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Those of us who are interested in the history of accounting naturally wonder what will be the next change in the interest and opinion of the accounting profession. We have witnessed the abolition of blotters, the introduction of cards, slips, and loose-leaves, the subdivision of the merchandise account, and other reforms of similar significance. We have watched the evolutionary process as it divides the subject of accounting into more and more departments and develops each department for finer efficiency. What will the next important "variation" of the accounting species be like? Wherein will the textbooks of the next decade differ most from the best texts of the present?

In my opinion the part of accounting texts most greatly in need of a general overhauling is that concerned with single entry. The treatment of this important topic is usually little more than a small collection of very inaccurate bromidioms. The theoretical phases of the topic are either completely ignored or carelessly glossed over. Where, for instance, can we find any consideration at all of the essential difference between a nominal account in single entry and one of double entry? Where in advanced accounting works is there a conscientious attempt to apply approved accounting devices to single entry systems?

The reason why single entry is so inadequately treated is more easily understood than justified. There is current a strong prejudice against single entry systems. They have fallen into such bad repute among accounting authorities that a careful study of them, even from the standpoint of pure theory, is deemed a bore and a waste of time. This lack of interest in the theory of single entry has worked in a vicious circle toward the unconditional rejection of single entry as one of the legitimate implements of the accountant. This, scarce need be said, is unfortunate. Single entry still deserves a place in the sun. Further, the man who is unsound in single entry theory cannot be sound in double entry theory. Such a man is untrustworthy as an accountant. The abstract theory of any profession is the very life blood of its practice. In the words of John Dewey, "Men must at least have enough interest in thinking for the sake of thinking to escape the limits of routine and custom." The accountant of the future must be interested in single entry theory for theory's sake. He cannot say with Klein: "The accountant's chief interest in single entry is connected with the fact that the practitioner is frequently called upon to change such a system to double entry."

The five statements below, taken from the works of leading authorities in accounting, serve as illustration of what there is of weakness in contemporary studies of single entry. These statements are criticised and amended in the latter part of this paper.

1. "Where books are kept upon a partial or incomplete system of bookkeeping, they are said to be kept by single entry." —Greendlinger. Also Bentley and Lisle.

2. "Single entry keeps personal accounts only," p. 68, Klein's *Elements;* p. 17, Keister's *Corporation Accounting;* p. 9 Nixon and Stagg's *Accounting and Banking;* p. 187, vol. I., Greendlinger's *Accounting Problems.*

3. "The only check on the accuracy of the posting of single entry is to go over it all again and tick off each item," p. 42, Lisle's *Accounting in Theory and Practice;* p. 62, Dicksee's *Advanced Accounting,* and p. 187, vol. I., Greendlinger's *Accounting Problems.*

4. "From single entry books we cannot obtain sufficient information to make a statement of assets and liabilities. Hence it is necessary to obtain information from sources other than the books."—Klein. Also Greendlinger. Also Wildman, p. 44, *Principles of Accounting.*

5. In double entry the balance sheet and profit and loss statement "mutually check and prove each other, but in single entry there is no proof."—Klein. Also Lisle, Greendlinger, and Wildman.

Statement one overestimates double entry rather than underestimates single entry and demonstrates, as most of the other statements do, the folly of one's exposing double entry before he has given hard thought to single entry. This particular statement suggests a mistaken notion of the purpose of bookkeeping itself. Bookkeeping—double entry or single entry—is best viewed as a sort of statistics which treats of the recording, classifying and tabulating of money transactions. Evidently a single entry system does not provide *complete* classified records of all the affairs of an establishment, but neither does a double entry system. Does it record the orders of goods not in stock? Does it show the total amount of merchandise discount offered? Does it keep the amount of each clerk's sales? Many similar questions there are which also must be answered in the negative. Some of these questions pertain to statistics so valuable that it would clearly be better to collect them and keep only a single entry system than to neglect them and keep a double entry system.

We well may wonder who is responsible for the doctrine that the adequacy of business statistics is tested by an equilibrium—that omniscience is assured the business manager whose books show an equal sum of debits and credits. The whole weird fancy suggests the logic of the Greek philosopher, which unfolds itself somewhat in this manner:

The most perfect line is a circle,
The most perfect circle is a sphere.
God is perfect:
God made the universe;
Ergo, the universe is a sphere.

Many modern accountants seem unconsciously to worship equilibrium much as this ancient philosopher worshipped the circle. Having enumerated the various shortcomings of single entry, Greendlinger adds: "And of course, there can be no equilibrium." Some accountants have even insisted upon proving single entry by patching up the ledger totals for an equilibrium test. Many seem to regard it sacrosanct to add to the statements any datum unnecessary to establish an equilibrium. At least, their statement forms persistently omit such important data as graphs of sales by weeks and months; lists of contingent liabilities, including notes endorsed for accommodation by the business; statements concerning the net income of the business, and calculations which establish the average marking price of goods and fix the margin within which the manager may indulge in cut-throat competition without incurring a positive loss. For the sake of having an equilibrium in the ledger, some accountants prescribe the keeping of a duplicate cash account in the ledger! Are our accountants equilibrium mad?

An interesting instance of equilibrium worship occurred in the classroom recently. An accounting student, having failed to include the proprietor's account in the trial balance, observed when he corrected his omission that the proprietor's account should always be the difference between the two sides of the trial balance when the account is left out. Agape and perplexed at this sudden revelation of the marvels and mysteries of double entry, he exclaimed, "Goethe is right! Double entry *is* one of the fairest inventions of the human mind." He had not seen that cash, or any other account, would yield a result similar to the one he had discovered by manipulating the proprietor's account. Some other marvelous features of equilibrium would be found quite as specious and even Sprague, the most penetrating of theorists, sometimes clothes his equations with a glamor that they ill deserve.

Statement two is admissibly a rough approximation. All accountants know that most single entry systems have a cash account and that many of them have also a merchandise account and a subdivided expense account. Statements like this second one arise either from a straw man conception of single entry or else from the weary feeling that something must be said about single entry—just what, little matters. Klein is responsible for such a statement when he says (p. 82), that there are no internal checks in single entry to serve as a deterrent on fraud and carelessness.

Keister, Neal & Cragin, Klein and others have shown that statement three is quite wrong. Single entry does have a proof of posting—a trial balance if you will—which is neither more nor less effective than the equilibrium test of double entry. In single entry as in double entry, the total debits in the books of original entry must equal the total debits in the ledger. It is likewise with the credits; though in a trial balance of the main ledger in double entry only one side of the books of original entry need be inspected. Also, in single entry as in double entry, the balance of the debit and credit totals of the books of original entry must equal the balance of the debit and credit totals of the ledger. This is as truly the principle of the double entry trial balance as the oft-stated principle that, since debits equal credits in the books of original entry, they must also equal each other in the ledger. In fact many modern double entry systems make lavish use of this single entry principle. Note how the balance of a controlling account in the main ledger is compared with the balance of all the accounts in the auxiliary ledger. Yet in spite of all this, Greendlinger says: "There are hardly any principles to speak of in single entry."

Number four, though an implication rather than a statement, overlooks the necessity of correcting double entry books by injecting figures from outside the books—those concerned with inventories and accruals. The accuracy of a double entry balance sheet is perhaps more contingent upon a fine evaluation of assets than upon the accuracy of ordinary posted entries.

At least, it is true that in double entry, as in single entry, the profit or loss can be ascertained only by a comparison of the assets and liabilities at the beginning of a period of business with those at the end of the period. One should not allow any prejudice against single entry to befog this basic fact.

The fifth statement, like statements one and four, is an overestimation of double entry rather than an underestimation of single entry. The fact is that the proof of statement is no such a proof as it is commonly believed to be. Indeed it is barely more than a second trial balance with the sequence of the accounts changed. In creating the equilibrium upon which the proof of statement is based, the following process is used. Certain accounts of the trial balance—the accounts of business—are closed in a group by taking a single balance called either profit or else loss. This balance is carried down to the rest of the accounts of the trial balance and added to one of those accounts—that of the proprietor. Of course, the total debits and credits of the second group of accounts will balance. This same mechanical process is employed when, in closing the ledger by cross entries, certain accounts are closed into a trading account, and this account in turn is closed into the profit and loss account.

It should be evident from what has been said that the "proof" of statement would be just as good, if the two groupings of accounts were made at random, or alphabetically, placing in each group some accounts of business and some accounts of finance. The truth of this statement is frequently seen in actual practice; for the statements "prove" perfectly when no clear distinction has been made between charges to capital and charges to revenue. They will prove in fact, as suggested above, in spite of any or all of the other classes of errors that do not throw the ledger out of balance.

It is obvious that this exposition requires refining, for it does not mention inventories. They, too, appear in the statements. However, they do not much alter the fundamental principle that the proof of statement is nothing more than a second trial balance. The inventories operate to increase the credit of the first group of accounts of the statements and to increase the debits of the second group of accounts. In other words, they are simply journal entries introduced into the statements to the debit of accounts of finance and to the credit of accounts of business. The statements would prove just as well if each inventory were set at seventeen billion dollars. Again, it would make no difference whether it is the horse and wagons account or the bills payable account that is favored with a particular inventory. Wages might be debited by an accrual of a million dollars, but the proof would not be affected in the least. To recapitulate, the proof of statement verifies the posting to the ledger about the same as the trial balance does, but ordinarily it proves neither the net gain nor the net worth.

These facts substantiate the principle above stated, namely, that the net gain cannot be ascertained either by double or by single entry except by comparing the net worths at the beginning and end of a business period. Corollary to this principle are two others of importance in understanding the nature of the proof of statement. They are these: the only thing of importance that the proof of statement can from its nature be expected to prove is the amount of net profit or loss: (2) it does not prove the net worth. The formulating of these corollaries requires the following reasoning:

(a) The "mutual check of the statements," as has been shown, is well-nigh worthless: both statements might be wrong, and the check would still operate. Hence, (2) it does not prove either the net profit or the net worth.

(b) Therefore, to prove the result of either statement requires resort to sources outside the books.

(c) Now the net gain cannot be ascertained and proved from outside the books; but the net worth can be, for there are tangible assets which can be evaluated and then checked up.

(d) When given this net worth, known to be correct, (1) we can prove the net profit by the "mutual" check in precisely the same manner as is done in single entry.

Although, when given a true net worth, the proof of statement checks the profit; it does not verify the individual accounts of the business statement. This is seen when we consider the facts that (1) any error in the books that does not throw the ledger out of balance will escape detection by the proof of statement, and (2), that the posting of a debit to the debit of the wrong account, as is done in capital and revenue mix-ups, does not throw the ledger out of balance.

A comparison of the single entry statement with the double entry statements is now in order. The balance sheet of double entry, when "proved" by the inclusion of the net investment and the net gain, is almost identical in both form and content with the single entry statement. The double entry statements cannot be proved except by a re-evaluation of assets; it is the same with the single entry statement. If the net worth statement of single entry is known to be right, the net profit can be proved; it is the same in double entry. The causes of loss and gain cannot be proved by the statement either in single or in double entry.

That the double entry proof of statement is more toy than tool seems clear. That it does not merit the plaudits showered upon it by orthodox accounting theory is certain. But it is slightly useful. As a sort of second trial balance it serves to check the transferring of the ledger balances to the statements and the closing of the two groups of accounts within the statements. This is but a small service, however, for the post-closing trial balance does almost exactly the same work. In addition to performing this slight service, the proof of statement, being practically identical to the single entry statement, may fulfil the same mission—that of establishing the net profit by subtracting the net investment from a net worth known to be correct.

Most of what has been said above concerning the proof of statement is illustrated in the statement on an adjoining page.

If it is true that single entry is not necessarily incomplete for the purpose of collecting account-statistics, that it has a trial balance, and that it has a proof of statement quite as effective as that of double entry, wherein lies the superiority of double entry?

In general, however, double entry is to be preferred for various reasons. For one thing, it has a good reputation. Again, it is a standard method that has come to be understood, casually at least, by millions of people; and it seems to serve best as a point of departure for the study and improvement of accounting devices. To some, it seems to derive a peculiar æsthetic flavor from its much worshipped equilibrium. Last, its proof of posting is slightly shorter than that of single entry.

Single entry, both in theory and practice, merits more favor than it has received. The accounting texts of 1925 should cull out at least some of the crude criticisms of the subject which fill the comparative paragraphs of the present decade. Some day there may be a definite movement towards a partial rehabilitation of the primitive system. This is something to look forward to.

THE CONVENTIONAL "PROOF."

Accounts	Debits	Credits	Losses	Gains	Assets	Liabilities.
H. M. Gray, prop.	300	5000				
Cash	9400	8900			500	
Expense (inv. 75)	1275	30	1170		75	
Bills rec.	1760	1360			400	
Accts. rec.	3855	2000			1855	
Mdse. (inv. 4400).	18000	16000		2400	4400	
Bills pay.	1100	1400				300
Accts. "	3000	4000				1000
	38690	38690	1170	2400	7230	1300
	Net gain		1230			
H. M. G. invested	5000		2400	2400		
" " " withdrew	300	4700				
" " " gained ..		1230				
			Present capital			5930
					7230	7230

AN UNCONVENTIONAL ONE.

Accounts	Debits	Credits	Losses	Gains	Assets	Liabilities.
H. M. Gray	300	5000		4700		
Cash	9400	8900	500			
Expense (inv. 75)	1275	30		75	1320	
Bills rec.	1760	1360	400			
Accts. "	3855	2000			1855	
Mdse. (inv. 4400)	18000	16000		2400	4400	
Bills pay.	1100	1400		300		
Accts. "	3000	4000				
	38690	38690	900	7475	7575	
	Net gain		6575			
Accts. pay. invested	4000		7475	7475		
" " withdrew	3000	1000				
" " gained		6575				
			Present capital			7575
					7575	7575