LYONS' BOOKKEEPING. EDITION OF 1913. PARTS I AND II

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Lyons' bookkeeping. Edition of 1913. Parts I and II by J. A. Lyons & Walter L. Read

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EDITION OF 1913

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BY

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AND

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CHICAGO NEW YORK

PREFACE

The plan of teaching bookkeeping with business papers is a very popular one and must continue to be the favorite plan for those who wish the course to give the student, in addition to a knowledge of the principles of accounting, a familiarity with the materials and the methods of a modern business office.

There are in general two schemes for teaching bookkeeping by the individual "business practice" plan. The one scheme involves the use of business papers solely to accompany and illustrate the transactions set forth in the text. The other uses the business papers as the basis of the student's entries in his books.

There is a vast difference between these two plans. The former plan makes the business papers a subordinate and auxiliary feature of the work that can be and often is slighted if not absolutely ignored. The latter plan makes the business papers the foundation of the course. The papers come to the student just as they come to him in business; from the data upon them he constructs his bookkeeping entries; and they are then systematically filed and become a part of the records. Thus business papers, a knowledge of which is in itself of value, constitute the central feature of the course, and the student, through receiving them, making his entries, and disposing of them, is taught business procedure, accounting, and office methods.

The plan of using business papers as the basis of the presentation of the transactions is the one which is followed in the business practice sections of LYONS' BOOKKEEPING and these business practice sections constitute the greater part of the course. The transactions are not merely *illustrated by* business papers, but they are *based upon* business papers.

Preceding each of the principal sets using the business papers, a shorter section of the book, in which papers are not used, is devoted to a treatment of the accounting principles which will be involved in the work which is to follow. Thus, the student attempts no work whatever in "business practice" until he has mastered a short chapter without business papers in which he studies accounts and journalizing, and learns how to post and take a trial balance. Again, before taking up the work of the second principal set, he studies in a separate chapter, no business papers being used, the new accounting features which he will use in the second practice set. This plan of teaching accounting principles in separate chapters preceding the business practice sections and without the business papers, presents two distinct advantages: first, the student is enabled to concentrate upon the study of the accounting principles without any distraction, until he gets a thorough intellectual knowledge of the principles studied; second, the accounting principles being intellectually acquired when the student takes up the "business practice," the work of familiarizing the student with forms and drilling him in the bookkeeping operations can proceed without interruption.

The student will find every step explained in detail both as to the principle involved and the procedure followed. Every difficulty is anticipated. There are no pitfalls—no ambiguities. We have avoided the introduction of puzzles and conundrums. The pupil has the right to know what every proposition is, and this right is respected throughout—he is not left to guess the intent of the authors. Nor is it presumed that he knows any of these things which he cannot know without schooling or business experience. The book was written for beginners and it is felt that it meets fully the requirements of such a text book.

PREFACE TO EDITION OF 1913

Bookkeeping has been called "applied arithmetic," and for years there has been a growing tendency to teach bookkeeping from its arithmetical side. The Edition of 1913 recognizes the truth that an account is nothing more nor less than a formal statement of a proposition in arithmetic, and that the simple and only proper method of account study is that which approaches the account from its arithmetical side. The account is, therefore, approached in this way in the Edition of 1913.

It has not been considered sufficient to call attention, through footnotes and in other ways, to the analogies between bookkeeping and arithmetic. The first 70 pages of Lyons' Bookkeeping have been entirely remade in order to work out the arithmetical approaches to the different accounts and statements in practical detail. Preceding the study of each account and each statement the student is given a list of problems in arithmetic which lead him into an understanding of the theory of that account or statement before he undertakes the study of it as bookkeeping. Thus the pedagogical principle of going from the known to the unknown is made fully available, and the problems themselves are made an integral part of the course, and not supplementary. Students will not secure the benefits of this carefully devised unfolding of the subject of bookkeeping, however, unless teachers fully grasp the pedagogical idea underlying it. Treated as supplementary work merely, these problems will fail of their purpose.

Up to page 179, the Edition of 1913 differs in no respect from the original edition, except for the inclusion of the groups of problems found on pages 6, 10, 14, 16, 19, 22, 25, 27, 31, 33, 64 and 66. These problems have added eight pages to the length of the book, but they have been put in where they belong without the change of a word or figure elsewhere.

The last set in the book (the Dry Goods set) has been changed so as to require the use of the separate merchandise accounts instead of one general account only. These are the Mdse. Sales, Mdse. Purchases, and Mdse. (Trading) Accounts. The Sales Book and the Purchase Book are both used in this set, thus making a complete classification of original entries affecting the merchandise account. It has seemed desirable to observe the same classification in the ledger accounts.

A clear statement of the extent of this revision has been thought necessary for the information of teachers who are using the original edition, who are assured that no confusion can result from the use of the two editions in the same class aside from the minor detail of the difference in paging.

LYONS' BOOKKEEPING

CHAPTER I

ACCOUNTS

Bookkeeping is the science of making a systematic record of business transactions in books.

A Set of Books includes all the books necessary to contain the records of the transactions of a particular business. This includes books of entry, books of memorandum, and books of account.

The Purpose of bookkeeping is to enable those interested to ascertain at any time the *condition* and *progress* of the business.

The Condition of the business is its net worth. This is shown by accounts. The condition of a business in its different parts is shown by separate accounts. These accounts, taken together, show the condition of the business as a whole.

The Progress of the business is its net gain or loss. This also is shown by accounts. The separate losses and gains are shown by separate accounts. These separate losses and gains, taken together, exhibit the total loss or gain of the business. The total loss or gain for a given period of time can also be found by comparing the condition, or worth of the business at the end of that period with the worth at the beginning of the period.

An Account is a list of items of a certain kind, grouped together under one head in order to show a result of some one part of the business.

The *Cash* account shows all receipts and payments of cash.
The *Notes Receivable* account shows all notes of other persons received and disposed of.
The *Notes Payable* account shows all our notes issued and redeemed.
A *Personal* account shows all transactions with a given person on account.
The *Real Estate* account shows all real estate bought and sold.
The *Merchandise* account shows all merchandise bought and sold.
The *Expense* account shows all costs of expense items (and returns, if any).
The *Interest* account shows all losses and gains from interest.
The *Proprietor's* account shows all investments and withdrawals by the proprietor.
The *Loss and Gain* account shows the separate losses and gains.
And so on.

Some accounts exhibit, by their results, the condition or worth of the different parts of the business.

The result of the *Cash* account shows the amount of cash on hand.
The result of the *Notes Receivable* account shows the amount of notes and acceptances on hand.
The result of the *Notes Payable* account shows the notes payable outstanding against the business.
The result of a *Personal* account shows how much the person owes the business or how much the business owes him.
The result of the *Proprietor's* account shows how much the business owes to the proprietor.
And so on.

Some accounts show, by their results, the progress of the business as to loss or gain.

The result of the *Real Estate* account shows how much the business has lost or gained on real estate.

The result of the *Merchandise* account shows how much the business has lost or gained on merchandise.

The result of the *Expense* account shows the amount of loss for expense items.

The result of the *Interest* account shows the loss or gain from interest.

And so on.

The Ledger is the book of accounts. The items belonging to each account are classified in the ledger, each under its proper heading.

Beginning with the *Cash Account*, on page 7, are given descriptions of ten of the principal accounts usually found in a ledger.

CASH PROBLEMS

1. During January, 1913, D. M. Libby took in $1,247.50 in cash and paid out $923.78 cash. How much cash did he have left on January 31?

2. During February, 1913, L. E. Stone received in cash the following amounts: $24.65; $52.73; $102.50; $73.49; $10.75; $82.56. He paid out cash during February as follows: $10.50, $72.69; $83.47; $53.26; $84.75; $42.01. How much cash did he have left on February 28?

3. J. H. Smith's cash transactions during March, 1913, were as follows: Mar. 1, received $15.26; Mar. 2, paid out $5.72; Mar. 4, received $10.00; Mar. 8. paid out $4.73; Mar. 10, received $5.83; Mar. 14, received $4.50; Mar. 17, received $8.73; Mar. 21, paid out $11.54; Mar. 23, received $25.32; Mar. 30, paid out $3.75. How much cash did he have left on Mar. 31?

4. State in writing, in your own words, how you find the amount of cash a person has on hand if you know what his receipts and payments of cash have been.

5. D. R. Green began business with $21.50 in cash on April 1, 1913. During the month he took in $276.83 in cash, and paid out cash $157.86. How much cash did he have on April 30?

6. On May 1, 1913, C. W. Barnes began business with $53.47 in cash. His cash receipts during the month were as follows: $5.25, $16.72, $32.54, $31.24, $35.94, $13.21, $14.72, $17.50. His cash payments during the month were: $4.25, $47.36, $3.73, $14.52, $21.14. How much did he have on hand at the end of the month?

7. Ralph M. Gray began business on June 1, 1913, with $46.72 in cash. He received and paid out during the month in cash as follows: June 2, received $10.25; June 3, paid out $28.75; June 7, received $32.00; June 16, paid out $34.50; June 22, received $24.35; June 29, received $1.23. How much did he have on hand June 30?

8. A. L. Black began business on July 1, 1913, with $50.00 in cash. During the month of July his cash receipts and payments were as follows: July 3, received $5.67; July 5, received $8.92; July 8, paid out $5.00; July 9, received $10.25; July 12, paid out $5.50; July 12, received $6.25; July 15, received $7.50; July 18, paid out $4.25; July 19, paid out $5.27; July 20, received $22.50; July 21, paid out $3.85. How much cash did he have on hand on July 31?

9. State in writing how you would find the amount of cash a person has on hand if it is known (a) How much cash he had at the time of beginning business; (b) What his receipts of cash have been since then; (c) What his payments of cash have been since then.

10. A. L. Black had on hand Aug. 1, 1913, the same amount of cash as he had on July 31, as determined in problem 8. During August he received cash totaling $342.63, and paid out cash totaling $223.47. How much did he have on hand on August 31?

11. On September 1, 1913, A. L. Black had on hand the same amount of cash as he had on Aug. 31. His receipts and payments of cash during the month were as follows: Sept. 2, received $10.25; Sept. 3, paid out $2.24; Sept. 6, received $17.68; Sept. 8, paid out $4.50; Sept. 10, received $23.75; Sept. 15, received $1.72; Sept. 16, paid out $4.83; Sept. 18, paid out $4.50; Sept. 21, received $43.25; Sept. 22, paid out $2.50; Sept. 23, paid out $2.50; Sept. 24, paid out $2.50; Sept. 25, paid out $2.50; Sept. 26, received $2.50; Sept. 27, paid out $2.50. How much cash did he have on Sept. 30?

12. A. L. Black had the same amount of cash on Oct. 1, 1913, as he had on Sept. 30, but during October he took in $252.70 in cash from sales of merchandise, received $150.00 in cash from persons who owed him, found a \$10.00 gold piece, paid \$100.00 in cash to people whom he owed, paid \$220.25 for expenses, and through his cashier's mistake in making change lost \$2.00 cash. How much cash did he have on Oct. 31?

13. State in writing how to find the amount of cash a person has on hand if you know: (a) How much he had on hand at the beginning of the month (or other period); (b) How much cash he has received during the month (or other period); (c) How much cash he has paid out, lost or otherwise disposed of during the month (or other period).

THE CASH ACCOUNT

PURPOSE: To show the receipts and payments of cash.

METHOD: Debit the account when cash is received. Credit the account when cash is paid out.

RESULT: The difference between the two sides is the amount of cash on hand.

ILLUSTRATIVE EXERCISE:

19—

Sept. 1. Received cash from H. M. Strong, the proprietor, \$2,000.00.
2. Paid cash for merchandise, \$750.00.
3. Paid rent for September in cash, \$50.00.
4. Received cash from sales of merchandise, \$60.00.
5. Paid cash for our note due to-day, \$220.00.
6. Received cash from John Doe on account, \$23.50.
8. Paid janitor's wages in cash, \$7.50.
9. Received cash for house and lot, \$4,000.00.
10. Paid cash to Richard Roe on account, \$100.00.
11. Received cash for interest on a note, \$10.50.

ILLUSTRATION

Cash

19— Date		Explanation	Folio	Amount	19— Date		Explanation	Folio	Amount
Sept.	1			2000	Sept.	2			750
	4			60		3			50
	6			23 50		5			220
	9			4000		8			7 50
	11			10 50		10			100
						30	Balance	✓	4966 50
				6094 00					6094 00
Oct.	1	Balance	✓	4966 50					

Note that the account is divided into two parts, the left-hand side and the right-hand side. By universal custom, these two sides are called the *debit* and *credit* sides (abbreviated Dr. and Cr.). The left-hand side is called the debit side. The right-hand side is called the credit side. All receipts of cash are entered on the debit side, and are called *debits;* when such entries are made, the cash account is said to be *debited* or "charged." All payments of cash are entered on the credit side, and are called *credits;* when such entries are made, the cash account is said to be *credited.*

Each side contains columns for date, explanation, folio, and amount, as shown in the illustration. The explanation column and the folio column, in the illustration, are left blank; the purposes of these columns will be explained later.

Trace the transactions from the *Illustrative Exercise* to the *Illustration.*

The heading "Cash" is written on the line above the horizontal ruling at the top. It is written in a plain, bold hand, somewhat larger than the writing used in the body of the account.

It may assist the student at first to write the abbreviation "Dr." above the year date on the left hand side and "Cr." above the year date on the right-hand side, writing in a small, neat hand. This is not a customary practice, however, and should be discontinued as soon as the student becomes familiar with the use of the debit and credit sides.

EXPLANATION:

Sept. 1, 19—. Cash is received. The date is entered in the date column on the debit side, the year date being placed just above the horizontal ruling at the top of the account. The amount is written in the money column. The cent spaces are left blank when the amount is in even dollars.

Sept. 2, 19—. The date and amount of the cash paid out are entered on the credit side in the proper columns. The year date is placed just above the month and day, as before.

Trace through the rest of the transactions.

How much cash has been received?

How much cash has been paid out?

How much cash remains on hand?

Is it ever possible for the credit side of the cash account to be the larger? Why?

To Balance the Account

The account is now to be "balanced"; *i.e.*, ruled up with a balance so that the amount of cash on hand may be seen at a glance.

1st. Ascertain the amount of the balance by subtracting the smaller from the larger side.

2d. Write this balance on the smaller side in red ink, dating it. Assume, for the present, that the date of balancing is Sept. 30. Write the explanation "Balance" in the explanation column, and place a check mark in the folio column.

3d. Rule a single red line underneath the lowest item on the account. This line is ruled across the money column only. Rule a single red line across the money column of the other side, on the same line.