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SERIES.
BOOK-KEEPING**

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SIR R. G. C. HAMILTON & JOHN BALL

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PREFACE.

A KNOWLEDGE of the theory and practice of accounts is an important part of the education of every man. It enables him to exercise a due control over his own affairs, or the affairs of others which may be intrusted to him. If he is a merchant, he can ascertain with ease and certainty what he possesses, and whether or not his means justify him in entering into certain speculations and investments. He can see which of his investments have proved profitable and ought to be pursued, and which unprofitable and ought to be discontinued; and he is able to provide to a large extent against error and fraud in the conduct of his business. If he is simply in the receipt of an income from professional or other sources, he knows exactly how his income has accrued, and how it has been spent or invested. He can compare his expenditure for similar objects during different periods, and has his attention directed to any heads under which he may with advantage retrench.

Such a knowledge, however, is not at all common. The reasons are, that its great value does not seem to be generally appreciated, and that the subject is seldom properly taught.

A knowledge of book-keeping does not imply an extensive knowledge of business. The former can be acquired by study, the latter by experience only. It is not our intention to attempt a description of every variety of transaction which occurs in the course of business, but to lay down and illustrate those general principles by the intelligent application of which all problems in book-keeping can be solved.

LONDON, *August 1, 1868.*

A short chapter has been added in the Second Edition on the application of the system of Double Entry to Public Accounts.

LONDON, *March 5, 1869.*

A number of Exercises in Book-keeping, set by the authors as examination papers on various occasions, has been added in this New Edition.

LONDON, *Feb. 1, 1874.*

The Profit and Loss Accounts and Balance Sheets of the Exercises are added in this Edition for the guidance of teachers and students.

LONDON, 1885.

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BOOK-KEEPING.

Accounts may be defined as registers of facts relating to money. The fundamental principle of keeping these registers is that they shall be complete records of such *facts*, and of *facts* only.

In very ancient times accounts were kept by means of tallies and chalk-marks, but for many centuries it has been the custom to reduce them into writing and to record them in books. To this operation the term 'Book-keeping' has been applied.

A mere chronological register of pecuniary facts was soon found insufficient. From such a register the merchant could not tell, without going through every item, how he stood in relation to his various customers, and whether his business was profitable or not. It became necessary that his transactions should be also classified under the names of the various persons dealt with and of the various articles dealt in. This grouping of transactions in separate accounts for the various persons and articles affected by them, led gradually to a perception of the fact that *every* pecuniary transaction has a twofold effect. It became evident that every such transaction is a transfer of money or money's worth, and, being a transfer, that it necessarily involves a giver and a

receiver, and requires an entry to be made both in the account which is diminished, and in the account which is increased. The application of this principle resulted in the method of 'Double Entry'—a method equally applicable to every description of accounts, whether commercial, public, fiduciary, or private; a method simple in its design, and perfect in its results.

Double Entry in a crude and imperfect form appears to have been known to the ancient Greeks and Romans; and there is no doubt that by every merchant or trader, at however remote a period, who endeavoured to record his transactions with exactness, it must have been to some extent employed. Take a very simple case: a corn-dealer who chalked upon the vessel in which he kept his corn the number of measures taken out, and upon his door the number supplied to his customers, under a special mark for each, kept these accounts by Double Entry in a crude form. It was not, however, till A.D. 1495 that the first treatise on book-keeping was produced. It was the work of an Italian teacher, Lucas de Burgo, who detailed the system in use by the intelligent merchants of his day in the trading towns of Italy, since known as the Italian system. This plan, providing, as it did, for the record of the twofold effect of every pecuniary transaction, embodied the vital principle of the method of 'Double Entry;' and although the details and mode of applying the principle have naturally been improved with subsequent experience, yet, under all varieties in the actual practice, the principle itself remains the same.

To record the twofold effect of each transaction involves two separate operations. What is parted with must be deducted from the account (that is the collection