

ECLECTIC EDUCATION SERIES

Complete Book Keeping

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THE ECLECTIC

COMPLETE
BOOK-KEEPING

BY

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Author of "Mayhew's University Book-keeping," "Mayhew's Practical Book-keeping," and "Means and Ends of Universal Education," and formerly Superintendent of Public Instruction in Michigan.



"Deliver all things in number and weight, and put all in writing that thou givest out or receivest in."—ECCLESIASTICUS XLII: 7.

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CINCINNATI NEW YORK

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PREFACE.

THE schools of a country should teach what its children and youth will need to know and practice on leaving them. Less than fifty years ago the principal branches taught in our public schools were, reading, writing, and arithmetic. But times have changed. The courses of study in the improved schools of the present time have been much extended, but not always wisely. Branches that were formerly of minor importance have now become essential. Among them is Book-keeping, which, thirty-five years ago, was not authorized as a public school study, even in the city of New York. With railroads now traversing our widely extended country in all directions, and with the telegraph, the telephone, and cheap postage, the buying, selling, and exchange of products have been greatly multiplied, thus making neighbors of persons hundreds and thousands of miles apart. As a consequence, in every portion of the country the comforts and luxuries of other parts of it are common. This easy interchange renders the knowledge and practice of Book-keeping a necessity of the times.

Besides, Book-keeping gives a mental discipline equal to that gained from the study of any other branch, and superior to that realized from the study of most branches. Double-entry Book-keeping, while a science, deserves to rank among the fine arts. It challenges the admiration of lovers of the beautiful and the true. It

cultivates the judicial powers of the mind. It quickens and strengthens the love of justice and equity. It promotes fair dealing among men. It contributes to private and public virtue. It leads to economy and thrift in private and public affairs. Its general study and practice will reduce pauperism and crime, and promote frugality and virtue.

This work begins with the elements of the science, and unfolds and applies its principles, observing the natural order of sequence. Its methods have been tested in the school room for twenty-five years, with uniform and increasing success. It requires study, but its study is a delight, and wins. In this small volume double-entry is clearly elucidated. Its principles are applied to a variety of businesses, including the keeping of books for individuals, for firms, and for joint stock companies. It gives special attention to opening and closing sets of books. It treats difficulties which business men have brought to its author as an expert accountant for solution. It presents special forms and books for manufacturers, physicians and farmers, and suggests others. While particularly adapted to use in schools, by its study business men in many cases may improve their knowledge of accounts and their methods of business.

IRA MAYHEW.

DETROIT, MICH., November, 1884.

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ABBREVIATIONS AND SIGNS.

Acct.	Account.	I. or Inv.	Invoice.
Advtg.	Advertising.	I. B.	Invoice Book.
Amt.	Amount.	Ins.	Insurance.
Ans.	Answer.	Int.	Interest.
Apr.	April.	Invt.	Inventory.
Art.	Article.	J. or Jour.	Journal.
Aug.	August.	J. D. B.	Journal Day Book.
B. or Bk.	Bank.	J. P.	Journal page.
Bal.	Balance.	Jan.	January.
Bbl.	Barrel. [Book	L. B.	Letter Book.
B. B.	Bill Book, or Bank	lbs.	Pounds.
B. Pay.	Bills Payable.	L. F.	Ledger Folio.
B. Rec.	Bills Receivable.	M. or mo.	Month.
Bush.	Bushel.	Mar.	March.
C. or Ct.	Cent.	Nat. Bk.	National Bank.
Cash.	Cashier.	No.	Number.
C. B.	Cash Book.	Nov.	November.
Ck.	Check.	Oct.	October.
Co.	Company.	P. or p.	Page.
C. O. D.	Collect on delivery	Payt.	Payment.
Com.	Commission.	Pd.	Paid.
Const.	Consignment.	Pkg.	Package.
Cr.	Creditor.	Per an.	By the year.
D. B.	Day Book.	P. & L.	Profit and Loss.
Dec.	December.	Prem.	Premium.
Dep.	Deposit.	Pres.	President.
Dft.	Draft.	R. R.	Railroad.
Dis.	Discount.	S. B.	Sales Book.
Do. or do.	The Same.	Sec.	Secretary.
Doz.	Dozen.	Sept.	September.
Dr.	Debtor.	Shipt.	Shipment.
Ds. or ds.	Days. [excepted.	St. Dft.	Sight Draft.
E. & O. E.	Errors and omissions	Sunds.	Sundries.
Etc. or etc.	And so forth.	Tr. or Trans.	Transaction.
Ex.	Example.	Viz.	To wit; namely.
Exc.	Exchange.	\$	Dollars.
Exp.	Expense.	¢	Cents.
fav.	Favor.	@	At, or to.
Feb.	February.	%	Account.
F. or Fol.	Folio.	%	Per cent.
Frt.	Freight.	✕	Number.
Hdkf.	Handkerchief.	✓	Check mark.

THE ECLECTIC

COMPLETE BOOK-KEEPING.

DEFINITIONS.

Article 1. Business is an occupation or employment for maintenance or gain; as, farming, trade, profession, or other pursuit.

2. A Transaction is the act of buying or selling, whether payment is made at the time, or property is bought or sold on account to be paid for at some future time.

3. A Debtor is one who owes another, or is in *debt* to him. When a person *receives* value from us, without at the time paying for it, *he* becomes *our* Debtor. When property sold by us is paid for at the time, the *thing received* is Debtor.

4. A Creditor is one who trusts or *credits* another. When a person *gives* value to us, without at the time receiving payment, *he* becomes *our* Creditor. When property bought by us is paid for at the time, the *thing given* is Creditor.

NOTE.—The Receiver, or Thing *received*, is Debtor. The Giver, or Thing *given*, is Creditor.

5. An Account is a statement of the debits and credits resulting from business transactions relating to it. Accounts are kept with both persons and things.

6. Book-keeping is a systematic record of business transactions, showing the kinds and amount of property and debts at the beginning, the debits and credits, and the gains and losses arising from the business transacted, and the net result of the business as a whole.

7. Assets or Resources embrace whatever property we possess, together with any and all sums owing to us in notes, accounts, or otherwise.

8. Liabilities include all debts we owe, whether expressed in notes, in accounts, or otherwise.

CLASSIFICATION OF ACCOUNTS.

9. All accounts arising in business may be arranged, according to their nature, under proper heads, in each of two classifications.

10. First Classification. All the accounts of a merchant's Ledger may be classified under the three following heads: (1) Personal Accounts; (2) Real Accounts; (3) Imaginary Accounts.

11. *Personal Accounts* are accounts kept with persons, firms, or corporations with whom we transact business. These are properly kept under the names of the persons or firms with whom we deal, and show *their relations* to us.

12. *Real Accounts* are accounts kept with *realities*, and include all accounts of effects or things in which we deal; as, Real Estate, Cash, Merchandise, Bills Receivable, Bills Payable, etc.

13. *Imaginary Accounts* are titles employed to represent the person or company that conducts a business, or

to supply the want of some personal or real title in keeping our accounts. Under this head are included all accounts that are neither Personal nor Real; as, Stock, Expense, Interest, etc.

14. Second Classification. All accounts admit of another classification, and are either: (1) Speculative, or (2) Non-speculative.

15. *Speculative Accounts* are accounts that indicate the source of *gain* or *loss*. Of this class are Merchandise, Real Estate, Interest, Expense, etc.

16. *Non-speculative Accounts* include accounts that, from their nature, have neither *gain* nor *loss* connected with them, unless it arises incidentally; as, Cash, Bills Receivable, Bills Payable, Personal Accounts, etc.

17. Every account enters into each of these classifications, thus: Merchandise is Real and Speculative; Cash is Real and Non-speculative; Interest and Expense are each Imaginary and Speculative; while Stock and Profit and Loss are each Imaginary and Non-speculative, although Stock represents the dealer or speculator, and Profit and Loss may temporarily hold *measures* of speculation, or of *gains* and *losses* that have arisen in Speculative Accounts.

TITLES OF ACCOUNTS.

18. The Titles of accounts are the *names* by which our accounts are known. Personal accounts bear the names of the *persons* with whom we deal; Merchandise is the title commonly employed to represent any and all kinds of *property* bought and sold for gain; Bills Receivable include all written promises of payment in the future, made by others, whether notes or acceptances, which we hold, and on which we are entitled to *receive* payment; Bills Payable include all such written promises of ours,

held by other persons, which we are under obligation to *pay* at maturity.

ILLUSTRATIVE EXAMPLES.

19. A few illustrative examples will enable the learner better to understand the use of the definitions already given. Personal Accounts being most readily understood, we begin with one, as shown below, giving the transactions, and the side of the account to which each belongs. We write the name of Asa Adams at the head of the account, to show with whom the account is kept, and bear in mind that it is his relations to us (*not* ours to him) that we consider. By reference to Arts. 3 and 4, we see when persons become our Debtor, and when our Creditor. Dr. entries are always written on the *left* side of an account, and Cr. entries on the *right*, whether the Dr. and Cr. are entered with the title of the account or not.

FIRST EXAMPLE.

20. The following seven transactions give rise to the entries with corresponding numbers in the account:

- Trans. 1.* We sell Asa Adams one Hat for \$5.
Tr. 2. We sell him one Suit of Clothes for \$14.
Tr. 3. He pays us \$10 in Cash on account.
Tr. 4. He buys of us on acct. Mdse. worth \$15.
Tr. 5. He sells to us five Cords of Wood for \$20.
Tr. 6. We pay his Order on us for \$25 in Mdse.*

* We here insert the Order, as Asa Adams might have written it, if he had wished The Student to pay this sum to James Workwell:

(Date) *Place, Month, Day, Year.*

The Student:—Please pay to James Workwell Twenty-five Dollars in Merchandise, and charge the same to my account.

\$25.00.

ASA ADAMS.

Tr. 7. We settle, and he pays us the amount our due in Cash. How much does he pay us? *Ans.* \$29.

<i>Dr.</i>	ASA ADAMS		<i>Cr.</i>
1	5	3	10
2	14	5	20
4	15	7	29
6	25		
	59		59

21. Before the 7th Trans. occurred, Asa Adams had bought of us \$59 worth of Merchandise. We had given him no money, or legal tender, which is a “measure of value;” but *money worth*, which is called “money of account.” He had paid us \$10 in Cash, and \$20 worth of Wood, or “money of account,” making together \$30. He therefore owes us the difference between the \$59 which we have let him have, and the \$30 he has paid us. This difference is \$29, which he pays us, as stated in Trans. 7, when the account is settled, and may be ruled off as shown in the Example. It will be observed that the place of the footings (as the amounts of columns are called) is determined by the greatest number of entries on either side of the account, both footings being placed on the same horizontal line.

SECOND EXAMPLE.

22. The Transactions of this Example are likewise numbered, as are the entries in the account based upon them.

Trans. 1. Ben Brooks buys of us a Horse for \$150.

Tr. 2. We sell him a Village Lot for \$420.

Tr. 3. He buys of us a Wagon and Harness for \$275.

Tr. 4. We buy of him a House and Lot for \$800.

Tr. 5. We sell him two Cows for \$25 each.

Tr. 6. We sell him 21 Sheep at \$3.25 each.

Tr. 7. We buy of him 9 Tons of Coal at \$4.75.

Tr. 8. We settle. The balance of the account is paid in Cash. Did he pay us, or we him? and how much?

Ans. He paid us \$120.50.

<i>Dr.</i>	BEN BROOKS		<i>Cr.</i>		
1	150		4	800	
2	420		7	42	75
3	275		8	120	50
5	50				
6	68	25			
	963	25		963	25
	963	25		963	25

23. From Arts. 3 and 4 we learn that when in a transaction property of any kind *received* from others is paid for at the time by values *given* them in exchange, neither buyer nor seller becomes either Dr. or Cr. In such cases the Thing *received* is Dr.; and the Thing *given*, Cr. The Thing *received* is Dr. because it costs us whatever is given in exchange for it. The Thing *given* is Cr. because it entitles us to the value received in exchange for it.

24. In keeping an account with Cash, the principles just stated apply. When Cash is *received* by us, it *costs* us the giving up of property, the rendering of personal service, or an obligation to pay at another time, and is hence Dr. When Cash is *given* by us to others, it *serves* us, by paying for something we want, by cancelling a debt, or by giving us a claim for money or property in the future, and is hence Cr., as is illustrated in the

THIRD EXAMPLE.

25. In order to possess more certain knowledge of our receipts and payments of money, we keep a Cash account.

Trans. 1. We have \$25 on hand, which remains from wages heretofore received, or from property sold.

Tr. 2. We sell 28 bush. of Wheat at \$1 per bushel, receiving Cash in payment.

Tr. 3. We subscribe for a Daily Paper for one year, paying \$10 in advance for it.

Tr. 4. We buy one Suit of Clothes, for which we pay \$24.

Tr. 5. We sell for Cash 80 bush. Potatoes at 60 cents a bushel.

Tr. 6. We receive payment in full for a Note of \$25, with \$1.50 for Interest on the same.

Tr. 7. John Smith pays us \$17.20 in settlement of his account.

Tr. 8. We pay John Jones \$14.25 for a bill of Mdse. this day bought of him.

Tr. 9. We balance the Cash account.

<i>Dr.</i>	CASH		<i>Cr.</i>		
1	25		3	10	
2	28		4	24	
5	48		8	14	25
6	26	50	9	96	45
7	17	20			
	144	70		144	70
	96	45			

Wishing to ascertain whether our Cash account has been correctly kept, and whether we have the amount on hand the account calls for, we examine the account and find that, with the amount *on hand* at the beginning, and the four sums *received* since,—

There has come into our hands	\$144.70
The three sums paid out together make	48.25
We ought therefore to have on hand the difference	\$96.45

On counting our money we find we have on hand this amount. The money, as counted, agreeing with the sum required by the figures, we conclude the account has been correctly kept, and that there has been no mistake either in paying or receiving the sums required by the transactions. We therefore enter on the Cr. side of the account the \$96.45, *in red ink* (here indicated by different type), to show that it *has not been* paid out. The footings of the two sides now agree, and we bring down the balance *not paid out*, on the Dr. side of the account, *in black ink*, to show that this sum is still *on hand*, as the \$25 was at the beginning of the account.

26. These three accounts, with "Adams," "Brooks," and "Cash," in connection with the preceding and accompanying definitions and illustrations, can hardly fail to be readily understood. All accounts with *persons* are kept on the same principle with the first two of these; and all accounts with *property*, as Merchandise, Real Estate, Bills Receivable, etc., are kept on the same principle as that with Cash.

EXAMPLES FOR PRACTICE.

FIRST EXAMPLE.

Trans. 1. We sell S. S. Packard on account a bill of Mdse. for \$40.

Tr. 2. He pays us \$25 in Cash on account.

Tr. 3. We sell him one Horse for \$240.

Tr. 4. We buy of him a bill of Mdse. Amt. \$210.

Tr. 5. We pay his Order on us for \$35.

Tr. 6. He buys of us a bill of Mdse. Amt. \$75.

Tr. 7. He pays our Order on him for \$30.

Tr. 8. We settle, and the balance of the account is paid in Cash. Do we pay him, or he us, and how much?

Ans. He pays us \$125.

SECOND EXAMPLE.

Trans. 1. We fill T. May Pierce's order for Books, Amt. \$75.

Tr. 2. He remits us \$50 in Cash on account.

Tr. 3. We sell him one Carriage-horse for \$325.

Tr. 4. We fill his order for Books. Amt. \$85.

Tr. 5. We furnish him a bill of Mdse. Amt. \$40.

Tr. 6. He remits us a Draft on New York for the balance due us on account. For what sum was the Draft made? *Ans.* \$475.

THIRD EXAMPLE.

Trans. 1. We sell a bill of Mdse. to R. C. Spencer on account. Amount \$45.

Tr. 2. We receive \$38 in Cash from a customer.

Tr. 3. We sell A. D. Wilt a bill of Mdse. for \$48.

Tr. 4. We buy of C. E. Cady a bill of Stationery amounting to \$140.

Tr. 5. A. D. Wilt pays us \$40 in Cash on account.

Tr. 6. We sell a bill of Books to R. C. Spencer for \$37.

Tr. 7. R. C. Spencer sends us an \$80 New York Draft, indorsed in our favor, for his credit in account.

Tr. 8. The Draft received from Spencer we indorse to C. E. Cady, and send it to him for our credit.

Tr. 9. We fill R. C. Spencer's order for \$60 worth of Mdse.

Tr. 10. R. C. Spencer sends us his Draft on C. E. Cady, in our favor, for \$50, which Cady accepts on acct.

Tr. 11. R. C. Spencer pays us \$10 in Cash.

Tr. 12. We pay C. E. Cady the balance his due in Cash. What are the balances to these several accounts?

NOTE.—This Example requires entries to each of four separate accounts, to-wit:—R. C. Spencer, Cash, A. D. Wilt, and C. E. Cady. Some of the Transactions require entries to two accounts.

Ans. R. C. Spencer's account has a Dr. balance of \$2. A. D. Wilt's has a Dr. balance of \$8. They owe us these sums. We have \$78 in Cash, this being the Dr. balance. C. E. Cady's account balances.

DOUBLE-ENTRY BOOK-KEEPING.

27. Double-entry Book-keeping is a method of keeping accounts based upon the fact that whenever one person or thing becomes Dr. some other person or thing becomes Cr. in like amount. It recognizes both of these relations as existing in all transactions, and so records them as to make the Dr. amounts arising from them, whether belonging to one or more titles of account, just equal to the Cr. amounts thus arising, whether belonging to one or more titles of account. It opens a set of books in equation. Each transaction is so recorded as to add equal sums to both sides of it, and thus keep the accounts arising from the transactions of a business in perpetual equilibrium, from beginning to end.

ILLUSTRATIVE EXAMPLES.

28. EXAMPLE 1.—We sell to John Smith a bill of Merchandise for \$40 in Cash. As John Smith *pays* for what he buys, *he* does not become Dr.; but Cash, which is *received* in payment, is Dr. (Art. 3), and Merchandise, which is *given* in exchange for it, is Cr. (Art. 4). Such transactions are usually written in account as follows:

Cash Dr.	\$40.	
	To Merchandise	\$40.

This entry does *not* mean that Cash is Dr. to Merchandise. By the transaction we acquire a right to *one* kind

of property by relinquishing our claim to *another* kind of property. The entry simply implies that the Cash *received*, and becoming ours at the cost of the Merchandise given in exchange for it, is Dr.; while the Merchandise *given*, which makes the Cash received ours, is itself Cr. for the value it brings us. The "To" before Merchandise, implies that this account is Cr. But were both the "Dr." and the "To" omitted, it would still be understood that Cash, at the *left*, is Dr., and that Merchandise, at the *right*, is Cr.

Should \$40 worth of Merchandise be sold to John Smith *on account*, HE would be Dr. instead of Cash, as above, and the entry would be:

John Smith Dr.	\$40.	
	To Merchandise	\$40.

Another example may make this clearer to the learner.

EXAMPLE 2.—Suppose we owe Henry Brown \$25, and John King owes us a like sum, which we are assured he will pay us when requested to do so. We may make and give to Brown a Draft on King, in Brown's favor, for the sum we owe the latter. The entry required would then be:

Henry Brown Dr.	\$25.	
	To John King	\$25.

Which does *not* mean that Brown is Dr. to King. The real meaning of the above entry is this:

Henry Brown <i>is</i> Dr. <i>to us for</i>	\$25.	
<i>We are Dr.</i>	To John King <i>for</i>	\$25.

But as *the books are ours*, we should not write in them *our relation* to others, but the *relation of others* to ourselves, which is done as first entered above, or by omitting the words here entered in italics.

NOTE.—We here present the form of Draft which might properly be used in this example.

\$25.00. (Date) *Place, Month, Day, Year.*

At sight pay to the order of Henry Brown Twenty-five Dollars, and charge to account of

To JOHN KING.

THE STUDENT.

29. In each of the preceding examples, two titles of account have arisen, one of which has been Dr. and the other Cr., the Dr. and Cr. amounts being the same in every case. Often, however, transactions give rise to three, four, five, or more titles of account; but the amount of all the Dr. titles arising from a transaction, must always exactly equal the amount of all the Cr. titles arising from it, although the number of Dr. titles may be more or less than the number of Cr. titles. There may be:—

1. One Dr. title and one Cr. title, as above.
2. One Dr. title and two or more Cr. titles.
3. Two or more Dr. titles and one Cr. title.
4. Two or more Dr. titles and two or more Cr. titles.
5. Any number of Dr. titles and any number of Cr. titles.

We here submit a few illustrative examples.

TRANSACTIONS AND ENTRIES.

EXAMPLE 1. *One Dr. title and one Cr. title.*

We buy \$240 worth of Merchandise and pay in Cash.

ENTRY OF THIS EXAMPLE.

Merchandise Dr.		\$240.
To Cash		\$240.

EXAMPLE 2. *One Dr. title and two Cr. titles.*

We hold a Note for \$400, which is paid in Cash, with \$12 for Interest on same.

