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## Introduction to Accounting

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# INTRODUCTION TO ACCOUNTING

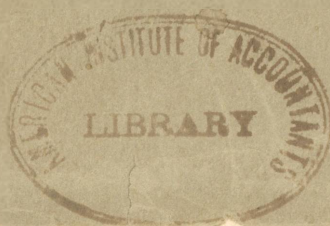
WILDMAN

FOURTH EDITION

THE WILLIAM G. HEWITT PRESS

61-67 NAVY ST., BROOKLYN, N. Y.

PUBLISHERS



# INTRODUCTION TO ACCOUNTING

BY

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FOURTH EDITION

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JOHN R. WILDMAN**

## PREFACE

This book has been prepared for use in the New York University, School of Commerce, Accounts and Finance in the course in Principles of Accounting. The subject matter has been divided into thirty parts to cover the academic year of thirty weeks, an equivalent of sixty hours.

It is based on the four types of organization, namely, sole proprietorship, copartnership, the corporation and the holding company. The aim has been to develop the subject logically and show the evolution of the highest type of organization in the form of the holding company.

JOHN R. WILDMAN.

# INTRODUCTION TO ACCOUNTING

## PART I

### FIRST ASSIGNMENT

A. Austin opened a retail drug store on January 1, 1912. His capital consisted of cash in the amount of \$5,000. He engaged a store suitably fitted up for the purpose of his business, agreeing to pay therefor rent in advance at the rate of \$100 per month.

Prior to January 1st, he had ordered and received from wholesalers, etc., goods represented by invoices dated in December as follows: Merck & Company, drugs and chemicals, \$2,275.92; Benham and Philips, toilet articles, \$726.47; The Proprietary Medicine Company, proprietary medicines and package goods, \$135.49; Park & Tilford, candy, \$102.75; The National Soda Fountain Company, soda fountain, \$750; Dorley & Frame, syrups, etc., \$46.12; National Cash Register Company, cash register, \$250.

Mr. Austin arranged to keep his own books and to keep them by single entry. In theory this method requires that there shall be three classes of accounts: those with customers, those with creditors, and that with the proprietor. The proprietor credits himself with the amount of his investment. He charges customers with what he supplies to them and gives them credit with cash, etc., which he receives from them. On the other hand, he credits parties from whom he purchases and charges them with what he pays them. His capital is from time to time ascertained by inventory and the profit or loss during the periods determined by a comparison of the capital. The books required for single entry are a ledger and a journal.

Obviously the greater part of Mr. Austin's sales were for cash, but he also found it desirable to open accounts with some customers. The cash sales were recorded by means of a cash register and deposited in the bank at the convenience of the proprietor. The entries covering these sales were made at the close of each week. Charges to customers were made concurrently with the sales thereto.

*Introduction to Accounting*

(2)

Paid rent for the month of January.  
Sold H. L. Wiltse on account, \$1.25.

(4)

Charge sales—J. T. Baker, \$2.40; F. Boerum, \$0.85.

(6)

Cash sales for the week, \$75.28; bought goods of the New York  
Medical Supply Company in the amount of \$178.98 (on  
account).  
Paid boy in store, \$6.00.

(9)

Sold J. T. Baker, \$3.85.

(12)

Cash sales for the week, \$135.92.

(13)

Sold F. Boerum, 4.25.  
Paid boy in store, \$6.00.

(14)

Sold F. Boerum, \$3.20.

(16)

Sold B. Ketchum, \$9.27.

(17)

Sold J. T. Baker, \$1.15; B. Ketchum, \$0.15 (on account).  
Bought of Park & Tilford, \$18.42.

(20)

Cash sales for the week, \$126.47.  
Paid boy in store, \$6.00.

(22)

Received from F. Boerum, \$8.30.

*Introduction to Accounting*

(24)  
Sold B. Ketchum, \$12.90.

(25)  
Sold B. T. Young, \$1.18.

(26)  
Sold H. L. Wiltse, \$9.57.  
Bought of Merck & Company, \$77.92.

(27)  
Cash sales for the week, \$177.28.  
Sold B. T. Young, \$1.75.  
Paid boy in store, \$6.00.

(28)  
Sold B. Ketchum, \$8.26.

(29)  
Sold J. T. Baker, \$4.78.  
Paid Dorley & Frame, \$46.12.

(30)  
Paid Park & Tilford, \$102.75.

(31)  
Cash sales to end of month, \$86.45.  
Sold B. T. Young, \$8.48.  
Sundry disbursements for the month paid in cash, \$8.23.

At the end of the month Mr. Austin, being desirous of ascertaining his profit or loss for the month, took an inventory of his stock in trade, which, when priced and extended, amounted to \$3,072.32. From his check book and the count of the cash on hand he found that the cash balance was \$5,328.60. Taking into consideration the customers' and creditors' accounts and other assets in addition to the foregoing, it is desired to compile a statement which will determine whether there was a profit or a loss, and the extent in either case. (Statement No. 1.)



## *Introduction to Accounting*

Note: This statement should be compiled by the student in the statement book. Statement books will be called for at the time the sets are required to be turned in. The time for sets and statements to be turned in will be announced by the instructors well in advance. Students who do not submit the work at the required time will be termed "delinquent." Delinquents will be allowed one week of grace, after which time the sets positively will not be received, and no delinquent will receive a mark of more than 60 on the sets.

### SECOND ASSIGNMENT

There are two variations from the theory of single entry book-keeping which present themselves in practice. One variation consists in the introduction of accounts for such assets as furniture and fixtures, merchandise, cash, etc., and for expenses. The other variation follows the introduction of the cash account and gives rise to a hybrid system which is part single and part double entry. As cash is received or disbursed the complementary accounts are credited or debited.

Desirous of having in his ledger a record of the cost of his fountain, cash register, etc., and a book in which to record his receipts and disbursements of cash, Mr. Austin opened an account in the ledger which he called "furniture and fixtures," and an account for cash and installed a cash book as of February 1st.

The transactions for the month were as follows:

(1)

Paid rent for the month of February (open an account for rent).

(3)

Paid boy for week ended February 3d, \$6.00 (open an account for expense).

Cash sales for the three days ended February 3d, \$90.57.

(4)

Sold H. L. Wiltse, \$3.27.

*Introduction to Accounting*

(5)

Received of J. T. Baker, \$12.18.

(10)

Paid boy, \$6.00. Paid drug clerk, \$15.00 (charge expense).  
Cash sales for week, \$213.79.

(15)

Received from B. Ketchum, \$30.58. Paid Merck & Co., \$2,000  
on account. Paid New York Medical Supply Co., \$178.98.  
Paid Benham & Philips, \$726.47. Paid Proprietary Medicine  
Company, \$135.49. Paid Park & Tilford, \$18.42.

(16)

Sold M. Cuthbert, \$4.82. Received from B. T. Young, \$11.41.  
Bought of Merck & Co., \$879.42. Sold J. T. Baker, \$2.76.

(17)

Cash sales for the week, \$257.82. Paid boy, \$6.00. Paid clerk,  
\$15.00.

(19)

Sold B. T. Young, \$6.45. Paid National Cash Register Com-  
pany, \$150.00.

(22)

Bought of Benham & Philips, \$94.32.

(24)

Cash sales for the week, \$199.27. Paid salaries, \$21.00.

(26)

Sold F. Boerum, \$4.72. Bought of Hector & Kimball, for cash,  
six chairs for soda fountain patrons, \$15.00.

(28)

Sold J. T. Baker, \$2.25. Received of H. L. Wiltse, \$10.82.

## *Introduction to Accounting*

(29)

Cash sales, four days, \$152.86.

On February 26th Mr. Austin engaged a cashier, who began work on the same day at the rate of \$12.00 a week. It was arranged that the cashier should also keep the books. Being accustomed to the double entry system, the cashier suggested that the books be changed from single to double entry. To this Mr. Austin assented, and the change was made at the end of the month. The inventory was \$3,360.95.

Convert the books from single to double entry following the directions given herewith:

(a) Enter the inventory in the journal and post it to the ledger. (Opening a merchandise account.)

(b) Prepare a list of the accounts in the ledger classified as to debits and credits and foot the respective columns.

(c) The debits should exceed the credits in the amount of \$253.47. Enter this amount in the A. Austin, Proprietor, account on the credit side.

(d) Close out by journal entry the rent and expense accounts to the proprietor's account.

Take a trial balance.

Prepare a statement showing the profit for the month of February. (Statement No. 2.)

### THIRD ASSIGNMENT

Up to this time three books only have been used, viz., a ledger, a journal, and a cash book. The new bookkeeper, having had experience, is inclined toward a complete set of books on the theory that no business is too small to require them, and if the business should expand, the books would be adequate to keep pace with it. He consequently formulated a plan, whereby, beginning March 1st, in addition to the books already in use, there would be a petty cash book, purchase book, sales book, customers' ledger, and a creditors' ledger.

Controlling accounts are to be kept in the general ledger for customers' and creditors' accounts as contained in the respective underlying ledgers, which are to be made self balancing.

## *Introduction to Accounting*

In order to establish a controlling account, in the case of customers, for example, it will be necessary:

(a) To make a list of the accounts in order to ascertain the total amount.

(b) To debit the controlling account with such amount and credit the various detail accounts.

(c) To transfer the detail accounts to the customers' ledger, opening an account for each as before.

Previous to engaging in the retail business, Austin had concocted certain formulæ from which he manufactured, on a small scale, a line of preparations known as "Austin's Remedies." These he had sold principally through wholesalers. Having established his retail organization, Austin now plans to give some of his attention to this matter and to handle the manufacture and sale of these remedies through his store beginning March 1st.

Mr. Austin also has a scheme, the details of which he hopes soon to work out, whereby he can wholesale certain lines of goods to the so-called "country drug stores." With this in view he engages a young man to canvass the "country" trade. The salesman is to begin work March 1st, and is to receive a salary of \$50.00 per month.

The transactions for the month were as follows:

(1)

Paid rent for the month of March. Sold S. T. Munger on account, \$4.78.

(2)

Cash sales—two days—week ended March 2d, \$142.14. Charge sales: V. E. Pearce, \$9.47; A. C. Cushing, \$10.96. Paid salaries, \$33.00. Austin drew \$25.00.

(4)

Paid Merck & Company, \$500.00. Charge sales, Frank Andrews, Austin's Remedies, list \$35.00, trade discount, 20%, net, \$28.00.

(7)

Received of M. Cuthbert, \$4.82. Paid National Soda Fountain Company, \$250.00.

*Introduction to Accounting*

(9)

Paid salaries, \$33.00. Cash sales for the week, \$302.75. Received of H. L. Wiltse, \$3.27; J. T. Baker, \$5.01.

(12)

Purchased of Benham & Philips, \$40.27. Sold to B. T. Young on account, \$3.80. Paid National Cash Register Company, \$100.00.

(16)

Austin drew \$25.00. Paid salaries, \$33.00. Cash sales for the week, \$297.22. Allowed B. T. Young, \$0.75 for damaged brush purchased March 12th.

(18)

Telephone installed; payment in advance for one month's service, \$4.00. Purchased of the Library Bureau on account, one roll-top desk and one bookkeeper's desk, amounting together to \$87.50. Made a claim of \$0.75 against Benham & Philips for damaged brush, which was allowed.

(20)

Sold Dr. C. P. Bennett on account, \$15.75. Bought of Merck & Company; invoice, \$483.11; trade discount, \$48.31; net, \$434.80. Received of B. T. Young, \$5.00, on account.

(23)

Cash sales for the week, \$315.87. Salaries paid, \$33.00. Austin drew \$25.00. Hired additional clerk at \$10 per week, who began work immediately.

(27)

Paid National Soda Fountain Company, \$500.00. Placed insurance of \$3,500 on stock of merchandise and furniture and fixtures. Premiums on same for the year, \$18.00. Drew \$50.00 from the bank for petty cash, and immediately charged up from a slip on which a memorandum had been made, disbursements as follows: carfare, \$1.20 (charge expense);

## *Introduction to Accounting*

ice for fountain, \$6.75; postage stamps, \$5.00 (charge postage); expressage outward, \$2.40 (charge merchandise). Bought of The Proprietary Medicine Company, \$75.94, including inward freight on shipment, \$3.25. Returned goods to them amounting to \$12.93.

(30)

Cash sales for the week, \$312.82. Salaries paid, \$43.00. Austin drew \$50.00. Rent paid for the month of April. Goods received from Park & Tilford; checked up and included in the inventory; bill received subsequent to end of month amounting to \$55.86. The inventory taken late Saturday night and early Sunday morning amounted to \$3,149.28. Dr. C. P. Bennett returned goods amounting to \$2.30. Sent salesman a check for \$50.00. Cash sales March 31st, \$47.21.

Post from books of original entry and take off a trial balance. The following classes of items are to be debited or credited to the merchandise account, as indicated by the nature of the transaction; purchases, sales, trade discount on purchases, trade discount on sales, purchase returns, purchase allowances, sales returns, sales allowances, inward freight, delivery expense.

Without closing the books, prepare according to your own ideas (in your statement book) a balance sheet at March 31st (statement No. 3) and a profit and loss account for the month (statement No. 3A). Show also the adjustment of the proprietor's account.

### FOURTH ASSIGNMENT

It will have been noted that the merchandise account for the month of March comprised items of many different kinds, namely, purchases, sales, trade discount on purchases, trade discount on sales, purchase returns, purchase allowances, sales returns, sales allowances, inward freight and delivery expense. Little trouble would be experienced in determining the contents of such a merchandise account if the transactions were confined to one month. Frequently, however, it becomes necessary for one cause or another to determine the total of these various items extending

## *Introduction to Accounting*

over a period of perhaps six months or a year. When this information is desired, the merchandise account must be analyzed. So frequent have become the occasions for such analysis that good accounting practice has decreed that simple accounts for these different classes of transactions shall be maintained in the general ledger in place of the merchandise account.

It is desired in the case of A. Austin that the merchandise account be analyzed at March 31st and distributed by journal entry to the following accounts:

Gross sale, sales returns, trade discount on sales, sales allowances, outward freight and cartage (delivery expense), gross purchases, purchase returns, trade discount on purchases, purchase allowances, inward freight.

In order to increase his stock of goods and develop his scheme for wholesaling, Mr. Austin submitted to the Corn Exchange Bank a balance sheet as of March 31, 1912, and borrowed \$3,000 from said bank on his note dated April 1st, bearing interest at 6%. Note due July 1st.

An unusual opportunity to acquire the property in which his store was located was presented to Mr. Austin by the owners. The land and building was offered at \$40,000; \$5,000 to be paid in cash and a purchase money mortgage in the amount of \$35,000 bearing interest at 6%, given for the balance.

The situation was somewhat perplexing. Mr. Austin had the necessary cash, but to use it for this purpose would prevent him from carrying out his plans with regard to his wholesale department. He resolved, however, to take advantage of the opportunity to acquire the property, and accordingly paid the cash and executed a three-year bond and mortgage as of April 1, 1912, depending upon some other expedient for the purpose of financing his wholesale operations. The rent paid in advance was deducted from the cash to be paid.

The transactions for the month of April are as follows:

(1)

Sent salesman a check for \$75.00 for expenses (charge traveling expense funds). Received of Frank Andrews, \$28.00. Sold E. J. Cutting on account "Austin's Remedies," \$72.86; trade discount, \$7.29; net, \$65.57. Sold C. P. Bennett on account, \$5.75.

*Introduction to Accounting*

(2)

Purchased of Merck & Company, list, \$427.82; trade discount, \$64.17; net, \$363.65; inward freight prepaid, \$7.81.

(4)

Sales, wholesale department, M. G. Brunner, Montclair, N. J., F.O.B., New York, \$325.00, less 10%; Stamford Drug Company, Stamford, Conn., F.O.B., Stamford, \$562.30, less 10%. Paid outward freight on above shipment, \$8.26, by check.

(6)

Paid salaries for the week, \$43.00. Cash sales for the week, exclusive of March 31st, \$317.79. Austin drew \$25.00. Petty cash slips: ice, \$2.65; carfare, \$1.25; expressage (outward), \$0.40.

(8)

Repairs to building per bill rendered by Harper & Bailey, \$27.62. Controversy with Edison Company settled and light bills as follows entered in purchase book: January, \$15.78; February, \$14.86; March, \$14.75. The effect of these bills on the accounts previous to April 1st should be considered. Sold A. C. Cushing on account, \$5.41.

(10)

Plate-glass insurance taken out. Premium for year, \$4.25, paid by check. Maximum loss, \$500. Paid light bills. Received of V. E. Pearce on account, \$9.47.

(13)

Salaries for the week paid, \$43.00. Cash sales for the week, \$387.24. Received 60-day note of Stamford Drug Company, \$506.07, dated April 4th, bearing interest at 6%. Petty cash slips: postage, \$5.00; wrapping paper, \$2.50; twine, \$0.30 (charge purchases for two latter items).



*Introduction to Accounting*

(14)

Received check from M. G. Brunner, \$292.50, less 2% for cash, 10 days, \$5.85; net, \$286.65 (charge discount to interest and discount). Purchased of Parke, Davis & Co., \$269.95, less trade discount, 20%; net, \$215.96. Paid Benham & Philips, \$133.84.

(20)

Cash sales for the week, \$402.02. Paid salaries, \$43.00. Austin drew \$50.00. Petty cash slips: mops and brooms, \$1.20; office supplies (charge office expense), \$1.85; printing prescription blanks (charge stationery and printing), \$6.25. Paid The Proprietary Medicine Company, \$66.26.

(23)

Defalcation by boy in store from petty cash, \$15.00. New boy began work April 23d at \$7.00 per week. Drew check for petty cash, \$20. Discounted note of Stamford Drug Company at the Park Place Bank, receiving therefor \$507.65. (Credit-notes receivable discounted with \$506.07; interest and discount, \$1.58.)

(24)

Paid Parke, Davis & Co.'s invoice of April 14th, \$215.96—3% for cash 10 days—\$6.48, amount of check, \$209.48. Paid Merck & Company \$800.00 on account. Received of C. P. Bennett, \$13.45; B. T. Young, \$4.50. Paid Library Bureau, \$87.50.

(27)

Cash sales for the week, \$407.86. Paid salaries, \$44.00. Austin drew \$25.00. Petty cash disbursements: carfare, \$0.55; ice, \$7.85; packing boxes and excelsior, \$8.50.

(30)

Cash sales last three days of April, \$271.57. Take a trial balance. Inventory of merchandise, \$2,372.86. The light bill for April, received May 10th, amounted to \$13.65. It is estimated that the traveling expense of the salesman for the month will

## *Introduction to Accounting*

amount to \$50.00. Charge one-half of cashier's salary to office salaries. Analyze and distribute salary account so as to set up proper captions in statement. Analyze and distribute the interest and discount account.

Accrue all items requiring accrual; set up the unexpired proportion of any prepaid expenses on deferred charges. Make the necessary postings and take a trial balance.

Without closing the books, prepare, using the required form:

(a) General balance sheet, April 30, 1912. (Statement No. 4.)

(b) Statement of income and profit and loss for the two months ended April 30, 1912. (Statement No. 5.)

### FIFTH ASSIGNMENT

The object in accruing items of income and expense at the end of an accounting period is to make the books reveal as nearly as is possible the true facts concerning the financial condition and result of operations. Accruals are essential if such results are to be obtained, but they complicate the bookkeeping in certain instances. For example, salaries and wages are usually paid by the week. The end of the week rarely coincides with the end of the month. It is necessary, therefore, to split the week, charging part to one month through an accrual entry and the remainder to the following month. Not much annoyance is caused where only one such item occurs, but where the items are numerous it is sometimes considered easier to reverse the accrual entries at the beginning of the month succeeding the one in which they were made. In order that this procedure may be illustrated you are instructed to reverse the accrual entries of April 30th before proceeding with the work for May.

Mr. Austin has been much impressed with the financial statements rendered by his bookkeeper. There is, however, certain further information which he desires, namely, as to the profit which he is making on his various departments and classes of goods. He is told by the bookkeeper that this can be done through some slight changes in the books and accounts. The bookkeeper is accordingly instructed to make the necessary changes as of May 1st, and drafts the following plan:

## *Introduction to Accounting*

The accounting is to be organized on a departmental basis as follows:

- Wholesale.
- Austin's remedies.
- Drugs and chemicals.
- Toilet articles.
- Proprietary medicines.
- Prescriptions.
- Candy.
- Soda.

Provision is to be made in the purchase book and sales book, through columns for the classification of purchases and charge sales in accordance with the above.

Arrangement is to be made in the general ledger so that all the factors entering into the gross profit on sales can be had with regard to each department.

As the sales are principally for cash a system of colored sales slips is to be introduced which will serve to classify them. These are to be summarized daily for entry in the cash book. Invoices for charge sales are to have a ruling on the reverse side of the carbon copy for classification purposes.

The inventory of April 30th, amounting to \$2,372.86, segregated according to the goods which applied to the different departments was as follows:

Wholesale .....	\$595.46
Austin's remedies .....	125.72
Drugs and chemicals .....	1,277.66
Toilet articles .....	97.84
Proprietary medicines .....	147.60
Candy .....	112.75
Syrups and fountain supplies .....	15.83
	<hr/>
Total	\$2,372.86

Finding that in order to install the new system it will be necessary either to analyze the accounts which reflect the gross profits, such as sales, etc., or close out the accounts at April 30th, and not having the necessary data as to the sales, the bookkeeper decides to close the accounts.

The transactions for the month of May were as follows:

*Introduction to Accounting*

(1)

Received bill of N. Y. Telephone Co., April 18th to May 18th, in advance, \$4.00; extra calls in April, \$1.20. Sold M. W. Barber, Amityville, Long Island, wholesale goods, list, \$237.50; trade discount, \$23.75; freight on shipment prepaid, \$5.27. (Charge Barber, \$219.02; trade discount on sales, \$23.75. Credit wholesale department, \$237.50; freight prepaid, \$5.27.) Paid Merck & Company, on account, \$500.00. Drew check for petty cash, \$25.00.

(2)

Bought of Dorley & Frame, on account, syrups for soda water, \$52.75. Received 30-day note of E. J. Cutting, dated May 2d, in the amount of \$65.57, bearing interest at 6%. Paid salary of salesman for April, by check, \$50.00.

(4)

Engaged prescription clerk at \$20.00 per week, to begin work May 5th. Paid salaries for the week, \$44.00. (Charge \$38.00 to salaries of clerks and \$6.00 to office salaries.) Received expense account of salesman for April in the amount of \$34.65, and sent him a check for like amount. Cash sales for the week (4 days), \$154.06, distributed as follows: Austin's remedies, \$1.50; drugs and chemicals, \$63.66; toilet articles, \$5.40; proprietary medicines, \$13.00; prescriptions, \$20.25; candy, \$12.75; soda, \$37.50. Petty cash disbursements: eggs, \$2.10; expressage out (drugs and chemicals), \$3.70; carfare, \$1.00; ice, \$7.25; freight, prepaid on shipment to M. W. Barber, \$5.27. Bought toilet articles of Benham & Philips, \$126.50; 2% cash 10 days. Sold S. T. Munger, \$12.40, comprised of drugs and chemicals, \$11.65; prescription, \$0.75.

(6)

S. T. Munger made a claim of \$0.40 for a bottle of Dioxygen which was spoiled. The claim was allowed. Received check from M. W. Barber for invoice of May 1st, \$219.02, less cash discount, \$4.38; net, \$214.64. Paid Dorley & Frame, for invoice of May 2d, \$52.75, less cash discount, \$1.58; net, \$51.17.

*Introduction to Accounting*

(7)

Received invoice of Merck & Company in the amount of \$1,530.76, comprising goods chargeable to wholesale department, \$962.00; drugs and chemicals, \$816.58; trade discount, \$266.79; inward freight, \$18.97. Paid Benham & Philips by check in the amount of \$123.97; cash discount, \$2.53.

(8)

Bought of Merck & Company 12 x 1 lb. sodium bicarbonate for Austin's remedies, \$5.64. Discounted 60-day note of A. Austin for \$2,000.00 at Waverly Place National Bank; discount rate, 6%. Drew check for petty cash, \$25.00.

(10)

Received bill of New York Edison Company in the amount of \$13.65 for light, month of April. Sold L. P. Judson, Red Bank, N. J., wholesale department, \$345.12; Austin's remedies, \$4.80; trade discount, \$34.99; freight prepaid, \$7.90.

(11)

Paid salaries for the week, \$64.00. Charge salaries of clerks, \$38.00; office salaries, \$6.00; prescription department, \$20.00. Cash sales for the week, \$437.80, comprising: Austin's remedies, \$1.25; drugs and chemicals, \$307.70; toilet articles, \$7.90; proprietary medicines, \$15.25; prescriptions, \$25.30; candy, \$14.60; soda, \$65.80. Petty cash disbursements for the week: freight prepaid on shipment of L. P. Judson, \$7.90; rock salt, \$2.50; eggs, \$1.20; ice, \$7.40.

(13)

L. P. Judson returned, Austin's remedies, \$1.20. Received Western Electric Company's bill for installing electric fans, \$53.27. Took out burglary policy; risk, \$750.00; premium for the year, \$12.00, paid by check. Drew check for postage stamps, \$10.00. Sold B. F. Harmon, Hastings, N. Y., wholesale department, \$498.07; Austin's remedies, \$9.60; trade discount, \$50.76; freight prepaid, \$11.60. Bought of The Proprietary Medicine Company, patent medicines, \$189.72.

*Introduction to Accounting*

(14)

Received bill of "The Retail Druggist" for advertising in May number, \$25.00. Received invoice of Boeringer & Soehne in the amount of \$732.83; wholesale department, \$787.92; trade discount, \$157.58; ocean freight, \$21.70; duty, \$78.79; cartage from dock, \$2.00. Made claim against The Proprietary Medicine Company for broken packages in the amount of \$14.50. The claim was allowed.

(15)

Sold R. M. Green, drugs and chemicals, \$2.36; toilet articles, \$0.29; proprietary medicines, \$0.19; prescriptions, \$0.60; candy, \$0.80. Plate glass broken. Claim for loss filed with insurance company. (Make no entry.) Received invoice of Trow Press for printing advertising circulars, \$32.75, and stationery, \$12.00. Bought of Yawman & Erbe Mfg. Co. on account, filing cabinet, \$60.00 and folders, \$3.50. Rented a small adjoining building for storage purposes from John Bullard at the rate of \$20.00 per month and sublet a portion of it to Frank Harris for \$10.00 per month. Contracts as of May 15 and 16, respectively. Paid Bullard in advance for one month.

(17)

Bought candy from Park & Tilford in the amount of \$75.32. Paid Merck & Company, on account, \$1,000. Transferred \$25.00 to petty cash.

(18)

Paid salaries for the week, \$64.00. Cash receipts, \$445.72, distributed as follows: Austin's remedies, \$1.00; drugs and chemicals, \$302.02; toilet articles, \$8.40; proprietary medicines, \$30.85; prescriptions, \$18.75; candy, \$13.80; soda, \$70.90. Petty cash disbursements: washing windows, \$0.50; lemons, \$1.20; freight prepaid on shipment of B. F. Harmon, \$11.60; eggs, \$1.60; ice, \$7.50. Bought draft for 2,991.14 marks in favor of Boeringer & Soehne from International Banking Corporation; exchange, \$3.66. (Charge exchange to general expense.) A mark is for practical purposes:

*Introduction to Accounting*

0.24½. Returned two boxes of stale candy to Park & Tilford, \$1.30.

(20)

Sold G. W. Moore on account—Austin's remedies, \$0.25; drugs and chemicals, \$1.00; proprietary medicines, \$0.22; prescription, \$0.50; total, \$1.97. Received L. G. Pitkin's bill for repairs to roof, \$17.98.

(24)

Sold C. P. Bennett on account, drugs and chemicals, \$22.50. Bought of Merck & Company for Austin's remedies, oil of wintergreen, \$6.25. Transferred to petty cash, \$25.00.

(25)

Paid salaries for the week, \$64.00. Cash sales, \$463.29, distributed as follows: Austin's remedies, \$1.85; drugs and chemicals, \$312.64; toilet articles, \$9.20; proprietary medicines, \$22.75; prescriptions, \$27.90; candy, \$17.90; soda, \$71.05. Petty cash disbursements: contribution to charity, \$5.00; malted milk, \$1.00; eggs, \$2.00; ice, \$7.80. Claim against insurance company for broken glass adjusted. Check for \$45.00 received. Cost of replacing glass as per invoice of Pittsburgh Plate Glass Company, dated May 17th, \$62.50.

(31)

Cash sales for the six days ended May 31, \$397.08; Austin's remedies, \$2.40; drugs and chemicals, \$245.13; toilet articles, \$19.80; proprietary medicines, \$24.15; prescriptions, \$25.40; candy, \$19.30; soda, \$60.90. Received invoice of Sheffield Farms Company for milk supplied during the month, \$24.80. Sold A. C. Cushing, drugs and chemicals, \$9.25; toilet articles, \$4.50; candy, \$1.00; total, \$14.75. Petty cash disbursements to end of month: ice, \$8.20; eggs, \$1.60; lemons, \$1.50; carfare, \$1.85. Austin drew \$150.00.

The estimated traveling expense for the month is \$35.00. (Credit expense accrued.) The light bill for May will be about \$2.00 less than that for April. (Credit expense accrued.) Charge the inward freight on invoice of Merck & Company, May 7th,

## *Introduction to Accounting*

one-half each to wholesale department and drugs and chemicals. The trade discount on purchases of drugs and chemicals is 15%. The salary of the clerk at \$10.00 per week is to be charged to an account, "salary soda department."

Make the necessary accruals and set up the unexpired proportions of any prepaid items at May 31st and take off trial balances of all ledgers.

### SIXTH ASSIGNMENT

The inventories May 31st were as follows: wholesale, \$1,-487.36; Austin's remedies, \$123.71; drugs and chemicals, \$1,188.-72; toilet articles, \$191.59; proprietary medicines, \$250.45; candy, \$124.37; syrups and fountain supplies, \$41.94; postage \$6.00; advertising circulars, \$20.00.

The cost of drugs and chemicals chargeable to prescriptions for the month as ascertained from a summary of the charge slips was \$34.65.

Prepare a general balance sheet at May 31, 1912 (statement No. 6), and a statement of income and profit and loss for the month (statement No. 7), supporting the first item, "gross profit on sales," with a schedule (statement No. 8) showing the gross profit or loss on each department.

### SEVENTH ASSIGNMENT

Close the books, taking cognizance of and establishing group accounts for income from sales, cost of goods sold, selling expense, administrative expense, other income, deductions from income and in turn closing the group accounts into the profit and loss account.

### EIGHTH ASSIGNMENT

Review Part I. Be sure that you understand everything which has been covered. If there is anything which is not clear, ask the instructor, *in class*, to explain it. By so doing you may



## *Introduction to Accounting*

bring up something which is of general interest as well as save the instructor the work of explaining the same thing several times.

Bear in mind that your sets (Part I) will be called for at the next session of the class.

## PART II

### NINTH ASSIGNMENT

Mr. Austin has been ambitious for some time to get into the business of manufacturing drugs and chemicals. He has been prevented from this by lack of capital. B. Bennett, with whom Austin has become acquainted, offers a solution to the problem.

Arrangements are effected whereby Bennett agrees not only to buy an interest in the business which Austin owns, but to advance such additional capital as will enable them to take up manufacturing.

New books are to be opened and kept at the manufacturing plant. The organization is to be converted into a copartnership. The retail operations are to be carried in the books as a department secondary to the manufacturing department.

The following is the contract of copartnership:

#### *Articles of Copartnership*

This agreement, entered into in the city of New York, on the thirty-first day of May, nineteen hundred and twelve, between Arthur Austin, party of the first part, and Bertron Bennett, party of the second part, witnesseth as follows:

For the purpose of engaging in the manufacture and sale of drugs, chemicals, and sundries the parties hereto agree to form a general copartnership under the name of Austin & Bennett.

The term of the copartnership shall be ten years unless sooner terminated by death or mutual consent.

The party of the second part shall pay to the party of the first part, for and in consideration of a one-half interest in the retail drug business of the said party of the first part, the sum of five thousand (\$5,000.00) dollars. It is mutually agreed that the goodwill of said business shall be valued at \$3,717.18.

It is further agreed that the party of the second part shall advance to the business from time to time such sums as are required to engage in manufacturing or further extend said busi-

## *Introduction to Accounting*

ness. For such advances said party of the second part shall receive interest at the rate of 10% per annum (legal method of calculation).

The party of the first part shall give his entire time to the business, and shall receive as compensation therefor fifty dollars (\$50.00) per week.

The party of the second part shall give at least one-half of his time to the business and shall receive as compensation therefor one hundred dollars (\$100.00) per month.

Should the party of the second part desire at any time to advance funds to the business he shall receive on such advances interest at the rate of 10% per annum (legal method of calculation).

Profits or losses are to be shared equally. Accounts are to be stated monthly. In case of death of either party to this agreement, the death in so far as it affects the accounts of the business shall be considered as having occurred at the end of the month. The withdrawal of the share of the deceased partner shall depend upon the requirements of the business and shall be paid to the heirs as soon as the business will permit without prejudice.

In witness whereof the parties hereto have signed their names and affixed their seals this thirty-first day of May, nineteen hundred and twelve.

(Signed) ARTHUR AUSTIN (seal).

(Signed) BERTRON BENNETT (seal).

The ledger accounts in Part II will be arranged four to the page. They will be designated on each page respectively by the letters "a," "b," "c," "d."

Taking as a basis the balance sheet of A. Austin, dated May 31, 1912, and having in mind that no postings are to be made except from books of original entry, open the books of Austin & Bennett, using as a guide the numerals and letters indicating the pages and location on the pages as follows: 1a, land and buildings, \$40,000.00; 1d, furniture and fixtures, \$1,215.77; 2c, merchandise inventory, \$3,408.14; 3c, stationery, \$20.00; 3d, postage, \$6.00; 4a, cash in hand, \$2,505.45; 4b, petty cash, \$11.68; 4c, traveling expense funds, \$75.00; 4d, customers' controlling account, \$882.48; 5a, notes receivable, \$571.64; 5b, accrued interest on notes receivable, 31¢; 6a, rent paid in advance, \$9.20; 6b, insur-

## *Introduction to Accounting*

ance unexpired, \$29.80; 6c, discount on notes payable, \$12.16; 7b, bond and mortgage payable, \$35,000.00; 7c, salaries and wages accrued, \$104.84; 7d, accounts payable, \$1,425.54; 8a, notes payable, \$5,000.00; 8b, interest accrued on bond and mortgage payable, \$350.00; 8c, interest accrued on notes payable, \$30.00; 8d, expense accrued, \$48.36; 9c, notes receivable discounted, \$506.07; 10a, A. Austin, capital, \$6,282.82.

Make such entries as are necessary to bring the books into agreement with the provisions of the copartnership agreement, assuming that Bennett paid Austin \$5,000.00 on June 1st. Open B. Bennett capital account on folio 11a; goodwill, folio 2a.

The schedule of nominal accounts to be used in Part II, and which should be opened, beginning at the top of page 12 with eight accounts to the page, is as follows: gross sales; sales returns; trade discount on sales; sales allowances; outward freight and cartage; gross purchases; purchase returns; trade discount on purchases; purchase allowances; inward freight and cartage; duty; labor direct; labor indirect; superintendence; factory office salaries; factory office expense; heat, light, and power; factory supplies; factory expense; alterations, repairs, and renewals; provision for depreciation of plant equipment; cost of goods sold; stable and garage expense; salaries of salesman; traveling expenses of salesmen; commission expense; advertising; salaries of partners; salaries of general office clerks; stationery and printing expense; postage expense; telegraph and telephone; general office expense; legal expense; general expense; cash discount on purchases; interest on bank balances; interest on notes receivable; income from securities owned; commission earned; income from retail department; interest on bond and mortgage payable; interest on notes payable; interest on loans payable; cash discount on sales; rent expense; insurance expense; taxes; royalty expense; provision for doubtful accounts; provision for depreciation of furniture and fixtures; provision for depreciation of buildings.

### TENTH ASSIGNMENT

The account with the retail department is to be established (folio 5c) by closing out to said account the following: merchandise inventory (exclusive of wholesale inventory, \$1,487.36), \$1,920.78; stationery (advertising circulars), \$20.00; postage,

## *Introduction to Accounting*

\$6.00; cash, \$592.13; accounts receivable (exclusive of accounts of L. P. Judson, \$321.63, and B. F. Harmon, \$468.51, which are wholesale accounts), \$92.34; rent paid in advance, \$9.20; insurance paid in advance, \$29.80; salaries accrued (exclusive of salary of traveling salesman, \$50.00), \$54.84; accounts payable, \$1,425.54; expenses accrued (exclusive of estimated traveling expense of salesman, \$35.00), \$13.36.

Closing out the above accounts to the retail department account should give as a result a debit balance of \$1,176.51. This it will be seen practically constitutes an investment in the retail department by the firm of \$1,176.51.

In order that the full significance of this situation may be appreciated, the retail books (general ledger, journal and cash books—Part I) should be brought into agreement with the firm's books in so far as the retail department account is concerned. When this has been done the capital account in the retail books will equal the investment in the retail department as shown by the firm's books, namely, \$1,176.51.

Subsequent transactions affecting the merchandise account in the retail books will for purposes of brevity ignore the classification of merchandise.

The transactions for the month of June were as follows:

(1)

Bennett advanced \$25,000.00 in cash, (credit B. Bennett, loan account, folio 11B). E. J. Cutting paid note due June 1st, in the amount of \$65.57 and interest, \$0.32. Purchased land and buildings at Port Chester, N. Y., for \$75,000.00, paying \$25,000.00 in cash and assuming a mortgage of \$50,000.00, due June 30, 1913, interest at 6%, payable July 1st and January 1st; last paid January 1, 1912. The interest accrued was deducted from the cash paid. Legal expenses in connection with closing of title, recording mortgage, title insurance, etc., \$1,500.00 (charge legal expense deferred). The buildings are fairly well adapted to the purposes of the firm. There is required, however, a building for explosives and inflammable materials and a garage. Contracts for these are let to A. Berger, in the respective amounts of \$2,000.00 and \$2,500.00. (No entries necessary.) Purchased of the Andrews Motor Company a truck for \$4,800.00;

## *Introduction to Accounting*

estimated life, 5 years from June 1st (charge horses, wagons, and motors, folio 1C). Purchased of The Library Bureau, office furniture, \$748.93; estimated life, 10 years. The plant equipment, for which a new account should be opened (folio 1B), is estimated as being worth \$12,000.00, with a life of ten (10) years from June 1, 1912. The estimated life of the old buildings is fifteen (15) years. Contract for shifting partitions to make rooms for receiving and shipping departments let to A. Berger, in the amount of \$75.00. Purchased gasoline from J. Barry & Son, \$22.50.

### ELEVENTH ASSIGNMENT

(June 3)

Austin calls on Bennett for more cash. Apparently Bennett's ready money is low, as he suggests to Austin that they borrow on call from his brokers, Porter & Post, \$30,000.00, giving as security 40 Mich. Centl. 1st 5s, interest January 1st and July 1st, quoted on June 3d at 104. Austin consents, and it is agreed that the securities shall be treated as an advance to the firm, the ownership of the securities being vested in the firm. Charge securities owned (folio 2B), and accrued interest on securities owned (folio 5D), and credit B. Bennett's loan account.

Received \$30,000.00 from Porter & Post, on call loan at 8%. Received expense account of salesman amounting to \$31.85. Mailed him check for \$81.85, covering his salary and expense account for the month of May. Purchased of R. A. Maltbie & Son, on account, drugs and chemicals for manufactured goods; list, \$2,527.92; trade discount, 10%; discount for cash 10 days, 2%. Purchased of A. B. Cloy & Son, containers, \$186.75; trade discount, 5%. Purchased bulk goods (trading goods) of Tanner & Blackman; list, \$2,328.46; trade discount, 10%. These goods are bought in bulk, subdivided and sold in packages bearing the name of Austin & Bennett. They may be entered net. The profit or loss on this class of goods will be determined through an account, "trading goods" (folio 3B), which will be operated like a merchandise account. Transferred \$100.00 to imprest cash. Purchased of Perry & Smith, 40 tons of soft coal, \$134.00.

*Introduction to Accounting*

(4)

Purchased of W. J. DeVoe, on account, horses, wagon, and harness, \$864.00; estimated life, 10 years from June 1st. Paid B. Lind out of petty cash for account books, \$5.40 (charge general office expense); cable, via American Cable Company, to Boeringer & Soehne, \$2.75 (charge telephone and telegraph). Deposited check for \$250.00 with N. Y., N. H. & H. R. R. Co. for freight charges. This amount is to stand as a deposit with the freight agent at Portchester, who will charge freight bills against the deposit and notify the shipper when the fund needs to be replenished. Returned containers to A. B. Cloy & Son, on account of wrong sizes, \$29.30; trade discount, 5%; net, \$27.84; freight, \$1.40, chargeable to Cloy. Purchased of A. Disbrow & Company, forage for horses, \$27.00. Purchased oil and waste from B. Tanner, \$16.25.

(5)

Signed contract with "The Retail Druggist," a trade paper, for a one-page ad. monthly; contract price, \$720.00 per year; space to be billed monthly as used. Engaged three additional salesmen: one at a salary of \$50.00 per week, to begin June 10th; one at a salary of \$100.00 per month, to begin June 6th; the third on a 3% commission basis, except on trading goods; guaranteed drawings of \$100.00 per month, beginning with month of June. Installed a tablet machine obtained from The Eric Bausman Company under a royalty agreement whereby said company is to receive ten (10) cents per thousand (1,000) on all tablets made on said machine; minimum monthly charge, \$50.00. Rented small building from DuBarie & French for storage purposes; annual rental, \$480.00, payable monthly in advance; occupancy to begin June 5th. Insured buildings and equipment in the Manufacturers' Mutual Fire Insurance Company for one year from date; invoice for premium received from Porter & Anderson, \$365.00. Bought postage stamps out of petty cash, \$15.00. Gave office boy 50¢ for carfare. Sent new traveling salesmen each a check for \$150.00 for expense funds.

(6)

Received from Bell Telephone Company invoice for telephone service one month in advance on yearly contract of \$96.00.

## *Introduction to Accounting*

Purchased of The Library Bureau, on account, guide cards and folders for general office files, \$8.40. Received invoice of The Trow Press for printing stationery, \$24.00; advertising matter, \$48.00; announcement cards, \$12.00. Paid A. Berger \$1,000.00 on account; \$500.00 to apply on garage and \$500.00 on buildings for explosives (charge land and buildings). Purchased from Smith & Flint, on account, one machine for making boxes, \$1,200.00; estimated life, 8 years from June 1, 1912. Purchased from W. W. Sunderland, lumber and nails for boxes, \$45.00. Purchased from Stillman & Potter, drugs and chemicals for manufacturing purposes, \$3,798.27 net. Received bill from Employers' Liability Company for premium on liability insurance for the year from date, \$730.00.

(7)

Factory payroll for the week ended June 6th (Thursday), labor direct, \$1,250.72; labor indirect (porters, boxmaker, receiving and shipping clerks, etc.), \$50.00; superintendence, \$100.00; factory office salaries, \$75.00; engineer and fireman, \$22.00 (charge heat, light, and power); driver and chauffeur, \$20.00 (charge stable and garage expense). The above entry is to be made in the journal, charging the accounts indicated and crediting salaries and wages accrued. Purchased trading goods from B. Fink; list, \$827.91; trade discount, 15%; discount for cash 10 days, 3%.

(8)

Austin drew salary for the week ended June 7th, \$50.00 (charge salaries of partners). Paid general office salaries for the week ended June 8th (Saturday), \$65.00. Paid factory payroll, \$1,498.32. Made a claim against J. Barry & Son for unsatisfactory gasoline; allowance, \$2.25.

(10)

Sold J. T. Lawson, on account, manufactured goods through Salesman Burr, \$586.27; trade discount, 5%; net, \$556.96; discount for cash 10 days, 2%. Paid B. Guerdon out of imprest cash for factory brooms and mops, \$7.80 (charge factory expense). Received bill of A. Jackson for repairs to boxmak-



### *Introduction to Accounting*

ing machine, \$3.50. Paid F. Haddon out of imprest cash for factory time cards, \$5.00 (charge factory office expense). Paid A. Meeker out of imprest cash for labels, twine and corks, \$27.32 (charge factory supplies). Sent R. A. Maltbie & Son a check for their invoice of June 3d; invoice, \$2,275.-13; cash discount, \$45.50; check, \$2,229.63.

(13)

Contributed by check, \$50.00, to Portchester Y. M. C. A. (charge general expense). Sold B. Guilford & Co., through Salesman Purdy, manufactured goods; list \$792.40; trade discount, 10%; net, \$713.16. Shipped manufactured goods on consignment to Biddle & Biddle, Chicago, Ill., \$1,527.92 (charge consignees and credit consigned sales). Payroll for the week ended June 13th (Thursday), direct labor, \$4,789.52; indirect labor, \$50.00; superintendence, \$100.00; factory office salaries, \$82.50; engineer and fireman, \$22.00; driver and chauffeur, \$20.00.

(15)

Paid on account of factory payroll, \$5,083.42. Austin drew salary, \$50.00. Paid general office salaries, \$65.00; salary of B. Burr, salesman, \$50.00. Austin and Bennett discuss the proposition of taking in a special partner, one C. Carlton, who is willing to invest \$25,000.00. It is decided to admit Carlton to the copartnership. The articles of agreement are so amended that Carlton is to receive one-fifth of the profits while Austin and Bennett divide the remainder. It is stipulated, however, that Carlton's share of the profits shall equal at least interest on his investment at the rate of 10% per annum. The agreement is not changed otherwise, and the law relative to the filing of a certificate with the county clerk, etc., in the case of a limited copartnership is complied with. Carlton pays \$25,000.00 into the firm. Paid the following accounts by check: Andrews Motor Co., \$4,800.00; Library Bureau, \$757.33; J. Barry & Son, \$20.25; A. B. Cloy & Son, \$148.17; Perry & Smith, \$134.00; A. Disbrow & Co., \$27.00; B. Tanner, \$16.25; Bell Telephone Co., \$8.00; Trow Press, \$84.00; Smith & Flint, \$1,200.00, less 2%, \$24.00, net \$1,176.00; W. W. Sunderland, \$45.00; Stillman & Potter,

## *Introduction to Accounting*

\$3,798.27, less 2%, \$75.96, net, \$3,722.31; Employers' Liability Co., \$730.00.

(17)

An explosion, injuring two of the operatives, and terminating in a fire, occurred on Monday morning. Received invoice from Boeringer & Soehne, Hamburg, for goods for manufacturing purposes, \$3,275.28, ocean freight and marine insurance prepaid, \$175.83, duty paid by check at New York, \$818.82. There was also received from the same concern a consignment of \$525.92 (selling price), ocean freight and marine insurance prepaid, \$45.27, duty paid by check at New York, \$131.48. Make no entry except for duty, which is to be charged to Boeringer & Soehne consignment account. Received invoice of "The Retail Druggist" for June insertion, \$60.00. Purchased for cash, 150 shares of The Clune Chemical Company at 95; par value \$100 each.

### TWELFTH ASSIGNMENT

(June 20)

The fire loss is fixed by appraisers at \$3,000.00. The company agrees to make a settlement in said amount, which offer is accepted (charge insurance company and credit buildings). The firm sends for A. Berger to estimate on restoring the property. Berger agrees to do the work inside of ten days, but submits a bid of \$3,200.00 for the contract. After considerable discussion the bid is accepted in view of the speed with which the contractor agrees to do the work. Claims aggregating \$5,000.00 are filed against the firm by representatives of the injured employees. These claims are turned over to the liability insurance company for settlement. Payroll for the week ended Thursday, June 20, \$7,132.92, comprised as follows: labor direct, \$6,843.92; labor indirect, \$57.50; superintendence, \$100.00; factory office salaries, \$82.50; engineer and fireman, \$29.00; stable expense, \$20.00. Sold Dixie Drug Co., through Salesman Burr, manufactured goods, \$1,127.84.

*Introduction to Accounting*

(22)

Tanner & Blackman drew at 10 days' sight on Austin, Bennett & Carlton in the amount of \$2,095.62. The draft was accepted, payable July 2d. Paid payroll, \$7,132.92; general office salaries, \$65.00; salary of B. Burr, salesman, \$50.00. Received check for \$3,000.00 from insurance company.

(24)

Received note of J. T. Lawson, dated June 23, 1912, in the amount of \$556.96, bearing interest at 6%, payable July 23, 1912. Received check from B. Guilford & Company in the amount of \$698.90, covering invoice of June 13th, \$713.16, less 2% cash discount, \$14.26. Sold K. Patton, through Salesman Young, manufactured goods, \$794.87 net. Sold Essex Drug Company, through Salesman Purdy, trading goods, \$125.32; manufactured goods, \$826.43. (No commission allowed to salesmen on trading goods.) Borrowed \$5,000.00 from West Side Bank on note dated June 24th, payable July 24th, with interest at 5%.

(26)

K. Patton returned 2 cases of potassium carbonate, \$14.40, and claimed \$5.75 for goods damaged in transit. The claim was allowed. Austin died. Paid A. Berger \$4,000.00, distributed as follows: inflammable building contract, \$1,500.00; garage contract, \$1,500.00; shifting partitions, \$75.00; factory contract, \$925.00. P. Purdy, salesman, drew \$25.00 on account of monthly salary.

(27)

Payroll for the week ended Thursday, June 27, \$7,029.79, distributed as follows: labor direct, \$6,734.29; labor indirect, \$57.50; superintendence, \$100.00; factory office salaries, \$89.00; engineer and fireman, \$29.00; driver and chauffeur, \$20.00.

(28)

Sales of manufactured goods: to B. Kepper Drug Co., through Salesman Young, \$286.59 net; to M. Townsend, Cleveland,

## *Introduction to Accounting*

O., F.O.B. New York, through Salesman Burr, manufactured goods, \$187.50; trading goods, \$237.82; freight prepaid on shipment, \$18.75.

(29)

Paid payroll for factory, \$7,025.79; general office salaries, \$65.00; B. Burr, salesman, \$50.00. Received invoice of A. Berger for fire loss contract, \$2,275.00. Sold R. H. Hoe, through Salesman Purdy, manufactured goods, \$1,272.43, net. The distribution of the imprest cash voucher (which is to be put through the purchase book), amounting to \$63.77, for which a check is drawn, is as follows: general office expense, \$5.40; telephone and telegraph, \$2.75; postage, \$15.00; general expense, \$0.50; factory expense, \$7.80; factory office expense, \$5.00; factory supplies, \$27.32. Take a trial balance.

### THIRTEENTH ASSIGNMENT

Make the necessary entries prior to closing the books, having in mind the following facts: depreciation on the building occupied by the retail department is to be charged to the retail department at the rate of 3% per annum; furniture and fixtures in store, 5% per annum. The inventories are: merchandise, including supplies such as gasoline, coal, etc., \$1,875.39; goods in process, \$27,843.21; finished goods, \$4,579.54; trading goods, \$2,564.13; stationery, \$8.50; postage, \$6.38. The estimated traveling expenses of the several salesmen are \$430.00. The freight charges reported by the station agent amount to \$224.37. Upon analysis the distribution of this amount is found to apply as follows: inward freight, \$129.43; Cloy returns, \$1.40; Townsend shipment, \$18.75; outward freight, \$74.79, of which \$10.72 is on Boeringer & Soehne consignment goods. The sales of Boeringer & Soehne consignment goods to sundry customers of Austin, Bennett & Carlton amount to \$419.76. The account sales rendered to Boeringer & Soehne deducts commission of 5%, which is correct. The legal expenses deferred are to be spread over a period of one year. Consignees report sales of \$237.40 subject to a commission of 5% and cartage of \$5.40 and remit by check \$220.13. The consumption of supplies has been—gasoline, \$21.25; coal, oil and waste, \$130.25; forage, \$22.00. The stable

## *Introduction to Accounting*

and garage expense based on tonnage carted is to be distributed, 65% to inward freight and cartage and 35% to outward freight and cartage. The tax rate in New York city for the year 1911 was \$1.64 per thousand, while in Portchester it was \$1.27. The New York City property was assessed at \$30,000.00; the Portchester property at \$60,000.00. The tablets manufactured under the royalty agreement with Eric Bausman numbered approximately 625,000. Provide for a reserve of 1% on all sales (gross). The garage is completed but bill not yet received. The interest on bank balances is \$29.43. The following trial balance at June 30, 1912, was received from the retail department: merchandise inventory (May 31st), \$1,920.78; stationery, \$5.00; postage, \$2.00; cash, \$1,144.93; accounts receivable, \$920.16; rent paid in advance, \$9.20; insurance unexpired, \$27.32; salaries accrued, \$29.84; accounts payable, \$2,654.44; expenses accrued, \$2.85; Austin, Bennett & Carlton, \$1,506.04; sales, \$5,327.82; purchases, \$4,728.90; selling expense, \$340.22; administrative expense, \$93.27; other income, \$12.80; rent, \$10.00; insurance, \$2.48; interest on bond and mortgage payable, \$175.00; interest on notes payable, \$24.86; taxes, \$4.10; profit and loss (taxes), \$20.50; depreciation of furniture and fixtures, \$5.07; depreciation of buildings, \$100.00. The inventory, June 30th, was \$2,781.94.

### FOURTEENTH ASSIGNMENT

Close the books and prepare:

- (a) General balance sheet, June 30, 1912. (Statement No. 9.)
- (b) Statement of income and profit and loss for the month ended June 30, 1912. (Statement No. 10.)

### FIFTEENTH ASSIGNMENT

Review Part II. Ask the instructor, in class, to explain anything which is not clear. Sets (Part II) will be required at the time of the mid-year examination.

## PART III

### SIXTEENTH ASSIGNMENT

In order to preserve the organization after Austin's death, Bennett and Carlton decide to incorporate. The papers are therefore drawn on June 29th as follows:

#### THE HARFORD CHEMICAL COMPANY

##### *Certificate of Incorporation*

We, the undersigned, all being of full age, citizens of the United States, and at least one of us being a resident of the State of New York, desiring to form a corporation pursuant to provisions of the Business Corporations Law of the State of New York, do hereby certify, that,

1. The name of the proposed corporation shall be The Harford Chemical Company.

2. The purposes for which it is formed are as follows:

To carry on the general business of manufacturing chemists. To import, export, manufacture, buy, sell, and deal in, both at wholesale and retail, any and all kinds of drugs, chemicals, and kindred sundry supplies; and to purchase, establish, maintain, and operate factories, agencies, and depots for the manufacture, sale, and distribution of any or all of such articles. To enter into any and all kinds of contracts, agreements, and obligations with any person or persons, corporation or corporations, incident to the foregoing.

To borrow or raise money for the purposes of the company, to secure the same and any interest therein, and for that purpose or any other purpose, subject to the provisions and restrictions hereinafter set forth, to mortgage all or any part of the present or after acquired property rights, and franchises of the company, and to issue notes, bonds, debentures, and other evidences of indebtedness.

To subscribe for or cause to be subscribed for, to purchase,

## *Introduction to Accounting*

invest in, acquire, hold, own, sell, assign, transfer, mortgage, pledge, exchange, distribute, or otherwise dispose of, the whole or any part of the shares of stock, bonds, mortgages, debentures, notes, coupons, and other securities, obligations, contracts, and evidences of indebtedness of any corporation domestic or foreign, and to issue and exchange therefor its shares of stock, bonds, or other obligations, and to exercise in respect to any such shares of stock, bonds, or other securities, any and all rights, powers, and privileges of individual owners or holders, including the right to vote thereon, and to aid in any manner as permitted by law, any corporation or association of which any bonds, or other securities, or evidences of indebtedness, or stock, are held by this corporation, and to do any acts or things designed to protect, preserve, improve, or enhance the value of any such stock, bonds, or other securities, or evidences of indebtedness, and to organize or promote or facilitate the organization of subsidiary companies.

To do all and everything necessary, suitable, useful, or proper for the accomplishment of any of the purposes or the attainment of any of the objects, or the furtherance of any of the powers hereinbefore set forth, as principal or agent, either alone or in association with other corporations, firms, or individuals, and to do every other act or acts, thing or things incidental or appurtenant to, or growing out of, or connected with, any of the aforesaid purposes, objects, or powers, or any part or parts thereof, and to do any such acts or things to the same extent and as fully as natural persons might or could do.

3. The amount of the capital stock shall be one million dollars (\$1,000,000.00).

4. The capital stock shall be divided into five thousand (5,000) shares of preferred stock, of the par value of one hundred dollars (\$100.00) each; and ten thousand (10,000) shares of common stock, of the par value of fifty dollars (\$50.00) each. The amount of capital with which the corporation shall begin business is five hundred dollars (\$500.00).

5. The location of the principal business office is to be at 81 Carpenter Street, in the town of Port Chester, State of New York.

6. The duration of the corporation is to be perpetual.

7. The number of directors shall be three, of which at least two shall be stockholders.

*Introduction to Accounting*

8. The names and post-office addresses of the directors for the first year are as follows:

- B. Bennett, 261 West Seventy-second Street, New York City.
- C. Carlton, Rye, New York.
- H. Montague, 165 West Eighty-sixth Street, New York City.

9. The names and post-office addresses of the subscribers to this certificate, and the number of shares of preferred stock which each agrees to take in the corporation are as follows:

- B. Bennett, 261 West Seventy-second Street, New York City, 1 share.
- C. Carlton, Rye, New York, 1 share.
- M. G. Austin, executor for estate of A. Austin, 126 West Eightieth Street, New York City, 1 share.

In witness whereof, we have made, signed, acknowledged, and filed this certificate in duplicate.

Dated this 29th day of June, 1912.

(Signed) B. BENNETT, (seal).  
(Signed) C. CARLTON, (seal).  
(Signed) M. G. AUSTIN, executor (seal).

STATE OF NEW YORK }  
COUNTY OF WESTCHESTER } ss.:

On this 29th day of June, 1912, before me personally came B. Bennett, C. Carlton, and M. G. Austin, to me personally known to be the persons described in and who made and signed the foregoing certificate and severally duly acknowledged to me that they had made, signed, and executed the same for the uses and purposes therein set forth.

(Signed) J. T. DIMLAWN,  
Notary Public, Westchester County, No. 27.

Upon executing the above certificate of incorporation, Bennett advanced \$1,000.00 for expenses and one copy was sent to



*Introduction to Accounting*

the Secretary of State, accompanied by a filing fee of \$10.00 and \$1.13 for the recording fee (charge organization expense), which is based on the number of words in the charter consisting of seven hundred and fifty at fifteen cents (15¢) per hundred. There was also sent to the State Treasurer a check for \$500.00, covering the organization tax of one-twentieth of one per cent of the authorized capital stock.

Notice of payment of tax to the State Treasurer having been received by the Secretary of State, who files and records the certificate (July 1, 1912), official notice of filing is received by the corporation.

The duplicate original of the certificate is filed with the clerk of the county in which the principal place of business is located, accompanied by a filing fee of 6 cents, and a recording fee of 75 cents (10 cents per hundred words).

The corporate existence of a newly organized corporation begins when the certificate of incorporation is officially filed by the Secretary of State.

The books of The Harford Chemical Company may be opened by the following entry:

Preferred Capital Stock Unissued.....	\$500,000.00
Common Capital Stock Unissued.....	500,000.00
To Preferred Capital Stock Authorized	\$500,000.00
Common Capital Stock Authorized	500,000.00

For authorized capital stock of The Harford Chemical Company incorporated under the laws of the State of New York, July 1, 1912, with an authorized capital stock of one million dollars, divided into five thousand (5,000) shares of preferred of the par value of \$100.00 each and ten thousand (10,000) shares of common of the par value of \$50.00 each.

Meetings of the incorporators and directors were held July 1st, and the following by-laws were adopted:

BY-LAWS OF THE HARFORD CHEMICAL COMPANY

ARTICLE I—MEETINGS OF STOCKHOLDERS

SECTION 1. The annual meeting of the stockholders of this company shall be held at the office of the corporation in the Town of Port Chester, on the first Monday in July of each year, at 12 o'clock, noon, for the election of directors and such other business as may properly come before said meeting. \* \* \*

SECTION 2. Special meeting of stockholders, other than those regulated by statute, may be called at any time by a majority of the directors. \* \* \*

ARTICLE II—DIRECTORS

SECTION 1. The directors of this corporation shall be elected by ballot, for a term of one year, at the annual meeting of stockholders, except as otherwise provided for in the case of vacancies.

SECTION 2. The number of directors shall be three, at least two of whom shall be stockholders. \* \* \*

ARTICLE III—OFFICERS

SECTION 1. The board of directors, immediately after the annual meeting, shall choose by a majority vote a president. They shall also elect a vice-president, comptroller, secretary, and treasurer. Each of such officers shall serve for the term of one year, or until the next annual election.

SECTION 2. The president shall preside at all meetings of the board of directors, and shall act as temporary chairman at, and call to order all meetings of the stockholders. He shall sign certificates of stock, sign and execute all contracts in the name of the company, when authorized so to do by the board of directors; countersign all checks drawn by the treasurer; appoint and discharge agents and employes subject to the approval of the board of directors, and he shall have the general management of the affairs of the corporation and perform all the duties incidental to his office.

## *Introduction to Accounting*

SECTION 3. The vice-president shall, in the absence or incapacity of the president, perform the duties of that officer.

SECTION 4. The comptroller shall assist in directing the financial policies of the company, supervise and direct the financial operations and have the general charge of the accounting.

SECTION 5. The secretary shall keep the minutes of the board of directors, the executive committee, and the meetings of stockholders; he shall attend to the giving and serving of all notices of the company, and shall affix the seal of the company to all certificates of stock, when signed by the president and treasurer; he shall have charge of the certificate books and such other books and papers as the board may direct; he shall attend to such correspondence as may be assigned to him and perform all the duties incidental to his office.

SECTION 6. The treasurer shall have the care and custody of all the funds and securities of the corporation, and deposit the same in the name of the corporation in such bank or banks as the directors may elect; he shall sign all checks, drafts, notes, and orders for the payment of money, which shall be countersigned by the president, and he shall pay out and dispose of the same under the direction of the president; he shall at all reasonable times exhibit his books and accounts to any director or stockholder of the company upon application at the office of the company during business hours; he shall sign all certificates of stock signed by the president; he shall give such bonds for the faithful performance of his duties as the board of directors may determine.

### ARTICLE IV—CAPITAL STOCK

SECTION 1. Certificates of stock shall be numbered and registered in the order they are issued, and shall be signed by the president or vice-president and by the secretary or treasurer, and the seal of the corporation shall be affixed thereto. All certificates shall be bound in a book and shall be issued in consecutive order therefrom, and in the margin thereof shall be entered the name of the person owning the shares therein represented, the number of shares, and the date thereof. All certificates exchanged or returned to the corporation, except those which shall be acquired for value, shall be marked cancelled, with the date of cancellation, by the secretary, and shall be immediately pasted in the certificate book opposite the memorandum of its issue.

## *Introduction to Accounting*

SECTION 2. Transfers of shares shall be made only upon the books of the corporation by the holder in person or by power of attorney, duly executed and acknowledged and filed with the secretary of the corporation, and on the surrender of the certificate or certificates of such shares.

### ARTICLE V—DIVIDENDS

SECTION 1. Dividends may be declared out of the accumulated surplus profits as often and at such times as the board of directors may determine.

### ARTICLE VI—AMENDMENTS

SECTION 1. These by-laws may be amended at any stockholders' meeting by a vote of the stockholders owning a majority of the stock, represented either in person or by proxy, provided the proposed amendment is inserted in the notice of such meeting. A copy of such amended by-law shall be sent to each stockholder within ten days after the adoption of the same.

At the meeting of the directors held on July 1st, the following contract was authorized by resolution:

This agreement entered into this first day of July, 1912, between B. Bennett, C. Carlton, and M. G. Austin, executor for the estate of A. Austin, deceased, parties of the first part, and hereinafter called the "vendors," and The Harford Chemical Company, a corporation organized and existing under the laws of the State of New York, party of the second part, hereinafter called the "company," witnesseth as follows:

*Whereas*, The vendors have been carrying on the business of manufacturing chemists at Nos. 81-85 Carpenter Street, in the town of Port Chester, State of New York, as co-partners, under the firm name of Austin, Bennett and Carlton, and are the owners of said business with all the property rights attaching thereto; and,

*Whereas*, The company has been duly organized with an authorized capital stock of one million dollars (\$1,000,000.00), divided into five thousand (5,000) shares of preferred stock of the par value of one hundred dollars (\$100.00) each and ten

## *Introduction to Accounting*

thousand (10,000) shares of common stock of the par value of fifty dollars (\$50.00) each; and,

*Whereas*, The directors of the company have ascertained, adjudged, and declared that the goodwill, business, and property of the vendors, subject to the payment of debts and obligations of the vendors in relation to the said business are justly and reasonably worth the sum of fifty thousand dollars (\$50,000.00), and that the purchase thereof by the company is necessary to enable it to carry out its objects and purposes, as set forth in its certificate of incorporation,

Now, therefore, be it agreed:

1. That the vendors have sold, assigned, transferred, and set over, and do hereby sell, assign, transfer, and set over unto said company, its successors, and assigns, all the right, title, and interest in and to the following described property:

(a) The goodwill of the said business, and all the trademarks and trade-names used in connection with said business.

(b) All expense funds, special deposits, bills of exchange, notes, and negotiable instruments and securities for money, book, and other debts, and choses in action, leases, insurance policies, contracts, and agreements to which the vendors are entitled in relation to said business; all books of account, papers, and documents; all merchandise, stock in trade, manufactured product, raw material, goods in process, supplies, designs, patterns, machinery, fixtures, apparatus, office furniture; formulæ, patents, and patent rights, and all other property and effects of every nature and description owned and used by the vendors in relation to said business and wherever situated.

(c) The vendors further agree to convey to the company by a sufficient deed, the real estate, buildings, and improvements thereon known as Nos. 81-85 Carpenter Street, town of Port Chester, New York, and No. 74 West 181st Street, City of New York, now owned by the vendors.

2. In part consideration of such sale, the company hereby agrees to pay, satisfy, and discharge all the lawful debts and liabilities of the vendors in relation to the said business and to indemnify the vendors and their several heirs, executors, administrators, estates, and effects against all actions, claims, and demands in respect thereof.

3. As further consideration for the sale of the property above mentioned, the company agrees to issue to the vendors

*Introduction to Accounting*

and their nominees, as hereinafter specified, their legal representatives or assigns, certificates of full paid stock of the company in the aggregate amount of fifty thousand dollars, comprised of three hundred and fifty (350) shares of preferred of the par value of \$100.00 each and three hundred (300) shares of common of the par value of \$50.00 each.

In witness whereof, the vendors have hereunto set their hands and seals and the company has caused this instrument to be signed in its behalf by its president and its corporate seal to be hereunto affixed and attested by its secretary, on the first day of July, nineteen hundred and twelve.

In presence of

B. M. TILDEN,	{	(Signed) B. BENNETT,	(L. S.)
		(Signed) C. CARLTON,	(L. S.)
		(Signed) M. C. AUSTIN, Extr.,	(L. S.)
		(Signed) THE HARFORD CHEMICAL CO.,	

Attest:

H. PECK,  
*Secretary.*

By B. BENNETT,  
*President.*

On the same date Bennett, Carlton, and M. C. Austin, each took up five shares of preferred stock, paying cash therefor. Stocks, per agreement of sale, are issued to the members of the firm. Close the books of Austin, Bennett, and Carlton. The profit on the sale to the corporation is divided equally between Bennett and the estate of A. Austin. The assets are distributed as follows: Estate of A. Austin: cash, \$6,725.34; preferred stock, 50 shares; common stock, 100 shares. B. Bennett: cash, \$2,229.60; preferred stock, 150 shares. C. Carlton: cash, \$425.10; preferred stock, 150 shares; common stock, 200 shares.

SEVENTEENTH ASSIGNMENT

The accounts pertaining to the business acquired from Austin, Bennett, and Carlton by The Harford Chemical Company may be spread on the books of the latter by the following entries:

*Introduction to Accounting*

Plant and sundry assets.....	\$50,000.00	
To Austin, Bennett and Carlton..		\$50,000.00
For the business of the latter, acquired in accordance with contract of July 1, 1912, and resolution of directors of same date, in settlement for which The Harford Chemical Company issues \$35,000.00 of preferred stock and \$15,000.00 of common stock.		
Austin, Bennett and Carlton.....	\$50,000.00	
To Preferred capital stock unissued .....		\$35,000.00
Common capital stock unissued		15,000.00
For 350 shares of preferred and 300 shares of common stock issued to Austin, Bennett and Carlton, in accordance with contract of July 1, 1912.		
Sundry assets (enumerated).....	\$239,356.44	
To Plant and sundry assets.....		\$239,356.44
Plant and sundry assets.....	\$210,890.03	
To Sundry liabilities (enumerated) .....		\$210,890.03

Provide for the following accounts, eight accounts to the page, except where otherwise indicated:

Land and buildings; additions to buildings; plant equipment; horses, wagons, and motors; furniture and fixtures; securities owned; J. M. Carlton, Receiver; retail department; goodwill; patents and trademarks; treasury stock; stores department (quarter page); manufacturing department; finished goods stock (manufactured); finished goods stock (trading); postage; stationery; cash in bank; imprest cash; expense funds, freight deposits; The Deutsche Bank, Berlin; accounts receivable; drafts receivable; notes receivable; accrued interest on notes receivable; accrued interest on securities owned; sinking fund; rent paid in advance; insurance unexpired; discount on notes; legal expenses deferred; organization expense; freight on shipments to con-

*Introduction to Accounting*

signees; consignees; plant and sundry assets; Austin, Bennett and Carlton, Vendors; subscribers to capital stock; common stock bonus; The Minturn Chemical Company; Porter and Post; discount on bonds (leave spaces for two accounts); first mortgage bonds unissued; first mortgage bonds authorized; bonds and mortgages payable; loan payable (B. Bennett); taxes accrued; salaries and wages accrued; accounts payable; B. & S. consignment; The Clune Chemical Company; audited voucher deductions; audited vouchers; loans payable; drafts payable; notes payable; dividends payable; interest accrued on first mortgage bonds payable; interest accrued on bonds and mortgages payable; interest accrued on loans payable; interest accrued on notes payable; expenses accrued; reserve for depreciation of buildings and equipment; reserve for doubtful accounts; reserve for containers; consigned sales; notes receivable discounted; preferred capital stock unissued; preferred capital stock authorized; common capital stock unissued; common capital stock authorized; stock donation account; subscriptions to capital stock; profit and loss surplus (leave spaces for two accounts); gross sales, sales returns, sales allowances, outward freight and cartage; provision for reserve for containers; superintendence; factory office salaries; factory office expense; heat, light, and power; factory supplies; factory expense; alterations, repairs, and renewals; provision for depreciation of plant equipment; subdividing department; box-making department; shipping department; power plant expense; factory cost; cost of goods sold; stable and garage expense; salaries of sales manager and sales clerks; salaries of salesmen; traveling expenses of salesmen; commission expense; advertising; salaries of officers; salaries of general office clerks; stationery and printing expense; postage expense; telephone and telegraph; general office expense; legal expenses; general expenses; income from retail department; income from securities; commission earned; interest on bank balances; interest on notes receivable; cash discount on purchases; interest on first mortgage bonds payable; interest on bonds and mortgages payable; interest on notes payable; interest on loans payable; cash discount on sales; rent; insurance; taxes; royalty expense; provision for doubtful accounts; provision for depreciation of buildings; provision for depreciation of furniture and fixtures; goodwill—written off; patents—written off; organization expense—written off; discount on bonds—written off; dividend declared; profit and



## *Introduction to Accounting*

loss. Charge the column on the credit side of the cash book for customers to read "creditors." Charge inventories of trading goods and merchandise to stores department.

Bennett and Carlton donated 200 shares of common stock to be used to obtain working capital. Charge, treasury stock; credit, stock donation account.

On the same date Bennett and Carlton each subscribed for 1,096 shares of the preferred stock, paying in 10% thereon. L. G. Wimbleton also subscribed for 10 shares of common stock, paying 50% on account, and agreeing to pay the balance in ten days. Deposited coupons on Mich. Cent. 1st 5's. Paid interest on Port Chester bond and mortgage. Paid note in favor of Corn Exchange Bank and interest, \$3,045.00. Salaries of officers, fixed by directors as follows: President, \$5,000.00 per annum; vice-president, \$3,000.00; comptroller, \$3,000.00; secretary, \$2,400.00; treasurer, \$2,200.00. Transferred \$100.00 to imprest cash.

### EIGHTEENTH ASSIGNMENT

(July 2d)

Received semi-annual dividend of 3% on stock of The Clupe Chemical Company. Paid draft of Tanner & Blackman in the amount of \$2,095.62. Sent salesmen checks as follows: Benton, salary, \$50.00; expenses, \$58.25; Burr, expenses, \$165.83; Purdy, salary, \$58.33; expenses, \$147.90; Young, salary, \$83.33; expenses, \$125.35. Sold to various persons, for cash, 500 shares of preferred stock, giving as a bonus one share of common stock for every five shares of preferred. M. Sidley appointed sales manager at \$3,600.00 per annum from July 1st.

The balance sheet of The Clune Chemical Company, New York City, June 30, 1912, was as follows: Land and buildings, \$75,000.00; plant equipment, \$50,000.00; motor trucks \$5,000.00; furniture and fixtures, \$8,000.00; merchandise, \$10,000.00; goods in process, \$5,000.00; finished goods, \$20,000.00; cash, \$8,520.00; accounts receivable, \$25,789.00; notes receivable and interest, \$5,025.00 (notes dated June 1, 1912, due September 1, 1912, interest 6%, accrued to July 1, 1912); insurance unexpired, \$100.00; bond and mortgage payable and interest, \$50,750.00 (mortgage dated October 1, 1909, due October 1, 1914, interest 6%, payable April 1st and October 1st, last paid April 1, 1912);

## *Introduction to Accounting*

salaries and wages accrued, \$2,500.00; accounts payable, \$37,850.00; notes payable and interest, \$25,250.00 (notes dated May 1, 1912, due August 1, 1912, interest 6%, accrued to July 1, 1912); dividend payable, \$1,500.00 (3% on \$50,000.00); reserve for depreciation of buildings and equipment, \$27,600.00; capital stock, \$50,000.00 (500 shares, par value \$100.00 each); profit and loss surplus, \$16,984.00.

From the foregoing open the account in the ledger of The Clune Chemical Company, four accounts to the page. A journal entry is not necessary.

Paid Attorney C. H. Edwards \$500.00 for services and expenses in connection with organization of The Harford Chemical Company (charge organization expense).

There has been introduced into this set an audited voucher register. This book is designed to supersede the purchase journal and creditors' ledger used in preceding sets. It is in effect a list of creditors, in connection with columns for distribution purposes. The distribution columns serve in the same manner as those in purchase journal while each creditor is given a line, for each voucher drawn in his favor, instead of an account in the creditors' ledger. As creditors are paid, the date of payment is inserted in the column at the left of the amount column. The aggregate of the open items should, at the end of the month, equal the balance in the controlling account for audited vouchers in the general ledger. The entries in the register are made from vouchers, upon which the invoices are assembled, and which vary in form, size, and arrangement according to individual tastes. The face of the voucher usually shows the number, date, amount, name, and address of the creditor, list of the invoice with date and amount, and is approved as to correctness by the bookkeeper, or some clerk, as to distribution by the manager, or superintendent, and for payment by the comptroller or auditor. The reverse side of the voucher shows the distribution. Many vouchers are now combined with checks and are known as check vouchers or voucher checks.

Voucher No. 1 of The Harford Chemical Company was dated July 2d, in favor of Kirby and Black, in the amount of \$1,550.42. The distribution was: Materials, \$1,527.92; inward freight and cartage, \$22.50. Voucher No. 2, July 2d, A. B. Cloy & Son, \$932.03; containers, \$894.78; inward freight, \$37.25. Paid A. Berger \$500.00 in full of garage contract. The

## *Introduction to Accounting*

inventories of supplies included in the merchandise inventory of \$1,875.39 were as follows: Coal, oil, and waste, \$20.00; gasoline, \$1.25; forage, \$5.00.

(3)

Purchased for cash 200 shares of the stock of The Clune Chemical Company at 98. Audited Voucher No. 3 in favor of W. E. Duffy in the amount of \$27.50 for gasoline (charge stable and garage expense). Purchased for cash at 60 the entire capital stock (\$5,000.00) of The Minturn Chemical Company, a competitor (open an account for same). While it is the intention to operate the newly acquired corporation as a separate company, it is desired for purposes of accounting control to merge the accounts of the new company with those of the old. The balance sheet of the new company at June 30, 1912, contained the following items: Land and buildings, \$25,000.00; plant equipment, \$10,000.00; horses, wagons, and harness, \$1,500.00; furniture and fixtures, \$1,200.00; merchandise, \$12,000.00; goods in process, \$3,000.00; finished goods, \$18,000.00; cash, \$345.00; accounts receivable, \$16,327.00; notes receivable and interest, \$2,020.00 (notes dated May 1, 1912, due August 1, 1912, interest 6%, accrued to June 30, 1912); insurance unexpired, \$36.00; profit and loss deficit, \$1,236.00; bond and mortgage payable and interest, \$20,400.00 (mortgage dated September 1, 1909, due September 1, 1912, interest 6%, last paid to March 1, 1912); wages accrued, \$1,200.00; accounts payable, \$43,964.00; notes payable and interest, \$20,100.00 (notes dated June 1, 1912, due September 1, 1912, interest 6%, accrued to June 30, 1912); capital stock, \$5,000.00 (50 shares, par value \$100.00 each).

(5)

Paid rent to DuBarie and French for the month \$40.00. Received notice from bank that discounted note of The Stamford Drug Company, in the amount of \$506.07, had been paid. Audited Voucher No. 4, favor of Boeringer and Soehne, for materials, \$7,529.36; inward freight and cartage, \$274.52; duty, \$1,882.34; total, \$9,686.22. Audited Voucher No. 5, favor of Tanner & Blackman, trading goods, \$1,272.30. Deposited \$300.00 with freight agent. Received

*Introduction to Accounting*

from customers, \$527.91. Repaid B. Bennett for cash advance for expenses at time of incorporating.

(6)

Paid note discounted at Waverly Place Bank, \$2,000.00. Charge sales for the week: To The Clune Chemical Company, \$782.93; to other customers, \$13,482.41. Issued 200 shares of common stock to L. M. Hayes for patents on weighing machine. Paid on account of payroll, \$4,978.81 (charge salaries and wages accrued). Returned one barrel of sodium iodide to Kirby and Black, \$28.90. Freight charged to them, \$1.35 (charge audited voucher deductions; credit purchase returns and freight and cartage inward). The account for audited voucher deductions is raised in order to establish a control for items of this nature. The method of handling a transaction of this kind will depend upon whether or not the invoices have been vouchered when the return is made and reported to the office. If the voucher has not been made at such time the amount of the return and freight will be deducted. If the account has been vouchered, the item will be held for deduction from the next voucher. A memorandum on a slip of paper might serve to bring the matter to the attention of the voucher clerk at the proper time, but if the paper becomes mislaid it might never be thought of again. This could not happen if a control for such items is established in the general ledger.

(8)

Sales returns, \$39.47. Allowance by A. B. Cloy & Son for defective containers, \$7.85. Audited Voucher No. 6, Perry and Smith, coal, \$167.50. Drew on The Dixie Drug Company at 10 days' sight for \$1,127.84; draft accepted. Purchased for cash balance of stock (150 shares) of The Clune Chemical Company at 105. Received from customers, \$983.47, less cash discount, \$24.32.

(10)

Porter and Post, brokers, call loan of June 3d, in the amount of \$30,000.00 and are instructed to sell the collateral and sat-

## *Introduction to Accounting*

isfy the loan. B. Kepper Drug Company, which failed owing Austin and Bennett \$286.59, pays 80 cents on the dollar as final liquidation dividend. Purchased for cash 150 shares (par \$100.00 each) of The Kenton Chemical Company at 102. Received from customers, \$2,125.75, less cash discount \$47.82.

(13)

Charge sales for the week, \$15,471.32. Paid audited Voucher No. 1. Paid payroll, \$7,417.09 (charge salaries and wages accrued). Received check from Porter and Post in the amount of \$11,622.46, representing sale of 40 Mich. Cent. 1st 5's at 104½ and accrued interest (\$65.75), less call loan of \$30,000.00 and interest \$243.29.

## NINETEENTH ASSIGNMENT

(July 15th)

A special meeting of the stockholders was held this date. There were present holders of two-thirds of the capital stock outstanding. The directors were authorized by resolution to issue bonds and execute a corporate mortgage as follows:

(*Mortgage*)

This indenture, made this tenth day of July, in the year one thousand nine hundred and twelve, between The Harford Chemical Company, a corporation organized and existing under the laws of the State of New York, and conducting a manufacturing and trading business in said State, party of the first part, and the Colton Trust Company, a corporation organized and existing under the laws of the State of New York, as trustee, party of the second part, witnesseth as follows:

*Whereas*, The party of the first part is desirous of extending its plant, located at 81-85 Carpenter Street, Port Chester, New York; and,

## *Introduction to Accounting*

*Whereas*, For the purpose of acquiring funds with which to finance said contemplated additions and extensions to said plant, The Harford Chemical Company has, in pursuance of a resolution of its board of directors, and with the approval of a majority in interest of all its stockholders, executed two hundred bonds, dated on the first day of July, one thousand nine hundred and twelve, in the amount of one thousand dollars each, payable to the Colton Trust Company of New York, or bearer, in gold coin of the United States of present weight and fineness, on the first day of July, one thousand nine hundred and thirty-two, with interest at the rate of six per cent per annum, payable semi-annually, in like gold coin, on the first days of January and July in each year, and which bonds are numbered consecutively from one to two hundred, both inclusive, and in the following form, to wit:

### UNITED STATES OF AMERICA

#### STATE OF NEW YORK

#### The Harford Chemical Company

First Mortgage Six Per Cent Coupon Bond No. — \$1,000.00

The Harford Chemical Company, a corporation organized and existing under the laws of the State of New York, hereinafter called the company, for value received, promises to pay to the bearer of this bond, or in case this bond be registered, to the registered owner hereof, one thousand dollars (\$1,000.00) in gold coin of the United States of America of the present weight and fineness, on the first day of July, 1932, at the office of the Colton Trust Company in the city of New York, and to pay interest thereon at the rate of six per cent per annum, semi-annually in like gold coin on the first day of January and of July in each year at the office of said Colton Trust Company upon presentation and surrender of the respective coupons hereto attached as they severally become due, until said principal sum shall be fully paid.

This bond is one of a series of two hundred bonds of like date, tenor, and amount, numbered from one to two hundred, both inclusive, issued and to be issued in the aggregate princi-

*Introduction to Accounting*

pal sum of two hundred thousand dollars (\$200,000.00) under the provision of, and equally secured by, an indenture of mortgage or deed of trust, dated July 10, 1912, made to the Colton Trust Company, as trustee, conveying to said trustee the property, rights, franchises, etc., of said company, now owned or to be acquired.

If default shall be made in the payment of the interest of this bond or in the provisions of certain covenants in said mortgage, then the principal of this bond may become due and payable on the conditions and in the manner provided in said mortgage.

This bond shall not become obligatory upon the company until the certificate endorsed hereon shall have been signed by the trustee.

This bond shall pass by delivery unless registered in the name of the owner on the books of the company, such registration being noted on the bond. . . .

In Witness Whereof, the company has caused this bond to be signed by its president or vice-president, and its corporate seal to be hereto affixed, attested by its secretary, and said interest coupons to be executed with the lithographed signature of its treasurer, and this bond to be dated the first day of July, one thousand nine hundred and twelve.

THE HARFORD CHEMICAL COMPANY,

By (Signed) B. BENNETT,

*President.*

Attest:

(Signed) C. CUMMINGS,

*Secretary.*

(*Coupon*)

No. 1 .....\$30.00

On January 1, 1913, The Harford Chemical Company will pay to bearer at the office of the Colton Trust Company in the city of New York, thirty dollars (\$30.00) in gold coin of the United States of America, being six months' interest then due on its First Mortgage 6% Gold Bond No. 1.

C. CARLTON,

*Treasurer.*

*Introduction to Accounting*

*(Trustee's Certificate)*

This is to certify that this bond is one of a series of two hundred bonds, all of which are equally secured by and mentioned in the mortgage within referred to.

COLTON TRUST COMPANY, TRUSTEE,

By \_\_\_\_\_  
*President.*

Now, therefore, this indenture witnesseth, that to equally secure the payment of the principal and interest, etc. . . .

*(Defeasance Clause)*

To have and to hold all and singular the above granted and described property, etc. . . .

And it is further agreed between the parties hereto that the party of the first part shall at the end of each month, beginning with the month of July, 1912, set aside and pay over to the said Colton Trust Company, as trustee, a sum equal to three per cent per annum of the bonds outstanding, which sum with such interest thereon as may accrue, shall constitute a sinking fund, out of which said trust company, as trustee, may purchase at its discretion, bonds of the party of the first part at a price not exceeding one hundred and five.

THE HARFORD CHEMICAL COMPANY,  
By (Signed) B. BENNETT,  
*President.*

Attest:

C. CUMMINGS,  
*Secretary.*

(Seal)

COLTON TRUST COMPANY,  
By (Signed) GORDON J. PALMER,  
*President.*

Attest:

D. A. FARNSWORTH,  
*Secretary.*

(Seal)



*Introduction to Accounting*

Set up the issue of bonds in the journal as follows:

First mortgage bonds unissued. . . . .	\$200,000.00	
To First mortgage bonds authorized . . . . .		\$200,000.00

For authorized issue of 200 first mortgage coupon gold bonds of \$1,000.00, each dated July 1, 1912, due July 1, 1932; interest 6%, payable January 1st and July 1st; authorized by stockholders at special meeting held July 15, 1912.

(16)

Audited Voucher No. 7, Library Bureau, \$18.75, cost cards for use in factory office. Mailed checks for accounts payable, \$4,333.72. Purchased draft from International Banking Corporation for 65,000 marks at 24 $\frac{1}{4}$ , and mailed same to the Deutsche Bank, Berlin, Germany, for deposit (carry the number of marks and the rate to the ledger account when posting). Allowance to customer for damaged goods, \$35.85. Received from customers, \$15,792.35, less cash discount, \$427.94.

(18)

Sold bonds 1-125, inclusive, to the Corporate Securities Company for cash at 92 (charge discount on bonds, \$10,000.00; cash, \$115,000.00; credit, first mortgage bonds unissued, \$125,000.00). Audited Voucher No. 8, J. T. Dann, \$116.25, lumber for boxes. Audited Voucher No. 9, E. J. Peck & Co., \$10.50, factory supplies. Paid Voucher No. 6. Sales allowances, \$47.83. Received from customer, ninety-day note in the amount of \$4,000.00, bearing interest at 6%. Receiver appointed for The Minturn Chemical Company. Close the Minturn accounts out to an account with J. M. Carlton, Receiver.

(20)

Sales, \$18,379.89. Paid on account of payroll, \$7,173.82. Draft of Dixie Drug Company, \$1,127.84, reported paid. Sales re-

*Introduction to Accounting*

turns, \$26.50. Audited Voucher No. 10, J. H. Hoffman, advertising agent, \$1,040.00, for advertising, 80% of which is to be used in July. Received from customers, \$4,798.23. Paid bond and mortgage of \$50,000.00 with interest to date in cash and refunded bond and mortgage of \$35,000.00 with first mortgage six per cent bonds. Note of J. T. Lawson, due July 23d, renewed for one month.

(22)

Remitted draft for 55,232.57 marks on The Deutsche Bank of Berlin to Boeringer & Soehne, covering open account, \$3,-451.11; consignment, \$256.57; Voucher No. 4, \$9,686.22. Audited Voucher No. 11, Pitman & Company, \$22.75, repairs to boiler. Signed contracts for new buildings in the amount of \$75,000.00, it being stipulated that a payment shall be made on account when certain building materials are delivered on the grounds.

(24)

Tanner and Black drew at ten days' sight for \$1,272.30. The draft was accepted. Issue note payable in the amount of \$10,000.00 to The Clune Chemical Company. The note will be due in three months and bears interest at 5%. It was discounted on July 24th by The Clune Chemical Company at the Clinton Place Bank. The proceeds were \$10,000.00. Paid Voucher No. 8, taking off 2% for cash ten days. Note payable in favor of West Side Bank extended to August 24th.

(27)

Sales, \$17,432.12. Received from customers, \$3,284.93. Paid payroll, \$7,660.36. Audited Voucher No. 12, Yawman and Erbe Mfg. Co., \$10.80, files for general office use. Paid Voucher No. 10. Received from customer, sixty-day notes in the amount of \$3,500.00, bearing interest at 6%. Shipped on consignment to L. Blauvelt, Chicago, manufactured goods, \$8,792.35. Sold The Clune Chemical Company, on account, exchange on Berlin, 4,767.43 marks at 24 $\frac{3}{4}$ .

## *Introduction to Accounting*

(29)

Drew at 10 days' sight on R. H. Hoe for \$1,272.43. The draft was accepted. Audited Voucher No. 13, The Clune Chemical Company, \$18,984.11 for materials, \$12,794.12; inward freight and cartage, \$562.95; trading goods, \$5,627.04. Transfer from audited vouchers to current account with the company. Audited Voucher No. 14, H. L. Cooley, \$75.00, sign for factory. Paid \$12,500.00 on account of building contract (charge Additions to Buildings). Paid B. Bennett \$10,000.00 on account of loan and interest.

(31)

Sales, \$11,985.43. Audited Voucher No. 15, imprest cash, \$95.82, for soap and towels, factory, \$12.75; postage, \$25.00; sundry general expenses, \$58.07. Check for \$95.82 drawn to reimburse imprest cash. Summary of payroll book for the month: stores department, \$122.65; manufacturing department, \$20,650.07; superintendence, \$450.00; factory office salaries, \$400.48; subdividing department, \$8,493.79; box-making department, \$57.50; shipping department, \$182.05; power plant, \$130.48; stable and garage expense, \$89.98; salaries, sales clerks, \$184.00; salaries, general office clerks, \$306.67; total, \$31,067.67. Paid salaries of officers, \$1,300.00 and salary of sales manager, \$300.00.

The directors, in anticipation of sufficient profits, declared a dividend of  $1\frac{1}{2}\%$  on the preferred stock, payable on August 10th to stockholders of record July 31st.

### TWENTIETH ASSIGNMENT

Make postings for the month, beginning with the journal, following with the cash book, and take a trial balance.

### TWENTY-FIRST ASSIGNMENT

In connection with the memorandum appearing below, each account should be carefully scrutinized and all instruments read over in order that accounts which affect, or are affected by, accruals, unearned, unexpended, or expended proportions, depreci-

ation, interest, reserves, funds, etc., may be properly treated before the books are closed. Set up the accruals and closing entries.

For purposes of computing depreciation, which will be charged respectively to power plant expense and stable and garage expense, the power plant is valued at \$5,000.00 with a ten-year life and the garage at \$2,500.00 with a twenty-year life. The life of the building for inflammables is estimated at twenty years. The goodwill is to be written off over a period of twenty-five months. The retail department reports profits for the month, after deducting charges made against it by The Harford Chemical Company, of \$1,250.00 and remits \$1,000.00 on account. The life of a patent is seventeen (17) years. Those acquired had been in force seven years prior to their acquisition. The inventory in the stores department was \$3,618.39, made up of \$1,573.26 trading goods and \$2,045.13 goods for manufacturing; manufacturing department, \$12,272.15; finished goods stock (manufactured), \$6,459.72; finished goods stock (trading), \$5,892.21. The traveling expenses of salesmen are estimated at \$500.00. The freight charges for the month, amounting to \$294.12, are distributed as follows: stores department for inward freight and cartage, \$92.14; outward freight, \$168.65; shipments to consignees, \$27.93 (charge freight on consigned goods); Boeringer & Soehne consignment, \$5.40. An error was made in computing the accrued interest on note of J. T. Lawson at June 30th. The interest should have been 64 cents instead of \$6.40, as computed. The rent paid in advance was \$5.81. The unexpired insurance was \$926.00. Organization expenses are to be written off to the extent of \$16.91. The inventory of postage was \$15.00; stationery, nil. Wimbleton's stock subscription has been forfeited. The balance in marks on deposit with the Deutsche Bank, Berlin, is 5,000. Marks were quoted at 24.6 on July 31st. Bring down the balance at the new rate and carry the profit on exchange to profit and loss. The discount on bonds is to be spread over the life of the bonds. The inventory of coal, oil, and waste was \$38.95; gasoline and forage, \$8.50; lumber in box-making department, \$20.00; boxes in shipping department, \$56.40. There were manufactured goods unpacked in the subdividing department inventoried at \$527.84. Stable and garage expense is to be distributed 25% to stores department for inward freight and cartage and 75% to outward freight and cartage. The salaries of salesmen

## *Introduction to Accounting*

for the month amounted to \$750.00; commissions, \$897.23. The advertising paid in advance was \$208.00. Items for telephone and telegraph amounting to \$18.75 have been overlooked in closing. The royalty expense for the month was \$76.30. A reserve of 1% on the gross sales is to be created for doubtful accounts. The sales of trading goods amounted for the month to \$4,327.82. The sales of Boeringer & Soehne consignment goods to customers for the month amounted to \$67.40. The commission on these goods is 5%. The interest on bank balances for the month is \$135.62. The sales prices of certain goods include a charge for containers which are returnable when empty. The aggregate of these charges, it is estimated, amounts to  $1\frac{1}{2}\%$  of the gross sales of manufactured goods. The labor in the subdividing department applicable to trading goods was \$1,262.31. The inventory value of goods held by consignees of The Harford Chemical Company was \$6,527.19.

Close out the nominal accounts so that no accounts will remain on the ledger except those which appear, or are represented, on the balance sheet.

### TWENTY-SECOND ASSIGNMENT

Prepare condensed general balance sheet (statement No. 11) of The Harford Chemical Company, July 31, 1912, and a statement of income and profit and loss (statement No. 12) for the month ended on same date. These statements must be prepared without instruction from the instructor and must be handed in with part three of the sets when called for.

### TWENTY-THIRD ASSIGNMENT

The Harford Chemical Company having acquired *all* the capital stock of The Clune Chemical Company, a corporation "organized for and engaged in business similar or incidental to that of the possessor company," it is desired to merge the two companies at July 31, 1912. The entries of the latter necessary to bring the accounts up to said date are as follows: merchandise purchases, from sundry creditors, \$40,916.29; from The Harford Chemical Company, \$782.93. Cash receipts: from note of The Harford Chemical Company discounted, \$10,000.00; from

### *Introduction to Accounting*

customers, \$67,267.21. Cash disbursements: labor, \$34,430.33; factory supplies, \$694.92; factory expenses, \$1,286.47; salaries and wages accrued, \$2,500.00; salaries and expenses of salesmen, \$637.82; administrative expenses, \$532.28; dividend payable, \$1,500.00; creditors, \$25,394.28. The wages accrued at July 31st were \$843.12. Exchange purchased from The Harford Chemical Company on account and remitted to a foreign creditor, \$1,179.94. Administrative expenses incurred on account, \$331.99. Interest accrued on bond and mortgage to July 31st, \$250.00. The discount on the note of The Harford Chemical Company was \$125.00. The accrued interest on notes receivable was \$25.00. The discount on the Hartford note, applicable to July, to be charged to discount expense and credited to discount on notes receivable is \$9.59. The sales to customers were \$60,343.32; to The Harford Chemical Company, \$18,984.11. The interest on notes other payable was \$125.00. The depreciation on buildings and equipment was \$300.00; the inventories July 31st, merchandise, \$12,473.19; goods in process, \$10,349.13; finished goods, \$17,411.93; insurance, \$80.00.

Close the books of The Clune Chemical Company and make the necessary entries on the books of The Harford Chemical Company.

### TWENTY-FOURTH ASSIGNMENT

J. M. Carlton having, on July 18th, been appointed receiver for The Minturn Chemical Company, proceeds, upon taking charge, to open a new set of books consisting of a ledger and a journal. (Make the opening entries and postings.)

An investigation and appraisal discloses the following condition of affairs: land cost \$2,000.00, but is admitted by real estate appraisers to be worth \$4,500.00; buildings are worth \$20,000.00; equipment, \$9,000.00. The bond and mortgage covers both buildings and equipment. The interest on the mortgage from June 30th to July 18th was \$56.61. Horses, wagons, and harness are valued at \$400.00; furniture and fixtures, \$100.00. The taxes accrued were \$255.21. The wages accrued in connection with goods in process were \$2,500.00. Accounts payable, amounting to \$325.96, for merchandise, not on the books, were discov-

## *Introduction to Accounting*

ered. The merchandise was appraised at \$3,425.00; goods in process at \$200.00; finished goods at \$5,000.00. The cash contained I. O. U.'s, which were worthless, amounting to \$50.00. The accounts receivable were considered \$9,257.28 good; \$5,274.16 doubtful, but would probably realize \$2,500.00; uncollectible, \$1,795.56. The interest accrued on the notes receivable (which were good) from June 30th to July 18th was \$11.39. The interest on notes payable from June 30th to July 18th was \$56.61. The unexpired insurance, figured at the short rate, was \$19.72. One creditor to the extent of \$3,000.00 was secured by a chattel mortgage on the merchandise; another creditor holding a claim of \$2,500.00 is partially secured by a chattel mortgage on the merchandise. The balance of the creditors are unsecured.

Prepare a statement of affairs (statement No. 13) and a deficiency account (statement No. 14).

### TWENTY-FIFTH ASSIGNMENT

The transactions of the receiver were as follows: merchandise purchased on account, invoices not booked at time receiver took charge, \$325.96; taxes accrued, \$255.21; wages accrued, \$1,300.00; furniture and fixtures sold for \$437.25; furniture and fixtures remaining on hand valued at \$25.00; cash disbursed for labor on goods in process, \$538.42; merchandise (raw) sold for \$4,328.62; goods in process sold for \$5,232.76; notes receivable and interest collected, \$2,030.00; land, buildings, and equipment sold for \$30,000.00; taxes paid by the purchaser; horses, wagons, and harness sold for \$250.00; collections on accounts receivable—those that were considered good, \$8,175.82; doubtful, \$3,341.18; uncollectible, \$225.16; finished goods sold for \$4,500.00; estimated value of finished goods remaining on hand, \$500.00; insurance policy cancelled—return premium, \$5.06. Other cash disbursements—wages, \$2,500.00; bond and mortgage and interest, \$20,600.00; expenses of administration, \$1,200.00; creditor holding chattel mortgage of \$3,000.00; creditor holding chattel mortgage (of \$2,500.00), \$1,328.62; first dividend of 35%, \$21,021.47; second dividend of 10%, \$6,006.13. The I. O. U.'s in the cash should be charged off.

Close the books of the receiver and prepare a statement of realization and liquidation. (Statement No. 15.)

TWENTY-SEVENTH ASSIGNMENT (see page 62)

You are requested by J. R. Walker and Company, bankers, who have been investigating The Harford Chemical Company as well as The Kenton Chemical Company and The United Drug Company with a view to bringing about a consolidation of said companies, to prepare a consolidated general balance sheet (statement No. 16), showing the combined status of the three companies. You note that there was an error made in tax rates in the case of The Harford Chemical Company prior to the merger and that The Clune Chemical Company at the time of the merger had failed to provide for the taxes accrued on its property. The rates in the case of the Harford should have been \$16.40 and \$12.70 respectively, per thousand, so that the accrual should have been \$731.50 instead of \$73.15. You ascertain that the accrual for the Clune should have been approximately \$825.00.

The balance sheets of the two other companies at July 31, 1912, are as follows:

The Kenton Chemical Company—assets—plant and equipment, \$300,000.00; investment, 300 shares of the capital stock of The United Drug Company, par \$30,000.00, cost \$28,500.00; stocks of other companies, \$22,000.00; treasury stock, \$25,000.00; patents, copyrights, and goodwill, \$50,000.00; bulk goods and containers, \$45,982.75; goods in process, \$22,933.26; packed stock, \$19,884.24; miscellaneous inventories, \$986.27; cash in hand and on deposit, \$82,931.14; accounts receivable, The United Drug Company, \$5,267.92; others, \$170,656.24; notes receivable and interest, \$25,047.92; rent paid in advance, \$325.00; insurance unexpired, \$6,452.16; organization expense, \$5,000.00; advertising paid in advance, \$1,500.00; discount on bonds, \$14,782.94; total assets, \$827,249.84. Liabilities and capital—first mortgage, six per cent gold bonds, due 1928, outstanding, \$300,000.00; taxes accrued, \$3,265.25; salaries and wages accrued, \$427.62; accounts payable, \$36,997.12; notes payable, The United Drug Company, \$10,256.12; others, \$19,971.56; interest accrued on first mortgage bonds, \$1,500.00; expenses accrued, \$350.00; reserves, \$20,500.00; common capital stock, authorized, \$1,000,000.00; unissued, \$600,000.00; profit and loss surplus, \$33,982.17; total liabilities and capital, \$827,249.84.

The United Drug Company—assets—plant and equipment,



## *Introduction to Accounting*

\$500,000.00; investments, 400 shares of the capital stock of The Kenton Chemical Company, par \$40,000.00, cost \$40,800.00; stocks of other companies, \$19,550.00; treasury stock, \$100,000.00; patents, trademarks, and goodwill, \$75,000.00; bulk goods and containers, \$53,217.82; goods in process, \$45,872.43; packed stock, \$37,945.32; miscellaneous inventories, \$1,043.15; cash in hand and on deposit, \$76,487.62; accounts receivable, \$327,827.93; notes receivable, The Kenton Chemical Company, \$10,256.12; others, \$35,270.01; rent paid in advance, \$975.00; insurance unexpired, \$10,982.14; organization expense, \$10,000.00; advertising paid in advance, \$2,500.00; discount on bonds, \$19,485.20; total assets, \$1,367,212.74. Liabilities and capital—first mortgage, six per cent gold bonds, due 1925, authorized, \$500,000.00; unissued, \$100,000.00; taxes accrued, \$4,317.18; salaries and wages accrued, \$15,627.94; accounts payable, The Kenton Chemical Company, \$5,267.92; others, \$92,653.96; notes payable, \$51,227.62; interest accrued on first mortgage bonds, \$5,000.00; expenses accrued, \$2,500.00; dividend payable, \$30,000.00; reserves, \$35,000.00; common capital stock, authorized, \$1,000,000.00; unissued \$500,000.00; profit and loss surplus, \$225,618.12; total liabilities and capital, \$1,367,212.74.

### TWENTY-SIXTH ASSIGNMENT

Review. Part III to be turned in at the next session.

## PART IV

### TWENTY-EIGHTH ASSIGNMENT

The General Chemical Company, a holding company, organized under the laws of the State of New York, filed its certificate of incorporation August 1, 1912. The authorized capital stock consisted in 20,000 shares of preferred of the par value of \$100.00 each and 20,000 shares of common of the par value of \$100.00 each.

The entire issue of stock, exclusive of 10 shares of preferred, which was paid for in cash by the incorporators, was underwritten by J. R. Walker and Company. The contract with said bankers stipulated that the price at which they should settle for the preferred should be 90, the common 80, and that any stocks of The Harford Chemical Company, The Kenton Chemical Company, or The United Drug Company, which the bankers might acquire and turn over to The General Chemical Company should be accepted at par.

An issue of 6% collateral trust gold bonds of the General Chemical Company in the amount of \$500,000.00 (500 one-thousand-dollar bonds), executed as of August 1, 1912, was also underwritten by Walker and Company at 98.

The underwriters having acquired, subsequent to July 31, 1912, options on the stock of the above-mentioned companies, proceeded to purchase same, and on August 15, 1912, turned over to The General Chemical Company \$1,000,000.00 in cash and the following securities:

The Harford Chemical Company:		
3,057 shares preferred .....	\$305,700.00	
400 shares common.. .....	20,000.00	\$325,700.00
The Kenton Chemical Company:		
4,000 shares.....		400,000.00
The United Drug Company:		
5,000 shares .....		500,000.00
Total par value of stocks..		\$1,225,700.00

## *Introduction to Accounting*

Open the books of The General Chemical Company.

The underwriters settled with the holders of the stocks of the subsidiary companies as follows: Harford stockholders received (the subscribers to 2,192 shares having taken up their subscriptions) 125 bonds, 1,807 shares of preferred and 1,104 shares of common stock; Kenton stockholders, 175 bonds, 2,250 shares of preferred, and 1,125 shares of common stock; United stockholders, 200 bonds, 3,000 shares of preferred and 1,500 shares of common stock. The balance of the preferred was sold by the underwriters for cash at 97 and the balance of the common at 89. The balance due The General Chemical Company was paid in cash.

Frame the journal entries and set up the skeleton ledger accounts covering the transactions as they would appear on the books of the underwriters. Carry the transactions to a conclusion and ascertain the profit made by the underwriters. (Statement No. 17.)

### TWENTY-NINTH ASSIGNMENT

The transactions of The General Chemical Company subsequent to August 1st and exclusive of those in the preceding assignment were as follows:

August 10th. Received dividend of \$1,297.50 on The Harford Chemical Company stock. The United Drug Company stock was acquired ex-dividend.

August 15th. Advanced \$500,000.00 to The Kenton Chemical Company for plant extension. Notes dated August 15th, interest 6%.

August 20th. Purchased capital stock of The Barton Chemical Company. Four thousand (4,000) shares, par value \$100.00 each. Cost, \$448,000.00.

August 31st. Deposited cash with sinking fund trustee under the provisions of sinking fund clause in the mortgage securing six per cent bonds, \$4,166.66. Paid salaries, \$10,000.00; expenses, \$5,000.00.

September 4th. Purchased bonds of The Harford Chemical Company at par, \$40,000.00. Received dividends on stocks of subsidiaries, \$12,057.00.

September 16th. Purchased capital stock of The American Drug Company (5,000 shares, par value \$100.00 each), \$525,000.00.

## *Introduction to Accounting*

September 30th. Deposited \$4,166.66 with sinking fund trustee. Paid salaries, \$10,000.00; expenses, \$2,000.00.

October 4th. Received dividends on stocks of subsidiaries, \$39,807.00. Purchased bonds of The United Drug Company at par \$100,000.00; accrued interest, \$1,500.00.

October 23d. Sinking fund trustee purchases out of the sinking fund 5 bonds of The General Chemical Company at 105. This is not reported until October 31st, when the trustee's report is received showing in addition to the three deposits (including October 31st) and the above transaction, accumulations of interest on the fund of \$27.53.

October 31st. Notice of dividends of subsidiaries received, \$39,807.00. Deposited \$4,166.66 with sinking fund trustee. Paid salaries, \$10,000.00; expenses, \$1,200.00. The interest on bank balances was \$1,579.82. The accrued interest on bonds of subsidiaries was \$900.00; interest on notes receivable, \$6,250.00; interest accrued on bonds payable, \$7,500.00. Declared quarterly dividend of  $2\frac{1}{2}\%$  on the preferred stock.

Close the books and prepare (a) General balance sheet, October 31, 1912 (statement No. 18) and (b) statement of income and profit and loss for the three months ended October 31, 1912 (statement No. 19).

### THIRTIETH ASSIGNMENT

Review. Part IV must be turned in, not later than the date of the final examination. Sets will positively not be received after such time and students who fail to comply with this requirement will be conditioned in the subject.