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C. C. Marsh

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Marsh: Lecture on the study of Book-keeping, with a balance sheet

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A

LECTURE

ON THE

STUDY OF BOOK-KEEPING,

WITH A

BALANCE SHEET.

“Let no man enter into a large business while he is ignorant of regulating accounts; never let him imagine that any degree of natural abilities will supply this deficiency, or preserve multiplicity of affairs from inextricable confusion.” JOHNSON'S *Preface to Ralt's Dictionary of Commerce.*

BY C. C. MARSH;

AUTHOR OF “DOUBLE ENTRY BOOK-KEEPING SIMPLIFIED,” &c.

NEW YORK,
Printed for the Author.
1835.

Long & Lawrence, Printers, 136 Water-Street.

TO THE
MERCHANTS OF NEW-YORK

I am indebted to you for most of the patronage received since I have resided in this city; and so well am I pleased with the encouragement afforded me, that I have concluded to make it my permanent residence.

I beg leave to offer my thanks, and to add my assurances that I shall continue to teach the theory and practice of accounts to the best of my ability, and that my certificate will be issued in favor of thoses only who have undergone a complete drilling, and will be found upon trial adequate to the purposes of business. Such will be capable of adapting the science to the peculiarities of any business, and also, of following up or continuing any system already in use.

Very respectfully,
C. C. MARSH.
77 Cedar Street,

Entered according to Act of Congress, in the year 1833, by C. C. MARSH, in the Clerk's Office of the District Court of Maryland.

A
LECTURE
ON THE
STUDY OF BOOK-KEEPING.

It is, no doubt, of little consequence to the people of this country, who was the inventor of Double Entry Book-keeping, what his character, where he lived, or what king reigned over him: and did there exist a great and perhaps laudable curiosity to pry into these often important items, nevertheless, the father of the science could not be named, nor its birth-place pointed out. It is probable that book-keeping is the child of many fathers — that it did not burst upon the mind of some laboring votary of science like many of the late improvements in mechanics and chemistry, but that its dawn was gradual and its march was step by step in slow succession. No one person invented it; no one country nurtured and raised it to its present magnitude. Italy may have been its fair dame; in her commercial prosperity it may have first respired: but consumption, a disease to which states are subject as well as men, checked her health, and consequently our favourite science was neglected there. We next discover it in England, to which country it made its way through Germany. Its magnet is trade and commerce; wherever they flourish, it will. And here it is at last in the happiest and most enlightened of countries.

Whatever may be its history, the result is that book-keeping, as a branch of knowledge, is far in the rear of many of less general importance. Few indeed are they who possess even a partial insight into this useful branch of a common education. The counsellors at law seem scarcely aware that it belongs to their profession; merchants and clerks are often but barely initiated into its theory and practice, being confined by a monotonous and contracted business; and the teachers and professors, left entirely to the imperfections of books, have almost despaired of every rendering satisfaction in this department of literature.

To what cause are we to attribute so much ignorance of a science which is of daily importance to every man in civilized society? Are we to excuse ourselves in denouncing it as complicated and abstruse? No, far from it! We are happy in an opinion more favorable to its character. We see this science from its foundation, and perceive no indication of abstruseness;

on the contrary, its theory teems with the simplest truths, and its practice consists of the common and daily occurrences of life, with which all must have some intercourse.

If I might, without exposing myself to the charge of presumption or arrogance, point out the cause of the great deficiency of sound knowledge, and the great difficulty in arriving at it, I would say, that as it is through the art of printing that most of the branches are received, something must be materially wrong in the manner and method of presenting the science to the mind. We believe that authors have treated bookkeeping very superficially; they have not explained it as a rational science — not addressed themselves to the reason, but only to the eye. They have mistaken the proper method of simplification, or else considered it unnecessary; for they have invariably confined their attention to the *forms* of account books or the *number*, when they should have investigated the principles of the science, erased superfluous and redundant rules, amalgamated the many divisions into which it has been divided, and thereby presented to the mind something like unity.

If the systems now so long before the public possessed reason, or were founded on such a basis, every young man who could comprehend the first four rules of arithmetic would be well acquainted with the principles of book-keeping.

When the numerous arbitrary and irrational rules shall cease to be resorted to by the ignorant, are expunged from the science, and discarded from the institutions of learning by the wise, then will book-keeping advance to a station among the first branches of necessary knowledge, and be taught with the first. In academics it should follow arithmetic and geography; for in a country like ours, where trade and commerce are pursued in some degree by nearly every class of society, all persons must soon or late feel its value. At present, a very high estimation is set upon a critical knowledge of accounts. Book-keeping is a business of itself, which supports thousands now in the United States, although it is so imper[f]ectly understood. To the affluent it yields a satisfaction that often amounts to protection. It presents to them a true picture of their pecuniary circumstances; it bestows the ability to substantiate their claims, to preserve their property, to shield their honor as merchants and gentlemen; and, at dissolution, the consolation of rendering to their friends or relations testimony whereby their rights as heirs, debtors or creditors, may not be obscurely seen through the windings of suspicion and fraud, and left to the avarice of humanity.

It is not my intention in this pamphlet to review any work on book-keeping. they are all alike — all one in theory, only varying in form. Their account books are ruled differently; but their principles and rules appear to have been copied one from the other. It is common for works on book-keeping to be free from any thing like rational instruction or explanation, as though these words were actually intended not for the unlearned, but for those who were experienced in the science. It is true, they embrace many rules, principles, divisions and classifications; but it can be easily shown that the rules are encumbered with numberless exceptions, that the principles are entirely imaginary and do not exist in the subject; and that the classifications are entirely useless in the study or practice, and afford not the least assistance to the learner, but rather tend to confuse and disgust him.

There surely can be no necessity for introducing divisions and classifications into a science that has its foundation and termination, in the two simple terms of *debtor* and *creditor*. Where can be the utility of numerous rules and principles, when the uniform object is simply to show what owes us and what we owe? What greater obstacle could be placed to retard the progress of the student in his study, than rules and principles which from their number, exceptions, and ambiguity, are more difficult than the matter to be explained.

A rule to be useful should be simple — the more simple the rule is the better it is; because it is to be applied by a person ignorant in the science. A rule should be devoid of exceptions; for where one exception is apparent, many more may exist undiscovered. A rule should not be an *accidental* coincidence, but an independent truth, and that truth self evident to common sense.

In proportion as the number of rules, principles, and divisions in a science is augmented, the memory becomes charged, and the reason discharged from the study. The less we depend on our rational faculties the more liable we are to err. When the rules are numerous, it is no small task to decide when to accept one as a guide or when to reject the same — which rule to use and which not to use.

Without a rule [that] involves the cause, it is no more than an accidental coincidence; — no accidental coincidence should govern the mind of a rational being.

The science of book-keeping is so simple and unit like, that it cannot be simplified by division. When you divide it you destroy its unity, and consequently increase whatever difficulty

existed. Any apple may be divided into so many parts as no longer to be an apple. So may it have been with this useful branch of knowledge, divided and subdivided, and these divisions re-collected in classes, until identity is lost, or its true form destroyed.

The following are brief extracts from the rules and classifications which are set down in the old works on book-keeping, for the rudiments on which the science is founded; these, with many more, the student is required to commit to memory.

“There are three kinds of accounts, viz. — Real Accounts, Personal Accounts, and Imaginary or Fictitious Accounts.”

The student is next informed that “Real Accounts are such as represent the merchant’s property and effects;” that “Personal Accounts are such as represent persons;” and that “Fictitious Accounts are such as represent the merchant himself.”

This distinction in the kinds of accounts is useless, and cannot be maintained as true to correct. The accounts may represent various things, but the variety of objects represented does not create any difference in the accounts; if it did, we might have many more divisions than these. It is wrong to say “real accounts,” because all accounts are real — There are no unreal accounts. An account that is opened for John Sims is truly as much an account as one opened for merchandise. We may properly say good accounts, bad accounts, long accounts, short accounts, but not *real* accounts. The other two divisions, viz. Personal and Imaginary, appear to be the same thing; for imaginary accounts are defined to represent the merchant, and as the merchant is a person, therefore, both imaginary and personal accounts represent persons. What then becomes of the *three* kinds — one kind means property and the other two mean persons? Certainly there are only two kinds in the three.

Admitting this division in the accounts to be correct, of what consequence can it be to know that accounts for persons are called “Personal accounts,” or that accounts for property are called “real accounts,” (a name unknown in business,) and to say that the account that represents the merchant is an imaginary or fictitious account is only another way of calling him an imaginary or fictitious being.*

*It is a singular and unaccountable fact, that there are in the various old systems of book-keeping, many terms and forms of expression that are never used, and are even unknown in the language of commercial intercourse.

The student is also taught that each of the foregoing classes of accounts, has its own numerous rules for debiting and crediting. They are said to be summed up as follows.

"Real Accounts. — By Journal Laws, what I receive,
Is debtor made to what I give."

"Personal Accounts. — Stock for my debts must debtor be,
And creditor by my property."

"Imaginary Accounts. — Profit and Loss accounts are plain,
You debit loss and credit gain."

The first of these rhymes is the hackneyed rule that has guided and *misguided* every person who has engaged in the study of book-keeping according to the old systems. It has been most injurious in its effects — more so than any other rule, because it has been more used. It originated in the circumstance that may often take place, viz. goods being received and being debtor at the same time; so that one part of which coincidence is made, in the rule, to be the cause of the other. Founded on an accident, and embracing no reason, of course such a rule must be subject to innumerable exceptions, and tend greatly to mislead.

The rule declares that "what is received is made debtor to what is given;" which is saying that one thing owes another. Now that is the greatest possible nonsense, for no person cares when one article owes some other article. — The true object of solicitude is *what owes us, and what we owe.*

The said rule is sometimes explained to mean, that "what is received is debtor," and "what is delivered is creditor." Now if the question be asked, why does receiving a thing make it debtor, or delivering it make it creditor? no rational answer can be given. Goods or articles are not debtor for any such cause as receiving or delivering. The words *deliver* and *creditor* — *receive* and *debtor*, are no way synonymous, therefore one cannot be inferred from the other.

I might state very many cases in which the application of this rule would produce errors; but with what I have said, I presume one will suffice. On the 3rd of April, in the Day-Book of my "Book-keeping Simplified," is the following entry: — "Received of Irvine Fisher, to be sold on Commission, 300 bags of Coffee, amounting to \$3,375." Now if this transaction was disposed of in the journal, according to the rules laid down in the old works, there would be two gross errors in the account books.

The second rhyme quoted, so far from alluding to personal accounts, seems to refer only to one account; viz. Stock. This

word Stock is a name given to the merchant or owner of the books. Why he is termed Stock, I could never understand, therefore, I always call the merchant in the books by his proper name. We are gravely informed in this rule, that the merchant must be debtor for all his debts, and creditor for all his property. I am inclined to think that the pupil will not be much wiser after he has committed this rule to memory than he was before.

The third rhyme quoted is a gross falsehood. We never debit loss and credit gain: nor do they ever; but mostly the reverse. Thus it is with the old works on book-keeping — their rules and principles teach you one thing, while the entries in their account books teach you another that is quite opposite. Let those whose careless way of thinking has suffered them to remain under the impression that the said rule is a good one only suppose, for example, that they have lost cash, \$500; and then ask themselves if they would debit cash as the rule directs? No, they would not; but would credit cash. In this case the loss is cash, and cash should be credited, which is crediting the loss: directly the reverse of the rule.

Such are the rules and principles that make the theory of the science entirely different from its practice; and throw between the two so great a distance, as to render it impossible for the student to perceive both at the same time. As well might a person attempt to descend from the top of a house by steps farther apart than the house is high, as to master the science of Book-keeping by the aid and use of such rules as those alluded to.

Under the influence of such rules as the foregoing, the industrious student may commit a bad theory to memory, and be at the same time ignorant of the practice; and when he attempts to learn the practice, that instant he must begin to lose the theory, or he will never succeed.

But a change is, and has been for some time, coming over the public mind on the subject of Book-keeping. The true science is gradually gaining a footing which cannot be lost. A few years since, the subject of this pamphlet was thought to be so dark a mystery, that only an apprenticeship of five or seven years could make a book-keeper. Merchants were unwilling to place confidence in book-keepers who had not been drilled from the operation of sweeping a warehouse, up to the balancing of a cash-book. It is now generally believed, that to acquire the theory and practice of book-keeping solely by the opportunities afforded in a mercantile house is the most expensive,

laborious and ineffectual method that can be pursued; therefore, instead of depending upon the precarious source of information, from which, at most, only a few instructive hints can be gained, a young man endeavors to become well acquainted with it before he enters a mercantile establishment.

Book-keeping, like any branch of knowledge, must be taught and studied — it cannot be acquired through experience in business. As well might a person expect to learn Surveying by buying and selling lands, as book-keeping by speculating in merchandise. A long residence in a mercantile house, together in over-looking and assisting the book-keeper, may impress a certain routine upon the memory, but nothing more. In five or seven years of such experience and labour, is embraced no more, if as much, knowledge of the theory and practice of Double Entry Book-keeping, than can be gained in one month under a good teacher.

A person may keep correctly the accounts of the house in which he was brought up, but as the business may be quite different in any other house, change his situation, and he who was capable will be incapable. The cause is this — in his first situation he was governed, not by present knowledge and understanding, but by *precedent*; the business or transactions that occurred last year were repeated this year, perhaps, without a single variation. In a long time, these transactions became familiar, but familiar only by repetition; for though the entries in his books were correct, or not grossly wrong, no reason guided his opinions, and no science yielded to him the conscious satisfaction that his books *were* correct.

“He groped his dull way on
By the light of ages gone.”

Not so with the individual who is master of the science, he is at home in the accounts of any business and requires no precedent to assist him. Aware that the beauty and utility of the science, is its being alike applicable to every business; that its principles extend with an admirable uniformity to all the avocations of man, from the mechanic to the banker.

A young man may not, therefore, devote himself as an assistant in a mercantile establishment, for the purpose of learning Book-keeping; for in that he will surely fail. But he will obtain a knowledge of the business, and form mercantile friends; while acting under the direction of the interested, a few years, may contribute much to his capability for conducting a business of his own. The science of Book-keeping is distinct from the art of trading — you may be an excellent

business man, and no book-keeper at all; or, an accomplished Book-keeper and possess few requisites indispensable in the character of a merchant. This must be apparent: widely do the duties and responsibilities of the merchant differ from those which rest on the Book-keeper. One is often anxious with hopes and doubts, animated with joy, or depressed with disappointment. Being affected by every change in the market, the wind or weather, he is bound by a thousand threads which extend like the rays from a light and settle upon as many objects around, at the extreme of each of which depends some interest or enterprise. These tender threads may be severed in an hour by a wave on the ocean of political opinions, policy, or local interests. In the varied circumstances of the merchant, the book-keeper has little or no participation; sometimes he may feel a sudden shock at an incident it becomes his duty to record but it soon passes off: he eats and sleeps as usual and with apathy resumes each day his station to observe, and note, or make transcripts from records, which but for him would have faded from the memory, never to be recalled.

The purpose of this pamphlet is to lay before those interested in the subject, an introduction to the science of accounts; and to convince the reader that it is far from being a complicated branch of knowledge; that when it appears so the fault surely lies in the method of teaching. Having shown what ought to be considered great absurdities in the very rudiments of Book-keeping, as it has for a long time been taught, I shall now proceed to show it in its simplicity, as it is presented in my work, entitled, "Double entry Book-keeping Simplified." This book does not propose a new method of *keeping* accounts, but a new and improved method of *teaching*. The improvement consists chiefly in substituting *one* infallible and practical rule for many rules. Instead of requiring the student to commit to memory various rules and principles, he is, in studying the most difficult part of the science, directed to endeavour to distinguish *what owes him, and what he owes*. This rule, viz: —

WHATEVER OWES US IS DEBTOR —

WHATEVER WE OWE IS CREDITOR,

brings immediately into action those interested feelings and practical ideas, which give experience and teach what will be of real service in the business world.

While it is true that this method of teaching must result in a critical knowledge of Book-keeping, it is also true that it is the easiest possible method on which to study or to teach the same. While the old method of teaching makes the head of the

pupil a mere box, the more modern renders it a responsible free agent. That instruction which exercises the reason, is practical and will be of service whether right or wrong; for if the student is taught a proper dependence on his reason, the less liability is there of his remaining in error, when he is in it, and less of his getting in, when he is out.

Double entry Book-keeping is a systematic exhibition of the transactions of Business, for the purpose of ascertaining *all that we owe, and all that owes us.*

To arrive at the destined results which the science prompts us to anticipate, many books are used, according to the extent and variety of the transactions to be recorded; but most of the practice and all of the theory is embraced in three books, viz: — Day-Book, Journal, and Ledger.

Day Book. — This book should contain a plain, true and perfect history of the business, or a record of all the transactions. It generally commences with a statement of the circumstances of the party, that is, his property and debts. The following are examples of day book entries or records.

NEW-YORK, May 1, 1835.

Inventory of the Property and Debts of C.C. Marsh, viz.	
Cash, as per Cash-books	\$500.00
50 barrels superfine Flour,	250.00
1. John Sims owes a balance of account	150.00

My Note in favour of William Holland, for	\$900.00

Amount of net capital,	\$800.00
	4.
1. Bought Merchandise of Charles Collins, at ninety days credit.	400.00
	5.
1. Sold to John Sims, on account, twenty barrels superfine Wheat Flour,	120.00
	7.
1. Bought Merchandise of George Harper, on my note at four months,	1,000.00
	10.
1. Received Cash of John Sims, in full,	270.00
	12.
1. Sold Merchandise to Robert Taylor, on his note at six months,	500.00
	14.
Paid Cash to William Holland for my Note, due 30th September, for	\$100.00
1. Discount, at six per cent. 142 days deducted,	2.37

	97.63
	15.
1. Delivered my Note to Charles Collins, at ninety days, for amount of his bill of 4th inst.	400.00

I think my reader will readily perceive that the preceding entries are nothing more than simple records, made in plain English, and involving no technicalities. Such a record continued would embody in the Day-book a complete history of a business. In every concern where a correct system of accounts is properly valued, there ought to be one account book of the set, in which may be found an entire history of the business; and if that history is not in the Day-book, it cannot be in any other.

NOTE. — It is necessary in teaching, to treat transactions separately; but in business we approve of allowing the plain sales to remain in the sales-book until the end of the month, and then to bring the whole into one day-book entry; also to make similar monthly entries from the cash and invoice-books.

JOURNAL. — The journal is the medium by which the debtors and creditors that are contained in the Day-book are conveyed into the Ledger. A proper journal entry consists only of the debtors and creditors, leaving all the particulars of the transaction in the Day-book. The following are the Journal entries, made from the preceding Day-book entries.

NEW-YORK, May 1, 1835,

Sundries Dr.	To Sundries.		
2 Cash,		\$500.00	
3 Merchandise,		250.00	
4 John Sims,		150.00	
		\$ 900.00	
5	To Bills Payable,	\$100.00	
1	"C.C. Marsh,	800.00	
		900.00	
	4.		
3 Merchandise,	Dr.		
6	To Charles Collins,		400.00
	5.		
4 John Sims,	Dr.		
3	To Merchandise,		120.00
	7.		
3 Merchandise,	Dr.		
5	To Bills Payable,		1,000.00
	10.		
2 Cash,	Dr.		
4	To John Sims,		270.00
	12.		
8 Bills Receivable,	Dr.		
3	To Merchandise		500.00
	14.		
5 Bills Payable,	Dr.		
2	To Cash,	\$97.63	
7	"Discount,	2.37	
		100.00	
	15.		
6 Charles Collins,	Dr.		
5	To Bills Payable,		400.00

Explanation of each of the preceding Journal entries. — Only one rule is of utility in forming Journal entries, and that rule alone should govern or regulate the mind. The rule is thus:

WHOEVER OR WHATEVER OWES US IS DEBTOR, and
WHOEVER OR WHATEVER WE OWE IS CREDITOR.

There is no transaction within the extent of human affairs, however complicated or intricate, but what may be easily and correctly disposed of in the Journal by the application of this rule. The rule and the science of Book-keeping make no distinction between *persons* and *things*. The word *debtor* is applied to merchandise, cash, notes, and other property, in the same sense and manner as it is applied to John Sims, Charles Collins, or any individual. Merchandise owes us when it is responsible for any quantity of value: Cash owes us for as much value as it contains, or is responsible for: and J. Sims or C. Collins owes us for whatever quantity of value they are responsible. Dollars, cents, pounds and shillings are merely ideas of quantities of value, by which the value itself is measured.

ENTRY OF MAY 1. — This entry in the Journal commences with a preface of "Sundries Dr. to Sundries," and signifies that the entry is to embrace several debtors and several creditors, which immediately follow. The debtors always come first. Cash is debtor, because that kind of property owes me the quantity of value contained in it, which amounts to \$500.

Merchandise is debtor, because that kind of property owes me the quantity of value contained in, being \$250.

J. Sims is debtor, because he owes me the quantity of value for which I have claim on him, being \$150.

Thus far we have explained the debtors, all three of which are debtors, each for the same cause, viz. because they owe me. Bills payable and C.C. Marsh stand as the creditors in the entry of this date. Bills payable is a title given to my note drawn in favour of William Holland: the note is called "payable," because it is against me, and I shall have to pay it: and it is creditor because I owe it.

I, C.C. Marsh, am creditor, because I am owed by my property \$800 more than I owe, being my clear capital.

ENTRY OF MAY 4. — I repeat the one and only rule, because it is to be applied in making this and every other journal entry; and I can imagine no objection to it: it is self-evident, and it must invariably produce a correct result.

WHOEVER OR WHATEVER OWES US IS DEBTOR, and
WHOEVER OR WHATEVER WE OWE IS CREDITOR.

As the Journal entry of the 4th of May stands, it is two abbreviated sentences, which when expressed in full, would be thus —

Merchandise is Dr. to me for	\$400.00
<i>I am Dr. to Charles Collins for</i>	400.00

Much of these two sentences is, or course, superfluous; for all we wish to show is the names of the debtor and creditor, because our books are understood to contain *our* debtors and *our* creditors, and not those of other persons; hence it is, that the words printed in italics are omitted in the Journal entry, but they are nevertheless, absolutely necessary to a correct understanding of the Journal entry.

Question. — Why is merchandise debtor and Charles Collins creditor in the entry of May 4th?

Answer. — Merchandise is debtor because it owes me what it cost me, being \$400.

Charles Collins is creditor because I owe him \$400, being the cost of the merchandise which I bought of him, and for which I did not pay him.

You do not see the term of “Cr.” in the Journal entries, because, since there are but two kinds in an entry, we have but to point out which are the debtors, and then we know that the others are the creditors, without using the word Cr.

ENTRY OF MAY 5. — Question. Why is John Sims debtor and merchandise creditor.

Answer. — J. Sims is debtor because he owes me, and he owes me because he did not pay for the merchandise he bought.

Merchandise is creditor because I owe it, and I owe it for producing me \$120 value. Observe, this entry does not mean that J. Sims owes or is debtor to merchandise, but only that J. Sims is debtor — that is, my debtor; and that merchandise is creditor — my creditor, because I owe it for producing me \$120.

ENTRY OF MAY 7. — Question. Why is merchandise debtor and bills payable creditor?

Answer. — Merchandise is debtor because it owes me, and it owes me because it has cost me \$1,000. Bills payable are creditor because I owe my note. Observe, that I do not owe the person to whom the note is given, but the note itself; for the claim exists against me only in the existence of the note: were the destroyed I should have nothing to pay. The note is called “payable” because it is against me, and I shall have it to pay when the time expires.

ENTRY OF MAY 10. — Question. Why is cash debtor and John Sims creditor?

Answer. — Cash is debtor because it owes me now the amount which J. Sims owed me before. If J. Sims had paid me in any other property, that other property, whatever it might be, would owe me. J. Sims is creditor because I owe him. Before J. Sims paid me, he owed me; now he has paid me, I owe him: and the circumstance of our both owing equally balances the claim, and there is now (after I confess I owe him) nothing to be paid by either.

ENTRY OF MAY 12. — Question. Why are bills receivable debtor and merchandise creditor?

Answer. — Bills receivable are debtor because the note, which Robert Taylor gave me, owes me. The note is responsible for the quantity of value it is drawn for. The note is called "receivable" because I am to receive the amount of it when the time expires. Robert Taylor does not owe me because the note is a payment for the time it is drawn. Merchandise is creditor because I owe it for producing me \$500 value.

ENTRY OF MAY 14. — Question. Why are bills payable debtor, and cash and discount creditors?

Answer. — Bills payable are debtor because the note owes me. My note stood out against me for \$100 and I owed it, but now, since I have paid it, it owes me, which balances the account so far as that note is concerned. Cash is creditor because I owe it for paying such a portion of the note for me. Discount is creditor because I owe that branch of my business for paying \$2.37 towards the note for me. Profit and loss is a title given to my business, (my business is my transactions,) and it is so called because my business is always gain and loss. Commission, discount or interest, and store expenses, are branches of my business, and they are all debtor and creditor for the same cause as a person or a property. The rule applies with the same uniformity in all cases and transactions. I say my business, (profit and loss,) owes me when I lose by it, and I owe my business when I gain by it. And, as I have said before, whatever is debtor must be debtor because it owes me, and for no other cause; and whatever is creditor must be creditor because I owe it, and for that cause only.

ENTRY OF MAY 15. — Question. Why is Charles Collins debtor and bills payable creditor?

Answer. — Charles Collins is debtor because he owes me for paying him what I owed him; and now that he owes me the same amount that I owed him, his account is balanced. Bills

payable are creditor because I owe the note which I have issued against me; the note holds me responsible, having my signature on it, and when the time expires I shall have to pay it.

Observe, when an entry is made in the Journal the page of the Journal is placed in the first column in the Day-book, against or opposite to the same entry, which signifies that such entries have been entered in the Journal, or journalized.

LEGER. — The Leger is the book in which every transaction becomes ultimated. The Leger shows at one place all concerning one thing or subject; for instance, if we wish to find all that John Sims owes us and all we owe him, we should have to look from the beginning of the Day-book to its end; but, through the assistance of the Journal, every debtor and creditor in the business is carried from the Day-book to the Leger, and is there shown under its one particular head; so that by turning to the account or page allotted for any particular person or property, we discover at once all that person or property owes us, and all that we owe him or it. Making entries in the Leger is termed “posting.”

Posting is a very simple operation, and consists of copying the Journal entries into the Leger; for the Journal only prepares the debtors and creditors for the Leger, so that whatever is debtor or creditor in the Journal must be the debtor or creditor also in the Leger. In posting the entry of May 1st, I commence by opening an account for “cash,” that being the first debtor or creditor in the Journal; and since cash is debtor for \$500, I write on the debtor side of the cash account the preface to the other half of the Journal entry, viz. “to sundries,” next, the page of the Journal, and then the sum of \$500 in the column; and to show that cash is posted, I place the page of the ledger against the cash in the Journal. The same process is to be pursued in posting merchandise and John Sims. Bills payable and C.C. Marsh are to have the entries made on the creditor side of the accounts, because they are the creditors in the Journal entry.

In posting the Journal entry of May 4th, the term “sundries” is not used, because it is not the Journal entry; and merchandise is debited “to Charles Collins,” and Charles Collins is credited “by merchandise.”

The following is an example of the Leger with the preceding Journal entries posted. It is customary to open the owner’s account on the first page of the Leger.

1	DR.			C. C. MARSH.			CR.	1
				1835				
				May	1	By Sundries	1	\$800.00
2	DR.			CASH			CR.	2
				1835				
				May	1	To Sundries	1	\$500.00
				"	10	" John Sims	1	270.00
				May	14	By B. Payable	1	\$97.63
3	DR.			MERCHANDISE.			CR.	3
				1835				
				May	1	To Sundries	1	\$250.00
				"	4	" C. Collins	1	400.00
				"	7	" Bills Payable	1	1000.00
				May	5	By John Sims	1	120.00
				"	2	" B. Receivable	1	500.00
4	DR.			JOHN SIMS.			CR.	4
				1835				
				May	1	To Sundries	1	\$150.00
				"	5	" Merchandise	1	120.00
				May	10	By Cash	1	\$270.00
5	DR.			BILLS PAYABLE.			CR.	5
				1835				
				May	15	To Sundries	1	\$100.00
				May	1	By Sundries	1	\$100.00
				"	7	" Merchandise	1	1000.00
				"	15	" C. Collins	1	400.00
6	DR.			CHARLES COLLINS.			CR.	6
				1835				
				May	15	To bills payable	1	\$400.00
				May	1	By Merchandise	1	\$400.00
7	DR.			DISCOUNT AND INTEREST.			CR.	7
				1835				
				May	14	By Bills Payable	1	\$2.37
8	DR.			BILLS RECEIVABLE.			CR.	8
				1835				
				May	12	To Merchandise	1	\$500.00

THE PROOF OR TRIAL-BALANCE.—The operation by which the posting, the additions and subtractions, are proved to be correct is termed the "Trial-balance," because it is to see if all the debtor amounts in the Leger equal or balance all the creditor amounts, which is a necessary consequence, if the work is

correctly performed. The following be a Trial-balance, made out from the preceding Leger:

DR.	BALANCES OF MAY 15, 1835.		CR.
1 Cash	\$672.37	2 C.C. Marsh	\$800.00
5 Merchandise	1,030.00	3 Bills Payable	1,400.00
7 Bills Receivable	500.00	8 Discount and Interest	2.37
	\$2,202.37		\$2,202.37

The above consists of the balances of all the accounts in the Leger. Those balances are obtained by adding up the columns and subtracting the debtor from the creditor, or the creditor from the debtor, as the case may be. If the two sides of an account equal, then there is no balance. The reason of the Trial-balance showing on its debtor and creditor sides two equal amounts, is this: in every journal entry the debtor and creditor amounts equal, therefore as the Leger is only a copy of the Journal, the debtors and creditors must equal the Leger also.

BALANCE-SHEET.—The sheet that accompanies this pamphlet is made out from my work entitled “Double Entry Book-keeping Simplified,” and it embraces the result of the six months’ business recorded in that volume; therefore, to examine minutely each item, and understand what may be the nature of the transaction or account from which it was brought, involves more of science than could be expected in a lecture. A Balance-sheet, however, in its finished state, is very plain and simple: first, upon the debtor side of that part headed “Balances of Property and Debts,” are brought all the property that belongs, and all the debts due to us, making in total the whole of our possessions; and upon the creditor side of the same part of the sheet are brought all that we owe, or shall have to pay; therefore, to find the amount of our worth or present capital, we only subtract what we owe from what we possess, the net capital then is \$57,849.62.

Upon the debtor side of that part of the sheet headed “Balances of Profits and Losses,” are brought all the losses that are shown throughout the books, making in total the whole loss of the business; and upon the creditor are brought all the gains, making the total gain of the business, from which subtract the loss, and the difference or balance is the net gain, \$19,385.77. One thing must now intervene before the balances can be entered and the sheet finished, and that is, we must *prove* that

every thing is correct so far, that every sum of property, and debts, and profits and losses, is entered, and entered in its proper place. The proof is thus : find the amount of the old or former capital, and add to it the net gain, and it should give the present capital; and then if the old capital and the gain do not make our present capital, some part of the sheet is wrong, but if the proof is obtained, the sheet may be balanced or closed; thus, the lower part of the sheet is closed by the last two entries on its debtor side, showing a division of the net gain, which is divided equally, because interest was agreed to be allowed on the difference of capital advanced by the partners. The upper part of the sheet is closed by the last two entries upon its creditors side, showing each partner's proportion of the capital. Blanchard's share is found by adding to his old capital, of what he put in clear, his half of the gain as shown on the lower part of the sheet — and Marsh's share is found in the same manner. The sheet is dated at the bottom.

It is a very common mistake to call the "Trial-balance" a "Balance-sheet," when no two things can be much more dissimilar. The Trial-balance is only a proof that the accounts are correctly posted, added and subtracted; but the Balance-sheet shows at one view the entire result of business, the exact situation of affairs, or, in the brief and pertinent phrase, "how we stand." The Balance-sheet shows in what manner our capital is invested, what is the nature of the claims against us, from what sources our gain generally arose, and what speculations terminated in loss. So complete and yet so condensed in the nature of the Balance-sheet, that the most satisfactory exhibition of the situation of a commercial establishment or a public institution can be drawn off upon a single sheet of letter paper. How gratifying would be the reception and perusal of such a document, conveyed by post to an absent and travelling partner. How satisfactory to the community would be the publication of such a document, when the solvency of an institution is called in question. But while we perceive the utility, and justly appreciate a critical knowledge of the simple and interesting science of Book-keeping, we cannot but lament and wonder at the great deficiency of such knowledge, more particularly when it is so glaring in perhaps a majority of men of business, and those who occupy official situations. Often is it that an institution publishes an account of its affairs, and the consequences is, that those who read, read but to arrive at adverse opinions; discussions and investigations ensue, to little or no good, and the public mind is still impressed with doubt and suspicion.

In conclusion, I would observe, that my endeavor in this lecture has been to give a cursory view of Double-entry Book-keeping, for the purpose of convincing the reader that it contains nothing but the simplest results, plainly told, and that when any thing else is offered as Book-keeping it must not be accepted; and if, after an attentive perusal, the readers should agree with me in the preceding opinions, he may be firmly assured that he can become, with a little study, critical in the science.

FINIS.

[Followed by a page of advertising, not reprinted, for Marsh's bookkeeping course and texts.]

[C. C. MARSH'S BALANCE SHEET.]

Dr.	Balances of our Property and Debts.	Cr.
1	Store Fixtures, cost	balance in his favor \$ 11,975.78
2	Schooner Josephine, cost	balance outstanding 38,795.82
3	Cash	balance in his favor 654.87
5	Bills Receivable,	balance in his favor 2,131.27
8	Merchandise,	balance in his favor 6,612.97
9	Penn. Life Insurance Stock,	
13	L. H. Lovel,	
"	Walter Howard,	Thomas Blanchard's share of capital, 31,754.72
14	Company 2. Merchandise,	C. C. Marsh's share of capital, 26,097.89
18	Shipment to Boston,	
19	Aispurua Hornillos & Co.	Net Capital,
20	Shipment to New York,	
"	Shipment to London, Co. 2,	57,849.61
		<hr/>
		118,020.33

Dr.	Balances of our Profits and Losses.	Cr.
10	Discount & Interest, loss	\$ 1,224.00
"	Store Expenses, loss	gain 353.75
21	Shipment to Hamburg, Co. 3, loss	1,209.89
22	Shipment to Charleston, loss	5,960.65
		160.00
	Thomas Blanchard's half gain,	197.78
	C. C. Marsh's half gain,	1,89.44
	Net Gain,	600.00
		7,620.14
		gain 767.55
		gain 1,236.62
		<hr/>
		21,220.82

LONG & LAWRENCE, PRINTER, 136 WATER STREET New York, JULY 4, 1835.