

**ACCOUNTING STUDENTS'
SERIES. ACCOUNTING
PRINCIPLES**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649035151

Accounting Students' Series. Accounting Principles by Samuel F. Racine

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

SAMUEL F. RACINE

**ACCOUNTING STUDENTS'
SERIES. ACCOUNTING
PRINCIPLES**

**ACCOUNTING STUDENTS'
SERIES**

Accounting Principles

By

SAMUEL F. RACINE

Certified Public Accountant

Branch Office and Corporation Accounting
Specialist and President The Western Insti-
tute of Accountancy, Commerce and Finance

1913

Copyright, 1913, by
SAMUEL F. RACINE

Published by
THE WESTERN INSTITUTE OF ACCOUNTANCY, COMMERCE
AND FINANCE
Leary Building, Seattle

Press of
LOWMAN & HANFORD PRINTING AND STATIONERY COMPANY

PREFACE

During the time we have been conducting the Western Institute of Accountancy, Commerce and Finance, we have been considerably handicapped by not having a book sufficiently complete or reliable as a treatise on the principles of accounting; correspondence with other colleges and universities discloses that they also have felt the need of a more authentic work on the subject, and this work is intended to provide such institutions, and also the hard working, conscientious, evening student with a book that will answer the requirements and will bridge the distance between Bookkeeping and Advanced Accounting. Our task has been not only to cover the field of the C. P. A. Examinations but also to confine the work within one volume.

The author wishes to express his sincere gratitude to his friends who so kindly offered suggestions and criticisms and to whom much of the merit of this book belongs.

SAMUEL F. RACINE,
Seattle, 1913. Certified Public Accountant.

254348

CONTENTS

CHAPTER I.

BOOKKEEPING

	PAGES
Defined; Methods; Single Entry; Double Entry; Advantage of Double Entry in Business Accounts; Disadvantages of Double Entry; Municipal; Objections to Usual Form; C. P. A. Questions.....	1-7

CHAPTER II.

SINGLE ENTRY.

Proving Accuracy of Posting; The Audit of; Statement of Affairs; Statement of Assets and Liabilities; Ascertaining Profit; Resource and Liability Method; Preparing a Profit and Loss Account; Changing to Double Entry; Journal Entry; C. P. A. Questions.....	8-16
---	------

CHAPTER III.

ACCOUNTS AND ACCOUNTING; ACCOUNTS—CHARACTER.

Account Defined; Accounting Defined; Accountant Defined; Certified Public Accountant Defined; Division of Accounts; Character; Personal; Impersonal; C. P. A. Questions	17-23
---	-------

CHAPTER IV.

ACCOUNTS—FORM.

Construction of Account Forms; Journal Forms; Standard; Debits and Credits Widely Separated; Ledger Forms; Standard; To Facilitate Reference Between Debits and Credits; Showing Balances; Additional Columns for Monthly Totals; Detail Columns; Combined; Capital and Income; Capital Stock and Subscription; Wide Explanation Columns; Special Information; Leaders; Folios Classified; Amounts Classified; Boston Bank Ledger; Membership Ledger; Narrow or Short Pages; Questions for Written Work.....	24-37
--	-------

CONTENTS

CHAPTER V.

CLASSIFIED JOURNALS.

	PAGES
Advantages of Classifying; Classified by Books; by Pages; by Columns; Tabular Proof; Sales Book; Invoice Book; Purchase Journals; Questions for Written Work	38-41

CHAPTER VI.

CASH RECORDS.

Cash Book; Two Column; Tabular; Treatment of Discounts; Memorandum Columns; Standard Columns; Daily Balance Book; Advantages of; Separate Book for Cash and Bank; Check and Deposit Register; Questions for Written Work	42-51
--	-------

CHAPTER VII.

ACCOUNTS—CONTENTS.

Major; Individual; Mixed; Specific; Collective; Summary; Subsidiary; Rent or Deposit; Current; Adjuncts; Offsets; Mixed Accounts; How Created; Principal Ones; Merchandise; Interest and Discount; Freight and Express; Machinery or Equipment; Equipment Ledger; Plant; Land and Buildings; Goodwill; Treasury Stock; Expense; Rent, Insurance, Heat, Etc.; C. P. A. Questions	52-65
---	-------

CHAPTER VIII.

INDIVIDUAL OR SPECIFIC ACCOUNTS.

Accounting Requirements; Principal Specific Accounts and Their Contents; Purchases; Sales; Gross Profit; Inventory; Valuing Stock; Raw Material; Partly Manufactured Goods; Finished Goods; C. P. A. Questions	66-79
--	-------

CHAPTER IX.

CASH.

Statement of Receipts and Disbursements; Statement of Revenue and Expenses; Statement of Income and Expenditures; Proper Items in a Cash Account; Certificates of Deposit; Trust Funds; I. O. U.'s; C. P. A. Questions	80-83
--	-------

CONTENTS

xi

CHAPTER X.

CAPITAL AND REVENUE.

	PAGES
Capital Income; Capital Expenditures; Working Capital; Fixed Assets; Current or Floating Assets; Fixed Liabilities; Current or Floating Liabilities; Revenue Income; Revenue Expenditures; Capital and Revenue; Proper Charges to Capital; Proper Deductions from Capital; Proper Charges to Revenue; Mines, Quarries, Etc.; C. P. A. Questions.....	84-89

CHAPTER XI.

INVESTMENTS.

Investments in Real Estate; Investments in Stocks; Investments in Bonds; Investments in Securities; C. P. A. Questions	90-98
--	-------

CHAPTER XII.

CAPITAL ASSETS.

Their Treatment When Purchased With Money; When Purchased With Property; Organization Expenses; Bonds Issued for Construction Purposes; Proper Charges to Capital After Organization; Double Account System; Articles Prepared for Use of Firm; Moving and Altering; Replacements; Conversions; Appreciation From Outside Sources; C. P. A. Questions.....	99-113
--	--------

CHAPTER XIII.

DEPRECIATION.

Depreciation Defined; Depreciation Charge; What It Includes; Necessity of Providing for Depreciation; Methods of Computing; Interest; Annuity System; Replacement Fund; Effect of Each Plan; Repairs and Renewals; Obsolescence; Abandonment of Property; Sale of Property; Wasting Assets; Rates on Different Objects; Land and Appurtenances; Machinery; Equipment; Horses; Tools; Patterns; Patents; Goodwill; Table of Residual Values; C. P. A. Questions.....	114-139
---	---------

CHAPTER XIV.

GOODWILL.

Computing Value; Based on Excessive Profits; Affected by Various Conditions; What Are Excessive Profits? Manipulation of Accounts; Writing It Up; Anticipated Profits; Upon Sale of Portion of Undertaking; Withdrawal of Partner; Writing Off Goodwill; Badwill; C. P. A. Questions.....	140-154
---	---------

CONTENTS

CHAPTER XV.

LIABILITIES.

	PAGES
Liabilities; Contingent Liabilities; Capital Liabilities; Fixed Liabilities; Proprietorship; C. P. A. Questions	155-161

CHAPTER XVI.

SUBSIDIARY ACCOUNTS.

Use of Subsidiary Accounts; Deferred Charges; Insurance Paid in Advance; Advertising Appropriations; Expenses Incurred in Advance of Sales; Discount on Bonds; Suspense Accounts; Accrued Items; Expenses; Deferred Credits; Premium on Bonds; Premium on Stock; C. P. A. Questions.....	162-170
--	---------

CHAPTER XVII.

RESERVES.

Kinds of; Reserve Accounts; Reserve for Bad Debts; Reserve for Depreciation; Reserve for Fire Losses; Reserve for Deterioration of Stock; Reserve Funds; The Term "Fund"; How Created; Secret Reserves; Advantages and Disadvantages; C. P. A. Questions.....	171-189
---	---------

CHAPTER XVIII.

RESERVE INVESTMENTS.

Reason For; Sinking Fund Investments; Reserve Fund Investments; Investments and Reserves; Assets or Liabilities; Treatment of Income on Investments; Agreement of Accounts; Reserve Accounts and Accretions; Effect of Losses; Liquidating the Investment; Satisfying the Obligation; Disposition of Reserve; C. P. A. Questions	190-206
--	---------

CHAPTER XIX.

MISCELLANEOUS SUBSIDIARY ACCOUNTS.

Divisions of Cash Account; Bank Account; Petty Cash; Reconciliation of Bank Pass Book and Bank Account; Lapping System; Imprest Cash; Revolving Fund; Cash at Bankers; Division of Sales; Cash Sales; Purchases; Cash Purchases; Division of Inventories; C. P. A. Questions.....	207-215
---	---------