Cleaver to the value of . . . . .	15	0	0
"	16. Sold goods for cash . . . . .	35	0	0
"	18. Received from Robinson & Cleaver . . . . .	21	0	0
"	20. Bought goods for cash . . . . .	25	0	0
"	22. Sold goods to Slater & Co. . . . .	165	0	0
"	24. Slater & Co. returned goods . . . . .	65	0	0
"	27. Cash Sales . . . . .	20	0	0
"	29. Received from Slater & Co. . . . .	50	0	0

## CHAPTER V

### JOURNAL—INVOICE—STATEMENT

As has already been fully explained, no entry can be made direct into the Ledger, the Ledger being the book into which the second entry is always made.

Thus, for goods bought we use the Purchases Journal and

post to the Ledger; for goods sold we use the Sales Journal and likewise post to the Ledger; and all Cash we enter into the Cash Book, and finally post to the Ledger.

The question now arises as to what we are to do with items which are not goods bought, goods sold, or Cash received or paid. Such items must all eventually appear in the Ledger, but it is first necessary to bring them through some other book.

For this purpose we use a "Journal."

As in our system of Bookkeeping, every transaction must affect two accounts, the debtor and the creditor, so we must show in the Journal the following details: (1) which accounts the transaction affects, (2) which account is to be debited, and which to be credited, and (3) the value of the transaction.

We must of course have two columns, one for the Debit and one for the Credit. Thus take, for example, that A advertises through B, for which A has to pay B £5. It is clearly seen that it would be impossible to enter this amount in the Purchases Journal, as Advertisements do not take the form of goods. So a Journal Entry has to be made before entering the transaction in the Ledger. Thus:—

## JOURNAL.

		£	s.	d.	£	s.	d.
Advertisements	Dr.	5	0	0			
B.'s Account for Advertisements	Cr.				5	0	0

This transaction therefore affects two accounts, that of advertisements and that of B. As A has received the advertisements, so Advertisement Account in the Ledger must be debited with the amount spent on the advertisements.

Dr.	ADVERTISEMENT.		Cr.
	£	s.	d.
To Sundries	5	0	0



Likewise, as B has parted with the advertisements, or that which is equivalent thereto, such as time and labour, so *his* account in the Ledger must be credited.

Dr.	B.			Cr.			
	£	s.	d.		£	s.	d.
				By Advertisements . . .	5	0	0

When A pays B the amount of £5, it will of course appear in A's Cash Book on the credit as an expense, and be posted to B's account on the debit, the amount having been received by him.

EXERCISES ON USE OF JOURNAL

1. Show the following entries in John Earlswood's books :—

		£	s.	d.
1905.				
June	1. Ordered advertisements through Willings, Ltd. . . . .	10	0	0
"	2. Sent consignment of goods to Redhill & Sons . . . . .	50	0	0
"	3. Ordered portrait to be painted by Monckton . . . . .	150	0	0
"	4. Ordered pictures to be framed by Coulsdon & Co. . . . .	25	10	0
"	5. Correcting of "die" at Army & Navy Stores . . . . .	1	7	6
"	6. Pearls re-set by Mappin & Webb . . . . .	10	10	0
"	7. New summer-house to be erected by Warings & Gillow . . . . .	15	15	6
"	8. Ordered improvements to be made to motor car by Panhard & Co. . . . .	75	0	0

2. Journalize the following, and post to the Ledger :—

		£	s.	d.
1906.				
July	1. Ordered 8 reams of printed paper from Straker & Co. . . . .	3	12	6
"	2. Ordered special illuminations on addresses from John Ever . . . . .	15	15	0
"	3. Lawns to be re-laid by Gamage & Sons . . . . .	70	10	0
"	4. Floor re-laid in ballroom by Harrods . . . . .	150	10	9
"	5. Plants re-potted by Whitaker, Ltd. . . . .	20	9	4
"	6. Greenhouses painted and fitted with glass by Bennett & Co. . . . .	65	10	6
"	7. New fencing round east side of park by Army & Navy Stores . . . . .	220	0	0

3. Enter in a Journal the following details, and post to Ledger Accounts :—

1898.		£	s.	d.
April	4. Estimates for papering and painting interior of house by Willows & Garing. . . . .	300	0	0
"	5. Building extra rooms on ground floor by Messrs. Hughes & Son . . . . .	550	0	0
"	6. Water laid on in lower park by Water Co. . . . .	250	0	0
"	7. Additions to greenhouses by Gamage, Ltd. . . . .	150	0	0
"	8. Transplanting of trees, and laying out of grounds by Harrods Stores . . . . .	100	15	0
"	9. Exterior of house re-decorated by Baxter & Co. . . . .	400	0	0
"	10. Stabling re-modelled by Snibor & Co. . . . .	104	10	6
"	11. Picture gallery to be built by Jenkins, Ltd. . . . .	775	0	0
"	12. Electric light installations throughout house by the Electric Light Co. . . . .	400	0	0
"	13. Electric light throughout stables by Electric Light Co. . . . .	100	0	0
"	14. Erecting of motor garage by Mercédès & Co. . . . .	550	0	0
"	15. Making of lake and boathouse by Thames Co. . . . .	1000	0	0

In any business connected with the purchase and sale of goods there are several minor details to be learned necessary to the carrying on of the business besides the entering and posting of the accounts themselves. Such are the following:—

1. **Delivery Note.**—This note is sent by the seller to the buyer when the goods are delivered in which is stated the weight, quantity, and other particulars of the goods.

2. **Invoice.**—This is a detailed account of goods purchased, and is sent by the seller to the buyer when goods are delivered—on which is entered fully the price, description and quantity of each set of goods, and the total cost. Any extra charges there may be for packing, carriage, &c., is included in the Invoice.

The following is a very good form of invoice.

#### INVOICE.

Mrs. Albert Panhard,		Mercédès Motor Works, Dumfries.			Nov. 11, 1905.		
		Dr. to Mercédès Co., Ltd.					
		£	s.	d.	£	s.	d.
1.	Mercédès Motor . . . . .	750	0	0	712	10	0
	Less 5 per cent. Discount . . . . .	37	10	0			
3.	Mercédès chassis at £200 . . . . .	600	0	0	540	0	0
	Less 10 per cent. Discount . . . . .	60	0	0			
					1252	10	0

It is very often the case that an Invoice is confused with a Statement. As has been explained, an Invoice is a detailed account sent at the same time as the goods, whereas a *Statement* is a summary of all transactions between two parties during any length of time. A monthly statement is the most usual in use—and is arranged as follows :—

STATEMENT.

Messrs. John Williamson,		Southampton,					
Dr. to Snow and Cart.		April 30, 1897.					
1897.		£	s.	d.	£	s.	d.
April 2	To Goods . . . . .	30	9	4			
" 7	" " . . . . .	15	10	9			
" 15	" " . . . . .	31	9	11			
	Less 2½ per cent. for Cash.				77	10	0

CHAPTER VI

CHEQUES AND BANKING

It is most important that the banking of money and drawing of cheques should be clearly understood by the student.

For the safe custody of money and for convenience, it is the usual thing to open an account at a Bank, which means that an owner of money can deposit a sum of money in a Bank which will be entered in a "Pass Book" by the clerks of that Bank. At any time the owner can see his "Pass Book," and can ascertain how much money he has in the Bank to his account, and can check his own Cash Book by the "Pass Book" supplied by the Bank. All money he pays into the Bank is entered on the *debit* side of the Pass Book, while all money drawn out by him is entered on the *credit* side.

In paying money into the Bank, it is necessary to have a

"Paying In" Book, which is supplied by the Bank. No money will be accepted by a Bank unless accompanied by a "Paying In" slip from one of the printed books supplied by them. This book is arranged with a counterfoil, which remains in the possession of the owner after the "Paying In" slip has been torn out and presented to the Bank with the amount of money paid in.

It is always wiser to take or send the "Paying In" Book to the Bank when paying in money; then the Cashier, having seen that the amount paid in is correctly entered in the "Paying In" Book, tears out the slip, *and* stamps the counterfoil in the "Paying In" Book, which is an acknowledgment to you that the Bank has received the money.

In case there was such a thing as a clerical error made by a Bank, and in paying money into the Bank you had sent the slip *only*, thereby failing to have the counterfoil stamped, you have nothing to prove that the money has been received by the Bank.

This is an extreme instance, but in dealing with money transactions of any kind, it is necessary for safety to deal with extreme cases.

For the drawing out of money every customer is supplied with a Cheque Book. These vary in size, the usual sizes consisting of twenty-five cheques and fifty cheques. No money can be drawn out of a Bank except by presenting a cheque. It is not necessary for the drawer to go personally to the Bank in order to receive the money required. A cheque can be sent by post to the person to whom it is made payable, and the payee (the receiver of the cheque) can either present it at the Bank of the drawer or pass it through his own account.

Cheques are of two kinds, and are made payable to a specified person or "Order," or to a specified person or "Bearer."

If it is an "Order" cheque, then the person to whom it is made payable must sign his name on the back of the cheque, which process is termed "endorsing" a cheque.

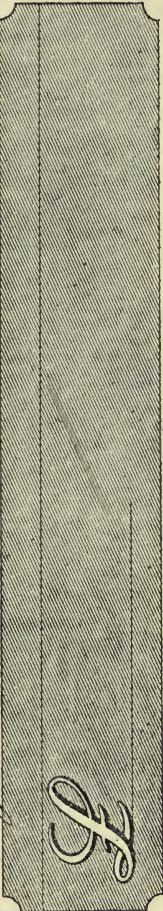


If it is a "Bearer" cheque, then the money will be paid to any one presenting it for payment at the Bank, the wording of the cheque being "Pay Archibald Morton & Co. or Bearer."

No. \_\_\_\_\_ *Liverpool.* \_\_\_\_\_ 18 \_\_\_\_\_

*The Liverpool & Congo Bank*

*Pay* \_\_\_\_\_ *or Order*

£



**The Crossing of Cheques.**—For safety a cheque should always be *crossed*; this is done by drawing two lines parallel across the face of the cheque, and writing the words “and Co.” therein, which shows that the cheque can only be cashed by passing it through a Bank; no “crossed” cheque can be cashed over a counter. The Object of doing this is to prevent a stolen or lost cheque from being made use of by other than the lawful owner.

A **special crossing** is very often made use of, such as writing in between the two parallel lines the name of a special Bank through which it has to be passed to secure payment.

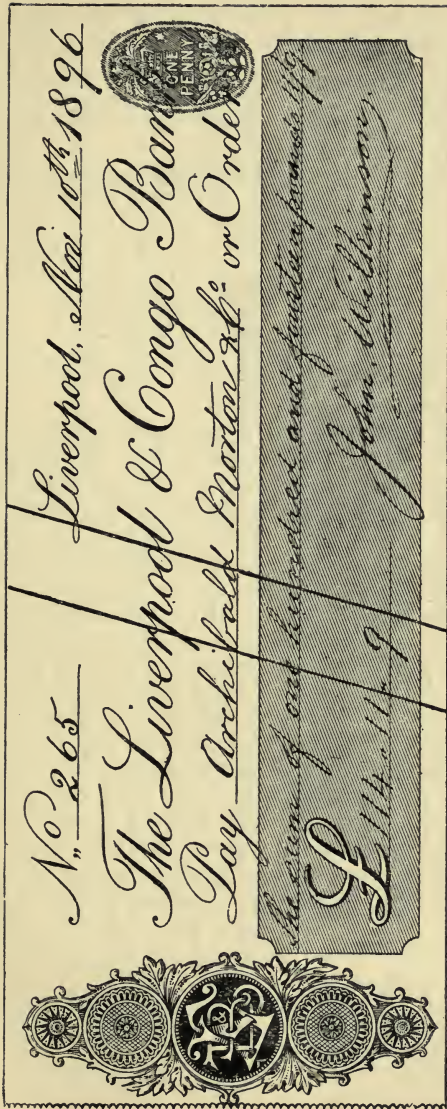
Another security is to add the words “Payee’s account,” which prevents the cheque from being passed through any account but that of the name of the person to whom the cheque is made payable.

**Not negotiable.**—When these words are stamped on a cheque, the cheque should immediately be passed through a Bank. *If* the cheque change hands before being presented at the Bank, and the second holder of the cheque loses it, then the endorser, *i.e.* the person to whom the cheque was made payable, would have to refund the amount received from the holder of the lost cheque.

A **post-dated cheque** is a cheque dated later than the date of execution, which prevents the cheque from being cashed at the Bank until the date thereon. The use of a post-dated cheque is that at the time of execution the drawer may not be able to meet the demand at his Bank, but by the day of the date on the cheque, the money may be forthcoming.

**Dishonoured cheque.**—When a cheque is presented for payment at a Bank, and the Banker refuses payment because there is not sufficient money to the credit of the customer who draws the cheque, and an overdraft is not allowed, then the cheque is “dishonoured.” If a cheque is incorrectly drawn the Bank will refuse payment—but this does not mean the cheque is dishonoured. A cheque is only termed “dishonoured” if payment is refused on account of lack of money to meet the demand.

When writing a cheque never put Mr., Mrs., Miss, Esq., or such words; a cheque should simply be made payable to “Edgar Jones,” “Mary Williamson.” The reason for this being that the payee in endorsing a cheque must sign their name as it appears on the face of the cheque as written by the Drawer. So it is clearly seen that if a cheque is made payable to “Miss Mary



Williamson," that person cannot sign her name other than "Mary Williamson." Hence the inaccuracy of writing the word "Miss."

If the drawer made the cheque payable to "M. Williamson," then the payee must endorse the cheque as "M. Williamson," and not as "Mary Williamson."

No one but the drawer of a cheque can sign the cheque. If this is done by other than the Drawer, it is a "forgery"—which case is dealt with in a very severe manner by the law.

If a cheque is lost or stolen, as each cheque bears a number, the counterfoil of which remains in the cheque book, it is always possible for the drawer to stop the payment of a cheque. This is done by communicating at once with the Bank, as if the cheque has already been presented and cashed by the wrong person then the money cannot be claimed by the Drawer. This is called "stopping a cheque."

If a cheque is drawn and subsequently for some reason is not required, the drawer should always burn the cheque and write across the counterfoil in his cheque book the word "cancelled."

A cheque should be presented for payment within six months of its issue. If it is presented after this time the Bank will not cash the cheque until having communicated with their customer on the matter. This is called a "stale cheque."

**Bank Draft.**—If a man having an account with a Bank, say in London, is going to Newcastle, or some such place where he is not known, where he will be wanting to cash cheques, he can obtain a Bank Draft from his Bank in London, which draft is an order to their branch bank, to pay the amount of money which is stated in the Draft, being an acknowledgment that their customer has that amount of money to his credit at the Bank. A Bank Draft would always be cashed, as no Bank would have issued a Draft unless the money had been received by them.

Never cash a cheque for a person unknown to you—as this is a usual way for dishonest people to gain money by cheques which would be "dishonoured" when presented at the Bank.

A cheque must always bear a penny stamp, which is stamped on the right-hand side. Whatever the value of the cheque, the stamp duty never alters.

The stamp duty on a Bill of Exchange varies according to the value of the Bill. The following is the rate of stamp duties on Bills and Notes:—



	£	s.	d.
Not exceeding £5 . . . . .	0	0	1
Exceeding £5 but not exceeding £10 . . . . .	0	0	2
"    £10    "    "    £25 . . . . .	0	0	3
"    £25    "    "    £50 . . . . .	0	0	6
"    £50    "    "    £75 . . . . .	0	0	9
"    £75    "    "    £100 . . . . .	0	1	0
For every £100 and for any portion of £100 . . . . .	0	1	0

CHAPTER VII

ADDITIONAL EXERCISES

1. MAKE out a Cash account and balance at the end of the month.

	£	s.	d.
Sept. 1. Balance in hand . . . . .	19	7	8
"    3. Paid R. Smith . . . . .	2	11	10
"    4. Paid Wages . . . . .	4	9	9
"    6. Received from P. Wilson . . . . .	12	9	8
"    7.    "    "    S. Davis . . . . .	5	10	2
Paid Sundry Expenses . . . . .	1	2	1
"    13. Bought goods for cash . . . . .	5	11	9
"    15. Paid K. Brown . . . . .	11	2	7
"    18. Received from B. Long . . . . .	26	5	8
"    22. Paid G. Steil . . . . .	29	3	9
"    25.    "    Sundry Expenses . . . . .	1	2	8
"    Wages . . . . .	2	8	9
"    28. Received from J. White . . . . .	12	4	10
"    30. Paid John West . . . . .	2	10	2
"    Rent . . . . .	3	1	9

2. The following were Cash transactions during the month of June, 1903. Enter and Balance in Cash Book.

	£	s.	d.
June 1. Cash in hand . . . . .	250	0	0
"    2. Buys Stock . . . . .	150	10	6
"    Furniture and Fittings . . . . .	76	0	0
"    4. Paid Stead & Sons . . . . .	15	15	0
"    5. Receives from Mrs. Black . . . . .	3	3	0
"    7. Paid Skate & Co. . . . .	10	3	9
"    14. Received from Mrs. Black . . . . .	2	11	9
"    20. J. Jenks paid . . . . .	50	15	6
"    25. Bought goods for cash . . . . .	10	10	0
Paid A. Tap . . . . .	3	15	6
"    28.    "    Rent . . . . .	10	0	0
"    Wages . . . . .	15	0	0
"    30. Sold goods for cash . . . . .	83	10	2

## 3. Work out the following Cash Account and show Balance.

1905.		£	s.	d.
Jan.	1. Bank overdraft balance . . . . .	30	10	0
"	2. Received salary . . . . .	50	0	0
"	3. Interest paid . . . . .	3	10	6
"	4. Dividends received . . . . .	24	11	9
"	5. Received from K. Keal . . . . .	2	9	4
"	6. Paid J. Jew . . . . .	34	10	0
"	7. " rent . . . . .	10	10	0
"	8. Received Loan repaid . . . . .	25	0	0
"	9. Cash Sales . . . . .	42	11	3
"	10. Legacy . . . . .	300	15	0
"	11. Paid Expenses . . . . .	15	12	0
"	12. " Wages . . . . .	13	3	0
"	13. Received from B. Born . . . . .	20	10	6
"	14. Bank charges . . . . .	2	2	0
"	15. Sold Typewriter . . . . .	10	10	0
"	16. Sale of Books . . . . .	12	10	4
"	17. Bought goods . . . . .	5	6	7
"	18. Stationery . . . . .	3	13	9
"	19. Travelling Expenses . . . . .	3	9	0
"	20. Received from K. Keal . . . . .	25	10	0
"	21. Household expenses . . . . .	5	10	0
"	22. Paid in gifts . . . . .	10	10	0
"	23. Sold goods . . . . .	40	0	0
"	24. Paid commission . . . . .	3	3	0
"	25. " advertisements . . . . .	2	2	0
"	26. " carriage . . . . .	1	10	0
"	27. " packing, etc. . . . .	0	17	9

4. During February, 1901, Messrs. Gote & Kidd transacted business, and at the end of the month their Cash Book showed a Balance in hand of £302 19s. 6d. On March 3, a payment by them was due to Messrs. Lewis & Heath amounting to £50 10s. 6d., and to their Solicitors, Messrs. Stable & Co. of £30.

Open their Cash Account as on March 1, and show their receipts and payments for the month.

1901.		£	s.	d.
Mar.	4. Received from Speir Bros. . . . .	30	0	0
"	5. Paid Everard & Co. . . . .	20	10	0
"	6. " Rent (due Dec. 1900) . . . . .	10	0	0
"	7. Received profits on Books . . . . .	40	0	0
"	8. " sale of goods . . . . .	6	0	0
"	9. Paid Wages . . . . .	20	0	0
"	10. Received dividends . . . . .	47	9	11
"	11. " from West & Co. . . . .	50	0	0
"	12. Mr. Gote drew for expenses . . . . .	10	0	0
"	13. Stationery, etc. . . . .	5	15	0
"	14. Electric Light Co. . . . .	12	10	0

1901.		£	s.	d.
Mar.	15. Petty Cash . . . . .	10	0	0
"	16. Received from Miss E. North . . . . .	20	10	11
"	17. " " Keys & Co. . . . .	30	9	0
"	18. Paid Commission . . . . .	4	10	0
"	19. Cash Sales . . . . .	40	10	0
"	20. Paid carriage . . . . .	3	3	0
"	21. " cleaners . . . . .	1	1	0
"	22. " Wages . . . . .	10	10	0
"	23. Received Cash Sale . . . . .	100	0	0
"	24. Paid Agent . . . . .	5	0	0
"	25. " Insurance . . . . .	3	3	0
"	26. Received from sub-let . . . . .	25	0	0
"	27. Paid Good for Repairs . . . . .	6	17	3
"	28. " Gas, Light and Coke Co. . . . .	4	11	9
"	29. Mr. Kidd drew for expenses . . . . .	12	10	0
"	30. Paid Wages . . . . .	3	10	0
"	" carriage . . . . .	2	2	0
"	" extra Insurance . . . . .	5	5	0
"	" Petty Cash . . . . .	10	10	0
"	31. " for advertising . . . . .	3	3	0

Which month was the most profitable to Messrs. Gote & Kidd, February or March? State the difference and give reasons.

5. Prepare a two-column cash book and record the receipts and payments for the month of November, 1903.

1903.		£	s.	d.
Nov.	1. Cash at Bank . . . . .	120	0	0
	Cash in hand . . . . .	20	0	0
"	2. Received from Porter & Co. . . . .	11	2	6
"	" " String & Son . . . . .	3	12	4
"	3. Paid both these receipts into the Bank. Drew from Bank to meet cash expenses . . . . .	30	0	0
"	4. Paid Electric Light Co. . . . .	7	10	0
"	" Insurance . . . . .	5	10	6
"	5. " Wages . . . . .	15	0	0
"	" Petty Cash . . . . .	10	0	0
"	6. Received cheque from Boles, Ltd. . . . .	50	0	0
"	7. Received commission . . . . .	10	10	0
"	8. Paid Licence for Salmon fishing by cheque . . . . .	20	0	0
"	9. Received cheque for Investments paying 5% interest . . . . .	30	0	0
"	10. Paid by cheque to Solony & Co. . . . .	3	3	0

6. Write up the following transactions in a suitable Cash Book and bring down the Balances at the beginning of the following month.

1904.		£	s.	d.
July	1. Cash at Bank . . . . .	515	9	8
	Cash in hand . . . . .	9	19	11

1904.		£	s.	d.
July	1. Received from A. Stool . . . . .	64	4	3
	Paid to Bank . . . . .	60	0	0
	" Rent, cheque . . . . .	15	9	3
"	2. Sundry Expenses . . . . .	0	19	4
"	3. Drew for self, cheque . . . . .	3	3	0
"	4. Paid carriage . . . . .	5	2	0
	" Norton & Co. cheque . . . . .	104	6	7
"	5. Received from Dask & Co. . . . .	87	4	2
"	6. Paid Dask & Co., payment into the Bank.			
"	7. Drew from Bank . . . . .	30	0	0
	Paid Wages . . . . .	44	5	7
"	8. Sale of goods . . . . .	18	5	8
"	9. Paid insurance by cheque . . . . .	3	4	0
"	10. Received from B. Hardy . . . . .	43	2	9
"	11. Paid by cheque for legal advice . . . . .	20	0	0
"	12. Paid into Bank three-quarters of cash in hand.			
"	13. Lent a friend for 3 months at 5%, cheque . . . . .	250	0	0
"	14. Paid Electric Light Co. . . . .	1	1	0
"	15. " Telephone calls by cheque . . . . .	5	10	0
"	16. Paid Insurance, Fire and Burglary, cheque . . . . .	40	10	0
"	17. " Sundry Expenses . . . . .	6	3	1
"	18. Drew from Bank to meet expenses . . . . .	25	0	0
"	19. Cash Purchase . . . . .	15	9	10
"	20. Booked passage to India, cheque . . . . .	150	0	0
"	21. Received from W. Alson, cheque . . . . .	25	0	0
"	22. " " Sale of pictures . . . . .	20	0	0
"	23. Paid Wages . . . . .	20	0	0
	" Rent, cheque . . . . .	20	0	0
"	25. " Printers . . . . .	5	5	0

7. In a two-column Cash Book record the following, the Cash Balance at the end of the month being paid into the Bank.

1906.		£	s.	d.
Oct.	1. Balance owing to Bank . . . . .	50	0	0
	Balance in hand . . . . .	4	0	0
"	2. Paid by cheque to Ross & Co. . . . .	31	10	6
	Received from investments cheque for . . . . .	80	11	2
"	3. Received from Green & Co. . . . .	50	0	0
"	4. " " Messrs. Liberty . . . . .	25	0	0
"	5. Paid to Bank . . . . .	40	0	0
"	6. " Wages . . . . .	10	0	0
"	7. " Insurance . . . . .	4	4	0
"	8. Received Salary in cheque . . . . .	130	0	0
"	9. " Rent for sub-let . . . . .	25	0	0
"	10. Paid into Bank . . . . .	15	0	0
"	11. Drew for self . . . . .	30	0	0
"	12. Paid Travelling expenses . . . . .	3	3	0
"	13. " Subscription to Club . . . . .	4	4	0
"	14. " Cleck & Co. . . . .	10	10	0

1906.		£	s.	d.
Oct.	15. Received from Sales . . . . .	30	10	6
"	16. Paid to Bank . . . . .	10	10	0
"	17. Sold typewriter for cash . . . . .	7	10	0
"	18. Paid for new machine by cheque . . . . .	10	10	0
"	19. " Vacher & Sons for printing by cheque . . . . .	15	10	6
"	20. Received from Messrs. Merton & Co. . . . .	25	0	0
"	21. Paid Joker, Ltd. for agency work . . . . .	3	3	0

8. Messrs. Sonter & Field having started business at some distance from their bank, are anxious to keep their Cash Account in as clear a manner as possible. At opening date they had capital in the bank to the amount of £200, and the cash in their office consisted of five sovereigns, three half-sovereigns, four half-crowns, one florin, three shillings, a sixpence, ten coppers, four of which were half-pennies.

Open a suitable Cash Account and record the following items:—

1904.		£	s.	d.
April	3. Received cheque from Morris & Sons . . . . .	25	10	0
"	4. Received from East Bros. . . . .	40	11	9
"	5. Paid to Bank . . . . .	30	0	0
"	6. " Wagstaffe, Ltd. . . . .	10	10	0
"	7. Drew cheque for . . . . .	20	0	0
"	8. And paid therefrom wages . . . . .	5	0	0
"	" Sundry expenses . . . . .	5	0	0
"	" Insurance . . . . .	3	0	0
"	9. Received from Agents cheque . . . . .	50	10	6
"	Paid Agent's Commission . . . . .	5	0	0
"	10. " coal bill by cheque . . . . .	10	0	0
"	11. Received salary by cheque . . . . .	100	0	0
"	12. " from Ender & Co. . . . .	30	0	0
"	13. " " Side & Co. . . . .	40	12	9
"	14. " " Cash Sales . . . . .	25	11	8
"	15. Paid into Bank one half of amount received from Side & Co.			
"	16. Returned Ender & Co. cheque for one-sixth of amount paid by him, as an overcharge.			
"	17. Dividends for quarter . . . . .	50	11	9

Show the Balance at Bankers and Cash Balance in hand at close of day, 17th.

9. Rule a suitable Petty Cash showing the payments of the following, the Petty Cashier having received £10 from the Cashier on March 1, 1900.

1900.		£	s.	d.
Mar.	1. Stamps . . . . .	1	0	0
	Bus fares . . . . .	0	0	6
"	2. Stationery . . . . .	0	4	2
	Goods . . . . .	0	9	4
"	3. Carriage . . . . .	0	2	1
"	5. Cleaning . . . . .	0	5	0
	Stamps . . . . .	1	0	0
"	6. Ink . . . . .	0	2	6
"	7. G.W. Railway . . . . .	0	4	2
	Carriage . . . . .	0	1	3
"	8. Travelling expenses . . . . .	0	5	4
"	9. Printing . . . . .	1	2	9
"	10. String and brown paper . . . . .	0	3	3
"	11. Cleaning . . . . .	0	5	0
"	12. Goods . . . . .	0	4	2
"	13. Stamps . . . . .	0	10	0
	Received from Cashier . . . . .	5	0	0
"	14. Bus fares . . . . .	0	0	4
"	15. Stationery . . . . .	0	4	9
"	16. Repairs . . . . .	0	1	9
	Cleaning . . . . .	0	5	0
"	17. Stamps . . . . .	0	10	0
"	18. Goods . . . . .	0	8	3
"	20. Travelling Expenses . . . . .	0	18	3
"	22. Printing . . . . .	1	3	4
"	24. Buses . . . . .	0	0	3
"	25. Cleaning . . . . .	0	5	0
"	28. Repairs . . . . .	0	2	3
"	30. Stamps . . . . .	0	5	0
"	31. Carriage . . . . .	0	3	1

10. The Petty Cashier having received £5 from the cashier on February 1, 1901, and £10 on February 15, finds at the end of the month he has in hand £1 3s. 7d.

Record the following expenses under the headings of "Printing and Stationery," "Postages and Telegrams," "Fares and Parcels," "Clerical Help," "Carriage," "Cleaning and Repairs."

1901.		£	s.	d.
Feb.	1. Stationery . . . . .	1	9	6
"	2. Stamps . . . . .	1	0	0
"	3. Parcel to Plumpton . . . . .	0	3	4
"	4. Repairs . . . . .	0	3	9
"	5. Telegram . . . . .	0	1	0
	Stationery . . . . .	0	4	9
	Cleaning . . . . .	0	5	0
"	6. Carriage . . . . .	0	2	11
"	7. Stamps . . . . .	0	5	0
	Clerical help . . . . .	0	7	6

1901.		£	s.	d.
Feb.	9. Repairs . . . . .	0	4	9
"	11. Cleaning . . . . .	0	5	0
	Telegrams . . . . .	0	1	3
"	13. Fares . . . . .	0	4	6
"	15. Printing . . . . .	1	9	6
"	17. Carriage . . . . .	0	4	3
"	19. Stationery . . . . .	3	11	4
	Parcels . . . . .	0	4	10
"	22. Repairs . . . . .	0	8	3
"	24. Stationery . . . . .	0	15	0
	Clerical help . . . . .	1	10	0
"	27. Stamps . . . . .	0	5	0
"	28. Fares . . . . .	0	10	0

11. The following were the Petty Cash expenses during the month of November, 1906. Owing to a scarcity of space, it was only possible to analyse in four columns. Arrange the details in the best classification possible.

1906.		£	s.	d.
Nov.	1. Balance in hand . . . . .	1	4	9
"	2. Teas . . . . .	0	3	6
"	3. Repairs . . . . .	0	4	9
"	4. Subscription . . . . .	0	5	0
"	5. Stamps . . . . .	0	10	6
"	6. Goods . . . . .	0	4	3
"	7. Parcels . . . . .	0	10	11
"	8. Received from Cashier . . . . .	5	0	0
"	9. Stamps . . . . .	1	0	0
"	10. Cleaning . . . . .	0	3	6
	Repairs . . . . .	0	4	2
"	11. Fares . . . . .	0	10	11
	Carriage . . . . .	0	2	4
"	13. Ink . . . . .	0	1	9
	Stationery . . . . .	1	4	9
"	15. Fares . . . . .	0	15	2
"	16. Stamps . . . . .	0	10	6
	Received from cashier . . . . .	5	0	0
"	17. Cleaning . . . . .	0	5	0
"	19. Goods . . . . .	0	4	2
"	20. Clerical Help . . . . .	0	9	6
"	22. Printing . . . . .	2	9	6
"	23. Carriage . . . . .	0	4	9
"	24. Rulers and Ink-pots . . . . .	0	9	3
"	26. Fares . . . . .	0	14	2
"	27. Telegrams . . . . .	0	2	0
"	29. Stationery . . . . .	0	7	11
"	30. Buses . . . . .	0	0	4

12. Messrs. Duke & Son started business with £5000 capital, the elder partner's share being double that of his son's. Open

separate accounts for each, deducting the drawings from the capital accounts instead of opening accounts in the Ledger for Drawings.

1907.		£	s.	d.
Dec.	1. Bought goods from Halt & Co. . . . .	40	0	0
"	2. Petty Cash cheque . . . . .	5	0	0
"	3. Sold goods to Joker, Ltd. . . . .	50	9	0
"	4. Mr. Duke, Senior, drew for self . . . . .	25	0	0
"	5. Paid Wages . . . . .	5	10	0
"	7. Bought goods for cash . . . . .	10	9	4
"	8. Sold goods to Mackworth & Co. . . . .	100	4	2
"	9. Bought goods from Luck et Cie. . . . .	30	10	6
"	10. Petty Cash cheque . . . . .	5	0	0
"	11. Paid Wages . . . . .	3	4	2
	Sold goods to Williams, Ltd. . . . .	40	9	2
"	12. Received Cash from Joker, Ltd. . . . .	25	0	0
	Mr. Duke, Junior, drew . . . . .	10	10	0
	Bought goods for Cash . . . . .	30	0	0
"	13. Paid Luck et Cie. half amount owing to him.			
"	14. Petty Cash cheque . . . . .	5	0	0
"	15. Sold goods to Golding & Co. . . . .	45	10	0
"	16. " " Silversmith, Ltd. . . . .	35	15	0
	Bought goods from Cust, Ltd. . . . .	50	0	0
"	17. Sold goods for cash . . . . .	25	0	0
"	20. Received Cash from Golding & Co. . . . .	40	0	0
"	21. " from Silversmith, Ltd. . . . .	20	0	0
"	22. " a quarter of Mackworth's debt.			
"	24. Bought goods from Cust, Ltd. . . . .	10	10	9
"	26. Petty Cash . . . . .	5	0	0
"	27. Wages . . . . .	3	4	2
	Rent . . . . .	10	0	0
"	28. Commission received . . . . .	5	5	0
"	29. Bank interest received . . . . .	3	3	0
"	30. Drawings by Mr. Duke, Senior . . . . .	10	0	0
	" " " Junior . . . . .	5	10	0

Work out a Trial Balance.

13. John Balcombe having paid £300 for furniture and fittings, £50 on stock, £250 on goodwill, finds he has £300 left from his original capital.

Enter these transactions in his Cash Book on May 1st, 1900, and record his dealings during the month, showing Cash Balance and Balances in his Ledger, stating whether debit or credit, and show Trial Balance.

1900.		£	s.	d.
May	1. Sold goods to Crawley & Co. . . . .	40	9	4
"	2. " " for cash . . . . .	5	5	0
"	3. Bought goods from Wivelsfield, Ltd. . . . .	20	8	7
"	4. " " Cooksbridge & Sons . . . . .	10	10	0





		£	s.	d.
May	20. Stationery . . . . .	1	13	9
"	21. Buses . . . . .	0	0	6
"	22. Stamps . . . . .	1	0	0
"	23. Cleaning . . . . .	0	12	9
"	24. Repairs . . . . .	0	11	6
"	25. Carriage . . . . .	0	3	7
"	28. Printing . . . . .	0	9	4
"	30. Cleaning . . . . .	0	7	9

14. Ellis Farmer started business with capital of £3000. He bought live stock for £500, paid £300 for land, and built himself a small house for which he paid £100. On March 1st, 1904, he began by selling four pigs for £2 each.

		£	s.	d.
Mar.	2. He paid for a waggon . . . . .	10	0	0
"	3. Sold to the Army & Navy Stores . . . . .	5	15	0
"	" for cash farm produce . . . . .	9	11	6
"	4. Bought from Stubbington Farm . . . . .	10	10	0
"	5. Sold to Holder & Hansley . . . . .	15	10	0
"	6. Received cash from Army & Navy Stores in Settlement.			
"	7. Received from Holder & Hansley . . . . .	10	10	0
"	8. Sold farm produce for cash . . . . .	25	0	0
"	9. Bought from Stubbington Farm . . . . .	10	0	0
"	10. Sold to Army & Navy Stores . . . . .	50	0	0
"	11. Paid Stubbington Farm one-half of account.			
"	12. Bought two waggons and paid . . . . .	6	6	0
"	13. Sold remaining live stock for cash . . . . .	500	0	0
"	14. Sold house £150, land £350, and goodwill £100 . . . . .	600	0	0
"	16. Paid Stubbington balance of account.			
"	18. Received remainder of moneys due.			

Balance Cash account, and Balance, and close all Ledger accounts, and show a Trial Balance.

15. Ever Green opened a business with capital of £3000. He paid £750 for goodwill, £50 for fixtures and fittings, less 5% discount. On March 1st, 1903, he purchased from Webb & Co. goods £150.

		£	s.	d.
Mar.	3. He paid Webb & Co. less 2½% discount . . . . .	50	0	0
"	4. Sold goods to Wright & Co. . . . .	75	0	0
"	Received cash from them, having allowed them 5% discount . . . . .	20	0	0
"	5. Paid Straker & Co. for Stationery less 2½% discount . . . . .	3	5	0
"	6. Bought goods for Cash and was allowed 3s. in the pound . . . . .	50	0	0
"	7. Sold goods to Lancelot & Co. . . . .	40	19	6
"	8. Bought goods from Ohio, Ltd. . . . .	20	9	4
"	Received from Wright & Co. less 2½% discount . . . . .	20	0	0

		£	s.	d.
Mar.	9. Paid duty on goods . . . . .	4	13	9
"	10. Received from Lancelot & Co. . . . .	40	0	0
"	11. Sold goods for cash and deducted 2½% discount . . . . .	60	11	7
"	12. Paid Wages . . . . .	10	0	0
"	13. " Rent . . . . .	20	0	0
"	14. " Ohio, Ltd. . . . .	5	0	0
	Discount allowed by him . . . . .	0	9	4
"	15. Bought goods for cash and paid £25, 5% discount having been allowed me.			
"	16. Sold goods to Lancelot & Co. . . . .	75	0	0
"	17. Received from Lancelot & Co. Settlement of amount owing by him, less 5% discount.			

Work out a Trial Balance.

16. W. Atson began business on May 1st, 1901, with capital of £2000. He bought stock for £600, and was allowed 2½% discount for immediate payment, which he settled up the following day.

		£	s.	d.
May	2. Bought goods from G. Vine . . . . .	17	4	8
	Paid carriage on goods . . . . .	2	4	9
"	3. Sold goods to W. Tipon . . . . .	36	7	8
	" " for cash and allowed 2½% discount . . . . .	25	10	5
	Bought goods from V. Voyse . . . . .	300	9	2
	Paid them on account less 2½% discount . . . . .	100	0	0
"	4. Sold goods to Joseph & Co. . . . .	67	2	3
"	5. " " Dick & Co. . . . .	24	9	1
"	6. Bought goods from Beddoe . . . . .	36	2	7
	Paid Wages . . . . .	10	0	0
	" Expenses . . . . .	13	7	2
"	7. " G. Vine less 2½% discount . . . . .	17	4	8
	Received from W. Tilson less 2½% discount . . . . .	36	7	8
"	8. Paid V. Voyse . . . . .	250	0	0
	They credited me with this amount plus 5% discount.			
"	9. Sold goods to B. Plairs . . . . .	46	9	3
"	10. Bought goods from D. Rams . . . . .	39	2	0
	" " G. Vine . . . . .	17	1	6
"	11. Sold goods to W. Tipon . . . . .	46	7	3
"	12. Sold goods to Joseph & Co. . . . .	23	6	8
"	13. Received from Joseph & Co. half amount owing by him, having allowed him 2½% discount.			
"	14. Paid Wages . . . . .	10	5	0
"	15. " Beddoe & Co. . . . .	30	0	0
"	16. Sold goods to B. Plairs . . . . .	21	6	3
"	17. Cash purchases after being allowed 2½% discount . . . . .	19	13	6
	Paid carriage . . . . .	6	8	3
"	19. Received from Dick & Co. less 2½% discount . . . . .	24	9	1
"	20. Paid Wages . . . . .	6	12	0
	Drew for self . . . . .	3	10	0
"	23. Paid D. Rams amount owing less 2½% discount.			
"	24. Sold goods to Joseph & Co. . . . .	14	2	0

		£	s.	d.
May	25. Paid carriage . . . . .	1	5	0
"	26. " Wages . . . . .	7	10	6
"	30. Received from B. Plairs two-thirds of amount owing by him after allowing him $2\frac{1}{2}\%$ discount.			
"	31. Paid Expenses . . . . .	13	2	4
"	" Rent . . . . .	10	10	0

Show all items are posted correctly by working out a Trial Balance.

17. Enter the following transactions in their correct books, showing a Trial Balance at the end of the month.

1906.		£	s.	d.
Feb.	1. Cash in Bank . . . . .	300	0	0
	Cash in hand . . . . .	25	0	0
	Bought stock and paid by cheque . . . . .	100	0	0
"	2. Sold goods to Crow & Lark . . . . .	69	14	0
"	Bought goods and paid by cheque . . . . .	142	11	6
"	5. Paid Chaffinch & Sons for goods by cheque, having been allowed $2\frac{1}{2}\%$ discount . . . . .	77	16	9
	Sold goods to R. Wans . . . . .	58	0	0
"	8. Cash Sales . . . . .	25	8	0
	Sold goods to Crow & Lark . . . . .	73	15	0
	Bought goods of Rake & Sons . . . . .	163	6	10
"	12. Received from Crow & Lark cash for first amount of goods less $2\frac{1}{2}\%$ discount.			
"	15. Sold goods to M. Larkin . . . . .	76	6	7
	" " for cash . . . . .	194	0	8
	Sent cash to Bank . . . . .	157	10	0
"	18. Sold goods to R. Wans . . . . .	45	15	0
	Received from R. Wans by cheque total amount owing less 5% discount.			
"	20. Paid Rake & Sons by cheque one-half of amount due less $2\frac{1}{2}\%$ discount.			
"	24. Bought goods from Chaffinch & Sons . . . . .	160	10	0
	Sold goods to Crow & Lark . . . . .	290	7	4
"	28. Paid Chaffinch & Sons, having been allowed $2\frac{1}{2}\%$ discount . . . . .	30	0	0

18. John Earlswood was in partnership with Hill Cane. On March 1st, 1902, John Earlswood invested capital to the amount of £6000. Hill Cane on the following day invested one-third of that amount. Their business was too far from their Bank to enable them to pass all transactions through the bank. They, however, kept their accounts in a very concise manner and by their Cash Book they were able to ascertain how much balance was at the bank and what amount of Cash they had in hand. No Petty Cash was used.

Show the following dealings in the books of Messrs. John Earlswood & Hill Cane, and work out a Trial Balance :—

1902.		£	s.	d.
Mar.	3. Bought freehold property from the Keymer County Council	100	0	0
"	" Paid half the amount by cheque being allowed 2½% discount			
"	" Bought goods from Grinstead & Co.	30	0	0
"	" Sold goods to Mrs. Weller	20	19	4
"	" Received letter from Messrs. Bradley & Sadler (Solicitors) with account showing partnership dealings amounting to	10	10	0
"	" Bought Goodwill of small business and paid for it. Three-quarters of the amount by cheque and the remainder in cash	50	0	0
"	4. Sold goods for cash	20	15	0
"	6. " " " "	16	13	4
"	9. " " " "	35	10	6
"	11. Paid Messrs. Bradley & Sadler half of amount owing to them by cheque.			
"	" Received dividends	40	0	0
"	" One-quarter and three-quarters, being the shares of the partners, the capital accounts of each being credited therewith.			
"	12. Paid wages by cheque	10	10	0
"	13. " carriage	2	10	6
"	" into bank	100	0	0
"	14. Sold goods to Sammie, Ltd.	50	9	4
"	" Received from Sammie for half amount, less 2½% discount and allowance 5/-			
"	15. Hill Cane invested more capital in the business seeing that the interest would amount to 5%	1000	0	0
"	16. Drew cheque for cash	20	0	0
"	17. Paid for Stationery, etc.	7	10	0
"	" " Stamps	5	0	0
"	18. " carriage	2	12	6
"	19. Bought goods from Messrs. Vine & Green	32	19	6
"	" Sold goods to Mrs. Robbins	20	8	11
"	20. " " " Lacock & Co.	10	9	10
"	21. Returned goods to Grinstead	5	5	0
"	" Received from Sammie, Ltd., cheque for remainder of amount owing less 2½% discount.			
"	22. Mrs. Weller returned goods to the business to the invoiced value of £10.			
"	23. Received cash from Mrs. Robbins	15	8	11
"	" " " Lacock & Co.	5	0	0
"	25. Paid into the Bank	20	0	0
"	27. Cash Sales	50	9	4
"	28. " "	75	19	8
"	29. " "	12	2	4
"	30. All cash in hand was paid into the Bank on this day after each partner took £10 as Salary for the month; and £3 was left in hand for incidental expenses.			
"	31. Returned faulty goods to Messrs. Vine & Green	5	0	0
"	" Goods returned by Mrs. Robbins to the amount of	1	10	0

19. The Ceylon Tea Co. showed by their books at the end of 1899 that they had made a good profit. The manager, therefore, thought it wise to increase the business premises, so they opened a branch office and spent on Building, £1000, Stock £500, and Trade Expenses £150. The accounts were all kept at the head office, the branch office sending weekly reports of the amount of goods purchased, sold, cash received and cash spent. At the end of each quarter vouchers and receipts were checked and all found to be correct. All amounts under £2, unless stated otherwise, were paid through Petty Cash.

		£	s.	d.
1900.				
Jan.	1. Capital at Head Office . . . . .	74,000	0	0
"	" " " Branch Office . . . . .	1,000	0	0
"	2. Drew for Petty Cash . . . . .	20	0	0
"	3. Sold tea to Harrods . . . . .	75	0	0
"	4. Paid carriage . . . . .	1	2	4
"	5. Sold tea to Army & Navy Stores . . . . .	40	10	0
"	6. " " " Lyons & Co. . . . .	100	0	0
"	7. Received from Harrod's, less 2½% discount . . . . .	60	0	0
"	8. Record for the week from the Branch Office—			
	Purchases . . . . .	40	0	0
	Sales . . . . .	85	0	0
	Cash received . . . . .	50	0	0
	" paid . . . . .	30	10	0
"	9. Paid for Stationery . . . . .	10	10	0
"	" Stamps . . . . .	1	10	0
"	10. Supplied Branch Office with Stationery worth . . . . .	5	5	0
"	11. Paid carriage . . . . .	1	15	0
"	" wages . . . . .	5	15	6
"	12. Telegrams for week . . . . .	0	15	9
"	13. Sold tea to Whiteleys . . . . .	56	10	0
"	" " " C.S.S.A. . . . .	120	9	4
"	15. Received cash from Army & Navy Stores, less 2½% discount . . . . .	20	0	0
"	" Sold them more tea for . . . . .	90	10	0
"	" Record of week from Branch Office—			
	Purchases . . . . .	125	15	10
	Sales . . . . .	92	10	0
	Cash received . . . . .	60	0	0
	" paid . . . . .	45	0	0
"	16 Bought goods from China & Co. . . . .	300	0	0
"	" Sold tea to Harrods . . . . .	85	10	6
"	17. " " " Derry & Toms . . . . .	50	0	0
"	18. " " " Barker, Ltd. . . . .	40	12	8
"	19. Received from Harrods total amount owing by them, less 2½% discount.			
"	20. Paid China & Co. . . . .	75	0	0
"	" Stationery . . . . .	3	0	0
"	" Stamps . . . . .	1	10	0
"	21. " Wages . . . . .	20	0	0

1900.		£	s.	d.
Jan. 22.	Received from Branch Office for week—			
	Purchases . . . . .	5	5	0
	Sales . . . . .	75	10	0
	Cash received . . . . .	120	0	0
	„ paid . . . . .	66	15	10
„ 23.	Received from Derry & Toms one-third of amount owing by them.			
„ 24.	Received from Army & Navy Stores, quarter of amount, less 2½% discount.			
„ 25.	Paid China & Co . . . . .	50	0	0
„ 27.	Paid telegrams . . . . .	0	14	9
„ „	„ cleaning . . . . .	0	15	0
„ 28.	„ fares and parcels . . . . .	1	15	9
„ 29.	Received from Branch Office weekly record—			
	Sales . . . . .	130	0	0
	Purchases . . . . .	69	0	0
	Cash received . . . . .	70	10	0
	„ paid . . . . .	50	15	6
„ 30.	Received from Barker, Ltd., amount owing, less 2½% discount			
„	Received from Derry & Toms half amount owing by them less discount of 6d. in the pound.			
„	Paid China & Co., quarter of amount owing to them, less 2½% discount.			

CHAPTER VIII

TECHNICAL TERMS, ETC.

**a/c.**—Account.

**Accounts.**—Records of transactions arranged in convenient form.

**Account current.**—A running account between two parties, interest usually being calculated on each item.

**Account rendered.**—A statement of account between two parties showing the balance due from one to the other.

**Agent.**—One who transacts business for another.

**Appreciation.**—The increase in the value of an asset.

**Assets.**—Property.

**Audit.**—The examination and verification of accounts by a competent person called an auditor.

**B/E.**—Bill of exchange.

**B/S.**—Bill of sale.

**Bad Debt.**—A debt is termed a “Bad Debt” when it is irrecoverable, *i.e.* when a creditor has no hopes of being paid the amount due to him by the debtor.

**Balance.**—The difference between two sides of an account.

**Bank book.**—A book supplied by a bank to each customer showing details of his account with the bank.

**Bank draft.**—An order from one bank to another to pay to a specified person the sum of money mentioned therein.

**Bank-note.**—A promissory note given by a banker undertaking to pay a certain sum on demand.

**Bankrupt.**—A person who cannot pay his debts, and who has been adjudged “bankrupt” by the court.

**Bearer cheque.**—This is a cheque made payable to a specified person or bearer.

**Bill of Exchange.**—An unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to, or to the order of, a specified person or bearer.

**Book Debts.**—Debts due to a person in business, as shown by the books.

**Cr.**—Credit or creditor.

**Capital.**—The surplus of a man’s assets over his liabilities. In the case of a limited company the *nominal capital* is the amount which the company is authorized to issue, the *subscribed capital* the amount actually subscribed and allotted, and the *paid-up capital* the amount received from the shareholders.

**Cash discount.**—An allowance made to a debtor who pays cash.

**Cheque.**—A written order to a banker to pay a specified sum of money on demand.

**Commission.**—The remuneration paid to an agent.

**Contra account.**—An account showing a balance which is wholly or partially extinguished by a balance on another account.

**Credit.**—A trader sells goods *on credit* when he does not stipulate for immediate payment. *To credit* an item is to post it to the *credit* or right-hand side of an account.

**Credit note.**—The statement giving particulars of goods returned or allowed, sent by the seller to the buyer.

**Creditor.**—A person who has given “credit,” and to whom money is therefore due.

**D.B.**—Day book. Another name for Day Book is Purchases Journal.



**Dr.**—Debit or debtor.

**Debit note.**—The statement, giving particulars of goods returned or for which an allowance is claimed, sent by the buyer to the seller.

**Debt.**—A sum of money due by one person to another.

**Depreciation.**—The diminution in the value of an asset due to wear and tear, effluxion of time, or obsolescence.

**Distrain.**—A seizure for debt, *i.e.* if a debtor cannot pay his debts, then a creditor can claim a distraint.

**Dividend.**—(1) The payment made to creditors out of the proceeds of the estate of an insolvent. (2) A share of profits earned by a company payable to the holders of shares in the company.

**Double Entry.**—A system of bookkeeping which necessitates all items being entered twice, once on the debit and once on the credit—by which it is seen that the debits and credits ought, if posting is correct, to agree.

**Drawings.**—The amount taken out of the business by the owner for his own use.

**E. and O.E.**—Errors and omissions excepted. (This is written on invoices, account sales, etc., in case any error or omission should be subsequently discovered.)

**Endorse, endorsee, endorsement.**—Before a person can dispose of a bill of exchange he must *endorse* it—that is, sign his name on the back, the person receiving the bill being called the *endorsee*.

**Firm.**—The name given to persons who are carrying on a business in partnership.

**Folio.**—A double page in a ledger or cash book, both sides being indexed with the same number.

**Free on Rails, or F.O.R.** indicates that the seller is to deliver the goods to the railway at his own expense.

**Goodwill.**—The value attaching to a business from connection and reputation.

**Gross.**—The full amount without deduction.

**Gross Profit.**—The difference between the cost of the goods and the selling price before deducting expenses.

**Impersonal Accounts** are those accounts which show how transactions with different persons affect a business. These accounts are subdivided into “Nominal Accounts” and “Real Accounts.”

**Imprest System.**—A system of keeping petty cash, the

petty cashier having a round sum in hand out of which payments are made.

**Income tax.**—A tax on incomes over £160 imposed annually. The present rate (1907-8) is 1s. in the £ with certain abatements.

**Insolvent.**—A man is said to be *insolvent* if his liabilities exceed his assets.

**Insurance.**—A contract whereby the *insurer* agrees to indemnify the *insured* for any loss sustained on the happening of a certain event in consideration of the payment of a sum of money called the *premium*.

**Invoice.**—A written statement containing particulars of the quantity and price of goods sold, sent by the seller to the buyer.

**I.O.U.**—An acknowledgment of a debt. "I owe you."

**Journal.**—A chronological record of transactions which forms the posting medium to the ledger.

**Ledger.**—The principal book of account, in which all transactions are focussed and classified under convenient headings for the purpose of reference.

**N.B.**—(Nota Bene.) Note well, take notice.

**Net.**—Clear, after all deductions have been made.

**Net profit.**—The profit after charging all expenses against the gross profit.

**On Account.**—A payment in part settlement.

**Personal Ledger** is a ledger in which only *Personal Accounts* are recorded, *i.e.* accounts which contain a record of transactions with persons.

**Post.**—To post an item is to enter it in the ledger from the book of first entry.

**Post-dated.**—If a cheque or other document is dated *later* than the actual date of execution it is *post-dated*.

**Statement.**—Whereas an *Invoice* is a detailed account sent immediately after the delivery of the goods, a *Statement* contains a summary of all the transactions between the parties during any given period.

**Trade discount.**—An allowance from the list or nominal selling price of goods, to reduce to the actual selling price.

**Ullage.**—When a cask of any liquid is not full the deficiency is called *ullage*.

**Voucher.**—A receipt for cash paid. Any documentary evidence as to the accuracy of an account.

**Liabilities** is the word used to express money which is owed by the owner of the business.

**Profit** is of two kinds—*Gross Profit*, which is the excess of goods sold over goods bought, and *Net Profit*, which is the profit that remains after having deducted all expenses.

**Loss.**—If a man's expenses exceed his Income, then he is said to have a loss.

**Solvent.**—If a man's assets exceed his liabilities, he is said to be solvent.

**Nominal Accounts** are those accounts which deal with different forms of expenditure and income. Such as "Carriage," "Wages," "Rent," "Sundry Expenses," etc.

**Real Accounts** are those which consist of property, goods, etc. Such as "Freehold Property," "Goodwill," "Furniture and Fixtures," "Purchases," "Sales," etc.

## CHAPTER IX

### EXAMINATION PAPERS

#### 1.

1. What do you understand by the following :—Debtors, Trade Discount, Net Profit, Voucher ?

2. Describe the method of Balancing accounts, giving examples showing both a Debit and a Credit balance.

3. Give the rulings of a suitable Postage Book and state of what use it is.

4. Enter the following transactions in John Brown's Books, and post to the Ledger :—

1905.		£	s.	d.
Aug. 3.	Purchased from Arthur & Co. . . . .	300	10	4
" "	" Sold to Robins & Co. . . . .	96	11	6
" 4.	Received from Robins & Co. . . . .	50	0	0
" 5.	Sold to Plumpton Bros. . . . .	250	10	0
" 6.	Purchased from Streat & Co. . . . .	30	7	6
" 7.	Paid Arthur & Co. . . . .	100	0	0
" 8.	Received from Plumpton Bros. . . . .	225	10	0

#### 2.

1. What is an Invoice ? When and by whom is it used ?

2. Explain the following :—Creditor, Appreciation, Contra Account, Cheque.

3. Explain a Petty Cash Book in which the Petty Cashier receives £10 from the Cashier, and record eight expenses.

4. Of what use is a double column Cash Book? Write up the following items, and show balances:—

		£	s.	d.
Jan.	1. Cash in hand . . . . .	10	0	0
"	2. Cash in Bank . . . . .	360	0	0
"	3. Received cheque from J. Brown . . . . .	3	10	0
"	4. Received from K. Leslie . . . . .	30	9	0
"	5. Paid to Bank . . . . .	25	0	0
"	6. Paid Wages . . . . .	7	10	0
"	7. Drew from Bank for self . . . . .	10	0	0

## 3.

1. What is the difference between a Debit and Credit Balance?

2. Of what use is a Purchases Journal? Where are items posted from the Purchases Journal, and on which side must they appear in the Trial Balance?

3. What is a "Post-dated" cheque, and of what use is it? Explain the difference between a "Bearer" cheque and an "Order" cheque.

4. The following balances appeared in A. B.'s books:—

	Dr.			Cr.		
	£	s.	d.	£	s.	d.
Capital . . . . .				500	0	0
Stock . . . . .	300	0	0			
G. Grot . . . . .				50	0	0
B. Bent. . . . .	200	0	0			
Purchases . . . . .	420	0	0			
Sales . . . . .				370	0	0
	<hr/>			<hr/>		
	920	0	0	920	0	0

Open Ledger accounts and record the following:—

1901.		£	s.	d.
Jan.	2. Purchased from X. Y. Z. & Co. . . . .	400	10	3
"	3. Sold to Westlake Bros. . . . .	592	7	6
"	4. Received from B. Bent. . . . .	60	10	4
"	5. Sold to Westlake Bros. . . . .	95	6	0
"	6. Purchased from Kegmer & Sons . . . . .	102	11	9
"	7. Paid G. Grot . . . . .	20	10	0
"	8. Received from Westlake Bros. . . . .	150	13	6
"	9. Purchased from X. Y. Z. & Co. . . . .	150	0	0
"	10. Paid X. Y. Z. & Co. . . . .	200	0	0

4.

1. State the meaning of the following :—a/c, Agent, Bankrupt, Distraint.

2. What is the difference between a Statement and an Invoice—show a suitable sketch of both.

3. Of what use is a Journal? Show four entries in a Journal and post to Ledger accounts.

4. On January 30, 1896, Edwin Green's books showed the following balances :—Debtors £800, Creditors £400, Capital £700, cash in hand £50, and Stock £250.

Open the necessary Ledger accounts and show the following transactions, working through the proper books required :—

1896.		£	s.	d.
Feb.	1. Purchased goods from Yale & Co. . . . .	50	0	0
"	" Sold goods to Dunn & Co. . . . .	150	0	0
"	" Returned goods to Yale & Co. . . . .	3	15	6
"	3. Sold goods to Robins, Ltd. . . . .	20	9	6
"	4. Received from Dunn & Co. . . . .	50	10	9
"	" Robins returned goods . . . . .	2	10	6
"	5. Paid Yale & Co. amount owing to him.			
"	6. Goods returned by Dunn & Co. . . . .	1	11	6
"	7. Received cheque from Dunn & Co. in settlement of account.			

Balance Ledger accounts and Cash account.

5.

1. Explain the difference between "Solvent" and "Insolvent."

2. What is Discount, and how many kinds are there? State fully how discount is dealt with, and the different accounts it affects.

3. Explain the system of "Double-Entry," pointing out the advantages of its use.

4. March 1, 1899, John Ely had capital £600. He spent £200 on Stock and transacted the following business during the first week :—

	£	s.	d.
Purchased from Yewlet & Co. . . . .	30	10	0
Sold to Rotter, Ltd. . . . .	75	0	0
Received from Rotter, Ltd., less 2½% discount . . . . .	20	0	0
Paid Wages . . . . .	10	15	6
" Carriage . . . . .	4	9	6
Purchased from Older & Co. . . . .	40	10	3
Returned to Yewlet & Co. . . . .	10	10	0
Sold goods to Joker, Ltd. . . . .	60	16	0
Received cash less 2½% discount from Joker, Ltd. . . . .	15	15	0

## 6.

1. What do you understand by the following:—Current Account, Audit, Bad Debt, Bank Book?

2. Rule a Postage Book showing six entries of expenditure, having 5s. in hand to start with.

3. Give a list of books a tea merchant would use, and say where items from each book would be posted, on the debit or on the credit. How would he check himself to see that he had posted all entries correctly?

4. A man has cash in hand £40 8s. 6d., Cash in the Bank £200, Stock on hand valued at £75, Money owing to him £137 10s. 0d., Amounts owing by him £452 18s. 6d., and he wants to open his books in a concise manner so as to enable him to carry on his business, ascertaining at the end of the year his position by means of a Trial Balance. Show what accounts he must open, and give your reasons.

## 7.

1. Explain:—Commission, Credit, D.B., Depreciation, E. and O.E.

2. What do you understand by "Capital"? How is this dealt with in a set of accounts? Give reasons for your answers.

3. Of what use is a "Returns" Book, and of how many kinds are there? Give six examples with their postings.

4. From the following balances extract a Trial Balance, and state your reasons for the placing of each item, explaining the object of a Trial Balance and the result to be obtained:—

	£	s.	d.
Capital . . . . .	5000	0	0
Cash in hand . . . . .	32	10	0
Cash at Bank . . . . .	160	3	6
Stock . . . . .	160	4	9
Sales . . . . .	496	10	11
Wages . . . . .	12	6	7
Rent . . . . .	20	0	0
Purchases . . . . .	165	16	8
Returns Outward . . . . .	30	0	0
Returns Inwards . . . . .	11	16	9
Freehold Property . . . . .	3000	0	0
Interest received . . . . .	0	10	7
Goodwill . . . . .	2000	0	0
<i>Sundry Debtors—</i>			
Jones . . . . .	3	9	4
Grey . . . . .	10	19	4
White . . . . .	30	13	3

<i>Sundry Creditors—</i>		£	s.	d.
Black . . . . .		60	3	9
Green . . . . .		20	14	11

8.

1. What is the meaning of the following :—Firm, Folio, Free on Rails, Goodwill, I.O.U. ?

2. Explain fully the difference between Personal and Impersonal Accounts, mentioning four accounts of each.

3. Describe the method of the Banking and the withdrawal of money—give reasons for your statements.

4. How would a man keep his books if he were too far from his bank to pass all receipts immediately through his account? Illustrate your answer by twelve entries, allowing 2½% discount and post to Ledger, balancing all accounts.

9.

1. Explain :—Insurance, Income Tax, N.B., Post, Voucher, B/S, Assets, Balance.

2. Describe a method of keeping a Petty Cash Book. Give reasons for all your statements and say where amounts are posted to. Make twelve entries, balance Petty Cash, and state where and what part of a Petty Cash appears in a Trial Balance.

3. What is the difference between a “ Purchases Journal ” and a “ Journal ”? Show four entries in each book, and post to Ledger.

4. Ben Tanner’s capital on May 1, 1905, amounted to £7752. On April 30, 1906, he wished to extract a Trial Balance ; his cash in hand amounted to £30, and from his Ledger he ascertained his Balances were as follows :—

	£	s.	d.
Sundry Debtors . . . . .	1,400	0	0
Sundry Creditors . . . . .	1,130	0	0
Purchases . . . . .	6,400	0	0
Sales . . . . .	10,300	0	0
Salaries . . . . .	1,600	0	0
Stock, May 1, 1905 . . . . .	1,750	0	0
Rent . . . . .	150	0	0
Travelling Expenses . . . . .	137	0	0
Audit . . . . .	20	0	0
Bad Debts . . . . .	15	0	0
Discounts allowed . . . . .	75	0	0
Discounts received . . . . .	50	0	0
Bank overdraft . . . . .	1,150	0	0
Bank charges . . . . .	57	10	0
Freehold Property . . . . .	6,000	0	0
Plant and Machinery . . . . .	2,500	0	0
Advertising . . . . .	247	10	0

## SOCIETY OF ARTS EXAMINATION, 1903

## Grade 1

## BOOK-KEEPING—Time 3 hours

Candidates are expected to rule the necessary cash columns and other lines for themselves. Certificates of one class only will be given in this grade.

1. Explain the terms: "Bank Draft," "Bill of Exchange," "Bad Debt," "Bankrupt."

2. What is a "Bank Pass-Book"? Submit a few imaginary entries to explain how such books are kept.

3. Explain the meaning of the following phrases at the head of a trader's invoice:—

"5 per cent. discount for prompt."

"2½ per cent. discount in a month."

4. Write up the following items in Petty Cash Book, and bring down the balance as on January 6, 1903:—

1903.

Jan. 1. Received from head cashier, £5.

" 2. Purchased postage-stamps, 30s.

" 3. Paid 'bus fares, 3d.

" 4. Received cash for sale of waste paper, 4s. 10d.

" 6. Bought string, 1s., and brown paper, 1s. 8d.

5. What is a "post-dated cheque"? Of what use is it?

## EXERCISE

William Smith began the year 1902 with the following balances in his Ledger:—

	<i>Dr.</i>		<i>Cr.</i>	
	£	s. d.	£	s. d.
William Smith, Capital Account . . . . .			1000	0 0
Cash . . . . .	100	0 0		
Town Bank, Limited . . . . .	385	0 0		
Stock-in-trade . . . . .	520	0 0		
James Ball . . . . .			125	0 0
John Green . . . . .	120	0 0		
	1125	0 0	1125	0 0

He made the following purchases and sales during the first week in January, 1902:—

	£	s.	d.
Purchased from James Ball, goods . . . . .	110	0	0
" " William Paul " . . . . .	48	0	0
" " Edward Parker " . . . . .	15	14	11
" " John Robinson " . . . . .	21	5	6



		£	s.	d.
Sold to John Green,	goods	.	.	58 5 6
Returned to William Paul	"	.	.	8 7 6
Sold to Edward Parker	"	.	.	21 8 9
" William Peek	"	.	.	121 0 0
" John Robinson	"	.	.	2 7 5
Returned by William Peek	"	.	.	6 10 6

Post the above items, opening, where necessary, new accounts. Balance and rule off these Ledger accounts, and bring down the balances.

SOCIETY OF ARTS EXAMINATION, 1904

Grade 1

BOOK-KEEPING—Time 3 hours

Candidates are expected to rule the necessary cash columns, etc., for themselves. Certificates of one class only will be given in this grade.

1. Explain the terms: "Dividend," "Discount," "Double Entry," "Dis-traint," "Drawings."

2. What is an Invoice? What would you do with invoices received by a merchant? How would you record their particulars in his books? Give an example.

3. Sketch a form of Cash Book which you would recommend to be used by a merchant who has a banking account, and from whose purchases and sales cash discounts are allowed upon settlement. Enter six debit and six credit transactions.

4. A tea dealer sells tea, coffee, and sugar to sundry persons on credit. How would you record these sales in his books? Give an example.

5. What is the essential difference between a cheque and a bill of exchange, and upon what principle are stamp duties levied upon each?

EXERCISE

On January 1, 1904, John Jones had £500 as his capital in his business, while James Green was his debtor for £350, and he owed William Paul £400. He had £450 at his banker's, and £100 in his safe. Open the necessary Ledger accounts, and post direct to the Ledger the following trans-actions:—

1904.		£	s.	d.
Jan.	1. Sold goods to William Paul . . . . .	350	0	0
"	4. Purchased goods from J. Robinson . . . . .	150	0	0
"	7. " " " William White . . . . .	220	0	0
"	10. " " " P. Frean . . . . .	140	0	0
"	15. Sold goods to Charles Carter . . . . .	340	0	0
"	20. " " " J. Farlow . . . . .	140	0	0
"	25. Purchased goods from William Paul . . . . .	480	0	0
"	31. Returned goods to J. Robinson. . . . .	50	0	0

## SOCIETY OF ARTS EXAMINATION, 1905

*Elementary Paper—Stage 1*BOOK-KEEPING—*Time 3 hours*

Candidates are expected to rule the necessary cash columns and other lines for themselves. Certificates of one class only will be given in this stage.

1. Explain the terms: "Free on Rails," "Bearer Cheque," "Bill of Sale," "Book Debt," "Voucher."

2. Sketch a form of Petty Cash Book which you would recommend; enter therein the following items, and balance it as on December 6, 1904:—

1904.		£	s.	d.
Dec. 1.	Balance in hand . . . . .	4	13	2
" 2.	Paid office housekeeper . . . . .	0	15	2
" 3.	Purchased stamps . . . . .	3	15	6
" 4.	Received from cashier . . . . .	10	0	0
" 5.	Received from sale of old desk . . . . .	0	10	6
Paid fares, 6d.; sundries, 8d.; gum, 6d.; telegram, 8d.		0	2	4

3. George Jones buys cotton, value £80, from Robert Brown, and in order to secure a special discount of 5 per cent., pays prompt cash. Make the entries in George Jones's Cash Book necessary to record this transaction.

4. What is a Bill of Exchange? Explain the use of a Bills Payable Book.

5. John Jones desires to remit £100 to his son, who is at Singapore. What would you suggest as the best method of effecting this? Give your reasons.

## EXERCISE

George Smith, having purchased from William Watson, wine merchant, the assets, including the goodwill, of his business, for which he gave £3000 for stocks of wines and spirits, £500 for utensils, bottles, and appliances, and £1000 for goodwill, commenced business on December 1, 1904. He opened an account at the Secure Bank, Ltd., and paid in £2000, representing his working capital.

Open the necessary Ledger accounts to record the above, and post the following transactions direct to the Ledger. Balance the account as on December 9, 1904, and bring down the balance:—

1904.	
Dec. 2.	Bought from R. French 3 pipes of port, at £85 per pipe.
" 3.	" " C. Clare 50 dozen of sherry, at 90s. per dozen.
" 5.	" " R. Frost a bottle-washing machine for £18 10s.
" 6.	Sold to Grand Hotel Company, Limited, 10 dozen of sherry, at 108s. per dozen.
" 7.	Bought from G. Keen 10 dozen of champagne, at 100s. per dozen.
" 8.	Sold to R. White one pipe of port for £95.
" 9.	Sold to R. Frost 2 dozen of champagne, at 110s. per dozen,

## SOCIETY OF ARTS EXAMINATION, 1906

*Elementary Paper—Stage 1*BOOK-KEEPING—*Time 3 hours*

Candidates are expected to rule the necessary cash columns and other lines for themselves. Certificates of one class only will be given in this stage.

1. Briefly explain the following terms and abbreviations: "Credit Note," "Asset," "Personal Ledger," "Contra a/c," "E. and O.E.," "N.B."

2. What is the use of a Stock Book? What is meant by "taking stock"? On what principles ought articles in stock to be priced?

3. What is the difference between a "Private Ledger" and a "General Ledger"? Into what is the General Ledger, for convenience, generally divided? Give the headings of two accounts which would appear in each Ledger respectively.

4. What is a "Columnar Petty Cash Book"? Give the ruling of such a book, and make one debit and four credit entries therein.

5. Write up William Brown's Capital Account from the following items: July 1, 1905, Balance of capital at this date, £800. September 30, Paid in £100. November 30, Withdrew £720. December 31, Interest on capital at 5 per cent. per annum. December 31, Net loss for the half-year, £200. Bring down the balance.

## EXERCISE

On December 1, 1905, H. Lloyd commenced business with a capital of £500 in cash. On this date he paid the following sums: Shop-fittings, £50; purchase of goods, £200; one quarter's rent in advance, £20.

Open the necessary Ledger Accounts to record the above; post the following transactions direct to the Ledger; balance the accounts as on December 30, 1905, and bring down the balance:—

1905.		£	s.	d.
Dec.	2. Sold goods to W. Hunt . . . . .	140	0	0
"	4. Purchased goods from R. Johnson . . . . .	20	0	0
"	11. " " " H. Hall . . . . .	150	0	0
"	16. Sold goods to E. Jones for cash . . . . .	20	0	0
"	20. " " W. Silver . . . . .	50	0	0
"	21. Received from W. Hunt cash on account. . . . .	10	0	0
"	Paid R. Johnson's account, less 5 per cent discount.			

## SOCIETY OF ARTS EXAMINATION, 1907

*Elementary Paper—Stage 1*BOOK-KEEPING—*3 hours allowed*

Candidates are expected to rule the necessary cash columns and other lines for themselves. Certificates of one class only will be given in this stage.

1. What is the difference between an "Invoice" and a "Statement"?
2. What do you understand by the signs "Dr." and "Cr."?
3. What is the object of "closing a ledger," and how is it effected?
4. Explain the "Imprest" system of keeping Petty Cash. Give an example.
5. Write up an account with your Bankers, recording the following transactions:—Jan. 1, 1907. Balance to your credit at the Bank £3,387 5s. 6d.; Jan. 3. Paid W. Smith £600; Jan. 5. Paid in £218 5s. 7d.; Jan. 12. Paid J. Brown on a/c £1000; Jan. 19. Paid H. Wilson, £671 3s. 2d.; Paid J. Brown on a/c £1000; Jan. 26. Paid in £1461 2s. 1d.; Paid J. Brown (balance). £781 2s. 3d.; Jan. 28. Paid H. Shepherd, £81 2s. 8d.; Jan. 31. Paid in £8 10s. 3d. Balance the account and bring down the balance.

#### EXERCISE

J. Cripps commenced business as a coal merchant on Oct. 1, 1906, with the following assets:—Cash £200; Plant and Fixtures £60, and Horse and Cart £30. He opened an account with the Union Bank, into which he paid his initial capital and all cash received. During October the following transactions took place:—Oct. 3. Purchased Coal from the X. Y. Colliery Co., Ltd. £160; 8th. Sold Coal to T. Philipps £20; 12th. Sold Coal to J. Hall £110; 15th. Purchased Coal from the X. Y. Colliery Co., Ltd., £360; 16th. Received cash from T. Philipps £20; 17th. Received Cash from J. Hall (on a/c £80); 24th. Paid Cheque to the X. Y. Colliery Co., Ltd., £200. Open the necessary Ledger Accounts and post, direct, the above facts and transactions. Balance these Accounts as on Oct. 31, 1906, and bring down the balances.

## PART II

### CHAPTER I

#### TRADING ACCOUNT—PROFIT AND LOSS ACCOUNT—BALANCE SHEET

HAVING worked out a Trial Balance which is found to be correct, the next course to be taken is to discover how much gross profit has been made by the business. This is done by working out a Trading Account from the Trial Balance, the gross profit being the profit of the Sales over the Purchases. If, however, the Purchases exceed the Sales then there is a loss.

From the following Trial Balance the Trading Account would appear as follows. The items being :—

Stock, Purchases, Goods, Sales, and Stock on hand.

#### TRIAL BALANCE.

*Dr.*

*Cr.*

	£	s.	d.	£	s.	d.
Stock . . . . .	20	0	0			
Purchases . . . . .	350	0	0			
Cash Goods . . . . .	70	0	0			
Sales . . . . .				520	0	0
Cash Sales . . . . .				95	0	0
Wages . . . . .	10	0	0			
Rent . . . . .	20	0	0			
Carriage . . . . .	1	6	8			
Travelling Expenses . . . . .	5	0	0			
Office Expenses . . . . .	12	0	0			
J. Jones . . . . .				20	0	0
H. Harris . . . . .				10	0	0
W. Wood . . . . .				15	0	0
Capital . . . . .				555	6	8
Drawings . . . . .	50	0	0			
G. Green . . . . .	10	10	0			
C. Can . . . . .	15	10	0			
E. Earl . . . . .	30	13	4			
Plant and Machinery . . . . .	150	0	0			
Furniture and Fixtures . . . . .	300	0	0			
Cash in Hand . . . . .	50	6	8			
Cash at Bank . . . . .	120	0	0			
	1215	6	8	1215	6	8
Stock on Hand £50.						

Dr.

## TRADING ACCOUNT.

Cr.

	£	s.	d.		£	s.	d.
To Stock . . . . .	20	0	0	By Sales . . . . .	520	0	0
„ Purchases . . . . .	350	0	0	„ Cash Goods . . . . .	95	0	0
„ Cash Goods . . . . .	70	0	0	„ Stock on Hand . . . . .	50	0	0
„ Gross Profit . . . . .	225	0	0				
	<u>665</u>	<u>0</u>	<u>0</u>		<u>665</u>	<u>0</u>	<u>0</u>

Thus the Gross Profit is seen to be £225, that is, the excess of the sales over the Purchases. But in order to make that profit it was necessary to incur some expenses, such as Rent, Wages, Carriage, Travelling Expenses, Office Expenses, &c. We now, therefore, wish to discover our *Net Profit*—that is, the profit made after having deducted all expenses. This is done by finding a Profit and Loss Account from the Trial Balance. The debits appearing on the debit and the credits on the credit of the Account.

Dr.

## PROFIT AND LOSS ACCOUNT.

Cr.

	£	s.	d.		£	s.	d.
To Wages . . . . .	10	0	0	By Gross Profit . . . . .	225	0	0
„ Rent . . . . .	20	0	0				
„ Carriage . . . . .	1	6	8				
„ Travelling Expenses . . . . .	5	0	0				
„ Office Expenses . . . . .	12	0	0				
„ Net Profit . . . . .	176	13	4				
	<u>225</u>	<u>0</u>	<u>0</u>		<u>225</u>	<u>0</u>	<u>0</u>

The Net Profit is seen to be £176 13s. 4d.; *i.e.* the difference between the Gross Profit and the expenses. If the expenses exceed the *Gross Profit*, then there is said to be a *Loss*.

We now arrive at the Balance Sheet, in which appear the items in our Trial Balance that have not already been entered in either the Trading Account or Profit and Loss Account, and these would comprise Debtors, Creditors, Plant and Machinery, Furniture and Fixtures, Cash in hand, Cash at Bank, Stock on hand, Capital, Drawings, &c., and are arranged as follows, the items from the credit column appearing under Liabilities, and items from the debit column appearing as Assets :—

## BALANCE SHEET.

<i>Liabilities.</i>						<i>Assets.</i>					
£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Sundry Creditors:—						Sundry Debtors:—					
J. Jones . . . . .	20	0				G. Green . . . . .	10	10			
H. Harris . . . . .	10	0				C. Can . . . . .	15	10			
W. Wood . . . . .	15	0				E. Earl . . . . .	30	13			
			45	0	0						
Capital . . . . .	555	6				Plant and Machinery .				56	13
Less Drawings . . . . .	50	0				Furniture and Fixtures				150	0
						Cash in Hand . . . . .	50	6	8	300	0
	505	6				Cash at Bank . . . . .	120	0	0		
Add Profit . . . . .	176	13				Stock on Hand . . . . .				170	6
			682	0	0					50	0
										727	0
			727	0	0						

Thus it will be clearly seen that all Purchases, Sales, and goods appear in the Trading Account, from which is shown the *Gross Profit*. All current expenses and the Gross Profit appear in the Profit and Loss Account, from which is shown the *Net Profit*. All items which cannot thus be included either in the Trading Account or Profit and Loss Account must of necessity appear in the Balance Sheet, and are either Assets or Liabilities.

If correctly worked out the difference between the Liabilities and Assets must equal the *Net Profit* or *Loss*, as the case may be. If there is a *profit* it is added on to the Capital of the Business, under Liabilities, thus showing that the Assets are greater than the Liabilities by the amount of the *Profit*. Thus must the *Balance Sheet* balance.

From the following Trial Balances prepare Trading Account, Profit and Loss Account, and Balance Sheet.

	£	s.	d.	£	s.	d.
1. Cash . . . . .	156	8	7			
Creditors . . . . .				150	9	7
Debtors . . . . .	289	19	8			
Purchases . . . . .	290	19	7			
Sales . . . . .				371	8	5
Capital . . . . .				300	0	0
Wages . . . . .	34	10	0			
Goods . . . . .	32	15	1			
Carriage . . . . .	3	4	7			
Sundry Expenses . . . . .	3	18	6			
Rent . . . . .	10	2	0			
	821	18	0	821	18	0

		£	s.	d.	£	s.	d.
2.	Cash . . . . .	33	15	4			
	Creditors . . . . .				86	4	6
	Debtors . . . . .	247	10	4			
	Purchases . . . . .	348	17	2			
	Sales . . . . .				377	0	11
	Capital . . . . .				500	0	0
	Stock . . . . .	300	0	0			
	Goods . . . . .				27	1	6
	Discounts . . . . .	3	4	2	6	10	8
	Carriage . . . . .	3	5	9			
	Wages . . . . .	20	0	0			
	Sundry Expenses . . . . .	12	4	10			
	Self . . . . .	22	0	0			
	Rent . . . . .	6	0	0			
		<u>996</u>	<u>17</u>	<u>7</u>	<u>996</u>	<u>17</u>	<u>7</u>

		£	s.	d.	£	s.	d.
3.	Cash O/D . . . . .				10	10	1
	Debtors . . . . .	83	17	6			
	Wages . . . . .	83	1	2			
	Purchases . . . . .	119	4	4			
	Sales . . . . .				295	5	6
	Discounts . . . . .	6	10	7	2	12	3
	Capital . . . . .				209	10	0
	Stock . . . . .	209	10	0			
	Goods . . . . .				88	19	2
	Rent . . . . .	10	0	0			
	Sundry Expenses . . . . .	59	19	4			
	Horse and Cart . . . . .	25	2	0			
	Carriage . . . . .	7	3	0			
	Horse Keep . . . . .	2	9	1			
		<u>606</u>	<u>17</u>	<u>0</u>	<u>606</u>	<u>17</u>	<u>0</u>

Show a Trading Account, Profit and Loss Account, and Balance Sheet from the following Trial Balances:—



## BALANCE SHEET

75

		Dr.			Cr.		
		£	s.	d.	£	s.	d.
4.	Cash . . . . .	15	0	0			
	Bank . . . . .	240	9	7			
	Capital . . . . .				794	7	11
	Creditors . . . . .				153	9	7
	Debtors . . . . .	86	11	8			
	Stock . . . . .	248	2	4			
	Freehold Property . . . . .	300	0	0			
	Goodwill . . . . .	100	0	0			
	Wages . . . . .	49	10	8			
	Discounts . . . . .	3	15	0	4	10	6
	Sundry Expenses . . . . .	26	19	4			
	Carriage . . . . .	10	10	0			
	Rent . . . . .	50	0	0			
	Interest . . . . .	3	9	6			
	Purchases . . . . .	108	9	10			
	Sales . . . . .				290	9	11
		1242	17	11	1242	17	11
	Stock on Hand £200.						

		£	s.	d.	£	s.	d.
5.	Cash . . . . .	65	15	9			
	Petty Cash . . . . .	7	3	6			
	Capital . . . . .				1197	8	7
	Fixtures and Fittings . . . . .	100	0	0			
	Machinery and Plant . . . . .	75	15	0			
	Gordon . . . . .				360	11	7
	James . . . . .	161	10	9			
	Dundee . . . . .	63	11	7			
	Rent . . . . .	150	10	0			
	Printing and Stationery . . . . .	30	11	6			
	Light and Firing . . . . .	15	3	1			
	Postages and Telegrams . . . . .	25	0	0			
	Fares and Parcels . . . . .	7	8	5			
	Sundry Expenses . . . . .	15	11	9			
	Carriage . . . . .	2	1	3			
	Eversham & Co. . . . .	64	14	1			
	Court, Ltd. . . . .				31	11	8
	Southgate & Sons . . . . .				189	8	4
	Purchases . . . . .	864	13	7			
	Sales . . . . .				1000	9	1
	Stock . . . . .	100	0	0			
	Travelling Expenses . . . . .	42	9	6			
	Discounts . . . . .	12	9	6	25	0	0
	Loan . . . . .	1000	0	0			
		2804	9	3	2804	9	3
	Stock on Hand £530.						

6. Messrs. Clifton and Down's Ledger showed the following Trial Balance at the close of June 30, 1903. What is the Gross Profit and Net Profit their business has made during the year, and show the amount of their Assets and Liabilities at this date.

	Dr.			Cr.		
	£	s.	d.	£	s.	d.
Cash . . . . .	102	11	3			
Petty Cash . . . . .	3	10	1			
Capital . . . . .				879	9	5
Goodwill . . . . .	100	0	0			
Furniture and fittings . . . . .	56	10	0			
Plant and Machinery . . . . .	302	9	6			
Loan . . . . .	100	0	0			
Interest . . . . .				8	0	0
Discount . . . . .	10	15	6	12	10	6
Purchases . . . . .	364	9	3			
Stock . . . . .	400	0	0			
Sales . . . . .				963	0	0
Creditors . . . . .				495	11	4
Debtors . . . . .	396	13	2			
Wages . . . . .	50	0	0			
Salaries . . . . .	149	10	3			
Rent (sub-let) . . . . .				40	0	0
Gas, Light and Coke Co. . . . .	32	9	4			
Cleaning . . . . .	15	0	0			
Repairs . . . . .	7	9	4			
Rent . . . . .	100	0	0			
Advertising . . . . .	22	11	1			
Printing and Stationery . . . . .	55	9	4			
Postages and Telegrams . . . . .	30	10	0			
Drawings . . . . .	75	0	0			
Sundry Expenses . . . . .	32	0	6			
Carriage . . . . .	10	10	0			
Cash Sales . . . . .				66	11	3
Cash Purchases . . . . .	50	15	8			
Returns Outwards . . . . .				15	13	9
Returns Inwards . . . . .	12	12	0			
	2480	16	3	2480	16	3
Stock on Hand £550.						

In the foregoing Trial Balance explain the following details:—

1. Why is Loan Account on the debit?
2. Why is Interest Account on the credit?
3. Why is Rent Account on the credit?
4. Why is Drawings Account not dealt with as a current expense in the Profit and Loss Account?

## CHAPTER II

## DEPRECIATION AND ADJUSTMENTS

THE definition of the word Depreciation is the decrease in the value of an asset, which may be due to several causes, the most usual being—wear and tear.

As a Balance Sheet shows the value of a man's assets and liabilities it is necessary that as his assets, such as furniture, tools, buildings, &c., become more used, so they must, as a matter of course, become less valuable. Furniture that has been used for five years is not of so much value, from the point of a selling price, as when it was bought. All this has been shown in a man's Balance Sheet—so as an asset becomes less valuable from wear and tear, depreciation, *i.e.* the decrease in value, must be written off the original worth.

Take, for example, Fittings and Fixtures valued at £500 are decreasing in value each year. Therefore, as an asset, Fittings are not worth £500, and must not be shown at that value in the Balance Sheet. A depreciation of 5% is to be written off each year—that is, from general causes, wear and tear, it is considered the Fittings and Fixtures will lose 5% of their value each year—£25 is the sum to be written off the first year, being 5% of the original value—£500. This being done leaves the Fittings and Fixtures now valued at £475. As the student has already learnt, each transaction has a two-fold effect. Depreciation affects the asset which is decreased in value, and also affects the Net Profit of the business—as the more valuable a business is the greater the profit, so the greater the depreciation in the value of assets, the less the profit.

**Rule for Depreciation.**—Depreciation must first be charged against the profit in the Profit and Loss Account, and secondly must be deducted from the value of the asset as shown in the Balance Sheet.

For example, from the following Trial Balance, extracted June 30, 1906, we find a Trading Account, Profit and Loss, and Balance Sheet, writing 5% off the value of Fixtures and Fittings, and 10% off the value of Plant and Machinery.

	£	s.	d.	£	s.	d.
Capital . . . . .				3000	0	0
Cash . . . . .	1450	0	0			
Sales . . . . .				897	0	0
Purchases . . . . .	250	0	0			
Debtors . . . . .	495	0	0			
Creditors . . . . .				360	0	0
Wages . . . . .	160	0	0			
Rent . . . . .	50	0	0			
Carriage . . . . .	32	0	0			
Advertising . . . . .	47	0	0			
Stock, June 30, 1905 . . . . .	373	0	0			
Fixtures and Fittings . . . . .	600	0	0			
Plant and Machinery . . . . .	800	0	0			
	<u>4257</u>	<u>0</u>	<u>0</u>	<u>4257</u>	<u>0</u>	<u>0</u>
Stock on Hand £250.						

The items to be shown in the Trading Account are seen to be as follows:—

Dr. TRADING ACCOUNT. Cr.

	£	s.	d.		£	s.	d.
To Stock, June 30, 1905 . . . . .	373	0	0	By Sales . . . . .	897	0	0
„ Purchases . . . . .	250	0	0	„ Stock on Hand . . . . .	250	0	0
„ Gross Profit . . . . .	524	0	0				
	<u>1147</u>	<u>0</u>	<u>0</u>		<u>1147</u>	<u>0</u>	<u>0</u>

The Stock on hand is seen to be £250, thus making the Gross Profit £524—which Profit is carried down to the Profit and Loss Account.

Dr. PROFIT AND LOSS ACCOUNT. Cr.

	£	s.	d.		£	s.	d.
To Wages . . . . .	160	0	0	By Gross Profit . . . . .	524	0	0
„ Rent . . . . .	50	0	0				
„ Carriage . . . . .	32	0	0				
„ Advertising . . . . .	47	0	0				

Having thus entered all the Current expenses in the Profit and Loss Account, before finding the Net Profit it is necessary to consider whether any depreciation is to be written off an asset.

We discover 5% depreciation is to be written off Fixtures and Fittings, and 10% off Plant and Machinery—so, before calculating the Net Profit, the depreciation must be entered in the Profit and Loss Account as a current expense.

From the Trial Balance we see the Fixtures and Fittings to be valued at £600, thus 5% on £600 being £30, we enter this amount in the Profit and Loss Account, thus—

Dr.	PROFIT AND LOSS ACCOUNT.						Cr.
To Wages . . . . .	£	s.	d.	By Gross Profit . . . . .	£	s.	d.
„ Rent . . . . .	160	0	0		524	0	0
„ Carriage . . . . .	50	0	0				
„ Advertising . . . . .	32	0	0				
„ Depreciation on Fixtures and Fittings	47	0	0				
	30	0	0				

And in the same way do we reckon the depreciation on Plant and Machinery valued at £800 @ 10%; which is seen to be £80—

Dr.	PROFIT AND LOSS ACCOUNT.						Cr.
To Wages . . . . .	£	s.	d.	By Gross Profit . . . . .	£	s.	d.
„ Rent . . . . .	160	0	0		524	0	0
„ Carriage . . . . .	50	0	0				
„ Advertising . . . . .	32	0	0				
„ Depreciation on Fixtures and Fittings	47	0	0				
„ Depreciation on Plant and Machinery	30	0	0				
„ Depreciation on Plant and Machinery	80	0	0				
Net Profit . . . . .	125	0	0				
	524	0	0		524	0	0

Thus our Net Profit is seen to be £125. Having arrived at our Balance Sheet we wish to show the value of our Assets and the amount of our Liabilities,

## BALANCE SHEET.

<i>Liabilities.</i>			£	s.	d.	£	s.	d.	<i>Assets.</i>			£	s.	d.	£	s.	d.	
Creditors . . . . .						360	0	0	Debtors . . . . .						495	0	0	
Capital . . . . .	3000	0	0						Cash . . . . .					1450	0	0		
Add Profit . . . . .	125	0	0						Fixtures and Fittings .	600	0	0						
						3125	0	0	Less Depreciation . . .	30	0	0						
									Plant and Machinery . .	800	0	0			570	0	0	
									Less Depreciation . . .	80	0	0						
									Stock on Hand . . . . .						720	0	0	
														250	0	0		
						3485	0	0						3485	0	0		

Our Balance Sheet thus shows us the original value of our Fixtures and Fittings, and Plant and Machinery, the amount of depreciation calculated on each, and the amount at which both are now valued.

1. From the following Trial Balance work out Trading Account, Profit and Loss Account, and Balance Sheet, allowing  $2\frac{1}{2}\%$  depreciation on Debtors for Bad Debts, 5% on Plant and Machinery.

	<i>Dr.</i>			<i>Cr.</i>		
	£	s.	d.	£	s.	d.
Cash . . . . .	24	10	2			
Capital . . . . .				317	11	6
Debtors . . . . .	364	0	0			
Creditors . . . . .				496	3	9
Plant and Machinery . . . . .	500	0	0			
Fixtures and Fittings . . . . .	157	9	4			
Rent . . . . .	50	0	0			
Wages . . . . .	15	0	0			
Advertising . . . . .	7	0	0			
Carriage . . . . .	3	10	1			
Purchases . . . . .	329	1	4			
Sales . . . . .				623	19	7
Returns Inwards . . . . .	12	13	10			
Returns Outwards . . . . .				25	9	11
	1463	4	9	1463	4	9

2. Prepare a Trading Account, Profit and Loss Account, and Balance Sheet, after making the following adjustments:—

Write 10% off Fixtures and Fittings.

Provide 5% for Bad Debts.

Write 5% off Plant and Machinery.

	£	s.	d.	£	s.	d.
Cash . . . . .	733	13	3			
Capital . . . . .				2055	0	7
Stock . . . . .	444	14	4			
Purchases . . . . .	222	12	2			
Sales . . . . .				777	17	7
Rent, Rates, and Taxes . . . . .	55	15	6			
Audit . . . . .	3	3	0			
Bank Charges . . . . .	75	15	0			
Fixtures and Fittings . . . . .	500	0	0			
Plant and Machinery . . . . .	880	10	0			
Debtors . . . . .	200	12	6			
Creditors . . . . .				306	11	1
Bad Debts . . . . .	20	9	6			
Discounts . . . . .	12	12	6	10	8	6
	<u>3149</u>	<u>17</u>	<u>9</u>	<u>3149</u>	<u>17</u>	<u>9</u>

3. The following Balances were shown in John Bull's Ledger at the close of his financial year, July 30, 1906. Prepare Trading Account, Profit and Loss Account, and Balance Sheet, after making the necessary adjustments.

- 10% to be written off Freehold Property.  
 5% to be written off Debtors for Bad Debts.  
 Stock on hand, £350.  
 Rent owing, £25.

	£	s.	d.
Cash . . . . .	340	11	6
Stock . . . . .	200	0	0
Purchases . . . . .	349	13	7
Sales . . . . .	1000	1	5
Wages . . . . .	76	14	9
Discounts Received . . . . .	12	10	6
Freehold Property . . . . .	1500	0	0
Debtors . . . . .	580	10	0
Creditors . . . . .	497	11	6
Rent . . . . .	75	0	0
Returns Outwards . . . . .	33	15	9
Returns Inwards . . . . .	15	11	7
Capital . . . . .	1594	2	3



4. Prepare Trading Account, Profit and Loss Account, and Balance Sheet, after making the necessary adjustments:—

Provide 5% on Debtors for Discounts.

Provide £200 for Bad Debts.

Write 5% off Plant and Machinery for depreciation.

Rent owing, £20.

	£	s.	d.	£	s.	d.
Capital . . . . .				3500	0	0
Sundry Debtors . . . . .	2100	2	9			
Sundry Creditors . . . . .				1650	4	0
Purchases . . . . .	1780	8	9			
Sales . . . . .				3400	6	4
Wages . . . . .	1185	3	0			
Stock . . . . .	900	0	0			
Rent, Rates and Taxes . . . . .	145	6	8			
Travelling Expenses . . . . .	133	2	4			
Bad Debts . . . . .	62	1	0			
Discounts . . . . .	74	6	7	55	2	0
Interest on Capital . . . . .	150	0	0			
Bank . . . . .	1500	0	0			
Cash . . . . .	65	1	3			
Bank Charges . . . . .	10	0	0			
Plant and Machinery . . . . .	500	0	0			
	<u>8605</u>	<u>12</u>	<u>4</u>	<u>8605</u>	<u>12</u>	<u>4</u>

## CHAPTER III

### CLOSING LEDGER ACCOUNTS

LEDGER accounts can be closed at different times. That of a debtor when the debtor has paid what he owes, that of a creditor when he has been paid. And, according to whether the account is closed or not, so the balance will or will not appear in the Trial Balance.

When we are dealing with ledger accounts as "Wages," "Carriage," "Rent," &c., such accounts can only be closed by transferring the balance to another account. For example the balance of "Wages" account is £160, which will appear in our Trial Balance on the Debit side, and will from thence be entered in the Profit and Loss Account as a current expense. Now we want to close the "Wages" account, showing that the total Wages



for the year has been correctly entered in the Profit and Loss Account, so we make a Journal entry thus :—

JOURNAL.

	£	s.	d.	£	s.	d.
Profit and Loss Account . . . . . Dr.	160	0	0			
To Wages Account . . . . .				160	0	0
Profit and Loss Account . . . . . Dr.	50	0	0			
To Rent . . . . .				50	0	0

Then the Ledger accounts will be dealt with thus :—

Dr.		WAGES.			Cr.			
		£	s.	d.		£	s.	d.
Jan.	To Cash . . . . .	13	6	8				
Feb.	„ . . . . .	13	6	8				
Mar.	„ . . . . .	13	6	8				
April	„ . . . . .	13	6	8				
May	„ . . . . .	13	6	8				
June	„ . . . . .	13	6	8				
July	„ . . . . .	13	6	8				
Aug.	„ . . . . .	13	6	8				
Sept.	„ . . . . .	13	6	8				
Oct.	„ . . . . .	13	6	8				
Nov.	„ . . . . .	13	6	8				
Dec.	„ . . . . .	13	6	8				
		160	0	0		160	0	0

RENT.

	£	s.	d.	£	s.	d.
Mar.	To Cash . . . . .	12	10	0		
June	„ . . . . .	12	10	0		
Sept.	„ . . . . .	12	10	0		
Dec.	„ . . . . .	12	10	0		
		50	0	0		50 0 0

by which means it is seen that the amount of "Wages" and "Rent" shown in the Ledger agrees with the total amount carried to the Profit and Loss Account.

## CHAPTER IV

## ADDITIONAL EXERCISES

1. WORK the following exercise and post to the Ledger—extract a Trial Balance, prepare a Trading Account, Profit and Loss Account, and show Balance Sheet :—

Provide 2½% for Bad Debts.  
Write 5% off Fixtures and Fittings.  
Write 10% off Buildings.

On January 1, 1900, E. Owl began business with £3000 capital; the same day he ordered the re-decoration of his premises to be executed by Messrs. Taste & Co. to the amount of £500, and gave them a cheque for £100 on account.

		£	s.	d.
Jan.	2. Bought goods for cash . . . . .	400	0	0
"	4. Sold goods to Jacob Brown & Son . . . . .	35	7	6
"	5. Bought goods of Simms & Co. . . . .	100	0	0
"	6. Paid charges on goods bought . . . . .	5	10	0
"	7. Sold goods to W. Johnson . . . . .	74	10	0
"	9. Received from Jacob Brown & Son, cash . . . . .	20	0	0
"	10. Bought goods of Woodville & Co. . . . .	276	10	0
	Paid them on account . . . . .	100	0	0
"	12. Paid Simms & Co. on account . . . . .	75	0	0
	Sold goods to Bird and Lark . . . . .	142	12	6
	Bought goods for cash . . . . .	76	10	0
"	14. Received from W. Johnson . . . . .	50	0	0
	Sold goods to Nicholas Nickleby . . . . .	115	17	6
"	18. Paid Woodville & Co. on account . . . . .	150	0	0
	Sold goods for cash . . . . .	45	12	6
"	20. Received from Bird and Lark . . . . .	42	12	6
	Bought goods of Simms & Co. . . . .	146	15	0
	Paid them on account . . . . .	150	0	0
	Drew for self . . . . .	25	0	0
"	23. Received from Nicholas Nickleby . . . . .	100	0	0
"	25. Sold goods to Vale Bros. . . . .	149	5	0
	Received from them on account . . . . .	77	10	0
"	27. Bought goods from Woodville & Co. . . . .	226	0	0
"	29. Received from Bird and Lark . . . . .	100	0	0
"	31. Paid wages, £20, and rent, £15, for the month . . . . .	35	0	0
	Petty expenses for month . . . . .	14	16	0
	Ready-money sales for month . . . . .	37	0	0

The stock on hand at the end of the month was £700.

2. On March 1, 1905, my books showed the following balances : I owe Flake & Co. £75 12s. 6d., I have cash at Bank, £750, and cash at Office, £65 10s. 6d. Stock on hand is valued at £467 18s. 9d., and M. Lake owes me £54 9s. 3d.

Open the necessary Ledger Accounts, show the Capital at this date, and work out the following details for the month, extracting a Trial Balance, Trading Account, Profit and Loss Account, and Balance Sheet.

		£	s.	d.
July	3. Sold goods to Webb & Co. . . . .	96	15	0
	Bought goods, and paid by cheque . . . . .	124	12	0
"	5. Paid Flake & Co. by cheque . . . . .	72	10	0
	Sold goods to S. Edgar . . . . .	85	0	0
"	8. M. Lake paid me in cash . . . . .	28	5	0
	Sold goods to Webb & Co. . . . .	73	15	0
	Bought goods of Dark and Light . . . . .	136	12	6
"	12. Received from Webb & Co., cash £26 5s., by cheque, £120. Discount allowed, £3 15s. . . . .	150	0	0
"	15. Sold goods to M. Lake . . . . .	67	7	6
	" " for cash up to this date . . . . .	149	8	0
	Sent cash to bank . . . . .	175	0	0
"	18. Sold goods to S. Edgar . . . . .	54	0	0
	Goods returned by him to the value of . . . . .	24	0	0
	Received from S. Edgar cash £39, and cheque for £100	139	0	0
"	20. Paid Dark and Light by cheque £114, and was allowed as discount £6 . . . . .	120	0	0
"	24. Bought goods of Flake & Co. . . . .	217	0	0
"	25. Returned goods to Flake & Co. . . . .	17	0	0
	Sold goods to Webb & Co. . . . .	105	0	0
	Goods returned by M. Lake . . . . .	10	0	0
"	28. Paid Flake & Co. by cheque £152, and was allowed discount £8 . . . . .	160	0	0
	Webb & Co. paid to my Bank Account £97 10s., discount allowed £2 10s. . . . .	100	0	0
"	31. Sold goods for cash up to this date . . . . .	132	16	0
	Sent cash to bank . . . . .	150	0	0
	Paid wages, &c., in cash during the month . . . . .	48	15	0

Estimated value of goods on hand, £356.

3. Ever Green opened a business with Capital of £3000. He paid £750 for Goodwill, £50 for Fixtures and Fittings, less 5% discount. On March 1, 1903, he purchased from Webb & Co. goods £150.

		£	s.	d.
March	3. He paid Webb & Co., 2½% discount . . . . .	50	0	0
"	4. Sold goods to Wright & Co. . . . .	75	0	0
	Received cash from them, having allowed them 5% discount . . . . .	20	0	0
"	5. Paid Straker & Co. for Stationery, less 2½% discount . . . . .	3	5	0

		£	s.	d.
March 6.	Bought goods for Cash, and was allowed 3s. in the £ .	50	0	0
"	7. Sold goods to Lancelot & Co. . . . .	40	19	6
"	8. Bought goods from Ohio, Ltd. . . . .	20	9	4
"	Received from Wright & Co. less 2½% discount . . . .	20	0	0
"	9. Paid duty on goods . . . . .	4	13	9
"	10. Received from Lancelot & Co. . . . .	40	0	0
"	11. Sold goods for cash, and deducted 2½% discount . . . .	60	11	7
"	12. Paid Wages . . . . .	10	0	0
"	13. Paid Rent . . . . .	20	0	0
"	14. Paid Ohio, Ltd. . . . .	5	0	0
"	Discount allowed by him . . . . .	0	9	4
"	15. Bought goods for cash, and paid £25 5s. discount having been allowed me.			
"	16. Sold goods to Lancelot & Co. . . . .	75	0	0
"	17. Received from Lancelot & Co. settlement of amount owing by him, less 5% discount.			

Work out a Trial Balance. Show Gross Profit, Net Profit, and Capital at this date.

Write 10% off Fixtures and Fittings, and provide 5% on Debtors for Bad Debts. Stock on hand, £500.

4. W. Atson began business on May 1, 1901, with Capital of £2000. He bought stock for £600, and was allowed 2½% discount for immediate payment, which he settled up the following day.

		£	s.	d.
May 2.	Bought goods from G. Vine . . . . .	17	4	8
"	Paid Carriage on goods . . . . .	2	4	9
"	3. Sold goods to W. Tipon . . . . .	36	7	8
"	"    "    for cash, and allowed 2½% discount . . . . .	25	10	5
"	Bought goods from V. Voyse . . . . .	300	9	2
"	Paid them on account, less 2½% discount . . . . .	100	0	0
"	4. Sold goods to Joseph & Co. . . . .	67	2	3
"	5. "    "    "    Dick & Co. . . . .	24	9	1
"	6. Bought goods from Beddoe . . . . .	36	2	7
"	Paid Wages . . . . .	10	0	0
"	"    Expenses . . . . .	13	7	2
"	7. "    "    "    G. Vine, less 2½% discount . . . . .	17	4	8
"	Received from W. Tipon, less 2½% discount . . . . .	36	7	8
"	8. Paid V. Voyse . . . . .	250	0	0
"	They credited me with this amount plus 5% discount.			
"	9. Sold goods to B. Plairs . . . . .	46	9	3
"	10. Bought goods from D. Rams . . . . .	39	2	0
"	"    "    "    "    G. Vine . . . . .	17	1	6
"	11. Sold goods to W. Tipon . . . . .	46	7	3
"	12. Sold goods to Joseph & Co. . . . .	23	6	8
"	13. Received from Joseph & Co. ½ amount owing by him, having allowed him 2½% discount.			
"	14. Paid Wages . . . . .	10	5	0
"	15. "    "    "    "    Beddoe & Co. . . . .	30	0	0

		£	s.	d.
May	16. Sold goods to B. Plairs . . . . .	21	6	3
"	17. Cash purchases after being allowed 2½% discount . . . . .	10	13	6
	Paid carriage . . . . .	6	8	3
"	19. Received from Dick & Co., less 2½% discount . . . . .	24	9	1
"	20. Paid Wages . . . . .	6	12	0
	Drew for self . . . . .	3	10	0
"	23. Paid D. Rams amount owing, less 2½% discount . . . . .			
"	24. Sold goods to Joseph & Co. . . . .	14	2	0
"	25. Paid carriage . . . . .	1	5	0
"	26. " Wages . . . . .	7	10	6
"	30. Received from B. Plairs two-thirds of amount, owing by him after allowing him 2½ discount . . . . .			
"	31. Paid Expenses . . . . .	13	2	4
	" Rent . . . . .	10	10	0

Show all items are posted correctly by working out a Trial Balance. Prepare Trading Account, Profit and Loss Account, and Balance Sheet. Close all Ledger Accounts, and draft the necessary Journal entries.

Rent owing, £45.  
 Sundry Expenses outstanding, £12 12s. 6d.  
 Stock on hand, £700 15s. 3d.

5. John Earlswood was in partnership with Hill Cane. On March 1, 1902, John Earlswood invested capital to the amount of £6000. Hill Cane, on the following day, invested one-third of that amount. Their business was too far from their Bank to enable them to pass all transactions through the Bank. They, however, kept their accounts in a very concise manner, and by their Cash Book they were able to ascertain how much Balance was at the Bank, and what amount of Cash they had in hand. No Petty Cash was used.

Show the following dealings in the books of Messrs. John Earlswood and Hill Cane, and work out a Trial Balance :—

	£	s.	d.
1902.			
March 3. Bought freehold property from the Keymer County Council . . . . .	100	0	0
Paid half the amount by cheque, being allowed 2½% discount . . . . .			
Bought goods from Grinstead & Co. . . . .	30	0	0
Sold goods to Mrs. Weller . . . . .	20	19	4
Received letter from Messrs. Bradley and Sadler (Solicitors) with account showing partnership dealings amounting to . . . . .	10	10	0
Bought Goodwill of small business and paid for it. Three-quarters of the amount by cheque and the remainder in cash . . . . .	50	0	0

1902.		£	s.	d.
March 4.	Sold goods for cash . . . . .	20	15	0
" 6.	" " " . . . . .	16	13	4
" 9.	" " " . . . . .	35	10	6
" 11.	Paid Messrs. Bradley and Sadler half of amount owing to them by cheque.			
	Received dividends . . . . .	40	0	0
	One quarter and three-quarters being the shares of the partners, the capital account of each being credited therewith.			
" 12.	Paid Wages by cheque . . . . .	10	10	0
" 13.	Paid carriage . . . . .	2	10	6
	" into Bank . . . . .	100	0	0
" 14.	Sold goods to Sammie, Ltd.	50	9	4
	Received cheque from Sammie for half amount, less 2½% discount and allowance 5s.			
" 15.	Hill Cane invested more capital in the business seeing that the interest would amount to 5%	1000	0	0
" 16.	Drew cheque for cash . . . . .	20	0	0
" 17.	Paid for Stationery, &c. . . . .	7	10	0
	" " Stamps . . . . .	5	0	0
" 18.	" carriage . . . . .	2	12	6
" 19.	Bought goods from Messrs. Vine and Green . . . . .	32	19	6
	Sold goods to Mrs. Robbins . . . . .	20	8	11
" 20.	" " " Lacock & Co. . . . .	10	9	10
" 21.	Returned goods to Grinstead . . . . .	5	5	0
	Received from Sammie, Ltd., cheque for remainder of account owing, less 2½% discount.			
" 22.	Mrs. Weller returned goods to the business to the invoice of £10.			
" 23.	Received cash from Mrs. Robbins . . . . .	15	8	11
	" " " Lacock & Co. . . . .	5	0	0
" 25.	Paid into Bank . . . . .	20	0	0
" 27.	Cash Sales . . . . .	50	9	4
" 28.	" " . . . . .	75	19	8
" 29.	" " . . . . .	12	2	4
" 30.	All Cash in hand was paid into the Bank on this day after each partner took £10 as Salary for the month; and £3 was left in hand for incidental expenses.			
" 31.	Returned faulty goods to Messrs. Vine and Green . . . . .	5	0	0
	Goods returned by Mrs. Robbins to the amount of . . . . .	1	10	0

Show Trading Account, Profit and Loss Account and Balance Sheet, writing 10% off Freehold Property, 2½% for Bad Debts; Stock on hand at this date £500.

Close all Ledger Accounts, and draft the necessary Journal entries.

6. The Ceylon Tea Co. showed by their books at the end of 1889 that they had made a good profit. The manager, therefore, thought it wise to increase the business premises, so they opened

a branch office and spent on Building £1000, Stock £500, and Trade Expenses £150. The accounts were all kept at the head office, the branch office sending weekly reports of the amount of goods purchased, sold, cash received and cash spent. At the end of each quarter vouchers and receipts were checked and all found to be correct. All amounts under £2 unless stated otherwise, were paid through Petty Cash.

1900.		£	s.	d.
Jan.	1. Capital at Head Office . . . . .	74,000	0	0
	"    "    Branch Office . . . . .	1,000	0	0
"	2. Drew for Petty Cash . . . . .	20	0	0
"	3. Sold tea to Harrods . . . . .	75	0	0
"	4. Paid carriage . . . . .	1	2	4
"	5. Sold tea to Army, & Navy Stores . . . . .	40	10	0
"	6. "    "    Lyons & Co. . . . .	100	0	0
"	7. Received from Harrods less 2½% discount . . . . .	60	0	0
"	8. Record for the week from the Branch Office—			
	Purchases . . . . .	40	0	0
	Sales . . . . .	85	0	0
	Cash received . . . . .	50	0	0
	"    paid . . . . .	30	10	0
"	9. Paid for Stationery . . . . .	10	10	0
	Stamps . . . . .	1	10	0
"	10. Supplied Branch Office with Stationery worth . . . . .	5	5	0
"	11. Paid carriage . . . . .	1	15	0
	Wages . . . . .	5	15	6
"	12. Telegrams for week . . . . .	0	15	9
"	13. Sold tea to Whiteleys . . . . .	56	10	0
	"    "    C.S.S.A. . . . .	120	9	4
"	14. Received cash from Army & Navy Stores less 2½% discount . . . . .	20	0	0
"	15. Sold them more tea for	90	10	0
	Record of week from Branch Office—			
	Purchases . . . . .	125	15	10
	Sales . . . . .	92	10	0
	Cash received . . . . .	60	0	0
	"    paid . . . . .	45	0	0
"	16. Bought goods from China & Co. . . . .	300	0	0
	Sold tea to Harrods . . . . .	85	10	6
"	17. "    "    Derry & Toms . . . . .	50	0	0
"	18. "    "    Barker Ltd. . . . .	40	12	8
"	19. Received from Harrods total amount owing by them less 2½% discount. . . . .			
"	20. Paid China & Co. . . . .	75	0	0
	"    Stationery . . . . .	3	0	0
	"    Stamps . . . . .	1	10	0
"	21. "    Wages . . . . .	20	0	0
"	22. Received from Branch Office for week—			
	Purchases . . . . .	5	5	0
	Sales . . . . .	75	10	0

1900.		£	s.	d.
Jan. 22.	Cash received . . . . .	120	0	0
	"    paid . . . . .	66	15	10
" 23.	Received from Derry & Toms one-third of amount owing by them.			
" 24.	Received from Army & Navy Stores quarter of amount less $2\frac{1}{2}\%$ discount.			
" 25.	Paid China & Co. . . . .	50	0	0
" 27.	Paid Telegrams . . . . .	0	14	9
	"    Cleaning . . . . .	0	15	0
" 28.	Paid Fares and parcels . . . . .	1	15	9
" 29.	Received from Branch Office, weekly record—			
	Sales . . . . .	130	0	0
	Purchases . . . . .	60	0	0
	Cash received . . . . .	70	10	0
	"    paid . . . . .	50	15	6
" 30.	Received from Barker, Ltd. amount owing less $2\frac{1}{2}\%$ discount.			
	Received from Derry & Toms half amount owing by them less discount of 6 <i>d.</i> in the pound.			
	Paid China & Co. quarter of amount owing to them less $2\frac{1}{2}\%$ discount.			

Work out Trial Balance, prepare Trading Account, Profit and Loss Account, and show a Balance Sheet at this date after writing off £100 for Bad Debts, 10% on Buildings, and  $2\frac{1}{2}\%$  on Trade Expenses which comprised tools, etc.

Close all books showing the Journal entries for the same.

## CHAPTER V

### BILLS RECEIVABLE—BILLS PAYABLE

A BILL of Exchange is of two kinds, Bill Receivable and Bill Payable; and is "an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay at a fixed time a sum certain in money to, or to the order of, a specified person, or Bearer."

It is very usual for the Student to mistake between the Drawer of a Bill and the Acceptor.



The Drawer of a Bill is the Creditor. If a Creditor wants his money and cannot procure cash from his Debtor, he draws a Bill on his Debtor for the amount owing to him. If the Debtor, *i.e.* the drawee, accepts the Bill drawn, that is if he agrees to pay what he owes on the date specified on the Bill, then the Drawee becomes the Acceptor.

So the two persons first connected with a Bill of Exchange are :—

The Creditor who is the Drawer.

The Debtor who is the Drawee and Acceptor.

When a Bill is received by the Drawer it is entered in detail in a Bills Receivable Book.

If A. Tap draws a Bill on S. Mars for £500 at three months ; A. Tap would enter this Bill in his Bills Receivable Book as shown on p. 92, which is the first book of entry for Bills Receivable. From Bills Receivable Book all items must be posted to the Ledger.

Thus, as A. Tap has received a Bill, S. Mars must of necessity have parted with that Bill, therefore in A. Tap's books S. Mars' account in the Ledger must be credited with the amount of the Bill.

Dr.

S. MARS.

Cr.

			£	s.	d.				£	s.	d.
Jan.	1	To Goods . . .	300	0	0	Jan.	1	By Bill . . .	500	0	0
		„ Goods . . .	200	0	0						

which entry shows that S. Mars has accepted a bill drawn on him by A. Tap.

During the same month A. Tap draws a bill on S. Swift for £250 at two months, and on B. Bent at four months for £800, which he also enters in his Bills Receivable Book as shown on p. 93.

**BILLS RECEIVABLE.**

L. F. No.	Date when Received.	Drawer.	Acceptor.	Of whom Received.	Where Payable.	Date when Accepted.	Term.	When Due.	Amount.	When Due—Shown in Extensio.	Remarks.
	Jan. 1	A. Tap	S. Mars	S. Mars	Bank	Jan. 1	3 mntbs.	April 4	£ 500 0 0	Jan. Feb. Mar. April. 4 May. June. July. Aug. Sept. Oct. Nov. Dec.	



and posts to the Ledger Accounts of S. Swift and B. Bent thus :—

Dr.

S. SWIFT.

Cr.

		£	s.	d.		£	s.	d.	
To Goods . . .		250	0	0	Jan. 7	By Bill . . .	250	0	0

Dr.

B. BENT.

Cr.

		£	s.	d.		£	s.	d.	
To Goods . . .		500	0	0	Jan. 20	By Bill . . .	800	0	0
„ Goods . . .		300	0	0					

So far we have shown in our Ledger that S. Mars, S. Swift and B. Bent have accepted Bills drawn on them severally—we now want our Ledger to show that we have *drawn* Bills to the total amount of our debtors, Mars, Swift and Bent. Therefore we total our Bills Receivable Book (see opposite page), which we see to be £1550, and this amount we post to the *debit* of Bills Receivable Account in the Ledger, which proves to us that we have received Bills during the month to the total value of £1550.

Dr.

BILLS RECEIVABLE.

Cr.

		£	s.	d.		£	s.	d.
To Sundries as per Bills Re- ceivable Book.		1550	0	0				

So do we deal with Bills Payable in the same way—L. Lock draws a bill on R. River for £100 at six months—R. River would enter the transaction in his Bills Payable Book as shown on p. 96,





and would debit L. Lock's Ledger Account with the value of the Bill thus :—

Dr.		L. LOCK.			Cr.				
		£	s.	d.		£	s.	d.	
Feb. 1	To Bill . . .	100	0	0	Feb. 1	By Goods . . .	100	0	0

L. Lock having *received* the bill it must of necessity be placed to the debit of his account as a receipt.

The same month R. River accepts another Bill drawn on him by M. Moat at two months for £150, which he likewise enters in his Bills Payable Book (see p. 98) and posts to the debit of M. Moat's account in the Ledger.

As R. River has accepted two bills drawn on him during the month, his Ledger must show that he has parted with the total amount of £250 in Bills, and he, therefore, totals his Bills Payable Book and posts this amount to the credit of Bills Payable.

Dr.		BILLS PAYABLE.			Cr.			
		£	s.	d.		£	s.	d.
					By Sundries, as per Bills Pay- able Book . . .	250	0	0

So far we have only dealt with the Exchange of Bills. The next thing is to consider how we deal with Bills when they fall due. Take for example that the Bill Receivable held by A. Tap from S. Mars falls due. A. Tap would pay the Bill into his bank for collection, and in due course A. Tap would receive the money





for the value of the Bill ; which he would enter as a receipt in his Cash Book thus :—

Dr.		CASH BOOK.			Cr.			
		£	s.	d.		£	s.	d.
April 4	To Bill (S. Mars)	500	0	0				

This entry must then be posted to the Ledger to the Credit of Bills Receivable account thus :—

Dr.		BILLS RECEIVABLE.			Cr.				
		£	s.	d.		£	s.	d.	
	To Sundries, etc.	1550	0	0	April 4	By Cash . . .	500	0	0

which process shows that A. Tap now holds Bills Receivable unpaid to the value of £1050 the Bill for £500 having been duly met.

So also are Bills Payable dealt with in the same way—when they fall due and are met at the Bank they must be entered in the credit of the Cash Book and posted to the debit of Bills Payable account in the Ledger.

Thus have we dealt with the exchanging of Bills ; and the entering and posting of Bills when they fall due and are met with payment at the Bank. We now have to turn to the dealing with Bills when they fall due and *cannot be met* at the Bank. Take for example Swift's Bill for £250. Such a Bill is termed *Dishonoured* and is a loss to the Drawer—who would make the following entries in his books :—

The Cash Book must be credited owing to the non-payment of the Bill.

Dr.		CASH BOOK.				Cr.			
		£	s.	d.			£	s.	d.
					Mar. 10	By Bill Dis- honoured (S. Swift) . . .	250	0	0

which entry must then be posted to the Debit of S. Swift's account in the Ledger, which shows that S. Swift is once more in the debt of A. Tap to the amount of £250—thus:—

Dr.		S. SWIFT.				Cr.			
		£	s.	d.			£	s.	d.
Mar. 10	To Goods . . . .	250	0	0	Jan. 7	By Bill . . . .	250	0	0
	„ Bill Dis- honoured . . . .	250	0	0					

In the foregoing examples we have considered there are only two persons in the dealing of Bills. This, however, need not always be the case.

- (1) There is the Drawer who draws the Bill,
- (2) The Drawee, on whom the Bill is drawn, and
- (3) The Payee to whom the money is payable, which need not necessarily be the same person as the Drawer; though in most instances they *are* the same.

For example A. owes B. £500, and B. owes C. £500. Instead of C. drawing a Bill on B. for the £500, and B. drawing a Bill on A. for £500, it is a great deal simpler for B. to draw a Bill on A. for £500 made payable to C. Thus B. is the Drawer, A. is the Acceptor, and C. is the Payee.

**Discounting Bills.**—It is very usual for a Drawer of a Bill to receive payment for the Bill he holds before the Bill actually falls due; and this he does through his Bank—and is called Discounting a Bill. The Bank will cash the Bill, at the same time charging interest on the value of the Bill.



## CHAPTER VI

## EXERCISES ON BILLS

1. Record the following in the books of Sam Tucker and post to the Ledger :—

1903.

Jan. 1. *Bills Receivable*—

Shell & Co., £200. Three months' bill, dated November 15, 1902.

Bird Bros., £86. Two months' bill, dated December 18, 1902.

*Bills Payable*—

Street & Son, £75. Four months' bill, dated October 18, 1902.

Charles Hill, £90. Three months' bill, dated December 12, 1902.

„ 3. Bought goods from L. Scott, £150. Gave him three months' bill in payment.

„ 5. Discounted Shell's bill for £200, dated November 15. Discount, £1 4s.

„ 6. Sold S. Graham goods, £200. Received cheque, £50, three months' bill, £140, and allowed him £10 discount.

„ 14. Bought goods from B. Willis, £250. Gave him two months' bill for £140, three months' bill for £100, and cheque for £10 in settlement.

„ 28. Sold W. England goods, £300. Drew on England at three months for £200, and at four months for £100.

Feb. 10. Discounted England's bill for £200. Discount, £2 4s.

„ 18. Pay Bird Bros.' bill, £86, into bank for collection.

„ 20. Notified bank to meet Street & Son's bill for £75, due February 21,

„ 22. Receive intimation that Bird Bros.' bill has been returned dishonoured.

„ 23. Receive cheque from Bird Bros. in settlement.

„ 28. Lent F. Wilkey £100 on Promissory Note, payable on demand.

Work out a Trial Balance, and show the Net Profit by means of a Balance Sheet.

2. On January 1, 1900, S. Seed's balances were as follows :—

	£	s	d.
Capital Account . . . . .	3770	0	0
B. Bant, Cr. . . . .	250	0	0
C. Cart, Dr. . . . .	155	0	0
Bills receivable, due April 5 . . . . .	350	0	0
K. Tale, Cr. . . . .	180	0	0
Bill payable, due January 10 . . . . .	400	0	0
Stock on hand . . . . .	1530	0	0
Furniture and Fixtures . . . . .	885	0	0
Cash at bankers . . . . .	1495	0	0
Cash in hand . . . . .	185	0	0

Record the following transactions :—

		£	s.	d.
Jan.	5. Sold C. Cart, leather . . . . .	350	0	0
"	12. Purchased of B. Bant, leather . . . . .	330	0	0
"	" " " K. Tale, leather . . . . .	170	0	0
"	17. Accepted B. Bant's draft at three months from January 16 . . . . .	330	0	0
"	22. Sold C. Cart, leather . . . . .	320	0	0
"	29. C. Cart accepted my drafts as under:— January 27, at two months . . . . .	370	0	0
"	" at three " . . . . .	300	0	0

Enter the above transactions in the proper books of account and post to the Ledger.

S. Seed's transactions during January were—

		£	s.	d.
Jan.	1. Cash in hand . . . . .	185	0	0
"	" " at bankers . . . . .	1495	0	0
"	" C. Cart paid his account, less 5% discount.			
"	" Paid to bankers . . . . .	118	15	0
"	4. Paid B. Bant, by cheque for his account, less 2½%			
"	6. Paid wages . . . . .	29	0	0
"	8. Bill discounted at bankers . . . . .	300	0	0
"	" Bankers charged for discount . . . . .	3	10	0
"	" Paid insurance premium . . . . .	3	0	0
"	10. Bill payable duly met at bankers.			
"	13. Drew cheque for £50 for cash to meet wages, etc.			
"	" Paid wages . . . . .	32	0	0
"	18. Received cash, sale of leather . . . . .	180	0	0
"	" Paid to bankers . . . . .	180	0	0
"	" wages . . . . .	28	0	0
"	23. " K. Tale, by cheque his total account, less 5% .			
"	27. Drew cheque £50 for cash to meet wages, etc.			
"	" Paid wages . . . . .	33	0	0
"	31. " salaries £60 by cheque.			
"	" S. Seed drew cheque for private use . . . . .	60	0	0
"	" Paid in cash and sundry trade expenses . . . . .	22	18	4

Prepare Trial Balance, Trading Account, Profit and Loss Account and Balance Sheet. Stock on hand, £1767. Rent outstanding, £25. Write 10% off Furniture and Fixtures for Depreciation, and provide 2½% for Bad Debts.

Close all Ledger accounts and draft the necessary Journal entries.

3. On June 30, 1898, Godfrey Brick had Capital £3000, Cash £79, Petty Cash £3, Stock £798, Sundry Creditors £1566, Sundry Debtors £2911, Bills Payable £1397, Bills Receivable £1172. Fixtures and Fittings £1000.

During the next month he transacted the following :—

1906.		£	s.	d.
Jan.	1. Bought goods, B. Andrews . . . . .	940	0	0
"	2. Sold goods, L. Franklinton . . . . .	310	0	0
"	3. Paid cheque, B. Andrews . . . . .	340	0	0
"	" Accepted bill at three months, B. Andrews . . . . .	600	0	0
"	5. Sold goods, Seymour Jameson . . . . .	1120	0	0
"	7. Bought goods, S. French . . . . .	565	0	0
"	10. Received cheque, L. Franklinton, and sent to bank . . . . .	300	0	0
"	" Discount . . . . .	10	0	0
"	12. Sold goods, Seymour Jameson . . . . .	663	0	0
"	13. Received bill, accepted by Seymour Jameson at three months . . . . .	1120	0	0
"	14. Bought goods, B. Andrews . . . . .	71	0	0
"	17. " " S. French . . . . .	125	0	0
"	19. Paid cheque, B. Andrews . . . . .	70	0	0
"	" Discount . . . . .	1	0	0
"	21. Bought from sundry creditors, goods . . . . .	1244	0	0
"	" Sold to sundry debtors, goods . . . . .	1099	0	0
"	23. Received cheques from sundry debtors . . . . .	1344	0	0
"	" Discount . . . . .	131	0	0
"	" Paid into bank, cheques . . . . .	1344	0	0
"	24. Bill discounted at bank . . . . .	1120	0	0
"	" Discount . . . . .	12	0	0
"	" Paid cheques to sundry creditors . . . . .	1672	0	0
"	" Discount . . . . .	146	0	0
"	31. Paid cheques, salaries . . . . .	100	0	0
"	" " " rates . . . . .	24	0	0
"	" " " rent . . . . .	150	0	0
"	" " cash, coal . . . . .	10	0	0
"	" " " gas . . . . .	4	0	0
"	" " " petty cash . . . . .	10	0	0
"	" " Stock on hand . . . . .	3000	0	0

Show Trial Balance, Trading Account, Profit and Loss Account and Balance Sheet, and make the following adjustments :—

Ten per cent. to be written off Fixtures and Fittings for Depreciation,  $2\frac{1}{2}\%$  to be provided for Bad Debts. Ledger accounts to be closed and all necessary Journal entries to be made.

4. Enter the following transactions in the correct books and post to the Ledger. Close all accounts through the necessary Journal entries. Work out Trial Balance, Trading Account, Profit and Loss Account, and draw up a Balance Sheet.

On June 30, 1905, S. Reynolds' books showed the following results :—

Balance at City Bank £975, cash at office £32, goods, cost value, £864, bill receivable, due August 20, £96, bill payable, due

July 20, £125, he owed H. Day & Co. £250 ; F. Evans owed him £88, G. Friend £70. Find his net capital by means of a Balance Sheet.

On July 1, he admitted as partner, P. Owen, who paid £1250 into City Bank as his capital. They agree that the net gain or loss shall be divided in the ratio of their respective capitals, and that the firm shall trade as "Reynolds & Owen."

The firm's transactions in the month of July were—

1905.		£	s.	d.	£	s.	d.
July	1. Paid H. Day & Co. by cheque	237	10	0			
	Having been allowed as discount	12	10	0			
		<hr/>			250	0	0
"	3. Received from F. Evans, cash				28	0	0
"	" Consigned to W. Wyckoff, Hamburg, goods, cost value				175	0	0
"	" Shipping charges, etc., paid in cash				17	10	0
"	5. Sold goods to G. Friend				84	0	0
"	" Discounted, at bank, bill receivable, due August 20. Discount charged, 10s. They credit us with				95	10	0
"	7. Sold goods to L. Kyte				97	10	0
"	" Bought goods of H. Day				156	15	0
"	10. G. Friend accepted our draft, at three months for £75, and paid us in cash £32 10s.				107	10	0
"	15. Sold goods for cash up to this date				168	12	0
"	" Paid cash into bank				200	0	0
"	17. Bought goods at auction and paid by cheque				185	0	0
"	" Accepted H. Day & Co's. draft on us at three months for				100	0	0
"	20. L. Kyte paid us by cheque (sent to bank) £95. Dis- count allowed, £2 10s.				97	10	0
"	" Paid acceptance, due this day, by cheque				125	0	0
"	25. Sold goods to L. Kyte				76	8	0
"	30. Received from W. Wyckoff a/c. sales of consignment, with draft at sight (sent to bank) for net proceeds				205	0	0
"	31. Sold goods for cash (sent to bank) up to this date				143	15	0
"	" F. Evans, being insolvent, paid us a first and final dividend of 8s. in the £, in cash				24	0	0
"	" Paid trade expenses during the month in cash				26	10	0
	Estimated value of stock on hand, £477.						

5. From the following balances in Messrs. Walworth & Co.'s books, show their Capital at this date. Open the necessary Ledger Accounts and record the following transactions :—

1906.		£	s.	d.
Aug.	1. Cash at bank	372	18	0
"	" " office	45	12	6
"	" Bills receivable	581	5	0
"	" Due from Smith & Co.	158	16	3
"	" " Bathurst & Co.	104	8	9
"	" " to Bell & Co.	244	8	6
"	" " " Phillips & Co.	187	10	0

1906.		£	s.	d.
Aug.	1. Goods on hand estimated at . . . . .	1571	1	0
"	" Premises, plant, etc. . . . .	3000	0	0
"	" Paid Bell & Co., by cheque . . . . .	237	13	6
"	" Abatement made by Bell & Co. . . . .	6	15	0
"	4. Sold goods to Bathurst & Co. . . . .	188	6	0
"	9. " " Clarke & Co. . . . .	104	8	6
"	17. Received from Smith & Co. their acceptance . . . . .	158	16	3
"	20. Discounted a bill receivable for £300. Discount charged . . . . .	2	12	6
"	" Cash received . . . . .	297	7	6
"	23. Paid into bank account . . . . .	300	0	0
"	25. Bought of Bell & Co. . . . .	554	5	0
"	31. Accepted Bell & Co.'s draft at two months . . . . .	554	5	0
Sept.	1. Paid Phillips & Co. by Smith & Co.'s acceptance . . . . .	158	16	3
"	" " " by cash . . . . .	27	3	9
"	" " " Discount . . . . .	1	10	0
"	5. Received of Bathurst & Co., cheque . . . . .	78	4	9
"	" " " " acceptance . . . . .	210	0	0
"	" " " " discount . . . . .	4	10	0
"	12. Paid into bank for collection a bill receivable for . . . . .	281	5	0
"	15. Bought goods and paid by cheque . . . . .	63	6	9
"	17. " " from Hill & Co. . . . .	461	10	6
Oct.	1. Sold goods to Robinson & Co. . . . .	126	18	9
"	3. " " Wells & Co. . . . .	968	15	6
"	31. Trade expenses paid by cheque . . . . .	20	0	0
	Goods on hand valued at £1500.			

Prepare Trading Account, Profit and Loss Account, and Balance Sheet, after making the following adjustments:—

- 15% to be written off premises and plant.
- 5% to be provided for bad debts.
- Rent outstanding, £20.
- Sub-rent outstanding, £5 5s.
- Trade expenses owing, £10 12s. 6d.

Close all Ledger Accounts and draft the necessary Journal entries.

6. Enter the following transactions in their proper books and post to the Ledger. Work out a Trial Balance, Trading Account, Profit and Loss Account and Balance Sheet—as at January 31, 1907.

On Jan. 1, 1907, L. Leacock's balances were as follows:—

	£	s.	d.
Capital account . . . . .	3798	0	0
Office fixtures and fittings . . . . .	100	0	0
Plant and machinery . . . . .	1000	0	0
Bills payable, S. Davies, due January 18, 1905 . . . . .	335	0	0
" " M. Williams, due February 12, 1905 . . . . .	233	0	0
Fire insurance paid in advance (renewable on Lady Day, 1905) . . . . .	12	0	0



	£	s.	d.
Rent account, Xmas quarter outstanding . . . . .	120	0	0
R. Whitworth, Dr. . . . .	50	0	0
E. Abbott, Dr. . . . .	140	0	0
G. Bainbridge, Dr. . . . .	302	0	0
F. Brown & Co., Cr. . . . .	900	0	0
A. Giles & Son, Cr. . . . .	220	0	0
H. Tarr . . . . .	232	0	0
Bills receivable, R. Whitworth, due January 25, 1905 . . . . .	102	0	0
"    "    E. Abbott, due March 17, 1905 . . . . .	170	0	0
Trade expenses account, sundry amounts owing . . . . .	33	0	0
Cash at bank . . . . .	1700	0	0
Cash at office . . . . .	45	0	0
Stock account . . . . .	2250	0	0

My transactions during the month of January were—

	£	s.	d.
Jan. 2. Sold G. Bainbridge 16 lenses complete at £13 each . . . . .	208	0	0
"    4. Paid by cheque, telephone rent (charge Trade Expenses Account) . . . . .	17	0	0
"    7. Drew cheque for cash . . . . .	60	0	0
"    "    Paid factory wages . . . . .	5	0	0
"    9. Drew on G. Bainbridge at three months from this date . . . . .	510	0	0
"    11. Sold E. Abbott— 26 lenses complete at £12 10s. each . . . . .	325	0	0
Sundry accessories . . . . .	5	0	0
"    12. Received G. Bainbridge's acceptance . . . . .	510	0	0
"    13. Purchased of F. Brown & Son raw material as per invoice . . . . .	315	0	0
"    16. Drew cheque for cash . . . . .	80	0	0
"    "    Paid factory wages . . . . .	65	0	0
"    "    Received of E. Abbott, cheque £133, allowed him dis- count £7, and drew on him at three months from this date for balance of his account.			
"    "    Paid to bankers . . . . .	133	0	0
"    "    "    by cheque, rent of private house . . . . .	25	0	0
"    "    "    "    business premises . . . . .	120	0	0
"    "    Returned to H. Tarr, raw material not up to sample . . . . .	32	0	0
"    17. Paid by cheque F. Brown & Co. . . . .	700	0	0
"    "    Received E. Abbott's acceptance.			
"    18. My acceptance, due this day, duly met at bankers.			
"    20. Accepted F. Brown & Co.'s draft at three months dated January 18. . . . .	515	0	0
"    "    Discounted with banker's bills receivable . . . . .	1010	0	0
"    "    Bankers charged for discount . . . . .	10	0	0
"    "    Received of R. Whitworth, cash on account . . . . .	20	0	0
"    "    "    credit note from H. Tarr . . . . .	23	0	0
"    21. Paid to bankers . . . . .	20	0	0
"    "    Drew cheque for cash . . . . .	90	0	0
"    "    Paid factory wages . . . . .	65	0	0
"    "    "    H. Tarr balance of account, less $2\frac{1}{2}\%$ .			
"    23. R. Whitworth's acceptance sent to bankers for collection.			

		£	s.	d.
Jan.	25. R. Whitworth's acceptance, due this day, dishonoured.			
"	28. Drew cheque for cash . . . . .	75	0	0
"	" Paid factory wages . . . . .	63	0	0
"	31. Drew cheque for private account . . . . .	50	0	0
"	" Paid by cash—			
	Sundry trade expenses for the month . . . . .	40	0	0
	Salaries . . . . .	40	0	0
	Cash purchases . . . . .	20	0	0
"	" Paid by cheques—			
	Stationery account . . . . .	15	0	0
	Repairs (Trade Expenses Account) . . . . .	7	0	0
"	" Attended meeting of creditors of R. Whitworth, when I agreed to accept 5s. in the £ in discharge of my claim.			
"	" Stock on hand this day—			
	Raw material . . . . .	700	0	0
	Goods in process of manufacture . . . . .	550	0	0
	Manufactured goods . . . . .	1200	0	0
	Sundry accounts owing on trade expenses . . . . .	20	0	0

Allow for depreciation of plant and machinery at the rate of 15% per annum.

No interest to be calculated on Capital or Current Accounts.

Make all necessary Journal Entries and close all Ledger Accounts.

## CHAPTER VII

### BAD DEBTS AND DEPRECIATION ACCOUNTS

As has already been explained in the Commercial Terms of Part I., a "Bad Debt" is an amount owing that is irrecoverable, and is charged against the Gross Profit in the Profit and Loss Account.

For example, if Tom White owes £60 and becomes insolvent, only being able to pay 8s. in the £, his Ledger Account would appear thus—

<i>Dr.</i>	TOM WHITE.				<i>Cr.</i>		
	£	s.	d.		£	s.	d.
To Goods . . . . .	60	0	0	By Cash . . . . .	24	0	0

then a Journal Entry must be made, showing that Bad Debts Account was debited and Tom White credited with the balance he was unable to pay.

JOURNAL.

	£	s.	d.	£	s.	d.
Bad Debts Account . . . . . Dr.	36	0	0			
To Tom White . . . . .				36	0	0

and be posted to the Ledger thus—

Dr.	TOM WHITE.			Cr.			
To Goods . . . . .	£	s.	d.	By Cash . . . . .	£	s.	d.
	60	0	0	„ Transfer to Bad Debts Account . . . . .	24	0	0
					36	0	0
	60	0	0		60	0	0
	<hr/>	<hr/>	<hr/>		<hr/>	<hr/>	<hr/>

which shows that Tom White's Account was closed by the transfer to the Bad Debts Account of the balance which he was unable to pay, Bad Debts Account appearing thus—

Dr.	BAD DEBTS.			Cr.		
To Tom White . . . . .	£	s.	d.	£	s.	d.
	36	0	0			

In dealing with adjustments and depreciation, besides entering these amounts in the Profit and Loss Account and deducting from the Assets in the Balance Sheet, it is necessary to show in the Ledger that such depreciation has been deducted from the original value of the Asset—such as Furniture and Fittings.

Thus, we make a Journal entry debiting Depreciation Account and crediting Furniture and Fittings.

## JOURNAL.

	£	s.	d.	£	s.	d.
Depreciation Account . . . . . Dr.	5	0	0			
To Furniture and Fittings . . . . .				5	0	0

and post to the Ledger thus—

Dr.	DEPRECIATION.			Cr.		
	£	s.	d.	£	s.	d.
To Furniture and Fittings . . . . .	5	0	0			

Dr.	FURNITURE AND FITTINGS.			Cr.			
	£	s.	d.	£	s.	d.	
To Cash . . . . .	50	0	0	By Depreciation	5	0	0
				„ Balance . . . . .	45	0	0
	50	0	0		50	0	0
	<hr/>	<hr/>	<hr/>		<hr/>	<hr/>	<hr/>
„ Balance . . . . .	45	0	0				

which entries show us that the Furniture and Fittings were originally valued at £50—that £5 has been deducted for depreciation owing to wear and tear and general causes, and that the present value of the Furniture and Fittings amount to £45.

At the date when the Trading Account, Profit and Loss Account and Balance Sheet are to be prepared and drawn up, it very often occurs that there are various outstanding charges, which, if the Profit and Loss Account is to be correct, *must* be included in the year's expenditure—such as Rent, Trade

Expenses, etc., and must appear on the debit side of the Profit and Loss Account as expenses incurred—*also* it must be shown that as these amounts have not been passed through the books they are still owing, so must be shown a second time in the Balance Sheet under Liabilities.

Also we must take into consideration that some amounts have been paid in advance, such as Insurance.

If the Books are balanced at December, 1907, and Insurance of £20 has been paid to March, 1908, the full amount of £20 must not be charged in the Profit and Loss Account, but only the proportion up to December. We therefore enter on the *credit* side of the Profit and Loss Account £5, which is the proportion of Insurance due from December, 1907, to March, 1908—thus—

Dr. PROFIT AND LOSS ACCOUNT. Cr.

			£	s.	d.				£	s.	d.
To Insurance to March, 1908 .			20	0	0	By Insurance Prepaid .			5	0	0

then must the amount of Insurance prepaid be shown in the Balance Sheet as an Asset at December, 1907.

Another way of dealing with accounts that have been either paid in advance or are outstanding, is to transfer the amount to an account called "Suspense Account." Thus, a Journal entry must be made crediting "Insurance" and debiting "Suspense" with the sum of £5 due from December, 1907, to March, 1908.

## JOURNAL.

			£	s.	d.				£	s.	d.
Suspense Account . . . . . Dr.			5	0	0	To Insurance for Prepaid Policy . . . . .			5	0	0



sends them to the consignee. But it must be shown that the consignor has parted with the goods and that the consignee has received them on behalf of the consignor. So we make a Journal Entry—

JOURNAL.

	£	s.	d.	£	s.	d.
Consignment to Jones & Co. . . . . Dr.	300	0	0			
To Goods Account . . . . .				300	0	0

And post to the Ledger thus :—

*Dr.*                                      CONSIGNMENT TO JONES & CO.                                      *Cr.*

	£	s.	d.	£	s.	d.
To Goods . . . . .	300	0	0			

GOODS ACCOUNT.

	£	s.	d.		£	s.	d.
				By Consignment to Jones & Co. . .	300	0	0

Which shows us that Consignment has received goods to the value of £300, and Goods Account has parted with the goods.

In the sending of the consignment to Jones & Co. some necessary expense has been incurred, such as freight, carriage, etc., which is of course entered in the Cash Book on the credit.

Dr.	CASH BOOK.						Cr.		
		£	s.	d.		£	s.	d.	
					By Carriage .	3	2	6	
					,, Freight	2	16	9	

As we want to keep a concise account of all our dealings over each consignment separate, we do not post the expenses that have been incurred over the transport of the consignment to the ordinary Ledger accounts of "Carriage" and "Freight," but to "Consignment Account" already opened.

Dr.	CONSIGNMENT TO JONES & CO.						Cr.		
		£	s.	d.		£	s.	d.	
	To Goods . .	300	0	0					
	,, Carriage . .	3	2	6					
	,, Freight . .	2	16	9					

Which shows us that the goods have cost us £305 19s. 3d., and that we want to realize a profit on *that* amount.

When Jones & Co. effect a sale, they send an "Account Sales" to the consignor; which is a detailed account of the amount realized by the goods, the expenses incurred by them in the selling of the goods, and the net proceeds.



ACCOUNT SALES.

Sold—		£	s.	d.	£	s.	d.
Goods	.	100	0	0			
"	.	50	0	0			
"	.	290	0	0	440	0	0
Deduct—							
Carriage	.	5	5	0			
Insurance	.	2	10	0			
Commission 10%	.	44	0	0	51	15	0
Net Proceeds	.				388	5	0
Cheque Enclosed on Account	.				250	0	0
					138	5	0

Before we enter the cash received in our Cash Book, we want to show that the amount of goods sold have realized £440, so we make a journal entry thus :—

JOURNAL.

	£	s.	d.	£	s.	d.
Jones & Co. . . . . Dr.	440	0	0			
To Consignment . . . . .				440	0	0

which shows us that Jones & Co. have received £440, and that consignment have parted with goods to that value. We then post to the Ledger thus—opening a personal account for Jones & Co. :—

Dr.

JONES & CO.

Cr.

	£	s.	d.	£	s.	d.
To Cash for Consignment .	400	0	0			



<i>Dr.</i>	JONES & CO.			<i>Cr.</i>			
	£	s.	d.		£	s.	d.
To Cash (for consignment) .	440	0	0	By Expenses as per Account Sales . . .	7	15	0
				„ Commission as per Account Sales . . .	44	0	0

We now enter the cheque received from Jones & Co. in our Cash Book—

<i>Dr.</i>	CASH BOOK.			<i>Cr.</i>			
	£	s.	d.		£	s.	d.
To Jones & Co. (for consignment) .	250	0	0	By Carriage . . .	3	2	6
				„ Freight . . .	2	16	9

and post it to the credit of Jones' account in the Ledger, he having parted with that amount—

<i>Dr.</i>	JONES & CO.			<i>Cr.</i>			
	£	s.	d.		£	s.	d.
To Proceeds (for consignment) .	440	0	0	By Expenses as per Account Sales . . .	7	15	0
				„ Commission as per Account Sales . . .	44	0	0
				„ Cash . . .	250	0	0
				„ Balance Due . . .	138	5	0
	440	0	0		440	0	0

by which we see that Jones and Co. still owe us £138 5s., and from Consignment Account we see that Jones and Co. still have goods to the value of £150 unsold.

*Rules in Books of Consignor with necessary Journal Entries:—*

1. Debit consignment and credit goods account with value of goods consigned.
2. Credit Cash Book and debit Consignment Account with expenses incurred.
3. Debit consignee's personal account and Credit Consignment Account with amount goods realized.
4. Credit consignee's personal account and debit Consignment Account with expenses incurred by consignee, and commission charged by him.
5. Debit Cash Account and credit consignee's account with amount of cheque sent by consignee with Account Sales.

*Rules in Books of Consignee with necessary Journal Entries:—*

1. Enter details of consignment received in Consignment Stock Book.
2. Credit Cash and debit Consignment Account with all expenses incurred.
3. Debit Cash Account and credit Consignment Account with amount realized by goods sold.
4. Debit Consignment Account and credit Commission Account with commission charged.
5. Credit Cash Account and debit Consignment Account with value of Cheque sent by consignee.

#### EXERCISES ON CONSIGNMENTS

1. Enter the following transactions in Consignor's books:—

*Jan. 1, 1900.*—Sent ten cases of consignment of goods valued at £500 to Messrs. Henry George and Co., of Montreal. Paid Carriage, £12 12s. 9d. Insurance, £5.

*May 22, 1900.*—Received Account Sales from Messrs. Henry George and Co., eight cases being sold at £75 a case. Expenses incurred, £15 15s. 9d. Commission charged at 10%. Cheque enclosed £300 on account.

*Sept. 3, 1900.*—Received Account Sales from Messrs. Henry George and Co., two remaining cases having realized £78 15s. and £82 respectively. Expenses incurred, £8 10s. Commission charged at 10%. Cheque enclosed balancing the account in May and half the amount owing on the last sale.

*Nov. 5, 1900.*—Received from Messrs. Henry George and Co. balance of account owing.

2. Show the following transactions in the books of Consignee :—

*Feb. 1, 1899.*—Received consignment of goods, 150 cases valued at £5 per case.

*Feb. 3, 1899.*—Paid Carriage, £6 12s. 6*d.* Insurance, £10, Freight, £4 14s. 9*d.*

*Feb. 9, 1899.*—Sold ten cases at £8 18s. 6*d.* per case for cash.

*Feb. 12, 1899.*—Charged 10% commission on cases sold.

*Feb. 20, 1899.*—Sent Account Sales to Consignor with cheque on account for two-thirds of sum received for goods sold.

*Feb. 27, 1899.*—Sold two cases at £12 12s. per case, and forty cases at £7 17s. 6*d.* per case, and received cheque for same.

*March 6, 1899.*—Charged 10% commission on all cases sold.

*March 31, 1899.*—Sold remaining cases at £10 10s. 6*d.* per case and received cheque in payment.

*April 4, 1899.*—Sent Account Sales to Consignor with cheque for total value, deducting 10% commission, and £15 carriage.

## CHAPTER IX

### PARTNERSHIPS—LIMITED COMPANIES

WHEN two or more persons carry on a business together it is called entering into Partnership.

Partnership books should be kept in exactly the same way as those of a sole trader with the following additions :—

1. A separate "Capital Account" for each Partner must be shown in the Ledger.

2. A "Drawings Account" for each Partner must be shown in the Ledger, and all money withdrawn is entered therein, which at the end of the year would be transferred to the Capital Account.

3. An account for "Interest on Capital" which is charged against the business before the Profits are divided.

4. When the Partners draw a salary, as is often the case, a separate account for each must be shown.

5. Profits and Losses are shared according to arrangement, sometimes equally, sometimes in proportion to the Capital of each.

When a partnership is to be wound up, the assets have to be applied in the following way :—

1. Payment to be made to the Creditors of the Firm.
2. Payment to be made to the partners for loans by them.
3. Repayment of Partner's Capital.

4. Any surplus or deficit to be shared by the Partners in the proportion agreed upon.

**Limited Companies.**—The main distinction between the accounts of a sole trader or a partnership and those of a Limited Company are as follows :—

The difference between a sole trader or a partnership's Assets and Liabilities is the Capital. Whereas a Limited Company has a fixed Capital which is termed the Nominal Capital and is divided into shares.

These shares are allotted to various persons, the total amount allotted being called the Subscribed Capital. A Company would not allot the whole of the Nominal Capital.

The shares need not be fully paid, though the subscribers are liable at any time for the amount still unpaid.

The total amount paid on the shares is called the "Paid-up Capital."

When the profits are made, the Company declare a dividend, dividing the profits among the Shareholders in proportion according to the shares held.

## CHAPTER X

### COMMERCIAL TERMS, ETC

**Acceptance.**—The signature of the drawee on a bill of exchange, thus undertaking to pay the same.

**Accommodation Bill.**—A bill to which the acceptor, drawer, or indorser has put his name, without value, to accommodate some other person.

**Account sales.**—A detailed statement showing the sales made out of a consignment of goods, the deductions for expenses and commission, and the net proceeds, sent by the Consignee to the Consignor.

**Ad valorem.**—According to value.

**Affidavit.**—A written statement sworn before a commissioner for oaths.

**After date, after sight.**—A bill of exchange is payable either so many days after the *date* of the bill, or a certain time after *sight*—that is to say, after acceptance.

**Agio.**—The difference between the actual and the nominal value of the currency of a country.

**Assignment.**—A legal transfer of property from one person to another.

**B/L.**—Bill of lading.

**B/P.**—Bill payable.

**B/R.**—Bill receivable.

**Balance Sheet.**—A statement showing the assets on the right-hand side and liabilities and capital on the left-hand side.

**Bank Note.**—A promissory note given by a banker undertaking to pay a certain sum on demand.

**Bill of sale.**—A document given by a debtor as security for a loan or debt.

**Bills payable.**—Bills *payable* by a person, *i.e.* accepted by him.

**Bills receivable.**—Bills *receivable* by a person.

**Broker.**—The agent between buyer and seller.

**Circular note.**—A banker's order made payable at different places, to enable a traveller to obtain money *en route*.

**Consignment.**—Goods sent to an agent called the consignee for sale.

**Contingent liability.**—A liability which does not actually exist, but which *may* exist on the happening of a certain event.

**Customs.**—Duties payable to the Government on goods imported.

**Dft.**—Draft, or bill of exchange.

**Days of grace.**—Three days (in England) allowed for payment of a Bill of Exchange after the due date as specified in the bill.

**Dishonour.**—If a bill cannot be paid when due, it is said to have been *dishonoured*.

**Directors.**—The officers who manage the affairs of a joint-stock company.

**Drawee.**—The person on whom a bill is drawn.

**Drawer.**—The person who draws the bill.

**Excise.**—A tax on goods manufactured and sold in this country.

**F. O. B.**—*Free on board*, indicating that the seller is to deliver the goods on board the vessel at his own expense.

**F. P. A.**—Free of particular average.

**Face value.**—The *nominal* value of a security, as distinct from the *actual* value.

**Factor.**—An agent who has the goods for sale in his actual possession.

**Freight.**—The cost of carriage of goods by a ship.

**Holder.**—The holder of a bill of exchange is one who has lawful possession of it.

**Honour.**—To pay a bill when due.

**Joint Stock Company.**—An association of persons, consisting of not less than seven members, who have contributed the necessary capital for the purpose of carrying on some trade or other enterprise under certain regulations imposed by Act of Parliament.

**Leasehold.**—Property held for a certain term of years subject to the payment of an annual ground-rent, as distinct from *freeholds*, which are held in perpetuity.

**Legal tender.**—Payment in Bank of England notes, and gold up to any amount, silver up to forty shillings, copper up to one shilling.

**Letter of credit.**—A written document placing a stated sum of money at the disposal of another person.

**Limited Company.**—A company formed under the Companies Acts, 1862–1900, whereby the liability of the members is limited either (1) to the amount unpaid on the shares held by them (limited by shares), or (2) to the amount they have agreed to contribute in the event of winding up (limited by guarantee).

**Liquid assets.**—Cash, or property easily convertible into cash.

**Mortgage.**—A loan on the security of land or buildings. The borrower is called the mortgagor, and the lender the mortgagee.

**P/N.**—Promissory note. A written promise to pay a specified sum to a certain person on a given date.

**Par.**—When the nominal and market values of shares are the same they are said to be *at par*.

**Partnership.**—The relation existing between persons carrying on a business in common with a view to profit.

**Policy.**—The document containing particulars of a contract of insurance. In the case of marine insurance, a *valued* policy is one in which the value of the goods is stated. In an *open* policy the value is not given.

**Per pro.**—By procuration. Used by an agent, who signs on behalf of his principal.



**Rate of Exchange.**—The price of the money of one country stated in that of another country.

**Rebate.**—Abatement, diminution—a sum deducted from an account.

**Retire.**—To take up (*i.e.*, withdraw) a bill of exchange before it is due.

**Suspense account.**—An account to which items are temporarily transferred.

**Winding up.**—The process of realizing and distributing the proceeds of an estate.

## CHAPTER XI

### SOCIETY OF ARTS EXAMINATION, 1905

#### *Intermediate Paper—Stage 2*

#### BOOK-KEEPING—*Time 3 hours*

ONLY one question to be answered, but both exercises to be done. First and second-class certificates will be granted in this stage.

1. Henry Johnson, provision merchant, holds two bills receivable, one being for six months for £100, accepted on June 30, 1904, by George Jenkins, and the other for five months, accepted on June 18, 1904, by Alfred Smith, for £90. Give a sketch of a suitable Bills Receivable Book for Henry Johnson, and enter the above bills therein. Alfred Smith failed to honour the bill accepted by him. What entries does such default necessitate in Henry Johnson's books?

2. A firm of drapers, whose head office is in London, has three retail branches in the provinces. State what weekly returns you would expect from the branches, and how you would deal with such returns in the books of the head office.

#### EXERCISE 1.

Austin Brown, whose capital consisted of £2500 in the Assets Bank, Ltd., commenced business on February 1, 1904, by opening stores for the sale of tea and coffee, having adapted the front room of his house (his own freehold) for use as a shop by an outlay of £200, and expended £50 in furniture and fittings. He paid for both items by cheque on February 1, 1904.

The following were G. Brown's transactions for the period ended February 18, 1904 :—

1904.

- Feb. 2. Drew cheque for £10 for petty cash.  
 „ 3. Bought from F. Thompson & Co. eight chests of China tea for £43 4s. and paid the Government duty thereon of £2 12s. 6d.  
 „ 4. Purchased a coffee-roasting machine from the Machine Supply Co. for £38 10s.

1904.

- Feb. 5. Sold one chest of tea to A. James & Co. for £6, allowing  $2\frac{1}{2}$  per cent. discount for one month.  
 Purchased from G. Mager 1 cwt. of coffee at 87s. 6d. per cwt., and  $1\frac{1}{2}$  cwt. do. at 92s. per cwt.  
 Purchased from R. Philips 2 cwt. of coffee at 81s. 3d. per cwt.
- „ 6. Bought stationery, string, etc., for £6 4s. 2d., and paid cash for the same.
- „ 7. Drew cheque for £12 10s. for rates.
- „ 8. Paid income-tax (Schedule A) at 1s. in the £, and house-duty at 9d. in the £, the annual value of the house and shop being assessed at £120.
- „ 9. Bought from the Ceylon Tea Co. three chests of tea at £4 16s. per chest, duty paid.
- „ 10. Cash sales for the week amounted to £7 3s. 4d.  
 Ordered advertisements in George Smith's time-tables to the amount of £7 10s.  
 Drew cheque for wages £3 4s. 6d.  
 Drew cheque for petty cash £6 4s. 2d.
- „ 12. Finding that his roasting-machine was unsuitable, sold it for £33 cash down, and purchased a larger one from the Machine Supply Co. for £64.
- „ 13. Paid the Machine Supply Co. for the first machine less 5 per cent. cash discount.
- „ 14. Sold to the Royal Tea Co. 56 pounds of "A. B's special Blend" at 2s. a pound.  
 Received cheque from James & Co. in settlement of their account, less  $2\frac{1}{2}$  per cent. cash discount.
- „ 15. Purchased two bales of Mocha coffee at 192s. per bale from the Coffee Syndicate, Ltd., and gave them an acceptance at one month for the amount of their invoice.
- „ 16. Paid from petty cash a fine of 40s. and 5s. costs for inaccurate scales.  
 Sold G. Mager 1 cwt. of "A. B.'s pure coffee" at 94s. per cwt.  
 Paid George Smith one-half of the advertisement, having settled the proof.
- „ 17. Drew cheque for £3 4s. 6d. for wages.  
 Cash sales for the week amounted to £11 16s. 2d.
- „ 18. Drew cheque for £10 for private purposes.

All moneys received were paid into the Bank, and (unless otherwise stated) all payments were made by cheque.

Pass the above transactions through the proper books to the Ledger. Balance the accounts as on February 18, 1904, bring down the balances, and extract a Trial Balance.

N.B.—No Profit and Loss Account or Balance-sheet to be prepared.

#### EXERCISE 2.

Messrs. Alfred Brown and George Robinson are in partnership as cigarette manufacturers, and profits and losses are shared equally. Before arriving at the net profit or loss the following adjustments have to be made:—

1. Interest allowed on partner's capital at 5 per cent. per annum.

2. Annual depreciation provided on machinery and plant at 10 per cent. and on fixtures and fittings at 5 per cent.

3. Provision made for bad and doubtful debts at 5 per cent.

4. A reserve of £50 made for the auditor's fee.

The stock in hand on December 31, 1904, was valued at £6320.

Make the necessary adjustments, and prepare a Trading Account, a Profit and Loss Account, and a Balance-sheet from the following Trial Balance :—

TRIAL BALANCE

(Which is not to be copied)

DECEMBER 31, 1904

	£	s.	d.	£	s.	d.
Alfred Brown's Capital Account, Jan. 1, 1904 . . . . .				2400	0	0
George Robinson's Capital Account, Jan. 1, 1904 . . . . .				1200	0	0
Alfred Brown's Drawing Account (including interest) . . . . .	600	0	0			
George Robinson's Drawing Account (including interest) . . . . .	400	0	0			
Sundry creditors . . . . .				4302	0	0
Bills payable . . . . .				4380	0	0
Sundry debtors . . . . .	5140	0	0			
Plant and Machinery Account . . . . .	2360	0	0			
Loan Account . . . . .				2000	0	0
Fixtures and Fittings Account . . . . .	680	0	0			
Goodwill Account . . . . .	500	0	0			
Stock Account, Jan. 1, 1904 . . . . .	6720	0	0			
Cash in hand . . . . .	18	0	0			
Cash at Bank . . . . .	1252	0	0			
Purchases (including Government Duty) . . . . .	19,087	0	0			
Manufacturing Wages . . . . .	3,402	0	0			
Sales Account . . . . .				28,895	0	0
Salaries Account . . . . .	950	0	0			
Licenses and Insurance Account . . . . .	54	0	0			
Returns from Customers Account . . . . .	822	0	0			
Carriage and Export Charges Ac- count . . . . .	210	0	0			
Commission and Traveller's Expenses Account . . . . .	130	0	0			
Tobacco returns to Creditors Account . . . . .				184	0	0
Rents, Rates and Assessed Taxes Account . . . . .	200	0	0			
Gas and Water Account . . . . .	41	0	0			
Interest and Discount Account . . . . .	100	0	0			
Trade Expenses . . . . .	251	0	0			
Income-tax (Schedule D) Account . . . . .	42	0	0			
Bad and Doubtful Debts Account . . . . .	402	0	0			
	<u>43,361</u>	<u>0</u>	<u>0</u>	<u>43,361</u>	<u>0</u>	<u>0</u>

## SOCIETY OF ARTS EXAMINATION, 1906

*Intermediate Paper—Stage 2*BOOK-KEEPING—*Time 3 hours*

Only one question to be answered, but both exercises to be done. First and Second-Class Certificates will be granted in this stage.

1. Mr. Henry Barrows keeps his books upon the double-entry system. At the periodical stock-taking his book-keeper extracts a Trial Balance from his Ledgers, and, after adjusting some errors, finds that the total of the debit balances equals the total of the credit balances. Is this agreement an absolute proof that the books are correct in every respect, and that no further errors exist? Give reasons for your answer. What further tests, if any, would you apply?

2. Submit rulings for a Cash Book suitable for a professional man who keeps no Petty Cash Book, but passes both cash and cheque receipts and payments through the same Cash Book. Make three entries on the debit side and six on the credit side. Close and rule off the Cash Book.

## EXERCISE 1

On January 1, 1906, John Smith's assets were as follows:—

	£	s.	d.
Stock in hand . . . . .	342	4	7
Freehold property . . . . .	1000	0	0
Furniture and fittings . . . . .	92	10	4
Cash at bankers . . . . .	25	8	9
Cash in hand . . . . .	19	5	2
Owing by John Bell . . . . .	38	10	0
"    " E. Walters . . . . .	26	2	3
"    " Black & Co. . . . .	169	10	0
The liabilities on the same date were—			
Due to A. Brown & Co., Ltd. . . . .	64	2	0
"    " W. White & Son . . . . .	226	7	1
Bill payable . . . . .	60	0	0
Loan due to G. Robinson . . . . .	50	0	0

Open the Ledger, showing the position as on January 1, 1906, and pass to it, through the proper books, the following transactions:—

1906.

- Jan. 2. Accepted bill drawn by W. White & Son, for the amount of their account, at three months.  
     Sold to John Bell, one electrically-heated stewpan, £1 19s. two omelet pans at £1 10s. each, one hot-water jug, £1 7s. 6d. and one kettle, £4 5s.  
     Received from Black & Co. £50 on account.
- " 3. Drew a cheque for £10 for private purposes.
- " 4. John Bell returned one saucepan and one hot-water plate sold to him on January 2, and settled his account, as on January 1, less  $2\frac{1}{2}\%$  discount.

1906.

- Jan. 5. Sold to F. Green, three electrically-heated water cans at £2 10s. each, six flat-irons at 19s. 6d. each, and one glue-pot, £1 7s. 6d.  
 Bought from A. Brown & Co., Ltd., five electrically-heated Russian coffee-machines at £1 17s. 6d. each, six egg-boilers at £1 15s. each, three sterilizers at £1 12s. 6d. each, and one convector at £7 15s.
- „ 6. Bought for cash, two office-stools at £1 10s. each.
- „ 7. Drew cheque for petty cash and wages £10.  
 Paid in cash, wages £14 2s. 6d. and salaries £3.  
 Paid in cash, office expenses 14s. 10d.
- „ 9. Bill payable for £60 (due this day) was duly honoured, on John Smith's behalf, by the bank.  
 Sundry cash sales for week ended January 7, amounting to £27 2s. 9d. paid into the bank.
- „ 10. Bought for £3 a carpet for the private office.  
 Returned to A. Brown & Co., Ltd., two egg-boilers and one sterilizer bought from them on January 5.
- „ 11. Received from Black & Co. the balance of their account, discount at 2½ per cent. being allowed on the whole amount due from them on January 1.
- „ 12. Returned carpet purchased on January 10, in exchange for a larger one, value £4, the difference being paid for in cash.
- „ 13. Paid cash for repairs to office desk, 7s. 6d.
- „ 14. Drew cheque for petty cash, £15, and paid wages and salaries as on January 7.  
 Paid, in cash, office expenses, £2 7s. 2d.  
 Paid into the bank cash sales for the week amounting to £41 15s. 6d.  
 Paid A. Brown & Co., Ltd., £12 on account.

All monies received were at once paid into the bank, and (unless stated otherwise) all payments were made by cheque.

Balance the Ledger accounts as on January 14, 1906; bring down the balances, and extract a Trial Balance.

*Note.*—No Profit and Loss Account or Balance Sheet is to be prepared.

## EXERCISE 2

Messrs. Samuel Smith and Robert Brown are partners in a manufacturing business. After providing 5 per cent. per annum interest upon their respective Capital Accounts, profits or losses are to be shared equally.

Before closing the annual accounts on December 31, 1905, the following adjustments have to be made:—

1. Plant and Machinery Account is to be depreciated by 10 per cent.
2. Furniture and Fittings Account is to be depreciated by 5 per cent.
3. Provision is to be made for Bad and Doubtful Debts at 5 per cent.
4. Only three quarters' rent have been paid, the quarter's rent due on December 25, 1905, not having been paid or passed through the books. Stock, taken as on December 31, 1905, was valued and agreed, as between the partners, at £800.

The Trial Balance, extracted from the books as on December 31, 1905, is set out below. After making the necessary adjustments, prepare a Trading Account, and a Profit and Loss Account for the year ended Decemcebr 31, 1905, and a Balance Sheet as on that date. Show the partners' accounts in detail in the Balance Sheet.

### TRIAL BALANCE

*(Which is not to be copied)*

	£	s.	d.		£	s.	d.
S. Smith, Capital Account (January 1, 1905) . . . . .					2000	0	0
R. Brown, Capital Account (January 1, 1905) . . . . .					1500	0	0
S. Smith, Drawings Account (including interest) . . . . .	450	0	0				
R. Brown, Drawings Account (including interest) . . . . .	400	0	0				
Stock Account (January 1, 1905) . . . . .	750	0	0				
Furniture and Fittings Account . . . . .	300	0	0				
Plant and Machinery Account . . . . .	500	0	0				
Goodwill Account . . . . .	1000	0	0				
Purchases Account . . . . .	2300	0	0				
Sales Account . . . . .					5400	0	0
Manufacturing Wages Account . . . . .	520	0	0				
Carriage Account . . . . .	100	0	0				
Salaries Account . . . . .	350	0	0				
Rent Account . . . . .	120	0	0				
Rates and Taxes Account . . . . .	20	0	0				
Gas and Water Account . . . . .	30	0	0				
General Expenses Account . . . . .	270	0	0				
Sales Returns Accounts . . . . .	150	0	0				
Purchases Returns Accounts . . . . .					200	0	0
Bad Debts Account . . . . .	80	0	0				
Rent to date for Premises Sublet Account . . . . .					20	0	0
Reserve for Bad and Doubtful Debts Account . . . . .					150	0	0
Discount Account . . . . .					10	0	0
Cash at bank . . . . .	500	0	0				
Cash in hand . . . . .	20	0	0				
Sundry Debtors . . . . .	2140	0	0				
"    Creditors . . . . .					720	0	0
	£10,000	0	0		£10,000	0	0

SOCIETY OF ARTS EXAMINATION, 1907

BOOK-KEEPING—Three hours allowed

Only one question to be answered, but both exercises to be worked. First and Second-Class Certificates will be granted in this stage.

1. What system of book-keeping would you recommend to a trader starting in business? Explain the various books which should be kept, so as to enable him to ascertain in the shortest time and the most reliable manner the results of his business operations.

2. What is the difference between gross profit and net profit? Illustrate your answer by means of *pro forma* Trading and Profit and Loss Accounts applicable to the business of a Timber Merchant.

EXERCISE 1

W. Brown, a wine and spirit merchant, had on December 31, 1905, the following assets:—

	£	s.	d.
Cash at bank . . . . .	500	0	0
Cash in hand . . . . .	50	0	0
Port Wine, 5 pipes at £60 . . . . .	300	0	0
Sherry, 5 butts at £50 . . . . .	250	0	0
Owing by H. Johnson . . . . .	50	0	0
Bill receivable (J. Smith, due January 12, 1906) . . . . .	250	0	0
Office furniture . . . . .	100	0	0
	<hr/>		
	£1500	0	0

His liabilities on the same date were—

Due to A. Robinson . . . . .	90	0	0
„ „ W. Walters . . . . .	60	0	0
Bill payable (A. Robinson, due January 6, 1906) . . . . .	50	0	0
	<hr/>		
	£200	0	0

On January 1, 1906, a company was formed, with a capital of £2500 in £1 shares, to purchase W. Brown's business; and it was agreed that the purchase price should be an amount equal to his capital in the business on December 31, 1905, to be paid as to £500 in cash and the balance in fully paid shares, the company taking over all the assets and liabilities of the business. The remaining shares were issued to the public and were duly subscribed, allotted, and paid up.

You are required to make the necessary entries recording the above, and to pass through the proper books the following transactions:—

1907.

Jan. 2. Drew cheque for Petty Cash, £30.

Sold to H. Johnson, 10 doz. of Sherry at 25s. a doz., and 1 pipe of Port at £70.

Bought of W. Glass, 30 doz. quart bottles at 2s. a doz. and 15 doz. pints at 1s. 6d. a doz.

1907.

- Jan. 3. Paid cash for Dock charges, £2 15s.  
 Bought from J. Lewis, 10 hogsheads of Brandy at £40, giving him a bill at two months, he allowing  $2\frac{1}{2}\%$  discount.  
 Paid wages and office salaries, drawing and cashing cheque for same, £4.
- " 4. Received from H. Johnson, on a/c., £50.
- " 5. Paid Preliminary Expenses in connection with the formation of the Company, including legal charges, £100.
- " 6. Bought of A. Robinson, 2 pipes of port at £55, and 6 ten-gallon casks of Whisky at £8 a cask.  
 Bill payable (A. Robinson) paid by Bank, £50.
- " 7. Paid W. Walters account, less  $2\frac{1}{2}\%$  discount.
- " 8. Paid cash for repairs to cellar door, £10 9s. 8d.
- " 9. Drew cheque for Petty Cash, £5.
- " 10. Paid wages and office salaries, drawing and cashing cheque for same, £6.  
 Received cheque from H. Johnson in settlement of his account, less 5% discount on the whole of his purchases from January 1.  
 Paid J. Smith's bill for £250 to the Bank.
- " 12. Bill receivable, given by J. Smith for £250, returned dishonoured.
- " 14. Sold to T. Kino, 3 doz. Whisky at 39s., 2 doz. Port at 44s., 5 doz. Sherry at 25s., and 3 doz. Brandy at 60s.

All moneys received were at once paid into the Bank; and (unless stated otherwise) all payments were made by cheque.

Balance the Ledger Accounts as on January 15, 1906; bring down the balances and extract a Trial Balance.

*Note.*—No Profit and Loss Account or Balance Sheet is to be prepared.

## EXERCISE 2

Messrs. George Elliott and Phillip Barker are partners in a manufacturing business. After providing 5% per annum interest upon their respective Capital Accounts, Profits and Losses are to be shared in the proportion of George Elliott three-fourths and Philip Barker one-fourth.

Before closing the books as on December 31, 1906, the following further adjustments have to be made:—

1. Plant and Machinery Account is to be depreciated by 10%.
2. Furniture and Fittings Account is to be depreciated by 5%.
3. Provision is to be made for Bad and Doubtful Debts at 5%.
4. One quarter's rent to be reserved for, only three quarters having been paid during the year.
5. £25 owing for Trade expenses has not been passed through the books.
6. Stock, taken as on December 31, 1906, was valued and agreed as between the partners, at £1250, the stock having been taken at cost with suitable deductions for old stock.

From the following Trial Balance of the Ledger Accounts, after making the necessary adjustments, prepare a Trading Account and a Profit and Loss Account for the year ended December 31, 1906, and a Balance Sheet as on that date. Show the Partners' Accounts in detail in the Balance Sheet.



TRIAL BALANCE

(Which is not to be copied)

DECEMBER 31, 1906

	£	s.	d.	£	s.	d.
George Elliott, Capital (January 1, 1906)				3000	0	0
Philip Barker, "				1000	0	0
George Elliott, Drawings (including interest)	317	0	0			
Philip Barker, Drawings (including interest)	133	0	0			
Furniture and Fittings	550	0	0			
Plant and Machinery	750	0	0			
Stock (January 1, 1906)	950	0	0			
Office Expenses	250	0	0			
Trade	150	0	0			
Wages (manufacturing)	900	0	0			
Salaries	425	0	0			
Carriage	125	0	0			
Purchases	1680	0	0			
" Returns				150	0	0
Sales				3390	0	0
" Returns	125	0	0			
Bad Debts	80	0	0			
Rent	120	0	0			
Rates, Taxes	40	0	0			
Gas and Water	25	0	0			
Interest and Discount				35	0	0
Reserve for Bad and Doubtful Debts (January 1, 1906)				45	0	0
Sundry Debtors	1250	0	0			
Sundry Creditors				680	0	0
Cash at Bank	300	0	0			
Cash in hand	130	0	0			
	£8300	0	0	£8300	0	0

SOCIETY OF ARTS EXAMINATION, 1908

BOOK-KEEPING—Three hours allowed

First and Second-Class Certificates will be granted in this stage.

Only one question to be answered, but both exercises to be worked.

1. On which side of the Ledger would you expect to find the balance of the under-mentioned accounts? Give a brief reason in each case—

- (a) Reserve for Bad and Doubtful Debts.
- (b) Goodwill Account.
- (c) Suspense Account for Insurances paid in advance.
- (d) Freehold Property Account.

2. Explain the following:—"Reserve Fund," "Rebate," "Sinking Fund," "Depreciation."

## EXERCISE 1

John Druce, a cycle dealer, had on December 31, the following assets:—

	£	s.	d.
Cash at Bank . . . . .	300	0	0
Cash in hand . . . . .	25	0	0
Stock . . . . .	650	0	0
Furniture and Fittings . . . . .	120	0	0
Bills receivable—			
A. Graves, due January 9, 1908 . . . . .	75	0	0
B. Walters „ „ 10, 1908 . . . . .	125	0	0
Owing by—			
A. Brown . . . . .	25	0	0
J. Smith . . . . .	45	0	0
A. Graves . . . . .	20	0	0
B. Walters . . . . .	10	0	0
M. Robinson . . . . .	105	0	0
	£1500	0	0

His liabilities on the same date were—

	£	s.	d.
Due to H. Sweeting . . . . .	150	0	0
„ „ A. Fisher . . . . .	75	0	0
Bills payable—			
S. Unwin (due January 6, 1908) . . . . .	90	0	0
F. Lord (due January 8, 1908) . . . . .	85	0	0
	£400	0	0

John Druce agreed to take M. Robinson into partnership conditionally upon the amount owing by him to John Druce on December 31, 1907, being paid at once; and also upon his bringing into the business, in cash, the same amount of Capital as was standing to the credit of John Druce's Capital Account at this date; one-half of this latter amount was to be paid out in cash, by way of premium, to John Druce and was to appear in the books of the partnership as Goodwill. These conditions were duly carried out as on January 1, 1908.

You are required to make the necessary entries recording the above, and to pass through the proper books the following transactions:—

1908.

- Jan. 1. Bought of H. Sweeting, 1 dozen bicycle frames at 15s. each.  
           "          "          for cash, 4 dozen wooden crates at 3s. each.
- "   2. Sold A. Brown 3 bicycles at £7 10s. each, one of which was  
           returned on January 3rd.
- "   3. J. Smith paid his account, deducting £2 for bicycle damaged  
           in transit.  
           Sold B. Walters, 2 bicycles at £8 8s. each, charging him with 2  
           crates at 3s. 6d. each.  
           Bought of A. Fisher 6 pairs of wheels at 30s. a pair and a job  
           lot of accessories for £5.

1908.

- Jan. 4. Paid office salaries and wages, drawing and cashing a cheque for same, £6 10s.  
 Each partner drew out in cash £3 on private account.
- " 6. Paid A. Fisher by cheque £25 on account.  
 Bill payable (S. Unwin) due this day, paid by bank.  
 Sold J. Smith one bicycle for £7 10s., upon which he paid £2 on account.
- " 7. Bought for cash two second-hand bicycles at 15s. each, one of which was sold for cash the same day for 25s.  
 Cashed cheque for £10 for petty cash purposes.
- " 8. Bill payable (F. Lord) due this day, paid by bank.  
 B. Walters paid the balance of his account as on this day, deducting 5% discount which was disallowed.
- " 9. Bill receivable, given by A. Graves, returned dishonoured: a new bill at one month being given for the whole of his account.  
 Sold to B. Walters 20 brakes at 2s. each and 6 lamps at 5s. each.  
 Bought of F. Lord 6 dozen lamps at 3s. each.
- " 10. Bill receivable B. Walters duly met.  
 Sold A. Graves a second-hand bicycle for 30s.
- " 11. Paid office salaries and wages, drawing and cashing cheque for £6.  
 Each partner drew in cash £3 for private purposes.  
 A. Brown accepted a bill at three months drawn upon him for the balance owing by him at this date.

All moneys received were paid at once into the bank. Balance the ledger accounts as on January 11, 1908, bring down the balances and extract a Trial Balance.

N.B.—No Profit and Loss Account or Balance Sheet to be prepared.

EXERCISE 2

From the following Trial Balance of the Accounts of a Manufacturing Company (whose authorized Capital consists of 15,000 Ordinary Shares of £10 each) prepare a Trading Account and a Profit and Loss Account for the year ended December 31, 1907, and a Balance Sheet as on that date:—

	£	s.	d.	£	s.	d.
Capital issued and fully paid up						
9000 shares of £10 each . . . . .				90,000	0	0
Stock (January 1, 1907) . . . . .	32,000	0	0			
Cash in hand . . . . .	150	0	0			
Cash at Bank . . . . .	2900	0	0			
Purchases . . . . .	52,350	0	0			
Sales . . . . .				136,500	0	0
„ Returns . . . . .	400	0	0			
Purchases Returns . . . . .				750	0	0
Manufacturing charges . . . . .	11,500	0	0			
Manufacturing Wages . . . . .	28,550	0	0			
Salaries . . . . .	1500	0	0			

	£	s.	d.	£	s.	d.
Trade Expenses . . . . .	6850	0	0			
Rates and Taxes . . . . .	250	0	0			
Insurance . . . . .	190	0	0			
General Expenses . . . . .	2640	0	0			
Discounts (balance) . . . . .	1800	0	0			
Bad Debts . . . . .	570	0	0			
Interest and Bank Charges . . . . .	350	0	0			
Land and Buildings . . . . .	22,250	0	0			
Machinery and Plant . . . . .	35,600	0	0			
Sundry Debtors . . . . .	52,500	0	0			
Sundry Creditors . . . . .				21,750	0	0
Patents . . . . .	5000	0	0			
Bad Debts Reserve (January 1, 1907)				2600	0	0
Profit and Loss (balance December 31, 1906)				750	0	0
Reserve . . . . .				5000	0	0
	<hr/>			<hr/>		
	£257,350	0	0	£257,350	0	0

Charge Depreciation on Land and Buildings Account at 3% per annum, and on Machinery and Plant Account at 6%. Make a reserve of 5% on the Sundry Debtors for Bad Debts; write down Patents Account by 10%; carry forward £90 of Insurance; and charge £500 as Directors' Fees. The value of the Stock as on December 31, 1907, was agreed at £23,700. Charge 10% on net profits as remuneration to the Managing Director, and appropriate £2500 to the Reserve Account, carrying forward the balance.



THE END







THIS BOOK IS DUE ON THE LAST DATE  
STAMPED BELOW

AN INITIAL FINE OF 25 CENTS  
WILL BE ASSESSED FOR FAILURE TO RETURN  
THIS BOOK ON THE DATE DUE. THE PENALTY  
WILL INCREASE TO 50 CENTS ON THE FOURTH  
DAY AND TO \$1.00 ON THE SEVENTH DAY  
OVERDUE.

SEP 20 1937

SEP 22 1979

Oct 22

31 Jul 52 HW

REC. CHG. OCT 19 1979

JUL 20 1952 LU

19 Aug '52 RW

AUG 6 1952 LU

6 Nov '63 MM

REC'D LD

OCT 30 '63 -3 PM

FEB 4 '64 E

REC'D LD

FEB 3 '64 -4 PM

LD 21-95m-7,'37



YB 18613

*Handwritten:* 192513

*Handwritten:* HF 5605

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