

Contents

CHAPTER	PAGE
1. ASSETS AND EQUITIES	1
Assets; Equities; Creditors' equities; Owners' equity; Assets are always equaled by equities; Changes in assets, liabilities, and net worth; Elements of net worth of a corporation; Ledger accounts; Recording increases and decreases; Debit and credit; Illustration of entries in accounts; Equality of debits and credits; Trial balance; Computing balances of accounts; Balance sheet; Alternative terminology.	
2. CHANGES IN SURPLUS. JOURNALIZING AND POSTING . .	14
Recording changes in surplus; Journal and ledger; Journalizing; Posting; Illustrative journal and ledger after posting; Purpose of journal and ledger; Trial balance; Locating errors; Preparation of statements.	
3. WORKING PAPERS	22
Working papers; Preparation of working papers; Statements prepared from working papers.	
4. CLOSING THE BOOKS	27
Closing accounts showing changes in surplus; Closing income and expense accounts; Closing the profit and loss and dividends accounts; Summary of closing entries; Ledger; Trial balance after closing; Accounts of subsequent periods; Statements; Sequence of accounting procedures; Punctuating numbers; Use of zeros and dashes; Dollar signs; Red ink.	
5. MERCHANTISE OPERATIONS	36
Title of operating statement; Statement of profit and loss; Cost of goods sold; Information required; Beginning inventory; Purchases; Sales; Ending inventory; Illustrative transactions; Transactions journalized; Ledger accounts; Working papers; Statements from working papers; Closing the books; Ledger accounts; Net loss for period; Loss on sales; Nature of surplus and deficit. Office Routines; Documents: Duties of the accounting department; Internal control. Purchase Routine: Purchase requisitions; Purchase order; Invoice; Purchaser's verification of invoice; Payment of the invoice; Checks, advices, and receipts. Sales Routine: Sales; Statements.	
6. EXPENSE AND INCOME ACCOUNTS	61
Expenses; Transportation charges; Freight terms; Returned sales and allowances; Returned purchases and allowances; Trade discounts; Cash discounts; Freight and cash discount; Cash discounts in the profit and loss statement; Miscellaneous income; Extended illustration; Working papers; Illustrative statements; Exhibit letters; Closing entries; Profit and loss account; Surplus account; Alternative closing procedures; Ruling and lettering personal accounts.	

CHAPTER		PAGE
7. PROMISSORY NOTES	78	Promissory notes; Maturity. Interest: Computing interest; Multiples and fractions; Interest for any number of days; Interchanging principal and time; Interest at other rates; Computing the time. Notes Receivable: Notes receivable account; Entries for note receivable transactions. Notes Payable: Notes payable account; Entries for note payable transactions; Discounting a note payable; Interest in the profit and loss statement.
8. BOOKS OF ORIGINAL ENTRY	90	Saving and division of labor. Columnar Journals: Special columns to reduce postings; Eliminating writing of account names. Specialized Books of Original Entry: Division of labor; Books to be illustrated; Sales book; Returned sales and allowances book; Purchase book; Returned purchases and allowances book; Cash receipts book; Cash disbursements book; Cash book entries for notes and interest; Recording the discounting of a note payable; The journal; References to books of original entry; Trial balance; Miscellaneous matters.
9. SPECIAL COLUMNS IN THE CASH BOOKS	104	Purposes of special columns. Columns in the Cash Receipts Book for Accounts Frequently Credited: Sales. Columns in the Cash Receipts Book to Facilitate Recording Transactions Which Involve more than One Debit and Credit: Discount on sales; Freight out; Collection and exchange; Discount, freight out, and exchange; Interest expense; Interest income; Posting from the columnar cash receipts book. Columns in the Cash Disbursements Book for Accounts Frequently Debited: Purchases; freight. Columns in the Cash Disbursements Book to Facilitate Recording Transactions Which Involve more than One Debit and Credit: Discount on purchases; Interest expense; Posting from the columnar cash disbursements book. Miscellaneous Matters: Cross-footing columnar books of original entry; Special columns to be used.
10. CONTROLLING ACCOUNTS	117	Division of labor; Controlling accounts; Controlling accounts help in locating errors; Subsidiary ledger rulings; Illustration; Sales book; Returned sales and allowances book; Purchase book; Returned purchases and allowances book; Cash receipts book; Cash disbursements book; Journal; General ledger; Accounts receivable ledger; Accounts payable ledger; Proving the ledgers; Providing controlling account columns in books of original entry; Posting to subsidiary ledgers from general ledger column; Cash books with controlling account columns and other special columns; Locating errors.
11. ACCRUED AND DEFERRED ITEMS	136	Income and expense applicable to a period; The cash and accrual bases of accounting. Accrued Expense: Nature of expense accruals; Adjusting, closing, and reversing entries. Accrued Income: Nature of income accruals; Adjusting, closing, and reversing entries. Deferred Expense: Nature of deferred expense; Adjusting, closing, and reversing entries. Deferred Income: Nature of deferred income; Adjusting, closing, and reversing entries; Extended illustration; Trial balance; Adjustments; Working papers; Several adjustments of one account; Statements of profit and loss and surplus; Classification in the balance sheet.

CHAPTER	PAGE
12. VALUATION RESERVES FOR BAD DEBTS AND DEPRECIATION	156
Principles of valuation; Provision for bad debts; Nature of Bad Debts account; Nature of bad debt reserve; Writing off bad accounts; Methods of estimating bad debt provisions; Provision for depreciation; Nature of the Depreciation account; Nature of the Reserve for Depreciation; Depreciation entries for a series of years; Reason for use of a reserve; Writing off fully depreciated assets; Writing down a fixed asset account; Showing depreciated fixed assets in the balance sheet; Net book values of receivables and fixed assets; Extended illustration; Classification of accounts; Do statements show facts or opinions? Objection to the term <i>net worth</i> .	
13. DISCOUNTING NOTES RECEIVABLE	178
Purposes of discounting notes receivable; Endorsements; Accommodation endorsements; Proceeds of a discounted note receivable; Discounting notes receivable at the bank; Discounting notes receivable with a creditor; Discounted note paid by maker at maturity; Discounted note dishonored by maker; Disposition of Notes Receivable Discounted account; Protest; Purpose of Notes Receivable Discounted account; Notes receivable and notes receivable discounted in the balance sheet; Discounted notes taken from debtor on account.	
14. BILLS OF EXCHANGE. REGISTERS	188
Bills of Exchange: Definition; Classification. Bills Drawn on Banks: Bank check; Certified check; Bank draft; Cashier's check. Two-Party Commercial Bills: Two-party sight draft; Two-party sight draft for collection of an account; Two-party sight draft for C.O.D. shipment; Two-party time draft; Acceptance; Accounts with notes and acceptances; Two-party time draft for collection purposes; Two-party time draft per terms of sale. Three-Party Commercial Bills: Three-party sight draft; Three-party time drafts; Discounting acceptances receivable. Registers: Notes receivable register; Notes payable register.	
15. THE VOUCHER SYSTEM	205
Purposes of the voucher system; Voucher system routine; Vouchers for immediate disbursements; Extended illustration; Posting from the voucher register; Posting from the check register; Elimination of accounts payable ledger; Partial payments; Returned purchases and allowances; Notes payable; Exchange charges.	
16. THE INDIVIDUAL PROPRIETORSHIP. THE PARTNERSHIP	222
Forms of business organization. Individual Proprietorships: Net worth accounts of a proprietorship; Closing the books; Proprietor's accounts after closing the books; Balancing the Capital account; Working papers; Statements. The Partnership: Nature of a partnership; The partnership contract; Net worth accounts of a partnership; Methods of dividing profits; Interest and/or salaries in excess of profits.	
17. THE PARTNERSHIP (CONCLUDED)	237
Profit and loss statement; Working papers; Statement of partners' capitals; Partnership balance sheet. Changes in Personnel: Changes cause dissolution; Adjustment of the accounts; Death of a partner; Retirement of a partner; Admission of a partner by purchase; Admission of a	

CHAPTER	PAGE
17. THE PARTNERSHIP (CONCLUDED) (Cont.)	
partner by investment. Liquidation of the Partnership: Disposal of assets; Division of the profit or loss; Distribution of funds; Partner with a debit balance.	248
18. THE CORPORATION	250
Definition; Corporate management; Organization of a corporation; Stock certificates; Transfer of shares; Transfer agent and registrar; Classes of stock. No par value stock; Advantages of no-par stock; Recording the issuance of stock; Illustrative entries. Group A Illustrations. Subscriptions Are Received for All the Authorized Shares; No Time Elapses Between the Taking of the Subscriptions and Their Collection: Entries for par value stock; Entries for no-par stock. Group B Illustrations. Subscriptions Are Received for Less than All the Authorized Shares; Time Elapses Between the Taking of the Subscriptions and Their Collection: Information to be shown by the accounts; Entries for par value stock; Entries for no-par stock; Capital stock in the balance sheet; Stock subscribed for; Subscriptions uncollected; Premium and discount in the balance sheet; Paid-in surplus in the balance sheet.	250
19. THE CORPORATION (CONTINUED)	266
Preferred stock; Accounts with various classes of stock; Common and preferred stock in the balance sheet; Stock issued for property; Stock values; Books peculiar to corporations; Subscribers' ledger; Stockholders' ledger; Minute book; Partnerships and corporations—advantages and disadvantages; Changing from a partnership to a corporation; Adjustment of asset values; Additional investments; Alternative procedures; Partnership books retained; Partnership books closed; new books opened for corporation; Changing from a corporation to a partnership; Entries if corporation books are retained; New books for the partnership.	266
20. THE CORPORATION (CONCLUDED)	278
The nature of surplus; Earned surplus; Capital surplus; Treatment of stock premium and discount accounts; Organization expenses; Profit and loss and earned surplus statements; Dividend; Liability for declared dividend; Stock dividends; Dividends in arrears on preferred stock; Treasury stock; Unissued and treasury stock—purchaser's liability for discount; Treasury stock is not an asset; Treasury stock in the balance sheet; Recording treasury stock acquisitions; Sales of treasury stock; Treasury stock and stated capital.	278
21. BONDS, SINKING FUNDS, AND SINKING FUND RESERVES	292
Sources of corporate funds; Mortgage notes and bonds; Stocks and bonds—advantages and disadvantages; Classes of bonds; First and second mortgages; Registered and coupon bonds; Recording the bond issue; Issues between interest dates; Payment of interest; Bond discount; Amortization of bond discount; Bond premium; Bond premium and discount in the balance sheet; Retirement of bonds; Sinking funds; Sinking Fund Reserves.	292
22. MANUFACTURING ACCOUNTS	305
Manufacturing costs; Profit and loss statement; Surplus statement; Statement of cost of goods sold; Balance sheet; Working papers; Apportioned items in the working papers; Closing the books; Adjustments; Manufacturing account entries; Profit and loss and surplus entries; Manufacturing and Profit and Loss accounts.	305

CHAPTER	PAGE
23. MISCELLANEOUS MATTERS	319
Numerical Chart of Accounts: Account numbers; Illustrative chart of accounts; Organization of ledger; Use of account numbers instead of account names; Voucher register; Cash disbursements book; Cash receipts book; Use of account numbers and check marks. Expense Controls: Controlling accounts; Subsidiary records; Posting from vouchers; Use of account numbers on vouchers. Note Registers as Books of Original Entry: Notes receivable register; Notes payable register.	
24. CASH	341
What is cash? Internal check; Cash receipts; Cash disbursements; Bank columns in the cash books; Petty, or imprest, cash; Dealings with the bank; Opening a bank account; Deposits; Maintaining a record of the bank balance; Miscellaneous transactions; The bank statement; Reconciling the bank account; Adjustments after reconciliation; Payroll bank account; Dividend bank account.	
25. ACCOUNTS RECEIVABLE. INVENTORIES. RESERVES. ALTERNATIVE METHODS OF ACCOUNTING FOR PURCHASE DISCOUNTS AND DEFERRED ITEMS	359
Accounts Receivable: Accounts receivable and payable with same party; Ledger headings; Account and statement at one impression; Checking and lettering entries; C.O.D. sales; Reserves against receivables; Estimating the reserve for bad debts; Writing off bad accounts; Recoveries; Reserves for returns and allowances, cash discounts, and freight; Discounts on returned sales; Freight paid and discount taken by customer; Accounts receivable in the balance sheet; Red balances in subsidiary ledgers; Consignments. Inventories: The cost principle; Cost or market; Effect of cost or market rule on gross profits; Inventory cost of items purchased at different prices; Procedure of inventory taking; Gross profit method of estimating inventories. Reserves: The nature of reserves; Reserves against assets; Reserves for liabilities; Reserves for contingencies; Reserves representing net worth. Alternative Methods of Accounting for Deferred Expenses and Income: Deferred expense; Deferred income. Alternative Method of Recording Purchase Discounts: Discounts available and lost; Changing to the alternative method of handling purchase discounts.	
26. FIXED ASSETS	384
Definitions; Charging fixed asset costs to operations; Classification of fixed assets. Plant Property: Cost of fixed assets; Overhead in the cost of construction; Depreciation; Computing and recording depreciation; Expenditures during ownership; Disposal of fixed assets; Appraisals; Subsidiary records. Natural Resources: Valuation; Depletion. Intangible Fixed Assets Normally Subject to Amortization: Reason for amortization; Patents; Copyrights; Franchises; Leaseholds and leasehold improvements. Intangible Fixed Assets Not Normally Subject to Amortization: Trademarks; Goodwill; Methods of computing goodwill; Proper book value of goodwill. Fixed Assets in the Balance Sheet.	
27. DEPARTMENTAL OPERATIONS	401
Departmental profits; Determining gross profits by departments; Selling expenses; Dangers of approximations; Columnar sales and purchase records; Cash sales and cash purchases; Departmental inventories in the balance sheet; Closing the books; Net income by departments; Significance of the statement; Contribution to overhead.	

CHAPTER	PAGE
28. THEORY AND PRINCIPLES OF ACCOUNTING	422
Purpose of chapter; "Present fairly"; Accounting principles; The cost basis of accounting; Determination of asset costs; Asset and expense expenditures; Departures from the cost basis; Cost transformations and expirations; Allocation of costs; Cost expirations and residues; Revenue, realized revenue, and income; When is revenue realized? Unrealized appreciation; Profits and savings; Conservatism; Consistency; Basis of accounts; Truth and disclosure; The latitude of a profession.	
29. MANUFACTURING COST CONTROLS	436
Perpetual Inventories. Raw Materials: Materials purchased; Materials used. Goods in Process: Production orders; Raw materials; Direct labor; Manufacturing expense, or overhead. Finished Goods: Completed production orders; Finished goods sold. Inventory Controlling Accounts: Material, labor, and overhead accounts; Raw materials used; Direct labor spent on goods in process; Manufacturing expenses charged to goods in process; Ledger accounts after transferring costs into goods in process; Cost of goods finished; Cost of goods sold. Summary. Under-absorbed and Overabsorbed Burden. Closing the Books. Working Papers. Statements.	
30. ANALYSIS OF STATEMENTS	456
Statements with Analytical Per Cents: Analytical per cents; Balance sheet with analytical per cents; Operating statements with analytical per cents; Significance of analytical per cents; Comparative statements with analytical per cents. Statements with Per Cents of Increase and Decrease: Per cents of increase and decrease; Computation of per cents of increase and decrease; Ratios expressed decimals; Comparison of more than two statements. Current Position Ratios: Working capital ratio; Distribution and movement; Acid test ratio; Percentage distribution of current assets; Accumulation of working capital ratio; Ratio of sales to receivables; Finished goods turnover; Raw material turnover. Miscellaneous Ratios: Ratio of net worth to debt; Book value per share of stock; Ratio of net worth to net fixed assets; Ratio of net sales to net fixed assets; Ratio of net income to net sales; Ratio of net income to net worth; Summary. Statement Analysis—Illustrative Case: Analysis of a single balance sheet; Comparative balance sheet analysis; Balance sheet and operating statement analyses. Analysis of Manufacturing Costs. Production and Inventories. Analysis of Receivables: Summary; Limitations of statement analysis.	
APPENDIX 1. MATTERS RELATED TO PAYROLLS	482
Federal old age benefits taxes; Federal unemployment insurance taxes; State unemployment compensation taxes; Federal income tax withholding; Other payroll deductions; Requirements of Federal Fair Labor Standards Act; Payroll procedures; Wage payment reports to employees.	
APPENDIX 2. LOCATING ERRORS	499
Checking the general ledger; Posting to work sheets; Checking the subsidiary ledgers; Checking other subsidiary records; Special tests; Correcting errors.	
APPENDIX 3. PREPARATION OF MONTHLY STATEMENTS WHEN BOOKS ARE CLOSED ANNUALLY	505
ASSIGNMENT MATERIAL	511
INDEX	659