

**BOOKKEEPING AND
ACCOUNTING
EXERCISES. PART II**

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Bookkeeping and Accounting Exercises. Part II by R. J. Bennett

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R. J. BENNETT

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ACCOUNTING EXERCISES

PART II

BY

R. J. BENNETT, C.A., C.P.A.



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BENNETT'S BOOKKEEPING AND ACCOUNTING EXERCISES, PART II.

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PREFACE TO PART II

PART I of *Bookkeeping and Accounting Exercises* is designed for students of elementary bookkeeping. **Part II** is intended for more advanced students of bookkeeping and for those making a study of higher accounting. The exercises are designed to accompany and supplement the work of any textbook, but not to replace it; and the various problems are intended as graded drills in advanced bookkeeping and accountancy and to accustom the student to thought and research on different lines of business.

These drills may be used for personal study, for class drills, for home work, or for examination purposes, and part or all of an exercise may be assigned as a lesson as may seem advisable. They are adapted for use in advanced courses in High Schools or Commercial Colleges, and for Schools, Colleges, or Universities conducting courses in Accountancy. While the questions are carefully graded, some of them are made fairly difficult because plenty of easy matter can be found in the regular textbooks. No rules are given, but where necessary the instructor should make suggestions as to the procedure in working out the more difficult examples.

Special features of this book are the extended discussions of Business and Financial Statements, the chapter on Auditing, and the complete Manufacturing Set; also the treatment of Corporations, and the General Review Questions and Problems.

The onward march of business and the facility with which great industries are now conducted demand equal advancement in methods of accounting and systematizing. To meet this need, expert accountants are more than ever in demand as creators of efficient accounting methods and as supervisors and auditors. As a consequence a closer study is being made of accountancy,

of business efficiency, and of accounting systems. Indeed, the work of the accountant carries him into all fields of commerce and industry and requires of him a broad training along many lines. As a result of this efficient work the profession of Accountancy has been fully recognized and is gaining in power and dignity. Over twenty States have already dignified the profession by legislative enactments creating accountancy laws and defining the status of the accountant. These laws have established the degree of Certified Public Accountant (C.P.A.), and only those who pass the required examinations are permitted to use the letters or to hold themselves out as certified public accountants. In England, Canada, and other British possessions a similar degree is given, that of Chartered Accountant (C.A.).

Persons desiring to make a more extended study of accountancy can do so through established resident and correspondence schools, but in any case to become an accountant requires of the student his very best effort at all times and careful, conscientious work.

R. J. BENNETT.

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PART II

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PART II

BUSINESS AND FINANCIAL STATEMENTS

Trading, Manufacturing, Profit and Loss Account

At the end of each year, and sometimes more frequently, it is customary for business concerns to compile Revenue and Financial statements, showing the condition of the business at that particular time, and the profit or loss for the period just ended. These statements vary somewhat in form according to the nature and extent of the business, the amount of detail to be shown, and the ideas of the accountant; but they generally consist of a Balance Sheet and a Profit and Loss account. A Profit and Loss account (sometimes called a Revenue account) shows the earnings of the business side by side with the expenditure, the difference between the two being the net profit or net loss for the year. It is generally divided into sections for the purpose of enabling the manufacturer or merchant to make useful comparisons from year to year, and to locate more readily the causes of any noticeable increase or decrease in the year's gross or net earnings.

The Trading Account

The Trading account (sometimes called the Merchandise account) is the first section of the Profit and Loss account of the business of a non-manufacturing trader, or the second section of the same account taken from the books of a manufacturer. On its debit side it shows the total cost of the goods received into stock, made up of the invoice price plus freight and duty, less returns and allowances, to which must be added the value of the goods remaining unsold; the difference between the debit and credit sides then gives the gross profit of the business. In cases where the figures are to be used for the purpose of compiling comparative percentage statements, it is customary to deduct